UNITED STATES OF AMERICA

Congressional Record

PROCEEDINGS AND DEBATES OF THE 87th CONGRESS
SECOND SESSION

VOLUME 108—PART 13

AUGUST 20, 1962, TO AUGUST 30, 1962
(PAGES 16957 TO 18298)

UNITED STATES GOVERNMENT PRINTING OFFICE, WASHINGTON, 1962

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PROCEEDINGS AND DEBATES OF THE 87th CONGRESS, SECOND SESSION

HOUSE OF REPRESENTATIVES

MONDAY, AUGUST 20, 1962

The House met at 12 o'clock noon.

The Chaplain, Rev. Bernard Braskamp, D.D., offered the following prayer:

Proverbs 4: 23: *Keep thy heart with all diligence; for out of it are the issues of life.*

O Thou ever-present and ever-blessed God, we beseech Thee to sustain our spirit with faith and fortitude when, in these days, darkness and doom seem to be settling upon the whole world.

Grant that we may frequently go up and down the courts of memory and call to mind the character and conduct of those who faced the future courageously and endured as seeing Him who is invisible.

Make us eager to bequeath and bestow upon humanity those gracious and generous blessings which have come to us in such an abundant measure through the dedicated and devoted lives of men and women of former generations.

May we never be smitten with the blight of ingratitude but inspire us to keep inviolate those lofty ideals which will give us integrity and strength lest we win the battle of life outwardly and lose it inwardly.

Hear us in the name of the Captain of our Salvation. Amen.

THE JOURNAL

The Journal of the proceedings of Thursday, August 16, 1962, was read and approved.

MESSAGE FROM THE PRESIDENT

A message in writing from the President of the United States was communicated to the House by Mr. Ratchford, one of his secretaries, who also informed the House that on the following dates the President approved and signed bills of the House of the following titles:

On August 9, 1962:

H.R. 3788. An act to provide for the transfer of the U.S. vessel *Alaska* to the State of California for the use and benefit of the department of fish and game of such State;

H.R. 7336. An act to promote the production of oysters by propagation of disease-resistant strains, and for other purposes;

H.R. 8141. An act to revise the laws relating to depository libraries;

H.R. 10802. An act making appropriations for the Department of the Interior and related agencies for the fiscal year ending June 30, 1963, and for other purposes; and

H.R. 11289. An act making appropriations for the Department of Defense for the fiscal year ending June 30, 1963, and for other purposes.

On August 13, 1962:

H.R. 10786. An act to establish standards for hours of work and overtime pay of laborers and mechanics employed on work done under contract for, or with the financial aid of, the United States, for any territory, or for the District of Columbia, and for other purposes.

On August 14, 1962:

H.R. 3822. An act for the relief of Ahsabet Oyunciyan;

H.R. 10904. An act making appropriations for the Departments of Labor, and Health, Education, and Welfare, and related agencies, for the fiscal year ending June 30, 1963, and for other purposes; and

H.R. 11737. An act to authorize appropriations to the National Aeronautics and Space Administration for research, development, and operation; construction of facilities, and for other purposes.

On August 16, 1962:

H.R. 2206. An act to authorize the construction, operation, and maintenance by the Secretary of the Interior of the Fryingpan-Arkansas project, Colorado.

MESSAGE FROM THE SENATE

A message from the Senate by Mr. McGown, one of its clerks, announced that the Senate had passed, with an amendment in which the concurrence of the House is requested, a bill of the House of the following title:

H.R. 11040. An act to provide for the establishment, ownership, operation, and regulation of a commercial communications satellite system, and for other purposes.

The message also announced that the Senate had passed a concurrent resolution of the following title, in which the concurrence of the House is requested:

S. Con. Res. 88. Concurrent resolution authorizing a change in the enrollment of S. 2321, the District of Columbia Tissue Bank Act.

ADJOURNMENT OVER

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet on Thursday next.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

CLERK AUTHORIZED TO RECEIVE MESSAGES

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that, notwithstanding the adjournment of the House until Thursday next, the Clerk be authorized to receive messages from the Senate, and that the Speaker be authorized to sign any enrolled bills and joint resolutions duly passed by the two Houses and found truly enrolled.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

COMMITTEE ON THE DISTRICT OF COLUMBIA

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that the Committee on the District of Columbia may have until midnight tomorrow to file certain reports.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

FEES OF U.S. MARSHALS

Mr. FORRESTER. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the bill (H.R. 10651) to amend title 28, United States Code, with respect to fees of U.S. marshals, and for other purposes, with Senate amendment thereto, and concur in the Senate amendment.

The Clerk read the title of the bill.

The Clerk read the Senate amendment, as follows:

Page 2, strike out lines 5, 6, and 7.

The SPEAKER. Is there objection to the request of the gentleman from Georgia?

There was no objection.

The Senate amendment was concurred in.

A motion to reconsider was laid on the table.

SERVICE CONNECTION FOR BLINDNESS

Mr. TEAGUE of Texas. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the bill (H.R. 3728) to amend title 38, United States Code, so as to authorize the Administrator to assign a total rating for compensation to a veteran granted service-connection for blindness of one eye who subsequent to separation from active duty incurs blindness in the remaining eye, with Senate amendments thereto, and concur in the Senate amendments.

The Clerk read the title of the bill.

The Clerk read the Senate amendments, as follows:

Strike out all after the enacting clause and insert: "That subchapter VI of chapter

11 of title 38, United States Code, is amended by adding at the end thereof the following new section:

"§ 360. Special consideration for certain cases of blindness or bilateral kidney involvement

"Where any veteran has suffered (1) blindness in one eye as a result of service-connected disability and has suffered blindness in the other eye as a result of non-service-connected disability not the result of his own willful misconduct, or (2) has suffered the loss or loss of use of one kidney as a result of service-connected disability, and has suffered severe involvement of the other kidney such as to cause total disability, as a result of non-service-connected disability not the result of his own willful misconduct, the Administrator shall assign and pay to the veteran concerned the applicable rate of compensation under this chapter as if his blindness in both eyes or such bilateral kidney involvement were the result of service-connected disability."

SEC. 2. The analysis of chapter 11 of title 38, United States Code, is amended by adding at the end thereof the following:

"360. Special consideration for certain cases of blindness or bilateral kidney involvement."

Amend the title so as to read: "An Act to amend chapter 11 of title 38, United States Code, to authorize special consideration for certain disabled veterans suffering blindness or bilateral kidney involvement."

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

The Senate amendments were concurred in.

A motion to reconsider was laid on the table.

Mr. TEAGUE of Texas. Mr. Speaker, I ask unanimous consent that the bill H.R. 11100 be stricken from the Consent Calendar and indefinitely postponed, in view of the fact that the Senate has passed H.R. 3728 which accomplishes the purposes of the bill H.R. 11100.

The SPEAKER. The gentleman from Texas [Mr. TEAGUE] asks unanimous consent that the bill H.R. 11100 be laid on the table.

Is there objection to the request of the gentleman from Texas?

There was no objection.

SIXTEENTH SEMIANNUAL REPORT ON ACTIVITIES UNDER PUBLIC LAW 480, 83D CONGRESS—MESSAGE FROM THE PRESIDENT OF THE UNITED STATES

The SPEAKER laid before the House the following message from the President of the United States; which was read and, together with the accompanying papers, referred to the Committee on Agriculture and ordered to be printed:

To the Congress of the United States:

I am transmitting herewith the 16th semiannual report on activities carried on under Public Law 480, 83d Congress, as amended, outlining operations under the act during the period January 1 through June 30, 1962.

JOHN F. KENNEDY.

THE WHITE HOUSE, *August 20, 1962.*

OVERTIME PAY FOR CERTAIN AGENCIES

Mr. GROSS. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Iowa?

There was no objection.

Mr. GROSS. Mr. Speaker, since debate is not allowed in consideration of the Private Calendar, I once again call the attention of the House to several bills on the Private Calendar to be called later today which would pay certain individuals in the Immigration Service, the Customs Service, and the Alcoholic and Tax Investigative units overtime pay. Mr. Speaker, I think the Congress ought to establish an overall policy rather than single out a few people for overtime pay through the medium of the Private Calendar, and through the medium of the Judiciary Committee. I cannot approve and will be compelled, although it is not a pleasure to do so, to object to the pending bills dealing with overtime pay until a firm policy is established that will take into account all of those who will very likely file claims for such payments.

CONSENT CALENDAR

The SPEAKER. This is Consent Calendar day. The Clerk will call the first bill on the Consent Calendar.

PRINCE GEORGES COUNTY SCHOOL BOARD, MARYLAND

The Clerk called the bill (H.R. 6759) for relief of the Prince Georges County School Board, Maryland.

The SPEAKER. Is there objection to the present consideration of the bill?

Mr. GROSS. Mr. Speaker, I ask unanimous consent that this bill be passed over without prejudice.

The SPEAKER. Is there objection to the request of the gentleman from Iowa?

There was no objection.

MONETARY AWARD TO RECIPIENTS OF THE NATIONAL MEDAL OF SCIENCE

The Clerk called the bill (H.R. 4055) to amend the act of August 25, 1959, to authorize the payment of a monetary award to recipients of the National Medal of Science.

The SPEAKER. Is there objection to the present consideration of the bill?

Mr. GROSS. Mr. Speaker, reserving the right to object, this bill failed to pass under suspension of the rules 1 week ago today. Mr. Speaker, I object.

Mr. GROSS, Mr. FORD, and Mr. BOW objected.

The SPEAKER. One objection is all that is necessary to prevent the consideration of this bill. The gentleman from Iowa objects. Objection is heard.

TO AMEND THE INTERNAL SECURITY ACT OF 1950

The Clerk called the bill (H.R. 11363) to amend the Internal Security Act of 1950 to provide for the protection of classified information released to or within U.S. industry, and for other purposes.

The SPEAKER. Is there objection to the present consideration of the bill?

Mr. LINDSAY. Mr. Speaker, reserving the right to object, this is the same bill to which I objected 2 weeks ago. In my view it should be debated on the floor and not enacted by unanimous consent. Therefore, I object.

Mr. RYAN of New York, Mr. ROOSEVELT, and Mr. REUSS objected; and, under the rule, the bill was stricken from the Consent Calendar.

Mr. RYAN of New York. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. RYAN of New York. Mr. Speaker, all practical politicians who are aware of the fact that I am being fought by the old-line Tammany machine in the primary in New York have told me that it is a political mistake for me to oppose H.R. 11363. They have pointed out that my opposition will distort this vote, as it has distorted other votes I have cast in defense of civil liberties. Nevertheless, I believe that this is dubious legislation and the Consent Calendar procedure is not the way to bring up a bill of such far-reaching consequences. I cannot remain silent in the face of the threat it poses to civil liberties.

This measure is of far-reaching consequences. It is not restricted to industrial security but section 301 of the bill includes "any industrial, educational, or research organization, institution, enterprise, or other legal entity, located in the United States whether or not operated for profit."

In attempting to provide for a security program H.R. 11363 violates our civil liberties tradition and rejects one of the fundamental concepts of American jurisprudence—the right of cross-examination.

Section 302 of this measure empowers the Secretary of Defense to determine that a person who is being denied classified information shall not have the right to cross-examine his accusers or have access to any of the information against him. In many cases a denial of access to classified information is tantamount to a denial of employment.

The bill also does not provide that a person who is denied access to information by the Secretary of Defense can appeal his decision. The authority granted by H.R. 11363 is specifically exempted from the Administrative Procedure Act.

The Supreme Court in *Greene* v. *McElroy* (360 U.S. 471 (1959)), which H.R. 11363 seeks to clarify, spoke of the importance of confrontation and cross-examination in our democratic system.

On pages 496–497 of the opinion the Court states:

> Certain principles have remained relatively immutable in our jurisprudence. One of these is that where governmental action seriously injures an individual, and the rea-

> sonableness of the action depends on fact findings, the evidence used to prove the Government's case must be disclosed to the individual so that he has an opportunity to show that it is untrue. While this is important in the case of documentary evidence, it is even more important where the evidence consists of the testimony of individuals whose memory might be faulty or who, in fact, might be perjurers or persons motivated by malice, vindictiveness, intolerance, prejudice, or jealousy. We have formalized these protections in the requirements of confrontation and cross-examination. They have ancient roots. They find expression in the sixth amendment which provides that in all criminal cases the accused shall enjoy the right "to be confronted with the witnesses against him."

This measure with the ominous implications of section 302, the absence of any right to appeal and the nonapplicability of the safeguards of the Administrative Procedure Act contravenes our traditional concept of fairness as provided for in the Constitution. The Washington Post in an editorial today opposing this bill states, "Fairness is an asset as well as a virtue in American life."

There are important issues involved in this bill which should be debated. The device of the Consent Calendar should not be used to pass H.R. 11363.

ASSISTANCE FOR CERTAIN FEDERALLY IMPACTED AREAS

The Clerk called the bill (S. 3327) to make certain federally impacted areas eligible for assistance under the public facility loan program.

Mr. GROSS. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. GROSS. Is it noted that there were three objections to the bill, Calendar No. 486?

The SPEAKER. In response to the gentleman's parliamentary inquiry, it required only one objection to prevent its consideration today.

The SPEAKER. Is there objection to the present consideration of the bill?

Mr. GROSS. Mr. Speaker, I ask unanimous consent that the bill, S. 3327, be passed over without prejudice.

The SPEAKER. Is there objection to the request of the gentleman from Iowa?

There was no objection.

RELIEF OF CERTAIN MEMBERS OF THE COAST GUARD

The Clerk called the bill (H.R. 12459) to provide for the relief of certain enlisted members of the Coast Guard.

The SPEAKER. Is there objection to the present consideration of the bill?

Mr. FORD. Mr. Speaker, reserving the right to object, the last time the Consent Calendar was called I had a colloquy with the gentleman from Illinois [Mr. LIBONATI] on this particular case and also in the general area involved in this legislation. Subsequent to the call of the calendar several weeks ago I went into this matter in greater detail. This is not a case of misfeasance or malfeasance. There was a bona fide difference of opinion that resulted in this overpayment. Inasmuch as this was the circumstance I shall not ask that this bill be passed over. On the other hand, Mr. Speaker, I think unless we are insistent that responsibility be placed on the proper people in the executive branch of the Government for a failure properly to exercise their responsibilities we will have a great number of these so-called forgiveness cases. I intend to investigate each one of them personally. I do not intend to permit forgivenesses unless there is a clear injustice. I should add a footnote. We must be firm in placing responsibility on administrative officials in the executive branch of the Government including disbursing officers, paymasters, and others. When they assume their responsibility they are supposed to be familiar with the law and the way in which regulations are interpreted. It is unfortunate that sometimes employees, both civilian and military, are paid money when the money is not due them. It creates serious difficulties to the recipients. I do not like to place the Government in a position of seeking to recapture these funds paid illegally; but unless we are firm and pin financial responsibility on paymasters, disbursing officers, and administrative officials we are going to have continued sloppy work in these areas.

Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER. Is there objection to the present consideration of the bill?

There being no objection, the Clerk read the bill, as follows:

> *Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That all payments of basic allowance for subsistence heretofore made to enlisted members of the Coast Guard who were assigned to the Coast Guard air detachments located at New Orleans, Louisiana; Biloxi, Mississippi; or Corpus Christi, Texas, during the period beginning on July 1, 1958, and ending on May 23, 1961, and which are otherwise correct, are validated to the extent that those allowances were paid because the military commander concerned determined that no Government mess was available to those enlisted members under section 310 of the Career Compensation Act of 1949, as amended (37 U.S.C. 251). Any enlisted member who has made a repayment to the United States of the amount so paid to him as a basic allowance for subsistence is entitled to be paid the amount involved, if otherwise proper.
>
> SEC. 2. The Comptroller General of the United States, or his designee, shall relieve authorized certifying officers of the Coast Guard from accountability or responsibility for any payments described in the first section of this Act, and shall allow credits in the settlement of the accounts of those officers for payments which are found to be free from fraud and collusion.
>
> SEC. 3. Appropriations available to the United States Coast Guard for the pay and allowances of military personnel are available for payments under this Act.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

AMENDING THE HATCH POLITICAL ACTIVITIES ACT

The Clerk called the bill (H.R. 12661) to prevent pernicious political activities (the Hatch Political Activities Act) to eliminate the requirement that the Civil Service Commission impose no penalty less than 90 days' suspension for any violation of section 9 of the act.

The SPEAKER. Is there objection to the present consideration of the bill?

Mr. GROSS. Mr. Speaker, reserving the right to object, the 90 days' suspension provision is probably harsh. But I am unwilling to see a bill passed that sets up no minimum time, say 15 or 30 days. I am unwilling to turn over to the Civil Service Commission the complete discretion to suspend an employee for any period of time that the Civil Service Commission may determine. I am unwilling to give this sort of power for violation of the Hatch Act to the Civil Service Commission.

Mr. Speaker, I ask unanimous consent that this bill be passed over without prejudice.

The SPEAKER. Is there objection to the request of the gentleman from Iowa?

There was no objection.

ADDITIONS TO NATIONAL FOREST IN COLORADO AND NEW MEXICO

The Clerk called the bill (S. 3112) to add certain lands to the Pike National Forest in Colorado and the Carson National Forest and the Santa Fe National Forest in New Mexico, and for other purposes.

There being no objection, the Clerk read the bill, as follows:

> *Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That the exterior boundaries of the Pike National Forest in Colorado are hereby extended to include the following described lands:
>
> SIXTH PRINCIPAL MERIDIAN
>
> *Township 11 south, range 69 west*
>
> Sections 1 to 4, inclusive;
> Sections 9 to 16, inclusive;
> Sections 21 to 27, inclusive;
> Sections 34 to 36, inclusive.
>
> *Township 12 south, range 69 west*
>
> Section 2, west half west half;
> Section 3, east half;
> Section 10, northeast quarter;
> Section 11, west half northwest quarter;
> Section 12, south half northwest quarter, west half southwest quarter;
> Section 13, west half northwest quarter, northwest quarter southwest quarter;
> Section 14, south half northeast quarter, southeast quarter northwest quarter, northeast quarter southwest quarter, northwest quarter southeast quarter;
> Section 21, north half, southeast quarter;
> Section 22, north half, north half southwest quarter, southeast quarter;
> Section 23, southwest quarter southwest quarter;
> Section 26, northwest quarter northwest quarter;
> Section 27, west half southwest quarter;
> Section 28, north half, southeast quarter.
>
> *Township 12 south, range 70 west*
>
> Section 23, southeast quarter;
> Section 24, southwest quarter, northwest quarter southeast quarter, south half southeast quarter;
> Section 25, northeast quarter northeast quarter, west half northeast quarter, west half;
> Section 26, northeast quarter, north half southeast quarter.

SEC. 2. The exterior boundaries of the Carson National Forest in New Mexico are hereby extended to include the following described lands:

NEW MEXICO PRINCIPAL MERIDIAN

Township 23 north, range 9 east

Sections 1 to 5, inclusive;
Sections 9 to 12, inclusive.

Township 24 north, range 9 east

Sections 1 to 4, inclusive;
Sections 9 to 16, inclusive;
Section 20, east half;
Sections 21 to 29, inclusive;
Sections 32 to 36, inclusive.

Township 25 north, range 9 east

Section 1;
Sections 33 to 36, inclusive.

Township 26 north, range 9 east

Sections 25 and 36.

Township 23 north, range 10 east

Section 3;
Section 4, north half, northwest quarter southwest quarter, east half southeast quarter;
Section 5, northeast quarter, northwest quarter southeast quarter;
Section 6, north half, north half southwest quarter.

Townships 24 and 25 north, range 10 east

All.

Township 26 north, range 10 east

All, except east half of sections 13 and 24.

Township 27 north, range 10 east

Sections 31 to 36, inclusive.

Township 24 north, range 11 east

Section 5, southwest quarter, south half northwest quarter, southwest quarter northeast quarter;
Sections 6 to 8, inclusive;
Sections 16 to 19, inclusive;
Section 20, north half, southwest quarter, west half southeast quarter;
Section 29, west half northwest quarter;
Section 30;
Section 31, north half.

Township 25 north, range 11 east

Sections 5 to 9, inclusive;
Section 16, north half, southwest quarter;
Sections 17 to 19, inclusive;
Section 20, north half, southwest quarter;
Section 31, west half.

Township 26 north, range 11 east

Section 6.

Also, that part of the Sebastian Martin grant, as described on survey plat approved December 17, 1892, and filed in volume 4, page 22, New Mexico land claim plat records of the Bureau of Land Management, lying east of the projection northward of the line between lot 4 of section 33 and lot 1 of section 34, fractional township 22 north, range 10 east, New Mexico principal meridian, as shown on public land survey plat of August 8, 1924.

SEC. 3. The exterior boundaries of the Santa Fe National Forest in New Mexico are hereby extended to include the following described lands:

(1) The Polvadera grants as described on plat of survey approved December 18, 1899; and that part of the Juan Jose Lobato grant, as described on plat of survey approved October 19, 1895, lying southerly of the Rio Chama River; excepting from the above areas the town of Abiquiu grant as described on plat of survey approved November 16, 1896, and also as shown on public land survey plat approved July 3, 1940; said grant plats being filed in volume 5, page 31, volume 4, page 12, and volume 8, page 6, respectively, of New Mexico private land claim plat records of the Bureau of Land Management.

(2) The Ojo de San Jose grant as described on plat of survey approved August 21, 1902, and filed in volume 5, page 14, New Mexico private land claim plat records of the Bureau of Land Management, excepting that triangular-shaped part in the northwest corner of said grant which overlaps the east boundary of the Canon de San Diego grant as shown on said plat of August 21, 1902.

(3) The Juan de Gabaldon grant, as described on plat of survey approved July 27, 1896, and filed in volume 2, page 10, New Mexico private land claim plat records of the Bureau of Land Management.

SEC. 4. Subject to any valid existing rights all lands of the United States in areas described in sections 1, 2, and 3 hereof, administered by the Secretary of Agriculture under title III of the Bankhead-Jones Farm Tenant Act of July 22, 1937, as amended (7 U.S.C. 1010–1012), or used by the Secretary of Agriculture for research purposes, are hereby added to and made parts of the respective national forests.

With the following committee amendment:

Page 2, line 13, insert a comma after the word "half" so that the line reads "Section 21, north half, southeast quarter;".

The committee amendment was agreed to.

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

ADDITION OF LAND TO THE WASATCH NATIONAL FOREST

The Clerk called the bill (H.R. 7195) to add certain lands to the Wasatch National Forest, Utah, and for other purposes.

The **SPEAKER**. Is there objection to the present consideration of the bill?

Mr. **GROSS**. Reserving the right to object, Mr. Speaker, I should like to ask a question or two concerning this bill, one of them being, What is going to be the cost to the Federal Government to take care of the provisions of this bill over and above the acquisition of the land?

Mr. **GRANT**. It is my understanding that there will be no cost above the acquisition cost other than ordinary restoration measures.

Mr. **GROSS**. From the report accompanying this bill it seems to be some washing of land involved here. Let me put it this way: One of the reasons for this bill and the expenditure of nearly half a million dollars is to acquire lands to stop the washing of earth, whatever you want to call it, debris, down upon the Union Pacific tracks. Is that why this land is being purchased in whole or in part, and if so, is this expenditure necessary?—acquiring land to stop this sort of impediment to the operation of a railroad?

Mr. **GRANT**. I cannot recall any testimony about it being beneficial to the Union Pacific or any other railroad. It was thought it would be of benefit to the National Forest.

Mr. **GROSS**. It also mentions washing of land, soil, whatever it may be, into a certain canal. I am not clear as to whether this purchase of land is being made for the purpose of stopping this sort of thing.

Mr. Speaker, I ask unanimous consent that this bill be passed over without prejudice.

The **SPEAKER**. Is there objection to the request of the gentleman from Iowa?

There was no objection.

EXTENSION SERVICE—DISTRIBUTION OF FUNDS

The Clerk called the bill (H.R. 12589) to amend the Smith-Lever Act of May 8, 1914, as amended.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Act of May 8, 1914 (38 Stat. 372), as amended by the Act of June 26, 1953 (7 U.S.C. 341–348), and by the Act of August 11, 1955 (7 U.S.C. 347a), is hereby amended as follows:

(a) Section 2 is amended by inserting the words "or Territory or possession" immediately before the words "receiving the benefits of this Act."

(b) Subsection 3(b) is amended by: (1) deleting the phrase ", Alaska, Hawaii, Puerto Rico,"; (2) substituting the word "available" for the word "received"; (3) substituting the date "1962" for the date "1953"; (4) deleting the phrase "such sums shall be"; (5) deleting the phrase ", Alaska, Hawaii, and Puerto Rico as existed immediately prior to the passage of this Act"; and (6) deleting the proviso to said subsection.

(c) Subsection 3(c)1 is amended to read as follows:

"1. Four per centum of the sum so appropriated for each fiscal year shall be allotted to the Federal Extension Service for administrative, technical and other services, and for coordinating the extension work of the Department and the several States, Territories, and possessions."

(d) Subsection 3(c)2 is amended by: (1) deleting so much thereof as precedes the first proviso and substituting therefor the following: "Of the remainder so appropriated for each fiscal year 20 per centum shall be paid to the several States in equal proportions, 40 per centum shall be paid to the several States in the proportion that the rural population of each bears to the total rural population of the several States as determined by the census, and the balance shall be paid to the several States in the proportion that the farm population of each bears to the total farm population of the several States as determined by the census:"; and (2) deleting the phrase ", Alaska, Hawaii, and Puerto Rico" from the first proviso.

(e) Subsection 3(d) is amended by adding the word "additional" immediately after the word "such" in said subsection.

(f) Section 4 is amended by (1) deleting the phrase ", Territory or possession" wherever it appears in said section; and (2) by striking out the phrase "equal semi-annual payments on the first day of January and July" and substituting the phrase "equal quarterly payments in or about July, October, January, and April".

(g) Sections 5 and 6 are amended by deleting therefrom the phrases ", Territory, or possession," and ", Territory, or possession" wherever they occur therein.

(h) Subsection 8(b) is amended by deleting the phrase ", Alaska, Hawaii, and Puerto Rico".

(i) By adding a new section 10 reading as follows: "The term 'State' means the States of the Union and Puerto Rico."

Mr. **ABERNETHY**. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Mississippi?

There was no objection.

Mr. ABERNETHY. Mr. Speaker, almost 50 years ago Congress enacted the Smith-Lever law, which provides for cooperative agricultural extension work between the Department of Agriculture and the State land-grant colleges and universities.

This is the service that provides for our county agricultural, home demonstration, and 4-H Club agents. Our farmers and other local people have learned to look to these agents for research results and better farming and homemaking practices.

We in the Congress are aware of the localized and very practical educational role the Cooperative Extension Service has played in the tremendous progress we have made in agriculture. Our farm research results would be of little value if we did not have ways of taking results to the people and demonstrating how they can use them locally. That is what the Extension Service has done. And this research-extension teamwork with farmers and business has done so much to give us the world's most productive and efficient agriculture and the world's best and cheapest food supply.

During the nearly 50 years since the Smith-Lever Act was passed, it has been necessary for very little change in the act. That and the results I outlined are a double testimony to the wisdom of those who enacted this legislation and have guided its operations.

It is obvious that in helping to bring about such revolutionary change as we have had in agriculture, Extension would have to make some change. They have been able to make the needed changes so far within the existing legislation.

In recent years, however, we have had drastic change in our rural population and in the farm and farm-urban problem Extension needs to deal with. That has led farm people as well as many others and the Congress to call on the Extension Service for added help. Much of this has been in new areas that demand new approaches.

We have discussed these changes with representatives of the Association of State Universities and Land-Grant Colleges, with State extension directors and the farm organizations. With them we have developed a few changes in the Smith-Lever Act to bring it up to date, to provide a more equitable basis for further development of cooperative extension work, and to save money and increase efficiency. Through this effort we developed the bill, H.R. 12589.

The bill has been unanimously approved by the House Committee on Agriculture, the State extension directors, and the Association of State Universities and Land-Grant Colleges. In checking with the farm organizations we found no objections.

Let me highlight the proposed changes one by one. First, I need to point out that they do not affect funds at the level now appropriated for cooperative extension work. They deal only with additional funds Congress may decide to appropriate for further development of extension work.

The bill authorizes each State and Puerto Rico to receive funds up to the same amount that was their share of the 1962 fiscal year appropriation. Money up to that amount when appropriated will be distributed to the States and Puerto Rico on the same basis as in 1962. The 4 percent that has heretofore been available for the Secretary to allot on the basis of special needs will still be available.

Wherever Alaska and Hawaii are mentioned as territories, they are deleted since they are now States.

The bill revises the basis for allocating added funds that may be appropriated for further development of cooperative extension work. It first provides 4 percent of the additional funds to the Federal Extension Service for the added needed assistance to the States.

In the further development of cooperative extension work, it is obvious that the Federal Extension Service needs to be in position to meet the requests from the States for added leadership and coordinating assistance. The State directors are agreed on that point.

The remaining 96 percent of any additional funds would be allotted to the States and Puerto Rico on the basis of a new formula: 20 percent distributed equally to each State, 40 percent distributed on the basis of the State's farm population, and 40 percent on the basis of the State's rural population.

The provision for distributing the 20 percent of added funds equally to all States and Puerto Rico is needed because in the further development there are administrative and developmental expenses common to all States. The major part of any added funds, 80 percent, would still be allotted on the usual basis of farm and rural population.

The bill also provides for changing payments to the States from a semiannual to a quarterly basis. This the directors say they can handle, and it will reduce interest cost to the Treasury. The Treasury would have to advance money for only 3 months instead of 6, and the saving on interest should be some $200,000 on the present appropriation.

It is for these reasons your committee has proposed these amendments to the Smith-Lever Act. Let me say again they apply only to funds for further development of extension work, that they bring the act up to date, and are aimed at savings and increased efficiency.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

CONSTRUCTION OF BRIDGES ACROSS DELAWARE RIVER

The Clerk called the bill (H.R. 5604) to amend the acts of May 21, 1926, and January 25, 1927, relating to the construction of certain bridges across the Delaware River, so as to authorize the use of certain funds acquired by the owners of such bridges for purposes not directly related to the maintenance and operation of such bridges and their approaches.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Act entitled "An Act granting the consent of Congress for the construction of a bridge across the Delaware River at or near Burlington, New Jersey", approved May 21, 1926 (44 Stat. 588), is amended by adding at the end thereof the following new section:

"SEC. 9. Nothing contained in this Act shall be construed to prohibit, or shall prohibit any public agency, which now or hereafter may own such bridge and its approaches, and which has paid the principal and interest on all its outstanding indebtedness and has on hand capital funds derived from sources other than toll revenues in excess of the amount determined by said public agencies, to be required for the maintenance, repair, operation, reconstruction, replacement and modernization and improvement of such bridge and its approaches, from paying such surplus, or any part thereof, to the county of Burlington, in the State of New Jersey, for its use in the acquisition, construction, improvement, or enlargement of said county's facilities, buildings, and roads."

SEC. 2. The Act entitled "An Act granting the consent of Congress to Tacony-Palmyra Bridge Company to construct, maintain, and operate a bridge across the Delaware River at Palmyra, New Jersey", approved January 25, 1927 (44 Stat. 1024), is amended by adding at the end thereof the following new section:

"SEC. 9. Nothing contained in this Act shall be construed to prohibit, or shall prohibit any public agency, which now or hereafter may own such bridge and its approaches, and which has paid the principal and interest on all its outstanding indebtedness and has on hand capital funds derived from sources other than toll revenues in excess of the amount determined by said public agencies, to be required for the maintenance, repair, operation, reconstruction, replacement and modernization and improvement of such bridge and its approaches, from paying such surplus, or any part thereof, to the county of Burlington, in the State of New Jersey, for its use in the acquisition, construction, improvement, or enlargement of said county's facilities, buildings, and roads."

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

Mr. THOMPSON of New Jersey. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from New Jersey?

There was no objection.

Mr. THOMPSON of New Jersey. Mr. Speaker, the passage of H.R. 5604 is of great importance for thousands of people in New Jersey. This action paves the way for the release of a fund of $1.3 million, which is now being held by the Burlington County Bridge Commission, for use by Burlington County for public purposes. The sequence of events that made this legislation necessary is a fascinating and involved tale of political and financial maneuvering.

In 1926 and 1927 Congress authorized the construction of bridges across the

Delaware River at Burlington and Palmyra, in Burlington County, N.J. The bridges were built and operated by private corporations for a number of years. In 1946 a group of promoters formed a syndicate to acquire the stock of the two bridge companies, hoping to sell the bridges to some public agency at a profit. At the time the State of New Jersey was contemplating acquisition of the bridges by condemnation, in accordance with procedures spelled out in the 1926 and 1927 laws.

The syndicate prepared an elaborate plan of action which looked toward the following accomplishments: the creation of a Burlington County Bridge Commission; the issuance by the commission of revenue bonds that would be used to purchase the bridges from the syndicate; the continued operation of the bridges by the commission.

The syndicate was successful in acquiring the stock of the bridge companies, and thereby ownership of the bridges. It also managed to secure the passage of a law in New Jersey that would forbid the State to condemn any bridge owned by a public agency. This opened the way for the final set of transactions, which occurred on October 22, 1948. On that day the Board of Chosen Freeholders, which had been apprised of the syndicate's plan only the day before, created the Burlington County Bridge Commission and appointed its members. The names of the members had been settled upon weeks earlier by the syndicate. The Commission met and voted to acquire the two bridge companies through a $12 million issue of revenue bonds. The freeholders approved of this plan, the bonds were issued and purchased by underwriters for distribution.

After lengthy litigation instituted by the State to rescind the entire transaction on the ground of fraud in the original sale of the bridges to the Commission, the New Jersey Supreme Court rendered a decision that included the following holdings: Rather than rescind the transaction—which would have prejudiced the holders of the bonds, who were, the Court found, holders in due course—the Court decided that the syndicate must return to the Commission the gross profits—some $3 million—realized by it on the sale of the bridges. The Commission was to retain title to the bridges and comply with its obligations on bonds held by holders in due course. A receiver was appointed to collect the judgment against members of the syndicate.

In the course of its opinion the Court held that there was no authority in New Jersey law for the Commission to operate at a profit or to use any funds it held for purposes not connected with the maintenance and operation of the bridges. Thus, the Commission, after it collected the judgment, had a very large fund on hand that had to be used for bridge purposes. In 1958 some $1.3 million remained in this fund and none of it was required for the stated purposes. Legislation was introduced in the State legislature to authorize the remaining funds to be transferred to the county for such purposes as road construction and public buildings. Former Governor Meyner vetoed the bill on the ground that Federal law restricted the use of the funds to bridge purposes and that this was recognized by the decision of the Supreme Court. Governor Meyner's reference to Federal law was to the acts of 1926 and 1927.

While the correctness of Governor Meyner's reasoning has been disputed, there was certainly an ambiguity in these laws that would cloud the legality of any transfer of funds that might be authorized by the State. Thus, H.R. 5604 was made necessary. This bill, which I introduced during the first session of this Congress, merely removes any restrictions that may be found in Federal law upon a transfer of these funds from the Bridge Commission to the county for public purposes. When this measure is finally enacted into law the New Jersey Legislature may again authorize the transfer, and the books can be closed happily on a transaction that began in 1948.

AUTHORIZATION TO SETTLE CERTAIN CLAIMS

The Clerk called the bill (H.R. 9459) to amend section 2733 of title 10, United States Code, to authorize the Secretaries of the military departments to settle certain claims in the amount of $10,000 or less.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 2733 of title 10, United States Code, is amended as follows:

(1) by striking out in subsection (a) the figure "$5,000" and insert "$10,000" in place thereof; and

(2) by striking out in subsection (d) the figure "$5,000" wherever it appears therein and inserting the figure "$10,000" in place thereof in each instance.

With the following committee amendments:

Page 1, following line 10, add the following language:

"(3) by adding a new subsection (h) as follows:

"'(h) Under such regulations as the Secretary of Defense may prescribe, he or any officer designated by him has the same authority as the Secretary of a military department with respect to a claim arising from an incident caused by a civilian officer or employee of the Department of Defense not otherwise covered by this section.'

"(4) by amending the catchline of the section to read:

"'§ 2733. Property loss; personal injury or death: incident to noncombat activities of Department of Army, Navy, or Air Force, and Department of Defense.'

"Sec. 2. The analysis of chapter 163 is amended by striking out the following item:

"'2733. Property loss; personal injury or death: incident to noncombat activities of Department of Army, Navy, or Air Force.'

and inserting the following item in place thereof:

"'2733. Property loss; personal injury or death: incident to noncombat activities of Department of Army, Navy, or Air Force, and Department of Defense.'"

The committee amendments were agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed.

The title was amended so as to read: "A bill to amend section 2733 of title 10, United States Code, to authorize the Secretaries of the military departments and the Secretary of Defense to settle certain claims in the amount of $10,000 or less."

A motion to reconsider was laid on the table.

AMENDING INTERNAL SECURITY ACT OF 1950

The Clerk called the bill (H.R. 12082) to amend the Internal Security Act of 1950.

The SPEAKER. Is there objection to the present consideration of the bill?

Mr. ROOSEVELT. Mr. Speaker, this bill has the same objections to it as are included in the bill, H.R. 11363, and reserving, of course, final judgment, it seems to me this bill should not be passed on the Consent Calendar. Therefore, I object, Mr. Speaker.

Mr. WALTER. Mr. Speaker, I ask unanimous consent to include an editorial from the Richmond News Leader at this point in the Record.

The SPEAKER. Is there objection to the request of the gentleman from Pennslyvania?

There was no objection.

Mr. WALTER. Mr. Speaker, the editorial from the Richmond News Leader of August 15, 1962, is as follows:

Investigating the National Security

Those who persistently maintain that the House Committee on Un-American Activities (HCUA) is misdirected sound and fury should gage their outrage by the report issued Monday. This document cites 22 distinct corrective actions taken by the National Security Agency following the HCUA investigation into the defection to Russia of the homosexual security risks Bernon F. Mitchell and William Martin. NSA has since cooperated fully in tightening its lax security procedures; but if HCUA had not existed, or had been abolished before it began its 13-month investigation, the Nation's most critical and most secret agency of defense would still be wide open to Communist penetration.

The Mitchell-Martin story was an ugly one. Both men worked as mathematicians in the cryptology section of NSA. Both were hired and given access to top secret information before security checks had been completed. Both were eventually given clearance despite Mitchell's admission of sexual aberrations and Martin's association with Communist Party members, even after becoming an NSA employee. On August 5, 1960, the two disappeared, apparently with top-secret information about NSA activities; on September 6 they turned up at a Moscow press conference.

The National Security Agency is so sensitively secret and so vital to the country's defense that no outsiders can describe its activities. Not even the Civil Service Commission, which regularly audits all government jobs, is allowed to know what NSA employees do. Yet the HCUA investigation discovered that the Agency had made a regular practice of hiring employees before security checks were completed—ever since the Korean war had given the pretext of an "emergency." One of the major revisions of NSA policy was the correction of this incredible practice.

Under another strange policy, the NSA placed almost complete reliance on checking security clearances through lie detector tests, without coordinating information received from the FBI and other agencies. The lie detector or polygraph, useful as it is, charts only chemical and psychological reactions. An innocent but nervous subject comes off badly; a guilty, calm subject may get through without suspicion. J. Edgar Hoover has warned many times that the polygraph can give no more than hints, even to an operator experienced at reading the graphs. Yet the NSA allowed security clearances to be given on the strength of a junior officer's interpretation of the polygraph.

The irregularities in hiring extended to the NSA's director of personnel himself. HCUA's investigators, working with the FBI, turned up falsifications in the personnel director's background file; the director, who of course had complete access to his own file, then attempted to thwart the committee by forging a form with the correct information and substituting it for incorrect statements. This man has been fired for his forgery.

Since the HCUA investigation, NSA security has been tightened in all fields. Greater emphasis is put on psychological and medical investigations of prospective employees. Guards and watchmen have been increased. The clearances of all employees have been reviewed, and 26 known homosexuals have been dropped from the rolls.

Both the Secretary of Defense and the Director of NSA have been active in the house cleaning, but it was HCUA that devoted more than 2,000 hours to the investigation. This effort has resulted not only in the practical cleanup of the present mess, but in a bill now about halfway through Congress which will forestall a loosening of security practices. The men who are hired to guard a special trust for the country must submit to greater tests of loyalty. Were it not for the House Committee on Un-American Activities we would have no way of knowing whether these tests were being applied or not.

PROHIBITION AGAINST AWARD OF GOVERNMENT CONTRACTS TO PERSONS SUSPENDED FROM PARTICIPATION IN VETERANS' HOME LOAN PROGRAM

The Clerk called the bill (H.R. 297) to amend title 38 of the United States Code to prohibit the award of contracts by the United States to certain persons.

There being no objection the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subchapter I of chapter 37 of title 38 of the United States Code is amended by adding at the end thereof the following new section:

"§ 1806. Prohibition of award of contracts

"The Administrator shall furnish the Administrator of General Services with the name of each person with respect to whom the Administrator has refused for more than ninety days to appraise any building or dwelling project under section 1804(b) of this title, and the Administrator of General Services is authorized and directed to distribute a list to all agencies of the United States containing the names of such persons. Unless the head of the agency involved determines that the public interest requires otherwise, no contracts shall be awarded to such persons or to any firm, corporation, partnership, or association in which such a person has a controlling interest until the Administrator shall have terminated the refusal to appraise with respect to such person under section 1804(b) of this title."

SEC. 2. The analysis of subchapter I of chapter 37, title 38, United States Code, is amended by adding at the end thereof the following:

"1806. Prohibition of award of contract."

With the following committee amendment:

Strike out all after the enacting clause and insert in lieu thereof the following: "That (a) subchapter I of chapter 37 of title 38, United States Code, is amended by adding at the end thereof the following new section:

"'§ 1807. Prohibition of award of contracts

"'The Administrator shall furnish the Administrator of General Services with the name of each person with respect to whom the Administrator has refused for more than ninety days to appraise any building or dwelling project under section 1804(b) of this title, and the Administrator of General Services shall distribute a list to all agencies of the United States containing the names of such persons. Unless the head of the agency involved determines that the public interest requires otherwise, no contracts shall be awarded to such persons or to any firm, corporation, partnership, or association in which such person has a controlling interest until either—

"'(1) the expiration of the three-year period which begins on the date of the notification by the Administrator of his refusal to appraise any such building or dwelling project; or

"'(2) the date on which the Administrator shall have terminated the refusal to appraise with respect to such person under section 1804(b) of this title; whichever first occurs.'

"(b) The analysis of subchapter I of chapter 37 of title 38, United States Code, is amended by adding at the end thereof the following:

"'§ 1807. Prohibition of award of contracts.'

"SEC. 2. The amendments contained in this Act shall not apply in any case in which, before the effective date of this Act, (1) the Administrator of Veterans' Affairs has terminated the refusal to appraise under section 1804(b) of title 38, United States Code, or (2) the three-year period beginning with the date of notification of such refusal has expired.

"SEC. 3. This Act shall take effect on the first day of the third calendar month which begins after the date of its enactment."

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

Mr. TEAGUE of Texas. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. TEAGUE of Texas. Mr. Speaker, this bill, as reported, prohibits the award of contracts by the United States to any person who has been disqualified for more than 90 days from participation in the Veterans' Administration loan guaranty program.

Under existing law, the Veterans' Administration can refuse to appraise housing for persons identified with previously sold housing on which the Veterans' Administration had made a guaranty and in which there have been substantial deficiencies or failure to discharge contractual liabilities to veterans or where marketing practices were unfair or unduly prejudicial to veteran purchasers.

The existing procedure works in this manner. A complaint is made against a builder as to a substantial deficiency in the construction of a home on which the Veterans' Administration has guaranteed a portion or all of the mortgage. The Veterans' Administration thereafter makes an inspection to determine if the complaint is valid. If the complaint is found to be valid, the builder is then given a reasonable time within which to correct the deficiency. If he fails to correct this deficiency he is then given notice that if he does not do so it may become necessary to suspend him from participation in the veterans' housing program. Assuming that the builder still refuses to correct the deficiency, suspension takes place and he is given 10 days within which to request a hearing. If a hearing is held it is before a panel composed of individuals who are outside the area in which the home is built. If the builder is dissatisfied with the finding of this panel, he may appeal to the Chief Benefits Director and if that office overrules his contention, he may appeal to the Administrator of Veterans' Affairs. Assuming this administrative process has been completed and the finding against the builder is sustained, he would thus be barred from the award of contracts by other Government agencies.

There is no substantial cost, administrative or otherwise, involved. The bill has been amended to include a suggestion of the Bureau of the Budget that the debarment be limited to 3 years, even though the Veterans' Administration suspension has not been terminated. Under the bill the suspension may be lifted at an earlier period if, in the judgment of the Administrator of Veterans' Affairs, it is warranted. Housing and Home Finance Agency has indicated it has no objection; and the report of the General Services Administration, which was received after the bill was reported, is attached hereto:

GENERAL SERVICES ADMINISTRATION,
Washington, D.C., August 6, 1962.

Hon. OLIN E. TEAGUE,
Chairman, Committee on Veterans' Affairs,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: Your letter of February 13, 1962, requested a report concerning the provisions of H.R. 297, 87th Congress, 1st session, a bill to amend title 38 of the United States Code to prohibit the award of contracts by the United States to certain persons.

The purpose of the bill is to prohibit the award of Federal contracts to persons with respect to whom the Administrator of the Veterans' Administration has refused for more than 90 days to appraise any building or dwelling project under section 1804(b) of title 38, United States Code.

In the 1st session of the 86th Congress a bill, H.R. 8552, was introduced on which the General Services Administration submitted comments to the Bureau of the Budget in a letter dated January 20, 1960. In that report we expressed our agreement with the purposes of the bill but suggested certain changes in the procedures to more effectively carry out the objectives. The language which was recommended to effect this change has been substantially incorporated in the present bill.

It is our feeling at this time, however, that consideration also should be given to including a provision in H.R. 297 regarding a notice to the person being debarred and an opportunity for such person to present information in his own behalf. We suggest the inclusion of such a provision in the bill, since the administrative debarment procedures in subpart 1–1.6 of the Federal Procurement Regulations would not appear to be applicable to the guaranteed loan program of the Veterans' Administration. With incorporation of language which would provide a statutory right of notice and hearing, GSA would favor enactment of H.R. 297. The new section proposed by the bill should be renumbered since a section numbered 1806 was added to title 38 of the United States Code by Public Law 86–665, approved July 14, 1960.

The proposed legislation is of such a nature that the cost attributable thereto is not capable of being estimated.

The Bureau of the Budget has advised that, from the standpoint of the administration's program, there is no objection to the submission of this report to your committee.

Sincerely yours,

BERNARD L. BOUTIN,
Administrator.

REPLACEMENT OF PROSTHETIC APPLIANCES

The Clerk called the bill (H.R. 6190) to amend title 38 of the United States Code to provide for the payment to veterans of an amount equal to the cost of repairing or replacing certain prosthetic and other appliances damaged or destroyed as a result of certain accidents.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) subchapter II of chapter 17 of title 38, United States Code, is amended by adding at the end thereof the following new section:

"§ 617. Payment for repair or replacement of certain prosthetic and other appliances

"(a) The Administrator shall pay to each veteran an amount equal to the amount necessary to repair any artificial limb, truss, brace, hearing aid, spectacles, or similar appliance reasonably necessary to such veteran and belonging to him which was damaged in a fall or other accident caused by a service-connected disability for which such veteran receives, or but for the receipt of retirement pay would be entitled to receive, disability compensation.

"(b) If any such artificial limb, truss, brace, hearing aid, spectacles, or similar appliance belonging to a veteran is destroyed in an accident described in subsection (a), the Administrator shall pay to such veteran the amount necessary to replace such artificial limb, truss, brace, hearing aid, spectacles, or similar appliance, as the case may be."

(b) The table of chapters of subchapter II, chapter 17, title 38, United States Code, is amended by adding immediately below

"616. Hospital care by other agencies of the United States."

the following:

"617. Payment for repair or replacement of certain prosthetic and other appliances."

SEC. 2. The amendment made by this Act shall apply only with respect to the payment for the repair or replacement of artificial limbs, trusses, braces, hearing aids, spectacles, and similar devices damaged or destroyed after the date of enactment of this Act.

With the following committee amendments:

Beginning on page 1, line 6, strike out down to and including line 16 on page 2.

On page 2, after line 16 insert the following:

"§ 618. Repair or replacement of certain prosthetic and other appliances.

"(a) The Administrator may repair or replace any artificial limb, truss, brace, hearing aid, spectacles, or similar appliance (not including dental appliances) reasonably necessary to a veteran and belonging to him which was damaged or destroyed by a fall or other accident caused by a service-connected disability for which such veteran is in receipt of, or but for the receipt of retirement pay would be entitled to, disability compensation.

"(b) The analysis of chapter 17 of title 38, United States Code, is amended by inserting immediately below '617. Invalid lift for pensioners.' the following:

" '618. Repair or replacement of certain prosthetic and other appliances.' "

On page 3, line 9, strike out "the payment for".

The committee amendments were agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed.

The title was amended so as to read: "A bill to amend title 38 of the United States Code to provide for the repair or replacement for veterans of certain prosthetic or other appliances damaged or destroyed as a result of certain accidents."

A motion to reconsider was laid on the table.

Mr. TEAGUE of Texas. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. TEAGUE of Texas. Mr. Speaker, this bill would authorize the Veterans' Administration to repair for a veteran or replace for him a prosthetic or other appliance which is damaged as a result of a compensable service-connected disability. Thus the veteran could be wearing a prosthetic appliance for a nonservice-connected cause but the damage to the appliance results from a fall or other accident caused by the service-connected condition.

The repair work or replacement would be done by the Veterans' Administration, which favors the bill as reported, and advises that the cost "would be small."

WORLD WAR I EMERGENCY OFFICER RETIREMENT

The Clerk called the bill (H.R. 8517) to grant emergency officer's retirement benefits to certain persons who did not qualify therefor because their applications were not submitted before May 25, 1929.

Mr. FORD. Mr. Speaker, I ask unanimous consent that this bill be passed over without prejudice.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

DEDUCTIONS FROM FEDERAL PAYMENTS TO STATE HOME

The Clerk called the bill (H.R. 9737) to amend section 641 of title 38, United States Code, to provide that deductions shall not be made from Federal payments to a State home because of amounts collected from the estates of deceased veterans and used for recreational or other purposes not required by State laws.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 641(b) of title 38, United States Code, is amended by adding immediately below paragraph (2) thereof the following: "No reduction shall be made under this subsection by reason of the retention or collection by a State home of any amounts from the estate of a deceased veteran if such amounts are placed in a post fund or other special fund and used for the benefit of the State home or its inhabitants in providing—

"(A) educational, recreational, or entertainment facilities or activities;

"(B) operation of post exchanges; or

"(C) other activities or facilities for the benefit of the home or its inhabitants which are not specifically required by State law (including the cost of any necessary insurance to protect the property of such fund or any of its facilities."

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

Mr. TEAGUE of Texas. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. TEAGUE of Texas. Mr. Speaker, there are 33 State homes in 28 States to which the Veterans' Administration makes Federal aid payments of $2.50 a day, not to exceed one-half the cost of maintenance, for those veterans who are found to be eligible for care in a Veterans' Administration facility. There are approximately 9,000 veterans in such homes.

The bill provides that there shall be no reduction in the Federal aid payments described above because a State home retains or collects from the estates of deceased veterans funds which are used for educational, recreational, entertainment, post exchange, or other facilities not specifically required by State law. So far as I am advised, not more than five States would be affected at this time. Existing law provides that the amount payable for the care of an eligible veteran in a State home shall be reduced by one-half of any amount retained from the payment of pension or compensation to such veteran. It further provides that unless the widows or wives of war veterans are admitted and maintained in such homes, the amount payable by the Federal Government shall also be reduced by any other amounts collected in any manner used for the support of such a home.

The Veterans' Administration favors the enactment of the proposal and indicates that there would be little, if any, effect on the cost of the program as a result of enactment of this legislation.

AMENDING SOLDIERS' AND SAILORS' CIVIL RELIEF ACT TO PROVIDE THAT WHERE PERSONAL PROPERTY TAXES MAY NOT BE IMPOSED UPON PROPERTY OF A SERVICEMAN LOCATED IN A STATE, SUCH TAXES MAY NOT BE IMPOSED UPON SUCH PROPERTY AFTER HE IS TRANSFERRED OUT OF SUCH STATE

The Clerk called the bill (H.R. 9747) to amend section 514 of the Soldiers and Sailors Civil Relief Act of 1940 to provide that where personal property taxes may not be imposed upon property of a serviceman located in a State, such taxes may not be imposed upon such property after he is transferred out of such State.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, effective with respect to taxes imposed after the date of enactment of this Act, paragraph (1) of section 514 of the Soldiers' and Sailors' Civil Relief Act of 1940 (50 App. U.S.C. 574) is amended by adding at the end thereof the following: "Where personal property is deemed not to be located or present in or to have a situs for taxation in a State, territory, possession, or political subdivision or district by reason of this section, such property shall retain such status while it continues to be owned by a person in military service who is not a resident of or domiciled in such State, territory, possession, or political subdivision or district."

With the following committee amendment:

Strike out all after the enacting clause and insert: "That section 514(1) of the Soldiers' and Sailors' Civil Relief Act of 1940, as amended (50 U.S.C. App. 574(1)), is amended—

"(1) by striking out the colon before the proviso and inserting a period in place thereof; and

"(2) by inserting the following before the proviso:

" 'Where the owner of personal property is absent from his residence or domicile solely by reason of compliance with military or naval orders, this section applies with respect to personal property, or the use thereof, within any tax jurisdiction other than such place of residence or domicile, regardless of where the owner may be serving in compliance with such orders:'."

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, and was read the third time and passed.

The title was amended so as to read: "To amend section 514(1) of the Soldiers' and Sailors' Civil Relief Act of 1940, as amended."

A motion to reconsider was laid on the table.

Mr. TEAGUE of Texas. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. TEAGUE of Texas. Mr. Speaker, this bill amends the Soldiers' and Sailors' Civil Relief Act to prevent the taxation by a State of personal property of a serviceman which remains with his family in a State after the transfer of the serviceman overseas or to a post in a different State to which he did or could not take his family.

The legislation arose as a result of a situation involving an individual serving in the Army who was transferred to Virginia for service in the Pentagon though his home was in another State. Thereafter this officer was transferred overseas to a hardship post where he could not take his wife and dependents. The tour of duty was a comparatively short one and he was due to return to the Pentagon at the conclusion of this service in the hardship post. For that reason he left his family in the State of Virginia. Thereafter, the State of Virginia taxed this officer on his personal property and this legislation would prohibit a reoccurrence of this action. The committee believes the original exemption to be fair and equitable and does not agree with the action of the State of Virginia in this case.

The bill has been amended as suggested by the Department of Defense. There would be no benefit or additional administrative cost as a result of the enactment of this proposal.

WAIVING CERTAIN TIME LIMITATIONS FOR CERTAIN RESERVISTS AND NATIONAL GUARDSMEN TAKING TRAINING UNDER PUBLIC LAWS 550, 82D CONGRESS AND 634, 84TH CONGRESS

The Clerk called the bill (H.R. 9962) to amend title 38, United States Code, to provide an extension of the period within which certain educational programs must be begun and completed in the case of persons called to active duty during the Berlin crisis.

The SPEAKER. Is there objection to the present consideration of the bill?

Mr. FORD. Mr. Speaker, I ask unanimous consent that this bill be passed over without prejudice.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

INTERNATIONAL EXPOSITION FOR SOUTHERN CALIFORNIA

The Clerk called the resolution (S.J. Res. 132) extending recognition to the International Exposition for Southern California in the year 1966 and authorizing the President to issue a proclamation calling upon the several States of the Union and foreign countries to take part in the exposition.

The SPEAKER. Is there objection to the present consideration of the joint resolution?

Mr. GROSS. Mr. Speaker, reserving the right to object, and I shall not object, I understand that this resolution extending recognition to the International Exposition for Southern California will not cost the Federal Government any money. It will be my hope, and I am sure it will be the hope of other Members of the House, that the enthusiasm on the part of the local citizens will continue to the end that there never will be a demand on the Federal Treasury in support of this exposition.

The SPEAKER. Is there objection to the present consideration of the Senate joint resolution?

There was no objection.

The Clerk read the Senate joint resolution, as follows:

Whereas the International Exposition for Southern California, to be held at Long Beach, California, in the year 1966, the Planet of Man Exposition, will depict the role of arts and sciences, commerce and industry as it applies to the life of mankind on the planet of Earth; and

Whereas the exposition will encompass the five phases of man's life in the realms of living, learning, working, moving, and playing; and

Whereas the exposition will exhibit the various cultures of the nations of the Earth; and

Whereas the exposition will provide an adequate medium for interchange of information by which all people may evaluate the attainments of men of other nations; and

Whereas the exposition will encourage tourist travel to the United States, and stimulate foreign trade; and

Whereas the exposition has met with enthusiastic response from official bodies, organizations, and individuals in California, Los Angeles County, and the city of Long Beach: Therefore be it

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the Congress hereby recognizes the International Exposition for Southern California in the year 1966 as an event designed to develop and intensify a climate of good will and understanding among men and nations, thereby promoting a lasting peace among all people on the planet of the Earth.

SEC. 2. To implement the recognition declared in the first section of this Act, the President, at such time as he deems appropriate, is authorized and requested to issue a proclamation calling upon the several States of the Union and foreign countries to take part in the exposition.

The Senate joint resolution was ordered to be read a third time and was read the third time, and passed, and a motion to reconsider was laid on the table.

REVISING A PRIOR LAND CONVEYANCE BY THE DEPARTMENT OF THE ARMY TO THE CITY OF EL PASO, TEX.

The Clerk called the bill (H.R. 11887) to provide for the conveyance of all right, title, and interest of the United States reserved or retained in certain lands heretofore conveyed to the city of El Paso, Tex.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Army is authorized and directed to convey to the city of El Paso, Texas, all of the right, title, and interest of the United States reserved or retained in parcel C by the quitclaim deed from the United States to the city of El Paso, Texas, dated June 27, 1957, entered into under authority of the Act of August 2, 1956 (70 Stat. 950; Public Law 929, Eighty-fourth Congress).

With the following committee amendment:

Beginning on line 10, page 1, add the following new section:

"Sec. 2. The conveyance authorized herein shall be subject to the following conditions:

"(a) That the city, in accepting the conveyance, agrees for itself, its grantees, successors, and assigns to forgo (1) any use of the property which will be noxious by the emission of smoke, noise, odor or dust, and (2) the erection on the premises of any structure exceeding five hundred feet in height above the ground.

"(b) That the city shall pay to the United States the fair market value of the property interest conveyed under the first section of this Act."

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

EXTENDING CERTAIN AUTHORITY OF THE SECRETARY OF THE INTERIOR EXERCISED THROUGH THE GEOLOGICAL SURVEY OF THE DEPARTMENT OF THE INTERIOR, TO AREAS OUTSIDE THE NATIONAL DOMAIN

The Clerk called the bill (S. 981) to extend certain authority of the Secretary of the Interior exercised through the Geological Survey of the Department of the Interior, to areas outside the national domain.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the authority of the Secretary of the Interior, exercised through the Geological Survey of the Department of the Interior, to examine the geological structure, mineral resources, and products of the national domain, is hereby expanded to authorize such examinations outside the national domain where determined by the Secretary to be in the national interest.

With the following committee amendment:

Page 1, after line 9, add a new section to read as follows:

"Sec. 2. The Secretary of the Interior shall report to the Speaker of the House of Representatives and the President of the Senate on January 31 and July 31 of each year on all actions taken pursuant to this Act during the six months ending on the December 31 and June 30 immediately preceding the reporting date and on the results of such actions."

The committee amendment was agreed to.

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

DISPOSAL OF CHESTNUT TANNIN EXTRACT FROM THE NATIONAL STOCKPILE

The Clerk called the resolution (H. Con. Res. 509) providing the express approval of the Congress, pursuant to section 3(e) of the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98b(e)), for the disposition of certain materials from the national stockpile.

The SPEAKER. Is there objection to the present consideration of the concurrent resolution.

Mr. GROSS. Mr. Speaker, reserving the right to object, I should like to ask someone who is handling this bill why there was purchased over 12,000 long tons of this oil surplus to the maximum needs of the Defense Department.

Mr. VINSON. This bill would authorize the disposal of some 12,000 tons of this chestnut tannin extract, which is a product used in the processing of leather and things of that kind. There is a surplus. There is a great need and demand for it by industry. The next bill introduced by the gentleman from Massachusetts [Mr. Bates], permits the sale of 4,000 tons of this immediately, not waiting for 6 months. This is a good time to dispose of it because there is no departmental need or requirement for it.

Mr. GROSS. The gentleman still is not answering my question why they bought over 12,000 long tons that are surplus to any possible defense requirements.

Mr. VINSON. I imagine they did not think they were buying more than they needed. It has turned out that by the use of other chemicals they do not now need it for stockpile purposes. What would happen if you did not permit this? It stays there and becomes obsolete, then it can be disposed of, but there would be no market. They probably bought more than they needed.

Mr. GROSS. There is no question about that, because your committee report says that their objective, their long-time objective, going back several years, was a specific number of tons—I have forgotten the number. It is in the next bill to come up—a specific number of tons. Yet they went out and bought over 12,000 long tons more than was needed.

Mr. VINSON. I am glad the gentleman is critical of that purchase because the facts warrant the criticism. Nevertheless, they have it. Now the sensible thing to do is to dispose of it.

Mr. GROSS. I agree with the gentleman, but why increase the stockpile beyond any possible need and then turn around and go through the process of selling it?

Mr. VINSON. I agree with everything the gentleman has said. They were not as careful as they should have been.

Mr. GROSS. The gentleman from Michigan, and I fully agree with him, has stated on the floor of the House that somebody needs to rap some knuckles for the mistakes that are being made in Government. This business of paying individuals salaries to which they are not entitled and other such mistakes needs attention. We need to fix responsibility, and we need also to rap knuckles or the mistakes and worse will increase rather than diminish.

Mr. VINSON. I agree with the gentleman.

Mr. GROSS. Who is rapping whose knuckles for going out and buying—just take this one—over 12,000 tons surplus to any possible need?

Mr. VINSON. I will say that the people who are charged with the responsibility should know what they need. They may not be able to anticipate over a year's time that what they are buying is too much or not enough. Somebody should be held responsible for the expenditure of every dollar of Federal money spent for this, that, or any other thing. I agree thoroughly with the statement made by the gentleman from Michigan [Mr. Ford]. We should hold them responsible. At the same time, if they have bought more than they need, it is no justification to keep it when there is a good market in which to sell it and get back some of the money through the error they made.

Mr. GROSS. I agree with the gentleman. I am not going to object to this bill or the next bill, but for a continuation of these mistakes I want to know that somebody is being penalized.

Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER. Is there objection to the present consideration of the resolution?

There being no objection, the Clerk read the resolution as follows:

Resolved by the House of Representatives (the Senate concurring), That the Congress expressly approve, pursuant to section 3(e) of the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98b(a)), the disposal of 12,245 long tons of chestnut tannin extract from the national stockpile.

Sec. 2. All funds derived from the sale authorized by this concurrent resolution shall be deposited into the Treasury as miscellaneous receipts.

The resolution was agreed to.

DISPOSAL OF CHESTNUT TANNIN EXTRACT

The Clerk called the bill (H.R. 12416) to authorize the sale, without regard to the 6-month waiting period prescribed, of chestnut extract proposed to be disposed of pursuant to the Strategic and Critical Materials Stock Piling Act.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Administrator of General Services is hereby authorized to dispose of, by negotiation or otherwise, approximately four thousand tons of chestnut extract now held in the national stockpile. Such disposition may be made without regard to the provisions of section 3 of the Strategic and Critical Materials Stock Piling Act, relating to dispositions on the basis of a revised determination pursuant to section 5 of said Act, to the effect that no such disposition shall be made until six months after publication in the Federal Register and transmission to the Congress and to the Armed Services Committee thereof of a notice of the proposed disposition.

With the following amendment:

Page 2, line 1, strike out "5" and insert "2".

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

AMENDING THE ADMINISTRATIVE EXPENSES ACT OF 1946

The Clerk called the bill (H.R. 9957) to amend section 7 of the Administrative Expenses Act of 1946, as amended (72 Stat. 1274; 5 U.S.C. 73b-3), relating to travel expenses of civilian officers and employees assigned to duty posts outside the continental United States.

There being no objection, the Clerk read the bill, as follows:

> *Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That the fourth proviso of section 7 of the Administrative Expenses Act of 1946, as amended (72 Stat. 1274; 5 U.S.C. 73b-3), is amended to read as follows: "*Provided further,* That any officer or employee of the United States appointed by the President, or by his authority, whose post of duty is outside the continental United States, shall be allowed expenses of round trip travel for himself and transportation of his immediate family, but excluding household effects, from his post of duty outside the continental United States to the place of his actual residence at the time of his appointment to such oversea post of duty, at the end of each two years of satisfactory service completed overseas, if he is returning to his actual place of residence prior to serving at least two more years of oversea duty, unless his appointment is terminated by the President or, where serving under a term fixed by law the unexpired portion of which is less than two years but is at least one year, until expiration of his term or tenure of appointment."

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

PAYMENTS IN LIEU OF TAXES

The Clerk called the bill (H.R. 11594) to extend for 2 years the period for which payments in lieu of taxes may be made with respect to certain real property transferred by the Reconstruction Finance Corporation and its subsidiaries to other Government departments.

Mr. GROSS. Mr. Speaker, reserving the right to object, I would like to know when it is expected to clean up these properties held by the old Reconstruction Finance Corporation. Does this mean that this administrative expense is going to go on and on and on unto the end of time?

Mr. Speaker, since I get no answer to the question, I ask unanimous consent that the bill be passed over without prejudice.

The **SPEAKER.** Is there objection to the request of the gentleman from Iowa?

There was no objection.

PROVIDE FOR A FEDERAL TELECOMMUNICATIONS FUND

The Clerk called the bill (H.R. 11899) to amend the Federal Property and Administrative Services Act of 1949, as amended, to provide for a Federal telecommunications fund.

Mr. PELLY. Mr. Speaker, I ask unanimous consent that this bill may be passed over without prejudice.

Mr. BROOKS of Texas. Mr. Speaker, would the gentleman withhold his request? Perhaps we can answer the question in his mind.

Mr. PELLY. Mr. Speaker, I withdraw my request and reserve the right to object.

Mr. Speaker, I know nothing as to the merits of the bill. It must have merit, but the rules approved by the bipartisan objectors' committee to qualify measures for the Consent Calendar contain the criterion that in a bill there be no major change in policy. It seems to me this legislation would change policy. Furthermore, the Defense Department had some reservation as to its approval of the measure.

Mr. BROOKS of Texas. To clarify that, the Defense Department had no objection to the bill. The Air Force suggested an amendment but the Bureau of the Budget, in a letter to the committee on August 15, 1962, said: "We do not consider the amendment previously submitted either necessary or desirable for the following reasons," named them, and recommended against adoption of their amendment.

As to change of policy, this has been recommended by two Presidents of the United States. It was approved by the Bureau of the Budget, and the report under the previous administration has been carried out and approved by this administration. This does not in any way change policy. I will say to my distinguished colleague that this in effect continues in a businesslike way the existing authority of the General Services Administration to administer the funds and to pay the cost of telephone and wire services for the various Government agencies and departments. We provide for that service. This will operate in this manner: It will not give any new legislative authority to GSA but will provide a single operating fund which the General Accounting Office will audit and review, and which the Bureau of the Budget and both President Eisenhower and President Kennedy have said was desirable in order to have this service operate in a businesslike manner. Everything will be operated by one administrative agency. Does that clarify it? Is there anything else?

Mr. PELLY. Regarding the statement made by the gentleman, I think I indicated at the beginning that I thought the bill had merit. I simply did not feel that it fell within the criteria set by the objectors. I did not think the bill should be on this calendar. I do think the bill has merit.

I note that the finance officer of the Congress, the Comptroller General, has recommended it, and I feel probably in this case an exception might well be made to the general objectors' rule.

Mr. BROOKS of Texas. I appreciate the gentleman's understanding and want to assure the gentleman that both the Democratic and Republican objectors have discussed the bill with me and apparently have devoted a good deal of thought to it. They know about as much as I do about it, because they have very carefully looked it over.

Mr. FORD. Mr. Speaker, will the gentleman yield?

Mr. PELLY. I yield to the gentleman from Michigan.

Mr. FORD. Will the establishment of this revolving fund in any way exclude the Committee on Appropriations in both the House and the Senate from handling the appropriations for the administrator's fund?

Mr. BROOKS of Texas. It will not. I will say to my distinguished colleague, the gentleman from Michigan [Mr. Ford], that the fund will be maintained on an integrated system of accounting and will operate in accordance with the principles and standards prescribed by the Comptroller General. It is primarily a fund which would be reimbursed through payments charged to the various agencies for their telephone, wire, and other electronics data use. In other words, this would be a fund which would pay for our telecommunications service. The payments would be charged against the other agencies which get their money directly through the appropriated funds acted upon by the House and the Senate Appropriations Committees.

Mr. FORD. If the gentleman will yield further——

Mr. PELLY. I yield further to the gentleman from Michigan.

Mr. FORD. However, the administrator of this fund—those employees of GSA—would still have to justify their budget to the House and Senate Committees on Appropriation?

Mr. BROOKS of Texas. That is right. The report very clearly states that. Permit me to read one particular sentence from the report, which goes to this point:

> The fund will be subject to the normal controls of the Congress, including review of the appropriations to General Services Administration and other agencies for communication services which will be paid into the fund for services rendered.

Mr. FORD. The gentleman from Massachusetts [Mr. Boland], who is a member of the Independent Offices Subcommittee on Appropriations, is familiar with the operations of the GSA and its budget presentations. Perhaps the gentleman can further elaborate upon this.

Mr. BOLAND. Mr. Speaker, will the gentleman yield?

Mr. PELLY. I yield to the gentleman from Massachusetts.

Mr. BOLAND. I might say to the distinguished gentleman from Michigan [Mr. Ford], that the gentleman has stated it quite precisely as it is. This is, as the gentleman from Texas [Mr. Brooks], indicates a way of paying the cost for this particular system. The General Services Administration now does operate the telecommunications system for the civilian agencies. This would require that payments would be made out of this particular fund. The Independent Offices Subcommittee of the Committee on Appropriations does look into the revolving fund of the GSA. This is not the only revolving fund which the GSA has, as the gentleman knows.

However, the Independent Offices Subcommittee will have the opportunity to look into this in order to make sure that it is operated properly.

Mr. FORD. And pass judgment upon the operation of the fund?

Mr. BOLAND. Yes, and pass judgment upon the operation of the fund.

Mr. GROSS. Mr. Speaker, will the gentleman yield?

Mr. PELLY. I yield to the gentleman from Iowa.

Mr. GROSS. Is this designed to promote efficiency and economy?

Mr. BROOKS of Texas. That is right. I introduced the bill with that in mind at the request of the current administration and on the original recommendation of the previous administration.

Mr. GROSS. Is there a record of misuse of communications facilities by agencies of the Federal Government?

Mr. BROOKS of Texas. Not that I am aware of. The basic purpose of this is that one agency can pay the bill for telephone service, for example, and then allocate the cost of that service that goes to the other civilian agencies. It is an administrative bill. It is not legislative. It does not change the responsibility of the GSA. It enables them to have one fund in order to simplify their bookkeeping and accounting in order to do it more effectively.

Mr. PELLY. Mr. Speaker, in light of the statements made by the gentleman from Texas [Mr. BROOKS], I withdraw my reservation.

The SPEAKER. Is there objection to the present consideration of the bill?

There was no objection.

The Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That title I of the Federal Property and Administrative Services Act of 1949 (63 Stat. 377), as amended, is hereby amended by adding a new section to read as follows:

"SEC. 111. There is hereby authorized to be established on the books of the Treasury, a Federal telecommunications fund, which shall be available without fiscal year limitation for expenses, including personal services, other costs, and the procurement by lease or purchase of equipment and operating facilities (including cryptographic devices) necessary for the operation of a Federal telecommunications system, to provide local and long distance voice, teletype, data, facsimile, and other communication services. There are authorized to be appropriated to said fund such sums as may be required which, together with the value, as determined by the Administrator, of supplies and equipment from time to time transferred to the Administrator under authority of section 205(f), less any liabilities assumed, shall constitute the capital of the fund: *Provided,* That said fund shall be credited with (1) advances and reimbursements from available appropriations and funds of any agency (including the General Services Administration), organization, or persons for telecommunication services rendered and facilities made available thereto, at rates determined by the Administrator to approximate the costs thereof met by the fund (including depreciation of equipment, provision for accrued leave, and where appropriate, for terminal liability charges and for amortization of installation costs, but excluding, in the determination of rates prior to the fiscal year 1966, such direct operating expenses as may be directly appropriated for, which expenses may be charged to the fund and covered by advances or reimbursements from such direct appropriations) and (2) refunds or recoveries resulting from operations of the fund, including the net proceeds of disposal of excess or surplus personal property and receipts from carriers and others for loss of or damage to property: *Provided further,* That following the close of each fiscal year any net income, after making provision for prior year losses, if any, shall be transferred to the Treasury of the United States as miscellaneous receipts."

With the following committee amendment:

Page 1, line 6, strike out "111" and insert "110."

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

EMPOWER CERTAIN GSA OFFICERS TO ADMINISTER OATHS

The Clerk called the bill (S. 538) to amend section 205 of the Federal Property and Administrative Services Act of 1949 to empower certain officers and employees of the General Services Administration to administer oaths to witnesses.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 205 of the Federal Property and Administrative Services Act of 1949 (40 U.S.C. 486) is amended by adding at the end thereof the following new subsection:

"(i) If authorized by the Administrator, officers and employees of the General Services Administration having investigatory functions are empowered, while engaged in the performance of their duties in conducting investigations, to administer oaths to witnesses. Any statement given under oath before such officer or employee when certified to under his hand may be offered or used in any court of the United States without further proof of the identity or authority of such officer or employee, and such oath shall have like force and effect as if administered by a clerk of such court."

With the following committee amendment:

Strike out all after the enacting clause and insert in lieu thereof the following: "That section 205 of the Federal Property and Administrative Services Act of 1949 (40 U.S.C. 486) is amended by adding at the end thereof the following new subsection:

"'(i) If authorized by the Administrator, officers and employees of the General Services Administration having investigatory functions are empowered, while engaged in the performance of their duties in conducting investigations, to administer oaths to any person'."

The committee amendment was agreed to.

The bill was ordered to be read a third time, was read the third time, and passed.

The title was amended so as to read: "An Act to amend section 205 of the Federal Property and Administrative Services Act of 1949 to empower certain officers and employees of the General Services Administration to administer oaths to any person."

A motion to reconsider was laid on the table.

CAPULIN MOUNTAIN NATIONAL MONUMENT, N. MEX.

The Clerk called the bill (S. 2973) to revise the boundaries of Capulin Mountain National Monument, N. Mex., to authorize acquisition of lands therein, and for other purposes.

The SPEAKER. Is there objection to the present consideration of the bill?

Mr. GROSS. Mr. Speaker, reserving the right to object—I realize this does not deal with a great deal of money, but I am intrigued by the fact that in the acquisition of these lands it is proposed to pay the State of New Mexico $10 an acre and it is proposed to pay private owners $50 an acre or five times as much. I should like to know from someone whether this land is contiguous, whether it is in the same area and if so, what makes privately owned land to be acquired in New Mexico worth five times as much as State-owned land?

Mr. RUTHERFORD. Mr. Speaker, will the gentleman yield?

Mr. GROSS. I am happy to yield to the gentleman.

Mr. RUTHERFORD. Mr. Speaker, I would like to respond to the gentleman by saying that the State-owned lands are primarily grazing lands. The lands owned by the private concerns, although in the general area, have possibility of development relating to the Capulin Mountain National Monument. In all probability the State-owned lands will be turned over in exchange for federally owned lands in the same area or in that general area. This entire amount of $4,500 is the maximum authorized to acquire these 95 acres. It is presumed that none of these funds will be expended in acquisition of this land.

Mr. GROSS. Except for the privately owned lands which will have to be bought; is not that what the report says?

Mr. RUTHERFORD. It will possibly have to be purchased if the landowners elect to sell rather than to purchase land in other areas. The State is most desirous of the Federal Government's acquiring this land. That is another factor which makes for a more realistic or reasonable approach to the cost of acquisition of the land.

Mr. GROSS. Does the gentleman think it is a fair deal to pay $10 for State-owned land and $50 for privately owned land in this same area?

Mr. RUTHERFORD. I would say this; as to the private parties, this is their estimate. As to the State, this is its estimate. The bill stipulates fair market value. If this land is worth less than $50, the Secretary of the Interior is required to pay the fair market value, not $50. The State's appraisal is $10.

Mr. GROSS. Mr. Speaker, I still insist this is a wide variation and I trust this situation will not be used as a precedent in dealing in much larger tracts and much more money.

Mr. Speaker, I withdraw my reservation of objection.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That in order to preserve the scenic and scientific integrity of the Capulin Mountain National Monument in the State of New Mexico, and to provide for the enjoyment thereof by the public, the boundaries of the monument are hereby revised to include the following additional lands:

NEW MEXICO PRINCIPAL MERIDIAN

Township 29 north, range 28 east: section 5, north half northwest quarter southeast quarter, northeast quarter northeast quarter southwest quarter, southeast quarter northwest quarter, northeast quarter southwest quarter northwest quarter, south half southeast quarter northwest quarter northwest quarter, south half south half northeast quarter northwest quarter, containing approximately 95 acres.

SEC. 2. The Secretary of the Interior, in furtherance of the purposes of this Act, may acquire, in such manner and subject to such terms and conditions as he may deem to be in the public interest, lands and interests in lands within the area described in section 1 of this Act. When acquired, such lands and interests in land shall be administered as a part of the Capulin Mountain National Monument in accordance with the Act entitled "An Act to establish a National Park Service, and for other purposes," approved August 25, 1916 (39 Stat. 535), as amended and supplemented (16 U.S.C. 1 et seq.).

SEC. 3. There are authorized and appropriated such sums as necessary to carry out the acquisition of this land, provided that the cost of the acquisition of private land shall not exceed $2,500.

With the following committee amendments:

Page 2, line 10, change the period to a colon and add the following proviso: "*Provided*, That the Secretary of the Interior is not authorized hereby to pay any amount in excess of the fair market value of the lands acquired pursuant to the provisions of this Act."

Page 2, line 17, strike out the word "and" and insert "to be".

The committee amendments were agreed to.

The bill was ordered to be read a third time, was read the third time and passed, and a motion to reconsider was laid on the table.

COLUMBIA BASIN IRRIGATION DISTRICTS

The Clerk called the bill (H.R. 11164) to approve an amendatory repayment contract negotiated with the Quincy Columbia Basin Irrigation District, authorize similar contracts with any of the Columbia Basin irrigation districts, and to amend the Columbia Basin Project Act of 1943 (57 Stat. 14), as amended, and for other purposes.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the amendatory repayment contract with the Quincy Columbia Basin Irrigation District negotiated by the Secretary of the Interior, pursuant to subsection (a) of section 7 of the Reclamation Project Act of 1939 (53 Stat. 1192; 43 U.S.C. 485f), which contract was approved by the district electors on February 13, 1962, is hereby approved and the Secretary is hereby authorized to execute it on behalf of the United States and to negotiate and execute on behalf of the United States amendatory repayment contracts in substantially the same form or amendatory repayment contracts containing substantially the same provisions with the South and East Columbia Basin Irrigation Districts.

SEC. 2. Upon any amendatory repayment contract with a Columbia Basin Irrigation District approved or authorized by this Act becoming effective to bind the United States, that district's share of the operation and maintenance funds expended or obligated for the construction of drainage works including appropriate interest thereon during calendar years 1960, 1961, and 1962 shall be capitalized and charged as a part of the construction cost of the project works assigned directly to irrigation and the Secretary shall give that district an appropriate refund or credit including interest paid as it may elect, of all operation and maintenance payments made by it for the construction of drainage works during those years, such credit, if so elected by the district, to be applied against future development period and/or construction charges of the district as they become due.

SEC. 3. The Columbia Basin project shall be governed by the Federal reclamation laws, being the Act of June 17, 1902 (32 Stat. 388), and all Acts amendatory thereof or supplementary thereto, except that sections 2, 3, 7, and 9 of the Columbia Basin Project Act of March 10, 1943 (57 Stat. 14), as amended, are hereby repealed and section 4 of the Columbia Basin Project Act, as amended, is further amended to read as follows:

"SEC. 4. (a) For the purposes of assisting in the permanent settlement of farm families, protecting project land, and facilitating project development, the Secretary is authorized to administer public lands of the United States in the project area and lands acquired under this section; to sell, exchange, or lease such lands; to dedicate portions of such lands for public purposes in keeping with sound project development; to acquire in the name of the United States, at prices satisfactory to him, such lands or interest in lands, within or adjacent to the project area, as he deems appropriate for the protection, development, or improvement of the project; and to accept donations of real and personal property for the purposes of this Act. Any moneys realized on account of donations for purposes of this Act shall be covered into the Treasury as trust funds.

"(b) Contracts, exchanges, and leases made under this section shall be on terms that, in the Secretary's judgment, are in keeping with sound project development. In addition, land sale and exchange contracts shall be on a basis that, in the Secretary's judgment, provides for the return, in a reasonable period of years, of not less than the appraised value of the land and improvements thereon. Qualification of applicants for the purchase of land for irrigation farming shall be prescribed as provided in subsection (c) of section 4 of the Act of December 5, 1924 (43 Stat. 702), notwithstanding any other provisions of law. No farm unit shall be sold to, and no contract to sell a farm unit shall be entered into with, any person, corporation, or joint-stock association which has theretofore purchased or entered into a contract to purchase a farm unit from the United States on the Columbia Basin project. The foregoing provisions of this paragraph shall apply only to the sale of farm units which are suitable for settlement purposes. Farm units which, in the opinion of the Secretary, are not suitable for settlement purposes may be sold with a preference to resident project landowners as supplemental units, subject to the applicable irrigable acreage limitations on the delivery of water, but the purchasers thereof shall not be entitled to benefits of the Act of August 13, 1953 (67 Stat. 566) with respect thereto."

SEC. 4. The Secretary is hereby authorized and directed to amend or modify all existing documents, rules, regulations, forms, and procedures entered into or issued under the Columbia Basin Project Act, as amended (16 U.S.C., chap. 12D) prior to the date of enactment of this Act.

SEC. 5. (a) Notwithstanding the provisions of the Federal reclamation laws, water may be delivered to a farm unit platted before the enactment of this Act that contains a nominal quarter section of land exceeding one hundred and sixty irrigable acres insofar as those provisions limit the delivery of water to irrigable lands in excess of one hundred and sixty irrigable acres.

(b) The rights of any vendee or grantee as defined in section 3 of the Columbia Basin Project Act of 1943 are herein preserved as to any transactions that were consummated by contract or deed prior to its repeal by this Act.

SEC. 6. The following sections of the Columbia Basin Project Act of March 10, 1943, are hereby amended in the following respects:

(a) Section 5(B). Delete the last sentence thereof.

(b) Section 6. Delete "Under section 2 hereof".

(c) Section 8. Delete "and to include in the contracts hereinbefore provided for".

SEC. 7. The Act of June 23, 1959 (73 Stat. 87) is hereby amended to permit delivery of water to not to exceed six hundred and forty acres of irrigable lands whether or not said lands are in conformed farm units, owned by the State of Washington for use by the State College of Washington for agricultural research purposes.

With the following committee amendments:

Page 2, lines 16, 17, 18, and 19, strike out "and the Secretary shall give that district an appropriate refund or credit including interest paid as it may elect, of all operation and maintenance payments made by it" and insert in lieu thereof: "and the Secretary shall either refund to it or give it credit for (as it may elect) all operation and maintenance payments (including interest paid by it in connection therewith) which it has made".

Page 3, line 14, strike out the word "interest" and insert "interests".

Page 4, line 21, strike out the word "documents," and insert "contracts, instruments,".

Page 4, line 24, strike out "Act." and insert in lieu thereof "Act to conform to the provisions of this Act.".

Page 5, line 9, strike out the word "herein" and insert "hereby".

Page 5, line 10, strike out "its repeal" and insert "repeal of said section 3".

Page 5, line 14, strike out "Section 5(B)." and insert "Section 5(b).".

Page 5, strike out all of line 15 and insert in lieu thereof:

"(b) Section 6. Delete 'under section 2 hereof' and insert in lieu thereof the words 'for the repayment thereof'."

Page 5, strike out all of lines 16 and 17 and insert in lieu thereof:

"(c) Section 8. Delete 'and to include in the contracts hereinbefore provided for' and insert in lieu thereof the words 'and to include in contracts relating to the Columbia Basin Project'."

Page 5, line 22, strike out "State College of Washington" and insert "Washington State University".

The committee amendments were agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

LEASING ON COLORADO RIVER INDIAN RESERVATION

The Clerk called the bill (S. 1208) to amend Public Law 86-506, 86th Congress (74 Stat. 199), approved June 11, 1960.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That Public Law 86–506, Eighty-sixth Congress (74 Stat. 199), approved June 11, 1960, is hereby amended to read as follows:

"Until a determination has been made of the beneficial ownership of the lands on the Colorado River Reservation, Arizona and California, that were set apart by the United States for the Indians of the Colorado River and its tributaries, the Secretary of the Interior is authorized to lease any unassigned lands on the reservation and to approve leases made by the holders of assignments heretofore made, for such uses and terms as are authorized by the Act of August 9, 1955 (69 Stat. 539), and by the Act of May 11, 1938 (52 Stat. 347): *Provided, however,* That the authorization herein granted to the Secretary of the Interior shall not extend to any lands lying west of the present course of the Colorado River and south of section 25 of township 2 south, range 23 east, San Bernardino base and meridian, California, and shall not be construed to affect the resolution of any controversy over the location of the boundary of the Colorado River Reservation. Income received from any leases of unassigned lands may be expended or advanced by the Secretary for the benefit of the Colorado River Indian tribes and their members. Income received from any leases of assigned lands may be expended or advanced by the Secretary for the benefit of the assignee."

With the following committee amendment:

Page 2, lines 2, 3, and 4, strike out "the Act of August 9, 1955 (69 Stat. 539), and by the Act of May 11, 1938 (52 Stat. 347):" and insert in lieu thereof: "the Act of May 11, 1938 (52 Stat. 347, 25 U.S.C. 396a et seq.) and the Act of August 9, 1955 (69 Stat. 539), as amended (25 U.S.C. 415 et seq.), including the same uses and terms as are permitted thereby on the Aqua Caliente (Palm Springs) Dania, and Navajo reservations:".

The committee amendment was agreed to.

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

RENEWAL OF CERTAIN WATER SUPPLY CONTRACTS

The Clerk called the bill (H.R. 2796) to provide for the renewal of certain municipal domestic, and industrial water supply contracts entered into under the Reclamation Project Act of 1939, and for other purposes.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Interior shall, upon request of the other party to any long-term contract for municipal, domestic, or industrial water supply hereafter entered into under of section 9, subsection (c), of the Reclamation Project Act of 1939 (53 Stat. 1195, 43 U.S.C. 485h), include provision for renewal thereof subject to renegotiation of (1) the charges set forth in the contract in the light of circumstances prevailing at the time of renewal and (2) any other matters with respect to which the right to renegotiate is reserved in the contract. Any right of renewal shall be exercised within such reasonable time prior to the expiration of the contract as the parties shall have agreed upon and set forth therein.

SEC. 2. The Secretary shall also, upon like request, provide in any such long-term contract or in any contract entered into under clause (1) of the proviso aforesaid that the other party to the contract shall, during the term of the contract and of any renewal thereof and subject to fulfillment of all obligations thereunder, have a first right (to which right the holders of any other type of contract for municipal, domestic, or industrial water supply shall be subordinate) to a stated share or quantity of the project's available water supply for beneficial use for the purposes stated in the contract.

SEC. 3. The Secretary is hereby authorized to negotiate amendments to extisting contracts entered into pursuant to the first sentence of section 9, subsection (c), of the Reclamation Project Act of 1939 to conform said contracts to the provisions of this Act.

SEC. 4. As used in this Act, the term "long-term contract" means any contract the term of which is more than ten years.

With the following committee amendments:

Page 2, strike out all of lines 14 and 15 and insert in lieu thereof "stated share or quantity of the project's water supply available for municipal, domestic, or industrial use".

Page 2, line 16, after the word "authorized" insert the words "upon request by the other party".

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

SALE OF INDIAN TIMBER

The Clerk called the bill (H.R. 3529) to amend the act of June 25, 1910 (36 Stat. 857, 25 U.S.C. 406, 407), with respect to the sale of Indian timber.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That sections 7 and 8 of the Act of June 25, 1910 (36 Stat. 857, 25 U.S.C. 406, 407), are amended to read as follows:

"SEC. 7. The timber on unalloted lands of any Indian reservation may be sold in accordance with the principles of sustained yield, or in order to convert the land to a more desirable use, under regulations to be prescribed by the Secretary of the Interior, and the proceeds from such sales, after deductions for administrative expenses pursuant to the Act of February 14, 1920, as amended (25 U.S.C. 413), shall be used for the benefit of the Indians of the reservation in such manner as he may direct.

"SEC. 8. (a) The timber on any Indian land held under a trust or other patent containing restrictions on alienations may be sold by the owner or owners with the consent of the Secretary of the Interior, and the proceeds from such sales, after deductions for administrative expenses pursuant to the Act of February 14, 1920, as amended (25 U.S.C. 413), shall be paid to the owner or owners or disposal of for their benefit under regulations to be prescribed by the Secretary of the Interior.

"(b) Upon the request of the owners of a majority Indian interest in land in which any undivided interest is held under a trust or other patent containing restrictions on alienations, the Secretary of the Interior is authorized to sell all undivided Indian trust or restricted interests in any part of the timber on such land.

"(c) Upon the request of the owner of an undivided but unrestricted interest in land in which there are trust or restricted Indian interests, the Secretary of the Interior is authorized to include such unrestricted interest in a sale of the trust or restricted Indian interests in timber sold pursuant to this section, and to perform any functions required of him by the contract of sale for both the restricted and the unrestricted interests, including the collection and disbursement of payments for timber and the deduction from such payments of sums in lieu of administrative expenses.

"(d) For the purpose of this section, the Secretary may represent any Indian owner who is a minor, or who is non compos mentis, or whose ownership interest in a decedent's estate has not been determined, and after giving reasonable notice by publication of the proposed timber sale he may represent an Indian who cannot be located.

"(e) The timber on any Indian land held under a trust or other patent containing restrictions on alienations may be sold by the Secretary of the Interior without the consent of the owners when in his judgment such action is necessary to prevent loss of values resulting from fire, insects, disease, windthrow, or other causes.

"(f) A change from a trust or restricted status to an unrestricted status of any interest in timber that has been sold pursuant to this section shall not affect the obligations of the Secretary of the Interior under any contract of sale that is in effect at the time such change in status occurs."

With the following committee amendments:

Page 2, line 1, strike out the words "of the reservation" and insert in lieu thereof "who are members of the tribe or tribes concerned".

Page 2, line 7, strike out "pursuant to" and insert in lieu thereof "to the extent permissible under".

Page 2, line 11, add the following new sentences: "It is the intention of Congress that a deduction for administrative expenses may be made in any case unless the deduction would violate a treaty obligation or amount to a taking of private property for public use without just compensation in violation of the Fifth Amendment to the Constitution. Sales of timber under this subsection shall be based upon a consideration of the needs and best interests of the Indian owner and his heirs. The trust or restrictions shall be regarded as imposed for the benefit of both the owner and his heirs, and not for the benefit of the current owner alone. The Secretary shall take into consideration, among other things, (1) the state of growth of the timber and the need for maintaining the productive capacity of the land for the benefit of the owner and his heirs, (2) the highest and best use of the land, including the advisability and practicality of devoting it to other uses for the benefit of the owner and his heirs, and (3) the present and future financial needs of the owner and his heirs."

Page 3, lines 6, 7, and 8, strike out "and after giving reasonable notice by publication of the proposed timber sale he may represent an Indian who cannot be located." and insert in lieu thereof "or fails or refuses to respond to inquiries, or whose interest does not exceed a one-sixteenth portion of the parcel under consideration."

The committee amendments were agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

TOWNSITE LAWS APPLICABLE IN ALASKA

The Clerk called the bill (H.R. 11266) to amend the act of March 8, 1922, as amended, to extend its provisions to the townsite laws applicable in the State of Alaska.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 3 of the Act of March 8, 1922 (42 Stat. 415; 48 U.S.C. 376, 377, 377a), is amended to read as follows:

"SEC. 3. The Secretary of the Interior may (a) sell under the provisions of section 2455 of the Revised Statutes (43 U.S.C. 1171), as amended, or (b) make disposition under the following townsite laws, as amended: Sections 2380 and 2381 of the Revised Statutes (43 U.S.C. 711, 712); section 11 of the Act of March 3, 1891 (26 Stat. 1009; 48 U.S.C. 355); Act of May 25, 1926 (44 Stat. 629; 48 U.S.C. 355a–355d); and Act of March 12, 1914 (38 Stat. 305; 48 U.S.C. 301, 302, 303–308), of any lands in Alaska known to contain workable coal, oil, or gas deposits, or that may be valuable for the coal, oil, or gas contained therein, and which are otherwise subject to sale or disposition under said section 2455, as amended, or the said townsite laws, as amended, upon the condition that the patent issued to the purchaser thereof shall contain the reservation required by section 2 of this Act."

With the following committee amendments:

Page 1, strike out all of lines 3 and 4 and insert in lieu thereof the following language: "That section 3 of the Act of March 8, 1922 (42 Stat. 415), as amended (75 Stat. 384; 48 U.S.C. 376, 377, 377a), is further amended to read as follows:"

Page 2, line 10, change the period to a colon, strike out the quotation mark, and add the following proviso: "*Provided, however,* That the sale or disposition of land under this Act shall not extinguish or otherwise adversely affect the claims thereto of any native of Alaska: *And provided further,* That this Act shall not change or in any way modify the power or the responsibility of the Secretary of the Interior to provide service and assistance to the natives residing on such lands."

The committee amendments were agreed to.

Mr. RIVERS of Alaska. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Alaska?

There was no objection.

Mr. RIVERS of Alaska. Mr. Speaker, I rise in support of my bill H.R. 11266 to amend the act of March 8, 1922, as amended, governing the sale of tracts of public land under the townsite laws. This bill would put the townsite law presently applicable to Alaska in conformance with the general law pertaining to the rest of the public land States by permitting the Secretary of the Interior to sell tracts on mineral lands in Alaska subject to a reservation to the United States of coal, oil, and gas. Presently no townsite may be created in Alaska on public land valuable for mining or classified as potentially valuable for mining within the purview of the general mining law or the Mineral Leasing Act.

There are two villages in northern Alaska, Barrow, and Wainwright, within Naval Petroleum Reserve No. 4, now interested in attaining corporate status upon validly established townsites. Passage of this legislation at this time would not only expedite matters for these two communities, but pave the way for similar developments elsewhere in Alaska as settlement occurs.

This legislation has been approved by the Department of Interior with clearance from the Bureau of the Budget and is supported by all the members of the Alaska congressional delegation as well as by Senator Eben Hopson and Representative John Nusunginya who represent the residents of northern Alaska in the Alaska State Legislature.

In closing, I wish to thank the chairman of the Committee on Interior and Insular Affairs, the gentleman from Colorado [Mr. ASPINALL], and the chairman of the Subcommittee on Public Lands, the gentlelady from Idaho [Mrs. PFOST], and the members of the committee for their painstaking interest and consideration of this legislation which is of basic importance to the people of Alaska. I urge passage of H.R. 11266.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

PROVIDING BENEFITS TO CERTAIN GUAMANIANS

The Clerk called the bill (H.R. 4753) to amend section 5 of the War Claims Act of 1948 to provide detention and other benefits thereunder to certain Guamanians killed or captured by the Japanese at Wake Island.

The SPEAKER. Is there objection to the present consideration of the bill?

Mr. GROSS. Reserving the right to object, Mr. Speaker, I should like to observe that to me it is very interesting that the State Department refuses to take a position in the matter of indemnifying these Guamanians, according to the letter from Assistant Secretary of State Hays which appears in the committee report. Had the State Department been dealing with other foreigners, I am sure it would have taken a position long ago in favor for handing out many times the amount in this bill.

The SPEAKER. Is there objection to the present consideration of the bill?

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 5 of the War Claims Act of 1948 is amended by adding at the end thereof the following new subsection:

"(h) In the case of any Guamanian killed or captured by the Imperial Japanese Government on or after December 7, 1941, at Wake Island, benefits shall be granted under subsections (a) through (f) of this section in the same manner and to the same extent as apply in the case of civilian American citizens so killed or captured. Claims for benefits under subsections (a) through (e) of this section must be filed within six months after the date of enactment of this subsection, and the time limitation applicable to any individual by subsection (f) shall not begin to run until the date of enactment of this subsection, with respect to any individual who is entitled to such benefits solely by reason of this subsection. The preceding sentence shall not be construed to affect the right of any individual to receive such benefits with respect to any period prior to the date of enactment of this subsection."

Mr. O'HARA of Illinois. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

Mr. O'HARA of Illinois. Mr. Speaker, I am happy that the House is passing this bill by unanimous vote as it did a similar bill in the 86th Congress. I hope that favorable action will be taken in the other body before the hour of sine die adjournment.

What this bill does in substance is to give practical recognition to our fellow Americans on the island of Guam as American citizens. Since the enactment of the Guam Organic Act in 1950 they have enjoyed the official status of American citizens, but prior to that time their status was that of American nationals. Thus, although loyal Americans since 1898, participating with other Americans in the services, sacrifices, and suffering of war, they have been deprived of the benefits of the War Claims Act, which are restricted to civilian American citizens.

If their service is to America, if their allegiance and their hearts are with America, and if they give even to their lives for our common country, I do not think you can make too fine distinctions between American nationals and American citizens, certainly not in the bestowal of appreciation. Any other approach smacks too much of the spirit of colonialism and tends to destroy the image of the United States in foreign lands.

As a member of the Committee on Foreign Affairs I sought to stress in my appearance before the subcommittee chairmanned by the distinguished gentleman from Illinois [Mr. MACK] the relation of this measure to the foreign policy of the United States.

Guam is our most farflung possession. It is the showcase of representative democratic government in the far Pacific. What happens there has repercussions in the Far East impossible to exaggerate. It is becoming increasingly difficult to explain why the Guamanians who died and suffered at Wake Island when captured by Japanese are discriminated against on the shabby argument that at the time they were not American citizens, even though they were American nationals and since 1950 have been American citizens.

The War Claims Act properly provided benefits to civilian American citizens captured by the Japanese at Wake Island and to the families of those killed. I am sure that at the time of its passage the thought was to cover all Americans, and the fine technical distinction between national and citizen was in no one's mind. The country had been thrilled by the heroism of Wake Island and the Congress wished as best it could to alleviate the condition of the survivors and the families of those killed.

No matter what the intention, and I have stated what I think was the clear nondiscriminatory intention, the wording of the act operated to leave out in the cold 33 living Guamanians and the families of 12 Guamanians killed, because although loyal Americans they could not qualify as citizens until the enactment of the Guam Organic Act of 1950.

Mr. Speaker, I would wish to close my remarks by expressing what I believe to be the universal feeling of warm friendship by the Members of this House for Guam and her people. No part of our great Union has contributed more by the measure of size and means in democratic effort and in dedication. We point out with pride for all the world to see our showcase of representative democracy in the Far Pacific.

The legislature of Guam, under the leadership of Speaker A. B. Won Pat, has functioned by the highest traditions of our State legislatures on the mainland. The fact that this bill for the second time is passing the House on the Consent Calendar, with not a voice raised in objection, is a tribute, not only to Guam, but also to Speaker Won Pat and the other distinguished members of the Guam legislature who have visited us from time to time and deepened our understanding of problems in the solution of which we have a common American interest.

Further emphasizing, Mr. Speaker, the importance of Guam in the national picture is the fact that the Director of the Office of Territories in the Department of the Interior is the Honorable Richard F. Taitano, a Guamanian. This is a key position, the top spot in our territorial administration. In its direction the rich background of experience, the firsthand and intimate understanding, the drive and the dedication of Director Taitano have enhanced in the eyes of the free world the position of our country, administering our territories, not as colonies, but as parts of us, as the 50 States once themselves were territories serving their apprenticeship for the statehood ahead. To Director Taitano and the Guam that spared him for service here the Nation is indebted.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

Mr HARRIS. Mr. Speaker, I ask unanimous consent for the immediate consideration of a similar Senate bill (S. 2256) to amend section 5 of the War Claims Act of 1948 to provide detention and other benefits thereunder to certain Guamanians killed or captured by the Japanese at Wake Island.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There being no objection, the Clerk read the Senate bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 5 of the War Claims Act of 1948 is amended by adding at the end thereof the following new subsection:

"(h) In the case of any Guamanian killed or captured by the Imperial Japanese Government on or after December 7, 1941, at Wake Island, benefits shall be granted under subsections (a) through (f) of this section in the same manner and to the same extent as apply in the case of civilian American citizens so killed or captured. Claims for benefits under subsections (a) through (e) of this section must be filed within six months after the date of enactment of this subsection, and the time limitation applicable to any individual by subsection (f) shall not begin to run until the date of enactment of this subsection, with respect to any individual who is entitled to such benefits solely by reason of this subsection. The preceding sentence shall not be construed to affect the right of any individual to receive such benefits with respect to any period prior to the date of enactment of this subsection."

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

A similar House bill (H.R. 4753) was laid on the table.

PROVISION FOR IRRIGATION BLOCKS

The Clerk called the bill (S. 2179) to amend section 9(d)(1) of the Reclamation Project Act of 1939 (53 Stat. 1187; 43 U.S.C. 485), to make additional provision for irrigation blocks, and for other purposes.

The SPEAKER. Is there objection to the present consideration of the bill?

Mr. FORD. Reserving the right to object, Mr. Speaker, may I ask the distinguished chairman of the House Committee on Interior and Insular Affairs several questions? If this proposed legislation becomes law, are we not giving to the Secretary of the Interior considerably more authority to modify contracts than he has ever had before?

Mr. ASPINALL. We are giving him more authority than he has at the present time for some of those irrigation projects which have been authorized heretofore, but here we have incorporated this particular language into the authorizing language.

What happens is this: If we do not have authority like this, we have to wait until the period of construction before we can start any of the development. In these multipurpose projects some areas can be started into development and production ahead of other areas. This gives the Secretary the authority to make amendments to the provisions of the contract. It brings back to the Federal Treasury reclamation funds out of the repayment quicker than they could otherwise be brought back.

Mr. FORD. That, certainly, is a desirable provision in the law. However, would not this new legislation permit the Secretary to modify contracts so that payments to the Federal Treasury would come more slowly or be delayed in some other way?

Mr. ASPINALL. Not if the construction is on time. It would all be a matter of the progress of the construction on a project because the development must take place immediately after the final construction. So, so far as affecting the ultimate return is concerned, I would say it would not make any difference.

Mr. FORD. Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER. Is there objection to the present consideration of the bill?

There was no objection.

The Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That after the execution of a contract pursuant to the authority of section 9(d)(1) of the Reclamation Project Act of 1939 (53 Stat. 1187; 43 U.S.C. 485), and prior to the commencement of the development period provided thereunder, the Secretary of the Interior is hereby authorized to amend such contract to provide for irrigation blocks, or if such are already provided, to add to or modify such irrigation blocks, as he shall deem desirable to carry out the purposes of that Act.

SEC. 2. Section 9(d)(1) is amended by deleting the period at the end of the first sentence of said section and by adding the following: "*Provided further,* That when the Secretary, by contract or by notice given thereunder, shall have fixed a development period of less than ten years, and at any time thereafter but before commencement of the repayment period conditions arise which in the judgment of the Secretary would have justified the fixing of a longer period, he may amend such contract or notice to extend such development period to a date not to exceed ten years from its commencement, and in a case where no development period was provided, he may amend such contract within the same limits: *Provided further,* That when the Secretary shall have deferred the payment of all or any part of any installments of construction charges under any repayment contract pursuant to the authority of the Act of September 21, 1959 (73 Stat. 584), he may, at any time prior to the due date prescribed for the first installment not reduced by such deferment and by agreement with the contracting organization, terminate the supplemental contract by which such deferment was effected, credit the construction payments made, and exercise the authority granted in this section."

SEC. 3. In any repayment contract which provides for payment of construction charges by single annual installments, the Secretary may by agreement with the contracting organization amend such contract to provide for the payment of such annual installments in two parts on such dates in the calendar year as may best enable the contracting organization to meet its payments.

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

PROVIDING FOR THE ESTABLISHMENT OF THE FREDERICK DOUGLASS HOME AS A PART OF THE PARK SYSTEM IN THE NATIONAL CAPITAL

The Clerk called the bill (S. 2399) to provide for the establishment of the Frederick Douglass home as a part of the park system in the National Capital and for other purposes.

The SPEAKER. Is there objection to the present consideration of the bill?

Mr. GROSS. Mr. Speaker, reserving the right to object, I should like to ask a question or two concerning this bill. What is the proposed use of this home, and the grounds? What is the proposed future use of it?

Mr. RUTHERFORD. Mr. Speaker, will the gentleman yield?

Mr. GROSS. Yes, I am glad to yield to the gentleman.

Mr. RUTHERFORD. It is to be used primarily as a memorial to Frederick Douglass, to be a part of the national park system here in the District of Columbia.

Mr. GROSS. It is not designed to become a clubhouse; is it?

Mr. RUTHERFORD. I assure the gentleman of this, that the distinguished chairman of the Committee on the Interior and Insular Affairs, the gentleman from Colorado [Mr. ASPINALL], and the Subcommittee on National Parks visited this area less than a week ago. It is possibly one of the most well preserved and one of the most ideal locations in the District of Columbia in Anacostia. It was constructed by the man who actually developed the Anacostia area in about 1874. It was purchased by Mr. Frederick Douglass who was born a slave and who later obtained his freedom and became a Negro leader.

Mr. GROSS. I will say to the gentleman that I know the history of it; I read it in the report and I visited the place yesterday to see what it was all about. Will the gentleman tell me this: Who now gets the return from the leased area? There are apartments on the grounds and according to your report this land is leased.

Mr. RUTHERFORD. The gentleman is possibly referring to approximately 4 acres. That is on lease or has been sold to a development company. It is not included in the bill. The bill only refers to 10 acres which will be given in fee simple to the Nation to be held by the Secretary of the Interior and will be held precisely, I would say, as the gentleman would contemplate from the committee report. There is a lease referred to here. There was originally 14 acres, but this only includes 10 acres and will exclude the 4 acres being used by the development company.

Mr. GROSS. Does the gentleman think that $25,000 provided in this bill is going to be sufficient to renovate the house and provide a much improved drive to the house? Does the gentleman think this is going to stop at $25,000?

Mr. RUTHERFORD. The gentleman is asking me personally and I might say in viewing the property I had that reservation. However, the National Park Service feels that this is a fair and reasonable figure and they can restore it within the $25,000 figure. I might say that the subcommittee in committee made the statement that we would abide by the pledge of $25,000. I might say that the lady who I understand has been the national president of the American Colored Women's Association for the past two terms has stated that they will make private contributions to supplement any lack of funds that the Federal Government does not appropriate.

Mr. GROSS. Of course, you understand in passing this bill that it will cost $25,000 a year in perpetuity to maintain this?

Mr. RUTHERFORD. The gentleman is correct.

The **SPEAKER.** Is there objection to the present consideration of the bill?

There was no objection.

The Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Interior is authorized to designate, for preservation as a part of the park system in the National Capital, the former home of Frederick Douglass located at 1411 W Street Southeast, Washington, District of Columbia, and known as "Cedar Hill", to be described by metes and bounds, so as to exclude that part of the original fourteen acres which is presently leased to the Glen Garden as a housing development, together with such land, interests in land, and improvements thereon as he may deem necessary to accomplish the purposes of this Act: *Provided,* That the area so designated shall not exceed fourteen acres.

SEC. 2. When the land, the Frederick Douglass home, and such objects therein of historical significance as the Secretary of the Interior may designate have been donated to the United States, establishment of the Frederick Douglass home as a part of the park system in the National Capital shall be effected by publication of notice in the Federal Register.

SEC. 3. Upon the establishment of the Frederick Douglass home as a part of the park system in the National Capital, the home shall be administered by the Secretary of the Interior and shall be subject to the provisions of the Act entitled "An Act to establish a National Park Service and for other purposes", approved August 25, 1916 (39 Stat. 535), as amended and supplemented, and the Act entitled "An Act to provide for the preservation of American sites, buildings, objects, and antiquities of national significance, and for other purposes", approved August 21, 1935 (49 Stat. 666), as amended.

SEC. 4. There are authorized to be appropriated such sums as are necessary to accomplish the purposes of this Act.

With the following committee amendment:

Page 3, lines 1 and 2, strike out the words "such sums as are necessary" and insert in lieu thereof "not more than $25,000 for repairing and refurbishing Cedar Hill in order."

The committee amendment was agreed to.

HOME OF FREDERICK DOUGLASS, BORN A SLAVE IN 1817, AND OUTSTANDING PUBLIC SPOKESMAN OF NEGRO RACE IN HIS TIME, TO BECOME PART OF THE NATIONAL CAPITAL PARK SYSTEM

Mr. BOLAND. Mr. Speaker, I rise in support of S. 2399, to provide for the establishment of the Frederick Douglass home as a part of the park system in the Nation's Capital. This legislation grants authority to the Secretary of the Interior to accept a donation of Cedar Hill, the home of Frederick Douglass at 14th and W Streets SE., here in Washington, D.C., to rehabilitate this home and to administer it as a unit of the National Capital parks system.

Frederick Douglass, who was the outstanding public spokesman of the Negro race in his time, was born a slave in 1817, and died in 1895. Largely self-educated, he ran away at age 21 first to New York City and then to New Bedford, Mass. An impromptu speech which William Lloyd Garrison called upon him to make at an antislavery convention first demonstrated his abilities as an orator. He lectured as an agent of the Massachusetts Antislavery Society for a few years, and he was then sent to Great Britain for 2 years as a lecturer and writer. He became acquainted there with such prominent figures as John Bright and Daniel O'Connell. Funds were raised by his friends in England to purchase his freedom, for he was still a fugitive slave, and for continuing his antislavery agitation upon return to America.

DOUGLASS RAISED TWO CIVIL WAR REGIMENTS OF MASSACHUSETTS NEGRO TROOPS

Mr. Speaker, when Frederick Douglass returned to the United States in 1847 he founded, and for a number of years edited, the North Star, a Rochester, N.Y., newspaper. By this time he had interested himself not only in the rights of minorities and the abolition movement, but also in women's suffrage, temperance, the abolition of capital punishment, and international peace. The first edition of the North Star carried the motto, "Right Is of No Sex—Truth Is of No Color—God Is the Father of Us All, and We Are All Brethren."

His associates and acquaintances, with many of whom he differed on questions of tactics and even of policy, included not only William Lloyd Garrison, but Harriet Beecher Stowe, John Brown, Wendell Phillips, Susan B. Anthony, Lucretia Mott, and others. He flung himself with enthusiasm into the Free Soil Party campaign and later into Lincoln's campaign as Republican candidate for the Presidency. After the break came between the North and the South, he assisted in raising two regiments of Negro troops in Massachusetts, in one of which two of his sons enlisted.

DOUGLASS SERVED AS MINISTER TO HAITI; CHARGÉ D'AFFAIRES FOR SANTO DOMINGO

After the Civil War, Mr. Douglass worked steadfastly for ratification of the 13th, 14th, and 15th amendments to the Constitution and served in various capacities in the Federal Government, as Minister to Haiti, and chargé d'affaires for Santo Domingo, as recorder of deeds in the District of Columbia, and as presidential elector from New York.

Cedar Hill, a 14-room house built in 1854 on a 14-acre tract on a hill in Anacostia with a commanding view of Washington, became Mr. Douglass' home in 1874. It has been preserved thus far through the efforts of the National Association of Colored Women's Clubs and the Frederick Douglass Historical & Memorial Association. These organizations have offered to donate the home, the land surrounding it, and its furnishing, virtually all of which were Douglass' own furnishings, to the United States to be maintained for the benefit and inspiration of the people.

Mr. Speaker, I urge my colleagues to accept this generous offer by unanimously approving this legislation.

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

EDISON HOME NATIONAL HISTORIC SITE

The Clerk called the bill (S. 2916) to change the names of the Edison Home National Historic Site and the Edison

Laboratory National Monument, to authorize the acceptance of donations, and for other purposes.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Edison Home National Historic Site and the Edison Laboratory National Monument, together with adjacent parcels aggregating approximately seventy-one one-hundredths of an acre which have been donated to the United States for addition to the monument, are designated the Edison National Historic Site.

SEC. 2. The Secretary of the Interior may accept the donation of such lands and interests in lands, for addition to the site, as he determines will further the preservation of the Edison National Historic Site and its enjoyment by the public.

SEC. 3. The Edison National Historic Site shall be administered by the Secretary of the Interior pursuant to the Act entitled "An Act to establish a National Park Service and for other purposes," approved August 25, 1916 (39 Stat. 535; 16 U.S.C. 1, 2, 3), as amended and supplemented.

SEC. 4. There are hereby authorized to be appropriated such sums as are necessary to accomplish the purposes of this Act.

With the following committee amendment:

Page 2, lines 10, 11, and 12, strike out all of section 4.

The committee amendment was agreed to.

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

FORT ST. MARKS NATIONAL HISTORIC SITE, FLA.

The Clerk called the bill (H.R. 12164) to provide for the establishment of the Fort St. Marks National Historic Site.

Mr. FORD. Mr. Speaker, reserving the right to object, I would like to ask the author of the bill, the gentleman from Florida, whether my understanding is correct, that the State of Florida will donate to the Federal Government the land involved in this park?

Mr. SIKES. Mr. Speaker, if the gentleman will yield, I can state that negotiations by the State of Florida now are in progress for the acquisition of this site from the private owners. I have the assurance of the present State administration and of State legislative leaders that it is the intention of the State of Florida to acquire this property and to make it available to the Federal Government, in accordance with the terms provided in the bill.

Mr. Speaker, the designation of Fort St. Marks as a national historic site is a matter of significant national interest. Its historic importance has been fully documented, and I am glad to state to the House that some reticence on the part of the Department of Interior to recognize this fact has now been entirely dissipated, and I was told only this morning by Secretary Udall that his Department supports the passage of H.R. 12164 as reported to the House by the Committee on Interior and Insular Affairs.

From the construction of the first fort, Fort San Marcos de Apalachee, by the Spanish shortly after 1670 through its exciting history down to the present, Fort St. Marks has been recognized as one of the most important areas of Spanish colonial history. It figured in Andrew Jackson's early plans to make Florida a part of the United States and was taken by him during the Second War with Great Britain. During its varied history the fort was occupied by the British and by an adventurer named Bowles who created and maintained there for a short time the independent country of Muscogee. During the War between the States, Fort St. Marks was held by Confederate forces throughout that conflict and the fort was credited with being in large measure responsible for keeping the capitol at Tallahassee from falling into the hands of Federal troops. Tallahassee is the only State capital east of the Mississippi which remained in Confederate hands throughout the war.

Extensive salvage work and research has been done in the Fort St. Marks area by Florida State University and recent developments in a continuing program of historical and archeological research conducted by the university as well as by private citizens and agencies have produced evidence that Fort St. Marks possesses exceptional value in commemorating and illustrating several phases of this country's earliest history. I believe this site is needed in the national park system to fill a long-neglected gap in the Government's program to portray and preserve America's cultural heritage.

Mr. FORD. Mr. Speaker, I withdraw my reservation of objection.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Interior shall acquire on behalf of the United States, by gift, purchase, condemnation, or otherwise, the site of Fort Saint Marks, located at Saint Marks, Florida, together with all improvements thereon and appurtenances thereto. When so acquired, such property shall be designated as the Fort Saint Marks National Historic Site, and shall be set aside as a public national memorial.

SEC. 2. In order to provide for the proper development of the Fort Saint Marks National Historic Site, the Secretary of the Interior shall erect thereon and maintain as parts thereof the following—

(1) a museum, which shall contain items of historical interest pertaining to Fort Saint Marks;

(2) such markers, structures, and landscaping as may in his judgment be appropriate.

SEC. 3. The Secretary of the Interior, acting through the National Park Service, shall administer, protect, develop, and maintain the Fort Saint Marks National Historic Site subject to the provisions of this Act and in accordance with the provisions of the Act of August 25, 1916, entitled "An Act to establish a National Park Service, and for other purposes" (16 U.S.C. 1 and others), as amended and supplemented, and the provisions of the Act of August 21, 1935, entitled "An Act to provide for the preservation of historic American sites, buildings, and antiquities of national significance, and for other purposes" (16 U.S.C. 461–467), as amended.

With the following committee amendment:

Page 1, lines 3–7, strike out all of the first sentence and insert in lieu thereof:

"That the Secretary of the Interior may accept on behalf of the United States a donation of the site of Fort Saint Marks, located at Saint Marks, Florida, together with all improvements thereon and appurtenances thereto, and such surrounding or adjacent land as is reasonably necessary to carry out the purposes of this Act."

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time and passed, and a motion to reconsider was laid on the table.

COMMEMORATION OF THE WARSAW GHETTO UPRISING

The Clerk called the resolution (S.J. Res. 179) authorizing and requesting the President to designate April 21, 1963, as a day for observance of the courage displayed by the uprising in the Warsaw ghetto against the Nazis.

There being no objection, the Clerk read the resolution, as follows:

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the twenty-first day of April 1963 is hereby marked in recognition of the astounding courage displayed by the uprising in the Warsaw ghetto against the Nazis. Through such uprising, the men, women, and children who met death on that tragic day and those who perished in concentration camps and in the gas chambers, symbolize the indestructible spirit of liberty which throughout history has ultimately triumphed against the forces of tyranny.

The President is authorized and requested to issue a proclamation inviting people of the United States to observe such day with appropriate ceremonies and activities.

The resolution was ordered to be read a third time, was read the third time and passed, and a motion to reconsider was laid on the table.

MORTGAGE INSURANCE UNDER NATIONAL HOUSING ACT

The Clerk called the bill (S. 2876) to extend the authority to insure mortgages under sections 809 and 810 of the National Housing Act, and to extend the coverage of section 810 to include persons employed at or in connection with an installation of the National Aeronautics and Space Administration or the Atomic Energy Commission.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 803(a) of the National Housing Act is amended by striking out "under this title" in the last proviso and inserting in lieu thereof "under this section".

SEC. 2. Section 809(f) of the National Housing Act is amended by striking out "and the expiration date of the Commissioner's authority to insure".

SEC. 3. Section 810 of the National Housing Act is amended by—

(1) striking out clause (1) of subsection (b) and inserting in lieu thereof the following: "(1) the housing which is covered by the insured mortgage is necessary in the interest of national security in order to provide

adequate housing for (A) military personnel and essential civilian personnel serving or employed in connection with an installation of one of the armed services of the United States, or (B) persons employed or assigned to duty at or in connection with an installation of the National Aeronautics and Space Administration or the Atomic Energy Commission,";

(2) striking out in subsection (d) the words "and employees of contractors for the armed services" and inserting in lieu thereof the following: "employees of contractors for the armed services, and persons described in clause (1)(B) of section (b) of this section"; and

(3) striking out in subsection (k) the words "and the expiration date of the Commissioner's authority to insure".

With the following committee amendment:

Strike out all after the enacting clause and insert the following: "That the last proviso in section 803(a) of the National Housing Act is amended—

"(1) by striking out 'under this title' and inserting in lieu thereof 'under this section'; and

"(2) by striking out 'under section 803 of this title' and inserting in lieu thereof 'under this section'.

"SEC. 2. Section 809(f) of the National Housing Act is amended by striking out 'and the expiration date of the Commissioner's authority to insure', and by adding at the end thereof the following new sentence: 'No more mortgages shall be insured under this section after October 1, 1963, except pursuant to a commitment to insure before such date.'

"SEC. 3. Section 810(k) of the National Housing Act is amended by striking out 'and the expiration date of the Commissioner's authority to insure', and by adding at the end thereof the following new sentence: 'No more mortgages shall be insured under this section after October 1, 1963, except pursuant to a commitment to insure before such date.' "

The committee amendment was agreed to.

The bill was ordered to be read a third time, was read the third time, and passed.

The title of the bill was amended to read: "An act to extend for 1 year the authority to insure mortgages under sections 809 and 810 of the National Housing Act."

A motion to reconsider was laid on the table.

RELIEF OF CERTAIN CIVILIAN SHIPYARD EMPLOYEES

The Clerk called the bill (H.R. 10002) for the relief of civilan employees of the New York Naval Shipyard and the San Francisco Naval Shipyard erroneously in receipt of certain wages due to a misinterpretation of a Navy civilian personnel instruction.

Mr. FORD. Mr. Speaker, reserving the right to object, I would like to ask some member of the Committee on the Judiciary whether any attempt was made to find out in the hearings what individual or what group of individuals was or were responsible for this overpayment?

Mr. LIBONATI. As I understand, the Department of the Navy was responsible in that these civilan employees formerly worked there. Their pay was raised through a misinterpretation of the law. This resulted in a difference between their pay status and what they received. They were paid this to keep them on the job. It was really no one's fault except the law proscribed that they must serve in a certain capacity in the apprenticeship before they are raised to step 2.

Mr. FORD. Somebody must have been at fault, because the Comptroller General says that 47 employees in the San Francisco Navy Shipyard were overpaid and 218 employees in the New York Navy Shipyard were overpaid. Somebody must have been at fault.

Mr. LIBONATI. The interpretation of the law by the Navy resulted in this difference.

Mr. FORD. I assume the Navy was at fault, but the Navy Department has 650,000 men in uniform and probably half a million civilian employees. Somebody must have been at fault; who was it?

Mr. LIBONATI. As I understand, it is stated that some naval authorities were responsible.

Mr. FORD. I assume that to be true, but who?

Mr. LIBONATI. Just a moment, sir; and immediately the other naval authorities discovered it. It resulted in this difference of $28,000 that had been paid under a mistaken interpretation of the law by the naval authorities who had interpreted it. I think it is the Judge Advocate's Office.

Mr. FORD. There was no effort made to try to pin it down to the individual who was at fault in misinterpreting the law or erroneously interpreting the regulations? Did the committee not try to pin responsibility on someone?

Mr. LIBONATI. Yes, we did.

Mr. FORD. Who was it?

Mr. LIBONATI. They said there was general authority there.

Mr. FORD. That is a very broad authority.

Mr. LIBONATI. Of course, under the circumstances, the mistakes should not be charged to persons who in good faith accepted employment at that rate.

Mr. FORD. I agree with that statement. Where there is misfeasance, malfeasance, or nonfeasance on the part of somebody who was doing the hiring is another matter.

Mr. LIBONATI. Lawyers do make mistakes.

Mr. FORD. We are not infallible. What worries me is that nobody in the committee or nobody in the hearings apparently tried to find out who in the New York Shipyard or who in the San Francisco Shipyard made this mistake.

Mr. LIBONATI. Unfortunately, in reference to the whole incident, the only way it can be corrected is by legislation to relieve these people of their obligation.

Mr. FORD. The gentleman may well be correct in that regard, but I am looking prospectively. I want to prevent this in the future. Unless your committee tries to find out who is at fault, tries to find out if any disciplinary action was taken against the civilian or military officer involved, we are going to have these cases multiplied. I am only suggesting that your committee ask the admiral these pertinent questions, "Who under your command, Admiral, made the mistake?" I think we could then rectify some of these things.

Mr. GROSS. Mr. Speaker, will the gentleman yield?

Mr. FORD. I yield to the gentleman from Iowa.

Mr. GROSS. You will find some of these bills on the Private Calendar today.

Mr. FORD. They are growing like weeds in my wife's garden.

Mr. GROSS. That is right. You can read these with two or three sets of bifocals and you will not find any indication of who is responsible other than of a very general nature. It will be a department or someone in the department or agency. Apparently, they do not try to find out who is responsible.

Mr. FORD. The committee having jurisdiction over these things should find out the individual who made the mistake. I do not want to penalize innocent victims of these errors, but let us find out who made the mistake. In light of the fact the committee is not going to get down and root out these people who are not doing a good job, I am going to ask that this bill be passed over.

Mr. YOUNGER. Mr. Speaker, will the gentleman yield?

Mr. FORD. I yield to the gentleman from California.

Mr. YOUNGER. I think it would be grossly unfair to penalize these men in the New York and San Francisco Shipyards who in good faith took these jobs. I think the mistake was made by an administrative officer in each of the yards in connection with the interpretation of the Navy rules and regulations. There is no question about that. They discovered the error afterward. But it seems to me grossly unfair to penalize these men who got the advancement, and were notified officially of the advancement. The disbursing officer carried out his instructions and disbursed the pay according to the advancement. Now they want the money back.

I agree with my colleague from Michigan that certainly the committee ought to find out in any of these cases, and should designate the officer who made the mistake; but to go back now and penalize these men because something has not been done on their part I think compounds the mistake against these men. A committee of Congress is making a mistake, and it may be corrected. I hope that the Committee on the Judiciary will correct the mistake. However, two mistakes will have been made. These men should receive this pay and not be penalized and have to pay it back to the Government.

Mr. LIBONATI. I agree with the gentleman from California.

Mr. FORD. I have no intention of permanently obstructing the enactment of this legislation, but why do we not start a new era. The gentleman from Illinois, I am sure, within the next few weeks can find out from the Secretary of the Navy the officer or civilian employee who made the mistake.

If he gets that information—and the Secretary of the Navy can provide it—at least we have made a step forward in pinning the responsibility. So, pending that information, which will not be hard to obtain, I think this bill ought to be passed over.

Mr. GUBSER. Mr. Speaker, will the gentleman yield?

Mr. FORD. I shall be glad to yield to the gentleman from California.

Mr. GUBSER. I would like to say to the gentleman that these people, I believe, are wage board employees. I would like to point out that on at least one occasion—and I am quite sure many more—this Congress has been responsible for denying them just wages due these wage board employees by our failure to enact appropriations which would pay an increased wage finding back to the date of the wage board finding. I knew we did this 2 years ago where an increase in pay of more than 6 months was denied these people which was rightly theirs under the terms of the wage board negotiations.

Mr. Speaker, I sincerely hope that we will not again do the wrong thing by these people who have acted in good faith.

Mr. FORD. I would like to make this comment about wage boards. Wage boards, in my opinion, have not been doing a good job. They have not been firm enough. Under pressure they have fallen over like jack straws when charges or condemnations are made against them. I am not sympathetic to their problem at all. They need a little tougher character. They are supposed to represent the Government. They are not supposed to represent these employees or these employee unions. They are supposed to represent the taxpayers. It is about time they started doing it.

Mr. PELLY. Mr. Speaker, will the gentleman yield?

Mr. FORD. I yield to the gentleman from Washington.

Mr. PELLY. I think the point is overlooked here that the report from the Department of the Navy is adverse. That report is approved by the Bureau of the Budget. In other words, the administration is against this bill. Under the rules under which this calendar is considered and which have been established, we are not supposed to let these bills go through.

Mr. LIBONATI. Mr. Speaker, will the gentleman yield?

Mr. FORD. I yield to the gentleman from Illinois.

Mr. LIBONATI. The purpose of this committee is to do equity in proper cases regardless of any opinion of any agency in Government or any report. We possibly handle 5,000 claims a session. It is very easy to say "Why do you not inquire into the fiscal relationship as to the mistakes in the respective Services?" But one must realize we have no right to investigate the Services as such, as a committee which has only jurisdiction over the question of the allowability of claims and jurisdiction of a question of whether or not a mistake was made, only as to the equity of the problem involved.

Mr. FORD. I respectfully disagree with my friend, the gentleman from Illinois [Mr. LIBONATI]. When an agency of the Government comes up to testify on proposed legislation you have the full authority and the right to demand the name of the individual, whether he is in uniform or whether he is a civilian, as to who made the mistake.

Mr. LIBONATI. If the gentleman will yield, I think when equities are involved of a general nature, we pass the bill in accordance with the determinations that have been set out by factual evidence and evidentiary facts before us. But we have no right, really, to determine these other issues as to corrective measures that might be taken by a committee that has jurisdiction over the armed services to go into that, or the Appropriations Committee.

Mr. FORD. I still make my request, and if my friend, the gentleman from Illinois [Mr. LIBONATI] does not want to be helpful——

Mr. LIBONATI. No; I will be helpful. But I am just telling the gentleman the question involved here is such that sometimes one cannot procure the information from the individual who appears before us. They are sent from a department that has nothing to do with fiscal determinations. There are hundreds of persons working there under the other branches of the Navy.

Mr. FORD. Who testified for the Navy before your subcommittee?

Mr. LIBONATI. I do not know. The record is not here.

Mr. FORD. Put in the RECORD the name of the individual and let us see who did testify and find out why he did not know this information.

Mr. LIBONATI. If I promise you we will do that at our next hearing and take this matter up in this other area, will the gentleman withdraw his objection?

Mr. FORD. Mr. Speaker, I indicated to the gentleman that if he will find out from the Secretary of the Navy the individuals involved who made the mistake I will be very glad to cooperate. But let us start by finding out who was responsible for these errors; and this is a good place to start.

Mr. LIBONATI. Mr. Speaker, as a gentleman—and I know you are a gentleman——

Mr. FORD. I appreciate the gentleman's thoughtfulness and I return the compliment.

Mr. LIBONATI. Well, we both went to Ann Arbor where all men are gentlemen, so I can appeal to the gentleman, will he please withdraw his objections, and I promise him that I shall personally see that he is given this information?

Mr. FORD. Mr. Speaker, I will say to the gentleman that I am not objecting; I am simply going to ask that the bill be passed over for 2 weeks so the gentleman can be helpful and get this information to us.

Mr. LIBONATI. This is a House bill, and we do not know when we are going to adjourn, considering circumstances on the other side of the Capitol. I think we ought to be assertive on this.

Mr. FORD. If the gentleman will assure us that we will adjourn in the next 2 weeks I shall be glad to comply with his request. However I do not have the slightest idea that that fortuitous event will occur which would the benefit of the taxpayers of the country. So, let us just pass it over for 2 weeks.

Mr. FASCELL. Mr. Speaker, will the gentleman yield?

Mr. FORD. I yield to the gentleman from Florida.

Mr. FASCELL. Mr. Speaker, as one who has been very much interested in the colloquy that has taken place on this matter, and with the idea of seeing whether it can be resolved, it would seem to me that there is equity on both sides of the discussion. But I might ask the gentleman from Michigan this question; when the gentleman speaks of error does the gentleman mean by error he who wrote an ambiguous regulation; or does the gentleman from Michigan mean he refers to the person who created the error, whether it was he who misinterpreted the ambiguous regulation, or does the gentleman mean the person who directed the employee to pay out the amount of money that was paid?

Mr. FORD. Let us find out the names of all of them.

Mr. AVERY. Mr. Speaker, will the gentleman yield?

Mr. FORD. I yield to the gentleman from Kansas.

Mr. AVERY. Mr. Speaker, I regret I cannot join this colloquy as a member of the fraternity from the University of Michigan Law School, or whatever the connotation was that the gentleman from Illinois [Mr. LIBONATI] made. But as a member of the Objectors Committee on the Private Calendar I would like to make this observation. This is a philosophical matter, or a matter of judgment, perhaps, I should say, whether or not these overpayments should be forgiven. The question applies to those on the Private Calendar when each individual case stands on its own merit. So I would like to point out that there are quite a number, 47 individuals, involved here, but some of them have repaid the overpayment. It seems to me that it is not equitable to forgive a portion of those who have been overpaid and insist upon not relieving those who have not repaid.

Mr. LIBONATI. There is a provision here for a refund to those who paid.

Mr. AVERY. That provision is in the bill?

Mr. LIBONATI. Yes.

Mr. AVERY. Mr. Speaker, I appreciate the gentleman's yielding to me.

Mr. FORD. Mr. Speaker, I withdraw my reservation of objection; and I ask unanimous consent that the bill be passed over without prejudice.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Michigan?

There was no objection.

ESTABLISHING VESSEL LOADLINES

The Clerk called the bill (S. 3016) to amend the act of March 2, 1929, and the act of August 27, 1935, relating to load lines for oceangoing and coastwise vessels, to establish liability for surveys, to increase penalties, to permit deeper loading in coastwise trade, and for other purposes.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of

American in Congress assembled, That the Act entitled "An Act to establish load lines for American vessels, and for other purposes", approved March 2, 1929, as amended (46 U.S.C. 85–85g), is amended as follows:

(1) Subsection (a) of the first section is amended by striking out "the Great Lakes excepted" and inserting in lieu thereof "or arriving within the jurisdiction of the United States or its possessions from a foreign voyage by sea, in both cases the Great Lakes excepted".

(2) Section 7 (46 U.S.C. 85f) is amended—

(A) by adding the words "or Coast Guard district commander" following the words "collector of customs" in the first sentence;

(B) by adding the words "or Coast Guard district commander" following the word "collector" wherever it appears after the first sentence; and

(C) by adding the following sentence at the end thereof: "The owner and agent of a vessel surveyed and found in violation of this Act or regulations established thereunder shall bear the costs of the survey in addition to any penalty or fine imposed."

(3) Section 8 (46 U.S.C. 85g) is amended—

(A) by amending subsection (a) to read as follows:

"(a) The owner and/or master of any vessel subject to this Act and the regulations established thereunder shall be liable to the United States in a penalty not to exceed $1,000 whenever the vessel is found operating, navigating, or otherwise in use upon the navigable waters of the United States in violation of the provisions of this Act or the regulations established thereunder, or whenever the vessel, if a vessel of the United States, is found operating, navigating or otherwise in use upon the high seas in violation of the provisions of this Act or the regulations established thereunder. Each day a vessel is in violation of the provisions of this Act shall constitute a separate offense. The Secretary of the department in which the Coast Guard is operating may assess, collect, remit, and mitigate any penalty imposed under this Act."

(B) by amending subsection (b)—

(1) by striking out the figure "$100" and inserting the figure "$500" in place thereof; and

(2) by striking out the last sentence thereof;

(C) by amending subsection (c)—

(1) by striking out the figure "$500" and inserting the following words and figures in place thereof, "$1,000 plus a sum computed at the rate of $500 per inch of draft in excess of the vessel's applicable load line"; and

(2) by striking out the last sentence thereof;

(D) by striking out the figure "$500" in subsection (d) and inserting the figure "$1,000" in place thereof;

(E) by striking out the figure "$1,000" in subection (e) and inserting the figure "$2,000" in place thereof.

SEC. 2. The Act entitled "An Act to provide for the establishment of load lines for American vessels in the coastwise trade, and for other purposes", approved August 27, 1935, as amended (46 U.S.C. 88–88i), is amended as follows:

(1) Section 2 (46 U.S.C. 88a) is amended to read as follows:

"SEC. 2. The Secretary of the department in which the Coast Guard is operating is hereby authorized and directed in respect of the vessels defined above to establish by regulations from time to time the load water lines and marks thereof indicating the maximum depth to which such vessels may safely be loaded. Such regulations shall have the force of law. In establishing such load lines due consideration shall be given to, and differentials made for, the various types and character of vessels and the trades in which they are engaged. In establishing load water lines on passenger vessels due consideration shall be given to, and differentials shall be made for, the age and condition of the vessel, its subdivision and efficacy thereof, and the probable stability of the vessel if damaged: *Provided,* That the load-line provisions of this Act shall apply to the Great Lakes: *Provided further,* That no load line shall be established or marked on any vessel, which load line in the judgment of the Secretary is above the actual line of safety."

(2) Section 7 (46 U.S.C. 88f) is amended—

(A) by adding the words "or Coast Guard district commander" following the words "collector of customs" in the first sentence;

(B) by adding the words "or Coast Guard district commander" following the word "collector" wherever it appears after the first sentence; and

(C) by adding the following sentence at the end thereof: "The owner and agent of a vessel surveyed and found in violation of this Act or regulations established thereunder shall bear the costs of the survey in addition to any penalty or fine imposed."

(3) Section 8 (46 U.S.C. 88g) is amended—

(A) by amending subsection (a) to read as follows:

"(a) The owner and/or master of any vessel subject to this Act and the regulations established thereunder shall be liable to the United States in a penalty not to exceed $1,000 whenever the vessel is found operating, navigating, or otherwise in use upon the navigable waters of the United States, in violation of the provisions of this Act or the regulations established thereunder, or whenever the vessel, if a vessel of the United States, is found operating, navigating, or otherwise in use upon the high seas in violation of the provisions of this Act or the regulations established thereunder. Each day a vessel is in violation of the provisions of this Act shall constitute a separate offense. The Secretary by the Department in which the Coast Guard is operating may assess, collect, remit, and mitigate any penalty imposed under this Act."

(B) by amending subsection (b)—

(1) by striking out the figure "$100" and inserting the figure "500" in place thereof; and

(2) by striking out the last sentence thereof:

(C) by amending subsection (c)—

(1) by striking out the figure "$500" and inserting the following words and figures in place thereof, "$1,000 plus a sum computed at the rate of $500 per inch of draft in excess of the vessel's applicable load line"; and

(2) by striking out the last sentence thereof;

(D) by striking out the figure $500" in subsection (d) and inserting the figure "$1,000" in place thereof;

(E) by striking out the figure "$1,000" in subsection (e) and inserting the figure "$2,000" in place thereof.

The bill was ordered to be read a third time, was read the third time and passed, and a motion to reconsider was laid on the table.

INVESTMENT OF THE WAR RISK INSURANCE FUND

The Clerk called the bill (H.R. 11728) to amend section 1208(a) of the Merchant Marine Act, 1936, to authorize investment of the war risk insurance fund in securities of, or guaranteed by, the United States.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 1208(a) of the Merchant Marine Act, 1936 (46 U.S.C. 1288(a)), is amended by inserting at the end thereof the following: "Upon the request of the Secretary of Commerce, the Secretary of the Treasury may invest or reinvest all or any part of the fund in securities of the United States or in securities guaranteed as to principal and interest by the United States. The interest and benefits accruing from such securities shall be deposited to the credit of the fund."

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

COMPREHENSIVE PROGRAM IN OCEANOGRAPHY

The Clerk called the bill (H.R. 12601) to provide for a comprehensive, long-range, and coordinated national program in oceanography, and for other purposes.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Oceanographic Act of 1962".

SEC. 2. (a) It is hereby declared to be the policy of the United States to develop and maintain a coordinated, comprehensive and long-range national program in oceanography. In furtherance of this policy the humanitarian and economic welfare of the United States and the national security require that adequate provision be made for continuing, systematic research, studies, and surveys of the ocean and its resources, and of the total marine environment.

It is further declared to be the policy of the United States to implement the national program by both "in house" and contract research, through the balanced participation and cooperation of all qualified persons, organizations, institutions, agencies, or corporate entities, whether governmental, educational, nonprofit, or industrial.

(b) It is the purpose of this Act to carry out and effectuate the policies declared in subsection (a) of this section.

SEC. 3. (a) The Office of Science and Technology (hereinafter referred to as the "Office") established by Reorganization Plan Numbered 2 of 1962 shall establish a national program of oceanography. In order to insure that the greatest possible progress shall be made in carrying out this national program, the Office shall issue a statement of national goals with respect to oceanography, which shall set forth methods for achieving those goals and the responsibility of the departments, agencies, and instrumentalities of the United States to carry out the national program on an integrated, coordinated basis.

(b) The national program of oceanography established in accordance with subsection (a) of this section may be revised from time to time as the Office determines necessary.

(c) In establishing the national program of oceanography and in revising such program the Office shall consult with all interested departments, agencies, and instrumentalities of the United States, as well as capable nongovernmental institutions and industries where appropriate.

SEC. 4. (a) There is hereby established in the Office the position of Assistant Director for Oceanography. The Assistant Director shall be appointed by the President, by and with the advise and consent of the Senate, and shall receive compensation at the rate of $19,000 per annum.

(b) The Assistant Director shall perform such duties and exercise such powers in carrying out this Act as the Director of the Office shall prescribe.

SEC. 5. (a) The Director is authorized to appoint an Advisory Committee for Oceanography to consist of seven members.

(b) The Advisory Committee shall meet at the call of the Director. The Advisory Committee shall review the national program of oceanography and revisions thereof and may make recommendations with respect thereto.

SEC. 6. The Director shall report annually during the month of January to the President and the Congress. Such report shall contain the following:

(1) The general status of oceanography.

(2) The status of research, development, studies, and surveys conducted (directly or indirectly) by the United States in furtherance of oceanography, together with application of such research, development, studies, and surveys.

(3) A detailed analysis of the amounts proposed for appropriation by Congress for the ensuing fiscal year for each of the departments, agencies, and instrumentalities of the Government to carry out the purposes of this Act.

(4) Current and future plans and policies of the Federal Government with respect to oceanography.

(5) Requests for such legislation as may be necessary to carry out as rapidly as possible the purposes of this Act.

SEC. 7. As used in this Act the term "oceanography" includes, but is not limited to, the acquisition, assembling, processing, and dissemination of all scientific and technological oceanographic and related environmental data, including, but not limited to, physical, biological, fisheries, hydrographic and coastal survey, meteorological, climatological, and geophysical data.

With the following committee amendments:

On page 2, lines 4 and 5, strike out "by both 'in house' and contract research,".

On page 3, lines 3 and 4, strike out "nongovernmental", and insert in lieu thereof "non-Federal".

On page 4, lines 7 and 8, strike out "Federal Government" and insert in lieu thereof "United States".

On page 4, line 15, after the word "physical," insert "geological,".

On page 4, line 16, insert a comma after the word "meteorological".

The committee amendments were agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time and passed, and a motion to reconsider was laid on the table.

Mr. DINGELL. Mr. Speaker, I ask unanimous consent for the immediate consideration of a similar bill (S. 901) to advance the marine sciences, to establish a comprehensive 10-year program of oceanographic research and surveys, to promote commerce and navigation, to secure the national defense, to expand ocean, coastal, and Great Lakes resources, to authorize the construction of research and survey ships and laboratory facilities, to expedite oceanographic instrumentation, to assure systematic studies of effects of radioactive materials in marine environments, to enhance the public health and general welfare, and for other purposes.

The Clerk read the title of the bill.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Michigan?

There was no objection.

The Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

SECTION 1. This Act may be cited as the "Marine Sciences and Research Act of 1961".

DECLARATION OF POLICY

SEC. 2. The Congress hereby declares that systematic, scientific studies and surveys of the oceans and ocean floor, the collection, preparation, and dissemination of comprehensive data regarding the physics, biology, chemistry, and geology of the sea, and the education and training of oceanographic scientists through a sustained and effective program is vital to defense against attack from the oceans and to operation of our own surface and subsurface naval forces with maximum efficiency, to the rehabilitation of our commercial fisheries and the increased utilization of these and other ocean resources, to the expansion of commerce and navigation, and to the development of scientific knowledge and understanding of the waters which cover 71 per centum of the earth's surface, life and forces within these waters, and the interchange of energy and matter between the sea and atmosphere.

The Congress further declares that sound national policy requires that the United States not be excelled in the fields of oceanographic research, basic, military, or applied, by any nation which may presently or in the future threaten our general welfare, maritime commerce, security, access to and utilization of ocean fisheries, or contamination of adjacent seas by dumping therein radioactive wastes or other harmful agents.

The Congress further declares that to meet the objectives outlined in the preceding paragraphs of this Act there must be a coordinated, long-range program of oceanographic research and marine surveys similar or identical to that recommended as a minimal program by the Committee on Oceanography of the National Academy of Sciences and National Research Council. The program should include but not be limited to the—

(1) construction of modern, oceangoing ships for scientific research, surveys, fisheries exploration, and marine resources conservation and development;

(2) modernization of existing and construction of new Government and civilian laboratory and shore facilities for marine and Great Lakes research and oceanographic surveys and adequate to service and supplement the research and survey fleets;

(3) development and acquisition of new and improved research tools, devices, instruments, and techniques which may include but not be limited to bathyscaphs and other manned submersibles, instrumented marine towers and deep ocean buoys, wave gauges, modified icebreakers, acoustical equipment and telemetering devices, current meters, direct density, turbulence and radioactivity measuring devices, biological sampling instruments and equipment, precision salinometers and echo sounders, magnetometers, and deep sea underwater cameras;

(4) recruitment of prospective oceanographers from among undergraduate and graduate students of physics, chemistry, mathematics, biology, engineering, limnology, meteorology, and geology, and the facilitating of their advanced education in the marine sciences by a long-range program, where necessary, of scholarships, fellowships, and research assistantships, supported by or through the National Science Foundation or other appropriate agency of the Federal Government;

(5) improvement of the economic and general welfare by obtaining more adequate information in the fields of marine science concerning the occurrence, behavior, classification, and potential uses of fish, shellfish, and other marine life, and thereby to enhance the development and utilization of living marine resources;

(6) maintenance of a National Oceanographic Data Center to assemble, prepare, and disseminate scientific and technical oceanographic and closely related data, including but not limited to physical, biological, fisheries, chemical, hydrographic, bathymetric, meteorological, and climatological data as may be submitted to it by the participating agencies or institutions. All nonclassified data shall be made available for public use; and

(7) development of formal international cooperation in the marine sciences and oceanographic surveys on a reciprocal basis subject to approval by the President. The Congress further declares that a coordinated, long-range program of marine research and surveys requires establishment of a Division of Marine Sciences in the National Science Foundation, the divisional committee of which shall be composed of scientists and shall include representation from Government agencies having duties or responsibilities connected with or related to the seas and oceans, and marine scientists associated with colleges, universities, laboratories, industries, or foundations, and which Division shall be authorized and directed—

(a) to develop and encourage a continuing national policy and program for the promotion of oceanographic research, surveys, and education in the marine sciences;

(b) to recommend contracts, grants, loans, or other forms of assistance for the development and operation of a comprehensive national program of marine research, oceanographic surveys, and education in the marine sciences;

(c) to cooperate with and encourage the cooperation of the Office of Naval Research, the Bureau of Ships, the Hydrographic Office, the Coast and Geodetic Survey, the Bureau of Commercial Fisheries, the Atomic Energy Commission, the Maritime Administration, the United States Weather Bureau, the United States Coast Guard, the United States Geological Survey, the Public Health Service, the Smithsonian Institution, the National Bureau of Standards, the United States Army Corps of Engineers (including the Beach Erosion Board), the Department of State, and other Government agencies dealing with scientific or collateral problems related to the seas or to the Great Lakes, and the National Academy of Sciences and National Research Council, and administrators and scientists of all universities, institutions and organizations receiving assistance from Federal agencies for oceanographic or fisheries research or education in the marine sciences in the form of contracts, loans, grants, leases, donations, scholarships, fellowships, research assistantships, or transfer of funds or property of the Federal Government;

(d) to foster the interchange of information among marine scientists in the United States and foreign nations within the security provisions and limitations of the National Science Foundation Act of 1950 (64 Stat. 171); and

(e) to evaluate the scientific aspects of marine research, surveys, and taxonomy undertaken by agencies of the Federal Government, universities, and institutions receiving assistance from the Federal Government in these scientific and related fields.

NATIONAL SCIENCE FOUNDATION, DIVISION OF MARINE SCIENCES

SEC. 3. (a) Section 7(a) of the National Science Foundation Act of 1950 is hereby amended by striking "and" after the semicolon in (3), redesignating (4) as (5) and inserting immediately after (3) the following new section:

"(4) Division of Marine Sciences; and"

(b) Section 8(b) of the National Science Foundation Act of 1950 is hereby amended by substituting a colon for the period after "Board" and inserting immediately thereafter the following new proviso: "*Provided*, That the divisional committee of the Division of Marine Sciences shall include among its membership a representative from the Office of Naval Research, the Hydrograpic Office, the Coast and Geodetic Survey, the Bureau of Commercial Fisheries, the Atomic Energy Commission, the United States Coast Guard, the Public Health Service, the United States Weather Bureau, the Beach Erosion

Board of the United States Corps of Engineers, and at least six scientists selected on a basis of competence from universities and other non-Federal institutions, agencies, or industry and designated by the National Academy of Sciences and National Research Council to serve on this committee."

SEC. 4. It is necessary in order to further the policies of S. Res. 136, Eighty-sixth Congress, and of this Act, to have the National Science Foundation carry out, under laws, as amended, relating to such Foundation, specified duties as part of the general program for the development of the marine sciences in the United States. There is hereby authorized to be appropriated to the National Science Foundation, during the ten-year period beginning with July 1 of the first fiscal year following approval of this Act by the President, the following sums:

(a) The sum of $9,950,000 for the construction of oceanographic research ships;

(b) The sum of $12,440,000 for the operation of oceanographic research ships constructed under the authorizations of this Act;

(c) The sum of $16,750,000 for construction of shore facilities for marine research;

(d) The sum of $37,200,000 for basic marine research operations: *Provided, however,* That the expenditure under this subsection (d) shall not exceed $8,000,000 in any one year of the ten-year program;

(e) Such sums as may be adequate for specialized oceanographic instruments or equipment for marine research and exploration which may include bathyscaphs and other manned submersibles, self-propelled deep sea data collecting vehicles, moored oceanographic buoy systems, icebreakers and submarines modified for scientific use, acoustic telemetering devices, biochemical sea surface analyzers, direct density measuring devices, hydrophotometers, subsurface cameras and marine geophysical sea floor television systems, seismic equipment, turbulence measuring devices, marine biological devices including oceanographic plankton samplers, precision salinometers, precision echo sounders, oceanographic sound velocity meters, sea floor geothermal probe and geophysical sea floor samplers, audiovisual surveillance systems to monitor sources of marine biological noises, gravimeters, magnetometers, marine geophysical remote sensing and recording systems, marine radioactive water samplers and shipboard gamma ray detectors, and other new, improved, or specialized instruments and laboratory equipment: *Provided, however,* That expenditures under this subsection shall not exceed $10,000,000 in any one year of the ten-year program;

(f) The sum of $4,800,000 for education and training in the marine sciences for selected students beginning not lower than the senior level of undergraduate school and continuing through not more than four years of graduate training in such sciences, and for fellowships, training grants, and research assistantships to graduate students and postdoctoral fellows training to become professional physical, biological, chemical, and geological oceanographers: *Provided, however,* That expenditures under this subsection shall not exceed $480,000 per annum.

DEPARTMENT OF THE INTERIOR, GEOLOGICAL SURVEY, BUREAU OF COMMERCIAL FISHERIES, AND BUREAU OF MINES

SEC. 5. The Secretary of the Interior is authorized and directed, with such funds as may be appropriated or otherwise made available to him, to undertake a ten-year program of study and research as part of the general program for the development of the marine sciences in the United States. In furtherance of the purposes of this Act, the Secretary is authorized and directed to carry out, in addition to programs now underway the following activities:

(a) Provide funds, by grants, including but not limited to long-range grants, contracts, or otherwise, to qualified scientists, research laboratories, institutions, or other non-Federal agencies in furtherance of the purposes of this Act, such grants to be used for basic or applied research, the purchase of equipment, acquisition or improvement of facilities, the design, development, and production of specialized, new, and improved research, biological survey, and communications instruments and devices, employment of scientists and personnel, and for other uses necessary to carrry out the activities and duties hereunder.

(b) Initiate and carry out a program for the replacements, modernization, and enlargement in the number, of oceangoing and Great Lakes ships used for research, exploration, surveying, and the development of marine resources.

(c) Construct and operate a sufficient number of shore facilities and laboratories, including biological, technological, and instrumentation laboratories, and provide related instruments and equipment to support effectively the basic and applied research programs authorized in subsection (a) of this section; vessels provided for under the preceding subsection (b), and programs authorized under subsequent provisions of this section wherein laboratory research or development may be useful.

(d) Cooperate with other departments and agencies, including agencies of the several States, and with qualified laboratories and institutions, in the conduct of ocean surveys from which data relative to the study of ocean resources may be obtained.

(e) Cooperate with other departments and agencies, including agencies of the several States, and with institutions and laboratories, in the conduct of studies of marine life with relation to radioactive elements, such studies to be directed toward determining the effect of distribution of radioactive elements in the sea on living marine organisms, and other such studies as the Secretary deems necessary to understand and evaluate the relation of radioactivity to the inhabitants of the marine environment.

(f) Conduct studies of the economic and legal aspects of commercial fisheries and the utilization of marine products. Such studies may be carried out through contracts with institutions, agencies, or organizations competent to make such studies, or by grants to such institutions, agencies, or organizations.

(g) Request and obtain cooperation from and cooperate with other governmental agencies having an interest in the marine sciences, and cooperate with the several States, or their agencies, and with educational institutions, laboratories devoted to fishery research and the marine sciences, industries, and with other public and private organizations and persons who may be of assistance in furthering the conservation, development, and utilization of ocean, estuarine, and Great Lakes resources.

(h) Conduct, wherever necessary to carry out the purposes of this Act, and without regard to previous statutory limitations. examinations, investigations, research, surveys, and mapping of the geological structure, mineral resources, and products in and beneath any accessible portion of the oceans, seas, gulfs, and in or beneath the Great Lakes, and determine, as realistically as possible the reserves of minerals and metals of industrial, commercial, or monetary value in or beneath these waters, and the effective techniques and probable costs of their recovery and extraction: *Provided, however,* That the authority herein conveyed shall not be construed to supplant, restrict, or change in any way the authority and responsibility of any other department or agency of the United States, including the performance of surveys and mapping. Such examinations, investigations, research, surveys, and mapping may be carried out through contracts with institutions, agencies, or organizations competent to conduct such investigations, research, surveys, or mapping, or by grants to such institutions, agencies, or organizations.

(i) Encourage and assist in taxonomic studies of marine organisms and in providing facilities for the preservation of specimens useful in scientific classification of marine organisms.

(j) Expand communications facilities and services of the Bureau of Commercial Fisheries to enable transmission, at the discretion of the Secretary, of oceanographic and fisheries data between ships at sea, including United States fishing vessels, research ships operated by Federal or State agencies, institutions, or commercial fisheries organizations, and shore stations operated by or for the Bureau of Commercial Fisheries under contract or otherwise: *Provided, however,* That in transmission of such data there be used radio frequencies presently or subsequently allocated to the Bureau of Commerical Fisheries by the Federal Communications Commission: *Provided, further,* That all oceanographic scientific and fisheries data transmitted under the provisions of this subsection shall be made available to other departments or agencies of the Federal Government, or to the appropriate agencies of such other governments as the Secretary may designate.

(k) Establish with the National Science Foundation a program of education and training in the marine sciences for selected students or employees beginning not lower than the senior level of undergraduate school and continuing through not more than four years of graduate training and research in such sciences.

(l) Take such action and further such other activities as the Secretary finds will accomplish the purposes of this Act.

SEC. 6. It is necessary, in order to further the policies of S. Res. 136, Eighty-sixth Congress, and of this Act, to have the Department of the Interior and its Bureaus and Offices carry out, under laws relating to such Department, specified duties as part of the general program for development of the marine sciences in the United States. There are hereby authorized to be appropriated to the Department of Interior, Bureau of Commercial Fisheries, Bureau of Mines and Geological Survey, during the ten-year period beginning with July 1 of the first fiscal year following approval of this Act by the President, the following sums:

(a) Such sums as are necessary for the contracts and grants authorized and directed in section 5(a) of this Act.

(b) Such sums as are necessary for constructing and equipping new fisheries exploration and research ships authorized in subsection (b) of section 5. In the construction of these ships, modern fisheries exploration and research vessels of other nations shall be studied with respect to design and performance with a view to increasing the seaworthiness, range, and efficiency of the United States fisheries research and exploration fleets.

(c) Such sums as are necessary for operation of new fisheries research and exploration ships: *Provided, however,* That operation costs of such new ships placed in operation by the Bureau of Commercial Fisheries shall not aggregate in excess of $3,400,000 per annum, and that, in programing operations of such ships, the Secretary of the Interior shall give full consideration to the needs for such operations in the Atlantic and Pacific Oceans, the Gulf of Mexico, Gulf of Alaska, Bering Sea, other marine areas of present or potential commercial importance, and the Great Lakes.

(d) Such sums as are necessary for capital expenditures in inaugurating, developing, or expanding new ocean resource studies and surveys, including sums for construction or expansion of facilities for such studies, which facilities may include but shall not be limited to, oceanaria, laboratories for research in marine mortality and survival, an institute or institutes for research on diseases of fish, shellfish, and other marine life, unmanned buoys or other surface or subsurface facilities for recording and transmitting continuous ocean data of value to the fisheries industry, related industries, and other departments and agencies of the Government, mesoscaphs for marine biological observations, and automatic continuous plankton samplers.

(e) Such sums as are necessary for operations, excluding ship operations, of fisheries resource studies including, but not limited to, those stated above in subsection (d) of this section, marine population sampling, biological surveys, ecological mapping, taxonomy, genetics of marine organisms, microbiology, pond fish culture and brackish water fish farming, estuarine studies, marine radiation biology, artificial cultivation of marine organisms and selective breeding of food fishes, closed ecology systems utilizing marine life, migrations, transplantations, and nutrient research: *Provided, however,* That expenditures for operations of new resource studies by the Secretary of the Interior pursuant to this Act not exceed $10,000,000 per annum.

(f) Such sums as are necessary for education and training programs authorized in subsection (k) of section 5 of this Act: *Provided, however,* That costs to the Department of the Interior of education and training under this subsection shall not exceed $100,000 per annum.

(g) The sum of $11,000,000 for continuing studies over a ten-year period of utilization of marine products for human consumption, animal feeds, industrial purposes, fertilizers, and organic chemicals or compounds, for the development of new uses of marine products, for legal and economic studies relating to commercial fisheries, and for investigations of mineral resources in the seas: *Provided, however,* That in directing these studies the Secretary of the Interior shall give full consideration to their being carried on in existing institutions, agencies, or laboratories through the issuance of grants to said institutions, agencies, and laboratories.

(h) The sum of $1,000,000 for operation and maintenance during the ten-year program of expanded oceanographic research and surveys, of the Fisheries Instrumentation Laboratory of the Bureau of Commercial Fisheries, such Laboratory having been established by the Bureau, January 2, 1957, and terminated by the Bureau, December 31, 1960, said Laboratory to resume planning, design and development, for marine biological and fisheries research and exploration, of new and specialized instruments: *Provided, however,* That expenditures for operations of the Fisheries Instrumentation Laboratory by the Bureau of Commercial Fisheries shall not exceed $100,000 per annum: *Provided, further,* That the authority herein conveyed shall not be construed to supplant or restrict the authority of the Secretary of the Interior to contract with qualified instrumentation companies for the planning, design, development, or manufacture of instruments for marine biological research and exploration using such other funds of the Bureau of Commercial Fisheries for this purpose as may be available.

(i) Such sums as are necessary for expanded communications facilities and services authorized in subsection (j) of section 5 of this Act.

(j) All authority of this section of this Act shall be provided for in such manner that all information, uses, products, processes, patents, and other developments resulting from such research or technological advances achieved by Government expenditure will (with such exceptions and limitations, if any, as the Secretary may find to be necessary in the interest of national defense) be available to the general public: *Provided, however,* That nothing contained herein shall be construed as to deprive the owner of any background patent relating thereto to said rights as he may have thereunder.

DEPARTMENT OF COMMERCE

SEC. 7. The Secretary of Commerce is authorized and directed, with such funds as may be appropriated or otherwise made available to him, to undertake a ten-year program of study, surveys, and research as part of the general program for the development of the marine sciences in the United States. In furtherance of the purposes of this Act, the Secretary is authorized and directed to carry out the following activities:

(a) Request and obtain cooperation from other Government agencies having an interest in the marine sciences and ocean surveys, and cooperate with educational institutions, laboratories, and industries devoted to the marine sciences and oceanography, and with other public and private organizations and persons who may be of assistance.

(b) Initiate and carry out a program for the replacement, modernization, and enlargement in the number of oceangoing ships for use in ocean and coastal surveys and research by the Coast and Geodetic Survey.

(c) Construct and operate a sufficient number of Coast and Geodetic Survey shore facilities to support effectively the vessels provided for under the preceding item (b): *Provided further,* That such facilities shall include, but not be limited to, a west coast and east coast operations base for hydrographic and oceanographic ships and for processing data.

(d) Develop, construct, or acquire new or improved techniques, instruments, or equipment for ocean research or exploration which may include but not be limited to automatic data recording and data processing equipment gravimeters, magnetometers, seismic equipment, turbulence measuring devices, precision echo sounders, acoustic telemetering devices and instruments for the study of the current structure of the oceans, oceanic temperatures, bottom topography, sediments, heat flow through the ocean bottom, sound transmission and velocity, ambient noise, biological activity, and specimens and water samples for salinity, phosphate, oxygen, nitrogen, and other chemical or elemental components of the ocean.

(e) The Act of January 12, 1895, as amended (44 U.S.C. 246), is further amended by adding to the Act the following: "*Provided,* That the Secretary of Commerce is authorized to furnish maps, charts and other publications and products of scientific value of the Coast and Geodetic Survey without charge to educational institutions, laboratories, and other public and private organizations and persons when it is determined that to furnish such information is in the national interest."

(f) Inaugurate in the Weather Bureau a comprehensive ten-year study of the interchange of energy and matter between the oceans and the atmosphere and its implications in connection with long-range weather forecasting, the use of infrared radiation thermometers for measurement of sea-surface temperatures in connection with detection of incipient hurricanes, measurements of wave acceleration and pressure, and measurements of solar radiation in the marine environment. The provisions of this subsection may be carried out by means of contracts with public or private organizations, or by grants to scientific institutions carrying on such studies.

(g) Expand studies and investigations by the Weather Bureau of the mechanism by which weather conditions lead to anomalies in ocean surface temperature and the manner in which these anomalies modify the subsequent weather, the basic mechanism of the transfer of momentum from the air to the sea, the relationship of wind velocity over water to that over land, and the extent to which wave pressure, as distinct from wind stress, contributes to the piling up of water against the coasts during hurricanes and other severe storms. The provisions of this subsection may be carried out by means of contracts with public or private organizations, or by grants to scientific institutions carrying on such studies.

(h) Develop, construct, or acquire new and improved instruments, techniques, or equipment for use by the Weather Bureau in studies and investigations authorized under subsections (f) and (g) of this section (7), including but not limited to infrared radiation thermometers, air wind measuring equipment for use on moving vessels, marine automatic meteorological observing stations, and application to such stations of atomic power sources.

(i) Require that the Maritime Administration, when requested by other agencies of the Federal Government, construct, on a reimbursable basis, such oceanographic research ships as may be required by such agencies, including but not limited to ships of approximately five hundred tons and one thousand two hundred to one thousand five hundred tons displacement; design, or arrange for the design of such ships, with due attention given to suitable arrangements of laboratory space and living quarters for scientists, space and power for winches and other auxiliaries, sea keeping and handling qualities at low speeds, quiet operation, efficient and economical scientist-crew ratios, and operation in all kinds of weather; supervise the construction of such ships, undertake research and development for oceanographic research ships of unusual or novel design. Oceanographic research ships constructed pursuant to this subsection shall, when completed, be made available, at the discretion of the Secretary, to nonprofit oceanographic research centers, to other agencies of the Federal Government, or, pursuant to negotiated contracts or grants, to State institutions engaged in oceanographic research requiring oceangoing scientific ships, with preference given to such agencies and institutions which have engaged in such research prior to this Act. The ships authorized by this subsection are in addition to ships authorized to be constructed by other sections of this Act.

(j) Establish with the National Science Foundation a program of education and training in the marine sciences for selected students or employees beginning not lower than the senior level of undergraduate school and continuing through not more than four years of graduate training and research in such sciences.

SEC. 8. It is necessary, in order to further the policies of S. Res. 136, Eighty-sixth Congress, and of this Act, to have the Department of Commerce and its bureaus and offices carry out, under laws, as amended, relating to such Department or such bureaus and offices, specified duties as part of the general program for the development of the marine sciences in the United States. There are hereby authorized to be appropriated to the Department of Commerce and its bureaus and offices, during the ten-year period beginning with July 1, of the first fiscal year following approval of this Act by the President, the following sums:

(a) Such sums as are necessary for construction by or for the Coast and Geodetic Survey of two survey ships of five hundred tons displacement, four survey ships of one thousand two hundred to one thousand five hundred tons displacement, and four survey ships of two thousand tons displacement or more.

(b) Such sums as are necessary for operations of new Coast and Geodetic Survey ships authorized under this Act during the ten-year life of this program.

(c) Such sums as are necessary for construction of new shore facilities for processing and evaluating Coast and Geodetic Survey oceanographic data, and for construction of an operations base on the west coast of the United States and on the east coast of the United States for hydrographic and oceanographic ships and for processing data.

(d) Such sums as are necessary for engineering and scientific needs for ocean exploration and research conducted by the Coast and Geodetic Survey including but not limited to, wave measuring equipment, systems for reduction of data, manned and unmanned buoys for automatic continuous oceanographic recording, fixed observation stations in coastal waters to determine the short term, seasonal and yearly changes in waves, currents, tides, temperatures, hydrography and salinities in the area surrounding the station, vessel positioning equipment, acoustic equipment and measuring devices for direct density and radioactivity, telemetering devices, current meters, tide gauges, underwater cameras and television, seismic equipment, automatic continuous biological sampling devices, precision salinometers, precision echo sounders, towed and fixed temperature recorders, magnetometers, gravimeters, and other instruments and laboratory equipment for oceanographic research.

(e) Such sums as are necessary for operation of shore facilities and operations bases constructed under the authorization provided in subsection (c) of section 7 of this Act.

(f) Such sums as are necessary for the establishment and operation by the Weather Bureau of a ten-year study of the interchange of energy and matter between the oceans and the atmosphere, and for other studies, investigations and research authorized in subsections (f) and (g) of section 7 of this Act.

(g) Such sums as are necessary for development, construction, or acquisition by the Weather Bureau of new and improved instruments, techniques or equipment authorized in subsection (h) of section 7 of this Act.

(h) Such sums as are necessary to enable the Maritime Administration to design and construct the ships authorized in section 7(i) of this Act.

(i) Such sums as may be needed for establishing a program of education and training for selected students and employees, as authorized by subsection (j) of section 7 of this Act: *Provided, however,* That costs to the Department of Commerce of this education and training shall not exceed $100,000 per annum: *Provided further,* That any person who receives training or education under the provisions of this subsection shall agree in writing to continue employment with the Department of Commerce for a period of not less than three years for each year of training received unless separated from the Department sooner for the convenience of the Federal Government.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE, OFFICE OF EDUCATION, PUBLIC HEALTH SERVICE

SEC. 9. The Secretary of Health, Education, and Welfare is authorized and directed, with such funds as may be appropriated or otherwise available to him, and as part of the general program for the development of the marine sciences in the United States, to undertake a ten-year program of fellowships and training in or related to the marine sciences: obtaining new faculty in oceanography and the marine sciences; oceanographic, estuarine, inshore and Great Lakes studies and research related to the public health; and research in medical and pharmacological possibilities and potentials of marine organisms, elements, and substances. In furtherance of the purposes of this Act, the Secretary is authorized and directed to further the following activities:

(a) Award fellowships and develop, through the Office of Education, training programs in oceanography and the marine sciences.

(b) Conduct studies and research relating to the discovery, determination, production, or extraction of medically or pharmacologically important substances from marine organisms or sea water, of parasitism in marine animals, of physiological processes in the marine environment, knowledge of which may contribute to human health, and of substances produced by marine organisms which are toxic to man.

(c) Expand studies of estuarine, inshore, and Great Lakes waters as future major sources for municipal, industrial, and recreational water supplies, of the use of such waters for disposal of municipal and industrial wastes, use of open ocean areas for the disposal of radioactive wastes and of estuarine and inshore ocean waters for the berthing of nuclear-powered ships, and of ocean fishery resources as they relate to the health of the people in the United States, and the health of populations in the underdeveloped countries of the world which are receiving assistance from the United States. The provisions of this subsection, and of the preceding subsection (b), may be carried out by means of contracts with public or private organizations or by grants to scientific institutions carrying on such studies or to qualified scientists engaged in or engaging in marine research or related studies.

(d) Request and obtain cooperation from and cooperate with other governmental agencies having an interest in the marine sciences, and cooperate with the several States, or their agencies, or municipalities, and with educational institutions, medical institutions, laboratories conducting marine, medical, or pharmacological research, and with other public and private associations, organizations, and persons who may be of assistance.

(e) Research contracted for, sponsored, cosponsored, or authorized under authority of this section of this Act, shall be provided for in such manner that all information, uses, products, processes, patents, and other developments resulting from such research developed by Government expenditure shall be, subject to the national and public health interest as determined by the Secretary and the Surgeon General of the United States, available to the general public: *Provided, however,* That nothing herein shall be construed as to deprive the owner of any background patent relating thereto to such rights as he may have thereunder.

SEC. 10. It is necessary in order to further the policies of S. Res. 136, Eighty-sixth Congress, and of this Act, to have the Office of Education, Public Health Service, Department of Health, Education, and Welfare, carry out, under laws relating to such Department or Office, duties specified in section 9 as part of the general program for the development of the marine sciences in the United States. There is hereby authorized to be appropriated to the Department of Health, Education, and Welfare, during the ten-year period beginning with July 1, of the first fiscal year following approval of this Act by the President, the following sums:

(a) The sum of $5,000,000 to carry out the fellowship and training programs authorized in subsection (a) of section 9 of this Act: *Provided, however,* That expenditures for duties specified in this subsection shall not exceed $500,000 per annum.

(b) Such sums as are necessary to carry out the research and studies authorized in subsection (b) of section 9 of this Act.

(c) Such sums as are necessary to double, within the ten-year period of the national oceanographic program authorized by this Act, research and studies in connection with the programs set forth in subsection (c) of section 9 of this Act.

ATOMIC ENERGY COMMISSION

SEC. 11. In furtherance of the policies in S. Res. 136, Eighty-sixth Congress, and of this Act, and for the purpose of determining the effects of radioactive contamination upon the oceans and life within the oceans and their estuaries, inshore ocean water, and the Great Lakes, and for regulating in the interests of public safety, health, and welfare the introduction of radioactive materials in these waters, the Atomic Energy Commission is hereby authorized to conduct in the marine environment, an intensive ten-year program of control and monitoring of radioactive waste disposal and studies including, but not limited to, circulation and mixing processes which affect the dispersion of introduced contaminants in coastal and estuarine environments, the Great Lakes, and in the open ocean, inorganic transfer of radioactive elements from sea water to sediments, the effect of radioactive elements on living organisms in the oceans, coastal waters, estuaries, and Great Lakes, and the genetic effects of radiation on such organisms. The Atomic Energy Commission is further authorized to carry out any of its duties or functions under this or other Acts, including the use of scientific ships and personnel, in cooperation with other agencies of the Federal Government, or through contracts with or grants to States or State agencies, institutions, independent scientific laboratories, or public or private organizations undertaking or equipped to undertake such programs: *Provided, however,* That those aspects of the program relating to regulating and monitoring the introduction of radioactive material in the ocean shall be carried out by the Coast and Geodetic Survey or the Public Health Service, or both, with funds made available by the Atomic Energy Commission.

SEC. 12. It is necessary in order to further the policies of S. Res. 136, Eighty-sixth Congress, and of this Act to have the Atomic Energy Commission carry out, under laws relating to such Commission, specified duties as part of the general program for the development of the marine sciences in the United States. There is hereby authorized to be appropriated by the Atomic Energy Commission, during the ten-year period beginning with July 1 of the first fiscal year following approval of this Act by the President, the following sums as are necessary—

for engineering studies in connection with control and monitoring as authorized in section 11 of this Act: *Provided, however,* That expenditures for this purpose not exceed $370,000 in any one year of the ten-year program authorized by this Act;

for participating in international meetings of scientists and technical experts relating to international control and monitoring of radioactive waste disposal in the marine environment: *Provided, however,* That expenditures for this purpose not exceed $30,000 in any one year of the ten-year program;

for control and monitoring of radioactive waste disposal in coastal and estuarine environments, and in the Great Lakes, as authorized in section 11 of this Act; *Provided, however,* That expenditures for this purpose not exceed $2,800,000 in any one year of the ten-year program of studies by the Atomic Energy Commission in these waters;

for research to determine circulation and mixing processes which control the dispersion of radioactive wastes introduced in deep waters of the open ocean: *Provided, however,* That the expenditures for this purpose by the Atomic Energy Commission not exceed $2,800,000 per annum;

for studies of the inorganic transfer of radioactive elements from sea water to the sediments;

for studies of the effects of the biosphere on the distribution and circulation of radioisotopes in the ocean, its seas, and the Great Lakes;

for studies of the genetic effects of atomic radiations on marine organisms;

for field experiments in confined bodies of water using or utilizing radioisotopes: *Provided, however,* That expenditures by the

Atomic Energy Commission for this purpose not exceed $100,000 per annum; and

for two major open-sea tests of radiological contamination at sea, its effects on marine life, and its potential effects on humanity.

DEPARTMENT OF THE NAVY

SEC. 13. In order to further the policies of S. Res. 136, Eighty-sixth Congress, and of this Act, the Secretary of the Navy is authorized and directed to undertake a ten-year program of expanded oceanographic research, including but not limited to its relationships to the atmosphere and physical boundaries, marine biology, education, and training in the marine sciences, and hydrographic surveys as part of the United States program for the development of the marine sciences. The Secretary is authorized and directed, with such funds as may be appropriated or otherwise made available to him for purposes of this Act, to carry out the following activities:

(a) Provide funds, by contract, grant, or otherwise, to scientists, Government and non-Government laboratories, institutions, or public or private organizations in furtherance of the purposes of this Act, such funds to be used for basic and applied research, the purchase of equipment, acquisition or improvement of facilities, the design, development, and production of specialized, new, and improved oceanographic research, survey, and communications instruments and devices, employment of scientists and personnel, and for other uses necessary to carry out the activities hereunder.

(b) Initiate and carry out a ten-year program for the replacement, modernization and enlargement in the number of ships for use in basic and applied research and hydrographic surveys, and to supply, when available, ships designed for basic research to nonprofit scientific institutions and laboratories: *Provided, however,* That when ships are supplied under this provision, title to the ships shall remain with the United States Government and that the ships shall be reassigned or returned to Federal operation upon termination of the grant or contract with the institution or laboratory.

(c) Construct and operate a sufficient number of shore facilities and laboratories and provide related instruments and equipment to support effectively the expanded program of basic and applied oceanographic research and hydrographic surveys authorized for the Department of the Navy to undertake under this Act.

(d) Develop, construct, or acquire new or improved vehicles and instruments for ocean research and exploration, which may include but not be limited to bathyscaphs, mesoscaphs, self-propelled deep sea data collecting vehicles, and other manned and unmanned submersibles, icebreakers, and submarines converted for scientific use, seismic equipment, turbulence measuring devices, oceanographic sound velocity meters, precision echo sounders, acoustic telemetering devices, navigation location transponders, audiovisual surveillance systems to monitor sources of biological noises in the ocean, submarine oceanographic plankton samplers, hydrophotometers, fixed coastal acoustical-oceanographic monitoring systems, marine geophysical gravity meters, marine geophysical electron resonance magnetometers, shipboard wave meters and dye detector probes, marine geophysical remote sensing and recording systems, moored oceanic ambient noise monitoring buoys, expendable oceanographic sensor systems, oceanographic sonic and radio frequency marine tags for monitoring marine fishes and mammals, improved midwater trawls, oceanographic shipboard synoptic systems for use on weather ships, radar picket ships and similar vessels assigned to ocean stations and when not underway, marine radioactive water samplers, shipboard gamma ray detectors, marine geophysical underwater cameras, geophysical sea floor television systems, sea floor sediment samplers and analyzers, sea floor dredge winches, and other such instruments, devices and systems as may be useful in studies of the current structure of the ocean, oceanic temperatures, bottom topography, sediments, heat flow through the ocean bottom, sound transmission and velocities, ambient noise, biological activity and specimens, water samples for salinities, phosphates, oxygen, nitrogen, and other chemical or elemental components of the oceans, and for recording, processing, and communication of oceanographic data.

(e) Continue and expand the Navy's support of marine studies substantially as proposed in project TENOC approved by the Chief of Naval Operations, or the Navy's revised long-range oceanography program, and substantially similar to recommendations made in the reports of the Committee on Oceanography of the National Academy of Sciences and National Research Council.

(f) Conduct, or facilitate, under such security provisions and conditions as may be prescribed by the Secretary, the conduct of time series oceanographic observations and research from radar picket ships or other suitable vessels,

(g) Establish with the National Science Foundation or the National Academy of Sciences and National Research Council a program of scholarships for selected students beginning at the senior level in undergraduate school, and carrying through with four years of graduate training and research in the marine sciences: *Provided,* That the Department of the Navy may recommend to the National Science Foundation institutions qualified to participate in this program.

(h) Conduct a systematic and expanded program of three-dimensional ocean surveys including measurements or studies of depths, salinity, temperature, current velocity, wave motion, magnetism, and biological activity.

(i) Continue a policy of expanding assistance and support to existing civilian laboratories and universities engaged in basic oceanographic research, foster the establishment and growth of new civilian laboratories for applied oceanographic research needed by the Navy. In the designation of new laboratories to receive Navy assistance, consideration shall be given to geographic location with reference to the oceans, with the object of maintaining a balanced program of research in and adjacent to the seas and oceans bordering the United States.

(j) Request and obtain cooperation from and cooperate with other governmental departments and agencies having an interest in or direct concern with the marine sciences, and to cooperate with the several States, with educational institutions, laboratories, industry, and other private and public organizations and persons who may be of assistance to the Navy in scientific and technological fields.

(k) Section 7394, title 10, United States Code, is hereby amended by adding to the section the following: "*Provided,* That the Secretary of the Navy is authorized to furnish maps, charts, and other publications and products of scientific value of the Hydrographic Office without charge to educational institutions, laboratories, and other public and private organizations and persons when it is determined that to furnish such information is in the national interest."

SEC. 14. It is necessary in order to further the policies of S. Res. 136, Eighty-sixth Congress, of this Act, and scientific objectives of the Navy's long-range program for oceanographic research to have the Department of the Navy carry out, under laws relating to such Department, specified duties as part of the general program for the development of the marine sciences in the United States. There is hereby authorized to be appropriated to the Department of the Navy, during the ten-year period beginning with July 1 of the first fiscal year following approval of this Act by the President, such sums as are necessary—

for the construction of research and survey ships which shall include but not be limited to ten ships for basic research of one thousand two hundred to one thousand five hundred tons displacement; two ships for basic research of two thousand to three thousand tons displacement; one ship for basic research of three hundred tons displacement; six ships for acoustics or applied research of one thousand two hundred to one thousand five hundred tons displacement; four survey ships of one thousand two hundred to one thousand five hundred tons displacement, and four survey ships of two thousand or more tons displacement;

for operations of new research ships constructed under the authorization of this section (in excess of present operating costs for such ship operations): *Provided, however,* That the operating costs of new one thousand two hundred to one thousand five hundred ton displacement basic research ships not exceed $420,000 each per annum; that of new two thousand to three thousand ton displacement ships for basic research or for surveys not exceed $700,000 each per annum;

for modernization, improvement, and expansion of existing shore facilities for basic research and for construction of new shore facilities for basic research;

for basic research operations other than ships;

for modernization, improvement, and expansion of existing shore facilities for survey work and for construction of new shore facilities for survey work;

for engineering needs and for the development, construction, or acquisition of new or improved vehicles, underwater facilities and instruments for ocean or Great Lakes research which may include, but shall not be limited to, bathyscaphs, mesoscaphs, self-propelled deep sea data collecting vehicles, and other manned and unmanned submersibles, wave measuring equipment, systems engineering for reduction of data, manned and unmanned buoys for automatic continuous oceanographic recording, icebreakers and submarines modified or converted for scientific use, vessel positioning systems, seismic equipment, turbulence measuring devices, oceanographic sound-velocity meters, precision echo sounders, acoustic telemetering devices, navigation location transponders, audio-visual surveillance systems to monitor sources of biological noises in the oceans or in the Great Lakes, submarine oceanographic plankton samplers, hydrophotometers, fixed coastal acoustical-oceanographic monitoring systems, marine geophysical gravity meters, marine geophysical electron resonance magnetometers, shipboard wave meters and dye detector probes, marine remote sensing and recording systems, moored oceanic ambient noise monitoring buoys, expendable oceanographic sensor systems, oceanographic sonic and radio frequency marine tags for monitoring marine fishes and mammals, improved midwater trawls, ocean-shipboard synoptic systems for use on weather ships, radar picket ships, and similar vessels assigned to ocean stations and when not underway, marine radioactive water samplers, shipboard gamma ray detectors, marine geophysical underwater cameras, geophysical sea floor television systems, sea floor sediment samplers and analyzers, sea floor dredge winches, constant tension cable reels, moored oceanographic buoy systems for recording and transmission of important oceanographic and meteorological data in deep ocean areas, marine sea floor geothermal probes for determining heat flow characteristics and values, and other such instruments, devices, and systems as may be useful in studies of the current structure of the oceans, oceanic temperatures, bottom topography, sediments, heat flow through the ocean bottom, sound transmission and velocities, ambient noise, biological activity in the marine environment and specimens, water samples for salinities, phosphates, oxygen, nitrogen, and other chemical or elemental components of the oceans, and for recording and communication of oceanographic data of scientific value.

for time series oceanographic observations and research conducted on and from radar picket ships or other suitable vessels operated by the Navy: *Provided, however,* That equipment costs for such time series oceanographic observations and research conducted on or from such ships not exceed $82,500 per ship during the ten-year program authorized in subsection (f) of section 13 of this Act, and that operations costs of this program not exceed $58,000 per ship per annum in any year of the ten-year program;

for establishing a program of scholarships for selected students and postdoctoral fellowships as authorized in section 13(g) of this Act: *Provided, however,* That costs to the Department of the Navy for these scholarships and fellowships not exceed $300,000 per annum.

DEPARTMENT OF THE ARMY

SEC. 15. The Secretary of the Army is authorized and directed, with such funds as may be appropriated or otherwise made available to him, to undertake a ten-year program of study and research by the United States Army Corps of Engineers, through the Beach Erosion Board, as part of the general program for the development of the marine sciences in the United States. In furtherance of the purposes of this Act, the Secretary is authorized and directed to carry out, in addition to programs now underway, the following activities relating to physical oceanography in the near-shore areas of the Atlantic and Pacific Oceans, the Arctic Ocean, the Bering Sea, the Gulf of Mexico, and the Great Lakes, which areas include the zone from the shore of the fifty-fathom depth contour in the oceans and lakes, and bays and tidewaters connected therewith:

(a) Request and obtain cooperation from other Government agencies having an interest in the marine sciences and ocean surveys, and cooperate with educational institutions and laboratories devoted to the marine sciences and oceanography, and with other public and private organizations and persons who may be of assistance.

(b) Contract with qualified scientists, research laboratories, research organizations, or educational institutions to undertake basic and applied research studies and experiments in the laboratories and in coastal waters, in furtherance of the purposes of this section.

(c) Undertake in coastal waters studies of the action of waves, wave currents, tides, tidal currents, and large-scale ocean and littoral currents.

(d) Study and evaluate the interaction of the atmosphere, the sea, and the land as they affect the waves, currents, tides, surges, hydrographic contours, and hydrographic changes in the coastal zone.

(e) Establish observation stations in coastal waters to determine the short-term, seasonal, and yearly changes in waves, currents, and hydrography in the area surrounding the station.

(f) Develop, construct, or acquire instruments and equipment for the furtherance of the program of studies authorized in this section.

(g) Determine the sources of the bottom materials in the coastal area, the rates and methods of movement of these materials, and the effects on the coastal hydrography of changes in the rate at which these materials reach the coastal zone.

(h) Study the mechanics and effects of density currents encountered in the coastal area on the current velocities, current patterns, hyrography, interchange of waters, and rates of sedimentation.

SEC. 16. In order to carry out the policies of this Act and of S. Res. 136, Eighty-sixth Congress and to provide for the participation of the Department of the Army, including either or both military or civil functions activities, in the general program for the development of marine sciences in the United States, there is hereby authorized to be appropriated to the Department of the Army, during the ten-year period beginning July 1 of the first fiscal year following approval of this Act, the following sums, not to exceed $2,000,000 per annum:

(a) Such sums as are necessary for the investigations and activities described in section 15 relating to investigations in physical oceanography in the near-shore zone.

(b) Such sums as are necessary to purchase, develop, or acquire and operate, or otherwise utilize the scientific equipment required for investigations in physical oceanography in the near-shore zone, including but not limited to amphibious craft, floating craft, fixed platforms, buoys, current meters, wave meters, tide gages, sound equipment, direct density measuring equipment, turbulence meters, underwater cameras, and underwater television equipment, and other instruments and laboratory equipment for oceanographic research in the near-shore zone.

(c) Such sums as are required for expansion and equipping of shore facilities as are necessary to support the program of investigations in physical oceanography in the near-shore zone.

(d) Such sums as are necessary to provide funds for contracts with qualified scientists, research laboratories, research organizations, educational institutions, or industrial organizations to make investigations into physical oceanography in the near-shore zone.

DEPARTMENT OF THE TREASURY, UNITED STATES COAST GUARD

SEC. 17. (a) Title 14 of the United States Code, chapter 1, section 2, is hereby amended by inserting after the clause "and rescue facilities for the promotion of safety on and over the high seas and waters subject to the jurisdiction of the United States;" and before the clause "and shall maintain a state of readiness to function as a specialized service in the Navy in time of war." the following new language: "oceanographic research in and beneath any accessible portion of the oceans, seas, gulf and bays including international waters;"

(b) Title 14 of the United States Code, chapter 5, section 81, is hereby amended by inserting in the first sentence after the word "aircraft" and the comma, the new words: "and to conduct oceanographic research;" and by inserting after (3) the following new subsection:

"(4) aids to oceanographic research required to serve the needs of maritime commerce and navigation, including undersea navigation, the national defense, and of increasing the safety of life and property on the high seas."; and by inserting in the subsequent paragraph after the words "loran stations" and before the words "shall be established" the following new language: "and scientific instruments, equipment, systems, and facilities".

(c) Title 14 of the United States Code, chapter 5, section 90(a), is hereby amended by inserting after the word "communication," and before the words "and air navigation facilities," the following new words: "oceanographic research and surveys".

(d) Title 14 of the United States Code is further amended by inserting at the end of chapter 5 the following new section:

"§ 94. Oceanographic research

"The Coast Guard may conduct such oceanographic research and collect and analyze such oceanographic data, in cooperation with other agencies of the Government or not, as the Secretary determines to be in the national interest: *Provided, however,* That the authority herein conveyed shall not be construed to supplant, restrict, or change in any way the authority and responsibility of any other department or agency of the United States, including the performance of surveys and mapping."

(e) The analysis of chapter 5 of title 14 of the United States Code is amended by inserting at the end thereof the following:

"SEC. 94. Oceanographic research."

(f) As part of the general United States program for the development of the marine sciences, the Secretary of the Treasury is authorized and directed to undertake, through the United States Coast Guard, and without regard to previous statutory limitations, a ten-year program of oceanographic research. The Secretary is authorized and directed, with such funds as may be appropriated or otherwise made available to him for purposes of this Act, to carry out the following activities:

(1) Request and obtain cooperation from and cooperate with other governmental agencies having an interest in the marine sciences, and, under such provisions and conditions as may be prescribed by the Secretary, cooperate with the several States, with educational institutions, laboratories, and with scientific organizations in programs of oceanographic research.

(2) Conduct, in cooperation with Government agencies, including agencies of friendly governments requesting and reciprocating such cooperation, bathythermograph observations, sonic soundings, strontium 90, carbon 14, air pollution, sea water and plankton samplings, studies of marine borers and fouling organisms, and such other oceanographic research as, in the opinion of the Secretary and the Division of Marine Sciences of the National Science Foundation, will advance the marine sciences in and of the United States.

(3) Expand, in pursuance of functions of the Department under this Act, or in cooperation with other Government agencies and with institutions and scientific organizations, under such provisions and conditions as the Secretary may prescribe, oceanographic research conducted on or from weather ships and other ocean station vessels operated by the United States Coast Guard, offshore towers operated by the Coast Guard, and from such large, oceangoing Coast Guard vessels, including cutters, icebreakers, tugs, patrol craft, lightships and buoy tenders as the Secretary in consultation with other Government agencies and the Division of Marine Sciences of the National Science Foundation may find adaptable to oceanographic research: *Provided, however,* That in this determination, the research to be undertaken shall not diminish the capabilities of the respective classes of Coast Guard vessels, or of their officers or crews, to accomplish their primary missions as assigned to them by the Secretary or the Commandant of the Coast Guard.

(4) Obtain and install on such Coast Guard vessels as the Secretary may designate under subsection (f)(3) of section 17 of this Act, such equipment or instruments as may be required for oceanographic research authorized under this section (17).

(5) Provide such facilities or personnel as may be required for analysis of oceanographic data collected and transmitted under the provisions of this section (17).

(6) Encourage and assist selected officers and employees of the Coast Guard to enroll in and pursue formal courses in oceanography, beginning not lower than the senior level of undergraduate school and continuing through not more than four years of

graduate training and research in the marine sciences.

Sec. 18. It is necessary in order to further the policies and provisions of this Act to have the Secretary of the Treasury, Department of the Treasury, and the Coast Guard carry out, under laws, as amended, relating to such Department or the Coast Guard, specified duties as part of the general program for the development of the marine sciences in the United States. There is hereby authorized to be appropriated to the Department of the Treasury and the Coast Guard, during the ten-year period beginning with July 1, of the first fiscal year following approval of this Act by the President, the following sums:

(a) Such funds as are necessary to carry out the duties, functions, and operations on Coast Guard vessels and offshore towers authorized in subsection (f)(3) of section 17 of this Act.

(b) Such sums as are necessary for equipment and instruments authorized in subsection (f)(4) of section 17 of this Act: *Provided, however*, That instruments and equipment costs for Coast Guard vessels and offshore towers selected to participate in Coast Guard oceanographic research programs not exceed $82,500 per ship or tower during the ten-year program authorized in subsection (f) of section 17 of this Act.

(c) Such sums as are necessary for analysis of oceanographic data of value collected and transmitted under the authorization of subsection (f)(5) of section 17 of this Act.

(d) Such sums as are necessary for education and training authorized in subsection (f)(6) of section 17 of this Act.

SMITHSONIAN INSTITUTION, MUSEUM OF NATURAL HISTORY

Sec. 19. In furtherance of the policies in S. Res. 136, Eighty-sixth Congress, and of this Act, and in order to preserve, study and classify marine, coastal, and Great Lakes organisms collected during a ten-year program of expanded hydrobiological research, the Secretary of the Smithsonian Institution is authorized and directed, with such funds as may be appropriated or otherwise made available to him, to—

(a) construct additional facilities for the purposes authorized in this section;

(b) establish a program for the recruitment, training, and placement of taxonomists in such number as may be required to classify fishes, marine invertebrates, and other marine organisms collected during the ten-year program of expanded hydrobiological research;

(c) make grants of funds to qualified scientists, institutions, laboratories, or museums, such grants to be used for taxonomy relating to marine oganisms;

(d) request and obtain cooperation from and cooperate with other governmental departments and agencies having a direct interest in the preservation, study, and classification of marine organisms, and to cooperate with the several States, educational institutions, laboratories, museums, and other public and private organizations and persons who may be of assistance in this field of marine science.

Sec. 20. It is necessary in order to further the policies of S. Res. 136, Eighty-sixth Congress, and of this Act to have the Smithsonian Institution carry out, under laws relating to such Institution, specified duties as part of the general program for the development of the marine sciences in the United States. There is hereby authorized to be appropriated to the Smithsonian Institution, during the ten-year period beginning with July 1 of the first fiscal year following approval of this Act by the President, the following sums:

(a) Such sums as may be necessary for the construction by the Smithsonian Institution of facilities necessary to preserve, study, and classify for taxonomic purposes marine, coastal, and Great Lakes organisms collected by or for the Institution during the ten-year program of expanded hydrobiological research.

(b) Such sums as are necessary for establishment by the Institution of a program for the recruitment, training, and placement of taxonomists required for the purposes of this section.

(c) Such sums as are necessary for use by the Institution under the authority of section 19(c).

(d) Such sums as are necessary for the preservation, study, and classification by the Institution of fishes and marine invertebrates collected or acquired by the Institution for taxonomic purposes.

GENERAL

Sec. 21. (a) Nothing in this Act shall operate to limit, restrict, or otherwise interfere with carrying out any work programed prior to enactment of this Act.

(b) The Comptroller General of the United States or his duly authorized representatives shall, until the expiration of three years after the last payment to such grantee or contractor, have access to and the right to examine any books, documents, papers, and records of any grantee, contractor, or subcontractor engaged in the performance of any grant, contract, or subcontract executed for the purpose of carrying out the provisions of this Act, and a provision to that effect shall be included in each such grant, agreement, contract, and related subcontracts.

(c) Secretaries of departments, and administrators of bureaus or offices authorized and directed to carry out provisions of this Act, shall, after approval of this Act by the President, include in their annual reports a report on major activities or programs undertaken under the provisions of this Act: *Provided further*, That the Bureau of the Budget shall provide the Congress, in connection with the budget presentation for fiscal year 1963 and each succeeding year of the ten-year period covered by this Act, a horizontal budget showing (a) the totality of the program for marine sciences, (b) the specific aspects of the program and funding assigned to each agency, and (3) the estimated goals and financial requirements to complete the program.

(d) All ships and surface or subsurface craft constructed or modernized pursuant to the authorizations for appropriations contained in this Act shall be constructed or modernized in domestic commercial facilities.

(e) Except as otherwise specifically provided by this Act, no appropriated funds may be expended, pursuant to authorization given by this Act or any amendment made thereby, for any technological research or development activity unless such expenditure is conditioned upon provisions effective to insure that all information, uses, products, processes, patents, and other developments resulting from that activity will (with such exceptions and limitations as the agency head concerned may determine to be necessary in the interest of the national defense) be made freely and full available to the general public: *Provided, however*, That nothing herein shall be construed as to deprive the owner of any background patent relating thereto to such rights as he may have thereunder.

Mr. DINGELL. Mr. Speaker, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. Dingell: Strike out all after the enacting clause of S. 901 and insert the provisions of H.R. 12601 as passed, as follows: "That this Act may be cited as the 'Oceanographic Act of 1962'.

"Sec. 2. (a) It is hereby declared to be the policy of the United States to develop and maintain a coordinated, comprehensive and long-range national program in oceanography. In furtherance of this policy the humanitarian and economic welfare of the United States and the national security require that adequate provision be made for continuing, systematic research, studies, and surveys of the ocean and its resources, and of the total marine environment.

"It is further declared to be the policy of the United States to implement the national program, through the balanced participation and cooperation of all qualified persons, organizations, institutions, agencies, or corporate entities, whether governmental, educational, nonprofit, or industrial.

"(b) It is the purpose of this Act to carry out and effectuate the policies declared in subsection (a) of this section.

"Sec. 3. (a) The Office of Science and Technology (hereinfater referred to as the 'Office') established by Reorganization Plan Numbered 2 of 1962 shall establish a national program of oceanography. In order to insure that the greatest possible progress shall be made in carrying out this national program, the Office shall issue a statement of national goals with respect to oceanography, which shall set forth methods for achieving those goals and the responsibility of the departments, agencies, and instrumentalities of the United States to carry out the national program on an integrated, coordinated basis.

"(b) The national program of oceanography established in accordance with subsection (a) of this section may be revised from time to time as the Office determines necessary.

"(c) In establishing the national program of oceanography and in revising such program the Office shall consult with all interested departments, agencies, and instrumentalities of the United States, as well as capable non-Federal institutions and industries where appropriate.

"Sec. 4. (a) There is hereby established in the Office the position of Assistant Director for Oceanography. The Assistant Director shall be appointed by the President, by and with the advice and consent of the Senate, and shall receive compensation at the rate of $19,000 per annum.

"(b) The Assistant Director shall perform such duties and exercise such powers in carrying out this Act as the Director of the Office shall prescribe.

"Sec. 5. (a) The Director is authorized to appoint an Advisory Committee for Oceanography to consist of seven members.

"(b) The Advisory Committee shall meet at the call of the Director. The Advisory Committee shall review the national program of oceanography and revisions thereof and may make recommendations with respect thereto.

"Sec. 6. The Director shall report annually during the month of January to the President and the Congress. Such report shall contain the following:

"(1) The general status of oceanography.

"(2) The status of research, development, studies, and surveys conducted (directly or indirectly) by the United States in furtherance of oceanography, together with application of such research, development, studies, and surveys.

"(3) A detailed analysis of the amounts proposed for appropriation by Congress for the ensuing fiscal year for each of the departments, agencies, and instrumentalities of the Government to carry out the purposes of this Act.

"(4) Current and future plans and policies of the United States with respect to oceanography.

"(5) Requests for such legislation as may be necessary to carry out as rapidly as possible the purposes of this Act.

"Sec. 7. As used in this Act the term 'oceanography' includes, but is not limited to, the acquisition, assembling, processing, and dissemination of all scientific and technological oceanographic and related environmental data, including, but not limited to, physical, geological, biological, fisheries, hydrographic, and coastal survey, meteorological, climatological, and geophysical data."

The amendment was agreed to.

The bill was ordered to be read a third time, was read the third time, and passed.

Mr. DINGELL. Mr. Speaker, I move to amend the title of the bill S. 901 as amended, to conform with the title of H.R. 12601 as passed.

The motion was agreed to.

The title was amended so as to read: "An act to provide for a comprehensive, long-range, and coordinated national program in oceanography, and for other purposes."

A motion to reconsider was laid on the table.

A similar House bill, H.R. 12601, was laid on the table.

PAYMENTS IN LIEU OF TAXES

Mr. HOLIFIELD. Mr. Speaker, I ask unanimous consent to return for immediate consideration to Consent Calendar No. 549, the bill (H.R. 11594) to extend for 2 years the period for which payments in lieu of taxes may be made with respect to certain real property transferred by the Reconstruction Finance Corporation and its subsidiaries to other Government departments.

The SPEAKER pro tempore (Mr. ALBERT). Is there objection to the request of the gentleman from California?

Mr. AVERY. Reserving the right to object, Mr. Speaker, I should like to have time to refer to the Calendar to find out what this bill is about, or may I ask the gentleman from California if he has cleared this with the objectors on this side.

Mr. HOLIFIELD. Yes, I have, and I have talked to the gentleman from Iowa [Mr. GROSS] about this. I am sorry the gentleman was not on the floor at the time I did that.

This is a routine bill which has been passed twice before. The purpose of the bill is to make it possible for local communities to receive payments in lieu of taxes from the Government on properties at one time owned by the Reconstruction Finance Corporation. When the Reconstruction Finance Corporation was ordered to dissolve and dispose of its property, the Army, Navy, Air Force, and General Services Administration claimed some of these properties for governmental use. In 1955 the Court of Claims issued a decision that these properties were not taxable. Since that time several States have passed laws making them taxable, but they have not actually assessed taxes on these properties. The properties are serviced by local communities. They are now being used by the Government. This will provide that those local communities where these properties that are being used for governmental purposes are located, and which were transferred from the Reconstruction Finance Corporation to the Government agencies, can be paid an amount in lieu of taxes similar to the amount of taxes paid on similar property in the same environment.

Mr. AVERY. I withdraw my reservation of objection, Mr. Speaker.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

The Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 703 of the Federal Property and Administrative Services Act of 1949 (69 Stat. 722) is amended by striking out the figures "1963", and inserting in lieu thereof the figures "1965".

(b) Section 704 of such Act (69 Stat. 723) is amended by striking out the figures "1962", and inserting in lieu thereof the figures "1964".

The bill was ordered to be engrossed and read a third time, was read the third time and passed, and a motion to reconsider was laid on the table.

PRIVATE CALENDAR

The SPEAKER pro tempore. Under previous order of the House, this is the day for the call of the Private Calendar. The Clerk will call the first bill on the calendar.

MRS. WILLIAM W. JOHNSTON

The Clerk called the bill (H.R. 9942) for the relief of Mrs. William W. Johnston.

Mr. GROSS. Mr. Speaker, I ask unanimous consent that this bill be passed over without prejudice.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Iowa?

There was no objection.

CLARA B. FRY

The Clerk called the bill (H.R. 7615) for the relief of Clara B. Fry.

Mr. GROSS. Mr. Speaker, I ask unanimous consent that this bill be passed over without prejudice.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Iowa?

There was no objection.

MARGARET MACPHERSON, ANGUS MACPHERSON, RUTH MACPHERSON, AND MARILYN MACPHERSON

The Clerk called the bill (H.R. 1660) for the relief of Margaret MacPherson, Angus MacPherson, Ruth MacPherson, and Marilyn MacPherson.

Mr. GROSS. Mr. Speaker, I ask unanimous consent that this bill be passed over without prejudice.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Iowa?

There was no objection.

CARLETON R. McQUOWN, THOMAS A. PRUETT, AND JAMES E. ROWLES

The Clerk called the bill (H.R. 4950) for the relief of Carleton R. McQuown, Thomas A. Pruett, and James E. Rowles.

Mr. GROSS. Mr. Speaker, I ask unanimous consent that this bill be passed over without prejudice.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Iowa?

There was no objection.

DANIEL WALTER MILES

The Clerk called the bill (H.R. 7469) for the relief of Daniel Walter Miles.

Mr. GROSS. Mr. Speaker, I ask unanimous consent that this bill be passed over without prejudice.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Iowa?

There was no objection.

MRS. MARY E. O'ROURKE

The Clerk called the bill (H.R. 3624) for the relief of Mrs. Mary E. O'Rourke.

Mr. GROSS. Mr. Speaker, I ask unanimous consent that this bill be passed over without prejudice.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Iowa?

There was no objection.

DR. AND MRS. ABEL GORFAIN

The Clerk called the bill (H.R. 6709) for the relief of Dr. and Mrs. Abel Gorfain.

Mr. GROSS. Mr. Speaker, I ask unanimous consent that this bill be passed over without prejudice.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Iowa?

There was no objection.

THEODORE ZISSU

The Clerk called the bill (H.R. 8550) for the relief of Theodore Zissu.

Mr. GROSS. Mr. Speaker, I ask unanimous consent that this bill be passed over without prejudice.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Iowa?

There was no objection.

COMBEST B. SILLS

The Clerk called the bill (H.R. 8062) for the relief of Combest B. Sills.

Mr. GROSS. Mr. Speaker, I ask unanimous consent that this bill be passed over without prejudice.

The SPEAKER pro tempore (Mr. ALBERT). Is there objection to the request of the gentleman from Iowa?

There was no objection.

GEORGE H. PETERS

The Clerk called the bill (H.R. 8549) for the relief of George H. Peters.

Mr. GROSS. Mr. Speaker, I ask unanimous consent that this bill be passed over without prejudice.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Iowa?

There was no objection.

MARVIN M. GREENLEE

The Clerk called the bill (H.R. 10111) for the relief of Marvin M. Greenlee.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Treasury is authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, to Marvin M. Greenlee, of Fairbanks, Alaska, the sum of $12,000 in full settlement of all his claims against the United States for his expenses incurred in 1953 in salvaging Marine Corps helicopter HRS–2, Bureau Number 129037, which crashed December 5, 1952, on San Giorgino Mountain, California, while rendering assistance to an Air Force rescue team: *Provided,* That no part of the amount appropriated in this Act in excess of 10 per centum thereof shall be paid or delivered to or received by any agent or attorney on account of services rendered in connection with this claim, and the same shall be unlawful, any contract to the contrary notwithstanding. Any person violating the provisions of this Act shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined in any sum not exceeding $1,000.

With the following committee amendments:

Page 1, line 6, strike "$12,000" and insert "$5,000".

Page 1, line 10, strike "Giorgino" and insert "Gorgonio".

Page 2, lines 1 and 2, strike "in excess of 10 per centum thereof".

The committee amendments were agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time and passed, and a motion to reconsider was laid on the table.

HENRY ARMSTRONG, ADMINISTRATOR OF THE ESTATE OF ELLA ARMSTRONG

The Clerk called the bill (H.R. 6940) for the relief of Henry Armstrong, administrator of the estate of Ella Armstrong.

Mr. GROSS. Mr. Speaker, I ask unanimous consent that the bill be passed over without prejudice.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Iowa?

There was no objection.

SUSAN GUDERA, HEINZ HUGO GUDERA, AND CATHERINE GUDERA

The Clerk called the bill (S. 2751) for the relief of Susan Gudera, Heinz Hugo Gudera, and Catherine Gudera.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for the purposes of paragraph (7) of section 301(a) of the Immigration and Nationality Act, Mrs. Maris Callahan Gudera, a citizen of the United States, shall be held and considered to have resided in and to have been physically present in the United States, prior to the birth of her natural children, Susan Gudera, Heinz Hugo Gudera, and Catherine Gudera, for a period of 5 years after she had attained the age of 14 years.

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

FRANCIS X. FOLEY AND DORIS W. FOLEY, HIS WIFE

The Clerk called the bill (H.R. 1659) for the relief of Francis X. Foley.

Mr. GROSS. Mr. Speaker, I ask unanimous consent that this bill be passed over without prejudice.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Iowa?

There was no objection.

LESLIE O. COX AND OTHER EMPLOYEES OF THE FEDERAL AVIATION AGENCY

The Clerk called the bill (H.R. 12539) for the relief of Leslie O. Cox and other employees of the Federal Aviation Agency.

Mr. GROSS. Mr. Speaker, I ask unanimous consent that this bill be passed over without prejudice.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Iowa?

There was no objection.

LT. COL. EDWARD HIRSCH

The Clerk called the bill (H.R. 9590) for the relief of Lt. Col. Edward Hirsch.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That Lieutenant Colonel Edward Hirsch (Army Service Number O80870) is hereby relieved of all liability to repay to the United States the sum of $3,289.93, which sum has been held by the Department of the Army to have been paid to him in excess of sums otherwise due as basic and longevity pay, for the period from July 1, 1949, through December 31, 1958, by reason of his having been credited in the computation of basic and longevity pay with service as a member of the Enlisted Reserve Corps from July 11, 1938, to February 12, 1942, both dates inclusive, although no record of such service in the Enlisted Reserve Corps can now be found; and the said Lieutenant Colonel Edward Hirsch is further relieved of all liability to repay to the United States such other sums as he may be held liable to have been paid for periods before July 1, 1949, by reason of the crediting of such service. In the audit and settlement of the accounts of all certifying and disbursing officers of the United States, full credit shall be given for all amounts for which liability is relieved by this Act.

Sec. 2. For the purposes of all laws of the United States the said Lieutenant Colonel Edward Hirsch shall be held and considered to have served as a member of the Enlisted Reserve Corps during the period July 11, 1938, to February 12, 1942, both dates inclusive.

With the following committee amendment:

Page 1, strike all after the enacting clause and insert the following: "That Lieutenant Colonel Edward Hirsch (Army Service Number O80870) is hereby relieved of all liability to repay to the United States the sum of $3,716.83, which sum has been held by the Department of the Army to have been paid to him in excess of sums otherwise due as basic and longevity pay, for the period from August 4, 1947, through February 12, 1960, by reason of his having been credited erroneously in the computation of basic and longevity pay with service as a member of the Enlisted Reserve Corps from July 11, 1938, to February 12, 1942. In the audit and settlement of the accounts of all certifying and disbursing officers of the United States, full credit shall be given for all amounts for which liability is relieved by this Act.

"Sec. 2. The Secretary of the Treasury is authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, to the said Lieutenant Colonel Edward Hirsch, the sum of any amount received or withheld from him on account of the overpayment referred to in the first section of this Act: *Provided,* That no part of the amount appropriated in this Act shall be paid or delivered to or received by any agent or attorney on account of services rendered in connection with this claim, and the same shall be unlawful, any contract to the contrary notwithstanding. Any person violating the provisions of this Act shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined in any sum not exceeding $1,000."

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time and passed, and a motion to reconsider was laid on the table.

KENNETH F. MILLER

The Clerk called the bill (H.R. 9473) for the relief of Kenneth F. Miller.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Treasury is hereby authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, to Kenneth F. Miller of North Tonawanda, New York, the sum of $50.00, such amount representing reimbursement to said Kenneth F. Miller for paying out of his funds a settlement of claim for damages arising out of an accident which occurred May 2, 1961, in the Dominion of Canada when he was operating a Treasury Department vehicle in the course of his duties as an inspector with the Bureau of Customs: *Provided,* That no part of the amount appropriated in this Act shall be paid or delivered to or received by any agent or attorney on account of services rendered in connection with this claim, and the same shall be unlawful, any contract to the contrary notwithstanding. Any person violating the provisions of this Act shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined in any sum not exceeding $1,000.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

SGT. ERNEST I. AGUILAR

The Clerk called the bill (H.R. 9128) for the relief of Sgt. Ernest I. Aguilar.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Treasury is authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, the sum of $294.00 to Sergeant Ernest I. Aguilar, RA35605170, in full settlement of his claims against the United States for refund of amounts withheld from his Army pay representing travel allowances paid him for travel actually performed under official orders transferring him from Fort Lewis to Fort Drum for temporary duty.

With the following committee amendment:

Page 1, line 10, strike "Fort Drum" and insert "Camp Drum," and insert the following proviso: "*Provided*, That no part of the amount appropriated in this Act shall be paid or delivered to or received by any agent or attorney on account of services rendered in connection with this claim, and the same shall be unlawful, any contract to the contrary notwithstanding. Any person violating the provisions of this Act shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined in any sum not exceeding $1,000."

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

JOHN V. BOLAND CONSTRUCTION CO.

The Clerk called the resolution (H. Res. 739) providing for sending the bill (H.R. 10031) for the relief of the John V. Boland Construction Co., together with accompanying papers, to the Court of Claims.

There being no objection, the Clerk read the resolution, as follows:

Resolved, That the bill (H.R. 10031) entitled, "A bill for the relief of the John V. Boland Construction Company", together with all accompanying papers, is hereby referred to the Court of Claims subject to its rules and pursuant to sections 1492 and 2509 of title 28, United States Code; and the court shall proceed expeditiously with the same and report to the House, at the earliest practicable date, such findings of fact, including facts relating to delay or laches, facts bearing upon the question whether the bar of any statute of limitation should be removed, or facts claimed to excuse the claimant for not having resorted to any established legal remedy, and conclusions based on such facts as shall be sufficient to inform Congress whether the demand is a legal or equitable claim or a gratuity, and the amount, if any, legally or equitably due from the United States to the claimant.

The resolution was agreed to.

A motion to reconsider was laid on the table.

GABRIEL CHEHEBAR, HIS WIFE, AND OTHERS

The Clerk called the bill (H.R. 1681) for the relief of Gabriel Chehebar, his wife, Marcelle Levy Chehebar, and their minor children, Albert, Zakia, Zaki, Jacques, and Joseph Chehebar.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for the purposes of the Immigration and Nationality Act, Gabriel Chehebar, his wife, Marcelle Levy Chehebar, and their minor children, Albert, Zakia, Zaki, Jacques, and Joseph Chehebar, shall be held and considered to have been lawfully admitted to the United States for permanent residence as of the date of the enactment of this Act, upon payment of the required visa fees. Upon the granting of permanent residence to such aliens as provided for in this Act, the Secretary of State shall instruct the proper quota-control officer to deduct the required numbers from the appropriate quota or quotas for the first year that such quota or quotas are available.

With the following committee amendment:

Strike out all after the enacting clause and insert in lieu thereof the following: "That, for the purposes of the Act of July 14, 1960 (74 Stat. 504) Gabriel Chehebar, his wife, Marcelle Levy Chehebar, and their minor children, Albert, Zakie, Zaki, Jacques, and Joseph Chehebar, shall be held and considered to have been paroled into the United States on the date of the enactment of this Act, as provided for in the said Act of July 14, 1960."

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

NIHAT ALI UCUNCU

The Clerk called the bill (H.R. 9775) for the relief of Nihat Ali Ucuncu.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for the purposes of section 13 of the Act of September 11, 1957 (8 U.S.C. 1255b), the case of Nihat Ali Ucuncu, referred to the Congress by the Attorney General on September 27, 1961, a few hours after adjournment sine die, shall be deemed to have been reported to the Congress during the first session of the Eighty-seventh Congress.

With the following committee amendment:

Strike out all after the enacting clause and insert in lieu thereof the following: "That, for the purposes of the Immigration and Nationality Act, Nihat Ali Ucuncu shall be held and considered to have been lawfully admitted to the United States for permanent residence as of the date of the enactment of this Act, upon payment of the required visa fee. Upon the granting of permanent residence to such alien as provided for in this Act, the Secretary of State shall instruct the proper quota-control officer to deduct one number from the appropriate quota, pursuant to the provisions of section 13 of the Act of September 11, 1957 (71 Stat. 642–643)."

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

MRS. A. R. LENDIAN

The Clerk called the bill (H.R. 10160) for the relief of Mrs. A. R. Lendian.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for the purposes of section 201(g) of the Nationality Act of 1940, Mrs. A. R. Lendian shall be held and considered to have resided in the United States, for at least five years after attaining the age of sixteen years.

With the following committee amendment:

On page 1, line 5, after the words "in the United States" insert the following: ", prior to the birth of her daughter Isabel Alicia Lendian,".

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

KIM CHUNG SHIN (MARY RATHBUN)

The Clerk called the bill (H.R. 11866) for the relief of Kim Chung Shin (Mary Rathbun).

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That for the purposes of sections 101(a)(27)(A) and 205 of the Immigration and Nationality Act, the minor child, Kim Chung Shin (Mary Rathbun) shall be held and considered to be the natural-born alien child of Mr. and Mrs. Robert Rathbun, citizens of the United States: *Provided*, That the natural parents of the beneficiary shall not, by virtue of such parentage, be accorded any right, privilege, or status under the Immigration and Nationality Act.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

CONVEYANCE OF MINERAL INTERESTS

The Clerk called the bill (H.R. 9914) for the relief of San-Man Inn of Manning, Inc.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Interior is authorized and directed to convey to the San-Man Inn of Manning, Incorporated, under the same terms and conditions as those established by the Act of September 6, 1950 (64 Stat. 769), except as to the required time within which application must be made and except that the Secretary of the Interior shall perform the duties assigned to the Secretary of Agriculture by that Act, all the mineral rights of the United States in and to the following described lands in Clarendon County, South Carolina.

All that p. p. and t. of l. l. b. and s., the north corner iron being 192 minutes south of the city limits of Manning, South Carolina, containing 3.34 acres of land and described as follows:

Beginning at a point on the right-of-way of United States Highway 301 opposite a power pole and running along United States Highway 301, north 58 degrees 45 minutes east for 215.7 feet to point of curve;

Thence along United States Highway 301, north 59 degrees 18 minutes east for 114.3 feet to an iron stake; thence south 27 degrees 48 minutes each for 459.8 feet to a stake;

Thence south 58 degrees 45 minutes west for 302.4 feet to a stake; thence north 31 degrees 15 minutes west for 460 feet to point of beginning.

Said tract of land bounded as follows: northwest by United States Highway 301; northeast, southeast, and southwest by other lands by B. F. Hill.

For a more particular description of said land, reference may be had to a plot made by

W. B. Sykes, surveyor, on November 16, 1960, and recorded in plot book 16 at page 157 in the office of the clerk of court for Clarendon County.

With the following committee amendment:

Page 1, line 11, following the words "South Carolina" insert ", upon payment of the sum of $200 to reimburse the United States for the administrative costs of the conveyance".

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

CONVEYANCE OF LAND TO THE AMERICAN NATIONAL RED CROSS

The Clerk called the bill (H.R. 10134) to authorize to Administrator of General Services to convey certain land in Prince Georges County, Md., to the American National Red Cross.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, should such land become surplus property pursuant to the Federal Property and Administrative Services Act of 1949, as amended, the Administrator of General Services is authorized to convey not to exceed two and one-half acres of land located at the northeast corner of the intersection of Rhode Island Avenue and Sunnyside Road in Prince Georges County, Maryland, to the American National Red Cross upon the payment to the United States of the fair market value of the property as determined by the Administrator.

SEC. 2. The cost of any survey required in connection with the conveyance of this property shall be at the expense of the American National Red Cross.

SEC. 3. This Act shall be effective for a period of two years after the enactment thereof.

With the following committee amendment:

On page 1, line 6, after the word "convey" insert the following: ", within a period of two years following the date of enactment of this Act,".

On page 2, line 2, change the period to a colon and add the following: "*Provided,* That the instrument of conveyance authorized by this Act shall provide that upon determination by the Administrator of General Services that the American National Red Cross has failed to begin construction of a Chapter House on said property within two years after the conveyance and to complete construction thereof within a reasonable time after such construction has begun, all right, title and interest to the property shall revert to the United States in the then existing condition of that property, and the Secretary of the Treasury is authorized upon such reverter to pay from the general funds of the Treasury to the American National Red Cross the amount, without interest, paid by the American National Red Cross to the United States for such property."

On page 2, delete all of section 2.

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

CONVEYANCE OF LAND TO SILVER HILL VOLUNTARY FIRE DEPARTMENT

The Clerk called the bill (H.R. 7781) to authorize the Administrator, General Services Administration, to convey by quitclaim deed a parcel of land to the Silver Hill Voluntary Fire Department and Rescue Squad.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Administrator, General Services Administration, is authorized to convey by quitclaim deed, upon such terms and conditions as he may prescribe, not to exceed 25,000 square feet of land located in Prince Georges County, Maryland, to the Silver Hill Voluntary Fire Department and Rescue Squad, a body corporate of the State of Maryland, for the purpose of maintaining a fire station to provide continued protection for the facilities of the Bureau of the Census, Department of Commerce; Hydrographic Office, Department of the Navy; National Air Museum Warehouse; Smithsonian Institution, together with other Government installations and for the adjacent community. The land to be deeded is in part now occupied by a fire station under a 1946 Federal Works Agency license and lies within boundaries described as north 68 degrees 31 minutes west; north 21 degrees 29 minutes 10 seconds east; north 55 degrees 00 minutes 20 seconds east; south 68 degrees 30 minutes 10 seconds east and south 30 degrees 12 minutes west.

With the following committee amendment:

Strike all after the enacting clause and insert in lieu thereof the following: "That the Administrator of General Services is authorized to convey to the Silver Hill Voluntary Fire Department and Rescue Squad, a body corporate of the State of Maryland, within a period of two years following the date of enactment of this Act, by quitclaim deed, and upon terms and conditions herein provided as well as others the Administrator may prescribe, a tract of land adjacent to Silver Hill Road, in Prince Georges County, Maryland, which shall include the site of the fire station now maintained by the Silver Hill Voluntary Fire Department and Rescue Squad, of approximately 25,000 square feet, but otherwise of shape and dimension as the Administrator may determine: *Provided,* That the instrument of conveyance authorized by this Act shall provide that upon determination by the Administrator of General Services that the Silver Hill Voluntary Fire Department and Rescue Squad or its successor has ceased at any time within twenty years after the conveyance to use the property either for maintaining a fire station or to provide fire protection services for the facilities of the Federal Government in the adjacent community without cost to the United States, all right, title, and interest to the property shall revert to the United States in the then existing condition of such property without payment of compensation by the United States, subject to mortgages and liens then outstanding resulting from financial arrangements authorized by the Administrator and made for the purpose of improving the property."

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed.

The title of the bill was amended to read: "A bill to authorize the Administrator of General Services to convey by quitclaim deed a parcel of land in Prince Georges County, Maryland, to the Silver Hill Voluntary Fire Department and Rescue Squad."

A motion to reconsider was laid on the table.

CONVEYANCE OF LANDS ADJACENT TO SUITLAND PARKWAY, MARYLAND

The Clerk called the bill (H.R. 11543) to authorize the Secretary of the Interior to grant an easement to Suitland Lodge No. 1856, Loyal Order of Moose, across a portion of the right-of-way adjacent to the Suitland Parkway in Prince Georges County, Md.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Interior, upon payment to him of fair market value therefor, is authorized to convey to Suitland Lodge Numbered 1856, Loyal Order of Moose, a perpetual easement in, upon, and across the portion of Government-owned land known as tract J–469, Suitland Parkway, Prince Georges County, Maryland, more fully described in section 2 hereof, in order to provide access between James Street and the lodge home across a tract of land that has been and is being used by said lodge under temporary permit from the Department of the Interior.

SEC. 2. The property referred to in section 1 hereof is comprised of all that piece or parcel of land located in Spaulding Election District, Prince Georges County, Maryland, more particularly described as follows:

Beginning at a pipe set in the northeast corner of a tract of land numbered J–469 and being a part of the lands owned by the United States known as Suitland Parkway;

Thence through tract numbered J–469 following three consecutive courses and distances: South 32 degrees 05 minutes 30 seconds west 29.72 feet to a point, thence south 60 degrees 14 minutes 46 seconds west 20.00 feet to a point thence south 82 degrees 33 minutes 10 seconds west 37.00 feet to a point;

Thence by lands formerly owned by Walter Callahan north 60 degrees 14 minutes 46 seconds east 31.62 feet to a spike in the north face of a twelve-inch oak;

Thence north 82 degrees 33 minutes 10 seconds east 5.10 feet to a point;

Thence north 00 degrees 46 minutes 50 seconds west 2.21 feet to a pipe at the west line of James Street;

Thence crossing James Street north 60 degrees 14 minutes 46 seconds east 43.03 feet to the east line of James Street and the point of beginning, containing .017 acre, more or less; being the same parcel of land shown on the map dated December 31, 1943 (file numbered M–47–2.5 (revised)), attached to the access permit granted by the district engineer, United States Corps of Engineers, to Major John M. Gulick on July 10, 1947.

With the following committee amendment:

Page 1, lines 5 and 6, strike out "a perpetual easement in, upon, and across" and insert in lieu thereof "all right, title, and interest of the United States of America in and to."

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed.

The title of the bill was amended to read: "A bill to authorize the Secretary of the Interior to convey certain lands adjacent to the Suitland Parkway in Prince Georges County, Maryland, to Suitland Lodge Numbered 1856, Loyal Order of Moose."

A motion to reconsider was laid on the table.

CONVEYANCE OF CERTAIN LANDS TO HOLY CROSS LUTHERAN CHURCH, GREENBELT, MD.

The Clerk called the bill (H.R. 11551) to authorize the Secretary of the Interior to convey certain lands in the State of Maryland to the Holy Cross Lutheran Church, Greenbelt, Md., and for other purposes.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Interior may convey to the Holy Cross Lutheran Church, Greenbelt, Maryland, upon payment of fair market value, all right, title, and interest of the United States of America in and to a parcel of land situated in Prince Georges County, Maryland, described as follows:

Beginning at the intersection of the proposed easements for the recently reconstructed Branchville-Greenbelt Road and the Capital Beltway now under construction; thence in an easterly direction along the proposed easement for the Branchville-Greenbelt Road, approximately as shown on construction plans P722-46-320 of the Maryland State Roads Commission and filed among the land records of region 6 of the National Park Service (map file numbered CNP123-315-1 through 27), to its intersection with fourth line of a 30-foot right-of-way extending from the Branchville-Greenbelt Road to the property now or formerly owned by Elinor M. Jones, as described in a deed executed for the United States by John Taylor Egan, Commissioner of Public Housing Administration, dated February 8, 1949, and recorded among the land records of Prince Georges County, Maryland, in liber 1102, folio 76;

thence with the above-mentioned fourth line south 4 degrees 17 minutes west to the end thereof; thence with the fifth line south 22 degrees 09 minutes west 152.38 feet to the end thereof at a point in the eighth line of the above-mentioned Jones property; thence with the remainder of the eighth line reversed north 76 degrees 49 minutes 50 seconds west 978.86 feet; thence with the seventh, sixth, fifth, and fourth lines of the Jones property reversed south 53 degrees 24 minutes 20 seconds east 158.82 feet, south 68 degrees 07 minutes 20 seconds east 85.25 feet, south 76 degrees 06 minutes 20 seconds east 131.70 feet, south 8 degrees 55 minutes 20 seconds east 269.31 feet, thence south 36 degrees 12 minutes 00 seconds west with a portion of the third line of the Jones property reversed to its intersection with the proposed easement for the westbound ramp from the Baltimore-Washington Parkway to Capital Beltway;

thence in a westerly direction with the proposed easement, curving in a northwesterly direction where the ramp merges with the Capital Beltway and continuing in a northwesterly direction, approximately as shown on construction plans P722-13-320 of the Maryland State Roads Commission and filed among the land records of region 6 of the National Park Service (map file numbered NCP123-385-1 and 2), to the place of beginning; containing approximately 12 acres of land more or less, as shown on a plat compiled by region 6 of the National Park Service, United States Department of the Interior, from construction plans for the Baltimore-Washington Parkway, the Branchville-Greenbelt Road, and the Capital Beltway, and bearing map file numbered NCP123-431. The exact boundaries of the area shall be prescribed by the Secretary of the Interior after final determination has been made of proposed easements for highway construction to the Maryland State Roads Commission.

With the following committee amendment:

Page 2, line 6, strike out "CNP123-315-1" and insert "NCP123-315-1".

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

HEIRS OF LT. COL. JAMES MURRAY BATE (DECEASED) AND MAJ. BILLIE HAROLD LYNCH (DECEASED)

The Clerk called the bill (S. 1781) for the relief of the heirs of Lt. Col. James Murray Bate (deceased) and Maj. Billie Harold Lynch (deceased).

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, in the administration of section 3 of the Act entitled "An Act to establish Civil Air Patrol as a civilian auxiliary of the United States Air Force and to authorize the Secretary of the Air Force to extend aid to Civil Air Patrol in the fulfillment of its objectives, and for other purposes", approved May 26, 1948, as amended, the deaths of Lieutenant Colonel James Murray Bate and Major Billie Harold Lynch, which occurred on April 4, 1959, as a result of the crash of a Civil Air Patrol airplane in which they were flying a reconnaissance mission over a flooded disaster area in the vicinity of Rockford, Illinois, shall be considered to have occurred while in the "performance of duty" as that term is defined in such section.

SEC. 2. Any limitations upon the time for filing claims under the Federal Employees' Compensation Act, as amended, shall not apply to any claims under such Act filed by the heirs of Lieutenant Colonel James Murray Bate (deceased) and Major Billie Harold Lynch (deceased), within one year after the date of the enactment of this Act, for compensation for the deaths of the said Lieutenant Colonel James Murray Bate and Major Billie Harold Lynch arising out of the circumstances described in the first section of this Act.

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

MRS. NATHALIE ILINE

The Clerk called the bill (H.R. 12101) for the relief of Mrs. Nathalie Iline.

Mr. GROSS. Mr. Speaker, I ask unanimous consent that this bill may be passed over without prejudice.

The SPEAKER. Is there objection to the request of the gentleman from Iowa?

There was no objection.

CATALINE PROPERTIES, INC.

The Clerk called the bill (H.R. 12701) for the relief of Cataline Properties, Inc.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Treasury is authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, to Catalina Properties, Incorporated, the sum of $29,425.01, representing the amount determined by the Court of Claims pursuant to H. Res. 235, Eighty-sixth Congress, to be the amount equitably due to said Catalina Properties, Incorporated, from the United States. The payment of such amount shall be in full settlement of all claims against the United States of said Catalina Properties, Incorporated, arising from rental payments on th Catalina Hotel, Miami Beach, Florida, which were lost during the period from about December 15, 1952, to about March 15, 1953, because of inaction of certain officers and employees of the United States: *Provided,* That no part of the amount appropriated in this Act in excess of 10 per centum thereof shall be paid or delivered to or received by any agent or attorney on account of services rendered in connection with this claim, and the same shall be unlawful, any contract to the contrary notwithstanding. Any person violating the provisions of this Act shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined in any sum not exceeding $1,000.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

OUTLET STORES, INC.

The Clerk called the bill (H.R. 1696) for the relief of the Outlet Stores, Inc.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Treasury is authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, to the Outlet Stores, Incorporated, of Denver, Colorado, the sum of $12,644.41 in full settlement of its claims against the United States for losses sustained as the result of the erroneous award of a sales contract for a quantity of snowshoes pursuant to invitation No. 12-036-S-58-38 of the Jeffersonville Quartermaster Depot to another company notwithstanding the fact that the bid of the Outlet Stores, Incorporated, was higher than that company: *Provided,* That no part of the amount appropriated in this Act in excess of 10 per centum thereof shall be paid or delivered to or received by any agent or attorney on account of services rendered in connection with this claim, and the same shall be unlawful, any contract to the contrary notwithstanding. Any person violating the provisions of this Act shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined in any sum not exceeding $1,000.

With the following committee amendment:

Page 1, line 6, strike "$12,644.41" and insert "$1,000.00". The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

LIBRANDE P. CALTAGIRONE

The Clerk called the bill (H.R. 12024) for the relief of Librande P. Caltagirone.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That Librande P. Caltagirone shall be considered to have satisfied the service requirements of section 6(d) of the Civil Service Retirement Act, as amended (70 Stat. 749, as amended; 5 U.S.C. 2256(d)), so as to qualify for an annuity computed in accordance with the other applicable provisions of that Act as a consequence of his involuntary separation on May 31, 1962, from his position as a law clerk to a United States district judge.

With the following committee amendment:

Page 1, line 9, strike "May 31, 1962" and insert "June 8, 1962".

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

MRS. MARJORIE CURTIS

The Clerk called the bill (H.R. 4800) for the relief of Mr. and Mrs. Clay Curtis.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Treasury is authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, to Clay Curtis, of La Monte, Missouri, the sum of $2,500, and to Marjorie Curtis, his wife, the sum of $8,000. The payment of such sums shall be in full settlement of all his claims against the United States for inconvenience, and all her claims against the United States for personal injuries and pain and suffering, resulting from the crash of a B–47 aircraft of the United States Air Force on their farm on February 27, 1956. Amounts paid to Mr. and Mrs. Clay Curtis pursuant to this Act shall be in addition to any amounts paid to them pursuant to any other law of the United States on account of such crash. These claims are not cognizable under the provisions of law commonly referred to as the Federal Tort Claims Act: *Provided,* That no part of either of the sums appropriated in this Act in excess of 10 per centum thereof shall be paid or delivered to or received by any agent or attorney on account of services rendered in connection with the claim settled by the payment of such sum, and the same shall be unlawful, any contract to the contrary notwithstanding. Any person violating the provisions of this Act shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined in any sum not exceeding $1,000.

With the following committee amendments:

Page 1, lines 3 through 11 and

Page 2, lines 1 to 4: Strike the following language: "That the Secretary of the Treasury is authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, to Clay Curtis, of La Monte, Missouri, the sum of $2,500, and to Marjorie Curtis, his wife, the sum of $8,000. The payment of such sums shall be in full settlement of all his claims against the United States for inconvenience, and all her claims against the United States for personal injuries and pain and suffering, resulting from the crash of a B–47 aircraft of the United States Air Force on their farm on February 27, 1956. Amounts paid to Mr. and Mrs. Clay Curtis pursuant to this Act shall be in addition to any amounts paid to them pursuant to any other law of the United States on account of such crash."

Insert the following language: "That the Secretary of the Treasury is authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, to Mrs. Marjorie Curtis, of La Monte, Missouri, the sum of $1,000 in full settlement of her claims against the United States for inconvenience and disruption incident to the crash of a B–47 aircraft of the United States Air Force on her farm on February 27, 1956, and in further settlement of all her claims for personal injuries, pain, and suffering traceable to that crash."

The committee amendments were agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed.

The title of the bill was amended to read: "A bill for the relief of Mrs. Marjorie Curtis." A motion to reconsider was laid on the table.

MRS. MARGARET PATTERSON BARTLETT

The Clerk called the bill (H.R. 4964) for the relief of Mrs. Margaret Patterson Bartlett.

Mr. AVERY. Mr. Speaker, I ask unanimous consent that this bill may be passed over without prejudice.

The SPEAKER. Is there objection to the request of the gentleman from Kansas?

There was no objection.

Mr. AVERY. Mr. Speaker, I ask unanimous consent that the gentlewoman from Tennessee [Mrs. Reece] may extend her remarks at this point in the Record.

The SPEAKER. Is there objection to the request of the gentleman from Kansas?

There was no objection.

Mrs. REECE. Mr. Speaker, my friend and colleague, the gentleman from Kansas [Mr. Avery], has just objected to H.R. 4964, for the relief of Mrs. Margaret Patterson Bartlett, at my request.

The circumstances involved are such that I feel an explanation is due the House and especially the Judiciary Committee, which in reporting the bill showed the greatest cooperation.

This bill is the last one introduced by my late husband, Carroll Reece, after a conference with the Director of the National Park Service, Mr. Conrad Wirth. The bill proposes a $10,000 tax-free gift to Mrs. Bartlett, my constituent, a great-great-granddaughter of President Andrew Johnson.

The Department of the Interior recognizes an implied obligation growing out of the purchase by the Federal Government some years ago of the home of President Andrew Johnson, which is now a National Monument operated by the National Park Service.

The Department of the Interior recommended the $10,000 figure, and the Bureau of the Budget did not object, but Mrs. Bartlett has declined to accept this settlement proposed in H.R. 4964, saying it is insufficient and she prefers to take her chances with the 88th Congress.

EARL T. BRILEY

The Clerk called the bill (H.R. 10415) for the relief of Earl T. Briley.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That Earl T. Briley of Shelbyville, Indiana, is relieved of liability to pay to the United States the sum of $331.17, representing the aggregate amount of salary overpayments received by him from the United States Post Office Department during the period beginning June 29, 1957, and ending January 6, 1961, which overpayments were made as a result of administrative error in granting a longevity promotion on the basis of his former position as postal clerk rather than on the basis of his position as foreman. In the audit and settlement of the accounts of any certifying or disbursing officer of the United States, full credit shall be given for the amount for which liability is relieved by this Act.

With the following committee amendment:

Page 2, following line 4, insert the following: "Sec. 2. The Secretary of the Treasury is authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, to the said Earl T. Briley, the sum of any payments received or withheld from him on account of the overpayment referred to in the first section of this Act: *Provided,* That no part of the amount appropriated in this Act shall be paid or delivered to or received by any agent or attorney on account of services rendered in connection with this claim, and the same shall be unlawful, any contract to the contrary notwithstanding. Any person violating the provisions of this Act shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined in any sum not exceeding $1,000."

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

MAURICE CASNER AND EILEEN G. CASNER

The clerk called the bill (H.R. 11388) for the relief of Maurice Casner and Eileen G. Casner.

There being no objection, the clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That Maurice Casner and Eileen G. Casner, his wife, are hereby relieved of all liability to pay the United States the amount of $574.53, representing financial assistance extended in the years 1943 through 1946, when Eileen G. Casner and her son, Michael Allen Casner, were interned by the Japanese at Shanghai, China. The amounts claimed by the United States include funds furnished for subsistence during the period of internment and transportation at the end of the internment period. In the audit and settlement of the accounts of any certifying or disbursing officer of the United States, full credit shall be given for amounts for which liability is relieved by this Act.

With the following committee amendments:

Page 1, line 6: Strike "1943" and insert "1942".

Page 1, line 9: Strike "subsistence" and insert "comfort, medical aid, and maintenance".

Page 1, lines 10 and 11: Strike "and transportation at the end of the internment period".

The committee amendments were agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

HRATCH SAMUEL ARUKIAN

The Clerk called the bill (S. 273) for the relief of Hratch Samuel Arukian.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for the purposes of the Immigration and Nationality Act, Hratch Samuel Arukian shall be deemed to have been born in Ethiopia.

With the following committee amendment:

Strike out all after the enacting clause and insert in lieu thereof the following: "That, for the purposes of the Act of July 14, 1960 (74 Stat. 504), Hratch Samuel Arukian shall be held and considered to have been paroled into the United States on the date of the enactment of this Act, as provided for in the said Act of July 14, 1960."

The committee amendment was agreed to.

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

HEGHINE TOMASSIAN

The Clerk called the bill (S. 2184) for the relief of Mrs. Heghine Tomassian.

Mr. AVERY. Mr. Speaker, I ask unanimous consent that this bill may be passed over without prejudice.

The SPEAKER. Is there objection to the request of the gentleman from Kansas?

There was no objection.

CONSTANTINA CARAISCOU

The Clerk called the bill (S. 2574) for the relief of Constantina Caraiscou.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for the purposes of sections 101(a)(27)(A) and 205 of the Immigration and Nationality Act, the minor child, Constantina Caraiscou, shall be held and considered to be the natural-born alien child of Mr. and Mrs. George Caras, citizens of the United States: *Provided,* That the natural parents of the said Constantina Caraiscou shall not, by virtue of such parentage, be accorded any right, privilege, or status under the Immigration and Nationality Act.

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

STEPANIDA LOSOWSKAJA

The Clerk called the bill (S. 2686) for the relief of Stepanida Losowskaja.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, in the administration of the Immigration and Nationality Act, the provisions of section 312 of such Act shall be deemed not to be applicable in the case of Stepanida Losowskaja.

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

SUSPENSION OF DEPORTATION OF CERTAIN ALIENS

The Clerk called Senate Concurrent Resolution 86.

There being no objection, the Clerk read the resolution, as follows:

Resolved by the Senate (the House of Representatives concurring), That the Congress favors the suspension of deportation in the case of each alien hereinafter named, in which case the Attorney General has suspended deportation pursuant to the provisions of section 244(a)(4) of the Immigration and Nationality Act (66 Stat. 214; 8 U.S.C. 1254):

A–12269388, June, Wong Way;
A–10758754, Dai, Chew Sin;
A–12586379, Lum, Bak-Min;
A–28009, Lee, Kai Suen;
A–11925176, Teng, James Wong;
A–12261123, Kwan, Chan Chew;
T–11721429, Fong, Chin Hoy;
A–11948980, Ginn, Annie;
A–7841723, Nurmeta, Nikolai;
A–11596987, Lee, Gar Way;
A–11596986, Lee, Won Wah;
A–7876042, Lee, Sin Ha;
A–8027478, Wiwczar, Michael;
A–8091415, Soter, Gus;
A–11433474, Gin, Win Gon;
A–11170722, Huey, Thick Chu;
A–12642507, Jew, Ming Wai;
A–12249576, Kim, Duck Lee;
A–7898650, Martino, Vincenzo;
A–11629250, Quan, Bing Kwong;
A–11629274, Quan, Dong Guay You;
A–11814222, Wong, Ngoon Fow;
A–12671644, Yau, Chong Lew;
A–10767929, Yee, Yat Hung;
A–12648341, Keong, Leong;
A–11598045, Moy, Fay Yen;
A–12082442, Youn, Yin Yu;
A–10772062, Chinn, Gwai Bun;
A–11407947, Yee, Miu Lee;
A–11407955, Yee, Moo Tuk;
A–11407951, Yee, Mun Hoy;
A–12086307, Chung, Pak Jow;
A–12671828, Wong, Gain Yuey;
A–6017938, Edwards, George Eugene;
A–12682571, Tom, Wai Yin;
A–11805098, Wong, Doo Yen.

SEC. 2. That the Congress favors the suspension of deportation in the case of each alien hereinafter named, in which case the Attorney General has suspended deportation pursuant to the provisions of section 244(a)(5) of the Immigration and Nationality Act (66 Stat. 214; 8 U.S.C. 1254):

A–11909555, Marquez-Paez, Raul;
A–2395556, Pond, James Leo;
A–2302786, Ochoa, Gilbert;
A–2610759, Alvanos, Elias;
A–10728848, Prieto-Guzman, Jesus;
A–4386589, Contreras, Domingo;
A–12640925, Wong, Sik Tong;
A–2305713, Norrito, Mario;
A–5420979, Gomez, Margarito;
A–4049513, Jubera-Martinez, Alvaro;
A–1087969, Tobar-Medina, Manuel;
A–3599256, Mota, Augustine;
A–5782421, Wedwick, William Anton;
A–2652678, Gigliotti, Emilio;
A–12336155, Hinterberg, Kurt;
A–3820408, Mosqueda, Rutilio;
A–5616730, Setan, Giordano Bruno;
A–2627998, Wong, Rose Chan;
A–11596573, Yee, Soon Hing;
A–12655608, De La Cerda-Sarmento, Manuel;
A–10940563, Shen, Shih Fang;
A–10135562, Shen, Wei Fan;
A–5479179, Veloz-Reyes, Ygnacio;
A–12652444, Wong, Pon;
A–4329804, Porras, Andres;
A–12647207, Lew, Kim Yee;
A–2443221, Romero-Madrigal, Juan;
A–8538601, Wittenber, Jan Peter;
A–12652388, Won, You Hong.

SEC. 3. That the Congress favors the suspension of deportation in the case of each alien hereinafter named, in which case the Attorney General has suspended deportation for more than six months:

A–8039129, Tsangaris, Constantinos;
A–7189102, Kee, Mon.

With the following committee amendments:

On page 3, line 25, after the number "A–5782421," strike out the name "Wedwick, William Anton;" and substitute the name "Sedwick, William Anton;".

On page 4, strike out all of line 6.

On page 4, strike out all of line 12.

On page 4, strike out all of line 15.

On page 5, at the end of line 2, strike out the colon and add the following: "pursuant to section 19(c) of the Act of February 5, 1917, as amended (8 U.S.C. 155(c)):".

On page 5, at the end of the concurrent resolution, add an additional section to read as follows:

"SEC. 4. The Congress approves the granting of the status of permanent residence in the case of each alien hereinafter named, in which case the Attorney General has determined that such alien is qualified under the provisions of section 6 of the Refugee Relief Act of 1953, as amended (67 Stat. 403; 68 Stat. 1044):

"A–12123633, Ha, Liang Tay;
"A–10257014, Djedda, Salim Haron;
"A–10255888, Braude, Simon."

The amendments were agreed to.

The Senate concurrent resolution was agreed to.

A motion to reconsider was laid on the table.

MAI HAR TUNG

The Clerk called the bill (S. 2862) for the relief of Mai Har Tung.

There being no objection, the Clerk read the bill as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for the purposes of sections 101(a)(27)(A) and 205 of the Immigration and Nationality Act, the minor child, Mai Har Tung, shall be held and considered to be the natural-born alien child of Mr. and Mrs. Ernest Tung, citizens of the United States: *Provided,* That the natural mother of the said Mai Har Tung shall not, by virtue of such parentage, be accorded any right, privilege, or status under the Immigration and Nationality Act.

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

JACK SHANDLER

The Clerk called the bill (H.R. 9832) for the relief of Jack Shandler.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That Jack Shandler, Los Angeles, California, is relieved of his obligation under section 44(d) of the Internal Revenue Code of 1939 to maintain the bond which he filed upon the death of his wife Margaret Shandler in 1952 for the purpose of deferring gain from her share (transmitted to him at her death) of an installment obligation arising out of the sale by them of certain real estate in 1949, and all liability under such bond is released, effective on the date of the enactment of this Act. Nothing in this Act shall be construed as terminating, altering, or otherwise affecting the duty of the said Jack Shandler to return the income from such installment obligation in the amounts and at the times required under such section 44(d) as a condition of such bond.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

ANTHONY E. O'SORIO

The Clerk called the bill (H.R. 9587) for the relief of Anthony E. O'Sorio.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the limitations of time applicable to the receipt, adjudication, and payment of claims for civilian detention benefits under section 5 (a) through (e) of the War Claims Act of 1948, as amended, are hereby waived in favor of Anthony E. O'Sorio, of Bronx, New York, and his claim for such benefits is authorized and directed to be acted upon by the Foreign Claims Settlement Commission if such claim is filed with the Commission within the six-month period which begins on the date of enactment of this Act.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

JAMES COMEAU

The Clerk called the bill (H.R. 12090) for the relief of James Comeau.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Treasury is hereby authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, to James Comeau, of Haverhill, Massachusetts, the sum of $221.94. Such sum represents reimbursement to the said James Comeau for paying out his own funds judgments rendered against him, and costs, in the United States District Court, District of Massachusetts, as the result of an accident occurring when said James Comeau was operating a Government motor vehicle in the course of his duties as an employee of the United States Post Office Department: *Provided,* That no part of the amount appropriated in this Act shall be paid or delivered to or received by any agent or attorney on account of services rendered in connection with this claim, any contract to the contrary notwithstanding. Any person violating the provisions of this Act shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined in any sum not exceeding $1,000.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

LUELLA O. BABB

The Clerk called the bill (H.R. 12650) for the relief of Luella O. Babb.

Mr. GROSS. Mr. Speaker, I ask unanimous consent that this bill be passed over without prejudice.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Iowa?

There was no objection.

Mr. AVERY. Mr. Speaker, I ask unanimous consent that further consideration of bills on the Private Calendar be suspended.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Kansas?

There was no objection.

LOW-RENT PUBLIC HOUSING

Mr. RYAN of New York. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. RYAN of New York. Mr. Speaker, today I have introduced a bill which will eliminate injustices to tenants living in federally aided low-rent public housing projects as defined in the U.S. Housing Act of 1937.

Under present law a person can be evicted from such a project without a hearing to determine whether such an eviction is justified. Eviction from one's home is a frightening occurrence, causing great insecurity and upheaval not only to the adults in the household but especially to the children. It is vitally important that the sanctity of the home be protected.

My bill would require that, after a tenant receives written notice of his proposed eviction, a hearing must be held unless it is not requested within 30 days after the notice. At the hearing before the public housing agency the tenant would be entitled to counsel and have the opportunity to confront and cross-examine witnesses and to present evidence. The public housing agency would decide the issue upon the record of the hearing. The decision of the public housing agency would be subject to judicial review in the same manner as the eviction or involuntary removal of any other tenant in the jurisdiction involved.

The enactment of this legislation will protect tenants from arbitrary and capricious acts of local housing authorities. Arbitrary evictions have grave consequences for the lives and well-being of our citizens who live in low-rent housing projects.

Mr. Speaker, I have observed a great reluctance on the part of many tenants in public housing to make complaints, or to express grievances, to management. This reluctance often stems from fear that eviction notices will follow. The protection provided by this bill will free tenants from the fear of arbitrary action.

The procedures outlined in the bill are of particular importance, as many of the families living in the projects would have difficulty in meeting the costs of trial. This bill provides that in the first instance they may argue their cases at an administrative hearing which is far less expensive and involved than trials in a court of law.

I urge my colleagues to support this measure to provide simple justice to the 2 million tenants in public housing developments and approve this bill as soon as possible.

CLAYTON F. SMITH

Mr. LIBONATI. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD and include newspaper articles.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Illinois?

There was no objection.

Mr. LIBONATI—

The Lord will treat him as he treated men
on earth.
His gentle kindness was a trait from birth.
His dedication to duty was of Saintly worth.
No heavenly judge can be too curt.

Mr. Speaker, a great Democrat died in the city of Chicago. The people of the community loved and admired Clayton F. Smith and displayed their loyalty to him for years by returning him to various public offices for the longest period of anyone facing the electorate.

Mr. Smith was kind, gentle, and sympathetic. He was frank, truthful, and honest—cheerful at all times. He was devoted to his friends and respected by his associates. In public matters he always considered problems in the light of public good. His many acts of kindness were secrets of his own.

He gave the utmost of his ability to his trust and always respected his reputation for honest, careful, and spotless administration of his duties in accordance with his oath of office. He carried with him throughout all the factual fights within the party the affectionate regard of those to whom his friendship had meant so much and whose companionship and support had meant so much to him. He always had the unified support of warring factions.

Acting President Simon said at the memorial ceremony:

> Mr. Smith led a long and productive life.

His distinguished record of public service indicates a lifetime of devotion to the people of the community.

The memory of Clayton F. Smith lives sweetly in the minds of all who knew him and upon the news of his death, the Illinois Democratic delegation in the Congress felt deeply the loss of a patriarch of the party who had served with honor in public office for 63 consecutive years. He was like a political parent to each of us.

The State of Illinois and the citizens of Chicago and Cook County have lost one of the most dedicated public servants and leaders in the history of public affairs.

We, the Illinois Members of Congress of the Democratic Party, extend our heartfelt condolences to his dear sister Mrs. Vera Benham and his nephew, Superior Judge Herman C. Paschen. May the Almighty God bless his soul.

[From the Chicago Daily News]

Clayton F. Smith Dies in His Home

County Commissioner Clayton F. Smith, 87, whose career in public service in Chicago dated to 1900, died Friday in his home at 2703 West Logan.

He had been ill for the last 3½ months and had been taken to his home July 9 after treatment in Columbus Hospital.

Superior Court Judge Herbert C. Paschen, a nephew, said he and a nurse were at the commissioner's side when death came at 9 a.m.

MEMBER SINCE 1934

Mr. Smith had been a member of the Cook County Board continuously since 1934 and was board president for three terms, 1934–42. Earlier, he had been an alderman, city treasurer for two nonconsecutive terms and county recorder of deeds.

His death was the second among board officials within the last 3 weeks. County Board President John J. Duffy died July 3.

Services for Mr. Smith will be held at 1 p.m. Monday in the Nielson Funeral Home, 3301 West Fullerton. Burial will be in Graceland Cemetery.

County commissionsers and Seymour F. Simon, interim board president, gathered in their meeting room in the county building during the afternoon for memorial services to Mr. Smith.

TRIBUTE FROM SIMON

"Mr. Smith led a long and productive life," Simon said. "His history of service for the county will probably have few equals. He was very enthusiastic and energetic and was deeply concerned about the many problems facing the board.

"His distinguished record of public service indicates a lifetime of devotion to the people of the community."

For years he served as board chairman and vice president of the bank, but his principal interest was in public life. His work at city hall won the attention of the late Mayor Carter H. Harrison, who named him vice president of the board of local improvements in 1911.

Remaining in this post until 1915, Mr. Smith was a factor in the board's advancement of several major enterprises of the Chicago Plan Commission, including the widening of Michigan Avenue.

In 1915 Mr. Smith was appointed warden (administrator) of Cook County Hospital at a time when there were complaints of partiality there as to races and nationalities. The complaints stopped while he was warden from 1915 to 1917.

In 1917 he was elected to his first term as city treasurer winning as a Democrat while a Republican, the flamboyant William Hale Thompson, was swept into office as mayor.

HONORED BY BOARD

After that Mr. Smith had no trouble garnering votes for any of the other offices he sought and captured. The county board honored him in 1957 by naming a 1,000-acre tract of the forest preserves, bounded by Devon, Milwaukee, Harts, Touhy, and Caldwell, the Clayton F. Smith Preserve.

As an early member of the Chicago Zoological Association, Mr. Smith was instrumental in the establishment of Brookfield Zoo in 1934.

He was married in 1901 to Mayme Paschen, member of a family long prominent here in politics and contracting. She died in 1955 at the age of 78. The Smiths had no children.

Mr. Smith's only immediate survivor is a sister, Mrs. Vera Benham of 1949 West Cuyler.

[From the Chicago Tribune]

C. F. Smith, 87, County Board Member, Dies—Also President From 1934 to 1946

Clayton F. Smith, 87, county board member since 1934 and the board's president from 1934 to 1946, died yesterday in his home at 2703 Logan Boulevard.

Mr. Smith had been ill for nearly 4 months. He left Columbus Hospital July 9, and was under 24-hour nursing care in his home.

The county board paid tribute to Mr. Smith in a memorial meeting yesterday afternoon. The funeral will be held at 1 p.m. Monday in the chapel at 3301 Fullerton Avenue.

Mr. Smith, a Democrat, held public office continuously for 63 years—longer than any man in Chicago's history.

NOT SEEKING REELECTION

From the day in 1899 when he passed a civil service examination and became a sidewalk inspector at the age of 24, Mr. Smith remained on one payroll or another—mostly by election. He was not seeking reelection this year. His place on the Democratic ticket was taken by Alderman Charles S. Bonk (21st), who was expected to be named to the board as his interim replacement.

Smith formerly was 33d ward Democratic committeeman, a position now held by John B. Brandt, sanitary district trustee.

Born in Chicago in 1875, Mr. Smith attended the public schools and a business college. He managed throughout his political life to remain in the favor of successive factions ruling the Democratic Party and was believed never to have been in danger of being shelved. He was an organization man to the core.

TELLS OF HIS GENIALITY

One of the party leaders reminisced on Mr. Smith's geniality "which you can sometimes carry too far in politics."

"Let me give you an example," this man said. "In 1946, when Smith was running for reelection as president of the county board, and also as a board member, his Republican opponent for president, William N. Erickson, was lacing Smith and the rest of us at the top of his lungs. But Smith wasn't replying.

"I said to him, 'Listen, Clayton, that man is making an impression; why don't you tear into him?' He told me, 'I can't do that; Bill's such a nice fellow.' And sure enough, Erickson beat him, although Clayton won reelection as a member of the board."

VARIETY OF JOBS

Mr. Smith held a variety of jobs. The major ones were warden of county hospital, city treasurer, 33d ward alderman, deputy commissioner of public works, and county recorder of deeds.

For many years, he and his wife, Mayme, lived at the Logan Boulevard address. They had no children. He was an Episcopalian, a Mason, and a member of several clubs.

Simon said the vacancy created by Mr. Smith's death may remain unfilled until the fall elections. Charles S. Bonk, former alderman of the redistricted 21st ward, was placed on the ballot for county commissioner after Mr. Smith informed the board in January he would be unable to serve another term.

STEPPED ASIDE IN WARD

Because of his age, Mr. Smith's retirement as an official and as a Democratic Party leader had been suggested or rumored repeatedly for a good many years.

His sole concession—up to January—was to step aside from seeking reelection as 33d ward Democratic committeeman in 1956.

In his successful campaign for reelection as a county commissioner in 1958 he noted that his "entire adult life has been devoted and dedicated to public service. It is a dedicated life of which I am truly proud."

Mr. Smith's long life was spent entirely in Chicago. He was born here on April 11, 1875, at Center and Lincoln. His formal schooling was brief—public elementary school plus a course in a business college. For a while he operated a bicycle shop at North and Wells.

JOHN STELLE

Mr. LIBONATI. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the Record and include newspaper articles.

The **SPEAKER** pro tempore. Is there objection to the request of the gentleman from Illinois?

There was no objection.

Mr. LIBONATI—

> The're many suns I lived to see
> But there is one God keeps from me
> And when it sets beyond the West
> My prayers are that I'll be at rest.

Mr. Speaker, former Governor and Lieutenant Governor of Illinois, John Stelle, is dead. As a man, John Stelle was generous, popular, bold, courageous and, at times, combative. I knew him perhaps as intimately as any person in politics, with the exception of the present speaker of the Illinois House of Representatives, Paul Powell, and Cook County Clerk Edward J. Barrett, Illinois State Representative Clyde Choate, Illinois State Senator Paul Zeigler, Congressman Ken Gray and others. I have never known a man of more sturdy ability as a political campaigner, nor traits of character of great loyalties to both individual friendships and the interests of the area called Little Egypt, southern Illinois' 26 counties. His purpose in life was dedicated to his country and his party. He served both well.

Although he never lost his head, he sometimes gave vent to anger—especially if he met, flush on, with an ingrate or lying antagonist—and had to be restrained by his friends.

As a natural leader with a sharp intellect, forceful, hard-hitting, expressive sentences, and thoughtful organization building, he forged to the front, downstate, at the most opportune time, the early thirties.

His skill in political know-how and a sparkling personality started him on the road to political leadership.

He had the interests of the people of "Little Egypt" at heart and, both personally and politically, did much to improve the financial independence of individuals and the community itself. John Stelle advanced funds for all sorts of charitable, religious, and civil purposes that he felt were worthy of his support, even to financing young men pursuing their studies and establishing their businesses. He paid for the building of a cabin at Lake Jeannette, Coloma, Wis.—American Boys' Camp, sponsored by the Past Commanders Club for indigent children, which bears his name.

His career was that of a farm boy's humble beginning—born on August 10, 1890, in McLeansboro. He enlisted in World War I and was sent to Fort Sheridan—commissioned as a captain of a machinegun company, in France, for 17 months.

Years later, with fatherly pride and apprehension, he saw his two sons, John and Russell, march off in World War II, and serve their country with distinguished honor.

He was a man of many talents—lawyer, businessman, professional baseball player, soldier and politician—and was versatile in each of his accomplishments.

He was never defeated in any undertaking, for long. He thought, planned and won well. He did leave political wounds after a fight, but his superlative political strength in southern Illinois, and the loyalty of his followers, who are among its leading politicians, Speaker Paul Powell, Minority Whip Choate, Senator Zeigler, Congressman Kenneth Gray, and others. This strength assuaged the hurts. He fought in the open with no quarter given. As an orator he exerted an emotional, influential force, coupled with an uncanny approach of simple words, giving basic reasons that swayed the audience his way.

It is difficult to say "good-bye" to an old friend. One whom I had known for 45 years, both in politics and in the American Legion. He was my intimate friend.

The Democratic Party lost a colorful and powerful leader; the Nation, a distinguished American and patriot; the American Legion a stalwart commander; and the people of the State of Illinois one of their most distinguished favorite sons—a man who was a confidant to the unfortunate, a benefactor to the poor, an adviser to the bereft and hopeless.

The Illinois delegation in the U.S. Congress send their most heartfelt condolences to his dear wife, Wilma, and two sons, John Albert and Russell. May Almighty God grant him the rest he so richly deserves.

[From the Chicago Tribune, July 10, 1962]

Friends Crowd Town for Rites of John Stelle—Leaders of Political Parties Attend

(By Robert Howard)

McLeansboro, Ill., July 9.—Funeral services for John H. Stelle, former Governor and former national commander of the American Legion, were attended today by one of the largest crowds ever assembled here.

Friends, some who came as far as 1,000 miles, and floral offerings overflowed the Gohlson Funeral Home to the sidewalk.

Political leaders from both parties who were present included Speaker Paul Powell, one of Stelle's southern Illinois friends, Governor Kerner, and Secretary of State Charles F. Carpentier, from Springfield, County Clerk Edward A. Barrett, from Chicago, and Representative Roland Libonati, Democrat, of Illinois, from Washington, D.C.

TWO FORMER COMMANDERS

Also present were two former national commanders of the American Legion, Perry Brown, of Beaumont, Tex., and Paul Griffith, of Washington, D.C.

The services were conducted in the funeral home by the Reverend Carl Davis, of the McLeansboro Methodist Church, of which Stelle, whose greatgrandfather settled here in 1818, was a member.

The local Legion post provided a firing squad for services at the Odd Fellows cemetery. The national colors used by Stelle when he was Legion commander flanked the casket. These consisted of two flags, a 48-star American flag and a blue Legion national headquarters flag.

MAN OF VARIED INTERESTS

Stelle, who died Thursday in a St. Louis hospital at the age of 70, was eulogized as a man of tremendous and varied interests by City Judge John Marshall Karns of East St. Louis, who had known Stelle since boyhood. He said that Stelle not only had been State treasurer, Lieutenant Governor, Governor for 99 days, and an organizer and commander of the Legion, but also was a professional athlete, big businessman, and lawyer.

"He never sold the truth to serve the hour," Karns said. "He never compromised. When he took a position that he thought was correct he never hesitated but stayed with it to the end."

[From the Chicago Daily News]

Ex-Governor Stelle Dies of Leukemia at 71—Colorful Democratic Figure Was Also Farmer, Track King

John Stelle, 71, former Governor of Illinois and a colorful and controversial figure in Democratic politics for many years died early Friday in St. Louis.

Mr. Stelle had been confined to Barnes Hospital there for 10 days with acute leukemia. Last winter he had been hospitalized for a time in Miami, Fla.

Mr. Stelle was a farmer, lawyer, soldier, politician, and racetrack king. He owned extensive oil interests and operated a farm near McLeansboro, in Hamilton County, Ill.

Services will be held at 2 p.m. Monday in Gholson Funeral Home, McLeansboro, where friends may call after 2 p.m. Sunday.

But he will be remembered most vividly as the "100-Day Governor" of Illinois.

He was Lieutenant Governor when former Gov. Henry Horner died on October 6, 1940. Mr. Stelle filled the post until January 13, 1941, when he was succeeded by the late Dwight H. Green, a Republican.

Mr. Stelle was born August 10, 1890, in McLeansboro.

With the outbreak of World War I, he enlisted in the Army and was commissioned a first lieutenant at Fort Sheridan. In France he captained a machinegun company for 17 months.

His first public jobs were on the McLeansboro City Council and School Board. In those years he ran a creamery, a brick factory, and a 500-acre grain and cattle farm.

At the time of his death he was president of the East St. Louis Jockey Club, operator of Cahokia Downs Racetrack, and president of Arketex Ceramic Co., Brazil, Ind.

His first State post was assistant State auditor in 1931 under Edward J. Barrett, now Cook County clerk. The following year Mr. Stelle became assistant State treasurer and in 1934 was elected treasurer.

In a Democratic factional split in 1936, he sided with the powerful Kelly-Nash machine in Chicago in their unsuccessful attempt to unseat Governor Horner in his try for a second term.

In spite of his opposition to Horner, Mr. Stelle was nominated and elected Lieutenant Governor.

In Horner's last illness, Mr. Stelle proclaimed himself Acting Governor.

Horner, from his sickbed, issued the statement: "I am Governor and will continue to act as Governor."

In the 1940 primary, Mr. Stelle opposed his friend, Harry Hershey, now an Illinois Supreme Court justice, for the Democratic gubernatorial nomination and lost.

Horner died on October 6, 1940, and Mr. Stelle immediately took over as Governor for the "100 days." Then Dwight Green rode into office, ending Mr. Stelle's brief encounter with the job he had sought for so long.

Mr. Stelle, a close political ally of Illinois House Speaker Paul Powell, Democrat, of Vienna, continued to hover on the political sidelines.

He was a frequent caller at Springfield when the legislature was in session, often seeking to promote bills to benefit racetracks.

Mr. Stelle was a power in both the American Legion and the 40 and 8, a veterans' funmaking group. He served as national American Legion commander in 1945.

His permanent home was in McLeansboro, but he had spent the winter of 1961–62 in Miami.

In his youth he played professional baseball with the Frankfort, Ky., team in the old Kitty League and later with the Decatur team in the old Three-I League.

Survivors include his wife, Wilma Wisehart Stelle, and two sons, John Albert and Russell.

[From the Chicago Daily News]

Bring Home Body of Ex-Governor Stelle

McLeansboro, Ill.—The body of John Stelle, former Governor of Illinois who occupied the executive mansion for 100 almost legendary days in 1940, has been brought home to McLeansboro.

Mr. Stelle, 71, died Thursday in Barnes Hospital, St. Louis, of leukemia, to end a stormy political career that reached its controversial peak when he once tried and failed to proclaim himself Governor.

The attempt climaxed his feuding with Gov. Henry Horner, a fellow Democrat who was plagued with illness during the end of his second administration and died October 5, 1940.

Mr. Stelle, as Lieutenant Governor, assumed the reins of the State for the remaining 100 days and until Republican Governor-elect Dwight Green took office.

The attempt to proclaim himself Governor came on the eve of the 1940 primary that spring when Mr. Stelle was locked in a bitter Democratic contest for Governor with now Supreme Court Justice Harry Hershey of Taylorville. Mr. Stelle lost.

The body will lie in the funeral home here after 2 p.m. Sunday.

Services are slated for 2 p.m. Monday in the funeral home chapel and burial will be in the Odd Fellows Cemetery east of here.

Survivors include his wife, the former Wilma Wisehart, formerly of Shawneetown, and sons John A. and Russell of Brazil, Ind.

The sons run the family tile manufacturing firm in Brazil, Ind. Mr. Stelle also had interests in Cahokia Downs Racetrack near East St. Louis, and a farm here.

[From the Chicago Daily News]

John H. Stelle Services Set for McLeansboro

McLeansboro, Ill.—The body of John H. Stelle, former Illinois Governor, was taken to his hometown here Friday for funeral services and burial Monday.

Mr. Stelle, 71, died Thursday night of leukemia in Barnes Hospital in St. Louis.

Services will be held at 2 p.m. Monday in a funeral home here. Burial will be in the Odd Fellows Cemetery east of McLeansboro.

A native of McLeansboro, Mr. Stelle served as Governor for 100 days in 1940 after the death in office of Gov. Henry Horner. He was Lieutenant Governor at the time and had been State treasurer.

An attorney and farmer, he was closely associated with Illinois racing interests, and was an owner of Cahokia Downs Racetrack in East St. Louis, which he helped organize in 1953.

Mr. Stelle had been criticized for his racing interests, ownership of a cannery, certain oil interests and a plan for a gambling enterprise outside the United States as too closely related to his political activities.

An Army veteran of World War I, he was one of the organizers of the American Legion in Illinois, and served as national commander of the organization in 1945.

His closest political ally, House Speaker Paul Powell, Democrat, of Vienna, said Mr. Stelle used his power in the Legion to help obtain legislation providing GI education after World War II.

Mr. Stelle had teamed with Powell in recent years to form a key downstate Democratic coalition. In his later years he was somewhat of a political maverick, supporting former President Dwight D. Eisenhower in 1952 against Adlai E. Stevenson, an old political enemy.

In 1960, he first supported then State Treasurer Joseph D. Lohman's bid for the Democratic nomination for Governor, but later switched support to Governor Kerner.

Kerner acknowledged this support by appointing Mr. Stelle a member of the State department on conservation's advisory board in April 1961.

Survivors include the widow, Wilma Wisehart Stelle; two sons, John Albert, of Brazil, Ind., and Russell, of Terre Haute, Ind., and a sister, Mrs. Z. W. Graff, of McLeansboro.

HOLMAN D. PETTIBONE

Mr. LIBONATI. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD and include newspaper articles.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Illinois?

There was no objection.

Mr. LIBONATI—

He trod the earth with kingly mien,
His brilliant brain was like a scholar's dream.
His civic work on earth gave rays of heaven's
    beam.
His tragic death upon stormy scene,
Was like his life a-fighting for the clean.

Mr. Speaker, no one can deny that Holman D. Pettibone, former president and chairman and recently director of the Chicago Title & Trust, was a businessman of discriminating judgment and high scholarly attainments. He had specialized his knowledge and was considered an authority in his legal field. He was both a mentor and preceptor to those under his authority.

He was a conscientious follower of the Republican Party principles and lost patience with members of the opposition who disagreed with him or sought to impune his fairness or judgment. He attended the annual banquets of the Illinois Manufacturers and Chamber of Commerce held in Washington, and it was not uncommon for Mr. Pettibone at the dinner to assail the critics of the Republican activity in the Congress. His every political thought and action was reflected in his dedication to the GOP.

Nevertheless, the Democratic Congressmen in attendance held him in high esteem—all politicians admire a genial person who is a good "mixer" and loyal to the party of his choice.

He was a man of high honor and integrity. His abilities developing over the years—he was graduated at Beloit College, Wisconsin—1911. He came to Chicago and was employed by Title & Trust Co., first as a temporary clerk in 1911 while going to Chicago-Kent Law School, graduating in 1914—then with the trust department and later through many posts and executive positions, and finally in 1931 elected director. A few months later he was elected president of one of the largest land title insurance companies in the world and served to 1953 when he became chairman and served until 1958.

He came to the assembly and said—It is far better that those owners of real estate who could not meet their mortgage payments—that it was better to suffer the entire loss immediately than to scrape and struggle for funds to hold onto property that eventually would go to foreclosure anyway.

He was such a man—he said things that were the truth but that other men were afraid to utter. He was sincere, candid, and earnest.

He was a man who yearned for activity. The tragic death that he suffered turns men's minds to this melancholy reflection that the Lord in His devious ways is like nature working in an undeviating manner.

Mr. Pettibone constantly busied himself with the study of public affairs and improving his expert knowledge for public service.

He was trustee of Beloit College almost continuously from 1928—acting as board chairman from 1949 to 1955, becoming a life trustee.

He was trustee of Northwestern University from 1938 to 1954 becoming a trustee for life. He was an active member of the corporate committee, working to extend the campus by filling in at the shoreline of Lake Michigan. He served as former president of the chamber of commerce, member of senior council 18 years, and director of the U.S. Chamber of Commerce.

Mr. Pettibone held a high fascination for his many activities in behalf of the progressive programs for the city of Chicago. He had been chairman of Chicago's central area committee since 1956 and was a commissioner for the Chicago Railroad Terminal Authority, a member of the Cultural Facilities Survey Committee, and had been chairman of the Trustees Committee of the Chicago Community Trust.

He was president of the Winnetka Board of Education from 1937 to 1940, and was active in all local civic affairs.

He served on several advisory Government commissions under ex-President Eisenhower—Urban Land Use and Housing, and was active in city renewal activities.

Only a kind man who loved people could do so much for worthwhile activities in civic and educational programs of such importance. He was jolly in a crowd, and yet serious. His wide knowledge of public affairs made him most interesting.

His judgment was sound and he used the great power of his high position with a high sense of responsibility toward the general good of the community of Chicago and Cook County—the problems of the early thirties touching real estate in the depression.

When news of his death was received in Washington, his many friends in the Congress saddened by the tragedy of it all could but say—"Thy will be done."

With bowed heads we pray to the Almighty to take unto His mansions the admired and esteemed servant of his fellow man.

We, the congressional Illinois delegation, extend our heartfelt condolences to his lovely wife Marie and family—Richard D. and Holman, Jr., Barbara, Mrs. George P. Watermulder, Mrs. Jean P. Butz, and Mrs. Marie P. McKeown.

The Nation and the State of Illinois has lost one of its most distinguished advisers in civic affairs and business leaders in the Chicago community. In the words of Mayor Daley—"a great man and a great citizen, who had the objective of making Chicago a better place in which to live, work, and worship."

[From the Chicago Tribune, July 26, 1962]

WATERSPOUT SWAMPS HIS FISHING BOAT—WISCONSIN GUIDE FAILS IN RESCUE

High winds and rain interrupted a search yesterday for the body of Holman D. Pettibone, 73, Chicago businessman and civic leader, at a remote lake at the edge of an Indian reservation near Lac du Flambeau, Wis.

Pettibone, former president and chairman and still a director of the Chicago Title & Trust Co., drowned in Ike Walton Lake Tuesday afternoon when a sudden storm created a waterspout that swamped a fishing boat.

RESCUE COMPANION, 79

An Indian guide, Nelson Sheppo, rescued a companion, Samuel A. Greeley, 79, of 206 Chestnut Avenue, Winnetka, and shouted to Pettibone to take off his raincoat until he could reach him.

"I'm not going to make it," Pettibone replied, and went under as Sheppo reached for him with one hand while holding Greeley across the upset boat with the other.

Pettibone and Greeley had been vacationing at summer homes at Camp Wipigaki, where a number of Winnetka families have summer residences and have been going to fish and vacation for many years.

Police Chief Kenneth Andreske of Lac du Flambeau said he hoped to resume the search for Pettibone's body as soon as the wind and waves abated.

Assisting in the search was the victim's son Holman, Jr., a building contractor in California, who was at the family's summer home with his parents and a sister, Barbara Pettibone.

TEENAGER IS HERO

A Milwaukee teenager, Bryan McCormack, 14, was credited with saving the lives of Greeley and Sheppo, the guide, when he put out a motorboat on the storm-tossed lake after hearing cries for help.

McCormack was at his parents' home on the lakeshore watching the storm when he heard the cries from the men in the capsized boat. Pettibone had gone under when he arrived but he dragged Greeley and Sheppo into the boat and got them to shore.

Greeley suffered from water in his lungs and from exhaustion, but was reported recovering from his ordeal. He is a member of the firm of Greeley & Hansen, consulting engineers at 14 East Jackson Boulevard.

The guide told Chief Andreske that they had driven from Camp Wipigaki to Ike Walton Lake, at the edge of the Chippewa Indian Reservation, and were having a successful fishing trip around the lake when the storm came up. They had four walleyed pike in the boat at the time.

"It rained and hailed and the wind blew up big waves, and we were making for shore when a waterspout formed," Sheppo said. "The funnel blew like a tornado, and when it reached us it swamped and capsized the boat."

Sheppo is a licensed guide and had been guiding Pettibone and Greeley for 10 years. He was treated for shock in Lakeland Hospital at Woodruff, Wis., where Greeley also was taken.

NOTIFIES NEIGHBOR

The McCormack boy got Greeley and Sheppo to the dock near his family home and his mother notified Kenneth Goll, who operates a lodge half a mile away. Goll already had found a boat seat cushion bearing Pettibone's name that had drifted to shore at his resort. He drove the 4 miles to Lac du Flambeau and notified police.

Goll and Chief Andreske put out in a large motorboat and searched the lake until dark without sighting Pettibone's body. The lake is 3 miles long and 1½ miles wide, and Andreske said it is 40 feet deep in the area where the boat was swamped.

"The McCormack boy did a tremendously brave thing," said Andreske. "He is a real hero."

A skindiver and a number of boats and volunteers stood by at the lake yesterday to resume the search as soon as the weather cleared enough to permit them to proceed with a reasonable degree of safety.

[From the Chicago Tribune]

SET MEMORIAL SERVICES FOR PETTIBONE, 73—SURVIVOR TELLS OF 2-HOUR ORDEAL IN WATER

A memorial service for Holman D. Pettibone, 73, Chicago businessman and civic leader who drowned Tuesday in northern Wisconsin, will be held at 3 p.m. tomorrow in Winnetka Congregational Church, 725 Pine Street, Winnetka.

Arrangements for cremation of his body in Sheboygan, Wis., were made yesterday by his son, Holman D., Jr., while Mr. Pettibone, Sr.'s widow, Marie, returned to their home at 1561 Asbury Avenue, Winnetka, with a daughter, Mrs. Jean P. Butz, of Glencoe.

SURVIVOR TELLS DETAILS

Mr. Pettibone's fishing companion, Samuel A. Greeley, 79, of 206 Chestnut Street, Winnetka, was released from Lakeland Hospital, Woodruff, Wis., yesterday. He returned to Camp Wipigaki, near Lac du Flambeau, Wis., where he has owned a cottage for 39 years. He told this story of the accident which took the life of Mr. Pettibone:

"We had been fishing at the far end of the lake. It was supper time, and so we started back. I was in the middle of the rowboat. Sheppo [Nelson Sheppo, their Indian guide] was in the bow, and Mr. Pettibone was operating the motor.

"We could see the storm coming for a good way. Then it was on us before we could find time to think. I've never seen anything like it in my 39 summers up here.

"The wind picked up the water, carried it 10 or 12 feet into the air, and dumped it down on our boat. I was under water before I knew what had happened. That's all I can remember clearly, except we spent a long time in the water—2 hours, I think.

CLINGS TO THE BOAT

"Sheppo helped me stay on the boat. I just don't know what happened to Mr. Pettibone. Sheppo did all the shouting for help because he had more wind than I did. I was full of water, and I've never been much of a swimmer. Our main effort was to make sure we could hold onto the boat.

"Then the McCormack boy found us [Bryan McCormack, 14, of Milwaukee] and took us in. The McCormacks were very good to us. They calmed us down, and warmed us up until they took us to the hospital."

Greeley is a partner in the consulting engineering firm of Greeley & Hansen, 14 East Jackson Boulevard. He has often accompanied Mr. Pettibone on fishing trips. Both own cottages, along with a number of other Winnetka families, at the camp.

Mr. Pettibone, whose body was recovered Wednesday night from Ike Walton Lake, located in the corner of an Indian reservation near Lac du Flambeau, was former president, former chairman, and a director of the Chicago Title & Trust Co., and had been active in civic activities. The memorial service will be conducted by Rev. David B. Watermulder, pastor of the Oak Park Presbyterian Church.

Mayor Daley paid tribute to him as a "great man and a great citizen" who "had the objective of making Chicago a better place in which to live, work, and worship."

ASSETS OF FOUNDATIONS HAVE REACHED MASSIVE PROPORTIONS

The SPEAKER pro tempore (Mr. ALBERT). Under previous order of the House, the gentleman from Texas [Mr. PATMAN] is recognized for 2 hours.

Mr. PATMAN. Mr. Speaker, I ask unanimous consent that questions and answers be inserted after the body of my speech.

Mr. AVERY. Mr. Speaker, reserving the right to object, and I would not object to that, but I would like to reflect some of my views pretty early in the gentleman's 2 hours, and I would rather insist that they appear at that place. Subsequent to that, I have no objection to the gentleman's request.

Mr. PATMAN. It is just a little indefinite.

Mr. AVERY. If the gentleman will yield——

Mr. PATMAN. I yield to the gentleman now.

Mr. AVERY. That is satisfactory.

Then, I withdraw my reservation, Mr. Speaker.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. AVERY. Mr. Speaker, will the gentleman yield?

Mr. PATMAN. I yield to the gentleman from Kansas.

Mr. AVERY. Mr. Speaker, as the gentleman from Texas will probably recite to the House in just a moment, this is the second increment of a study which has been conducted at the expense of the Select Committee on Small Business and under the general authorization of the Committee on Small Business. The first increment of this report was given, I think, some 30 days ago. As I understand from the gentleman from Texas, there is one yet to follow.

Mr. Speaker, there are two or three things which I want to make unmistakably clear at this time. No. 1 is that the minority has not had any chance to participate in this so-called study and investigation that has been done at the insistence and under the personal direction of the chairman of the committee. I am not challenging his jurisdiction to conduct this study as chairman of the committee. I do want to point out that these reports—and they are voluminous and probably cost several thousand dollars just to get them printed not even considering the cost to make the study—were placed in our offices sometime during the day last Friday. This was the first opportunity the minority had to see the report and I judge the first time the other members of the committee had as well.

Mr. Speaker, I do not think this procedure consistent with what we usually consider proper for congressional study or investigation. This has been a singlehanded operation on the part of the chairman. I am not challenging his jurisdiction, but I am certainly challenging and questioning the propriety of such procedure under the established customs of the House of Representatives.

Mr. Speaker, I would further point out this kind of procedure leaves innuendoes and poses certain misunderstandings, and inferences throughout the country. The gentleman from Texas [Mr. PATMAN], releases this to the press even before he brings it to the floor of the House, and regardless of how many days or how many months elapse during which time charges are answered or replied to after this original release has been made, the image with the public if inaccurate is never completely dispelled.

Mr. Speaker, I would respectfully suggest that on a report like this at least there should be a hearing whereby the persons or corporations or trusts that are involved in this report would have an opportunity at least to place their justification on the printed record. This procedure amounts to an indictment without a chance to respond or an indictment without even being advised that a party is under indictment or possibly to be indicted.

Mr. Speaker, as the gentleman from Texas [Mr. PATMAN], proceeds, I hope the Members present will bear in mind that, No. 1, this report has not been approved by the Select Committee on Small Business; No. 2, this investigation has been kind of a star chamber proceedings conducted by the chairman and purely within his jurisdiction, but the minority has not been permitted to participate. The information has not been made available to them. Therefore, whatever observations and conclusions or inferences which might be left by this report today are clearly those of the chairman and should not be interpreted as being in any way the thinking of the minority or possibly even the members of the majority of the Select Committee on Small Business.

Mr. Speaker, I appreciate the gentleman yielding for this comment, and I may request the gentleman to yield from time to time. But I am perfectly willing, as we have already agreed, that the questions and responses to subsequent interventions that the gentleman from Kansas might make appear at the end of the gentleman's comments in the RECORD.

Mr. PATMAN. I thank the gentleman.

Mr. Speaker, I renew my request that any questions and responses or colloquy appear at the end of my prepared remarks.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. PATMAN. Mr. Speaker, I also ask unanimous consent to revise and extend my remarks and include extraneous matter, including charts and statements.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. PATMAN. Mr. Speaker, this is the second section of an interim report on the Small Business Committee's study of the impact upon small business of the activities and conduct of tax-exempt foundations and charitable trusts.

My first report—which I delivered on July 23—dealt with the income and abuses of certain foundations under study.

This section of my report deals with the assets of the 524 tax-exempt foundations which we have studied, and the uses to which these assets have been put. These foundations are not necessarily the 524 largest, and, of course, represent only a tiny fraction of the more than 45,000 foundations and charitable trusts which enjoy tax-exempt status and hence the involuntary contributions of millions of taxpayers.

Even this limited survey indicates that tax-exempt foundations have reached massive, undreamed-of proportions. They have assumed functions, in some cases, wholly foreign to the object for which they were granted tax exemption and, in my opinion, at variance with the public interest.

At the close of 1960, these 524 foundations had aggregate assets worth no less than $10,239,350,627—see schedule 1. Their financial condition, in general, was enviable. Aggregate net worth—total assets less liabilities—was no less than $9810,467,852—see schedule 2—as of the last accounting period—usually 1960.

Certain foundations have acquired immense power and positions in our economy.

At the close of 1960, the net worth of the 524 foundations—$9,810,467,852—was 23 percent greater than the $7,963,135,000 capital funds—capital, surplus, and undivided profits—of the Nation's 50 biggest commercial banks.

Their net worth was also 26 percent greater than the $7,760,078,000 invested capital—capital stock, surplus, and retained earnings—of the Nation's 50 largest merchandising firms.

With all their wealth and the advantage of their precious "free pass" from the Congress, certain tax-exempt foundations have engaged in operations in conflict with Government policy. For example, the Ford Foundation, between March 1, 1961, and February 1, 1962, made 10 loans totaling $33 million to governments, banks, and private companies in foreign countries. This was at a time when our Government was trying desperately to reduce the deficit in our balance of payments.

In other cases, certain foundations have engaged in business operations in competition with private companies which lack the enormous advantage of a tax-exemption certificate. To cite the Ford Foundation again, it has loaned millions of dollars to railroads, airlines, boat manufacturers, oil companies, pipelines, cosmetic makers, real estate dealers, and other commercial ventures. Thus, this tax-exempt foundation is engaged in the moneylending business in direct competition with commercial banks and other normal, taxpaying suppliers of credit.

Foundations have loaned money to their creators, traded stock and property with them, paid for insurance policies on the life of the donor, financed benefit programs for a contributor's employees, and engaged in many other activities whose relevance to charity and social welfare seems remote.

I said the assets of the 524 foundations were worth no less than $10.2 billion. This is a conservative figure. Their true value is undoubtedly much higher.

Whenever possible in this study, the market value of the securities held by foundations has been used instead of the value at which they are carried on the foundation's balance sheet.

In many instances, however, the securities are those of closely held companies which are not traded. These are usually shown at the foundations' carrying value, normally lower than their real value.

For example, the value of the Ford Foundation securities would be much higher if its holdings of Ford Motor Co., class A stock were appraised at the market price of Ford common stock. No market price is quoted for class A stock, but it can be converted or exchanged on a share-for-share basis under certain conditions into common stock with the same dividend rate. On September 30, 1960, the end of the Ford Foundation's fiscal year, the closing price of the common stock was $64.25 per share. Thus, the Ford Foundation's 31,910,296 shares of class A stock had a value of $2,050,236,518, as compared with $1,499,783,912, based on the equity value of $47 per share, which is shown on the foundation's balance sheet for that year. For 1960, the Ford Foundation listed total assets of $2,195,509,083. If the foundation had shown its holdings in Ford class A stock and other securities at market value as of September 30, its assets would have been at least $2,745,961,689. On April 24, 1962, incidentally, the foundation sold 2,250,000 shares of the stock at $97 per share.

The Altman Foundation of New York is another case in point. As of December 31, 1960, it owned 84.59 percent of the capital stock of B. Altman & Co. The foundation carried the stock at a value of $9,091,870. As of January 31, 1961, the foundation's equity in the net assets of B. Altman was $32,579,732.

Frequently other assets, such as land, real estate, inventories, patents, equipment, or works of art, are understated.

For example, the balance sheet of the Samuel H. Kress Foundation of New York does not carry paintings worth $23,336,671 which are loaned to museums or held in temporary storage.

The 1960 balance sheet of the John A. Hartford Foundation of New York City does not include approximately $900,000 of assets which were willed to it by George L. Hartford. Pending settlement of Mr. Hartford's estate, the foundation has carried its interest in four trust remainders at a nominal value of $1 each.

The Carnegie Corp., of New York City assigns a $1 valuation to land and buildings at 2 East 91st Street and at 9 East 90th Street, New York City.

The Howard Hughes Medical Institute of Miami Beach lists at $1 a leasehold which the institute estimates to be worth $17,500,000 over a 10-year period.

The growth of foundation assets has been phenomenal. The market value of the holdings of the 524 foundations as of 1951, the beginning of the period under study, is not available for comparison.

But the book value of their assets at the close of the first accounting period—1951 except in the case of foundations formed since then—totaled $2,892,493,112. As of the end of 1960, their assets based on book value totaled $7,183,616,302—an increase in 10 years of $4,291,123,190, or 148 percent.

The net worth of the foundations at the close of their first accounting period—usually 1951—was $2,727,343,720, based on book values. Net worth as of the last accounting period—usually 1960—based on book value, was $6,754,733,527—an increase in 10 years of $4,027,389,807, or 148 percent.

The large foundations have increased their assets steadily despite the enormous sums they have disbursed.

The Rockefeller Foundation, for example, had assets of $35,965,384 in the year 1913. By the end of 1960, 48 years later, it had spent $688,674,867, but its assets had pyramided to $536,022,187—based on market value of securities held on December 31, wherever available.

The Carnegie Corp. of New York had assets worth $127,225,808 in 1912. In 1960, after spending $293,014,568, the corporation's assets were $258,933,765—based on market values of securities wherever available.

The Ford Foundation's original endowment from Edsel Ford in 1936 was $25,000. As of September 30, 1960, its assets were worth at least $2,745,961,689—using market value for its holdings in Ford class A stock and other securities.

On December 11, 1924, the Duke Endowment of New York City had assets totaling $40,562,428. On December 31, 1960, its assets were worth $463,357,692.

On April 1, 1929, the John A. Hartford Foundation, Inc., of New York City, had assets totaling $25,000. On December 31, 1960, its assets were worth $309,065,660. The John A. Hartford Foundation, Inc., was incorporated on February 9, 1942; it was in effect a successor to a previous foundation incorporated on April 1, 1929.

On October 23, 1918, the Commonwealth Fund of New York City had assets totaling $9,917,300. On June 30, 1960, its assets were worth $114,571,904.

On December 13, 1934, the Alfred P. Sloan Foundation, of New York City, had assets totaling $500,000. On December 31, 1960, its assets were worth $200,149,723.

On June 25, 1937, the Lilly Endowment, Inc., of Indianapolis, had assets totaling $262,500. On December 31, 1960, its assets were worth $126,935,631.

On December 27, 1930, the W. K. Kellogg Foundation, of Battle Creek, Mich., had assets totaling $64,479. On August 31, 1960, its assets were worth $46,246,884.

On July 27, 1934, the W. K. Kellogg Foundation Trust, of Battle Creek, Mich., had assets totaling $21,600,000. On August 31, 1960, its assets were worth $208,014,760.

On July 2, 1927, the Danforth Foundation, of St. Louis, had assets totaling $101,030. On December 31, 1960, its assets were worth $98,839,088.

The following are comparisons of assets—from the first date available to the last date available—for foundations of the Rockefeller family, Carnegie, the Mellon family, and the Ford family:

ROCKEFELLER-CONTROLLED FOUNDATIONS

	Value of assets as of earliest date available	Value of assets as of last date available, using market value of securities wherever available
American International Association for Economic and Social Development, New York City	$20,000 (July 3, 1946)	$748,206 (Dec. 31, 1960)
China Medical Board of New York	21,258,515 (Dec. 31, 1928)	48,030,088 (June 30, 1960)
Colonial Williamsburg, Williamsburg, Va	248,766 (Dec. 31, 1929)	111,848,179 (Dec. 31, 1960)
Council on Economic and Cultural Affairs, New York City	58,160 (Oct. 31, 1954)	3,925,713 (Dec. 31, 1960)
Esso Education Foundation, New York City	1,452,146 (Dec. 31, 1955)	1,943,847 (Dec. 31, 1960)
General Education Board, New York City	13,507 (Jan. 1, 1903)	1,713,410 (Dec. 31, 1960)
Government Affairs Foundation, Albany, N.Y	131,851 (Dec. 31, 1953)	11,863 (Dec. 31, 1960)
Rockefeller Brothers Fund, New York City	164,635 (Dec. 31, 1941)	131,221,485 (Dec. 31, 1960)
Rockefeller Foundation, New York City	35,965,384 (Dec. 31, 1913)	536,022,187 (Dec. 31, 1960)
Rockefeller Institute, New York City	8,686,345 (June 30, 1911)	198,991,880 (June 30, 1961)
Sealantic Fund, Inc., New York City	3,787 (Dec. 31, 1939)	12,427,599 (Dec. 31, 1960)
Sleepy Hollow Restorations, Inc., Irvington, N.Y	1,962,977 (Nov. 30, 1951)	14,865,000 (Dec. 31, 1960)
Standard Oil Foundation, Inc., Chicago	0 (May 21, 1952)	24,103,204 (Dec. 31, 1960)
Total	69,966,073	1,085,852,661

FORD-CONTROLLED FOUNDATIONS

	Value of assets as of earliest date available	Value of assets as of last date available, using market value of securities wherever available
Ford Foundation, New York City	$25,000 (Jan. 15, 1936)	$2,745,961,689 (Sept. 30, 1960)
Benson and Edith Ford Fund, Detroit	10,320 (Dec. 31, 1943)	2,250,642 (Dec. 31, 1960)
Eleanor Clay Ford Fund, Detroit	110,000 (Dec. 31, 1944)	4,163,926 (Dec. 31, 1960)
Henry and Anne Ford Fund, Detroit	6,500 (Oct. 31, 1953)	1,311,918 (Dec. 31, 1960)
Walter and Josephine Ford Fund, Detroit	38,156 (Dec. 31, 1951)	1,375,630 (Dec. 31, 1960)
William and Martha Ford Fund, Detroit	6,500 (Oct. 31, 1953)	455,851 (Dec. 31, 1960)
Ford Motor Co. Fund, Detroit	0 (Sept. 1, 1949)	$22,529,432 (Dec. 31, 1960)
Fund for the Republic, Santa Barbara, Calif	$2,793,189 (Sept. 30, 1953)	$3,215,347 (Sept. 30, 1960)
Total	2,989,665	2,781,264,435

MELLON-CONTROLLED FOUNDATIONS

	Value of assets as of earliest date available	Value of assets as of last date available, using market value of securities wherever available
Avalon Foundation, New York City	$1,250,783 (Dec. 26, 1940)	$78,766,654 (Dec. 31, 1960)
Bollingen Foundation, New York City	101,718 (Dec. 14, 1945)	5,616,765 (Dec. 31, 1960)
A. W. Mellon Educational and Charitable Trust, Pittsburgh	800,000 (Dec. 30, 1930)	27,802,897 (Dec. 31, 1960)
Richard King Mellon Foundation, Pittsburgh	1,000 (Nov. 14, 1947)	59,879,582 (Dec. 31, 1960)
Old Dominion Foundation, New York City	4,592,055 (Dec. 1, 1941)	48,465,072 (Dec. 31, 1960)
Sarah Mellon Scaife Foundation, Pittsburgh	384,202 (Dec. 31, 1941)	21,190,237 (Dec. 31, 1960)
Total	7,129,758	241,721,207

CARNEGIE FOUNDATION

	Value of assets as of earliest date available	Value of assets as of last date available, using market value of securities wherever available
Carnegie Corp. of New York	$127,225,808 (Sept. 30, 1912)	$258,933,765 (Sept. 30, 1960)
Carnegie Endowment for International Peace, New York City	10,000,000 (Dec. 14, 1910)	32,622,721 (June 30, 1960)
Carnegie Foundation for the Advancement of Teaching, New York City	10,272,740 (June 30, 1906)	19,264,606 (June 30, 1960)
Carnegie Institution of Washington, D.C	10,000,000 (Jan. 4, 1902)	92,410,022 (June 30, 1960)
Carnegie Hero Fund Commission, Pittsburgh	5,000,000 (Apr. 15, 1904)	10,734,315 (Dec. 31, 1960)
Total	162,498,548	413,965,429

According to press reports, the Ford Foundation has donated $2,400,000 to the Brookings Institution for a program of research and education on taxation and public expenditures. This is of considerable interest to me, and, in the light of the Government's need for new sources of revenue, I respectfully suggest that the tax survey would get off to a whopping good start if the various Ford foundations voluntarily gave up their tax exemptions.

The growth of smaller foundations has been equally astonishing.

In 1951, the book value of the holdings of the Bing Fund, Inc., of Los Angeles, was $313,751. In 1960, its carrying value was $9,930,506 and its market value was $12,437,714.

The Public Health Foundation for Cancer and Blood Pressure Research, of Stuart, Fla., listed assets of $889,340 in 1951. In 1960, it was worth $7,862,130 book value and $10,072,364 market value.

The variety of assets held by tax-exempt foundations is endless—everything from Russian rubles to racetracks to motion pictures. Loans to employees of the donor's private business, insurance policies on the life of the donor, mortgages, land, buildings, jewelry, art works—all are found in the collections of the foundations.

Here is a breakdown of the assets and net worth of the 524 foundations as of the close of 1960. Figures based on market value and the foundations' book value have been shown separately wherever available:

Cash	$128,230,538
Notes and accounts receivable less reserve for bad debts	145,522,340
Inventories	1,769,607
Investment in Government obligations	1,082,224,912
Investment in non-Government bonds, etc	1,142,491,581
Book values of investments in corporate stocks	4,234,515,974
Market values of investments in corporate stocks	7,321,993,008
Other investments	91,569,599
Capital assets: Depreciable (and depletable) assets less reserve	212,064,981
Capital assets: Land	$59,352,835
Other assets	54,131,226
Total assets, with market values of securities being used wherever available	10,239,350,627
Total assets based on book values only:	
1960	7,183,616,302
1951	2,892,493,112
Total liabilities:	
1960	428,882,775
1951	165,149,392
Total net worth based on using assets with market values of securities wherever available, 1960	9,810,467,852
Total net worth based on using assets with book values only:	
1960	6,754,733,527
1951	2,727,343,720
Accumulation of income:	
1960	890,892,856
1951	262,170,413
Increase in net worth, 1951 through 1960 based on using assets with book values only	4,027,389,807

And yet, these foundations, which acquire a public status because of their exemption from taxes the rest of us pay, are virtually unregulated organizations on the same footing as private clubs or family companies. For all practical purposes, they are subject only to the authority of their own directors or trustees, who are not accountable to stockholders or to public regulatory agencies.

After the death of Edsel Ford in 1943, the Ford Foundation was used to save the Ford family from losing control of the Ford Motor Co. If not for the foundation device, they would have had to sell stock to the public long before they did in order to pay estate taxes. The foundation permitted Henry Ford's heirs to run the company for many years without the inconvenience of answering to stockholders or the Securities and Exchange Commission.

Despite the incalculable contributions which the public makes to the foundations—in the form of tax exemption—there is no assurance that the foundations will behave in accordance with public policy. In effect, they are independent entities that benefit from a form of taxation without representation.

The following series of questions were posed to Internal Revenue Commissioner Mortimer Caplin. The answers show plainly how little control is exercised over tax exempt foundations:

> Question. Does the IRS provide the public with an opportunity to challenge the exempt status of an organization either before or after the exemption is granted?
>
> Answer. There is no formal procedure for this purpose. We do, however, on occasion receive protests regarding pending, or approved applications, and these are given thorough consideration.
>
> Question. Under the code, are trustees of a tax-exempt foundation subject to any personal penalty, if they engage in prohibited transactions?
>
> Answer. The code makes no provision for imposing a personal penalty against a trustee or trustees of a tax-exempt foundation if it engages in a prohibited transaction. Section 503 of the code does, however, provide for the denial of exemption of an organization engaging in a prohibited transaction and the taxation of its income for the taxable years after the year in which the organization is notified by the Secretary or his delegate that it engaged in a prohibited transaction.
>
> Question. How much time is a foundation given to distribute each year's income?
>
> Answer. No specific time is given a foundation in which to distribute each year's income. In effect, however, section 504 of the code limits the accumulation of income by providing for denial of exemption where accumulations of income not actually paid out for exempt purposes by the end of the year are unreasonable in amount or duration to carry out the functions constituting the basis for the organization's exempt status under section 501(c)(3) of the code.
>
> Question. Is a foundation generally required to pay out all net income within a specified period of time after the close of the taxable year?
>
> Answer. No. Generally speaking, a foundation is required to pay out its income in furtherance of its exempt purposes and to meet expenses, without being limited to a specified period of time within which to accomplish the same, and providing any accumulation is not unreasonable in amount or duration.
>
> Question. Will the IRS deny exemption to a foundation solely on the ground that it is controlled by one family?
>
> Answer. No. The Internal Revenue Service Code provides no basis upon which the Service may deny exemption to a foundation solely on the ground that it is controlled by one family.
>
> Question. In what way, if any, does the code prohibit a donor or testator from transferring the controlling stock of a business to a foundation and have it [the foundation] hold the stock in perpetuity with self-perpetuating directors or trustees voting the stock as they please?
>
> Answer. The code does not in any way prohibit an arrangement of this sort.
>
> Question. Does the code permit a board of trustees and officers of a foundation to be staffed by the founder, his family, and associates?
>
> Answer. Yes.
>
> Question. May trustees and officers of foundations receive compensation?
>
> Answer. They may receive compensation commensurate with services rendered.
>
> Question. Is a foundation prohibited from making purchases of securities or other property from the founder, officers, or their families?
>
> Answer. A foundation is not prohibited under the code from making purchases of securities or other property from the founder, officers, or their families unless the transaction is of the type prohibited by section 503 of the code.

There seems to be almost no limit to what the foundations can do.

In 1910 the Rockefeller family had a bill introduced in the Senate which would have granted a Federal charter to the Rockefeller Foundation. The bill provoked a storm of protests, on the grounds that it would increase the wealth and perpetuate the power of the Rockefellers.

President Schurman, of Cornell, himself a trustee of the Carnegie Foundation, at that time gave this description of the proposed Rockefeller charter:

> Under the terms of this broad charter there is scarcely anything which concerns the life and work of individuals or nations in which the Rockefeller Foundation would not be authorized to participate. As the safety of the state is the supreme condition of national civilization the foundation might in time of war use its income or its entire principal for the defense of the Republic. In time of peace it might use its funds to effect economic and political reforms which the trustees deem essential to the vitality and efficiency of the Republic. The foundation might become the champion of free trade or protection, of trusts, or of the competing concerns out of which they grow, of socialism or individualism, of the program of the Republican Party or the program of the Democratic Party. It might endow the clergy of all religious denominations, or it might subsidize any existing or any new religious denomination. Tomorrow it might be the champion of the Christian religion, and 100 years hence furnish an endowment for the introduction of Buddhism into the United States. It might build tenement houses for the poor in New York City or carry the results of science to enrich the exhausted soils of the East or the arid tracts of the West. It might set up an art gallery in every State of the United States or endow universities which would rival the great State universities of the West. With the consent of the legislature it might relieve any State of the care of its insane, pauper, and dependent classes or construct roads for the benefit of farmers and motorists. These may not be likely objects for the application of the funds of the Rockefeller Foundation. I am not, however, attempting to forecast its work but to understand its charter.
>
> And, so far as I can see, the proposed charter would authorize all these and a multitude of similar activities. If the object of the Rockefeller Foundation is to be coextensive with human civilization, then it may do anything and everything which its trustees think likely to effect reform or improvement in the material, economic, intellectual, artistic, religious, moral, and political conditions of the American people or of mankind.

The Rockefeller bill was buried in the Senate.

Three years later, however, the foundation was incorporated under a State charter in New York. Since then, President Schurman's farsighted appraisal has come true.

The time has come, I think, to take a close look at the types of operations in which tax-exempt foundations are engaged. Already our survey indicates a number of apparent abuses or irregularities which would seem to conflict with the intent of Congress when it relieved certain institutions from the burden of taxation. An agonizing reappraisal is overdue.

FOUNDATION-CONTROLLED BUSINESSES

For example, at the close of 1960, the 524 foundations under study held over $7 billion—at market value—in the stock of over 2,000 different corporations.

To date we have found some 108 foundations, out of the 524 under study, owning 10 to 100 percent of at least 1 class of stock in 1 or more of 254 different corporations at the close of 1960.

Often, the foundation device permits its creator to retain control over business enterprises even though he has ostensibly given it away. There may also be sizable tax advantages in such an arrangement.

A case that needs further study is that of the Howard Hughes Medical Institute of Miami Beach, Fla. The Hughes case concerns three corporations: Hughes Tool Co., Hughes Aircraft Co., and Howard Hughes Medical Institute. All three are Delaware corporations. I will refer to them as "Toolco," "Aircraft," and "Institute," respectively.

In the beginning there was only Toolco. All of its stock is owned by Howard Hughes. On December 17, 1953, the Institute was incorporated, and it, in turn, on the same day, incorporated Aircraft.

The Institute's original name was HHMI Corp. It was changed to Howard Hughes Medical Institute on December 30, 1954. The Institute was organized primarily to do medical research. The charter puts control of management of Institute in a single trustee. Howard Hughes is that trustee. He has life tenure and can name his successor.

On December 31, 1953, papers were executed involving the following series of steps:

First. Toolco contributed to the Institute the patents, trademarks, and goodwill of Toolco's aircraft department, including the name Hughes Aircraft Co. These items were on Toolco's books for $37,000.

Second. Toolco leased to the Institute for 10 years and 6 months certain real estate of the aircraft department and certain tangible fixed assets costing

Toolco $26 million. The rental was to be primarily the amount of depreciation Toolco is allowed for tax purposes on the leased assets. The lease is carried on the Institute's books at $1.

Third. Toolco sold to the Institute $74 million book value of assets of its aircraft department. These assets consisted primarily of cash, receivables on U.S. Government contracts, and inventories. Contracts with the U.S. Air Force were transferred by Toolco to the Institute. Toolco owed on these assets $56 million, most of which was for renegotiation of Government contract prices. To pay for the $74 million of assets, the Institute assumed the $56 million of liabilities, and gave Toolco a note for the balance of $18 million. The note was payable in 3 years with interest at 4 percent. The Institute put up all the Aircraft stock as collateral for the note.

Fourth. The Institute contributed to Aircraft the patents, trademarks, and goodwill that Toolco contributed to the Institute.

Fifth. The Institute subleased to Aircraft the assets the Institute leased from Toolco. The sublease term was likewise 10 years and 6 months. The sublease rent called upon Aircraft to pay an aggregate of $33,600,000, of which $4,700,000 a year was to be paid in the first 3 years, and $2,600,000 a year in the next 7½ years. These terms were patterned after terms Toolco had previously been negotiating with Lockheed, but that deal fell through.

Sixth. The Institute transferred to Aircraft the $74 million book value of assets bought from Toolco. Aircraft assumed the $56 million of liabilities that Toolco originally owed on those assets. For the other $18 million, Aircraft issued its stock to the Institute. Cutting through all of this paper work, the Institute books showed the end of the road to be as follows: Its capital was the $37,000 initially contributed to it by Toolco. It carried at $1 the leasehold from Toolco. The Institute also had the Aircraft stock, carried at $18 million, but pledged against a corresponding note liability to Toolco of $18 million.

Here are some additional pertinent facts:

Seventh. Toolco claimed a tax deduction of $2 million in 1953 because of these transactions.

Eighth. On June 1, 1955, the Institute filed application for tax exemption. On November 29, 1955, the Internal Revenue Service denied the exemption on the grounds that the whole setup was merely a device for siphoning off otherwise taxable income to an exempt organization, and accumulating that income. On March 26, 1956, the Institute filed a protest to that ruling. On March 1, 1957, the Internal Revenue Service reversed itself, and gave the Institute tax-exempt status.

Ninth. The $18 million note payable by the Institute to Toolco became due on December 31, 1956. It was not paid. Its maturity was extended from year to year, twice. On March 27, 1959, the Institute issued a new note due July 10, 1959. The new note bore 4½ percent interest, compared with 4 percent originally. The maturity date of the new note has been extended on a year-to-year basis ever since.

Tenth. In 1954 the Institute conducted negotiations with General Electric and Atlas Corp. for the sale of Aircraft stock. Both deals fell through. Had they been consumated, the Institute would have realized in excess of the $18 million carrying amount for the Aircraft stock. In both instances, at the insistence of the prospective buyers, the deal would have included the sale to the prospective buyers of the assets owned by Toolco, leased to the Institute, and subleased to Aircraft.

Eleventh. From 1954 through 1961 the income and payouts of the Institute aggregated as follows:

	Dollars	Percent
Rent collected under sublease to aircraft	26,000,000	-------
Rent paid under lease from Toolco	11,000,000	-------
Net rent	15,000,000	100
Interest paid Toolco on $18,000,000 note	6,000,000	40
Available for Institute use	9,000,000	60
Spent for medical research and administration	5,700,000	37
Accumulated income	3,300,000	23

Twelfth. During the same period, earnings after taxes accumulated at Aircraft in the amount of $76,995,000. No dividends were ever paid by Aircraft to the Institute. Adding the $3,300,000 directly accumulated income of the Institute to the $76,955,000 income indirectly accumulated through Aircraft, makes $80,255,000 of accumulated income.

Thirteenth. Aircraft, throughout this period, was doing work primarily for the Government, under cost and fixed price contracts that were subject to renegotiation.

Those are the salient facts.

I am not a tax expert, but as I understand the law, a corporation, to be a tax-exempt charity, must be organized exclusively, and operated exclusively, for charitable purposes. So far as organization is concerned, the Institute charter says it is to be "primarily" for charity—medical research. It does not say "exclusively." I think there is a great difference. Since exemption from tax is involved, I believe it is necessary to meet every requirement literally The Institute charter does not do this.

Now, how about operation exclusively as a charity? Does a charity start off with buying $75 million of commercial business assets and assuming liabilities of $56 million, plus becoming directly liable for $18 million on its own note? This sounds more like high finance to me than charity.

Furthermore, the Institute charter permits it to receive and hold assets. That is natural for a charity. It does not say it can buy. The charter does authorize conducting a business, provided that the business is substantially related to the charitable purpose. No one will seriously contend that the business of Aircraft is substantially related to medical research.

As for the $56 million of liabilities assumed, those liabilities were then in turn assumed by Aircraft. However, the Institute still remained liable. I understand that most of the $56 million was paid off by Aircraft within 2 years. But suppose Aircraft had fallen on bad days. Is a charity justified in gambling that way?

Now for the $18 million note. It was payable in 3 years. Again, is a charity justified in jeopardizing itself with liabilities of this type and magnitude? The fact is that the Institute has not been able to pay the note, and has been carrying on only by grace of extensions by Toolco. The Institute may have thought it could sell the Aircraft stock and realize more than $18 million. But here again the fact is that the stock has not been sold, and the $18 million note is still a direct Institute liability.

It does not look to me, therefore, as if the Institute met the express requirements of the law that it be organized and operated exclusively for charitable purposes. Meantime, $3,300,000 of earnings have piled up in the Institute on which no tax has been paid, and Toolco has gotten a $2 million charity deduction that saved it over $1 million tax.

Another requirement for exemption is that no part of the earnings of the Institute must be for private benefit. Note, however, that of the net rentals of $15 million collected by Institute over the years, 40 percent or $6 million was washed back to Toolco as interest. It is true that Toolco became taxable on that interest, but that does not preserve the tax exemption of the Institute. When earnings inure to private benefit they are generally taxable. The law also then takes away exemption from the charity.

Let us take another approach. What were these in-and-out transactions on December 31, 1953, all about? In its protest to the IRS, the Institute says that the whole idea was to put the Institute in a position whereby, through the lease from Toolco and the sublease to Aircraft, the Institute would have an assured source of income to attract good medical research personnel. That may explain the leases, but how does it explain the other transactions and the Institute going into direct and indirect debt for $75 million? If charity were really the aim, would not it be more natural for Toolco to transfer the $75 million assets, subject to the $56 million or even $75 million debts, to Aircraft in exchange for Aircraft stock, and then contribute the Aircraft stock to the Institute?

In its protest to the IRS, the Institute says that it was important not to be dependent on the generosity of Toolco from year to year. With an $18 million note payable to Toolco, is not the Institute still dependent on Toolco generosity in holding off on demand for payment? Furthermore, with Howard Hughes running both Toolco and the Institute, he can keep the Institute locked in that way as long as he wants.

I wonder whether the ring-around-rosy that took place on December 31, 1953, really did not have something entirely different behind it—and that is, renegotiation. Through the lease and sublease, Aircraft wound up paying $15 million more in rent than Toolco would have had in depreciation and other charges for the leased assets if Toolco had stayed put. The $15 million will become a higher figure by the time the sublease expires. Aircraft has big contracts from the Government.

Was not the effect of these transactions to step up costs on Government contracts for Aircraft by this $15 million? To put it another way, by the steps taken on December 31, 1953, didn't Howard Hughes save $15 million from renegotiation? Instead of the $15 million going to the Government, $6 million went to Toolco for interest—of which the Government presumably got 52 percent in taxes—$5,700,000 went for medical research and administration expenses of Institute, and $3,300,000 is accumulated unspent and tax free in Institute. I am communicating with Aircraft to inquire how this $15 million was handled in figuring contract costs, prices, and renegotiation.

In its protest to the IRS, the Institute says that the transactions had the effect of causing Toolco to pay more income tax rather than less. That point, even if true, pales into insignificance, if what I have just said about the renegotiation saving is in order.

Even on income taxes alone, and forgetting renegotiation, the point in the protest cannot stand up without some assumptions of dubious validity. Suppose nothing had been done on December 31, 1953, and that the resulting increased profit of Toolco had been contributed each year to Institute. The increased profit between 1954 and 1961 would be the $9 million shown in the Institute figures, plus all the profits of Aircraft. The tax saving would apply only if Toolco would have enough profit throughout the years to absorb that much of a charity deduction. Companies are limited on this to 5 percent of their income. On the other hand, by doing what was done, Toolco eliminated this hazard. The income was deflected to the Institute instead of coming through Toolco.

Furthermore, the direct accumulated income of the Institute would then be not only the $3,300,000, but also the $76,955,000 accumulated earnings of Aircraft. This would intensify the problem for Institute about unreasonable accumulation of earnings. I will now discuss that problem.

The law denies exemption to certain charities that unreasonably accumulate income. The Institute contends it is not subject to this rule. This depends on whether the Institute is primarily a medical research organization or whether, because of the transactions described, it is something different.

If unreasonable accumulation is a factor, it seems to me that the Government is called upon to consider not only the $3 million, but also the $76,955,000 surplus in Aircraft. After all, Aircraft is the incorporated pocketbook of the Institute. Whether the surplus of Aircraft stays with Aircraft or goes to the Institute is up to Institute, as sole stockholder of Aircraft. Certainly, Congress did not intend to permit, through the simple device of a 100-percent-owned subsidiary, that there be an end run around the restriction on unreasonable accumulation of income.

It would also be in the public interest to determine whether, through Aircraft, there have been any transactions with Howard Hughes or his family, or Toolco or its affiliates, that, if engaged in directly by the Institute, would be a "prohibited transaction" upsetting the exemption of the Institute. I have written to Aircraft for information on that.

Finally, suppose we assume that the Institute is in the clear on its exemption, and on any question of unreasonable accumulation of income or prohibited transactions. There is another factor that I think merits attention. The law says that exempt organizations must pay a tax on unrelated business income. The leasing to Aircraft is certainly unrelated to medical research. Rentals from real property are exempt from this tax. The Institute does not own real property. It merely owns a leasehold. That would make the $15 million net rentals between 1954 and 1961 taxable to the Institute.

Even if real property were involved, I think there would still be a tax because the Aircraft sublease is a business lease and the Institute has indebtedness against it. While on paper there were separate transactions of gift, lease, and sale of Toolco to the Institute, the tax law approaches things in a practical way. All transactions on December 31, 1953, were obviously a package deal, interdependent and concurrent. Accordingly, what really happened is that the Institute acquired the leasehold and the assets of Toolco's aircraft department for $74 million, and assumed indebtedness or became directly indebted for the same amount.

In other words, every asset acquired by the Institute carried with it a corresponding indebtedness. On this basis, it looks to me as if, at the outset, the Institute was taxable on 100 percent of the rental income. When the $56 million, or 75 percent of the indebtedness, was paid off, the Institute was taxable on 25 percent of the rental income. In figuring the rental income for this purpose, deduction would be permissible for the rentals and interest the Institute had to pay to get that income.

POSSIBLE INFLUENCE ON CORPORATE POLICIES

The following are other examples of the sizable interests in large corporations held by foundations in 1960:

Seven Rockefeller-controlled foundations owned 7,891,567 shares of common stock of Standard Oil of New Jersey with a market value of $324,946,110. The same seven foundations owned 602,127 shares of the common stock of Socony Mobil Oil Co. with a market value of $23,610,770. Two Rockefeller foundations owned 306,013 shares of Continental Oil capital stock with a market value of $17,060,224—the Rockefeller Foundation itself held 300,000 of these shares with a market value of $16,725,000; 4 Rockefeller foundations owned 468,135 shares of Ohio Oil common stock with a market value of $17,998,495; 5 Rockefeller foundations owned 1,256,305 shares of the common stock of Standard Oil Co. of Indiana with a market value of $59,736,991; and the Rockefeller Foundation itself owned 100,000 shares of the capital stock of Union Tank Car Co. with a market value of $3,100,000.

Two Du Pont-controlled foundations owned 6,931 shares of Christiana Securities Co. common stock with a market value of $83,856,650. The same foundations owned 358,105 shares of the common stock of E. I. du Pont de Nemours & Co. with a market value of $20,413,237.

Six Mellon-controlled foundations held 120,294 shares of common stock of the Aluminum Co. of America with a market value of $8,270,213. The same 6 foundations held 3,729,933 shares of common stock of Gulf Oil Corp. with a market value of $124,516,536. The Sarah Mellon Scaife Foundation of Pittsburgh held 48,750 shares of capital class A stock of the First Boston Corp. with a market value of $3,205,313.

The Herbert H. & Grace A. Dow Foundation of Midland, Mich., owned 645,238 shares of the common stock of Dow Chemical Co. with a market value of $48,150,886.

The Howard Heinz Endowment of Pittsburgh held 314,104 shares of the common stock of H. J. Heinz Co. with a market value of $42,561,092.

The Timken Foundation of Canton, Ohio, owned 427,760 shares of the common stock of Timken Roller Bearing Co. with a market value of $20,532,480.

The Charles A. Dana Foundation of Greenwich, Conn., held 500,000 shares of the common stock of Dana Corp. with a market value of $16 million.

Have we not reached the point where policies of a substantial part of our commercial enterprises are being influenced by tax-exempt foundations?

FOUNDATIONS AS MONEYLENDERS

Moneylending is another area of foundation activity that poses grave problems. The foundations seem to have gone into the moneylending business in a big way. Their tax returns for 1960 show outstanding notes and accounts receivable of over $145 million. Their notes receivable are, no doubt, considerably higher today. As of February 1, 1962, the Ford Foundation alone held notes receivable totaling $240,431,000 from 61 borrowers, as shown on schedule 3.

Some of the Ford Foundation's loans raise serious questions of policy.

I have already referred to the $33 million the foundation loaned overseas during the 1961 balance-of-payments crisis. This, in effect, amounted to a Government subsidy being used, without Government control, in operations in conflict with Government policy. Treasury Secretary Dillon on May 17, 1962, warned that the mounting flood of European bond issues sold in the U.S. capital markets is undermining our Government's efforts to defend the dollar. Precisely such an outflow of dollars—to industrial nations like France, Belgium, and Canada—was involved in the Ford Foundation's loans, as shown on schedule 3.

The Ford Foundation loans to foreign corporations and governments create a somewhat bewildering paradox. Our Government brought home soldiers' families so as to save dollars overseas. Yet, the Ford Foundation exported $33 million in the year 1961. Also, in 1960 the Ford Motor Co. arranged to export $358 million to purchase minority stockholdings in British Ford which they already controlled.

The result was that a substantial part of the dollars we saved by separating our soldiers from their families was sent back overseas by the Ford Foundation and the Ford Motor Co. And the irony is that the Ford Foundation operates on a subsidy from the taxpayers—in the form of tax exemption.

Moreover, we do not know the purpose of the Ford Foundation loans to the foreign corporations and governments. For example, if the loans are used by foreign businesses—which are not bound by our antitrust statutes—to help them gain entry to our market, those foreign firms have a great competitive advantage. Trade practices in the United States and the Common Market are quite different. In Europe, an industry cartel can cut up the U.S. market, assigning to certain members exclusive territorial rights in certain sections of the country. Our firms cannot do this without facing violation of our antitrust laws. Hence, the Ford Foundation's loans could conceivably be helping our competitors who are not bound by the Sherman Act, the Robinson-Patman Act, and so forth.

Some Ford Foundation loans are made at what appear to be preferential rates of interest. Why, for example, was the Duke Power Co., of Charlotte, N.C., charged only 2.65 percent interest on a $3 million, 20-year loan, while other borrowers paid 6½ percent? Duke Power, incidentally, is owned 57 percent by Duke Endowment, another tax exempt foundation.

The Ford Foundation's lending activities have not only put it into unfair competition with private lenders but they have also given the foundation an element of influence over a wide range of business ventures.

Chris-Craft Corp., the New York, New Haven & Hartford, Southern Railway, Southern Pacific, and Chesapeake & Ohio Railroads, Continental Air Lines, Standard Oil of California, Shell Caribbean Petroleum Co., El Paso Natural Gas Co. are among the foundation's many debtors.

Through a $7.5 million loan to a group headed by Lowell Thomas, the Ford Foundation has influence in radio and TV stations in Buffalo, N.Y., and Paterson, N.J.

Also, the Ford Foundation and others are constantly extending their influence over educational television. During 1962, the Ford Foundation donated $2 million to Educational Television for the Metropolitan Area, Inc., to help it buy station WNTA-TV in New York. The following describes the grants made by other foundations in connection with the acquisition of station WNTA-TV:

Rockefeller Bros. Fund	$500,000
Avalon Foundation	250,000
Carnegie Foundation	200,000
Arthur Curtiss James Foundation	100,000
Alfred P. Sloan Foundation	200,000
New York Foundation	100,000
George P. Baker Foundation	25,000

Other tax-exempt foundations have made loans that hardly seem in accordance with the purposes for which they were granted tax exemption.

Gerber Baby Foods Fund, of Fremont, Mich., loaned $44,357 to Nunn Bush Shoe Co., at interest of 3¼ to 3⅛ percent.

The Fred L. Emerson Foundation of Auburn, N.Y., made what appears to be virtually a perpetual loan of $175,000 to the Enna Jettick Corp. in 1951. Only three payments had been made on the demand note by 1960, and the balance outstanding was still $125,000.

The Ekco Foundation, of Chicago, in 1950 had outstanding loans of more than $70,000 to a dozen employees of Ekco Products Co. at interest ranging from 2½ to 4 percent. Two of the loans were still unpaid in 1960.

The following are among the items that appear on the balance sheet of the National Machinery Foundation of Tiffin, Ohio, as of December 31, 1960:

> Loan receivable from Mitchell Steel Co., secured by real property, machinery, and equipment. Principal and interest payable in monthly installments of $2,380.96 through July 1969; $1,785.72 August 1969 to July 1970; $1,250 August 1970 to July 1979 and $165,714.29 on August 31, 1979: $231,099.70.
>
> Notes receivable—The Anaheim Co., at cost: 5 percent mortgage notes (face amount plus accrued interest to December 31, 1960, $282,625): $183,281.70.
>
> Unsecured notes (face amount plus accrued interest to December 31, 1960, $180,000): $134,168.75.

Since 1956, the Bodman Foundation of New York City has been reporting on each year's balance sheet an asset item for $1 million and describing it as follows:

> Cyrus J. Lawrence & Sons, loan agreement interest at 6 percent.

The loan, the auditors say, is in accordance with an agreement dated May 31, 1956.

The balance sheet of Whitney Benefits of Sheridan, Wyo., shows total assets of $1,811,138 as of December 31, 1960. Of this amount, $935,537 was loaned to 46 borrowers, secured by real estate mortgages. In other words, 50 percent of the foundation's assets are being used to make real estate loans.

The foundation reported $84,429 income for the year 1960; $51,008 of this income was derived from its money lending; another $5,123 came from the operation of a ranch.

As of December 31, 1960, the foundation reported accumulated income of $1,003,026.23.

BUSINESS DEALINGS WITH DONORS

Other foundations have been used to pay benefits to employees of a private company. The Harnischfeger Foundation, Inc., of Milwaukee, has regularly contributed sums from $100 to $10,000 to employee organizations of the Harnischfeger Corp. From 1952 to 1958, the Harnischfeger Employees Benefit Association received $40,500 from the foundation. The benefit association, the foreman's club, the engineers club, and the trap club all benefited from the foundation's largess in 1959. Mr. Walter Harnischfeger, himself, received a loan of $40,000 at 4 percent interest in 1955 from the foundation.

Our survey has turned up other examples of business dealings between a tax exempt foundation and its creator, his family, his employees, or his business.

The Hudson-Webber Foundation, of Detroit, for example, was created in 1943 to provide relief for needy employees and former employees of the J. L. Hudson Co. and their dependents. In the 10-year period under study, the foundation's accumulated income—the excess of receipts over outgo—rose from $1.5 million to $3.3 million. This growth has apparently never been questioned by the Internal Revenue Service, despite the prohibition against an unreasonable accumulation of income. Among the foundation's assets there are sizable holdings of mortgages, land contracts and eight life insurance policies, face value of $218,225, on the life of Richard H. Webber. Mr. Webber was an officer, director, and stockholder of the J. L. Hudson Co. Prior to the transfer of the insurance policies to the foundation, the J. L. Hudson Co. was the beneficiary; after the transfer, the foundation became the beneficiary.

A related foundation, the Eloise & Richard Webber Foundation, of Detroit, bought 150,000 shares of J. L. Hudson Co. stock for $1.8 million from Richard H. Webber in 1947. The foundation gave Mr. Webber a note, on which payments were regularly made. The note was paid off in 1959.

In 1955, the E. & R. Webber Foundation loaned executives of the J. L. Hudson Co. $64,800 to buy stock in the company. These loans were paid off in 1960.

In 1944, the foundation purchased from Eloise J. Webber life insurance policies totaling $359,649 on the life of Richard H. Webber. Instead of cash, the foundation gave Mrs. Webber a note for $245,166, the cash surrender value of the policies at the time of sale. No payments on the note were made until 1952. Since then, $134,544 of the debt has been written off, leaving a balance as of December 31, 1960, of $110,622. The foundation listed the payments as cancellation and surrender of notes given to Eloise Webber for the purchase of a life insurance policy on the life of Richard Webber. The foundation has regularly paid the premiums and collected the dividends on the policies.

Originally, the policies on the life of Mr. Richard H. Webber named Mrs. Webber as the beneficiary, and the policies on the life of Mrs. Richard H. Webber named their three children as beneficiaries. After the transfer to the

Eloise & Richard Webber Foundation, the foundation became the beneficiary.

The 1907 Foundation of New York City has loaned money to certain wholly owned subsidiary corporations of Service Plants Corp., formerly Associated Managers, Inc. Service Plants Corp. and certain of its subsidiary corporations—Seebee Corp. and Jefferson Chicago Co.—are contributors to the foundation. The loans were evidenced by notes payable in annual installments equal to 10 percent of the face amount of the notes and were callable by the foundation upon 90 days' notice. Interest was payable quarterly. The notes were secured by the guarantee and accommodation endorsement of Service Plants Corp. The consolidated net worth of Service Plants Corp. during the existence of the loans exceeded $10 million.

Details of the individual notes are as follows:

Borrower: Seebee Corp., 331 East 38th Street, New York City.
Date of loan: June 30, 1955.
Interest rate: 4 percent.
Amount of loan: $500,000.
Year repaid: 1957.

Borrower: Jefferson Chicago Co., 601 West Harrison Street, Chicago, Ill.
Date of loan: December 31, 1956.
Interest rate: 4 percent.
Amount of loan: $200,000.
Year repaid: 1959.

Borrower: Laplant Co., Los Angeles, Calif.
Date of loan: August 30, 1957.
Interest rate: 5 percent.
Amount of loan: $160,000.
Year repaid: 1959.

On December 31, 1960, the 1907 Foundation owned 60.34 percent of the 5 percent nonvoting cumulative preferred stock of the Parmac Corp., 331 East 38th Street, New York City. The Parmac Corp. is a holding company of United Parcel Service of America, Inc.

On December 31, 1960, the J. M. Kaplan Fund, Inc., of New York City held notes receivable totaling $1,944,359.93, among which were the following items:

J. M. Kaplan	$720,000
Do	967,000
Etched Products Corp	75,000
Total	1,762,000

The J. M. Kaplan notes were transferred to the fund as contributions in 1944 and 1953. The $720,000 note is dated December 26, 1944, and the $967,000 note is dated May 15, 1953. No interest is payable on either note; nor is there any collateral. Both notes mature on the death of Mr. J. M. Kaplan. The fund's 1953 tax return shows a contribution received from Jemkap, Inc., totaling $967,000.

On December 29, 1960, the Kaplan Fund made an exchange of stock with the Albert A. List Foundation, Inc., of Byram, Conn., whereby the fund received 126,000 shares of Glen Alden in exchange for 54,000 shares of Endicott Johnson Corp. The Endicott Johnson shares were used by Mr. Albert A. List in his unsuccessful attempt to acquire control of the Endicott Johnson Corp. No capital gain or loss schedule appears on the J. M. Kaplan Fund's 1960 tax return with respect to this exchange of December 29, 1960.

The Etched Products note was originally a mortgage loan of $400,000 made some time prior to 1954. In 1954, the stock of Etched Products Corp.—not owned by the J. M. Kaplan Fund, Inc.—was sold, at a time when Etched Products was in financial difficulties, to its principal competitor, Electro-Chemical & Engraving Corp., which was a strong, solvent company. In connection with this transaction, the mortgage lien was released, in exchange for certain contractual advantages, and the loan itself was guaranteed by Mr. J. M. Kaplan. The principal has since been reduced from $400,000 to $75,000.

In 1957, the Rosamond Gifford Charitable Corp. of Syracuse, N.Y., paid $1,654,756 to the estate of Rosamond Gifford to help pay a Federal estate tax deficiency assessed by the Internal Revenue Service. In 1959, the Gifford estate repaid the sum to the Rosamond Gifford Charitable Corp.

Among the assets of the Kresge Foundation of Detroit, in 1951, were 30,000 shares of stock in Kresge-Newark, Inc., book value $3 million, a gift from S. S. Kresge, the founder. In 1957, the foundation loaned $700,000 to Kresge-Newark. In 1960, $300,000 was still due on the loan. As of December 31, 1960, the Kresge Foundation owned 100 percent of the capital voting stock of Kresge-Newark. Inc.

L. E. Phillips Charities, Inc., of Eau Claire, Wis., has engaged in a variety of business transactions with its creators. In 1952, the foundation sold stock worth $33,600 in Vick Chemical Co. to L. E. Phillips. The same year it paid $1,082,250 for stock in Ed Phillips & Sons Co., another contributor. In 1953, the foundation bought and sold several thousand shares of National Pressure Cooker stock in transactions with L. E. Phillips. In 1954, the foundation sold shares in National Presto Industries, Inc., to the creator's relatives, and bought National Presto shares from them. In 1955, the foundation sold shares of American Tobacco and Reynolds Tobacco to L. E. Phillips. In 1957, 1959, and 1960, shares of various securities, including Vick Chemical, Gillette Co., Hershey Chocolate, and others, were traded with L. E. Phillips and relatives.

One of the weaknesses in the present law is that it apparently permits a donor to repurchase assets.

Our records disclose that the Dorothy H. & Lewis Rosenstiel Foundation, 350 Fifth Avenue, New York City, contributed $1 million to Brandeis University with an agreement to repurchase securities which were part of the transaction. The Rosenstiel Foundation transaction is as follows:

In 1955, the foundation appropriated $1 million to be contributed to Brandeis University for the establishment of a science research center. The appropriation was shown as a grant made during 1955 on the foundation's tax return for that year.

In 1956, the contribution was made by transfer of cash in the amount of $300,000 and 33,039 shares of capital stock of Schenley Industries, Inc., having a market value of $700,013.81—cost per books, $738,237.10.

On March 19, 1956, Brandeis University entered into an agreement with third parties, which stipulated that the securities received would be offered to the Dorothy H. & Lewis Rosenstiel Foundation at the market price at date of grant, prior to sale or other disposal of such securities by Brandeis University.

In 1958 the foundation agreed to repurchase Schenley Industries, Inc., common stock from Brandeis University, beneficial owner, under a voting trust agreement, dated March 19, 1956, up to a total of $172,000. The $172,000 was to be paid to Brandeis University in four equal installments of $43,000 beginning in January 1959 and ending in April 1959.

In 1959 the foundation agreed to repurchase additional Schenley Industries, Inc., stock from Brandeis University, up to a total of $100,000. In November 1959, $50,200 was paid for 3,100 shares of Schenley Industries, Inc., common stock. The balance of $49,800 was to be paid in March 1960 for 3,077 shares of Schenley Industries, Inc., common stock and 246 shares of the new series A, $0.35 par, cumulative preference stock distributed as a stock dividend on February 10, 1960.

On March 22, 1961, the foundation agreed to, and did, repurchase an additional 6,203 shares of Schenley Industries, Inc., common stock and 992 shares of Schenley Industries, Inc., cumulative convertible preference stock from Brandeis University for a total of $100,000.

As of December 31, 1960, the Dorothy H. & Lewis Rosenstiel Foundation owned 7.64 percent of Schenley Industries common par $1.40 and 7.64 percent of the cumulative convertible preference par $0.35.

In 1961, when the Ford Motor Co. was seeking to acquire Philco Corp., it needed to lay its hands on more than 1 million shares of Ford stock to trade for 4.1 million shares of Philco common stock. Where did the company go to get the stock? To the Ford Foundation, to which the Ford family had previously given 89 percent of the total number of shares outstanding of the Ford Motor Co. The company paid the foundation $100,719,250 in cash for the stock, or $94.75 a share—Ford Motor Co. common stock closed at $98.875 on September 12, 1961, the day before the contract was executed—far above the $52 a share at which it was carried on the foundation's books. Nevertheless, this amounted to a retrieval, by the Ford family—through Ford Motor Co.—of a sizable portion of the contributions they had once made to the foundation. What is given, apparently, may sometimes be taken back. Of course, the foundation paid no capital gains tax on the doubled value of its Ford Motor Co. stock.

On May 16, 1956, the Sodak Co., a corporation in which Mr. Sterling Morton, the creator of the Morton Fund of Chicago, owned 50 percent or more of the voting stock, purchased from the Morton Fund 300 shares of the Sodak Co. class B common stock at $480.60 per share. The stock was donated to the foundation by Mr. Morton on February 3, 1953.

In 1953, the EPH Foundation, of Detroit and Fort Wayne, Ind., loaned $400,000 to Mr. A. E. Holton, president of the foundation, in return for a note bearing 3¾-percent interest. In 1955, Mr. Holton repaid $200,000, and in 1956 the interest on the balance was raised to 4 percent. In 1957, Mr. Holton borrowed another $50,000. The entire loan was paid off in 1958.

On December 12 to December 22, 1954, the Cummings Foundation of Chicago purchased securities from Mr. Nathan Cummings, chairman of Consolidated Foods Corp. and creator of the Cummings Foundation. The purchase consisted of 3,100 shares of common stock of Standard Brands, Inc., at his—the contributor's—cost of $110,545.50. The foundation sold these shares in the same month for $119,580.

On August 3, 1955, this foundation purchased securities from Mr. Nathan Cummings consisting of 2,000 shares of Callahan Zinc & Lead Co., at his cost of $10,200. The foundation disposed of these securities in 1955 for $11,549.

On August 17, 1956, this foundation purchased securities from Mr. Nathan Cummings consisting of 1,000 shares of common stock of Warner Bros. Pictures, Inc., at his cost of $24,144. In 1956, the foundation sold these securities for $27,270.

In June 1960, Mrs. Nathan Cummings purchased from the foundation 119 shares of common stock of Consolidated Foods Corp, at $29 per share.

Mr. John L. Morehead, vice chairman of the board of trustees of the John Motley Morehead Foundation, of New York City and Charlotte, N.C., has a rather unique arrangement with the foundation. He gets a commission of 2 percent of all income from cash dividends and interest received by the foundation, plus a salary of $5,000 per year.

The International Harvester Foundation of Chicago offers another example of founder-creator business dealings. In 1958, the International Harvester Credit Corp., a wholly owned subsidiary of the International Harvester Co., the creator of this foundation, sold to the foundation commercial discount notes in the amount of $877,607—par value $900,000. The notes were redeemed in 1958 and 1959 upon maturity.

The Arthur Jordan Foundation of Indianapolis has carried substantial amounts of accounts receivable throughout the fiscal years ending March 31, 1952, to March 31, 1961. Forms 1041–A tax returns submitted to us do not explain the nature of these accounts receivable. In addition, substantial reserves for bad debts have been set up against these receivables, as indicated below:

Year	Accounts receivable	Reserve
Mar. 31, 1952	$1, 101, 096	$544, 665
Mar. 31, 1953	1, 256, 833	379, 339
Mar. 31, 1954	1, 373, 766	307, 319
Mar. 31, 1955	1, 596, 477	3, 016
Mar. 31, 1956	1, 833, 918	115, 000
Mar. 31, 1957	2, 327, 383	115, 000
Mar. 31, 1958	2, 630, 306	115, 000
Mar. 31, 1959	2, 736, 830	115, 000
Mar. 31, 1960	2, 677, 656	115, 000
Mar. 31, 1961	2, 734, 475	115, 000

LEASEBACKS

Independent service station operators, small, independent retailers, and real estate investors, are discovering that their fields are not immune to foundation-inspired competition. In St. Paul, Minn., three foundations—Louis W. & Maud Hill Family Foundation, Amherst H. Wilder Foundation, and Tozer Foundation—have been purchasing gasoline service stations and commercial buildings and leasing them back to the sellers, Pure Oil Co., Cities Service Oil Co., General Electric Co., and F. W. Woolworth Co.

Such sale and leaseback deals are the equivalent of providing these companies with instant capital with which they can accelerate their growth in competition with independent service station operators, and small retailers. This enables these big oil companies, General Electric, and the Woolworth chain to expand without having to go into the money market for capital. Thus, these foundations are not only in the commercial investment business, in competition with real estate investors, but they are being used as a handy tool to speed up control of our economy by corporate giants and to limit opportunities for small, independent businessmen.

The Louis W. & Maud Hill Family Foundation of St. Paul shows investments in real estate approximating $2 million as of February 28, 1960. This amount represents cost less amortization. The real estate represents properties in the form of commercial buildings, service stations, etc., which have been leased to commercial businesses for periods of years—ranging from 10 to 25 years, but most frequently for 15 years. The number of such leases for 1960 was approximately 25.

The gross rental income received by this foundation during 1960 was $238,857; of this amount, $96,488 was reported on its tax return as rental income. The balance, $142,369, was amortized being credited against the investment account. This means the foundation will have written off its entire investment in real estate by the time the various leases expire. The foundation is, in effect, depreciating its land and buildings over the life of the leases. It is my impression that land is not a depreciable asset and that buildings are usually depreciated over their useful life.

The following describes some of the leases the Hill Foundation owned in conjunction with service stations and commercial buildings as well as the book value of the property as of February 29, 1960:

Service station, Hennepin County, Minn. Purchased November 1, 1954, for $32,205.99; leased back to Pure Oil Co. for 25 years at 4.25 percent fully amortizing cost. Book value: $27,950.85.

Service station, 6100 Nicollet Avenue, Minneapolis. Purchased November 1, 1954, for $29,374.36; leased back to Pure Oil Co. for 25 years at 4.25 percent fully amortizing cost. Book value: $25,493.34.

Service station in St. Paul. Purchased December 30, 1953, for $57,500; leased back to Cities Service Co. for 25 years at 4.50 percent fully amortizing cost. Book value: $47,957.03.

Service station in Crystal, Minn. Purchased November 1, 1954, for $35,898.22; leased back to Pure Oil Co. for 25 years at 4.25 percent fully amortizing cost. Book value: $31,155.36.

Service station in Minneapolis. Purchased November 1, 1954, for $39,731.35; leased back to Pure Oil Co. for 25 years at 4.25 percent fully amortizing cost. Book value: $34,481.75.

Service station in Richfield, Minn. Purchased November 6, 1953, for $30,350; leased back to Cities Service Oil Co. for 25 years at 4.50 percent fully amortizing cost. Book value: $25,312.86.

Service station in Biwabik, Minn. Purchased March 3, 1958, for $42,900; leased back to Cities Service Oil Co. for 25 years at 4.75 percent fully amortizing cost. Book value: $40,535.26.

Service station in Grinnell, Iowa. Purchased September 29, 1954, for $42,700; leased back to Cities Service Oil Co. for 25 years at 4.50 percent fully amortizing cost. Book value: $36,507.81.

Service station in Ames, Iowa. Purchased March 26, 1954, for $60,473; leased back to Deep Rock Oil Co. for 20 years at 4.50 percent fully amortizing cost. Book value: $40,926.29.

Service station in Omaha, Nebr. Purchased September 1, 1953, for $63,940; leased back to Deep Rock Oil Co. for 20 years at 4.5 percent fully amortizing cost. Book value: $41,387.93.

Service station in West Allis, Wis. Purchased March 1, 1957, for $48,713.91; leased back to Pure Oil Co. for 25 years at 4.875 percent fully amortizing cost. Book value: $45,586.25.

Service station in Green Bay, Wis. Purchased March 8, 1955, for $40,000; leased back to Cities Service Oil Co. for 25 years at 4.5 percent fully amortizing cost. Book value: $34,742.45.

Service station in Madison, Wis. Purchased September 21, 1954, for $45,100; leased back to Cities Service Oil Co. for 25 years at 4.50 percent fully amortizing cost. Book value: $38,559.60.

Service station in Kenosha, Wis. Purchased January 1, 1954, for $29,600; leased back to Cities Service Oil Co. for 25 years at 4.50 percent fully amortizing cost. Book value: $24,687.28.

Service station in Milwaukee, Wis. Purchased September 1, 1956, for $51,288.63; leased back to Pure Oil Co. for 25 years at 4.50 percent fully amortizing cost. Book value: $47,186.37.

Commercial building in St. Paul, Minn. Purchased five fifty-sevenths interest July 1, 1954, for $50,000; leased back to General Electric Distributing Corp. for 20 years at 3.75 percent fully amortizing cost. Book value: $38,849.84.

Industrial building in St. Paul, Minn. Purchased, 51.85 percent interest, November 29, 1957, for $538,415; leased back to Frenzel-McNeely for 10 years at 5 percent fully amortizing cost. Book value: $419,226.42.

Commercial building in Minneapolis. Purchased August 15, 1950, for $157,700; leased back to F. W. Woolworth to April 1, 1970, at 2½ percent fully amortizing cost. Book value: $110,317.84.

Commercial building in Duluth. Purchased July 1, 1954, for $86,113.30; leased back to General Electric Corp. for 20 years at 3.75 percent fully amortizing cost. Book value: $68,187.02.

Commercial building in Pocatello, Idaho. Purchased one-half interest July 17, 1951, for $168,375; leased back to F. W. Woolworth Co. for 2¾ percent to April 30, 1982, fully amortizing cost plus share of sales in excess of stated minimum. Book value: $132,698.36.

On June 30, 1961, the Amherst H. Wilder Foundation of St. Paul had the following investments in real estate which had been purchased and leased back according to the following descriptions:

Service station in Crystal, Minn. Purchased November 1, 1954, for $43,241.83; leased back to Pure Oil Co. for 25 years at 4.25 percent fully amortizing cost. Book value: $35,862.83.

Service station in Worthington, Minn. Purchased April 1, 1954, for $52,621.81; leased back to Pure Oil Co. for 25 years at 4.25 percent fully amortizing cost. Book value: $42,730.59.

Service station in Onalaska, Wis. Purchased July 1, 1955, for $32,600; leased back to Cities Service Co. for 25 years at 4.50 percent fully amortizing cost. Book value: $27,419.81.

Service station in Antigo, Wis. Purchased March 8, 1955, for $32,200; leased back to Cities Service Oil Co. for 25 years at 4.50 percent fully amortizing cost. Book value: $26,855.78.

Service station in Sparta, Wis. Purchased March 8, 1955, for $33,000; leased back to Cities Service Oil Co. for 25 years at 4.50 percent fully amortizing cost. Book value: $27,523.21.

This foundation has not shown rental income as such on its tax returns for any of the years during which the leaseback arrangements have been in existence. The only income shown from investments has been dividends and interest.

As of October 31, 1960, the Tozer Foundation of St. Paul had investments in properties purchased and leased back under the following terms:

Commercial building in St. Paul. Purchased five fifty-sevenths interest May 18, 1954, for $50,000; leased back to General Electric Distributing Corp. for 20 years at 3.75 percent fully amortizing cost. Book value: $37,279.25.

Service station in Green Bay, Wis. Purchased September 1, 1956, for $37,392.66; leased back to Pure Oil Co. for 25 years at 4.50 percent fully amortizing cost. Book value: $34,286.79.

Service station at West Allis, Wis. Purchased September 1, 1956, for $41,815.44; leased back to Pure Oil Co. for 25 years at 4.50 percent fully amortizing cost. Book value: $37,756.53.

Commercial building in Shawano, Wis. Purchased December 11, 1950, for $121,980; leased back to F. W. Woolworth Co. at 3 percent fully amortizing cost; lease expires April 30, 1970. Book value: $89,732.69.

Beginning in 1954, this foundation reported its leaseback rental income in a manner similar to the Hill Foundation, that is, only part of the rental receipts are recorded as income; the other part is treated as amortization of their investment.

Occasionally a foundation is found by the Internal Revenue Service to be engaging in an unrelated business. This is not prohibited under the law, but the income from unrelated business is taxable.

On May 2, 1962, for example, the Internal Revenue Service held that the Educational Testing Service of Princeton, N.J., a tax-exempt foundation since 1949, has been carrying on an unrelated business—selling tests and testing services to business, professional, and other noneducational customers. The income from these sales will be subject to tax from now on. This company is in direct competition with one of the taxpaying complainants, the California Test Bureau of Monterey.

But the tax-exempt Honeywell Foundation of Wabash, Ind., is permitted to operate a restaurant which is open to the public. The Honeywell Foundation's restaurant operations for the year ended December 31, 1960, were as follows:

Sales	$87,401.24
Expenses:	
Food	44,424.45
Payroll	53,085.26
Other expense	23,803.63
Total	121,313.34
Net loss	33,912.10

As of December 31, 1960, the amount of money the Honeywell Foundation had invested in food service equipment was $109,377.57; the book amount was $52,188.79 after deducting the reserve for depreciation.

And the taxpaying competitor, of course, operates at a disadvantage.

The Consulting Engineers Council—with 1,100 member firms in the United States—is among the complainants before our committee. Mr. Donald A. Buzzell, executive director, describes the problems created by their tax-exempt competitors as follows:

> We concur heartily in the conclusions you draw from the Small Business Committee study, and are certain that an extension of the inquiry beyond the 500 selected organizations will reveal a great deal more than you have discovered to date with regard to abuses of the privileges conferred upon tax-exempt groups.
>
> The consulting engineer in private practice is faced with many problems in his efforts to serve the community. He is a true small business professional, the average number of employees for all U.S. firms being slightly over 20, the median probably being under 10. He is beset by competition of all kinds, including engineering services performed by Federal, State, and local government, engineering advice furnished by the manufacturers and distributors of equipment, and engineering services performed at cost by research and development organizations enjoying the advantage of tax exemption.
>
> Those who do pay taxes are carrying an additional share of the load as a result of the exemptions granted to others.
>
> We have access to numerous specific examples of assignments of engineering services to not-for-profit organizations resulting in the loss of work by taxpaying consulting engineering firms. I will cite an example coming to our attention last week, one of many now in our files: Johannessen & Girand, a firm of consulting engineers located in Phoenix, Ariz., had discussed engineering services with the Bureau of Indian Affairs, U.S. Department of the Interior. These services included studies for development of an adequate water supply and subsequent expansion of tourist trade at the Hopi Reservation in Arizona. This project is identified as "T.A. Project 47-ARA."
>
> Negotiations had developed to the point where a firm price proposal had been made.
>
> The consulting engineer's proposal was disclosed to the Armour Research Foundation of Chicago, which organization offered to perform these services at the consultant's figure, less 10 percent for profit. The contract was awarded to the Armour organization on June 29, 1962.
>
> Thus, we are confronted with the spectacle of a tax-supported Federal agency dealing with a tax-exempt organization in the award of such outside service contracts as may be negotiated.
>
> Pursuing this course to its ultimate conclusion, the very tax base which finances Government activities will be destroyed.

Our survey is the most complete and comprehensive analysis of the assets of a substantial group of tax-exempt foundations ever collected in one place. And still, it represents only a small part of the real total.

Schedule 1 and schedule 2—which I am submitting with this statement—list the assets and net worth, respectively, of the 524 foundations we have surveyed, arranged by States.

Schedule 6 shows two more foundations that failed to report their 10 percent or more stock ownership during certain years in the manner prescribed by Treasury regulations. They are the John B. Pierce Foundation of New York City and the Sarah Mellon Scaife Foundation of Pittsburgh. These are in addition to the 68 foundations cited in schedule 2 of my July 23 report.

Schedule 5 shows adjusted gross receipts of 524 foundations, including the receipts of the Howard Hughes Medical Institute, of Miami Beach, and the Educational Testing Service, of Princeton, N.J. Our analysis of the Hughes Institute and Educational Testing was not completed in time to include them in my report of July 23. Breakdowns of their receipts, totaling $25,983,758 and $58,198,186, respectively, for the period of 1951 through 1960, are shown on schedule 4. Additionally, an error had been made in the course of the machine data processing with respect to contributions received by the Raskob Foundation for Catholic Activities, of Wilmington, Del., and the correct figures are as follows: Contributions received, $15,736,382; total receipts, $24,086,824; and rank, 46a. Another adjustment relates to the Donner Foundation, of Philadelphia: $12,947,827 has been transferred from contributions received to capital gains. The foundation had reported its capital gains under contributions received. This adjustment does not affect the foundation's total receipts. Thus, the adjusted total receipts of the 524 tax-exempt foundations are $6,957,622,422.

Schedule 7 is a State-by-State breakdown of the foundations under study, showing the number of foundations in each State, their total receipts, their total assets, and their net worth.

As in the case of our income report of July 23, this study of assets, liabilities, and net worth was made under the direction of Mrs. H. A. Olsher, director of the Small Business Committee's foundation study. The data were recorded by professional men—accountants and attorneys—and were tabulated by the General Accounting Office. Additionally, I wish to express my thanks to Mr. J. S. Seidman, of New York City. At my invitation, Mr. Seidman, a senior partner of the certified public accounting firm of Seidman & Seidman, permitted us to consult with him, and gave freely and promptly of his time and advice. Mr. Seidman is past president of the American Institute of Certified Public Accountants, and former chairman of that organization's committee on Federal taxation.

SCHEDULE 3.—*The Ford Foundation—List of notes receivable as of Feb. 1, 1962, representing participations in private placements*

Name and address of borrower	Business	Date of note	Face amount	Interest rate	Maturity date	Cost basis		Name and address of investment banker or broker
			Millions	*Percent*		*Dollars*	*Percent*	
Aircraft Properties, Ltd., 507 Place d'Armes, Montreal, P.Q., Canada.	Own and lease real estate.	Dec. 6, 1961	$2.500	6½	Jan. 10, 1967	100		Dominick & Dominick, 14 Wall St., New York, N.Y.
Algonquin Realty, Inc., 5959 South Cicero Ave., Chicago, Ill.	do	Dec. 22, 1961	6.250	5¾	July 1, 1982	100		Connecticut General, Hartford, Conn.
American Acceptance Corp., Six Penn Center Plaza, Philadelphia, Pa.	Finance company	July 29, 1960	1	6¼	July 1, 1972	98		White, Weld & Co., 20 Broad St., New York, N.Y.
Approved Bancredit Corp., 2434 Gypsy Rd., Niles, Ohio.	do	Nov. 15, 1961	2.500	6	Nov. 1, 1973	100		G. H. Walker & Co., 45 Wall St., New York, N.Y.
Associates Investment Co., 320 Associates Bldg., South Bend, Ind.	do	Dec. 21, 1961	5	3¾	May 31, 1963	100		Salomon Bros. & Hutzler, 60 Wall St., New York, N.Y.
		June 1, 1961	.500	3	Dec. 1, 1964		4⅛	
Atchison, Topeka & Santa Fe Railway Co., 920 Jackson St., Topeka, Kans.	Railroad	Mar. 26, 1958	2.056	3⅜	Mar. 15, 1963	100		Do.
		Sept. 29, 1961	1.498	4	July 15, 1965	100		
		Oct. 30, 1961	1.648	4	do	100		
		Nov. 30, 1961	1.948	4	do	100		
		Dec. 29, 1961	1.498	4	do	100		
		Jan. 23, 1962	.899	4	do	100		
Atlantic Acceptance Corp., Ltd., 1208 Concourse Bldg., 100 Adelaide St. West Toronto, Canada.	Finance company	Oct. 2, 1961	3.500	6	Oct. 1, 1981	100		Lambert & Co., 2 Wall St., New York, N.Y.
Australia, Commonwealth of (participation certificates).	Government obligation	Mar. 1, 1961	2.573	4¼	Sept. 1, 1967		5¼	Purchased from International Bank for Reconstruction and Development.
		do	2.193	4¼	Sept. 1, 1968		5¼	
Austria, Republic of	do	Dec. 22, 1961	2	6	Dec. 1, 1969	100		Kuhn Loeb, 30 Wall St., New York, N.Y.
Babcock & Wilcox Co., 161 East 42d St., New York, N.Y.	Heavy machinery	June 1, 1956	2.588	3⅞	June 1, 1974	100		Direct proposal of borrower.
Belgium, Kingdom of, Minister of Finance, 12 Rue De La Loi, Brussels, Belgium.	Government obligation	Mar. 1, 1961	1	5¼ +¾	Apr. 15, 1974	98½		Morgan Stanley & Co., 2 Wall St., New York, N.Y.
Beneficial Finance Co., Beneficial Bldg., Wilmington, Del.	Finance company	Feb. 1, 1960	10	3½	Aug. 1, 1962		4.70	Purchased from Equitable Life Assurance Society, 393 7th Ave., New York, N.Y.
Boothe Leasing Corp., 315 Montgomery St., San Francisco, Calif.	Lease financing	June 1, 1961	3	6	Apr. 1, 1971	100		Howard Newmark & Co., 445 Park Ave., New York, N.Y.
Broadstock Fixture Corp., 60 East 42d St., New York, N.Y.	Own and lease store fixtures.	Jan. 26, 1962	6.113	6	Aug. 1, 1976	100		Hubbard, Westervelt & Mottelay, 60 East 42d St., New York, N.Y.
Brooks Properties, Inc., care of Bobbie Brooks, Inc., 3830 Kelley Ave., Cleveland, Ohio.	Own and lease real estate	Apr. 12, 1961	2.422	5⅞	Apr. 12, 1976		6	Frank Schlesinger, 901 Broad St., Newark, N.J.
Brown Engineering Co., Post Office Box Drawer 917, Huntsville, Ala.	Engineering service company.	Jan. 29, 1962	1.250	6	Feb. 1, 1974	100		Goodbody & Co., 2 Broadway, New York, N.Y.
Capital Cities Broadcasting Corp., 24 East 51st St., New York, N.Y.	Broadcasting	Oct. 9, 1961	3.032	5⅜	Oct. 1, 1972	100		
		Dec. 4, 1961	4.468	5¾	do	100		Direct proposal of borrower.
Chesapeake & Ohio Railway Co., 3100 Terminal Tower, Post Office Box 6419, Cleveland, Ohio.	Railroad	Jan. 22, 1962	1.500	5	Dec. 1, 1976	100		Salomon Bros. & Hutzler, 60 Wall St., New York, N.Y.
Chesebrough-Pond's, Inc., 485 Lexington Ave., New York, N.Y.	Cosmetics, chemicals	Aug. 1, 1961	2.500	5	Aug. 1, 1976	100		Lehman Bros., 1 William St., New York, N.Y.
Chris-Craft Corp., Pompano Beach, Fla.	Pleasure boats	Oct. 10, 1961	5	5⅜	Oct. 10, 1978	100		Shields & Co., 44 Wall St., New York, N.Y.
Coastal States Gas Producing Co., Petroleum Tower, Corpus Christi, Tex.	Oil pipeline	July 28, 1961	2	5½	Mar. 1, 1980	100		Spencer Trask & Co., 25 Broad St., New York, N.Y.
Commercial Bank of Copenhagen, Copenhagen, Denmark.	Banking, Denmark	May 16, 1961	2	6	May 1, 1969	100		Kuhn Loeb, 30 Wall St., New York, N.Y.
C. I. T. Financial Corp., 650 Madison Ave., New York, N.Y.	Finance company	Aug. 15, 1961	3	3	Feb. 15, 1964		4	Salomon Bros. & Hutzler, 60 Wall St., New York, N.Y.
		May 1, 1961	10	4½	Nov. 1, 1965		4¼	
Compagnie Centrale de Financement, 41 Avenue de L'Opera, Paris, France.	do	Feb. 1, 1962	3	6½	Feb. 1, 1974	100		Paribas Corp., 40 Wall St., New York, N.Y.
Continental Air Lines, Inc., Stapleton Airfield, Denver, Colo.	Air transportation	Jan. 1, 1961	2	6½	Dec. 31, 1972	100		Lehman Bros., 1 William St., New York, N.Y.
Delta Acceptance Corp., Post Office Box 5040, 291 King St., London, Ontario.	Finance company	May 31, 1960	3	6½	May 15, 1967	100		Robert Fulton Maine & Co., 125 Maiden Lane, New York, N.Y.
Dial Finance Co., 207 9th St., Des Moines, Iowa.	do	June 14, 1960	1.500	5¾	July 1, 1975	100		Salomon Bros. & Hutzler, 60 Wall St., New York, N.Y.
Duke Power Co., Charlotte, N.C	Utility	Feb. 15, 1956	3	2.65	Sept. 1, 1977		3.10	Granberry, Marache & Co., 67 Wall St., New York, N.Y.
El Paso Natural Gas Co., 40 Wall St., New York, N.Y.	Gas utility	June 22, 1960	1	3¾	May 4, 1965		5½	First Boston Corp., 15 Broad St., New York, N.Y.
		do	1	3¾	May 4, 1966		5½	
		do	1	3¾	May 4, 1967		5½	
		do	1	3¾	May 4, 1968		5½	
		do	1	3¾	May 4, 1969		5½	
		Apr. 21, 1960	2	5½	Apr. 1, 1980	100		White Weld & Co., 20 Broad St., New York, N.Y.
Family Finance Co., 201 West 14 St., Wilmington, Del.	Finance company	Mar. 1, 1961	4.500	5	Feb. 1, 1969	100		Salomon Bros. & Hutzler, 60 Wall St., New York, N.Y.
Financial General Corp., 103 Park Ave., New York, N.Y.	Bank holding company	July 21, 1961	3	6	June 1, 1976	100		Hubbard, Westervelt & Mottelay, 60 East 42d St., New York, N.Y.
France, Republic of	Government obligation	Dec. 20, 1961	2.500	4¼	May 1, 1965		5⅛	Purchased from International Bank for Reconstruction and Development.
General Finance Co., 1301 Central St., Evanston, Ill.	Finance company	July 7, 1961	5	5	July 1, 1967	100		Salomon Bros. & Hutzler, 60 Wall St., New York, N.Y.
		Mar. 1, 1961	4.500	5	Feb. 1, 1968	100		
General Development Corp., 2828 Coral Way, Miami, Fla.	Real estate	Aug. 23, 1961	5	6	Aug. 15, 1971	100		Goldman Sachs & Co., 20 Broad St., New York, N.Y.
Georgia-Pacific Corp., Post Office Box 311, Portland, Oreg.	Lumber company	Mar. 1, 1961	.800	4½	Sept. 1, 1976	100		Blyth & Co., 14 Wall St., New York, N.Y.

SCHEDULE 3.—*The Ford Foundation—List of notes receivable as of Feb. 1, 1962, representing participations in private placements*—Con.

Name and address of borrower	Business	Date of note	Face amount	Interest rate	Maturity date	Cost basis		Name and address of investment banker or broker
			Millions	*Percent*		*Dollars*	*Percent*	
International Harvester Credit Corp., 180 North Michigan Ave., Chicago, Ill.	Finance company	Dec. 21, 1961	$5	3⅞	June 3, 1963		3¾	Salomon Bros. & Hutzler, 60 Wall St., New York, N.Y.
		May 16, 1961	2	3¾	June 17, 1963		3.69	
		do	2	3¾	July 15, 1963		3.69	
Interstate Finance Corp., 1157 Central Ave., Dubuque, Iowa.	do	Aug. 15, 1960	3	5⅞	Aug. 1, 1968	100		Robert Fulton Maine & Co., 125 Maiden Lane, New York, N.Y.
Interstate Securities Co., 3430 Broadway, Kansas City, Mo.	do	Mar. 1, 1961	2	5	Feb. 1, 1967	100		Salomon Bros. & Hutzler, 60 Wall St., New York, N.Y.
Kaiser Aluminum & Chemical Co., Kaiser Center, 300 Lakeside Dr., Oakland, Calif.	Aluminum producer	Jan. 23, 1957	.690	4¼	Apr. 1, 1981	100		
		Mar. 20, 1957	.317	4¼	do	100		
		June 3, 1957	.416	4¼	do	100		
		Sept. 4, 1957	.417	4¼	do	100		Direct proposal of borrower.
Local Loan Co., 105 West Madison St., Chicago, Ill.	Finance company	Dec. 1, 1960	1	5⅜	Dec. 1, 1963	100		Robert Fulton Maine & Co., 125 Maiden Lane, New York, N.Y.
		do	1	5⅜	Dec. 1, 1964	100		
		do	1	5⅜	Dec. 1, 1965	100		
J. J. Newberry Co., 245 5th Ave., New York, N.Y.	Retail chain	Oct. 3, 1961	2.500	5¼	Oct. 1, 1981	100		Eastman Dillon Union Securities, 15 Broad St., New York, N.Y.
Newcount Corp., care of Hubbard, Westervelt & Mottelay, 60 East 42d St., New York, N.Y.	Own and lease store fixtures.	Aug. 25, 1960	4.929	6	June 1, 1980	100		Hubbard, Westervelt & Mottelay, 60 East 42d St., New York, N.Y.
New York, New Haven & Hartford, New Haven, Conn.	Railroad	Sept. 29, 1960	1.245	5½	June 1, 1975	100		Salomon Bros. & Hutzler, 60 Wall St., New York, N.Y.
		Oct. 28, 1960	1.245	5½	do	100		
		Nov. 29, 1960	1.243	5½	do	100		
Oil Production Loans, Shell Oil, 50 West 50th St., New York, N.Y.	Oil company	Dec. 27, 1961	1.400	4½	1963	100		Participation purchased from Whitney National Bank, New Orleans.
Standard Oil of California, 225 Bush St., San Francisco, Calif.	do	Dec. 28, 1961	5.426	4½	1963	100		Do.
Parktown Corp., care of Hubbard, Westervelt & Mottelay, Inc., 60 East 42d St., New York, N.Y.	Own and lease store fixtures.	Mar. 15, 1960	4.800	5¾	Jan. 1, 1975	100		Hubbard, Westervelt & Mottelay, 60 East 42d St., New York, N.Y.
Public Service Co. of New Hampshire, 1087 Elm St., Manchester, N.H.	Utility	Oct. 10, 1960	3.500	5⅛	Oct. 1, 1965	100		Halsey, Stuart & Co., 35 Wall St., New York, N.Y.
Rand Selection Corp., Registered Office, 44 Main St., Johannesburg, South Africa.	Mining operation	July 7, 1961	5	5½	June 14, 1968	100		R. W. Pressprich & Co., 48 Wall St., New York, N.Y.
Reserve Mining Co., care of ACF Industries, 730 5th Ave. New York, N.Y.	Own and operate railroad equipment.	Oct. 31, 1961	2.450	4¼	Mar. 31, 1963		4	Do.
Rosenthal & Rosenthal, Inc., 1451 Broadway, New York, N.Y.	Factoring company	Apr. 1, 1961	2	5⅞	Apr. 1, 1973	100		Robert Fulton Maine & Co., 125 Maiden Lane, New York, N.Y.
St. Louis, San Francisco Railway Co., 906 Olive St., St. Louis, Mo.	Railroad	Jan. 10, 1961	.454	5¼	Aug. 1, 1965	100		Dick & Merle—Smith, Inc., 48 Wall St., New York, N.Y.
Shell Caribbean Petroleum Co., One Rockfeller Plaza, New York, N.Y.	Oil producer	Mar. 14, 1960	4.379	4	Oct. 1, 1968		5	Salomon Bros. & Hutzler, 60 Wall St., New York, N.Y.
Societe Petroliere de Gerance, France	Oil company	May 15, 1961	2.151	6	May 15, 1964		5.70	Morgan Stanley & Co., 2 Wall St., New York, N.Y.
Southern Pacific Co., 65 Market St., San Francisco, Calif.	Railroad	July 25, 1956	4.996	3¾	Apr. 1, 1971	100		Salomon Bros. & Hutzler, 60 Wall St., New York, N.Y.
Southern Railway Co., Post Office Box 1808, Washington, D.C.	do	July 13, 1961	3	4¼	July 13, 1963	100		Do.
		Aug. 15, 1961	3	4¼	Aug. 15, 1963	100		
Thorp Finance Co., Thorp, Wis.	Finance company	July 14, 1960	3	5¾	July 1, 1972	100		Goldman, Sachs & Co., 20 Broad St., New York, N.Y.
Township of Trafalgar	Provincial obligation	May 1, 1961	.803	6¼	May 1, 1976		6¼	Harris & Partners, Ltd., 15 Broad St., New York, N.Y.
United Artists Corp., 729 7th Ave., New York, N.Y.	Motion picture company	Feb. 23, 1961	1.500	6	Feb. 1, 1976	100		Lazard, Freres & Co., 44 Wall St., New York, N.Y.
United Kingdom Participation Certificate, East Africa High Commission, Northern Rhodesia, Southern Rhodesia.	Government obligation	Mar. 1, 1961	4.534	4¾	July 15, 1969		5¼	Purchased from International Bank for Reconstruction and Development.
		do	3.033	4¾	Aug. 1, 1969		5¼	
		do	2.067	4¾	Nov. 1, 1969		5¼	
Veterans Broadcasting Co., 17 South Clinton Ave., Rochester, N.Y.	Broadcasting company	Nov. 14, 1961	2.500	6	Nov. 14, 1971	100		Direct proposal of borrower.
West Shore Pipe Line Co., 910 South Michigan Ave., Chicago, Ill.	Pipeline company	Aug. 31, 1961	4.940	5	July 1, 1987	100		Morgan Guaranty Trust Co., 140 Broadway, New York, N.Y.
		Oct. 6, 1961	1.520	5	do	100		
		Dec. 14, 1961	1.140	5	do	100		
Total			240.431					

SCHEDULE 4.—*Addendum to income report of July 23, 1962*

	Gross receipts	
	Educational Testing Service 1951 through 1961	Howard Hughes Medical Institute 1953 through 1961
Gross sales or receipts from business activities	$55,163,770	
Gross profit from business activities [1]	55,163,770	
Interest received	234,929	
Dividends received	190,410	
Rents received	325,556	$25,929,223
Gain from sale of assets	431,559	
Other income	24,951	
Total gross income, excluding contributions, gifts, grants, etc., received	56,371,175	25,929,223
Total contributions, gifts, grants, etc., received	1,827,011	54,335
Total receipts, including contributions, gifts, grants, etc., received	58,198,186	25,983,758

[1] Educational Testing Service failed to show gross sales less cost of sales or of operations.

SCHEDULE 5.—*Addendum to income report of July 23, 1962, showing adjusted gross receipts of 524 foundations*

Gross sales or receipts from business activities	$113,482,422
Gross profit from business activities [1]	74,570,239
Interest received	477,600,064
Dividends received	2,161,436,868
Rents and royalties received	267,523,737
Total gain from sale of assets	1,461,909,149
Other income	215,378,873
Total gross income, excluding contributions, gifts, grants, etc., received	4,668,478,930
Total contributions, gifts, grants, etc., received	2,290,143,492
Total receipts, including contributions, gifts, grants, etc., received	6,957,622,422

[1] Some foundations failed to show gross sales less cost of sales or of operations.

SCHEDULE 6.—*Data regarding corporations in which certain foundations* failed *to report their ownership of 10 percent or more of each class of the corporation's stock*

[The Internal Revenue Service requires such ownership to be recorded on form 990–A (per instruction 7, p. 4, form 990–A). The following foundations *failed* to report such stock ownership in the manner prescribed by Treasury Department regulations during the accounting periods indicated in col. 3]

(1) Foundation	(2) Corporation in which the foundation failed to report its ownership of 10 percent or more stock	(3) Accounting period for which the foundation failed to report such ownership, year ending—	(4) Number of shares of each class of the corporation's stock which the foundation failed to report [1]	(5) Foundation's book value of the shares of the corporation [1]	(6) Market value, if any, of the corporation's shares owned by the foundation [1]		(7) Percentage of outstanding shares of the corporation owned by the foundation (based on ownership shown in col. 4) [1]
					Amount	Date	
PENNSYLVANIA							
Sarah Mellon Scaife Foundation, 525 William Penn Pl., Pittsburgh 19, Pa.	First Boston Corp., Boston, Mass	Dec. 31, 1955 through Dec. 31, 1960	48,750 class A capital	$1,767,187	$3,205,312	Dec. 31, 1960	43.33
NEW YORK CITY							
John B. Pierce Foundation, 50 West 44th St., New York 36, N.Y.	International Liquid Heat, Ltd., 224 Bay St., Nassau, Bahamas.	Dec. 31, 1952 through Dec. 31, 1955	625 capital voting	36,227	74,993	Jan. 1, 1955	50
	Thermo Chemicals Co., Inc., Arcia Bldg., Justo Arosemena and Ecuador Aves., Post Office Box 6307, Panama, Republic of Panama.	Dec. 31, 1952 through Dec. 31, 1955	500 class A voting	5,000	0	Jan. 1, 1955	100
	Thermal Devices, Ltd., Farm Lane, Fulham, London, S.W. 6, England.	Dec. 31, 1952 through Dec. 31, 1954	2,000 ordinary voting	5,600	1,120	Jan. 1, 1954	100

SCHEDULE 1.—*Assets*

NOTE.—The 1960 figures are as of the end of the fiscal or calendar year and the 1951 figures are as of the beginning of the fiscal or calendar year, unless other years are indicated

[Source: Documents submitted to the Select Committee on Small Business]

Foundation	Cash (1)	Notes and accounts receivable less reserve for bad debts (2)	Inventories (3)	Investments in Government obligations [1] (4)	Investments in non-Government bonds, etc.[1] (5)	Book values of investments in corporate stocks (6)	Market values of investments in corporate stocks (7)
ALABAMA	*1960*	*1960*	*1960*	*1960*	*1960*	*1960*	*1960*
Avondale Educational & Charitable Foundation, Inc. Care of Avondale Mills, Sylacauga, Ala.	$52,366	$49,758	--------	$444,262	$55,500	$833,860	$1,718,501
Ingalls Foundation, Inc. Exchange Security Bank Bldg., Birmingham 3, Ala.	82,780 (Dec. 31, 1959)	509 (Dec. 31, 1959)	--------	443,581 (Dec. 31, 1959)	62,076 (Dec. 31, 1959)	667,983 (Dec. 31, 1959)	1,143,331 (Dec. 31, 1959)
Ingalls, Robert I., Jr., Foundation Post Office Box 1004, Birmingham, Ala.	202	--------	--------	--------	21,550	1,137,924	1,403,562 (Oct. 31, 1961)
Meyer, Robert R., Foundation Care of First National Bank of Birmingham, Birmingham 2, Ala.	41,300	1,318,312	--------	114,577	771,493	2,247,810	3,649,324 (June 30, 1960)
Warner, David, Foundation Post Office Box 933, Tuscaloosa, Ala.	12,447 (May 31, 1961)	256,667 (May 31, 1961)	--------	75,612 (May 31, 1961)	38,800 (May 31, 1961)	688,826 (May 31, 1961)	746,115 (May 31, 1961)
CALIFORNIA							
Bank of America-Giannini Foundation 300 Montgomery St., San Francisco 4, Calif.	44,463	68,034	--------	120,152	450	1,063,822	2,718,447
Bechtel Foundation 220 Bush St., San Francisco 4, Calif.	367,766	--------	--------	46,000	--------	--------	--------
Bing Fund, Inc. 9700 West Pico Blvd., Los Angeles 35, Calif.	548,349	--------	--------	501,350	439,246	8,385,663	10,863,303
Boswell, James G., Foundation 510 South Spring St., Los Angeles13, Calif.	108,487	--------	--------	--------	--------	3,381,167	3,381,167
Carnation Foundation 5045 Wilshire Blvd., Los Angeles 36, Calif.	505,595	--------	--------	--------	--------	670,809	1,230,224
Connell, Michael J., Charities, Ltd 3350 Wilshire Blvd., Los Angeles 5, Calif.	29,872	--------	--------	1,491,563	1,264,537	2,288,967	4,361,603
Cowell, S. H., Foundation 111 Suter St., San Francisco 4, Calif.	2,038,197 (Sept. 30, 1961)	1,749 (Sept. 30, 1961)	--------	5,630,625 (Sept. 30, 1961)	--------	323,009 (Sept. 30, 1961)	323,008 (Sept. 30, 1961)
Crown Zellerbach Foundation 343 Sansome St., SanFrancisco 19, Calif.	885,095	256,095	--------	91,969	426,151	6,217,046	8,053,510
Fund for the Republic, Inc. Post Office Box 4068, Santa Barbara, Calif.	297,847	--------	--------	2,318,180	--------	310,218	230,530
Goldwyn, Samuel, Foundation 1041 North Formosa Ave., Los Angeles 46, Calif.	44,745	400,000	--------	365,969	99,912	1,798,077	2,304,701

See footnotes at end of table.

SCHEDULE 7.—*State-by-State breakdown*

State or city	Number of foundations under study	1951-60 total gross receipts	1960 Total assets	1960 Total net worth
Alabama	5	$10,577,630	$12,801,409	$12,705,126
California	26	102,859,370	143,968,647	142,426,794
Colorado	2	38,373,627	73,593,911	73,491,578
Connecticut	3	35,344,137	48,772,122	40,740,077
Delaware	3	77,736,744	184,264,694	184,213,128
District of Columbia	5	79,958,492	130,205,577	128,036,720
Florida	4	43,839,968	37,819,741	18,151,863
Georgia	8	61,860,867	135,371,621	134,375,435
Hawaii	2	3,452,611	9,870,538	9,855,538
Illinois	51	234,363,529	239,517,005	235,338,616
Indiana	3	38,911,300	140,025,004	139,510,192
Kentucky	1	1,205,108	5,832,014	5,832,014
Maine	2	1,428,997	2,741,704	2,741,704
Maryland	1	7,715,372	7,248,377	7,012,841
Massachusetts	3	19,952,339	34,064,664	34,054,779
Michigan	41	394,880,296	654,812,928	627,823,977
Minnesota	7	45,268,625	131,075,250	129,193,427
Missouri	22	87,931,111	164,708,077	163,160,653
Nebraska	4	23,945,588	33,267,546	26,366,440
Nevada	1	$27,244,941	$69,038,632	$69,038,632
New Hampshire	3	3,160,242	7,830,122	7,830,122
New Jersey	7	124,238,257	120,240,694	114,976,056
New York City	131	4,175,036,576	5,973,050,282	5,678,915,649
New York State	14	174,748,877	167,781,574	165,333,965
North Carolina	9	79,763,555	179,163,403	178,513,365
Ohio	62	276,197,634	281,869,449	274,479,554
Oklahoma	10	48,906,302	51,869,241	46,773,979
Pennsylvania	49	358,963,191	654,810,211	637,612,790
South Carolina	6	11,363,522	21,746,109	21,706,793
Tennessee	5	19,314,248	24,691,149	24,691,149
Texas	8	199,403,232	334,748,793	313,785,252
Virginia	1	86,448,627	111,848,179	111,565,012
Washington	4	12,966,467	9,964,521	9,872,930
Wisconsin	20	49,558,800	38,520,466	38,158,557
Wyoming	1	702,231	2,216,976	2,183,145
Total	524	6,957,622,422	10,230,350,627	9,810,467,852

SCHEDULE 1.—*Assets*

NOTE.—The 1960 figures are as of the end of the fiscal or calendar year and the 1951 figures are as of the beginning of the fiscal or calendar year, unless other years are indicated

[Source: Documents submitted to the Select Committee on Small Business]

Foundation	Other investments [2]	Capital assets: Depreciable (and depletable) assets less reserve for depreciation (and depletion)	Capital assets: Land	Other assets	Total assets, with market values of securities being used wherever available (where market quotations are unavailable, the securities are shown at book values; generally, assets other than securities are shown at book values) [3]	Total assets based on book values only	
	(8)	(9)	(10)	(11)	(12)	(13)	(14)
ALABAMA	*1960*	*1960*	*1960*	*1960*	*1960*	*1960*	*1951*
Avondale Educational & Charitable Foundation, Inc. Care of Avondale Mills, Sylacauga, Ala.	$54,081				$2,374,468	$1,477,418	$1,332,314
Ingalls Foundation, Inc. Exchange Security Bank Bldg., Birmingham 3, Ala.		$1,050 (Dec. 31, 1959)	$600 (Dec. 31, 1959)		1,733,927 (Dec. 31, 1959)	1,329,473 (Dec. 31, 1959)	1,191,469 (Jan. 1, 1952)
Ingalls, Robert I., Jr., Foundation Post Office Box 1004, Birmingham, Ala.	33,646				1,458,960	1,191,837	900 (Jan. 1, 1954)
Meyer, Robert R., Foundation Care of First National Bank of Birmingham, Birmingham 2, Ala.				$49,407	5,944,413	4,486,471	1,753,203
Warner, David, Foundation Post Office Box 933, Tuscaloosa, Ala.	160,000 (May 31, 1961)				1,289,641 (May 31, 1961)	1,232,352 (May 31, 1961)	420,319
CALIFORNIA							
Bank of America-Giannini Foundation 300 Montgomery St., San Francisco 4, Calif.					2,951,546	1,295,678	550,084
Bechtel Foundation 220 Bush St., San Francisco 4, Calif.					413,766	413,766	(Jan. 1, 1954)
Bing Fund, Inc 9700 West Pico Blvd., Los Angeles 35, Calif.				85,466	12,437,714	9,930,506	313,751
Boswell, James G., Foundation 510 South Spring St., Los Angeles 13, Calif.					3,489,654	3,489,654	3,541,019
Carnation Foundation 5045 Wilshire Blvd., Los Angeles 36, Calif.					1,735,819	1,185,498	375,318 (Jan. 1, 1953)
Connell, Michael J., Charities, Ltd 3350 Wilshire Blvd., Los Angeles 5, Calif.	6,511			6	7,144,092	5,144,673	3,849,324
Cowell, S. H., Foundation 111 Suter St., San Francisco 4, Calif.	4,069 (Sept. 30, 1961)	580,749 (Sept. 30, 1961)	7,305,357 (Sept. 30, 1961)		15,883,754 (Sept. 30, 1961)	15,891,750 (Sept. 30, 1961)	7,749,539 (Dec. 20, 1955)
Crown Zellerbach Foundation 343 Sansome St., San Francisco 19, Calif.		2,717,591		11,573	12,541,984	10,731,669	(Jan. 1, 1953)
Fund for the Republic, Inc Post Office Box 4068, Santa Barbara, Calif.		159,548	131,788	178,262	3,316,155	3,426,989	2,793,189 (Jan. 1, 1954)
Goldwyn, Samuel, Foundation 1041 North Formosa Ave., Los Angeles 46, Calif.					3,215,347	2,708,723	747,842

SCHEDULE 1.—*Assets*—Continued

[Source: Documents submitted to the Select Committee on Small Business]

Foundation	Cash (1)	Notes and accounts receivable less reserve for bad debts (2)	Inventories (3)	Investments in Government obligations [1] (4)	Investments in non-Government bonds, etc.[1] (5)	Book values of investments in corporate stocks (6)	Market values of investments in corporate stocks (7)
CALIFORNIA—continued							
	1960	*1960*	*1960*	*1960*	*1960*	*1960*	*1960*
Haynes, John Randolph and Dora, Foundation 916 Consolidated Bldg., 607 South Hill St., Los Angeles 14, Calif.	$6,061	$416	----------	$120,050	$887,280	$778,823	$2,139,557
Hilton, Conrad N., Foundation 9990 Santa Monica Blvd., Beverly Hills, Calif	84,775	980,500	----------	----------	----------	544,522	1,894,038 (Dec. 31, 1960)
Hunt Foods Charitable Foundation.[6] 3440 Wilshire Blvd., Suite 1201, Los Angeles 5, Calif.							
Hunt Foods & Industries Foundation 3440 Wilshire Blvd., Suite 1201, Los Angeles 5, Calif.	8,624	194,550	----------	334,701	----------	1,706,180	2,866,589
Henry J. Kaiser Family Foundation Kaiser Bldg., Oakland 12, Calif.	62,022	----------	----------	----------	----------	15,452,537	32,274,752
Lakeside Foundation 155 Sansome St., San Francisco 4, Calif.	10,248	----------	----------	----------	----------	517,539	555,000
Lockheed Leadership Fund 2555 North Hollywood Way, Burbank, Calif.	82,522	----------	----------	850,700	----------	----------	----------
Mayer, Louis B., Foundation 197 North Canon Dr., Beverly Hills Calif.	17,012	----------	----------	23,712	----------	10,850	10,913
Mayr, George Henry, Trust Care of Beverly Hills National Bank & Trust Co., Post Office Box 711, Beverly Hills, Calif.	1,962	95,767	----------	34,793	----------	----------	----------
Ohio Match Charitable Foundation.[6] 3440 Wilshire Blvd., Suite 1201, Los Angeles 5, Calif							
Rosenberg Foundation 210 Post St., San Francisco 8, Calif.	126,965	----------	----------	1,508,500	2,591,750	3,465,252	6,600,050
Simon, Norton, Foundation 3440 Wilshire Blvd., Suite 1201, Los Angeles 5, Calif.	1,529	----------	----------	65,594	----------	750,903	1,578,225
Smith, Ralph L. and Harriet T., Foundation Care of Ralph L. Smith Lumber Co., Anderson, Calif.	99	----------	----------	----------	----------	585,410	1,832,864
Stein and Golden Foundation Care of John M. Segal & Co., 5455 Wilshire Blvd., Los Angeles 36, Calif.	13,790 (Dec. 31, 1959)	----------	----------	----------	----------	16,668 (Dec. 31, 1959)	16,668 (Dec. 31, 1959)
United Can & Glass Co. Charitable Foundation [6] 3440 Wilshire Blvd., Suite 1201, Los Angeles 5, Calif.	----------	----------	----------	----------	----------	----------	----------
Volker, William, Fund Post Office Box 113, Burlingame, Calif.	879,934	6,785,416	----------	215,361	2,913,470	5,720,698	8,191,457
COLORADO							
Boettcher Foundation 818 17th St., Denver 2, Colo.	773,139	3,785	----------	900,000	----------	7,260,658	14,030,980
El Pomar Foundation Broadmoor Hotel, Colorado Springs, Colo.	856,698	706,168	----------	1,085,418	17,325	20,523,999	51,055,733
CONNECTICUT							
Dana, Charles A., Foundation, Inc. Smith Bldg., Greenwich, Conn.	596,226	----------	----------	500,000	----------	9,554,723	16,471,893
Albert A. List Foundation Byram Shore Rd., Byram, Conn.	43,772	311,500	----------	750,000	666,270	3,578,968	4,649,991
Noble, Edward John, Foundation Round Hill Rd., Greenwich, Conn.	106,054	19	----------	1,255,984	447,452	8,769,085	20,072,902
DELAWARE							
Longwood Foundation, Inc. 2024 Du Pont Bldg., Wilmington 98, Del.	2,918,270	19,085	----------	68,950	8,151,692	64,813,131	107,459,733
Public Welfare Foundation, Inc. 100 West 10th St., Wilmington, Del. See District of Columbia listing for data.							
Raskob Foundation for Catholic Activities 1205 Hotel Du Pont, Wilmington 98, Del.	349,297	----------	----------	----------	5,006,640	12,567,578	23,925,123
Winterthur Corp. 1070 Du Pont Bldg., Wilmington 98, Del.	377,701	113	$82,606	177,302	1,387,165	19,395,308	19,963,921
DISTRICT OF COLUMBIA							
Brookings Institution 1775 Massachusetts Ave., NW., Washington, D.C.	651,131	164,710	----------	3,474,713	3,099,962	4,027,164	5,865,024
Carnegie Institution of Washington 1530 P St. NW., Washington 5, D.C.	1,634,000	----------	----------	4,349,343	32,843,805	21,937,482	47,859,090
Public Welfare Foundation, Inc. 3242 Woodland Dr. NW., Washington 8, D.C.	54,042	638,950	----------	442,790	324,375	328,290	430,757
Resources for the Future, Inc. 1775 Massachusetts Ave. NW., Washington, D.C.	372,256	3,000,000	----------	1,494,590	----------	----------	----------
Stewart, Alexander and Margaret, Trust Care of Union Trust Co. of the District of Columbia, Washington 5, D.C.	265,000	1,752,250	----------	893,475	936,000	5,690,625	5,758,021
FLORIDA							
Crane, Raymond E. and Ellen F., Foundation 1205 First National Bank Bldg., Miami, Fla.	16,473	----------	----------	319,372	945,458	2,113,407	2,763,350
Public Health Foundation for Cancer & Blood Pressure Research, Inc. 308 Cardinal Way, Rural Route 1, Box 170-A, Stuart, Fla.	147,429	1,023,303	----------	----------	----------	3,957,649	6,167,865
Winn-Dixie Stores Foundation Box B, West Bay Station, Jacksonville, Fla.	4,538	149,644	----------	----------	349,496	507,728	189,415

See footnotes at end of table.

SCHEDULE 1.—*Assets*—Continued

[Source: Documents submitted to the Select Committee on Small Business]

Foundation	Other investments [2] (8)	Capital assets: Depreciable (and depletable) assets less reserve for depreciation (and depletion) (9)	Capital assets: Land (10)	Other assets (11)	Total assets, with market values of securities being used wherever available (where market quotations are unavailable, the securities are shown at book values; generally, assets other than securities are shown at book values) [3] (12)	Total assets based on book values only (13)	Total assets based on book values only (14)
CALIFORNIA—continued							
	1960	*1960*	*1960*	*1960*	*1960*	*1960*	*1951*
Haynes, John Randolph and Dora, Foundation 916 Consolidated Bldg., 607 South Hill St., Los Angeles 14, Calif.	$173,014	$180,436	$456,312	$9,213	$3,972,330	$2,652,557	$1,531,970
Hilton, Conrad N., Foundation 9990 Santa Monica Blvd., Beverly Hills, Calif.				101,942	3,061,255	1,711,740	374,679
Hunt Foods Charitable Foundation.[6] 3440 Wilshire Blvd., Suite 1201, Los Angeles 5, Calif.							
Hunt Foods & Industries Foundation 3440 Wilshire Blvd., Suite 1201, Los Angeles 5, Calif.		125,000			3,529,464	2,369,056	1,067,199 (Dec. 1, 1958)
Henry J. Kaiser Family Foundation Kaiser Bldg., Oakland 12, Calif.					32,336,774	15,514,559	95,610
Lakeside Foundation 155 Sansome St., San Francisco 4, Calif.					565,248	827,787	50,000 (Jan. 1, 1954
Lockheed Leadership Fund 2555 North Hollywood Way, Burbank, Calif.					933,231	928,956	912,195 (Jan. 1, 1954
Mayer, Louis B., Foundation 197 North Canon Dr., Beverly Hills, Calif.		27,694			79,331	79,260	343,890
Mayr, George Henry, Trust Care of Beverly Hills National Bank & Trust Co., Post Office Box 711, Beverly Hills, Calif.		159,674	2,053,040		2,345,236	2,345,239	2,578,607
Ohio Match Charitable Foundation.[6] 3440 Wilshire Blvd., Suite 1201, Los Angeles 5, Calif.							
Rosenberg Foundation 210 Post St., San Francisco 8, Calif.		4,321			10,831,586	7,880,396	6,483,351
Simon, Norton, Foundation 3440 Wilshire Blvd., Suite 1201, Los Angeles 5, Calif.					1,645,348	818,028	13,584 (Jan. 1, 1953)
Smith, Ralph L. and Harriet T., Foundation Care of Ralph L. Smith Lumber Co., Anderson, Calif.					1,832,963	585,518	39,158 (Jan. 1, 1953)
Stein and Golden Foundation Care of John M. Segal & Co., 5455 Wilshire Blvd., Los Angeles 36, Calif.			(Dec. 31, 1959)		30,458 (Dec. 31, 1959)	30,489 (Dec. 31, 1959)	45,424 (Dec. 31, 1956)
United Can & Glass Co. Charitable Foundation[6] 3440 Wilshire Blvd., Suite 1201, Los Angeles 5, Calif.							
Volker, William, Fund Post Office Box 113, Burlingame, Calif.		568,613		121,332	19,675,583	17,204,824	15,643,363
COLORADO							
Boettcher Foundation 818 17th St., Denver 2, Colo.	27,018	2,984,155	1,015,477	25,000	10,750,554	12,983,753	4,411,865
El Pomar Foundation Broadmoor Hotel, Colorado Springs, Colo.	42,659			70,353	53,834,354	23,381,861	14,665,801
CONNECTICUT							
Dana, Charles A., Foundation, Inc Smith Bldg., Greenwich, Conn.	10,000				17,578,119	10,660,950	590.000
Albert A. List Foundation Byram Shore Rd., Byram, Conn.	81,000	674,251	286,697	42,485	7,505,966	6,428,095	
Noble, Edward John, Foundation Round Hill Rd., Greenwich, Conn.		8,496	1,500	1,795,630	23,688,037	11,258,920	(Jan. 1, 1954) 1,550,949
DELAWARE							
Longwood Foundation, Inc 2024 Du Pont Bldg., Wilmington 98, Del.		4,094,753			122,712,483	80,070,541	7,428,141
Public Welfare Foundation, Inc. 100 West 10th St., Wilmington, Del. See District of Columbia listing for data.							
Raskob Foundation for Catholic Activities 1205 Hotel Du Pont, Wilmington 98, Del.					29,281,060	18,701,864	1,447,845
Winterthur Corp 1070 Du Pont Bldg., Wilmington 98, Del.	561,202	9,456,831	263,839	471	32,271,151	31,790,218	6,707,427
DISTRICT OF COLUMBIA							
Brookings Institution 1775 Massachusetts Ave. NW., Washington, D.C.	35,000	3,021,431	877,286	92,821	17,282,078	15,425,271	6,308,079
Carnegie Institution of Washington 1530 P St. NW., Washington 5, D.C.		5,723,784			92,410,022	68,700,508	48,157,574
Public Welfare Foundation, Inc 3242 Woodland Dr. NW., Washington 8, D.C.		2,278,939		1,859,535	6,038,388	5,934,490	23,835
Resources for the Future, Inc 1775 Massachusetts Ave. NW., Washington, D.C.				3,488	4,870,334	4,870,335	
Stewart, Alexander & Margaret, Trust Care of Union Trust Co. of the District of Columbia, Washington 5, D.C.					9,604,755	9,418,872	(Jan. 1, 1953) 5,625,578
FLORIDA							
Crane, Raymond E. and Ellen F., Foundation 1205 First National Bank Bldg., Miami, Fla.	64,798			1,548	4,110,999	3,538,297	182,344
Public Health Foundation for Cancer & Blood Pressure Research, Inc. 308 Cardinal Way, Rural Route 1, Box 170-A, Stuart, Fla.	299,500	1,295,983	1,134,638	3,626	10,072,364	7,862,130	880,340
Winn-Dixie Stores Foundation Box B, West Bay Station, Jacksonville, Fla.	333,696			36,500	1,063,379	1,022,197	144,070

SCHEDULE 1.—*Assets*—Continued

[Source: Documents submitted to the Select Committee on Small Business]

Foundation	Cash (1)	Notes and accounts receivable less reserve for bad debts (2)	Inventories (3)	Investments in Government obligations [1] (4)	Investments in non-Government bonds, etc.[1] (5)	Book values of investments in corporate stocks (6)	Market values of investments in corporate stocks (7)
GEORGIA	*1960*	*1960*	*1960*	*1960*	*1960*	*1960*	*1960*
Callaway Community Foundation 209 Broome St., La Grange, Ga.	$242, 368			$1, 180, 111		$12, 026, 692	$34, 191, 200
Callaway, Fuller E., Foundation Post Office Box 477, La Grange, Ga.	42, 168	$15, 479		404, 953	$2, 865, 426	390, 481	532, 338
Callaway, Ida Cason, Foundation Pine Mountain, Ga.	111, 106		$13, 664	2, 838, 000		1, 790, 237	1, 805, 519
Campbell, John Bulow, Foundation 315 Trust Co. of Georgia Bldg., Atlanta 3, Ga.	176, 849			2, 101, 990	2, 828, 965	4, 428, 058	13, 163, 618 (June 23, 1961)
Colonial Stores Foundation Post Office Box 4358, Atlanta 2, Ga.	10, 083					162, 854	134, 611
Evans, Lettie Pate, Foundation, Inc. 205 Whitehead Bldg., Atlanta 3, Ga.	202, 286			377, 319	1, 009, 348	8, 965, 387	10, 289, 013
Reynolds, Z. Smith, Foundation, Inc. Sapelo Island, Ga. See North Carolina listing for data.							
Joseph B. Whitehead Foundation Whitehead Bldg., Atlanta 3, Ga.	159, 539			164, 437		5, 412, 400	6, 876, 763
Woodruff, Emily and Ernest, Foundation Care of Trust Co. of Georgia, Atlanta 2, Ga.	253, 150			576, 778	1, 232, 246	26, 043, 762	49, 127, 386
HAWAII							
Castle, Samuel N. and Nellie, Foundation Care of Hawaiian Trust Co., Ltd., Post Office Box 3170, Honolulu 2, Hawaii.	107, 743	220, 044		237, 425	347, 492	1, 956, 710	5, 582, 830
Wilcox, G. N., Trust Care of Bishop Trust Co., Ltd., Post Office Box 2390, Honolulu 4, Hawaii.	9, 162			387, 398	332, 892	959, 056	2, 645, 551 (Dec. 2, 1960)
ILLINOIS							
Abbott Laboratories Fund 1400 Sheridan Rd., North Chicago, Ill.	41, 186			25, 000		74, 170	72, 360
The Allstate Foundation 7447 Skokie Blvd., Skokie, Ill.	55, 235				70, 000	2, 137, 003	2, 137, 003
Amsted Industries Foundation (formerly American Steel Foundries Foundation). Prudential Plaza, Chicago 1, Ill.	9, 576			161, 851	78, 936	54, 400	62, 475
Baumgarten, Joseph and Gertrude, Foundation Care of Katz, Wagner & Co., 105 West Adams St., Chicago 3, Ill.	5, 957	6, 159		947, 594		77, 422	77, 422
Beidler, Francis, Charitable Trust 140 South Dearborn St., Chicago 3, Ill.	1, 505			309, 088	82, 378	310, 896	1, 124, 718
Bell & Howell Foundation 7100 McCormick Rd., Chicago 45, Ill.	61, 778						
Borg-Warner Foundation, Inc. 200 South Michigan Ave., Chicago 4, Ill.	89, 579	393, 861		29, 906			
Burroughs Foundation 50 South LaSalle St., Chicago 90, Ill.	1, 197			13, 000	166, 860	48, 728	164, 995
Caterpillar Foundation 600 West Washington St., East Peoria, Ill.	9, 925	34, 339		565, 925			
Concora Foundation 38 East Dearborn St., Chicago 3, Ill.	30, 342			124, 175		1, 314, 157	1, 662, 638
Cummings Foundation 135 South LaSalle St., Room 1625, Chicago 3, Ill.	6, 064					616, 115	1, 246, 709
D & R Fund 77 West Washington St., Chicago 2, Ill.	12, 170	592		390, 430	179, 900	1, 115, 196	1, 679, 302 (Jan. 31, 1961)
Deere, John, Foundation 1323 3d Ave., Moline, Ill.	298, 836	793, 987		1, 302, 404	404, 056	324, 168	620, 577 (Dec. 31, 1960)
Dick, A. B., Foundation 5700 West Touhy Ave., Chicago 31, Ill.	36, 963			145, 761	70, 750	121, 861	125, 545
Dickinson, Theodore G., Foundation Care of Frank Moyle, Marquette Cement Manufacturing Co., Oglesby, Ill.	28, 680						
Dillon Foundation Avenue B and Wallace St., Sterling, Ill.	4, 334			24, 637		592, 414	711, 000
Ehlco Foundation 200 South Michigan Ave., Chicago 4, Ill.	4, 934						
Ekco Foundation, Inc. 1949 North Cicero Ave., Chicago 29, Ill.	152, 615	3, 215		92, 365	25, 099	1, 021, 626	1, 245, 110
Field, Marshall, & Co., Foundation 25 East Washington St., Chicago 2, Ill.	13, 266			101, 756	301, 601	167, 732	189, 845 (Nov. 30, 1960)
The Forest Fund 135 South LaSalle St., Chicago 3, Ill.	125, 115					1, 192, 330	1, 066, 937
Gardner-Denver Foundation South Front St., Quincy, Ill.	7, 738			9, 069	289, 464	525, 679	914, 446
Illinois Health Foundation, Inc. 6 North Michigan Ave., Chicago 2, Ill.	25, 847	18, 200		608, 042	387, 238	1, 683, 565	2, 964, 843
Illinois Philanthropic and Educational Foundation Elsah, Ill.	45, 410	8, 863	7, 590	1, 361, 260	133, 737	802, 556	994, 817
Illinois Tool Works Foundation 2501 North Keeler Ave., Chicago 39, Ill.	12, 870			204, 524			
Ingersoll Foundation 707 Fulton Ave., Rockford, Ill.	9, 831			120, 642	25, 000	474, 576	680, 574 (Nov. 30, 1961)
Inland Steel-Ryerson Foundation, Inc. 30 West Monroe St., Chicago 3, Ill.	64, 690	114, 412		1, 754, 022	1, 013, 247		

See footnotes at end of table.

SCHEDULE 1.—*Assets*—Continued

[Source: Documents submitted to the Select Committee on Small Business]

Foundation	Other investments ²	Capital assets: Depreciable (and depletable) assets less reserve for depreciation (and depletion)	Capital assets: Land	Other assets	Total assets, with market values of securities being used wherever available (where market quotations are unavailable, the securities are shown at book values; generally, assets other than securities are shown at book values) ³	Total assets based on book values only	
	(8)	(9)	(10)	(11)	(12)	(13)	(14)
GEORGIA	*1960*	*1960*	*1960*	*1960*	*1960*	*1960*	*1951*
Callaway Community Foundation 209 Broome St., La Grange, Ga.					$35,622,679	$16,014,018	$15,241,867
Callaway, Fuller E., Foundation Post Office Box 477, La Grange, Ga	$72,922	$320,536		$2,360	4,256,191	4,114,338	3,532,978
Callaway, Ida Cason, Foundation Pine Mountain, Ga.	240,000	501,738	$146,550	171,820	5,828,397	5,938,650	2,860,357
Campbell, John Bulow, Foundation 315 Trust Co. of Georgia Bldg., Atlanta 3, Ga.	972,249	261		7,463	19,251,395	10,464,351	7,555,849
Colonial Stores Foundation Post Office Box 4358, Atlanta 2, Ga.					144,694	172,937	183,350 (Jan. 1, 1955)
Evans, Lettie Pate, Foundation, Inc 205 Whitehead Bldg., Atlanta 3, Ga.					11,877,966	10,554,340	860,601
Reynolds, Z. Smith, Foundation, Inc. Sapelo Island, Ga. See North Carolina listing for data.							
Joseph B. Whitehead Foundation Whitehead Bldg., Atlanta 3, Ga.					7,200,739	5,736,376	5,640,332
Woodruff, Emily and Ernest, Foundation Care of Trust Co. of Georgia, Atlanta 2, Ga.					51,189,560	28,132,928	23,066,516
HAWAII							
Castle, Samuel N. and Nellie, Foundation Care of Hawaiian Trust Co., Ltd., Post Office Box 3170, Honolulu 2, Hawaii.		1			6,495,535	2,899,381	2,443,595
Wilcox, G. N., Trust Care of Bishop Trust Co., Ltd., Post Office Box 2390, Honolulu 4, Hawaii.					3,375,003	1,598,204	1,327,571
ILLINOIS							
Abbott Laboratories Fund 1400 Sheridan Rd., North Chicago, Ill.					138,546	140,357	24,020 (Jan. 1, 1952)
The Allstate Foundation 7447 Skokie Blvd., Skokie, Ill.				5,021	2,267,259	2,267,260	1,134,689 (Jan. 1, 1954)
Amsted Industries Foundation (formerly American Steel Foundries Foundation). Prudential Plaza, Chicago 1, Ill.					312,838	304,236	(Jan. 1, 1954)
Baumgarten, Joseph and Gertrude, Foundation Care of Katz, Wagner & Co., 105 West Adams St., Chicago, 3, Ill.			475,000	2,686	1,514,818	1,514,820	(Jan. 1, 1953)
Beidler, Francis, Charitable Trust 140 South Dearborn St., Chicago 3, Ill.	93,981	762,505		13,260	2,387,435	1,573,615	1,540,120
Bell & Howell Foundation 7100 McCormick Rd., Chicago 45, Ill.					61,778	61,778	(Jan. 1, 1952)
Borg-Warner Foundation, Inc 200 South Michigan Ave., Chicago 4, Ill.	486,277				990,623	1,000,000	1,000,000 (Jan. 1, 1954)
Burroughs Foundation 50 South LaSalle St., Chicago 90, Ill.					346,052	239,645	495,300 (Jan. 1, 1952)
Caterpillar Foundation 600 West Washington St., East Peoria, Ill.					610,189	579,264	(Jan. 1, 1953)
Concora Foundation 38 East Dearborn St., Chicago 3, Ill.					1,817,155	1,469,500	
Cummings Foundation 135 South LaSalle St., Room 1625, Chicago 3, Ill.					1,252,773	622,179	11,779
D & R Fund 77 West Washington St., Chicago 2, Ill.					2,262,394	1,732,135	
Deere, John, Foundation 1323 3d Ave., Moline, Ill.					3,419,860	3,097,600	862,969
Dick, A. B., Foundation 5700 West Touhy Ave., Chicago 31, Ill.					379,019	372,760	
Dickinson, Theodore G., Foundation Care of Frank Moyle, Marquette Cement Manufacturing Co., Oglesby, Ill.		106,735			135,415	135,833	127,602 (Jan. 1, 1952)
Dillon Foundation Avenue B and Wallace St., Sterling Ill.					739,971	621,386	(Jan. 1, 1954)
Ehlco Foundation 200 South Michigan Ave., Chicago 4, Ill.			100,000	52,645	157,579	157,580	215,000 (Jan. 1, 1952)
Ekco Foundation, Inc 1949 North Cicero Ave., Chicago 29, Ill.		232,887	54,200		1,805,491	1,582,009	492,518
Field, Marshall, & Co., Foundation 25 East Washington St., Chicago 2, Ill.			72,917		679,385	686,988	(Jan. 1, 1956)
The Forest Fund 135 South LaSalle St., Chicago 3, Ill.					1,192,052	1,307,440	(Jan. 1, 1956)
Gardner-Denver Foundation South Front St., Quincy, Ill.					1,220,717	845,714	200,000 (Jan. 1, 1952)
Illinois Health Foundation, Inc 6 North Michigan Ave., Chicago 2, Ill.		84,854	36,959		4,125,963	2,841,283	1,003,508
Illinois Philanthropic and Educational Foundation Elsah, Ill.		742,265		152,845	3,446,787	3,515,682	1,065,747
Illinois Tool Works Foundation 2501 North Keeler Ave., Chicago 39, Ill.				1,713	219,107	214,615	(Jan. 1, 1955)
Ingersoll Foundation 707 Fulton Ave., Rockford, Ill.	38,452				874,499	643,502	45,869
Inland Steel-Ryerson Foundation, Inc 30 West Monroe St., Chicago 3, Ill.			361,888		3,308,259	3,316,484	791,660

SCHEDULE 1.—*Assets*—Continued

[Source: Documents submitted to the Select Committee on Small Business]

Foundation	Cash (1)	Notes and accounts receivable less reserve for bad debts (2)	Inventories (3)	Investments in Government obligations [1] (4)	Investments in non-Government bonds, etc.[1] (5)	Book values of investments in corporate stocks (6)	Market values of investments in corporate stocks (7)
ILLINOIS—continued	*1960*	*1960*	*1960*	*1960*	*1960*	*1960*	*1960*
International Harvester Foundation 180 North Michigan Ave., Chicago 1, Ill.	$4,632	....	....	$2,641,138	$788,362	....	....
Jewel T Foundation 1955 West North Ave., Melrose Park, Ill.	29,283	....	....	$166,491	....	....	....
Kellogg, W. K., Foundation Trust Care of Harris Trust & Savings Bank, 111 West Monroe St., Chicago 90, Ill. See Michigan listing for data.							
Kemper, James S., Foundation Mutual Insurance Bldg., Chicago 40, Ill.	25,270	....	....	930,067	848,381	$758,688	$1,340,218
Kettering, Charles F., Foundation 40 South Clay St., Hinsdale, Ill.	567,802	$51,172	....	3,432,206	401,312	4,536,693	50,623,543
McGraw Foundation 1200 St. Charles Rd., Elgin, Ill.	54,218	13,285	....	....	1,153,676	912,603	1,223,348
Mayer, Oscar, Foundation 1241 North Sedgwick St., Chicago 10, Ill.	28,716	....	....	604,030	116,100	477,938	521,562 (Nov. 10, 1960)
Meyer-Ceco Foundation 5601 West 26th St., Cicero 50, Ill.	22,103	....	....	74,534	81,279	1,029,108	1,467,198 (Dec. 31, 1961)
The William H. Miner Foundation 667 The Rookery, Chicago 4, Ill.	523,397	1,140,000	....	978,010	3,771,218	9,676,259	9,739,831 (Dec. 31, 1961)
The Morton Fund 110 North Wacker Dr., Room 510, Chicago 6, Ill.	49,706	....	....	515,110	16,372	901,873	873,964
Morton, Mark, Foundation 110 North Wacker Dr., Chicago, Ill.	61,185	....	....	1,331,210	1,359,636	4,325,706	8,076,842
National Merit Scholarship Corp 1580 Sherman Ave., Evanston, Ill.	96,419	1,057	....	3,651,099	7,543,658	....	....
Olin Foundation, Inc. 333 North Michigan Ave., Chicago 1, Ill. See New York City listing for data.							
Olin Mathieson Chemical Corp Charitable Trust, East Alton, Ill.	....	....	....	1,202,330	1,627,000	3,874,781	5,134,065
Pullman, George M., Educational Foundation 168 North Michigan Ave., Chicago 1, Ill.	28,596	....	....	1,105,054	2,142,754	2,128,854	5,107,409
Pullman, Inc., Foundation 200 South Michigan Ave., Chicago 4, Ill.	1,486	....	....	160,391	277,000	654,121	984,349
Pure Oil Foundation, Inc 35 East Wacker Dr., Chicago 1, Ill.	32,410	....	....	230,917	....	180,200	215,947
Quaker Oats Foundation Merchandise Mart Plaza, Chicago 54, Ill.	225,086	4,916	....	295,000	466,304	47,012	46,912
Regenstein, Joseph and Helen, Foundation 330 East Grand Ave., Chicago 11, Ill.	77,494	....	....	....	....	2,481,115	2,481,115
The Seabury Foundation Care of Northern Trust Co., 50 South LaSalle St., Chicago 90, Ill.	30,552	....	....	38,323	4,620	2,175,303	3,119,523
Sears-Roebuck Foundation 3333 Arthington St., Chicago 7, Ill.	125,910	144,760	....	1,188,561	....	8,744,371	18,730,596 (Jan. 31, 1960)
Staley, A. E., Jr., Foundation Care of Citizens National Bank of Decatur, Decatur, Ill.	3,237	....	....	....	....	334,381	341,288
Standard Oil Foundation, Inc 910 South Michigan Ave., Chicago 80, Ill.	66,146	....	....	....	....	22,008,776	24,037,058
Swift & Co. Foundation 4114 South Packers Ave., Chicago 9, Ill.	23,673	....	....	513,095	861,375	....	....
Wieboldt Foundation 1580 Sherman Ave., Evanston, Ill.	89,520	....	....	939,381	58,100	2,709,699	5,501,894
Wilkie Foundation 254 North Laurel Ave., Des Plaines, Ill.	231,614	....	....	704,431	....	425,347	436,262
Woods Charitable Fund, Inc 59 East Van Buren St., Chicago 5, Ill.	225,958	96,680	....	477,845	112,151	3,861,272	11,845,500
INDIANA							
The EPH Foundation 1601 Wall St., Fort Wayne, Ind. See Michigan listing for data.							
Honeywell Foundation, Inc 119 West Canal St., Wabash, Ind.	44,730	128,450	$4,433	726,382	2,057,123	1,589,319	2,798,828
Jordan, Arthur, Foundation 1204 North Delaware St., Indianapolis 2, Ind.	112,299	2,619,475	....	6,000	....	1,149,065	1,565,618 (Mar. 31, 1961)
Lilly Endowment, Inc 914 Merchants Bank Bldg., Indianapolis 4, Ind.	406,682	61,700	....	250,889	....	28,455,523	126,139,895
KENTUCKY							
Bernheim, Isaac W., Foundation 517 Starks Bldg., Louisville, Ky.	4,134	57,000	....	1,515,220	1,337,790	1,979,912	2,917,868 (Jan. 30, 1960)
MAINE							
Bath Iron Works Charitable Trust 700 Washington St., Bath, Maine.	60,485	....	....	44,623	141,483	....	....
Davenport, George P., Trust Fund Post Office Box 294, Bath, Maine.	1,887	....	....	866,463	1,138,154	430,409	488,609 (Dec. 22, 1961)

See footnotes at end of table.

SCHEDULE 1.—*Assets*—Continued

[Source: Documents submitted to the Select Committee on Small Business]

Foundation	Other investments [2]	Capital assets: Depreciable (and depletable) assets less reserve for depreciation (and depletion)	Capital assets: Land	Other assets	Total assets, with market values of securities being used wherever available (where market quotations are unavailable, the securities are shown at book values; generally, assets other than securities are shown at book values) [3]	Total assets based on book values only	
	(8)	(9)	(10)	(11)	(12)	(13)	(14)
ILLINOIS—continued	*1960*	*1960*	*1960*	*1960*	*1960*	*1960*	*1951*
International Harvester Foundation 180 North Michigan Ave., Chicago 1, Ill.				$45, 245	$3, 479, 377	$3, 469, 516	$1, 324, 067
Jewel T Foundation 1955 West North Ave., Melrose Park, Ill.	$146, 441	$55, 000		1, 416	398, 631	398, 631	(Jan. 1, 1953)
Kellogg, W. K., Foundation Trust Care of Harris Trust & Savings Bank, 111 West Monroe St., Chicago 90, Ill. See Michigan listing for data.							
Kemper, James S., Foundation Mutual Insurance Bldg., Chicago 40, Ill.				65, 241	3, 209, 177	2, 628, 946	853, 088
Kettering, Charles F., Foundation 40 South Clay St., Hinsdale, Ill.	10, 359			853, 705	55, 940, 180	9, 900, 250	3, 512, 249
McGraw Foundation 1200 St. Charles Rd., Elgin, Ill.			$574, 220	425	3, 019, 172	2, 708, 428	237, 611
Mayer, Oscar Foundation 1241 North Sedgwick St., Chicago 10, Ill.					1, 270, 408	1, 226, 785	360, 877
Meyer-Ceco Foundation 5601 West 26th St., Cicero 50, Ill.	251				1, 645, 365	1, 222, 202	204, 779
The William H. Miner Foundation 667 The Rookery, Chicago 4, Ill.	470, 575	8, 132	1	64, 713	16, 605, 877	16, 632, 305	11, 759, 020
The Morton Fund 110 North Wacker Dr., Room 510, Chicago 6, Ill.					1, 455, 152	1, 490, 412	66, 857
Morton, Mark, Foundation 110 North Wacker Dr., Chicago, Ill.				26, 696	10, 855, 560	7, 138, 008	1, 017, 035
National Merit Scholarship Corp 1580 Sherman Ave., Evanston, Ill.				524	11, 292, 757	11, 222, 531	50, 000 (July 1, 1955)
Olin Foundation, Inc. 333 North Michigan Ave., Chicago 1, Ill. See New York City listing for data.							
Olin Mathieson Chemical Corp. Charitable Trust, East Alton, Ill.					7, 963, 395	6, 700, 037	660, 712
Pullman, George M., Educational Foundation 168 North Michigan Ave., Chicago 1, Ill.				1	8, 383, 814	5, 505, 320	3, 874, 817
Pullman, Inc., Foundation 200 South Michigan Ave., Chicago 4, Ill.					1, 423, 226	1, 119, 853	25, 000
Pure Oil Foundation, Inc 35 East Wacker Dr., Chicago 1, Ill.	68, 862				548, 136	521, 300	82, 508 (Jan. 1, 1954)
Quaker Oats Foundation Merchandise Mart Plaza, Chicago 54, Ill	466, 304				1, 504, 522	1, 038, 320	514, 006
Regenstein, Joseph and Helen, Foundation 330 East Grand Ave., Chicago 11, Ill.					2, 558, 600	2, 558, 609	214, 935
The Seabury Foundation Care of Northern Trust Co., 50 South LaSalle St., Chicago 90, Ill.					3, 193, 018	2, 247, 137	1, 269, 943
Sears-Roebuck Foundation 3333 Arthington St., Chicago 7, Ill.	48, 066				20, 237, 893	10, 251, 670	4, 346, 079
Staley, A. E., Jr., Foundation Care of Citizens National Bank of Decatur, Decatur, Ill.					344, 525	337, 618	91, 286 (Jan. 1, 1956)
Standard Oil Foundation, Inc 910 South Michigan Ave., Chicago 80, Ill.					24, 103, 204	22, 074, 922	(Jan. 1, 1952)
Swift & Co. Foundation 4114 South Packers Ave., Chicago 9, Ill.				671	1, 398, 814	1, 368, 785	1, 000, 000 (Jan. 1, 1953)
Wieboldt Foundation 1580 Sherman Ave., Evanston, Ill.	176, 266	1, 143, 059	705, 172	37, 358	8, 650, 750	5, 882, 884	4, 490, 836
Wilkie Foundation 254 North Laurel Ave., Des Plaines, Ill.	50, 000				1, 512, 307	1, 400, 024	90, 917 (Jan. 1, 1952)
Woods Charitable Fund, Inc 59 East Van Buren St., Chicago 5, Ill.					12, 758, 134	4, 773, 908	501, 933
INDIANA							
The EPH Foundation 1601 Wall St., Fort Wayne, Ind. See Michigan listing for data.							
Honeywell Foundation, Inc 119 West Canal St., Wabash, Ind.	610, 728	1, 047, 360	80, 357	11, 363	7, 509, 772	6, 443, 765	4, 769, 150 (Jan. 1, 1953)
Jordan, Arthur, Foundation 1204 North Delaware St., Indianapolis 2, Ind.	169, 051	1, 106, 528		630	5, 579, 601	5, 163, 051	3, 344, 034 (Jan. 1, 1952)
Lilly Endowment, Inc 914 Merchants Bank Bldg., Indianapolis 4, Ind				76, 456	126, 935, 631	29, 250, 052	26, 108, 960
KENTUCKY							
Bernheim, Isaac W., Foundation 517 Starks Bldg., Louisville, Ky.	2				5, 832, 014	5, 042, 560	4, 063, 062 (Jan. 1, 1955)
MAINE							
Bath Iron Works Charitable Trust 700 Washington St., Bath, Maine.					246, 951	267, 705	(Jan. 1, 1954)
Davenport, George P., Trust Fund Post Office Box 294, Bath, Maine.					2, 495, 113	2, 436, 915	1, 729, 048 (Jan. 1, 1957)

SCHEDULE 1.—*Assets*—Continued

[Source: Documents submitted to the Select Committee on Small Business]

Foundation	Cash (1)	Notes and accounts receivable less reserve for bad debts (2)	Inventories (3)	Investments in Government obligations [1] (4)	Investments in non-Government bonds, etc.[1] (5)	Book values of investments in corporate stocks (6)	Market values of investments in corporate stocks (7)
MARYLAND							
Reynolds, Zachary Smith, Trust. Care of Mercantile Safe Deposit & Trust Co., 13 South St., Baltimore 2, Md. See North Carolina listing for data.							
Straus, Aaron and Lillie, Foundation, Inc. 1 South Howard St., Baltimore 1, Md.	*1960* $66,402	*1960* $16,226	*1960* ----------	*1960* $92,814	*1960* $905,971	*1960* $2,085,445	*1960* $2,409,770
MASSACHUSETTS							
Boston Foundation 400 Commonwealth Ave., Boston, Mass.	21,942	1,032,681	----------	----------	----------	119,502	119,502
Hyams, Godfrey M., Trust 294 Washington St., Boston 8, Mass.	307,640	----------	----------	3,556,694	3,836,035	7,021,036	20,295,998
Hyams, Sarah A., Fund, Inc. 294 Washington St., Boston 8, Mass.	16,221	----------	----------	175,951	503,085	586,356	1,421,494
Spaulding, Marion S. Potter, Charitable Trusts. Spaulding, Huntley N., Charitable Trust. Spaulding, Harriet M., Charitable Trust. Care of Fiduciary Trust Co., 10 Post Office Sq., Boston 5, Mass. See New Hampshire listing for data.							
MICHIGAN							
American Box Board Co. Foundation Old Kent Bank & Trust Co., Grand Rapids 2, Mich.	18,893	----------	----------	10,300	----------	----------	----------
Besser Foundation Care of Besser Co., Alpena, Mich.	132,435	330,420	----------	58,562	1,000	2,421,000	2,421,000
Breech, Ernest and Thelma, Foundation The American Rd., Dearborn, Mich.	38,419	----------	----------	----------	----------	452,219	481,697
Burroughs Foundation 6071 2d Ave., Detroit 32, Mich. See Illinois listing for data.							
Chrysler Fund 341 Massachusetts Ave., Detroit 31, Mich.	13,281	----------	----------	764,390	1,246,712	----------	----------
The Cranbrook Foundation Lone Pine Rd., Bloomfield Hills, Mich.	159,001	19,963	$27,758	965,943	----------	5,682,954	5,761,899
Cunningham Drug Co. Foundation 1927 12th St., Detroit 16, Mich.	11,126	19,632	----------	41,500	156,320	199,176	413,486
Detroit Steel Corp. Charitable Trust Care of National Bank of Detroit, 660 Woodward Ave., Detroit 26, Mich.	4,768	----------	----------	101,190	319,770	141,756	141,756
Dow, Herbert H. and Grace A., Foundation 315 Post St., Midland, Mich.	27,254	----------	----------	----------	----------	11,860,203	48,150,885
The EPH Foundation 6233 Concord Ave., Detroit, Mich.	1,204,403	----------	----------	646,427	----------	----------	----------
Earhart Foundation 902 First National Bldg., Ann Arbor, Mich.	116,626	----------	----------	362,770	----------	1,083,024	3,976,675
Federal-Mogul-Bower Bearings, Inc., Charitable Trust Fund Care of National Bank of Detroit, Detroit 32, Mich.	4,800	----------	----------	165,620	86,830	----------	----------
Ferry, D. M., Jr., Trustee Corp. 2124 Guardian Bldg., Detroit 26, Mich.	90,949	106,410	----------	1,019,625	249,082	1,652,284	5,201,235 (Oct. 10, 1960)
Fink, George R. and Elise M., Foundation 3945 Penobscot Bldg., Detroit 26, Mich.	11,787	----------	----------	----------	----------	653,357	787,505
Ford Motor Co. Fund The American Rd., Dearborn, Mich.	58,287	629	----------	11,757,003	3,458,344	----------	----------
Ford, Benson and Edith, Fund 1400 Buhl Bldg., Detroit 26, Mich.	1,627	1,377,421	----------	----------	----------	507,738	871,594
Ford, Eleanor Clay, Fund 1400 Buhl Bldg., Detroit, Mich.	66,881	35,180	----------	3,253,890	----------	459,112	807,975
Ford, Henry and Anne, Fund 1400 Buhl Bldg., Detroit 26, Mich.	70,502	35,180	----------	28,106	----------	669,412	1,178,040
Ford, Walter and Josephine, Fund 1400 Buhl Bldg., Detroit 26, Mich.	45,766	1,230,402	----------	99,462	----------	----------	----------
Ford, William and Martha, Fund 1400 Buhl Bldg., Detroit 26, Mich.	22,353	433,498	----------	----------	----------	----------	----------
Fruehauf, Roy, Foundation, Inc. 10940 Harper Ave., Detroit 32, Mich.	7,813	24,500	----------	----------	249,600	347,440	344,783
Gerber Baby Foods Fund 405 State St., Fremont, Mich.	14,250	50,434	----------	----------	----------	616,250	1,683,000
Gordon, Josephine E., Foundation 154 Taylor Ave., Detroit 2, Mich.	17,581	----------	----------	----------	----------	9,034,183	[7] 11,431,115
Herrick Foundation 3456 Penobscot Bldg., Detroit 26, Mich.	268,045	1,150	----------	----------	----------	13,595,700	26,933,625
Hudson-Webber Foundation 1206 Woodward Ave., Detroit 26, Mich.	37,809	244,701	----------	----------	444,240	2,366,214	3,577,893
Joy, Helen Newberry, Fund 2056 Penobscot Bldg., Detroit 26, Mich.	46,075	----------	----------	390,000	12,800	693,933	1,280,605
The Kanzler Fund 1700 United Artists Bldg., Detroit 26, Mich.	19,727	----------	----------	----------	----------	342,719	530,667
Kellogg, W. K., Foundation 250 Champion St., Battle Creek, Mich.	533,271	543,347	----------	10,669,983	12,723,091	12,411,590	19,865,567
Kellogg, W. K., Foundation Trust 250 Champion St., Battle Creek, Mich.	----------	----------	----------	----------	----------	33,105,417	208,014,760
The Kresge Foundation 2727 2d Ave., Detroit 32, Mich.	1,306,868	442,428	----------	9,925,350	4,902,820	68,322,832	65,487,150
McCarthy, Jerry, Foundation 6250 Woodward Ave., Detroit 2, Mich.	572,158	----------	----------	300,000	----------	1,088,574	979,566

See footnotes at end of table.

SCHEDULE 1.—*Assets*—Continued

[Source: Documents submitted to the Select Committee on Small Business]

Foundation	Other investments [2] (8)	Capital assets: Depreciable (and depletable) assets less reserve for depreciation (and depletion) (9)	Capital assets: Land (10)	Other assets (11)	Total assets, with market values of securities being used wherever available (where market quotations are unavailable, the securities are shown at book values; generally, assets other than securities are shown at book values) [3] (12)	Total assets based on book values only (13)	(14)
MARYLAND							
Reynolds, Zachary Smith, Trust. Care of Mercantile Safe Deposit & Trust Co., 13 South St., Baltimore 2, Md. See North Carolina listing for data.							
Straus, Aaron and Lillie, Foundation, Inc. 1 South Howard St., Baltimore 1, Md.	*1960* $31,175	*1960* $1,736,071	*1960* $1,959,948	*1960* $30,000	*1960* $7,248,377	*1960* $7,021,502	*1951* $1,658,270
MASSACHUSETTS							
Boston Foundation 400 Commonwealth Ave., Boston, Mass.	----------	----------	----------	2,777,419	3,951,544	3,951,544	5,536,727
Hyams, Godfrey M., Trust 294 Washington St., Boston 8, Mass.	----------	----------	----------	----------	27,996,367	14,864,489	11,316,796
Hyams, Sarah A., Fund, Inc. 294 Washington St., Boston 8, Mass.	2	----------	----------	----------	2,116,753	1,329,114	1,358,982
Spaulding, Marion S. Potter, Charitable Trusts. Spaulding, Huntley N., Charitable Trust. Spaulding, Harriet M., Charitable Trust. Care of Fiduciary Trust Co., 10 Post Office Sq., Boston 5, Mass. See New Hampshire listing for data.							
MICHIGAN							
American Box Board Co. Foundation Old Kent Bank & Trust Co., Grand Rapids 2, Mich.	40,000	512,500	----------	----------	581,693	581,393	---------- (Jan. 1, 1952)
Besser Foundation Care of Besser Co., Alpena, Mich.	670,999	----------	----------	----------	3,614,416	3,614,417	205,000
Breech, Ernest and Thelma, Foundation The American Rd., Dearborn, Mich.	----------	----------	----------	----------	520,116	490,639	9,509
Burroughs Foundation 6071 2d Ave., Detroit 32, Mich. See Illinois listing for data.							
Chrysler Fund 341 Massachusetts Ave., Detroit 31, Mich.	----------	----------	----------	----------	2,024,383	2,037,052	92,000 (Jan. 1, 1953)
The Cranbrook Foundation Lone Pine Rd., Bloomfield Hills, Mich.	----------	1,507,605	[illegible],022,981	12,380	9,477,530	9,378,073	8,586,280
Cunningham Drug Co. Foundation 1927 12th St., Detroit 16, Mich.	----------	----------	----------	----------	642,064	444,941	100,000
Detroit Steel Corp. Charitable Trust Care of National Bank of Detroit, 660 Woodward Ave, Detroit 26, Mich.	----------	----------	----------	----------	567,484	567,484	516,415 (Jan. 1, 1954)
Dow, Herbert H. and Grace A., Foundation 315 Post St., Midland, Mich.	----------	107,250	461,126	----------	48,746,515	12,455,834	6,364,982
The EPH Foundation 6233 Concord Ave., Detroit, Mich.	2,306,502	----------	----------	----------	4,157,332	4,157,333	----------
Earhart Foundation 902 First National Bldg., Ann Arbor, Mich.	152,314	----------	----------	----------	4,608,385	1,730,023	1,315,253
Federal-Mogul-Bower Bearings, Inc., Charitable Trust Fund Care of National Bank of Detroit, Detroit 32, Mich.	----------	----------	----------	----------	257,250	256,608	---------- (Jan. 1, 1953)
Ferry, D. M., Jr., Trustee Corp. 2124 Guardian Bldg., Detroit 26, Mich.	----------	320	132,470	1,123	6,801,214	3,386,531	2,272,241
Fink, George R. and Elise M., Foundation 3945 Penobscot Bldg., Detroit 26, Mich.	----------	246	----------	----------	799,538	665,391	---------- (Dec. 1, 1954)
Ford Motor Co. Fund The American Rd., Dearborn, Mich.	7,163,320	5,192	----------	86,657	22,529,432	22,421,301	11,460,230
Ford, Benson and Edith, Fund 1400 Buhl Bldg., Detroit 26, Mich.	----------	----------	----------	----------	2,250,642	1,886,786	233,336
Ford, Eleanor Clay, Fund 1400 Buhl Bldg., Detroit, Mich.	----------	----------	----------	----------	4,163,926	3,815,062	368,323
Ford, Henry and Anne, Fund 1400 Buhl Bldg., Detroit 26, Mich.	----------	----------	----------	----------	1,311,918	803,291	6,500 (Jan. 1, 1953)
Ford, Walter and Josephine, Fund 1400 Buhl Bldg., Detroit 26, Mich.	----------	----------	----------	----------	1,375,630	1,375,631	38,156
Ford, William and Martha, Fund 1400 Buhl Bldg., Detroit 26, Mich.	----------	----------	----------	----------	455,851	455,851	6,500 (Jan. 1, 1953)
Fruehauf, Roy, Foundation, Inc. 10940 Harper Ave., Detroit 32, Mich.	----------	3,817	----------	----------	630,513	634,866	30,734
Gerber Baby Foods Fund 405 State St., Fremont, Mich.	14,250	----------	----------	----------	1,770,934	704,184	(Jan. 1, 1953)
Gordon, Josephine E., Foundation 154 Taylor Ave., Detroit 2, Mich.	----------	----------	----------	----------	11,448,696	9,051,764	9,061,844
Herrick Foundation 3456 Penobscot Bldg., Detroit 26, Mich.	----------	----------	----------	----------	27,202,820	13,864,895	167,836
Hudson-Webber Foundation 1206 Woodward Ave., Detroit 26, Mich.	----------	----------	54,140	192,411	4,551,194	3,338,437	1,704,427
Joy, Helen Newberry Fund 2056 Penobscot Bldg., Detroit 26, Mich.	----------	----------	----------	----------	1,729,480	1,135,975	299,544
The Kanzler Fund 1700 United Artists Bldg., Detroit 26, Mich.	----------	----------	----------	----------	550,394	362,646	212,245
Kellogg, W. K., Foundation 250 Champion St., Battle Creek, Mich.	1,827,264	84,000	361	----------	46,246,884	39,489,660	19,260,357
Kellogg, W. K., Foundation Trust 250 Champion St., Battle Creek, Mich.	----------	----------	----------	----------	208,014,760	33,105,417	31,980,385
The Kresge Foundation 2727 2d Ave., Detroit 32, Mich.	----------	6,857,284	----------	92,494	89,014,394	91,921,402	84,985,133
McCarthy, Jerry, Foundation, 6250 Woodward Ave., Detroit 2, Mich.	552,527	383,712	295,150	31,476	3,114,589	3,223,083	96,127

SCHEDULE 1.—*Assets*—Continued

[Source: Documents submitted to the Select Committee on Small Business]

Foundation	Cash (1)	Notes and accounts receivable less reserve for bad debts (2)	Inventories (3)	Investments in Government obligations [1] (4)	Investments in non-Government bonds, etc.[1] (5)	Book values of investments in corporate stocks (6)	Market values of investments in corporate stocks (7)
MICHIGAN—continued							
	1960	*1960*	*1960*	*1960*	*1960*	*1960*	*1960*
McGregor Fund 2486 National Bank Bldg., Detroit 26, Mich.	$360,342			$2,263,000	$7,549,010	$3,407,557	$17,566,723 (Dec. 31, 1960)
Mott, Charles Stewart, Foundation 1401 East Court St., Flint 2, Mich.	1,989,335	$130,740	$15,838		889,700	23,928,677	[6] 70,353,699
Mueller Brass Foundation 1925 Lapeer Ave., Port Huron, Mich.	21,314				52,792	47,157	56,321
National Foundation of Rochester, Mich. Care of National Twist Drill & Tool Co., Administration Bldg., Rochester, Mich.	15,341			140,000		39,618	37,455 (Dec. 30, 1960)
Pardee, Elsa U., Foundation 923 West Park Dr., Midland, Mich.						1,072,893	9,744,905
Relm Foundation 902 First National Bldg., Ann Arbor, Mich.	104,023			2,419,312	308,390	3,856,029	6,430,605
Sackner, Wade E. and Viola, Foundation Care of Warner-Norcoss & Judd, 300 Michigan Trust Bldg., Grand Rapids 2, Mich.	28,597	18,577		155,000	214,000	1,308,147	1,764,446
Upjohn, W. E., Unemployment Trustee Corp 301 Henrietta St., Kalamazoo, Mich.	16,533	16,278		1,088,437	2,928,846	2,070,717	8,727,731
Webber, Eloise and Richard, Foundation 1206 Woodward Ave., Detroit 26, Mich.	23,709			20,450	2,310	2,553,851	2,800,695
Whirlpool Foundation St. Joseph, Mich.	36,005	201,600			505,309	251,264	346,247
The Whiting Foundation 906 Citizens Bank Bldg., Flint 2, Mich.	318,128	75,000		7,035		870,006	935,348
MINNESOTA							
Hill, Louis W. and Maud, Family Foundation W-500 First National Bank Bldg., St. Paul 1, Minn.	249,890	148,931		444,316	5,968,503	10,734,361	46,812,382 (Feb. 28, 1961)
Hormel Foundation Austin, Minn.	48,339		9,231	50,370		1,663,634	4,260,686
Ordean, Albert and Louise, Charity 312 West Superior St., Duluth 2, Minn.	98,343			4,606,900	64,890	74,768	1,594,703
Tozer Foundation Care of First Trust Co. of St. Paul, St. Paul 1, Minn.	45,145				913,741	1,064,393	3,675,864
Walker, T. B., Foundation, Inc 1121 Hennepin Ave., Minneapolis 3, Minn.	109,509	1,116,358		323,109	3,808,871	3,286,151	6,482,202
Weyerhaeuser Foundation, Inc W-2191 First National Bank Bldg., St. Paul 1, Minn.	63,781			310,885	204,160	716,391	884,513
Wilder, Amherst H., Foundation 355 Washington St., St. Paul 2, Minn.	103,609	13,425			1,213,726	2,295,363	38,367,010 (June 30, 1961)
MISSOURI							
Anheuser-Busch Charitable Trust Care of St. Louis Union Trust Co., 510 Locust St., St. Louis, Mo.	27,796			50,156	1,476,390	1,193,424	2,136,273 (Aug. 7, 1961)
Blewett, Parsons, Memorial Fund 911 Locust St., St. Louis 1, Mo.	24,667	18,536		372,880	662,560	1,102,788	3,587,103
Brown Shoe Co. Charitable Trust Care of St. Louis Union Trust Co., 510 Locust St., St. Louis 1, Mo.	21,400			19,000	725,352	321,257	476,551 (Aug. 7, 1961)
Danforth Foundation 835 South 8th St., St. Louis 2, Mo.	230,670	17,000		2,782,369	8,249,707	15,821,405	87,548,847
Falstaff Foundation 5050 Oakland Ave., St. Louis 10, Mo.	29,511			317,992			
Gaylord, Clifford Willard, Foundation 111 North 4th St., St. Louis 2, Mo.	21,599			99,396		2,350,819	5,574,042
Hallmark Educational Foundation 25th and McGee Trafficway, Kansas City 8, Mo.	77,660			562,612	1,113,410	3,135,015	3,463,508
Loose, Carrie J., Fund 1002 Insurance Exchange Bldg., Kansas City 5, Mo.	52			1,397,824	861,963	1,352,277	1,822,134 (Apr. 14, 1961)
Loose, Ella C., Fund 1002 Insurance Exchange Bldg., Kansas City 5, Mo.	1,936			221,960	589,800	970,565	2,720 620
Loose, Jacob L., Million Dollar Charity Fund Trust 1002 Insurance Exchange Bldg., Kansas City 5, Mo.	172			290,254	216,565	439,076	533,648
May Stores Foundation, Inc 601 Olive St., St. Louis 1, Mo.	24,145			219,211		1,326,212	1,765,000
McDonnell Aircraft Corp. Foundation Care of St. Louis Union Trust Co., 510 Locust St., St. Louis, 1, Mo.	64,819			286,682	1,321,204	653,089	2,266,766 (July 6, 1961)
McDonnell Foundation, Inc Post Office Box 516, St. Louis 3, Mo.		30,000		79,545		1,516,003	5,575,924
Monsanto Charitable Trust Care of Monsanto Chemical Co., 800 North Lindbergh Blvd., St. Louis 66, Mo.	81,877			344,554	403,240	231,497	277,485 (Nov. 7, 1960)
William Rockhill Nelson Trust 1114 Bryant Bldg., Kansas City, Mo.	322,591			5,051,844			
Olin, John M., Trust Care of St. Louis Union Trust Co., 510 Locust St., St. Louis 1, Mo.	1,942			19,756	155,937	603,947	614,490 (Nov. 7, 1960)
Olin, Spencer T., Trust Care of St. Louis Union Trust Co., 510 Locust St., St. Louis 1, Mo.	18,388			135,000		828,538	498,200 (Nov. 7, 1960)

See footnotes at end of table.

SCHEDULE 1.—*Assets*—Continued

[Source: Documents submitted to the Select Committee on Small Business]

Foundation	Other investments [3]	Capital assets: Depreciable (and depletable) assets less reserve for depreciation (and depletion)	Capital assets: Land	Other assets	Total assets, with market values of securities being used wherever available (where market quotations are unavailable, the securities are shown at book values; generally, assets other than securities are shown at book values) [3]	Total assets based on book values only	
	(8)	(9)	(10)	(11)	(12)	(13)	(14)
MICHIGAN—continued	*1960*	*1960*	*1960*	*1960*	*1960*	*1960*	*1951*
McGregor Fund 2486 National Bank Bldg., Detroit 26, Mich.	$8,120			$380	$27,747,575	$14,548,726	$9,860,425
Mott, Charles Stewart, Foundation 1401 East Court St., Flint 2, Mich.	190,647	$2,306,021	$463,000	415,337	76,754,317	30,347,955	13,209,883
Mueller Brass Foundation 1925 Lapeer Ave., Port Huron, Mich.					130,427	131,150	5,000 (Jan. 1, 1954)
National Foundation of Rochester, Mich Care of National Twist Drill & Tool Co., Administration Bldg., Rochester, Mich.					192,796	194,959	351,506
Pardee, Elsa U., Foundation 923 West Park Dr., Midland, Mich.					9,744,905	1,072,893	1,073,125
Relm Foundation 902 First National Bldg., Ann Arbor, Mich.					9,262,330	6,680,361	132,715
Sackner, Wade E. and Viola, Foundation Care of Warner-Norcross & Judd, 300 Michigan Trust Bldg., Grand Rapids 2, Mich.	75,500			535,877	2,791,997	2,318,558	
Upjohn, W. E., Unemployment Trustee Corp 301 Henrietta St., Kalamazoo, Mich.		208,433	88,501	32,092	13,106,851	6,428,661	846,000
Webber, Eloise and Richard, Foundation 1206 Woodward Ave., Detroit 26, Mich.	421,810			5	3,268,970	3,021,420	2,516,113
Whirlpool Foundation St. Joseph, Mich.					1,089,161	994,179	
The Whiting Foundation 906 Citizens Bank Bldg., Flint 2, Mich.	22,604		184,507	21,000	1,563,622	1,498,280	239,226 (Jan. 1, 1952)
MINNESOTA							
Hill, Louis W. and Maud, Family Foundation W-500 First National Bank Bldg., St Paul 1, Minn.	5,616,416			302,297	59,542,735	23,464,718	5,167,038 (Jan. 1, 1952)
Hormel Foundation Austin, Minn.		477,080			4,845,706	2,248,418	1,537,220
Ordean, Albert and Louise, Charity 312 West Superior St., Duluth 2, Minn.	45,377	7,559	600	1,745	6,420,117	5,028,433	3,580,078
Tozer Foundation Care of First Trust Co. of St. Paul, St. Paul 1, Minn.	249,564				4,884,314	2,358,415	2,250,084
Walker, T. B., Foundation, Inc 1121 Hennepin Ave., Minneapolis 3, Minn.	174,274	335,518	10,500	45,145	12,495,486	9,606,416	5,237,172
Weyerhaeuser Foundation, Inc W-2191 First National Bank Bldg., St. Paul 1, Minn.	536				1,463,875	1,299,635	63,800
Wilder, Amherst H., Foundation 355 Washington St., St. Paul 2, Minn.	172,359	1,344,591	208,297		41,423,017	5,351,372	4,494,504
MISSOURI							
Anheuser-Busch Charitable Trust Care of St. Louis Union Trust Co., 510 Locust St., St. Louis 1, Mo.	99,978				3,790,593	2,847,746	511,654 (Jan. 1, 1953)
Blewett, Parsons, Memorial Fund 911 Locust St., St. Louis 1, Mo.					4,665,746	2,253,320	1,542,377
Brown Shoe Co. Charitable Trust Care of St. Louis Union Trust Co., 510 Locust St., St. Louis 1, Mo.	98,747				1,341,050	1,185,757	188,999 (Jan. 1, 1953)
Danforth Foundation 835 South 8th St., St. Louis 2, Mo.	10,495				98,839,088	27,703,779	9,030,282
Falstaff Foundation 5050 Oakland Ave., St. Louis 10, Mo.		1,255,387	183,160	36,188	1,822,238	1,822,239	1,850 (Jan. 1, 1954)
Gaylord, Clifford Willard, Foundation 111 North 4th St., St. Louis 2, Mo.					5,695,037	2,471,849	131,994
Hallmark Educational Foundation 25th and McGee Trafficway, Kansas City 8, Mo.				28,838	5,246,028	4,914,507	777,420
Loose, Carrie J., Fund 1002 Insurance Exchange Bldg., Kansas City 5, Mo.	114,592				4,196,565	3,726,605	3,905,752
Loose, Ella C., Fund 1002 Insurance Exchange Bldg., Kansas City 5, Mo.	56,488				3,590,804	1,895,794	1,567,444
Loose, Jacob L., Million Dollar Charity Fund Trust 1002 Insurance Exchange Bldg., Kansas City 5, Mo.	9,846				1,050,485	906,874	995,889
May Stores Foundation, Inc 601 Olive St., St. Louis 1, Mo.					2,008,356	1,588,352	724,714
McDonnell Aircraft Corp. Foundation Care of St. Louis Union Trust Co., 510 Locust St., St. Louis 1, Mo.					3,939,471	2,325,796	82,327
McDonnell Foundation, Inc Post Office Box 516, St. Louis 3, Mo.					5,685,469	1,625,548	638,349
Monsanto Charitable Trust Care of Monsanto Chemical Co., 800 North Lindbergh Blvd., St. Louis 66, Mo.				134,478	1,241,634	1,195,648	169,316
William Rockhill Nelson Trust 1114 Bryant Bldg., Kansas City, Mo.	2,856,525	3,969,462		38,329	12,238,751	12,591,946	12,031,602
Olin, John M., Trust Care of St. Louis Union Trust Co., 510 Locust St., St. Louis 1, Mo.					792,125	781,584	30,573
Olin, Spencer T., Trust Care of St. Louis Union Trust Co., 510 Locust St., St. Louis 1, Mo.					651,588	680,285	38,759

SCHEDULE 1.—*Assets*—Continued

[Source: Documents submitted to the Select Committee on Small Business]

Foundation	Cash (1)	Notes and accounts receivable less reserve for bad debts (2)	Inventories (3)	Investments in Government obligations [1] (4)	Investments in non-Government bonds, etc.[1] (5)	Book values of investments in corporate stocks (6)	Market values of investments in corporate stocks (7)
MISSOURI—continued	*1960*	*1960*	*1960*	*1960*	*1960*	*1960*	*1960*
Ralston Purina Charitable Trust Care of St. Louis Union Trust Co., 510 Locust St., St. Louis 1, Mo.	$2,668			$119,000	$508,150	$398,099	$823,165
Speas, John W. and Effie, Memorial Fund Trust Care of First National Bank of Kansas City, Mo., 14 West 10th St., Kansas City 6, Mo.	10,767			830,445	26,500	67,522	98,342
Speas, Victor E., Foundation Trust Care of First National Bank of Kansas City, Mo., 14 West 10th St., Kansas City 6, Mo.	3,171			120,687	121,951	138,586	254,089
Swinney, Edward F., Fund 1002 Insurance Exchange Bldg., Kansas City 5, Mo.	22,762			275,970	614,348	(9)	1,965,686
Wohl Foundation 1601 Washington Ave., St. Louis 3, Mo.	28,678			200,000		95,200	1,725,500
NEBRASKA							
Cooper Foundation 325 Stuart Bldg., Lincoln 8, Nebr.	70,647	$828,094		75,957	337,093	105,000	105,000
Eppley, Eugene C., Foundation, Inc 2635 West 2d St., Hastings, Nebr.	314,431	8,663,454		8,678,470	3,230,000		
J. M. McDonald Foundation, Inc 2635 West 2d St., Post Office Box 722, Hastings, Nebr.	132,395					4,364,146	5,199,716
Swanson, Carl & Caroline, Foundation, Inc 1201 Douglas St., Omaha 8, Nebr.	355,994	379,311			633,062	522,233	472,869
Woods Charitable Fund, Inc Telephone Building, Lincoln 1, Nebr. See Illinois listing for for data.							
NEVADA							
Fleischmann, Max C., Foundation of Nevada 15 East 1st St., Reno, Nev.				25,379,933	1,335,785	23,682,379	42,242,750
NEW HAMPSHIRE							
Spaulding, Marion S. Potter, Charitable Trusts 95 North Main St., Concord, N.H.	35,430			775,356		3,171,608	3,171,608
Spaulding, Huntley, N., Charitable Trust Concord, N.H.	1,358			256,694		2,461,040	2,461,040
Spaulding, Harriet M., Charitable Trust Concord, N.H.	1,548			106,200		1,020,888	1,020,888
NEW JERSEY							
Borden, Mary Owen, Memorial Foundation Rumson, N.J.	117,910			774,925	989,189	1,297,712	1,826,688 (Oct. 31, 1960)
Fuld, Helene, Health Foundation 93 Fuld St. Trenton, N.J.	616,168	520				11,420,742	15,121,289
Ladd, Kate Macy, Fund 744 Broad St., Newark 2, N.J.	157,464	1,863	$12,817	3,651,143	4,984,650	4,397,136	12,407,830
Ripple, Fannie E., Foundation 744 Broad St., Newark 2, N.J.	275,580			5,902,300	6,016,100	9,626,791	13,150,300
Turrell Fund 100 North Arlington Ave., East Orange, N.J.	504,389			244,136	2,965,014	1,556,842	21,478,989
Victoria Foundation, Inc 253 Ridgewood Ave., Glen Ridge, N.J.	17,062			463,366		17,030,700	18,466,593
NEW YORK CITY							
Allen, Vivian B., Foundation, Inc 680 Madison Ave., New York 21, N.Y.	62,973	480				1,200,120	4,017,262
Altman Foundation 361 5th Ave., New York 16, N.Y.	68,722	92,080		296,875	11,550	10,538,311	12,390,332
American International Association for Economic and Social Development 30 Rockefeller Plaza, New York 20, N.Y.	331,412	44,411		314,355		50,000	50,000
Astor, Vincent, Foundation 405 Park Ave., New York 22, N.Y.	2,157,039			2,106,627	3,487,610	31,692,046	40,007,561
Avalon Foundation 713 Park Ave., New York 21, N.Y.	145,732	27,153		8,051,734	4,969,370	31,334,154	64,391,914
Baird, David, Josephine, and Winfield, Foundation, Inc 65 Broadway, New York 6, N.Y.	609,860	2,010,367				5,911,880	6,988,092
Baird, Winfield, Foundation 65 Broadway, New York 6, N.Y.	330,708	3,833,207				11,218,182	12,711,904
Baker, George F., Trust 2 Wall St., New York 5, N.Y.	187,844			1,388,322	5,972,758	7,550,051	7,550,051
Bay, Charles Ulrick and Josephine, Foundation, Inc 1 Wall St., New York 5, N.Y.	11,046			779,593	122,325	8,419,832	[10] 16,284,730
Benenson, Robert and Nettie, Foundation 11 West 42d St., New York 36, N.Y.	3,935						
The Bodman Foundation Care of Morris & McVeigh, 60 Wall St., New York 5, N.Y.	135,000	1,000,000		494,000	1,396,116	5,417,255	7,629,110
Bollingen Foundation, Inc 140 East 52d St., New York 21, N.Y.	386,448			501,600	300,000	2,242,994	3,899,800
Booth Ferris Foundation 149 Broadway, New York 6, N.Y.	26,198			1,003,818	4,576,525	20,035,614	25,154,807 (Dec. 15, 1960)
Borden Co. Foundation, Inc 350 Madison Ave., New York 17, N.Y.	9,136			579,192			

See footnotes at end of table.

SCHEDULE 1.—*Assets*—Continued

[Source: Documents submitted to the Select Committee on Small Business]

Foundation	Other investments [2]	Capital assets: Depreciable (and depletable) assets less reserve for depreciation (and depletion)	Capital assets: Land	Other assets	Total assets, with market values of securities being used wherever available (where market quotations are unavailable, the securities are shown at book values; generally, assets other than securities are shown at book values) [3]	Total assets based on book values only	
	(8)	(9)	(10)	(11)	(12)	(13)	(14)
MISSOURI—continued	*1960*	*1960*	*1960*	*1960*	*1960*	*1960*	*1951*
Ralston Purina Charitable Trust Care of St. Louis Union Trust Co., 510 Locust St., St. Louis 1, Mo.	$99,986				$1,552,969	$1,145,111	$183,113 (Jan. 1, 1953)
Speas, John W. and Effie, Memorial Fund Trust Care of First National Bank of Kansas City, Mo., 14 West 10th St., Kansas City 6, Mo.					966,054	925,028	350,000
Speas, Victor E., Foundation Trust Care of First National Bank of Kansas City, Mo., 14 West 10th St., Kansas City 6, Mo.					409,898	383,426	91,617 (Jan. 1, 1952)
Swinney, Edward F., Fund 1002 Insurance Exchange Bldg., Kansas City 5, Mo.	61,184				2,939,950		
Wohl Foundation 1601 Washington Ave., St. Louis 3, Mo.					1,954,178	322,805	322,065
NEBRASKA							
Cooper Foundation 325 Stuart Bldg., Lincoln 8, Nebr.		$2,680,445	$740,717	$13,637	4,851,590	4,773,210	3,321,233 (Jan. 1, 1952)
Eppley, Eugene C., Foundation, Inc 2635 West 2d St., Hastings, Nebr.					20,886,355	20,886,356	6,400
J. M. McDonald Foundation, Inc 2635 West 2d St., Post Office Box 722, Hastings, Nebr.	267,000				5,599,111	4,763,541	(Jan. 1, 1952)
Swanson, Carl & Caroline, Foundation, Inc 1201 Douglas St., Omaha 8, Nebr.		54,177	35,077		1,930,490	1,979,857	181,856 (Jan. 1, 1953)
Woods Charitable Fund, Inc Telephone Building, Lincoln 1, Nebr. See Illinois listing for data.							
NEVADA							
Fleischmann, Max C., Foundation of Nevada 15 East 1st St., Reno, Nev.		2,778	77,101	285	69,038,632	51,158,646	12,400
NEW HAMPSHIRE							
Spaulding, Marion S. Potter, Charitable Trusts 95 North Main St., Concord, N.H.					3,982,394	4,037,134	4,120,457 (Dec. 31, 1950)
Spaulding, Huntley N., Charitable Trust Concord, N.H.					2,719,092	2,718,193	2,461,040 (Aug. 15, 1956)
Spaulding, Harriet M., Charitable Trust Concord, N.H.					1,128,636	1,183,193	800,000 (June 7, 1955)
NEW JERSEY							
Borden, Mary Owen, Memorial Foundation Rumson, N.J.					3,708,712	3,179,737	1,704,656
Fuld, Helene, Health Foundation 93 Fuld St., Trenton, N.J.	40,000				15,777,977	12,077,430	3,620,478
Ladd, Kate Macy, Fund 744 Broad St., Newark 2, N.J.				6,992	21,222,759	13,662,369	12,210,276
Ripple, Fannie E., Foundation 744 Broad St., Newark 2, N.J.	582,687	7,034			25,934,001	22,992,994	(Jan. 1, 1954)
Turrell Fund 100 North Arlington Ave., East Orange, N.J.	1,140,307	40,566		738	26,374,139	7,054,968	3,305,278
Victoria Foundation, Inc 253 Ridgewood Ave., Glen Ridge, N.J.	1,600				18,948,621	17,514,362	4,733,598
NEW YORK CITY							
Allen, Vivian B., Foundation, Inc 680 Madison Ave., New York 21, N.Y.					4,080,715	1,263,574	995,218
Altman Foundation 361 5th Ave., New York 16, N.Y.	130,011				12,989,570	11,139,761	11,677,388
American International Association for Economic and Social Development 30 Rockefeller Plaza, New York 20, N.Y.				8,028	748,206	748,206	501,323
Astor, Vincent, Foundation 405 Park Ave., New York 22, N.Y.	427,169	396,695			48,582,701	40,570,075	2,150,744
Avalon Foundation 713 Park Ave., New York 21, N.Y.	905,477	275,274			78,766,654	45,729,401	15,695,808
Baird, David, Josephine, and Winfield, Foundation, Inc 65 Broadway, New York 6, N.Y.	295,500	115,668	237,755		10,257,242	9,181,032	2,679,459
Baird, Winfield, Foundation 65 Broadway, New York 6, N.Y.	484,341		97,351	30,954	17,488,465	15,904,745	6,089,799
Baker, George F., Trust 2 Wall St., New York 5, N.Y.					15,098,975	15,098,976	9,273,827
Bay, Charles Ulrick and Josephine, Foundation, Inc 1 Wall St., New York 5, N.Y.					17,197,694	9,340,146	688,507
Benenson, Robert and Nettie, Foundation 11 West 42d St., New York 36, N.Y.					3,935	3,935	(Dec. 1, 1955)
The Bodman Foundation Care of Morris & McVeigh, 60 Wall St., New York 5, N.Y.					10,654,226	8,382,852	393,966
Bollingen Foundation, Inc 140 East 52d St., New York 21, N.Y.		304,211	152,454	72,252	5,616,765	3,953,222	298,634
Booth Ferris Foundation 149 Broadway, New York 6, N.Y.					30,761,348	25,468,873	2,135,644 (Oct. 31, 1958)
Borden Co. Foundation, Inc 350 Madison Ave., New York 17, N.Y.					588,328	588,327	465,574

SCHEDULE 1.—*Assets*—Continued

[Source: Documents submitted to the Select Committee on Small Business]

Foundation	Cash (1)	Notes and accounts receivable less reserve for bad debts (2)	Inventories (3)	Investments in Government obligations [1] (4)	Investments in non-Government bonds, etc.[1] (5)	Book values of investments in corporate stocks (6)	Market values of investments in corporate stocks (7)
NEW YORK CITY—continued	*1960*	*1960*	*1960*	*1960*	*1960*	*1960*	*1960*
Brez Foundation 488 Madison Ave., New York 22, N.Y.	$28,598				$623,764	$942,399	$1,530,363
Bronfman, Samuel, Foundation, Inc. 375 Park Ave., New York 22, N.Y.	19,584			$40,000		1,447,801	3,887,059
The Brookdale Foundation 30 East 40th St., 12th floor, New York 16, N.Y.	103,521	$5,034		503,361	18,337	1,214,907	1,239,849
Calder, Louis, Foundation 589 5th Ave., New York 17, N.Y.	168,360			12,618,419		5,671,676	7,152,427 (Aug. 14, 1961)
Carnegie Corp. of New York 589 5th Ave., New York 17, N.Y.	2,205,075			30,107,151	97,528,676	78,675,984	128,138,597
Carnegie Endowment for International Peace United Nations Plaza and 46th St., New York 17, N.Y.	332,214	9,410		907,680	6,496,381	7,085,272	19,121,217
Carnegie Foundation for the Advancement of Teaching 589 5th Ave., New York 17, N.Y.	62,226			1,793,757	6,340,950	7,591,862	11,067,673
The Chase Manhattan Bank Foundation 1 Chase Manhattan Plaza, New York 15, N.Y.	424			33,192			
Cheatham, Owen, Foundation 375 Park Ave., New York 22, N.Y.	69,620				5,000	133,900	145,800
China Medical Board of New York, Inc. 30 East 60th St., New York 22, N.Y.	289,227	7,689		1,773,707	17,762,165	12,706,483	24,685,425
Clark Foundation 149 Broadway, New York 6, N.Y.	421,893	76,266		1,805,825	2,280,992	3,266,389	6,444,857
Commonwealth Fund 1 East 75th St., New York 21, N.Y.	302,506			25,496,757	18,581,907	34,894,332	69,915,733
Council on Economic & Cultural Affairs, Inc. 630 5th Ave., New York 20, N.Y.	200,160	37,862		843,051	299,500	2,020,179	2,544,715
Dodge, Cleveland H., Foundation, Inc. 300 Park Ave., New York 22, N.Y.	134,406			747,475	656,295	3,187,530	6,606,729
The Duke Endowment 30 Rockefeller Plaza, New York 20, N.Y.	2,190,835			18,329,000	25,376,000	91,267,831	417,461,857
Educational Facilities Laboratories, Inc. 477 Madison Ave., New York 22, N.Y.	156,463	1,700			2,204,892		
Esso Education Foundation 30 Rockefeller Plaza, Room 2570, New York 20, N.Y.	3,229			431,000	745,000	597,290	756,000
Field Foundation 250 Park Ave., New York 17, N.Y.	1,963,141	13,668,484		973,368	601,987	336,435	765,527 (Sept. 30, 1961)
The Ford Foundation 477 Madison Ave., New York 22, N.Y.	5,766,205	157,837		331,964,878	308,787,456	1,544,961,345	[3] 1,544,040,679
Frueauff, Charles A., Foundation, Inc. 70 Pine St., New York 5, N.Y.	53,988	685		660,550	1,750,344	5,962,221	8,329,521
Fund for the Advancement of Education 477 Madison Ave., New York 22, N.Y.	607,714	20,342		3,348,858	117,600		
General Education Board 49 West 49th St., New York 20, N.Y.	23,777			1,689,633			
General Foods Fund, Inc. 250 Park Ave., New York 17, N.Y.	62,240				1,490,398		
General Telephone & Electronics Foundation 730 3d Ave., New York 17, N.Y.	3,532			722,540			
The Grant Foundation, Inc. 130 East 59th St., New York 22, N.Y.	343,269			2,197,430		11,042,256	18,422,307
Guggenheim, Daniel & Florence, Foundation 120 Broadway, New York 5, N.Y.	135,737	427		2,379,179	491,437	1,764,279	3,331,558 (Mar. 15, 1960)
Guggenheim, Murry & Leonie, Foundation 161 East 42d St., New York 17, N.Y.	222,541			3,897,837		2,001,237	3,677,308
Guggenheim, John Simon, Memorial Foundation 551 5th Ave., New York 17, N.Y.	791,396			26,072,000	3,783,000	7,808,836	18,844,000 (Dec. 5, 1960)
Guggenheim, Solomon R., Foundation 120 Broadway, New York 5, N.Y.	146,864	8,000	$4,696	1,686,125	2,632,150	6,873,166	8,999,201
Haggin, Margaret Voorhies, Trust Care of Bank of New York, 48 Wall St., New York 17, N.Y.	42,266			1,339,450	1,509,350	3,085,320	2,812,500 (Sept. 22, 1960)
Hartford, John A., Foundation, Inc. 420 Lexington Ave., New York 17, N.Y.	1,229,790			36,909,705	25,301	134,558,763	270,900,860
Hayden, Charles, Foundation 25 Broad St., New York 4, N.Y.	228,950			18,163,032	20,181,453	19,802,020	26,935,450
Heyden Newport Chemical Corp. Foundation, Inc. 342 Madison Ave., New York 17, N.Y.	5,612					238,750	238,750
Hyde, Lillia Babbitt, Foundation 535 5th Ave., New York 17, N.Y.	1,321,584	6,986		617,983	5,870,621	4,586,849	7,203,607
Ingersoll-Rand Fund Care of Morgan Guaranty Trust Co. of New York, 140 Broadway, New York 15, N.Y.	4,260					1,156,081	1,266,370
International Paper Co. Foundation 220 East 42d St., New York 17, N.Y.	55,651			132,270	1,844,576	4,928,844	6,640,074
Ittleson Family Foundation 654 Madison Ave., New York 21, N.Y.	56,274	1,716			5,094,618	2,987,466	5,187,656
James Foundation of New York, Inc. 375 Park Ave., New York 22, N.Y.	779,687			20,993,216	8,210,813	21,972,096	55,368,761
Jones, W. Alton, Foundation, Inc. 70 Pine St., New York 5, N.Y.	607,873	127,675		2,699,728	2,841,368	6,048,233	9,143,595
Kaplan, J. M., Fund, Inc. 55 5th Ave., New York 3, N.Y.	68,532	2,241,999			4,052,075	8,812,403	8,579,460
Kaufmann, Henry, Foundation 300 Park Ave., New York 22, N.Y.	100,296	4,726		4,529,111	266,087	5,935,947	5,935,947
Kress, Samuel H., Foundation 221 West 57th St., New York 19, N.Y.	109,256	168,450	348,720	944,200	73,800	9,833,069	34,332,600

See footnotes at end of table.

SCHEDULE 1.—*Assets*—Continued

[Source: Documents submitted to the Select Committee on Small Business]

Foundation	Other investments [8]	Capital assets: Depreciable (and depletable) assets less reserve for depreciation (and depletion)	Capital assets: Land	Other assets	Total assets, with market values of securities being used wherever available (where market quotations are unavailable, the securities are shown at book values; generally assets other than securities are shown at book values) [9]	Total assets based on book values only	
	(8)	(9)	(10)	(11)	(12)	(13)	(14)
NEW YORK CITY—continued	*1960*	*1960*	*1960*	*1960*	*1960*	*1960*	*1951*
Brez Foundation 488 Madison Ave., New York 22, N.Y.					$2,182,725	$1,614,234	$1,314,616
Bronfman, Samuel, Foundation, Inc 375 Park Ave., New York 22, N.Y.					3,946,643	1,507,143	
The Brookdale Foundation 30 East 40th St., 12th floor, New York 16, N.Y.		$530,394	$63,520	$9,462	2,473,478	2,446,718	41,960
Calder, Louis, Foundation 589 5th Ave., New York 17, N.Y.	$8,689,729	396,607	1,450,428	70,100	30,546,070	28,902,185	(Jan. 1, 1952)
Carnegie Corp. of New York 589 5th Ave., New York 17, N.Y.				954,266	258,933,765	214,014,317	(Jan. 1, 1952) 175,890,810
Carnegie Endowment for International Peace United Nations Plaza and 46th St., New York 17, N.Y.	191,609	4,795,450	768,760		32,622,721	21,205,476	11,706,557
Carnegie Foundation for the Advancement of Teaching 589 5th Ave., New York 17, N.Y.					19,264,606	16,311,451	12,874,718
The Chase Manhattan Bank Foundation 1 Chase Manhattan Plaza, New York 15, N.Y.					33,616	33,616	49,960
Cheatham, Owen, Foundation 375 Park Ave., New York 22, N.Y.	296,410			13,077	529,907	518,010	(Jan. 1, 1959) 262,713
China Medical Board of New York, Inc 30 East 60th St., New York 22, N.Y.		3,186,037	295,838	30,000	48,030,068	36,784,150	(Oct. 1, 1958) 29,873,716
Clark Foundation 149 Broadway, New York 6, N.Y.			34,308	28,695	11,092,836	8,070,438	6,862,268
Commonwealth Fund 1 East 75th St., New York 21, N.Y.		275,000		1	114,571,904	80,749,995	63,112,166
Council on Economic & Cultural Affairs, Inc 630 5th Ave., New York 20, N.Y.				425	3,925,713	3,420,233	95,584
Dodge, Cleveland H., Foundation, Inc 300 Park Ave., New York 22, N.Y.					8,144,906	4,784,068	(Jan. 1, 1954) 3,834,855
The Duke Endowment 30 Rockefeller Plaza, New York 20, N.Y.					[11] 463,357,692	137,361,216	106,278,764
Educational Facilities Laboratories, Inc 477 Madison Ave., New York 22, N.Y.				4,892	2,367,947	2,363,055	
Esso Education Foundation 30 Rockefeller Plaza, Room 2570, New York 20, N.Y.				8,618	1,943,847	1,769,705	(Jan. 15, 1958) 1,452,146
Field Foundation 250 Park Ave., New York 17, N.Y.	68,750	16,222,890	9,292,196	7,403,689	50,960,032	50,526,189	(Jan. 1, 1956) 28,624,220
The Ford Foundation 477 Madison Ave., New York 22, N.Y.		331,584	168,138	5,555,443	[12] 2,196,772,220	2,195,509,083	510,972,208
Frueauff, Charles A., Foundation, Inc 70 Pine St., New York 5, N.Y.		1		1,061	10,796,150	8,398,847	4,055,457
Fund for the Advancement of Education 477 Madison Ave., New York 22, N.Y.					4,094,514	4,122,775	
General Education Board 49 West 49th St., New York 20, N.Y.					1,713,410	1,713,410	25,747,786
General Foods Fund, Inc 250 Park Ave., New York 17, N.Y.			160,000		1,712,638	1,704,825	
General Telephone & Electronics Foundation 730 3d Ave., New York 17, N.Y.	250,000				976,072	962,960	(Jan. 1, 1953) 10,000
The Grant Foundation, Inc 130 East 59th St., New York 22, N.Y.					20,963,006	13,599,852	(Jan. 1, 1953) 4,900,924
Guggenheim, Daniel & Florence, Foundation 120 Broadway, New York 5, N.Y.			33,300		6,371,638	4,798,146	5,049,220
Guggenheim, Murry & Leonie, Foundation 161 East 42d St., New York 17, N.Y.				26,100	7,823,786	6,769,685	(Jan. 1, 1952) 3,979,957
Guggenheim, John Simon, Memorial Foundation 551 5th Ave., New York 17, N.Y.					49,490,396	38,760,197	29,187,761
Guggenheim, Solomon R., Foundation 120 Broadway, New York 5, N.Y.	6,529,859	106,387	478,544	50,390	20,642,216	18,617,661	4,115,964
Haggin, Margaret Voorhies, Trust Care of Bank of New York, 48 Wall St., New York 17, N.Y.					5,793,566	6,055,417	5,418,368
Hartford, John A., Foundation, Inc 420 Lexington Ave., New York 17, N.Y.				4	[13] 309,065,660	172,730,032	1,133,619
Hayden, Charles, Foundation 25 Broad St., New York 4, N.Y.				352,971	65,861,856	61,932,507	51,437,413
Heyden Newport Chemical Corp. Foundation, Inc 342 Madison Ave., New York 17, N.Y.					244,362	244,362	241,500
Hyde, Lillia Babbitt, Foundation 535 5th Ave., New York 17, N.Y.	162,600				15,183,471	12,454,433	(Jan. 1, 1952) 6,194,635
Ingersoll-Rand Fund Care of Morgan Guaranty Trust Co. of New York, 140 Broadway, New York 15, N.Y.					1,270,630	1,160,341	875,000
International Paper Co. Foundation 220 East 42d St., New York 17, N.Y.					8,672,571	7,085,735	(Jan. 1, 1954)
Ittleson Family Foundation 654 Madison Ave., New York 21, N.Y.	268,400				10,608,664	8,379,374	(Jan. 1, 1952) 3,517,710
James Foundation of New York, Inc 375 Park Ave., New York 22, N.Y.		8,821			85,361,298	51,292,690	33,038,101
Jones, W. Alton, Foundation, Inc 70 Pine St., New York 5, N.Y.	61,505				15,481,744	12,270,425	2,914,490
Kaplan, J. M., Fund, Inc 55 5th Ave., New York 3, N.Y.				96,233	15,038,290	15,903,637	2,923,336
Kaufmann, Henry, Foundation 300 Park Ave., New York 22, N.Y.	3,584		61,666		10,901,417	10,896,604	2,327,242
Kress, Samuel H., Foundation 221 West 57th St., New York 19, N.Y.	36,525			517,161	[14] 36,530,712	11,990,342	5,769,318

SCHEDULE 1.—*Assets*—Continued

[Source: Documents submitted to the Select Committee on Small Business]

Foundation	Cash (1)	Notes and accounts receivable less reserve for bad debts (2)	Inventories (3)	Investments in Government obligations [1] (4)	Investments in non-Government bonds, etc.[1] (5)	Book values of investments in corporate stocks (6)	Market values of investments in corporate stocks (7)
NEW YORK CITY—continued	*1960*	*1960*	*1960*	*1960*	*1960*	*1960*	*1960*
The Lansing Foundation, Inc. 65 Broadway, New York City.	$309,909	$109,397				$145,500	$152,339
Levy, Adele R., Fund, Inc. 100 Park Ave., New York 17, N.Y.	175,845	2,534		$340,600	$719,050	1,688,284	1,581,892
Macy, Josiah, Jr., Foundation 16 West 46th St., New York 36, N.Y.	649,352			3,676,929	14,874,996	9,771,113	17,090,039
Markle, John and Mary R., Foundation 511 5th Ave., New York 17, N.Y.	57,451			4,756,948	11,860,342	8,678,054	20,964,052
Merrill, Charles E., Trust 70 Pine St., New York 5, N.Y.	213,010			1,581,582	4,924,750	8,714,528	8,401,257
Merrill Foundation for Advancement of Financial Knowledge, Inc. 70 Pine St., New York 5, N.Y.	15,950						
Partners of Merrill Lynch, Pierce, Fenner & Smith Foundation, Inc. 70 Pine St., New York 5, N.Y.	28,864			1,857,144	39,000		
Milbank, Dunlevy, Foundation, Inc. 41 East 42d St., New York 17, N.Y.	112,296			235,650	196,453	1,821,892	2,652,079
Milbank Memorial Fund 41 Wall St., New York 5, N.Y.	408,216			2,502,543	8,038,199	8,198,671	11,410,293
Morehead, John Motley, Foundation 270 Park Ave., New York 17, N.Y.	49,218					2,874,947	6,262,270
Morgan Guaranty Trust Co. of New York Foundation 140 Broadway, New York 15, N.Y.	801			540,605	65,000	2,024,028	2,349,424
Morris, William T., Foundation, Inc. 230 Park Ave., Room 620, New York 17, N.Y.	172,818			400,600	313,280	8,088,559	10,394,020
National Biscuit Co. Foundation 425 Park Ave., New York 22, N.Y.	1,352			448,710	535,625	391,197	856,119
National Lead Foundation, Inc. 111 Broadway, New York 6, N.Y.	121,799	415,389		50,812	387,268	3,530,275	3,530,275
New World Foundation 475 Riverside Dr., New York 27, N.Y.	138,587	1,479			4,555,931	3,975,085	5,043,407
New York Foundation 61 Broadway, New York 6, N.Y.	476,680	3		3,303,583	4,443,192	4,794,525	10,966,378
Niss, Henry, Foundation, Inc. 122 East 42d St., New York 17, N.Y.	71,706			74,850		2,504,245	3,942,755
1907 Foundation, Inc. 231 East 38th St., New York 16, N.Y.	24,004			515,900	390,300	1,207,398	1,362,122
Noble, Edward John, Foundation. 680 5th Ave., New York 19, N.Y. See Connecticut listing for data.							
Norman, Aaron E., Fund, Inc. 380 Madison Ave., New York 17, N.Y.	19,386	31,816		500,000	1,860,715	1,204,600	5,976,078
Noyes, Jessie Smith, Foundation, Inc. 16 East 34th St., New York 16, N.Y.	278,362	2,835,828		94,700	19,750	1,661,041	1,661,041
Nutrition Foundation, Inc. 99 Park Ave., New York 16, N.Y.	222,504	788,950		230,335	285,400	286,155	848,103
Old Dominion Foundation 140 East 62d St., New York 21, N.Y.	219,556	30,370		2,849,242		23,576,970	43,875,009
Olin Foundation, Inc. 1 East 44th St., New York 17, N.Y.	610,308	4,400		1,502,531	16,801,104	16,907,308	26,183,537
Penney, James C. Foundation 330 West 34th St., New York 1, N.Y.	4,041					707,423	511,423
Pfeiffer, Gustavus and Louise, Research Foundation 20 Broad St., New York 5, N.Y.	241,399	72,500		176,700	3,865,630	6,040,420	8,438,241
The Pfizer Foundation, Inc. Care of Charles Pfizer Co., 11 Bartlett St., Brooklyn 6, N.Y.	6,485					214,874	246,000
Pforzheimer, Carl and Lilly, Foundation, Inc. 25 Broad St., New York 4, N.Y.	34,467			168,059	359,808	1,288,424	1,497,871
Phelps Dodge Foundation 300 Park Ave., New York 22, N.Y.	40,503			124,555	2,246,615	2,671,255	3,740,893
Trustees of the Phelps-Stokes Fund 297 Park Ave., South, New York 10, N.Y.	15,460	954		627,600	606,630	1,070,830	1,412,256
Pierce, John B., Foundation 50 West 44th St., New York 36, N.Y.	138,032			245,737	1,517,553	3,190,394	3,328,469
Plant, Henry B., Memorial Fund Inc. Care of United States Trust Co. of New York., 8, 45 Wall St., New York 5, N.Y.	1,716			551,771	241,875	498,197	690,022
The Population Council, Inc. 230 Park Ave., New York 17, N.Y.	615,483	7,798		970,811		1,052,113	1,875,052
The Rayonier Foundation 161 East 42d St., New York 17, N.Y.	5,873			109,478	504,100	582,923	671,324
Reeves Bros. Foundation, Inc. 54 Worth St., New York 13, N.Y.	16,856	150			16,300	1,005,250	1,637,280
Research Corp. 405 Lexington Ave., New York 17, N.Y.	390,607	242,377		2,104,905	166,562	1,772,593	3,083,586
Richardson Foundation, Inc. 122 East 42d St., New York 17, N.Y.	448,255	590		1,562,780	75,375	12,620,376	48,828,976
Rockefeller Bros. Fund 30 Rockefeller Plaza, New York 20, N.Y.	1,608,667	28,031,346		5,904,600	7,164,100	72,671,990	86,535,000
Rockefeller Foundation 111 West 50th St., New York 20, N.Y.	4,220,350			76,088,415	10,210,000	103,566,993	445,274,571
The Rogosin Foundation 261 5th Ave., New York 16, N.Y.	37,649					9,257,241	8,853,567

See footnotes at end of table.

SCHEDULE 1.—*Assets*—Continued

[Source: Documents submitted to the Select Committee on Small Business]

Foundation	Other investments ²	Capital assets: Depreciable (and depletable) assets less reserve for depreciation (and depletion)	Capital assets: Land	Other assets	Total assets, with market values of securities being used wherever available (where market quotations are unavailable, the securities are shown at book values; generally, assets other than securities are shown at book values) ³	Total assets based on book values only	
	(8)	(9)	(10)	(11)	(12)	(13)	(14)
NEW YORK CITY—continued	*1960*	*1960*	*1960*	*1960*	*1960*	*1960*	*1951*
The Lansing Foundation, Inc. 65 Broadway, New York City.	$207,901				$779,546	$772,708	$6,972,632
Levy, Adele R., Fund, Inc. 100 Park Ave., New York 17, N.Y.	42,800		$86,135	$1,462,149	4,411,005	4,421,118	1,660,125
Macy, Josiah, Jr., Foundation 16 West 46th St., New York 36, N.Y.					36,891,310	29,807,078	10,098,549
Markle, John and Mary R., Foundation 511 5th Ave., New York 17, N.Y.					37,638,793	26,206,794	18,217,395
Merrill, Charles E., Trust 70 Pine St., New York 5, N.Y.				4,735	15,125,334	14,337,462	6,609 (Oct. 1, 1958)
Merrill Foundation for Advancement of Financial Knowledge, Inc. 70 Pine St., New York 5, N.Y.					15,950	15,950	643,795
Partners of Merrill Lynch, Pierce, Fenner & Smith Foundation, Inc. 70 Pine St., New York 5, N.Y.	500				1,925,508	1,908,446	15,035
Milbank, Dunlevy, Foundation, Inc. 41 East 42d St., New York 17, N.Y.	7,375				3,203,853	2,403,984	744,979
Milbank Memorial Fund 41 Wall St., New York 5, N.Y.	25,947			875	22,386,073	19,456,629	11,172,785
Morehead, John Motley, Foundation 270 Park Ave., New York 17, N.Y.	454,000	$20,656		5,974	6,792,118	3,404,796	59,839
Morgan Guaranty Trust Co. of New York Foundation 140 Broadway, New York 15, N.Y.					2,955,830	2,630,274	1,820,007 (Jan. 1, 1954)
Morris, William T., Foundation, Inc. 230 Park Ave., Room 620, New York 17, N.Y.				249,244	11,529,992	9,196,804	2,361,023
National Biscuit Co. Foundation 425 Park Ave., New York 22, N.Y.					1,841,806	1,456,881	1,250,000 (Jan. 1, 1954)
National Lead Foundation, Inc. 111 Broadway, New York 6, N.Y.					4,505,543	4,087,478	1,477,000
New World Foundation 475 Riverside Dr., New York 27, N.Y.	225,000			425	9,964,829	8,837,281	100,000 (Jan. 1, 1955)
New York Foundation 61 Broadway, New York 6, N.Y.					19,189,836	13,337,585	10,145,825
Nias, Henry, Foundation, Inc. 122 East 42d St., New York 17, N.Y.		6,701			4,096,012	2,657,703	
1907 Foundation, Inc. 331 East 38th St., New York 16, N.Y.				459,427	2,751,843	2,605,093	(Dec. 20, 1955) 168,500 (Jan. 1, 1952)
Noble, Edward John, Foundation. 680 5th Ave., New York 19, N.Y. See Connecticut listing for data.							
Norman, Aaron E., Fund, Inc. 380 Madison Ave., New York 17, N.Y.		268,255		756	8,657,606	3,710,636	1,572,816
Noyes, Jessie Smith, Foundation, Inc. 16 East 34th St., New York 16, N.Y.	466,287	25,871		474	5,382,373	5,419,144	3,478,863
Nutrition Foundation, Inc. 99 Park Ave., New York 16, N.Y.		4,313		14,906	1,903,601	1,816,379	1,306,589
Old Dominion Foundation 140 East 62d St., New York 21, N.Y.	905,477		575,245	1,074	48,465,072	28,132,827	16,821,642
Olin Foundation, Inc. 1 East 44th St., New York, N.Y.				3,393	45,105,273	41,675,776	16,475,626
Penney, James C., Foundation 330 West 34th St., New York 1, N.Y.					515,464	711,464	
Pfeiffer, Gustavus and Louise, Research Foundation 20 Broad St., New York 5, N.Y.	430,954				13,225,424	10,630,513	(Jan. 1, 1954) 397,017
The Pfizer Foundation, Inc. Care of Charles Pfizer Co., 11 Bartlett St., Brooklyn 6, N.Y.		1,130,866	22,698	476	1,406,525	1,375,401	551,474 (Jan. 1, 1955)
Pforzheimer, Carl and Lilly, Foundation, Inc. 25 Broad St., New York 4, N.Y.	135,000	63,674	2,650	1,531,407	3,792,936	3,599,459	580,077
Phelps Dodge Foundation 300 Park Ave., New York 22, N.Y.					6,152,566	5,155,947	2,225,000 (Jan. 1, 1954)
Trustees of the Phelps-Stokes Fund 297 Park Ave., South, New York 10, N.Y.				28,362	2,691,262	2,396,165	1,437,379
Pierce, John B., Foundation 50 West 44th St., New York 36, N.Y.		51,764		153,687	5,435,242	5,371,249	5,788,035
Plant, Henry B., Memorial Fund, Inc. Care of United States Trust Co. of New York., S, 45 Wall St., New York 5, N.Y.					1,494,384	1,280,789	76,102
The Population Council, Inc. 230 Park Ave., New York 17, N.Y.				425	3,469,560	2,670,044	99,255 (Jan. 1, 1953)
The Rayonier Foundation 161 East 42d St., New York 17, N.Y.					1,290,784	1,198,403	100,000 (Jan. 1, 1953)
Reeves Bros. Foundation, Inc. 54 Worth St., New York 13, N.Y.					1,670,586	1,038,954	818,863
Research Corp. 405 Lexington Ave., New York 17, N.Y.	5,172,008	53,623		215,805	11,429,473	10,359,678	8,561,005
Richardson Foundation, Inc. 122 East 42d St., New York 17, N.Y.	425,000		284,000		51,624,985	15,368,262	8,782,843
Rockefeller Bros. Fund 30 Rockefeller Plaza, New York 20, N.Y.	1,868,000			19,772	131,221,485	116,173,369	1,072,239
Rockefeller Foundation 111 West 50th St., New York 20, N.Y.				278,851	536,022,187	197,071,902	166,955,366
The Rogosin Foundation 261 5th Ave., New York 16, N.Y.					8,801,216	9,204,891	2,126,967

SCHEDULE 1.—*Assets*—Continued

[Source: Documents submitted to the Select Committee on Small Business]

Foundation	Cash	Notes and accounts receivable less reserve for bad debts	Inventories	Investments in Government obligations [1]	Investments in non-Government bonds, etc.[1]	Book values of investments in corporate stocks	Market values of investments in corporate stocks
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
NEW YORK CITY—continued							
	1960	*1960*	*1960*	*1960*	*1960*	*1960*	*1960*
Rosenstiel, Dorothy H. and Lewis, Foundation 350 5th Ave., New York 1, N.Y.	$199,647	$601				$5,466,886	$10,357,006
Rosenthal, Benjamin, Foundation, Inc 350 5th Ave., New York 1, N.Y.	3,920					13,793	8,458
Rubicon Foundation, Inc 740 Park Ave., New York 21, N.Y.	148,697			$64,687	$215,775	1,883,030	2,042,722
Rubin, Samuel, Foundation, Inc 5 West 54th St., New York 19, N.Y.	30,609	154,305		236,425	49,000	8,829,775	8,699,729
Sage, Russell, Foundation 505 Park Ave., New York 22, N.Y.	368,604			4,433,684	7,603,680	7,582,683	17,147,952
Sams, Earl C., Foundation, Inc 666 5th Ave., New York 19, N.Y.	496,438	2,915			5,360	6,591,875	12,904,282
Schepp, Leopold, Foundation 551 5th Ave., New York 17, N.Y.	72,310	28			586,602	1,288,414	2,039,113
Scheuer, S. H. and Helen R., Family Foundation, Inc 30 Broadway, New York 6, N.Y.	89,515			738,050	148,800	1,004,748	1,464,135
Schwartz, David, Foundation, Inc 1407 Broadway, New York 18, N.Y.	12,510	336,000		500		2,214,361	2,089,193
Schwarzhaupt, Emil, Foundation, Inc 350 5th Ave., New York 1, N.Y.	64,656	523		30,036		41,665	92,374
Scriven Foundation, Inc 149 Broadway, New York 6, N.Y.	341,400	165,374			1,548,492	4,120,462	9,972,087
Sealantic Fund, Inc 50 West 50th St., New York 20, N.Y.	231,911			10,823,295	2,400	3,601	14,993
Shell Cos. Foundation, Inc 50 West 50th St., New York 20, N.Y.	37,546			125,000	1,489,099	299,340	428,902
Shubert, Sam S., Foundation, Inc 234 West 44th St., New York 36, N.Y.	61,979			981,249	802,128	778,915	875,318
Sloan, Alfred P., Foundation 630 5th Ave., New York 20, N.Y.	1,527,484	98,801		20,095,985	19,316,830	159,110,163	159,110,163
Smithers, Christopher D., Foundation, Inc 60 East 42d St., New York 17, N.Y.	183,831				3,271,270	1,512,536	1,732,212
Sprague, Seth, Educational & Charitable Foundation Care of United States Trust Co. of New York, 45 Wall St., New York 15, N.Y.	117,150			1,834,789	1,002,500	12,693,105	16,812,286
Standard Brands Charitable, Scientific & Educational Foundation Care of the Hanover Bank, 70 Broadway, New York 15, N.Y.	6,988			75,328	53,250	472,556	1,011,888
Statler Foundation 230 Park Ave., New York 17, N.Y.	89,563			1,166,600	3,345,902	4,256,908	5,894,569
Summerfield, Solon E., Foundation, Inc 270 Madison Ave., New York 16, N.Y.	185,974					6,360,600	9,232,028 (Jan. 26, 1960)
Surdna Foundation, Inc. Care of Mr. Albert B. Maginnes, secretary, 350 Park Ave., New York 22, N.Y. See New York State listing for data.							
Teagle Foundation, Inc 30 Rockefeller Plaza, Room 1539, New York 20, N.Y.	27,449	6,970		1,200,000	1,500,000	848,787	1,910,000
Twentieth Century Fund, Inc 41 East 70th St., New York 21, N.Y.	219,859			4,168,270	692,676	14,664,707	14,664,707
Union Bag Charitable Trust Care of Morgan Guaranty Trust Co. of New York, 140 Broadway, New York 7, N.Y.					503,931	701,427	926,702
Union Carbide Educational Foundation 30 East 42d St., New York 17, N.Y.	5,029			504,782	192,125	192,125	192,125
United States Steel Foundation, Inc 71 Broadway, New York 6, N.Y.	41,820	41,983		12,450,976			
Victoria Foundation, Inc. 90 John St., New York 38, N.Y. See New Jersey listing for data.							
Warburg, Felix, and Frieda A. Schiff, Foundation 30 Wall St., New York 5, N.Y.	6,355	3,800		68,683	102,191	341,879	89,154
Watson, John Jay and Eliza Jane, Foundation Bankers Trust Co., 16 Wall St., New York 5, N.Y.	237,742	2,820			2,756,468	4,161,667	4,238,925
Wenner-Gren Foundation for Anthropological Research, Inc 14 East 71st St., New York 21, N.Y.	88,702			674,937	94,842	1,877,753	5,740,692
West Virginia Pulp & Paper Foundation Care of Irving Trust Co., 1 Wall St., New York 15, N.Y.	12,196			130,524	185,810	214,571	246,100
Western Electric Fund 195 Broadway, New York 7, N.Y.	67,121	18,312		1,315,578	1,041,000		(Dec. 31, 1960)
Whitehall Foundation 20 Exchange Pl., New York 5, N.Y.	122,381	97,025		70,000	1,146,888	4,654,011	11,828,142
Whitney, Helen Hay, Foundation 825 East 68th St., New York 21, N.Y.	187,022			3,343,840	2,742,515	2,871,909	5,704,806
Woodward Foundation 30 Broad St., New York 4, N.Y.	78,556					916,312	1,280,633
Wurzweiler, Gustav, Foundation, Inc 1230 Broadway, New York 1, N.Y.	140,835			49,843	890,087	3,620,685	4,193,908
NEW YORK STATE							
Winifred Masterson Burke Relief White Plains, N.Y.	120,031	83,800	$10,566	917,312	2,499,920	3,909,913	9,399,540
Burroughs Wellcome Fund 1 Scarsdale Rd., Tuckahoe, N.Y.	43,719			197,395	444,835	56,535	78,975

See footnotes at end of table.

SCHEDULE 1.—*Assets*—Continued

[Source: Documents submitted to the Select Committee on Small Business]

Foundation	Other investments [2] (8)	Capital assets: Depreciable (and depletable) assets less reserve for depreciation (and depletion) (9)	Capital assets: Land (10)	Other assets (11)	Total assets, with market values of securities being used wherever available (where market quotations are unavailable, the securities are shown at book values; generally, assets other than securities are shown at book values) [3] (12)	Total assets based on book values only (13)	(14)
NEW YORK CITY—continued	*1960*	*1960*	*1960*	*1960*	*1960*	*1960*	*1951*
Rosenstiel, Dorothy H. and Lewis, Foundation 350 5th Ave., New York 1, N.Y.				$37,175	$10,504,428	$5,704,311	$5,900,758
Rosenthal, Benjamin, Foundation, Inc 350 5th Ave., New York 1, N.Y.					12,378	17,714	32,028
Rubicon Foundation, Inc 740 Park Ave., New York 21, N.Y.				27,008	2,498,880	2,379,398	540,017
Rubin, Samuel, Foundation, Inc 5 West 54th St., New York 19, N.Y.	$151,500		$19,131		9,340,750	9,483,701	106,853
Sage, Russell, Foundation 505 Park Ave., New York 22, N.Y.					29,553,920	19,895,828	13,892,841
Sams, Earl C., Foundation, Inc 666 5th Ave., New York 19, N.Y.	662,947				14,071,942	7,750,536	2,271,698
Schepp, Leopold, Foundation 551 5th Ave., New York 17, N.Y.	1,263,184	$2,430			3,963,067	3,243,382	2,858,568
Scheuer, S. H. and Helen R., Family Foundation, Inc 39 Broadway, New York 6, N.Y.				1,020	2,441,520	1,961,915	298,646
Schwartz, David, Foundation, Inc 1407 Broadway, New York 18, N.Y.	50,746		252,008	1,089	2,742,046	2,866,216	349,549
Schwarzhaupt, Emil, Foundation, Inc 350 5th Ave., New York 1, N.Y.				83,814	271,403	220,735	114,191
Scriven Foundation, Inc 149 Broadway, New York 6, N.Y.		74,460			12,101,813	6,298,900	5,571,632
Sealantic Fund, Inc 50 West 50th St., New York 20, N.Y.	540,000		815,000		12,427,599	12,416,207	1,794,260
Shell Cos., Foundation, Inc 50 West 50th St., New York 20, N.Y.				18,053	2,098,600	1,971,072	493,300 (Jan. 1, 1953)
Shubert, Sam S., Foundation, Inc 234 West 44th St., New York 36, N.Y.				5,841	2,726,515	2,735,407	637,262
Sloan, Alfred P., Foundation 630 5th Ave., New York 20, N.Y.				460	200,149,723	200,149,726	28,987,635
Smithers, Christopher D., Foundation, Inc 60 East 42d St., New York 17, N.Y.	202	1,043		413,790	5,002,348	5,382,675	80,748 (Jan. 1, 1953)
Sprague, Seth, Educational & Charitable Foundation Care of United States Trust Co. of New York, 45 Wall St., New York 15, N.Y.					19,766,725	14,189,490	6,327,335
Standard Brands Charitable, Scientific & Educational Foundation Care of the Hanover Bank, 70 Broadway, New York 15, N.Y.					1,147,404	608,490	503,003
Statler Foundation 230 Park Ave., New York 17, N.Y.					10,496,654	9,130,937	607,229
Summerfield, Solon E., Foundation, Inc 270 Madison Ave., New York 16, N.Y.					9,518,002	6,566,301	300,773
Surdna Foundation Inc. Care of Mr. Albert B. Maginnes, secretary, 350 Park Ave., New York 22, N.Y. See New York State listing for data.							
Teagle Foundation, Inc 30 Rockefeller Plaza, Room 1539, New York 20, N.Y.					4,734,419	3,673,219	1,046,280
Twentieth Century Fund, Inc 41 East 70th St., New York 21, N.Y.	495,000				20,240,512	20,240,512	9,843,706
Union Bag Charitable Trust Care of Morgan Guaranty Trust Co. of New York, 140 Broadway, New York 7, N.Y.					1,430,633	1,108,254	722,654 (Jan. 1, 1953)
Union Carbide Educational Foundation 30 East 42d St., New York 17, N.Y.					894,061	688,296	2,000,000 (Jan. 1, 1952)
United States Steel Foundation, Inc 71 Broadway, New York 6, N.Y.					12,543,788	12,543,788	12,000,000 (Jan. 1, 1954)
Victoria Foundation, Inc. 90 John St., New York 38, N.Y. See New Jersey listing for data.							
Warburg, Felix, and Frieda A. Schiff, Foundation 30 Wall St., New York 5, N.Y.					269,883	518,659	1,244,096 (Jan. 1, 1952)
Watson, John Jay and Eliza Jane, Foundation Bankers Trust Co., 16 Wall St., New York 5, N.Y.	108,400				7,344,364	7,203,632	80,250
Wenner-Gren Foundation for Anthropological Research, Inc 14 East 71st St., New York 21, N.Y.			232,452	1,825	6,833,510	3,060,487	3,006,782
West Virginia Pulp & Paper Foundation Care of Irving Trust Co., 1 Wall St., New York 15, N.Y.					574,630	591,858	100,000 (Jan. 1, 1952)
Western Electric Fund 195 Broadway, New York 7, N.Y.					2,442,011	2,512,545	(Jan. 1, 1954)
Whitehall Foundation 20 Exchange Pl., New York 5, N.Y.	2,426	1,384			13,268,246	6,978,202	594,863
Whitney, Helen Hay, Foundation 525 East 68th St., New York 21, N.Y.				425	11,978,617	9,189,105	5,897,464
Woodward Foundation 30 Broad St., New York 4, N.Y.					1,359,189	994,868	15,000 (Jan. 1, 1953)
Wurzweiler, Gustav, Foundation, Inc 1239 Broadway, New York 1, N.Y.	368,260				5,642,933	5,063,903	41,243
NEW YORK STATE							
Winifred Masterson Burke Relief White Plains, N.Y.	5,501	451,301	176,214	56,231	13,720,416	8,253,935	5,817,850
Burroughs Wellcome Fund 1 Scarsdale Rd., Tuckahoe, N.Y.	231,660				906,584	750,484	(Jan. 24, 1955)

SCHEDULE 1.—*Assets*—Continued

[Source: Documents submitted to the Select Committee on Small Business]

Foundation	Cash (1)	Notes and accounts receivable less reserve for bad debts (2)	Inventories (3)	Investments in Government obligations [1] (4)	Investments in non-Government bonds, etc.[1] (5)	Book values of investments in corporate stocks (6)	Market values of investments in corporate stocks (7)
NEW YORK STATE—continued	*1960*	*1960*	*1960*	*1960*	*1960*	*1960*	*1960*
Carrier Foundation, Inc. Carrier Parkway, Syracuse 1, N.Y.	$6,051	$16,348		$384,487	$282,831	$412,384	$481,138
Corning Glass Works Foundation Corning, N.Y.	57,432			1,031,713	2,035,338	2,567,566	2,690,895
Dent, Harry, Family Foundation, Inc. 906 Genesee Bldg., Buffalo 2, N.Y.	27,540	26			4,250	1,052,415	958,880
Emerson, Fred L., Foundation, Inc. 96 Genesee St., Auburn, N.Y.	328,830	125,000		2,671,990	4,112,125	9,007,222	12,392,213 (Dec. 5, 1960)
Fund for Adult Education 200 Bloomingdale Rd., White Plains, N.Y.	425,609		$50,470	6,942,000			
General Electric Foundation Crotonville, Post Office Box 791, Ossining, N.Y.	96,491	7,354		2,036,565	9,326,242	5,608,850	13,642,350
Gifford, Rosamond, Charitable Corp. 532 Onondaga County, Savings Bank Bldg., Syracuse 2, N.Y.	100,963			1,599,435	936,463	3,970,295	5,013,135
Government Affairs Foundation, Inc. 75 State St., Albany, N.Y.	11,863						
Knox, Seymour H., Foundation, Inc. 1608 Marine Trust Bldg., Buffalo 3, N.Y.	24,314			1,031,150		2,835,647	3,350,821
Merrill, Charles E., Trust. Post Office Box 392, Ithaca, N.Y. See New York City listing for data.							
Ogden, Ralph E., Foundation, Inc. Post Office Box 108, Mountainville, N.Y.	55,018			284,000	1,097,500	1,607,014	2,204,253
Surdna Foundation, Inc. 1156 North Broadway, Yonkers, N.Y.	445,822			1,476,027	4,865,328	19,514,521	53,987,032
NORTH CAROLINA							
Babcock, Mary Reynolds, Foundation, Inc. Post Office Box 199, Reynolds Station, Winston-Salem, N.C.	203,509	10,094		902,044	3,123,673	9,254,385	21,493,602
Burlington Industries Foundation 301 North Eugene St., Greensboro, N.C.	50,458			353,185	351,560	4,179,489	5,036,055
Cannon Foundation, Inc. Post Office Box 1192, Concord, N.C.	125,926	450		3,095,011	2,376,000	10,837,038	11,765,012
Cannon, Martin, Family Foundation, Inc. 220 West 4th St., Charlotte, N.C.	4,805	230				559,904	989,131
Hanes, John Wesley and Anna Hodgin, Foundation Care of Wachovia Bank & Trust Co., Post Office Box 3099, Winston-Salem, N.C.	21,077	224		97,985	269,262	2,210,357	3,416,577
Morehead, John Motley, Foundation. Post Office Box 1027, Charlotte, N.C. See New York City listing for data.							
Reynolds, Kate B., Charitable Trust Care of Wachovia Bank & Trust Co., Post Office Box 3099, Winston-Salem, N.C.	6,235	101		1,174,842		4,203,635	17,670,826
Reynolds, Z. Smith, Foundation, Inc. 1206 Reynolds Bldg., Winston-Salem, N.C.	165,936			2,334,601			
Reynolds, Zachary Smith, Trust Winston-Salem, N.C.	285,496 (Feb. 28, 1961)			94,250 (Feb. 28, 1961)	5,009,920 (Feb. 28, 1961)	7,910,443 (Feb. 28, 1961)	37,344,258 (Feb. 28, 1961)
Reynolds, W. N., Trust Care of Wachovia Bank & Trust Co., Winston-Salem 1, N.C.	135,306	64,462		1,046,777	4,863,727	7,985,239	46,846,921 (Aug. 31, 1961)
Richardson Foundation, Inc. Greensboro, N.C. See New York City listing for data.							
OHIO							
Allyn Foundation Main and K Sts., Dayton 9, Ohio.	2,956			25,210	166,388	361,643	357,075
Alms, Eleanora C. U., Trust Care of the 5th Third Union Trust Co., 4th and Walnut Sts., Cincinnati, Ohio.	17,100			830,620		247,255	305,330
The American Foundation 1164 Union Commerce Bldg., Cleveland 14, Ohio.	106,833				53,762	2,438,393	3,218,170
Armco Foundation 703 Curtis St., Middletown, Ohio.	378,023			561,850	2,605,871	2,367,567	3,029,979
Austin Co. Foundation 16112 Euclid Ave., Cleveland 2, Ohio.	206,525			1,392,000			
Beaumont, Louis D., Foundation Inc. 800 National City Bank Bldg., Cleveland 14, Ohio.	75,394			7,705,148	4,745,437	8,846,701	19,542,393
Beeghly, Leon A., Fund Care of Union National Bank of Youngstown, 6 West Federal St., Youngstown, Ohio.	1,064,082			980,681		908,670	3,467,570
Bentz Foundation 384 Wrexham Ave., Columbus 4, Ohio.	118,651	765,465				1,462,653	1,462,653
Bingham, William, Foundation 1280 Union Commerce Bldg., Cleveland 14, Ohio.	1,947			331,601	260,839	927,246	1,031,250
Bliss, W. E., Foundation Care of Union National Bank of Youngstown, 6 West Federal St., Youngstown, Ohio.	186					287,716	647,152 (Dec. 31, 1960)
Champion Paper Foundation 601 North B St., Hamilton, Ohio.	112,645			571,440	1,013,038	2,119,828	2,654,996
Chairties Foundation Owens-Illinois Bldg., Post Office Box 1035, Toledo 1, Ohio.	55,104			650,704	839,885	2,666,457	3,174,903
Cincinnati Milling Machine Foundation 4701 Marburg Ave., Cincinnati 9, Ohio.	34,645			744,600			

See footnotes at end of table.

SCHEDULE 1.—*Assets*—Continued

[Source: Documents submitted to the Select Committee on Small Business]

Foundation	Other investments [2]	Capital assets: Depreciable (and depletable) assets less reserve for depreciation (and depletion)	Capital assets: Land	Other assets	Total assets, with market values of securities being used wherever available (where market quotations are unavailable, the securities are shown at book values; generally, assets other than securities are shown at book values) [3]	Total assets based on book values only	
	(8)	(9)	(10)	(11)	(12)	(13)	(14)
NEW YORK STATE—continued	*1960*	*1960*	*1960*	*1960*	*1960*	*1960*	*1951*
Carrier Foundation, Inc. Carrier Parkway, Syracuse 1, N.Y.			$12,100	$143,676	$1,326,631	$1,257,237	(Jan. 1, 1953)
Corning Glass Works Foundation Corning, N.Y.				49,000	5,864,378	5,927,034	$70,000 (Jan. 1, 1953)
Dent, Harry, Family Foundation, Inc. 906 Genesee Bldg., Buffalo 2, N.Y.	$6,000				996,696	1,090,233	66,014 (Nov. 1, 1955)
Emerson, Fred L., Foundation, Inc. 96 Genesee St., Auburn, N.Y.	53,956	$37,500		40,300	19,761,914	16,607,385	2,988,949
Fund for Adult Education 200 Bloomingdale Rd., White Plains, N.Y.	66,205	729,977			8,214,261	8,199,758	2,552,865 (Jan. 1, 1952)
General Electric Foundation Crotonville, Post Office Box 791, Ossining, N.Y.				125,628	25,234,630	17,516,568	1,024,953 (Jan. 1, 1953)
Gifford, Rosamond, Charitable Corp. 532 Onondaga County, Savings Bank Bldg., Syracuse 2, N.Y.	119,150				7,769,146	6,701,647	5,000,352 (Feb. 23, 1955)
Government Affairs Foundation, Inc. 75 State St., Albany, N.Y.					11,863	11,863	131,851 (Jan. 1, 1954)
Knox, Seymour H., Foundation, Inc. 1608 Marine Trust Bldg., Buffalo 3, N.Y.		110,726	9,074	42,856	4,568,941	4,050,781	1,008,849
Merrill, Charles E., Trust. Post Office Box 392, Ithaca, N.Y. See New York City listing for data.							
Ogden, Ralph E., Foundation, Inc. Post Office Box 108, Mountainville, N.Y.			36,134		3,676,905	3,020,904	259,949
Surdna Foundation, Inc. 1156 North Broadway, Yonkers, N.Y.					60,774,209	26,712,624	16,167,714
NORTH CAROLINA							
Babcock, Mary Reynolds, Foundation, Inc. Post Office Box 199, Reynolds Station, Winston-Salem, N.C.		12,181	2,290,216	2,502,984	30,547,303	17,506,808	(Jan. 1, 1954)
Burlington Industries Foundation 301 North Eugene St., Greensboro, N.C.		149,641			5,940,809	5,136,626	3,186,267
Cannon Foundation, Inc. Post Office Box 1192, Concord, N.C.	41,351	540,791	655,334	123,162	18,723,037	17,807,007	9,235,864
Cannon, Martin, Family Foundation, Inc. 220 West 4th St., Charlotte, N.C.	27,764				1,021,930	592,704	107,995
Hanes, John Wesley and Anna Hodgin, Foundation Care of Wachovia Bank & Trust Co., Post Office Box 3099, Winston-Salem, N.C.					3,805,225	2,503,780	203,811
Morehead, John Motley, Foundation. Post Office Box 1027, Charlotte, N.C. See New York City listing for data.							
Reynolds, Kate B., Charitable Trust Care of Wachovia Bank & Trust Co., Post Office Box 3099, Winston-Salem, N.C.					18,852,004	5,384,815	5,008,668
Reynolds, Z. Smith, Foundation, Inc. 1206 Reynolds Bldg., Winston-Salem, N.C.					2,500,537	2,500,538	1,324,127
Reynolds, Zachary Smith, Trust Winston-Salem, N.C.	1,096,070 (Feb. 28, 1961)				43,829,994 (Feb. 28, 1961)	14,377,152 (Feb. 28, 1961)	13,803,828
Reynolds, W. N., Trust Care of Wachovia Bank & Trust Co., Winston-Salem 1, N.C.		420,639	509,639	55,003	53,942,474	14,563,440	1,052,935
Richardson Foundation, Inc. Greensboro, N.C. See New York City listing for data.							
OHIO							
Allyn Foundation Main and K Sts., Dayton 9, Ohio.					551,629	556,210	(Jan. 1, 1955)
Alms, Eleanora C. U., Trust Care of the 5th Third Union Trust Co., 4th and Walnut Sts., Cincinnati, Ohio.	169,310				1,322,300	1,240,873	1,341,533
The American Foundation 1164 Union Commerce Bldg., Cleveland 14, Ohio.					3,378,765	2,590,226	305,098
Armco Foundation 703 Curtis St., Middletown, Ohio.					6,575,723	6,007,806	177,166 (Jan. 1, 1952)
Austin Co. Foundation 16112 Euclid Ave., Cleveland 2, Ohio.					1,598,525	1,598,229	(Jan. 1, 1952)
Beaumont, Louis D., Foundation, Inc. 800 National City Bank Bldg., Cleveland 14, Ohio.				1,787	32,070,150	21,252,702	15,828,897
Beeghly, Leon A., Fund Care of Union National Bank of Youngstown, 6 West Federal St., Youngstown, Ohio.	42,401	1,741,055		1,023,750	8,319,539	5,734,060	7,266,912
Bentz Foundation 384 Wrexham Ave., Columbus 4, Ohio.					2,346,769	2,346,769	12,000
Bingham, William, Foundation 1280 Union Commerce Bldg., Cleveland 14, Ohio.					1,625,637	1,519,844	(May 12, 1955)
Bliss, W. E., Foundation Care of Union National Bank of Youngstown, 6 West Federal St., Youngstown, Ohio.					647,338	287,902	18,455 (Nov. 30, 1955)
Champion Paper Foundation 601 North B St., Hamilton, Ohio.					4,352,119	3,859,014	(Jan. 1, 1952)
Charities Foundation Owens-Illinois Bldg., Post Office Box 1035, Toledo 1, Ohio.				128,701	4,840,297	4,372,224	255,182
Cincinnati Milling Machine Foundation 4701 Marburg Ave., Cincinnati 9, Ohio.		71,400	15,000		865,645	872,473	400,000 (Jan. 1, 1953)

SCHEDULE 1.—*Assets*—Continued

[Source: Documents submitted to the Select Committee on Small Business]

Foundation	Cash (1)	Notes and accounts receivable less reserve for bad debts (2)	Inventories (3)	Investments in Government obligations [1] (4)	Investments in non-Government bonds, etc.[1] (5)	Book values of investments in corporate stocks (6)	Market values of investments in corporate stocks (7)
OHIO—continued	*1960*	*1960*	*1960*	*1960*	*1960*	*1960*	*1960*
Cleveland Pneumatic Foundation 3781 East 77th St., Cleveland 5, Ohio.	$12,850			$125,000	$18,500		
Cleveland Twist Drill Foundation 1242 East 49th St., Cleveland 14, Ohio.	38,271			100,270			
Clevite Foundation 17000 St. Clair Ave., Cleveland 10, Ohio.	34,796			298,528	24,500	$119,000	$110,000
Commercial Shearing & Stamping Foundation 1775 Logan Ave., Youngstown, Ohio.	33,861	$1,357		60,000			
Dana Corp. Foundation 4100 Bennett Rd., Toledo 1, Ohio.	63,416			246,080			
Dayton Malleable Foundation Post Office Box 980, Dayton, Ohio.	50,501			57,284			
Eagle Picher Foundation The American Bldg., Cincinnati 1, Ohio.	316					120,668	102,350
Emery, Thomas J., Memorial 414 Walnut St., Cincinnati 2, Ohio.	130,600	34,280	$958	159,431	351,011	1,132,856	2,215,754
Erie Railroad Charitable Education & Trust Care of Union Commerce Bank, 917 Euclid Ave., Cleveland 1, Ohio.	2,423						
Firestone Foundation 1200 Firestone Parkway, Akron 17, Ohio.	10,780	858		1,564,572	72,975	4,864,280	14,699,813
Firestone Trust Fund Care of Cleveland Trust Co., 916 Euclid Ave., Cleveland 1, Ohio.	2,925			1,578,235	1,468,000	1,985,727	4,230,838
General Tire Foundation Care of First National Bank of Akron, Akron, Ohio.	9,575				67,000	1,863,448	1,513,792
Goodrich, B. F., Fund, Inc 500 South Main St., Akron 18, Ohio.	25,520			265,900	1,539,662	1,825,107	3,271,917
Goodyear Foundation, Inc 1144 East Market St., Akron 16, Ohio.	36,813	557		64,699			
Hanna, Leonard C., Jr., Fund 1300 Leader Bldg., Cleveland 14, Ohio.	223,238			279,308		8,902,985	27,956,949
Hayes, Rutherford B. and Lucy Webb, Foundation 1337 Hayes Ave., Spiegel Grove, Fremont, Ohio.	21,441			249,160	1,120	810,855	810,855 (Sept. 16, 1960)
Hoover Co. Charitable Trust 101 East Maple St., North Canton, Ohio.	117,370				966,282	506,101	691,464
Humphrey, George M. and Pamela S., Fund 1300 Leader Bldg., Cleveland 14, Ohio.	46					1,296,670	1,228,875
Ingalls, Louise H. and David S., Foundation, Inc 1562 Union Commerce Bldg., Cleveland 14, Ohio.	9,585					1,317,111	1,619,607
Kroger Co. Charitable Trust 35 East 7th St., Cincinnati 2, Ohio.	1,613					1,500	1,500
Kulas Foundation 1759 Union Commerce Bldg., Cleveland 14, Ohio.	158,924				2,446,982	2,742,499	3,741,232
Libbey, Edmund Drummond, Trustees National Bank Bldg., Toledo, Ohio.	46,793			8,713,342	1,191,798	3,454,599	9,866,015
Libbey-Owens-Ford Philanthropic Foundation Care of the Toledo Trust Co., 245 Summit St., Toledo 3, Ohio.	6,014			1,268,750	1,414,750	20,199	46,516
Lincoln Electric Foundation Care of Central National Bank of Cleveland, Post Office Box 6179, Cleveland 1, Ohio.	1,336			682,368			
The Louise Foundation 1300 Leader Bldg., Cleveland 14, Ohio.	2,331					506,195	471,105
Lubrizol Foundation 29400 Lakeland Blvd., Wickliffe, Ohio.	2,889			131,794	166,862	1,395,615	1,395,615
Medusa Foundation Post Office Box 5668, Cleveland 1, Ohio.	2,128			227,823			
Monarch Machine Tool Co. Foundation 615 North Oak St., Sidney, Ohio.	6,987			74,400			
NCR Foundation Care of National Cash Register Co., Main and K Sts., Dayton 9, Ohio.	274,324	750,000		90,000	1,588,000	887,379	910,000
National Acme Foundation 170 East 131st St., Cleveland 8, Ohio.	34,832	107,419			119,011	145,536	177,740
National Machinery Foundation, Inc Tiffin 15, Ohio.	17,475	576,580		115,693	364,911	953,929	1,876,151
Oglebay Norton Foundation 1200 Hanna Bldg., Cleveland 15, Ohio.	5,736			50,000			
Ohio Match Charitable Foundation. Wadsworth, Ohio. See California listing for data.							
Ohio Oil Co. Foundation, Inc 539 South Main St., Findlay, Ohio.	85,562			100,625		600,742	545,069
Owens-Illinois Paper Products Foundation Post Office Box 1035, Toledo, Ohio.	4,658						
Prentiss, Elizabeth Severance, Foundation Care of National City Bank of Cleveland, Post Office Box 5756, Cleveland 1, Ohio.	286,964			141,640	1,824,940	4,494,482	10,637,608 (Sept. 30, 1960)
Procter & Gamble Fund 301 East 6th St., Cincinnati 1, Ohio.	141,021			2,314,965	1,336,927	3,811,044	5,341,803
Republic Steel Corp. Educational & Charitable Trust Care of Cleveland Trust Co., 916 Euclid Ave., Cleveland 1, Ohio.	9,356			1,349,110	200,000	11,747,250	16,425,000 (Aug. 31, 1961)
Ritchie, Charles E. and Mabel M., Memorial Foundation Care of 1st National Bank of Akron, Akron 8, Ohio.	17,301			231,250	53,500	725,101	1,096,599

See footnotes at end of table

SCHEDULE 1.—*Assets*—Continued

[Source: Documents submitted to the Select Committee on Small Business]

Foundation	Other investments ² (8)	Capital assets: Depreciable (and depletable) assets less reserve for depreciation (and depletion) (9)	Capital assets: Land (10)	Other assets (11)	Total assets, with market values of securities being used wherever available (where market quotations are unavailable, the securities are shown at book values; generally, assets other than securities are shown at book values) ³ (12)	Total assets based on book values only (13)	(14)
OHIO—continued	*1960*	*1960*	*1960*	*1960*	*1960*	*1960*	*1951*
Cleveland Pneumatic Foundation 3781 East 77th St., Cleveland 5, Ohio.					$156,350	$156,350	$246,000 (Jan. 1, 1954)
Cleveland Twist Drill Foundation 1242 East 49th St., Cleveland 14, Ohio.					138,541	139,071	(Jan. 1, 1953)
Clevite Foundation 17000 St. Clair Ave., Cleveland 10, Ohio.					467,824	476,824	
Commercial Shearing & Stamping Foundation 1775 Logan Ave., Youngstown, Ohio.					95,218	95,219	(Jan. 1, 1954)
Dana Corp. Foundation 4100 Bennett Rd., Toledo 1, Ohio.			$21,556		331,052	331,053	(Apr. 30, 1956)
Dayton Malleable Foundation Post Office Box 980, Dayton, Ohio.		$199,186	42,271		358,242	355,913	(Jan. 1, 1952)
Eagle Picher Foundation The American Bldg., Cincinnati 1, Ohio.					102,666	120,985	(Jan. 1, 1954)
Emery, Thomas J., Memorial 414 Walnut St., Cincinnati 2, Ohio.		3,922,781	1,113,409	$114,118	8,042,342	7,011,451	7,962,121
Erie Railroad Charitable Education & Trust Care of Union Commerce Bank, 917 Euclid Ave., Cleveland 1, Ohio.					2,423	2,423	(Jan. 1, 1953)
Firestone Foundation 1200 Firestone Parkway, Akron 17, Ohio.	$133,541				16,482,539	6,620,315	910,393
Firestone Trust Fund Care of Cleveland Trust Co., 916 Euclid Ave., Cleveland 1, Ohio.					7,279,998	5,033,099	3,097,051 (Jan. 1, 1954)
General Tire Foundation Care of First National Bank of Akron, Akron, Ohio.					1,590,367	1,948,556	(Oct. 24, 1950)
Goodrich, B. F., Fund, Inc 500 South Main St., Akron 18, Ohio.					5,103,089	3,811,831	750,000 (Jan. 1, 1952)
Goodyear Foundation, Inc 1144 East Market St., Akron 16, Ohio.					102,069	101,513	1,000,000 (Jan. 1, 1954)
Hanna, Leonard C., Jr., Fund 1300 Leader Bldg., Cleveland 14, Ohio.			415,268	3,412	28,878,175	9,823,087	5,927,987
Hayes, Rutherford B. and Lucy Webb, Foundation 1337 Hayes Ave., Spiegel Grove, Fremont, Ohio.	40,936				1,123,512	1,123,512	611,514
Hoover Co. Charitable Trust 101 East Maple St., North Canton, Ohio.					1,775,116	1,456,400	166,752
Humphrey, George M. and Pamela S., Fund 1300 Leader Bldg., Cleveland 14, Ohio.					1,228,921	1,296,716	99,640 (Jan. 1, 1952)
Ingalls, Louise H. and David S., Foundation, Inc 1562 Union Commerce Bldg., Cleveland 14, Ohio.					1,629,192	1,326,696	138,543 (Jan. 1, 1954)
Kroger Co. Charitable Trust 35 East 7th St., Cincinnati 2, Ohio.					3,113	3,113	684,767 (Jan. 1, 1953)
Kulas Foundation 1759 Union Commerce Bldg., Cleveland 14, Ohio.					6,347,138	5,348,406	66,038
Libbey, Edmund Drummond, Trustees National Bank Bldg., Toledo, Ohio.		1,100,000	1,465,300		22,383,248	15,971,834	15,793,329 (Jan. 1, 1953)
Libbey-Owens-Ford Philanthropic Foundation Care of the Toledo Trust Co., 245 Summit St., Toledo 3, Ohio.					2,736,030	1,430,518	300,000 (Jan. 1, 1952)
Lincoln Electric Foundation Care of Central National Bank of Cleveland, Post Office Box 6179, Cleveland 1, Ohio.					683,704	683,704	250,000 (Jan. 1, 1953)
The Louise Foundation 1300 Leader Bldg., Cleveland 14, Ohio.					473,436	508,527	
Lubrizol Foundation 29400 Lakeland Blvd., Wickliffe, Ohio.					1,697,160	1,697,161	(Jan. 1, 1952)
Medusa Foundation Post Office Box 5668, Cleveland 1, Ohio.					229,951	225,893	100,000 (Jan. 1, 1954)
Monarch Machine Tool Co. Foundation 615 North Oak St., Sidney, Ohio.					81,387	82,164	40,000 (Jan. 1, 1953)
NCR Foundation Care of National Cash Register Co., Main and K Sts., Dayton 9, Ohio.				21,175	3,633,490	3,652,417	750,000 (Jan. 1, 1954)
National Acme Foundation 170 East 131st St., Cleveland 8, Ohio.	7,000				446,002	413,790	100,000 (Jan. 1, 1954)
National Machinery Foundation, Inc Tiffin 15, Ohio.		312,495	18,630		3,281,905	2,417,938	591,654
Oglebay Norton Foundation 1200 Hanna Bldg., Cleveland 15, Ohio.					55,736	55,736	(Mar. 31, 1959)
Ohio Match Charitable Foundation. Wadsworth, Ohio. See California listing for data.							
Ohio Oil Co. Foundation, Inc 539 South Maine St., Findlay, Ohio.				93	731,349	787,024	(Jan. 1, 1952)
Owens-Illinois Paper Products Foundation Post Office Box 1035, Toledo, Ohio.					4,658	4,658	260,617 (Dec. 31, 1956)
Prentiss, Elisabeth Severance, Foundation Care of National City Bank of Cleveland, Post Office Box 5756, Cleveland 1, Ohio.	1,528,683				14,419,835	8,392,482	5,890,231
Procter & Gamble Fund 301 East 6th St., Cincinnati 1, Ohio.				19,970	9,154,686	7,696,097	1,000,000 (Jan. 1, 1953)
Republic Steel Corp. Educational & Charitable Trust Care of Cleveland Trust Co., 916 Euclid Ave., Cleveland 1, Ohio.					17,983,466	13,558,809	250,000
Ritchie, Charles E. and Mabel M., Memorial Foundation Care of 1st National Bank of Akron, Akron 8, Ohio.	126,142				1,524,792	1,146,481	(Jan. 1, 1954)

SCHEDULE 1.—*Assets*—Continued

[Source: Documents submitted to the Select Committee on Small Business]

Foundation	Cash (1)	Notes and accounts receivable less reserve for bad debts (2)	Inventories (3)	Investments in Government obligations [1] (4)	Investments in non-Government bonds, etc.[1] (5)	Book values of investments in corporate stocks (6)	Market values of investments in corporate stocks (7)
OHIO—continued	*1960*	*1960*	*1960*	*1960*	*1960*	*1960*	*1960*
Schmidlapp, Charlotte R., Fund Care of the 5th Third Union Trust Co., 4th and Walnut Sts., Cincinnati, Ohio.	$73,506			$523,220	$83,357	$803,700	$2,505,269
Schmidlapp, J. G., Trust No. 2 Care of the 5th Third Union Trust Co., 4th and Walnut Sts., Cincinnati, Ohio.	31,417			181,925	13,572	144,135	519,799
Schmidlapp, Jacob G., Trust Care of the 5th Third Union Trust Co., 4th and Walnut Sts., Cincinnati, Ohio.	33,930	$5,101		649,420	50,740	965,063	3,274,791
Sohio Foundation Care of Standard Oil Co., Midland Bldg., Cleveland 15, Ohio.	301,085			155,063			
Stranahan Foundation 900 Upton Ave., Toledo 1, Ohio.	282,309			181,096	2,213,321	2,413,293	4,920,053
Thompson Products Foundation 23555 Euclid Ave., Cleveland 17, Ohio.	12,800	74,500		549,023			
Timken Foundation of Canton 1835 Dueber Ave. SW., Canton 6, Ohio.	4,812,096					19,760,849	21,410,536
Timken Roller Bearing Co. Charitable Trust Care of 1st National Bank of Canton, Ohio, 101 Market St., Canton 2, Ohio.	21,542			2,233,217			
Warner Swasey Foundation 5701 Carnegie Ave., Cleveland 3, Ohio.	91,108			399,214			
Wean, Raymond John, Foundation Care of 2d National Bank of Warren, Warren, Ohio.	203,997			144,161	99,716	3,660,095	5,945,428
White Motor Co. Charitable Trust 842 East 79th St., Cleveland 1, Ohio.	88,863			179,540			
OKLAHOMA							
Bartlett, H. U. and Eva Maud, Foundation Care of Bartlett-Collins Co., Sapulpa, Okla.	31,793			80,937		29,000	29,000
Broadhurst Foundation 1701 1st National Bldg., Tulsa 3, Okla.	33,077	1,184,127		1,860,454	70,986	131,180	152,350
Champlin, H. H. Foundation 302 1st National Bank Bldg., Enid, Okla.	7,044			347,660			
Kirkpatrick Foundation, Inc. 1300 North Broadway, Oklahoma City, Okla.	14,494	7,000			402,164	746,119	1,052,303 (Aug. 31, 1961)
Mabee, J. E. and L. E., Foundation, Inc. 1916 1st National Bank Bldg., Tulsa 3, Okla.	443,281			4,110,160			
The McMahon Foundation 714-716 C Ave., Lawton, Okla.	204,081	410		961,225	484,500	1,431,987	2,584,200
Noble, Samuel Roberts, Foundation, Inc. Post Office Box 870, Ardmore, Okla.	31,832	2,697,123		1,109,427	194,566	12,579,585	12,602,912 (Jan. 30, 1960)
Phillips, Frank, Foundation, Inc. 208 1st National Bank Bldg., Bartlesville, Okla.	56,225					6,065,355	9,004,007
The Pioneer Foundation (formerly Goldman Foundation) Post Office Box 8518, Oklahoma City 14, Okla.	11,533 (Jan. 31, 1961)	36,706 (Jan. 31, 1961)				136,370 (Jan. 31, 1961)	212,085 (Jan. 31, 1961)
Young, R. A., Foundation 3815 North Santa Fe, Oklahoma City, Okla.	1,146			311,691		527,789	534,381
PENNSYLVANIA							
The Alcoa Foundation Care of Mellon National Bank & Trust Co., Mellon Sq., Pittsburgh 30, Pa.	308,776			250,016	375,000	16,377,524	42,746,464
Allegheny Foundation 525 William Penn Pl., Pittsburgh 19, Pa.	13,451		$125		402,036	635,585	665,114
American Foundation, Inc. 1718 Philadelphia National Bank Bldg., Philadelphia 7, Pa.	204,980	205,456	12,871	2,002,068	669,405	3,933,658	4,368,253
Benedum, Claude Worthington, Foundation 223 4th Ave., Pittsburgh 22, Pa.	4,077,546	31,720		632,610	1,110,625	11,903,130	16,089,757
Bok, Mary Louise Curtis, Foundation 1726 Locust St., Philadelphia 3, Pa.	16,246	380,968		2,745,687	1,686,493	10,438,357	8,770,679
Buhl Foundation 1 Gateway Center, Pittsburgh 22, Pa.	132,092	772,458		184,229	7,508,538	3,422,114	8,617,120 (June 30, 1961)
Carnegie Hero Fund Commission 2307 Oliver Bldg., Pittsburgh 22, Pa.	70,446			552,187	4,192,972	4,602,685	5,738,517
Davis, Arthur Vining, Foundation Care of Mellon National Bank & Trust Co., Mellon Sq., Pittsburgh 30, Pa.	36,557				582,002	844,409	1,268,125
Donner Foundation, Inc. 2600 Philadelphia National Bank Bldg., Philadelphia 7, Pa.	519,065				13,245,739	11,431,213	28,430,260
Falk, Maurice and Laura, Foundation 3315 Grant Bldg., Pittsburgh 10, Pa.	525,144	2,516		291,718	294,375	3,250,783	10,177,646
Fels, Samuel S. Fund 2 Penn Center Plaza, Philadelphia 2, Pa.	306,265			3,630,880	1,831,500	7,553,009	14,279,507
Food Fair Stores Foundation 2223 East Allegheny Ave., Philadelphia 34, Pa.	20,352			153,496	307,703	140,097	161,534
Frick, Childs, Corp. Care of Mellon National Bank & Trust Co., Mellon Sq., Pittsburgh 30, Pa.	292,685			566,739	1,557,367	938,066	2,163,670
Addison H. Gibson Foundation 1702 Commonwealth Bldg., Pittsburgh 22, Pa.	181,692			112,035	947,456	1,702,079	3,110,582
Glencairn Foundation 2d Street Pike, Bryn Athyn, Pa.	3,103				30,707	5,849,946	5,809,235

See footnotes at end of table.

SCHEDULE 1.—*Assets*—Continued

[Source: Documents submitted to the Select Committee on Small Business]

Foundation	Other investments [2] (8)	Capital assets: Depreciable (and depletable) assets less reserve for depreciation (and depletion) (9)	Capital assets: Land (10)	Other assets (11)	Total assets, with market values of securities being used wherever available (where market quotations are unavailable, the securities are shown at book values; generally, assets other than securities are shown at book values) [3] (12)	Total assets based on book values only (13)	Total assets based on book values only (14)
OHIO—continued	*1960*	*1960*	*1960*	*1960*	*1960*	*1960*	*1951*
Schmidlapp, Charlotte R., Fund Care of the 5th Third Union Trust Co., 4th and Walnut Sts., Cincinnati, Ohio.	$60,180				$3,245,532	$1,544,963	$1,184,299 (Jan. 1, 1952)
Schmidlapp, J. G., Trust No. 2 Care of the 5th Third Union Trust Co., 4th and Walnut Sts., Cincinnati, Ohio.	33,800				$780,513	$68,749	332,232 (Jan. 1, 1952)
Schmidlapp, Jacob G., Trust Care of the 5th Third Union Trust Co., 4th and Walnut Sts., Cincinnati, Ohio.	248,343				4,262,325	1,743,154	1,567,122 (Jan. 1, 1952)
Sohio Foundation Care of Standard Oil Co., Midland Bldg., Cleveland 15, Ohio.					456,148	456,148	603,517 (Jan. 1, 1954)
Stranahan Foundation 900 Upton Ave., Toledo 1, Ohio.				$175	7,596,954	5,225,065	1,264,164
Thompson Products Foundation 23555 Euclid Ave., Cleveland 17, Ohio.					636,323	636,324	885,000 (Jan. 1, 1954)
Timken Foundation of Canton 1835 Dueber Ave. SW., Canton 6, Ohio.					26,222,632	24,572,946	6,619,642
Timken Roller Bearing Co. Charitable Trust Care of 1st National Bank of Canton, Ohio, 101 Market St., Canton 2, Ohio.					2,254,759	2,254,759	646,191
Warner Swasey Foundation 5701 Carnegie Ave., Cleveland 3, Ohio					490,322	490,322	104,717 (Jan. 1, 1953)
Wean, Raymond John, Foundation Care of 2d National Bank of Warren, Warren, Ohio					6,393,302	4,111,253	388,133
White Motor Co. Charitable Trust 842 East 79th St., Cleveland 1, Ohio.					268,403	268,404	91,065 (Jan. 1, 1955)
OKLAHOMA							
Bartlett, H. U. and Eva Maud, Foundation Care of Bartlett-Collins Co., Sapulpa, Okla.	1,250				112,980	112,980	22,000
Broadhurst Foundation 1701 1st National Bldg., Tulsa 3, Okla.	3,000	$8,384		600,000	3,912,378	3,801,220	2,747,343
Champlin, H. H., Foundation 302 1st National Bank Bldg., Enid, Okla.		179,387	$1,500		535,591	535,592	537,284 (Jan. 1, 1952)
Kirkpatrick Foundation, Inc 1300 North Broadway, Oklahoma City, Okla.	22,280			41	1,498,282	1,182,090	528,691 (May 18, 1956)
Mabee, J. E. and L. E., Foundation, Inc 1916 1st National Bank Bldg., Tulsa 3, Okla.		3,977,298		1,641,276	10,172,015	10,172,015	4,613,664
The MacMahon Foundation 714-716 C Ave., Lawton, Okla.		392,585	15,519	23	4,642,543	3,519,294	1,684,196
Noble, Samuel Roberts, Foundation, Inc Post Office Box 870, Ardmore, Okla.		2,025,492	12,205	517	18,674,074	18,650,752	1,042,229
Phillips, Frank, Foundation, Inc 208 1st National Bank Bldg., Bartlesville, Okla.	1,697,184	1,440		1,354	10,760,219	7,821,568	2,385,114
The Pioneer Foundation (formerly Goldman Foundation) Post Office Box 8518, Oklahoma City 14, Okla.		89,521 (Jan. 31, 1961)	24,774 (Jan. 31, 1961)	12 (Jan. 31, 1961)	374,691 (Jan. 31, 1961)	773,978 (Jan. 31, 1961)	(Jan. 1, 1953)
Young, R. A., Foundation 3815 North Santa Fe, Oklahoma City, Okla.	239,250			100,000	1,186,468	1,179,877	
PENNSYLVANIA							
The Alcoa Foundation Care of Mellon National Bank & Trust Co., Mellon Sq., Pittsburgh 30, Pa.					43,680,256	17,306,259	200,000 (Jan. 1, 1953)
Allegheny Foundation 525 William Penn Pl., Pittsburgh 19, Pa.	16,000				1,096,726	1,066,598	(Jan. 1, 1953)
American Foundation, Inc 1718 Philadelphia National Bank Bldg., Philadelphia 7, Pa.		1,303,468	429,939		9,196,449	8,894,136	4,830,726
Benedum, Claude Worthington, Foundation 223 4th Ave., Pittsburgh 22, Pa.			19,000	8,601	21,969,859	17,761,875	714,316
Bok, Mary Louise Curtis, Foundation 1726 Locust St., Philadelphia 3, Pa.					13,609,073	15,501,150	9,974,102
Buhl Foundation 1 Gateway Center, Pittsburgh 22, Pa.	387,441	947,429	1,131,988		19,681,295	13,356,463	12,997,720
Carnegie Hero Fund Commission 2307 Oliver Bldg., Pittsburgh 22, Pa.	180,193				10,734,315	10,056,457	9,991,333
Davis, Arthur Vining, Foundation Care of Mellon National Bank & Trust Co., Mellon Sq., Pittsburgh 30, Pa.	152,000				2,038,684	1,626,356	651,562 (Jan. 1, 1953)
Donner Foundation, Inc 2500 Philadelphia National Bank Bldg., Philadelphia 7, Pa.					42,195,084	25,001,615	15,235,741
Falk, Maurice and Laura, Foundation 3315 Grant Bldg., Pittsburgh 19, Pa.				4	11,291,403	4,434,886	6,285,245
Fels, Samuel S., Fund 2 Penn Center Plaza, Philadelphia 2, Pa.	125,300	2		591	20,273,045	13,562,254	5,202,033
Food Fair Stores Foundation 2223 East Allegheny Ave., Philadelphia 34, Pa.	961,864				1,604,951	1,601,514	308,680 (Jan. 1, 1953)
Frick, Childs, Corp Care of Mellon National Bank & Trust Co., Mellon Sq., Pittsburgh 30, Pa.				12	4,580,473	3,474,465	1,228,154
Addison H. Gibson Foundation 1702 Commonwealth Bldg., Pittsburgh 22, Pa.	1,197,081				[15] 5,548,846	3,339,952	2,489,174
Glencairn Foundation 2d Street Pike, Bryn Athyn, Pa.					5,843,045	5,883,757	80,146

SCHEDULE 1.—*Assets*—Continued

[Source: Documents submitted to the Select Committee on Small Business]

Foundation	Cash (1)	Notes and accounts receivable less reserve for bad debts (2)	Inventories (3)	Investments in Government obligations [1] (4)	Investments in non-Government bonds, etc.[1] (5)	Book values of investments in corporate stocks (6)	Market values of investments in corporate stocks (7)
PENNSYLVANIA—continued	*1960*	*1960*	*1960*	*1960*	*1960*	*1960*	*1960*
The Hammermill Foundation Post Office Box 1440, Erie 6, Pa.	$320,381	$2,853	------	$246,165	------	$265,335	$165,615
Heinz, Howard, Endowment Post Office Box 926, Pittsburgh 30, Pa.	6,765	------	------	30,420	$698,174	6,409,405	42,845,249
Heinz, H. J., Co. Foundation Post Office Box 57, Pittsburgh 30, Pa.	16,569	------	------	------	------	------	------
The Hunt Foundation Post Office Box 926, Pittsburgh 30, Pa.	5,920	------	------	91,695	1,228,641	1,843,242	2,498,508 (Nov. 30, 1960)
Jackson, William R. and Lucilla S., Charitable Trust Care of Mellon National Bank & Trust Co., Mellon Square, Pittsburgh 30, Pa.	307	------	------	6,059	------	160,935	209,810 (July 1, 1960)
Janssen, Henry, Foundation, Inc Post Office Box 462, Reading, Pa.	102,690	------	------	367,712	313,728	1,457,767	2,085,211
The Koppers Foundation Care of Koppers Co., Inc., Pittsburgh 19, Pa.	11,327	------	------	------	443,106	231,358	258,736
Laurel Foundation 525 William Penn Pl., Pittsburgh 19, Pa.	9,023	41	------	21,148	58,487	1,273,703	1,742,376
Mack, J. S., Foundation 531 5th Ave., McKeesport, Pa.	94,951	------	------	4,428	------	1,353,730	2,669,923
Mellon, A. W., Educational & Charitable Trust 525 William Penn Pl., Pittsburgh 19, Pa.	154,452	730	------	2,769,667	9,013,857	5,655,206	15,793,210
Mellon, Richard King, Foundation 525 William Penn Pl., Pittsburgh 19, Pa.	63,529	------	------	1,249,937	------	23,830,802	58,044,295
Moore, Hugh, Fund 24th St. and Dixie Ave., Easton, Pa.	23,152	------	------	30,593	313,906	617,617	666,217 (Dec. 31, 1961)
Murphy, G. C., Co., Foundation 531 5th Ave., McKeesport, Pa.	17,201	------	------	------	47,142	1,008,058	1,161,905
National Forge Co. Foundation Care of Pittsburgh National Bank, 414 Wood St., Pittsburgh 22, Pa.	44,929	------	------	38,961	21,500	129,872	160,227
National Steel Charitable Trust Care of Pittsburgh National Bank, Pittsburgh 30, Pa.	47,402	------	------	393,391	------	------	------
Penn Fruit Foundation Post Office Box 6122, Grant Ave. and Bluegrass Rd., Philadelphia 15, Pa.	25,407	------	------	15,000	------	617,474	711,714
The Pew Memorial Trust Care of the Glenmeade Trust Co., 1608 Walnut St., Philadelphia 3, Pa.	45,410	------	------	1,192,496	------	3,027,318	134,071,575
Pitcairn, Theodore, Foundation Creek Rd., Bryn Athyn, Pa.	607	------	------	------	------	2,001,891	1,962,430
Pittsburgh Forgings Co. Foundation Care of Mellon National Bank & Trust Co., 747 Union Trust Bldg., Pittsburgh 19, Pa.	1,466	------	------	3,662	88,677	119,664	143,321 (Dec. 23, 1961)
Pittsburgh Plate Glass Foundation 1 Gateway Center, Pittsburgh 22, Pa.	35,308	------	------	------	5,150,037	6,246,516	10,316,963
Presser Foundation 1717 Sansom St., Pittsburgh 3, Pa.	428,380	15,071	------	------	------	6,352,883	9,353,587 (June 30, 1961)
Publicker, Harry and Rose, Trust 1400 South Penn Sq., Philadelphia 2, Pa.	1,766	------	------	12,500	2,017	771,882	771,882
Rittenhouse Foundation 1530 Spruce St., Philadelphia 2, Pa.	2,117	2,072	------	66,510	------	491,563 (Aug. 1, 1961)	491,563
Rockwell Charitable Trust Pittsburgh National Bank, Pittsburgh 30, Pa.	------	------	------	99,686	------	18,627	35,804
Scaife, Sarah Mellon, Foundation 525 William Penn Pl., Pittsburgh 30, Pa.	136,951	------	------	2,112,500	2,377,637	8,233,650	16,549,553
Scholler Foundation Collins and Westmoreland Sts., Phildelphia 34, Pa.	96,504	------	------	70,000	------	1,671,865	1,671,965
Smith Kline & French Foundation 1500 Spring Garden St., Philadelphia 1, Pa.	38,188	------	------	1,938,204	------	------	------
Thomson, John Edgar, Foundation 3818 Chestnut St., Philadelphia 4, Pa.	5,551	------	------	------	404,577	1,318,459	1,351,226
Trexler Foundation 1227 Hamilton St., Allentown, Pa.	553,829	31,958	$295,948	1,368,370	2,525,679	3,941,909	6,194,669
Waterman, Phoebe, Foundation, Inc 1701 Arch St., Philadelphia 3, Pa.	439,756	------	------	337,323	98,293	12,218,979	69,701,457
Westinghouse Air Brake Foundation Care of Mellon National Bank & Trust Co., Mellon Sq., Pittsburgh 30, Pa.	5,955	------	------	132,235	358,000	126,660	113,644
Westinghouse Educational Foundation Post Office Box 2278, 401 Liberty Ave., Pittsburgh 30, Pa.	16,360	------	------	1,257,026	618,152	------	------
Westinghouse Electric Fund Post Office Box 2278, 3 Gateway Center, Pittsburgh 30, Pa.	83,183	------	------	866,423	------	------	------
Wyomissing Foundation, Inc Post Office Box 1382, Reading, Pa.	19,846	------	------	238,365	1,656,278	4,115,230	3,077,487
SOUTH CAROLINA							
Arkwright Foundation Post Office Box 1086, Spartanburg, S.C.	96,907	2,349	------	132,938	298,454	1,275,459	1,445,805
Burgiss, W. W., Charities, Inc Care of the First National Bank, 102 South Main St., Greenville, S.C.	43,078	255,955	------	110,034	------	195,944	279,758
Gregg Foundation Graniteville, S.C.	7,446	------	------	------	87,240	135,698	147,762

See footnotes at end of table.

SCHEDULE 1.—*Assets*—Continued

[Source: Documents submitted to the Select Committee on Small Business]

Foundation	Other investments ³ (8)	Capital assets: Depreciable (and depletable) assets less reserve for depreciation (and depletion) (9)	Capital assets: Land (10)	Other assets (11)	Total assets, with market values of securities being used wherever available (where market quotations are unavailable, the securities are shown at book values; generally, assets other than securities are shown at book values) ³ (12)	Total assets based on book values only (13)	(14)
PENNSYLVANIA—continued	*1960*	*1960*	*1960*	*1960*	*1960*	*1960*	*1951*
The Hammermill Foundation Post Office Box 1440, Erie 6, Pa.		$2,230,209	$90,303		$3,055,526	$2,908,220	$226,875 (Oct. 21, 1955)
Heinz, Howard, Endowment Post Office Box 926, Pittsburgh 30, Pa.	$1,668				43,582,276	7,146,432	4,726,955
Heinz, H. J., Co. Foundation Post Office Box 57, Pittsburgh 30, Pa.				$115,000	131,509	131,569	302,068 (Jan. 1, 1952)
The Hunt Foundation Post Office Box 926, Pittsburgh 30, Pa.					3,824,854	3,101,440	268,856 (Jan. 1, 1952)
Jackson, William R. and Lucilla S., Charitable Trust Care of Mellon National Bank & Trust Co., Mellon Square, Pittsburgh 30, Pa.					216,176	168,302	26,621
Janssen, Henry, Foundation, Inc. Post Office Box 462, Reading, Pa.	123,163				2,902,504	2,352,145	2,158,567
The Koppers Foundation Care of Koppers Co., Inc., Pittsburgh 19, Pa.	3,000				716,169	705,216	554,512 (Jan. 1, 1954)
Laurel Foundation 525 William Penn Pl., Pittsburgh 19, Pa.	27,000				1,858,075	1,300,463	43,509
Mack, J. S., Foundation 531 5th Ave., McKeesport, Pa.		658,345	292,539		3,720,186	2,404,571	1,184,807
Mellon, A. W., Educational & Charitable Trust 525 William Penn Pl., Pittsburgh 19, Pa.		4,248	49,635	17,098	27,802,897	17,603,825	38,267,520
Mellon, Richard King, Foundation 525 William Penn Pl., Pittsburgh 19, Pa.	500,000			21,821	59,870,582	25,003,622	12,267,110
Moore, Hugh, Fund 24th St. and Dixie Ave., Easton, Pa.					1,033,868	995,208	56,614 (Jan. 1, 1956)
Murphy, G. C., Co. Foundation 531 5th Ave., McKeesport, Pa.				841	1,227,089	1,077,850	500,000 (Jan. 1, 1953)
National Forge Co. Foundation Care of Pittsburgh National Bank, 414 Wood St., Pittsburgh 22, Pa.					265,677	235,897	129,303 (Jan. 1, 1955)
National Steel Charitable Trust Care of Pittsburgh National Bank, Pittsburgh 30, Pa.				1	440,794	432,489	1,000 (Jan. 1, 1954)
Penn Fruit Foundation Post Office Box 6122, Grant Ave. and Bluegrass Rd., Philadelphia 15, Pa.					752,121	657,551	56,450 (Jan. 1, 1953)
The Pew Memorial Trust Care of the Glenmeade Trust Co., 1608 Walnut St., Philadelphia 3, Pa.					135,309,481	4,365,226	2,075,384
Pitcairn, Theodore, Foundation Creek Rd., Bryn Athyn, Pa.					1,963,037	2,002,498	213,251 (Jan. 1, 1954)
Pittsburgh Forgings Co. Foundation Care of Mellon National Bank & Trust Co., 747 Union Trust Bldg., Pittsburgh 19, Pa.					237,126	226,338	289,023 (Jan. 1, 1953)
Pittsburgh Plate Glass Foundation 1 Gateway Center, Pittsburgh 22, Pa.	716,967		26,268	84,359	16,329,982	12,846,445	3,142,356 (Jan. 1, 1953)
Presser Foundation 1717 Sanson St., Pittsburgh 3, Pa.	744,041			220,422	10,761,510	7,760,806	1,359,357
Publicker, Harry and Rose, Trust 1400 South Penn Sq., Philadelphia 2, Pa.	85,000				873,165	873,165	1,248,919
Rittenhouse Foundation 1530 Spruce St., Philadelphia 2, Pa.	125,000	547,470	67,800	221,257	1,523,789	1,523,791	36,559
Rockwell Charitable Trust Pittsburgh National Bank, Pittsburgh 30, Pa.	682,500			827,001	1,644,991	1,627,522	175,000
Scaife, Sarah Mellon, Foundation 525 William Penn Pl., Pittsburgh 30, Pa.				13,596	21,190,237	12,749,682	7,338,120
Scholler Foundation Collins and Westmoreland Sts., Philadelphia 34, Pa.	500				1,838,969	1,838,960	812,523
Smith, Kline & French Foundation 1500 Spring Garden St., Philadelphia 1, Pa.	15,727				1,992,110	1,982,465	250,000 (Jan. 1, 1953)
Thomson, John Edgar, Foundation 3818 Chestnut St., Philadelphia 4, Pa.	57,866	606		120	1,819,946	1,826,788	1,812,848
Trexler Foundation 1227 Hamilton St., Allentown, Pa.	3,208,246	1,192,813		24,256	15,395,788	13,707,863	12,147,130
Waterman, Phoebe, Foundation, Inc. 1701 Arch St., Philadelphia 3, Pa.		1,120		271	70,668,220	13,095,744	1,975,704
Westinghouse Air Brake Foundation Care of Mellon National Bank & Trust Co., Mellon Sq., Pittsburgh 30, Pa.					606,934	615,107	500,000 (Jan. 1, 1953)
Westinghouse Educational Foundation Post Office Box 2278, 401 Liberty Ave., Pittsburgh 30, Pa.				1	1,891,548	1,913,221	1,519,301
Westinghouse Electric Fund Post Office Box 2278, 3 Gateway Center, Pittsburgh 30, Pa.	278,900				929,536	928,142	2,500,000 (Jan. 1, 1953)
Wyomissing Foundation, Inc. Post Office Box 1382, Reading, Pa.					4,991,976	6,102,763	2,606,888
SOUTH CAROLINA							
Arkwright Foundation Post Office Box 1086, Spartanburg, S.C.		95	1,250		1,976,506	1,908,916	1,204,372
Burgiss, W. W., Charities, Inc. Care of the First National Bank, 102 South Main St., Greenville, S.C.			263,333		952,188	868,346	713,588
Gregg Foundation Graniteville, S.C.					242,448	233,886	565,416

SCHEDULE 1.—*Assets*—Continued

[Source: Documents submitted to the Select Committee on Small Business]

Foundation	Cash (1)	Notes and accounts receivable less reserve for bad debts (2)	Inventories (3)	Investments in Government obligations (4)	Investments in non-Government bonds, etc.[1] (5)	Book values of investments in corporate stocks (6)	Market values of investments in corporate stocks (7)
SOUTH CAROLINA—continued							
	1960	*1960*	*1960*	*1960*	*1960*	*1960*	*1960*
Gregg-Graniteville Foundation, Inc. Graniteville, S.C.	$44,669	$114,016			$452,676	$764,324	$1,580,297
Self Foundation Greenwood, S.C.	267,227	5,010,042		$625,345	2,099,135	1,533,121	1,714,585
The Springs Foundation, Inc. Care of Mr. J. C. Hubbard, Lancaster, S.C.	29,858	552,307		1,815,703	577,449	447,424	553,925
TENNESSEE							
Benwood Foundation, Inc. 521-523 Chattanooga Bank Bldg., Chattanooga, Tenn.	366,445					9,129,815	8,582,454
Carrier, Robert M. and Lenore W., Foundation Care of Union Planters National Bank, Memphis, Tenn.	10,369				45,708	541,813	675,774
Evans Foundation, Inc. 540 McCallie Ave., Chattanooga, Tenn.	31,447			414,000	320,300	321,056	747,227
Jarman Foundation 119-7th Ave. North, Nashville 3, Tenn.	10,707					1,420,058	4,586,018
Memorial Welfare Foundation, Inc. Care of American National Bank & Trust Co., Chattanooga, Tenn.	225,635			2,547,742	1,260,443	2,250,084	4,846,880
TEXAS							
Anderson, M. D., Foundation Post Office Box 2557, Houston 1, Tex.	200,620	7,152,563		6,172,703	1,976,100	7,467,915	17,728,051
Carter, Amon G., Foundation Post Office Box 1036, Fort Worth, Tex.	470,796	1,293,943		1,826,025	5,437	9,541,192	12,494,726
Clayton Foundation for Research 706 Bank of the Southwest, Houston 2, Tex.	198,146	28,096				1,997,310	5,383,520
The Cullen Foundation 1710 1st National Bank Bldg., Houston 2, Tex.	265,012	88,664		200,000			
Hoblitzelle Foundation 501 Majestic Theater Bldg., Dallas 1, Tex.	269,126				46,000	5,022,507	13,922,621
Houston Endowment, Inc. Post Office Box 1414, Houston 1, Tex.	4,495,520	7,576,182		1,015,000	50,000	18,134,176	47,421,736 (Dec. 31, 1961)
The Moody Foundation Post Office Box 904, Galveston, Tex.	421,354	32,600				52,070,777	103,784,911
Welch, Robert A., Foundation 2010 Bank of the Southwest Bldg., Houston 2, Tex.	10,196,087	456,187			1,241,750	19,758,174	28,679,341
WASHINGTON							
Boeing Airplane Co. Charitable Trust Post Office Box 3707, Seattle, Wash.	35,457			1,142,476			
Comstock Foundation Spokane and Eastern Bldg., Spokane, Wash.	78,497			6,092	544,377	1,913,422	2,342,623
Medina Foundation 2101 Exchange Bldg., Seattle 4, Wash.	264,436	223,620		350,625	135,000	912,523	1,166,785
Weyerhaeuser Co. Foundation Tacoma Bldg., Tacoma, Wash.	135,109			257,578	434,763	1,658,766	2,626,743
WISCONSIN							
Allis Chalmers Foundation 1126 South 70th St., West Allis 14, Wis.	104,022			1,090,148		1,161,199	937,547
Briggs & Stratton Corp. Foundation, Inc. 2711 North 13th St., Milwaukee 6, Wis.	9,531			297,084		216,372	815,660
Bucyrus-Erie Foundation, Inc. 11th and Milwaukee Aves., South Milwaukee, Wis.	5,897			60,534			
Chain Belt Foundation, Inc. 4701 West Greenfield Ave., Milwaukee, Wis.	15,102					431,429	632,832 (Dec. 31, 1960)
Cudahy, Patrick and Anna M., Fund, 920 East Mason St., Milwaukee 2, Wis.	35,718				514,294	2,871,194	3,356,490
Cutler-Hammer Foundation 315 North 12th St., Milwaukee 1, Wis.	42,502			715,454			
De Rance, Inc. 735 North Water St., Milwaukee 2, Wis.	42					5,180,000	[10] 11,600,000
Froedtert Foundation Post Office Box 712, Milwaukee 1, Wis.	21,842			27,522	23,000	163,016	174,350
Hamilton Memorial Foundation Care of Hamilton Manufacturing Co., Two Rivers, Wis.	34,681	7,439		102,385	354,992	475,649	542,965
Harnischfeger Foundation, Inc. 4400 West National Ave., Milwaukee 14, Wis.	24,867					887,093	930,334
Johnson Foundation, Inc. Racine, Wis.	493,807						
Kimberly-Clark Foundation, Inc. 128 North Commercial St., Neenah, Wis.	67,472				98,289	294,636	523,118
Nekoosa-Edwards Foundation, Inc. Port Edwards, Wis.	93,735	378				61,347	57,390
Phillips, L. E., Charities, Inc. 314 Grand Ave. East, Eau Claire, Wis.	864	17,750				1,801,096	1,737,649
Rutledge, Edward, Charity 404 Bridge St., Chippewa Falls, Wis.	12,836	461,294			265,520	403,376	403,185
Schlitz Foundation, Inc. 235 West Galena St., Milwaukee 1, Wis.	10,111			1,761,000			

See footnotes at end of table.

SCHEDULE 1.—*Assets*—Continued

[Source: Documents submitted to the Select Committee on Small Business]

Foundation	Other investments [3]	Capital assets: Depreciable (and depletable) assets less reserve for depreciation (and depletion)	Capital assets: Land	Other assets	Total assets, with market values of securities being used wherever available (where market quotations are unavailable, the securities are shown at book values; generally, assets other than securities are shown at book values) [3]	Total assets based on book values only	
	(8)	(9)	(10)	(11)	(12)	(13)	(14)
SOUTH CAROLINA—continued							
	1960	*1960*	*1960*	*1960*	*1960*	*1960*	*1951*
Gregg-Graniteville Foundation, Inc. Graniteville, S.C.		$213,735		$535	$2,405,948	$1,616,193	$441,801
Self Foundation Greenwood, S.C.	$20,000	2,821,162	$56,487		12,613,983	12,485,259	4,238,404
The Springs Foundation, Inc. Care of Mr. J. C. Hubbard, Lancaster, S.C.		9,918	15,809	5	3,554,974	3,552,189	3,715,495
TENNESSEE							
Benwood Foundation, Inc. 521-523 Chattanooga Bank Bldg., Chattanooga, Tenn.					8,948,809	9,496,280	1,135,863
Carrier, Robert M. and Lenore W., Foundation Care of Union Planters National Bank, Memphis, Tenn.					731,851	507,890	511,955 (Jan. 1, 1953)
Evans Foundation, Inc. 540 McCallie Ave., Chattanooga, Tenn.	20,000				1,532,974	1,000,938	800
Jarman Foundation 119-7th Ave. North, Nashville 3, Tenn.					4,596,725	1,430,766	1,008,721 (Jan. 1, 1952)
Memorial Welfare Foundation, Inc. Care of American National Bank & Trust Co., Chattanooga, Tenn.					8,880,700	6,283,906	2,448,842
TEXAS							
Anderson, M. D., Foundation Post Office Box 2557, Houston 1, Tex.		5,287,824		29,688	39,087,549	28,657,600	26,658,790
Carter, Amon G., Foundation Post Office Box 1036, Fort Worth, Tex.	389,755	6,660,062	2,076,354	2,750,256	27,967,354	24,996,142	12,344,807
Clayton Foundation for Research 706 Bank of the Southwest, Houston 2, Tex.	7,845,920	113,747		6,169	13,575,596	10,189,388	8,268,641
The Cullen Foundation 1710 1st National Bank Bldg., Houston 2, Tex.		2,901,171			3,544,847	3,540,044	4,622,319
Hoblitzelle Foundation 501 Majestic Theater Bldg., Dallas 1, Tex.	1,078,993			1,758,888	17,075,628	8,179,516	6,064,337
Houston Endowment, Inc. Post Office Box 1414, Houston 1, Tex.	8,995	10,007,295	2,058,907		72,633,635	43,352,800	20,038,671
The Moody Foundation Post Office Box 904, Galveston, Tex.	9,200	3,198	685,756	7,617,290	112,554,309	60,840,178	291,842
Welch, Robert A., Foundation 2010 Bank of the Southwest Bldg., Houston 2, Tex.		7,057,995	117,632	560,881	48,309,873	39,345,936	20,284,892 (Jan. 1, 1954)
WASHINGTON							
Boeing Airplane Co. Charitable Trust Post Office Box 3707, Seattle, Wash.					1,177,933	1,174,182	(Jan. 1, 1952)
Comstock Foundation Spokane and Eastern Bldg., Spokane, Wash.				32,454	3,004,043	2,600,542	1,245,555 (Jan. 1, 1953)
Medina Foundation 2101 Exchange Bldg., Seattle 4, Wash.	186,259				2,826,725	2,072,465	246,446
Weyerhaeuser Co. Foundation Tacoma Bldg., Tacoma 1, Wash.				1,627	3,455,820	2,477,784	187,977 (Dec. 1, 1950)
WISCONSIN							
Allis Chalmers Foundation 1126 South 70th St., West Allis 14, Wis.	25,000				2,165,717	2,385,721	640,000 (Jan. 1, 1952)
Briggs & Stratton Corp. Foundation, Inc. 2711 North 13th St., Milwaukee 6, Wis.					1,122,275	522,987	216,372 (Jan. 1, 1954)
Bucyrus-Erie Foundation, Inc. 11th and Milwaukee Aves., South Milwaukee, Wis.					66,431	66,251	250,000
Chain Belt Foundation, Inc. 4701 West Greenfield Ave., Milwaukee, Wis.					647,934	446,532	149,500 (Oct. 9, 1953)
Cudahy, Patrick and Anna M., Fund 920 East Mason St., Milwaukee 2, Wis.			42,000	11,984	3,960,486	3,475,101	233,464
Cutler-Hammer Foundation 315 North 12th St., Milwaukee 1, Wis.					758,016	758,016	500 (Jan. 1, 1952)
De Rance, Inc. 735 North Water St., Milwaukee 2, Wis.					11,600,042	5,180,042	342
Froedtert Foundation Post Office Box 712, Milwaukee 1, Wis.	10,000	428,000			684,714	675,381	334,954
Hamilton Memorial Foundation Care of Hamilton Manufacturing Co., Two Rivers, Wis.					1,042,462	966,881	150,000 (Jan. 1, 1952)
Harnischfeger Foundation, Inc. 4400 West National Ave., Milwaukee 14, Wis.					955,201	911,960	667,767 (Jan. 1, 1952)
Johnson Foundation, Inc. Racine, Wis.					493,807	493,807	57,822 (June 30, 1959)
Kimberly-Clark Foundation, Inc. 128 North Commercial St., Neenah, Wis.					698,879	459,859	77,800 (Jan. 1, 1953)
Nekoosa-Edwards Foundation, Inc. Port Edwards, Wis.	20,000		1,656,781		1,828,284	1,832,241	326,992
Phillips, L. E., Charities, Inc. 314 Grand Ave. East, Eau Claire, Wis.		79,764	1,347	1,061	1,838,435	1,001,845	411,044
Rutledge, Edward, Charity 404 Bridge St., Chippewa Falls, Wis.					1,142,835	1,153,250	1,057,615
Schlitz Foundation, Inc. 235 West Galena St., Milwaukee 1, Wis.			551,581		2,322,692	2,322,420	1,057,000

SCHEDULE 1.—*Assets*—Continued

[Source: Documents submitted to the Select Committee on Small Business]

Foundation	Cash (1)	Notes and accounts receivable less reserve for bad debts (2)	Inventories (3)	Investments in Government obligations [1] (4)	Investments in non-Government bonds, etc.[1] (5)	Book values of investments in corporate stocks (6)	Market values of investments in corporate stocks (7)
WISCONSIN—continued	*1960*	*1960*	*1960*	*1960*	*1960*	*1960*	*1960*
Smith, A. O., Foundation, Inc. Post Office Box 584, Milwaukee 1, Wis.	$24, 722			$169, 939			
Trostel, Albert O., Foundation, Inc. 1776 North Commerce St., Milwaukee 8, Wis.	18, 997			3, 700		$76, 000	$76, 000
Western Printing & Lithographing Co., Foundation 1220 Mound Ave., Racine, Wis.	35, 463	$325, 000		238, 171	$25, 000	1, 153, 491	1, 153, 491
WYOMING							
Whitney Benefits Bank of Commerce Bldg., Sheridan, Wyo	35, 260	1, 311, 053		70, 932		337, 696	742, 424
Total	120, 061, 991	131, 698, 787	$898, 291	1, 062, 500, 594	1, 052, 497, 046	4, 112, 407, 551	7, 113, 970, 090
ADDENDA							
NEW YORK CITY							
Eugene Higgins Trust United States Trust Co. of New York, 45 Wall St., New York, N.Y.	1, 325, 374 (Mar. 31, 1962)			2, 707, 275 (Mar. 31, 1962)	27, 215, 435 (Mar. 31, 1962)	7, 997, 431 (Mar. 31, 1962)	16, 307, 663 (Mar. 31, 1962)
The Rockefeller Institute York Ave. and East 66th St., New York 21, N.Y.	1, 096, 092 (June 30, 1961)	133, 064 (June 30, 1961)	103, 655 (June 30, 1961)	9, 686, 238 (June 30, 1961)	41, 011, 959 (June 30, 1961)	45, 214, 088 (June 30, 1961)	112, 101, 219 (June 30, 1961)
NEW YORK STATE							
Sleepy Hollow Restorations, Inc. 42 Main St., Irvington, N.Y.	86, 869	1, 231	23, 187	876, 000	4, 418, 400	7, 476, 926	8, 189, 000
VIRGINIA							
Colonial Williamsburg, Inc. Williamsburg, Va.	420, 868	13, 096, 625	282, 709	2, 288, 925	17, 201, 000	42, 620, 894	52, 557, 353
WISCONSIN							
Allen Bradley Foundation, Inc. 136 West Greenfield Ave., Milwaukee 4, Wis.	54, 829			3, 067, 610	1	402, 667	465, 753 (July 31, 1961)
FLORIDA							
Howard Hughes Medical Institute 4014 Chase Ave., Miami Beach 40, Fla.	4, 472, 068 (Dec. 31, 1961)	15, 683 (Dec. 31, 1961)				18, 080, 763 (Dec. 31, 1961)	18, 080, 763 (Dec. 31, 1961)
NEW JERSEY							
Educational Testing Service 20 Nassau St., Princeton, N.J.	712, 447	576, 770	461, 765	1, 098, 270	147, 740	306, 654	321, 167
Total	128, 230, 538	145, 522, 340	1, 769, 607	1, 082, 224, 912	1, 142, 491, 581	4, 234, 515, 974	7, 321, 993, 008

See footnotes at the end of table.

SCHEDULE 1.—*Assets*—Continued

[Source: Documents submitted to the Select Committee on Small Business]

Foundation	Other investments [2]	Capital assets: Depreciable (and depletable) assets less reserve for depreciation (and depletion)	Capital assets: Land	Other assets	Total assets, with market values of securities being used wherever available (where market quotations are unavailable, the securities are shown at book values; generally, assets other than securities are shown at book values) [3]	Total assets based on book values only	
	(8)	(9)	(10)	(11)	(12)	(13)	(14)
WISCONSIN—continued							
	1960	*1960*	*1960*	*1960*	*1960*	*1960*	*1951*
Smith, A. O., Foundation, Inc. Post Office Box 584, Milwaukee 1, Wis.	$196, 588	$910, 000		$4, 672	$1, 305, 921	$1, 301, 250	$154, 229 (Jan. 1, 1952)
Trostel, Albert O., Foundation, Inc. 1776 North Commerce St., Milwaukee 8, Wis.	93, 000	99, 895	$37, 198		328, 790	328, 792	209, 301
Western Printing & Lithographing Co., Foundation 1220 Mound Ave., Racine, Wis.					1, 777, 125	1, 777, 128	1, 000 (Jan. 1, 1952)
WYOMING							
Whitney Benefits Bank of Commerce Bldg., Sheridan, Wyo.			57, 307		2, 216, 976	1, 811, 318	1, 459, 342 (Jan. 1, 1952)
Total	89, 486, 523	153, 295, 636	54, 207, 368	52, 402, 882	9, 831, 019, 208	6, 855, 848, 723	2, 697, 206, 785
ADDENDA							
NEW YORK CITY							
Eugene Higgins Trust United States Trust Co. of New York, 45 Wall st., New York, N.Y.	432, 700 (Mar. 31, 1962)				47, 988, 456 (Mar. 31, 1962)	42, 154, 990 (Mar. 31, 1962)	[17] 36, 585, 740
The Rockefeller Institute York Ave. and East 66th St., New York 21, N.Y.		34, 859, 653 (June 30, 1961)			198, 991, 880 (June 30, 1961)	133, 910, 703 (June 30, 1961)	94, 237, 351
NEW YORK STATE							
Sleepy Hollow Restorations, Inc. 42 Main St., Irvington, N.Y.				1, 270, 313	14, 865, 000	14, 110, 449	1, 962, 977 (Nov. 30, 1951)
VIRGINIA							
Colonial Williamsburg, Inc. Williamsburg, Va.	888, 408	19, 981, 839	4, 869, 755	260, 697	111, 848, 170	103, 020, 499	41, 545, 354
WISCONSIN							
Allen Bradley Foundation, Inc. 136 West Greenfield Ave., Milwaukee 4, Wis.	61, 959	82, 188	56, 955	1, 125	3, 790, 420	3, 727, 337	1, 076, 568
FLORIDA							
Howard Hughes Medical Institute 4014 Chase Ave., Miami Beach 40, Fla.				4, 305 (Dec. 31, 1961)	22, 572, 999 (Dec. 31, 1961)	22, 572, 999 (Dec. 31, 1961)	18, 080, 364 (Dec. 31, 1953)
NEW JERSEY							
Educational Testing Service 20 Nassau St., Princeton, N.J.	700, 000	3, 845, 665	218, 757	191, 904	8, 274, 485	8, 270, 602	1, 797, 564
Total	91, 569, 599	212, 064, 981	59, 352, 835	54, 131, 226	10, 239, 350, 627	7, 183, 616, 302	2, 892, 493, 112

SCHEDULE 2.—*Liabilities, net worth, accumulation of income, and asset rank*

NOTE.—The 1960 figures are as of the end of the fiscal or calendar year and the 1951 figures are as of the beginning of the fiscal or calendar year, unless other years are indicated

[Source: Documents submitted to the Select Committee on Small Business]

Foundation	Total liabilities [4]		Total net worth based on using assets with market values of securities wherever available (col. 12), 1960	Total net worth based on using assets with book values only (cols. 13 and 14) [4]		Accumulation of income		Increase (decrease) in net worth, 1951 through 1960 based on using assets with book values only (cols. 18 and 19) [4]	Total asset rank with market values of securities being used wherever available (based on col. 12),[5] 1960	Total asset rank based on book values only (based on col. 13 for 1960 and col. 14 for 1951) [4]	
	1960 (15)	1951 (16)	(17)	1960 (18)	1951 (19)	1960 (20)	From date of organization to 1951 (21)	(22)	(23)	1960 (24)	1951 (25)
ALABAMA											
Avondale Educational & Charitable Foundation, Inc. Care of Avondale Mills, Sylacauga, Ala.	$96,283	----------	$2,278,185	$1,381,135	$1,332,314	$1,381,134	$1,332,314	$48,821	306	344	196
Ingalls Foundation, Inc. Exchange Security Bank Bldg., Birmingham 3, Ala.	---------- (Dec. 31, 1959)	---------- (Jan. 1, 1952)	1,733,927 (Dec. 31, 1959)	1,329,473 (Dec. 31, 1959)	1,191,469 (Jan. 1, 1952)	192,997	4,624 (Jan. 1, 1952)	138,004	347 (Dec. 31, 1959)	354 (Dec. 31, 1959)	210 (Jan. 1, 1952)
Ingalls, Robert I., Jr., Foundation Post Office Box 1004, Birmingham, Ala.	----------	---------- (Jan. 1, 1954)	1,458,960	1,191,837	900 (Jan. 1, 1954)	1,182	---------- (Jan. 1, 1954)	1,190,937	372	371	449 (Jan. 1, 1954)
Meyer, Robert R., Foundation Care of First National Bank of Birmingham, Birmingham 2, Ala.	----------	----------	5,944,413	4,486,471	1,753,203	----------	----------	2,733,268	196	203	171
Warner, David, Foundation Post Office Box 933, Tuscaloosa, Ala.	---------- (May 31, 1961)	----------	1,289,641 (May 31, 1961)	1,232,352 (May 31, 1961)	420,319	199,145 (May 31, 1961)	----------	812,033 (May 31, 1961)	386 (May 31, 1961)	366 (May 31, 1961)	296
CALIFORNIA											
Bank of America-Giannini Foundation 300 Montgomery St., San Francisco 4, Calif.	----------	----------	2,951,546	1,295,678	550,084	91,785	----------	745,594	288	361	278
Bechtel Foundation 220 Bush St., San Francisco 4, Calif.	----------	---------- (Jan. 1, 1954)	413,766	413,766	---------- (Jan. 1, 1954)	----------	---------- (Jan. 1, 1954)	413,766	466	462	453 (Jan. 1, 1954)
Bing Fund, Inc. 9700 West Pico Blvd., Los Angeles 35, Calif.	----------	----------	12,437,714	9,930,506	313,751	(128,038)	(7,256)	9,616,755	127	118	316
Boswell, James G., Foundation 510 South Spring St., Los Angeles 13, Calif.	----------	$6,500	3,489,654	3,489,654	3,534,519	108,487	3,534,519	(44,865)	264	232	125
Carnation Foundation 5045 Wilshire Blvd., Los Angeles 36, Calif.	----------	---------- (Jan. 1, 1953)	1,735,819	1,185,495	375,318 (Jan. 1, 1953)	(4,383)	---------- (Jan. 1, 1953)	810,177	346	373	303 (Jan. 1, 1953)
Connell, Michael J., Charities, Ltd. 3350 Wilshire Blvd., Los Angeles 5, Calif.	2,291	----------	7,141,801	5,142,382	3,849,324	360,137	170,427	1,293,058	184	190	120
Cowell, S. H., Foundation 111 Suter St., San Francisco 4, Calif.	---------- (Sept. 30, 1961)	---------- (Dec. 20, 1955)	15,883,754 (Sept. 30, 1961)	15,891,750 (Sept. 30, 1961)	7,749,539 (Dec. 20, 1955)	3,223,080 (Sept. 30, 1961)	358,080 (Sept. 30, 1958)	8,142,211	105 (Sept. 30, 1961)	71 (Sept. 30, 1961)	66 (Dec. 20, 1955)
Crown Zellerbach Foundation 343 Sansome St., San Francisco 19, Calif.	1,416	---------- (Jan. 1, 1953)	12,540,568	10,730,253	---------- (Jan. 1, 1953)	----------	---------- (Jan. 1, 1953)	10,730,253	125	108	453 (Jan. 1, 1953)
Fund for the Republic, Inc. Post Office Box 4068, Santa Barbara, Calif.	13,938	77,476 (Jan. 1, 1954)	3,302,217	3,413,021	2,715,713 (Jan. 1, 1954)	----------	---------- (Jan. 1, 1954)	697,308	272	236	142 (Jan. 1, 1954)
Goldwyn, Samuel, Foundation 1041 North Formosa Ave., Los Angeles 46, Calif.	----------	----------	3,215,347	2,708,723	747,842	499,020	----------	1,960,881	277	258	251
Haynes, John Randolph and Dora, Foundation 916 Consolidated Bldg., 607 South Hill St., Los Angeles 14, Calif.	1,693	1,035	3,970,646	2,650,864	1,530,935	628,536	267,004	1,119,929	243	262	185
Hilton, Conrad N., Foundation 9990 Santa Monica Blvd., Beverly Hills, Calif.	240,000	142,560	2,821,255	1,471,740	232,119	1,471,740	38,593 (Jan. 1, 1952)	1,239,621	282	322	304
Hunt Foods Charitable Foundation [4] 3440 Wilshire Blvd., Los Angeles 5, Calif.	----------	----------	----------	----------	----------	(156,461)	710	----------	515	514	453
Hunt Foods & Industries Foundation [4] 3440 Wilshire Blvd., Los Angeles 5, Calif.	----------	---------- (Dec. 1, 1958)	3,529,464	2,369,056	1,087,199 (Dec. 1, 1958)	(223,978)	(225,056) (Dec. 1, 1958)	1,281,857	263	282	216 (Dec. 1, 1958)
Henry J. Kaiser Family Foundation Kaiser Bldg., Oakland 12, Calif.	----------	----------	32,336,774	15,514,559	95,610	----------	----------	15,418,949	52	72	388
Lakeside Foundation 155 Sansome St., San Francisco 4, Calif.	----------	---------- (Jan. 1, 1954)	555,248	527,787	50,000 (Jan. 1, 1954)	----------	---------- (Jan. 1, 1954)	477,787	449	445	411 (Jan. 1, 1954)
Lockheed Leadership Fund 2555 North Hollywood Way, Burbank, Calif.	----------	---------- (Jan. 1, 1954)	933,231	928,956	912,195 (Jan. 1, 1954)	----------	---------- (Jan. 1, 1954)	16,761	416	401	236 (Jan. 1, 1954)
Mayer, Louis B., Foundation 197 North Canon Dr., Beverly Hills, Calif.	----------	322,500	79,331	79,269	21,390	541,210	248,608	57,879	502	501	311
Mayr, George Henry, Trust Care of Beverly Hills National Bank & Trust Co., Post Office Box 711, Beverly Hills, Calif.	1,625	300,976	2,343,611	2,343,614	2,277,631	144,931	68,415	65,983	309	287	146
Ohio Match Charitable Foundation [4] 3440 Wilshire Blvd., Los Angeles 5, Calif.	----------	----------	----------	----------	----------	(88,378)	(11,129)	----------	515	514	453
Rosenberg Foundation 210 Post St., San Francisco 8, Calif.	----------	----------	10,831,586	7,880,395	6,483,351	251,110	161,890	1,397,044	142	143	75
Simon, Norton, Foundation 3440 Wilshire Blvd., Los Angeles 5, Calif.	----------	---------- (Jan. 1, 1953)	1,645,348	818,028	13,584 (Jan. 1, 1953)	(22,803)	---------- (Jan. 1, 1953)	804,444	354	409	435 (Jan. 1, 1953)
Smith, Ralph L. and Harriet T., Foundation Care of Ralph L. Smith Lumber Co., Anderson, Calif.	5,000	---------- (Jan. 1, 1953)	1,827,963	580,518	39,158 (Jan. 1, 1953)	(3,047)	---------- (Jan. 1, 1952)	541,360	337	439	421 (Jan. 1, 1953)

Stein & Golden Foundation Care of John M. Segal & Co., 5455 Wilshire Blvd., Los Angeles 36, Calif.	(Dec. 31, 1959)	(Dec. 31, 1956)	30,458 (Dec. 31, 1959)	30,459 (Dec. 31, 1959)	45,424 (Dec. 31, 1956)	(Dec. 31, 1959)	(Dec. 31, 1956)	(14,965)	507 (Dec. 31, 1959)	506 (Dec. 31, 1959)	415 (Dec. 31, 1956)
United Can & Glass Co. Charitable Foundation [4] 3440 Wilshire Blvd., Los Angeles 5, Calif.						19,782	(31)		515	514	453
Volker, William, Fund Post Office Box 113, Burlingame, Calif.	1,275,890	581,612	18,399,693	15,928,934	15,061,751	17,204,824	15,061,751	867,183	88	63	30
COLORADO											
Boettcher Foundation 818 17th St., Denver 2, Colo.	102,132		19,657,422	12,881,621	4,411,865	2,934,903	890,691	8,469,756	86	92	110
El Pomar Foundation Broadmoor Hotel, Colorado Springs, Colo.	198	390	53,834,156	23,381,663	14,665,411	1,306,854	747,128	8,716,252	29	43	33
CONNECTICUT											
Dana, Charles A., Foundation, Inc Smith Bldg., Greenwich, Conn.			17,578,119	10,660,950	590,090	466,245	2,590	10,070,860	97	109	273
Albert A. List Foundation Byram Shore Rd., Byram, Conn.	6,988,883	(Jan. 1, 1954)	517,083	(560,788)	(Jan. 1, 1954)	758,039	(329) (Jan. 1, 1955)	(560,788)	179	165	453 (Jan. 1, 1954)
Noble, Edward John, Foundation Round Hill Rd., Greenwich, Conn.	1,043,162		22,644,875	10,215,758	1,550,949	671,355	(11,799)	8,664,809	61	104	181
DELAWARE											
Longwood Foundation, Inc 2024 Dupont Bldg., Wilmington 98, Del.			122,712,483	80,070,541	7,428,141			72,642,400	11	10	68
Public Welfare Foundation, Inc 100 West 10th St., Wilmington, Del. See District of of Columbia listing for data.											
Raskob Foundation for Catholic Activities 1205 Hotel Du Pont, Wilmington 98, Del.	1,181		29,279,879	18,700,683	1,447,845	1,573,534	56,179	17,252,838	59	53	190
Winterthur Corp 1070 Du Pont Bldg., Wilmington 98, Del.	50,385		32,220,766	31,739,833	6,707,427	1,086,334	140,360	25,032,406	53	26	73
DISTRICT OF COLUMBIA											
Brookings Institution 1775 Massachusetts Ave., NW., Washington, D.C.	1,787,689	363,018	15,494,389	13,637,582	5,945,661	1,851,925	44,294	7,691,921	99	74	78
Carnegie Institution of Washington 1530 P St., NW., Washington 5, D.C.	4,105	823	92,405,917	68,705,403	48,156,751	30,334,316	9,703,138	20,548,652	15	11	8
Public Welfare Foundation, Inc 3242 Woodland Dr., NW., Washington 8, D.C.	203,904	5,271	5,834,484	5,730,586	18,564	4,573,345		5,712,022	195	172	430
Resources for the Future, Inc 1775 Massachusetts Ave. NW. Washington, D.C.	173,159	(Jan. 1, 1953)	4,697,175	4,697,176	(Jan. 1, 1953)		(Jan. 1, 1953)	4,697,176	217	197	453 (Jan. 1, 1953)
Stewart, Alexander and Margaret, Trust Care of Union Trust Co. of the District of Columbia, Washington 5, D.C.			9,604,755	9,418,872	5,625,578	347,954	580,957	3,793,294	156	124	91
FLORIDA											
Crane, Raymond E. and Ellen F., Foundation 1205 First National Bank Bldg., Miami, Fla.			4,110,999	3,538,297	182,344	2,273,213		3,355,953	238	229	357
Public Health Foundation for Cancer and Blood Pressure Research, Inc 308 Cardinal Way, Rural Route 1, Box 170-A, Stuart, Fla.	382,821	188,719	9,689,543	7,479,309	700,621	5,771,282	700,620	6,778,688	153	144	238
Winn-Dixie Stores Foundation Box B, West Bay Station, Jacksonville, Fla.	26,803	25,419	1,036,576	995,394	118,651		118,651	876,743	404	393	368
GEORGIA											
Callaway Community Foundation 209 Broome St., La Grange, Ga.	368,051	3,266,218	35,254,628	15,645,967	11,975,649	7,173,911	3,914,966	3,670,318	50	67	31
Callaway, Fuller E., Foundation Post Office Box 477, La Grange, Ga.	122,298	21,764	4,133,893	3,992,040	3,511,214	55,821	165,905	480,826	233	210	126
Callaway, Ida Cason, Foundation Pine Mountain, Ga.	29,718	220	5,798,679	5,908,932	2,860,137	(2,801,242)	447,085	3,048,795	201	171	140
Campbell, John Bulow, Foundation 315 Trust Co. of Georgia Bldg., Atlanta 3, Ga.			19,251,395	10,464,351	7,555,849	143,569	323,612	2,908,502	90	112	67
Colonial Stores Foundation Post Office Box 4358, Atlanta 2, Ga.		(Jan. 1, 1955)	144,694	172,937	183,359 (Jan. 1, 1955)	505	(Jan. 1, 1954)	(10,422)	491	487	355 (Jan 1, 1955)
Evans, Lettie Pate, Foundation, Inc 205 Whitehead Bldg., Atlanta 3, Ga.	35		11,877,931	10,554,305	869,601	589,157	(101,332)	9,684,704	132	111	241
Reynolds, Z. Smith, Foundation, Inc. Sapelo Island, Ga. See North Carolina listing for data.											
Joseph B. Whitehead Foundation Whitehead Bldg., Atlanta 3, Ga.	130,323		7,070,416	5,606,053	5,649,332	225,907	335,225	(43,279)	183	176	90
Woodruff, Emily and Ernest, Foundation Care of Trust Co. of Georgia, Atlanta 2, Ga.	345,761		50,843,799	27,787,167	23,066,516	(630,742)	20,857	4,720,651	31	32	19

See footnotes at end of table.

SCHEDULE 2.—*Liabilities, net worth, accumulation of income, and asset rank*—Continued

[Source: Documents submitted to the Select Committee on Small Business]

Foundation	Total liabilities [4]		Total net worth based on using assets with market values of securities wherever available (col. 12), 1960	Total net worth based on using assets with book values only (cols. 13 and 14) [4]		Accumulation of income		Increase (decrease) in net worth 1951 through 1960 based on using assets with book values only (cols. 18 and 19) [4]	Total asset rank with market values of securities being used wherever available (based on col. 12),[5] 1960	Total asset rank based on book values only (based on col. 13 for 1960 and col. 14 for 1951) [5]	
	1960	1951		1960	1951	1960	From date of organization to 1951			1960	1951
	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)
HAWAII											
Castle, Samuel N. and Nellie, Foundation Care of Hawaiian Trust Co., Ltd., Post Office Box 3170, Honolulu 2, Hawaii.	$15,000	$5,500	$6,480,535	$2,884,381	$2,438,095	$238,722	$37,231	$446,286	180	252	153
Wilcox, G. N., Trust Care of Bishop Trust Co., Ltd., Post Office Box 2300, Honolulu 4, Hawaii.	--------	--------	3,375,003	1,598,204	1,327,571	540,150	272,046 (Jan. 1, 1954)	270,633	271	332	197
ILLINOIS											
Abbott Laboratories Fund 1400 Sheridan Rd., North Chicago, Ill.	--------	-------- (Jan. 1, 1952)	138,546	140,357	24,029 (Jan. 1, 1952)	32	-------- (Jan. 1, 1952)	116,328	492	491	429 (Jan. 1, 1952)
The Allstate Foundation 7447 Skokie Blvd., Skokie, Ill.	22,641	98,905 (Jan. 1, 1954)	2,244,618	2,244,619	1,035,784 (Jan. 1, 1954)	2,473,329	519,298 (Jan. 1, 1953)	1,208,835	312	291	214 (Jan. 1, 1954)
Amsted Industries Foundation (formerly American Steel Foundries Foundation) Prudential Plaza, Chicago 1, Ill.	--------	-------- (Jan. 1, 1954)	312,838	304,236	--------	--------	-------- (Jan. 1, 1954)	304,236	475	473	453 (Jan. 1, 1954)
Baumgarten, Joseph and Gertrude, Foundation Care of Katz, Wagner & Co., 105 West Adams St., Chicago 3, Ill.	--------	-------- (Jan. 1, 1953)	1,514,818	1,514,820	-------- (Jan. 1, 1953)	369,088	36,279 (Jan. 1, 1954)	1,514,820	366	339	453 (Jan. 1, 1953)
Beidler, Francis, Charitable Trust 140 South Dearborn St., Chicago 3, Ill.	23,746	--------	2,363,689	1,549,869	1,540,120	83,199	4,977	9,749	305	335	183
Bell & Howell Foundation 7100 McCormick Rd., Chicago 45, Ill.	--------	-------- (Jan. 1, 1952)	61,778	61,778	-------- (Jan. 1, 1952)	--------	-------- (Jan. 1, 1952)	61,778	504	503	453 (Jan. 1, 1952)
Borg-Warner Foundation, Inc 200 South Michigan Ave., Chicago 4, Ill.	--------	-------- (Jan. 1, 1954)	999,623	1,000,000	1,000,000 (Jan. 1, 1954)	638,760 (Jan. 1, 1956)	1,000,000 (Jan. 1, 1954)	--------	409	394	230 (Jan. 1, 1954)
Burroughs Foundation 50 South LaSalle St., Chicago 90, Ill.	--------	-------- (Jan. 1, 1952)	346,052	239,645	495,300 (Jan. 1, 1952)	--------	-------- (Jan. 1, 1952)	(255,655)	471	479	291 (Jan. 1, 1952)
Caterpillar Foundation 600 West Washington St., East Peoria, Ill.	380,750	-------- (Jan. 1, 1953)	229,439	198,514	-------- (Jan. 1, 1953)	--------	-------- (Jan. 1, 1953)	198,514	443	441	453 (Jan. 1, 1953)
Concora Foundation 38 East Dearborn St., Chicago 3, Ill.	--------	--------	1,817,155	1,469,500	--------	--------	-------- (Jan. 1, 1953)	1,469,500	341	345	453
Cummings Foundation 135 South LaSalle St., Chicago 3, Ill.	--------	--------	1,252,773	622,179	11,779	--------	--------	610,400	389	431	438
D & R Fund 77 West Washington St., Chicago 2, Ill.	315,000	--------	1,947,394	1,417,135	--------	--------	--------	1,417,135	313	319	453
Deere, John, Foundation 1323 3d Ave., Moline, Ill.	--------	--------	3,419,860	3,097,609	862,969	326,044	39	2,234,640	269	247	242
Dick, A. B., Foundation 5700 West Touhy Ave., Chicago 31, Ill.	--------	--------	379,019	372,760	--------	56,775	--------	372,760	468	465	453
Dickinson, Theodore G., Foundation Care of Frank Moyle, Marquette Cement Manufacturing Co., Oglesby, Ill.	--------	-------- (Jan. 1, 1952)	135,415	135,833	127,602 (Jan. 1, 1952)	(290,480)	(86,533) (Jan. 1, 1952)	8,231	494	493	374 (Jan. 1, 1952)
Dillon Foundation Avenue B and Wallace St., Sterling Ill.	--------	-------- (Jan. 1, 1954)	739,971	621,386	-------- (Jan. 1, 1954)	75,500	-------- (Jan. 1, 1954)	621,386	429	432	453 (Jan. 1, 1954)
Ehlco Foundation 200 South Michigan Ave., Chicago 4, Ill.	--------	-------- (Jan. 1, 1952)	157,579	157,580	215,000 (Jan. 1, 1952)	--------	-------- (Jan. 1, 1952)	(57,420)	489	489	344 (Jan. 1, 1952)
Ekco Foundation, Inc 1949 North Cicero Ave., Chicago 29, Ill.	--------	21,230	1,805,491	1,582,009	471,288	--------	--------	1,110,721	342	334	293
Field, Marshall, & Co. Foundation 25 East Washington St., Chicago 2, Ill.	--------	-------- (Jan. 1, 1956)	679,385	686,988	-------- (Jan. 1, 1956)	28,933	-------- (Jan. 1, 1956)	686,988	436	422 (Jan. 1, 1956)	453
The Forest Fund 135 South LaSalle St., Chicago 3, Ill.	--------	-------- (Jan. 1, 1956)	1,192,052	1,307,440	-------- (Jan. 1, 1956)	--------	-------- (Jan. 1, 1956)	1,307,440	394	357	453 (Jan. 1, 1956)
Gardner-Denver Foundation South Front St., Quincy, Ill.	--------	-------- (Jan. 1, 1952)	1,220,717	845,714	200,000 (Jan. 1, 1952)	6,342	-------- (Jan. 1, 1952)	645,714	393	408	351 (Jan. 1, 1952)
Illinois Health Foundation, Inc 6 North Michigan Ave., Chicago 2, Ill.	266	66,528	4,125,717	2,841,017	936,980	65,194	3,512	1,904,037	237	255	229
Illinois Philanthropic and Educational Foundation Elsah, Ill.	1,976,462	378,767	1,470,325	1,539,220	686,980	113,996	17,560	852,240	268	231	219
Illinois Tool Works Foundation 2501 North Keeler Ave., Chicago 39, Ill.	--------	-------- (Jan. 1, 1955)	219,107	214,615	-------- (Jan. 1, 1955)	-------- •	-------- (Jan. 1, 1955)	214,615	486	485	453 (Jan. 1, 1955)
Ingersoll Foundation 707 Fulton Ave., Rockford, Ill.	--------	--------	874,499	643,502	45,869	--------	43	597,633	419	428	414
Inland Steel-Ryerson Foundation, Inc 30 West Monroe St., Chicago 3, Ill.	100,550	--------	3,207,709	3,215,934	791,660	3,215,394	761,160	2,424,274	273	242	247

International Harvester Foundation 180 North Michigan Ave., Chicago 1, Ill.			3,479,377	3,469,516	1,324,067		45,072	2,145,449	265	235	190
Jewel T Foundation 1955 West North Ave., Melrose Park, Ill.		(Jan. 1, 1953)	398,631	398,631	(Jan. 1, 1953)		(Jan. 1, 1953)	398,631	467	463	453 (Jan. 1, 1953)
Kellogg, W. K., Foundation Trust. Care of Harris Trust & Savings Bank, 111 West Monroe St., Chicago 90, Ill. See Michigan listing for data.											
Kemper, James S., Foundation Mutual Insurance Bldg., Chicago 40, Ill.	218,043	44,806	2,991,134	2,410,903	808,282	250,492	24,181	1,602,621	278	264	243
Kettering, Charles F., Foundation 40 South Clay St., Hinsdale, Ill.			55,940,189	9,900,250	3,512,249	2,674,223	1,634,557	6,388,001	27	119	128
McGraw Foundation 1200 St. Charles Rd., Elgin, Ill.			3,019,172	2,708,428	237,611	430,507	(25)	2,470,817	284	259	339
Mayer, Oscar, Foundation 1241 North Sedgwick St., Chicago 10, Ill.	94,969		1,175,439	1,131,816	360,877			770,939	388	367	306
Meyer-Ceco Foundation 5601 West 26th St , Cicero 50, Ill.			1,645,365	1,222,202	204,779	(303,690)		1,017,423	353	368	349
The William H. Miner Foundation 667 The Rookery, Chicago 4, Ill.		7,890	16,695,877	16,632,305	1,751,130	13,963,496	11,259,648	4,881,175	102	64	45
The Morton Fund 110 North Wacker Dr., Chicago 6, Ill.			1,455,152	1,490,412	66,857		7,632	1,423,555	373	342	404
Morton, Mark, Foundation 110 North Wacker Dr., Chicago, Ill.			10,855,569	7,138,008	1,017,035	1,825,515	70,162	6,120,973	141	151	227
National Merit Scholarship Corp 1580 Sherman Ave., Evanston, Ill.	4,547	(July 1, 1955)	11,288,210	11,217,984	50,000 (July 1, 1955)	11,416	(July 1, 1955)	11,167,984	137	105	412 (July 1, 1955)
Olin Foundation, Inc 333 North Michigan Ave., Chicago 1, Ill. See New York City listing for data.											
Olin Mathieson Chemical Corp., Charitable Trust East Alton, Ill.			7,963,395	6,700,037	660,712			6,039,325	174	159	200
Pullman, George M., Educational Foundation 168 North Michigan Ave., Chicago 1, Ill.	253,300	223,966	8,130,514	5,252,020	3,650,851	364,741		1,601,169	169	179	119
Pullman, Inc., Foundation 200 South Michigan Ave., Chicago 4, Ill.			1,423,226	1,119,853	25,000			1,094,853	375	385	428
Pure Oil Foundation, Inc 35 East Wacker Dr., Chicago 1, Ill.		(Jan. 1, 1954)	548,136	521,390	82,508 (Jan. 1, 1954)			438,882	452	447	396 (Jan. 1, 1954)
Quaker Oats Foundation Merchandise Mart Plaza, Chicago 54, Ill.	38,809		1,465,003	999,511	514,006			485,505	368	392	283
Regenstein, Joseph and Helen, Foundation 330 East Grand Ave., Chicago 11, Ill.			2,558,609	2,558,609	214,935	(22,505)		2,343,674	297	269	345
The Seabury Foundation Care of Northern Trust Co., 50 South La Salle St., Chicago 90, Ill.			3,198,018	2,247,137	1,269,943		11,118	977,194	280	295	202
Sears-Roebuck Foundation 3333 Arlington St., Chicago 7, Ill.	377,066		19,860,827	9,874,604	4,346,079			5,528,525	83	114	111
Staley, A. E., Jr., Foundation Care of Citizens National Bank of Decatur, Decatur, Ill.		(Jan. 1, 1956)	344,525	337,618	91,286 (Jan. 1, 1956)	3,237	4,349 (Jan. 1, 1956)	246,332	472	469	392 (Jan. 1, 1956)
Standard Oil Foundation, Inc 910 South Michigan Ave., Chicago 80, Ill.		(Jan. 1, 1952)	24,103,204	22,074,922	(Jan. 1, 1952)	382,795	(Jan. 1, 1952)	22,074,922	70	46	453 (Jan. 1, 1952)
Swift & Co. Foundation 4114 South Packers Ave., Chicago 9, Ill.		(Jan. 1, 1953)	1,398,814	1,368,785	1,000,000 (Jan. 1, 1953)		(Jan. 1, 1953)	368,785	377	353	231 (Jan. 1, 1953)
Wieboldt Foundation 1580 Sherman Ave., Evanston, Ill.	372,240	171,906	8,278,510	5,510,644	4,318,930	(136,478)	(17,980)	1,191,714	168	175	109
Wilkie Foundation 254 North Laurel Ave., Des Plaines, Ill.		(Jan. 1, 1952)	1,512,307	1,490,024	90,917 (Jan. 1, 1952)		(Jan. 1, 1952)	1,399,107	367	343	394 (Jan. 1, 1952)
Woods Charitable Fund, Inc 59 East Van Buren St., Chicago 5, Ill.			12,758,134	4,773,908	501,938	25,088	(99,028)	4,271,975	122	200	288
INDIANA											
The EPH Foundation. 1601 Wall St., Fort Wayne, Ind. See Michigan listing for data.											
Honeywell Foundation, Inc 119 West Canal St., Wabash, Ind.	240,788	34,791 (Jan. 1, 1953)	7,268,984	6,202,977	4,734,359 (Jan. 1, 1953)	(19,738)	(80,547) (Jan. 1, 1953)	1,468,618	178	163	103 (Jan. 1, 1953)
Jordan, Arthur, Foundation 1204 North Delaware St., Indianapolis 2, Ind.	197,292	501,438 (Jan. 1, 1952)	5,382,309	4,965,759	2,842,596 (Jan. 1, 1952)		(Jan. 1, 1952)	2,123,163	209	188	130 (Jan. 1, 1952)
Lilly Endowment, Inc 914 Merchants Bank Bldg., Indianapolis 4, Ind.	76,732	965,000	126,858,899	29,173,320	25,143,960	2,197,840	1,550,872	4,029,360	10	29	17
KENTUCKY											
Bernheim, Isaac W., Foundation 517 Starks Bldg., Louisville, Ky.		(Jan. 1, 1955)	5,832,014	5,042,560	4,083,062 (Jan. 1, 1955)		(Jan. 1, 1955)	959,498	200	198	115 (Jan. 1, 1955)
MAINE											
Bath Iron Works Charitable Trust 700 Washington St., Bath, Maine.		(Jan. 1, 1954)	246,591	257,705	(Jan. 1, 1954)	2,485	(Jan. 1, 1954)	257,705	481	476	453 (Jan. 1, 1954)
Davenport, George P., Trust Fund Post Office Box 284, Bath, Maine.		(Jan. 1, 1957)	2,495,113	2,436,915	1,729,048 (Jan. 1, 1957)		(Jan. 1, 1957)	707,868	300	275	172 (Jan. 1, 1957)

See footnotes at end of table.

SCHEDULE 2.—*Liabilities, net worth, accumulation of income, and asset rank*—Continued

[Source: Documents submitted to the Select Committee on Small Business]

Foundation	Total liabilities [4]		Total net worth based on using assets with market values of securities wherever available (col. 12), 1960	Total net worth based on using assets with book values only (cols. 13 and 14) [4]		Accumulation of income		Increase (decrease) in net worth, 1951 through 1960 based on using assets with book values only (cols. 18 and 19) [4]	Total asset rank with market values of securities being used wherever available (based on col. 12),[5] 1960	Total asset rank based on book values only (based on col. 13 for 1960 and col. 14 for 1951) [5]	
	1960 (15)	1951 (16)	(17)	1960 (18)	1951 (19)	1960 (20)	From date of organization to 1951 (21)	(22)	(23)	1960 (24)	1951 (25)
MARYLAND											
Reynolds, Zachary Smith Trust. Care of Mercantile Safe Deposit & Trust Co., 13 South St., Baltimore 2, Md. See North Carolina listing for data.											
Straus, Aaron Straus and Lillie, Foundation, Inc. 1 South Howard St., Baltimore 1, Md.	$235,536		$7,012,841	$6,785,966	$1,658,270	$6,551	($112,065)	$5,127,696	182	154	177
MASSACHUSETTS											
Boston Foundation 400 Commonwealth Ave., Boston, Mass.	9,885	$3,804,440	3,941,659	3,941,659	1,732,287	3,941,659	1,732,286	2,209,372	250	216	93
Hyams, Godfrey M., Trust 294 Washington St., Boston 8, Mass.			27,996,367	14,864,489	11,316,796	590,271	474,599	3,547,683	61	77	49
Hyams, Sarah A., Fund, Inc. 294 Washington St., Boston 8, Mass.			2,116,753	1,329,114	1,358,982	12,663	78,697	(29,868)	319	355	194
Spaulding, Marion S. Potter, Charitable Trusts.											
Spaulding, Huntley N., Charitable Trust.											
Spaulding, Harriet M., Charitable Trust. Care of Fiduciary Trust Co., 10 Post Office Sq., Boston 5, Mass. See New Hampshire listing for data.											
MICHIGAN											
American Box Board Co. Foundation Old Kent Bank & Trust Co., Grand Rapids 2, Mich.		(Jan. 1, 1952)	581,693	581,393	(Jan. 1, 1952)	68,893	(Jan. 1, 1952)	581,393	446	440	453 (Jan. 1, 1952)
Besser Foundation Care of Besser Co., Alpena, Mich.	429,003	13,000	3,185,413	3,185,414	192,000	(534,516)	(192,000)	2,993,414	259	225	348
Breech, Ernest and Thelma, Foundation The American Rd., Dearborn, Mich.			520,116	490,639	9,509		(557)	481,130	455	452	440
Burroughs Foundation. 6071 2d Ave., Detroit 32, Mich. See Illinois listing for data.											
Chrysler Fund 341 Massachusetts Ave., Detroit 31, Mich.	148,704	(Jan. 1, 1953)	1,875,679	1,888,348	92,000 (Jan. 1, 1953)		(Jan. 1, 1953)	1,796,348	322	297	390 (Jan. 1, 1953)
The Cranbrook Foundation Lone Pine Rd., Bloomfield Hills, Mich.	1,190,201	316,835	8,287,329	8,187,872	8,269,445	8,187,872	8,264,450	(81,573)	158	125	62
Cunningham Drug Co. Foundation 1927 12th St., Detroit 16, Mich.			642,064	444,941	100,000			344,941	440	459	379
Detroit Steel Corp. Charitable Trust Care of National Bank of Detroit, 660 Woodward Ave., Detroit 26, Mich.		(Jan. 1, 1954)	567,484	567,484	516,415 (Jan. 1, 1954)		(Jan. 1, 1954)	51,069	448	442	282 (Jan. 1, 1954)
Dow, Herbert H. and Grace A., Foundation 315 Post St., Midland, Mich.			48,746,515	12,455,834	6,364,982	27,254	170,397	6,090,852	34	98	76
The EPH Foundation 6233 Concord Ave., Detroit, Mich.			4,157,332	4,157,333		335,274		4,157,333	236	208	453
Earhart Foundation 902 First National Bldg., Ann Arbor, Mich.	109		4,608,276	1,729,914	1,315,253		183,308	414,661	224	320	200
Federal-Mogul-Bower Bearings, Inc. Charitable Trust Fund. Care of National Bank of Detroit, Detroit 32, Mich.		(Jan. 1, 1953)	257,250	256,698	(Jan. 1, 1953)	256,698	(Jan. 1, 1953)	256,698	480	477	453 (Jan. 1, 1953)
Ferry, D. M., Jr., Trustee Corp. 2124 Guardian Bldg., Detroit 26, Mich.	148	310,000	6,801,066	3,386,383	1,962,241	278,033	73,592	1,424,142	186	239	157
Fink, George R. and Elise M., Foundation 3945 Penobscot Bldg., Detroit 26, Mich.		(Dec. 1, 1954)	799,538	665,391	(Dec. 1, 1954)	(2,551)	(Dec. 1, 1954)	665,391	422	426	453 (Dec. 1, 1954)
Ford Motor Co. Fund The American Road, Dearborn, Mich.	1,418,131	563,520	21,111,301	21,003,170	10,896,710			10,106,460	72	45	48
Ford, Benson and Edith, Fund 1400 Buhl Bldg., Detroit 26, Mich.	40,000		2,210,642	1,846,786	233,336	30,185		1,613,450	315	308	341
Ford, Eleanor Clay, Fund 1400 Buhl Bldg., Detroit, Mich.			4,163,926	3,815,062	368,323	18,150	14,747	3,446,739	235	219	305
Ford, Henry and Anne, Fund 1400 Buhl Bldg., Detroit 26, Mich.			1,311,918	803,291	6,500	4,615		796,791	383	410	442
Ford, Walter and Josephine, Fund 1400 Buhl Bldg., Detroit 26, Mich.		(Jan. 1, 1953)	1,375,630	1,375,631	(Jan. 1, 1953) 38,156	10,911	(Jan. 1, 1953)	1,337,475	378	351	(Jan. 1, 1953) 423

Ford, William and Martha, Fund 1400 Buhl Bldg., Detroit 26, Mich.	------	------ (Jan. 1, 1953)	455,851	455,851	6,500 (Jan. 1, 1953)	------	------ (Jan. 1, 1953)	449,351	463	457	443 (Jan. 1, 1953)
Fruehauf, Roy, Foundation, Inc 10940 Harper Ave., Detroit 32, Mich.	------	11,300	630,513	634,866	19,434	------	------	615,432	442	430	426
Gerber Baby Foods Fund 405 State St., Fremont, Mich.	------	------ (Jan. 1, 1953)	1,770,934	704,184	------ (Jan. 1, 1953)	------	------ (Jan. 1, 1953)	704,184	345	420	453 (Jan. 1, 1953)
Gordon, Josephine E., Foundation 154 Taylor Ave., Detroit 2, Mich.	------	------	11,448,696	9,051,764	9,061,844	1,008,967	1,019,047	(10,080)	135	132	59
Herrick Foundation 3456 Penobscot Bldg., Detroit 26, Mich.	324,180	16,800	26,878,640	13,540,715	151,036	(54,984)	10,636	13,389,679	65	83	363
Hudson-Webber Foundation 1206 Woodward Ave., Detroit 26, Mich.	3,719	------	4,547,475	3,334,718	1,704,427	3,334,717	1,554,451	1,630,291	228	241	174
Jay, Helen Newberry, Fund 2056 Penobscot Bldg., Detroit 26, Mich.	------	------	1,729,480	1,135,975	299,544	46,198	8,921	836,431	348	353	320
The Kanzler Fund 1700 United Artists Bldg., Detroit 26, Mich.	------	568	550,394	362,646	211,677	------	212,245	150,969	451	467	347
Kellogg, W. K., Foundation 250 Champion St., Battle Creek, Mich.	20,505,126	3,963	25,741,758	18,984,534	19,256,394	7,524,832	9,402,211	(271,860)	30	21	22
Kellogg, W. K., Foundation Trust 250 Champion St., Battle Creek, Mich.	------	------	208,014,760	33,105,417	31,980,385	------	17,885	1,125,032	6	25	11
The Kresge Foundation 2727 2d Ave., Detroit 32, Mich.	2,581,857	8,412,504	86,432,537	89,339,545	76,572,629	1,566,292	15,875,259	12,766,916	16	8	5
McCarthy, Jerry, Foundation 6250 Woodward Ave., Detroit 2, Mich.	14,942	25,121	3,099,647	3,208,141	71,006	3,208,141	71,005	3,137,135	281	244	287
McGregor Fund 2486 National Bank Bldg., Detroit 26, Mich.	------	------	27,747,575	14,548,726	9,860,425	230,125	200,255	4,688,301	64	79	55
Mott, Charles Stewart, Foundation 1401 East Court St., Flint 2, Mich.	140,738	152,948	76,613,579	30,207,217	13,056,935	1,518,283	3,410,481	17,150,282	19	27	36
Mueller Brass Foundation 1925 Lapeer Ave., Port Huron, Mich.	------	------ (Jan. 1, 1954)	130,427	131,150	5,000 (Jan. 1, 1954)	131,050	5,000 (Jan. 1, 1954)	126,150	496	495	445 (Jan. 1, 1954)
National Foundation of Rochester, Mich Care of National Twist Drill & Tool Co., Administration Bldg., Rochester, Mich.	------	100,000	192,796	194,959	251,506	2,313	------	(56,547)	488	486	306
Pardee, Elsa U., Foundation 923 West Park Dr., Midland, Mich.	------	------	9,744,905	1,072,893	1,073,125	------	------	(232)	155	369	217
Relm Foundation 902 First National Bldg., Ann Arbor, Mich.	645	------	9,261,685	6,688,716	132,715	------	5,766	6,556,001	160	160	370
Sackner, Wade E. and Viola, Foundation Care of Warner-Norcross & Judd, 300 Michigan Trust Bldg., Grand Rapids 2, Mich.	------	------	2,791,997	2,318,558	------	10,905	18,237	2,318,558	290	290	453
Upjohn, W. E., Unemployment Trustee Corp 301 Henrietta St., Kalamazoo, Mich.	68,326	1,571	13,028,525	6,360,335	844,429	6,033,690	517,783	5,515,906	120	164	244
Webber, Eloise and Richard, Foundation 1206 Woodward Ave., Detroit 26, Mich.	123,122	1,320,166	3,145,848	2,898,307	1,195,947	2,847,105	1,195,947	1,702,300	275	249	148
Whirlpool Foundation St. Joseph, Mich.	------	------	1,089,161	994,179	------	------	------	994,179	403	398	453
The Whiting Foundation 906 Citizens Bank Bldg., Flint 2, Mich.	------	------ (Jan. 1, 1952)	1,563,622	1,498,280	239,226 (Jan. 1, 1952)	------	------ (Jan. 1, 1952)	1,259,054	361	341	338 (Jan. 1, 1952)
MINNESOTA											
Hill, Louis W. and Maud, Family Foundation W-500 First National Bank Bldg., St. Paul 1, Minn.	1,736,111	------ (Jan. 1, 1952)	57,806,624	21,728,607	5,167,038 (Jan. 1, 1952)	229,558	------ (Jan. 1, 1952)	15,561,509	26	42	97 (Jan. 1, 1952)
Hormel Foundation Austin, Minn.	315	3,261	4,845,391	2,248,103	1,533,959	(204,605)	257,094	714,144	220	294	184
Ordean, Albert and Louise, Charity 312 West Superior St., Duluth 2, Minn.	------	11,535	6,420,117	5,028,433	3,577,543	365,232	358,444	1,450,890	190	195	124
Tozer Foundation In care of First Trust Co. of St. Paul, St. Paul 1, Minn.	------	------	4,884,314	2,358,415	2,256,084	108,925	220,268	102,331	216	284	159
Walker, T. B., Foundation, Inc 1121 Hennepin Ave., Minneapolis 3, Minn.	61,829	9,420	12,433,657	9,544,587	5,227,752	8,436,379	------	4,316,835	126	121	95
Weyerhaeuser Foundation, Inc W-2191 First National Bank Bldg., St Paul 1, Minn.	30,000	------	1,424,875	1,260,635	63,800	11,356	------	1,196,835	371	350	407
Wilder, Amherst H., Foundation 355 Washington St., St. Paul 2, Minn.	44,568	6,744	41,378,449	5,306,804	4,487,760	2,563,166	1,744,123	819,044	45	184	108
MISSOURI											
Anheuser-Busch Charitable Trust In care of St. Louis Union Trust Co., 510 Locust St., St. Louis 1, Mo.	------	------ (Jan. 1, 1953)	3,790,593	2,847,746	511,654 (Jan. 1, 1953)	------	------ (Jan. 1, 1953)	2,336,092	254	254	286 (Jan. 1, 1953)
Blewett, Parsons, Memorial Fund 911 Locust St., St. Louis 1, Mo.	------	------	4,665,746	2,253,320	1,542,377	2,330,643	------	710,943	222	293	182
Brown Shoe Co. Charitable Trust In care of St. Louis Union Trust Co., 510 Locust St., St. Louis 1, Mo.	------	------	1,341,050	1,185,757	188,999	------	------	996,758	380	372	353
Danforth Foundation 835 South 8th St., St. Louis 2, Mo.	1,890	69,072	98,837,198	27,701,889	8,961,210	15,799,676	4,765,063	18,740,679	14	34	60
Falstaff Foundation 5050 Oakland Ave., St. Louis 10, Mo.	1,445,141	------ (Jan. 1, 1954)	377,097	377,098	1,850 (Jan. 1, 1954)	------	1,850 (Jan. 1, 1954)	375,248	339	312	446 (Jan. 1, 1954)
Gaylord, Clifford Willard, Foundation 111 North 4th St., St. Louis 2, Mo.	------	------	5,695,037	2,471,849	131,994	66,443	7,514	2,339,855	203	273	371
Hallmark Educational Foundation 25th and McGee Trafficway, Kansas City 8, Mo.	------	------	5,246,028	4,914,507	777,429	------	------	4,137,078	213	196	248

See footnotes at end of table.

SCHEDULE 2.—*Liabilities, net worth, accumulation of income, and asset rank*—Continued

[Source: Documents submitted to the Select Committee on Small Business]

Foundation	Total liabilities [4]		Total net worth based on using assets with market values of securities wherever available (col. 12), 1960	Total net worth based on using assets with book values only (cols. 13 and 14) [4]		Accumulation of income		Increase (decrease) in net worth, 1951 through 1960 based on using assets with book values only (cols. 18 and 19) [4]	Total asset rank with market values of securities being used wherever available (based on col. 12),[5] 1960	Total asset rank based on book values only (based on col. 13 for 1960 and col. 14 for 1951) [5]	
	1960	1951		1960	1951	1960	From date of organization to 1951			1960	1951
	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)
MISSOURI—continued											
Loose, Carrie J., Fund 1002 Insurance Exchange Bldg., Kansas City 5, Mo.			$4,196,565	$3,726,605	$3,905,752	$5,208	$53,335	($179,147)	234	221	118
Loose, Ella C., Fund 1002 Insurance Exchange Bldg., Kansas City 5, Mo.			3,590,804	1,895,794	1,567,444	36,855	32,170	328,350	260	307	179
Loose, Jacob L., Million Dollar Charity Fund Trust 1002 Insurance Exchange Bldg., Kansas City 5, Mo.			1,050,485	996,874	995,889	8,820	5,558	985	405	395	234
May Stores Foundation, Inc 601 Olive St., St. Louis 1, Mo.			2,008,356	1,588,352	724,714		53,164	863,638	323	333	253
McDonnell Aircraft Corp. Foundation Care of St. Louis Union Trust Co., 510 Locust St., St. Louis 1, Mo.			3,930,471	2,325,796	82,327	15,219		2,243,469	247	288	397
McDonnell Foundation, Inc Post Office Box 516, St. Louis 3, Mo.	$96,750	$128,000	5,588,719	1,528,798	510,349	378,683		1,018,449	204	327	265
Monsanto Charitable Trust Care of Monsanto Chemical Co., 800 North Lindbergh Blvd., St. Louis 66, Mo.			1,241,634	1,195,648	169,316			1,026,332	390	370	361
William Rockhill Nelson Trust 1114 Bryant Bldg., Kansas City, Mo.	3,643	33,968	12,235,108	12,588,303	11,997,634	1,653,120	960,808	590,669	129	95	43
Olin, John M., Trust Care of St. Louis Union Trust Co., 510 Locust St., St. Louis 1, Mo.			792,125	781,584	39,573	406,648		742,011	423	412	420
Olin, Spencer T., Trust Care of St. Louis Union Trust Co., 510 Locust St., St. Louis 1, Mo.			651,588	680,285	38,759	282,988		641,526	437	424	422
Ralston Purina Charitable Trust Care of St. Louis Union Trust Co., 510 Locust St., St. Louis 1, Mo.		(Jan. 1, 1953)	1,552,969	1,145,111	183,113 (Jan. 1, 1953)		(Jan. 1, 1953)	961,998	362	382	356 (Jan. 1, 1953)
Speas, John W. and Effie, Memorial Fund Trust Care of First National Bank of Kansas City, Mo., 14 West 10th St., Kansas City 6, Mo.			966,054	925,028	350,000	1,136	435	575,028	413	403	309
Speas, Victor E., Foundation Trust Care of First National Bank of Kansas City, Mo., 14 West 10th St., Kansas City 6, Mo.		(Jan. 1, 1952)	499,898	383,426	91,617 (Jan. 1, 1952)	886	(Jan. 1, 1952)	291,809	457	464	391 (Jan. 1, 1952)
Swinney, Edward F., Fund 1002 Insurance Exchange Bldg., Kansas City 5, Mo.			2,939,950						289	514	453
Wohl Foundation 1601 Washington Ave., St. Louis 3, Mo.			1,954,178	322,805	322,065	227,605	122,065	740	327	472	315
NEBRASKA											
Cooper Foundation 325 Stuart Bldg., Lincoln 8, Nebr.	1,062,481	30,000 (Jan. 1, 1952)	3,789,109	3,710,729	3,291,233 (Jan. 1, 1952)	248,105	(Jan. 1, 1952)	419,496	218	201	131 (Jan. 1, 1952)
Eppley, Eugene C., Foundation, Inc 2635 West 2d St., Hastings, Nebr.	5,652,882		15,233,473	15,233,474	6,400			15,227,074	79	49	444
J. M. McDonald Foundation, Inc 2635 West 2d St., Post Office Box 722, Hastings, Nebr.	185,326	(Jan. 1, 1952)	5,413,785	4,578,215	(Jan. 1, 1952)	137,033	(Jan. 1, 1952)	4,578,215	208	202	453 (Jan. 1, 1952)
Swanson, Carl and Caroline, Foundation, Inc 1201 Douglas St., Omaha 8, Nebr.	417	20,000 (Jan. 1, 1953)	1,930,073	1,979,440	161,856 (Jan. 1, 1953)	264,149	(Jan. 1, 1953)	1,817,584	329	300	358 (Jan. 1, 1953)
Woods Charitable Fund, Inc. Telephone Bldg., Lincoln 1, Nebr. See Illinois listing for data.											
NEVADA											
Fleischmann, Max C., Foundation of Nevada 15 East 1st St., Reno, Nev.			69,038,632	51,158,646	12,400	310,480		51,146,246	22	15	437
NEW HAMPSHIRE											
Spaulding, Marion S. Potter, Charitable Trusts 95 North Main St., Concord, N.H.		(Dec. 31, 1959)	3,982,394	4,037,134	4,120,457 (Dec. 31, 1959)	93,328	69,273 (Dec. 31, 1959	(83,323)	242	214	113 (Dec. 31, 1959)
Spaulding, Huntley N., Charitable Trust Concord, N.H.		(Aug. 15, 1956)	2,719,092	2,718,193	2,461,040 (Aug. 15, 1956)	5,636	(Aug. 15, 1956)	257,153	295	257	151 (Aug. 15, 1956)
Spaulding, Harriet M., Charitable Trust Concord, N.H.		(June 7, 1955)	1,128,636	1,183,193	800,000 (June 7, 1955)	1,409	(June 7, 1955)	383,193	399	374	246 (June 7, 1955)

NEW JERSEY											
Borden, Mary Owen, Memorial Foundation Rumson, N.J.	-----	-----	3,708,712	3,179,737	1,704,656	-----	-----	1,475,081	256	245	173
Fuld, Helene, Health Foundation 93 Fuld St., Trenton, N.J.	263,074	-----	15,514,903	11,814,356	3,620,478	439,303	62,023	8,193,878	106	102	123
Ladd, Kate Macy, Fund 744 Broad St., Newark 2, N.J.	15,932	11,707	21,206,827	13,646,437	12,198,569	1,387,392	1,154,045	1,447,868	76	85	41
Ripple, Fannie E., Foundation 744 Broad St., Newark 2, N.J.	1,704,610	----- (Jan. 1, 1954)	24,229,391	21,288,384	----- (Jan. 1, 1954)	545,334	----- (Jan. 1, 1954)	21,288,384	68	44	453 (Jan. 1, 1954)
Turrell Fund 100 North Arlington Ave., East Orange, N.J.	-----	-----	26,374,139	7,054,968	3,305,278	4,260,360	495,626	3,749,690	66	153	132
Victoria Foundation, Inc 253 Ridgewood Ave., Glen Ridge, N.J.	297	-----	18,948,324	17,514,065	4,733,598	357,342	227,983	12,780,467	92	60	104
NEW YORK CITY											
Allen, Vivian B., Foundation, Inc 680 Madison Ave., New York 21, N.Y.	497	166	4,080,218	1,263,077	995,052	(352,011)	(286,911)	268,025	241	363	235
Altman Foundation 361 5th Ave., New York 16, N.Y.	-----	-----	12,989,570	11,139,761	11,677,388	1,368,967	2,287,988	(537,627)	121	106	47
American International Association for Economic and Social Development 30 Rockefeller Plaza, New York 20, N.Y.	124,044	11,630	624,162	624,162	579,693	-----	-----	44,469	428	417	272
Astor, Vincent, Foundaton 450 Park Ave., New York 22, NY.	-----	401,871	48,582,701	40,570,075	1,748,873	823,276	-----	38,821,202	35	20	162
Avalon Foundation 713 Park Ave., New York 21, N.Y.	-----	-----	78,766,654	45,729,401	15,695,808	-----	649,136	30,033,593	18	17	29
Baird, David, Josephine, and Winfield, Foundation, Inc 65 Broadway, New York 6, N.Y.	533,687	579,477	9,723,555	8,647,345	2,100,012	(1,002,369)	-----	6,547,333	151	130	145
Baird, Winfield, Foundation 65 Broadway, New York 6, N.Y	1,455,894	1,506,798	16,032,571	14,538,851	4,529,001	8,162,814	2,962,058	10,009,850	98	68	81
Baker, George F., Trust 2 Wall St., New York 5, N.Y.	-----	-----	15,098,975	15,098,976	9,273,827	104,225	1,005,077	5,825,149	111	76	57
Bay, Charles Ulrick and Josephine, Foundation 1 Wall St., New York 5, N.Y.	799	-----	17,196,895	9,339,347	688,597	799,505	3,304	8,650,750	100	126	257
Benenson, Robert and Nettie, Foundation 11 West 42d St., New York 36, N.Y.	-----	----- (Dec. 1, 1955)	3,935	3,935	----- (Dec. 1, 1955)	-----	----- (Dec. 1, 1955)	3,935	512	511	453 (Dec. 1, 1955)
The Bodman Foundation Care of Morris & McVeigh, 60 Wall St., New York 5, N.Y.	-----	-----	10,654,226	8,382,852	393,966	110,615	10,912	7,988,886	147	137	301
Bollingen Foundation, Inc 140 East 52d St., New York 21, N.Y.	460	42	5,616,305	3,952,762	298,592	-----	-----	3,654,170	206	215	322
Booth Ferris Foundation 149 Broadway, New York 6, N.Y.	-----	----- (Oct. 31, 1958)	30,761,348	25,468,873	2,135,644 (Oct. 31, 1958)	326,242	----- (Oct. 31, 1958)	23,333,229	55	38	163 (Oct. 31, 1958)
Borden Co., Foundation, Inc 350 Madison Ave., New York 17, N.Y.	-----	-----	588,328	588,327	485,574	21,559	485,574	102,753	445	438	294
Brez Foundation 488 Madison Ave., New York 22, N.Y.	-----	-----	2,182,725	1,614,234	1,314,616	26,901	25,246	299,618	317	329	201
Bronfman, Samuel, Foundation, Inc 375 Park Ave., New York 22, N.Y.	-----	-----	3,946,643	1,507,143	-----	507,143	-----	1,507,143	246	340	453
The Brookdale Foundation 30 East 40th St., New York 16, N.Y.	8,316	----- (Jan. 1, 1952)	2,465,162	2,438,402	41,959 (Jan. 1, 1952)	77,383	----- (Jan. 1, 1952)	2,396,443	301	274	417 (Jan. 1, 1952)
Calder, Louis, Foundation 589 5th Ave., New York 17, N.Y.	2,680	----- (Jan. 1, 1952)	30,543,390	28,899,505	----- (Jan. 1, 1952)	-----	----- (Jan. 1, 1952)	28,899,505	57	30	453 (Jan. 1, 1952)
Carnegie Corp. of New York 589 5th Ave., New York 17, N.Y.	12,823,161	16,762,362	246,110,604	201,191,156	159.128,448	65,854,287	24,447,206	42,062,708	5	2	3
Carnegie Endowment For International Peace United Nations Plaza and 46th St., New York 17, N.Y.	6,645,204	1,227,789	25,977,517	14,560,272	10,478,768	(260,965)	627,843	4,081,504	51	48	46
Carnegie Foundation for the Advancement of Teaching 589 5th Ave., New York 17, N.Y.	-----	-----	19,264,606	16,311,451	12,874,718	-----	-----	3,436,733	89	66	38
The Chase Manhattan Bank Foundation 1 Chase Manhattan Plaza, New York 15, N.Y.	-----	----- (Jan. 1, 1959)	33,616	33,616	49,980 (Jan. 1, 1959)	-----	----- (Jan. 1, 1959)	(16,364)	506	505	413 (Jan. 1, 1959)
Cheatham, Owen, Foundation 375 Park Ave., New York 22, N.Y.	104,750	158,536 (Oct. 1, 1958)	425,157	413,260	104,177 (Oct., 1, 1958)	(34,757)	(10,389) (Oct. 1, 1958)	309,083	454	449	328 (Oct. 1, 1958)
China Medical Board of New York, Inc 30 East 60th St., New York 22, N.Y.	175,505	1,607,829	47,854,583	36,608,645	28,265,887	(2,335,363)	(7,616,213)	8,342,758	38	24	12
Clark Foundation 149 Broadway, New York 6, N.Y.	285	142	11,092,551	8,070,153	6,862,126	-----	-----	1,208,027	139	142	72
Commonwealth Fund 1 East 75th St., New York 21, N.Y.	3,525,763	2,391,123	111,046,141	77,224,232	60,721,043	349,651	113,726	16,503,189	12	9	6
Council on Economic & Cultural Affairs, Inc 630 5th Ave., New York 20, N.Y.	-----	----- (Jan. 1, 1954)	3,925,713	3,420,233	95,584 (Jan. 1, 1954)	-----	----- (Jan. 1, 1954)	3,324,649	248	237	389 (Jan. 1, 1954)
Dodge, Cleveland H., Foundation, Inc 300 Park Ave., New York 22, N.Y.	-----	8,250	8,144,905	4,784,068	3,826,605	385,877	157,940	957,463	172	199	121
The Duke Endowment 30 Rockefeller Plaza, New York 20, N.Y.	10,859,195	8,655,231	452,498,497	126,502,021	97,623,533	2,999,588	4,230,482	28,878,488	3	6	4
Educational Facilities Laboratories, Inc 477 Madison Ave., New York 22, N.Y.	66,002	----- (Jan. 15, 1958)	2,301,945	2,297,053	----- (Jan. 15, 1958)	-----	----- (Jan. 15, 1958)	2,297,053	307	283	453 (Jan. 15, 1958)
Esso Education Foundation 30 Rockefeller Plaza, New York 20, N.Y.	-----	----- (Jan. 1, 1956)	1,943,847	1,769,705	1,452,146 (Jan. 1, 1956)	16,790	4,326 (Jan. 1, 1956)	317,559	328	317	189 (Jan. 1, 1956)
Field Foundation 250 Park Ave., New York 17, N.Y.	14,280,674	18,176,608	36,679,358	36,245,515	10,447,612	195,281	158,571	25,797,903	32	16	15

See footnotes at end of table.

SCHEDULE 2.—*Liabilities, net worth, accumulation of income, and asset rank*—Continued

[Source: Documents submitted to the Select Committee on Small Business]

Foundation	Total liabilities [4]		Total net worth based on using assets with market values of securities wherever available (col. 12), 1960	Total net worth based on using assets with book values only (cols. 13 and 14) [4]		Accumulation of income		Increase (decrease) in net worth, 1951 through 1960 based on using assets with book values only (cols. 18 and 19) [4]	Total asset rank with market values of securities being used wherever available (based on col. 12),[5] 1960	Total asset rank based on book values only (based on col. 13 for 1960 and col. 14 for 1951) [5]	
	1960	1951		1960	1951	1960	From date of organization to 1951			1960	1951
	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)
NEW YORK CITY—continued											
The Ford Foundation 477 Madison Ave., New York 22, N.Y.	$192,844,536	$18,293,953	$2,003,927,684	$2,002,664,547	$492,678,255	$432,916,492	$110,139,570	$1,509,986,292	1	1	1
Frueauff, Charles A., Foundation, Inc 70 Pine St., New York 5, N.Y.	402	------------	10,795,748	8,398,445	4,055,457	3,973,542	------------	4,342,988	143	135	116
Fund for the Advancement of Education 477 Madison Ave., New York 22, N.Y.	1,054,197	------------	3,040,317	3,068,578	------------	------------	------------	3,068,578	240	209	453
General Education Board 49 West 49th St., New York 20, N.Y.	109	1,969	1,713,301	1,713,301	25,745,817	(134,578,643)	(105,542,277)	(24,032,516)	349	321	18
General Foods Fund, Inc 250 Park Ave., New York 17, N.Y.	------------	------------ (Jan. 1, 1953)	1,712,638	1,704,825	------------ (Jan. 1, 1953)	20,952	------------ (Jan. 1, 1953)	1,704,825	350	323	453 (Jan. 1, 1953)
General Telephone & Electronics Foundation 730 3d Ave., New York 17, N.Y.	------------	------------ (Jan. 1, 1953)	976,072	962,960	10,000 (Jan. 1, 1953)	------------	------------ (Jan. 1, 1953)	952,960	412	400	439 (Jan. 1, 1953)
The Grant Foundation, Inc 130 East 59th St., New York 22, N.Y.	1,322,863	537,685	19,640,143	12,276,989	4,363,239	(58,833)	103,566	7,913,750	78	86	101
Guggenheim, Daniel and Florence, Foundation 120 Broadway, New York 5, N.Y.	302	198 (Jan. 1, 1952)	6,371,336	4,797,844	5,049,022 (Jan. 1, 1952)	(1,444,332)	(350,996) (Jan. 1, 1952)	(251,178)	192	198	99 (Jan. 1, 1952)
Guggenheim, Murray and Leonie, Foundation 161 East 42d St., New York 17, N.Y.	300,196	------------	7,523,590	6,469,489	3,979,957	(121,659)	(290,975)	2,489,532	175	157	117
Guggenheim, John Simon, Memorial Foundation 551 Fifth Ave., New York 17, N.Y.	1,121,344	320,169	48,369,052	37,638,853	28,867,592	4,384,313	3,767,174	8,771,261	33	23	13
Guggenheim, Solomon R., Foundation 120 Broadway, New York 5, N.Y.	------------	3,000	20,642,216	18,617,661	4,112,964	274,908	925,561	14,504,697	80	55	114
Haggin, Margaret Voorhies, Trust Care of Bank of New York, 48 Wall St., New York 17, N.Y.	------------	------------	5,793,566	6,055,417	5,418,368	524,997	128,188	637,049	202	169	94
Hartford, John A., Foundation, Inc 420 Lexington Ave., New York 17, N.Y.	8,361,996	600,000	300,703,664	164,368,036	533,619	(89,811)	------------	163,834,417	4	5	215
Hayden, Charles, Foundation 25 Broad St., New York 4, N.Y.	------------	------------	65,861,856	61,932,507	51,437,413	16,064,615	7,398,260	10,495,094	23	12	7
Heyden Newport Chemical Corp. Foundation, Inc 342 Madison Ave., New York 17, N.Y.	------------	------------ (Jan. 1, 1952)	244,362	244,362	241,500 (Jan. 1, 1952)	5,612	------------ (Jan. 1, 1952)	2,862	482	478	337 (Jan. 1, 1952)
Hyde, Lillia Babbit, Foundation 535 Fifth Ave., New York 17, N.Y.	655	------------	15,182,816	12,453,778	6,194,635	4,405,762	------------	6,259,143	109	99	80
Ingersoll-Rand Fund Care of Morgan Guaranty, Trust Co. of New York, 140 Broadway, New York 15, N.Y.	------------	------------ (Jan. 1, 1954)	1,270,630	1,160,341	875,000 (Jan. 1, 1954)	------------	------------ (Jan. 1, 1954)	285,341	387	379	240 (Jan. 1, 1954)
International Paper Co. Foundation 220 East 42d St., New York 17, N.Y.	250,000	------------ (Jan. 1, 1952)	8,422,571	6,835,735	------------ (Jan. 1, 1952)	------------	------------ (Jan. 1, 1952)	6,835,735	166	152	453 (Jan. 1, 1952)
Ittleson Family Foundation 654 Madison Ave., New York 21, N.Y.	453	59	10,608,211	8,378,921	3,517,651	4,039,553	(469,577)	4,861,270	148	138	127
James Foundation of New York, Inc 375 Park Ave., New York 22, N.Y.	------------	13,359	85,361,298	51,292,699	33,024,742	1,030,272	2,963,035	18,267,957	17	14	10
Jones, W. Alton, Foundation, Inc 70 Pine St., New York 5, N.Y.	------------	------------	15,481,744	12,270,425	2,914,490	6,705,871	1,122,093	9,355,935	107	101	139
Kaplan, J. M., Fund, Inc 55 5th Ave., New York 3, N.Y.	171,571	800,005	14,866,728	15,822,066	2,123,331	203,721	9,529	13,698,735	112	69	138
Kaufman, Henry, Foundation 300 Park Ave., New York 22, N.Y.	------------	37,824	10,901,417	10,896,604	2,289,418	------------	73,280	8,607,186	140	107	156
Kress, Samuel H., Foundation 221 West 57th St., New York 19, N.Y.	60,251	4,750,982	36,470,461	11,939,091	1,018,336	(15,734,557)	(10,277,718)	10,920,755	49	103	89
The Lansing Foundation, Inc 65 Broadway, New York City.	231,040	872,376	548,506	541,668	6,100,256	(2,116,608)	4,128,821	(5,558,588)	425	414	71
Levy, Adele R. Fund, Inc 100 Park Ave., New York 17, N.Y.	128,388	74,000	4,282,617	4,292,730	1,586,125	------------	------------	2,706,605	230	205	176
Macy, Josiah, Jr., Foundation 16 West 46th St., New York 36, N.Y.	3,760	98,853	36,887,556	29,803,318	9,999,696	751,684	------------	19,803,622	48	28	52
Markle, John and Mary R., Foundation 511 5th Ave., New York 17, N.Y.	------------	------------	37,638,793	26,206,794	18,217,395	9,589,958	2,439,024	7,989,399	47	36	23
Merrill, Charles E., Trust 70 Pine St., New York 5, N.Y.	45,534	50,000 (Oct. 1, 1958)	15,079,800	14,291,928	(43,391) (Oct. 1, 1958)	1,262,606	(43,390) (Oct. 1, 1958)	14,335,319	110	81	441 (Oct. 1, 1958)
Merrill Foundation For Advancement of Financial Knowledge, Inc 7 Pine St., New York 5, N.Y.	2,250	329,913	13,700	13,700	313,882	28,755	12,513	(300,182)	508	508	263

Partners of Merrill, Lynch, Pierce, Fenner & Smith Foundation, Inc. 70 Pine St., New York 5, N.Y.			1,925,508	1,908,446	15,035			1,893,411	330	305	433
Milbank, Dunlevy, Foundation, Inc. 41 East 42d St., New York 17, N.Y.	8,000		3,195,853	2,395,984	744,979	251,805	16,943	1,651,005	279	278	252
Milbank Memorial Fund 41 Wall St., New York 5, N.Y.	528,209	166,899	21,857,864	18,928,420	11,005,886	9,412,828	1,760,676	7,922,534	73	52	50
Morehead, John Motley, Foundation 270 Park Ave., New York 17, N.Y.	192,925	53,071	6,599,193	3,211,871	6,768	571,291	6,767	3,205,103	187	238	408
Morgan Guaranty Trust Co. of New York Foundation 140 Broadway, New York 15, N.Y.		(Jan. 1, 1954)	2,955,830	2,630,274	1,820,007 (Jan. 1, 1954)	1,311,783	(Jan. 1, 1954)	810,267	287	263	168 (Jan. 1, 1954)
Morris, William T., Foundation, Inc. 230 Park Ave., New York 17, N.Y.	120,043	39,657	11,409,949	9,076,761	2,321,366	8,831,544	2,262,090	6,755,395	134	128	155
National Biscuit Co. Foundation 425 Park Ave., New York 22, N.Y.		(Jan. 1, 1954)	1,841,806	1,456,881	1,250,000 (Jan. 1, 1954)	616	(Jan. 1, 1954)	206,882	334	346	204 (Jan. 1, 1954)
National Lead Foundation, Inc. 111 Broadway, New York 6, N.Y.		(Jan. 1, 1954)	4,505,543	4,087,478	1,477,000 (Jan. 1, 1954)	418,019	(Jan. 1, 1954)	2,610,478	229	212	187 (Jan. 1, 1954)
New World Foundation 475 Riverside Dr., New York 27, N.Y.	197,924	(Jan. 1, 1955)	9,766,905	8,639,357	100,000 (Jan. 1, 1955)	(75,021)	(Jan. 1, 1955)	8,539,357	154	134	380 (Jan. 1, 1955)
New York Foundation 61 Broadway, New York 6, N.Y.	1,502,457	264	17,687,379	11,835,128	10,145,561	(319,556)	559,873	1,689,567	91	90	51
Nias, Henry, Foundation, Inc. 122 East 42d St., New York 17, N.Y.		(Dec. 20, 1955)	4,096,012	2,657,703	(Dec. 20, 1955)	126,116	(Dec. 20, 1955)	2,657,703	239	261	453 (Dec. 20, 1955)
1907 Foundation, Inc. 331 East 38th St., New York 16, N.Y.		(Jan. 1, 1952)	2,751,843	2,605,093	168,500 (Jan. 1, 1952)		(Jan. 1, 1952)	2,436,593	291	265	362 (Jan. 1, 1952)
Noble, Edward John, Foundation. 680 5th Ave., New York 19, N.Y. See Connecticut listing for data.											
Norman, Aaron E., Fund, Inc. 380 Madison Ave., New York 17, N.Y.	121,406	290,843	8,536,200	3,589,230	1,281,973	2,589,214	96,973	2,307,257	167	222	178
Noyes, Jessie Smith, Foundation, Inc. 16 East 34th St., New York 16, N.Y.	1,396,286	27,854	3,986,087	4,022,858	3,451,009	177,557	812,595	571,849	212	180	129
Nutrition Foundation, Inc. 99 Park Ave., New York 16, N.Y.	22,601	16,914	1,881,000	1,793,778	1,349,675	(6,969,172)	(2,636,025)	444,103	331	313	192
Old Dominion Foundation 149 East 62d St., New York 21, N.Y.	9		48,465,063	28,132,818	16,821,642			11,311,176	36	33	24
Olin Foundation, Inc. 1 East 44th St., New York 17, N.Y.			45,105,273	41,675,776	16,475,626	15,239,780	6,154,783	25,200,150	40	19	25
Penny, James C., Foundation 330 West 34th St., New York 1, N.Y.		(Jan. 1, 1954)	515,464	711,464	(Jan. 1, 1954)	592,139	36,000 (Jan. 1, 1954)	711,464	456	418	453 (Jan. 1, 1954)
Pfeiffer, Gustavus and Louise, Research Foundation 20 Broad St., New York 5, N.Y.			13,225,424	10,630,513	397,017	133,578	10,125	10,233,496	119	110	290
The Pfizer Foundation, Inc. Care of Charles Pfizer Co., 11 Bartlett St., Brooklyn 6, N.Y.	67,447	(Jan. 1, 1955)	1,339,078	1,307,954	551,474 (Jan. 1, 1955)		(Jan. 1, 1955)	756,480	376	352	277 (Jan. 1, 1955)
Pforzheimer, Carl and Lilly, Foundation, Inc. 25 Broad St., New York 4, N.Y.	863		3,792,073	3,598,596	580,077		13,186	3,018,519	253	226	274
Phelps Dodge Foundation 300 Park Ave., New York 22, N.Y.		(Jan. 1, 1954)	6,152,566	5,155,947	2,225,000 (Jan. 1, 1954)	155,947	(Jan. 1, 1954)	2,930,947	194	189	160 (Jan. 1, 1954)
Trustees of the Phelps-Stokes Fund 297 Park Ave., South, New York 10, N.Y.	205,075	30,863	2,486,187	2,191,090	1,406,516	1,124,497	199,482	784,574	296	279	191
Pierce, John B., Foundation 50 West 44th St., New York 36, N.Y.	151,253	310,112	5,283,989	5,219,996	5,477,923	(1,742,271)		(257,927)	211	183	88
Plant, Henry B., Memorial Fund, Inc. Care of United States Trust Co. of New York, 45 Wall St., New York 5, N.Y.			1,494,384	1,280,789	76,102	11,012		1,204,687	370	362	402
The Population Council, Inc. 230 Park Ave., New York 17 N.Y.		(Jan. 1, 1953)	3,469,569	2,670,044	99,255 (Jan. 1, 1953)		(Jan. 1, 1953)	2,570,789	266	260	386 (Jan. 1, 1953)
The Rayonier Foundation 161 East 42d St., New York 17, N.Y.		(Jan. 1, 1953)	1,290,784	1,198,403	100,000 (Jan. 1, 1953)	126,737	(Jan. 1, 1953)	1,008,403	385	369	381 (Jan. 1, 1953)
Reeves Bros. Foundation, Inc. 54 Worth St., New York 13, N.Y.	508		1,670,078	1,038,446	818,863	(580,622)	(164,456)	219,583	352	391	245
Research Corp. 405 Lexington Ave., New York 17, N.Y.	289,017	1,175,251	11,140,456	10,070,661	7,385,754	8,040,449	6,244,378	2,684,907	136	113	63
Richardson Foundation, Inc. 122 East 42d St., New York 17, N.Y.	852,734		50,772,251	14,515,528	8,782,843	4,434,251	634,750	5,732,685	30	75	61
Rockefeller Bros. Fund 30 Rockefeller Plaza, New York 20, N.Y.	5,491,031	78,000	125,730,454	110,682,338	994,230			109,688,099	9	7	218
Rockefeller Foundation 111 West 50th St., New York 20, N.Y.	549,512	612,315	535,472,675	196,522,390	166,343,051	51,019,677	90,949,392	30,179,339	2	4	3
The Rogosin Foundation 261 5th Ave., New York 16, N.Y.	1,416,780	665,000	7,474,436	7,878,111	1,461,967	569,207	15,530	6,416,144	164	127	164
Rosenstiel, Dorothy H. and Lewis, Foundation 350 5th Ave., New York 1, N.Y.	5,464	12,812	10,588,964	5,698,847	5,887,946	451,369	718,229	(189,099)	149	178	84
Rosenthal, Benjamin, Foundation, Inc. 350 5th Ave., New York 1, N.Y.	419	193	11,959	17,295	32,435			(15,140)	509	507	425
Rubican Foundation, Inc. 740 Park Ave., New York 21, N.Y.		132,022	2,498,889	2,379,398	407,995	(584,235)	402,825	1,971,403	209	281	279
Rubin, Samuel, Foundation, Inc. 5 West 54th St., New York 19, N.Y.	275,750	106,853	9,065,009	9,208,041		58,940		9,208,041	159	123	377
Sage, Russell, Foundation 505 Park Ave., New York 22, N.Y.		1,388	29,553,920	19,895,528	13,891,453	1,273,438	208,670	6,004,075	58	51	34
Sams, Earl C., Foundation, Inc. 666 5th Ave., New York 19, N.Y.			14,071,942	7,759,536	2,271,698	976,712	329,698	5,487,838	114	147	158

See footnotes at end of table.

SCHEDULE 2.—*Liabilities, net worth, accumulation of income, and asset rank*—Continued

[Source: Documents submitted to the Select Committee on Small Business]

Foundation	Total liabilities [4]		Total net worth based on using assets with market values of securities wherever available (col. 12), 1960	Total net worth based on using assets with book values only (cols. 13 and 14) [4]		Accumulation of income		Increase (decrease) in net worth, 1951 through 1960 based on using assets with book values only (cols. 18 and 19) [4]	Total asset rank with market values of securities being used wherever available (based on col. 12),[5] 1960	Total asset rank based on book values only (based on col. 13 for 1960 and col. 14 for 1951) [5]	
	1960	1951		1960	1951	1960	From date of organization to 1951			1960	1951
	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)
NEW YORK CITY—continued											
Schepp, Leopold, Foundation 551 5th Ave., New York 17, N.Y.	$74	$4,037	$3,963,593	$3,243,308	$2,854,531	($578,394)	($697,170)	$388,777	244	243	141
Scheuer, S. H. and Helen R., Family Foundation, Inc 39 Broadway, New York 6, N.Y.	40	....	2,441,480	1,961,875	298,646	....	....	1,663,229	303	302	321
Schwartz, David, Foundation, Inc 1407 Broadway, New York 18, N.Y.	444,054	92,131	2,297,992	2,422,162	257,418	....	....	2,164,744	292	253	310
Schwarzhaupt, Emil, Foundation, Inc 350 5th Ave., New York 1, N.Y.	175	....	271,228	220,560	114,191	220,559	114,191	106,369	476	484	375
Scriven Foundation, Inc 149 Broadway, New York 6, N.Y.	908	196	12,100,905	6,297,998	5,571,436	....	....	726,562	130	166	92
Sealantic Fund, Inc 50 West 50th St., New York 20, N.Y.	....	229	12,427,599	12,416,207	1,794,031	....	....	10,622,176	128	100	170
Shell Companies Foundation, Inc 50 West 50th St., New York 20, N.Y.	....	.... (Jan. 1, 1953)	2,098,600	1,971,072	493,300 (Jan. 1, 1953)	....	.... (Jan. 1, 1953)	1,477,772	320	301	292 (Jan. 1, 1953)
Shubert, Sam S., Foundation, Inc 234 West 44th St., New York 36, N.Y.	....	....	2,726,515	2,735,407	637,262	129,034	....	2,098,145	294	256	266
Sloan, Alfred P., Foundation 630 5th Ave., New York 20, N.Y.	16,149,604	4,873,510	184,000,119	184,000,122	24,114,125	33,152,735	(3,212,421)	159,885,997	7	3	14
Smithers, Christopher D., Foundation, Inc 60 East 42d St., New York 17, N.Y.	2	.... (Jan. 1, 1953)	5,602,346	5,382,673	80,748 (Jan. 1, 1953)	1,233,050	61 (Jan. 1, 1953)	5,301,925	207	182	398 (Jan. 1, 1953)
Sprague, Seth, Educational and Charitable Foundation Care of United States Trust Co. of New York, 45 Wall St, New York 15, N.Y.	....	....	19,766,725	14,189,490	6,327,335	61,534	38,623	7,862,155	84	82	77
Standard Brands Charitable, Scientific, and Educational Foundation Care of The Hanover Bank, 70 Broadway, New York 15, N.Y.	....	....	1,147,404	608,499	503,603	1,208	1,683	104,896	397	434	287
Statler Foundation 230 Park Ave., New York 17, N.Y.	20,807	....	10,475,847	9,110,130	607,229	323,163	7,229	8,502,901	150	131	208
Summerfield, Solon E., Foundation, Inc 270 Madison Ave., New York 16, N.Y.	....	....	9,518,002	6,566,301	360,773	189,943	16,520	6,205,528	157	162	307
Surdna Foundation, Inc. Care of Mr. Albert B. Maginnes, Secretary, 350 Park Ave., New York 22, N.Y. See New York State listing for data.											
Teagle Foundation, Inc 30 Rockefeller Plaza, New York 20, N.Y.	510,483	328,311	4,223,936	3,162,736	717,969	1,515,318	....	2,444,767	221	223	223
Twentieth Century Fund, Inc 41 East 70th St., New York 21, N.Y.	....	....	20,240,512	20,240,512	9,843,706	233,114	614,164	10,396,806	82	50	56
Union Bag Charitable Trust Care of Morgan Guaranty Trust Co. of New York, 140 Broadway, New York 7, N.Y.	34,001	906 (Jan. 1, 1953)	1,396,632	1,134,253	721,748 (Jan. 1, 1953)	39,401	251 (Jan. 1, 1953)	412,505	374	378	254 (Jan. 1, 1953)
Union Carbide Educational Foundation 30 East 42d St., New York 17, N.Y.	....	.... (Jan. 1, 1952)	894,061	688,296	2,000,000 (Jan. 1, 1952)	....	.... (Jan. 1, 1952)	(1,311,704)	418	421	166 (Jan. 1, 1952)
United States Steel Foundation, Inc 71 Broadway, New York 6, N.Y.	3,192,012	.... (Jan. 1, 1954)	9,351,776	9,351,776	12,000,000 (Jan. 1, 1954)	....	.... (Jan. 1, 1954)	(2,648,224)	124	96	44 (Jan. 1, 1954)
Victoria Foundation, Inc 90 John St., New York 38, N.Y. See New Jersey listing for data.											
Warburg, Felix and Frieda A. Schiff, Foundation 30 Wall St., New York 5, N.Y.	....	82 (Jan. 1, 1952)	269,883	518,659	1,244,014 (Jan. 1, 1952)	....	.... (Jan. 1, 1952)	(725,355)	477	448	206 (Jan. 1, 1952)
Watson, John Jay and Eliza Jane, Foundation Bankers Trust Co., 16 Wall St., New York 5, N.Y.	301	582	7,344,063	7,203,331	79,668	661,907	450	71,123,663	180	149	399
Wenner-Gren Foundation for Anthropological Research, Inc. 14 East 71st St., New York 21, N.Y.	388,290	104,729	6,445,220	2,672,197	2,902,053	693,227	721,277	(229,856)	185	248	136
West Virginia Pulp & Paper Foundation Care of Irving Trust Co., 1 Wall St., New York 15, N.Y.	....	.... (Jan. 1, 1952)	547,630	591,858	100,000 (Jan. 1, 1952)	(13,659)	.... (Jan. 1, 1952)	491,858	447	437	382 (Jan. 1, 1952)
Western Electric Fund 195 Broadway, New York 7, N.Y.	....	.... (Jan. 1, 1954)	2,442,011	2,512,545	.... (Jan. 1, 1954)	....	.... (Jan. 1, 1954)	2,512,545	302	270	453 (Jan. 1, 1954)
Whitehall Foundation 20 Exchange Pl., New York 5, N.Y.	....	....	13,268,246	6,978,202	594,863	(114,565)	39,900	6,383,339	118	156	270
Whitney, Helen Hay, Foundation 525 East 68th St., New York 21, N.Y.	608,454	130,907	11,370,163	8,580,651	5,766,557	1,454,027	....	2,814,094	131	129	85

Woodward Foundation 30 Broad St., New York 4, N.Y.	----	---- (Jan. 1, 1953)	1,350,189	994,868	15,000 (Jan. 1, 1953)	(901,422)	---- (Jan. 1, 1953)	979,868	379	397	434 (Jan. 1, 1953)
Wurzweiler, Gustav, Foundation, Inc 1239 Broadway, New York 1, N.Y.	4,000	----	5,638,933	5,059,903	41,243	1,588	----	5,018,660	205	192	418
NEW YORK STATE											
Winifred Masterson Burke Relief White Plains, N.Y.	33,560	28,933	13,086,856	8,220,375	4,788,917	8,220,375	5,788,916	2,431,458	115	139	87
Burroughs Wellcome Fund 1 Scarsdale Rd., Tuckahoe, N.Y.	13,500	---- (Jan. 24, 1955)	983,984	736,984	---- (Jan. 24, 1955)	----	---- (Jan. 24, 1955)	736,984	411	416	453 (Jan. 24, 1955)
Carrier Foundation, Inc Carrier Parkway, Syracuse 1, N.Y.	----	---- (Jan. 1, 1953)	1,326,631	1,257,237	---- (Jan. 1, 1953)	----	---- (Jan. 1, 1953)	1,257,237	381	364	453 (Jan. 1, 1953)
Corning Glass Works Foundation Corning, N.Y.	----	---- (Jan. 1, 1953)	5,864,378	5,927,034	70,000 (Jan. 1, 1953)	----	---- (Jan. 1, 1953)	5,857,034	198	173	403 (Jan. 1, 1953)
Dent, Harry, Family Foundation, Inc 906 Genesee Bldg., Buffalo 2, N.Y.	26,009 (Nov. 1, 1955)	---- (Nov. 1, 1955)	970,687	1,064,224	66,014 (Nov. 1, 1955)	(1,194)	---- (Nov. 1, 1955)	998,210	410	387	406 (Nov. 1, 1955)
Emerson, Fred L., Foundation, Inc 96 Genesee St., Auburn, N.Y.	----	----	19,761,914	16,607,385	2,988,949	9,394,815	190,349	13,618,436	85	65	137
Fund for Adult Education 200 Bloomingdale Rd., White Plains, N.Y.	2,044,671	819,834 (Jan. 1, 1952)	6,169,590	6,155,087	1,733,031 (Jan. 1, 1952)	----	---- (Jan. 1, 1952)	4,422,056	171	140	147 (Jan. 1, 1952)
General Electric Foundation Crotonville, Post Office Box 791, Ossining, N.Y.	197,700	12,965 (Jan. 1, 1953)	25,036,930	17,318,868	1,011,988 (Jan. 1, 1953)	1,860,206	4,863 (Jan. 1, 1953)	16,306,880	69	59	226 (Jan. 1, 1953)
Gifford, Rosamond, Charitable Corp 532 Onondaga County Savings Bank Bldg., Syracuse 2, N.Y.	----	---- (Feb. 23, 1955)	7,769,146	6,701,647	5,060,352 (Feb. 23, 1955)	1,446,216	---- (Feb. 23, 1955)	1,641,295	176	158	98 (Feb. 23, 1955)
Government Affairs Foundation, Inc 75 State St., Albany, N.Y.	----	1,979 (Jan. 1, 1954)	11,863	11,863	120,872 (Jan. 1, 1954)	----	---- (Jan. 1, 1954)	(118,009)	510	509	372 (Jan. 1, 1954)
Knox, Seymour H., Foundation, Inc 1608 Marine Trust Bldg., Buffalo 3, N.Y.	----	----	4,568,941	4,050,781	1,038,849	135,118	----	3,011,932	227	213	225
Merrill, Charles E., Trust. Post Office Box 392, Ithaca, N.Y. See New York City listing for data.											
Ogden, Ralph E., Foundation, Inc Post Office Box 108, Mountainville, N.Y.	56,000	----	3,620,905	2,964,904	259,949	(45,906)	7,098	2,704,955	257	250	329
Surdna Foundation, Inc 1156 North Broadway, Yonkers, N.Y.	----	----	60,774,209	26,712,624	16,167,714	----	----	10,544,910	24	35	26
NORTH CAROLINA											
Babcock, Mary Reynolds, Foundation, Inc Post Office Box 199, Reynolds Station, Winston-Salem, N.C.	1,782	---- (Jan. 1, 1954)	30,545,521	17,505,026	---- (Jan. 1, 1954)	19,695	---- (Jan. 1, 1954)	17,505,026	56	61	453 (Jan. 1, 1954)
Burlington Industries Foundation 301 North Eugene St., Greensboro, N.C.	----	----	5,940,899	5,136,626	3,186,267	2,707,039	(758,193)	1,950,359	197	191	133
Cannon Foundation, Inc Post Office Box 1192, Concord, N.C.	648,256	14,266	18,074,781	17,249,351	9,221,598	1,607,067	604,688	8,027,753	94	56	58
Cannon, Martin, Family Foundation, Inc 220 West 4th St., Charlotte, N.C.	----	7,000	1,021,930	592,704	100,995	----	----	491,709	408	436	370
Hanes, John Wesley and Anna Hodgin, Foundation Care of Wachovia Bank & Trust Co., Post Office Box 3099, Winston-Salem, N.C.	----	----	3,805,225	2,593,780	203,811	366,603	(9,549)	2,389,969	252	267	350
Morehead, John Motley, Foundation. Post Office Box 1027, Charlotte, N.C. See New York City listing for data.											
Reynolds, Kate B., Charitable Trust Care of Wachovia Bank & Trust Co., Post Office Box 3099, Winston-Salem, N.C.	----	----	18,852,004	5,384,815	5,008,668	----	----	376,147	93	181	100
Reynolds, Z. Smith, Foundation, Inc 1206 Reynolds Bldg., Winston-Salem, N.C.	----	1,303,223	2,500,537	2,500,538	20,904	2,500,538	20,903	2,479,634	298	271	196
Reynolds, Zachary Smith, Trust Winston-Salem, N.C.	----	----	43,829,994	14,377,152	13,803,828	----	----	573,324	41	80	35
Reynolds, W. N., Trust Care of Wachovia Bank & Trust Co., Winston-Salem 1, N.C.	----	----	53,942,474	14,563,440	1,052,935	----	----	13,510,505	28	78	222
Richardson Foundation, Inc. Greensboro, N.C. See New York City listing for data.											
OHIO											
Allyn Foundation Main and K Sts., Dayton 9, Ohio.	----	---- (Jan. 1, 1955)	551,629	556,210	---- (Jan. 1, 1955)	130,750	---- (Jan. 1, 1955)	556,210	450	443	453 (Jan. 1, 1955)
Alms, Eleanora C. U., Trust Care of the 5th Third Union Trust Co., 4th and Walnut Sts., Cincinnati, Ohio.	----	----	1,322,360	1,240,873	1,341,533	----	----	(100,660)	382	365	195
The American Foundation 1164 Union Commerce Bldg., Cleveland 14, Ohio.	----	----	3,378,765	2,590,226	305,008	5,924	5,375	2,195,128	270	208	300
Armco Foundation 703 Curtis St., Middletown, Ohio.	----	---- (Jan. 1, 1952)	6,575,723	6,007,806	177,166 (Jan. 1, 1952)	----	---- (Jan. 1, 1952)	5,830,640	188	170	259 (Jan. 1, 1952)
Austin Co. Foundation 16112 Euclid Ave., Cleveland 2, Ohio.	----	---- (Jan. 1, 1952)	1,598,525	1,598,229	---- (Jan. 1, 1952)	----	---- (Jan. 1, 1952)	1,598,229	359	331	453 (Jan. 1, 1952)
Beaumont, Louis D., Foundation, Inc 800 National City Bank Bldg., Cleveland 14, Ohio.	969,833	----	31,100,326	20,282,869	15,828,897	(696,565)	12,161	4,458,972	54	47	27
Beeghly, Leon A., Fund Care of Union National Bank of Youngstown, 6 West Federal St., Youngstown, Ohio.	5,843,500	8,422,165	2,476,039	(108,540)	(1,155,253)	(1,465,851)	1,328,931	1,046,713	170	177	70

See footnotes at end of table.

SCHEDULE 2.—*Liabilities, net worth, accumulation of income, and asset rank*—Continued

[Source: Documents submitted to the Select Committee on Small Business]

Foundation	Total liabilities [4]		Total net worth based on using assets with market values of securities wherever available (col. 12), 1960	Total net worth based on using assets with book values only (cols. 13 and 14) [4]		Accumulation of income		Increase (decrease) in net worth, 1951 through 1960 based on using assets with book values only (cols. 18 and 19) [4]	Total asset rank with market values of securities being used wherever available (based on col. 12),[3] 1960	Total asset rank based on book values only (based on col. 13 for 1960 and col. 14 for 1951) [5]	
	1960	1951		1960	1951	1960	From date of organization to 1951			1960	1951
	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)
OHIO—continued											
Bentz Foundation 384 Wrexham Ave., Columbus 4, Ohio.			$2,346,769	$2,346,769	$12,690		$12,690	$2,334,079	308	286	436
Bingham, William, Foundation 1280 Union Commerce Bldg., Cleveland 14, Ohio.		(May 12, 1955)	1,625,637	1,519,844	(May 12, 1955)	$73,200	(May 12, 1955)	1,519,844	357	338	453 (May 12, 1955)
Bliss, W. E., Foundation Care of Union National Bank of Youngstown, 6 West Federal St., Youngstown, Ohio.		(Nov. 30, 1955)	647,338	287,902	18,455 (Nov. 30, 1955)	(6,232)	(Nov. 30, 1955)	269,447	439	474	432 (Nov. 30, 1955)
Champion Paper Foundation 601 North B St., Hamilton, Ohio.		(Jan. 1, 1952)	4,352,119	3,859,014	(Jan. 1, 1952)	3,880,758	(Jan. 1, 1952)	3,859,014	231	218	453 (Jan. 1, 1952)
Charities Foundation Owens-Illinois Bldg., Post Office Box 1035, Toledo 1, Ohio.			4,849,297	4,372,224	255,182			4,117,042	219	206	330
Cincinnati Milling Machine Foundation 4701 Marburg Ave., Cincinnati 9, Ohio.		(Jan. 1, 1953)	865,645	872,473	400,000 (Jan. 1, 1953)		(Jan. 1, 1953)	472,473	421	406	298 (Jan. 1, 1953)
Cleveland Pneumatic Foundation 3781 East 77th St., Cleveland 5, Ohio.		(Jan. 1, 1954)	156,350	156,350	246,000 (Jan. 1, 1954)	40	(Jan. 1, 1954)	(89,650)	490	490	336 (Jan. 1, 1954)
Cleveland Twist Drill Foundation 1242 East 49th St., Cleveland 14, Ohio.		(Jan. 1, 1953)	138,541	139,071	(Jan. 1, 1953)	71	(Jan. 1, 1953)	139,071	493	492	453 (Jan. 1, 1953)
Clevite Foundation 17000 St. Clair Ave., Cleveland 10, Ohio.			467,824	476,824				476,824	461	454	453
Commercial Shearing & Stamping Foundation 1775 Logan Ave., Youngstown, Ohio.		(Jan. 1, 1954)	95,218	95,219	(Jan. 1, 1954)		(Jan. 1, 1954)	95,219	500	499	453 (Jan. 1, 1954)
Dana Corp. Foundation 4100 Bennett Rd., Toledo 1, Ohio.	$66,000	(Apr. 30, 1956)	264,452	264,453	(Apr 30, 1956)		(Apr. 30, 1956)	264,453	473	470	453 (Apr. 30, 1956)
Dayton Malleable Foundation Post Office Box 980, Dayton, Ohio.		(Jan. 1, 1952)	358,242	355,913	(Jan. 1, 1952)		(Jan. 1, 1952)	355,913	470	468	453 (Jan. 1, 1952)
Eagle Picher Foundation The American Bldg., Cincinnati 1, Ohio.		(Jan. 1, 1954)	102,666	120,985	(Jan. 1, 1954)		(Jan. 1, 1954)	120,985	498	496	453 (Jan. 1, 1954)
Emery, Thomas J., Memorial 414 Walnut St., Cincinnati 2, Ohio.	164,040	$622,946	7,878,302	6,847,411	7,339,175	6,847,411	6,920,483	(491,764)	173	155	65
Erie Railroad Charitable Education & Trust Care of Union Commerce Bank, 917 Euclid Ave., Cleveland 1, Ohio.		(Jan. 1, 1953)	2,423	2,423	(Jan. 1, 1953)	13,703	(Jan. 1, 1953)	2,423	514	513	453 (Jan. 1, 1953)
Firestone Foundation 1200 Firestone Parkway, Akron 17, Ohio.			16,482,539	6,629,315	910,393	(110,708)	56,696	5,718,922	103	161	237
Firestone Trust Fund Care of Cleveland Trust Co., 916 Euclid Ave., Cleveland 1, Ohio.		(Jan. 1, 1954)	7,279,998	5,033,099	3,097,051 (Jan. 1, 1954)		(Jan. 1, 1954)	1,936,048	181	194	135 (Jan. 1, 1954)
General Tire Foundation Care of First National Bank of Akron, Akron, Ohio.	241,150	(Oct. 24, 1950)	1,349,217	1,707,406	(Oct. 24, 1950)	373,010	(Oct. 24, 1950)	1,707,406	360	303	453 (Oct. 24, 1950)
Goodrich, B. F., Fund, Inc. 500 South Main St., Akron 18, Ohio.		(Jan. 1, 1952)	5,103,089	3,811,831	750,000 (Jan. 1, 1952)		(Jan. 1, 1952)	3,061,831	214	220	249 (Jan. 1, 1952)
Goodyear Foundation, Inc. 1144 East Market St., Akron 16, Ohio.		(Jan. 1, 1954)	102,069	101,513	1,000,000 (Jan. 1, 1954)	557	(Jan. 1, 1954)	(898,487)	499	498	232 (Jan. 1, 1954)
Hanna, Leonard C., Jr., Fund 1300 Leader Bldg., Cleveland 14, Ohio.	191	5	28,877,984	9,822,896	5,927,982	84,325	2,136	3,894,914	60	120	83
Hayes, Rutherford B. and Lucy Webb, Foundation 1337 Hayes Ave., Spiegel Grove, Fremont, Ohio.			1,123,512	1,123,512	611,514			511,998	400	384	267
Hoover Co. Charitable Trust 101 East Maple St., North Canton, Ohio.			1,775,116	1,456,400	166,752	40,855	1,074	1,289,648	344	347	364
Humphrey, George M. and Pamela S., Fund 1300 Leader Bldg., Cleveland 14, Ohio.		(Jan. 1, 1952)	1,228,921	1,296,716	99,640 (Jan. 1, 1952)	46	(Jan. 1, 1952)	1,197,076	391	360	385 (Jan. 1, 1952)
Ingalls, Louise H. and David S., Foundation, Inc. 1562 Union Commerce Bldg., Cleveland 14, Ohio.		(Jan. 1, 1954)	1,629,192	1,326,696	138,543 (Jan. 1, 1954)	32,162	(Jan. 1, 1954)	1,188,153	356	356	369 (Jan. 1, 1954)
Kroger Co. Charitable Trust 35 East 7th St., Cincinnati, Ohio.		(Jan. 1, 1953)	3,113	3,113	684,767 (Jan. 1, 1953)		(Jan. 1, 1953)	(681,654)	513	512	258 (Jan. 1, 1953)
Kulas Foundation 1759 Union Commerce Bldg., Cleveland 14, Ohio.			6,347,138	5,348,406	66,038	156,871		5,282,368	193	185	405
Libbey, Edmund Drummond, Trustees National Bank Bldg., Toledo, Ohio.	25,531	29,079	22,357,717	15,946,303	15,764,250	26,531	29,079	182,053	74	70	28
Libbey-Owens-Ford Philanthropic Foundation Care of The Toledo Trust Co., 245 Summit St., Toledo 3, Ohio.		(Jan. 1, 1952)	2,736,030	1,430,518	300,000 (Jan. 1, 1952)		(Jan. 1, 1952)	1,130,518	293	349	319 (Jan. 1, 1952)

Lincoln Electric Foundation Care of Central National Bank of Cleveland, Post Office Box 6179, Cleveland 1, Ohio.	-----	----- (Jan. 1, 1953)	683,704	683,704	250,000 (Jan. 1, 1953)	93,829	----- (Jan. 1, 1953)	433,704	435	423	331 (Jan. 1, 1953)
The Louise Foundation 1300 Leader Bldg., Cleveland 14, Ohio.	-----	-----	473,436	508,527	-----	2,331	-----	508,527	460	450	453
Lubrizol Foundation 29400 Lakeland Blvd., Wickliffe, Ohio.	-----	----- (Jan. 1, 1952)	1,697,160	1,697,161	----- (Jan. 1, 1952)	-----	----- (Jan. 1, 1952)	1,697,161	351	324	453 (Jan. 1, 1952)
Medusa Foundation Post Office Box 5668, Cleveland 1, Ohio.	-----	----- (Jan. 1, 1954)	229,951	225,893	100,000 (Jan. 1, 1954)	32,886	----- (Jan. 1, 1954)	125,893	485	483	383 (Jan. 1, 1954)
Monarch Machine Tool Co. Foundation 615 North Oak St., Sidney, Ohio.	-----	----- (Jan. 1, 1953)	81,387	82,164	40,000 (Jan. 1, 1953)	18,334	----- (Jan. 1, 1953)	42,164	501	500	419 (Jan. 1, 1953)
NCR Foundation Care of National Cash Register Co., Main and K Sts., Dayton 9, Ohio.	-----	----- (Jan. 1, 1954)	3,633,499	3,652,417	750,000 (Jan. 1, 1954)	-----	----- (Jan. 1, 1954)	2,902,417	258	224	250 (Jan. 1, 1954)
National Acme Foundation 170 East 131st St., Cleveland 8, Ohio.	-----	-----	446,002	413,799	100,000	-----	-----	313,799	464	461	384
National Machinery Foundation, Inc Tiffin 15, Ohio.	79,050	-----	3,202,855	2,338,888	591,654	111,525	-----	1,747,234	274	276	271
Oglebay Norton Foundation 1200 Hanna Bldg., Cleveland 15, Ohio.	-----	----- (Mar. 31, 1959)	55,736	55,736	----- (Mar. 31, 1959)	-----	----- (Mar. 31, 1959)	55,736	505	504	453 (Mar. 31, 1959)
Ohio Match Charitable Foundation. Wadsworth, Ohio. See California listing for data.											
Ohio Oil Co. Foundation, Inc 539 South Main St., Findlay, Ohio.	-----	----- (Jan. 1, 1952)	731,349	787,024	----- (Jan. 1, 1952)	(151,875)	----- (Jan. 1, 1952)	787,024	431	411	453 (Jan. 1, 1952)
Owens-Illinois Paper Products Foundation Post Office Box 1035, Toledo, Ohio.	-----	----- (Dec. 31, 1956)	4,658	4,658	280,617 (Dec. 31, 1956)	-----	----- (Dec. 31, 1956)	(275,959)	511	510	325 (Dec. 31, 1956)
Prentiss, Elisabeth Severance, Foundation Care of National City Bank of Cleveland, Post Office Box 5756, Cleveland 1, Ohio.	-----	-----	14,419,835	8,392,482	5,890,231	272,871	-----	2,502,251	113	136	86
Procter & Gamble Fund 301 East 6th St., Cincinnati 1, Ohio.	-----	----- (Jan. 1, 1953)	9,154,686	7,696,097	1,000,000 (Jan. 1, 1953)	-----	----- (Jan. 1, 1953)	6,696,097	162	148	239 (Jan. 1, 1953)
Republic Steel Corp. Educational and Charitable Trust Care of Cleveland Trust Co., 916 Euclid Ave., Cleveland 1, Ohio.	-----	-----	17,983,466	13,558,809	250,000	-----	-----	13,308,809	96	88	332
Ritchie, Charles E. and Mabel M., Memorial Foundation Care of 1st National Bank of Akron, Akron 8, Ohio.	-----	----- (Jan. 1, 1954)	1,524,792	1,146,481	----- (Jan. 1, 1954)	-----	----- (Jan. 1, 1954)	1,146,481	364	381	453 (Jan. 1, 1954)
Schmidlapp, Charlotte R., Fund Care of the 5th Third Union Trust Co., 4th and Walnut St., Cincinnati, Ohio.	-----	----- (Jan. 1, 1952)	3,245,532	1,544,963	1,184,299 (Jan. 1, 1952)	-----	----- (Jan. 1, 1952)	360,664	276	336	212 (Jan. 1, 1952)
Schmidlapp, J. G., Trust No. 2 Care of the 5th Third Union Trust Co., 4th and Walnut St., Cincinnati, Ohio.	-----	----- (Jan. 1, 1952)	780,513	368,749	332,232 (Jan. 1, 1952)	-----	----- (Jan. 1, 1952)	36,517	424	466	313 (Jan. 1, 1952)
Schmidlapp, Jacob G., Trust Care of the 5th Third Union Trust Co., 4th and Walnut St., Cincinnati, Ohio.	-----	----- (Jan. 1, 1952)	4,262,325	1,743,154	1,567,122 (Jan. 1, 1952)	-----	----- (Jan. 1, 1952)	176,032	232	318	180 (Jan. 1, 1952)
Sohio Foundation Care of Standard Oil Co., Mildand Bldg., Cleveland 15, Ohio.	-----	----- (Jan. 1, 1954)	456,148	456,148	603,517 (Jan. 1, 1954)	-----	----- (Jan. 1, 1954)	(147,369)	462	456	209 (Jan. 1, 1954)
Stranahan Foundation 900 Upton Ave., Toledo 1, Ohio.	-----	-----	7,596,954	5,225,065	1,264,164	771,428	5,320	3,960,901	177	186	203
Thompson Products Foundation 23555 Euclid Ave., Cleveland 17, Ohio.	-----	----- (Jan. 1, 1954)	636,323	636,324	885,000 (Jan. 1, 1954)	(45,327)	16,440 (Jan. 1, 1954)	(248,676)	441	429	239 (Jan. 1, 1954)
Timken Foundation of Canton 1835 Dueber Ave. SW., Canton 6, Ohio.	-----	-----	26,222,632	24,572,946	6,619,642	104,268	803,727	17,953,304	67	41	74
Timken Roller Bearing Co. Charitable Trust Care of First National Bank of Canton, Ohio, 101 Market St., Canton 2, Ohio.	-----	-----	2,254,759	2,254,759	646,191	-----	-----	1,608,568	314	291	262
Warner Swasey Foundation 5701 Carnegie Ave., Cleveland 3, Ohio.	-----	----- (Jan. 1, 1954)	490,322	490,322	104,717 (Jan. 1, 1954)	-----	----- (Jan. 1, 1954)	385,605	459	453	378 (Jan; 1, 1954)
Wean, Raymond John, Foundation Care of Second National Bank of Warren, Warren, Ohio.	-----	-----	6,393,302	4,111,253	388,133	22,127	(309)	3,723,120	191	211	302
White Motor Co. Charitable Trust 842 East 79th St., Cleveland 1, Ohio.	-----	----- (Jan. 1, 1955)	268,403	268,404	91,065 (Jan. 1, 1955)	-----	----- (Jan. 1, 1955)	177,330	478	475	393 (Jan. 1, 1955)
OKLAHOMA											
Bartlett, H. U. and Eva Maud, Foundation Care of Bartlett-Collins Co., Sapulpa, Okla.	-----	-----	112,980	112,980	22,000	1,250	-----	90,980	497	407	431
Broadhurst Foundation 1701 First National Bldg., Tulsa 3, Okla.	1,409,287	809,600	2,503,091	2,481,933	1,937,743	539,624	-----	544,190	249	217	143
Champlin, H.H., Foundation 302 First National Bank Bldg., Enid, Okla.	-----	----- (Jan. 1, 1952)	535,591	535,592	537,284 (Jan. 1, 1952)	-----	----- (Jan. 1, 1952)	(1,692)	453	444	280 (Jan. 1, 1952)
Kirkpatrick Foundation, Inc 1300 North Broadway, Oklahoma City, Okla.	-----	-----	1,498,282	1,182,099	528,691	30,700	-----	653,408	369	375	281
Mabee, J. E. and L. E., Foundation, Inc 1916 First National Bank Bldg., Tulsa 3, Okla.	1,287,928	316,800 (Jan. 1, 1952)	8,884,087	8,884,087	4,296,864 (Jan. 1, 1952)	1,510,404	2,376,913 (Jan. 1, 1952)	4,587,223	152	116	107 (Jan. 1, 1952)
The McMahon Foundation 714-716 C Ave., Lawton, Okla.	150,000	-----	4,492,543	3,369,294	1,684,196	1,511,128	281,023	1,685,096	223	230	175
Noble, Samuel Roberts, Foundation, Inc Post Office Box 870, Ardmore, Okla.	1,820,171	207	16,853,903	16,830,581	1,042,022	8,154,763	1,009,371	15,788,559	95	54	224
Phillips, Frank, Foundation, Inc 208 First National Bank Bldg., Bartlesville, Okla.	202,876	-----	10,557,343	7,618,692	2,385,114	15,634	2,385,114	5,233,578	145	145	154
The Pioneer Foundation (formerly Goldman Foundation) Post Office Box 8518, Oklahoma City 14, Okla.	225,000 (Jan. 31, 1961)	----- (Jan. 1, 1953)	149,691 (Jan. 31, 1961)	548,978 (Jan. 31, 1961)	----- (Jan. 1, 1953)	19,555 (Jan. 31, 1961)	----- (Jan. 1, 1953)	548,978	409 (Jan. 31, 1961)	413 (Jan. 31, 1961)	453 (Jan. 1, 1953)
Young, R. A., Foundation 3815 North Santa Fe, Oklahoma City, Okla.	-----	----- (Jan. 1, 1954)	1,186,468	1,179,877	----- (Jan. 1, 1954)	1,179,877	----- (Jan. 1, 1954)	1,179,877	395	376	453 (Jan. 1, 1954)

See footnotes at end of table.

SCHEDULE 2. —*Liabilities, net worth, accumulation of income, and asset rank*—Continued

[Source: Documents submitted to the Select Committee on Small Business]

Foundation	Total liabilities [4]		Total net worth based on using assets with market values of securities wherever available (col. 12), 1960	Total net worth based on using assets with book values only (cols. 13 and 14) [4]		Accumulation of income		Increase (decrease) in net worth, 1951 through 1960 based on using assets with book values only (cols. 18 and 19) [4]	Total asset rank with market values of securities being used wherever available (based on col. 12),[5] 1960	Total asset rank based on book values only (based on col. 13 for 1960 and col. 14 for 1951) [5]	
	1960	1951		1960	1951	1960	From date of organization to 1951			1960	1951
	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)
PENNSYLVANIA											
The Alcoa Foundation Care of Mellon National Bank & Trust Co., Mellon Sq., Pittsburgh 30, Pa.	----------	---------- (Jan. 1, 1953)	$43, 680, 256	$17, 306, 259	$200, 000 (Jan. 1, 1953)	$103, 803	---------- (Jan. 1, 1953)	$17, 106, 259	42	62	352 (Jan. 1, 1953)
Allegheny Foundation 525 William Penn Pl., Pittsburgh 19, Pa.	----------	---------- (Jan. 1, 1953)	1, 096, 726	1, 066, 598	---------- (Jan. 1, 1953)	78, 621	---------- (Jan. 1, 1953)	1, 066, 598	402	390	453 (Jan. 1, 1953)
American Foundation, Inc. 1718 Philadelphia National Bank Bldg. Philadelphia 7, Pa.	$14, 725	$10, 319	9, 181, 724	8, 879, 411	4, 820, 407	----------	----------	4, 059, 004	161	133	102
Benedum, Claude Worthington, Foundation 223 4th Ave., Pittsburgh 22, Pa.	----------	----------	21, 969, 859	17, 761, 875	714, 316	259, 040	$16, 949	17, 047, 559	75	57	255
Bok, Mary Louise Curtis, Foundation 1726 Locust St., Philadelphia 3, Pa.	783	560	13, 608, 290	15, 500, 367	9, 973, 542	----------	----------	5, 526, 825	116	73	54
Buhl Foundation 1 Gateway Center, Pittsburgh 22, Pa.	468, 201	835, 382	19, 213, 094	12, 888, 262	12, 162, 338	1, 111, 254	507, 539	725, 924	87	89	37
Carnegie Hero Fund Commission 2307 Oliver Bldg., Pittsburgh 22, Pa.	----------	2, 099	10, 734, 315	10, 056, 457	9, 989, 234	4, 147, 945	3, 845, 730	67, 223	146	117	53
Davis, Arthur Vining, Foundation Care of Mellon National Bank & Trust Co., Mellon Sq., Pittsburgh 30, Pa.	----------	---------- (Jan. 1, 1953)	2, 038, 684	1, 626, 356	651, 562 (Jan. 1, 1953)	(652, 136)	---------- (Jan. 1, 1953)	974, 794	321	326	261 (Jan. 1, 1953)
Donner Foundation, Inc. 2500 Philadelphia National Bank Bldg., Philadelphia 7, Pa.	----------	----------	42, 195, 084	25, 001, 615	15, 325, 741	(1, 536, 595)	636, 580	9, 765, 874	44	39	32
Falk, Maurice and Laura, Foundation 3315 Grant Bldg., Pittsburgh 19, Pa.	625	405	11, 290, 778	4, 434, 261	6, 284, 840	5, 588, 318	174, 723	(1, 850, 579)	138	204	79
Fels, Samuel S., Fund 2 Penn Center Plaza, Philadelphia 2, Pa.	1, 200, 243	419, 774	19, 072, 802	12, 362, 011	4, 782, 259	942, 220	----------	7, 579, 752	81	87	96
Food Fair Stores Foundation 2223 East Allegheny Ave., Philadelphia 34, Pa.	----------	---------- (Jan. 1, 1953)	1, 604, 951	1, 601, 514	308, 680 (Jan. 1, 1953)	----------	---------- (Jan. 1, 1953)	1, 292, 834	358	330	317 (Jan. 1, 1953)
Frick, Childs, Corp. Care of Mellon National Bank & Trust Co., Mellon Square, Pittsburgh 30, Pa.	----------	----------	4, 580, 473	3, 474, 465	1, 228, 154	3, 340, 187	1, 121, 141	2, 246, 311	226	234	207
Addison H. Gibson Foundation 1702 Commonwealth Bldg., Pittsburgh 22, Pa.	----------	----------	5, 548, 846	3, 339, 952	2, 480, 174	24, 128	329, 424	850, 778	210	240	150
Glencairn Foundation 2d Street Pike, Bryn Athyn, Pa.	----------	----------	5, 843, 045	5, 883, 757	80, 146	44, 075	399	5, 803, 611	199	174	400
The Hammermill Foundation Post Office Box 1440, Erie 6, Pa.	2, 061, 494	---------- (Oct. 21, 1955)	994, 032	846, 735	226, 875 (Oct. 21, 1955)	(5, 752)	---------- (Oct. 21, 1955)	619, 860	283	251	342 (Oct. 21, 1955)
Heinz, Howard, Endowment Post Office Box 926, Pittsburgh 30, Pa.	----------	115, 446	43, 582, 276	7, 146, 432	4, 611, 509	541, 053	253, 734	2, 534, 923	43	150	105
Heinz, H. J., Co., Foundation Post Office Box 57, Pittsburgh 30, Pa.	----------	---------- (Jan. 1, 1952)	131, 569	131, 569	320, 065 (Jan. 1, 1952)	----------	---------- (Jan. 1, 1952)	(170, 496)	495	494	318 (Jan. 1, 1952)
The Hunt Foundation Post Office Box 926, Pittsburgh 30, Pa.	97, 250	---------- (Jan. 1, 1952)	3, 727, 604	3, 004, 190	268, 856 (Jan. 1, 1952)	1, 921	---------- (Jan. 1, 1952)	2, 735, 334	251	246	327 (Jan. 1, 1952)
Jackson, William R. and Lucilla S., Charitable Trust Care of Mellon National Bank & Trust Co., Mellon Sq., Pittsburgh 30, Pa.	----------	----------	216, 176	168, 302	26, 621	(1, 237)	1, 020	141, 681	487	488	427
Janssen, Henry, Foundation, Inc. Post Office Box 462, Reading, Pa.	----------	92	2, 992, 504	2, 352, 145	2, 158, 475	21, 051	2, 063, 954	193, 670	286	285	161
The Koppers Foundation Care of Koppers Co., Inc., Pittsburgh 19, Pa.	----------	---------- (Jan. 1, 1954)	716, 169	705, 216	554, 512 (Jan. 1, 1954)	----------	---------- (Jan. 1, 1954)	150, 704	432	419	276 (Jan. 1, 1954)
Laurel Foundation 525 William Penn Pl., Pittsburgh 19, Pa.	----------	----------	1, 858, 075	1, 390, 463	43, 500	12, 339	----------	1, 346, 963	333	350	416
Mack, J. S., Foundation 531 5th Ave., McKeesport, Pa.	307	36	3, 719, 879	2, 404, 264	1, 184, 471	1, 021, 451	348, 463	1, 219, 793	255	277	211
Mellon, A. W., Educational & Charitable Trust 525 William Penn Pl., Pittsburgh 19, Pa.	9, 969, 250	----------	17, 833, 647	7, 634, 575	38, 267, 520	----------	(44, 954, 075)	(30, 632, 945)	63	58	9
Mellon, Richard King, Foundation 525 William Penn Pl., Pittsburgh, 19 Pa.	----------	1, 090, 000	59, 879, 582	25, 603, 622	11, 177, 110	----------	509, 224	14, 426, 512	25	37	40
Moore, Hugh, Fund 24th St. and Dixie Ave., Easton, Pa.	----------	---------- (Jan. 1, 1956)	1, 033, 868	995, 208	58, 614 (Jan. 1, 1956)	11, 384	---------- (Jan. 1, 1956)	936, 594	407	396	409 (Jan. 1, 1956)
Murphy, G. C., Co. Foundation 531 5th Ave., McKeesport, Pa.	----------	---------- (Jan. 1, 1953)	1, 227, 089	1, 077, 850	500, 000 (Jan. 1, 1953)	72, 850	(9, 958) (Jan. 1, 1953)	577, 850	392	388	289 (Jan. 1, 1953)

National Forge Co. Foundation Care of Pittsburgh National Bank, 414 Wood St., Pittsburgh 22, Pa.		(Jan. 1, 1955)	265, 677	235, 897	129, 303 (Jan. 1, 1955)	8, 315	3, 531 (Jan. 1, 1955)	106, 594	479	480	373 (Jan. 1, 1955)
National Steel Charitable Trust Care of Pittsburgh National Bank, Pittsburgh 30, Pa.		(Jan 1, 1954)	440, 794	432, 489	1, 000 (Jan. 1, 1954)	10, 792	(Jan. 1, 1954)	431, 489	465	460	447 (Jan. 1, 1954)
Penn Fruit Foundation Post Office Box 6122, Grant Ave. and Bluegrass Rd., Philadelphia 15, Pa.		(Jan. 1, 1953)	752, 121	657, 881	88, 450 (Jan. 1, 1953)		(Jan. 1, 1953)	569, 431	427	427	395 (Jan. 1, 1953)
The Pew Memorial Trust Care of the Glenmeade Trust Co., 1608 Walnut St., Philadelphia 3, Pa.			135, 309, 481	4, 265, 226	2, 075, 384	1, 237, 857	680, 066	2, 189, 842	8	207	165
Pitcairn, Theodore, Foundation Creek Rd., Bryn Athyn, Pa.		(Jan. 1, 1954)	1, 963, 037	2, 002, 498	213, 251 (Jan. 1, 1954)	415	(Jan. 1, 1954)	1, 789, 247	326	298	346 (Jan. 1, 1954)
Pittsburgh Forgings Co. Foundation Care of Mellon National Bank & Trust Co., 747 Union Trust Bldg., Pittsburgh 19, Pa.		(Jan. 1, 1953)	237, 126	226, 338	289, 023 (Jan. 1, 1953)		(Jan. 1, 1953)	(62, 685)	484	482	324 (Jan. 1, 1953)
Pittsburgh Plate Glass Foundation 1 Gateway Center, Pittsburgh 22, Pa.		(Jan. 1, 1953)	16, 329, 982	12, 846, 445	3, 142, 356 (Jan. 1, 1953)		(Jan. 1, 1953)	9, 704, 089	104	93	134 (Jan. 1, 1953)
Presser Foundation 1717 Sanson St., Pittsburgh 3 Pa.	4, 325	1, 255	10, 757, 185	7, 756, 481	1, 358, 102	686, 340	281, 834	6, 398, 379	144	146	193
Publicker, Harry and Rose, Trust 1400 South Penn Sq., Philadelphia 2, Pa.	52, 500		820, 665	820, 665	1, 203, 919			(383, 254)	420	405	209
Rittenhouse Foundation 1530 Spruce St., Philadelphia 2, Pa.	540, 925	3, 214	982, 864	982, 866	33, 345	982, 866	33, 319	949, 521	365	337	424
Rockwell Charitable Trust Pittsburgh National Bank, Pittsburgh 30, Pa.	292		1, 644, 699	1, 627, 230	175, 000			1, 452, 230	355	325	360
Scaife, Sarah Mellon, Foundation 525 William Penn Pl., Pittsburgh 30, Pa.	1, 841, 637	1, 330, 000	19, 348, 600	10, 899, 045	6, 003, 120	6, 198, 566	1, 688, 710	4, 895, 925	77	94	69
Scholler Foundation Collins and Westmoreland Sts., Phialdelphia 34, Pa.			1, 838, 959	1, 838, 960	512, 523	257, 121		1, 326, 437	335	309	284
Smith Kline & French Foundation 1500 Spring Garden St., Philadelphia 1, Pa.		(Jan. 1, 1953)	1, 992, 119	1, 982, 465	250, 000 (Jan. 1, 1953)	15, 727	(Jan. 1, 1953)	1, 732, 465	324	299	338 (Jan. 1, 1953)
Thomson, John Edgar, Foundation 3818 Chestnut St., Philadelphia 4, Pa.			1, 819, 946	1, 826, 783	1, 812, 848	10, 195		13, 935	340	311	169
Trexler Foundation 1227 Hamilton St., Allentown, Pa.	62, 317	59, 399	15, 333, 471	13, 645, 546	12, 087, 731	350, 620	276, 102	1, 557, 815	108	84	42
Waterman, Phoebe, Foundation, Inc. 1701 Arch St., Philadelphia 3, Pa.	870, 116		69, 798, 104	12, 225, 628	1, 975, 704	869, 473	2, 748	10, 249, 924	21	91	167
Westinghouse Air Brake Foundation Care of Mellon National Bank & Trust Co., Mellon Sq., Pittsburgh 30, Pa.		(Jan. 1, 1953)	606, 934	615, 107	500, 000 (Jan. 1, 1953)		(Jan. 1, 1953)	115, 107	444	433	290 (Jan. 1, 1953)
Westinghouse Educational Foundation Post Office Box 2278, 401 Liberty Ave., Pittsburgh 30, Pa.			1, 891, 548	1, 913, 321	1, 519, 301			394, 020	332	304	186
Westinghouse Electric Fund Post Office Box 2278, 3 Gateway Center, Pittsburgh 30, Pa.	12, 431	(Jan. 1, 1953)	916, 105	915, 711	2, 500, 000 (Jan. 1, 1953)		(Jan. 1, 1953)	(1, 584, 280)	417	402	149 (Jan. 1, 1953)
Wyomissing Foundation, Inc. Post Office Box 1382, Reading, Pa.			4, 991, 976	6, 102, 762	2, 695, 888	(709, 987)	(657, 065)	3, 406, 874	215	168	144
SOUTH CAROLINA											
Arkwright Foundation Post Office Box 1086, Spartanburg, S.C.		48	1, 976, 598	1, 803, 916	1, 204, 324	94, 684		599, 592	325	315	208
Burgiss, W. W., Charities, Inc. Care of The First National Bank, 102 South Main St., Greenville, S.C.			952, 158	868, 346	713, 588			154, 758	415	407	256
Gregg Foundation Graniteville, S.C.	825		241, 623	233, 060	565, 416	44, 426	46, 727	(332, 356)	483	481	275
Gregg-Graniteville Foundation, Inc. Graniteville, S.C.	491		2, 405, 457	1, 615, 702	441, 801	127, 177	2, 630	1, 178, 901	304	328	295
Self Foundation Greenwood, S.C.		350, 870	12, 613, 983	12, 485, 259	3, 887, 534	205, 428		8, 507, 725	123	97	112
The Springs Foundation, Inc. Care of Mr. J. C. Hubbard, Lancaster, S.C.	38, 000	80, 287	3, 516, 974	3, 514, 159	3, 635, 208	386, 951		(121, 049)	261	227	122
TENNESSEE											
Benwood Foundation, Inc. 521-523 Chattanooga Bank Bldg., Chattanooga, Tenn.			8, 948, 899	9, 496, 260	1, 135, 863	17, 720	46, 455	8, 360, 397	163	122	213
Carrier, Robert M. and Lenore W., Foundation Care of Union Planters National Bank, Memphis, Tenn.		400, 000 (Jan. 1, 1953)	731, 851	597, 890	111, 955 (Jan. 1, 1953)	35, 337	(1, 232) (Jan. 1, 1953)	485, 935	430	435	285 (Jan. 1, 1953)
Evans Foundation, Inc. 540 McCallie Ave., Chattanooga, Tenn.			1, 532, 974	1, 090, 938	800	205, 536		1, 090, 138	363	386	450
Jarman Foundation 119 7th Ave. North, Nashville 3, Tenn.		(Jan. 1, 1952)	4, 596, 725	1, 430, 766	1, 008, 721 (Jan. 1, 1952)	144, 190	12, 521 (Jan. 1, 1952)	422, 045	225	348	228 (Jan. 1, 1952)
Memorial Welfare Foundation, Inc. Care of American National Bank & Trust Co., Chattanooga, Tenn.			8, 880, 700	6, 283, 906	2, 448, 842	217, 645	46, 588	3, 835, 064	165	167	152

See footnotes at end of table.

SCHEDULE 2.—*Liabilities, net worth, accumulation of income, and asset rank*—Continued

[Source: Documents submitted to the Select Committee on Small Business]

Foundation	Total liabilities [4]		Total net worth based on using assets with market values of securities wherever available (col. 12), 1960	Total net worth based on using assets with book values only (cols. 13 and 14) [4]		Accumulation of income		Increase (decrease) in net worth, 1951 through 1960 based on using assets with book values only (cols. 18 and 19) [4]	Total asset rank with market values of securities being used wherever available (based on col. 12),[5] 1960	Total asset rank based on book values only (based on col. 13 for 1960 and col. 14 for 1951) [5]	
	1960	1951		1960	1951	1960	From date of organization to 1951			1960	1951
	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)
TEXAS											
Anderson, M.D., Foundation Post Office Box 2557, Houston 1, Tex.	$3,547,163		$35,540,386	$25,110,437	$26,658,790	$3,476,832	$4,123,090	($1,548,353)	46	31	16
Carter, Amon G., Foundation Post Office Box 1036, Fort Worth, Tex.	8,509	$1,774,677	27,958,755	24,987,543	10,570,130	5,705,846	1,814,798	14,417,413	62	40	39
Clayton Foundation for Research 706 Bank of the Southwest, Houston 2, Tex.	516	29,155	13,575,082	10,188,872	8,239,486	965,663	607,152	1,949,386	117	115	64
The Cullen Foundation 1710 First National Bank Bldg., Houston 2, Tex.	1,349,090	4,122,543	2,195,757	2,192,654	499,776	(3,174,601)	(4,770,734)	1,692,878	262	228	106
Hoblitzelle Foundation 501 Majestic Theatre Bldg., Dallas 1, Tex.	145,316		16,930,312	8,034,200	6,064,337	189,188		1,969,863	101	141	82
Houston Endowment, Inc. Post Office Box 1414, Houston 1, Tex.	6,836,815	12,333,217	65,796,820	36,515,985	7,705,454	27,110,937	5,144,293	28,810,531	20	18	21
The Moody Foundation Post Office Box 904, Galveston, Tex.	8,138,807	55,909	104,415,502	52,701,371	235,983	11,761	28,219	52,465,438	13	13	323
Welch, Robert A., Foundation 2010 Bank of the Southwest Bldg., Houston 2, Tex.	937,235	(Jan. 1, 1954)	47,372,638	38,408,701	20,284,892 (Jan. 1, 1954)	9,541,398	(Jan. 1, 1954)	18,123,809	37	22	20 (Jan. 1, 1954)
WASHINGTON											
Boeing Airplane Co. Charitable Trust Post Office Box 3707, Seattle, Wash.		(Jan. 1, 1952)	1,177,933	1,174,182	(Jan. 1, 1952)		(Jan. 1, 1952)	1,174,182	396	377	453 (Jan. 1, 1952)
Comstock Foundation Spokane & Eastern Bldg., Spokane, Wash.		(Jan. 1, 1953)	3,004,043	2,600,542	1,245,555 (Jan. 1, 1953)	142,365	32,055 (Jan. 1, 1953)	1,354,987	285	266	205 (Jan. 1, 1953)
Medina Foundation 2101 Exchange Bldg., Seattle 4, Wash.			2,326,725	2,072,465	246,446		15,657	1,826,019	310	296	335
Weyerhaeuser Co. Foundation Tacoma Bldg., Tacoma 1, Wash.	91,591	6,000 (Dec. 1, 1950)	3,364,229	2,386,193	181,977 (Dec. 1, 1950)	90,633	(Dec. 1, 1950)	2,204,216	267	272	354 (Dec. 1, 1950)
WISCONSIN											
Allis-Chalmers Foundation 1126 South 70th St., West Allis 14, Wis.		(Jan. 1, 1952)	2,165,717	2,385,721	640,000 (Jan. 1, 1952)		(Jan. 1, 1952)	1,745,721	318	280	264 (Jan. 1, 1952)
Briggs & Stratton Corp. Foundation, Inc. 2711 North 13th St., Milwaukee 6, Wis.		(Jan. 1, 1954)	1,122,275	522,987	216,372 (Jan. 1, 1954)		(Jan. 1, 1954)	306,615	401	446	343 (Jan. 1, 1954)
Bucyrus-Erie Foundation, Inc. 11th and Milwaukee Ave., South Milwaukee, Wis.			66,431	66,251	250,000	45,572		(183,749)	503	502	334
Chain Belt Foundation, Inc. 4701 West Greenfield Ave., Milwaukee, Wis.	77,515	(Oct. 9, 1953)	570,419	369,017	149,500 (Oct. 9, 1953)	118,782	(Oct. 9, 1953)	219,517	438	458	367 (Oct. 9, 1953)
Cudahy, Patrick and Anna M., Fund 920 East Mason St., Milwaukee 2, Wis.			3,960,486	3,475,191	233,464	524,002		3,241,727	245	233	340
Cutler-Hammer Foundation 315 North 12th St., Milwaukee 1, Wis.		(Jan. 1, 1952)	758,016	758,016	500 (Jan. 1, 1952)		(Jan. 1, 1952)	757,516	426	415	451 (Jan. 1, 1952)
De Rance, Inc. 735 North Water St., Milwaukee 2, Wis.			11,600,042	5,180,042	342	42		5,179,700	133	187	452
Froedtert Foundation Post Office Box 712, Milwaukee 1, Wis.			684,714	675,381	334,954	75,609		340,427	434	425	312
Hamilton Memorial Foundation Care of Hamilton Manufacturing Co., Two Rivers, Wis.		(Jan. 1, 1952)	1,042,462	966,881	150,000 (Jan. 1, 1952)		(Jan. 1, 1952)	816,881	406	399	366 (Jan. 1, 1952)
Harnischfeger Foundation, Inc. 4400 West National Ave., Milwaukee 14, Wis.		(Jan. 1, 1952)	955,201	911,960	667,767 (Jan. 1, 1952)	228,238	62,675 (Jan. 1, 1952)	244,193	414	404	259 (Jan. 1, 1952)
Johnson Foundation, Inc. Racine, Wis.	1,014	(June 30, 1959)	492,793	492,793	57,822 (June 30, 1959)		(June 30, 1959)	434,971	458	451	410 (June 30, 1959)
Kimberly-Clark Foundation, Inc. 128 North Commercial St., Neenah, Wis.		(Jan. 1, 1953)	688,879	459,859	77,800 (Jan. 1, 1953)	459,859	77,800 (Jan. 1, 1953)	382,059	433	455	401 (Jan. 1, 1953)
Nekoosa-Edwards Foundation, Inc. Port Edwards, Wis.	40,171		1,788,113	1,792,070	326,992	1,792,069		1,465,078	338	310	314
Phillips, L. E., Charities, Inc. 314 Grand Ave., East, Eau Claire, Wis.	157,772	56,000	1,680,663	1,744,073	355,044	315,390	(239,955)	1,389,029	336	306	297
Rutledge, Edward, Charity 404 Bridge St., Chippewa Falls, Wis.	373		1,142,462	1,152,877	1,057,615	118,592	57,615	95,262	398	380	220
Schlitz Foundation, Inc. 235 West Galena St., Milwaukee 1, Wis.			2,322,692	2,322,420	1,057,000			1,265,420	311	289	221

Smith, A. O., Foundation, Inc. Post Office Box 584, Milwaukee 1, Wis.	----------	---------- (Jan. 1, 1952)	1,305,921	1,301,250	154,229 (Jan. 1, 1952)	----------	---------- (Jan. 1, 1952)	1,147,021	384	356	365 (Jan. 1, 1952)
Trostel, Albert O., Foundation, Inc. 1776 North Commerce St., Milwaukee 8, Wis.	27,000	----------	301,790	301,792	269,301	301,792	269,301	32,491	474	471	326
Western Printing & Lithographing Co., Foundation 1220 Mound Ave., Racine, Wis.	----------	---------- (Jan. 1, 1952	1,777,125	1,777,128	1,000 (Jan. 1, 1952)	----------	---------- (Jan. 1, 1952)	1,776,128	343	316	448 (Jan. 1, 1952)
WYOMING											
Whitney Benefits Bank of Commerce Bldg., Sheridan, Wyo.	33,831	4,035 (Jan. 1, 1952)	2,183,145	1,777,487	1,455,307 (Jan. 1, 1952)	1,003,026	---------- (Jan. 1, 1952)	322,180	316	314	188 (Jan. 1, 1952)
Total	403,047,444	146,253,495	9,427,971,764	6,452,801,279	2,550,953,290	868,805,779	257,976,063	3,901,847,989	----------	----------	----------
ADDENDA											
FLORIDA											
Howard Hughes Medical Institute 4014 Chase Ave., Miami Beach 40, Fla.	$19,258,254 (Dec. 31, 1961)	$18,043,300 (Dec. 31, 1953)	$3,314,745 (Dec. 31, 1961)	$3,314,745 (Dec. 31, 1961)	$37,464 (Dec. 31, 1953)	$3,314,745 (Dec. 31, 1961)	---------- (Dec. 31, 1953)	$3,277,281	----------	----------	----------
NEW JERSEY											
Educational Testing Service 20 Nassau St., Princeton, N.J.	3,280,725	625,359	4,993,760	4,989,877	1,172,205	2,737,062	($139,983)	3,817,672	----------	----------	----------
NEW YORK CITY											
Eugene Higgins Trust United States Trust Co. of New York, 45 Wall St., New York, N.Y.	----------	----------	47,988,456 (Mar. 31, 1962)	42,154,990 (Mar. 31, 1962)	36,585,749	---------- (Mar. 31, 1962)	----------	5,569,241	----------	----------	----------
The Rockefeller Institute York Ave. and East 66th St., New York 21, N.Y.	2,878,952 (June 30, 1961)	68,386	196,112,928 (June 30, 1961)	131,031,751 (June 30, 1961)	94,168,965	8,848,186 (June 30, 1961)	4,334,333	36,862,786	----------	----------	----------
NEW YORK STATE											
Sleepy Hollow Restorations, Inc. 42 Main St., Irvington, N.Y.	76,169	---------- (Nov. 30, 1951)	14,788,831	14,034,280	1,962,977 (Nov. 30, 1951)	----------	---------- (Nov. 30, 1951)	12,071,303	----------	----------	----------
VIRGINIA											
Colonial Williamsburg Inc. Williamsburg, Va.	283,167	138,529	111,565,012	102,737,332	41,406,825	7,187,084	----------	61,330,507	----------	----------	----------
WISCONSIN											
Allen-Bradley Foundation, Inc. 136 West Greenfield Ave., Milwaukee 4, Wis.	58,064	20,323	3,732,356	3,669,273	1,056,245	----------	----------	2,613,028	----------	----------	----------
Total	428,882,775	165,149,392	9,810,467,852	6,754,733,527	2,727,343,720	890,892,856	262,170,413	4,027,389,807	----------	----------	----------

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[1] These securities are shown at market wherever such data was submitted by the foundations, and the valuation dates are as shown in cols. 4 and 5.

[2] The foundations' assets consist of a variety of investments other than securities. Land, real estate, inventories, equipment, patents, insurance policies, works of art, etc., are examples of assets owned by the foundations and their market valuation may be considerably greater than the book values indicated by the foundations and used herein.

[3] Wherever market values were submitted, the valuations are as of the dates shown in cols. 4, 5, and 7. The market valuation of investments generally is as of the same date as the foundation's accounting year end. In cases where theses dates are not identical, the market valuation made available by the foundation at a date closest to their accounting year end is used and the date identified.

[4] Some of the foundations submitted balance sheets which do not clearly show any demarcation between liabilities and net worth. Sometimes the various categories are summarized as "total liabilities" and this total equals the foundation's total assets. In most such instances, the committee has not attempted to reclassify items which appear to be of "net worth" nature but which have been classified as a liability by the foundation.

[5] Ranking of assets has been made by using the dollar as the unit of measure. Each foundation having a dollar amount of zero has been given the identical rank. Where the dollar amount is minus, the rank number is higher than the number used for those having zero.

[6] This foundation became part of Hunt Foods & Industries Foundation in 1959.

[7] Represents 28,499 shares of Gordon Baking Co. capital stock. The market valuation of the shares is based on the foundation's equity in the book value of the company's underlying net assets at July 31, 1960.

[8] Includes $9,251,000 as equity per books of five wholly owned companies at Dec. 31, 1960

[9] Book values of securities as of July 31, 1960, were not submitted by the foundation.

[10] $14,030,762 of this amount represents the underlying book value of shares held in Connecticut Railway & Lighting Co. at Dec. 31, 1960.

[11] The assets do not include securities totaling $53,688,647 which the foundation held for the account of Duke University.

[12] The market values of the Ford Foundation securities would be much higher if its holdings of Ford Motor Co. class A stock were appraised at the market price of Ford Motor Co. common stock. No market price is quoted for the class A stock but it can be converted or exchanged on a share for share basis under certain conditions into the company's common stock with the same dividend rate. On Sept. 30, 1960, the end of the Ford Foundation's fiscal year, the closing price of the common stock was $64.25 per share. Thus, the Ford Foundation's 31,910,296 shares of class A stock had a value of $2,050,236,518 as compared with $1,499,783,912 based on the equity value of $47 per share which is shown in the Ford Foundation's balance sheet for fiscal year ending Sept. 30, 1960. If the foundation had shown the Ford Motor Co. class A stock and other securities at market values on Sept. 30, 1960, the total assets of the foundation would have been at least $2,745,961,689.

On Apr. 24, 1962, the foundation sold 2,250,000 shares of the stock at $97 per share for a total of $218,250,000.

[13] Total assets do not include assets estimated at $900,000 which were willed to the foundation by George L. Hartford. Pending completion of the administration of Mr. Hartford's estate, the foundation has carried its interest in 4 trust remainders at a nominal value of $1 each.

[14] Paintings and other works of art loaned to museums for exhibition purposes or held in temporary storage in the aggregate amount of $23,336,671 are not carried in the foundation's balance sheet.

[15] Includes $800,000 as the foundation's estimated value of oil leases at Dec. 31, 1960. Such leases were recorded by the foundation at $1.

[16] Consists solely of 2,900 shares of Miller Brewing Co. stock. Market value is based on the sale of 3,555 shares of Miller Brewing Co. common stock at approximately $4,000 per share in December 1961.

[17] Represents book value of the portfolio at the time of delivery to the trust.

Mr. AVERY. Mr. Speaker, will the gentleman yield at that point?

Mr. PATMAN. I yield to the gentleman.

Mr. AVERY. The last statement the gentleman has made is just a clear example of what I was trying to point out in my preliminary remarks about innuendos, inferences, and unsupported charges. If the gentleman would read carefully the paragraph at the top of page 14, and consider the various and sundry charges made there and think carefully on them. Would the gentleman still want to conclude right to the end that President Schurman's assertions have come true? In other words, is the gentleman from Texas stating to the Members of the House and for the Record that he thinks that these rather nebulous charges have come about to be a true fact?

Mr. PATMAN. Yes, I consider that, and I am willing to say that.

Mr. AVERY. I would then just like to remind the Members of the House of what I said in my opening remarks that this support today almost is self-defeating by the statement the gentleman has just made, because it is so clearly obvious to anybody that these predictions made back in 1910 have clearly not become an established fact.

Mr. PATMAN. Remember, this observation was made by a trustee of the Carnegie Foundation.

Mr. AVERY. Of course it was. That is all right. If the gentleman had let it lie on the basis of the trustee of the Carnegie Foundation expressed some 52 years ago, then it would have been clearly Mr. Schurman's appraisals, I could not take issue with him. But now the gentleman makes a broad, sweeping statement that all of these things have come true.

Mr. PATMAN. I did not say all of them. I said his predictions and observations have come true. That does not mean each and every one of them has come true. The abuse of power has come true.

Mr. AVERY. I am glad to see the gentleman backtracking.

Mr. PATMAN. I am not backtracking at all.

Mr. AVERY. I must conclude that the gentleman is.

Mr. PATMAN. The observations made by Mr. Schurman at that time have come true through the activities of these foundations.

Mr. AVERY. Either they have been true or they have not been true.

Mr. PATMAN. They have come true.

Mr. AVERY. The gentleman is standing on that statement. A further fallacy has become self-evident in this report.

Mr. PATMAN. I think the gentleman, when he considers all of the facts in connection with this, would be willing to corroborate what I say.

Mr. AVERY. If the minority had a chance to participate in this, perhaps we could agree with the gentleman, but when he runs it under a condition like it was the CIA, it is pretty hard for the minority to become appraised of the facts so they can agree or disagree.

Mr. PATMAN. Members of the committee have told me that they are busy. So has the gentleman. They have not had the time to give the attention to it they would like to. They did not object to my going ahead and making these observations, if I would make them on my own. After we make these observations we will have hearings by the committee, then it will be necessary that I substantiate what I have said, which I assure the gentleman I will be able to do.

Mr. AVERY. Would it not be maybe in conformity with established congressional procedure to have the hearings before we make these rather far-reaching charges that are not supported by a record available to anybody except the chairman?

Mr. PATMAN. There are many precedents for this, I will say to the gentleman. This is not out of line. It is traditional in many respects.

Mr. AVERY. It may not be out of the gentleman's jurisdiction. I am not challenging the gentleman's jurisdiction, but certainly I am challenging the wisdom of such a procedure as this.

Not to argue with the gentleman at this point, but merely for purposes of clarification following the report here primarily on Toolco and the related institute, I am not sure of this: Is the gentleman alleging that there has been maladministration on the part of the Internal Revenue Service or is he proposing the Internal Revenue Code should be amended?

Mr. PATMAN. I am not ready to make recommendations. That is where I want the benefit of the judgment of the members of the committee. I shall not make any recommendations until the committee members pass on it. I believe we will be able to tell whether anything is wrong before this investigation is concluded.

Mr. AVERY. When the gentlman says "wrong," I think we should define at this point what he thinks is wrong. If he is alleging that the public interest is not being properly protected, then it becomes the responsibility of the Congress so to amend the code that the public interest is protected. If it is a matter of dereliction on the part of the Internal Revenue Service then I think he should bring this to the attention of the Department of Justice. Has he done that?

Mr. PATMAN. I will state to the gentleman that when the Internal Revenue Service turned this application down in 1955 as a device to siphon off taxable income and, in 1957, under the same facts and circumstances, reverses itself and says it is all right, that excites my curiosity and I am sure it excites the curiosity of the gentleman. I am sure we should make further investigation of it before we come to any definite conclusion.

Mr. AVERY. I will state to the gentleman it does excite my curiosity. That is just another ramification of what I said a while ago. The minority is almost completely in the dark. We did not have an opportunity to look at the information until some 72 hours ago. The gentleman, I believe, is leaving the implication—maybe he intends it or not, I am not sure—but was this application for a charter that was turned down in 1955, as I recall the gentleman's committee report, indentical with the application that was approved in 1957? Were there further amendments and modifications in the application so that it might meet the objections that were posed in 1955 by the Internal Revenue Service?

Mr. PATMAN. It has not been pursued to the extent that I can answer that definitely.

Mr. AVERY. That brings out what I said.

Mr. PATMAN. Does the gentleman have any information that is contrary to that?

Mr. AVERY. I certainly do not, but I am not making charges. The gentleman is making charges. He says something is wrong.

Mr. PATMAN. That is right.

Mr. AVERY. They approved in 1957 something they turned down in 1955, and the gentleman cannot tell us whether this is the same thing or not. This is just another example. This report is premature and is not based on valid studies, investigations, and conclusions.

Mr. PATMAN. The report is based on documents and information submitted to us by the Howard Hughes Medical Institute. I cannot conceive of any new information being brought out. If there was any change in it, there is nothing in the documents on file to disclose it.

Mr. AVERY. Mr. Speaker, will the gentleman yield at that point?

Mr. PATMAN. I yield to the gentleman.

Mr. AVERY. Since the gentleman is reading from page 24, we might just refer to the information there. He had observed that the Heinz Endowment of Pittsburgh has held 314,104 shares of stock in the H. J. Heinz Co. with a market value of $42,561,092. These, of course, are rather impressive figures. That is quite a number of shares and, of course, it represents a considerable amount of control. But actually the pertinent question here, the penetrating question would be what proportion of the entire common stock, particularly of the H. J. Heinz Co. does this 314,000-odd shares represent? Until we know that these figures do not really mean very much.

Mr. PATMAN. We would have to know more than that. How well scattered is the rest of the stock. If it is pretty well distributed this would come pretty near to being controlling interest.

Mr. AVERY. Is it or is it not?

Mr. PATMAN. I do not know; I have not got the figures but I can look them up. The question is, should the dead hand of wealth way after people have died, 50 years after, still be controlling industry and directing policy in our country through control of these funds and by virtue of the stocks they hold? It is directly involved.

Mr. AVERY. If the gentleman will yield further, this is the point I am trying to caution the gentleman against by making far-reaching statements. He does not even know whether they control the corporation. He has just said it is wrong for these foundations, for these entities, if you please, of which the founders may have been dead for 50 years to still have controlling interest, yet he does not know whether they do have controlling interest or not.

Mr. PATMAN. I do not agree with the gentleman, if he is making the statement that in order to have influence in a matter of this kind they would have to have controlling interest. Even 1 percent sometimes has a lot of influence. I have known of 1 vote to carry on an important matter here on the floor of the House out of 437. The gentleman has too. There are a lot of factors involved. But the big question is whether or not foundations should be allowed to vote stock at all. Whether it is 1 percent or 99 percent really is not relevant. The question is, Should they be allowed to vote the stock at all?

Mr. AVERY. I can only restate, Mr. Speaker, that I disagree with the gentleman when he states the percent of stock they own as compared to the total number of shares outstanding is irrelevant. I think it is a very basic matter for consideration here.

Mr. PATMAN. For this discussion I say it is irrelevant.

Mr. AVERY. Then I might ask the gentleman how would he propose that this foundation capital or property be invested? Later on in the report he takes exception to their intervening in donor corporation and or intervening in a related corporation. He takes exception to the disproportionate stock they hold in the corporation in the first place. What should they do, or should they all be disorganized? Maybe he thinks they do not serve any useful function at all. The gentleman is not clear.

Mr. PATMAN. I think we can resolve questions like that. That is one of the main reasons we will have to go into this thing rather thoroughly.

Mr. AVERY. I agree. But before we bring in this report before the House and release it to the papers, even before it is given on the floor of the House, we should have a discussion and hearing.

Mr. PATMAN. I am glad it provokes the thought of the gentleman. He is always of great help in these matters.

Mr. AVERY. The gentleman provoked thought in me last fall when he announced this undertaking without a professional staff.

Mr. PATMAN. Another big question is to what extent should foundations be allowed to invest in business. There are questions about it. Foundations are supposed to be for charity. Are they supposed to be in business and to be in competition with small business and have a tax advantage and put small business out of business? That part of it is fact. That is one thing we are going into. I hope that the gentleman will not get on the side of defending them, because I think he would be wrong and he would be sorry in the future.

Mr. AVERY. Let us get my position entirely clarified at this point. I am not condoning or condemning any person or trust. But our record should be established on fact and not on philosophical conclusions. The gentleman says he does not want them in small business. He says that is wrong, and under some circumstances that could be true. He is challenging their being substantial owners of H. J. Heinz and Standard Oil Co. I would not call them small business.

Mr. PATMAN. I do not think they should be allowed to exercise direct or indirect control of any business.

Mr. AVERY. Maybe we are getting around to something now.

Mr. PATMAN. I do not think they should be allowed to crush small business, which they often do. They crush a lot of small businesses in this country. I hope the gentleman will look into this carefully.

Mr. AVERY. Of course I think they should be handled simultaneously. You do not have to be for one and against the other. It is a matter of propriety we are discussing this afternoon, and not preconclusions. If the gentleman thinks they should not invest in business what alternative do they have left?

Mr. PATMAN. That is for us to consider. We certainly do not want foundations to go into competition with private business. You know, the success of our country depends on the profit system.

We have a graduated income tax in this country and by reason of our taxation system we take a part of the profits which support our Government. Therefore, we should encourage the private enterprise profitmaking system. I am all for it, and the gentleman, I am sure, is all for it. We should not allow favorities. We should not say to a certain group over here "We will let them pay no taxes at all and just let them go ahead," while the rest of us pay more by reason of it and let them crush little businessmen and destroy small business, thereby reducing the taxation that comes into the Treasury.

Mr. AVERY. If the gentleman will yield further, the gentleman is entirely right. It is refreshing to the gentleman from Kansas to hear the gentleman identified with the administration to be in favor of profits. There was some question about that earlier this year.

Mr. PATMAN. The administration is for profits; certainly it is. I do not know of a Member of this House or the Senate or the executive branch of the Government who is not for the private profit system. We do not have, however, enough excise taxes and things like that with which to support our Government. We have to depend upon the profit system.

Mr. AVERY. I am happy to hear the gentleman say that, and I shall not interrupt the gentleman further at this point.

Mr. PATMAN. I hope there is no doubt in the mind of the gentleman from Kansas about that.

Mr. AVERY. I am glad to be reassured.

Mr. SCHWENGEL. Mr. Speaker, will the gentleman yield?

Mr. PATMAN. I yield to the gentleman.

Mr. SCHWENGEL. Mr. Speaker, first I want to say that I think the gentleman is making a real contribution in calling this to our attention, although I am inclined to agree with the gentleman from Kansas[Mr. AVERY] when he says that this should be discussed somewhat in the committee. But this matter has been brought to the floor of the House, and since the matter is on the floor of the House I want to say that I am listening with interest to the gentleman, and I think he is making a contribution and I hope he will continue to press his investigation.

Now, as I understand it, the gentleman's complaint thus far refers mainly to these corporations through these tax-exempt foundations, and the complaint is that they are getting a tax advantage. Is that one of the principal complaints?

Mr. PATMAN. That is one of the principal complaints.

Mr. SCHWENGEL. That is a subject in which I have great interest, too, and I should like the opportunity to talk to the gentleman about it, the subject of revising our corporation income tax setup. But the question at this time that I want to ask is this: While the gentleman is discussing this question, is he also investigating the church foundations? Complaints have been made similar to those the gentleman is making regarding tax-exempt foundations of abuses in that area. Has the gentleman and his committee done anything in that regard?

Mr. PATMAN. No decision has been made on that.

Mr. SCHWENGEL. Is there any possibility that the gentleman and his committee will go into that?

Mr. PATMAN. If the gentleman wants to come to the committee and urge such an inquiry, we will be glad to hear him.

Mr. SCHWENGEL. Also I have the same feeling that a great many people have about farm cooperatives, or the cooperative movement in this country. People think that there is a tax advantage in that. Will this subject be covered by the gentleman's committee or has the gentleman's committee gone into that?

Mr. PATMAN. Right now, these 524 tax-exempt corporations have been picked out for inquiry; some are large and some are small, and I do not know what that will lead to. If the gentleman is interested in any of these, we will be glad to hear him.

Mr. SCHWENGEL. I am asking, Is the gentleman interested in these accusations that have been made?

Mr. PATMAN. At this time I am interested in these 524 corporations. I am going to study them until the committee comes to some conclusions.

Mr. SCHWENGEL. The gentleman is not in opposition to hearing testimony from anybody who wants to be heard, not only myself, but anybody who wants to be heard on this general subject?

Mr. PATMAN. I am not in opposition. The gentleman is exactly right. If the gentleman wants to give testimony I shall be glad to hear what he has to say. I agree with the gentleman, and I am sure he agrees with us, as I told the distinguished gentleman from Kansas [Mr. AVERY], that our business system is built upon profit.

Mr. SCHWENGEL. I understand that.

Mr. PATMAN. Our Government is based upon profit. We have got to make a profit in order to have revenue to run the Government. I believe in the profit system. We want to encourage people to make profit and we want to tax those profits to support our Government, from the lowest to the highest.

Mr. SCHWENGEL. A profit and free enterprise system.

Mr. PATMAN. Profit and free enterprise.

Mr. SCHWENGEL. I know you are going to grant hearings to any Member of the House. This is a natural courtesy we extend each other. But I should like to know whether other groups that have ideas about this can come before the gentleman's committee.

Mr. PATMAN. The gentleman will just have to wait until the committee passes on that question. I do not know how far the committee is going to go.

Mr. SCHWENGEL. How does the gentleman feel about it?

Mr. PATMAN. I am willing to hear anybody who has anything helpful on this matter.

Mr. SCHWENGEL. This will cover the co-op question and all the others?

Mr. PATMAN. If the gentleman wants to confine it to this particular question it will be all right with me until we straighten this out. If he wants to bring in more, it is all right with me.

Mr. AVERY. Mr. Speaker, will the gentleman yield?

Mr. PATMAN. I yield to the gentleman.

Mr. AVERY. With reference to the Honeywell Foundation, since the gentleman from Texas has made the statement that they are unfairly competing with others in food service, I think he ought to make the record clear as to whom they are serving. Are they serving their employees? Are these fringe benefits that are being provided for their employees?

Mr. PATMAN. I would have to make a further search on that, and I would be very glad to furnish that information.

Mr. AVERY. I must repeat, Mr. Speaker, that these are things that should have been looked into before these matters come to the floor of the House and are given to the press, and this should not be done ex post facto.

Mr. PATMAN. I do not agree with the gentleman on that.

After this colloquy I have ascertained that the restaurant is open to the public.

Mr. AVERY. That is a matter of opinion, of course.

Mr. PATMAN. The gentleman has a right to his opinion and I have a right to my opinion.

Mr. AVERY. Of course, that is a matter of judgment.

Mr. PATMAN. That is right.

Mr. AVERY. Mr. Speaker, will the gentleman yield?

Mr. PATMAN. I yield to the gentleman.

Mr. AVERY. I was wondering since the committee has only met twice this year, once to put the employees on the payroll and once to give the gentleman authority to subpena certain information, on that basis it is doubtful whether the committee will meet again.

Mr. PATMAN. No; the gentleman is mistaken. We had a meeting about a month ago.

Mr. AVERY. Were there three meetings? Then I stand corrected.

Mr. PATMAN. We have had committee meetings. Subcommittees have met. I have had subcommittee reports submitted to me. We have been very active.

Mr. AVERY. I believe I will let my statement stand. The full committee has only been called into session three times to date: The first time to authorize the chairman to put the employees back on the payroll; the second time to provide him with the necessary subpena powers to get the information contained in this report; and the third time to consider the first installment of this report of which today we are hearing the second increment, and yet we, the minority, are expected to become expertise on it in a few hours' time. I wonder if the gentleman can advise us when the third increment might be expected.

Mr. PATMAN. It should be in the next 3 weeks, something like that.

Mr. AVERY. In the next 3 weeks?

Mr. PATMAN. Yes, maybe a month. These things are terrific, I will tell you; getting the information up is terrific.

Mr. AVERY. I can appreciate the amount of work the gentleman has done. I hope he can appreciate the tremendous problem of trying to contemplate and assimilate the product of this work. Does the gentleman contemplate another hearing before the Congress adjourns? Some of us are somewhat optimistic that the Congress may adjourn some of these days.

Mr. PATMAN. I am not so optimistic. I think it will be at least some time in October the way its looks now or possibly January 3.

Mr. AVERY. When Congress adjourns or when the report is out?

Mr. PATMAN. When Congress adjourns.

Mr. AVERY. That certainly does not bolster my rather nebulous optimism; but let us assume that it may be that the Congress in its wisdom might reach a compromise with the administration and adjourn some time around October 1. Would the gentleman care to indicate whether the third increment of this report which has not been rendered would be placed in the hands of Members before Congress adjourned or afterward?

Mr. PATMAN. I do not know, but I can tell the gentleman that whenever it is it will be in the public interest.

Mr. AVERY. I, of course, assume it would be in the public interest, but there are several different ideas on what might be considered to be in the public interest. I would only hope that I would not have to be informed of what happened in the committee by reading the New York Times and the Washington Post. I think the Members at least ought to be able to read it in their own offices before the press gets it.

Mr. PATMAN. The gentleman received it before the press received it.

Mr. AVERY. Yes, I got mine on Friday and the New York Times had it written up on Sunday. I would assume we got it about the same time. But I want to know if there are going to be any hearings. I have stated several times previously that I felt hearings should have been held before just an opinionated report is released.

Mr. PATMAN. I hope immediately after this next report we will have enough questions of general interest to justify a public hearing. I certainly hope we could have a hearing.

Mr. AVERY. You say you hope you could?

Mr. PATMAN. Yes.

Mr. AVERY. What is to prevent it?

Mr. PATMAN. Of course, the committee has to set a time, and things like that.

Mr. AVERY. But the chairman to the extent of his ability would arrange for hearings on this matter?

Mr. PATMAN. We would have a hearing on it in about 5 weeks from now if the committee will go along with me on it.

Mr. AVERY. Of course, the authority for this particular committee will expire some time around January 1, will it not?

Mr. PATMAN. January 3, yes.

Mr. AVERY. And were the authority to expire we might find ourselves without a quorum.

Mr. PATMAN. Yes; that is right.

Mr. AVERY. I am just wondering, there have been a considerable amount of public funds that has been expended in obtaining this material, I do not know how much; I suppose in excess of $100,000.

Mr. PATMAN. I do not think it runs anything like that.

Mr. AVERY. Let us say $50,000.

Mr. PATMAN. I think you would even have to cut that in half.

Mr. AVERY. Not more than $25,000?

Mr. PATMAN. You can call whatever amount you want, but the facts are of record.

Mr. AVERY. That is not the question; the issue is this, in whose custody does this material remain?

Mr. PATMAN. It is in my custody now, but it will be in the committee's custody when we arrange a hearing. A large part of the information was acquired by me personally, before the committee entered the picture.

Mr. AVERY. When Congress adjourns and the authority of the committee expires, the custody of all of this material will reside with the Select Committee on Small Business?

Mr. PATMAN. No, it will go to the Clerk of the House.

Mr. AVERY. Then it will be assigned by the Clerk of the House in what manner?

Mr. PATMAN. If the committee is reestablished, as it has been traditionally, it will be referred right back to the committee.

Mr. AVERY. To the Select Committee on Small Business?

Mr. PATMAN. Yes.

Mr. AVERY. I think it is important to have that matter brought to the attention of the House at this point.

The one remaining matter I would like to propound to the gentleman is this: The gentleman from Texas this afternoon has recited some rather critical indictments against the institution of tax-exempt foundations, in some cases directly, one specified or a clearly identified foundation, and a number of other instances just going to the general philosophy of the foundation.

Mr. PATMAN. I think a better statement along that line would be that I have picked out certain abuses of tax-exempt foundations.

Mr. AVERY. In keeping with the consistent viewpoint of the gentleman from Kansas, I want the RECORD to be fair and objective and not prejudicial from beginning to end in this matter, as well as others. In that connection, if we are in agreement on procedure, would not the gentleman think that to be entirely fair that some of the contributions—it would be impossible to get them all, I am not talking about dollars, I am talking about services rendered—by these tax-exempt foundations be included in the RECORD?

Mr. PATMAN. Yes, and in the next report I expect to include the disbursements.

Mr. AVERY. I hope the gentleman will. I would hope that various categories—I do not mean categories in one particular foundations, but categories such as in the field of aid to education. I am not prepared to recite for the RECORD the extent of the contributions of these various foundations in the field of education, but I think the gentleman will agree that over 75 percent of the grants and awards of these foundations have been in the field of education and research, separate and apart from charity and other recognized disbursements.

Perhaps that figure cannot be supported. I am merely drawing on my own limited means of information as to the extent of the operation of the trusts. But be that as it may, certainly the tax-exempt trusts have contributed vast sums of money in the field of education without which I do not know how many of our institutions of higher learning particularly could have operated. I hope the gentleman will not pass over this lightly in his what I think will be the final report. Since he has pointed out his objections, his apprehensions, and in some cases accusations of malperformance, in a sense of fairness I think an equal amount of time or substantially an equal amount of time and space might be directed to ascertaining and to identifying and to placing upon the RECORD the vast contributions and assignments that have been made by these foundations, particularly in the field of education and research. Charity would be another category. There may be others. Those three would be the ones I think should be indicated. If we are going to condemn and criticize them, we should recognize what they have done.

Mr. PATMAN. Mr. Speaker, in reply to the gentleman, I think the best appraisal or evaluation of a charitable foundation can be made by basing it upon each individual one.

Mr. AVERY. If the gentleman will yield further, will the gentleman consider a little subsequent conference on this particular item?

Mr. PATMAN. Yes; certainly.

Mr. Speaker, I yield back the balance of my time.

TAX EXEMPT FOUNDATIONS

Mr. AVERY. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Kansas?

There was no objection.

Mr. AVERY. Mr. Speaker, while it is obviously to early to comment in any detail on the lengthy and caustic statement by the gentleman from Texas, I belive that a few general comments are very much in order.

First I would like to point out, that despite the implication of the gentleman's remarks that foundations operate in an atmosphere of secrecy and without scrutiny, the fact is that these institutions have been the subject of a great deal of study and investigation by the Congress in recent years. Many of you will remember that there were two exhaustive investigations into foundations during the 1950's by a special committee of the House of Representatives established specifically for that purpose. In addition, the House Ways and Means Committee conducted a careful study of the tax aspects of the foundations and of the nonprofit institutions in the early 1950's, and new legislation was enacted at that time which, in my opinion, was carefully drawn so as to eliminate any possibility of abuse.

Let me make it clear, Mr. Speaker, that I in no way want to condone the activities of any foundations which abuse their tax exempt status by failing to make continuing and detailed reports to the Government and to the public concerning their investments and their grants.

I am not unmindful of the potential impact of foundations on small business. However, I do submit, Mr. Speaker, that the most serious consequences involved have to do with the taxation and thus this matter, as has been pointed out to this body, is more properly the responsibility of the Ways and Means Committee which is certainly technically competent to conduct such an inquiry.

The statement which the gentleman from Texas has made is based on what he would have us believe is a small sampling of the thousands of foundations in this country. But the fact is that the foundations which are included in his sample contain the overwhelming bulk—perhaps 90 percent of all the assets of all tax exempt foundations. And it is clear to me that the major foundations of which he speaks, such as Ford, Rockefeller, Carnegie, certainly go out of their way to keep the public, and the Members of the Congress, fully and carefully informed concerning all their activities.

The gentleman discussed, for example, the fact that the Ford Foundation was established for the purpose of keeping control of the Ford Motor Co. in the hands of the Ford family. Now is this really anything that surprises any Members of this great body? After all, I remember a vast amount of publicity about the establishment of the Ford Foundation as far back as the mid-1930's when it was originally founded. There was additional publicity in the early 1940's when the late Edsel died and again a few years later when the original Henry Ford passed away. Finally these facts were fully discussed through innumerable newspaper articles, and so forth, when it began to make its major grants around 1951, and they have as I have stated, been fully explored by several congressional committees. I fail to understand how the gentleman can talk in shocked tones, 25 years after the fact, and expect the House to get excited about facts that have been well known, well established and approved through the decades.

As the gentleman knows, the Ford Foundation has been divesting itself periodically of its holdings of the Ford Motor Co. and has been reinvestigating its capital in other companies. Yet, the gentleman seems to feel that this is all a plot by the foundation to seize control of a broad sweeping of American and foreign industry. After all, foundations must have income in order to make their grants. How can they obtain income without making investments, loans, and the like?

Surely it does not shock me to find that the major foundations have made investments and loans to private industry. I am certain if we were to read the annual reports of the major foundations we could get a clear explanation of the basis of their investment policy which they follow.

Once again let me say that I do not condone any practices on the part of any foundations that in and of themselves could be shown to be questionable. I would point out, with all the emphasis at my command, that the broad allegations and sweeping charges made by the gentleman from Texas are based not on the give-and-take of open hearings available to all parties concerned but are based rather on statistical information and answers to questionnaires submitted by the gentleman's staff. Clearly this is not the normal method for Congress to arrive at its conclusions. Certainly parties of interest should have full opportunity to explain the rationale for their actions.

I think it comes with little grace for a Member of Congress to criticize foundations for investing relatively small sums of money overseas, charging that such investments are injuring our balance-of-payments situation. Compared with the billions of dollars which the U.S. Government is spending overseas in its foreign aid program, these relatively small investments by foundations are truly beneficial and the benefits to American people may be very substantial. Furthermore, it is affirmed that the investments and loans of the foundations overseas bring back earnings and thus, in the long run at least, clearly assist the balance-of-payments situation. The gentleman from Texas referred to the investments from the

Ford Foundation and the Ford Motor Co. Mr. Henry Ford II in a recent speech pointed out that on balance, the Ford Motor Co. over the past 10 years has aided our balance of payments in the amount of approximately $2 billion. While I am not familiar with the rate of return of the Ford Foundation, I presume that they also will help rather than injure our balance-of-payments position.

A large proportion of the foundations cited in the gentleman's statement were created by companies for the sole purpose of coordinating and improving their charitable grants, particularly their grants in the educational field. Certainly we all recognize the desperate plight of private universities and colleges in this country, and the great assistance that has been made available to them in recent years by the willingness of many of our major corporations to make grants to these educational facilities through the devise of company-established foundations. Far from criticizing this trait in American life, I believe that Congress should heartily applaud it. To my way of thinking this is the only way that private universities and colleges are going to be able to exist in the future without growing increasingly dependent on Government handouts and possibly Government control.

To be quite specific, I believe that the rapid rate of increase in the number of foundations established—the very activity which has appalled the gentleman from Texas—is one of the most hopeful signs for American education on the current horizon.

Let me just say in conclusion that I feel it is a great disservice to the Congress and other countries to make public a mass of information which has not been the subject of hearings and has not been considered by the members of the Small Business Committee. I think that when material is put forth as the result of a committee study, and apparently having the imprint of a congressional committee, other members of the committee should have full and ample opportunity to study the matter carefully, to discuss its implications, to correct misstatements and perhaps to avoid needless mistakes and misleading conclusions. Finally, I believe very strongly that if this study is to concentrate on questions of whether tax-exempt foundations have been violating the law or whether the law itself should be tightened, such a study should be made by the committee which has the jurisdiction over such matters—the Ways and Means Committee—rather than the Small Business Committee which has only a peripheral interest and knowledge of the subject. The gentleman from Texas in his prepared statement says, "I am not a tax expert." I submit that this is a problem needing the attention of experts. We are talking about a highly important and most laudatory aspect of American life. Private philanthropy is unique, and its record on the whole, has been outstanding. As a member of the Small Business Committee I want to take this opportunity to disassociate myself from such a sweeping denunciation of these American institutions until such accusations are supported or proven without foundation on the basis of open hearings where all affected parties can be heard.

THE HERBERT HOOVER BIRTHDAY PARTY AND DEDICATION OF THE HERBERT HOOVER LIBRARY

The **SPEAKER** pro tempore. Under previous order of the House, the gentleman from Iowa [Mr. SCHWENGEL] is recognized for 60 minutes.

Mr. SCHWENGEL. Mr. Speaker, I ask unanimous consent to revise and extend my remarks and to include extraneous matter.

The **SPEAKER** pro tempore. Is there objection to the request of the gentleman from Iowa?

There was no objection.

Mr. SCHWENGEL. Mr. Speaker, August 10 was a very significant day in America for it was on that day that the little town of West Branch, Iowa, loomed large on the horizon. It was here where significant and meaningful history was made by two American statesmen—two elder and respected statesmen. It was an occasion that was piled high with interest, with devotion, with respect, and with honor. It was a time that called for the highest kind of statesmanship. It was a time when we were encouraged to ponder on those things which make our country different and great. It was the 88th birthday of the former President Herbert Clark Hoover who was born in this little town.

Many years ago the people of Iowa, through the Hoover Foundation, the Iowa Legislature, and with the help and encouragement of friends, acquired a park area, restored the home as it was when Hoover was born, and revived other significant mementos as they were when he was born, like the blacksmith shop, the home furniture, the pump, the yard and house all restored like they were when Herbert Hoover lived there. To this place was also brought testimony of the humanitarian characteristics of this great American. August 10 of 1962 was a very special day for this community and for Iowa—yes, for the Nation and the world for this was the day we dedicated the Hoover Library which will house the documents of this great American, the mementos which have been identified with his office and his life and to provide a place where boys and girls, men and women, can come to learn and be inspired anew with the assurance that even those born in poverty can, under freedom, find opportunities to make worthwhile contributions and, through the humanitarian effort, the application of talents and devotion to duty, become great.

Mr. Speaker, the fact that a former President of another political party with strong convictions could and did come to this place to pay tribute, to honor, to show respect, and exalt a great leader of another party, serves to strengthen our faith in the system that gave opportunity to each of them as they lead in their time a nation in a challenging period.

Mr. Speaker, I think statesmanship was never more evident than when Mr. Truman stood before that vast crowd of Iowans and, speaking via television and radio to millions of Americans, extolled Mr. Hoover as a President, a world humanitarian, and a great American.

Significant, too, were the references Mr. Truman made to his interest in the history of the President and the importance of it is the preservation of that office for the youngsters of future generations. He observed properly that it is the most important office in the history of the world and requires the greatest responsibility. He noted also that the Hoover Library was an invaluable asset to the community and to Iowa. I think, Mr. Speaker, all America was thrilled that Mr. Truman observed:

> I am here because I like him and it is a great thing to be a party of this celebration and have the privilege of congratulating President Hoover on his birthday. I believe he is one of America's great men and I speak advisedly because I know most of them.

Mr. Speaker, one of the best brief biographies on Hoover appeared in the August 10 issue of the West Branch Times—one of the finest weekly papers in my district. Under unanimous consent, I include the statement on the "Life and Work of Herbert Hoover," written by Mildred Speight, to be placed in the RECORD along with an excellent editorial by its talented editor.

[From the souvenir edition, West Branch (Iowa) Times, Aug. 10, 1962]

HERBERT HOOVER DEDICATES PRESIDENTIAL LIBRARY HERE TODAY—THOUSANDS GATHER FOR CEREMONIES

(By Mildred Speight)

Today, August 10, the town of West Branch and its many guests, observes a notable event; the birthday celebration of one of its citizens, and the dedication of a library-museum bearing his name, which houses the papers and memorabilia of a long and notable life.

Eighty-eight years ago when a baby named Herbert Clark Hoover was born in a little two-room cottage on the bank of the Wapsinonoc Creek, it is quite probable that no one in West Branch predicted that one day he would be President of the United States, though that is the reputed goal of all young male Americans. The young parents, Jesse and Huldah Hoover, rejoiced in the arrival of a healthy, normal boy.

Six years later, a short time after he had sold his blacksmith shop and the little house to take his family to a larger home and the easier life of an implement dealer, the young father was dead. A few more years, and the youngsters who swam and fished in the creek, earned Fourth of July pin money in the time-honored fashion of children in a small town (picking potato bugs) and under the watchful eye of their minister mother resisted the temptation to squirm in meeting, were orphaned by the death of their mother. Herbert was 9 years old, and after most of the year spent in the farm home of an uncle, Allan Hoover, young Herbert, called "Bertie," was sent to Oregon to live in the home of his mother's brother, Dr. John Minthorn and attend the Quaker school Dr. Minthorn had started.

His life in West Branch was ended at 11 years. But when at 22, a graduate of the new Stanford University's first class, an engineer on his way to England to discuss his new job as head of the Rothschild families' mining interests all over the world, he came to spend a day here. Herbert was welcomed by relatives and former classmates alike. He had come home.

He came home other times over the years. With the characteristic friendliness of small towns he was made welcome by those who had watched with interest his progress as a citizen of the world. They worried through the Boxer Rebellion in China, and pitched in with enthusiasm to see that enough food was available for Belgian and Russian babies alike; were proud when he was appointed Secretary of Commerce.

In June of 1928 the town celebrated Mr. Hoover's nomination for the Presidency with fireworks, and shot off the blacksmith's anvils, the black powder making a tremendous noise. The streets were decorated in bunting and there was a band concert. Though the speaker for the evening was Hon. A. F. Dawson, Mayor N. P. Olsen spoke the thoughts of the home folks when he said, "We gather here tonight not as a political party but as a town, rejoicing." About 4,000 people joined in the celebration.

When Mr. Hoover came to town to open his campaign, seated on the speaker's platform with him and his family were Mrs. Molly Brown Carran, his childhood teacher and Dr. Leech, whose son Bert, had played with the Hoover boys across the street. His hostess at breakfast was Mrs. Jennie Scellars who owned the house in which he was born. The school grounds were the scene of the campaign opening and two huge tents, one 220 feet long and the other 300 feet long, were erected on the football field to shelter the more than 20,000 persons from all over the Nation who came to meet the new candidate.

An even wilder celebration took place when the election returns were in. It seems just as important that the local boy had carried West Branch 528 to 46 as that he had carried the Nation with the largest electoral vote ever recorded. Court adjourned at Tipton and all the neighboring towns brought their bands to join the celebration. Gov. John Hammill came to address the school children on the subject of "Playing the Game" and Mollie Brown Carran, Herbert Hoover's fourth grade teacher, quoted Tristram Coggeshall, a school board member who addressed her class years before. "Boys, be good; study your lessons and do as your teacher tells you; get an education, that is what counts." And then he added, "Someday one of you boys may be President of the United States. You are all eligible, you know".

In March nearly 200 of the home folks boarded the special train at West Branch to attend the inauguration.

After his term of office, Mr. Hoover's thoughts turned again to West Branch. At the request of Mrs. Hoover and her son Allan, Fred Albin bought the little house from the Scellars' estate, but for several years the matter lay dormant. Then in 1937 Mr. Hoover and Mr. and Mrs. Allan Hoover came to consult with architects and to make plans for the restoration of the little cottage. A Herbert Hoover Birthplace Society was organized around a nucleus of 30 members with Fred Albin as its first president.

In 1948 the Hoover family came to celebrate Mr. Hoover's 74th birthday at the old-fashioned fried chicken and potato salad country picnic he remembered. An even larger crowd than before came to picnic with him and to hear him reminisce about the old swimming hole and the pleasures a boy could manufacture for himself. His interest in geology may have come from the agates and stones he had played with as a boy.

Again in 1954 on his 80th birthday, Mr. Hoover came home to accept the Centennial Iowa Award, one of more than 100 awards and honors bestowed upon Mr. Hoover by Nation, States, and governments.

The plaque reads "To Herbert Hoover, President of the United States, native son of Iowa, citizen of the world, statesman, humanitarian, engineer, administrator, who had worn the world's highest honors with humility, the State of Iowa grants the Iowa Award."

By this time the area of the park had grown to 28 acres and the local Herbert Hoover Birthplace Society had become the Hoover Foundation with members across the Nation, and which is responsible for the building which is being dedicated today.

Today on his 88th birthday, the State gives its best birthday gift, its love and affection and its presence at the dedication of the library-museum which is a monument to his labors and an attestation of the fact that "it shows what a man of humble beginnings can become."

So once again, Mr. Hoover, West Branch and all of its people, far and near, say "Welcome home, happy birthday, and many more of them."

[From the West Branch (Iowa) Times, Aug. 10, 1962]

BREEZES THROUGH THE BRANCHES

To sit down to write an editorial, knowing full well, that it may be read, not just today or tomorrow, but by future generations—perhaps hundreds of years hence—in other words, to write for unknown tomorrows, the deadline being today—is truly a monumental task.

For this issue of the West Branch Times, I am told, is the issue of Mr. Hoover's hometown paper which will be placed in the cornerstone of the Herbert Hoover Library, on this 10th day of August, this one thousand, nine hundred and sixty-second year of our Lord.

To say something meaningful for tomorrow—today? Politics are out, for they change like seasons; history is already written, by wiser heads than this editor's; prognostications of the future are an impossibility, unless one might be seeking for comedy effect.

Safer, perhaps, are the words too often left unsaid—words of gratitude. And certainly, we of West Branch do owe a vote of thanks to many.

First of all, to Mr. Hoover himself, for making the decision that placed the magnificent structure, which future generations will know as the fourth presidential library, in the town where he was born.

For Mr. Hoover probably owes little enough to the town where he spent less than 11 years of his boyhood—and left orphaned, for a faraway State. Yet he, for one reason or another, has always called it home.

Secondly, the folks in Mr. Hoover's hometown owe a vote of thanks to the members of the original Birthplace Society; purely a local organization, made up of many of Mr. Hoover's boyhood friends originally, it later became the Herbert Hoover Foundation, which is responsible for the park, and finally, the library. These are listed elsewhere in this issue of the Times.

But probably the man who has carried the load in West Branch and been most responsible for the presence of the library here today, is William B. Anderson.

In saying a simple, "Thank you, Bill, you've done a great thing for West Branch," I believe that I will echo the words of future generations.

And, if those future generations outnumber by many times, the West Branch people who are alive today, it is because Bill Anderson is a dedicated man. He has dedicated himself to establishing this library. And, since the job is nearly done, let us forget the toes he has trodden, in his purposeful path to his goal, let us say "well done."

It will take years, perhaps generations, for many local folks to realize the full magnitude of what it means to have the Hoover Library here but it takes only a trip through the library to realize it could be a historical mecca for many yet unborn.

For, for even those whose memory of the depression is sharper than their sense of history could not walk through the library and realize the magnitude of Herbert Hoover's service to his country, and to the world.

In closing, I beg leave to quote Mr. Hoover himself from an article by Ben Hibbs, former editor of the Saturday Evening Post, in a recent issue of the Post. Mr. Hibbs asked Mr. Hoover if there was anything he would like to say to the American people in this time of perplexity and worry and danger.

"There is," he replied, "I want to say that despite our troubles and the implacable enemies in many parts of the world who threaten our way of life, we shall come through. We will come through because we have the best form of government man ever devised, because we have great creative and productive genius, because we have freedom and the courage to protect it and, above all, because we believe in God. That last is a priceless advantage that our atheistic enemies don't have.

"Don't forget that I am still in touch with the youth of this country, and I see its idealism, its eager aspirations, its vigor. I also see youth in trouble, and we—all of us—must help the unfortunate ones and the wayward. But I do believe in our young people. They are good Americans and we can count on them."

From the newspaper which has served the West Branch community, since a year after Mr. Hoover was born, we echo "Welcome home, Mr. Hoover—good American."

We in West Branch must remember that today we become custodians of history. For, though the town may have a personality apart, and have many factors which will affect its growth which have nothing to do with the presidential library, it will at the same time, be affected by the presence of the library here.

These are the things which should be remembered and thought on often.

Mr. Speaker, because of the importance of this occasion, I include the program along with the introductions and the brief statements of those who shared in the program in the RECORD at this point:

PROGRAM OF DEDICATION EXERCISES, HERBERT HOOVER PRESIDENTIAL LIBRARY, HERBERT HOOVER BIRTHPLACE FOUNDATION, WEST BRANCH, IOWA, FRIDAY, AUGUST 10, 1962, 10:30 A.M. UNTIL NOON

Arrival of President Hoover and President Truman: "Hail to the Chief."

"The Star-Spangled Banner" played by massed bands.

Welcome by the Governor of Iowa, Hon. Norman A. Erbe.

Invocation by Dr. M. Willard Lampe, director emeritus of the State University of Iowa School of Religion.

Presentation of Hon. Lewis L. Strauss, Chairman of the Board of the Herbert Hoover Birthplace Foundation by Gov. Norman A. Erbe.

Address by Dr. Wayne C. Grover, Chief Archivist of the United States.

Address by Harry S. Truman.

Introduction of President Herbert Hoover by Hon. Lewis L. Strauss.

Address by President Herbert C. Hoover.

Address by Dr. Virgil M. Hancher, president of the State University of Iowa.

Presentation of the Distinguished Service Award of the Iowa Engineering Society by Dr. Charles H. Young.

The conferring of degrees by Dr. Elmer Ellis, president of the University of Missouri, and by Dr. Thomas H. Eliot, chancellor, Washington University.

Pronouncement of dedication of Hoover Library by Mr. William B. Anderson, president of the Herbert Hoover Birthplace Foundation.

Benediction by Dr. M. Willard Lampe.

Prayers To Be Offered at the Dedication of the Hoover Memorial Library-Museum, West Branch, Iowa, August 10, 1962, by M. Willard Lampe

INVOCATION

Praise be unto God for the witness of this ceremony to the marvel of our heritage, dramatized by the presence of two, of differing affiliations, who alike held the highest office of state, and by the reminders around us of the one who was born here under the rugged conditions of fourscore and eight years ago, when the "new nation conceived in liberty", and surviving even a civil war, was growing up on the frontier.

Speed the mission, we pray, of the library-museum which we are met to dedicate that, in memorializing the public service of Herbert Hoover, it may provide, not only an open record for all to see, but also for all who come here, however serious or casual their purpose, a quiet urge "to do justly, to love mercy, and to walk humbly with God." Amen.

Introduction of Ex-President Harry S. Truman by Lewis L. Strauss at Dedication Ceremonies of Hoover Presidential Library, West Branch, Iowa, August 10, 1962

As an audience this morning, we are fortunate in our guests of honor. The occasions are very rare which bring together men who at the highest level of Government have been entrusted with the safety of our lives and our liberties.

The two great Americans who are here on this platform today both are natives of the heartland of America. Both, too, are sons of what used to be called humble parents—a euphemism which meant that they were parents who worked hard for their living. But as parents, they were not humble, in the sense that they were proud—proud of their Americanism, and this pride they taught their sons. One of these sons became a great Republican, the other a great Democrat. They served their Nation in its highest office and, in so doing, they served the world. They shared a common American idealism and, because of it, in due course and inevitably, they became friends. That fact, in itself, is a lesson and an inspiration for all of us.

Harry S. Truman became President of the United States at one of the most crucial moments in our history. It was a time when tremendous decisions had to be made—decisions that men sometimes call agonizing. He did not flinch from these decisions. He did not temporize with them. Volunteer advisers pressured him to do this, or to do that, or to do nothing. But Mr. Truman, out of a vast and uncommon commonsense, and taking counsel of the religious principles of his upbringing, made his own decisions and made them in good season. The fate of our country, of freemen everywhere, hung in the balance. Some of these decisions already have received the endorsement of history. That is a satisfaction which comes to few men in their lifetime.

We honor him today not only for what he has done for our country but for what he is—a man of enormous courage, a student of American history whose confidence in the destiny of our Nation and the fundamental decency of its people has guided his actions. We welcome him today to West Branch to the birthplace of his great and good friend and we respectfully ask him now to address us. President Truman, will you so honor us and this occasion.

Mr. Harry S. Truman. His excellency, the Governor of the great State of Iowa; my good friend, Senator Hickenlooper, who was with the Atomic Energy Committee when it started; to my good friend, President Hoover, who did a job for me as President of the United States that nobody else could do of which I am always and will be grateful to him, and to all the distinguished guests who are here and Admiral Strauss who has expounded on me to the extent I did not even know whom he was talking about. [Laughter.] I am also glad to see the Chief Archivist here who will see that the things that President Hoover has seen fit to turn over to the public are properly taken care of. He's done the same thing for me and it's a great thing, you know, to be a party to this celebration and to have a privilege of congratulating President Hoover on his birthday. As I said before, he did a job for me nobody else could have done. He kept millions of people from starving to death after the Second World War, just as he did after the First World War for Woodrow Wilson and when I asked him if he would be willing to do the job, he never hesitated 1 minute. He said, "Yes, Mr. President, I will do it." And, he did a most wonderful job in keeping these people from starving and what more can a man do—what more can a man do.

As Admiral Strauss has told you about his record and career, it is unequaled in the history of this country. I have always been fond of him and, of course, after he saved all these people from starving, I feel that I am one of his closest friends and he is one of my closest friends and that is the reason I am here. I am here because I like him. I am here because I think he is doing the right thing in turning his documents over to the public here in this library and I am as happy as I can be to be a part of the organization that is here celebrating the birthday of one of America's greatest men and I speak advisedly because I know most of them and he is one of them. [Laughter.] I am here on account of the former President of the United States, the able and distinguished President Herbert Hoover, who is celebrating his birthday today and I am glad to have a part in it. Thank you very much. [Applause.]

Introduction of Ex-President Herbert Hoover by Lewis L. Strauss at Dedication Ceremonies of Hoover Presidential Library, West Branch, Iowa, August 10, 1962

At this point, the program calls for the introduction of the man we have come together to honor. One of the more irrational of our customs is that of introducing men who need no introduction to American audiences, and today, a man who needs no introduction to any audience anywhere in the world.

It is both easy and difficult for me to speak of Herbert Hoover. For 45 years he has been my preceptor and shining example of the ideal American. If I speak of him with sentiment, it is because it is a time to do so. As the writer of Ecclesiastes has put it, "There is a time to every purpose under Heaven."

Eighty-eight years ago today in the little frame cottage over yonder, miraculously intact while time and change have leveled more pretentious buildings, a son was born to the village blacksmith, Jesse Hoover and his wife, Hulda. It is not likely that any of us here are unfamiliar with the outline of that son's extraordinary career: orphaned while still a child, yet by then firmly grounded by his parents in those ideals which have served as fixed stars for the course of his life; highly successful as a young man in the profession of mining engineering [and, in those days with his devoted wife, the translator of a medieval Latin classic about mining]; called to the service of humanity in 1914 when the First World War brought death, suffering and starvation to heroic Belgium and northern France, and from that day forward, ever the bringer of relief whenever war, famine, flood or any disaster befell the people of any country, whether friend or foe, white or colored, believers or pagans—his only test: "Are women and children and old people suffering?" (It has been computed that more than three score million children owe their lives to his efforts); appointed by President Wilson to be U.S. Food Administrator and outstandingly successful in that post, although every other food controller in every other country was overwhelmed by the problems; later serving in two administrations as Secretary of Commerce and building that Department to a stature of unprecedented usefulness; and finally, chosen by his fellow countrymen to be the 31st President of the United States.

From the White House he guided the country through the world economic collapse which had begun in Europe, and established the agencies which eventually saved our Nation. Banished for years by the stupidity of politics, he was called from retirement by President Truman in 1946 to arrange food supplies for the peoples of 33 countries, and when that task was successfully completed and when other men of his generation would have been well content to rest on their laurels, he accepted the chairmanship of a Commission on Government Reorganization. That Commission's work has saved billions of dollars for the American taxpayers. Indeed, I am authorized by the Department of Defense to state today that since 1961, and in that one Department of our Government alone, the recommendations of the Hoover Commission have saved the country $750 million. Three or four times that amount is expected to be saved over the next 2 years.

The man responsible for all these benefits to his fellow countrymen and to the people of the world has never ceased from his labors nor ever accepted any payment for them. He has written and he continues to write books of wisdom for us and for those who will follow us. In his extraordinary career, he has refused a multitude of foreign decorations but he has received more than 80 degrees from colleges and universities, and more than 300 medals and awards. Twenty-four cities in other lands have proudly made him their honorary citizen. I could go on but I know I have already embarrassed him greatly. Henry van Dyke has made clear the quality of Herbert Hoover's early leadership—

> "Four things a man must learn to do,
> If he would keep his record true—
> To think without confusion clearly,
> To love his fellowman sincerely,
> To act from honest motives purely,
> To trust in Heaven and God securely."

Mr. Hoover, have you a message for us on this wonderful August morning?

[From the Des Moines Register, Aug. 11, 1962]

Hoover Says Council of Free Nations Is Last Hope for Peace

West Branch, Iowa.—Following is the text of the address delivered by former President Herbert Hoover here Friday:

"When the Members of the Congress created these Presidential libraries they did a great public service. They made available for research the records of vital periods in American history—and they planted these records in the countryside instead of allowing their concentration on the seaboard.

"Already the three libraries of President Roosevelt, President Truman and President Eisenhower, by their unique documentation, serve this purpose, and today we dedicate a fourth—my own.

"Within them are thrilling records of supreme action by the American people, their devotion and sacrifice to their ideals.

"Santayana rightly said: 'Those who do not remember the past are condemned to relive it.' These institutions are the repositories of such experience—hot off the griddle.

"In these records there are, no doubt, unfavorable remarks made by our political opponents, as well as expressions of appreciation and affection by our friends.

"We may hope that future students will rely upon our friends. In any event, when they become sleepy they may be awakened by the lightning flashes of American political humor."

EXPERIENCE IN 50 NATIONS

"It is exactly 88 years since I first came to Iowa. Since that visit, I have seen much of peoples, of governments, of their institutions, and of human woes.

"I can count 50 nations with which I had something to do. I was not a tourist; I worked with their people. In my professional years I brought to them American technology with its train of greater productivity and better living. In two wars I served amidst famine. And in the war-shattered aftermath, I directed reconstruction in many nations.

"I have worked with great spiritual leaders and with great statesmen. I have lived under governments of freemen, of kings and dictators, and under fascism and communism.

"Uppermost in the minds and prayers of the plain people everywhere was that war should cease and that peace would come to the world. They treasured a confidence that America would maintain freedom and that we would cooperate to bring it to all mankind.

"During my long years, I have participated in many world negotiations, which we hoped would promote peace. Today we have no peace.

"From all this experience and now as the shadows gather around me, I may be permitted to make an observation and to offer a course of action.

"Leaders of mankind have for centuries sought some form of organization which would assure lasting peace. The last of many efforts is the United Nations.

"The time has come in our national life when we must make a new appraisal of this organization.

"But first, let me say that I have, in all my official life, believed in a world organization for peace.

"I supported the League of Nations when it was unpopular. I went down to defeat when, as President, I urged the Senate to join the World Court. I urged the ratification of the United Nations charter by the Senate. But I stated at that time, 'the American people should be under no illusions that the charter assures lasting peace.'

"But now we must realize that the United Nations has failed to give us even a remote hope of lasting peace. Instead, it adds to the dangers of wars which now surround us.

"The disintegrating forces in the United Nations are the Communist nations in its membership.

"The Communist leaders, for 40 years, have repeatedly asserted that no peace can come to the world until they have overcome the free nations.

"One of their fundamental methods of expanding communism over the earth is to provoke conflict, hostility and hate among other nations.

"One of the proofs that they have never departed from these ideas is that they have, about 100 times, vetoed proposals in the Security Council which would have lessened international conflict.

"They daily threaten free nations with war and destruction.

"In sum, they have destroyed the usefulness of the United Nations to preserve peace."

COUNCIL OF FREE NATIONS

"When Woodrow Wilson launched the League of Nations, he said:

" 'A steadfast concert for peace can never be maintained except by a partnership of democratic nations. No autocratic government could be trusted to keep faith within it or observe its covenants.'

"More unity among free nations has been urged by President Truman, President Eisenhower, and President Kennedy.

"In cooperation with farseeing statesmen in other free nations, five regional treaties or pacts have been set up for mutual defense. And there are bilateral agreements among other free nations to give military support to each other in case of attack. Within these agreements are more than 40 free nations who have pledged themselves to fight against aggression.

"Today, the menace of communism has become worldwide.

"The time is here when, if the free nations are to survive, they must have a new and stronger worldwide organization. For purposes of this discussion I may call it the Council of Free Nations. It should include only those who are willing to stand up and fight for their freedom.

"The foundations for this organization have already been laid by the 40 nations who have taken pledges in the 5 regional pacts to support each other against aggression. And there are others who should join.

"I do not suggest that the Council of Free Nations replace the United Nations. When the United Nations is prevented from taking action, or if it fails to act to preserve peace, then the Council of Free Nations should step in.

"Some may inquire where the offices of such an organization should be. Fortunately, there are ample buildings in the world's most accepted neutral nation. Geneva has been the scene of great accomplishments in peace until poisoned by the Communists and the fascists.

"Although the analogy of the Concert of Europe formed in 1814 is not perfect, yet, with much less unity and authority, it fended off world war for a hundred years.

"Some organized Council of Free Nations is the remaining hope for peace in the world."

AMERICA'S STRENGTH

"Another subject lies heavily on American minds today. Our people are deeply troubled, not only about the turbulent world around us but also with internal problems which haunt our days and nights.

"There are many despairing voices. There are many undertones of discouragement.

"The press headlines imply that corruption, crime, divorce, youthful delinquency, and Hollywood love trysts are our national occupations.

"And amid all these voices there is a cry that the American way of life is on its way to decline and fall.

"I do not believe it.

"Perhaps amid this din of voices and headlines of gloom, I may say something about the inner forces from which come the strengths of America. They assure its future and its continued service to mankind.

"The mightiest assurances of our future are the intangible spiritual and intellectual forces in our people, which we express, not by the words the United States, but by the word America.

"That word America carries meanings which lie deep in the soul of our people.

"It reaches far beyond the size of cities and factories. It springs from our religious faith, our ideals of individual freedom and equal opportunity, which have come in the centuries since we landed on these shores.

"It rises from our pride in great accomplishments of our Nation and from the sacrifices and devotions of those who have passed on. It lifts us above the ugliness of the day.

"It has guided us through even greater crises in our past. And from these forces, solutions will come again.

"This representative government, with its 186 years of life, has lasted longer than any other republic in history.

"If you look about, you will see the steeples of tens of thousands of places of worship. Each week a hundred million people come to reaffirm their faith.

"If you will look, you will find that the Bill of Rights is an enforced law of the land; that the dignity of man and equality of opportunity more nearly survive in this land than in any other on earth.

"If you look, you will also find that from our educational system there comes every year a host of stimulated minds. They bring new scientific discoveries, new inventions, and new ideas. It is true that they revolutionize our daily lives. But we can steadily adjust ourselves and our Government to them without the assistance of Karl Marx.

"I could go on and on reciting the mighty forces in American life which assure its progress and its durability."

PROOF: HIS OWN LIFE

"Perhaps on this occasion it would not be immodest or inappropriate for me to cite my own life as proof of what America brings to her children.

"As a boy of 10, I was taken from this village to the far west 78 years ago. My only material assets were two dimes in my pocket, the suit of clothes I wore. I had some extra underpinnings provided by loving aunts.

"But I carried from here something more precious.

"I had a certificate of the fourth or fifth grade of higher learning.

"I had a stern grounding of religious faith.

"I carried with me recollections of a joyous childhood, where the winter snows and the growing crops of Iowa were an especial provision for kids.

"And I carried with me the family disciplines of hard work. That included picking potato bugs at 10 cents a hundred. Incidentally, that money was used for the serious purpose of buying firecrackers to applaud the Founding Fathers on each Fourth of July.

"And in conclusion, may I say to the boys and girls of America that the doors of opportunity are still open to you. Today the durability of freedom is more secure in America than in any place in the world. May God bring you even more great blessings."

DEDICATION CEREMONIES, THE HERBERT HOOVER BIRTHPLACE FOUNDATION, HERBERT HOOVER LIBRARY, AUGUST 10, 1962

VIRGIL M. HANCHER. President Hoover President Truman, Governor Erbe, Admiral Strauss, distinguished guests, ladies, and gentlemen, 8 years ago today on the 80th anniversary of President Hoover's birth, it was my privilege to confer on him the honorary degree of doctor of laws awarded by the State University of Iowa. This degree was awarded, according to the graceful and sonorous language which characterizes academic citations, to:

"THE HONORABLE HERBERT HOOVER, 30TH PRESIDENT OF THE UNITED STATES OF AMERICA, TWICE MEMBER OF THE NATIONAL CABINET, ILLUSTRIOUS SON OF IOWA

"Honored by the presence of Herbert Hoover in the community of his birth during the jubilee celebration of his 80th anniversary, the State University of Iowa bestows its highest award upon this great humanitarian in grateful recognition of his more than threescore years of dedicated and continuing public service as a distinguished engineer and economist, renowned intellectual leader, courageous champion of war and peace, faithful, and trusted public official."

We meet today to extend again hearty felicitations to President Hoover on his birthday and to dedicate the Presidential Library which contains his personal papers and memorabilia. The establishment of a library is a happy occasion because it is an act impelled by faith in the capacity of individuals to learn and to profit by careful study of the written record. The creation of a Presidential Library has an added significance because this truly is a day of promise for generations of Americans who will strive to understand our own and succeeding generations.

As a native of Iowa and as an alumnus and president of its State university, I find particular pleasure in the dedication of this Presidential Library barely 10 miles from the university campus in Iowa City. The papers of President Hoover and of his contemporaries which will be housed in this building will attract from all sections of this country and from abroad, students of history and of government and scholars who will seek to know more about the times to which they relate. Many of the students attracted to West Branch by the importance of the historical documents in this Library will enroll in the university in Iowa City; and many scholars connected with other institutions will become our friends during the periods spent here in investigations.

But the State University of Iowa recognizes that the establishment in West Branch of a Presidential Library brings obligations as well as benefits. We of the university are aware of these obligations and we stand ready to assist members of the staff and investigators in their work in this library. This can be but a token of the appreciation, President Hoover, which we feel for the presence of this Presidential Library in West Branch.

MR. CHARLES H. YOUNG

I now have the pleasure of introducing Mr. Charles H. Young, the dean of Iowa's consulting engineers, who will present an award on behalf of the Iowa Society of Engineers.

Mr. Young. Dear Chief, Mr. American: The Honorable Herbert Clark Hoover, but just Brother Engineer Herbert to us—a great unselfish public servant.

So, it is with profound respect and admiration for your magnificent and unselfish service to all mankind the world over that we gratefully present to you our highest exclusive distinguished service award from the Iowa Engineering Society and all of the engineers of your native State of Iowa.

Congratulations and a happy birthday to you, Herbert.

Oh yes; Herbert, you have said that work keeps you young so we want to give you a job.

Our State board of engineering examiners and our Governor Norman Erbe, have a decision from our attorney general that because of your limited engineering experience they want you to return to West Branch, Iowa, and put out your shingle to practice engineering.

Therefore, with powers invested in me, you are presented a special professional engineers license to practice in the State of Iowa.

Please come back to Iowa, the engineers are proud of you.

PRESIDENT ELMER ELLIS

Dr. Elmer Ellis, president of the University of Missouri, is an alumnus of the State University of Iowa. He is a historian, a bibliophile, and a stanch supporter of libraries, university, and Presidential. I am pleased to present my longtime friend, President Ellis, for the conferring of a degree:

"Herbert Clark Hoover, engineer, humanitarian, statesman, and former President of the United States:

"The University of Missouri, which honors him today, recognized his outstanding achievements in 1925 after he had organized the errand of mercy to feed starving Europe during and after World War I, and was serving with great competence as Secretary of Commerce in the President's Cabinet. The crowning years of his career were still in the future, but his competence, his vast knowledge, and his integrity were known and, I am proud to add, were recognized by the faculty and the board of curators of the University of Missouri.

"For meritorious and outstanding service over half a century, the University of Missouri, with pride and pleasure, confers upon him today her highest honor."

CHANCELLOR THOMAS H. ELIOT

Dr. Thomas H. Eliot, chancellor of Washington University, St. Louis, alumnus of Harvard, a sometime student of Emmanuel College, Cambridge, a lawyer, political scientist, author, and versatile public servant, and bearer, with distinction, of one of the great names in area education.

I am pleased to present Chancellor Eliot for the conferring of a degree:

TEXT OF REMARKS AND CITATION DELIVERED BY CHANCELLOR THOMAS H. ELIOT OF WASHINGTON UNIVERSITY IN CONFERRING THE HONORARY DOCTOR OF LAWS DEGREE ON HERBERT HOOVER AT WEST BRANCH, IOWA, AUGUST 10, 1962

Introductory remarks

It is our custom at Washington University, when honorary degrees are awarded at commencement, to make our citations very brief and, we hope, pithy. Before conferring this honorary degree, I want to point out that it was first voted by our board of directors in December 1949—at a time, incidentally, when the university's present chancellor, myself, was in his native State of Massachusetts directing the work of a State reorganization commission generally and appropriately known as the Baby Hoover Commission.

The citation:

"Herbert Hoover, patriot, who has always put country before self: we honor him as an exemplar of the spirit of service that has made this Nation great.

"By virtue of authority committed to me by Washington University, I now create Herbert Hoover doctor of laws, and in the name of Washington University, I declare that he is entitled to the rights and privileges pertaining to this degree, and that his name be borne forever on its roll of honorary sons."

Address by W. B. Anderson, President, Herbert Hoover Birthplace Foundation, Herbert Hoover Presidential Library Dedication, West Branch, Iowa, August 10, 1962, in Dedication of the Herbert Hoover Presidential Library

President Hoover, President Truman, Governor Erbe, Mr. Strauss, distinguished guests, ladies, and gentlemen, for us of the Herbert Hoover Birthplace Foundation this is a moment of a dream's fulfillment and a moment of honor. Once again we welcome and pay tribute to the most famous son of our beloved Iowa.

As always, we are privileged when he favors us with his presence and shares with us the thoughts and wisdom of his years.

The very presence here of so many of the leaders of our Nation and State and the words of tribute they have spoken are testimony to the love, respect, and honor in which our fellow citizens and the peoples of the world hold you, Mr. President.

We have met to dedicate a building which will forever speak its purpose more eloquently than any poor words of mine which may now be spoken in dedication of it.

On this site, Mr. President, you have told us of the spiritual faith and purpose which brought your grandparents, 109 years ago, to the peaceful West Branch community of friends. You have reminded us of the significance of their purpose in our own time with these words, "The meaning of our word 'America' flows from one pure source. Within the soul of America is freedom of mind and spirit in man. Here alone are the open windows through which pours the sunlight of the human spirit."

Mr. President, we dedicate this building to the spiritual faith of America as you and your forebears exemplify that faith.

On this site your father, Mr. President, labored as a blacksmith. You have reminded us of the rewards of honest toil in this land of opportunity. Here, in 1948, you said, "I lived among those to whom hard work was the price of existence. The opportunities of America opened out to me the public schools. They carried me to the professional training of an American university. I began by working with my own hands for my daily bread. I have tasted the despair of a fruitless search for a job. * * * I have conducted the administration of great industries with their problems of production and the well-being of their employees."

Mr. President, we dedicate this building to the climate and living spirit of American enterprise and opportunity—the climate and spirit which have nurtured your genius and brought to you the just rewards of fame and success. May the humble cottage in which you were born and this library which houses your desk as President of the United States stand as symbols of the meaning of opportunity in America.

Mr. President, there are 46 public schools (including 1 in Berlin) which bear your name. Eighty-seven of the world's great universities have conferred upon you their highest degrees. Your love of learning and scholarship are worthy examples for all who educate and seek to be educated.

Today we dedicate this library to an endless purpose of usefulness and inspiration to scholars and to the telling of America's story to visitors from foreign lands.

Mr. President, we dedicate this library to the children of this and all nations. May they visit here in ever-increasing numbers. Here may they learn of the selfless man who, on a world scale, has given and continues to give meaning to the heart of America—an America that is the friend of all children everywhere who are hungry and homeless.

It was here, Mr. President, that you have said that your hopes and dreams for your countrymen are undimmed. "This confidence," you said, "is that with advancing knowledge, toil will grow less exacting; that fear, hatred, pain, and tears may subside; that the regenerating sun of creative ability and religious devotion will refresh each morning the strength and progress of my country."

And so, Mr. President and my fellow citizens, we dedicate the Herbert Hoover Presidential Library. May the years ahead always find it symbolically standing here close to the heart of a peaceful and flourishing nation—a nation in which the hopes and dreams of Herbert Hoover for his fellow countrymen are fulfilled.

Benediction

God bless Herbert Hoover throughout his days, and may this memorial ever be a symbol of the "high resolve," due from every generation of "us, the living," "that this Nation, under God, shall have a new birth of freedom, and that government of the people, by the people, and for the people, shall not perish from the earth." Amen.

Mr. Speaker, all America has read this brilliant statement on public policy. These are observations and admonitions which should be thought about as we deal with difficult problems which are so evident on the world front. Nothing but good can come from a serious consideration and discussion of the possibility of the recommendations which Mr. Hoover makes. At the sunset of his life and for the noonday of our opportunity and responsibility to serve the humanitarian he loves so sincerely.

NOW CONGRESS SHOULD TAKE LEAD IN LAWMAKING

Mr. SCHWENGEL. Mr. Speaker, now I turn to discussing something else of great import. It has to do with an important function and responsibility that is ours as Representatives of the people and serving in this great legislative body.

What I have to say was inspired by an editorial that appeared in Life magazine, August 17, 1962, under the title "Now Congress Should Take Lead in Lawmaking."

Mr. Speaker, I ask unanimous consent to have this editorial placed in the RECORD at this point.

The SPEAKER pro tempore. Without objection, it is so ordered.

There was no objection.

The editorial follows:

NOW CONGRESS SHOULD TAKE LEAD IN LAWMAKING

These are lean days in the art and skill of lawmaking; the great lawmakers do not seem to be around. There is bad blood between President Kennedy and Capitol Hill, and the remaining weeks of the 87th Congress are bound to be acrimonious.

The trouble is two-sided. The President has tried to legislate too much, and Congress is hardly legislating at all. Congress seems to have lost the will and the ability to originate policy legislation. Part of its proper function as an equal one-third partner in the constitutional process has atrophied. It is Kennedy who proposes, Congress which sometimes consents, often vetoes.

The President is to blame for having submitted an ambitious (and expensive) legislative program which did not have broad popular support, then trying to ram it through by arm-twisting tactics. The President compromised with Congress too little and too late. As Arthur Krock says, "Successive displays of presidential uncertainty, repeated firm avowals of fixed positions followed by open retreats, have surrounded the President with an atmosphere of ineffectiveness in political achievement."

Congress is to blame because, with the Kennedy legislative program in ruins, it has not come up with constructive alternatives. In Life's view, much of Kennedy's domestic program never merited enactment (the farm bill in particular). Some Congressmen would argue that rejection of bad legislation, along with getting necessary money bills through, fulfills the legislative responsibility. But even allowing for the 20th-century pattern of strong Presidential leadership set by Theodore Roosevelt, there is every reason why Congress should conceive and pass good legislation and send it to the White House at risk of veto.

That such legislation was not initiated is a black mark against congressional leadership. Democratic leadership in the Senate hit its nadir when a sensible bill, to establish a corporation to manage satellite communications, got filibustered into uncertain future by "liberal" Senators Kennedy had reason to count on. Even Pennsylvania's Senator CLARK, who supported this filibuster, chided the Senate afterward. He has proposed procedural reforms which include—a revolutionary idea—a requirement that speeches be germane to the issue. (Huey Long once used up filibuster time by reading the Senate his recipe for pot likker.)

However, changing the rules will not automatically make better lawmakers. Indeed, the present rules worked when LYNDON JOHNSON was Senate majority leader and Sam Rayburn Speaker of the House. They did not permit Congress merely to croak "Nevermore" like Poe's raven, and a Republican administration managed to get along with them.

In the aborted elements of the Kennedy program there are important opportunities for congressional initiative. The farm problem, the state of the economy and some kind of medical care for the aged, all challenge Congress to act with the principle, courage, and responsibility which are part of its heritage. John Quincy Adams and Daniel Webster dared to risk political extinction by rejecting sectionalism in the national interest; Robert Taft stuck his neck out twice in 2 years, once to condemn the Nuremberg trials, again to push through controversial labor legislation over a Presidential veto.

It is high time for another Senator to step forward in the field of labor law (Life, June 29) and bring to new legislation the authority Taft did. Possibly JOHN MCCLELLAN could. Senator CLINTON ANDERSON, former Secretary of Agriculture, has a chance to lead on the farm problem; so does Iowa's BOURKE HICKENLOOPER. In the House, Chairman WILBUR MILLS, of the Ways and Means Committee, has a tremendous opportunity on tax reform; he is a student of fiscal affairs who has the respect of both parties. If these men match courage with energy, scholarship, and know-how, we shall not have to ask, in the 88th Congress, where the great lawmakers are. They will be there writing laws.

Mr. SCHWENGEL. Mr. Speaker, I was very much impressed with this editorial. It pointed up a very bad situation that prevails here at the headquarters of the greatest government ever given to man and a situation that must be recognized, I believe, and appropriately dealt with by all who are interested in getting the country moving again.

The editorial pointed out that there is bad blood between the President and Capitol Hill and states that the remaining weeks of the 87th Congress are expected to be acrimonious.

With this I agree completely and, as the editorial pointed out, the trouble is two sided. I agree that the executive department of our Government has tried to do too much, and in the process has sent legislation to the Hill that is poorly written, is the result of litle study and, in some instances, practically no research; and in other instances was written to work at cross-purposes with established procedures and established law, all of which has both confused the leadership on the majority side and made it difficult to present the country and the Congress in a favorable light.

Because the leadership has given so much attention to this vast collection of poorly written and sometimes unneeded legislation, they have not had the time or the ability to do the necessary research, hold adequate hearings to discuss the various important problems, and originate legislation that deals with Government policy, which is so much needed, in my opinion.

In addition, Mr. Speaker, I should like to say that the committees of the Congress lack facilities because they do not have qualified people to do the complex and difficult jobs that need to be done in some of the important committees in order to contend with the complex and conflicting recommendations sent to the Hill by the Executive and at the same time initiate new legislation that provides better answers to the problem than those that have been offered to date.

What I have said in this regard is especially true for the minority. It is for this reason that I have introduced House Resolution 570 which is a proposition to change the rules of the House so the minority can have, on its own motion, adequate staff, when and if the majority does not recognize or provide adequate help to perform the task that can and should be done. Here, Mr. Speaker, is a proposition that would greatly increase the effectiveness of Congress and give it a better opportunity to lead in areas where we need to lead and in areas where it is obvious the administration does not understand thoroughly the legislative processes, and where we could find better answers to coordinate the important responsibilities that have been outlined by Congress in the past.

Mr. Speaker, with regard to House Resolution 570, I should like to comment further and say that I have repeatedly placed in the RECORD the lists of the committees and the staffs and their responsibilities to show the imbalance.

I have pointed out on every occasion that this list is not completely accurate and up to date because it varies from time to time, as to the total employment of committees, and also because there is some disagreement as to the accuracy of these figures on both sides of the aisle. I have also said that these figures need to be revised upward and downward from time to time depending on the interpretation of the majority's duty and responsibilities for hiring and firing staff members.

I reiterate, as I have before, that on several of the committees the situation is very satisfactory, as, for instance, the Committee on Foreign Affairs, where there seems to be no complaint on either side of the aisle, and they are functioning according to the rules and the philosophy adopted in the Reorganization Act of 1946.

But, Mr. Speaker, it is obvious that the committee structure in many instances is completely out of balance, and a plan needs to be adopted that would assure the minority proper representation so that when we are given equal time on the House floor to discuss legislation we of the minority will be fully prepared to present complete, concise, and adequate explanation of our views, the reasons for our views, and to present, from time to time, an alternative plan or proposition by way of amendments or a substitute which is designed to provide better answers and give Congress an opportunity to vote on what they feel would be the better of two good plans rather than to vote yes or no on a proposition that is often inadequate and, as many believe, considers the political answers to a problem rather than answers that serve the public welfare.

Mr. Speaker, the editorial goes on to point out that it is high time for another Senator to step forward in various fields and implies that no Member of the House of Representatives or the Senate has sought to lead in the solution of some of the perplexing problems. I submit, Mr. Speaker, that this is untrue.

The editorial suggests that Iowa's BOURKE HICKENLOOPER, for instance, could lead in presenting answers to the farm problems and implies that he has not. This is not true for the record shows that the distinguished and able Senator from Iowa indeed has lead in many areas.

He is, as everyone knows, the ranking member and one of the ablest members on the Joint Committee on Atomic Energy. He has made many contributions to the public welfare in this area. He is respected and recognized as a leader in these areas. He is respected and recognized as a leader on both sides of the aisle. Then most certainly, because of his long service and great interest, he has proved to be a leader in foreign affairs. Despite his heavy responsibilities he has given much time and talent, offered many constructive amendments to foreign affairs legislation, he has shown a very fine bipartisan spirit, has made many constructive suggestions, and has been the author of many amendments in this area. I think you would get authorities as high as the White House to agree he has served with great distinction in this area.

He and I share a great interest in the farm problem. It was suggested specifically that Senator HICKENLOOPER could lead out in this area. I want to suggest and point out for the RECORD that last year and this year he has led out. He has introduced legislation similar to my own H.R. 10299, a bill to establish a cropland retirement program. This bill is the result of a great deal of study by farm leaders, and he has met with many people who serve the Midwest farm areas. They agree that this approach of land adjustment or cropland retirement is the proper approach and it has the proper philosophy in it.

I might say that I think the Senator served a great purpose when he took the lead in opposing the administration bill on farm problems that was designed to control the entire farm operation from Washington, D.C. This I think is opposed by 70 percent of the farmers, the people who live on the farm in my area. I think the precentage would run that high in the whole State of Iowa.

I think no man has challenged this legislation with greater effectiveness than this great leader from Iowa. I submit, Mr. Speaker, the record is pretty clear. We have a great Senator. He is making a great contribution. The only problem is to get the majority to hold hearings, to hear testimony and to give serious consideration to the plans offered by the Senator, myself and many others which have the support of a great majority of the farmers.

The shortcomings of the other answers that have been presented by the administration are clearly obvious. They are understood by the people in the farm area. Indeed, it is obvious that they have no real answers and certainly it is obvious from the record and from conferences that we have had with farm people that they want the cropland retirement plan considered. I believe this is an adequate answer because it deals with the economics of the problem rather than dealing mostly with the politics of the problem.

Mr. Speaker, the Senator from Iowa has been a great leader in other areas. There is a vast amount of testimony in the public record to show this but none better, I believe, than an article entitled "Another Vandenberg," by Rowland Evans, Jr.

Mr. Speaker, I insert this article in the RECORD at this point.

ANOTHER VANDENBERG

(By Rowland Evans, Jr.)

WASHINGTON.—Occasionally words are spoken in the Senate that have a high national significance, far beyond the immediacy of the moment.

Such words as these, spoken in the flat, somewhat brittle accents of Iowa, were heard there the other day when Senator HICKENLOOPER made a brief report on the OAS meeting at Punta del Este.

What he said was important not so much as an endorsement of Secretary of State Rusk, although that in itself is interesting enough. It was important because Senator HICKENLOOPER is unquestionably on his way to becoming the indispensable Republican Senator in the administration's foreign policy designs—the Arthur Vandenberg, if you will, of the Kennedy administration.

Talking about Mr. Rusk, Senator HICKENLOOPER told the Senate that he had "never seen a more able, vigorous, patient, consistent, and statesmanlike approach to the issues involved (at Punta del Este) than that demonstrated by the Secretary of State. Mr. Rusk has a brilliance of mind and a patience which I am frank to say I could not find within myself. I think I would have 'blown my stack' several times a day if I had had to endure the disquieting and irritating things which he endured with tremendous patience and kindness and yet with complete vigor and firmness."

HICKENLOOPER, of course, was there at Punta del Este, as part of the small, bipartisan delegation of congressional advisers.

The Democrats were wise to send him there. Senator FULBRIGHT, the chairman of the Senate Foreign Relations Committee, was wise to have suggested to President Kennedy at dinner on February 19 that he invite Senator HICKENLOOPER to the White House for a chat before HICKENLOOPER left the next day for Punta del Este.

HICKENLOOPER is without question the most important Republican on FULBRIGHT's committee. But his importance to President Kennedy goes well beyond his standing as No. 1 Republican on the Foreign Relations Committee. He is also the senior Republican Senator on the Joint Atomic Energy Committee. And finally, he is the chairman of the Senate Republican policy committee. From these three vantage points, the Senator from the onetime bastion of isolationism is in a fair way to making or breaking Republican support for the President in almost any foreign policy enterprise you care to name.

As it happens, Senator HICKENLOOPER has no thought today of obstructing a single one of the President's foreign policies. He disagrees on many details but on no fundamentals. For example, he wants Congress to make clear, when it approves the President's U.N.-bond proposal, that the United States intends to be paid back and that countries that fail to pay their dues to the U.N should be under no illusion that the United States is going to continue to play Santa Claus. But he is committed to the U.N.

He is also committed to foreign aid, but with serious reservations about some parts of the program—the Volta River project in Ghana, for example.

During the whole first year of the Kennedy administration, the serious partisan disputes over foreign policy could be wrapped up together and dropped into a thimble. Debate there has been, of course: debate over atmospheric testing, over doing business with the Soviet Union, over Castro and Cuba, over possible intervention in southeast Asia, over the U.N. military operation in the Congo, and so on. But not one of these, including the Congo dispute, has yet become the kind of hot political issue that tears the country apart and forces the parties into real political conflict.

But each of these, and many others still beneath the horizon, contains the seed of partisan war. And for just this reason, the Senator from Iowa becomes a figure of immense potential influence to the country and the administration.

Senator Vandenberg, 15 years ago, was the indispensable Republican to Truman. He and Tom Connally ruled the Senate on major questions of foreign policy. HICKENLOOPER and FULBRIGHT, two politicians who think for themselves and who have often been one step ahead of the pack in the postwar evolution of U.S. foreign policy, are moving toward the same pinnacle.

AID TO EDUCATION

Mr. SCHWENGEL. Mr. Speaker, I have been greatly interested in some of the other problems. Because I have been a schoolteacher and served in the Iowa Legislature where I head the school committee, I could not help but have great interest in school legislation when I came to the Congress. I soon discovered, however, that many of the propositions that are offered here are unsound.

Now I would like to speak about aid to the institutions of higher learning. We have adopted a great deal of legislation that is designed to help. Some of it I have supported and some of it I have opposed. But, generally, I am against Federal aid to education because of the threat of control. I think that threat is very real. I think if we do not control the spending of the money we appropriate, we become somewhat irresponsible in discharging our legislative duties and responsibilities. I think that controls are very obvious and they are necessary. So if we go into Federal aid to education, we are bound to have to control it. The legislation we have contains some very ominous controls right now. It assumes for the first time in the history of our country that Congress knows more about the needs of education than the educators because in the education bill, or the principal bill at least that we adopted, called NEDA, that is the National Education Defense Act, we said to the educators—we will appropriate this money for you, but you do have to use it for science, math, and the languages. This is where the accent is going to have to be. If we look over the history of education in our country and what the educational institutions have featured, and if we look into the greatness of our country, we begin to realize, I think, that our country became great because it understood and dealt with this broad term that we call the humanities. In the legislation we have adopted here, we have more or less completely ignored the humanities. And all of these problems, and many more that I could talk about, that come with Federal aid to education, present a real challenge. So wanting to find some other answers to this problem and recognizing there was a problem, I put my college research team to work several years ago on this question and we have come up with a plan that I have talked about to some extent here on the floor of the House which we call the Iowa plan for progress and growth in education.

It has three phases. The first phase is not necessarily new. It provides that every student can have a $100 tax credit for each year that he is in school. The tax credit can go either to his parents or to the student, whoever is most responsible for the major cost of financing the student's education.

Phase 2 makes it possible for parents to plan an education for their children by authorizing them to go to a bank or a building and loan association or life insurance company and purchase a $50 certificate each year. That $50 certificate would become a tax credit each year when the parent files their income tax return. This would be $900 over a period of 18 years, and at the normal rate of interest of 3 percent on this money which would be kept on deposit for 22 years, and this would make a fund of $1,400 for each student in America who was going to college.

This, I think, would be quite an encouragement and would help and encourage parents to finance the education of their children and let them plan their education better by planning to save even more. We all know, of course, that $1,400, plus the $400 they would get from the tax credit plan while they are in school, of course, is not enough money, but that would be $1,800 more than they now get, and I think it would be a great encouragement to every boy and girl and to every parent who has ambition for his children to go to college.

This, Mr. Speaker, would create, we estimate, a reserve fund in the private economy in the 12-year period of $20 billion.

Phase 3 is a brandnew idea. We do not have a bill ready on that, yet. We have introduced phase 1 and phase 2 and these bills have gone to the committees that should be considering them. Phase 3 has not yet been introduced because it is going to be a difficult bill to write and will need a lot of study and research before we can prepare it and have it in proper form to present to the Congress; but we have done enough research on it so we believe we can do it. It would be this. Mr. Speaker, this $20 billion stays in the private sector of our economy and would be available to colleges in America, available to students under plans that are to be set up in each State. This plan calls for a committee of, say, 25 members composed of 2 representatives from institutions of higher learning that are State supported, 2 representatives from those that are privately supported or religiously oriented, more or less normally known as private institutions; one representative from the Treasury Department, 1 representative from the Department of Health, Education, and Welfare. The State superintendent of schools is to be represented, as is a representative from the School Board Association, and a representative from each one of the major economic groups in the State.

We would envision that this committee on higher education in the State would be considered a committee on policy and administration. They would be directed and I think encouraged to meet from time to time to discuss the problems of higher education within each State and determine whether or not there are some problems that they can resolve at the State level that they can do better themselves than can be done through some national program we now have.

They would also be authorized to administer a loan program, both for needy students and colleges and to accept applications for loans from students and colleges provided they could prove to this committee the need for the loan and their ability to repay it. It could be a substitute for a number of Federal programs we now have and yet meet the challenge and at the same time furnish more money for the educational needs that are very evident on the horizon now.

I saw an article in an Iowa paper yesterday that indicated that the college population in Iowa will practically double in the next 15 years, and there is no prospect that we can, under the present program we have, underwrite the cost of this education.

So, something needs to be done and here we have at least a new approach, Mr. Speaker, and I sincerely hope that the Members of Congress will study it and that this may be some worthwhile contribution to the consideration of, and I may say, a solution, of a very serious problem with which we have to contend in the very near future.

Mr. LANGEN. Mr. Speaker, will the gentleman yield?

Mr. SCHWENGEL. I yield to the gentleman from Minnesota.

Mr. LANGEN. Permit me to compliment the gentleman for the detailed, intricate statement he has made to the House. I share with him his concern that the Congress may give the kind of attention that will be required in order to make a determination relative to our educational system which would sustain the objectives he has so well presented.

Mr. SCHWENGEL. I thank the gentleman.

Mr. Speaker, I yield back the balance of my time.

ESTABLISHMENT OF A NATIONAL SEASHORE ON FIRE ISLAND

The SPEAKER pro tempore. Under previous order of the House, the gentleman from New York [Mr. Lindsay] is recognized for 30 minutes.

Mr. LINDSAY. Mr. Speaker, I am today introducing a bill which would establish a national seashore on Fire Island lying off the south central shore of Long Island, N.Y. The boundaries of the proposed national seashore would be the westerly boundary of the Federal reservation at Fire Island Lighthouse and Moriches Inlet on the eastern end of the island. The national seashore would include a maximum of 7,500 acres. The bill states that ferries shall provide access to the national seashore at such points as the Secretary of the Interior shall direct.

Controversy over whether parts of Fire Island should be incorporated into our Federal system of natural parkland resources is not new. Throughout this controversy, conservationists of every political persuasion have consistently supported the national seashore concept.

The Secretary of the Interior agrees with the conservationists. He has repeatedly urged that portions of Fire Island be set aside for preservation in a natural state.

Certain areas on Fire Island are being developed for recreation along traditional lines. Jones Beach is an example of this recreational concept. No one has greater admiration for Jones Beach or its planner, Mr. Robert Moses, than I. But Fire Island presents an entirely different problem from the point of view of both conservation and recreation. The public interest in Fire Island can best be served through a diversity of recreational facilities easily accessible from New York City. The proposal that I am making would allow for such diversity. The creation of a national seashore will preserve for public use one of the few remaining natural seashore areas on the east coast. It may soon be too late to save this priceless area.

Mr. Robert Moses proposes to build a four-lane highway down the spine of Fire Island. I oppose this proposal. The road would cost taxpayers an outrageous amount and Federal funds are expected to provide a large portion of construction costs. The roadway would seriously damage the island and the opportunity of all persons to enjoy it in a natural state.

All factors argue for congressional consideration of this matter. The position in support of the bill by conservationists and the need for diverse recreational facilities accessible from New York City, and the use of Federal funds for the proposed Moses road. I am introducing this bill to allow for such consideration. I urge the Committee on Interior and Insular Affairs to hold full hearings and to request a report from the Secretary of the Interior.

I believe that consideration of the Moses plan should be deferred until the Congress can properly evaluate this proposal, particularly in view of the fact that Federal funds are expected to finance a large portion of the construction cost of the Moses road. Only when all the facts are brought to light can a plan be formulated which will best serve the recreational and esthetic needs of this and future generations.

I would like to call to the attention of my colleagues two excellent statements on the Fire Island controversy. One is an article written by Mr. Arthur Brawley for Sports Illustrated magazine, and the other is an editorial comment by the New York Times.

The matters follow:

[From Sports Illustrated, Nov. 23, 1962]

The Fire on New York's Famous Little Island—A Controversial Commissioner's Concrete Ideas Bring Summer Residents of a Once Peaceful Sandspit Running to the Barricades

(By Arthur Brawley)

Not far from New York City is a shining, 30-mile-long finger of sand, pointing northeast, called Fire Island. Despite its nearness to the city, it remains remarkably unspoiled, and for a relatively small piece of real estate it is remarkably well known throughout the country (the late Wolcott Gibbs made it the setting for his play "Season in the Sun"). Fire Island is part of the barrier beach that parallels Long Island for much of the latter's 140-mile length, serving its big brother as a protective breakwater against Atlantic storms. It also has several generations of sun-and-sea-seeking New Yorkers; 18 cottage communities, some with exotic names like Kismet, Saltaire, and Point O'Woods, have grown up on the island, most of them reachable from the mainland only by ferry—an inconvenience some 35,000 summer residents and visitors gladly put up with.

The summer people love Fire Island, but year by year they find less of it to love, for the sea is encroaching steadily upon it; and last week the island was threatened from another quater, one that may be even more destructive of the qualities its devotees cherish. Fire Island's battle of the Atlantic is one of erosion—thousands of tons of the sand of which it is made are being eaten away annually by the sea. The U.S. Army Corps of Engineers some time ago came up with a plan to stop this—a system of jetties built at strategic spots to break the power of the surf and the dredging of Great South Bay behind the island to build up the dunes. All hands agree that this would save the island, and Congress approved the plans 2 years ago, although the money—$10 million—to carry it out has not yet been appropriated. But the larger threat to Fire Island, one which brought some 1,500 of its devotees out in howling protest last week, is a highway.

Robert Moses, president of the Long Island State Park Commission, has treasured the plan for this highway for 32 years. Creator of Long Island's parkway system and beautiful Jones Beach and mastermind of New York's forthcoming World's Fair, Moses has been peering through the bulrushes on Fire Island recently to see how his highway might fit into the erosion-control plan. As matters have developed, it fits like the last piece of a fateful jigsaw puzzle.

Fire Island has a bridge at its east end, leading to a small park owned by Suffolk County. Across the inlet at its western end, another bridge is abuilding, which by 1964 will lead to a 5-mile stretch of beach run by the New York State park system. All that remains to carry out the Moses plan is to fill the gap between these bridges with a concrete road running up the spine of the island—and, says Moses triumphantly, this road will stabilize the dunes.

Moses contends that the islanders are being selfish in wanting to keep the public out. The islanders retort that the public is welcome—as long as it comes by ferry and leaves its cars in the other side. Moses says his road will provide the residents even more privacy than they now have because access to the beach will be only at designated State-owned areas. The islanders find privacy at this price too expensive in terms of noise and gasoline fumes; and, anyway, they ask, how would anyone get to the beach without crossing the road? Moses says he will build tunnels at convenient intervals under the roads, but the islanders feel this is hardly an answer and point out that in times of heavy seas tunnels may well become funnels to channel water into the inland areas. And finally, what of the homes displaced, when in some sections the island is barely as wide as the right-of-way?

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Although a National Park Service survey has identified Fire Island as one of the few remaining areas on the Atlantic coast suitable for designation as a national seashore park, such as the great beach of Cape Cod, Secretary of the Interior Udall has not yet been moved to suggest that this be done. If it is not, what will have been lost? First and perhaps most important, a place only 50 miles from Times Square where one can do pretty much as he pleases as long as he bothers nobody else. A place to swim, sail, fish, crab, or clam. A place where a man—or a woman—can wander down the beach in the black of night shouting at the sea. A place where a person may sit at his ease in the sun and read, knowing that his young children are not crossing a busy highway against heavy traffic.

These values, which may seem only sentimental to the planners and builders, are the values of many men and women who divide their time between islands—Fire and Manhattan. Manhattan is choked almost to death by traffic; Fire is one of the last remaining outposts along the north Atlantic coast still free of the automobile. In most places it is as beautifully wild as the sea itself—a peaceful anachronism in a hurry-scurry country. The road builders may feel they are working toward the greatest good for the greatest number, but Robert Murphy disputes this theory. He says: "It is high time that our society began to recognize the bench marks (or the waterline) at which the greatest number utterly wipes out the greatest good, once and forever."

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Mr. PRICE. Mr. Speaker, there are many problems confronting local communities today which call for some kind of assistance from the State and Federal Government, but it would be a tragic thing if these communities ever lost the capacity to act for themselves. Basically, the community should look to its own sense of responsibility to seek solution of local problems. This is not to say that there is no requirement for State or Federal aid in major areas of community needs, but there is no substitute for the willingness of local people to roll up their sleeves and get to work on their own problems.

For this reason, it is gratifying to learn of situations in which local people have taken stock, have realized that the best way to handle a problem was to attack the problem themselves, and have set examples of community responsibility for others to follow. One illustration of this took place recently in the city of East St. Louis with the establishment of the doctor's convalescent center. This center was established in 1961 by a group of responsible local citizens to meet a serious need for nursing home facilities.

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The center is not stopping there, however, for having once been moved to action, it was not about to rest on its achievements to date. The sponsors have learned that mentally retarded children capable of education and training are located in substandard facilities because no others are available. These children are scattered about in five locations and with the result that there are not enough teachers for all. The center is considering making available facilities within its building to provide a centralized location for training these children and making the most effective use of teacher talent.

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These plans are ambitious, but they reflect confidence and self-reliance, particularly when it is recognized that the center is only 7 months old. The achievements represent community responsibility and initiative in operation. The sponsors of the center have shown that it is possible for dedicated business and professional people in a community to solve certain local needs through their own initiative. They did not find it necessary to seek outside help doing all this on their own risk capital and their own personal effort. While they received much advice from the city, State, and Federal authorities—which proved to be very valuable—they asked for no financial support, and, in fact did not require it. They decided that the problem was their own and decided to do something about it.

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But despite Mr. Halaby's indifference to the Project Beacon recommendation in this area, he has seized with both hands another recommendation that appears only one page removed from the one on computers. This other recommendation says simply:

> It would seem reasonable, however, that the number of centers [air route traffic control centers] be somewhat less than at present.

It is this advice from Project Beacon that Mr. Halaby flourished when he announced to me that his decision to dismantle the San Antonio air route traffic control center and move it to Houston was irretrievably made. He had me believing that it was an independent panel of experts assembled under Project Beacon that had decreed that this costly step be taken. He had me believing it until I was able to secure a copy of the Project's report and found that this was not the case. It was not Project Beacon that decided that the number of air route traffic control centers in the continental United States should be reduced from 29 to 22; Mr. Halaby decided that in January. It was not Project Beacon that decided that new centers in New Orleans and San Antonio should be dismantled and a new one consolidated and built in Houston. Mr. Halaby decided that in April.

Now it struck me as strange that Mr. Halaby should treat separate recommendations of Project Beacon with such deference on one hand and indifference on the other hand. This is why I became interested in just what precise plans, if any, were going to be made by this Agency to effectuate all the recommendations of Project Beacon. I learned that the Agency had established an in-house task force to develop the details of how the broad recommendations of Project Beacon could be effectuated. This effort was referred to as the system design report. And it was this project report I asked to see some weeks ago, thinking it might be more definitive and let us know just where FAA was heading in the planning of future air route traffic control centers. Mr. Halaby had told me that it was necessary to move from San Antonio to Houston so that we could have a better "configuration" in dividing the United States into 21 generally equivalent traffic areas, each with an air route traffic control center in the middle. This figure was definite and positive enough for him to present me with a map showing how logically 21 configurations could be drawn to locate as many centers in the main traffic flow patterns. Mr. Halaby had this same map enlarged with colorful overlays and he took it to the Senate Appropriations Committee hearings to argue his case for the consolidation of existing centers. It was all very logical and very lucid.

Yet, I had a feeling then, and I am confirmed in that feeling now, that Mr. Halaby was not telling all the story on the reduction of the number of these centers. Only one shoe had fallen to the floor, and I have been waiting for the other. Mr. Speaker, it has now fallen. The chances are that the Members of the House have not heard it fall, for the sound is muffled in the 758 pages of this systems design report which I was thankful to secure last Thursday. It is a small, although distinct sound, and I urge the Members of the House to listen to it now, for you shall surely hear of it in months to come.

The career experts in FAA took the broad recommendations of Project Beacon and spelled out the details of an air traffic control system. Did they come up with Mr. Halaby's 21 centers to blanket the United States? They did not. They came up with a figure of 15 centers. The report says:

> There will be a relatively small number of centers sited strategically throughout the coterminous United States. This number, by 1975, will probably be in the order of 15 as compared to the present planned reduction to 21 air route traffic-control centers.

Now what does this mean? For one thing it means that there are six centers of those Mr. Halaby planned on in April that are going to go. It means that the tissue of Mr. Halaby's logic in presenting his case to me and to the Senate committee has been torn. When you divide the United States into 15 generally equivalent areas, you get an entirely different jigsaw picture than you do with the 21 configurations Mr. Halaby uses to justifiy the Houston center. Until a map is drawn showing the 15 new configurations how can anyone tell whether Houston is a logical center into which radar data is to be remoted? Or if San Antonio, or New Orleans, or Fort Worth are logical centers. In fact, the case of Fort Worth, where a brand new center has just been opened becomes interesting in this new perspective. Is Mr. Halaby going to tell us that Fort Worth and Houston, less than 300 miles apart, are both going to have centers?

The point is that Mr. Halaby is really not telling us enough. If the expert career men in his Agency are planning on 15 centers, why can Mr. Halaby not tell us where they are to be before we continue the wasteful, unnecessary program of build it up, tear it down, put it here, put it there in which he is now engaged. Why spend $8 million to move from San Antonio and New Orleans when there has been no showing that 5, 10, or 15 years from now a center will be desirable there? And I remind you that Mr. Halaby's entire case for justifying the move to Houston is predicated on recapturing the cost during a 16-year projected life for that center. If he does not leave it there that long he will not have the savings he claims by his own arithmetic, the same arithmetic the Comptroller General of the United States said he could not go behind.

I say if we are frustrated in our effort to look behind these figures, we can at least expect the Administrator of this Agency to put his cards on the table. Should we not learn which of the six other centers never previously mentioned are to be closed? Should we not at least get some idea of the present thinking of FAA experts on where future boundaries are to be drawn between center areas? These are just a few of the questions about which I am curious, and which I shall continue to raise.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

Mr. Price, for 30 minutes, today.

Mr. Bow, for 60 minutes, on Tuesday, August 28, 1962.

Mr. Bray (at the request of Mr. Langen), for 30 minutes, on August 27, 1962.

Mr. Bray (at the request of Mr. Langen), for 30 minutes, on August 28, 1962.

EXTENSION OF REMARKS

By unanimous consent, permission to extend remarks in the Congressional Record, or to revise and extend remarks, was granted to:

Mr. O'Konski and to include extraneous matter.

Mr. Libonati in two instances and to include extraneous matter.

Mr. Van Zandt.

Mr. Alger.

(The following Members (at the request of Mr. Langen) and to include extraneous matter:)

Mr. Conte.

Mr. Tupper.

(The following Members (at the request of Mr. Libonati) and to include extraneous matter:)

Mr. Holifield.

Mr. Shelley.

Mr. O'Neill.

Mr. Powell.

Mr. Friedel.

Mr. Feighan.

Mr. Daniels.

SENATE ENROLLED BILLS SIGNED

The SPEAKER announced his signature to enrolled bills of the Senate of the following titles:

S. 2020. An act to amend part IV of subtitle C of title 10, United States Code, to authorize the Secretary of the Navy to develop the South Barrow gasfield, Naval Petroleum Reserve No. 4, for the purpose of making gas available for sale to the native village of Barrow and to other non-Federal communities and installations, and for other purposes; and

S. 3428. An act relating to the appointment of judges to the municipal court for the District of Columbia, the municipal court of appeals for the District of Columbia, and the juvenile court of the District of Columbia.

ADJOURNMENT

Mr. LIBONATI. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 3 o'clock and 34 minutes p.m.), under its previous order, the House adjourned until Thursday, August 23, 1962, at 12 o'clock noon.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

2430. A communication from the President of the United States, transmitting proposed supplemental appropriations for the fiscal year 1963 in the amount of $26,089,000 for the Department of State (H. Doc. No. 524); to the Committee on Appropriations and ordered to be printed.

2431. A communication from the President of the United States, transmitting a proposed supplemental appropriation for the fiscal year 1963 in the amount of $1,075,000 for the Department of the Interior (H. Doc. No. 525); to the Committee on Appropriations and ordered to be printed.

2432. A letter from the Comptroller General of the United States, transmitting a report on the review of the planning by the General Services Administration (GSA) for the automatic data-processing (ADP) equipment installed at its Washington, D.C., regional office; to the Committee on Government Operations.

2433. A letter from the Comptroller General of the United States, transmitting a report on a review of the apportionments of Federal-aid highway funds among the States by the Bureau of Public Roads, Department of Commerce, for the fiscal years 1956 through 1963; to the Committee on Government Operations.

2434. A letter from the Acting Administrator, General Services Administration, transmitting the report of the Archivisit of the United States on records proposed for disposal under the law; to the Committee on House Administration.

2435. A letter from the Secretary of Commerce, transmitting a report relating to providing aviation war risk insurance as of June 30, 1962, pursuant to title XIII of the Federal Aviation Act of 1958; to the Committee on Interstate and Foreign Commerce.

2436. A letter from the Deputy Director, Central Intelligence Agency, relative to a grant made to Georgetown University, Washington, D.C., under the authority of Public Law 85–934 (42 U.S.C. 1893); to the Committee on Science and Astronautics.

2437. A letter from the Secretary of the Treasury, transmitting a draft of a proposed bill entitled "A bill to provide for the withdrawal of wine from bonded wine cellars, without payment of tax, for use in the manufacture of preparations unfit for internal human use"; to the Committee on Ways and Means.

2438. A letter from the Secretary of the Navy, transmitting a report relating to all claims paid by the Department of the Navy for the fiscal year ending June 30, 1962, pursuant to section 2673 of title 28, United States Code; to the Committee on the Judiciary.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. HARRIS: Committee on Interstate and Foreign Commerce. H.R. 4272. A bill to amend part I of the Interstate Commerce Act in order to provide that the provisions of section 4(1) thereof, relating to long and short haul charges, shall not apply to express companies; without amendment (Rept. No. 2247). Referred to the House Calendar.

Mr. HARRIS: Committee on Interstate and Foreign Commerce. H.R. 11732. A bill to amend section 305 of the Communications Act of 1934, as amended; with amendment (Rept. No. 2248). Referred to the House Calendar.

Mr. MILLS: Committee on Ways and Means. H.R. 8754. A bill to amend the Internal Revenue Code to provide a deduction for payment of redeemable ground rents; with amendment (Rept. No. 2249). Referred to the Committee on the Whole House on the State of the Union.

Mr. WILLIAMS: Committee on Interstate and Foreign Commerce. H.R. 10129. A bill to amend the act of September 7, 1957, relating to aircraft loan guarantees; with amendment (Rept. No. 2250). Referred to the Committee of the Whole House on the State of the Union.

Mr. MILLS: Committee on Ways and Means. H.R. 12213. A bill to provide for the temporary suspension of the duty on corkboard insulation; with amendment (Rept. No. 2251). Referred to the Committee of the Whole House on the State of the Union.

Mr. MILLS: Committee on Ways and Means. H.R. 12526. A bill to amend section 172 of the Internal Revenue Code of 1954 to provide a 7-year net operating loss carryover for certain regulated transportation corporations; without amendment (Rept. No. 2252). Referred to the Committee of the Whole House on the State of the Union.

Mr. ROGERS of Florida: Committee on Interstate and Foreign Commerce. H.R. 12365. A bill to amend title III of the Public Health Service Act to authorize grants for family clinics for domestic agricultural migratory workers, and for other purposes; without amendment (Rept. No. 2253). Referred to the Committee of the Whole House on the State of the Union.

Mr. MILLS: Committee on Ways and Means. H.R. 12719. A bill to amend the Internal Revenue Code of 1954 to provide that amounts received as certain awards under the Japanese-American Evacuation Claims Act of 1948, as amended, shall not be included in gross income; with amendment (Rept No. 2254). Referred to the Committee of the Whole House on the State of the Union.

Mr. SPENCE: Committee on Banking and Currency. H.R. 12577. A bill to place authority over the trust powers of national banks in the Comptroller of the Currency; without amendment (Rept. No. 2255). Referred to the Committe of the Whole House on the State of the Union.

Mr. SPENCE: Committee on Banking and Currency. H.R. 12899. A bill to amend section 5155 of the Revised Statutes relating to bank branches which may be retained upon conversion or consolidation or merger; without amendment (Rept. No. 2256). Referred to the Committee of the Whole House on the State of the Union.

PUBLIC BILLS AND RESOLUTIONS

Under clause 4 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. BOLAND:

H.R. 12939. A bill appropriating $50,000 for the payment of rewards for information leading to the arrest and conviction of the persons who committed the robbery at Plymouth, Mass., on August 14, 1962, in the course of which cash was taken from the U.S. mails; to the Committee on Appropriations.

By Mr. BREWSTER:

H.R. 12940. A bill to amend sections 220, 221, and 233 of the National Housing Act; to the Committee on Banking and Currency.

By Mr. GUBSER:

H.R. 12941. A bill to amend title I of the Housing Act of 1949 to authorize relocation payments in the case of certain parts of a business concern located outside an urban renewal area where they are interdependent with parts of such concern displaced from within such area; to the Committee on Banking and Currency.

H.R. 12942. A bill to provide, for purposes of income taxes under the Internal Revenue Codes, that awards received under the Japanese-American Evacuation Claims Act of 1948 shall not be included in gross income; to the Committee on Ways and Means.

By Mr. HARRIS:

H.R. 12943. A bill to amend the Communications Act of 1934 in order to grant to the Federal Communications Commission authority to grant special temporary authorizations for 60 days for certain nonbroadcast operations; to the Committee on Interstate and Foreign Commerce.

By Mr. HIESTAND:

H.R. 12944. A bill to regulate the importation of barbiturates and habit-forming stimulant drugs; to the Committee on Ways and Means.

By Mr. KASTENMEIER:

H.R. 12945. A bill to control the human intake of agricultural commodities containing radioactive substances and for other purposes; to the Joint Committee on Atomic Energy.

By Mr. LINDSAY:

H.R. 12946. A bill to establish the Fire Island National Seashore, and for other purposes; to the Committee on Interior and Insular Affairs.

By Mr. QUIE:

H.R. 12947. A bill to provide further for cooperation with States in administration and enforcement of certain Federal laws; to the Committee on Agriculture.

By Mr. RYAN of New York:

H.R. 12948. A bill to amend the U.S. Housing Act of 1937 to provide that a tenant in a low-rent public housing project may not be evicted therefrom without a public hearing; to the Committee on Banking and Currency.

By Mr. WILSON of California:

H. Con. Res. 514. Concurrent resolution expressing the sense of Congress with respect to the establishment of a commission to study the feasibility of Federal legislation requiring uniform threads on couplings of firehoses; to the Committee on Interstate and Foreign Commerce.

By Mr. ROGERS of Florida:

H. Res. 768. Resolution declaring the Eastern Orthodox Church to be a major faith in the United States; to the Committee on the Judiciary.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. ADDABBO (by request):

H.R. 12949. A bill for the relief of Giuseppe Fontana; to the Committee on the Judiciary.

By Mr. BROWN:

H.R. 12950. A bill for the relief of Oliver Brown; to the Committee on the Judiciary.

By Mr. DEROUNIAN:

H.R. 12951. A bill for the relief of Edward Pechdimaldji; to the Committee on the Judiciary.

By Mr. FARBSTEIN:

H.R. 12952. A bill for the relief of Maurice Mo, Sam Wan Cheng Mo, and Sze Mai Mo also known as Rosie S. Mo; to the Committee on the Judiciary.

By Mrs. GRIFFITHS:

H.R. 12953. A bill for the relief of Alisa Weiner; to the Committee on the Judiciary.

By Mr. DOWNING:

H. Con. Res. 515. Concurrent resolution tendering the thanks of Congress to Lt. Gen. Lewis B. Puller, U.S. Marine Corps (retired); to the Committee on Armed Services.

PETITIONS, ETC.

Under clause 1 of rule XXII,

403. The SPEAKER presented a petition of C. Taylor Burton, secretary-treasurer, Western Association of State Highway Officials, Salt Lake City, Utah, relative to reaffirming full cooperation and support to Federal Highway Administrator Rex M. Whitton in performing the duties associated with his position, which was referred to the Committee on Public Works.

SENATE

MONDAY, AUGUST 20, 1962

The Senate met at 11 o'clock a.m., and was called to order by the Vice President.

The Chaplain, Rev. Frederick Brown Harris, D.D., offered the following prayer:

O Thou who art the center and soul of every sphere, yet to each trusting heart how near: Out of our littleness of conception and action we turn our faces to the fullness of Thy immensity, flooding beyond the ken of our mortal knowledge. As now we lift our drab duties to the effulgence of Thy utter self-giving in limitless love, give us to see that a day is coming when we shall look back on our finished life with its long, ardent ambitions, its hot strenuous endeavors, its noise and dust and rush, and see that it is emptiness and shadow, except when here and there we have turned aside to be thoughtful and unselfish.

So at the beginning of this new week, with all the burning pressure of world crisis focusing on this forum of deliberation, we pause for this moment to be reminded of that which changes everything in the balance of power for those who wait upon Thee—"The eternal God is your home and your help, and underneath are the everlasting arms."

We ask it in the name of Him whose pierced hands have turned the stream of the centuries into new channels. Amen.

THE JOURNAL

On request of Mr. MANSFIELD, and by unanimous consent, the reading of the Journal of the proceedings of Friday, August 17, 1962, was dispensed with.

MESSAGES FROM THE PRESIDENT—APPROVAL OF BILL

Messages in writing from the President of the United States were communicated to the Senate by Mr. Miller, one of his secretaries, and he announced that on August 16, 1962, the President had approved and signed the act (S. 2869) to amend chapter 31 of title 38, United States Code, to afford additional time during which certain veterans blinded by reason of a service-connected disability may be afforded vocational rehabilitation training.

REPORT ON ACTIVITIES UNDER PUBLIC LAW 480, 83D CONGRESS—MESSAGE FROM THE PRESIDENT (H. DOC. NO. 526)

The VICE PRESIDENT laid before the Senate the following message from the President of the United States, which, with the accompanying report, was referred to the Committee on Agriculture and Forestry:

To the Congress of the United States:

I am transmitting herewith the 16th semiannual report on activities carried on under Public Law 480, 83d Congress, as amended, outlining operations under the act during the period January 1 through June 30, 1962.

JOHN F. KENNEDY.

THE WHITE HOUSE, *August 20, 1962*.

EXECUTIVE MESSAGES REFERRED

As in executive session,

The VICE PRESIDENT laid before the Senate messages from the President of the United States submitting sundry nominations, which were referred to the Committee on Armed Services.

(For nominations this day received, see the end of Senate proceedings.)

ORDER DISPENSING WITH CALL OF THE LEGISLATIVE CALENDAR

On request of Mr. MANSFIELD, and by unanimous consent, the call of the Legislative Calendar was dispensed with.

LIMITATION OF DEBATE DURING MORNING HOUR

On request of Mr. MANSFIELD, and by unanimous consent, statements during the morning hour were ordered limited to 3 minutes.

DISPOSITION OF PROPERTY OF THE CHOCTAW TRIBE

Mr. MANSFIELD. Mr. President, because of the time limitation, and with the concurrence of the minority, at this time I ask unanimous consent for the consideration of Calendar No. 1841, House bill 12355, amending the law relating to final disposition of the property of the Choctaw Tribe.

The VICE PRESIDENT. Is there objection to the present consideration of the bill?

There being no objection, the bill (H.R. 12355) to amend the law relating to the final disposition of the property of the Choctaw Tribe was considered, ordered to a third reading, was read the third time, and passed.

Mr. MANSFIELD. Mr. President, I ask unanimous consent to have printed at this point in the RECORD an excerpt from the committee report having to do with the purpose of and the need for the bill.

There being no objection, the excerpt from the report (No. 1879) was ordered to be printed in the RECORD, as follows:

PURPOSE

The principal purpose of H.R. 12355 is to extend by 3 years the time within which certain provisions of the act of August 25, 1959 (73 Stat. 420), are to be carried out.

The act of August 25, 1959, provided the rules governing completion of disposition of the assets of the Choctaw Tribe. Under the 1959 law the Secretary of the Interior was directed to dispose of the lands (except a one-half mineral interest) belonging to the Choctaw Tribe and held by the United States in trust for the tribe or subject to a restriction against alienation imposed by the United States. A legal entity was to be organized under the laws of Oklahoma, as the successor in interest to the Choctaw Tribe to hold the reserved mineral interest, and if it so chose, to take title to the Choctaw lands.

The tribe has had to engage in several lawsuits in order to protect its claims with respect to tribal land that is to be disposed of. Additional litigation of this sort is in contemplation. This, plus unforeseen problems in organizing a suitable entity to take over tribal assets, makes necessary an extension of the time allowed under the 1959 act.

Other provisions of the bill permit the tribe to continue to have a principal chief during the extended period, to limit per capita distributions of funds during this period, and to give the tribal entity that is to be organized the tribe's immunity from statutes of limitations for a short period of time. The committee was assured that the additional 3 years would provide ample time for these purposes.

PETITIONS AND MEMORIALS

Petitions, etc., were laid before the Senate, and referred as indicated:

By the VICE PRESIDENT:

The petition of William J. Taylor, Jr., of Norfolk, Va., relating to living conditions and the morale of naval personnel in the vicinity of Norfolk; to the Committee on Armed Services.

A petition signed by Thomas C. Pierce, and sundry other individuals and business firms, praying for the passage of the quality stabilization bill; to the Committee on Commerce.

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. EASTLAND, from the Committee on the Judiciary, without amendment:

S. 3085. A bill for the relief of Paul Huygelen and Luba A. Huygelen (Rept. No. 1892);

S. 3390. A bill for the relief of Naife Kahl (Rept. No. 1895);

H.R. 7638. An act for the relief of Kim Hyung In Comstock (Rept. No. 1897);

H.R. 7736. An act to amend the act of May 13, 1960 (Private Law 86-286) (Rept. No. 1898);

H.R. 8730. An act for the relief of Sister Mary Alphonsa (Elena Bruno) and Sister Mary Attilia (Filipa Todaro) (Rept. No. 1899); and

H.R. 9915. An act for the relief of Umberto Brezza (Rept. No. 1900).

By Mr. EASTLAND, from the Committee on the Judiciary, with an amendment:

S. 2950. A bill for the relief of Dwijendra Kumar Misra (Rept. No. 1890);

S. 2962. A bill for the relief of Byung Yong Cho (Alan Cho Gardner) and Moonee Choi (Charlie Gardner) (Rept. No. 1891);

S. 3265. A bill for the relief of Despina Anastos (Psyhopeda) (Rept. No. 1893),

S. 3275. A bill for the relief of Anna Sciamanna Misticoni (Rept. No. 1894); and

H.R. 1388. An act for the relief of Tai Ja Lim (Rept. No. 1896).

By Mr. EASTLAND, from the Committee on the Judiciary, with amendments:

H.J. Res. 677. Joint resolution relating to the admission of certain adopted children (Rept. No. 1889).

By Mr. McCLELLAN, from the Committee on the Judiciary, without amendment:

H.J. Res. 627. Joint resolution extending duration of copyright protection in certain cases (Rept. No. 1888).

By Mr. MANSFIELD, from the Committee on Rules and Administration, without amendment:

S. Con. Res. 87. Concurrent resolution authorizing the printing of additional copies of the hearings entitled "Military Cold War Education and Speech Review Policies" and the report thereon (Rept. No. 1901).

By Mr. DIRKSEN, from the Committee on the Judiciary, without amendment:

S.J. Res. 217. Joint resolution making the 17th day of September in each year a legal holiday to be known as Constitution Day (Rept. No. 1902).

BILLS AND JOINT RESOLUTIONS INTRODUCED

Bills and joint resolutions were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. MORSE:

S. 3656. A bill for the relief of Agatha Sio-Chen Loo; to the Committee on the Judiciary.

By Mr. McNAMARA:

S. 3657. A bill for the relief of Elisa Gen Weiner; to the Committee on the Judiciary.

By Mr. WILEY:

S.J. Res. 219. Joint resolution to establish a permanent National Council on U.S. Goals; to the Committee on Government Operations.

(See the remarks of Mr. Wiley when he introduced the above joint resolution, which appear under a separate heading.)

By Mr. BEALL:

S.J. Res. 220. Joint resolution to designate the habor tug operated by the Metropolitan Police force of the District of Columbia as the *Chief Robert V. Murray;* to the Committee on the District of Columbia.

ESTABLISHMENT OF A PERMANENT COUNCIL ON U.S. GOALS

Mr. WILEY. Mr. President, I introduce, for appropriate reference, a joint resolution to establish a Permanent Council on U.S. Goals. The objective would be to mobilize a greater national effort to crystallize, and encourage citizen support of, national goals essential for the future.

Reinstilling in more of our citizens a greater sense of mission of purpose, of devotion to country would, I believe, be helpful—in fact is absolutely necessary—in meeting the great challenges confronting us.

We recall that former President Eisenhower appointed a Commission on National Goals. The findings and recommendations of the study, completed in 1960, provide tremendously valuable analyses of, and proposals for, meeting major challenges confronting the country.

The establishment of a Permanent Council on U.S. Goals would, I believe, help to provide us with a better understanding, and guidance, for attaining our highest national destiny.

I request unanimous consent to have two items printed at this point in the Record: First, a declaration of fundamental objectives of the Council; and second, the joint resolution itself.

Moreover, I ask unanimous consent that the joint resolution lie on the table for 1 week to allow any fellow Senators who may wish to do so to join in cosponsoring it.

The VICE PRESIDENT. The joint resolution will be received and appropriately referred; and, without objection, the joint resolution and the excerpts will be printed in the Record, and the joint resolution will lie on the desk, as requested by the Senator from Wisconsin.

The joint resolution (S.J. Res. 219) to establish a permanent National Council on U.S. Goals, introduced by Mr. Wiley, was received, read twice by its title, referred to the Committee on Government Operations, and ordered to be printed in the Record, as follows:

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled,

FINDINGS AND PURPOSES

Section 1. The Congress finds that in the nuclear-space age this Nation faces, among other challenges, a broader and more complex challenge than ever before: A dynamic and fanatical ideology, communism, challenges our way of life, its ideals, and, indeed, freedom itself wherever it exists. To meet this challenge, to preserve and strengthen our free way of life, to defeat the Communist goal of global conquest, and to ultimately achieve and establish peace in the world, a greater mobilization of common purpose must be achieved by all our citizens. It is the purpose of this joint resolution to establish a high-level council on national goals to assist in achieving this mobilization of common purpose by formulating national goals designed to meet the crucial challenges of the day, and to enhance understanding by all citizens of the part which they as individuals can play in the realization of such goals.

ESTABLISHMENT OF THE COUNCIL

Sec. 2. There is hereby established a permanent council to be known as the National Council on United States Goals (hereinafter referred to as the "Council").

MEMBERSHIP OF THE COUNCIL

Sec. 3. (a) The Council shall be composed of twelve members to be appointed by the President, by and with the advice and consent of the Senate. Persons appointed to the Council shall be private citizens of outstanding qualifications. Not more than six members of the Council shall at any time be members of the same political party.

(b) Terms of office of members of the Council shall be two years, except that the terms of office of six of the twelve members first appointed to the Council shall expire, as designated by the President, at the end of one year. Any member appointed to fill a vacancy on the Council occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of such term.

(c) The President shall annually designate one of the members of the Council as chairman and one as vice chairman. The vice chairman shall act as chairman in case of the absence or disability of the chairman. A majority of the members of the Council in office shall constitute a quorum, but the Council may function notwithstanding vacancies.

DUTIES

Sec. 4. (a) The Council shall conduct continuing studies with a view to—

(1) evaluating the nature and scope of national challenges;

(2) formulating and recommending national goals to meet such challenges;

(3) recommending alternative methods or ways by which such goals may be achieved; and

(4) developing citizen awareness of the implications of such challenges, the importance of such goals, and the manner in which citizens, acting individually or in groups, can assist in the realization of such goals.

(b) The Council shall submit to the President and to the Congress an annual report concerning its activities under this joint resolution. Such report shall be filed on or before January 15 of each year, and shall include such findings and recommendations as the Council is prepared to make as a result of its studies. The findings and recommendations of the Council which are included in any such report shall be made public promptly after the submission thereof to the President and the Congress.

POWERS

Sec. 5. (a) The Council may, in carrying out this joint resolution, sit and act at such times and places, hold such hearings, take such testimony, administer such oaths, procure such printing and binding, and make such expenditures as the Council deems advisable. Any member of the Council may administer oaths or affirmations to witnesses appearing before the Council.

(b) The Council shall have the power to appoint and fix the compensation of such personnel as it deems advisable, in accordance with the provisions of the civil service laws and the Classification Act of 1949, as amended. The Council may also procure, without regard to the civil service laws and the Classification Act of 1949, as amended, temporary and intermittent services to the same extent as is authorized for the departments by section 15 of the Act of August 2, 1946 (60 Stat. 810), but at rates not to exceed $50 per diem for individuals.

(c) The Council is authorized to secure directly from any executive department, bureau, agency, board, commission, office, independent establishment, or instrumentality of the Federal Government information, suggestions, estimates, and statistics for the purposes of this joint resolution; and each such department, bureau, agency, board, commission, office, establishment, or instrumentality is authorized and directed to furnish such information, suggestions, estimates, and statistics directly to the Council, upon request made by the chairman or vice chairman.

COMPENSATION OF MEMBERS

Sec. 6. Members of the Council shall receive $75 per diem when engaged in the performance of duties vested in the Council. In addition members of the Council shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in the performance of the duties vested in the Council.

EXPENSES

Sec. 7. There are hereby authorized to be appropriated such sums as may be necessary to carry out this joint resolution.

The excerpts presented by Mr. Wiley are as follows:

Statement by Senator Wiley

In the nuclear space age, we, as a free nation, face greater, broader scope challenges than ever before in history.

At such a critical time, our free system and ideals—indeed, freedom itself—are being challenged by a dynamic, fanatical ideology, communism.

To preserve and strengthen our free way of life; to defeat the Reds' aim of global conquest; and ultimately, to establish peace, we need a greater mobilization—in will, spirit, action, and dedication—of our citizens.

Unfortunately, the complexity of a fast-advancing, rapid-changing age often makes it increasingly difficult to understand how we, individually, can make a significant contribution to national causes—to freedom and peace.

Consequently, there is, I believe, a greater need for (1) annual crystallization of national goals; and (2) in understanding of how citizens individually, can make a more significant contribution to national security and progress.

For these reasons, I am proposing establishment of a permanent National Council on U.S. Goals. Comprised of the best brains in the country, the year-to-year responsibilities of the Council would include evaluations of national challenges, crystallization of goals, proposals for alternative ways of reaching such goals, recommendations for ways in which citizens, and citizens organizations, as well as Uncle Sam, may contribute to more speedily reaching such goals.

The studies would cover the whole range of national interests, including national security, anticommunism, agriculture, economic progress, education, human well-being, constitutional rights, arts and sciences—all major features of our national life.

Unfortunately, the concept is too widely accepted that by being born in this country a citizen automatically becomes instilled with a knowledge and understanding of the principles, ideals, and working processes of our way of life. Realistically, this is not true.

Recognizing the need for greater guidance on national purposes, former President Eisenhower appointed a temporary Commission on National Goals. Following the completion of its work in 1960, the Commission's significant evaluations and recommendations unfortunately, have too largely been utilized only (a) for passive armchair conversations, or (b) as dust collectors in home and public libraries.

The Nation—for too long in my judgment—has tolerated a pseudosophisticated attitude that patriotism, devotion to duty and country, heartfelt interest in one's fellow men—these ideas are old fashioned, outmoded, and "corny," in our way of life.

For the space age, however, we need a renewal of a sense of citizen and national purpose; of the love-for-country "spirit of our forefathers"; of Patrick Henry's: "Give me liberty, or give me death"; of Nathan Hale's: "I only regret that I have but one life to give for my country."

A renewal of this nationalistic spirit would, I believe, serve as a spur to greatness, a key to faster progress, a challenge to our citizens, and an open door of greater opportunity for all of us to serve ourselves and our country.

How can this be done? The establishment of a National Council on U.S. Goals, for which I shall introduce a resolution in the U.S. Senate, would be helpful in annually crystallizing and making recommendations for attaining higher goals for the future.

The Nation, too, could well "touch the torch" of patriotism to the hearts of more citizens; to let it spread like wildfire, across the country to create a brighter light for freedom.

A greater national effort is needed also to educate our people to a greater knowledge and understanding of the principles, ideals, and working processes of our way of life; and of how—above all other systems—it can best serve a people and nation.

As in the great past, the spirit of patriotism, of our way of life can—and should—be reinstilled at mother's knee, around the fireside, in the schools, in forums, from public podiums, through television, radio, publications—all media wherever citizens live, meet, think, and exchange ideas on our national life.

A reawakening of the spirit of freedom and of patriotism, would, I believe, enrich our lives, individually, by creating for more citizens an opportunity to participate in, and contribute to, great national causes; strengthening our beloved country; brightening the outlook for establishment of freedom and peace in the world.

FOOD AND AGRICULTURE ACT OF 1962—AMENDMENTS

Mr. KEATING (for himself, Mr. Javits, Mr. Scott, Mr. Case, and Mr. Saltonstall) submitted an amendment, intended to be proposed by them, jointly, to the bill (H.R. 12391) to improve and protect farm income, to reduce costs of farm programs to the Federal Government's excessive stocks of agricultural commodities, and products to consumers, to provide adequate supplies of agricultural commodities for domestic and foreign needs, to conserve natural resources and for other purposes, which was ordered to lie on the table and to be printed.

Mr. TOWER submitted an amendment, intended to be proposed by him, to House bill 12391, supra, which was ordered to lie on the table and to be printed.

Mr. ELLENDER submitted an amendment, intended to be proposed by him, to House bill 12391, supra, which was ordered to lie on the table and to be printed.

Mr. YOUNG of North Dakota submitted an amendment, intended to be proposed by him, to House bill 12391, supra, which was ordered to lie on the table and to be printed.

Mr. RUSSELL (for himself and Mr. Talmadge) submitted an amendment, intended to be proposed by them, jointly, to House bill 12391, supra, which was ordered to lie on the table and to be printed.

Mr. FULBRIGHT submitted amendments, intended to be proposed by him, to House bill 12391, supra, which were ordered to lie on the table and to be printed.

Mr. HART submitted an amendment, intended to be proposed by him, to House bill 12391, supra, which was ordered to lie on the table and to be printed.

NOTICE OF HEARING ON H.R. 8874, BANK SERVICE CORPORATIONS

Mr. ROBERTSON. Mr. President, as chairman of the Committee on Banking and Currency, I desire to give notice that a public hearing has been scheduled for Thursday, August 30, at 10 a.m., in room 5302 New Senate Office Building, on H.R. 8874, to authorize certain banks to invest in corporations whose purpose is to provide clerical services for them, and for other purposes.

All persons who wish to appear and testify on this bill are requested to notify Mr. Matthew Hale, chief of staff, Senate Committee on Banking and Currency, room 5300, New Senate Office Building, telephone Capitol 4-3121, extension 3921.

NOTICE OF HEARING ON SENATE JOINT RESOLUTION 133, RAYBURN MEDAL

Mr. ROBERTSON. Mr. President, as chairman of the Committee on Banking and Currency, I desire to give notice that a public hearing has been scheduled for Friday, August 24, at 11 a.m., in room 5302, New Senate Office Building, on Senate Joint Resolution 133, to provide for the coinage of a medal in recognition of the distinguished services of Sam Rayburn, Speaker of the House of Representatives.

All persons who wish to appear and testify on this resolution are requested to notify Mr. Matthew Hale, chief of staff, Senate Committee on Banking and Currency, room 5300, New Senate Office Building, telephone Capitol 4-3121, extension 3921.

RESCHEDULING OF HEARING ON PROPOSALS TO AMEND SECTION 9(a) OF THE TRADING WITH THE ENEMY ACT

Mr. HUMPHREY. Mr. President, I wish to announce that the hearings announced to begin on Wednesday, August 22, 1962, on proposals to amend section 9(a) of the Trading With the Enemy Act, have been rescheduled for Monday, August 27, 1962, at 10:30 a.m., in room 2228, New Senate Office Building. These are hearings of the Subcommittee on Trading With the Enemy Act.

COMMISSIONING OF U.S.S. "LEAHY"

Mr. MANSFIELD. Mr. President, on August 4, 1962, a new ship joined the fleet of the Nation, the missile-carrying frigate, the U.S.S. *Leahy*. Mrs. Mansfield and I had the privilege of participating in the commissioning at the Boston Naval Shipyard. I was there by sufferance. Mrs. Mansfield was there by right, for she was the sponsor of the ship, and had christened her about a year earlier at the Bath Shipyards, in Maine, where she was built.

The U.S.S. *Leahy*, Mr. President, represents a great achievement in naval engineering and construction. But, more than that, with its commissioning, she became a living element in the Navy of the Nation—with its crew dedicated to service at the direction of the Commander in Chief, the President of the United States, to execute whatever orders she may be given for the preservation of the peace and security of the Nation.

On the occasion of the commissioning, Capt. Robert L. Baughan took command of the U.S.S. *Leahy*. He brings to the ship a record of distinguished service to the Nation. He is the kind of officer whose naval experience and patriotic dedication insure that the U.S.S. *Leahy*, in keeping with the name which she bears and the finest traditions of the Navy, will move surely and smoothly into an enduring place in the service of the Nation.

I ask unanimous consent that the remarks of Captain Baughan on the occasion of the commissioning of the U.S.S. *Leahy* be included at this point in the Record.

There being no objection, the address was ordered to be printed in the Record, as follows:

REMARKS BY CAPT. ROBERT L. BAUGHAN, JR.

Rear Admiral Wellings, Rear Admiral Speck, Captain Jones, distinguished guests, with your forbearance I should like to address my remarks particularly to the officers and crew of the *Leahy*.

Gentlemen: I have been privileged once before to assume command of a ship of the U.S. Navy, the destroyer *Porterfield* upon her activation from the Pacific Reserve Fleet 10 months after the commencement of hostilities in Korea. I was thrilled then, just as I am today, with a sense of destiny, a feeling of being in the right place at the right time, today, being here in this historic city when this remarkable ship begins its commissioned service in the U.S. Navy.

But there is more than pride and excitement in this moment; there is more than the unusual pleasure of serving in a Bath-built ship, rare as that special privilege is in any Navy man's life; there is more than the sobering knowledge of the tremendous responsibility which I, as commanding officer, must bear for the next 2 years.

There is the terribly shocking fact that freemen everywhere—yes, even you and I here on this ship—freemen throughout the world are being challenged as they have never been challenged before. If ever we are to have a world in which any man can enjoy his God-given right to be the unique human individual that the Creator made him, then all freemen are going to have to give to the struggle for liberty a little more than they receive. This includes you and me and our respective families.

To some people this means sacrifice and the proposition is not only repugnant but unacceptable. They want no part of any deal that does not net considerable personal profit. They want others to insure their freedom. But the truth of the matter is that only those who give more than they get in life are really happy in the living of it. As Sir William Osler phrased it: "We are here to add what we can to, not what we can get from, life."

Admiral Speck has spoken of the need for us to become a proficient team in order to make *Leahy* a vital unit of our Nation's military power. Teamwork involves more than operational team training; it is an all-hands concept which includes the daily recordkeeping of office personnel and the maintenance efforts of the technicians as well as the planning and accomplishment of a whole host of evolutions ranging from meals to missile firings. This total teamwork encompasses all of the individual and collective efforts of every person assigned to this ship; provided, of course, that those efforts contribute to the betterment of *Leahy's* overall readiness to accomplish all assigned missions. We have neither time nor manpower to spare for any effort or activity which is noncontributory. This cooperative effort is the best way in which you and I can achieve this special giving I mentioned before. It is not only our duty but our privilege.

Therefore, it is with a feeling of optimism and anticipation that I offer you the wonderful opportunity to willingly and freely pool all of your talents with mine in making *Leahy* into an outstanding warship, truly symbolic of the superb citizen whose name she bears and completely worthy of the motto that we have selected for her—Prompt and Ready.

TWENTY-FIFTH ANNIVERSARY OF BONNEVILLE POWER ADMINISTRATION

Mr. MANSFIELD. Mr. President, I wish to join my colleagues from the Northwest in paying tribute to the Bonneville Power Administration on the occasion of its 25th anniversary. The Bonneville Power Administration has been a very influential instrument in the development of the Northwest.

Despite its stormy beginning and the continuing debate between public and private power interests, the Bonneville Power Administration has taken the lead in technical breakthroughs and achievements that have saved industry and electric consumers millions of dollars. Its transmission system and substations have brought low-cost hydroelectric power to every corner of the Pacific Northwest.

On many occasions I have said that there was room for both private and public development of our hydroelectric power resources. This competitive relationship has been instrumental in bringing about better rates and improved services, and it has not permitted the power needs of the individual consumers and industry of the area to be subject to a single utility with monopolistic control over service and rates.

The power generated at Hungry Horse Dam, in northwestern Montana, is marketed by the Bonneville Power Administration; and, as a result of the BPA's initiative, it now markets power to several large industries in my State, namely, the Anaconda Aluminum Co., the Victor Chemical Co., and the Diamond Match Co. In addition, the Bonneville Power Administration has agreed to make adequate power available for a new steel mill which is being considered for the Anaconda-Butte area of my State. This was one of the early prerequisites of the early negotiations—a constant source of low-cost electric energy. In addition, this extensive transmission system serves many electric cooperatives in the State.

The Bonneville Power Administration has been a vital force in the Pacific Northwest; and it will continue to be so under the guidance of its able Administrator, Charles Luce. The vast resource of the Bonneville Power Administration, combined with the network of private utilities, will be an extremely important instrument in the progress and development of the Northwest and its abundant resources.

I offer my heartiest congratulations on this most auspicious occasion.

Mr. METCALF. Mr. President, I join the distinguished majority leader, my colleague, in paying tribute to the Bonneville Power Administration on the 25th anniversary of the Bonneville Project Act, which today we celebrate. It was signed on August 20, 1937, by President Franklin Delano Roosevelt. That act created the Bonneville Power Administration, the Nation's largest hydroelectric utility operation and purveyor of the world's highest level of hydroelectric development in the Columbia River Basin.

The BPA in two and one-half decades has become the power and transmission agency for 20 U.S. multipurpose dams on the Columbia River and its tributaries, with an installed generating capacity of 8,379,250 kilowatts by 1968. Careful estimates place the 1968 capital investment in power facilities of the U.S. Columbia River power system at over $2,500 million. The BPA's 8,600-mile high-voltage transmission grid threads the Oregon, Washington, northern Idaho, and western Montana area, to bring electric energy to every corner of the Pacific Northwest region. In Montana, the BPA lines run to the Butte-Anaconda industrial load area, through Missoula, and up through the Flathead Valley and into the Hungry Horse project.

Last year, the BPA marketed in Montana approximately two billion kilowatt hours, representing about 40 percent of the electricity used in the State. Principal BPA customers in Montana are the Anaconda Aluminum Co., the Montana Power Co., and the Victor Chemical Co.

The Anaconda Aluminum plant and the Victor Chemical operation would not be in Montana were it not for the BPA and the availability of cheap public power. The Montana Power Co. benefits from an annual purchase of about 50,000 kilowatts.

The BPA has, in the Pacific Northwest, 14 electroprocess customers, with 18 industrial plants, representing a gross investment of nearly $400 million. These industries contribute nearly $400,000 a day to the region's economy in terms of the product value and expenditures for transportation, materials, services, and taxes. They pay annually from $5 million to $7 million in taxes to State and local governments.

Low-cost power from the Bonneville system has affected directly or indirectly every industry in the Pacific Northwest. During the past two decades, the BPA has supplied more electric energy to the region than all other generating utilities combined.

Although current Federal budget procedures ignore the fact, expenditures for projects such as the BPA are prudent investments on which the Nation receives a good return. For example, power revenues from BPA are scheduled to repay, in addition to the transmission investment, all of the costs of the multiple-purpose dams allocated to power, and a substantial portion of the costs allocated to irrigation. Moreover, although its power revenues pay for about 81 percent of the total costs of the 20 multiple-purpose dams and all associated facilities, the BPA is currently $20 million ahead in its schedule repayment. And this is in spite of recent annual operating deficits.

Mr. President, an important reason for recent annual deficits is the failure to construct new projects on an orderly schedule, thus leaving temporary surpluses of firm power which had to be held for normal load growth, and which could not be sold, because there was no new generation coming on the line in time to meet normal load growth.

President Kennedy has recommended, as part of the Bonneville system, the construction of Knowles Dam, on the Flathead River, in northwestern Montana. But even as Bonneville and Grand Coulee dams were assailed as "white elephants" and follies of the New Deal, the Montana Power Co.'s political machine, in its drive for economic and political domination of the State, has spent large sums of money in disseminating its extravagant claims against Knowles. Were it to prevent the construction of Knowles, this company, which has the highest return of profit of any electric utility in the Nation, would not only deter the growth of Montana, but would impair the orderly progress of the BPA in Montana and the Pacific Northwest.

The load growth in the Northwest in the next 10 years is going to double requirements for electricity. In the next decade we shall have to install practically as much generation as has been installed in the last 60 years. This demand has to be met with maximum development in order to keep power rates low, attract more industries such as the Anaconda Aluminum Co., create jobs, and broaden the tax base.

In terms of the future industrial capacity of the Nation, it is mandatory that we proceed with development of the Bonneville system as well as our other hydroelectric regions. Even should we develop all the hydroelectric resources in the United States, we still have only about one-half the hydro potential of the Soviet Union.

Knowles Dam would be about 500 feet high, and would store 3 million acre-feet of water. This storage is important in terms of full power generation downstream. Some 15 downstream dams would be able to produce an additional 686,000 kilowatts. Knowles itself would add 267,000 kilowatts of at-site power to the BPA system. The two run-of-the-river alternatives offered by the Montana Power Co. would produce prime power of 148,000 kilowatts, which could be increased to 240,000 kilowatts only by drawing down by 30 feet beautiful Flathead Lake, one of the Nation's finest recreation areas.

Just as Montana Power Co.'s Kerr Dam was able to install another generator because of Hungry Horse storage, other private and public dams benefit from storage at large, multipurpose Federal installations. As Charles Luce, the BPA Administrator, pointed out in a recent speech in Missoula, Mont., Washington Water Power's Noxon Rapids Dam has an empty stall awaiting additional upstream storage that Knowles would provide; the Dalles Dam has 8 empty stalls; the John Day Dam, now under construction, will have 10 empty stalls; Rocky Reach Dam has 4 empty stalls. All of these are awaiting additional upstream storage.

Mr. President, as we pause to review the 25-year record of the Bonneville Power Administration, we can be proud that Congress and the President had such foresight in 1937. I commend Mr. Charles Luce and his fine staff, and I hope that the BPA will continue to receive congressional support for full development of the region's hydroelectric potential.

I ask unanimous consent to have Mr. Luce's July 27 Missoula speech printed immediately following my remarks in the RECORD.

There being no objection, the address was ordered to be printed in the RECORD, as follows:

ADDRESS OF CHARLES F. LUCE, ADMINISTRATOR, BONNEVILLE POWER ADMINISTRATION, MISSOULA, MONT., JULY 27, 1962

I am happy to be here today to talk with you about Bonneville Power Administration and particularly to discuss what appears to us to be advantages to Montana and to the Pacific Northwest and the Nation, of the proposed Knowles project on the Flathead River.

Bonneville Power is an agency within the Department of Interior. It was created by Congress in 1937 by an act which was written by two Republican Senators from Oregon, and two Democratic Senators from the State of Washington. The Bonneville Act is unique in that it requires the headquarters of this agency to be located in the Pacific Northwest.

The Bonneville Power Administration is a power marketing agency. We do not build dams. The Federal dams in the Pacific Northwest are built either by the Corps of Engineers, which has built most of them, or by the Bureau of Reclamation which has built a number of them, including Hungry Horse here in the State of Montana and Grand Coulee in the State of Washington.

The Bonneville Administration builds the transmission lines that interconnect these dams and it sells the power from the dams in the various load centers all over the Pacific Northwest. As the power-marketing agency it is our responsibility to pay for that part of the dams which represents the power investment, roughly 80 percent. The Federal Government has, at the present time, an investment of something in the neighborhood of $1½ billion in power transmission lines, generators, and power dams and so forth, that BPA is responsible for repaying. To date, through sale of power from the dams, the Bonneville Power Administration has returned to the Treasury something in the neighborhood of $300 million to apply on the principal and has paid interest of approximately the same amount. We pay interest at 2½ percent on some of these projects and 3 percent on others.

BPA has a total of about 8,500 miles of transmission lines. Here in the State of Montana, our transmission lines run down to the Anaconda-Butte area and we have a line coming past Missoula here. We also have lines, of course, up through the Flathead Valley and into the Hungry Horse project. Our lines represent some of the highest voltage lines in the electric industry in the United States. Presently we are experimenting with direct current transmission which we think is going to make it possible to transmit power in the United States for distances of 1,500 to 2,000 miles economically. At the present time, about 200, 300, to 400 miles is the economical transmission distance.

The total power resources of the Bonneville Power Administration represents peaking capacity of something in excess of 6 million kilowatts and firm capacity of about 5¼ million kilowatts, representing the largest of all hydro systems in the United States.

Now, from the standpoint of Montana, I think you would be interested in the customers we have here and the amount of electricity that we deliver into Montana. Last year, we sold in Montana approximately 2 billion kilowatt hours, representing about 40 percent of the electricity used here in the State. Our principal customer here in Montana is the Anaconda Aluminum Co. up in the Flathead Valley, which buys about 140,000 kilowatts from us. Our second most important customer is the Montana Power Co., which buys about 50,000 kilowatts from us. Our third largest customer is the Victor Chemical works, a phosphate operation.

Of course, the Anaconda Aluminum plant and the Victor Chemical operation would not be here were it not for the Bonneville lines and the Bonneville power rates.

We also have five cooperative customers on the west side of Montana. Bonneville does not extend its service into eastern Montana. The Secretary of Interior a number of years ago, defined our marketing area as extending only to the Continental Divide; consequently, we do not sell any power in the eastern part of Montana.

Now, the power outlook in the Pacific Northwest is something that has to be taken into account when we think of Knowles Dam, or any other new proposed project. We have what we think are reliable predictions, that load growth in the Northwest in the next 10 years is going to double requirements for electricity. In other words, in the next 10 years, we are going to have to install approximately as much generation as has been installed in the last 60 years. That will give you some idea of the magnitude of the job. This is nothing peculiar to the Pacific Northwest. This is true nationwide. And it is not peculiar to Federal power agencies, or public power agencies. The private power utility companies are experiencing this same phenomenal load growth. And so we have to look ahead to those projects which can meet this great increase in the demand for power, and meet it at the lowest possible cost to the area, so that we can keep rates down and keep our power system in a position to be attractive to large industries, which in turn mean payrolls, and a broader tax base, and so on.

In looking over the possibility for meeting this doubling of power loads in the Northwest, it is clear that the cheapest way to do it is by additional hydroprojects. We have developed only about one-half of the firm power capability of the Columbia River system and we have developed only about one-fourth of its peaking capability.

So, in order to finish up the development of the Columbia River, it is necessary that we go into the tributaries and build large storage projects.

The main stem of the Columbia is fairly well developed; in fact, it is almost completely developed. The farthest dam downstream, at tidewater, is Bonneville Dam. From Bonneville Dam on upriver, there is either in operation or under construction every dam that could be built, except for two. One is the project near the Hanford Works at Richland, Wash., called the Ben Franklin damsite. It cannot be built at present because it would flood the nuclear reactors on the banks of the Columbia. The other remaining project is Wells, which lies upstream in Douglas County in Washington and which has recently been licensed by the Federal Power Commission to be built by the Douglas Public Utility District.

On the lower Snake River, we have one dam in operation, Ice Harbor Dam; Lower Monumental Dam, which is under construction; then we have Little Goose Dam, which President Kennedy has requested money to start this year, and Lower Granite Dam, coming along in a year or two.

Now, most of these main stem dams with the exception of the Grand Coulee project, are just run-of-the-river dams; that is, they do not have storage behind them. Yet on the Columbia River, the normal flows vary tremendously. If there were no dams at all on the river, the flows of the Columbia would vary in the worst water years that we know of, from about 40,000 cubic second feet, to the worst flooding conditions that we know of, more than a million second feet. In other words, the normal flows of the Columbia, as great a stream as it is, vary by a ratio of 20 to 1. Now what this means is that if we are going to get the most power capability out of these downstream dams, we have to impound the floodwaters—the spring runoff in the headwaters—and hold it to be released in the lower water season. Storage makes good water out of bad water—it evens out streamflows, thereby increases the firm capability of all downstream dams.

I noticed yesterday when we drove from Spokane up the Clark Fork River, that the Washington Water Power Dam at Noxon Rapids has an empty stall waiting for additional storage upstream—waiting for Knowles project. I noticed that at the Dalles Dam down on the Columbia, there are eight empty stalls. At the John Day Dam, which is now under construction, there will be 10 empty stalls. At Rocky Beach Dam, north of Wenatchee, Wash., there are four empty stalls, waiting for additional upstream storage. So we have to take a look around and, where projects can be built, see that we get the greatest capacity out of the total power resources we have here in the Pacific Northwest.

In Canada there are three excellent storage sites. The United States has a treaty with Canada for joint development of the Columbia River. We have ratified the treaty, but Canada has not as yet. So, the treaty has been lying on the table now, signed up for 1½ years. The treaty would require Canada, if she ratified it, to build three storage dams up the Columbia River in Canada and in return for building these dams, we agree to give her one-half of the additional power that we can produce at our downstream dams. It is a good deal for Canada and it is a good deal for us, but as to whether it will be ratified, we do not know. We know, of course, that after we have waited 1½ years to get it ratified, that it would not be prudent to take it for granted that the treaty will be ratified.

In the United States, we have a limited number of storage projects. We have the Bruces Eddy site on the north fork of the Clearwater River above Lewiston, Idaho. We have the Nez Perce or High Mountain Sheep Dam site—they are alternates—over on the middle Snake, just below the Great Hells Canyon which is on the Snake River. And we have the Knowles or Paradise dam sites. Presently, of course, the Corps of Engineers has recommended the Knowles site on the Flathead River, just before it joins the Clark Fork, as a great storage site.

The Knowles Dam would be about 500 feet high and would store 3 million acre-feet of water. Here is what that dam would do at site and for downstream projects. At the site itself, Knowles would produce 267,000 kilowatts of dependable power, power that you get all year around—267,000 kilowatts. But, at the downstream dams, some 15 of them, it would result in production of an additional 686,000 kilowatts. So, all told, if you take the power that it will produce at the dam itself plus all the increased downstream power its storage will provide, Knowles will add almost 1 million kilowatts to the total power resources in the Pacific Northwest in meeting this great increase we foresee in the need for power.

By way of comparison, the two dams that are proposed by a private company as alternatives to Knowles, would produce as firm power, that is prime power, 148,000 kilowatts. They have peaking capacity of approximately 240,000 kilowatts, but the plant could not produce 240,000 kilowatts on a year round basis, unless the Flathead Lake were to draw down something in excess of 30 feet. This, of course, nobody including the company itself is proposing. But in order to get a firm capability of 240,000 kilowatts out of the two proposed alternative run-of-the-river dams, with no storage behind them, the lake would have to be drawn down. In order to compare the run-of-the-river dams with the high storage Knowles project you would have to use the firm year round or capability figure of around 140,000 kilowatts.

The figures I have just given you showing the great advantages of the Knowles project, producing approximately six times the amount of power that the Buffalo Rapids Dams 2 and 4 would produce, are based on the assumption that the Canadian treaty would not be ratified. I think that as a matter of prudent planning at this time, we have to assume we are going to have to provide our own storage. If the treaty is ratified, that is fine, so much the better, but even if the Canadian storage projects are built first, the Knowles project still would add three times as much power as these two run-of-the-river projects.

It is interesting, also, that this power would add not only to Federal dams downstream. The Noxon Rapids Dam, which is a Washington Water Power Co. project built in Montana on the Clark Fork, would get an additional 69,000 kilowatts out of the Knowles project. That's why they've got that empty slot there that I mentioned. The Cabinet Gorge project which is on the Idaho-Montana border and which backs practically all of its tailwater into Montana, would get an additional 45,000 kilowatts of power out of Knowles. So you see that these two dams of Washington Water Power Co. alone would get something in excess of 115,000 kilowatts out of the Knowles project that they aren't going to get unless you have this increased storage to regulate the flows of the Clark Fork River. And so down the stream. At Grand Coulee, a Federal project, we would get 184,000 kilowatts of additional firm power. At this one dam, we would get more additional firm power as a result of Knowles storage than the two run-of-the-river Buffalo Rapids Dams 2 and 4 would produce in total.

Now under our BPA rate policies, we sell our power at postage-stamp rates. That is, we charge the same rate wherever you tie into our Bonneville system. It is the same rate at Anaconda as you would pay at Burns, Oreg., or up at Blaine, Wash., on the Canadian border. Consequently, any power that we add at our system is available to any potential user wherever on the system, including the State of Montana, at this postage-stamp rate. Consequently, the increased power production that would result from the Knowles project would be available for use here in the State of Montana as well as elsewhere within the BPA marketing area which includes Oregon, Washington, and northern Idaho, in addition to the western portion of the State of Montana.

In the case of the Hungry Horse project, your congressional delegation put in a reservation for the State of Montana. The same could be done, of course, with authorizing legislation for the Knowles project. I am informed, with reference to the Bruces Eddy project, that Senator CHURCH and the Idaho delegation plan to request an at-site reservation there, also, for the benefit of the State of Idaho.

With respect to the Hungry Horse reservation, incidentally, we do not find that this is any hamper in operating the Bonneville system, because most of the time we are selling more power in Montana than the Hungry Horse reservation would entitle you to if we were just to limit the power that we sold here in the State to that which is generated at Hungry Horse Dam itself.

The Knowles project would cost in the neighborhood of $250 million. It would be a major construction project. The two run-of-the-river dams would cost a total of $42 million, according to the company figures, which I have no particular reason to challenge. In other words, the Knowles project would be a much more expensive project to build. Of course, if you compare the two projects only by taking into account the power to be produced at site, the two run-of-the-river dams will produce the cheapest power. But if you look at the total power that will be produced by the alternate projects, then the Knowles project produces by far the cheapest power.

On a kilowatt-hour basis, which is one way of talking about how much power costs, the Knowles project without Canadian storage would cost about 3.15 mills per kilowatt-hour, the Buffalo Rapids about 5.75 mills. If you look at it on the basis of what it adds to our system; that is, not only the Bonneville system, but all of the interconnected utility systems in the Northwest, the Knowles project without Canadian storage would cost only a little less than $8 a kilowatt-year, whereas, the Buffalo Rapids projects would cost something in the neighborhood of $28 per kilowatt-year. The Knowles project is a much cheaper project from the standpoint of power costs here in the Pacific Northwest.

If we are going to preserve our low basic postage-stamp rate, we must have increments of economical power—the kind we get through building storage projects which firm up more power at our downstream dams—taking advantage of the empty slots in these downstream dams, ready to be filled with generators as soon as we have the dependable waterflow from upstream projects to make sure we can operate them the year around.

Well, ladies and gentlemen, that is in a nutshell the case for the building of the Knowles project, which would represent full development.

You know, this argument whether you are going to have a run-of-the-river dam or a storage project is not peculiar to the Flathead River. This is an argument that has been going on ever since people have talked about building dams out here in the Northwest.

When the Grand Coulee project was suggested, a group of farmers, businessmen, and lawyers, and so on, in the little towns of Ephrata and Wenatchee, started pushing this project. The private company that serves the area of Spokane proposed that a better project would be the Kettle Falls Dam—another run-of-the-river project. And they had two run-of-the-river projects that could not be built if the large storage project at Grand Coulee was to be built. They said these smaller dams would cost less than big dams so we shouldn't build big dams. Well, fortunately, President Franklin Roosevelt saw it otherwise and we have the Grand Coulee project which is the greatest power dam in the United States. It produces power at the lowest cost of any project in the United States and makes it possible to irrigate up to 1,100,000 acres of land in Washington, and in Oregon about 400,000 acres.

The argument over big dams versus little dams, I am told, occurred on the Flathead River itself at the time Kerr Dam was put in. There was an argument made favoring a smaller dam that I believe it was the Indian Service proposed enlarging. The argument was made for Kerr Dam that it meant comprehensive development—full development—of the resource. And it was built.

Incidentally, as I understand, the Kerr Dam was able to install an additional generator because of Hungry Horse storage up above, to the great advantage of the Montana Power Co., and we are very happy that they got this additional amount of power, but it is a good illustration of what these high storage dams mean to everybody—not just to Federal dams—but to the private dams, too. As I pointed out, the Washington Water Power dams down on the Clark Fork would benefit greatly because of the Knowles project, but they don't benefit from run-of-the-river dams such as Buffalo Rapids 2 and 4.

This same little-dam versus high-dam argument took place in the case of the Hells Canyon. Unfortunately, the small-dam proponents won in that instance. So, we have in that great natural reservoir two run-of-the-river dams and one that has storage of 1 million acre-feet—nothing compared to what is available. In that instance, the principle of full and comprehensive development was violated. But we in the United States cannot afford to go on that basis. Our international competition is not doing that.

We have in the United States, if we develop all of our hydroelectric resources, about one-half of the hydro potential of the Soviet Union. They are a bigger country, they have more rivers, they have more water in their rivers. We simply cannot afford as a matter of national policy to waste potential energy resources such as hydroelectricity. Our great damsites must not be thrown away by just half development or, in this case, one-sixth development. We are a wealthy nation, but we cannot afford to be a wasteful nation.

I think that if the Knowles project is developed that years from now people will look back on this controversy much as they do now on the Grand Coulee argument. Nobody nowadays could understand why in the world anybody was against the Grand Coulee project. Everybody thinks it is great, but at the time it was authorized there were charges and countercharges, and statistics and facts and so on, and it was contended "all you need are a couple of little run-of-the-river dams," that we did not need this big storage dam. "Why, you will never be able to sell the power," it was said. "What are you going to do with it, sell it to the jackrabbits?" That was one of the arguments against Grand Coulee.

We cannot get on with this job of resource development which is so important to your State, to our region, if we are people of little faith. We have to have faith that this country can go ahead, that we can develop our resources to the greatest advantage of all the people, and when we do that we are going to benefit, not just public agencies, we are going to benefit the private utility companies, and we are going to benefit the whole region and the whole Nation.

This is not a program that involves public power versus private power property. This is a program that involves the question whether we are going to have halfway development of our resources or are we going to have full development of our resources. I think that history will expect us at this junction of time to vote in full favor of full development of our natural resources.

Thank you.

QUESTIONS AND ANSWERS FOLLOWING MEETING AT MISSOULA, JULY 27, 1962

Mr. LUCK. I would be happy to try to answer any questions on matters that I might not have touched on, if you want to stay.

Question. Why did they abandon the Paradise Dam in favor of Knowles Dam?

Answer. If we get Canadian storage, the Knowles Dam, according to the study of the Corps of Engineers, is more economical of the two projects. If we do not get Canadian storage, I think the matter should be restudied, but in any event, regardless of that, the Knowles project is clearly the much better project than the other alternates that are being proposed. I think your question is a good one, and I think if this Canadian treaty continues to stay on the table indefinitely, that Congress will probably ask the Corps of Engineers and the Bureau of Reclamation to restudy these alternates and see whether that dam should not be built below the junction of the Clark Fork instead of above.

Question. One of the big questions here in Montana is—Montana water for Montana people, Montana power for Montana. Now under private development, do the licenses from the Federal Power Commission to a non-Federal developer guarantee any power for that State?

Answer. No; they do not.

Question. There would be no reservation of power for Montana under private development?

Answer. No. As a matter of fact, on the Clark Fork at Noxon Rapids, a dam built by the Washington Water Power Co., you can see what direction the lines are going out of Noxon Rapids; they are going into the Spokane, of course, and the same thing is true of the Cabinet Gorge Dam, which is just over the line in Idaho and has most of its storage reservoir in Montana. The Federal Power Commission does not license on a reservation basis. They simply license the project to the particular licensee.

Question. What is the on-site reservation condition at Hungry Horse that you mentioned, that could hold true for the Knowles Dam?

Answer. You are speaking of the Hungry Horse reservation?

Question. Yes.

Answer. Well, in the legislative history that went along with the Hungry Horse project, your delegation did a very good job for the State of Montana, and built into the legislation history a record which indicated it should be reserved to Montana, the power that could be produced at the Hungry Horse project. We have computed that by a mathematical computation and it amounts to 220,000 kilowatts of firm power. Now that reservation, incidentally, does not just pertain to western Montana, but also eastern Montana. It is statewide for the whole State of Montana, but at the present time the whole reservation has been sold out in western Montana, principally to the Anaconda Aluminum Co., the Montana Power Co., and Victor Chemical Works.

Question: Is there an on-site price which they offer to companies there?

Answer. Yes; our Bonneville standard rate schedules, so called postage-stamp rates, have an at-site rate at all of our projects which is a little less than the rate which you have to pay if you are not within the specified distance of the project. As I recall, it is 15 miles.

Mr. JACKSON. Mr. President, Bonneville Power Administration today celebrates the 25th anniversary of the signing of the Bonneville Project Act by President Franklin D. Roosevelt on August 20, 1937. A grateful region and an appreciative Nation today pay tribute to BPA and the vision of the dreamers of a quarter century ago who made BPA a living force to breathe new economic life into the Pacific Northwest.

Because of the low-cost Federal power made available throughout the Northwest through Bonneville Power Administration, these are some of the things that have happened:

First. Ninety-nine percent of the region's farms have become electrified.

Second. The average Northwest family uses 10 times as much electricity as it did in 1940, and 2½ times the national average.

Third. The region's tax base has been broadened, with more tax receipts for local, State, and Federal governments.

Fourth. Public and private rates are among the lowest in the Nation.

Fifth. Private power profits and stock market values have gone up as the competition of public power has forced rates down and increased consumption.

Sixth. Added employment and income have swelled the market for a whole host of products produced by people in other regions throughout the United States, radiating the benefits of regional development to every corner of the Nation.

While accomplishing these and other notable achievements, BPA has managed to stay ahead of schedule in repaying the Treasury, with interest, for power's share of the Federal investment in Northwest multipurpose projects. As of June 30 of this year BPA had returned to the Treasury $20 million more than required by the repayment schedule.

Because of BPA's tremendous contribution to the region it serves and to the Nation, the President and the Governors of Washington and Oregon have noted the occasion with special messages. I ask unanimous consent to have printed in the RECORD at this point these three messages.

There being no objection, the messages were ordered to be printed in the RECORD, as follows:

AUGUST 20, 1962.

When you help build a region, you help build your Nation. This is the real significance of Bonneville Power Administration's first 25 years.

The Bonneville Project Act, signed 25 years ago by President Franklin D. Roosevelt, expressed the aspirations of the Pacific Northwest with respect to its unique endowment of water resources. It foresaw what wide distribution of electric power at low cost could do for the region and the Nation, and it provided the vehicle to accomplish this goal.

Today the evidence is all around us. People of the Pacific Northwest use more electricity—for their homes, their farms, their businesses, their industries—than the residents of any other region. More than 99 percent of the area's farms are electrified. Northwest industry has built and thrived and expanded on Columbia River power. Electric rates of all utilities, public and private, in the Bonneville marketing area are some of the lowest in the Nation.

Other regions also have benefited. The economic growth of the Pacific Northwest has created a bigger market for Detroit cars and Pittsburgh steel and Boston shoes and Atlanta textiles. The list is almost without end, and proves again again that the economic vitality of one region affects the economic vitality of all other regions.

Twice in Bonneville's relatively short lifespan our Nation has been required to fight wars to preserve freedom. On each occasion, Bonneville's great hydro and transmission resources played an important role in victory.

Bonneville's first 25 years point the way to ever bigger contributions to the economic growth and prosperity and security of our Nation.

The job of developing the hydroelectric potential of the Columbia River system is less than half done. May the past achievements of the Bonneville Power Administration serve as an inspiration to get on with the job in the years ahead.

JOHN KENNEDY.

STATE OF WASHINGTON,
Olympia.

Bonneville Power Administration will observe the 25th anniversary of its founding August 20, 1962.

It was on this date in 1937 when President Franklin Delano Roosevelt signed the Bonneville Power Act and created the agency to market the electric power generated at Federal facilities in the Columbia River Basin. In the quarter of a century since the agency has constructed a vast transmission system and made a tremendous contribution to the industrial growth and economic development of Washington State. A key factor in this contribution was the service, dedication, and efficiency of the agency's employees.

Bonneville today sells power from 15 generating plants. Its high voltage transmission grid serves as the backbone to connect the utilities of the Pacific Northwest. Largely through increased efficiency and technology Bonneville has maintained the basic wholesale rate of $17.50 a kilowatt-year that was established in 1939. The future growth of this State's economy and the expansion of job opportunities for its increasing population demands that we do our utmost to avoid any increase in this basic rate.

Now, therefore, I, Albert D. Rosellini, Governor of the State of Washington, do hereby designate August 20, 1962, as Bonneville Power Administration Day and urge the people of Washington to commemorate the founding of this Federal agency and continue to support full development of the region's hydroelectric potential.

ALBERT D. ROSELLINI,
Governor.

STATE OF OREGON,
Salem, Oreg., August 20, 1962.

Twenty-five years ago the Bonneville Act with which our own Senator Charles L. McNary was so closely identified became a reality. This was the significant breakthrough of that era in the provision of hydroelectric power for our people together with the multiple other benefits in reclamation, navigation, irrigation, flood control, recreation, and the like.

Its contribution to World War II is well documented. But, more importantly, here is a monument to the vision of those who saw clearly the potentiality of this important public service. Today's generation comprehends only with difficulty the Northwest of the pre-Bonneville past. Yet tomorrow's generation will still be benefiting from its existence.

The great Columbia is a symbol of nature's handiwork. As man has added his hand to that of the Creator, progress has been achieved. We fervently hope that across this Nation the occasion of a quarter century of service by Bonneville might remove all doubts that the great experiment was justified. We likewise trust that wisdom might prevail in the provision of more new starts throughout our area in dams which in their way, in their area of service, will be as meaningful as Bonneville. Quibbling about Federal or private support has quieted. May cooperation prevail to the end that the job is done and the people served.

MARK O. HATFIELD,
Governor.

Mr. MAGNUSON. Mr. President, it is fitting to take a moment today to recognize a milestone of achievement—and still greater promise—in the Pacific Northwest. I refer to the 25th anniversary of the Bonneville Power Administration, being observed today.

This anniversary would be more meaningful if we could have with us two distinguished former colleagues who had much to do with getting our Bonneville Power Administration underway. I refer to the late Senator Charles McNary, of Oregon, and to my good friend, Homer T. Bone, who left the Senate to become a member of the Ninth Circuit Court of Appeals, in San Francisco, and who now has retired from the Federal bench.

They may have represented opposing viewpoints on many issues, but they both knew what a Bonneville Power Administration, fully implemented, could mean to our regional development. So did our late Franklin D. Roosevelt, who signed into law the Bonneville Act on August 20, 1937.

President Kennedy also understands fully the Bonneville record and the agency's promise for the future, because, on this anniversary, President Kennedy has said:

> When you help build a region, you help build your Nation. This is the real significance of Bonneville Power Administration's first 25 years.
>
> The Bonneville Project Act, signed 25 years ago by President Franklin D. Roosevelt, expressed the aspirations of the Pacific Northwest with regard to its unique endowment of water resources. It foresaw what wide distribution of electric power at low cost could do for the region and the Nation, and it provided the vehicle to accomplish this goal.
>
> Today the evidence is all around us. People of the Pacific Northwest use more electricity—for their homes, their farms, their businesses, their industries—than the residents of any other region. More than 99 percent of the area's farms are electrified. Northwest industry has built and thrived and expanded on Columbia River power. Electric rates of all utilities, public and private, in the Bonneville marketing area are some of the lowest in the Nation.
>
> Other regions also have benefited. The economic growth of the Pacific Northwest has created a bigger market for Detroit cars and Pittsburgh steel and Boston shoes and Atlanta textile. The list is almost without end, and proves again that the economic vitality of one region affects the economic vitality of all other regions.
>
> Twice in Bonneville's relatively short lifespan our Nation has been required to fight wars to preserve freedom. On each occasion, Bonneville's great hydro and transmission resources played an important role in victory.
>
> Bonneville's first 25 years point the way to ever bigger contributions to the economic growth and prosperity and security of our Nation.
>
> The job of developing the hydroelectric potential of the Columbia River system is less than half done. May the past achievements of the Bonneville Power Administration serve as an inspiration to get on with the job in the years ahead.

Mr. President, most of us know the Bonneville statistics well. Fifteen projects now are in service. These include four Bureau of Reclamation dams—Grand Coulee, Hungry Horse, Chandler, and Roza. Eleven Corps of Army Engineers projects also are in service now—Bonneville, McNary, Detroit, Big Cliff, Lookout Point, Dexter, Albeni Falls, Chief Joseph, The Dalles, Ice Harbor, and Hills Creek.

Those now in service have an installed generating capacity of 6,489,250 kilowatts.

There are five corps projects under construction now—Cougar, Green Peter, Foster, John Day, and Lower Monumental. These will add 1,890,000 kilowatts to the system.

Since the Bonneville Act was signed, over one-third of a trillion kilowatt-hours of power has been sold. I am told this would be enough to meet Seattle's needs for 95 years, or the needs of the entire Nation for 8 months.

For the sake of comparison, about half the farms in the region served by Bonneville Power Administration were electrified in 1940. Now, nearly 99 percent of them have power.

I note that BPA has adopted the theme, "Power for Progress," for the 25th anniversary.

I am sure that all who pushed for enactment of the legislation 25 years ago would agree today that the agency's record has made that theme a reality today, as well as an important promise for the future.

Mr. President, I ask unanimous consent to have printed in the RECORD a statement on the 25th anniversary of the Bonneville Power Administration and a very provocative speech by Gen. David Sarnoff, entitled "Communications and the Law."

There being no objection, the statement and the speech were ordered to be printed in the RECORD, as follows:

A REPORT ON BONNEVILLE POWER ADMINISTRATION'S FIRST 25 YEARS, 1937–62

I. POWER FOR PROGRESS

Bonneville Power Administration completed its first transmission line from Bonneville Dam to the city of Cascade Locks July 9, 1938, marking the birth of the U.S. Columbia River power system.

Today, BPA is the marketing and transmission agency for 20 U.S. multipurpose dams, 15 of which already have been built. BPA serves an area of 220,000 square miles in Oregon, Washington, northern Idaho, and western Montana, with approximately 5 million people.

BPA to date has delivered more than a third of a trillion kilowatt-hours of electric energy for which it has been paid more than $875 million in gross power revenues. All of these revenues have been returned to the U.S. Treasury.

Since 1943 BPA has supplied more than half of the power generated in the region. Currently the figure is nearly 60 percent.

This means about 80 million killowatt-hours of low-cost hydroelectric power for the region's economy every 24 hours.

The 15 U.S. multipurpose projects now in service plus 5 under construction will have an installed generating capacity of 8,379,250 kilowatts by 1968, representing the greatest hydroelectric development of any river basin in the world.

II. POWER FOR PEOPLE

People of the Pacific Northwest have achieved one of the world's highest standards of electrical living.

Pacific Northwest families today use about 10 times as much electricity as they did in 1940, and almost 2½ times the U.S. average.

Abundant low-cost power has made possible electrification of 99 percent of the region's farms during the last quarter century.

Typical farm or residential families in Oregon and Washington today use about 9,500 kilowatt-hours of electricity a year, pay a power bill averaging less than $10 a month, and have an investment of about $2,000 in electrical appliances.

More than half of Bonneville Power Administration's power today goes to publicly owned systems of municipalities, REA cooperatives and Federal agencies.

BPA's original "postage stamp" rate of $17.50 a kilowatt-year, still in effect today, has helped assure the widest possible use and distribution of low-cost Columbia River power to the people of the region.

III. POWER FOR INDUSTRY

Bonneville Power Administration started a never-ending flow of low-cost hydroelectric power that spurred an industrial revolution in the Pacific Northwest.

New electroprocess industries and rapid electrification of existing industries added immeasurably to new job opportunities and wealth to the region's economy.

BPA's 14 electroprocess customers with 18 large industrial plants today represent a gross investment of nearly $400 million and pay State and local taxes ranging from $5 to $7 million annually.

The eight aluminum reduction plants of the Pacific Northwest alone produce 28 percent of the Nation's primary aluminum.

One out of every nine Pacific Northwest workers engaged in manufacturing today is producing aluminum transportation equipment and specialty items such as golf bag carriers, sprinkler irrigation pipe and couplers, ladders, shingles, siding, kitchen cabinets, outdoor furniture, and home appliances.

Abundant low-cost power nutured the unprecedented expansion of the quick-frozen food industry in the Pacific Northwest which supplies about half the berries, one-third of the vegetables, and one-fourth of the frozen fruit packed in the United States.

Today, modern electrified sawmills, paper and plywood plants, together with wood fabrication of every description provide employment for about two out of every five workers gainfully employed and are major users of hydroelectric power.

Bonneville Power Administration itself is a major Pacific Northwest industry with a plant investment of more than $520,000,000. BPA employs 2,300 workers and has an annual payroll of more than $16,000,000.

IV. POWER PAYS ITS WAY

Bonneville Power Administration now is a billion dollar business with gross revenues as of July 1, 1962, of more than $875 million and annual power revenues exceeding $70 million.

Power revenues from BPA are used to repay, in addition to the transmission investment, all of power's share of the costs of the region's multipurpose dams plus a substantial portion of the costs allocated to irrigation.

Power revenues thus are scheduled to repay about 81 percent of the total costs of the 20 multipurpose dams and all associated facilities including navigation, flood control, irrigation, recreation, hydroelectric power generation and transmission.

When the 20 dams and related facilities are completed in 1968, such aggregate cost will be about $3,850 million. Power will pay about $3,150 million including more than $600 million in costs allocated to irrigation but repayable from power revenues.

BPA is currently $20 million ahead in its scheduled repayment of total power investment. Power revenues to June 30, 1962, have retired more than $315 million of the Federal Government's capital investment plus $318 million interest and about $225 million in operations and maintenance costs.

An aggressive program is underway to find markets for surplus secondary power and temporary surpluses of firm power that last year would have been worth about $30 million. BPA is also planning new generation to meet the region's growing powerloads, which are doubling every 10 years. BPA is seeking economies through technological advances and businesslike administration.

BPA is bending every effort to hold the present wholesale rate of $17.50 a kilowatt-year. This low rate has been in effect since beginning of operations in 1938.

V. POWER SPURS TECHNOLOGY

Bonneville Power Administration has developed the Nation's largest high-voltage transmission grid in the course of its first quarter of a century. It has received world recognition for technical breakthroughs and achievements that have saved electric consumers millions of dollars.

BPA's $520 million transmission grid constitutes about 80 percent of all high-voltage lines in the Pacific Northwest.

Technological advances have held the cost of transmission per kilowatt-hour on the BPA system substantially the same as it was 20 years ago, even though construction and other costs have more than doubled.

Most spectacular breakthroughs now accepted by the industry include lower insulation levels in high-voltage transformers, developing automatic reclosing of high-voltage circuit breakers, design of light steel transmission towers and system engineering innovations to move large blocks of power with minimum line losses.

BPA engineers pioneered in applications of electronics to ultimately provide nearly automatic computer control of hydroelectric generation and power flow.

BPA's regional dispatching center at Portland, Oreg., headquarters is one of the Nation's largest and most modern. It provides instant communication, telemetering intelligence and controls that are the basis of precise and efficient system operation.

BPA currently is pioneering in the technology of extra-high-voltage transmission, both direct current and alternating current. By January 1963, BPA will have an experimental 500,000-volt direct current 5-mile section of line ready for advanced studies.

Electrical and hydraulic integration of the BPA system with other members of the Northwest Power Pool and other utilities of the region adds more than 1 million kilowatts of firm power capacity to the region's resources. BPA has nearly 500 interconnections with other utilities both public and private.

VI. POWER FOR THE FUTURE

Bonneville Power Administration economists, resource planners and engineers believe that the next quarter century will be one of rapid population growth, solid industrial growth and leapfrogging technological advances in generation and transmission of electric energy.

The Pacific Northwest will have to develop three times as much power in the next 25 years as it now has in order to support 10 million people, nearly double the present population. There will have to be about 3,600,000 jobs in manufacturing and service industries to sustain a dynamic economy.

A staggering capital investment of more than $1 million a day in new dam and generation projects will be required to put the necessary kilowatts on the line in the next 25 years.

The rate of development and feasibility of the great remaining potential hydroelectric energy sources will depend to a large extent on finding solutions for passing runs of anadromous fish over high dams or maintaining these runs by alternate means.

Electric energy will continue to be the lifeblood of the Pacific Northwest economy. For the next 10 to 15 years, development of the remaining feasible hydroelectric projects in the Snake River Basin and western Montana, combined with Canadian storage projects, can meet the growing power needs of the region.

By the early or mid-1970's the region will have to turn to new thermal plants fired by coal, oil or gas—and atomic energy as it becomes competitive with conventional sources.

The next quarter century could see scientific breakthroughs in direct conversion of heat into electrical energy, production of electricity with bacteria, or harnessing the inexhaustible energy of the sun.

BPA looks ahead with the attitude that no possible source of energy can be dismissed as either too prosaic or too exotic in our region's quest for power to assure continued economic progress and prosperity.

A CAPSULE HISTORY OF BONNEVILLE POWER ADMINISTRATION

BORN IN CONTROVERSY

Bonneville Power Administration was born in bitter controversy.

Bonneville proponents pleaded for:

Abundant low-cost power for rural areas and preference for public bodies.

A Federal transmission system.

Widest possible distribution of Bonneville Dam power.

Critics said:

Bonneville Power Administration will never pay for itself or for Federal construction of transmission systems.

Sell the power at bus bar to private utilities for distribution over their systems and for industrial development near the dam.

BONNEVILLE ACT SIGNED

The dreamers won.

President Franklin D. Roosevelt signed the Bonneville Project Act on August 20, 1937.

Power to be generated at Bonneville Dam and later at 19 additional U.S. multipurpose Columbia River projects was to belong henceforth to the people of the United States. It was to be distributed for their benefit.

DREAMS BECOME REALITY

Secretary of the Interior Harold L. Ickes, appointed James D. Ross, "Father of Seattle City Light," as Bonneville Power Administrator, November 1, 1937.

Often working far into the night, Ross plunged relentlessly into the tremendous task of setting up an organization, designing initial transmission facilities, and securing construction and operating funds. When he died on March 14, 1939, he left much more than a functioning organization.

He left a touch of greatness.

A master plan for future growth of the BPA transmission system to serve every corner of the region with abundant low-cost power.

The famous "postage stamp" rate of $17.50 a kilowatt-year—still in effect today, 25 years later.

Adoption by public utilities of resale rate schedules averaging about a penny per kilowatt-hour for home use.

Power generation that would anticipate a new era of industrial development.

His concepts and vision of the role Federal power should play in the Pacific Northwest have stood the test of time.

WAR AND PROGRESS

Dr. Paul J. Raver, chairman of the Illinois Commerce Commission, became Administrator September 16, 1939, following interim service by two famed engineers, Charles E. Carey and Frank A. Banks.

Within the month, Poland was invaded. Clouds of World War II were gathering.

First transmission lines—with tower steel packed in by mule and shank's mare—threaded the rugged terrain of the Columbia Gorge from Bonneville Dam west to J. D. Ross substation, Vancouver, Wash., and east toward The Dalles, Oreg. This was in December 1939.

Ross substation became the power crossroads for southwest Washington, western Oregon and the Willamette Valley.

The year 1940 saw transmission lines completed—south to Salem and Eugene, west to Astoria, north to Chehalis, Raymond, Naselle and Aberdeen, and northeast from the dam to Midway in southeast Washington.

WORLD WAR II

The United States was about to be swept into the holocaust of World War II. The Nation was girding for the defense of democracy.

Grand Coulee Dam, greeted by the skeptics as a white elephant and folly of the New Deal, was nearing completion.

President Roosevelt by Executive order of August 26, 1940, made Bonneville Power Administration the marketing agency for power generated at Grand Coulee, and authorized coordination of the electrical facilities of the two projects.

United States declaration of war against Japan and against Germany and her allies in December 1941 placed all power facilities on a crash basis.

New transmission lines poured off the drawing boards and went into construction.

All generator installations scheduled were accelerated.

Bonneville Dam and Grand Coulee Dam were interconnected at Midway early in 1941, forerunner to coordinated operation of the region's power resources. The first power arteries radiating from Grand Coulee were under construction.

A year later the first Grand Coulee power was flowing to Spokane in the east, and west over the Cascades to Puget Sound. The Chehalis line was extended north to loop with the Grand Coulee line at Covington, Walla Walla and Lewiston were linked to Midway.

The Northwest Power Pool was born. All power resources were pooled for a staggering war effort.

Bonneville and Grand Coulee Dams poured some 26 billion kilowatt-hours of muscle into the Pacific Northwest's war effort.

Thousands of ships and planes, precious aluminum, lumber and food, ingredients for the atom bomb and countless critical materials and fabrication were the region's contribution to shortening the world conflict.

POSTWAR—A NEW ERA

Six new Federal Columbia River dams had been authorized by Congress when President Harry S. Truman accepted the unconditional surrender of Germany and Japan in 1945.

It was not until 1947 that construction was started on a new U.S. Columbia River Basin dam, McNary. Work began on Hungry Horse in 1948 and on Detroit and Lookout Point in the Willamette Basin in 1949.

Once again critics said the region would have power literally running out of its ears in a postwar letdown.

They were wrong.

Warworkers imported to the region stayed in the Pacific Northwest. Servicemen who liked what they saw in the Northwest sparked a new westward migration.

Aluminum and electroprocess industries expanded.

Building boomed and farms prospered.

Outbreak of the 3-year Korean conflict in June 1950 gave new impetus to skyrocketing demands for hydroelectric energy.

"BROWNOUTS" OF 1952–53

Electric clocks lost time and lights dimmed visibly during hours of peak use in winters of 1952–53.

Combined hydroelectric installations and emergency steamplants of the Pacific Northwest were unable to meet the soaring powerloads, intensified by low winter streamflows and frequent periods of below-normal temperatures.

All available steampower from Utah and hydro from Canadian plants were imported to fill the breach.

Yet this was not enough.

Power to aluminum plants and large industries had to be curtailed to prevent "brownouts" of commercial, business, farm, and residential customers.

Utilities launched publicity campaigns asking everyone to cut down on uses of electricity, particularly during the morning and evening peakload hours.

Private utilities asked the State public utility commission for authority to add to the cost of using high-priced emergency steamplants to their light bills.

The request was granted.

NEW DAMS—NEW POWERLINES

Outbreak of the Korean war and urgency of the Pacific Northwest power crisis brought action by Congress.

Seven dams were authorized in 1950—Albeni Falls, Lookout Point and Dexter, Hills Creek, The Dalles, John Day, and Libby.

All dams in the present U.S. Columbia River system were authorized by 1954 with congressional approval of Cougar and Green Peter.

Construction started on Big Cliff and Albeni Falls in 1951, The Dalles in 1952, Dexter and Chandler in 1953.

Final links in Bonneville Power Administration's backbone grid were completed late in 1952.

A 230,000-volt transmission line from Spokane to Kalispell and from Hot Springs to Anaconda brought low-cost Bonneville power to western Montana industries and public agencies.

Storage at Hungry Horse not only made possible 222,000 kilowatts at site, but production at downstream dams increased by 832,000 kilowatts. Thus coordination of Hungry Horse with the downstream Columbia River system added 1,054,000 kilowatts to the region's power resources.

Lines were completed in 1952 to carry direct Columbia River power service to central Oregon via a 230,000-volt The Dalles-Redmond line, and to southwest Oregon via Eugene, Bandon, and Gold Beach.

New transmission lines were on the drawing board to link each new project with the system as the first generators were ready to spin.

After 1954 new authorizations dried up but Congress voted funds for start of construction on five previously authorized dams, Chandler in 1953, Roza, Ice Harbor, Hills Creek and Cougar in 1956, and John Day in 1958.

Public agencies stepped into the gap created by lack of newly scheduled Federal generation by requesting licenses for three large mid-Columbia River projects.

Construction was started on Priest Rapids in 1956, Rocky Reach in 1957 and Wanapum in 1959.

BPA WHEELING PROGRAM

Bonneville Power Administration's wheeling program was firmly established under the administration of Dr. William A. Pearl, former director of the Washington State Institute of Technology, who took office January 15, 1954.

A series of Solicitor's opinions based on power interchange provisions of the Bonneville Act made it possible for a non-Federal utility to use BPA's interconnected regional backbone grid to transmit power from an isolated project to distant load centers.

The wheeling program brought far-reaching benefits to the region:

Non-Federal projects dependent on marketing their power at distant load centers were made feasible.

Costly duplication of transmission facilities was avoided.

Power could be transmitted at the lowest possible cost.

Long-term wheeling contracts have been signed for power from the Chelan County PUD's Rocky Reach, Grant County PUD's Priest Rapids and Wanapum, Pend Oreille PUD's Box Canyon, and Portland General Electric's Pelton project.

POWER SHORTAGE EASED

Power shortages were eased temporarily in the middle 1950's when the 10 Federal dams started soon after World War II were completed and large new blocks of power came on the line.

Hungry Horse and Detroit were finished in 1953; Big Cliff in 1954; Albeni Falls, Lookout Point, Dexter and Chief Joseph in 1955; Chandler in 1956; McNary in 1957; and Roza in 1958.

Meanwhile there were no new starts authorized after 1954 and new starts on previously authorized projects came slowly—Ice Harbor, Hills Creek and Cougar in 1956, and John Day in 1958.

The absence of new projects coming on the line in an orderly manner left BPA with a temporary surplus of firm power which could not be offered for sale because it had to be held to meet the normal load-growth requirements of preference customers. There were no short-term customers for this power.

In the course of these developments, BPA in 1958, for the first time in its history, began incurring annual operating deficits. However, today, after 5 successive deficit years, BPA remains cumulatively ahead of schedule in meeting its obligations to the Treasury.

In 1955 BPA completed the first extra-high voltage transmission line west of the Rockies, a 345,000-volt line carrying the output of McNary Dam to Portland-Vancouver load centers.

Today five 345,000-volt transmission lines are completed or under construction and plans are being completed for the first transmission at 500,000 volts.

BPA at the same time is inaugurating the first comprehensive test installation in the United States to pioneer the field of direct-current transmission in moving large blocks of power for long distances.

THE NEW PROGRAM

Charles F. Luce, Walla Walla attorney and a former member of the BPA legal staff, was appointed Administrator February 14, 1961.

The new Administrator faced the twin major problems of a shortage of firm power and a surplus of secondary power which were largely responsible for recent annual deficits. Each deficit year, for example, the value of power that went unsold was nearly double the deficit. He also was confronted with the problem of holding the line against a rate increase that could be damaging to the region's economy.

One of his first acts was to reestablish and place new importance on the power marketing branch. The new effort to market the kilowatts wasting to sea included surveys of industrial potential, power use and customer service studies, and investigation of the feasibility of an intertie with California. A California intertie, with adequate safeguards for Northwest customers, was found feasible.

Power resource planning also was revived and stepped up to plan an orderly schedule for new projects. BPA lent its full support to the Hanford reactor project and to new starts on multipurpose hydro projects. A historic coordination agreement was reached with non-Federal utilities to squeeze every last firm kilowatt possible out of existing dams. Meanwhile, BPA and the region hopefully are awaiting Canadian ratification of the treaty for joint development of the Columbia River, which would add some 2 million low-cost kilowatts to Northwest resources.

Determined to be a leader in transmission technology, BPA undertook the pioneer U.S. testing of direct current transmission, and stepped up its work in extra-high-voltage alternating-current transmission.

Today BPA stands on the threshold of new successes. With the Canadian treaty, with new starts including the Hanford reactor, with a California intertie, the power needs of the region can be met for many, many years, and BPA's historic low rates can be maintained. Without any of these elements, the future becomes uncertain.

Despite the uncertainties, BPA remains optimistic and determined to continue its role as a major force in the economic growth and prosperity of the Pacific Northwest.

COMMUNICATIONS AND THE LAW

(Address by David Sarnoff, chairman of the board, Radio Corp. of America, law and layman conference, section of judicial administration, American Bar Association, San Francisco, Calif., August 7, 1962)

It was my privilege to address this section of the American Bar Association 4 years ago in Atlanta, at a time when the concept of space exploration was in process of transfer from the comic strip to the front page and from scientific conclaves to congressional committees.

The legal profession was not then in the forefront of space activities but it has since tooled up at a remarkable rate. The volume and variety of legal literature on space is beginning to rival the technical output of the scientists and engineers. The technical minds are continuing to devise new ways of getting us out there and back, and the legal minds already are considering the laws of liability in the event of failure or damage.

While I am not a lawyer, I did express at Atlanta, a businessman's views concerning certain aspects of the antitrust laws, and I ventured certain remedial proposals. Any businessman will tell you today, 4 years later, how well I succeeded. The fact that I am back again is based on my assumption that the constitutional safeguard against double jeopardy shelters a speaker as well as a defendant—and also because I believe we share a vital interest in the orderly development of space communications within the framework of the law.

Our community of interest is not altogether recent. For many years we have both faced a parallel problem of administration. In the profession of the law, it has been the dispensation of justice through the overburdened complex of our courts and legal procedures. In my field of communications, it has been the allocation of frequencies in the overcrowded radio spectrum. Both conditions result primarily from the overlay upon overlay of new uses and users, sweeping in with succeeding changes in technology and society.

Technology has given communications some relief in recent years through the opening of new frequencies in the extreme upper reaches of the spectrum. It may one day produce a similar easement for the legal profession by the use of electronic computers sifting through mazes of precedent, opinion and data to provide a swifter basis for judicial action.

Recent scientific developments have opened new horizons in world communications—and created new problems. These problems will become more urgent as space communication imposes profound changes upon our present mode of operations. I believe they can be resolved only through the collaboration of our two professions in providing a proper statutory framework for a new national communications policy based on the advent of the space age. It is this subject I wish to examine with you today.

THE MEANING OF SPACE COMMUNICATIONS

Last July 10, an event of vast importance in world communications occurred with the successful orbiting of the A.T. & T.'s Telstar satellite. The first historic exchange of television programs between the United States and Europe has already been achieved through Telstar. As Mr. Kappel, chairman of A.T. & T., rightly said—with a pride that can be shared by all Americans—the project provided an outstanding example of cooperation between Government and private industry.

Already, the next important step in the development of global space communications is in progress. A second communications satellite—the Relay—designed and constructed by RCA for the National Aeronautics and Space Administration, will be launched later this year for further experiments. These will include telephony, telegraphy, and other forms of recorded communications as well as intercontinental television. There also will be tests of the effects of radiation on equipment while the satellite is in orbit.

These satellites are relays which receive, amplify, and retransmit radio signals to and from ground stations, thousands of miles apart, in the manner that overland relays at present operate over distances of only a few miles.

Until last month, it was not possible to transmit television over long distances through the air except by the use of numerous microwave towers, and this made television across the oceans impracticable. Now we have the satellite serving as a high tower in space, extending sight and sound not over a few miles but at least 6,000 miles—or more than the air distance from San Francisco to Paris.

Communication satellites are forerunners of a system that within the coming decade will provide virtually instantaneous telegraph, telephone, data, television, and other forms of communications to practically any point on earth. They open a dramatic vista of unlimited range for linking the world in a common dialog, with incalculable effects on the thinking, the understanding, the culture of all mankind.

The advent of the communications satellite could hardly be better timed. By 1965, it is estimated that present international communications facilities will reach saturation in many areas. To handle the increased traffic, on key routes such as the North Atlantic, we would need, within a decade, the equivalent of 50 new cables costing several billion dollars. But, a single satellite can equal the carrying capacity of all the telephone circuits presently in operation between the United States and the rest of the world.

In its advanced form, I believe our space communications system will consist of three synchronous satellites, each positioned about 22,300 miles above the Equator. Moving at a speed matching that of the earth's rotation, they will in effect hover over a fixed point on its surface. Three such satellites, one each over the Atlantic, Pacific, and Indian Oceans, would cover the entire global land area, except the polar regions. One of these satellites above the Atlantic could interconnect with services that presently include over 90 percent of all the telephones in use in the world. It could also transmit to television stations over an area extending from the eastern half of the United States across Western Europe and including all of Africa and South America.

From these facts we can begin to postulate the communicating world of tomorrow. It will be a world in which an individual, business, or government can establish contact with anyone, anywhere, at any time, by voice, sight or document, separately or in combination.

Global conferences, whether of statesmen, businessmen, or lawyers, will take place with each participant sitting in his own office or home, in full view and hearing of the others; exchanging thoughts, documents, and data through desk instruments and a color TV screen on the wall.

Storage of information, its retrieval and transmission, will be directed from centralized computer facilities and widely distributed memory systems. It is possible to foresee practically instantaneous up-to-the-minute status reports on any major national or international problem—legal, medical, economic, political or other—flashing from continent to continent.

The great libraries of the world, including legal libraries, will be codified for electronic search and retrieval, very probably with simultaneous translation into many languages. With the growth of international commerce, facilitated by satellite communications, the lawyer in New York, San Francisco, or Tokyo, will have instant access to the pertinent laws, regulations and procedures of any country with which he is dealing. You may be roused out of bed at 3 in the morning for a conference with a wide-awake client half way around the world. From long experience I suspect it will work equally the other way.

No man can foresee the precise impact of global television—for entertainment, information, and education—upon the peoples of our globe. In time, it is probable that high-power satellites will transmit television directly to the home, and it has been suggested that within a lifetime this may lead to a universal language which all educated people will understand.

The ultimate in communications will arrive when an individual, equipped with a vest pocket transmitter-receiver, will connect by radio with a nearby switchboard and be able to see and speak with any similarly equipped individual anywhere in the world. In the ultrahigh and microwave frequencies of the radiospectrum, and in controlled light beams, the channels available for such personal communications run into the billions. The individual will thus have his assigned private frequency for communications as he today has his private telephone number.

THE LACK OF A UNIFIED COMMUNICATIONS POLICY

Whether we scale these summits of promise is more than a matter for science alone. The manner in which we organize and administer the farflung communications services will shape their future as surely as the instruments we loft into space. Failure to harmonize principles and procedures of government and law with the realities of a revolutionary era in communications could delay, and even frustrate our national purposes. The paramount question of our survival as freemen, which is at the heart of the cold war struggle between East and West, could well hinge on the effective employment of our communications lifelines.

Our communications policies, as they now stand, offer striking examples of the difficulties in designing the future based on blueprints of the past.

These random policies governing today's operations have evolved principally from the separate historic development of the landline telegraph, ocean cables, wireless telegraphy, the radiotelephone and national and international broadcasting. Some of these policies began in the middle of the last century. All of them are regulated by laws based more on tradition than on the needs of an expanding society in a changing world of science and technology.

Thus monopoly was made lawful in some areas of communications and unlawful in others. International communications were held distinct from domestic. In the international field, monopoly and competition were created side-by-side. Meanwhile, the march of science has erased the line that separated telephony from telegraphy, has created new forms of record communications, such as teletypewriter, and facsimile—and also has made worldwide communications possible from inland as well as from seaboard cities.

The recently proposed communications satellite corporation establishes a form of legal monopoly, but the communications companies authorized to participate in its ownership—most of them at least—will still be in competition with each other, and perhaps in competition as well with the satellite corporation of which they are part.

The public telephone service within the United States is a monopoly sanctioned by law. So is the public telegraph service. When telephony extends overseas, it is also a monopoly; but not so with international telegraphy. Here, 10 American companies, operating in the international telegraph field, must compete for traffic which at the foreign end is usually handled through government monopoly. Rates and services are subject, in each case, to mutual agreements which must be negotiated by American private competitors with the foreign government monopolies. These organizations can—and some on occasion do—play one company against the other with resultant disadvantage to American companies and the American public.

Today, technical developments in communications have completely blurred the earlier distinctions between voice and record messages. Both can now be sent and received over the same circuit. And the circuits can connect directly any points in our country with any other part of the world. The individual or organization wishing to talk, transmit and record information at the same time, is no longer satisfied with partial service or the inconvenience of separate services. Yet, where an American international telegraph company is able and willing to provide a full public service, it cannot utilize the existing international voice circuits for such a purpose, nor can it interconnect with the established telephone service in our country.

The proposed new communications satellite corporation presumably will be able to grant authorized communications companies the right to transmit both voice and record messages through the satellite. But the satellite is only one link in a communications chain between the sender and the receiver. If an American carrier of international traffic has the right to send both voice and record over the satellite but is not allowed to interconnect freely with the corresponding domestic services, its effective use of the satellite is denied. And, even if it can interconnect with domestic facilities via the satellite, but is forbidden to do so over its standard cable or radio services which will continue to be used, it will still suffer an unwarranted handicap.

These are not details of parochial concern to one industry. Nor are they meaningful solely to a discourse on equity under the law. Communication is the main artery of modern civilization, linking every function of the Nation and the community of nations. The speed and completeness with which government, business, or the individual can receive and transmit information determine the effectiveness with which that government, business or individual can function.

It is a matter of prime national concern that in this country, which has pioneered in communications and through our private enterprise system has produced the best telephone, telegraph, and broadcasting services in the world, present legal limitations prevent the fullest development of a truly universal service—a service that could give the American public all the benefits offered by modern science.

The substance of the matter is this:

Will the application of the present laws, as they relate to communications, assure for this country the full benefits of science and technology, or will progress delayed result in progress denied?

THE NEED FOR A UNIFIED COMMUNICATIONS POLICY

Clearing away the obstacles and inconsistencies I have described is only one of the challenges posed by the onrush of communications progress. Very shortly, we must come to grips with a number of conditions, many without precedent, arising from the fact that a satellite communications system, by its very nature, will place new tests and burdens upon international working relationships. These questions involve basic problems of principle, policy, and procedure which will not be resolved without the most careful planning and forethought by the finest legal and technical brains available in government and in private industry.

We will take a meaningful step forward through the establishment of a communications satellite corporation—and the Kennedy administration deserves commendation for its foresight and initiative in advancing this project. The White House also recently revealed plans to undertake a study of international television requirements in the satellite era. In addition, this country has developed proposals on frequency allocations for space radio communications to be considered at an international telecommunications conference which may be held next year. All these steps together represent a useful beginning—but only a beginning—of a program which must place an umbrella of law and regulation over all the complex and recent offshoots in the field of communications on land, at sea, and in space.

My observations today, of course, are not intended, in any way, to suggest that we halt or delay our plans for establishing a satellite communications service at the earliest possible date. Our national interests and prestige call for our country to capitalize on its present leadership and to become the first to establish an operational system of satellite communications.

Nevertheless, it seems to me this is the time, the golden opportunity, to set about establishing a basic national policy which will bring coherence and viability to our entire communications service—that which exists today and that which will come tomorrow. We should, before we are swept into the turbulence of coming events, make a concerted effort to determine our interest and needs, and adjust our national posture accordingly.

I would consider the following questions as among those urgently in need of study and resolution if we are to secure all the public benefits modern science and technology promise us:

1. Will our Nation's interests in the space age be served well and adequately by preserving the present pattern among communications services, with all the illogical limitations and unnecessary handicaps under which American companies now must operate? Or, should we create by law a new pattern cut to the public interest and the capabilities of modern science?

2. What measures should be taken to assure the most efficient and economical use of frequencies and facilities employed in domestic and international communications—whether by satellites or other means?

3. What principles of international agreement should govern participation by foreign nations in the ownership and use of an American global satellite communications system? Conversely, on what reciprocal basis would we be permitted to participate in such satellite systems as may be established by foreign countries?

4. What authorities should be established for adjudicating possible differences and conflicts among international participants and users of the new space communications system?

5. What agreements should be sought to guarantee freedom of the content of satellite radio and television broadcast transmissions, particularly in view of the differing cultures, ideologies and conflicting philosophies of operation now prevalent?

6. What means should be used for assisting less developed countries to establish ground facilities linking them with communications satellites, particularly where extension of the service will not be economical from a commercial standpoint?

Of these six questions requiring resolution, I place the highest priority on the first. I do so because I believe our Nation will not realize a full return on its formidable contributions to communications technology as long as we maintain the present illogical structure in the international communications field.

From time to time, several different proposals have been advanced for solving this complex problem. Based on long experience in this field, my own belief is that the most practical solution would prove to be the creation of a single, privately owned American company, uniting the facilities and operations of the present competing U.S. carriers, in the international communications field. This company should be completely independent in its policies and operations, subject only to appropriate Government regulations.

Such a unified company would be able to render a complete service to the public with all the advantages made possible by modern science and technology. And surely there is every logical reason for such a company to give further cohesion to our entire communications structure by interconnecting the flow of its international traffic with established domestic facilities.

Through these steps, our international communications services would become more flexible, more convenient and more economical to the public—at home and abroad. And our unified American company would be able, for the first time, to deal on equal terms with foreign government monopolies.

Above all, this plan for unity would eliminate the present weaknesses in our communications structure and secure for America a position of strength commensurate with our Nation's contributions to worldwide communications.

DEBATE AND DECISION

We cannot today claim ignorance of what is to come. The future is orbiting in the skies above us. On the threshold of the age of space, the supreme challenge to the law is to bring new concepts of order in harmony with new concepts of change.

The complex problems involved in this entire subject—technological, political, social, and economic—do not lend themselves to simple, easy, and quick solutions. It is more than likely that differing opinions will be expressed on the views and suggestions I have put before you today. If so, this would be a constructive forward step.

Indeed, free and open discussion would provide healthy recognition of the existence of the problems I have emphasized and would advance the prospects of their timely solution.

In my view, these problems will not solve themselves nor will they disappear with time. On the contrary, I believe that time will only intensify them and increase the pressures for remedial action.

If we are to preserve and secure the benefits of the American concept—the privately owned and operated systems of national and international communications, functioning under appropriate Government regulations—and if we are to avoid the alternative of Government ownership of these vital public services, then we must develop and adopt, before our opportunities are diminished by time, a unified national communications policy that would resolve the questions I have raised and be suitable to our current and future needs. Such a national policy should be sanctioned by the law.

The majesty of our legal system lies in its capacity for organic growth—its ability to serve, in Justice Brennan's words, "the realization of man's ends, ultimate and mediate."

The legal architect and the communications architect can further these ultimate and mediate ends by combining their talents in a searching examination for the answers to the communications problems we face. Their findings and recommendations should prove invaluable to those Government departments and agencies concerned with such problems. Out of such a joint effort could emerge a legislative program that commended itself to the President and the Congress.

All Americans, I believe, will agree with this recent public statement by President Kennedy. He said:

"There is no more important field at the present time than communications and we must grasp the advantages presented to us by the communications satellite to use this medium wisely and effectively to insure greater understanding among the peoples of the world."

Mr. MORSE. Mr. President, today it gives me a great deal of pleasure to pay tribute to the Bonneville Power Administration on its 25th anniversary. It has served the Pacific Northwest and the Nation well.

The U.S. Columbia River Power system, for which Bonneville is the power marketing and transmission agency, has given the Nation the largest hydroelectric development in any single river basin in addition to immeasurable multipurpose benefits of flood control, irrigation, navigation, recreation and the full utilization of a great water resource.

It has been my privilege during 18 years in the U.S. Senate to support, with my votes and my work, construction funds for 18 of the 20 great multipurpose projects which have now been completed or are under construction in the Columbia River Basin, and to seek adequate funds that would allow Bonneville Power Administration to carry out the basic intent of the Bonneville Act which was signed by President Roosevelt on August 20, 1937.

The Bonneville Act was born in bitter conflict. The same forces who referred to Bonneville and Grand Coulee Dams as "white elephants" and opposed the construction of a transmission system by the Federal Government to assure the widest distribution and benefits from power generated at Federal dams, are still with us today.

The same powerful lobby of the private utility industry that fought the Bonneville Act 25 years ago is today opposing every effort to install badly needed generators to use the waste steam at the Hanford reactor, even at no cost to the Federal Government.

Even though the Bonneville Power Administration, during the last quarter century, has helped bring about an unparalleled era of economic progress and industrial development to Oregon and the Pacific Northwest, the fight to maintain for the people of the Nation the full benefits of this Federal hydroelectric resource must go on. We must maintain an eternal vigilance to prevent this invaluable heritage of the people of the Pacific Northwest from being monopolized for the benefit of a privileged few or permit development that will jeopardize the fullest utilization of the West's irreplaceable water resources.

Bonneville Power Administration's 25 years of "power for progress" and "power for the people" is an irreplaceable asset not only to the Pacific Northwest but to the Nation. I hope that during the next 25 years, as we enter the age of atomic power and extra-high-voltage power transmission, Bonneville can make an equally important contribution to the strength and welfare of the Nation.

Mrs. NEUBERGER. Mr. President, 25 years ago, on August 20, 1937, President Franklin D. Roosevelt signed the Bonneville Act, assuring Oregon and the Pacific Northwest of the highest standards of electric living in the Nation.

Bonneville Power Administration completed its first transmission line and delivered the first power from the generators of Bonneville Dam on July 9, 1938, to the city of Cascade Locks.

Today, Pacific Northwest families use about 10 times as much electricity as they did in 1940 and nearly 2½ times the U.S. national average. Oregon residential and farm rates are among the lowest in the Nation.

Most of us can remember 25 years ago when the typical Northwest farm family pumped water by hand, while the wife slaved over a hot wood range with coils to heat the dish and bath water. Children attended a one-room little red schoolhouse and studied their lessons by the flickering light of a kerosene lamp. The battery radio, if it worked, brought some news and entertainment into the home accompanied by the chatter and whistling of static interference and weak signals.

Today, the typical Oregon farm or residential family pays a power bill averaging less than $10 a month and less than half of the rate paid by a family in New York City. The average Oregon family has an investment of about $2,000 in electrical appliances. Food grinders and mixers, refrigerators and freezers, electric ranges, dishwashers, garbage disposals, and hot water heaters take the drudgery out of the kitchen. TV, hi-fi and radio sets provide entertainment. Frequently the house is air conditioned and heated by electricity, and vacuum cleaners, floor polishers, washing machines, and dryers take over the cleaning and washing tasks. Electric motors power hobby crafts and automatically open and close garage doors with the help of an electric eye.

Less than 20 years ago, about half of the farms in the region were electrified as compared to over 99 percent in Oregon today. Most farms and ranches of the Pacific Northwest today enjoy all the electrical conveniences of urban families in addition to using power for milking, grinding feeds, powering machine shops, sprinkler and pumping irrigation, home freezing of meats and produce, hay drying, barnyard lighting, sterilization of milking equipment, electric hoists and elevators and myriad other tasks.

Bonneville Power Administration has brought to Oregon and to the Pacific Northwest new payrolls, new industries, accompanied by a tax base to maintain our fine schools, roads, and standards of living.

Bonneville Power Administration's direct contribution to the Oregon economy brought to our State during the last quarter century six electroprocess industries, including two large aluminum companies, a nickel plant, and other chemical, carbide, and alloys industries. These industries served directly with low-cost Columbia River power, represent a plant investment in excess of $190 million, estimated payrolls of about $12,500,000, and direct employment of 2,200 workers. As a general rule, two additional jobs are created in service and fabrication industries for every worker employed in a basic electroprocess industry.

BPA itself is one of Oregon's biggest industries. The Portland headquarters and Oregon field offices employ about 1,000 people, have an annual payroll of nearly $8 million and an investment of $166 million in power transmission facilities and equipment in the State.

Oregon in turn makes an important contribution to Bonneville Power Administration and the U.S. Columbia River power system with eight Federal multipurpose projects completed or under construction in the Willamette River basin and four giant Columbia River Federal multipurpose dams completed or under construction that span the river between Oregon and Washington.

The Bonneville Act, signed 25 years ago, has made immeasurable contributions to Oregon and the Pacific Northwest in bringing to all the people the benefit of abundant and low-cost power from the hydroelectric resources of the Columbia River basin.

I am sure that we all join in congratulating Bonneville Power Administration for 25 years of "Power for Progress" and for its contribution to the unparalleled development of Oregon and the Pacific Northwest. Bonneville Power Administration has an important role to play in keeping our Pacific Northwest economy dynamic and prosperous.

ADDRESSES, EDITORIALS, ARTICLES, ETC., PRINTED IN THE RECORD

On request, and by unanimous consent, addresses, editorials, articles, etc., were ordered to be printed in the RECORD, as follows:

By Mr. MONRONEY:

Remarks made by Senator HRUSKA before the Civil Aeronautics Board, on July 20, 1962, in the matter of Frontier Airlines, Inc.

By Mr. JACKSON:

Address delivered by him at the launching of the NS *HADDO SS(N)604,* at Camden, N.J., on Saturday, August 18, 1962.

By Mr. WILEY:

Excerpts from address prepared by him for delivery over Wisconsin radio stations on August 17, 1962, being a roundup of farm legislation.

CONSIDERATION OF CERTAIN BILLS ON THE LEGISLATIVE CALENDAR

Mr. MANSFIELD. Mr. President, with the concurrence of the Senate, I should like to call up at this time, by unanimous consent, certain measures on the Legislative Calendar. These measures have been cleared with the other side.

TRANSFERS OF CERTAIN REAL PROPERTY FOR WILDLIFE

Mr. MANSFIELD. Mr. President, I ask unanimous consent for the present consideration of Calendar No. 1825, Senate bill 2358.

There being no objection, the bill (S. 2358) to improve the administration of transfers of certain real property for wildlife or other purposes by repealing the act of May 19, 1948, and incorporating the essential provisions thereof in the Federal Property and Administrative

Services Act of 1949 was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Act of May 19, 1948 (62 Stat. 240), is hereby repealed.

SEC. 2. Section 202 of the Federal Property and Administrative Services Act of 1949, as amended (40 U.S.C. 483), is hereby amended by adding at the end thereof the following new subsection:

"(i) Whenever the Secretary of the Interior determines that any excess real property is useful for the purpose of wildlife conservation and has particular value for the purpose of carrying out the national migratory bird management program, and the Administrator, after a consultation with the Secretary of the Interior, determines that such property is chiefly valuable for that purpose, the Administrator is authorized in his discretion, under such regulations as he may prescribe, to transfer that property without reimbursement or transfer of funds (and in the discretion of the Administrator with or without any improvements situated thereon) to the Secretary of the Interior."

SEC. 3. (a) Paragraph (C) of subsection (k)(2) of section 203 of the Federal Property and Administrative Services Act of 1949, as amended (40 U.S.C. 484), is hereby amended to read as follows:

"(C) The Secretary of the Interior, in the case of property transferred (i) pursuant to the Surplus Property Act of 1944, as amended, and pursuant to this Act, to States, political subdivisions, and instrumentalities thereof, and municipalities for use as a public park, public recreational area, or historic monument for the benefit of the public, and (ii) pursuant to the Act of May 19, 1948 (62 Stat. 240), and subsection (p) of this section, to a State agency charged with the administration of the wildlife resources of that State for use in the conservation of wildlife other than migratory birds;".

(b) Section 203 of such Act is further amended by adding at the end thereof the following new subsection:

"(p)(1) Whenever the Secretary of the Interior determines that any surplus real property is useful for the purpose of wildlife conservation but does not have particular value for the purpose of carrying out the national migratory bird management program, and the Administrator, after consultation with the Secretary of the Interior, determines that such property is chiefly valuable for that purpose, the Administrator is authorized in his discretion, under such regulations as he may prescribe, to transfer that property without reimbursement or transfer of funds (and in the discretion of the Administrator with or without any improvements situated thereon) to the agency of the State within which that property is situated which is charged with the administration of wildlife resources of that State for use in the conservation of wildlife other than migratory birds.

"(2) Each transfer of surplus real property to any State agency under this subsection shall be made subject to the following terms, conditions, reservations, and restrictions:

"(A) All property so transferred shall be used and maintained for the purpose for which it was conveyed;

"(B) Upon determination by the Administrator that it is in the interest of the United States, all oil, gas, and mineral rights with respect to that property shall be reserved to the United States for separate transfer or disposal under this Act;

"(C) During any national emergency declared by the President or by the Congress, the United States shall have the right, without charge, to exclusive or nonexclusive control, possession, and use of the property;

"(D) Such additional terms, conditions, reservations and restrictions as the Administrator may determine to be necessary to safeguard the interests of the United States; and

"(E) Upon failure of the transferee to comply with any of the terms, conditions, reservations, or restrictions of the transfer all of the property so transferred, or any portion thereof, shall, at the option of the United States, revert to the United States in its then existing condition.

"(3) The term 'State', as used in this subsection, means the States of the Union, the District of Columbia, the Commonwealth of Puerto Rico, and the Virgin Islands."

FREE READERS FOR BLIND GOVERNMENT EMPLOYEES

Mr. MANSFIELD. Mr. President, I ask unanimous consent for the present consideration of Calendar No. 1828, House bill 11523.

There being no objection, the bill (H.R. 11523) to authorize the employment without compensation from the Government of readers for blind Government employees, and for other purposes was considered, ordered to a third reading, was read the third time, and passed.

TRIAL BOARDS FOR U.S. PARK POLICE

Mr. MANSFIELD. Mr. President, I ask unanimous consent for the present consideration of Calendar No. 1829, House bill 8567.

There being no objection, the Senate proceeded to consider the bill (H.R. 8567) to authorize the Secretary of the Interior to create trial boards for the U.S. Park Police, and for other purposes, which had been reported from the Committee on Interior and Insular Affairs, with amendments, on page 1, line 9, after the word "regulations", to strike out "or for misconduct in office"; in line 11, after the word "may", to insert "after due notice to the accused,"; on page 2, line 11, after the word "Police", to insert "Timely service of a copy of such discharges shall be made upon the accused."; in line 21, after the word "Police", to strike out the comma and "or for misconduct in office,"; on page 3, line 3, after the word "Police", to strike out "or for misconduct in office"; in line 5, after the word "trial", to strike out "board." and insert "board: *Provided, however,* That no changes in the rules of procedure shall be effective, and no trial boards shall be abolished or changed, with respect to charges upon which a hearing has already commenced."; in line 13, after the word "accused", to insert "The other two members shall be employed in the Department of the Interior and hold a grade at least equivalent to that of the accused."; in line 22, after the word "Interior", to insert "If such notice is given, the accused may present his appeal to the Secretary in writing. The Secretary may grant or request an oral presentation of such appeal."; on page 4, line 2, after the word "documentary", to insert a colon and "*Provided,* That if any new evidence is received, the accused shall be accorded the right of such submission,"; in line 6, after the word "board", to insert "to dismiss the charges,"; and after line 15 to strike out:

(c) The findings of a trial board which indicate the possibility of disciplinary action greater than the fines or suspensions authorized by this Act shall be referred with appropriate recommendations to the official of the Department who has been designated by the Secretary of the Interior to act in such cases. The decision of this official may be appealed to the Secretary of the Interior as in section 2(b) above.

The amendments were agreed to.

The amendments were ordered to be engrossed and the bill to be read a third time.

The bill was read the third time and passed.

REPEAL OF OBSOLETE PROVISIONS OF UNEMPLOYMENT COMPENSATION FOR KOREAN VETERANS

Mr. MANSFIELD. Mr. President, I ask unanimous consent for the present consideration of Calendar No. 1830, House bill 860.

There being no objection, the Senate proceeded to consider the bill (H.R. 860) to repeal certain obsolete provisions of title 38, United States Code, relating to unemployment compensation for Korean conflict veterans, which had been reported from the Committee on Finance, with an amendment, on page 2, after line 5, to insert:

(e) Claims for benefits under sections 2001 through 2009 of chapter 41 of title 38, United States Code, for any benefit week beginning before January 31, 1960, which claims are pending on the date these sections are repealed, shall be adjudicated in the same manner and with the same effect as if the sections had not been repealed. For the purpose of administering the program with respect to such claims, all functions, powers, and duties conferred upon the Secretary of Labor by sections 2001 through 2009 are continued in effect, and all rules and regulations established by the Secretary of Labor pursuant to these sections, and in effect when the sections are repealed, shall remain in full force and effect until modified or suspended.

The amendment was agreed to.

The amendment was ordered to be engrossed and the bill to be read a third time.

The bill was read the third time and passed.

PAY AND ALLOWANCES OF THE UNIFORMED SERVICES

Mr. MANSFIELD. Mr. President, I ask unanimous consent for the present consideration of Calendar No. 1836, House bill 10431.

There being no objection, the Senate proceeded to consider the bill (H.R. 10431) to revise, codify, and enact title 37 of the United States Code, entitled "Pay and Allowances of the Uniformed Services," which had been reported from the Committee on the Judiciary, with amendments, on page 14, in the 11th line from the top of the page, after the word "for", to strike out "him" and insert "the director"; on page 26, in the 25th line from the top of the page, after the word "basic", to strike out "pay," and insert "pay"; in the 26th line from the top of the page, after the word "for", to strike out "subsistence," and insert "subsistence"; in the 27th line from the top of the page, after "(d)", to strike out the comma and "as provided by" and insert "of"; on page 27, in the second line from the top of page, after the word "States.", to strike out "Commuted rations" and insert "The allowance"; on page 28, in the 8th line in the chart under the heading "Pay grade", where it appears the second time, to strike out "209" and insert "205"; in the same column, in the 11th line, to strike out "209" and insert "205"; on page 55, in the 30th line from the top of the page, after the word "this", to strike out "subsection" and insert "section"; and on page 71, in the 17th line from the top of the page, after the numerals "1962", to insert "Laws enacted after January 9, 1962, that are inconsistent with this Act shall supersede it to the extent of the inconsistency.".

The amendments were agreed to.

The amendments were ordered to be engrossed and the bill to be read a third time.

The bill was read the third time and passed.

CODIFICATION OF LAWS RELATING TO POSTAL SERVICE

Mr. MANSFIELD. Mr. President, I ask unanimous consent for the present consideration of Calendar No. 1837, House bill 10432.

There being no objection, the Senate proceeded to consider the bill (H.R. 10432) to amend title 39, United States Code, to codify certain recent public laws relating to the postal service and to improve the code, which had been reported from the Committee on the Judiciary, with amendments, on page 2, after line 21, to insert a new section, as follows:

> SEC. 2A. Subsection (a)(1) of section 2303 is amended by deleting "section 4167" in item (E) and inserting in lieu thereof "section 4168".

And, on page 12, line 7, after the numerals "1962", to insert "Laws enacted after January 9, 1962, that are inconsistent with this Act shall supersede it to the extent of the inconsistency.".

The amendments were agreed to.

The amendments were ordered to be engrossed and the bill to be read a third time.

The bill was read the third time and passed.

CODIFICATION OF RECENT MILITARY LAWS

Mr. MANSFIELD. Mr. President, I ask unanimous consent for the present consideration of Calendar No. 1838, House bill 10433.

There being no objection, the Senate proceeded to consider the bill (H.R. 10433) to amend title 10, United States Code, to codify recent military laws, and to improve the code, which had been reported from the Committee on the Judiciary, with amendments, on page 2, line 14, after the word "one", to strike out "months'" and insert "month's"; on page 5, line 8, after the word "analysis", to insert "relating to the participation of members of the Armed Forces in international sports,"; after line 16, to strike out:

> SEC. 106. (a) Chapter 53 of title 10, United States Code, is amended by adding after section 1038:
>
> "§ 1039. Appointment of warrant officer to commissioned grade
>
> "A permanent warrant officer may be appointed in any commissioned grade without vacating his permanent warrant officer grade and without affecting any right, privilege, benefit, or promotion status to which he is entitled or eligible as a permanent warrant officer."
>
> (b) Chapter 53 of title 10, United States Code, is further amended by adding at the end of the analysis:
>
> "1039. Appointment of warrant officer to commissioned grade."

On page 6, at the beginning of line 10, to change the section number from "107" to "106"; on page 7, at the beginning of line 12, to change the section number from "108" to "107"; in the same line, after "(a)", to strike out "Section" and insert "Sections"; on page 8, after line 21, to strike out:

> A statement against his interests, signed by a member of an armed force, relating to the origin, incurrence, or aggravation of a disease or injury that he has is invalid. In addition, a member may not be compelled to sign a statement relating to the origin, incurrence, or aggravation of a disease or injury that he has.

And, in lieu thereof, to insert:

> A member of an armed force may not be required to sign a statement relating to the origin, incurrence, or aggravation of a disease or injury that he has. Any such statement against his interests, signed by a member, is invalid.

At the beginning of line 12, to change the section number from "109" to "108"; at the beginning of line 18, to change the section number from "110" to "109"; on page 10, at the beginning of line 1, to change the section number from "111" to "110"; in line 11, after the word "of", to strike out "kind" and insert "kin"; on page 12, line 5, after the word "Veterans'", to strike out "affairs" and insert "Affairs"; at the beginning of line 10, to change the section number from "112" to "111"; on page 13, line 4, after the word "were", to strike out "supplied.";" and insert "supplied.""; in line 9, after the word "of", to strike out "the Army, Navy, Marine Corps, or Air Force" and insert "an armed force"; in the second line, after line 19, after the word "military", to strike out "department."" and insert "department."; at the beginning of line 20, to change the section number from "113" to "112"; on page 14, line 1, after "$5,000", to strike out "wherever is appears" and insert "in the catchline and wherever it appears in the text"; on page 16, at the beginning of line 19, to change the section number from "114" to "113"; on page 17, line 2, after the word "of", to strike out Department of Army, Navy, or Air Force" and insert "armed forces"; in line 9, after the word "employee", to strike out "of a military department, or a member of the Army, Navy, Marine Corps, or Air Force, as the case may be" and insert "or a member, of an armed force"; on page 18, line 9, after the word "States", to insert "international agreements"; at the beginning of line 22, to strike out "employee of a military department, or a member of the Army, Navy, Marine Corps, or Air Force" and insert "employee, or a member, of an armed force"; on page 19, in the second line after line 16, after the word "of", to strike out "Department of Army, Navy, or Air Force" and insert "armed forces"; in the fifth line after line 16, after the word "States", to insert a semicolon and "international agreements"; at the beginning of line 17, to change the section number from "115" to "114"; on page 20, at the beginning of line 1, to change the section number from "116" to "115"; at the beginning of line 4, to change the section number from "117" to "116"; in line 6, after the word "section", to strike out "4023." and insert "4023; and"; at the beginning of line 8, to change the section number from "118" to "117"; at the beginning of line 14, to change the section number from "119" to "118"; at the beginning of line 18, to change the section number from "120" to "119"; in line 20, after the word "section", to strike out "4748." and insert "4078 and"; at the beginning of line 22, to change the section number from "121" to "120"; on page 21, at the beginning of line 1, to change the section number from "122" to "121"; at the beginning of line 13, to change the section number from "123" to "122"; at the beginning of line 17, to change the section number from "124" to "123"; on page 22, at the beginning of line 1, to change the section number from "125" to "124"; at the beginning of line 4, to change the section number from "126" to "125"; at the beginning of line 21, to change the section number from "127" to "126"; on page 23, at the beginning of line 1, to change the section number from "128" to "127"; at the beginning of line 4, to change the section number from "129" to "128"; at the beginning of line 8, to change the section number from "130" to "129"; after line 11, to insert a new section, as follows:

> SEC. 130. Section 674(a) of title 10, United States Code, is amended to read as follows:
>
> "(a) Units and members in the Standby Reserve may be ordered to active duty (other than for training) only as provided in section 672 of this title.
>
> SEC. 131. Section 2276(b) of title 10, United States Code, is amended to read as follows:
>
> "(b) Any committee of Congress may inspect audits and reports of inspection made under subsection (a)."

On page 26, at the beginning of line 1, to strike out "committees" and insert "Committees"; in line 13, after the word "Navy", to strike out "Marine Corps, or Air Force" and insert "Air Force, or Marine Corps"; in line 17, after the word "United", to strike out "States;" and insert "States."; at the beginning of line 18, to strike out the quotation marks; in line 24, after the word "that", to strike out "40-day" and insert "forty-day"; on page 27, line 10, after the word "Navy", to strike out "Marine Corps," and insert "Air Force,"; in line 11, after the word "or", to strike out "Air Force" and insert "Marine Corps"; in line 13, after the word "reassigned", to strike out "of" and insert "or"; in line 24, after the word "activity", to strike out "that is performed by" and insert "common to"; on page 31, line 7, after the word "within", to strike out "ten" and insert "10"; on page 32, line 10, after the word "Unless", to insert "specifically"; in line 20, after the word "within", to strike out "ten" and insert "10"; on page 33, after line 9, to strike out:

(b) The Director is the principal advisor to the Secretary of Defense on scientific and technical matters. He shall—

(1) supervise all research and engineering activities in the Department of Defense;

(2) direct, control, assign and reassign research and engineering activities that the Secretary considers need centralized management; and

(3) perform such other duties relating to research and engineering as the Secretary may prescribe.

And, in lieu thereof, to insert:

(b) The Director performs such duties relating to research and engineering as the Secretary of Defense may prescribe, including—

(1) being the principal adviser to the Secretary on scientific and technical matters;

(2) supervising all research and engineering activities in the Department of Defense; and

(3) directing, controlling, assigning, and reassigning research and engineering activities that the Secretary considers need centralized management.

On line 36, line 24, after the word "may", to strike out "prescribe."" and insert "prescribe."; at the top of page 37, to insert:

(c) The General Counsel shall receive compensation at the rate prescribed by law for assistant secretaries of executive departments.

On page 38, line 8, after the word "military", to strike out "departments."; and" and insert "departments."; on page 39, line 19, after the word "Defense", to insert "or by or on behalf of personnel of any department or organization,"; on page 41, line 9, after the word "than", to strike out "ten" and insert "10"; in line 24, after the word "provide", to strike out "working capital funds" and insert "working capital"; on page 43, line 5, after "(f)", to strike out "A purchaser" and insert "The requisitioning agency"; on page 44, line 4, after "(i)", to strike out "An annual report" and insert "Reports annually"; on page 46, line 11, after the word "section", to strike out "1782 (c)" and insert "2392 (d)"; at the beginning of line 17, to strike out ""(a) Subject" and insert ""Subject"; on page 47, line 13, after the word "of", to strike out "Defense." and insert "Defense.""; after line 13, to strike out:

(b) The Secretary or his designee may engage in such advanced projects as—

(1) are necessary to the responsibilities of the Department of Defense in the field of basic and applied research and development; and

(2) relate to weapons systems and military needs; as the Secretary, after consulting the Joint Chiefs of Staff, may determine. The Secretary may assign to the military departments the duty to engage in research and development of weapons systems necessary to perform combatant functions assigned by law to those departments.

(c) The Secretary shall assign weapons systems that are developed to one or more of the military departments for such production and operational control as he may determine.

On page 51, line 5, after the word "field", to strike out "activities"." and insert "activities, headquarters, forces, bases, installations, activities, and functions under the control or supervision of the Secretary of the Navy.""; on page 55, line 9, after the word "Section", to strike out "106" and insert "108"; in line 22, after the word "section", to strike out "304" and insert "108"; on page 56, in the fourth line, under the heading "Schedule of Laws Repealed", to strike out "1950" and insert "1951"; in the second line of the second section, under the same heading as above mentioned, to strike out:

1958—Feb. 12	85-325	7 (1st par.)	72	13.
Aug. 6	85-599	3(a), (b), 5(b), 9(a) (less last sentence of § 203(b) (1)), (b).	72	514-516, 518, 520, 521.

And in lieu thereof, to insert:

1958—Aug. 6	85-599	3 (a), (b), 5(b), 9(a) (less last sentence of § 203(b) (1)).	72	514-516, 518, 521.

In the section following the amendment just above stated, to insert the following heading:

B. SECTION OF TITLE 14, UNITED STATES CODE

In the line following the amendment just above stated, to insert "Section 471a"; at the beginning of the subhead following the amendment just stated, to strike out "B" and insert "C"; in the chart following the amendment just stated, after the numeral "4", to strike out "(1st sentence)"; and at the beginning of line 6, to insert a new section, as follows:

SEC. 308. The analysis of chapter 13 of title 14, United States Code, is amended by striking out the following item:

"471a. Motor vehicles; transportation on permanent change of station."

The amendments were agreed to.

The amendments were ordered to be engrossed and the bill to be read a third time.

The bill was read the third time and passed.

AMENDMENT OF FEDERAL EMPLOYEES GROUP LIFE INSURANCE ACT OF 1954

Mr. MANSFIELD. Mr. President, I ask unanimous consent for the present consideration of Calendar No. 1839, House bill 8564.

There being no objection, the bill (H.R. 8564) to amend the Federal Employees Group Life Insurance Act of 1954 to provide for escheat of amounts of insurance to the insurance fund under such act in the absence of any claim for payment, and for other purposes, was considered, ordered to a third reading, was read the third time, and passed.

CANAL ZONE CODE

Mr. MANSFIELD. Mr. President, I ask unanimous consent for the present consideration of Calendar No. 1840, House bill 10931.

There being no objection, the Senate proceeded to consider the bill (H.R. 10931) to revise and codify the general and permanent laws relating to and in force in the Canal Zone and to enact the Canal Zone Code and for other purposes which had been reported from the Committee on the Judiciary, with amendments on page 3, in the twenty-sixth line from the top of the page, after "(5)", to strike out "No" and insert "A"; on page 25, in the last line, after the word "States", to insert a colon and "including but not limited to, positions (a) involving security of property; (b) involving access to defense information not releasable to foreign nationals; or (c) requiring the use of United States citizens to insure continuity and capability of operation and administration of activities in the Canal Zone by the United States Government."; on page 29, at the beginning of the twenty-ninth line from the top of the page, to strike out "this Code,"; on page 53, in the fourteenth line from the top of the page, after the word "officers", to strike out "admeasures" and insert "admeasurers,"; on page 83, in the eighteenth line from the top of the page, after the word "specifically", to strike out "prsecribed" and insert "prescribed"; on page 90, in the fifth line from the top of the page, to strike out "duced by him, nothing;"; on page 129, in the sixth line from the top of the page, after the word "gift", to insert a period; on page 212, in the ninth line from the top of the page, after the word "at", to strike out "leasst" and insert "least"; on page 238, at the beginning of the thirty-first line from the top of the page, to strike out "not" and insert "now"; on page 475, in the twenty-first line from the top of the page, at the end of the line after the letter "a" to insert a hyphen; on page 517, at the beginning of the third line from the botton of the page, to strike out "(1)" and insert "(a)"; on page 518, at the beginning of the thirteenth line from the top of the page, to strike out "(2)" and insert "(b)"; in the twentieth line from the top of the page, after the word "by", to insert "inter vivos"; on page 556, in the twenty-sixth line from the top of the page, after the word "negligently", to strike out "mean" and insert "means"; on page 614, after the ninth line from the top of the page, to strike out "shall, except as provided by subsection (b) of this section, be fined"; and on page 629, after the last word at the bottom of the page to insert a period.

The amendments were agreed to.

The amendments were ordered to be engrossed and the bill to be read a third time.

The bill was read the third time and passed.

RUSSIAN SPACE ACCOMPLISHMENTS

Mr. GOLDWATER. Mr. President, following the successful orbiting of the earth by the dual cosmonaut team of

Russia last week, the press of America reacted in different ways about this very important accomplishment of our enemies.

In the New York Daily News of last Friday, August 17, there was a supposed statement by Dr. Edward Welsh, who is Executive Director of the National Space Council, who was reported as saying that there was need for "hurried preparation of a new national policy statement intended to blueprint 'U.S. objectives and guidelines for all activities in the national space program, both military and nonmilitary.' "

Mr. President, earlier, Dr. Welch had said:

> If we do not take adequate care of our national defense, we will not have a chance to do any of the other things in space, at least as freemen.

In the same issue of the Daily News of last Friday, there was a quotation from an unidentified Pentagon spokesman which goes as follows:

> There is no immediate military application seen in the Russian flights. They accomplished nothing that was not anticipated by our scientific people.

This to me demonstrates the naivete of those civilians in the Pentagon who are deterring the course of the military in space. They see no immediate military application in the Russian flights.

Mr. President, all Russian orbits, all Russian space endeavors, are conducted under the military. They have no peaceful purposes in space. Our announced policy is to use space for peaceful purposes, whatever those purposes may be.

I think it is past time that we stopped listening to these people. They may be the so-called "whiz kids." They may be others of civilian capacities in the Pentagon who are deterring the military from getting into space. But such an eminent man as Wernher von Braun has said:

> I am convinced that it is man's destiny to enter space and that he who controls the open space around us is in a position to control the earth.

This is precisely why the Russians are working so hard in space. Why we cannot recognize this at the civilian level in the Pentagon is beyond me. Why we cannot understand that every move of our enemies in space is to control the earth is something I cannot understand.

Mr. President, after the days of World War I, and between that time and World War II, there were those in this country and around the world who were crying for air superiority, pointing out that he who controlled the skies would control the earth. We amply proved that in World War II, when we and our allies gained air superiority and gained victory over our enemies.

I suggest only that we enlarge our view and cast our eyes a little higher, and call it aerospace superiority. If we do not take the attitude that we are going to have superiority in aerospace, it will not be long until we are not going to have superiority in anything. Let us quit kidding ourselves. Our enemies are not orbiting the earth for peaceful purposes. I think it is high time that civilians in the Pentagon and persons in control of the administration recognize the elemental fact that there can be peaceful purposes in space only if we recognize that there is an area for military purposes in space.

I can think of any number of things that can be accomplished in space that I do not care to elaborate here today. Surveillance from the air is one of them. We are already using it to predict the weather. There is no reason why it should not be stepped up and broadened to include surveillances of enemy movements on land around the earth.

We might conceive of the day when the first man lands on the moon, if he happened to be a Russian, and that man and team had the ability to launch a ballistic missile. If this happened, we might as well give up on our ICBM's and our ability to develop new ICBM's.

I cannot stress too strongly the need to wake up to what is going on in space and quit kidding ourselves with high-sounding phrases about what our peaceful purposes in space are going to develop. The Russians can well get there "fustest" with the "mostest" and wreak havoc on our purpose to maintain peace in the world.

Some time ago I delivered an address before the National Rocket Club on this subject. I think it has been in the Record before, but I think some of the things mentioned therein might well be called to the attention of my colleagues again, and I ask unanimous consent that it may be printed in the Record at this point as a part of my remarks.

There being no objection, the address was ordered to be printed in the Record, as follows:

America in Space

(Remarks by U.S. Senator Barry Goldwater, Republican, of Arizona, before the National Rocket Club, National Press Club, Washington, D.C., July 17, 1962)

President Timkin, members and guests of the National Rocket Club, I deeply appreciate your inviting me to be here with you today and I hope that at the conclusion of my remarks you will understand that I am here today as a concerned American.

The dedication of this organization to the establishment and maintenance of the superiority of the United States in space technology as well as in the missile and other applications of rocketry is highly commendable and is shared, I assure you, by the great majority of Americans. Like you, I am devoted to the promotion of a peaceful world, one in which the scientific and technological developments of physical power are ostensibly meshed with sound ideological purpose to meet the challenge we face as a free society today.

My concern, as I will develop in the course of my remarks, is that our space policy as presently enunciated does not recognize Wernher von Braun's words, "I am convinced that it is man's destiny to enter space and that he who controls the open space around us is in a position to control the earth." I am concerned that the failure to recognize this truth can be related to the same philosophy which unfortunately holds that the use of the word "victory" would be offensive to our friends and our enemy.

I am convinced that the American people fully endorse space preeminence for the United States. This is our long-range goal as a nation. I seriously question those who would, in the actual process of seeking this goal, achieve less than American aerospace supremacy. Space superiority in all of its scientific, technological, and military aspects is fundamental to the future well-being, security, and prosperity of the United States.

One certainly cannot argue with the basic thinking of President Kennedy when he speaks about the space ocean and says this Nation must sail in space. His call to Congress in May of 1961 for an increased effort in space, even to landing an American on the moon during this decade, is not something which is by itself an issue. But very literary words are not enough. I would like to suggest that space and the indivisible envelope of the earth's atmosphere is not an ocean. Space is much, much more than an ocean in its significance to the future.

Space, including the earth's atmosphere in which the United States became the leading power in the world, is a medium for three-dimensional mobility for good or evil. It is the aerospace medium in which the exercise of influence on earth can be accomplished by electronics or nuclear energy or by spacecraft in orbital trajectories as well as by air-supported winged vehicles.

Most important to the people on earth space offers a means to extending world power and influence by any nation capable of using the new means of technology and scientific knowledge. In understanding the nature of the space environment and exploiting technology in space this Nation must be second to none.

Space is obviously a potential three-dimensional battle medium, one in which the scientific and technological conflict is underway right now. The failure to recognize this adds to my concern. As a conservative, I believe in applying the lessons learned in the past to the problems of today. We can recall painfully that the War Department did not fully understand the value of the airplane as a military weapon until the German Luftwaffe loosed its fury on the battlefields of Europe. Then, because time was on our side, we were able to develop this weapon as a superior tool for victory. Time will not be on our side in the next war if one should come. So in examining our military space capabilities, the United States would do well to make absolutely certain that we will never be surprised technologically in space. In the present age, purely defensive measures and the mere maintenance of a balance of military power are not enough.

Space technology is not only a military consideration. It is likewise an important political weapon which the Soviets have fully exploited, both in their foreign aggrandizement and in their domestic affairs. Read the speeches of Khrushchev. Whether he is talking for the benefit of the world at large or for the ears of an assemblage of Ukrainian peasants, the spectacular space achievements of the Soviet Union offer him almost the only tangible evidence that life under communism could possibly get better tomorrow.

Then, beyond the military and political features of space, we must not forget that it offers a celestial laboratory which promises newly accessible knowledge. There is no question but that the basic power which derives from superior scientific knowledge is fundamental to our long-term success as a world leader. One cannot fail to endorse the promise of scientists in learning more about nature on earth by means of the laboratory provided them in space, by rocketing instrumentation out into the universe to read more than the human eye has been able to see in the telescopes. But the new scientific knowledge must be gained by the men of good will. And the power of knowledge itself is likewise something that one should not hand over to the avowed enemy.

And finally in this brief discussion of space, we must recognize a new medium, which is quite a hostile and fierce environment for man. This thought alone has sparked the intellect of thinking men throughout the world and throughout history. Man's curiosity about the nature of his universe has now achieved a practical means to get near and eventually set foot on the moon and the nearby planets during this century. The country of the Wright brothers and of the creator of modern rocketry, Robert Goddard, really started the space age with a handicap. It is my belief, however, that we have faced up to the challenge. Yes, space is much more than an ocean upon which we must sail. It entails much more of an effort than merely planting an American on the moon in this decade. We endorse the great national goal of going into space as a nation and going big. But if we are just going to sail into space, perhaps we had better look again.

Once the United States finally made up its mind to get into the space field, our efforts were crowned with notable successes. As a new agency, NASA has picked up a momentum, a direction and a purposefulness directed toward long-range research and development which is one of impressive merit. But it would appear that we are now at a decisive moment in history. I feel we must make a new strategic appraisal of our national objectives based upon the rapid progress in the U.S. space effort and determine where our basic purpose might best be served.

While Soviet leaders have said very little that would indicate a military interest in space, we cannot assume that they do not look upon this medium with a warrior's eye. Those of us who have argued for the maintenance of strength in our foreign policy believe that the Soviets would resort to the use of ICBM's with nuclear warheads only when they have seen communism lose everywhere but in Russia itself. Then, in what might be called the death throes, the Soviet red button might be pushed. If, as some believe in this country today, communism is on the wane around the world, we must feel surer than ever that the Soviets have military intentions in space.

For example, the Venus globe which the Soviets launched from Sputnik 8, a 7-ton platform, indicated that they have the ability of launching a warhead aimed at the earth from a space station in orbit. Another example of their military space thinking could be found in their resumption of nuclear testing last year. According to a recent staff report prepared for the Committee on Aeronautical and Space Sciences of the Senate, bombs detonated from 100 to 300 miles above the earth could disrupt radars, radios, and electronic systems around the wide area of the globe.

Soviet propaganda has consistently stressed that the Communists' interest in space is a peaceful one. But I cannot put myself in the naive position of believing those assertions. The question then follows, what kind of a world would we live in if the Soviets announced and adequately demonstrated a capability to destroy any of our military or civilian satellites? Or what if they could destroy secretly any of our satellites manned or unmanned? There is no substitute for actual space capability. How can we guarantee that space can be used for peaceful purposes without having the means to defend such a doctrine? It is our view that international law or agreement cannot exist without the physical means to enforce it.

From all I can observe, the relationship between NASA and the Air Force in the space program has proceeded fairly well to date. But I would point out that the Department of Defense is responsible for military space affairs, not NASA. NASA is not a military service and its broad-based program will undoubtedly contribute greatly to our own national military requirements. What is disturbing, however, is our policy statements which seem to indicate rightly or wrongly that the bulk of our potential space efforts are wrapped up in NASA. I do not think this is so and I do not think that we should say it is so. The point I am trying to make is that the requirements of the United States for military programs in space should not be neglected in any vital aspect.

I do not believe it is safe to assume that the fallout from NASA space research will automatically take care of our military space requirements. And I feel further that if this is our assumption we are gambling with national survival. This would be an unnecessary gamble and we should be improving our position by building our military space capabilities as fast as our knowledge and resources permit.

Dr. E. C. Welsh, Executive Secretary of the President's National Aeronautics and Space Council, recently said, "If we do not take adequate care of our national defense, we will not have a chance to do any of the other things in space, at least as freemen." It is to be hoped that this attitude will be displayed in the final draft of a new space policy being prepared by Dr. Welsh for the President's consideration. Dr. Welsh has said that there was a "need for a policy statement" beyond the one President Kennedy submitted to Congress in 1961 in which he recommended an expanded program designed to land an American on the moon.

The first duty thrust upon this Nation by the space age is to prevent technological surprise. Neither the glamor of space spectaculars nor the undeniable value of scientific research in outer space can hide this fact. If we allow any other nation, particularly Russia, to get ahead of us in outer space, our ability to defend ourselves will be substantially impaired. But how can we possibly meet the entire spectrum of military challenge from abroad, as we know we must, unless we prepare ourselves to cope with long-range missiles, satellites and maneuverable spacecraft?

Our Armed Forces must pursue and prepare to conduct military space missions as rapidly as these can be recognized and defined. In the nearly 5 years that have elapsed since Sputnik 1 was launched, only a few such missions have been acknowledged. These, as we all well know, have included reconnaissance, communications, navigation and weather satellites. It may be questioned whether as a nation we have been farsighted enough in this respect or vigorous enough in building up our capabilities for recognized space mission. The time has come, in my opinion, to put more trust in the lessons of history which teach us that every broad new field of technology produces a wealth of military applications. And, I might add conversely, in agreement with Lt. Gen. James Doolittle, that "almost every device that is developed for military purposes has a direct or indirect civil application." The clock has already run too long a course without our pursuing more vigorously a military space program. The necessary planning, design, research and development, testing, production and training are bound to take some years. Yet, we seem hypnotized by the ICBM while neglecting to build and learn to cope with devices that promise to make the ICBM obsolete.

Now, for the past several minutes, I have been critical. It is time now that I become objective by making a few suggestions. With respect to NASA programs of research and development, are the Armed Forces continuously and adequately telling NASA what they need and thus providing the proper guidance to make sure that future military space requirements will be met? If this is being done, is the military making full use of the results of this particular NASA research?

I suggest that there is a need for more comprehensive development of our military potential in outer space. At least the Armed Forces should already be planning the development as soon as possible of a completely integrated space warfare system. Perhaps, I should say, a supersystem, since it will be far more comprehensive than other so-called systems, which we have already observed such as reconnaissance, weather, etc. There is no evidence to my knowledge, however, that such a comprehensive system is being planned. In the process, it is imperative to devise and perfect the various components and techniques that a comprehensive space warfare system will require. Here, too, we must be bold and farsighted. We must be ready, so to speak, to take a stitch in time. In this connection, it is encouraging to note that the Department of Defense is giving attention to the development of a manned, maneuverable military space vehicle. But other signs have indicated that the Pentagon is not sure where or how fast it is going in the direction of a military space program.

Finally, as I have indicated before, I believe that a new policy statement on space policy should be forthcoming and it should make clear to the Department of Defense its overall responsibilities in the area of space. The President said just a few weeks ago, "The military has an important and significant role though the primary responsibility is held by NASA and it's primarily peace, and I think that proportion or that mix should continue." Of course, the responsibility of NASA is primarily peace. The responsibility of the Armed Forces is maintaining peace also. The only question to be resolved is how peace can best be preserved. In my opinion, this preservation can be obtained by following the remarks of General Ferguson in commenting upon the prime objective of Air Force space policy which he said "is to exploit space so as to retain U.S. military superiority in order to insure the peaceful uses of space. To accomplish this it is necessary to regain the lead in military space technology."

PEOPLE OPPOSE GIVEAWAY OF SPACE COMMUNICATIONS SATELLITE SYSTEM

Mr. YARBOROUGH. Mr. President, all of us fighting in the Senate to prevent the great giveaway of the 20th century to A.T. & T. of the space communications satellite system were convinced that the opinion of history was on our side, but we were uncertain as to whether current thinking was on our side. We were unsuccessful because of the great difficulty in getting information to the people of this country about what really was involved in this bill.

A.T. & T.'s mass attack virtually smothered the facts of freedom during these past few months. Personally, I received a higher percentage of mail and telegrams commendatory of my stand on this bill than of any other position which I have taken in my 5 years in the U.S. Senate. I thought that public opinion was with us on this matter despite the meagerness of information breaking through about the true meaning of this bill. Today, my opinion has received additional support in the poll "What America Thinks," recently held.

In the Washington Sunday Star of August 19, 1962, a poll was reported of the cross-section opinions of the American people where this question was asked:

> Do you think the future network of American communications satellites—like Telstar—should be owned and developed by the Government or by private industry?

The replies in percentages were:

	Percent
Government	44.1
Private industry	39.3
Uncertain as yet	4.8
No opinion	11.8

A large portion of those who favored Government control said they did so because the amount of money involved was so large that only the Government could do it. Those who favored private industry expressed fear of the Government getting into any more areas of business.

Mr. President, not only the wave of the future, but the opinion of the present supports the fight that we have made in the Senate to stop this great dispersion and shackling of one of the greatest potential resources of this Nation. I am convinced that as the American people become better informed on this issue, the percentage favoring public control of this asset will increase.

Mr. President, I have faith in the future. I have faith in the present. I have faith in the American people. I have faith in this Government. I still hope and pray that somewhere, somehow, this cross can be lifted from the American people, and that they might yet be saved the evils of this unwise legislation.

Mr. President, I ask unanimous consent that the article "U.S. Held Divided Over Satellite Control," from the Washington Star of August 19, 1962, be printed in full at this point in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

WHAT AMERICA THINKS—UNITED STATES HELD DIVIDED OVER SATELLITE CONTROL

NEW YORK.—A study by "What America Thinks" says that Americans are sharply divided on whether the communications satellites—like Telstar—should be owned and operated by the Government or private industry.

An administration-backed bill for private operation of a satellite was passed by the Senate Friday after weeks of controversy and is expected to win quick House approval. The House already has passed a similar bill.

A cross section of the public was asked, "Do you think the future network of American communications satellites—like Telstar—should be owned and developed by the Government or private industry?"

The replies, in percentages, were:

	Percent
Government	44. 1
Private industry	39. 3
Uncertain as yet	4. 8
No opinion	11. 8

A large portion of those who favored Government control said they did so because the amount of money involved was so large that only the Government could do it. Those who favored private industry expressed fear of the Government getting into any more areas of business.

DISTRICT OF COLUMBIA FOLLOWS PATTERN

The Washington area is part of the national sample and those interviewed there seemed to follow the national pattern.

A druggist from the Thomas Circle area said, "Since it's an international thing, I think the Government should have full control as the owner. Telestar might give our country worthwhile information for national protection."

A housewife from the Northeast section, whose husband is a marine, said: "Something like this costs too much money for private industry. The Government would at least not need a profit, which would keep communication prices down."

"If the Government developed future Telstar satellites, at least they would be able to control their use," said the Arlington wife of a Commerce Department executive.

INDUSTRY MONOPOLY

A District auto mechanic remarked, "Everything run by the Government you can depend on. If private industry gets hold of it, something always happens."

A DuPont Circle woman who works in sales service said: "Private industry has a monopoly on a lot of things. It would be controlled better by the Government and would be used for the benefit of all instead of a few."

Among those who favored private industry control was the Silver Spring claim manager of an insurance company who stated, "The Government is controlling too much now. It should be developed by private industry. It would run into too much politics under the Government."

A Government geophysicist from Bethesda said, "Mainly because it will have a better chance to develop more quickly and more efficiently."

A Northeast area woman who works as a clerk in a private club stated briefly, "Private industry developed the system and should have its benefits."

REGIONAL CONFERENCES ON LAND AND PEOPLE

Mr. LONG of Missouri. Mr. President, I would like to call to the attention of Members of Congress the fact that five regional conferences on land and people have been scheduled to be held under the sponsorship of the U.S. Department of Agriculture during September and October. The first one will be held in St. Louis, Mo., on September 17–18.

The purpose of the conferences is to review and assess one of the most significant phenomena of our times—the swift and pervading changes now taking place in the economic and environmental relationship between human and physical resources.

No citizen, whether he is part of urban or rural America, is unaffected by these changes; they go to the very heart of our social structure and economic life. They suggest the need for far-reaching alterations in agriculture, bold innovations in industry, a new conception of the relationship between rural and urban sectors of our society. They touch us all in the sense that our food supply, the preservation of irreplaceable natural resources, the pattern of industrial expansion, the burgeoning need for more and better recreation, the vitality of our rural economy and the orderly growth of urban America are matters that impinge in one way or another on the welfare of each of us.

If we are to deal intelligently with these changes in our national life, we must first of all understand them. It is for this purpose that the Department is bringing together in this series of land and people conferences a broad cross section of the national and community leadership represented by the great industrial, professional, agricultural, civic, educational, and service activities which play so important a part in the evolution of national policy and action.

These conferences will offer everyone in attendance an opportunity to be heard, to ask questions, to debate issues, and to obtain as much information as a distinguished group of specialists, local and national, are able to provide.

I want to congratulate the Department of Agriculture for sponsoring this effort to obtain the views of the citizens of this country.

In order to accommodate the special problems and needs of each region, land and people conferences have been scheduled for five localities, as follows:

September 17–18, St. Louis, Mo., Ambassador-Kingsway Hotel.

October 1–2, Portland, Oreg., Municipal Auditorium.

October 8–9, Denver, Colo., Hilton Hotel.

October 15–16, New Orleans, La., Jung Hotel.

October 22–23, Philadelphia, Pa., Penn-Sheraton Hotel.

Every person interested in the opportunities and potentials in rural resources development is urged to attend the land and people conference at the location most convenient to him.

OUR PRESTIGE ABROAD MUST BE IMPROVED

Mr. CURTIS. Mr. President, our prestige is slipping abroad. I know that President Kennedy is concerned about this. I rise to call attention to a few specific instances wherein the interests of our Republic have suffered with the hope that the President can bring about corrections.

Almost daily we see additional evidence that our esteem is falling. A few recent items that illustrate this fact are:

Concern in Western Europe over the stability of our fiscal policy. The recent annual report of the Bank for International Settlements, Basel, Switzerland, warns us to put our financial house in order or Europe will lose confidence in the dollar.

The actions of Ambassador Loeb in the Peruvian crisis need clarification lest a new zest for the old cry of "Yanqui" imperialism be rekindled.

A high official of the Indian Government, described as friendly to the United States, suggests the Peace Corps quit sending "half-baked people" to India. This is reported in a news story from New Delhi dated July 16, 1962.

Another item from the Statesman, published in New Delhi on July 11, 1962, quotes T. T. Krishnamachari, Union Minister without portfolio. Krishnamachri says it is improper for the United States to advise India about her development programs just because we give India foreign aid.

In this story Krishnamachari "felt that while an admirably high degree of social justice had been achieved in Britain, the United States was far behind. Of the 170 million Americans, 17 million went to bed without dinner."

An article from the Observer published in London July 8, 1962, and entitled "Kennedy's New Testament," opens:

> It is hard for non-Americans, unfamiliar with the holy writ of Americanism, to understand how far—how blasphemously far—

President Kennedy went in his Independence Day speech in Philadelphia * * * it is clear that the grand design (the President's version of an Atlantic partnership) has been forged between the hammer of growing European strength and the anvil of relatively lessened American power.

No doubt the recent disarmament proposal relying on devices outside Russia, rather than onsite inspections, to measure Russia's good faith has caused more than consternation in the capitals of Western Europe.

To our President, I point out that each week, we see new incidents of falling American prestige. What can we do, Mr. President, to stop it?

ANOTHER AREA LOST TO FREEDOM

Mr. MUNDT. Mr. President, in taking the lead in turning West New Guinea over to Indonesia, the administration has created a new colonial power. There is not a single Indonesian there.

It has created a Cuba for Australia by giving representatives of over 600 million Asiatics a foothold just north of that British settlement of 10 million. We had 7,000 American casualties in West New Guinea to prevent this in World War II; Australia is the firmest base the United States can use in the Pacific.

We have allowed our island defense lines, running from Japan through Okinawa, the Philippines, and New Guinea to Australia, to be pierced—a loss far more serious than Laos.

Finally, we have antagonized another NATO partner by undercutting The Netherlands.

Mr. President, I ask unanimous consent to have printed in the Record a front-page news item from the Baltimore Sun of August 17 and excerpts from an article in the New York Times of August 19:

There being no objection, the article and excerpts were ordered to be printed in the Record, as follows:

[From the Baltimore Sun, Aug. 17, 1962]

Hilversum, the Netherlands, August 16.—The Dutch Foreign Minister, Joseph Luns, tonight accused the United States of acceding to Indonesian demands for West New Guinea in the hope of keeping Indonesia out of the Communist sphere.

In a television interview here, he said this explained why America's policy on the West New Guinea issue swung around so drastically.

He said Indonesian war threats had been a decisive factor and this is something for the world to think about.

CONSIDERED RESIGNING

He said his government was worried about the vagueness in Indonesian-Dutch takeover agreement and admitted that he and Cabinet colleagues had considered resigning.

"But this would have aggravated matters * * * and very strange things would have happened in the military field," Luns said.

Luns said the Dutch objection to the pact signed last night in New York was that it relies too heavily on Indonesia meeting its obligations.

He said the Netherlands had always based its policies on the interest of the native Papuans in West New Guinea and could have expected the support of other countries, especially the United States, for its policy of decolonization.

STRONG RECOMMENDATION

"Only this year the Netherlands Government has come to the conviction that it could not rely on military assistance," he added.

[The Associated Press quoted Luns as saying his government had accepted the Bunker plan because it was strongly recommended by the United States. A retired U.S. diplomat, Ellsworth Bunker, figured as mediator between the Dutch and Indonesians.

["It was not an ideal plan," Luns said, "because administration is given to Indonesia before the Papuans exercise their right of self-determination."

[But the agreement was still worse, the Associated Press quoted Luns as saying, the original Bunker plan provided for a 2-year transition period but the United Nations agreement provides for Indonesia to take over control next May 1.]

[From the New York Times, Oct. 19, 1962]

U.N. and New Guinea

(By Thomas J. Hamilton)

In terms of immediate advantage, the agreement to surrender Netherlands New Guinea to Indonesia last week was perhaps an encouraging development for the United Nations and the United States. They had joined in pressuring the Dutch to hand over the last unprofitable remnant of their South Pacific empire.

THE DANGERS

The situation presented real dangers because Indonesia apparently was preparing to fight if the Netherlands refused to surrender. Only last Monday, when the negotiations in Mr. Thant's office were in their final stage, Indonesia dropped several hundred paratroopers in Netherlands New Guinea as a sign that she meant business.

Even if war had been avoided, there was the danger that Indonesia would go over to the Soviet side unless the United States supported her claims. President Sukarno was already threatening to accept Soviet jet planes to supplement the military equipment he has already received from Moscow.

From the point of view of the long-range interests of the United Nations—and the United States—a less optimistic verdict has to be considered. The first victim of the agreement to cede Netherlands New Guinea to Indonesia was Woodrow Wilson's principle of self-determination which, after being enshrined in the Atlantic Charter, became one of the basic principles of the United Nations.

ASSEMBLY STAND RECALLED

The Papuans are of an entirely different race, language, religion, and culture from the Indonesians. Indonesia's claim was based entirely on the fact that both the Indonesians and the Papuans had once been ruled by the same country.

On the basis of this reasoning it might be said that the American colonists, having achieved independence in 1783, should have demanded Jamaica because it, too, was a British colony.

Indonesia's stand in the negotiations with the Netherlands was the same that she took in the General Assembly last fall, when Foreign Minister Subandrio denounced a Netherlands proposal for self-determination for Netherlands New Guinea as an attempt by the colonial powers "to confuse the national struggle for independence."

At the time, Indonesia and her allies, in addition to blocking a Netherlands proposal for a United Nations administration, made a special and equally successful attack on a provision under which the General Assembly would have endorsed self-determination for all non-self-governing territories. Netherlands New Guinea included.

The principle of self-determination certainly will not prevail in Netherlands New Guinea, whose inhabitants will be asked whether they want Indonesian rule 6 years after it goes into effect, not before. The inhabitants are not to be asked if they want independence, and the agreement is completely silent on what will happen if there should be a majority against Indonesian rule.

The cardinal principle of the Charter—that all international disputes shall be settled by peaceful means, without resort to force or the threat of force—came in for even rougher treatment under the agreement.

NO REPROACH

As in the case of India's seizure of Goa last December, not one word of reproach has been heard in the United Nations against Indonesia's landing of infiltrators and paratroopers, which began on a large scale last January.

The failure of the United States, as the leading member of the United Nations, to propose any effective action in the United Nations about India's seizure of Goa seems to have convinced Indonesia that it was safe to go ahead.

The idea seems to be gaining ground in the United Nations, in short, that colonialism, in V. K. Krishna Menon's phrase, "is a permanent aggression." Therefore, according to a view that is beginning to gain ground, the Charter commitments against the use of force simply do not apply when a colonial power is on the receiving end.

This doctrine, of course, has always been upheld by the Soviet Union, which for years has found anticolonialism a useful instrument for weakening the allies of the United States.

There is, of course, no longer any doubt about the fact that the end of colonialism is at hand. There is still less doubt about the desirability of United States participation in helping the United Nations to bring about its prompt and orderly liquidation.

It is to be feared, however, that the danger of a new imperialism will arise if the newly independent states are encouraged, as Indonesia was last week, to disregard the Charter principles of self-determination and of peaceful settlements.

NATIONAL CONFERENCE ON INTERNATIONAL ECONOMIC AND SOCIAL DEVELOPMENT

Mr. MORSE. Mr. President, I have received a letter from Mr. Frank A. Schuler, Jr., executive director of the National Conference on International Economic and Social Development, enclosing an interesting speech made by Ambassador Roberto De Oliveia Campos of Brazil before the Chicago meeting of the conference. I ask unanimous consent that Mr. Schuler's letter, and the text of the Ambassador's speech be printed in the Record at this point in my remarks.

There being no objection, the letter and address were ordered to be printed in the Record, as follows:

National Conference on International Economic and Social Development,
Washington, D.C., August 16, 1962.

Hon. Senator Wayne Morse,
Old Senate Office Building,
Washington, D.C.

My Dear Senator Morse: As you probably know, the National Conference on International Economic and Social Development held its ninth annual meeting at the Palmer House in Chicago on July 19–20, 1962, on the theme "Alliance for Progress."

I am enclosing, as of possible interest, clippings from the Chicago press regarding the meeting. I am also enclosing a speech by His Excellency Roberto De Oliveia Campos, Brazilian Ambassador to the United States, which attracted wide attention.

Because of your interest, position, and perception of the problems involved in our relations with Latin America, it occurred to us that you might wish to have this important speech inserted in the CONGRESSIONAL RECORD.

As soon as a report of the meeting has been completed, I plan to send you a copy.

With many thanks and warmest personal regards, I am

Sincerely yours,
FRANK A. SCHULER, Jr.,
Executive Director.

SPEECH BY AMBASSADOR ROBERTO DE OLIVEIRA CAMPOS AT THE NATIONAL CONFERENCE OF INTERNATIONAL ECONOMIC AND SOCIAL DEVELOPMENT AT PALMER HOUSE, CHICAGO, JULY 19, 1962

It was with great pleasure that I received the kind invitation of Mr. David D. Lloyd, to address the National Conference on International Economic and Social Development, on the subject of the Alliance for Progress. I am afraid, however, that I shall not bring in today cheerful thoughts, but rather uncomfortable reflections. The subject is too vital for us to afford the luxury of mistaking rhetoric for action and intention for achievement.

There were great expectations when the ship unfolded its sails in Punta del Este. But the wind has abated, one can now feel a lull in an uncharted and potentially stormy sea. Yet, the ship of the Alliance carries much more than routine messages or menial provisions. It carries the very destiny of democratic development in our hemisphere. What has gone wrong? How can we alter the course to reach the promised shore before the storm?

We need, both North Americans and Latin Americans, a soul-searching examination of this great issue in frankness but not in anger, in eagerness but not in prejudice, with realism but not with indifference. I propose to deal with some aspects of the problem that seem particularly relevant to me; psychological preconditions for the success of the Alliance, the false assumptions, the basic antinomies, before enouncing some conclusions.

POLITICAL AND PSYCHOLOGICAL PRECONDITIONS

The greatest problem of the Alliance is perhaps the lack of a mystique (I prefer to talk of a mystique rather than of an ideology because the latter word has been often tainted by the evil scent of regimentation and intolerance). For the Alliance is not an exercise in a political vacuum. It is a work of social engineering requiring from the people a passionate involvement. In this sense it has to act as countermyth to the Communist ideology which, despite its wanton brutality, has been rather successful in conveying to neglected masses a feeling of belonging in the construction of new societies. For the program of the Alliance to succeed men's minds and hearts must be mobilized, old traditions crushed, privileges waived, social injustices corrected. And all this without the easy demagogic appeal to revolutionary convulsion, but rather in a context of consented change.

It is not that the ingredients of a mystique are lacking in the Alliance. They are there: economic development, democratic freedom, redressal of social injustices.

The problem is to instill in the masses in Latin America a sense of personal as well as of national commitment. This personal involvement would require, at the outset, the breaking of inertia and skepticism. That is why actual deeds in the form of well chosen impact projects are needed immediately, independent of social and structural reform and independently of prior satisfaction of requirements of planning and financial stability.

A sense of national involvement must also be created. As Governor Luiz Marin, of Puerto Rico, has put it, the "ideals of the Alliance must be fused with the national ideals of each country." Those national ideals may take the form of plans, programs or simply a development strategy. What is essential is that they represent the national aspirations and not the importation of a foreign mold, for otherwise they would not provoke a national involvement in the concept of democratic reform and change.

Finally, since the Alliance is a cooperative continental undertaking, the organs for political expression and multilateral action must be strengthened just as, in the European case, the Common Market was at the same time nourished and furthered by inspiring the development of associative organs both in the economic and in the political fields. The politics of the Alliance, in other words, are just as important as its economics.

Another of the requirements for the success of the Alliance is for the Western industrialized countries, and in particular the United States, to acquire, in Professor Hirschman's words, "an understanding of the understanding Latin Americans have of their own reality." This will require the discarding of prefabricated images and a dynamic revision of historical preconceptions, in order to adapt the Alliance effort to the changing face of Latin America; it will require the acceptance of the view that the purpose of aid should be to assist those countries to construct their own societies, in their own way, which in many instances may depart from American patterns and beliefs. To allow for this pluralism of social forms should, incidentally, be much easier for the aid programs of the West—with its tradition of democratic pluralism built to manage diversity—than for those of the East, with its reliance on the Marxian dogma and management by compulsion.

There are two aspects of the changing face of Latin America which will require from this country and its partners in the Western alliance a sensitive understanding and a view in perspective and not in panic. The first one is the recrudescence of nationalism. This at a time when Western Europe and the United States are seeking to escape the confines of nationalism, in a search for broader forms of supranational integration and interdependence. Again, this must be viewed in historical perspective. The Western industrialized countries have, by and large, completed their process of national and social integration. The only major remaining pressure is the external threat of Communist aggression against which the best defense lies in supranational integration. The Latin American countries, on the other hand, are still in the process of constituting their national personality. They need the cohesive force of nationalism to maintain unity against the centrifugal pressure of heterogeneous regions and groups, and to abate interclass tensions. In this context nationalism may still be an important mobilizer of the national effort and a vital element in the drive for modernization; though, of course as most ideologies, fraught with danger of ideological perversion. It is in fact a major task of social dynamics in Latin America to utilize the mobilization potential of nationalism without falling prey to its intoxicating perils. Very often the politicians's need for political excitement and for transferring guilt may channel nationalism into irrational detours. It may turn from cohesion into xenophobia and may hamper development itself by adversely affecting the flow of investment funds. But if a prudent and sober view is taken of this phenomenon, if the legitimate grievances of the underdeveloped countries are recognized, if account is taken of emotional urges inherent in periods of quick transformation from dependent economies into proud self-reliant nations, we shall find that nationalism in Latin America, just as in Europe, where it was first born, will give ground to more balanced attitudes once the process of modernization of the societies is advanced and a greater degree of social integration reached.

In the foreign policy field also, the United States and Western Europe would find a growing urge in Latin American countries for an independent foreign policy, reflecting both their need to assert their national personality and their different interpretation of the cold war issues. It is altogether too simple, however, to dismiss the policy of independence, which is being spearheaded by Brazil and Mexico, as just another manner of neutralism, or an exhibition of pro-Castro feelings. For, in fact, the independence policy of the Latin American countries differs substantially from Afro-Asian neutralism. Firstly, they are not systematically nonalined, since they remain faithful to the inter-American system. Second, they do not show interest in the formation of a third power bloc, symmetrically distant from the two big centers of power. Thirdly, they have chosen Western institutions of democracy and capitalism, even though practicing them imperfectly, while the typical neutral country has not yet crystallized its choice between democracy and private enterprise on one hand, and authoritarian socialism on the other.

The cold war is also viewed differently. For the Western industrialized nations, the overwhelming problem is to protect their tested and workable institutions from the external Communist threat. For the Latin American countries there is yet another chasm just as relevant as the East-West conflict. It is the abyss that separates the prosperous industrialized countries of the Northern Hemisphere from the backward regions located predominantly in the Southern Hemisphere. The Western industrialized countries, for which external aggression is the only relevant threat, tend to view the cold war as a problem of security; the Latin American countries faced with internal threats of poverty and dissatisfaction are less concerned with external security than with internal development.

It is thus no wonder that those countries, while conscious of their basic solidarity with Western ideals, view the cold war from a different perspective, and are readier to accept the competitive coexistence of the two systems. This is not only because coexistence seems the only viable alternative to global holocaust or to a rigid partition of the world in ideological compartments, but also because they believe that the competition with socialism will render democratic capitalism more humane and socially conscious, and may, incidentally, prod the West into greater effort and a greater sense or urgency in helping underdeveloped areas.

ON SOME FALSE ASSUMPTIONS

Before proceeding to deal with the basic antinomies which render the implementation of the Alliance for Progress a difficult exercise, it might be opportune to lay some ghosts. The first one is the tendency to exaggerate the burden and effort placed on this country's shoulders by its financial commitments of the Alliance for Progress. Let us recall that the expected flow of capital from governmental sources for the Alliance for Progress will be of the order of magnitude of over $1 billion per year. This is about one-fourth of the average yearly flow of governmental funds for the Marshall plan. But at the time of the Marshall plan, the U.S. economy was fully employed and suffering inflationary pressure. There is now unemployment, substantial under-utilized capacity in industry and great food surpluses, so that foreign aid rather than straining the economy may promote a better utilization of resources. There are two other differences that need be stressed: (a) the $4 billion taxpayers' effort in connection with the Marshall plan was made by an economy whose gross national product averaged in the period 1948–51 less than $300 billion per year while the present GNP is in excess of $550 billion; (b) over 90 percent of Marshall plan funds were in the form of grants while over 70 percent of the Alliance's assistance are likely to be in the form of repayable loans.

The purpose of these comments is not to belittle the generosity of the American effort or to deny that the utilization of existing capacity could also be achieved simply by the intensification of domestic expenditures for domestic projects. The scope of my remarks is mainly to place in proper perspective the size of the effort. A lot could be said on the relationship of aid and trade. But more on this later.

There are other cliches that impede an objective consideration of the Alliance's policies and attitudes. One is the widely prevalent view that a lot of money in the last few years in the form of grants or loans to Latin America has gone down the drain, wasted for the benefit of a small minority of oligarchs. But by far the vast majority of the funds has gone into specific projects for dams, roads and factories. Certainly this has not corrected the unevenness of income distribution in Latin America, and there is undoubtedly need for a better composition of investments, attention being paid to vitally urgent social fields. But while this proves an overall lack of investment funds, and perhaps an unbalanced distribution of investment, it certainly does not substantiate the claim that the taxpayer's money has gone down the drain.

The other prejudice is imbedded in the current view that "Latin Americans don't pay taxes." This is an extremely oversimplified picture.

Tax ratios in underdeveloped countries may be expected to be typically lower than in developed countries. This is because of the low average per capita income and the existence of large nonmonetized sectors. The structure of taxation is also different. Greater reliance is placed on customs taxes and export taxation, turnover or sales taxes and compulsory contributions to social security, than on income taxes, although the role of the latter is growing considerably. In some countries, such as Brazil, income taxation on persons and corporations attains quite high levels, and in fact the tax ratio on middle incomes is on the average higher than the comparable ratio in the United States although, admittedly, the progressiveness is less steep in the upper brackets (supposedly to permit a certain degree of concentration of investible funds) and numerous tax loopholes still remain, which a recent tax reform bill, presented to Congress, is designed to correct. It must also be kept in mind that in the effort to invest beyond their resources most of the Latin American countries have been subject to sharp inflation, which is in itself a severe, albeit unjust, form of taxation. All in all, there is an immense task of improvement of the tax system in the direction of ameliorating income distribution and correcting tax inequalities, but the conventional contrast between an austere U.S. taxpayer and a nonchalant Latin American taxpayer is grotesquely unfair.

THE BASIC ANTINOMIES

I have already discussed in another context the basic antinomies that the Alliance for Progress has to live with and which create problems of great operational complexity. Those points are sufficiently important to bear repetition.

Initially, we find a contradiction between the need for an impact effect and the conditions of maximum long run effectiveness. The latter requires, in order for the investments to attain an optimum yield and for assuring a proper coefficient of self-help, an adequate institutional framework, structural reforms of tax and land tenure systems, and a coherent set of monetary and fiscal policies.

On the other hand, it is often necessary, for social and political reasons, to direct immediately some initial investment to several sectors of the underdeveloped economy even before social reforms are enacted and effective economic policies adopted. A certain risk of initial waste must therefore be accepted almost, we might say, as the political cost of breaking inertia and arousing public support and participation; and there is no way of avoiding a partial misallocation of resources, except at the much higher cost of generating skepticism and mistrust regarding the purposes and effectiveness of the Alliance.

A vigilant attitude of policing and reproach to underdeveloped countries for their shortcomings in the implementation of plans and programs, often ignores political realities and presupposes, on the part of the developing countries, a degree of rationality that they could have only if they were not underdeveloped socially and institutionally.

One should be aware of this paralyzing circularity when the need for the establishment of conditions of effectiveness is assessed. The desire to change should not be taken necessarily as to the objective possibility to change. Will to reform is but a prerequisite to self-help, and not its only ingredient. Above all, we should distinguish between the short-term political problem of winning popular allegiance to the Alliance through the immediate implementation of some key projects, and the long run problem of promoting structural reforms and enlisting the self-help of the countries concerned.

Citizens of industrialized countries do not easily grasp this qualitative distinction. I have been often asked, for instance, why Brazil has not completed in the first year of the Alliance her overall economic planning or effectuated the necessary reforms. The answer is: if we were in a position to plan the development of such a complex economy as ours in this quick and expert way, we would probably not need any planning at all. And presumably we could expedite reforms by abandoning democratic procedures, but this would certainly defeat the objectives of the Alliance. Holding back aid because of the nonexistence of the so-called prerequisites would thus be self-defeating, impairing the possibility of the attainment of the very objectives at which we aim.

Secondly, we have the antinomy between social and economic development. The Alliance has been criticized sometimes, in our countries, as a method of dealing with social problems by means of social remedies, while these problems require, to a great extent, basically economic solutions. Yet, when the prevailing social environment is such that the available labor force cannot be fully engaged in production on account of social unrest, squalor, and disease, then it is sensible to complement massive economic investments with allocations of capital for social development projects. In fact, economic and social investments instead of being mutually exclusive alternatives become indeed complementary.

The needs for social development in Latin America are enormous. Take this example. It has been estimated that about 1,200,000 homes would have to be built, every year, in order to satisfy only the yearly increase in the demand for housing. Much more would have to be achieved to correct the accumulated deficit of housing shown by the prevalence of the "favelas" in Brazil, the "callampas" in Chile, or the "barriados" in Peru.

Prodigious as these social problems are, we must humbly recognize that all we can do is to try to alleviate them, because a self-sustaining solution can only come from accelerated economic development. New and larger plants, mills, oil fields, machinery and equipment of all sorts are essential to assure an adequate growth of production, compatible with the demographic development and the rising expectations of our countries.

Images of life in industrialized nations have been literally sold to us for years and decades by the rich countries. These images arose in our underdeveloped countries a desire for better living that strongly motivates our present urge for development.

These mimetic patterns of consumption cannot be held back except by institutional barriers, similar to the Iron and Bamboo Curtains. In this sense the Alliance for Progress is a common effort to liberate us from the sad need to shut in and erect our own "palm curtain."

Thirdly, we face the serious dilemma of consented reform versus revolutionary change. One could easily draw the "divortium aquarum" of contemporary social action and thought in Latin America as coinciding with the line that divides the will to bring about basic economic, social, and political reforms (even of a radical nature) by means of democratic change, from the design to subvert existing institutions, in order to impose upon social reality, in a sudden manner, new patterns and values.

In this sense, we find both the extremes of left and right, the revolutionaries and the defenders of the status quo, fighting in the same trench, although by opposite reasons, against the Alliance for Progress. The former because they do not want to work toward gradual progress, but rather try to extract light from darkness, and economic order from social chaos. The latter because they do not want to lose the comfortable status they have enjoyed for so many years in our unjustly organized societies, afflicted by the contrast between despair and privilege.

But social injustice is nowadays unmanageable in the long run, and has disastrous political consequences. We are facing what is perhaps the last opportunity to reshuffle the basic components of our social balance, in order to let a few fundamental values survive.

In the fourth place, we face the problem of adjusting our policies within the extreme poles of economic planning and free enterprise. The world of private initiative, a vigorous universe of fast pulse and quick decisions, certainly has its place in our countries, where practical results must be achieved in the short run. However, the economic and political circumstances under which the underdeveloped countries must accomplish the task of development force them to allow for a large measure of state intervention which, if not skillfully handled, may have restraining effects on the vigor of private economic initiative.

It may happen, and has indeed happened, that the preference of certain financing sources, private and public, is directed toward the sectors of an underdeveloped economy where the utilization of their resources is not of maximum advantage from a macroeconomic viewpoint, or is politically objectionable. In these cases, a conflict arises between private interests, even though generously motivated, and the general interest of the countries in need of capital. Here is one of the most delicate problems of the administration of aid. For as Senator John Fitzgerald Kennedy once said in a speech in Puerto Rico, in December 1958, the purpose of nonintervention becomes a sham "when our aid policies are conditioned upon the role which private enterprise will play within the recipient country."

Paradoxically, a greater flow of public capital may be needed mostly because private capital is often involved in a tragic circularity of its own. Monetary instability and political unrest in most of the Latin American countries have slowed the flow of private capital down to a trickle and yet this slowing down does nothing but aggravate the problem. In these circumstances, the restoration of a climate of opportunity for private capital may require an intensification of investment that can come only from public financing.

Fifthly, we have the conflict between political inspiration and bureaucratic inertia. And this both in the giving and in the receiving end. The new mood, the new tempo, the new magnitude of effort finds enemies in the conventional attitude of the lending agencies and in the bureaucratic incoherence of the receiving countries often unable to modernize their governmental machinery. In fact, bureaucratic perspiration is sapping the vigor of the political inspiration of the Alliance.

There is much to be said on this chapter. There is, for instance, what I might call the law of correlate shrinkage. It expresses the strange phenomenon that we have repeatedly seen: The reluctance of most existing sources of capital to maintain their lending rhythm as soon as new sources of financing are created.

When the World Bank started operating, Eximbank began to show signs of fatigue in its dealings with some of our countries. Then, the Inter-American Bank was set up, after half a century of debate, and immediately the World Bank increased the cautiousness of its movements, shifting resources to other continents and even lending to some countries that cannot at all be called underdeveloped. We fear that the same effect has occurred in the existing institutions of credit since the Alliance for Progress was announced. The Eximbank for instance, appears to have found that it is overcommitted in relation to some Latin American countries, when the whole concept of the Alliance for Progress is that the United States is undercommitted in Latin America and that the flow of funds must be greatly accelerated.

This intriguing paradox is a dangerous one. It seems that every increase in the general level of confidence on the availability of capital for development has the consequences of lowering the actual flow of capital from each of the sources concerned. And yet, the total sum of the funds available to underdeveloped countries is but the aggregate of these unitary inputs.

We have here somewhat of a magic expectation. And magical substances combined with unsatisfied hopes can be highly explosive.

Another aspect of this antinomy is rooted in the diverse and often incompatible motivation of the AID legislation. This legislation is geared to the basic purpose of promoting economic and social development. But it is also a protectionist instrument. Such requirements for instance, as that 50 percent of the weight (and not only of the value) of the financed goods (with a separate demonstration for each type of cargo liner, bulk and tanker) be shipped on American bottoms, unless unavailable, impose, first, a tremendous bureaucratic exercise, and, second, compel the recipient countries, which so far had been advised to move in the direction of liberalizing exchange and trade controls, to reestablish extensive controls of foreign trade. For balance-of-payment reasons, the system of tied loans has also been established. In addition to being of doubtful effectiveness, except if the recipient country establishes trade controls to alter its overall pattern of demand, it again creates a serious administrative rigidity, particularly in the case of loans for the local cost component of social development projects which do not depend on specific imports. Another operational complication we have had to face is that the financing from AID is contingent upon nonavailability of other sources of free world financing on reasonable terms and conditions.

In most cases, financing offers are obtainable from other sources, but on shorter terms and higher interest rates than those available in AID. The task of evaluating the reasonableness of other sources of free world financing is highly subjective; it has been a major retarding factor in loan decisions and is difficult to reconcile with another objective of the AID program; namely, the stimulation of American exports. It is now likely that another feature will be inserted in the legislation, transforming it into an instrument to enforce the payment of compensation on expropriated properties. Respectable as this objective may be—I do not propose to discuss its merits—one may express concern lest the multiplicity of objectives of the legislation render it so difficult to administer that disbursements will slow down to a trickle.

Finally we come to the antinomy of trade versus aid. It has been estimated that the amount of dollars Latin American countries have failed to receive, in recent years, as a result of declining prices of their exports to the United States, is comparable, and in some instances superior to the amount of dollars received under the form of loans and grants from the United States.

It would seem much more natural if the Latin American countries could obtain a substantial amount of the foreign exchange they need for their economic development through the normal channel of international commerce. Aid could well be meant to be a supplement to this natural source of funds. Yet, since the international trade in primary commodities deteriorated so far that aid has become, for some countries, the main external supplier of funds for development, then one ought at least to make sure that hard currency income from exports shall not continue its downward trend, for otherwise losses in trade would offset the flow of grants and loans.

Two months ago the Colombian Minister of Finance, Mr. Jorge Mejia Palacio, declared: "I come from a country that has received substantial assistance from the Alliance * * * Nevertheless, the losses suffered in the coffee market since the Punta del Este Conference are two or three times greater than the special aid received."

The seriousness of the problem can be illustrated by a few numerical examples. Between 1953 and 1961 the weighted average price of Latin American exports to the United States (excluding Cuba and Venezuela) fell by 20 percent while the U.S. export prices rose by 10 percent. If Latin American export prices had remained at 1953 levels, the volume of their exports to this country in 1961 would have yielded an additional revenue of the United States, $1.4 billion in 1961 alone, a sum which exceeded the entire flow of U.S. funds from any source, including private capital, last year.

In the last 2 years alone, which encompass the drawing of the Bogotá Act and the launching of the Alliance for Progress, cocoa has declined in price by 26 percent, sugar by 20 percent, coffee by a further 8 percent, after a continuous fall since 1955. It might be recalled that a drop of 1 cent in the price of coffee may signify for Latin America a loss of exchange resources of close to $40 to $50 million, thus nullifying the effects of months of painful loan negotiations.

While I do not pretend to impart any special rigor to those computations, they underline a striking fact. To a very large extent the flow of capital from all U.S. sources to Latin America did not even compensate in net terms for the decline in prices of primary commodities in Latin America. This may perhaps provide a clue to the frustrating verification that despite what is mistakenly regarded as a substantial flow of funds to Latin America in the last decade, the perilous drift towards stagnation or abatement of the growth rate of the countries south of Rio Grande has not been detained.

The truth is that there has not been any net transfer of real resources. What Latin America has received in the way of financial resources, via loans and grants, is barely equivalent to the resources it has yielded to the American economy, whose taxpayers and consumers enjoyed lower prices for raw materials and food products.

This is of little consolation to the taxpayer for his tax burden is precise and measurable, while the benefit he receives as a consumer of Latin American products is diffused and invisible. But the fact remains that the U.S. economy as a whole has not lost treasure and substance in helping Latin America and has suffered no shrinkage in its gross retained product, while the Latin American countries have obtained no net addition to their real resources and have been saddled with an additional debt burden. This also underlines the sad lack of perceptiveness of the conventional banking wisdom which sees in the balance-of-payments difficulties of Latin America merely the result of inflationary debauchery, to be purged by the denial of loans and by pious exhortations to put our house in order when international trade is in disorder.

The unnaturalness of this situation calls for urgent remedy. In the Charter of Punta del Este the American Republics agreed to promote measures to regulate the market of primary products. Immediate and decisive steps should be taken now to cope with this serious problem lest the good purpose of aid be destroyed by the vagaries of trade.

The solution of these unresolved antinomies will be of fateful import for the Alliance for Progress. They affect and involve both Latin and North Americans. And we both must strive to solve them. For anguishing contradiction and conflicting motivations are part of the human burden and disappear not with the decision to develop or even with the achievements of development.

CONCLUSIONS

Let us look, with more fatigue than satisfaction, at the results of our inquiry.

We have reminded ourselves that the Alliance is not an exercise in a political vacuum but in a social context. Hence the need to create a mystique, capable of eliciting a sense of personal and national involvement and to act as a countermyth to the Socialist lure.

On the political and psychological front there must be an effort to understand the popular aspirations of Latin America to build their own society in their own ways. And above all to see in historical perspective the rise of nationalism—at times irreducible to rational models—and the need for those countries, as their self-reliance grows, to express their own personality in world affairs. As a great democracy, trained in the techniques of persuasion and not of oppression, the United States is better equipped to understand and accept the pluralism of new societies, than its Soviet rival. It should find it better to work with a concert of allies than with a choir of satellites.

Some false assumptions must be discarded. There is no sense in exaggerating the burden placed on the U.S. economy by the launching of the Alliance, which in fact, to judge from present magnitudes, is likely to represent a much lesser effort, in real terms, than that involved in the Marshall plan. And an effort which comes at time when the American economy has idle resources that could be fruitfully mobilized.

The stereotype view that money has been poured down the drain in Latin America enriching only a few has been overplayed. The bulk of the investment has been productive even though social injustice still prevails, the pattern of investment remains unbalanced and a relentless effort must be made to achieve desirable reforms, which alone can in the long run yield self-sustained growth and political stability.

But the success or failure of the Alliance hinges on the solution of its basic antinomies. Firstly, the need to enlist popular support and eliminate skepticism requires the carrying out of impact projects independently from long-term reforms or adherence to canons of monetary stability. This is not an underestimation of the importance of the reforms or a counsel for laxity in their pursuit. It is simply a recognition of the fact that if popular confidence in the Alliance is created by the evidence of concrete deeds, the reforms will become a popular reinvidication and not an abstract social prescription.

The solution of the second antinomy presupposes a delicate balance between social investment and directly productive economic investment. The first abates social unrest and tensions but only the second can provide the basis for self-sustaining growth. The third antinomy is that of consented reform versus revolutionary change. The path of consented reform is slow, at times reticent, but enduring; the revolutionary alternative may bring quick reform but at the cost of the immeasurable peril of social convulsion. The fourth antinomy relates to planning and free enterprise. Social pressures for development in the modern context require a large degree of government intervention, while political factors may impose the reservation of special areas for national activity. It is far from easy to maintain a correct balance between private motivation and planned growth and it may be expected that conflicts will arise between governments and foreign enterprises. The use of the leverage of aid to interfere with the governments' freedom of choice as to forms of economic organization and allocation of tasks between public and private enterprise may generate dangerous friction, which it is imperative to avoid lest the desire to prevent limited socialization lead to Socialist experimentation.

Still another antinomy is that between the political inspiration of the Alliance and the conventional reactions of the bureaucratic and banking apparatus which adhere to routine criteria. Particularly serious is the tendency of the lending agencies to substitute each other's effort, rather than to increase their overall contribution to Latin American development. The conflicting and diverse motivations of the AID legislation have created major administrative problems that are likely to impede a rapid rate of disbursements. Paradoxically, some of its requirements could only be implemented if the receiving countries were to abandon the advice they have been freely given—to move in the direction of liberalization of trade and exchange controls—in favor of the restoration of extensive governmental trade controls.

The last but perhaps the most important antinomy is that between trade and aid. The flow of assistance from all U.S. sources has been barely enough to offset the decline in exchange resources of Latin America, due to the combined effect of falling prices of primary products and table or rising price of manufactures. In a sense, there has been no transfer of real resources to the Latin American economy in the last decade, and this explains perhaps the frustrating fact that despite large-scale financial assistance, the trend toward stagnation or abatement of growth has not been detained in most of those countries. Ironically, they may have only too well abided by the principle of self-help: they received no more in aid than they have previously lost through trade. This underlines two facts. Firstly that the problems of aid cannot be considered separately from those of trade. Secondly, that the strain on the American economy resulting from aid programs has been grossly exaggerated; many individuals while strained as taxpayers fail to realize how much they saved as consumers.

Let me now say a final word. One of your famous soldiers, General MacArthur, once said that there is no substitute for victory. It is on this note that I shall end. There is no substitute for a successful Alliance for Progress. It is perhaps our last chance of democratic development.

There are in this continent resources, ingenuity and skills to conquer poverty. What we need is a searching and constant effort to understand each other, to be courageous to make mistakes because of excessive faith rather than stagnate through caution or conventional wisdom.

This is the 11th hour. Let us use this chance to convert frustration into hope, to convert dusk into dawn, before the southern part of this continent, lured by false totalitarian promises of immediate elimination of poverty and hunger, loses its soul.

PENNSYLVANIA ROLE IN BATTLE OF ANTIETAM 100TH ANNIVERSARY

Mr. CLARK. Mr. President, I ask unanimous consent to have printed in the RECORD at this point an announcement I have received from Col. Ray Ward of the 141st Regiment Pennsylvania Volunteers, Reactivated, concerning the Pennsylvania Rededication Day services scheduled for the afternoon of September 1, 1962, at the Antietam National Battlefield.

There being no objection, the announcement was ordered to be printed in the RECORD, as follows:

> Colorful Pennsylvania Rededication Day services will be held September 1, 1 p.m., Antietam National Battlefield, Md., Howard Brigade Park, where the density of Pennsylvania troops was the heaviest on that bloodiest day of the Civil War; site of the 69th monument, representative monument, has been selected. This 10-acre plot of trees and grass is excellently situated for traffic control, and can house the thousands of people who are anticipated on this Labor Day weekend. The U.S., Pennsylvania, and Maryland governments will be represented. Platform seats are available for congressional Members, by reservation to Col. Ray Ward, executive officer, Sayre, Pa. Wire remarks to this same officer.
>
> Units in Civil War uniform will participate, led by Gen. James Davenport, retired, of the famed Pennsylvania Brigade staff. Weapons used in salute, and the bugle blown, were in the original battle. The service will include material used at the original dedication service, according to Chaplain Maj. A. F. Greene.

The VICE PRESIDENT. Is there further morning business? If not, morning business is concluded.

FOOD AND AGRICULTURE ACT OF 1962

The VICE PRESIDENT. The Chair lays before the Senate the unfinished business.

Without objection, the Senate resumed the consideration of the bill (H.R. 12391) to improve and protect farm income, to reduce costs of farm programs to the Federal Government, to reduce the Federal Government's excessive stocks of agricultural commodities, to maintain reasonable and stable prices of agriculture commodities and products to consumers, to provide adequate supplies of agricultural commodities for domestic and foreign needs, to conserve natural resources, and for other purposes.

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum.

The VICE PRESIDENT. The absence of a quorum has been suggested. The clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. PROXMIRE. Mr. President, I ask unanimous consent that further proceedings under the quorum call may be dispensed with.

The VICE PRESIDENT. Is there objection to the request of the Senator from Wisconsin? The Chair hears none, and it is so ordered.

Without objection, the committee amendment, in the nature of a complete substitute for the bill, under the precedents will be considered as original text for the purpose of amendment.

SMALL BUSINESS' DESPERATE STRUGGLE TO SURVIVE

Mr. PROXMIRE. Mr. President, yesterday's New York Times carried an article which had sensational facts in it for small business. The New York metropolitan area of New York some 10 years ago, in 1950, had 153,000 shopkeepers; that is, 153,000 people who were classified as managers, corporate officials, and proprietors in retail trade. By 1960, 10 years later, although the population had increased substantially and although sales had enormously increased, the number of retail merchants had dropped from 153,763 to only 66,474. In other words, there are now fewer than half as many small business, retail operators in New York as there were 10 years ago.

Mr. President, it seems to me that this startling, stubborn fact—that small business simply is not surviving in the retail area—should be brought home to the American people and to the Congress. Incidentally, this is the principal reason why I am a sponsor of the quality stabilization bill, which is in the Commerce Committee. I understand the bill was unanimously reported by the subcommittee and is now available for consideration by the full committee. This bill would give retail small business a fighting chance to survive by providing a chance for a reasonable margin between his cost and his selling price.

Mr. President, I ask unanimous consent that this article by Will Lissner, published in the New York Times, entitled "Small Businesses Declining in Area" be printed in the Record.

There being no objection, the article was ordered to be printed in the Record, as follows:

Small Businesses Declining in Area

(By Will Lissner)

The butcher, the baker and the candlestick maker are vanishing from the New York scene.

New tabulations of the 1960 Federal census show there are now 66,474 managers, corporate officials and proprietors in retail trade in the New York metropolitan area. In 1950 there were 153,763 such shopkeepers.

The little store tended by a neighborhood shopkeeper has been replaced by a section of a large store. With exceptions becoming rarer, the butcher shops are departments in giant chain supermarkets; the bakeries are shelved walls and cases in the markets, and candles, mostly the product of automated factories, are sold in markets, variety stores, and gift shops.

Other retailing developments reflected in the area's statistics are the development of chain retail shops, run by clerks supervised by a divisional or regional manager; the rise of shopping centers where nearly every store is a collection of departments, and the growth of self-service outlets where fewer employees require fewer general supervisors.

PROPRIETORS DECLINE

As a result of these and other developments, managers, officials, and proprietors of businesses of all types, as a group, declined 7.9 percent in the area over the decade. There were 618,789 in 1950 and 569,500 in 1960.

The U.S. Census Bureau takes the metropolitan area, for comparative purposes, as the five counties of New York City, plus Nassau, Suffolk, Westchester, and Rockland Counties in the New York suburbs, and most of Essex, Morris, Union, Hudson, Bergen, Passaic, Middlesex, and Somerset Counties in northeastern New Jersey.

During the 1950's, the employed labor force in the area increased 12.8 percent. In 1950, a total of 5,314,028 persons were employed, and in 1960 5,997,981. The increase was fairly evenly distributed between the sexes. The number of women workers rose from 1,682,806 to 2,061,823, of men from 3,631,222 to 3,936,158.

The growth of sales personnel almost kept pace, although sales—retail and wholesale—far outstripped population and labor-force growth. The number of sales workers increased 11.5 percent, rising from 401,656 to 448,039.

CLERICAL JOBS GAIN

In spite of automation in the processing of business information, clerical workers increased 21.2 percent. The number of women clerical workers rose from 573,864 to 732,802 and men from 375,392 to 415,485.

But the big increase was in the professional and technical group, with a gain of 29.2 percent in the metropolitan area.

In the New York area, 748,650 persons are engaged as engineers and in other technical specialties, such as medical and other health work, or as teachers, lawyers and members of the newer professions like accounting. There were 578,865 in 1950.

The 1950's, in this area, saw white-collar jobs multiply and blue-collar positions remain static or contract.

Craftsmen and foremen increased from 713,771 in 1950 to 726,846 in 1960—only 1.6 percent. Factory workers and the like declined from 1,120,283 to 1,111,302, a drop of 0.8 percent.

This reflects automation and other technological developments that displace workers.

MANUAL LABOR FALLS OFF

In recent years the Bureau of Labor Statistics has warned that as a result of new techniques and equipment, jobs for manual laborers will fall off in the 1960's. This area's statistics show that this trend has already started.

Laborers' jobs in the New York area dropped from 232,771 in 1950 to 205,404 in 1960.

Private household workers dropped from 133,700 in 1950 to 123,777 in 1960. This is caused not by the lack of jobs, but by the marginal pay and because workers prefer other occupations even at the same pay.

Continuing a well-established trend, the jobs for service workers, including mechanics and repairmen, increased from 1950 to 1960, from 482,765 to 528,015.

The movement of the middle class to the suburbs is reflected in the data. While professional and technical personnel living in New York City increased only 9.1 percent, this group increased outside New York City in the metropolitan area by 57.8 percent.

Similarly, clerical and sales personnel and craftsmen living outside the city showed gains, larger than the rise in population, being, respectively, 39.7, 46.0 and 22.8 percent. But the number of laborers living in suburban cities, towns, and villages dropped from 104,506 to 94,726.

In the New York area, 627,655 persons work for one level of the Government or another. A total of 4,798,002 are privately employed and 540,007 are self-employed. A total of 25,317 is engaged in unpaid family labor.

Mr. PROXMIRE. Mr. President, yesterday there was also published a very thoughtful letter to the editor written by Mr. Willard F. Mueller, the chief economist of the Federal Trade Commission, in which he pointed out that the present law does provide for a Congressional concern with small business.

I wish to quote a part of the decision by Chief Justice Warren which the New York Times recently criticized as favoring small business unduly. This is what Chief Justice Warren said:

> Their expansion [big business] is not rendered unlawful by the mere fact that small independent stores may be adversely affected. It is competition, not competitors, which the act protects. But we cannot fail to recognize Congress' desire to promote competition through the protection of viable, small, locally owned business. Occasional higher costs and prices might result from the maintenance of fragmented industries and markets.

So the decision of the Supreme Court was that there is a clear congressional concern—and I am sure there is—that small business have an opportunity to survive.

Mr. President, I have only one other remark on this question; that is, that the disappearance of small business of course is partly the result of natural economic attrition, of more efficient big business moving in. I am positive, Mr. President—on the basis of my observation, the study of statistics, and the opportunity to study the retail business in particular quite closely—that much of this drastic decline of small business has nothing whatever to do with economic efficiency but has a great deal to do with sharp, competitive, predatory business practices. This is why I support the quality stabilization bill, which would go to the heart of these predatory practices and try to eliminate them.

Mr. President, I ask unanimous consent that the letter to the New York Times be printed in the Record.

There being no objection, the letter was ordered to be printed in the Record, as follows:

Protecting Competition—Court Ruling in Brown Shoe Merger Case Is Discussed

To the Editor of the New York Times:

Your recent editorial "Tight Rein on Mergers" missed the main thrust of the Supreme Court's recent decision in the Brown Shoe merger case. You conclude that "the decision's basic tone is protective of small business, even when the effect of greater economic concentration would be to bring down prices or produce other benefits for consumers."

Your inference is based on the slender reed that Chief Justice Warren, in delivering the Court's opinion, observed that Congress was aware that "occasional higher costs and prices might result from the maintenance of fragmented industries and markets."

Importantly, Chief Justice Warren preceded the sentence quoted by you with the following statement: "Their expansion is not rendered unlawful by the mere fact that small independent stores may be adversely affected. It is competition, not competitors, which the act protects. But we cannot fail to recognize Congress' desire to promote competition through the protection of viable, small, locally owned business."

RESTRAINTS ON GROWTH

If this statement means that the Supreme Court was preoccupied with a protective philosophy, it is strange indeed that it devoted the great bulk of its analysis, as to probable adverse effects, to market and competitive considerations.

It is clear that when Congress passed the Celler-Kefauver Act, it recognized and emphasized that an excessively concentrated industrial structure is inconsistent with free economic and political institutions. Because industrial history teaches unmistakably that excessive mergers may transform rapidly and irrevocably entire industries, the Celler-Kefauver Act places certain restraints on growth via the merger route.

By placing restraints on growth by merger, Congress recognized that competition would be promoted by placing smaller firms on a more equal competitive footing in the competitive race. Growth through merger is seldom subjected to the same tests of the marketplace as is internal expansion.

It is conceivable, of course, that even some mergers which, in the short run at least would seem to promote economic efficiency, may run afoul of the act. But there is no persuasive body of empirical evidence that greater and greater concentration yields more and more benefits to consumers via lower costs and prices or improved services. In truth, there is persuasive evidence to the contrary.

WARRANTED CONCENTRATION

And remember this. If there really are compelling economic reasons for concentration, the Celler-Kefauver Act does not prevent firms from achieving it. All it says is that growth via the merger route is foreclosed where the effects "may be substantially to lessen competition or tend to create a monopoly."

If irrepressible technological forces are really thrusting ever-increasing concentration upon us in some industries, the Celler-Kefauver Act cannot prevent them from becoming monopolized if they do not follow the merger path to the monopoly summit. The Alcoa and United Shoe Machinery decisions suggest that such technologically based positions of power are unassailable even under the Sherman Act. In such instances the public must look elsewhere for protection against the development and use of market power.

WILLARD F. MUELLER.

WASHINGTON, *August 12, 1962*.

VOLUNTARY FEED GRAINS PROGRAM, SUCCESSFUL BEYOND EXPECTATIONS, SHOULD BE EXTENDED

Mr. PROXMIRE. Mr. President, the big controversy in this year's farm bill concerns feed grains. The Department of Agriculture has recommended a mandatory quota program, which was dramatically rejected by the House of Representatives. The Senate Agriculture and Forestry Committee has now for the second time voted instead to extend the present voluntary feed grains surplus reduction program.

The latest figures show that the voluntary program is a striking success far more successful than predicted by the Department of Agriculture.

On the basis of this good news, I predict Congress will continue this effective, voluntary program by adopting the farm bill reported by the Senate Agriculture and Forestry Committee.

With each passing month, it becomes clearer that the program is working well, is reducing costs to the Government, is raising farm income, and is mighty popular with farmers.

Its success can be measured by its effectiveness in reducing the Government-owned feed grain surplus, since the storage and carrying charges on this grain have been the biggest cost to the taxpayer.

This reduction was achieved in one of the best growing seasons in recent history. The perfect climate and growing conditions last summer would have made this an alltime bumper crop.

What is more, the Department also reports in the July 1962 Feed Situation, that farmer participation in the current feed grains program is significantly greater than last year. It states:

> Farmers planted about 5 million acres less feed grains this year than last bringing total feed grain acreage to the lowest level in more than 60 years.

In sum total, the voluntary feed grains program is reducing the towering surplus stocks piled up in the Benson era by a full 28 percent in 2 years of bumper harvests. As farm programs go, this is a great success.

The actual net cost to the taxpayer is far below the $782 million bookkeeping cost of the program, since these are payments in kind of CCC stocks. In relation to the value of the feed grain crop, even the paper cost is less than that of most mandatory farm programs.

I strongly hope the Senate will back the judgment of the Agriculture and Forestry Committee by enacting the farm bill as presently reported, and reject any effort to reinsert the mandatory feed grains program.

It is now plainer than ever that in the required nationwide referendum, a mandatory feed grains program would not win the necessary two-thirds approval of farmers voting. The failure of the recent turkey marketing order referendum in spite of all expectations to the contrary, provided additional convincing evidence of this.

If the Senate should again adopt a mandatory feed grains program, the odds are strong that we would wind up with no farm program at all. This would spell economic chaos in agriculture, since it would come virtually overnight, without even the transition years recommended recently by the Committee for Economic Development.

I call this outcome instant CED. While it might appeal to some who desire the abolition of all farm programs—and they are mistaken, I believe—it certainly should not appeal to the Department of Agriculture, which ought to be devoted to the interests of the American farm community.

Yet the mandatory feed grains program that the Department continues to back, in spite of the clear opposition of a majority of the farmers who would be affected, would have just this result. It would usher in a farm situation more extreme than that advocated by former Secretary Ezra Taft Benson.

Indeed, I think adoption of such a mandatory program could well be described as "Back-door Bensonism." It may not be what the backers intend, but it would have that result as surely as night follows day.

RESULTS ACHIEVED HONESTLY

Studies have now been completed showing that the cooperators in the 1961 program did not increase their fertilizers on feed grains as compared with the noncooperators. The record yields obtained in 1961 were largely the result of the more favorable feed grain weather in 30 years or more.

Furthermore, weather investigations carried on by Iowa State University indicate that unusually favorable weather has contributed substantially to high feed grain yields in each of the years since 1957. Thus far the weather in 1962 has been fully as favorable as last year. This unusually favorable weather will not continue indefinitely, however. We can expect average or below average weather within the next 5-year period.

Since the voluntary program is successful in reducing surplus stocks by 28 percent in 2 years of bumper crops its effectiveness would be even greater under average weather conditions.

Mr. President, if the voluntary feed grains program is extended for 1963, on the basis of experience to date, we can confidently expect surplus feed grain stocks to be drawn down below 50 million tons or less than a third of a year's supply. Further reductions in stocks after this should be very small or perhaps no further reductions will be needed. This is particularly true in view of possible contamination of feed crops by radioactivity from nuclear tests. The best way to prevent radioactivity hazards in livestock products, according to experts, is to substitute stored feed for pasture if radioactivity exists. Thus, it would be a prudent precaution to maintain reasonable feed supplies in storage in case they are needed.

Once stocks are reduced to desirable levels, acreage diversion programs can be reduced almost one-half and costs can be reduced in proportion, with the price support and CCC sales provisions authorized in my proposed amendment to the 1958 Agricultural Act, it should be possible to continue an effective voluntary feed grain program at less cost than for most of the other commodity programs.

FEED GRAIN PROGRAM COSTS REASONABLE

Contrary to the mistaken opinions of many, Government costs for the feed grain program have not been out of line with Government costs for the wheat and cotton programs. The value of the wheat and cotton crops combined is about $1 billion less than the value of the feed grains produced each year.

Realized CCC losses and export subsidies for the feed grain price support program for the past 9 years have averaged 5 percent of the value of the crops produced. Feed grain programs costs are even lower in relation to the value of feed crops, livestock, and livestock products sold. Feed grain price support programs have stabilized and prevented substantial declines in livestock prices. Feed crop, livestock, and livestock product sales exceed $20 billion a year. For the past 9 years feed grain price support costs have been less than 2 percent of the value of these products sold. No other mandatory price-support program has equaled this record for low costs in relation to the value of the incomes stabilized.

During this 9-year period wheat price support program costs averaged 12 percent and cotton price support costs averaged 8 percent of the value of the crops harvested. These costs do not include the cost of surplus sales under title I of Public Law 480, where only local currencies are received. The annual costs for wheat especially would be much higher if Public Law 480 costs were included.

Even more important, the net Government cost of the voluntary feed grain programs after allowance for the annual reduction in CCC stocks is estimated to be less than 8 percent of the value of the crops protected or about 2 percent of the value of the feed crops, livestock, and livestock products sold. This compares with an estimated net cost for the wheat and cotton programs, including Public Law 480 sales, of 15 and 11 percent respectively of the value of the crops produced.

Economic studies indicate that the continuation of a program similar to the voluntary feed grain program which maintains stable price supports and diverts a part of the feed grain acreage to conservation uses is needed. For the next few years, without such a program incomes for feed grain and livestock producers would be $3.5 to $4 billion lower per year than with such a program. Since the voluntary feed grain program is even more successful than expected in reducing stocks, since it is acceptable to producers and has increased their incomes, and since its net cost to the Government on a value of production basis is less than for the wheat and cotton marketing quota programs I believe every effort should be made to continue an effective and acceptable voluntary program after 1963.

RELATIVE COSTS OF VOLUNTARY FEED GRAIN PROGRAM LOWER THAN MANDATORY PROGRAMS

The most striking point about this is that the cost to the taxpayer of continuing the voluntary feed grain surplus reduction program, which has worked so well and is popular with farmers, is actually lower than the cost of mandatory marketing quota programs for other crops—when calculated in the only meaningful way, as a percentage of the crop value. This conclusion is derived from figures on costs furnished to me by the Department of Agriculture, in a letter to me which I inserted in the CONGRESSIONAL RECORD on June 28, where it appears on page 12201. Estimating the costs of continuing the voluntary feed grain program on a comparable basis yields the following figures:

Estimated Government cost of 1963 price supports as a percentage of value of production

Wheat: Permanent wheat program (in H.R. 12391 as reported to Senate):	
(1) No credit for sales from CCC stocks	33.0
(2) After credit for sales from CCC stocks	15.0
Cotton	11.0
Rice	17.0
Peanuts	13.5
Tobacco	1.0
Feed grains voluntary program:	
(1) No credit for sales from CCC stocks	15.0
(2) After credit for sales from CCC stocks	3.0

MANDATORY PROGRAM WOULD BE "INSTANT CED"

I want to conclude by noting that enactment now by the Senate of the mandatory feed grains program, which is neither workable nor acceptable to farmers, would in effect result in the very abandonment of farm programs recommended by the Committee for Economic Development in their recent, controversial report. The CED statement proposes a free market for farmers, to be achieved over a 5-year period. As a means to combat overproduction, it recommends that some 2 million farmers leave the land. If a mandatory feed grains program is passed by the Senate with the result of no farm bill, as many observers predict, or if the mandatory program should become law and then fail to get the necessary two-thirds majority of farmers, voting in the nationwide referendum, the result would be the same, but achieved at once. In other words, "Instant CED."

There would be no price supports—and the ensuing drop in farm income could well drive hundreds of thousands of farmers off the farm to look for jobs elsewhere. "Where" elsewhere is the big question that is not faced up to by the CED—and it would be an even more acute question if this drop in farm income triggered the economic depression that economists consider the likely result of such a drastic cut in the purchasing power of an important sector of the economy.

If the Senate should choose again to pass the mandatory feed grains program, the House of Representatives might refuse to agree to a conference. It could mean no farm legislation this year—and a return to the 1958 act. To coin another phrase, this would be "Back-door Bensonism"—a roundabout but nonetheless painfully certain way to again experience the tragic waste of the ill-drafted 1958 farm program.

MUST REJECT RISK OF "BACK-DOOR BENSONISM"

I strongly urge Senators not to incur this risk of "Back-door Bensonism." No useful purpose would be served at this time by again seeking to pass the mandatory feed grains program which the House so clearly rejected. While the House action in burying the Senate bill and sending over a new one of their own is procedurally annoying, I for one do not feel that we would serve any useful purpose by throwing the glove back in their face and passing legislation they will not accept. In a fight like that on this issue, there is one sure loser, and that is the farmer—to say nothing of the American taxpayer.

Instead we have before us a responsible course of action, which I believe would also be an effective, workable, thrifty, and popular farm program, and that is to enact the agriculture bill as reported by the Senate Agriculture Committee.

In conclusion, I ask unanimous consent that a reply to the Committee for Economic Development, written by Warren H. Otto, vice president of the Nebraska Feed Grain Growers Association, be printed at this point in the RECORD. I urge my colleagues to read it.

There being no objection, the reply was ordered to be printed in the RECORD, as follows:

A REPLY TO THE COMMITTEE FOR ECONOMIC DEVELOPMENT

NEBRASKA FEED GRAIN
GROWERS ASSOCIATION,
Clay Center, Nebr., July 17, 1962.

The Committee for Economic Development this week proposed eliminating 2 million farmers as the solution of the farm problem. This group of 200 leading businessmen and educators would, in one bold stroke, solve a problem that has been with us since the days of the Pharaohs.

The contention of the CED is that by forcing 2 million farmers onto the already overcrowded labor market, the Federal Government could reduce farm expenditures by one-half or $3 billion annually. As so-called leading businessmen and educators, their arithmetic just does not add up. They say that the exodus of farmers would amount to 1 out of 3. Since there are approximately 3,700,000 farmers remaining on the farms, an elimination of 2 million of them figures to more than one-half of the existing number. How can they expect an already glutted labor market to absorb this added number in the face of 4,500,000 currently unemployed? The average age of the American farmer is approximately 52 years. It would be interesting to know how many men past 50 years of age, with limited educations and off-the-farm labor experience have been refused jobs by some of the leading businessmen of the CED. The CED would curtail vocational agricultural training as one means of accomplishing their goal of helping the farmer and saving the Government $3 billion yearly. If their thinking holds true, then why should not the Federal Government limit to a fixed number the students entering the Nation's law schools whenever it appeared likely the Nation was about to face a preponderance of attorneys?

The CED advocates the elimination of all farm controls within 5 years and the immediate reduction of price supports and subsidies. If all business controls and subsidies were eliminated, the American farmer could possibly compete. Would business and labor be willing to do this? It is a matter of record of every $1,000 spent by the Federal Government in the entire history of Government subsidies, the farmer has received $5 of that sum.

The CED people say that their organization is supported by contributions from business and industry. It would logically seem, that in their arrival at the solution of the farm problem, farmers themselves might have something of value to contribute.

The CED's contention that the removal of 2 million people from the Nation's farms offers a solution is sheer fantasy. Presumably, a large amount of this number would be many of the so-called small inefficient farmers. The larger, more heavily mechanized and capitalized operator would immediately step in, take over, and make a shambles of the CED's theories. In the midwest farming area it has been established that when 17 farmers are forced from the land, 1 business firm closes its doors. Using this ratio, the loss of 2 million farmers could mean the loss of 116,000 business establishments. The CED, composed of leading businessmen evidently believe that eliminating small business will also be beneficial to the national economy. The removal of 2 million farmers will spell death to countless small towns and rural communities. Farmers and business can be eliminated but not the land. It remains.

Uncontrolled production is not the solution. A prime historical example is the year 1932. With the price of corn at 10 cents per bushel the American farmer produced the largest crop in history. Ford Motor Co. does not produce at 100 percent of plant capacity with the excess production offered to the consumer on a "what will you give" basis. Supply management is the key to industrial prosperity and will ultimately be the key to agricultural prosperity.

WARREN H. OTTO,
Vice President, Nebraska
Feed Grain Growers Association.

Mr. PROXMIRE. Mr. President, I have one other observation on this farm situation. Last night I had the privilege to discuss on "Monitor" our space program with Harrison Salsbury, Representative Emilio Daddario, and Willie Ley.

In the course of that discussion, it was emphasized by Mr. Harrison Salsbury, of the New York Times, that the recent Soviet feat in space would greatly benefit the Soviet Union, by giving it great prestige and advantage in dealing with underdeveloped countries.

I have heretofore disputed Harrison Salsbury, and I do so once again. I think that the development will be helpful to the Soviet Union, but we should recognize that in the past 5 years, with one success after another by the Soviet Union, communism has not been gaining; it has been losing ground, for a very good reason. That is because the people of the world understand now that when communism moves in—whether it be in

Cuba, China, East Germany, or elsewhere—hunger follows. Far more important than any achievement in space is the fact that communism cannot find a way to feed its people. We have the most successful agricultural development in the history of the world. One of the reasons why we have such a successful agriculture is that we have a fine kind of collaboration between the Government and the individual farmer, with Government research assisting farmers in all kinds of ways. We have had largely a voluntary program with a minimum of restraint. We have permitted our farmers to operate individually to as great an extent as possible. That is why I think the value of a voluntary program should be recognized and preserved, if at all possible.

U.S. DOLLAR THE SOUNDEST OF ANY BIG INDUSTRY COUNTRY IN WORLD

Mr. PROXMIRE. Mr. President, a great deal of concern has been expressed by witnesses appearing before our Joint Economic Committee, including leading economists and others in our society, about our dollar and about a loss of confidence in our dollar. The fact is that our dollar is in the best shape of any currency in any free country in the world, any country that is, whose industry is comparable with ours. Inflation has been much more severe in the past few years in Italy, France, England, West Germany, and virtually all the other countries, and particularly in the underdeveloped countries. A thoughtful and perceptive article by Sylvia Porter entitled "A Few Facts About The Dollar," published in the Evening Star on August 16, 1962, discusses the subject in a very clear manner. I ask unanimous consent that the article be printed at this point in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

A FEW FACTS ABOUT THE DOLLAR

(By Sylvia Porter)

It is frequently said that the value of the American dollar is being undermined by "irresponsible" financial policies and that the currencies of other industrialized Western nations are performing far better than ours.

The "irresponsible" label is not pinned on the Federal Government alone. It is also pinned on big businessmen, big labor unions, and big agriculture. Critics at home and abroad seem determined to convince us that the dollar's record is among the more dismal of the free world's currencies.

The truth is precisely the opposite.

It is a fact that the dollar has lost buying power each year during the past decade. The dollar that could buy 100 cents of goods and services in 1951, could buy only 95 cents worth in 1956, can buy only around 87 cents worth now.

But this percentage loss has been half the loss in buying power of the British pound sterling, the only other great currency in the world.

LOSSES ARE COMPARED

The annual losses in buying power of the currencies of other nations have been slightly less than the yearly loss in the U.S. dollar. But the losses have been only slightly less and comparisons between these currencies and the U.S. dollar are misleading.

The money of Switzerland or El Salvador or Portugal could hardly be the pivot of the world's currencies—hardly. Other governments do not pledge their readiness to sell gold at $35 an ounce to all eligible buyers.

Other money markets are not open to all borrowers, domestic or foreign. Only ours is wide open, only London's is fairly free, all the rest are shut tight or restricted.

Other currencies have not stood up under the burden of rebuilding the free world. Rather, most currencies have been the beneficiaries of our billions of dollars in gifts and loans. As for Switzerland, she has thrived on her neutrality, refused to involve herself.

The facts are in the annual table showing the rates of depreciation of the currencies of 44 nations from 1951 to 1962, released by the First National City Bank of New York. With the dollar under frequent attack, the yearly compilation is even more significant than usual. Depreciation is measured by the rise in the nation's official cost of living or consumer price index.

Ahead of the United States with practically no loss from 1961 to 1962 or loss up to 1.3 percent a year are these nations in this order: Philippines, Ceylon, Guatemala, Venezuela, El Salvador, Portugal, Belgium, Ecuador, Switzerland, Lebanon, Germany, Canada.

Then comes the United States with a loss of 1.4 percent.

Following the losses ranging to 3.3 percent a year are: India, Italy, Netherlands, Denmark, Pakistan, Austria, South Africa, Japan, Ireland, Norway, Sweden, United Kingdom.

THIRTY-SIX PERCENT FOR BOLIVIA

After this comes a long list, including France with an annual rate of loss of 4.2 percent, and ending with Bolivia with an annual rate of loss of 36.2 percent. (That's inflation.)

Even this compilation doesn't tell the full tale. Many of the nations' indexes of prices hide the real losses because they are so limited in coverage or do not indicate government policies which hold down prices of specific items.

In this country, in contrast, the rise in the consumer price index in recent years has been due almost entirely to increases in the costs of services, not in prices of goods.

I am not underestimating an annual loss in the dollar's buying power of 1.4 percent; I know what this does to the value of savings over a lifetime. But I am putting the loss in perspective—and in perspective and considering the burden we have carried, the U.S. dollar has performed remarkably well.

COMMUNIST YUGOSLAVIA CUTS WAGES BUT BUILDS LINK TO COMMUNIST BULGARIA

Mr. PROXMIRE. Mr. President, we continue to be reminded of what I think was the unwisdom of our persisting in providing foreign aid to Tito—to Communist Yugoslavia. I have emphasized to the Senate that Tito is still a Communist dictator, that he is far closer to the Kremlin than he is to us, and that he has used whatever power and capacity the Yugoslav regime has developed not to help us, but to help communism throughout the world.

A series of articles published in the New York Times by Paul Underwood has emphasized what has happened in Yugoslavia since we approved the foreign aid program and foreign assistance to Yugoslavia in cutting down the area of freedom—economic, social, and political. On Sunday there appeared two articles in the New York Times, one of which pointed out that the Yugoslavs have had their wages cut sharply. They were already low. Wages were just over $34 a month. But Tito insisted on imposing a sharp cut on the workers in Yugoslavia. At the same time, the New York Times also reported that Yugoslavia is forging a closer link with the Soviet Union, and I mean physically, by building a road to Sofia in Bulgaria and, of course, using what limited and strained economic resources it has to achieve this closer link.

It seems to me that if the Yugoslavia regime and economy is suffering as seriously as the drastic wage cut indicates, it should not engage in expensive new economic endeavors, the consequences of which will obviously place it closer to the Soviet Union.

I ask unanimous consent that the columns to which I referred in the New York Times entitled "Red Regime Cuts Yugoslavs' Wages" and "Sofia Is Appeased on Yugoslav Road" be printed at this point in the RECORD.

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

RED REGIME CUTS YUGOSLAVS' WAGES—ACTS TO OVERCOME NATION'S ECONOMIC DIFFICULTIES

(By Paul Underwood)

BELGRADE, YUGOSLAVIA, August 13.—The Yugoslav Communists have succeeded in doing something that most capitalists in this day and age would shudder at the thought of trying. They have cut wages.

The action was taken as a part of the Tito regime's efforts to overcome the nation's economic difficulties. The size of the bite from the nation's pay packets was disclosed by Mika Spiljak, vice president of the Yugoslav Federation of Trade Unions, in a speech to a recent session of the Communist Party's Central Committee.

M. Spiljak reported that real personal earnings in the economy were 4 to 4½ percent lower during the first 5 months of this year than during the corresponding period of 1961.

In comparison with the average real personal earnings for the whole of last year, he added, the cut amounted to 10 percent.

WAGES WERE ALREADY LOW

Yugoslav wages were already low. The average industrial worker's take-home pay, including family allowances, is about Din26,000 (just over $34 at the commercial exchange rate) a month. Ninety-two percent of all the employed people in the economy make less than Din40,000 (about $53) a month.

The Yugoslav economy has been floundering for the last year. Industrial production has been less than expected and exports have slumped. The nation's already unfavorable balance-of-payments position has seriously deteriorated and internal inflationary forces have pushed the cost of living up markedly.

An important factor in the inflationary situation has been an increase of 23 percent in average personal earnings registered last year. This came as a direct result of new regulations issued early in 1961 giving the workers' councils in individual enterprises more say in the distribution of excess profits.

Quite naturally, the first move of most of the councils was to vote wage increases for themselves and their fellow workers without regard to whether these were justified by high productivity.

NEW RULES LAID DOWN

To counteract the situation, the Tito regime earlier this year laid down new rules governing income distribution by the workers' councils and making it mandatory that wage increases be dependent on a rise in productivity. Enterprises paying wages out of line with productivity were obliged to reduce them.

An example of the effects of the order is the experience of employees of the steel works at Jesenice, in Slovenia, near the Austrian border. This was one of the largest enterprises affected.

There had been official complaints that the output of the works during the first 4 months of this year was nearly 10 percent under the planned level. Income was about 4.5 percent lower than last year. Labor productivity showed no improvement, yet wages rose more than 11 percent.

Under the pressure of what the regime calls "social forces," the plant's workers' council ordered an 11.46-percent reduction in the total wage fund, which meant an average cut of Din6,500 a month in the pay of each of the more than 7,000 employees of the enterprise.

The cut will be restored if and when the planned level of output and productivity is reached.

SOFIA IS APPEASED ON YUGOSLAV ROAD

BELGRADE, August 8.—One fruit of the new friendly relations between Yugoslavia and the Soviet bloc will benefit thousands of tourists regardless of their political views.

The Yugoslavs have finally agreed to pave the highway between the south Serbian city of Nis and the Bulgarian border, a part of the main European trunk route to Istanbul. This would mean the modernization of one of the most fearsome stretches of high road to be found in the Balkans.

Although only about 50 miles long, this road is dreaded by every motorist who has ever been on it. Narrow and winding, the graveled road is full of potholes and eroded washboard surfaces.

DISASTERS ARE COMMON

Only the most careless of motorists would dream of taking the stretch at more than 20 to 25 miles an hour. Even at such speeds disasters are common. One motorist who made the trip recently arrived in Nis with two broken shock absorbers, a punctured oil pan, two blowouts and a conviction that his car would never be the same again.

The Bulgarians have been trying to get the Yugoslavs to do something about the road for some time. It is important to Sofia since it is the route Bulgarian trucks use in carrying goods to the West. It also is the most direct route for tourists coming into Bulgaria from Italy, Austria and southern Germany.

But the Yugoslavs previously had turned a deaf ear. A Bulgarian delegation that came to Belgrade early this year prepared to offer both materials and manpower to the Yugoslavs to help reconstruct the highway went home emptyhanded.

NOT IN 5-YEAR PLAN

A Yugoslav highway official blandly said at a news conference about that time that no work on the road was foreseen under the nation's current 5-year plan, which extends through 1965.

Since then, however, relations between Yugoslavia and the Soviet-bloc countries have grown warmer. In May, Premier Khrushchev of the Soviet Union made a special trip to Sofia to spell out to the somewhat recalcitrant Bulgarians the need to look on Belgrade with a less jaundiced eye.

What the Bulgarians have done to follow this new line is not apparent. But, they must have done something, because Yugoslav and Bulgarian officials signed an agreement in Sofia recently that "accelerated building and modernization" of the road would begin this year. It is to be paved with asphalt by 1964.

Ironically, in view of the past history of negotiations on the subject, the leader of the Yugoslav delegation was quoted in the Bulgarian press as having declared that the agreement constituted "a considerable contribution to the further development of economic and good neighborly relations" between the two countries.

WHERE COMMUNISM GOES HUNGER FOLLOWS

Mr. PROXMIRE. Mr. President, the story of the impact of communism on the hunger of peoples of the world continues to develop. A recent article published in the New York Times entitled "Rise in Food Prices in Havana Continues as Quality Declines. Survey Finds Poorer Grade of Rice Now Costs More Than Top Grade in 1960," spells this out in another specific way. We have seen it occur in country after country. Again the real failure of communism has been in agriculture, just as our shining success—our greatest economic success—has been in agriculture production.

I ask unanimous consent that the article to which I have referred be printed at this point in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

RISE IN FOOD PRICES IN HAVANA CONTINUES AS QUALITY DECLINES

HAVANA, August 17.—The prices of many foods have risen steadily in Havana over the last 2 years, while the quality has gone down, a survey by diplomats shows.

On certain rationed items prices have gone up even though they are controlled by the Government.

Prices in Cuba are expressed in pesos and centavos, or hundredths of a peso. The Cuban peso cannot be freely converted into foreign exchange, but the government of Premier Fidel Castro has pegged it at par with the U.S. dollar.

The survey made these findings:

Rice, Cuba's staple grain, retailed at 16 centavos a pound in 1960 in a first-class variety. The same amount of second-class rice—small, grayish grains—costs the housewife 19 to 22 centavos now. The black market price is 2 pesos a pound.

Onions have gone up from 5 centavos in 1960 to 15 a pound in 1962.

Oranges rose from 2 to 5 centavos each. Once plentiful and easily available, they are now obtainable only under medical orders.

Beef filet was 79 centavos a pound two years ago. When available, it can be had at 2 pesos. The black market offers it sporadically for 5 pesos. Beef is rationed at 12 ounces a week for each person.

SOME PRICES STABLE

Chickens went from 35 to 55 centavos a pound. Cubans receive one chicken a month under the rationing plan, but can occasionally obtain an extra fryer from understanding peasants, who ask 2.50 pesos a pound.

Toilet soap, also rationed, sells for 16 centavos a cake and only one brand is available. In 1960 any soap of quality comparable to that made in the United States retailed for 14 centavos.

Several items have not shown increases. Bread, milk and fish still sell at the same prices. Milk and fish are rationed, but bread is sold freely in the Havana area.

Travelers report that in Camaguey, a cattle center 390 miles east of Havana, the sale of bread is regulated.

Some expenses have decreased. Rents were slashed 50 percent after the regime took over all real estate property. A housing shortage persists.

Electric power rates dropped in Havana, as did hotel room prices.

But a first-rate meal at a restaurant that once was 5 pesos now cannot be had for twice that amount. The researchers found that a second-rate meal—no beef, milk, or butter, or fresh vegetables—costs the average 1962 customer 8 pesos.

In more popularly priced cafeterias the case is the same. An irate worker recently wrote to a newspaper complaining that he had to pay 1.30 pesos for a plate of rice and fish that had little rice and less fish.

NO SOCKS FOR SALE

The diplomats found that sheets, nylon hose and men's socks and handkerchiefs had disappeared from stores.

No good footwear was found. Second-rate shoes for men cost 15 pesos. Bitter complaints about the workmanship on shoes are often heard and have been reported in the press.

The short supply of consumer goods and the rationing of food, plus fears of a new monetary reform, leaves many Cubans with plenty of cash. This accounts for thriving bars and dance halls.

American cigarettes are sold on the black market at 2 to 5 pesos a pack.

FREEDOM ACADEMY

Mr. PROXMIRE. Mr. President, recently the distinguished columnist, Roscoe Drummond, commented on the Freedom Academy, how it has been stalled in the Congress of the United States, and how it is opposed by extremists of both right and left. I am a cosponsor of the Freedom Academy bill. I think it would help us very greatly in the struggle against communism.

I ask unanimous consent that the excellent article by Roscoe Drummond be printed in the RECORD at this point.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

FREEDOM ACADEMY STALLED; TWO-WAY SUSPICION BLAMED

(By Roscoe Drummond)

WASHINGTON.—One of the most hurtful sources of disunity in the United States today is the gathering suspicion between liberals and conservatives over the conduct of the cold war.

Many liberals are afraid that the conservatives are willing to hurt civil liberty and many conservatives are afraid that the liberals are willing to help communism.

The result is that things which the United States ought to be urgently doing, if we are going to do more than hold our own in this contest for keeps with communism, either get lost in the scuffle or sidetracked through mutual distrust.

This isn't just an abstract controversy. It affects specific actions. Take the case of the bill to establish a Freedom Academy designed to train thousands of free world leaders in the arts of successfully waging the cold war against communism—in the way the military academies train officers for their assignments. Since the convening of the present Congress a year ago last January, this bill has been stalled and stymied at every turn despite wide public support and bipartisan backing.

Why? What holds it up? Is it argument over the need to do what the Freedom Academy would be created to do—or something else?

Democratic Senator Thomas J. Dodd, of Connecticut, who knows more than most about what goes on in Congress, gives this answer in his new book, "Freedom and Foreign Policy."

"Last year this bill passed the Senate but failed in the House because of suspicions by hard anti-Communists there that the Freedom Academy would be infiltrated and taken over by pro-Communists or liberals who were soft on communism.

"This year the bill has been buried in the Senate; largely, I am inclined to believe, because of the fear of liberals that the Freedom Academy would become a sort of fortress of militant anticommunism, manned by conservative thinkers.

"This is the price we pay for suspicion and division between liberals and conservatives."

There is plenty of evidence to support Senator Dodd's appraisal. When the Freedom Academy bill came before Congress, most of the liberal weeklies took up arms against it principally on the ground that it would become a tool of the extreme conservatives and a toy of the John Birch Society.

Now the John Birch Society is opposing it for exactly the same reason in reverse—that it would become "just another means, and a very powerful one, for brainwashing our young American patriots and pulling wool over the eyes of the American people."

The foregoing appears in the July issue of Robert Welch's Birch Society Bulletin, which after sarcastically suggesting (saying it is only "kidding") an improbable and for the most part ill-equipped staff, advised its members that the Freedom Academy "could easily become one of the steps leading to our loss of freedom."

This kind of right-left, liberal-conservative distrust—certainly as far as the great body of the American people is concerned—is a poison coming from the extremists on both sides and from which we ought to inoculate our minds.

At the moment, Senator William Fulbright, chairman of the Senate Foreign Relations Committee, and Representate Francis Walter, chairman of the House Committee on Un-American Activities, are preventing the Freedom Academy bill from having public hearings. Shouldn't these two distinguished Congresssmen be acting to dissolve the suspicions between liberals and conservatives in the common cause of waging the cold war more effectively—rather than lending themselves to this distrust?

"On the question of communism and how to deal with it," Senator Dodd wisely remarks, "Neither Republicans nor Democrats, neither liberals nor conservatives, have had a monopoly on wisdom or on folly."

It seems to me we ought to ignore the extremists of both left and right—and get on with the job, however much it takes, however long it takes, to work for the worldwide triumph of freedom.

TELEVISION EDITORIALS EXTEND VITALLY NEEDED PUBLIC DISCUSSION

Mr. PROXMIRE. Mr. President, one of the most heartening developments for those who believe in freedom of speech and freedom of expression and dissent in our society has been the development of television editorials. I am somewhat concerned with that development, because by and large television stations are owned by people whose economic and political views often contradict my own. But there is a dearth of strong voices in controversy in our cities. Many of our cities now have one-newspaper ownership. Milwaukee has been the latest victim. The Milwaukee Journal now owns the Milwaukee Sentinel. Nevertheless, we are keeping differences alive by television editorials.

One of the finest jobs being done in that field is by WITI–TV in Milwaukee. That television station recently carried a very thoughtful editorial on the loss of Government contracts by Wisconsin and by the Milwaukee area, particularly in the defense area and in research and development. I ask unanimous consent that this very thoughtful, appropriate, and accurate editorial be printed at this point in the Record.

There being no objection, the television editorial was ordered to be printed in the Record, as follows:

We were alarmed a short time ago by some interesting figures out of Washington, figures that indicated Wisconsin is getting lost in the shuffle for a fair share of the Nation's defense research budget. It was a particularly hard knock for the Milwaukee area, which has long considered itself a major industrial center complete with fine facilities.

Yet out of $431 million spent last year for basic research, Wisconsin's share came to a meager $1 million.

Our share of $22 billion defense total came to a negligible 1 percent.

The first reaction to the figures was indignation. Why, we asked, should California and eastern seaboard States reap three-fourths of all prime contracts for research and development? Part of the answer, at least, is clearly evident. These States, perhaps by accident, are geared for the new and fast developing missile and electronic fields.

The Milwaukee Association of Commerce recognized the situation early. They've felt for the past 2 years that our industry and our universities will have to integrate their research activity, build a scientific complex equal to those in the East and in California. Working with Congressman Reuss, the association has set up a conference for August 25. Two top aides to Defense Secretary McNamara will be here to speak to industrial, educational, and civic leaders. They'll discuss the technological needs of Government defense and economic aspects of it. Our local people will be able to tell them about out potential—what we can do. Much can come from this meeting.

Here in Wisconsin, we've got the basic resources; we've got our industry and our universities. Channel 6 believes if we can coordinate them, we'll have a science complex comparable to any in the Nation.

ENGLAND AND THE EUROPEAN COMMON MARKET

Mr. TOWER. Mr. President, the recent suspension of negotiations between the United Kingdom and the Common Market on Britain's projected entry into the Common Market affords us an opportunity to reevaluate our position concerning Britain's entry into the Common Market and concerning our own projected dealings with the Common Market area.

The position of this administration has been to push as hard as possible for British admission into the Common Market. The administration believes that there are very compelling reasons why the United Kingdom should be a part of the European Economic Community. But there are some very compelling reasons why Britain should not join. Therefore I should like to have printed in the Record a very excellent article by Leonard Beaton published in the Manchester Guardian Weekly on Thursday, August 9, 1962, entitled "EEC: The Case Against Joining."

I ask unanimous consent that the article be printed at this point in the Record.

There being no objection, the article was ordered to be printed in the Record, as follows:

EEC: The Case Against Joining

(The second of two articles)

(By Leonard Beaton)

The political risks of staying out of the European Community and the positive opportunities which full membership will offer are clear enough. Together they form a political case for going in. There is also a powerful case for staying out which rests negatively on the dangers which membership will bring and positively on the prospects which independence, the American Alliance, and the worldwide Commonwealth Community offer to Britain. The opposition case is being put to the British public in many different ways, some of them painfully primitive; but an argument is no less valid for poor advocacy and the absence of opposition in, for example, the serious press can be attributed as much to confusion as to the common sentiment of reasonable men.

The case against entry must rest primarily on the proposition that the Europe of anything from 7 to 14 (if Ireland, Norway, Denmark, Greece, Spain, Portugal, and Turkey are ultimately included) is the wrong group for Britain. It excludes her principal ally, the United States, and to that extent it endangers the alliance which has been constructed with such effort and patience since 1940. This fact is concealed by the American grand design to make Europe a great power in its own right and so strengthen the free world. The Americans hope that this will free them from their heavy commitments in Europe to deal with the growing problems of South America and the possible expansion of China in Asia.

Splitting the free world in this way answers that instinct in most Americans and Europeans. But in Britain, at least, its long-term dangers should be obvious. Under the name of interdependence, it is promoting the fact of mutual independence. Once both sides enjoy the illusion of self-sufficiency, the ground has been laid for division and even conflict. As a reflection of this, the European idea has an anti-American flavor, consciously or unconsciously. One of its premises is that Europe has not had its proper place and influence in the present American (or Anglo-Saxon) system; and even in Britain this notion can be seen among the more sophisticated of the new Europeans. They are already inclined to say that Britain has not had a proper share in a Western world run from Washington. The last two decades of rugged but very healthy alliance offer very little evidence for this—though it can possibly be argued that it will come in the future. The fact is, however, that the United States is unlikely to find an ally of such reliability and community of spirit as an independent Britain. The inevitability of the alliance derives from a profoundly similar political outlook. The absence of this understanding between the United States and either Germany or France is to many obvious.

Washington apparently hopes to send the British into Europe to lead it or, as one Frenchman put it, to police it. This picture is shared by those in Britain who believe that the Six will recognize their qualities and ask them to manage the affairs of the community. This is wishful thinking and is most dangerous; and the Americans may find that they have not gained a son but lost a daughter.

The Commonwealth issue is more intimate and thus more difficult to define. It involves judgment on which there must be wide disagreement. The present confused emotions in Britain and throughout the Commonwealth are proof if ever it was needed of the family relationship which exists. Each of the British offspring (except, perhaps, New Zealand) has in its political tradition an adolescent fear that its independence might be questioned; Britain shows both parental affection and the resentment of parents at youth's apparent ingratitude.

The proper preoccupation of the Indians, Australians, or Canadians with running their own countries and nourishing their own individuality is misunderstood in Britain as a sign that the relationship has no future. In my view, this is a profound error. The natural community of these countries and the extent to which they regard Britain as the classic expression of parliamentary democracy and international responsibility has been too little understood. In most lists of those nations which cherish free institutions and are likely to work them with growing success, a high proportion of the places will be taken by Commonwealth countries. The British political achievement has gone deep in the old British Empire—including, be it noted, the United States. In the recent world crisis, the unity of responses which this has produced has been no accident. It would be a mistake to assume that in future this would be confined even to the so-called white Commonwealth. An even worse mistake would be the assumption that the new Commonwealth countries are nothing much more than appropriate places for giving aid.

In spite of its own curiously adolescent resentment of the Commonwealth, the United States has found itself cherishing not only Britain and Canada but Australia, New Zealand, India, and Pakistan as close allies and friends. The fact that they all speak English is important. But what is even more significant for Britain is that throughout the Commonwealth it is accepted without serious question that something like the ways of Westminster is the desirable objective for each country. A powerful fact of example works continuously. This is a role which the United States has conspicuously failed to fill. Britain remains in a category by herself for these countries and this (combined with close economic links with Britain) suggests something of the immense possibilities which remain to Britain in the Commonwealth. Even without this special place, reinforced by deep national instincts, the continental grouping is surely less relevant to the present world than a global system of countries which understand each other and bring military or economic help when it is needed.

The question of British independence has been badly confused by lawyers' disputes over sovereignty. The fact is that if you want to create Europe you must do so; and to pretend to join while not joining is to saw off the limb onto which you have climbed. To go into the European Community to undermine them is dishonest, likely to fail, and in any case thoroughly undesirable. Once in, the logic of Britain's position and the growing idea of Europe will push continuously toward union. In this, of course, the British will remain British and the Italians Italian; but there will be a profound change in British public life. Unfortunately, an unchangeable fact (bridge or no bridge) is that Britain is physically detached from the Continent. It may be doubted whether the profound emotional differences which go with this will change for many years if at all. Britain could become the discontented Ireland of Europe.

The unity of habit and institution which has been built up over the centuries will not necessarily carry over into this new world. It may be found that the political stability which Britain is being asked to bring into Europe with her will no longer be there when she arrives. As a detached outsider, she could become a troublesome dissenter. But even if the country came to rejoice in its European destiny and to see Europe's institutions as its own, the steady reduction of Westminster to domestic affairs would be a cause for deep regret. It is hard to think of any nation in the world with better reasons for asserting its right to survive. This will be particularly true if Europe's institutions come to reflect the recent history of the dominant members of the Six.

The case for staying out is that Britain believes in her own identity and in the world she has done so much to build. The case for going in is that the creation of Europe is the most exciting prospect open to the country. Either decision involves risks and dangers. In the end it must be settled by the national will exercising a conscious choice. Britain will always be part of Europe, but once lost, she would have difficulty in recreating her political identity and could never achieve again the world position to which this has led her.

ACHIEVEMENT IN SPACE BY THE UNITED STATES AND U.S.S.R.

Mr. CANNON. Mr. President, over the past several years I have become increasingly alarmed and disturbed regarding our national effort in the application of scientific knowledge to military space. I am particularly concerned by the sharp contrast between the space programs of the United States and the U.S.S.R.

We as a Nation, with a truly heartfelt national belief and desire to preserve the uses of outer space for peaceful purposes, have been energetically and idealistically pursuing a costly program primarily dedicated to the scientific aspects of space exploration and directed toward the ultimate benefit of all mankind. The Soviets, however, apart from a few deep space probes, have been busily preoccupied with the near-space environment and have ably demonstrated their space weight-lifting capabilities and deorbiting accuracies.

These accomplishments viewed in the light of decades of Soviet aggression, rapidly advancing Soviet nuclear technology, and Mr. Khrushchev's statements of fantastic Soviet space weapons strongly indicate that the U.S.S.R. space program is being directed toward attaining military dominance in the near-earth space envelope, while at the same time they press on in their effort aimed at lunar exploration. Vostok III and IV provide stark evidence of the great strides the Soviet technology and planning have made in realizing these objectives.

It is obvious that we can no longer speculate about the technical abilities of the Soviets. Certainly their ability to rendezvous two space vehicles in orbit and also to maneuver these same vehicles indicates that the Soviets have indeed made extensive advances in the field of space science, not the least of which is their demonstrated ability to achieve multiple orbits in space.

It would be the height of folly to assume that these capabilities do not lend themselves very readily to military applications and military missions in space.

Mr. President, today, in the Aviation Week and Space Technology magazine, at page 26, there appears an article, from which I shall read three paragraphs, as follows:

> WASHINGTON.—"U.S. evidence that Vostoks III and IV rendezvoused and docked in earth orbit is forcing the Nation to make an extensive reevaluation of military and civilian roles in the space program. Neither the United States nor the Soviet Governments had reported the docking by late last week, although Russia said the two Vostoks had been in visual contact.
>
> Extreme secrecy measures were imposed to keep U.S. Government officials from commenting on details of the rendezvous and docking feat, but officials were free to discuss their reactions on the significance of the dual launching in relation to the United States-Soviet space race.
>
> Early in the week, top administration officials debated whether to release the fact that a docking had been achieved. The decision not to do so was based on the desire to avoid official recognition of the significance of the Russian achievement, and also to avoid giving the U.S.S.R. a measure of U.S. intelligence.

Mr. President, this address has been in preparation for some time and was not motivated by the Soviet's orbiting Vostok III and IV. It is not my purpose today to discuss the space efforts of the Soviets. It is my purpose today to outline to the U.S. Senate and the country what I believe should be done to upgrade our level of activity in regard to the military space effort of the United States.

The grave portents of a psychological and technological war threat embodied in Soviet space successes is self-evident. For us to believe that space will be maintained for peaceful purposes in the absence of a U.S. deterrent space capability is a wholly fallacious and fearsome misconception. Such a belief would be blind both to the lessons of history and to the explosive potential of the near future.

In this regard, I do not believe that there are any Members of this body who honestly believe that the Soviets, with a 3- to 4-year lead over the United States in the capability to launch very large space vehicles in near-earth orbits, will accept what amounts to a voluntary, self-imposed limitation upon their already achieved competence for military space technology.

As one great American of the past once said, "Let's look at the record." In every international accord that we have signed with the Communists in the past 17 years, we find that they have perverted the agreement to their own diabolical ends. I have only to mention the Potsdam agreement, the agreement ending the Korean war, and I might add that in this instance the ink was scarcely dry on the document, before the Soviets or Soviet-made equipment started pouring into North Korea in violation of the agreement. The Geneva agreement ending the war in Indochina was merely a subterfuge and a part of the plan for the conquest of southeast Asia, which now has our military forces deeply committed in South Vietnam and Thailand.

The moratorium on the testing of atomic weapons, I believe, is the prime example of Soviet duplicity in international relations. The Soviets used the 3 years to prepare for last fall's test series while trumpeting before the world through the propaganda outlets that the United States was indeed the potential aggressor in a future nuclear war.

Mr. President, I pose this question to my colleagues of the Senate, Can the United States afford to take such a dire calculated risk in view of the Soviets' past performance of broken promises and preparation for worldwide aggression from outer space?

President Kennedy clearly stated during his 1960 presidential campaign that "control of space will be decided in the next decade. If the Soviets control space, they can control the earth." He continued:

> But we cannot run second in this vital race. To insure peace and freedom, we must be first. Freedom of space must be assured, preferably by mandate of the United Nations. The United States must have preeminence in security as an umbrella under which we can explore and develop space for the benefit of all mankind.

Mr. President, I believe that no truer words have even been spoken concerning our destiny—and our mandate—in space. I shall have much more to say about this later in my address.

With each new accomplishment in space we see evidence of a rate of technological advance that has become fantastic. Quite literally we are living in the presence of an explosion of knowledge and application of technology. We are not able to stem the advances we are witnessing, nor should we wish to. But we must recognize the challenge implicit in this rapid technological advance. We must recognize the dangers as well as the possible benefits of the opening door to space and adjust our national efforts accordingly. No nation has superiority in that vital common resource—time. But any nation can have superiority if it has the will and the capability to exploit that resource to the fullest.

The President has said that the region of space is a new ocean and that the United States must sail upon it. With this analogy in mind it would be well to remind ourselves of the lessons of history. When new oceans of water were discovered and the great nations of past centuries undertook to sail upon them, invariably they discovered new dangers and new challenges not only to their right to move in those waters, but also to their survival. It is with these thoughts in mind that I question the adequacy of our response to the new challenges of the space age.

Mr. President, the major emphasis being placed by present U.S. space efforts has been on the purely scientific exploration of space and on its civilian applications, in priority above and indeed to the detriment of development of vitally needed military capabilities in space. If continued, this could prove to be a fatal mistake. Those nations which have sailed new oceans successfully and safely have done so in the presence of military capabilities sufficient to insure that new regions would not become new avenues of mortal threat.

Recently, the distinguished occupant of the chair, Vice President JOHNSON, stated:

> Some day we must come to the further assurance that every object in space has a peaceful purpose and will remain continuously peaceful. By peaceful purposes, I mean to help keep the peace as well as to increase our knowledge for living better in peace.

To this he later added:

> We are developing peaceful uses of outer space from choice, but we are working on military uses of outer space from necessity.

It is a fact well established in history that prompt military application of scientific and technological developments often has been decisive. We can now look back in safety on the fact that we, rather than our World War II enemies, developed the atomic reaction into a military weapon.

The timely military application of the principles of radar permitted Britain to be held when it was facing destruction while under violent air attack and the list of such examples could go on. To advance another case, we can be most grateful that our late but highly accelerated development and deployment of U.S. ballistic missile forces was carried out with a sense of urgency which enabled us to overtake the early Soviet start.

It seems evident, therefore, that we must be alert to recognize quickly, to initiate promptly, and to apply aggressively the military potentialities which are implicit in man's invasion of space. It is not enough to be energetic in the pursuit of purely scientific knowledge in the regions of space. Mr. President, I state categorically that our safety depends upon the earliest possible application of our resources and development of an ability to defend ourselves and our purposes in the space region that directly overlooks every square mile of the United States and every human being of our population.

The military utilization of space has been and continues to be a highly controversial subject in the United States. This is not so in the Soviet Union. The highest Soviet authorities have not hesitated to recognize and describe bluntly and repeatedly the military potentialities they visualize in connection with space satellites and other space vehicles. Mr. Khrushchev in a speech to the World Federation Trade Union Congress last December 1961 stated:

> This is a colossal force, comrades, and therefore now, when the imperialists decide the question of whether or not they should unleash war or not, the 50- and 100-megaton Soviet bombs will hang over their heads like the sword of Damocles.

He later in the same speech said:

> If I could send up Gagarin and Titov we could of course, replace Gagarin and Titov with other freight and land it where we would like to land it.

In still another speech to the Kremlin electorate in Moscow as recently as March 16, 1962, Khrushchev said:

> Our scientists and engineers have created a new intercontinental rocket which they call global—the new global rockets can fly around the world in any direction and strike a blow at any set target. The precision of the calculations is borne out by the flights of Vostok I and Vostok II spaceships.

Now we see Vostok III and IV orbiting together capable of the obvious military advantages of coordinated space operations.

It would be the most rash and stupid folly to assume that Soviet space developments have no military applications. Considering the speed of Soviet space developments, it is fortunate that the conversion of basic space science and technology into operational military capabilities is not an action that can be completed quickly. It is clear, however, that if one nation is directing its space efforts energetically toward the creation of military capabilities in space, while the other serenely pursues only scientific and commercial purposes, a security gap must be the result. The former country will achieve an enormous and possibly insurmountable military advantage over the latter.

As Vice President JOHNSON stated:

> We want to make the space age an age of peace. We have no desire to convert outer space into a battleground.

But the Vice President recognizes that the choice of peace—the decisions as to whether space shall be a region of peaceful pursuits, and regarding the means to guarantee its peaceful nature—is not ours alone to make. The leaders of the Soviet Union have already plainly and emphatically stated their belief that space can be used for military purposes. It is a sad thing to say, but it is true, that the real world in which we live is of such a nature that only the existence of insurmountable military capability insures the peace. This has been true for many decades; perhaps it has been true since time began. It is certainly true today, and is a fact that must find its timely application in space if we are to remain secure.

Certainly no one can deny that the Strategic Air Command of the U.S. Air Force has insured the peace during the last 14 years and has prevented the outbreak of global war.

Mr. President, unfortunately the present direction of our national efforts in space gives little or no assurance that attention is truly directed to the development of our military capabilities. In contrast, we should ask what military capabilities should we be seeking to develop in the space medium? We should analyze the adequacy of scope and urgency of our military space endeavors. Clearly, we ought to have an energetic development program underway, adequately supported with funds, to find means to defend ourselves against attacks that could come from hostile orbiting space vehicles. To the best of my knowledge, no defense whatever exists at this time against any military attack that might be made from the space region, even though such attacks are within the present capability of the Soviet Union.

Mr. PROXMIRE. Mr. President, will the Senator from Nevada yield; or does he prefer to conclude his statement?

Mr. CANNON. I am happy to yield.

Mr. PROXMIRE. The Senator is making a thoughtful speech of great significance. I heard about it last night. I think it is one of the most important speeches to be made in the Senate this year. I am impressed by the work which the Senator has done on it. The Senator has just said—and it is a very serious statement—that we are not prepared for "any military attack that might be made from the space region, even though such attacks are within the present capability of the Soviet Union."

Is it not true that our primary defense against any attack by the Soviet Union is retaliation; and that if we should be attacked from space, we would have exactly the same kind of defense as if the attack came from Soviet Union land bases or Soviet submarines, or any other Soviet source? In other words, would not our defense be immediate retaliation, and have not our defense officials said that even if we were hit by the first strike, our retaliation would be so massive as to deal just as devastating a second strike against the Soviet Union? So would it not be true that the defense we now have against even a nonspace attack would be equally applicable with respect to an attack from space?

Mr. CANNON. It would be our only defense.

In other words, it would be an all-out retaliatory strike, because if we were hit from space, we would have no defense to it, as I have just stated; we would have no way of intercepting or defending against that type of attack.

We have strategic Air Force capabilities as set forth in our ballistic missile system and our SAC capability with aircraft carrying nuclear weapons to make retaliatory attacks, but we have no defensive method at all.

We do have a defensive method, of course, against attack other than through space or a ballistic missile type of attack.

But the point I am getting at here is that the capabilities which the Soviets are showing now go beyond simply the launching of ballistic missiles. They are making rapid progress. They have possibly made a connection between Vostok III and Vostok IV, as I stated a few moments ago, when I quoted from Aviation Week. That is what causes me grave concern. If true, it demonstrates a considerably greater capability than we have at present, and against which we have no defense, because, as I shall point out later in my address, a platform is needed from which decisions can be made and action taken in outer space.

Mr. PROXMIRE. The arguments against that point of view, which I have read over and over again, are that space would be a very poor place from which to launch an attack; that the best base for attack is the earth or the sea, or the envelope of air, as the Senator has so well described it in his speech; that to fire from an object moving at such fantastic speed in space, or even to fire from the moon, would result in all kinds of handicaps, all kinds of limitations, as compared with delivering the same kind of payload from the earth. Perhaps that viewpoint is wrong, but I have seen it repeated over and over again, including by defense officials, who may be mistaken.

However, I think that the Senator's challenge and shaking up of such assumptions is very useful. Nevertheless, I would appreciate his pointing out the basis for challenging the notion that earth is still by far the best base for launching a military attack.

Mr. CANNON. The premise and the argument advanced by those people as of today is correct, because today earth offers the best means for launching an attack. We can launch a ballistic missile from a fixed place and send it to a distant fixed point. But now we are approaching an age of flexibility in space. Flexibility creates an argument between the so-called fixed-base advocates and those who prefer flexibility, and who are fighting for air power, for example, because that gives flexibility.

I am sure the Senator from Wisconsin heard and engaged in some of the discussions concerning the B–70. One of the strong arguments made was that with the B–70 there is flexibility of command control. But once a button is punched for a ballistic missile, the missile either fails or goes. There is no decision possible in the interim. It is gone and on its trajectory and then comes down.

On the other hand, if there is a platform out in space having maneuverable capabilities, from which a launching can be made, there is neither a fixed base nor a denial of the element of flexibility.

Mr. GOLDWATER. Mr. President, will the Senator from Nevada yield?

The PRESIDING OFFICER (Mr. BURDICK in the chair). Does the Senator from Nevada yield to the Senator from Arizona?

Mr. CANNON. I am very happy to yield to the Senator from Arizona.

Mr. GOLDWATER. First, I wish to join the Senator from Wisconsin in complimenting the Senator from Nevada on his long-overdue paper. It reflects great study and a thorough understanding of the subject. For one, I wish to thank him for bringing this matter to the attention of the American people in this way.

Let me ask the Senator whether he feels that we are in somewhat the same situation that we were in during the 1930's, when those who saw only peaceful uses for air were limiting the then Army Air Corps to the purchase of 40 B–17 bombers.

Mr. CANNON. The Senator from Arizona is absolutely correct.

Mr. GOLDWATER. What I have been trying to bring out—in fact, earlier today I spoke on this subject briefly—is that what is needed today is extension of the idea of air superiority into aerospace superiority. I know it is difficult to envision that a satellite moving at 17,000 to 18,000 miles an hour would have any military possibilities. But let us extend our imaginations, in this Buck Rogers day, and consider what might happen if the Russians were able to set up a military station on the moon before we got there. From it could be launched lunar-launched ballistic missiles, which would require much smaller boost and much smaller weight in order to carry military warheads.

In answer to the question of the Senator from Wisconsin, let me say that this type of missile, launched from outer space, could be controlled. It could be aimed at the earth; and before it entered the earth's atmosphere, the decision as to where to aim it could be made. It could be caused to circumnavigate the area around the earth and then return to outer space, or it could be caused to be directed to a target on the earth.

Apropos that hypothetical situation, I should like to ask the Senator if he was disturbed by the implications carried by the Venus probe, launched last year—a 7-ton probe vehicle, I believe, from which a probe into outer space was launched. Would it not be possible for the Russians to turn it 180 degrees and direct it to the earth, instead of to outer space?

Mr. CANNON. Certainly; the Senator from Arizona makes a valid point. Once they have the capability to launch from outer space, the direction of launch is rather easy to control. Does that answer the Senator's question?

Mr. GOLDWATER. Yes.

If the Senator from Nevada will yield further, I should like to ask another hypothetical question.

Mr. CANNON. I am very happy to yield.

Mr. GOLDWATER. With this agreement on a hypothetical situation, which we feel relatively certain could occur, I have been intrigued in considering what might happen at Geneva if the Russians at a subsequent time were to say to the representatives or delegates of the powers assembled there, "Gentlemen, we have been here for years, but nothing has been achieved. Here is a list of our final position. We will not be deterred one iota from this. We will give you"—let us say—"1 week from this afternoon, at 3:15. If you have not reached an agreement with us by that time"—and let us pick out Johnston Island, which is a relatively small, uninhabited place—"Johnston Island will disappear from the earth's surface."

The representatives of the other nations would rather snicker and sneer; but suppose that at that precise time Johnston Island does disappear from the face of the earth—destroyed by a missile launched from a satellite. In that event, I can see the representatives of the other nations of the earth, including ourselves, on their knees, eager to meet Russia's demands. Has the Senator from Nevada considered that point?

Mr. CANNON. Yes, and certainly it is an exceedingly good point. It was also referred to by the Senator from Wisconsin. The Senator has given a hypothetical example which involves flexibility in the use of space. The importance of this entire problem, as I see it, compared with the fixed-base problem which was referred to a few minutes ago by the Senator from Wisconsin, certainly must be considered very seriously. Certainly the nation which controls that area of space with a degree of flexibility will be in a very, very strong bargaining position.

Mr. GOLDWATER. Mr. President, I do not wish to deter the Senator any longer, except to point out that he has used a word which has great magic among the military; namely, "flexibility." There is nothing worse than to be stuck in a static position or to have only one system or to have only one use for it. Flexibility—whether one is a foot soldier or a sailor or an airman—is the one thing we must have, in order to survive.

Mr. COOPER. Mr. President, will the Senator from Nevada yield to me?

Mr. CANNON. I am very happy to yield to the Senator from Kentucky.

Mr. COOPER. This morning I read in several newspapers comments on the speech the Senator from Nevada was to make today. The articles and his speech interest me very much. His speech is timely because yesterday and throughout the past week, there has been extensive discussion of the recent and extraordinary space achievements of the Soviet Union.

I am glad that the Senator from Nevada is inquiring into the meaning of the recent achievements, their military implications, and relations, to our security. He is making an historic speech.

I was interested in the question of the Senator from Wisconsin, regarding the relative merits of firing a missile from land or a space platform. I, too, had read the answer suggested by some military people, and, I assume, by some scientists, according to newspaper reports in regard to this question. The answer as I understood it was that the possibility of using a space platform did not add greatly to the capabilities of the Soviet because it was said it would not add to an attack from land in the Soviet Union.

As the Senator from Nevada proceeds with his speech, I hope he will outline what additional capabilities, in his opinion, would be added to the strength of the Soviets by the ability to launch missiles from space.

Would it affect the certainty of our deterrent? I understand the basis of our deterrent strength is that the Soviets know that if they were to strike first, we have the capability of making a second strike which could destroy their country. I assume that our ability rests in part at least on information concerning the location of Soviet bases.

But I notice that a British scientist—a Dr. Lovell, I believe—has said that one consequence of the Soviet achievement is that now Soviet space vehicles could strike down our space vehicles, which are being developed, such as Samos and Midas, which may be our eyes in the sky. If this is true, it would diminish the effect of a second strike and our deterrent. Further, if the Soviet had spaceships and platforms from which missiles could be launched, and which we could not locate, would not it be true that our capability for a second strike would be diminished?

Mr. CANNON. Of course that is correct.

The Senator from Kentucky is correct when he says that we believe that what is keeping the peace today is the widespread realization that our retaliatory force is strong enough to absorb a so-called first strike, and then proceed to destroy our potential aggressor. But whenever that balance ceases to exist, of course we shall be in a very difficult situation.

Furthermore, if the Soviets develop further their capability from a military standpoint, and also develop, in connection with it, the ability to intercept ballistic missiles or to destroy them in outer space or to destroy them before they reenter the atmosphere, then consider the possibilities which would exist in that respect.

I was happy to hear the Senator from Kentucky refer to Dr. Lovell, because in a few minutes I intend to quote from his statement. I think his statement—which was printed a few days ago in the New York Times—is an excellent one. The heading was "British Scientist Declares U.S. Lags in Military Uses of Outer Space."

The article reads, in part, as follows:

LOVELL SEES SOVIET FAR AHEAD—SAYS LATEST FEAT ADDS TO WORLD'S TROUBLES

> It would be a very reasonable assumption that we are not far from the situation where the Soviets could knock down American orbiting spacecraft, Sir Bernard said.
>
> "They have a clear space superiority in the military, if not in the scientific sense," he added.
>
> "I think the Russians have demonstrated that they are so far ahead in the technique of rocketry that the possibility of America catching up within this particular sphere in the next decade is now remote," Sir Bernard said.

Mr. COOPER. It appeared to me that if they develop a space vehicle from which missiles could be launched, to that extent it would reduce the deterrent we have which protects our security and keeps peace.

I do not want to take the Senator's time, because this is his speech. He has done the work on it. But I am extremely glad that he is making the speech for I have been concerned by some statements that have been reported. They seem to say, The latest Soviet successes do not amount to so much in a military way. It is important that the administration, and the Congress—to the extent it has responsibility—make no mistake on this issue.

We have made mistakes in the past. We did not take seriously the statements of the Russians when they said publicly, years in advance, that they would send satellites into space. I hope our military people, scientists, and the administration, and the appropriate committees of Congress will not be lulled, and that the most serious consideration be given to determine the military significance of the Soviet achievement and its effect on our security.

I wish to commend the Senator. I think he is making an important speech.

Mr. CANNON. I thank the distinguished Senator from Kentucky for his very kind remarks and his participation in the debate. We have been talking about the defense aspects of the problem, but, as always, with questions of national defense and national security, more than purely defensive means are necessary, for it is axiomatic to military strategy for a nation to be able to exploit the offensive and force the enemy into a defensive posture. There appears to be no indication that this elementary concept should be changed in its space application. The military forces of the United States must be able to exploit space in every way by which their military missions can be more effectively performed. This means that military vehicles of many types—both manned and unmanned—should be able to operate actively as well as passively, thus enabling offensive as well as defensive military capability in space.

One might be tempted to believe that the primarily scientific type of space exploration now being executed by the United States would provide sufficient and timely answers to the military needs in space. This is by no means true. As a very simple example, it is quite acceptable to delay the launching of a scientific space vehicle while awaiting improved weather conditions, or while making exhaustively careful checkouts of the space vehicle. But the true military type of space vehicle must be ready at all times to respond immediately to threats or aggressive action. It must, therefore, be developed along significantly different lines than its scientific parallel, and possess different characteristics. Further, the kinds of equipments needed for a scientific expedition to the moon are totally different from the equipments needed to intercept and destroy a hostile satellite. The latter is a military mission involving a combination of responsiveness, military personnel, tactics, techniques, and space weapons having unique characteristics not required in the civil space program. Military tasks frequently require routine and repetitive operations and, therefore, low costs, high reliability and, if possible, reusability. Military tasks require quick reaction, positive control and the ability to operate in a combat environment. In space, they will require the ability to maneuver in orbit and upon reentry; to accomplish a conventional landing; to be refurbished for reuse and to incorporate weapons. These factors have significantly different and far more stringent implications than those which are acceptable for scientific, commercial, or prestige missions in a friendly or nonhostile environment.

For more than a decade, our U.S. military forces have been the principal deterrent to global war. Why? Because they were better able to perform their mission in any medium and to do it better than the forces of any potential global aggressor. On the surface of the earth, in the air envelope, and on and under the seas of the world our forces have been superior. Continuing peace has been the result. Is this a formula we should now abandon in space by default, by inaction?

If we do not wish to abandon that successful formula, we must insure provisions to be militarily superior in space. Can this realistically be accomplished by having ready no more than a base of scientific knowledge upon which a structure of military capability can be built only after the need becomes apparent? Not in an age when the time required to execute a devastating attack through space is measured in minutes. We cannot build a military defense in minutes. Therefore, are the actions necessary to develop military capabilities in space to be delayed or in any way inhibited? Should this Nation continue to devote billions for a space research program that has inadequate or tardy application to national security? If so, we could become the best-informed nation on space science to be destroyed by hostile military capabilities of the Soviets who are capitalizing on our diligent but time-consuming scientific search.

What should be done about this situation? Mr. President, in reviewing testimony given by military authorities to the Congress, I see adequate evidence that the military services recognize that they have military missions to perform in space and could move rapidly toward a capability actually to perform them. On the other hand, I see no evidence that there is a national, authoritative intent to accelerate the earliest practicable development of urgently needed military capabilities. Where, for example, is the necessary project to develop a means of intercepting, inspecting, and destroying, if necessary, hostile satellites that could bear super megaton bombs down upon us? I understand that such a development program, though advocated by the military services, has been specifically delayed by civilian officials of the Defense Department. Above all, where is the development program that will exploit the operational capability of military men in space, rather than merely exploit them as the heroic tools of science? Where are those many development programs which would enable the U.S. military forces to operate in space so as to insure the safety of the country and provide support for our international policies? In my opinion, we have gone seriously far beyond the time when we must recognize the need for the establishment of a national military space posture. We must formulate and announce a U.S. declaration not only of "space for peace," but should include "space for insuring national security." Clear announcement of this intent would remove the inhibitions under which the Department of Defense is now laboring and allow them to identify and establish the necessary broad goals within which the military can develop both near term space systems and the technology for the future. In comparison to the currently approved multibillion-dollar, 10-year program of our civilian space effort to get to the moon, I see no clear-cut objectives for security forces in space. We cannot progress if we continue to follow a double-negative philosophy—a philosophy which indicates, on the one hand, that "since there are no clear military requirements, there is no justification for expenditure across a broad technological front," but, on the other hand, that "since technology does not demonstrate full feasibility of weapon system development, such development is not warranted."

I am concerned over the failure of our military space programs to keep pace with both technology and security requirements. In this respect, it is my understanding that we do not today have any approved space weapon systems under operational developments that will enable the United States to destroy hostile satellites over the free world and to protect our very heavy investment in peaceful, scientific, and commercial operations in space. While I do not presume to know in detail what our defense operational posture should be, I believe that the following are in general the minimum essential required defense capabilities:

First. To conduct near-space operations using manned maneuverable vehicles capable of self-defense and having the capability of conducting offensive, defensive, and passive support missions.

For example, Dyna-Soar. While specifically a test bed, this project is critically important to the attainment of effective manned military capabilities in space.

Such a vehicle is needed to demonstrate the feasibility of rapid launch capability, maneuverability in space, maneuverability during reentry, precision recovery with conventional landing, reuse, and the ability to incorporate weapons.

Second. Develop a standard national space launch system in support of military requirements with application to the civilian requirements of our overall national space effort. This I understand we are now initiating. However, it is essential that we exercise a greater sense of urgency and not delay the program with excessive study.

For example, Titan III. Approve and accelerate the recommended Titan III development which will fill the payload gap in the 5,000- to 30,000-pound payload range which exists between the present Atlas-Agena and the projected Saturn C-1 capabilities.

This performance will meet the requirements of the orbital Dyna-Soar mission without restraints and with adequate safety margin. It will provide the basis of advanced technology required by the Air Force and support of its development responsibilities to NASA in the conduct of the very large solid booster program.

Third. To conduct near-space operations using unmanned satellites with the capability of performing military communications mission.

For example, lightweight, multiple-launch, active satellites can be used until such time as more sophisticated systems become available, to provide essential continuity of command and control and to preserve the intelligence communications channels required to support the exercise of command. The elements of command include the President; the Secretary of Defense and the Joint Chiefs of Staff; the unified and specified commanders in their permanent, mobile, or alternate command posts; and commanders having custodial and final weapon delivery control, including Army forces, ground, naval and air task forces. The requirements for secure communications are vital and are separate and distinct from commercial applications, whatever common foundation of technology must be drawn upon.

Fourth. To establish and operate greatly improved earth-based installations for tracking and controlling friendly vehicles and for the detection and tracking of potentially unfriendly vehicles.

For example, space detection and tracking system Spadats needs to be expanded and brought up to a greater operational capability to keep pace with the expanding space programs worldwide.

Fifth. To establish and operate in-space facilities for applied research and development testing.

For example, a military orbital development system for the purpose of providing an orbital space test station whereby space vehicle components and subsystems may be tested in the actual space environment, which cannot be fully duplicated on earth. The training and performance of in-space supply, maintenance, crew rotation and rescue missions can also be integrated through the use of the orbital test station.

Sixth. To conduct in-space bioastronautics experiments through the employment of an orbital space satellite.

For example, the military's bioastronautics orbital space satellite program, designed for the determination of the feasibility of extended manned military operations in space through exposure of selected biological payloads to the space environment needs to be pursued as soon as possible. This will enable us to better understand and cope with the effects of long-term weightlessness, radiation, and isolation.

In conclusion, I am fully aware that all of the required defense capabilities cannot be attained either simultaneously or within the present technology. However, when technology does permit, the necessary military space systems must be developed on a priority basis. When technology must be advanced, vigorous basic research, applied research, and advanced technology programs must be conducted, drawing upon the full resources of science and industry to insure that the full potential of military space systems is realized as soon as possible.

The principal objective of these actions, Mr. President, is the gaining of time—time that will permit all of us to make added and continued efforts to reduce the aggressiveness of the Soviets and to remove the insulation of the Russian people from the rest of the world; time to conclude appropriate agreements whereby our two nations may mutually undertake cooperative space projects and to seek other areas of common interests; and, lastly, time to develop an atmosphere of international good will and trust which may someday, preferably within the United Nations, provide the political basis for more permanent peaceful relations between nations.

The emergency of the nuclear bomb and the ballistic missile has completely disrupted the balance between time, space, and destructive power. However, through the establishment of a strong military space deterrent force we can provide an improved climate of security and stability in which to pursue our ideals and goals in critical issue of disarmament, arms control, space cooperation and others that face us. While we must recognize and continue to strive for these essential goals, we must also provide an adequate foundation of strength for our political will and resolution. This foundation for the future can only be provided by an appropriate and timely extension of our military deterrence into space.

Mr. YOUNG of Ohio. Mr. President, will the Senator from Nevada yield to me?

Mr. CANNON. I am very happy to yield to the Senator from Ohio.

Mr. YOUNG of Ohio. I compliment the distinguished junior Senator from Nevada for manifesting great leadership in making today what is really a most noteworthy and historic address in this Chamber for the welfare of the Nation and for the peace of the world. We must not permit the Soviet Union to obtain absolute control of outer space. If this were ever to happen, they might not be deterred from attacking us. The Senator has made a great speech. I am happy I was in the Chamber to listen to it.

Mr. CANNON. I thank the distinguished Senator from Ohio for his very kind remarks.

Mr. PROXMIRE. Mr. President, will the Senator yield?

Mr. CANNON. I am happy to yield to the Senator from Wisconsin.

Mr. PROXMIRE. Is it a fair conclusion that the Senator from Nevada is asking that we continue to proceed with the manned lunar probe program, with peaceful objectives—stressing and emphasizing the peaceful aspects of NASA's program—but also that we should give far more attention and should devote far more effort, energy, money, manpower, and so forth, to the military space program?

Mr. CANNON. The Senator is absolutely correct. I am not suggesting that we reduce our efforts insofar as NASA's programs, which have been announced, are concerned. I think those are good programs. I supported them as a member of the Committee on Aeronautical and Space Sciences and as a Member of the Senate. I think we should devote our attention to that, but I think we are devoting entirely too little effort toward the military applications.

It seems that many people are reluctant to use the words "military applications" with respect to space. I pointed out in my address that the Strategic Air Command is the biggest single item which has kept the peace, up to now. Certainly that is a military application of capabilities within our hands to keep the peace. This is the type of thing I am urging. I think we should forget about this "bugaboo" and be willing to talk about military applications.

It is certainly clear that the Soviets talk about them. I remember that about 3 days ago I saw an article in the press by Mr. Blaganov, the Soviet representative at the United Nations, on the uses of outer space for peaceful purposes. He has been working on this cooperative space effort. The article, as I interpreted it, pointed out clearly that the capabilities which the Soviets demonstrated with their shots last week made it clear that they had a very definite military application and military use.

There is a thoughtful editorial in the New York Times which was published August 19, 1962, entitled "The Race in Space." I think it gives a very good analysis of the problem, and I ask unanimous consent that it be printed in the RECORD, to follow my remarks.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

THE RACE IN SPACE

The Soviet people are now acclaiming with justified pride their latest heroes—the twin cosmonauts who staged a history-making rendezvous in space and circled the earth for up to 4 days to set a new mark in man's reach for the stars. The world joins in paying tribute to the courage and endurance of the new spacemen and to a magnificent scientific achievement.

But the new Soviet triumph inevitably and imperatively directs attention to our own space program, which in rocketry at least is admittedly years behind the Russian. President Kennedy has ordered a speed-up and Vice President Johnson warns that "our future as a free Nation is at stake" and that "we dare not lose." Our own space authorities assure the Nation that we have a "solid" program and that we shall still beat the Russians to the moon. But there is surely no cause for complacency or for carping questions whether the whole project is worth the cost.

The question is, "What price survival?" Despite their peaceful professions the Soviets make their space program part of their military preparations and their psychological warfare. Premier Khrushchev boasts that the Soviets are developing a "global rocket" able to whirl around the earth like an atomic sword of Damocles to strike at any target and that their rockets can "hit a fly in space." The launching within 24 hours of two spaceships estimated to weigh nearly 10 tons and flying in tandem to a pinpoint landing reveals a precision and rocket capacity that give point to this boast. The psychological impact of the Soviet achievement on men's minds is incalculable.

We can, of course, take pride in our own program. We have launched four times as many satellites as the Russians, and ours have been scientifically far more sophisticated and productive. We have our own astronauts. We have Telstar. And we are developing booster rockets of even greater thrust than the Soviets are presumed to have. Why, then, are we behind?

It is useless to rake over the past or blame individuals. But it is vital to learn from past mistakes. And our biggest mistake, which affected all our policies, was that in our own dedication to peace we misjudged Soviet intentions and capacities. We disarmed immediately after the war and ignored the implications of the German wartime rockets while the Soviets kept their vast armies and, building on the German experience, concentrated all their material and scientific resources to develop rockets for nuclear monster bombs. Only when the fall of Czechoslovakia and the Korean war shocked us into rearmament did we speed up our military missile program, and only when Sputnik I startled the world in 1957 did we awaken to the new challenge.

Even then, to emphasize its peaceful purposes, we scrupulously divorced our space program from our military missile program (which in any case felt no need for bigger rockets) and starved it for funds, while the Soviets combined space and military rocketry from the start. Interservice rivalries, the dispersal of functions and responsibilities and, finally, labor irresponsibility, or worse, protracted the delay and raised costs.

Some of these handicaps have been corrected. Others continue and cry out for correction. That includes greater coordination between the National Aeronautics and Space Administration and the military. And the time for such improvement is now.

Mr. PROXMIRE. Mr. President, if the Senator will yield further, it seems to me in the course of his remarks the Senator raised some very interesting, very provocative, and very tough questions of priority. On page 8 of his statement, the Senator said:

> Should this Nation continue to devote billions for a space research program that has inadequate or tardy application to national security? If so, we could become the best-informed nation on space science to be destroyed by hostile military capabilities of the Soviets, who are capitalizing on our diligent, but time-consuming, scientific research.

On page 9 the Senator said:

> In comparison to the currently approved multibillion-dollar, 10-year program of our civilian space effort to get to the moon, we are devoting very little to the military space effort.

The Senator has just said that he has high regard for NASA's effort, and does not want to see it crippled in any way. At the same time the Senator's words that I have quoted suggest that it should not take as high a priority as military space applications. It is my understanding that we now have a budget for NASA this year of about $3.7 billion. We have a space budget, that is, strictly space, eliminating missiles, and so forth, but including the satellites that the military sends up, of about one-third of that amount—about $1.2 billion.

I take it that the Senator from Nevada feels that if we are to proceed on the very ambitious and specific basis which he so well outlined, we must devote a far greater proportion of our space effort to military applications. My next question will relate to priorities. But is what I have said correct?

Mr. CANNON. The Senator is correct. I am not saying necessarily that we are devoting too much attention to NASA, but the imbalance is too great as between the military application and what I refer to as the scientific and civilian application, which does not necessarily have a military application.

Mr. PROXMIRE. Very good. Now we come to what seems to me to be the real crux of our problem. I tried to raise on the floor of the Senate, when the NASA budget came before the Senate, the problem of our scientific manpower and the very severe limitations upon it. I put in the RECORD one document after another from scientific experts at MIT and the Scientific Manpower Commission, stating that we are now straining our scientific manpower to the limit. That is particularly true with regard to space scientists. NASA last year took something like 2,000 scientists. In the next few years, with the expansion of the NASA budget, it will take 13,000. I think whether we like it or not, we probably cannot have all-out effort both in the military applications of space and in the man-to-the-moon program. If we follow the logic of the Senator's very specific and definite suggestions, this may very well interfere with our scheduling of reaching the moon before the Russians. I think that is one of the tougher problems that we must responsibly meet. The Senator from Nevada has probably put the emphasis where it belongs. I think defense must come first, although I agree that it would be very valuable to beat the Russians. I think we must recognize that unfortunately we have available a very limited supply of scientists. I think we should do all we can to increase the supply, and to bring them into this effort from any activity that is not related to defense. But I can see that we shall encounter a situation of real competition for scarce scientific manpower between NASA and the military if we follow the Senator's very excellent advice. I appreciate very much his comment on that subject.

Mr. CANNON. The Senator has pointed up a very serious problem in connection with scientific manpower. I have spoken on the floor on two occasions on that subject. I am preparing another statement now. We have a problem in that field that must be resolved in better fashion than it is being resolved at the present time. I have specific suggestions that I hope to make next week which I think would help in connection with that particular problem. But it is a fact that we have competition now for the highly trained personnel available. We will continue to have it. The rate of input into our schools is dropping rather than increasing in that area.

Mr. PROXMIRE. Exactly.

Mr. CANNON. The problem will become worse instead of better as time goes on unless we take some drastic action to correct the situation.

I would not want to undertake to say what the proper balance between the two programs should be. I am merely saying that if we are directing as much of our attention to the purely scientific and civilian aspects as the Senator describes, the imbalance is too great between that and the military application. I think we must emphasize the military application. I would leave it for those better informed than I to decide what the exact balance should be as between the respective programs.

Mr. PROXMIRE. The Senator is exactly correct in suggesting that we have a very serious scientific education problem. The statistics I have seen show that only about two-thirds as many students entering college go into the sciences as went into them 10 years ago. We are graduating not more, but fewer scientists and engineers than before.

The Soviet Union has recognized scientific education as a prime, in fact, the prime element of national power, and as I understand, something like 60 percent of all their college graduates, are scientists, engineers or applied scientists whereas in our system only about 10 percent are. That difference is likely to be crucial in terms of power.

I should like to ask one more question. The Senator has delivered a superb speech relating to the question of cost. We are going to have an increase of $2 billion in the civilian space budget this year. If we follow the advice of the Senator from Nevada—and I think the arguments are extraordinarily persuasive—there will be a great increase in the military space budget. I think we must recognize not only the scientific limitations, which are serious, but also some very tough problems relative to getting the necessary moneys, will be raised. I can see it will cost not merely a few hundred million dollars, but many billions of dollars a year more to achieve the objectives so well set forth by the Senator from Nevada.

Mr. CANNON. The Senator has made a valid observation. We must face our responsibilities. The money will have to come from somewhere. We will either have to make the resources available or reprogram some of the activities we are planning at the present time.

Mr. GOLDWATER. Mr. President, will the Senator yield?

Mr. CANNON. I am happy to yield.

Mr. GOLDWATER. I had a different purpose in asking the Senator to yield. I will get into that in a moment. But in view of the colloquy between the Senator from Wisconsin [Mr. PROXMIRE] and the Senator from Nevada [Mr. CANNON], relative to scientists, I might suggest that both of those gentlemen study the first report on the National Defense Education Act, which was established for the purposes of providing more scientists. I was greatly shocked in reading the report. If I remember correctly, it showed that only 22 percent of the fellowships were granted in any of the four categories that were recognized as scientific—modern foreign languages, mathematics, science, and one other that slips my memory. I know the Senator from Nevada will be interested—because he and I both attended the University of Arizona—to know that only three fellowships were granted in the study of nuclear physics. Those were all granted at the University of Arizona. Among the fellowships granted were 12 to study Buddhism. We talk about the separation of church and state. There were nearly 20 theological fellowships granted by the Federal Government. There must be a reason for that.

I suggest that we might find that reason in the rather nebulous policy that NASA is following today, namely, exploring space for peaceful purposes only. I would like to have someone outline to me what peaceful purposes are.

Now I wish to comment on the Senator's very excellent and timely speech. The first thing that we must do in this country—and I think Dr. Welsh has so recognized for some time—is to decide what our policy should be in space, and that it is wrong to have it merely for peaceful purposes, when every man engaged in the program knows that every application in space is not only military but primarily military. What do we mean when we say "for peace" or "for peaceful purposes"? We might translate that back and say that the Strategic Air Command is created and maintained for peaceful purposes. We might consider our forces on the ground, on the sea, and under the sea, and state that all military forces, wherever they are, are created for peaceful purposes. We do not create military forces for aggressive purposes. We create them in the hope that we will not have to go to war, and that the very excellence and strength of our military will keep other people from going to war.

If the Senator will indulge me—and I know it is not fair to take advantage of his time—the Strategic Air Command, as he has so rightfully pointed out, has been the deterrent that has kept peace in our world, not necessarily the machines of the Strategic Air Command, but the highly trained crews who can do a better job than any other force in the world. This has been true since World War II. If that has been true, I should like to ask the Senator if he does not feel convinced that the reverse can be true. If the Soviets become superior in space and develop a technique involving the ability to bombard the earth and survey the earth, and do anything they care to do from space, would not the opposite be true?

Mr. CANNON. I would agree with the Senator from that standpoint. I do not see how we can equate different levels of atmosphere and say, "The air goes up so high; then you get to lower space, and then you get to outer space."

Any person who exercises control from space is in a position to dominate. In other words, it is all an extension from the ground up. If Russia is able to dominate a higher area there, and then have at their beck and call strategic air command, I would say we would find ourselves in a detrimental position. The ability to maneuver in this one area is extremely important. If the article that I have inserted in my speech, from which I read three paragraphs, is correct, the Soviets have demonstrated a tremendous ability and capability to maneuver and to rendezvous in space, and they have made a tremendous step forward in being able to control that area of the atmosphere.

Mr. GOLDWATER. The Senator is correct. I do not wish to labor the point, but I believe that too many people in the civilian strata at the Pentagon overlook historic facts. We can demonstrate what the Senator from Nevada has said if we go back through history. Those people, starting even in tribal days, who controlled the prevalent means of transportation controlled the unknown world. We can trace that pattern down to the river mouths and into the Mediterranean. As the Egyptians became superior in the navigation of the Mediterranean, they became a world power. The Greeks took it away from the Egyptians. That same pattern was followed as the power flowed out through the Straits of Gibraltar into the ocean. Portugal became a world power, because she dominated the then known seas. She was followed by Spain. Later England became the dominant power, for the same reason.

England for over 200 years, kept the peace in the world, or a comparative peace, because she dominated the prevalent means of transportation, which were the seas. General Smuts, back in 1917, prophesied that he who controlled the air controlled the world. That prophecy became true when, following World War II, we dominated the control of the means of air transportation. We were the No. 1 power, not necessarily because of our economic ability, but because we dominated in the means of transportation by air. We still do. That is why it is unfortunate today we do not have a supersonic transport on the boards or on the line, even though we are the world's leading airpower. Yet, we are able to buy from France today, from the Caravelle Corp., a supersonic transport, for delivery by 1966. It is a crying shame, Mr. President, that that should be true. That should not be allowed to happen.

Under present plans we know that the last B-52H bomber made by the great plant of Boeing, which I overlooked to mention the other day in my discussion with the Senator from Washington, with reference to the distribution of buying in this field, will come off the line in September of this year. The programing out of the B-47 has started, and it is anticipated will be completed by 1965. By 1970 the B-52 fleet, by attrition, in my opinion, will be reduced by half. This will leave us, by 1970, in my humble opinion, with a Strategic Air Command almost on paper only. We will have some ships, but not the great fleet we have had.

Today we have only one bomber coming off the line, and that is the B-70, which we hope to have in December.

While the United States is practically destroying its strategic air capability in the atmosphere, the Russians are very clearly demonstrating their determination to gain space superiority.

Madam President, I cannot imagine a speech that could be made at a more appropriate time by a better informed man than the speech that is being made by the distinguished Senator from Nevada. I compliment him on it. All Americans should read his speech. I hope he will continue in his effort to get our Government to wake up to certain fundamental facts. It should wake up to the fact, certainly, that he who loses space loses the peace. We must decide to dominate in space as we have dominated in the air. Space is the key to peace. I believe that the computers in gray pants in the Pentagon should be pushed into the background and some very practical experience from the military should be allowed to come forward, so that we can recognize the military uses of space. I again thank the Senator from Nevada for the excellent speech he has made. I know that in saying so I echo the sentiments of many Americans.

Mr. CANNON. I thank the Senator. As I said earlier, I certainly agree that the problem here is one of flexibility. Not long ago, I recall that a general officer in testifying before the Armed Services said in jest, referring to the Strategic Air Command, that they are the silent silo sitters of the seventies. I certainly do not believe that to be true. We must not get ourselves in a completely inflexible position. The Senator has pointed out that conditions change, and that the ability to maneuver is the key to the whole problem. We had better start facing the problem and start recognizing the fact that we have a military application and requirement for it in space.

Mr. COOPER. Madam President, will the Senator yield?

Mr. CANNON. I yield.

Mr. COOPER. I should like to echo the remark of the distinguished Senator from Arizona [Mr. GOLDWATER]. I hope also that the Senator from Nevada, who has opened the subject, and who is a member of the Armed Services Committee, will push his inquiry in the Armed Services Committee, to assure that full consideration is given to the military implications of the Soviet achievements, and the effect they could have upon our security. I am not a member of the Armed Services Committee, and I know it is difficult for anyone who is not a member of that committee or a member of the Space Committee to be cognizant of all these matters. We do not know enough about them, although they affect the very security of our country. I have great confidence in the Secretary of Defense, Mr. Namara. Nevertheless, it was reported—whether correctly or not, I do not know—that he did not view the recent advances as militarily significant. I hope I am not misquoting him. Am I correct?

Mr. CANNON. I would say that I did see that remark reported in the press. However, I would want to make it clear that my reference was not to Secretary McNamara, who I think is doing an outstanding job. I do know that there has been some reprograming and reemphasizing along these lines.

Mr. COOPER. My own remarks do not refer to him, because I agree with the Senator that he is a great Secretary of Defense. But I have read that some in the Air Force are concerned by the Soviet advance in space, and their military implications. So I hope that full and careful consideration will be given to the subject. It is easy to comment from hindsight; but, looking back, I believe we have failed at times to take note of signs which, if we had observed and taken action concerning them, would have placed us in a much better position. One of the difficulties inherent in our space program is that we do not have great boosters for rockets.

Mr. CANNON. That is correct.

Mr. COOPER. I was in the Army in Europe during World War II. I heard the V-2's strike, as did thousands of others. But somehow our Government did not consider them so significant, evidently, as did the Russians.

Yesterday I read in the Washington Sunday Star an article entitled "Russian Work in Rocketry Began in 1890," written by William L. Ryan, an Associated Press special correspondent. Mr. Ryan points out that beginning in 1951 the Soviet Union began to send up satellites and told the world that they were doing so. Their scientists predicted in 1955 that the first Russian satellite would be sent up 2 years later. The United States—and I do not include the scientists—did not seem to pay great attention to the prediction. If we had, we would not have been so shocked in 1957 when the first Sputnik was launched.

Will the Senator from Nevada permit me to read excerpts from this article?

Mr. CANNON. I am glad to have the Senator do so.

Mr. COOPER. The article reads, in part:

> In 1951 the Russians reported rocketing two dogs 60 miles into the atmosphere and returning them.
>
> In November 1953, 10 months after Stalin died, the Russians announced they intended to create an artificial satellite and later shoot for the moon.
>
> In August 1955, L. S. Sedov gave the International Astronautical Federation Congress a prediction which was right on the nose. He reported:
>
> "Of late, much attention in the U.S.S.R. has been devoted to research problems respecting interplanetary communications, primarily problems relating to an artificial earth satellite. In my opinion it will be possible to launch an artificial earth satellite within the next 2 years."
>
> The West paid little attention.
>
> In 1956, Khrushchev told Soviet scientists not to fear foreign ideas but to use everything they could from the West. That meant the restraints were off.
>
> By May 1957, the Academy said Russia was ready to launch a satellite. The Soviet press told the radio frequency to be used.
>
> Apparently all these hints were passed on to Washington.
>
> Then—surprise.
>
> On October 4, 1957, the Russians flew Sputnik I, weighing 184 pounds, into orbit at 18,000 miles an hour. It stayed up 94 days.

What we are saying does not downgrade our program for the peaceful use of space, our hope for disarmament. But these programs and our security depend upon the maintenance of our military strength—and a true deterrent.

We who are not members of the Committee on Armed Services know hardly anything about these programs; we must depend upon Senators who are members of the committee. It is a great committee. I am certain that the Senator from Nevada will pursue this subject.

Mr. CANNON. I thank the distinguished Senator from Kentucky for his remarks.

Mr. MAGNUSON. Mr. President, will the Senator from Nevada yield?

Mr. CANNON. I yield.

Mr. MAGNUSON. I did not hear all of the able Senator's speech; however, I surely share some of his opinions. I read the newspaper article which he released on the subject. Still, I believe we should get the subject in perspective.

The Subcommittee on Independent Offices Appropriations, of which I am chairman, has just concluded hearings on the appropriation for the Space Agency. The committee will mark up the bill Tuesday, Wednesday, or Thursday. The bill provides close to $4 billion for the space effort. This is approximately 8 or 9 percent of the budget for the entire Government. We have tried to suggest that most of this amount will be spent for peaceful purposes in space. Nevertheless, I feel certain that much of the work which the Space Agency is doing can revert to whatever military plans there are in many fields in space.

Great progress has been made in the booster field. The Saturn C-1, or the one which is now projected, will send up practically anything we could think we would want to send up in the form of space platforms. The plan is to have two rockets rendezvous when an attempt is made to reach the moon area. We have been told by the representatives of the Space Agency that the military receives much of the benefit of the work they are doing; that the military can apply this work to research in rockets, or whatever else they wish to use it for. I am hopeful that there will not be any duplication. I hope that the military, as has been so well stated by the Senator from Nevada, will take advantage of all the things that are being done by the Space Agency. Sometimes we must be careful, when we evaluate a program, to make certain that there will not be a duplication of some of the work which is being done by others. This is true of the solid fuels program. We hope that the objectives sought will have a good result in the end.

Sometimes the Russians do the spectacular. How much of their effort is devoted to that end, to the detriment of certain other portions of the space effort, we do not know. I do not believe, considering the overall picture, that the American space program is a bad one. I think it has been a very good one, and will continue to improve.

The point made by the Senator from Nevada, and as concurred in by the Senator from Arizona, to the effect that the application of the work of the Space Agency to defense and the control of space militarywise, is important. The Senator from Nevada is correct in his suggestion that whatever liaison there is between the Space Agency and the Department of Defense ought to be better. In the field of boosters, great progress is being made. We now have some really good boosters. I hope we will not constantly have to reevaluate our program simply because someone else does something. We ought to have our objectives and stick to them.

I have been under the impression that the military are taking advantage of all the research by the Space Agency and are developing it for military purposes. I hope that the military will be able to use all of the fine scientific achievements which we know about which have been accomplished in space. Four billion dollars is a lot of money to provide for the Space Agency. I think the committee will provide that amount. But we are moving ahead as fast as our capabilities will allow us to move. I would be a little shocked if I thought the military was not moving in the same way. I understand the suggestion of the Senator from Nevada, but it is no criticism of him when I say that perhaps there ought to be a little more of an awakening militarywise in this field.

Mr. CANNON. The Senator from Washington is exactly correct in his position. What I have said is not a criticism of NASA. I have supported NASA's programs, and they are good programs. I am sure the military is taking advantage of whatever research they can utilize in connection with the program of NASA.

Military representatives are now serving with the group at NASA, trying to coordinate the programs. The point I make is that there is a military need between the point where we are militarily at present, and the long-range objectives of NASA for purely scientific and, as I refer to them, space-type purposes. For example, the Dyna-Soar program is a near-space operation to give us a capability to maneuver in space, to give us a capability, eventually, of simultaneous orbit, to the point where there can be a docking procedure.

The Titan III is in between the huge booster and the capability we have today.

Mr. MAGNUSON. We hope to have that capability with the Saturn.

Mr. CANNON. That is correct; something that can be a regular launching system.

So I am not critical of what is being done by NASA; I am critical of the fact that we are not doing enough in some of the military applications, and we are afraid to talk about it because everyone has a reluctance to talk about the military applications of space. They say we are interested in the use of space for peaceful purposes. Surely we are; and we are interested in the Strategic Air Command for peaceful purposes, because that is the way we will maintain the peace.

Mr. MAGNUSON. I have for years sponsored good oceanographic programs for peaceful uses, but 50 percent of the work will be for military purposes, to enable us to know more about the oceans.

The Senator from Arizona [Mr. GOLDWATER] spoke about a supersonic plane. On Thursday, the subcommittee of which I am chairman will appropriate to the Federal Aviation Agency a certain amount of money to proceed in that field. It is a small amount compared with the cost of the whole program, but I am hopeful that the work may be done jointly, because I agree with what the Senator from Arizona said; namely, that we are away behind in the supersonic area. There is no question about that. Of course, commercially it is a rather costly program. They do not see much sale for these planes. But the French went ahead, and are going ahead now.

Mr. GOLDWATER. If the Senator will yield, let me say that although I do not know it to be a fact yet I have a strong suspicion that one of our airlines placed an order for Caravelles, to be delivered in 1966 and 1967, and not so expensive, as I recall—around several million dollars apiece. France certainly has surpassed us in this field; but I do not think the American flag should fly on anything except American aircraft, particularly at mach 1 and better.

Mr. MAGNUSON. I understand the Russians are away up to mach 3 and 4—at least, insofar as its feasibility is concerned.

Mr. GOLDWATER. I am not sure of that.

Mr. MAGNUSON. Perhaps not. But they are far ahead of us.

Mr. GOLDWATER. I was interested in the Senator's colloquy relative to Dyna-Soar. I believe the idea of Dyna-Soar was a product of German scientists at the end of World War II. I know that the Senator from Nevada and I have been briefed on this any number of times. It is ready to go. The distinguished Senator from Washington has in his State the Boeing Co., which has worked on this for a long time.

In summary, I think the problem the Senator from Nevada has been discussing involves a decision which must be made somewhere in the Pentagon. There is no question that NASA is doing a splendid job; but someone in the Department of Defense must say, "We have some military objectives in space and we have some military ideas about space, and we want to have them well received, and not have some junior-grade automatic computing machine tell us this is not feasible." I think today practically anything is feasible.

Mr. MAGNUSON. Mr. President, I wish to join the Senator from Nevada and the Senator from Arizona in the position they are taking, and certainly the Senator from Nevada is directing attention to something which should have been stated a long time ago.

Mr. CANNON. I thank the Senator. Mr. President, I yield the floor.

VICTOR E. ANDERSON

Mr. HRUSKA. Madam President, death last week took one of Nebraska's most distinguished citizens and capable public servants, former Gov. Victor E. Anderson.

Governor Anderson served in his home city of Lincoln, as its mayor. He served in the Nebraska Senate, and was for two terms Nebraska's Governor. His administrations in both positions were characterized by a businessman's approach to government. He insisted on what he called hardtack budgets, honest administration, loyal, and efficient service.

Those of us who knew and respected Vic Anderson—and they include many Members of the Senate—are grieved at his passing. He left a permanent legacy of good government for Lincoln and Nebraska. He will be remembered as a constructive, full-time citizen.

Madam President, I ask unanimous consent to have printed in the RECORD several editorials published in Nebraska newspapers on the occasion of his death.

The PRESIDING OFFICER (Mrs. NEUBERGER in the chair). Is there objection?

There being no objection, the editorials were ordered to be printed in the RECORD, as follows:

[From the Lincoln Star, Aug. 16, 1962]

A LOSS TO NEBRASKA

It isn't quite meaningful enough to say that the death of Victor E. Anderson is a loss to Nebraska. It only takes on its real meaning if you consider Nebraska as the millions of people who populate it. Mr. Anderson was a man who liked people and one who tried to understand the problems that confront them and help find a solution.

It is for this human understanding and compassion that Mr. Anderson found himself active in political life. It is a life that began when he was sought out to serve an unexpired term as mayor of the city of Lincoln. He accepted this responsibility at a time when the city faced many problems and when local government seemed bogged down in a sea of disunity and incapability.

His administration was the beginning of a new era of city governments in which sincerity, dedication, and sacrifice were to be the elements of eventual success. Mr. Anderson served as usher for Lincoln's emergence as a true metropolitan center.

The same businesslike approach was taken by the Havelock merchant and banker when he became Governor of the State. He maintained his interest in politics on the assumption that people needed honest and efficient government. Those who knew him had no doubt that it was his sense of public service rather than any thought of personal gain that motivated him.

His administrative ability and his unselfish devotion of time to the welfare of others are the marks he leaves as a goal for the rest of us. And his kindly, warm and friendly personality will be sincerely missed by the hundreds and even thousands who knew him. As his life has served as a constructive example to all, his death is a sorrow to many.

[From the Lincoln Journal, Aug. 15, 1962]

Victor Anderson

Victor Anderson will long be remembered as a man who loved and served his State. He held the highest office in his city, mayor, for one term (1962); and the highest office of his State, Governor, from 1955 in 1959. He also served in the State Legislature, resigning to become mayor.

Victor Anderson was foremost a businessman and he took his business know-how and integrity into public office. Vic, as he was popularly known, had the rare ability to pick capable men to serve with him. He was one of the best administrators to serve in the governor's office in recent years.

His defeat for reelection in the 1958 gubernatorial race can be attributed to his conservative approach to government at a time when Nebraska was staggering. The former Governor's bitter disappointment over defeat and the recount of the votes, was followed by renewed interest in local affairs.

His local community of Havelock and the city of Lincoln have been beneficiaries of his business acumen. Physical structures will long be a reminder of Victor Anderson, the community builder. During his term as mayor the Harris Viaduct was built and the Lincoln Air Force Base was reactivated.

In the death of Victor Anderson the city and State have lost a loyal and respected citizen.

[From the Scottsbluff Star-Herald, Aug. 17, 1962]

State Loses Fine Citizen

The death of former Gov. Victor Anderson of Loncoln Wednesday morning removed from the Nebraska scene one of its outstanding citizens.

Long service in behalf of the State, which he served twice as Governor, in behalf of the city of Lincoln where he was a former mayor, and in behalf of numerous civic, philanthropic, and commercial enterprises marked him as a citizen of extraordinary ability and sense of dedication to the welfare of Nebraska.

While many may have disagreed with the policies he advocated, as is a natural result of long engagement in public affairs, none could question the sincerity of his motives, impugn his honesty, nor challenge his personal integrity.

Vic Anderson was a good man. He displayed friendship toward and understanding of problems in this part of the State. His influence in matters of roadbuilding is still reflected in improvements presently underway, although it is 3 years since his term of Governor expired. His espousal of efficiency and economy in government was an indication of personality and character.

All the State will mourn his passing as last rites are conducted for him at Lincoln today.

[From the Omaha World-Herald, Aug. 16, 1962]

Victor E. Anderson

Former Gov. Victor E. Anderson, who died Wednesday, stood firmly in the tradition of midwestern politics.

The son of Swedish immigrants, he left the University of Nebraska in his third year to take over his father's hardware store. He became head of a small bank, bought interests in other businesses, became a director of three local insurance companies, acquired real estate. He was active in trade associations and a director and vice president of the Lincoln Chamber of Commerce. In short, he was a successful and mostly self-made, businessman.

In 1948, Mr. Anderson was elected to the State senate. Two years later he became mayor of Lincoln and served two terms. Then he ran for Governor as a Republican, and won and was reelected. Seeking a third term, he lost a hairbreadth decision to the late Ralph Brooks, a Democrat.

Mr. Anderson was not an innovator, nor was he a conspicuous leader—partly because of personal inclination, partly because Nebraska's form of government, with its unicameral legislature, offers a Governor limited opportunities for leadership. Broadly speaking, it was Vic Anderson's view that it was the legislature's job to make policy and his job to carry it out—a view which many Nebraskans appear to share.

Nebraska has a general tradition of solid, conservative, hard-working and usually competent Governors. Victor Anderson fitted into that pattern.

[From the Hastings Daily Tribune, Aug. 16, 1962]

Big Loss to State

The untimely death of former Gov. Victor Anderson is a distinct loss to the State. Anderson was still young in years and spirit and with his great background in public and civil affairs could have contributed much to the welfare of his State and Nation.

Anderson had an outstanding career in the Nebraska Legislature, representing the city of Lincoln. One of his principal interests at that time was the University of Nebraska. He fought long and hard on many occasions to get the legislature to vote the money needed to keep the university on a par with other Midwestern schools.

Later he served as mayor of the city of Lincoln and he gave that job the same attention that he had given the one he held as a State senator. Under Mayor Anderson's guidance the city of Lincoln made important gains and improvements that helps to make the capital city what it is today.

From the mayor's chair he moved up to chief executive of the State of Nebraska. He was elected in 1955 and reelected in 1957. During his 4 years as Governor, Anderson continued to move the State forward, furthering improvements that helped in bringing more industry to Nebraska.

Anderson made a success of everything he did. He started at the bottom in the business field and built a successful hardware and appliance store in a Lincoln suburb. From there he branched out into other fields and in each endeavor he was a success. But his several business interests didn't keep him from giving his time for the benefit of the public welfare. It was this unselfish attitude that set him apart from others and made for him a place in Nebraska history.

His death removes from the scene a man of great experience in business and public affairs. It is a loss that will be felt in a great many ways by his family, friends, business associates and the citizens of Nebraska.

HOW THE HEAVY HAND OF GOVERNMENT IS SLOWING OUR ECONOMY

Mr. HRUSKA. Madam President, recently this Senator was privileged to appear on the Reader's Digest-Freedoms Foundation television program "All America Wants To Know." Our discussion was based on an article in the August Reader's Digest by Mr. John E. Swearingen, president of Standard Oil of Indiana, entitled "How the Heavy Hand of Government Is Slowing Our Economy."

Besides Mr. Swearingen and myself, the panelists were Representative Emanuel Celler, of New York, chairman of the House Judiciary Committee; Representative Wright Patman, of Texas, chairman of the Joint Economic Committee; and Mr. A. E. Perlman, president of the New York Central Railroad. Our moderator wàs Mr. Theodore Granik, the veteran producer of radio and television public-affairs programs.

Madam President, because of the importance of the subject we discussed, I ask unanimous consent that the transcript of the program be printed in the Record.

There being no objection, the transcript was ordered to be printed in the Record, as follows:

All America Wants To Know—No. 13

Announcer. Former President Eisenhower recently made this statement at a Republican meeting.

"Businessmen in the past have assumed, and I think correctly and rightly, that their own business could function pretty well no matter what party won for the simple reason that there were well-defined and well-observed limits beyond which government would not go."

Announcer. "All America Wants To Know"—a monthly discussion of the questions facing our country, presented in the public interest by America's favorite magazine, the Reader's Digest, in association with Freedom's Foundation at Valley Forge, and produced by Theodore Granik. This month's subject: "Is Government Unduly Interfering With Business," based on an article by John E. Swearingen, "How the Heavy Hand of Government Is Slowing Our Economy," appearing in the August Reader's Digest. To discuss this issue we are pleased to have as our guests the author of the article, Mr. John E. Swearingen, president of Standard Oil Co. of Indiana; Senator Roman Hruska, Republican, of Nebraska, member of the Senate Judiciary Committee; Congressman Emanuel Celler, Democrat, of New York, chairman of the House Judiciary Committee; Congressman Wright Patman, Democrat, of Texas, chairman of the Joint Economic Committee; and Mr. A. E. Perlman, president of the New York Central Railroad. We will join our group in just a moment.

Announcer. Now here is your moderator, Mr. Granik.

Mr. Granik. Congressman Celler, in his Reader's Digest article, Mr. Swearingen asks these important questions: How much regulation of our private affairs is needed? How much is justified? Would you answer that, Mr. Celler.

Mr. Celler. Well, in our complex economy, some regulations, some restrictions, are essential in certain industries. Otherwise, if you have untrammeled, unlimited competition, the strong would crush the weak. There must be guidelines like the regulations of the various regulatory agencies, laws like the anti-trust laws to prevent predatory practices, and unfair actions. Otherwise, you'll have the situation as follows: Everyman for himself said the elephant as he danced amongst the chickens. Now you don't want that, and paraphrasing what President Eisenhower said. There are some limits beyond which business dare not and cannot go, and those limits must be set by agencies and by law.

Mr. Granik. Mr. Swearingen.

Mr. Swearingen. Congressman, I agree with you that there are some limits, as far as monopolies are concerned, certainly those should be prohibited. As far as predatory pricing practices, those should be prohibited. The thing that I am concerned about is regulation pretty much for regulation's sake by a group of independent agencies created by the Congress responsible to the Congress, but in matter of fact, largely responsible to no one. These agencies have the power to make regulations, to enforce them, and to adjudicate them, and their activities and actions are largely not subject to review by the courts.

Mr. Granik. Congressman Patman.

Mr. Patman. There are 60 independent agencies as mentioned by Mr. Swearingen, all right. And there are 400,000 employees, and the budget is $10 billion. But that doesn't tell the exact story. The exact story is that these agencies include agencies like the American Battle Monuments Commission, the Commission of Fine Arts, the Smithsonian Institution. Out of those 60 agencies that Mr. Swearingen refers to, 3 of those agencies have nothing to do with regulating business, like the Veterans' Administration, the Atomic Energy Commission and the Space Exploration Administration, they spend 97 percent of that $10 billion. There is only 3 percent that is spent by regulatory agencies that have anything to do with regulating business.

Mr. Swearingen. Congressman, there are 236 pages in this Government organization manual, which describe the activities of these agencies. Certainly you've picked out three of the very small ones, but there's some very important ones like the Interstate Commerce Commission, the Federal Power Commission, the Federal Trade Commission, who day after day have very important effects on business activities in this country.

Mr. Patman. I included them in the amount of money that they spend every year that equal about the profits of Standard Oil of Indiana. Effects can't be measured by the number of agencies we have.

Senator Hruska. Well, Mr. Granik, you know there was a book written lately by a fellow by the name of Parkinson, and he said that whenever a Government agency is formed, the first rule of life is that it shall take steps to survive. And how does it survive? By exploding and expanding its personnel and its appropriations. Along came Lowell Mason, long-time Commissioner of the Federal Trade Commission, and he fastened a corollary to that rule. The corollary is this, that as soon as the Government agency or commission is appointed, it seeks to expand the original mission to which it is assigned.

Mr. Perlman. As Mr. Swearingen pointed out, the ICC was created in 1887 when the railroads had a monopoly on inland transportation, but today technology and other forms of transport have changed all that. But the railroads are still regulated as a complete monopoly, although they only have 3 percent of the incity passenger business. We can't move a passenger station in the city of Albany a block and a half away to save a million dollars a year. Now the President of the United States has recognized what's going on in the transportation industry in his message to Congress just a little while ago, and I'd like to quote just a little of what he said. He said, "Pressing problems are burdening our national transportation system, jeopardizing the progress and security on which we depend. A chaotic patchwork of inconsistent and often obsolete legislation and regulations have evolved."

Mr. Granik. Congressman Celler, do you want to comment?

Mr. Celler. Yes. The President recognizes that there may be inadequacies in the Interstate Commerce Commission, and I do too. And Wright Patman and myself have spent hours and hours in checking on the operations of some of these regulatory agencies. If they do not hew to the line, and they do things which are improper, we crack their knuckles. We've done that with the Maritime Commission, with the Civil Aeronautics Board, with the Federal Communications Commission. The Senate—and I'm sure Senator Roman Hruska has participated in those investigations—Congress is just as solicitous as you are to see to it that those regulatory agencies do not overstep the bounds of decency and proper conduct. Now the President has recognized that and I might read further in his transportation message. He said, "No simple Federal solution can end the problem of any particular company, or mode of transportation. On the contrary, I'm convinced that less Federal regulation and the subsidization is in the long run the prime requisite of a healthy transportation network. The constructive efforts of State and local governments, as well as the transportation industry will also be needed, to revitalize our transportation services. But, don't say that the Government has been too heavy handed with you, Brother Perlman. Railroads, for example, received land grants between 183 and 185 million acres of land, plus 83 million acres for rights-of-way.

Mr. Perlman. There were five railroads in the West when the West was land that was completely undeveloped, and the only way you could develop the United States of America was to build railroads out there, and nobody could take the risk except the Government.

Mr. Celler. What I am trying to say is that you wouldn't call that the heavy hand of Government?

Mr. Perlman. But two wrongs don't make a right. Just because that happened way back in the eighties doesn't mean that today—you're so regulated that you can't even lower your prices if you can still make a profit, but if they'll hurt the trucking industry or the waterways, you're still not permitted to lower your prices.

Mr. Celler. Al, I want to give the Devil his due. I want to get the facts on the surface here. I know that railroads are in the doldrums and they need relief, but we must not lose sight of the fact that even today you have oil and mineral rights in those public lands which were received from the Government.

Mr. Perlman. There isn't one eastern railroad that's gotten a nickel that way.

Mr. Celler. I'm speaking of railroads, in general.

Mr. Perlman. In particular, you're speaking of five railroads in the United States—five transcontinental.

Mr. Celler. But it's not the heavy hand of Government that my good friend speaks of.

Mr. Granik. May I just—I have a question. Recent stock market gyrations have cast a shadow of fear over the stability of our economy. In 1929, during the collapse of Wall Street, the public was not adequately protected. Are the powers vested in the Federal Reserve, the SEC, the Federal Deposit Insurance Corporation, and other agencies warranted as possible precautions, Senator?

Senator Hruska. Well, we have to take things in the longer range than simply any one single incident. Certainly some abuses were uncovered as a result of that 1929 stock market crash, and some instances were called for statutory correction. Now then, as to how far that should be done and how minutely and how detailed they should be controlled remains to be seen. And in many instances, there have been evidences of these regulatory agencies going much too far in trying to make economic and fiscal judgments when they should stay out of that in the interest of letting those judgments be made by the owners and by the equity owners particularly of the properties themselves.

Mr. Granik. Can we hear from Chairman Patman?

Mr. Patman. Yes. We have sufficient built-in protection now against depressions and recessions, and if we have one it will be a manmade recession or depression. We have the power to prevent them. The Open Market Committee of the Federal Reserve System is the most powerful group of men on earth. They have the power to create unlimited amounts of credit and money for any purpose they desire. And certainly having that power, they can do what is necessary to prevent a recession. That's just one agency, the Federal Reserve Ssystem.

Senator Hruska. The fact is that the President is now surrounded by economic advisers, including Dr. Heller, who tried to advise West Germany about 9 or 10 years ago or 11 years ago as to how West Germany could get out of the doldrums which followed World War II. Without exception, the recommendations of these economic advisers were turned down by West Germany and they have prospered and, in fact, a little while ago they sort of helped drag the dollar out from the well of despair, as it were. And now business is faced with the President having close to his hand those same advisers who are close to his ear, and there's no telling how much of their advice will be accepted by the President along the same line that was turned down by the West German authorities in their rebuilding processes. That's one of the things that contributes uncertainty and holds back economy because we don't know.

Mr. Patman. You're not being specific enough.

Senator Hruska. I shall if you want me to, and if I'm given a little time I certainly shall.

Mr. Swearingen. Well, I'd like to cite a specific instance here that affects our business. This has to do with the activities of the Federal Power Commission. Back in 1954 the U.S. Supreme Court interpreted the Power Commission's authority, which they had up to that time said they did not—it was their interpretation of the Gas Act that they did not have it—that the Power Commission was to regulate the prices on natural gas. This was in 1954. Here today in 1962, 8 years later, nobody in the gas producing business still knows how the price of their gas is going to be determined, what they'll receive for it today, or what they'll receive for it 15 years from now. The Commission itself about a year ago stated that at their present rate of handling cases before them, it would be some 100 years before they'd come up to date. This is the kind of thing that I'm complaining about; that the regulatory agencies are handicapping American business.

Mr. Celler. Let's take that case that you speak of, Mr. Swearingen, and that was the Phillip's Petroleum Co. case, and I have the syllabus of that case right before me now, and it's a long case. Apparently the petroleum company wanted the Federal Power Commission to establish rates based upon their individual cost.

Mr. SWEARINGEN. You're quite incorrect in that, Congressman.

Mr. CELLER. Well I can read it to you if you wish.

Mr. SWEARINGEN. You must be reading from the wrong place, because that——

Mr. CELLER. No, I'm reading from the right—here's the syllabus: "Experience has shown that traditional original cost, proven investment rate base method of regulating utilities, is not a sensible or even a workable method of fixing rates for the independent producers of natural gas."

Mr. SWEARINGEN. Well, as I said, Congressman, this decision was by the Supreme Court in 1954. What you're reading is some order issued in 1960.

Mr. CELLER. I'm reading from the Federal Power Commission, and you've complained in your article about their statement it would take until 2,000 some-old until they——

Mr. SWEARINGEN. The Commission itself made that statement.

Mr. CELLER. Yes, the Commission itself made that statement. I have it right here and you quoted from it. That was because of the methods that were used and the methods that were forced upon the Commission by individual petroleum companies themselves, but you fail——

Mr. SWEARINGEN. You're wrong about that, sir.

Mr. CELLER. Well, I'm sorry, I have it right here. But you failed to read, and I'm sure you must have known about it——

Mr. SWEARINGEN. I made a very careful study about all of this.

Mr. CELLER. Excuse me just a minute. On the same day that the Federal Power Commission issued that particular decision in that particular case and made that outrageous statement, on the same day, they issued a new regulation as to the new method in which they were going to establish rates. And instead of checking on an individual basis, they were going to take it on an area basis. And they said those area bases would simplify and shorten the process by years and years. You failed to indicate that statement of general policy which was issued on the very same day that the decision of the Federal Power Commission was issued in connection with the Phillips Petroleum Co. Candor compels me to say that you should have, at the same time that you put one side of the coin in your article, you should have put the other side of the coin in it.

Mr. SWEARINGEN. Congressman, I completely disagree with you. You are citing from a statement of policy here that was issued in 1960. I say to you here today, in 1962, that the Commission is still holding the hearings for the first area that they are intending to use as a yardstick for measuring prices. This is 2 years after they issued this statement of policy, and they haven't come to any conclusion yet. And as far as I know, it's going to be years still, before they come to any conclusion.

Mr. GRANIK. May I ask a question here? In his Reader's Digest article, Mr. Swearingen states that it would be difficult to envision any form of enterprise, including those yet unborn, which can now or could in the future escape the regulatory yoke. Congressman PATMAN, would you care to comment on that?

Mr. PATMAN. Yes, I don't think they're in danger if they're treating the people right, just as the Standard Oil Co. of Indiana was charged with treating its customers unfairly in the Detroit area. That case was mentioned in this article. What are the facts? You know any supplier can choose his own customers. You can't compel him to sell to anybody. They chose certain customers in the Detroit area—about 350 filling stations. Well, then the law says—the Clayton Act—says that you must treat your customers fairly. And when the Standard Oil Co. commenced to let certain favored customers reduce the price to meet alleged competition, and refused to let the others have the same lower price. Now this regulatory Commission that's been pointed up here as being so ruthless and bad was really trying to protect those independent small businessmen out there in the Detroit area by compelling the Standard Oil Co. to treat its own customers—the customers that Standard Oil had chosen themselves—treat them fairly and treat them right—apply the Golden Rule to business. That's all in the world they were trying to do. And there was a split decision in the Supreme Court of 5 to 4—a wrong decision—one of these days the Supreme Court will correct that.

Mr. SWEARINGEN. Congressman, you are trained as a lawyer, I believe, and I think one of the first things a lawyer is told to do is to look at what the final decision in the highest court of the land is. After 17 years, mind you, 17 years of litigation and two trips to the U.S. Supreme Court, our pricing practices were upheld as completely legitimate and within the law in Detroit. Regardless of what you say about protecting small business, if you will—

Mr. PATMAN. Through a loophole or a gimmick, that's all.

Mr. SWEARINGEN. What loophole? You mean the Supreme Court.

Mr. CELLER. Just one second. I just want to say, Mr. Swearingen, in December 1960, the Standard Oil Co. of Indiana was found guilty of price fixing in violation of the antitrust laws in the Federal District Court of Southbend, Ind. and at this very present moment one of your own subsidiaries—the Pan American Petroleum Corp. and the Standard Oil Co. of Indiana are defendants in a current antitrust merger suit brought by the Department of Justice to prevent your taking over the Honolulu Oil Co., a very large corporation.

Mr. SWEARINGEN. We have not been found guilty in 1960, and I'll say this to you, Congressman. That case is on appeal, and you're trained as a lawyer also, and you know——

Mr. CELLER. I said in the Federal district court.

Mr. SWEARINGEN. This is exactly the point on which I am arguing. Here we do not know as businessmen today what we can do and what we can't do. The law is completely ambiguous. It's administered by these agencies in a completely ambiguous manner. This is the complaint that I have. No businessman today knows what he can or what he can't do under the antitrust laws.

Mr. GRANIK. Senator HRUSKA.

Senator HRUSKA. It has been suggested here that there's no danger if the businessman treats the customer fairly and if he treats them right he has nothing to fear from these regulatory agencies. That's not what a certain grocery chain thought in Indianapolis, Ind., not long ago, when they were brought into public hearing without any charges filed against them and they were there examined in public by a counsel for the Federal Trade Commission. They were not allowed counsel. They were not allowed to make a statement. They were not allowed to express themselves. And there they were pilloried in the public and given a very rough going over in all violation of the sixth amendment which allows men and assures men under the Constitution to have counsel, and so on, and a number of other constitutional provisions, as well as statutory. And they didn't know of what they were accused and here were these dedicated specialists, very enthusiastic for the public good and so on. And that type of thing is repeated many, many times during the course of the year.

Mr. CELLER. Let us know what that case is. We'll examine it, and if you're justified——

Senator HRUSKA. It's going to be examined by the Anti-Trust Committee of the Senate and I'll turn over the transcript to you.

Mr. CELLER. We'll get after them. If those men have been unfairly treated, then the Federal Trade Commission, or whatever the agency is, is worthy of——

Senator HRUSKA. That they have been unfairly treated is shown by the fact that the Federal Trade Commission recalled their hound dogs and they had to recede and retract, but that does not excuse them from a going over at the hands of our committee, and I hope from yours.

Mr. CELLER. But you must remember this. Even if you do have derelictions in five or six or a dozen cases, figure the thousands of cases where good has been done. And you don't bring an indictment against these Commissions for one or two or three or a dozen——

Senator HRUSKA. You just did on Standard Oil Co. for being found guilty interim in 1960.

Mr. CELLER. ROMAN, I said I was careful to say in the district court. They were found guilty in the district court.

Mr. GRANIK. May we hear from Mr. Perlman.

Mr. PERLMAN. These regulatory agencies go beyond that small man that you talked about. Take in the transportation business alone. This is the only country in the world that doesn't permit diversified transportation. We can't give the customer any kind of transportation. We can't give them air transportation. We can't give them water transportation. We can't give them highway transportation as someone else can do. And this is because the CAB and ICC says we can't. But there's no law in the land that says we can't. They interpret it that way.

Mr. GRANIK. Gentlemen, in this article, Mr. Swearingen states the greatest danger is that individual initiative will become swamped by Government edict before enough people awake to the threat. Congressman CELLER, do you want to comment on that?

Mr. CELLER. The Government spent $470 million for space exploration and space satellites, and gave the benefits of that vast sum of money recently to the American Telegraph & Telephone Co., giving great impetus to individual initiative and invention by that latter company, enabling it to develop what is known as the Telstar. And the rocket that sent that Telstar into space was developed by the Government at tremendous expense. There you have a wonderful example of how the Government, not heavy-handed, but helping handed, is seeking to help an industry like the electronics and communications industry of the American Telephone & Telegraph Co.

Mr. SWEARINGEN. True enough, but there are more and more of these agencies being created year by year. They're introducing more and more controls on American business.

Mr. CELLER. Is that helping or hurting business?

Mr. SWEARINGEN. And the more regulation we have, the more rigid our country's activities in business becomes. I think it's a very stultifying effect on business activity and economic activity of this country.

Senator HRUSKA. What I would like to say is that there's that lack of balance between giving American business a chance to have a climate that is acceptable for the purpose of advancing and growing and being given an opportunity to go forward, which is sadly lacking in the picture today. And it's not being helped by these regulatory agencies that are stumbling blocks almost every place we go. Again, the wrongdoers should be punished, and they should be gone after, but there should be balance.

Mr. Celler. Nonetheless, our gross national product this year undoubtedly will run to about $560 billion.

Mr. Hruska. That's not enough. It should be more. It should be better.

Mr. Celler. It couldn't possibly go higher than that—$560 billion is a tremendous advance over last year.

Senator Hruska. But not enough.

Mr. Granik. I'm sorry, gentlemen. I must interrupt. We'll return after this important announcement.

Thank you very much, John E. Swearingen, president of Standard Oil Co. of Indiana; Senator Roman Hruska, Republican, of Nebraska; Congressman Emanuel Celler, Democrat, of New York; Congressman Wright Patman, Democrat, of Texas; and Mr. A. E. Perlman, president of the New York Central Railroad. Now join us again next month when "All America Wants To Know" will present a discussion based on an article by Hanson Baldwin entitled "The Proper Use of Power To Preserve Peace," appearing in the September issue of the Reader's Digest, the world's most widely read magazine. And now this is Theodore Granik bidding you goodby.

Announcer. "All America Wants To Know"—a monthly discussion of the great questions facing our country—is presented as a public service by the Reader's Digest, the world's most widely read magazine, in association with the Freedom Foundation at Valley Forge. "All America Wants To Know" is created and produced by Theodore Granik, directed by Dennis B. Kane, Senior Technician William Edmond, Technical Director Marvin McCoy. This is Julian Barber inviting you to be with us again next month when a group of citizens will debate "Does Our Diplomacy Reflect Our True Power?" based on the article "The Proper Use of Power To Preserve Peace," by Hanson W. Baldwin, appearing in the September issue of the Reader's Digest, the world's most widely read magazine.

FOOD AND AGRICULTURE ACT OF 1962

The Senate resumed the consideration of the bill (H.R. 12391) to improve and protect farm income, to reduce costs of farm programs to the Federal Government, to reduce the Federal Government's excessive stocks of agricultural commodities, to maintain reasonable and stable prices of agricultural commodities and products to consumers, to provide adequate supplies of agricultural commodities for domestic and foreign needs, to conserve natural resources, and for other purposes.

Mr. ELLENDER. Madam President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. HUMPHREY. Madam President, I ask unanimous consent that further proceedings under the quorum call be suspended.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. ELLENDER. Madam President, we have before us today the farm bill. I was very hopeful that, if a sufficient number of Senators were present today and tomorrow, we might be able to take some type of final action on the bill.

Senators will remember that during May we debated the farm issue for 5 successive days, and we enacted a bill, which I felt was a realistic approach to the existing farm problem.

This bill was reported by the Committee on Agriculture and Forestry on April 27, and on May 25 the bill was sent to the House.

The situation that developed was very peculiar, in that the House Committee on Agriculture tabled Senate bill 3225, which was passed by this body on May 25, and reported out a House bill, H.R. 12391, which was passed by the House on July 19, and is now before the Senate. The normal legislative procedure would have been for the House to substitute their language for the language of S. 3225 and for the bill then to have gone to conference on the provisions in disagreement. Why the other body chose to ignore normal legislative procedure, I do not know. However, the fact remains that the Senate is now confronted again with a farm bill for consideration.

The Senate study of this subject may be said to date from the delivery of the President's message on agriculture on January 31 of this year and the introduction by me, as chairman of the Committee on Agriculture and Forestry, of S. 2786 on February 2. The Senate Committee on Agriculture and Forestry held full and complete hearings on that bill, and following almost 2 weeks of executive sessions, reported S. 3225 on April 27. Nearly a month was allowed for further study of that bill before it was taken up by the Senate on May 21, debated at great length, amended and finally passed on May 25. Between that date and July 19, nearly 2 months later, when H.R. 12391 was passed by the House, it had been necessary to enact Public Law 87-450, extending the final date for proclaiming 1963 wheat marketing quotas to June 15; Public Law 87-485, extending the final date for proclaiming 1963 wheat marketing quotas to July 15; and Public Law 87-540, extending the final date for conducting the 1963 wheat marketing quota referendum to August 31, 1962.

Madam President, I hope that this body will act swiftly in approving a farm bill. Inasmuch as this legislation has been before the Senate for almost 7 months, I see no reason why it will be necessary to engage in lengthy debate. The issues before the Senate today are the same as those that were considered by this body for 5 full days, May 21 through May 25. At that time the Senate worked its will, amended S. 3225, which was reported from the committee on April 27, and passed a bill which in my opinion was a realistic approach to the problem of overproduction and Government surpluses.

In my opening statement on May 21, I discussed the surpluses of wheat and feed grains which now exist. In the intervening 3 months, no developments have occurred which would change this to any appreciable extent. As of May 31 the Federal Government had $2.4 billion invested in 1.2 billion bushels of wheat. This is about a full year's supply for both domestic and export requirements.

Many efforts in the past have been made to rectify the continual buildup in wheat surpluses. In 1959 and again in 1960 the Senate passed bills which provided permanently reduced acreage allotments for wheat. However, neither of these became law. In 1961 there was passed the so-called emergency wheat program, which provided for a mandatory 10 percent cut in acreage allotments and up to an additional 30 percent voluntary retirement of acreage for which wheat farmers would be paid. Under this emergency program farmers signed up 15.1 million acres which were to be diverted from the production of wheat.

The latest estimate by the Department of Agriculture indicates that the production of wheat in 1962 will be about 177 million bushels less than that produced in 1961, and that total stocks on June 30 were about 150 million bushels less than last year. It is anticipated—I hope Senators will listen—that total payments to farmers for this reduction will amount to about $333 million dollars, or almost $2 a bushel.

Madam President, there is little doubt that the present permanent laws relating to wheat must be changed, and I am happy to say that H.R. 12391, as reported by the committee, would provide for a permanent change in the wheat laws.

However, I cannot say the same about the feed grains. Repeatedly, Madam President, and until May 25 of this year, the Senate had been unable to devise and pass a realistic program for corn and the other major feed grains. For some reason or other, which I cannot explain, corn, although a basic commodity, has always been set on a pedestal, above and beyond other basic commodities. While the producers of cotton, and of rice, and of tobacco, and of peanuts have had to submit to rigid controls in order to be eligible for price supports, the producers of corn have been allowed unlimited production and have also enjoyed the benefits of Government price supports. This is in spite of the fact that the Commodity Credit Corporation has been compelled, under the favorable laws in effect for feed grains, to buy up huge surpluses and to pay farmers for not producing, which has cost the Government billions of dollars. As a matter of fact, as of May 31 of this year, the latest data available, the Government had $2.7 billion invested in 2½ billion bushels of feed grains that are in excess of our needs and that have accumulated because of excess production under the favorable program in effect for these commodities.

Mr. AIKEN. Madam President, will the Senator yield?

Mr. ELLENDER. I will yield in just a moment.

In the last debate on this measure I put a table in the Record which shows that the carrying charges alone, such as storage and so forth, for the feed grains and wheat amounted to $900 million in fiscal year 1961. Later on in debate I expect to elaborate on losses sustained on all commodities over the years.

Before I yield to my friend from Vermont, I wish to say that it seems strange to me I should get a lot of letters from constituents at home—I believe these letters are stimulated by activities of certain farm organizations there—in which it is claimed that to put controls on the production of corn and other feed grains would be socialistic, that it would border on communism. But the truth of the matter is that we apply the same methods to cotton, to tobacco, and to rice. I have not heard that any of these programs is either communistic or socialistic. Why such propaganda should be used in opposition to this bill throughout the country is beyond my understanding.

As I have stated, and as I have often previously stated, the only basic crops to which we provide price supports, which have resisted any kind of acreage controls, are corn and other feed grains. They have always been offered and have received price supports, with little or no controls.

Mr. AIKEN. The Senator says that as of some time in May, I believe, it was reported that the Commodity Credit Corporation had an investment in 2½ billion bushels of feed grains.

Mr. ELLENDER. Yes.

Mr. AIKEN. Under loan or in inventory—2½ billion bushels.

Mr. ELLENDER. Yes.

Mr. AIKEN. As of what date was that?

Mr. ELLENDER. May 31. That was the latest available date.

Mr. AIKEN. May 1?

Mr. ELLENDER. May 31.

Mr. AIKEN. Two and a half billion bushels?

Mr. ELLENDER. That is correct.

Mr. AIKEN. Feed grains are fed at the rate of almost 6 billion bushels a year?

Mr. ELLENDER. Yes.

Mr. AIKEN. So that amount would represent about a 5-month supply.

Mr. ELLENDER. Just about. It has been reduced some. As I remember, there was a carryover of some 85 million tons. That has been reduced to about 73 million tons.

Mr. JOHNSTON. Madam President, will the Senator yield?

Mr. ELLENDER. I yield.

Mr. JOHNSTON. Is there not always a great danger, if we do not do something in respect to requiring strict controls on the feed grains, if we keep paying out billions of dollars of the Government's money without getting proper controls, that this is more than apt to break down our whole program for the farmers of this Nation?

Mr. ELLENDER. I do not think there is any doubt about it. I would not blame the taxpayers of this country for revolting against the program, because it does not add up, and it does not make sense for us, to keep on hand billions of dollars worth of wheat, corn, and other feed grains and be unable to control the production in keeping with our requirements.

In the case of wheat, as I have pointed out, there is on hand a 1-year supply. Under the law as it is now written and on the books, the Secretary of Agriculture was compelled to provide for the planting of 55 million acres of wheat and to support the price at from 75 to 90 percent of parity. It does not add up for us to be in that position. All the bill seeks to do is to reduce the amount of acreage planted in wheat and corn and feed grains.

But at the same time I point out that we ought to make it possible, for at least the next 2 or 3 years, for the income of the producers of wheat to be about what farmers are receiving now. I realize that it will be costly, but something must be done for the future. We cannot continue to pile up wheat year after year in the manner that we have been doing in the past few years; and unless Congress passes a law that would give the Secretary of Agriculture the right to reduce the number of acres upon which wheat is to be grown, we shall be confronted with the same situation year after year.

There is no provision in the law that would prevent a farmer from pouring fertilizer on wheat acreage to increase production. In 1938, when the wheat law was enacted, a provision was inserted in the law under which the Secretary of Agriculture was unable to act if the national allotment of acres was 55 million acres or less. At that time average wheat production was 13.3 bushels per acre. Today average production is 26.2 bushels per acre, and the same minimum acreage is in effect.

It does not add up. Something must be done to prevent the accumulation of much wheat that we do not need. I assure the Senate that, as presented to the Senate, the bill would not materially hurt the farmers but would make it possible for the Secretary of Agriculture to proceed to allocate wheat production and maintain production in keeping with our needs. That is what I want to do. I am sure Senators know that for the past 5 or 6 years we have been trying to do exactly that, but to no avail.

Mr. YOUNG of North Dakota. Madam President, will the Senator yield?

Mr. ELLENDER. I yield.

Mr. YOUNG of North Dakota. Would the Senator be willing to have a provision in the bill that would exempt from stringent acreage controls any kind or variety of wheat which is in short supply?

Mr. ELLENDER. There is now a provision in the bill which would permit the Secretary of Agriculture to do so. We have not spelled out in the bill how the Secretary shall do so, but we have given to the Secretary of Agriculture some leeway to permit the production of wheat that is in short supply.

Mr. YOUNG of North Dakota. The Senator would not want to establish a rigid program which would require a reduction of acreage of varieties of wheat that are in short supply, would he?

Mr. ELLENDER. No; I would not want to do that. If it were possible to be specific as to how to draft such a provision, I would not mind having it in the law. I believe that the language contained in the law now leaves the Secretary of Agriculture with some leeway to try to meet the problem to which the Senator has referred.

Mr. CARLSON. Madam President, will the Senator yield?

Mr. ELLENDER. I yield.

Mr. CARLSON. The distinguished chairman of the Senate Committee on Agriculture and Forestry mentioned that the yield in the production of winter wheat in 1961 was 26.5 bushels per acre. I think the chairman will find that this year the estimated average of all winter wheat is 24.7 bushels. In 1960 it was 22 bushels. Therefore, we do not always have the 26.5 bushels average yield in winter wheat. The production in 1961 was 1,076,274,000 bushels in the winter wheat area, and in 1962 we grew only 835,791,000 bushels, or a very substantial reduction in winter wheat production. I thought those figures should be made a part of the RECORD at this point.

Mr. ELLENDER. I intend to point up later in my argument, when I present the actual figures of production from 1950 to date, what the Senator from Kansas has alluded to. I realize that not every year do the farmers produce 26.2 bushels per acre on an average. I know that. But generally speaking, the Senator must agree that the increase in production of wheat has been considerable since 1938.

Mr. CARLSON. That is correct.

Mr. ELLENDER. I feel confident that if back in 1958, when we tried to deal with the wheat problem, Congress had taken specific action, as it did with respect to corn and other feed grains, as well as cotton, rice, and other crops, we might have made progress.

Unfortunately, in the case of corn, back in 1958 we were not able to obtain any kind of acreage controls. That was not the case with respect to cotton and rice.

Mr. CARLSON. Madam President, will the Senator yield?

Mr. ELLENDER. I yield.

Mr. CARLSON. Is it the Senator's proposal and suggestion that we continue the present voluntary program on wheat, on which farmers will vote on August 30 of this year; or is the Senator offering a suggestion that we take some action on wheat production for the 1963 crop?

Mr. ELLENDER. In my opinion it is now too late——

Mr. CARLSON. With that I fully agree.

Mr. ELLENDER. It is too late to have the emergency program reenacted in time for the referendum. Of course, if we could pass the bill tomorrow and have the House agree on it this week, there might be time to arrange a voluntary program. I have been informed that in anticipation of possible action by Congress on the bill before August 31, the Secretary of Agriculture has arranged to have either the old law used as a vehicle for the planting of wheat for this coming year, or an emergency program in the event Congress should pass the bill in time for another year's extension.

As I said, it is a little too late. If the Senate will pass the bill quickly enough, it is my hope to have the House agree to a voluntary program for next year. So far as making the program obligatory, I think it is too late. It may be possible, even after the program is voted upon by the farmers, and we use the present law, to have an agreement for a provision to be included in conference whereby the Secretary of Agriculture would be permitted to proceed to obtain acreage reduction on a voluntary basis.

Mr. CARLSON. Madam President, will the Senator yield?

Mr. ELLENDER. I yield.

Mr. CARLSON. My thought on that—and I understand it is the thought of the Senator from Louisiana—is that we should let the farmers vote on the 1949 base acreage and support price.

Mr. ELLENDER. We must.

Mr. CARLSON. Following that, would the Senator be willing to permit the Secretary of Agriculture to put into effect for 1 year, on a voluntary basis, the present program, which we enacted last year?

Mr. ELLENDER. The Senator is correct.

Mr. CARLSON. Why would we not write such a provision into the law?

Mr. ELLENDER. I am realistic. The House bill contains that provision. I do not wish to put too much in the bill before the Senate. I want to be able to bargain with the House conferees.

What the House should have done, as I pointed out a while ago, was to take our bill. The House should have called it up, stricken out all after the enacting clause, and inserted the House language. But instead it pigeonholed the Senate bill. It did not even let it come to the floor of the House, except for the purpose of referring it to a committee. After the bill was referred to the House committee, some Member moved that the bill be pigeonholed, and it was pigeonholed. That is the kind of treatment we received from the House. I did not like it a bit.

Mr. AIKEN. Madam President, will the Senator yield?

Mr. ELLENDER. I yield.

Mr. AIKEN. Since it would be impossible to get any legislation enacted before the first of September, and a considerable amount of winter wheat will have been planted before that the only way we could get any participation in a voluntary program in the areas where the wheat had been planted would be to pay the farmers who had already planted for disking or plowing what they had already planted and not harvested.

Mr. ELLENDER. That would be left to the farmer. If he wants to do it, he can do it. Effective participation could be had so far as the spring wheat was concerned, of course.

Mr. AIKEN. That would be the only way the situation could be handled so far as the wheat that has already been planted is concerned; in other words, if the farmer wanted to participate, he would have to do so by disking or plowing under some of the acreage he had already planted.

Mr. ELLENDER. It would be a purely voluntary matter so far as he was concerned.

Mr. AIKEN. If the farmer saw fit to do it.

Mr. ELLENDER. Yes.

Mr. YOUNG of North Dakota. Madam President, will the Senator yield?

Mr. ELLENDER. I yield.

Mr. YOUNG of North Dakota. I was happy to hear the Senator say that it was too late to change the wheat program now, which would be voted on in the wheat referendum to be held in the latter part of August. I was pleased to note that the Senator is willing to have a voluntary wheat acreage reduction program as a part of the program for next year.

Mr. ELLENDER. Yes.

Mr. YOUNG of North Dakota. Does the Senator believe that this could be done without legislation? The two Senators from Kansas and I are having legislation drawn up to make it permissible for the Secretary of Agriculture to have a voluntary wheat acreage reduction program.

Mr. ELLENDER. For this crop, that is.

Mr. YOUNG of North Dakota. Yes.

Mr. ELLENDER. The House has that provision contained in its bill. All we would have to do would be to accept the voluntary part and strike the mandatory part, for the reason that the farmers, I presume, will vote for the program that is being offered, and that is under the old law.

Mr. YOUNG of North Dakota. If the two Senators from Kansas and I offered such an amendment, would the chairman oppose it?

Mr. ELLENDER. I would hesitate about that. I hope the Senators will have a little faith in me and leave something for the managers on the part of the Senate in conference to deal with when we sit in conference with the Members of the House.

Mr. YOUNG of North Dakota. I thank the Senator.

Mr. ELLENDER. If the Senators will do that—I am sure the Senator from North Dakota will be on the conference committee—I am sure there will not be any trouble in getting the House to agree to it. I would prefer doing it in that way to having us try to amend it here.

Mr. CARLSON. I am sure that we would not want to tie the Senator's hands in the conference committee. The suggestion has been made, and I believe he has agreed to it, that there be a voluntary program based on this year's program for those farmers who want to participate.

Mr. ELLENDER. Yes.

Mr. CARLSON. Whether they vote for the program or not.

Mr. ELLENDER. Yes. I would be happy to put that program into the pending bill if it were possible to get legislation enacted in time to have the referendum. Last week I advised the Secretary of Agriculture that we would be delayed in the enactment of the bill. It was my advice to him that he proceed with his referendum and use the present law to carry out the program.

Mr. CARLSON. That would be for the 1963 crop. Is that correct?

Mr. ELLENDER. Yes; that is the crop that is being planted this fall. It would be left to the farmer to plow up, if he wants to do so, if he had planted his winter wheat. If he was delayed, and had not planted his winter wheat, the same situation would apply. He would get payments on it. The same thing would be true with reference to spring wheat. In that case, of course, it would be a much easier matter to deal with, because in most States the planting of spring wheat is not started until March or April.

Mr. CARLSON. The planting of winter wheat starts in the midwestern area, including Kansas and Oklahoma, around August 15, and runs until about October 4 or 5.

Mr. ELLENDER. It is obvious that there would be ample time to catch up with some of the wheatgrowers who desired to participate in a voluntary program. I am glad to say that the Secretary of Agriculture is set to do just that, because he is as anxious as I am to try to do something to reduce the wheat production. As I pointed out a moment ago, it is very costly. Under the present emergency program it is costing almost $2 a bushel for the Government to divert acreage. That is a very costly program. If it were not for that fact, we could perhaps try it for another year. However, it is my belief that we ought to have a permanent act as soon as possible. I am sure my good friend from Kansas agrees with me.

Mr. CARLSON. I agree fully.

Mr. ELLENDER. If we do not do that, we will jeopardize the entire farm program. I do not want that to happen.

Mr. CARLSON. As I understand it, then, if the chairman's proposals were adopted and if the farmers voted for the present program, we would have a 55 million acre program and we would have a loan support of $1.82 a bushel. Is that correct?

Mr. ELLENDER. That is correct.

Mr. CARLSON. The farmer would be given the opportunity voluntarily to participate in a program similar to that in effect in 1962 when the support price was $2 a bushel, provided he took at least a 10-percent reduction, and he could take up to a 30-percent reduction.

Mr. ELLENDER. It would have to be voluntary.

Mr. CARLSON. Yes.

Mr. ELLENDER. It would not be mandatory.

Mr. CARLSON. That is correct.

Mr. YOUNG of North Dakota. Madam President, will the Senator yield?

Mr. ELLENDER. I yield.

Mr. YOUNG of North Dakota. Does the Senator anticipate that the Secretary of Agriculture would have a higher price support for those who reduced the acreage beyond the quota?

Mr. ELLENDER. No. The Senator from Kansas referred to the 1962 support price, but that would not be applicable to any producers in 1963. The point is that, as far as I am concerned, since it is too late to enact permanent wheat legislation, to make it effective for the 1963 program we would provide a voluntary program for 1963. I am sure the House would go along with us.

Mr. YOUNG of North Dakota. For a price support of 75 percent of parity. Is that correct?

Mr. ELLENDER. Yes.

Mr. YOUNG of North Dakota. There has been a rumor that the Secretary of Agriculture planned a higher price support for those farmers who reduced their acreage beyond the 55 million acreage requirement which is what quotas are based on.

Mr. ELLENDER. That is something that could be discussed in conference. I realize that in order to get even a voluntary cutback in acreage it is necessary to make it attractive enough. That we can find out as we go along; in conference we can stipulate what that is going to be.

Mr. YOUNG of North Dakota. It is possible to make it attractive in two ways: First, by payments for reduced acreage and second, to have a higher price support program for those farmers who decreased their acreage, in which case we would run into a great deal of confusion.

Mr. AIKEN. Madam President, will the Senator yield?

Mr. ELLENDER. I yield.

Mr. AIKEN. I notice that in the material which has been sent to us, the Secretary estimates that our requirements for wheat will be 100 million bushels, approximately, less this marketing year than total consumption last year. Does the Senator know the reason for this lessening in the requirements for wheat?

Mr. ELLENDER. I do not know what the Secretary had in mind.

Mr. AIKEN. I was wondering where he got the estimates.

Mr. ELLENDER. I do not know what he had in mind. Those figures may have been misunderstood. The Secretary of Agriculture has said to me that in order to produce the wheat necessary for our needs, with what we had on hand, it would require only 10 million acres. However, because of the pending law he had to make it 55 million acres.

Mr. AIKEN. Of course reducing our planting to 10 million acres would leave us with no reserve whatever. I am sure the Secretary would not want to do that.

Mr. ELLENDER. The Secretary merely pointed that out in order to depict what he had to do under the law which would result in production of much more wheat than was necessary.

Mr. AIKEN. There is no question that the 55-million-acre program has been responsible for larger supplies on hand than are advisable. What has been bothering me is that they estimate the use of wheat will be 100 million bushels less this year than actual consumption last year, and the question which has been asked me is: Have the Common Market countries been buying exceptionally large amounts of American wheat at 1961 prices because they expect that American wheat may be cut out of their market next year?

Mr. ELLENDER. Since my answer was made to the Senator, I was handed a memorandum which indicates that the reason, apparently, is that our exports in 1962, as compared with 1961, will be about 100 million bushels less.

Mr. AIKEN. They hit an alltime record this year of 714 million bushels.

Mr. ELLENDER. Yes. But the estimate is that it will be 100 million bushels less. The figure may be wrong. That is the estimate, and that is where the 100-million-bushel figure was obtained.

Mr. AIKEN. The estimate is that oversea exports will drop, just as cotton exports have been dropping this year.

Mr. ELLENDER. That is correct.

Mr. COOPER. Madam President, will the Senator yield?

Mr. ELLENDER. I yield.

Mr. COOPER. I have just read a New York Times article on this subject. The article states that the Common Market countries, anticipating that higher tariffs will be placed upon grain, had bought heavily, and believe their imports will be less in the coming year.

Mr. AIKEN. Outside of Japan and India, the Common Market countries have been the big purchasers of American wheat. It is anticipated that they expect the exclusion of American wheat in the years ahead and have been buying it in advance.

Mr. ELLENDER. Madam President, to continue with my prepared statement, the Senate has acted on two previous occasions in an effort to cut down on the costly surplus which has accumulated in Government hands. On March 10 of last year the Senate passed, and the Senate signed, a bill providing for the so-called emergency feed grain program for 1961. Then, on July 26, the Senate passed the bill extending the so-called emergency feed grain program for 1962. That was done when it became apparent that Congress would not pass a new farm bill for 1962.

For the same reason, we are now being asked again to extend the emergency programs for a third year. If that would cure the evil, I would say, "Let us do so"; but it will not cure the evil. As I said awhile ago, we will spend $1,117 million this year on the emergency program of diverting the production of corn and other feed grains, but the bushelage will be reduced mighty little in contrast with the amount that has been spent in order to attain that goal.

The House measure, as well as the Senate measure, provides for an extension of the emergency program for the 1963 crop. As I shall indicate a little later, I myself might foster such a provision, provided at the end of the emergency there would be permanent legislation; but I do not believe the Senate should adopt any emergency program, only to be confronted at the end of the emergency program with the same laws which now confront us on the statute books and have given us so much trouble.

Mr. PROXMIRE. Madam President, will the Senator from Louisiana yield?

Mr. ELLENDER. I yield.

Mr. PROXMIRE. Did the Senator use the figure $1,107 million?

Mr. ELLENDER. $1,117 million.

Mr. PROXMIRE. What does that cost include? Does it include the cost of storage?

Mr. ELLENDER. Corn payments, $780 million. I had planned to cover that later. Sorghum grain payments, $152 million; barley, $45 million; for a total of $977 million; plus administrative costs of $40 million, or a grand total of $1,117 million.

Mr. PROXMIRE. How much of that is for payments in kind out of surplus?

Mr. ELLENDER. That is in the corn payment. It means payments in cash and payments in kind. That is the amount the farmer can realize.

Mr. PROXMIRE. So the substantial proportion of this would be simply the paying farmers in surplus corn that is now in storage, or at least having it liquidated; and in the course of doing this, the cost of the farm program would be reduced in subsequent years.

Mr. ELLENDER. Yes; but reduced in this way, in that less corn would be produced, but the corn that has been given in kind has cost the Government quite a bit of money.

Mr. PROXMIRE. The cost would be much more if payment were not in kind.

Mr. ELLENDER. That is true of an emergency program for 1 or 2 years, so as to provide a chance for the drafting of permanent legislation.

I repeat: That is why I favored the emergency legislation. I felt then, as I feel now, that it was better to have such legislation than to revert to the 1958 law, which permitted unlimited production with a price support of not less than 65 percent of parity.

Mr. PROXMIRE. The emergency legislation is working quite well—better this year than last year. It has greatly diminished the surplus. It has done so under highly adverse circumstances in spite of two bumper crop years.

Mr. ELLENDER. But very little in proportion to the amount of money that has been spent.

Mr. PROXMIRE. The figures show that there has been a 28-percent reduction. The Senator told us that the present surplus represents something like 2½ billion bushels, which, as the Senator from Vermont points out, is about a 5-month supply. When we consider that it would be necessary to pay interest, storage, and transportation charges for many years to come, that is a real saving.

Mr. ELLENDER. We spent $780 million last year; it is expected that this year we will spend $1 billion plus, and at the end of the year there will still be a 5-month supply, instead of a 6-month supply.

Mr. PROXMIRE. My argument is that $1 billion is not a fair figure, because if the program did not exist, it would be necessary to spend much more.

Mr. ELLENDER. But we are paying that money out.

Mr. PROXMIRE. These are payments in kind, surplus corn—much of it worthless—not money.

Mr. ELLENDER. I know they are payments in kind; but in order to make the program cost less, as was calculated by the Secretary of Agriculture, it might be necessary to keep grain on hand for 7 or 8 years. That is the way it has been figured to show that there would be a saving of about $500 million from the first program that was put on the statute books. That was the estimate made by Mr. Freeman, if the emergency program were offered. It was estimated that in the long pull it would save the taxpayers $500 million. But in the long pull, it was calculated that it would be necessary to retain corn and other feed grains in storage for perhaps as long as 10 years.

Mr. PROXMIRE. Taking the entire cost of the feed grain program from 1953 to the present time and placing it in the same perspective or relationship to its cost, the cost is something like 5 percent of the value of the feed grains.

The cost of food in this country is much lower than in any other nation of the world. It is lower than ever before in the history of the country. It seems to me that the cost of this program would be a reasonable cost. It is not a cost that would be so heavy that we should think in terms of imposing mandatory controls on farmers or diminishing farm income. I think farm income is disgracefully low now.

Mr. ELLENDER. The method that was invoked by the Secretary for various programs is a slow process. All I am saying is that we can adopt a better program that will cost less and provide for the farmers practically the same income. What I am objecting to is that at the end of the emergency programs, in order to cut back the production, we will be confronted with the same law the day after we fail to reenact the emergency program. That is what I am complaining of.

I do not mind an emergency program for another year, provided that at the end of the emergency program, there will be a change in the law from the present law.

As the Senator knows, under the present law we have had up to now an emergency program; and if the proposed law is enacted, this will be the third year with an emergency program. But what do we basically still have? The same law that has given us so much trouble. I want to change that law, so that those who produce corn and other feed grains will be able to produce in keeping with our requirements.

Mr. AIKEN. Mr. President, will the Senator from Louisiana yield?

The PRESIDING OFFICER (Mr. BURDICK in the chair). Does the Senator from Louisiana yield to the Senator from Vermont?

Mr. ELLENDER. I yield.

Mr. AIKEN. Considering the urgency of this situation, I think we are likely to overlook the fact that the Secretary's estimates available now do not include what will be consumed by livestock in the 1962 marketing year, which will be far heavier than that in the past year.

We have about 4 percent more cattle on hand this year, and we are feeding them at a 10 percent higher rate than we were a few years ago. That takes a great deal more feed grain. So I think what is now regarded as a surplus will diminish quite rapidly, and will be down almost to the safety point in a year.

Mr. ELLENDER. If that were to occur, the Senator from Vermont should be willing to vote to permit the corn producers to grow whatever amount they desire, but without price supports.

Mr. AIKEN. I said that because I do not think we can look even 2 or 3 years ahead. Probably we should consider extending the voluntary program 1 year more. But perhaps it will not be necessary. Perhaps 2 or 3 years from now we shall be considering how to encourage greater production, instead of reducing it.

Mr. ELLENDER. But under the law governing the production of tobacco, cotton, and other crops, the Secretary of Agriculture has broad powers to increase production as it is needed.

Mr. AIKEN. That is true.

Mr. ELLENDER. I want the same thing to be incorporated in the law pertaining to corn and other feed grains.

Mr. AIKEN. However, I would not put cotton and tobacco in the same class with feed grains, because we export about 50 percent of our cotton and tobacco, and it is necessary to have certain provisions, in order to keep up our exports, that we do not need for feed grains for local feeding.

Mr. ELLENDER. That is the same argument——

Mr. AIKEN. And it is a good one.

Mr. ELLENDER. It is the same argument that has been advanced ever since 1936 or 1937, when we really passed the 1938 act.

Mr. AIKEN. Yes.

Mr. ELLENDER. The Senator from Vermont was here then.

Mr. AIKEN. I know it is the same.

Mr. ELLENDER. In November 1938, I stood on this floor and argued for the present law; but we could never pin down the corn growers or the other feed producers in the same manner that we could the producers of wheat or other basic crops. The Senator from Vermont will recall that in 1956, when we had the soil bank program, the then Secretary of Agriculture found in the corn provisions a little gadget which permitted him to pay farmers who were noncompliers 25 cents less per bushel than compliers. The result was that everyone "went to town." And that is where our trouble in corn started. As I recall, in that year we diverted over 5,200,000 acres, but the cost to the Government was $180 million, and we produced 200 million additional bushels of corn—with 5 million less acres.

Mr. AIKEN. The Department of Agriculture has always had good lawyers.

Mr. ELLENDER. But they were not sharp enough that time.

Mr. AIKEN. And they have been able to interpret the laws we pass in about the way they want them to read.

Mr. ELLENDER. But, as I have said, I do not see anything wrong at all with saying to a farmer, "We will support the price of what you produce of the basic crops; but in getting this price support, you must be willing to reduce your production until it corresponds with the demand."

That is all I am asking in this case. I am a realist; I know we tried, and did pass the bill; but the House turned us down. So far as I am concerned, I am willing to compromise. I am willing to include an amendment which will extend the emergency program for another year; but I want it understood that at the end of that year the Secretary will not have to go back to the 1958 law. I hope the Senator from Vermont is willing to support that.

Mr. AIKEN. I am willing to say that the chairman of the committee, for whom all of us have the greatest respect, might be able to get his compromise, provided he does not try to legislate too far in advance. I, for one, cannot see that far in advance; I believe we have to legislate, if not on a year-to-year basis, at least very close to it.

Mr. ELLENDER. I am willing to incorporate in the law the same provisions which apply to wheat, cotton, and other commodities, and to give the Secretary of Agriculture a free hand in having produced what we need. That is all.

Mr. AIKEN. I agree with the chairman of the committee that probably changes in the bill are desirable, and that even minimum supports have become incentive supports, because of the greater efficiency of the farms and the farmers.

Mr. ELLENDER. The Senator from Vermont knows that we have argued this point on the floor many times; namely, that lower price supports with unlimited production invite more production. That is why I do not think very highly of the provisions voted by the House of Representatives. I refer to the provisions for paying 80 percent of the price for the last 3 years, which would be about 87 or 88 cents a bushel for corn. If such a law were placed on the statute books, along with unlimited production, my guess is that the Government would have to take over quite a few bushels of grain, even at that low support price.

But I return to the proposition that in my opinion this is the only way to meet this challenge, when the Government is called upon to support the price of any commodity, particularly where there can be acreage controls. I do not see why anyone would object to that.

When it comes to milk, we have another situation; and I discussed it here on Friday. I wish to say to the Senator from Vermont, to relieve his mind, that insofar as I am concerned as manager of this bill, it is not my purpose to include in the bill an amendment affecting milk. It may be that the Senator from Wisconsin [Mr. PROXMIRE] and other Senators will attempt to have such an amendment included. But the point is that I believe we made a strenuous effort and a sincere effort, earlier this year, to have milk legislation placed on the statute books; but when we talked to the representatives of all the milk interests, they could not get together.

So I indicated then that I would introduce a special bill—and I did that on Friday, although perhaps I was late in doing it—to provide an opportunity for all segments of the dairy industry to come before the committee and get their house in order. If they do not, I want them to know that Congress will have to do something about milk production. Last year it cost us almost $600 million to handle the milk program; and this year, with the price support 29 percent less per hundred, the cost to the taxpayers will be around half a billion dollars.

Mr. AIKEN. First of all, I commend the chairman of the committee for deciding to hold separate hearings on the milk situation, which is entirely different from the situation which prevails for other products. I would like to call attention to the fact that when the Secretary compares the purchase of dairy products this year with the purchase of dairy products last year, he includes for last year 3 months when there were virtually no purchases at all—January, February, and March. Actually, the purchases of butter and cheese have been falling off sharply for several weeks. But there is no comparison, when the Secretary says we are having to buy more this year than last year. The Secretary included 3 months when we were just getting our teeth into the program. We hardly bought any butter and cheese from January until March of last year.

Mr. ELLENDER. That is a time of year when production is at a low ebb, as the Senator knows.

Mr. AIKEN. Purchases in July for butter and cheese this year were much less than they were last year. Also, production of milk for the last 2 months has dropped off.

Mr. ELLENDER. I expect to go into a little detail about the cost of that program.

Mr. AIKEN. I think it is a good idea to have separate hearings on the different situations.

Mr. ELLENDER. I am doing what I said I would do. The Senator remembers that.

Mr. AIKEN. Yes.

Mr. ELLENDER. I live up to my promises.

Mr. COOPER. Mr. President, will the Senator yield?

Mr. ELLENDER. I yield.

Mr. COOPER. The chairman of the committee has discussed the wheat problem and the feed grains problem. He said the value of the wheat surplus was something over $2 billion.

Mr. ELLENDER. Yes; $2.4 billion.

Mr. COOPER. The Senator has also said it is his intention to urge us in the Senate to refrain from offering an amendment which would continue the voluntary wheat program, with the idea that the House will do that——

Mr. ELLENDER. In conference.

Mr. COOPER. But that he would ask the Senate to act on the modified wheat allotment program for the 1964 and subsequent crops, which the committee approved.

Mr. ELLENDER. Yes.

Mr. COOPER. The Senator also said that the compulsory feed grain control program should be adopted by the Senate——

Mr. ELLENDER. Yes, provided, as I said, that the Senate will go along with me—when I say "me" I mean as manager of the bill—to make it possible that at the end of the next emergency period, at the end of next year, we do away with the 1958 program, which forces the Government to support the price of corn that we do not need. What that is going to mean is simply this: I am trying, if I can, to make it possible that the support price for corn and other feed grains will be about the same as what is now obtained for soybeans and crops of that kind, if in the meantime Congress has not passed special legislation.

Mr. COOPER. Of course, all of us know the sincerity of the chairman, and his wide knowledge in this field. I would like to make this suggestion, however, and get his opinion on it: It seems to me that the administration, and I may say the chairman of the committee, and the Congress, have an opportunity to make a real advance in step-by-step solution of the farm surplus problem, and that is to secure the adoption of a revised and improved wheat allotment program. Wheat has been the most troublesome and persistent surplus in the whole field of surplus crops.

I think it is possible to act on the wheat surplus problem at this time. I voted for the modified wheat allotment program in committee. I voted for it when it was before the Senate earlier this year. I do not mean that will make the bill pass, but some of us believe the proposed wheat program would be a start toward bringing continuing surplus and increasing farm program costs down to a reasonable level.

Why is that not done? Why not do what can be done this year—for wheat—and make an advance?

We saw what happened when the Senate tried to add a compulsory feed grain control program to this legislation. Our committee had considered it. We had held hearings. The committee did not approve it. Yet it was forced in on the Senate floor. It went to the House, and the House defeated the farm bill. I believe the chairman will agree that the chief reason the farm bill was defeated in the House was the compulsory feed grains control provision. If that is true, why not do what is helpful and possible—that is, secure passage this year of the bill which was voted out by the Senate Committee on Agriculture and Forestry to take care of the long-standing problem of surplus wheat production. That would be a great advance. I make that suggestion with great respect for the chairman of the committee.

Mr. ELLENDER. I am a realist. I know that, even if the Senate were to adopt verbatim the grain provision we adopted in May, we might be confronted with a proposal that the House would not even want to go to conference on. I do not know that that would happen, but it is my opinion that we would probably fail in getting enacted by the House our version of the feed grain program. Instead of trying to reenact the title that was adopted by the Senate last May, I am thinking of proposing to the Senate an amendment that would continue the present emergency feed grain program for another year, but to have it coupled with an amendment that the 1958 law, insofar as corn and other feed grains are concerned, would be canceled out, and let the corngrowers have price supports of zero to 90 percent.

Mr. COOPER. Am I to understand that the Senator does not propose to include as a part of his amendment, if he offers it, the compulsory feed grain control program?

Mr. ELLENDER. No; I do not intend to.

Mr. COOPER. I am glad to hear that.

Mr. ELLENDER. I intended to do it up to a couple of weeks ago. However, I feel now that that would be unwise in view of absenteeism and the change of views of a few Senators. I want to say that if all Senators were present and voting, I believe we could get it through. Yet, it is not worth debating here for another week on that proposal, in view of the fact that, if it is adopted, we will be confronted with opposition on the part of the House and perhaps not get what we desired. If anybody can show me a better way than I propose, I want him to do so, but what I am trying to do is provide that, with the extension of this emergency program for another year, the corn surpluses will be so low that the corn producers and other feed-grain producers will be willing to plant all they want without price supports, except, as I have said, for the provision of from zero to 90 percent, which is in the law.

Mr. COOPER. The Senator is talking about having no program for corn and other feed grains for the 1964 and subsequent crops.

Mr. ELLENDER. That is why in the meantime we should draft some legislation. I want to emphasize that, insofar as the senior Senator from Louisiana is concerned, he does not propose to vote for any extension unless at the end of that extension there will be permanent legislation of some kind, or something in the offing to provide for permanent legislation.

Mr. COOPER. I understand the Senator to say, however, that his amendment would not include any measure which would be permanent legislation for feed grains. Is that correct?

Mr. ELLENDER. The Senator is correct.

Mr. COOPER. It would simply repeal the present law insofar as corn and feed grains are concerned.

Mr. PROXMIRE. Mr. President, will the Senator yield?

Mr. ELLENDER. I yield.

Mr. PROXMIRE. Mr. President, I am inclined to share the views of the Senator from Vermont. I wish to emphasize them, because I think they are so important. We should not think too far in advance on this program.

The fact is, as was brought out that there has been a sharp drop in the surplus of feed grains. There is real value in the voluntary program. Perhaps the Senator from Louisiana can refute this argument and say that under no circumstances would it be possible, but I can see that there may be some circumstances in 1963 which might make it wise for us to continue the voluntary kind of program for feed grains. I think we might be able to reduce the incentive to overproduce quite sharply, and in so doing reduce the cost quite sharply, because of the fact that Americans are greatly increasing their consumption of feed grains.

I think we should emphasize in this debate—because it is true—the fact that there is a very great difference between the market for feed grains and the producing of feed grains and the market for and the producing of cotton and other agricultural commodities. The fact is that most of the feed grains which are produced are consumed on the farm where they are produced.

Mr. ELLENDER. Why should there be such a large carryover? That is the difficulty. As I said, there are 2½ billion bushels on hand now. That argument, to me, is not very effective.

As the Senator says, 85 percent of the feed grains are fed on the farm, but apparently there have been people, because of the price supports, who have grown corn exclusively for Uncle Sam. That is what has happened.

In 1960 there was a carryover of 84.7 million tons. In 1961 the carryover was 73 million tons. In 1962, because of the emergency program, the carryover was estimated at 61.3 million tons. In 1963, if the emergency program goes through, it is estimated the carryover will be 49.6 million tons.

That would be an appreciable decrease, but the amount would still be much larger than the amount carried over in 1952. In 1952 there was a carryover of only 27 million tons. In other words, even with the emergency program for 1963, which is to be very costly, as I said, the carryover in corn and other feed grains would be almost twice as much as the carryover in 1952.

Mr. PROXMIRE. I say to the Senator from Louisiana that during this period of time we have seen great value in the voluntary programs, in the noncompulsory programs. It seems to me these have been of important value.

Furthermore, the cost of the program even since 1950, if added to the total value of feed grains produced, would be in the area of only 5 or 6 percent. I submit that this is a very modest cost, when one recognizes the low cost of food to the American consumer. The consumer and the taxpayer pretty much are the same person. Therefore, I think we can make a real argument on the basis of history, in spite of the fact that there have been high surpluses and in some years high costs of the program, that this has been a good investment. It has been an investment in a voluntary farm program, without controls. It has been an investment in efficiency on the farms, with low-cost production, which has benefited this country and benefited the free world.

Mr. MILLER. Mr. President, will the Senator yield?

Mr. ELLENDER. I yield to my friend.

Mr. MILLER. I should like to ask the distinguished Senator what is his idea as to a target, insofar as the amount of surplus of feed grains is concerned. I know that last spring the Senator said much about the reduction of surpluses. At times I gained the impression that the Senator was talking about eliminating all the surpluses. I am sure that is not what the Senator has in mind.

Does the Senator have any target in mind, in terms of tonnage or bushels or amounts of money which we might consider to be a normal surplus on hand to take care of contingencies? I think we ought to be talking in terms of that, rather than in terms of doing away with all surpluses.

Mr. ELLENDER. Let us consider cotton. It has been written into the law that the carryover of cotton is to be 30 percent of our normal domestic use and of our export. For corn the figure is 15 percent of our normal domestic use and export.

If the figure of 15 percent is too low, we might change it to whatever is more reasonable.

I have pointed out, since we have so much wheat and so much corn in excess of our needs, it has been necessary to pay storage on that to such an extent that it has been burdensome. For wheat and corn alone last year we paid about $900 million in storage and other carrying costs, such as interest.

Mr. MILLER. This I understand.

Mr. ELLENDER. That is what I should like to wipe out, if I can. I feel confident that if the program which I envisioned May 25 of this year had been enacted we could have geared our production in line with our requirements, so as not to have on hand such an excess amount, but only an amount sufficient to take care of any contingency.

Mr. MILLER. I have two questions I should like to ask. First, what would the 15-percent carryover have amounted to, if we had kept within that 15 percent figure?

Mr. ELLENDER. We should have to figure that out on the basis of consumption. My recollection is that the domestic consumption and exports amounted to about 3.9 billion bushels last year. After adding the two together, we would take 15 percent.

Mr. MILLER. That is a total of roughly 4.6 billion bushels?

Mr. ELLENDER. That is correct. That would be what we would term, under the law, a normal carryover.

Mr. MILLER. Fifteen percent of domestic consumption and exports?

Mr. ELLENDER. That is correct.

Mr. MILLER. That would be about 597 million bushels.

Mr. ELLENDER. That is correct.

Mr. MILLER. Are we speaking of corn, or of all feed grains?

Mr. ELLENDER. That would be corn.

Mr. MILLER. What was the carryover, in fact?

Mr. ELLENDER. This year?

Mr. MILLER. Yes.

Mr. ELLENDER. I was going to cover that in a minute. I will cover all of this. But the carryover of corn as of October 1 is expected to be 1,650 billion bushels.

Mr. MILLER. I am sorry if I have anticipated what the Senator will cover in his speech.

Mr. ELLENDER. The Senator surely has.

I point out that in 1952 the carryover of feed grains—including everything—was 27 million tons.

In 1953 the carryover was 31 million tons.

In 1954 the carryover was 39 million tons.

In 1955 the carryover was 43 million tons.

In 1956 the carryover was 48 million tons.

In 1957 the carryover was 59 million tons.

In 1959 the carryover was 74 million tons.

The Senator will note that every year the carryover has been increasing.

Mr. MILLER. Yes. The Senator can see that, but what the Senator from Iowa is attempting to find out is where we stood at the beginning of the year 1962 in actual bushels of carryover of corn as compared to what would have been 15 percent, to which the Senator referred, which is approximately 597 million bushels.

Mr. ELLENDER. I gave the Senator the figures on tonnage a while ago. Reduced to bushels, that would be 1.6 billion bushels.

Mr. MILLER. In other words, we were about a billion bushels too high.

Mr. ELLENDER. This is for corn alone.

Mr. MILLER. That is the item to which I refer.

Mr. ELLENDER. Yes. This is for corn alone.

Mr. MILLER. In other words, at the beginning of this year we were about a billion bushels high.

Mr. ELLENDER. 1.6 billion bushels.

Mr. MILLER. A billion bushels over the 15 percent.

Mr. ELLENDER. 1.6 billion bushels.

Mr. MILLER. One billion bushels over the 15 percent. The 15 percent would amount to 597 million bushels.

Mr. ELLENDER. I see what the Senator means.

Mr. MILLER. I am trying to get at the amount which is causing us concern.

Mr. ELLENDER. Yes.

Mr. MILLER. There are two ways of approaching the problem. One is to try to chop the surplus down all the way. Another would be to chop it down part of the way, and revise the proposed 15 percent. So I return to the second question which I should like to ask the Senator, which is whether the Senator thinks that 15 percent is a suitable target.

Mr. ELLENDER. That is a question which would probably require study. I do not believe it would take very long to come to a conclusion. So far as I am personally concerned, if 15 percent is not the proper percentage, we could make it 20 percent. In saying what farmers ought to produce in order to obtain price supports, we must have some level. That is why I refer to the present law. These laws were enacted back in 1938. They worked very well for cotton and other commodities. But we have never been able to put a corn program into effect. It was only a partial program. Unfortunately, there was a little "gadget" by which the Secretary of Agriculture was able to provide price supports for noncompliers. That is what did much injury to the program.

That provision, as the Senator knows, is still in the law although we have tried to eliminate many of the loopholes, as I call them.

If we are to have a price support program, the percentage could be increased to a figure which would be reasonable. That, of course, could be attained if, as, and when we enact legislation.

Mr. MILLER. Does not the Senator agree with me that we ought to try to fix our sights on some definite figure? As I see it, our sights are set at 597 million bushels. We are not concerned about that amount. That provision is in the law. We are concerned about the 1 billion——

Mr. ELLENDER. No. That amount is in the law, provided we have acreage controls.

Mr. MILLER. Yes.

Mr. ELLENDER. But we do not have acreage controls. Under the act of 1958, the Secretary of Agriculture is bound to let farmers plant all they desire, and then to support the price of the commodity at 90 percent of the average market price for the past 3 years, or 65 percent of parity, whichever is the higher.

Mr. MILLER. Yes. I come back to the proposition that if we are to worry about a billion bushels over the 597 million bushels, that is one thing. Perhaps we should worry about only half a billion bushels. But I think it would be helpful to other Senators if the Senator from Louisiana, with his long experience on the Committee on Agriculture and Forestry, would provide a target for us rather than merely talk in terms of surpluses, without pinpointing any particular amount of surplus that is undesirable.

Mr. ELLENDER. What the Senator from Iowa has stated would come into focus when we take up a realistic corn program. We would spell out the yardstick under which the Secretary of Agriculture would say how many acres of corn could be grown for our requirements.

As I have said, the law pertaining to corn has never been put into effect, as it should have been, because of the resistance on the part of corngrowers. In contrast there are programs in the case of cotton and rice.

For example, let us consider the case of rice. The Secretary of Agriculture takes into consideration, before he states how many acres of rice may be planted, the amount of export and the amount of domestic consumption. He adds those figures together and takes 10 percent of the total for surplus. Then he divides up the number of acres that are required to produce that amount of rice.

However, in the law there is a provision that acreage shall not be less than 1,600,000 acres. But lately we have been planting 1,800,000.

The same applies to cotton. It strikes me that the program under which we have proceeded in the past in relation to the basic corps I have mentioned can easily be applied to corn without any ifs and ands. If the 15 percent of domestic consumption plus exports is too low, we can increase the amount when we consider permanent legislation next year, if we cannot enact it this year.

Mr. MILLER. I can see that the same approach might possibly be used. I suggest that perhaps it would not be as easy to apply the program to corn as to some of the other crops, because, as the Senator knows, there is a big factor in the middle, namely livestock population. That can make the program much more difficult. I agree with the Senator that we should seek some objective in connection with total requirements. In that connection, I suggest to the Senator that it would be helpful to Senators if we had guidance or recommendations from him and his committee.

Mr. ELLENDER. Of course, there will be recommendations when hearings are held on the corn program, that is, when we deal specifically with corn. As I pointed out a while ago, the surplus has been increasing from year to year, which indicates to me that there is too much carryover.

The reason is that there is no limitation on production. Yet the farmers get price supports for all of it. That is what I want to try to stop if I can. There is no reason why the law should not be amended so that farmers who produce these very valuable commodities would produce in keeping with our requirements. It is that simple. As I have said, if 15 percent of our domestic consumption and export is not sufficient, let us make it 20 percent. We could make it 25 percent. But the point is that we should not permit overproduction and then make Uncle Sam carry the load. That is what I am against.

Mr. MILLER. The Senator is saying that there must be a compulsory way of stopping it.

Mr. ELLENDER. There is no doubt about it.

Mr. MILLER. I have doubts about it. I think others have doubts. There are two ways. One way is to put a stop to it by compulsion. Another way is through an attractive enough voluntary program to achieve the same objective.

Mr. ELLENDER. The Senator cannot have both.

Mr. MILLER. The Senator does not want both.

Mr. ELLENDER. The first thing we ought to do, in my opinion, is to reenact the compulsory program that we enacted in May. I am realistic enough to know that it would probably be difficult for us to persuade the House to go along with us. In the absence of having the House go along, we might extend the emergency program for another year. We would then have had that program for 3 years, and we would have considerably reduced the carryover.

It strikes me that that surplus will be reduced sufficiently, so that the farmers ought to be able themselves to say what is necessary for that purpose; how many bushels they ought to produce; and we should not let them go wild and plant all they can, with the knowledge that Uncle Sam will buy up what they cannot use. That is what I am against.

Mr. MILLER. What will happen if that surplus is not reduced that much?

Mr. ELLENDER. It will be reduced if my plan goes through.

Mr. MILLER. The Senator is saying if his plan is continued, that is, if the emergency program goes through for another year, the surplus will be reduced.

Mr. ELLENDER. I do not want the emergency program to go through, unless we can have one of two things: either controlled production next year, or else do away with the 1958 act, which forces the Government to pay corngrowers and other feed grain growers for producing unlimited quantities

Mr. MILLER. I appreciate the Senator's pointing out his position. It is important for us to understand these things.

Mr. ELLENDER. I thought the Senator understood it from the beginning, because I argued that position on the floor all during May for 5 days.

Mr. MILLER. I thought I had understood it, but I was not sure about some of the other parts, which the Senator has developed in the way that I had hoped he would. I appreciate it very much.

Mr. ELLENDER. I thank the Senator.

Mr. YOUNG of North Dakota. Mr. President, will the Senator yield?

Mr. ELLENDER. I yield.

Mr. YOUNG of North Dakota. I believe the Senator from Iowa has made a good point, in that, although the carryover of wheat, corn, feed grains, and other commodities is referred to as surplus, the fact is that, following World War II, in 1947, I believe, the Appropriations Committee wrote a proviso into an appropriation bill requiring that the Commerce Department could not issue an export permit for any wheat if our surplus fell below 150 million bushels.

Mr. ELLENDER. They did the same thing for cotton.

Mr. YOUNG of North Dakota. At a time when the rest of the world was starving, we insisted on keeping a 150-million-bushel carryover. In these critical times, we probably want a carryover of 400 or 500 million bushels.

Mr. ELLENDER. Yes, but the carryover under the law as it stands now, as the Senator knows, amounts to over a billion bushels.

Mr. YOUNG of North Dakota. It is expected to be about 1,224 million bushels.

Mr. ELLENDER. As the Senator knows, under the law the Secretary of Agriculture must include a carryover of at least 20 percent of our domestic requirements, plus our exports. Therefore it would be around 240 to 300 million bushels that we would have to keep on hand.

Mr. YOUNG of North Dakota. Our overall wheat production now, except for the current year, has been in excess of disappearance, foreign and domestic. This year's estimated production will be 1,063 million bushels. This is from 44 million acres. If we had an 88-million-acre production, it would be much more, of course.

Mr. ELLENDER. I know the Senator realizes that the present minimum acreage should have been changed quite a while ago. As I remember, the Senator voted for the bill that the Senate finally passed, 2 or 3 years ago, and we had hearings before the Senate committee on it for some time. If that bill had been enacted we would have a wheat production today in line with our requirements, in my humble opinion.

Mr. YOUNG of North Dakota. Only a few years ago the American Farm Bureau Federation advocated that there be a strict reduction in the acreage in wheat and other surplus commodities, along with cross-compliance.

Mr. ELLENDER. Certainly. Under temporary program farmers were required to reduce the feed grain acreage by 20 percent in order to be eligible for price supports and were authorized to divert up to an additional 20 percent of feed grain acreage. Under these programs farmers would be paid for not producing feed grains. Last year payments to farmers amounted to $782 million. Production of corn was decreased by 284 million bushels below 1960 and production of sorghums was decreased by 137 million bushels.

Estimates by the Department of Agriculture indicate that this year the program will cost about $1,117 million for the three crops covered by the act, that is corn, sorghum grains and barley. While all information is not yet available, indications are the production of corn will be about 106 million bushels less than last year and barley about 1 million less. Estimates for grain sorghums show an increase of 2.6 million bushels over 1961.

Mr. President, there is no doubt that the emergency feed grain programs have been successful in reducing production to the extent that total carryover of all feed grains at the end of this marketing year will be about 11.7 million tons less than it was last year. But I submit, Mr. President, that the cost of reducing stocks of these commodities have been extremely high and that fiscal responsibility would require that this Congress face up to the fact that programs of this nature cannot be continued indefinitely and that unless we proceed to enact permanent legislation for the feed grains, the huge sum that we have spent for these emergency programs would have been spent in vain.

As I previously pointed out, the Secretary of Agriculture asked for these emergency programs only in order that he have time to develop and transmit to the Congress a permanent program for feed grains. He realizes, and I think all Senators present realize, that the taxpayers of this Nation will not long permit a program so costly to be foisted on them. It is my opinion that unless we in this body act in a positive manner to remedy this situation that all farm programs may well be jeopardized.

That is why, Mr. President, I personally hope that this Senate will again adopt the exact bill that it passed on May 25. In my considered judgment, this was a realistic bill in its treatment of feed grains. Being a realist, however, I am aware of the many difficulties that we may encounter in the House of Representatives, and it may be necessary for us to modify the original majority views so as to obtain permanent legislation of a sort.

Mr. President, H.R. 12391, as recently reported from the committee, contains a permanent program for wheat, but ignores the problem of feed grains, for it extends again the so-called temporary program for feed grains for 1963. In addition, H.R. 12391 contains none of the floor amendments which were included in S. 3225. It would appear to me that the Senate should be desirous of sustaining its original position on the farm bill. This could best be accomplished by the complete substitution of the language of S. 3225 as passed by the Senate in lieu of the language substituted by the Committee on Agriculture.

Under such a procedure we would be in a better position to deal with the House in conference. I am a realistic individual and knowing the sentiment of the House in advance, I fear that the Senate version will not be acceptable as contained in the substitute that I proposed to offer.

But I repeat that is proper procedure and would place us in a much stronger position to obtain a realistic program affecting corn and the other feed grains.

Senators will remember that S. 3225, as passed by the Senate, contained a limited land use adjustment program, limited amendments to Public Law 480, a mandatory feed grain program beginning in 1963, a certificate program for wheat beginning in 1963, certain amendments to the Farmers Home Administration Act, and provisions relating to the industrial uses of agricultural commodities. This differs from the committee amendment now before us in that the committee amendment does not include a mandatory feed grain program and certain other minor amendments which were incorporated after extended debate.

EXPLANATION OF DIFFERENCES BETWEEN S. 3225, AS PASSED BY THE SENATE, AND THE COMMITTEE AMENDMENT TO H.R. 12391

Titles I, II, and V of S. 3225, as passed by the Senate, are identical to the committee amendment to H.R. 12391. S. 3225, as passed by the Senate, differs from the committee amendment to H.R. 12391 in that S. 3225 provides for:

First. A mandatory feed grain marketing quota and diversion program.

Second. Loans to fish farmers under the Consolidated Farmers Home Administration Act.

Third. Advertising under cherry marketing orders.

Fourth. Commodity Credit Corporation policies with respect to the sales price of commodities sold by it and the use of the usual channels of trade.

Fifth. Utilization of producer associations in the administration of programs of the Department of Agriculture.

For the RECORD, I shall explain S. 3225 as it passed the Senate on May 25.

Title I, which relates to land use adjustment, provides for:

First. Permanent administration of the agricultural conservation payment program by the Secretary of Agriculture.

Second. Long-term contracts for the diversion of cropland to conservation, recreation, or nonagricultural purposes.

Third. Loans to State and local public agencies to assist in carrying out land use programs.

Fourth. Amendment of the Watershed Protection and Flood Prevention Act to provide for Federal cost sharing in land and installation costs for recreational purposes, advances of land costs to prevent encroachments for other purposes, and a more equitable method of determining Federal and local shares of installation costs.

Title II amends title IV of Public Law 480, 83d Congress, which relates to sales of surplus agricultural commodities on long-term dollar credit, to provide for such sales to the private trade and to financial institutions acting for friendly nations; to emphasize agricultural trade development as a purpose of title IV; to provide for somewhat easier payment terms; to provide for the President's permitting other supplying countries to participate in such agreements rather than requiring the Secretary to seek such participation; and to require the President to take appropriate steps to assure that private trade channels are used to the maximum extent practicable and give special consideration to developing markets for agricultural commodities.

Title III provides for a permanent marketing quota program for corn, sorghum, and barley, designed to reduce Commodity Credit Corporation stocks gradually, without unduly restricting farmers' operations, and without diverting the land to other surplus crops. Consequently, provision is made for a minimum national marketing quota of 110 million tons and for various necessary exemptions, as will be noted later. Acreage required to be diverted from these feed grains could not be planted to crops in surplus. For the first 3 years payments could be made for diversion of such acreage to conserving use at not to exceed 50 percent of the support rate for the normal production of the acreage diverted. The price support level for corn would be 65 to 90 percent of parity if marketing quotas were not disapproved. Barley and grain sorghums would be supported at fair levels in relation to corn, and oats and rye could be supported at 0 to 90 percent of parity.

This provision was thoroughly considered by the Senate, and several amendments to the original feed grain amendment offered by me were adopted before the Senate incorporated it in S. 3225.

Under this provision a marketing quota would be proclaimed for 1, 2, or 3 marketing years whenever the Secretary determined that the total supply of feed grains would be excessive. The quota would assure that all our requirements would be met and permit needed reduction in Commodity Credit Corporation stocks. In no event could the quota be less than 110 million tons.

The national acreage allotment is designed to result in production of the amount of the quota.

Exemptions would permit any farm to plant up to 25 acres or its base acreage, whichever was less; to plant up to its base acreage if it were in a deficit area; and to produce the same amount of silage that it produced during the base period. Since rye and oats are not subject to the marketing quota program, any farm could produce all of the rye and oats it desired. Excess barley acreage could be disposed of by grazing up to 30 days before normal harvest with no penalty. I point out that the same treatment is being accorded to wheat producers under regulations by the Secretary of Agriculture in accord with existing law.

The quota could be effective only if approved by two-thirds of the producers voting in a referendum.

Wheat and feed grain acreage might be substituted for each other to such extent as would not impair the program. The penalty for violating the program would be 65 percent of the parity price multiplied by the excess bushelage.

The difference between the base acreage and the acreage allotment would be required to be diverted from the production of crops in surplus supply, and for the first 3 years payment could be made for diversion of such acreage to conserving uses at not to exceed 50 percent of the support price multiplied by the normal production of the acreage diverted. The Secretary would be authorized to make payments for diversion of an additional 20 percent of the farm acreage allotment, and producers could elect to divert at least a total of 25 acres and receive payments thereon. Payments at up to 50 percent of the regular rate could be made for diversion of the land to guar, sesame, safflower, sunflower, castor beans, other annual field crops for which price support is not available, and flax, so long as they are not in surplus. The Secretary may make special exemptions for malting barley.

The wheat provisions of S. 3225, as passed, are identical to those of the committee amendment to H.R. 12391, except for provisions relating to cross-compliance with feed grain quotas which are contained in S. 3225.

Title IV of S. 3225, like the committee amendment to H.R. 12391, provides for loans for recreational purposes and sewers, increases the amount of direct loans for resale which cannot be made from the agricultural credit insurance fund, and provides for a direct loan account for the Rural Electrification Administration. In addition, it provides for loans to fish farmers, advertising under cherry marketing orders, Commodity Credit Corporation policies, and the use of farmer associations in the administration of agricultural programs.

Title V would establish within the Department of Agriculture a new Agricultural Research and Industrial Use Administration to expedite efforts to develop new uses for farm products, new crops to replace those in surplus, and additional means of disposal of surplus commodities in Government inventory.

Mr. COOPER. Mr. President, will the Senator from Louisiana yield?

Mr. ELLENDER. I yield.

Mr. COOPER. If the section of the bill relating to a modified wheat allotment program, with certificates, should become law, would a referendum be held to determine whether wheat farmers would accept it?

Mr. ELLENDER. Yes.

Mr. COOPER. What alternative is offered the farmer?

Mr. ELLENDER. None.

Mr. COOPER. If he did not accept it, there would be no national marketing quota, no requirement to plant within acreage allotments, and no opportunity to obtain price support at 65 to 90 percent of parity for certificate wheat?

Mr. ELLENDER. If the referendum rejected the program, the compliers would be supported to an extent not to exceed 50 percent of parity.

Mr. COOPER. Then there is that discretionary level of support, 0 to 50 percent of parity, for cooperators even if wheatgrowers voted down the proposed program?

Mr. ELLENDER. Yes. A similar principle applies to all other crops, such as cotton and rice.

Mr. COOPER. All except tobacco; there is no support for tobacco if the tobacco program is rejected in the referendum.

Mr. ELLENDER. But for tobacco there is a price support of 90 percent.

Mr. COOPER. Yes, if tobacco farmers vote to maintain the acreage allotments. But I wanted it made clear in the RECORD that if one-third of the wheatgrowers should vote in the referendum to reject the program, the Secretary could still proclaim the national marketing quota and could establish wheat acreage allotments for farmers, although they would not have to stay with that acreage.

Mr. ELLENDER. Yes; in other words, allotments could be made to farmers.

Mr. COOPER. If the farmers planted within the wheat acreage allotment, they would be supported at 50 percent of parity?

Mr. ELLENDER. Up to 50 percent of parity.

Mr. CAPEHART. Mr. President, will the Senator from Louisiana yield?

Mr. ELLENDER. I yield.

Mr. CAPEHART. That could not possibly apply to wheat, this year, could it?

Mr. ELLENDER. Yes, it could, because the referendum will soon be submitted to the farmers.

Mr. CAPEHART. But that could not possibly be done in time to apply it to the winter wheat.

Mr. ELLENDER. Yes, we are so late now that it could not apply to the emergency program. So the Secretary of Agriculture is bound to go to the old law, which was enacted in 1938. If the vote is less than two-thirds of those voting, the Secretary of Agriculture will be required, under the law, to set the price support for compliers at 50 percent of parity.

Mr. CAPEHART. What acreage was allowed in the 1938 law?

Mr. ELLENDER. Fifty-five million acres, and that is the law now. We are now trying to reduce it so that the production of wheat will be in keeping with our requirements.

Mr. President, during the debate on this issue, I have referred to many tables indicating the cost of the various programs. As I stated a moment ago, I hoped to enlarge on the tables and to indicate to Senators the necessity for our resorting to permanent legislation, rather than the emergency programs.

I can well remember when, only 2 years ago, it was the intention of the Committee on Agriculture and Forestry to enact permanent legislation in regard to corn and other feed grains, as well as the wheat program. The only reason why these emergency programs were placed on the statute books was to give the House committee and the Senate committee an opportunity to hold hearings and to make every effort to come forward with a permanent program.

Mr. CARLSON. Mr. President, will the Senator from Louisiana yield?

The PRESIDING OFFICER (Mr. HOLLAND in the chair). Does the Senator from Louisiana yield to the Senator from Kansas?

Mr. ELLENDER. I yield.

Mr. CARLSON. The chairman of the committee has discussed the wheat program. I notice that in the bill which was passed by the House there is a section 360(1), on substitution of wheat for feed grains. That section is not in the bill the Senator from Louisiana has presented to the Senate, is it?

Mr. ELLENDER. It is not. It was in the corn provision. Does the Senator mean to substitute one for the other?

Mr. CARLSON. In view of the fact that we have a voluntary program, does the Senator from Louisiana think that should be included? I can understand why it might not work so well in a voluntary program; and I do not propose to submit an amendment at this time. But I should like to have the benefit of the Senator's views in regard to the inclusion of such a provision in this bill.

Mr. ELLENDER. The Senator from Kansas knows that under the grain provision there is an option on the part of the grower to substitute corn, if he desires, for wheat, or vice versa. Since it is apparent that we may not be able to reenact the feed grain provisions which were in the bill the Senate passed in May, I hope to look into the matter; and I shall cooperate with my good friend the Senator from Kansas, and with others who are interested in this subject, in the hope that we can include something to remedy the situation—in other words, to make it possible, if they think it necessary, to substitute wheat for feed, instead of corn.

Mr. CARLSON. Mr. President, will the Senator from Louisiana yield again to me?

Mr. ELLENDER. I yield.

Mr. CARLSON. The Senator from Louisiana knows that the Secretary of Agriculture did recommend that.

Mr. ELLENDER. Yes.

Mr. CARLSON. And he still does. I was hoping that the Senator from Louisiana would give some thought to this matter.

Mr. ELLENDER. I will; and I hope the Senator from Kansas will also study it. It may be that by tomorrow we can get together on this bill, and I shall cheerfully look into any suggestions the Senator from Kansas may make in that regard.

Mr. President, as I was about to say a moment ago, earlier today I discussed these emergency programs and the reason why they were placed on the statute books. But, somehow, they have been renewed each year; and now we are about to renew the temporary corn and other feed grains program for another year—which will make 3 years in succession. All of them have been temporary, and have been placed on the statute books in the hope that in the meantime we could pass some permanent legislation.

At this time I should like to have printed in the RECORD certain tables. Table 1 goes into detail to indicate the cost of the program, the production, the acreage signup, and other material which may be of use to Senators who desire to study the emergency programs as I did. The table will indicate to them how costly these programs are. It is true that we have had some reduction in the surplus; but when we compare that to the cost moneywise, and then when we consider the fact that at the end of the emergency we still have had the old law to return to—the one which has given us so much trouble—it is not very encouraging for us to keep on extending these emergency programs and to let the old program remain on the statute books.

Mr. President, I ask unanimous consent to have printed at this point in the RECORD table 1, which shows the cost, the production, and the signup for the 1961 feed grain program.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

TABLE 1—*Facts, 1961 feed grain program*

COST (MILLION DOLLARS)	
Corn payments	645.0
Sorghum grain payments	137.0
Total	782.0
Administrative costs	42.8
Total	824.8
PRODUCTION (MILLION BUSHELS)	
Corn	
1960	3,908
1961	3,624
Decrease	284
Sorghum grain	
1960	620
1961	483
Decrease	137
Total decrease corn and sorghum production	421
ACREAGE SIGNUP (THOUSAND ACRES)	
Corn	20,091
Sorghum grain	6,597

Mr. PROXMIRE. Mr. President, will the Senator from Louisiana yield?

Mr. ELLENDER. I yield for a question.

Mr. PROXMIRE. I should like to ask the Senator from Louisiana a question: Is it not true that one of the serious problems in connection with the mandatory feed grain proposal has been the very strong possibility that it would not be approved in a referendum? It was a serious problem, because, as the Senator from Louisiana has pointed out, 85 percent of those who voted would not sell feed grains, but would have them consumed on the farms. And when we come to consider the dairy farmers, it is obvious that when they have 75- to 90-percent price support, they would have no reason at all to vote for mandatory feed grain control, for to do that would be to vote to damage their own interests.

In view of the fact that the turkey referendum failed, although the Department thought it would be adopted, is it not true that a strong argument against the mandatory feed grain proposal arises from the real likelihood that it, too, would fail, and then there would be real chaos on the farms?

Mr. ELLENDER. That was the point the Senator made when he opposed this part of the bill. But I did not agree with him that the farmers would not undertake it. I felt that the dairy farmers were well protected, and did not have to come under the bill if their acreage was 25 acres or less. So, in view of that situation, and also in view of the fact that they could produce all the silage they desired—with all that they produced the year before to be used as a base—I could not quite agree with the Senator from Wisconsin.

Mr. PROXMIRE. Mr. President, will the Senator from Louisiana yield again to me?

Mr. ELLENDER. I yield.

Mr. PROXMIRE. The fact is that the farmers come under this bill. They are limited. They are restricted regardless of whether they produced only 1 acre of feed grains. They would be limited to their 1959–60 base, in the administration's mandatory feed grain proposal.

Mr. ELLENDER. They could not increase their acreage above the 1959–60 base under either of these exemptions.

Mr. PROXMIRE. Yes.

Mr. ELLENDER. Of course the Senator from Wisconsin knows that we tried to take care of the new ones to some extent.

Mr. PROXMIRE. The size of almost every farm in my State has grown. The average size of our farms has grown tremendously. This means we would have to cut back on the production of most farmers.

Mr. ELLENDER. They produce too much. That is the trouble.

Mr. PROXMIRE. We consume too little.

Mr. ELLENDER. What has caused this overproduction, in my opinion, is the fact that we have on the statute books a law which forces Uncle Sam to support the price of milk at from 75 to 90 percent without limitation on production.

Mr. PROXMIRE. This is the first time in the history of our country when consumption of dairy products has not only not kept pace with the increase in population, but has actually dropped. It is unfair to blame this on the farmer. There have been developments as a result of nuclear testing and findings on cholesterol which have had some effect on this result.

Mr. ELLENDER. But production has increased. Last year production increased by some 2½ billion pounds.

Mr. PROXMIRE. Almost 2 percent.

Mr. ELLENDER. I realize that my good friend Orville Freeman felt, as did the Senator from Wisconsin, that consumption would keep up with this fast pace.

Mr. PROXMIRE. The conviction on our part was that consumption would keep pace with the population growth. If it had, there would have been no problem.

Mr. ELLENDER. I doubt that, because, the Senator from Minnesota [Mr. HUMPHREY] has been very successful in getting us to adopt the milk for schoolchildren program, which legislation I fostered.

Mr. HUMPHREY. The Senator is correct.

Mr. ELLENDER. As to other segments of our society, relative to milk consumption, over $120 million has been expended. That is quite an effort to drain off excess milk. Incidentally, these programs all continue to rise in cost, and Uncle Sam is asked to take over.

I am much in sympathy with the dairy farmers. They are hard-working people. They are not receiving what they should receive, by any means. Yet, as I have said, can Uncle Sam continue to support the prices of a commodity without any controls whatever and keep the taxpayers satisfied?

Last year the losses on milk alone, aside from the school milk program, were $585 million. This year the loss will exceed $500 million.

If these programs continue, what will happen to other programs? They may result in putting the whole farm program in jeopardy. That is what caused me to introduce the dairy bill last week. I hope it will serve as a warning to the farmers of our country that we in Congress mean business if they do not try to put their own house in order. I am calling on them to come to us, or to have us go to them, in the hope that we can work out some plan whereby the program will not cost the Government so much and so milk and other dairy products will be produced in accordance with needs.

Mr. PROXMIRE. I may point out to the Senator from Louisiana that the figures I have in my hand show the cost of the operations for cotton, dairy farms, feed grains, and wheat. From 1959 to 1961—it was somewhat different last year—the losses for cotton were 12 percent of the value of the marketings. For wheat they were 12 percent. For feed grains, 8 percent. For dairy production, 5 percent.

Over the years, the losses on dairy products have been less than any other product in relation to the value of marketings.

The important thing to remember is that the losses on commodities have been small when we recognize that food prices are so low in relation to wages and other costs.

So if we add to John Q. Public's food bill, his per capita share of taxes to pay for this farm program the total food-plus-taxes cost is very modest—less by far than in any other country or than it has ever been—in relation to wages and salaries in the Nation's history.

Mr. ELLENDER. First, I want to compliment my good friend. He is a great economist. I suppose he is one of the best economists in the Senate. He knows how to use certain statistics to show this and that. I will not say juggle the figures. But I am going to show that although the milk program started in 1949 and the other programs started in 1933, the milk program has cost more than any of the other programs. I am not complaining so much about that, but I am certain that if we do not make a beginning of an end of this trend, we are absolutely going to destroy the programs that have been on the statute books for quite some time. If that is ever done, think of what would happen to the farmer and the depression they would face. There is no telling what would happen. I do not want those things to happen, but, at the same time, we must keep in mind another segment of our society, and that is those who, on April 15, have to pay the income taxes which support farm programs.

As I shall show, the milk program has cost several billion dollars. If Congress did nothing to try to prevent this accumulation of cost, I think we would be derelict in our duty.

If we could get together and have a realistic program which would keep production of important commodities in keeping with the needs, not only for domestic consumption but for export, we might get by; but to continue this enormous production and piling up of surpluses is unthinkable. As I pointed out last Friday, we have enough butter on hand to take care of 90 percent of the storage capacity for that purpose in the country. It is getting to the point where we cannot get rid of butter fast enough to equal the purchases. In other words, we are at the point where we are purchasing more butter than we have storage capacity for or can give away. Something must be done to curb such overproduction.

The same applies, to some extent, to dry milk. We have great surpluses of dry milk. I think it is in excess of 500 million pounds. I will get those figures in a moment, because I cannot keep them all in mind.

Mr. PROXMIRE. I hope when the Senator gets these figures he will relate them to the value of the marketings, to give them some meaning. When that is done, we can see what the real cost of the farm program is, relative to the cost of the programs for cotton, wheat, and feed grains.

Mr. ELLENDER. It is possible that it would be greater than 12 percent on cotton if we put it on the basis of the value of the marketings.

Mr. PROXMIRE. That is my point, because more customers and more farmers are involved and a greater value of food is involved. I think the Senator from Louisiana made a fair and wise decision in saying we should carry over the voluntary feed grain program this year, with the condition, however, that the 1958 act, which I voted against, and which I think was improper and unwise, would be repealed.

I think meanwhile it might be possible for those of us who disapproved of the proposal this year to get together and to come up with a program which will work. I think an enormous selling job has to be done in the feed grains area. Otherwise, I think we are sure to lose any referendum, and to have a disaster.

Mr. ELLENDER. I assure Senators that if I live, and if I am still the chairman of the Committee on Agriculture and Forestry—which I think I shall be, for I do not think the Republicans will win this year—we will start early next January to get a realistic feed grain bill on the statute books, as well as a dairy bill. If we can have on the statute books a wheat bill, which I hope we can, which will be effective—as I know this one would be—I will be partly satisfied. I will be satisfied if we can do away with the 1958 act insofar as it provides mandatory support for corn and other feed grains.

As I have pointed out before, I repeat time and again: I do not believe the American people will keep on supporting programs which are so costly unless we do something to curtail these surpluses. We have done it as to three or four of our basic commodities. If we can add wheat, that will be another. We can add corn next year, and also milk and other products.

Mr. ROBERTSON. Mr. President, will the Senator yield to me?

Mr. ELLENDER. Then we might be able to do something to alleviate the fear that we will drain the Treasury.

Mr. ROBERTSON. Our distinguished colleague has said that he wants to start next January to write a real wheat bill.

Mr. ELLENDER. No. We will write the wheat bill this year.

Mr. ROBERTSON. This year?

Mr. ELLENDER. Yes.

Mr. ROBERTSON. I believe we have sold, in order to get rid of some of these mounting surpluses of wheat, some $6.3 billion worth for soft currencies.

Mr. ELLENDER. The figure is higher than that.

Mr. ROBERTSON. That is the figure I was given. These are soft currencies of countries we keep afloat with the money voted for foreign aid.

Mr. ELLENDER. The amount of sales for foreign currencies was even larger.

Mr. ROBERTSON. For soft currency.

Mr. ELLENDER. Yes, for foreign currencies.

Mr. ROBERTSON. I mean soft currencies.

Mr. ELLENDER. The foreign currencies that are soft.

Mr. ROBERTSON. I am talking about the soft currencies; that is, the worthless money.

Mr. ELLENDER. Yes. That amounts to almost $7 billion.

Mr. ROBERTSON. Almost $7 billion.

Mr. ELLENDER. Yes.

Mr. ROBERTSON. It has gotten somewhat ahead of my figure.

Is it not true that when we sell for hard currencies we subsidize the price at 65 cents a bushel?

Mr. ELLENDER. That is correct, for wheat. I will put all of that in the RECORD.

Mr. ROBERTSON. Is it not true that when we adopted the acreage limitation provision of 55 million acres the production averaged 11-something an acre and now is averaging 22-something an acre, nearly twice as much?

Mr. ELLENDER. That is correct. In 1960–61 yields averaged 26.2 bushels per acre. In 1938 they were 13.3 bushels.

Mr. ROBERTSON. Yet we still have a limitation of 55 million acres. Is that correct?

Mr. ELLENDER. That is correct.

Mr. ROBERTSON. Then what is wrong with my amendment, which would say, "You shall have no minimum acreage after this. Let the Secretary of Agriculture fix it"? What is wrong with that?

Mr. ELLENDER. There is nothing wrong with it. The only problem is that it would not get enough votes in the Senate to pass it, without the other provisions contained in the committee amendment.

Mr. ROBERTSON. Then that is what is wrong with it.

Mr. ELLENDER. Yes.

Mr. ROBERTSON. As to the corn, I understand the Senator would like to continue the voluntary program for 1963 and then do something for 1964.

Mr. ELLENDER. Not exactly.

Mr. ROBERTSON. I have a corn amendment which would provide, for 1964, to drop the price support from 90 percent of the 3-year average to 80 percent.

Mr. ELLENDER. That is the House provision.

Mr. ROBERTSON. That is the House provision. What is wrong with that?

Mr. ELLENDER. To me it is wrong, and I will give the Senator the reason.

Mr. ROBERTSON. This would drop the support down to a little more than 50 percent, so that the farmers would not be able to sell to the Government. Would that be wrong?

Mr. ELLENDER. In other words, it would not remedy the situation about which there is complaint. The Senator well knows that the record shows that when the support price of a commodity goes down, more of that commodity is produced. That has been the history in the past. The Senator's amendment would be an excellent amendment if we had some kind of control on the acres to be planted.

I have not had time to study the Senator's amendment carefully. If I am wrong the Senator can correct me, but as I understand the Senator's amendment it would provide for a price support on corn and other feed grains at 80 percent of the average of the last 3 years' market value.

Mr. ROBERTSON. A little more than 50 percent of parity.

Mr. ELLENDER. Very well.

Mr. ROBERTSON. A person could not afford to raise it and sell it to the Government for that price.

Mr. ELLENDER. The Senator is mistaken about that. The amount of the payment would be about 85 cents a bushel. I know of a lot of large farmers in this country who can plant and make big money at 85 cents a bushel. That is one of the weaknesses of the Senator's amendment.

Mr. ROBERTSON. And one of the weaknesses of the present law is that the Government is paying $1.15 a bushel. That is a lot worse. The Government is buying at $1.15 a bushel and is selling at $1.04 a bushel. We have accumulated some $3 billion worth.

The answer is that eventually everyone in the country will be regimented. We have regimented poverty in the South because of cotton, tobacco, and peanuts. The economy of the South is far below the average economy in the Nation. The income of the people is below the average of the Nation.

I tell the Senator that if we do not get back to private enterprise we shall have a regimentation of our farmers longer than the Senator and I will ever live.

Mr. ELLENDER. The Senator's State is a big producer of tobacco. What would happen to the tobacco industry if we took off all price supports? Can the Senator tell me the answer?

I will tell the Senator what would happen under these programs, as surely as we are talking together, if we were to take all price supports off of cotton, off of tobacco, and off of the other basic commodities. There would be a depression.

Mr. ROBERTSON. The trouble is that the Senator and I, in the Senate in 1949, voted against rigid price supports, but when the bill went to the House it did not come back to the Senate until September, and there was an insistence on rigid price supports. After that we had what the Senator described. There was support of butter, of milk, and of whatnot, and even a big loss on potatoes.

Mr. ELLENDER. Yes.

Mr. ROBERTSON. Then the price supports were fixed for tobacco and other commodities, so that they are tied into a system and do not know how to get away from it. I say, before it is too late we should let our cattlemen, our poultrymen, and those who use feed grains get back to a private enterprise system. We should do something before it is too late, or they will never get back.

Mr. ELLENDER. Does the Senator mean to say to let the farmers grow all of the corn and feed grains they wish?

Mr. ROBERTSON. I say we should cut the price support down to the point that they will not produce more than they can use, to sell at their own risk. As soon as we provide controls, the consumption of feed grains will be greatly reduced.

Mr. ELLENDER. It would be necessary to make the support price much lower than 85 cents a bushel. I can tell the Senator that.

Mr. JOHNSTON. Mr. President, will the Senator yield?

Mr. ELLENDER. I yield.

Mr. JOHNSTON. Mr. President, the Senator from Louisiana knows that the main thing we need is controls, to keep from having overproduction. That is the main thing needed, is it not?

Mr. ELLENDER. That is one of the things needed.

Mr. JOHNSTON. We must have strict controls.

The cost sheet which I have proves that when there have been strict controls the Government has paid out very little. Is that not correct?

Mr. ELLENDER. The Senator is correct.

Mr. JOHNSTON. We can use cotton as an example. So long as there were strict controls, even with high support prices, going up to 90 percent of parity. the Government paid out very little of its money. I noticed that, with respect to cotton, from 1933 to 1950 the Government made $236 million.

Mr. ELLENDER. Yes.

Mr. JOHNSTON. But when the Government put the program on a sliding scale, so to speak, and let the farmers grow more cotton, even when the price support for the farmer was a smaller amount of parity, the Government started paying out money.

With respect to tobacco, Senators will find that the Government made some $5.5 million from 1933 to 1950, though it had price supports which gave to the farmer the right to obtain a good price for his tobacco.

I think the figures show that the program really works. On the other commodities, the farmers have been given the right to grow more, and to cut down on the price supports, but then the Government had had to pay out money in large amounts. Wheat is a good illustration of that. Feed grains are another good illustration of it.

I have always contended that there should be strict control. If we turn the program loose, and let every farmer plant all he wishes to plant, with no supports, the middlemen and profiteers will gobble up all the profits of the farmers. So we must protect the farmer.

Mr. ELLENDER. Mr. President, I also have a copy of the table to which my good friend from South Carolina has referred. I expect to place it in the RECORD in order to show the losses up to 1950. My good friend will observe in the table, as I recollect, that from 1950 up to date, the losses on all commodities have increased considerably. I expect to put the entire picture before the Senate before I sit down.

Mr. HUMPHREY. Mr. President, will the Senator yield for a question?

Mr. ELLENDER. I yield.

Mr. HUMPHREY. I thank the Senator for yielding to me.

First, I commend the Senator on his very lucid, reasonable, and sensible explanation of the complicated business called agricultural legislation, and particularly the proposals before the Senate.

I should like to see if there is a meeting of the minds on the subject. The bill before the Senate would provide a national minimum bushelage for wheat of 1 billion bushels.

Mr. ELLENDER. The Senator is correct.

Mr. HUMPHREY. That is based upon the known disappearance of both domestic and foreign bushelage on a yearly average.

Mr. ELLENDER. Just about. As the Senator knows, in recent years it has been about 1.2 billion.

Mr. HUMPHREY. Would the bill take care of domestic consumption, exports, and a reasonable carryover?

Mr. ELLENDER. That is correct. We want to reduce the carryover which now is excessive, but a reasonable carryover would always be provided for.

Mr. HUMPHREY. The law that we would amend has a 55-million-acre minimum; is that correct?

Mr. ELLENDER. As a minimum; yes.

Mr. HUMPHREY. That is the crux of the problem in the wheat area.

Mr. ELLENDER. The Senator is correct.

Mr. HUMPHREY. As the Senator from Virginia explained a moment ago, production per acre has gone up about 100 percent.

Mr. ELLENDER. Almost.

Mr. HUMPHREY. The minimum acreage has remained the same.

Mr. ELLENDER. That is correct.

Mr. HUMPHREY. So under the price-support program the Government has made rather substantial purchases as a requirement under what we call the marketing practices of the Commodity Credit Corporation.

Mr. ELLENDER. The reason for that is the Government's inability to act when the acreage indicated is 55 million acres or less.

Mr. HUMPHREY. In other words, because we did not change the law, the Department was powerless to act.

Mr. ELLENDER. The Senator is correct.

Mr. HUMPHREY. The Senator from South Carolina has made a very valid point, and one which has been debated on the floor of the Senate repeatedly; namely, that when we utilize only the lowering of support levels as the only means of curbing production, it fails. If we are to lower production, we also must do something about either acreage, bushelage, or the units, and exercise some governmental controls over production.

Two philosophies have been debated on the national scene and in Congress relating to farm legislation. One is that the way to persuade farmers to produce less is to reduce the price. Anyone who entertains that belief has been smoking opium, because it is ridiculous. It does not work. In the dairy business we are now finding out that with prices down, farmers are producing more. When prices went down on feed grains, farmers produced more.

The other economic analysis of the agricultural prices and production situation is that when and if the Government provides a price support on a commodity, if we wish to maintain reasonable production and not encourage surpluses, we must exercise some control over production through either acreage limitations, quotas, marketing quotas, or some form of control over the number of units that can be taken to the market under a price-support program.

The Senator from Louisiana has supported that kind of philosophy, as have the Senator from South Carolina and the Senator from Minnesota. I have always stated, and will repeat, that if and when the Government of the United States establishes a price-support program which provides a guaranteed return on a particular amount of production, the Government has a right to expect, and should obtain, some control over production. That statement applies to dairying, feed grains, wheat, cotton, rice, tobacco, or any other commodity. If the Government does not do so, whenever a commodity is in excess supply, the surplus will continue to mount until the resources of the Commodity Credit Corporation are fully utilized.

Several times during my service in the Senate we have had to expand the capital stock of the Commodity Credit Corporation. I agree with the Senator from Louisiana that the way to prove that we are friends of the farmer and the farm program is not to have an open end on the Treasury or upon the resources of the Commodity Credit Corporation, but rather we must have a fair and reasonable price-support program which would assure the farmer, if he works harder than most other people work, if he is willing to invest his capital, labor and managerial know-how, and if he is willing to accept some kind of controls over production, he will have a fairly good living. That is the purpose of a price-support program. Anyone who supports that program supports something that is helpful to the farmer. If he supports an open end program like the 1958 Feed Grain Act, which has been literally the albatross around the neck of the Government of the United States and the farmer himself, he does not help the farmer. What he does is to promote a growing mountain of Government-owned supplies that act as a depressant upon the free market every hour of the day. There is not a corn producer in America who knows what he will get for corn, because he does not know what will happen in terms of Government supplies being dumped on the market. Fortunately if we have a Secretary of Agriculture like Secretary Freeman, who is aware of the needs of the farmer, we have some protection as to stability in the market. But if we have a Secretary who does not care, who looks upon it as his major job to dump what is in the Commodity Credit Corporation, we could wreck not only every farm producer in out country, but many of the processors and many so-called middlemen.

I commend the Senator from Louisiana on his continued good fight for farm programs. It has not been an easy task. I can think of no more tedious and exhausting task than that.

I should like to ask the Senator the following question: Is the wheat program reported from the Committee on Agriculture and Forestry and now before the Senate the same program as the one the Senate passed last May?

Mr. **ELLENDER**. It is identical.

Mr. **HUMPHREY**. So the Senate has already expressed its approval of what we call the certificate plan?

Mr. **ELLENDER**. That is correct.

Mr. **HUMPHREY**. That plan has as its purpose the reduction of surpluses and the carrying charges of the Government upon such surpluses. Is that correct?

Mr. **ELLENDER**. That is correct.

Mr. **HUMPHREY**. Is it the view of the committee that the plan will accomplish such a result?

Mr. **ELLENDER**. Also, of course, to increase farm income.

Mr. **HUMPHREY**. The feed grain program which the Senator has discussed in some detail, and yet in general terms, and which is being given some consideration at this time, is different from the one that was passed in the Senate last May. Is that correct?

Mr. **ELLENDER**. In my opening remarks I indicated that, so far as I was personally concerned, I would be very glad if the Senate would reenact the feed grain provisions that were enacted in May.

I happen to be a realist, and I know because of absenteeism in the Senate, and being confronted by a House which is adamant on no controls for feed grains, we would have a difficult task to perform in trying to reenact the law. What I am suggesting in lieu of that is a continuation of the emergency feed grain program for 1 year, coupled with the provision that we do away with the 1958 act insofar as it deals with corn. In other words, I want to do away with the law that provides that corn producers and producers of other feed grains can produce all they want of that commodity or other commodities even if we do not need them and get price supports at 90 percent of the average market price for the last 3 years, or 65 percent of parity, whichever is higher. That means $1.06 per bushel or perhaps $1.07 per bushel.

It strikes me that what we could do, as I said, would be to enact legislation of the kind which I have suggested and to come back in January, and try to get together with the producers and enact permanent legislation.

As far as I am concerned, let me say that I will oppose any extension of the emergency feed grain program unless at the end of the emergency program we have permanent legislation repealing the present law.

Mr. **HUMPHREY**. Mr. President, will the Senator yield further?

Mr. **ELLENDER**. I yield.

Mr. **HUMPHREY**. In other words, the Senator is suggesting that for 1 more year the voluntary feed grain program be continued, but at the same time the proposal is advanced that there will be a repeal of the 1958 act, insofar as it provides mandatory support for feed grains.

Mr. **ELLENDER**. That is correct.

Mr. **HUMPHREY**. The 1958 act is the weakness of this farm program. It is the one that has permitted unlimited production at the expense of the Government and of agriculture. It is one that will break the back of the cattle industry. One of these days, if we continue to produce unlimited quantities of feed grains, it will mean that ultimately it will be necessary to dump the feed grains. When they are dumped, it will depress the price of feed grains, which in turn will mean an increase in cattle production, and that in turn will result in a reduction in the price of meat. There are reports from one of the leading agricultural universities in America, Iowa State University, at Ames, Iowa, and from the University of Wisconsin, and from a land-grant college at the University of Minnesota which are of interest in this connection.

I remember when we had hearings throughout the country and we went into Minnesota and North Dakota and other places.

The testimony before the committee—I believe it was in 1955—was that unlimited supplies of feed grain which reduced the market price of feed grain ultimately resulted in increased production of pork and beef, which ultimately resulted in lower prices of pork and beef. Therefore, it is a vicious circle. The Senator has put his finger on it when he says that if we are to extend the emergency feed grain program for 1 year, we really will not be doing very much, even though it is much better than the present law.

Mr. **ELLENDER**. It will simply aggravate the situation.

Mr. **HUMPHREY**. It is necessary to extend the emergency feed grain program for 1 year plus repealing the 1958 act, which will require the next Congress to come back and come to grips with the task of overproduction of feed grains. I wish to assure the Senator I will be glad to work with him toward that objective. He knows I voted against the 1958 act. It was not easy to do so. I voted against that unlimited production program. The reason I did so was because of what I said on the floor then. I said it would result in millions more bushels of corn, that it would result in the Government of the United States spending billions of dollars for unneeded production. Every bit of that prediction came true, except I really did not quite realize to what extent it would take place. I therefore wish to assure the Senator of my support. I want it to be quite clear. I voted for the administration feed grain program. I still think it is the best program. If we have the votes, we ought to pass it.

Mr. **ELLENDER**. We would have, if more Senators were present when the amendments are called up. After all, it is an election year, and that may be difficult to do.

Mr. **HUMPHREY**. We must go to conference with the House, and in the House there is strong resistance to a compulsory feed grain program. Therefore, I believe the best we will be able to get is the solution which the Senator is proposing. I commend him for his willingness to take that step. I assure him of my support. I wish to assure the Senator there is plenty of evidence to show the temporary feed grain program has some support. I have been checking the record of the debates in May when we had the farm bill up before. As the Senator recalls, some Senators vigorously opposed the administration program and sought to enact the voluntary feed grain program. I wish to alert my colleagues in the Senate that when any Senator starts to attack the voluntary feed grain program, I am well stocked with quotations from Senators who were in favor of the voluntary program and who said there was no need for a compulsory program. I do not want to use up all my ammunition on the first day. However, as we say, I hold in my hand some of this evidence, and at the proper time I will use it.

I offered some amendments to the farm bill in May. They were not amendments which fundamentally affected the price-support structure. One of them expressed the sense of Congress relating to the economical administration of the Commodity Credit Corporation.

The other amendment provides that Congress reaffirms its longstanding policy of favoring the use by governmental agencies of the usual and customary channels, facilities, and arrangements of trade and commerce, and directs the Secretary of Agriculture and the Commodity Credit Corporation to the maximum extent practicable to adopt policies and procedures designed to minimize the acquisition of stocks by the Commodity Credit Corporation, to encourage orderly marketing of farm commodities through private competitive trade channels, both cooperative and noncooperative, and to obtain maximum returns in the market price for producers and for the Commodity Credit Corporation.

Does the Senator make any reference to these amendments in the bill which is now before the Senate?

Mr. ELLENDER. No, I do not.

Mr. HUMPHREY. I shall offer these amendments.

Mr. ELLENDER. Personally I will have no objection to them.

Mr. HUMPHREY. They were passed unanimously by the Senate in May.

Mr. ELLENDER. In the same language?

Mr. HUMPHREY. Yes.

Mr. ELLENDER. I would prefer if the Senator waited until other amendments were offered. There are two others to be offered, one by the Senator from Arkansas [Mr. FULBRIGHT], and the other by the Senator from Michigan [Mr. HART], which pertains to cherries. There is no objection to those so far as I am concerned. I have no objection to the amendments being incorporated in the present bill.

Mr. HUMPHREY. I was wondering whether the Senator would mind my offering these two amendments. As I say, they are what I would call economic amendments, in that they express a philosophy.

Mr. ELLENDER. They may be offered, but I would like to get through with my presentation of the bill.

Mr. HUMPHREY. Then I shall wait.

Mr. ELLENDER. I thank the Senator from Minnesota for his kind remarks. I am very hopeful that we will not engage in exhaustive debate on the bill, because we already hashed it out for a whole week during May, and there are no new issues involved. I am sorry to say that I was more or less compelled to temper my views on the grain program.

Mr. President, a moment ago I placed in the RECORD table No. 1, indicating the results of the 1961 feed grain program. Now I wish to place in the RECORD a table with respect to the 1962 feed grain program. It shows the cost, production, and acreage signup. As I have pointed out, the corn payments aggregate $780 million; the sorghum grain payments, $152 million; the barley payments, $45 million. Administrative costs, $40 million; a total, for the 1962 feed grain program, of $1,017 million.

Next follows the production, and it shows a total decrease in corn, grain sorghum and barley production of 528 million bushels.

Mr. President, I ask unanimous consent that the table be printed at this point in the RECORD.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Facts—1962 feed grain program

Cost:	*In millions*
Corn payment	$780
Sorghum grain payments	152
Barley	45
Total	977
Administrative costs	40
Total costs	1,017
Production:	
Corn	*Million bushels*
1960	3,908
1962	[1] 3,518
Decrease	390
Sorghum grain:	
1960	620
1962	[2] 483
Decrease	137
Barley:	
1961	393
1962	[1] 392
Decrease	1
Total decrease corn, sorghum, barley production	528
Acreage signup:	*Thousand acres*
Corn	22,881
Sorghum grain	6,710
Barley	3,094

[1] Based on indications in July 1962.
[2] From July Feed Situation.

Mr. ELLENDER. Mr. President, I refer next to a similar table for wheat in the emergency program for 1962. Wheat payments amounted to $406 million; administration amounted to $15 million; a total of $421 million.

Wheat production was decreased only by an estimated 177 million bushels.

Mr. President, I ask unanimous consent that the table be printed in the RECORD.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Facts—1962 wheat program

Cost:	*In millions*
Wheat payments	$406
Administration	15
Total	421
Production:	*Million bushels*
1961	1,235
1962	1,058
Decrease	177
	Thousand acres
Acreage signup: 1962	15,065

Mr. ELLENDER. Mr. President, I ask unanimous consent to have printed at this point in the RECORD a table showing a comparison of Commodity Credit Corporation investment in feed grains, May 31, 1962, and May 31, 1961. The table shows the amounts of bushelage with respect to each separate commodity.

There being no objection, the table was ordered to be printed in the RECORD.

Comparison of CCC investment in feed grains, May 31, 1962, and May 31, 1961

QUALITY OF FEED GRAINS UNDER LOAN

[In bushels]

Commodity	1961	1962	Difference
Corn	750,020,939	918,043,147	+168,022,208
Barley	42,173,992	22,520,263	−19,653,729
Grain sorghum	24,309,198	21,117,109	−3,192,089
Oats	28,274,067	23,612,427	−4,661,640
Rye	2,143,547	904,516	−1,239,031
Total	846,921,743	986,197,462	+139,275,719

QUALITY OF FEED GRAINS IN CCC INVENTORY

Commodity	1961	1962	Difference
Corn	1,348,720,498	746,302,082	−602,427,416
Barley	53,693,536	32,506,754	−21,186,782
Grain sorghum	712,273,646	709,744,541	−2,529,105
Oats	10,051,964	10,143,670	+91,706
Rye	4,059,353	3,677,652	−381,701
Total	2,128,807,997	1,502,374,699	−626,433,298
Total loan and inventory	2,975,729,740	2,488,572,161	−487,157,579

Mr. ELLENDER. Mr. President, I ask unanimous consent to have printed at this point in the RECORD a table showing the Commodity Credit Corporation investment in feed grain as of May 31, 1961, and May 31, 1962, showing the value of commodities.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Feed grain CCC investment as of May 31, 1961 and 1962

VALUE OF FIELD GRAINS UNDER LOAN

[In dollars]

Commodity	1961	1962	Difference
Corn	790,697,001	1,031,284,296	+240,587,295
Barley	32,785,019	18,540,370	−14,244,649
Grain sorghum	21,255,085	19,740,887	−1,514,198
Oats	13,719,457	12,079,426	−1,640,031
Rye	1,745,352	795,611	−949,741
Total	860,201,914	1,082,440,590	+222,238,676

VALUE OF FEED GRAINS IN CCC INVENTORY

Commodity	1961	1962	Difference
Corn	1,841,170,264	884,189,151	−956,981,113
Barley	48,778,758	28,618,866	−20,159,892
Grain sorghum	773,616,585	767,044,171	−6,572,414
Oats	5,965,386	6,608,885	+643,499
Rye	4,228,904	3,670,047	−558,857
Total	2,673,759,897	1,690,131,120	−983,628,777
Total loan and inventory	3,533,961,811	2,772,571,710	−761,390,101

Mr. ELLENDER. Mr. President, I ask unanimous consent to have printed at this point in the RECORD a comparison of Commodity Credit Corporation investments in wheat on May 31, 1962, and May 31, 1961.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Comparison of CCC investment in wheat, May 31, 1962, and May 31, 1961

BUSHELS

	1961	1962	Difference
Under loan wheat	97,077,266	66,164,602	−30,912,664
CCC inventory	1,276,830,359	1,165,467,437	−111,362,922
Total	1,373,907,625	1,231,632,039	−142,275,586

Comparison of CCC investment in wheat, May 31, 1962, and May 31, 1961—Continued

VALUE (IN DOLLARS)

	1961	1962	Difference
Loan	173,915,532	117,689,956	−56,225,576
Inventory	2,560,950,003	2,293,560,086	−267,389,917
Total	2,734,865,535	2,411,250,042	−323,615,493

Mr. ELLENDER. Mr. President, I ask unanimous consent to have printed at this point in the RECORD a table showing the production and the Commodity Credit Corporation holdings of corn from crops beginning in 1950 and extending through 1961.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Production and CCC holdings of corn, 1950–61 crops

[All figures are in millions]

Crop year	Production (for grain)	CCC holdings at end of marketing year per crop [1]			Difference
		Inventory	Loans	Total	
1950	2,764.1	402.8	84.7	487.5	
1951	2,628.9	290.7	15.5	306.2	−181.3
1952	2,980.8	236.0	277.8	513.8	+207.6
1953	2,881.8	353.7	362.7	716.4	+202.6
1954	2,708.9	621.5	236.1	857.6	+141.2
1955	2,873.0	748.5	360.7	1,109.2	+251.6
1956	3,075.3	873.3	386.6	1,259.9	+150.7
1957	3,045.4	1,077.1	276.7	1,353.8	+93.9
1958	3,356.2	1,184.3	216.3	1,400.6	+46.8
1959	3,824.6	1,312.8	389.4	1,702.2	+301.6
1960	3,908.1	1,371.0	556.3	1,927.3	+225.1
1961 (feed grain program) [2]	3,624.3	746.3	918.0	1,664.3	−263.0

[1] Data shown are as of Sept. 30 of the calendar year following the year of the crop.

[2] As of May 31, 1962.

Mr. ELLENDER. Mr. President, I ask unanimous consent to have printed at this point in the RECORD a similar table, showing the production and the Commodity Credit Corporation holdings of grain sorghums for crops beginning in 1950 and extending through 1961.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Production and CCC holdings of grain sorghums, 1950–61 crops

[All figures are in millions]

Crop year	Production (for grain)	CCC holdings at end of marketing year per crop [1]			Difference
		Inventory	Loans	Total	
1950	233.5	17.2	1.5	18.7	
1951	162.9	.5	.6	1.1	−17.6
1952	90.7	.1	2.9	3.0	+1.9
1953	115.7	21.7	12.7	34.4	+31.4
1954	235.5	68.0	8.1	76.1	+41.7
1955	242.6	76.2	12.2	88.4	+12.3
1956	204.9	75.1	24.8	99.9	+11.5
1957	567.5	294.8	35.5	330.3	+230.4
1958	581.0	490.6	24.8	515.4	+185.1
1959	555.2	561.6	22.2	583.8	+68.4
1960	619.9	673.4	43.3	716.7	+132.9
1961 (feed grain program)[2]	482.6	709.7	21.1	730.8	+14.1

[1] Data shown are for Sept. 30 of the calendar year following the year of the crop.

[2] As of May 31, 1962.

Mr. ELLENDER. Mr. President, I ask unanimous consent to have printed at this point in the RECORD a table of production and Commodity Credit Corporation holdings of wheat beginning with the 1950 crop and extending through the 1961 crop.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Production and CCC holdings of wheat, 1960–61 crops

[All figures are in millions]

Crop year	Production (for grain)	CCC holdings at end of marketing year per crop [1]			Difference
		Inventory	Loans	Total	
1950	1,019.3	196.4	11.2	207.6	
1951	988.2	143.3	22.3	165.6	−42.0
1952	1,306.4	470.0	44.4	514.4	+348.8
1953	1,173.2	774.6	91.0	865.6	+351.2
1954	983.9	975.9	14.7	990.6	+125.0
1955	937.1	950.7	45.1	995.8	−5.2
1956	1,005.4	823.9	13.8	837.7	−158.1
1957	955.7	834.9	37.4	872.3	+34.6
1958	1,457.4	1,146.6	88.0	1,234.6	+362.3
1959	1,121.1	1,195.4	91.9	1,287.3	+52.7
1960	1,357.3	1,242.5	125.6	1,368.1	+80.8
1961 [2]	1,234.7	1,165.5	66.1	1,231.6	−136.5
1962	1,058.0				

[1] Data are for June 30, following year of crop.

[2] As of May 31, 1962.

Mr. ELLENDER. Mr. President, I ask unanimous consent to have printed at this point in the RECORD a table showing the carryover stocks, at the beginning of the marketing years from 1950 through 1962, of corn, grain sorghum, oats, barley, and wheat. The amount, as indicated by the table, shows a gradual increase in the carryover stocks each year, with very few exceptions, in all the commodities. The table indicates that our carryover has been increasing very much from year to year. All this, as I stated in my principal speech, is very expensive for our Government.

There being no objection, the table was ordered to be printed in the RECORD. (See table at top of p. 17132.)

Mr. ELLENDER. Mr. President, I ask unanimous consent to have printed at this point in the RECORD a table showing the carryover of feed grains at the end of marketing years from 1952 through 1963. These figures are in tonnage, so that Senators may make a comparison between bushelage and tonnage. As I stated a while ago, there has been a steady increase in tonnage from one marketing year to another since 1952.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Carryover of feed grains at end of marketing year [1]

Year:	*Million tons*
1952	27.0
1953	31.7
1954	39.1
1955	43.3
1956	48.8
1957	59.0
1958	67.5
1959	74.6
1960	84.7
1961	73.0
1962 [2]	61.3
1963 [2]	[3] 49.6

[1] Total disappearance in 1961–62 averaged 12.7 million tons per month.

[2] Estimated; based on same reduction as occurred during the 1961–62 marketing year.

[3] Based upon 1961–62 disappearance this would amount to 4.2 months supply.

Mr. ELLENDER. Mr. President, I ask unanimous consent to have printed at this point in the RECORD a table of analysis of program results from October 1933 through December 31, 1950, compared with the period October 1933 through December 31, 1961. The Senator from South Carolina [Mr. JOHNSTON] placed a portion of this table in the RECORD. The table indicates that all losses from price supports on various commodities from October, 1933, through December 31, 1961, aggregated $10,080,365,087.

The losses on feed grains, wheat, and dairy products as a percent of total losses from October 1933 through December, 1950, were 30 percent; and from October 1933 through December, 1961, 69.8 percent. This shows that those 3 commodities have accounted for 70 percent of the losses that have been sustained through Commodity Credit Corporation operations on price supports.

Carryover stocks at beginning of marketing year[1] *1950–62*

[In million bushels]

	Corn	Grain sorghum	Oats	Barley	Wheat
1950	844	60	208	80	425
1951	740	38	286	94	400
1952	487	10	277	73	256
1953	769	7	249	51	606
1954	920	22	227	71	934
1955	1, 035	75	303	131	1, 036
1956	1, 165	81	347	117	1, 033
1957	1, 419	79	240	127	909
1958	1. 469	309	325	168	881
1959	1, 524	510	368	195	1, 295
1960	1, 787	581	267	167	1, 314
1961	2, 008	702	325	153	1, 412
1962 [2]	1, 650	700	276	122	1, 345

[1] Corn and grain sorghums, Oct. 1; oats, barley, and wheat, July 1.

[2] Feed grain program in effect in 1961.

There being no objection, the table was ordered to be printed in the Record, as follows:

Analysis of program results (October 1933 through Dec. 31, 1950, compared to October 1933 through Dec. 31, 1961)

Commodities	October 1933 through Dec. 31, 1950	October 1933 through Dec. 31, 1961
Losses on price supports:		
1. Feed grains:		
Corn	$57, 623, 513	$2, 188, 789, 461
Sorghum grain	30, 925, 680	598, 404, 386
Barley, oats, rye	5, 688, 432	310, 014, 705
Total, feed grains (loss)	94, 237, 625	3, 097, 208, 552
2. Wheat (loss)	66, 289, 156	1, 798, 261, 275
3. Cotton (gain)	236, 109, 614	1, 014, 375, 662
4. Dairy products (loss)	74, 540, 226	2, 150, 212, 263
5. Peanuts (loss)	71, 161, 680	210, 123, 673
6. Rice (loss)	1, 143, 611	191, 638, 752
7. Tobacco (gain)	5, 502, 440	6, 705, 397
8. Irish potatoes (loss)	431, 219, 849	478, 582, 600
9. Wool (loss)	92, 253, 987	440, 601, 979
10. Other commodities (loss)	183, 469, 548	692, 654, 934
Total price support (loss)	772, 703, 628	10, 080, 365, 087
Losses on feed grains, wheat, and dairy products as a percent of total losses (percent)	30. 4	69. 8

Mr. HUMPHREY. Mr. President, will the Senator from Louisiana yield?

Mr. ELLENDER. I yield.

Mr. HUMPHREY. While those commodities are stated as producing losses, there is inventory for a substantial amount of that. In a business firm, one's investment is shown as dollars; and if a part of the investment is in inventory, it is not called a loss. Is the Senator indicating that these are actual movements of commodities?

Mr. ELLENDER. Actual losses. In other words, when the Commodity Credit Corporation sells wheat abroad, either through Public Law 480 or for cash, a subsidy is paid. Of course, losses under the International Wheat Agreement are different from the support prices. The figures I have just given are the losses sustained by the Government since the inception of the program in October 1933 and continuing through December 31, 1961. All losses on price supports aggregated $10 billion plus.

I point out also that the losses on feed grains and wheat as a percentage of the total losses between October 1933 and December 1950 accounted for only 20.7 percent; but from October 1933 through 1961, they accounted for 48.5 percent, thus showing the huge losses sustained by these two programs. This is a situation we are trying to correct, in contrast with the rest of the programs put together. Of course, the total includes the losses sustained in the potato fiasco.

Mr. PROXMIRE. Mr. President, on that point would the Senator give us the ratio of cost to the value of marketings in these programs? After all, if wheat, feed grains, and dairy products were included, we would come close to 75 or 80 percent of all the programs under price supports. So if there is a loss of 70 percent or less that might be a very good showing. These commodities have shown better results than some of the others.

Mr. ELLENDER. According to the figures I am placing in the Record, the feed grains—that is, corn, sorghum grains, barley, oats, and rye—account for a total loss to the Government, through price supports, of $3,097 million plus.

Mr. CURTIS. Over how long a period of time?

Mr. ELLENDER. From the inception of the program through December 31, 1961.

Mr. HUMPHREY. Eighteen years.

Mr. ELLENDER. The loss on wheat, exclusive of the wheat agreement, was $1,798 million.

The loss on cotton was $1 billion.

The loss on dairy products was $2,150 million.

The loss on peanuts was $210 million.

The loss on rice was $191 million.

The loss on tobacco was $6,750,000.

The loss on Irish potatoes was $478 million.

The loss on wool was $440 million.

The loss on other commodities—small commodities, such as honey—was $692 million.

The total loss on the price-support programs alone of $10,080,365,087.

In a moment I shall place in the Record a tabulation of further losses on the International Wheat Agreement. As I remember the figures, we have lost about $1,254 million on it up to the present time.

Mr. PROXMIRE. All these figures are very useful; but I think we must recognize that those losses should be related to the value of the products being marketed. The programs for wheat, feed grains, and dairy production include a large proportion of all the programs under price supports; and it is like saying that the people of New York got from the Federal Government 20 or 30 times the benefits that the people of Nevada received; are receiving 20 or 30 times more than they deserve. We must recognize that there are fewer people in Nevada. A much smaller amount is involved in the programs for rice, and so forth, as compared with the amounts involved in the programs for major agricultural commodities of the country.

Mr. ELLENDER. I am submitting the figures; and the Senator from Wisconsin, being a fine economist, can use them as he desires.

Mr. PROXMIRE. I thank the Senator from Louisiana. I wish to apologize for delaying him.

Mr. ELLENDER. I am only trying to show the actual losses sustained through the price-support program, as well as other losses to which I shall call attention in a moment.

Mr. PROXMIRE. The Senator from Louisiana mentioned a letter received from Secretary Freeman; I refer to the letter about the really serious shortage of storage space for butter and the serious overproduction of butter, which might result in drastic and perhaps unwise action by our Federal Government.

Mr. ELLENDER. I did not say that.

Mr. PROXMIRE. But I say it; and I am deeply concerned about it. I raise this point because I think as Members of Congress we should be prepared to take emergency action before we adjourn, because before January the storage space for butter might be exhausted. Then what would happen? Would there then be wholesale destruction of the butter supplies? In that case there would be a serious national scandal.

I wonder whether the Senator from Louisiana has considered the advisability of enacting emergency legislation at this time.

Mr. ELLENDER. If the butter cannot be given away, why store it? But, to my surprise, I find that the Secretary of Agriculture is trying to convert butter into butter oil, because butter oil can be conserved without being stored in freezer space. Whenever steps of that kind are taken, it seems to me they should serve as a fire alarm to us, warning us to take notice of the situation. So I hope the dairy producers will look into this matter now, because if they do not, Congress will have to take action come January.

Mr. PROXMIRE. I could not agree more with the Senator from Louisiana. But in the meantime we may run out of butter storage.

Mr. ELLENDER. What does the Senator from Wisconsin propose?

Mr. PROXMIRE. I think we should ask the administration what proposals for solving this problem it has, because I can imagine what would happen to the dairy industry in various parts of the country if we ran out of butter storage in the meantime and if Congress had not taken action. Perhaps the administration has a program which we can adopt.

Mr. ELLENDER. Well, the Senator from Wisconsin knows that I did the best I could.

Mr. PROXMIRE. The Senator from Louisiana did, indeed.

Mr. ELLENDER. I did the best I could to try to get the milk people to get together and to try to formulate some program. But the answer was, "We are satisfied with 75 to 90 percent of parity, and we do not want any change in the law."

So I do not know what else to do, except, as I have said, to point out that the milk producers should take this as a fair warning that unless they put their own house in order, Congress will have to act in some way. We cannot afford to keep on piling up any of these commodities that we do not need. But, as I pointed out on Friday, we are accumulating so much butter and so much of the other dairy products that we are running out of storage facilities for them. That does not make sense.

Mr. PROXMIRE. Those of us who come from dairy-product-producing States recognize that butter is different from any other dairy commodity; and we would be very much interested—at least, I would—in considering the possibility of changing the law so as to have a different price support for butter in relation to milk price supports. I realize that this would be a very complicated and very difficult matter to work out. But in view of the situation the Senator from Louisiana has described, I believe we should give consideration to it. A number of Senators think it possible to work out a system to market butter at a lower price. Today, butter is not as competitive as it should be with oleomargarine and some of the other competitive spreads. It seems to me that could be considered without reviewing the entire dairy program and all its aspects.

Mr. ELLENDER. As I have said, when we asked the dairy people, they replied, "We are satisfied with the present law." But the present law provides Government supports, with no limit on production. Of course, I have tried to stop that. But, somehow, we have not been successful.

Mr. President, I now turn to table 12, which shows storage and other carrying charges from the fiscal year 1933 through 1962. The total amount spent by the Government for all carrying charges has been $9,351,600,000. That is the amount of money the Government has spent for storage purposes. As I have said, I am placing all this information in the RECORD, so as to indicate to Senators the necessity for passing some kind of remedial legislation now, instead of allowing these programs to continue to pile up the surpluses, as has been the case in the past.

Mr. President, I submit this table, and ask unanimous consent that it be printed in the RECORD.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

TABLE 12.—*Storage and other carrying charges, fiscal 1933 through 1962*[1]

[Million dollars]

Period, fiscal years	Storage and handling	Transportation	Interest charge	Reseal storage	Total
1933–50	[2] 847.3		144.8		992.1
1951–56	1,254.3	599.5	449.6	44.7	2,348.1
1957–62 [3]	2,780.1	934.7	2,012.2	284.4	6,011.4
Total	4,881.7	1,534.2	2,606.6	320.1	9,351.6

[1] Interest charges not included in CCC price support losses.

[2] Includes transportation.

[3] Estimates for 1962.

Mr. ELLENDER. Mr. President, I ask unanimous consent to have printed in the RECORD at this point table No. 13, which shows the value of commodities programed under Public Law 480 from July 1, 1954, when the bill was enacted, through December 31, 1961.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Value of commodities programed under Public Law 480, from July 1, 1954, through Dec. 31, 1961

[In millions of dollars]

Commodity	Title I, sales for foreign currencies	Title II, donations	Title III		Total
			Sec. 416,[1] donations	Barter [2]	
Wheat and flour	3,816.1	[3] 497.6	494.1		4,807.8
Feed grains	415.6	141.3	[4] 152.5		709.4
Rice	409.1	53.4	157.5		620.2
Cotton	926.6	18.7			945.3
Tobacco	241.4				241.4
Dairy products	59.6	75.9	[5] 1,505.8		1,641.3
Fats and oils	806.7	33.4	38.2		878.3
Other	65.5	4.2	29.2		98.9
Total	6,740.6	824.5	2,377.5		9,942.6
Wheat, feed grains, dairy products as a percent of total	(63.6)	(86.6)	(90.5)		(71.9)
Ocean transportation, all commodities	851.7	[6] 219.0			1,070.7
Difference between total value and CCC cost, all commodities	3,280.4				3,280.4
Total	10,872.7	1,043.5	2,377.5	1,432.0	15,725.7

[1] Includes domestic and foreign.

[2] No breakdown by commodity.

[3] May include some rye.

[4] Includes $138.8 million worth of cornmeal.

[5] Includes $107.4 million worth of butter oil.

[6] Includes $150.7 million for ocean freight for title III donations.

Source: 15th semiannual report on Public Law 480.

Mr. ELLENDER. The total amount of sales for foreign currencies was $6,740 million. The total cost of all titles of the program for all commodities was $9,942 million.

Of course, I realize we have on hand today a great amount of soft currency, so much so that we do not know what to do with it. There should be a limitation to the sales of these surpluses for soft currencies.

I am glad to say there is in the law a provision which would permit our Government, through the Commodity Credit Corporation, to sell some of these commodities to underdeveloped countries and to sell them through the private trade under long-term credit. I believe that would alleviate the situation quite a bit. In that provision, we state that, instead of having the host government act to sell the commodities, we sell them to the private trade, on the condition that the private trade use the money in helping to develop the economies of underdeveloped countries. I think it is better to do it in that way than the way in which it has been done in the past, where the Government took hold of the money and spent it for almost any purpose it wanted to.

Mr. AIKEN. Mr. President, will the Senator yield?

Mr. ELLENDER. I yield.

Mr. AIKEN. I would like to revert for a moment to the question of storage costs. I wonder if the chairman of the committee has ever received any explanation from the Secretary of Agriculture as to why a commercial elevator is allowed a 3-percent tolerance for shrinkage, whereas a farmer storing for the Government is given no tolerance at all? In other words, let me put it this way: If a commercial outfit stores 100 bushels of grain, it is paid so much for storing the hundred bushels; but it has to return only 97 bushels to the Federal Government. In other words, it gets a shrinkage allowance. However, if a farmer stores 100 bushels of grain for the Government, he is required to return the full 100 bushels to the Government. Has the Senator had any explanation of that discrepancy?

Mr. ELLENDER. No, but I will find out and give the explanation to the Senator.

Mr. AIKEN. It is quite important.

Mr. ELLENDER. It may be a custom that was created.

Mr. AIKEN. I think it is. The shrinkage allowance is supposed to go to the one doing the storing. For instance, if the storage charge is 18 cents a bushel, there might be a shrinkage allowance of 3 percent for everyone.

Mr. ELLENDER. This custom may have grown up in years gone by.

Mr. AIKEN. No; it is occurring this year.

Mr. ELLENDER. Yes, but it grew up in years gone by.

Mr. AIKEN. It probably occurred in the 1938 program, because in those days if someone bid 6 cents a bushel for storage, the Government said, "That is not enough to build up the economy," and insisted on an 8-cent-a-bushel minimum charge.

Mr. ELLENDER. I wish to say that the table to which I have referred in regard to storage has in it the figures for the actual cost of the storage, also transportation, interest charge, and so forth. As I said, all of that together aggregates a cost of $9,351 million.

Mr. AIKEN. I do not think we should consider that all a loss, however, because most of the companies that have been storing have been companies that are in the 52-percent tax bracket, and if they had not been evading taxes, they should have returned a good percentage of that money to the Federal Treasury

Mr. ELLENDER. The table which I just asked be placed in the RECORD referred to the value of commodities programed under Public Law 480 from July 1, 1954, to December 31, 1961. Here again I wish to say that the wheat, feed grains, dairy products, as a percentage of the total under title 3 of Public Law 480, amounted to 63.6; under title 2, which is donations, 86.6 percent; and total donations under section 416, 90.5 percent; for a total of 71.9 percent of the total.

Ocean transportation on all commodities aggregated in excess of $1 billion.

Mr. CURTIS. Mr. President, will the Senator yield?

Mr. ELLENDER. I yield.

Mr. CURTIS. In reference to the figures the Senator has referred to and the cost of Public Law 480, were those figures for the life of the act?

Mr. ELLENDER. Yes.

Mr. CURTIS. They were not annual figures?

Mr. ELLENDER. No; they were total figures.

Mr. CURTIS. In recent days the Secretary of Agriculture has appeared before the Committee on Finance in reference to the trade expansion program. He has pointed out that we assist exports by paying the shipping costs. We have an export subsidy on wheat, rice, and cotton. All of that is for the regular exports. Then, if the commodities are sold under Public Law 480, we take payment in soft currencies, and leave most of the currencies abroad. I asked for the total annual figure of the cost of the exports. He placed it at $1.9 billion. Our total exports of agricultural products last year ran a little over $5 billion.

Mr. ELLENDER. Five billion dollars.

Mr. CURTIS. About 40 percent of that was subsidies, one way or another.

Mr. ELLENDER. Under Public Law 480.

Mr. CURTIS. The export subsidies on the shipping costs are in addition to Public Law 480.

Mr. ELLENDER. Yes.

Mr. CURTIS. Do the tables in relation to feed grain surpluses reflect entirely the increase in production, or what has happened in recent years on the level of consumption by both animals and humans?

Mr. ELLENDER. I am coming to that in a moment, to show the utilization.

Mr. CURTIS. I am talking about domestic consumption.

Mr. ELLENDER. The production and utilization of corn by crop years are as follows: 1950–51 production, 2,764 million bushels. Utilization was 2,869 million bushels. There was a minus of 105 million bushels that we had to take from our surpluses and carryover.

In 1951–52 we were short 253 million bushels.

But beginning in 1952–53, and on down, we gradually increased the production of corn over and above our requirements.

We started that in 1952–53, when we produced 283 million bushels more than we consumed.

In 1953–54 we produced 150 million bushels more than we consumed.

In 1954–55 we produced 114,556,000 bushels more than we consumed. In 1956–57, 253 million bushels more. That is corn only, and does not include grain sorghums.

Mr. CURTIS. Let us consider corn. What was the consumption figure for the last year the Senator has the figure?

Mr. ELLENDER. The last year is 1960–61. That is 3,688 million bushels.

Mr. CURTIS. How would that compare with 5 years prior or 10 years prior?

Mr. ELLENDER. For 1955 it was 2,744 million bushels.

Mr. CURTIS. It has gone up.

Mr. ELLENDER. Yes.

Mr. CURTIS. But not as fast as the production.

Mr. ELLENDER. Not as fast as the production by any means. That is why there has been the accumulation.

Mr. AIKEN. Mr. President, will the Senator yield?

The PRESIDING OFFICER (Mr. METCALF in the chair). Does the Senator yield?

Mr. ELLENDER. I yield.

Mr. AIKEN. I think the latest figures from the Department indicate that for 1961 consumption was 3,983 million bushels.

Mr. ELLENDER. Was that production?

Mr. AIKEN. That is utilization. Tentative figures were given out, and I think they were corrected.

Mr. ELLENDER. That is the current figure.

Mr. AIKEN. For 1961; 3,983 million bushels utilization, 3,624 million bushels production.

Mr. ELLENDER. I was looking at the wrong figure.

Mr. AIKEN. Consumption exceeded production by some 350 million bushels.

Mr. ELLENDER. That was because of the emergency program. We have the emergency program, which cut back the feed grains some 280 million bushels or so. The result for corn and grain sorghums was a decrease of about 421 million bushels. That was due to the emergency program, which I pointed out a while ago cost in the neighborhood of $800 million.

Mr. CURTIS. Consumption of wheat did not go up, in spite of the increase in population, but remained about the same.

Mr. ELLENDER. I think the domestic consumption of wheat has been on a decrease, on a per capita basis.

Mr. CURTIS. The definition with respect to per capita consumption used in the tables includes exports?

Mr. ELLENDER. Yes. All uses are included.

Mr. CURTIS. I thank the Senator.

Mr. ELLENDER. Mr. President, the next table is table 14. It relates to the International Wheat Agreement. The figures are given for fiscal years 1950 through 1962. The cost has been $1-254,068,088. That is over and above the price supports I indicated a while ago, in relation to wheat.

Mr. CURTIS. Would the Senator explain how that cost or loss took place?

Mr. ELLENDER. We enter into a wheat agreement under which we agree to sell wheat at a certain level, not less than and not more than certain figures. We usually suffer a loss ranging from 45 to 70 cents a bushel. That is what has happened. Under the wheat agreement we have sold wheat in an amount between 150 and 250 million bushels.

Mr. CURTIS. In other words, to carry out our agreement to keep the world price stable the Treasury has to provide a cushion?

Mr. ELLENDER. The same thing as is done on exports.

Mr. CURTIS. It is quite similar.

Mr. ELLENDER. In any event, in 1950, 135 million bushels plus were sold under the agreement. The loss was $75 million plus.

In 1951, 265 million bushels plus were sold, and the loss was $180 million plus.

In 1952, 254 million bushels plus were sold, and the loss was $171 million plus.

I shall put into the RECORD the table showing the year, the quantity sold under the wheat agreement, and the losses sustained. As I have stated, the entire cost, including the estimate for 1962, is shown to be $1,254,068,088. We could add that to the losses sustained on price supports for wheat, and that would show a total of well over $3 billion.

Mr. President, I ask unanimous consent to have the table printed in the RECORD.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

International Wheat Agreement

Fiscal year	Quantity (bushels)	Net costs
1950	135, 186, 750	$75, 862, 450
1951	265, 778, 793	180, 145, 501
1952	254, 787, 626	171, 312, 221
1953	223, 703, 898	130, 786, 401
1954	118, 025, 100	58, 974, 972
1955	131, 567, 381	99, 718, 111
1956	123, 350, 130	92, 313, 014
1957	106, 633, 012	90, 071, 366
1958	105, 703, 391	82, 417, 662
1959	83, 518, 285	48, 303, 169
1960	103, 927, 558	66, 301, 557
1961	130, 036, 018	71, 530, 664
1962[1]	135, 000, 000	86, 331, 000
Total		1, 254, 068, 088

[1] Estimated.

Mr. AIKEN. Mr. President, will the Senator yield?

Mr. ELLENDER. I yield.

Mr. AIKEN. Is it not a fact that in the fall of 1961 the President announced an increase in the support price of wheat, ranging from 20 to 44 cents a bushel, depending upon the variety? Of course, that made it necessary to pay much higher export subsidies.

Mr. ELLENDER. That is true, but that was done to provide a level of income for the farmers, comparable to what they had the year before; in other words, not to decrease their income.

Mr. AIKEN. It was raised from about $1.79 up to $2 on the average.

Mr. ELLENDER. That is correct.

Mr. AIKEN. That naturally made a difference of probably $100 million or $200 million.

Mr. ELLENDER. Perhaps, but under the International Wheat Agreement in 1961, there were sales of 130 million bushels plus, and the loss was $71,530,664. In 1962, the estimate is that there will be 135 million bushels sold, and that the loss will be $86,331,000. The difference is not very much.

Mr. AIKEN. The bonus payment for the production of wheat accrued to a few States, and not to the wheat States generally, as I understand it.

Mr. ELLENDER. Mr. President, next I wish to present a table to indicate the costs of the conservation reserve program. Table 15 relates to the total conservation reserve program costs. It shows a total cost of $2,663,431,864. I ask unanimous consent to have the table printed in the RECORD at this point.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Total conservation reserve program costs

Fiscal year	Payments	Administrative expenses
Actual:		
1956		$156,482
1957	$18,547,355	11,211,510
1958	94,925,095	15,670,541
1959	141,888,534	16,153,220
1960	306,135,728	18,428,236
1961	350,574,224	12,350,895
Estimated:		
1962	$333,925,328	$12,500,000
1963	312,696,000	10,304,000
1964	299,078,000	
1965	203,417,000	
1966	157,384,000	
1967	152,110,000	
Estimated—Continued		
1968	131,867,000	
1969	117,030,000	
1970	43,095,000	
1971	750,000	
1972	8,600	
Total	2,663,431,864	96,774,884

Mr. ELLENDER. Mr. President, table 16 relates to the soil bank program. Figures are given for cotton, for rice, for tobacco, for corn and for wheat. The grand total on the acreage reserve program is $1,569,638,226. I ask unanimous consent to have the table printed in the RECORD at this point.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Soil bank—Acreage reserve program

	1956	1957	1958
Cotton (upland):			
Total acres in soil bank	1,121,151	3,015,630	4,925,957
Funds obligated for cost of acreage reserve	$27,336,091	$153,296,122	$270,207,669
Average cost per acre	$24.38	$50.83	$54.85
Rice:			
Total acres in soil bank	28,162	242,017	174,198
Funds obligated for cost of acreage reserve	$1,394,294	$15,466,625	$11,941,731
Average cost per acre	$49.51	$63.91	$68.55
All tobacco:			
Total acres in soil bank	32,502	79,701	110,618
Funds obligated for cost of acreage reserve	$6,633,018	$17,806,424	$26,516,210
Average cost per acre	$204.08	$223.42	$239.71
Corn (commercial area only):			
Total acres in soil bank	5,315,578	5,233,478	6,658,093
Funds obligated for cost of acreage reserve	$179,664,064	$196,417,873	$282,255,190
Average cost per acre	$33.80	$37.53	$42.39
All wheat (commercial area only):			
Total acres in soil bank	5,670,441	12,783,192	5,289,477
Funds obligated for cost of acreage reserve	$44,739,889	$230,851,526	$105,111,500
Average cost per acre	$7.89	$18.06	$19.87
Total	$259,767,356	$613,838,570	$696,032,300
Grand total		$1,569,638,226	

Mr. ELLENDER. Mr. President, table 17 shows "Production and Utilization of Wheat by Crop Year, 1950–61." I discussed that problem a moment ago. I ask unanimous consent that the table may be incorporated in the RECORD at this point.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Production and utilization of wheat by crop year, 1950–61

[Million bushels]

Year	Production	Utilization	Difference
1950	1,019	1,044	−25
1951	988	1,132	−144
1952	1,306	956	+350
1953	1,173	845	+328
1954	984	882	+102
1955	937	940	−3
1956	1,005	1,129	−124
1957	956	984	−28
1958	1,457	1,043	+414
1959	1,121	1,103	+18
1960	1,357	1,259	+98
1961	1,235	1,307	−72
1962 (special wheat program)	1,058		

Mr. ELLENDER. Mr. President, table 18 shows "Production and Utilization of Corn by Crop Year, 1950–61." I discussed that a while ago, and I ask unanimous consent that the table may be incorporated in the RECORD at this point.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Production and utilization of corn by crop year, 1950–61

[Million bushels]

Year	Production	Utilization	Difference
1950–51	2,764	2,869	−105
1951–52	2,629	2,882	−253
1952–53	2,981	2,698	+283
1953–54	2,882	2,732	+150
1954–55	2,708	2,594	+114
1955–56	2,873	2,744	+129
1956–57	3,075	2,822	+253
1957–58	3,045	2,997	+48
1958–59	3,356	3,302	+54
1959–60	3,825	3,563	+262
1960–61	3,908	3,688	+220
1961–62 (feed grain program)	3,624	3,983	−359
1962–63 (feed grain program)	3,518		

Mr. ELLENDER. Mr. President, table 19 shows "Production and Utilization of Grain Sorghums by Crop Year, 1950–61." I ask unanimous consent that that table may be printed in the RECORD at this point.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Production and utilization of grain sorghums by crop year, 1950–61

[Million bushels]

Year	Production	Utilization	Difference
1950–51	234	255	−20
1951–52	163	191	−28
1952–53	91	93	−2
1953–54	116	101	+15
1954–55	236	183	+53
1955–56	243	237	+6
1956–57	205	207	−2
1957–58	568	338	+230
1958–59	581	380	+201
1959–60	555	484	+71
1960–61	620	499	+121
1961–62 (feed grain program)	483	485	−2

Mr. ELLENDER. Mr. President, I point out that since hybrid sorghum has been developed, production has increased by leaps and bounds. As a matter of fact, production in 1960–61 was 620 million bushels, compared to an annual production of only 234 million bushels 10 years ago.

Mr. President, table 20 shows "Production and Utilization of Barley by Crop year, 1950–61." The figures are very interesting. They indicate some increases in some years with decreases in other years. The production of that commodity has been on an increase, but not as great as has been the case with respect to grain sorghums and corn. I ask unanimous consent that the table may be printed in the RECORD.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Production and utilization of barley by crop year, 1950–61

[Million bushels]

Year	Production	Utilization	Difference
1950–51	304	291	+13
1951–52	257	275	−18
1952–53	228	265	−37
1953–54	247	343	−96
1954–55	379	344	+35
1955–56	403	445	−42
1956–57	377	394	−17
1957–58	443	425	+18
1958–59	477	464	+13
1959–60	422	469	−47
1960–61	431	460	−29
1961–62	393	444	−51
1962–63	392	----------	----------

Mr. ELLENDER. Mr. President, the last table that I have, No. 21, relates to "Production and Utilization of Oats by Crop Year, 1950–61." I ask unanimous consent that the table may be printed in the RECORD at this point.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Production and utilization of oats by crop year, 1950–61

[Million bushels]

Year	Production	Utilization	Difference
1950–51	1,369	1,318	+51
1951–52	1,278	1,349	−71
1952–53	1,217	1,315	−98
1953–54	1,153	1,260	−107
1954–55	1,410	1,354	+56
1955–56	1,496	1,455	+41
1956–57	1,151	1,275	−124
1957–58	1,290	1,231	+59
1958–59	1,401	1,362	+39
1959–60	1,052	1,153	−101
1960–61	1,155	1,098	+57
1961–62	1,013	1,063	−50
1962–63	997	----------	----------

Mr. ELLENDER. Mr. President, I express the hope that Senators who are interested in the program will study closely those tables, and observe that $1 billion has been charged off by our Government.

These programs have been established in good faith in the hope that there would be some improvement in our farm situation. I voted reluctantly for the soil bank program. As I indicated, that program cost us in excess of $2 billion. The acreage reserve program, that is, the soil bank, cost far more than $1.5 billion. And yet today we are confronted with more and more production.

As I have said, I hope that Senators will not argue on the bill too long. There is no necessity for us to spend another week considering the bill. I think the issues are very clear. I express the hope that the wheat provision of the bill, as presented by the committee, will be adopted. That will be a step in the right direction. We will at least correct the evils of another commodity.

As I have pointed out in the past, we have taken action with respect to cotton and rice. Although the production of those two commodities is in line with the requirements, I admit that still it is costly. I wish we could do something to decrease the program cost of even those commodities. But the Secretary of Agriculture has the tools available to him with which further to decrease the price supports of those commodities if he chooses to do so. All I am asking is that the same thing be done with respect to corn and other feed grains.

I repeat what I have said on many other occasions. It does not make sense for us to promote the production of commodities that we do not need, particularly when it is so costly to do so, and at a time when we are trying to find ways and means to reduce expenditures of the Federal Government. It strikes me that if a realistic approach were made to the pending measure and the proposals I have made in an effort to reenact the feed grain section or title that the Senate agreed to in May, it would go far toward correcting the evils that exist in that program. But, I repeat, I am bowing to what some of my friends have been telling me, that we would have a hard time persuading the House to adopt that program. So let us try to adopt an alternative. The alternative that I propose to the Senate would merely extend for another year the emergency program on the production of corn and other feed grains, and repeal the 1958 law as it affects corn. That would permit the production of corn and other feed grains in limited quantities at a fixed price support.

As chairman of the committee, I promise that next January I will get on the job again and try to do all I can in order to make possible the adoption of a realistic program affecting corn and other feed grains, as well as dairy production.

Mr. CURTIS. Mr. President, will the Senator yield?

Mr. ELLENDER. I yield.

Mr. CURTIS. The distinguished Senator from Louisiana has been very diligent, not only this year, but throughout the years, in going into questions of agriculture. He is always very courteous to other Senators. I thank him for it.

Does the Senator have a figure or an estimate of what the net annual cost to the Government is to support agriculture?

Let me explain what I mean by "net cost." Many confusing statements are issued. We appropriate money for the REA. It is loaned and is ultimately paid back. The loaning of that money is counted as an expenditure, and when it comes back it is counted as a receipt. I am not advocating the so-called dual budget. Also sometimes in listing expenditures under support loans, there is listed as an expenditure the entire amount of loan to the farmer to support the prices of commodities, while the actual net loss or cost to the Government is not shown. Does the Senator have an estimate of what is being spent to support agriculture, from the standpoint of net cost?

Mr. ELLENDER. Does the Senator mean our support program, our subsidies abroad, and also——

Mr. CURTIS. I mean everything, from our assistance to foreign countries to extension work. How much do we spend on agriculture?

Mr. ELLENDER. If the Senator includes all of that, I do not have the figures available. But according to the budget estimates, our program in agriculture would normally cost, with all price supports that I have been arguing about today, in the neighborhood of $2 billion.

Mr. CURTIS. $2 billion a year?

Mr. ELLENDER. Just about. The total price support program for 1961, including all sales, and the amounts given under various programs, was $2,307,426,492.

Mr. CURTIS. That is the net figure?

Mr. ELLENDER. Yes. The other programs, such as soil conservation——

Mr. CURTIS. The soil bank?

Mr. ELLENDER. The soil bank is not included in that figure. As I pointed out, that pertains to the total price support programs. As I pointed out a while ago also, we entered into the soil bank program in the hope that we could take enough land out of cultivation so that we could save the Government money in storage.

Mr. CURTIS. I raised some questions about that program at the time it was considered, as I believe the Senator from Louisiana did also.

Mr. ELLENDER. I did, too. But I was willing to make a try at it, as the Senator probably was, too. As I pointed out, the soil bank program cost in excess of $2 billion. Those are costs that were actually lost by paying the farmers not to plant.

If we had not had the soil bank program, the chances are that the increases in surpluses of wheat, corn, and other crops might have been greater than what they are now and would have cost a good deal more than the present program.

Mr. CURTIS. What I am asking for, I do not expect at this time. I merely make the suggestion that somewhere along the line either the staff of the Committee on Agriculture and Forestry or possibly the staff of the subcommittee of the Committee on Appropriations that handles the appropriation should make an analysis of the net cost of what we are spending on agriculture.

I believe it would be helpful to the Senate to be able to look at such a figure, rather than continually to be engaged in patchwork and a piecemeal attack on the problem, and I feel it would be helpful to look at the whole picture, to see what someone may be able to bring up to put the whole operation on a basis that would be much less costly.

Mr. ELLENDER. Well, I should like to say to the Senator that I believe the figures are available, and that they could be obtained very readily.

Mr. CURTIS. It could be done.

Mr. ELLENDER. Without question, it is a matter of adding them up, I suppose.

Mr. CURTIS. I thank the Senator. I am sure there is a great deal of information available.

Mr. ELLENDER. However, I might point out what I have already stated on many occasions, particularly when former Secretary of Agriculture Benson came before our committee prior to becoming Secretary of Agriculture. He indicated a loss to the Government in excess of $15 billion. What he took into consideration was REA and many other programs that paid back to the Government. He even had the soil conservation program included. We proceeded to get the figures, to show the cost of the support price program, which was the subject at issue at the time.

Mr. CURTIS. I am talking about the whole program of agriculture—exports, and support price, and soil bank, and the whole thing.

Mr. ELLENDER. If the Senator will look over the tables he will get the answer to practically all his questions.

Mr. CURTIS. I am sure it will be helpful. I thank the Senator.

Mr. ELLENDER. Unless the Senator wishes to ask further questions, I yield the floor.

Mr. CARLSON. I shall speak briefly, Mr. President, on this subject. The distinguished Senator from Louisiana [Mr. ELLENDER], as chairman of the Committee on Agriculture and Forestry, has certainly demonstrated not only his knowledge but also his great interest in agriculture. I appreciate very much the statement he has made this afternoon on the floor of the Senate. I also appreciate the fact that he is suggesting that we have a voluntary continuation of the present program for feed grains and wheat for 1 more year on a voluntary basis.

I wish to discuss the voluntary feed grain program. As the chairman has stated, he realizes the difficulty of securing approval of a mandatory feed grain program. I am opposed to it. I do not believe we need a mandatory feed grain control program at this time. After 1 year's further study of the program and its operation, we may decide that we do not need it at all. Therefore, a 1-year program will be helpful. According to Prof. Francis A. Kutish of Iowa State University:

> For the first time in 9 years, feed grain utilization in 1961-62 will exceed feed grain production.

FEED GRAIN STOCKS TO FALL 28 PERCENT

Mr. President, the July "Feed Situation" just issued by the Department of Agriculture reports that carryover stocks of feed grains will drop by 12 million tons, the equivalent of 425 million bushels of corn, by the close of this marketing year, September 30. Domestic feed grain utilization and exports are both setting new records. Total feed grain disappearance this year will be greater than production in any year except 1960. And further modest increases in utilization are expected next year because of our large livestock population and our current high rate of grain feeding.

Based on July crop production prospects, total utilization in the coming feeding year, 1962-63, may exceed production as much as in the current year. This would result in a further reduction of 12 million tons or 425 million bushels of corn—a total reduction of 28 percent in carryover stocks in 2 years.

Mr. President, this is indeed a happy prospect. The feed grain growing weather in 1961 was the most favorable on record leading to a 13-percent increase in corn yields per acre over 1960, offsetting much of the acreage reduction achieved by the voluntary feed grains program. After the bumper 1961 yields to feed grains were harvested, however, the Department of Agriculture estimated total disappearance would exceed production by 7 million tons and carryover at the end of the year would be reduced by that amount. In May they found utilization was running so high that carryover stocks would be reduced by 10 million tons or 360 million bushels of corn. And now in July they have again revised their estimates indicating the carryover will drop by the 12 million tons mentioned earlier.

THE 1962 VOLUNTARY PROGRAM RESULTS REASSURING

Probably all of my colleagues in the Senate have been concerned, as I have been, that the effectiveness of a voluntary program would decline because of a drop in participation and as a result of increased plantings by nonparticipants. It is reassuring that participation in the voluntary feed grains program in 1962, contrary to expectations, is higher than it was in 1961. And the Government report just issued states:

> Farmers planted about 5 million acres less feed grains this year than last, bringing total feed grain acreage down to the lowest level in more than 60 years.

This statement indicates that increased plantings on the part of nonparticipants have not offset the acreage adjustments made by the participants. Studies also have been completed which indicate that the cooperators in the 1961 program did not apply more fertilizer on their reduced acreages.

Mr. President, I have the highest regard for the distinguished chairman of the Committee on Agriculture and Forestry, the Senator from Louisiana [Mr. ELLENDER]. I know he has studied the problems of American farmers for many years. It is my understanding that when the farm bill comes before the Senate in the next few days he plans to move that mandatory feed grain controls be again substituted for that section of the committee bill which provides for a continuation of the current successful voluntary program. In view of the facts just reviewed I believe it would be a mistake for the Senate to take such action.

It now appears that carryover stocks of feed grains will be reduced from 84.7 million tons last fall to 61 million tons as a result of 2 years of the voluntary program. This reduction will be achieved in spite of the best feed grain growing weather on record in 1961 and 1962. Feed grain utilization will have reached a level in 1962-63 higher than the production in any single year on record. Even though the weather continues to be unusually favorable, a third year of the voluntary program may reduce carryover stocks to less than 50 million tons or a third of a year's supply. There is substantial agreement that carryover stocks of 35 to 50 million tons should be maintained as a national reserve against emergencies. Needed further reductions in stock after a third year of a voluntary program should be very small or none at all.

The distinguished chairman of the Committee on Agriculture and Forestry urges the adoption of a mandatory feed grains program in order to reduce Government costs. In view of this latest information, however, a much smaller adjustment will be needed in feed grain acreages after 1963, for then carryover stocks will approximate desirable levels. Hence Government costs can be reduced substantially under a voluntary program.

Mr. President, there is another important consideration. Weather investigations carried on by Iowa State University indicate that unusually favorable weather has contributed substantially to the high corn and grain sorghum yields in each of the years since 1957. This unusually favorable weather will not continue indefinitely.

In my own State of Kansas in the past 15 years the production of corn has varied from 32 to 90 million bushels and the production of sorghum grains has varied from 11 to 168 million bushels. Feed grain yields have been excellent in Kansas for several years now but yields could be more than a half lower next year.

The Christian Science Monitor in a recent article entitled "Grain Surplus Questioned" points out that utilization of feed grains has been increasing as rapidly as yields since 1958. What would happen if we should encounter a series of years in which the weather was as unfavorable as it has been unusually favorable since 1957? I ask unanimous consent that the article be reprinted in the CONGRESSIONAL RECORD at the close of my remarks in order that other Membes of the Senate may read it.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

GRAIN SURPLUS QUESTIONED

(By Dorothea Kahn Jaffe)

CHICAGO.—Everybody talks about farm surpluses, but is the Nation really producing too much corn and other feed grains?

"For the first time in 9 years, feed-grain utilization in 1961-62 will exceed feed-grain production," forecasts one agricultural economist, Prof. Francis A. Kutish, of Iowa State University.

Consumption appears to be catching up with production of this crop, even though new surpluses are appearing in others. The American Farm Bureau Federation calls the increased utilization during the late 1950's "truly phenomenal in the light of the record for the early years of the decade."

RISING USE EXPLAINED

The Farm Bureau, a supporter of the Agricultural Act of 1958, attributes continued increased utilization to the reduction in corn price supports which the act brought about. It calls attention to the fact that accumulation of stocks has greatly lessened since its enactment, stating that 75.9 percent of the corn carryover on hand on October 1, 1961, was accumulated before 1959 when the act went into effect.

It comments: "If utilization had increased as rapidly in the 6 years prior to 1956 as it has in the 5 years since, there would be no corn surplus."

FIRST STEP TAKEN

Professor Kutish, who sees supply and demand for corn coming into approximate balance this fall, amplifies his statement in a report published by the Center for Agricultural Adjustment at Iowa State. He credits the improved situation to the 1961 feed grain program.

"The first step has been taken in orderly reduction of our bulging feed grain surpluses and in the halt in the downward trend in farm income," he writes. "Feed grain stocks on October 1, 1962, will be about 9,700,000 tons less than on October 1, 1961—after steadily climbing since 1952."

Actually, about 42 percent of the feed grain farmers chose to participate in the 1961–62 program which gave them price support on condition that they withdraw at least 20 percent of their feed grain cropland from production.

LAND WITHDRAWN

This voluntary participation resulted in a withdrawal of 25,200,000 acres from national production, Professor Kutish noted. True, many farmers who did not agree to comply raised more corn than before, but even allowing for this trend, says Mr. Kutish, the country's total land planted in feed grains was reduced about 20 million acres. This obviously acted as a check on production, along with other land-retirement programs which have been in effect since 1956.

Of course there have been important forces working at the same time to increase output per acre. Advancing farm technology is one. Increased use of fertilizer is another. And farmers who participated in the programs naturally wtihdrew their least productive acres, causing their average yield per acre to go up. Weather, too, entered the picture.

INCREASED YIELD SEEN

Because so many variables are involved, it is risky to forecast trends. Different economists taking the risk, foresee different outcomes for 1965. Professor Kutish, assuming normal weather and continuation of the present program, puts the average yield for 1965 at 62.9 bushels per acre, only about 1 bushel higher than last year.

But he notes that George Brandow, of Pennsylvania State University, predicts 65.1 bushels per acre in 1965, or 3.3 bushels above the present average. Others, however, foresee lower productivity, one economist putting the figure as low as 55.5 bushels.

USE FOLLOWS YIELD

The lowest estimate is still relatively high. The 1950–59 average yield per acre for the United States was only 44.1 bushels. In 1961, the figure had jumped to 61.8 bushels. Professor Kutish explains the striking rise as follows: "The feed-grain program with higher price supports limited to fewer acres provided an incentive for a faster rate of adoption of yield-increasing practices." Others may give different explanations.

But as yield goes up, so does utilization. Quoting Department of Agriculture figures, the American Farm Bureau Federation's July 16 newsletter says: "We are now consuming and exporting more corn than we have ever produced in a single year. * * * The big problem is the surplus that accumulated before the 1958 act became effective."

Mr. HICKENLOOPER. Mr. President, will the Senator yield?

Mr. CARLSON. I am glad to yield to the Senator from Iowa.

Mr. HICKENLOOPER. The Senator from Kansas has touched on an important factor that has been little noted in the present circumstances, and that is that reductions in feed grains probably in the main can be attributed to the fact that animals are being fed more grain, and that there is an increase in meat production in this country, and meat is in increased demand. The statistics show that there is a demand for fed-out animals—that is, for hogs and cattle, and other animals to be finished. There is a greater demand for that now than ever before percentagewise. When I speak of "fed-out" I mean finished animals. I believe this fact has been startingly responsible for the disappearance of a great deal of our feed grain stocks; perhaps more by far than any particular program which has been put into effect.

Mr. CARLSON. The Senator from Iowa is correct. The utilization of feed grain for the production of livestock products has increased greatly. As I said earlier, we have had some excellent weather conditions in the grain-producing areas during the past 5 years, which has resulted in this increase. In the State of Kansas in the past 15 years the production of corn has varied from 32 million to 90 million bushels. This favorable weather situation will not continue indefinitely.

Mr. President, I yield the floor.

Mr. ELLENDER. Mr. President, I send an amendment to the desk and ask that it be received and printed and lie on the table.

The PRESIDING OFFICER. The amendment will be received and printed, and will lie on the table.

Mr. HUMPHREY. Mr. President, earlier today I spoke to the chairman of the committee with reference to amendments not related to the price support sections of the bill. The amendments were adopted unanimously by the Senate during the earlier debate in May. Both amendments are declarations of the sense of Congress. I have asked the chairman if he will accept the amendments, and he is agreeable to doing so. I have again discussed them with the Republican members of the Committee on Agriculture and Forestry.

Since the amendments were unanimously adopted in the previous bill, I now offer them and ask for their immediate consideration.

Mr. ELLENDER. Mr. President, as I understand, the amendments are identical with the amendments adopted by the Senate in May.

Mr. HUMPHREY. Exactly; and they were unanimously adopted at that time.

Mr. ELLENDER. I have no objection to the adoption of the amendment.

The PRESIDING OFFICER. The first amendment will be stated.

The CHIEF CLERK. On page 94, after line 17, it is proposed to insert:

> SEC. 405. Congress hereby reconfirms its longstanding policy of favoring the use by governmental agencies of the usual and customary channels, facilities, and arrangements of trade and commerce, and directs the Secretary of Agriculture and the Commodity Credit Corporation to the maximum extent practicable to adopt policies and procedures designed to minimize the acquisition of stocks by the Commodity Credit Corporation, to encourage orderly marketing of farm commodities, though private competitive trade channels, both cooperative and noncooperative, and to obtain maximum returns in the marketplace for producers and for the Commodity Credit Corporation.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment was agreed to.

Mr. HUMPHREY. Mr. President, I ask that the second amendment be stated.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. On page 94, after line 17, it is proposed to insert:

> SEC. 406. It is hereby declared to be the sense of the Congress that the Secretary of Agriculture should, whenever he determines such action will result in more effective or more economical administration of this or any other Act administered by him, utilize the services and facilities of farmer owned and operated associations of producers, and accord such associations no less favorable treatment under any such Act than that accorded individual producers or farmers.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment was agreed to.

Mr. HUMPHREY. I thank the chairman.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Bartlett, one of its reading clerks, announced that the House had passed, without amendment, the following bills and joint resolutions of the Senate:

S. 1781. An act for the relief of the heirs of Lt. Col. James Murray Bate (deceased) and Maj. Billie Harold Lynch (deceased);

S. 2179. An act to amend section 9(d)(1) of the Reclamation Project Act of 1939 (53 Stat. 1187; 43 U.S.C. 485), to make additional provision for irrigation blocks, and for other purposes;

S. 2256. An act to amend section 5 of the War Claims Act of 1948 to provide detention and other benefits thereunder to certain Guamanians killed or captured by the Japanese at Wake Island;

S. 2574. An act for the relief of Constantina Caraiscou;

S. 2686. An act for the relief of Stepanida Losowskaja;

S. 2751. An act for the relief of Susan Gudera, Heinz Hugo Gudera, and Catherine Gudera;

S. 2862. An act for the relief of Mai Har Tung;

S. 3016. An act to amend the act of March 2, 1929, and the act of August 27, 1935, relating to load lines for oceangoing and coastwise vessels, to establish liability for surveys, to increase penalties, to permit deeper loading in coastwise trade, and for other purposes;

S.J. Res. 132. Joint resolution extending recognition to the International Exposition for Southern California in the year 1966 and authorizing the President to issue a proclamation calling upon the several States of the Union and foreign countries to take part in the exposition; and

S.J. Res. 179. Joint resolution authorizing and requesting the President to designate April 21, 1963, as a day for observance of the courage displayed by the uprising in the Warsaw ghetto against the Nazis.

The message also announced that the House had agreed to the amendment of the Senate to the bill (H.R. 10651) to amend title 28, United States Code, with respect to fees of U.S. marshals, and for other purposes.

The message further announced that the House had agreed to the amendments of the Senate to the bill (H.R. 3728) to amend title 38, United States

Code, so as to authorize the Administrator to assign a total rating for compensation to a veteran granted service connection for blindness of one eye who subsequent to separation from active duty incurs blindness in the remaining eye.

ENROLLED BILLS SIGNED

The message also announced that the Speaker had affixed his signature to the following enrolled bills, and they were signed by the Vice President:

S. 2020. An act to amend part IV of subtitle C of title 10, United States Code, to authorize the Secretary of the Navy to develop the South Barrow gasfield, Naval Petroleum Reserve No. 4, for the purpose of making gas available for sale to the native village of Barrow and to other non-Federal communities and installations, and for other purposes; and

S. 3428. An act relating to the appointment of judges to the municipal court for the District of Columbia, the municipal court of appeals for the District of Columbia, and the juvenile court of the District of Columbia.

AID TO HIGHER EDUCATION

Mr. KEATING. Mr. President, I wish to speak this afternoon about the aid-to-higher-education bill, and to make a suggestion which might possibly break the stalemate which has developed among the conferees with respect to the bill.

We got off to a fast start last winter on the proposed legislation. H.R. 8900 passed the House on January 30, and the Senate on February 6, just a week later. Many who felt that an aid-to-higher-education bill was vitally important had hopes then that a compromise version could be worked out quickly in the conference committee, but these hopes soon became mired in the spring mud, and now have wasted away to almost nothing. It took the House until May 9 to appoint its conferees and, 3 months later, there is still no word of any progress. We are not going to get any aid-to-education bill at all if the present rate of speed is maintained. Or, if something is agreed upon, it is almost certain to be so watered down as to be virtually useless in the face of an immense problem.

The Senate version of the bill authorized an extensive program of Federal scholarships to needy students, as well as loans for the construction of academic facilities. The House version provides for a program of construction grants and loans only, without any program of student aid. The House conferees are under strict instructions not to accept any program of Federal scholarships, no matter how hard the Senate may press. It is difficult to foresee any meaningful compromise coming out of this intransigency, but there it is.

On February 2 of this year, which was just before the Senate acted on the measure, in concert with the junior Senator from Vermont [Mr. PROUTY], who was the ranking member of the Subcommittee on Education, we proposed a substitute approach. We proposed increasing the funds now available for loans under the National Defense Education Act by the amount proposed for scholarships in that bill. We further proposed that up to 50 percent of such loans be forgiven for students in the top 25 percent of their class. We also urged that up to 50 percent of such loans be forgiven not only for students who teach in public schools, as is now the case, but also for those who teach in private schools or colleges. That was the gist of our position in February, and we suggested then that it was a viable compromise that should be thoroughly explored.

This approach has a number of advantages. It could become immediately operable through the NDEA loans now administered by the universities. There would be no need for 50 new and cumbersome State bureaucracies. As a loan program, it would operate at a substantially lower cost to the taxpayer without diluting the advantages of assistance to those in need of it. It would encourage the student to take the initiative in guiding the course of his education and providing the necessary funds. Only those who really wanted and were willing to work for an education would apply for such help. It would encourage students to enter teaching, which would benefit education at all levels.

And above all, as we pointed out at the time, this proposal had a chance of being acceptable to both Houses of Congress, whereas the program the Senate ultimately approved did not.

An expanded loan program would be the very best and most equitable way to insure that these young Americans have a chance to get a college education, not wholly free, but with substantial assistance and encouragement. It might take some of the scholarship burden off the colleges and at the same time it should certainly encourage more applications, and therefore presumably higher caliber students within the colleges. This amendment was constructed upon a realistic foundation, to meet the finest ideals of the American people—assistance to those in need, self-help wherever possible, personal initiative, and a respect for the ideals and ambitions of betterment which each new generation holds. It was, and is, a good idea.

Unfortunately, Mr. President, this Chamber did not see fit to accept our amendment, or even to give it more than minimal consideration on the floor. The real argument against it was "Give us all we want so we can bargain better with the House" or "Let us deal with NDEA loans separately in another bill." Neither that other bill nor the great bargain which was to be won has seen the light of day. Under the guidance of the House Rules Committee, the Senate language on scholarships went to a certain doom, and no substitutes have emerged.

The point now is that we need a higher education bill; yet it seems that the executive branch is going to let it slip out of its grasp, either from indifference or from unwillingness to consider this compromise which Senator PROUTY and I originally proposed. For that reason, I should like to bring the substance of the Prouty-Keating amendment once again to the attention of the Senate.

There is new talk of a compromise, in which this body would agree—at least, that is how it is stated—to give up its scholarship provisions and the other body would agree to drop its program of construction grants and loans in favor of the loan-only provision. It seems to me that this type of compromise would give up so much that virtually nothing would be left to satisfy either House. There would be no aid for students, and there would be only very meager aid for construction.

A much more sensible compromise would be to substitute for the scholarship provision the language of the Prouty-Keating amendment, providing for a strong program of loans to students under the existing National Defense Education Act, together with whatever arrangements the conferees can make on educational facilities.

Although this would not satisfy the maximum desires of the majority of either House, no conference report does—or they rarely do; and this one would satisfy at least the desire that some effective assistance, some realistic, constructive and worthwhile action, be provided in the field of education. This is the true spirit of compromise, the spirit upon which our constitutional Government is founded.

Mr. President, in suggesting this solution to our educational dilemma, I urge the majority party in Congress and the administration to declare themselves firmly for or against such a realistic program.

The defeat—or, rather, I should say the death by default—of this important legislation for aid to higher education will, it is true, be a defeat for the administration; but, more important, it will be a defeat for the people of the United States—a needless, wasteful, and tragic defeat for all the young men and young women who are not presently able to afford a college education for which they may be qualified.

That is why I urge the conferees to give most earnest consideration to the provisions of the Prouty-Keating amendment as an effective method of getting together on a higher education bill which can be approved and would be approved by both Houses of Congress. I have been advised informally that the other body would accept such a compromise; and I am sure it would meet with the favor of this body.

HUNGARY SHOULD BE ON THE UNITED NATIONS AGENDA

Mr. KEATING. Mr. President, Senate Resolution 377, submitted by the Senator from Ohio [Mr. LAUSCHE], expresses the sense of the Senate that the question of Hungary should remain on the United Nations agenda for the 17th session of the General Assembly. I was happy to join in sponsoring this resolution.

This year, as last year, there have been rumors that the Hungarian question may be dropped from the United Nations agenda, in the interest of improving the so-called atmosphere of the meeting. Mr. President, I am sure nothing would please the Soviet Union so much as to eliminate this issue—which reveals the true infamy of Communist imperialism—from the agenda. I am sure that the Communists would be overjoyed if we would agree not to bring up this question and not to discuss before the whole world the heroic resistance of the Hungarian people.

To eliminate this item from the United Nations agenda would most certainly be in the interests of the Communists, but it would with equal certainty not be in the best interests of the free world. However much the Communists object, however much they cry "cold war," and say we are "warmongers," the fact remains that we owe it to other free nations to bring up this point. We owe it to the world to make clear how little the Soviets really think of national independence, and what little regard they have for other nations, and even for their own pledged word when it suits them to act otherwise.

The Soviet treatment of Hungary in 1956 is an example, which the world must not be allowed to forget, of what communism is—tyranny—and how it survives—by brute force, for the Soviet invasion of Hungary demonstrated where the real threat to freedom and independence lies—not in the West, but in the aggressive designs of Soviet Russia.

I should like to take this opportunity to urge all my colleagues to support this resolution and to put an end to the recurring rumors that this vital and important question may be dropped from the United Nations agenda.

Mr. President, I yield the floor.

AGRICULTURE AND THE COMMON MARKET

Mr. HUMPHREY. Mr. President, on July 30 the six European Common Market countries put into effect a radically new tariff system on a number of major farm products. This action could have profound consequences on U.S. agricultural exports to the area. A system of variable import levies went into effect for grains, poultry, eggs, and pork. At a later date, rice will be added to the list of products subject to variable levies.

The variable levies are designed to equalize the price of imported products with the internal support levels established within the European Economic Community for the same commodities. In addition, imports from nonmember countries will be subject to a surcharge which is intended to give a preference to production within the market. During the transition period while the European Economic Community member countries move toward a uniform system of community prices, the system of variable levies will be applied by the individual member countries. At the end of the transition, one system of variable levies for each commodity will be applicable to all imports into the Community.

Mr. President, an article appeared on the front page of the New York Times July 30, 1962, under the heading "Trade Bloc Opens Its Tariff Gates." This headline is very misleading. It refers to steps taken by the European Economic Community to move toward a common agricultural policy and a common external tariff system on all agricultural imports. These decisions by the EEC do set in motion procedures which will result in the eventual elimination of all tariff and trade barriers between the member countries. They definitely do not mean the EEC has opened its tariff gates to third country suppliers, such as the United States. In fact, under the new system of tariff levies, tariffs on many temperate-zone agricultural products which the Community produces are likely to be more protective than under the old system. There is a danger, therefore, that the United States and other agricultural commodity exporting nations will suffer a decline in their exports to the European Economic Community, unless the regulations announced by the EEC are modified.

The system of variable levies poses a threat to exports of the United States and of other nonmember countries in several ways. First, it confronts traders with a situation fraught with uncertainty. The new levies will change with fluctuations in world prices, and could change daily. Since they are intended to prevent imported products from underselling domestic production, the variable levy system could lead to highly protectionist policies aimed at stimulating output within the Community. This is particularly true since France at present has the lowest agricultural commodity prices in the Community, and also the greatest potential for increasing production. It is true that French production of cereals and other major farm products will likely increase in any event, as a result of technological improvements. Substantial increases in French price levels would provide an additional powerful incentive for French farmers to increase production. Within the Community, French farmers will, of course, have a preferred position in supplying the market, and can, therefore, find a ready market for their increased output.

Another threat to U.S. trade in several agricultural commodities is posed by the system of so-called "gate" prices or minimum import prices established by the variable levy system. On poultry, for example, in addition to variable levies, the regulations provide for the establishment of a minimum import price. Supplies offered at prices below this minimum price are subject to an additional levy. Since U.S. agricultural exports are handled by the private trade, there would be no means for the United States to comply with these minimum import prices.

The regulations do not provide for the establishment of minimum import prices for grains. In this case, however, the possibility of a more pernicious development exists. In the normal "higgling" which takes place in grain markets, one trader who wishes to increase his sales will shave his prices slightly, in order to make his product more attractive than his competitors'. Under the system of variable levies which has been announced for grains, no trader could gain an advantage by reducing prices. If he reduced his price, and if his were the lowest offering price, he would simply increase the amount of the variable levy on all imports; and his position, in relation to that of his competitor, would remain the same. There is a danger, therefore, that the variable levy system could touch off cutthroat competition that would push grain prices downward.

It might be argued that the new variable levy system will be no more restrictive than the system of separate national tariffs, quotas, and other trade-restrictive devices previously in effect. It is true that quotas, grain-mixing regulations, and other nontariff trade-restrictive devices are scheduled to be removed; but the timetable for this to be accomplished is not established. In the meantime, traders are confronted with an uncertain situation which is bound to make trading in agricultural products more difficult.

Poultry, for example, has been changed from a fixed duty item to a variable levy item. Germany is our biggest poultry market among the Six. Previously U.S. exporters paid a fixed-bound duty and could plan their marketings accordingly. Under the new system, the levy is scheduled to increase substantially, and may vary from day to day. Instead of being able to compete for the German market on an equal basis, our exporters are now at a disadvantage compared with producers in EEC member countries. For poultry there are no compensating advantages through reductions in tariffs or improved access to other EEC member country markets.

The greatest danger in the variable levy system to the United States and other exporters, however, lies in the possibility of using the system as a protective device to encourage domestic production. The dangers will be even greater if the United Kingdom enters the Common Market under terms which make its external trade subject to existing Common Market regulations. If this should occur, $400 million a year of U.S. agricultural products which now enter the United Kingdom duty free or at relatively low duties will be subject to the highly protective duties of the Common Market.

To cite but a few examples, wheat and most feed grains now enter the United Kingdom duty free. The variable levies of the EEC subject those products to high duties. Our trade in lard with the United Kingdom amounts to $30 million per year where it enters duty free. Under EEC regulations lard is subject to a duty of 20 percent ad valorem and in addition to a gate price and variable levy.

The United States cannot afford to sacrifice its agricultural trade with an expanded European Economic Community. Representations are being made by the Department of State in collaboration with the Department of Agriculture at the highest levels in the EEC governments to the end of securing interim arrangements which will allow trade to be maintained. For the long run it is highly essential that the executive branch of our Government be provided with the tools authorized in the new trade legislation in order to bargain effectively with an expanded EEC for the maintenance of our agricultural trade.

Mr. President, I ask unanimous consent that the article from the New York Times to which I referred earlier be inserted at this point in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the New York Times, July 30, 1962]

TRADE BLOC OPENS ITS TARIFF GATES—COMMON MARKET TRIES NEW PRODUCT EXCHANGE SYSTEM BASED ON A SINGLE LEVY

(By Edwin L. Dale, Jr.)

BRUSSELS, BELGIUM, July 30.—Customs officers in the six European Common Market countries put into effect last midnight a radically new system of handling trade in farm products. Over the years ahead millions of farmers and traders inside and outside of Europe will almost surely feel the effects.

Probably the greatest crumbling of trade barriers in history took place at the stroke of 12. For grains, poultry, eggs, and pork, import quotas, minimum price regulations, and tariffs disappeared. In their place, the customs officers began to apply only a single control—a so-called levy that will be variable.

NO LEVY ON SOME ITEMS

The change applies not only to trade among the Common Market countries but also to imports from the outside world. The new levies can in some cases be changed daily, fixed at a level designed to bring the price of imports, no matter how low, up to the domestic price in the importing country.

Over the next 7 years, the levy on internal trade with the Community will disappear as price levels are gradually brought together, but it will remain for products from the outside.

Most controls also disappeared for fruits and vegetables at midnight, although tariffs will remain. There is no levy on these products.

The new system is complex, a point readily admitted in a news conference Friday by Sicco Mansholdt of the Netherlands, the Common Market commissioner in charge of agriculture. About 80 regulations have been required to put it into effect, and there will be many more when, within the next year, rice, beef, and dairy products are added.

But Mr. Mansholdt added that the 80 regulations "are not many when you consider that there are several hundred in effect in the individual member states."

An elaborate system of market reporting will feed daily information to the Commission here on the state of world prices.

The levy can be varied within 24 hours in such a way as to make sure imported grains or other products are not cheaper than domestically produced products. There will be a small preference under the system for Community-grown products.

There can be and is debate on whether the new system is dangerously "protectionist" from the point of view of outsiders, such as the United States. But two points seem clear.

NO MORE PROTECTION

First, it is certainly no more protectionist, and probably much less so, than the systems it replaces. This is true above all because quantitative import controls have been abolished.

Second, the fate of outsiders, as much under the old system as under the new, depends on how much production there is in the Common Market of France, Italy, West Germany, the Netherlands, Belgium, and Luxembourg. The Community is now a large net importer of farm products. It will continue to be so unless production rises faster than demand, and that would have been broadly the case under the old system as well.

Community production will vary according to technology, organization of the structure of farming, and, possibly most important, price.

Internal price policy has not yet been fixed, but it is quite possible that in France, in particular, any sizable increase over current price levels could bring forth a large increase in production. Yet France generally has the lowest prices in the Community, and every "averaging" process could only mean an increase in French prices.

This possibility, not the levy system itself, is viewed by most expert observers as the true "danger" to outsiders inherent in the new Common Market farm policy. But the one certainty is uncertainty; no one can foresee all the future ramifications of what is by any test a profound change.

In the case of nonfarm products, all quota restrictions have already been abolished and tariffs have been reduced by 50 percent on trade among the members. Tariffs will be eliminated by 1970 at the latest, possibly sooner.

A common tariff on the goods of nonmembers, broadly an average of the former national tariffs, is one-third in place, with the next third scheduled to start July 1, 1963. The new variable system is applicable only to farm products.

MEMORIAL TO JAMES MADISON—CHANGE OF REFERENCE

Mr. HUMPHREY. Mr. President, I ask unanimous consent that Senate Joint Resolution 119, now pending before the Senate Rules and Administration Committee, be rereferred to the Committee on Public Works.

The PRESIDING OFFICER. Without objection, it is so ordered.

AMENDMENT OF SECTIONS 10 AND 3 OF FEDERAL RESERVE ACT

Mr. HUMPHREY. Mr. President, I ask the Chair to lay before the Senate the amendment of the House of Representatives to Senate bill 1005.

The PRESIDING OFFICER laid before the Senate the amendment of the House of Representatives to the bill (S. 1005) to amend section 10 and section 3 of the Federal Reserve Act, and for other purposes, which was, on page 1, strike out lines 3 through 5, inclusive, and insert "That the ninth paragraph of section 10 of the Federal Reserve Act, as amended (U.S.C., title 12, sec. 522), is amended by striking out '$30,000,000' and inserting '$60,000,000'."

The PRESIDING OFFICER. The question is on concurring in the amendment of the House of Representatives.

The amendment was concurred in.

Mr. HUMPHREY. Mr. President, I ask unanimous consent to have printed in the RECORD, as an explanation of the amendment, a letter from the Chairman of the Board of Governors of the Federal Reserve System, William McChesney Martin, and a statement.

There being no objection, the letter and statement were ordered to be printed in the RECORD, as follows:

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, FEDERAL RESERVE SYSTEM, WASHINGTON,
OFFICE OF THE CHAIRMAN,
Washington, August 17, 1962.

The Honorable A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: It is understood from the chief of staff of your committee that you would like to have a report from the Board on the bill S. 1005, to amend section 10 and section 3 of the Federal Reserve Act, and for other purposes, which passed the House of Representatives on August 14, with an amendment.

As passed by the Senate, section 1 of S. 1005 would have repealed the ninth paragraph of section 10 of the Federal Reserve Act, which contains a provision limiting the aggregate cost that may be incurred by all Federal Reserve banks for branch bank buildings approved after July 30, 1947, to $30 million. The House amendment substituted for section 1 of the bill, as passed by the Senate, a provision increasing the aggregate cost figure of $30 to $60 million.

The Board would prefer the bill as passed by the Senate. However, in view of the urgent need for additional branch buildings which cannot be provided under the limitation in the present law, the Board hopes that your committee will give favorable consideration to the bill as amended by the House.

Sincerely yours,

WM. McC. MARTIN, Jr.

S. 1005—FEDERAL RESERVE BRANCH BANK BUILDINGS

S. 1005 is designed to make it possible for the various Federal Reserve banks to build branches at a number of locations throughout the country. It passed the Senate on August 23, 1961, after hearings before the Banking and Currency Committee (S. Rept. 737, 87th Cong.), and it passed the House with an amendment on August 14, 1962.

Section 10 of the Federal Reserve Act prohibits the construction of branch bank buildings in excess of a cost of $250,000. An exception for construction approved by the Board of Governors, up to a total of $10 million, was inserted in 1947, and the figure was raised to $30 million in 1953. Twenty-eight million dollars out of the $30 million has now been expended, and a number of new branches are needed.

The Senate version of the bill would remove the $30 million ceiling entirely. The House version of the bill would increase the $30 million ceiling to $60 million. According to Federal Reserve Board estimates, this increase should be ample to cover the next 10 or 15 years.

CUSTOMS AT NEW YORK CITY

Mrs. NEUBERGER. Mr. President, I am glad the junior Senator from New York [Mr. KEATING] is in the Chamber, as I would like to call his attention to some comments I wish to make in regard to the treatment of travelers arriving at the docks at New York City. Perhaps this matter should be taken up with the Representative from New York who represents that area, but on August 8 I inserted in the RECORD some material bearing on the subject "New York Customs A Disgrace." It has annoyed Mr. Nichols, commissioner of customs, so that he has written me to explain that it is not the fault of the customs department, but the New York Dock Commission. He makes the statement that "We have pleaded for years with the officials of the city of New York to improve conditions for incoming travelers."

I pointed out in my communication with him that we never hear any complaints about people arriving by air. Somehow or other, it seems possible to handle such incoming passengers and travelers with the least difficulty.

My own opinion is that this letter from Mr. Nichols does not quite excuse our customs people, because some of the complaints are based on the fact that people are left sitting with their luggage, and the customs officials go off and have lunch, or, if it is a cold day and frigid winds are whipping through the open docks in New York, they go in and warm themselves and come back when they feel like it.

I made a complaint that the travelers cannot even speak with persons who speak their language, such as French or German, in order to help them out. We know, from our own experience in going to European countries, that adequate provision is made there to help nonnationals by having personnel there who speak their language.

I do not know whether we should throw up our hands, as the U.S. Commissioner of Customs seems to indicate he almost has, about what to do with the greatest city in our country, New York City, where the great bulk of travelers come into our country.

Everybody admits that the situation complained of has existed for years Is it possible for someone to correct the situation?

I should like to have any comments the Senator from New York would care to make.

Mr. KEATING. Mr. President, I appreciate the action of the distinguished Senator from Oregon in calling my attention to this situation. I have received similar complaints. There is a certain responsibility on the part of the customs officials, and also on the part of the New York City port authorities.

I shall be very glad to call to the attention of the officials of the city of New York, insofar as I may have any weight with them, the objections which have been raised.

Is it the intention of the Senator from Oregon to include the letter of explanation from the collector of customs in her remarks?

Mrs. NEUBERGER. I think parts of the letter are not pertinent. I have already put some material in the RECORD.

Mr. KEATING. If there is enough in the RECORD to give the background of the complaint which the Senator has made, I certainly shall be happy to take it up. The situation she describes has existed for many years. There have been some other serious problems in the city of New York which have existed for years without much improvement, but I hope I may be helpful in trying to improve this particular situation.

Mrs. NEUBERGER. On August 8 I put some material in the RECORD on this subject. I think it is pertinent, now that we have established a travel agency, to develop an interest on the part of other people to come to this country. Since most of them arrive in New York City, we would like to be helpful to them. The fact that this condition has existed for years would indicate that pretty soon the Federal Government will have to step in and protect the interests of travelers coming to this country. I would think the city itself would rather take care of the situation.

Mr. KEATING. The Senator is correct. We passed a bill to encourage tourists to come to this country. It is discouraging to them when they come here and, due to some administrative snafu, either on the part of the customs people or the city of New York people, are made to wish that they had not come. I believe we should also have receptionist services at the piers so foreign visitors will feel more welcome when they arrive.

Mrs. NEUBERGER. I think the Senator from New York will agree that every taxpayer in this country has a very great interest in New York in the coming years, since Congress has voted money to construct a building in New York at the fair, which I assume is going to attract foreigners as well as Americans; and we hope they will be given the most courteous treatment and the greatest help it is possible to give them after they get here.

Mr. KEATING. I think the Senator from Oregon deserves commendation for calling attention to this condition. It is something which needs to be looked into. We expected and hope to have even greater demands on the facilities of the port of New York in the next year, or the next 2 or 3 years as regards more tourists coming to the United States.

I shall take it upon myself, as suggested by the Senator, to take this question up and make the strongest possible representations to the appropriate officials of the city of New York with regard to it.

Mrs. NEUBERGER. I am sure everyone will appreciate that.

IN DEFENSE OF POLITICIANS

Mrs. NEUBERGER. Mr. President, the Pendleton East Oregonian has reprinted a speech by a member of the Capitol press corps, Mr. A. Robert Smith.

Mr. Smith reports regularly to a number of Oregon newspapers, and is now visiting in our State. From his seat overlooking the Senate floor this able correspondent has observed the Senate, and his report shows sympathetic understanding when he says, of campaign chests:

> We should lift the onerous burden of forcing every honest, well-intentioned public man from going, hat in hand, before election.

Mr. Smith discusses the problems which Senators have, not always realized by the public. I ask unanimous consent that excerpts from his comments may be printed in the RECORD.

There being no objection, the excerpts were ordered to be printed in the RECORD, as follows:

> Politicians are a fascinating breed of human being. Most of them are extroverts; they like people and are in turn likable. And most of them are as honest, both morally and intellectually, as a cross section of our private business and professional community. Yet politicians absorb a good many knocks, often unjustly.
>
> I rise today to the defense of politicians because I believe we can no longer afford the double standard of winking at or hiding questionable practices or outright wrongdoing in private life, while expecting perfection in public life. Over the years newspapermen have touched off a good many exposés of corruption among public officials; but all too often corruption in private life is impossible to disclose unless it gets into court. As sovereign citizens who delegate the responsibilities of governing to a collection of elected citizens, we cannot expect these special elected citizens to be supercitizens who never submit to the same temptations which confront the rest of us. My point is not that we should be softer in our insistence on honesty and high morality in government, but that we should be tougher in insisting upon it in our society at large.
>
> We need to do this for a host of reasons, for I believe that our democratic way of life is in for a monumental test in the years ahead—not because of the challenges from outside our Nation but because of those from within. I don't mean to minimize the challenges from abroad—but we have demonstrated a heartening capacity to unite in meeting these challenges.
>
> However, the challenges from within divide us as a people, often violently. To a great extent these have erupted out of the ferment of rapid social change. I went to Philadelphia this last Fourth of July, and I say without shame that I got tears in my eyes standing in Independence Square seeing the President and the Governors of all the States all on the same platform, honoring the faith of those farsighted men who 186 years before had launched this great experiment in self-government.
>
> That historic political experiment is still going on, and whether it succeeds or fails will depend increasingly upon the quality of life we are willing to fashion as a vast community of people. For our generation is experiencing the pressures of vast change.
>
> 1. The first of these changes is our expanding population. The average Congressman today represents nearly a half million citizens; the average Senator several million. In an entire lifetime of public service, these men could not possibly meet and become acquainted with more than a tiny fraction of their constituents. And so we have a widening gap between the people and their elected representatives. This fosters a sense of remoteness, a willingness to shrug our shoulders and let someone else do it.
>
> 2. The second great change is the shift from a rural to an urban society. This is more pronounced in the East, but throughout the land the balance of power is shifting to the cities. Senators and Governors, more and more, will have to appeal to the voters of the large cities of their States, otherwise they cannot hope to win Statewide elections. Every presidential contender will have to win in the great urban centers where States are won or lost. Power is gravitating to the cities.
>
> 3. The third significant change is the growing centralization of governmental authority in Washington. Whether you approve of this trend or damn it at every opportunity, the fact is that it is a profound influence—and we must reckon with it rationally. It seems to me the relevant concern of all of us is whether or not the Federal Government is going to continue to be responsive to a majority of our citizens. I believe the Government must play an active role and not leave us individually at the mercy of big business, big labor, and big agriculture. Today I believe the Government is too often

the instrument of one or the other of these strong economic forces, depending upon which party is in power.

4. The fourth great change is the growing militancy of Negroes who have received enough lipservice to individual freedom and equality. It has been 100 years since the Emancipation Proclamation, and the new generation of Negroes—the young intelligentsia—think it is high time for a complete desegregation proclamation. The Negro feels this, as well as just thinking it, because chances are he lives in a black ghetto, or at best an older neighborhood recently abandoned by white residents as soon as the first Negro cracked the color line down the block.

If you are a Senator or a Congressman, you look out across your desk at a society, a constituency, which is in ferment as a consequence of these changes. Billie Sol Estes, the race for the moon, and the prospect of worldwide television may intrigue us more—but these changes I speak of have a more profound and lasting effect.

As a Senator you would have to deal increasingly with organized groups instead of individual citizens. Sometimes these groups are quite benign and selfless; but on other occasions they exert crushing pressure upon you. They know that a Government decision for or against them can be decisive—and they expect you to line up on their side.

These pressure groups hold two major weapons at your head: one is that their members may vote for or against you; the other is they may give or withhold sizable sums for your next reelection campaign. You believe, as every Senator does, that your next campaign may be close. Dare you risk alienating these votes? Dare you risk drying up this source of campaign funds?

These, I believe, are the realities forced upon every public man by the changes of population growth, the remoteness of his constituents, and the power vested in Washington. The risk of alienating voters always confronts an elected official, and it always should if they are to remain responsive to local wishes. But the money factor is dangerous—and we should hasten to remove it.

We should lift the onerous burden of forcing every honest, well-intentioned public man from going, hat in hand, before election time to the powerful economic groups who constantly solicit his support. Instead, he should be absolutely independent of them. It is not the politician's fault that he must spend vast sums in an election campaign. Much money is wasted just trying to get your attention—ads in the newspapers, spot announcements on radio and TV, bumper strips, leaflets and sound trucks and skywriters. All this is expensive.

I think most citizens would be shocked if they knew how much money must be raised for a successful campaign—and where that money comes from. Much of it comes from business executives and labor leaders, a trend which becomes more and more pronounced. These contributors are not all public-spirited benefactors. Most of them have an angle they want protected—and they consider it a sound investment in protection to help elect a Senator.

This is a complex subject, but in short I think if our Members of Congress are going to have the opportunity they deserve to render courageous and independent judgments, they must be freed of this financial bondage through one method or another, even if it means creating a Federal fund from which campaign expenses might be met. I would prefer that all citizens meet this responsibility directly, by making modest campaign contributions; and that TV stations grant quantities of free time for debates or discussions of issues by the candidates. But somehow we must give our elected officials the opportunity to be as honest as we expect them to be.

THE COST OF THE ADMINISTRATION OF JUSTICE

Mr. CAPEHART. Mr. President, I would like to bring to the attention of the Senate a matter which has been brought to my attention, one which seriously affects the administration of justice, the cost of the administration of justice, and what may be a frustration of the intent of Congress as clearly expressed in a recently enacted statute.

I refer to a law which was signed by the President on July 28, which created a new judicial district known as the middle district of Florida. I would like to recite a chronology of events which clearly indicate that the Department of Justice is attempting to do indirectly that which the statute forbids directly.

Pending in that district, at the time of the enactment of this law, was a trial covering alleged violation of the mail fraud statute. This matter had been before that court since November 1960. The original indictment was dismissed and in October 1961 a second indictment was returned which was set for trial on October 15, 1962. It appears that one judge of the existing southern district of Florida has been actively in charge of this litigation for more than a year and a half. Numerous motions have come before him and have been cited by him. He has conducted pretrial conferences in connection with this case scheduled for trial on October 15, 1962. The attorneys for the defendants have spent thousands of hours collectively in the preparation of this case, and undoubtedly the Government has spent an equal, if not a greater amount, of time in preparation of this case. Three hundred thousand exhibits have been examined by attorneys for either side of the controversy. Hundreds of witnesses have been interviewed. The Department of Justice, as well as the Postal Inspection Office of the Post Office Department has spent many countless hours in preparation of the case. It now appears that unbeknown to the judge to whom the case had been assigned, the trial may not take place as scheduled or before the judge presiding over this trial.

The case has been removed from the docket resulting in what may be an indefinite postponement of the case which was scheduled to come to trial on October 15 and may result in the transfer of the case to another district other than the one in which the case is presently pending, despite the express provisions of the statute set forth in title 18, section 3240 of the United States Code Annotated which reads as follows:

> Whenever any new district or division is established, or any county or territory is transferred from one district or division to another district or division, prosecution for offenses committed within such district, division, county, or territory, prior to such transfer, shall be commenced and be proceeded with the same as if such new district or division had not been created, or such county or territory had not been transferred unless the court, upon application of the defendant, shall order the case to be moved to the new district or division for trial.

The order setting aside the case by the district judge arose under peculiar circumstances to say the least.

On August 1, 1962, before the judge presiding in the District Court of the United States for the Middle District of Tennessee, a special assistant to the Attorney General stated in effect that there would be an order entered in the Orlando proceeding deferring the case. None of the counsel for the defendants were aware of the pendency of such an order. On August 6, 1962, Chief Judge Simpson in the southern district of Florida did enter an order, removing all cases from the docket in the southern district that were scheduled to be tried after October 2, but not to be completed prior to October 28. Pursuant to this order, this case was removed from the docket.

The inference is inescapable that consultation had occurred between the Department of Justice attorneys and the court's so that the special assistant to the Attorney General could predict with such amazing accuracy that such an order would be entered.

Among the reasons stated by the Department of Justice attorneys on August 1 was that there would be some jurisdictional and administrative problem caused by the creation of the new district. That such a statement is frivolous is made manifest by the fact that this Congress has, by its act, provided adequately for the creation of the new districts in the Federal courts.

Title 18, section 3240, of the United States Code, referred to above, has been construed many times by the courts and the courts have uniformly held that Congress meant what it said when it provided that the prosecutions for offenses committed within such districts should be "proceeded with the same as if such new district or division had not been created." The manifest purpose of this provision was to provide for orderly administration of justice, for affording defendants and litigants for speedy trials, as well as the orderly adjudication of their disputes.

The effect of the existing order is to put litigants to the expense involved in reinterviewing witnesses for trial, in repreparation of cases that have already been prepared, the loss of the time already consumed in the cases. The assignments to a new judge would mean that the judge would have to reacquaint himself with the very complex legal questions which have already been analyzed by the new presiding judge.

Serious charges have been made concerning the "over-reaching" by attorneys representing the Department of Justice in this matter; that the chief judge of the Fifth Circuit Court of Appeals had been contacted by Justice agents in an effort to influence the rescheduling of this trial. The surrounding circumstances of this case call for immediate investigation by the Senate Judiciary Committee.

FOOD AND AGRICULTURE ACT OF 1962

The Senate resumed the consideration of the bill (H.R. 12391) to improve and protect farm income, to reduce costs of farm programs to the Federal Government, to reduce the Federal Government's excessive stocks of agricultural commodities, to maintain reasonable and stable prices of agricultural commodities and products to consumers, to provide adequate supplies of agricultural commodities for domestic and foreign needs, to conserve natural resources and for other purposes.

Mr. HART. Mr. President, I submit an amendment to H.R. 12391 and ask that it be printed and lie on the table.

The PRESIDING OFFICER. The amendment will be received and printed, and will lie on the table.

Mr. HART. The amendment was agreed to at the time the Senate passed the original farm bill some months ago. The justification for it, for those who are interested, is more fully set forth on page 9323 of the RECORD.

"UNITED STATES-LATIN AMERICAN RELATIONS"—BACKGROUND PAPER BY ROBERTO D. OLIVEIRA CAMPOS

Mr. McCARTHY. Mr. President, on August 6 Brazil's Ambassador to the United States, Roberto D. Oliveira Campos, addressed the Council on World Tensions at the University of Bahia. His background paper on United States-Latin American relations, I think, is one of the most thorough and worthwhile studies I have seen as to the historical relationships between the United States and the countries of Latin America. It also contains very pertinent comments on some of the current common problems facing the United States and the countries of South America.

The ideas expressed in the paper represent the personal opinions of the author and do not necessarily conform to the views of the Brazilian Government. I might also note that they do not necessarily conform to my own views with respect to all the problems of Latin America, but I think the study contains much which will be of interest and value to all Members of the Senate. Therefore, I ask unanimous consent that it may be printed in the RECORD at this point.

There being no objection, the paper was ordered to be printed in the RECORD, as follows:

UNITED STATES-LATIN AMERICAN RELATIONS

(An analysis of relations between the United States and Latin America from the Monroe Doctrine to the Alliance for Progress and of the sources of tensions in the hemisphere [1])

INTRODUCTION

This paper purports to analyze tensions, political and economic, that have arisen in the relations between the United States and Latin America from the period of the Monroe Doctrine to the new era ushered in by the Alliance for Progress. Such tensions are in part specific of this continent, reflecting the peculiarities of geographical contiguousness and the interplay of political power and economic imbalance between the United States and Latin America. In part they are susceptible of generalization, reflecting issues that affect in the world at large the relations between a leading industrial and financial power and the less developed countries, such as the problems of economic dependence, political intervention and the ideological issues of the cold war.

I will start with a brief review of the long-term historical evolution of inter-American relations, discussing in somewhat greater detail the course of U.S. foreign policy in relation to Latin America after World War II. I shall then explore the several types of tension that can be identified in this review of inter-American relations, with a more detailed comment on recent sources of economic tension. I shall finally discuss the problems and outlook of the Alliance for Progress.

THE KEY IDEAS IN THE EVOLUTION OF INTER-AMERICAN RELATIONS

The simplest way of reviewing inter-American relations over the last century is to pinpoint some major ideas that were the engines of either action or controversy. Those key ideas—the "ideas force" in the Hegelian sense—were (1) the Monroe Doctrine and its interpretative byproducts—the Polk and Roosevelt corollaries; (2) the creation of the Pan American Union; (3) the good neighbor policy and its principle of nonintervention; (4) the Operation Pan America and the Alliance for Progress.

The first master idea that impregnated an entire century was the Monroe Doctrine, contained in the President's Message to Congress on December 2, 1823, which had a forerunner in the "no transfer resolution" of 1811. Both the Monroe Doctrine and the no transfer resolution never ceased simultaneously to amaze and to irritate European strategists. Metternich, the most ingrained European of them all, once berated the Monroe Doctrine as "an indecent declaration." Almost a century later the German geopolitical school rated it as the most superb idea of the century, because of its principle of "nonintervention" based on the pure notion of "space" and not on historical and juridical tenets.

The Monroe Doctrine was admirably adjusted to the concept and requisites of the "defensive imperialism" which marked the beginning of the expansion of the United States as an independent Nation. As the United States, having gradually tamed its territory, turned into an "extrovert power" and, conscious of its new strength, launched an extra-continental bellicose adventure against Spain, a new leading idea emerged. This was the so-called Roosevelt corollary, which expressed itself in the policy of the "big stick." This was simply the statement of the right to "intervene to prevent others from intervening" and it can be regarded as the extreme expression of the concept of patronizing imperialism.

The Monroe Doctrine was a bold geopolitical gesture not based on a posture of strength. The dominant military factor those days, which alone could enforce the Monroe Doctrine, was the British fleet which, of course, could only be counted upon to prevent encroachment by rival European powers but not to prevent intervention dictated by British interests. Thus Britain occupied the Malvinas Islands in 1833, proceeded to the annexation of Belize in 1869, shared in the French-Anglo intervention in the River Plate in 1825 and in the American-French-Spanish expedition against Mexico in 1862. In its origin, the Monroe Doctrine was unilateral and nationalistic, expressing the traditional policy of continental isolationism contained in George Washington's famous farewell speech, but also reflecting the concern of the United States over the Russian infiltration along the Northwest coast and the interventionist policy of the Holy Alliance. None of the leading statesmen, Monroe, Adams, Clay, Polk, sought to convert it into a continental pact subscribed by the Latin American Republics.[2]

Despite its nationalistic and unilateral formulation, the Monroe Doctrine was unhesitatingly accepted by the Latin American countries. Colombia and Mexico welcomed enthusiastically the new policy and Brazil, while never resorting to the protection of the Monroe Doctrine sought, repeatedly, since the fourth Inter-American Conference in Buenos Aires in 1910, to transform this doctrine from a unilateral policy declaration into a continental undertaking.

This "continentalization" of the doctrine came to pass only in the immediate post-II World War period, through the adoption of the Act of Chapultepec in 1945 and the Reciprocal Assistance Treaty of Rio de Janeiro in 1947.

While the Monroe Doctrine was a source of tensions in the relations between the United States and Europe, it was generally welcomed by the Latin American States. The same, however, cannot be said of some of its corollaries, which have been at the root of some of the major historical tensions in the hemisphere. The first corollary is the so-called Polk corollary. In his message to Congress, in 1845, after reiterating the principle of nonintervention for the purpose of barring Europe from incursions into the new world, Polk issued a warning to the effect that if a former colony, after breaking relations with the metropolis and declaring its independence, should wish to join the United States, this ought to be regarded as a "family question." The Polk corollary was designed to prepare the ground for the accession of Oregon, Texas, and California. While in a formal sense directed mainly against Spanish intervention, it did in fact affect very deeply the interests of Mexico, the natural legatee of Spain's northern Empire. The second corollary, named "the Roosevelt corollary" after its proponent Theodore Roosevelt, was to become a fuel for attrition, for it carried the responsibility of having inspired several armed interventions in Central America and the Caribbean, by claiming for the United States the right to intervene in the internal affairs of the Latin American Republics, as long as they did not behave with reasonable efficiency and decency in political and social matters, failed to maintain international order or to meet international financial commitments.

The second idea force was the Pan American movement, which unfolded in two phases: (a) The Hispano-American or Bolivarian phase, embodied in the Letter of Jamaica of 1815 and the Panama Congress in 1826; and (b) the Pan American Union Movement, which found expression in the invitation tendered by the Secretary of State James Blaine, in 1881, for the Conference of the Inter-American States, which was finally convened in 1890.

Even though in the implementation of the Bolivian conception emphasis was given exclusively to the political and juridical problems of the confederation of the Latin-Spanish countries, Bolivar himself had thought in pragmatic economic terms, broaching both the idea of a single currency and that of a customs union. But the divorce between political structures and economic needs was to continue until almost our day. While the formation of a customs union was also among the main objectives of Blaine's convocation, the first Inter-American Conference in 1890 did not implement the idea largely because of the protectionist sentiment, then strong in the United States. The subsequent conferences in Mexico (1901), Rio de Janeiro (1906), Buenos Aires (1910) and Santiago (1923), were largely concerned with juridical matters and the creation of a juridical infrastructure for the system. The political phase can be said to be ushered in by the Inter-American Conference on the Consolidation of Peace which convened in Buenos Aires in 1936, and which benefited from the tension-reducing environment created by the Rooseveltian formulation of the "good neighbor policy," to which we shall now turn.

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[1] The ideas expressed in this paper represent the private opinion of the author and do not necessarily conform to the views of the Brazilian Government.

[2] G. Nerval. "Autopsy of the Monroe Doctrine," New York, 1934. Macmillan.

The economic phase of Pan American cooperation did not really assert itself until much later with the launching of Operation Pan America, in 1958, followed recently by the Alliance for Progress.

The third idea force of the U.S. policy in relation to the southern countries has been the "good neighbor policy," with its corollary principle of nonintervention. The good neighbor policy laid the foundation for a durable system of peaceful political coexistence refined in its juridical aspects, though void yet of economic substance.

During the interregnum of the Republican administration between 1952 and 1960, the good neighbor policy found a revised expression in the policy of "good partnership," which, however, was merely an adaptation of the earlier theme to reflect the more conservative approach of the Republican Party's foreign policy.

The fourth and fifth key ideas of the inter-American system were the launching by President Kubitschek of the proposal for a Pan American operation designed: (a) to bring to the foreground the problem of economic underdevelopment and (b) to emphasize the collective responsibility of the Americas in its elimination. Subsequently, President Kennedy's Alliance for Progress, an outcome of and a complementation to Operation Pan America, entered the beclouded inter-American scene. But more on this later.

Even though the pattern of North American political behavior in 1¼ centuries elapsed between the Monroe Doctrine and World War II may have assumed various shapes, its geopolitical underpinning centered on the continental space of the Western Hemisphere remained unchanged.

In fact, throughout the Rooseveltian era, even though political realities had long ago forced the United States to abandon its isolationism in respect to Europe, the hemisphere continued to be the area of special interest or, to use a more pedantic phrase, the area of geopolitical priority.

In recent years, however, in the interval between the eruption of the cold war and the formulation of the Alliance for Progress, the geopolitical axis of the U.S. defense shifted to the European peninsular area and heartland and to the maritime fringes of other continents.

THE APPROACH OF THE PENINSULAR SCHOOL

In the agitated postwar era, under General Marshall and Secretary Acheson, a new approach emerged which, for lack of a better word, I shall call the peninsular school of thought. This is because the European peninsula became the area of geopolitical priority. The crucial theme of the U.S. foreign policy was then to deny to the Soviets the domination of Western industry and resources, and to preserve Western Europe from contamination by the Soviet ideology.

The working concepts of the peninsular school seem to have been twofold. The first was that the attention of the United States should concentrate primarily on the areas more exposed to Soviet pressure, either because of their vulnerability to armed conquest or because of their proximity to the center of Soviet ideological contamination. Thus, during the immediate postwar period the European peninsula and the maritime fringe of the eastern Mediterranean won top priority in the American design. The second concept was that, in view of the limitation of economic resources, public investments, loans and grants should be channeled for the reconstruction and development of those danger areas; the needs of the underdeveloped countries of Latin America, Africa, and Asia should, insofar as practicable, be met by the operation of private capital. Furthermore, foreign aid should be handled as some sort of "ideological bactericide", and injected in such fashion as to prevent an abrupt fall in the European standard of living, with the subsequent proletarization and dissolution of the middle class by subversive pressures.

This then appears to be the design underlining the Marshall and Truman plans.

THE POLICY OF RESIDUAL TREATMENT AND THE PERILOUS LULL

The U.S. policy in relation to its southern neighbors was throughout this period relegated to a residual position. This was the period of the "perilous lull." Viewed from the Latin American angle, this policy seemed to rest on the following premises. First, that Latin America had lost priority in relative terms because its wartime strategic importance had declined, as a result of changing warfare concepts and of the displacement of the area of potential contamination. Secondly, that Latin American development was a task to be left to the responsibility of private funds, complemented by such public loans as the Eximbank or IBRD might extend after meeting urgent reconstruction claims. This interpretation, though not completely unbiased, appears justified by the course of events.

It is clear that this residual treatment and the reversal of the traditional priority concepts was never accepted good naturedly by Latin American countries, even though they recognized the realities of the situation and the danger of Soviet aggression. This also explains the cool and at times hostile reaction of Latin America to the Marshall plan, a reaction which seemed at the time shocking and disconcerting for many Americans who expected a warmer recognition of their generous and self-sacrificing approach to the problem of European reconstruction.

The issue was further beclouded by the fact that within the continent the U.S. postwar policy suffered from a certain degree of indeterminacy, oscillating between the principle of uniform treatment and the key-country approach. It seems that initially it adhered to a pattern of standardized behavior: maintenance of the status quo and of balanced treatment for all of the members of the community. Two exceptions to the rule of standardized behavior seem to have occurred. The first one was the Braden experience, which involved the application of economic sanctions against dictatorial regimes. The second one, toward the end of the Acheson administration, was a brief essay in the application of the "key country" approach. The establishment of the Joint United States-Brazil Economic Development Commission in 1950 was in fact a prematurely abandoned attempt to choose a special area for a concentrated economic development effort, with the double objective of strenghtening, through more intimate economic cooperation, the traditional political solidarity between the two nations and to test the workability of a program for economic development within the capitalistic framework, demonstrating its effectiveness by contrast with Socialist planning.

During the transition from the Truman to the Eisenhower administrations in the postwar period, several of the postulates of the peninsular school of thought became outdated.

The very success of the Marshall plan yielded the twin result of lessening the Communist danger in Europe while widening the economic gap between North American and Western Europe, on the one hand, and the stagnant or slow-growing economies of Latin America, Asia, and Africa, on the other.

Conscious of the need for a dramatic demonstration of interest in the fate of underdeveloped countries, the U.S. Government launched the point 4 technical assistance program in January 1949. This was a brilliant idea and gave considerable satisfaction to the underdeveloped areas including Latin America, which welcomed the program viewing it as a preparatory step for an investment effort. The attendant political risk was that technical assistance sharpens the hunger for, and increases the ability to use, investment capital and, if investment programs are not forthcoming, the result might be increased disappointment.

THE NEOGEOPOLITICAL APPROACH

The most important development of recent years, however, including most of the period of the Republican administration, but overlapping also with the initiation of the new Democratic administration, was the abatement of ideological pressure from the Communists in Europe, its catastrophic recrudescence in Asia, and the problem created by the emergence of new nations in Africa, deeply influenced by Western culture, but afflicted by resentment against colonialist domination.

In this changed scenery, new patterns of foreign policy emerged. During the Eisenhower administration, the trends of foreign policy could be described as the "neogeopolitical approach." This new school of thought has also geopolitical roots but those are not planted on this continent, as was the old Monroe Doctrine, but on distant soils. The fact is that, whether the Latin Americans like it or not, geopolitical postulates themselves have changed pari-passu with the assumption of world leadership by the United States. The problem was no longer to deny to Western European countries access to the continental preserve. It was rather to maintain the influence of Western ideas in Asia and the Middle East and in the newly emerging countries in Africa. It is to prevent the ideology that now rules over the Eurasian heartland from taking hold of the maritime fringes of the Middle East and Asia, the Far Eastern lands and the Indian subcontinent, as well as of emerging countries of Asia.

It is thus that the NATO organization came to be supplemented by SEATO and that the Marshall plan effort has been replaced by substantial (though often interrupted by political strife) aid programs for the Middle East and Asia.

From the Latin American viewpoint, the approach of the neogeopolitical school presented no special merits over its predecessor, except perhaps that it placed the United State in more direct contact with the stark realities and the anguishing problems of economic backwardness. The experience thus acquired could be useful in handling the Latin American underdevelopment problem, which is basically simpler and more readily tractable than that of some of the underdeveloped lands of Asia, Middle East, and Africa.

THE PLURALISTIC APPROACH OF THE NEW FRONTIER

Until 1958 there had been no change in the residual treatment ascribed to the Latin American countries in the U.S. postwar economic policy. It was the era of the "perilous lull," from which there was a rude awakening under the impact of two shocks: the Nixon incident in May 1958 and the Cuban revolution in 1959. The first shock that induced a policy reappraisal arose from the incidents during the Nixon visit to Venezuela and Peru in 1958, which brought dramatically into the open the grave disintegration of inter-American relations. This incident created the opportunity for the launching by President Kubitschek of Brazil of the idea of Operation Pan America, a much needed reappraisal of the state of relations between the United States and Latin America.

Although Operation Pan America was received in the United States with only surface cordiality, it did stir a new trend of thinking, leading to a revision of long-standing behavior patterns in the U.S. foreign policy and ultimately to the formulation of the Alliance for Progress, the latter born already under the impact of urgency and the stress of social reforms arising from the Cuban revolution. Tracing back to 1958 the main steps of the revision, the following chain of events should be noted: (a) The declaration of Mr. Douglas Dillon, Under Secretary of State, on August 1958, of the intention of the United States to acquiesce to the creation of the Inter-American Development Bank, an old standing aspiration present in most of the Inter-American economic conferences of the last 50 years; (b) President Eisenhower's "Newport Declaration" of July 1960 in which he announced the U.S.' readiness to give to give financial assistance for social development programs if the Latin American countries would undertake some necessary institutional reforms; (c) The Act of Bogotá, precursor of the Alliance for Progress, in which the Latin Americans committed themselves to undertake reforms in land structure, taxation, housing and education, while the United States promised financial assistance for social progress;[3] (d) the launching, on March 13, 1961, already under a new Democratic administration, of the scheme of the Alliance for Progress, later to be multilaterally subscribed, in August 1961, at the Conference of Punta del Este.

The inception of the Kennedy administration was marked by a broader approach which might be termed the "pluralistic" view of foreign policy. In many cases the new approach was merely the culmination of changes already in the offing during the latter part of the Eisenhower administration; in others it represented a major departure from traditional behavior. In addition to a substantial revision of the attitudes in relation to Latin America, which is manifest in the launching of the Alliance for Progress, the "pluralistic" foreign policy can be said to have the following main characteristics: (a) A more pragmatic attitude prevails regarding neutralism, contrasting with the moralistic view of the problems in the Dulles period in the State Department. Thus, neutralism in certain areas of border tension came to be recognized as an acceptable, if not ideal, posture. Greater emphasis is laid on the pursuit of independence by the underdeveloped countries than on alinement with the Western World; (b) there is a much deeper engagement in the promotion of economic and social development of the less developed countries, which became of basic priority in the U.S. foreign policy; simultaneously a much less inhibited support is given to the liquidation of colonialism, an objective hitherto cautiously pursued because of the U.S. involvement in European alliances; (c) bolder utilization of foreign assistance as a leverage instrument to press for institutional and fiscal reforms even at the cost of antagonizing governmental and social structures regarded as obsolete; (d) greater acceptance is shown of institutional pluralism in underdeveloped countries, in recognition of the fact that during the transition from colonialism to independence, and in the drive for modernization of the societies, authoritarian democracies, mixed socialist systems and a substantial degree of Government planning and orientation of the economy may be useful to accelerate structural transformation; correlately less emphasis is placed on the role of private enterprise and the preemptive role of foreign investment.

SOURCES OF TENSION IN INTER-AMERICAN RELATIONS

After this historical interlude it is now time to review the major sources of tensions in the relations between the United States and the Latin American countries.

In a classification which is not comprehensive and does not purport to be valuational (i.e., does not involve a value of judgment, at this stage, on the positive or negative aspects of the tensions) the following sources of tension, some of historical, some of current relevance, may be listed: (1) reactive tensions; (2) ideological tensions; (3) racial and cultural tensions; (4) institutional reform tensions; and (5) economic disputes.

THE REACTIVE TENSIONS

The reactive tension has its roots in deep-seated resentments against (a) geographic mutilation, such as that imposed on Mexico, by the annexation of California and Texas, or on Colombia through the fostered secession of Panama, to facilitate the building of the Canal; (b) armed intervention and occupation in Nicaragua (1912–33), Mexico (Veracruz, 1914), Haiti (1915–34), Dominican Republic (1916–24), Costa Rica (1919); (c) political intervention, such as the special rights reserved to the United States under the Platt amendment to the Cuban constitution, enacted in 1901 and abrogated only in 1934 and (d) economic domination, through the overwhelming influence exercised in the past by American private interests, such as the oil companies in Venezuela, the United Fruit in Central America, the sugar interests in Cuba.

While the U.S. policy in Latin America, particularly since the good-neighbor policy and the Rio de Janerio Reciprocal Assistance Treaty, has moved in the direction of collective action in lieu of unilateral intervention, and the strength and influence of private companies has yielded in the face of stronger local governments and nationalist reaction, tensions still lurk below the surface. This explains the morbid sensitiveness of Latin America against U.S. intervention even when in individual cases there may be basic sympathy with its objectives such as the toppling of an archaic dictatorial regime in the Dominican Republic or the containment of the Communist threat in Cuba.

IDEOLOGICAL TENSIONS

The second major source of tension linked mainly, but not exclusively, to the outbreak of the cold war is ideological in nature. Such are the issues posed by Communist infiltration, nationalism, neutralism and the policy of independence.

Communist influence in Latin America is a major source of tension in the relations between the United States and Latin America, particularly because of its rather successful effort to instill in the indigenous nationalist movements an obsessive anti-Yankee fixation. Although the Marxist doctrine, preaching the international solidarity of the workers movement and internal class struggle within each country is essentially antinationalist, the pragmatic adaptations made by Lenin for the creation of Russian socialism, and particularly the Maoist revisionism, which replaces the emphasis on internal class struggles by the emphasis on national anticolonial movements (enlisting the support of the petit bourgeois and national capitalist groups) greatly facilitated the infiltration by the Communists of nationalist movements in Latin America. The latter were then distorted into an anti-U.S. nationalism, a relatively easy task in view of historical resentments and other tensions arising from the economic and political imbalance between the colossus of the north and its weaker neighbors of the south.

Quite apart from the spurious marriage between nationalism and communism, there are several strands of the nationalistic movement in most Latin American countries that are also tension-increasing. They are, to use Mario Henrique Simonsen's[4] expression, the phantasmagoric and the monopolistic variants of nationalism.

The first one rebels against colonialism, when colonialism is on the decline the world over and was never relevant, in its traditional form, in the relations of the United States with Latin America. Economic imperialism from the north is blamed for the evils inherent to conventional colonialism and singled out as a target for nationalist tensions.

Another variant of the "phantasmagoric nationalism" is the opportunistic nationalism through which unscrupulous politicians maneuver to deviate the people's attention from the real causes of underdevelopment and seek solace from the frustrations of underdevelopment by transferring the guilt to foreign scapegoats.

The monopolistic nationalism is generally fostered by the so-called industrial progressives (or the "national capitalists" to use terms of the Maoist revisionism), which seek to use nationalism as a device to preserve national monopolies and stave off foreign competition, not only by the traditional mechanism of tariff protection, but also by creating an investment climate inimical to the entry or survival of foreign investment in local industries. In view of the dominant trade and investment position of the U.S. interests in Latin America, the monopolistic nationalism seeks to mobilize public opinion against foreign (i.e., American) monopolism.

Independently, however, from those aberrations, the very emergence of nationalism throughout Latin America is bound to create a certain amount of tension. This is because several of the components of the nationalist ideology—which is far from constituting a coherent body of thought—run counter to prevalent beliefs and accepted tenets in the already industrialized nations, and particularly in the United States, as indicated by the following characteristics which, according to Marcilio Moreira, can be pieced together from disconnected strands of the nationalistic thought in Latin America:

1. Absolute priority for industrialization. "To develop" is practically identified with "to industrialize."

2. Heavy reliance on the state as direct entrepreneur.

3. The export of raw materials is generally considered as humiliating and in certain cases the export of minerals is especially degrading because it robs the nation of an unsubstitutable wealth.

4. Distrust of foreign private capital, particularly in the form of direct investment or for the exploration of natural resources or public utilities. This suspicion does not apply, however, to capital in the form of loans, either private or public, a form of financial cooperation that usually is welcomed or even eagerly sought.

5. Overall planning by state is considered necessary. This belief is only of a general

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[3] This promise was implemented through the appropriation by the U.S. Congress at the inception of the Kennedy administration of U.S. $400 million for social development projects, of which U.S. $394 million were turned over to the Inter-American Development Bank for multilateral administration. This succession of steps in policy revision is well described in a speech given in Philadelphia on May 24, 1962, under the title "The Alliance for Progress at the City of Philadelphia," by Mr. T. Graydon Upton, executive vice president of the Inter-American Development Bank.

[4] Mario Henrique Simonsen, "Tension in Underdeveloped Countries," background paper for "Tensions and Development in Western Hemisphere," pp. 11 and 12.

nature and often is not translated into a policy, even less a technical decision.

6. Agrarian reform is considered necessary but as a mere instrument of social justice or as a pure ideological must, the factors of increased agricultural productivity being usually undervalued.

7. The nationalism movements are often imbued with a high distrust of the balance-your-budget ideology and favor the structuralist interpretation of inflation and development.[5]

The recrudescence of nationalism seems disconcerting at a time when Western Europe and the United States are seeking to escape the confines of nationalism in a search for broader forms of supranational integration and interdependence. But this must be viewed in a historical perspective and, if so interpreted, undue tensions need not arise.

The Western industrialized countries have, by and large, completed their process of national and social integration. The only major remaining pressure is the external threat of Communist aggression, against which the best defense lies in supranational integration. The Latin American countries, on the other hand, are still in the process of constituting their national personality. There is need of a cohesive force such as that of nationalism to maintain unity against the centrifugal pressure of heterogeneous regions and groups, and to abate interclass tensions. In this context, nationalism may still be an important mobilizer of the national effort and a vital element in the drive for modernization, though of course, as most ideologies, fraught with the danger of ideological perversion. It is in fact a major task of social dynamics in Latin America to utilize the mobilization potential of nationalism without falling prey to its intoxicating perils. Very often the politicians' need for political excitement and for transferring guilt may channel nationalism into irrational detours, and may hamper development itself by adversely affecting the flow of investment funds. But if a prudent and sober view is taken of this phenomenon, if the legitimate historical grievances are recognized, if account is taken of emotional urges inherent in periods of quick transformation of dependent economies into proud self-reliant nations, we shall find that nationalism in Latin America, just as in Europe, where it was first born, may give ground to more balanced attitudes once the process of modernization of the societies is advanced and a greater degree of social integration reached.

Another possible source of tension lies in the foreign policy field. The United States as well as Western Europe are likely to find a growing urge in the Latin American countries for an independent foreign policy, reflecting both the need of those countries to assert their national personality and their different interpretation of cold war issues. It is altogether too simple, however, to dismiss the policy of independence, which is being spearheaded by Brazil and Mexico, as just another manner of neutralism, or an exhibition of pro-Castro feelings. For, in fact, the independence policy of the Latin American countries differs substantially from Afro-Asian neutralism. First, they are not systematically nonalined, since they remain faithful to the inter-American system. Second, they do not show interest in the formation of a third power bloc, symmetrically distant from the two big centers of power. Third, they have chosen Western institutions of representative democracy and capitalism, even though practicing them imperfectly, while the typical neutral country has not yet crystallized its choice between democracy and private enterprise on one hand, and authoritarian socialism on the other.

The cold war is also viewed differently. For the Western industrialized nations, the overwhelming problem is to protect their tested and workable institutions from the external Communist threat. For Latin America there is yet another chasm just as relevant as the East-West conflict. It is the abyss that separates the prosperous industrialized countries of the Northern Hemisphere. The Western industrialized countries, for which external aggression is the only relevant threat, tend to view the cold war as a problem of security; the Latin American countries faced with internal threats of poverty and dissatisfaction are less concerned with external security than with internal development.

It is thus no wonder that those countries, while conscious of their basic solidarity with Western ideals, view the cold war from a different perspective, and are readier to accept the competitive coexistence of the two systems. This is not only because coexistence seems the only viable alternative to global holocaust or to a rigid partition of the world in ideological compartments, but also because they believe that the competition with socialism will render democratic capitalism more humane and socially conscious and, as an incidental byproduct, may prod the West into greater efforts, with a greater sense of urgency in helping underdeveloped areas.

THE PROBLEM OF "FIDELISMO"

All of the foregoing sources of tensions found a powerful condenser in the "Fidelista" revolution. It plays on the nationalist theme by mobilizing traditional resentments which are particularly strong in Central America and the Caribe, against U.S. intervention and economic domination. It harps on the ideological sway of communism with its emphasis on correction of social inequities and accelerated development through planning. It caters to the Latin American pride by asserting the national personality of a small country against a powerful neighbor.

It is thus no wonder that "Fidelismo" has become a major breeder of tensions in the Hemisphere. Its appeal cuts across geographical frontiers and permeates several strata of the population. For the intellectual and profession groups the main allure is the "mystique of growth" and the magic appeal of collectivist planning as a shortcut to development. To the broad masses the appeal lies in the promises of redistributive justice and in the courageous break with the existing social order.

The tensions generated by the Fidelista movement affect not only the relations of Latin America with the United States but the relations between the Latin American states themselves. For under the compulsion of the expansionist Marxian ideology, Castro has spared no effort to infiltrate neighboring countries and to spread subversion not only against traditional oligarchic governments but against progressive governments of the moderate left. He managed effectively to divide the inter-American scene, with the emergence of tensions unknown heretofore, such as the split vote at the Conference of Punta del Este on the handling of the Cuban problem. The countries more directly exposed to infiltration and subversive propaganda advocated strong action, while Mexico and five of the southern countries for traditional reasons (principle of nonintervention), juridical reasons (imprecision of the juridical instruments of the OAS to deal with new forms of cold war aggression) or pragmatic reasons (fear of aggravating domestic tensions or skepticism regarding the effectiveness of sanctions) followed a more moderate course, while joining in the condemnation of Castro's allegience to the Soviet bloc as incompatible with the inter-American system.

Though still important as a source of tension, Fidelismo lost some of its original luster. The appeal to nationalistic sentiment in Latin America and the pride of asserting independence vis-a-vis the United States was sapped by growing evidence of submission to the social and political patterns and foreign policy of the Soviet. The unabsorbed complexities of Socialist planning failed to provoke a miracle of rapid growth: the agrarian reform, based on collectivization of land rather than on its redistribution, failed, as it did elsewhere, to solve the food problem, for it did not yield the production stimulus which has been so successful in the redistributive experiments of land reform in non-Socialist countries. In this whole context, the ideological repression of the police state, which might be accepted as a price for rapid social reform and regimented economic growth, has become a grave social irritant.

Finally, by promising an alternative and more humane road to social reform and economic development, the Alliance for Progress, though yet untested by performance, is beginning slowly to erode the Castro myth. But neither the Castro revolution has exhausted its vigor and resourcefulness, to allow us to pass on it a verdict of ineffectualness, nor has the Alliance for Progress proven its mettle. This then is the great confrontation of the next few years with its tensions, perils and promises.

RACIAL AND CULTURAL TENSIONS

While it is easy to exaggerate the importance of differences in racial composition and of the basic divorce between Anglo-Saxon and Latin cultural forms, as sources of tension, it remains true that those factors cannot be neglected. There is little doubt, however, that they are declining in importance. With the advance of the process of racial integration in the United States there has been an abatement of the racial discrimination against nationals of some Latin American countries, particularly those of Mexico, in the United States, thus narrowing this source of tension.

The cultural divorce is also narrowing because the very process of economic development is bringing about a faster rate of absorption in Latin America of modern technology imported largely from Anglo-Saxon sources, and also because there is an increasing store of knowledge in the United States of the language and cultural patterns of Latin America.

THE INSTITUTIONAL REFORM TENSION

Tensions may arise from attempts by the United States to influence the political systems and/or to promote or stimulate reforms in the institutions of its neighbors from the south.

Those tensions may be classified according to either means or objectives into three groups:

(a) Use of armed pressure to affect political systems: Most of the armed interventions "to restore civil order" in the Central American Republics and in the Caribbean from 1912 to 1934 had as one of their implied objectives to discourage the implantation of dictatorial regimes, although in a good many cases the more pragmatic reasons of protecting U.S. property and assuring financial solvency were dominant. More recently, the military and logistic support for the overthrow of the Arbenz Guatemalan regime and to assist in the Cuba invasion, as well as the display of naval force in Santo Domingo to prevent the restoration of the Trujillo family rule, exemplify attempts to induce the modification of authoritarian systems—of the left and of the right—by resorting to military pressure.

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[5] Apud Marcilio Moreira, "Some Socio-political Preconditions of Economic Growth." Unpublished. M.A. dissertation for Georgetown University, Washington, April 1962, p. 96.

(b) Use of economic pressure to enforce canons of monetary stability and fiscal discipline: Throughout the postwar period, the U.S. Government has repeatedly sought, either bilaterally or via the instrumentality of the International Monetary Fund (in the latter case with the support of Western European countries which have in fact become lately more rigid and uncompromising than the United States), to utilize the leverage of economical and financial assistance to induce the adoption of "sound" fiscal, exchange, and monetary policies.

It is unquestionable that this apparently reasonable linkage of financial assistance to requirements of "sound" monetary and fiscal behavior, either in bilateral negotiations or through the intermediary of the International Monetary Fund, has been a major source of tension, which reached an explosive point when Brazil interrupted discussions with the Monetary Fund in July 1959. Here again the Latin American behavior is ambivalent since inside the countries themselves there is a sharp policy clash between the "monetarists" who would be inclined to accept the validity of monetary discipline as a means to attain an effective utilization of resources, and the "structuralists" who believe that the inflation problem in Latin America is institutional and structural in nature and cannot be curbed except through gradual action, based on investment programs supported by foreign assistance and institutional adaptations designed to increase supply flexibility.

While there is merit and heat on both sides of the argument, the fact is that the rigid subordination of monetary assistance, particularly in the form of balance-of-payments loans, to the approval of programs of monetary stabilization and demonstration of performance, poses a good many times a vicious circularity. This is because the monetary authorities do not operate in a political vacuum. Sound plans for combating inflation may often find political obstacles that only slowly can be surmounted. This is likely to be the case when, during the early phases of stabilization, distortions have to be corrected by letting subsidized prices rise, the exchange rate depreciate, marginal industries wither through credit restrictions—all of which may painfully affect large groups of people able to mobilize political power. Or else, the instability of export prices of primary products may play havoc with stabilization programs by rapidly canceling out the borrowed exchange resources or decreasing tax receipts. In these circumstances, a rigid and intolerant attitude, which insists on undeviating performances in an adverse political context, may further weaken the hand of those who fight in their own countries for monetary stability, entailing ultimately a retrogression in financial and fiscal policies, and compounding the evil by detaining growth without achieving price stability, until a much greater financial involvement has to be accepted later, already under semicatastrophic or emergency conditions.[6] In recent years, this has been only too frequent an experience in Latin America. Certainly, a much more sophisticated handling of this problem is called for on the part of the United States financial authorities, the International Monetary Fund, the World Bank and last but not the least, the Western European Governments which, absorbed in the problems of the Common Market or of their African and Asiatic associations, have shown either an indifferent or a rigidly orthodox position in dealing with Latin American finances.

(c) Use of the leverage of foreign aid programs to promote basic institutional and structural reforms: As a means of reducing the level of tensions while at the same time preserving the desirable purpose of promoting political change and institutional reforms on Latin America, the United States has sought consistently throughout the years to utilize multilateral mechanisms or to get agreement from the Latin American countries on the reforms desired. Thus, in the political field, the principle of representative democracy has been written both into the Charter of the OAS and into the financial cooperation programs, such as the Act of Bogotá and the Charter of Punta del Este. Similarly, the requirement of basic structural reforms was made an integral part of the compact of the Alliance for Progress.

The analysis of the tensions of institutional reform presents tantalizing problems due at times to inconsistencies in U.S. behavior but more frequently to the ambivalent position of the Latin American States themselves. In the political field, for instance, despite widespread disapproval of totalitarian regimes operating in violation of the principles of the inter-American system, there is hesitation and fear when pressure is applied by the United States to concrete cases, such as the toppling of the Trujillo dictatorship or the recent military coup in Peru. Thus the traditional fear of intervention leads Latin American countries to the contradictory attitude of denouncing totalitarian regimes but refusing to support concrete steps to discourage their implantation; or after blaming the State Department for supporting dictatorial oligarchies, to recoil disapprovingly when the United States takes the opposite position of mobilizing economic and political pressure for the effective defense of the principle of representative democracy.

The institutional reform tensions arising from the bold program of social transformation envisaged in the Charter of Punta del Este—land, fiscal, educational and housing reforms—are still of a different nature. They are in a way "consented," since by subscribing to the Act of Bogotá and the Charter of Punta del Este the Latin American countries accepted those tensions as unavoidable in the process of promoting structural transformation. But while many of the Governments gave formal consent to those unquestionably valid reform objectives, they may find it difficult in concrete cases to mobilize enough popular support to overcome entrenched interests of politically powerful groups, while in a few instances the acceptance of the Punta del Este objectives may have been less than sincere, and increasingly eroded by the realization of a practical divorce between the interests of the traditional ruling groups and the egalitarian and distributivist aspirations embodied in the charter.

ECONOMIC DISPUTES

Throughout the post-World War II period, marked by phases of the U.S. foreign policy previously described as the "peninsular approach" and the "neogeopolitical approach," during which the treatment given to Latin America was in a sense "residual," several issues arose in the economic dialog between the United States and its neighbors to the south. Many of those sources of tension have recently abated due largely to a substantial evolution in the U.S. attitude, as exemplified by the Act of Bogotá and the Punta del Este Charter. But it may be useful to review them briefly. They are:

(a) The controversy on lending policies: The United States adhered, practically until the signing of the Act of Bogotá, to the concept of restricting foreign lending to the imported components of economic development projects, while Latin Americans pleaded for more flexibility in order to permit the financing of social overhead projects in the housing, education, and health fields, and also the coverage through foreign lending of the local cost components of investment projects.

Finally the Latin American countries emphasized the need for flexible loans of the "soft" variety, a principle which before Bogotá and Punta del Este had been only reluctantly accepted through the establishment of the IDA (International Development Agency, a subsidiary of the World Bank) and of the Development Loan Fund.

(b) The controversy of financial mechanisms: The Latin Americans proposed in several occasions over the last half a century the creation of a specialized inter-American financial institution, over whose policies they would enjoy substantial influence and which would concentrate on the problems of the area. Only in 1958 did the United States accede to the idea which materialized in the foundation of the Inter-American Development Bank, in April 1959.

(c) The controversy on commodity prices: The Latin Americans laid great emphasis on the need to stabilize commodity prices, on parity schemes linking prices of primary products to those of manufacturers, in order to prevent terms of trade from deteriorating and on international cooperation through commodity agreements or compensatory financing, designed to regulate the market and/or assure stability of foreign exchange earnings.

Until recently the attitude of the United States was sympathetic to studying the problem, but noncommittal as to action.[7] The policy was substantially modified since the Bogotá Act and the Charter of Punta del Este, leading to a more active U.S. participation in the effort to stabilize coffee prices, to formulate programs for the creation of funds for compensatory financing, and finally to press the Europeans for adoption of more liberal and nondiscriminatory trade practices in relation to Latin American products.

(d) The controversy on the role of private investments. It may be recalled that throughout the period of "residual treatment," the main responsibility for cooperating in the economic development of Latin America was ascribed to private capital, while official financing agencies would exercise only a complementary role. This on the grounds that private investment (a) is guided by productivity criteria and not by political or social considerations; (b) carries a built-in contribution of know-how and organizational experience, in those cases when it takes the form of direct private investment; (c) it is a much larger reservoir than that of public funds and one that is not subject to budgetary vicissitudes.

Latin Americans, on the whole, tended to assign a much larger function to public capital, at least in the initial stages of development. The argument proceeds thusly: (1) The most urgent need at this phase of their growth is for investment in the creation of the economic and social overhead, a task usually unattractive to private capital; (2) private portfolio investment has practically disappeared, while direct investment though involving no rigid debt obligations tends to be burdensome in balance-of-payments terms, because it requires enough remuneration to attract funds in competition with profitable domestic investments within the United States or in the Common Market area; (3) paradoxical as it may seem, public loans are held to involve much less danger of political attrition than the presence, within the country, of big private investors. Finally, private investment is subject to imponderables—psychological, political, and economic—that cause its flow to be uneven and erratic, thus rendering difficult the formulation of development plans and programs.

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[6] Prof. David Felix notes that to maintain a consistently orthodox set of economic policies against strong redistributive pressures, dictatorial Governments are usually required. "It was the error of the Eisenhower administration", he says, "in its zeal to promote economic orthodoxy and a favorable investment climate, to become too closely identified with unpopular dictatorships." Cf. "The Alliance for Progress, the Long and the Short View," article in the Centennial Review, vol. VI, No. 3, p. 325.

[7] In the Inter-American Economic Conference of Finance Ministers of Petropolis (Brazil) in October 1954 a Latin American proposal to stabilize raw material prices was rejected by the United States as a threat to free enterprise."

Further developing a trend of thinking which was already discernible in Eisenhower's "Newport Declaration" and in the Act of Bogotá, the Kennedy administration took a more flexible view. While stressing the importance of private capital it recognized nevertheless the validity of the insistence of Latin Americans on the assignment of a larger role to public funds, (a) because of the nature of the investments urgently needed—economic and social overhead projects, (b) because of the erratic behavior of private capital and its susceptibility to short-term political shocks, and (c) because of the "vicious circularity" problem: the expansion of private investment requires an improvement of the investment climate in terms of political and monetary stability which, in turn, would presuppose a rise in the level of investment; if unable to count on adequate foreign assistance, the governments would endeavor to raise the level of investments by inflationary means, thus further impairing the investment climate.

This shift of the main responsibility for financing Latin American development from private capital to public funds has been expressly set forth in the Punta del Este Charter which says in its title II, section 4: "The greater part of the sum (a supply of capital from all external sources of at least $20 billion in the next 10 years) should be in public funds."

While there has been a great and realistic conceptual improvement through the realization of the limitations of private financing, some points of friction remain, of which two deserve mention: (a) the policy of the Washington financing agencies to refuse lending for state oil monopolies in Latin America; (b) the controversy over expropriation of U.S. properties.

With regard to the first of these problems the U.S. policy, though never completely clarified, appears to have evolved from a complete denial of public loans for state oil enterprises to restricted financing of certain phases of the operation (transport, refining and distribution) for state companies of countries that allow also the functioning of private enterprises in prospecting and refining (Argentina, Bolivia), and preferably in joint investment schemes with private capital. There appears to be no restriction however to the financing of research and development of nonconventional petroleum sources such as bituminous shale. The alleged rationale for the policy of restrictive public lending in the petroleum field is the availability of private capital, which would justify husbanding scarce public funds for those investments that are unattractive for private capital; a contention that is disputed by some of the Latin American countries which point to the unreliability of investment decisions by the private oil companies, their lack of interest in opening up new fields of production that might compete with excess capacity owned elsewhere, the subordination of their exploration and pricing policies in Latin America to their worldwide market interests and, finally, the political unadvisability of foreign private operations in a field of strategic importance.

The other remaining source of controversy has to deal with the question of expropriation of U.S. properties in Latin America. This trend toward expropriation has been exacerbated by the Cuban wholesale nationalization of foreign companies, but was present in variable degree in most Latin American countries even before the Cuban experiment. The fields more vulnerable to the expropriation drive are public utilities, public transport systems, and oil production and processing facilities. Unlike the petroleum field, where the drive for nationalization is basically political—the desire to retain for the state control of sectors of strategic importance to the economy—in the case of transportation and public utilities there are real technical problems related to the near impossibility of private operation of tariff-regulated fields in periods of prolonged and sharp inflation. The lag of tariffs behind cost (prompted either by political demagogery or by the sheer administrative complexities of frequent rate revisions) deter private investment, leading to deterioration of the services and creation of bottlenecks that, in turn, aggravate the political opposition to rate increases and generate public clamor for state intervention, particularly in the case of foreign enterprises targeted by nationalistic pressure.

State intervention does not of course solve any of the technical problems arising from inflation (often it increases real costs and decreases efficiency) but permits the continuation of investment by dividing the burden between the direct user and the general taxpayer.

The "expropriation controversy" does not concern the right of expropriation itself, which is unquestionably accepted both by the United States and Latin American countries as a matter of sovereignty. It refers rather to (a) the economic wisdom of allocating resources for absorption of existing operations rather than for new investments and (b) the determination of what is "fair and adequate compensation" both in terms of method of valuation of the properties and currency of payment; (c) the degree of acceptable diplomatic action by the Government of the investor countries for the protection of the interests of their expropriated companies abroad. On the question of definition of expropriation, the usual inclination of the private investor is to resort to "reproduction costs" as the method of valuation and to require prompt payment in convertible currency, a requirement which if strictly interpreted would in fact impede expropriation, in view of the financial stringencies of most of Latin American countries both in terms of fiscal resources and foreign exchange availabilities. The tendency of the Latin American countries on the other hand is to advocate the payment of compensation in installments, a major proportion being paid in local currency independently from convertibility provisions, and often with tied-in reinvestment clauses. With regard to the degree of diplomatic protection, the position of the Latin American countries is generally that only in the case of denial of justice by local courts does the problem become a legitimate case of "protection of nationals" under international law. As long as internal legal remedies have not been exhausted, diplomatic protection is regarded as improper.

In practice the U.S. Government has on the whole taken a pragmatic and moderate course on this matter, at least since the Rooseveltian handling of the Mexican expropriation of oil companies in 1934, a case in which the claims of the companies obtained only a modicum of support from the administration, political reasons for a settlement being judged to overwhelm private interests. This tradition has been maintained with minor changes. Recently, however, during the 1962 discussion of the foreign assistance bill, provisions had been inserted directing the U.S. administration to suspend aid in case of expropriations not followed by "appropriate steps" which may include arbitration, to provide "equitable and speedy compensation in convertible foreign exchange, as required by international law."

Such a provision, unless wisely administered, may become a source of interminable friction in U.S. relations with Latin American countries, which are likely to question (a) the implied assumption that compensation in convertible foreign exchange is required under international law, when the legal tradition supports only the requirement that compensation be made in a useful form of payment; (b) the premature internationalization of the disputes, in view of the fact that, unless and until denial of justice by local courts is demonstrated, litigation between individual companies and sovereign States remain a matter of internal and not international law; (c) foreign assistance programs may be transformed into a dangerous leverage by private interests in support of exaggerated claims on foreign governments.

THE CONTROVERSY ON PLANNING

A useless and frustrating dispute on planning versus free enterprise lurked below the surface during several of the inter-American economic conferences of the postwar period.

Various Latin American countries desirous of (a) assuring continuity of financing arrangements; (b) obtaining global financial commitments on a program basis rather than on a project-by-project basis; (c) expanding governmental investments in the infrastructure; (d) utilizing planning as an instrument for mobilization of popular support for economic development—pressed for recognition of the principle of planning and programing and for the acceptance, by the United States, both in its own financial agencies and through its representatives in international organizations, of long-term financial commitments.

The idea of long-range planning and programing found reluctant ears in U.S. policymakers who were (a) preoccupied with avoiding a massive U.S. involvement in financial commitments for aid to Latin America, and (b) fearful that the endorsement of the planning philosophy might encourage or hasten state-minded or socialist tendencies in Latin American governments, thus stifling private enterprises.

The U.S. attitude began to show perceptible changes after the launching of Operation Pan America, and particularly during the discussion of the Committee of Nine and Bogotá Conference in June and September of 1960, respectively, but only in the Punta del Este Charter was there a frank and strong endorsement of the principle of long-range global planning and the correlate acceptance of a long-run U.S. commitment for Latin American development.

As usual, this shift in policy has not been devoid of paradoxes. For after having insisted over many years for U.S. acceptances of the planning philosophy, many Latin American countries found themselves administratively and technically unequipped for undertaking the planning job when the principle was finally recognized in Punta del Este.

Substantial progress is being made in this direction, and one of the major tasks of technical assistance in the near future will be the improvement of the planning machinery on this continent.

THE ALLIANCE FOR PROGRESS

By far the most important event in recent days in inter-American relations is the launching of the Alliance for Progress.

The Alliance for Progress was built on the foundation laid down by the proposal of the Operation Pan America of the Brazilian President Kubitschek. It has with the latter points of contact and points of dissimilitude. They both aim at quantifying growth objectives for Latin American countries, at determining needed rates of investment and the magnitude and sources of the required external assistance, and both recognize the collective responsibility of the Americas in the fight against economic underdevelopment. They differ in that the Alliance for Progress lays emphasis on the immediate promotion of social investment and on longrun institutional and structural reforms, which were not focused upon by Operation Pan America. The latter envisaged social development as a byproduct of economic development and held that the effectuation of reforms should be a result rather than a precondition of the global investment effort.

The simple enunciation of the Alliance for Progress has brought a significant shortrun contribution to reduce tensions in the hemisphere. For many of its postulates give recognition to longstanding claims of enlightened Latin American statesmen and economists. Whether or not its final result will be a permanent abatement of tensions depends obviously on methods, pace and success of implementation.

As is inevitable in programs of social transformation, internal tensions are generated during and within the very process of change. If a taxonomy of tensions were attempted one might distinguish between the transformative tensions and the operational tensions. The first are unavoidable and necessary for they are at the very core of the problem of changing social aims, attitudes and values. The process of modernization of societies is never a spontaneous process but a promoted change, in which the elements of the old social order are subject to transformation or destruction. The "operational" tensions are those generated by imperfections and strain of the machinery for implementation of a complex program of social change and economic development, operated on an international scale.

In a sense, the transformation tensions refer to terminal values and the operational ones to instrumental values.

I have, in a different context, sought to analyze the unresolved "antinomies" that beset the Alliance for Progress. This may provide convenient framework to discuss both the "transformative" and the "operational" tensions.

The first antinomy is the contrast between the instrument and the objective. The Alliance for Progress is a bold program for economic development and social change with a strong egalitarian bent. But some of the governments that signed the Punta del Este Charter, fortunately a very small minority, still represent traditional rural oligarchies whose allegiance to drastic social change is either too superficial or too timid. In this case the implementation of social reforms will be impelled much less by the carrot of social justice and economic development than by the stick of fear of social convulsion.

The second is the contradiction between the need for an impact effect and the conditions of maximum longrun effectiveness. The latter require, in order for the investments to attain an optimum yield and for assuring a proper coefficient of self-help, an adequate institutional framework, structural reforms of tax and land tenure systems, and a coherent set of monetary and fiscal policies.

On the other hand, it is often necessary, for social and political reasons, to direct immediately some initial investment to several sectors of the underdeveloped economy even before social reforms are enacted and effective economic policies adopted. A certain risk of initial waste must therefore be accepted almost, we might say, as the political cost of breaking inertia and arousing public support and participation; and there is no way of avoiding a partial misallocation of resources, except at the much higher cost of generating skepticism and mistrust regarding the purposes and effectiveness of the Alliance.

Thirdly, we have the controversy between social and economic development. The Alliance has been sometimes criticized, particularly in Brazil, as a method of dealing with social problems by means of social remedies, while those problems require, to a great extent, basically economic solutions. Yet, when the prevailing social environment is such that the available labor force cannot be fully engaged in production on account of social unrest, squalor, and disease, then it is sensible to complement massive economic investments with allocations of capital for social development projects. In fact, economic and social investments instead of being mutually exclusive alternatives become indeed complementary.

Fourthly, we face the serious dilemma of consented reform versus revolutionary change. One could easily draw the divortium aquarum of contemporary social action and thought in Latin America as coinciding with the line that divides the will to bring about basic economic, social, and political reforms (even of a radical nature) by means of democratic change, from the desire to subvert existing institutions, in order to impose upon social reality, in a sudden manner, new patterns and values.

In this sense, we find both the extremes of left and right, the revolutionaries and the defenders of the status quo, fighting in the same trench, although by opposite reasons, against the Alliance for Progress. The former because they do not want to work toward gradual progress, but rather try to extract light from darkness, and economic order from social chaos. The latter because they do not want to lose the comfortable status they have enjoyed for so many years in our unjustly organized societies, afflicted by the contrast between despair and privilege.

In the fifth place, there is the dilemma between Government planning and free enterprise. Social pressures for development in the modern context require a large degree of Government intervention, which, if not skillfully handled, may have restraining effects on the vigor of private initiative. Moreover, political factors may impose the reservation of special areas for national operation. It is far from easy to maintain a correct balance between private motivation and planned growth, and it may be expected that tensions will arise between governments and private enterprises, particularly foreign enterprises. The use of the leverage of external assistance to interfere with the Government's freedom of choice in allocating tasks between the public and the private sector may generate dangerous friction which it is imperative to avoid if the Alliance for Progress is to succeed.

Let us register, as a sixth factor, the conflict between political inspiration and bureaucratic inertia. And this both in the giving and in the receiving end. The new mood, the new tempo, the new magnitude of effort finds enemies in conventional attitudes of the Washington lending agencies, for instance, that adhere to conventional banking criteria, that are always prone to reduce their own effort when new sources of funds enter the field, as well as in the incoherence of receiving countries often unable to modernize their administrative and planning machinery. In fact, bureaucratic perspiration threatens to sap the vigor of the political inspiration of the Alliance.

Finally we come to the antinomy of trade versus aid.

It has been estimated that the decline in the dollars receipts of Latin American countries, as a result of declining prices of their exports to the United States, is comparable, and in some instances superior in the last few years to the amount of dollars received under the form of loans and grants from the United States. Since 1953, the weighted U.S. average price of Latin American imports (excluding Venezuela and Cuba) declined by 20 percent, while U.S. export prices rose by 10 percent. The value of exports of Latin America to the United States in 1961 (assuming a relatively low price elasticity of U.S. demand for those exports) could have been higher by some U.S.$1.4 billion, if prices had remained at the 1953 level, a year which may be taken as reasonable basis for comparison because it was not distorted either by the abnormal demand of the preceding Korean boom or by the coffee valorization prices of 1954. This sum is superior to the combined flow of funds from all sources into Latin America last year. This perhaps provides a clue to the frustrating verification that despite what is mistakenly regarded as a substantial flow of funds to Latin America in the last decade, the perilous drift toward stagnation or abatement of the growth rate of the countries south of the Rio Grande has not been detained.

It is true that the price decline is a market phenomenon and not the result of an international conspiracy, and that to a certain extent the Latin American countries themselves, through unrealistic production and trade policies, contributed to the weakening of their terms of trade. The problem however is not to allocate guilt but merely to verify objectively that in a net sense there has not been a transfer of real resources to Latin America and that neither the United States nor the industrialized countries of Western Europe (which unlike the United States have benefited from improved terms of trade without an offsetting lending effort) have lost treasure or substance in helping Latin America. It should be noted that while both the American taxpayers and Congress acted generously in accepting the burden of taxes for foreign aid, there is sometimes a tendency to forget the savings which the American consumer realized through lower prices paid for imports from Latin America; or to exaggerate the financial effort imposed by the Alliance for Progress, which not only represents, at currently estimated amounts, less than one-fourth of the yearly outlays for the Marshall plan; and which comes at a time when the American economy does not suffer inflationary pressure but, on the contrary, has substantial idle industrial capacity, food surpluses, and unemployed human resources.

The solution of these unresolved antinomies will be of fateful import for the Alliance for Progress. They affect and involve both North Americans and Latin Americans. For anguishing contradictions and conflicting motivations are not a privilege of either side, but part of the human burden, that can only be conquered by solidary effort. But more is required. There are political and psychological preconditions. Among them the most important is the creation of a mystique. (I prefer to talk of mystique rather than of ideology because the latter word has been often tainted by the evil scent of regimentation and intolerance.)

For the Alliance is not an exercise in a political vacuum. It is a work of social engineering requiring from the people a passionate involvement. In this sense it has to act as countermyth to the Communist ideology which, despite its wanton brutality, has been rather successful in conveying to neglected masses a feeling of belonging in the construction of new societies. For the program of the Alliance to succeed, men's minds and hearts must be mobilized, old traditions crushed, privileges waived, social injustices corrected.

The problem is to instill in the masses in Latin America a sense of personal as well as of national commitment. This personal involvement would require, at the outset, the breaking of inertia and skepticism. In other words, we must improve the credibility of the Alliance. That is why actual deeds in the form of well chosen impact projects to reach the masses are needed immediately, independent of social and structural reform, and independently of prior satisfaction (by governments often paralyzed by strife or insufficiently committed to the reformist purpose of the Alliance) of requirements of planning and financial stability.

But a sense of national involvement must also be created. As Governor Muñoz-Marin of Puerto Rico has put it, the "ideals of the Alliance must be fused with the national ideals of each country." Those national ideals may take the form of plans, programs, or simply a development strategy. What is essential is that they represent the national aspirations and not the importation of a foreign mold, for otherwise they would not provoke a national involvement in the concept of democratic reform and change.

Finally, since the Alliance is a cooperative continental undertaking, the organs for political expression and multilateral action must be strengthened just as, in the European case, a mystique of unity was created by a succession of associative organs, both in the economic and in the political fields—the OEEC under the auspices of the Marshall plan, the Council of Europe, the Coal and Steel Community, the Western European Union and above all the Common Market. Hence the suggestion now often heard for the creation in the inter-American scene of executive organs to promote economic integration—fashioning perhaps a "hemispheric nationalism," to use Felipe Herrera's expression—as well as of a political body, possibly in the form of a Western Hemisphere Parliament, may prove instrumental to foster the mystique of the Alliance. For the politics of the Alliance are just as important as its economics.[8]

The Alliance for Progress offers what may be the last chance to reduce economic, social and political tensions of the impatient and impoverished masses of Latin America to levels compatible with democratic reforms, without the painful and often uncontrollable surgery of authoritarian revolution.

Bold faith is needed no less than patient toil. There must be a search for constant understanding, and there must be courage to make mistakes because of excessive faith, rather than stagnate through caution or conventional wisdom.

To make the Alliance succeed is the great and perilous but rewarding travail of the Americas in this fateful decade.

FOOD AND AGRICULTURE ACT OF 1962

The Senate resumed the consideration of the bill (H.R. 12391) to improve and protect farm income, to reduce costs of farm programs to the Federal Government, to reduce the Federal Government's excessive stocks of agricultural commodities, to maintain reasonable and stable prices of agricultural commodities and products to consumers, to provide adequate supplies of agricultural commodities for domestic and foreign needs, to conserve natural resources, and for other purposes.

DAIRYING

Mr. McCARTHY. Mr. President, last Thursday I spoke on the emergency situation which has arisen in the dairy industry, both from the viewpoint of the low income of dairy farmers and the mounting problem of Government-held surpluses and Government costs of the support program under existing legislation.

On Friday the Senator from Louisiana [Mr. ELLENDER], the chairman of the Senate Committee on Agriculture and Forestry, discussed dairy legislation. He said that he was not going to offer any proposed legislation affecting the milk program to the farm bill. He did, however, express his concern about the problem, and he placed in the RECORD a letter from Secretary of Agriculture Freeman concerning it.

The Senator from Louisiana [Mr. ELLENDER] stated:

> I have said repeatedly that, in my opinion, some changes in the dairy laws are imperative if the program itself is to survive.

He announced his intention of holding hearings in an effort to develop legislation which will solve some of the problems.

I appreciate his concern about the problem, but in my judgment we should not pass up this opportunity to adopt a temporary program to be effective until permanent legislation can be developed. I believe the letter from Secretary Freeman to the Senator from Louisiana [Mr. ELLENDER], which he placed in last Friday's RECORD, contains evidence of the necessity for action at this time.

I wish to note a few excerpts from that letter, which I think are particularly pertinent to the problem.

In the first paragraph the Secretary stated:

> On several occasions during consideration of the pending farm bill you have stated your intention to have your committee consider further the need for improved dairy legislation. We would welcome such action at the earliest feasible time. [The dairy price support program is now reaching an extremely critical situation. In my opinion there is an urgent and immediate need for legislative action in order to prevent a debacle with the most serious consequences for dairy farmers, consumers, and taxpayers.]

I read further from the same letter:

> Purchases of dairy products under the price support program are outrunning the Government's greatly expanded utilization of these products for domestic and foreign assistance programs. As a result, stocks of CCC-owned dairy products in storage are growing rapidly to unprecedented levels.
>
> The most urgent problem concerns butter. At the present, we have over 400 million pounds of CCC-owned butter in freezer storage. We are very near to the limit of available freezer storage capacity. We have estimated, by a nationwide survey, that there is only 90 million pounds of freezer storage capacity available throughout the country for storage of CCC-owned butter, in addition to the warehouses already filled with CCC's present stocks.

I quote further from the Secretary's letter:

> In the face of this already tight butter storage situation, CCC continues to acquire butter under the mandatory 75 percent of parity price support program at a rate considerably faster than it can be utilized for authorized disposal outlets. We estimate the total uncommitted CCC inventories of butter will reach 500 million pounds early next year—thus equaling the total potential freezer storage capacity available. Thus we are face to face with the prospect within a few months of having no place to put butter acquired through price support purchases.

The Secretary also stated:

> Supplies of cheese and nonfat dry milk, although creating a less urgent storage problem, are also large. We have made available 40 million pounds of cheese for foreign donation. Donations of nonfat dry milk for domestic use were increased 40 percent and for foreign use, 38 percent. Still greater quantities are being made available wherever they can be used in the food-for-peace program. Yet CCC stocks of these products likewise continue to outrun available disposal outlets. Uncommitted inventories, as of July 31, 1962, totaled 105 million pounds of cheese and 556 million pounds of nonfat dry milk.
>
> The cost to taxpayers of the dairy price support program has reached an all-time high. During the marketing year which ended March 31, 1962, net costs of price support operations for dairy products totaled $597 million. These Government expenditures amount to 50 cents for each 100 pounds of milk marketed by U.S. dairy farmers during 1961–62. The U.S. average price received by farmers for milk sold during this period was $4.23 per hundredweight.
>
> The cost of price support operations for the amount of milk produced during the year by an average dairy cow comes to $36; the cost for a herd of 30 average milk cows for the year was $1,080.
>
> We estimate that the net cost of the dairy price support program will again exceed half a billion dollars for the 1962–63 marketing year. Despite these enormous total expenditures for dairy price supports, despite the heavy contribution of the Government to the farmer's income from milk, dairy farmers' incomes are far from adequate.

At another point in the letter he states:

> Although the leveling off in milk production in recent months indicates that the uptrend in production has been at least temporarily checked, the serious imbalance between milk supply and demand shows little sign of correction in the forseeable future. Individual dairy farmers are continuing to improve their efficiency and increase production at a rapid rate. At present milk prices, this is the only means the individual dairy farmer has of maintaining his gross income in the face of continually increasing production costs.

Finally, he suggests that new legislation is needed to accomplish three objectives:

> 1. Limit the acquisition of dairy products to quantities which can be utilized, without waste, in the national interest;
>
> 2. Authorize dairy farmers, if they choose by a two-thirds majority to do so, to bring milk supplies into reasonable balance with demand and needs for Government programs, in order to maintain their prices and incomes at a fair and adequate level; and
>
> 3. Provide for a gradual transition toward reduced Government expenditures for price support operations, at the choice of dairy farmers themselves, either through lower support price levels or through adjustment of milk supplies to demand.

I suggest that the amendment which I intend to offer will accomplish much toward achieving two of the objectives: that of limiting the acquisition of dairy products to quantities which can be utilized, without waste, in the national interest; and that of providing for a gradual transition toward reducing Government expenditures.

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[8] Cf. Felipe Herrera, President of the Inter-American Development Bank, "The Economic Aspects of the Alliance for Progress," address at Georgetown University, June 27, 1962.

The second objective suggested by the Secretary is a program to authorize dairy farmers, if they choose by a two-thirds majority to do so, to bring milk supplies into reasonable balance with demand and needs for Government programs, in order to maintain their prices and incomes at a fair and adequate level. I suggest that this type of program which requires a referendum is not something which can be accomplished at the present session of the Congress, and it is not likely to be effectively accomplished unless we have some experience with a voluntary program similar to the one I am suggesting.

It is my opinion that the voluntary program I have proposed will work effectively if the proper price levels are set and proper payments are offered. If it did not, of course, we could then look toward the accomplishment of a similar objective under a mandatory program approved by the dairy farmers. But preliminary to that, a voluntary program similar to that which I have suggested, should be tried.

Mr. President, the difficulty is that the existing legislation does not really contain any procedure by which dairy farmers can work out a solution. Price supports are mandatory at 75 percent of parity and the Government must purchase the surpluses.

The amendment which I intend to propose provides an emergency procedure patterned after the temporary Feed Grain Act. A comparable situation had developed in feed grains 2 years ago. Excessive surpluses had been built up under the program of previous years and there was no effective method by which farmers could reduce the surplus production. The feed grain program we enacted provided both for surplus reduction payments on acres diverted and for higher price supports to cooperators on the amount they marketed.

My proposed dairy amendment takes the same approach. It incorporates the provision already approved by the House of Representatives to make surplus reduction payments of up to $2.50 per hundred on the amount of milk, from 10 to 25 percent, which producers cut back.

I do not believe we would have had an effective degree of participation in the feed grain program if the farmer had been offered only payments for diverted acreage. It was necessary to offer him some improvement in the price support at which he marketed his production. The same situation is true for dairy production.

To make the voluntary reduction program effective I propose that supplemental payments be made to those who participate in the program on such quantity of milk for manufacturing purposes that they market. This amount would be in addition to surplus reduction payments, as provided in the House bill. The supplemental payment would be set by the Secretary at a level between the market price and up to 90 percent of parity. The amendment also permits the Secretary, if he initiates a program of surplus reduction and supplemental payments, to set the basic price support level between 70 and 75 percent of parity, dependent upon supplies. This authority does not replace the present law, but simply provides a temporary exception during the period the emergency provisions are in force. The proposed program would be effective for a year and a half, from October 1 of this year to March 31, 1964.

The estimates made on this proposed emergency program show that it would increase the net income of dairy farmers who choose to enter the program and also cut down on Government costs and Government held surpluses in storage.

This is a voluntary program. It does not impose mandatory quotas and it does not require a referendum. It provides dairy farmers with a reasonable procedure to make adjustments and it would cost the Government less than the existing program which, the Secretary has stated, "is now reaching an extremely critical situation."

Since I proposed this amendment a few days ago I have received letters and telegrams from a large number of individual dairy farmers as well as farm groups in support of this approach.

I ask unanimous consent to have printed at this point in the Record, a few of the letters and telegrams which I have received with reference to the amendment.

There being no objection, the communications were ordered to be printed in the Record, as follows:

Pure Milk Producers Association,
Tulsa, Okla., August 16, 1962.
Senator Eugene J. McCarthy,
Senate Office Building,
Washington, D.C.

Dear Senator: We are in receipt of your news release of Sunday, August 12, 1962, concerning your Senate dairy amendment.

I am much enthused about this approach to the problem. I presented to Mr. Lewis in the Department much the same approach some time ago.

I would suggest that this approach be given as much study and support in the Senate as possible from you to your colleagues.

I wish to again commend you and your staff for the services you are rendering the dairy industry concerning our present plight. I am alarmed at the complacent attitude that many farmer groups are taking concerning these problems.

Sincerely yours,
Charles F. Moore,
Manager.

Honey Home Farm,
Thorp, Wis., August 17, 1962.
Hon. Eugene J. McCarthy,
Senate Office Building,
Washington, D.C.

Senator McCarthy: I want to congratulate you for your dairy program. I want to thank you for your diligent efforts you are putting forward on behalf of the dairy farmers.

Sincerely yours,
Louis Wojtkiewicz.

Missouri Farmers Association, Inc.,
Columbia, Mo., August 16, 1962.
Hon. Eugene J. McCarthy,
Senate Office Building,
Washington, D.C.

Dear Senator McCarthy: We have read with great interest your press release explaining your proposed dairy amendment to the general farm bill now pending in the Senate.

We agree with you that the dairy problem is fast approaching emergency proportions, and consider it imperative that Congress take some constructive action on dairy legislation before it adjourns.

Your proposed amendment, as we understand it, is patterned after the emergency feed grains program, which has worked successfully and has been popular with farmers. You will recall that it was my privilege to serve as Chairman of the Advisory Committee which recommended this program.

We support your efforts to find an acceptable answer to the dairy problem, and commend you for again bringing this matter to the attention of Congress.

Sincerely,
Fred V. Heinkel,
President.

Mercer County National
Farmers Union,
Jamestown, Pa., August 16, 1962.
Senator Eugene J. McCarthy,
Senate Office Building,
Washington, D.C.

Hon. Eugene J. McCarthy: In behalf of Mercer County National Farmers Union members we wish to thank you for the dairy bill and your past support of farm programs.

We feel the dairy bill is the only foreseeable solution to get relief for the farmers. Last year the largest supplier of milk for the Pittsburgh market paid their dairymen $1.24 per hundredweight for over half of their milk which is produced under class I specifications. This brings the blend price ridiculously low and forces the dairymen to produce more to pay their bills.

Hoping for your continued support of workable farm legislation.

Yours truly,
M. J. Brown,
Secretary-Treasurer.

Pure Milk Products Cooperative,
Fond du Lac, Wis., August 13, 1962.
Senator Eugene J. McCarthy,
Senate Office Building,
Washington, D.C.

Dear Senator: We are pleased to learn that you are planning to offer the amendment to the Senate agriculture bill that would provide for dairy farmers voluntarily reducing milk production below their 1961 marketings.

We think it is sound to give dairy farmers this alternative. This would also save the Government and taxpayers one-half of the $4.50 per hundredweight it costs Government to purchase the milk marketed from farmers that is in excess of domestic demand.

We are asking our respective Senators to support your position and amendment on this important dairy matter.

Please accept our thanks for the efforts you are putting forth to give farmers the chance to reduce Government expenses, their marketing volume, and a voluntary alternative.

Sincerely,
Wm. C. Eckles.

Milton, Vt., *August 15, 1962.*
Hon. Eugene J. McCarthy,
Senator from Minnesota,
Senate Office Building,
Washington, D.C.

Dear Sir: I hope that a voluntary adjustment program for dairy farmers can be passed this year by Congress. I understand that you are going to offer such an amendment to the House-passed general farm bill.

It would help reduce the cost of the dairy support program to the Government, and also, help the financially hard-pressed dairy farmer. A temporary dairy program would not only help reduce the cost of the dairy support program and help restore the dairy farmers income, but could lead to hearings on a dairy program, that, I hope, would lead to a dairy farm bill that a majority of the dairy farmers would support.

Something needs to be done soon if the family-type dairy farm is to be preserved. Two farmers on a milk route, that I operate in Milton, Vt., sold their cows this spring. They were the type of farmer that we hate to see go out of business. One farmer had 25 milking cows and the other farmer had 30 cows. I had only seven dairy farmers on my route, originally.

There are many different types of dairy farmers in this country and they all have a place, but every effort should be made to save the family-type dairy farm.

I want to thank you for your great interest in the welfare of the farmers. I hope this latest effort of yours is successful.

Yours very truly,

Raymond G. Rowley.

Iowa Farmers Union,
Des Moines, Iowa, August 15, 1962.

Senator Eugene J. McCarthy,
Senate Office Building,
Washington, D.C.

Dear Senator McCarthy: I read with interest your news release of August 12 relating to your recommendations for dairy legislation. I wish to congratulate you on your efforts and determination in doing something to help the dairy farmer. Your proposals are a very important step in the right direction.

I am sending copies of this letter to Mr. Ellender, chairman of the Senate Agricultural Committee and to the Iowa Senators, Hickenlooper and Miller. The Iowa Farmers Union will urge them to support your recommendation.

Yours truly,

Kenneth Schuman, *President.*

St. Paul, Minn., *August 11, 1962.*

Senator Eugene J. McCarthy,
Senate Office Building,
Washington, D. C.:

Your dairy amendment to the farm bill is a good first step to help the dairy farmers. The proposed provision of supplemental payments tied to a dairy base and to those who cooperate in the program is very sound and could well be the solution for getting production adjusted somewhat in line with market demand. Supplemental payments will increase income to farmers, reduce Government costs, maintain dairying as a family farm enterprise, and reduce the cost of dairy products to the consumer. However, to protect the family farm there should be a limit on the size of the base that any one producer can get the payment on. We feel that the dairy base on each farm should be handled by the ASC committee the same as feed grain and that the base should not be negotiable.

Edwin Christianson,
President, Minnesota Farmers Union.

Warroad, Minn., *August 19, 1962.*

Senator Eugene McCarthy,
U.S. Senate Office Building,
Washington, D.C.:

Your dairy amendment is not charity or generosity or fairness but just plain commonsense.

Harold Norquist.

Litchfield, Minn., *August 20, 1962.*

Senator Eugene McCarthy,
Senate Office Building,
Washington, D.C.:

We heartily support your dairy amendment to the Senate farm bill. It is a worthy effort in the right direction.

Clifford Reese.
Gerald Carlson.

Hayfield, Minn., *August 20, 1962.*

Senator Eugene McCarthy,
U.S. Senate Office Building,
Washington, D.C.:

I commend you on amendment to dairy section of farm bill. Urge support as proposed.

Earl Gronbach.

Hutchinson, Minn, *August 20, 1962.*

Senator Eugene McCarthy,
U.S. Senate Office Building,
Washington, D.C.:

I believe your dairy amendment is of extreme importance and urge its adoption.

Harry Beneke,
President, Biscay Co-Op Creamery.

Baudette, Minn., *August 20, 1962.*

Senator Eugene McCarthy,
U.S. Senate Office Building,
Washington, D.C.:

This county's farmers are for your dairy amendment to the farm bill. Would be real help.

Norence Undahl,
President, Lake of the Woods County.

Oklee, Minn., *August 20, 1962.*

Hon. Eugene McCarthy,
Senate Office Building,
Washington, D.C.:

Dairy farmers of my community strongly urge the passage of your amendment to the dairy section of the general farm bill.

Stanley Radniecki.

Warroad, Minn., *August 19, 1962.*

Senator Eugene McCarthy,
U.S. Senate Office Building,
Washington, D.C.:

Your proposed dairy amendment is a good and sound step in the right direction.

Adrian Donley.

Warroad, Minn., *August 19, 1962.*

Senator Eugene McCarthy,
U.S. Senate Office Building,
Washington, D.C.:

Better management and financial opportunities are extended to dairymen by your proposed dairy amendment.

Elmer Anderson.

Warroad, Minn., *August 19, 1962.*

Senator Eugene McCarthy,
U.S. Senate Office Building,
Washington, D.C.:

Express approval of the voluntary nature of your proposed dairy amendment relative supplemental payment.

Harry Thompson.

Warroad, Minn., *August 19, 1962.*

Senator Eugene McCarthy,
U.S. Senate Office Building,
Washington, D.C.:

Roseau County dairymen need the improved prices offered by your proposed dairy amendment.

John Schmitt.

Warroad, Minn., *August 19, 1962.*

Senator Eugene McCarthy,
U.S. Senate Office Building,
Washington, D.C.:

Dairymen urgently need voluntary plan as proposed in dairy amendment to stimulate needed income.

Frank Cole.

Hayfield, Minn., *August 20, 1962.*

Senator Eugene McCarthy,
U.S. Senate Office Building,
Washington, D.C.:

I commend you on amendment to dairy section of farm bill. Urge support as proposed.

C. A. Saxlon.

Barron, Wis., *August 15, 1962.*

Dear Senator McCarthy: I want to highly commend you for the dairy amendment that you have offered in the farm program. Conditions are serious on farms today. Hope Congress does not consider the CED report written by business people who do not understand farm conditions. What would happen if 2 million farmers would be moved into a labor surplus?

Sincerely,

A. M. Hanson.

Phillips, Wis., *August 16, 1962.*

Hon. Eugene McCarthy,
U.S. Senate Office Building,
Washington, D.C.

Dear Senator of Minnesota: I, as a dairy farmer of Wisconsin, wish to express my appreciation for your diligent efforts in behalf of us dairy farmers.

We need to take some action in the dairy business as we learn by trial and error.

If the farmer prospers, the whole economy will be improved which is good for our country. Thank you.

Respectfully yours,

Joe Loula.

Fond du Lac, Wis., *August 20, 1962.*

Dear Senator McCarthy: I would like to commend you for the dairy program amendment which you will be introducing in the U.S. Senate this week.

I believe it will be a big benefit to the dairy farmers. Thank you.

Reinhold Grams.

Neenah, Wis.

Dear Sir: I wish to thank you for your diligent efforts on behalf of we dairy farmers and I am urging my Senators to support your amendment.

Yours truly,

Floyd J. Nelson.

Poy Sippi, Wis., *August 16, 1962.*

Dear Senator: I and many of my farmer neighbors are in agreement with your voluntary cutback and temporary support program.

Good work. Keep with it.

Edward Budhof.

AID TO POLAND

Mr. HART. Mr. President, periodically Senators are faced with the responsibility of replying to a concerned and sincere constituent who protests what appears to him or to her the sending of money to help a Communist stooge. They say, "How can this possibly help us? What sort of fools are you down there?"

I have undertaken to explain the thoughtful basis on which activity such as that, when it is taken, is justified. But several days ago I received a letter which I think is perhaps one of the most eloquent justifications for the actions that have been taken by this Congress and the administrations of President Truman, President Eisenhower, and President Kennedy in this area.

Let me explain.

Some weeks ago a group of members of the Michigan State Bar Association toured Europe. Their itinerary included Poland and Russia. Following their return from that trip, I received a letter from a distinguished member of the Michigan bar. The letter made such an impression that I replied, asking permission to insert it in the Congressional Record. He replied that he was quite willing that it be done, provided, however, that I make clear that it was his own personal observation and not necessarily representative of the Michigan bar. He wanted me to make sure that it was clear he was not authorized to speak for the group of lawyers who traveled through Poland and Russia, or for the State bar of Michigan.

For reasons which I think will be evident to all of us, I think it important, and I ask unanimous consent that the letter from Robert L. Borsos, addressed to me, dated July 20, be printed at this point in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

BORSOS & STATON,
Kalamazoo, Mich., July 20, 1962.

Hon. PHILIP A. HART,
Senate Office Building,
Washington, D.C.

DEAR SENATOR HART: We were sorry that your responsibilities prevented you from touring Europe with the Michigan State bar group. My wife and I want to thank you for helping to clear the way, particularly to permit us to get to Moscow, Poland, and East Berlin.

You may be interested in knowing that we arrived in Warsaw on Corpus Christi Day, which I understand is a very important Catholic holiday. Despite Communist efforts to discourage religion, we saw the streets filled with people who had just participated in a religious parade, little girls still in their white dresses and veils, houses had the religious decorations across their fronts and crowds were packed at the door apparently trying to get into a church near the hotel. This apparently was only one of many ways in which the Polish people are standing up to their Communist rulers. Experience has shown that violent opposition would only result in their extermination. Apparently, however, a large segment of the people, in Warsaw at least, are not knuckling under to the Communists.

Prior to the trip, I probably would have been loud in my denunciation of aid to Iron Curtain countries had you sought my opinion. Now, however, I feel regrets in seeing the Senate trim aid to Poland.

I would be the last to claim that 25 days of sitting in European airports makes a person an expert on foreign affairs, but the experience certainly has widened our horizons.

Yours very truly

ROBERT L. BORSOS.

Mr. HART. Mr. President, it shows that Americans, who are sincerely devoted to this country, can have some very strong reactions when they read of help which is sent by this Nation to Poland. I wish all those who are critical could have shared Mr. Borso's experience of seeing Poland and discussing some of the fruits of the aid concerning which some of us in the Senate are criticized. I am sure this will be the impression they will receive from reading this letter.

A NATIONAL CHARTER FOR THE POLISH LEGION OF AMERICAN VETERANS

Mr. HART. Mr. President, when millions of Americans flocked to the colors in World War II, among them were hundreds of thousands of Americans of Polish descent. At the end of the war, these Americans of Polish descent found a need for a veterans organization designed to deal with the special problems of veterans of Polish descent. The Polish Legion of American Veterans was born of this need.

Today, the Polish Legion of American Veterans numbers a membership of close to 10,000, and its women's auxiliary, almost an equal number. Across the years, the members of the Polish Legion of American Veterans and its auxiliary have labored in hospitals and private homes to make life for less fortunate veterans less painful, less lonely, less desperate.

For years the Polish Legion of American Veterans has desired a national charter to enable it to expand its services and to qualify for certain materials for ceremonial purposes from governmental agencies. There is pending before the Congress legislation granting a national charter to the Polish Legion of American Veterans. This effort I endorse fully.

Recently the Legislature of the State of Michigan adopted a resolution memorializing the Congress of the United States to enact legislation now before it to grant a national charter to the Polish Legion of American Veterans. I ask unanimous consent that this resolution be printed at this point in the RECORD.

There being no objection, the resolution was ordered to be printed in the RECORD, as follows:

STATE OF MICHIGAN, MICHIGAN LEGISLATURE
HOUSE CONCURRENT RESOLUTION 15

Concurrent resolution memorializing Congress to grant a national charter to the Polish Legion of American Veterans

Whereas the Polish Legion of American Veterans has existed for the past 30 years, with current membership of approximately 25,000 American citizens of Polish descent; and

Whereas members and auxiliaries' members, as a major portion of their official benevolent and charitable activities, devote substantial and sustained efforts in aid of all classes of veterans in the United States—in hospitals, rest homes and wherever and in whatever their need may indicate; and

Whereas the Polish Legion of American Veterans and auxiliaries foster the development of American citizenship, civic and community welfare and progress: Now, therefore, be it

Resolved by the house of representatives (the senate concurring), That the Congress of the United States be and hereby is memorialized to enact legislation now before it to grant a national charter to the Polish Legion of American Veterans; and be it further

Resolved, That copies of this resolution be transmitted to the President of the Senate, the Speaker of the House of Representatives, and each Michigan delegate to the Congress of the United States, and to the commander of each State Polish Legion of American Veterans.

Adopted by the house March 7, 1962.
Adopted by the senate June 26, 1962.

BERYL I. KENYON,
Secretary of the Senate.
NORMAN E. PHILLEO,
Clerk of the House of Representatives.

THE COMMUNIST STATES AND THE COMMON MARKET

Mr. HUMPHREY. Mr. President, considering the reams of material written about the Common Market and European economic integration, comparatively little has appeared concerning the effect of the Common Market on the Eastern European countries under Communist rule. I am convinced, through my daily reading, that a thorough study of this important subject is urgently called for. It seems inevitable that the European Economic Community will have one of two effects upon the Communist-dominated countries of Eastern Europe: First, it will either hasten the loosening of their ties with Comecon and the Soviet bloc; or second, Poland, Czechoslovakia, and other countries will prefer to find sanctuary with the Soviet Union, rather than fight a losing battle with the European Common Market. Clearly, the latter result would be a grievous setback for the West.

Certain facts speak for themselves. Some 40 percent of Poland's total trade is with the West. About 70 percent of Yugoslavia's trade is with the non-Communist world. If the Common Market were to erect impenetrable barriers to Eastern European exports, Mr. Khrushchev could hardly be prevented from dictating the trade policies of Poland and Yugoslavia, whereas today his influence is limited in each country—particularly in Yugoslavia. It is widely recognized that he who controls the trade routes also holds the key to the political allegiances of his trading partners. It would be to our advantage if Eastern European trade were to remain a double-edged sword—cutting against the Communist goal of world domination instead of cutting exclusively for it.

As a valuable contribution toward a discussion of these complex problems, Mr. President, I ask unanimous consent to place in the RECORD an article entitled "The Communist States and the Common Market: Russian and Yugoslav Apprehension," by a recognized authority on Eastern Europe, Capt. Eugene C. Hinterhoff. Captain Hinterhoff's article appeared in the British publication, the Tablet, of June 23, 1962. He convincingly documents the advantages for the Poles and Yugoslavs of continued access to the markets of Western Europe and the danger that they will be forced into an economic ghetto dominated by the Soviet Union. I would like to quote certain passages of Captain Hinterhoff's very intelligent discussion of these points:

> The enforced increase of the satellites' dependence on Russia could only result in a greater cohesion of the bloc and an increased combat value of the Warsaw Pact. A byproduct of the economic isolation of Communist countries in Europe could be a great strengthening of relations, both trade and political, between Eastern Europe and the embittered young Asian and African countries of the Commonwealth. * * *
>
> Should Yugoslavia, as a result of the Common Market's effect upon her economy, decide to turn toward Russia, to join Comecon and the Warsaw Pact, Mr. Khrushchev's earlier success would be made permanent. For the West, it would be a major strategic reverse.

I commend Captain Hinterhoff's article to Senators' attention.

Another timely contribution to this subject is an article by Madeleine and

Marvin Kalb, entitled "The Communist Dread of the Common Market," which appeared in the Reporter of July 19, 1962. Among other things, Mr. and Mrs. Kalb say:

> Possibly no other single Western phenomenon since the Marshall plan has had so profound an impact on the Communist world as has the emergence of the Common Market. Not only from an economic but also from a political, military, ideological, and diplomatic viewpoint, this dynamic and prosperous association has jarred the Russians with an example of Western economic vitality that defies Marxist scripture and coincides embarrassingly with a period of declining economic fortunes in the Communist world.

The Kalbs go on to say:

> The basic issue is whether Comecon can compete economically with the Common Market, and the indications are that it cannot.

They point out, quite rightly, that Stalin missed his opportunity in 1948 and afterwards to weld the Communist bloc into a tightly knit economic entity. They point out the rigid bilateral barter arrangements among Communist countries, the inconvertibility of East European currencies, the immobility of labor, the agricultural crises throughout the East European Soviet bloc, and—a factor of great importance—the reluctance of certain countries such as Poland to sacrifice their current trade arrangements with Western Europe for tighter coordination with the Soviet Union. The Kalbs conclude with the following provocative statement:

> Indeed, the EEC boom comes at a time of economic crisis throughout the Communist world, reflected in the recent sharp increase in the retail price of meat and butter in the Soviet Union. Any major and meaningful response to the Common Market would cost money, and the Russians have now run up against the brutal fact that after 44 years, their economy still has very little fat to absorb the additional cost of any major switch in policy or planning. For the first time since the war, the Soviet Union finds itself truly on the defensive.
>
> Short of a revolution that would make possible a radical overhaul of the agricultural system and an introduction of industrial efficiency, the Russians appear to be unable to come up with a feasible economic response to the challenge of the Common Market.

I ask unanimous consent that the aforementioned articles by Captain Hinterhoff and Mr. and Mrs. Kalb be placed in the Record at this point.

There being no objection, the articles were ordered to be printed in the Record, as follows:

[From the Tablet, June 23, 1962]

The Communist States and the Common Market—Russian and Yugoslav Apprehension

(By Eugene C. Hinterhoff)

A feature of the recent Commons debate on the Common Market was the apparent ignorance of the implications of Britain's entry as far as the Soviet bloc is concerned. Only Mr. Harold Wilson thought them worthy of a brief mention. And perhaps this is not surprising; compared statistically with Western Europe and the Commonwealth, Eastern Europe is of little importance to British trade. Indeed, the entire Soviet bloc accounts for only about 4 or 5 percent of Britain's exports. But politically and strategically the maintenance of this trade is very much more significant than a bare analysis of trade balances and statistics show.

Poland's trade with the West, to take one example, represents some 40 percent of her total turnover—the remaining 60 percent being mainly with her Warsaw Pact allies. The export of Polish bacon, stabilizing at 48,500 tons, earns her about £11 million a year, a figure which is plowed back, and used in this country for the purchase of British capital goods and machinery. Last May, the value of Polish orders for capital goods alone amounted to £18 million. Thus trade with the Poles, whose purchases increase every year, is of considerable interest to Britain's engineering industry.

Moreover, these trade relations with Eastern Europe—for to some degree Poland's trade with Britain is similar to that of the other European satellites—have greatly contributed to the liberalization of conditions, the increasing pro-Western orientation, and the decline of satellite economic dependence on Russia. The only exception here is Czechoslovakia, where the Government remains Stalinist and anti-Western.

If Britain joins a Common Market in which an outward, high tariff wall is erected, all the precious ground gained in Eastern Europe will be lost. Poland's foodstuffs will be unable to compete with those supplied by French and German farmers, and consequently her purchases of British machinery will end. A forewarning of this was given in 1960, when the quota of Polish bacon was cut by 8,000 tons. Poland immediately canceled her contract for the purchase of five Viscounts, and bought Ilyushins from Russia instead; when the quota was restored, trade began to flow again. The enforced increase of the satellites' dependence on Russia could only result in a greater cohesion of the bloc and an increased combat value of the Warsaw Pact. A byproduct of the economic isolation of Communist countries in Europe could be a great strengthening of relations, both trade and political, between Eastern Europe and the embittered young Asian and African countries of the Commonwealth.

Yugoslavia can be even more severely hit by the Common Market, as a country whose trade with the West constitutes some 55 percent of her overall trade—twice as much as her trade with the Communist countries. Out of the £19 million worth of her exports to Britain, about £12 million consists of pig-meat products. But as there is already a self-sufficiency of pig-meat products within the Common Market area, Yugoslavia's meat exports to Britain are in danger of being cut off. President Tito's economic experts now assess Yugoslavia's losses resulting from Britain's entry in terms of thousands of millions of pounds.

It is against this background that the recent visit of Mr. Gromyko to Belgrade acquires an ominous character. It was not a coincidence that in Sofia and Bucharest, soon after Mr. Gromyko's visit, Mr. Khrushchev made friendly remarks about Yugoslavia, and that the Russians placed large orders for fishing trawlers with the Yugoslav shipping industry. Soon a Yugoslav trade delegation is due in Moscow, and it has been announced that Tito will visit Russia in September. It is probable that when he meets Mr. Khrushchev the Yugoslav President will discuss closer economic relations between the two countries, and that the discussion will center on the possibility of Yugoslavia joining Comecon and the Warsaw Pact.

It is not generally realized that for as long as Yugoslavia was a member of the Balkan Pact, which she joined in 1953, Europe was virtually immune from any danger of conventional Soviet aggression. Since Tukhachevsky's army, advancing against Warsaw in 1920, was routed because of Pilsudski's attack on its open flank, Russian strategic doctrine would never again risk putting the Red Army in a similar position. Yugoslavia's membership of the Balkan Pact, and therefore, indirectly, of NATO, would have exposed a Soviet advance in Western Europe to a threat of some 100 Balkan divisions.

The West made no use of this negotiating position of strength, and a few weeks after Mr. Khrushchev came to power, he went cap in hand to Belgrade * * * and Yugoslavia withdrew from the Balkan Pact; when, in July of the same year, Mr. Khrushchev attended the Geneva Summit Conference, the strategic balance had begun to shift in favor of Russia.

Should Yugoslavia, as a result of the Common Market's effect upon her economy, decide to turn toward Russia, to join Comecon and the Warsaw Pact, Mr. Khrushchev's earlier success would be made permanent. For the West, it would be a major strategic reverse.

The Common Market could also decide Mr. Khrushchev's greatest dilemma. If Britain, under pressure from France, were to pass on some of her nuclear secrets, the Sino-Soviet dispute might be ended by a nuclear gift to Mao. This would follow the same pattern begun when the formation of NATO inspired Stalin's decision to integrate the armed forces of Eastern Europe into the Soviet military system, and continued when Germany's inclusion in NATO was followed by the drawing up of the Warsaw Pact.

Would Britain's membership of the Common Market change the outlook? The EEC by itself will lead to a strengthening and reinforcement of the Warsaw Pact, and conceivably to a Sino-Soviet nuclear alliance. Russia would probably prefer Britain to join, since without Britain the Community could so easily become dominated by a Paris-Bonn axis, dedicated to an intransigent policy toward Russia. Britain's moderating influence is well known and appreciated all over Europe, especially on the other side of the Iron Curtain, where, unlike their governments, the peoples want Western Europe to be as strong as possible.

Clearly, then, Mr. Heath's task is to work to preserve not only Britain's trade with the Commonwealth, but with Eastern Europe and Yugoslavia. This will require no rewriting of the Treaty of Rome. Already, various countries of the Six have secured for themselves a free and unlimited flow of goods from their former territories. Under the Morocco Protocol, goods from Morocco, Tunisia, Surinam, the Netherlands Antilles, Libya and Somalia are imported into the Community countries free of tariff. Under part IV of the treaty and the implementing convention, the French dependencies, Madagascar, the Congo, Italian Somalia and Netherlands New Guinea are all given the status of associate territories. There is a precedent, too, for trade with Russia's satellites: under the German Trade Problem Protocol, trade between East and West Germany counts as internal.

To deny this country similar arrangements with trading partners of long standing would be nothing less than discriminatory treatment, and under those circumstances the price demanded for membership would be too high for any British Government to pay.

There are many people on the Continent, in the Benelux countries and elsewhere, who fear that without Britain the Common Market venture will fail. If they are right, the way would then be open for Britain to play a prominent role in negotiations for a really Common Market—a universal market, along the lines of the worldwide textile agreement suggested by the American Under Secretary of State, Mr. Ball, in which parochial economic groupings and political purposes would have no part.

THE COMMUNIST DREAD OF THE COMMON MARKET

(By Madeleine and Marvin Kalb)

MOSCOW.—The Russians have now awakened to the challenge of the Common Market. But in the absence of a clearly defined and feasible economic response that would be acceptable throughout the Communist world, their initial response has been heavy on propaganda and light on substance, consisting largely of Marxist pep talks and bureaucratic pencil pushing.

Premier Khrushchev has been barnstorming Eastern Europe in an effort to rally support for an emergency program of tighter economic integration among the member nations of the Council for Mutual Economic Assistance, known popularly as Comecon. He also already visited Bulgaria and Rumania, and he has scheduled trips to Hungary and Czechoslovakia later this year.

The Soviet leader first pressed his plan at a hastily convened summit session of Comecon early in June. He tried to convince the leaders of Eastern Europe in 2 days of hard talking in Moscow that tight integration, based on an overall economic plan that would take advantage of local conditions, was communism's best answer to the Common Market, which he attacked as an "unnatural association of monopoly capital."

The response thus far has not been very encouraging. Poland and Czechoslovakia have reportedly balked at Khrushchev's plan, explaining with trade charts and statistics that closer economic coordination with the Soviet Union, while ideologically appealing, would be economically unwise, since it would tend to cut them off from critical sources of manufactured goods and specialized equipment from Western Europe.

A similar effort to rally Communist forces against the Common Market has been made in the Communist-controlled World Federation of Trade Unions, with results that so far seem no less discouraging for the Russians. At a recent meeting of WFTU in Budapest, a lively argument erupted about whether the Common Market was really the final and convulsive gasp of capitalism, as maintained by Pravda, or whether it was a reality here to stay, as maintained by Fernando Santi, head of the Italian delegation. Santi disagreed with the Russians, insisting that a head-on fight against the Common Market would be hopeless. The argument was not resolved; it was merely postponed. The WFTU decided to call a special conference to discuss the consequences of the European Economic Community.

COULD MARX BE WRONG?

Possibly no other single Western Phenomenon since the Marshall plan has had so profound an impact on the Communist world as has the emergence of the Common Market. Not only from an economic but also from a political, military, ideological, and diplomatic viewpoint, this dynamic and prosperous association has jarred the Russians with an example of Western economic vitality that defies Marxist scripture and coincides embarrassingly with a period of declining economic fortunes in the Communist world.

Until about a year ago, the Russians paid little public attention to the Common Market. There were occasional references to it in the Soviet press—all of them following the predictable Marxist analysis set forth in the 1961 program of the Soviet Communist Party: "The international state-monopoly organizations springing up under the motto of integration are in reality new forms of the redivision of the world capitalist market and are becoming seats of acute strain and conflict." From time to time Pravda would delve gleefully into an analysis of the bitter trade war between the six nations of the Common Market (EEC) and the seven members of the European Free Trade Association (EFTA).

But this Marxist portrayal of two imperialist giants locked in desperate battle for shrinking markets proved to be convenient for Soviet propaganda only until July 31, 1961, when Prime Minister Macmillan made his historic announcement that Great Britain would seek membership in the Common Market. Soviet leaders realized that other EFTA nations were sure to follow Britain's lead, but they could not decide on a policy response until the key question of Britain's membership was resolved.

Until this spring, Soviet policymakers ventured nothing more than propaganda cliches about the dire consequences of Common Market membership for any of the Outer Seven foolhardy enough to consider joining. When the British Government opened neogtiations, the Russians charged: "For the sake of new profits, English monopolists are ready to sacrifice the freedom and sovereignty of the English people." When the Danish parliament followed Great Britain's lead, Moscow warned that joining the EEC would arrest the further development of Danish industry, lead to a sharp decrease in production and employment, and gravely worsen the position of agriculture. When Norway's parliament approved a government plan to apply for EEC membership, Pravda called it a black date in Norwegian history, the first step toward renouncing the independence and sovereignty of Norway. And when EFTA's three neutrals, Austria, Sweden, and Switzerland, began to show an interest in the Common Market, the Russians angrily denounced any form of association as a renunciation of neutrality.

By mid-April 1962 the Russians had apparently made up their minds that Britain would successfully negotiate her way into the Common Market—despite the hurdles of Commonwealth and EFTA responsibilities. This conviction touched off a major propaganda attack against the EEC. At a Kremlin celebration honoring Lenin's birthday, Leonid Ilychev, Moscow's top propagandist, ripped into the Common Market as the economic arm of the aggressive militaristic NATO bloc. On May 22, 1962, Trud, the trade-union newspaper, devoted one of its four pages to a stinging denunciation of the EEC as a holy alliance of the reactionary forces of Western Europe, dedicated to the strengthening of capitalist exploitation and the political oppression of the workers. On May 23, Pravda ran a full page attack; and, finally, on May 30, Khrushchev joined the assault.

K.'S NIGHTMARE

In a speech at a Soviet-Mali friendship meeting in the Kremlin, Khrushchev asserted that the "Common Market is a state monopoly agreement of the financial oligarchy of Western Europe which threatens the vital interests of all peoples and the cause of universal peace, inasmuch as the aggressive circles of imperialism use it with the object of strengthening NATO and stepping up the arms race."

He then suggested, for the first time, what the intitial Soviet response was likely to be. He raised the old idea of setting up an international trade organization that would embrace all regions and countries of the world without any discrimination, and a few days later he convoked the emergency meeting of Comecon to try to tighten the economic coordination of Eastern Europe.

Both proposals—one an old idea frequently rejected by the West, the other an economic plan that ran into immediate East European resistance—were clearly inadequate to meet the challenge of the Common Market. A resourceful politician who had always been able to produce an adequate response to almost any challenge, and who indeed had become accustomed to issuing challenges to the West, Khrushchev must have known that he had finally run up against his toughest opponent: an economic alliance that was inspiring a political union and increasing the military power of the Western World. In other words, Khrushchev was watching, with fascination and alarm, the early development of a potential United States of Europe. If the image of one United States, 5,000 miles away, had kept him awake nights, the image of another unitary power sharing a common border with his East European empire, had a doubly disturbing impact.

As long as Western Europe was divided, the threat seemed remote. Now it has become one of the dominant themes of Soviet propaganda. Khrushchev stated outright that the Common Market was spearheaded against the Soviet Union and the other Socialist countries. "But," he blustered, "our countries have now become such a powerful force that no Common Market is any danger to us."

A year ago, America's role in Common Market affairs was barely mentioned; now, Soviet policymakers have apparently decided that although America's economic position vis-a-vis the Common Market is ambiguous, its political and military position is clear; it was the United States, they explain, that forced the Six and the Seven to attempt to come to terms in order to heal the breach in NATO, extend the Atlantic bloc, and step up the cold war and the armaments race. Indeed, the Russians see American policy as an attempt to extend the influence of the Common Market well beyond the boundaries of Europe, to unite the competitive groups of capitalist countries into a single anti-Communist bloc. Specifically, they accuse President Kennedy of advocating a policy of global integration, to embrace not only the NATO countries but the entire capitalist world.

These changes in the Soviet line suggested that Khrushchev was aware that the old Stalinist bogy of capitalist encirclement, which his dynamic foreign policy and scientific triumphs had overshadowed, might be returning to haunt him in a more chilling form.

One familiar menace in the heart of this new Europe is an old Germany, rapacious, aggressive, and militaristic. This is the Russian view, based on a historic and genuine fear. When the Russians talk about NATO, they think about West Germany—and, increasingly, of a Germany in a holy alliance with France. Even the rational argument that today the Soviet Union could wipe West Germany off the face of the globe in a matter of seconds cannot dispel the emotional and psychological judgment that Germany is still Russia's major threat—more so, in a strange way, than the United States. From the very beginning, the Russians have emphasized in their reporting about the EEC that West Germany dominates the economic union and hopes to exploit it for its own revanchist ends. By peaceful means, Pravda charged in May the West German monopolies count on achieving ends that German militarism could not achieve duing the Second World War.

Russia's obsession with West German control over the Common Market has been partially responsible for its fear that the neutrals of Europe would in time be swallowed up by the ESC. This is especially true of Austria, whose neutrality, unlike that of Sweden and Switzerland, has been imposed by the four-power state treaty, and which is therefore particularly vulnerable to Soviet pressure.

At the first sign of Austria's desire to become associated with the Common Market, in December of 1961, the Russians warned that they would regard Austrian participation in the EEC as a renunciation of neutrality and, as such, a violation of the State Treaty. They pointed out that even without a formal association, West German dominance in the Austrian economy was so great that association would lead to a cold Anschluss—in effect, the absorption of Austria by West Germany. In a broader warning, designed to appeal to Sweden and Switzerland as well as Austria, the Russians referred to the views of such Western leaders as Chancellor Adenauer and U.S. Under Secretary of State George W. Ball about the importance of the political aspect of the Common Market. They charged that NATO would insist the three countries abandon their policy of neutrality as its price for economic association.

Just as the United States has a fear of nations going Communist, the Soviet Union has now developed a fear of nations going Common Market. The Russians have always recognized that Austria, Sweden, and Switzerland, despite their military neutrality, are Western by tradition and culture. Permanent association with the Common Market would reinforce this Western orientation through firmer economic and institutional ties, and at the same time would reduce the area of economic maneuver open to the Soviet Union, thus limiting its potential influence in these countries.

COUNTERATTACK IN AFRICA

This is true not only among Europe's neutrals but also among Africa's neutrals, fresh from centuries of European colonialism. For a time in 1960, when most of Africa suddenly found itself free, Russia's stock ran high. The Soviet Union had never been an imperialist power in Africa, and it peddled an anticolonialist line that was attractive throughout the emerging continent. Ghana, Guinea, and Mali adopted a strong anticolonial foreign policy, which they described as positive neutralism, and threw out the British and French technicians and businessmen who had made their economies run. The Russians saw an opportunity to step in and fill the gap. Their plans were long-range, based essentially on economic and technical aid, which would gradually penetrate the economy of these three countries until it became indispensable. They moved in with Soviet machinery, Soviet technicians, and Soviet-type institutions. The machines would need spare parts, which could be obtained only from Russia. Soviet-organized technical schools would continue to need Soviet teachers, textbooks, and equipment. Soviet-inspired state control over the economy would drive out lingering capitalist habits and establish an economic, institutional, and psychological framework that would reinforce existing ties with the Soviet Union. Positive neutralism would become positive socialism.

In 1961, this pattern continued to work out well. President Kwame Nkrumah of Ghana made a tour of the Soviet Union and joined Khrushchev in attacking the Common Market as the greatest danger hanging over Africa. Khrushchev beamed, for his view coincided exactly with the Soviet line—that the Common Market's policy in Africa was an attempt to force the African states to remain mere suppliers of raw materials and importers of finished goods, and to prevent the development of local industry.

But by May 1962 it had become clear that the Soviet formula simply did not fit the reality of Africa. One of the first signs appeared during the state visit of President Modibo Keita of Mali to Russia. Khrushchev knew that in spite of rejecting all ties with France, Mali, like the other former French colonies, had quietly held onto its associate membership in the EEC, and that in 1962 these states would have to decide whether they wished to continue this tie. During several days of hard negotiation, he tried to persuade the African nationalist to join him in an attack against the Common Market. Apparently he was unsuccessful, for at the Soviet-Mali friendship meeting that served as a forum for Khrushchev's denunciation of the Common Market, the Soviet leader was left embarrassingly alone in his attack. Keita denounced nothing more than colonialism. Khrushchev then read the Mali delegation a bitter lecture against association with the imperialists. He carefully pointed out that Modibo Keita was the kind of patriot who would never permit such a thing to happen, but there was an implicit threat of political strings tied to all future Soviet aid to Africa. It was also apparent to everyone that Mali had no intention of cutting its ties with the Common Market, even if the U.S.S.R. were in a position to increase its aid, which because of domestic economic difficulties it is not.

At the same time, Nkrumah, who only a year before had condemned the Common Market, was now reported to be considering possible association with it. Attacks on neocolonialism might be effective in political speeches, especially for the African politician out of office; but for the African leader in power, the hard economic fact of the price of cocoa had to come before the glamour of ideology.

However, for the Marxist in power, ideology cannot be taken lightly—a fact that makes the prosperity of the Common Market all the more irritating to the Russians. According to dogma, capitalism is dying, and yet it is flourishing. The Marxist scripture is being violated, and Moscow's ideologists have been hard pressed to come up with a reasonable explanation.

In Alice in Wonderland style, they sometimes try to belittle the rapid economic growth of the six EEC members, brushing it off as the result of objective economic phenomena, such as the postwar renovation of industrial equipment. At other times, they resort to the 19th century cliche about monopoly plots aimed at enriching the capitalists at the expense of the workers. These old fashioned and essentially illogical explanations give some indication of the extremes to which Soviet propaganda has been pushed in its frantic effort to explain how the European Common Market can prosper when the book says it is supposed to be disintegrating.

Ironically, in the course of these elaborate explanations that nothing much is happening in Western Europe and that whatever is happening is bad, the Russians have published an extraordinary amount of information about the EEC—its aims, institutions, growth figures, trade statistics, labor conditions, etc.—information that does not square with the Russians' own propaganda line. The statistics documenting a thriving Western European economy are hard even for Nikita Khrushchev to ignore.

COMECON'S SHORTCOMINGS

So far, Khrushchev's response has been almost irrevelant to the challenge. For the basic issue is whether Comecon can compete economically with the Common Market, and the indications are that it cannot. Comecon was set up in 1949 as a response to the Marshall plan, a kind of consolation for Eastern European nations that would have preferred to get American economic aid but could not because of Stalin's disapproval. At that time, Russia could have organized Eastern Europe into a tight economic unit, but Stalin, always suspicious of foreigners and uncertain about his grip on the satellites following Yugoslavia's defection in 1948, did not seize this opportunity. The result was that Comecon developed as a very loosely organized international organization with none of the prerequisites for integration or prosperity that marked the development of the Common Market.

Trade agreements among the Comecon nations are bilateral barter arrangements; import and export accounts between any two Communist countries must balance exactly. One of the principal reasons for this rigid rule is that none of the East European currencies is convertible. A ruble in Warsaw is a worthless slip of paper. So is a zloty in Moscow. Capital does not flow freely even within each Communist country; investments are carefully and rigidly planned. The same is true of labor. Internal passports and labor books inhibit a worker's freedom of movement, even within his own country.

Finally, some East European countries do not want to tighten their coordination with the Soviet Union for fear that it would damage their trade arrangements with Western Europe. They see no particular advantage in closer trade ties with the Soviet Union or with each other because the economies of the East European countries, unlike those of Western Europe, are not complementary. All of the East European economies have the same general structure, and they all suffer from the same basic problem. Sagging agricultural output has made it difficult for the Russians and their satellites to feed their own people and to provide the proper material incentives for farmers to want to increase their output. Indeed, the EEC boom comes at a time of economic crisis throughout the Communist world, reflected in the recent sharp increase in the retail price of meat and butter in the Soviet Union. Any major and meaningful response to the Common Market would cost money, and the Russians have now run up against the brutal fact that after 44 years, their economy still has very little fat to absorb the additional cost of any major switch in policy or planning. For the first time since the war, the Soviet Union finds itself truly on the defensive.

The fact is, the Khrushchev appeal for tighter integration of the East European economies was nothing more than an appeal for adopting the superstructure of the Common Market without having the substructure. For the Russians to try to adopt the substructure of the Common Market would constitute a revolution in every East European country—something no Communist leader would or could permit. And, short of a revolution that would make possible a radical overhaul of the agricultural system and introduction of industrial efficiency, the Russians appear to be unable at the moment to come up with a feasible economic response to the challenge of the Common Market.

MOBILE TRADE FAIRS

Mr. HUMPHREY. Mr. President, I ask unanimous consent that the unfinished business be temporarily laid aside and the Senate proceed to the consideration of S. 3389.

The PRESIDING OFFICER. The bill will be stated by title for the information of the Senate.

The LEGISLATIVE CLERK. A bill (S. 3389) to promote the foreign commerce of the United States through the use of mobile trade fairs.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill, which had been reported from the Committee on Commerce, with amendments, on page 1, line 4, after the word "authorized", to strike out "and directed"; on page 2, line 7, after the word "vessels", to insert "and aircraft"; and in line 17, after the word "Government", to strike out "officials" and insert "agencies"; so as to make the bill read:

Be it enacted by the Senate and House of Representatives of the United States of

America in Congress assembled, That the Secretary of Commerce, in addition to his authority under any other Act, is hereby authorized to encourage the development, organization, and use of mobile trade fairs designed to show and sell the products of United States business and agriculture, large and small, in foreign ports and commercial centers throughout the world.

SEC. 2. To effectuate the carrying out of the purposes of this Act, the Secretary of Commerce is authorized to provide to the operator or operators of such mobile trade fairs technical assistance and support as well as financial assistance for the purpose of defraying certain expenses incurred abroad, when the Secretary determines that such operations provide an economical and effective means of promoting export sales, provided that such assistance shall only be made available where the operator or operators of the mobile trade fairs exclusively use United States-flag vessels and aircraft in the transportation of their exhibits.

SEC. 3. The Department of Commerce is authorized to expend for the purpose of this Act such so-called counterpart funds as may not be otherwise committed.

SEC. 4. For the purpose of devising a program of assistance to the operator or operators of mobile trade fairs, the Secretary of Commerce may use such interagency committees as may now be available to him, or he may create a Mobile Trade Fair Committee, but in either event the Small Business Administration shall be among the Government agencies assisting in the development of said program.

Mr. HUMPHREY. Mr. President, I ask unanimous consent that an excerpt from the report of the Committee on Commerce on the bill be printed in the RECORD at this point.

There being no objection, the excerpt from the report (No. 1850) was ordered to be printed in the RECORD, as follows:

PURPOSE OF THE BILL

The purpose of this bill is to increase the sale of U.S. goods and products in foreign trade by stimulating private enterprise to develop and operate mobile trade fairs designed to exhibit such goods and products in foreign ports and commercial centers.

GENERAL STATEMENT

This legislation would authorize the Secretary of Commerce to provide technical assistance, as well as limited financial aid to persons operating mobile trade fairs which are of value in promoting the sale abroad of American goods and products.

Exhibits at land-based trade fairs have long been recognized as an effective tool in promoting foreign sales. The United States has, in the past few years, given increasing emphasis to participation in such international displays, and at least a part of our increase in exports can be traced to these trade fairs.

It has similarly become apparent that, with proper planning and guidance, the use of ships, planes, or other vehicles for mounting mobile or traveling trade fairs may have demonstrable advantages. In recent years Japan, Australia, Sweden, and Spain, as well as other nations, have employed mobile exhibits in seeking new markets for their products.

The primary advantage of a traveling trade fair is its mobility. The same exhibits can be shown and demonstrated at an unlimited number of sites, without the expense and other problems incurred in breaking down and then reassembling each display. Moreover, exhibition locations are unlimited—every major port would be within reach of our exhibitors. Those manufacturers who took part in mobile trade fairs would thus receive much broader coverage of potential markets at a relatively low cost, certainly much lower than the cost of staging separate exhibits in each of the areas or countries involved.

Mobile trade fairs would complement our present trade fair, trade center and trade mission programs. Its goal would be the same, promoting our foreign commerce through an expansion of export sales. There should no longer be any need to catalog the reasons for promoting exports, since the Senate is apparently well aware of the impelling nature of this program. Suffice it to say that our balance of payments, while improving, still results in dangerous deficits, national unemployment continues to be a major concern, and our agricultural surpluses cause a constant drain on the Treasury. Increased exports should provide, at the very least, substantial relief in each category.

The Federal Government now provides a variety of services to manufacturers who desire to explore foreign markets for potential customers. The Department of Commerce and the Department of State have combined their efforts to service the needs of American agriculture and business in search of international markets. As stated above, this bill would provide an additional service at a low cost to the public. It should be noted that suggestions have been made that the United States should emulate Japan and those other nations which have provided trade-fair ships to carry and display their products in foreign ports. Your committee has rejected this proposal because of the high cost involved, probably in the neighborhood of $5 million, and since we feel that under our system this is really an area where private enterprise should take the initiative.

The technical services which the Department of Commerce, and other relevant agencies, could provide to the operators of mobile trade fairs might include, but not necessarily be limited to, the following:

(a) Information on market potentials;

(b) Leads to possible exhibitors;

(c) Alerting of Embassy and commercial officers to arrival of fair;

(d) Facilitating entrance and clearance at foreign ports;

(e) Providing public relations assistance abroad;

(f) Aiding in arranging for exhibition space;

(g) Providing backup information, such as the availability of credit guaranties and insurance.

Such financial assistance as might be provided to the operators of the trade fair would be limited to expenses incurred overseas. This bill authorizes the expenditure of counterpart funds, where available, in order to minimize dollar outlays which would otherwise be spent to facilitate and promote these exhibits. Since at the present time there are only a relatively few currencies which we hold in excess of normal requirements, it would be anticipated that the Department of Commerce would have to use funds from its appropriations to cover the purposes of this legislation.

Financial aid abroad would be limited to, at most, the actual out-of-pocket expenses incurred by the operators of the mobile trade fair at its ports of call. Such items as the cost of entrance and clearance through customs, of dockage, of handling exhibits that would be taken from the ship to a separate exhibition site, of guarding service, and of providing utilities to the mobile trade fair, might be covered by Government aid. But it should be noted that this bill contemplates that the major source of funds for the operation of mobile trade fairs would come from private enterprise. Since there is a profit motive involved, either on the part of the exhibitors or the operators of the mobile trade fair, or both, these persons would be expected to bear the major share of the total cost of the operation.

In addition, it is conceivable that the Department of Commerce, the U.S. Information Agency, or such other Federal agency or department as was so inclined, might become an exhibitor in the mobile trade fair, and would in such cases pay to the operator the regular rate charged other exhibitors.

Mr. KEATING. Mr. President, S. 3389 gives the Department of Commerce the authority to use a new technique as part of our program to promote American exports. It allows for the establishment of floating mobile trade fairs to show our products to better advantage in markets throughout the world. These fairs would be set up on ships and would be moved from port to port to exploit new markets for American goods. They would be especially helpful to small businesses in the United States who manufacture goods which can and should be sold in world markets.

I am hopeful that the Department of Commerce will find this new technique to be a useful weapon in our arsenal of economic weapons to expand trade. I am delighted that there are New Yorkers from the great port city of New York who are interested in this new program. I call attention particularly to the work in this area done by the Isbrandtsen Lines who were ably represented at the hearing on this bill by Mr. Christopher A. Betjamann, acting executive vice president. Mr. Betjamann's testimony was of great value to the committee, and as a member of the Commerce Committee, I am delighted to call attention to his contribution. I hope that the already quite successful efforts of Isbrandtsen plus this new legislation will mean that we will be able to make even greater use of this technique in the years ahead.

Mr. HUMPHREY. Mr. President, I make note of the fact that the measure has been strongly supported by the Senator from California [Mr. ENGLE]. He was very desirous of having the bill relating to mobile trade fairs acted upon prior to the consideration of the communications satellite bill. Upon his urging and insistence we have taken up the bill today. We commend the Senator from California, and the Committee on Commerce, which reported the bill unanimously.

The PRESIDING OFFICER. The question is on agreeing to the committee amendments.

The amendments were agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

ENROLLED BILLS PRESENTED

The Secretary of the Senate reported that on today, August 20, 1962, he presented to the President of the United States the following enrolled bills:

S. 2020. An act to amend part IV of subtitle C of title 10, United States Code, to authorize the Secretary of the Navy to develop the South Barrow gasfield, Naval Petroleum Reserve No. 4, for the purpose of making gas available for sale to the native village of Barrow and to other non-Federal communities and installations, and for other purposes; and

S. 3428. An act relating to the appointment of judges to the municipal court for the District of Columbia, the municipal court of appeals for the District of Columbia, and the juvenile court of the District of Columbia.

ADJOURNMENT UNTIL 11 A.M. TOMORROW

Mr. HUMPHREY. Mr. President, if there is no further business to come before the Senate, I move that the Senate stand in adjournment until 11 o'clock tomorrow morning.

The motion was agreed to; and (at 5 o'clock and 42 minutes p.m.) the Senate adjourned until tomorrow, Tuesday, August 21, 1962, at 11 o'clock a.m.

NOMINATIONS

Executive nominations received by the Senate, August 20, 1962:

In the Navy

Vice Adm. Harold T. Deutermann, U.S. Navy, for appointment as a U.S. representative of the Military Staff Committee of the United Nations as a senior member in accordance with title 10, United States Code, section 711.

The following named officers for appointment to the grade of vice admiral while serving pursuant to title 10, United States Code, section 5231, having designated them for commands and duties determined by the President to be within the contemplation of said section:

Rear Adm. Paul D. Stroop, U.S. Navy.

Rear Adm. Horacio Rivero, Jr., U.S. Navy.

Rear Adm. Thomas H. Moorer, U.S. Navy.

The following-named officers for appointment to the grade of vice admiral on the retired list in accordance with title 10, United States Code, section 5233.

Vice Adm. Charles Wellborn, Jr., U.S. Navy.

Vice Adm. Robert B. Pirie, U.S. Navy.

Vice Adm. Clarence E. Ekstrom, U.S. Navy.

EXTENSIONS OF REMARKS

Senator Hruska Testifies for Local Service for Smaller Communities

EXTENSION OF REMARKS

OF

HON. A. S. MIKE MONRONEY

OF OKLAHOMA

IN THE SENATE OF THE UNITED STATES

Monday, August 20, 1962

Mr. MONRONEY. Mr. President, at a recent hearing before the Civil Aeronautics Board in connection with its "use it or lose it" investigation of Frontier Airlines, the senior Senator from Nebraska [Mr. Hruska] appeared before the Board to discuss significant questions of national policy which are involved in the rapid discontinuance of service by local service air carriers in many sections of the country.

While many of the Senator's comments understandably are related to the effect on Nebraska of the "use it or lose it" policy, his development of the issues of policy which are involved is of much more general interest and significance.

I therefore recommend the remarks of the Senator from Nebraska to the other Members of the Senate as a sound and thoughtful analysis of the problem of air service to our smaller cities, and ask unanimous consent that the Senator's statement be printed in the Record.

There being no objection, the remarks were ordered to be printed in the Record, as follows:

Remarks of Senator Roman Hruska Before the Civil Aeronautics Board in the Matter of Frontier Airlines, Inc.; "Use It or Lose It" Investigation, Docket 12078, Washington, D.C., July 20, 1962

DISCUSS PRINCIPLE—NOT RECORD

I appreciate the opportunity to address you this morning in this important proceeding. I am not here to discuss the record in the case. The parties are represented by able counsel who have that function.

This case raises important questions of national policy and interpretation of congressional intent in the statutory directives of the Federal Aviation Act. As a member of the U.S. Senate, I feel a responsibility to set before you briefly my views on some of the important principles involved in this and other similar cases with which you will be faced in the near future.

CONGRESS ESTABLISHED THE CAB TO DEVELOP AIR TRANSPORTATION

In 1938 Congress determined that it was in the national interest to regulate this new and dynamic air transportation industry. Congress established the Civil Aeronautics Board and directed it to foster and develop air transportation to serve the basic needs of this country, its commerce and its people.

NEEDED SERVICE IS SUBSIDIZED

Congress determined that air transportation service which was necessary should be supported by direct Federal subsidy payments. We have spent hundreds of millions of subsidy dollars developing the domestic trunkline industry and our international carriers.

No one will dispute that we would not today have a trunkline transportation system, such as we do have, providing immeasurable public benefits, were it not for the hundreds of millions of dollars in subsidy contributed to its support. We would not have flag carriers, which have for years dominated the skies in international commercial air carriage, were it not for the hundreds of millions of dollars of Federal subsidy spent on this service.

It is the policy and the will of the Congress that subsidy money be spent to foster and develop a sound local air transportation system. In large measure, the subsidy money being spent on local air transportation today is the money which was spent for the trunklines, since many of the local service points were transferred from trunklines to local service carriers.

In addition, it is the will and intention of the Congress that the benefits of air transportation be extended across this entire Nation. The Congress recognizes, and we know, that much of the local air transportation is not and will not be self-supporting. But we have made the judgment that the best interests of the United States as a whole require a strong national local air transportation system and we are willing to appropriate the money required for this objective.

"USE IT OR LOSE IT" POLICY

To prune from the local transportation system those points at which there is no real public need for air transportation service, the Board has enunciated what it calls the use it or lose it policy. This policy, as I understand it, contains certain mathematical indexes, five enplanements a day and seven passengers a mile which will guide the Board in determining whether a reevaluation of the public convenience and necessity of continued air service is indicated.

It is my understanding that these mathematical standards are not arbitrary and inflexible criteria for determining whether air service should be continued.

The public interest is not measured by mathematical standards. The public convenience and necessity, which is the standard set by the Congress for application by the Board, cannot be translated into arbitrary levels of traffic generation. We did not create this Board, and approve the nomination of its members, to have the statute interpreted in such a mechanical fashion. We expect, and I know we will receive, the application of the deepest thought and the soundest judgment to the complex basic and underlying problems presented by the question: Does the national interest require continuation of the air service at issue?

"USE IT OR LOSE IT" HURTS THE MIDWEST AND SOUTH WORST

I have examined the most recent air traffic reports of the passengers enplaned at points subject to the "use it or lose it" policy. I find the following:

1. Of 544 cities certificated for local air service 123 are generating less than 5 passengers a day.
2. Of these 123 cities which are not meeting the "use it or lose it" enplanement standard 99 are exclusively served by the local service air carrier.
3. The cities subject to loss of air service are concentrated in the midwestern part of the United States. Of the 123 cities generating less than 5 passengers a day 92 are served by Frontier, Central, Lake Central, North Central, Ozark, Trans-Texas, and West Coast.
4. Of these 92 midwestern cities subject to decertification of local air service under the "use it or lose it" policy 79, or 82 percent, are exclusively served by the local service carrier.

In other words, gentlemen, over one-fifth of all cities served by local service carriers are not meeting the five-per-day enplanement standard of the "use it or lose it" policy. Three-quarters of the cities not meeting the standard, 92 cities, are in the Midwest. And of these 92 cities not meeting the enplanement standard, over 80 percent are exclusively served by the local service carrier.

The seriousness of the possible loss of an air transportation system to these regions, and to the country as a whole, cannot be underestimated. This area of the country is characterized by long distances and generally inadequate surface transportation. Air transportation is the only form of transportation which provides a modern and useful transportation service to this section of the country.

Also, this section of the country does not have large populations. The local service carriers serving the eastern and western coasts of this country have very few cities generating less than 5 passengers a day (Allegheny, 2 out of 37 cities; Pacific, 1 out of 23 cities; Bonanza, 3 out of 19 cities). The main reason for this is that they serve substantial population centers. Indeed, a local service city in the East may have a population of several hundred thousand (e.g., Bridgeport, Conn.). In relative, and and also absolute terms, the populations in the Midwest part of the country are much smaller.

But because the cities in the Midwest have smaller populations than those on the east coast and on the west coast, does this mean that they are to be penalized and deprived of the only modern transportation facility they have? I say to you gentlemen, that a policy of this Board, be it called use it or lose it or any other name, which leads to the result of dismantling a basic transportation service to the discrimination of a vital and vast region of the United States, is not a sound policy—it is not in the national interest.

EXAMINER'S DECISION LEAVES NEBRASKA WITHOUT A MODERN PUBLIC TRANSPORTATION SERVICE

I am especially concerned, of course, that a rigid application of the mechanical standards will destroy the air transportation system of Nebraska.

I have reviewed the initial decision of the examiner in this case. I am shocked to find this: If the recommendations of the examiner are adopted, there will be less transportation service in Nebraska than there was one-quarter of a century ago.

Twenty-five years ago there were two trunkline air carriers serving a total of seven points in Nebraska. We had rail transportation in large quantity crossing the State.

If the examiner's recommendations are adopted, only five of the seven points served 25 years ago will continue to be served. The air service will be by a local service carrier instead of a trunkline. In the intervening period, rail passenger service in Nebraska has seriously deteriorated. It is accurate to state that if the examiner's recommendations are adopted, large areas of Nebraska will be virtually deprived of a modern public transportation service.

I do not believe that Congress committed the regulation of air transportation to this Board to have the transportation system of the State of Nebraska virtually destroyed. Moreover, what you do in Nebraska will control what you do in the rest of the Midwest. We stand in danger of losing the basic public passenger transportation service in broad areas of our Nation.

NEBRASKA'S RELIANCE ON AIR TRANSPORTATION HAS INCREASED

This Board found in 1958, in the Seven States case, that Nebraska's transportation services were seriously inadequate. Let me tell you that since that investigation was concluded, the transportation service in Nebraska has seriously deteriorated.

What has happened is this: In reliance, in part, on the fact that air transportation had been certificated for Nebraska, rail passenger service was withdrawn. There is no rail passenger service at all in the entire northern half of Nebraska.

It is also accurate to state that there is virtually no local rail passenger service in all of Nebraska. The rail passenger trains crossing our State are scheduled to serve the terminals beyond our State's borders. As a result, Nebraskans often must arise at 3 o'clock in the morning to go down to the station and get on a train that is not designed to provide them with local service, but rather is scheduled for the needs of the passengers moving through Nebraska.

NEBRASKA IS IMPORTANT TO THE NATION

If this Board adopts the recommendations of its examiner, it will virtually strike the State of Nebraska out of the 20th century. Transportation is the foundation of economic strength. Air transportation is the only modern public transportation facility available to Nebraska and to large areas of the Midwest. It is the basic public transportation service.

This country cannot afford to lose the economic strength of any of its constituent States. Nebraska, moreover, is an important State in the national picture.

We are growing economically. Nebraskans are wealthier today and are producing more wealth and more goods than they were 10 years ago. Moreover, the economy of Nebraska, which has historically been agricultural, is now to a substantial measure, converting to industry. As this Board knows, we have an important national policy of decentralizing industry. It is in the national interest to move industry from the highly concentrated and vulnerable centers to other areas of the country. This trend, plus the energy and vitality of the Nebraskans themselves, is increasing the industrial development of our State, and accordingly the importance of air transportation.

Nebraska is also important to the national defense effort. The headquarters of SAC are at Omaha. The Sioux Ordnance Depot is located at Sidney, and I am advised there is an important Minuteman missile construction program which will start within the next few months and be centered in the western Nebraska-eastern Wyoming area. To consider withdrawing commercial air service at Sidney at this time strikes me as unwise.

THE MIDWEST AND THE SOUTH ARE SIMILARLY AFFECTED

When it is said that the examiner's decision in the instant case will leave Nebraska without a modern public transportation service; when it is said that Nebraska's reliance on air transportation has increased since 1958 and that Nebraska's survival as a segment of the economy is important to the Nation, all of these things apply also to other States in the Middle West and South in which there are located the 123 cities which are certificated for local air service and which are generating less than five passengers a day.

We all know what the situation is in agriculture in those areas. Far too often we hear the argument, so unwelcome to our ears, that there are too many farmers engaged in raising farm stuffs. What shall be done with them? What shall be done with them if we will remove from that same area one of the most important elements in its survival at all, namely, a transportation system. Certainly transportation by air is highly vital to a successful program of establishing and developing industrial activity. Retention of air service involves more than convenience. It is even more than necessity. It is a matter of plain survival.

Plainly, this area cannot be just written off. It cannot be told to go on its way and left to its own resources.

Such a fate is clearly negatived by the declaration of congressional and national policy as found in the statutes which apply to your own Board.

After all, section 102, Federal Aviation Act of 1958, which was originally enacted 20 years earlier, reads, in part, as follows:

"In the exercise and performance of its powers and duties under this Act, the Board shall consider the following, among other things, as being in the public interest, and in accordance with the public convenience and necessity: (a) The encouragement and development of an air-transportation system properly adapted to the present and future needs of the foreign and domestic commerce of the United States, of the postal service, and of the national defense."

Title IV of the act, section 401(d) reads, in part, as you know: "The Board shall issue a certificate * * * if it finds * * * that such transportation is required by public convenience and necessity."

The act, section 406(b) under the title of "Ratemaking Elements" for transportation of mail reads, in part, as follows:

"In fixing and determining fair and reasonable rates * * * the Board shall take into consideration, among other factors, * * * (3) the need of such air carrier for compensation for the transportation of mail sufficient to insure the performance of such service, and, together with all other revenue of the carrier to enable such air carrier under honest, economical and efficient management to maintain and continue the development of air transportation to the extent and of the character and quality required for the commerce of the United States, the postal service, and the national defense."

This act is still the law of the land. Perhaps from time to time we may encounter those who differ with its wisdom; from time to time we may hear from individual Members of the Congress or of the executive department some expression of dissatisfaction or need of amendment, but notwithstanding all these things, the act, including those excerpts just set forth, is still the law of the land.

When reference is made to "encouragement and development" of an air transport system properly adapted to the present and future needs of domestic commerce of the United States, that means the commerce of the entire Nation. It is this concept to which the Board's consideration is directed by section 102. When section 401(d) says that a certificate should be issued if there is a finding of public convenience and necessity which means that this shall be done on a national basis.

When section 406(b) provides for determining of rates which will enable an air carrier to maintain and continue the development of air transportation to the extent and of the character and quality required for the commerce of the United States, it means the national commerce and not commerce in any selective or discriminatory sense.

Appropriations for the subsidies which go toward attaining these ends are still available. When they are provided each year, the Congress thereby reaffirms the national policy as reflected in the statutes to which reference has been made.

PRESIDENTIAL MESSAGE ON TRANSPORTATION

All of us as political realists are aware that a message from the Chief Executive of our Nation on any subject is entitled to much respect and consideration. Naturally this Board and the Congress has scrutinized with great care the following language contained on page 7 of the President's message: "The Appropriations Committees have requested the Civil Aeronautics Board to prepare a schedule for the termination of these operating subsidies. I endorse this position and seek the extension of this principle. I am asking the Board to develop by June 30, 1963, a step-by-step program, with specific annual targets, to assure sharp reduction of operating subsidies to all other domestic airlines as well, within periods to be established by the Board for each type of service or carrier. Rigorous enforcement of the Board's use-it-or-lose-it policy and further development of the class rate subsidy plan which the Board initiated in January 1961 with the cooperation of the local service carriers would clearly facilitate this objective. The development of single airports to serve adjacent cities, or regional airports, is also clearly necessary if these subsidies are to be eliminated and if the Federal Government and local communities are to meet the Nation's needs for adequate airports and air navigation facilities without excessive and unjustifiable costs."

Within limitations these pronouncements are entitled to the greatest of respect and should furnish much guidance. There are limitations inasmuch as no Presidential enunciation can arbitrarily set aside entirely any express legislative action. I have confidence that the Congress upon proper request from the Executive will seriously consider and very likely enact such recommendations as will be needed to implement the pronouncements cited above, insofar as that may be done in harmony with practicality.

However, the granting of Frontier Airlines' request and the request of the State of Nebraska for 1 additional year of certificated activity is not inconsistent with the Presidential message quoted above.

That message does not call for a complete termination of subsidies; it does not call for a precipitate action of "sudden death." It does not call for attainment of its objectives forthwith. All of these things are clear when we read such language as "step by step program" of development by June 30, 1963; "with specific annual targets;" and again "to assure sharp reduction" of subsidies within periods to be established by the Board.

Not even "rigorous enforcement of the Board's use-it-or-lose-it policy" means instantaneous elimination of subsidies.

The fair intendment of the passage cited above will embrace without any violence the requested 1-year extension in Nebraska to enable proof of compliance with use-it-or-lose-it criteria. I need only mention these items: that the request embraces a 50-percent cut in subsidies formerly paid; that no objection is registered against clear-cut cases of individual communities which have not and cannot comply with the policy's minimum criteria.

Further, to deny the request would be wasteful, indeed, with over a $1.5 million investment in airports, with about $2 million having been paid in subsidies since 1958, plus additional amounts for navigational aids and miscellaneous items. The expenditure of an additional one-half million under these conditions in the strong and persuasive case made by the applicants is not only justified but in my judgment dictated as a wise course of action, as an effort to recoup what has been expended and to fulfill the objectives of the Aviation Act.

SUMMARY

If Nebraska's request is denied in this instance, then perforce the seal of doom will have been placed upon similar air traffic in States in which are located the 123 cities with local air service generating less than 5 passengers a day. Not all of those cities should retain such service. That is not contended for. In fact the State of Nebraska does not call for 100-percent retention. But neither should all be deprived of service. Every effort should be made to retain as many as possible, consistent with good business judgment based on the legislative objectives at hand.

On a long-range legislative basis in the Congress, there is at least one probable result which might flow from too drastic and too summary an elimination of airline subsidies:

If the standards applied to reduce and eventually eliminate subsidies are too severely imposed there could conceivably result legislative action to more definitely set out conditions making mandatory the issuance of certificates. Such a course would be highly regrettable, and very likely possessed of little if any logic. Yet in a world of politics possessed of a great deal of realism one can envision such a course of action.

It is submitted, therefore, that a cold mathematical application of a "use it or lose it" policy should not be imposed; that equities should be recognized; that good management should be given the top priority of which it is deserving, and that an opportunity be given by this Board's action for converting the investment already made in aviation in Nebraska and other similarly situated States into a true and productive national resource.

Roundup of Farm Legislation

EXTENSION OF REMARKS

OF

HON. ALEXANDER WILEY

OF WISCONSIN

IN THE SENATE OF THE UNITED STATES

Monday, August 20, 1962

Mr. WILEY. Mr. President, I was privileged this weekend in a broadcast over Wisconsin radio stations to discuss the outlook for dairy farm legislation in Congress. I ask unanimous consent to have excerpts of my address printed in the RECORD.

There being no objection, the excerpts were ordered to be printed in the RECORD, as follows:

EXCERPTS OF ADDRESS PREPARED FOR DELIVERY BY SENATOR ALEXANDER WILEY, REPUBLICAN, OF CHIPPEWA FALLS, RANKING REPUBLICAN, U.S. SENATE, OVER WISCONSIN RADIO STATIONS, AUGUST 17, 1962

As Congress plows its way through a heavy logjam of legislation toward adjournment, let's review the current legislative outlook in agriculture.

Regrettably, the prospect for a cure-all legislation in agriculture—particularly for improving prices in dairying—is extremely dim.

Earlier this session, the House of Representatives passed a general farm bill. The provisions—with some moderate changes—extended existing programs for feed, grains and wheat. Also, it recommended liberalizing farm credit, expanding research for industrial uses of farm commodities, and revised land use programs.

Significantly, the House-passed bill did contain a provision for direct payments to dairy farmers for voluntarily participating in a production control program. The Senate Agriculture Committee, however, in a bill reported to the Senate, omitted this provision for dairying.

Overall, there are a great many controversial provisions in the bill, many of which were contained in a measure defeated earlier in the Senate.

Consequently, the outlook, at best, is problematical.

In Congress, however, there are several other pieces of legislation of interest to agriculture.

NATIONAL SCHOOL LUNCH PROGRAM

First, let's take a look at the national school lunch program under which lunches are served to over 14 million students in Wisconsin and across the Nation.

Over the years, this has proved: (1) A constructive outlet for surplus farm and other commodities; (2) a stimulus to healthy schoolchildren. As in the past, this program will be carried forward.

A bill to modify the program, however, is also pending which would: Change the formula for apportioning funds among States—basing it upon the number of lunches served, instead of the number of students; allow 1 year for transition to the new formula; and provide special assistance to schools in needy areas to help them serve free school lunches.

This bill has passed the House of Representatives. Currently, it is pending before the Senate Agriculture Committee.

STRENGTHENING AGRICULTURE EXTENSION SERVICE

Reportedly, the prospects also are favorable for the passage of legislation to strengthen the Extension Service.

A House-passed version now pending before the Senate Agriculture Committee would: Improve the formula for apportioning funds for, and thereby strengthening, the Agriculture Extension Service; authorize States in acquiring property, supplies, and services (including excess Federal property) to utilize additional services and facilities of the Federal Government; and provide for quarterly, instead of semiannual, payment of extension funds to States.

Other legislation of interest includes: (1) Funds for the special milk program under which about 2.7 billion half pints of milk are served in an estimated 87,500 schools, nonprofit child care centers, summer camps, and small institutions devoted to children's health and well-being; (2) a proposal to assist States in providing additional facilities for research at State agricultural experimental stations; and (3) a measure to authorize closer Federal-State cooperation in enforcement of laws and regulations relating to control or eradication of plant and animal diseases or pests.

In a session-end buildup of legislation, it is not, of course, possible to predict with certainty the outcome of this, or other, legislation.

Joseph E. Rhea, Sr., Honored

EXTENSION OF REMARKS

OF

HON. ROLAND V. LIBONATI

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Monday, August 20, 1962

Mr. LIBONATI. Mr. Speaker, my good friend and comrade, Joseph E. Rhea, Sr., circulation, suburban, of the Chicago's American, was given a surprise party on his 80th birthday, on August 3, 1962, by the ladies and gentlemen of the Chicago circulation department. There were over 100 persons in attendance. A large cake, decorated with "RHEA–80–National Aide de Camp—Veterans of W.W.–1, Inc." was presented to him, along with a large, handsome, 50-star American Chicago-Tribune flag, boxed in red, white, and blue; also a morocco-leather pocket secretary.

He was invited the day before, as a surprise. His dear wife and his son, Joseph E. Rhea, Jr., executive vice president of the Segerdahl-Halford Printing Co., Inc., Chicago, were present. He thanked those in attendance, profusely, with deep gratitude. His work among veterans groups marks him as a true patriot and a real American.

We of the Illinois delegation are proud to add our birthday greetings to those of his many friends, to one who has always served others in their troubles and needs.

The GI Insurance Bill

EXTENSION OF REMARKS

OF

HON. DOMINICK V. DANIELS

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

Monday, August 20, 1962

Mr. DANIELS. Mr. Speaker, the House rejected last week a Senate-approved plan to reinstate GI life insurance to a potential 16 million veterans of World War II and Korea, and voted instead to limit reopening rights to a possible 1,800,000 service-disabled veterans ineligible for private insurance plans.

I wish to take this opportunity to express my extreme disapproval of the House action, not because I feel that service-disabled veterans should be denied this life insurance, but rather because I feel that all World War II and Korean war veterans, who courageously fought to preserve those things which we cherish, should equally be eligible for such insurance.

In its original form, H.R. 12333 reopens national service life insurance—for a maximum of $10,000—for 1 year from the date of enactment. The bill covers all individuals—excepting certain Philippine veterans and persons on active duty—who served between October 8, 1940, and December 31, 1956, regardless of whether or not they had insurance at any time during their service. The insurance is entirely limited to permanent plans—ordinary life, 20-pay life, 30-pay life, 20-year endowment, endowment at age 60, and endowment at age 65. No term insurance is provided. Medical examinations, where required, will be at the expense of the applicant. The administrative expenses of this program will be borne by all policyholders. There will be an initial administrative outlay to the Veterans' Administration estimated at $7,716,700 for the first year. However, this is merely a bookkeeping transaction involving no cost to the Government, inasmuch as the bill provides that funds so appropriated shall be repaid to the Treasury by collection of the administrative expenses from the policyholders.

The need for enactment of the original H.R. 12333 is clear. Because of youth and the inexperience which often accompanies youth, many of our veterans did not take advantage of the GI life insurance plan when they were eligible. Still others because of the high rate of unemployment were without jobs, and consequently had to cancel their insurance policies. It was with these men in mind that the Committee on Veterans' Affairs favorably reported H.R. 12383, and it was with these men in mind that the four major veterans' organizations—American Legion, Disabled American Veterans, AMVETS, and Veterans of Foreign Wars supported the idea inherent in this legislation. But these are just the men who were forgotten when the House voted 124 to 87 to limit reopening rights to service-disabled veterans ineligible for private insurance plans.

I can only concur with J. S. Gleason, Jr., Administrator of the Veterans' Administration, when he said, "the whole subject has been carefully studied and reevaluated, and I have concluded that the withdrawal in 1951 of the privilege theretofore granted to millions of World War II veterans to secure insurance—many of whom had not yet determined their insurance needs—may well have caused hardship or unwise decision in many instances. I believe, therefore, that an extension of this privilege, for a limited period, to veterans who were previously eligible for insurance by reason of service to their country is appropriate," and hope that the Senate will remedy the House's action by passing H.R. 12333 in its original form.

Launching of the Nuclear Submarine "Haddo" SS(N)604

EXTENSION OF REMARKS

OF

HON. HENRY M. JACKSON

OF WASHINGTON

IN THE SENATE OF THE UNITED STATES

Monday, August 20, 1962

Mr. JACKSON. Mr. President, I was given the honor of making a few remarks at the launching of the nuclear submarine *Haddo* SS(N) 604 at Camden, N.J., on Saturday, August 18.

I ask unanimous consent to have my remarks on that occasion printed in the RECORD.

There being no objection, the address was ordered to be printed in the RECORD, as follows:

REMARKS BY SENATOR HENRY M. JACKSON AT THE LAUNCHING OF THE NUCLEAR SUBMARINE "HADDO" SS(N) 604, NEW YORK SHIPBUILDING CORP., AT CAMDEN, N.J., ON SATURDAY, AUGUST 18, 1962

Five years ago the United States led the world in nuclear submarines. Today we no longer have a nuclear submarine monopoly. The Soviet Navy's commander in chief recently stated that atomic submarines are now the backbone of the Soviet Fleet. I think we have learned that Soviet claims of technical achievement cannot be dismissed as hollow boasts. The feat achieved by their cosmonauts this past week is dramatic proof of their excellence in science and technology.

The Soviets have developed a family of nuclear submarines to fulfill many important naval missions. They include the capability of long-range missile attack on the United States and antisubmarine warfare against our submarines and against our surface fleet.

While this country is now ahead in nuclear submarines, both in quantity and quality, we know that Moscow is giving a high priority to overtaking us at the earliest possible date. The Soviets have made remarkable progress in a relatively short period of time. They have bypassed the usual long research and development period and have plunged deeply into a production line effort.

The Soviet submarine threat confronts this Nation with a defense task as formidable as any facing us. While outer space presents future perils, the danger from underwater space is clear, present, and immediate. Failure to solve the problems of antisubmarine warfare will make vulnerable our surface and subsurface fleets, as well as the heartland of the United States.

Nuclear submarines have a capability in antisubmarine warfare not possessed by conventional submarines. We now know that one of the best ways to hunt down and kill a submarine is with a nuclear submarine. This is especially true against enemy nuclear submarines, which are immune to most other search and attack techniques. The *Haddo*, and the other ships like it, will play a major role in meeting the growing Soviet atomic submarine threat. We should give higher priority to the attack submarines and turn out more than are now planned for.

The ship that we launch today is inseparable from the skilled naval personnel that will operate it. Indeed, the Soviets have a long way to go to master the rigorous training requirements for the men who man their submarines. Building submarines is not enough—we must continue to maintain the high standards of excellence in training and in operating that have been the special distinction of this program.

The Federal-Aid Roadbuilding Program in Massachusetts

EXTENSION OF REMARKS

OF

HON. THOMAS P. O'NEILL, JR.

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

Monday, August 20, 1962

Mr. O'NEILL. Mr. Speaker, during the past 2 years, Massachusetts has been the subject of a considerable amount of unfavorable publicity concerning its Federal-aid roadbuilding program.

At this time it is pleasant for me to call to the attention of my colleagues that currently and for some time the Federal-aid roadbuilding program in the Bay State, under the capable and constructive direction of the department of public works commissioner, Jack Ricciardi, has been operating under new rules and procedures to eliminate waste and inefficiency, and to give the motorist more for his gasoline tax dollar.

It is a testimonial to the abilities of Jack Ricciardi that the roadbuilding program is progressing in such a manner that the Bay State is now only the fourth State down in the national average in getting its interstate work under construction.

Among the certain reforms and innovations that have been instituted or expanded by Jack Ricciardi during the past 2 years and have resulted in Massachusetts interstate roadbuilding program making great progress and obtaining commendation have been:

Right-of-way: The review appraiser's section has been established in the right-of-way division to provide additional complete review of all appraisals submitted and to establish a damage figure acceptable to the Bureau of Public Roads.

The standard department appraisal report form has been drastically revised to comply with the latest requirements of the bureau of public works. New sheets covering lists of comparable sales and analysis of comparable sales have been added to the standard appraisal form to satisfy the Bureau of Public Roads documentation requirements.

A member of the right-of-way office staff has been delegated to act as liaison between the right-of-way division, the department of public works voucher and accounting section, and the bureau of public works division audit office.

Waterways division: In the past, consultant contracts were open-end contracts, so-called, which meant a contract was written with an authorization for a certain amount, and if there were need of an additional allotment, a report would be presented to the board for approval and the amount of the contract would be increased by the amount of the approved allotment. Under the present system all consultant contracts now contain a statement, as follows

> The total payment under all items of this contract shall not exceed the sum of $———.

This results in a more positive check of funds expended for consulting services.

In the past, division personnel previously investigated and reported as to the lowest responsible bidder on waterways construction contracts. Under the present system, this function has been transferred to the highway contract engineer, in order to coordinate and prevent duplications of work by the highway and waterways sections.

In the past, the accounting and finance functions of the waterways were handled by a section of the division. Under the present system, the accounting functions and records of the division are under the supervision of the supervisor of the fiscal management of the department.

Designs and construction: The department now requires consultant design engineers to carry a professional services liability insurance that shall indemnify and save harmless the Commonwealth, its officers, agents and employees from claims, suits, actions, damages, and costs of every name and description resulting from errors and omissions in the work performed by them.

The department has revised the method of computation and payment on consultant design engineer contracts based on a predetermined table of unit prices in lieu of actual construction bids.

Written certification is now required of contractors verifying that the work for which they are being paid on semimonthly pay estimates has in fact been done.

All project personnel are now required to keep diaries over and above the diary kept by the resident engineer for check-and-balance purposes. These diaries must be initialed by the construction engineer in the district.

Location and survey: The department, in cooperation with the Bureau of Public Roads and the U.S. Geological Survey, has now in operation a statewide mapping for the inventory of sources of construction material.

Employing photogrammetry, the department introduced a new method of preparing plans of highways as built.

Traverse notebooks used by survey parties have been redesigned so that traverse information can be readily transferred to punchcards for electric computer calculations.

Traffic: For years this department had used automatic traffic counters to determine information required by the bureau of public works. The dissemination of this information on the tape into useful form was a long and tedious process. Last year, 40 electronic-type devices on which the information is recorded on a punch tape was put into operation. Now, information which formerly took days of manual labor can be obtained automatically in minutes.

Previous to 1961, exit numbers on limited access highways consisted of a distinct number for each exit. In cases such as full cloverleafs, for instance, there would be two numbers at the same interchange, that is a separate number for each respective exit ramp. In 1962, a new system was put into effect in which a single number was assigned to each interchange. In the case of a full interchange, such as a cloverleaf, the letters "N," "S," "E," or "W" were added after the number to indicate the direction in which the motorist would be traveling upon reaching the connecting roadway. At intersections, such as diamond interchanges, and those in which ramps were missing in certain quadrants, the cardinal direction letter would be omitted. The value of this new type of marking is that the respective interchanges are numbered consecutively and that a motorist knows immediately by the designation of the exit whether that particular exit is to the north, south, east, or west and wherever he sees an exit so marked he can presume that there is another exist for the opposite direction. He can also presume that in the absence of a cardinal direction letter there is only one point of exit at this particular interchange. This particular method of exist marking was developed entirely by this department and has received considerable widespread favorable comments.

National Committee on Radiation Protection and Measurements

EXTENSION OF REMARKS

OF

HON. CHET HOLIFIELD

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Monday, August 20, 1962

Mr. HOLIFIELD. Mr. Speaker, I have introduced a bill to grant a Federal charter to the National Committee on Radiation Protection and Measurements, generally referred to as the NCRP. The Joint Committee held hearings on June 4–7 of this year on "Radiation Standards, Including Fallout," and some witnesses indicated the desirability of establishing the NCRP as an independent nonprofit corporation under a Federal charter.

I realize that it is late in the session and that the Judiciary Committee may not be able to give consideration to this matter during the present session of Congress. However, I am introducing the bill now in order to permit time to obtain comments from various interested persons in Government agencies, including the Public Health Service and the Atomic Energy Commission, on this bill.

William G. Simpson Inducted as Deputy Administrator of the Small Business Administration

EXTENSION OF REMARKS

OF

HON. ROLAND V. LIBONATI

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Monday, August 20, 1962

Mr. LIBONATI. Mr. Speaker, I was privileged to attend the induction ceremonies of the recently appointed William G. Simpson, of Kenilworth, Ill., as the Deputy Administrator of the Small Business Administration, for the newly established SBA Management and Research Assistance Unit, by SBA Administrator John E. Horne.

With appropriate remarks, Administrator Horne gave a résumé of the duties of the office and the exceptional qualifications of the appointee—Mr. William G. Simpson:

> Establishment of a separate operating unit for management and research assistance, headed by a Deputy Administrator, should help us to expand our activities in the vitally important area of management and research assistance.
>
> It is a well recognized fact that management is often the deciding factor between business success or business failure. We plan to start now to develop a long-range program which, in cooperation with Federal and State agencies, and with business and trade organizations, can make a substantial and permanent contribution to the future welfare of American small business.
>
> Establishment of a separate SBA Management and Research Assistance Unit is necessitated by the substantially increased responsibilities placed upon the Deputy Administrator for Procurement and Technical Assistance, Mr. Irving Maness, and upon the facilities of his office, as a result of the growing demands made by me upon his experience in the overall operation of the agency. These made it desirable that our management and research assistance program be administered as a separate function.

The five major programs in the fields of management and research assistance are:

First. Management publications—most of them are made available without charge—a series of nine types of publications, prepared primarily by experts in private industry, and covering a wide range of topics.

Second. Administrative management courses cosponsored by SBA with leading educational institutions and distributive education systems, conducted during evening hours, with nominal tuition fees.

Third. Management conferences, usually 1-day meetings, cosponsored by SBA with chambers of commerce, trade associations, and educational institutions.

Fourth. Individual management counseling by personal interview, telephone conversation, or correspondence.

Fifth. Management research studies into management problems of general or special interest to small businesses, with results widely disseminated to the small business community.

Mr. Simpson was born in Chicago, August 5, 1923. He was graduated from the U.S. Military Academy at West Point, as an engineer, class of 1946, and was awarded graduate degrees in marketing and accounting at the University of Chicago and the University of Illinois.

Since 1954, Mr. Simpson has operated his own business counseling firm in Chicago, specializing in the areas of business reorganization, diversification programs, new product searches, and corporate finance. Most of his clients were owners and operators of small businesses.

For 4 years, 1950–54, Mr. Simpson was a consultant in the Chicago office of Booz, Allen & Hamilton, advising clients, both governmental and commercial, in areas of organization, procedures, economic planning, and finance.

During his service in the U.S. Army, Mr. Simpson served in Honolulu, Hawaii, and later as Chief of the Office of Mobilization Planning, Chemical Corps, Chicago.

The new SBA Deputy Administrator for Management and Research Assistance is a member of the West Point Alumni Association, the Economic Club of Chicago, the Illinois Society of Certified Public Accountants, the Chicago Athletic Club, and the Lay Advisory Boards of St. Bernard's Hospital and St. Vincent's Home—both of Chicago.

Mr. Simpson is married to the charming former Marilyn Meyer, who was present with their two children, Penny, 6, and David, 3. The Simpson family now resides at 139 Abingdon Avenue, Kenilworth, Ill.

We, the members of the Illinois congressional delegation, compliment the President of the United States, John F. Kennedy, in the selection of such a distinguished and talented Illinoisan in this field who, we are certain, will reflect credit on the administration and merit the confidence of the public in this special service.

Tax Cuts

EXTENSION OF REMARKS

OF

HON. STANLEY R. TUPPER

OF MAINE

IN THE HOUSE OF REPRESENTATIVES

Monday, August 20, 1962

Mr. TUPPER. Mr. Speaker, on August 2, 1962, I devoted a newsletter to the reasons why I believe a tax cut affecting both personal and corporate income should be initiated.

I have had a great deal of mail, both pro and con, and believe that both sides of an issue as important as this should be fully aired. I am submitting for the RECORD both my newsletter and a letter from a constituent, Mr. F. D. Dysinger, of Round Pond, Maine, in disagreement with my views.

TAX CUTS—CONGRESSMAN STAN TUPPER REPORTS

Although we have recently experienced a slight economic recovery, our country now seems to be on an economic plateau which is reminiscent of that which occurred before the downturn of July 1957. This listlessness and declining rate of growth have led most economists to conclude that we are headed for a recession. Unusual agreement has been reached between business, labor, and economists to the effect that the best stimulus to our sagging economy would be a tax cut—soon. It is generally recommended that this cut be substantial and that it affect both corporate and personal income.

Several factors cause me to favor a reduction in taxes so that a positive influence will be exerted on business activity, earnings, and employment. Recent figures reveal that personal income in June was just barely higher than May; that hours worked per week by factory employees declined both in May and June; that total retail sales dropped from May (and in May sales were lower than in April); and now we learn that our gross national product for the current year is much lower than predicted. If taxable income should decline, the resulting drop in Federal tax receipts will lead to a much greater budgetary deficit than we already expect.

Advantages to a tax cut seem to far outweigh the disadvantages. If personal income taxes are cut now, there would be increased purchasing power which could stimulate the economy by greater expenditures in goods and services. Investment would be stimulated as sales and production capacity is challenged. A rising level of economic activity should generate greater tax revenues, so that the fiscal deficit incurred by tax reduction would be partially offset by taxation on increased profits. I too believe that the cut should be substantial so that the gap between what the economy can produce and the public can buy will be closed.

Although there seems to be general agreement on cutting taxes, the desired mechanism for the cut is another matter. In other words, how much to cut and how to spread the cut among individuals and corporations will be matters of controversy as the hearings progress.

A tax cut now would seem to be practical. This does not rule out a sensible tax reform measure next year which will help cure rather than palliate our diseased economy.

ROUND POND, MAINE,
August 2, 1962.

Congressman STANLEY R. TUPPER,
House Office Building,
Washington, D.C.

DEAR MR. TUPPER: May I, as a steadfast Republican, voice a mild criticism of your tax views as expressed in May Craig's article, "TUPPER Urges Tax Cut and Substantial One, Too," in today's Press Herald?

It seems to me that there is no evidence of a lack of purchasing power. On the contrary, retail sales are good, savings bank deposits are up, installment purchase loans are down. The figures on unemployment, as given by the President yesterday, indicate an improvement in employment. Very frankly speaking, I think that the "lack of purchasing power" theory is a rationalization advanced by the labor union leaders simply because they would like to have the taxes of lower income persons lowered, and is wholly unjustified by the facts.

I personally believe that the taxes on people with high incomes is unjust and confiscatory. Probably, also these high taxes have gone past the point of diminishing returns, and are an actual cause of unemployment. Nevertheless, I do not believe that these unjust taxes should be lowered at this time, because I do not think they are the prime cause of the present economic unrest. If we are to deal with taxes at this time, our sole purpose should be to act with the purpose of staving off a recession. In my opinion, if a tax cut is needed at all, and I am not sure that one is needed, it should be confined to a reduction of about 7 percentage points in the corporation income tax. We might hope that such a reduction would stimulate business to such an extent that the loss of revenue would be small.

However there is something else that should be said. I believe firmly that a large part of the stock market decline is due to a lack of confidence in the administration. The powers that be in Washington are too subservient to the labor union political machine. They espouse silly policies like reducing taxes on business to stimulate the economy, while, at the same time advocating programs like medicare which would add to the cost of doing business as much as would be saved by a tax reduction. Too much thought is given to actions likely to get the votes of various blocs, instead of looking to the public welfare. The President seems determined to increase the centralization of government, and to lean toward collectivism which certainly increases patronage and the power of the President, but, in practice seems to be extremely inefficient and costly. Worst of all, the President seems to have an obsession for asking for powers that no other President has ever been given. Do you wonder that businessmen are lacking in confidence? Some of the decisions of our Supreme Court tend to scare the average businessman, too. In short, there is more to the slump in the stock market than just taxes. What this country needs is not "a good 5-cent cigar." It needs a good dose of molasses and commonsense.

Very truly yours,

F. D. DYSINGER.

A Dedicated Public Servant

EXTENSION OF REMARKS

OF

HON. SAMUEL N. FRIEDEL

OF MARYLAND

IN THE HOUSE OF REPRESENTATIVES

Monday, August 20, 1962

Mr. FRIEDEL. Mr. Speaker, after many years of devoted service to our Government, the Honorable Harry J. Anslinger has tendered his resignation to the President because he has reached the mandatory retirement age.

It is a pleasure for me to take time today to call to the attention of my colleagues the wonderful record Mr. Anslinger compiled as U.S. Commissioner of Narcotics. No other man has held this position since this branch of the Government was formed in 1930. Therefore, there were no guidelines for Mr. Anslinger to follow when he accepted this difficult assignment. It was up to him to use his own initiative in devising a system for fighting the menace of illegal drug traffic in our country. That he has performed his duties admirably is a matter of record.

It was through Commissioner Anslinger's efforts that the serious dangers of drug addiction were forcibly brought to the attention of those who might easily fall prey to peddlers of narcotics, especially our young people.

Mr. Anslinger's keen insight into the many ramifications of this problem and his broad knowledge of the medical aspects of drug addiction, coupled with his extensive experience in law enforcement, have won him international recognition.

By strongly enforcing the narcotics laws, Mr. Anslinger is directly responsible for the decrease in new addicts reported to the Bureau in recent years. It is also gratifying to note that the potency of heroin sold illegally has decreased so sharply that addiction has generally become less severe and addicts can be withdrawn from the use of this drug in 10 to 14 days of hospital treatment. This, too, was accomplished by enforcement of law.

For his efforts in suppressing illicit traffic in drugs, which have exacted a terrific toll of human suffering, misery, and crime, Mr. Anslinger merits our most heartfelt thanks and we can truthfully say, "Well done, my good and faithful servant."

In accepting Mr. Anslinger's resignation with regret, President Kennedy asked him to remain as U.S. representative on the United Nations Commission on Narcotic Drugs. We hope he will do this so that we can continue to have the benefit of his experience and advice in coping with this dangerous problem.

Commissioner Anslinger's retirement will deprive our Government of one of its most dedicated public servants, but we in the Congress of the United States extend to him our very best wishes for a long and happy life in the years ahead.

Independence of Gabon

EXTENSION OF REMARKS

OF

HON. ADAM C. POWELL

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Monday, August 20, 1962

Mr. POWELL. Mr. Speaker, we take this opportunity to send warm felicitations to His Excellency the President of Gabon, Leon M'Ba and His Excellency the Ambassador of Gabon to the United States, Jules Mbah, on the occasion of the second anniversary of independence of the Republic of Gabon.

The Republic of Gabon, which on August 17, 1962, celebrates the second anniversary of its independence, is perhaps best known to the outside world as the locale of Dr. Albert Schweitzer's renowned bush hospital at Lambarene. In 1946, after being one of the four territories of French Equatorial Africa for 36 years, Gabon became an oversea territory within the French Union. In the referendum of 1958, the voters of Gabon chose to be an autonomous state in the French community, and it was 1 of the 16 African States to gain political independence during 1960.

The 400,000 people of Gabon, comprising nearly 40 distinct ethnic groups, are largely engaged in forestry. They provide the world with mahogany, ebony, and the valuable okoume trees, excellent for use in plywood. Up to now the principal industry in Gabon has been the processing of timber in sawmills and plants producing plywood. In recent years agriculture has become developed, including cacao, coffee and rice, and the future offers great challenge for the economy, with its manganese, uranium, and oil resources already being worked and its iron ore soon to become another large additional source of income. Hydroelectric power from the rivers will be harnessed to provide the country with energy. To achieve this goal Gabon must contend with the vastness and density of the forest, the resulting difficulties in developing an internal transportation system, and other problems relating to the climate and dispersion of the population. But the economy is being diversified and the extension of the transportation system continues. Economists predict that by 1970 Gabon may have the highest per capita income on the whole African Continent.

With the coming of independence, the people of Gabon adopted a constitution reaffirming the principles of the French Declaration of the Rights of Man, which are also embodied in our Declaration of Independence. The Constitution provides for freedom of conscience and religion. Gabon is a republic "indivisible, democratic, and social" and the sovereignty of the people is exercised by their representatives. President Leon M'ba, once convicted in a French court for his activities against French rule, now has led his people into freedom and a close friendship with France, as well as the entire Western World. Noting that the colonial era did not leave a heritage of bitterness, President M'Ba has declared that "Gabon is a hospitable land. Those who have trod our soil have taken away with them only happy and favorable memories." Believing with President M'Ba that "the struggle for man's freedom is a mission," we congratulate the people of Gabon on the second anniversary of their independence.

Community Service Organization: On Behalf of the Basic Freedoms

EXTENSION OF REMARKS

OF

HON. JOHN F. SHELLEY

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Monday, August 20, 1962

Mr. SHELLEY. Mr. Speaker, today I should like to pay homage to an organization which, in the midst of technological and international chaos, has seen that there are many problems left to solve whose solutions require continued application of basic democratic principles.

The organization is the Community Service Organization. Their mission is to integrate the Spanish-speaking residents in the West of the United States into the communities in which they live. Their method of solution is to fully inform these people of, and teach these people how to use their basic freedoms, including the right to vote, petition, organize, and assemble. In other words, the Community Service Organization wishes to make clear that the Constitution applies to all and that it is a document deeding to all the right to use and be protected by its guarantees.

During these times when we are so often so immersed in the sensational we forget how much remains to be done in this country that is just the plain everyday work of democracy.

Mr. Speaker, in my mind this is the mission of the Community Service Organization: It has not forgotten this plain everyday work of democracy.

Perhaps, Mr. Speaker, the quickest way to convey the success of the Community Service Organization in tackling this task is a brief before-and-after sketch. For anyone from my home State knows that the lot of the persons with Spanish surnames in California was far different before the advent of the Community Service Organization and a striking contrast to the status this group is beginning now to enjoy.

The "before" picture was relatively grim. Many were shunted off into unsanitary and ill-cared-for "barrios" of California towns; less than 10 percent were registered to vote.

Sixteen years later, close to one-half million or more are registered; much of the parent generation have become citizens; and articulate leaders versed in organizational processes now speak for their own people and serve in public offices.

Moreover, Mr. Speaker, as soon as the strength of this hitherto amorphous and unheard-from group became a politically significant statistical fact, community leaders began to deplore, rather than ignore their condition, and then finally restore the areas in which they lived.

In addition, this 16-year-old organization now boasts at least 33 California chapters and several in Arizona and Texas. The membership is over 10,000 persons.

To really comprehend its place in the various communities where it is active, one should hear recounted the saga of each locale, for each is a story of tremendous dynamism and patience on the part of members of the Community Service Organization and those who believe in it.

The local chapters of the Community Service Organization have protected the domestic farm laborer or worker from encroachment on his domain by the foreign worker. Simultaneously, they have backed the worker in his appeals for a decent minimum wage and unemployment insurance.

Chiefly active in my own State of California, the Community Service Organization has made its impact felt statewide by influencing the legislative program in our State. There is no question that the extension of the State old-age pensions to noncitizens was in great part their achievement.

There are many more examples to further document the accomplishments of the Community Service Organization: they better the lot of their members, not through huge spending programs or a complex committee superstructure, but through a persistent demand on the local level for the basic freedoms such as voting; and, in a period of almost frantic international awareness, they have remembered to fight for our own American immigrant—someone who has always been an important source of diversity and talent in our culture.

Mr. Speaker, I would like to bring to your attention the names of but a few of the individuals who have contributed so much to make the Community Service Organization the viable instrument that it is. They include: Herman Gallegos, Jose Correa, Cruz Reynoso, David Burciaga, Luis B-arraza, Anthony Rios, Juan Govea, Alex Zermenio, Hon. Abelicio Chavez, Vicki Lebrado, Carmen Batiza, Helen Castaneda, Cipriano Salazar, Carmen Solis, Madeline Cepeda, Maria Scott, Mary Salizar, Claudine Arias, Helen Rosales, Louis Zarate, Mario N. Lechuga, Cesar Chavez, and William Salazar.

The immediate task of the Community Service Organization is to get as many unregistered citizens registered in order that they participate in forthcoming elections. This task will, in large part, measure the impact of the Community Service Organization on the community and go a long way in bringing into active participation a great number of citizens into the workings of the democracy.

In closing, Mr. Speaker, I would like to note the succinct remarks of William Salazar which outlines the work, and challenges, of the Community Service Organization:

> First, we have awakened hundreds of Spanish-speaking residents to their responsibilities as citizens.
>
> Second, we have organized a group of young, eager, responsible people for self-help and for the solution of problems facing the Spanish speaking and the community.
>
> Third, we are developing new leadership which will conquer the upcoming problems which will be facing us as a community. For example, through our English and citizenship classes, which our immigration committee is sponsoring, we are helping some 300 newcomers to find their way in becoming better citizens.
>
> Also our immigration committee offers needed help and assistance to those who are in need of special help in this field; and hand in hand with welfare committees they have accomplished their task.
>
> Through our housing committee we have joined other civil rights organizations to seek the establishment of a fair housing ordinance and to promote equal housing opportunities for all, regardless of race, color, creed, or national origin.
>
> Through our voter registration committee we have undertaken the task of registering the nonregistered and to wake up the Spanish speaking to their responsibilities as Americans and to make this body a more responsible group of voters.
>
> Through our education committee we have as one of our goals the task of helping to motivate and raise the education level of our young people.
>
> Our civil rights committee stands ready to help and safeguard the rights of our members and all other minorities who might seek our help; but above all we wish to join other chapters of the Community Service Organization to promote the betterment of the Spanish speaking in California; especially the many agriculture workers throughout the State.
>
> If the caliber of people we have attracted has any bearing on whether we will succeed or not, let me say that those already brought in by our membership committee insures us that we will succeed.
>
> As you can all see, we did not organize to stand still, we will move ahead as the Community Service Organization has done in the past and in the years to come we can be proud to say that we were the first to answer the call of the needs of the Spanish speaking in San Francisco.

Sandisfield, Mass., Bicentennial, 1762–1962

EXTENSION OF REMARKS

OF

HON. SILVIO O. CONTE

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

Monday, August 20, 1962

Mr. CONTE. Mr. Speaker this year the little town of Sandisfield, nestled in the Berkshires in western Massachusetts, celebrates its 200th anniversary. This is a noteworthy event, commanding special consideration.

The pioneers who settled in Sandisfield in 1750, were a churchgoing people who strictly observed the Sabbath, which commenced, in those days, on Saturday evening. They had no fires in the churches then, and footstoves were in great demand. Preaching was had by taxing the people for the expenses of the church. Nonetheless, the people insisted upon services even in the face of inconvenience, and the town began its history deep in the belief of divine guidance.

The earliest settlers in Sandisfield were immigrants from Plymouth, Mass., and Wethersfield and New Haven, Conn.—Puritans all. They were concerned not only with problems of the soul, but with problems of practicality, including those of government. In 1758, a committee was appointed to receive conveyance of 1 acre for a burying ground, at a spot selected a little northerly and short of a mile from the meetinghouse. Community action in this instance bred further action and on March 6, 1762, the town was formally incorporated.

When originally admitted to the field of official community life, Sandisfield was largely controlled by officials residing in other areas.

The first town meeting following incorporation was called by virtue of a warrant issued by Joseph Dwight, of Great Barrington, justice of the peace, and the original town proprietors, the majority of whom were citizens of Worcester. In a short time, however, the people of Sandisfield were clamoring for control of their own destinies, and, as it was to work out, their demands were quickly granted.

Local assurance in the ability of self-government was founded on economic success, which came about the moment the first arrivals set to work in their own interest. Economically speaking, Sandisfield was blessed from the start with a great deal of promise. A soil better suited to the growth of rich, juicy grass is seldom found, and this fact had a decisive effect upon the outlook of the original inhabitants. Stockraising was instituted at once, and sheep raising and dairying were also soon in evidence. By 1855 there were 175,000 pounds of cheese produced locally, as well as considerable amounts of milk and cream.

Another early economic development of considerable significance hereabouts was the production of maple sugar. In 1885 it was learned that Sandisfield held the lead in amount of maple sugar produced—even exceeding that produced in Worthington, in Hampshire County, which was then laying claim to the title of the "Maple Sugar Capital." At one point the annual production of maple sugar by Sandisfield residents reached as much as 84,876 pounds, before the charcoal industry came along, to make use of maple trees for other purposes.

Local government sprang from a justified sense of self-importance, generated by considerable success in several economic fields. In response to the need for government, the people of Sandisfield came forward with ability equal to that already displayed in the matter of economic sustenance. Town meetings were conducted with much dignity.

The township covered a large area, the center being on a high hill, and the sites for future industry located to the east, on the Farmington River. When the Revolution began in 1776, there were 1,044 local residents, and by 1800 Sandisfield had become the fourth largest town in the county with 1,857 people, and had supplied the citizens of Pittsfield with $300 to help them build a meetinghouse. Fifteen years later, in spite of migration to the West, the Sandisfield population held up to 1,615. At the start of the Civil War there were still 1,585, and the town remained prosperous.

The war hurt Sandisfield. The young men who volunteered for service in the Union Army included many who gave their lives, and many more who settled elsewhere in the postwar years. In addition to this, the call of the West began to take its toll, in the 1870's and 1880's, and the buildup of industry in neighboring districts had a similar depopulating effect. The resulting decline in local population figures was not checked until the arrival 45 years ago of Polish immigrants from New York who took up a number of the abandoned farms and helped to stabilize the community by their industry.

In the glory days, Sandisfield had at one time six tanneries, two mills making flaxseed oil, a larger maple sugar production than any other town in the State, a silk mill, a woolen mill, a hattery, a cooperage, a wagon factory, and numerous saw and grist mills. Sandisfield was a model version of the industrialized agricultural community. In spite of the merits of this way of life, the whole trend of the national economy after the Civil War was against it industrially, and there was nothing for Sandisfield to do but to surrender its temporary supremacy, in the face of overwhelming odds.

On the other hand, what has remained is by no means negligible. A variety of industrial concerns still supply a livelihood to the people of the area.

Today the people of Sandisfield can look back with pride upon a history devoted to work and reverence, patriotic regard and satisfaction in local achievement.

Moreover, the people of Sandisfield have the future still before them—a future in which the beautiful Berkshires undoubtedly will serve, and already are beginning to serve, as an area to which Americans will come in increasing numbers, out of respect for a way of life devoid of turmoil and chaos.

Sandisfield has shown, by its history, that progress is not only achieved through wealth, turmoil, and ever-increasing production, but by the nurturing of those qualities inherent in the original conception of the American way of life.

Mr. Speaker, it is my privilege today to salute the good people of Sandisfield as they join together to celebrate the 200th birthday of their little community, years in which they saw their loved ones depart on seven different occasions to go forth and fight for the liberty we all cherish so highly.

St. Stephen: Spirit of Hungary's Future

EXTENSION OF REMARKS

OF

HON. MICHAEL A. FEIGHAN

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Monday, August 20, 1962

Mr. FEIGHAN. Mr. Speaker, under leave previously granted, I insert in the RECORD an address I delivered Sunday afternoon, August 19, at the St. Stephen's Day celebration, held under the auspices of the American Hungarian Catholic Society, at the open-air shrine and chapel on the grounds of the Daughters of the Divine Redeemer, Lander Road, Orange Village, Ohio, on "St. Stephen: Spirit of Hungary's Future":

ST. STEPHEN: SPIRIT OF HUNGARY'S FUTURE

I am honored with the opportunity you have given me to join with you in your annual observance of St. Stephen's Day. This is a memorable day for all Hungarians everywhere in the world. This observance honors an enlightened ruler, a beloved king among men, and the patron saint of the Hungarian nation.

The history of the Hungarian nation is inseparably connected with the life and times of St. Stephen. It is generally agreed that the Hungarian nation existed as a European state for approximately 100 years before King Stephen became ruler of that land. But those 100 years are dimly recorded by history. The coming of King Stephen shaped the Hungarian nation, established its foundation, gave it identity to the known world, and blessed it with a greatness of purpose that has endured for almost a millennium.

It was King Stephen, youthful in years, with a rareness of mind, who studied Christianity and converted to it, brought conversion of the entire nation to Christianity. He assumed the kingship of Hungary with a crown that has since become known as the Holy Crown of St. Stephen, and which, to this day, stands as an indelible symbol of Hungary as a nation. So strong and so benign was the influence of King Stephen upon the life of his nation that long after Hungary ceased to be ruled by a king, the crown of King Stephen has remained as the symbol of state authority.

King Stephen brought many things to the Hungarian nation which have endured the test of time. But two of his contributions stand out in the world of our times. The first was his declaration of responsibility which must be assumed by all citizens of a nation, the foremost of which was the exacting duty of the rich to care for the poor. This declaration was based upon the basic Christian virtue of charity. King Stephen applied that virtue to the everyday life of his nation and judged his subjects by the manner in which they devoted themselves to that virtue. His second contribution was teaching the virtue of tolerance among his people—tolerance between and among all classes, tolerance of the people in the neighboring states, and especially tolerance of non-Magyars who were living under the crown of Hungary. These and other contributions of King Stephen to his people, given in the highest Christian tradition, accepted and cherished by the Hungarian people, contributed to the canonization of King Stephen as a great saint of the Christian church.

If we observe, but quickly, the long and glorious history of the Hungarian Nation since the reign of King Stephen, we may judge how well these virtues were adopted by the Magyars and the importance they bear to the existence of the Hungarian nation today.

In the 13th century, when the golden hordes were the scourge of the Eurasian continent, it was in Hungary that the campaign of Batu Khan, favorite son of Genghis Khan, was stopped. That battle cost the Hungarian nation dearly. Some historians estimate that as much as 40 percent of Hungarian manhood was sacrificed in the defense of Christian Europe.

Again in the 16th century the people of Hungary, standing as a bastion of defense for western Europe, were called upon to repel the Turkish invasions. Here we are reminded of Prince Hunyadi, leader of the defense of Christian Europe, and for the success of Hunyadi's campaign, the angelus prayer of Christianity was ordered by Pope Urban the fourth—these and many other epics of Christendom have earned for the Hungarian nation the esteem and the honor of Christendom.

In our times we witness Hungarian sacrifices in defense of their Christian heritage. Occupied as they are by the new infidels from Moscow, oppressed and persecuted as they are because of their devotion to Christian principles, dedicated as they are to the timeless principles of liberty, justice, and freedom, they are the special target of organized evil on the march.

The modern day symbol of this great Hungarian heritage is Joseph Cardinal Mindszenty.

When the hordes of Moscow occupied Hungary in the closing days of World War II, it was Cardinal Mindszenty who stood as the rallying point of a nation sentenced to national punishment because of political developments in central east Europe, little known or understood by the leaders in the West. It will be recalled that Hungary was not regarded in the councils of the West as a liberated nation, and worse, it was left to the pitiless tyranny of the men from Moscow. And the Russian despots lost no time in introducing their carefully organized program of national punishment upon Hungarian people. In these circumstances Cardinal Mindszenty, dynamic in the traditions of St. Stephen, rallied the Hungarian nation from the depths of despair to stand boldly before the Russian occupier. So strong was his appeal, so brave his leadership, that in the only free election held in Hungary, the Communist puppets were routed and the voice of Hungary spoke out for leaders that would guarantee the blessings of self-government.

But Cardinal Mindszenty and the gallant people of Hungary have paid a heavy price for their bravery and determination. To break the spirit of the Hungarian people, Cardinal Mindszenty was made the target of an evil campaign organized and directed by the Russian tyrants. Falsely accused, tried before a court of puppets, condemned and sentenced by the stooges of Moscow, Cardinal Mindszenty was put in chains.

The Hungarian people, in their great freedom revolution of 1956, removed those chains from Cardinal Mindszenty and returned him to his rightful place as spiritual leader of a Nation dedicated to those moral principles without which liberty, freedom, and independence are meaningless. When the hordes of Moscow reinvaded Hungary on November 4, 1956, Cardinal Mindszenty found refuge in the American Embassy in Budapest. There he has remained these past 6 years, awaiting action by the nations of the free world on their promises expressed through the resolution on Hungary, enacted by the General Assembly of the United Nations. Cardinal Mindszenty has made it clear that he will not leave Hungary, that his duty is to stand fast with the good people of Hungary, and that the emancipation of Hungary is the only condition under which a change in his present status can be effected.

The brave and noble spirit of Cardinal Mindszenty reminds the world of the brave and noble spirit of the Hungarian people which finds its foundation in the life, the times, and the teachings of St. Stephen, the first Christian King of Hungary.

And so today, as we celebrate St. Stephen's Day, we are reminded of a long and glorious past, as we recognize the cruel and demoralizing injustices which dominate everyday life in Hungary today. We who have faith, know the spiritual power of Christianity and have an unwavering belief in the goodness of Almighty God. These beliefs and this spiritual power have withstood attacks from tyrants and despots in the past and have gone on to greater glory and happiness for all who believe.

We who are gathered here, are confident of the future of Hungary because no power on earth can break the tradition of a thousand years of Hungarian history.

Battery C, 5th Howitzer Battalion, 43d Artillery, Honored at Erie, Pa.

EXTENSION OF REMARKS

OF

HON. JAMES E. VAN ZANDT

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Monday, August 20, 1962

Mr. VAN ZANDT. Mr. Speaker, a very fine welcome-home ceremony was held at Erie, Pa., Sunday, August 19, for Battery C, 5th Howitzer Battalion, 43d Artillery.

This outstanding Army Reserve unit had just completed 10 months of active duty during which it won many deserved honors and received the rating of "superior."

These young men exemplified the high type of able and unselfish young people in our Reserve Forces. I was proud to

participate in the welcome-home ceremony and under unanimous consent I insert in the Record a copy of the ceremony's program and the address I delivered as principal speaker:

WELCOME HOME: BATTERY C, 5TH HOWITZER BATTALION, 43D ARTILLERY FROM ERIE, PA., SUNDAY, AUGUST 19, 1962, 8 P.M., ACADEMY STADIUM, ERIE, PA.

Battery C, 5th Howitzer Battalion, 43d Artillery, U.S. Army Reserve: Capt. Clair W. Steel, commanding; 1st Lt. Paul B. Kraus, executive officer, 1st Lt. Thomas M. Heintzel, assistant executive officer; 1st Sgt. Louis S. Pisani; M. Sgt. Harold E. Beck, chief, firing battery; Sgt. Frank La Riccia, motor sergeant; Sfc. Richard M. Thompson, mess steward; Sgt. Ronald A. Faster, supply sergeant; Sgt. Harold E. Veit, platoon sergeant.

HISTORY

Activated during World War II and earned battle credits for participation in the Ardennes-Alsace; central Europe; Normandy; northern France and Rhineland campaigns of the European theater. Served in the Army Occupation of Germany following the end of the war until August 1945.

Deactivated following World War II. Reactivated as a Reserve unit in Erie, Pa., on February 14, 1956, as part of the 377th AAA Automatic Weapons Battalion and was reorganized as an artillery unit (155 millimeter) in June 1959.

Entered on active duty October 1, 1961, with mobilization station at Fort Sill, Okla., as a result of the Berlin crisis. Returned to Erie on August 9, 1962.

PROGRAM

Master of ceremonies: Lt. Col. Walter H. Sapp (retired).

Invocation: Rev. Jack E. Spencer.

Introduction of guests: Master of ceremonies.

Welcome from city of Erie: Hon. Charles B. Williamson, mayor, city of Erie.

Welcome from county of Erie: Commissioner Louis J. Rzymek, board of commissioners, Erie County.

Welcome home address: Hon. JAMES E. VAN ZANDT, Member of Congress.

Letter of welcome from commanding general, XXI U.S. Army Corps: Master of ceremonies.

Résumé of unit activity: Capt. Clair W. Steele.

Formation of units: Unit commanders.

Retreat ceremony: Armed services Reserve units.

Benediction: Rev. Jack E. Spencer.

WELCOME HOME RESERVES

(Address by Representative JAMES E. VAN ZANDT, Member of Congress, 20th District of Pennsylvania, House of Representatives, at the homecoming ceremonies in honor of Battery C, 5th Howitzer Battalion, 43d Artillery, Erie, Pa., August 19, 1962)

All of us in Pennsylvania are glad to welcome home the men of Battery C, 5th Howitzer Battalion, 43d Artillery.

We extend to them our most sincere good wishes and we pledge our help in making their adjustment to civilian life as swift and as smooth as possible.

We recognize the great debt of gratitude we owe to the men of Battery C. We know, too, that we owe them our heartfelt respect and honor. They have earned our gratitude through their unquestioning service in our Nation's Armed Forces.

These men have sacrificed much private comfort and wealth that we might remain safe and free.

Many of them have had to interrupt their careers or their schooling in midstream and many have suffered great financial loss during their terms of active service.

Through this welcome home program—grateful residents of Erie demonstrate their appreciation for the magnificent work they have accomplished.

I would like to take a few moments now to outline briefly for you the achievements of the Erie unit during their activation.

Battery C established a record of which it can be justly proud.

It is a record which should give comfort to all Americans in the knowledge that the defense of the Nation is in capable hands, when it rests on the shoulders of men who are of the caliber of Battery C.

The unit quickly organized itself when it was ordered to active duty, and proceeded, without accident or incident, to Fort Sill, its assigned training site.

Before a month was out, Battery C was already undergoing the initial phases of its training.

During the succeeding 3 months the unit completed the 4th U.S. Army training test. It might be well to note at this point that the training program which Battery C completed was a stiff one. It is meant to harden men for possible combat. It is tough. It is difficult. We can sense some measure of the hardships experienced by the personnel of Battery C—if we realize that during the month of January the unit spent 2 nights per week in the field in preparing for its training test—2 nights per week in the field in bitter cold of winter.

They had to work hard but they successfully completed their initial training assignment. In short, the men of Battery C demonstrated that they could do the job. But this was only the beginning.

Battery C's next test was the 41st Artillery Group training test.

Through the icy months of February and March the men and officers of Battery C welded themselves into an efficient and effective fighting force firing the 75-millimeter, 105-millimeter, and 155-millimeter howitzers.

They readied themselves for the group artillery test. In April they proved that their long hours of training had been productive. Battery C scored an amazing 91.4 on the artillery test, the highest score recorded at Fort Sill in 10 years.

Yes, ladies and gentlemen, Battery C Reserve unit had bettered the Regulars.

Battery C also had a score of 100 percent in gunnery, which marked the first time that this feat had ever been achieved.

This exemplary record was capped in June when Battery C passed the annual general inspection and received a rating of "superior," the highest rating in the 5th Howitzer Battalion.

Battery C also earned the privilege and honor of firing for the Artillery School at Fort Sill. Now, the men of Battery C were teaching other soldiers their skills.

Battery C was chosen, too, to fire the 105-millimeter howitzer phase of the post demonstration, "the mechanized infantry in attack."

Some 330 rounds of ammunition were fired in this demonstration, 150 shells being expended in the short space of 11 minutes. In all, a total of 14,250 man-hours were spent in supporting the artillery school on firing demonstrations.

There is a good reason for the success of Battery C. It lies in the competence and devotion to duty of its men. Capt. C. W. Steele, the commanding officer of Battery C, has been an inspiring leader to his men.

Certainly their magnificent performance while on active duty must be partly related to the high character of the leadership they received. But the enlisted men of Battery C deserve commendation too. We have the example of M. Sgt. Harold E. Beck, who was awarded the Army Commendation Medal for meritorious service during this tour of active duty; the example of Sp5c. James J. Strub, who received a commendation for his outstanding performance while serving with the artillery school; and the example of Sp4c. David Brunner, who was commended for his assistance to the 41st Group in preparation for its annual general inspection.

These men set a high standard for their comrades in arms. Without the great work of these men, as well as the teamwork of the other members of Battery C, its mission and the mission of the entire Army Reserve program could not have been accomplished.

I would like to sketch for you that broader Reserve mission to which the activity of Battery C contributed so much.

It is critically important that we understand why these men of Battery C, as well as 156,000 other reservists, were called to active duty for a year.

During the long months while these men served their Nation, many of them—and many of us at home—may have questioned the value of activating the Reserves. Their training assignments while on active duty may have appeared to be only remotely related to the struggle against possible Communist aggression. Nothing could be further from the truth. It bears reemphasis that the Reserves were called up to prevent a war from beginning, not necessarily to fight one. And in the event that war should have broken out, the Reserves were preparing to fight in such a conflict until it was successfully concluded.

This is the meaning behind the long, certainly painful, months of training at Fort Sill. This is the meaning behind the great sacrifice these men have made. Any attempt to obscure the value of the service of the Reserves does them a great disservice and threatens the morale of the American people in their efforts to win the cold war.

The Reserves were ordered to active duty in the midst of the Berlin crisis last summer. There were clear indications at that time that the Soviet Union and the East German Government might attempt a quick takeover of the city. This would have presented the West with an accomplished political fact of life.

Such a situation could have either touched off world war III with all of its attendant horrors or would have perhaps cowed the West into submission. Neither alternative was desirable. Both threatened to disrupt, perhaps shatter, the fabric of Western unity. Capitulation in Berlin would have spelled the breakup of the western alliance.

Confidence in America's ability and willingness to defend our Allies, or to defend itself and its vital interests, would have been seriously undermined. There was a compelling need to demonstrate to the Communists our determination to meet their pressures on Berlin.

These pressures were further heightened by the erection of the infamous Berlin wall. We had to find some way to convince the Soviet Union that we were not making idle protests. We had to convince the Kremlin that we were willing to use force, if necessary, to live up to our treaty commitments and to secure our rights in Europe.

Several policy changes were initiated that were decidedly aimed at convincing the Soviets of our firm resolution. Congress was asked to provide a sizable increase in the defense budget. Gen. Lucius Clay was sent to West Germany as the personal representative of the President. American troops were dispatched to West Berlin and deliberately routed through the disputed corridor which runs between West Germany and West Berlin. In addition, the Reserves were called up.

The activation of the Reserves, therefore, was a part of an overall response to growing Communist military moves which might have pushed us out of West Berlin before we were in a position to forestall them.

The Reserves performed at least three vital functions during their tour of active duty. First of all, they clearly demonstrated that the West was willing to use its military might to preserve its rights in West Berlin. It showed the Communists that we were prepared to back up our strong words with the force of our arms.

Second, the Reserves were called up to strengthen our conventional fighting forces in the event of war. Our strategic striking power was unmatched. We had more bombers and long-range missiles than the Soviet Union. We were in a better position to fight a general war than a conventional one. Yet we were aware that such a conflict would be massively destructive for both sides.

Frankly, we needed military capabilities that would make it possible for us to respond to a threatened Communist attack with weapons that were short of the biggest and most powerful that were in our arsenal.

We had to hold these latter weapons in reserve for the contingency of an all-out Communist attack.

The Communists might well have calculated that we might not use our big weapons if they simply took West Berlin. They might have assumed that we would have hesitated to use force to retake, or hold, West Berlin if all we had available were our most destructive weapons. This calculation was upset when Reserves were called up. They were more prepared than raw recruits to be organized into effective fighting units.

They were in a more advanced stage of preparedness to bolster our Regular Army, Navy, and Air Forces, than any unit which we might have organized from scratch.

As the impressive record of Erie's Battery C demonstrates—confidence in the Reserves was justified.

By bolstering our military power quickly and effectively, the Reserves strengthened the bargaining position of the United States in its negotiations with the Soviet Union—not only on West Berlin—but on the entire spectrum of political issues which still separate East and West.

It should not be forgotten that the United States would not have been able to deploy thousands of its regular combat troops to Europe unless the Reserves had been activated.

The reservists who were ordered to active duty, including the men of Battery C, filled the void created by the deployment of Army units to Europe. These Regular units could not have been safely transferred from their assignments in the United States unless some other troops were available to take their place and assume their responsibilities. The Reserves were given these tasks.

They acted fully in their capacity as Reserves, as backup support for the Armed Forces.

Finally, the Reserves bought time for the United States to build a larger conventional force that will now be sustained into the future. During the year of Reserve activation, the Army has laid plans, and has already taken definite steps toward the organization of two additional divisions.

In all, the Army will stand at about 1 million men grouped into 16 divisions and various specialized units. The expansion of the Army would have been seriously hampered, and the Nation's security would have been gravely undermined, if the Reserves had not been on station.

The Reserves provided a protective screen, so to speak, behind which the Army and the Nation were able to take stock of its defenses, to repair weaknesses, and to initiate needed changes in our military posture.

If we view the Reserve callup in the broader perspective of the cold war, we will be in a position to better appreciate the value of the Reserves and we will be more prepared to understand and properly evaluate the magnificent work accomplished by them.

The reservists who are now coming home should not minimize the mission they have accomplished. They have a right to claim our gratitude and honor. They have a right to point to their record with pride. They have served their country well and honorably and the Nation is better for their service.

Let no cynical voice doubt about the merit of the job done by the Reserves. Let no one suggest that the reservists wasted their time while on active duty. Let everyone be assured that the Communists were moved by the Reserve callup. Let everyone understand that the Reserves helped keep the peace.

As a member of the House Committee on Armed Services and ranking minority member of the subcommittee handling the Reserve program, from a congressional standpoint, the record of the Reserves over the last year leads me to one final comment. It seems to me beyond dispute that the Reserves have underlined the continued need for a strong military Reserve program. The cost to the Nation of maintaining its Regular Armed Forces would be considerably greater unless we have a large well-organized Reserve system to rely upon.

We count on the Reserves to come to the aid of their country in time of peril. As their performance during the recent callup indicates, they are reliable troops who can be swiftly organized into tough, well-trained fighting units.

They can perform the following functions which no other military organization can discharge: (1) They cost relatively little in terms of their usefulness; (2) they can perform a great variety of military jobs; (3) they can release regular troops for deployment to bases overseas; (4) and, when necessary, they can strengthen the Nation's bargaining position in negotiations with its enemies.

You men of Battery C have displayed a high level of service which the Nation expects of the Reserves. The proud record of the Reserves has buttressed our confidence in the Reserve program and has pointed up the need for our continued support of it. We are comforted that the Reserves are coming home, that, like the men of Battery C, they are returning to their loved ones. We are comforted, too, in a higher and more profound sense. We are comforted in the knowledge that we can rely on the Reserves.

Finally, you men of Erie's Battery C have given heightened meaning to that knowledge, and by your contribution to our national security, we acknowledge today that we owe you an undying debt of gratitude.

Our Industries—Jobs Sold Down the River

EXTENSION OF REMARKS

OF

HON. ALVIN E. O'KONSKI

OF WISCONSIN

IN THE HOUSE OF REPRESENTATIVES

Monday, August 20, 1962

Mr. O'KONSKI. Mr. Speaker, our own country, at one time the most prosperous country on earth, may soon turn beggar. In fact, in some instances, we have already done so. We are the only nation of consequence on earth that has more than 1,000 communities dying on the vine. We are the only civilized country on earth with 5 million unemployed. We are the only country on earth where industries are moving out instead of in. In the past 10 years more than 3,500 industries have left our United States to establish overseas. Every other industrial nation on earth is booming. Germany, France, Japan, England, and others are so prosperous that they are pleading for workers from all over the world.

We are begging countries to pay their bills to us so we can stay solvent. We are even begging Japan to establish an industry in the United States. Japan refuses unless she can bring along 25-cent-an-hour workers. More than 80,000 small businesses in our country are going broke this year. There is not a major industry in the United States that is not planning or studying the possibility of going to some foreign country in order to survive.

The United States is the only country in the world that does not protect its industries or the jobs of its workers. Every other nation on earth stops imports as soon as an industry is hurt or a single worker thrown out of a job. Every other nation on earth imports only what it needs and what it cannot produce itself. Our country is the only nation on earth that imports billions of dollars of products we already have in surplus and can produce ourselves.

In the past 16 years the U.S. Government has spent 10 times more building industries overseas than it has spent on building industries in our own country. Our gold is gone. The nations of the world are suspicious of our dollar. If these nations called for the gold due them, the United States would be $6 billion short of gold. In other words we would not have an ounce of gold left. In fact, we would be $6 billion short of what we actually owe other nations. A few years ago we had over $30 billion behind our dollar and we owed nothing on it. But the crazy giveaway program of the past 16 years has reduced us to beggars.

FULL EMPLOYMENT EVERYWHERE EXCEPT UNITED STATES

Full employment exists in Europe and Japan. In fact, they have more jobs available than people to fill them. They are not worried about Russia. They are not spending 66 percent of their national budget for arms to defend themselves. They do not have the draft in full scale. Only the United States is spending 66 percent of its tax dollar for defense and keeping the draft of our young men. We spend for defense of them and build industry for them while our boys have to remain in service to defend foreign jobs and when our boys come home from service they find our own mines and factories closed. What a pity. What a farce. How long are the people going to stand for this one-sided giveaway?

WE GIVE MILLIONS FOR FOREIGN TOURISM

Northern Wisconsin is a tourist paradise. Just think how little help is given in this respect. I know how little. Resorts in northern Wisconsin are barely hanging on. Many just cannot save what they invested. In order to get a small business loan they must meet requirements impossible to meet. Yet. here is what Uncle Sam is doing overseas. Here is a typical letter of more than 100 I have received this year from people who have toured Europe, Africa, and Japan.

My Dear Congressman: I have just returned from a tour of England, France, Italy, Switzerland, Austria, Germany, and Japan. These countries are humming with activity. Every day you see more people in these cities, mostly tourists, that you would never see at a Fourth of July celebration in America. There is no poverty. There is no unemployment. There are no depressed areas. These people are more prosperous than the average American.

Everywhere these countries and cities are humming with activity. They are building superhighways, bridges, resorts, apartment buildings 20 stories high, new factories, and hotel after hotel. Almost a million tourists mostly from America are here. One little town of 10,000 people has 80 hotels and is building 6 more. That is what our dollars are doing. Just why does our country do this for other nations when it refuses to do so for its own?

I NEVER VOTED FOR THIS GIVEAWAY OF JOBS

There is nothing wrong with our country, except that it has and is being given away with a complete disregard for the interest of our own people. In my 20 years in Congress, I have never supported this giveaway of our money, gold, jobs, and our industries. I feel proud that I had the courage to withstand the pressure. At one time there were only 18 out of 435 Congressmen who fought this crazy program. I was one of the 18. This year, there were 169 who voted against it. We need only 50 more votes in the House to stop it. The people can and will stop it if they know the truth as to what is happening.

The time is late. It is going to take northern Wisconsin 10 years to recover from the consequences of this shameful giveaway. The trouble is that people awaken only after they lose their business or their job. People, seldom show concern when their neighbor loses his business or his job. Unfortunately, too many people show concern only when they themselves lose their business or their jobs. But then it is too late to do anything about it.

WHAT IMPORTS HAVE DONE TO NORTHERN WISCONSIN

Just 4 counties in northern Wisconsin in the past 10 years have lost 3,800 jobs on account of imports. These jobs lost because of imports are as follows: 1,000 miners; 800 plywood workers; 1,000 railroad workers and shipping workers; and 1,000 jobs related to these jobs such as teachers, clerks, service jobs, barbers, sales, and so forth.

Here is what that means to the economy of these 4 counties: Loss of $30 million of capital investment—off tax rolls; loss of 3,000 automobiles; loss of 150 retail outlets; loss of $14 million a year in retail sales; loss of 3,000 homes; and loss of $11 million in bank deposits.

THIS IS JUST IN FOUR NORTHERN WISCONSIN COUNTIES

Taken as a whole, imports of products mined and produced in 4 counties in northern Wisconsin has cost the northern Wisconsin economy 3,800 jobs. This alone is why northern Wisconsin is a depressed area. In spite of this, imports are increasing and more and more jobs are going to be lost. Here is a clear example of what our crazy giveaway program is doing to northern Wisconsin. It is a blow that will take a long time to recover from, make no mistake about it. With the desire to move more industries overseas—3,500 in the last 10 years—and with 80,000 businesses going bankrupt each year at present rate, it is going to take most unusual skill to replace the jobs we have lost due to imports.

IRON ORE IMPORTS

In 1946, we imported 2.8 million tons of iron ore.

In 1959 we imported 39 million tons of iron ore.

And it is going to increase from year to year. Presently we are importing 61 percent of iron ore consumed in the United States.

The fact is that when present explorations and expansion in foreign countries are completed imports can and probably will fill all the needs of U.S. steel mills and they will not need to mine a ton of ore in our own country. Presently more than half of the ore consumed in the United States is imported. It will be 75 percent in a few years and on and on.

MINERS TAX MONEY USED TO TAKE AWAY THEIR JOBS

The tragedy is the U.S. taxpayers, yes the miners who have lost their jobs in Wisconsin, paid for a great part of this development of ore deposits and steel plants in foreign countries. In fact, U.S. taxpayers' money in excess of $2 billion has been used to develop these mines and steel plants in foreign countries. As a matter of fact, today the United States is importing more finished steel products than it is exporting. Recently, our Government has adopted the policy of buying foreign steel for our military and Government use. This is almost impossible to believe but it is a fact. Yet, northern Wisconsin miners, transportation workers, and sea shipping workers are laid off while foreign miners, transportation workers, and sea shipping workers are prospering.

How silly can we be. These miners now losing their jobs are the same miners who produced 80 percent of all iron ore used in the world during World War I and World War II and who were largely responsible for the production that won these two wars. Their reward for a job well done—go home—no job—we must take care of the miners of Africa, Canada, and South America. It is strange when we have a government which spent billions of dollars to develop foreign mines and steel mills. It just does not make sense.

Just the last 2 years, here is how the U.S. Government is helping foreign mines and steel mills while our miners are losing their jobs by the thousands:

In 1962, $66 million to Societe Anonyme Des Mines de Mauritanie (Miferma).

In 1961, $30 million to Lamco—no payments until 1965.

In 1961, $6 million to Compania de Acero del Pacifico, S.A., to develop iron ore deposits in Chile. One million tons to be shipped to the States per year.

In 1961, $6 million to the Mano River project of the Nations Iron Ore Co., of Liberia. This will boost their output to ship to the United States to 4 million tons a year in 1963.

In 1961, $6 million to Marcona to increase output to 2.3 million tons. Previously the United States had loaned Marcona $13 million.

In 1960, $150 million to Turkish iron and steel industries.

In 1959, $12.5 million to Cin Vale do Rio Doce to increase iron ore production from 3 to 6 million tons a year.

In 1962, $43.3 million to Fundidara, largest private steel company in Mexico. The private company is putting up a measly $4 million, the rest is U.S. money.

This, miners, is your money that is being used to develop these mines and steel plants in foreign countries. Yes, they use your money to build mines and plants overseas so that they can tell you they do not need you any more. Remember these loans and grants were made at a time when miner after miner in our own country was being told he was not needed any more. Since 1950 more than 6,000 iron ore miners in the Great Lakes area have been laid off. If we cut our imports to 20 million tons, just half of what we are importing, all these 6,000 miners would go back to work full time.

TAX BENEFIT IN FOREIGN COUNTRIES

It was at the encouragement of the foreign aid program that U.S. steel companies established in foreign countries. Not only the Government but labor union leaders also encouraged it. It was and is another part of our foreign giveaway program. I never supported this giveaway in spite of heavy pressure. In fact, Congress even passed a bill to exempt these steel companies from U.S. income taxes, if they left their money in a foreign country. I did not vote for this either. When ore was in surplus, U.S. officials encouraged the steel companies to lay off U.S. workers but to keep foreign workers employed. In fact, a U.S. steel company in Venezuela cannot lay off any miner unless the Venezuelan Government approves. Somehow, the Venezuelan Government never approves and their miners work full time while U.S. miners are told they are not needed anymore. Miners in the United States have become second-class citizens and second choice. Miners in foreign countries are given job preference.

MINERS IN VENEZUELA BETTER OFF THAN U.S. MINERS

Believe it or not, the 5,000 miners employed by 2 U.S. steel companies in Venezuela are much better off than a U.S. ore miner even when working. The average annual wage and fringe benefits of a Venezuelan miner is $5,000 per year. No U.S. miner equals that kind of pay and fringe benefit.

The Venezuelan miner working for a U.S. steel company works 26 weeks at 6 days and 26 weeks at 5 days. Less 30 days' vacation and 7 holidays, this totals 249 days a year. But the Venezuelan miner gets paid for 365 days or 7 days a week for 52 weeks in a year. In addition a Venezuelan miner gets 60 days' pay as a profit-sharing bonus. This means that in Venezuela, working for the same U.S. steel company that our own miners work for, a miner in Venezuela gets paid for 425 days a year for 249 days of actual work. Almost half the pay of a Venezuelan miner is for days not worked. Only the oldest U.S. miner working in the United States working for the same company is lucky if he gets paid for 262 days.

Our U.S. miner in the United States gets an average vacation of 2 weeks. A Venezuelan miner, after working for 1 year gets a 30-day vacation with pay of 7 days a week plus a bonus. Nice work if you can get it.

A U.S. miner furnishes and owns his home. A Venezuelan miner gets a home furnished by the steel company for which he pays a measly indemnity of $1.79 a day. This includes everything, no extras such as water, lights, heat, repairs, paint, furniture, and so forth.

A U.S. miner gets limited medicare for himself and family. A Venezuelan miner gets the works for himself and family including glasses, pills, transportation and time off with pay and massages and the works.

A U.S. miner gets no family leave with pay. A Venezuelan miner gets 6 days off with 7 days' pay plus a bonus even in case of death of a common law wife of which there are many.

Besides all this which U.S. steel companies do for foreign workers, the U.S. Government has given Venezuela over $333 million in foreign aid. Remember Venezuela has a population of around 7 million. So we can see that Venezuelan miners are first-class citizens as far as the United States is concerned and our own miners are second-class citizens.

This is what has happened to iron ore mining in Wisconsin. I did all I could to stop it. I never voted for the foreign aid program which made this possible. I never voted for the foreign tax benefits which made this possible. I never voted to reduce our tariffs or to eliminate the tariff which made this possible. For 15 years I have been warning the miners this was going to happen but their leaders would not listen. I always voted to prevent this tragedy. Those who criticized me most were those whose jobs I tried to save.

FARM PROBLEM TOO IS REALLY CREATED BY IMPORTS

During the past 10 years farm support programs have cost the U.S. taxpayers $26 billion. Believe it or not during this same 10 years, under our crazy foreign aid program we imported farm products valued at $42 billion.

While we are importing farm products, we have in Government storage more than 1 billion bushels of wheat, 1.4 billion bushels of corn, 1.6 million pounds of tobacco, and about 336 million pounds of butter, cheese, and dried milk. These are valued at about $5.8 billion.

Yet, in 1960, and it is much worse now, we imported the equivalent of 1,504,000 head of beef, 1,341,000 head of hogs and 1,105,000 head of sheep and lambs. What is even worse with the surplus of dairy products depressing the dairy industry last year, we imported the equivalent of 1 billion pounds of milk and dairy products. It does not make sense yet these imports are increasing and increasing.

It is costing the taxpayers of the United States of America approximately $40 million a year to buy up the surplus and store the surplus dairy products of American dairy farmers because of imports. In other words, we import foreign dairy products so that we have a surplus of our own dairy products to pay storage on.

The bulk of the feed grains other than what we have in Government storage today has been imported. Our disappearance of feed grains over the past 10 years has been greater than our production; yet, we, as taxpayers are paying some $20 million a year to store what is termed "surplus" feed grains. It is surplus to be sure, but not a surplus created by the overproduction of the American farmer. It is created by imports of feed grains.

FARMERS NOT TOLD HONEST FACTS

The foreign aid propagandists brag about the $4.9 billion of agricultural exports. This is how they deceive the farmers of America. These propagandists do not tell that $3 billion of these agricultural exports is given away to foreign countries under our foreign aid program and under our Federal subsidies which are paid for by the taxpayers of America and not by any foreign country. Thus only $1.9 billion of our farm exports are commercially sold or farm products that we actually get anything for. When you consider the farm products that we give away under our foreign aid program, the United States of America is in reality a farm importing country, where we import twice as much farm products that we do not need as we sell for dollars. But this is how the propagandists fool the American people and the American farmer. The United States of America is the only country in the world that imports farm products that are already in surplus in the United States of America. Every other country in the world prohibits U.S. farm products that are already in surplus in their own country.

If the beef and the sheep and the hogs that we imported last year were raised here in the United States of America, these cattle and hogs and sheep would have eaten up all of the wheat and the corn that we have in storage throughout the United States of America which is costing the taxpayers $1½ million a day just for storage. How silly can we be?

As a further illustration of how the farmers are being sold down the river by imports, let us take the case of blue cheese. Our current U.S. production of blue cheese is less than 14 million pounds. Yet, we permit the importation of over 4 million pounds a year. This is indicative of how our farmers are being misled on the foreign aid program through the years. This is just one of many examples.

Wisconsin is passing more and more laws compelling farmers to spend more money on sanitation facilities, such as coolers and barn equipment. While Wisconsin is compelling its farmers to spend money for costly sanitation facilities, we permit the importation of millions of dollars of the same products from countries that have little sanitary regulations if any.

If the United States would stop importing dairy products and if all the Government agencies of the United States including the armed services all over the world would purchase U.S. dairy products instead of foreign dairy products, there would be no dairy surplus in the United States of America at the present time.

EIGHT HUNDRED PLYWOOD WORKERS IN NORTHERN WISCONSIN LOST JOBS DUE TO IMPORTS

What has happened to the iron ore industry has likewise happened to our wood products industry in our area. Since the turn of the 1950's, 800 plywood workers in northern Wisconsin lost their jobs due to Japanese imports.

In April 1957, 30 percent of the working people were laid off in our plywood industries because of the cheap imports of plywood from Japan. At the present time, more than 60 percent of the workers in the plywood industry in America are without jobs because of the cheap importation of plywood from Japan.

When you consider that in some areas in Wisconsin, Michigan, and Minnesota the plywood and veneer industry was the very lifeblood of their economic existence, this problem of imported hardwood plywood and veneer should give us all, including the Congress and other agencies of Government, cause for concern.

Communities such as Ashland, Butternut, Mellen, and Rhinelander, just to mention a few, depended to a large degree if not entirely upon the plywood and veneer industry for their economic life and well-being.

Many other related industries such as logging, hard board, lumber and so forth also are affected indirectly by this cheap imported hardwood plywood problem.

When you consider that the American plywood and veneer worker competes each hour with a Japanese worker being paid only 11½ cents per hour, it is reasonable to say that the workers in both countries suffer hardship.

When you consider the American plywood and veneer industry competes with imported plywood from Japan that is imported and sold duty free for less than the cost of production in the United States, is it any wonder that plant after plant in our area is being shut down with thousands of skilled workers being thrown on the scrap heap, and numerous communities becoming ghost towns.

Examples: Japan's exports to the United States in the January–June 1957 period totaled a 57-percent increase over the same period in 1956. Imports from Japan of hardwood plywood has increased 4,120 percent since 1951. These imports have eaten up 46.6 percent of the total American market in 1956 alone. It is even worse now.

Consumption of hardwood plywood in the United States is up 74 percent since 1951. Low-priced imports captured 99.4 percent of this 74-percent increase in consumption.

Japanese plywood industry has increased their production 400 percent since 1951, mostly with the help of American capital—American plywood industry has increased their production in the same period by only six-tenths of 1 percent since 1951.

Japanese labor cost per 1,000 square feet of plywood is $4.17 as compared to from $30 to $34 per 1,000 square feet in the United States.

These are but two examples of what is happening to the areas of northern Wisconsin, northern Michigan and northern Minnesota. For 15 years I have tried vainly to warn the people of our area of these consequences of our foreign policy. Unfortunately, it was not until workers actually got laid off that they are now beginning to stop, look, and listen, and are beginning to pay some attention to the sad results of trying to take care of the rest of the world at the expense of American resources and the American worker.

I have introduced bills to impose a quota on imports of iron ore and wood products. But with the leaders of both parties plugging for more imports instead of less, such bills receive little consideration. Only the rude awakening of our citizens back home will reverse this trend. This year we had 169 votes in the House of Representatives out of 438. We need only 50 more votes in Congress to stop this sorry mess we got into.

SHOE INDUSTRY NEXT ON LIST

We have shoe factories in Rib Lake, Merrill, and 4 other northern Wisconsin cities, which employ about 600 workers. Their plight as a result of imports is getting more and more serious. In 1950 we imported few pairs of shoes. We are now importing each year almost 70 million pairs mostly from Italy and Japan. These are leather type shoes—similar to those produced in northern Wisconsin. Besides that, we are importing this year 92 million pairs of rubber type shoes and boots which are used as a substitute for leather type shoes which are also hurting our shoe factories and hurting bad. Imports are increasing in shoes by leaps and bounds.

WORKERS IN SHOE FACTORIES SHOULD BE CONCERNED

Foreign versus U.S. average hourly wages and fringe benefits in the shoe industry are alarming. If these imports continue to increase our shoe factories will be forced to close like our mines and plywood factories and another 600 jobs will be lost in northern Wisconsin.

Total labor costs with fringe benefits

Britain	$0.97
France	.93
Germany	.82
Italy	.45
Japan	.31
United States	1.94

There are 16,000 workers who make a living in Wisconsin making shoes and products going into shoes. Six hundred of these jobs are in northern Wisconsin. Unless Congress wakes up, the shoe factories in northern Wisconsin will go like the mines and plywood factories. There are 169 Members of Congress who want to save this industry in Wisconsin. I have always been one of these. We need 50 more in Washington to be sure this industry is saved.

FIVE HUNDRED SAILORS AND SHIPBUILDERS LOSE JOBS IN NORTHERN WISCONSIN

Since 1955 half the U.S. company owned ships sailing the Great Lakes have been cut up for scrap or are laying idle in various lake ports while foreign ships take over. More than 500 Great Lakes sailors and shipbuilders in northern Wisconsin have lost their jobs.

Total Great Lakes shipping of iron ore, coal, and grain during May of this year was 5 million tons ahead of last year. But at the same time American vessels continued to lose ground. American ships carried only 13 percent of the grain loaded. Foreign oceangoing ships carried 38 percent. Canadian lakers carried a whopping 49 percent. This decline in American shipping on the Great Lakes has been going on each year and each month. Foreign ships and Canadian ships are taking over almost completely. Great Lakes shippers, unions, shipbuilders, and workers are getting more and more desperate and about to throw up their arms in despair.

The real tragedy is that the construction, operational, and depreciation subsidies offered Canadian and foreign vessels is really American money. The motto of our Nation's leaders is millions for subsidies for foreign and Canadian shippers but not 1 penny for American Great Lakes shippers. Their decision is "get out if you cannot take the competition." The voices and cries of American shippers and workers fall on deaf ears. But the voices of foreign interests sound like music to our Nation's leaders' ears.

What voices do our Nation's leaders listen to? It is unbelievable but here are the facts. Our State Department invited and paid the expenses of a Nicholaus Snidjers, of Amsterdam, to make a 7-week study and tour of American ports and shipping. Yes, this is a fact, unbelievable as it may seem. What did this State Department selection report after his first-class tour of wining and dining at the taxpayer's expense? He reported as follows:

> The United States should get out of the shipping business entirely. American carriers and crews cost three times and more as much as European ones. The United States should get out of shipping entirely and leave it to us Europeans who know how to do it profitably.

These are the kind of people our Department of Commerce listens to. The voices and cries of unemployed workers on the Great Lakes mean nothing compared to a Department of State selected wined and dined European all at American taxpayers expense, of course.

What this European expert left out of his report was the fact that these Europeans operate at a profit only because of American subsidies given them which are not given to Great Lakes shippers. Without these American subsidies even Europeans would operate at a loss. There seems to be no end.

With Canadian shippers beating the stuffing out of our Great Lakes fleet with their subsidies, our Government recently negotiated a huge loan of $1 billion to Canada so that Canada can pay more subsidies to her shippers. Believe it or not, American shipowners are being forced to go to Canada for a shipbuilding subsidy. At the same time Canada comes to us for a billion-dollar loan. How absurd can we be? We deny subsidies to Great Lakes shippers but give money to Canada so she can subsidize her own and our ships. Oh, but these ships must be built by Canadian labor and they must use Canadian materials. Our leaders have no such concern for American labor and materials—even if it is really our money.

EVERY INDUSTRY IS IN TROUBLE ON ACCOUNT OF IMPORTS

I have given examples of iron ore, plywood, shoes, and farm products. Space does not permit facts and figures concerning all the industries, jobs, and factories which are barely hanging on because of the devastating effect of imports. But there is not an industry in northern Wisconsin which today is not in trouble because of the threat of imports.

Glove industry: We have several glove plants and several hundred workers in northern Wisconsin in these plants. Imports from Japan and Hong Kong are seriously jeopardizing the existence of this industry.

Fish industry: Go to Bayfield and Cornucopia and find out for yourself what imports of fish and fish products are doing to that industry.

Electrical products: Go to any electronic plant in northern Wisconsin and see for yourself what imports from Japan and Germany are doing to this industry. Last year we imported $56 million of small radios from Japan alone. We exported a measly $6 million worth as just one example.

Metal products: Go to any metal products factory in northern Wisconsin, Merrill Manufacturing Co., for instance, and see what imports of metal products are doing to that business. It will scare you when you learn the facts.

Mink and other furs: Talk to the mink ranchers in northern Wisconsin and see what imports from Russia and China are doing to them.

HOW DID THIS HAPPEN AND WHY?

It is part of our foreign aid program. We are running out of gold and money. We have handed out over $137 billion in foreign aid like mad since 1946. We have given and given until we find we are out of money and cannot give away more than $8 billion a year which is our present rate of foreign giveaway. We are fast running out of gold. In fact, in gold we are a deficit country. We gave that away too. If what we owe other nations in gold is called for we will be $6 billion short in gold.

So all we have left to give is our factories and our jobs. We are now in the process of doing this. That is why we are encouraging imports. That is why 3,500 industries left the United States for some foreign country in the last 5 years. We gave our money and gold. We cannot give any more of that. So we are now giving our jobs and our factories. This is how and why it has happened.

When this program first started there were only 18 of us in the House of Representatives who saw through this whole scheme. I was among the 18 and have seen through it all these years. Other Congressmen have slowly awakened and are still awakening. This year there were 169 Members of the House of Representatives who tried to stop this giveaway. We need only 50 more Congressmen to stop it before we lose all we have. I am sure that next year there will be enough of an awakening by the people to give us the 50 more needed. The hour is late, but not too late.

Washingon Report

EXTENSION OF REMARKS

OF

HON. BRUCE ALGER

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Monday, August 20, 1962

Mr. ALGER. Mr. Speaker, under leave to extend my remarks in the RECORD, I include the following newsletter of August 18, 1962:

WASHINGTON REPORT

(By Congressman BRUCE ALGER, Fifth District, Texas)

THE TWO FACES OF DANGER: MISREPRESENTATION, MISUNDERSTANDING

Free America is poised on a precipice. A slight push can send our free society crashing to disaster and this push may well be generated by the two faces of danger: (1) Misrepresentation and (2) misunderstanding. How close we are to this fate was clearly brought out in the President's television report on the economy in which both faces of danger were nakedly exposed. Point by point the President was either deliberately creating a false impression or is woefully lacking in basic understanding of our economy, or both—whichever, we must be concerned with the direction which President Kennedy's policies are forcing this Nation. Obviously, he is incapable of realizing that our greatest economic danger is the Federal Government—its tampering, taxing, planning, regimentation, and control. With this danger in mind, let's analyze the President's speech.

The general economy:

It's good, but not what it should be. We are moving ahead, but at a declining rate. It is called a sidewise direction and is now caused by Government tampering with the forces of production. In measure after measure in the Kennedy-directed 87th Congress the President has asked for more Federal control over business and the economy and has proposed additional restrictions and restraints on a free economy to cure the problems which too much Government has created in the first place. Examples: The tax bill with massive withholding on dividends and interest, taxing profit on foreign investment before the taxpayer actually receives it; the trade bill which makes it less possible for American industry to compete in foreign markets and then provides for Government takeover of business forced into bankruptcy as well as Government subsistence to workers who lose their jobs; the drain of our wealth through foreign aid and domestic welfare programs; interest rates; Federal takeover of unemployment compensation by imposing Federal standards on the States; etc. The positive approach to moving the economy ahead is to free it from Government control and restraints, cut Federal spending in order to free capital for investment, industrial expansion and the creation of jobs. The Kennedy approach breeds uncertainty and lack of confidence.

Inflation:

The President said: "Inflation, therefore, remains no longer a serious threat." This is not true. There is continuing inflation which reduces the value of the dollar and is a very real threat to the purchasing power of the people. Misunderstood is the fact that the Government is responsible for this inflation through increased Federal spending and deficit financing. The fact is 1.9 percent increase in the cost of living over the past 14 months (Consumer Price Index) plus fantastic continued spending has one unquestionable end result—more inflation.

Balance of payments: The President: "We can be proud also of balancing our international payments." We are not balancing our international payments. Foreigners hold $22 billion in claims against our gold supply and we have only $16 billion in reserve, $11 billion of which must be kept to back up our money. At any moment the confused policies of this administration (excessive spending, deficit financing, easy money policies and attitudes, foreign aid gifts of our money) could cause a run on our dollar. Surely the President must realize that such a precarious position is going to force devaluation of the dollar, possibly soon.

Labor peace: "We have had an overall extraordinary record in labor peace in the last 18 months." Absolutely contrary to the facts. The Labor Department's Bureau of Labor Statistics shows that for the January–June 1962 period U.S. industry and workers lost 9.8 million man-days, a 60-percent jump over the previous year's strike losses. Worse even than the total time and money lost through increased strikes is the nature of the strikes, principally in the field of defense—missiles and nuclear space industries. The Kennedy administration is wholly responsible for a new double standard in industrial relations—limiting profits and prices for business but insisting that labor's demands be granted and all productivity gains be rewarded to labor alone. Little attention has been paid to the fact that again the Government is responsible for the increase in industrial disputes because of its hostile attitude toward business while at the same time it coddles labor and labor leaders, granting them special privilege and refusing to entertain any kind of restriction such as making labor responsible under antitrust laws.

Growth: "We have been standing still, economically at least in comparison to the countries of Western Europe and Japan." This statement ignores the facts completely: (1) By not recognizing that we started from a much higher economic base than any other country in the world; (2) there can be no comparison with Western Europe and Japan, countries which were completely devastated by war and had to be totally rebuilt; and (3) American industry has supported foreign industrial growth through taxes to build up others at the expense of their own growth. (Example: Japanese textile plants and German steel plants.)

Gross national product: "The gross national product has gone up 10 percent." In making this statement the President used rigged economic statistics. In a study by Congressman TOM CURTIS, of Missouri, it is shown that when President Kennedy said the gross national product increased 10 percent he used current dollars when he and his Council of Economic Advisers are fully aware that constant dollars should be used to correct for the Kennedy inflation. This more economically meaningful figure would give an increase in gross national product of about 8½ percent (compared to over 10 percent during the two previous postwar recoveries). The President's claim that actions by his administration pulled us out of the recession is totally without foundation. The recession bottomed out in February 1961—less than 30 days after he took office—before any action by him could become effective and before Congress had enacted any legislation. He also failed to mention that for the first time since World War I the civilian work force has not increased in peacetime. Since 1957 the civilian work force has been increasing at almost 1 million a year—but in 1962, the civilian work force actually decreased. Therefore, President Kennedy is in error when he says the economic gap has closed during his administration—it has widened—and because of Government.

Unemployed: "The unemployment rate has gone down 23 percent in the last year and a half." This is the President's statement for public consumption, but his spokesmen, appearing before congressional committees constantly urge the enactment of new legislation because of the high incidence of unemployment. Actually, we cannot be sure if the present rate of unemployment is too high or too low. (Although to the man out of a job any unemployment is too high.) No official of the administration, and I have asked the Secretary of Labor repeatedly to tell us who the unemployed are, no official can say with certainty. We do know that the figures include all those over 14 years of age who have held jobs, even temporary student summer jobs. Lately the Department of Labor has attempted to check unemployment through State unemployment compensation rolls, but even here only three-fifths of work force was sampled (in itself, recognized as inconclusive). With such inadequate figures, by what right can the President claim progress in this field, and why does he tell the public we are licking the problem while his spokesmen tell Congress, in private, that unemployment is serious?

Corporate profits: "Corporate profit, after taxes since January 1961, have gone up 26 percent or a total of $10 billion." Any responsible economist knows, even if the President does not, that corporate profit must be related to investment and this shows lower profits over the period the President indicates and his figures allow nothing for replacement of equipment, depreciation, and obsolescence, without which new products and jobs are impossible.

Personal income: "The disposable personal income, which is the amount of income we have left after taxes, has gone up $30 billion, 8 percent." In this figure the President conveniently overlooks the forced wage boosts through pressure of unions encouraged by the Government and not matched by increased productivity, and at the expense of profit, investment, and equipment replacement which creates jobs.

The President's partisan speech laid strong implication on the need to increase the Democratic Party majority in the next Congress creating the impression that economic progress and the interests of the people can be advanced only through Democratic leadership. What are the facts? If the figures on voting in the Senate are any indication, then the President and his party in Congress are far apart. There are 16 Democratic chairmen of committees in the Senate. Since January 1962, these 16 chairmen have cast a total of over 250 votes against the President's program in Congress. These collective votes against the President's program by his leaders in Congress are all the more astounding when the general rule of thumb is applied (by both parties) that chairmen of committees normally must—and do—support their President in the White House. The only reason that can be attributed to such political sacrilege is that Members of Congress are more in tune with the people and they know the President's programs are not supported by the majority of the people of the United States.

Why, then, is it important to change the leadership in Congress and put Republicans in charge of the committees? Because while Democratic chairmen in both the House and Senate may vote against the President, they must and do, report his legislation out of committee. Therefore, we never get the opportunity to vote for proper legislation. Republican chairmen of committees, on the contrary, would report out the correct, constructive legislation to meet the challenge of this day, at home and abroad, so all Members of Congress could vote in favor of proposals which would move the country ahead instead of being forced, as we now are, to vote consistently against administration-sponsored measures almost solely designed to move this country into the "democratic socialism" advocated by Arthur Schlesinger, Jr., one of the White House advisers. (Yes, being negative or positive depends on what you're for and against.)

As Representative of the Fifth District of Texas I will not sit idly by while the two faces of danger—misrepresentation and misunderstanding—force us closer and closer to the ADA-socialistic programs and the end of our free competitive system. It will continue to be my constant endeavor to fight for what I believe is the goal of the people of the Fifth District of Texas, the strengthening and expansion of the free enterprise system with all its guarantees of liberty for the individual, its promise of reward for those who are willing to work and risk for the opportunity to get ahead, the system which is, in truth, our American heritage and which has given a richer, fuller, more abundant life to more people than any other system ever devised by man.

SENATE

Tuesday, August 21, 1962

The Senate met at 11 o'clock a.m., and was called to order by the Vice President.

The Chaplain, Rev. Frederick Brown Harris, D.D., offered the following prayer:

Our Father, God, without Thee, Thy life, Thy light, Thy love, our own hearts are deceitful above all things and desperately wicked. In our generation our shuddering souls have peered into pits of human horror which but reveal the awful depths to which man may fall when he turns utterly from Thee.

Unless we find Thee, and art found of Thee, the laws of Thy physical universe break our mortal life and the laws of Thy moral order make mockery of our futile rebellion.

Breathe now Thy peace on hearts that pray—the peace that comes only when our jarring discords are tuned to the music of Thy will; then, as heralds of Thy love, send us forth across all barriers of race and creed, bearing to yearning hearts, as a holy sacrament, the bread of human kindness and the red wine of willing sacrifice.

In the Redeemer's name we ask it. Amen.

THE JOURNAL

On request of Mr. Humphrey, and by unanimous consent, the reading of the Journal of the proceedings of Monday, August 20, 1962, was dispensed with.

MESSAGES FROM THE PRESIDENT

Messages in writing from the President of the United States submitting nominations were communicated to the Senate by Mr. Miller, one of his secretaries.

EXECUTIVE MESSAGES REFERRED

As in executive session,

The VICE PRESIDENT laid before the Senate messages from the President of the United States submitting sundry nominations, which were referred to the appropriate committees.

(For nominations this day received, see the end of Senate proceedings.)

LIMITATION OF DEBATE DURING MORNING HOUR

On request of Mr. Humphrey, and by unanimous consent, statements during the morning hour were ordered limited to 3 minutes.

COMMITTEE MEETINGS DURING SENATE SESSION

Mr. HUMPHREY. Mr. President, I ask unanimous consent that the Permanent Subcommittee on Investigations, of the Committee on Government Operations, be permitted to sit during the session of the Senate today.

The VICE PRESIDENT. Without objection, it is so ordered.

OBJECTION TO MEETING OF FOREIGN RELATIONS COMMITTEE DURING SENATE SESSIONS

Mr. MORSE. Mr. President, a parliamentary inquiry.

The VICE PRESIDENT. The Senator from Oregon will state it.

Mr. MORSE. Does the Foreign Relations Committee have consent of the Senate to sit at this moment?

The VICE PRESIDENT. The Chair will check on that; the information is not available at the desk at the moment.

Mr. MORSE. While the Chair is checking on it, I should like to take 3 minutes, in the morning hour, to discuss it.

The VICE PRESIDENT. Let the Chair respond to the Senator's inquiry: The Parliamentarian informs the Chair that there is no information to the effect that the Foreign Relations Committee does have permission to sit today while the Senate is in session.

Mr. MORSE. Mr. President, I want the Record to show that I object to the Foreign Relations Committee's sitting while the Senate is in session.

Mr. President, speaking on the objection——

The VICE PRESIDENT. To what is the Senator from Oregon objecting now?

Mr. MORSE. I want the Record to show that I object to the Foreign Relations Committee's sitting at this time.

The VICE PRESIDENT. Has any such request been made?

Mr. MORSE. I have just come from the Foreign Relations Committee hearing; and I want the Record to show that if the committee is sitting, I object.

Mr. HUMPHREY. Mr. President, a parliamentary inquiry, if the Senator from Oregon will yield for that purpose.

Mr. MORSE. I yield.

Mr. HUMPHREY. Of course, it is understood that until 11 o'clock the committee had its regular right to sit.

Mr. MORSE. Oh, yes; and I sat with the committee until 10:46. Then I came to the floor to object to any meeting of the committee after the Senate convened.

Mr. President, there is pending before the Senate Foreign Relations Committee a series of bills, requested by the State Department, which would result in the expenditure of a considerable amount of U.S. dollars abroad, in connection with the construction of chanceries and embasssies and the purchase of real estate. Before the committee this morning I took the position that in my judgment all those matters should go over until January, until a reappraisal can be made of the entire matter of the expenditure of American funds abroad.

When I think of the slum-clearance problem confronting the country, when I think of the hovels in which a great many Americans in the low-income brackets have to live, and when I think of the other domestic needs of our own people at this very serious time in our economic situation, I do not propose, as a member of the Foreign Relations Committee, to participate in a "rush" act in the closing days of the session—to rush through the Foreign Relations Committee, preparatory to rushing through the Senate, these bills which involve the authorization of the expenditure of millions of our dollars abroad.

I believe the brake must be put on; and I shall do everything I can to put on the brake, so as to prevent the authorization of such expenditures of millions of our dollars abroad in the dying days of this session of Congress.

Furthermore, we had better take a long look at our economy, because I have said many times that our economy is the greatest defense weapon we have.

When I sit in the Foreign Relations Committee, as I did this morning, and am told by representatives of the State Department that France is building an embassy here, that Great Britain is building an embassy there, and that some other country is building an embassy somewhere else—as if that were sufficient justification for the expenditure of millions of our dollars on the proposed building program—I say that I reject that argument. The argument that we have to "keep up with the Joneses" does not appeal to me, when I know the economic situation which exists in our own country.

When people in the low-income brackets cannot have a tax relief program now, but have to rely on the President's promise that perhaps at the next session of Congress there may be a tax-reduction program, but we do not know what it will consist of, I am one Senator who will not vote for another expenditure of our funds abroad at this time. Unless it can be demonstrated that such an expenditure is an emergency matter now, I shall oppose action on these bills until next January when full consideration can be given to them.

When I consider the number of American businessmen who are working, in effect, for the Government, at a 52 percent corporate tax base, when it should be reduced now, not next year, I do not propose to sit in the Foreign Relations Committee and vote in favor of bills which would authorize the expenditure of millions of our dollars abroad, until we take a long look now at our own economy. As I said at the meeting of the Foreign Relations Committee, I am in favor of returning home now, and not approving in the committee at this session of Congress and not having the Senate take up now bills which can well wait until January.

So I wish to make perfectly clear that in the committee I shall object to the approval of bills which call for the authorization of the expenditure of such funds.

The PRESIDING OFFICER (Mr. Ellender in the chair). The time available to the Senator from Oregon, under the 3-minute limitation, has expired.

Mr. DIRKSEN. Mr. President, I merely take a second to hail the conversion of my distinguished friend, the Senator from Oregon, to the conservative course.

Mr. MORSE. Mr. President, will the Senator from Illinois yield?

Mr. DIRKSEN. I yield.

Mr. MORSE. I am afraid the Senator from Illinois does not know who the convert is. I am glad to have him on my side of the aisle for once. I have stood for tax reform since 1947.

Mr. DIRKSEN. Mr. President, the Senator from Oregon is the convert.

Mr. HUMPHREY. Mr. President, let me assure both the minority leader and the Senator from Oregon that any bill which comes from the Foreign Relations Committee will first have to be cleared by the policy committee for action on the floor of the Senate; and I do not believe that clearance is going to be quite as quick as some might expect.

I think the Senator from Oregon has made a very valid point, this morning, in reference to expenditures for new facilities in various parts of the world; and I wish to assure the Senator that as one member of the Foreign Relations Committee, I am very sympathetic with his remarks.

REPORT ENTITLED "JUVENILE DELINQUENCY"—REPORT OF A COMMITTEE (S. REPT. NO. 1903)

Mr. DODD, from the Committee on the Judiciary, pursuant to Senate Resolution 408, 87th Congress, 1st session, as extended, submitted a report entitled "Juvenile Delinquency," which was ordered to be printed.

EXECUTIVE REPORTS OF COMMITTEE ON COMMERCE

Mr. MAGNUSON. Mr. President, from the Committee on Commerce, I report favorably 484 nominations for permanent appointment and promotion in the Coast and Geodetic Survey and the Coast Guard in the grade of captain and below. All of these names have already appeared in the Congressional Record. In order to save the expense of printing them on the Executive Calendar, I ask unanimous consent that they be ordered to lie on the Secretary's desk for the information of any Senator.

The VICE PRESIDENT. Without objection, it is so ordered.

The nominations are as follows:

Fair J. Bryant, and sundry other persons for permanent appointment in the Coast and Geodetic Survey; and

Harold D. Seielstad, and sundry other persons for appointment in the U.S. Coast Guard.

BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. CASE:

S. 3658. A bill to amend certain provisions of the Antidumping Act, 1921, to provide for greater certainty, speed, and efficiency in the enforcement thereof, and for other purposes; to the Committee on Finance.

(See the remarks of Mr. Case when he introduced the above bill, which appear under a separate heading.)

By Mr. FULBRIGHT:

S. 3659. A bill to amend section 5 of the Federal Alcohol Administration Act, as amended, to provide a definition of the term "age" as used in the labeling and advertising of whisky; to the Committee on Finance.

By Mr. RANDOLPH:

S. 3660. A bill to extend the apportionment requirement in the Civil Service Act of January 16, 1883, to temporary summer employment, and for other purposes; to the Committee on Post Office and Civil Service.

By Mr. HARTKE:

S. 3661. A bill for the relief of St. Joseph's Hospital; to the Committee on the Judiciary.

RESOLUTION

AMENDMENT OF RULE XXXIV, RELATIVE TO THE REPORTING OF PROCEEDINGS OF THE SENATE BY RADIO OR TELEVISION

Mr. JAVITS (for himself and Mr. Morse) submitted a resolution (S. Res. 378) to amend rule XXXIV relative to the reporting of proceedings of the Senate by radio or television, which was referred to the Committee on Rules and Administration.

(See the above resolution printed in full when submitted by Mr. Javits, which appears under a separate heading.)

AMENDMENT OF CERTAIN PROVISIONS OF THE ANTIDUMPING ACT

Mr. CASE. Mr. President, I introduce, for appropriate reference, a bill to amend certain provisions of the Antidumping Act of 1921, to provide for greater certainty, speed, and efficiency in its enforcement, and for other purposes.

I hope that this legislation will be considered, together with other bills to amend the Antidumping Act now before the Senate Finance Committee, either as separate legislation or as possible amendments to H.R. 11970, the proposed Trade Expansion Act of 1962.

I ask unanimous consent, Mr. President, to have included in the body of the Record at this point the full text of the bill and a summary of the purposes of this bill.

The VICE PRESIDENT. The bill will be received and appropriately referred; and, without objection, the bill and summary will be printed in the Record.

The bill (S. 3658) to amend certain provisions of the Antidumping Act, 1921, to provide for greater certainty, speed, and efficiency in the enforcement thereof, and for other purposes, introduced by Mr. Case, was received, read twice by its title, referred to the Committee on Finance, and ordered to be printed in the Record, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 201 (a) of the Antidumping Act, 1921 (19 U.S.C. 160 (a)), is amended—

(1) by deleting the words "he shall so advise" in the first sentence and inserting in lieu thereof "he shall promptly so advise";

(2) by deleting the words "whether an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation" in the first sentence and inserting in lieu thereof "whether an industry in the United States, or any portion thereof producing like or competitive products, is being or is likely to be injured or is threatened by injury, or is prevented from being established, by reason, in whole or in part, of the importation";

(3) by inserting between the first and second sentences the following new sentence: "The Secretary shall make his determination under the preceding sentence (or shall make a determination that the merchandise involved is not being and is not likely to be sold in the United States or elsewhere at less than its fair value), from the information then available to him, within three months from the date on which the question of dumping is first raised by or presented to him or any person to whom authority under this section has been delegated."; and

(4) by deleting the words "the Secretary shall make public a notice" in the second sentence and inserting in lieu thereof "the Secretary shall immediately make public a notice".

(b) Section 201(b) of such Act is amended by deleting the words "and shall authorize" and inserting in lieu thereof "and shall immediately direct".

(c) Section 202(a) of such Act is amended by adding at the end thereof the following new sentence: "Levy, collection, and payment of such special dumping duty shall be ordered no later than thirty days from the date on which the finding as provided for in section 201 is made public."

(d) Section 202(b)(1) of such Act is amended by deleting the words "the fact that" and inserting in lieu thereof "differences in the cost of manufacture, sale, or delivery resulting from the fact that".

(e) Section 202(c)(1) of such Act is amended by deleting the words "the fact that" and inserting in lieu thereof "differences in the cost of manufacture, sale or delivery resulting from the fact that".

Sec. 2. The Antidumping Act, 1921, is further amended by renumbering sections 208 through 213 as sections 211 through 216, respectively, and by inserting after section 207 the following new sections:

"Sec. 208. (a) In the case of any imported merchandise, irrespective of whether such merchandise is the subject of any proceeding, determination or finding under section 201 hereof, any person desiring to export such merchandise to, or import such merchandise into, the United States shall be required to present evidence satisfactory to the collector at the port or ports of entry, that the exporter's sales price or the purchase price of such merchandise is not less than its fair market value (or, in the absence of such value, than its constructed value). Unless the evidence so presented is sufficient to afford the collector reasonable grounds to believe that the merchandise will not be sold in the United States or elsewhere at less than its fair value, he shall withhold appraisement and delivery as to all such merchandise, and the Secretary shall thereupon immediately proceed to make the determination provided in section 201(a) hereof.

"(b) In the case of any imported merchandise as to which the collector shall deem sufficient the evidence required under subsection (a) of this section, irrespective of whether such merchandise is the subject of any proceeding, determination or finding under section 201 hereof, unless the person exporting such merchandise to, or importing such merchandise into, the United States shall have declared under oath before the collector at the time of entry, under regulations to be prescribed by the Secretary, that to the best of his knowledge and belief the exporter's sales price, or the purchase price, of such merchandise is not less than its foreign market value (or, in the absence of such value, than its constructed value), it shall be unlawful for the collector to permit entry of the merchandise into the United States.

"(c) Whenever, in the case of any imported merchandise as to which the Secretary has reason to believe or suspect, as provided in section 201(b), that the purchase price is less, or that the exporter's sales price is less or likely to be less, than the foreign market value (or, in the absence of such value, than the constructed value) of the merchandise, the person exporting such merchandise to, or importing such merchandise into, the United States shall be required by the Secretary, under regulations to be prescribed by him, to submit appropriate evidence of its foreign market value (or, in the absence of such value, its constructed value). Such evidence shall be in addition to the evidence required to be submitted under subsection (a) of this section. If for any reason the Secretary is not satisfied that such person has exercised reasonable diligence in seeking to comply with the requirements of this subsection, he may consider this fact in arriving at his determination under section 201(a) hereof.

"SEC. 209. If the Secretary shall find, as provided in section 201 hereof, that any class or kind of imported merchandise is being or is likely to be sold in the United States or elsewhere at less than its fair value, the person exporting such merchandise to, or importing such merchandise into, the United States pursuant to the declaration required by section 208 hereof, shall be liable to a penalty, which shall not be less than 20 percent of, and shall not exceed, the fair value of the merchandise as found by the Secretary under section 201. Such penalty shall be independent of, and in addition to, any special dumping duty which may be imposed under section 202. Payment of such penalty shall be a condition precedent to any further exportation of merchandise to, or importation of merchandise into, the United States by the person subject to the penalty.

"SEC. 210. The special dumping duty required by section 202 hereof shall be applicable in all cases in which the Secretary shall have made a finding as provided in section 201, irrespective of whether the merchandise which is the subject of such finding has been imported or is sought to be imported without payment of duty subject to the provision of title 10, United States Code, section 2383."

SEC. 3. (a) Except as provided in subsection (b) of this section, the amendments made by this Act shall apply with respect to all merchandise as to which no appraisement report has been made on or before the date of the enactment of this Act: *Provided*, That with respect to such merchandise as to which, on or before such date, the question of dumping shall have been raised by or presented to the Secretary of the Treasury or any person to whom authority under section 201 of the Antidumping Act, 1921, has been delegated, the Secretary shall determine within three months from the date of the enactment of this Act whether the merchandise is being, or is likely to be, sold in the United States or elsewhere at less than its fair value.

(b) Notwithstanding the provisions of subsection (a) of this section, the amendments made by this Act shall not apply to any merchandise as to which no appraisement report has been made on or before the date of the enactment of this Act, if such merchandise—

(1) was exported from the country of exportation before the date of the enactment of this Act, and

(2) is subject to a finding under the Antidumping Act, 1921, which (A) is outstanding on the date of the enactment of this Act, or (B) was revoked on or before the date of the enactment of this Act but is still applicable to such merchandise.

The summary presented by Mr. CASE, is as follows:

SUMMARY OF PURPOSES OF BILL

1. The bill seeks to expedite enforcement of the act by establishing time limits within which the various procedures provided therein must be completed. Thus, language has been added requiring the Secretary of the Treasury to determine, within 90 days from the date when the question is first raised, whether foreign merchandise is being or is likely to be sold in the United States or elsewhere at less than fair value (sec. 1(a)(3)). Similarly, if the Secretary finds that the merchandise is being sold at less than fair value, he is required to act promptly in referring the matter to the Tariff Commission for a determination of possible injury to domestic industries (sec. 1(a)(1)) and, if the Tariff Commission determines in the affirmative, in making public his finding that dumping has occurred (sec. 1(a)(4)). The bill would also amend the present statutory language to make clear that, if the Secretary has reason to believe that sales of imported merchandise may be occurring at less than fair value, appraisement is required to be withheld (sec. 1(b)). In every case in which the Secretary finds that dumping has occurred, the special dumping duty shall be imposed within 30 days following the date of such finding (sec. 1(c)).

2. The bill seeks to modify the criteria by which the Tariff Commission is to determine whether sales of imported merchandise at less than fair value cause or threaten injury to a domestic industry, in order to assist in insuring that relief will be available in all instances in which dumping practices have an injurious domestic impact (sec. 1(a)(2)).

3. In recognition of the fact that the foreign exporter, or the U.S. importer, is frequently the only party having access to information respecting prices (or, where necessary, costs) in the country of origin of the merchandise or in third countries, the bill would require any such person to provide, as a condition precedent to the entry of the merchandise into the United States, at least prima facie evidence that the exporter's sales price, or the purchase price, of the merchandise is not less than its fair market value, or constructed value (proposed sec. 208(a), contained in sec. 2(a) of the attached bill). The information required by this provision is intended to be more detailed than that provided for in the present special customs invoice form.

4. The bill would require that the foreign exporter, or U.S. importer, certify with each shipment, as a condition precedent to the entry of the merchandise into the United States, that the merchandise will not be sold at less than fair value (proposed sec. 208(b), contained in sec. 2(a) of the attached bill).

5. For the reasons stated in point (3) above, the bill would require that, in any case in which the Secretary of the Treasury has reason to believe that sales of imported merchandise may be occurring at less than fair value, the foreign exporter, or U.S. importer, of such merchandise shall be required to submit further evidence of its foreign market value or constructed value. This evidence is to be in addition to that required to establish a prima facie case as provided in the proposed section 208(a). Failure or refusal to submit such evidence may be weighed by the Secretary in determining whether the merchandise is being or is likely to be sold at less than fair value (proposed sec. 208(c), contained in sec. 2(a) of the attached bill).

6. In order to give effect to the certification required by the proposed section 208(b), the bill would impose a penalty upon the foreign exporter, or U.S. importer, if the Secretary of the Treasury should subsequently determine that the merchandise with respect to which the certification was given is being or is likely to be sold at less than its fair value. The penalty, which may range from 20 to 100 percent of the fair value of the merchandise as found by the Secretary, is to be in addition to any special dumping duty that may be imposed under section 202 of the act. No further merchandise is to be exported to, or imported into, the United States by the party subject to the penalty until it is paid in full (proposed sec. 209, contained in sec. 2(b) of the attached bill).

7. The bill would amend the act to demonstrate a clear legislative intent that it be equally applicable irrespective of whether the foreign merchandise is exported to, or imported into, the United States subject to the duty-free provision of title 10, United States Code, section 2383 (proposed sec. 210, contained in sec. 2(c) of the attached bill).

EXPERIMENTAL COVERAGE BY RADIO AND TELEVISION OF SELECTED SENATE SESSIONS

Mr. JAVITS. Mr. President, I am today submitting a resolution, which I send to the desk for appropriate reference, and which I hope will interest my colleagues. The resolution would give to the Committee on Rules and Administration authority to determine the times and conditions under which television and radio broadcasters would be permitted to cover the Senate proceedings.

Mr. President, I first started this in the House of Representatives in 1951. It seems to me that developments since that time have very clearly indicated that we are very much behind the times as to allowing direct reporting by television and radio of certain key proceedings in the Senate of the United States. For example, Mr. President, I ask Senators to think of what the whole Nation would have done in terms of interest and of becoming more interested in how we operate if the people could have heard something of the debate and the key rollcall vote on cloture in respect to the communications satellite bill.

Mr. President, the same is true of the bill for medical care of the aged, on the motion to table and the so-called "tense rollcall vote," as to which the people had to take the word of the newspapers, which are great. Everybody knows that more newspapers will be read if people are more interested, and the way to get them interested is to show what goes on in the Senate.

Mr. President, we are now televising committee hearings, so that any basic objection to the idea of putting Senate proceedings on television should be answered by that precedent.

Mr. President, we all know that the United Nations debates have been for a long time televised, and with great advantage to the United Nations and great advantage to understanding by the people of the United States.

Mr. President, we just broke a precedent of 35 years by voting cloture at long last in the Senate. It seems to me that rather than to extend debate, television and radio broadcasts of key proceedings very likely would contract debate, because people can get quite bored and begin to question whether we know what we are doing if we do not stick to the point.

Mr. President, the success of television coverage of United Nations debates, the established and generally successful practice of televising selected congressional committee investigating sessions, and the recent breakthroughs in televising of legislative proceedings in certain of the States suggest that direct radio and television coverage of selected Senate sessions may well be in the public interest. It should at least be tried on an experimental basis.

I personally favor the broadest possible coverage of vital Senate proceedings. I believe it would have a beneficial effect on the legislative process. Bringing Congress closer to the people can only result in a more informed citizenry and a more responsive legislature. Prime examples are some of the debates and the tense votes on the communications satellite bill and on medical care for the aging in the Senate. The whole Nation should have had the opportunity to see and hear these debates and rollcalls. And also, there would be no need to seek to dramatize an issue to the Nation by extended debates. Television would dramatize the issue in a matter of days.

My resolution would amend rule XXXIV of the Standing Rules of the Senate, which permits the Senate Rules and Administration Committee to make rules and regulations regarding use of the Senate wing of the Capitol, by inserting this new sentence:

> Such regulations shall make appropriate provisions for reporting of proceedings of the Senate by radio or television at such times and under such conditions as may be specified in such regulations or by resolution of the Committee on Rules and Administration from time to time.

In 1960 and 1961 legislative proceedings were opened successfully to television cameras in Arizona, Idaho, Kansas, Oklahoma, Michigan and Massachusetts. In many other States, legislative committee hearings and even some judicial proceedings were also televised successfully in recent months.

For all those reasons, Mr. President, I think the Senate ought to catch up with the times and, in selected cases, when it is appropriate in the judgment of the Committee on Rules and Administration, permit the proceedings to be covered not only by the distinguished and most able services of the members of the press gallery but also by the radio broadcasts and television cameras themselves, so that we may come "live" to the people of the United States.

The VICE PRESIDENT. The resolution will be received and appropriately referred.

The resolution (S. Res. 378) was referred to the Committee on Rules and Administration, as follows:

> *Resolved*, That (a) the second paragraph of rule XXXIV of the Standing Rules of the Senate is amended by inserting therein, immediately after the first sentence thereof, the following new sentence: "Such regulations shall make appropriate provision for the reporting of proceedings of the Senate by radio or television at such times and under such conditions as may be specified in such regulations or by resolution of the Committee from time to time."
>
> (b) The second sentence of the second paragraph of rule XXXIV of the Standing Rules of the Senate is amended by inserting therein, immediately after the words "radio, wire, wireless", the term "television,".

Mr. JAVITS subsequently said: Madam President, I am very much honored that the Senator from Oregon [Mr. Morse] should join with me in the sponsorship of the resolution relating to television, which I submitted this morning.

DRUG INDUSTRY ANTITRUST ACT—AMENDMENTS

Mr. KEFAUVER (for himself, Mr. Hart, and Mr. Dodd) submitted an amendment, intended to be proposed by them, jointly, to the bill (S. 1552) to amend and supplement the antitrust laws with respect to the manufacture and distribution of drugs, and for other purposes, which was ordered to lie on the table and to be printed.

Mr. KEFAUVER (for himself, Mr. Carroll, Mr. Hart, Mr. Dodd, and Mr. Clark) submitted an amendment, intended to be proposed by them, jointly, to Senate bill 1552, supra, which was ordered to lie on the table and to be printed.

REVENUE ACT OF 1962—AMENDMENT

Mr. PROXMIRE. Mr. President, I submit an amendment to kill the investment credit section of the tax bill, H.R. 10650. The investment credit is the one significant tax cut proposed in the pending tax bill. It represents a revenue loss of more than a billion dollars when the budget is already sure to be seriously unbalanced next year.

Although the proposal would represent a billion-dollar windfall for business, many business leaders actually testified against it, as an unwanted subsidy.

Indeed a comprehensive McGraw-Hill survey of business earlier this year and a later study by the Wall Street Journal showed that this new loophole would stimulate almost no additional investment.

The recent Joint Economic Committee hearings have developed abundant evidence that the additional funds this proposal is designed to provide for business investment will not stimulate that investment.

Every witness, including Treasury Secretary Dillon, the chief proponent of the investment credit, admitted that there is no lack of funds to finance expansion of plant and equipment by business firms. Cash flows to businesses are at an all-time high relative to spending on plant and equipment—the very kind the investment credit is supposed to help finance.

As I pointed out when I appeared in opposition to this feature before the Senate Finance Committee, the investment credit will not work, it is unfair to other taxpayers, it aggravates the business cycle, and it would result in a huge revenue loss to the Treasury.

I hope that the Senate will reject it and thus clear the deck for the overall tax reform which I hope will be enacted next year.

The VICE PRESIDENT. The amendment will be received, printed, and lie on the table.

CORRECTIONS IN ENGROSSMENT OF AMENDMENTS TO CERTAIN BILLS

Mr. DIRKSEN. Mr. President, in the engrossment of the amendments to the bills H.R. 10431, H.R. 10432, H.R. 10433, and H.R. 10931, I ask unanimous consent that the Secretary of the Senate be authorized to make such corrections in regard to typographical, clerical, and printing errors as may appear in these bills.

H.R. 10431, to revise, codify, and enact title 37 of the United States Code, entitled "Pay and Allowances of the Uniformed Services."

H.R. 10432, to amend title 39, United States Code, to codify certain recent public laws relating to the postal service and to improve the code.

H.R. 10433, to amend title 10, United States Code, to codify recent military laws, and to improve the code.

H.R. 10931, to revise and codify the general and permanent laws relating to and in force in the Canal Zone, and to enact the Canal Zone code.

The VICE PRESIDENT. Without objection, it is so ordered.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Bartlett, one of its reading clerks, announced that the House had passed the following bills of the Senate, severally with an amendment, in which it requested the concurrence of the Senate:

S. 273. An act for the relief of Hratch Samuel Arukian;

S. 981. An act to extend certain authority of the Secretary of the Interior exercised through the Geological Survey of the Department of the Interior, to areas outside the national domain;

S. 1208. An act to amend Public Law 86-506, 86th Congress (74 Stat. 199), approved June 11, 1960;

S. 2399. An act to provide for the establishment of the Frederick Douglass home as a part of the park system in the National Capital, and for other purposes;

S. 2916. An act to change the names of the Edison Home National Historic Site and the Edison Laboratory National Monument, to authorize the acceptance of donations, and for other purposes; and

S. 3112. An act to add certain lands to the Pike National Forest in Colorado and the Carson National Forest and the Santa Fe National Forest in New Mexico, and for other purposes.

The message also announced that the House had passed the following bills of the Senate, severally with amendments, in which it requested the concurrence of the Senate:

S. 538. An act to amend section 205 of the Federal Property and Administrative Services Act of 1949 to empower certain officers and employees of the General Services Administration to administer oaths to witnesses;

S. 901. An act to advance the marine sciences, to establish a comprehensive 10-year program of oceanographic research and surveys, to promote commerce and navigation, to secure the national defense, to expand ocean, coastal, and Great Lakes resources, to authorize the construction of research and survey ships and laboratory facilities, to expedite oceanographic instrumentation, to assure systematic studies of effects of radioactive materials in marine environments, to enhance the public health and general welfare, and for other purposes;

S. 2876. An act to extend the authority to insure mortgages under sections 809 and 810 of the National Housing Act, and to extend the coverage of section 810 to include persons employed at or in connection with an installation of the National Aeronautics and Space Administration or the Atomic Energy Commission; and

S. 2973. An act to revise the boundaries of Capulin Mountain National Monument, N. Mex., to authorize acquisition of lands therein, and for other purposes.

The message further announced that the House had agreed to the concurrent resolution (S. Con. Res. 86) favoring the suspension of deportation of certain aliens, with amendments, in which it requested the concurrence of the Senate.

The message also announced that the House had passed the following bills, in which it requested the concurrence of the Senate:

H.R. 297. An act to amend title 38 of the United States Code to prohibit the award of contracts by the United States to certain persons;

H.R. 1681. An act for the relief of Gabriel Chehebar, his wife, Marcelle Levy Chehebar, and their minor children, Albert, Zakia, Zaki, Jacques, and Joseph Chehebar;

H.R. 1696. An act for the relief of the Outlet Stores, Inc.;

H.R. 2796. An act to provide for the renewal of certain municipal, domestic, and industrial water supply contracts entered into under the Reclamation Project Act of 1939, and for other purposes;

H.R. 3529. An act to amend the act of June 25, 1910 (36 Stat. 857; 25 U.S.C. 406, 407), with respect to the sale of Indian timber;

H.R. 4800. An act for the relief of Mrs. Marjorie Curtis;

H.R. 5604. An act to amend the acts of May 21, 1926, and January 25, 1927, relating to the construction of certain bridges across the Delaware River, so as to authorize the use of certain funds acquired by the owners of such bridges for purposes not directly related to the maintenance and operation of such bridges and their approaches;

H.R. 6190. An act to amend title 38 of the United States Code to provide for the repair or replacement for veterans of certain prosthetic or other appliances damaged or destroyed as a result of certain accidents;

H.R. 7781. An act to authorize the Administrator of General Services to convey by quitclaim deed a parcel of land in Prince Georges County, Md., to the Silver Hill Voluntary Fire Department and Rescue Squad;

H.R. 9128. An act for the relief of Sgt. Ernest I. Aguilar;

H.R. 9459. An act to amend section 2733 of title 10, United States Code, to authorize the Secretaries of the military departments and the Secretary of Defense to settle certain claims in the amount of $10,000 or less;

H.R. 9473. An act for the relief of Kenneth F. Miller;

H.R. 9587. An act for the relief of Anthony E. O'Sorio;

H.R. 9590. An act for the relief of Lt. Col. Edward Hirsch;

H.R. 9737. An act to amend section 641 of title 38, United States Code, to provide that deductions shall not be made from Federal payments to a State home because of amounts collected from the estates of deceased veterans and used for recreational or other purposes not required by State laws;

H.R. 9747. An act to amend section 514(1) of the Soldiers' and Sailors' Civil Relief Act of 1940, as amended;

H.R. 9775. An act for the relief of Nihat Ali Ucuncu;

H.R. 9832. An act for the relief of Jack Shandler;

H.R. 9914. An act for the relief of San-Man Inn of Manning, Inc.;

H.R. 9957. An act to amend section 7 of the Administrative Expenses Act of 1946, as amended (72 Stat. 1274; 5 U.S.C. 73b–3), relating to travel expenses of civilian officers and employees assigned to duty posts outside the continental United States;

H.R. 10111. An act for the relief of Marvin M. Greenlee;

H.R. 10134. An act to authorize the Administrator of General Services to convey certain land in Prince Georges County, Md., to the American National Red Cross;

H.R. 10160. An act for the relief of Mrs. A. R. Lendian;

H.R. 10415. An act for the relief of Earl T. Briley;

H.R. 11164. An act to approve an amendatory repayment contract negotiated with the Quincy Columbia Basin Irrigation District, authorize similar contracts with any of the Columbia Basin Irrigation Districts, and to amend the Columbia Basin Project Act of 1943 (57 Stat. 14), as amended, and for other purposes;

H.R. 11266. An act to amend the act of March 8, 1922, as amended, to extend its provisions to the townsite laws applicable in the State of Alaska;

H.R. 11388. An act for the relief of Maurice Casner and Eileen G. Casner;

H.R. 11866. An act for the relief of Kim Chung Shin (Mary Rathbun);

H.R. 11543. An act to authorize the Secretary of the Interior to convey certain lands adjacent to the Suitland Parkway in Prince Georges County, Md., to Suitland Lodge No. 1656, Loyal Order of Moose;

H.R. 11551. An act to authorize the Secretary of the Interior to convey certain lands in the State of Maryland to the Holy Cross Lutheran Church, Greenbelt, Md., and for other purposes;

H.R. 11594. An act to extend for 2 years the period for which payments in lieu of taxes may be made with respect to certain real property transferred by the Reconstruction Finance Corporation and its subsidiaries to other Government departments;

H.R. 11728. An act to amend section 1208 (a) of the Merchant Marine Act, 1936, to authorize investment of the war risk insurance fund in securities of, or guaranteed by, the United States;

H.R. 11887. An act to provide for the conveyance of all right, title, and interest of the United States reserved or retained in certain lands heretofore conveyed to the city of El Paso, Tex.;

H.R. 11899. An act to amend the Federal Property and Administrative Services Act of 1949, as amended, to provide for a Federal telecommunications fund;

H.R. 12024. An act for the relief of Librande P. Caltagirone;

H.R. 12090. An act for the relief of James Comeau;

H.R. 12164. An act to provide for the establishment of the Fort St. Marks National Historic Site;

H.R. 12416. An act to authorize the sale, without regard to the 6-month waiting period prescribed, of chestnut extract proposed to be disposed of pursuant to the Strategic and Critical Materials Stock Piling Act;

H.R. 12459. An act to provide for the relief of certain enlisted members of the Coast Guard;

H.R. 12589. An act to amend the Smith-Lever Act of May 8, 1914, as amended; and

H.R. 12701. An act for the relief of Catalina Properties, Inc.

The message further announced that the House had agreed to a concurrent resolution (H. Con. Res. 509) providing the express approval of the Congress, pursuant to section 3(e) of the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98b(e)), for the disposition of certain materials from the national stockpile, in which it requested the concurrence of the Senate.

HOUSE BILLS REFERRED OR PLACED ON CALENDAR

The following bills were severally read twice by their titles and referred or placed on the calendar, as indicated:

H.R. 297. An act to amend title 38 of the United States Code to prohibit the award of contracts by the United States to certain persons;

H.R. 6190. An act to amend title 38 of the United States Code to provide for the repair or replacement for veterans of certain prosthetic or other appliances damaged or destroyed as a result of certain accidents;

H.R. 9737. An act to amend section 641 of title 38, United States Code, to provide that deductions shall not be made from Federal payments to a State home because of amounts collected from the estates of deceased veterans and used for recreational or other purposes not required by State laws; and

H.R. 9747. An act to amend section 514(1) of the Soldiers' and Sailors' Civil Relief Act of 1940, as amended; to the Committee on Labor and Public Welfare.

H.R. 1681. An act for the relief of Gabriel Chehebar, his wife, Marcelle Levy Chehebar, and their minor children, Albert, Zakia, Zaki, Jacques, and Joseph Chehebar;

H.R. 1696. An act for the relief of the Outlet Stores, Inc.;

H.R. 4800. An act for the relief of Mrs. Marjorie Curtis;

H.R. 9128. An act for the relief of Sgt. Ernest I. Aguilar;

H.R. 9459. An act to amend section 2733 of title 10, United States Code, to authorize the Secretaries of the military departments and the Secretary of Defense to settle certain claims in the amount of $10,000 or less;

H.R. 9473. An act for the relief of Kenneth F. Miller;

H.R. 9587. An act for the relief of Anthony E. O'Sorio;

H.R. 9590. An act for the relief of Lt. Col. Edward Hirsch;

H.R. 9775. An act for the relief of Nihat Ali Ucuncu;

H.R. 9832. An act for the relief of Jack Shandler;

H.R. 10111. An act for the relief of Marvin M. Greenlee;

H.R. 10160. An act for the relief of Mrs. A. R. Lendian;

H.R. 10415. An act for the relief of Earl T. Briley;

H.R. 11388. An act for the relief of Maurice Casner and Eileen G. Casner;

H.R. 11866. An act for the relief of Kim Chung Shin (Mary Rathbun);

H.R. 12024. An act for the relief of Librande P. Caltagirone;

H.R. 12090. An act for the relief of James Comeau;

H.R. 12459. An act to provide for the relief of certain enlisted members of the Coast Guard; and

H.R. 12701. An act for the relief of Catalina Properties, Inc.; to the Committee on the Judiciary.

H.R. 2796. An act to provide for the renewal of certain municipal, domestic, and industrial water supply contracts entered into under the Reclamation Project Act of 1939, and for other purposes;

H.R. 3529. An act to amend the act of June 25, 1910 (36 Stat. 857; 25 U.S.C. 406, 407), with respect to the sale of Indian timber;

H.R. 11164. An act to approve an amendatory repayment contract negotiated with the Quincy Columbia Basin Irrigation District, authorize similar contracts with any of the Columbia Basin Irrigation Districts, and to amend the Columbia Basin Project Act of 1943 (57 Stat. 14), as amended, and for other purposes;

H.R. 11266. An act to amend the act of March 8, 1922, as amended, to extend its provisions to the townsite laws applicable in the State of Alaska;

H.R. 11543. An act to authorize the Secretary of the Interior to convey certain lands adjacent to the Suitland Parkway in Prince Georges County, Md., to Suitland Lodge No. 1856, Loyal Order of Moose;

H.R. 11551. An act to authorize the Secretary of the Interior to convey certain lands in the State of Maryland to the Holy Cross Lutheran Church, Greenbelt, Md., and for other purposes; and

H.R. 12164. An act to provide for the establishment of the Fort St. Marks National Historic Site; to the Committee on Interior and Insular Affairs.

H.R. 5604. An act to amend the acts of May 21, 1926, and January 25, 1927, relating to the construction of certain bridges across the Delaware River, so as to authorize the use of certain funds acquired by the owners of such bridges for purposes not directly related to the maintenance and operation of such bridges and their approaches; to the Committee on Public Works.

H.R. 7781. An act to authorize the Administrator of General Services to convey by quitclaim deed a parcel of land in Prince Georges County, Md., to the Silver Hill Voluntary Fire Department and Rescue Squad;

H.R. 9957. An act to amend section 7 of the Administrative Expenses Act of 1946, as amended (72 Stat. 1274; 5 U.S.C. 73b–3), relating to travel expenses of civilian officers and employees assigned to duty posts outside the continental United States;

H.R. 10134. An act to authorize the Administrator of General Services to convey certain land in Prince Georges County., Md., to the American National Red Cross;

H.R. 11594. An act to extend for 2 years the period for which payments in lieu of taxes may be made with respect to certain real property transferred by the Reconstruction Finance Corporation and its subsidiaries to other Government departments; and

H.R. 11899. An act to amend the Federal Property and Administrative Services Act of 1949, as amended, to provide for a Federal telecommunications fund; to the Committee on Government Operations.

H.R. 9914. An act for the relief of San-Man Inn of Manning, Inc.; and

H.R. 12589. An act to amend the Smith-Lever Act of May 8, 1914, as amended; to the Committee on Agriculture and Forestry.

H.R. 11728. An act to amend section 1208 (a) of the Merchant Marine Act, 1936, to authorize investment of the war risk insurance fund in securities of, or guaranteed by, the United States; placed on the calendar.

H.R. 11887. An act to provide for the conveyance of all right, title, and interest of the United States reserved or retained in certain lands heretofore conveyed to the city of El Paso, Tex.; and

H.R. 12416. An act to authorize the sale, without regard to the 6-month waiting period prescribed, of chestnut extract proposed to be disposed of pursuant to the Strategic and Critical Materials Stock Piling Act; to the Committee on Armed Services.

HOUSE CONCURRENT RESOLUTION REFERRED

The concurrent resolution (H. Con. Res. 509) providing the express approval of the Congress, pursuant to section 3(e) of the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98b(e)), for the disposition of certain materials from the national stockpile, was referred to the Committee on Armed Services, as follows:

Resolved by the House of Representatives (the Senate concurring), That the Congress expressly approve, pursuant to section 3(e) of the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98b(e)), the disposals of 12,245 long tons of chestnut tannin extract from the national stockpile.

SEC. 2. All funds derived from the sale authorized by this concurrent resolution shall be deposited into the Treasury as miscellaneous receipts.

GOVERNMENT FINANCING AND THE BANKS

Mr. BUSH. Mr. President, the Washington Post this morning editorially inquires that if private business can finance through the banks, why not the Government? The editorial points out that when a business loan is made, the borrower goes to the bank and gives his note in exchange for a deposit which is set up, thus creating the equivalent of new cash.

So the editorial inquires, why cannot the Government do that just as well?

The point of difference is really payback. The private borrower goes to the bank, his profit and loss account is carefully scrutinized, his balance sheet is carefully examined, his credit is appraised, and, if found satisfactory, the loan is made. Of course, the banks do not make long-term loans. Very little bank money is loaned for a period of more than 5 years, but most of it has a very short term. When a loan is made, the time to pay back is firmly established; and the borrower does pay it back. Thus, the payback liquidates the inflationary force of making the loan. Paybacks and new loans are being made all the time; thus, one counterbalances the other.

On the other hand, when Uncle Sam comes in to borrow, the record shows that he does not pay back; the new money is created, and it stays in circulation. This is why it is called printing-press money; and that term is used in the editorial, which I now ask unanimous consent to have printed in the RECORD at the conclusion of these remarks.

The PRESIDING OFFICER (Mr. ELLENDER in the chair). Without objection, it is so ordered.

(See exhibit 1.)

Mr. BUSH. Mr. President, there may be occasions when the Government must finance through the banking system; but to make a practice of it would have a highly destructive effect on Government credit and a highly inflationary effect upon the economy, thus injuring the savers, the pensioners, and all those living on fixed incomes, including the preachers, teachers, civil servants, and so on.

[From the Washington Post, Aug. 21, 1962]

EXHIBIT I

FEDERAL RESERVE POLICIES: I

Few people are aware of the controversy over monetary policy which at the moment is still confined to the hearings of the Joint Economic Committee, and even fewer understand how its outcome can affect the future course of the American economy.

The principal antagonists are Chairman William McC. Martin of the Board of Governors of the Federal Reserve System and four Democratic members of the Joint Economic Committee, Messrs. WRIGHT PATMAN, PAUL H. DOUGLAS, WILLIAM PROXMIRE, and HENRY S. REUSS. In the most recent hearings this group, augmented by witnesses drawn from university economics departments and banks, has carried on an animated discussion that has touched upon every aspect of monetary policy such as the relationship between the growth of total output and the growth of the money supply, the appropriate level of interest rates, and the challenge posed by our balance-of-payments deficits. But none of the issues were so vigorously debated as the role of the Federal Reserve System in the financing of Federal budgetary deficits.

The fiscal-monetary issue was joined when Mr. Martin declared that "such deficits as we may experience, whether they are due to a shortfall of receipts under the existing tax structure, an increase in expenditures, or a reduction in tax rates, should be met by borrowing from the real savings of businesses and individuals, not through the creation of money through the banking system." This strong reiteration of an earlier statement places the FRS in direct conflict with the aims of the administration, which is pledged to tax reduction in 1963, for the purpose of stimulating economic activity.

If Mr. Martin's views prevail, the efforts to stimulate the economy by means of a tax cut would be frustrated by tight money. Tax reductions would place additional funds in households and businesses, but they would soon be withdrawn when the Treasury sold bonds to the public in an effort to finance the Federal deficit out of "real savings."

Moreover, the sale of intermediate and long-term Treasury bonds would raise interest rates, thus depressing the volume of investment while the loss of reserves would diminish the ability of the commercial banks to extend loans.

While Mr. Martin softened his position during cross examination by explaining that he would not require the financing of deficits out of "real savings" on a "dollar-for-dollar basis," he nevertheless adhered to a view which equates the financing of deficits by other means with a resort to the use of "printing press money." That is a curious position in view of the process by which the bulk of the money supply is created under a system of fractional reserve banking. When a business obtains a loan, the bank creates money by exchanging a promise to repay for a checking account or demand-deposit balance, and in that manner the banking system as a whole can create a supply of checkbook money about six times as large as the total reserves which are deposited in the 12 Federal Reserve banks.

According to Mr. Martin, it is perfectly proper for the banks to finance private indebtedness by creating money, but when one suggests that public debt be handled in the same manner he alludes to the dark dangers of printing press money. Is he suggesting that the banking system should discriminate against Federal debt? It is of course true that reckless use of the bank-financed public debt would lead to inflation, but the very same stricture may be placed against bank-financed private debt.

Few if any of Mr. Martin's critics are wild-eyed proponents of inflation or fiscal irresponsibility. They ask only that he cooperate in executing the monetary aspects of a compensatory economic policy or provide a more cogent rationale for his reluctance to go along.

Mr. PROXMIRE. Mr. President, the Senator from Connecticut discussed the lead editorial in the Washington Post of this morning. I read that editorial. I thought it was an excellent editorial, to the point, and sound. The fact is that there are times when we should finance our deficit through bank financing. There are times when we should not. There are periods when the times are inflationary. There are periods when the times are not inflationary. Now there is a high degree of unemployment. We are utilizing but 85 percent of our industrial facilities. Under those circumstances it seems sensible to have a moderate increase in the monetary supply. This is all the editorial in the Washington Post suggested. I think it makes sense. I disagree with the position expressed so ably by the Senator from Connecticut.

TRADE SURPLUS RISES TO $5 BILLION RATE

Mr. PROXMIRE. Mr. President, I ask unanimous consent that an article from today's Washington Post, pointing out that the favorable balance of trade has grown to $5 billion in the first half of this year, be printed at this point in the Record. This is a real accomplishment.

There being no objection, the article was ordered to be printed in the Record, as follows:

Trade Surplus Rises to $5 Billion Rate

Increased trade in manufactured goods was the major factor contributing to record exports and imports in the first half of 1962, the Commerce Department said yesterday, according to the Associated Press.

Exports of domestic merchandise reached a peak annual rate of $20.9 billion in the first 6 months of the year. This represented an increase of $700 million over the rate for the last half of 1961.

Imports increased by $200 million to an annual rate of $15.9 billion.

The gain in exports over imports was equal to $5 billion on an annual rate.

[Although the United States regularly enjoys a surplus in foreign trade accounts, it also suffers a chronic deficit in its balance of international payments. This is because loans and grants to foreign nations, maintenance of oversea military personnel, private investment abroad and the excess of American tourists dollars spent overseas over foreign tourist expenditures here more than offsets the trade balance. This outgo is expected to top $6 billion in 1962, thus wiping out the $5 billion trade surplus and leaving the Nation with a predicted $1 billion deficit.]

Of the $700 million gain in exports, $600 million reflected an increase in shipments of finished manufactured goods, which set a record of $11.9 billion.

Manufactured goods accounted for all of the increase in imports, as they rose by $300 million to $5.8 billion.

JOE PFISTER NAMED COLUMBIA SHEEPMAN OF THE YEAR

Mr. McGEE. Mr. President, I wish to call attention to the selection of a citizen of my State, Joe Pfister, of Node, Wyo., as Columbia Sheepman of the Year. I ask unanimous consent that an article on the subject which appeared in the Wyoming Wool Grower of July 12, 1962, be printed at this point in the Record.

There being no objection, the article was ordered to be printed in the Record, as follows:

Joe Pfister Is Columbia Sheepman of the Year

At the recent annual meeting of the Columbia Sheep Breeders Association of America, Joe Pfister, Node, Wyo., was named Columbia Sheepman of the Year. Since he bought his first flock in 1947, Joe has never ceased doing everything possible to improve his own flock and to promote the Columbia breed. Never has there been a purebred livestock producer more dedicated to his breed than Joe, nor one who works harder to improve it.

Joe is assisted in his Columbia enterprise by his wife, Lenore, and two sons, Charles, 11, and Johnny, 8. The Pfister Columbia flock is definitely a family affair, for Lenore and the boys are as enthusiastic about Columbias as Dad is. The entire family is almost always present at any Columbia show or sale and take an active part in helping exhibit the animals.

The boys take an active interest in the Columbia breed and both own sheep. Charles uses his Columbias in 4–H work and Johnny for his future 4–H work.

Joe's outstanding record with both his show and sale sheep has brought him a national reputation and won him the respect of Columbia breeders everywhere. His quickness to smile, friendly manner, and winning personality have made him popular with other breeders even in the most heated competition.

Joe has often been referred to as the "Lamburger King." This stems from the public relations work of introducing a portable lamburger stand at his local county ram sale, and also at the Wyoming State Fair, Douglas, Wyo. Through the publicity and attention from Joe's lamburger program, he has encouraged more people to talk about and actually eat lamb.

The entire lamburger program was unique in that it was a case of sheepmen trying to help themselves out of a predicament (poor lamb prices and lamb hard to sell over western meat counters), rather than relying on a Government program or others to do the job for them.

Joe is a charter members of the Wyoming Purebred Columbia Sheep Association and has attended all except one meeting, which was due to illness. He has served as president 4 years and has been active on the board every year.

On the national level, Joe has attended all meetings except one, and takes active sincere interest in all of the business and programs of the association. He has served on committees on the national level and was again called on this year to head up a national committee.

Joe has a long and impressive show record in both sheep and wool which few Columbia breeders can excell.

As a 4–H member and as an adult breeder, he has shown sheep and wool at major shows and fairs from Portland, Oreg., to Kansas City, Mo., over the past 25 years.

Joe has the distinction of being the oldest continuous exhibitor of any kind of livestock at the Wyoming State Fair. He has shown sheep at this event every year since 1938.

His Columbia sheep and fleeces have established an amazing record of winnings at the Wyoming State Fair, which has been one of the largest and most competitive wool and breed sheep shows in the United States over the past 10 years. Joe showed his first Columbias at the Wyoming State Fair in 1948. In 1950 he showed his first champion ram at this event. He repeated this achievement for the next 10 years. He also has shown the champion ewe five times, the first-place Columbia flock five times, the first-place get of sire three times, and the reserve ram once.

He also has a very impressive record of wins at the National Columbia Show and Sale. He first took sheep to this event in 1949 and has shown sheep at the National every year since. He has won the champion ram award two times, the reserve champion ram twice, the champion ewe once, and the reserve champion ewe once. His pens of three ewes have won the championship twice and the reserve championship four straight times. Probably the most oustanding achievement he has made at the National is that in the 12 years his sheep have been shown in this event, only twice has an animal placed below eighth. When one considers that the classes range from 15 to 40 entries in class, it is easy to see that Joe's Columbias always compare very favorably with the absolute best.

There is not enough room to list the winnings of Joe's Columbias at the many fairs and sheep shows where they have been shown. However, wherever his Columbias have been, they have won a major share of the championships and top awards.

Pfisters' Columbia fleeces have walked away with championship ribbons and other awards in top wool shows all over the country, bringing much fame to both Joe's flock and the Columbia breed in competition with fleeces from other major breeds. Joe's fleeces have been shown at the National Western Stock Show in Denver, the American Royal at Kansas City, the Pacific International at Portland, the Northwest Nebraska Wool Show at Crawford, Nebr., the Wyoming State Fair, and at various county fairs and local shows.

Joe has shown Columbia fleeces at the National Western Stock Show for many years, and they have won many top awards there. In 1961, he made a complete sweep of this wool show, winning the grand champion and fleece awards of the entire show (all breeds and classes). He also won the champion Columbia fleece and the champion ram flock fleece. His entries placed first in the best five fleeces shown by one exhibitor, first in the best four fleeces shown by one exhibitor, and first in the farm flock one-half, three-eighths, and one-fourth blood classes. In 1959 he showed the champion Columbia ram fleece and the reserve grand champion fleece of the show. In 1955, he showed the Columbia farm flock fleece.

At the Wyoming State Fair he has entered fleeces every year since 1952. He has exhibited the grand champion fleece of this show four times and the reserve grand champion five times. Since 1958, he has exhibited the champion Columbia ram fleece every year. He has won the champion Columbia ewe fleece twice, the champion farm flock fleece three times, and the champion farm flock ewe twice. An example of how Pfister fleeces often sweep a wool show came in 1959 and 1961. His Columbia fleeces won the championship in every department in which they could be entered, including the Columbia breed, farm flock, and overall classes. No other breeder has ever accomplished this feat in the past 15 years.

Joe is a valued member of the Wyoming Wool Growers Association and has been a consistent consignor at the Wyoming ram sale.

An outstanding 4-H Club member as a youth, Joe is now involved in his eighth year as a 4-H Club leader. His advice, counsel, and help in leading 4-H boys and girls in sheep projects and his help in many 4-H activities has been of immeasurable assistance to the 4-H program.

He has judged 4-H sheep showmanship contests at county fairs for many years and is considered the best at sheep showmanship contests. A master at fitting and showing sheep himself he has presented many demonstrations on fitting and showing sheep to boys and girls not only in his county, but in adjoining counties as well.

For the past several years he has given of his knowledge of wool, in helping train 4-H members in wool judging. A capable wool judge himself, he has been of great help to his community in this activity.

Joe has furnished excellent classes of Columbias for livestock judging training every year since he began breeding them. Joe is never too busy to take time out to provide sheep for judging training, often hauling them many miles to where judging training meetings are held. He has started many 4-H boys and girls with good Columbias. He has bred their ewes when they could not afford a ram, and sold them top stud rams at reduced prices. No problem is too small for his undivided attention in working with boys and girls, and he takes a sincere interest and pride in their progress. He is indeed a top 4-H leader and the 4-H program owes much to this cooperation, knowledge, and assistance.

The most outstanding feature of Joe Pfister's career and his success as a Columbia breeder, is the fact that this was attained entirely through his own hard work, perserverance, and ability. From a very small beginning and with very little or almost no financial assistance, he has built an outstanding flock of Columbia sheep of national prominence in a short space of 15 years.

Columbia's are not only his business, they are the hobby and the lifework of Joe Pfister, Columbia Sheepman of the Year.

AGRICULTURE PROBLEMS

Mr. McGEE. Mr. President, for too long the problems of the American farmer have been compounded by the refusal to face the hard facts of agricultural economics in the United States.

The truth is, if we will admit it, that the American farmer is caught in a vise that effectively eliminates any possibility of his survival on the open world market. The two jaws of this vise are the low world market price on one hand and the high protected price of all the equipment he must buy on the other. In short, our farmers must sell their crops at low world prices while almost everything he buys costs more than it would any other place in the world. In the jaws of this vise the individual farmer, the family farmer if you will, cannot exist without some help. And providing that help is the express purpose of our farm program.

Unfortunately, Mr. President, our present farm program has not taken into account the ingenuity of the American farmer. Typical of traditional American enterprise he has learned to grow more and more crops on less and less land, and we wind up with not only low prices but large surpluses.

Since we cannot eliminate the individual farmer by throwing him to the mercy of the open market, we must devise a program that will give him the needed protection at the lowest possible cost to the taxpayer. Mr. President, I believe such a program can be found in the combination of rigid support prices and strict crop controls. There is little need for argument to demonstrate the need for crop supports.

Despite the protestations of some farm groups for a return to free markets, a look at the world price for grains as compared with what our farmers insist they must have to survive, should convince everyone that to eliminate these supports would be to eliminate the individual farmer.

I am not pleased with the prospect of the continuation of price supports but this fact—a necessary evil—is far superior to the alternative, which is the industrialization of our farms into huge combines where machines and a very few men control vast acres with effects upon farm production quality and prices that are a nightmare to the imagination.

Since a large segment of American agriculture is dependent upon price supports for its continued existence, it is only fair that as the farmer needs protection on prices he accept it in its least costly form. To do this he must accept production controls.

To me the height of folly is to support prices without regard to production so that in turn we may give the taxpayer the privilege of paying storage costs on large farm surpluses. The advantages of production controls—strictly applied—are obvious. We may spend the same amount in supporting the concept of individual farms but save the large expense of crop storage. Thus, we can reduce our surpluses to manageable levels and do away with a program that by its very size and complexity has lent itself to the machinations of those who would abuse their trust and seek dishonest profit at the public's expense. Also this program would take land out of production, thereby preserving its potential for the future when all our agricultural resources may be needed or allowing its conversion to badly needed recreational or watershed uses.

The criticism of this program is, of course, that it inflicts tight Government controls—regimentation is a favorite word—on a segment of our free economy. And I say that this is certainly true. But I also say that freedom from these controls is freedom to leave the farm and head for the city to find a job. To remain on the farm, the farmer needs a supported price which he should accept in the least expensive and most efficient manner. Growing mountains of unneeded grains is not what I regard as efficiency.

I have stated that the prime consideration in price support legislation is the preservation of the individually owned and operated farm. In other words, we are attempting to preserve the job of being a farmer. To me a farmer is someone who works full time at the job of farming—who spends his time on the land working it for what best he can produce. However, there are many persons who benefit under present farm legislation who do not fit this definition. They are what I would call the "briefcase" farmer. For them owning and operating a farm is a diversion, a recreation, or a means of acquiring a beneficial tax writeoff. In any event, farming is not their full-time occupation.

I am not opposed to a businessman finding rest and relaxation on a farm, nor am I opposed to his acquiring a "place in the country" for his family or in his search for status. I am opposed to his accepting Federal supports, designed to keep the full-time farmer in business, for what to him is an unessential diversion. And I find the Government twice burdened by the man who operates a farm as a tax writeoff. The spectacle of subsidy payments to a man perpetrating a scheme to escape his just taxes is most unpleasant. There I would suggest that the Congress consider limiting farm supports to bona fide farmers.

The bill now under consideration in the Senate does not take up all the points which I have mentioned here. It does, however, represent a considerable start toward what I would hope is an efficient approach to our farm problems. The mandatory feed grain program was, I believe a constructive approach to one of our most perplexing surpluses. I am extremely disappointed to hear that it has been abandoned. The alternative, extension of the voluntary feed grains program, has shown surpluses can be reduced by crop controls. But in this case, the incentive payments will soon run into astronomical figures unless the plan is superseded by a mandatory program. I reluctantly support this alternative, however, because the other choice is a return to the law of 1958 which was responsible for the rapid growth of the feed grain surplus in the first place. I note that those who oppose the mandatory program are the same people—members of the same party—who have attempted to make an issue of fiscal responsibility in our Government.

Mr. President, I am in favor of fiscal responsibility as is the party I represent; and I suggest that here is a good time for some members to practice what they preach. I also would note that these same people, who now give their support to a voluntary system are in many cases the very same people who opposed voluntary plans when they first were submitted to the Congress.

Mr. President, I support another section of the bill, the wheat certificate program. This is a significant attempt to reduce our carryover wheat supplies while at the same time adjusting the program to the multimarket features of our wheat production and consumption. This bill does away with the minimum acreage requirements in existing legislation. I would point out that in the 20 years this minimum figure of 55 million acres has been in effect the yield per acre has doubled.

I am pleased to note that while reductions in wheat are calculated in terms of acreage for the farmer, he would receive his support payment on certificates based on bushel allotments. The farmers in Wyoming and much of the West do not have the abundance of rich soil and adequate rainfall that occur in other areas of the country. Therefore, they cannot, by intensive farming or the addition of more fertilizer, increase the production per acre to compensate for reduced allotments.

Mr. President, while we are considering the farm bill we tend to become wrapped up in a problem which is unique in the world and forget that it is a problem which should not exist at all. We all must remember that the real farm problem in this world is not surpluses but a critical lack of food—starvation and malnutrition would best describe the end results of much of the world's agriculture. While we here are attempting to reduce embarrassing piles of grain and devise voluntary and mandatory programs to limit production of everything from turkeys to turnips, two-thirds of the world's population—that is two of every three human beings—is not getting enough to eat.

I realize that it is necessary to solve the immediate problems of overproduction here in the United States, but it is just as imperative that we work equally hard to eliminate those many factors—tariff considerations, pricing, transportation, and many more—which prevent us from sharing our abundance with the less productive nations so that without supports and through normal trade our farmers may again earn an honest livelihood without artificial supports. Until that day we must support the individual farm and the independent farmer. But it is our obligation to those who pay for this support to effect the most efficient programs possible. Therefore, I suggest we face the facts of this problem and approve a farm bill which will do the job. I believe that the bill the Senate is now considering is a positive step toward a realistic bill, and I urge its passage.

NOMINATION OF THURGOOD MARSHALL TO BE A U.S. JUDGE

Mr. LAUSCHE. Mr. President, this morning I was shocked to learn that a subcommittee of the Committee on the Judiciary has decided to postpone indefinitely hearings on Judge Thurgood Marshall's nomination. I have spoken previously on this subject. In spite of my reluctance to take this stand, if the committee to which this nomination has been assigned for action continues indefinitely not to take action, I believe the time is practically at hand when the Senate must speak up on the matter.

It is thoroughly clear that the nomination of Judge Thurgood Marshall is not being measured with the same yardstick that has been applied to other nominees for Federal appointments. He was appointed in September of 1961. After the Senate convened, he was reappointed, to conform to the law. Practically 1 year has elapsed since this man was given an assignment to a Federal judgeship, and in this 1 year no action has been taken by the Judiciary Committee on the appointment. He is entitled to the same type of treatment received by any other American citizen appointed to a Federal post. He is not receiving it.

I humbly suggest to the majority leader that the time has come when, for the maintenance of the honor of the Senate, action should be pursued, and, in my judgment, the committee relieved of further consideration of the nomination, and that it be assigned directly to the Senate for action.

Mr. MANSFIELD. Mr. President, I appreciate what the Senator from Ohio has just said, and insofar as the leadership is concerned, we intend to make every effort to get the nomination to the floor before Congress adjourns, and, we hope, acted upon.

Mr. DIRKSEN. Mr. President, will the majority leader yield?

Mr. MANSFIELD. I yield.

Mr. DIRKSEN. I am of the opinion that the Senator from Ohio may be in error. While I am not a member of the subcommittee, I have been following the matter very closely. I believe it may have concluded testimony yesterday morning. It now remains for the subcommittee to report the nomination to the full committee, either with or without recommendation.

I have discussed the matter with other members of the Judiciary Committee on the other side of the aisle. It is our hope that we can get the nomination to the full committee at its very next meeting for consideration, and have a report to the Senate, so that, if there are any objections, if any Senator wants to discuss the case at length, it can better be done here than in committee. So, speaking as a member of the full committee, I am most anxious that we get the nomination to the floor without delay.

Mr. LAUSCHE. Mr. President, will the Senator yield?

Mr. MANSFIELD. I yield.

Mr. LAUSCHE. I hope the Senator from Illinois is correct. The announcement was made on television this morning that there had been an indefinite postponement of action. I made my statement on the basis of that information. I am glad to hear what the Senator from Illinois has said, and, of course, what the majority leader has just said on the subject; but the fact is that the delay is too great even as of now, in my judgment.

Mr. DIRKSEN. I agree with the distinguished Senator from Ohio. I may add that I discussed this matter yesterday afternoon with the chairman of the Judiciary Committee, and I know he believes as I do with respect to this delay.

Mr. MANSFIELD. I am extremely heartened by what the minority leader has just said. I hope it will be possible very shortly to bring the nomination to the floor for consideration and debate.

Mr. HUMPHREY subsequently said: Madam President, earlier today the distinguished Senator from Ohio [Mr. LAUSCHE] made a comment with reference to the failure of the Senate Committee on the Judiciary to accord to the nomination of Mr. Thurgood Marshall the same standards and the same consideration that had been accorded other nominees. The Senator expressed due and proper concern over that situation. I did not have the opportunity then to join with the Senator and express my concurrence and support of the opinions and attitudes which he expressed.

I say to the Senator from Ohio that all nominees whose nominations are before any committee in which there is a process of confirmation should be accorded equal rights, equal privileges and equal treatment. I believe that if we examine the nominations considered by the Judiciary Committee, we will find that Thurgood Marshall has been tested, interrogated, and screened far more assiduously and intensely than most other nominees. I wish to make it quite clear that as one Senator I will do everything I can to assure that Mr. Marshall is given fair, responsible, and equal treatment, and that the question of the confirmation of the nomination is brought before the Senate for the purpose of a yea-and-nay vote. Mr. Marshall has a right to know whether or not his nomination will be confirmed by the vote of the Senate.

He should not be subjected to delaying tactics, if that is the case, by any committee or subcommittee. I wish to join with the Senator from Ohio and other Senators who have expressed concern over this subject. The majority leader has given to the Senate very reassuring words. I know it is his view, as he expressed it, that the Senate will work its will on the nomination of Thurgood Marshall. Judging from what I know of his background and his competency, Thurgood Marshall is a good man. His nomination should be confirmed. Unless there is information to the contrary, I would support him, and do support him actively and willingly. I hope his nomination will be before the Senate promptly. There are ways of getting the nomination before this body, and those ways have been used before.

Mr. YOUNG of Ohio. Madam President, I compliment the distinguished senior Senator from Minnesota on his statement.

In my judgment there is no reason why the Committee on the Judiciary should not have reported the nomination of this fine judge to the Senate. I hope that very shortly the nomination will be favorably reported and will be confirmed by the Senate. As the distinguished Senator from Minnesota has stated, a yea and nay vote should be had on the nomination, so that we may stand up and be counted. I am sure that the overwhelming majority of the Senate will vote to confirm the nomination of this fine loyal American and experienced lawyer and judge to the position to which he has been nominated by our President.

Mr. HUMPHREY. Madam President, if the Senator from Minnesota has any influence whatsoever in the councils of the Democratic Party, this nomination will be brought before the Senate so that each Senator may cast his vote. Thurgood Marshall is entitled to that consideration. He has already suffered enough indignities. It is our duty as well as our privilege and responsibility to act one way or another on this nomination. I find in Thurgood Marshall a good man, a competent man, one who is entitled to assume the responsibility of being a Federal judge, to which position he has been nominated by President Kennedy.

Mr. YOUNG of Ohio. I am glad to hear the Senator say that. I know he will do what he can to expedite consideration of this nomination.

Mr. HART. Madam President, I was not in the Chamber at the time the majority leader addressed himself to the subject of the nomination of Thurgood Marshall to be a judge of the court of appeals for the second circuit. I heard the distinguished Senator from Minnesota say that the majority leader had expressed concern at the delay in reporting the nomination, and his determination that the Senate shall be given an opportunity to act on the nomination. I am delighted to hear that.

I am not a member of the subcommittee considering the nomination of Thurgood Marshall, but as a member of the full Committee on the Judiciary, I have sat with the subcommittee in its deliberations, as has the distinguished junior Senator from New York [Mr. KEATING]. As I said yesterday, when someone gets around to writing a book on the weird performances of the Senate, most assuredly one chapter will recite the case that we are now discussing; namely, the nomination of Thurgood Marshall, the consideration that was given to it, and the time that was taken on it. I am sure the happy last paragraph will show the confirmation of the nomination of this distinguished member of the American bar.

The suffering will be less that of Thurgood Marshall than of the Senate. Spending months looking for flaws in the professional integrity of this man is like spending months looking for an elephant in a bathtub; his integrity is either there or it is not there on the day the nomination is made. I do not know of any other living member of the American bar whose batting average before the Supreme Court is as high as that of Thurgood Marshall. In that, of course, lies some of the problem. The Senate cannot continue to fumble and fuss over this nomination. Thurgood Marshall's place in American jurisprudence is long established.

I restrain myself with great difficulty lest I comment upon the scene in which some lawyers have been attempting to determine whether Thurgood Marshall qualifies as a judge. Let us be through with this business. Let us write the ultimate paragraph, which is confirmation of the nomination. I would be hard pressed to find a name in the brilliant list of able American lawyers which could successfully contest the claim which Thurgood Marshall would never make but which can be made for him; namely, that he is as brilliant a member of the American bar as there is alive today.

I am delighted that the majority leader has indicated that we shall soon be about this business. I trust, as I know the distinguished Senator from New York [Mr. KEATING] does, that our committee will act promptly and responsively. However, neither he nor I, disagreeable though the chore may be, will have any reluctance or hesitancy, if the committee fails to act, in seeking the support of the Senate to discharge the committee from the further consideration of the nomination. The President of the United States has sent to the Senate a distinguished name. Let the Senate now promptly confirm the nomination of this fine judge.

Mr. KEATING. Madam President, as one who has been working for approval of this nomination for a long time, I wish to express my gratitude to the distinguished majority leader and the distinguished assistant majority leader, and other Senators who have spoken today.

It was my hope that the normal channels which are followed in these matters would be followed in this case and that we would have an opportunity to vote on the question of the confirmation of the nomination of this distinguished lawyer and jurist in a prompt and orderly manner. That is the way it should have been done.

I am bound to say to the Senate, however, that such has not been the case to date. A great many extraneous matters have been gone into at a series of subcommittee hearings which have had virtually nothing to do with the qualifications of the nominee. At the last hearing, yesterday, after the extraordinary performance was indulged in of reading a speech which in part praised Judge Marshall but which in part attributed statements to Judge Marshall which he denied ever having made, the chairman of the subcommitee stated that it would be necessary to call the man who had made the speech. This is taking place after 8 months during which the nomination has been lying in committee and 10 months since Judge Marshall was appointed to the court. At this late date, it seems obvious that this unlawyerlike procedure is simply designed to further delay the conclusion of the hearings.

This is nothing more than an adroit procedure for stringing out the hearings and if successful, could prolong them forever.

Following that subcommittee hearing, abortive, like so many others were before it, I attended a meeting of the full Committee on the Judiciary on the drug bill. Concededly this meeting was called for the purpose of completing action on the drug bill. At the conclusion of action on the drug bill, however, I sought recognition from the chairman of the full committee for the purpose of making a motion to discharge the subcommittee from further consideration of the Marshall nomination. I was gaveled down and not recognized.

I have now asked the chairman to place the motion to discharge the subcommittee on the committee's agenda. If at the next meeting, again I am not recognized, I shall join with the Senator from Michigan [Mr. HART], the Senator from Connecticut [Mr. DODD], the Senator from Colorado [Mr. CARROLL], and the Senator from Tennessee [Mr. KEFAUVER], from the full committee; with my colleague from New York [Mr. JAVITS], who has shown a deep interest in this question; and, I am sure, with other Senators on both sides of the aisle, in a motion in the Senate to discharge the Committee on the Judiciary from further consideration of the nomination of Thurgood Marshall. As a member of the committee, I would regret being forced to take such action. It should not be necessary. But those who oppose the nomination of Judge Marshall have had more than an ample opportunity to express their opposition and now it is time for the Senate to pass upon the question. We know that the nomination will be overwhelmingly approved by this body.

Mr. MORSE. Madam President, will the Senator from New York yield?

Mr. KEATING. I yield to the Senator from Oregon.

Mr. MORSE. I commend the Senator from New York and the Senator from Michigan for the course of action they are following in the Committee on the Judiciary. In case the subcommittee does not report the Marshall nomination either favorably or unfavorably to the full committee, and the full committee does not report the nomination either favorably or unfavorably to the Senate within the immediate future, the senior Senator from Oregon would like to join with the Senator from New York as a cosponsor of any motion he may make in the Senate to discharge the Committee on the Judiciary from further consideration of the Marshall nomination.

It would be rather ironical if the Marshall nomination were permitted to die in committee at this session of Congress when the Senate as a whole was willing to impose a gag rule on a group in the Senate who were willing to bring our opposition into the open on the floor of the Senate for full debate by this body, a body which should be the last body of untrammeled, free debate in the world.

Mr. KEATING. Madam President, I am appreciative of the views of the distinguished Senator from Oregon on this nomination; they are exactly what I would expect of him. If the Senate were not permitted at this session to pass upon the nomination of Thurgood Marshall, as the Senator from Michigan has said, it would be a reflection, not upon Judge Marshall, but upon the United States Senate. I feel certain that those of us who support this nomination will not permit that to happen.

Mr. HUMPHREY. Madam President, will the Senator from New York yield?

Mr. KEATING. I yield.

Mr. HUMPHREY. I desire the record to be clear that the majority leader and the Senator from Minnesota have made it perfectly clear today that action will be taken on this nomination. It is our hope that such action can be taken through the normal processes of the committees; but it has been made manifestly clear that there is no intention of letting the nomination die without permitting the Senate to exercise its will upon the nomination. The will of the Senate will be determined by a yea-and-nay vote. I have said that I support the nomination. I say again that the evidence we have had before us this morning, in the responses from Senators, indicates that there is a real desire on the part of the Senate to move ahead and fulfill our responsibility under the confirmation process of the Senate. It will be done.

Mr. KEATING. Madam President, it is very reassuring to have this statement from the assistant majority leader and a similar statement from the majority leader. I am confident that with their strong support, this action will be accomplished and that a blot will not be permitted to mar the escutcheon of the U.S. Senate.

Mr. JAVITS. Madam President, will my colleague yield?

Mr. KEATING. I yield.

Mr. JAVITS. I think the whole country will be grateful to my colleague [Mr. Keating], to the Senator from Michigan [Mr. Hart], to the majority leader, to the assistant majority leader, and to all other Senators who have been fighting for this nomination.

First, the nominee is a judge of very high attainments. We who come from New York know him well, have worked with him, and understand his capacity. But beyond that, the only thing that anyone had to fear was that the people would not be aroused in time, because if the Senate did not act, Judge Marshall would lose his place. If he were again appointed for an interim, he would have to serve without compensation. He cannot afford to be without compensation. That is a very disabling circumstance. Also, to accept another such appointment would be very humiliating to a judge who is so good and who is now sitting on the bench, acting on cases.

But with the assurances we now have, we are confident that action will be taken by the Senate. I know that we all have the greatest confidence in a Senate vote. I think the whole country must be grateful to the Senator from New York [Mr. Keating] and the Senator from Michigan [Mr. Hart], who, notwithstanding the fact that they are not members of the subcommittee, have nonetheless made their presence so unmistakably clear.

The reputation of a man is as precious to our society as is his life. That is precisely what distinguished Senators are fighting to preserve inviolate and secure. That is a very noble position to take, and it is a fine thing for the country. I am delighted at long last to see that the problem is being faced so realistically and frankly and directly in this Chamber, where it is easy to gloss over this very unhappy, seamy phase of life. I am deeply grateful to my colleague from New York. If he does nothing else in the Senate, he will have performed a great good for our State in the fight he is waging for Thurgood Marshall.

Like the Senator from Oregon [Mr. Morse], I shall be prepared to join in a discharge motion if necessary. Any Senator would be honored to make it, but the honor properly belongs to a member of the committee who has waged the fight. We all understand that. I am confident that the nomination of Thurgood Marshall will be confirmed. It is being made clear and unmistakable on the record that such action would be to our credit. It does not have to be forced. Many champions are fighting the battle, whatever may be said about the obfuscation and delay which have so far prevailed.

Mr. KEATING. Madam President, I express gratitude to my colleague from New York for his kind remarks. No one has been more interested in seeing that justice is accomplished with respect to the nomination of Thurgood Marshall than has my distinguished colleague from New York. His support in this fight has been of inestimable value.

Mr. JAVITS. I thank my colleague.

PROPOSED TRIP OF VICE PRESIDENT JOHNSON TO THE MIDDLE EAST

Mr. MANSFIELD. Mr. President, the distinguished Vice President will be departing shortly on an official mission to the Middle East. He goes at the behest of the President, to an area in which a delicate balance between peace and war has prevailed for many years. He goes to express the friendly interest of this Nation to the friendly nations of that region.

We have already had evidence of the great capacity of the Vice President to convey the warmth, the spontaneity, the good heart of the American people to other peoples. His visits to Africa, southeast Asia, and Berlin were outstanding achievements in the building of international good will.

Mr. President, I know that I speak for the entire Senate in extending to our colleague and presiding officer and to Mrs. Johnson and their party the best wishes of this body for a safe and worthwhile journey. He carries with him the high confidence of the Senate even as he does that of the President in the arduous, delicate, and significant mission on which he is about to embark.

PIRATING BY FEDERAL GOVERNMENT OF EMPLOYEES OF STATE OF OHIO

Mr. LAUSCHE. Mr. President, without identifying the official or the department of the State of Ohio from which I received the communications to which I wish to refer, I want to point out the substance of them. The complaint of this official of Ohio is that the Federal Government is in the process of constantly pirating employees of the State of Ohio. The official's letter came from the State of Ohio on July 17, and pointed out that during the months of June and July this department of the government of the State of Ohio lost to the Bureau of Sport Fisheries and Wildlife three employees of the State.

On August 17 this same official wrote to me and stated that two more employees of the State of Ohio had been taken over by the Federal Government. In his last letter this man stated, among other things:

> Certainly Congress cannot be seriously considering a further increase in the pay of Government workers.

I would venture to say that if we traveled around the country we would find this same condition existing in practically every State; that is, a disparity in the wage scales paid as between the Federal Government and the States. The States are not now able to compete with the Federal Government, yet it is proposed that a very substantial pay raise be granted, on the Federal level, which would create an aggravated disparity and not in the end solve the problem. It is a mad race—the Federal Government pirating from private industry, private industry pirating from the Federal Government—and the end never comes.

I think this letter is most appropriate. For emphasis I want to repeat:

> Certainly Congress cannot be seriously considering a further increase in the pay of Government workers.

There are positions in which increases may be warranted, but certainly not on an across-the-board basis.

TRIBUTE TO SENATOR ROBERT C. BYRD, OF WEST VIRGINIA

Mr. MANSFIELD. Mr. President, one of the most conscientious, hard-working, and diligent Members of this body is the Senator from West Virginia, Mr. Robert C. Byrd. He has been the subject of great criticism because of the fact that he has attended to his duties assiduously as the chairman of the District of Columbia Subcommittee of the Appropriations Committee. I know that what he is trying to do is a good job, a fair job, and a decent job. I think he should be commended for the interest he has shown in the problems of the District of Columbia. It is not a pleasant assignment, but somebody has to look into the matters which come to the attention of that particular subcommittee, and in my opinion the Senator from West Virginia [Mr. Byrd] is to be complimented for the diligence which he has shown.

Mr. President, I ask unanimous consent that a news story carried in the New York Times of the 19th of this month entitled "Welfare Mess in Capital Spurs National Inquiry," may be incorporated in the Record at this point.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

WELFARE MESS IN CAPITAL SPURS NATIONAL INQUIRY—SENATE STUDY FINDS MANY ON DISTRICT'S ROLLS INELIGIBLE—$18 MILLION LOSS CITED

(By Marjorie Hunter)

WASHINGTON, August 18.—A welfare mess in Washington has prompted the Kennedy administration to step up efforts to remove ineligibles from the Nation's public relief rolls.

Is there wholesale welfare cheating? Officials of Newburgh, N.Y., said last year there was, but failed to prove it.

Now, with a multimillion-dollar welfare scandal unfolding in the Nation's Capital, Federal officials have ordered a nationwide examination of local relief rolls.

It has been estimated by Senator ROBERT C. BYRD, Democrat, of West Virginia, that at least $18 million in relief has been paid to ineligibles in the District of Columbia in the last 5 years.

It was Senator BYRD, chairman of the Senate Appropriations Subcommittee on the District of Columbia, who lit the match under the District's welfare program and produced both smoke and fire.

SUSPICIONS AROUSED

At first, there was only smoke. Suspicious because District welfare officials kept asking for supplemental funds at a time when the city's population was declining, Senator BYRD sought figures and facts during District budget hearings last year.

Some accused him of being anti-Negro, some of being antiwelfare. He was likened to Joseph McD. Mitchell, the Newburgh city manager, who had attempted to establish a get tough welfare code for his Hudson Valley city last year.

Late last month, the Byrd subcommittee began hearings on the District $22 million welfare budget requests for the current fiscal year. This time, Senator BYRD and his staff were prepared to show there was fire, too.

Investigators, both from the District Welfare Department and the General Accounting Office, which reports to Congress on expenditures, said that a random sampling of 280 aid-to-dependent-children cases showed that 57 percent were ineligible for relief funds.

Among the reported cases were:

A mother of four children who had been receiving welfare payments for 4 years. She said the man living with her was her brother, but it was determined that he was the father of two of her children. She had been receiving $154 a month. The man was earning $85 a week.

A mother of six children was getting a monthly welfare check of $191. She said the man living with her was a brother-in-law, but he actually was her husband and he had a job paying $65 a week.

A mother of four children had been receiving $109 a month. Investigators found a man hiding in the bathroom and he admitted he had been living with the woman. (A District welfare regulation prohibits relief payments to a family if the mother has a continuing relationship with her husband or any other man.)

A mother of four had been receiving $205 a month from welfare. Investigators learned that she earned $20 a week and also was receiving $10 a week from a boy friend for payments on a $419.90 television set.

The well-furnished apartment of one woman on relief, contained a three-speed record player, a television set, two telephones, a typewriter, and a radio.

In the homes of 102 relief families were 136 telephones. One home had three separate telephone lines.

In 155 homes of relief families there were 167 television sets. There were 2 sets in 12 of the homes.

The Comptroller General, Joseph Campbell, head of General Accounting Office, said investigations showed that the District Welfare Department had been poorly administered, that social workers were lax and that the cheating by relief mothers was flagrant.

Some of the sternest criticism came from within the District Welfare Department itself. Bernard W. Scholz, head of the Public Assistance Division, said both the District and the Federal Government had been operating for 20 years on the theory that a review of records provided adequate controls.

"That is why I am shocked by the findings of the investigators," he told the Byrd subcommittee last week. "Everything on paper showed we were doing a good job."

He attributed much of the trouble to untrained personnel, who dispense thousands of dollars every month.

He also said that more snoopers are needed to determine eligibility of welfare clients.

The "friend at the door" philosophy was warranted in the 1930's, when truly nice people needed help, Mr. Scholz told the committee.

THE FOREIGN AID PROGRAM—ALLIANCE FOR PROGRESS

Mr. MANSFIELD. Mr. President, over the years we have had a continuing search for ways to clarify the objectives of aid and to administer the foreign aid programs in a more effective fashion. The search is by no means over although there have been some improvements.

In this connction, I call attention to a speech by the President's special representative and adviser on African, Asian, and Latin American affairs, Mr. Chester Bowles. Mr. Bowles advances certain thoughtful ideas on aid administration with particular reference to the question of how to give fuller expression to the congressional intent which is embodied in aid legislation. These ideas seem to me to be worth careful study in the executive branch and by Members of Congress. They could be helpful in avoiding waste and in increasing the effectiveness of the contribution of foreign aid to foreign policy. Mr. President, I ask unanimous consent that the speech previously referred to be included at this point in the RECORD.

There being no objection, the speech was ordered to be printed in the RECORD, as follows:

ADDRESS BY THE HONORABLE CHESTER BOWLES, PRESIDENT'S SPECIAL REPRESENTATIVE AND ADVISER ON AFRICAN, ASIAN, AND LATIN AMERICAN AFFAIRS, AT THE NINTH ANNUAL MEETING OF THE NATIONAL CONFERENCE ON INTERNATIONAL ECONOMICS AND SOCIAL DEVELOPMENT, THE PALMER HOUSE, CHICAGO, ILL., THURSDAY, JULY 19, 1962

Our theme today is the Alliance for Progress. Through this partnership we are engaged in the greatest common effort that the American people, north and south, have ever undertaken.

Our goal is the creation of a truly "new world," in which the aim of freedom, progress and justice which has inspired the peoples of the Americas for nearly five centuries will move steadily toward realization.

Yet in a very real sense this vast enterprise is only part of a worldwide alliance for progress which may be spelled in many languages—an alliance which we hope may increasingly tie the United States and its people to the nations and people not only of Latin America but of Asia and Africa as well.

Our U.S. foreign aid program is an integral part of a global effort involving many of the industrialized free nations, which now contribute capital goods and technicians to speed the development of the less privileged two-thirds of mankind.

By and large this unprecedented effort has been extraordinarily successful. In Pakistan, India, Colombia, Venezuela, Israel, Formosa, Nigeria, and many other developing nations, schools, clinics and roads are being built, malaria eliminated, and agricultural improvements spread through rural extension services, as part of a vast new effort at nation building.

Yet despite these and many other examples of progress our foreign aid program is still regarded with skepticism and even hostility by many Americans.

What is particularly disturbing are the criticisms of many sober obeservers who agree that faster economic and social progress in the developing nations is essential, but who question the effectiveness of some aspects of the programs itself.

Why is it that our foreign aid program, despite its acceptance as a vital element of American foreign policy by almost every responsible leader in each political party, remains a subject of intense congressional debate and critical public comment?

One reason has been a general failure to recognize the clarity and sophistication with which Congress has laid down the guidelines for the program, and the extent to which we have moved away from these guidelines under political pressures.

Another reason, in my opinion, is that many of us have only begun to recognize that the process of nation building is inevitably long and tedious and that dramatic results cannot be achieved quickly. This has often led to frustration and disillusionment with the whole developmental process.

Moreover, in the 1950's we were dazzled by the success of the Marshall plan in helping to rebuild Western Europe and unprepared to deal as realistically as we should have been with the quite different challenge of economic development in the underdeveloped continents.

Ten years of experience have now taught us that economic development is necessarily linked to social development, that both are incredibly complex, and that indigenous built-in factors over which we have no control may profoundly affect the final result.

As we consider developments in Asia, Africa, and Latin America our minds boggle at the staggering variety of economic and social problems with which our aid programs must cope.

However, when we look beyond these obvious differences, we see that the problems of the developing nations are remarkably similar in several important ways.

For instance, the vast majority of the people in Asia, Africa, and Latin America live in rural areas. This means that the framework of their lives is largely shaped by such fundamental conditions as weather, soil, land ownership, disease, and illiteracy.

Most rural peoples are in a constant struggle against the exploitation of landlords and moneylenders.

As the sons of peasant families crowd into the great cities in search of jobs that will pay them their first cash wage, slum housing becomes steadily more crowded.

Young, idealistic university students, frustrated at the injustice which they see on all sides, parade and protest for change—any change—from the sterile and hated status quo.

With relatively few exceptions harried governments lack the financial experience, civil service organization, and the political strength quickly to break the chains of backwardness and prejudice that bind their people.

This political, economic, and social pattern is well established on all three developing continents. It will not be easy to change. Yet if we are to live in a rational world in which all men can enjoy a greater measure of opportunity and dignity, sweeping changes must come.

How can this be accomplished? In particular how can our economic assistance programs contribute with increasing effectiveness to the process of peaceful change—in Asia and Africa as well as in Latin America?

During the past 18 months the structure of the Agency for International Development has been thoroughly overhauled. New and vigorous individuals have assumed positions of responsibility.

I believe that our machinery is now tooled up and ready to go. The pertinent question, therefore, is: Where is it going?

In my opinion the next forward step is the establishment of a series of basic operating principles which will enable the recipients of our aid, the Congress, and the American people, clearly to understand what we are striving to accomplish and how we intend to accomplish it.

I believe that our experience over the last 10 years provides us with the essential understanding to establish such guidelines. Moreover, this effort has been made easier for us by the fact that the basis for a coherent, consistent, effective development program was laid down by Congress in the Act for International Development of 1961.

Our task is to draw directly from this basic source of authority, to develop criteria that meet the congressional intent, and, except in the face of overriding political consideration, to apply these criteria with courage and consistency in allocating loans, grants, and technical help.

This will not be a simple matter. The political pressures that surround the decisionmaking process are powerful and persistent. Most relationships throughout the world are in a state of flux. Irritations and frustrations with other governments and individual leaders may produce sudden and unpredictable swings of congressional and public opinion.

In view of these conditions it would be wishful thinking to assume that we can lay down some neat inviolable rules for the operation of all of our aid programs, turn them over to the IBM machines, and await the results.

The most carefully designed guidelines rooted in the most thoughtful congressional language will not allow for all contingencies. There will be many situations where we will have no alternative but to throw away the book and exercise our judgment.

Yet if the guidelines to which I refer can be made to shape no more than 80 percent of our administrative decisions the economic development programs will have been made much more acceptable to Congress, more understandable to the American people, and vastly more effective in their contribution to a more rational world.

Against this background let us consider five key guidelines, each based on the legislation passed by Congress, which I personally believe would help to bring new consistency and effectiveness to our efforts.

1. The objective of the program is the development of independent nations each capable of exercising the maximum freedom of choice within the framework of its own culture. I say "objective" rather than "objectives" because one factor which has often weakened our efforts in recent years has been our temptation to make the program serve several different and often competitive objectives.

Whatever the byproducts which may flow from a successful aid program, at heart there is only one fundamental objective, which Congress has made abundantly clear. In last year's Act for International Development the purpose of foreign aid was spelled out in the following terms:

To help the peoples of less developed countries "to develop their resources and improve their living standards, to realize their aspirations for justice, education, dignity and respect as individual human beings, and to establish responsible governments."

Congress stressed that this effort would serve to strengthen the forces of freedom and peace on which the survival of free institutions depend.

Congress did not say or imply that economic assistance is expected to buy friends or allies. There is no suggestion that those who sometimes disagree with us in the United Nations are unworthy of our help.

In giving development assistance—as distinguished from military assistance—the congressional directive is simple and clear: to assist in the creation of vigorous independent nations, working to develop their own cultures, as an essential step toward an enlarged community of free and self-reliant nations.

I might add that wherever, in America or abroad, I have spoken of the objective of our economic assistance program in these simple, uncomplicated, human terms, I have found understanding and agreement.

2. Economic growth by itself will not achieve our objective of free independent societies.

Once again Congress has made its intentions clear in the law: economic aid should be concentrated on those countries which are "showing a responsiveness to the vital economic, political, and social concerns" of their peoples.

This congressional directive reflects the knowledge that additional output by itself will not result in a stable, peaceful, happy society.

There is nothing soothing or inherently stabilizing, for instance, about a new steel mill; in an agricultural community it may be a politically and socially disruptive force.

Although industrial expansion is essential, it is only part of the answer to the challenge of the developing nations. This is dramatically apparent in Latin America.

The per capita income among the Latin American countries varies widely. Some have an average per capita income that exceeds those of several European countries. Others are among the poorest in the world. The per capita gross national product of Venezuela, for example is larger than that of Austria; that of Bolivia is less than that of India.

Yet in Latin America as a whole there is no correlation between economic growth and political stability. The richest countries may be as politically explosive as the poorest.

If increased economic capacity does not in itself assure a forward looking, stable society, what added ingredients are required?

A study of the characteristics of developing nations throughout the world suggests the answer: responsible, effective governments are most likely to appear in those nations with a sense of individual justice and participation in the great task of nation building.

When this conference was organized a decade ago, the name it chose—the National Conference on International Economic and Social Development—reflected an understanding of an essential fact which at that time was only dimly realized by most Americans: that true development must be both economic and social.

And, I would add, political, as well. Not political in terms of international diplomatic maneuvering or in the context of the cold war struggle, but political in terms of domestic institutions which create an informed and constructively motivated citizenry.

In one word, Congress has stressed and experience has proven that the proper concern of our aid program should be with people—not just a privileged few people, favored by outmoded economic and social systems—but with all of the people.

In many countries during the earlier years of the aid program our principal focus outside of the technical assistance program was the minority who live in the cities, where problems were apparent and more easily prescribed for. Yet now we recognize that it is the 75 percent of the people who live in the villages that will largely shape the political and economic future of Latin America, Asia, and Africa.

Congress recognized this central but often neglected fact when it laid down the following directive in the AID legislation:

"Whenever the President determines that the economy of any country is in major part of an agrarian economy, emphasis shall be placed on programs which reach the people in such country who are engaged in agrarian pursuits or who live in the villages or rural areas."

Fortunately it is in the rural areas of the world that the forces of freedom have the greatest advantage.

Which nations—the free or the Communist—now have the agricultural abundance and which have the shortages?

In what kind of societies is the farmer most likely to own his own land and to live his own life? Which, in short, has the most to offer to the man with the hoe? Here is a contest which we Americans can approach with confidence.

3. The congressional language in the AID legislation provides a clear basis for more specific criteria to direct our AID administrators in the programing of loans, grants, and technical assistance.

Without such criteria we can become a prey to every kind of pressure and persuasion, and ultimately bogged down in an endless series of unrelated decisions.

Let us again turn to Congress for direction. The AID legislation clearly recognized this need for standards and priorities:

"Assistance," the law reads, "shall be based upon sound plans and programs; be directed toward the social as well as economic aspects of development, be responsive to the efforts of the recipient countries to mobilize their new resources and help themselves; be cognizant of the external and internal pressures which hamper their growth; and should emphasize long-range development assistance as the primary instrument of such growth."

Although the intent of this language seems evident, it is not an easy matter to transform it into the specific criteria necessary to guide our aid administrators.

It is not easy for two reason: First every underdeveloped country is different from every other; and, second, the application of criteria drawn directly from the legislation is bound to antagonize the leaders of many countries which fail to meet these standards, and who are determined not to change their ways. Yet these two difficulties can and must be overcome.

Let us consider the initial problem of diversity.

Despite the wide variation among the developing countries, it is possible, I believe, to distinguish three major categories. These distinctions provide the basis for the criteria to which I refer.

In the first category of countries I would put the handful of nations which possess the preconditions for rapid economic and social advance and which are effectively using their own resources.

These nations may be characterized in general terms by the following advantages:

(a) A reasonably competent government, able to maintain law and order;

(b) An equitable tax system based primarily on the ability to pay with a good record of collection;

(c) A well-conceived national economic development plan for the allocation of natural resources and foreign assistance;

(d) An effective program of widespread landownership;

(e) An integrated approach to community development that includes extension work, the use of volunteer leaders in school and road building;

(f) Reasonable incentives for private investment;

(g) Effective controls over their foreign exchange.

It is for the handful of developing nations that measure up to these high standards that this administration fought for the 5-year authority in the 1961 AID legislation, and the Congress provided it.

Several of them are now ready and able to move ahead increasingly on their own initiative toward self-sustaining development. Within the limits of our own resources, they deserve the highest priority in the programing of our development assistance. At the same time we should be cautious about lowering this priority standard because of short-term political pressures.

A second category lies at the other end of the spectrum. Here are the countries which are not yet qualified by skills or experience to absorb direct economic assistance even on a project basis.

Again congressional intent appears clear, for with regard to these countries, the development assistance act specified that "programs of development of education and human resources through such means as technical cooperation shall be emphasized, and the furnishing of capital facilities for purposes other than the development of education and human resources shall be given a lower priority until the requisite knowledge and skills have been developed."

This suggests that in such countries we should concentrate on technical assistance and education programs to help build an administrative and economic structure which will eventually enable these countries effectively to use development assistance funds.

The Peace Corps and various food-for-peace programs can carry a major share of the current load in countries in this category. This will enable us to demonstrate our concern for the people while their governments gain the experience to work out realistic plans and projects.

The remaining nations in the third category—those between the extremes of readiness for major investment on the one hand and total lack of such readiness on the other—will prove the most difficult for which to devise criteria.

Many ad hoc judgments will continue to be necessary. Yet realistic criteria for each of these nations may be based within reasonable limits on the degree to which they approach the standards for category No. 1.

Our objective should be to encourage their efforts toward balanced, integrated development with major emphasis on what happens to their people in the process of national growth and with due regard to their sense of community participation and individual dignity.

Additional funds can be allotted to those which improve their operations along these lines, thereby encouraging them toward the priority support category. Programs can be cut back where performance lags.

An examination of the experience in the United States with Federal grants-in-aid to our States may be helpful in developing our operating guidelines.

The second obstacle to the enforcement of criteria for the distribution of our economic assistance is the resentment and resistance we will face from entrenched privileged groups in some recipient countries when we insist on a better performance.

If we act courageously in accordance with our congressional directives we shall be pressing many nations to undertake major reforms in long-established social and economic habits.

Land reform and tax reform, to cite two particularly important examples, are inevitably hot domestic political issues. For example, when we press other governments to adopt even the most basic reform programs we may undercut the political positions of government leaders who have regularly supported us in the United Nations in the hope that we will maintain a flow of dollars regardless of their reactionary and outmoded internal policies. This in turn may result in angry speeches attacking "Yankee interference in our country's affairs."

If we seriously intend to carry out the real purpose of the aid program such situations cannot be avoided. Yet the decision as to how hard we can press a government to carry out essential reforms at a more rapid pace involves a delicate political judgment which we must make on the merits of a specific case.

No doubt on some occasions overriding security or strategic considerations will force us to relax at least temporarily our pressures for reform. To cover such cases the law provides for aid through a special fund for "supporting assistance" or from the "emergency contingency fund."

Let us hope that expedient actions of this kind can be kept to a minimum, and that we clearly recognize the nature and probable duration of each expediency. By and large we are impelled by sheer commonsense and by clear-cut congressional mandates to support the basic institutional reforms which experience has taught us are necessary to economic progress and political stability.

We should never forget that expending aid without insisting on reforms is a kind of interference—interference on the side of the forces of the past rather than those of the future.

I can see no valid reason why American taxpayers should be taxed to help developing countries which lack the will or the vigor to help themselves.

The Bell report on the Philippines in 1951 provides an example of the affirmative, conditioned approach to the distribution of economic assistance to which I refer.

In this case United States assistance was strictly conditioned on steps being taken by the Philippine Government to carry out the recommendations outlined above, including the immediate enactment of tax legislation and other urgent reforms.

The recommendations outlined above included tax reforms, land distribution, a merit civil service, labor legislation, and a number of other specific and far-reaching steps.

Our insistence on these reforms encouraged the liberal reform elements in the Philippines to press for fundamental changes in the country's economic and social pattern. Thus, far from impeding growth and creating resentment against us, the United States espousal of these essential domestic reforms helped create the economic and political foundations on which subsequent forward-looking governments were elected to office.

4. In the task of nation building in Latin America, Asia, and Africa we must mobilize both our private and governmental resources.

Much of the strength of our free American society lies in its diversity. Our freedom is rooted in the varied organizations and institutions which are represented at this meeting and in the enormous network of citizen activity which they foster.

In accordance with the congressional directive to encourage private participation in the aid program, AID and its predecessors have already done much to draw on the talents and enthusiasm of private organizations.

Yet we must learn how to make even greater use of these resources. Governments alone cannot produce the diversified societies we are seeking to encourage.

We are handicapping ourselves if we fail to enrich our aid program with the multitude of special skills and organizational know-how found among our citizen groups—not only those traditionally interested in "foreign affairs" but those whose horizons have tended to be limited to their immediate professional, cultural, or economic interests.

What is true of private American experience is also true of much governmental expertise not ordinarily tapped by an aid agency. State and local governments, for instance, can be drawn into associations with their counterparts overseas. Our Federal agencies in a dozen special fields need to become even more intimately involved in institution building abroad.

"Foreign aid" has a need for the talents of every section of American society. Let us involve those talents to the hilt.

5. We should boldly spell out to the peoples of the recipient countries and the world our traditional American faith in widespread landownership, in fair taxes based on the ability to pay, in broader educational opportunities and in human dignity and justice.

Our aid program will never work if the principles on which it is based are known only to the governmental officials with whom we deal abroad.

It is precisely the points which I have discussed today which require emphasis in our public presentations.

The purpose of this oversea information effort is not simply to glorify the United States. It is to make it crystal clear to every man, woman and child within reach of a radio or reading room that the nation of Jefferson and Lincoln still seeks a better life for all people everywhere, that we are still firmly committed to the economic and social reforms necessary to achieve this better life, and that the most lasting international partnerships are not among governments which are constantly changing but among people who alone are enduring.

Just as we Americans seek to mobilize all resources needed to meet the challenge, so must we call on the people and government in each developing nation to rally its own resources. And let us never forget that the most vital of these resources is an informed people, insisting on and dedicated to the all-out effort which alone can provide themselves and their children with the basis for a life of decency, justice, and domestic peace.

This brings us to a final element upon which the success or failure of our aid program will ultimately depend: the understanding and support of the American people.

In my opinion the Federal Government has a responsibility to tell the American people about the objectives, methods, accomplishments—and failures—of this crucially important effort.

The people of the United States have a right to know where their money is being spent, what it is being spent for, how well these programs are being administered, where and for what reasons Americans are working with peoples of other lands to help build free and independent societies.

If the people have this knowledge, if they understand the principles which Congress has laid down and the ways in which the

President and AID are carrying out Congress wishes then I am convinced they will give this program the support it deserves.

But the sad truth is that they have not been getting the facts they are entitled to. For years the public information unit of the foreign aid agency has been a deprived stepchild.

It has been wholly inadequate to provide more than a bare minimum of the news which all of us as citizens and taxpayers deserve to have.

To make the AID program understandable to the American people requires pamphlets and books and films and speakers and conferences like this one. In short, it requires an adequate domestic information program and a staff to run it.

I am confident that the new leadership of AID is aware of this need and is moving to provide the American people with the essential facts.

This leads me to my final point: only people can make development assistance meaningful.

Our task abroad is to release the energies of the people of the developing nations so that they can work effectively toward economic progress, increased justice, and a sense of individual fulfillment and participation.

Our task here at home is to bring the vast resources and democratic traditions of the American people to bear on the most important and constructive task of our era: the creation of a world of reason and of peace.

The Alliance for Progress in Latin America—and the alliance for progress throughout the world—is essentially an alliance of free people working for the goals for which we Americans have stood since the days of Jefferson.

In this spirit, let us get on with the job.

STEPHEN S. CHANG

Mr. DIRKSEN. Mr. President, I ask that the Presiding Officer lay before the Senate the message from the House of Representatives relative to S. 1849.

The PRESIDING OFFICER laid before the Senate the amendment of the House of Representatives to the bill (S. 1849) for the relief of Stephen S. Chang, which was, in line 6, strike out "October 2, 1954" and insert "the date of the enactment of this Act".

Mr. DIRKSEN. Mr. President. On May 29, 1962, the Senate passed S. 1849, to grant the status of permanent residence in the United States to the beneficiary as of the date of his first admission to the United States. In this connection, it was stated that the beneficiary, who is a research specialist employed by Boeing Airplane Co., could use his talents and training to better advantage if he had sufficient residence to enable him to petition for naturalization.

On August 7, 1962, the House of Representatives passed S. 1849, with an amendment to grant permanent residence as of the date of the enactment of the act. The amendment is acceptable.

I move that the Senate concur in the House amendment to S. 1849.

The PRESIDING OFFICER. The question is on agreeing to the motion by the Senator from Illinois.

The motion was agreed to.

ARIE ABRAMOVICH

Mr. DIRKSEN. Mr. President, I ask that the Presiding Officer lay before the Senate the message from the House of Representatives relating to S. 2736.

The PRESIDING OFFICER laid before the Senate the amendments of the House of Representatives to the bill (S. 2736) for the relief of Arie Abramovich, which were, in line 8, after "deportation" insert "solely"; in line 10, after "issued" insert ": *Provided*, That nothing in this Act shall be construed to waive the provisions of section 315 of the Immigration and Nationality Act".

Mr. DIRKSEN. Mr. President, on March 29, 1962, the Senate passed S. 2736, to provide for cancellation of outstanding deportation proceedings in behalf of the beneficiary.

On August 7, 1962, the House of Representatives passed S. 2736, with technical amendments which do not change the substance of the bill.

I move that the Senate concur in the House amendments to S. 2736.

The PRESIDING OFFICER. The question is on agreeing to the motion by the Senator from Illinois.

The motion was agreed to.

SIEU-YOEH TSAI YANG

Mr. DIRKSEN. Mr. President, I ask that the Presiding Officer lay before the Senate the message from the House of Representatives with reference to S. 2835.

The PRESIDING OFFICER laid before the Senate the amendment of the House of Representatives to the bill (S. 2835) for the relief of Sieu-Yoeh Tsai Yang, which was, to strike out all after the enacting clause and insert:

> That the Attorney General is authorized and directed to cancel any outstanding orders and warrants of deportation, warrants of arrest, and bond, which may have issued in the case of Sieu-Yoeh Tsai Yang. From and after the date of the enactment of this Act, the said Sieu-Yoeh Tsai Yang shall not again be subject to deportation by reason of the same facts upon which such deportation proceedings were commenced or any such warrants and orders have issued.

Mr. DIRKSEN. Mr. President, on July 3, 1962, the Senate passed S. 2835 to grant the status of permanent residence in the United States to the beneficiary.

On August 7, 1962, the House of Representatives passed S. 2835 with an amendment to provide merely for cancellation of outstanding deportation proceedings.

I move that the Senate concur in the House amendment to S. 2835.

The PRESIDING OFFICER. The question is on agreeing to the motion by the Senator from Illinois.

The motion was agreed to.

BARTOLA MARIA S. LA MADRID

Mr. DIRKSEN. Mr. President, I ask that the Presiding Officer lay before the Senate the messages from the House of Representatives regarding S. 3039.

The PRESIDING OFFICER laid before the Senate the amendment of the House of Representatives to the bill (S. 3039) for the relief of Bartola Maria S. La Madrid, which was, to strike out all after the enacting clause and insert:

> That the Attorney General is authorized and directed to cancel any outstanding orders and warrants of deportation, warrants of arrest, and bond, which may have issued in the case of Bartola Maria S. La Madrid. From and after the date of the enactment of this Act, the said Bartola Maria S. La Madrid shall not again be subject to deportation by reason of the same facts upon which such deportation proceedings were commenced or any such warrants and orders have issued.

Mr. DIRKSEN. Mr. President, on July 3, 1962, the Senate passed S. 3039, to grant the status of permanent residence in the United States to the beneficiary.

On August 7, 1962, the House of Representatives passed S. 3039 with an amendment to provide merely for cancellation of outstanding deportation proceedings.

I move that the Senate concur in the House amendment to S. 3039.

The PRESIDING OFFICER. The question is on agreeing to the motion by the Senator from Illinois.

The motion was agreed to.

INCREASES IN RATES OF DISABILITY COMPENSATION

Mr. JAVITS. Madam President, I am pleased to note that there is pending on the Senate Calendar H.R. 10743, the bill already passed by the House to increase the rates of compensation for veterans who have incurred service-connected disabilities.

I very much hope that it will be called up as quickly as possible and passed for the President's signature. The Nation should not—and I am sure does not—begrudge to its injured veterans this very much needed but quite conservative adjustment so that these veterans may be better able to cope with the rising cost of living.

This bill simply calls for additional compensation to take care of the great changes in the cost of living since the rates were last adjusted in 1957. It would also increase compensation for the more seriously disabled veterans. For example, an American war veteran, totally disabled and permanently housebound as a result of service wounds, now receives $265 a month. The pending bill would increase this amount by $25 to $290. According to the Senate Finance Committee, the total cost of increases would be approximately $98 million in the first year.

This reasonable measure is strongly supported by the Veterans' Administration and the Disabled American Veterans.

Yesterday I had the great privilege of making a speech before the opening session of the convention of the Disabled American Veterans. There is no group in American to who we are more grateful—and quite properly so—than the Disabled American Veterans.

Madam President, I know of the deep feelings the American people and the Senators have for the disabled veterans—the blind, those who have lost their limbs, those who have suffered grievous wounds in defense of this Nation—and I express the deep hope that we may in this session, before we go home, yet pass this very critically important bill. I shall do everything I can to bring that about.

Madam President, the bill deserves to be on anybody's "must" list—the President's, the Congress', and that of each of us. I hope very much it will have our early attention.

Madam President, I think my time has been consumed, so I ask unanimous consent that I may proceed for 2 additional minutes.

The PRESIDING OFFICER (Mrs. NEUBERGER in the chair). Is there objection to the request of the Senator from New York? The Chair hears none, and it is so ordered.

DANGER IN BERLIN

Mr. JAVITS. Madam President, as I said in my speech yesterday, every American will be deeply disquieted by the news in the press about West Berlin and the riots at the wall, as headlined in the New York newspapers, and, I am sure, as headlined all over the country.

What has occurred represents a very tough problem and calls for great discipline on the part of the people of West Berlin and great understanding on our part. The provocation is absolutely intolerable. We understand that. Provocations, though dramatized by the beastly and inhuman shooting down of the young East German who was trying to escape to freedom across the awful Berlin wall, have nonetheless been occurring for months. Indeed, the first anniversary of the wall was the occasion for the demonstrations. But the people of West Berlin have been through the airlift in 1948 and 1949. At that time they showed great discipline and heroism when they were suffering en masse, and not alone in the particularized and very dramatic way which is epitomized by the wall and the separation of friends from friends and of families from families.

Our problem is that we cannot allow the policy of the United States, which might bring us to the always-present danger of war through a conflict of force in Berlin, to be made on the streets of Berlin. Therefore, I express the expectation that the subject will be dealt with on the highest level.

I was very much disquieted to note in yesterday's press the failure of the mayor of Berlin, the heroic and outstanding Willy Brandt, to caution his own people as to the implications of such acts in terms of driving the Western powers, which are in Berlin at such great risk and under such great responsibility, into some kind of difficult position with respect to the question of conflict in Berlin, and to urge the people of Berlin rather to stay their hands and restrain themselves, as horrible as the provocations are.

I hope very much that in the days ahead our President and the State Department will make our position crystal clear to Chancellor Adenauer and other German leaders, so that Chancellor Adenauer may communicate it to others. Though we completely understand the problems which are erupting with such indignation and even violence on the streets of Berlin, yet we cannot allow American or allied policy to be governed by that kind of situation, because the result might be contrary to what the provocations so justly deserve.

So I express the hope and expectation which we have already expressed, that there will be an understanding, in terms of the conduct of the people of West Berlin themselves, who have so much at stake, that, having given vent to their feelings so unmistakably, there now may be some sense of discipline in the situation, which would be far more conducive to ultimate success in the very thing they seek than pushing the allies into a corner from which they might take a route which would be very disagreeable to the maintenance of freedom in Berlin.

Let us remember that the Vice President has properly, and in the name of all American people, pledged our lives, our fortunes, and our sacred honor to the defense of freedom in Berlin. Let us take it very seriously, as we must, but let the people of West Berlin themselves take it equally seriously.

Mr. HUMPHREY. Madam President, will the Senator yield?

Mr. JAVITS. I am delighted to yield to the distinguished Senator from Minnesota.

Mr. HUMPHREY. I ask the Senator to yield only to say that, as one Senator, I am very grateful to the Senator from New York in respect to the particular issue on which he has spoken, not only now but in the past. The people of West Berlin have lived under constant tension and have faced hundreds of provocations that would test the emotional stability of the greatest and strongest of any people. Nevertheless, the policy of our Nation, which has the major responsibility in West Berlin for the freedom and security of that area, must be governed by our commitments to our NATO allies, our commitments to the people of West Berlin, and our requirements of national security. That means that while large numbers of citizens in West Berlin may storm the gates, so to speak, and beat their fists against the wall, it is the duty of officials in this country and those who are responsible for the conduct of our troops and our other personnel in West Berlin to take a responsible, objective, and careful attitude at all times, and judge our policy on the basis of what the requirements are for the freedom of Berlin rather than the immediate emotional issue.

The Senator from New York has stated the situation very well. My heart goes out to those fine, good people. As one human being, I was as distressed as anyone could be over the tragic circumstances which developed in the past few days, such as the shooting of the young man who sought freedom by escaping from East Germany into West Berlin. Nevertheless, it is my view that our Government must proceed with caution, and yet firmness, with sympathy, and yet due deliberation at all times, lest we precipitate some thoughtless or emotional act and major crisis.

The Senator has emphasized that point very well. I commend him for it. The easy way is to shake one's fist, to raise one's voice, and say, "Let us attack."

But the right way, it seems to me, is to stand guard, calmly, courageously, and perserveringly, to make sure that West Berlin remains a bastion of freedom, as we have pledged it to be. I thank the Senator.

Mr. JAVITS. I thank the Senator for his graciousness and, more importantly, for his confirmation of my view as to the policy of our country. There is a line between an indignant protest and a riot. That is the line which it is critically important that we keep clearly in mind, because the alternatives are extremely dangerous, both for our responsibilities and for the German people themselves. I express the deep feeling that after we have shown what we have in terms of our devotion to our commitments in West Germany, it would certainly be the path of constructive statesmanship to make us capable of keeping our commitments rather than to endeavor to impose policy on the streets of Berlin. I thank my colleague for his observations.

HERE'S HAWAII—OUR 50TH STATE

Mr. FONG. Madam President, 60 years after the Hawaiian Islands were annexed to the United States of America, the people of the 49 States, through their representatives in the Congress, answered Hawaii's call for admission to the Union. On August 21, 1959, 3 years ago today, the Islands of Hawaii became our 50th State, her citizens at long last full-fledged citizens of the oldest Republic in the world.

This third anniversary of statehood offers another opportunity to express "mahalo"—the Hawaiian word meaning "thanks"—to the citizens of our sister States for their faith and confidence in these mid-Pacific island people. Though we are separated by a 2,500-mile expanse of ocean, we are united with mainland Americans by the same magic ingredient that binds Americans from coast to coast and from border to border: That exalted concept as stated in our Declaration of Independence and affirmed in our Constitution that all men are created equal and are endowed by their Creator with certain unalienable rights, among them life, liberty, and the pursuit of happiness.

By all the experience of ages past, America should long ago have perished from dissension and internal strife. No other nation embraces within its boundaries the great heterogeneity of nationality groups, racial groups, religious groups, labor groups, social groups, professional groups—all manner of groups—which exist in America.

But in America we have discovered a way of working together that surmounts our differences, and we find in that very variety enrichment and spice for our lives.

Nowhere in our vast Nation has this harmony been more evident than in Hawaii.

When the word "Hawaii" is mentioned, customarily unfolds a mental image of blue skies, rolling surf, white beaches, swaying palm trees, thatched huts, and lovely hula maidens dancing on the shore while tawny-skinned natives watch—all in all, a portrait of a relatively primitive society.

Hawaii today still possesses blue skies, rolling surf, white beaches, swaying palm trees and, thank goodness, hula maidens. Our climate, too, remains delightful, averaging 78° in summer and 72° in winter, and the trade winds still caress our islands.

But our community is no longer primitive but very modern and progressive. Multistory apartments, hotels, and solid homes have long since replaced the thatched huts, and a multiracial people now reside in the once exclusively Polynesian paradise. Hawaii's profile has indeed changed.

Today, more than 630,000 civilians, augmented by nearly 60,000 military personnel call Hawaii home. Actually, Hawaii is a community composed of immigrants. Even the so-called native Hawaiians are descendants of adventurous Polynesians, those skillful mariners who, it is believed, sailed the vast Pacific from Mayalsia in single and double canoes. Centuries later explorers and sailors from the chief maritime powers of the world made Hawaii a port of call, and successive waves of immigrants flooded Hawaii's shores.

So that today, some 202,000 persons, or 32 percent, are of Caucasian ancestry; 203,000, or 32.2 percent, of Japanese ancestry; 69,000, or 10.9 percent, of Filipino ancestry; 38,000, or 6 percent, of Chinese ancestry; and some 119,000, or 18.9 percent, of all other ancestries, according to the U.S. census of 1960. Included in the category of "all other" are 9,000 full-blooded Hawaiians and more than 100,000 part Hawaiians.

The people of Hawaii are a relatively young people. Surprisingly, statehood has had little effect on population growth in our islands, and our median age remains 24.

Hawaii has a fine public school system and notable private schools as well. This year 9,600 students graduated from our high schools, compared with only 5,200 10 years ago. Nearly two-thirds of Hawaii's graduates this year plan to attend college or other training schools.

We are a religious people. There are more than 400 Protestant churches, 115 Catholic churches, and more than 100 Buddhist temples in the State of Hawaii.

Topographically, Hawaii is most diverse, boasting such varied attractions as deserts and swamps, mountains and seashore, sun and snow, lush valleys, and barren lava flows, and some of the most spectacular scenery in the world.

Our geographic location, once a negative factor in Hawaii's economic development, has now become an important growth factor. It has made Hawaii a world travel center, the operational center for America's defense system throughout the Pacific, and the only central Pacific port for the rapidly growing volume of shipping and air transportation.

So that today, as our State Department of Economic Development recently pointed out, health, wealth, and happiness increased in the past fiscal year.

As to health, no cases of typhoid, diptheria, or whooping cough were reported. The tuberculosis death rate was down to 2.2 per 100,000 population.

As to wealth, Hawaii ranks above the national average in per capita income, in growth of personal income, in percentage of labor force employed, in construction in ratio to population, in growth of bank clearings, in per capita automobile ownership, and many other factors that indicate economic well-being.

According to one consumer analysis, approximately 96 percent of the households in Honolulu have a radio; 91 percent have one or more television sets; 68 percent have an automatic washer; and 22 percent a food freezer.

As for happiness, marriages were up to 8.8 per 1,000 population.

Agriculture remains Hawaii's leading industry by far, with sugar, king, earning $145 million last year and pineapple, queen, at $117 million. Other agriculture produced $43½ million in 1961, including dairy milk at a value of $10.4 million; beef cattle, $9.7 million; eggs, $7.1 million; vegetables, $5.8 million; hogs, $3.7 million; coffee, $3.2 million; poultry meat, $2.1 million; and fruits, $1.6 million.

Our second leading industry, tourism, produced $137 million in 1961, and, we are hopeful, will reach $156 million this year.

Federal spending for military purposes exceeded the $400 million mark in 1961, as Hawaii continued to play its crucial role as the hub of our Nation's Pacific defense and our first line of defense in that far-reaching and important ocean.

Manufacturing in 1961 had a total value of $168.6 million, while the value of construction was $268.5 million. Hawaii's exports in 1961 reached $281 million as against imports of $573 million. Retail sales totaled $862.5 million, while wholesale sales were $354 million.

Motor car registrations for 1961 were 249,400, while telephones in use totaled 221,600. On our most populous island, Oahu, 1.5 billion kilowatt-hours of electricity were sold.

In 1961, average annual unemployment ran at 4.1 percent, versus 6.7 percent for the entire United States. Personal income was up 5 percent, versus the Federal average of 3.6 percent. Population was up 5.6 percent; diversified manufacturing jumped nearly 16 percent; defense spending advanced 8 percent; bank clearings were 14 percent above 1960; and 49,000 telephones were put into use. Sugar income rose $19.3 million in 1961, although pineapple declined $3.2 million. Visitors spent 6 million additional dollars in Hawaii. Construction fell off 2.5 percent, as it leveled off from its boom strength.

Hawaii's economic outlook for the future continues bright. There are many yet unpublicized projects and plans in the mill which will augment known expansion and growth plans. Our mood, I should say, is increasingly realistic and confident.

Meantime, since statehood, Hawaii finds our Nation is increasingly relying upon us to assist in national and international programs. Hawaii's missile tracking station participated in the space orbital flights of our astronauts in addition to performing valuable service in connection with high altitude and space research. Hawaii's excellent shipyard at Pearl Harbor was selected to service and repair some of our newest underwater weapons, the Polaris submarines.

Hawaii was selected as the site for the East-West Center created by Congress in 1960. This is an institution where Asian and American students and scholars may study and learn not only about their field of interest, but about each other, so that occidental and oriental may draw nearer in mutual understanding and respect.

Construction began last year on the East-West Center complex of buildings, of which the women's dormitory and transient quarters are due for completion in September; the administration and food service building, the theater-auditorium, and Gateway House, for completion in November; the men's high-rise dormitory, in January; and a classroom-laboratory building, next July.

Hawaii also was selected as a training site for Peace Corps members destined for assignment in Asia and the Far East.

More and more as a State, Hawaii is fulfilling its manifest destiny: To build a bridge between mainland United States and the vast area of Asia and the Pacific wherein reside more than one-half of the world's population. It is a big task, for few of these people know or understand America.

As the Pacific showcase of America's economic and political democracy and living evidence of America's brotherhood with all peoples, Hawaii since statehood is full partner with her 49 sister States in our Nation's overriding struggle to fashion a world recognizing the inherent dignity and equality of man.

On this third anniversary of statehood, Hawaii reaffirms its adherence to fundamental American policy, so eloquently expressed by the eminent Judge Learned Hand:

> Right knows no boundaries and justice no frontier; the brotherhood of man is not a domestic institution. We may not stop until we have done our part to fashion a world in which there shall be some share of fellowship.

NEWS CONFERENCE ON SOVIET SPACE FEATS

Mr. WILEY. Madam President, the Nation, following the Russian space dual-orbiting of spacecraft, is reexamining the significance of this feat, both militarily and scientifically.

Recently, NASA officials discussed the significance of Soviet progress in a news conference. The participants included: James E. Webb, Administrator, Dr. Hugh L. Dryden, Deputy Administrator, Dr.

Robert C. Seamans, Jr., Associate Administrator, D. Brainerd Holmes, Director, Office of Manned Space Flight, and O. B. Lloyd, Jr., Director, Office of Public Services and Information.

The conference, I believe, deserves the attention of Congress. I ask unanimous consent to have printed in the RECORD a news release relating to the conference.

There being no objection, the release was ordered to be printed in the RECORD, as follows:

NEWS CONFERENCE ON RUSSIAN SPACE SHOT

(Participants: Mr. James E. Webb, Administrator, NASA; Dr. Hugh L. Dryden, Deputy Administrator, NASA; Dr. Robert C. Seamans, Jr., Associate Administrator, NASA; Mr. D. Brainerd Holmes, Director, Office of Manned Space Flight, NASA; and Mr. O. B. Lloyd, Jr., Director, Office of Public Services and Information, NASA.)

Mr. WEBB. Ladies and gentlemen, we understand that quite a number of you have questions that you would like to ask those of us in the Space Administration who have been concerned with the manned space program. I thought Mr. Brainerd Holmes would be here. We are trying to find out whether he got delayed somewhere on the way.

As I am sure all of you know, we have here Dr. Hugh Dryden, Deputy Administrator, and Dr. Robert Seamans, Associate Administrator here.

If you have questions, let us have them. If they are for Mr. Holmes, we will expect him in just a few moments.

Question. Mr. Webb, first question: Do you think that the Russians hoped actually to link up these two ships in a completion of the actual rendezvous technique?

Mr. WEBB. The detailed review of the Russian flights has been made by Dr. Dryden more completely than it has by either Dr. Seamans or myself. I think that you would have a better answer from him, if that is satisfactory to you.

Here is Mr. Holmes now.

Dr. DRYDEN. The answer is very simple. I can't read the Russian mind any more than you can. I just don't know.

Question. Mr. Webb, sir, Bernard Lovell in England said this morning that on the basis of this double orbit, by Russia so far, he doubted whether America could catch up within a decade. Do you have any comment?

Mr. WEBB. You will have to evaluate Dr. Lovell's statement for yourself. I differ with him. I think the key—and again you will have to bear in mind that as an administrator I am not weighing the details of the technical problems involved—looking at the buildup of some of the bigger programs of the United States, with which I have been involved, from the first Greek/Turkish aid program, on through the military assistance program which, I would like to remind you, was a billion and a half dollars the first year, I would say that we have underway a large, ongoing, fast-pace program.

One of the essential elements of President Kennedy's decision a year ago was to build big boosters. In the intervening time we have put under contract to mobilize the resources not only of the Government but of a large number of American companies, the various stages of the big boosters required to give us great capacity in space.

This work is going forward. It will produce results in this decade that I believe will put the United States in a satisfactory position in space.

Question. Mr. Holmes, I would like to ask you if you were surprised by this twin flight, and do you feel it means that the Russians can beat us to the moon now?

Mr. HOLMES. I can't hear the question.

Question. The question is, Was Mr. Holmes surprised by the Soviet flight, and does he feel it means they can beat us to the moon?

Mr. HOLMES. No, I wasn't surprised. I certainly didn't expect the exact thing that they did. On the other hand, if one analyzes what they did, I think we would be selling the Russians pretty short if we didn't feel that a year after they launched a Vostok on a booster that could lift that kind of a weight, something of the order of 10,000 pounds, that they couldn't indeed perform in this fashion.

I think a much more significant way to look at this when people say are they ahead of us and does this mean they are so many years ahead, is that we are woking in a development program where the work that one does today doesn't reach fruition for several years, and the work they have done today or in the last few days is work that they had been doing over the past years. I don't think it has any particular significance on our race to the moon.

Question. Is there any evidence that they used a bigger booster to do this job with?

Dr. DRYDEN. The answer is "No." May I supplement this with just one statement?

So many people think that going to the moon is going down a one-way street, passing successive street corners. It is very far from that. It is the mobilization of a large task force with a lot of jobs to be done and brought to fruition simultaneously. It doesn't make much difference in which order you do them. The fact that the Russians have done one part of this job a little ahead of us does not mean that they are ahead on the whole enterprise of going to the moon.

Mr. WEBB. I would like to go back just one moment to this question of what the Russians may have intended.

I think it is important to recognize that their capability is one thing. What they may intend to do is another. It is very difficult to judge from the evidence precisely what they might intend. I think all of you know that most of the announcements that they have made about actual accomplishments in space have been borne out by the weight of evidence; and we have so announced, as officials of this Government from time to time.

I don't believe they have announced that they intended to join the spacecraft.

Question. Mr. Webb, along that same line, if I may: Has our tracking system confirmed the Soviet version of the flight of the two cosmonauts?

Mr. WEBB. Again I would like to refer that to Dr. Dryden.

Dr. DRYDEN. I think I would say that I don't think that we should discuss how much or how little we confirm. I will simply make the statement that the knowledge available to us does confirm that they launched the two ships, as they said; that they were launched within a very short time of each other; that they made what Chairman Khrushchev described as a group flight, and I call your attention to his choice of words. I am convinced myself that if they had made anything like a rendezvous that they would announce it immediately.

Question. Dr. Dryden, are you saying that they fired a couple of men——

Mr. WEBB. Wait a minute.

There are two questions. Can we let Dr. Seamans have a quick comment there?

Dr. SEAMANS. I would add to what Dr. Dryden said. He didn't mean that they both left terra firma at exactly the same time, but rather that the second spacecraft was launched very close to the intended time, so that it would end up in orbit close to the first spacecraft.

Question. Sir, are you saying, then, that what they did was launch a couple of manned cannonballs into space on very close orbit, but that apparently they did not try to adjust the orbits once in space with onboard propulsion?

Dr. DRYDEN. I do not know whether they adjusted the orbits or not.

Question. Why can we not get American tracking data on that? Apparently the Russians know what they did. Why shouldn't the American people find out what they did?

Dr. DRYDEN. I think your question is a good one. I think I have given you the information which is solid. They have done what they said they did. I do not know whether they did anything more than this at the present time.

Question. Dr. Dryden, what do you think was their intent? What do you think they meant by "group flight"?

Dr. DRYDEN. Group flight means two things flying together, like two airplanes in group formation.

Question. Is there any advantage in sending two men up in——

Dr. DRYDEN. The stated objective of the Russians, as I understand it, was to subject two men to identical space exposures, and weightlessness, to see whether there was any effect on the particular individual. This was announced, I believe, in the news from Moscow as the primary purpose of the flight, plus the obvious one of longer duration, which is needed to do this.

Question. Dr. Dryden, we know we have a radar tracking network——

Mr. WEBB. We had a question from the back ahead of you, please.

Question. In other words, do you fear, Dr. Dryden, there might be military implications?

Dr. DRYDEN. No, any more than there is military implications in any activity in space. I think the Russians did a thoroughly professional job in the launching of these two satellites.

Mr. WEBB. Certainly this technology is a base for military potential. The real question, I think, is at what time and in what manner will a decision be reached with respect to specific military missions and operations. I think this basically is the question.

This technology, just as our own technology, is the foundation for many things. The question of whether this particular flight would have military significance I would think ought to be answered by the military people perhaps more than by us. We regard it as a demonstration of very real technical capacity.

Would you want to add anything to that, Bob?

Dr. SEAMANS. No, I think it is well stated.

Question. Mr. Webb, in connection with your answer before, just to clarify this, you were asked whether you thought we would be ahead of the Russians, and you said you thought in the next decade we would be in a satisfactory position. Could you answer specifically whether you think in the next decade we will be ahead of the Russians?

Mr. WEBB. I think what I was asked is whether I agreed with another statement saying that we couldn't possibly catch up in the next 10 years.

I think you must think of these programs, if you are thinking at the policy level, of the resources to be invested, of the reaction you may have to any one of these street corners that you pass going down the street, as Dr. Dryden has characterized it.

My own belief is that the bringing to bear through the resources that the Government is applying, the utilization of those resources to mobilize industry will give us a position satisfactory to the United States. Whether you say we will be ahead with respect to some specific kind of an event, I think we will make the manned lunar landing and return before they do.

Question. Mr. Webb, I don't know whether I should direct this to you or Dr. Dryden.

There have been varying reports, none from Russia of course, about the size and weight of the two latest spacecraft. One Danish newspaper today, a Communist newspaper, said it was 8½ tons.

Do you have any information as to whether the two latest spacecraft were actually larger and heavier than the previous ones of Gagarin and Titov?

Mr. WEBB. I believe Dr. Dryden answered that before.

Dr. DRYDEN. We have no definite information. As you know, the former Vostok was 10,000 pounds. We know that the same booster has put 14,000 pounds in orbit in the Venus shot.

Question. Does the fact that they were exercising and moving around in the cabin indicate it was a larger cabin?

Dr. DRYDEN. The television pictures I saw didn't indicate any possibility of moving around. They could stir in the chair and lean over, but I did not see any evidence that they could move around in the sense of walking around.

Question. Dr. Dryden, were there any indications that any forces other than natural decays through atmospheric drag were operating on these two Russian satellites from the moment they were injected until the moment they came back? Did they have on-board rocket propulsion?

Dr. DRYDEN. I do not know, from anything that I have seen.

Question. I would like to ask Dr. Holmes if he sees in the tracking data from the Soviet flight any tipoff to the techniques they are going to use for a lunar voyage; and if he does, whether or not it gives him any doubts about our program.

Mr. HOLMES. No, on all counts.

Mr. WEBB. You see, you can't read the outline of a broad program from one event in the program. One of the Russian cosmonauts stated, as reported in the press, that this was like the first steps of a baby. You can't tell which baby will win the race in the track meet at age 16 or 18 from the first steps taken. This is their own characterization. It is not a bad one.

Dr. DRYDEN. I think if you just look at the record, it has been a little over a year since any manned activity by the Russians until this present flight.

Question. Dr. Dryden, could you tell us the significance of that last statement? What is the significance of that?

Dr. DRYDEN. Well, it has not been a vigorously pushed activity program. There have been no flights since about a year ago.

Question. Is there any indication they had failures, attempted flights?

Dr. DRYDEN. I know of none.

Question. Dr. Dryden, can we just clear up the other point of Dr. Lovell's comment, which was that from a technological viewpoint he thought that the Russians could now knock down or remove any American satellite at a moment in orbit.

Dr. DRYDEN. I think there are easier ways than this of doing that.

Question. What does that mean?

Dr. DRYDEN. Well, if you decided you wanted to knock down satellites, I don't think you would do it by sending up a manned satellite at the moment.

Question. Dr. Dryden, if they tried to go to the moon by putting together a dozen or so Vostoks, how long do you think it would take them?

Dr. DRYDEN. I don't know. Your estimate is about the same as mine. If you use the figures of 10,000 and 14,000 pounds, it would take at least 7 to 10 loads put together to go to the moon.

Question. NASA rejected this approach of multiple rendezvous. Why did NASA reject that approach if it is feasible, or is it feasible at all?

Dr. SEAMANS. It represents a very difficult problem to take up exactly the right elements so that they will all nicely fit together and can be nicely checked out in orbit before going to the moon.

Dr. DRYDEN. I think some of you asked about the significance from a rendezvous point of view. This attempt, if it was an attempt, represents the simplest case where you launch both vehicles from the same launch region, with the same facilities and the same orbital plane.

It is a little bit more difficult problem to change orbital plane and to rendezvous with an object which is not in the same orbital plane. In other words, this is the first step; assuming that it is the first step in rendezvous, there is still a lot more to be done before rendezvous is accomplished.

Question. Is there any possibility of rendezvousing outside of a different plane than the one originally projected? If so, about how many degrees out of phase could it rendezvous?

Dr. DRYDEN. I don't know. These two orbits, as you know, were within 2 minutes of the same inclination, and differing only a few miles in the orbital elements.

Question. Couldn't there be a takeoff for the moon from such an orbit?

Dr. DRYDEN. Not manned. It takes a weight, as my friend out here estimated, he said 12 times—I said 7 to 10 times—the load of one of these boosters.

Question. Dr. Seamans, or Dr. Holmes, I wonder if you would comment on the accuracy of the guidance involved, and also the ability, the apparent ability of the Russians to do this on the first crack. Is this by any means a criticism of our own program?

Dr. SEAMANS. My understanding is that as far as guidance accuracy is concerned, what they achieved is roughly comparable to what we achieve in our Mercury flights. To me the significant element here is that on the second flight they were able to take off within a limited period of time.

As you all know who have covered these flights, countdowns can be protracted for one reason or another.

Dr. DRYDEN. You might spell that out in a little more detail. If you look at the orbital elements of the Glenn flight and the Carpenter flight, they are within the limits shown by these two spacecraft, although they were launched at different times.

Question. Mr. Webb, you mentioned a few minutes ago about the resources we are devoting to our program. Do you think we are devoting enough resources if, as you say, we are going to beat the Russians to the moon?

Mr. WEBB. This is a very difficult question. This Government is a representative government. The programs of the Government were outlined by the President in his budget, recommended by him to the Congress, then passed on by the Congress. The President has weighed the requirements of this program as against all others in the Government. He has made his recommendations. The Congress has in a bipartisan way almost unanimously approved those recommendations.

Under the first recommendations made last year, which stepped the program up to about $1.7 billion, and did include a driving effort to build big boosters and a family of manned spacecraft, we made tremendous progress over the past year.

We have gotten the Mercury moving toward a 1-day mission, we have got the Gemini under contract with the boosters to fly it, we have the Saturn program advanced rapidly, looking to an advanced Saturn with all of the units of the advanced Saturn already under contract. These are very large accomplishments in that period of time.

It is this kind of trend that I think indicates the power that this Nation's space program will show. Whether or not this kind of doubling each year is enough, I would say that it is going to answer the needs of this Nation if the present buildup proceeds.

On the other hand, there are other very great needs of the Nation and this Nation will have to consider, very carefully, how it utilizes space. At the present moment the policy of the Government is to operate for a peaceful benefit-of-mankind program to the maximum extent possible. It has a military program, but it is not in the mainstream of this activity, technological development in an open way. Whether you would have to convert over toward this kind of a major emphasis on military programs is a decision that will have to come with time, depending on all of the elements.

If such a thing should have to take place, undoubtedly greater resources I think would go into the program.

But right now we are going to build a 7.5-million-pound Saturn as rapidly as the industrial might of the United States can build it, without going in parallel courses of development. We might even have to decide to overcome some obstacles with parallel courses, as was done in the Manhattan project. But I think a very real step-up in the resources available has been made by this administration and is having its effect.

Question. Mr. Webb, some of our top Air Force officials, General LeMay, for one, have expressed themselves many times in recent months saying we are not doing enough militarily in space. Is there anything in these flights which would lead you to believe that he has a point?

Mr. WEBB. The way you phrase your question, you are asking me to agree or disagree with General LeMay, who is Chief of Staff of the Air Force. I don't really think I want to do that. I have stated that the program as outlined by the President, as endorsed by the Congress and with funds provided by the Congress to carry it out, is mainly to develop the base of research, science, technology that gives us the capacity to utilize that power either militarily or for other purposes. The policy is to try to utilize it for these other purposes as long as possible.

I can understand the concern of military men about this. I believe, as one administer in this Government, that we do have a balanced way to consider these items.

Question. Mr. Webb, if it were your decision, if you wanted to do it, could you take over another pad if the range people down there made it available to you, and lob two men in two spacecrafts into similar orbits for a 24-hour period.

Mr. WEBB. Within what time period? It takes a good deal of time to convert a launch pad from previous use to one of this kind.

Question. I mean if a pad were available to you, a second pad, other than 14, could you duplicate what the Russians did, at least insofar as putting two men in two spacecrafts into a similar orbit pattern?

Mr. WEBB. I think it is doubtful if the Atlas were the vehicle to be used.

Question. Is a further speedup in our program possible, and have you four gentlemen discussed such a speedup since this flight?

Mr. WEBB. The answer is "Yes, a speedup in the program is possible." The program, as I have said to the Senate Appropriation Committee last Friday, when requesting the restoration of the funds that were eliminated by the House, I said this is a fast-paced program. It is not a crash program or an all-automatic program. I think that is the way you would characterize it.

If you want to convert from a very fast paced program that is utilizing the state of the art as it develops as rapidly as you can do without an all-out or crash program, that is what we now have.

If you want to convert it, we have the capacity. We built an organization of able men. We have tremendous resources working with us on this program. They could do more.

Question. Have you gentlemen discussed that?

Mr. WEBB. Yes, we have discussed the problems, the review of this program. We are continuously discussing this kind of a question here. We are in very close touch with the Defense Department. Mr. McNamara was over here for lunch a few weeks ago. We go over there. We meet once a month for a pretty thorough discussion.

We are reviewing—it is no secret from you gentlemen—he and I and the Budget Director are giving very active consideration to the total space program looking toward the 1964 budget.

I would not want to leave the impression that we would recommend to the President or that he will send to the Congress a supplemental appropriation for the fiscal year 1963. I doubt that that will take place.

But again I cannot speak for the President in that regard. Governments may come that would indicate that. But I do think that in connection with the continuation of the present drive of our ongoing program, you could spend money faster if you wanted to convert it into a program. But this would result in rather large budget figures here and in the Defense Department.

Question. How large, sir?

Mr. WEBB. I don't want to try predicting an exact amount, especially where military programs are concerned.

You know that this year our program, as recommended by the President, was about $3.9 billion, including a supplemental request. The military figures were announced to be about $1.5 billion. You add those together and you are between $5.5 and $6 billion for this year for both programs.

If you wanted to convert this to what you might call an all-out program in connection with NASA, you would go beyond, say, $5 to $5.5 billion a year. You might go beyond $6 billion a year for this organization.

Question. Could you give us an idea of some of the things you might do if you were to move from a fast-pace to a crash-basis program?

Mr. WEBB. I think I should leave it to these gentlemen. I will start the discussion by saying that I think we would look at hydrogen technology on which our upper stages are all based. We might start some parallel developments in this area of hydrogen technology. If we had an upper stage to put on our present Saturn C–1 today, we could do a great deal. This would give us a weight-lifting capacity greater than that that has been demonstrated by the Russians up to now.

Maybe other gentlemen here might want to comment on that.

There are probably other things we would do in the scientific exploration to accumulate the knowledge that would permit us to generate real power in space. We have a good program there and it is ongoing. But in the development of the hardware and the technology, we might invest more resources if we want to try to get boost capacity somewhat faster.

Question. When do you expect the Advanced Saturn, and how much time would you gain if you had a crash program?

Mr. WEBB. Just a minute. We haven't quite answered that question unless you are satisfied with that answer.

Mr. HOLMES. I was satisfied with it. I think it would be unrealistic not to say that an all-out crash program, where national survival, where funds you say were unlimited or secondary, that certainly in parallel developments, you would work less efficiently by working people more overtime. You would do all this kind of thing which I don't believe leads to a better program. But if it were that kind of a crash effort that is what you would do and that is where you would spend your money.

Mr. WEBB. We will learn a vast amount from the Gemini program not only about extended weightlessness with our men but also with respect to the rendezvous technique. We will be working in intimate association with the military services who will launch the Atlas and the Agena with which our craft will rendezvous.

The Gemini is now on a two-shift basis. Would you put it on a 2½-shift basis? Actually, when you are doing this advanced technology, it is not easy to transfer the particular job from a man who has worked 8 hours during the day to a man who is going to work 8 hours during the night and then make another transfer to pick up the same job to do on the third shift. These are the kinds of questions you have to consider.

You can get more done. It will be done inefficiently. We believe we have a program that marries all of the considerations in an effective way, and is going to give results that the American people will be proud of.

Question. When do you expect to have the Advanced Saturn C, and when could you get it if you had a crash program?

Mr. WEBB. Bob, do you want to answer the first part of that?

Dr. SEAMANS. 1965, the first part. I don't know what Brainerd thinks he could do if he had unlimited resources.

Mr. HOLMES. 1965 is surely correct.

If you can tell me how much unlimited resources and what the ground rules are, I could give you a new date. I wouldn't hazard it this way.

Question. The only ground rules are in the context of what we are talking about now, what Mr. Webb referred to as a crash program?

Mr. WEBB. Would you give it a higher priority than some of our military programs? This is the kind of question you would have to answer in that regard. Undoubtedly some of the resources required to advance these big boosters would cut into the effort now going into military programs and I would like to say, as a matter of policy, wherever there has been a question of a military program utilizing resources, we have always taken the position in this agency and in the Government that that comes ahead of our work in the industrial placing of contracts.

Question. Let me settle it for you. If the premise were set that it was militarily important to get to the moon in a hurry, and therefore you did get some of that money, how much time could you save if you had a crash program?

Mr. WEBB. It isn't money. It is a question of changing men from work on missiles and warheads into building big boosters. That is the kind of question.

Dr. SEAMANS. I think it ought to be clear that the Advanced Saturn is being developed in a very aggressive fashion. It does have a DX priority. I am sure that you can always save a few months of time, but no matter how much effort on it, you are not going to save very much time.

Question. In other words, even with a crash program——

Dr. SEAMANS. What you are really doing is providing greater assurance of meeting a particular target date, rather than of guaranteeing that you are going to speed it up.

Mr. HOLMES. Optimistically, it will be 6 months to a year. It is that sort of thing.

Question. The best you can do with a crash program is 6 months to a year?

Mr. HOLMES. On the Advanced Saturn.

Mr. WEBB. I think you must bear in mind that this program now, and the manpower going into it, is doubling every year and has done so for the last several years. It will double again with the money now being appropriated by the Congress. The question is, do you want to do more than double every year? This is a great national decision.

Question. Mr. Webb, you say that we are going to land a man on the moon before the Russians. Mr. Holmes said that the two men just sent up didn't have any significance in the moon race. But in the past few days a lot of people, scientists and laymen, have taken the opposite view, that the Russians are pulling ahead rather than our catching up, and they don't see any event, any program that will be a point when we will catch and overtake the Russians.

Mr. WEBB. First I said that my opinion is that we will meet the date set by President Kennedy of making the landing in this decade, and I think we will do it, considering all of the resources we are putting into it in advance of the Russians. That is really what I said.

The second, I don't think Mr. Holmes said there was no significance in connection with the lunar program of the flights made by the Russians. These, as I stated earlier, are demonstrations of a very real technological capacity, an ability to plan and engineer and build and fly vehicles that can carry men for extended periods of time. They have this significance of advancing one more step of the first, you might almost say, steps of an infant out into space, the infant human race. They do have significance. So I wouldn't say they have no significance.

The people who have been making statements that this has more significance than we believe it has have to speak for themselves. You have to judge them on the basis of their knowledge. We are responsible Government officials here giving you the best we can as to what the situation really is.

Question. What point in the program, or what accomplishment do you see the United States able to do before the Russians are able to do it? What year will that be in?

Mr. WEBB. Let me add one point to the previous statement.

You see, in this country we have had a tendency for a great many people over a period of years who felt we ought to have a program to rush out with a great many statements about the need for a program and where we stand and catastrophic events that would come if no program were developed. A good many of these people are still sort of making speeches related to the past without relating them to the on-going drive and force of this stream of effort that is now going in. So I think you have got to judge them against the program as you know it, as it has been released, as we have presented it to the Congress.

With respect to the specific items that you asked, when will we do one thing or another ahead of them, I don't know what they are going to do. We were rather expecting a multimanned flight at some time. I have stated many times, and so have my colleagues, that they would probably do a multimanned orbital flight around the earth before we could. They will probably do a circumlunar multimanned flight before we had the booster capacity to do it. But when it comes to doing all of the things required to make a landing on the moon and return, our program was going to develop the power to do that ahead of them. They may take a different tack than anything that we have indicated.

We ourselves may change our program. We have pointed out very, very clearly that we are developing technological capacity and that we are going to be guided by the developments that occur, that we are running a flexible program, and that we will, if we run into an insuperable obstacle in one area, we will move over and do something else. So I don't think you can match up the planned schedule which we have announced with some, say, speculation as to what their planned schedule may be.

Question. Dr. Seamans, there are increasing scientific and engineering doubts being weighed now that we may be overprogramed; that with Mercury, Gemini, and Apollo, and a versatile booster of unmanned satellites, we may be attempting to whack off too big a piece at once and we could get there a lot faster if we simplified our programs. What is your answer to that?

Dr. SEAMANS. My answer to that is that we have very carefully reviewed the Mercury, the Gemini, and the Apollo in order to have a concerted effort that would get the maximum out of each one of these projects. We think they all play a very real role in the total manned space effort, and we would be most reluctant to give up any part of the program. We feel that we are learning as we go along with the Mercury up to 1 day, with Gemini, with several astronauts up to a week or more with rendezevous capability, and then with Apollo If you notice the way the program is organized, no one of these projects is contingent upon the other in the sense that one contractor has several of these jobs and hence might serve as a bottleneck.

Question. But are you not diffusing your scientific manpower and budget by so many things?

Dr. DRYDEN. Let me try a hand at that.

When the space agency was formed we took over the then existing Saturn project. This is now going forward. In a year or two we will be flying this.

The only way to advance space flight is to fly. And the astronauts of the United States cannot rely on the flight experience of the astronauts of some other country.

If you stopped Mercury and Gemini, you would do nothing in the way of space flight until the other vehicles came along. We are using what we have got. We are using Atlas, Titan in the Gemini program. You can't use a booster that you don't have. And it does not seem wise to stop all manned space flight until you have the C–5, for example. This just doesn't make any sense.

We couldn't suspend our operations, close down all our tracking teams for 18 months and then try to revive it again. Just because somebody else in another country flies an airplane, we don't stop training our pilots and say they have flown, there aren't all these mysterious effects. We have to get the experience with our own people. And to get the experience we have to keep flying.

Mr. WEBB. Let me take one little cut at that. We have talked a lot about big boosters. When we planned the Mercury program, the Atlas was the biggest booster we had. When the Titan became available, we planned the Gemini program to use the Titan and which was the biggest booster available to us and put under development the Advanced Saturn which will give us a 10 times bigger booster.

So we are actually using the biggest boosters we have to get the biggest manned spacecraft into use as early as possible.

I think Dr. Dryden alluded to that, but I would like to put it in those terms.

Question. Dr. Dryden, aside from whatever Soviet planning or intent might be involved, what do you think their chances are, capabilitywise, to circumlunar flight without landing on the moon? Are they close to it?

Dr. DRYDEN. I think I have been telling you and the Congress for years that there is a possibility that the Soviets can do circumlunar flight before we can. I once said there is a 50–50 chance, certainly no better than that, that we could do that as early as they can. It is for this reason, in fact, that our national goal was set at the lunar flight because this does require another booster on the part of the Russians as well as ourselves.

Ever since the space agency has been formed we have been waiting for this other shoe to be dropped. People have told us every month, the Russians are going to produce this big booster in the next few months. Now 4 years have gone by and they have not yet shown us this big booster. To the best of our knowledge they have developed lighter weight nuclear weapons and ballistic missiles rather than bigger space boosters. This is not to say that they may not be doing this. All I am saying is that they will require a bigger booster to land men on the moon, and it was largely for that reason, I think, that the goal was selected that far into the future.

Question. Dr. Dryden, what would your guess be about what the next Soviet mission would be? We didn't go very far wrong with our guess on this one. We said a multimanned mission, one man in two vehicles. What would your guess be about the next one?

Dr. DRYDEN. I don't really know. They may, of course, continue along the line of development of a rendezvous. We don't know exactly what their experience has been with these two men. All we know is that they have survived it. We know nothing as yet about the effects which have been measured on the two men.

I think that it is possible now that they will move to a multimanned mission of some sort with more than one man in the same vehicle. Certainly the weights that are available to them would seem to make this possible.

Question. Would NASA find this kind of group flight useful?

Dr. DRYDEN. Not as a step in our program at the present time. This brings to mind the fact that our own rendezvous experiments are planned between a manned vehicle and an unmanned vehicle. It is not necessary that the rendezvous be between two manned vehicles.

Question. Do you think it is possible this was a stunt, something that they could have done before?

Dr. DRYDEN. The characteristic of the Russian program has been to seek for something startling and new. This is quite correct. Whether you want to call this a stunt or not, I don't know. It has moved forward in advancing their technical capabilities. I don't think you want to underestimate that.

Question. There have been proposals, Air Force in origin, for Air Force crew participation in Gemini or Gemini-type flights, and also for a military orbital test satellite. Can you comment at all on the status of these proposals in terms of interface——

Mr. WEBB. As I have said, we have had the very closest coordinated effort. We have many common projects. The X–15 is a concrete example. The Gemini project itself involves their launching of the Atlas and the Agena, the unmanned part of the program.

We have invited them to submit names of astronauts for the new group. They have done so. And undoubtedly most of the new astronauts will be men from our armed services. All of the present ones are.

When you say participation in the crews, all of the present crews have come from the Department of Defense.

Question. I didn't mean it that way, sir. I meant more in terms of programs that would be, or a program that would be in conjunction with the Gemini program to give specific military crew experience in orbital space flight.

Mr. WEBB. I would say that just as our program, the civilian program, has used military boosters, if we develop vehicles that are useful to them, all of us in the Government would be most happy for them to use them.

Question. Mr. Webb, one final clarification on spending. You said that a faster rate of spending, faster than the doubling each year, could speed up our program. But you haven't said, I think, whether you yourself will recommend this.

Mr. WEBB. You see, I haven't decided exactly what position would be in the interest of this agency, considering the total problem. I have to consider the specific things we want, but I have to do it in the light of the total program.

Remember, I have to sit as a member of the Space Council, as well as the Administrator of this agency. This means a slightly different responsibility than just to advocate a program for this agency as against all others.

Question. This Russian flight has not changed your mind about this rate of spending?

Mr. WEBB. No, it has not. I think we have a solid program that is going to get a real job done and in faster order than most people think, or at least the critics think.

Question. Mr. Webb, if I heard you correctly, you have said fairly positively that we will beat the Russians to the moon?

Mr. WEBB. I have said in my opinion, considering the rapid advance of our program and the resources being devoted to it, if continued consistently and utilized effectively over the period of this decade, I think we will make the lunar landing and return before they do.

Question. Dr. Dryden, if I heard him correctly, said we are not sure where they stand on their booster program. So how do you reconcile this?

Mr. WEBB. I don't know that we can exactly reconcile every comment that we make here. I am judging as an administrator on the basis of what happens when you put large resources into a program like this, and my judgment is that it will be very difficult for them to make the rate of progress that these resources invested here indicate for us. He may be judging on a technical ground.

Question. But if they started test firing big boosters tomorrow, it would indicate they might beat us. Is it just optimism?

Dr. DRYDEN. They would have to man-rate this booster, as we will.

Question. If they started, say, 3 years—if they should start next month, for example, do we actually know——

Dr. DRYDEN. There are 8 years between now and the end of the decade. If you talk about a leadtime of this much; then intensive effort could make up a gap of that sort.

Mr. WEBB. But if they should begin to fly next month, as you say, something like the Saturn C–5, it would undoubtedly change my mind.

Question. I was curious if you had any information on the state of the art of their boosters, or if the statement was supported by hope and optimism?

Mr. WEBB. It is judgment.

Question. Mr. Webb, I am a little uncertain about an earlier question. Did you say that we had tracked the Soviet——

Mr. WEBB. No, I didn't say. I referred the question to Dr. Dryden, and he answered as best he could at the time.

Question. Have we been tracking it?

Dr. DRYDEN. I think the only statement to make is this: The NASA tracking system is designed to track our own vehicles primarily. During this period we have been tracking seven vehicles, as I see, or eight, including tracking of Echo, which some citizens still seem to want. This is quite a workload on our network.

We are able, as are many amateurs, to record voice and telemetry on 20 megacycles, and we are doing some of that.

Question. Are any Government agencies tracking?

Dr. DRYDEN. You will have to ask the Government agencies involved. It is not our mission to track.

Question. For how many years will the program double annually?

Mr. WEBB. I think if the decision of the Nation is to—I doubt in 1964 that the buildup of the program will require a doubling. This is a decision the President will have to make. So I would guess that 1963, without changing the status of the program, would be the last year that it would double. But I think the increase for 1964 would be quite substantial, something slightly less than double.

Question. Dr. Dryden, did I understand you correctly that you believe the Russians could make a circumlunar trip with their present booster and capsule combination?

Dr. Dryden. It is very marginal. I don't know.

Question. How many ships today are the Russian space people working?

Dr. Dryden. I don't know.

Question. Mr. Webb, there has been a growing school of thought until the last weekend that possibly the Russians have abdicated on their race to the moon and we are going on our own. Based on last weekend are you convinced that that assumption was erroneous?

Mr. Webb. I don't think you can run the programs of the United States on what you describe as the growing feeling over a period of time. We have a program which is funded by the Congress, and is proceeding to do the things that we regard as necessary in our national interest, and we expect to push ahead meeting that schedule in every way that we possible can.

I would like to point out to you another thing that is very, very important here. In the process of putting this program in motion, we have accumulated a basic ground network of resources from assembly and large test areas like the Mississippi test facility to large launching capacity at the cape, to connections between Huntsville, Michoud, Mississippi, and the cape and the manned spacecraft center at Houston. This is a capacity on which you could build an accelerated program very readily. It is something that would take you a long time to accumulate if you didn't have it.

We have the basis in our ongoing program, including the network of facilities, to move very rapidly if this should be the national decision.

Question. Sir, do you know anything new now about Russian landing techniques, and are they landing on dry land? If so, how?

Mr. Webb. May I refer that to Dr. Dryden? He said "anything new" on the techniques.

Dr. Dryden. I don't know of anything new. I suppose that they are landing by parachute, as they have been doing, mainly.

Question. Mr. Webb, is there any feeling in NASA that this shot was designed to overshadow the anniversary of the Berlin wall, this particular timing?

Mr. Webb. We are not the department to make those kinds of analyses. We have done the research in aeronautics here for many years and are still doing it.

We are doing the research in technology and development in space, and have become operational as an agency for space flights. We are not trying to assess the political intentions of these other countries.

Question. Dr. Dryden, could you estimate what kind of a payload they could escape into a circumlunar trajectory with the existing Vostok carrier?

Dr. Seamans. As you know, about 50 percent of what you put into earth orbit you can take into an escape mode. Giving them the full benefit of, say 14,000 pounds, with one, if they can rendezvous them, which is questionable for this particular mission, they would then have 14,000 pounds in a lunar trajectory, which is a very, very small weight for this particular mission.

Mr. Webb. You mean they would have it in an earth orbit?

Dr. Seamans. If you took up two. If it were just one, they could take about 7,000 pounds on a trajectory to the moon.

Question. 14,000 pounds, including its rocket motors to accelerate from earth orbit?

Dr. Seamans. If you start out with 14,000 pounds in earth orbit you will end up, if you have the right configuration and the right propulsion, including high-energy propellants, they might end up with 7,000 pounds on a trajectory to the moon.

Question. I would like to ask Dr. Holmes, What are some of the things you would do if you had the Soviet booster capacity at your disposal?

Mr. Holmes. Before answering that directly, I would like to point out—and I don't mean to be sanguine at all—but I think that we have known for some time that the Soviets have had a booster that they have used over and over and it should be reliable by use, and it is, and it did have a thrust much larger than anything we have had. I think the experiment or mission, whatever you want to call it, as performed, every element of it is directly related to just exactly that fact, from the timing of launch, reliability of the booster, from the size or capacity of the object launched, the payload capacity of the booster, from the reliability which they must have had in their environmental systems to operate over that period of time, payload capacity again, size, nothing crammed together.

So that I think if we had the booster, now to answer your question, in other words, I don't think it is surprising, I think it is an accomplishment but it is something we knew they had all along. If we had that booster I think we probably would be doing the kind of thing that we are heading for doing with Gemini earlier.

In other words, we are struggling in this country, as Mr. Webb has pointed out, and Dr. Dryden and Dr. Seamans, for more booster capacity. And if we had that capacity today we certainly would be doing longer mission flights or maybe multimanned flights, or things where you could experiment with more weight in orbit at an earlier date.

Mr. Webb. I think maybe some of you are getting tired of this. We can take a couple of more questions. I don't want to cut it off if you want to stay.

Question. I have a psychological question, about psychological atmosphere in the NASA, in some sections of NASA. The thing is that some honorable reporters from Cape Canaveral quoted some NASA representatives, and named them, as saying some rather gloomy predictions. For example, a miracle needed to beat Russians in the moon drive.

Some of your papers pointed out about the difficulties and the pessimistic mood of NASA. Can you comment on this?

Mr. Webb. I think you would have to judge that. We are here, the senior officials concerned with this, and we have expressed our opinions to you very freely in answer to your questions. Any such persons from the cape are not authorized to speak for the agency, nor were they in full possession of all the facts that we gentlemen have.

I think you have to judge that on the basis of the answers we give to your questions.

I do not feel pessimistic, if you ask me personally.

Question. I understood your position, but still the papers, for example, some morning papers—and it is widely publicized in the whole provincial press—said about some sections of NASA.

Dr. Dryden. There are 22,000 people in NASA. If you can't find one pessimist among them, there is something wrong.

Dr. Seamans. I would like to say, I am not a bit gloomy. We don't claim to be perfect prophets, but as others have said, we anticipated that the Soviets would be carrying out additional flights. We have laid out an extremely good program.

We have, we think, excellent resources within NASA. We know we have excellent resources in our industrial complex. We know that our universities have a very strong scientific background. And this country is moving into space.

Mr. Webb. I think you could say one other thing. There were people here a year or two ago who were saying: What is the use of doing anything because you will never catch the Russians? I would say that seldom in the history of any nation has as much been accomplished in a 12-month period of time as this agency has accomplished in a very advanced area of science, technology, operations, and courageous men to fly the vehicles.

Question. Thank you very much, sir.

(Thereupon, at 4:25 p.m., the conference was concluded.)

NEEDED: CONGRESSIONAL HEARINGS ON MILITARY POTENTIALS OF SOVIET MANNED SPACECRAFT PROGRAM

Mr. WILEY. Madam President, the Soviets success in orbiting *Vostok III* and *IV* raises—in my judgment—new questions about the military dangers to free world security.

The two-Red-men-in-space project demonstrated marked proficiency in launching, controlling, maneuvering, intercommunication in orbit, and landing of manned spacecraft.

Further development of such manned spacecraft has a great military potential, possibly for, first, locating and zeroing in on strategic targets in the free world; second, either manning directly, or guiding, missiles for attack; third, keying attacks for destroying or neutralizing free world strikeback power; and fourth, playing a variety of major roles in any offensive launched by the Communists.

Realistically, then, we must not be caught with our "feet in cement" on our launching pads, or asleep as before Pearl Harbor. Rather, we must rapidly appraise—and take measures to counter—any military advantages inherent in the Soviet manned spacecraft program.

For this reason, I am proposing that Congress, prior to adjournment, conduct hearings on the military potential of these new developments in space. The hearings, including testimony from the Defense Department, NASA, and other scientific and military experts, I believe, would serve the interests of our long-range national security.

Globally, there has persisted hope—if waning—that outer space would be dedicated to peaceful purposes. Officially this is the goal of U.S. policy.

Unfortunately, however, the Communists have been unwilling to agree realistically on arms control on earth. Moreover, there is no evidence to demonstrate their willingness to agree—other than verbally—to limiting space activities to peaceful, nonmilitary purposes.

Because of these factors, then, I believe it is extremely urgent that we obtain, as soon as possible, a realistic evaluation of the military dangers of these new developments in space; and following this, undertake the appropriate, realistic measures to provide for our security.

COOPERATION IN WESTERN WATER RESOURCE DEVELOPMENT IS A TWO-WAY STREET

Mr. MOSS. Madam President, the common interest we in the Federal Government have with the State governments in solving our mutual problems—and particularly our water resource development problems—was spelled out in some detail in a speech made by Reclamation Commissioner Floyd E. Dominy at a meeting of the Association of Western State Engineers in Salt Lake City, Utah, on August 15.

The speech summarized the fields in which advancement must be made if we are to make our second 60 years of reclamation development as fruitful for the West as the first 60 years have been. I ask unanimous consent that Mr. Dominy's excellent address be printed in the RECORD.

There being no objection, the address was ordered to be printed in the RECORD, as follows:

COOPERATION IN WESTERN WATER RESOURCE DEVELOPMENT IS A TWO-WAY STREET

(By Commissioner of Reclamation Floyd E. Dominy)

The theme of this meeting: "How the Individual States Can Best Fit Into the Resources Development Program," suggests an obvious and simple answer when applied to the water resources field.

The States belong right in the middle of it—doing everything States can do, in cooperation with local and private entities and the Federal Government.

These views, which I have held during more than a quarter of a century of Federal service, and which I still hold, were not developed during my years in Washington. They were conceived on the drought-parched plains of the neighboring State of Wyoming during the 1930's when I was a young county agricultural agent trying to cope with the twin disasters of drought and economic depression.

And if there are times when you think you have a bellyful of troubles as a State engineer—and I know from mutual experience that you have those moments—just consider my predicament as a county agent, fresh out of college, when hordes of grasshoppers and crickets moved into my predominantly agricultural county and stripped its drought-seared croplands as bare as a table.

Well, someone has observed that every obstacle is an opportunity. This was certainly true in that case, because we all pitched in and worked, not only to salvage a stricken agricultural economy but also to improve our soil and water resources against future emergencies of this type.

Thanks to cooperative Federal-State-local programs, we not only found remunerative work for our distressed livestockmen, but we also directed that effort into building stock water ponds, wells, contour ditches, and other land and water conservation facilities. These depression-born improvements contributed to a more stable agricultural economy after the drought was ended and the water cycle turned upward.

This nostalgic reference to the droughts of the thirties has more than cursory literally interest. Those of us who passed through that distressing experience can't help but twinge inwardly at the recent dry spells ranging from California and the intermountain area to the drought in the extreme East. These sectional droughts, even if they are followed by an ample water supply season such as this area is now enjoying, demonstrate that however much we have accomplished in storage contruction and other water supply improvement in the West since the midthirties—and it has been a tremendous achievement—we are still susceptible in some areas to the devastation of heavy, prolonged cyclic droughts. For this reason I am especially pleased to meet with you to discuss common problems of water resource development.

Aside from the vagaries of climate, there are other compellingly urgent reasons for the development and conservation of our water resources. Perhaps the first of these is the rapidly growing population and industrialization of the West. Last spring, your bosses, the western Governors, directed a letter to my boss's boss, President Kennedy. The Governors made this salient point on growth pressures in the West in a cogent statement on the accomplishments of and continuing need for reclamation:

"Population growth in the Western States is much higher than the national average, and all known forecasts indicates this trend will continue. This will require intensive development of the limited water resources of the West, to meet the many diversified requirements outlined in your own statement quoted at the beginning of this letter."

The summary of diversified requirements for water resource development to which the Governor's letter referred was an excerpt from President Kennedy's 1962 conservation message to Congress. In that message early this year, he stated:

"This administration adheres to the policy enunciated in my natural resources message of last year that our available water supply will be used to provide maximum benefits for all purposes—hydroelectric power, irrigation and reclamation, navigation, recreation and wildlife, and municipal and industrial water supply. These diverse uses and our future needs require thoughtful preservation and full development of our national water resources."

As one of your colleagues on the firing line in water resource development, I can heartily subscribe to both of these policy statements—that of the Chief Executive of the Federal Government as well as that of the heads of States in the semiarid and arid West.

This, in fact, is the nub of our resource development challenge—in an area historically deficient in water supply, we are faced with increasing municipal, industrial, and other multipurpose water requirements, while our limited supply of this basic resource is becoming more and more overtaxed and the cost and complexity of project development and construction are steadily increasing. This serious economic-technical challenge confronts us while this Nation is engaged in the second decade of a costly cold war, as we invest multibillions in a shot for the moon, and as other economic demands, some of an emergency nature, compete with the public works program, both on the National and State levels.

It is for this reason that I chose as my title for this talk, "Cooperation in Western Water Resource Development Is a Two-Way Street." No one in this group, I am sure, will seriously deny that our water supply challenge is large and pressing. Nor that cooperation of all water user groups and all levels of government is demanded. These obvious conclusions are implicit in the title. Differences will be found largely in the degree or means of cooperation to meet our objectives. Some extremists have gone so far as to assert that all of the cooperation must be done by the Federal Government.

Suffice it to say that cooperation at all levels is essential, and it must be a two-way street. We must cooperate with you and you must reciprocate by cooperating with us—and both of us must cooperate with the water users. The common denominator of all successful water projects—Federal, State, and private—is cooperative effort to develop and conserve water. If this salient fact is kept in mind, the label on the project loses much of its significance.

One of my chief responsibilities as an agency administrator is to be aware of water resource needs and problems in the States and to keep you on the State level informed of our problems and our program.

Every year at the National Reclamation Association convention we schedule meetings with State delegations to discuss State problems. We also get together with State officials at meetings like this, and we are in extremely close contact with you and your water groups during the development and legislative authorization of projects. Every 2 years, at the opening of a biennial session of the Congress, we hold mutual briefing sessions with members of your respective State congressional delegations. Consequently we feel that the Bureau of Reclamation, Washington office, and especially our field offices are extremely well informed on problems and accomplishments of the respective Western States, and we hope that our agency information program keeps you informed of our activities.

I would like to mention a few of the achievements on the State level that have come to my attention. Please forgive me if time does not permit an adequate inventory of what individual States are doing in the face of these unprecedented challenges. I can at least suggest some highlights.

Foremost in any summary of State accomplishments would be the intensive efforts of the State of California to plan and bring to successful realization its vast State water program. The internationally known State water plan of California is an outstanding example of a State's initiative, resourcefulness, and determination to increase its water supplies in the decades to come. We are pleased to be associated with this tremendous undertaking in the Federal and joint features of the San Luis unit, which will be supplemented by the State facilities in the plan for the 500-mile-long carriage system of the huge Feather River project.

The Texas State Board of Water Engineers is making substantial contributions to the investigations of the farflung Texas basins project, a proposed Federal-State water resource development of the coastal basins of the Lone Star State. There are many unusual and complex problems to be resolved on this project, including major river crossings for river-sized canals. Hurricanes and rainfall of as much as 24 inches in a single day are included among these problems. The State board is rendering continued assistance and guidance to the Bureau of Reclamation in resolving these and other complicated engineering problems associated with this project.

During the past 10 years, the State of New Mexico has spent more than a million dollars in its attack on water-wasting salt cedar and other phreatophytes in the Middle Rio Grande Valley. These efforts, along with other State and Federal activities in evapotranspiration suppression, will benefit water users throughout the Western United States and in many other parts of the world.

The State of Nebraska has done much to advance factual information on underground water resources in the State. While assisting with the development of extensive pump irrigation facilities, the State has contributed extensively to the knowledge of the technology of subsurface water development—an extremely important area of research and development for the future.

The State Water Board of Montana has a longstanding program to construct water development projects with State resources. Perhaps the most significant of these is the Broadwater-Missouri project, a fine irrigation project on the Missouri River above Helena. And there are a number of other projects throughout the State.

Our host State of Utah, too, has an expanding program of small project construction under the administration of the Utah Water and Power Board.

These and other States have done much to advance the technology and to magnify the role of the States in water resource development. You may be assured that your efforts are known and appreciated by the Federal agencies engaged in this field.

In the limited time remaining, I would like to deal with some specific areas in which the States, the Federal Government, and allied water resource organizations can well accelerate our efforts, either individually, cooperatively, or both. These are a few things we can do or do more effectively to meet water supply challenges of the future.

1. ACCELERATE RESEARCH, INVESTIGATIONS, AND TECHNOLOGICAL IMPROVEMENTS

Under the impact of the cold war and the race for the moon, technological advances are being made at probably the fastest rate in history. We must accelerate research in hydrology, hydraulics, and the entire water resource field in order that new discoveries in materials, electronics, automation, computers, use of radioactive isotopes, and other areas of engineering and pure science be applied with dispatch where appropriate and feasible. We in the Bureau, for example, are currently studying the possibility of using radioactive isotopes to measure the efficiency of hydroelectric turbines. These and other breakthroughs of physical and chemical science and engineering have the potentiality of greatly improving our efforts and reducing costs of project construction, operation, and maintenance. Wise expenditure of research funds today can pay off handsomely in the future. And all public agencies should freely share their findings and participate in the benefits.

For several years now, the Bureau has been engaged in research to develop practical methods of reducing evaporation from storage reservoirs. The importance of this research is indicated by the fact that some 17.7 million acre-feet of water are lost annually through evaporation from freshwater reservoirs and lakes in the 17 Western States alone. Salvage of a major part of this loss would be the same as discovering new water where none existed before.

In recent months, we have brought State institutions into cooperative research efforts in this area. Utah State University, for example, has contracted to study the physical and economic feasibility of applying evaporation-retarding chemicals on reservoir surfaces by the use of low-flying aircraft. The university's research program seeks to develop suitable techniques and equipment for field tests on a reservoir of about 3,000 acres. The Bureau also has a contract with the Desert Research Institute of the University of Nevada, under which the institute is to study climatic and meteorological factors of evaporation and their influence on the process of placing evaporation-reducing chemicals on water surfaces.

State educational institutions also are assisting the Bureau in its program of weather-modification research, undertaken early this year in cooperation with the National Science Foundation and the Weather Bureau. Contracts have been executed with the National Resources Institute of the University of Wyoming; the Institute of Atmospheric Sciences of the South Dakota School of Mines and Technology; and the Desert Research Institute of the University of Nevada. These institutions are studying meteorological conditions and methods of inducing precipitation from suitable moisture-bearing air masses.

The individual States also are to be commended for their initiative in undertaking research in many areas of water resource development. Through the several State universities, advances are being made to improve and supplement water supplies, to enhance basic knowledge in the hydro sciences, and to cooperate with and assist Federal agencies in their research programs. Examples of such research, in addition to those already named, include the work being carried out in hydrology at the University of Idaho, sedimentation at Colorado State University, water salvage at the University of Arizona, and crop-water requirements at the University of California.

Continuing research efforts are essential if our water resource developments are not to be nullified by waste, improper use, or pollution. State colleges can assist in special studies of water uses and efficiencies of use for particular purposes. What are the economies of production of particular crops on different soils with varying quantities of water? More complete records are needed in most areas of canal diversion, and stream and well pumping.

The increasing emphasis on outdoor recreation warrants emphasis on the value of recreational use of multipurpose water projects. Continued and greater participation in some areas is needed in development and administration of recreational use of reservoir areas.

Research and investigation efforts of the Bureau of Reclamation have increased during recent years. In 1960 only $931,000 was budgeted for research and $6,925,497 for investigations and advance planning; comparable figures for the 1963 budget are $2,252,000 and $12,527,000, respectively. I hope that comparable support for these all-important activities is being given in the States.

2. ADVANCE COMPREHENSIVE STATEWIDE AND BASINWIDE PLANNING

Increasing pressures for the use of our limited water supplies in the West underscore the need for greater emphasis on comprehensive statewide and basinwide planning of water resource conservation and development. Here the State engineer must play an especially vital role. Working in harmony, State engineers and water board officials of a river basin can contribute immeasurably to the full development of tributary streams and rivers within the basin and thus assure integration of basin resources for the widest possible use in the public interest.

A prime example of this cooperative effort is the development of the Upper Colorado River Basin. With cooperation and mutual understanding, the State engineers and water boards of the five upper basin States have worked closely with the Bureau and the Congress to bring into fruition the Colorado River storage project and participating projects. All State engineers of the West can share the pride of these engineers in their cooperative achievement. Already, the partially completed project is an international showpiece of multiple-use planning and development of a major river basin in a semiarid region.

The basin approach to water resource development planning, as you are aware, also has been most successfully applied in the Lone-Star State by the Texas Study Commission. This approach to integrated resource planning is incorporated in the Aspinall and Anderson bills now before the Congress. These bills, in substance, would authorize the establishment of study commissions patterned after the Texas Study Commission for all river basins where such cooperative action is desired. My experience of a quarter century in western resource development has convinced me of the need both for the basinwide approach to planning and for the maximum participation in such planning by the States involved. I solicit your attention to this basin planning legislation which is sponsored by two outstanding western legislators. It merits your serious consideration and your support.

Basinwide planning, of course, puts additional burdens upon the States for investigations and review of proposed projects and for determination of water rights. This is especially true in States like Utah and Wyoming which are intersected by more than one drainage basin. The administration has recognized this problem and has recommended legislation to make Federal grants for States to accomplish the planning required for basinwide development.

One of the pressing needs for State-Federal cooperation in this area is the establishment of a common basis for appraisal of water needs advanced by the various competing users of water, and amicable settlement of such differences in the public interest. With increasing frequency, projects are being unduly delayed or even frustrated by conflicts over future uses which normally must be worked out within the States involved. Such conflicts are bound to increase, both in number and intensity, as the available water supply diminishes. We can help the individual States by providing objective data from our studies or by keeping them informed of practical solutions that have been worked out elsewhere.

3. UTILIZE INTERSTATE AND INTERNATIONAL COMPACTS TO AVOID OR REDUCE DELAYS AND COSTS OF LITIGATION

I feel that this injunction does not require amplification in this conference, simply because it is a fact that the West is about a half century ahead of the rest of the country in the development and utilization of compacts. The current rapid development of the upper Colorado River storage project, of course, is a testimony to the effectiveness of a forward-looking interstate compact in resolving differences and allocating water supply in one of our most moisture-deficient regions.

4. SEEK TO IMPROVE AND BRING ABOUT NEEDED UNIFORMITY IN OUR WATER LAWS AND POLICIES

To assure continued cooperation in the Upper Colorado River Basin and in other western river basins, there must be concerted effort to modernize and to achieve uniformity and legal compatibility of the water laws of the respective States. We are hopeful that the State engineers, with their technical skills and knowledge of basin water resource development, will continue to strive to achieve modernization and uniformity of laws pertaining both to surface and subsurface waters, and to iron out differences in basic principles of water rights and properties. Changing national patterns in such factors as the urban-rural population balance and in leisure and recreational activities focus attention upon the adequacy of existing water codes.

One of the difficult problems in this area is the padding and pyramiding of water rights that have occurred in some States. If accepted at face value, these "paper rights" frequently suffice to exhaust the annual supply of a given stream and leave no water for new developments. Such situations, as many of you are aware, are increasingly a cause of concern and it is my conviction that unless these padded and pyramided rights are sought out and eliminated by the States, there will be increasing demands that the Congress consider some sort of Federal legislation to deal with the problem as a condition of congressional authorization and appropriation of funds for future development on the streams affected. Some States, I am pleased to report, have acted to cope with this problem in recent changes in water codes, and I hope that State engineers and water rights boards in other areas where such conditions exist will emulate their example.

State engineers also can contribute to movements to achieve greater uniformity among Federal laws governing reclamation, flood control, soil conservation, water pollution, recreation, fish and wildlife, and other policies affecting national growth and prosperity. We have no apologies to make for the policies which have been developed in six decades of water resource development under the reclamation laws, and we are supporting the efforts of the administration to achieve greater uniformity among the laws, policies, and procedures of the multiple Federal agencies engaged in water resource development.

5. UTILIZE AVAILABLE FEDERAL PROGRAMS

Most State engineers and other State water officials were among the stanch supporters of the National Reclamation Association in its efforts to achieve authorization of the Small Reclamation projects program in the early 1950's. However, since the program was authorized in 1956, water user organizations in only eight reclamation States and Hawaii have initiated requests for projects under this program. Total participation under this program, which provides Federal grants and loans up to a maximum of $5 million to a project, is shown in the following summary:

Small reclamation projects

State	Applications approved	Amount of loans and grants
Arizona	2	$7,400,000
California	11	35,405,930
Colorado	1	270,000
Hawaii	1	4,514,000
Idaho	1	2,498,000
Nevada	1	693,000
Oregon	1	942,100
Texas	2	8,667,000
Utah	7	7,047,000
Total		67,437,030

A new Federal program now underway, the area redevelopment program, also should be of interest to State water officials. It may be that we have been doing our job too well here in the West, but the greatest amount of interest in irrigation development under this program so far has been evinced by rural areas in the East and the South. The Bureau of Reclamation is one of the Federal agencies participating in this program and I solicit your attention to it.

I am sure that you were as pleased as we were with the recent actions of the Congress in authorizing several new major reclamation projects. This congressional support in a period when the reclamation program has been a whipping boy for agricultural surpluses in other areas is most gratifying to us who acutely feel the need for an authorized shelf of projects adequate to keep construction moving forward on a consistent basis. With the addition of the new projects to our going program, I believe the Bureau of Reclamation can justify annual appropriation requests in excess of $300 million for much of the current decade. This, I am sure you will agree, represents real economic progress for the Western States.

The importance of unified State action in furthering resources development is emphasized by the concerted and aggressive action taken by the State of Colorado in the recent congressional consideration of the Fryingpan-Arkansas project. Coloradans representing a cross section of the State's business and political life displayed impressive unanimity in support of the bill, so vital to the State's growth. It was one of the greatest displays of solidarity on major reclamation legislation in Colorado history and resulted in passage of a bill which had lost out in previous actions when unanimity was lacking. This demonstrated ability of congressional and State officials and water-user groups to work in unity for needed resource development is commended for attention by officials of the other Western States.

In this regard, I also enjoin you and other State officials to do everything you can to educate your colleagues and other influential people in other States on the water needs of the West. Much time and energy has been spent by us in the past year trying to answer inquiries on why it is necessary to develop water in the West when we have mountains of agricultural surpluses in storage. This question is raised in spite of the fact that we have consistently emphasized the long-term nature of reclamation development and despite the inclusion of provisos against the growth of crops currently in surplus in most recent project authorizations. All of us interested in continued water resource development in the West must continually strive to inform people and organizations elsewhere on the overwhelming need to develop our extremely limited water resources to the maximum, in the public interest, and the role that irrigation plays in the economic aspects of this program.

In closing, I wish to call your attention to the informal observance this year of the 60th anniversary of the reclamation program. During these six decades, this agency has administered the investment of $3.8 billion in the construction of 132 projects or units of projects in 18 Western States. Projects authorized or under construction provide for an additional investment of $4.7 billion.

We in the Bureau do not look upon these projects as purely Federal undertakings. They are, rather, local resource development capital investments—built with Federal, State, and water-user participation. And to those of us who understand the implications of water resource development in the West, there is ltitle doubt that these essentially local resources projects have a large measure of national importance. If anyone doubts this, I invite him to visit the thriving Utah communities along the Wasatch front, as well as, Phoenix, Yakima, Boise, and many other commercial-industrial centers whose present size and prosperity is based largely upon a water supply regulation made possible by Federal reclamation projects.

The water resource developments of the past 60 years—Federal, State, and private—have played a major role in the amazing population and industrial growth of the West. And there is no doubt that continued water resource conservation and development will play an even more important role during the next half century and beyond.

As water resource officials, we have a common interest in solving the technical, legal, and financial problems that may delay or impede this development program. These problems are and will continue to be manifold and complex. They will demand the utmost in effort and cooperation. We in the Bureau of Reclamation assure you of our interest in and personal concern for continued resource development in the West. And we solicit your continued cooperation on this two-way street to area population growth and industrial expansion.

NEEDED: EQUITABLE OIL IMPORT CONTROL SYSTEM—JOBS FOR AMERICANS, NOT A DOLE—SEVERE UNEMPLOYMENT AND LOSS OF MARKETS RESULT FROM PRESENT POLICY

Mr. RANDOLPH. Madam President, there continues to be a pressing need for the establishment of a more equitable control system for the imports of crude oil and its derivatives and products, including residual fuel oil.

The existing program is disruptive of the domestic fuels industries. It does not seem sufficiently to take into account the need to assure an adequate supply of fuels to meet any national emergency or condition growing out of international political developments which would disrupt the supply of fuels from foreign countries. Parenthetically, I express the emphatic view that too much reliance is placed in this country at this time on foreign supplies of residual fuel oil. This reliance on offshore sources by too many utility, industrial, and defense installation users is dangerous. And it does nothing to restore economic strength to many areas of our country now suffering severe unemployment and business recessions caused by loss of markets for their mineral-fuel products.

That which is needed is an oil import control system which will provide a fair access to markets for domestic fuels—a system which will enable these domestic industries to maintain a level of production and transportation adequate as a base from which to expand supplies at any time national defense or a sudden emergency should require.

There must be reestablished a greater degree of stability in the fuels markets of this country.

An equitable control system would provide a level of permissible imports which will augment, but not usurp, the growing energy demands of American industrial and other consumers. And the level must be stabilized as much as possible and maintained over a long-term period so as to:

First. Permit proper planning for financing new and replacement production facilities;

Second. Make possible necessary development of future economical transportation facilities for fuels;

Third. Encourage the signing of long-term contracts by coal and its consumers as a principal means of holding prices down; and

Fourth. Stimulate increased exploration activity by the domestic oil industry.

Important coal producing areas of our country must be enabled to reduce unemployment and to restore economically depressed communities to healthy status.

As a means toward the accomplishment of these proper and necessary objectives, the National Coal Policy Conference, representing coal producers, the United Mine Workers of America, the coal-carrying railroads, major coal consuming utilities, and manufacturers of coal mining machinery and equipment, in concert with the Independent Petroleum Association of America and the Texas Independent Producers and Royalty Owners, have recommended a pertinent amendment to the proposed Trade Extension Act—H.R. 11970—now under consideration by the Committee on Finance. I have recorded my support in a statement to the committee. I will continue to urge its acceptance.

Meanwhile, the National Coal Policy Conference, Inc., in behalf of its state committees from Illinois, Indiana, Kentucky, Maryland, Ohio, Pennsylvania, Tennessee, Virginia, and West Virginia—working for the economic recovery of the bituminous coal industry, published today in the Washington Post a message addressed to President Kennedy in the form of an advertisement. Its headline: "Americans Need Jobs—Not a Dole, Mr. President."

It is appropriate that the attention of all Members be directed to the Coal

Policy Conference message to the President of the United States, because I have the feeling that it is a message which could and perhaps should be addressed with equal appropriateness to the Congress. Therefore, I ask unanimous consent to have printed at this point in my remarks the text of that message—advertisement—as published on page A-11 of the Washington, D.C., Post, Tuesday, August 21, 1962.

There being no objection, the message was ordered to be printed in the RECORD, as follows:

AMERICANS NEED JOBS—NOT A DOLE, MR. PRESIDENT

President Kennedy: We must end unemployment and move the economy ahead as you said in your recent television address on the state of the Nation's economy.

But a dole and a handout of surplus food are not the answer.

Only jobs will solve America's economic problems.

Extended unemployment compensation, aid to children of the unemployed, job retraining, work camps for unemployed youth * * * all of these things are fine and what you have done to ease the hardship of America's unfortunate unemployed families is commendable. But they are only stopgap measures.

You say that employment and income are rising nationally and that other economic indicators do not warrant the conclusion that we are entering a new recession.

Unfortunately, this is not true of coal communities. Unemployment in some coal communities is not 5 or 6 percent—like the national average—but as high as 35 or 40 percent.

Our people want jobs.

You can help put them to work—right now—in the coalfields of West Virginia, Pennsylvania, Kentucky, Illinois, and Ohio * * * pockets of persistent unemployment and economic distress * * * in which, as you said in your TV address, coal miners can no longer find jobs to support their families.

How can you create the jobs our people want and need?

By using the powers of your office to stem the flood of foreign residual fuel oil imports.

This imported waste product of foreign refining operations is taking jobs away from American coal miners in those very pockets of distress where the Government has been forced to undertake expensive temporary remedial action. If you cut back the amount of residual oil which can now be imported, and limit imports in the future, many of the unemployed miners will again find work and become self-supporting. No longer will their families be subjected to the degrading experience of living on Government handouts. They will again become taxpayers—good customers of the local merchant.

The coal industry is the key to economic recovery in many of the Nation's pockets of unemployment.

But the coal industry cannot expand production and employment; it cannot put these unemployed miners back to work at productive jobs as long as imported waste residual oil is permitted to take over coal markets.

The power to end this threat to economic expansion, to expanded employment, to economic vigor and growth in widespread areas of the Nation, rests with you, Mr. President.

We respectfully urge you to act today.

This message is published by the National Coal Policy Conference, Inc., in behalf of the following State committees working for the economic recovery of the bituminous coal industry:

The Illinois State Committee of the National Coal Policy Conference.

The Indiana State Committee of the National Coal Policy Conference.

The Kentucky State Committee of the National Coal Policy Conference.

The Maryland State Committee of the National Coal Policy Conference.

The Ohio State Committee of the National Coal Policy Conference.

The Pennsylvania State Committee of the National Coal Policy Conference.

The Tennessee State Committee of the National Coal Policy Conference.

The Virginia State Committee of the National Coal Policy Conference.

The West Virginia State Committee of the National Coal Policy Conference.

Mr. RANDOLPH. Madam President, perhaps there is some measure of exaggeration in the frame of reference applied to use of the word "dole," but I do know that the coal policy conference committees of the several coal-producing States are totally accurate in expressing the view that Americans need jobs. And there is an understandable wrath that Americans have been displaced and are being displaced from their jobs more and more by the permitted influx of larger and larger and larger quantities of a waste product—yes, a waste product—of foreign oil refineries.

PROGRESS OF RADIO BROADCASTING INDUSTRY

Mr. CAPEHART. Madam President, every day we are impressed more and more by the degree to which the radio broadcasting industry has became a part of living in America.

Its progress in 40 years has been phenomenal. The antenna which dots the countryside of nearly every community has become a source of vital, necessary information making life better for all of us.

The broadcasting industry has not achieved such progress without its problems, economic and governmental. The amazing fact is that it has made such progress in the face of such great obstacles.

Great as has been the progress of the broadcasting industry—great as its service to the Nation has become—there still are underserved areas around the Nation. How to provide that needed improvement has been the subject of many discussions in the Congress and much legislation.

Everybody agrees complete service is desirable. Everybody agrees it must be provided without injury to any segment of the industry. Just as in other phases of our commercial life the small business is the bulwark of a stable, free-enterprise economy, so the local stations, many of them daytime operators, are essential to the long-range continuation and further development of the service which the industry provides. Thrive they must. At the same time, we have an obligation to provide an adequate service to those underserved areas still on broadcasting maps.

It was in an attempt to solve this problem that on July 20, 1961, on behalf of myself and the Senator from Georgia [Mr. TALMADGE], I introduced S. 2990, to amend the Communications Act of 1934.

The purpose of our bill was to require the Federal Communications Commission to take effective steps at once to improve radio service to millions of Americans who have received inadequate nighttime service for far too many years.

Some have said that after more than 40 years of broadcasting history, almost 60 percent of the land area of the continental United States, covering more than 25 million rural and smalltown Americans, is without acceptable nighttime radio groundwave signal. This is true even though there are some 2,000 fulltime broadcast stations.

These 25 million Americans rely on clear channel skywave signals for their only source of nighttime radio service. Additional millions must rely on clear channel skywave signals for their only choice of nighttime radio programs.

Because of the Commission's power ceiling of 50 kilowatts, the skywave signals of clear channel stations are not adequate to provide acceptable nighttime radio signals to these 25 million Americans.

Because of the laws of physics and economics and the nature of the population distribution in the continental United States, no more than a fraction of the millions of underserved Americans can be provided with acceptable nighttime groundwave signals.

Thus, adequate nighttime radio service can be accomplished only by improving the nighttime skywave signals of clear channel stations. I am told the only feasible way to do this is to keep clear channel frequencies free of further duplication and authorize class I-A clear channel stations to operate with power in excess of 50 kilowatts.

Although the Federal Communications Commission has recognized for a long time the existence of the problem of inadequate nighttime radio service, it has done nothing to remedy the problem. In fact, the Commission in the sumer of 1961 proposed to take action which would worsen rather than improve the situation.

It was because of these facts, which are recited in greater detail in volume 107, part 10, page 12974 of the CONGRESSIONAL RECORD for July 20, 1961, that Senator TALMADGE and I cosponsored S. 2290 which would amend the Communications Act of 1934 so as to prohibit duplication or breakdown of class I-A clear channel frequencies beyond that authorized as of July 1, 1961. We were, and are, of the opinion that the section 303(c) of the Communications Act of 1934 expressly authorizes the Commission to improve service to the millions living in the present radio "desert" by permitting class I-A clear channel stations to operate with power in excess of 50 kilowatts. The resolution passed by the Senate in 1938 (S. Res. 294) which expressed a viewpoint against the use of higher power, did not amend the basic law, died with that session of Congress and is in no way a bar to the authorization of higher power by the FCC. Accordingly, our bill, S. 2290, did not propose to amend that portion of the existing law which gives the Commission the power to authorize higher power.

This, in brief, was the setting which led to the introduction of S. 2290 which is still pending before the Committee on Commerce.

Similar legislation was introduced in the House of Representatives. Hearings were held by the House and on July 2, 1962, it enacted House Resolution 714.

House Resolution 714 urges that all of the existing clear channels be preserved by the Commission in their present status for a period of 1 year. The report accompanying House Resolution 714 emphasizes that the 1-year moratorium would give all class I-A clear channel stations an opportunity to file with the Commission applications for the use of power in excess of 50 kilowatts. Finally, House Resolution 714 makes clear the view of the House that the Commission is free to and should authorize the use of power in excess of 50 kilowatts by clear channel stations where the use of higher power will bring improved nighttime radio service to underserved rural regions and otherwise serve the public interest.

Let me say, Madam President, that I endorse House Resolution 714 as wise and needed. Had we not faced such a crowded schedule in the Senate, I would have strongly urged that the Senate take similar action. On the other hand, it is questionable whether such action is now needed. It is difficult to believe that the Commission will not heed the excellent advice of the House.

All Americans should receive adequate radio service. This problem can be solved easily and without harm to anyone by keeping all of our clear channels intact and free of further duplication and by authorizing higher power as suggested by House Resolution 714. We also know that clear channels and higher power are valuable both now and in the future in civil and military defense.

I commend the House for its wisdom in enacting House Resolution 714 and urge the Commission to implement its suggestions at once.

FILMS FOR THE DEAF

Mr. PELL. Madam President, when I commented on the passage of S. 2511—captioned films for the deaf—earlier this month, I paid tribute to the diligent work of the former Senator from Connecticut, Senator Purtell, who introduced S. 1889 in the 85th Congress which resulted in establishing the initial program of captioned films for the deaf. Recently, I received a letter from Senator Purtell commenting on the bill, which I ask unanimous consent be printed in the RECORD. Let me take this occasion to reiterate my hope that the House will soon take favorable action on this measure which means so much to the deaf of our Nation.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

WEST HARTFORD, CONN.,
August 15, 1962.

The Honorable CLAIBORNE PELL,
U.S. Senate,
Senate Office Building,
Washington, D.C.

DEAR SENATOR PELL: I indeed regret the unavoidable delay in replying to your kind letter of August 2 relative to the hearings on S. 2511.

I introduced in the Senate the original bill concerning captioned films for the deaf because I and my colleagues recognized the urgent need for a means by which the educational, cultural, and entertainment value of films might be available to the deaf, and particularly the deaf children in our schools for the deaf and elsewhere, who, through lack of hearing, were denied the opportunities for knowledge through sound films.

The obvious need can quickly be understood while watching an educational, documentary, or current events film on television with the sound turned off. It appeared then that this field of captioned films was one that could be properly and perhaps only served through an agency of the Federal Government. The worthwhileness of the program is best attested to by the enthusiastic response it has received.

I have been informed that the demand for captioned films is increasing even more rapidly than had been anticipated. I therefore wish to convey to your committee my hope that such amendments as may be needed to carry out the original intent of the act be adopted.

I would indeed be grateful if you would convey to your present and my former colleagues on the most important Committee on Labor and Public Welfare, my warm regards and high esteem.

With warm regards.

Sincerely,

WILLIAM A. PURTELL.

Mr. HUMPHREY. Madam President, is there further morning business?

The PRESIDING OFFICER. Is there further morning business? If not, morning business is closed.

FOOD AND AGRICULTURE ACT OF 1962

Mr. HUMPHREY. Madam President, what is the pending business?

The PRESIDING OFFICER. The unfinished business is H.R. 12391, the farm bill.

There being no objection, the Senate resumed the consideration of the bill (H.R. 12391) to improve and protect farm income, to reduce costs of farm programs to the Federal Government, to reduce the Federal Government's excessive stocks of agricultural commodities, to maintain reasonable and stable prices of agricultural commodities and products to consumers, to provide adequate supplies of agricultural commodities for domestic and foreign needs, to conserve natural resources, and for other purposes.

PROCEDURE BEFORE COMMITTEE ON FOREIGN RELATIONS

Mr. MORSE. Madam President, earlier today I spoke briefly concerning proposed legislation pending before the Committee on Foreign Relations which involves authorization of the expenditure of large sums of money to build American embassies and chanceries and to purchase real estate abroad for use by the U.S. Government.

I have made it clear in the Committee on Foreign Relations and on the floor of the Senate that I shall object to any meeting of the Committee on Foreign Relations for the consideration of those bills while the Senate is in session. I shall oppose those bills in case they should be reported to the Senate by the Committee on Foreign Relations. If the Foreign Relations Committee proposes to act on them prior to adjournment I shall insist that a quorum be present. I shall oppose any polling of the committee members in regard to those bills, and for the following reason: In my judgment, the economy of the United States should be considered to be of the most critical concern by the Congress and the House of Representatives between now and the time of adjournment.

Since I made my speech earlier in the day, the Associated Press ticker announced that the national debt had risen to more than $300 billion for the first time. The Treasury announced yesterday that as of August 15, the total debt was $300,133,027,610.51. That is about $1,600 for every man, woman, and child in the country; but the per capita debt figure is well below the World War II high of nearly $2,000, because the population has increased faster than the debt. But there is no consolation in the fact that the per capita debt figure has dropped from approximately $2,000 to $1,600 for every man, woman, and child in the country, because a per capita national debt of $1,600 for every man woman, and child in the country is a serious danger signal, and we had better take heed of it, because, as I have said so many times, the greatest defense weapon we have is our domestic economy, and in my judgment it is not in good condition.

I have been subjected to a considerable amount of criticism and misunderstanding because this year I had a live pair against the foreign-aid bill. It is the first time in my 18 years in the Senate that I have voted against a foreign-aid bill. I am in favor of a good and economically sound foreign-aid bill; but in my judgment those criteria were not met by the foreign-aid bill this year. In my judgment the bill this year authorized the expenditure of many millions of dollars of the American taxpayers' money for purposes which represented waste.

So the record is clear that I urged postponement of consideration of the foreign-aid bill until we could first dispose of our own appropriation or money bills, and until we could dispose of the foreign trade bill, and until we could dispose of the legislation which involves our domestic problems. In my judgment we should take care of America's domestic problems first, and then turn our attention to foreign-aid problems. I said then, and I repeat now, that we put the cart before the horse. I know very well why it was done. The State Department was eager to have the question determined, so there could not be a reversal before the time of adjournment, just as the witnesses for the State Department this morning indicated that again it is seeking to "gallop through" the Foreign Relations Committee of the Senate some more foreign-expenditure authorization bills. Consideration of such proposals should be postponed until January; we can then take the time to look at them, study them, and ponder and deliberate on them. But that is not possible now, under the rush act that characterizes the closing days of any session of Congress.

The rush act is now on to the *n*th degree. As I said earlier today, I will do what I can to apply the brakes and to slow up the mad rush for the passage of bills in the closing days of the session without due deliberation. The American taxpayers are entitled to that service, and I intend to do what I can to give it to them.

Earlier today I said that again this morning the State Department's witnesses—as they have been prone to do in the past—were arguing that we should have a new embassy here and a new chancery there, around the world, because the French, the British, the Russians, and other governments are in the process of building chanceries and embassies more beautiful or more commodious than ours. Again, my question is, "So what?" The practice of economy would be a rather good example for the United States to set.

In connection with some of our allies and some of the underdeveloped countries of the world—which, interestingly enough, are building embassies and chanceries which, in my judgment, cannot be reconciled with sound economy on the part of their own treasuries—I point out that you and I, Madam President, symbolic of the taxpayers of the United States, are directly and indirectly supplying the money for many of those chanceries and embassies. In short, we are competing with our own American dollars in the competitive race abroad to "keep up with the Joneses." Let us not forget that the national debt of the United States is many millions of dollars greater than the combined national debts of all the other free nations of the world. Once that vital statistic sinks into the consciousness of the American taxpayers, the politicians in the Congress will be asked for a political accounting, which is long overdue.

I have waged this battle on the floor of the Senate since 1947, when I first offered my proposals for tax reform. I have battled ever since 1947 for tax reform, but I have been bumping my head against the stone wall of indifference in the Congress. But the American people are beginning to understand the symbolism of the battle which a few of us have been waging since 1947. I think the American taxpayers will make clear to the politicians that they have had enough, and that they think it is time for the politicians to start doing something about protecting our own economy and protecting and helping the taxpayers in the plight in which they find themselves.

A few years ago I sought to increase the exemption under the Federal income tax, for those in the low-income brackets, from $600 to $1,000. I was defeated in that attempt—which was not a new experience for me in the Senate, because I well understand the importance of having liberals at least challenge proposed legislation which cannot be defended on its merits, even though we may be overridden by powerful political forces in the Congress. Finally a vote was reached—not on my proposal to increase the exemption to $1,000; I could not succeed in having it voted on—but on my subsequent proposal to increase the exemption from $600 to $800. Again, I was defeated. However, time subsequently proved that I was right, both in regard to my proposal to increase the exemption to $1,000 and in regard to my subsequent proposal to increase the exemption to $800.

As I said earlier today, I think now is the time for tax reduction. I do not think the U.S. taxpayers should have to wait until January for some undetermined tax reduction program, insofar as its specifics are concerned, to be presented to the Congress some time after January by the President of the United States. I think the President should offer a tax reduction program now. If he does not offer it before Congress adjourns, I think he should promise the American people that Congress will reconvene in the week immediately following the election, and will then take up the tax issue and also some other issues which are of great importance to the American taxpayers.

Again I raise my voice in the plea that the Government take steps, either now or immediately following the election, to do a better job of protecting our economy, which is our greatest defense weapon.

In view of the announcement yesterday that our national debt is now more than $300 billion, when we realize that the combined national debts of all the other free nations of the world are somewhere in the neighborhood of $204 billion, or $96 billion less than the total national debt of the United States, we had better stop, look, listen, and ask the question, Where are we going in connection with vast expenditures abroad? This is a proper question, particularly when we know that the good economic condition of many of our allies—far better than it was before World War II—is due to the largesse of the American people, through their Government, in fulfilling a clear moral obligation which we owed our allies, in order to protect them from the danger of being overridden by communism following World War II.

We have fulfilled that obligation, and we now need to take a look at the economic needs of our American taxpayers. We have a right to make clear to France, West Germany, England, Italy, Portugal, Australia, New Zealand, Canada, and a good many of our other allies that the time has come for them to assume a greater share of the financial burden of protecting freedom around the world.

The American people have a right to ask the question of the politicians in Congress, "When, oh, when, are you goinng to take a course of action on monetary matters in the Congress that will protect our best economic interests?"

When I consider the great economic needs of the American people, when I take a look at the problems of slum clearance that confront the public, and the housing needs of millions of fellow Americans in the low-income brackets, I must say to the State Department, "You do not move me when you come before the Foreign Relations Committee, as you did this morning, and ask for funds to build luxurious embassies and chanceries in various places around the world."

We have an opportunity to demonstrate to the other nations of the world the meaning of the word "economy." It is long past time for us to economize in some of our expenditures abroad. We should use our money not only in connection with reducing our national debt, but in connection with meeting some of the dire emergency needs of millions of American people right here at home.

I intend to do what I can to focus the attention of the American people on our own domestic problems in connection with appropriation bills. I hope the Appropriations Committee, when it makes its reports to the Senate in the dying days of the present session, will be able to demonstrate to us that they have cut our foreign expenditures to the bone. I know what the lobbies are doing. Some of the lobbyists want more and more money to go into foreign aid, because they find they can make profits out of foreign aid expenditures abroad. Interestingly enough, much of the money made in that way is tax exempt. The way expenditures abroad are manipulated, they constitute a tax dodge for many companies. They get it both ways. Leave it to the lobbies to figure out ways and means to profit. There is only one way to handle the problem, that is to cut to the bone every dollar of expenditure abroad, and return in January for a complete reevaluation and reappraisal of our expenditures abroad. We should start taking care of some of our own domestic needs. Senators know very well what I mean when I speak of our own domestic needs. Not only do I speak of the needs of slum clearance and a crash housing program, but the development and conservation of our natural resources for the benefit of future generations of American boys and girls. Many of God's gifts of natural resources are in a deplorable plight because of inaction on the part of the Government.

It seems easy to put through Congress a bill to authorize, and then a bill to appropriate money for the building abroad of roads, dams, schools, and many other things which are sorely needed at home, and for which we cannot have funds appropriated. We seem to be able to appropriate funds for building such facilities abroad.

The Senator from Oregon does not take the position that a reasonable foreign-aid program is not justified, but he does take the position that we have passed the time when the foreign-aid program should be predominantly a United States program, for all of our allies have the same stake in the preservation of freedom that the United States has. But so long as we are willing to foot the bill, so long as the Congress acts as a rubber stamp and goes along with proposals to foot the bill, we can be sure that England, France, West Germany, Italy, Portugal, Australia, New Zealand, Canada, and other countries will let Uncle Sam do it.

I am satisfied that the American people are thinking about this problem as they have never thought about it before. I am satisfied that increasing tens of thousands of taxpayers in this country are beginning to ask some very difficult questions for the politicans to answer, if they attempt to answer them in justification of their voting records in the Congress of the United States. The American people are beginning to understand that the only test of a politician is, after all, his voting record.

I would have the American people take a long look at the voting records of politicians. I would have the American people hold to political account candidates for office in respect to their voting records, and make perfectly clear to such candidates that the time has come for the politicians to protect the economy of this country. It is not going to be protected by the kind of legislation which was before the Foreign Relations Committee this morning. It is not going to be protected by the shocking waste that has honeycombed the foreign-aid bills already authorized. Therefore, the Appropriations Committee has a very great responsibility in the preparation of appropriation bills for the Senate between now and adjournment.

The Senator from Oregon never finds himself happy in such opposition as he has expressed again today to his administration; but in this instance his administration is as dead wrong as it was on the satellite bill the other day. The people of my State did not send me to the Senate to rubberstamp any administration, including the administration of my own party, if, in my judgment, after study, I am convinced that my administration is wrong on the facts. The responsibility I owe to my people is to follow where the facts lead. In my judgment the facts lead in an opposite direction from that of the administration on such issues as the satellite bill, the foreign aid bill, and the bills which came before the Foreign Relations Committee this morning.

Regardless of what political consequences may be in store for me in exercising my independent judgment, I intend to follow where the facts lead. If partisan politics are not going in the same direction, it is just too bad for partisan politics.

MILITARY SERVICE OF MEDICAL SCHOOL GRADUATES

Mr. KEATING. Mr. President, at the April meeting of the Association of Professors of Medicine, a great deal of time and thought was given to the present method of drafting recent graduates of medical school into the military service. A resolution was passed embodying the recommendations of the Association of Professors of Medicine.

Mr. President, I ask unanimous consent that a copy of this resolution appear in the Record following my remarks.

There being no objection, the resolution was ordered to be printed in the Record, as follows:

Resolution by Association of Professors of Medicine

The Association of Professors of Medicine, an organization comprised of the chairman of departments of medicine of all accredited U.S. medical schools, recommends that:

1. Selective service increase liberally the number of young physicians who are deferred from military service for at least 1 additional year beyond internship. Such a policy will allow better medical care in the approved hospitals, better organization of postgraduate training in medicine and improved preparation of physicians for better general military practice.

This plan of an additional year of deferment beyond internship is not proposed to replace the existing Berry plan, which allows training of young physicians for specialty practice in the Armed Forces.

2. The induction date for military service for physicians should be on or about July 1 of each year, with at least 3 and preferably 6 months preinduction notification period.

3. Because of the important responsibility of its members in graduate medical education, the Association of Professors of Medicine should be represented on national advisory committees dealing with the distribution and utilization of the medical manpower of the Nation.

ENLISTED MAN'S ARMED FORCES OATH

Mr. KEATING. Mr. President, I have received a copy of a resolution adopted recently by the Queens County chapter of the Catholic War Veterans and passed unanimously at their regular chapter delegates meeting on August 8. This resolution endorses H.R. 218, 87th Congress, as passed by the House, which would amend the existing Enlisted Man's Armed Forces Oath by adding the phrase, "to support and defend the Constitution of the United States of America," and a closing phrase, "so help me God."

Mr. President, I ask unanimous consent to have this resolution printed in the Record following my remarks.

There being no objection, the resolution was ordered to be printed in the Record, as follows:

Resolution by Queens County Chapter, Catholic War Veterans

RESOLUTION ENDORSING AMENDMENT TO THE ENLISTED MAN'S ARMED FORCES OATH

Whereas the current oath being administered to persons enlisting in the Armed Forces includes no obligation to support and defend the Constitution of the United States of America, and no opportunity to invoke the help of Almighty God in rendering faithful service in defense of the United States; and

Whereas the words "So help me God" are not a part of the obligation assumed upon taking the oath: Now, therefore, be it

Resolved, That the Queens County chapter of the Catholic War Veterans of the United States of America, Inc., at a regular chapter delegates meeting, endorse H.R. 218, 87th Congress, as passed by the House which amends the existing law to include these important additions: "to support and defend the Constitution of the United States of America," and a closing phrase, "So help me God."

FOOD AND AGRICULTURE ACT OF 1962

The Senate resumed the consideration of the bill (H.R. 12391) to improve and protect farm income, to reduce costs of farm programs to the Federal Government, to reduce the Federal Government's excessive stocks of agricultural commodities, to maintain reasonable and stable prices of agricultural commodities and products to consumers, to provide adequate supplies of agricultural commodities for domestic and foreign needs, to conserve natural resources, and for other purposes.

Mr. ELLENDER. Madam President, I send to the desk my amendment designated "8–20–62—F."

The PRESIDING OFFICER. The amendment will be read.

The Legislative Clerk. It is proposed, on page 56, between lines 2 and 3, to insert the following new section:

Sec. 305. (a) The Agricultural Act of 1949, as amended, is amended by striking out subsections (a) and (b) of section 105 and inserting in lieu thereof the following:

"(a) Notwithstanding the provisions of section 101 of this Act, beginning with the 1964 crop, price support shall be made available to producers for each crop of corn at such level, not to exceed 90 per centum of the parity price therefor, as the Secretary determines will not result in increasing Commodity Credit Corporation stocks of corn."

(b) The Secretary of Agriculture is directed to consult and advise with farmers, farm organizations, and such other persons or groups of persons as he determines concerning the need for new legislation for feed grains, to the extent he deems such consultation and advice necessary or desirable, and to make specific recommendations for feed grains in the form of proposed legislation which shall be submitted to the Congress as soon as practicable during the next session of Congress.

Mr. ELLENDER. Madam President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. MANSFIELD. Madam President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MANSFIELD. Madam President, is there an amendment pending before the Senate at the present time?

The PRESIDING OFFICER. The amendment of the Senator from Louisiana is pending.

Mr. MANSFIELD. Madam President, may we have a vote on the amendment?

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Louisiana to the committee amendment.

The amendment to the committee amendment was agreed to.

Mr. ELLENDER. Madam President, this amendment would repeal the feed grain price support provisions of the Agricultural Act of 1958 and provide, instead, for support of the price of corn at such level, not exceeding 90 percent of parity, as will not result in any increase in CCC stocks. It would be effective beginning with the 1964 crop.

The 1958 act requires support for corn, with unlimited production, at 90 percent of the previous 3-year average price, but not less than 65 percent of parity. It also requires that the other feed grains be supported at levels fair and reasonable in relation to corn. My amendment would provide for corn price support at 0 to 90 percent of parity, and at a level within that range which will not result in further surplus accumulations by the Government. Support for the other feed grains would be discretionary at 0 to 90 percent of parity under title III of the 1949 act.

Madam President, although I am sorely disappointed, it appears to me that the Senate, like the House, is not now disposed to accept the very realistic and reasonable feed grain program that I have been advocating.

The feed grain program, which I had a large hand in devising, put it squarely up to farmers themselves as to whether they wished to accept strict controls or whether they preferred no controls. I might remind Senators that strict controls would not have gone into effect unless and until two-thirds of the farmers voted in favor of them.

S. 3225, as passed, was devised on the one hand to protect farmers if they so wished protection, and on the other hand to protect the Government whether farmers did or did not wish controls. The feed grain program would have provided for strict controls with high price supports or no controls and supports at a so-called free market price level. Farmers would have chosen which route they had wanted to go. The taxpayers of this country would have been protected in either case because the Government would not have been required to purchase and store huge quantities of feed grains which are not needed and cannot be used.

Senators will remember that the carrying charges on freed grains and wheat last year amounted to $900 million. This is an astronomical sum and, in my opinion, it is money that need not be spent by this Government. Fiscal responsibility demands that this Senate protect the taxpayers of this country from the expenditure of huge sums which can be easily avoided.

I placed information in the RECORD which shows that the feed grains and wheat programs I proposed, and the Senate adopted on May 25, would have saved the taxpayers a billion dollars in 1963. Under that program, the Government would finally have been able to get out from under farm programs which have required the accumulation of huge stocks of agricultural commodities in Government hands.

I am a realist and I can see that a program such as I envisioned being placed on the statute books is not now acceptable. It is evident that the Congress refuses at this time to give farmers the chance to vote as to whether or not they wish strict controls.

Under these circumstances responsibility demands that some action be taken to protect the taxpayers from the further accumulation of excess stocks of feed grains. Unless some action is taken the program that will go into effect in 1964, and thereafter, will be the 1958 law under which farmers are guaranteed high price supports but have no responsibility whatsoever regarding production. In other words, farmers could produce as much as they wished and the Government would have to buy all that would be produced in excess of market requirements. To me this is the height of fiscal irresponsibility. In my judgment this Congress must take some action in order to protect the taxpayers who, in my estimation, carry a heavy enough load as it is.

In early 1961 we enacted a so-called emergency program for feed grains to be effective for 1961, under which farmers were paid for not producing. Later on this Congress extended the so-called temporary feed grain program for 1962.

At the end of the first full year's operation of the emergency feed grain program estimates indicate that the carryover of feed grains has been reduced by about 12 million tons. If the same conditions prevail this year, the carryover will be reduced by another 12 million tons in 1962. While this is a noteworthy achievement, I feel that the total carryover stocks, which I estimate at this time to be about 61 million tons at the end of 1962, is still too high, particularly in view of the fact that most of these stocks will be owned by the Government.

Therefore, in view of the fact that this Congress refuses to give farmers a choice as to whether or not they wish strict controls, I am proposing first, that the so-called emergency feed grain program be extended again through 1963. If conditions remain similar to this year's, carryover stocks at the end of the 1963 marketing year will be about 49.6 million tons. This level is only slightly higher than the carryover in 1956, which amounted to 48.8 million tons, and is more in keeping with our carryover requirements.

While Government expenditures under the emergency feed grain program will be higher than under the program I had previously advocated, there will still be less than if the 1958 act were again to become operative.

Second, in conjunction with the extension of the emergency program for 1963, I am also proposing that for 1964 and thereafter farmers be given the complete freedom which apparently this Congress wants them to have. At the same time, I am assuring that this Government will be protected from the drain on tax dollars which we need so desperately in other areas.

I am also proposing that Government price supports for feed grains be set at between 0 and 90 percent of parity, assuring that the Government will not have to take over excess supplies. I do this in order to protect the Government from the expenditures of unnecessary dollars spent in purchasing feed grains as it has done in past years. Under this program farmers will have complete freedom to plant as they wish and to sell as they wish except that sales to the Government would be minimized.

This Government has spent billions of dollars in supporting the price of feed grains in the past years and I do not propose that this Government shall continue to expend such huge sums. In my estimation it would have been much preferable had this Congress seen fit to give farmers a choice as to whether or not they wish to accept strict controls with high price supports or no controls with low price supports.

In refusing to give farmers a choice, it appears that the only alternative left is discretionary supports. At the same time, I want to assure the taxpayers of this Nation that they are protected fully in that the Government will not have to purchase surpluses produced in excess of our needs. It appears to me that this is the only alternative left for this Government to take. That is to protect itself in the face of unlimited production.

Mr. HART. Madam President, I call up my amendment "8-20-62—E" and ask that it be stated.

The PRESIDING OFFICER. The amendment of the Senator from Michigan will be stated.

The LEGISLATIVE CLERK. In the committee amendment, on page 94, between lines 12 and 13 it is proposed to insert the following:

SEC. 404. The Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended, is further amended as follows: Section 8c(6) is amended by striking the period at the end of (I) thereof and inserting in lieu thereof the following: ": *Provided*, That with respect to orders applicable to cherries such projects may provide for any form of marketing promotion including paid advertising."

On page 94, line 13, strike out "404" and insert in lieu thereof "405".

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Michigan to the committee amendment.

Mr. ELLENDER. Madam President, the amendment offered by the distinguished Senator from Michigan was agreed to unanimously by the Senate when the bill (S. 3225) was considered by the Senate in May. I have no objection to the amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Michigan, to the committee amendment.

The amendment to the committee amendment was agreed to.

Mr. ELLENDER. Mr. President, on behalf of the Senator from Arkansas [Mr. FULBRIGHT] I send to the desk an amendment which was also agreed to unanimously by the Senate when S. 3225 was before the Senate.

The PRESIDING OFFICER (Mr. METCALF in the chair). The amendment will be stated.

The LEGISLATIVE CLERK. In the committee amendment, on page 91, line 21, it is proposed to strike out the word "and".

On page 91, line 24, it is proposed to strike out the period and insert in lieu thereof a semicolon and the word "and".

On page 91, between lines 24 and 25, it is proposed to insert the following:

(5) By adding at the end thereof a new section as follows:

"SEC. 343. As used in this title (1) the term 'farmers' shall be deemed to include persons who are engaged in, or who, with assistance afforded under this title, intend to engage in, fish farming, and (2) the term 'farming' shall be deemed to include fish farming."

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Arkansas to the committee amendment.

The amendment to the committee amendment was agreed to.

Mr. ROBERTSON. Mr. President, last month I offered an amendment that would restore to the bill a provision contained in the House bill relating to the support price for corn in 1964. The amendment was designated as "8–3–62—A." I offered the amendment because if the bill as reported to the Senate had been passed, after 1964 the support price for corn would be cut back to about 54 percent of parity based upon the 80 percent of the 3 previous years. We know that the support price for corn has been very expensive. It has reduced the consumption of corn. The total utilization of corn increased 1,112 million bushels in the 5 years since 1956, whereas it declined 48 million bushels in the 6 years from 1950 to 1956.

However, the Senate has just agreed to the amendment offered by the Senator from Louisiana [Mr. ELLENDER], which would repeal the 1958 act with respect to feed grains. The support price of feed grains under that act, as I recall, would be higher than under the present emergency act. We would go back to the 1958 situation when there were no controls whatever. It would be a more expensive program.

Mr. ELLENDER. Oh, yes. The 1958 act provided for unlimited production with a guaranteed price support.

Mr. ROBERTSON. Yes.

Mr. President, I sent to the desk in July an amendment relating to wheat, designated "7–23–62—A." I call up that amendment and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The LEGISLATIVE CLERK. In the committee amendment, at the end of subtitle B of title III of the bill, it is proposed to add a new section as follows:

> SEC. . Section 333 of the Agricultural Adjustment Act of 1938, as amended, is amended effective with the 1964 crop of wheat by striking therefrom the following: "The national acreage allotment for wheat for any year shall be not less than fifty-five million acres."

Mr. ROBERTSON. Mr. President, the farm bill of 1949, to which I referred yesterday, was what we called a continuation of the rigid support price program. It required a 75-percent support price for wheat. Later we fixed the minimum acreage of wheat at 55 million acres.

As I pointed out yesterday, in recent years the per acre production has been more than twice what it was when the acreage was fixed at 55 million acres.

The program has been very expensive. The use of wheat for feed has declined from 150 million bushels a year to less that 50 million.

We have been exporting wheat under the provisions of Public Law 480. The Senator from Louisiana has said that that program has cost us almost $7 billion in soft currency for surpluses. Then we financed the export of wheat with sound money at 65 cents a bushel. We have given away abroad some of the soft currency received in the exportation of wheat. The CCC has a total of $2,124 million invested in wheat and loans outstanding in the amount of $392 million.

I should like to state what my amendment would do. After 1963 there would be no minimum wheat acreage at all. If there is a support price, the Secretary of Agriculture would fix the acreage so that the program would not be as expensive as it has been in the past. The distinguished chairman of the committee, in handling the bill on the floor of the Senate, told me yesterday that he did not personally have any objection to my amendment, because it would be a move in the direction of reduced costs of the uncontrollable surplus which we have had in the past, and also would return our farmers to a program of private enterprise. We know that when we were not placing one red cent of subsidy behind the wheat farmers, they not only produced enough wheat to feed our Nation, but also exported about 20 percent of what they produced. Each year wheat was exported abroad for sound money. Now we export none of it for sound money. We subsidize wheat at 65 cents a bushel. In effect we are giving away a great deal of it and still have on hand more than we know what to do with. The distinguished chairman said that the Senate would not agree to my amendment. I cannot be too sure that the Senate will. I offer the amendment and ask for a vote on it.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

Mr. ELLENDER. Mr. President, I hesitate to oppose my good friend from Virginia on this amendment. We have a wheat section which will have almost the same effect. The Senator's amendment is more or less in conflict with the wheat provision which the committee adopted. Under the wheat provision contained in the bill, the minimum amount of wheat to be produced per year will be a billion bushels. By the adoption of the wheat amendment as incorporated in the bill it will accomplish about the same thing that the amendment of the Senator from Virigina would accomplish. I compliment him on presenting the amendment, which almost fits in with the provision we now have in the bill. I can assure the Senator that the language in the bill will accomplish what he is seeking to do with his amendment.

Mr. ROBERTSON. I am gratified that we are making some move toward saving some money, whether by my amendment or by what is in the bill. I am glad that we are headed for some improvement.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Virginia.

The amendment was rejected.

Mr. COOPER. Mr. President, will the Senator yield for a question?

Mr. ELLENDER. I yield.

Mr. COOPER. I have just come in. I understand that an amendment was adopted a few minutes ago without a rollcall which would have the effect of repealing the support prices for corn under the 1958 act, which is the law now in effect, and substituting supports for corn at 0 to 90 percent of parity. Is that correct?

Mr. ELLENDER. The amendment which has been adopted would repeal that part of the 1958 act which fixes a support price at 90 percent for the last 3 years average or 65 percent of parity, whichever is higher, and in lieu of that we have provided support prices from 0 to 90 percent.

Mr. COOPER. May I ask what the purpose of the amendment is? What is the Senator seeking to accomplish by the amendment? I ask the question for clarification.

Mr. ELLENDER. We have in the bill now, adopted by the committee, a continuation of the emergency program for one more year, and at the end of that emergency there would be no price support for corn except from 0 to 90 percent, and production, of course, under that provision would be unlimited.

Mr. COOPER. That would become effective in 1964?

Mr. ELLENDER. That is correct.

Mr. COOPER. I know the purpose of the chairman, as he made very clear yesterday on the floor, is to secure, if possible, enactment next year of a compulsory feed grain program.

Mr. ELLENDER. Yes. What the chairman of the committee desires to do, and many Members of the Senate desire to do, is to repeal the law which today allows unlimited production in corn and other feed grains and sorghums and barley, without any limitation as to the acreage.

Mr. COOPER. I do not believe the chairman would intend it, but does he anticipate or foresee that the Secretary of Agriculture would have the power—if he desire to use it—to fix the support price on corn, under his amendment permitting support from 0 to 90 percent, at such a low figure that would have the effect of forcing farmers to adopt the compulsory feed grain program?

Mr. ELLENDER. No; I would not.

Mr. COOPER. Does the chairman expect that to happen?

Mr. ELLENDER. I do not expect that at all, for the reason that in fixing the support price the Secretary will have the authority to fix it at not to exceed the 90 percent of parity price therefor as the Secretary determines will not result in increasing the Commodity Credit Corporation stocks of corn. In other words, that is the goal that he must reach. Any price support that he fixes must not result in an increase of the surplus of corn.

Mr. COOPER. I will explain my reason for asking the question. The Senator knows that many of us do not support a compulsory feed grain control program. For, as the Senator from Vermont [Mr. AIKEN] said yesterday, we do not know what the situation will be a year from now, or 2 years from now, with respect to supplies of feed grain.

Whatever their volume or value may be then, it is a fact that from the standpoint of use, present stocks of feed grains represent about a 5-month supply or possibly 6-month supply. Beyond that fact, many of us have thought that to pass a compulsory feed grain control bill, which might deny farmers the right to raise feed for the livestock on their own farms, would be a radical departure in farm legislation.

We have considered that it might be much better to have a feed grain program under which the Government would continue to make some payments to farmers, rather than to place every crop in the United States under Federal controls. I do not want to see that happen.

I believe there are some in the Department of Agriculture, according to the testimony we heard this year and last year, who want to place every crop in this country under some kind of Federal controls—and ultimately, over livestock. This viewpoint came out clearly in hearings before the Senate Committee on Agriculture in 1961.

The question I ask about this amendment—and I know the chairman will speak clearly about it—is whether he believes that the Secretary of Agriculture or his Department would use the power of setting feed grain supports between 0 and 90 percent of parity to lower supports, so that it would have the effect of forcing farmers to vote for a compulsory control program because there would be no workable alternative to protect them in any way except such a control program.

Mr. ELLENDER. No; I do not believe that at all. To begin with, the machinery to bring anything like that about is not available. The Secretary would have no right under the law or under any past laws to put acreage controls into effect. That is what the Senator is interested in.

Mr. COOPER. I believe the Senator has expressed his view.

Mr. ELLENDER. The Secretary could fix the price support at 5 percent of parity or 80 percent of parity, but he cannot put acreage controls into effect.

Mr. COOPER. If the Secretary fixed feed grain supports at 5 percent, and as a result a flood of feed grains was produced, the price would drop, and the situation that would develop might force the farmers to take something they do not want.

Mr. ELLENDER. The Senator knows that the only time the Secretary of Agriculture would be called upon to do that would be to assist in raising the price of the crop. However, I go back to the proposition that by the adoption of this amendment the Secretary of Agriculture would have no right whatever in any manner to control the production of corn or other feed grains, or limiting acres.

Mr. COOPER. If the time comes when farmers have to vote upon the compulsory feed grain control proposal, I would like to know a workable alternative is preserved in the basic law. In 1958, when the farm bill was before us that year, much of it marked a radical departure, in the sense that it departed from the old parity concept. At that time the Senator from Minnesota [Mr. HUMPHREY] offered an amendment, which maintained the parity concept, to provide a feed grain program under which each farmer could choose to expand his acreage at a somewhat lower level of supports. I voted for it. His amendment was defeated, but at least it offered farmers a choice. The bill which was passed in 1958 provided for a referendum to continue corn allotments with 75 to 90 percent support for cooperators, or to abandon corn allotments and provide supports for all corn at 90 percent of the 3-year market price or 65 percent of parity, whichever was higher. As a result, of the 1958 act, corn allotments with 75 percent supports were defeated in the referendum, and that helped to produce the present surpluses.

I should like to see something provided on the order of the proposal of the Senator from Minnesota in 1958. The Senator from Louisiana [Mr. ELLENDER] has said that the 0 to 90 percent of parity would give some protection to corn growers. I am not so sure. I know the Senator from Louisiana is sincere, but I do not favor giving this authority to the Department of Agriculture.

Mr. HUMPHREY. Mr. President, will the Senator from Kentucky yield?

Mr. COOPER. I yield.

Mr. HUMPHREY. I understood the chairman to say yesterday that it will be his intention in January to call the Committee on Agriculture and Forestry into session for the purpose of obtaining testimony from persons engaged in the feed and grain business and also from the Department of Justice in order to perfect a new feed grain program. As I understand, the bill before us is at best a stopgap measure. The Senator from Louisiana expects Congress to take affirmative action next year. Is my understanding correct?

Mr. ELLENDER. That is what the proposal would lead to. I am hopeful that it will be possible to hold hearings not only on corn, but also dairying during the early part of next year.

Mr. HUMPHREY. Section (b) of the Senator's amendment provides for that very thing.

Mr. MORSE. Mr. President, I should like to have the attention of the Senator from Louisiana and the Senator from Kentucky as I make some comments.

I have heard from the wheatgrowers and the livestock and poultry feeders of my section of the country, which encompasses Idaho, Washington, and Oregon. They are pointing out that based on the Kansas City market, for example, and eliminating the freight differential, which is always a handicap to us, feed grain in the Pacific Northwest is costing them from $7 to $10 a ton more than it costs in Kansas City, and that this is bound to exterminate many feeders in the Northwest. They cannot wait until the next session of Congress.

I believe they are trying to solve this problem with the help of the Secretary of Agriculture, in the hope that some relief can be provided. Much milo and other feed grains should go to the Pacific Northwest, but the storage people are doing everything they can to block its movement. I did not know that the objective of the farm program was to enable the storage people to make profits. I thought the objective was to dispose of surplus grain. There is a great need for surplus grain in the Pacific Northwest. It is all tied up with this version of the bill, so the wheatgrowers and feeders of my section of the country have told me in the last 24 hours. So I wish to lay this problem before the Senate, make the legislative history, and get the comments of any Senator who wishes to make the legislative history, particularly the Senator from Louisiana.

The wheatgrowers and feeders in my section of the country say, "Well, a large amount of barley, which has been cut out of the program, is being exported." It surely is. We ought to be praised for that. It is desirable to export barley. But if we were not exporting barley, our feeders could not buy barley, because they could not afford to buy it at support prices. So that, again, would help the storage people.

The suggestion has been made to me in the last 24 hours that I elicit from the Senator from Louisiana a legislative history on this phase of the wheat program, for it appears now that there will not be an adequate control system provision in the bill. There is to be a wheat program which will be better than nothing, but far short of the two-price wheat program, as to which the Senator from Louisiana has done a masterful job, and for which we in the Pacific Northwest are indebted to him. I think it is perfectly clear from the record that if he had his way now, he would stand just where he has been standing with respect to this question; but he has an almost impossible task, as the manager of the bill, to have some measure passed by the Senate which will at least provide some protection to agriculture.

But the wheatgrowers in my region are asking me why it is not possible to include in the bill a provision, or at least to make a legislative history, which would permit the practice that I now describe; namely, of permitting that amount of wheat acreage that goes out of production, so far as feed wheat and export wheat are concerned, to be planted, with no supports, in feed grain, so as to help make available in our part of the country a supply of feed grain for the feeders of both livestock and poultry. I ask the Senator from Louisiana: Is such a suggestion at all reasonable?

I see no reason why acreage should be permitted to be planted in barley on the assumption that it will be used for feed grain, when actually it will not be used for feed grain, because it will be exported or placed in storage, since the support price makes it too expensive to be used as feed grain in my part of the country in competition with feed grain marketed at Kansas City and other midwest cities at from $7 to $10 a ton cheaper than our feeders can buy their grain.

If some of the acres in our section of the country that are not to be covered by support prices could be planted in wheat to be used as feed, that might be of some help. I do not know whether it will solve the problem at all, but I am grasping at straws to be of help to the feeders of my section of the country, because the evidence we have filed with the Department of Agriculture is, in my judgment, unanswerable. It is evidence provided by research studies made by

Oregon State University, at Corvallis, and by Washington State College. They are impartial studies prepared by men who know the grain business of the Pacific Northwest, and they bear out what I have said in my statement this morning; namely, that the feeders in the Northwest cannot compete with the feeders of the Middle West because of the differential in the price of grain. The answer is not to be found in the freight differential, because that even compounds their problem.

So I ask the chairman of the committee: What would be wrong with allowing some of the acreage that is to be taken out of production to be planted in wheat, but only for feed grain use?

Mr. ELLENDER. Of course, I am very sympathetic to the problem which the Senator has laid before the Senate. In order to be of assistance, as he remembers, when we included the compulsory feed grain provision, we had a section which provided an interchange between corn and wheat that could be used for feed. Unfortunately, since we were unable to pass the original title pertaining to corn and other feed grains—that is, to make them compulsory—that provision was stricken from the bill. I regret that very much. But I want to give the Senator from Oregon assurance that in the amendment which was adopted we are providing some relief, for in it there is a section which invites those in the position the Senator from Oregon has described to contact the Department of Agriculture, in the hope that some remedial legislation can be enacted come January.

I wish to give my assurance that I shall do all I can to alleviate the situation the Senator from Oregon complains about. Of course he realizes that our great difficulty at the moment is that we have so much wheat in surplus now, and also so much of feed grains, that to permit the planting of more in another section of the country might do violence to the program.

As I have said, I am very sympathetic with what the Senator from Oregon is suggesting; and, come January, I am very hopeful of being able to present to the Senate a bill which may correct the situation about which the Senator from Oregon complains.

Mr. MORSE. Mr. President, this relief just means economic survival for the feeders in the Pacific Northwest. I cannot justify not doing everything I can at this session to try to provide them with some relief. If the acres I am talking about are allowed to be planted to nonsupport wheat, it does not seem to me that will increase our wheat surplus, because the support price could not be used for that wheat. It would be economically impossible for the support price to be used for it, because they could not get their money back. But without this relief, they will have to go out of the feed business.

The situation in the Pacific Northwest is that the feeders are being shipped into the Midwest, where the price of grain is low, because we cannot get the relief to which we believe we are entitled.

We are accustomed to being an economic colony of the East and the Midwest; we have had that experience for decades and decades. But the people of my part of the country want an emancipation proclamation by means of this part of the bill. We are fed up with being economic colonists of the Midwest and the East. We want our economic independence; and we think we should be allowed on an economic basis to raise our own feed, to be fed to our own feeders, for consumption in our own section of the country. We can raise the meat that is needed for the west coast. But what is happening? Meat is being imported, to feed the people in Oregon, Washington, Idaho, and California; and much of that meat is in the form of our finished feeders, which have been sent to the midwest feeding lots, because this unjustifiable economic discrimination against my section of the country is permitted to continue.

I am fighting here today to get an emancipation proclamation insofar as our farmers are concerned, so they no longer will be the economic colonists of the Midwest and the East. I do not understand why Congress insists upon imposing this kind of economic injustice upon my section of the country. I do not see why the people of California, Washington, Oregon, and Idaho have to ship their feeders to the Midwest, to be fattened and slaughtered, and then shipped back to the west coast, to provide a meat supply for the people of our section of the country, when we have in our section of the country the greatest herds in the country. This simply is not right or just.

If we can say to the feeders and to the wheat growers of my section of the country, "Here are so many thousands of acres of wheatland which do not fall within the wheat program. You cannot get the support price for wheat grown on them; but if you want to grow wheat on them, instead of growing something else on them or instead of letting them lie barren and take a soil bank payment for them, we will let you raise your own feed grains on them. You will not get any support money for it, but you can use the wheat to feed to your own feeders," what could possibly be wrong with that, unless we wish to say that as a matter of policy we are going to penalize the Pacific Northwest. But, Mr. President, that cannot be justified. That injustice has been too long endured by the people of my section of the country.

I want to work with this administration, and I want to help this administration pass sound legislation. But I am not going to sit here and support this administration in the perpetuation of economic injustice against the people of Oregon. I simply am not going to do it; and I think this is a place where justice can be worked out, and I think the feeders of Oregon are entitled to an arrangement which will assure them a supply of feed grains to be used in the Oregon feed lots, without having to pay $7 to $10 a ton more than feeders in Iowa, Illinois, Kansas, and the feeding lot areas in that part of the country have to pay. So I am pleading for only simple justice.

We have been trying to work out with the Department of Agriculture an arrangement by means of which it will release some of the great quantities of milo in the midwest storage bins, to help produce the needed supply of meat. But we are told that the storage people would raise holy Ned if such a program were followed.

So today I ask, here on the floor of the Senate, whom are we trying to help? The farmers or the storage profiteers? I should think we would have had our belly full—and I am sorry to use that phrase, but it is so descriptive and so apropos that I do use it—of storage scandals. I should think the Sol Estes case would be enough. The reason why such a scandal developed is that the Government has been aiding the storage people, not the farmers. I want to get this feed out of storage and into human stomachs and into the stomachs of livestock and poultry, so that, in turn, there can be a meat supply for human consumption. I also wish to point out that I do not think we have yet scratched the surface of the export market, insofar as the export of meat is concerned.

So there simply cannot be any justification for keeping the grain in storage, where much of it will spoil. Certainly a study needs to be made of the spoilage which occurs in connection with the Government's storage program. It should not be allowed to spoil in the Government storage bins. It should go into empty human stomachs around the world; and it should also be made available to farmers in parts of the country, such as the Pacific Northwest, which are being economically discriminated against because they are not allowed to compete on an "equal shake" basis with the feeders in the Midwest.

That is the problem. All I can do is raise it here. There is no question about the soundness of the facts on which I rely, because the conclusions reached in the studies by the agricultural departments of Oregon and Washington, to which I have referred today, have not been answered by the Department of Agriculture, and cannot be answered by the Department of Agriculture, because 2 plus 2 still makes 4, no matter what kind of rationalization the Department of Agriculture wishes to give for a continuance of this discriminatory policy.

I think the Senator from Louisiana knows how appreciative I am of the agricultural statesmanship he demonstrates every time we have an agricultural bill before us. But I would be less than honest if I did not say that many of the feeders in Oregon cannot wait until January; by January, many of them will be dead broke and out of business. Now is the time for this administration to write into this bill some protection which will give Oregon feeders an equal competitive "break" with feeders in the Midwest. We are not asking for more; but we are asking for that. Until that is done, in my judgment the Oregon feeders will remain the economic colonists of the feeders in the Midwest and the East; and that cannot be justified.

Mr. YOUNG of North Dakota. Mr. President, I call up my amendment, "8–20–62—D."

The PRESIDING OFFICER. The amendment offered by the Senator from North Dakota to the committee amendment will be read.

The LEGISLATIVE CLERK. It is proposed on page 49, beginning in line 1, after the period, to strike out all through line 5.

Mr. YOUNG of North Dakota. Mr. President, this is the appropriate time to call up the amendment since the Senate has just adopted an amendment which would repeal the 1958 act placing a minimum price support on corn at 65 percent of parity.

It has been very difficult for me to be on the floor during the consideration of this farm bill. All day the Appropriations Subcommittee on Agriculture has been taking final action on the agriculture appropriation bill, and I am the ranking Republican member of that committee, so I feel I must be there. But the amendment I am calling up would repeal this provision in the present law, a provision that was put in the law about 2 years ago, which reads as follows:

> Price support for corn, grain sorghums, and barley shall be made available on not to exceed the normal production of the 1963 acreage of corn, grain sorghums, and barley of each eligible farm based on its average yield per acre for the 1959 and 1960 crop acreage.

Previous to that provision, the program provided price supports on feed grains and other grains on the amount actually produced by the farmer. This language provides the farmer can receive price supports on only his average production of the previous 2 years.

Let me illustrate how it works in my State. Last year we had a severe drought. In much of the area there was practically no crop at all. Thus the average yield was greatly reduced. This year we have a good crop. So the farmers find themselves able to get price supports on only about half of their feed grain production. They feel it is unfair. I believe it is unfair. It is particularly unfair since price supports have been reduced from 65 to 90 percent of parity to 0 to 90 percent of parity under an amendment just approved by the Senate.

Mr. ELLENDER. Mr. President, there is a good deal of merit to what the Senator from North Dakota has said. Since the provision that his amendment strikes from the committee amendment is in the House bill, the provision will be in conference, and I am willing to accept the amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from North Dakota to the committee amendment.

The amendment to the amendment was agreed to.

Mr. HUMPHREY. Mr. President, in order to bring about the appropriate parliamentary situation, I move to reconsider the votes on all amendments to the committee amendment which have been agreed to. I ask unanimous consent that the amendments be considered en bloc for purposes of reconsideration.

The PRESIDING OFFICER. Without objection, all amendments will be reconsidered en bloc——

Mr. COOPER. Mr. President, reserving the right to object——

The PRESIDING OFFICER. The Senator from Kentucky reserves the right to object.

Mr. COOPER. Mr. President, earlier I questioned the amendment which has been voted on, to change price supports for feed grains from 65 percent of parity to a new standard of 0 to 90 percent of parity. I would like to have the vote on that amendment reconsidered.

Mr. HUMPHREY. Mr. President, I ask unanimous consent that the votes on all other amendments to the committee amendment, which have been agreed to, except the Ellender amendment on page 56, after line 2, be reconsidered.

Mr. ELLENDER. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. HUMPHREY. Mr. President, I move that the vote by which the Ellender amendment to the committee amendment was agreed to be reconsidered.

Mr. ELLENDER. Mr. President, I move to lay that motion on the table.

Mr. COOPER. Mr. President——

The PRESIDING OFFICER. A motion to lay on the table is not debatable.

Mr. ELLENDER. Mr. President, I withhold my motion.

The PRESIDING OFFICER. The Senator from Kentucky.

Mr. COOPER. I thank the Senator. I recognize the amendment was agreed to. I was not here at the time, and very few Senators were here. There was no debate on the amendment, which was not available until today, and no rollcall.

I raised questions regarding the amendment, as soon as I heard the amendment was passed by voice vote and they appear to me to have some importance. I oppose the compulsory feed grain control program, for these reasons:

First, I do not think there is any need for it. There are no great supplies on hand, from the standpoint of the volume of feed grain used each year—5 or 6 month's supplies. Second, the control program would deny some farmers the right to raise feed grains on their own land to feed their stock which would be a radical departure. Third, the control program could lead to controls over livestock production. It might not happen, but raises that possibility.

If the compulsory feed grain program becomes law, it would mean that practically every farm crop would be under some type of Government control, and every farmer engaged in a Government farm program.

I know there will be time during the next year to consider a revised feed grain program. I know I do not have to tell the chairman of the committee of my high regard for him, for his thoroughness and fairness. I hope he will hold three or four hearings or more over the country, as was done in 1947, to ascertain the views of farmers, and to determine if there is some way of meeting the feed grain problem other than by the compulsory program which the Department of Agriculture desires, and something better than the present program. I want to see a change in the present program, but we cannot assume that farmers and farm organizations over the country have no ideas on the problem.

What has all this to do with my motion that the vote on the amendment be reconsidered? What I have said is relevant, for I believe the authority to fix price supports at from 0 to 90 percent provided to the Secretary of Agriculture by the amendment, could give him the power—in fact require him—to fix price supports at such a low figure, that it would have the effect of forcing the farmers to take a program they did not want. For the amendment provides that he must fix supports—0 to 90 percent—at such a figure as would not increase CCC stocks. This would force him to lower supports radically. I do not think my argument is technical; I think it is fundamental.

The Secretary is firmly wedded to compulsory programs. I know Mr. Willard Cochrane, his assistant, who came with him to our committee, is firmly wedded to compulsory control programs. They so testified. The amendment, authorizing price supports at 0 to 90 percent, accompanied by the provision that such price support level must not add to stocks, would require the Secretary and others who are wedded to the idea of a compulsory feed grain program, to fix price supports at such a low level that the farmers might be forced to vote for a compulsory feed grain program.

I think, in all fairness to the farmers, we should take the possibility I have mentioned into account.

I am afraid the Senate will take this amendment. It has already taken it. I am not complaining. No quorum was called on it following the quorum on taking up the farm bill. I understand there was no debate on the amendment, and no rollcall vote. But, if the vote is reconsidered—and I would like to have it reconsidered—I want to be recorded as voting against the amendment for the reasons I have given, and give other Senators the same chance. Then, if the Senate wants to approve the amendment, it will be the Senate's judgment.

I move to reconsider.

Mr. HUMPHREY. Mr. President, I am going to withdraw the motion to reconsider. Before I do so, in order that we may accommodate Senators who wish to make some comment, I withhold. Other Senators are interested. I shall withdraw the motion.

Mr. AIKEN. Mr. President, I am not particularly worried about how to control surpluses of feed grains 2 or 3 years from now. What concerns me most is whether we shall have enough feed grain production in the country to meet the demand both here and abroad. The demand for feed grains is growing by leaps and bounds. People all over the world are demanding finished beef now, and that requires feed grains. Our own population is increasing at the rate of nearly 3 million people a year.

To show the position we are in at the present time I should like to put a few figures in the RECORD. I shall take corn as an example, and the USDA figures as authority for what I shall say.

In 1961 we fed and sold, according to the revised figures of the Department, 3,983 million bushels of corn. In the same year of 1961 we produced 3,624 million bushels of corn. The carryover at the end of the marketing year was 350 million bushels less than the carryover the year before.

Approximately 100 million bushels of the decrease was brought about by the billion dollar emergency program, and 250 million bushels of the reduction resulted from increased sales and feeding of feed grains.

The marketing and feeding of corn for the year 1962 is expected to be far in excess of 1961. I believe I heard on the radio this morning that the Department estimates 2½ million more tons will be fed this year than were fed last year.

According to the statistics, there are 4 percent more cattle on feed now than there were a year ago, and we are feeding at a 10 percent higher rate than we were 5 years ago. That is going to take a lot of feed grains.

The carryover for October 1 of this year is estimated at 1,650 million bushels, or slightly over a 4 months' supply, figuring at the rate of feeding which prevailed last year. We are now using feed grains in this country at a rate in excess of our total production for the record years of 1959 and 1960.

So it does not seem to me that we need worry too much about surpluses of feed grains. In 2 or 3 years we may be worrying about having enough feed grains to meet our own requirements and the demand for export.

Mr. ELLENDER. Mr. President, again I give reassurance to my good friend from Kentucky that before offering the amendment I had the law examined. The Secretary of Agriculture will be unable to provide any program of any kind of controls on the production of corn and other feed grains. The 0 to 90 percent provision may be used by the Secretary to encourage production. He will not have to do so but the provision may be used to encourage the production of corn and other feed grains, as is done in the case of soybeans and other commodities which may be in shortage. That is the provision in the law now, I say to my good friend.

In my amendment I have provided that the same price supports procedure may be invoked for corn as for many other commodities. It can be used, as I said, in the event we need more production.

Mr. HUMPHREY. Mr. President, I ask unanimous consent that my motion to reconsider may be withdrawn.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Minnesota? The Chair hears none, and it is so ordered.

Mr. COOPER. Mr. President, as the chairman of the committee knows quite well, I have absolute confidence in anything the chairman tells us, as have all the members of the committee. All of us on the committee know of his absolute fairness in all these matters.

The chairman knows that when the farm bill was first before the committee, and before the Senate earlier in the year, and again when the bill as passed by the House was last before the committee, I supported that part of the bill which would revise the wheat allotment program, because wheat has been the most troublesome and persistent surplus. Also, a distinction can be made between wheat—a crop susceptible to rigid controls, and which has had a control program for many years—and feed grains.

I feel so strongly about the compulsory feed grains program that I do not want to see any action taken now which could give the Department of Agriculture a power, such as the 0 to 90 percent support price, which at some time—next year, or the year after that—would be used, in fact, required to be used, and which would have a coercive effect in bringing about the adoption of a compulsory feed grains program.

I know the chairman does not have anything like that in mind. But last year and again this year the Secretary of Agriculture and his advisers came before our committee and expressed the view that the compulsory feed grains program must be adopted as a permanent program. Of course, when the committee refused to adopt it, they had the question taken to the Senate, and by a very small majority of 42 to 38 it was adopted by the Senate. I assume the Department of Agriculture, the Secretary and his advisers, are not going to relinquish their effort to secure a compulsory feed grains program.

I do not accept the view, because they offer it, that it is a "must" program. The subject of agriculture is a kind of mystery to many people. The chairman knows farm programs, along with the distinguished Senator from Vermont [Mr. AIKEN] and the distinguished Senator from North Dakota [Mr. YOUNG]. But the lack of knowledge of farm programs is general throughout the country, and I say, with all respect, this mystery, lack of understanding, is reflected in newspaper editorials. Many take the position that the feed grains program ought to be adopted as a part of the administration program, without recognizing that it has much deeper consequences and significance. Many do not know that it would lead to controls at some time upon livestock and poultry, that it would mean that many farmers would be prohibited from growing feed for use on their own farms, and that it would lead to a control over crops and farmers that this country has never known. Wheat, cotton, tobacco are different. Feed grains are inherent in the farmers' use of his farm.

I should like to see at least some segment of the farmers remain free from governmental controls and governmental support.

I do not want to be overly suspicious. Its effect could force enactment of a compulsory feed grain control program if such a program were enacted.

So, I move to reconsider the vote. I shall ask for a quorum call, so that the Senate can vote on whether the support price for the 1964 crop and subsequent crops of corn shall be changed from 65 percent of parity to some point to be determined by the Secretary between 0 and 90 percent of parity.

Mr. President, I move to reconsider the vote by which the amendment to the committee amendment was agreed to.

The PRESIDING OFFICER. The Senator will have to obtain unanimous consent in order to make such a motion. Does the Senator ask unanimous consent for that purpose?

Mr. COOPER. Mr. President, I ask unanimous consent.

The PRESIDING OFFICER. Is there objection? The Chair hears none.

Mr. ELLENDER. Mr. President, of course, I could have objected but I did not want to do so. I am for free debate. I do not wish to be accused of trying to "put something over" on Senators. But I assure my good friend from Kentucky that by the adoption of the amendment, there is no law now existing that would give the Secretary of Agriculture the power to put into effect any kind of program of acreage control on corn. The purpose of the amendment was merely to put corn in the same category as soybeans and other commodities in providing an opportunity for fluctuation in price supports, in the event that the Secretary of Agriculture saw fit to do so for the purpose of increasing production. After all, that is the purpose of the price support program.

What I argue against is a program under which the Federal Government would be compelled to support prices of commodities the supply of which was far in excess of our needs. That is why I attempted to place growers of corn and other feed grains in the same category as growers of tobacco, cotton, peanuts, rice, and wheat. As to the producers of those commodities, the support prices were fixed in the law. But in order to obtain the support prices, growers had to conform to acreage allotments. But that was not so in the case of corn and other feed grains. That was the essential difference between the programs affecting corn and those relating to other basic commodities.

Mr. COOPER. Mr. President, I repeat that in no way do I question the good faith of the Senator from Louisiana, either with regard to the vote taken or in any way. There is no fairer man in the Senate.

The PRESIDING OFFICER. Without objection, the question is on the motion to reconsider the vote by which the amendment to the committee amendment was agreed to.

Mr. HUMPHREY. Mr. President, I move to lay that motion on the table.

The PRESIDING OFFICER. The question is on the motion of the Senator from Minnesota to table the motion to reconsider.

Mr. COOPER. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. COOPER. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. COOPER. Mr. President, will the Senator from Minnesota withhold his motion to lay on the table?

Mr. HUMPHREY. I withhold it.

Mr. COOPER. I should like to explain my position to the Senators who have come into the Chamber. I want to explain the purpose of my motion.

Today the distinguished chairman of the Committee on Agriculture and Forestry offered an amendment which was adopted. Under present law, the 1958 act, the support price for corn is fixed at 90 percent of the average market price for the 3 preceding years, or at 65 percent of parity, whichever is higher. The effect of the chairman's amendment is to change the present law and to provide authority to the Secretary of Agriculture to fix the support price for the 1964 and subsequent crops of corn from 0 to 90 percent. It further provides that the support price shall be such as the Secretary determines will not increase the Commodity Credit Corporation's stocks of corn.

Under the authority, which would be given to the Secretary, he could provide price support at such level as he determines would not result in any net gain in Government stocks of corn. It means that there would be very little if any support for corn.

The amendment was adopted. I have moved to reconsider the vote by which the amendment was adopted.

If my motion is successful, we will then vote again on the amendment. My purpose in opposing the amendment can be stated as follows:

First, I should like to give the situation as I understand it if the pending farm bill is adopted. A voluntary program for corn and other feed grains will be continued in 1963. Then, before 1964, Congress would have to act either to extend the voluntary program or, if it should not be extended, to provide another program for corn and other feed grains.

If no program should be provided, we would be back to the basic law, to the 1958 program, which now provides support for corn at 65 percent of parity, and for other feed grains at a price related to corn.

With the change which is offered in the support price by the chairman's amendment, there would be no program for corn and feed grains, in my judgment.

My reasons for questioning the amendment arise from the coercive effect it could play in the adoption of a compulsory feed grains program. The Department of Agriculture and the Secretary want Congress to adopt a compulsory feed grain control program. There are those in the Senate and in Congress who also want to see the program adopted.

Others have opposed it, as I do for reasons which we have stated many times. We do not believe that the same argument can be made for the feed grain program as can be made for wheat which is the chief source of our surplus. Stocks of feed grains in surplus, while they represent large amounts in volume and value, actually are sufficient only to meet needs and use for a period not to exceed 6 months for corn, and similar periods of time for other feed grains. A drought, unusual use, or increased feeding of livestock, could greatly reduce these supplies. In fact, there might be shortages. We do not know what will happen a year or two years from now.

Many have raised the objection, when the bill was before us in the past months, that they do not want to see a situation develop in the country in which farmers cannot raise feed grains necessary for use on their own farms. That would be a radical departure in our farm programs; it would be something which has never before occurred in our country. Even the wheat program contains an exemption for wheat grown and fed on the same farm.

Another objection is that the compulsory feed grain program could lead ultimately to controls over livestock.

When the omnibus farm bill was before us in 1961, and the Secretary of Agriculture and his officials, it was clear that it might lead to controls over livestock.

It might be asked what this has to do with my motion to reconsider the amendment which was adopted, and to ask that the present support price for corn in the basic law be continued rather than to adopt the change proposed by the chairman that price supports be fixed at 0 to 90 percent and at a level which would result in no additional corn going into Government stocks.

I think it evident that if the Secretary of Agriculture had the power to fix support prices at any figure he wished between 0 and 90 percent, and also to give support only to the extent that the Government would take over no corn unless it sold an equal amount, farmers would have little choice, except to say, "We will accept the compulsory feed grain program." There would be no reasonable alternative.

Mr. HICKENLOOPER. Mr. President, will the Senator from Kentucky yield?

Mr. COOPER. I yield.

Mr. HICKENLOOPER. The Senator has just touched on a very sensitive and important phase of this particular amendment. The theory of support prices in the discretion of the Secretary of Agriculture, from 0 to 90 percent, as a means of regulating the inducement or control of future crops, has much to be said in its favor. However, the Senator has just pointed out that such a proposal puts a substantially coercive power in the hands of the Secretary. We all realize that. He can fix the support price at any amount he wishes, from 90 percent to 0. This is very important, considering the present attitude of the Secretary of Agriculture.

I call the Senator's attention to one particular fact and ask him if he agrees with me. Last year or a year and a half ago it was the direct testimony of the Secretary of Agriculture that he expected to use—and, in fact, he did use it last year—the authority to sell corn on the market in order, as he himself said, to hold the price of corn down, so as to coerce farmers into going into his emergency feed grain program. He used that power to coerce the farmers to accept the program which he wanted to force upon them.

I suggest that having already demonstrated his arbitrary power to sell corn on the market at the market price, and thus depress the market to $1 or below on corn, it is reasonable to believe that, having discretionary power from 0 to 90 percent, he might be very likely to use such power to threaten farmers with no support price whatsoever unless they accepted the compulsory control program. This has been the consistent purpose of the Department of Agriculture ever since the present administration took office more than a year and a half ago. Does the Senator from Kentucky believe that is a reasonable assumption?

Mr. ELLENDER. Mr. President, will the Senator from Kentucky yield?

Mr. COOPER. I yield.

Mr. ELLENDER. The Senator from Iowa is in error. It would be necessary for Congress to pass a law in order to give the Secretary such power. In other words, the Secretary of Agriculture would not have the power to say—if the amendment were adopted—that acreage controls would be, for example, at 50 percent of parity. He would have no such authority if the amendment were adopted.

The law now on the statute books, which would be repealed by this amendment, gives the Secretary of Agriculture the power, without even submitting the question to the corn growers, to say, "You can grow all the corn you desire, and you will get price supports ranging from 90 percent of the average of the 3 years' market price, or 65 percent of parity, which ever is higher."

This amendment would repeal that part of the law. In other words, the Secretary of Agriculture would not have to go to a support price of more than the rate I have just given, with unlimited production.

If the bill should be enacted with the amendment as proposed, the emergency program would be extended for another year. At the end of that year, the farmers would be free to plant all they wished, but without price supports, unless the Secretary desired to provide price supports in order to encourage production. The problem is that simple.

Mr. HICKENLOOPER. Mr. President, will the Senator from Kentucky yield?

Mr. COOPER. I yield.

Mr. HICKENLOOPER. I am referring to the language of the amendment. As I read it, it seems to be quite clear. It is the amendment offered by the

Senator from Louisiana [Mr. ELLENDER], designated "8-26-62—F." As I understand, that is the amendment which is now under discussion. It provides:

> Notwithstanding the provisions of section 101 of this act, beginning with the 1964 crop, price support shall be made available to producers for each crop of corn at such level, not to exceed 90 per centum of the parity price therefor, as the Secretary determines will not result in increasing Commodity Credit Corporation stocks of corn.

If that does not give the Secretary the right to set the price support level from 0 to 90 percent, I do not understand the amendment.

Mr. ELLENDER. It does; but it would not be under compulsion. The Senator from Kentucky is afraid that if the amendment were adopted, the Secretary of Agriculture would have the right to control acreage.

Mr. HICKENLOOPER. I do not understand that to be the Senator's position.

Mr. COOPER. That is not my position; absolutely not. I am perfectly clear about the provision. I am completely in accord with the Senator's view of the purpose of the amendment. I know that if the bill is enacted, there will be a voluntary feed program in 1963. I understand, also, that if that program is not extended next year and if no other program is adopted, there will be a reversion to the 1958 act. Does the Senator agree with that statement?

Mr. ELLENDER. If my amendment were not adopted?

Mr. COOPER. If the amendment were not adopted, or under any other circumstance. If a new program were not adopted for 1964, and the voluntary program were not extended, there would be a reversion to the 1958 act. Corn producers would come under the 1958 act.

Mr. ELLENDER. After expiration of the extension of the emergency program.

Mr. COOPER. Yes.

Mr. ELLENDER. Certainly, if this amendment were not adopted, that would be the case.

Mr. COOPER. There is no contention on my part that if the amendment were adopted, the Secretary would be given power to fix acreage allotments, for that is not the case.

Mr. ELLENDER. No. With all due respect to the Senator, the amendment would not give the Secretary the right to fix any acreage allotment.

Mr. COOPER. I said that; I understand perfectly well. I want the Senator to understand my objection to the amendment.

The purpose of the administration, the purpose of the Secretary of Agriculture, the purpose of his advisers, the purpose of the Senator from Louisiana—and the Senator is perfectly honest and clear about it—is to secure passage of a compulsory feed grain program to become effective in 1964. I think the Senator will agree with me in that statement.

If the Senator's amendment were adopted, it would provide an instrument in the hands of the Secretary of Agriculture, which he would be required to use and which would have a coercive effect in achieving a compulsory feed grain program. If the Senator's amendment were adopted, the Secretary of Agriculture would, I believe, be required to establish supports at a low price. For the Senator's amendment provides that the support must be low enough so that there would be no increase in CCC stocks.

There would be no alternative to the compulsory program except a support price which would drive down the price. Farmers would find it necessary to move into a compulsory feed grain control program, whether they wished to go into it or not.

Next year, when we come to consider a new feed grains program, I want these alternatives available to the farmers.

Mr. ELLENDER. Mr. President, the Senator from Kentucky concedes, does he not, that in order to initiate a program of compulsion, the Secretary of Agriculture would have to have Congress enact a law which would give him that power?

Mr. COOPER. Yes, I know that.

Mr. ELLENDER. Certainly.

Mr. COOPER. But I am arguing against this amendment.

Mr. AIKEN. Mr. President, I cannot become alarmed about the amendment offered by the Senator from Louisiana. As I interpret it, it does not give the Secretary of Agriculture any authority to offer no price support at all. In fact, it says that price supports shall be made available to the producers of each crop, and then it gives the Secretary of Agriculture authority to set the price support at a level which will not exceed 90 percent of parity. In other words, it is an effort to control the production of corn, through the price support level, rather than through control of the number of acres to be planted.

I presume that the Secretary of Agriculture would determine the level of price support by looking at the amount of corn on hand and the amount which would be needed for the year. Undoubtedly he would also be governed by the corn growers intentions to plant for that year. If on the first of March they showed an intention to increase greatly their planting, undoubtedly he would reduce the support level from the level at which he otherwise would set it.

Mr. YOUNG of North Dakota. Mr. President, will the Senator from Vermont yield?

The PRESIDING OFFICER (Mr. BURDICK in the chair). Does the Senator from Vermont yield to the Senator from North Dakota?

Mr. AIKEN. I yield.

Mr. YOUNG of North Dakota. How does the amendment differ from the Aiken Act of 1948 and the Anderson Act of 1949, which provided for supports of from 0 to 90 percent?

Mr. AIKEN. Was it supported at 90 percent that year? I thought it was 60 percent.

Mr. YOUNG of North Dakota. No, it was from 0 to 90 percent.

Mr. AIKEN. I take the Senator's word for it.

Mr. ELLENDER. We had that for all feed grains except corn.

Mr. AIKEN. That is correct.

Mr. YOUNG of North Dakota. But there was then a yardstick by which the Secretary had to go. I wonder how that differed from the amendment of the Senator from Louisiana.

Mr. AIKEN. As I recall, the Secretary fixed the support price for corn at that time at from 60 to 90 percent.

Mr. HUMPHREY. For corn, it was from 75 to 90 percent.

Mr. AIKEN. At any rate, I know that this proposal to regulate the production of a crop by means of the support level is a doctrine which I have heard many of my good old Republican friends preach for the last 20 years. We know that Secretary Benson asked for such an amendment; and I am delighted, and I am sure Secretary Benson will also be delighted to have the Senator from Louisiana offer the amendment for him at this time.

So, Mr. President, I am not alarmed about this amendment.

I am sure that regardless of whatever law we enact at this time, another agricultural program will be proposed next year, and another one will be proposed the next year. There has been one every year for the last 22 years that I have been here, and I do not know why we should assume that times would change in the next 22 years.

At any rate, this amendment appears to give the authority which Secretary Benson so earnestly requested. Finally, as I recall, he said he would accept a 60-percent minimum. However, Congress would not let him have that; and Congress made him take a 65-percent minimum, and President Eisenhower reluctantly signed that bill.

So I am a little amazed that the 1958 law is referred to as the Benson-Republican law, because it was not satisfactory to Secretary Benson, and the Republican President signed the bill reluctantly.

Nevertheless, as I have said, I am sure ex-Secretary of Agriculture Benson will be delighted to find that the Senator from Louisiana is at last supporting his proposal; and in that case I see nothing else to do but support the Senator from Louisiana.

Mr. MUNDT. Mr. President, I rise to support the position so ably stated by the distinguished Senator from Kentucky [Mr. COOPER], who urged Members of the Senate to vote to reconsider the action taken by the Senate on the amendment—action taken when only a few Members of the Senate were on the floor, and taken without a yea or nay vote, and taken at a time when many Senators were in committee, in connection with their necessary committee responsibilities.

Mr. President, why do I ask that the vote on this amendment be reconsidered? I may say that I agree with the Senator from Vermont [Mr. AIKEN] that this is the Benson flexible price support proposal; and I stand here as one who opposed the Benson proposal every time Secretary Benson made it, at a time when a President of my own political persuasion was in the White House. I see no reason to change my position now, just because some of the Democratic Members of the Senate have become Johnny-come-lately converts to the Benson philosophy. I was against it then, and I am against it now, insofar as it pertains to eliminating all the mandatory price supports and giving to the Secretary of Agriculture the right to set flexible price supports at from 0 to 90 percent.

I think there are even more valid reasons to oppose this flexible price support formula now than were available to me when I was against this provision during the administration of Mr. Eisenhower and Secretary Benson, because, as now placed before us, this is a more stringent approach and a more direct blow at price supports than was the case when Secretary Benson proposed it originally.

I call attention to the fact that this proposal that the Secretary of Agriculture be given the right to set price supports at from 0 to 90 percent is not even as innocent as it would seem if one were to stop right there, for I ask Senators to continue to read the amendment, and read the provision at the top of page 2, and consider the straitjacket in which the amendment would put the Secretary of Agriculture, from the standpoint of being unable to provide a fair and reasonable price to the corn producers. They were not content to give the Secretary of Agriculture the right to set the price supports at from 0 to 90 percent.

Mr. YOUNG of North Dakota. Mr. President, will the Senator from South Dakota yield?

Mr. MUNDT. I yield.

Mr. YOUNG of North Dakota. A little while ago, in colloquy with the Senator from Vermont, I stated that the support price for corn under the Aiken Act of 1948 and under the Anderson Act of 1949 was from 0 to 90 percent. But in checking on it, I find that the price support for corn was from 60 to 90 percent, and the price support of all other feed grains was from 0 to 90 percent. I wish to make that correction.

Mr. MUNDT. That is correct.

Mr. President, this amendment is out-Bensoning Benson, and is doing so in a big way, because they are not content to give the Secretary of Agriculture the right to fix price supports on corn at from 0 to 90 percent, but they also include a mandate and a guideline, and put him in a vise, and say, "The Secretary can set the price supports on corn at from 0 to 90 percent"; but in line 2 they say "at such price level as the Secretary determines will not result in increasing Commodity Credit Corporation stocks of corn."

But, Mr. President, in view of the present status of corn stocks and the present status of production and the present status of the science of farming, this language probably would compel the Secretary of Agriculture to put price supports on corn at 0 minus 10 percent, and thus would make the farmer pay a penalty for raising corn. No doubt they could not even afford to set price supports at zero, because they would insist that it be at such a level that not one kernel of corn would be added to the Commodity Credit Corporation stocks; and in view of the vast stocks on hand and the productive capacity of the country, no Secretary of Agriculture could, under these instructions, live with himself and be a self-respecting and honest public official and put any price whatever on corn.

So I submit that all at once we find the Democrats out-Bensoning Benson. I suspect they should get a special plane and fly out to Salt Lake City and publicly and collectively apologize to Secretary Benson that they took so long to become converted to the Benson philosophy. I freely give them my seat on the plane, because I am not going. I have not changed my mind. I think we owe the farmers some kind of price supports, the same kind of consideration as was given to all other segments of the economy, where we have permeating through the economy all kinds of guarantees and safeguards for shippers, bankers, industrialists, manufacturers, the merchant marine. But now, all at once, the corn farmer is told, "You are going to be reduced to a situation where an honest Secretary of Agriculture is going to have to fix your price supports at zero."

That is not all. I would like now to talk to Senators whose areas do not raise much corn——

Mr. HICKENLOOPER. Mr. President, will the Senator yield before he launches into a discussion of that particular phase of his dissertation?

Mr. MUNDT. I yield.

Mr. HICKENLOOPER. Does the Senator agree that the purpose of the amendment is to knock out the 1949 act provisions?

Mr. MUNDT. So far as corn is concerned.

Mr. HICKENLOOPER. And the so-called 1949 act, as amended in 1958——

Mr. ELLENDER. The 1958 act.

Mr. HICKENLOOPER. The 1958 provisions of the 1949 act. In 1958 changes were made in the 1949 act. I refer to section 105, which says in effect that beginning with the 1959 crop, price supports shall be made available to producers at 90 percent of the average price received by farmers during the 3 calendar years immediately preceding the calendar year in which the marketing year for such crop begins, adjusted to offset the effect of such price of any abnormal quantities of low-grade corn marketed during any of such year, provided that the level of price support for any crop of corn shall not be less than 65 percent of parity therefor.

In other words, while there is a formula for price supports on corn, there is a safeguard of 65 percent below which the price cannot go under any circumstances.

Mr. MUNDT. That is correct.

Mr. HICKENLOOPER. So the present law is not 0 to 90 percent, but, in effect, 90 percent of the average price of the preceding 3 years, but in no case less than 65 percent.

Mr. MUNDT. The Senator is correct. There now are two safeguards. The second safeguard absolutely prohibits the price support from dropping below 65 percent.

Mr. HICKENLOOPER. My question is, Why monkey with the 1958 act at all? Why not leave it as it is? What is to be accomplished by this amendment?

Mr. MUNDT. I believe the present act is unsatisfactory in the manner that it is inadequate to do the job that needs to be done to protect the corn farmers, but it is immeasurably better than eliminating the safeguards altogether. What the Ellender amendment proposes to do is finally to get around to what some people have been trying to do for some time, including the Committee on Economic Development, and that is to take the minimum wage protection away from the farmer, which he has in the way of price supports, while workers in manufacturing have a minimum wage.

This is a proposal to go full wheel around and say to the farmer, "You are going to have no protection at all, while the products that you purchase in the way of machinery and supplies from industry will have the protection of a minimum wage for the working people." Because the people in industry have a minimum wage, and they probably are entitled to it, it has been necessary to provide some kind of minimum wage for the farmers who buy the products of industry. Now the farmers are being told all at once, "You will get no kind of protection. You will get nothing which will reduce your costs. You will get nothing which will reduce the cost of supplies you buy from industry which are held up because of minimum wages in the industry." The farmer is simply being told, "We are not going to do anything for you, except to slide your price supports down to zero."

Let me say to Senators who do not come primarily from corn areas, I think every Senator represents farmers who raise some kind of feed grains on the farm. May I point out that it is not proposed that the whole act shall be repealed. I call attention to title 3, which is not repealed, which is really going to put the farmer in the poorhouse if the amendment is followed. Let me illustrate.

Title III, section 302, provides—and this would be continued—

> Without restricting price supports to those commodities for which the marketing quota or marketing agreement or order program is in effect, price support shall insofar as feasible be made available to producers of any storable nonbasic agricultural commodity for which such a program is in effect and who are complying with such program.

Now we are talking about oats. Now we are talking about barley. Now we are talking about all the other feed grains which come into the picture.

What are the rules which obtain in that connection? I read them because they are found in section 401, subparagraph (b) of the 1949 act, which would remain in the law if price supports were allowed to go down to zero.

It provides:

> The price supports at which other commodities—

These are all the other feed grains—

> are being supported, and in the case of feed grains, the feed values of such grains in relation to corn—

So it means the price supports are going to be cut down on every other feed grain in relation to corn value at zero per bushel, if the Secretary goes the full route. And the Secretary, if he is an honest man, a responsible public official, has no other choice, in view of what is included in the Ellender amendment, that the Secretary must provide price supports to producers for each crop of corn at such level as the Secretary determines will not result in increasing Commodity Credit Corporation stocks of corn.

If Senators want to scuttle the farm program, if they want to jump across and go on record as saying we are not going to give the producers of corn, barley, oats, and feed grains any protection whatsoever, they are not going to do it with the vote of the Senator from South Dakota.

Mr. CURTIS. Mr. President, will the Senator yield?

Mr. MUNDT. I yield.

Mr. CURTIS. If this amendment is adopted, for how long a time will it continue by its terms? Is it to be permanent law?

Mr. MUNDT. It will become permanent law.

Mr. CURTIS. Does this proposal have the support of Secretary of Agriculture Freeman and of the President of the United States?

Mr. MUNDT. I do not see the chairman of the Committee on Agriculture and Forestry present, but the acting majority leader [Mr. HUMPHREY] could probably tell us, because I think he knows something about the Secretary of Agriculture. I wonder if he could advise the Senate whether the Secretary of Agriculture supports the amendment.

Mr. HUMPHREY. I do not know that the Secretary of Agriculture has advanced this proposal. I understand this is the handiwork of the chairman of the committee, and the chairman has spoken as to its purposes. I do not think one could commit the Secretary of Agriculture to this particular phase of the amendment.

Mr. CURTIS. I think it is important that we know whether or not the Secretary is opposed to it, because——

Mr. MUNDT. As a partial answer, I have heard the distinguished Secretary of Agriculture, who is a neighbor of mine, on television and radio berate Secretary Benson time after time after time because Benson favored this flexible price proposal. So I think it would be an extremely quick switch if the Secretary of Agriculture now favors the philosophy which he condemned because he thought it was wrong when Benson proposed it. So, unless the Secretary has made a complete about-face, he would have to be opposed to this proposal.

Mr. CURTIS. I think we should know before we vote.

Mr. MUNDT. I agree. I think we should know all about this amendment. I think we should know about feed grains. I am now going into a segment of agriculture that is going to be undermined even more.

Mr. CURTIS. Suppose this provision became permanent law and the Secretary, in order not to increase the stocks of the Commodity Credit Corporation, materially lowered the present support price.

It is contended by a great many farmers and nonfarmers that when such a thing happens some farmers are compelled, in order to stay in business, to produce more bushels. So they plant the crop thicker. They tend the crop more vigorously. They add more fertilizer. They add more water. If they do that and end up by actually producing more corn, thus adding to the stocks of the Commodity Credit Corporation, what then, under the mandatory language, must the Secretary do the following year?

Mr. MUNDT. I will tell the Senator what he will do. The Senator from Kentucky put his finger on that.

Mr. CURTIS. What must he do?

Mr. MUNDT. There will then be chaos. Since the Secretary would not have permission, under the bill, to put the price supports for corn at less than zero, since he would not have authority to say to the farmer, "We will give you a zero price support and fine you 10 cents a bushel for raising corn," he will then have to come along with a mandatory control program, which the House of Representatives so emphatically rejected the last time. We shall then be confronted by a situation in which the farmer will have to have a license to grow corn. There will be a compulsory program all down the line. The farmer will be told how much corn he can raise, how to raise it, and at what price he can sell it.

The Senator from Louisiana is quite correct in saying that this would require new legislation, but at that time there would be such chaos that nothing else would make sense, because the proposal in the amendment does not go quite far enough to give the Secretary of Agriculture the right he would have to have to make the amendment effective, which is the right to penalize and to fine the corn farmer 10 or 15 cents a bushel for every bushel raised. If that were done, then it might be possible to cut the surplus. It would also ruin agriculture.

Mr. CURTIS. Mr. President, if the distinguished Senator will yield further, I wish to say that the time has long since passed when we should have discarded a negative approach to agriculture. This Congress should direct its attention to the greater uses of and greater markets for agricultural products, rather than follow a policy of continual retrenchment. It is entirely possible that if such were done the production momentum would not be even as great as it is now.

There was appointed, pursuant to an act of Congress, a bipartisan commission to recommend industrial uses of our farm surpluses. It is my information that our overall surpluses run only about 7 percent. The world surpluses are in starches, not in proteins. From starches we can, through chemistry, make perhaps almost everything we use in our industrial plants.

Mr. HOLLAND. Mr. President, will the Senator yield for just a moment?

Mr. CURTIS. The Senator from South Dakota has the floor.

The PRESIDING OFFICER (Mr. PELL in the chair). Does the Senator from South Dakota yield?

Mr. HOLLAND. Mr. President, a group of us must attend a meeting of the Committee on Appropriations, for a markup. We would like to be present for the vote. I wonder if the Senator will yield so that we may ask for the yeas and nays on the amendment.

Mr. MUNDT. The motion pending is the motion to reconsider.

Mr. HOLLAND. Or on the motion to lay on the table.

Mr. MUNDT. A motion to lay on the table has not yet been made.

Mr. HUMPHREY. Mr. President, at the proper time I shall move to lay the motion on the table, but I have tried to accommodate Senators, at the request of the Senator from Kentucky. I do not think the yeas and nays can be ordered until the motion to lay on the table is made. I did not wish to cut off debate.

Mr. CURTIS. Mr. President, would the distinguished Senator ascertain the attitude of the Department of Agriculture before he presses for a vote on this question?

Mr. HUMPHREY. The chairman of the committee will be in the Chamber in a short time. May I say that there does not seem to have been too much regard for the attitude of the Secretary of Agriculture.

Mr. CURTIS. I pay regular attention to him.

Mr. HUMPHREY. I do not see why we should overburden him at the moment.

Mr. HOLLAND. Mr. President, I believe the request is a reasonable one. Senators would like to be present for the vote. I have no idea how many members of the Appropriations Committee will wish to vote on the question. We would like to be advised and have time to get to the Chamber. The only way that can be accomplished is by having the yeas and nays ordered.

Mr. MUNDT. Mr. President, I ask for the yeas and nays on the motion to reconsider.

The PRESIDING OFFICER. The yeas and nays cannot be ordered on a motion which is not pending.

Mr. MUNDT. The motion to reconsider is pending.

The yeas and nays were ordered.

Mr. CURTIS. Mr. President, will the Senator yield further, so that I may complete my thought?

Mr. MUNDT. I yield.

Mr. CURTIS. A distinguished resident of Nebraska, Mr. J. Leroy Welsh, headed that commission. I regret to report that a Department of Agriculture has not existed since then which would wholeheartedly grasp the report of that commission and sympathetically and determinedly undertake to put it into operation. Until we have that, I think we shall render a disservice to agriculture.

I wonder if the Senator would agree.

Mr. MUNDT. I invite the attention of the Senator from Nebraska to the fact that on page 94 of the pending bill can be found title V, which was added to the bill on motion by the Senator from South Dakota, which would provide an industrial uses section, which at long last would enable us to go forward with the program of industrial utilization of farm products spelled out in complete detail.

Mr. CURTIS. I understand, but I am speaking of the attitude of the Department.

Mr. MUNDT. So far as the Department is concerned, it has not taken a position on this particular title, which was added in the committee. I hope that the House will approve it. If we pass an agricultural bill, this is the one part of the bill which makes economic sense.

Mr. President, in the event there can be order in the Chamber, I should like to discuss another phase of the bill.

Mr. COOPER. Mr. President, may we have order?

The PRESIDING OFFICER. The Senate will be in order.

The Senate is in order. The Senator may proceed.

Mr. MUNDT. Mr. President, I have pointed out that the Ellender amendment not only would shoot price supports out from under the corn farmers, but also would do equally devastating damage to the producers of every other feed grain, because their price supports are necessarily related to the price supports for corn under the Agricultural Act of 1949, and that is spelled out in detail in section 401(b).

In addition to all this, Mr. President, I should like to call the attention of Senators in the dairy field, or whose constituents are in that field or who raise livestock——

The PRESIDING OFFICER. The Senate and the galleries will be in order.

Mr. MUNDT. Mr. President, either we should try to obtain order, or suspend without order, because I hate to be interrupted every 15 seconds by a request for order. If the Presiding Officer will insist upon order, and get it and keep it, we can proceed with much more dispatch.

The PRESIDING OFFICER. There will be order in the Chamber.

Mr. MUNDT. Let us take a look at the livestock industry—hogs, sheep, poultry and cattle. If we provide a situation in which there will be no price supports whatsoever for a basic feed like corn, we shall create chaos in the livestock industry, because the relationship between livestock prices and the prices of basic feeds is well established and is a well-recognized economic principle. Immediately we would create a situation in which a clamor would come forth, "Now we have chaos on the farms. We have all kinds of disproportionate relationships as between the number of cattle and the number of hogs and the price of corn, and we shall have to have mandatory controls not only on feed grains," as they will tell us, "but also upon livestock."

The amendment, intentionally or unintentionally, puts a loaded gun at the head of every farmer in America, saying, "Look, chum, you had better come along with this compulsory program submitted by the Secretary of Agriculture in January or you are going to go broke whether you raise corn, feed grains, or livestock."

All of the existing safeguards will have been stripped away. All the present protections will be gone. We shall have to live with this program, which is so devoid of price supports that, to give due credit to Ezra Benson, he never remotely suggested a program as viciously directed against the destruction of price supports as this one which the chairman of the Committee on Agriculture and Forestry has presented before the Senate today.

I think on the call of the roll it will be interesting to note, among the Senators who have condemned and criticized Mr. Benson in the past, how many now propose to support him, after he has gone out, and how many will remain consistent as to an economic position in farm policy, regardless of whether it is espoused by a Democrat or a Republican.

Mr. LAUSCHE. Mr. President, will the Senator yield?

Mr. MUNDT. Certainly, Mr. President, the Senator from Nebraska is within his rights on his request. Every Senator should be interested in the answer. "Where does the Secretary of Agriculture stand today on this new Benson-Freeman program of flexible price supports?"

What is the attitude of Secretary Freeman as an agricultural administrator on the program which he attacked so roughly when he was a politician criticizing Secretary Benson, who then held the job? I think we ought to know what the attitude of the President is. I would be shocked if the President would not veto a bill which would put in motion the program of Ezra Benson, which Candidate Kennedy went from one end of the land to the other to criticize in the fall of 1960. The farmers are entitled to some consistency, and not merely a great deal of partisan palaver about what constitutes a sound economic program for the American farmer.

I urge the Senate, therefore, in the yea and nay vote, to reconsider the amendment, so that at least if the amendment is before the Senate, we can amend it and tailor it to provide some kind of safeguard, security, and protection for the corn farmer, the feed grain farmer, and the livestock producers of America. I hope that no member of the Democratic leadership will move to lay the amendment on the table, thereby publicly proclaiming that the Ellender amendment with its flexible price supports has become the official position of the Democratic Party. I do not know why they have made a complete about-face and suddenly now support the programs of Benson, which they used as a means of attacking Republicans in the last presidential campaign. Let us iron out our differences by reconsidering the action. Let us subject the Ellender amendment to other amendments which might modify it. Then let us continue with the present program for another year so we can consider permanent farm legislation without placing a shotgun at the head of every American farmer and telling him, "Either you surrender your freedom or you surrender your opportunity for success."

Mr. LAUSCHE. Mr. President, will the Senator yield?

Mr. MUNDT. I am happy to yield.

Mr. LAUSCHE. To uphold the Benson philosophy, is it the position of the Senator from South Dakota that Senators would have to support the views covered by the Senator from Louisiana in his amendment?

Mr. MUNDT. There are other ways in which one could uphold the Benson philosophy. I said that the amendment submitted by the Senator from Louisiana contained the Benson program tightened up and made more effective by eliminating even the safeguards incorporated by Secretary Benson when he originated the 0 to 90 percent price support formula.

Mr. LAUSCHE. Is it the contention of the Senator that if the bill were not one which would tighten up and make more rigid the Benson plan, the proposal of the Senator from Louisiana would be acceptable?

Mr. MUNDT. No; I would not accept it. I was opposed to it in its original form, but not because Secretary Benson espoused it. Secretary Benson is a Republican, and I am a Republican. He presented it as a Republican administration measure. It was favored by President Eisenhower, whom I supported. However, two opposed this flexible price support formula when presented by my fellow Republicans and two oppose it now when it has been belatedly embraced by the Democrats.

I was opposed to the legislation because it contained economic fallacies, as I saw them, when the measure was proposed by Secretary Benson and President Eisenhower. I am against them fully as much and for the same reasons, now that they are proposed by a group of Democrats on the floor of the Senate. I am against them more emphatically, because, to give Ezra Benson due credit, when he proposed his flexible price supports, he at least provided some safeguards, some criteria, some measuring rods which gave his suggestion more protective power for the farmer than the present measure would provide. The Ellender proposal would strip away what little protection was contained in the program originated by Secretary Benson.

Mr. LAUSCHE. Insofar as the Benson plan is at issue, how would a Senator have to vote in order to show approval of the Benson plan?

Mr. MUNDT. I suspect if one were a dedicated follower of the Benson concept of farm economics, he would vote for the Ellender amendment, because it out-Bensons Benson. It would take those things about the Benson program which I think are bad for the farmer, and make them even worse.

Mr. MILLER. Mr. President, will the Senator yield?

Mr. MUNDT. I yield.

Mr. MILLER. I should like to make an observation and see if the Senator agrees with me in connection with the statement that the Ellender amendment would out-Benson Benson. I would be inclined to go along with him for the following reason, among others: There is another factor that enters into the whole picture, or will shortly enter into it. That is the factor of the export volume of our feed grains, including corn. Very shortly there will come before the Senate a trade bill. In his message to the Congress, the President pointed out that one reason for the trade bill as drafted by his advisers was to assure a continuation of the export of our agricultural commodities.

Unfortunately, about a week after the President's message to Congress, the Common Market adopted a policy of self-sufficiency in agriculture, a policy with which I know the Senator is familiar. It seems to me that if we should give the President a trade bill with the powers for which he has asked, and a hard bargaining position were arrived at, the question might arise as to whether we are going to continue the agriculture export switch envisioned at the time the President submitted the bill to us. Perhaps the hard bargaining might become a little softer if the proposed legislation were on the books, because the farmers, and not the Government, would pay the price. The farmers would suffer as a result of soft bargaining with the Common Market on the part of the administration. Am I correct in that observation?

Mr. MUNDT. In other words, in bargaining to protect itself, to recapture its investment, and get rid of the corn which it now owns, the Government would merely act as an agent of the farmer, who would be the owner of the corn?

Mr. MILLER. The Senator is correct.

Mr. MUNDT. I agree with the Senator.

Mr. MILLER. I suggest that the proposal is even more vicious in its potential impact upon our farmers than any of the policies attributed to the former Secretary of Agriculture Benson.

Mr. MUNDT. The Senator is correct. In addition to the reasons I previously stated, the measure would eliminate any price support whatever for the farmer. Secretary Benson was willing to settle for a pretty low support price of 60 to 65 percent; he never contemplated pushing it down to zero.

It would eliminate the criteria under which the Benson formula gave direction to the Secretary of Agriculture as to the level at which he had to fix price supports and the conditions under which they would prevail.

It would put an impossible compunction upon the Secretary of Agriculture by telling him, "You must establish price supports for corn low enough so that not a bushel of corn will be added to the Commodity Credit Corporation surplus." That is merely a longwinded Senatorial filibusterer's way of saying, "You must establish price supports for corn under prevailing conditions at zero."

Mr. MILLER. That would be the situation regardless of how soft the bargaining position might be with respect to agricultural exports in the Common Market.

Mr. MUNDT. Precisely, because the measuring rod is how much corn is there in the Commodity Credit Corporation.

Mr. COOPER. Mr. President, will the Senator yield?

Mr. MUNDT. I yield.

Mr. COOPER. The Senator from Ohio [Mr. LAUSCHE] asked about the amendment position. I should like to respond, by stating what I believe the amendment would do.

During World War II, and until the Aiken bill was passed in 1948, and later the Anderson bill in 1949, corn as one of the basic crops was supported at 90 percent of parity. When the Aiken bill was passed, corn was supported at 75 to 90 percent of parity. Under the Anderson bill of 1949, corn was supported at 75 to 90 percent.

In 1958, when the present provision of law was passed, corn was supported at 65 percent of parity, or 90 percent of the average of the market price in the 3 preceding years, whichever is higher.

There has been a floor for corn, since World War II.

The amendment of the Senator from Louisiana would remove the floor. The support would be from 0 to 90 percent. It could be fixed at any point between 0 and 90 percent. For the first time since World War II, the price support floor would be removed from corn.

A second point, which I raised regarding the amendment, goes to the effect it might have on a change in the feed grain program. I believe there should be a change in the 1958 act, relating to corn and feed grains. I do not favor the compulsory program. It may be that farmers at some later date will want a compulsory feed grain program. They do not want one today. If the farmers are given an opportunity to consider the compulsory proposal and all reasonable alternatives, and make their choice—it is all right. But they are the ones concerned, and they ought to be given full opportunity to make the decision in this matter and fair alternatives.

I object to the administration's attempt to stuff down the throats of farmers and of the Congress the compulsory feed grain program, until there has been full opportunity for farmers and the Congress to study it, and a chance to see whether an alternative voluntary program can be adopted.

Mr. MUNDT. Mr. President, I appreciate the Senator's contribution. He has put the alternative before the Senate very clearly. I can see how the Ellender proposal would have the support of two groups of Senators. The first group consists of those who believe in the compulsory program, known as the Kennedy-Cochrane-Freeman compulsory program, which we have before us and which was rejected by the House. Anyone who believes in that program, I suspect, would be in favor of this program, because this loads the gun and cocks the trigger and holds it to the head of the farmer and says, "You are on the way to bankruptcy. You cannot live with zero price supports. Therefore, to survive you must accept our program of compulsory controls and farming operations directed from Washington."

The other group consists of the dedicated disciples of the Benson flexible price support policy, some of whom it seems have been masquerading behind false faces for many years, because they have been attacking it on the Senate floor and on the political hustings, but who now seem to be in the vanguard of those who are supporting his flexible price support philosophy on the floor of the Senate today.

Now that we know who they are, I suspect that they also would support the Ellender proposal, as, of course, will any in this body who favor no farm program at all.

I do not understand how anyone else could support it.

If the amendment stays in the bill I certainly will vote against the bill on final passage, and do everything I can to get every additional Senator to vote against it, because I believe it sounds the death knell to farm opportunity in America. I believe it is the beginning of the end of the family farmer and his capacity to succeed. After 25 years of working with the concept of price support, we now, in one fell swoop, would change it to a minimum price support of zero.

I hope that the leadership on the other side will permit this vote to occur on the motion to reconsider, so we can have an adequate discussion of it and so we can have debate on the merits of it. I hope that the Democratic leadership does not make it official Democratic policy that they support the Ellender amendment by offering the motion to lay on the table, which everyone in the Senate knows is always used as an expression of the official policy of the majority party. Let us have free and open discussion. Let us have a chance to argue the issue on its merits. Let us find out, if we can, where the Secretary of Agriculture stands on this revolutionary approach that would alter the whole concept of agricultural legislation after a quarter of a century of working with it and trying to improve it and refine it.

If we do reconsider it, let us try to write something which is adequate and honest. All of us recognize that the existing legislation needs refinement and needs changes and needs modification. Let us not put ourselves in the straitjacket where there is no choice except to watch the farmers go broke and stay free, or let the farmers become enslaved and entrapped by a compulsory program which can never make the farmers prosperous, but which at best might prevent them from dying in the poorhouse.

It is unfortunate that this debate could not have occurred at the time the amendment was introduced. I trust the Democratic leadership will exercise forbearance and not make it a party issue and a party position and a party policy by offering a motion to lay on the table and thereby stultify the debate. I believe that if we can have the issues ventilated and the Ellender amendment reconsidered the Senate will have a second choice to register its will and express its attitude on this new adventure which is now being proposed for the farmers of America by using them as guinea pigs, but which will have a devasting effect on the producer of every feed grain and ultimately will have its worst impact on dairymen and cattlemen and people engaged in the livestock production in America.

Mr. **HICKENLOOPER** obtained the floor.

Mr. **HRUSKA**. Mr. President, will the Senator yield?

Mr. **HICKENLOOPER**. I understand that the Senator from Nebraska must go to a committee meeting, and that he would like to make a brief statement. I therefore ask that I may yield to him for that purpose, without losing my right to the floor.

The **PRESIDING OFFICER**. Without objection, it is so ordered.

Mr. **HRUSKA**. Mr. President, I thank the Senator from Iowa for his unfailing courtesy.

I rise to support the position of those who have spoken against the Ellender amendment and in favor of the motion to reconsider the vote by which it was adopted. I say to my colleague that there is more involved here than simply the reconsideration of an amendment. There is more involved here than simply the removal of the 65-percent floor on price supports for corn. What is involved here is a matter of far-reaching impact as it ultimately will involve not only the corn farmers but also the feed grain farmers and livestock farmers and poultrymen—in short, the producers of all agricultural products.

I say this because the amendment would place in the hands of the Secretary of Agriculture a bludgeoning tool that would put him in a position to force the adoption and approval by the American farmers of a plan which would pretty much follow the plan turned down by the House and defeated there. It calls for compulsory controls on feed grains. There is no question about it. The amendment, if adopted and eventually becomes the law, will enable the Secretary of Agriculture to put price supports at such a low level that the corn farmers of this country will literally crawl on their hands and knees to Congress to ask for what the Secretary of Agriculture wants and what the White House wants and what the leadership of the House and the leadership of the Senate want; namely, a compulsory feed grain program.

We do not need to belabor the point. The position of those who have advocated the compulsory feed grain program has not altered one iota. They are still firmly holding to their original position. Yesterday we heard the chairman of the Committee on Agriculture and Forestry state repeatedly that it is his belief that we ought to adopt the compulsory feed grain program.

That is enunciated notwithstanding the defeat of the program by the House. It is offered in spite of the fact that the House bill, now before us, and as passed by the House not long ago, does not provide for wheat.

Irrespective of those facts, the House leadership, the Senate leadership, the Secretary of Agriculture, and the White House still want the supply management concept of compulsory feed grain control. They are still working for it. Why this concern about it? Is only corn involved? Of course not. As soon as compulsory controls are forced upon the corn farmers of the Nation, we would find soon afterward the same type of program applied to other feed grains.

That would be followed in short order by placing livestock under similar production controls. In turn, poultry, dairy products, and all other products of 'agriculture would be placed under production controls. That pattern would inevitably unfold.

The designation of the feed grains program as compulsory—which the Kennedy-Cochrane-Freeman program is—is logical and accurate. It was concocted in the mind of Dr. Willard Cochrane, Chief Economic Adviser to Secretary of Agriculture Freeman.

In November 1959, Dr. Cochrane first advocated this theory of supply management of feed grains and other products. As long ago as that he contended, in an article published in the Journal of Farm Economics, that livestock would come under this program. It was not mentioned specifically, nor was it expressly provided for in the omnibus farm bill of 1961. His statement is as follows:

> It is possible that the longrun price elasticity of beef at retail is greater than one, and some remote possibility that this price elasticity at the farm price level is greater than one. For these reasons, beef producers probably would not want to initiate supply control, and they would be justified in sitting out any early moves toward supply control.
>
> It is probably the case, however, that beef producers would be forced to accept supply control if producers in the above aggregate of animal products adopted supply control.

I remind the Senate that in my State roughly 50 percent of the agricultural income is derived from livestock sources. That means a great deal to the people who live in Nebraska and in neighboring States.

Mr. **MUNDT**. Mr. President, will the Senator from Nebraska yield?

Mr. **HRUSKA**. I yield.

Mr. **MUNDT**. I wonder if the Senator from Nebraska has shared the concern of the Senator from South Dakota over the manner in which the present Secretary of Agriculture and the present administration have beaten a retreat from programs designed to provide adequate farm income almost since the day they took the oath of office. Since 1938, when farm legislation was first written in this direction, parity prices have been the lodestone. We have always tried to provide for the farmer full parity, if possible—and either 90 percent of parity or 65 percent of parity or 70 percent of parity as a minimum floor—throughout the farm belt. For well over 25 years we have been interested in providing parity for the farmer.

I have noticed that two or three times in public meetings the Secretary of Agriculture has been steering away from talking about parity and is now speaking about net income for farmers. I suppose he has been discouraged or embarrassed by the fact that parity has been dropping under his administration; that the farmer has been receiving a smaller percentage of parity under the Democrats than he got under the Republicans. Under the Republicans, it was not good enough; but when parity dropped from 81 to 78 percent and 79 percent the Secretary began to say that parity is not so important; that what we ought to talk about is net income for the farmers.

It was quickly pointed out that net income to the farmer is a meaningless figure, depending on the caprice of weather. Sometimes there is big production and big net income; in some years there is low production and low income. But if we merely talk about net income, without relating it to the costs to the farmer for the maintenance of his family, for the education of his children, and for his livelihood in general, it is a meaningless figure.

But now they have abandoned both parity and net income; and it is proposed to relate the price supports to the amount of stocks of the various commodities in the Commodity Credit Corporation. This has no relationship to the economy of the farmer; it has no relationship to his capacity to survive. Merely to say that we will pay the farmer in conformity with whatever amount of commodities we find in the Commodity Credit Corporation seems to me to be a sad retreat from the position which was announced to us when Mr. Freeman and Mr. Kennedy took office, when they were committed by the promise to provide the farmer with a greater degree of parity. But now they say to the farmer, "We will pay you in conformity with the amount, in reverse proportion, of the commodities we find in the Government storehouse."

Mr. **HRUSKA**. The Senator is absolutely correct in pointing out these facts. I can recall the years President Eisenhower was in office, when members of the present administration made speech after speech and quotation after quotation from their party platform, to the effect that price supports should be at least 100 percent of parity. They were pleading, "Send us in, coach; we will do the job. We will hit the line hard and see to it that you get 100 percent of parity."

For some reason, with a clear 2-to-1 majority in the Senate, and with an 85 margin in the House, the party now controlling the White House and all the executive departments is retreating from these programs, pledges, and promises. I agree with the Senator from South Dakota.

Mr. **MUNDT**. Mr. President, will the Senator from Nebraska yield?

Mr. **HRUSKA**. I yield.

Mr. **MUNDT**. Let us consider the farm program as a whole. There are

Government price support programs not only for corn, but also for wheat, oats, and other feed grains. There are also price support programs for cotton, tobacco, rice, and peanuts. Does the Senator from Nebraska believe that if Congress in its wisdom should decide to destroy the price support program for corn and substitute some kind of compulsory program for wheat, before long we would have a price support program operating in the case of a few selected crops in the South? Important as our southern comrades are, acting together as they vote, they are only 24 out of 100. If they succeed in having imposed upon the corn and feed grains farm economy the concept that price supports should run down to zero, no doubt there would be a demand upon the Senate and the House that southern farmers also be subjected to the same reductions as have been put upon the rest of the farmers.

Mr. HRUSKA. It would not be very long.

Mr. CAPEHART. Mr. President, will the Senator from Nebraska yield?

Mr. HRUSKA. I yield.

Mr. CAPEHART. Since this proposal is being tied into the stockpile of the Commodity Credit Corporation, and deals exclusively with corn at the moment, I find that 1,650 million bushels of corn are in surplus or in the stockpile. Since the new proposal is to be based upon the support price that the Secretary decides upon, and will be based upon the stockpile of corn, plus what the Secretary anticipates the farmers will grow, why would not a better plan be to freeze the 1,650 million bushels, or a big portion of it, and take it completely out of competition with what the farmer will grow beginning next January 1? Then there would be a free and open market for corn at a much higher price than now exists, and the farmers would be prosperous.

That is my opinion of what should be considered. The stockpile is a liability, not an asset. It has a tendency to depress the prices which are received by the farmers, and it costs the American taxpayers many millions of dollars to store the stockpile. It cost hundreds of millions of dollars to acquire it in the first place. So why is not this a good time to freeze a large portion of it and get the Government out of the agricultural commodity business? I am in favor of doing that, both in regard to corn and in regard to other businesses. Then we could use the corn to feed hungry people in the United States and hungry people elsewhere in the world, and we would get the Government out of the corn business, and we would place the farmers in a position in which they would grow for the open market, and would get a much higher price, in my opinion, than the one they are getting now.

Mr. HRUSKA. Mr. President, I thank the Senator from Indiana for that alternative suggestion. It is a much better proposal than the one being made by the authors of this amendment.

To show the tendency, I should like to read again from the Farm Quarterly for the summer of 1960, where Dr. Cochrane was interviewed by the managing editor, Charles R. Koch. Here is Dr. Cochrane's answer to a question posed by Mr. Koch:

> It would not be a matter of encouragement; some of them would be forced in. If you had a control on hogs, for example, none on eggs, growers would transfer their corn into the production of more poultry and more eggs. It would be this old transfer of resources devil all over again. The feed resources released from hogs would be put through chickens to produce eggs; and eggs happen to be inelastic in demand, and in just a little bit they'd be in real trouble. The feed grain would also be transferred to beef, and beef producers would feel some pressure.

So, Mr. President, that is the basis for my suggestion and contention that more is involved than the mere elimination of the 65-percent price support as protection for the producers of corn. The impact would ultimately be felt in all facets of agriculture and in all areas of the country. That consideration is in addition to the argument made by the Senator from South Dakota. If this program were to be required as regards corn, feed grains, and livestock, it would not be long before it would be transferred to other basic crops which are now under price supports.

For these reasons, I suggest that the motion to reconsider be adopted.

Mr. ELLENDER. Mr. President, will the Senator from Nebraska yield?

Mr. HRUSKA. I am glad to yield.

Mr. ELLENDER. The Senator from Nebraska concedes that in order to carry through what he now suggests, Congress would have to act upon a law which would give that power, does he not?

Mr. HRUSKA. That is true. But the point is that if the Secretary of Agriculture is given those tools to prepare the political climate among the feed grain farmers and the corn farmers, they will be confronted with the prospects of accepting either an inordinately low price support for corn or accepting the compulsory feed grains program or compulsory corn program. The Secretary of Agriculture will have the means within his command to operate on a "rule or ruin" basis. I say we are doing agriculture a disservice if we eliminate from the present law the 65-percent floor.

Mr. ELLENDER. Mr. President, will the Senator from Nebraska yield further?

Mr. HRUSKA. I yield.

Mr. ELLENDER. As the Senator from Nebraska well knows, as chairman of the committee I advocated that retention of the 65 percent of parity support price or 90 percent of the average market price for the last 3 years, but on condition that there be acreage control. But what the Senator from Nebraska is now advocating is that we continue the old law—the 1958 act, which means the planting and cultivation and production of all the corn and other feed grains a farmer desires to plant, with Uncle Sam holding the bag.

Mr. HRUSKA. I do not know that I am advocating the 1958 feed grains program. But it is preferable to the compulsory program which Secretary Freeman has in his hat and would like to impose on the farmers of the Nation.

Mr. ELLENDER. I understand that the Senator from Nebraska voted against the proposal, as submitted in May, to retain the supports at the present levels, with acreage controls.

Mr. HRUSKA. There are many alternatives to the situation which faces us; and they are not confined to the 1958 act alone.

Mr. MUNDT. Mr. President, will the Senator from Nebraska yield to me?

The PRESIDING OFFICER (Mr. PELL in the chair). Does the Senator from Nebraska yield to the Senator from South Dakota?

Mr. HRUSKA. I yield.

Mr. MUNDT. I can name one of the alternatives, namely, continuation for another year of the present corn program, as was recommended by Secretary Freeman before he read the Cochrane book. He brought that program before the committee last year, and we adopted it. It did cut down the surplus of corn—not to the extent he thought it would, but it did cut it down, even though it did not cut it down to the extent we would wish. But before Secretary Freeman read the Cochrane book, that is what he suggested.

What the Senator from Louisiana says is quite true. He says that before the Secretary of Agriculture could institute a compulsory program—the one which he and Freeman and Dr. Cochrane want—and before he could have complete controls over the farmers under that concept, Congress would have to pass such a law. Of course that is correct.

But does not the Senator agree that Members of the Senate and Members of the House should be entitled to consider reasonable alternative programs for the farmers, and then be confronted with a new administration suggestion next year, rather than be confronted now with a program which is driving farmers to bankruptcy and is bringing chaos to the livestock industry and is forcing the feed grain producers to shut down their operations? Instead of subjecting the farmers to such desperate conditions, should we not be able to consider the program and debate it during a period of calmness when a good program is being followed?

Mr. HRUSKA. We should, indeed.

Mr. President, I thank the Senator from Iowa [Mr. HICKENLOOPER] for yielding to me.

Mr. HICKENLOOPER. Mr. President, I have been very glad to yield to the Senator from Nebraska. He has given a very lucid explanation, as did the Senator from South Dakota [Mr. MUNDT].

My remarks will be very brief, and will be in the nature of canvassing the agricultural situation with respect to the general posture not only of this amendment but also of the entire bill.

Because so much has been said on the farm issue, both in and out of Congress, during the current session, I feel there is a real need to try to set the record straight as regards to the situation in which we find ourselves today.

First, let me make it perfectly clear that I intend to vote against the current farm bill—H.R. 12391—before this body.

The record will show that I voted against S. 3225 when it was passed by a very narrow margin in the Senate several weeks ago. The record also shows that the House on a bipartisan basis would not accept a similar version of this original Senate bill. The record also shows that the House Agricultural Committee tabled—or killed—S. 3225 when it was considered by that body. Now we have the spectacle of another version of this effort before this body in connection with H.R. 12391.

It is my desire to explain briefly why I must vote against this current bill before the Senate. Next, I want to set the record straight regarding the Agricultural Act of 1958. Finally, I want to point out that it would be far better to have no new farm legislation rather than to pass the bill that is before us.

My greatest objections to H.R. 12391 are in connection with title III. This title deals with wheat and feed grains.

This bill contains the latest and most unworkable version of the costly multiple-price plan for wheat. The proposed plan is by far the most objectionable version of any multiple-price plan which has been considered by the Senate since I have been here.

There are many reasons why the multiple-price wheat plan in H.R. 12391 would be bad for farmers, consumers, taxpayers, and for our international relations. I shall list and discuss several of these reasons.

This multiple-price wheat plan if enacted into law would:

First. Guarantee a shortage of needed types of wheat production for the future, because it proposes to cut back all wheat producers the same amount even though the wheat they produce may be in short supply. It does this as a permanent thing by issuing certificates to all producers on a pro rata basis. This will result in inefficiency and higher costs all the way from the producer to the consumer.

Second. Insure that growers of poor quality milling wheat will continue to produce all the wheat they can, because they, too, will get their certificates on a pro rata basis. Thus we will continue to pile up unwanted wheat.

Third. Permits all export wheat—including Public Law 480 and other giveaway wheat—in the "primary market," along with domestic food wheat. This is an insult to the intelligence of American taxpayers. This move is an inexcusable affront to those who would like to see an honest, fair, and reasonable program worked out for wheat that has some hope of solving the surplus problem.

Fourth. Be most unfair to all feed grain growers because of its Government rigged pricing mechanism, guaranteeing a high price for all domestic food and export wheat—including giveaway wheat—and a feed price for all the surplus. It is unfair because it permits, by Government rigging of prices, a high net blend price for wheat, and thus dumping of feed wheat in an already glutted feed grain market. Feed grain growers have always been willing to compete with wheatgrowers on a basis of the same rules, but never on a basis of rigged rules. This kind of a dumping operation would disrupt feed grain livestock ratios to the detriment of livestock, dairy, and poultry producers.

Fifth. Raise the price of flour and bread to consumers. The proponents of the bill say the increase in cost of a sack of flour or a loaf of bread will be small, and the users of flour, including the bakers, say it will be considerable. My judgment would be that the users of flour and bakers of bread are in a much better position to know what the effect on costs in their operations will be. Suffice it to say, however, the larger consumers of flour and bread—many in the lower income bracket—will resent their Government being a part of a rigged program that will increase their basic food costs through a flour or bread tax, even if it should be only 1 cent on a loaf of bread.

Sixth. Permit unlimited discretionary authority to be exercised by the Secretary. If Senators do not believe this, read the original bill carefully and count the number of important areas where the Secretary is granted almost unlimited authority. No industry as important as wheat should be subject to the possibility of some Secretary making political decisions that might be unwise for the whole future of the industry.

Seventh. Cause serious international complications. The President has expressed interest in a high level of international trade. I agree with this objective. The President has also expressed concern about our balance-of-payment problems and potential Common Market restrictions, especially as they relate to agriculture. I am greatly concerned with these problems. But how can we expect to put into effect the rigged multiple-price plan for wheat and not have repercussions, not only in the Common Market countries, but also in other exporting competitor countries such as Canada and Australia?

Eighth. Provide by means of certificates a complicated and little understood plan. It really is a processing tax done up in a new sack. Farmers and others interested in wheat will resist this program because of its complications, uncertainties, and added costs. Bootlegging will be on its way back, not in bottles and jugs, but in sacks and bulk. Whenever the opportunity for a quick buck is available, one will always find some takers. As proof of this, just look at the penalty provisions the proponents have written into the bill. This was also true with prohibition laws, as Senators well remember—and Senators also remember they failed. The door would be wide open for Estes-type scandals when people start dealing in certificates.

Ninth. Finally, and most important, this multiple-price wheat plan would not solve the wheat surplus problem. Furthermore, it would create many new areas of confusion in the entire wheat industry.

The bill before us also contains a provision to extend the present emergency feed grain program for 1 more year—that is, through 1963.

There is serious doubt that an extension of this present stopgap feed grain legislation would save money.

The emergency program now in effect is the most expensive farm program ever enacted by the Congress. This program was abandoned by the administration earlier this year in favor of an approach which has now been rejected by the House.

Under the 1961 feed grain program, the output of corn and grain sorghums was reduced 421 million bushels; but this was partially offset by an increase of 138 million bushels in soybean production. In terms of corn equivalent, the combined 1961 output of corn, grain sorghums, and soybeans was down only 4.3 percent from 1960. Furthermore, the support price—and consequently the potential cost of price support operations—is almost twice as high per bushel for soybeans as for corn.

There is considerable disagreement as to whether the 1961 feed grain program saved money. The answer depends on the assumptions that are made. Assumptions can be selected to yield any desired answer. Those who argue that money was saved are largely relying on unproved estimates of what might have been. For example, in its analysis of the 1961 program, the USDA assumed that only 2.4 bushels of a 7.3-bushel increase in corn yields and 0.8 bushels of a 4-bushel increase in grain sorghum yields resulted from the program, and disregarded an increase of 138 million bushels in soybean production. Even so, it was able to show savings in comparison with the program previously in effect only by assuming that the grain that allegedly would have been produced without the 1961 program would have been stored for 9 years in the case of corn and 11 years in the case of grain sorghums. These assumptions are highly unlikely in light of current upward trend in feed grain consumption.

The July 1, 1962, crop report has been cited as evidence that the emergency program is accomplishing its objective. This report showed a reduction of 3 percent for 1962 production from the final 1961 estimate of corn production, but it should be compared with the July 1961 estimate. On the basis of July 1 crop reports, estimated corn production is up almost 11 percent this year over 1961.

Furthermore, the "emergency" feed grain program and the method in which it has been administered has been devastating to the market system for corn and other feed grains. Under the 1961 feed grain program, the CCC sold over 600 million bushels of corn at an average price of $1.02 per bushel. At the same time it was selling this corn and depressing the market, a total of 658 million bushels of 1961 corn was placed under price support loans and purchase agreements. This was an alltime high and in excess of the amount put under loan during 1959 and 1960 when the Agricultural Act of 1958 was in operation. There is a good chance that all of the corn sold under the 1961 program will be replaced with new "takeovers" at a support price of $1.20 per bushel. If this happens, the direct added cost of this manipulation of CCC stocks will be in excess of $100 million. Additional losses were incurred by selling grain sorghums for less than the support price.

In addition, during the first 9 months of the 1961–62 marketing year, which began last October 1, the farm price of corn averaged 98.1 cents per bushel in comparison with the 1960–61 season average of 99.6 cents per bushel. This happened in spite of the fact that the support price was raised for the 1961 crop from $1.06 to $1.20.

It has obviously been the intent of the administration in administering the "emergency" feed grain program to depress market prices for corn and other feed grains. This has been done by selling CCC corn to honor the certificates issued in connection with the program. This was done early in the marketing season in order to hold down market prices and penalize the noncooperators. Such Government action is incomprehensible if one believes in the market system, as I do. If this kind of a program continues, we obviously will not only disrupt the market system for corn and feed grains, but also the market prices of livestock, dairy products, and poultry and eggs. All that is needed is a little more time and this surely will happen.

I would also point out that the cost in the form of direct payments for the 1961 feed grain program approximated $800 million. The best information I have available at the moment with respect to the 1962 feed grain program is that it will cost in excess of $900 million. What a price for taxpayers to pay with so little accomplishment.

Now I would like to go back and review briefly the Agricultural Act of 1958 known as Public Law 85–835. This act was passed by a Democratic Congress on a bipartisan basis with a Republican in the White House.

That is the act of 1958, which has been condemned by many. I repeat that this act was passed by a Democratic Congress on a bipartisan basis with a Republican in the White House. To be sure that Members of this body recall how unanimously this bill originally moved through the Senate, I remind Senators that on July 25, 1958, it passed the Senate by a vote of 62 to 11.

Contrary to some statements being made by people that should know better, the Agricultural Act of 1958 covered not only corn and feed grains but also two other very important basic commodities—cotton and rice. I well recall that one of the reasons there was so much support for this act was the fact that rice farmers were faced with an acreage cut of about 40 percent and cotton farmers about a 25-percent cut, if no new legislation were passed. Farmers had also demonstrated by their own action that they were, by a high majority, ignoring corn allotments. Marketing quotas on corn had been removed from the law by the Congress in 1954 because the Congress knew the impossibility of such a program ever being adopted and enforced on feed grain farmers and livestock producers. Primarily because feed grain farmers, cotton farmers, and rice farmers all were faced with real difficulty, there was tremendous support for the 1958 act.

In my judgment, this act has not been wisely administered since the current Secretary of Agriculture took office. As my southern friends in the body well understand, the support prices were lifted on both cotton and rice in 1961 and for 1962—and, more important, were moved in the opposite direction from that intended by the Congress when it passed the 1958 act. In my opinion, this is one reason why cotton is now in real difficulty, and also the reason why both the cotton and rice programs have become excessively expensive when one takes into consideration the high export subsidy and the lavish use of Public Law 480 giveaway funds in moving these two commodities into export.

As far as feed grains were concerned, Secretary Freeman decided to raise the price support on corn and all other feed grains including oilseeds and was, along with the Congress, also responsible for the enactment of the 1961 emergency feed grain program which, of course, temporarily set aside the 1958 act.

As I said earlier, I voted against this legislation, and I am more convinced today than I was a year ago that it will not solve the problem. In my judgment, if the Agricultural Act of 1958 for feed grains had been permitted to operate during 1961–62—with the terrific increase we have had in corn consumption in this country—we would have been well on our way to a permanent solution of the feed grain problem. Corn price supports would have been reduced and other feed grains reduced similarly, which would have helped increase still further the disappearance of feed grains by livestock producers. The USDA estimates the 1961–62 utilization of corn at 3,933 million bushels, which is more than the 3,908 million bushels produced by the record 1960 crop. We now are consuming and exporting more corn than we have ever produced in a single year, including the years 1959 and 1960, in which corn was supported without any acreage limitation.

In conclusion, I state again very bluntly that what we need is proper administration of the Agricultural Act of 1958 as far as cotton, rice, and feed grains are concerned. If this is done, we have no need for the expensive temporary programs we have had on the statute books in 1961 and 1962.

One other word in order to set the record straight as regards wheat. Many people have erroneously indicated that our wheat problem was brought about by the Agricultural Act of 1958. The truth is that wheat is not dealt with in the Agricultural Act of 1958. The basic wheat program we will revert back to—if the temporary, expensive, and ineffective 1962 "emergency" wheat program is not extended—is the 1938 basic law as far as acreage is concerned and the 1949 law as far as price supports are concerned. Under this law the Secretary has already announced a reduced price support of $1.82 per bushel for 1963. This move alone means a saving of 18 cents a bushel on every bushel of wheat exported. At the 1961–62 level of exports—710 million bushels—such a reduction in export subsidy costs would result in a saving of $128 million. In my judgment, this basic legislation is much to be preferred to the complicated and costly multiple price plan proposed in H.R. 12391.

Most members of the Senate realize that earlier in this session I introduced a bill, S. 2822, along with the Senator from Utah [Mr. BENNETT] and my colleague from Iowa [Mr. MILLER] known as the cropland retirement program. This bill, if enacted into law, would move further in the direction of freedom for individual farmers to make their own decisions in what they plant on their crop acres. It would relate support prices to recent average market prices and would help eliminate much of the cost of current farm programs. In my judgment, such action, together with an extension of the expiring conservation reserve contracts, would help us on our way to a solution of not only the so-called feed grain and wheat problem but also—if used in connection with proper administration of the Agricultural Act of 1958—would go a long way toward solving our problems in the whole agricultural field in a way that would protect farm income. I realize it is too late in this session of Congress to expect this program of mine to be enacted this year. I would suggest, however, that we not muddy up the water further by passing the current bill before us, H.R. 12391, but rather vote it down. We would then revert back to the basic legislation, and, in my judgment, would be much better off than if we adopted this costly, ineffective bill now before us.

Mr. President, in connection with the proposal to reconsider the amendment which was made awhile ago, which has been previously discussed, a great many Senators were absent from the Chamber at the time the amendment was agreed to. I earnestly hope, in the interests of satisfactory procedure, since this has been done time and time again in the Senate procedure, because there were so few Senators present at the time the amendment was adopted, that we can avoid any long controversy about reconsideration of the amendment, about tabling a motion to reconsider, or procedural matters of that kind. I appeal to my friends in charge of the bill to see if they cannot voluntarily—in the interests of permitting every Senator to know about this issue and to have an opportunity to vote on it—consent to a reconsideration of the vote on the amendment, without going through the mechanics of repeated voting, so that all Senators will be satisfied and be put on notice as to the vote on the amendment.

The PRESIDING OFFICER (Mr. BURDICK in the chair). The question is on agreeing to the motion to reconsider the vote by which the Ellender amendment to the committee amendment was agreed to.

Mr. ELLENDER. Mr. President, it is not my purpose to detain the Senate very long. Yesterday I delivered a speech which emphasized the reason for the adoption of such an amendment as was adopted by the Senate.

I was not too well impressed by the arguments made by my good friends from South Dakota and Nebraska. They admit that, in order for the Secretary of Agriculture to be in a position to do the evil things they contend he might do, he would have to come to Congress and ask Congress to give him such power.

The sole purpose of the amendment is merely to remove that portion of the 1958 act which makes it obligatory on the part of the Secretary of Agriculture to support the prices of corn, sorghum, and other feed grains at 65 percent of parity or at 90 percent of the average price for the previous 3 years, without any limitation as to quantity to be produced. That is the purpose of it. I so stated when it was submitted. I am glad that my good friend the Senator from Vermont [Mr. AIKEN] favors the amendment that I offered.

In the meantime, if the farmers of the country desire legislation, they can have it. They can appeal to the Senators and Representatives. But I emphasize that the Secretary of Agriculture will be unable in any manner to control the acreage to be planted to corn and other feed grains unless Congress gives him the authority to do so in the future.

Before the amendment was agreed to there was a quorum call. I think the measure has been sufficiently debated. I am sure every Senator knows what it is all about, and there would be no point in rehashing it. Therefore, I move to table the motion to reconsider the vote by which the amendment to the committee amendment was agreed to.

Mr. LAUSCHE. Mr. President——

The PRESIDING OFFICER. The motion is not debatable.

Mr. LAUSCHE. Mr. President, will the Senator withhold his motion?

Mr. ELLENDER. Mr. President, I withhold the motion.

Mr. LAUSCHE. Does the Senator from Louisiana have any alarm at the thought of placing in one man, the Secretary of Agriculture, the great power of determining, within the range of 0 to 90 percent, what amount shall be paid to the farmers? I cannot conclude that we ought to assign to one individual, regardless of how good he may be and how genuine his motives, the great power of telling the farmers of the Nation, "I will determine what price support you shall get. I will determine, if I deem it advisable, to give you nothing. I will have to do so especially if price supports would increase the amount of corn and thus add to the quantity of corn held by the Commodity Credit Corporation."

Should we give to one man who is politically minded, as I am, such great power?

Mr. ELLENDER. Mr. President, that power has been given to the Secretary of Agriculture in the past. It was given in the 1949 act. The Secretary now has the power to fix the price supports on soybeans as well as other commodities. He has that power now. What I wish again to emphasize to the Senate is that corn producers seem to get the best of everything by way of price supports without limitation. Mr. President, it seems to me there should be no objection on the part of the producers of corn to curtailing their acreage in order to get a fair price support. It would do for corn the same as we do for cotton and other commodities.

We are told that we cannot deal with corn as we deal with cotton and other commodities because 85 percent of the corn is fed on the farm. I have heard that argument ever since I first came to the Senate. Yet we have in storage more than 2½ billion bushels of corn and other feed grains, at great cost to the taxpayer.

What I am trying to do is to change the law which forces the Secretary of Agriculture to provide price supports on unlimited production when we have those products running out of our ears at present. That is the whole issue.

Mr. LAUSCHE. Mr. President, will the Senator yield?

Mr. ELLENDER. I yield.

Mr. LAUSCHE. I recognize the cost of this farm program. But I also recognize that throughout the years changes have been made in attempts to cure what was wrong only to find that with every wrong cured, two or three new problems were created.

I now get to the basic proposition. Regardless of what is contained in other laws, is it wise to give to one man, with political concepts or without them, the great power of determining, without any floor or ceiling, what he may do in dealing with the farmers of the Nation? That is the problem that confronts me. Based upon what I have seen of the use of power in high public office, I am becoming more and more impressed with the precept that I heard years ago: Put a leash on your public officials. Give them only limited power. Do not allow them, according to their whims, caprices and fancies, to determine what laws should be. The Constitution has provided that the Congress shall pass the law and fix the ceiling and floor of price support.

Mr. ELLENDER. That is what the Congress is doing in the proposed legislation. Someone must administer the program. We give the power to the head of the Department of Agriculture to administer the program, as we have in the past.

In the case of wheat the Secretary of Agriculture cannot say what price shall be offered. It is fixed in the act from 75 to 90 percent of parity, and depending on the supply on hand, he can vary the support price. But the yardstick is spelled out. It is fixed in the law. I wish to be perfectly frank with Senators. The Secretary of Agriculture will be absolutely and positively powerless to control in any manner the production of corn and other feed grains if the amendment is agreed to.

Mr. MILLER. Mr. President, will the Senator yield?

Mr. ELLENDER. I yield.

Mr. MILLER. I agree with the last statement of the Senator. However, that does not mean that Congress cannot do something about the problem.

Mr. ELLENDER. It would have to be done by the Congress.

Mr. MILLER. That is correct. It is said that the Secretary would really be powerless. That is true, but that is one reason why we have the Congress to do something about it. I cannot see the purpose of the Senator's argument. It is still the responsibility of Congress to do something about the situation.

Under the 1958 act, roughly, the support price for corn would be around $1.04 to $1.06. If we take 65 percent of parity, which is $1.60, we would get $1.04; at 90 percent of the average for the last 3 years we would get $1.06. Does the Senator think that that amount of price support is unreasonable?

Mr. ELLENDER. Without production controls yes. Farmers produce in abundance. As I pointed out yesterday, in 1960, before the emergency programs were placed on the statute books, we had accumulated 84.7 million tons of corn and other feed grains.

Through the first emergency program, in 1961, we reduce it to 73 million tons. In 1962, this year, we expect to reduce it to 61.3 million tons, and about 1963, if the bill goes through and the emergency program is reinstated, there will be in my opinion a further reduction to 49.6 million tons, about the amount we had on hand in 1956, which may be more nearly a normal carryover.

Mr. MILLER. I am not sure what the tonnage figures are, but I believe the Senator's tonnage figures related to feed grains. His present amendment relates to corn. That is what I am really interested in. As I understand the situation from our colloquy of yesterday, we now have on hand about 1.6 billion bushels of corn.

Mr. ELLENDER. We also have on hand 700 million bushels of sorghums, 276 million bushels of oats, and 122 million bushels of barley.

Mr. MILLER. My point is that we are talking about corn.

Mr. ELLENDER. Yes.

Mr. MILLER. I am interested in the corn farmer. What the Senator is saying is that we now have on hand 1.6 billion bushels of corn.

Mr. ELLENDER. Yes.

Mr. MILLER. That is about a 5-month supply, according to the Department of Agriculture. I tried to elicit this information from the Senator yesterday. What I am trying to find out whether he, the Secretary of Agriculture, or the President, has a target with respect to the amount that we should have on hand. From all the arguments I have heard thus far on this subject, I did not know but that 1.6 billion bushels might be exactly the right amount. There are some in the Defense Department who feel that we ought to have a 5- or 6-month reserve of feed on hand.

So I come back to my original question of yesterday: What are we trying to do? What does the Senator want to do? He is talking about surpluses. I recognize that we have surpluses. The question is, Should we reduce the surplus of corn below 1.6 billion bushels, or is it all right? If we should reduce it, by how much should we reduce it?

Mr. ELLENDER. Mr. President, as I pointed out yesterday to my good friend from Iowa, in 1950 the amount of corn on hand was 844 million bushels, with nearly 60 million bushels of grain sorghums on hand. Today we have on hand 1,650 million bushels of corn and grain sorghums. To me that is excessive. We must keep on hand all of this excess at a great cost to the Government. As I pointed out in the RECORD—and I placed a great many tables in the RECORD yesterday—corn and other feed grains and wheat cost the taxpayers $900 million a year to store.

Mr. WILEY. For storage.

Mr. ELLENDER. For storage. I am trying to get rid of it.

Mr. MILLER. Will the Senator please tell us, when he uses the word "excessive," how excessive he thinks it is? Is the excess 1 bushel or what?

Mr. ELLENDER. Has the Senator any idea what it ought to be?

Mr. MILLER. There are some in the Defense Department who think there should be a 6-month reserve.

Mr. ELLENDER. In case of war, that is correct. What I should like to do is to have the Senate adopt this proposal, and then return in January and do something about it. Let me again emphasize that 3 years ago, when we tried to deal with corn and wheat, we adopted an emergency program, so that in the meantime we could draft suitable legislation. We have had to renew the emergency programs from year to year. Up to the present we have not provided permanent legislation. That is what I hope to do by the adoption of the amendment.

So far as I am concerned, I will never again vote for these emergency programs unless at the end of the emergency there is permanent legislation. That is what I am trying to provide. I tried to do it in May by offering a permanent program, and I was successful. The Senate voted for it. However, we were stymied in the House. I wish the Senate to go along with me now, and adopt the same kind of program that I advocated last May. However, I am a realist, as I said yesterday. Although I would like such a provision, I know what we are confronted with in the House, and I know it would encounter severe opposition there and we could not enact a bill containing such a provision.

However, by the adoption of the amendment the emergency program would be extended for another year and we would reduce the carryover to about 49.6 million tons of corn and other feed grains, which might be normal, and might represent a 4½- or 5-month carryover.

Mr. MILLER. Is the Senator answering my question regarding the objective?

Mr. ELLENDER. We would leave it in the hands of the farmers or producers to keep the production in line with what the needs are, and not let Uncle Sam carry the expense, as he is now doing. We must consider not only the farmers, but also the taxpayers. As I pointed out yesterday, the RECORD is replete with tables that were placed in it, which indicate the great cost of this program to the taxpayers. It is time now to stop it.

Mr. MILLER. I am completely sympathetic with the Senator's concern about so-called emergency legislation. I do not like the word "emergency." I would like to see us get some permanent legislation on the books. However, that does not necessarily mean that we must adopt this particular amendment. There are other ways of handling it. One is to have no bill and go back to the 1958 law. What I am still trying to find out, and what I believe other Members of the Senate are still trying to find out, is what the President, the Secretary of Agriculture, and the chairman of the Committee on Agriculture and Forestry say is the proper objective with respect to surpluses?

Mr. ELLENDER. We will find it out for the Senator in January when hearings are held on the program. I do not know. The Senator knows as well as I do what the carryover ought to be. I do not know, of course.

Mr. MILLER. If the Senator does not know——

Mr. ELLENDER. As I pointed out the other day, under the law when the corn provision was enacted, it was thought that a reasonable carryover was 15 percent of our domestic consumption and our exports. In the case of rice it was 10 percent of our exports and domestic consumption. In the case of cotton, it was 30 percent. It may be that if and when we consider permanent legislation for corn we may raise the limitation of 15 percent to perhaps 20 percent or 25 percent. I do not know.

Mr. MILLER. If the Senator does not know—and I certainly do not know either—it seems to me that the Secretary of Agriculture ought at least to give us his recommendation before we start operating on such drastic legislation as that now before the Senate.

Mr. ELLENDER. In the amendment we propose we ask the Secretary to get in touch with the farmers and with all those engaged in agriculture and try to find out for us what legislation would best suit their purposes.

I now yield to the Senator from Vermont.

Mr. AIKEN. Mr. President, I should like to ask the chairman of the committee a question for the purpose of clarification. His amendment has two paragraphs, (a) and (b). The first paragraph relates to the permanent support provisions for corn. The second paragraph reads:

> (b) The Secretary of Agriculture is directed to consult and advise with farmers, farm organizations, and such other persons or groups of persons as he determines concerning the need for new legislation for feed grains, to the extent he deems such consultation and advice necessary or desirable, and to make specific recommendations for feed grains in the form of proposed legislation which shall be submitted to the Congress as soon as practicable during the next session of Congress.

Inasmuch as paragraph (a) provides what might be considered to be permanent legislation with respect to the price support level for corn, am I correct in assuming that paragraph (b) relates primarily to other feed grains, such as sorghum, oats, and barley?

Mr. ELLENDER. It deals with all the feed grains.

Mr. AIKEN. And their relation to corn?

Mr. ELLENDER. Yes.

Mr. AIKEN. I thank the Senator.

The PRESIDING OFFICER. The question is on agreeing to the motion to table the motion to reconsider.

Mr. HUMPHREY. Mr. President, on this question I ask for the yeas and nays.

Mr. DIRKSEN. Mr. President, what is the pending question?

The PRESIDING OFFICER. The question is on agreeing to the motion to lay on the table the motion to reconsider the vote by which the amendment of the Senator from Louisiana [Mr. ELLENDER] was agreed to.

Mr. DIRKSEN. Mr. President, a parliamentary question.

The PRESIDING OFFICER. The Senator from Illinois will state it.

Mr. DIRKSEN. On the motion to table, a vote "yea" is a vote to refuse to reconsider the amendment offered by the distinguished Senator from Louisiana?

The PRESIDING OFFICER. That is correct.

Mr. DIRKSEN. A vote "nay" is a vote to reconsider the amendment on its merits?

The PRESIDING OFFICER. That is correct.

Mr. HUMPHREY. Mr. President, on this question I ask for the yeas and nays.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the motion to table the motion to reconsider. The yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. HUMPHREY. I announce that the Senator from Nevada [Mr. BIBLE], the Senator from Pennsylvania [Mr. CLARK], the Senator from Rhode Island [Mr. PASTORE], and the Senator from Florida [Mr. SMATHERS], are absent on official business.

I also announce that the Senator from Idaho [Mr. CHURCH], the Senator from Alaska [Mr. GRUENING], the Senator from Wyoming [Mr. HICKEY], the Senator from Missouri [Mr. SYMINGTON], the Senator from New Mexico [Mr. ANDERSON], and the Senator from Colorado [Mr. CARROLL] are necessarily absent.

I further announce that, if present and voting, the Senator from New Mexico [Mr. ANDERSON], the Senator from Nevada [Mr. BIBLE], the Senator from Colorado [Mr. CARROLL], the Senator from Pennsylvania [Mr. CLARK], the Senator from Alaska [Mr. GRUENING], the Senator from Wyoming [Mr. HICKEY], the Senator from Rhode Island [Mr. PASTORE], the Senator from Florida [Mr. SMATHERS], and the Senator from Missouri [Mr. SYMINGTON], would each vote "yea."

Mr. DIRKSEN. I announce that the Senator from Colorado [Mr. ALLOTT], the Senators from Delaware [Mr. BOGGS and Mr. WILLIAMS], the Senator from Maryland [Mr. BUTLER], the Senator from California [Mr. KUCHEL], the Senator from Kentucky [Mr. MORTON], the Senators from New Hampshire [Mr. COTTON and Mr. MURPHY], and the Senator from Pennsylvania [Mr. SCOTT] are necessarily absent. If present and voting, the Senators from Delaware [Mr. WILLIAMS and Mr. BOGGS] would each vote "yea."

On this vote, the Senator from New Hampshire [Mr. COTTON] is paired with the Senator from Colorado [Mr. ALLOTT]. If present and voting, the Senator from New Hampshire would vote "yea," and the Senator from Colorado would vote "nay."

On this vote, the Senator from New Hampshire [Mr. MURPHY] is paired with the Senator from Kentucky [Mr. MORTON]. If present and voting, the Senator from New Hampshire would vote "yea," and the Senator from Kentucky would vote "nay."

On this vote, the Senator from Pennsylvania [Mr. SCOTT] is paired with the Senator from California [Mr. KUCHEL]. If present and voting, the Senator from Pennsylvania would vote "yea," and the Senator from California would vote "nay."

The result was announced—yeas 58, nays 23, as follows:

[No. 209 Leg.]

YEAS—58

Aiken
Bartlett
Burdick
Byrd, Va.
Byrd, W. Va.
Cannon
Case
Chavez
Dodd
Douglas
Eastland
Ellender
Engle
Ervin
Fong
Fulbright
Gore
Hart
Hartke
Hayden
Hill
Holland
Humphrey
Jackson
Javits
Johnston
Jordan, N.C.
Keating
Kefauver
Kerr
Long, Mo.
Long, Hawaii
Long, La.
Magnuson
Mansfield
McCarthy
McClellan
McGee
McNamara
Metcalf
Monroney
Morse
Moss
Muskie
Neuberger
Pell
Prouty
Randolph
Robertson
Russell
Smith, Mass.
Smith, Maine
Sparkman
Stennis
Talmadge
Williams, N.J.
Yarborough
Young, Ohio

NAYS—23

Beall
Bennett
Bottum
Bush
Capehart
Carlson
Cooper
Curtis
Dirksen
Goldwater
Hickenlooper
Hruska
Jordan, Idaho
Lausche
Miller
Mundt
Pearson
Proxmire
Saltonstall
Thurmond
Tower
Wiley
Young, N. Dak.

NOT VOTING—19

Allott
Anderson
Bible
Boggs
Butler
Carroll
Church
Clark
Cotton
Gruening
Hickey
Kuchel
Morton
Murphy
Pastore
Scott
Smathers
Symington
Williams, Del.

So the motion to lay on the table was agreed to.

Mr. DIRKSEN. Mr. President, to the committee amendment, as amended, I submit the amendment which I send to the desk and ask to have stated.

The **PRESIDING OFFICER** (Mr. BURDICK in the chair). The amendment of the Senator from Illinois, to the committee amendment, as amended, will be stated.

The CHIEF CLERK. In the committee amendment, as amended, on page 55, after line 19, it is proposed to insert the following new section:

> SEC. 304. The Commodity Credit Corporation shall not sell corn or other feed grains in CCC stocks for unrestricted use at a price less than the 1962 price-support level plus all carrying charges.

Mr. DIRKSEN. Mr. President, this amendment is very simple. It merely hobbles the Commodity Credit Corporation with respect to the price at which it may put corn and feed grains on the market. It provides, in the case of corn or its equivalent in feed grains, a price of $1.20, plus carrying charges; $1.20 happens to be the 1962 price support price. So I want all Senators to know precisely what the amendment does.

Mr. President, there is a reason for the amendment. When the Secretary of Agriculture appeared before the House committee in February, he there unfurled the so-called ABCD program, which was the program for abundance, balance, conservation, and development; and in connection with that program, the Secretary made a statement. I now read from pages 16 and 17 of his statement, as follows:

> Under our recommended program for wheat, as for feed grains, marketing quotas and acreage allotments would be established, land would be diverted to conservation usage, quotas would not go into effect until approved by two-thirds of the producers, and supports would be available only if quotas are approved. The reduction of stocks held by the Government would be reduced by the producers themselves if they approve the quota. If they did not approve such quota any stock reduction would have to depend on Government action, and the CCC would therefore be authorized to sell up to 10 million tons in the case of feed grains and up to 200 million bushels in the case of wheat.

Mr. President, those are not my words; that is what Secretary Freeman stated on February 7, when he was testifying before the House committee, and that is what he stated at the time when he said that "unless it is democratically approved by two-thirds of the producers," the Commodity Credit Corporation would have authority under that original bill to dump 10 million tons of feed grains and 200 million bushels of wheat.

Mr. President, I cannot imagine a greater bludgeon to be put into the hands of any administrative officer of this Government than the right to dump upon the market, without restraint, whatever we had in stocks, at a price which he might determine, a price which in his opinion was best suited to the situation confronting him.

All this amendment does is to say, "Do not sell for less than the 1962 support price"; and that equates at $1.20 a bushel, plus the carrying charge, on corn. Without this amendment, a sword of Damocles would hang over the producers. They would be confronted with a bludgeon or a threat. They would be told, "Either two-thirds of you vote for this"—under what the Secretary calls the democratic process—"or I am going to dump this stuff on the market, and I am going to beat down the price level, and you will wish to your dying day you had accepted my proposition."

That is the thing that has affronted the producers of the country. To take that kind of approach reminds me of the ditty we heard back in 1898. When we were having trouble with Aguinaldo in the Philippines, somebody wrote a little ditty. I have forgotten most of it, but one line I have never forgotten, because it went, "And civilize them with a Krag."

A Krag was one of the most modern rifles at that time. That was the way to civilize them. Either get rid of the surpluses by the "democratic" process and enslave themselves by a two-thirds vote, or else the Department wants authority to dump up to 10 million bushels of feed grains and 2 million bushels of wheat. What a weapon in the hands of an administrative officer in a free land.

I want to say, with respect to the amendment, if the Secretary or the Commodity Credit Corporation is going to sell the commodities, then he or it will have to sell them at not less than the support price for 1962, which is $1.20 a bushel, plus carrying charges. It is very simple.

On the amendment, I ask for the yeas and nays.

The **PRESIDING OFFICER.** Is there a sufficient second?

Mr. ELLENDER. Mr. President, the Senator from Illinois may not have to have a rollcall, because I am going to offer a substitute which may be acceptable to the Senator.

Mr. AIKEN. Mr. President, I do not think the amendment offered by the Senator from Illinois is quite as acceptable as some of my colleagues may think for things are not always what they seem. I must say, after the last vote, I think anyone will be excused for being a bit confused, because I never expected to see a vote in which all but two Democrats voted for flexible supports from 0 to 90 percent of parity and all but seven Republicans voted for a high minimum support price, which our leadership has opposed for the last 20 years. Nevertheless, we have seen it.

The effect of the amendment of the Senator from Illinois would be to raise corn prices to the highest level they have reached in recent years. Much of the corn which the Commodity Credit Corporation has on hand was acquired at $1.06 a bushel, which was the support price up to last year. Then Secretary Freeman, unwisely, raised the support price to $1.20 a bushel.

The amendment of the Senator from Illinois would prohibit sales of corn, regardless of when acquired, at less than $1.20 plus carrying charges. Unfortunately, the farmer for years has not received support prices for his corn. All last fall, farmers were selling corn at 90 cents to a dollar a bushel, just as they had the previous year. After it got out of the farmer's hands, the price got up to $1.12 or $1.15. Dealers cannot be expected to handle it for nothing. The latest price is $1.13 a bushel.

I am afraid that, under the amendment of the Senator from Illinois, the price would go up to nearly $1.40 a bushel.

I do not approve of the Commodity Credit Corporation or the Secretary of Agriculture breaking the market for corn growers or other farm producers, but I believe if they were prohibited from selling corn on hand for less that $1.20 plus carrying charges, the price of corn would skyrocket. It would be felt by every poultryman, every livestock grower, every dairyman in the country, and the increased cost would have to come out of his pocket or it would have to be added to the price to the consumer.

While I have felt the Department has abused its authority from time to time, yet we do not want to legislate such abuses—or perhaps I should call them advantages—into the law. It certainly would have no other effect than to increase the consumer's cost and the cost of the livestock grower, the dairymen, and the poultry growers of America.

Mr. MILLER. Mr. President, will the Senator yield for a question?

Mr. DIRKSEN. I thought I had given up the floor.

Mr. MILLER. I should like to ask the distinguished minority leader, as a matter of making sure what the legislative intent is, whether the price support he refers to means the support price for No. 1 corn. For example, would it be $1.20 for No. 1 corn, but would the support price for older corn be less? Is it the intention of the Senator from Illinois that that would be the basis, rather than $1.20 on all corn?

Mr. DIRKSEN. It would be worked out on a formula basis by the Department.

Mr. MILLER. But it would definitely be based on the grade of corn.

Mr. DIRKSEN. That is correct.

Mr. ELLENDER. Mr. President, I anticipated that such an amendment would be offered. As a matter of fact, I would have attempted to offer it myself. I see what could happen to the market price of corn and feed grains if the carryover was such a large amount and the Secretary could sell at his will, whatever the market value was.

I am going to suggest to the Senator from Illinois that he modify his amendment to conform with my own. Otherwise, I will offer it. It would read as follows:

> Effective with the beginning of the marketing year for the 1964 crop of such commodity, the minimum sales price for sales of corn, oats, rye, barley, and grain sorghums from stocks of Commodity Credit Corporation shall be 65 per centum of the parity price for such commodity as of the beginning of the marketing year, plus reasonable carrying charges.

Mr. DIRKSEN. Will the Senator express it in terms of prices?

Mr. ELLENDER. That would be about $1.04 or $1.06 a bushel.

Mr. DIRKSEN. I did not pick this figure out of the air. I geared it to the price support level for 1962. I did not determine the level. It was determined by the Secretary of Agriculture.

Mr. ELLENDER. That was a special price in order to have some acres diverted. It was just a little honey that the Secretary of Agriculture extended in order to encourage more diverted acres. I believe 65 percent would be fair, since most of the corn now on hand was taken at a figure of 65 percent of parity.

Mr. DIRKSEN. I must say my distinguished friend from Louisiana uses a most engaging term when he uses the word "honey." That club had to have a lot of honey on it when it was being gotten ready to be used as a bludgeon. But what about the carrying charge?

Mr. ELLENDER. It is there.

Mr. DIRKSEN. I suggest the Senator read it again for the benefit of the Senate.

Mr. ELLENDER. It reads:

> Effective with the beginning of the marketing year for the 1964 crop of such commodity, the minimum sales price for sales of corn, oats, rye, barley, and grain sorghums from stocks of Commodity Credit Corporation shall be 65 per centum of the parity price for such commodity as of the beginning of the marketing year, plus reasonable carrying charges.

Mr. DIRKSEN. That gives the Secretary some latitude about what the carrying charge is, because we envision the carrying charge as a charge including storage. He may well say, "I do not propose to pay out that much. I think so much per bushel should be paid." Yet it might be an unreasonable concept because the actual cost might be more than that.

I should like to have the legislative record made, to see how this equates in terms of dollars and cents.

Mr. ELLENDER. The 65 percent would be about $1.04, or $1.06. Then there would be added the "reasonable carrying charges."

All I did was to copy what is now in the law. The Senator well knows that a good deal of corn and other feed grains have been in storage 4 or 5 years. If one were to add all of those charges, it would make the price of corn go up considerably. That is why we have in the law the word "reasonable," so that the circumstances can be taken into consideration.

Mr. DIRKSEN. I did not think that club Mr. Freeman was going to wield all around the place was very reasonable, because I could not see sweet reason in getting bashed over the head with a club when he dumped the feed grains and corn on the market and said, "Take that or leave it."

Mr. ELLENDER. I have the utmost of faith in my good friend Orville Freeman. I think he wants to do a good job. I think he wants to assist the farmers. I do not think there is any question about it. I believe his effort is to try to educate the public.

After all, the farmer does not get all of the profits which come from these high prices. The middlemen are getting a lot of them.

I am willing to trust the Secretary to do a good job under this provision.

Mr. DIRKSEN. I feel my own spirit is a little wanting, and I may be charged as a sinner whose faith quotient is not quite so high, when it comes to Brother Freeman. That is not personal. That is only in respect to administrative actions he takes and in respect to proposals he advances to the Congress.

Mr. President, I will not quarrel about it. I am willing to accept this language as a substitute, in the hope that if it needs some further tinkering, that can be done, probably, in conference, if the bill gets to conference, or in the House of Representatives.

Mr. AIKEN. Mr. President, will the Senator yield?

Mr. ELLENDER. I yield to the Senator from Vermont.

Mr. AIKEN. I should like to ask if the amendment, as modified, would cover grain out of condition or threatening to go out of condition?

Mr. ELLENDER. No.

Mr. AIKEN. Mr. President, as I understand, even the proposed modification of the amendment, by the Senator from Louisiana, would have the effect of raising the price of corn something like 10 cents a bushel above the present market price. I wish to have the RECORD show that I do not think it would be wise to raise the price of corn above the present market price. I have received no complaint from farmers about the price of corn, which is, I think, $1.13 a bushel today. This proposal would make it $1.05 a bushel plus carrying charges, which would be perhaps another 15 or 20 cents.

Mr. DIRKSEN. Mr. President, I concur in the substitute and I withdraw my own amendment, and I ask that the order for the yeas and nays be withdrawn.

Mr. HUMPHREY. Mr. President, will the Senator yield?

Mr. ELLENDER. I yield.

Mr. HUMPHREY. Mr. President, I wish to say that the amendment, which is now the result of some conciliation and deliberation among the Senator from Illinois, the Senator from Vermont, and the Senator from Louisiana, is much needed, particularly with the extension of the voluntary program, because if there should be dumping, it could be very injurious to the market and to the producers.

The amendment is a reasonable one. I am hopeful that it will be accepted by the Senate.

The PRESIDING OFFICER. Is there objection to the request to withdraw the order for the yeas and nays? The Chair hears none, and it is so ordered.

Mr. ELLENDER. I send forward the amendment, as a substitute.

The PRESIDING OFFICER. The amendment will be stated for the information of the Senate.

The CHIEF CLERK. On page 55, after line 19, it is proposed to insert a new section, as follows:

> SEC. 304. The Agricultural Act of 1949, as amended, is amended by inserting after the third sentence of section 407 the following: "Effective with the beginning of the marketing year for the 1964 crop of such commodity, the minimum sales price for sales of corn, oats, rye, barley, and grain sorghums from the stocks of Commodity Credit Corporation shall be 65 per centum of the parity price for such commodity as of the beginning of the marketing year, plus reasonable carrying charges."

Mr. AIKEN. Mr. President, in view of the fact that the amendment offered by the Senator from Louisiana would not take effect for 2 years, it would be more acceptable than the amendment offered by the Senator from Illinois, which had no effective date. It is a certainty that we shall have at least two more farm bills presented to Congress before 1964. It is also probable, considering the shrinking supply of feed grains in this country and the intent to shrink them still further, that the market price might increase by 1964 to the amount which is designated in the modification of the amendment offered by the Senator from Louisiana.

While I would not wish to have the RECORD show I am voting for the amendment, it is not so harmful as it appeared at first glance.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Illinois, as modified, to the committee amendment.

The amendment to the committee amendment was agreed to.

Mr. DIRKSEN. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. HUMPHREY. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. HUMPHREY. Mr. President, there are several other amendments to be offered. I visited with the Senator from South Dakota [Mr. MUNDT], who wishes to offer a key amendment, a very important amendment.

I should like to propound the unanimous-consent request that upon the Mundt amendment, to be offered, there be 1 hour of time, the time to be equally divided between the Senator from South Dakota and the Senator from Louisiana, and, of course, that the unanimous-consent request carry with it the rule of germaneness, as is typical in unanimous-consent requests.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Minnesota? The Chair hears none, and it is so ordered.

Mr. MUNDT. Mr. President, I agreed with the acting majority leader as to the limitation of time on my amendment. The Senator did not identify the amendment in question, but the amendment he had in mind, I am sure—and the amendment I had in mind—was my amendment 8-17-62—H.

The PRESIDING OFFICER. Will the Senator send the amendment to the desk?

Mr. MUNDT. Yes. But before sending amendment H to the desk, I call up my amendment 8-17-62—G.

The PRESIDING OFFICER. The amendment will be stated for the information of the Senate.

The CHIEF CLERK. On page 52, line 19, after the word "from" it is proposed to insert "erosion,".

On page 72, between lines 8 and 9, it is proposed to insert the following: "including provision for the control of erosion,".

Mr. MUNDT. Mr. President, the amendment I have called up is not the amendment on which there has been an agreement to limit the time for debate. The amendment before us now would provide that, with respect to the retired acres, among the other considerations which the owner or the operator of the land shall undertake to fulfill, along with insect control, weed control, and so forth, would be erosion control. The amendment would add the words "including provision for the control of erosion."

The Senate accepted that in the bill previously considered. I think the chairman of the committee is willing to accept it now. If so, we will not have need for further discussion.

Mr. ELLENDER. Mr. President, as I understand the amendment, it is the same one the Senate adopted when the Senate considered S. 3225.

Mr. MUNDT. Precisely.

Mr. ELLENDER. I have no objection, Mr. President.

The PRESIDING OFFICER. The question is on agreeing to the amendment to the committee amendment offered by the Senator from South Dakota [Mr. MUNDT].

The amendment to the committee amendment was agreed to.

Mr. MUNDT. Mr. President, I now call up my amendment 8-17-62—H. This is the amendment on which there is a limitation of debate.

The PRESIDING OFFICER. The amendment will be stated for the information of the Senate.

The CHIEF CLERK. On page 56, between lines 3 and 4, it is proposed to insert the first alternate program—sections 310 through 325.

On page 66, between lines 21 and 22, it is proposed to insert the following:

(b) In the referendum held pursuant to subsection (a) of this section on the national marketing quota proclaimed for the 1963 crop of wheat, the Secretary shall also submit the question whether farmers favor a two-year extension of the program in effect for the 1962 crop of wheat in lieu of the program for wheat provided by sections 310 through 325 of the Food and Agriculture Act of 1962. If a majority of the farmers voting on such question favor such two-year extension, (1) the provisions of sections 310 through 325 of the Food and Agriculture Act of 1962 shall thereupon become inoperative, (2) the provisions of sections 326 through 329 of such Act shall be in effect for the 1963 and 1964 crops, and (3) the provisions of law in effect without regard to the amendments contained in such Act shall be in effect for the 1965 and subsequent crops of wheat.

On page 91, between lines 7 and 8, it is proposed to insert the second alternate program—sections 326 through 329 as follows:

SEC. 326. (a) If a majority of the farmers voting on the question submitted pursuant to section 336(b) of the Agricultural Adjustment Act of 1938, as amended, added by section 316 of this Act, favor a two-year extension of the program in effect for the 1962 crop of wheat, the provisions of sections 326 through 329 of this Act shall be in effect in lieu of the provisions of sections 310 through 325.

(b) Section 334(c) of the Agricultural Adjustment Act of 1938, as amended, is amended by adding a new subparagraph (3) to read as follows:

"(3) Notwithstanding any other provision of law, each old or new farm acreage allotment for the 1963 and 1964 crops of wheat as determined on the basis of a minimum national acreage allotment of fifty-five million acres shall be reduced by 10 per centum."

SEC. 327. (a) In lieu of the provisions of item (1) of Public Law 74, Seventy-seventh Congress, as amended (7 U.S.C. 1340(1)), the following provisions shall apply to the 1963 and 1964 crops of wheat:

"(1) If a national marketing quota for wheat is in effect for the marketing year, farm marketing quotas shall be in effect for the crop of wheat which is normally harvested in the calendar year in which such marketing year begins. The farm marketing quota for such crop of wheat shall be the actual production of the acreage planted to such crop of wheat on the farm less the farm marketing excess. The farm marketing excess shall be an amount equal to twice the normal yield of wheat per acre established for the farm multiplied by the number of acres of such crop of wheat on the farm in excess of the farm acreage allotment for such crop unless the producer, in accordance with regulations prescribed by the Secretary and within the time prescribed therein, establishes to the satisfaction of the Secretary the actual production of such crop of wheat on the farm. If such actual production is so established, the farm marketing excess shall be such actual production less the actual production of the farm wheat acreage allotment based upon the average yield per acre for the entire wheat acreage on the farm: *Provided, however,* That the farm marketing excess shall not be larger than the amount by which the actual production, so established, exceeds the normal production of the farm wheat acreage allotment."

(b) Notwithstanding the provisions of item (2) of Public Law 74, Seventy-seventh Congress, as amended (7 U.S.C. 1340(2)), the rate of penalty on wheat of the 1963 and 1964 crops shall be 65 per centum of the parity price per bushel of wheat as of May 1 of the calendar year in which such crop is harvested.

(c) In lieu of the provisions of item (3) of Public Law 74, Seventy-seventh Congress, as amended (7 U.S.C. 1340 (3)), the following provisions shall apply to the 1963 and 1964 crops of wheat:

"(3) The farm marketing excess for wheat shall be regarded as available for marketing, and the penalty and the storage amount or amounts of wheat to be delivered to the Secretary shall be computed upon twice the normal production of the excess acreage. If the farm marketing excess so computed is adjusted downward on the basis of actual production as heretofore provided the difference between the amount of the penalty or storage computed on the basis of twice the normal production and as computed on actual production shall be returned to or allowed the producer or a corresponding adjustment made in the amount to be delivered to the Secretary if the producer elects to make such delivery. The Secretary shall issue regulations under which the farm marketing excess of wheat for the farm shall be stored or delivered to him. Upon failure to store, or deliver to the Secretary, the farm marketing excess within such time as may be determined under regulations prescribed by the Secretary the penalty computed as aforesaid shall be paid by the producer. Any wheat delivered to the Secretary hereunder shall become the property of the United States and shall be disposed of by the Secretary for relief purposes in the United States for friendly foreign countries or in such other manner as he shall determine will divert it from the normal channels of trade and commerce."

(d) Item (7) of Public Law 74, Seventy-seventh Congress, as amended (7 U.S.C. 1340 (7)), is amended to read as follows:

"(7) A farm marketing quota on any crop of wheat shall not be applicable to any farm on which, under regulations prescribed by the Secretary, the actual acreage planted to wheat for harvest of such crop does not exceed fifteen acres: *Provided, however,* That a farm marketing quota on the 1962, 1963, and 1964 crops of wheat shall be applicable to any farm on which the acreage of wheat exceeds the smaller of (1) thirteen and five-tenths acres, or (2) the highest number of acres actually planted to wheat on the farm for harvest in any of the calendar years 1959, 1960, or 1961."

(e) Section 336 of the Agricultural Adjustment Act of 1938, as amended (7 U.S.C. 1336), is amended by adding at the end thereof the following: "Notwithstanding any other provision hereof, (1) if the Secretary determines that two-thirds or more of the farmers voting in the referendum on marketing quotas held pursuant to section 336 (a) of this Act, as amended by section 416 of the Food and Agriculture Act of 1962, approve marketing quotas for the 1963 crop of wheat, marketing quotas shall be in effect for the 1963 crop of wheat, and (2) farmers who have not produced in excess of thirteen and five-tenths acres of wheat in at least one of the years 1959, 1960, or 1961, shall not be eligible to vote in the referendum conducted with respect to the national marketing quota for the marketing year beginning July 1, 1964."

SEC. 328. Price support for the 1963 and 1964 crops of wheat shall be made available as provided in section 101 of the Agricultural Act of 1949, as amended, except that price support shall be made available only to cooperators, only in the commercial wheat-producing area, and if marketing quotas are in effect for the crop of wheat, wheat of such crop shall be eligible for price support only if the producers on the farm on which the wheat is produced participate in the special wheat program formulated under section 329 to the extent prescribed by the Secretary.

SEC. 329. (a) If marketing quotas are in effect for the 1963 or 1964 crop of wheat, producers on any farm, except a farm on which a new farm wheat allotment is established for the crop, in the commercial wheat-producing area shall be entitled to payments determined as provided in subsection (b) upon compliance with the conditions hereinafter prescribed:

(1) Such producers shall divert from the production of wheat an acreage on the farm equal to either (i) 10 per centum of the highest actual acreage of wheat planted on the farm for harvest in any of the years 1959, 1960, or 1961: *Provided,* That such acreage in each of such years did not exceed fifteen acres, or (ii) 10 per centum of the farm acreage allotment for the crop of wheat which would be in effect except for the reduction thereof as provided in section 334(c) (3) of the Agricultural Adjustment Act of 1938, as amended.

(2) Such diverted acreage shall be devoted to conservation uses including summer fallow, approved by the Secretary, and such measures shall be taken as the Secretary may deem appropriate to keep such diverted acreage free from erosion, insects, weeds, and rodents: *Provided,* That such diverted acreage may be devoted to castor beans, guar, safflower, sunflower, or sesame, if designated by the Secretary, subject to the condition that no payment shall be made with respect to diverted acreage devoted to any such commodity.

(3) The total acreage of cropland on the farm devoted to soil-conserving uses, including summer fallow and idle land, but excluding the acreage diverted as provided above and acreage diverted under the special program for feed grains, shall not be less than the total average acreage of cropland devoted to soil-conserving uses including summer fallow and idle land on the farm in 1959 and 1960. Certification by the producer with respect to such acreage may be accepted as evidence of compliance with the foregoing provision. The total average acreage devoted to soil-conserving uses, including summer fallow and idle land, in 1959 and 1930, shall be subject to adjustment to the extent the Secretary determines appropriate for abnormal weather conditions or other factors affecting production, established crop-rotation practices on the farm, changes in the constitution of the farm, participation in other Federal farm programs, or to give effect to the provisions of law relating to release and reapportionment or preservation of history.

(4) If the diversion of acreage is made pursuant to the provisions of (1) (i) of this subsection (a), the actual acreage of wheat planted on the farm for harvest shall not exceed 90 per centum of the highest actual acreage of wheat planted on the farm for harvest in any of the years 1959, 1960, or 1961; and if the diversion of acreage is made pursuant to the provisions of (1) (ii) of this subsection (a), the farm shall be in compliance with the farm wheat acreage allotment.

(b) (1) Upon compliance with the conditions prescribed in subsection (a) producers on the farm shall be entitled to payments which shall be made by Commodity Credit Corporation in cash or wheat equal to 45 per centum of the value, at the estimated basic county support rate per bushel for Number 1 wheat for the county in which the farm is considered as being located for the administration of farm marketing quotas for wheat, of the number of bushels equal to the adjusted yield per acre of wheat for the farm, multiplied by the number of diverted acres other than acres devoted to castor beans, guar, safflower, sunflower, or sesame.

(2) The Secretary may make such adjustments in yields for the 1959 and 1960 crop years as he determines necessary to correct for abnormal factors affecting production, and to give due consideration to tillable acreage, crop rotation practices, type of soil, soil and water conservation measures, and topography. To the extent that a producer proves the actual yields for the farm for the 1959 and 1960 crop years, such yields shall be used in making determinations.

(3) The Secretary shall provide by regulations for the sharing of payments among producers on the farm on a fair and equitable basis. The medium of payment shall be determined by the Secretary. If payments are made in wheat, the value of the payments in cash shall be converted to wheat at the market price of wheat as determined by Commodity Credit Corporation. Wheat received as payment-in-kind may be marketed without penalty but shall not be eligible for price support.

(c) (1) Producers who divert acreage on the farm under subsection (a) may divert additional acreage on the farm not in excess of the larger of three times the amount diverted under subsection (a) or such acreage as will bring the total acreage diverted to ten acres: *Provided,* That the total acreage diverted under subsection (a) and this subsection (c) shall not exceed the larger of (i) the highest actual acreage of wheat planted on the farm for harvest for any of the years 1959, 1960, 1961, but not to exceed ten acres or (ii) the wheat acreage allotment.

(2) Payments shall be made with respect to the acreage diverted under this subsection (c) in accordance with the terms and conditions prescribed in subsection (a): *Provided,* That (i) 60 per centum shall be substituted for 45 per centum in computing the amount of the payment, (ii) the acreage diverted under this subsection (c) shall be added to and deemed to be acreage diverted under subsection (a) for the purposes of paragraphs (2) and (3) of subsection (a), and (iii) if the diversion under subsection (a) is made pursuant to (1) (i) of said subsection, the actual acreage planted to wheat for harvest on the farm, shall be reduced below the highest actual acreage of wheat planted on the farm for harvest in any of the years 1959, 1960, or 1961, by the total amount of acres diverted under subsection (a) and this subsection (c), or, if the diversion under subsection (a) is made pursuant to (1) (ii) of said subsection, the wheat acreage on the farm shall be reduced by the total amount of acres diverted under subsection (a) and this subsection (c) below whichever of the following acreages is the larger—

(A) the farm acreage allotment for the crop of wheat which would be in effect except for the reduction thereof as provided in section 334(c) (3) of the Agricultural Adjustment Act of 1938, as amended;

(B) the highest actual acreage of wheat planted on the farm for harvest for any of the years 1959, 1960, or 1961, but not to exceed fifteen acres.

(d) Any acreage diverted from the production of wheat to conservation uses for which payment is made under the program formulated pursuant to this section shall be in addition to any acreage diverted to conservation uses for which payment is made under any other Federal program except that the foregoing shall not preclude the making of cost-sharing payments under the agricultural conservation program or the Great Plains program for conservation practices carried out on any acreage devoted to soil-conserving uses under the program formulated pursuant to this section.

(e) The Secretary may provide for adjusting any payment on account of failure to comply with the terms and conditions of the program formulated under this section.

(f) Not to exceed 50 per centum of any payment to producers under this section may be made in advance of determination of performance.

(g) The program formulated pursuant to this section may include such terms and conditions, in addition to those specifically provided for herein, as the Secretary determines are desirable to effectuate the purposes of this section.

(h) Wheat stored to avoid or postpone a marketing quota penalty under the Agricultural Adjustment Act of 1938, as amended and supplemented, shall not be released from storage for underplanting based upon acreage diverted under subsection (c) above, and in determining production of the crop of wheat for the purpose of releasing wheat from storage on account of underproduction the normal yield of the acres diverted from the allotment shall be deemed to be actual production of wheat.

(i) The Secretary is authorized to promulgate such regulations as may be necessary to carry out the provisions of this section.

(j) The Commodity Credit Corporation is authorized to utilize its capital funds and other assets for the purpose of making the payments authorized herein and to pay administrative expenses necessary in carrying out this section during the period ending June 30, 1963. There is authorized to be appropriated such amounts as may be necessary to pay such administrative expenses.

(k) Section 334(e) of the Agricultural Adjustment Act of 1938, as amended, relating to increased allotments for durum wheat, is amended—

(1) by striking out "after reduction in the case of the 1962 crop as required by section 334(c) (2)" and inserting the following: "after reduction as required by section 334 (c) (2) or (3)", and

(2) by striking out "the special 1962 wheat program formulated under section 124 of the Agricultural Act of 1961" and inserting the following: "the special wheat program for such crop formulated under section 124 of the Agricultural Act of 1961 or section 329 of the Food and Agricultural Act of 1962".

(l) Section 334(i) of the Agricultural Adjustment Act of 1938, as amended, relating to increased allotments in the Tulelake area in California, is amended—

(1) by inserting the following sentence immediately following the seventh sentence thereof: "The special wheat program formulated under section 329 of the Food and Agriculture Act of 1962 shall not be applicable to any farm receiving an additional allotment under this subsection."; and

(2) by striking out of the last sentence the following: "or 1963".

Mr. MUNDT. Mr. President, the amendment which I have offered deals exclusively with the wheat section of the bill. It is exactly the same as the amendment which I offered when the

Senate had before it the farm bill several months ago, at which time the committee reported the proposed legislation to the Senate with my so-called free choice amendment included. However, on motion in the Senate by the chairman of the Committee on Agriculture and Forestry, the Senate subsequently knocked the amendment from the bill. I offer the amendment now because it seems to me that this is one of the crucial and key issues which confront us.

Mr. HUMPHREY. Mr. President, may we have order so that the Senator from South Dakota may proceed?

The **PRESIDING OFFICER** (Mr. Young of Ohio in the chair). The Senate will be in order.

The Chair recognizes the Senator from South Dakota.

Mr. MUNDT. Mr. President, my so-called free choice amendment would give the wheat farmers of America a right in their referendum to determine which of two wheat programs they prefer. H.R. 12391, now before the Senate, contains an entirely new wheat program which has never been tried or tested by the farmers of America. It is a wheat program which has been discussed from time to time as far back as the early 1920's. It is a modification of what used to be called a two-price system. The proposal is actually a three- or four-price system. But it is based upon the fundamentals conceived at the time two-price legislation was discussed by Congress.

There has never been a wheat program as coercive in nature and as mandatory in purpose as the proposals contained in H.R. 12391. The proposal has considerable support in the Wheat Belt, and it has considerable opposition in the Wheat Belt. However, there is considerable confusion and misunderstanding on the part of both supporters and opponents of the proposal. There is considerable apprehension as to what will actually eventuate from the standpoint of price supports for wheat if we experiment with the proposed new concept.

My amendment proposes now, as it proposed earlier, and as it was approved by the Senate Committee on Agriculture and Forestry in January or February, when the bill was first brought out, to provide that in the referendum which the wheat farmers vote upon, they shall have an opportunity to elect as between the proposed new concept—a multiple price compulsory wheat program—and a continuation for 2 years of the program which is in operation today.

When a piece of proposed legislation vitally affects the income and perhaps the survival of the wheat farmers of America, it makes good sense to consult with the wheat farmers themselves to determine whether they wish to depart from the traditions of the past and experiment with something which is entirely unexplored, new and visionary so far as they are concerned.

This is the centennial year of agriculture. All of us are interested in making sure that we can develop as sound, sane, and enduring a farm program as possible. I think it is essential that those in the Wheat Belt understand what is placed before them, which they do not now understand. Whether my amendment is agreed to or not, ultimately the farmers of America will confront a referendum by which they will have to decide between the program of their choice and virtually no program and no price supports for wheat. So instead of confronting them with the proposed multiple-price system in a referendum, without having had it fully explained, without fully understanding the alternatives, my amendment proposes that in the initial referendum the wheat farmers themselves would decide which of the two farming proposals for wheat producers they wish to vote on in the final referendum. That would be decided by majority vote. The final referendum would then operate precisely as it does now: If two-thirds of the farmers voting approved the program, it would become compulsory and mandatory.

Mr. President, agriculture, as our largest industry, employs 12 times the number of people as in the steel industry—for example, 9 times the number in the automobile industry and twice the number in the transportation and public utilities industry. The farming industry supports directly another 10 percent of our nonfarm population which supplies the farmer with his needs and processes and markets his products.

Agriculture is the principle source of all new wealth. Reliable estimates indicate that each dollar of wealth taken from the soil generates $7 of income throughout the rest of the economy.

Agriculture is a major market for the products of other industries. For example, it uses more steel in a year than is used for a year's output of passenger cars. It uses more petroleum products than any other industry in the country. It uses more rubber each year than is required to produce tires for 6 million automobiles. Its inventory of machinery and equipment exceeds the assets of the steel industry, and is five times that of the automobile industry. Agriculture, as an industry, is made up of many small business enterprises—namely, each individual farm. These small business enterprises and small entrepreneurs manage their own businesses, market their own products, plan their operations for the future with meticulous care and with one eye on the constant threat of a natural disaster which can wipe out a year's income overnight.

American agriculture is at the crossroads today, Mr. President. It faces another important development in the coming years in the growth of the Common Market in Europe. In 1960, the Common Market share of total U.S. farm exports amounted to 22 percent of our total exports. The Department of Agriculture estimates that one out of every six acres harvested goes into export trade. The possible exclusion of the U.S. from the European market for certain commodities or even a decrease in U.S. imports into this area could force a serious reduction in U.S. production for this country.

Just last Wednesday, August 15, Secretary of Agriculture Freeman, in testifying before the Senate Committee on Finance, admitted that the Common Market negotiations in the agriculture field confronted us with new problems. He testified that the administration is hopeful of finding new ways to gain access to the Common Market and other foreign outlets.

In view of the everchanging economy of agriculture and because of the diffuse thinking among the farmers of America on the type of program which they would like, I feel that this Congress can best serve the farmers of America by giving them an opportunity to make a choice as to whether or not they desire to continue the present wheat program for the years 1963 and 1964 or whether they desire to have the mandatory control program of the administration placed in effect. It appears to me that in view of the Secretary's glowing reports of the accomplishments of the present program and also his glowing espousal of the mandatory programs, he should be more than willing to permit the farmers to make a free choice in a democratic election between these two programs. I believed the Secretary when he wrote in a letter to the Senator from Wisconsin [Mr. Proxmire] earlier this year:

> I have great confidence in the judgment of the American farmers.

So does the Senator from South Dakota. I wish to give the farmers an opportunity to express their judgment in a free referendum. While Secretary Freeman was speaking of feed grains and feed grain farmers, I hope he would have the same confidence in wheat farmers.

> We may disagree with their choice, but we should not deny them the right to make it.

I support that position of Secretary Freeman. If it is sound for feed grain farmers, it is sound for wheat farmers. We should not deny the wheat farmers of America the right to make the choice between two programs—on the one hand, the existing program, about which they know the full import and full impact, and on the other, a wheat certificate program which is attractive in many ways and which has strong opponents and strong proponents, but which is unnecessarily confusing and complicated.

Secondly, I raise the question, Why are we rushing pellmell and headlong through the legislative processes with a mandatory program, with no choice for the wheat farmer but a mandatory program or economic chaos, whereas we have an alternative available to let the farmers decide which of the two programs they prefer? It seems to me that this is another effort by the Secretary and the President to give lip service to the farmer for a free choice, while on the other hand recommending from the standpoint of the wheat farmer a mandatory program of rigid controls from which they cannot escape once two-thirds of the farmers have voted in the affirmative.

Mr. President, it is late in August. Already many wheat farmers are in the fields planting next year's crop, or are about to plant it.

Let us in fairness to the wheat farmer take him from the depths of confusion and give him a chance to vote on a program of his choice rather than using the late days of the congressional session to enact a farm bill which jams down his throat a program he does not understand or because of changing conditions he may not need or want, or which, if Common Market negotiations fail, will not meet his problem.

The committee in its wisdom did not see fit to impose a program of mandatory controls on the feed grain producers. I noted a press release last week announcing that the Senate leadership would not try to amend this section of the bill. Since the leadership believes that the feed grain section should not be made mandatory and compulsory, it seems to me that this is an additional reason why we should not select the wheat farmer for a special course of strong-arm treatment. I fully agree that we should give him the opportunity to vote on the proposals as they are outlined in H.R. 12391, as amended by the Senate committee.

I fully agree that we should also give him an opportunity to discuss and understand and express his preference with respect to the so-called multiple price system. I do not believe that we should limit his choice to that one program, or that we should try to predetermine his judgment by putting him at the end of a pistol and telling him, "Either you buy the multiple choice, wheat certificate compulsory program, with its multiple price system and its comprehensive and confusing proposals, or else you go without any wheat program at all."

In simple words, I want to give the farmer the right to say by referendum vote that he proposes to accept as his choice for a wheat program either the multiple choice program or a continuation for 2 more years of the program which he now has and which he fully understands, and which slowly but surely is beginning to cut back the wheat surpluses of America.

Mr. CARLSON. Mr. President, will the Senator yield?

Mr. MUNDT. I yield to the Senator from Kansas.

Mr. CARLSON. Yesterday in colloquy with the distinguished chairman of the Committee on Agriculture and Forestry, the distinguished Senator from North Dakota [Mr. YOUNG], and I engaged in colloquy in which we discussed the offering of an amendment to the bill which would provide that the wheat farmer, for the 1963 crop, have the present program for another year. Do I understand from the statement of the Senator that the referendum to which he has made reference on the two programs will be for the 1964 crop, to be voted on in 1963?

Mr. MUNDT. For 1963 and 1964, both if time permits. It would extend the present program to 1963 and 1964.

Mr. CARLSON. That would be voted on at the end of the crop season?

Mr. MUNDT. Before he planted the 1963 crop if possible.

Mr. CARLSON. Before the planting of the 1963 crop. Normally I would not support the Senator on this amendment. I have for many years urged the adoption of what I called the domestic parity program for wheat. I believe that a permanent program is needed. That program had many advantages. The certificate plan in the pending bill was in the previous bill and was patterned after that measure, but it has many complicating features. It is a very complicated piece of legislation. I was hopeful that we would not act on it at this session, but that we would give Congress another year to look at it and try to iron out some of the problems.

When this question is presented to the wheatgrowers of the Nation, if there is not a very substantial educational program they will not understand it, because it is difficult to understand.

Mr. MUNDT. That is exactly the trouble. They are likely to vote against it out of fear of the unknown, leaving them with no wheat program at all unless my amendment is adopted.

Mr. CARLSON. I shall support the amendment on that ground. I am not happy about the certificate plan as it is presented. I have always sponsored that type of program, but not as complicated as the one in the bill. It is one which I believe the farmers may not understand. I am hopeful that if the pending legislation provides for the certificate plan for wheat, we shall have an opportunity to look at it next year and try to iron out some of the difficulties which I believe complicate this bill unnecessarily. I shall support the Senator's amendment for that reason.

Mr. MUNDT. I deeply appreciate the Senator's contribution. It is generally known that the Senator from Kansas is really the father of the wheat certificate plan or multiple price proposal. So far as agricultural legislation with respect to wheat is concerned. On various occasions in the Senate Committee on Agriculture and Forestry I have voted to support that program. I believe it has considerable merit. The Senator has put his finger on the problem which we now confront in legislating this late in the session on a bill that is as confusing as this one. I dare say that there are not three members of the Committee on Agriculture and Forestry who fully understand the impact and consequences of this proposal. It is complicated and confusing. I think it is unnecessarily complicated and confusing.

I believe that if we had some time for additional hearings on the wheat section of the bill alone we could devise a certificate plan much less confusing, much less complicated, much easier to understand, and much more acceptable and useful to the wheat farmers of America.

I share the fear of the Senator from Kansas that if we present the farmers with this alternative as it is now written, H.R. 12391, as amended, so that they do not understand it, so that we cannot give them firm answers to honest questions, in despair and out of an abundance of caution and through reluctance to step into the unknown, they are likely to vote "no," and find themselves with no wheat program at all. That would be disastrous to the wheat farmers and to the American farm economy.

What does my amendment propose? It leaves the program in the bill as it is, but instead of compelling the farmer now to make up his mind about something as complicated and as novel as this multiple price certificate plan, it gives him an opportunity to decide whether he wants that plan or a continuation of the present plan to be presented to him when he finally selects his own farm program by referendum.

If we give him an opportunity of getting the explanation, and if we can bring about an understanding, and create a meeting of minds, I am sure the result will be much better farm legislation than would result from having politicians on the Senate floor decide that they do not trust the farmers; that they know more than do the farmers, who may decide that the program is so unattractive that they may as well vote it down, and thereby decide to leave the bill as it is, presenting to the farmer, at the end of a shotgun or a pitchfork, the ugly alternative between buying a program he does not understand, a program about which there is confusion and conflicting testimony, a program representing a speculative step into the dark; or having no program at all.

My amendment gives the farmer the alternative of falling back upon a tested program, a program which has served him well in the past, although not adequately. It is not the final answer to the problem; it needs refinement. It is slowly but surely being refined. In the past year or two it has helped the farmer in the Wheat Belt, while at the same time reducing the surplus storage.

It seems to me that since the Secretary has stated that he has confidence in the small grain farmers and the feed grain farmers of America, the Senate might well state that it has confidence in all the farmers of America. We have confidence in the wheat farmers of America; and we want to submit to their judgment the decision as to which of the two farm programs they wish to have.

Mr. HRUSKA. Mr. President, will the Senator yield?

Mr. MUNDT. I yield.

Mr. HRUSKA. When it was suggested that the referendum would apply to the 1963 crop, the Senator from Nebraska wondered whether there would be time to hold a referendum which would apply to the 1963 crop, in view of the lateness of the season.

Mr. MUNDT. Some kind of referendum will have to be held in the very early future. It has already been delayed and pushed back, because the Senate was slow in acting on legislation, and the Department of Agriculture, rightly and understandably, hoped we would act in time to enable them to incorporate the legislation. At least, the question will be acted upon the first time a referendum can be presented to the wheat farmers of America.

Mr. HRUSKA. As I understand, a referendum is scheduled for August 30.

Mr. MUNDT. That is correct.

Mr. HRUSKA. Does the Senator from South Dakota think that that referendum may have to be postponed?

Mr. MUNDT. That will depend on the dispatch and expedition with which the legislation is passed, sent to conference, and reported to the House. It is entirely possible that the August 30 referendum will have to be postponed, assuming that new legislation will be passed. It might be that this particular referendum could be held separately and at a later date.

The Senate has written some astounding agricultural history today. We have approved programs and policies of price supports which the Democratic Party has consistently opposed when thy were recommended under Eisenhower and Benson. Members of the Democratic Party have today voted for this program by an almost unanimous vote. I think only two members of the Democratic Party voted against the concept of flexible price supports today. We have seen a switch from the position of the administration, which, upon seeking support from the voters, went so far as to say that the farmers are entitled to 100 percent price parity, 100 percent support, to a position of going downhill to zero. When they get the farmer there, they will present him with the alternative of a compulsory straitjacket program which would force the farmer to operate according to the dictates of the bureaucrats in Washington. That is a long retreat from parity prices. It is a complete reversal of their preelection position. That is a long retreat, even, from using net income as an adequate criterion for the farmer. It is pinning the farmers' hope to the number of bushels of corn, wheat, or other grain stored somewhere in Government warehouses. There is no rhyme or reason or economic concept to justify treating farmers with that kind of disregard.

Having done that for the corn farmers, I hope the Senate, on the same day, with the same type of partisan majority, will not now try to trap the wheat farmer and deny him his freedom of choice. I hope the Senate, when it votes on my amendment, will vote to give the wheat farmers of America the same kind of franchise, the same kind of choice, that Members of the Senate insist on having for themselves as they made up their minds how to vote on the various issues.

Mr. President, how much time have I remaining?

The PRESIDING OFFICER. The Senator from South Dakota has 5 minutes remaining.

Mr. MUNDT. I reserve the remainder of my time.

Mr. ELLENDER. Mr. President, I dislike having to oppose my genial friend from South Dakota, but the issues which are now before the Senate are the same as those which were before it in May, when S. 3225 was being considered. It will be recalled that the Committee on Agriculture and Forestry reported the wheat provision which contained the option which the Senator from South Dakota now seeks to incorporate in the bill reported from the committee.

As I have many times stated to the Senate, the wheat program has been a costly one. I have placed in the RECORD figures which indicate what the costs have been since the inception of the program. They amount to billions of dollars. Of course, that includes gifts which have been made abroad; it includes subsidies which were paid in the wheat agreement, and also the price support program. The cost of Public Law 480 was $3.8 billion.

It is true that from the sale of the wheat we received, in many instances, soft currencies. We may redeem some of them. But actual price support losses amount to almost $2 billion. The cost of the International Wheat Agreement aggregated about $1.3 billion. All that is water under the bridge. All this resulted from the present laws affecting wheat.

In 1938, a minimum acreage of 55 million was placed in the bill. At the time that minimum acreage was placed in the bill, production was about 13.2 bushels an acre. Today the production is almost double that amount; yet the minimum acreage still remains at 55 million.

The Senator from South Dakota seeks to provide the farmer an opportunity to vote for the two-price system, which would give the Secretary of Agriculture authority to fix the production of wheat somewhat in keeping with our requirements, which are approximately 1 billion bushels a year.

The option which my good friend would give to the farmer would permit him to have an emergency program for 2 years, but at the end of that emergency period we would revert to the same old law which has given us so much trouble, and that is the law which is now on the statute books. If that proposal were submitted to the farmers, in my opinion they would vote for the 2-year emergency program, which, by the way, is very expensive; and at the end of that time we would be confronted with the present law, which has in it a provision for a minimum of 55 million acres. As I have pointed out on many occasions, the Secretary of Agriculture is unable to reduce the acreage below 55 million, and he is compelled to support prices of wheat at the rate of 75 to 90 percent of parity.

For the past 5 or 6 years, as chairman of the Committee on Agriculture and Forestry, I have tried many times to submit proposed legislation which would reduce the minimum acreage, so that production could be in keeping with our requirements. The Senate passed two bills which would have had such an effect. One of those bills was vetoed by the President. The second bill was enacted by both Houses, and went to conference. The Senate adopted the conference report, but the House refused to do so. So we were put back to the old law—the 1938 act—which has caused so much expense, as I pointed out a moment ago.

The amendment proposed by my good friend, the Senator from South Dakota [Mr. MUNDT], would provide—as I stated a few minutes ago—an opportunity to vote in the referendum for either of the two options. In May of this year, the Senate voted to strike that provision from the bill. I am very hopeful that a similar vote will be cast at this time.

I could say much more on this subject; but I believe Senators are familiar with the proposal. It is very simple. However, if we were to adopt the amendment, I fear that within 2 years we would have expended in excess of $700 million, and then we would have to revert to the 1938 act—which, I repeat, has caused us great expense.

I fear that if existing programs were to be continued for wheat, milk, corn, and other feed grains, it would jeopardize the rest of the farm program; and I am sure no Senator would wish to see that occur.

I am willing at any time to yield time to any Senator who desires to speak on the amendment, or to yield back the remainder of the time under my control, if the Senator from South Dakota is willing to do likewise.

Mr. HUMPHREY. First, Mr. President, will the Senator from Louisiana yield briefly to me?

The PRESIDING OFFICER (Mr. BURDICK in the chair). Does the Senator from Louisiana yield to the Senator from Minnesota?

Mr. ELLENDER. I yield.

Mr. HUMPHREY. I assured the Senator from South Dakota [Mr. MUNDT] that I would do the best I could to have the yeas and nays ordered on the question of agreeing to his amendment to the committee amendment. So, Mr. President, in order to expedite the procedure, I ask that the yeas and nays be ordered on the question of agreeing to the Mundt amendment to the committee amendment.

The yeas and nays were ordered.

Mr. MUNDT. Mr. President, I thank the Senator from Minnesota. If I may proceed for about 3 minutes, in order to conclude my remarks, I shall be ready for the vote.

Mr. ELLENDER. Very well.

Mr. MUNDT. Mr. President, I am sure that the previous yea-and-nay vote, by which the Senate voted to end price supports for the producers of corn, will be discussed for many years by agricultural experts and by writers on the farm economy. Inasmuch as that vote involves a change of position by many prominent Senators, all of whom are dear friends of mine, I shall not embarrass any of them by quoting statements which have been made in previous debates on these issues. However, for the aid of researchers, students, and editorial writers, I point out that if they will refer to volume 102 of the bound CONGRESSIONAL RECORD, part 3, 84th Congress, 2d session, including the debates from February 20, 1956, to March 7, 1956, and will read the debates which occurred at that time, and will study the rollcall votes which were taken, beginning on page 3128 and continuing to page 4150, they will conclude that the one who wrote the axiom "There is nothing new under the sun," was a second cousin of Ananias, because when we come to deal with agriculture, there are many new things under the sun. These include the way Senators vote—and their reasons for such votes.

Mr. President, I shall be brief. I merely wish to point out that I believe it exceedingly unfortunate that on the last yea-and-nay vote the Senate decided to deny the farmers of America a free choice between the two programs. I am glad, however, to hear statements in favor of economy by Senators on the other side of the aisle. However, economy should be an across-the-board performance; it should be a consistent operation. I dislike to think that the only place where this session of Congress will do any economizing will be on the scalp of the American farmer, by cutting his price supports for corn down to zero, and by putting him into a new wheat program which is so complicated that no one knows with certainty whether it will help or will hurt the farmer. But all of us know it will cut back wheat production sharply, will result in the retirement from production of additional acres of land, and will eliminate the 55-million-acre base which has been so important to the wheat farmers.

However, as I have said, some strange things are happening these days in agricultural legislation. It seems to me we get our economics and our politics badly confused.

I have made my case for this amendment. I believe in freedom of choice for the wheat farmers; and that is all my amendment proposes.

If the distinguished chairman of the committee decides that we have debated this issue long enough, inasmuch as the yeas and nays have already been ordered, I yield back the remainder of the time under my control.

The PRESIDING OFFICER. The time available to the Senator from South Dakota has expired.

Mr. MUNDT. Then, Mr. President, obviously I have concluded.

Mr. HART. Mr. President, I would like to ask a question in regard to section 379(b)(1) which can be found on page 83 of the bill and reads, as follows:

> All persons engaged in the processing of wheat into food products composed wholly or partly of wheat shall, prior to marketing any such product for human food in the United States, acquire marketing certificates equivalent to the number of bushels of wheat contained in such product.

Most wheat used in this country is processed into flour, but not all flour is used as human food in this country. A substantial portion of the flour is used in industrial processing. The end product of the industrial process may or may not consist of food products. In one particular process a portion of the resultant product is used for food purposes and the remainder is not. In addition, a certain amount of the flour is lost in processing.

I would like to know if marketing certificates will be required for all of the wheat milled into flour used in such industrial processes in spite of the fact that all or part of such wheat is finally used for nonfood purposes, or lost in processing.

Mr. ELLENDER. Mr. President, this particular question was brought to my attention by the distinguished Senator from Michigan [Mr. Hart] some time ago, and I have requested a clarification from the Department of Agriculture. I have been assured by the Department that in such cases a price adjustment will be arranged either with the millers or the industrial processors of flour in recognition of the fact that not all of the end product is to be used for human food purposes.

Mr. HART. I thank the Senator.

Mr. ELLENDER. Mr. President, I yield back the remainder of the time under my control; and I am ready for the vote to be taken.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from South Dakota [Mr. Mundt] to the committee amendment. On this question, the yeas and nays have been ordered; and the clerk will call the roll.

The legislative clerk called the roll.

Mr. HUMPHREY. I announce that the Senator from Nevada [Mr. Bible], the Senator from New Mexico [Mr. Chavez], the Senator from Pennsylvania [Mr. Clark], the Senator from Rhode Island [Mr. Pastore], the Senator from Florida [Mr. Smathers], and the Senator from Virginia [Mr. Robertson] are absent on official business.

I further announce that the Senator from Missouri [Mr. Symington], the Senator from New Mexico [Mr. Anderson], the Senator from Colorado [Mr. Carroll], the Senator from Idaho [Mr. Church], the Senator from Alaska [Mr. Gruening], and the Senator from Wyoming [Mr. Hickey] are necessarily absent.

I further announce that, if present and voting, the Senators from New Mexico [Mr. Anderson and Mr. Chavez], the Senator from Alaska [Mr. Gruening], the Senator from Rhode Island [Mr. Pastore], the Senator from Virginia [Mr. Robertson], and the Senator from Florida [Mr. Smathers] would each vote "nay."

On this vote, the Senator from Nevada [Mr. Bible] is paired with the Senator from Pennsylvania [Mr. Scott]. If present and voting, the Senator from Nevada would vote "nay," and the Senator from Pennsylvania would vote "yea."

On this vote, the Senator from Colorado [Mr. Carroll] is paired with the Senator from New Hampshire [Mr. Murphy]. If present and voting, the Senator from Colorado would vote "nay," and the Senator from New Hampshire would vote "yea."

On this vote, the Senator from Idaho [Mr. Church] is paired with the Senator from California [Mr. Kuchel]. If present and voting, the Senator from Idaho would vote "nay," and the Senator from California would vote "yea."

On this vote, the Senator from Pennsylvania [Mr. Clark] is paired with the Senator from New Hampshire [Mr. Cotton]. If present and voting, the Senator from Pennsylvania would vote "nay," and the Senator from New Hampshire would vote "yea."

On this vote, the Senator from Missouri [Mr. Symington] is paired with the Senator from Colorado [Mr. Allott]. If present and voting, the Senator from Missouri would vote "nay" and the Senator from Colorado would vote "yea."

Mr. DIRKSEN. I announce that the Senator from Colorado [Mr. Allott], the Senators from Delaware [Mr. Boggs and Mr. Williams], the Senator from Maryland [Mr. Butler], the Senator from California [Mr. Kuchel], the Senator from Kentucky [Mr. Morton], the Senators from New Hampshire [Mr. Cotton and Mr. Murphy], and the Senator from Pennsylvania [Mr. Scott] are necessarily absent.

On this vote, the Senator from Colorado [Mr. Allott] is paired with the Senator from Missouri [Mr. Symington.] If present and voting, the Senator from Colorado would vote "yea," and the Senator from Missouri would vote "nay."

On this vote, the Senator from New Hampshire [Mr. Cotton] is paired with the Senator from Pennsylvania [Mr. Clark]. If present and voting, the Senator from New Hampshire would vote "yea," and the Senator from Pennsylvania would vote "nay."

On this vote, the Senator from California [Mr. Kuchel] is paired with the Senator from Idaho [Mr. Church]. If present and voting, the Senator from California would vote "yea," and the Senator from Idaho would vote "nay."

On this vote, the Senator from New Hampshire [Mr. Murphy] is paired with the Senator from Colorado [Mr. Carroll]. If present and voting, the Senator from New Hampshire would vote "yea," and the Senator from Colorado would vote "nay."

On this vote the Senator from Pennsylvania [Mr. Scott] is paired with the Senator from Nevada [Mr. Bible]. If present and voting, the Senator from Pennsylvania would vote "yea," and the Senator from Nevada would vote "nay."

The result was announced—yeas 29, nays 50, as follows:

[No. 210 Leg.]

YEAS—29

Aiken
Beall
Bennett
Bottum
Bush
Capehart
Carlson
Case
Curtis
Dirksen
Eastland
Fong
Goldwater
Hickenlooper
Hruska
Javits
Jordan, Idaho
Keating
Miller
Mundt
Pearson
Prouty
Russell
Saltonstall
Smith, Maine
Thurmond
Tower
Wiley
Young, N. Dak.

NAYS—50

Bartlett
Burdick
Byrd, Va.
Byrd, W. Va.
Cannon
Cooper
Dodd
Douglas
Ellender
Engle
Ervin
Fulbright
Gore
Hart
Hartke
Hayden
Hill
Holland
Humphrey
Jackson
Johnston
Jordan, N.C.
Kefauver
Kerr
Lausche
Long, Mo.
Long, Hawaii
Long, La.
Magnuson
Mansfield
McCarthy
McClellan
McGee
McNamara
Metcalf
Monroney
Morse
Moss
Muskie
Neuberger
Pell
Proxmire
Randolph
Smith, Mass.
Sparkman
Stennis
Talmadge
Williams, N.J.
Yarborough
Young, Ohio

NOT VOTING—21

Allott
Anderson
Bible
Boggs
Butler
Carroll
Chavez
Church
Clark
Cotton
Gruening
Hickey
Kuchel
Morton
Murphy
Pastore
Robertson
Scott
Smathers
Symington
Williams, Del.

So Mr. Mundt's amendment, to the committee amendment, was rejected.

Mr. ELLENDER. Mr. President, I move to reconsider the vote by which the amendment to the committee amendment was rejected.

Mr. HUMPHREY. Mr. President, I move to lay that motion on the table.

The PRESIDING OFFICER. The question is on agreeing to the motion to lay on the table the motion to reconsider.

The motion to lay on the table was agreed to.

Mr. KEATING. Mr. President, I call up my amendment designated "8-20-62—G," on behalf of myself and Senators JAVITS, SCOTT, CASE, and SALTONSTALL.

The PRESIDING OFFICER. The amendment will be stated for the information of the Senate.

The LEGISLATIVE CLERK. On page 46, line 11, it is proposed to insert the following:

> SEC. 104. No agreement or payment shall be made under this title unless the Secretary determines that any public facilities which may be developed with Federal assistance will be available to all persons without discrimination on account of race.

Several Senators addressed the Chair.

The PRESIDING OFFICER. The Senator from Montana [Mr. MANSFIELD] is recognized.

Mr. MANSFIELD. I believe I should notify the Senator from New York that it is my intention to move to table his amendment. I wish to notify him ahead of time.

Mr. KEATING. Mr. President, if the Senator will yield, I appreciate his usual courtesy. I understand that will be his motion. It is my understanding that, following my presentation, some of the cosponsors of the amendment and other Senators may wish to speak. I hope the Senator from Montana will withhold his motion.

Mr. President, I wish to make a parliamentary inquiry. Would it be proper and appropriate for me at this time to ask for the yeas and nays on the motion to table, or must I wait until the motion is made?

Mr. MANSFIELD. The Senator can ask unanimous consent.

Mr. KEATING. Mr. President, I ask unanimous consent that I may now make a request for the yeas and nays on the motion to table.

Mr. DIRKSEN. Mr. President, will the Senator withhold that request?

Mr. KEATING. I am happy to withhold it.

LEGISLATIVE PROGRAM AND ORDER FOR ADJOURNMENT UNTIL 11 A.M. TOMORROW

Mr. DIRKSEN. Mr. President, if the distinguished Senator will permit, I should like to query the distinguished majority leader concerning the program for the remainder of today and also for tomorrow.

Mr. MANSFIELD. Mr. President, in response to the question raised by the distinguished minority leader, it was our hope that the Senate could remain in session long enough tonight to have the third reading of the bill. It is our understanding that it is desired to have the third reading of the bill tonight, which might require remaining in session a little longer. When the amendment offered by the Senator from New York is disposed of, one way or another, the Senator from Texas [Mr. TOWER] intends to offer an amendment, on which he would like to have the yeas and nays.

Because of the fact that certain Senators are absent from the Chamber due to unavoidable circumstances, it was hoped that we could obtain a unanimous-consent agreement to have a vote on the question of passage of the bill at the conclusion of morning business tomorrow.

It is anticipated that following consideration of this bill, the Senate will consider S. 1552, a bill to amend and supplement the antitrust laws with respect to the manufacture and distribution of drugs, and for other purposes.

Following consideration of the drug bill, the Senate will consider H.R. 10743, a bill to amend title 38, United States Code, to provide increases in rates of disability compensation, and for other purposes.

Following consideration of that bill, the Senate will consider H.R. 11721, a bill to authorize the payment of the balance of awards for war damage compensation made by the Philippine War Damage Commission and to authorize the appropriation of $73 million for that purpose.

Following consideration of that bill, the Senate will consider H.R. 10650, a bill to amend the Internal Revenue Code of 1954 to provide a credit for investment in certain depreciable property, to eliminate certain defects and inequities, and for other purposes.

ORDER FOR ADJOURNMENT TO 11 A.M. TOMORROW

Mr. MANSFIELD. Mr. President, I ask unanimous consent that when the Senate concludes its deliberations tonight it stand in adjournment until 11 o'clock tomorrow morning.

The PRESIDING OFFICER. Is there objection to the request by the Senator from Montana? The Chair hears none, and it is so ordered.

ORDER OF BUSINESS

Mr. KEATING obtained the floor.

Mr. MORSE. Mr. President, will the Senator from New York yield to me for a couple of minutes?

Mr. KEATING. I yield to the Senator from Oregon.

COCKTAIL LOUNGE IN THE CAPITOL?

Mr. MORSE. Mr. President, I just read an interesting note from the ticker, which says:

> COCKTAIL LOUNGE?
>
> WASHINGTON.—If there's a cocktail lounge in the Capitol, it's being hidden from J. George Stewart, the big building's architect and custodian.
>
> Stewart has been deluged recently with inquiries about the existence of a formal drinking room in the Capitol, especially in the new multimillion-dollar east front extension.
>
> Somehow or other, he told a reporter, a rumor got around that a fancy cocktail lounge was hidden away in the new front. Members of Congress have been relaying to Stewart the indignant letters from constituents asking for an explanation.
>
> "You have my personal assurance," Stewart said, "that there is no cocktail lounge in the extended east front of the Capitol or in any other part of the building. No consideration was ever given to the installation of a cocktail lounge."

Of course, Mr. President, Mr. Stewart's omissions speak louder than his words. He owes to the people who write to him, or who write to Members of Congress and whose letters are relayed or "bucked over" to him for an answer to letters of indignation, an answer to the effect that in the conference room of the Senate from time to time cocktails are served, and they are served in connection with official Senate affairs.

The Senator from Oregon has made his position very clear in that regard. His resolution seeking to prevent the desecration of that room, and thereby the Capitol, because of the serving of cocktails at various affairs in that room, is still languishing in the Committee on Rules and Administration. The Senator wrote to members of the Committee on Rules and Administration about this resolution several weeks ago, but never received the courtesy of a reply from a single member of the committee.

I want Senators to bear in mind that Congress has not yet adjourned. That resolution will be used by the Senator from Oregon at an appropriate time as a rider on proposed legislation, before Congress adjourns. I will do my best to compel Senators to stand up and be counted on the resolution.

FOOD AND AGRICULTURE ACT OF 1962

The Senate resumed the consideration of the bill (H.R. 12391) to improve and protect farm income, to reduce costs of farm programs to the Federal Government, to reduce the Federal Government's excessive stocks of agricultural commodities, to maintain reasonable and stable prices of agricultural commodities and products to consumers, to provide adequate supplies of agricultural commodies for domestic and foreign needs, to conserve natural resources, and for other purposes.

Mr. KEATING. Mr. President, my amendment provides that no agreement or payment shall be made under the title I provisions of this bill unless the Secretary of Agriculture has determined that any public facilities which may be developed with Federal assistance or funds be open to all persons without discrimination on account of race.

There really should be no need for such an amendment. In my judgment, Federal funds cannot be lawfully appropriated for any programs which discriminate against Americans because of their race. A Federal subsidy for segregated facilities of any kind is not only unfair and unjust, but in my judgment, illegal.

The rather inconsistent and confused position of the Secretary of Agriculture on this important matter is very disappointing. Earlier in the session when the Senate first considered farm legislation, the Department assured me orally that no money would be allocated for projects which would not be open to citizens of all races.

This assurance was given to me by the General Counsel of the Department of Agriculture, who has been in the news of late. It was made to me in the midst of the debate on the farm bill in May when I first proposed this amendment. The General Counsel stated that no Federal funds would be allotted under title I for segregated recreation facilities. A letter confirming these assurances was promised.

Some of my colleagues may remember that after the defeat of the amendment by a narrow margin of three votes, in fairness to the Secretary of Agriculture, I announced on the floor of the Senate that I had received that assurance and that I would be getting a letter backing it up.

There were reports, thereafter, contradicting these assurances. I have attempted to contact both the General Counsel and the Secretary repeatedly with the hope of having their viewpoint clarified. I regret to announce that I have not yet received the promised written statement or any other confirmation of the Department's position. At the same time, there have been other reports that the Department now refuses to give any promise that funds will not be granted for segregated recreational facilities under this legislation. This vacillating attitude of the Department on such a vital issue is very disturbing. It is reminiscent of the difficulty we encountered in getting a clear statement on the Labor-HEW appropriation bill from the Department of Health, Education, and Welfare as to whether that Department's funds would be used to finance segregated hospitals and schools. A clear and unequivocal statement of the administration's position on these issues is long overdue. On the record to date we have no choice but to write into this bill an explicit provision requiring the Secretary of Agriculture to make certain that no Federal tax funds are going to be spent for racially segregated parks, picnic areas, and other recreational facilities—and I find the program under title I to be one of the better parts of the bill.

Adoption of this amendment will prevent an otherwise desirable program for converting marginal and unneeded farm lands into recreational areas from being tainted by racial prejudice. It is far better that we make our position crystal clear at the inception of the program instead of waiting until there are incidents, infringements of rights and prolonged litigation. If we allow recreation facilities to be set aside from surplus lands on a segregated basis, we may be certain that it will only be a matter of time before our courts are faced with dozens of cases demanding equal rights under the Constitution. It is much more constructive and desirable to take our stand now and to avoid later complications and embarrassments.

Very few Members of this body have objection to title I of this bill. The idea of converting surplus land and land that has proved to be uneconomic into recreational areas is a good one. Not only will it in a small way help to curb excess agricultural production, but it will also provide areas for recreation for many persons who now have no such parks and water areas. Many of us strongly endorse any program that will work to alleviate farm surplus and any idea that will at the same time provide benefits to such a large portion of our population. My amendment is designed to invigorate title I by making certain that its benefits will flow to all our citizens. The tax money from which this appropriation comes was collected without any racial classifications, and it should be disbursed on the same basis.

It makes no difference if this Federal assistance is on the basis of loans or grants or whether the area is to be managed by Federal, State, or local authorities. If the Federal Government is to be a partner in these ventures, then the facilities should be open to all Americans without regard to race. We should guarantee that all new parks and recreation areas will be places where any American can go with his family without fear of being turned away. Far too many times of late the Congress has passed legislation which can aggravate our country's race problem. Here is a good chance to reverse the trend.

I wish to refer briefly to what took place last Thursday when an amendment was offered to the space communications bill that would prohibit discrimination in employment by any corporation participating in the program.

A strong appeal was made at that time by the proponents of that amendment, including the Senator from Pennsylvania [Mr. CLARK], the Senator from Oregon [Mr. MORSE], and the Senator from Illinois [Mr. DOUGLAS], who took a leading part in the debate.

A strong argument was made at that time by the proponents of the amendment to Senators on both sides of the aisle to live up to the platforms of both parties pledging action along those lines. We were forcefully reminded of the solemn promises that were made at the conventions and repeated throughout the campaign. The distinguished Senator from Pennsylvania [Mr. CLARK] urged the Senate "not to resort to parliamentary tactics in order to prevent the Senate, for the first time this session, to have a vote on the merits of a civil rights amendment."

I might say, parenthetically, that that was not the first time, but the second, because the first time was when this amendment was offered to the last farm bill which was before the Senate. It was the second time. Both the Senator from Pennsylvania [Mr. CLARK] and the Senator from Illinois [Mr. DOUGLAS] argued eloquently for the redemption of our clear, unequivocal, unqualified, unmistakable assurances to the American people that both our political parties would work for abolition of discrimination on the ground of race, creed, color, or national origin.

At that time, although I differed with Senators DOUGLAS, MORSE, and CLARK on the merits of the satellite communications bill, and strongly supported that bill on its merits, because of my deep conviction that the principle which the Senators from Pennsylvania and Illinois and others were espousing was right, I gave this nondiscrimination amendment to the space bill my wholehearted support.

I do not believe progress will ever be made in the field of civil rights by making tactical withdrawals and retreats. Whenever civil rights measures are offered in the Senate, tactical reasons are given for not pressing them. We are told to wait for another day, which somehow never arrives. We are always urged to postpone the question to a more convenient time, but that convenient time is never now.

We have retreated long enough. We have compromised long enough. We should have learned by now that the only way we can progress in this field is by pressing forward at every opportunity with the conviction and determination that a just cause should not be postponed to another day.

The American people will not be fooled by tactical explanations of votes against civil rights. They will not be misled by a pretext for saying no to principles which we should be warmly embracing and which both parties have promised to the American people.

If the day comes when any Negro father or mother has to tell a small child that a picnic in a Government-financed park area is off limits to Americans of their color, all these pretexts and excuses will quickly evaporate.

This is another challenge to our convictions. Let us not shun this test. It is time for those of us on both sides of the aisle who believe in civil rights to work as forcibly to achieve our objectives as those who oppose civil rights work to defeat them.

> Today will be the payoff as to whether we believe in the platform and principles we have advocated before the country, or whether they are simply for campaign purposes.

Those are not my words; those are the words of the distinguished Senator from Illinois [Mr. DOUGLAS] last week. The distinguished Senator from Illinois has been a strong and persistent warrior for civil rights, and I have considered it a privilege to join with him and others in both parties for goals which we mutually sought.

Today I make the same plea. When this identical amendment was before the Senate in May, a motion to table carried by a margin of only three votes. A change in only two votes would have led to specific recognition in one of the laws of this Congress that the Federal Government has no right to use tax funds for racially segregated projects. I hope that today will be the occasion for declaring that simple but vital principle.

Mr. SALTONSTALL. Mr. President, will the Senator yield?

Mr. KEATING. I yield.

Mr. SALTONSTALL. I join the Senator from New York in his amendment because, if we are to create areas for youths, I consider it a perfectly logical basis on which to act to make it clear that we intend that all people may enjoy them, no matter who they may be.

Mr. KEATING. I appreciate the Senator's statement. I appreciate his cosponsorship of the amendment. I know of his sincere and honest dedication to the cause of civil rights. It is an honor to be associated with him in this effort.

Mr. JAVITS. Mr. President, I rise in support of the amendment, of which I have the honor to be a cosponsor. I believe that the necessity for the amendment arises from what may properly be called de facto segregation. Perhaps the situation which we find in places like Albany, Ga., is the best example of that.

When we look into these situations and take the cover off them, we find that what is supposedly provided by our national statutes as representing lawful management does not necessarily obtain in practice.

Senators will recall that I have tried on previous occasions to reach the archaic rule in the Hill-Burton Act, under which Federal funds are granted to hospitals which are in essence segregated establishments because of the archaic definition in the law respecting separate but equal facilities, although the Federal Government and everyone else knows that that definition would not stand up for 5 minutes in a court of law, that the Supreme Court has decided precisely to the contrary, and that the concept of separate but equal facilities is unconstitutional.

Nonetheless, the Government continues to issue regulations in hospital situations premised upon the separate but equal idea.

There is such a thing as local custom, which is pertinent to this amendment. The quality and nature of social organization, as one of our Members is wont to call it, is such that the community tolerates segregation, which is contrary to the Constitution, but is not expressly contrary to any law. A lawsuit may be started, which is a very expensive and tough undertaking.

Therefore, the amendment which the Senator from New York [Mr. KEATING] is sponsoring and in which many of us join, should be adopted. It will be remembered that I had a similar fight with respect to segregation at airport terminals, in which a couple of years were required before the practice caught up with the law, again, because the law did not specifically spell out in so many words what is sought to be spelled out here.

The new approach involves the idea of recreation areas which are developed from reserve lands, as conducive to the development of a more mature and more advisable farm program. In my view, it is important that when a new program is started, the de facto segregation and customs of local communities should be laid aside and we should return to the fundamental proposals involved.

In connection with the bill, about which there has been some discussion in the Government Operations Committee, of which I am a member, specific instances and examples have been cited in which for years, in national parks and national forests in Southern States segregation has been practiced de facto, indicating that unless there is a specific regulation on the subject we get into difficulties. Examples go back to 1959 and 1960. They are very specific with respect to what took place at places like Chattahoochee National Forest in Georgia, the De Soto National Park in Mississippi, and a naval housing reservation in Norfolk, Va. These are specific examples of de facto segregation being practiced.

It is clear to me that there is good reason for an amendment of this character, spelling out in precise terms what we have in mind in creating a national benefit through a new park. We should see to it that the situation of which we may later properly complain may be avoided, because we state what we mean, what we intend, and what we desire, without any nonsense or doubt about it, and without letting local customs prevail for years and years, and without the requirement that there be lawsuits or battles on the floor of the Senate to bring about our manifest intention in the law.

So anticipating the argument which is at the root of the motion to table—and I say this with all respect to the majority leader; I understand his problem—namely, that the Federal Government, through the Federal departments, will administer lands of this character in a nondiscriminatory way, it has been our experience that in every case, unless provision is made in unmistakable terms, and there is a law to tie to, there will be no compliance. We have sought to amend appropriation bills, but have been unable to do so because our proposals are considered to be substantive law. Now we have an opportunity to legislate in accordance with what I deem to be the views of the overwhelming majority of this body.

If the motion to table prevails, it will carry, in my view, not in accord with the best judgment on this issue, whatever may be the overriding considerations as to the farm bill. In my judgment, a motion to table, if carried, would not be in accordance with the views expressed time and time again by a majority of the Members of this body.

I hope we will be true to ourselves on this subject and take the opportunity offered to us by this amendment to vote to reject the motion to table, and support the amendment.

ANNOUNCEMENT OF HEARINGS ON ARTS BILLS

Mr. PELL. Mr. President, I wish to give notice to the Members of the Senate and other interested parties that the Special Subcommittee on the Arts of the Committee on Labor and Public Welfare, of which I have the honor to serve as chairman, will hold hearings on three pending bills affecting the arts, beginning August 29, 1962, and continuing on August 30 and, if needed, on September 7, 1962.

The three bills under consideration will be:

S. 741, introduced by Mr. HUMPHREY, for himself, Mr. CLARK, Mr. DOUGLAS, Mr. MORSE, Mr. WILLIAMS of New Jersey, Mr. COOPER, Mr. JAVITS, and Mr. LONG of Missouri, to provide for the establishment of a Federal Advisory Council on the Arts;

S. 785, introduced by Mr. CLARK, for himself, Mr. HUMPHREY, and Mr. PELL, to establish a program of grants to States for the development of programs and projects in the arts; and

S. 1250, introduced by Mr. JAVITS, to establish the U.S. Arts Foundation.

The hearings will be held in the committee's hearing room, 4232, New Senate Office Building, and will begin at 10 a.m. on each day.

Serving with me on the subcommittee are Senators YARBOROUGH, WILLIAMS of New Jersey, CLARK, JAVITS, and PROUTY.

A special effort will be made to obtain testimony on community cultural activities and needs in cities and States in various parts of the country.

Those who wish to appear before the subcommittee to present testimony on these bills, or to submit statements for the record, should make arrangements with Mr. Stewart E. McClure, chief clerk of the Committee on Labor and Public Welfare, extension 5375.

Mr. JAVITS. Mr. President, when I requested the appointment of a subcommittee and hearings in the Committee on Labor and Public Welfare on bills relating to a national cultural establishment for the Nation, I did so in full recognition of the fact that Federal participation in a program to help the development of our Nation's resources in the performing and visual arts is vital to our morale at home and to our leadership in the cold war struggle.

I express my appreciation to Senator LISTER HILL, my distinguished chairman, for granting this request, and congratulate Senator PELL on being named as chairman.

The image that we project abroad among the peoples of the developing nations becomes an important factor in helping them resist Communist infiltration and aggression; and our cultural posture makes up a very essential part of our total position and prestige in Western civilization. We can ignore only at our own peril the need for a cultural base in depth within our borders.

Some of the greatest long-range benefits to the United States abroad have come from our cultural exchange agreements in which American artists of note have rendered magnificent service as exponents of our country's culture and in promoting good relations with other nations.

In the forthcoming hearings which have just been announced we shall have an opportunity to get at all sides of this problem and also to make it clear that the principal source of assistance to the performing and visual arts will continue to be private and philanthropic sources as it has been always. It is important to emphasize that the Federal Government's position will not in any way endanger the traditional freedom of the artist and his form of expression and that the legislation before the Senate Labor and Public Welfare Subcommittee does not in any way infringe upon this time-honored prerogative of the artist.

Federal participation and encouragement of the arts is not a new thing, and has been expressed in many ways for over 100 years. My own activity in the Congress goes back to 1949 when as a Member of the House, I introduced a resolution calling for the establishment of an American National Theater establishment. The legislation which I have sponsored in this Congress calls for establishment of a U.S. Arts Foundation to help bring about wider dissemination of the arts and within the framework of free enterprise and voluntary association to help in the development of new talent and expose more people and more places to the best in American culture than any other proposal now before the Congress.

Federal assistance for expansion of the arts is an urgent necessity, and I am confident that the forthcoming hearings will result in a bill which the Senate can adopt.

Mr. MANSFIELD. Mr. President, I commend and congratulate the distinguished Senator from Rhode Island, who once again has shown the initiative which has made him so valued a Member of this body. I know that, as always, he will render outstanding service.

AUTHORIZATION FOR COMMITTEE ON THE JUDICIARY TO FILE REPORT FOLLOWING ADJOURNMENT OF SENATE TODAY

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Committee on the Judiciary be permitted to file, during the adjournment of the Senate following today's session a report and certain additional amendments to the bill (S. 1552) to amend and supplement the antitrust laws with respect to the manufacture and distribution of drugs, and for other purposes.

The PRESIDING OFFICER. Without objection, it is so ordered.

FOOD AND AGRICULTURE ACT OF 1962

The Senate resumed the consideration of the bill (H.R. 12391) to improve and protect farm income, to reduce costs of farm programs to the Federal Government, to reduce the Federal Government's excessive stocks of agricultural commodities, to maintain reasonable and stable prices of agricultural commodities and products to consumers, to provide adequate supplies of agricultural commodities for domestic and foreign needs, to conserve natural resources, and for other purposes.

Mr. MANSFIELD. Mr. President, I move that the amendment of the Senator from New York [Mr. Keating] be laid on the table.

Mr. KEATING. Mr. President, on that motion, I ask for the yeas and nays.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Montana to lay on the table the amendment of the Senator from New York [Mr. Keating]. The yeas and nays have been ordered, and the clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. HUMPHREY (when his name was called). On this vote I have a pair with the junior Senator from Florida [Mr. Smathers]. If he were present and voting, he would vote "yea." Were I at liberty to vote, I would vote "nay." I withhold my vote.

The rollcall was concluded.

Mr. HUMPHREY. I announce that the Senator from Nevada [Mr. Bible], the Senator from New Mexico [Mr. Chavez], the Senator from Pennsylvania [Mr. Clark], the Senator from Tennessee [Mr. Kefauver], the Senator from Wyoming [Mr. McGee], the Senator from Rhode Island [Mr. Pastore], and the Senator from Florida [Mr. Smathers] are absent on official business.

I also announce that the Senator from Missouri [Mr. Symington], the Senator from Wyoming [Mr. Hickey], the Senator from New Mexico [Mr. Anderson], the Senator from Colorado [Mr. Carroll], the Senator from Idaho [Mr. Church], and the Senator from Alaska [Mr. Gruening] are necessarily absent.

I further announce that, if present and voting, the Senator from New Mexico [Mr. Anderson], the Senator from Nevada [Mr. Bible], the Senator from New Mexico [Mr. Chavez], the Senator from Rhode Island [Mr. Pastore], the Senator from Idaho [Mr. Church], the Senator from Wyoming [Mr. Hickey], the Senator from Tennessee [Mr. Kefauver], and the Senator from Wyoming [Mr. McGee] would each vote "yea."

On this vote, the Senator from Alaska [Mr. Gruening] is paired with the Senator from Pennsylvania [Mr. Clark]. If present and voting, the Senator from Alaska would vote "yea," and the Senator from Pennsylvania would vote "nay."

On this vote, the Senator from Colorado [Mr. Carroll] is paired with the Senator from Missouri [Mr. Symington]. If present and voting, the Senator from Colorado would vote "yea," and the Senator from Missouri would vote "nay."

On this vote, the Senator from Minnesota [Mr. Humphrey] is paired with the Senator from Florida [Mr. Smathers]. If present and voting, the Senator from Minnesota would vote "nay," and the Senator from Florida would vote "yea."

Mr. DIRKSEN. I announce that the Senator from Colorado [Mr. Allott], the Senators from Delaware [Mr. Boggs and Mr. Williams], the Senator from Maryland [Mr. Butler], the Senator from California [Mr. Kuchel], the Senator from Kentucky [Mr. Morton], the Senators from New Hampshire [Mr. Cotton and Mr. Murphy], and the Senator from Pennsylvania [Mr. Scott] are necessarily absent.

If present and voting, the Senator from Colorado [Mr. Allott], the Senator from New Hampshire [Mr. Cotton], the Senator from California [Mr. Kuchel], the Senator from Kentucky [Mr. Morton], the Senator from New Hampshire [Mr. Murphy], and the Senator from Pennsylvania [Mr. Scott] would each vote "nay."

The result was announced—yeas 40, nays 37, as follows:

[No. 211 Leg.]

YEAS—40

Bartlett
Burdick
Byrd, Va.
Byrd, W. Va.
Cannon
Eastland
Ellender
Engle
Ervin
Fulbright
Gore
Hayden
Hill
Holland
Jackson
Johnston
Jordan, N.C.
Kerr
Long, Hawaii
Long, La.
Magnuson
Mansfield
McCarthy
McClellan
McNamara
Metcalf
Monroney
Morse
Moss
Muskie
Neuberger
Robertson
Russell
Sparkman
Stennis
Talmadge
Thurmond
Tower
Yarborough
Young, N. Dak.

NAYS—37

Aiken
Beall
Bennett
Bottum
Bush
Capehart
Carlson
Case
Cooper
Curtis
Dirksen
Dodd
Douglas
Fong
Goldwater
Hart
Hartke
Hickenlooper
Hruska
Javits
Jordan, Idaho
Keating
Lausche
Long, Mo.
Miller
Mundt
Pearson
Pell
Prouty
Proxmire
Randolph
Saltonstall
Smith, Mass.
Smith, Maine
Wiley
Williams, N.J.
Young, Ohio

NOT VOTING—23

Allott
Anderson
Bible
Boggs
Butler
Carroll
Chavez
Church
Clark
Cotton
Gruening
Hickey
Humphrey
Kefauver
Kuchel
McGee
Morton
Murphy
Pastore
Scott
Smathers
Symington
Williams, Del.

So the motion to lay on the table was agreed to.

Mr. MANSFIELD. Mr. President, I move that the vote by which the motion to lay on the table was agreed to be reconsidered.

Mr. KERR. Mr. President, I move to lay on the table the motion to reconsider.

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. The committee amendment is open to further amendment.

Mr. TOWER. Mr. President, I do not intend to call up the amendment in the nature of a substitute for the farm bill, which I have had printed and laid on the table; instead, I offer it as an amendment to the committee amendment. I send the amendment to the desk, and ask that it be stated. It is offered on behalf of myself and the Senator from Indiana [Mr. Capehart].

The PRESIDING OFFICER. The amendment to the committee amendment will be stated.

The Chief Clerk. In the committee amendment it is proposed to add a new title, as follows:

PLAN TO TERMINATE ALL ACREAGE ALLOTMENTS, MARKETING QUOTAS, AND PRICE SUPPORTS

In order that the farmers of this country may carry on their farming operations in the tradition of the free enterprise system unhampered by needless Federal controls, the Secretary of Agriculture is hereby authorized and directed to formulate and submit to the Congress, within one hundred and twenty days after the date of enactment of this Act, proposals for legislation the aim and effect of which will be to (1) increase the acreage allotments and marketing quotas annually on all agricultural commodities subject to such controls until such controls have been removed entirely, and (2) reduce the levels of price support annually on all agricultural commodities for which such support is provided until such support has been removed entirely. The period of time within which all acreage allotments, marketing quotas, and price support shall be terminated under any proposals for legislation submitted by the Secretary to the Congress shall not be more than six years nor less than four years from the date of enactment of this Act.

Mr. TOWER. Mr. President——

Mr. MANSFIELD. Mr. President, will the Senator yield?

Mr. TOWER. I yield.

Mr. MANSFIELD. If I may have the attention of the Senate, I wish to say that I have discussed this matter with the Senator from Texas [Mr. TOWER], the minority leader, and other members of the Committee on Agriculture and Forestry on both sides, and I wish at this time to propound a unanimous-consent request; namely, that on the pending amendment 1½ hours be allowed, 45 minutes to a side.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

Mr. TOWER. Mr. President, I ask for the yeas and nays on the amendment.

The yeas and nays were ordered.

Mr. HUMPHREY. Mr. President, will the Senator yield?

Mr. TOWER. I yield.

Mr. HUMPHREY. I listened attentively to the reading of the amendment. As the Senator knows, I asked for order so we might hear the amendment read. The amendment is different from the one now at the desk. Is that correct?

Mr. TOWER. It differs only in that it is an amendment to the committee amendment to the bill, and not a substitute.

Mr. HUMPHREY. Does the amendment include ultimate elimination of marketing orders on fruits and vegetables and milk, as well?

Mr. TOWER. It does, but it only directs the Secretary of Agriculture to propound a plan for the phasing out of agricultural controls, subsidies, and so forth. It is not in itself farm legislation; it is simply a directive to the Secretary of Agriculture to propose a plan, which, of course, would be submitted to the Congress.

Mr. HUMPHREY. But that plan would also include elimination of marketing orders, as I have mentioned, on fruits and vegetables and milk products?

Mr. TOWER. It would include those, yes.

Mr. DIRKSEN. Mr. President, will the Senator yield for a question?

Mr. TOWER. I yield.

Mr. DIRKSEN. Does the Senator from Texas plan to use all of his 45 minutes?

Mr. TOWER. I do not intend to use all of the 45 minutes myself. I will probably use 20 minutes for my own presentation. I do not know how many of my colleagues may desire to speak on the amendment.

Mr. DIRKSEN. I would like to ask the distinguished chairman of the Committee on Agriculture and Forestry how much time he expects to take.

Mr. ELLENDER. About 3 minutes.

Mr. SALTONSTALL. Mr. President, will the Senator yield?

Mr. TOWER. I yield.

Mr. SALTONSTALL. If the Senator from Massachusetts understood correctly what the Senator from Texas said to the Senator from Minnesota, this is merely a proposal to ask the Secretary of Agriculture to submit a plan to Congress for the future. It does not say he shall do certain things, but leaves it up to the Secretary of Agriculture.

Mr. TOWER. In response to the Senator from Massachusetts, the amendment simply directs the Secretary of Agriculture to propose a plan for phasing out all controls and subsidies. It would not narrowly proscribe him or limit him in any way. It would compel him to report within 120 days from the time of the enactment of the bill. It also provides that the plan shall prescribe phasing out in not less than 4 years or more than 6 years.

Mr. SALTONSTALL. The amendment is merely to have the Secretary submit a plan within 120 days?

Mr. TOWER. Yes, to submit a plan within 120 days to the Congress for its consideration.

The PRESIDING OFFICER. The Senator from Texas has now consumed three minutes. How much additional time does he yield himself?

Mr. TOWER. I yield myself 20 minutes.

Mr. President, the frustrating thing about the whole history of farm legislation is that the farm problem seems no nearer to solution today than 10 or 20 years ago.

At the risk of oversimplification, let me summarize my basic point of view as follows: There is not anything wrong with agriculture that a little less government would not cure. Too many times Government has done something to "help" farmers that created artificial incentives for farmers to increase production. Too many times Government has supported prices at levels that drastically limited the volume that could be marketed at the fixed price. Too frequently short run expedients have been adopted without adequate attention to the longrun consequences.

The greatest threat to freedom and opportunity in agriculture comes from those who assert that the way to help farmers is to fix prices at high levels and then institute strict production and marketing controls to prevent the creation of surpluses. It is my conviction that this is the wrong road for farmers. This is the road to controlled poverty in American agriculture—or nationalization of the production of food and fiber.

Price support programs are a trap for farmers. In the early years of a price support program, its effect on farmers appears to be wholly beneficiary. But the price support program has a cumulative impact on the marketing outlook. Production increases, consumption declines, surpluses accumulate.

When this point is reached, farmers are "hooked." If they do not accept controls, the existing surpluses and the artificially stimulated excessive production capacity will have drastic effect upon the price and market outlook for their products. If the farmer is reluctant to accept controls, they are likely to be forced upon him by one means or another to reduce Government costs.

The farm problem can be described as a vise, with declining farm prices constituting one jaw and rising production costs the other.

This comparison, however, fails to recognize all the elements involved. Net farm income may be defined as volume times price minus costs. All three elements are equally important. A high price that results in loss of export markets or a reduction in domestic markets may reduce net farm incomes just as effectively as a low price.

In recent years risings of costs has been a primary factor in reducing net farm incomes. The following table summarizes the drastic change which has occurred in the relationship of farm costs to income.

I ask unanimous consent to have the table printed in the RECORD at this point. It reveals that net farm income is down $3.1 billion.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

[Billions of dollars]

	Gross farm income	Production costs	Net farm income
1947–49 average	33.7	17.9	15.8
1961	39.6	26.9	12.7
Change, up (+), down (−)	+5.9	+9.0	−3.1

Mr. TOWER. Mr. President, part of the answer to the farm income problem is to avoid national policies that result in increased costs.

Costs do not just happen. Increased costs stem from a whole series of Government policies and actions which convert into prices and costs.

Inflation adds to costs. Government spending is converted into costs and prices. Taxes add to costs, not only directly, but, more important, in their effect on prices. For example, most corporation income taxes are not paid by corporations. They are paid by people who buy things sold by corporations. Most Government expenditures are, in the final analysis, paid by consumers of goods and services. This hits farmers doubly because not only do they buy the same consumer items as other people, but in addition, they buy goods and services for production.

The purpose and intent of the farm bills enacted over the years by the Congress was, of course, to raise farm incomes. Unfortunately, this effort too frequently overlooked basic economic factors. The farm problem has been compounded by efforts to solve an essentially economic problem by political panaceas. The farm problem has gotten involved in the political arena, has become a political issue. Votes are sought, political capital is all too frequently made, of the farm program. So immersed in politics and politicians is the farm problem—and vice versa—that rational solutions are too often virtually ignored.

We have created a patchwork of laws, often temporary expedients adopted to meet crises of varying degrees and kinds. Our farm laws, because they too frequently conflict with economic principles, have become the progenitors and perpetuators of our current farm problem. The farm programs have become a part of the problem.

American agriculture has passed and is passing through a period of vast and rapid change. No longer are our farms characterized by man-and-mule operation. As recently as 1940, 1 farmworker supplied 11 people with food and fiber. In 1961, 1 farmworker supplied the needs of 26 people. Productivity per man-hour in the past 10 years has increased 80 percent in agriculture, compared with 25 percent in industry. About twice as much capital is invested per worker in agriculture as in industry.

Technological change in agriculture has not reached any end point. There are some signs that the agricultural revolution is even accelerating. Technological change is remaking American agriculture at a pace unprecedented in human history.

Farm programs are necessarily based upon prices, practices, production, yields, and marketing of the past. But the past never fits the future. Farm programs try vainly to prevent change. To the extent they are able to delay change, they create new problems. Controls have bred many of the problems with which farmers are now confronted.

One of the inescapable results of the farm programs as they have operated is that they have held an umbrella over the world price, have encouraged expansion of competitive production in other countries. Actually, this problem would have been more crucial than it has been, except for the political turmoil and uneconomic practices of governments in other countries which has interfered with their normal growth and productive development.

A second inescapable result of price fixing is the development of substitutes. Ask any informed cotton man what price support programs for cotton at too high levels have done to substitute synthetics for cotton in Europe and in the United States. Markets once lost are hard, often impossible, to regain.

Controls cannot be imposed on one crop without affecting others. Land idled by a control program for one crop is likely to be used to produce other crops. Much of the land taken out of cotton and wheat production, for example, has been shifted to feed grains with the result that there is currently a surplus of feed grains.

The economist speaks of the inelasticity of demand for farm products. By this he means that consumption does not change very much when price is lowered. Therefore, a small excess of production results in a major change in price. This is most clearly illustrated by the case of tobacco. Consumption of tobacco appears to be virtually independent of change in price. Therefore, a small surplus of tobacco, in the absence of price supports, would result in a drastic reduction in the price of tobacco.

But the same is not true of many other products. Most of all, it is not true of that huge livestock-feed-forage complex that represents about 60 percent of U.S. agriculture. Demand for these products—which go to market as eggs, milk, and meat—is comparatively flexible. Another way to say this is that consumers will eat more meat at a low price than they will at a high price.

Without going into a lot of economics, this means simply that production controls in the tobacco industry may operate to increase farmers' incomes, but that production controls in the feed-livestock industry will not. I do not know of any definitive research on this point, but even assuming production controls on feed and livestock are feasible—and I do not assume this—I believe that farm incomes from the production of feed-livestock will be substantially reduced, not increased, by production controls.

It should also be noted in this connection that even where the size of domestic demand does not change much with a change in price, export demand for the same commodities is often extremely responsive to changes in price.

Acreage controls and price supports cannot provide an adequate income for a farm family with an acreage allotment too small for efficient and modern farming practices. A farm family with inadequate land resources cannot hope to increase its income from agriculture materially unless it is able to enlarge its operations so as to permit the adoption of modern technology. The rigidities of farm support and control programs are an obstacle to such progress.

The efficient farmer, small, or large, is penalized by controls. Costs for many farm operations are about the same, even if acreage is reduced. Controls therefore increase unit costs. Efficient farmers, who could profitably produce for export and domestic markets at a particular price, are foreclosed from producing for such markets if the price is raised to a level resulting in the loss or reduction of such markets.

During the emergency of the depression of the thirties, many measures were taken to alleviate desperately critical situations, including price support and production controls for a number of farm commodities. I am not inclined to be critical of everything that was done in New Deal days although I have criticized most things that were done in the New Deal days. Desperate situations sometimes warrant desperate remedies. But it does not follow that what may have been desirable or at least warranted during the dark days of the depression is necessarily the desirable approach to the problem under different circumstances. In fact, I am sure it is not. Amazing as it may appear, some of the congressional debate of the farm problem still harks back to the depression years. The argument is still made that if it was good then, it is good now. It is even suggested that all that keeps agriculture out of the conditions that existed in 1930–33 are the Government farm programs. This is ridiculous when it is recalled that only some 22 percent of U.S. farm production has been subject to production control programs. Actually, the most prosperous part of American agriculture has been that part not involved with controls and price supports.

Secretary of Agriculture Freeman has popularized the term "supply management." This is just a new term to describe an old objective. A synonym would be centralized control of agriculture, or political management of agriculture.

Under this supply management concept the Federal Government would, by controlling the production and marketing of all farm commodities, fix the amount of each product that each farmer could prodce and sell.

Under this proposal, the Secretary of Agriculture would replace the market as the primary guiding force in American agriculture.

To continue down the road of controls and high, artificial price supports is to court disaster. We now have over $7 billion invested by the Department of Agriculture Commodity Credit Corporation in price support loans and inventories. Each day about $1,400,000 of taxpayers money is paid out for storing the commodities held by the Government. And this is despite a massive Federal program to dispose of surplus commodities that cost billions more.

The choice confronting us is clear. One is based on Government intervention and control, the other on a farmer's freedom to farm; one on a Government market, the other on a free market; one on dependence on Federal appropriations for farm income, the other on consumer demand.

Perhaps the best expression of farmer sentiment on this question was indicated by a poll of its farmer readers by the Farm Journal. In the June 1962 issue was published a summary of replies to a questionnaire to their readers—64,560 farmers sent in their views. The questions and results follow:

First. Compulsory Government quotas—on what I could sell, or how much land I could farm; stiff penalties, support prices at, or above, present levels—only 4 percent for.

Second. Expanded voluntary land-retirement program to cut crop production; no compulsory quotas or allotments; with supports on crops at a level to stabilize markets but not add to surpluses—43 percent for.

Third. Get the Government clear out—no controls, no price supports—53 percent for.

Mr. Charles B. Shuman, president of the Nation's largest farm organization, the Farm Bureau Federation, said recently:

> I am convinced that Government intervention in the agricultural price and production decisions has materially reduced farm income. Government payments and subsidies have been only a partial offset to the tremendous losses in price and income suffered by the producers of wheat, feed grains, cotton and other crops as a result of the Government price depressing surplus disposal operations and the displacement of farm crops by substitute products * * *. We

> would have been much wiser if we had devoted a small proportion of the manpower, time and money spent during the last 15 years on futile attempts to control production and rig markets, to a sustained effort to improve the operation of the competitive market.

The Farm Bureau Federation for many years has been the major opponent of centralized management of agriculture. That Farm Bureau's views represent the views of most farmers is evidenced by the fact that, although membership in Farm Bureau is entirely voluntary, each year for many years a larger percentage of the Nation's farmers are enrolled as Farm Bureau members.

Many of those who have been most prominent in promoting high levels of price support for farmers are now demanding that restrictive production controls be imposed.

Having gotten farmers in trouble by unwise price policies that have resulted in surplus production and heavy costs, the high price support advocates refuse to admit that this is the cause of the trouble. They blame the farmer for his opposition to production controls. The 1962 farm program of the administration was a punitive measure to punish farmers for the surpluses created by mistakes in Government policies.

Very few would seriously propose that after decades of Government intervention in agriculture, we should suddenly withdraw all Government assistance to farmers. But I am convinced that the goal toward which we should strive should be to move as rapidly as feasible in the direction of reducing the scope of Government participation in the pricing, production, and marketing of farm products.

Mr. President, my amendment would not of itself make alterations in the existing farm program. It would merely require the Secretary of Agriculture, who, with his vast Department and thousands of experts and technicians, should have on tap the best possible information regarding agriculture, to submit to the Congress a plan for ending Federal subsidies and controls. The Congress, acting upon the Secretary's proposed plan, would still be the implementing and final authority.

Committee meetings would be held, at which there would be manifestations of public reaction, and reactions from the farm community in particular.

Mr. SALTONSTALL. Mr. President, will the Senator yield?

Mr. TOWER. I yield.

Mr. SALTONSTALL. Would 4 to 6 years be a sufficient time to make the necessary adjustments that would finally bring agriculture into a completely free economy?

Mr. TOWER. The period of 4 to 6 years is perhaps an arbitrary time, but it is one that I have discussed with farmers and representatives of farm organizations. They feel that that period would probably be an appropriate period of time for phasing out the program.

I am convinced that the U.S. Government can and should do more to open doors to U.S. farm exports. Our State Department should stand up for American farmers and bargain more effectively for their interests than they have in the past. The potentials are tremendous. This is a proper and important role for Government.

The dynamic push of the free-enterprise way is stupendous. No other system can provide comparable progress, satisfaction, accomplishments.

It is my conviction that a free-enterprise farm economy will be more prosperous, will provide greater opportunities for indiivduals, and will result in a healthier and more satisfactory rural life than a farm economy that is managed by the Department of Agriculture.

Mr. President, the end that I see would not be accomplished merely by the adoption of the amendment. As I have said before, and feel I should emphasize again, the amendment would not change any existing farm program. It would merely direct the Secretary of Agriculture to propound a plan which he would submit to the Congress.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. TOWER. Mr. President, I yield myself 3 additional minutes.

The Secretary of Agriculture would submit the plan to the Congress. The Congress could decide whether or not the plan was feasible. There would be ample time for committee hearings, for testimony, for measuring public reaction, and obtaining the sentiment of the farmers generally. So I urge the adoption of my amendment to the farm bill.

Mr. SALTONSTALL. Mr. President, will the Senator yield for a question?

Mr. TOWER. I yield.

Mr. SALTONSTALL. The amendment would not impose any time limit on the Secretary in submitting a plan. Congress could act or refrain from acting, and there would be no time limit on the Congress.

Mr. TOWER. There would be no time limit. The Secretary would be merely directed to propound a plan which would call for a phasing out in a period of not less than 4 years and not more than 6. Of course, Congress could, if it chose to follow the broad outline of such a plan, determine its own expedient times.

Mr. PROXMIRE. Mr. President, will the Senator yield?

Mr. TOWER. I yield to the Senator from Wisconsin.

Mr. PROXMIRE. Did I correctly understand the Senator from Texas to indicate Farm Bureau Federation approval of the amendment, or did I misunderstand the Senator?

Mr. TOWER. Will the Senator restate his question?

Mr. PROXMIRE. Does the Farm Bureau Federation approve the amendment or disapprove it, or does it take no position on the amendment?

Mr. TOWER. I cannot say that the Farm Bureau has an official position on the amendment. But I believe that the proposal is consonant with Farm Bureau Federation policy, and in my discussions with the representatives of the Farm Bureau Federation—speaking, of course, informally—they assure me that it is consonant.

Mr. PROXMIRE. I asked that question of the Senator because, as a member of the Committee on Agriculture and Forestry I have heard representatives of the Farm Bureau Federation testify a number of times on a proposal, in which they are interested, which would take more land out of production and not put more in. As I understand, their solution calls for a substantial reduction of the amount of land now in production, which would seem to go exactly contrary to the proposal of the Senator from Texas.

Mr. TOWER. It is my impression that the amendment is generally accepted. All the amendment provides is a direction to the Secretary of Agriculture to propound a plan. We could take the plan, analyze it, examine it, and go over it. We would have adequate opportunity to obtain reaction from the various farm organizations and farmers. We would then know what the sentiment was. We would be able more adequately to gage it, because we would have something on which to hang our hats.

Mr. PROXMIRE. The difficultly is that virtually every other segment of our society, and every other economic group, has some kind of substantial rigidity or support. Organized labor has a minimum wage, which Congress has provided. There is almost no chance of that law being repealed. Businesses of various kinds are subsidized. I wish many of those laws could be repealed. There is no chance of repealing them. If we deprive the farmers of what little support they now receive, with their already low income, we may do great harm.

The Senator has called attention to the magnificent job which the farmers have done. The Senator from Texas has indicated that farmers have increased their efficiency three times as rapidly as have those off the farm. American farmers are the marvel of the world. Under those circumstances it seems to me that even to suggest a plan—and I recognize that the Senator's proposal is a moderate one; and he is not suggesting that we should take action now—along the lines proposed would be contrary to economic justice, because farm income is already so low. I cannot imagine the consequences of the Senator's proposal would be anything but to drive the income of farmers even lower than it is under present circumstances.

Mr. TOWER. There would be virtually no consequences of my proposal so far as present existing farm programs are concerned. All I am asking for is a program.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. TOWER. Has all of my time expired?

The PRESIDING OFFICER. Twenty-five minutes of the Senator's time has expired.

Mr. TOWER. Mr. President, how much time have I remaining?

The PRESIDING OFFICER. Nineteen minutes.

Mr. TOWER. I should like to address myself to another point made by the distinguished Senator from Wisconsin. There are subsidies in other areas of the economy. That is true. It is my hope that we might apply the suggested approach to some of those areas one of these days. My proposal is merely a beginning. All I am asking for is a plan. Let us see if there is anything new under the sun. Let us not be afraid to try something bold and imaginative. I am not a New Frontiersman, but I believe that we conservatives can come up with something bold and imaginative from time to time.

Mr. SALTONSTALL. Mr. President, will the Senator yield?

Mr. TOWER. I yield.

Mr. SALTONSTALL. I wish to support the Senator's proposal, but I should like to assure myself on certain points. To follow up what the Senator from Wisconsin has said, there is no reason for Congress to support in full any plan proposed by the Secretary. The plan could be modified so that some of the subsidies could be maintained in instances in which they would be helpful to the farmer in the future. What the Senator is trying to do is to propose a comprehensive plan that would cover all farm problems.

Mr. TOWER. The Senator is correct. The distinguished Senator from Massachusetts is emphasizing that, after all, what we are asking for is a plan. I think everyone agrees that the farm economy is in a mess. Present programs are really not satisfactory. We wallow in our own frustration every year when we consider farm legislation. It must end at some time. Let us have a plan that would call for ending it. Let us then look at the plan. After we have studied the plan, if, in our estimation, it would result in complete economic ruin for the farmer, we could reject it. But let us have a plan. Let us have something to proceed from.

Mr. BUSH. Mr. President, will the Senator yield?

Mr. TOWER. I yield.

Mr. BUSH. Apropos of what our friend from Wisconsin has said, there are subsidies in other phases of the economy. The network of subsidies is most impressive when we look at them. But the Senator from Texas is directing his thought toward a network of subsidies which has resulted in our acquiring approximately $9 billion worth of farm products through the Commodity Credit Corporation. In other words, we have become the owner of this enormous sum, and for that reason have undertaken an expense of $500 million or more to store and pay the interest on the money involved in this enormous concentration of farm products. Is that not so?

Mr. TOWER. That is correct.

Mr. BUSH. I point out that the subsidies involved in the farm program are different, because they have resulted in the Treasury being involved to the extent of more than $9 billion at the present time, I believe. The most recent figure I have seen was of that order. The other subsidies have not resulted in anything like the accumulation of assets of dubious value that the farm program has produced.

Mr. TOWER. That is correct. I thank the Senator from Connecticut for pointing that out. We might further note that very often a tax incentive is called a subsidy. That is a far more dynamic thing, which produces sources of wealth, whereas the farm subsidies take money out of the pocket of one person and put it in the pocket of another. That is not a dynamic force in the economy. It is a static force.

Mr. LAUSCHE. Mr. President, will the Senator yield?

Mr. TOWER. I yield.

Mr. LAUSCHE. Earlier I was impressed by the argument made by the Senator from Louisiana that something had to be done which would contribute to the adoption of a permanent plan to eliminate the extravagant costs to which we have been subjected through the years. He argued that the way to do it was to give the Secretary of Agriculture power to reduce subsidies and thus compel greater compliance. In my judgment a new approach is needed to solve this problem. When I say a new approach, I predicate it primarily on the basis that the Ohio farmer, at least, wants to be emancipated from Government controls. He wants to have restored to him the right to operate his own farm. I subscribe to that idea. That restoration cannot be made abruptly. There must be a normal transition. I am convinced that we cannot solve this problem by legislative fiat, regardless of the wisdom we exercise, unless our declarations are in some way in conformity with natural laws.

Through the years we have tried to control natural laws. They have repeatedly lifted their voices and said: "Regardless of the might of the U.S. Congress, these natural laws are supreme, and you are not going to be able to change them."

That is what we face. I stated earlier today that when a problem is pointed up, we hasten to solve it. We solve that particular problem, but in the solution of it we create additional new problems. I agree with the Senator from Louisiana in his view that something new must be done. I subscribe to the proposal of the Senator from Texas that a plan should be submitted, and that in the evolution of that plan the Farmers Union, the Farm Bureau Federation, the Grange, economists, and others should be consulted. A view can be taken of the disappointments which have occurred in the past 30 years, and an analysis can be made of the huge costs, and finally consideration should be given to the pronouncement that we have made each year that we have now found the solution, although the same story is told each year, and we have gotten nowhere, except to sink into more and more difficulty.

I will support the Senator from Texas. His proposal is in accord with what the Senator from Louisiana says needs to be done. There must be some new approach to the problem.

Mr. TOWER. I thank the distinguished Senator from Ohio for pointing out that we are tampering with natural laws when we invade the economy, and do things to try to create an artificial supply and an artificial demand. We must not tamper too much with the balance of nature. I remember that in my State at one time a bounty was put on hawks, because hawks occasionally would steal a chicken or two. Then the cotton rats became so numerous that it became necessary to take the bounty off hawks so that the hawks could kill the cotton rats. So I say we cannot tamper too much with the natural laws and expect to preserve a healthy economy.

Mr. LAUSCHE. I should like to point out how the effort to solve a problem in one place creates a new one. In Ohio, the wheat which we produce is not in excess. The fact is that there is a scarcity of it. Yet under the proposed law there would be the same application with regard to wheat which is scarce and wheat which is in surplus. Certificates would be issued. A subsidy will go to the growers of inferior wheat, on the same basis that a subsidy goes to the producers of superior wheat. The bill demonstrates what happens when we try by legislative declarations to deal with delicate situations.

Mr. TOWER. I thank the Senator.

Mr. CAPEHART. Mr. President, will the Senator yield?

Mr. TOWER. I yield.

Mr. CAPEHART. I was glad to join the able Senator from Texas as a coauthor of the amendment for the reason that I think it is common horsesense to request the Secretary of Agriculture to study the idea of phasing out the Government farm program over a period of 4 to 6 years. I do not believe that any Senator feels that farm programs over the past 30 years have been successful.

I do not believe any farmers feel that they have been successful. Our population is increasing, and the demand for foodstuffs is increasing. It is good, common horsesense for Congress to ask the Secretary of Agriculture, who has all the facts concerning this subject, to come forth with a plan to phase out the Government's control of agriculture over a period of 4 to 6 years. I agree we cannot phase it out in 1 year or 2 years. It seems to me that both Congress and the administration, whether it be a Democratic or a Republican administration, should give a great deal of thought to this subject. I know the farmers are doing it. I call attention to the fact that farm products that are at the moment not under controls are doing well. One of the troubles at the moment is that we have thrown the whole farm economy completely out of gear. We have helped here and hurt there. For that reason I am happy to support the amendment, and I am happy to be a coauthor of it, because I think we ought to start giving some real attention to phasing the program out over a period of years in a way that will not hurt anyone. It is time that Congress asked the Secretary of Agriculture to give his best effort to this end.

Mr. TOWER. I thank the Senator. I yield 2 minutes to the Senator from Ohio [Mr. LAUSCHE].

Mr. LAUSCHE. Mr. President, the Senator from Texas had a discussion with the Senator from Wisconsin about the position of the Farm Bureau Federation. I believe I know what the situation is. The Farm Bureau says that 28 million acres of land are in the conservation reserve. It suggests that the conservation reserve be brought up to 65 million acres.

It suggests that there be a period of phaseout of from 5 to 6 years, in which the farmer would gradually be liberated from the controls to which he is now subjected. But basically the Farm Bureau wants emancipation for the farmer. It wants a fair return to the farmer, and it believes it could be achieved by having the farmer voluntarily enter the conservation reserve, where the acreage would be brought up to 65 million or more, if need be.

Mr. JAVITS. Mr. President, will the Senator from Texas yield for a question?

Mr. TOWER. I yield to the Senator from New York.

Mr. JAVITS. I am curious as to why the Senator chooses the Secretary of Agriculture for this purpose. I should say that the present Secretary of Agriculture is unsympathetic to the kind of plan which the Senator from Texas has in mind, and probably would be unsympathetic to the kind of plan I would have in mind. Why would we not be better off, if this be a serious proposal, to designate a commission to devise a plan far more representative of the point of view of the author of the amendment and those who support him, rather than the Secretary of Agriculture, who would be completely hostile to it? That is what puzzles me about the amendment. Is it only a de marche to the Secretary of Agriculture, when we know he is completely hostile to such a plan and would be most unsympathetic to it?

I believe the Republican Party ought to propose a program of its own, and not merely ask the Secretary of Agriculture to draft one for us. For the Republican Party to submit its own plan would be fruitful and useful for the Nation. This is what concerns me about the Senator's amendment.

Mr. TOWER. I believe the Department of Agriculture is more competent by reason of experience, personnel, and resources, to undertake this work. I should like to think that even though the Secretary of Agriculture might not be sympathetic to my proposal—indeed, I doubt whether he would ever be sympathetic to anything I might propose—nonetheless, he would be sufficiently diligent and conscious of his responsibilities to pursue the study with vigor.

Mr. JAVITS. Even if this proposal should fail, the Senator has put his finger on one thing which troubles me. The Committee on Economic Development is studying the question now, with a view to developing a program. Such a program involves other considerations, including the mobility of labor, not merely land reserves; it involves the training of workers off the farm and their relocation. This is a really big project. I hope our party will address itself to it. I should like to work with the Senator from Texas, the Senator from Indiana [Mr. CAPEHART], and others, in drafting an alternate plan which would stand on its merits, and as to which, when we cast a vote, it would not be as if we were casting it in a vacuum.

Mr. ELLENDER. Mr. President, as I understand, the amendment would add a new title to provide for a direction to the Secretary of Agriculture to submit to Congress proposals for legislation, first, to increase acreage allotments and marketing quotas annually until they are removed entirely; and second, to reduce price supports annually until they are removed entirely.

The Secretary would be required to submit such a proposal within 120 days after the enactment of the bill; and controls and supports would have to be completely removed not more than 6 years, nor less than 4 years after the enactment of the bill.

I have been a member of the Committee on Agriculture and Forestry for 26 years. I find that the farmers of the Nation do not ask for quotas. They would not seek to have price supports, if only other segments of our economic society were similarly treated.

The distinguished Senator from Wisconsin made a significant point when he said that the costs of the farmers have been increased because of the minimum wage law. Then, too, there is the old Wagner Act, which is still on the statute books, but is now known as the Taft-Hartley Act. Around the bargaining table the workers and employers have agreed upon wages which have caused an increase in the prices of things which farmers need.

The proposal of the distinguished Senator from Texas would not only abolish some programs that may have cost much money and some programs that may have been bad, but would also eliminate all programs, even marketing agreements, such as those which affect Florida and California, and many of the provisions for the marketing of milk and other products.

We may criticize all these programs as much as we will; yet they have been instrumental in enabling the farmers to produce much more on fewer acres than was true in the past. When I first came to Congress, in 1937, 42 million acres of land were required to produce the amount of cotton which is now produced on about 16½ million acres. The same is true of many other commodities.

In the long run, although many programs have been costly to the Government, still they have been beneficial, in that many uneducated farmers, because of the incentive which was offered to them, have been able to produce much more on a given acreage.

In our own country, land resources are very limited. As I recall, there are about half a billion acres of land on which we can really depend. Our population is increasing at the rate of more than 3 million a year, and there is a loss of about 2 million acres of our best land each year. It does not require a smart person to calculate that with an increase in population and a decrease in land resources, the time will soon come when it will be necessary to increase production on the limited acres which will remain.

These programs have been instrumental in getting farmers—not only farmers who are college graduates, but many farmers who do not even know how to read or write—to produce more and more on their land. I think the programs, as a whole, have been good.

It is also my belief that if the programs had been managed from their inception in accordance with the will of Congress, the cost would not have been so great. When a good program is in the hands of farmers, it is difficult to wean them away from it. A classic example is one I have been discussing yesterday and today with respect to corn and other feed grains, as well as wheat. The program for milk and the products of milk is another classic program under which large amounts have been produced, much more than were needed.

It strikes me that it will cost quite a few dollars to make the study that is proposed by the Senator from Texas; and I doubt that it will be of benefit to Congress.

For that reason, Mr. President, I hope the Senate will reject this amendment.

Mr. HUMPHREY. Mr. President, will the Senator from Louisiana yield very briefly to me?

The PRESIDING OFFICER (Mr. LONG of Missouri in the chair.) Does the Senator from Louisiana yield to the Senator from Minnesota?

Mr. ELLENDER. I yield.

Mr. HUMPHREY. Does the Senator from Louisiana recall that about 2 or 3 years ago the Senate Committee on Agriculture and Forestry had a study made by some of the land-grant colleges in regard to the economic impact of such an amendment?

Mr. ELLENDER. Yes.

Mr. HUMPHREY. Such an amendment would be disastrous to the economy.

Mr. ELLENDER. Mr. President, I was about to ask unanimous consent to have printed at this point in the RECORD excerpts from that study, which the Committee on Agriculture and Forestry had made in 1959. I have a copy of it in my office. The study indicates the severe losses which would be suffered by the farmers of the country under such an amendment and the violence which the amendment would do to our economy.

I ask unanimous consent to have printed at this point in the RECORD excerpts from that report—which, as the Senator from Minnesota has said, was made by a committee of land-grant college economists, in conjunction with the Department of Agriculture, under Mr. Benson.

There being no objection, the excerpts from the report were ordered to be printed in the RECORD, as follows:

REPORT FROM THE U.S. DEPARTMENT OF AGRICULTURE, AND A STATEMENT FROM THE LAND GRANT COLLEGES IRM-1 ADVISORY COMMITTEE ON FARM PRICE AND INCOME PROJECTIONS 1960-65, UNDER CONDITIONS APPROXIMATING FREE PRODUCTION AND MARKETING OF AGRICULTURAL COMMODITIES

(86th Cong., 2d sess., S. Doc. No. 77)

FOREWORD

This report shows that farm prices would fall substantially and production would continue to increase by about 2 percent per year if all acreage controls (except tobacco) were removed and price supports were at levels which would permit an orderly reduction of currently excessive stocks of storable agricultural commodities over a 7- to 10-year period.

Increased marketings would result in average farm prices of about 90 cents per bushel for wheat; 80 cents a bushel for corn, with other feed grain prices in proportion; $3 per hundredweight for rice; 25 cents a pound for cotton; $15 per 100 pounds for beef cattle; $11.20 per 100 pounds for hogs; $3.60 per 100 pounds for milk at wholesale; 29 cents a dozen for eggs; and 15 cents a pound for broilers. Production and prices are shown in tables 6 and 7 of the Department's report.

As estimated by the Advisory Committee realized net farm income would drop to $7 billion by 1965, about 46 percent below the 1958 level.

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U.S. DEPARTMENT OF AGRICULTURE—PROJECTIONS OF PRODUCTION AND PRICES OF FARM PRODUCTS FOR 1960-65 ACCORDING TO SPECIFIED ASSUMPTIONS

Summary

Projections of probable market supplies and prices for the major farm commodities for the period 1960–65 presented here have been prepared at the request of Senator Allen J. Ellender, chairman of the Senate Committee on Agriculture and Forestry. Senator Ellender's request specified that the projections should be made under assumptions that all production controls except those on tobacco were removed and price supports were maintained at levels which would permit an orderly reduction over a 7- to 10-year period in the currently excessive stocks of storable farm commodities.

Under these assumed conditions, total farm output would increase to 137 percent of the 1947–49 average by 1965. This would be 20 percent higher than the 1955–57 average of 114 percent. Compared to current indications for 1959, the projected increase would be around 10 percent. The increase above 1955–57 in output of livestock would be 25 percent and that for crops would be 16 percent. The greater increase in livestock output would result from favorable livestock-feed price ratios. Livestock output at the projected level would reduce feed grain stocks by 7 million tons per year and require the use of substantial quantities of wheat for feed.

The projected population figure for 1965 is 195.7 million, an increase of 16 percent from 1955–57. Per capita disposable income at $2,120 in 1965 is 22 percent above 1955–57.

Projected cash receipts from farm marketings at $30.6 billion would be 2 percent higher than the 1955–57 average. Cash receipts from livestock and products at $17.7 billion would be 7 percent higher, and those from crops at $12.9 billion would be 4 percent lower.

Although the projected cash receipts figure is a little higher than the 1955–57 figure, it is 9 percent lower than the $33.6 billion figure for 1958. In that year, a number of unusual factors contributed to an increase in cash receipts.

The projected index of prices received by farmers would be 193 for 1965, 17 percent below the 1955–57 average.

At 184, prices received for crops would be down a little more than the total index, and prices received for livestock and products at 200 would be down somewhat less than the total.

The projected increase in farm output would imply a per capita food consumption index of about 108 (1947–49=100) for 1965, about 5 percent higher than in 1955–57. Per capita consumption of food livestock products would be 8 percent higher with meat, including poultry meat, accounting for all of the increase. Per capita food use of crops would be practically the same as the 1955–57 average.

These projections are indications of the probable situation under the assumptions specified by Senator Ellender. Neither the analysis nor the leading assumptions should be regarded as forecasts or as an endorsement or an analysis of any proposed farm program.

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Agricultural assumptions and approaches

Acreages and Programs

As specified in the original request, the projections assume the elimination of acreage and production controls for all major commodities except tobacco. In general, price support is assumed at levels which would permit an orderly liquidation of current excessive stocks over a 7- to 10-year period. The assumptions for wheat and cotton were modified by an additional assumption that the orderly liquidation of stocks could be handled through special programs, such as Public Law 480. However, Public Law 480 would by no means be limited to stock liquidation. Thus, the price support level assumed is one that would avoid further accumulation of stocks. In addition, programs such as section 32, special milk, school lunch, Sugar Act, Wool Act, marketing agreements and orders are assumed to continue in effect without significant change.

Certain actions with respect to price supports and/or acreage allotments in 1960, which conflict with the assumptions for these projections, are disregarded. This includes the marketing quotas for wheat, cotton, rice, peanuts, and tobacco which have already been approved by growers and the minimum price support already announced for wheat.

A conservation reserve program of 30 million acres is assumed, an increase of 8 million acres over 1959. This assumption implies appropriations and authorizations at about current levels and some reduction in payment per acre associated with the lower prices of farm products. Estimates of normal use of the land in conservation reserve in 1959 were used in projection of the effects of the expansion in the program during the 1960–65 period. Feed grains, wheat, hay, cropland pasture, crop failure, and fallow represented the major normal use of cropland reserve acreages in 1959.

The total acreage of cropland and pasture was assumed to remain at the 1959 level during the 1960–65 period. It was assumed that in the first year the elimination of allotments on wheat and cotton, together with the increased soil bank, would result in reduced fallow and idle acreages. Consequently, the total land used for crops and the soil bank would increase.

After the first year, however, the lower price level would encourage reductions in harvested cropland. While the acreage adjustments to the lower price levels would not be completed by 1965, some increase in idle and fallow would be expected. Because of the problems inherent in resource adjustment and the difficulties of shifting land use in a relatively short period, the decrease in harvested cropland was projected at about 1 million acres per year. This general acreage framework is indicated in table 2.

Projection of individual crop acreages were made by means of a series of approximations. Factors considered included suspension of allotments on wheat and cotton and conservation reserve expansion, prospective price-cost relations, the livestock-feed balance, and recent trends. The evaluation of these factors necessarily involved large elements of judgment.

Yields

Yield projections for the period 1960–65, developed in cooperation with ARS natural scientists, were used as a general framework for the yield estimates of major crops. The yield projections include the increases that agricultural research scientists expect to result from further application of known improvements. The original yield projections were made in the general context of current acreages and price-cost relations.[1] It was felt, however, that in a period of only 5 years, effects of lower price-cost relationships on yields would be minor because of the continued profitability from the standpoint of the individual farmer of marginal increases in the use of fertilizer, improved varieties, and other yield-increasing techniques that are presently available. Acreage shifts are likely to be of particular significance to yields of cotton and grain sorghums.

Trends in yield per acre of feed grains, as indicated by the projections, were expected to continue to increase in the years 1960–65. But the annual rates of increase in the next 5 years would be less than in the years since 1940. Further, the yields of corn and grain sorghum in 1958 and 1959 were apparently significantly above the indicated trends because of favorable weather.

Yield increases in corn will reflect to a large extent the increases in fertilizer and associated practices. Corn yields in 1965 would be slightly below the record yields indicated for 1958 and 1959. Yields of sorghum grain are expected to increase chiefly as the result of additional plantings of improved hybrid varieties. However, the projected rate of increase in grain sorghums is considerably less than in recent years.

Trends in hay yields are expected to increase gradually during the 1960–65 period with improvements in production practices and types of hay. Hay production by 1965 might be at approximately the record level achieved in 1958. Despite wide fluctuations, the long-term trend in the total feed consumed from pasture has been upward as pastures have been improved. This trend is expected to continue. Total feed units available from pasture by 1965 may be about 5 percent above the 1957–58 feeding year.

Wheat and cotton yields were projected to increase gradually during the period at about the same rate as the long-term upward trend in yields for these crops.

Average or normal weather must be assumed in projections of this nature, since there is no prior basis for any other assumption. In effect, weather is held constant throughout the projection period, with any above average years approximately balanced by below average years. A run of several years, either above or below average, during the projection period could result in substantially different results.

Similarly, the projections for hogs are primarily in terms of trend values, rather than projections of a cyclical pattern. For given years in the period, cyclical influences might well result in hog production either higher or lower than the trend value for that year. Attempting to project cyclical as well as trend values for specific years would imply a much higher degree of precision in the available methods than actually exists. Furthermore, the emphasis here is on the relative situation during the projection period, rather than on either the situation in a given year or the change from one year to the next.

* * * * *

General results

Under the assumed conditions total farm output would increase to 137 percent of the 1947–49 average by 1965. This would be 20 percent higher than the 1955–57 average of 114 percent. Compared to current indications for 1959, the projected increase would be around 10 percent. The increase above

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[1] A detailed discussion of these projections is contained in a report, "Wheat, Feed, and Livestock Production Projections" by R. P. Christensen, S. E. Johnson, and R. V. Bowman, FERD, ARS which is in process of publication.

1955–57 in output of livestock would be 25 percent, and that for crops would be 16 percent. The greater increase in livestock output would result from favorable livestock-feed price ratios. Livestock output at the projected level would reduce feed grain stocks by 7 million tons per year and require the use of substantial quantities of wheat for feed.

As indicated earlier, the projected population figure for 1965 is 195.7 million, an increase of 16 percent from 1955–57. Per capita disposable income at $2,120 in 1965 is 22 percent above 1955–57.

Projected cash receipts from farm marketings at $30.6 billion would be 2 percent higher than the 1955–57 average. Cash receipts from livestock and products at $17.7 billion would be 7 percent higher and those from crops at $12.9 billion would be 4 percent lower.

Although the projected cash receipts figure is a little higher than the 1955–57 figure, it is 9 percent lower than the $33.6 billion figure for 1958. In that year, a number of unusual factors contributed to an increase in cash receipts.

The projected index of prices received by farmers would be 193 for 1965, 17 percent below the 1955–57 average.

At 184, prices received for crops would be down a little more than the total index, and prices received for livestock and products at 200 would be down somewhat less than the total.

The projected increase in farm output would imply a per capita food consumption index of about 108 (1947–49=100) for 1965, about 5 percent higher than in 1955–57. Per capita consumption of food livestock products would be 8 percent higher with meat, including poultry meat, accounting for all of the increase. Per capita food use of crops would be practically the same as the 1955–57 average.

* * * * *

STATEMENT BY THE ADVISORY COMMITTEE [3]

The report prepared by the staff of the U.S. Department of Agriculture is a thorough and comprehensive analysis of the important question raised by Senator ELLENDER. In view of the uncertainty of the future it is not possible to make projections of the requested kind with a high degree of precision. Further, the projected price and income levels are so far outside the range of recent experience that it is difficult to predict how farmers might react to these difficult conditions. In spite of these difficulties it is evident that care has been exercised in bringing together all available information in working out the numerous details.

Members of the committee, however, have certain reservations about the estimates and implied relationships projected through 1965. The generally high level of exports, especially of wheat and cotton, will be difficult to achieve, even with considerable use of Public Law 480 funds. The expected domestic consumption of cotton appears high and production somewhat low at the 1965 farm price. The projected volume of hogs might well depress farm prices by more than the indicated amount. For these reasons, among others, the committee believes that the average level of farm prices in the Department report is somewhat higher than is consistent with the projected volume of total farm marketings in 1965.

But if the prices and quantities estimated by the Department technicians should obtain under the conditions specified, cash income from farm marketings in the period 1960–65 would be expected to total about the same as in 1955–57 or $30.6 billion a year. This level of cash receipts from farm marketings would be maintained in spite of a sharp drop in market prices because of continued annual increases in farm production of about 2 percent a year.

Farms in 1965 would be producing about 20 percent more products than in 1955–57. The effect of lower farm prices on output is expected to be minor because of the continued profitability for the individual farmer of marginal increases in presently available output increasing techniques.

Under these conditions the larger marketings would result in U.S. average farm prices of about 80 cents a bushel for corn with other feed grain prices in proportion, 90 cents a bushel for wheat, $3 per 100 pounds for rice, 25 cents a pound for cotton, $15 per 100 pounds for beef cattle ($22 per hundred for choice, grain-fattened steers in Chicago), $11.20 per 100 pounds for hogs, $3.60 per 100 pounds for milk at wholesale, 29 cents a dozen for eggs and 15 cents a pound for broilers.

Under the Department of Agriculture's projections carryover stocks would be reduced as follows: Feed grains, from 80 million tons in 1959 to 38 million in 1965; wheat, from 1.4 billion bushels to 0.4 billion; and cotton from 8.9 million to 7.2 million bales.

The bulk of these carryover stocks would continue to be in Government ownership and storage.

Net income

Since the Department of Agriculture was not asked to estimate effects on net farm income, the Committee undertook this analysis. Production expenses would be expected to be higher in 1965 than in 1955–57 because (a) the report assumes further increases in fertilization and other means of increasing output, and (b) the parity index in 1955–57, at 280, was lower than the level assumed for the report, 300. Production expenses in 1959 already were $3.4 billion higher than in 1955–57, and are expected to continue to increase about 1 percent a year even though nonfarm prices stabilize at present levels. Although the larger volume of marketings would maintain cash receipts at the 1955–57 level in spite of lower prices, realized net farm income would drop from $11.5 billion in the earlier period to about $7 billion in 1965 because of higher production expenses. This is a reduction of almost 40 percent.

The reduction in realized net income would be borne largely by the 2.1 million farms which market 90 percent of all farm products. The number of these farms held constant at 2.1 million between 1944 and 1954; hence, only a small reduction in numbers is expected in the 1960–65 period. Also, the off-farm income of families on these farms increased at a rate of only $60 per family per year in 1952–56. Therefore, little hope can be held out that increases in off-farm income would be an important offset to declining farm income for these families in the 1960–65 period.

The expected net farm income of $7 billion in the 1960–65 period is based on a continuation of the sugar and wool programs making direct payments to farmers of $120 to $130 million a year, agricultural conservation program payments of $225 million a year, and conservation reserve program payments of $300 to $325 million.

In addition, in these projections, cash receipts from farm marketings are supported by surplus removal purchases under section 32, marketing agreement programs, and a continuation of Public Law 480 exports at about present dollar levels.

Mr. TOWER. Mr. President, let me ask the Senator from Louisiana when the study was made.

Mr. ELLENDER. In 1959.

Mr. TOWER. In other words, it was made 3 years ago.

Mr. ELLENDER. Yes.

Mr. TOWER. Mr. President, the Senator from Minnesota stated that the effect of the amendment would be disastrous. In response let me again emphasize that the amendment would not change any existing farm program. We would merely call on the Department of Agriculture to present us with a plan. Then, at our option, we could either accept it or reject it.

Mr. HUMPHREY. Mr. President, if the Senator will yield, I should like to say that the Secretary of Agriculture already is working on, and has presented, programs which he believes, according to his best judgment and according to the best judgment of those in his Department, would be best for the country.

The Senator from Texas votes against such programs, and wants the Secretary of Agriculture to present another program, one which has as its objective freeing the farmers from controls and raising the farmers' income. I cannot imagine that the Secretary of Agriculture, whose program has already been rejected by the author of this amendment, would be able to present a program which would be much more acceptable to the author of the amendment.

Mr. ELLENDER. Mr. President, I am willing to yield back the remainder of the time under my control, if the Senator from Texas will do likewise.

Mr. TOWER. I am prepared to do the same, except that I wish to say, first, that it occurs to me that the Secretary of Agriculture might become more enlightened after making such a study, and might be able to come forward with a beneficial program.

Mr. HUMPHREY. The Secretary of Agriculture is already a very enlightened man, indeed.

Mr. ELLENDER. Mr. President, I yield back the remainder of the time under my control.

Mr. TOWER. I am ready to do the same, Mr. President.

Mr. DIRKSEN. Mr. President——

Mr. TOWER. I yield to the Senator from Illinois.

Mr. DIRKSEN. Mr. President, I say to the Senator from Minnesota that when we oppose the Department of Agriculture on a program, I believe we do so as a result of a composite of the knowledge which has been gained by various Members of the Senate on our side, living in all sections of the country; and I do not believe that can be easily fended off.

I often think of the story about a man who went to the Corcoran Art Gallery, in the city of Washington, and, while looking at a painting there, began to make a great many adverse comments.

A man came up to him, and asked, "Are you an artist?"

The man who had been making the adverse comments replied, "No."

The other man asked, "Then why do you make all these criticisms and captious remarks about that painting, if you aren't an artist?"

The man who had been making the comments looked at the other man and said, "Well, I don't know who you are."

The reply was, "I am the artist who painted that picture."

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[3] Professors Halvorson, Wisconsin, chairman; George Brandow, Pennsylvania; Willard Cochrane, Minnesota; Maurice Kelso, Arizona; James Plaxico, Oklahoma; and John Schnittker, Kansas.

The other man said, "Then let me tell you, in justification, that I ain't no chicken, but I know when an egg is rotten."

So, Mr. President, we do not have to be Secretaries of Agriculture in order to know when a program is bad. On the basis of that logic and discernment, of course we deliver our judgments accordingly.

Mr. HUMPHREY. Mr. President, the Senator's story is a better art story than an agricultural story.

Mr. ELLENDER. Mr. President, I yield back the remainder of the time under my control.

Mr. TOWER. Mr. President, I yield back the remainder of the time under my control.

The PRESIDING OFFICER (Mr. Holland in the chair). All remaining time has been yielded back.

The question is on agreeing to the amendment of the Senator from Texas to the committee amendment. On this question the yeas and nays have been ordered; and the clerk will call the roll.

The legislative clerk called the roll.

Mr. HUMPHREY. I announce that the Senator from Florida [Mr. Smathers], the Senator from Nevada [Mr. Bible], the Senator from Virginia [Mr. Byrd], the Senator from New Mexico [Mr. Chavez], the Senator from Mississippi [Mr. Eastland], the Senator from California [Mr. Engle], the Senator from Arizona [Mr. Hayden], the Senator from Pennsylvania [Mr. Clark], the Senator from Minnesota [Mr. McCarthy], the Senator from Oregon [Mrs. Neuberger], the Senator from Rhode Island [Mr. Pastore], the Senator from Virginia [Mr. Robertson], and the Senator from Georgia [Mr. Russell] are absent on official business.

I also announce that the Senator from New Mexico [Mr. Anderson], the Senator from Colorado [Mr. Carroll], the Senator from Idaho [Mr. Church], the Senator from Alaska [Mr. Gruening], the Senator from Missouri [Mr. Symington], and the Senator from Wyoming [Mr. Hickey] are necessarily absent.

I further announce that, if present and voting, the Senator from New Mexico [Mr. Anderson], the Senator from Nevada [Mr. Bible], the Senator from Colorado [Mr. Carroll], the Senator from New Mexico [Mr. Chavez], the Senator from Idaho [Mr. Church], the Senator from Pennsylvania [Mr. Clark], the Senator from Mississippi [Mr. Eastland], the Senator from California [Mr. Engle], the Senator from Alaska [Mr. Gruening], the Senator from Wyoming [Mr. Hickey], the Senator from Minnesota [Mr. McCarthy], the Senator from Arizona [Mr. Hayden], the Senator from Oregon [Mrs. Neuberger], the Senator from Rhode Island [Mr. Pastore], the Senator from Georgia [Mr. Russell], the Senator from Florida [Mr. Smathers], and the Senator from Missouri [Mr. Symington] would each vote "nay."

Mr. DIRKSEN. I announce that the Senator from Colorado [Mr. Allott], the Senators from Delaware [Mr. Boggs and Mr. Williams], the Senator from Maryland [Mr. Butler], the Senator from California [Mr. Kuchel], the Senator from Kentucky [Mr. Morton], the Senators from New Hampshire [Mr. Cotton and Mr. Murphy], and the Senator from Pennsylvania [Mr. Scott] are necessarily absent. If present and voting, the Senator from California [Mr. Kuchel] and the Senator from Pennsylvania [Mr. Scott] would each vote "nay."

On this vote the Senator from Colorado [Mr. Allott] is paired with the Senator from New Hampshire [Mr. Cotton]. If present and voting, the Senator from Colorado would vote "yea," and the Senator from New Hampshire would vote "nay."

On this vote, the Senator from Delaware [Mr. Boggs] is paired with the Senator from Kentucky [Mr. Morton]. If present and voting, the Senator from Delaware would vote "yea," and the Senator from Kentucky would vote "nay."

On this vote, the Senator from Delaware [Mr. Williams] is paired with the Senator from New Hampshire [Mr. Murphy]. If present and voting, the Senator from Delaware would vote "yea," and the Senator from New Hampshire would vote "nay."

The result was announced—yeas 17, nays 55, as follows:

[No. 212 Leg.]

YEAS—17

Beall
Bennett
Bush
Capehart
Dirksen
Dodd
Fong
Goldwater
Hruska
Jordan, Idaho
Lausche
Pearson
Saltonstall
Smith, Maine
Thurmond
Tower
Wiley

NAYS—55

Aiken
Bartlett
Bottum
Burdick
Byrd, W. Va.
Cannon
Carlson
Case
Cooper
Curtis
Douglas
Ellender
Ervin
Fulbright
Gore
Hart
Hartke
Hickenlooper
Hill
Holland
Humphrey
Jackson
Javits
Johnston
Jordan, N.C.
Keating
Kefauver
Kerr
Long, Mo.
Long, Hawaii
Long, La.
Magnuson
Mansfield
McClellan
McGee
McNamara
Metcalf
Miller
Monroney
Morse
Moss
Mundt
Muskie
Pell
Prouty
Proxmire
Randolph
Smith, Mass.
Sparkman
Stennis
Talmadge
Williams, N.J.
Yarborough
Young, N. Dak.
Young, Ohio

NOT VOTING—28

Allott
Anderson
Bible
Boggs
Butler
Byrd, Va.
Carroll
Chavez
Church
Clark
Cotton
Eastland
Engle
Gruening
Hayden
Hickey
Kuchel
McCarthy
Morton
Murphy
Neuberger
Pastore
Robertson
Russell
Scott
Smathers
Symington
Williams, Del.

So Mr. Tower's amendment to the committee amendment was rejected.

Mr. ELLENDER. Mr. President, I move to reconsider the vote by which the amendment was rejected.

Mr. HUMPHREY. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. The committee amendment is open to further amendment.

Mr. HUMPHREY. Mr. President, since a number of our colleagues are still with us this evening, I want to ask, first, unanimous consent that, at the conclusion of the morning hour tomorrow, the Senate vote on final passage of the farm bill; and if that request is granted, I will ask for the yeas and nays on passage.

Mr. YOUNG of North Dakota. Mr. President, reserving the right to object——

The PRESIDING OFFICER. The question would be first, on the third reading.

Mr. HUMPHREY. I merely wanted to make the unanimous-consent request that, after the third reading, which we hope to arrive at tonight, after the morning hour tomorrow there be a vote on passage of the farm bill.

Mr. YOUNG of North Dakota. Mr. President, reserving the right to object, how much time will there be after the morning hour for any statement a Senator may wish to make?

The PRESIDING OFFICER. The Parliamentarian advises the Chair that there would have to be a quorum call if an hour were fixed for voting on passage.

Are there further amendments to be offered?

Mr. COOPER. Mr. President, I send an amendment to the desk, which I ask to have stated.

The PRESIDING OFFICER. The amendments offered by the Senator from Kentucky to the committee amendment will be stated.

The Chief Clerk. In the committee amendment it is proposed:

On page 89, line 16, after "area" insert "and".

On page 89, beginning with line 17, strike out all down through line 22.

On page 89, line 23, strike out "(5)" and insert in lieu thereof "(4)".

On page 89, line 25, immediately after the word "claimed" insert "or for which marketing quotas have been disapproved by producers".

Page 90, line 1, strike out "(6)" and insert in lieu thereof "(5)".

Mr. COOPER. Mr. President, the amendment I offer is quite simple. The effect of the amendments would be to maintain in the 1958 act the support price, at 50 percent of parity for wheat the event that, upon a referendum, the wheat growers should reject marketing quotas.

My purpose in offering the amendments is substantially that which was described when earlier today the change in the support price for corn was adopted.

Under the 1958 act, if growers of wheat reject quotas, a 50 percent support price is still afforded growers. The purpose of providing 50 percent support, in such a case is I am sure to assure an orderly marketing of wheat, and prevent extremely low prices and chaotic economic conditions, until some other program is devised or adjustments occur.

Mr. YOUNG of North Dakota. Mr. President, will the Senator yield?

Mr. COOPER. May I complete my explanation, and then I will be glad to yield to my good friend.

Under the bill before the Senate, if growers should reject compulsory marketing quotas, the Secretary of Agriculture could fix support prices from 0 to 50 percent. This raises substantially the same question as I raised regarding the change in support prices for corn.

In the event the compulsory wheat program offered by the administration should be rejected, farmers would get only 0 to 50 percent support price for their wheat. I contend that that would create a very disorderly marketing situation and be very bad for the farmers in a period of adjustment.

I make the point that that provision would give the farmers no real choice or alternative except to accept compulsory controls for wheat.

I do not want to appear to be inconsistent. I have voted for compulsory controls, in the sense that the farmers have approved them by referendum, for tobacco, cotton, rice, peanuts, and wheat. I have not voted for compulsory controls on feed grains because feed grains and the above crops differ. The crops I have named go on the market; feed grains are inherent to the use of his farm by the farmer.

I voted for the administration's proposal on wheat in the committee and in the Senate. But, the wheat farmer should have free opportunity to decide whether he wishes to have controls or not. Under the proposal which the administration sent to Congress, which is before us, the farmer would not have a fair choice. For he has no choice except a program supported by 0 to 50 percent supports. If he does not take the administration program he will have no program.

When we voted today to give to the Secretary of Agriculture the power to fix support prices at from 0 to 90 percent of parity for corn, and then denied him the power to add to the Commodity Credit Corporation stocks, we voted out a corn program. I am more certain than when I spoke earlier.

I say we ought to give the farmer a fair deal and a choice with respect to wheat.

Mr. YOUNG of North Dakota. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Kentucky yield to the Senator from North Dakota?

Mr. COOPER. I yield.

Mr. YOUNG of North Dakota. Under the amendment, if the farmers voted "no" in a referendum would they get 50 percent of parity price supports?

Mr. COOPER. The law today provides 50 percent for wheat, nothing for tobacco, 50 percent for peanuts, 50 percent for rice, and 50 percent for cotton.

Mr. YOUNG of North Dakota. For the RECORD, What would the amendment the Senator has offered provide?

Mr. COOPER. It would maintain 50 percent of parity price supports for wheat, as is provided today, if farmers reject compulsory controls.

Mr. YOUNG of North Dakota. Under the present law the farmer would have to abide by acreage allotments to get 50-percent supports. Does the Senator's amendment so provide?

Mr. COOPER. Yes; it would retain the present law.

Mr. ELLENDER. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Kentucky yield to the Senator from Louisiana?

Mr. COOPER. I yield.

Mr. ELLENDER. As I understand the amendment, 50 percent of parity would be paid to those who would comply with their allotments?

Mr. COOPER. Yes.

Mr. ELLENDER. Mr. President, I shall be glad to take the amendment to conference.

The PRESIDING OFFICER. The question is on agreeing to the amendments to the committee amendment offered by the Senator from Kentucky.

The amendments to the committee amendment were agreed to.

Mr. PROXMIRE. Mr. President, I call up my amendment identified as "8–17–62—J."

The PRESIDING OFFICER. The amendment will be stated for the information of the Senate.

The CHIEF CLERK. On page 94, between lines 17 and 18, it is proposed to insert the following new section:

> SEC. 405. Section 407 of the Agricultural Act of 1949, as amended, is amended by adding at the end thereof a new sentence as follows: "Notwithstanding the foregoing, whenever the Secretary determines it necessary in order to assure the Nation an adequate supply of milk free of contamination by radioactive fallout, he may make feed owned or controlled by the Commodity Credit Corporation available to producers of milk in any area or areas of the United States at such prices and on such terms and conditions as he deems appropriate in the public interest."

Mr. PROXMIRE. Mr. President, I wish to add the name of the Senator from Minnesota [Mr. HUMPHREY] as a cosponsor of the amendment.

GOVERNMENT SHOULD PAY COST OF USING STORED FEED TO PROTECT AGAINST FALLOUT

Mr. President, I have offered an amendment which would authorize the Secretary of Agriculture to absorb at least part of the extra cost of protecting milk against contamination by radioactive fallout, where this is a problem. I strongly hope that my amendment, which would extend the present livestock feed program for disaster areas to areas where pasture is contaminated by fallout, will be accepted and will be made part of the pending bill.

I recognize that hearings have not been conducted on this subject. However, it is of such urgency that I believe in this case we must act at once. Starting August 23—this Thursday—cows producing milk for sale in fluid markets in Minnesota will be fed stored feed. By this technique any risk of milk being contaminated by fallout is eliminated. The radioactive iodine 131, which is the source of the high radiation levels in Minnesota and elsewhere, has a relatively short half-life—so taking cows off pasture and putting them on feed that has been stored 30 days or more is an effective and feasible countermeasure.

But it is absolutely clear to this Senator that the extra cost of this countermeasure should not be borne by the individual farmers involved, or by the consumers of milk in the areas where iodine 131 contamination is or becomes a problem. By the simple step of extending the livestock feed program to cover the "disaster" of pastures contaminated by fallout, it will be possible for this cost to be fairly shared.

What is more, I can think of no better use for the Government-owned stocks of feed grains, which critics of farm programs consider so excessive. As a matter of fact, feed grain stocks are now down to a little more than a 5 months' supply. Already one entire State is going to divert cows from pasture to stored feed. In the light of the large expenditures that have been made for civil defense in recent years, this investment in a safe, protected, fallout-free food supply is wise and prudent.

My amendment extends an already functioning program in a simple and logical way. No new administrative setup would have to be established. The same staff employees who now operate the livestock feed program for disaster areas could run the extended program too. Because the impact of fallout contamination is not fully known as yet, my amendment also would give the Secretary discretion to set the terms and conditions under which stored CCC feed could be made available.

Mr. President, I ask unanimous consent that an article from the New York Times of August 19 discussing the diversion of milk cows from pasture to stored feed in Minnesota be printed at this point in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

MILK PLAN FIGHTS IODINE 131 DANGER—MINNESOTA WILL PAY FARMERS TO GIVE COWS AGED FEED

MINNEAPOLIS, August 18.—In a program aimed at reducing possible danger of iodine 131 concentration in milk, Minnesota's milk producers will be paid a premium for milk from herds fed on aged feed.

The voluntary program is scheduled to start next week with participation of most grade A milk producers and processors in the State. It will pay the farmers a bonus of 45 cents a hundredweight for class 1 milk (fluid milk) from cows that have been taken out of pasture. The feed given these cows must have been stored under shelter at least 21 days. During such a period, iodine 131 loses most of its radioactivity.

State agriculture officials emphasized that concentrations of iodine 131 were not at a dangerous level in Minnesota. The new program is aimed at avoiding any danger by making possible the collection of "clean" milk that could, if necessary, be blended with other milk to reduce its iodine level.

Farmers, told of the program at local meeting, have generally been receptive. The duration of the program is uncertain, but it could continue until late fall, when farmers normally move their herds from pasture to winter quarters.

MAY BRING PRICE RISE

The program may result in an increase of 1 cent a quart in the retail price of milk.

One of the largest participants will be the Twin City Milk Producers Association, whose 2,600 farmer producers provide most of the fluid milk for the Minneapolis-St. Paul area.

Walter Larson, association president, said in a letter to farmer members that "the cumulative total of iodine 131 in our milk supply is increasing at a slow rate."

But, he said, as a result of Russian nuclear testing it "will probably increase faster and reach objectionable levels unless corrective measures are taken."

Mr. Larson's letter added:

"Every producer who can should promptly convert to aged feeding to preserve and protect his fluid market. If sufficient number of producers sign affidavits to voluntarily take the corrective action of aged feeding, iodine 131 counts can be lowered so it may not be necessary for regulatory groups to take more drastic action or to make public announcements of the situation."

Milk Diverted in Utah

Earlier this month milk producers in northeastern Utah were ordered to divert milk from certain areas there from Salt Lake City because of a sharp rise in the content of radioactive iodine 131.

Dr. G. D. Carlyle Thompson, State health director, attributed the rise to atomic test explosions in Nevada. On July 6, he noted, the level of iodine 131 in the areas was not detectable, but it jumped to 1,660 micromicrocuries a liter of milk on July 20. It dropped to 450 for a few days and then rose to 2,050 on July 25, he noted.

A curie is the amount of radiation given off by one gram of radium. A micromicrocurie is a millionth part of a millionth of a curie. A liter is slightly more than a liquid quart. The recommended limit of radiation for a human being is 36,000 micromicrocuries a year.

Mr. PROXMIRE. Mr. President, just this afternoon Mr. Tom Pattison, the Farmers Home Administration director for Wisconsin, arrived in my office bearing a memorandum and statement from our Wisconsin State Disaster Committee recommending that the livestock feed program be extended to cover contamination of pasture by radioactive fallout.

Tom Pattison is himself a dairy farmer. He has himself had to sign a producer's warranty stating that his own cows will be fed only stored feed beginning this Thursday, August 23. He thus knows from personal experience, as well as from his position as State FHA director, what is involved in providing protection from fallout contamination for milk. He has told me that unless a Federal program such as I have proposed is immediately authorized individual dairy farmers will suffer serious financial injury. Even if the price of milk to concumers in affected areas is raised a penny a quart, as is proposed in Minneapolis-St. Paul, the financial increment to dairy farmers will not be sufficient to cover the added costs. What is more, I deplore this method of paying the costs. Individual consumers should not have to pay the price of nuclear tests than should individual farmers. This is a national problem and it needs to be solved on a national level.

I ask unanimous consent that the memorandum, statement, warranty, and other information provided by Mr. Pattison be printed at this point in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

AUGUST 17, 1962.

To: Wisconsin State Disaster Committee.

From: Douglas County Disaster Committee.

Subject: Request for extension livestock feed program.

We, hereby, request extension of the livestock feed program to December 15, 1962, at 75 percent of price support due to fallout.

Please advise.

ROBERT L. FARICY, *Chairman.*

Minutes of the Douglas County Disaster Committee

DOUGLAS, WIS.

The committee met on Friday, August 17, 1962, at 1:30 p.m. in the ASCS county office.

Present: Robert L. Faricy, chairman; Raymond E. Polzin, county agent; Virginia E. Gunn, secretary.

The chairman called the meeting together for the purpose of discussing continuing the livestock feed program for next year. The third member, William Bernard O'Sullivan (FHA) could not be present but was in favor of the extension.

An aged feeding program is scheduled for this area (including Douglas County) to offset the possibility of radioactive substance (iodine 131) which can be accumulated in the milk.

To assure the public of good wholesome milk, the aged feeding program will begin September 1, 1962, and be carried on for at least 6 weeks. This program requires considerably more grain than would normally be fed to replace the second crop pasture that we normally have available here during this period.

It was unanimously agreed to request the State disaster committee to extend the livestock feed program to December 15, 1962, at 75 percent of price support.

Respectfully submitted.

VIRGINIA E. GUNN,
Secretary.

COOPERATIVE EXTENSION WORK IN AGRICULTURE AND HOME ECONOMICS, STATE OF WISCONSIN,
Superior, Wis., August 16, 1962.

DICK SCHUSTER.
EVERT WALLENFELDT.
VIC BUREALOW.
WALLACE MEHLBERG.

DEAR FRIENDS: Enclosed are some materials being used in explaining the iodine 131 situation to producers in this milk shed. We are now holding producer meetings to sign up for stored feeding. While many objections are voiced it appears that we have no choice but to comply. A premium of 20 cents per hundred will be paid for all who comply.

Wisconsin agents are a little uncertain about where we stand in this, but it looks like we have no choice but to cooperate with the dairy industry and try to prevent a consumer panic.

The question of Federal assistance keeps coming up. I'm sure there will be a request to reinstitute the livestock feed program. It will be a couple of weeks yet before our oats is harvested and then it can not be fed for 21 days. It seems like the Defense Department rather than USDA should be responsible for the cost of this program.

Sincerely,

RAYMOND E. POLSIN,
Douglas County Agent.

Producer's Guarantee Warranty

The undersigned, who is a grade A patron(s) delivering milk to Twin Ports Cooperative Dairy Association for his account, does hereby make the following warranty and guarantee:

1. That all grade A milk delivered for his account on and after August 31, 1962, will be from cows which have been fed entirely on aged feed. (Aged feed shall be feed which has been harvested, collected, and bunched into stacks or stored under shelter for at least 21 days.)

2. That he will continue shipping milk from cows fed aged feed until he is notified in writing that this guarantee warranty is terminated or until he has given Twin Ports Cooperative Dairy Association written notice 5 days in advance of the date he will discontinue this guarantee warranty.

3. That this guarantee warranty is made with the understanding that any premiums collected in the sale of milk from cows fed aged feed or any other additional moneys collected by Twin Ports Cooperative Dairy Association specifically for this program will be distributed each month to all patrons who signed similar guarantee warranties and are delivering milk from cows fed aged feed, in addition to the regular price paid for grade A milk that month.

4. That, if he feeds his cows producing milk any feed other than aged feed during the period this guarantee warranty is in effect without giving notice as specified in paragraph 2 above, he will forfeit all right to any additional payments that month and agrees that in satisfaction of damages for breach of obligation his total milk deliveries for that month shall be paid for at the manufacturing grade II price.

5. During a period of alertness requiring aged feeding, cows shall be confined in an area that prevents miscellaneous grazing or eating unaged feed.

The undersigned hereby acknowledges reading and agreeing to the terms of this guarantee warranty.

Date signed ————.

———— ————,
(Producer's Signature).

———— ————,
(Producer's Signature).

An Aged Feeding Program To Reduce Iodine 131 Levels for Fluid Milk Consumption

STATE OF MINNESOTA,
July 30, 1962.

1. All milking animals must be removed from pasture and confined in a yard where no grazing is available. Fencing should be adequate to prevent accidental access to fresh pasture.

2. Grain and roughage fed to cattle must have been harvested and stacked, preferably under cover, for at least 21 days, as iodine 131 has a half-life of 8 days and it will be at a very low level after this period.

3. Cattle must not be fed field chopped hay or any other crop unless it has been held for at least 21 days.

4. If silage or haylage is to be fed it must have been in the silo for at least 21 days, therefore, two silos may be necessary if they are being filled and fed from at the same time or some other means devised to insure adequate storage time in the silo prior to feeding.

5. If canning plant refuse is being fed, care must be exercised to see that it has been harvested at least 21 days prior to feeding.

6. Freshening cows should be fed aged feed for at least 10 days prior to adding their milk to a bulk supply that is under an emergency aged feeding program.

FALLOUT AND THE MILK PRODUCER

You have all read or heard a great deal about fallout during the past months and have, no doubt, been confused and concerned about the effect it has on you, the milk producer. I will make an attempt this evening to give you a brief outline of the available information on the subject. I would like to emphasize that this presentation is not made to alarm you, but, on the contrary, is presented to provide you with an understanding of the problem before it becomes too critical and causes hasty action in a moment of panic. We are all subject to serious doubts about the unknown so I will try to anticipate your questions and provide answers. If you still have unanswered questions, ample time will be provided at the end of the presentation for individual questions. There is a lot still unknown about this subject and we certainly do not have all the answers, but will attempt to pass on to you what current knowledge we have.

WHAT IS FALLOUT?

This is a word used to cover the wide range of radioactive material that settles out of the air following the testing of atomic bombs or other thermonuclear devices. The word is a general one and covers strontium, cesium, iodine, or any other material which is radioactive. There is a very important distinction between fallout from testing and that likely to be encountered in case of a nuclear war. The amounts of fallout from testing which are presently being discussed are very small, in contrast to heavy loads of fallout that might occur as a result of a release of an atomic bomb during wartime.

WHERE DOES IT COME FROM?

The entire world is constantly being covered by natural radiation from the sun, rocks, etc., but fallout, as discussed in the news media these days, is entirely manmade and results from the explosion of weapons or other devices. When a bomb is exploded the fallout material is released into the upper atmosphere and is moved around the world by winds at very high speeds. The radioactive material gradually settles out to the earth by means of rains, snow, settling dust, etc. You can see that explosions released anywhere in the world can cause fallout anywhere, depending to a large extent on weather conditions, and can continue for many years in the future. Because of these facts, we must remember we can be subject to fallout from tests made anywhere in the world and so have little control over the amount or extent of the fallout, even if we were to discontinue our own series of tests.

WHAT DOES FALLOUT MEAN TO THE MILK PRODUCER?

As you know, much of the publicity on fallout has, unfortunately, left the impression that milk contains more fallout than other forms of food. It should be understood that some of the reasons for testing milk are that it is universally produced every day, is used by a wide segment of the population, and is a convenient medium for testing. As much of the early testing was largely confined to milk, reports were usually in terms of the amount of fallout present in milk and the consuming public soon associated fallout with milk and, in some instances, may have been influenced to curtail their milk consumption. This trend is very important to the producers, as a reduction in consumption inevitably leads to lower prices to producers. If the trend continues and nothing is done, possible loss of markets for milk will be the result.

IS FALLOUT A PROBLEM FOR MILK ALONE?

In most cases the problem of fallout is just as serious for other foods as it is for milk, but, for the reasons indicated, milk has been the culprit in the minds of many people. We in the dairy industry should not try to get off the hook by implicating other foods, but we should have an understanding of the problem so we can defend our own product. Fallout such as strontium 90 falls to the ground and contaminates all material. It can be absorbed by growing plants and vegetables and be consumed in that manner or it can be eaten by the cow and transferred to milk and then consumed. Fallout such as iodine 131 falls to the ground and contaminates all material, is eaten by the cow and transferred to the milk. However, there are two reasons why iodine 131 presents a special problem for the fluid milk industry.

1. Milk makes up the major portion of the diet of infants, which are the most susceptible age group, and any iodine 131 in the diet of pregnant women or nursing mothers can also cause problems for the very young child.

2. Iodine 131 is present on the aboveground portion of any plants or vegetables, but, as there is usually considerable delay between harvest and consumption, the natural decay of radioactive iodine has greatly reduced the level.

It is because of these two facts that iodine 131 presents a more serious problem in milk than in other foods.

WHAT IS THE CURRENT FALLOUT PROBLEM?

Many of you are, no doubt, puzzled by the shift of emphasis from strontium 90 to iodine 131. This is not entirely a change because of the change in levels, but rather is brought about by a better understanding of the problem. Strontium levels have never been extremely high and are currently at levels that cause very little concern. Iodine 131 is much better understood now and is causing concern. I will try to briefly explain some facts about this problem. Radioactive iodine is a very short lived material. The total amount is reduced by half about every 8 days, so that after about 30 days following the test, there is very little radioactive material left.

Because the cow rapidly converts grass to milk and milk is consumed very soon after production, the material is transferred to the consumer before it has had time to decay. Whereas, in the case of meat, vegetables, grain, etc., this time before consumption is much longer. While iodine 131, as fallout, presents a problem that is essentially one for the milk industry, it also brings with it an encouraging fact that it makes it possible, because of its very short life, for the milk producer to make some contribution toward control in dairy products.

WHY IS IODINE 131 A PARTICULARLY SERIOUS PROBLEM?

Iodine is absorbed by the thyroid gland of humans and there is concern that excess levels of iodine 131 can cause damage to the very young thyroid gland. This means that it is important to young children and, when you consider the bulk of their diet comes from milk, there is good reason to be concerned. As a general rule, the only segment of the population that needs to be concerned are children under 1 year of age, pregnant women, and nursing mothers, as the thyroid gland of people over 1 year of age is less sensitive to damage. While this segment of the population makes up less than 5 percent of the total, we must remember that all people are not going to consider the facts: It is only natural for the mother to feel that milk unsuitable for her 1-year-old is also unsuitable for her other children so it would seem necessary to have a total milk supply that is relatively free of iodine 131 in order to make a major contribution to the reduction of fear from this source and protect your fluid milk market.

WHAT ARE SOME POSSIBLE CONTROL MEASURES?

Since the middle of June, your staff has had many meetings with other producer groups, milk dealers, local and State regulatory people, and the U.S. Public Health Service and others in Washington, to discuss and evaluate all possible control measures. There are several methods available, none of which are completely satisfactory and some of which would be extremely unsatisfactory.

1. Suspension of bomb testing or a change in time of testing. This is, of course, a political issue and involves national security and is beyond the control of the dairy industry. The timing of testing could be controlled in this country so that if it took place in the winter iodine 131 would have all disappeared before it could get onto pastures; however, we have no control over the testing by other nations so this method would seem to be of little value in our current or future problems.

2. Aging of milk prior to sale or consumption is another possible way of control, as this would provide time for the decay of iodine 131 before it was consumed. If milk could be held for 8 days after production, the radioactive level would be reduced by half. Think of your own situation. Could you store milk so you would always have 8-day-old milk to drink? It would be very difficult. The problem would be even more difficult for a dairy, as necessary storage capacity would be tremendous. As there are serious objections to the production of a special milk for this susceptible group of individuals, it would seem impractical to rely on this method.

3. It has been suggested it would be possible to bring in supplies to a contaminated area from one with lower levels of contamination. The methods of daily evaluation to determine if the supply is safe are not available. An area that is clear today may be contaminated tomorrow, so problems of supply management would make this method very impractical and offer very little positive control. This is not just a problem and could occur anywhere in the Nation at any time.

4. Use of evaporated milk, sterile milk, or reconstituted dry milk has been most often mentioned, as this milk has been stored for a long period of time and the presence of iodine 131 would have dissipated during this period. This is the procedure being followed and advocated by those groups who are panicking and not studying the facts. Such a change in the wholesale milk consumption of our Nation would wreck the fluid milk market and would eventually be disastrous to the industry and the nutritional health of the consumer.

5. Controlled feeding of milking animals to insure that they do not eat contaminated feed seems to offer the best solution. Other markets throughout the Nation have also arrived at this same conclusion. We are well aware that this addition to our milk supply is through no fault of the producer and to place the burden on him at first seems unfair. Testing of bombs is being done for the general national security and, of course, when changes are made, some people suffer—often unfairly. As an example, when tractors took over on farms, the horse breeders and the harnessmakers suffered, but no one seriously suggested that we not use tractors. However, in this situation, it is reasonable to assume that the consumer will be asked to share some of the additional costs, but it is up to the producer to do everything possible to protect his market as the first requirement in this step that is so vital.

HOW DOES CONTROLLED FEEDING HELP?

Remember two facts previously presented: (1) Fallout settles on the forage, is consumed by the cow, and passes into the milk; (2) iodine 131 dissipates in about 30 days. If an emergency situation should develop, it would be possible to substantially reduce iodine 131 in our milk by removing cows from fresh forage and feeding them grain and roughage that has been harvested and stored in piles or under cover for at least 3 weeks. This would be feed on which iodine 131 present would have already decayed, so very little would be able to pass through the animal into the milk supply.

OUTLINE OF PROCEDURE

After discussion with many groups of producers, regulatory officials, and others, the following procedure has been suggested for a uniform, statewide program to insure a milk supply with a low level of iodine 131 if and when an alert situation should develop. Such a program will enable producers for the first time to have a concrete answer to adverse publicity. Scare tactics can be answered with the information that producers are prepared to provide a wholesome milk supply if an emergency arises.

1. When the U.S. Public Health Service or authorized agency announces that this area is in the danger zone and emergency measures are needed, producers should be ready to implement the plan of aged feeding rapidly. Some advance warning should be possible—this might be only 4 or 5 days.

2. We will immediately mail affidavits to all grade A producers and advise them of the estimated premium they would receive for milk from aged feed. Each producer would have the opportunity to sign that he would produce all his milk from aged feed within 5 days from the date of the affidavit. Affidavits are to be returned within 5 days.

3. The producer organization would immediately evaluate the number of returned affidavits to estimate the percent of compliance and the approximate effect this effect would have on the radioactive iodine level.

4. Public Health Service would continue to advise the producer groups of testing results and notify them when they felt the alert period had expired.

5. The percent of affidavits returned would furnish a guide or information which might be helpful in determining whether or not it might become necessary to either establish a higher premium or segregate milk at pickup.

6. Health department personnel, fieldmen, and others would be expected to report any violations, and so forth.

I have attempted to give you a brief outline of the problem the industry faces and a possible solution. We would like to emphasize that there is no need to panic. We are constantly being advised by our State board of health and the U.S. Public Health Service of the situation and we will be alerted in time to implement the plan. We feel it is important that you all know the situation and are familiar with the subject. It is much easier to do this at a time when we are not under pressure than it would be in a time of emergency. I am sure there are many questions left unanswered so let's have plenty of discussion so we can all become familiar with the problem that could adversely affect our business, if not properly controlled.

Mr. ELLENDER. Mr. President, this amendment would authorize the Secretary to make feed owned by CCC available to producers of milk when necessary to assure a supply of milk free of radioactive fallout contamination. Feed might be made available at such prices and on such terms and conditions as determined appropriate in the public interest.

This amendment would permit supplementing supplies of stored feed available commercially when countermeasures against radioactive fallout require taking cattle off of pasture and other contaminated fresh feed.

At present there is no apparent shortage of stored feeds. Hay supplies in areas most likely to be affected by fallout are above normal and high levels of grain and concentrate feed are, or will shortly be, in effect for the winter months in these areas. The Department is studying the situation and will make such recommendation, as early as possible, as it feels is required under the circumstances.

Mr. President, I have discussed the amendment with my good friend from Wisconsin. I am willing to take it to conference.

The PRESIDING OFFICER. The question is on agreeing to the amendment to the committee amendment offered by the Senator from Wisconsin, for himself and the Senator from Minnesota.

The amendment to the committee amendment was agreed to.

Mr. HUMPHREY. Mr. President, on behalf of my colleague [Mr. McCarthy], who is unavoidably absent because of an operation on his young daughter, and for myself I call up the amendment identified as "8–16–62—A."

The PRESIDING OFFICER. The amendment will be stated for the information of the Senate.

The Chief Clerk. On page 91, between lines 7 and 8, it is proposed to insert the following:

SUBTITLE C—DAIRY

Sec. 326. The current rate of production and marketing of milk in the continental United States, excluding Alaska, is such as will result in excessive and burdensome supplies of milk and other dairy products during the period ending March 31, 1964.

In order to afford producers the opportunity and the means by which they can on a compensated basis voluntarily adjust their marketings of milk during the period ending March 31, 1964, more nearly to equal demand and thus reduce Government purchases under its price support program, the Secretary of Agriculture is hereby authorized, through the Commodity Credit Corporation, to carry out for the period ending March 31, 1964, an emergency dairy surplus reduction payments program as set forth in the following sections of this subtitle.

Sec. 327. The Commodity Credit Corporation is hereby authorized to make surplus reduction payments to producers in continental United States, excluding Alaska, who agree to reduce, during any one or more quarterly marketing periods, starting on or after October 1, 1962, and ending March 31, 1964, their marketings to a level not (i) less than 10 per centum or (ii) more than the larger of 25 per centum or fifteen thousand pounds of milk below their normal marketing levels established pursuant to section 328 of this Act of each such quarterly marketing period. Such payments shall not exceed (i) $2.50 per hundredweight of milk, basis 3.82 per centum butterfat content, (ii) such rates as the Secretary determines will effectuate voluntary reduction in marketings by producers, or (iii) the cost of acquiring such milk in the form of dairy products had such milk been marketed. A producer who fails to reduce his marketings to the extent required by his agreement shall be eligible to the surplus reduction payment on the quantity by which he actually reduced his marketings below his normal marketing level, provided he reduces by as much as 10 per centum of his normal marketing level, but the amount of such payment shall be reduced by an amount equal to 20 per centum of what would have been the payment on the quantity of milk which he failed to reduce. Agreements entered into hereunder may contain such terms and conditions as the Secretary determines necessary to effectuate the purposes of the emergency dairy surplus reduction payments program and to assure that a producer's reduction in marketings is not offset through a transfer of his milk cows to another producer for the production and marketing of milk.

Sec. 328. The Secretary shall establish a normal marketing level for each producer in the continental United States, excluding Alaska, who desires to enter into an agreement with Commodity Credit Corporation pursuant to section 327 of this Act. Such normal marketing level shall be the number of pounds of milk, or the number of pounds of milkfat, or such units of dairy products as the Secretary may deem appropriate for the administration of this subtitle which is the lower of (i) the producer's marketings during the marketing year ending March 31, 1962, or (ii) the Secretary's estimate of what would be marketed in a marketing year by the producer based on the rate of his marketings when he enters into the agreement with Commodity Credit Corporation, adjusted for seasonal variation. In establishing a normal marketing level, the Secretary shall make such adjustments in the producer's 1961–62 marketings as he deems necessary for flood, drought, disease of herd, personal health, or other abnormal conditions affecting production or marketing, including the fact that the producer may have commenced production and marketing after April 1, 1961. A producer's normal marketing level for the marketing year shall be apportioned by the Secretary among quarterly marketing periods thereof in accordance with the producer's prior marketing pattern, subject to such adjustments as the Secretary determines necessary to enable the producer to carry out his herd management plans for the marketing year. The quantity thus apportioned to a quarterly marketing period shall be the producer's normal marketing level for such period.

Sec. 329. The Secretary shall prescribe such conversion factors as he deems necessary for use in determining the quantity of milk marketed by producers who market their milk in the form of farm-separated cream, butterfat, and other dairy products.

Sec. 330. The quantity of milk reduced by a producer pursuant to his agreement under this Act shall be considered as having been produced and marketed by him for the purpose of determining his production or marketing history under any farm program in which such history may become a factor. A producer who moves from one area to another and there engages in the production and marketing of milk may take with him all or any portion of his normal marketing level.

Sec. 331. The Commodity Credit Corporation may make supplemental payments to producers of milk for maufacturing who enter into agreements under section 327, which shall be in addition to the surplus reduction payments made to such producers. The amount of such a supplemental payment to be made with respect to the quantity of milk marketed by a producer may not exceed the difference between the United States average price at wholesale of milk for manufacturing and 90 per centum of the parity price for that quantity of such milk.

Sec. 332. (a) The Secretary shall prescribe such regulations as are necessary for the enforcement and the effective administration of this subtitle.

(b) Costs incurred in the carrying out of the provisions of this subtitle shall be borne by the Commodity Credit Corporation and shall be considered as nonadministrative expenses of the Corporation.

Sec. 333. Whenever normal marketing levels are established under this subtitle, notwithstanding any provision of the Agricultural Marketing Agreement Act of 1937 (7 U.S.C. 601 et seq.), any order issued under section 8c thereof shall in addition to the provisions in section 8c (5) and (7) contain provisions for an adjustment in the uniform price for producers receiving surplus reduction payments for marketings below their normal marketing level. Under such provisions the total payments to such producers under an order shall be equal to (1) the uniform price multiplied by their normal marketing level minus (2) the lowest class price under the order multiplied by the amount by which such producers have reduced marketings below their normal marketing level. In the computation of the uniform price there shall be included, at the lowest class price, the volume of milk upon which producers will be entitled to surplus reduction payments. For the purposes of this section a producer's normal marketing level shall be apportioned on a monthly basis. In the case of a producer, part of whose normal marketing level is based on marketings which were not subject to regulation under the order during the representative period, the Secretary shall apportion such producer's normal marketing level in accordance with his deliveries of milk in such representative period and the reduction in deliveries from the amount apportioned to the marketing area shall be considered in the calculation of the uniform price and payment under such order. The incorporation of provisions in an order hereunder shall be subject to the same procedural requirements of the Act as other provisions under section 8c.

Sec. 334. No person engaged in the purchase or handling of milk, milk fat, or dairy products shall discriminate against any producer who enters into an agreement with the Commodity Credit Corporation pursuant to this Act. The Commodity Credit Corporation shall not purchase dairy products from any person whom the Secretary determines practices such discrimination. The several district courts of the United States shall have original jurisdiction to hear and determine controversies arising under this section, without regard to the amount in controversy, and to enjoin and restrain any person or persons from discriminating or conspiring to discriminate against any producer in violation of this section.

Sec. 335. (a) Notwithstanding section 201 (c) of the Agricultural Act of 1949, as amended, the Secretary may, in carrying out the emergency dairy program authorized in this subtitle, establish price supports for milk and butterfat at such level between 70 and 75 per centum of the parity price therefor as he deems appropriate.

(b) The authority granted by the provisions of subsection (a) of this section shall become effective on April 1, 1963.

Mr. HUMPHREY. Mr. President, my colleague, the Senator from Minnesota [Mr. McCarthy], is the main sponsor of the amendment, and I am a cosponsor.

Mr. President, this amendment would add a dairy program to the Senate bill. It is an emergency measure and it would be in force for 18 months, starting October 1.

I believe Senate approval of a dairy program this year is of utmost importance to the welfare of the dairy farmers of the Nation, as well as a responsible action to reduce the excessive Government-held surpluses of dairy products and the extremely high Government costs under the existing program.

I do not believe anyone disputes the seriousness of the dairy situation. Dairy farmers are greatly concerned and representatives of the major dairy producer groups are apprehensive. I regret these representatives have not been able to agree on recommendations for a program but at the same time I do not believe the Congress is relieved of the responsibility to act on an emergency program because producer groups are unable to agree. We have an opportunity at this time to take a constructive step to reduce Government costs, to improve dairy income, and to prevent accumulation of Government-held surpluses.

A well-balanced dairy industry is of direct value to everyone in the Nation. Milk is used in every home and it is of particular importance for the health of children. Milk is produced in every State of the Nation.

Yet the distress of this industry is reaching emergency proportions. In his letter of last week to the Senator from Louisiana [Mr. Ellender], Secretary Freeman stated:

> The dairy price support program is now reaching an extremely critical situation.

The Secretary was specific about the need for action. He wrote in the same letter:

> In my opinion there is an urgent and immediate need for legislative action in order to prevent a debacle with the most serious consequences for dairy farmers, consumers, and taxpayers.

The fact is that the existing dairy legislation, regardless of its merits in the past, is not accomplishing its purpose under present law, milk and dairy products are supported at a minimum of 75 percent of parity, and the Commodity Credit Corporation is obligated to make purchases necessary to maintain that level. Yet dairy income will be down from $250 million to $300 million this year—reflecting the obligatory cut in price supports of last April 1 from 82 to 75 percent of parity. Yet the net cost of the dairy price support operation for the last marketing year totaled $597 million, and the Department has estimated that the cost for this year will be $550 million. The Commodity Credit Corporation is purchasing dairy products for price support purposes at the equivalent of an annual rate of 10.5 billion pounds of the annual marketings of 119.3 billion pounds—which means the equivalent of about 10 percent of the marketings of milk.

The cost of the dairy program has reached an alltime high. Secretary Freeman stated in his letter of August 15 to the Senator from Louisiana [Mr. Ellender]:

> These Government expenditures amount to 50 cents for each 100 pounds of milk marketed by U.S. dairy farmers during 1961–62. * * * The cost of price support operations for the amount of milk produced during the year by an average dairy cow comes to $36; the cost for a herd of 30 average milk cows for the year was $1,080.

It is expected that the CCC will have to acquire 400 million pounds of butter, 250 million pounds of cheese, and 1.2 billion pounds of dried milk this year.

The storage of butter has already nearly reached capacity, and Secretary Freeman states:

> Because space is not available locally, we are already required to ship butter from Minneapolis to the South for storage, necessitating extra transportation costs of 1 to 4 cents per pound before its ultimate disposition will be possible. * * * We are face to face with the prospect within a few months of having no place to put butter acquired through price-support purchases.

The dairy farmers of the Nation have been severely criticized for not cutting down on production and for not initiating a self-help program. But in the practical operations of the farm market, can we censure the individual farmer for the fact of excess production? Can we with justice chastise and threaten him because of surpluses? The last census showed that there were more than 800,000 farms in the Nation that reported sales of whole milk, and more than 250,000 farms reported sales of cream. If the individual farmer determines to cut back 10 percent of his marketings, does he have any guarantee that total production will drop? Does he have any guarantee that his neighbors will likewise reduce their production? From his viewpoint, the only certain thing is that his income will drop.

As Secretary Freeman stated:

> Individual dairy farmers are continuing to improve their efficiency and increase production at a rapid rate. At present milk prices, this is the only means the individual dairy farmer has of maintaining his gross income in the face of continually increasing production costs.

I do not believe we should be too hard on the individual dairy farmer for failing to reduce production. I think we must admit present law does not really contain any procedure by which dairy farmers can carry out an effective reduction program. My discussions with dairy farmers and dairy industry leaders indicate that, on the whole, they would welcome a procedure by which they could make adjustments, but they are fearful of any change in the present law unless the method of adjustment provides safeguards to maintain their already low income.

Our amendment provides a procedure for a fair and reasonable adjustment. It is a voluntary program. It does not impose any mandatory quotas and it does not require a referendum. It is not offered as a final or permanent solution, but as an emergency measure to be effective over the next year and a half. It is designed to increase the net income of the average cooperator and to cut down on Government costs and Government-held surpluses. It would provide valuable experience and a basis for effective permanent legislation.

The bill approved by the House of Representatives, H.R. 12391, contains a dairy program to encourage milk producers to make voluntary reductions in their marketings. Under the House bill producers would be paid up to $2.50 per hundred for reduction of from 10 to 25 percent of their average marketing for 1961.

The House program is a minimum approach, but it does not offer much prospect of reducing the surplus to a significant degree or of improving the income of dairy farmers.

Our amendment generally incorporates the House provisions. It would provide for surplus reduction payments to producers of up to $2.50 per hundred on the quantity by which they reduce their production. It also would permit producers in Federal order markets to make adjustments in their marketings at the surplus price rather than at the blend price and thus would safeguard their share of the class I market.

The important addition of our amendment is the provision to permit the Secretary of Agriculture to make supplemental payments to cooperating producers of milk in addition to the surplus reduction payments. The amount of the supplemental payment would be set by the Secretary at a rate not to exceed the difference between the U.S. average price at wholesale of milk for manufacturing purposes and 90 percent of parity for that quantity.

The Secretary would also be permitted to set the general minimum support price at between 70 and 75 percent of parity, but this authority would not be effective until after the end of the current marketing year, March 31, 1963. This authority would not replace the existing law but simply would provide for a temporary exception when the emergency program is in operation.

Our amendment is based upon the same procedure employed in the emergency feed grain program of the past 2 years. The surplus reduction payments of milk are to be the equivalent to the payments on acreage diverted from feed grain production. The supplemental payments on the milk marketed by those choosing to enter the reduction program are to be equivalent to the difference between the support price offered feed grain producers and the market level at which those who do not enter the program sell their feed grains.

In the dairy program it is not possible to maintain different prices in precisely the same manner as in the feed grain program because the loans or purchases used in the feed grain program cannot be extended to individual producers on their milk. The effect of the supplemental payments, however, is the same: the supplemental payments made to cooperating milk producers would reflect the difference between the market price and the support level set by the Secretary—up to 90 percent of parity—for those cooperating in the program.

It is estimated the program provided by our amendment would accomplish a fairly substantial reduction in dairy price support expenditures by the Government. The savings over the existing program would be achieved because it is cheaper to make a surplus reduction payment of $2.50 or less to the producer for not producing a hundred pounds of milk than for the CCC to pay over $4 for the milk after it is produced and processed. The economy of this procedure is estimated to be great enough to permit making the supplemental payments to cooperating producers and still realize a savings in total costs over the existing program.

The individual producers who choose to enter the program would benefit from the payments and they would receive an effective higher support level and higher income than they are receiving under the present program. Producers who do not wish to participate would be free to produce as they desire at the market price.

The House bill recognizes the problem. It does not have the potential for securing a substantial participation by dairy farmers. It is clear the temporary feed grain program would not have been as effective if payments had been made to farmers only for diverted acres. The feed grain program provides also for a higher support price on the amount the cooperator markets. The same procedure is needed for an effective dairy program. The amendment which I am offering for myself and my colleague, the Senator from Minnesota [Mr. McCarthy], would give the Secretary of Agriculture authority, to be used at his discretion, to improve the income of dairy farmers and to meet the problem of dairy surpluses and costs over the next 18 months.

In summary, the amendment would provide:

First. A voluntary, emergency program; no mandatory quotas and no producer referendum.

Second. Effective for 18 months, October 1, 1962, to March 31, 1964.

Third. Surplus reduction payments for those producers who choose to participate; payments of up to $2.50 per hundredweight on amount of average marketing reduced, between 10 and 25 percent based on normal marketings for the 1961–62 marketing year—March 31, 1961, to March 31, 1962.

Fourth. Supplemental payments to those participating; paid on quantity they market at a rate not to exceed the difference between the U.S. average price at wholesale of milk for manufacturing and 90 percent of parity for that quantity of such milk.

Fifth. Authority for the Secretary to adjust the general basic price support for milk between 70 and 75 percent of parity, dependent upon supplies; effective April 1, 1963, and only for purposes of carrying out the emergency dairy program authorized by the act.

Mr. President, my colleague and I have prepared a table as an example of what would happen under the terms of the proposal. It would, in essence, reduce the cost to the Government, on the basis of an estimate of the Department of Agriculture, for the coming year. There would be approximately a $110 million reduction in the cost of the dairy program.

Our proposal would increase the net income of farm producers more than $150 for an average producer who markets a thousand hundredweight of milk. It would also reduce the cost to the farm producer by the elimination of certain feed costs, thereby increasing total net income substantially.

Mr. President, I ask unanimous consent to have the table to which I have referred printed at this point in the Record.

There being no objection, the table was ordered to be printed in the Record, as follows:

Payment program with market price at $2.90 (70 percent of parity), 1963–64 marketing year

PROGRAM EXPENDITURES	
Current projection of marketing (billion pounds)	120.0
Estimated commercial market at $2.70 (billion pounds)	110.5
Needed adjustment[1] (billion pounds)	9.5
Surplus reduction payments on 95 million hundredweights at $1.90 per hundredweight[2]	$180,000,000
Supplemental payments on 547 million hundredweights of cooperator milk at 40 cents per hundredweight[3]	$219,000,000
Purchases of 600 million pounds NFIM[4]	90,000,000
Total program expenditure	489,000,000
EFFECT ON A COOPERATING PRODUCER	
Present gross from 1,000 hundredweights of milk	3,110
Under McCarthy-Humphrey program:	
Market return on 900 hundredweights	2,610
Surplus reduction payments	190
Supplemental payment	360
Gross from 900 hundredweights	3,160

[1] Assumed about 70 percent of producers reducing 10 percent, or 35 percent reducing 20 percent.

[2] Surplus reduction payment rate set at $1 less than market price.

[3] Supplemental payment rate set at level adequate to make gross income of cooperator slightly higher than at 75 percent of parity under present program. Also assumes 50 percent of cooperators are Federal order producers receiving payment on 28 percent of milk marketed.

[4] Purchases of NFIM equal to quantity by which present percent surplus of nonfat milk solids exceeds present percentage surplus of milk fat.

Mr. HUMPHREY. I am hopeful the Senate will see fit to send to conference, for purposes of whatever refinement may be permitted there, a dairy program which would do something, first, about the growth of the accumulation in Government hands of dairy products, which is a very serious matter. Second, the sharp drop in dairy income. Dairy farmers are among the hardest working farmers we have. They have high costs of operation and maintenance. Third, the program would reduce the cost to the taxpayers, according to the Department of Agriculture's own estimates, by $110 million in 1 year, which is no small amount of money in any program or in any bill.

I would appreciate the comments of the chairman on the subject, because I feel the proposal merits support.

Mr. ELLENDER. Mr. President, I regret to say that I do not favor the amendment. As I stated yesterday and last Friday, the milk program deserves a great deal of study. In order to attain that goal, I introduced a bill which would serve as a vehicle for the holding of hearings during the recess and early next year in the hope that we can get a dairy bill together.

As the Senator is aware, an almost identical amendment was offered to the Senate in May when we considered S. 3225. At that time I objected to the amendment, and the Senate voted it down. I hope the Senate will take the same steps this time so that we can go along with the bill.

Mr. HUMPHREY. Mr. President, will the Senator yield?

Mr. ELLENDER. I yield.

Mr. HUMPHREY. As I understand, the House bill does contain a dairy section.

Mr. ELLENDER. I understand that it does.

Mr. HUMPHREY. It is my sincere hope that the measure which has been developed by my distinguished colleague [Mr. McCarthy]—and I pay particular respect to him for the work he has put into this proposal—it is my hope that in conference the main features of the amendment will be incorporated. It is my hope the Senate will vote favorably upon the amendment. I make that statement because it offers at least some temporary relief. It offers the relief on a tried and tested principle of what we call surplus reduction payments, along the lines that have been incorporated in the emergency feed grain program. It also provides for supplemental payments on the amount the producer markets, so that, for example, the net income of the farm producer, by producing 100 hundredweights less of milk, would be higher than if he produced his full amount.

In other words, the farm producer who would produce 1,000 hundredweights of milk would actually receive less money than if he participated in the program and produced 900 hundredweights of milk. This is the kind of program, it seems to me, which would provide some relief for the farm producer. It would provide tax relief for the taxpayer, and provide some relief for the Government of the United States in the accumulation of surpluses.

I am hopeful we can have favorable action on the amendment.

Mr. ELLENDER. Mr. President, will the Senator yield?

Mr. HUMPHREY. I yield.

Mr. ELLENDER. The proposal was brought before the committee. The committee rejected it both last April, as I recall, and again this time.

I ask unanimous consent that there may be printed in the Record at this point an explanation of the amendment.

There being no objection, the statement was ordered to be printed in the Record, as follows:

This amendment is somewhat similar to the dairy diversion provision of the bill as passed by the House, but provides in addition for production payments to participating producers.

This amendment provides for a diversion program during the period October 1, 1962, through March 31, 1964, under which the Commodity Credit Corporation could (1) make payments not exceeding $2.50 per hundredweight to producers agreeing to reduce their milk marketings below their adjusted marketings for the 1961–62 marketing year, and (2) make supplemental payments to such producers in amounts not exceeding the difference between the U.S. average wholesale price and 90 percent of parity.

Effective April 1, 1963, the range of price support levels for milk and butterfat would be reduced to 70 to 75 percent of parity.

To participate in the program a producer would have to reduce his marketings at least 10 percent and could obtain payments for a reduction of up to the larger of 25 percent, or 15,000 pounds per quarter. If the producer failed to reduce as much as he had agreed to do, but reduced at least 10 percent, he would be eligible for payments for the amount of the actual reduction, reduced by 20 percent of what would have been the payment on the quantity he failed to reduce.

In any marketing order area, payments from the pool would be adjusted so that the amounts paid participating producers would be reduced by reason of their reduced marketings only by the lowest class price multiplied by the reduction.

Mr. President, the Senate Committee on Agriculture studied a number of dairy programs during the course of its hearings on, and consideration of, S. 2786. Some of the programs studied were mandatory, while others were voluntary and somewhat along the lines of the pending amendment. There was a great deal of opposition to them. The mandatory programs were opposed as too restrictive. The voluntary programs were felt to be ineffective and too costly. At the time that S. 3225 was before the Senate, the Senate considered and rejected by a vote of 60 to 21 an amendment by the Senator from Wisconsin generally similar to the amendment now proposed by him.

The dairy situation is a very serious one, as indicated by the letter I recently received from the Secretary of Agriculture and inserted in the Record of August 16. I think the committee should hold further hearings to explore fully any new proposals or suggestions that can be developed.

I do not believe a satisfactory solution can be worked out at this moment. While the pending amendment contains some hopeful language with respect to assuring that reductions by one producer are not offset through the transfer of his cows to another producer, the mechanics for providing such assurance are not developed. It is a very complex problem.

As I pointed out when the similar amendment to S. 3225 was rejected by the Senate, I doubt that the farmers would feed their cows less, in order to reduce production. They would dispose of some of their cows, while other producers might increase their herds, possibly by acquisition of the same cows.

The average production of a cow in the United States, as I recall, is approximately 7,000 pounds of milk; and a farmer who had a cow which was producing 7,000 pounds of milk could dispose of the cow, and could obtain from the Government $175, in payments, at $2.50 a hundred; and the cow could find its way to another producer who could obtain from the Government $217.70 for producing milk—assuming that the cow would then produce the same amount that it did when it was owned by the other farmer.

On the other hand, the amendment contains a provision for the making of additional payments to farmers who would make this cut. In other words, such a farmer would be paid at the rate of $2.50 per hundred pounds, for every 100 pounds he reduced his production; but for the rest of his production, the Secretary of Agriculture would be empowered, under this amendment, to raise the price—the price on the rest of the farmer's milk production—or to give him compensatory payments, which could go up from $3.11 to $3.70 a hundred pounds.

So, Mr. President, I cannot understand how the Government would gain by this amendment; and in view of the fact that the program would be a voluntary one, and there would be no method by which farmers could be prevented from selling their cows or from making their cows produce less, I doubt that the program would have the benefits intended by the Senator from Minnesota.

So, Mr. President, I shall ask Senators to vote against this amendment.

Mr. PROXMIRE. Mr. President, will the Senator yield?

Mr. HUMPHREY. I yield.

Mr. PROXMIRE. The proposal of the Senator from Minnesota makes a great deal of sense. Very simply, what it would do would be to permit the farmer to get as much as $2.50 per hundredweight for the milk which he does not produce. It makes sense for the reason that if the farmer does produce the milk, the Federal Government must pay $4.50 for it. Therefore the Government would save $2 for every hundredweight. In many cases the dairy farmer would be better off. He would reduce his production. Storage costs would be cut. The program adds up and makes a great deal of sense.

I understand that there is a chance, at least, that the amendment will not be accepted. It may not be agreed to. But the House measure contains that kind of provision, as I understand. I join the Senator from Minnesota in urging and pleading with the chairman to give real consideration to the amendment in conference. I hope and pray that he will at least give dairy farmers an opportunity to try that program for a few months. I think that, according to the House bill, the program would continue to June 1. Let us see if that kind of program would work. If it should work, it would cut Government costs and increase farm income.

Mr. YARBOROUGH. Mr. President, will the Senator yield?

Mr. HUMPHREY. I am happy to yield to the Senator from Texas.

Mr. YARBOROUGH. I merely wish to say to the distinguished Senator from Minnesota that this is not a local matter of interest in his State and the adjoining State of the Senator from Wisconsin. The dairy farmers of my State have informed me that about 90 percent of the dairy farmers in my State favor the proposed method of attempting to solve some of their difficult problems, and at the same time, as the Senator from Minnesota has pointed out, it would reduce the cost to the Government of this very program. I join in recommending that they be given an opportunity to see whether they can better themselves. At the same time the cost to the Government of the program would be reduced in the manner advocated by the senior Senator from Minnesota [Mr. Humphrey].

Mr. HART. Mr. President, will the Senator yield?

Mr. HUMPHREY. I yield.

Mr. HART. I congratulate both the distinguished Senators from Minnesota for developing the proposal that the Senate is now considering, and to express the hope, as they and other Senators have done, that the committee will be able to hear from those most directly concerned—the milk producers—some measure of agreement when the hearings are held.

Michigan has produced not only much milk of high quality but a very able leader in the dairy industry in America. Not only is he president of the Michigan Milk Producers Association but also he is president of the National Milk Producers Federation. I speak of Glenn Lake. I ask unanimous consent that an editorial written by Glenn Lake in the Michigan Milk Producers Messenger entitled "We're Riding a Tiger" be printed in the Record at this point.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

WE'RE RIDING A TIGER

(By Glenn Lake)

The cost of the dairy price support program to date has not been very great—averaging about $238 million every year for the past 10 years. That's a lot of money but it's far less proportionately than has been spent to support prices of other agricultural products.

If present milk production continues though, and no new ways are found to dispose of dairy products, Commodity Credit Corporation will have to lay out better than $600 million this year to support milk prices. That kind of money—twice what the White House says can be justified for a dairy program—is certain to arouse the public and Congress.

The Government may have 500 million pounds of butter and a billion pounds of powder on hand by the end of this marketing year. It looks now as if 10 to 12 percent of our 1962 milk output will have to be marketed through Government programs.

Some Congressmen are already saying that this tremendous buildup of surplus dairy products will almost certainly result in the loss of present guaranteed minimum supports at 75 percent of parity. Others believe dairy farmers have a better deal than the rest of agriculture and should accept lower supports (65 percent of parity has been suggested), or production controls, to reduce the cost of the dairy program.

A PERILOUS RIDE

We may argue against production controls and insist that present support levels are vitally necessary, but it is apparent we are weakening ourselves economically, politically, and institutionally by our own production efficiency. Nor can we argue with the fact that continuation of present production, without a corresponding increase in sales, is bound to result in lower prices regardless of what the Government does.

In a sense we are riding a tiger and dare not get off. Dairy farmers are forced to increase production to meet rising costs. Yet this increased output continually drives our prices down, forcing even greater expansion. We must ask ourselves if we are to continue this perilous ride or if there is a course of action that makes more economic sense.

While I do not think we should grasp at just any program in the belief that anything is better than what we now have, I do believe that dairy farmers must make a choice and must recognize that there is no course of action open to us which offers a simple or painless solution.

THREE CHOICES

In my opinion our choices have been narrowed down to three categories: (1) The economic application of price—let supply and demand correct the situation; (2) self-imposed restraint or reduction of output through cooperatives; (3) Government programs.

If we choose the supply-demand route, that is, no program of any kind—we must be ready to take an 80 cents to $1 cut in milk prices. That would probably balance supply and demand after awhile, but for the short run at least, such a program would border on economic suicide for dairy farmers, forcing many out of business.

Production control programs administered through co-ops are voluntary by nature. Their practicality might be questioned since they would place a premium on being a nonmember. Producers could escape controls simply by becoming nonmembers.

Properly enforced Government production controls as proposed in recent months could undoubtedly balance supply with demand. But if such programs were to sustain or improve net farm income, they must be accompanied by an increase in the price of milk. Such an increase has not been proposed or assured in any legislation thus far advanced.

CAN'T HAVE EVERYTHING

No matter what kind of program we might eventually have, we cannot have lower food costs to the consumer, lower Government costs, and better farm income all at the same time. Legislation suggested up to this point has emphasized the first two of these points, but has not provided for any improvement in dairy farmers' net income.

Regardless of how we may feel about the present unpleasant situation or the choices open to us, we cannot close our eyes and hope the problem will go away. It won't.

The administration's farm policies are aimed at controlling production and cutting costs of the dairy program in one way or another. We would be naive to think we are not going to have more Government in the dairy industry. It is up to us to see that we have the kind of program that is sqund and will benefit our industry.

Mr. HUMPHREY. Mr. President, I yield the floor.

Mr. AIKEN. Mr. President, unlike the Senator from Louisiana, I can oppose the amendment offered by my esteemed colleague from Minnesota without particular regret. I do not think it is a good amendment. In fact, I do not think it would be a good idea to pay farmers $2.50 a hundred for not producing milk from October 1 until next spring, which is through the short season, and at the same time permit them to sell or lease their cows to one of their neighbors or relatives, who would get paid for milking them.

Mr. President, I should like to take about 2 minutes to put in the RECORD a few facts as to what has been transpiring in the dairy industry during the last 18 months. On April 1, 1961, the Commodity Credit Corporation owned no butter whatsoever. On August 17, 1962, the Commodity Credit Corporation owned 356,241,900 pounds of butter.

On April 1, 1961, the Commodity Credit Corporation owned no cheese whatever. On August 17, 1962, the Commodity Credit Corporation owned 106,796,800 pounds of cheese.

Since Congress last spring killed the administration's program for controlling the dairy industry, the production of milk has dropped below last year for two successive months, and continues to drop. The consumption of fluid milk has increased materially above last year. Prices for milk, except for manufacturing purposes, have sharply increased in many areas; not in all, but in many.

Commodity Credit Corporation purchases of butter and cheese have dropped below last year during 5 of the last 6 weeks.

The Secretary submits figures to the public to show that purchases of butter and cheese are greater this year than they were in 1961. We must remember, however, that the Secretary did not get a chance to start the New Frontier program for milk until April 1961, and that there were 3 months of 1961 when there were no purchases made whatever. So when the Secretary says that we have bought more butter and cheese this year than we did in the first 7 months of last year, he is entirely correct, but he forgets to inform the public that he includes 3 months of last year when there were no purchases under the previous program.

The butter market has been injured. There is no question about that fact. It happened for different reasons. The consumption of butter has dropped. There is one particular reason for that fact. On June 15, 1961, the farmers were receiving $2.60 a bushel for soybeans, and there was no excess of soybeans in the country. In the spring of 1961, the Secretary asked farmers to increase their planting of soybeans heavily, and to make sure that they did he raised support prices for 1961 from $1.86 a bushel to $2.30 a bushel. They planted in accordance with that request. They planted so much that the soybean crop last year hit almost 700 million bushels, by far the greatest production in this country. This year they will produce more. The price to farmers in 1961 for soybeans was $2.60 a bushel. It has dropped this year to $2.34 a bushel. The worst of it is that the price of soybean oil has gone straight down until yesterday it was only 8⅛ cents a pound; 8-cent oil knocks the props from under 58-cent butter. That is one thing that is happening to our butter market, although, as I have said, the Government presently is not buying as much butter as it was a year ago.

To offset the low prices of soybean oil, the processors in the last 2 years have raised the price of soybean meal 40 percent. That is where the cattle feeders come into the picture. The livestock growers are being asked to pay the cost of the folly of the Secretary of Agriculture last year by encouraging people to go into soybeans over their necks.

The pending amendment should not be adopted. The chairman has stated that he will hold hearings on the dairy situation. The dairy situation is improving, although I am willing to admit that there is a peculiar problem in those areas where purchases of manufacturing milk only are made. I hope that in the course of the hearings we may find out what ought to be done about it. For those reasons I must oppose the amendment offered by my friend, the Senator from Minnesota.

Mr. MILLER. Mr. President, will the Senator from Minnesota yield for a question?

Mr. HUMPHREY. I yield.

Mr. MILLER. I should like to ask the distinguished Senator from Minnesota a few questions. On the last page of the amendment reference is made to support prices. Do I understand that these support prices would be paid to all dairy farmers, both those who go into the voluntary program and those who do not?

Mr. HUMPHREY. The present law requires that all producers are eligible for the 75-percent support prices. The amendment would reduce the 75 percent to 70 percent. Those who participated in the program and voluntarily cut back would get what we call surplus supplemental payments. They would be the only ones that would get it.

Mr. MILLER. The support prices would be the same for both groups?

Mr. HUMPHREY. Just as it is under present law. Our amendment reduces the support price from 75 percent to 70 percent for all participants. This would include nonparticipants as well as those in the program.

Mr. MILLER. The point I wanted to bring out was that although the provisions of the amendment are referred to as being similar to the emergency feed grains program, it seems to me there is a substantial difference with respect to support prices, because under the emergency feed grains program, the one who goes into the production program is guaranteed a higher support price than the one who does not, whereas under the pending amendment they are both treated the same.

Mr. HUMPHREY. If the Senator would read the whole amendment he would find that those who go into the program, while they would get the same support price level, would also get an additional support level, so that their net income would be brought up considerably.

Mr. MILLER. Is the additional support to which the Senator has referred covered by section 331 on page 5?

Mr. HUMPHREY. It is covered by section 327 on page 2, and also by section 328 on page 3, which relates to the so-called normal marketing level, and it is also covered by section 331.

Mr. MILLER. I thank the Senator.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senators from Minnesota, to the committee amendment.

The amendment to the amendment was rejected.

The PRESIDING OFFICER. The committee amendment is open to further amendment. If there be no further amendment to be proposed, the question is on agreeing to the committee amendment as amended.

The amendment, as amended, was agreed to.

The PRESIDING OFFICER. The question is on the engrossment of the amendment and the third reading of the bill.

The amendment was ordered to be engrossed, and the bill to be read a third time.

The bill was read the third time.

Mr. HUMPHREY. Mr. President, earlier we discussed the possibility of a final vote on the bill tomorrow. I now propound a unanimous-consent request. I ask unanimous consent to dispense with the requirement for a quorum call under rule XII before submitting an agreement to vote on final passage of the bill at a specified time.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. HUMPHREY. Mr. President, I ask unanimous consent that the Senate vote on final passage of H.R. 12391 at 2 p.m. tomorrow, and that the time on the bill be equally divided between the majority leader and the minority leader after the conclusion of the morning business until 2 p.m.

The PRESIDING OFFICER. Is there objection?

Mr. HICKENLOOPER. What time does the Senator contemplate that the Senate will convene?

Mr. HUMPHREY. At 11 a.m.

The PRESIDING OFFICER. Is there objection to the unanimous-consent request? The Chair hears none, and it is so ordered.

The unanimous-consent agreement, subsequently reduced to writing, is as follows:

> *Ordered,* That the Senate vote at 2 p.m., on Wednesday, August 22, 1962, on final passage of H.R. 12391, to improve and protect farm income, to reduce costs of farm programs to the Federal Government, to reduce the Federal Government's excessive stocks of agricultural commodities, to maintain reasonable and stable prices of agricultural commodities and products to consumers, to provide adequate supplies of agricultural commodities for domestic and foreign needs, to conserve natural resources, and for other purposes; *Provided,* That the time after the morning business be equally divided and controlled by the majority and minority leaders.

TEXAS, LARGEST FARM STATE, FAVORS FARM BILL

Mr. YARBOROUGH. Mr. President, the State of Texas, which with 232,000 farms has more farms than any other State in the Nation, has a vital stake in the pending farm legislation.

In my opinion, we will be courting economic disaster for many of our farmers, should we fail to pass extended, new and improved legislation this year.

Failure to act will force us to continue under an unchanged and unsatisfactory program dating back to 1958.

Many areas of Texas are currently hard hit by extremely hot and dry weather. My home city of Austin had over 55 days without rain. If farm prices are permitted to fall to the level permitted by the 1958 program, untold hardships will be brought down on our farm population.

The impact of income losses in agriculture, added to the blows already dealt to national stability by an unstable economy and a high level of unemployment, is something that must be and can be avoided by this Congress.

The national economy has a stake in the farmer's plight. A downhill slide is hard to stop. The repeal of all farm support legislation would bankrupt American agriculture, and the drought-stricken areas will suffer first and most. Hundreds of thousands of farm families would be driven into the cities' breadlines if the farm price support programs were terminated.

Three of our major farm organizations, the National Farmers Union, the National Grange, and the National Association of Wheat Growers, are jointly working for enactment of a strong farm bill during this session of the Congress. They are for this bill.

It is true the wheat legislation being proposed may have been delayed too long by congressional inaction, but it is still a good program and should be passed.

The dairy farmers of Texas and throughout the United States need a program to stablize their industry and I favor a voluntary program similar to last year's feed grain program now being proposed in an amendment by Senator McCarthy. This amendment should also be included when we pass the farm bill.

Mr. President, I cannot overemphasize the importance of this body acting now to pass an effective farm bill. I am for H.R. 12391 and shall vote for its passage.

Mr. BENNETT. Mr. President, I indicated several weeks ago when the earlier agricultural legislation was under consideration by the Senate that I hoped that the Congress would move with a great deal of caution and that we not saddle farmers and ranchers with the so-called supply-management controls. A lot of water has gone over the dam since that time. The House in its wisdom has turned down the 1962 version of the Cochrane-Freeman supply-control scheme.

Again, I would suggest to my colleagues that we should move with a great deal of caution at this late date in dealing with this very important segment of our economy.

As I have indicated on previous occasions to the Senate, agriculture is one of the mainstays in the economy of the great State of Utah. The cash receipts from farm marketings last year amounted to an impressive $156,193,000. About $125 million of this income was from livestock and livestock products. The great bulk of our income from agriculture is from beef cattle, dairying, and production of lambs and wool.

The principal elements of the bill now under consideration deal with the two most vital segments of our agricultural economy; namely, livestock and livestock products, and wheat.

If I understand correctly, the administration has abandoned its supply-management, mandatory program for feed grains for 1963. I am happy that this decision has been made, because it is my opinion that the Congress is in no mood to inflict such drastic controls on the segment of the agricultural enterprise that accounts for about 56 percent of the total cash farm receipts.

If my information is correct, it seems to be the intention of the administration now to support a simple extension of the emergency feed grain program for 1963. This is the program that Mr. Freeman condemned so severely during the debate of this bill in the House.

One June 8, 1962, the Secretary of Agriculture sent a communication to every Member of the House wherein he pointed out on page 2 of a letter addressed to Congressman HAROLD D. COOLEY, chairman of the House Agriculture Committee, that extension of the 1961–62 emergency programs would cost for feed grains $1,200 million and for wheat $1,217 million—a total of $2,417 million. I am a little surprised that in light of this statement and in light of the recent talk about a balanced budget that the Secretary of Agriculture would now suggest that the Senate of the United States adopt such an expensive program.

With regard to the cost of the emergency wheat program, I remember well the statement made by the chairman of the Senate Committee on Agriculture and Forestry, and I quote:

> To authorize the temporary program for 2 more years would cost the taxpayers, according to the most recent estimate $333

million per year to reduce wheat production by about 100 million bushels. In other words, it would cost the Government $3.30 per bushel to curtail production of 100 million bushels of wheat per year.

According to the Commodity Credit Corporation's latest information, payments to farmers under the 1962 feed grain program will be about $114 million more than the $896 million paid in 1961. I would point out to my colleagues that this is slightly over a billion dollars that would be paid out on the 1962 feed grain crops. But, in spite of this vast expenditure of money, as of August 1, 1962, the estimate of production of feed grains is 139,506,000 tons as compared to 131,132,000 tons for the same date in 1961. This represents 106.4 percent of the August 1, 1961 figure. The August 1, 1962, total includes 3,549,633,000 bushels of corn for grain as compared with 3,352,037 bushels on the same date in 1961. For grain sorghum the figures indicate a production of 485,170,000 bushels for 1962 as compared with 454,564,000 bushels in 1961. The production of oats and barley are also increased above the 1961 figure.

The Department of Agriculture shows a slight reduction in the production of corn in 1962 as compared to 1961, but I would call attention to the fact that this is quite an unrealistic approach when we compare the August 1, 1962, estimate with the final estimate for 1961. It should be further noted that the August estimate in 1961 went up 13 percent from that date and the final estimate. If the same situation prevails in 1962—and there is every indication it will—then we could come up with a vastly increased corn production over 1961.

Turning now to wheat—which is a basic commodity in many sections of the country, including the great State of Utah—I would point out that even though we have a larger carryover of wheat than is desired and needed to meet our requirements, roughly 83 percent of this wheat is composed of the Hard Red Winter class. I ask consent to insert a table showing the wheat production carryover by classes, for the period 1957–61 and for the 1962 crop year. The types of wheat grown in Utah are, for the most part, not in oversupply. For example, the carryover for Soft Red Winter wheat was only 1.7 percent.

The Secretary of Agriculture has already announced a wheat referendum for August 30. This referendum is authorized by present permanent legislation, the Agricultural Act of 1938. In my estimation, it would be unwise for the Congress to enact any legislation at this late date that would change the plans of the Secretary of Agriculture for conducting his referendum. Mind you, it is scheduled for a week from Friday. I suggest that we allow this referendum to go foward as planned and that we take no action with regard to wheat for 1963, and that each of us go back to our respective States, and through the farm organizations, the wheatgrowers' associations, and individual wheat producers, try to ascertain the best possible solution to this problem and come back at the beginning of the 88th Congress and take a fresh start and a fresh look at this problem.

I would support a simple amendment to this bill which would authorize the Secretary of Agriculture to implement a voluntary wheat reduction program for 1963. By so doing, it would not interfere at all with the referendum procedure set up and would give those farmers who desire an opportunity to make reductions.

The so-called multiple-price plan for wheat, as embodied in title III–B of H.R. 12391, delegates tremendous authority to the Secretary of Agriculture. I believe that there are over 20 authorities granted by this title that would make the Secretary of Agriculture a virtual czar over wheat. I ask consent to insert in the RECORD a listing of these power grants to the Secretary. I recognize the need to place reasonable controls on the expenditure of Federal funds, but I become gravely concerned when I review the extraordinary discretionary powers this bill gives to the Secretary of Agriculture to issue regulations applicable to producers, processors, warehousemen, and exporters.

Recent revelations of scandal within the Department of Agriculture should serve as ample warning against the danger of placing additional bureaucratic powers in the hands of those who would control agriculture.

Last, but by no means least, I am concerned about the impact of this bill on the consumer. This complicated version of the multiple-price wheat plan imposes a bread tax on our domestic consumers. I ask consent to insert in the RECORD an editorial from the Modern Miller and Bakers News expressing concern over the trend of events. By authorizing the inclusion of export wheat in the primary market it would further raise already high export costs. On the other hand, the blended pricing would subsidize the dumping of noncertificate wheat in the domestic feed market to the detriment of producers of feed grains, livestock, dairy, and poultry.

There is such a thing as too much theoretical dabbling with agricultural economic factors. In summary, this legislation hurts everyone: The poultry, dairy and livestock farmers in particular, and the consumers, and taxpayers in general, and that, my fellow colleagues, covers all of us. In my opinion no new legislation is preferable to this emergency bill.

The PRESIDING OFFICER. Is there objection to the requests of the Senator from Utah?

There being no objection, the matters were ordered to be printed in the RECORD, as follows:

Wheat production, carryover, total supply, and percentages by class, 1957–61 averages, annual 1961–62

Class	Production				Carryover				Total supply			
	1957–61 average		1962 crop		1957–61 average		July 1, 1962		1957–61 average		Year 1961	
	Million bushels	Percent of total	Million bushels	Percent of total	Million bushels	Percent of total	Million bushels	Percent of total	Million bushels	Percent of total	Million bushels	Percent of total
Hard Red Winter	687	56.1	755	61.1	863	74.3	1,120	83.3	1,550	64.7	1,864	70.3
Soft Red Winter	179	14.6	203	16.4	12	1.0	23	1.7	191	8.0	215	8.1
Hard Red Spring	171	14.0	116	9.4	221	19.0	176	13.1	400	16.7	359	13.5
White	161	13.1	142	11.5	49	4.2	25	1.8	210	8.8	180	6.8
Durum	27	2.2	19	1.6	17	1.5	1	.1	44	1.8	35	1.3
Total	1,225	100.0	1,235	100.0	1,162	100.0	1,345	100.0	2,395	100.0	2,653	100.0

Disposition of wheat by class, 1957–61 average, marketing year 1961–62

Class	1957–61 average						1961–62 average					
	Domestic		Exports		Total disappearance		Domestic		Exports		Total disappearance	
	Million bushels	Percent of total	Million bushels	Percent of total	Million bushels	Percent of total	Million bushels	Percent of total	Million bushels	Percent of total	Million bushels	Percent of total
Hard Red Winter	256	42.8	336	61.3	592	51.7	262	44.1	482	67.6	744	56.9
Soft Red Winter	132	22.1	45	8.2	177	15.4	135	22.7	57	8.0	192	14.7
Hard Red Spring	141	23.6	42	7.7	183	16.0	140	23.5	43	6.0	183	14.0
White	45	7.5	120	21.9	165	14.4	40	6.7	115	16.1	155	11.8
Durum	24	4.0	5	.9	29	2.5	18	3.0	16	2.3	34	2.6
Total	598	100.0	548	100.0	1,146	100.0	595	100.0	713	100.0	1,308	100.0

Title III-B of H.R. 12391 Delegates Broad Authority to Secretary

Major discretionary authorities are summarized below:

Authority to determine if referendum shall be for 1, 2, or 3 years.

Authority to determine size of national marketing quota (not less than 1 billion bushels) and to determine annual drawdown of stocks.

Authority to determine that allotment for any type of wheat in short supply shall be increased above allotment otherwise computed in amount determined by the Secretary.

Authority to exclude from program any State with less than 25,000 acres of allotment.

Authority to determine what may be planted on diverted acreage, the amount by which the diversion payment will be reduced if such crops are planted, and whether or not diverted acreage may be grazed.

Authority to determine the amount of payment for wheat diverted acreage (not more than 50 percent of the support rate on normal yield).

Authority to determine conservation uses which must be practiced on diverted acreage and to determine a conservation base on each farm which must be exceeded by acreage of wheat diverted and to adjust payment for failure to comply with conservation requirements.

Authority to determine if advance diversion payments shall be made (not to exceed 50 percent of total).

Authority to establish such terms and conditions not specified in law as Secretary deems "desirable to effectuate purposes" of conservation program.

Authority to determine how many the number of wheat-marketing certificates that shall be issued for food and export (export includes wheat disposed of under Public Law 480, including donations and sales for foreign currencies).

Authority to determine the value of wheat-marketing certificates.

Authority to issue regulations relating to transfer of wheat-marketing certificates.

Authority to determine under what circumstances wheat-marketing certificates shall be purchased by CCC from farmers.

Authority to determine if CCC should establish a pool for marketing certificates and to prescribe regulations relating thereto and the fees to be charged for handling marketing certificates.

Authority to establish conversion factors to determine amount of wheat in any food product.

Authority to "take such action as he determines to be necessary to facilitate the transition" to the new program.

Authority to exempt "all or a portion" of food products in process on effective date of new program or to sell owners thereof certificates at such prices as the Secretary may determine.

Authority to require processors, warehousemen, exporters, and others dealing with wheat certificates to "keep such records as the Secretary finds to be necessary."

Authority to require processors, warehousemen, exporters, and others dealing with wheat certificates to submit such reports as the Secretary finds necessary.

Authority to examine the books, papers, records, accounts, correspondence, contracts, documents, and memorandums as the Secretary finds necessary to ascertain the correctness of records and reports.

Authority to deny marketing certificates to any producer "in whole or in part, as the Secretary may determine" for any violation of the law or regulations, without judicial action.

Authority to "prescribe such regulations as may be necessary to carry out the provisions of this subtitle."

Authority to establish a level of price support for certificate wheat at any level between 65 and 90 percent of parity.

Authority to establish the level of price support for noncertificate wheat.

CONCLUSION

The Secretary of Agriculture would become the czar of the wheat industry, with extraordinary discretionary powers to issue regulations applicable to producers, processors, warehousemen, and exporters.

Modern Miller & Bakers News, July 7, 1962

(By C. M. Yeager)

Inasmuch as the people of the United States have traded so many of their rights for the security offered by socialization, it is no great surprise that they now find themselves victims of incompetent leadership, about which they can, momentarily, do absolutely nothing. Agriculture is in the most glorious state of snafu since the locusts of Biblical fame. The arbitrary dictum which foisted sedimentation on commercial wheat users was as irresponsible as it was idiotic. It has resulted in a state of confusion in which no one can see a satisfactory conclusion.

With the new loan basis which became effective July 1, the price of wheat automatically became enough higher to satisfy the objectives of Secretary Freeman, but it seems that those objectives are insatiable. It was an insult to reason to add a bonus via the sedimentation test, adding exorbitant premiums to an already exorbitant base price. A selling point for sedimentation was that it would establish a better quality evaluation for foreign buyers. We have a Government team abroad now "explaining" sedimentation and this team is getting a big horse laugh. In fact, foreign colossal nonsense. Maybe they still carry the illusion that we can do anything about it. Maybe they don't know that we have sacrificed the right to do anything about it.

Be that as it may, millers and bakers are in a situation where intelligent action in either wheat or flour buying is impossible. At present, opinion is that the less one does, the more likely he will be to minimize costly mistakes. The amount of wheat millers have accumulated is a drop in the bucket compared with their usual holdings at this point in the harvest. Sheer necessity compels them to buy some to fill the immediate needs of their customers, but they dare not amass wheat when bakers are not resigned to pay the price for flour which wheat costs impel. So wheat that millers and grain men would customarily own is going into the Government vaults, where ordinary wheat assumes blue-chip value.

Thus two separate and distinct markets are created. One, the commercial market, is based on protein values and farinograph curves that reflect baking value. This is a limited market, where the buyer is trying to get something for his money even if he has to pay unrealistic premiums. The other is a Government market which takes anything with the taxpayers' money. It's rough competition.

It seems likely that flour buying will undergo a radical change. Bakers are altogether unwilling to commit themselves to long-term purchases wherein they see no possible advantage. There is the possibility, suspected by many, but so far unproved, that sedimentation values decline in storage, whereas protein remains unchanged. If this be so, maybe some of the artificial premiums on wheat will vanish. At this point, one must conjure with rust damage, an unknown quantity in the spring wheat crop, though it looks good now, adverse legislation, possible less world demand for American wheat.

All these make flour buying a wide-open matter of guesswork or speculation in which individual opinions will express themselves through the coming months. The great mass buying movements of recent years are less likely to occur under such adverse circumstances. At any rate, nothing can forestall much higher flour prices nor stay the inevitable increase in the price of bread.

EXTENSION OF AUTHORITY TO INSURE MORTGAGES UNDER SECTIONS 809 AND 810 OF NATIONAL HOUSING ACT

The **PRESIDING OFFICER** laid before the Senate the amendments of the House of Representatives to the bill (S. 2876) to extend the authority to insure mortgages under sections 809 and 810 of the National Housing Act, and to extend the coverage of section 810 to include persons employed at or in connection with an installation of the National Aeronautics and Space Administration or the Atomic Energy Commission, which were, to strike out all after the enacting clause and insert:

That the last proviso in section 803(a) of the National Housing Act is amended—

(1) by striking out "under this title" and inserting in lieu thereof "under this section"; and

(2) by striking out "under section 803 of this title" and inserting in lieu thereof "under this section".

Sec. 2. Section 809(f) of the National Housing Act is amended by striking out "and the expiration date of the Commissioner's authority to insure", and by adding at the end thereof the following new sentence: "No more mortgages shall be insured under this section after October 1, 1963, except pursuant to a commitment to insure before such date."

Sec. 3. Section 810(k) of the National Housing Act is amended by striking out "and the expiration date of the Commissioner's authority to insure", and by adding at the end thereof the following new sentence: "No more mortgages shall be insured under this section after October 1, 1963, except pursuant to a commitment to insure before such date."

And to amend the title so as to read: "An Act to extend for one year the authority to insure mortgages under sections 809 and 810 of the National Housing Act."

Mr. **SPARKMAN**. Mr. President, I move that the Senate concur in the amendments of the House.

The **PRESIDING OFFICER**. The question is on agreeing to the motion of the Senator from Alabama.

The motion was agreed to.

TRANSACTION OF ADDITIONAL ROUTINE BUSINESS

By unanimous consent, the following additional routine business was transacted:

ADDITIONAL BILL INTRODUCED

Mr. **WILLIAMS** of New Jersey, by unanimous consent, introduced a bill (S. 3662) to authorize improvements for the prevention of beach erosion and hurricane damages along the south shore of Raritan Bay and Sandy Hook Bay, N.J., which was read twice by its title, and referred to the Committee on Public Works.

DRUG INDUSTRY ANTITRUST ACT—AMENDMENT

Mr. KEFAUVER (for himself, Mr. Dodd, and Mr. Hart) submitted an amendment, intended to be proposed by them, jointly, to the bill (S. 1552) to amend and supplement the antitrust laws with respect to the manufacture and distribution of drugs, and for other purposes, which was ordered to lie on the table and to be printed.

AMENDMENT OF UNITED STATES CODE, TO PROVIDE INCREASES IN RATES OF DISABILITY COMPENSATION—AMENDMENT

Mr. LONG of Louisiana submitted an amendment, intended to be proposed by him, to the bill (H.R. 10743) to amend title 38, United States Code, to provide increases in rates of disability compensation, and for other purposes, which was ordered to lie on the table and to be printed.

ADJOURNMENT UNTIL 11 O'CLOCK A.M. TOMORROW

Mr. HUMPHREY. Mr. President, if there is no further business to come before the Senate, I move that the Senate stand in adjournment until 11 a.m. tomorrow.

The motion was agreed to; and (at 7 o'clock and 50 minutes p.m.) the Senate adjourned, under the previous order, until tomorrow, Wednesday, August 22, 1962, at 11 o'clock a.m.

NOMINATIONS

Executive nominations received by the Senate, August 21, 1962:

U.S. Advisory Commission on Information

John L. Seigenthaler, of Tennessee, to be a member of the U.S. Advisory Commission on Information for the remainder of the term expiring January 27, 1964, and until his successor has been appointed and qualified, vice Jonathan W. Daniels, resigned.

Diplomatic and Foreign Service

The following-named persons, now Foreign Service officers of class 2 and secretaries in the diplomatic service, to be also consuls general of the United States of America:

Givon Parsons, of Texas.
B. Winfred Ruffner, of Tennessee.

The following-named persons, now Foreign Service officers of class 3 and secretaries in the diplomatic service, to be also consuls general of the United States of America:

Arthur A. Compton, of Michigan.
Richard H. Courtenaye, of California.
Miss Eileen R. Donovan, of Massachusetts.
Terrance G. Leonhardy, of North Dakota.
James H. McFarland, Jr., of Michigan.

Miss Edna H. Barr, of Ohio, for reappointment in the Foreign Service as a Foreign Service officer of class 5, a consul, and a secretary in the diplomatic service of the United States of America, in accordance with the provisions of section 520(a) of the Foreign Service Act of 1946, as amended.

The following-named Foreign Service officers for promotion from class 8 to class 7:

Francesco J. Alberti, Jr., of California.
Charles E. Angevine, of Colorado.
Merle E. Arp, of Iowa.
Thomas F. Barthelemy, of Ohio.
Lyndall G. Beamer, of Illinois.
J. Peter Becker, of Pennsylvania.
Miss Margaret E. Beshore, of Indiana.
Harry R. Bieling, Jr., of New York.
James K. Bishop, Jr., of New York.
William D. Boggs, of West Virginia.
John A. Boyle, of New York.
Alfred P. Brainard, of Washington.
Joseph R. Breton, of Massachusetts.
Gordon S. Brown, of California.
James A. Budeit, of Nebraska.
Moises L. Cantolla, of California.
Robert C. Cary, of Washington.
Louis N. Cavanaugh, Jr., of Pennsylvania.
Glenn Richard Cella, of New York.
Timothy W. Childs, of Connecticut.
William P. Clappin, of Virginia.
Hovey C. Clark, of New Jersey.
Carl John Clement, of Minnesota.
Harry L. Coburn, of New York.
John Albert Collins, of New York.
Thomas C. Colwell, of California.
Gordon A. Cornell, of Massachusetts.
Edwin G. Corr, of Oklahoma.
Anthony S. Dalsimer, of New York.
Ernest B. Dane III, of Massachusetts.
John S. Davison, of Michigan.
R. Robin DeLaBarre, of the District of Columbia.
John W. DeWitt, of Pennsylvania.
V. Raymond Dickey, of South Dakota.
David H. Dinwoodie, of Colorado.
Richard J. Dols, of Minnesota.
Felix Dorough, of Alabama.
William J. Duiker III, of the District of Columbia.
William H. Edgar, of the District of Columbia.
David K. Edminster, of the District of Columbia.
Emil P. Ericksen, of California.
Robert E. Ezelle, of California.
James Ferrer, Jr., of California.
Robert M. Fouché, of South Carolina.
Anthony G. Freeman, of New Jersey.
Miss Marlene W. Futterman, of New York.
Gregory Gay, of Ohio.
Gerald D. Gilbertson, of California.
Philip C. Gill, of California.
Ernest Thomas Greene, of New Hampshire.
Robert V. D. Griffin, of California.
J. Guy Gwynne, of Arkansas.
Miss Lois Haase, of Missouri.
James T. Hackett, of California.
Samuel J. Hamrick, Jr., of Kentucky.
Donald F. Hart, of Massachusetts.
Pierre M. Hartman, of Colorado.
Martin G. Heflin, of Florida.
Frank G. Helman, of Pennsylvania.
Charles Higginson, of Massachusetts.
Richard Hines, of New York.
Herbert A. Hoffman, of Pennsylvania.
James F. Hughes III, of New York.
Mrs. Sandra A. Humphrey, of New Jersey.
L. Richard Jackson, of Missouri.
William Harding Jackson, Jr., of Virginia.
Jay K. Katzen, of New York.
George Lockwood Kelly, of Georgia.
Harmon E. Kirby, of Ohio.
Anthony S. Kochanek, Jr., of New Jersey.
Thor H. Kuniholm, of the District of Columbia.
Walter J. Landry, of Louisiana.
James O. Langland, of Iowa.
Donald R. Lesh, of Massachusetts.
Paul A. London, of New York.
Howard C. Loper, of Pennsylvania.
Matthew T. Lorimer, of New Hampshire.
George E. Lowe, of Illinois.
Hallock R. Lucius, of Montana.
Robert S. McClellan, of New York.
William J. McDonough, of Illinois.
John J. MacDougall, of Massachusetts.
Donald M. Maclay, of Pennsylvania.
Edward A. Mainland, of California.
Thomas W. Mapp, of California.
William H. Marsh, of Pennsylvania.
Jim B. Marshall, of Tennessee.
Robert A. Martin, of Pennsylvania.
Harlan G. Moen, of Wisconsin.
Gerald Joseph Monroe, of New Mexico.
John B. Moody, of Georgia.
James H. Moss, of the District of Columbia.
Gerald H. Murphy, of New York.
William V. P. Newlin, of Pennsylvania.
Thomas J. O'Donnell, of Michigan.
Donathon C. Olliff, of Alabama.
Robert O'Neil, of Virginia.
Robert H. Pelletreau, Jr., of New York.
John D. Perkins, of Indiana.
Donald K. Petterson, of California.
Miss Anne Pinkney, of California.
Lutz Alexander Prager, of Maryland.
Henry Precht, of Virginia.
Robert L. Pugh, of Washington.
Miss Virginia Randolph, of Pennsylvania.
Alexander L. Rattray, of California.
Leo J. Reddy, of Maryland.
Robert G. Richmond, of New Hampshire.
Thomas J. Roesch, of Ohio.
Irving L. Sanders, of Washington.
Richard C. Schenck, of New York.
Carl W. Schmidt, of New Jersey.
Louis Schwartz, Jr., of Illinois.
Richard C. Scissors, of Missouri.
Norman T. Shaft, of Minnesota.
John C. Shea, of Pennsylvania.
Harrison B. Sherwood, of Minnesota.
William T. Shinn, Jr., of Minnesota.
John P. Sifling, of Ohio.
Henry Jacob Silverman, of New Jersey.
Richard J. Smith, of Connecticut.
Robert R. Strand, of Ohio.
William O. Sugg III, of Tennessee.
Peter A. Sutherland, of Massachusetts.
Garett Gordon Sweany, of Washington.
Rush W. Taylor, Jr., of Texas.
Elroy Thiel, of Wisconsin.
Charles H. Thomas II, of New Hampshire.
Samuel B. Thomsen, of California.
Ralph G. Thorslund, of Florida.
Thomas M. Tracy, of Massachusetts.
Mrs. Joan L. Ward, of Ohio.
John William Warnock, Jr., of Ohio.
Keith W. Wheelock, of Maryland.
Theodore S. Wilkinson III, of the District of Columbia.
H. L. Dufour Woolfley, of Louisiana.
Warren Zimmermann, of the District of Columbia.

The following-named persons for appointment as Foreign Service officers of class 7, vice consuls of career, and secretaries in the diplomatic service of the United States of America:

Jack R. Binns, of Washington.
John S. Brims, of New Jersey.
Richard P. Draves, of New York.
Irving Lewis Fuller, Jr., of Virginia.
Marshall J. Jeannero, of Massachusetts.
Allan M. Parrent, of Kentucky.
David E. Zweifel, of Colorado.

The following-named persons for appointment as Foreign Service officers of class 8, vice consuls of career, and secretaries in the diplomatic service of the United States of America:

Adrian Anthony Basora, of the Commonwealth of Puerto Rico.
Richard W. Bogosian, of Massachusetts.
John Franklin Campbell, of California.
Daniel H. Clare III, of the District of Columbia.
Clarke N. Ellis, of California.
Donald C. Ellson, of Indiana.
William A. Garland, of Maryland.
Donald Furse Herr, of Ohio.
Richard Holbrooke, of New York.
Robert Onan Homme, of Minnesota.
Robert G. Houdek, of Illinois.
William A. K. Lake, of Connecticut.
Vladimir Lehovich, of New York.
William Harold Levit, Jr., of California.
David E. Long, of Florida.
Joseph Charles Luman, of Pennsylvania.
George R. Martens, of New York.
James Richard Matz, of Texas.
George E. Mercer, of Michigan.
Bradford William Miller, Jr., of New York.
Ronald Peter Myers, of Michigan.
Samuel R. Peale, of New York.
Miss Sarah I. Rowley, of Michigan.
John Todd Stewart, of California.
Michael Acton Taylor, of Indiana.
James W. Wheatley, of Tennessee.
James C. Whitlock, Jr., of North Carolina.

The following-named Foreign Service Reserve officers to be consuls of the United States of America:

Clarence E. Barbier, of Connecticut.
Thomas G. Charouhas, of California.
Ernest J. Colton, of Virginia.
David I. Hitchcock, Jr., of Connecticut.
William E. MacFarlane, of Virginia.
William B. Maillefert, of Connecticut.
Charles L. Medd, of New York.
Ralph H. Redford, of Utah.
Robert Reynolds, of California.
George Sekel, Jr., of Ohio.
David W. Smith, of Utah.
Marvin E. Taylor, of South Carolina.
Lewis C. Wendell, Jr., of New York.

James R. Ward, of Massachusetts, a Foreign Service Reserve officer, to be a consul and a secretary in the diplomatic service of the United States of America.

William T. Fowlkes, Jr., of Virginia, a Foreign Service Reserve officer, to be a vice consul and a secretary in the diplomatic service of the United States of America.

The following-named Foreign Service Reserve officers to be vice consuls of the United States of America:

Richard J. Allenbach, of California.
Donald E. Boyd, of Missouri.
Gerd Michael Eisenstadt, of New York.
George W. Ford II, of Maryland.
Robert E. Goodenough, of Indiana.
Robert F. Grealy, of Massachusetts.
Bill J. Houston, of Iowa.
Woodson K. Johnson, of Virginia.
Francis J. McArdle, of Georgia.
James J. Martin, of Virginia.
Michael T. F. Pistor, of New York.
Wayne W. Taylor, of California.

The following-named Foreign Service Reserve officers to be secretaries in the diplomatic service of the United States of America:

Henry F. Arnold, of New Jersey.
George L. Coale, Jr., of California.
J. Foster Collins, of Virginia.
Robert N. Crowell, of Nevada.
Alexander B. Daspit, of Louisiana.
John P. Dimmer, Jr., of Maine.
Edward C. Fenimore, of Maryland.
Edward J. Foy, Jr., of Texas.
Conrad E. LaGueux, of Rhode Island.
Mortimer C. Love, of Pennsylvania.
Robert E. McCoy, of Oregon.
John M. Mecklin, of New Hampshire.
Eric Neff, of the District of Columbia.
N. Paul Neilson, of Pennsylvania.
John P. Nevins, of Vermont.
William F. Roy, of Idaho.
Walter S. Snowdon, of New Jersey.
Nicholas G. W. Thorne, of Connecticut.
Charles S. Whitehurst, of Florida.

The following-named Foreign Service staff officers to be consuls of the United States of America.

Jean A. Graffis, of Virginia.
W. John Wilson, of California.

POSTMASTERS

The following-named persons to be postmasters:

ALABAMA

John W. Green, Jr., Banks, Ala., in place of D. G. Dorrill, retired.

Edwin E. Crowder, Warrior, Ala., in place of E. D. Jolly, retired.

CALIFORNIA

Maxine O. McCreary, Alderpoint, Calif., in place of M. M. Tibbitts, retired.

Yvonne R. Fletcher, Dunnigan, Calif., in place of D. N. Davis, deceased.

Ward A. Peart, Grimes, Calif., in place of Irene Beckley, retired.

Richard R. Mason, La Canada, Calif., in place of H. E. Cooper, retired.

Robert B. Wolley, Palmdale, Calif., in place of Genevieve Frahm, retired.

COLORADO

Fredda H. Mizner, Pine, Colo. Office established July 22, 1961.

FLORIDA

Ralph M. Miller, Gulf Breeze, Fla., in place of M. X. Benson, transferred.

Helen M. Holt, Longboat Key, Fla., in place of D. L. Williams, deceased.

IDAHO

Ella E. Johnson, Bovill, Idaho, in place of E. R. David, retired.

ILLINOIS

Lee Bush, Cambria, Ill., in place of Edmond Lovel, retired.

Leonard D. Wingo, Kenney, Ill., in place of Enid Trowbridge, retired.

INDIANA

Orian A. Karns, Coal City, Ind., in place of W. L. Wells, transferred.

Grover G. Phillips, Elnora, Ind., in place of E. D. Malone, retired.

Joseph A. Jones, Hillsdale, Ind., in place of L. J. Britton, deceased.

Dale R. Richardson, Monon, Ind., in place of W. S. Buss, retired.

Winfred H. Hartman, Monterey, Ind., in place of C. A. Good, retired.

Gerald J. Minderman, Vincennes, Ind., in place of J. B. Cogan, deceased.

IOWA

Florence K. Hamilton, Riverside, Iowa, in place of J. R. Shebek, retired.

KANSAS

Virgil S. McIntyre, Coldwater, Kans., in place of J. D. Vance, transferred.

C. Allen Houk, Moran, Kans., in place of F. M. McAdam, retired.

KENTUCKY

Freda L. Gooch, Kings Mountain, Ky., in place of W. B. Reynolds, deceased.

Pauline P. Terry, Upton, Ky., in place of H. B. Burks, retired.

LOUISIANA

Garnet M. Simoneaux, Allemands, La., in place of E. O. Broussard, retired.

MAINE

Erroll E. Grant, Abbot Village, Maine, in place of J. P. Morse, deceased.

George A. Haines, Easton, Maine, in place of M. A. Cahill, retired.

MARYLAND

Richard H. Bates, Branchville, Md., in place of F. K. Hazard, retired.

Virginia M. Goode, Marbury, Md., in place of L. S. Henderson, retired.

MASSACHUSETTS

Samuel A. Vinniti, Seekonk, Mass., in place of G. M. Olin, resigned.

MICHIGAN

Joseph M. Dean, Bad Axe, Mich., in place of H. L. Muchler, retired.

Alvin R. Wiler, Bronson, Mich., in place of C. C. Hollister, retired.

Mary E. Kurrle, Corunna, Mich., in place of Wynne Vanderkarr, removed.

Gerald E. Nopola, Covington, Mich., in place of Alma Hill, resigned.

MINNESOTA

Hugh D. Campbell, Bigfork, Minn., in place of F. E. Evensen, retired.

William R. Trebnick, Bovey, Minn., in place of E. F. Lerohl, retired.

Richard W. Foley, Bruno, Minn., in place of E. L. Domning, deceased.

Francis M. Wall, Cosmos, Minn., in place of D. W. Anderson, transferred.

Emil W. Lehman, Dodge Center, Minn., in place of J. H. Diercks, deceased.

Hardin H. Kindler, Lynd, Minn., in place of A. H. Roloff, retired.

Lyman C. Irrgang, Nicollet, Minn., in place of W. H. Gronholz, Jr., transferred.

Burnett H. Voss, Northfield, Minn., in place of C. C. Heibel, retired.

Elayne J. O'Brien, Pemberton, Minn., in place of G. R. Goodrich, transferred.

MISSISSIPPI

Beryl P. Kaigler, Fernwood, Miss., in place of T. L. Simpson, retired.

MISSOURI

Howard A. Cates, Noel, Mo., in place of K. H. Perry, removed.

Calvin F. Schmille, Westboro, Mo., in place of B. E. Tucker, retired.

MONTANA

Dale Bond, Brockway, Mont., in place of A. L. Bond, retired.

NEBRASKA

James C. Bryant, Ashland, Nebr., in place of B. E. Kammerer, retired.

Emanuel Roth, Gering, Nebr., in place of F. H. Walters, retired.

Elsie A. Baxa, Western, Nebr., in place of C. S. Haddix, transferred.

NEW MEXICO

Laudente T. Quintana, Wagon Mound, N. Mex., in place of H. M. Vigil, transferred.

NEW YORK

Michael Pokitko, Burt, N.Y., in place of C. W. Rentschler, retired.

Robert L. Steere, Falconer, N.Y., in place of S. G. Peterson, deceased.

Edward C. Lavery, Geneseo, N.Y., in place of C. G. Dwyer, retired.

Betty M. Tyrrell, Severance, N.Y., in place of H. V. Tyrrell, retired.

NORTH CAROLINA

Anne U. Gordon, Browns Summit, N.C., in place of M. G. Bishop, retired.

Herbert B. Edgerton, Goldsboro, N.C., in place of L. P. Gardner, deceased.

John H. Sampson, Pembroke, N.C., in place of J. R. Lowry, retired.

Ray V. Garris, Jr., Roaring River, N.C., in place of Bessie Caudill, retired.

William A. Lattimore, Shelby, N.C., in place of R. M. Laughridge, deceased.

Niels Jorgensen, Southport, N.C., in place of J. B. Russ, removed.

Bruce N. Conyers, Wilson, N.C., in place of G. T. Fulghum, retired.

NORTH DAKOTA

Harold I. Iverson, Sawyer N. Dak., in place of M. M. Sillman, retired.

OHIO

William L. Friece, New Holland, Ohio, in place of C. W. Briggs, deceased.

OKLAHOMA

Freddie C. Mittelstet, Aline, Okla., in place of G. E. Gilmore, retired.

Evelyn D. Hutchison, Choctaw, Okla., in place of G. M. Cunningham, retired.

Ethel F. Smyth, Okemah, Okla., in place of J. W. Smyth, deceased.

E. Taylor Lain, Ponca City, Okla., in place of J. G. Maddox, retired.

William J. Foley, Pondcreek, Okla., in place of E. M. Light, deceased.

OREGON

Lawrence J. Armbrust, Creswell, Ore., in place of W. W. Lower, retired.

Ray E. Shaw, Junction City, Ore., in place of I. R. Howard, retired.

PENNSYLVANIA

Charles H. Heffner, Arendtsville, Pa., in place of W. A. Raffensperger, retired.

Charles H. Gough, Ashland, Pa., in place of H. J. Betz, deceased.

Harry D. Hess, Bangor, Pa., in place of A. R. Cramer, retired.

Jack A. Lanager, Clearfield, Pa., in place of A. R. Hinkle, retired.

Derry A. Miller, Clearville, Pa., in place of Marshall Troutman, retired.

E. Eugene Gemill, Dallastown, Pa., in place of C. V. B. Daugherty, resigned.

Ruth M. Rosencrance, Greeley, Pa., in place of E. L. Rosencrance, resigned.

Margaret J. Knight, Industry, Pa., in place of A. W. Ewing, retired.

Merle C. Bamat, Lanse, Pa., in place of Adolph Johnson, retired.

Horace F. Vasellas, Red Lion, Pa., in place of C. F. McGuigan, resigned.

Agnes K. Timko, Windber, Pa., in place of C. W. Baumgardner, deceased.

SOUTH DAKOTA

Clarence O. Opsahl, Pierpont, S. Dak., in place of O. R. Otis, retired.

TENNESSEE

Robert F. Sexton, Dover, Tenn., in place of G. W. Sexton, resigned.

Edward A. Marrs, Loudon, Tenn., in place of J. W. Simpson, retired.

TEXAS

Harbert S. Byers, Celeste, Tex., in place of S. M. Compton, retired.

Ernest L. Davis, Dimmitt, Tex., in place of T. F. Bice, retired.

J. Hayes Johnson, Jr., Mount Pleasant, Tex., in place of A. B. Gilpin, deceased.

Spencer C. Beavers, Jr., Muleshoe, Tex., in place of A. J. Gardner, transferred.

Floyd R. Fuqua, Paradise, Tex., in place of J. J. Barnett, retired.

Norma G. Skinner, Port Aransas, Tex., in place of E. C. Dallas, deceased.

George W. Finch, San Benito, Tex., in place of A. M. Bowie, retired.

Venita F. Jobe, Saragosa, Tex., in place of Wynn Hamilton, retired.

Marvin G. Handrick, Thorndale, Tex., in place of F. H. Pearce, Sr., deceased.

VERMONT

Catherine M. Dailey, Hartford, Vt., in place of M. A. Dailey, retired.

VIRGINIA

Alma L. Nethers, Amissville, Va., in place of E. C. Cooksey, retired.

Glenn T. Litton, Dante, Va., in place of R. S. Griffith, Jr., resigned.

Larry S. Powell, Stanardsville, Va., in place of E. L. Southard, retired.

WASHINGTON

Kenneth D. Crofoot, Riverside, Wash., in place of A. J. Dickinson, retired.

WEST VIRGINIA

Margaret F. Hawks, Page, W. Va., in place of V. T. Bailey, resigned.

WYOMING

Orville E. Haney, Frannie, Wyo., in place of Warren Clark, deceased.

SENATE

WEDNESDAY, AUGUST 22, 1962

The Senate met at 11 o'clock a.m., and was called to order by the Vice President.

Rabbi Morris Pickholz, Congregation B'nai Jeshurum Ahavas Chesed, Philadelphia, Pa., offered the following prayer:

O Lord, Thou who created this world out of chaos, established law and order in the heavenly bodies, and granted man the ability to continue Thy work by creating law and order in human affairs.

Our Founding Fathers who fashioned this august body did so in the noblest tradition of creation. Theirs was the vision that enabled this body to keep our country true to the principles of justice and morality.

Endow, therefore, we pray Thee, Thy servants who minister here, with wisdom and understanding, so that our great land may continue to enjoy the fruits of their labors.

Living in an era fraught with danger and possessing the destructive force to return this world to chaos, we realize, more than ever, how dependent we are upon Thee.

Inspire in those who serve here courage and dedication, so that their counsel and deeds will bring only peace and happiness to us. May our country always remain a beacon of strength and hope to all the nations of the world. Amen.

THE JOURNAL

On request of Mr. HUMPHREY, and by unanimous consent, the reading of the Journal of the proceedings of Tuesday, August 21, 1962, was dispensed with.

REPORT OF A COMMITTEE SUBMITTED DURING ADJOURNMENT

Under authority of the order of the Senate of August 21, 1962,

Mr. EASTLAND, from the Committee on the Judiciary, reported additional amendments of the Committee on the Judiciary to the bill (S. 1552) to amend and supplement the antitrust laws with respect to the manufacture and distribution of drugs, and for other purposes, and submitted a report thereon (pt. 2 of Rept. No. 1744), which was printed.

MESSAGES FROM THE PRESIDENT—APPROVAL OF BILLS

Messages in writing from the President of the United States were communicated to the Senate by Mr. Miller, one of his secretaries, and he announced that on August 20, 1962, the President had approved and signed the following acts:

S. 1174. An act for the relief of Dr. Kwan Ho Lee;

S. 2135. An act to authorize the Securities and Exchange Commission to delegate certain functions;

S. 2455. An act for the relief of Mrs. Elizabeth Lovic; and

S. 2675. An act for the relief of Yiannoula Vasiliou Tsambiras.

EXECUTIVE MESSAGE REFERRED

As in executive session,

The VICE PRESIDENT laid before the Senate a message from the President of the United States submitting the nomination of Tom Killefer, of Virginia, to be Executive Director of the Inter-American Development Bank, which was referred to the Committee on Foreign Relations.

LIMITATION OF DEBATE DURING MORNING HOUR

On request of Mr. HUMPHREY, and by unanimous consent, statements during the morning hour were ordered limited to 3 minutes.

COMMITTEE MEETING DURING SENATE SESSION

Mr. HUMPHREY. Mr. President, I ask unanimous consent that the permanent Subcommittee on Investigations, of the Committee on Government Operations, be permitted to sit during the session of the Senate today.

The VICE PRESIDENT. Without objection, it is so ordered.

OBJECTION BY SENATOR MORSE TO MEETING OF FOREIGN RELATIONS COMMITTEE DURING SENATE SESSION—OBJECTION TO CERTAIN BILLS FAVORED BY STATE DEPARTMENT

Mr. MORSE. Mr. President, I have not yet heard any request that the Foreign Relations Committee has permission to meet while the Senate is in session; but I wish to register an objection, in case such a request is made.

I have just come from the Foreign Relations Committee, where I have listened to representatives of the State Department again try to rationalize a series of bills involving dipping into the funds of the taxpayers of the Nation to the extent of a good many thousands of dollars, in the dying days of this session of Congress. I wish to make very clear to my colleagues on that committee that I shall oppose those bills unless the State Department files with the committee adequate memorandums in justification of the bills—something the State Department has not done thus far. Yesterday afternoon, I so notified the Secretary of State.

I do not propose to be guilty of voting in the closing days of this session to be in favor of the continued waste of thousands of dollars abroad just because the State Department seems to think the Treasury of the United States is a bottomless pit.

I warn the Senate that the time has come to put the brakes on the State Department in connection with its proposals to slip these bills through the Congress, in the closing days of this session, without adequate debate on them in the committee.

Furthermore, I object to having the Foreign Relations Committee bring to the floor of the Senate any bill which has not been debated in executive session in that committee; and I object to having the Foreign Relations Committee send to the floor of the Senate any bill under a polling system, when members of the committee know that I have strenuous objections—and I am not alone in that respect in the committee—to these State Department bills. We request our minority rights, at least, if any are left in the Senate, to debate and discuss these bills in executive session in the Foreign Relations Committee, and not have them handled by a polling process, which denies protection of minority rights here in the Senate.

EXECUTIVE COMMUNICATIONS, ETC.

The VICE PRESIDENT laid before the Senate the following letters, which were referred as indicated:

Report on Reconstruction Finance Corporation Liquidation Fund

A letter from the Secretary of the Treasury, transmitting, pursuant to law, a report on the Reconstruction Finance Corporation liquidation fund, for the quarter ended June 30, 1962 (with an accompanying report); to the Committee on Banking and Currency.

Report on Aviation War Risk Insurance

A letter from the Secretary of Commerce, transmitting, pursuant to law, a report on aviation war risk insurance, as of June 30, 1962 (with an accompanying report); to the Committee on Commerce.

Report on Fiscal Operations of the United Nations

A letter from the Secretary of State, transmitting, for the information of the Senate, a report on the fiscal operations of the United Nations (with an accompanying report); to the Committee on Foreign Relations.

Report on Scientific Research Grants

A letter from the Secretary of Commerce, transmitting, pursuant to law, a report on scientific research grants, for the fiscal year 1962 (with an accompanying report); to the Committee on Government Operations.

Report on Grant Under Authority of Public Law 85–934

A letter from the Deputy Director, Central Intelligence Agency, Washington, D.C., reporting, pursuant to law, on a grant made to Georgetown University under authority of Public Law 85–934, during fiscal year 1962; to the Committee on Government Operations.

Report on Review of Apportionments of Federal-Aid Highway Funds, Bureau of Public Roads

A letter from the Comptroller General of the United States, transmitting, pursuant to law, a report on the review of apportionments of Federal-aid highway funds, Bureau of Public Roads, Department of Commerce, for fiscal years 1956–63 (with an accompanying report); to the Committee on Government Operations.

Report on Review of Planning for Automatic Data Processing Equipment, Washington, D.C., Regional Office, General Services Administration

A letter from the Comptroller General of the United States, transmitting, pursuant to law, a report on the review of planning for automatic data processing equipment, Washington, D.C., regional office, General Services Administration, October 1961 (with an accompanying report); to the Committee on Government Operations.

Report on Examination of Pricing of Certain Repair Parts Under Department of the Navy Contract With Ford Instrument Co., Long Island City, N.Y.

A letter from the Comptroller General of the United States, transmitting, pursuant to law, a report on the examination of the pricing of repair parts for Mk 118 and Mk 119 computers under Department of the Navy fixed-price incentive contract NOrd–17812 with Ford Instrument Co., division of Sperry Rand Corp., Long Island City, N.Y., dated August 1962 (with an accompanying report); to the Committee on Government Operations.

Proposed Concession Contract at Carter Barron Amphitheater, District of Columbia

A letter from the Assistant Secretary of the Interior, transmitting, pursuant to law, a proposed concession contract at the Carter Barron Amphitheater in Rock Creek Park, District of Columbia (with accompanying papers); to the Committee on Interior and Insular Affairs.

Report on Tort Claims Paid by Central Intelligence Agency

A letter from the Deputy Director, Central Intelligence Agency, Washington, D.C., reporting, pursuant to law, on tort claims paid by that Agency, for the fiscal year 1962; to the Committee on the Judiciary.

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. HILL, from the Committee on Labor and Public Welfare, without amendment:

S. 3318. A bill to provide medical care for certain Coast and Geodetic Survey retired ships' officers and crewmembers and their dependents, and for other purposes (Rept. No. 1904);

S. 3319. A bill to extend to certain employees in the Trust Territory of the Pacific Islands the benefits of the Federal Employees' Compensation Act (Rept. No. 1906); and

H.R. 10541. An act to assist States and communities to carry out intensive vaccination programs designed to protect their populations, particularly all preschool children, against poliomyelitis, diphtheria, whooping cough, and tetanus (Rept. No. 1907).

By Mr. RUSSELL, from the Committee on Appropriations, with amendments:

H.R. 12648. An act making appropriations for the Department of Agriculture and related agencies for the fiscal year ending June 30, 1963, and for other purposes (Rept. No. 1908).

By Mr. CHAVEZ, from the Committee on Public Works, without amendment:

H.R. 5604. An act to amend the acts of May 21, 1926, and January 25, 1927, relating to the construction of certain bridges across the Delaware River, so as to authorize the use of certain funds acquired by the owners of such bridges for purposes not directly related to the maintenance and operation of such bridges and their approaches (Rept. No. 1909).

CONTROL OF DENTAL DISEASES—REPORT OF A COMMITTEE—MINORITY VIEWS (S. REPT. NO. 1905)

Mr. HILL. Mr. President, from the Committee on Labor and Public Welfare, I report favorably, with amendments, the bill (S. 917) to amend section 314 of the Public Health Service Act to provide a grant program for the prevention and control of dental diseases, and for other purposes, and I submit a report thereon, together with the minority views of the Senator from Arizona [Mr. Goldwater], and the Senator from Texas [Mr. Tower].

The VICE PRESIDENT. The report will be received, and the bill will be placed on the calendar.

Mr. MANSFIELD subsequently said: Mr. President, I ask unanimous consent that the minority views accompanying the report on Senate bill 917 be printed with the report.

The VICE PRESIDENT. Without objection, it is so ordered.

BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. CHAVEZ:

S. 3663. A bill for the relief of Ahmad Farshtchi; to the Committee on the Judiciary.

By Mrs. SMITH of Maine:

S. 3664. A bill to amend title 10, United States Code, to exempt certain reservists retired for physical disability from the dual compensation restrictions of the Economy Act of 1932; to the Committee on Armed Services.

By Mr. SMATHERS:

S. 3665. A bill to provide for the sale of certain reserved mineral interests of the United States in certain real property owned by Jack D. Wishart and Juanita H. Wishart; to the Committee on Interior and Insular Affairs.

By Mr. BUSH:

S. 3666. A bill for the relief of Mrs. Giuseppa Rafala Monarca; to the Committee on the Judiciary.

By Mr. LONG of Missouri (for himself and Mr. Symington):

S. 3667. A bill to authorize the Secretary of Agriculture to accord fair and equitable treatment to producers who, while participating in the special wheat program for 1962 or the special feed grain program for 1961 or 1962, relied upon the erroneous advice of authorized representatives of the Secretary; to the Committee on Agriculture and Forestry.

(See the remarks of Mr. Long of Missouri when he introduced the above bill, which appear under a separate heading.)

EQUITABLE TREATMENT FOR CERTAIN PRODUCERS OF WHEAT

Mr. LONG of Missouri. Mr. President, the Congress enacted the 1961 emergency feed grain program early in the opening session of this Congress to cope with surpluses of feed grains accumulated through several years of experience under the 1958 Agricultural Act. This legislation was signed by the President on March 22, 1961. The Department of Agriculture moved immediately under the direction of Secretary Freeman to present the new program to producers. Meetings were held in Omaha on March 23, in Denver on March 24, and in Atlanta on March 27, 1961. These dates are cited to show that the Department moved immediately to work out the details of the program with producers in the very short time existing before the planting of 1961 feed grain crops. As a matter of fact, some grain was planted in the southern areas of the United States at that time, but field personnel of the Department and farmers made every effort to put the program in operation.

Producers responded with sincere interest in a program that would curtail production and reduce the costs to the U.S. taxpayers for the storing of burdensome grain surpluses.

Since it was necessary to establish county and individual farm base acreages and yields very quickly to implement this program, there were a few instances of unavoidable error in the clerical work in the ASC county offices. Because a few of these errors which were made resulted in erroneous notification to producers regarding their permitted acreages, yields, and the amounts of their payments to be earned by compliance with the program, it is plainly unfair to expect producers to refund the relatively small amounts of money that may have been overpaid to them through no fault of the operator, and honest unavoidable error on the part of Government personnel.

The same situation holds true for the wheat and feed grain programs provided in the Agriculture Act of 1961.

Therefore, on behalf of myself and my colleague, the senior Senator from Missouri [Mr. Symington], I introduce, for appropriate reference, a bill to authorize the Secretary of Agriculture to accord fair and equitable treatment to producers who, while participating in the special wheat program for 1962 or the special feed grain program for 1961 or 1962, relied upon the erroneous advice of authorized representatives of the Secretary.

This bill authorizes the Secretary of Agriculture, in accordance with such regulations as he may develop, to permit those payments to stand that were or are yet to be made to producers who complied in good faith and in reliance upon action or advice of an authorized representative of the Secretary.

Similar legislative action was taken to correct erroneous actions connected with the administration of the soil bank program.

I urge speedy action on the part of the Senate to protect a small number of producers who will be unjustly treated under current legislative authority without this remedial action.

The VICE PRESIDENT. The bill will be received and appropriately referred.

The bill (S. 3667) to authorize the Secretary of Agriculture to accord fair and equitable treatment to producers who, while participating in the special wheat program for 1962 or the special feed grain program for 1961 or 1962, relied upon the erroneous advice of authorized representatives of the Secretary, introduced by Mr. Long of Missouri (for himself and Mr. Symington), was received, read twice by its title, and referred to the Committee on Agriculture and Forestry.

DRUG INDUSTRY ANTITRUST ACT—AMENDMENTS

Mr. CARROLL submitted amendments, intended to be proposed by him, to the bill (S. 1552) to amend and supplement the antitrust laws with respect to the manufacture and distribution of drugs, and for other purposes, which were ordered to lie on the table and to be printed.

Mr. JAVITS submitted amendments, intended to be proposed by him, to the additional amendments reported by the Committee on the Judiciary to Senate bill 1552, supra, which were ordered to lie on the table and to be printed.

NOTICE OF PUBLIC HEARINGS ON S. 2225, S. 2639, AND H.R. 12513

Mr. McCLELLAN. Mr. President, as chairman of the standing Subcommittee on Patents, Trademarks, and Copyrights of the Committee on the Judiciary, I wish to announce that the subcommittee has scheduled public hearings on S. 2225, a bill to fix the fees payable to the Patent Office; S. 2639, to amend the United States Code relating to the oath of applicant for patent and to certification by applicant of application for trademark registration; and H.R. 12513, to provide for public notice of settlements in patent interferences, and for other purposes.

The hearings will commence on Tuesday, September 4, 1962, at 10 a.m., in room 2228, New Senate Office Building.

Anyone wishing to testify or file a statement for the record should communicate immediately with the office of the Senate Patents, Trademarks, and Copyrights Subcommittee, room 349A, Senate Office Building, Washington 25, D.C., telephone CA 4-3121, or Government Code 180, extension 2268.

The subcommittee consists of the Senator from South Carolina [Mr. Johnston], the Senator from Michigan [Mr. Hart], the Senator from Tennessee [Mr. Kefauver], the Senator from Wisconsin [Mr. Wiley], the Senator from Pennsylvania [Mr. Scott], and myself, as chairman.

TRIBUTE TO SENATOR FONG

Mr. DIRKSEN. Mr. President, I wish to observe that there is a Member of this body who very richly and completely symbolizes the whole story of America and its opportunities. His name is Hiram Fong. When he was 4 years old he was a beanpicker in the beanfields of Hawaii. Today he is a Member of the U.S. Senate. But, Mr. President, more than that, he has been an outstandingly successful lawyer and an extremely successful businessman. If that does not exemplify the Horatio Alger spirit, then I have never seen it symbolized in the whole history of our country. It makes a fascinating story.

For that reason, Mr. President, it ought to have more currency; and, therefore, I ask unanimous consent to have printed in the Record, as part of my remarks, an article written by Willard Edwards, and published in the Chicago Tribune on August 19, 1962.

There being no objection, the article was ordered to be printed in the Record, as follows:

Tribute to Senator Fong

(By Willard Edwards)

"No matter what we do here in the Senate, tomorrow the sun will rise, the rivers flow, the birds sing."—Senator Hiram L. Fong, Republican, Hawaii.

Washington, August 18.—He was born Ah Leong Fong, the seventh child of an immigrant Chinese laborer, in a tough slum district of Honolulu.

At the age of 4, he toddled into the fields and picked beans, collecting his first wages, 10 cents per 100-pound sack.

A half century later, Hiram L. Fong sits in the U.S. Senate, the first American of Asian ancestry to be elected to that body. He is an attorney and businessman of large interests, president of a Hawaiian corporation with $35 million in assets.

LOWLIEST START OF ALL

There are a number of Senators who have risen from poverty to political prestige and wealth. None of them started with fewer prospects of reaching such goals than the senior Senator from Hawaii.

He reclined in his seat this week, placidly watching the antics of a small group of Democrats whose filibustering tactics were threatening to paralyze Congress. As is often the case, he refrained from the debate. When the time came, he quietly voted with two-thirds of his colleagues to close the mouths of the windy orators and then went back to his office to get some work done.

Next Friday, Fong will have served in the Senate 3 years. He is one of the large group of Senators who rarely see their names in newspaper print outside the borders of the States they represent.

There was a brief flurry of publicity in 1959 when Fong, a Republican, and Oren E. Long, a Democrat, became the first Senators from the 50th State. They drew lots and Fong became the senior Senator, serving a 6-year term. Long became the junior Senator limited to a 4-year term.

OVERLOOKED ON MAINLAND

Then Fong retired into the semiobscurity which is the lot of two-thirds of the Senate while the headline-hunters grab the publicity. Hawaiian newspapers report his activities fully but the mainland press knows him not.

This is unfortunate because to one-third of the entire world's population the presence of Fong as a Member of the Nation's greatest deliberative body is vitally significant. He is living proof to Asians that the free elective system in the United States permits elevation to high office regardless of race, creed, color, or humble origin.

The greatest potential threat to future world peace, in the opinion of Fong and many competent observers, lies in Red China. Communist propaganda in the Far East against the American system falters in confronting the fact that a Senator of Chinese parentage, representing a small island State, enjoys the same authority and voting power as a Senator from the greatest and most powerful of the 50 States.

PERSONALITY EMERGES

Fong is fully aware of his responsibility as a link between East and West. He has devoted himself to awakening Americans to the portents of the trend of history in the Far East.

"It may be in the East that our future is forged," he says. "Here is located the new heart and core of our continuing global struggle for freedom. The Far East is a fantastic area and one that is still too little known to us."

It takes some digging but a remarkable personality lurks beneath the bland and amiable surface of this son of the Orient. It emerged under questioning.

A BIT OF HAWAII

He has a good-humored fatalism about life's misfortunes, believing they often disguise blessings. A political defeat, for example, turned his attention to business and he became a millionaire. Then, returning to politics, he achieved one of the highest offices in the land.

"If I walk across this office and stub my toe painfully," he remarked, "I don't swear. I consider the fact that if I had walked another yard, I might have fallen and broken my neck."

His career is evidence of a burning ambition and energy but he is utterly relaxed. This lack of tension is contagious. Serenity is the keynote in operations of his staff. There is none of the noise and bustle, the mad clatter of typewriters, the rushing about which are typical in many Senate offices.

The visitor finds a flaming red hibiscus decorating the entrance door. Inside, there are more flowers and gay prints on the walls and smiles of welcome. "A bit of Hawaii transplanted to the United States," was the way one worker described it.

This restful atmosphere was somewhat misleading. Everyone was busy. The Senator, for example, was hard to pin down for a talk of some length. One appointment had to be canceled because he was tied up in committee work. He works long hours and expects his staff to do the same. He confessed, ruefully, that he had little time for "socializing" in Washington.

DOESN'T EXPECT TOO MUCH

"There is so much going on," he commented, "that one of the first things I learned is that tremendous faith has to be placed in your colleagues. Each Senator must become an expert in certain subjects and rely upon others for advice on those subjects which he cannot probe fully. He would go crazy trying to acquaint himself with all legislation. It would require a 96-hour day."

His sense of fatalism has led him not to expect too much.

His father was born in Kwantung Province, China, migrated to Hawaii and became an indentured sugar plantation worker at $12 a month before he was graduated to employment at $90 a month in a fertilizer factory in Honolulu. His mother, also born in China, became an unpaid bond servant to a Honolulu family. Their marriage was arranged by a matchmaker and they first met on the day of the wedding.

"There were 11 children and we all had to work hard to live."

AN ORATOR IN SCHOOL

"I picked beans at the age of 4. At 6 and 7, I shined shoes on the streets of Honolulu. I collected and sold crabs. Later, I caddied for 25 cents a nine-hole round and on a big Sunday I would make $1.50. That was half what my father earned for a full day's work."

There was a Congregational Church near the Fong home and the small Chinese boy joined it. He changed his first name to Hiram in honor of Hiram Bingham, New England missionary who had come to Hawaii in 1820.

In school, he jumped two grades, compressing the eight elementary grades into 6 years. In high school, he became known as an orator and made the honor list.

At the University of Hawaii (where he finished a 4-year course in 3 years), Fong was introduced to politics. Sheriff Pat Gleason wanted a college boy orator to extol him during a campaign. Fong, a freshman, took the job and was such a success that in his senior year he was performing the same service for Mayor Fred Wright.

GETS INTO HARVARD

"Both won and both were Republicans and so I fell into the Republican Party," said Fong, grinning.

He had set his heart on becoming a lawyer. Harvard Law School, to which he aspired, raised its eyebrows at the application from a faraway and unaccredited university but finally agreed to accept him if he made the upper 10 percent of his classes. That was a breeze for Fong who was still holding several jobs outside of school.

After 3 years of law practice, he ran for the Hawaiian House of Representatives. Eventually, he became speaker of the house.

"I believed I had reached the ultimate—there was nothing left for me in politics," he said. "Then, after 14 years I was defeated. I was kicked out but it was a kick upstairs. I devoted full time to business and law. I established an international law firm—two Americans of Japanese ancestry, one Korean, three of Chinese ancestry, and one Caucasian Hawaiian. We did pretty well."

BUILDING $116 MILLION CITY

He also founded Finance Factors, Ltd., which has a family of companies dealing in industrial loans, real estate, and insurance. He operates a banana farm, and raises cattle, avocadoes, lichee nuts, and mangoes.

He is building a new city on the leeward side of the island of Oahu, which will have 5,000 homes and a total investment of $116 million.

DULLES INTERNATIONAL AIRPORT

Mr. BEALL. Mr. President, once again the news media of this area are devoting considerable attention to the problems connected with air service for the Baltimore-Washington region, and once again our attention is being focused on one of the Nation's foremost examples of runaway spending. I refer, of course, to Dulles International Airport, at Chantilly, Va. Seldom in almost 20 years of service on Capitol Hill have I seen such a fiasco. In the first place, Mr. President, there was absolutely no need to build a facility at Chantilly to serve Washington, when at an equal distance away was Friendship International Airport, already built, accessible, modern, and capable of being expanded. But that is now water over a dam which proved it simply could not hold back the high-pressure flow of free spending. Dulles is now a fact. It is with us, like it or not. And soon it will be in business.

Our problem now, Mr. President, is to see that this federally conceived, federally planned, federally financed, and federally constructed boondoggle does not compete unfairly with the airport which is currently providing jet and other accommodations for this entire area—Friendship International Airport. Some indication of the ruthless manner in which those responsible for Dulles have promoted their project can be gained by studying the appropriations for the airport. In the initial stages of the planning for Dulles, advocates of the project estimated that it might cost as much as $25 million. Today, Mr. President, this $25 million has grown to $106 million, and the latter amount does not include funds for a sewage project and for a highway right-of-way.

Unless something is done, Mr. President, the taxpayers of this Nation will eventually be saddled with a bill for more than $150 million for the Chantilly shenanigans, and even this might be a conservative estimate.

Even more serious than the lavish expenditures being made to give Dulles an unfair advantage over its competitor is the fact that its administration is directly under the control of the man responsible for regulating the very airlines which will have to make a choice as to whether to use Dulles or Friendship. This man is the Administrator of the Federal Aviation Agency, and it is my opinion that it is impossible for him to wear the two hats of airport promoter and impartial aviation regulator at the same time.

Because of this situation, I have introduced a bill, S. 2969, "to transfer certain administrative responsibility for the operation of Washington National Airport and Dulles International Airport from the Administrator of the Federal Aviation Agency to a Washington Airports Board." This proposed legislation is now pending before the Senate Committee on Commerce, and it is my hope that we shall be able to obtain prompt and favorable action on it before we adjourn.

We cannot right the wrong that was done when Dulles was constructed, Mr. President. We can, and must, take action to see that the giant is held in check insofar as possible.

INVITATION TO HEAR EXPLANATION OF FOREIGN TRADE BILL ON TUESDAY AT 4:30 P.M.

Mr. MORSE. Mr. President, this morning each Member of the Senate received from me an invitation to attend a coffee and tea hour at 4:30, next Tuesday, in the new conference and reception room. No liquor will be served.

The purpose of the meeting is to hear a briefing on the foreign trade bill by a member of the administration whom I have heard present the best explanation and case for the administration's bill that I have yet heard—the Deputy Assistant Secretary of Commerce, Mr. Peter Jones. The briefing I heard him give some weeks ago so impressed me that I asked him if he would be willing to attend a little coffee hour, which I would be glad to arrange, so that any of my colleagues who might wish to come to the briefing could have the benefit of his enlightening discussion of the bill.

Mr. Jones is aware that he still has to convince me about certain sections of the bill; but I can be convinced if the facts warrant it.

It is in dead seriousness that I issue this invitation to my colleagues, because those who can come ought to take advantage of hearing the briefing on the foreign trade bill. It will be at my request. I think Secretary Jones is in such a position that he could not very well refuse me. On the other hand, he will be very happy to take the opportunity to oblige us in regard to the matter. All I ask is that when Senators receive my letter of invitation, they respond to my secretary by Tuesday noon next, so we can make the necessary refreshment plans for the meeting.

THE RESPONSIBILITIES OF PRIVATE INITIATIVE IN LATIN AMERICA

Mr. HUMPHREY. Mr. President, it is gratifying to note the progressive, enlightened attitude being frequently displayed by our businessmen throughout Latin America. On many occasions I have spoken of the need to foster free enterprise and private American investment in the underdeveloped countries. If American investors are going to forge ahead in Latin America, it axiomatic that they will have to identify their just strivings for economic success—for profits, in other words—with the pressing human needs of the people affected by their activities.

As an example of what I mean, I am pleased to share with Senators an address delivered on July 18 to the American Chamber of Commerce of the Dominican Republic by Mr. L. J. Brewer, president of Esso Standard Oil S.A., Ltd.

In this address Mr. Brewer stresses the social responsibilities of business, and the fact that widespread ownership—that is, stock distributed among a large number of shareholders—has changed the face of corporate business in the United States. This means, in Mr. Brewer's words, that—

> The managers of an international company such as ours have ceased to be the owners, as was frequently the case in the last century. They are now professional managers trained for the job over many years. Most managers of the international companies of today started at the bottom and worked their way up through the organization by the democratic process of ability alone.

Even more important, however, is Mr. Brewer's frank statement that "Business managements of today must take an active interest in the welfare of their nation." Business, he points out, has a responsibility for the economic wellbeing of the communities in which it operates. It has a responsibility for the education of the youth in those communities. It has a responsibility to encourage the development of skills and knowledge among people who in time will determine the ultimate success or failure of a given business or free enterprise. I particularly commend the action taken by one of Mr. Brewer's companies in Central America in establishing a loan fund for the benefit of local 4-H Club members. Similarly, his idea of a junior achievement program would, if carried out, help to meet one of the greatest needs of the Latin American working population: its chronic lack of opportunity.

Mr. President, these are examples—admittedly small in scope, but nevertheless highly indicative—of an attitude which could do wonders in establishing the right image of American business in Latin America and other depressed areas of the world.

I ask unanimous consent that the text of the address by Mr. Brewer be printed at this point in my remarks.

There being no objection, the address was ordered to be printed in the RECORD, as follows:

The Responsibilities of Private Initiative

(By L. J. Brewer)

It is a special honor for me to be invited to speak to you this afternoon. I mean this in a much deeper sense than merely as an opening remark for a speech. It is truly an honor for me to be here before you because I believe that you gentlemen, who represent an important segment of the Dominican Republic, are embarked upon a great and historic mission.

In your hands, as in those of your country's political and social leaders, lies the responsibility of guiding this reborn nation into a future of democratic freedom and human dignity.

When I think of this task—this opportunity—that lies before you, I am reminded of the early days of democracy in my own country. Although the times and the circumstances are different, the aims and aspirations of the people of those days resemble the aims and aspirations that today motivate the people of the Dominican Republic. Desires for individual liberty and human dignity inspired the people of North America two centuries ago as today these same powerful forces inspire the people of the Dominican Republic.

Indeed, these same desires are much in evidence in many places of the world today as newly created nations emerge from long, melancholy histories of dependency in one form or another. Three-quarters of the human race are now engaged in a revolutionary social and economic upheaval as emerging nations discard the patterns of the past and aspire to a sovereign position among the free nations of the modern world. For many of these nations, hindered by static agriculture, limited resources, and lack of experience, the role is a difficult one.

Fortunately, the Dominican Republic has advantages that these other nations do not have. Yours is richly endowed with a large land area to be developed. You have a common language and heritage, a common desire and determination to build a vital and prosperous nation. Yours is a bright future, near at hand.

I need not dwell at length on your problems, for you know them better than I do. Faced with unemployment and underemployment, the Dominican Republic must accelerate its rate of economic growth. This requires capital, both domestic and foreign, in order to get the economic machine moving forward.

You have the problem of education, not only for your children, but also for the people who man your farms, machines, and offices. There is a particular need to enlarge the reservoir of skilled workers, technicians, business supervisors, and managers, for without these people, their trained hands and trained minds, even the best machine will fail to function.

You have, of course, the problem of peaceful transition into a sovereign, democratic state. The healthy economic growth of the country will make this task easier for, as the Communists so well know, democracy flounders on economic stagnation, poverty, and ignorance. I am fully confident that this transition will be accomplished and that the people of the Dominican Republic in the years ahead will rule this proud nation through their democratically elected leaders.

One of the reasons for my confidence is that the people of the Dominican Republic today are politically conscious. Having won their freedom, they are not prone to lose it. In an atmosphere such as this, where the population at all levels is aware of its new freedom and dignity, democracy will prevail.

Democracy will prevail, I believe, only if the people continue to exercise their political responsibility. No segment of the population, and especially the business sector, can afford to abdicate its democratic role in the nation's affairs. We have seen examples in other parts of the world where political freedom has been lost either because of the lack of political maturity on the part of the people or because they failed to take sufficient interest in the affairs of their nation.

The Dominican Republic is bent on a new and different course. It can look forward to a different life—one of abundance—in freedom. The eyes of the world are upon you. Yours will be an example for others to follow. This is a great opportunity, and a great challenge.

My associates and I look forward to realizing this opportunity and meeting this challenge together with you of the business community.

We in my company have been among you for more than 40 years. We have shared your problems of the past. We anticipate our role with you in the future economic and social development of the nation.

For those of you who may not know us, I would like to offer a brief introduction. Our company—Esso Standard Oil S.A., Ltd.—refines, markets, and transports petroleum products throughout the Caribbean and in Central America and Panama.

Our company is an affiliate of Standard Oil Co. (New Jersey) which has other affiliates in all parts of the free world. We all have available to us the facilities of the most advanced petroleum research organization in the world, and the services and assistance of skilled technicians from this and other groups.

It is our philosophy and intent to be an example of a modern progressive, efficient business organization, with a deep respect for individual rights and human dignity.

I would like to dwell for a moment on this matter of a business philosophy because it is a subject of great concern to the management of our own company. In the past 20 years there has been a significant development in the North American business community which is reflected in the oversea branches of its corporations. This has been an evolution in the outlook of our larger business enterprises, a growth toward greater social maturity and responsibility.

The nature and extent of this emerging role and responsibility of the business community are little understood today by the general public. In contemporary democratic society, people are free to act on the basis of what they believe. If what they believe about business is based upon misinformation or misunderstanding, the position of business is placed in jeopardy.

An international company of the United States—such as ours—is no longer a family company owned by a few. While you still have the family company in most of Latin America, the U.S. business community has changed in this respect.

Large U.S. companies are owned by many stockholders. Standard Oil Co. (New Jersey) at the end of last year had 714,000 shareholders.

Of the total number of Jersey stockholders, 278,000 were women. There were, at the end of last year, 27,660 custodial accounts holding shares of stock for minor children. In addition, many accounts were held by insurance and investment companies, pension funds, and profit-sharing plans which represented thousands of persons, other than direct stockholders, who held a financial interest in the company. Moreover, about 2 out of 3 shareholders held fewer than 100 shares, and no account held as much as 2½ percent of the company's outstanding stock. This will give an idea of the vast numbers of people who are the owners of this company.

It also means that the managers of an international company such as ours have ceased to be the owners, as was frequently the case in the last century. They are now professional managers trained for the job over many years. Most managers of the international companies of today started at the bottom and worked their way up through the organization by the democratic process of ability alone.

Managers of international companies are recognizing their responsibilities to the people as a whole, and they are also recognizing that this is the only way to continue in business.

Managements of today have a responsibility to the stockholders. They must provide dividends for the money invested in the business.

Management has a responsibility for its employees. They expect and must receive more than just fair wages. They must be able to advance themselves, and every opportunity must be given them for education so that a man or woman can enjoy the great satisfaction of self-improvement.

Obviously, management must recognize that the customer is an important responsibility. If the product, whatever it may be, is not sold, the business is a failure. If the product is sold with customer satisfaction and the desire to purchase again and to recommend it to others, then the management is properly respecting its responsibility to the customer.

Finally, and most important, is the image that the management of a company creates with the people—the people of its own neighborhood, the village, the province, the nation.

Business managements of today must of course take an active interest in the welfare of their nation.

The economic and social problems of a country are of as much concern to the business community as they are to government leaders, who represent the people. A businessman, whether he is a small merchant, a farmer, or an industrial manager, is a vital part of the Nation's economy. His own well-being depends upon the health and vigor of that economy. In a free society, government represents the political preferences of the majority of the people. In this same way, the business community represents their material, economic preferences.

With this close mutuality of concern between government and business, there is no question in my mind that cooperation between the two will result in benefits to the national interest.

In some instances, government can call upon business and industry for their views on economic development problems, and in other cases business organizations, such as this chamber, can voluntarily transmit to government their opinions on pending matters in which they have an informed interest.

We are living in a time of world history that requires the maximum effort from all of us. Great achievements for mankind are within our grasp. I am continually aware of the pressing need for constant, constructive action.

What can we do? What can we of the business community further initiate that will help to bring about a better world? What can we do to help establish greater order in today's society and thereby curb the irrational tendencies that are symptoms of rapidly changing times? I would like to offer some thoughts on the subject.

We can, for example, be more active at the university level in order to aid in the advancement of knowledge and understanding. We can make available executives of our companies to lecture on their professions at the universities. We can offer vacation employment to outstanding students, helping them to advance their careers by practical experience while still in the process of obtaining their education. Individually, or as a group, businessmen can sponsor conferences with the university on topics of national importance to which specialists would be invited.

In considering the prospects of economic development, the agricultural field certainly should not be overlooked. No doubt there is a need for studies on problems relating to irrigation, rural road development, the encouragement of young people to assume farming careers, etc. It would seem to me quite appropriate for the business community—working with the agricultural associations—to cooperate in carrying out such studies and projects that would help advance the island's land economy.

Broadening the field of activities, I think we as businessmen should pay increasing attention to the overall educational problems of the country.

The vocational schools should receive our attention. They are providing the craftsmen and technicians who will man the industrial and agricultural operations. Can we aid these schools by supplying them with machinery, needed laboratory equipment, and offering awards of merit to outstanding students?

The Dominican Republic has a 4-H Club program in which young people are learning farming techniques. What can the businessman do to help in this area? As a suggestion, one of our companies in Central America is establishing a loan fund from which enterprising 4-H Club members can obtain small loans to carry out special projects or experiments.

There is another youth program which I think has great merit also. It is known as Junior Achievement. A group of youngsters, with the help and guidance of one or two businessmen, form a miniature company which produces for sale some useful handicraft. They not only learn the elements of a craft, but receive at the same time practical experience in how a business organization functions.

Through programs such as these, youth is aided in its development, and natural leaders in their formative years are given the opportunity to direct toward constructive ends their energies that might otherwise, in idleness, find destructive outlets.

Business, in my opinion, should not remain aloof from the artistic life of the community. Sponsorship of exhibitions of art and sculpture, literary contests, invitations for foreign artists and writers to visit the country are some ways in which the business community can play a part in this field.

As we look to the future of this green and promising land, we can see many things that we as businessmen can do to contribute to its orderly economic growth and peaceful transition into a viable democratic state. It is truly an inspiring vista. As a representative of a company that has been familiar to you for many years, I feel a deep sense of pride and responsibility in being able to be a part of this new nation.

Again I say, it has been an honor to be here and talk with you about our common future in the Dominican Republic.

NECESSITY FOR CESSATION OF NUCLEAR TESTS

Mr. HUMPHREY. Mr. President, yesterday I sent a letter to the Director of the U.S. Arms Control and Disarmament Agency, Mr. William C. Foster. That letter emphasized to Mr. Foster what I believe is the urgent necessity at Geneva, on the subject of disarmament, of our Government's calling upon the Soviet Union and other powers that have nuclear weapons to cease nuclear weapons tests in the atmosphere, underwater, and in outer space. These are the areas where supervision and detection can be obtained, where it is not possible to cheat. I believe it is in our national interest and security that we do so. I would cite to my colleagues the tragic fact that in my State of Minnesota the public health department has had to serve notice that milk is today in danger of being contaminated by iodine 131.

Yesterday the newspapers of Minnesota carried the story that dairy herds can no longer be fed on pasture; that they must be fed in closed and controlled areas by feed that has been imported so as not to have the danger of iodine 131 accumulation or contamination.

I do not want the record to indicate that the danger point has arrived. I merely say the health authorities are apprehensive. It appears to me it is about time that the nations of the world were as concerned about the living as they are about the perfection of weapons that can bring about death.

I am hopeful our Government can take action promptly in relation to the needs of humanity, as well as our own survival and security.

I ask unanimous consent that my letter to Mr. Foster of August 21, together with a press release of August 22, and the letter Mr. Foster sent to me on August 10, relevant to certain developments in the U.S. disarmament program, be printed at this point.

There being no objection, the letters and press release were ordered to be printed in the RECORD, as follows:

AUGUST 21, 1962.

WILLIAM C. FOSTER,
Director, Arms Control and Disarmament Agency, Department of State Building, Washington, D.C.

DEAR MR. FOSTER: Recent developments have underscored the urgent need for a worldwide nuclear test ban which, while consistent with U.S. security requirements, will shield present and future generations from the harmful effects of radioactive fallout. Despite your Agency's efforts and those of our delegation at Geneva, the Soviet Union has displayed little or no concern for such an agreement. The wholly reasonable proposals of the United States for a comprehensive test ban have been rejected. The conclusion is virtually inescapable that the Soviet Union has lost all interest, if it ever had any, in a properly safeguarded cessation of nuclear testing.

Soviet indifference to human health gives the West no excuse to neglect a single opportunity, however slim, to halt the upward spiral of nuclear weapons development and testing. At the start of the Soviet test series last September, for instance, President Kennedy and Prime Minister Macmillan appealed for an agreement to refrain from all testing in the atmosphere, even if an underground test ban was impossible. The Soviet answer was a series of massive explosions, the debris from which has already filtered down upon our farms and pastures. Even this failure, however, does not justify acceptance of the status quo.

After its summer recess this year, the 18-nation Geneva Disarmament Conference reconvenes under mounting world pressure for a test ban of some description. To many, including myself, it seemed wise to back up our modified terms for a comprehensive treaty with a "fallback" plan for an interim treaty banning easily detectable explosions in the atmosphere, underwater, and in outer space. I told the Senate on July 25 that such a limited test ban was one of three "imperative yet feasible goals which should be pursued with the utmost energy and diligence" at Geneva. In fact, the eight neutral delegations at Geneva have been the prime movers for a partial agreement banning above-ground tests. Signor Cavalletti of Italy was the first NATO spokesman to come out for a partial agreement as an alternative to a comprehensive test ban with international supervision and obligatory onsite inspection. Wisely, the United States made it known that the Italian proposal was not a breach in the Western position. Indeed, it was ridiculous for some commentators to attribute the Italian statement at Geneva to the "neutralist" influence of the center-left Government in Rome. The fact is that even a partial test-ban agreement, provided it does not threaten anyone's national security, corresponds with the vital interests of mankind.

It is my considered opinion, therefore, that the United States should promptly lay before the Geneva Disarmament Conference a treaty banning all tests in the atmosphere, underwater, and in outer space. The Soviet Union says it will reject this proposal now as it has rejected it in the past. The Kremlin apparently finds it unacceptable even though such a treaty could be monitored without resort to control posts or onsite inspections in the U.S.S.R. The Soviet delegation says that the United States will use such a treaty to conduct tests underground. Various unworthy motives may be imputed to us. We should not be deterred, however, from stating publicly that we will work for a mutual cessation of atmospheric nuclear tests under a system of purely national controls. This would be a seven-league first step toward a ban on all testing.

As you know, the atmospheric tests conducted by the Soviet Union and the United States since the fall of 1961 have significantly increased the short-term accumulation of radioactive substances in our daily environment. Our recent above-ground tests in Nevada deposited high levels of iodine 131 in the milk produced in Wyoming, Utah, and neighboring States. Salt Lake City at one point shifted some of its liquid milk supplies into manufactured milk.

More drastic measures have been taken in my own State of Minnesota. On August 23, for instance, the Twin City Milk Producers Association will institute a voluntary program whereby dairy farmers receive a premium for milk from herds that have been fed on stored feeds instead of being allowed to graze in the open. Already, according to State authorities, the intake of idodine 131 has exceeded the annual rate (36,500 micromicrocuries) beyond which the Federal Radiation Council advises "precautionary measures."

The fact remains that another round of massive nuclear testing—by the Soviet Union or ourselves—will radically increase the annual accumulation of iodine 131. A ban of all atmospheric tests, therefore, is the only guarantee that iodine 131 and other radioactive substances found in U.S. food supplies can be kept permanently within safe limits.

As regards the need for a test ban in outer space, you are certainly familiar with reports that the U.S. high altitude nuclear explosion of July 9 caused an artificial expansion of the Van Allen radiation belt in outer space. Already there is speculation that this band has threatened, at least temporarily, to interfere with future Project Mercury space flights and other peaceful probes of outer space. Under the circumstances, our high-altitude test was both necessary and justified. Yet it may be matched by similar Soviet experiments. Plainly, our task at the moment is to create the conditions under which all nuclear blasts in outer space will be outlawed by international agreement.

Again, therefore, I call upon the U.S. delegation at Geneva to make every effort consistent with the national interest to bring about a significant breakthrough in the current negotiations.

I urge this measure as a first step toward sidetracking the worst human problems of the nuclear age. If the Soviet Union continues to reject such a proposal, the world will know which nation actually strives for peace and which nation only talks of peace.

Sincerely yours,

HUBERT H. HUMPHREY.

HUMPHREY SAYS FALLOUT HAZARD COMPELS NEW U.S. TEST BAN EFFORT

Senator HUBERT H. HUMPHREY, Democrat, of Minnesota, said yesterday that recent alarming increases in levels of radioactive fallout "compel the United States to make an all-out new effort to seek immediate agreement on a nuclear test ban."

HUMPHREY, chairman of the Senate Disarmament Subcommittee, urged that the United States submit at once a specific draft treaty at Geneva for a ban on all nuclear weapons testing in the atmosphere, outer space, and underwater. "There must be no delay in our leadership for this limited, but much needed, test-ban agreement," he said.

The Senator's suggestions were in a letter to William Foster, Director of the U.S. Arms Control and Disarmament Agency.

"There is an urgent need for a worldwide nuclear test ban which, while consistent with our security requirements, will shield present and future generations from the harmful effects of radioactive fallout," HUMPHREY said.

A treaty banning testing in the atmosphere, outer space, and underwater, the Senator said, "is the only guarantee that iodine 131 and other radioactive substances found in U.S. food supplies can be kept within safe limits."

HUMPHREY noted that many Minnesota dairy farmers are due to shift their herds from open grass feed to stored feed grains tomorrow (Thursday) because intake of iodine 131, according to State officials, has reached a level at which the Federal Radiation Council advises "precautionary measures."

The Senator emphasized, however, that there is as yet no "radiation emergency" in Minnesota or other States, but he added:

"No responsible official can ignore the fact that continuance of massive nuclear testing—by the Soviet Union or the United States—will radically increase the annual accumulation of iodine 131, excessive quantities of which cause thyroid cancer in children."

HUMPHREY said that a ban on nuclear weapons testing in the atmosphere, outer space, and underwater is a "realistic and reasonable step to take in our disarmament efforts and would represent responsible humanitarian action on our part.

"It could present a breakthrough at Geneva to agreements to prevent the spread of nuclear weapons and to reduce the dangers of war by accident or miscalculation.

"Soviet indifference to human health and the welfare of mankind gives the West no excuse to neglect a single opportunity—however slim—to halt the upward spiral of nuclear weapons development and testing.

"Our negotiators at Geneva should move now to take this first step toward solution of the biggest problem of the nuclear age. If the Soviet Union rejects our proposals, the world will know which nation actually strives for peace and which nation only talks of peace."

U.S. ARMS CONTROL AND
DISARMAMENT AGENCY,
Washington, August 10, 1962.

DEAR HUBERT: In view of the discussion in the press of the new test-ban proposals the United States is submitting to the Geneva Disarmament Conference, I thought you might be interested in hearing more about them.

There have been two key technical developments on which the new proposals are based. The first establishes a better capability for long-distance detection of earth tremors caused by nuclear explosions or earthquakes, and makes it possible to propose a simpler and more economical system of internationally supervised long-range detection stations, manned largely by the country where located.

The second is that an earlier estimate of the number of tremors from earthquakes which might be confused with tremors from nuclear explosions has been shown by actual observation and research to be several times too large. Since there are fewer earthquakes which produce tremors similar to those of an explosion, the number of onsite inspections needed to identify the cause of the tremors is less. However, onsite inspections are still essential.

These developments have shown the way to a control system which would cost less to construct and run, which would be simpler to manage, which could begin operation in a matter of months from ratification of a treaty, and would in no way jeopardize our national security.

The new proposals were developed by this Agency in cooperation with other agencies. They were approved by the President on the unanimous recommendation of the Secretary of Defense, the AEC, the Director of CIA, and the Secretary of State as well as this Agency. The executive branch is strongly of the view that an adequately verified ban on all nuclear weapon tests is in the national interest.

Sincerely,

Bill

WILLIAM C. FOSTER,

P.S.—Thanks again for all your help.

HONORING OF CERTAIN ILLINOIS CITIZENS

Mr. DIRKSEN. Mr. President, we in Illinois always take great pride when one of our Illinoisan citizens has received an honor of distinction, and from time to time we bring it to the attention of our colleagues in Congress through the CONGRESSIONAL RECORD.

Recently, Archbishop Iakovos, primate of the Greek Orthodox Church of North and South America appointed Bishop Meletios as the bishop for the second district of the archdiocese covering all central States, with headquarters in Chicago. Bishop Meletios served well as bishop of the New England diocese prior to his Chicago appointment. We wish him well in his new duties.

In Chicago, Ill., the headquarters of the Pan Arcadian Federation of America is located, and some of the outstanding leaders of that organization are from Chicago. At its recent national convention in Denver, Colo., the Pan Arcadian delegates elected Mr. Harold Peponis as its national president. He is a young businessman associated with his father, Mr. Arthur C. Peponis, civic and church leader in Chicago, and a former national president of Pan Arcadian Federation.

Mr. Peter Batsakis, of Chicago, the national president of the Pan Laconian, was reelected as the national president of his federation at the recent national convention held in Toronto, Canada. Mr. Batsakis is an attorney in Illinois and has been a prominent member of his community. He is an associate of Mr. Andrew Fasseas, former commissioner of revenue of State of Illinois, who has been very active recently in the CARE program for Greece.

Another outstanding civic and church leader of Chicago, Ill., is Dr. Basil John Photos, who was reelected the national president of the Pan Epirotic Federation of America.

Dr. William D. Nestos, of Chicago, Ill., was elected national president of the Pan Messinian Federation of America at its recent national convention in San Francisco.

It is gratifying to read the history of these organizations, the Pan Arcadian Federation of America, the Pan Laconian, Federation, the Pan Epirotic Federation of America, the Pan Messinian Federation, and to know of their civic and charitable accomplishments, and that they are organizations that have concern for the human elements generation after generation.

To these gentlemen who are now serving as national presidents of their respective organizations, we wish them well. It is nice to know that Chicago and the State of Illinois furnish so many outstanding leaders in so many facets of life.

VIETNAM AND LAOS

Mr. TOWER. Mr. President, I noted with interest a story in the New York Times this morning about Vietnam and Laos. I wish to read a portion of it.

> In the case of Laos, there was mounting concern in the State Department that the new coalition regime has not yet been able to agree on the checkpoints for the evacuation of foreign troops.
>
> Under the Lao accords, signed in Geneva July 23, the Government must determine by tomorrow the location of these checkpoints and foreign troops must leave 45 days later.
>
> But Prince Souphanouvong, the pro-Communist leader in the coalition regime, has insisted that there are no North Vietnamese troops in the areas he controls. Therefore, there is no need for selecting checkpoints, he has asserted.
>
> The United States contends that there are about 10,000 North Vietnamese troops in Laos.

On the same page we note an article which is headed "Pathet Lao and Royalists Resume Fighting in Laos."

Thirty days ago there was great rejoicing in the State Department over what it thought was a wonderful, peaceful settlement of the problem in Laos. Now we still have war. Now, in spite of the beliefs of some in this Government who were naive enough to think we had succeeded in establishing a coalition government which would bring about peace, we are finding that the Communists are not living up to their commitments. No one with a realistic view thought it would be otherwise. The present situation in Laos points up the fact that the signal failure of this administration has been in the formulation and implementation of foreign policy.

MEDICARE INFORMATION

Mr. JAVITS. Mr. President, the complexities of the problem of health care for the aging and the issues it has created are reflected in the lack of information that still exists in spite of the wide exposure and lengthy discussion given to the medicare problem. A statement by a group of 53 physicians associated with the University of Rochester Medical Center shows that there is support for the Anderson-Javits health care proposal among practicing physicians in spite of the American Medical Association opposition; and a recent Gallup poll indicates that a great deal more public education is necessary if the American people are to have the information they need to make correct decisions.

I ask unanimous consent to print in the RECORD the statement of the 53 physicians associated with the University of Rochester which appeared in the Democrat Chronicle, Rochester, N.Y., July 29 and the report on the Gallup poll on medicare published in the Washington Post, August 22.

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

[From the Rochester (N.Y.) Democrat Chronicle, July 29, 1962]

FIFTY-THREE DOCTORS BACK AGED CARE—HIT MEDICAL UNIT STAND

"The public should know that there is not unanimity of opinion among physicians with respect to legislative proposals for care for the aged. Many of us, while not in favor of the proposed King-Anderson bill (the Kennedy administration's proposal), feel that the Anderson-Javits revision (recently defeated in the Senate) represented a step in the right direction.

"A disturbing aspect of the position of the AMA is its lack of flexibility with respect to any changes in financial assistance for those over 65, i.e., plans proposed by the American Hospital Association and other interested groups.

"One should note that a recent poll of the members of the Monroe County Medical Society revealed that 80 percent of physicians in this area feel that there is a need for a change in financing medical care for those over 65. This poll does not imply support of the King-Anderson bill, but it does reveal that physicians realize that something must be done to ease the burden of illness in people with reduced income.

"Despite this local expression of opinion, we are still being confronted with statements from 'official sources' which urge maintenance of the status quo. Such statements give the public no concrete proposals and are written as if they have the wholehearted endorsement of the membership of the local medical society. (The phrase 'official sources' referred to a letter published in the Democrat and Chronicle, July 11, and written by Dr. Charles B. Mathews, chairman of the Monroe County Medical Society's legislative committee and former society president. The letter was largely a criticism of the King-Anderson bill.)

"The public should know, therefore, that we the undersigned disagree with the uncompromising attitude of the AMA. We feel that the time has come for men of good will, both lay and professional, to get together and formulate concrete legislation which will protect the interests of the patients and still maintain the professional freedom of their physicians."

A spokesman for the Monroe County Medical Society said the society was disturbed by implications of the statement, and that society officials plan to issue a rebuttal today.

The statement was signed by Drs. Robert L. Berg, professor and chairman of the department of preventive medicine and community health; John Romano, professor and chairman of the department of psychiatry; Lawrence E. Young, professor and chairman of the department of medicine; Ralph F. Jacox, Arthur J. Redmond, Peter T. Perkins, Irwin N. Frank, James A. DeWeese, Priscilla L. Cummings, Seymour Schwartz, Morris E. Missal, Elmer Tuttle, Jacob D. Goldstein, Charles A. Rogers, Isidore Levine, Edward A. Stern, H. A. Friedman, J. V. McDonald, Stanley H. Erlenback, James J. Clements, Lawrence J. Raisz, Marvin J. Hoffman, Otto F. Thaler, James A. Bartlett, R. Satran, G. Porter Perham, Arthur H. Schmale, Jr., Dane G. Prugh, Franz Reichsman, Robert W. Atkins, Alex Braiman, Sanford Meyerowitz, George L. Engel, Edwin N. Freeman, John T. Vasz, Howard S. Axelrod, Edwin D. Savlov, William A. Greene, Jr., Michael Kehoe, David L. Miller, John R. Jaenike, Robert I. Weed, Harry Segal, E. Henry Keutman, Forbes H. Norris, Jr., Edwin S. Olsan, Gordon D. Currie, Robert B. Burton, Henry Shaw, Stanley M. Rogoff, Nolan Kaltreider, John King, and Lawrence A. Kohn. Ten of the physicians were identified as not being members of the county medical society. They are: Drs. Kehoe, Miller, Raisz, Prugh, Perham, Reichsman, Meyerowitz, Freeman, Vasz, and Axelrod.

[From the Washington Post, Aug. 22, 1962]

PUBLIC FOUND IN CONFUSION ON MEDICARE

(By George Gallup, director, American Institute of Public Opinion)

PRINCETON, N.J., August 21.—Although medicare will be one of the hotly debated issues in the coming political campaign, the public today is confused about many of the details of the administration's plan for hospital benefits to the aged.

A great many Americans have heard or read about medicare, but a surprisingly large number do not know such details as who will be covered by it and how the plan will be financed.

In a nationwide poll, conducted after medicare's defeat in the Senate caused President Kennedy to promise that he will take the issue to the people in the approaching campaign. Gallup Poll reporters first sought to find out how much the public knows about some of medicare's basic details.

All of those who said they had heard or read about the Kennedy plan (81 percent), were asked:

"Do you happen to know how the medicare plan would be paid for?"

The results indicate that only half of those who have heard something about medicare are aware that it would be financed through social security:

How medicare paid for?

	Percent
Through social security	50
Other ways	20
Don't know	30

People who had heard about the plan were next asked:

"Who would be covered by the plan?"

Only a small minority volunteered that those covered would be persons 65 and over who have social security. Just over half said they thought it would include all older persons or everyone over 65 without referring to the social security limitation:

Who would medicare cover?

	Percent
Persons over 65 on social security	11
All older persons	53
Others	19
Don't know	17

At the heart of the complicated medicare controversy is the fundamental issue whether such aid should be financed through public funds or through private insurance such as Blue Cross or a plan like that recently proposed in New York State by a group of insurance companies.

To see how the public stands on this basic question—in the wake of medicare's defeat—all of those in the survey were asked:

"Which of these two different proposals do you prefer for meeting hospital costs for older persons:

"One proposal—the medicare plan—would cover persons on social security and would be paid by increasing the social security tax deducted from everyone's paychecks.

"The other proposal would leave it up to each individual to decide whether to join Blue Cross or buy some other form of voluntary hospital insurance.

"Which of these two proposals would you prefer?"

The vote today:

	Percent
Social security	44
Private insurance	40
No opinion	16

Before the administration bill's defeat in the Senate, when a similar question was asked, indications were that the social security approach was losing some of its earlier appeal.

In April, 55 percent of the public voted for social security financing; 34 percent for private insurance handling.

On the eve of the Senate action, support for public financing had dropped to 48 percent while 41 percent preferred private insurance.

THE IMPORTANCE OF RESEARCH IN THE AID AGENCY

Mr. HUMPHREY. Mr. President, I invite the attention of Senators to an article entitled "New Research Programs: Help for Underdeveloped Nations and for Underdeveloped Industry at Home," from the June 1 issue of Science magazine. The article's author, Howard Margolis, discussed the important function the Agency for Internationad Development's newly initiated research program has in fulfilling the very special needs of progressing nations.

AID's research program, in its relatively short period of existence, has begun work in its own laboratories and proceeded to let contracts for work in the private sector. By stimulating private industry's interest in the needs and markets of underdeveloped regions, AID performs a service for American commerce and the underdeveloped nations. Moreover, AID is collecting and applying past research by other Government agencies to the needs of these countries.

AID has the task of hastening the period of economic development in underdeveloped nations. Such an accelerated development is possible only if research can find the shortcuts to economic progress. However, the shortage of skilled researchers in most developing lands means that these nations cannot find these shortcuts themselves. AID's research hopefully will provide the requisite technical breakthroughs and thus allow this Nation to provide the underdeveloped lands with the techniques by which they may help themselves.

Funds expended by AID on research can more than pay for themselves through the more efficient use of each foreign aid dollar. As Mr. Margolis points out it is remarkable that such an AID research program had not been started long ago.

I believe my colleagues will find this article on AID's research program of considerable interest and therefore I ask unanimous consent to have it printed in the RECORD at this point in my remarks.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

NEW RESEARCH PROGRAMS: HELP FOR UNDERDEVELOPED NATIONS AND FOR UNDERDEVELOPED INDUSTRY AT HOME

The foreign aid budget this year contains, for the first time, a substantial amount of money for research. The AID Agency's new research office recently let its first two contracts—to the University of Wisconsin for studies in land reform programs, and to a consortium made up of MIT, the Stanford Research Institute, and General Electric for studies aimed at producing power supplies especially adapted to the needs of villages in the underdeveloped lands.

What is most remarkable in this is simply that it was not done sooner. We have been spending several billions a year on foreign aid for 15 years now. For the first few years the money was going almost entirely to Western Europe, under the Marshall plan. The effort there was to rebuild what had been destroyed during the war, rather than to build entirely new social and economic systems; the problems of planning and technology were much the sort that both the United States and the recipient countries were accustomed to dealing with; the whole program was carried out in an impressively short time: by 1952, 5 years after the program was begun, its work was essentially complete.

For the past decade, though, our economic aid has been increasingly aimed at the underdeveloped countries. The development of the new countries cannot be carried out with anything like the speed of the Marshall plan, nor as we have increasingly recognized, can our role be simply one of supplying the capital or attempting a direct transfer of modern technology to the new countries. This was bound to lead, sooner or later, to an awareness of the need for some reasonably substantial program to see how our money could be used more effectively, but the awareness has been slow in coming.

A good deal of relevant work has been done by the universities and foundations and by various Government agencies, such as the Agriculture Department; a good deal has been learned from the results, or lack of results, the program was producing in one country or another. But until this year the AID Agency itself had no research budget and not even explicit authority to sponsor research when an especially attractive proposal came up, although it did so on a few occasions at the very end of the Eisenhower administration, after the President's Science Advisory Committee had taken it upon itself to encourage this sort of venture. But progress was slow in coming, and slow in taking hold. One reason for this was simply that the State Department had never sponsored any significant amount of research; the first such effort was in the new Disarmament Agency, organized only a few months before the research program was set up in the AID Agency. If you have never done something, it is always easier to continue to not do it, at least until a gross need becomes apparent, or until a new administration comes in that is determined, almost on principle, to do things differently. In this case both pressures came at once. The new administration brought with it a great gusto for change, which might have been enough, by itself, to produce the new office. On top of this, the kinds of changes the new administration put through, generally, in the foreign aid program accentuated the need for a research program. One change was the attempt to put the program planning on a long-term basis, and research is a natural component of any long-term planning. Another was the idea of tying American aid to a commitment by the recipient countries to programs of broad economic and social reform. If American economic aid was to go almost entirely for building highways or dams or hospitals, it was possible to apply American technology directly to the aid program. Since we have emphasized the need for such things as mass literacy programs and land reforms, there is obvious usefulness in a research program to teach ourselves something about how these things can be accomplished.

The AID Agency plans to let contracts totaling about $6 million in the current fiscal year, under the authority to sponsor research granted to it as part of the new foreign aid legislation passed last year. It hopes to get congressional approval to make commitments for at least $20 million more during fiscal 1963, beginning this July. This is a respectable amount of money, but modest enough considering either the multibillion annual cost of the total program or the great possibilities for useful work in this high-priority area. We are really just beginning to learn how to handle, in a reasonably effective way, the business of encouraging the development of the underdeveloped countries.

The currently planned or already funded projects include some that are very general: studies, for example, of the relation of political to economic development or of the problems involved in constructing the long-range plans we are asking the recipient countries to develop. Some have to do with what are really administrative problems within the Agency; getting satisfactory personnel has always been a problem, for example, and perhaps the problem can be lessened, at least a bit, by formal studies to see what kind of people have turned out to be effective, and from this, what kind of criteria or tests can be used to weed out unsuitable applicants.

Another group of projects will be the social and legal and economic studies designed to learn something about how to go about such things as the land reform and tax reform programs we are asking the recipient countries, particularly in Latin America, to carry out. A striking problem, here, is that land reform has usually been accompanied by at least a short-term but sometimes sharp decline in production. What can be done to minimize this demoralizing effect?

Finally, there are the strictly technical projects: what kinds of teaching techniques are best for countries in which few people are qualified to teach, and indeed in which a large part of the population is illiterate? A few months ago a textbook of psychology was published which was a printed version of the program of a teaching machine: a machineless teaching machine. The book was described in an editorial in Science, August 25, 1961. Perhaps it is possible to develop a book that could teach illiterates how to read, using pictures, with little help from a literate teacher.

Or on the problem of village power supply, for which one of the first two contracts was let: Is it best, for example, to try to supply a sealed unit that will run for several years without maintenance, or should you use a cheaper unit but one that requires that someone in the village be trained in its maintenance?

What new crops can be adapted for cultivation in countries that are now subject to the instability of the one-crop economy?

What are the possibilities in the various areas for combining locally available materials with other products, such as plastics, to produce cheap construction materials? There is an acute building shortage in most of the underdeveloped countries.

All of this is the sort of work that waits to be done on the problems of the underdeveloped countries. A good deal of it is about as unglamorous as it can well be: Work that is deliberately not in the forefront of modern technology but in the backwaters; attempts not so much to advance technology as to scale it down to a point where it is most usable in lands which have neither the trained people nor the capital to make the direct transfer of the latest technical developments the most useful kind of aid.

UNDERDEVELOPMENT AT HOME

Here at home, meanwhile, the problems of our own underdeveloped industries are also beginning to get a good deal of attention. Shortly after the new administration took office, two of the President's Cambridge friends and advisers, Jerome Wiesner and John Kenneth Galbraith, suggested that the Government could be a great deal more effective than it has been in stimulating the development of civilian technology, and so stimulating the economic growth on which the administration has put so much emphasis. A White House panel was set up with staff support from the Council of Economic Advisers, the President's Science Advisory Committee, and the Commerce Department. It has been looking particularly at the situation in industries such as transportation, textiles, and construction, where productivity advances have been lagging far behind the rest of the economy, and at the problem of trying to see that more benefit from the defense and space research efforts, by themselves more than half the research and development investment of the Nation, filter through to the civilian economy.

One thing that is being sought is the most suitable way for the Government to organize research institutes in cooperation with business interests to push technical development in industries where the individual firms are too small or too financially insecure to mount substantial research programs. In the area of seeking greater civilian application of defense research there is the possibility that exchange programs between defense and civilian industries could be developed with engineers and scientists spending an occasional year working on the other side of the fence; hopefully, this would lead to the desired greater spillover of the defense-developed technology into civilian applications. The problem here has been that as we have gotten into the missile and space period, defense research has come to have less direct relevance to civilian uses, and, on top of this, an increasing share of the defense work has been done by highly specialized firms with little experience or interest in civilian products. An exchange program could help alleviate this, by putting product-minded men from civilian industry where they would be working with the advanced technologies developed in space and defense research, or conversely, by putting men with a solid background in the new and specialized technologies to work on civilian product research. For as the civilian and defense technologies have grown apart it has become difficult merely to translate data from one to the other; we require, too, the transfer of insights that are hard to communicate except through working on related projects in the two areas.

A third example of something that might be done is in the area of housing, an enormous industry with a great many potentialities for innovation which have not yet been realized, in part because of the reluctance of mortgage lenders to finance home construction in which radical techniques are utilized—use of the new superstrength glues instead of nails, for example. But the Defense Department is a huge buyer of housing, does not have to worry about mortgages, and so might well both encourage innovation and save itself a considerable amount of money by doing so. The White House Panel on Civilian Technology is expected to produce a report on some of these matters within a few weeks.

Partly as a result of thinking along these lines, the man appointed to the newly created post of Assistant Secretary of Commerce for Science and Technology, J. Herbert Holloman, is expected, indeed was selected, to turn his post into something quite different from what was being thought of when the Eisenhower administration first asked Congress to create the post in 1960. The principal objective then was to have a top-level, scientifically trained administrator to watch over the substantial Commerce Department research programs. (The Commerce Department includes the Bureau of Standards and the Weather Bureau, plus several other bureaus engaged in research—a $100 million a year operation.)

Congress got around to passing the bill authorizing the post early this year and Holloman was appointed only a couple of months ago. But he apparently intends to spend as little of his time as possible overseeing the administration of the existing Commerce Department research programs, and as much as possible working in this new, or newly emphasized, area of stimulating the development of civilian technology.

The expanding research in both the areas described here, for the aid program and for civilian technology, has the incidental effect of drawing attention once again to the problem of scientific and engineering manpower. There is a limit to what can be done with a limited pool of trained talent. As has been frequently noted, there is plenty of money available for graduate education. An engineer or scientist coming out of college with a good record has the problem not of getting a Government-financed fellowship but of deciding which of the many available he would like to take. Sooner or later, we can assume, Congress will authorize a commensurate effort to increase the supply of graduates for whom these fellowships are competing. But not, we can also assume, this year, although it is hard to see how the problem can be avoided too much longer.

Howard Margolis.

ALLIANCE FOR PROGRESS

Mr. MORSE. Mr. President, the New Leader for August 20, 1962, carries an article by Karl Meyer about the Alliance for Progress, based on the speech given in this Chamber recently by the Senator from Alaska [Mr. Gruening].

Both the article and the speech should be read by everyone interested and concerned about prospects and developments in Latin America. I especially call it to the attention of the Pentagon and to the attention of Secretary of Defense McNamara.

That the American taxpayers should be taxed to sponsor this kind of foolishness on the part of military cliques in Latin America is surely the height of ridiculousness, though such expenditures are unfortunately not confined to Latin America.

What is even sadder is that when these countries buy military equipment from Europe we are expected to make good their obligation out of economic aid. Not only does this reduce what is available for genuine economic aid, but it eventually adds to the imbalance of our payments with Western Europe.

Since these are sovereign nations, it is their right and privilege to conduct their military affairs as they see fit. But it is long past time that the United States stopped aiding them and, indeed, financing a large part of this spectacle.

I ask unanimous consent to have the article by Mr. Meyer printed at this point in the Record.

There being no objection, the article was ordered to be printed in the Record, as follows:

The Alliances Progress

(By Karl E. Meyer)

Washington.—Friday, August 17, was the first birthday of the Alliance for Progress, but no one in Washington connected with the venture was in a very festive mood. Teodoro Moscoso, the U.S. Administrator of the Alliance, instructed his staff that the anniversary was to be "marked" and not "celebrated." That about sums up the present attitude to a program that was launched with effervescent oratory by President Kennedy and approved by all the Latin American Republics—except Cuba—a year ago in Punta del Este.

The first year has mainly served to demonstrate the size of the boulder that has to be moved, and the inadequacy of the available levers to do the job. Of the $1 billion committed to the Alliance thus far, only about a quarter of the total has actually been disbursed, in part because the administrative machinery is turning slowly and in greater part because the traditional societies of Latin America are simply not geared for a real program of change.

Additionally, North Americans who are trying to spur social reform in Latin America are finding that Washington's left hand is sometimes being tugged exasperatingly by its right. The best example is the U.S. military aid program, begun in 1951 with the objectives of strengthening hemisphere defense, encouraging a standardization of weapons, and exposing Latin American officers to the democratic ways of such temples of freedom as the General Command and Staff School at Fort Leavenworth.

In a speech early this month brimming with supporting facts, Democratic Senator Ernest Gruening, of Alaska, made a strong case that the program is achieving exactly the reverse of its aims. The half-billion dollars spent in the past decade, he contends, has contributed to a foolish arms race involving an extravagant proliferation of obsolete weapons as rival republics shop all over the world for flashy equipment. The results are sometimes operatic.

The Peruvian Air Force, for example, has an exotic selection of United States, British, Canadian, and French planes—many no longer operable because parts are unobtainable. When the United States made 12 F-86 fighters available to Peru, the planes were modified to reduce landing speed slightly. "The Peruvians insisted that the planes be remodified to their original extremely fast and tricky configuration," Senator Gruening noted laconically. "In the first month, sadly, three of the planes cracked up."

Undeterred, the Peruvians sought other high-powered craft, and bought a squadron of 16 British Hawker Hurricanes and 8 Canberra jet bombers. The Canberra purchase vexed the military in neighboring Ecuador, then in the midst of a violent border dispute with Peru, and the Ecuadoran Air Force rushed to buy six Canberras from the British. "Within days," Senator Gruening added, "two planes were cracked up on the ground in Quito."

The Canberras cost about $1.4 million each. Ecuador is in desperate fiscal straits—so desperate that even the municipal government of Guayaquil, the big commercial city, is asking, in its municipal capacity, for direct emergency aid to shore up a bankrupt city hall. Ecuador has been receiving $21.7 million in U.S. military aid as against $39 million in economic aid. Yet the last vigorous exercise of the military in that country was to throw out a President.

But Argentina is the classic case. Besides receiving U.S. military aid, the Argentine military has also been buying planes in Italy, Britain, Canada, and West Germany. Funds were also found for a status-seeking naval race with Brazil. Yet Argentina has had to come, hat in hand, for an emergency stabilization loan of $500 million—$200 million from the United States—in order to meet such basic obligations as the pay of Government workers.

In sum, countries that cannot meet the minimum public needs that might truly strengthen internal security are spending vast and unnecessary amounts on arms. To use against whom? Most often, in the past few years, against their own people. The most melancholy side effect of the U.S. military aid program, as Senator Gruening stressed, is the way it has made a seeming accomplice of the United States in coups against the very elective regimes that the Alliance for Progress is supposed to support.

In Peru, a U.S.-supplied Sherman tank rammed into the Presidential palace in the overthrow of President Manuel Prado y Ugarteche. Three of the four military commanders who led the coup in Lima received training in the United States. Maj. Gen. Nicholas Lopez Lindley, commander of the army and moving force in the coup, received the Legion of Merit from Secretary of Defense Robert S. McNamara 8 months before. The citation praised his "consistent support of democratic principles."

The role of the military is not always ignoble in Latin America. It is true that the armed forces turned against Juan Peron in Argentina and, what was more creditable, then yielded power to the elective regime of President Arturo Frondizi. But praise for this restraint had scarcely died down when the Argentine military voided an election whose results they did not approve, and then ejected Frondizi.

In most Latin American countries the privileges of the military lie outside civilian control. When I was in Peru 3 years ago, I heard the Prime Minister, a conservative, complain bitterly about the purchase of a light cruiser from Britain. He was the head of government but sounded like an aggrieved taxpayer; the military budget, an imperium in imperio, was simply outside the control of civilian authority.

One real test for the Alliance is how it deals with a Praetorian Guard that the United States helped to arm, and that usually—but not always—serves reactionary purposes. Significantly, the three Latin republics with the smallest proportionate military budgets are Mexico, Costa Rica, and Uruguay—three of the most stable, free, and progressive countries in Latin America.

Senator Gruening calls for a complete elimination of the U.S. military aid program, an idea that may send chairs swiveling in the Pentagon. But the Alaska Democrat has an argument that may appeal to many North Americans who are beginning to be restive about underwriting a somnolent Alliance:

"If the Latin American governments feel they must sacrifice their precious, meager resources for the maintenance of oversized and obsolete military establishments, I say—let them. But let us not contribute to their folly from our own hard-pressed Treasury, and our own mounting debt and our unfavorable balance of payments."

ORDER OF BUSINESS

The VICE PRESIDENT. Is there further morning business?

Mr. BUSH obtained the floor.

Mr. BUSH. Mr. President, I ask unanimous consent that I may yield, without losing the floor, to the majority leader.

The VICE PRESIDENT. Is there objection? Without objection, it is so ordered.

Mr. MANSFIELD. Mr. President, I understand there is about to be some sort of ceremony in the Senate. I ask that the Senator from Connecticut may yield to me, without losing his right to the floor, in order that I may suggest the absence of a quorum.

The VICE PRESIDENT. Without objection, it is so ordered, and the clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that further proceedings under the quorum call may be dispensed with.

The PRESIDING OFFICER (Mr. McNamara in the chair). Without objection, it is so ordered.

The Senator from Connecticut has the floor.

Mr. HUMPHREY. Mr. President, will the Senator yield?

Mr. BUSH. Mr. President, I ask unanimous consent that I may yield to the acting majority leader.

Mr. HUMPHREY. I was going to suggest that the time for the speeches which will be delivered with reference to our associate and friend the minority leader [Mr. Dirksen], under the unanimous-consent agreement be charged equally to both sides of the aisle, so that there will be no problem at all as to time for those who wish to speak on the farm bill. Is that agreeable?

Mr. BUSH. That is a generous suggestion.

The PRESIDING OFFICER. The Chair is advised that it would be necessary first to close morning business, prior to doing so.

ANTI-SEMITISM ON THE RISE

Mr. KEATING. Mr. President, the continuing acts of anti-Semitism in the Soviet Union, and now with recurring violence in Argentina, are a matter of deep concern to the people of the United States. As a perceptive editorial in the Rochester, N.Y., Democrat and Chronicle points out, these outbreaks raise the question as to "whether mankind already is forgetting the pogroms of history and the terrors of Dachau."

Mr. President, the time is now for men of good will to speak up and exert their influence in the United States, in the councils of the United Nations, and in our Nation's foreign relations dealings with countries where such outrages take place. Now is the time for the people of the United States and for freemen everywhere to make clear their rejection of these tactics and their determination to work for a better climate of opinion in which religious beliefs will be honored and respected by all peoples.

Mr. President, I ask unanimous consent to include in the Record at this point two articles from the Rochester Jewish Ledger and the editorial referred to from the Democrat and Chronicle.

There being no objection, the articles and editorial were ordered to be printed in the Record, as follows:

[From the Jewish Ledger]

Again the Terror of Anti-Semitism

Disturbing new evidences of anti-Semitism on two continents have raised once more the question of whether mankind already is forgetting the pogroms of history and the terrors of Dachau.

In Argentina, anti-Semitic terror has broken out in attacks upon Jewish business places in a town near Buenos Aires.

In Soviet Russia, Nikita Khrushchev, despite his denunciation of Stalin, has reserved for himself one of Stalin's barbarisms: Jews are vilified in the Soviet press, their religious practices are restricted, many synagogues have been closed, petty harassments abound and Jewish representation in the professions and government is curbed.

Has nothing been learned from the inhumanity of Hitler's pogroms and his systematic extermination of 6 million Jews?

The moral should be obvious. Men of good will everywhere—and they include Rochesterians who can appreciate what we mean by seeing the current motion picture "Judgment at Nuremberg"—must be alert to speak up against these early evidences of a conspiracy of discrimination and abuse against Jews whose curious role in history seems to have made them destiny's whipping boy. Is it farfetched to suggest that the mass tragedy of the 1930's and 1940's could happen again? Not at all. History has a distressing way of repeating its tragedies. Decent people everywhere must see that this habit is broken.

[From the Jewish Ledger]

Argentine Terror Resumes

Buenos Aires.—After a lull of several days, anti-Semitic terrorism was resumed Sunday, this time concentrated on San Miguel, a small town near Buenos Aires. A bomb, Molotov cocktails and gunfire were used in three separate attacks on Jewish business enterprises.

Molotov cocktails were thrown into a store owned by Luis Pedro Efron causing considerable damage by a fire that resulted from the explosive. A bomb was thrown into a store owned by Benjamin Feriman but failed to go off. In a third action, five bullets were fired into the shop owned by a Jew, Moises Ginspara. No one was injured in any of the attacks.

Felipe Miranda, police commissioner of San Miguel, declared it was his belief that all three attacks were carried out by persons "not expert in such activities." He ordered a search of the town for the perpetrators. Several youngsters were taken into custody when they were found visiting nearby cafes where they had never been seen before.

[From the Rochester (N.Y.) Democrat and Chronicle]

Soviet Union Jewry Under Heavy Pressure

London.—The Jews in the Soviet Union are under heavier pressure than usual these days, the Sunday Observer reported Sunday. "Khrushchev himself, with his emotional anti-Semitism, is determined to make them keep their heads down," the report stressed.

"The whole muddled policy, which treats Russian Jewry with utmost suspicion because of its affiliations with world Jewry while, at the same time, refusing to give Jews a chance to become completely absorbed, finds expression in intermittent persecution."

The report, written by Edward Crankshaw, noted expert on Soviet affairs, says that the Soviet law of last year, decreeing the death penalty for large-scale economic crimes, was conceived as part of an anti-Jewish campaign.

Crankshaw pointed out that in the recent wave of death sentences, resulting from many Soviet trials for currency speculation, not only the sentences but also the evidence were so arranged as to emphasize the Jewish blood of the principal accused when this was not evident.

"Because of this fact," he declared, "some Western observers have come to the conclusion" that the 1961 decree was part of an anti-Jewish effort aimed at "the Soviet man in the street, above all in White Russia and Ukrainia, where anti-Semitism is bitter and endemic."

The PRESIDING OFFICER. Is there further morning business? If not, morning business is closed.

TRIBUTES TO SENATOR EVERETT McKINLEY DIRKSEN

Mr. BUSH. Mr. President, this session of the Congress is nearing an end, and it will be my last. For that reason I wish to take a few moments to pay tribute to the floor leader of my party, the great Senator from Illinois, EVERETT DIRKSEN.

Senator DIRKSEN is finishing his fourth year as our leader. Each one of these 4 years has enhanced his prestige, increased his authority, and further increased the respect and affection that Senators hold for him. And I mean Senators of both parties.

Even as Gilbert and Sullivan created a "very model of a modern major general," so time, experience, hard work, patience, kindness, generosity, and the utmost consideration of his Republican colleagues—these have combined to create in EVERETT DIRKSEN'S person the very model of a modern political leader.

I could write a book about this man.

There is so much material, so many anecdotes, so many important experiences and incidents with which he has been intimately connected over a period of 28 years in the Congress, 16 years as a Member of the House and 12 years in the Senate. His life provides a gold mine of political history covering the past 30 years, if Senators will forgive me the mixed metaphor.

Someone must someday explore that mine, and recover the wealth of knowledge to be gleaned from it:

Knowledge of human relations.

How to win friends and influence people without actually trying.

How to help one's friends and colleagues with their problems when heavily weighed down with his own problems, but never once letting a colleague feel too demanding.

In other words, always helpful, always considerate of the needs of others.

I stress these warm human qualities especially because they are not so apparent to the people of the country who read about Senator DIRKSEN constantly in the press. Indeed, too few newsmen know the real DIRKSEN.

But we know him, and we love him for these simple yet great qualities.

Perhaps it is just selfishness on our part. We love him because he is so considerate of each one of us.

Mr. President, I could go on and develop the reasons for Senator DIRKSEN'S preeminence.

Of course, he did not become our leader simply by being a good fellow, a nice friendly guy. No, sir. He possesses to a marked degree the attributes of great statesmen in the Senate over the years.

Of course, as an orator he has had few peers in 30 years. He is one of the very few men in the Senate who actually makes votes when he speaks on an important issue.

His speech on the U.N. bond issue in April was the classic of 1962. The U.N. was in trouble. The President's plan for the bond issue was in deep trouble. But when the debate ended, it was Senator DIRKSEN'S great speech that influenced many a vote and sent the bill to the House with a big majority, sorely needed.

Senators crossed the aisle to shake his hand. Senator JOHN PASTORE, Democrat, of Rhode Island, said:

> I have been a Member of the Senate for 11 years. This evening I have heard one of the finest speeches ever delivered in the Senate. I congratulate the Senator from Illinois.

When grave national issues are involved, EVERETT DIRKSEN is not a partisan.

During our last 2 years with Eisenhower, Senator DIRKSEN "carried his flag."

He went down the line as a leader must. He did it energetically. He did it with that catching, buoyant enthusiasm that marks the great leader.

I shall always remember those 2 years for the special satisfaction it gave me to watch our great Senator go "all out," time after time to support the then President with the full force of his talents and his abilities.

I think his leadership in those 2 years drew our Repulican Senators together as we had never been together before. The record of votes proves this too, Mr. President. EVERETT DIRKSEN has a way of helping one to resolve his doubts.

Perhaps most fascinating of all is Senator DIRKSEN'S knowledge of legislative history. One can hardly mention an issue concerning which he cannot instantly give a rundown on its history—if it has a history.

His memory is fantastic, and he knows how to use it. Senators sit in rapt attention as EVERETT DIRKSEN takes the floor to analyze the issues in the closing stages of a debate.

Those carefully prepared notes lie untouched on his desk as his memory gets the better of them, and carries him off into an impelling argument he had seemingly not thought of before.

Ah, yes, Mr. President, it has been a great privilege to serve under the leadership of Senator DIRKSEN.

In his office hangs a portrait of our former colleague, John F. Kennedy, inscribed in the President's own hand as follows:

> For a valued pulic servant with warm regards of his old colleague, John F. Kennedy.

Yes, President Kennedy put his finger on it—"valued public servant." We can all endorse that sentiment.

With all the accolade of praise heaped on him over the years, and also the abuse that any leader must take—and EVERETT has had his share—he has never lost sight of the basic fact that he is a servant of his people—a public servant.

After all, he leads best who serves best.

Senator DIRKSEN'S brilliant oratory, his vigorous attacks and defenses, his bold public statements on and off the floor, might suggest to more distant observers an absence of modesty and humility. But we who have lived close to him and served with him and under him know better.

In the Senator from Illinois are the elements of true greatness. Simple, homely virtues are combined with dynamic fighting qualities—qualities that inspire the loyalty, admiration, and complete respect of those of us who are privileged to salute him as our leader.

I thank the Senate for indulging me in the high privilege of paying tribute to one who is truly a Senator's Senator, and a great American as well.

Mr. MANSFIELD. Mr. President, will the Senator yield?

Mr. BUSH. I yield, without losing my right to the floor.

THIRTY YEARS OF DISTINGUISHED SERVICE

Mr. MANSFIELD. Mr. President, on this occasion, I wish that I possessed the eloquence of the distinguished Senator from Illinois [Mr. DIRKSEN]. I wish for his wit and wisdom. I wish for his humor and poetry. I wish for his scholarly erudition and his homespun simplicity. I wish for that immense range of language and voice, from the softest serenity to the most turbulent thunder.

Had I these gifts, I would unleash them in orchestrated expression of the great affection, respect, admiration, and esteem in which I hold the distinguished minority leader. I would weave, with words, a magic spell over the Senate as he has done so many times. With words, I would lift the eyes of Senators to the mountain peaks and the stars beyond or I would lead them gently down a rustic road in Illinois. With words, I would lay bare the heart of a flower or pry open the fiery core of the atom that the Senate might appreciate the depth and breadth of the Senator from Illinois.

That is what I would do, Mr. President, had I the eloquent gifts of the minority leader. But there is only one Demosthenes in the Senate, one DIRKSEN.

So, Mr. President, I shall, in my limited fashion, say to him on this occasion:

EVERETT, I am honored and grateful that you sit across the aisle from me. You are a tower of strength as a collaborator in the leadership of this body. For 30 years you have served your party faithfully and brilliantly. But for 30 years you have served our country more.

Mr. BEALL. Mr. President, will the Senator yield?

Mr. BUSH. I yield to the Senator from Maryland, with the understanding that I do not lose my right to the floor.

The PRESIDING OFFICER (Mr. TOWER in the chair). Is there objection? The Chair hears none, and it is so ordered.

Mr. BEALL. Mr. President, I want to associate myself with the remarks of my colleagues in praise of our distinguished minority leader, Senator EVERETT McKINLEY DIRKSEN, of Illinois.

I am sure that I reflect unanimous opinion on both sides of the aisle when I say that the minority leader is respected for his fair and conscientious leadership. He is a man of outstanding ability and has a wonderful grasp of the legislative problems which arise in our efforts here in the U.S. Senate. Time and again, we all have observed his ability to resolve parliamentary situations which had seemed to present an impasse. All of us recognize Senator DIRKSEN as a competent legislator. We have observed the

Members of this body invariably giving close attention to his wise counsel and advise. This, too, applies to both sides of the aisle.

I feel that I should at this time mention that my appreciation for the distinguished Senator from Illinois is also of a personal nature. When I came to the Congress about 20 years ago, one of the first persons I met was EVERETT DIRKSEN. We were then Members of the House of Representatives. He was most helpful to me in those days, and he has been most helpful to me down through the years. Though pressed with work, he has always been generous with his time in helping others. At my request, he has gone into my State and made speeches on various occasions. Needless to say, every speech was a success in that it was to the point and well received. Everyone who heard him wanted him to return for more speeches. We all have come to recognize Senator DIRKSEN as an outstanding orator. I think that much of his success in the field of oratory comes from his sincerity—and, of course, whenever he addresses any body, this body or any other, he is familiar with his subject and knows what he is talking about.

It has been my great privilege to know personally numerous men whom history will call "great," and I can say that Senator EVERETT DIRKSEN, of Illinois, ranks high among them.

It is, therefore, Mr. President, a privilege to add these few words of tribute to a great man, who I am proud to refer to as my friend.

Mr. AIKEN. Mr. President, will the Senator yield?

Mr. BUSH. I yield to the distinguished Senator from Vermont, with the understanding that I do not lose my right to the floor.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. AIKEN. Mr. President, before I pay my respects to the minority leader, let me say that, like all other Senators, I regret the retirement of the Senator from Connecticut [Mr. BUSH] from this body. During the time he has been in the Senate he has been a real student of legislative matters. He has served the State of Connecticut conscientiously and effectively.

Having made that statement, I should like to say something about the minority leader.

The Senate has been really blessed with fine leadership on both sides of the aisle. In the 22 years that I have been in the Senate, I do not recall any time when there was a higher quality of leadership. But at the present time I shall direct my remarks to the minority leader, EVERETT DIRKSEN, who has been a leader in every sense of the word.

He could not have been the leader he has been had he not possessed the traits which make for leadership. First among those traits I mention his fairness. To my knowledge, he has never shown a trace of unfairness to any member of his party or the other party, either, for that matter, even though he might disagree with the objectives which such a member might have in mind. He has been accommodating to all of us, putting himself out that others might enjoy certain prestige. To be helpful to other Senators and to make possible assignments to which other Senators had aspired, he has given up positions on committees so that they might be assigned to those committees.

He has demonstrated real courage during his tenure of leadership. That was demonstrated on two occasions that I remember. He stood up alone and voted for principles which he felt bound to support. It took courage to stand alone. He has unbounded patience. At times his patience has been so great that it almost seemed not to be a virtue. But in the long run his patience has been rewarded.

EVERETT DIRKSEN could not have achieved the prestige and the standing he holds today in the hearts of his colleagues, alone. To Mrs. Dirksen we owe a great deal. Without her help, when he needed it, he could not have done the things he has done. I also wish to pay tribute to his office staff which is loyal to the fullest degree. He is their hero. His office staff follows his lead, and is accommodating and patient with the rest of us here in the Senate.

Finally, I wish to say to the Senator from Illinois that all the good wishes which were wished for him by the Senator from Montana, the majority leader, I, too, wish him. I wish the Senator from Illinois one more thing, and that is a very large majority in the coming election.

Mr. BUSH. Mr. President, I ask unanimous consent that I may yield to the Senator from Wisconsin, without my losing the floor.

The PRESIDING OFFICER. Without objection, the Senator from Wisconsin may proceed.

Mr. WILEY. Mr. President, it is with a deep sense of pleasure that I rise in the Senate to say a few humble words to a friend and able Senator and, from my viewpoint, one of America's great statesmen.

What are the qualities that make a man great? We have heard what Senator BUSH and other Senators have stated. I agree with everything they have said. I remember also the instance to which Senator BUSH called attention and what Senator PASTORE said on one occasion on the floor of the Senate, when we were all thrilled, as Senator PASTORE was, by the wonderful oratory of Senator DIRKSEN. Senator PASTORE said at that time, "This is one of the finest orations I have ever heard in the Senate."

Yes, Senator DIRKSEN is a born orator. However, an orator must have a great deal of mental ability, besides mere words. He must have conviction. He must have the faculty not only of expressing himself, so those who listen to his words will enjoy listening to them as they would enjoy listening to a fine symphony, but will also say, "Here is a man who has ideas, the kind of ideas that are worthwhile thinking about."

He holds people together. He not only has the attributes that make a great leader, but also the faculty of being able to rise on any occasion and say the things which are pertinent, that one likes to hear, and from whose words one gets enlightenment; and, what is more, inspiration. That is what makes a great orator; words of enlightenment spoken with inspiration.

Someone said the other day: "EVERETT DIRKSEN is a fine fellow. He never loses his head; he uses his head." I thought how typical that was of this man. I have sat for a good many years in the seat just behind his, and I have never seen him lose his head. But, oh, how often have I seen him use his head.

He has a sense of humor. I think that to a large extent makes it possible for him to take care of the tremendous load he must carry. His sense of humor is not only reflected in friendship, but also in actual humor. He will grasp a funny incident and make it a live thing to those who listen to him.

With Senator DIRKSEN's long experience, first as a Member of the House, and then of the Senate, I cannot help saying that it has been a high privilege for me to occupy a seat near his, and to sit back and learn from him.

Futhermore, I marvel at his work in committee. He is always on top of things. He is always ahead of most of us in comprehending the issues. That brings out another of his qualities. He is a great lawyer. I have wondered many times, as I have listened to him arguing in the Judiciary Committee, "Where did he get it all?" He tells me that he studied law since he came to Congress. But when he studied it, he absorbed it, and it became a part of him. It is not for me to tell people for whom they should vote, even so far as my own party or my own election is concerned, but I can say this: If I were a resident of Illinois, I would be out working and plugging and voting for EVERETT DIRKSEN, because the country needs him. This country needs him. I say that with all sincerity. It needs his sane thinking. It needs his fine leadership.

There is another quality about this man which has on many occasions made me marvel. One cannot listen to him without saying, "He is a reservoir of the great and beautiful in literature and in history." In other words, when he gets hold of a thing, it is put into his jewel box, and when he wants to use that jewel, there it is. He has in his brain a storehouse of great literary, historical, and scriptural jewels.

Yet, he and his dear wife live a full life. They seek to enrich the life that is theirs, and in so doing they enrich the lives of those with whom they come in contact.

I join with my fellow Senators in wishing for them long life and continued service to their country. The country needs them.

Mr. BUSH. Mr. President, without losing my right to the floor, I now yield to the Senator from California.

Mr. KUCHEL. Mr. President, with the eloquent sentiments which have been expressed by the Senator from Connecticut [Mr. BUSH], echoed by the Senate Democratic leader [Mr. MANSFIELD], and concurred in, indeed, by Senators from both sides of the aisle, I find myself in happy and complete agreement.

Courage and integrity have ever characterized the Republican leader in the U.S. Senate. So has unselfishness. So, indeed, has humility. To cap it all, there has been a rare and unique quality of leadership among his fellows, which has permitted Everett McKinley Dirksen to weave the Republican minority together into a responsible voice in the affairs of our beloved country. Indeed, on many occasions we on this side of the aisle have stood together under Senator Dirksen's leadership in speaking our piece with respect to the problems which plague the American people.

During the years in office of that great man who now lives in Gettysburg, it was Everett Dirksen who said on the floor of the Senate on many occasions, "I will carry Eisenhower's flag." And so he did. And he carried it to victory in many of the grueling debates which took place in the Chamber. But victorious or not, he utilized that unique facility of expression which is his and which on many occasions has prompted Senators—Democrats and Republicans as well—to arise, when he had concluded, to salute him who often had spotlighted the way clearly and unmistakably to guide them.

I like that old American shibboleth: "Politics stops at the water's edge." It does. Everett Dirksen is a splendid Republican; but far more important, Everett Dirksen is an outstanding American. Calling upon his experience and his erudition, his long years of service to the Government of the United States Everett Dirksen has stood on the floor of the Senate side by side with his Democratic counterpart, speaking not as a politician, nor as a partisan, but speaking out as an American, giving to the Senate leadership in a responsible American fashion.

Mr. President, it is a melancholy era through which the world now passes. Man's freedom is under constant and ruthless onslaught from those who would enslave us. America and freedom will be victorious, and victorious in great part because of the conviction and the persuasion with which Senate leaders speak. On that list of responsible leaders, I am honored to salute our leader, Everett Dirksen, of Illinois. Republicans and Democrats alike, on this occasion, join with splendid unanimity in spreading on the Congressional Record sentiments similar to those which thus far today have been expressed.

I hope I may be pardoned if I say that the Senate eagerly looks forward to the return of the Senator from Illinois to his seat in January 1963, to continue as a happy and able warrior for the American people, whom he has served so long and so faithfully during his lifetime.

Mr. BUSH. Mr. President, I yield to the Senator from Colorado, without losing the floor.

Mr. ALLOTT. Mr. President, today we salute our minority leader, Everett Dirksen, upon the completion of 30 years of public service. One of the great minds of this decade once said to me that no form of service in the world is of a higher order than public service.

I am sure that to members of the press and to many of the American public the first image of Everett Dirksen that arises in their minds when his name is spoken is that of the orator. Certainly no Member of Congress today has been able to achieve the heights of oratory and the heights of eloquence that he has achieved, nor to cajole in dulcet tones or persuade with thundering voice his colleagues and other persons, for such is the purpose of political speech. It is didactic.

In my 8 years in the Senate, I can think of only 2 speeches which I shall carry with me for a long time. The first was by the great Senator George, our late friend from Georgia, upon the occasion when he spoke to some recalcitrant Members of his own party with respect to their support of the position of President Eisenhower on the Quemoy issue in 1955. The second occasion was the time which the senior Senator from Connecticut [Mr. Bush] mentioned a few moments ago when he spoke of the debate upon the United Nations bond issue. I am one of those who, having studied the question thoroughly, was finally persuaded by the arguments and the courage of the Senator from Illinois.

But, Mr. President, this part of Senator Dirksen which most people see is the smallest part of him. I do not know how any person could have served the public for 30 years and have possibly acquired and retained the intimate, detailed knowledge of our Government that he has. His capacity in this relationship is nothing less than sheer genius. His ability to take the problems of his colleagues, whether they be Democrats or Republicans, even when he is most hard pressed with matters on the floor, and in his own office give calm consideration to those problems, without conveying a sense of hurry or of brushing away, is indeed a capacity which all of us would like to have.

So, Mr. President, for his great capacity, for his outstanding knowledge, for his genius, and for his great courage, so amply demonstrated in that instance and in many other instances when he has had to stand almost literally alone, we in the Republican Party, and, I am sure, the Democrats, too, salute him.

I know that this has not been accomplished alone, because no Member of the Senate stands alone. His wife, Louella, stands with him. She is so much a part of his work and his achievements that it would be impossible to separate the two of them.

We look forward to seeing him back here in January and today we salute Everett Dirksen and his wonderful wife, Louella.

Mr. BUSH. Mr. President, may I yield to the Senator from Vermont without losing my right to the floor?

The PRESIDING OFFICER. The Senator may, and the Senator from Vermont may proceed.

Mr. PROUTY. Mr. President, in each period of history there are but a few who walk with the stride of a giant into the hearts and affairs of men. They are the stars to whom we look for guidance when the lights are dim, the storm is coming and trouble is ahead.

To know one of these great men is heartwarming. To labor with him and under him—to become his friend—is an unforgettable experience that enriches the soul and staggers the imagination.

In mind, in manner, and in memory, in dedication and duty, Everett Dirksen stands aloft as one of the major figures of the 20th century.

In the truly great things he has been humble, and in the small things he has been great.

In the heat and welter of charges and countercharges when defense and foreign policy are at stake, he is the calm voice who seeks to unite and not divide. He is every inch from sole to crown a Republican, but first and foremost he is an American.

Illinois and the Nation love and respect him because his toil, his eloquence, his heart, and his genius have gathered for them the finest of what is new and they have preserved the best of what is old.

What some of us say or do in the Senate may soon be forgotten, and if we are remembered it may be because men will say: "He served with Everett Dirksen."

That the future will be very kind to the one we honor today and to his charming wife, Louella, is a hope which I know is shared by all Members of the Senate.

Mr. BUSH. Mr. President, I yield to the Senator from South Dakota [Mr. Mundt], without losing my right to the floor.

Mr. MUNDT. Mr. President, Everett Dirkson, of Illinois, serves here with Mike Mansfield, of Montana. They have the great respect of every Member of this body. In Mike Mansfield, the majority leader of the Senate, and in Everett Dirksen, the minority leader of the Senate, I think both parties are exceedingly fortunate—fortunate to have such outstanding leadership which works together as a team which serves exceedingly well the parties they represent, and serves even better all of America.

I first heard of Everett Dirksen when I was a freshman in college. A representative of Barnum's Book Co., of Cleveland, Ohio, came to our college campus and told us that if we wanted to work our way through another year of college by selling books, they could assure us that "Barnum's books bring home the bacon." And they had as their prize exhibit Everett Dirksen, who a few years before had gone from his college campus to the great and fertile areas of South Dakota and had made over $1,000 selling books, one summer.

So, Mr. President, I started following Everett Dirksen when he had made an enviable and widely publicized record in college and when I was a college freshman, because he was held up as a leader of distinction and as one of outstanding capacity who had proved his ability in the course of the very excruciating experience which everyone should enjoy at some time—that of going from house to house, fighting off barking dogs, and inducing people to buy books.

The exhibit A which he became as a representative of that book concern, selling books from house to house, was an early indication of the great capacity he has demonstrated here in bringing differing minds together, in achieving a reasonably satisfactory decision, and in moving forward constructively with the work of the Senate and the work of the country.

In his work in the Congress, EVERETT DIRKSEN has been outstanding. Certainly I endorse and reemphasize all the remarks others have made about EVERETT DIRKSEN's great courage, capacity and leadership. In addition, he is a most modest and self-effacing person.

I recall very well the testimonial which was given to him in the House of Representatives when he retired voluntarily after serving very ably and well there, when a doctor had told him that he was about to lose his sight. He was implored by the people of his district to continue his service in Congress, even though his sight might disappear. But he said he did not think he could fully represent his people without having his sight; so he voluntarily resigned. The people of his district gathered together a small pot of gold, and sent him on a trip around the world, because it was expected by all medical authorities that soon he would be unable to see what the rest of us are able to observe.

I rejoiced with all his other friends when he came across a doctor in Germany who discovered the ailment which had bothered him, corrected it, and improved and preserved his sight.

One of the happiest moments of my life was when EVERETT came to me, when I was a Member of the House, and said to me, "I am announcing for the Senate of the United States"—having been in private life at that time, at that stage in his career. "Will you come to Illinois, and make the kickoff speech in connection with my announcement for the Senate."

I was honored and happy to do so; and I recall as if it were only yesterday the meeting at the little county fairground nestled in the fine farming area of Illinois between his hometown of Pekin and Peoria; and I well recall the tremendous thrill I got from the great rejoicing of the people in that part of Illinois when they learned that EVERETT DIRKSEN was well again and was to run for election as a Member of the U.S. Senate.

Much has been said about the contributions which have been made by his wonderful wife, Louella. I was a house guest at the Dirksen's the night before that Sunday afternoon talk. We talked shop, as politicians always do. I asked him how he campaigned in a great State such as Illinois; and he told me how Louella sat at the wheel of their little Chevrolet sedan and drove him up and down the highways and byways of Illinois, while he sat in the rear of the car reading his notes, getting ready for the talks, and making his plans for the campaign.

I can testify to the fact that capacity, ability, and erudition are not the only attributes which make EVERETT DIRKSEN the great national leader he is; behind all that there is an abundance of energy and a capacity for hard work. I happen to know that he pops out of bed at 5 or 6 o'clock in the morning, when most of us are still abed, and gets out his portable typewriter and the inevitable notebook in which he records such a great storehouse of information, and types out his plans for the future, insofar as the presentation and transaction of the public business is concerned. Someday after he is gone, someone will discover a whole room full of black notebooks carefully typed; they will provide a great running history of America. I am positive that not another Member of the Senate exercises that painstaking care and reduces to outline form, on typewritten pages, the entire proceedings to be undertaken by the Senate. EVERETT DIRKSEN combines with his eloquence and with his great natural endowments in the fields of speech, logic, and reasoning, that meticulous, detailed preparation for the coming activities; and from the reservoir of facts and details which he assembles in that way, when he sits in the chair of the leadership and proceeds, with his great leadership ability, to do what he believes to be right, he is able to do so in his outstandingly able fashion, which excites the admiration of all.

So, Mr. President, this is a very happy occasion for all of us. To EVERETT, and to his wife, Louella, and to his daughter and son-in-law, who live in Tennessee, we convey the best wishes of all of us, and our sincere hope that he will be returned to the Senate next year, to continue his great service to America.

EVERETT DIRKSEN sees the great sweep of history; but he also gives meticulous attention to the details, the little things that all of us are expected to attend to in connection with the aspirations, the desires, and the needs of our constituents, the problems of our communities, the problems of the industries, the things of concern to those who labor in industry, on the farms, in the cities—the concerns of all the people who, after all, are the ones we are here to serve, as we go about our duties, in trying to make some kind of impact, in connection with the forward flow of history, on the big problems which confront us both nationally and internationally.

So I salute a good friend, with the full confidence that he will be with us again next year to continue his leadership, and to work again with the great majority leader, MIKE MANSFIELD, in trying to bring this body together so that it can exercise its functions and meet its responsibilities of legislating wisely in the tricky times in which we live.

EVERETT, good luck in the years ahead.

Mr. BUSH. Mr. President, I yield to the Senator from Pennsylvania [Mr. SCOTT] without losing the floor.

Mr. SCOTT. Mr. President, my associations with our beloved minority leader, EVERETT DIRKSEN, go back some 22 years, when I first came to the House of Representatives. I came to know him, respect him, admire him, and be very fond of him during all these years, and I obtained an increasing awareness of his capacity for friendship, leadership, and responsibility, among many additional excellent traits of the man.

During all of the time that we served together—each of us having had some broken service in the House—and during my service in the Senate under his leadership, I have been particularly impressed with the sense of responsibility our minority leader has shown, both as a responsible leader at times during the Presidency of former President Eisenhower, and equally so in the time of the current term of President Kennedy.

All of us on this side of the aisle are well aware of the fact that when occasionally in our meetings feelings may have run deeply, tempers may have been stirred, or passions may have been aroused on various issues, the minority leader, Senator DIRKSEN, has time and again cautioned us not only as to our responsibility as Senators and as a group of Senators, but also as to our responsibility to the United States, particularly in its foreign policy, and as exemplified by the foreign policy determinations of the President of the United States, himself.

While none of us, of course, is bound on those matters which lead toward a final execution of a final policy, and the right of each is to differ, nevertheless, wisdom and sagacity were exhibited by the minority leader in cautioning us to remember the problems of the President and remembering the burdens he has with these difficult situations, and to remember among ourselves that, while certain issues might make good political ammunition, they might also be harmful to us in our relations abroad with those who judge us elsewhere in the world. And so we have had the counsel of leadership, the counsel of firmness, the counsel of aggressive, affirmative action by Republicans, but also the counsel of moderation in being certain that what we do reflects credit on the Senate, on Senators, and on the United States.

He has been patient with us, and he has been fair. I am sure that no member of his party is other than convinced that when selections have to be made, when decisions have to be made as to committee membership, as to recognition on the floor, or in connection with the multifarious individual problems of Senators, he has always found our minority leader to be courteous, thoughtful, and fair.

I have said on another occasion, in discussing the varying views of Republicans, I think we glory in our right to differ, and we glory even more in the ability which we have shown, especially under the leadership of Senator DIRKSEN, to be unified when unity counts. It is important and is in the interest of those of us who may be labeled "moderates" or "liberals," whatever the case may be—and perhaps we need amendments to the Drug Act to take care of some of these labelings, too—but whatever we may have been called by others, I have never seen such a readiness to concede individual viewpoints, and yet show the importance of responsibly presenting, whenever needed, a united front.

So I am sure we all agree that we owe this in very large part to our party leadership, particularly to Senator

Dirksen. The Republican Party is proud of its responsibility and proud of the way it has been exercised under that leadership. We wish for him long and happy days on this pleasant earth—for him and his wife and family.

Those of us who, by the grace of God, expect to be here without the clash of intervening opinions at the polls, especially look forward to seeing him next January. We are most aware of his importance to the President of the United States as a responsible minority leader, of his importance to the Senate, and of his value to all Americans. It is a great pleasure to have an opportunity to pay this tribute to him today.

Mr. BUSH. Mr. President, I yield to the Senator from New Hampshire without losing my right to the floor.

Mr. COTTON. Mr. President, to indulge in praise of Everett Dirksen after all these speeches would be merely to echo the sentiments which have been so well expressed. It is unnecessary to echo all of them. What I have to say will be exceedingly brief, but brevity is not an indication that what I have to say is not said from a depth of emotion or with complete sincerity.

I first heard of Everett Dirksen when many years ago I went as a delegate to a Republican national convention and learned that a young Representative in Congress was a candidate for the nomination to be President of the United States with the unanimous endorsement of every single Republican Member of the House who served with him. I wondered at that time what manner of man it could be who had such a united endorsement of colleagues older in service than he. I then had been a member of certain legislative bodies, and I knew there was such a thing as envy and such a thing as competitive spirit within those bodies. Then I heard him from the platform of the convention. I saw something of his magnetism and began to understand why he, as such a young man, could have such an endorsement.

I am a member of the group of alumni in the Senate, some of whom have already spoken, who came over from the House of Representatives. We served there with Everett Dirksen. In that body he was one of few men whom Members flocked from the cloakrooms to hear when he took the floor.

Mr. President, I wonder today if we could possibly analyze such a man. He is a peerless orator, but that does not express the affection, the regard, and the respect in which he is held or the power of his opinion, because every man in Congress is an orator—or thinks he is—and any eloquent speaker is more likely ordinarily to stir up professional jealousy than to reach the hearts of his hearers, because we are all accustomed to oratory. There must be something more than his eloquence and his magnificent command of language, unique as that is.

He is a man of deep conviction, but there are other men of deep conviction.

He is a man with a marvelously well-stocked mind, but there are other Members with well-stocked minds.

I served under him as a freshman Representative in Congress. I served under him as a freshman Senator. I am convinced today that the fundamental reason we all unite in this tribute with such depth of sincerity is because of the warmth of personality and the magnetism which he exudes, coming from a deep and sincere love and affection for his fellow men. When one serves under a man as his subordinate, as his junior, one can analyze that and understand it.

On that point I wish to say that my colleague from New Hampshire [Mr. Murphy] telephoned me this morning and asked me to express on his behalf his gratitude and appreciation for the kindnesses and courtesies he has received from his leader, Senator Dirksen.

It is the fact that he has a deep and sincere affection for mankind and for all of us that causes us never to have a feeling of jealousy or envy when he soars to the heights, but which causes us to take pride as if we were achieving those heights ourselves.

Not one single Member of this body, I daresay, on either side of the aisle, has ever asked Everett Dirksen for a favor or for help and has not received it, if it was in his power to grant it. So every one of us speaks with a full heart.

I would leave with Senators the paraphrase of the words of Field:

God bless you, Everett Dirksen,
  May you live a thousand years—
To guide us on our pathway
  Through this weary vale of tears,
And may we live a thousand, too,
  A thousand less one day,
For we wouldn't want to be on earth
  The day you passed away.

Mr. BUSH. Mr. President, I yield to the Senator from Massachusetts without losing the floor.

Mr. SALTONSTALL. Mr. President, on an occasion such as this we like to think of our personal relationships with our friends about whom we are speaking.

I first came in contact with Everett Dirksen when he came to Massachusetts to make a speech at a chamber of commerce meeting. It was a big meeting. I attended it as Governor of the State, and I think I introduced him at that time. I was impressed tremendously by the enthusiasm he raised among the people who listened to him.

As a member of Government, and as one who has to speak from time to time, I was enormously impressed by his ability to express himself without notes, to keep his ideas running along smoothly, to insert stories to bring out his points. I found out that he had learned to do that because he had had trouble with his eyes and, by determination and hard work, had learned to get his thoughts in focus and to express them extemporaneously.

We met again when we became Members of this body together. I have served with him on the Committee on Appropriations. We have worked hard together in connection with the appropriations, particularly for mutual assistance, as it is now called, or foreign aid. We worked to build up and to support the position of then President Eisenhower.

Again I was impressed by the knowledge he had of the details of the work of the Appropriations Committee. I learned that he rose very early in the morning, about 5 or 6 o'clock, to study the work for the day, and to prepare himself. He was a responsible and important member of that committee until he left it to carry out the work as minority leader.

I think also all of us who are not members of the Committee on the Judiciary have gained a respect for his hard work on that committee, and for his ability to take a stand, whether he is alone or with others, on matters which are important to us all. We may not always agree with his position, but we know his position has been reached after hard work and conscientious attention to the details of the problem.

Now we know him as our minority leader. As so many have said, we know of his ability to express his views on the floor of the Senate. As they are delivered to us they impress us. They are impressive to read in the Congressional Record afterward. They help us to determine how we shall vote.

But I believe that Ev Dirksen's most important quality is his ability outside the Senate Chamber to impress his points of view in a sincere and able way upon Senators. By so doing he has kept Senators on our side of the aisle working more closely together than we have done at any other time in the years I have been a Member of the Senate. His ability to meet and talk with us, to discuss the pros and cons of measures, in his office, and to work toward a common objective, is outstanding, and among the fundamental qualities of a leader. We respect him for that.

I know that he also works closely with Louella Dirksen, his wife, and how much she has helped him. From my own personal experience I know how vital it is to be able to come home to a warm and affectionate greeting, and to receive advice offered in a way that will be helpful on difficult problems.

For all these reasons every citizen of our country would be helped by the continued presence in the Senate of our friend and colleague the distinguished Senator from Illinois [Mr. Dirksen].

Mr. BUSH. Mr. President, I yield to the Senator from Rhode Island [Mr. Pastore] without losing my right to the floor.

Mr. PASTORE. Mr. President, it is my firm conviction that any person who has been privileged to serve in the Congress of the United States for 30 years is certainly a somebody and has something. I know very little about Everett Dirksen as a Republican or as a politician. I think I know a great deal about him as a man. It has been a privilege and a joy to have been associated with him in the Senate during the past years. In my opinion, Everett Dirksen is a somebody and has a great deal of ability. He can say things simply and beautifully. I join his colleagues in congratulating him today and wishing him and his whole family many more years of service, good health, and happiness.

Mr. BUSH. Mr. President, I yield to the distinguished Senator from Kentucky [Mr. Cooper] without losing my right to the floor.

Mr. COOPER. Mr. President, nothing that I could say today and nothing that any of us could say, would add to the achievements or to the character of EVERETT DIRKSEN. Yet because we hold him in great affection and because he deserves it, we wish to pay him our tribute today.

All of us on the Republican side respect him because of his leadership of our party in the Senate and in the country. Senators on the Republican side have marked his willingness and his openness to express his own views in our conferences. And, we know his consideration and openmindedness in hearing our views.

Earlier, the distinguished Senator from Connecticut [Mr. BUSH] spoke of Senator DIRKSEN's leadership in bringing our party together and developing constructive party positions. I associate myself with the Senator, for Senator DIRKSEN is a great party leader.

All Senators, of both parties recognize that the good judgment, the knowledge of legislative processes on the part of Senator DIRKSEN, and his sense of the appropriate time for him as the leader on the Republican side, to work with the leadership on the other side, have combined to make the work of the Senate effective. In another way the Senate would not be the same if we could not look forward to his incomparable flights of oratory which at times make us laugh, at other times lead us to tears, and which always give us pure enjoyment, and instruction.

While it has been said by others, I repeat that one of the great attributes of EVERETT DIRKSEN as a Member of this body is his patriotic approach to great issues, both national and international.

EVERETT DIRKSEN can be fiercely partisan—and he ought to be at times. But, again and again when issues transcending narrow viewpoints or partisanship have come before the Senate, we have seen EVERETT DIRKSEN intervene with patriotism and ability to assure the passage of legislation for the broad interests of our country.

I, as well as all other Senators also, have read the story of the winning of the West. Stories of early pioneer days, of great figures, such as the story written by Carl Sandburg on Lincoln. They speak the earthiness, the humor and the pathos of the people who served and lived in those stirring days and of their abiding faith in our country. In an age of conformity a great deal of that spirit has gone. But we see its continuance in EVERETT DIRKSEN. The earthiness, humor, pathos which comes from the people and, above all, the dedication to our country, the Union and the Republic.

Someone said of the great German philosopher Kant that he was a good man and faithful to every duty. EVERETT DIRKSEN is a good man, faithful to every duty. I am sure the country recognizes, as we do, that he is a good man, faithful to every duty. He is a great Republican leader. And, in a larger sense, is a great patriot and a great American.

Mr. BUSH. Mr. President, I yield to the distinguished Senator from Kansas [Mr. CARLSON] without losing my right to the floor.

Mr. CARLSON. Mr. President, I join my colleagues in expressing appreciation to our minority leader and friend of many years for the outstanding service he has rendered our great Nation in the House of Representatives and in the Senate.

I arrived in the House of Representatives in the 74th Congress 2 years after the distinguished minority leader began his service in that body. Therefore, it has been 28 years since I first met him. He came into that body as a youthful, energetic young man from the great State of Illinois. His physical appearance has changed little. He looks as young today as he did 28 years ago. Much has been said today about his intricate knowledge of the operations of our Government. That knowledge goes back to his years of service in the House of Representatives. I know, after having observed him for many years in that body, how hard he worked on the Appropriations Committee. It was said today that he ruined his health by working on that committee. So when he takes the floor of the Senate and begins to discuss any phase of the operations of our Government, or any Government agency, he knows his subject from hard work and from hard experience.

He has many traits. I could spend much time discussing them. I believe there are two that are outstanding. First is his friendliness. No one can come in contact with EVERETT DIRKSEN without having a feeling of warmth and friendliness.

Second, he is a man of great humility. He has been rewarded with positions of high honor by his State, our party, and the Nation. But he is still EVERETT DIRKSEN—a very humble man, a very able man, and a very kindly man. I wish for him and Mrs. Dirksen many more years of interesting and dedicated service to this great country of ours.

Mr. BUSH. Mr. President, I now yield, without losing my right to the floor, to the Senator from Nebraska [Mr. CURTIS].

Mr. CURTIS. Mr. President, on this 30th anniversary of the beginning of his service to the Republic in the Congress of the United States I wish to join with others in paying tribute to the most distinguished Senator, EVERETT MCKINLEY DIRKSEN.

For the greater portion of that period it has been my privilege to work with and observe Senator DIRKSEN. To say that he is the Senate's most effective Senator may be an understatement. His keen mind, his logic, his ability to express himself and to enter into debate cause me to want to call him the Daniel Webster of Illinois.

Many things could be said about the achievements and the accomplishments of the Senator from Illinois. It would take volumes to mention the details. On many occasions his courage and his effectiveness have brought about the saving of millions of dollars for the Treasury of the United States. Senator DIRKSEN believes in private enterprise. He understands our American system. No greater defender of that system against the vicious and destructive encroachments of socialism has ever graced the Halls of the House of Representatives or the U.S. Senate.

As an American citizen I am grateful for Senator DIRKSEN and the service he has rendered. Those who believe in the great American idea join together in the hope and prayer that the country we love will have the benefit of the services of EVERETT MCKINLEY DIRKSEN for many, many years to come.

Mr. BUSH. I now yield to the Senator from Maine [Mrs. SMITH] without losing my right to the floor.

Mrs. SMITH of Maine. Mr. President, it is with gregarious gratification that I associate myself with the articulate approbation accorded our mellifluous minority leader whose powerful persuasion is matched only by his eloquent elucidation, prodigious patience, and wondrous wisdom. With inspiring intrepidation free of intensive intransigency he molds our minority into such collective cohesion that at times it is so nobly nonpartisan as to save seemingly sabotaged senatorial legislation such as the satellite communications bill—and in his magnanimous magnificence of nonpartisanship so deftly defend the Democratic Senate leader from his own Democratic Senate detractors and so decidedly deliver to the Democratic President the legislation so devoutly desired by the Democratic President despite the dogged determination of some Democratic Senators to deny their President his desires.

May EVERETT DIRKSEN be with us for 30 more years.

Mr. BUSH. Mr. President, I now yield to the Senator from New York, without losing my right to the floor.

Mr. KEATING. Mr. President, to say a word in praise of EVERETT DIRKSEN is rather like bringing a coal to Newcastle, or a goldpiece to Fort Knox, or a brush stroke to a Rembrandt.

EVERETT's title is that of minority leader, but I am confident that the majority here present feel a certain discomfort of soul in equating EVERETT with any element so secondary as a minority. He is, if I may recoin a phrase already minted and sanctified by Broadway and Hollywood, a majority of one, in the affection and in the esteem of all of us. Unhappily, I must speak of EVERETT in the only language I know, the dull, pedestrian language of prose. It is palpably unfitting, of course, for EVERETT deserves the leaping lines of a Keats, the lambent fires of a Shelley, the soaring and majestic verbal symphonies of a Shakespeare. Indeed, it is rumored that Virgil, on second thought, from his eternal resting place in the Elysian fields, revised his "Aeneid" to read, "Senatum virumque Cano"—and the virum—the man, was, of course, EVERETT.

And we, this day, vote solidly with Virgil in his reappraisal on the basis of sound historical evidence. EVERETT DIRKSEN is more than a Republican institution, more than a Senate institution. He is—by popular acclamation of his colleagues, his constituents and his friends—a national institution. And as such, I am confident that the good people of Illinois are prepared not merely to extend, but to eternalize, his role of leadership in the affairs of his State, his Nation, and his world.

EVERETT, we salute you as a dear friend and great leader.

Mr. BUSH. Mr. President, I now yield to the Senator from Iowa, without losing my right to the floor.

Mr. MILLER. Mr. President, most assuredly I wish to join my colleagues in paying tribute to the outstanding record of public service of our distinguished and lovable minority leader, Senator EVERETT DIRKSEN, who is completing this 30th year of service in the Congress of the United States.

As a newcomer to the Senate last year, I found our minority leader to be most considerate, helpful, warm, and understanding. With all of the many problems he has been beset with, not only in representing so ably the great and populous State of Illinois but in his role as the Republican floor leader, he has still somehow always managed to find the time to give me some of his precious time for wise and helpful counsel.

The role of any floor leader is a difficult one, but the role of the floor leader of the party of loyal opposition is even more difficult. He must possess the statesmanship which enables him to rise above party differences for the well-being of our country while at the same time preserving the independence of policy which his party must have if it is to be true to its principles and if it is to furnish the electorate with a reasonably clear choice of principles. This he has done and done well. To those who believe that the legislative branch of our Government should not be an equal and independent branch, but rather should be subservient to and a rubber stamp for the executive branch of the Government, EVERETT DIRKSEN is, of course, not regarded with favor. But to those who believe, as all thinking Americans believe, that the Founding Fathers were wise when they established a Constitution calling for three separate and independent branches of our Federal Government, and who expect the members of those branches to operate accordingly, while at the same time cooperating in a spirit of doing what is best for our country, EVERETT DIRKSEN will always be remembered as the kind of U.S. Senator who has met the finest traditions of the American form of Government.

I believe it would be appropriate to point out that throughout his long and devoted service to his country in the Congress, EVERETT DIRKSEN has been privileged to enjoy the gracious companionship, and dedicated attention of a wonderful wife who, I am sure, our minority leader would wish to share in this tribute.

Mr. BUSH. Mr. President, I now yield to the Senator from Tennessee, without losing my right to the floor.

Mr. GORE. Mr. President, it has been my pleasure to serve in both Houses of Congress with the distinguished junior Senator from Illinois. Few Members enjoy the service of his colleagues more pleasantly or more genuinely than is his joy and privilege. One of the great debaters in the House, he contributed magnificently to the enactment of the Marshall plan. His oratory and his patriotism are well known and thoroughly recognized.

However, I should like to refer in a personal way to the distinguished minority leader. His lovely daughter lives in my home State. She married a brilliant young attorney. They have a beautiful home and handsome children. On their expansive lawn there are many shrubs which have been set by the hand of the distinguished minority leader.

Tennessee feels honored that he frequently visits us, and we are proud to have his grandchildren as native Tennesseans. I could only wish that the day will soon come when he will return to Tennessee again for a visit, after we have terminated the labors of this session. It may be that some affair in Illinois will claim some of his attention during the fall; but I hope that even during that contest he will find time to steal away, come to Tennessee, and to drink of the fountain of love and friendship which not only his family but also uncounted thousands of others in Tennessee, hold for him.

Here in the Senate he has been genuinely courteous and agreeable, and cooperative with me. For his friendship, for his comradery, I am grateful; for his service, distinguished and patriotic, I lift my hand in salute.

Mr. BUSH. Mr. President, I yield to the Senator from Nebraska without losing my right to the floor.

Mr. HRUSKA. Mr. President, many years ago, long before I became a Member of Congress—in fact, long before I even entertained any hope or ambition to become a Member—I was visiting in Washington and took occasion to visit with the members of the Nebraska delegation. In due time, I found my way to the gallery of the House of Representatives. I had not been sitting there long, and was just on the point of leaving, when a murmur arose among the spectators and members of the audience. The substance of the murmur was that DIRKSEN of Illinois would speak at 4 o'clock. Upon that announcement, everyone sat just where he was, including the present Senator from Nebraska, who was then just a country lawyer in the general practice of law.

It is with much gratification I recall that first speech I heard delivered by the gentleman from Illinois. It was an occasion of profit and inspiration. Of course, that has been pretty much the rule ever since, whenever we are privileged to hear him speak.

All of us treasure our association with Senator DIRKSEN as a colleague and, of course, under his leadership, as well. That leadership has been able and wise.

This Senator has been additionally privileged, because for the past 5 years I have served with Senator DIRKSEN on the Committee on the Judiciary. There I serve with him on several subcommittees and have worked closely with him. I have witnessed the preparation with which he always approaches any problem. His experience and his knowledge of a subject are always something upon which the members of the committee greatly rely.

I have observed with strong envy the calm objectivity which he possesses under very trying circumstances. It is an attitude and an objectivity the attainment of which, I suppose, is the despair of lesser men, although many of us try to attain them.

However, I believe the most notable of the characteristics of this great legislator are his fairness, his concern not to offend, his desire to be of help to anyone who seeks it—and sometimes when it is not requested—and also his patience and generosity.

I think all of us can say that Senator DIRKSEN wants for the Senate, which he so dearly loves, the kind of inspiration which moved the Founding Fathers. He wants for America the kind of Government it deserves, a Government which serves well all its millions at home, and which unflinchingly meets the threat posed by its enemies abroad. Any measures proposed in this Chamber which meet that test have Senator DIRKSEN's support. If they fail to meet that test, his opposition is unremitting. It is not a partisan test; it is an American test.

So we commemorate today the conclusion of 30 years of dedicated public service. May Senator DIRKSEN continue as long as he desires, and as long as his health permits, to serve here. That is the wish not only of the Senator from Nebraska and his colleagues, but I am sure it is also the wish of millions of his fellow Americans.

Mr. BUSH. Mr. President, I yield to the distinguished Senator from New York.

Mr. JAVITS. Mr. President, it is with great pleasure and gratification that I join with so many of my colleagues in paying honor to a close friend and a distinguished leader, not only of our party, but in the Nation, after three decades of public service, after having served with him in the House of Representatives and in the Senate. Our old and dear friend, JOE MARTIN, once told me, when he put his arm around me the first day I appeared here as a Member, "This is a very hard place to get to."

We all understand the authority and the additional problems of leadership in a place which is so hard to get to at all. So the country can conceive of the degree of dedication and of confidence which must be engendered by the one who would lead one of the two great parties in this Chamber.

It is not often that one can pay tribute to a friend who is so genial and congenial, and I glory in the privilege I have.

I have heard EVERETT DIRKSEN speak many times, and always I reflected that he is one of the public men of our time who understand the virtuosity of words and how words can be music and how words can make geography, scenes, as well as ideas a steady climate for thinking and stimulating men to think and feel, as only music and words can do.

That is EVERETT DIRKSEN's greatest gift, because when one adds to the virtuosity of words a tolerant mind which understands so completely, not merely understands superficially, but deeply, other points of view, and appreciates them, even their validity, notwithstanding that they may disagree with his own, and at the same time apply to his own ideas and those of others that virtuosity of words which is his way of gift, one indeed has a fellow man of whom one can be proud, from whom one can learn, and whom one can enjoy.

The other great attribute of our minority leader is his personal philosophy, which not too many men appreciate, even in this Chamber, which is full of such interesting personalities, men of ideas, ideals, and convictions, but also men of integrity and personal philosophy, who understand how important things are, who understand where they stand in the light of the Maker. This is ever present in EVERETT DIRKSEN's mind is the proportion of man to God. I think it distinguishes and enlightens everything he does. He understands that in the final analysis we are not our own judges, but that, indeed, all mankind and, indeed, Providence itself judges over us.

So EVERETT DIRKSEN has a personal philosophy which is integrity and a sense of mission, which enables him to distinguish the small from the large, the important from the unimportant.

To me, he has a delightful humor. I have never failed, when he really set his mind to it, to be enchanted by his range and degree of allusions—humorous allusions—with which he can illuminate a problem, yet without derogating in the least from the sincerity and seriousness with which the problem is being evaluated.

He adds to this delightful humor a rare personal attribute which is a hallmark of an American legislative leader. One cannot be a successful leader—and EVERETT DIRKSEN is a superbly successful Senate leader, ranking with the very best who have ever graced this Chamber, on either side of the aisle—unless he has that rare good humor to offset all the foibles, frustrations, and difficulties of uncounted and unreasoning attitudes which sometimes beset many of us, I have no doubt, including myself. Yet with deep understanding, he displays a common bond, a common sympathy, a common purpose, a common respect, and a showering of his rare good humor upon us.

So, Mr. President, I am grateful to Illinois, the home of Lincoln, which has produced a comparable personality—another outstanding American. Certainly all America is grateful for the privilege of having so gifted, so distinguished, and so warmhearted and loving a man in this high position.

Mr. BUSH. Mr. President, I yield to the Senator from Texas, without losing the floor.

Mr. TOWER. Mr. President, as one who has for many years been impressed by the profound knowledge, captivated by the brilliance, and moved by the eloquence of EVERETT DIRKSEN, I consider it a high privilege to be afforded this opportunity to join with other of my colleagues in paying tribute to him today.

Of course, all of us are familiar with the qualities he shows to the general public—qualities which we admire greatly, and for which we hold him in esteem. However, I believe that those of us who know him well love him most for the endearing qualities he shows to his friends: his warmth, his good humor, his readiness to give good counsel and advice when asked for them.

As a freshman Member of this august body, I feel that I am somewhat more effective and more knowledgeable as a result of having sat at the feet of EVERETT DIRKSEN. I think all of us can think better of ourselves because we belong to a community of public servants which has produced an EVERETT MCKINLEY DIRKSEN.

Mr. BUSH. I yield to the Senator from New Jersey [Mr. CASE] without losing my right to the floor.

Mr. CASE. Mr. President, someone has said that the Senate is perhaps at its best on occasions of this sort, when we take time from the day-to-day hurly-burly of work on legislation, to devote a little time to consideration of the qualities of one of our Members. It must be obvious to everyone that all of us enjoy doing this; and I know that none of us has had occasion to do it at any time with greater pleasure than at present.

I join my colleagues in expressing my tribute to EVERETT DIRKSEN. I do so with the warmest feeling of satisfaction, both as a Republican Senator and as an American.

As a Republican Senator, I point out that what all my colleagues on this side of the aisle have said about EV DIRKSEN is true. He is generous and fair in his conduct of the procedures and activities of the Senate, especially in relation to the Members on this side of the aisle. He is indefatigable in his pursuit of their interests, and he is unswerving in his insistence that we "get a fair break"—and we have, and in no small part due to his outstanding qualities of leadership.

EVERETT DIRKSEN is a most effective leader. The disparate group which sits in this body—and there are many disparities among those of us on this side of the aisle, and perhaps even greater disparities among those who sit on the other side of the aisle—does not easily respond to leadership unless it is of the first quality. It is that sort of leadership that EV DIRKSEN has given us. For it, Mr. President, we are most grateful.

Furthermore, as an American I am even more grateful to him because of his wisdom, his responsibility, his courage, and his patriotism.

On many occasions we have seen him, after wrestling with his soul and after considering all the facts in regard to an important matter, arrive at a conclusion which, perhaps, to someone not knowing him as well as we do might seem to be unexpected; and again and again we have seen him take a position not always in agreement with the position taken by the rest of us on this side of the aisle, or not even in agreement with the position of the majority, when he felt it was in the interest of the greater number to do so. For this we are grateful, and for it he deserves the highest praise.

Of course, Mr. President, as a leader of this body, regardless of party, his constant demonstration of his sense of responsibility for the conduct of the affairs of the Nation which we have the honor to represent in part is beyond all praise. For all these things we are most grateful.

Like all my colleagues, I have a personal affection for EVERETT DIRKSEN as a warmhearted human being. It is in this spirit of affection and regard that I salute him.

Mr. BUSH. Mr. President, I yield to the distinguished senior Senator from Iowa, without losing the floor.

Mr. HICKENLOOPER. I thank the Senator from Connecticut.

Mr. President, today I am quite stimulated because of being able to talk about a colleague whom I have known for many years—a colleague whom I knew before I came to the Senate. It is a great pleasure to talk about him for a little time, while he is still in the Senate and is continuing his service here. Certainly it is a much greater pleasure to talk about one who is continuing his service than it is to talk about one who is discontinuing his service, because a note of sadness develops when we are confronted with a forthcoming discontinuance.

As I said, I have known EVERETT DIRKSEN for more than 20 years. For all of those years I have admired him as a public leader; and as the years have passed, we have become increasingly closer friends.

I shall not attempt at this time to submit to the Senate any innovations in gilding the lily, because many, many fine things have been said about EVERETT DIRKSEN, and have been said much more gracefully than I could say them. But I do wish to point out, from my own viewpoint, a few of the qualities which I think make him the outstanding leader and the great American statesman that he is and has been throughout the years.

One of the first attributes which I believe we continually note about our distinguished minority leader is his unswerving loyalty to his convictions in connection with both his public and his private responsibilities. As was pointed out a moment ago, and as has been pointed out before, he has never hesitated to go against the majority, and even on occasion to be a minority of 1, when his convictions indicated that he should take such a position in the public interest.

Next, I wish to mention his great loyalty and his great kindness, not only to his friends and associates on his own political side of the aisle, but also to those on the other side of the aisle. To all, he is unfailingly courteous and unfailingly cooperative in every possible way, short of compromising his principles or short of doing something which would have an adverse effect upon the interests of his party. It is that quality, among others, which endears him to those of his own party and to those who belong to the opposition party.

I think that has been true in his service, not only in the Senate, but in the House of Representatives at the other end of the Capitol.

Then, in his capacity, not only as a Member of the Senate and as a colleague, but as the leader of the minority, in his constant representation of the broad interests and prerogatives of the members of his party, regardless of whether he agrees with a particular position on any special issue or not, he is the first to defend them. He is the first to protect their rights. He has never turned a deaf ear when it has been a matter of accommodation or assistance to his colleagues, regardless of what the issue might be.

Much has been said about his oratorical ability, the articulateness with which he expresses himself. I shall not enlarge on that ability except to say that, in the great tradition of those in American history who have been able to express themselves clearly and succinctly, with courtesy and kindness on occasion, but, when the occasion arises, with a devastating vigor that demolishes his opponents, if necessary, he continues the articulate, free expression which is a part of our American system and which is so fundamental in that system.

EVERETT DIRKSEN is a great man. He is not only a great friend and a great advocate, but he certainly is a worthy opponent when occasion arises, because the steel of his weapons is of the highest temper. Not only his courage and vigor, but the force of his zeal when he is presenting his views, are more often than not persuasive to those who had theretofore disagreed with him.

It is a great privilege for me to call him friend. It is a great privilege to be associated with him. It is a great privilege for me to testify today as to my own feeling of satisfaction and the rewards that have come to me from the lessons I have learned from him and through him.

I hope for and I look forward to a very substantial period of time in the future when these associations can continue, and I can continue to sit at the feet of a Demosthenes who never had to have pebbles under his tongue to express himself, and who will not in the future.

I salute the minority leader with all the vigor at my command.

Mr. BUSH. Mr. President, I yield to the Senator from Kansas [Mr. PEARSON] without losing the floor.

Mr. PEARSON. Mr. President, old acquaintances of our distinguished minority leader speak of him with sincere admiration. His colleagues of many years permit themselves the pleasant emotion of expressing their profound personal friendship. Certainly the strength of his character, his talents as a public servant, and his worth as a unique individual have been amply proven by the man, himself, all the way from Tazewell County, Ill., to the U.S. Senate. And eloquent testimony from his longtime friends has brought these things again into sharper focus and has made all of us newly aware of his greatness.

Now I come to speak of this distinguished leader as a new friend. I have known his name and the quality of his work for many years; yet only in my brief Senate service have I known him as a personal friend. This friendship has greatly strengthened my admiration for him and has fortified my conviction that our country is indeed fortunate to have among its leaders such a man as EVERETT MCKINLEY DIRKSEN.

Senator DIRKSEN is one of those rare individuals who, in a single extraordinary personality, combine a great skill of oratory, a profound intelligence, a cool logic even under presssure, and a talent for unifying and directing the many divergent forces of his colleagues. Those things have created around him a natural manifestation of leadership, and have rightly made of him a national symbol—the symbol of enlightened opposition.

I proudly number myself among the new friends of Senator DIRKSEN. If he lives a century, or more, I am sure that each day will bring more new friends to him. He richly deserves their friendship.

Mr. BUSH. Mr. President, I yield to the Senator from North Dakota [Mr. YOUNG] without losing the floor.

Mr. YOUNG of North Dakota. Mr. President, I wish to add my tribute to the well-deserved tributes to a great leader of the Senate.

Senator EVERETT MCKINLEY DIRKSEN has occupied a prominent place in the Congress of the United States, the Republican Party, and public life in American, for more than a quarter of a century.

This record is due to many fine talents. He is the possessor of far more talents than the average person, and he has made good use of them.

May I cite just a few of those fine talents? Senator DIRKSEN is one of the hardest workers I have ever known. Even at this time he puts in from 14 to 18 hours a day in his work. When he comes on the floor of the Senate or before a committee of Congress he is very well posted on the subject with which he is dealing.

He has a fine intellect, far above that of the average man.

Most important of all is the good judgment he displays in all matters.

He has an unusually pleasing personality, a good sense of humor and wit.

These qualities are appreciated by everyone and have helped him greatly in becoming the great leader that he is.

Probably one of the nicest and best qualities of all of Senator DIRKSEN is that he has a truly fine Christian spirit. He can fight hard on the Senate floor, and some persons might think he is really angry about something; but he is one who never holds any ill will toward anyone, even those who sometimes bitterly oppose him. I think that of all the fine qualities a great leader may have, this is one of the finest.

I salute Senator DIRKSEN as one of the great leaders of our time.

Mr. BUSH. I yield to the Senator from Idaho [Mr. JORDAN] without losing the floor.

Mr. JORDAN of Idaho. Mr. President, as the newest Member of the Senate, I wish to add my voice to those of my colleagues in praise of our distinguished minority leader, EVERETT DIRKSEN. He has been most helpful and considerate to me since I became a Member of the Senate, but our friendship, Mr. President, covers a much longer period of time than that.

Back through the years, Senator DIRKSEN has been most generous of his time and talent.

More than 10 years ago he came to my State of Idaho, when I was Governor, and he won the hearts of our people with his enunciation of the basic principles of sound, responsible government.

My colleagues have paid tribute to his great contribution in the 30 years he has served in the U.S. Congress. I am pleased to salute him as a great minority leader, as a great leader of our party. More than that, I salute him as a great American. I wish for our distinguished leader many, many years of continued service to his State and to our Nation, and many happy returns of this day.

Mr. BUSH. Mr. President, may I yield to the able Senator from Ohio, without losing the floor?

The PRESIDING OFFICER (Mr. PEARSON in the chair). Without objection, it is so ordered. The Senator from Ohio may proceed.

Mr. LAUSCHE. Mr. President, with delight I join my fellow Members of the Senate in expressing felicitations to the Senator from Illinois [Mr. DIRKSEN], on the day when he is celebrating his 30th year of service in the Congress.

I especially express felicitations to him because of his good looks. I say that because on a number of occasions in the past 6 months I have been mistaken for DIRKSEN [laughter], and I know that he is a good-looking man.

Mr. President, I admire him. I admire him for his courage in the performance of his duties. I respect him deeply for his devotion to his country and to his family.

I cannot help marveling about his consistency in applying principles by the exercise of judgment, rather than resorting to political expedience in deciding how he will vote and how he will argue. I say this to him without any hesitation. I marvel at the courge he exhibits constantly in voting upon issues in the Senate. I sometimes think that I have some courage, but I wish that mine measured up to his.

He has a sense of humor which time and again on the floor of the Senate has broken down tensions which were bristling. I have listened to him under circumstances that have been difficult. I have constantly enjoyed the soothing feeling that, in these tense moments, he musters the ability to give a narration which makes everyone feel better.

To summarize: For your wit and humor, for your courage, for your integrity, for your devotion to country and family, for your consistency in the application of honest principles intended to serve the interests of your country, for your purpose to avoid political expediency, I shout "Hail to you" today. I wish for you many more years of service in the Senate.

Mr. BUSH. Mr. President, may I yield to the Senator from South Dakota without losing my right to the floor?

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BOTTUM. Mr. President, everything has been said, and said over and over again.

The passage of 30 years in the life of a nation or in the life of a man in itself is not remarkable. However, on this occasion of the acknowledgement of 30 years of service of Senator DIRKSEN, we note an occasion which will mark history in the U.S. Senate, for the people of America can look upon this great American as one who had added to the heritage which is America.

He is a true Christian who practices his religion in his daily life.

He is a true patriot who understands the meaning of patriotism in his every act and deed.

He is an idealist who puts his ideals into practice.

He is a dreamer who makes his dreams come true.

He is a man who towers above the multitudes, my friends.

He is a man every young man and woman in America can look to today and call him blessed.

Let us all thank the dear Lord that here in our midst, alive and working, is a great patriot, a great American, a great citizen of this fine country.

Mr. BUSH. Mr. President, I ask unanimous consent that if other tributes to Senator DIRKSEN are made later in the day, or if Senators ask for insertions in the RECORD in this regard, that they may be printed in the RECORD following the remarks of those who have spoken, so that the body of the RECORD may be complete in respect to these tributes.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Connecticut? The Chair hears none, and it is so ordered.

Mr. HUMPHREY. Mr. President, will the Senator yield?

Mr. BUSH. I yield to the Senator from Minnesota.

Mr. HUMPHREY. Mr. President, I would not want to miss this opportunity of joining the friends and colleagues of Senator DIRKSEN in extending congratulations on his years of public service and, as has been said, felicitations and good wishes for a good and fine man.

I have noticed that the Senator from Illinois has many qualities which have earned for him respect and admiration. He also exhibited, at a very early age, a sense of judgment which has stood him well, for many, many years ago he entered the University of Minnesota Law School, and he graduated from that law school. Obviously, he obtained there the learning and the qualities of skill in forensics and rhetoric which have made him a giant among debaters and public officials.

I should like to give some credit to the University of Minnesota for this contribution to the distinguished Senator from Illinois.

I should also like to say he was a quick and sure learner. There was nothing slow about him then, as there is nothing slow about him now.

I conclude my remarks on a note of sadness.

On many a night I have left this Chamber after listening to the Senator from Illinois with a tear in my eye, grief in my breast, and sadness in my heart because, with all his talent, with all his friendliness, with all his wit, his humor, and his alertness, he has fallen into the paths of misguided political philosophy.

It is really like seeing one's own loved one go astray. So often have I heard the Senator from Illinois, as he has stood in this Chamber, espouse a program or a project which I hoped and prayed he might set aside and forget, hoping that somehow or other, since he had the good judgment to go to the University of Minnesota Law School, he would have the good judgment to join the Senator from Minnesota as a working, active member of the Democratic Party. I will not say I have prayed for this, but I have talked a little about it.

I want the Senator from Illinois to know that there is still time to repent. [Laughter.] I would more than welcome him at any moment if he should like to join hands as one of the active New Frontiersmen, with or without coonskin cap and with or without official label.

We surely want to wish him the best. I extend greetings on behalf of Mrs. Humphrey and myself to the Senator and his wife and family. All good folks join us, I am sure. We are happy to wish you well.

Mr. BUSH. Mr. President, in view of the admiration we all have for the Senator from Minnesota [Mr. HUMPHREY], I venture to express regret that he, too, did not go to the University of Minnesota Law School.

Mr. HUMPHREY. I went to the University. I did not make the law school. That was a little too tough.

Mr. BUSH. Mr. President, I yield to the Senator from Maryland [Mr. BUTLER], without my losing the floor.

Mr. BUTLER. Mr. President, there are poets and there are politicians. There are artists, and there are artisans. And there are Senators and Senators.

Normally, I would say, a tribute to a colleague can be composed simply and frugally, but today the man we praise deserves eloquent, extraordinary and enriching words to match the countless dramatic speeches which he has uttered so often on this floor. Everything about the man, Mr. President, the resonant ring of his name, EVERETT MCKINLEY DIRKSEN, the mellow accents of his voice, the fertile mind producing a vocabulary which would require Mr. Roget to write a new "Thesaurus" if he were alive today, the truly remarkable range of his interests and activities—all these things are not easily summed up. Indeed, I can think of only one man who can do justice to our distinguished, resourceful, and eloquent friend, and that is the man himself, but I know he is to modest for that. It remains for us to attempt the formidable task.

I have known, worked with, and looked for guidance to the Senator from Illinois for nearly 12 years. We entered the Senate together, and throughout this time I have never known him to be indifferent to a cause or an individual. He is fair, he is honest, he is a gentleman almost to a fault, if that is possible. In a prosaic world he is a poet. In a city of politicians he is a statesman. In an era of science he is an artist. In a chamber filled with Senators it can be said that he most closely approximates a Senator in the Roman tradition, combining the virtues of experience, maturity, and integrity.

Mr. President, to paraphrase a great American writer, James Agee, let us now praise a famous man.

Mr. BUSH. Mr. President, I yield to the Senator from Delaware [Mr. BOGGS] without my losing the floor.

Mr. BOGGS. Mr. President, I wish to join my colleagues in saluting and paying my respects to a great American, the minority leader, the distinguished junior Senator of Illinois [Mr. DIRKSEN].

I consider it one of the greatest privileges of my life to have had the opportunity and pleasure of serving both in the U.S. House of Representatives and in the U.S. Senate with him.

The able Senator from Illinois [Mr. DIRKSEN] is one of the most dedicated public servants I have ever known. No man could be more conscientious in the performance of his duties to his country and to the people of Illinois.

As minority leader in the U.S. Senate, he is effective, considerate, cooperative, and understanding. His judgment is mature and strengthened by long experience and great intellectual ability and integrity. His devotion to duty is unsurpassed and represents the very highest standards of public service.

As an individual he is beloved and respected as a good friend.

On this occasion I am happy to extend my best wishes to a good friend, an able leader and great American, for his continued good health, happiness, and outstanding service to our Nation and his great State of Illinois.

Mr. BUSH. Mr. President, I yield to the Senator from Hawaii [Mr. FONG] without my losing the floor.

Mr. FONG. Mr. President, I am pleased and proud to add my warm felicitations and congratulations to the accolades and tributes tendered to our beloved minority leader, EVERETT MCKINLEY DIRKSEN, as he marks three decades of service in the U.S. Congress.

By any criterion, this is a most remarkable and distinguished record of service to the people of America—to his district, his State, and his country. But then Ev DIRKSEN is a most remarkable and distinguished man—a veritable sequoia in the tall timber of mankind.

Every word of praise, every commendation, every ecomium offered Ev DIRKSEN today is indisputably merited, undeniably warranted, and richly deserved in fullest measure.

To all the preceding eulogies in behalf of Ev DIRKSEN, I say "Amen" as I rise to pay my own humble homage to my captain, my counselor, and my friend.

I feel a keen sense of personal gratitude to the distinguished Senator from Illinois. With his support, Hawaii attained statehood. Without his support, Hawaii might still be a Territory and I might not be here today.

My acquaintance with Ev DIRKSEN dates to 1952, when I was a delegate from Hawaii to the Republican National Convention.

Since entering this august body 3 years ago, I have come to know Ev DIRKSEN very well and during this time have increased both my respect for his legislative leadership prowess and my affection for his personal attributes.

I know my sentiments are shared by all of us who serve in the U.S. Senate, irrespective of party.

We Republicans have accorded him our highest honor by selecting him as our floor leader. The records should show that, although our numbers were few, our party's impact has been great during his tenure—a fact owing in great measure to his legislative and parliamentary skill and inspiring personal leadership.

The job of floor leader is a gruelling job—difficult, demanding, at times probably exasperating. It is a job of requiring the wisdom of Solomon, the patience of Job, the fortitude of Lincoln, and the stamina of Samson. It is a job carrying a very heavy legislative burden as well as a heavy burden of human relations.

For a floor leader copes not only with the issues large and small, but with the human virtues, the frailties, the idiosyncracies of his flock in addition to the virtues, the frailities, the idiosyncracies of the flock on the other side of the aisle.

If I were to say in one word how Ev DIRKSEN has fulfilled his post as floor leader, I would say "nobly." For he has been a constructive leader, always searching for ways to accomplish the legislative job that needs to be done to safeguard our country and encourage its growth.

He has been a tower of strength in the Senate, standing firm where others might waiver, showing remarkable optimism where others might succumb to discouragement, and holding fast to his faith in the American system of government.

He has shown astonishing grasp of many issues and great depth of knowledge which has served so helpfully both in his committee work and on the Senate floor. He has been a constructive force and a progressive force, a courageous force, and a unifying force.

Throughout all the pulling and hauling of heated debate, throughout all the controversy inherent in a legislative body representing such diverse constituencies, throughout all the tedium that sometimes grips this Chamber, Ev DIRKSEN has performed with consistent good will and constant good nature. Time after time, his ready wit has broken the tension of acrimonious debate and restored an atmosphere of congeniality.

He himself is a kindly and compassionate man, respectful of others whether they be Senators or clerks. There is a sincere humility in Ev DIRKSEN reminiscent of his own great hero, Abraham Lincoln.

It is significant to me that Ev DIRKSEN long ago sought to study and to emulate this giant among our American heroes. In this selection, Ev DIRKSEN reveals his lofty values and high standards of conduct to which he has adhered during his lengthy public service.

No tribute to Ev DIRKSEN would be complete without reference to his oratorical prowess. I must say, it is a pleasure and a joy to hear the English language so eloquently employed and argumentation so masterfully organized and embellished. I marvel at his storehouse of literary and biblical references which he can command into play at a moment's notice. He is truly an erudite person—an appealing egghead, if you will. He is indeed worthy of his eminent predecessors in this body and of the traditions of this Republic and the people whom he has served so long and so faithfully.

My friend, we admire and love you. We only hope the people of Illinois will show continued sound judgment and return you as their Senator, so that we may continue to have you as our leader.

Mr. BUSH. Mr. President, I yield to the Senator from Delaware [Mr. WILLIAMS] without my losing the floor.

Mr. WILLIAMS of Delaware. Mr. President, I join my colleagues in paying respect to our distinguished and affable minority leader, EVERETT DIRKSEN.

It is not often that a minority party of such limited numerical strength in the Senate is blessed with such a wealth of talent and ability in its leadership as the Republican Party is today.

We on this side of the aisle are more than fortunate to have as our leader the able junior Senator from Illinois, whose devotion to the chores we have thrust upon him is matched only by the skill and ability he displays in seeing that a difficult task is accomplished efficiently and expeditiously.

I know that the admiration that we on this side of the Chamber have for EVERETT DIRKSEN is shared by those Senators who may differ with us politically. We admire him as a courageous fighter for those principles which he knows are in the best interests of his State and Nation, but most of all we cherish the friendship of this great American.

Mr. BUSH. Mr. President I yield to the Senator from Oklahoma [Mr. KERR] without my losing the floor.

Mr. KERR. Mr. President, I am delighted to join in the tributes to our distinguished minority leader and add my word of commendation, respect, and affection for a man whom I regard as a great patriot, a great statesman, a great Senator, and a man of courage, whose word is good, and who is greatly esteemed by all who know him, including the Senator from Oklahoma.

Mr. BUSH. Mr. President, I yield to the Sentor from Utah [Mr. BENNETT] without my losing the floor.

Mr. BENNETT. Mr. President, each of Senator DIRKSEN's colleagues has a personal and individual acquaintanceship and experience and appraisal of the man, particularly a friendship which is individual and unique.

The Senator from Utah has always considered it a privilege and a blessing that during the years since the two of us came to the Senate—and we came on the same day—we have lived in the same apartment building, which has brought us physically close to each other.

The Senator from Utah has another unusual background for his relationship to the Senator from Illinois which he has never put into words until now. As the leader of the Republicans in the Senate, Senator DIRKSEN may be assumed to project a kind of father image to the rest of us. I say to him now that, so far as I am personally concerned, this fact has always intrigued me because he looks very much like my own father. He has the same kind of curly hair and the same kind of helpful attitude.

I know of no better tribute that I can pay to my friend than to direct attention to the great facility he has with the Scriptures, his ability to quote the apt Scripture on a particular occasion, his ability to use Scripture for a telling purpose.

I hope I may be pardoned if today I try to summarize my feelings of the contributions that Senator DIRKSEN has made to us, and my feeling of the measure of the man as the Republican leader, in the words of the Master, who described the ideal leadership. Senators may remember those words. I am now reading:

> There came to Him the mother of Zebedee's children with her sons, worshiping Him, and desiring a certain thing of Him.
>
> And He said unto her, What wilt thou? She saith unto Him, grant that these my two sons may sit, the one on Thy right hand, and the other on the left, in Thy kingdom. * * *
>
> And when the 10 heard it, they were moved with indignation against the 2 brethren.
>
> But Jesus called them unto Him, and said, Ye know that the princes of the gentiles exercise dominion over them, and they that are great exercise authority upon them.
>
> But it shall not be so among you: but whosoever will be great among you, let him be your minister;
>
> And whosoever will be chief among you, let him be your servant.

I think in his service as leader of our party in the Senate Senator DIRKSEN has beautifully demonstrated his understanding of and devotion to that paradoxical principle set forth in this ideal definition of great leadership.

Mr. BUSH. Mr. President, I am about to yield the floor. We have had a most happy interlude. Seldom does a man find out during his lifetime how much his friends, associates, and colleagues think of him. I am sure that in this 28th year of service of the Senator from Illinois in Congress he must feel gratified to sense the confidence as well as the affection and admiration which all of us have for him.

Mr. President, I yield the floor.

FOOD AND AGRICULTURE ACT OF 1962

The Senate resumed the consideration of the bill (H.R. 12391) to improve and protect farm income, to reduce costs of farm programs to the Federal Government, to reduce the Federal Government's excessive stocks of agricultural commodities, to maintain reasonable and stable prices of agricultural commodities and products to consumers, to provide adequate supplies of agricultural commodities for domestic and foreign needs, to conserve natural resources, and for other purposes.

Mr. HUMPHREY. Mr. President, I understand that under the unanimous-consent agreement the Senate will vote at 2 o'clock on the passage of the bill.

The PRESIDING OFFICER. The Senator is correct.

Mr. HUMPHREY. I ask the attention for a moment of the distinguished minority leader, whom we have serenaded for some time—and rightly so. I understand that on this side of the aisle and on the Republican side of the aisle there was a desire on the part of certain Senators to speak on the farm bill.

After consulting with the minority leader, I find it would be advantageous and desirable if the time for the vote could be extended a few minutes in order to accommodate certain Senators who have statements they wish to make on the farm bill.

I ask unanimous consent that the hour for voting be changed from 2 to 2:15 p.m. I hope there will be no objection. Does that request meet with the approval of the minority leader?

Mr. DIRKSEN. That is agreeable.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. HUMPHREY. Mr. President, I ask unanimous consent that the necessity for a quorum call be waived.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. HUMPHREY. Mr. President, the Senate is now operating on the time which will be equally divided, and we shall make whatever concessions of time as are necessary in order to accommodate Senators.

The PRESIDING OFFICER. If the available time is to be equally divided, there will be 21 minutes available on each side.

Mr. DIRKSEN. Mr. President, I yield to the distinguished Senator from North Dakota.

The PRESIDING OFFICER. The Chair recognizes the Senator from North Dakota.

Mr. YOUNG of North Dakota. Mr. President, efforts to secure better farm price support legislation during this session of Congress have encountered many difficulties. Different and at times contradictory positions of the various farm organizations have been confusing to say the least, and especially to those who are not close to actual farm thinking. Adding to the problems of farm legislation was the delay of a month or more caused by the filibuster on the communications satellite legislation.

Vicious and inaccurate attacks on farm programs have had an adverse effect on public opinion as well as Members of Congress. I regret to say that each year there are fewer and fewer Members of Congress, who believe in price supports. If this trend continues, price supports—which are practically the only protection against disastrously low farm prices—could well be reduced to completely ineffective levels or abolished completely.

The trend so far as every other segment of our economy is concerned, is directly opposite. Subsidies and many other forms of assistance and protection are being added for labor and industry each year. I think I speak for almost every farmer, when I say that farmers would be willing to go it alone if every other segment of our economy were willing to do the same.

The final vote on this farm bill will soon be taken. Unfortunately, I have not been able to take part in much of the debate on this farm bill. At exactly the same time that the farm bill was being discussed and considered on the Senate floor, the Subcommittee on Agriculture Appropriations was meeting to mark up, or take final action, on the agriculture appropriations bill.

Since I am the ranking Republican on this committee, I felt it more necessary that I attend these important meetings than to take part in the debate on this bill.

The choice on final passage of this agriculture bill is not a happy one. There are many good provisions in it, and many undesirable ones. I particularly regret that the provisions of the feed grain price support section are such that farmers could well find themselves with extremely low price supports for feed grains in 1964. There is every possibility that this situation can and will be corrected when the Senate-House conference committee meets to iron out the differences between this bill and the bill passed by the House. I expect to be a member of this conference committee.

I am not at all pleased with the wheat section of the bill which embodies the provisions of the wheat certificate plan. A more simple two-price system—such as that advocated by the Grange for many years; by that fine Congressman and great friend of farmers, former Congressman Clifford Hope, of Kansas; by another distinguished friend, the Senator from Kansas [Mr. CARLSON], and by me—would be much better. I am in hopes that the wheat certificate plan, too, can be improved in conference with the House.

The wheat certificate plan provides for continued production controls. One of the objections often raised to it is that it requires—as does the present law—that the same acreage reduction be applied to every kind of wheat in every area of the United States. It would be far better if a higher percentage cut in acreage were applied to the kinds of wheat in greatest surplus.

This disadvantage is offset to a considerable degree by a provision I was able to place in this bill permitting the Secretary of Agriculture to increase the acreage of any kind of wheat in short supply. Legislation with similar provisions has worked well for Durum wheat in my State for 4 different years since 1955. An increase in Durum wheat acreage has been permitted because it was in very short supply. I have every reason to believe that these provisions that have worked so well for Durum wheat can be applied just as effectively to any other kind of wheat which may be in short supply.

With all of the shortcomings of the wheat certificate plan, it is certainly far better than nothing at all or most alternative proposals. Farmers would indeed be better off with no program at all than some of the proposals being made in Congress for extremely low price supports coupled with massive land retirement programs. Such proposals are not acceptable to the vast majority of farmers nor to the millions of people in the small towns and cities who are closely associated with the farmers by providing vital services to them.

The Committee for Economic Development, in its recent report, made some startling disclosures regarding the effects of their proposal. The CED's proposal is the same as some others floating around Congress. It would gradually abolish price supports and have the Federal Government embark upon a huge land retirement program. The CED was frank to admit that under its program practically one-third of the farmers would have to leave their farms and seek jobs in the big cities of this Nation—many of which are already troubled with unemployment.

The CED program, as well as other similar ones for which bills have been introduced in Congress, would deal a tragic blow to rural America.

I hope and pray that the time is not far off when the leaders of this Nation will seek true and accurate information regarding the serious problems farmers are facing and the solutions that are necessary, rather than to listen to often phony and self-proclaimed authorities on agriculture.

A prosperous and solvent agriculture is as vital to the overall economy of this Nation now as it has been in years past.

Mr. President, I am going to vote for this bill. It is not a happy choice but it is far better than a negative vote. Believing as I do that without farm price supports we would have a bankrupt agriculture, and believing as I do that there is still some hope of writing a better bill in the House-Senate conference committee, I am going to vote "aye" to send this bill to conference.

Mr. MUNDT. Mr. President, I yield to the Senator from Iowa.

The PRESIDING OFFICER (Mr. PROXMIRE in the chair). The Senator from Iowa is recognized.

Mr. HICKENLOOPER. Mr. President, yesterday I spoke at great length on the farm bill. The speech is carried in the RECORD of yesterday. I merely wish to say now that I cannot under any circumstances vote for the bill as it stands now and as it will come up for final passage, for several reasons.

First, in the provisions of this bill there is completely destroyed the corn program in this country. As was pointed out yesterday so eloquently by several Members of the Senate, the so-called Benson proposal of some years ago, which was objected to so strenuously, of giving the Secretary discretion for setting support prices between 0 and 90 percent, as was said yesterday, has completely out-Bensoned Benson. In addition to including the provision that the support prices on corn shall be from 0 to 90 percent in the discretion of the Secretary, the framers of the bill went further and provide that he cannot use support prices on corn if by so doing it will add anything to the accumulated CCC crops. That inevitably means no support price on corn. It destroys the corn program. We in the corn and feed grain area simply cannot stand for that kind of program. I do not see how we can possibly support the certificate plan for wheat, which is contained in the bill, because it will inevitably result in the dumping of surplus wheat on the market in competition with feed grains at whatever the market will be. That will have a devastating effect on prices and will drive them all down in the feed grain area.

I will not dwell at length on the effect on the livestock market, because everyone knows that as the price of feed and feed grain goes down so does the livestock market. Therefore, the effect of the bill will be devastating upon the livestock producer who depends upon feed grains for his prosperity.

One last thing, Mr. President. There is no question in my mind that one of the major objectives behind the provisions that now exist in the bill will be to place the agricultural economy of this country in such a state of devastation that farmers in desperation will be forced to accept the Kennedy-Freeman-Cochrane control system on agriculture, which starts out with acreage allocations and marketing quotas and price distribution, and everything else in the hands of the Secretary of Agriculture. The freedom of American agriculture will be lost if that occurs. If this bill as it is written today goes into effect, it will have the tendency to force farmers, in desperation, into the controlled program, because there will be no alternative for them. Therefore, I cannot under any circumstances support the bill with my vote, coming as I do from one of the greatest agricultural areas in the world.

Mr. DIRKSEN. Mr. President, I yield 10 minutes to the distinguished Senator from South Dakota.

Mr. MUNDT. I wonder whether the distinguished chairman of the Committee on Agriculture and Forestry would yield to me some extra time, even though I am on the opposite side.

Mr. ELLENDER. I yield 3 additional minutes to the Senator from South Dakota.

The PRESIDING OFFICER. The Senator from South Dakota is recognized for 13 minutes.

Mr MUNDT. Mr. President, I should like to review if I may, in this time allotted to me, the reasons why I believe Senators should vote against the agricultural bill on which the yeas and nays will soon be taken. As one who has normally supported farm bills when they have come before the Senate, and who is predisposed, of course, representing a great agricultural State—one which has been called frequently the most agricultural State in the Union—to vote for such farm bills, I would do so if I thought it would be beneficial to the farmers of America.

Therefore I should like to summarize what I have to say, by first, emphasizing what was just pointed out so well by the Senator from Iowa [Mr. HICKENLOOPER] that the corn section as presently written, with the Ellender amendment, makes this an impossible bill as far as the farm economy of a State like South Dakota or Iowa is concerned. South Dakota, as do many other States, depends in large measure on corn and feed grain and livestock for its income. It would be bad enough if it were simply a 0 to 90 percent flexible price program which the bill now contains, such as was advocated by Secretary Ezra Taft Benson and President Eisenhower. Mr. Benson advocated it with futility. However, finally he sold it to enough members of the Democratic party so that yesterday by a yea-and-nay vote the Senate adopted that program. As I say, it would be bad enough if the Benson concept of flexible price supports had been adopted, but when the framers of the bill tied to it the mandate to the Secretary of Agriculture that he could provide no price support for corn at all if the level of such price support was sufficient to attract a single bushel of corn into the Commodity Credit Corporation, it practically abolishes the price supports for corn.

When we abolish price supports, or set them at a pauperizing level—because it is written into the act that price supports for feed grains are to be related to price supports for corn and price supports for corn in turn are to be related solely to CCC stocks of surplus corn—we automatically drag down price supports for all the feed grains that are raised.

What impact will that have on a corn farmer in South Dakota, Iowa, or Wisconsin—where the distinguished Senator now presiding lives—or in any other corn or feed grains State? It means that a farmer who raises corn cannot sell it in the cash market without going broke. However, he has all that corn. So he starts accumulating hogs and cattle and livestock, so that he can sell the corn on the hoof, by feeding it to the livestock. In that way there is created a surplus of livestock in America, which in turn forces down livestock prices in every State, thus creating an insistence on the part of people who will then be injured economically to provide some kind of price control for livestock.

So by the chain reaction of this successful attempt to out-Benson Benson with a flexible price support, firmly tied to the CCC supplies of corn, forcing price supports for corn virtually down to 0, we create chaos out in the farm area where we depend upon the combination of corn, feed grains, and livestock to produce a profit for the family farmer.

In addition to that, it seems to me this bill will perpetuate the surplus problem, because this means that CCC stocks are going to be perpetuated, because they will not find an outlet in the open market. There will also be no restrictions on the amount of new corn to be produced and no inducements to retire corn acres. They have fixed the sales price of all corn at a price so high that the cash price of corn may not possibly rise high enough so that the Government can dispose of its CCC stocks.

I like some sections of the bill. I believe that title V is exceedingly good, because it provides at long last for industrial uses for farm products, and sets up the mechanism to do that. This is a section added to the bill by my amendment in committee. Unhappily I will have to vote against that section, too, when I vote against the rest of the bill. I do so with some degree of relief, however, because we will vote later this week or next week on the agricultural appropriation bill, in connection with which, in cooperation with the distinguished chairman of the subcommittee, the Senator from Georgia [Mr. RUSSELL], and the Senator from North Dakota [Mr. YOUNG], I offered an amendment which was unanimously adopted by the subcommittee to provide $25 million in cash to start a crash program of industrial uses for agricultural products. Therefore, even though this legislative bill should die, and I hope it will, unless it is greatly amended in conference, we will be on our way with a program for industrial uses for farm products.

Now as to the wheat section. If nothing else were changed in the bill from the way in which it left our committee, I think I could compel myself to vote for the wheat section, despite the fact that my amendment to offer a free choice to the wheat farmers was defeated. We have a program here which is a CCC program for wheat. It is controversial. It is complicated and it is confusing. The wheat farmers of America do not clearly understand its impact, and most of the members of the committee clearly also do not understand its impact upon the mechanism.

So I thought it would be well to have a free-choice referendum, explain the facts to the wheat farmers, and let them decide between the two programs.

What will they now confront when they vote in a referendum on a so-called multiprice program? They will have the alternative of taking that program or living without a wheat program at all, because even when the Cooper amendment was adopted, it provides only a 50-percent price support, and no farmer can succeed with a 50-percent price support for wheat.

I submit it will be a sorry day for agriculture if the Senate approves this bill. It will force the farmers of America to confront the unhappy prospect next year of voting for a compulsory program of marketing agreements and production controls—the so-called Freeman-Cochrane-Kennedy compulsory farm program as an alternative to disaster. Whether or not they will select freedom with economic disaster next year, or the Freeman-Cochrane-Kennedy compulsory program with a loss of freedom on the farm, nobody knows. The bill now before us offers the farmer no more attractive alternatives.

In doing this, it seems to me we are striking against the whole price support concept if we pass this bill. It will not be very long before the same group will be back, trying to destroy price supports for wheat, trying to destroy the price support mechanism which is working satisfactorily for our southern friends, with their southern crops of rice, peanuts, cotton, and tobacco, because this country will not remain half supported and half unsupported; half of it having a farm support mechanism that works, and half of it having a farm program that destroys agriculture. I think our southern friends are flirting with disaster if they believe they can long continue to have a satisfactory price support program for their southern crops, while supporting the proposed program which will destroy the prices of crops and downgrade the incomes of farmers and ranchers in the North and the Northwest.

In addition to embracing the Benson flexible price support program by voting "aye" on the pending farm bill, the Senate would be placing a stamp of approval on a horrible program called an adaptive program for agriculture, which was issued last month by the Committee for Economic Development. Persons who are actually farmers have universally condemned this proposal. It proposes precisely what has been presented to us in the form of the Ellender amendment's price supports for corn and feed grains. I read from page 44 of that CED report:

> For several reasons it is important that price supports be moved to levels that, if wrong, will be low rather than high.

It is indeed significant that the Committee for Economic Development recommends that if mistakes are to be made they shall be paid for out of the income of the farmers.

As I tried to learn who is behind this report, I began to realize that it contains a direct, frontal attack upon the farmer. Let me state some of the names of the so-called agricultural experts who wrote the report. Among them are our former colleague from Connecticut, Bill Benton, chairman of the board of Encyclopaedia Britannica, a man having no farm background; James B. Conant, former president of Harvard University; Philip L. Graham, president of the Washington Post Co.; Paul Hoffman, head of the Fund for the Republic; Eric Johnston, president of the Motion Picture Association of America; David Lilienthal, chairman of the board of Development and Resources Corp.; Stanley Marcus, president of the Neiman-Marcus Co., whose experience with agriculture has been that his store has provided a number of suits for Agricultural Department friends of Billie Sol Estes; Ed Pauley, chairman and president of Pauley Petroleum Co.; Harry Scherman, chairman of the board of Book of the Month Club—what a farm expert he has turned out to be; James M. Symes, chairman of the board of the Pennsylvania Railroad, a railroad which does not even run through the Farm Belt; it runs through the eastern section of the country.

The list also includes Theodore O. Yntema, chairman of the finance committee of the Ford Motor Co. I suppose he may know something about Ford motor cars and export policies, but he knows very little about the agricultural problems confronting the farmers of America. I suspect his knowledge about building a good farm program is no more and no less than the knowledge the average farmer has on how to build a Ford automobile.

Mr. President, I ask unanimous consent to have printed at this point in the RECORD the entire list of the board of trustees of the Committee for Economic Development on the subject of the reduction of price supports for farmers, because this committee of city advisers wants to force the grain price and the wheat price and all support prices down to the barest minimum.

There being no objection, the list was ordered to be printed in the RECORD, as follows:

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Ralph Lazarus, president, Federated Department Stores, Inc.

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Anna Lord Strauss, New York, N.Y.

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C. E. Thwaite, Jr., charman of board, Trust Co. of Georgia.

H. C. Turner, Jr., president, Turner Construction Co.

Arthur B. Van Buskirk, vice president, T. Mellon & Sons.

Sidney J. Weinberg, partner, Goldman, Sachs & Co.

Leo D. Welch, chairman of the board, Standard Oil Co. (New Jersey).

Herman B. Wells, president, Indiana University.

J. Huber Wetenhall, president, National Dairy Products Corp.

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Erskine N. White, president, New England Telephone & Telegraph Co.

Frazar B. Wilde, chairman of the board, Connecticut General Life Insurance Co.

A. L. Williams, president, International Business Machines Corp.

Walter Williams, chairman of board, Continental, Inc.

O. Meredith Wilson, president, University of Minnesota.

Walter W. Wilson, partner, Morgan Stanley & Co.

Theodore O. Yntema, chairman, finance committee, Ford Motor Co.

J. D. Zellerbach, chairman of the board, Crown Zellerbach Corp.

Mr. MUNDT. Mr. President, I think this committee is comprised of well-motivated men. They surely know something about their own businesses and about foreign trade. But if they do not know any more about trade than they know about farming, I would look with a jaundiced eye upon what they would recommend about trade expansion. They also issue reports on the economy and the literacy of America; they comment on the guidance of metropolitan groups; but none of them lives on a farm or has an agricultural background. Yet we are being asked to vote for a farm program which incorporates in the corn and feed grain section the precise recommendations of the Committee for Economic Development on "an adaptive program for agriculture" which was published by the Committee for Economic Development last month, and in which they themselves say that if it is adopted, 2 million American farmers will be driven off the farm. That seems to be the best answer as to what is wrong with their farm program recommendations.

I prefer to go along with the distinguished Senator from Minnesota [Mr. HUMPHREY], who said, when we debated the same issue some time ago, something which I am perfectly willing to subscribe to today, because in that statement made on the Senate floor on March 7, 1956, Senator HUMPHREY said, speaking of the Benson philosophy:

> Let me say right now that it has been Secretary Benson's philosophy of cheap feed that has brought on cheap hogs and cheap beef and thrown the greatest income-producing segments of our agriculture into a tailspin. That was testified to again and again in the Senate committee hearings. When cheap feed is available there will be cheap hogs and cheap cattle. And let me hasten to add that it is cheap hogs and cheap beef to the producer, not to the consumer.

My friends, that is just a few short years ago when the Senator from Minnesota was castigating Secretary Benson for proposing just what the Ellender amendment will now do. In that debate the Senator from Minnesota told the Senate in talking about the Benson scare philosophy of surpluses:

> In order to meet this so-called monstrous problem, it has again embraced a fallacious economic philosophy—the same economic practices that were tried and that failed, in the days of unemployment in the early thirties. The idea that by reducing prices, production will be reduced and thereby agriculture's income problems will be solved is a throwback to a repudiated political-economic formula that was tried on other surpluses a generation ago.

Mr. President, I agreed with that statement in 1956 and I agree with it today. We cannot repudiate Mr. Benson in one speech and then embrace him with support of this amendment if we hope to maintain a sound economic farm industry.

Mr. President, the chairman of the Committee on Agriculture and Forestry [Mr. ELLENDER] stated on February 23, 1956, in the debate on the farm bill, with respect to Mr. Benson's program:

> To be frank, Mr. President, I could not in good conscience support the Secretary of Agriculture's farm program and still look the farmers of America straight in the face.

Mr. President, I cannot support the present farm bill which is the Benson Committee for Economic Development program of ruination and return to South Dakota and look our corn, small grain, and livestock producers in the face. I hope many others will join me in opposing this ill-conceived farm bill.

The PRESIDING OFFICER. The time of the Senator from South Dakota has expired.

Mr. MUNDT. May I have 1 more minute?

Mr. ELLENDER. I cannot afford it.

The PRESIDING OFFICER. The time of the Senator from South Dakota has expired.

Mr. ELLENDER. Mr. President, I yield myself 5 minutes.

The farm bill that the Senate is about to vote on is, in my opinion, an improvement over existing law.

Although the bill has five titles, covering land use adjustment, Public Law 480, credit, industrial uses, and feed grains and wheat, most of the debate and interest has been devoted to the commodity section.

Earlier this year the Senate acted favorably upon provisions affecting feed grains and wheat, which, in my estimation, were extremely desirable, beneficial, and realistic not only from the standpoint of providing farmers with a stability of income but also from the standpoint of protecting the taxpayers of this Nation.

In the case of wheat, the bill provides for a minimum quota of 1 billion bushels, which would replace the existing 55 million minimum acre provision now in the law. It is this minimum acreage provision which has contributed most to the accumulation of the huge surpluses in Government hands which are neither necessary nor desirable. By the enactment of this one provision alone, I feel that the Senate will act wisely. In addition, however, the Senate in accepting the wheat provisions will have moved a long way, not only in reducing the huge surpluses that now exist, but also in providing wheat farmers with the means whereby their income can be improved immeasurably.

Mr. President, a realistic program is beneficial to farmers as well as to the Nation as a whole and, in my opinion, the provisions as they relate to wheat are very realistic.

In the case of feed grains, the Senate, because of the practicalities of legislative life, has accepted the substitute which I proposed in lieu of the original program as contained in S. 3225. It is my firm conviction that the feed grain program passed by the Senate in May was much more desirable in every way. That program put it squarely up to farmers themselves to decide whether they wished to accept strict controls, coupled with high price supports, or no controls with so-called free market price supports. The route which farmers were to take would have been decided in a referendum, and strict controls would have gone into effect only if two-thirds of the farmers had voted in favor of them.

Since it is impossible to reenact this program, I chose the alternative which, in my estimation, provided both farmers and taxpayers with the greatest protection. Under this proposal, price supports for corn will be set at between 0 and 90 percent of parity and at such a level that will assure no increase in the Government stocks of corn. Price supports for other feed grains may be set in relation to corn.

Under no circumstances can any controls be imposed on feed grains. Farmers are assured of complete freedom from Government intervention in the production of feed grains. That is what many Senators on the other side of the aisle desired; and if this bill is enacted into law, that is what they will get. The taxpayers are assured that Government expenditures for the support of feed grains will be minimized. This program will go into effect in 1964.

In the meantime, for 1963 I proposed an extension for the third time of the so-called temporary feed-grain program. I did this reluctantly, because of the excessive cost of the program. In 1961 this so-called temporary program cost $825 million. In 1962, it is expected to cost slightly in excess of $1 billion. It is anticipated that the total reduction in production below that in 1960 will amount altogether to about 950 million bushels of feed grains for the 2-year period. It is my fervent hope that the extension of this temporary program for 1963 will result in a further substantial reduction in production.

If this occurs, feed-grain producers in 1964 will move into a new program, with stocks of feed grains at a much more reasonable level, and at about the same that existed in 1956. Under these circumstances, and coupled with the increased feeding rate, as well as the increase in the number of animals to be fed, it is my feeling that feed-grain producers will be operating under very desirable conditions, with the likelihood that farm income may be improved immeasurably over that at present.

As a matter of fact, the bill was designed to give feed-grain producers the complete freedom they so earnestly desire, but at the same time to provide for a maximum level of income protection for farmers.

The PRESIDING OFFICER. The time the Senator from Louisiana has yielded to himself has expired.

Mr. ELLENDER. Mr. President, I yield myself 1 more minute.

The PRESIDING OFFICER. The Senator from Louisiana is recognized for 1 more minute.

Mr. ELLENDER. Mr. President, in my estimation, the enactment of this bill will result in a realistic program for feed grains and wheat that will reverse the trend of the previous programs under which the Government accumulated huge stocks of these commodities.

This is extremely important, for I feel that when the taxpayers are protected, we also protect all farm programs. I think it has become evident that unless this is accomplished, all farm programs may well fall by the wayside.

Therefore, Mr. President, I feel it fair to say that, on the one hand, farm income will be protected, and, on the other, taxpayers in time will be relieved of the heavy burden of the excessive Government expenditures experienced in past years in supporting the price of these commodities. Furthermore, in my opinion the Senate has acted to save all farm programs.

Mr. President, I ask unanimous consent to have printed at this point in the RECORD, in connection with my remarks, an analysis of the bill.

There being no objection, the analysis was ordered to be printed in the RECORD, as follows:

SENATE COMMITTEE ON
AGRICULTURE AND FORESTRY,
August 22, 1962.

SHORT EXPLANATION OF H.R. 12391, AS PASSED BY THE SENATE (INDICATING AMENDMENTS TO THE COMMITTEE AMENDMENT AGREED TO BY THE SENATE)

H.R. 12391, as amended by the Senate, consists of five titles providing for—

TITLE I—LAND USE ADJUSTMENT

1. Permanent administration of the agricultural conservation program on a national basis.

2. Payments to producers under long-term agreements (not to exceed 15 years) to conserve and develop soil, water, forest, wildlife, and recreation resources. Appropriations are restricted to $10 million annually.

3. Loans to State and local public agencies to carry out land utilization plans.

4. Amendments to the Watershed Protection and Flood Prevention Act providing, among other things, for Federal participation in installation costs for recreation purposes and in land costs for public fish, wildlife, and recreation purposes.

TITLE II—PUBLIC LAW 480

Long-term supply contracts with the private trade and other amendments of title IV of Public Law 480, 83d Congress.

TITLE III (SUBTITLE A)—FEED GRAIN PROGRAM

1. Extension of the special feed grain program to the 1963 crop. Price support would

not be limited to the normal production of the 1963 acreage (Young of North Dakota amendment). Producers would be required to take appropriate erosion control measures on diverted acres (Mundt amendment).

2. Effective with the 1964 crop, the support price for corn would be at such level, not exceeding 90 percent of parity, as will not increase CCC stocks; other feed grain support would be discretionary at up to 90 percent of parity; and the Secretary is directed to submit any new feed grain legislation he deems desirable to the next Congress (Ellender amendment). Effective with the 1964 crop, the minimum CCC corn and feed grain resale price for unrestricted use would be 65 percent of parity, plus reasonable carrying charges (Dirksen amendment as modified by Ellender proposal). Effective on enactment, feed grains could be made available at prices in the public interest to milk producers to assure an adequate supply of milk free from radioactive fallout contamination (Proxmire amendment).

TITLE III (SUBTITLE B)—WHEAT PROGRAM

The marketing quota program would be revised to provide for more effective controls and for an acreage diversion program with payments for the first 3 years of diversion. A marketing certificate plan under which noncertificated wheat would be supported at a level determined after consideration of its feed value and world price, and certificated wheat would be supported at between 65 and 90 percent of parity. Certificates would be issued to producers for all wheat consumed domestically for food and such part of the exports as determined by the Secretary as would carry out the price and income objectives of the bill. If marketing quotas were disapproved by producers, the support level would be 50 percent of parity (Cooper amendment). Under the diversion program, erosion control could be required when payments were made (Mundt amendment).

TITLE IV—GENERAL

1. Farmers Home Administration loans for recreational facilities and sewers.

2. An increase (from $10 million to $25 million) in the amount of direct FHA real estate loans for immediate resale which can be made from the agricultural credit insurance fund.

3. A single loan fund for Rural Electrification Administration loans, to include funds appropriated, borrowed, or repaid, and to be available for loans only as authorized in appropriation acts.

4. Congressional policy concerning use of private trade channels by CCC (Humphrey amendment).

5. Congressional policy favoring use of farmer cooperatives in administering farm laws and according them equal treatment with individuals (Humphrey amendment).

6. Advertising under cherry marketing orders (Hart amendment).

7. Farmers Home Administration loans to fish farmers (Fulbright amendment).

TITLE V—INDUSTRIAL USES OF AGRICULTURAL PRODUCTS

Establishes an Agricultural Research and Industrial Use Administration within the Department of Agriculture to coordinate and expedite an expanded research program on industrial uses of agricultural commodities.

Mr. CARLSON. Mr. President, will the Senator from Louisiana yield to me?

Mr. ELLENDER. I yield.

Mr. CARLSON. Mr. President, I wish to state that it is difficult for one to decide how to vote on this farm bill. It contains many sections of which I approve, and also many sections of which I do not approve.

However, Mr. President, under all the circumstances, on final analysis I feel that I should support the bill.

Mr. MILLER. Mr. President, will the Senator from Louisiana yield to me?

Mr. ELLENDER. I yield to the Senator from Iowa.

The PRESIDING OFFICER. The Senator from Iowa is recognized.

Mr. MILLER. I thank the Senator from Louisiana.

Mr. President, the main reason why the Kennedy-Freeman bill was defeated not long ago in the House of Representatives was that it made it necessary for farmers to choose between the loss of their freedom and the loss of their farms. Either they would lose their freedom, because the bill would have provided very strict controls under great numbers of additional employees of the Department of Agriculture, with price supports; or, on the other hand, farmers would have had no price supports whatever. It has been demonstrated by studies made at Iowa State University that to remove all price supports immediately would result in chaos.

Mr. President, there was published today in the Wall Street Journal an article entitled "Senate Moves To Force New Feed Law in 1963." In the interest of brevity, I ask unanimous consent to have the article printed at this point in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

SENATE MOVES TO FORCE NEW FEED LAW IN 1963—BILL WOULD SLASH FEED GRAIN PROPS IF NEW PROGRAM IS NOT APPROVED BY NEXT YEAR—CURRENT ACT TO BE EXTENDED

WASHINGTON.—The Senate approved by a comfortable margin a proposal that would require a slash in price supports for corn and other feed grains if Congress fails to write a new feed grain law next year.

Despite Republican charges that the plan would "put the farmer in the poor house" and hand coercive power to Agriculture Secretary Freeman, the Senate wrote the provision into the pending farm bill by a 58-to-23 vote. Favoring it were 51 Democrats and 7 Republicans; opposed were 3 Democrats and 20 Republicans.

The Senate completed work on all proposed amendments to the farm bill, but put off the rollcall vote on final passage until today. The bill, the second the Senate has tackled this year, would extend through 1963 the present inducements to farmers to reduce feed grain plantings voluntarily. Farmers who cut their corn, sorghums, and barley plantings at least 20 percent below the 1959–60 average receive price supports and acreage-diversion payments.

As the bill was first presented to the Senate, the Permanent Corn Act, passed in 1958, would go back into effect when this 1-year extension of the voluntary program expires in 1964. The Corn Act, much criticized as an "open end" measure that helped swell the huge grain surpluses held by the Government, would provide price supports without any production restraints. Supports would be fixed at 90 percent of the average market price for a 3-year period, or 65 percent of parity, whichever is higher. Parity is the ratio of prices farmers receive for their products to the prices they pay for things they buy.

FARM CHIEF WOULD SET PARITY

The amendment adopted by the Senate yesterday would, instead, repeal the 1958 act and provide that, when the voluntary program's extension expired in 1964, the Agriculture Secretary fix price supports for corn and other feed grains anywhere between zero and 90 percent of parity. The amendment specifies that he would decide on a support level that "will not result in increasing" the stocks of grain held by the Government's Commodity Credit Corp.

Senator ELLENDER, Democrat, of Louisiana, chairman of the Agriculture Committee and a champion of mandatory curbs on feed grain output, sponsored the amendment. He said he would have preferred Congress to enact a mandatory program, but because this was rejected by the House this summer "it appears that the only alternative left is discretionary supports." He said this step is necessary to protect the Government against the prospect of "unlimited production" if the 1958 law were to go back into effect.

The Ellender amendment was actually adopted on a voice vote with only a few Senators present. Republicans, who said they were caught unaware by this move, later filed a motion to reconsider that action. This the Senate tabled by the 58-to-23 rollcall which, in effect, confirmed the adoption of the amendment.

RESEMBLES BENSON PLAN, GOP SAYS

Republicans charged that the amendment was simply designed to put pressure on farmers to support legislation for compulsory feed grain controls when Congress reconvenes in January. Senator HICKENLOOPER, Republican, Iowa, said Mr. Freeman could threaten farmers with no supports at all unless they accepted mandatory production curbs.

Republicans also said the proposal for discretionary supports from zero to 90 percent closely resembled legislation that was advocated by Ezra Taft Benson, Agriculture Secretary under former President Eisenhower, and bitterly opposed at that time by congressional Democrats. Senator MUNDT, Republican, South Dakota, who opposed the amendment, said some Democratic Senators have become "Johnny-come-lately converts to the Benson philosophy."

The Senate adopted another amendment that would provide that if and when the zero to 90 percent support plan does take effect, the Government would be barred from selling its own stocks of corn and feed grains at a price less than 65 percent of parity.

The farm bill approved by the House simply would extend the voluntary feed grain program for 1 year. When the Senate passes its own version, it will fall to a Senate-House conference to iron out the differences. Sponsors of the Senate measure expressed confidence about retaining the Ellender amendment in some form.

The other major provision of the Senate bill would institute a new wheat certificate plan beginning with the 1963 crop. In contrast, the House measure would merely extend for 1 year the current so-called emergency wheat program. Some Senators are talking about compromising these two approaches in the conference by combining them—extending the emergency program for a year and then inaugurating the certificate plan in 1964.

MUNDT PROPOSAL REJECTED

Under the emergency program in effect for 1962, wheat acreage allotments were reduced 10 percent on a mandatory basis. In exchange, farmers receive support prices from the Government—payments for the crops they elect not to sell on the open market—plus payments for diverting cropland to conservation purposes.

Under the certificate plan, which would require farmer approval in a referendum, the present national minimum wheat allotment of 55 million acres would be repealed and replaced by a national marketing quota of at least 1 billion bushels. Producers would need Government marketing certificates to sell their allotted wheat, and they would receive price supports on wheat for domestic food use at 6 to 90 percent of parity.

A Mundt proposal to let wheat farmers choose in a referendum between this certificate plan and a 2-year extension of the emergency program was rejected, 50 to 29.

Both House and Senate bills contain a new land use program designed to encourage the conversion of farmland to such uses as recreation and conservation. The Agriculture Department would be authorized to help State and local agencies carry out land utilization plans. Senator KEATING, Republican, of New York, offered an amendment that would have prohibited any Federal assistance to such projects if they involved public facilities where racial segregation would be practiced. The Senate narrowly tabled his proposal, 40 to 37.

AMENDMENT APPROVED

The Senate adopted an amendment that would permit the Government to release its stored feed to dairy farmers if this is deemed necessary to assure the production of milk free from contamination by radioactive fallout. The amendment was sponsored by Senator PROXMIRE, Democrat, of Wisconsin, and was accepted by the bill's sponsors. Dairy farmers in some parts of Utah are feeding their cows on stored grain instead of pasture because high levels of radioactivity were found in their milk, presumably because fallout from tests of atomic devices in neighboring Nevada contaminated their grass.

By a 55-to-17 vote the Senate turned down an amendment by Senator TOWER, Republican, of Texas, that would have directed Agriculture Secretary Freeman to submit legislation to Congress by the end of this year for the abolition of all Federal farm programs within 4 to 6 years. A somewhat comparable proposal by a business-spcnsored research group, the Committee for Economic Development, has encountered little support in Washington.

By voice vote, the Senate defeated a plan sponsored by Minnesota Democrats MCCARTHY and HUMPHREY to provide incentive payments and higher support prices to dairy farmers who voluntarily reduce their milk output. A somewhat similar plan is incorporated in the House farm bill, but Senators have been cool to so-called surplus reduction payments unless accompanied by penalties for dairymen who boost their output.

Mr. MILLER. Mr. President, from a reading of the article and a knowledge of the background of this bill, we can see that, come 1964, if not earlier, the Members of Congress who represent the agricultural interests will be faced with the necessity of choosing between a control-type program, on the one hand, or, on the other hand, nothing, because under the Ellender amendment, which was adopted yesterday, farmers will not have any opportunity to have price supports after 1963.

Mr. President, I ask unanimous consent to have printed in the RECORD an article, from today's Wall Street Journal, entitled "Freeman Condemns Congress Halfway Steps on Agriculture," containing a criticism of the administrations control-type program by Prof. Don Paarlberg of Purdue University; and an article, from the August issue of the Farm Journal, entitled "What Do We Do Now?"

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

FREEMAN CONDEMNS CONGRESS HALFWAY STEPS ON AGRICULTURE—HE URGES ADOPTION OF KENNEDY'S SUPPLY-MANAGEMENT PLAN; CRITICIZES CED'S PROPOSAL

STORRS, CONN.—Agriculture Secretary Freeman assailed "halfway measures" in Congress that send Federal farm costs soaring, and reiterated his plea for farmers to decide between the free market concept and the Kennedy administration's supply-management plan.

Mr. Freeman spoke here at a meeting of the American Farm Economic Association to more than 1,500 agriculture economists from the United States and several foreign countries.

The supply-management concept calls for Government action to bring supply and demand into line and convert millions of cropland acres into recreation sites, grassland and timber. It offers, the Agriculture Secretary declared, "the only real freedom of action, of individual management decision, to the American farmer," permitting producers jointly to agree to limit their output in exchange for Government supports that will maintain their incomes.

SECRETARY CRITICIZES CED PLAN

Mr. Freeman sharply criticized the free-market farm policy recently proposed by the business-sponsored Committee for Economic Development. He said the CED plan, providing 5 years of gradually declining Government aid to agriculture, would reduce net income per farm to $700 by 1966 from about $3,360 in 1961, and total net farm income would decline by 1966 to about $2 billion from $12.8 billion in 1961.

"Rural America would be irreparably changed, with communities destroyed and institutions seriously damaged," Mr. Freeman said. "Unemployment rates would be raised sharply as displaced farmers entered the labor force. They would compete with workers already affected by industry's problems of excess capacity and automation—and both would find jobs more difficult to get."

Earlier, a former Eisenhower administration official branded President Kennedy's farm policies "a kind of neomercantilism, wary of the market and of individual decisionmaking."

POLICY LIKENED TO 18TH CENTURY

The appraisal was made by Don Paarlberg, an Assistant Agriculture Secretary and Food for Peace Coordinator during the Eisenhower administration, after Willard M. Cochrane, chief economist for Agriculture Secretary Freeman, reviewed the Kennedy administration's supply management concept.

Mr. Paarlberg had some praise for administration efforts to step up food donations to needy people at home and abroad, to expand export markets for farm goods, and to speed economic development of depressed rural areas. But he likened other New Frontier farm policies to 18th-century mercantilist doctrine that prescribed strict government controls on some production, marketing and trade. The harsh application of this doctrine by England has been called one of the causes of the American Revolution.

Mr. Paarlberg, now a professor of agriculture at Purdue University, criticized "the low esteem with which the administration holds the ability of the farmer to make wise decisions as to resource use, and the unwarranted high regard it has for the ability of Government to make these decisions."

WHAT DO WE DO NOW?

When the turkey growers of the country turned in a heavy adverse vote on a national marketing order the other day, it was the third time within a year that the administration had been told "loud and clear" that farmers don't want any more Government control of agriculture than they've already got.

One wonders whether the message isn't coming through down there in Washington or whether farmers' opinions don't carry much weight with this administration. It must be one or the other.

The first time was when Congress unceremoniously tossed out the administration's 1961 omnibus farm bill, which would have transferred some of the law-writing functions of Congress to the Secretary of Agriculture.

The second time was a month ago when in a bitter fight the 1962 Kennedy-Freeman get tough, compulsory-control farm bill was defeated in the House by 48 courageous Democrats and all but one of the Republicans.

Now it's the turkey growers who have been heard from. Last year they got themselves in trouble by raising too many turkeys. But rather than accept Government control as a cure, they've elected to solve their own problems. Like the rest of the livestock industry, they prefer to take a bad year now and then, and let that supply the corrective, rather than have the Government tell them how to run their business.

Three rebuffs in one year ought to begin to add up to something for anyone who cares to listen.

THAT BILLION-DOLLAR COST

On the defeat of his farm bill, President Kennedy said the country would now pay an extra billion dollars a year.

We doubt it very much. True, we may pay more storage and handling costs, but what about the cost of administering and policing an expanded system of compulsory controls on the individual farms of the country?

Moreover, some of whatever additional cost there is will be paid to farmers, and we refuse to weep over that. As we've pointed out before, they won't be paid "for doing nothing," but for doing something—laying up part of a productive plant in which they have got a lot of money invested. They are renting it to the Government in the public interest, and the Government should expect to pay the rent.

Nor can we feel very sorry for the city man who helps dig up the rent money. The fact is farmers have done far more subsidizing of consumers than the other way around. Farmers, more than any other group, have stood between consumers and higher costs of living.

The cost of living increased 15.1 percent from 1951 to 1961. Prices paid to farmers for food and fiber decreased 22.6 percent in the same 10 years. This dollar contribution by farmers to consumers would make $1 billion extra a year for a farm program look paltry—even if the billion-dollar extra cost were actually there.

WHAT TO DO NOW?

Probably the best we can do in this session of Congress is extended the present wheat and feed grain programs. If the administration is anxious to cut costs it can well revert to 1960 support prices, which never should have been raised, anyway. Meanwhile, we can go on with present programs on cotton, rice, peanuts, and tobacco.

There's a much sounder way to spend Government farm-program money, and it would begin to cure the problem, not just temporarily relieve it. For the longer range we hope the lawmakers will take a fresh—and bipartisan—look at an adequate program of voluntary land retirement. We've never had such. It could work. It would cost no more than compulsory controls would. And it would leave farming in farmers' hands—which is exactly where it belongs.

Mr. WILLIAMS of Delaware. Mr. President——

Mr. ELLENDER. Mr. President, I yield to the Senator from Delaware.

The PRESIDING OFFICER. The Senator from Delaware is recognized.

Mr. WILLIAMS of Delaware. Mr. President, I shall vote against this bill, H.R. 12391, which the administration describes as its solution to the farm problem. This bill does not begin to touch the real problem confronting the American farmers, nor does it provide a solution to the program under which billions of dollars worth of agriculture commodities have been accumulated in the Government warehouses.

During World War II Congress guaranteed to the American farmers a support price for certain agriculture commodities based upon 90 percent of parity with the proviso that this 90-percent guarantee would extend for 2 years following the end of World War II.

This program guaranteeing these relatively high support prices was approved for the announced purpose of increasing the production of agriculture commodities and to guarantee the farmers that should the war suddenly end they would be protected against loss during the 2-year interval following the readjustment of their production schedules.

This program was successful in obtaining a substantial increase in the agriculture production which was needed to supply the citizens of our country and our allies during the struggle, and had I been in Congress at that time I would have supported such a program.

But this program guaranteeing 90-percent supports should have expired on schedule following the end of hostilities. At that time we had relatively no surplus inventory of agriculture commodities. The adjustments could have been made without hardship to the farmers and with a minimum cost to the taxpayers; but instead of allowing this high support price to expire as originally scheduled, Congress proceeded to approve a series of 1- and 2-year extensions, each time with the promise that as the next expiration date approached they would realistically reappraise the program.

For 15 years Congress has procrastinated. Billions of dollars have been poured down the drain under the guise of helping the American farmers, and today we have a multibillion-dollar inventory in the Government warehouses which hangs as a ceiling over the prices of all agriculture commodities.

I entered the Senate in 1947 and joined the minority in opposing the first extension of these high support prices. I warned then that unless they were promptly reduced, the support prices would, as the inventories accumulated, become ceiling prices.

Furthermore, this program which is flaunted as being of great assistance to the small farmer is a farce. During these 15 years more small farmers have closed their operations than ever before in the history of our country.

I recognize that all of this change cannot be charged to the support program, however, since with the mechanization of our farms with modern equipment, farming operations of necessity have become large business, but under the farm program, as it has been approved by the Congress over these years, this trend from the small farm has been accelerated.

Under the New Frontier feed grains program, as first approved last year and as proposed to be extended here today, the benefits will not go to the small farmer but rather it will perpetuate subsidization of the expansion of the large corporate type of operations.

A small family-type farmer cannot so readily curtail his operation. He must still keep a tractor, combine, planters, and other types of equipment in operating condition. His equipment and labor costs are not lessened should he put a part of his acreage under lease to the Government under the feed grains program. His expenses are the minimum fixed liabilities, and they continue even though he lets a part of his farm lie idle.

On the other hand, the corporate-type owner and a large operator can take all or parts of their acreage out of production, put some of their tractors, combines, and other equipment in the barn, dismiss their employees, and spend the winter in Florida on the cash benefits which they collect from the Federal Treasury for the land being retired from production.

Recently I called attention to the fact that under the Kennedy feed grains program the Ford Motor Co., the Louisiana State Penitentiary, one of the largest banks in Illinois, and a couple of airports had all been qualified as little farmers eligible for substantial subsidies under this program.

The bill before us today extends this farce, and these same payments would be authorized for another 12-month period.

By what line of reasoning can the Louisiana State Penitentiary qualify for $45,000 subsidy under a farm program, or the Ford Motor Co. qualify as a farmer in need of assistance from the Federal Treasury?

By what line of reasoning can an airport which buys an adjoining farm for the purpose of extending its runways qualify as a farmer and collect payments from the Federal Treasury in return for an agreement not to raise corn on its extended runways or between its runways?

By what line of reasoning could anyone ever think that the city of St. Louis is a farmer; yet, last year under the Kennedy feed grains program the city of St. Louis collected over $12,000.

A farm operating in the State of Mississippi, that is owned by a corporation, with headquarters at Manchester, England, qualified as an American farmer, and we sent them over $11,000 as an inducement to cut down on its production of feed grains here in America.

All of these payments were legal and will be legal again next year if this bill before us today is approved.

Last year the Government paid to the American farmers—including those corporations, penitentiaries, airports, banks, motels, and so forth, who qualified as farmers—$1,118,233,897. These payments were made under the 1961 feed grains program and under the soil bank conservation reserve program.

In addition, they paid $208,182,000 to subsidize the purchase of additional lime and fertilizer and for certain soil conservation practices. This subsidized lime and fertilizer was made available for the announced purpose of increasing the productivity of the remaining acreage.

In addition, during the first 11 months of fiscal year 1962, the Government lost another $2,159,974,974 in its disposal of surplus agriculture commodities.

This does not begin to represent the overall cost to the American taxpayers of perpetuating this uneconomic farm program. For instance the Commodity Credit Corporation is capitalized with a borrowing authority from the Federal Treasury of $14½ billion. As of May 31, 1962, its financial statement showed that it had utilized $13,617,025,550.17 of this authority, but as security for this $13,617 million the Commodity Credit Corporation, as of that same date, reported loans and inventories as having a net book value of only $5,653,855,237.

In its May 31, 1962, report on page 11 the Commodity Credit Corporation reported an accumulative net deficit of $7,361,871,143.55.

Thus we find that this Government Corporation, based upon its own accounting system, has an accumulated loss of over $7 billion which still confronts the taxpayers, although it should be pointed out that all of this accumulative loss did not accrue in the last fiscal year or under this administration.

The Kennedy administration has offered the American farmers a choice of accepting their program with rigid controls or of being confronted with a complete repeal of all support prices and the possibility that the surplus would be dumped on the market overnight.

That is not a free choice in the light of nearly $6 billion in agriculture inventories which the Government owns and which are hanging over the market.

A threat to dump these inventories on the market can scare the American farmers into accepting an unsound program.

These high support programs could have been repealed outright 15 years ago without any disastrous effect to the farmers. We had no inventories. They could have been repealed on many subsequent dates at which time the inventories were not excessive, but now the inventories are there. No responsible person is suggesting that they be dumped on the market or destroyed. They cannot be dumped on the world market without creating international complications or chaos. Nor can they be dumped on our domestic market without a complete demoralization of prices.

The Government knows this and should stop holding the suggestion as a threat over the American farmers. Outright repeal now at this late date is not the answer, but what can be done is a systematic withdrawal of the U.S. Government from the business of operating the American farms.

Support prices should be reduced to the point where they would not guarantee to the American farmer a profit on his operation.

The Government should then begin a systematic liquidation of its excessive inventories. It may take 2 to 5 years to dispose of these inventories abroad or at home, but once these inventories are out of the way and no longer hanging over the market as a threat, the American farmers could then under an orderly free enterprise system begin to obtain realistic prices for their production.

The farmers during this transition period must be protected against unreasonable economic losses, but a support price which gives this protection should not encourage increased or continued heavy production. This support price should be at a level where any farmer would lose a little bit of his own money in each instance before he calls upon the Federal Treasury for its guarantee. The alternative to such an approach is the unacceptable rigid controls.

As evidence of this contradictory policy the Government itself last year leased to the American farmers for agriculture production 4,881,395 acres of cropland. Upon this they received an average of less than $3 per acre, or a total annual rental of $13,327,953.

At a time when the Government is paying as high as $50 per acre as an inducement to farmers to retire some of their land from agriculture production why could it not just withdraw from production its own 4,881,000 acres, upon which it is only receiving $3 per acre? This one step alone would save nearly $100 million.

Then again we find that the Government has six to eight different agencies out calling on the American farmers, trying to loan them money to expand their operations and thereby increase their production of commodities which are already in overproduction. The financing of these expanded operations, many of which are uneconomic, at a time when we already have too much does not help the farmers who are getting these loans, and the results of the increased production are only further aggravating the problem of the bona fide farmers.

What the American farmer needs is for the Washington bureaucracy to adopt some good common barnyard sense in planning a farm program, and this can best be accomplished by listening to the American farm organizations themselves rather than listening to some of the Harvard technicians, many of whose only experience with farmland has been that which was gained on the golf course.

It should be emphasized that the subsidy program for the American farmer is but one of the many unwarranted subsidy programs which are operated by the U.S. Government, and the formula which I am advocating here today under which an American farmer would lose a little of his own money before he receives Government support is a formula which should be extended to every phase of our economic system and every subsidy program on our statute books.

The American farmer is but one of the multitude of expensive subsidy programs which are presently in existence.

As evidence of some of the abuse which can develop under this type of program—a program which is based upon paying as high as $50 per acre to the farmers not to produce feed grains—I cite an example of how through maladministration this program has been abused in the State of Louisiana.

In that State it was found that the officials administering this program were juggling the records whereby they and their friends were collecting large payments—$50 to $60 per acre—for the retirement of their cropland whereas other farmers in the same area who were not in the clique were being offered as low as $4 per acre.

I called this to the attention of the Senate Agriculture Committee before they reported this bill with the suggestion that it should be investigated before they recommended further extension of the feed grains program. As yet no report has been rendered, and we are now confronted with the situation where we are asked to extend for another year this same program under which this abuse has been possible.

I ask unanimous consent that the article outlining some of the abuse under the 1961 feed grains program which are outlined in the August 1962 issue of Farm and Ranch be printed at this point in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

IT HAPPENED IN LOUISIANA—FEDERAL FUNDS FOR FAVORED SONS

(By Bill Kennedy)

HANDED "LICENSE TO STEAL," THIS ASCS COMMITTEE JUGGLED ACREAGES, YIELDS, AND PAYMENTS

(EDITOR'S NOTE.—This is a factual account. No names or places have been changed to protect the innocent.)

"Of course I take it. You be down there and see all that money and you'd take it, too."

Talking was an ASCS committeeman. His audience, a group of five farmers standing around the general store at Mansura, La. All five had ASCS form notices offering them from $4 to $14 per acre for taking corn out of production under the feed grains program.

One of the five had just confronted the committeeman with a copy of the official's own notice which showed he was to collect $59.20 per acre for his "grain bank" acreage, although it was generally known that his land was no better than his neighbors'.

It wasn't that the committeeman especially wanted to keep his neighbors' payments low. It was just a matter of mathematics. The State allotted the county just so much money, based on what the State ASCS office decided was the established average production for the county. So, in order for some to get very high payments, many others had to be cut to extremely low payment levels.

These and other farmers of Avoyelles Parish (county) who did some checking around (before ASCS records were closed to inspection) found the committees had applied a simple formula: County and township committeemen, their friends and influence peddlers were getting contracts calling for $45 to $60 per acre for not growing corn; most everybody else was getting from $2 to $15—with a few in between.

According to reports, Farmer-Merchant Bennie Gremillion, of Hessmer, got from the county ASCS office before Federal investigators arrived, contracts in Wards III and IV ranged from $3.50 to $45.40 in 1961 (this last for township committeemen, a county committeeman and "friends").

This year it got worse. In ward IV, Township Committeeman Bryan Bordelon was offered $61.50. Kannie Gaspard was to get $59.20. Clarence Norman, $56.80. William Watts (a committeeman last year but not reelected) would be paid $59.20 per acre.

Their neighbor, Sidney Ducote was offered $2 per acre.

Right across a narrow gravel road from Farmer Ducote is a farm owned by the county ASCS committee chairman, Roy Kirby. How much for him? (Guess.) That's right—$59.20. Kirby reportedly has 19 acres in the grain bank—yet, according to two nearby farmers, he produced no more than ¼ to 1½ acres of grain on this farm during 1959 and 1960 (the basic years).

Arthur Deglandon is a corn-growing champion. Last year he won a contest sponsored by a leading seed company by producing "better than 60 barrels per acre;" and his testimonial was used in the company's advertising. He, too, is a ward IV farmer. ASCS "established" his average yield at 19 bushels and this year offered him $11.80 per acre for taking corn out of production.

Sammy Ponthieux is one of the best farmers in ward III. His first offer this year was $6.90 per acre, based on an average yield of 11 bushels. Community Committeeman Alton Zimmer, immediately across the road from him, was getting $56. Sammy proceeded to put up a howl. The committee then raised his "established" average yield to 24 bushels and his grain bank price to $14.80. This failed to quiet him down and Sammy has recently been promised another raise.

Bennie Gremillion's case is even more interesting. His first offer this year was $11.80, based on an established average yield of 19 bushels per acre—with 34 acres of base acreage. His second offer, after the ruckus started, was $19.70 (yield was now established at 32 bushels). But Bennie continued to make trouble; was instrumental in getting an investigation started and cooperated fully with investigators. After that his base acreage for the grain program was reduced from 34 acres down to 3.

All of this is evidence that the committees had complete flexibility in establishing acreages, yields, and prices. The program is based on years when there were no grain crop allotments, no measurements. No records of acreage nor yields were kept; all was based on estimates and subject to adjustment. It left the door wide open for legal discrimination.

A Federal investigator from the regional office in Texas was called into Avoyelles Parish. And in the opinion of those who helped and watched him he did a thorough job—and made a thorough report. It's now apparent, however, that the report will not be released, will not be seen except by insiders at USDA—and by Congressman MCSWEEN, Democrat, of Louisiana, who reportedly received a copy.

The State ASCS office sloughed off the matter by reporting in the press that "some Avoyelles Parish farm payment rates had been improperly established," but went on to add that it "found no evidence of intentional failure to follow prescribed procedures." (Reminds you of Secretary Freeman explaining the Estes fraud.) The office ruled that the last half (harvestime) payments would not be made on some of the higher contracts but asked for no refunds on outlandish payments already made.

ASCS tries desperately to pretend that's the end of it. But farmers in the county are far from contented. They just don't like the idea of having a small group call all the shots on all the farms, regardless of who the men are.

Asked why they didn't elect new committeemen for this year after seeing what happened last year, Sammy Ponthieux summed it up:

"That ain't so easy with this system we got. They have this voting by mail—and the committeemen are the ones who count the votes."

Mr. HRUSKA. Mr. President——

Mr. ELLENDER. Mr. President, I yield to the Senator from Nebraska.

The PRESIDING OFFICER. The Senator from Nebraska is recognized.

Mr. HRUSKA. Mr. President, the pending bill is an improvement over Senate bill 3225, which was passed by the Senate last May, in that the present measure does not contain the highly objectionable Kennedy-Freeman compulsory feed grain provisions.

Until a few days ago the Senator from Louisiana [Mr. ELLENDER], the chairman of the Senate Agriculture and Forestry Committee, planned to make an effort to include the Kennedy-Freeman compulsory feed grain bill in the present measure. Because of those intentions, I joined with other Senators in announcing that we would vigorously resist such an effort with any available means, including delay in acting on the bill.

Happily, this became unnecessary because on Monday of this week the Senator from Louisiana declared that he had abandoned all thoughts of having the Kennedy-Freeman feed grains bill passed at this session; and he stated that he would not offer such an amendment. His stated reason was not only doubts that such effort would be approved by the Senate, but also the fact that the House had refused to pass the bill including the amendment, and the further fact that the absence of sentiment in the House was such that such a version was still unacceptable.

In spite of the fact that this bill is the better for the absence of the compulsory feed grain features, I do not find it possible to vote in its favor. There are two principal reasons.

First, title III, on wheat, includes an involved, complex, and hard-to-understand certificate plan. Even legislators experienced in this field acknowledge difficulty in figuring out what it means and how it will work. A very casual reading of it, however, makes clear that under its terms the Secretary of Agriculture would be given extraordinary discretionary powers. He could issue regulations—which would apply to producers, processors, warehousemen, and exporters—of such nature and degree that they would make him practically a czar of the entire industry. He would be endowed with at least 24 major discretionary powers and authority.

Mr. President, I ask unanimous consent that there be printed in the RECORD, at this point in my remarks, a list thereof.

There being no objection, the list was ordered to be printed in the RECORD, as follows:

TITLE III–B OF H.R. 12391 DELEGATES BROAD AUTHORITY TO SECRETARY

Major discretionary authorities are summarized below:

1. Authority to determine if referendum shall be for 1, 2, or 3 years.

2. Authority to determine size of national marketing quota (not less than 1 billion bushels) and to determine annual drawdown of stocks.

3. Authority to determine that allotment for any type of wheat in short supply shall be increased above allotment otherwise computed in amount determined by the Secretary.

4. Authority to exclude from program any State with less than 25,000 acres of allotment.

5. Authority to determine what may be planted on diverted acreage, the amount by which the diversion payment will be reduced if such crops are planted, and whether or not diverted acreage may be grazed.

6. Authority to determine the amount of payment for wheat diverted acreage (not more than 50 percent of the support rate on normal yield).

7. Authority to determine conservation uses which must be practiced on diverted acreage and to determine a conservation base on each farm which must be exceeded by acreage of wheat diverted and to adjust payment for failure to comply with conservation requirements.

8. Authority to determine if advance diversion payments shall be made (not to exceed 50 percent of total).

9. Authority to establish such terms and conditions not specified in law as Secretary deems "desirable to effectuate purposes" of conservation program.

10. Authority to determine how many wheat marketing certificates shall be issued for food and export (export includes wheat disposed of under Public Law 480, including donations and sales for foreign currencies).

11. Authority to determine the value of wheat marketing certificates.

12. Authority to issue regulations relating to transfer of wheat marketing certificates.

13. Authority to determine under what circumstances wheat marketing certificates shall be purchased by CCC from farmers.

14. Authority to determine if CCC should establish a pool for marketing certificates and to prescribe regulations relating thereto and the fees to be charged for handling marketing certificates.

15. Authority to establish conversion factors to determine amount of wheat in any food product.

16. Authority to "take such action as he determines to be necessary to facilitate the transition" to the new program.

17. Authority to exempt "all or a portion" of food products in process on effective date of new program or to sell owners thereof certificates at such prices as the Secretary may determine.

18. Authority to require processors, warehousemen, exporters, and others dealing with wheat certificates to "keep such records as the Secretary finds to be necessary."

19. Authority to require processors, warehousemen, exporters, and others dealing with wheat certificates to submit such reports as the Secretary finds necessary.

20. Authority to examine the books, papers, records, accounts, correspondence, contracts, documents, and memorandums as the Secretary finds necessary to ascertain the correctness of records and reports.

21. Authority to deny marketing certificates to any producer "in whole or in part, as the Secretary may determine" for any violation of the law or regulations, without judicial action.

22. Authority to "prescribe such regulations as may be necessary to carry out the provisions of this subtitle."

23. Authority to establish a level of price support for certificate wheat at any level between 65 and 90 percent of parity.

24. Authority to establish the level of price support for noncertificate wheat.

Mr. HRUSKA. Mr. President, after reading this list, the least that can be said is that the plan requires careful, thoughtful study and analysis. Naturally, there is much confusion and there is much misunderstanding as to the plan as contained in the bill. In fairness it must be said that opinion in the Wheat Belt is very substantially divided. There is considerable support for it; there is also considerable opposition to it.

Regardless of its merits, therefore, instead of having a choice between this unknown, untried, and hard-to-understand plan and an ineffective, undesirable price-supports system, the wheat farmers should have an alternative plan. They should be given the freedom of choice which the Mundt amendment would have given them if it had been approved; namely, a chance to elect as between the wheat certificate plan, on the one hand, and a continuation for 2 years of the program which is in operation today.

Had this Mundt amendment been adopted, the wheat certificate plan could have been thoroughly studied in the meantime, and there would not be the coercion which will prevail under the bill we are to vote on today.

It is keenly regrettable that the Mundt freedom-of-choice amendment was defeated.

Rather than requiring the wheat farmer to make the hard choice of pronouncing judgment soon of this new and complicated concept, I shall cast my vote against this measure.

The second principal reason why I find it impossible to vote in favor of the bill lies in the very drastic amendment of the present law in regard to price supports for corn. The present law provides that price supports shall be not less than 65 percent of parity and not more than 90 percent. This was amended to strike out the minimum of 65 percent, thus giving the Secretary of Agriculture the power to provide for corn price supports anywhere from zero to 90 percent of parity, and at a level within that range which will not result in further surplus accumulations by the Government.

Most of us will recall the efforts of former Secretary of Agriculture Benson when he tried to get the same amendment approved. Many Members of Congress opposed him in that desire, because it was felt then, and I feel now, that the Secretary of Agriculture should not be permitted to possess such a powerful and coercive tool—the power to fix price supports without regard to a specified floor or minimum. Certainly if such an amendment was objectionable under Secretary Benson, it is objectionable now under Secretary Freeman. The new proposal is even worse, because of the inclusion in it of the provision that the price support must be fixed low enough so as to prevent the addition of a single bushel to the Commodity Credit Corporation's stocks of corn.

An effort was made yesterday to defeat this amendment, but it failed. It was curious, indeed, to see that all the Democratic Members of the Senate who voted—with the exception of two—voted in favor of eliminating the minimum of 65 percent of parity for corn price supports. They did so in spite of the fact that for many years under President Eisenhower's administration there was a constant declaration by many members of the Democratic Party for 100 percent of parity, or even more, for price supports, and a constant criticism on their part of Secretary Benson for trying to eliminate the 65-percent minimum. Now they have completely forsaken their previous position, and their many previous declarations.

Many of us are fearful that the Secretary of Agriculture will use this newly granted power to reduce corn prices to such a low level that, in sheer desperation, in their efforts to avoid complete ruin, corn and feed grain farmers will knuckle under to the constant pressure and the goal of the White House, the Department of Agriculture, and the Democratic leadership in Congress, for enactment of the Kennedy-Freeman-Cochrane compulsory feed grains bill.

This would be disastrous, indeed, to the well-being of agriculture generally. The eventual outcome would be a management-supply concept and production-quota plan, not only for feed grains alone, but also for cattle, hogs, sheep, poultry, poultry products, dairy products, and, in fact, all farm products generally.

This was the essence of the thinking earlier this year in the House of Representatives, when it refused to pass the farm bill. Yet we are now arming the Secretary of Agriculture with power to reduce corn and feed grain price supports to such a low level as to be able to create a pressured political climate that will result in a coerced adoption of the compulsory feed grains program as authored by President Kennedy, Secretary of Agriculture Freeman, and Professor Cochrane.

Such a plan would go a long way toward reducing agriculture to the status of a Government-regulated public utility. It would go a long way toward destruction of the opportunity in the calling of agriculture, in the life and future of the farm.

Any government which can tightly control the supply of food is in a position where it can assume a tyrannical and all-powerful position in all other regards insofar as its citizenry is concerned. This concept is totally alien to our free-enterprise system, the system which has given us such a strategic weapon and advantage in our present battle for a free world.

Should this bill be passed by the Senate, it is my earnest hope that in the conference the provisions of the House version of the bill will prevail; that the wheat certificate plan will be stricken out, in favor of an extension of the present wheat program; that the amendment removing the 65-percent minimum price support on corn and feed grains will be deleted; and that the 1962 feed grain program will be extended into the year 1963. Such a result is to be vastly preferred to the provisions of the bill we are now debating. It is my hope that it will be defeated, for the reasons I have cited.

There are many alternatives which are far more workable and acceptable than the pending bill. Several are pending in the Congress now. The administration and Congress will do well to discard the obnoxious compulsory management supply idea, and to work toward a solution more in keeping with the tradition and thinking of a free American agriculture with opportunity for progress.

Mr. ELLENDER. Mr. President, how much time remains available to me?

The PRESIDING OFFICER. Six minutes.

Mr. ELLENDER. Mr. President, I yield to the Senator from Kentucky [Mr. Cooper].

The PRESIDING OFFICER. The Senator from Kentucky is recognized.

Mr. COOPER. Mr. President, in the Senate Committee on Agriculture and Forestry, I made the motion to strike the feed grain control program, and to report instead to the Senate the farm bill approved earlier by our committee. My motion was adopted by a vote of 9 to 8. Later, the modified wheat program was incorporated in the bill by an amendment offered by the junior Senator from Minnesota [Mr. McCarthy], for which I voted. As a result, the two main provisions of the bill as it came to the Senate were first, a 1-year extension of the emergency feed grain program, and second, a modified wheat allotment program.

I made my motion, which was approved by the committee, because I wanted to see a farm bill adopted at last, and to see action taken on wheat—the most serious and persistent surplus. Further, wheat has been controlled in the past; it has had an acreage allotment and marketing quota program, approved by producers in annual referenda, for many years. The essential feature of the modified program would be to limit the liability of the Government in supporting the price of wheat. It would do so by fixing the number of bushels of wheat eligible for price support at 65 to 90 percent of parity. I thought action on wheat appropriate because stocks of wheat owned by the Federal Government now amount to half the value of all price support commodities in Commodity Credit Corporation inventories, while stocks of corn are only 17 percent.

I had hoped to vote for the bill as reported by our committee for the reasons I have given, and because I have admired the efforts of our chairman, Senator Ellender, to secure a better farm program. But yesterday the Senate rejected by a vote of 58–23 my motion to reconsider and oppose the adoption of the Ellender amendment, and because of the implications of the amendment, I cannot vote for the bill.

The consequences of the Ellender amendment may not have been clear yesterday. We did not fully comprehend the effect of the language prohibiting the Secretary from setting price supports for the 1964 and subsequent crops of corn at a level which would increase Commodity Credit Corporation stocks of corn. The amendment was never considered in committee; there was no expression from the Department of Agriculture as to how any price support could be extended to farmers under the provision; and it was adopted immediately upon taking up the farm bill without discussion and with very few Senators present.

The amendment has been described in the press as part of a compromise offered by the chairman accompanying a 1-year extension of the emergency feed grain program for the 1963 crop of corn. But I point out that that extension was in the bill as reported by our committee, without the Ellender amendment, and was also in the bill passed by the House, so that adoption of the Ellender amendment was not necessary in order to obtain extension of the emergency feed grain program next year.

The amendment is a far more radical change than Congress enacted in 1958 after full debate, when price support for corn was reduced from 75 to 65 percent of parity. This is the situation as the farm bill goes to conference:

The Ellender amendment removes the permanent provision of law, adopted in 1958, providing price support for corn at 65 percent of parity, or 90 percent of the 3-year market average, whichever is higher. Further, it provides that price support could not be set at any level that would result in increasing Government stocks of corn. I believe the effect of the amendment will be to abandon any corn program after the 1963 crop, and to put unlimited production of corn on the free market without protection for farmers who grow corn, and without protection for producers of beef cattle, hogs, and poultry whose markets are stabilized through stabilization of the price of feed—and you know that cheap feed means cheap livestock. So the Senate bill abandons the ability of the Government to acquire corn in order to support its market price.

The House bill abandons the parity concept for corn, for it removes price support for corn at 65 percent of parity, and substitutes 80 percent of the 3-year market average—which would be about 80 cents a bushel in 1964, and perhaps 65 cents 2 years later.

Between the Senate provision abandoning Commodity Credit Corporation authority to acquire corn, unless it puts an equivalent amount onto the market, and the House provision abandoning the parity concept for corn, adoption of this farm bill means the end of any corn program in 1964, with a prospect of unlimited production of corn at ruinous prices.

I should think the effect would be to threaten any stability in beef cattle prices, hog prices, and poultry prices—

unstabilizing the production and prices of all livestock.

This will be done without a referendum, such as that held in 1958, to determine whether farmers wish to abandon price support for feed grains. It is a radical change. It is a coercive effort to force adoption of the administration's compulsory control programs. In saying this I do not refer to the distinguished chairman of our committee, Senator ELLENDER, who is open, forthright and without guile. But, the language makes it mandatory for the Secretary to drive down supports—which would drive down prices of corn—and thus coerce corngrowers to accept compulsory controls. For with corn at ruinous levels, and chaos in the livestock industry, and with the administration opposed to any other program, there would be no alternative.

The Secretary and his Department of Agriculture insist upon having their compulsory programs, or chaos. This amendment could destroy the existing corn program, destroy the parity concept, and abandon Government support for farmers—at least on this greatest American crop which is basic to all livestock production—unless the Department is given the power it desires to place controls over all crops and over virtually all farmers.

I have opposed the compulsory feed grain control program for three reasons. First, the surplus of feed grains, while large in volume and value, amounts to less than 6 months' use, which may be needed in the event of drought—or even in the event that radioactive fallout prevents pasturing livestock for a time in some areas of the country. As Senators know, this is not a remote possibility. News at any time—tomorrow—could change our mind about the value of Government stocks of corn.

Second, the feed grain control program would deny some farmers the right to grow the feed required for the livestock operations on their own farms. Farmers have never approved, and have never had a program which prohibits them from raising sufficient feed for their own use. Even under the wheat program, which has had acreage allotments and marketing quotas for many years, an exception has been written into the law for farmers growing wheat fed out on the same farm.

Third, adoption of feed grain controls could lead to compulsory livestock controls, such as the Secretary proposed last year and again this year for dairy farmers. The hearings before our committee made clear that the Secretary and his assistants desire such power—another evidence of the administration's drive for power in every field.

The Department of Agriculture wanted to put its feed grain control program into effect this year, before farmers had the opportunity to study it, and consider its ultimate effects. Defeated in the Senate committee but succeeding by a narrow margin on the Senate floor, defeated in the House, defeated again in the Senate committee last month, the administration finally discovered that the Senate would not again adopt its feed grain control program—perhaps because it is becoming better understood.

Now the amendment adopted yesterday, and against which I fought, would remove from basic law any reasonable alternative to a compulsory program, and create a situation where farmers could be forced to accept a compulsory program.

Before I close, I would like to say that during my service in the Senate I have voted for strict controls on wheat, cotton, rice, and tobacco—when approved by farmers in a referendum. But I have not voted for compulsory controls on feed grains. There is a difference. The great volume of wheat, cotton, rice, and tobacco goes into the commercial market. This is true to some degree of corn, but a great proportion of corn and other feed grains is fed out on the farm, and is closely connected with the farmer's production of livestock. To deny the farmer—any farmer—the right to grow grain for his own use, is quite different from applying strict controls on the other crops I have mentioned.

I believe farmers should have the opportunity to understand the full implications and consequences of the compulsory feed grain control program, and that they should have a reasonable alternative if they are called upon to vote on such a program. I hope hearings will be held throughout the country to give farmers a voice in this matter. For there is no reason to assume that farmers have no ideas, and that a compulsory program is the only possible solution.

The emergency feed grain program is expensive, and a better program is needed. But it is not right to force a radical departure on farmers and deny them any alternative. If farmers are given opportunity for full consideration of the compulsory feed grain program—and reasonable alternatives—and choose the program, it will be all right. But no program should be forced upon them.

I oppose the bill as amended yesterday. I will vote against it because the amendment ending any program for feed grains after next year was adopted. I hope it will be defeated.

Mr. ELLENDER. Mr. President, I yield the remainder of my time to the Senator from Minnesota [Mr. HUMPHREY].

The PRESIDING OFFICER. The Senator from Minnesota.

Mr. HUMPHREY. First, Mr. President, I wish to commend the chairman of the committee, the Senator from Louisiana [Mr. ELLENDER], for his outstanding leadership in bringing this bill a second time to the Senate and for the masterful manner in which he has handled this complicated piece of legislation in the Senate. I also commend my colleagues, the majority of this body, for having supported the efforts of the chairman of the committee and its other members.

Mr. President, I wish to make a few comments in connection with the farm bill. Generally, I am pleased with what we have done, or are about to do. I had hoped we could go further, especially in the area of feed grains and dairy products. Nevertheless, we are about to pass a good farm bill, one which is designed to and will increase farm income, a bill that will reduce the cost of the farm program to the Government and the taxpayer; and will reduce surpluses and the costs associated with them.

Agriculture is moving again, Mr. President. Its path no longer is blocked by men whose theories and ideas and policies, sincere though they might have been, were not suited to the 20th century economics of American agriculture. How well I remember sitting in this Chamber for 8 years during the previous administration and seeing agricultural policies advocated and, in part, adopted, which slowly tightened the noose around the neck of the farmer. Thousands of farmers were forced off the land by these policies, but, fortunately, the Kennedy administration has revised those policies and given American agriculture new hope and vitality.

We have made a good start in helping the American family farmer to get back on his feet, Mr. President. The emergency feed grain program passed in 1961, extended in 1962, and about to be extended again this year, has contributed to the raising of farm income by more than $1 billion, and, for the first time in 8 years, we have reduced the feed grain surplus. Furthermore, farmers like this program. It is a popular program. Some of my colleagues who were so opposed to it when it was first proposed have become its champions because they realized it is a good and popular program.

It must be understood, however, that this is an emergency program and a temporary program. It never was intended to be anything else. It cannot go on working forever and ever, because it was not designed to do so. So this year, the President, who knows and understands and sympathizes with the problems of the American farmer and the taxpayer—along with the Secretary of Agriculture, who has worked night and day on the so-called farm problem, presented to Congress a feed grain program of a permanent nature. The Senate passed that program once, but our sister body turned it down and has indicated that the so-called permanent feed grain program is unacceptable.

So we have done the next best thing. We have proposed an extension of this successful feed grain program for 1 more year. But we are saying to the Secretary of Agriculture, "You come back here to the Capitol next year—early next year—and present to us a new feed grain program. We will look it over, we will hold hearings on it, and let everyone who wants to come in and testify. We will improve on it. That is what we direct you to do, Mr. Secretary." I do not envy him his job. I have known the Secretary, Orville Freeman, for a long time and I know his capacity for hard work and I know if we in the Congress direct him to present us with recommendations and a proposal for a workable feed grain program, we will receive it.

But with this extension of the current feed grain program, Mr. President, we also have amended previous legislation. We have cut the rope so there cannot be again an opportunity to place the noose around the farmer's neck. We have said to the Secretary, "Come back to us next year with a feed grain program, because we are not going back to the costly, price-depressing, surplus-building program of the Benson regime.

Mr. President, I am confident we will pass a constructive program next year because I do not think there are many of us here in the Congress, no matter where we come from, who are not thankful to the American farmer for what he has given us. Surely we want to help him attain a respectable standard of living.

Now, Mr. President, let me say a few words about food reserves. There are those who say the programs being advocated by the Kennedy administration are based upon artificial scarcity. It is absolutely necessary that we decide what are the minimum necessary reserves of food and fiber to be maintained—a defense reserve, a reserve for price stabilization, a reserve for food distribution programs, both domestic and foreign, and a reserve for commercial market requirements to maintain at all times an abundance of food for the American consumer. This administration is not advocating a program of scarcity. We are advocating a program of wise use of our production and our abundance.

It was my intention to introduce an amendment to the farm bill authorizing and directing the Secretary of Agriculture to make an annual determination of our overall food and fiber needs. I find, however, that this authority already rests with the Secretary without such an amendment. The Department has stated it proposes to maintain a continuous review of production and demand conditions and to determine periodically desirable public reserve levels for the major commodities. The Secretary has further stated that preliminary studies indicate that current stocks of wheat, feed grains, and dairy products are beyond the reserve needs for these commodities and I am hopeful, Mr. President, that we can go into this entire question of food reserves in detail during the hearings before the Senate committee.

As to the dairy problem, I am discouraged that neither the industry nor the Congress has been able to meet it. I have introduced legislation in this area, and so have many of my colleagues. Regrettably, we in the Congress have not been able to agree, and neither have those persons in the industry, on a satisfactory program. A dairy program will be a priority item in the consideration of farm legislation next year, and I am hopeful—and I know this hope is shared by the chairman of the Committee on Agriculture and Forestry [Mr. ELLENDER]—we can reach agreement and can come up with a program which will provide much-needed help to our hard-working dairy farmers.

As to the wheat marketing certificate program, Mr. President, it will reduce Government costs by about $300 million in 1964, compared with the pre-1962 program. This is both a realistic and imaginative program—one which has been in the mill for years. It will for the first time place our needs on a bushel basis rather than on acreage. The great technological advances made by American agriculture necessitate this. We no longer will produce surpluses costly both to the farmer and the taxpayer, but will be able to keep supply in balance with demand. Furthermore, farm income will rise and, as I have said, our surpluses will decline.

Mr. President, passage of title I of this bill is another important step toward the economic development of our rural areas and will assist in bringing rural income to its proper level.

The rural areas development program of the Department of Agriculture is rapidly catching on as a method of obtaining most efficient use of resources on the one hand and in bringing important income producing resources to the people on the other.

Title I helps to clear the way for using land more efficiently and provides for conserving and developing, soil, water, forest, wildlife, and recreational resources.

The title authorizes programs of land conservation and land utilization, including the most economic use of lands and the retirement of lands which are submarginal or not primarily suitable for cultivation in order to correct maladjustments in land use and thus assist in controlling soil, erosion, reforestation, and enabling local public authorities to provide public recreation. The Department of Agriculture has stated that, if provided, it will use this authority immediately on a pilot basis. The results of these pilot operations will mean much in the furtherance of the rural areas development program.

The amendments contained within the bill to the Watershed Protection and Flood Prevention Act also aid in this rural development effort, in that consideration is given on a broader basis to the benefits that the watershed development can have for the local community.

Thus, in the passage of this title, we have moved forward in aiding our people in rural areas to preserve and strengthen their inheritance and have moved toward the adequate development of the rural economy.

Mr. President, we have before us a good farm bill, and it can be improved and refined and perfected. I commend the Secretary of Agriculture, who has worked so hard for this bill, the President of the United States, who also has devoted a great deal of his valuable time to it, my colleagues here in the Senate, and most especially the Senator from Louisiana [Mr. ELLENDER].

Mr. BURDICK. Mr. President, it was my earnest conviction that S. 3225, the farm bill approved by the Senate in May, laid out a path that would have dealt in a realistic and rational manner with the problems of low farm income, surplus and high Government costs. I was greatly disappointed by the defeat of that bill in the House of Representatives.

The legislation now before us is not as good a bill as S. 3225. However, out of it, we may be able to salvage a wheat certificate plan for 1964. If we can achieve this much following the wreckage of the farm bill in the House, I think we will have made considerable progress in putting agricultural legislation on a sounder footing.

Although the bill before us provides for the certificate plan to take effect for the 1963 crop year, it is technically impossilbe to put it into operation that soon, since wheat already is being planted in the winter wheat States.

For 1963, the best wheat program we can now obtain is a program similar to the one now in effect without mandatory acreage reductions. Because of the original farm bill earlier this year and subsequent delay, Secretary Freeman has had to go ahead and schedule a wheat referendum for August 30 on the basis of a permanent law, enacted in 1938, specifying a national wheat acreage allotment of 55 million acres. Since 1938, per-acre yields have doubled, and a 55-million-acre base will produce a great excess of wheat. For this reason, the Secretary has announced the support level will have to be reduced from $2 to $1.82.

What I hope can be done is for a House-Senate conference committee to agree to retain the provisions in the present wheat program calling for acreage reductions of up to 40 percent on a voluntary basis, with payments on the idled land to approximate 60 percent of the income it would normally bring.

With a reduction in wheat production through voluntary means, it is possible that increasing the support level beyond $1.82 could be justified.

A certificate plan, incorporating the principle of bushelage, which I have advocated for many years, would help farmers control supply much more precisely than present methods, involving straight acreage controls.

Under the plan, the national quota for wheat for food requirements would be set in terms of bushels. Then a farmer would be given his share of the national quota by means of certificates. He could market at a relatively high support level only the bushels for which he held certificates. He could raise additional wheat within his acreage allotments, but he would have to sell it at the price of feed grain equivalents.

The wheat certificate plan would apply an effective supply program to wheat. The cotton, rice, tobacco, and peanut programs, long recognized as successful, have been based on similar supply management techniques.

It is of vital importance to obtain a supply management plan for wheat, of course, to increase farm income. But also of great longrun importance is the need to remove objections to the farm program by reducing surplus and Government costs. I have been warning my farmers in North Dakota that many urban Congressmen are discontented with the farm program. Unless we improve it and make it more acceptable to taxpayers, they are going to vote to abolish it some day soon.

The wheat certificate plan is the outstanding feature in the farm bill before us. In continuing the voluntary feed grain program for another year, it offers the best possible temporary solution to the problems of feed grain producers. I recognize, and the bill reflects, the need for a permanent feed grain program by directing the Secretary of Agriculture to draw up a plan for presentation to Congress next year.

The PRESIDING OFFICER. All time for debate on the bill has expired.

The question is, Shall the bill pass?

Mr. HUMPHREY. Mr. President, I ask for the yeas and nays.

The yeas and nays were ordered.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. DOUGLAS (when his name was called). On this vote I have a pair with the senior Senator from Indiana [Mr. Capehart]. If he were present and voting, he would vote "nay." If I were at liberty to vote, I would vote "yea." I withhold my vote.

Mr. KEFAUVER (when his name was called). On this vote I have a live pair with the Senator from Kentucky [Mr. Morton]. If he were present and voting, he would vote "nay." If I were at liberty to vote, I would vote "yea." I withhold my vote.

Mr. MANSFIELD (when his name was called). On this vote I have a pair with the Senator from Arizona [Mr. Goldwater]. If he were present and voting, he would vote "nay." If I were at liberty to vote, I would vote "yea." I withhold my vote.

Mr. METCALF (when his name was called). On this vote I have a pair with the junior Senator from Wyoming [Mr. Hickey]. If he were present and voting, he would vote "nay." If I were at liberty to vote, I would vote "yea." I withhold my vote.

Mr. HUMPHREY. I announce that the Senator from Nevada [Mr. Bible] and the Senator from Pennsylvania [Mr. Clark] are absent on official business.

I also announce that the Senator from New Mexico [Mr. Anderson], the Senator from Colorado [Mr. Carroll], the Senator from Idaho [Mr. Church], the Senator from Alaska [Mr. Gruening], the Senator from Wyoming [Mr. Hickey], and the Senator from Missouri [Mr. Symington] are necessarily absent.

I further announce that, if present and voting, the Senator from Colorado [Mr. Carroll], the Senator from Pennsylvania [Mr. Clark], and the Senator from Idaho [Mr. Church] would each vote "yea."

On this vote, the Senator from Missouri [Mr. Symington] is paired with the Senator from New Hampshire [Mr. Murphy]. If present and voting, the Senator from Missouri would vote "yea," and the Senator from New Hampshire would vote "nay."

On this vote, the Senator from New Mexico [Mr. Anderson] is paired with the Senator from Alaska [Mr. Gruening]. If present and voting, the Senator from New Mexico would vote "nay," and the Senator from Alaska would vote "yea."

Mr. KUCHEL. I announce that the Senator from Indiana [Mr. Capehart], the Senator from Arizona [Mr. Goldwater], the Senator from Kentucky [Mr. Morton], and the Senator from New Hampshire [Mr. Murphy] are necessarily absent.

The pair of the Senator from Indiana [Mr. Capehart] has been previously announced by the Senator from Illinois [Mr. Douglas].

The pair of the Senator from Arizona [Mr. Goldwater] has been previously announced by the Senator from Montana [Mr. Mansfield].

The pair of the Senator from Kentucky [Mr. Morton] has been previously announced by the Senator from Tennessee [Mr. Kefauver].

On this vote, the Senator from New Hampshire [Mr. Murphy] is paired with the Senator from Missouri [Mr. Symington]. If present and voting, the Senator from New Hampshire would vote "nay," and the Senator from Missouri would vote "yea."

The result was announced—yeas 47, nays 37, as follows:

[No. 213 Leg.]

YEAS—47

Bartlett
Burdick
Byrd, W. Va.
Cannon
Carlson
Chavez
Dodd
Ellender
Engle
Ervin
Fong
Fulbright
Gore
Hart
Hartke
Hayden
Hill
Humphrey
Jackson
Johnston
Jordan, N.C.
Kerr
Long, Mo.
Long, Hawaii
Long, La.
Magnuson
McCarthy
McGee
McNamara
Monroney
Morse
Moss
Muskie
Neuberger
Pastore
Pearson
Pell
Randolph
Russell
Smathers
Smith, Mass.
Sparkman
Talmadge
Williams, N.J.
Yarborough
Young, N. Dak.
Young, Ohio

NAYS—37

Aiken
Allott
Beall
Bennett
Boggs
Bottum
Bush
Butler
Byrd, Va.
Case
Cooper
Cotton
Curtis
Dirksen
Eastland
Hickenlooper
Holland
Hruska
Javits
Jordan, Idaho
Keating
Kuchel
Lausche
McClellan
Miller
Mundt
Prouty
Proxmire
Robertson
Saltonstall
Scott
Smith, Maine
Stennis
Thurmond
Tower
Wiley
Williams, Del.

NOT VOTING—16

Anderson
Bible
Capehart
Carroll
Church
Clark
Douglas
Goldwater
Gruening
Hickey
Kefauver
Mansfield
Metcalf
Morton
Murphy
Symington

So the bill (H.R. 12391) was passed.

Mr. ELLENDER. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. HUMPHREY. Mr. President, I move to lay that motion on the table.

The PRESIDING OFFICER (Mr. Proxmire in the chair). The question is on agreeing to the motion to lay on the table the motion to reconsider.

The motion to lay on the table was agreed to.

Mr. ELLENDER. Mr. President, I ask unanimous consent that the Secretary of the Senate in the engrossment of the Senate substitute amendment to H.R. 12391, be authorized to correct any typographical, clerical, or printing errors that may appear.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Louisiana? The Chair hears none, and it is so ordered.

Mr. ELLENDER. Mr. President, I ask unanimous consent that the Senate bill, as passed, be printed.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Louisiana? The Chair hears none, and it is so ordered.

Mr. ELLENDER. Mr. President, I move that the Senate insist on its amendment, request a conference with the House of Representatives thereon, and that the Presiding Officer appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer appointed Mr. Ellender, Mr. Johnston, Mr. Holland, Mr. Aiken, and Mr. Young of North Dakota conferees on the part of the Senate.

DRUG INDUSTRY ACT OF 1962

Mr. HUMPHREY. Mr. President, I move that the Senate proceed to the consideration of Calendar No. 1703, S. 1552.

The PRESIDING OFFICER. The bill will be stated by title for the information of the Senate.

The Chief Clerk. A bill (S. 1552) to amend and supplement the antitrust laws with respect to the manufacture and distribution of drugs, and for other purposes.

The PRESIDING OFFICER. The question is on agreeing to the motion by the Senator from Minnesota.

The motion was agreed to; and the Senate proceeded to consider the bill (S. 1552) to amend and supplement the antitrust laws with respect to the manufacture and distribution of drugs, and for other purposes, which had been originally reported from the Committee on the Judiciary, with an amendment, to strike out all after the enacting clause and insert:

That this Act may be cited as the "Drug Industry Act of 1962".

INFORMATION ON PATENTS FOR DRUGS

Sec. 2. Section 702 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 372) is amended by adding at the end thereof the following new subsection:

"(d) The Secretary is authorized and directed, upon request from the Commissioner of Patents, to furnish full and complete information with respect to such questions relating to drugs as the Commissioner may submit concerning any patent application. The Secretary is further authorized and directed, upon receipt of any such request, to conduct or cause to be conducted, such research as may be required."

REGISTRATION

Sec. 3. (a) Chapter V of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 351 et seq.) is amended by adding at the end thereof the following section:

"REGISTRATION OF PRODUCERS OF DRUGS

"Sec. 508. (a) As used in this section—

"(1) the term 'manufacture, preparation, propagation, compounding, or processing' shall include repackaging or otherwise changing the container, wrapper, or labeling of any drug package in furtherance of the distribution of the drug from the original place of manufacture to the person who makes final delivery or sale to the ultimate consumer.

"(2) the term 'name' shall include in the case of a partnership the name of each partner and, in the case of a corporation, the name of each corporate officer and director, and the State of incorporation.

"(b) On or before December 31 of each year every person who owns or operates any establishment in any State engaged in the manufacture, preparation, propagation, compounding, or processing of a drug or drugs shall register with the Secretary his name, places of business, and all such establishments.

"(c) Every person upon first engaging in the manufacture, preparation, propagation, compounding, or processing of any drug in any establishment which he owns or operates shall immediately register with the Secretary his name, place of business, and such establishment.

"(d) Every person duly registered in accordance with this section shall immediately register with the Secretary any additional establishment which he owns or operates and in which he begins the manufacture, preparation, propagation, compounding, or processing of a drug or drugs.

"(e) The Secretary may assign a registration number to any person or any establishment registered in accordance with this section.

"(f) The Secretary shall make available for inspection, to any person so requesting, any registration filed pursuant to this section.

"(g) This section shall not apply to—

"(1) pharmacies which maintain establishments in conformance with any applicable local laws regulating the practice of pharmacy and medicine and which are regularly engaged in dispensing prescription drugs, upon prescriptions of practitioners licensed to administer such drugs, or patients under the care of such practitioners in the course of their professional practice and which do not manufacture, prepare, propagate, compound, or process drugs for sale other than in the regular course of their business of dispensing or selling drugs at retail;

"(2) practitioners licensed by law to prescribe or administer drugs and who manufacture, prepare, propagate, compound, or process drugs solely for use in the course of their professional practice;

"(3) persons who manufacture, prepare, propagate, compound, or process drugs solely for use in research, teaching, or chemical analysis and not for sale;

"(4) such other classes of persons as the Secretary may by regulation exempt from the application of this section upon a finding that registration by such classes of persons in accordance with this section is not necessary for the protection of the public health.

"(h) Every establishment registered with the Secretary pursuant to this section shall be subject to inspection pursuant to section 704 and shall be so inspected by one or more officers or employees duly designated by the Secretary at least once in the two-year period beginning with the date of registration of such establishment pursuant to this section and at least once in every successive two-year period thereafter."

(b) Section 301 of such Act (21 U.S.C. 331) is amended by adding at the end thereof the following new paragraph:

"(o) The failure to register as required by section 508."

(c) Section 502 of such Act (21 U.S.C. 352) is amended by adding at the end thereof the following new paragraph:

"(n) If it is a drug and was manufactured, prepared, propagated, compounded, or processed in an establishment not duly registered under section 508."

FACTORY INSPECTION

Sec. 4. (a) Section 704(a) of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 374 (a)) is amended to read as follows:

"(a) For purposes of enforcement of this Act, officers or employees duly designated by the Secretary, upon presenting appropriate credentials and a written notice to the owner, operator, or agent in charge, are authorized (1) to enter, at reasonable times, any factory, warehouse, or establishment in which food, drugs, devices, or cosmetics are manufactured, processed, packed, or held, for introduction into interstate commerce or after such introduction, or to enter any vehicle being used to transport or hold such food, drugs, devices, or cosmetics in interstate commerce; and (2) to inspect, at reasonable times and within reasonable limits and in a reasonable manner, such factory, warehouse, establishment, or vehicle and all pertinent equipment, finished and unfinished materials, containers, and labeling therein; and (3) in the case of any factory, warehouse, establishment, or a consulting laboratory in which prescription drugs are manufactured, processed, packed, or held, the inspection shall extend to all things therein (including records, files, papers, process, controls, and facilities) bearing on whether prescription drugs which are adulterated or misbranded within the meaning of this Act, or which may not be manufactured, introduced into interstate commerce, or sold, or offered for sale by reason of any provision of this Act, have been or are being manufactured, processed, packed, transported, or held in any such place, or otherwise bearing on violation of this Act. No inspection authorized for prescription drugs by subdivision (3) of this subsection shall extend to (A) financial data, (B) sales data other than shipment records, (C) pricing data, (D) personnel data (E) data of anything in or related to research activity: *Provided, however,* That inspection of data relating to clinical experience with respect to new drugs and antibiotics within the purview of section 507 shall be made only to the extent authorized under and subject to the applicable provisions of section 505(i) and (j) and section 507(d) and (g), and with respect to other drugs shall be made in accordance with regulations to be issued by the Secretary which shall have due regard for the professional ethics of the medical profession and shall provide, where the Secretary deems it to be appropriate, for examination, upon request, by the persons to whom such regulations are applicable, of similar information received or otherwise obtained by the Secretary. A separate notice shall be given for each such inspection, but a notice shall not be required for each entry made during the period covered by the inspection. Each such inspection shall be commenced and completed with reasonable promptness. The provisions of subdivision (3) of this subsection shall not apply to—

"(1) pharmacies which maintain establishments in conformance with any applicable local laws regulating the practice of pharmacy and medicine and which are regularly engaged in dispensing prescription drugs, upon prescriptions of practioners licensed to administer such drugs, or patients under the care of such practitioners in the course of their professional practice and which do not manufacture, prepare, propagate, compound, or process drugs for sale other than in the regular course of their business of dispensing or selling drugs at retail;

"(2) practitioners licensed by law to prescribe or administer drugs and who manufacture, prepare, propagate, compound, or process drugs solely for use in the course of their professional practice;

"(3) persons who manufacture, prepare, propagate, compound, or process drugs solely for use in research, teaching, or chemical analysis and not for sale;

"(4) such other classes of persons as the Secretary may by regulation exempt from the application of this section upon a finding that inspection as applied to such classes of persons in accordance with this section is not necessary for the protection of the public health."

(b) Section 704(b) of such Act (21 U.S.C. 374(b)) is amended by inserting after the word "warehouse" the words "consulting laboratory."

QUALITY MANUFACTURING CONTROLS

Sec. 5. Section 501(a)(2) of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 351(a)(2)) is amended to read as follows:

"(2)(A) if it has been prepared, packed, or held under insanitary conditions whereby it may have been contaminated with filth, or whereby it may have been rendered injurious to health; or (B) if it is a drug and the methods used in, or the facilities or controls used for, its manufacture, processing, packaging, or holding do not conform to current good manufacturing practice to assure that such drug meets the requirements of this Act as to safety and has the identity and strength, and meets the quality and purity characteristics, which it purports or is represented to possess. The Secretary is authorized to issue interpretative regulations, upon notice and in accordance with the procedures set forth in section 4 of the Administrative Procedure Act (5 U.S.C. 1003), which shall, in any proceeding involving this paragraph, be prima facie evidence of what constitutes current good manufacturing practice."

NEW DRUG CLEARANCE PROCEDURE

Sec. 6. Section 505(c) of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 355(c)), is amended to read as follows:

"(c) An application provided for in subsection (b) shall become effective on the ninetieth day after the filing thereof (or on such later date, not more than one hundred and eighty days after the filing thereof, as the Secretary deems necessary to enable him to study and investigate the application), unless, prior to such day (or prior to such later date), the Secretary issues a notice to the applicant of opportunity for hearing as to whether the application satisfies the requirements of subsection (d). The date scheduled for the commencement of such hearing, if a hearing is requested, shall be the thirtieth day after the date of service of notice in accordance with the method of service set forth in subsection (g), unless a different date is agreed upon between the Secretary and the applicant."

RECORDS AND REPORTS AS TO EXPERIENCE ON NEW DRUGS AND ANTIBIOTICS

Sec. 7. (a) Subsection (i) of section 505 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 355(i)) is amended (1) by inserting "the foregoing subsections of" after "operation of"; (2) by inserting the words "and effectiveness" after the word "safety"; and (3) by adding at the end thereof the following new sentence: "Such regulations may provide for conditioning such exemption upon the establishment and maintenance of such records, and the making of such reports to the Secretary, of data obtained as the result of such investigational use of such drugs, as the Secretary finds will enable him to evaluate the safety and effectiveness of such drugs in the event of the filing of an application pursuant to subsection (b): *Provided, however,* That regulations issued under this subsection and under subsection (j) shall have due regard for the professional ethics of the medical profession and shall provide, where the Secretary deems it to be appropriate, for the examination, upon request, by the persons to whom such regulations are applicable, of similar information received or otherwise obtained by the Secretary."

(b) Section 505 (21 U.S.C. 355) of such Act is amended by adding at the end thereof the following new subsection:

"(j)(1) In the case of any drug for which an application filed pursuant to this section is in effect, the applicant shall establish and maintain such records, and make such reports to the Secretary, of data relating to clinical experience and other data or information, received or otherwise obtained by such applicant with respect to such drug, as the Secretary may by general regulation, or by order with respect to such application, prescribe on the basis of a finding that such records and reports are necessary in order to enable the Secretary to determine, or facilitate a determination, whether there is or may be ground for invoking subsection (e) of this section.

"(2) Every person required under this section to maintain records, and every person in charge or custody thereof, shall upon request of an officer or employee designated by the Secretary, permit such officer or employee at all reasonable times to have access to and copy and verify such records."

(c) Subsection (d) of section 507 of such Act (21 U.S.C. 357(d) is amending by adding at the end thereof the following new sentence: "Such regulations may provide for conditioning the exemption under clause (3) upon the establishment and maintenance of such records, and the making of such reports to the Secretary, of data obtained as the result of such investigational use of such drugs within the purview of this section, as the Secretary finds will enable him to evaluate the safety and effectiveness for use of such drugs within the purview of this section in the event of an application for certification or release pursuant to subsection (a): *Provided, however,* That regulations issued under this subsection and under subsection (g) shall have due regard for the professional ethics of the medical profession and shall provide, where the Secretary deems it to be appropriate, for the examination, upon request, by the persons to whom such regulations are applicable, of similar information received or otherwise obtained by the Secretary."

(d) Section 507 of such Act (21 U.S.C. 357) is amended by adding at the end of such section the following new subsection:

"(g) (1) Every person engaged in manufacturing, compounding, or processing any drug within the purview of this section with respect to which a certificate or release has been issued pursuant to this section shall establish and maintain such records, and make such reports to the Secretary, of data relating to clinical experience and other data or information, received or otherwise obtained by such person with respect to such drug within the purview of this section, as the Secretary may by general regulation, or by order with respect to such certification or release, prescribe on the basis of a finding that such records and reports are necessary in order to enable the Secretary to make, or to facilitate, a determination as to whether such certification or release should be rescinded or whether any regulation issued under this section should be amended or repealed.

"(2) Every person required under this section to maintain records, and every person having charge or custody thereof, shall, upon request of an officer or employee designated by the Secretary, permit such officer or employee at all reasonable times to have access to and copy and verify such records."

(e) Section 301(e) of such Act (21 U.S.C. 331(e)) is amended by inserting before the period at the end thereof a semicolon and the following: "or the failure to establish or maintain any record, or make any report, required under section 505 (i) or (j) or 507 (d) or (g), or the refusal to permit access to or verification or copying of any such required record".

(f) Section 302(a) of such Act (21 U.S.C. 332(a)) is amended by striking out "(e),".

EFFECTIVENESS

SEC. 8. (a) Section 505(b) of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 355(b)) is amended by inserting therein immediately after the words "is safe for use", the words "and whether such drug is effective in use."

(b) Section 505(d)) of such Act (21 U.S.C. 355(d is amended to read as follows:

"(d) If the Secretary finds, after due notice to the applicant in accordance with subsection (c) and giving him an opportunity for a hearing, in accordance with said subsection, that (1) the investigations, reports of which are required to be submitted to the Secretary pursuant to subsection (b), do not include adequate tests by all methods reasonably applicable to show whether or not such drug is safe for use under the conditions prescribed, recommended, or suggested in the proposed labeling thereof; (2) the results of such tests show that such drug is unsafe for use under such conditions or do not show that such drug is safe for use under such conditions; (3) the methods used in, and the facilities and controls used for, the manufacture, processing, and packing of such drug are inadequate to preserve its identity, strength, quality, and purity; (4) upon the basis of the information submitted to him as part of the application, or upon the basis of any other information before him with respect to such drug, he has insufficient information to determine whether such drug is safe for use under such conditions; or (5) on the basis of the information submitted to him as part of the application and any other information before him with respect to such drug, (A) there is a lack of substantial evidence (including substantial clinical evidence), supported by investigations of experts qualified by scientific training and experience to evaluate the effectiveness of drugs, that the drug will have the effect it purports or is represented to have under the conditions of use prescribed, recommended, or suggested in the proposed labeling thereof, or (B) such labeling is false or misleading in any particular; he shall issue an order refusing to permit the application to become effective. If, after such notice and opportunity for hearing, the Secretary finds that clauses (1) through (5) do not apply, he shall issue an order declaring the application to be effective. Any such hearing shall be conducted, and the Secretary's order thereon shall be issued, on an expedited basis."

(c) Section 505(e) of such Act (21 U.S.C. 355(e)) is amended to read as follows:

"(e) The Secretary shall, after due notice and opportunity for hearing to the applicant, suspend the effectiveness of an application with respect to any drug under this section if the Secretary finds (1) that clinical or other experience, tests, or other scientific data show that such drug is unsafe for use under the conditions of use upon the basis of which the application became effective; (2) that new evidence of clinical experience, not contained in such application or not available to the Secretary until after such application became effective, or tests by new methods, or tests by methods not deemed reasonably applicable when such application became effective, evaluated together with the evidence available to the Secretary when the application became effective, shows that such drug is not shown to be safe for use under the conditions of use upon the basis of which the application became effective; or (3) on the basis of new information before him with respect to such drug, evaluated together with the evidence available to him when the application became effective, that (A) there is a lack of substantial evidence (including substantial clinical evidence), supported by investigations of experts qualified by scientific training and experience to evaluate the effectiveness of drugs, that the drug will have the effect it purports or is represented to have under the conditions of use prescribed, recommended, or suggested in the labeling thereof, or (B) such labeling is false or misleading in any particular; or (4) that the application contains any untrue statement of a material fact. The order shall state the findings upon which it is based."

CONSPICUOUSNESS OF OFFICIAL NAMES

SEC. 9. (a) Section 502(b) of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 352(b)) is amended to read as follows:

"(b) If in a package form unless it bears a label containing (1) the name and place of business of the manufacturer, packer, or distributor; (2) an accurate statement of the quantity of the contents in terms of weight, measure, or numerical count; and (3) its official name (if such there be) printed in a manner complying with subsection (c) of this section: *Provided,* That under clauses (2) and (3) of this paragraph, reasonable variations shall be permitted, and exemptions as to small packages shall be established, by regulations prescribed by the Secretary."

(b) Section 502(e) of such Act (21 U.S.C. 352(e)) is amended by—

(1) striking out the words "If it is a drug and is not designated solely by a name recognized in an official compendium unless its label bears (1) the common or usual name of the drug, if such there be; and (2) in case it is fabricated from two or more ingredients, the common or usual name" and inserting in lieu thereof the words "If it is a drug fabricated from two or more ingredients unless its label bears the official name and quantity".

(2) by striking out in the proviso the words "of clause (2)".

REVIEW AND DESIGNATION OF OFFICIAL NAMES

SEC. 10. The Federal Food, Drug, and Cosmetic Act (21 U.S.C. 351 et seq.), as amended by this Act, is further amended by adding after section 508 the following new section:

"SEC. 509. (a) The Secretary may designate an official name for any drug if he determines that such action is necessary or desirable in the interest of usefulness and simplicity. Any official name designated under this section for any drug shall be the only official name of that drug used in any official compendium published after such name has been prescribed or for any other purpose of this Act.

"(b) Within a reasonable time after the effective date of this section, and at such other times as he may deem necessary, the Secretary shall cause a review to be made of the official names by which drugs are identified in the official United States Pharmacopoeia, the official Homeopathic Pharmacopoeia of the United States, and the official National Formulary, and all supplements thereto, to determine whether revision of any of those names is necessary or desirable in the interest of usefulness and simplicity.

"(c) Whenever he determines after any such review that (1) any such official name is unduly complex or is not useful for any other reason, (2) two or more official names have been applied to a single drug, or to two or more drugs which are identical in chemical structure and pharmacological action and which are substantially identical in strength, quality, and purity, or (3) no official name has been applied to a medically useful drug, he shall transmit in writing to the compiler of each official compendium in which that drug or drugs are identified and recognized his request for the recommendation of a single official name for such drug or drugs which will have usefulness and simplicity. Whenever such a single official name has not been recommended within one hundred and eighty days after such request, or the Secretary determines that any name so recommended is not useful for any reason, he shall designate a single official name for such drug or drugs. Whenever he determines that the name so recommended is useful, he shall designate that name as the official name of such drug or drugs. Such designation shall be made as a regulation upon public notice and in accordance with section 4 of the Administrative Procedure Act (5 U.S.C. 1003).

"(d) After each such review, and at such other times as the Secretary may determine to be necessary or desirable, the Secretary shall cause to be compiled, published, and publicly distributed a list which shall list all revised official names of drugs designated under this section and shall contain such descriptive and explanatory matter as the Secretary may determine to be required for the effective use of those names.

"(e) Upon a request in writing by any compiler of an official compendium that the Secretary exercise the authority granted to him under section 509(a), he shall upon public notice and in accordance with the procedures set forth in section 4 of the Administrative Procedure Act (5 U.S.C. 1003) designate the official name of the drug for which the request is made."

INFORMATION TO PHYSICIANS AND OTHERS

SEC. 11. (a) Section 502 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 352), as amended by this Act, is further amended by adding at the end thereof the following new paragraph:

"(o) In the case of any prescription drug distributed or offered for sale in any State, unless the manufacturer, packer, or distributor thereof maintains for transmittal and transmits, to any practitioner licensed by law of that State to administer such drug who makes written request for information as to such drug, true and correct copies of all printed matter which is required to be included in any package in which that drug is distributed or sold, or such other printed matter approved by the Secretary available to practitioners on written request. Nothing in this paragraph shall be construed to exempt any person from any labeling requirements imposed by or under other provisions of this Act."

(b) The Federal Food, Drug, and Cosmetic Act (21 U.S.C. 351 et seq.), as amended by this Act, is further amended by adding after section 509 the following new section:

"SEC. 510. The Secretary shall publish in convenient and readable form and shall distribute on a current basis to physicians, hospitals, medical and nurse training schools, depository libraries, and Federal, State, and local government offices concerned with the handling and utilization of drugs, true and correct copies of all printed matter which the Secretary has required to be included in any package in which any drug is distributed or sold or brochures approved by the Secretary available to practitioners on request."

CERTIFICATION ON ANTIBIOTICS

SEC. 12. (a) Subsection (l) of section 301 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 331(l)) is amended to read as follows:

"(l) the using, on the labeling of any drug or in any advertising relating to such drug, of any representation of suggestion that an application with respect to such drug is effective under section 505, or that such drug complies with the provisions of such section, or that such drug is certified under section 507."

(b) Section 507(a) of such Act (21 U.S.C. 357(a)) is amended by adding at the end thereof the following new sentence: "For purposes of this section and of section 502(l), the term 'antibiotic drug' means any drug intended for use by man containing any quantity of any chemical substance which is produced by a micro-organism and which has the capacity to inhibit or destroy micro-organisms in dilute solution (including the chemically synthesized equivalent of any such substance)."

(c) Section 507(a) of such Act (21 U.S.C. 357(a)) is further amended by striking the word "or" preceding the word "bacitracin" and adding after the word "bacitracin" the following: "or any other antibiotic drug".

(d) Section 502(l) of such Act (21 U.S.C. 352(l)) is amended by striking the word "or" preceding the word "bacitracin" and adding after the word "bacitracin" the following: "or any other antibiotic drug".

(e) Section 507(c) of such Act (21 U.S.C. 357(c)) is amended by adding at the end thereof the following:

"Such regulations shall include the following:

"(1) Whether any drug or class of drugs manufactured by a person who has, or hereafter shall have, produced fifty consecutive batches of such drug or class of drugs in compliance with the regulations for the certification thereof within a period of not more than eighteen calendar months, upon the application by such person to the Secretary; or

"(2) Whether any drug or class of drugs manufactured by any person who has otherwise demonstrated such consistency in the production of such drug or class of drugs, in compliance with the regulations for the certification thereof, as, in the judgment of the Secretary, is adequate to insure the safety and efficacy of use thereof."

(f) The first sentence of section 507(e) of such Act (21 U.S.C. 357(e)) is amended to read as follows: "No drug which is subject to section 507 shall be deemed to be subject to any provision of section 505 except a new drug exempted from the requirements of this section and of section 502(l) pursuant to regulations promulgated by the Secretary: *Provided*, That, for purposes of section 505, the initial request for certification, as thereafter duly amended, pursuant to section 507, of a new drug so exempted shall be considered a part of the application filed pursuant to section 505(b) with respect to the person filing such request and to such drug as of the date of the exemption."

DEFINITION

SEC. 13. Section 201 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 321) is amended by adding at the end thereof the following new subsection:

"(v) The term 'State' means any State or possession of the United States, the District of Columbia, and the Commonwealth of Puerto Rico."

And subsequently reported from the same committee with a substitute amendment, in lieu of the language previously reported by the Committee on the Judiciary on July 19, 1962, to insert as a substitute amendment to the bill, as follows:

That this Act may be cited as the "Drug Industry Act of 1962."

INFORMATION ON PATENTS FOR DRUGS

SEC. 2. Section 702 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 372) is amended by adding at the end thereof the following new subsection:

"(d) The Secretary is authorized and directed, upon request from the Commissioner of Patents, to furnish full and complete information with respect to such questions relating to drugs as the Commissioner may submit concerning any patent application. The Secretary is further authorized and directed, upon receipt of any such request, to conduct or cause to be conducted, such research as may be required."

REGISTRATION

SEC. 3. (a)(1) Chapter V of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 351 et seq.) is amended by adding at the end thereof the following section:

"REGISTRATION OF PRODUCERS OF DRUGS

"SEC. 508. (a) As used in this section—

"(1) the term 'manufacture, preparation, propagation, compounding or processing' shall include repackaging or otherwise changing the container, wrapper, or labeling of any drug package in furtherance of the distribution of the drug from the original place of manufacture to the person who makes final delivery or sale to the ultimate consumer.

"(2) the term 'name' shall include in the case of a partnership the name of each partner and, in the case of a corporation, the name of each corporate officer and director, and the State of incorporation.

"(b) On or before December 31 of each year every person who owns or operates any establishment in any State engaged in the manufacture, preparation, propagation, compounding, or processing of a drug or drugs shall register with the Secretary his name, place of business, and all such establishments.

"(c) Every person upon first engaging in the manufacture, preparation, propagation, compounding, or processing of any drug in any establishment which he owns or operates shall immediately register with the Secretary his name, place of business, and such establishment.

"(d) Every person duly registered in accordance wtih this section shall immediately register with the Secretary any additional establishment which he owns or operates and in which he begins the manufacture, preparation, propagation, compounding, or processing of a drug or drugs.

"(e) The Secretary may assign a registration number to any person or any establishment registered in accordance with this section.

"(f) The Secretary shall make available for inspection, to any person so requesting, any registration filed pursuant to this section.

"(g) This section shall not apply to—

"(1) pharmacies which maintain establishments in conformance with any applicable local laws regulating the practice of pharmacy and medicine and which are regularly engaged in dispensing prescription drugs, upon prescriptions of practitioners licensed to administer such drugs, or patients under the care of such practitioners in the course of their professional practice and which do not manufacture, prepare, propagate, compound, or process drugs for sale other than in the regular course of their business of dispensing or selling drugs at retail;

"(2) practitioners licensed by law to prescribe or administer drugs and who manufacture, prepare, propagate, compound, or process drugs solely for use in the course of their professional practice;

"(3) persons who manufacture, prepare, propagate, compound, or process drugs solely for use in research, teaching, or chemical analysis and not for sale;

"(4) such other classes of persons as the Secretary may by regulation exempt from the application of this section upon a finding that registration by such classes of persons in accordance with this section is not necessary for the protection of the public health.

"(h) Every establishment registered with the Secretary pursuant to this section shall be subject to inspection pursuant to section 704 and shall be so inspected by one or more officers or employees duly designated by the Secretary at least once in the two-year period beginning with the date of registration of such establishment pursuant to this section and at least once in every successive two-year period thereafter."

(2) Any person who, on the day immediately preceding the date of enactment of this Act, owned or operated any establishment in any State (as defined in section 201(v) of the Federal Food, Drug, and Cosmetic Act as amended by this Act) engaged in the manufacture, preparation, propagation, compounding, or processing of a drug or drugs, shall, if he first registers in accordance with subsection (b) of section 508 of that Act (as added thereto by paragraph

(1) of this subsection) prior to the first day of the seventh calendar month following the month in which this Act is enacted, be deemed to have complied with that subsection for the calendar year 1962. Such registration, if made within such period and effected in 1963, shall also be deemed to be in compliance with such subsection for that calendar year.

(b) Section 301 of such Act (21 U.S.C. 331) is amended by adding at the end thereof the following new paragraph:

"(o) The failure to register as required by section 508."

(c) Section 502 of such Act (21 U.S.C. 352) is amended by adding at the end thereof the following new paragraph:

"(n) If it is a drug and was manufactured, prepared, propagated, compounded, or processed in an establishment not duly registered under section 508."

FACTORY INSPECTION

Sec. 4. (a) Section 704(a) of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 374(a)) is amended to read as follows:

"(a) For purposes of enforcement of this Act, officers or employees duly designated by the Secretary, upon presenting appropriate credentials and a written notice to the owner, operator, or agent in charge, are authorized (1) to enter, at reasonable times, any factory, warehouse, or establishment in which food, drugs, devices, or cosmetics are manufactured, processed, packed, or held, for introduction into interstate commerce or after such introduction, or to enter any vehicle being used to transport or hold such food, drugs, devices, or cosmetics in interstate commerce; and (2) to inspect, at reasonable times and within reasonable limits and in a reasonable manner, such factory, warehouse, establishment, or vehicle and all pertinent equipment, finished and unfinished materials, containers, and labeling therein. In the case of any factory, warehouse, establishment, or consulting laboratory in which prescription drugs are manufactured, processed, packed, or held, the inspection shall extend to all things therein (including records, files, papers, processes, controls, and facilities) bearing on whether prescription drugs which are adulterated or misbranded within the meaning of this Act, or which may not be manufactured, introduced into interstate commerce, or sold, or offered for sale by reason of any provision of this Act, have been or are being manufactured, processed, packed, transported, or held in any such place, or otherwise bearing on violation of this Act. No inspection authorized for prescription drugs by the preceding sentence shall extend to (A) financial data, (B) sales data other than shipment data, (C) pricing data, (D) personnel data (other than data as to qualifications of technical and professional personnel performing functions subject to this Act), and (E) research data (other than data, relating to new drugs and antibiotic drugs, subject to reporting and inspection under regulations lawfully issued pursuant to section 305 (i) or (j) or section 507 (d) or (g) of this Act, and data, relating to other drugs, which in the case of a new drug would be subject to reporting or inspection under lawful regulations issued pursuant to section 505(j) of the Act). A separate notice shall be given for each such inspection, but a notice shall not be required for each entry made during the period covered by the inspection. Each such inspection shall be commenced and completed with reasonable promptness. The provisions of the second sentence of this subsection shall not apply to—

"(1) pharmacies which maintain establishments in conformance with any applicable local laws regulating the practice of pharmacy and medicine and which are regularly engaged in dispensing prescription drugs, upon prescriptions of practitioners licensed to administer such drugs, or patients under the care of such practitioners in the course of their professional practice and which do not, either through a subsidiary or otherwise, manufacture, prepare, propagate, compound, or process drugs for sale other than in the regular course of their business of dispensing or selling drugs at retail;

"(2) practitioners licensed by law to prescribe or administer drugs and who manufacture, prepare, propagate, compound, or process drugs solely for use in the course of their professional practice;

"(3) persons who manufacture, prepare, propagate, compound, or process drugs solely for use in research, teaching, or chemical analysis and not for sale;

"(4) such other classes of persons as the Secretary may by regulation exempt from the application of this section upon a finding that inspection as applied to such classes of persons in accordance with this section is not necessary for the protection of the public health."

(b) Section 704(b) of such Act (21 U.S.C. 374(b)) is amended by inserting after "warehouse," the words "consulting laboratory,".

(c) Subsection (a) of section 302 of such Act (21 U.S.C. 332(a)) is amended by striking out "(f),".

(d) Nothing in the amendments made by subsections (a) and (b) of this section shall be construed to negate or derogate from any authority of the Secretary existing prior to the enactment of this Act.

QUALITY MANUFACTURING CONTROLS

Sec. 5. Section 501(a)(2) of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 351 (a)(2)) is amended to read as follows:

"(2)(A) if it has been prepared, packed, or held under insanitary conditions whereby it may have been contaminated with filth, or whereby it may have been rendered injurious to health; or (B) if it is a drug and the methods used in, or the facilities or controls used for, its manufacture, processing, packaging, or holding do not conform to or are not operated or administered in conformity with current good manufacturing practice to assure that such drug meets the requirements of this Act as to safety and has the identity and strength, and meets the quality and purity characteristics, which it purports or is represented to possess."

NEW DRUG CLEARANCE PROCEDURE

Sec. 6. (a) Section 505(a) of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 335(a)), is amended to read as follows:

"(a) No person shall introduce or deliver for introduction into interstate commerce any new drug, unless an approval of an application filed pursuant to subsection (b) is effective with respect to such drug."

(b) Section 505(c) of such Act (21 U.S.C. 355(c)) is amended to read as follows:

"(c) Within one hundred and eighty days after the filing of an application under this subsection, or such additional period as may be agreed upon by the Secretary and the applicant, the Secretary shall either—

"(1) approve the application if he then finds that none of the grounds for denying approval specified in subsection (d) applies, or

"(2) give the applicant notice of an opportunity for a hearing before the Secretary under subsection (d) on the question whether such application is approvable. If the applicant elects to accept the opportunity for hearing by written request within thirty days after such notice, such hearing shall commence not more than ninety days after the expiration of such thirty days unless the Secretary and the applicant otherwise agree. Any such hearing shall thereafter be conducted, and the Secretary's order thereon shall be issued, on an expedited basis."

(c)(1) The first four sentences of subsection (h) of such section 505 (21 U.S.C. 355 (h)) are amended to read as follows:

"(h) An appeal may be taken by the applicant from an order of the Secretary refusing to approve an application or withdrawing approval of an application under this section. Such appeal shall be taken by filing in the United States court of appeals for the circuit wherein such applicant resides or has his principal place of business, or in the United States Court of Appeals for the District of Columbia Circuit, within sixty days after the entry of such order, a written petition praying that the order of the Secretary be set aside. A copy of such petition shall be forthwith transmitted by the clerk of the court to the Secretary, or any officer designated by him for that purpose, and thereupon the Secretary shall certify and file in the court the record upon which the order complained of was entered, as provided in section 2112 of title 28, United States Code. Upon the filing of such petition such court shall have exclusive jurisdiction to affirm or set aside such order, except that until the filing of the record the Secretary may modify or set aside his order."

(2) The ninth sentence of such subsection (h) is amended to read as follows: "The judgment of the court affirming or setting aside any such order of the Secretary shall be final, subject to review by the Supreme Court of the United States upon certiorari or certification as provided in section 1254 of title 28 of the United States Code."

(3) The amendments made by this subsection shall not apply to any appeal taken prior to the date of enactment of this Act.

RECORDS AND REPORTS AS TO EXPERIENCE ON NEW DRUGS AND ANTIBIOTICS

Sec. 7. (a) Subsection (i) of section 505 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 355 (i)) is amended (1) by inserting "the foregoing subsections of" after "operation of"; (2) by inserting the words "and effectiveness" after the word "safety"; and (3) by adding at the end thereof the following new sentence: "Such regulations may provide for conditioning such exemption upon the establishment and maintenance of such records, and the making of such reports to the Secretary, of data obtained as the result of such investigational use of such drugs, as the Secretary finds will enable him to evaluate the safety and effectiveness of such drugs in the event of the filing of an application pursuant to subsection (b): *Provided, however,* That regulations issued under this subsection and under subsection (j) shall have due regard for the professional ethics of the medical profession and shall provide, where the Secretary deems it to be appropriate, for the examination, upon request, by the persons to whom such regulations are applicable, of similar information received or otherwise obtained by the Secretary."

(b) Section 505 (21 U.S.C. 355) of such Act is further amended by adding at the end thereof the following new subsection:

"(j)(1) In the case of any drug for which approval of an application filed pursuant to this section is in effect, the applicant shall establish and maintain such records, and make such reports to the Secretary, of data relating to clinical experience and other data or information, received or otherwise obtained by such applicant with respect to such drug, as the Secretary may by general regulation, or by order with respect to such application, prescribe on the basis of a finding that such records and reports are necessary in order to enable the Secretary to determine, or facilitate a determination, whether there is or may be ground for invoking subsection (e) of this section.

"(2) Every person required under this section to maintain records, and every person in charge or custody thereof, shall upon request of an officer or employee designated by the Secretary, permit such officer or employee at all reasonable times to have access to and copy and verify such records."

(c) Subsection (d) of section 507 of such Act (21 U.S.C. 357 (d)) is amended by adding at the end thereof the following new sentence: "Such regulations may provide for conditioning the exemption under clause (3) upon the establishment and maintenance of such records, and the making of such reports to the Secretary, of data obtained as the result of such investigational use of such drugs within the purview of this section, as the Secretary finds will enable him to evaluate the safety and effectiveness for use of such drugs within the purview of this section in the event of an application for certification or release pursuant to subsection (a): *Provided, however,* That regulations issued under this subsection and under subsection (g) shall have due regard for the professional ethics of the medical profession and shall provide, where the Secretary deems it to be appropriate, for the examination, upon request, by the persons to whom such regulations are applicable, of similar information received or otherwise obtained by the Secretary."

(d) Section 507 of such Act (21 U.S.C. 357) is further amended by adding at the end of such section the following new subsection:

"(g)(1) Every person engaged in manufacturing, compounding, or processing any drug within the purview of this section with respect to which a certificate or release has been issued pursuant to this section shall establish and maintain such records, and make such reports to the Secretary, of data relating to clinical experience and other data or information, received or otherwise obtained by such person with respect to such drug within the purview of this section, as the Secretary may by general regulation, or by order with respect to such certification or release, prescribe on the basis of a finding that such records and reports are necessary in order to enable the Secretary to make, or to facilitate, a determination as to whether such certification or release should be rescinded or whether any regulation issued under this section should be amended or repealed.

"(2) Every person required under this section to maintain records, and every person having charge or custody thereof, shall, upon request of an officer or employee designated by the Secretary, permit such officer or employee at all reasonable times to have access to and copy and verify such records."

(e) Section 301(e) of such Act (21 U.S.C. 331(e)) is amended by inserting before the period at the end thereof a semicolon and the following: "or the failure to establish or maintain any record, or make any report, required under section 505 (i) or (j) or 507 (d) or (g), or the refusal to permit access to or verification or copying of any such required record".

(f) Section 302(a) of such Act (21 U.S.C. 332 (a)) is amended by striking out "(e),".

EFFECTIVENESS AND SAFETY OF NEW DRUGS

SEC. 8. (a)(1) Section 201(p)(1) of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 321(p)(1)), defining the term "new drug", is amended by (A) inserting therein, immediately after the words "to evaluate the safety", the words "and effectiveness", and (B) inserting therein, immediately after the words "as safe", the words "and effective".

(2) Section 201(p)(2) of that Act is amended by inserting therein, immediately after the word "safety", the words "and effectiveness".

(b) Section 505(b) of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 355(b)) is amended by inserting therein, immediately after the words "is safe for use", the words "and whether such drug is effective in use".

(c) Section 505(d) of such Act (21 U.S.C. 355(d)) is amended to read as follows:

"(d) If the Secretary finds, after due notice to the applicant in accordance with subsection (c) and giving him an opportunity for a hearing, in accordance with said subsection, that (1) the investigations, reports of which are required to be submitted to the Secretary pursuant to subsection (b), do not include adequate tests by all methods reasonably applicable to show whether or not such drug is safe for use under the conditions prescribed, recommended, or suggested in the proposed labeling thereof; (2) the results of such tests show that such drug is unsafe for use under such conditions or do not show that such drug is safe for use under such conditions; (3) the methods used in, and the facilities and controls used for, the manufacture, processing, and packing of such drug are inadequate to preserve its identity, strength, quality, and purity; (4) upon the basis of the information submitted to him as part of the application, or upon the basis of any other information before him with respect to such drug, he has insufficient information to determine whether such drug is safe for use under such conditions; or (5) evaluated on the basis of the information submitted to him as part of the application and any other information before him with respect to such drug, there is a lack of substantial evidence that the drug will have the effect it purports or is represented to have under the conditions of use prescribed, recommended, or suggested in the proposed labeling thereof; or (6) such labeling is false or misleading in any particular; he shall issue an order refusing to approve the application. If, after such notice and opportunity for hearing, the Secretary finds that clauses (1) through (6) do not apply, he shall issue an order approving the application. As used in this subsection and subsection (e), the term 'substantial evidence' means evidence consisting of adequate and well-controlled investigations, including clinical investigations, by experts qualified by scientific training and experience to evaluate the effectiveness of the drug involved, on the basis of which it could fairly and responsibly be concluded by such experts that the drug will have the effect it purports or is represented to have under the conditions of use prescribed, recommended, or suggested in the labeling or proposed labeling thereof."

(d) Section 505(e) of such Act (21 U.S.C. 355(e)) is amended to read as follows:

"(e) The Secretary shall, after due notice and opportunity for hearing to the applicant, withdraw approval of an application with respect to any drug under this section if the Secretary finds (1) that clinical or other experience, tests, or other scientific data show that such drug is unsafe for use under the conditions of use upon the basis of which the application was approved; (2) that new evidence of clinical experience, not contained in such application or not available to the Secretary until after such application was approved, or tests by new methods, or tests by methods not deemed reasonably applicable when such application was approved, evaluated together with the evidence available to the Secretary when the application was approved, shows that such drug is not shown to be safe for use under the conditions of use upon the basis of which the application was approved; or (3) on the basis of new information before him with respect to such drug, evaluated together with the evidence available to him when the application was approved, that there is a lack of substantial evidence that the drug will have the effect it purports or is represented to have under the conditions of use prescribed, recommended, or suggested in the labeling thereof; or (4) that the application contains any untrue statement of a material fact: *Provided,* That if the Secretary (or in his absence the officer acting as Secretary) finds that there is an imminent hazard to the public health, he may suspend the approval of such application immediately, and give the applicant prompt notice of his action and afford the applicant the opportunity for an expedited hearing under this subsection; but the authority conferred by this proviso to suspend the approval of an application shall not be delegated. The Secretary may also, after due notice and opportunity for hearing to the applicant, withdraw the approval of an application with respect to any drug under this section if the Secretary finds (1) that the applicant has failed to establish a system for maintaining required records, or has repeatedly or deliberately failed to maintain such records or to make required reports, in accordance with a regulation or order under subsection (j), or the applicant has refused to permit access to, or copying or verification of, such records as required by paragraph (2) of such subsection; or (2) that on the basis of new information before him, evaluated together with the evidence before him when the application was approved, the methods used in, or the facilities and controls used for, the manufacture, processing, and packing of such drug are inadequate to assure and preserve its identity, strength, quality, and purity and were not made adequate within a reasonable time after receipt of written notice from the Secretary specifying the matter complained of; or (3) that on the basis of new information before him, evaluated together with the evidence before him when the application was approved, the labeling of such drug is false or misleading in any particular and was not corrected within a reasonable time after receipt of written notice from the Secretary specifying the matter complained of. Any order under this subsection shall state the findings upon which it is based."

(e) Section 505(f) of such Act (21 U.S.C. 355(f)) is amended to read as follows:

"(f) An order refusing to approve, or withdrawing or suspending approval of, an application with respect to any drug under this section shall be revoked whenever the Secretary finds that the facts so require."

(f)(1) Paragraph (1) of section 301 of such Act is amended by (1) inserting "approval of" before "an application", and (2) striking out "effective" and inserting in lieu thereof "in effect".

(2) Clause (C) of section 503(b)(1) of such Act is amended by striking out "effective" and inserting in lieu thereof "approved".

(g)(1) As used in this subsection, the term "enactment date" means the date of enactment of this Act; and the term "basic Act" means the Federal Food, Drug, and Cosmetic Act. Except as otherwise provided in this subsection, the amendments made by the foregoing provisions of this section shall take effect on the enactment date.

(2) An application filed pursuant to section 505(b) of the basic Act which was "effective" within the meaning of that Act on the day immediately preceding the enactment date shall be deemed, as of the enactment date, to be an application "approved" by the Secretary within the meaning of the basic Act as amended by this Act.

(3) In the case of any drug with respect to which an application filed under section 505(b) of the basic Act is deemed to be an approved application on the enactment date by virtue of paragraph (2) of this subsection—

(A) the amendments made by this section to section 201(p), and to subsections (b) and (d) of section 505, of the basic Act, insofar as such amendments relate to the effectiveness of drugs, shall not, so long as approval of such application is not withdrawn or suspended pursuant to section 505(e) of that Act, apply to such drug when intended solely for use under conditions prescribed, recommended, or suggested in labeling covered by such approved application, but shall apply to any changed use, or conditions of use, prescribed, recommended, or suggested in its labeling, including such conditions of use as are the subject of an amendment or supplement to such application pending on, or filed after, the enactment date; and

(B) clause (3) of the first sentence of section 505(e) of the basic Act, as amended by this Act, shall not apply to such drug when intended solely for use under conditions prescribed, recommended, or suggested in labeling covered by such approved application (except with respect to such use, or conditions of use, as are the subject of an amendment or supplement to such approved application, which amendment or supplement has been approved after the enactment date under section 505 of the basic Act as amended by this Act) until whichever of the following first occurs: (i) the expiration of the two-year period beginning with the enactment date; (ii) the effective date of an order under section 505(e) of the basic Act, other than clause (3) of the first sentence of such section 505(e), withdrawing or suspending the approval of such application.

(4) In the case of any drug which, on the day immediately preceding the enactment date, (A) was commercially used or sold in the United States, (B) was not a new drug as defined by section 201(p) of the basic Act as then in force, and (C) was not covered by an effective application under section 505 of that Act, the amendments to section 201(p) made by this section shall not apply to such drug when intended solely for use under conditions prescribed, recommended, or suggested in labeling with respect to such drug on that day.

CONSPICUOUSNESS OF OFFICIAL NAMES

SEC. 9. (a) Section 502(e) of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 352(e)) is amended by—

(1) inserting the subparagraph designation "(1)" after "(e)";

(2) strking out the words "If it is a drug and is not designated solely by a name recognized in an official compendium unless its label bears (1) the common or usual name of the drug, if such there be; and (2), in case it is fabricated from two or more ingredients, the common or usual name of each active ingredient", and inserting in lieu thereof "If it is a drug, unless (A) its label bears, to the exclusion of any other nonproprietary name (except the applicable systematic chemical name or the chemical formula), (i) the established name (as defined in subparagraph (2)) of the drug, if such there be, and (ii), in case it is fabricated from two or more ingredients, the established name and quantity of each active ingredient";

(3) striking out the words "the name" and inserting in lieu thereof the words "the established name";

(4) inserting therein, immediately after the colon following the words "contained therein", the following: "*Provided*, That the requirement for stating the quantity of the active ingredients, other than the quantity of those specifically named in this paragraph, shall apply only to prescription drugs; and (B) the established name of such drug or ingredient, as the case may be, on such label (and on any labeling on which a name for such drug or ingredient is used) is printed prominently and in type at least half as large as that used thereon for any proprietary name or designation for such drug or ingredient:";

(5) striking out the words "clause (2) of this paragraph" in the proviso to such paragraph and inserting in lieu thereof "clause (A) (ii) or clause (B) of this subparagraph"; and

(6) adding at the end of such paragraph the following new subparagraph:

"(2) As used in this paragraph (e), the term 'established name', with respect to a drug or ingredient thereof, means (A) the applicable official name designated pursuant to section 509, or (B), if there is no such name and such drug, or such ingredient, is an article recognized in an official compendium, then the official title thereof in such compendium, or (C) if neither clause (A) nor clause (B) of this subparagraph applies, then the common or usual name, if any, of such drug or of such ingredient: *Provided*, That where clause (B) of this subparagraph applies to an article recognized in the United States Pharmacopeia and in the Homoeopathic Pharmacopoeia under different official titles, the official title used in the United States Pharmacopeia shall apply unless it is labeled and offered for sale as a homeopathic drug, in which case the official title used in the Homoeopathic Pharmacopoeia shall apply."

(b) Section 502(g) of such Act is amended by inserting immediately before the period at the end thereof a colon and the following proviso: "*Provided further*, That, in the event of inconsistency between the requirements of this paragraph and those of paragraph (e) as to the name by which the drug or its ingredients shall be designated, the requirements of paragraph (e) shall prevail."

(c) This section shall take effect on the first day of the seventh calendar month following the month in which this Act is enacted.

REVIEW AND DESIGNATION OF OFFICIAL NAMES

SEC. 10. The Federal Food, Drug, and Cosmetic Act (21 U.S.C. 351 et seq.), as amended by this Act, is further amended by adding after section 508 the following new section:

"SEC. 509. (a) The Secretary may designate an official name for any drug if he determines that such action is necessary or desirable in the interest of usefulness and simplicity. Any official name designated under this section for any drug shall be the only official name of that drug used in any official compendium published after such name has been prescribed or for any other purpose of this Act.

"(b) Within a reasonable time after the effective date of this section, and at such other times as he may deem necessary, the Secretary shall cause a review to be made of the official names by which drugs are identified in the official United States Pharmacopoeia, the official Homoeopathic Pharmacopoeia of the United States, and the official National Formulary, and all supplements thereto, to determine whether revision of any of those names is necessary or desirable in the interest of usefulness and simplicity.

"(c) Whenever he determines after any such review that (1) any such official name is unduly complex or is not useful for any other reason, (2) two or more official names have been applied to a single drug, or to two or more drugs which are identical in chemical structure and pharmacological action and which are substantially identical in strength, quality, and purity, or (3) no official name has been applied to a medically useful drug, he shall transmit in writing to the compiler of each official compendium in which that drug or drugs are identified and recognized his request for the recommendation of a single official name for such drug or drugs which will have usefulness and simplicity. Whenever such a single official name has not been recommended within one hundred and eighty days after such request, or the Secretary determines that any name so recommended is not useful for any reason, he shall designate a single official name for such drug or drugs. Whenever he determines that the name so recommended is useful, he shall designate that name as the official name of such drug or drugs. Such designation shall be made as a regulation upon public notice and in accordance with the procedure set forth in section 4 of the Administrative Procedure Act (5 U.S.C. 1003).

"(d) After each such review, and at such other times as the Secretary may determine to be necessary or desirable, the Secretary shall cause to be compiled, published, and publicly distributed a list which shall list all revised official names of drugs designated under this section and shall contain such descriptive and explanatory matter as the Secretary may determine to be required for the effective use of those names.

"(e) Upon a request in writing by any compiler of an official compendium that the Secretary exercise the authority granted to him under section 509(a), he shall upon public notice and in accordance with the procedure set forth in section 4 of the Administrative Procedure Act (5 U.S.C. 1003) designate the official name of the drug for which the request is made."

INFORMATION TO PHYSICIANS AND OTHERS

SEC. 11. (a)(1) Section 502 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 352), as amended by this Act, is further amended by adding at the end thereof the following new paragraphs:

"(o) In the case of any prescription drug distributed or offered for sale in any State, unless the manufacturer, packer, or distributor thereof maintains for transmittal and transmits, to any practitioner licensed by law of that State to administer such drug who makes written request for information as to such drug, true and correct copies of all printed matter which is required to be included in any package in which that drug is distributed or sold, or such other printed matter approved by the Secretary available to practitioners on written request. Nothing in this paragraph shall be construed to exempt any person from any labeling requirements imposed by or under other provisions of this Act.

"(p) In the case of any prescription drug distributed or offered for sale in any State, unless the manufacturer, packer, or distributors thereof includes in all advertisements and other descriptive printed matter issued or caused to be issued by the manufacturer, packer, or distributor, with respect to that drug a true statement of (1) the established name as defined in section 502(e), printed prominently and in type at least half as large as that used for any trade or brand name thereof, (2) the formula showing quantitatively each ingredient of such drug, and (3) such other information relating to side effects, contraindications, and effectiveness as shall be required in regulations which shall be issued by the Secretary in accordance with the procedure specified in section 701(e) of this Act: *Provided*, That no advertisement of a prescription drug, published after the effective date of regulations issued under this paragraph applicable to advertisements of prescription drugs, shall, with respect to the matters specified in this paragraph or covered by such regulations, be subject to the provisions of sections 12 through 17 of the Federal Trade Commission Act, as amended (15 U.S.C. 52–57)."

(2) No drug which was being commercially distributed prior to the date of enactment of this Act shall be deemed to be misbranded under paragraph (p) of section 502 of the Federal Food, Drug, and Cosmetic Act, as added to that section by this subsection, until the earlier of the following dates: (1) the first day of the seventh month following the month in which this Act is enacted; (2) the effective date of regulations first issued under clause (3) of such paragraph (p) in accordance with the procedure specified in section 701(e) of the Federal Food, Drug, and Cosmetic Act.

(b)(1) The Federal Food, Drug, and Cosmetic Act (21 U.S.C. 351 et seq.), as amended by this Act, is further amended by adding after section 509 the following new section:

"Sec. 510. The Secretary shall publish in convenient and readable form and shall distribute on a current basis to physicians, hospitals, medical and nurse training schools, depository libraries, and Federal, State, and local government offices concerned with the handling and utilization of drugs, true and correct copies of all printed matter which the Secretary has required to be included in any package in which any drug is distributed or sold or brochures approved by the Secretary available to practitioners on request."

(2) This subsection shall take effect on the first day of the seventh month following the month in which this Act is enacted.

CERTIFICATION OF ANTIBIOTICS

Sec. 12. (a) Section 507(a) of such Act (21 U.S.C. 357(a)) is amended by adding at the end thereof the following new sentence: "For purposes of this section and of section 502(l), the term 'antibiotic drug' means any drug containing any quantity of any chemical substance which is produced by a micro-organism and which has the capacity to inhibit or destroy micro-organisms in dilute solution (including the chemically synthesized equivalent of any such substance)."

(b) Section 507(a) of such Act (21 U.S.C. 357(a)) is further amended by striking the word "or" preceding the word "bacitracin" and adding after the word "bacitracin" a comma and the following: "or any other antibiotic drug,".

(c) Section 502(l) of such Act (21 U.S.C. 352(l)) is amended by striking the word "or" preceding the word "bacitracin" and adding after the word "bacitracin" a comma and the following; "or any other antibiotic drug."

(d) Section 507(c) of such Act (21 U.S.C. 357(c)) is amended by adding at the end thereof the following: "In deciding whether an antibiotic drug, or class of antibiotic drugs, is to be exempted from the requirement of certification the Secretary shall give consideration, among other relevant factors, to:

"(1) Whether such drug or class of drugs is manufactured by a person who has, or hereafter shall have, produced fifty consecutive batches of such drug or class of drugs in compliance with the regulations for the certification thereof within a period of not more than eighteen calendar months, upon the application by such person to the Secretary; or

"(2) Whether such drug or class of drugs is manufactured by any person who has otherwise demonstrated such consistency in the production of such drug or class of drugs, in compliance with the regulations for the certification thereof, as in the judgment of the Secretary, is adequate to insure the safety and efficacy of use thereof.

"When an antibiotic drug or a drug manufacturer has been exempted from the requirement of certification, the manufacturer may still obtain certification of a batch or batches of that drug if he applies for and meets the requirements for certification. Nothing in this Act shall be deemed to prevent a manufacturer or distributor of an antibiotic drug from making a truthful statement in labeling or advertising of the product as to whether it has been certified or exempted from the requirement of certification."

(e) The first sentence of section 507(e) of such Act (21 U.S.C. 357(e)) is amended to read as follows: "No drug which is subject to section 507 shall be deemed to be subject to any provision of section 505 except a new drug exempted from the requirements of this section and of section 502(l) pursuant to regulations promulgated by the Secretary: *Provided*, That, for purposes of section 505, the initial request for certification, as thereafter duly amended, pursuant to section 507, of a new drug so exempted shall be considered a part of the application filed pursuant to section 505(b) with respect to the person filing such request and to such drug as of the date of the exemption."

(f) This section shall take effect on the first day of the seventh month following the month in which this Act is enacted.

DEFINITION

Sec. 13. Section 201 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 321) is amended by adding at the end thereof the following new subsection:

"(v) The term 'State' means any State or possession of the United States, the District of Columbia, and the Commonwealth of Puerto Rico."

Mr. KEFAUVER. Mr. President, I ask unanimous consent that Dr. E. Wayles Browne, Jr., an economist, and Mr. Horace L. Flurry, counsel, members of the staff of the subcommittee on Antitrust and Monopoly of the Committee on the Judiciary, be permitted to be present on the floor of the Senate during the consideration of S. 1552.

The PRESIDING OFFICER. Without objection, it is so ordered.

THE FREEDOM ACADEMY BILL—ADDRESS BY SENATOR MUNDT

Mr. SMATHERS. Mr. President, I ask unanimous consent that a very excellent address delivered by Senator Karl E. Mundt, at Orlando, Fla., on August 11, relating to the Freedom Academy bill, presently pending before the Foreign Relations Commitee, be printed in the body of the Record.

Both the Senator from South Dakota [Mr. Mundt] and the Senator from Connecticut [Mr. Dodd] addressed a rally in support of this legislation, which was sponsored by the Orlando Committee for the Freedom Academy and the Florida State Junior Chamber of Commerce.

I highly recommend the reading of the remarks by the Senator from South Dakota [Mr. Mundt], for they certainly deserve the consideration of all of us in the Congress.

There being no objection, the address was ordered to be printed in the Record, as follows:

Address by Senator Karl E. Mundt, Orlando, Fla., August 11, 1962

Senator Dodd, honored guests, ladies and gentlemen, it is both a privilege and a pleasure for me to meet with you tonight at this banquet, rallying support for S. 822, the Freedom Academy bill.

For the past 4 years I have been working closely with the dedicated men and women of the Orlando committee, to whose collective wisdom we are all deeply indebted for the dynamic concept of the Freedom Academy idea. What a blessing it would be if we had an Orlando committee in every community across the Nation. Words are quite inadequate to express my personal gratitude for the extraordinary assistance and support I have received on the Freedom Academy project from Alan Grant, Jr., of the Orlando committee. Alan has been and continues to be the key technical adviser for all of us in Congress, who are working in behalf of the Freedom Academy. His knowledge, his devotion to purpose, and his unfaltering conviction that the Free World can and must wind the cold war have been a source of great inspiration to me and my colleagues.

How delighted I am to see the Florida Junior Chamber of Commerce lending its voice and its sinew to the cause for the Freedom Academy. The Florida Jaycees, in their cosponsorship of this great rally, are the first statewide Jaycee organization to implement with action the endorsement given to the Freedom Academy bill by the national Jaycee organization at its last convention. I have always worked closely with the Jaycee's in my own State of South Dakota—I know of your great capacity for achievement. When the Jaycee's get behind a project things get done. No other group in America has greater interest in or a finer record of dedication to the future excellence of this Nation. Your collective support of the Freedom Academy is profoundly gratifying, and I have great confidence that with the assistance of the junior chamber of commerce this proposal will become a reality.

I would be greatly remiss if I did not pay high tribute to the distinguished American, who is sharing the speaking platform with me this evening. No man in the Congress of the United States—indeed, no man in public office—has done more than has Senator Tom Dodd to awaken the American people to the realities and exigencies of the global struggle between freedom and communism. When the Freedom Academy is established the many brilliant and perceptive speeches of Senator Dodd on the international crisis should become "must reading" for every student attending the Academy. I am honored to call Tom Dodd a friend, and I want to take this opportunity to publicly express my great admiration for him and to extend heartfelt thanks to him for the immeasurable assistance he has given to me in the development and promotion of the Freedom Academy bill.

Two of Florida's distinguished and able sons have contributed mightily to the advancement of the Freedom Academy legislation. Congressman Syd Herlong, well-known and deeply respected here in this area of central Florida which he has represented so ably, is really the father of the Freedom Academy bill in the Congress. Syd Herlong together with Congressman Walter Judd introduced the first Freedom Academy legislation in 1959, and in keeping with his fine record as a legislator, he has remained a spirited and articulate advocate of the Freedom Academy bill. In 1961 my good friend and your able Senator, George Smathers, joined as a cosponsor of the Freedom Academy bill in the Senate. Senator Smathers is universally recognized as one of our Nation's top experts on Latin America—one of the critical sectors of the cold war. His great knowledge of Latin America has given him a deep insight into the Communist machinations in the Western Hemisphere. He knows that the hopes and aspirations of the Latin American people are inextricably tied to the capacity of the Western Hemisphere to effectively resist the subversive and imperialistic incursions of Sino-Soviet communism, and this knowledge and his dedication to the growth of democracy in South and Central America make Senator Smathers one of the most valuable and effective advocates of the Freedom Academy proposal.

While I have not had an opportunity to discuss the Freedom Academy bill with all the members of the Florida congressional delegation, I do know from conversations which I have had with Senator Holland and Congressman Haley that both of these fine gentlemen are actively interested in this legislation. I am genuinely pleased by their interest; for over my years of service in the House and Senate I have been privileged to work in close association with Spessard Holland and Jim Haley, and I can assure you that it is always of great benefit to have these two able and conscientious legislators on your side.

How sincerely I wish that I could announce to this fine assembly that the Freedom Academy is only months away from establishment. I wish that I could report to you that the constant and dedicated efforts of the Orlando committee to upgrade America's cold war performance—efforts spanning a decade—had at long last achieved success.

I wish that I could tell you that Washington officialdom had finally taken off its rose-colored glasses and awakened to the fact that positive action and specifically designed programs are urgently required to close the ever-widening gap between the free world and the Communist world in the mastery and practice of the arts of nonmilitary conflict. Unfortunately, I can tell you none of these things.

In Washington we continue to face the same type of resistance in official circles to our idea for the creation of a research and training agency on cold war know-how that we have been confronted with over the past 3½ years. We are told that, in the main, the existing training facilities in and outside the Government are adequate to prepare our people for their respective roles in the cold war. We are told that it would be contrary to the precepts and traditions of a free, pluralistic society to establish a single Government training agency with the assigned mission of teaching Government personnel and private citizens the most effective means and methods for resisting Communist imperialism. We are even told by some persons in high quarters that the Freedom Academy bill is a fake.

So unbending has been the resistance in the executive branch to the Freedom Academy idea that one such as myself, who is an ardent supporter, wonders on occasion whether or not he knows what he is talking about. When I have these moments of doubt, I always pause and reflect on my own associations with this idea and on my reasons for becoming an active advocate and sponsor of the Freedom Academy bill in 1959. I find that with each review I become even more firmly convinced of the need for and the wisdom of establishing a research and training institution such as that proposed in the Freedom Academy bill.

This evening I would like to review with you my thoughts on the Freedom Academy. I intend to speak with you straight from the shoulder. This is not going to be a sales pitch. I merely want to present the facts to you, as I understand them, and I will leave it to you fine people to determine whether or not the proponents of the Freedom Academy know what we're talking about.

Briefly and broadly described what we are proposing in the Freedom Academy bill is this: The establishment of a national institution, at which Government personnel and private citizens could be educated in the multiple and complex aspects of Communist ideology, tactics, and strategy and intensively trained in the broad spectrum of arts, skills, and knowledge required for effective operational activity in the global conflict between freedom and totalitarian communism. This training program would be backstopped by a rather extensive research operation which would (1) bring together, coordinate, systematize and prepare in form for education presentation all of the major research works and studies which are available in and out of Government on operational and theoretical communism; (2) conduct and coordinate continuing study programs on Communist tactics and strategy, so that the training program is currently keyed to contemporary Communist activity; and (3) conduct and coordinate indepth research into the various methods and means by which we can most effectively employ our economic, diplomatic, political, ideological, and psychological programs to thwart and overcome the imperialist ventures of international communism. The product of this research would also be developed in educational form for presentation in the training program.

Simply stated we would be educating our people to understand the machinations and operations of the Communists and preparing them to utilize the manifold means and methods available to a free people to resist Communist infiltration, subversion, and aggression, thus, nurturing the soil for the growth fo democratic societies.

Lest there be any misconceptions as to my assessment of the role which the Freedom Academy can play in the conflict between freedom and communism let me hasten to emphasize that I most certainly do not look upon this proposed agency and the functions it will execute as an easy panacea to our problems or a cure-all patent medicine for ridding the world of Communist tyranny. It is only one of a series of steps which must be taken so that this Nation and our free world allies can seize the initiative in the cold war conflict. I do, however, sincerely feel that the establishment of this training, research and development institution is of paramount importance to the substantial and meaningful improvement of this Nation's cold war capabilities.

I am not alone in the conviction that this institution can be the foundation for improvement of our cold war capabilities. I am joined by the members of the Senate Judiciary Committee, who in reporting the Freedom Academy bill to the Senate in 1960 said:

"The committee considers this bill to be one of the most important ever introduced in the Congress. This is the first measure to recognize that a concentrated development and training program must precede a significant improvement in our cold war capabilities. The various agencies and bureaus can be shuffled and reshuffled. Advisory committees, interdepartmental committees, and coordinating agencies can be created and recreated, but until they are staffed by highly motivated personnel who have been systematically and intensively trained in the vast and complex field of total political warfare, we can expect little improvement in our situation."

Viewed in this light, I think the Freedom Academy becomes a far more appealing and plausible idea to those who might instinctively react against it, either because they oppose the creation of new Government agencies or because they see this new agency infringing on the activities of the existing agencies in the national security complex. Let me assure you that this is not a makework proposal or a school for dilettantes in the field of international affairs. Neither is it our intention that this proposed agency should infringe or encroach upon the functions or operational activities of any existing agencies in either the public or the private sector.

The Federal Government is today spending over 60 percent of its annual budget or in excess of $55 billion for equipment and activities directly related to national security. It seems fair to assess this gigantic annual expenditure as probative evidence that our governmental leaders are acutely aware that Sino-Soviet communism poses a formidable threat to the survival of our Nation. Of this total expenditure over $50 billion are being spent for military requirements and other defense needs. We must, of course, maintain strong and modern armaments, and although I wish it were otherwise, I do not begrudge the expenditure of 1 defense dollar for I recognize the essentiality of this disbursement. But let us not fail to recognize that while these expenditures are preparing us for the hot war—which, thank God, we are not fighting—they are contributing precious little to our preparations for the cold war, which we are fighting at this very moment in every corner of the world.

We are not only fighting a cold war: we are, in my opinion, losing it. If anyone doubts the truth of this commentary, they have only to look to the history of the past two decades, when all of Eastern Europe, mainland China, North Vietnam, and Cuba have fallen under the yoke of Communist domination. All throughout Africa, Asia and Latin America we have daily evidence that mere economic assistance, our one-pronged response to communism is not enough. While it is true that military action has played a part in bringing some of these areas into the Communist realm, the fact cannot be ignored that the military aspects of these conquests were no more—and often far less—instrumental in bringing about the final result than were the nonmilitary aspects.

By nonmilitary aspects I mean that well-defined and highly systematized warfare concept developed by the Communists, which utilizes a multiple arsenal of manipulatory skills, including subversion, infiltration, ideological persuasion, diplomatic blackmail, and coup d'etat. With the integration of political, ideological, psychological, economic, organizational, and paramilitary skills into a single artistically coordinated warfare concept, the Communists have conceived an entirely new dimension of conflict which, operating on a foundation of military strength, cows and paralyzes its prey with the threat of armed combat—then conquers him through political collapse without the use of military action.

The Communists have imparted this new dimension of warfare to their cadres through an extensive network of training institutions. Political-warfare training in the Communist sphere predates the Bolshevik revolution, and, indeed, it was the training institutions established by Lenin which produced the revolutionists responsible for undermining the Kerensky government. Today, the Communists are operating an elaborate chain of schools, providing training in political and psychological warfare at all levels. The present leaders in Red China were trained in such schools.

We have evidence that in the last 10 years there has been a substantial increase in the training of African, Asian and Latin American students at the Communist political-warfare schools behind the Iron Curtain. The training in these centers is both intensive and comprehensive; it is carefully designed to produce a knowledgeable and hardened political-warfare combatant, who can effectively execute the marching orders of the managers of protracted conflict in Moscow and Peiping. It is these individuals—these practitioners of conflict doctrine—these cadres of tyranny—who have brought the Communists victory after victory in the last two decades—each one narrowing the perimeters of freedom. Speaking to this very point, the Senate Judiciary Committee report of 1960 on the Freedom Academy bill observed with frightening accuracy that "the Communists have conquered nearly a billion people during a period when their sphere was markedly inferior in industry, technology, science, and military capabilities—in fact, inferior in almost everything except power-seeking know-how."

It is this power-seeking know-how of the Communists and its tactical, ideological, strategic, and organizational elements, which we in the free world must understand in its most minute detail. Not so we can mimic it, but rather so we can develop the operational skills and frame our positive programs to effectively counter and defeat communism's carnivorous thrusts inside the boundaries of freedom. In a nutshell this will be the mission of the Freedom Academy.

I know of the intense concern of this audience with the Communist takeover in Cuba. Here again we can find Communist political warfare and revolutionary training in the background. An article carried in the November 1961 issue of Cuba Socialista, a Communist journal in Cuba, describes in great detail the buildup of revolutionary training schools and the training of Communist cadres in that country.

According to this article, the first cadre training institutions were established by the Marxist-Leninist Party of Cuba in 1925—37 years ago. This article reports that in December of 1960 a system of schools of revolutionary education was launched. Starting with base schools of revolution this system is built on up to the national cadre school, the highest rung on the ladder. To give you some idea of the extent of this cadre training program, the author of the article predicted that by December 1961, there would be 330 base schools in the provinces, educating approximately 12,600 students. This is the training program for just one small Latin American country—duplicate this system some 20 or more times and you begin to get a picture of the magnitude of Communist revolutionary training.

What are we doing to offset this near assembly line production of conspirators and revolutionaries by the Communist? My friends, the kindest commentary which I can make on our own political warfare training efforts is to describe them as minimal. Exemplary of how little we are doing in this area was an announcement yesterday by the Department of State that it is initiating a training program to educate its employees on the nature of Communist subversion and indirect warfare techniques. The announcement stated that the Department of State hoped to run some 4,000 employees through this training program in the next few months—a training program that will consist of 5—I repeat 5—lectures on Communist political and psychological warfare techniques.

This announcement is revealing on two counts. First, it shows that our present training program is so abysmally poor that it can be upgraded by the addition of five lectures on Communist tactics and strategy. Second, it point up our continuing unwillingness to come to grips with the import and complexity of Communist conflict techniques. The absurdity of an announcement by our Department of State that this agency is going to enlighten its employees on Communist subversive and political warfare techniques with a series of five lectures could only be equaled by an Atomic Energy Commission announcement that it intended to initiate a 2-week course in the rudiments of nuclear physics. The base political warfare schools in Cuba are providing the peasants in the provinces with infinitely more training than is scheduled for our employees at the Department of State. According to authoritative reports from Cuba, these base schools, which are the lowest rung in the Communist political warfare training system, provide their students with 60 days of full-time training. The training proposed by the Department of State is akin to preparing a group of prep school students at a ping-pong table for a football game with the Green Bay Packers.

My friends, can you envision the immense public furor which would erupt if someone reported that we had not yet established our first research and production facilities for a nuclear weapons system, with which to defend ourselves in the event of a hot war. I dare say that the public indignation generated by such a report would manifest itself in a demonstration, which by comparison would make Coxey's army look like a gathering of the local Dickens Club. Yet there is no room for conjecture or speculation about our involvement in a cold war—we are in a cold war of the most deadly nature with the Communists and we have been in it for nearly two decades—yet we still have not created the basic facilities for producing the weapons system required to fight this nonmilitary contest. For in this cold war—this ideological conflict—our major striking power is ideas with highly skilled and well-trained individuals to implement them. When, I ask, are we going to bring to a close the ever-widening gap in the training of cold war combatants?

Our urgent need is not only for individuals trained and skilled in the manifold and demanding disciplines of psychopolitical warfare; we also need ideas—a grand battle plan if you will—for these soldiers of peace and freedom to execute. Some will say, I am certain, that what I am proposing is that we emulate the tactics of the Communists—that we master the arts of coups d'etat, blackmail, insurrection, and diplomatic deceit. I am suggesting no such thing, for to do that would be to make a mockery of the free institutions which we are seeking to preserve. What I am suggesting is that we act upon our recognition that we are engaged in a war of new dimensions and that we develop the forms, the techniques, the skills—all consistent with our national traditions—which are required to wage and win this nonmilitary contest.

Today it seems to me that we have a fetish about economic aid. Indeed, those responsible for our foreign affairs seem to look upon economic aid as the pat answer to international communism. Certainly, economic and technical assistance are important elements in any program directed at the destruction of Communist totalitarian domination; but we cannot afford to place our total reliance on economic assistance to win the war.

Economic development is a process, which even in the most favorable climate requires years—often generations—to accomplish its objectives. We have only to look to our own history to know that this is true. But political revolutions can be planned, executed, and achieved in a matter of months. This is the forte of the Communists, and once they have achieved success in a political revolution there is no longer in being a nation, in which we can conduct our high-minded programs of modernization and nation building. I say if we do not start fighting and winning some of these political and psychological contests, we will soon be evicted from the real estate on which to conduct our lofty enterprises for the material and spiritual upliftment of our fellow man.

I shall conclude with these final observations, and I leave it to you to decide whether or not the proponents of the Freedom Academy know what they are talking about.

For many years, we have recognized the necessity for using well-trained specialists in our military ventures. We would today consider it unthinkable to send untrained, enthusiastic, patriotic amateurs into military combat against hardened professionals. Consequently, we have our military academies to prepare junior officers, our basic training for the rank and file, and our war and general staff colleges for the expert and elevated leadership. But in the theater of the cold war, we still operate with far too many amateurs who have the desire to win but who completely lack the needed training and background with which to succeed. Thus, today we train and prepare our military people for the war we are not fighting and which we hope will not eventuate, but we fail to train our citizens and our representatives abroad to operate in the cold war—the only war which we are presently fighting.

Because of this amateurism on our side, we find ourselves in the ridiculous and tragic role of aiding and abetting the armed suppression of the single bona fide anti-Communist element in the Congo. Through lack of know-how and a failure to effectively resist Communist conflict methods, we have now been pressed into the position of trying to convince ourselves as well as the rest of the world that freedom has been saved by the establishment of a coalition government in Laos strongly weighted in favor of the Communists.

We can no longer fight with amateurs. Unfortunately, in a contest with the Communists, virtue is not its own reward. Winning the cold war is the only possible way we can avert a shooting, nuclear conflict, and by arraying amateurs against professionals in the cold war of today, we only compound the failures which must eventually lead to a nuclear holocaust. Let us delay no longer—let us establish the necessary training and development facilities as an essential first step in equipping ourselves to meet today's challenges with today's techniques. In my opinion, such an agency as the Freedom Academy offers the best hope for providing high-level training to the greatest number in the shortest time—and time, my friends, has never in mankind's history been more of the essence.

"FREE WORLD AMATEURS VERSUS COMMUNIST PROFESSIONALS"—ADDRESS BY SENATOR DODD

Mr. SMATHERS. Mr. President, I ask unanimous consent that an address delivered by the very able and distinguished Senator from Connecticut [Mr. DODD] at Orlando, Fla., on August 11 be printed in the body of the RECORD.

The remarks related to an effort being made to inform the public of the Freedom Academy bill presently pending before the Senate Foreign Relations Committee, a measure designed to provide an effective weapon to combat the atheistic philosophy of communism.

I commend the reading of this speech highly to the Members of Congress.

There being no objection, the address was ordered to be printed in the RECORD, as follows:

FREE WORLD AMATEURS VERSUS COMMUNIST PROFESSIONALS

(By Senator THOMAS J. DODD)

Gentlemen, there is a strange argument now current in our land. The question at issue is whether we are winning or losing the cold war. It is important that we decide this question, because the future conduct of our foreign policy really hinges on it.

If we are winning, then obviously the course we are now pursuing is correct, and no alteration of course is called for. If, on the other hand, we think we are moving forward when in reality we are moving backward, we may soon find ourselves backstepping over a precipice.

For my own part, I think that the record is clear that, despite certain defensive victories, we have been losing round after round in the cold war since the close of World War II. Let us look at the record of recent years alone:

Cuba has gone Communist.

A government under Communist leadership has been established in British Guiana.

The existence of Castroism has created a climate of fear and political instability throughout Latin America which has, in turn, produced a massive flight of capital, both domestic and foreign, for which no foreign aid program can compensate. The whole of Latin America now is seething with discontent. There are riots, guerrilla movements, open insurrections against government authority. Only at a few points in Latin America is there any stability left.

In Asia, over the course of the past few years, the Communists have taken over the better part of Laos and are seriously threatening the Vietnamese Government with the most massive guerrilla movement they have ever mounted in any country. The future of SEATO has now become a big question mark.

In the Near East, the stable pro-Western government of Nuri as-Said in Iraq has given place to the instable, militantly anti-Western government of General Kassim. Without Baghdad the Baghdad Pact has become a seriously truncated organism. From Turkey to Algeria, instability has become the chief characteristic of this entire area.

And in Europe the Kremlin has, with impunity and in violation of all its agreements, erected a wall which effectively severs West Berlin from East Berlin and free Germany from Communist Germany.

It is true that the Communist world is having grave economic and agricultural difficulties. It is all the more distressing, in my opinion, that despite these difficulties the political initiative belongs to the Sino-Soviet bloc at virtually every point.

If we have been losing the cold war, if we have thus far found it impossible to seize the initiative at any point, this is because of three basic failures.

First of all, we have failed to face up to the unpleasant fact that we are locked in a life-and-death struggle with an implacable enemy.

Second, we have failed to face up to the fact that this enemy wages war in an infinitely subtle and indefinitely complex manner; that the so-called cold war is not a simple condition of hostile confrontation, but a mortal conflict waged by a thousand different means—a war in which the enemy offensive is integrated on every plane of human activity—the economic, the political, the diplomatic, the psychological, the social, the cultural—a war conducted by stealth and subversion and Pavlovian techniques.

Our third basic failure is that we have been amateurs fighting against professionals.

We have failed to draw the necessary lesson from the fact that the Communists have been able to best us in situation after situation in the cold war. We have failed to recognize that, to a very large degree, the Communists have been able to achieve their victories because, since the days of Lenin, they have placed primary emphasis on the training of professional revolutionaries. We have failed to face up to the fact that the free world will never be able to meet this type of attack unless it trains its own professional practitioners in the art of total warfare.

The free world has unchallenged superiority over the Communist world in economic resources, in military strength, in moral values. I do not think, moreover, that anyone will contest our superiority over a system of government that maintains itself in power only by totalitarian terror. But, despite our incontestable advantages, despite our massive and generous foreign aid programs, and despite the incredible difficulties which the Communist regimes are having in feeding their peoples—despite all of these things, world communism continues to make giant strides.

The reason for this, I believe, should be obvious to all in this, the 17th year of the so-called cold war. It boils down to the fact that the Communists, by a relatively tiny investment of funds, have trained some scores of thousands of professional revolutionaries, who are now active in every country in the world. In doing so, they have given themselves an advantage which by itself more than offsets our vast economic, agricultural, military, and moral advantages.

Let me illustrate this point with a simple question: It has been suggested that we should bring thousands of Africans to this country and train them in administration and the professions. This is all well and good. I believe it should be done and I will wholeheartedly support such a program. However, if we train 1,000 Congolese as technicians and administrators, out of a humanitarian desire to help the Congolese people improve their lot, and if the Soviets train 100 Congolese in political warfare—which group will win control of the Congo?

Long before he achieved power in Russia, Nicolai Lenin, the father of modern communism, told his associates that if he had a handful of professional revolutionaries, he could conquer the world. Lenin's prediction has already proved itself true in country after country. Today the flag of international communism waves triumphantly over more than a quarter of the earth's surface and over the prostrate bodies of more than one-third of the world's peoples. It flies over most of the land mass of Europe and Asia; it flies openly over the island of Cuba, only 90 miles from our own shores; and there are many other countries where this flag of tyranny and godlessness may at any moment be unfurled from the seat of power.

The first Communist training schools were set up by Lenin in the period preceding the Bolshevik revolution of 1917. The graduates of these schools played a major role in assuring the success of the revolution.

The graduates of the so-called Sun Yat Sen University, set up in Moscow after the revolution, are today in power on the Chinese mainland, in North Korea and in North Vietnam, and are guiding the further expansion of Communist imperialism in Asia.

The graduates of the famed Lenin School in Moscow, are today serving as the Soviet gauleiters in Poland and Hungary and Czechoslovakia and the other countries of central and eastern Europe.

The graduates of the special schools for Latin American students in Prague today hold key positions in Communist Cuba, and are spearheading the Communist drive which today has come so ominously close to success in so many Latin American countries.

It is not the power of the Communist ideology that gives it its strength. It is the skill and cunning of its professional conspirators. No people in the world has opted for a Communist regime or the Communist ideology. On the contrary, wherever communism has succeeded in imposing itself, it has done so only by force or by deception or by a combination of the two.

The movement which Fidel Castro commanded in Cuba never consisted of more than several thousand men, of whom several hundred, at the most, were Communists. But they were able to take over a country of 7 million people, the overwhelming majority of them devout Catholics who abhorred communism. They were able to do so because they were professional revolutionaries.

As we proved helpless to deal with Castro at the time, so we have been helpless to deal with other aspects of the Communist cold war offensive.

When, for example, repeated riots by Japanese students threatened to prevent a state visit by President Eisenhower to Japan, there was apparently nothing we could do and nothing we could think of doing. The result was that the scheduled visit was called off and without firing a bullet, Moscow had scored a sensational victory in the cold war.

The ability of the relatively small Communist Party in Japan to manipulate scores of thousands of students stems from their control over the Japanese Teachers' Union, whose 500,000 members staff Japan's public schools. While the overwhelming majority of the union's members are non-Communist, the machinery of the union has, for many years now, been in the hands of a small Communist faction.

In its pamphlet called the Teacher's Code of Ethics, the Japanese Teachers' Union states that "the realization of socialism is the historic task imposed on the teacher. It is the duty of the teacher to foster young people who would help realise such a society." In line with this directive, children in Japanese schools are being taught by their teachers that the U.S.S.R. stands for everything progressive, while the United States is identified with imperialism and everything evil.

All of this goes to prove once again that humanitarianism, superior ideals, and massive foreign aid are not enough to defeat the Communist onslaught. For nearly a decade we occupied Japan and directed its reorganization along democratic lines. We spent hundreds of millions of dollars and devoted the energies of many of our best minds to the problem of reorienting its government. Yet we may have failed because, in our political innocence, we thought that the only enemy was Japanese militarism, which was crushed and discredited, and we neglected to prepare the Japanese to defend themselves against the real enemy.

We have proved helpless, too, to prevent the inroads of Communist agitation even in a prosperous Latin American country like Venezuela, which is governed by a tolerant and socially minded regime. In Venezuela there exists today a serious Communist-Castroite infiltration among the university professors and the students, and even among the younger officers of the army. This infiltration has already resulted in a continuing epidemic of bomb explosions and terrorism and in two bloody uprisings by military units stationed in the two principal ports of the country.

These are some of the more tangible successes the Communists have had in the cold war. But they have had other successes of a far more subtle and far more dangerous nature in the realm of conditioning international public opinion.

The Communists were able to seize power in China largely because they succeeded in persuading an important segment of our public opinion molders and policymakers that they were not really Communists but agrarian reformers.

The Communists scored a similar victory in the closing years of World War II, when they succeeded in persuading Britain and America that the resistance forces of General Mikhailovitch in Yugoslavia were actually collaborating with the Germans, and, having persuaded us of this, they then induced us to support the Communist forces of Marshal Tito in a war of extermination against the anti-Communist forces of Mikhailovitch.

And a scant 8 years after we had fallen for the agrarian reformer shell game in China, the Communists again succeeded in deceiving the free world with much of the same sort of shell game in Cuba. Responsible newspapers and radio networks joined in telling the American people that Castro was not a Communist, but a nationalist reformer, something of a cross between Thomas Jefferson and Robin Hood. With this propaganda, they inactivated us just as effectively as they might have done with the most modern nerve gases. By the time we had recovered our judgment and our capacity for action, it was already too late to do anything.

Communist propaganda, when it is clearly identified as Communist propaganda, the free world can cope with. The trouble is that 99 percent of the articles and publications and radio and TV programs that serve the Communist cause cannot be clearly identified as Communist propaganda.

It is, in fact, through their hidden apparatus, which is infinitely complex and infinitely subtle, that the Communists achieve their greatest successes in the manipulation of public opinion.

Because of these things, and many other things, I do not accept the thesis that all is going well for the free world, and that there is no need for improvement in our cold war posture or capability.

I do not accept the thesis that there is nothing we can do, beyond what we have already been doing, to cope with the many-pronged offensives of international communism.

I believe that freemen, with proper understanding and proper training, can constitute more than a match for the Communist professionals.

We are now in the process of developing more effective methods of dealing with Communist guerrilla warfare. I believe we can also develop more effective methods of exposing and countering Communist propaganda; of keeping our unions, and our schools and our public organizations free of Communist control; of exposing and countering the crypto-Communist movements that are now active throughout Latin America and many other countries.

Finally, I believe that we can devise methods that will enable the free world to place the Communist world on the defensive in the cold war. I believe that if it is possible for the Communists to peacefully subjugate other peoples, it is possible for the free world to peacefully liberate countries that have already been subjugated.

But to do all these things we shall have to have professional cold war practitioners of our own, who have made an intensive study of the tactics and strategy of international communism in the cold war, who understand this strategy and these tactics, and who have been taught the art of parrying and countering Soviet thrusts, on whatever plane they may occur.

It is because I believe in the need for such a core of cold war specialists, that I have from the first supported the proposal to establish a Freedom Academy, where Government employees and university professors and business representatives about to leave for abroad could be given a rounded cold war education. Such an academy would be the free world's answer to the Lenin Academy. It would be the one way of putting an end to the situation in which we pit free world amateurs against Communist world professionals.

We have been pushed around, insulted, outmaneuvered, outfought long enough. The Freedom Academy would be a declaration, to both our friends and our enemies, that we have at last understood the nature of the struggle and that we are getting down to the practical work of devising the tools and training the manpower for victory.

Unfortunately, the Freedom Academy bill seems to have bogged down in the American legislative process. The Senate Judiciary Committee, to which the bill was first referred, reported on the measure favorably, describing it as one of the most important measures that had ever come before it for consideration. Two years ago this September, in the closing days of the session, the Senate passed the bill by voice vote, without any recorded opposition. But the House committee to which it had been referred failed to take any action on it, and the measure died.

The Freedom Academy bill was reintroduced in February of 1961, sponsored by a remarkable broad bipartisan group of Senators. On the Senate side, it was referred to the Foreign Relations Committee; and it has languished in the committee's pigeonhole ever since that time, I regret to say, without a report and without any hearings.

I believe that the Freedom Academy bill must be unfrozen. I believe that public opinion can play a decisive role in bringing it out of committee and getting it passed. I believe that an organization like the junior chamber of commerce, which speaks for the America of today and tomorrow, could make a significant contribution to the establishment of a Freedom Academy by taking an active interest in the measure now pending before Congress.

I earnestly recommend it for your study.

TIME FOR SAFETY IN DRUGS IS NOW

Mr. YARBOROUGH. Mr. President, 2½ years ago, under the chairmanship of the distinguished senior Senator from Tennessee [Mr. KEFAUVER], the Senate Subcommittee on Antitrust and Monopoly opened an investigation of abuses in the marketing of drugs.

As the investigation progressed, shocking abuses in the drug manufacturing industry were discovered, forcefully indicating the need for corrective legislation.

The drug bill before the Senate represents the first fruits of this thorough and enlightening investigation of marketing practices of the drug industry.

The recent history of the drug Thalidomide further demonstrates the need for more effective regulation. A large-scale national tragedy was averted in that instance only by the determined and brilliant work of Dr. Frances Kelsey of the Food and Drug Administration. Legislation is vitally needed to make it easier for bad drugs to be kept off the market, and for commercial pressures to be resisted, in the protection of the public interest.

I am in favor of the proposed additional committee amendments to the drug bill. While in certain instances I would favor a different approach, the additional amendments represent an effective answer for the different interests involved.

METHOD OF ENFORCEMENT

Under present law, the Government must follow a drawn-out procedure to prove a suspected drug is unsafe before the company can be forced to take the drug off the market.

The proposed committee amendment, a major step forward, would allow the Government to move immediately against suspected drugs, to take them off the market if they create "an imminent hazard" to the public health.

The manufacturer would be entitled to a fair hearing, protecting him against unjust and uncalled-for action by the Government. This procedure protects the public health, and the rights of the manufacturer.

EFFICACY

Under present law, a drugmaker can market any compound which can be shown to be safe. A manufacturer could market plain water if he could find or create a market for it.

However, one authoritative witness has said in hearings that:

> No physician, or one who has ever been responsible for the welfare of individual patients, will accept the idea that safety can be judged in the absence of a decision about efficacy.

The theory, I believe, is that no drug is safe if it fails to cure a disease for which cure is available. Nor is any drug too "dangerous" if it would cure a fatal disease for which no other cure is available.

The proposed committee amendment would require the Food and Drug Administration to pass not only on safety but also on claims for efficacy, both initially and at any future date. This is a good amendment.

Drugmakers marketing drugs with a reasonable proof of value should not object to FDA review of the product.

NEW DRUG APPLICATIONS

Present law requires that the FDA act on a new drug application within 60 days or the manufacturer is free to market the drug. The proposed committee amendment would require the Government to take positive action before the drug could be marketed commercially. If the HEW Secretary did not act within 180 days, the applicant would have 30 days in which to request a hearing, which the Secretary would be required to hold within 90 days. These provisions will allow the Government time to give much more thorough consideration than it can now give each new drug application.

USE OF GENERIC NAMES

Frequently, the amount spent promoting a drug actually exceeds the cost of making it.

A major aim of certain drug manufacturers is to induce physicians to prescribe a drug by the trade name rather than by the generic name—the name used in formularies, teaching medicine, and so forth.

The large number of trade names produces great confusion. To correct this, the committee has accepted amendments that would:

First. Require that advertisements show the generic name in large type and carry information on the drug's side effects and effectiveness.

Second. Require a drug label to show the contents of the bottle or package, with the generic name printed in type at least half as large as the trade name.

Third. Empower the Secretary of Health, Education, and Welfare to establish generic names which will be "simple and useful."

Fourth. Require the Government to print and distribute information to doctors about the usage, side effects, effectiveness, and dosages of a drug.

Mr. President, I strongly support these and the other proposed committee amendments.

PRICE REDUCTIONS

The drug bill, as originally introduced on April 12, 1961, had three objectives: First, safer drugs; second, providing better information to doctors; and third, price reductions. The present bill, with the addition of the proposed committee amendments, will accomplish the first two of these aims.

The subcommittee's study of the drug industry proved that in many instances where so-called administered, or noncompetitive pricing policies exist, the need for price adjustment is clearly indicated. The exorbitant prices charged through noncompetitive pricing policies can be illustrated by comparing the record of the noncompetitively priced, broad spectrum antibiotics with the record of the competitively priced penicillin. From 1951 to 1960 the price of the broad spectrum drugs remained the same while the price of penicillin dropped 96 percent. During the hearings it was emphasized that any increase in costs affecting production of the broad spectrum drug should also have affected penicillin.

Mr. President, statistics compiled by the Federal Trade Commission show that the drug industry has by far the highest markup rate of any industry in the country. In 1957 this industry showed a rate of return after taxes of 21.4 percent. Compare this with the figure for the next highest industry, 16.2 percent, and with the figure for all manufacturing, 11 percent, and one cannot help but conclude that in certain instances some of the larger drug companies have abused their ability to operate by means of administered prices.

The amendments of the Senator from Tennessee [Mr. KEFAUVER] would require compulsory licensing of prescription drugs where the price to the druggist represents a markup of more than 500 percent of the factory cost, including research, and to require that patent and license agreements on drugs be filed with the Commissioner of Patents to be available to the antitrust agencies.

Mr. President, I commend the great senior Senator from Tennessee [Mr. KEFAUVER] on the consistently outstanding service that he has rendered the Nation as chairman of the Subcommittee on Antitrust and Monopoly. He has been and continues to be a dedicated foe of the abuse of power and a diligent champion of the rights and interests of the people.

Mr. President, the time for drug law reform is now. Chemistry and drug compounds have advanced. New compounds can ease the pains of the human race, but they can cause terrible malformations in babies, too. We need new laws to assure safe use of the new drugs. The old laws are inadequate for the mid-20th century; the old laws do not match the new chemistry. We must move the slow-moving laws in an effort to keep them abreast of our fast-moving research. Only by law can the people be protected. Our sense of individual responsibility, unsupported by law, has not proven adequate to protect the people. The new laws must come now.

LEGISLATIVE PROGRAM AND ORDER FOR ADJOURNMENT UNTIL 10 A.M. TOMORROW

Mr. ROBERTSON obtained the floor.

Mr. DIRKSEN. Mr. President, will the Senator yield?

Mr. ROBERTSON. I yield to the Senator from Illinois with the understanding that I will not lose my right to the floor.

Mr. DIRKSEN. Mr. President, I should like to query the distinguished majority leader about the schedule for this afternoon and, if possible, the schedule for tomorrow also.

Mr. MANSFIELD. Mr. President, in response to the question raised, I think the Senate ought to remain in session until around 7 or 8 o'clock tonight, and that it ought to meet at 10 o'clock tomorrow morning.

I ask unanimous consent that when the Senate adjourns tonight it adjourn to meet at 10 o'clock tomorrow morning.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. MANSFIELD. I made the statement with the thought in mind that we are approaching September 1, Labor Day, September 15, and October 1. I should like to shorten the distance in between if at all possible.

Mr. DIRKSEN. Mr. President, I should like to make one further inquiry. I hope I violate no rule in so doing. I believe the distinguished Senator from Virginia [Mr. ROBERTSON] will speak for probably 20 minutes. Am I correct?

Mr. ROBERTSON. Approximately.

Mr. DIRKSEN. I am advised that the distinguished Senator from California [Mr. ENGLE] has a rather extended speech. I anticipate that there may be some interpositions in that speech as he goes along, so that very conceivably it could take an hour and a half.

Mr. ENGLE. I suspect that it might. I shall be glad to yield to Senators. If they let me finish the speech without interruption, I think I can be through in 1 hour.

Mr. DIRKSEN. I am sure there will be some questions. The speech deals with a controversial subject.

I understand that the distinguished Senator from Tennessee [Mr. KEFAUVER], has a rather extended speech on the pending business. So I presume there will be perhaps 4½ or 5 hours of discussion during the remainder of the day.

The purpose in making the inquiry is to determine whether Senators can be advised as to whether there will be any record votes during the day. I apprehend that there will be no record vote.

Mr. MANSFIELD. It does not appear that there would be, but if any Senator leaves, he leaves at his own risk. These questions have a habit of erupting when least expected.

Mr. DIRKSEN. May I inquire further of the distinguished majority leader? If perchance an amendment should be offered in the course of the afternoon, but discussion should continue until 7 or 7:30 tonight, would it be agreeable to the majority leader to assure the Senate that the vote would go over until the following day?

Mr. MANSFIELD. That is one way of emptying the Senate Chamber—not that it does not otherwise empty itself in a hurry on occasion. But the request is reasonable. I wish some Senators would remain and listen, because the proposed legislation is very important. I am sure that what the chairman of the committee, the Senator from Mississippi [Mr. EASTLAND], and the Senator from Tennessee [Mr. KEFAUVER] have to say will be worthy of consideration by Senators.

Mr. DIRKSEN. Mr. President, the Committee on Finance is marking up bills. The Joint Committee on Atomic Energy will meet this afternoon. Other committees will be meeting. I think it would contribute to the peace of mind of Senators to know that when they go to their committees, the bells will not ring to haul them back to the floor summarily. With better minds they could do the work at hand. I see the distinguished chairman of the Finance Committee in the Chamber. I know that the trade bill is before the Finance Committee. So Senators will be disposed at other places of work and, of course, it will be a distressing loss if they do not hear all the edification and wisdom on the floor of the Senate.

Mr. MANSFIELD. I can only agree.

The PRESIDING OFFICER. The Senator from Virginia is recognized.

PROPOSED TAX REFORMS

Mr. ROBERTSON. Mr. President, the Senate will soon have under consideration the proposed Revenue Act of 1962 (H.R. 10650), recently reported by the Senate Committee on Finance. This bill would make a number of substantial changes in our tax laws. A major change would permit a credit against tax liability of up to 7 percent with respect to investment in certain types of new and used property.

When all the provisions of the amended Senate bill are taken into account, the net Federal revenue loss during the fiscal year 1963 would come to about $630 million, according to estimates of the Joint Committee on Internal Revenue Taxation. A slightly lower net revenue loss of $555 million is anticipated on a full-year basis after all provisions go into effect. The committee's estimates, based upon income levels for the calendar year 1962, do not reflect any possible impact of the bill on general economic conditions, and they are a good deal higher than the estimates of net loss made by the Treasury Department.

Large as these figures are, administrative action taken this year has already reduced business tax liabilities—and probably Federal net tax revenues—considerably. Early in July, the Treasury authorized what in effect was sizable tax relief for business. Its liberalized depreciation allowances on business and equipment for Federal income tax purposes will reduce business tax liabilities by as much as $1.5 billion on a full-year basis, according to Treasury estimates.

Some additional tax revenues may accrue from additional investment under the liberalized depreciation allowances. But increased taxes seem unlikely to offset fully the effect of reduced tax liabilities this year or next. At least initially, a net revenue loss of perhaps substantial proportions seems probable.

When fully operative, these two fiscal measures alone could accordingly reduce Federal net tax revenues in the fiscal years 1963 and 1964 by one or more billions of dollars. Yet although revenues might be cut, other measures now before the Congress would provide for increased—not reduced—Federal spending by several billions of dollars over a period of years.

There is, for example, the $1.5 billion standby public works bill—S. 2965—which has passed the Senate and has been reported by the House Committee on Public Works—H.R. 10113. This bill has received strong support in some quarters, even though as recently as August 15 an additional $1.9 billion in Federal-aid highway funds in excess of the January cash budget was made available to accelerate public works roadbuilding programs financed from highway trust funds. In addition, the $2.7 billion Federal-aid bill for colleges and universities and student scholarships—H.R. 8900 and S. 1241—is in conference. The proposed Federal employees' pay raise bill may provide for a pay hike of as much as $1.5 billion, retroactive to July 1, 1962. The youth employment opportunities bill—S. 404 and H.R. 10682—calls initially for over $240 million in the House version. The proposed temporary extended unemployment compensation bill could require outlays of several hundred millions of dollars in this fiscal year, although it might be largely self-financing over a longer period.

Before this session of the Congress ends, we may be sure that a number of these and other spending bills will be enacted. This election year will undoubtedly feature new and enlarged spending bills even though still other measures may curtail Federal tax revenues below what they would otherwise be.

All this means another large deficit for the current fiscal year, and a further increase in the public debt. Already we are likely to run a budget deficit of at least $3 to $4 billion, following last year's $6.3 billion deficit which was the third largest since World War II ended. Additional spending bills or revenue-restricting measures would enlarge the deficit even more.

Yet on top of all these considerations, the President has stated on a number of occasions that he will propose a major reform in our tax system, along with a tax cut, early next year. In his lastest remarks of August 13, 1962, the President said that the tax bill to be presented to the Congress will "include an across-the-board, top-to-bottom cut in both corporate and personal income taxes." The President indicated that the proposed cut in taxes would be made effective January 1, 1963, and that the bill would also include major tax reforms. To the extent that such a bill, if enacted, would contribute to a further net loss of Federal revenues, we may expect an even larger deficit in the Federal budget.

Mr. President, there has been a lot of discussion about what tax cut and tax reform recommendations might be contained in the bill to be submitted next year. I believe that it is none too early to consider now what may lie ahead. I believe that it is none too early to point out the costs as well as the benefits which might be involved. In any event, approval of proposed additional spending programs this year will further unbalance the budget and make it all the more hazardous to pass any major tax reform and tax reduction bill next year.

TAX REDUCTION

What sort of tax cut may be proposed? The Chamber of Commerce of the United States has recommended a sweeping income tax reduction program. In an address before the Advertising Club of Washington, D.C., on August 7, 1962, Mr. Ladd Plumley, president of the chamber of commerce, outlined the chamber's proposal. He said that it would "result in a gross—revenue—reduction of about $8.6 billion, but a net reduction, reflecting the first-year economic stimulation of the economy, of considerably less." This estimate of Federal revenue loss, however, seems conservative. The Chief of Staff of the Joint Committee on Internal Revenue Taxation earlier advised that the loss from the chamber of commerce's proposal would be in the vicinity of $9.5 billion.

According to Mr. Plumley, the U.S. Chamber of Commerce has recommended the following changes in existing tax provisions which earlier Congresses approved and which earlier administrations endorsed. Specifically, the chamber has proposed:

First, reduce the top-bracket rate for individuals to 65 percent from the present 91 percent.

Second, split the lowest individual income tax bracket, and reduce the rate on the lowest portion to 15 percent from the present 20 percent.

Third, adjust individual rates proportionately between the proposed 15-percent minimum and 65-percent maximum tax rates.

Fourth, reduce the combined corporate tax rate by 5 percentage points to 47 percent from the present 52 percent.

In advancing its proposal, the chamber of commerce apparently overlooked the fact that a tax cut—whether in an election year or not—will likely favor the pressure group with the largest vote. Obviously, such a group is not represented by the U.S. Chamber of Commerce.

What sort of tax cut may the administration itself propose? It seems unlikely that the administration would come forth with a proposal to reduce the burden on higher individual incomes by as much as the chamber of commerce has recommended—unless such a reduction would be offset by changes that would maintain substantially the same burden on these taxpayers. Furthermore, it seems unlikely that the labor unions would permit the administration to recommend a 5-percentage-point reduction in the corporate tax rate.

Actually, the unions have already told the President what sort of tax program they want. Mr. Meany, president of the AFL–CIO, not long ago sent the President a memorandum outlining union demands. This memorandum, which was released to the public on June 20, set forth a tax-reduction plan which sharply differed from the proposal of the U.S. Chamber of Commerce.

Mr. Meany's memorandum to the President, in fact, called for "an immediate temporary tax cut, concentrated in the first individual income tax bracket." Presumably, a similar recommendation would apply to any permanent tax reform plan. As the AFL–CIO memorandum stated:

> We are vigorously opposed to an across-the-board individual income tax cut.

As for corporations now paying over half their incomes in Federal taxes, the AFL–CIO memorandum remarked:

> We feel that another suggestion currently discussed, a corporate tax cut, would also be very unwise.

In an interview reported in the New York Times on June 30, 1962, Walter Reuther, president of the United Automobile Workers of America, called for a $10 billion income tax cut, to be concentrated in the lower and middle income brackets.

"Forget about equity," Mr. Reuther is reported to have said. That is precisely what may happen if the Congress abandons its defense of sound fiscal policies and passes tax-reform legislation which is unwise.

Obviously, labor unions favor the type of tax reform that will put more spending money in the pockets of their members. But such a tax reform would not necessarily stimulate the business expansion and economic growth we need. A tax program to provide more wages and salaries would not necessarily provide more investment.

The President has said that his tax-cut proposal would provide some reduction both for corporate and personal income tax liabilities. But the major reduction is likely to go to the labor unions. This approach was endorsed as recently as July 3, 1962, by the Americans for Democratic Action in advocating a reduction in the lowest income-tax bracket rate to 10 percent from the present level of 20 percent. As the ADA claimed:

> Tax reductions on low incomes, plus increased public spending for unmet needs of our population, are the quickest way to speed sustained economic recovery.

TAX REFORMS

What tax reforms may the administration propose? Changes that may be considered include the following: Imposing Federal taxes on interest income from State and local bonds; eliminating deductions for State or local taxes; prohibiting income splitting by married couples; eliminating deductions for interest paid on home mortgage loans; curtailing deductions for medical expenses and for contributions to charitable and similar nonprofit organizations; and tightening the present tax treatment of income from capital gains. Most of these purported reforms would impose harsher tax rules than we now have.

One report is that the Treasury Department may be considering a recommendation to impose Federal taxes on interest income from State and local Government obligations. This proposal is apparently being studied without regard for the fact that the Supreme Court decided more than 60 years ago, in a case squarely in point, that such a tax was unconstitutional—*Pollack* v. *Farmers' Loan and Trust Company*, 157 U.S. 429 (1894). In the case, the Supreme Court said:

> It is contended that although the property or revenue of the States or their instrumentalities cannot be taxed, nevertheless the income derived from State, county, and municipal securities can be taxed. But we think the same want of power to tax the property or revenues of the States or their instrumentalities exists in relation to a tax on the income from their securities, and for the same reason.

The Supreme Court has never repudiated its decision on this point. The 16th amendment, ratified in 1913, did not, I believe, make constitutional any laws subsequent to that amendment which might tax income from municipal bonds.

If such a tax were nevertheless imposed and upheld, it could greatly increase State and local financial difficulties. It could substantially reduce the demand for municipal bonds, which are now tax exempt. All this would constitute another step toward weakening the rights and powers of the States—making them more dependent upon Federal handouts and more subject to Federal control.

Another purported tax reform would reduce the independence of the States by denying the deduction of State and local taxes in computing income for Federal tax purposes. Such a provision would impose combined local, State, and Federal income taxes amounting to more than 100 percent of income in some cases. This would not be tax reform. It would be income confiscation.

The tax revisers reportedly have plans for reforming income-splitting provisions for married couples. In 1948, the Congress made income splitting available to all married couples. This was done in order to cease discriminating against married couples living in States where community property is not recognized.

Prior to that time, only married couples living in States where their property was held "in community"—with husbands and wives having equal rights in their property—were allowed to halve their incomes by filing separate returns. In this way, they received the benefit of lower tax rates under the progressive rate schedule. The Congress has no power to change the property rights of married couples in community property States. Accordingly, in 1948 it extended to all States the privilege of filing a joint return.

A related tax reform proposal would impose a higher tax rate schedule on married persons than on single individuals. As a result, twice the tax on half the income of a married couple would equal the tax on a single person's income of an equivalent amount. This proposal, which would hit married couples hard, would impose the same tax-rate penalty on the separate income of a married woman who works. That would be a harsher treatment than was applied even in the common law States before Congress made income splitting generally available to married couples.

The present deduction allowed for interest paid on home mortgage loans is also reportedly threatened. Eliminating this deduction would remove a substantial incentive toward homeownership. It could also curb the home construction industry, upon which a sizable share of our hopes for prosperity and economic growth rests.

Still another change said to be under consideration would limit deductions for medical expenses even more than they are today. Such deductions help to relieve the burden of unforeseeable—but seldom postponable—outlays, which are often large in amount. To restrict medical deductions still further might well lead to greater demands for additional governmental medicare programs involving unnecessary costs, redtape, and controls.

There are reports that an attempt may be made to curtail the deduction for contributions to charitable, educational, scientific, and religious nonprofit organizations. This could be another step toward greater Federal spending. If such contributions are discouraged, these nonprofit organizations will have to curtail their activities or appeal to the Federal Government to step in, provide funds, and, of course, control what is being spent.

Present treatment of capital gain income appears also to be under threat. Even now, section 13 of the proposed Revenue Act of 1962 would classify as ordinary income for tax purposes certain income treated at present as capital gain. Additional proposals may be in the offing to broaden this provision further, which would be limited to tangible personal property—other than livestock—and depreciable real property—other than buildings and structural components. In addition, there may be proposals to lengthen the holding period for long-term capital gains, and to raise the tax rate on capital gains.

The present 6-month holding period to qualify for long-term capital gain treatment was put into the law some 20 years ago after years of experimenting with longer and more elaborate holding periods. These longer holding periods inhibited sales, because they favored the party that held on to its property the longest. The net result was a tendency to keep properties off the market. Supply and demand were accordingly distorted, and the efficiency of our economic system was reduced.

Although such results may be contemplated with any type of capital-gains provision, they were intensified before the holding period was simplified and reduced to a flat 6 months. Obviously, the situation would be complicated either by increasing the capital gains rate or by lengthening the holding period.

Virtually every developed country, except the United States, exempts the nonbusiness capital gains of individuals. This is true of Canada, England, and all the Western European countries except Denmark and a few Swiss cantons. In recent years, the present tax on capital gains has been particularly inequitable because ostensible gains often represented price inflation, with little or no real gain in terms of additional purchasing power.

Attacks on capital gains are reported to center on a number of important items now eligible for capital gain treatment. The items threatened include income received as coal royalties, stock options exercised by employees of corporations, and income that farmers receive from selling timber and breeding stock. All these items, however, have long been eligible for capital gains treatment under present laws. These laws were carefully considered by both the legislative and executive branches of the Government before being enacted.

The same considerations, of course, apply to other features of current tax provisions. All represent the outcome of detailed study and years of experience. Deductions for interest and taxes and allowances for casualty losses are as old as the Civil War income tax of 1861–72. Allowances for philanthropic contributions were first permitted in 1917. Deductions for medical and dental expenses were added in 1942. None should be changed without fully considering the inequities likely to arise and the costs likely to be incurred.

Mr. President, the purported tax-reform proposals I have discussed are by no means the only ones that have been publicly mentioned. But whatever combination of tax-reform measures eventually comes forth, we can be sure that it will be baited with the promise of a tax reduction.

Once a tax reform-tax cut measure has passed, however, we cannot be sure that we will see the end of the matter. Within a year or so the administration may be back with a request for heavier taxes in the middle and upper income brackets in order to offset some of the budget deficit resulting from increased spending programs and reduced tax revenues. In that event, the bait of a tax reduction next year to sweeten tax reforms will turn out to be sour, indeed. There is but one sound basis on which to premise a tax cut—reduce spending and balance the budget.

Mr. PROXMIRE. Mr. President, will the Senator yield?

Mr. ROBERTSON. I yield to the Senator from Wisconsin.

Mr. PROXMIRE. I commend the Senator from Virginia on his very strong emphasis on a sound fiscal policy in his speech. This is one of several speeches the Senator from Virginia has given in which he has hammered away on the theme of fiscal responsibility particularly in times of prosperity; and the necessity for us to raise enough revenue to come close to balancing the budget. If we cannot do it now, when will we be able to do it?

Mr. ROBERTSON. We now have a gross national product estimated to be up at $555 billion a year. That is an alltime high. We have a national produced income which is also at an alltime high. Yet, as I pointed out, we will certainly have, without any tax cut, a deficit which will range anywhere from $3 billion to $6 billion in the current fiscal year, depending on the number of new schemes that are put into effect, including the wage proposal pending in the House, amounting to $1,500 million a year for increases in Federal pay which will be retroactive to July 1.

If we pass a tax cut in any amount such as that which the labor unions are recommending, running up to $10 billion, there will be the biggest peacetime deficit in history and the worst inflation we have ever had, except immediately after a major war.

Mr. PROXMIRE. Did I not hear the Senator from Virginia say that there is already a reduction of $1,500 million in revenue as a result of the depreciation adjustment of this year?

Mr. ROBERTSON. That is correct. The bill to be considered will give credit, again, of more than a billion dollars by reason of the 7-percent depreciation on new investments. This will be in effect without any new tax cut.

I mentioned a number of spending schemes that have not been acted on yet, but which could be enacted. One of those I did not mention is mass transportation. It is expected that the Policy Committee will bring up that bill. That will cost $500 million, and it is not even included in the budget.

So we must look very closely to see where we are going and what will happen.

Taxes are burdensome; there can be no question about that. The Senator from Wisconsin and I earnestly hope that we may live to see the day when we can conscientiously vote to reduce taxes; but we believe that a balanced budget should come first and that we should not pay for a tax cut in borrowed dollars.

PRESENT INDICATORS CONFIRM WISDOM OF NO QUICKIE TAX CUT

Mr. PROXMIRE. Mr. President, I follow up my colloquy with the Senator from Virginia by saying that the Joint Economic Committee just completed today a series of extensive hearings. Some of the finest economists in our country and some of the top economic policy advisers of the President of the United States testified. Their conclusion is that there is no question that the economy is moving too slowly. There is no question that it should grow more rapidly than it is growing. But there is a serious and profound question as to whether we should stimulate the economy by reducing taxes.

The Senator from Virginia was correct in stating that our economy is expanding at a time when we have a deficit, and when we know and are absolutely certain that there will be a deficit in this fiscal year, and that deficit is going to be a big one.

The administration has already reduced taxes by $1,500 million. The bill to come before us will reduce taxes another $1 billion. The recommendation of the President is that beginning on January 1, there be a further substantial across-the-board tax cut.

This certainly means that we will have a huge deficit for fiscal 1963, a year in which we feel, and the economic advisers who appeared before the committee seem to feel, generally, there would be a prosperous period.

The New York Times this morning states that the indicators for July were better than they have been for any month since February.

The position of the President of the United States, against a quickie tax cut this year, has, to that extent, been vindicated.

PROXMIRE EXPLAINS "NO" VOTE ON THE FARM BILL

Mr. PROXMIRE. Mr. President, today I voted against the farm bill. I did so with a heavy heart. I am a member of the Committee on Agriculture and Forestry. I favored the bill as it was reported by the committee. I thought it was a good bill. I voted against it only because it contained a provision with respect to feed grains which provides that after the present emergency retirement provision for feed grains expires at the end of 1963, unless Congress acts next year, there will be 0 to 90 percent price support on feed grain, with the additional provision, however, that the Secretary of Agriculture is prohibited from setting that price support at a level which will result in the acquisition of stocks for the Commodity Credit Corporation.

What this means, on the basis of my inquiry of the Department of Agriculture, is that price supports will be at 43 percent of parity.

That could mean 70-cent corn. It could mean 8-cent hogs. It will mean utter disaster on the farms. Of course, that will not actually happen because we will have a new act in 1963. But the difficulty is that all Senators and Members of the House will have their feet to the fire—will be under pressure to report a measure which will conform with legislation on feed grains that passed the Senate earlier this year, legislation which I think was extremely ill advised. We can have mandatory supports of this kind in other areas. When they are applied to the feed grains we will be in trouble, because 85 percent of the farmers who grow feed grain, feed it on the farm.

There is every evidence that a heavy negative vote will take place when this question is submitted to a referendum. I feel certain that the dairy farmers will vote against such a program. Their economic interests would persuade them to vote against it. If one-third of the farmers involved vote against it, there will be no program at all.

Having no program would mean very low prices and farm disaster, and that would be followed by economic disaster for America.

Therefore, although I recognize that the other four titles, of the five titles in the farm bill, are sound, I had to vote against the farm bill.

NOW TITO CRACKS DOWN ON FAMILY FARM IN YUGOSLAVIA

Mr. PROXMIRE. Mr. President, a month or so ago the Senate and the House approved a foreign aid authorization bill which included aid to Yugoslavia. I opposed that bill, and especially that provision in the bill, as strongly as I could. We who opposed that provision seemed to prevail, temporarily, in the Senate. However, the conference struck out that provision, and aid to Yugoslavia was included in the bill which finally passed the Senate.

Since that time I have placed in the Record a series of articles written by Paul Underwood, an excellent reporter, and Belgrade correspondent of the New York Times. Mr. Underwood has reported that since that date Tito has reduced the area of freedom for Yugoslav citizens in one part of their life after another, including freedom of speech, freedom of press, freedom of craftsmen to practice economic freedom.

This morning the New York Times has published one of the most telling articles of all. In the article, Mr. Underwood states that whereas Yugoslavia has taken steps to reduce wages sharply, although they are now very, very low, the Yugoslav Government has also taken steps to build a road into Bulgaria, so as to have a closer connection with the Soviet Union, with the Iron Curtain countries and with Khrushchev. Mr. President, much of the muscle which made possible the building of that road has been obtained from our lavish $2 billion foreign aid.

This morning's article is most depressing. Mr. Underwood states:

> In the midst of its third straight unsatisfactory harvest, the Tito regime has decided to take direct action to enlarge the "Socialist sector" of Yugoslav agriculture.
>
> The specific target will be the thousands of peasants who work at other jobs in addition to taking care of small landholdings.
>
> On the basis of what spokesmen have said, it is evident that the regime plans to use taxation to force the peasants to choose between being workers or farmers. There appears to be an assumption by the Government that those choosing farming would have to join agricultural cooperatives to maintain their standard of living.
>
> The regime's long range goal is the complete socialization of the countryside. But it also has a short-term aim of quickly increasing the size of the Socialist sector.

The great economic success story of America has been in agriculture. Here is where we have been beating the Communists all over the world. It has become common knowledge on the part of thousands of peasants and workers in country after country that when communism takes control, whether in Cuba or East Germany or China, hunger follows. Wherever the United States moves in, with our free system, economic abundance follows, with the prospect of a full life.

I hope that in the future, when aid to Yugoslavia is proposed, we will recognize the kind of regime with which we are dealing and the kind of action taken by Tito. Not only has he alined himself with the Soviet Union, he has suppressed liberty and freedom in Yugoslavia and is obviously making of his country a typical Khrushchev-type Communist dictatorship.

Mr. President, I ask unanimous consent that the article entitled "Yugoslavs Seek To Improve Farming Efficiency," written by Paul Underwood, and published in the New York Times of today, be printed at this point in the Record.

The PRESIDING OFFICER (Mr. Smith of Massachusetts in the chair). Without objection, it is so ordered.

Yugoslavs Seek To Improve Farming Efficiency

(By Paul Underwood)

Belgrade, Yugoslavia, August 15.—In the midst of its third straight unsatisfactory harvest, the Tito regime has decided to take direct action to enlarge the "Socialist sector" of Yugoslav agriculture.

The specific target will be the thousands of peasants who work at other jobs in addition to taking care of small landholdings.

The regime complains that these peasants, who are said to hold about 35 percent of the nation's arable land, neglect farming in favor of their other work and thus thwart efforts to modernize agriculture.

On the basis of what spokesmen have said, it is evident that the regime plans to use taxation to force the peasants to choose between being workers or farmers. There appears to be an assumption by the Government that those choosing farming would have to join agricultural cooperatives to maintain their standard of living.

The Government is preparing a carrot as well as a stick to help promote cooperative membership. Guaranteed prices for key farm crops have been raised 18 to 43 percent. For individual peasants, two-thirds of the increased income resulting from the higher prices would be subject to taxation. However, this provision will not apply to the Socialist sector.

In Yugoslavia, individual farm holdings are limited to 10 hectares (about 25 acres). The average peasant plot is less than half that size.

State farms and Soviet-style collectives take up only about 10 percent of the nation's arable land. In the past, the Tito regime tried to force collectivization on the peasants. However, in 1953 it had to admit defeat and permit the dissolution of all but a handful of the collectives that had been formed.

The regime has followed a policy of waiting for economic pressures to drive more of the peasants to the cities and permit the Socialist sector to take over their lands.

As a means of promoting modern methods of agriculture and so gaining bigger crops during that interim period, the Government has been supporting the formation of what are called general cooperatives.

These are similar to farm cooperatives in the West. The general cooperatives have machinery with which they will cultivate individual farmers' fields under contract. They also supply seed and fertilizer and will market peasants' crops.

However, for several reasons, including the fact that most peasants are suspicious that these cooperatives are only the opening wedge of another Government effort to collectivize them, the countryside has been less than enthusiastic about the arrangement.

The total area included in the cooperatives is only about 1,729,000 acres, or about 7 percent of the country's arable land. Adding to this the state farms and remaining collectives gives a total for the Socialist sector of 5,846,000 acres.

Because of better production methods, more fertilizer, better seeds and, on state farms at least, a disregard of actual costs, the Socialist sector shows a higher return per acre than do the private farmers. On some crops in some years the difference is as much as two or three times.

The regime's long-range goal is the complete socialization of the countryside. But it also has a short-term aim of quickly increasing the size of the Socialist sector.

Officials contend that if this sector included about 8 million acres, it could produce enough to feed the nation's city population. Then what the individual farmers could produce would be a matter of concern only to themselves.

STAR SUPPORTS SENATOR CANNON'S REMARKABLE SPEECH ON SPACE CHALLENGE

Mr. PROXMIRE. Mr. President, the Senator from Nevada [Mr. Cannon] made a historic speech on the floor of the Senate Monday on what we must do to meet the Soviet Union's military challenge in space.

Wednesday's Washington Star's lead editorial supports Senator Cannon's excellent speech in a thoughtful and penetrating editorial. I ask unanimous consent that the editorial be printed at this point in the Record.

There being no objection, the editorial was ordered to be printed in the Record, as follows:

The Threat From Space

A reassuring note was sounded at the Pentagon after last week's tandem space flight by two Soviet cosmonauts. A spokesman said the feat appeared to have no immediate military significance. At a press conference yesterday, Secretary McNamara spoke in a somewhat different key. Russia, he said, is "substantially ahead" of the United States in some phases of military space development, but we are striving to overcome their lead.

This followed a speech on Monday by Senator Cannon, of Nevada Senator Cannon is a Democrat, and there were no partisan aspects to his remarks. As a general in the Air Force Reserve, it may be supposed that he reflects the point of view of that service. But he is also a member of the Senate Armed Services Committee and the Aeronautical and Space Sciences Committee. Thus, as far as information available to the Senate is concerned, he is in a position to know what he is talking about.

We think this was a very significant speech and that it dealt with a very real threat to the future security of the United States.

Recalling President Kennedy's campaign remark that "if the Russians control space, they can control the earth," Senator Cannon made clear his belief that they are well on their way toward achieving space control. The essence of his argument, as we understand it, comes down to this: In terms of military as distinguished from purely scientific, application of space technology, the Russians are way out in front. And at our respective rates of advance it will be very difficult to overtake them.

The *Vostock III* and *IV* performance indicates that a nuclear attack on the United States from space is within the present capability of the Soviet Union. We have no known defense at this time against such an attack.

But, it is asked, why worry about an attack from space when nuclear weapons can be fired with perhaps greater accuracy from earth? Why worry when we are supposed to have such a preponderance of power that we can absorb a surprise attack and hit back with ruinous force? The answer is that our strike-back capability is designed to hit Soviet missile launching sites, whose locations presumably are known, and similar land targets. But we have no means now of knocking down an orbiting space vehicle from which our country could be attacked. The Russians, however, are believed to have the capability of making such an attack on us, and quite probably can or soon will be able to intercept and destroy our reconnaissance satellites.

Even so, our strike-back capability remains. But the real question is whether we will continue to have the superiority in power which is essential to a successful deterrent. If we lose that superiority the day of anguished decision could come—the day when we might have to choose between capitulation and annihilation.

This is the substance of the view expressed by Senator Cannon and other respected Senators. They do not want to see the military threat from space downgraded and neglected while we race to beat the Russians to the moon. Hopefully, we take Mr. McNamara's latest comment to mean that their voices are being heard in the Pentagon.

DRUG INDUSTRY ACT OF 1962—UNANIMOUS-CONSENT AGREEMENT

During Mr. Engle's speech on stockpiling:

Mr. MANSFIELD. Mr. President, will the Senator yield?

Mr. ENGLE. I am glad to yield, with the understanding that I do not lose the floor and that the request of the distinguished majority leader will appear elsewhere than in my remarks.

Mr. MANSFIELD. That is fair enough.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MANSFIELD. Mr. President, I have discussed with the distinguished chairman of the Judiciary Committee [Mr. Eastland], the distinguished Senator from Tennessee [Mr. Kefauver], the distinguished Senator from Arkansas [Mr. McClellan], and the distinguished minority leader, the Senator from Illinois [Mr. Dirksen], the unanimous-consent request which I am now about to propound.

I ask unanimous consent that at the conclusion of the morning hour tomorrow there be the following allocation of time on the drug bill: On the one amendment, the so-called patent amendment, a total of 2 hours, 1 hour to the side; on all other amendments, a total of 1 hour, a half hour to each side; and 3 hours on the bill; with the usual proviso that all amendments must be germane.

The PRESIDING OFFICER. Is there objection? Without objection, the unanimous-consent agreement is entered.

The unanimous-consent agreement, as subsequently reduced to writing, is as follows:

Unanimous-Consent Agreement

Ordered, That, effective on Thursday, August 23, 1962, at the conclusion of routine morning business, during the further consideration of the bill S. 1552, the Drug Industry Act of 1962, debate upon an amendment (8–21–62—A) intended to be proposed, relating to the licensing of prescription drug patents, shall be limited to 2 hours, to be divided and controlled as indicated below in the case of other amendments.

Debate on any other amendment, motion, or appeal, except a motion to lay on the table, shall be limited to 1 hour, to be equally divided and controlled by the mover of any such amendment or motion and the majority leader: *Provided,* That in the event the majority leader is in favor of any such amendment or motion, the time in opposition thereto shall be controlled by the minority leader or some Senator designated by him: *Provided further,* That no amendment that is not germane to the provisions of the said bill shall be received.

Ordered further, That on the question of the final passage of the said bill debate shall be limited to 3 hours, to be equally divided and controlled, respectively, by the majority and minority leaders: *Provided,* That the said leaders, or either of them, may, from the time under their control on the passage of the said bill, allot additional time to any Senator during the consideration of any amendment, motion, or appeal.

THE NICKEL CONTRACT WITH THE HANNA CO.

Mr. ENGLE. Mr. President, the facts concerning the inquiry by the Senate

Stockpile Subcommittee into the nickel contracts of the Hanna Co. should be set straight for the record.

The stockpile investigation was commenced 8 months ago; and in the intervening 8 months, the Stockpile Subcommittee has investigated many different stockpile contracts, and has inquired into a wide variety of strategic materials other than nickel. The matters investigated have ranged in time through all three administrations that have been involved with stockpiling. These are, of course, the Truman administration, the Eisenhower administration, and the present administration. There has not been the slightest evidence to suggest that the inquiry has limited itself to matters occurring during the Eisenhower administration.

To assure that the investigation would be completely objective, the subcommittee retained, as chief counsel, a distinguished trial lawyer and prominent Republican from St. Louis, Mo. In addition, three Republican Senators—our great friend and colleague, Senator Case, of South Dakota, now deceased; the Senator from Connecticut [Mr. Bush]; and the Senator from Maryland [Mr. Beall]—were named to the Senate subcommittee, as against four Democratic Senators. I am informed that the minority counsel has been given secretarial assistance and has had working under him at least three investigators loaned from the General Accounting Office.

The General Accounting Office has made reports to this Congress on various stockpile contracts. One such report on the Hanna nickel contracts was made in April 1961, well over a year ago.

The Stockpile Subcommittee has investigated the matters raised in every one of the GAO reports, and some have been the subject of public hearings.

But of all the GAO reports, the one on the Hanna contracts is most severely critical.

I may point out that the head of the General Accounting Office, Comptroller General Joseph Campbell, was appointed to that job by President Eisenhower. In summary, the report made the following findings:

First. Although other contracts made under the Defense Production Act of 1950 limited financial risk to varying degrees, the contract with the M. A. Hanna companies "eliminated practically any risk of financial loss to the Hanna companies, guaranteed virtually all the contractor's capital investment, and provided a market for all of the contractor's production at prices which virtually precluded operating losses."

Second. The price the Government paid to the Hanna Mining Co. for ore produced "was based on estimates submitted by Hanna, prior to actual operations, which indicated a rate of profit of about 90 percent of cost before taxes." The report states that it was not able to determine the reasonableness of Hanna's estimates since the contract "precludes the GSA from examining the financial results of the mining operation."

Mr. CANNON. Mr. President, will the Senator from California yield?

The PRESIDING OFFICER (Mr. PELL in the chair). Does the Senator from California yield to the Senator from Nevada?

Mr. ENGLE. I am glad to yield.

Mr. CANNON. I should like to ask the Senator from California whether the terms of the contract were unusual. In other words, were its provisions the customary ones in connection with cost-plus negotiated contracts with the Government, inasmuch as such contracts usually contain a provision permitting the Government to examine the books of the company and the results of the operation?

Mr. ENGLE. I am advised that the contract terms were unusual; and in the report of the GAO it is suggested that the legislation should be amended, in order to make it mandatory that in connection with contracts of this sort, the figures for the operation shall be available for inspection by the Government.

Mr. CANNON. Do I correctly understand that the law does not require that such a provision be included in such contracts, but that usually such a provision is included?

Mr. ENGLE. The answer is that most contracts of this type contain a provision for such an examination.

Mr. CANNON. Does the Senator from California have information as to why no such provision was contained in this particular contract?

Mr. ENGLE. Hanna refused to permit such an examination provision to be included in the contract. And no such provision was included in the contract; and, thus, the General Accounting Office was deprived of an opportunity to examine the books. Subsequently, we were permitted to examine the books, and an investigator from the Office of the Comptroller General did examine the books, but only pursuant to a subpena.

Mr. CANNON. Is this the same contract which witnesses testified was presented by the company to the Government on take-it-or-leave-it basis?

Mr. ENGLE. Yes.

Mr. CANNON. So, in effect, if the Government wished to obtain the nickel, the Government was forced to enter into a contract which did not contain a provision for review or examination of the books, so that the actual cost could be determined?

Mr. ENGLE. I would say that was the case because the Government then desperately needed the nickel, for we were then involved in the Korean war. From all I can determine, the Government acceded to Hanna's demands, although theretofore the Government had resisted such demands—and I refer particularly to proposed contracts which failed to include a provision permitting the Government to check the cost figures.

Mr. CANNON. Was it a negotiated contract, without advertising—in other words, a contract for which there was no actual competition?

Mr. ENGLE. Yes. It was necessarily a negotiated contract, because the Hanna Co. had the only deposits of nickel in the country. Therefore, there was no competitor. The Hanna Co. had that mountain of nickel, and, therefore the Hanna Co. was in a position to dictate the terms of the contract, because nickel was not available elsewhere. No one else could compete, because no one else had any nickel.

Mr. CANNON. I thank the Senator from California for his comments and for his answers to my questions.

Mr. ENGLE. I thank the Senator from Nevada, who is a member of this committee, and has given very close attention during all of the hearings.

Mr. President, the report states that because of the unavailability of information about the mining operation at the time when these contracts were negotiated "the contracts should have provided for reexamination of the costs and profits relating to both the mining and the smelting operations at the end of the specified trial period with a view to possible price redetermination."

Mr. BUSH. Mr. President, will the Senator from California yield for a question?

Mr. ENGLE. I am delighted to yield to the Senator from Connecticut, who also is a member of the committee.

Mr. BUSH. The Senator from California said the contract did not provide for reexamination as to the costs, and so forth. However, the contract had two parties: one was the Hanna people; the other was the Government of the United States. The contract was made under a policy sponsored by the then administration—the Truman administration. The officials of that administration set the policy for this contract and for other contracts which have been under scrutiny by the Stockpile Subcommittee.

I ask the Senator from California whether it is fair to withhold judgment as to why such a provision was not included in the contract until the committee has heard from the responsible policymaking officials of the Truman administration who were responsible for making these contracts? It seems to me it is quite inappropriate for us to prejudge a contract before those who made the contract on behalf of the Government have had a chance to speak.

I noticed that at the end of last week the Deputy Administrator of the General Services Administration at that time, Mr. Young, praised the contract and praised the Hanna people for their execution of the contract.

It seems to me that before we make judgments, it is only right and proper that the subcommittee give the responsible officials of the Government who made the contract a chance to explain.

Mr. ENGLE. The Senator from Delaware [Mr. WILLIAMS], to whose statement on this subject I shall refer later on, made that very point here on the floor of the Senate.

There are two aspects of the contract: One is whether the Hanna Co. got a contract which was too beneficial in its terms. The second is who in the Government was responsible for giving such a contract, and under what circumstances did they agree to such a contract.

That is the whole purpose of our inquiry into this stockpile proceeding; and we are attempting to determine the facts and to determine what we can do to improve the procedures.

Let me say that the contract was executed on January 16, and all of those in the Government at that time were more or less lame ducks. I think what they had to do with this particular matter will be developed subsequently, in the testimony which I hope will be heard in the subcommittee. But this type of provision was a deviation from the established practice as I understand it.

Third. The contract with the Hanna Smelting Co. permitted Hanna to acquire smelting facilities built by the U.S. Government at a cost of $22 million "by paying the Government the estimated salvage value of the facilities—about $1,700,000." The report found that these smelting facilities may have a commercial value for a number of years to come and that the General Accounting Office therefore suggested that Hanna pay an additional amount for these smelting facilities should they prove useful for commercial operations. The report further notes, however, that Hanna has refused to make any payment above the $1,700,000 payment required by the contract.

Fourth. The contract with the M. A. Hanna Co. did not permit the Government "access to the contractor's financial statements and cost records pertaining to operations under this contract." Consequently, neither the Government nor the General Accounting Office "could evaluate the reasonableness of the cost and profit factors making up the fixed price under this contract which was negotiated without advertising, in the absence of competition." The report further states that the GAO believes "it necessary to review the operations of contractors pertaining to contracts negotiated under the Defense Production Act," to determine the use of the broad negotiating authority made available by the Defense Production Act. Accordingly, the report suggests that Congress may wish to consider amending the Defense Production Act to require that contracts contain a clause permitting the Government access to contractor's records; and this is one of the suggestions made in particular connection with this report.

In light of the charges alleged in that report, the subcommittee would have to close their eyes to avoid investigating the Hanna contracts.

I point out to my colleagues that just several months ago Senator WILLIAMS of Delaware, a member of George Humphrey's political party, requested and was granted unanimous consent to place in the RECORD the report of the GAO. Senator WILLIAMS then proceeded to make his own severe comment about the contracts:

> I am sure the Symington committee will be reviewing not only this contract but many other contracts as they examine the $8 or $9 billion inventories which we have accumulated in our national stockpile, much of which was purchased at a time when we did not need the materials. We should know how much was purchased at prices which were higher than necessary.
>
> It is well that we go behind many of these contracts and ascertain not only the purchases that were made but also if purchases were made at prices that were justifiable. Let us examine some of these contracts, in order that we may find out how the best interests of the Government were protected at the time of the negotiations.
>
> We have a responsibility to see that procurement is carried out in the best interests of the U.S. Government. The taxpayers, who are ultimately paying for it, should be assured that they are adequately protected. A review of the Comptroller General's report as incorporated here today will show that in the negotiation of these three contracts the Government was not adequately protected.

Mr. BUSH. Mr. President, will the Senator yield briefly at that point?

Mr. ENGLE. I yield.

Mr. BUSH. I wish to repeat what the Senator has just said, quoting the remarks of the Senator from Delaware [Mr. WILLIAMS]; namely:

> A review of the Comptroller General's report as incorporated here today will show that in the negotiation of these three contracts the Government was not adequately protected.

What the Senator is saying, in quoting that statement, is that the interests of the Government were not adequately protected by those who were charged with that responsibility. I think it is quite an unfair attack to make on Mr. Jess Larson and Mr. Howard Young, who had the responsibility at that time, before they have had a chance to testify before the Stockpile Subcommittee.

Mr. ENGLE. Certainly, that negates the charge that this was an attack on President Eisenhower and a stab in the back, so far as Mr. Humphrey is concerned. He cannot have it both ways. The contract was negotiated during the Truman administration. It was signed 4 days before Mr. Humphrey took office. All those men were, as I have said, "lameducks." I am not excusing any failure to adequately protect the Government's interests in the contract, but I say that Mr. Humphrey cannot tell the Christian Science Monitor that he has been stabbed in the back and that this is a political attack, in light of statements like these. That is the whole point of the case.

If I may continue my statement, surely this constituted a request, at least an invitation, to the Stockpile Subcommittee to investigate these contracts.

I think it should be made clear that the subcommittee did not set out to investigate Mr. Humphrey—they investigated the Hanna companies and these contracts. The subcommittee did not call Mr. Humphrey to testify. Mr. Humphrey himself demanded and was granted a hearing—a hearing where he talked about what he wanted to; answered the questions he wanted to answer; and received polite and deferential treatment rarely meted out even to current Cabinet officers.

These are the facts. I should like to inquire, on this posture of fact, what basis there is for Mr. Humphrey's oft-repeated accusations that the investigation is a "personal vendetta," a "stab in the back," or an "attack against Ike."

What are the facts brought out about these contracts by last week's testimony?

All of the evidence as placed in the record shows that:

First. As disclosed by their own tax returns, the Hanna Mining Co. made $10 million after tax profit on an investment of $3.6 million.

The GAO auditor, Walter Henson, gave the following testimony as to the profits made by the Hanna Mining Co. during the contract, on page 314 and page 362 of the transcript:

> Mr. COBURN. What was the profit of this company during that same period of time before taxes?
>
> Mr. HENSON. $15,096,446.
>
> Mr. COBURN. The percentage of profits relative to sales was what now?
>
> Mr. HENSON. It was 57.4 percent.
>
> * * * * *
>
> Mr. HENSON. Relative to costs, this profit represented about 135-percent return.
>
> * * * * *
>
> Mr. HENSON. The return of capital on this basis was 457 percent.

On page 362, Senator BUSH inquired as to net profits after taxes for the mining company:

> I think this would assume that these were net profits available for the stockholders after all taxes and all expenses, isn't that true?
>
> Mr. COBURN. That is my understanding of this figure. Yes, do you have that figure, Mr. Henson?
>
> Mr. HENSON. Yes, sir.
>
> Mr. COBURN. What is it?
>
> Mr. HENSON. It is $10,206,337.

I might point out that the GAO report has no statement as to the profits netted by the Hanna Mining Co. on their contract for the simple reason that Hanna refused to permit the GAO to look at the company books containing operating costs. The books were finally made available only under subpena by the subcommittee.

It is to be noted that Mr. Humphrey disagreed with these profit figures, even though they were taken from the Hanna Mining Co. income tax returns.

On page 627, I questioned Mr. Humphrey on various items alleged to have been received by the Hanna Co. from these contracts.

> There was a depletion allowance of $5.6 million, there was a net profit on the smelter of $17.9, and there was a mine profit, which was before taxes, I understand, of $15 million, which adds up in round figures to $38.7 million. Now these are the figures on which it is claimed that Hanna, based upon invested capital of $4½ million, made these huge and excessive profits. It seems to me here are the essentials of the case; that is, whether or not in fact the Hanna Co. did make unconscionable profits on a material necessary and vital to the defense of the country. I would like to have your comment on each one of those items.

To this Mr. Humphrey responded:

> Now, Senator, I am sorry to say this, but the fact is that it has got so mixed up and you are so mixed up that you are just all confused here.

To this I responded:

> If the figures are wrong, tell me where the figures are wrong, and we will be glad to

have your testimony. But I am not confused. I am simply reading from a memo.

Mr. Humphrey again responded:

> You are confused because of the testimony, because the testimony is so confused.

Mr. Humphrey's only specific response to the detailed question was:

> We sold so many tons of ore, 4,400,000 tons of ore, and we sold it to the Government, and we got for that 4 million tons of ore—where is the sheet here with the figures on it, a little sheet? We can put all this on the back of an envelope—about $27 million. That isn't the exact figure but $27 million and some hundred dollars was the total amount of money of our sale to the Government. That is all that we sold. And on $27 million of sales, we made a profit of about $7 million, $7½ million after we had paid a tax to the Government of $5,920,000. Now, that is our entire transaction with the Government. Everything else we did for the Government was done at cost, and the only other thing that comes into the picture at all is that we bought a plant which to you was worthless at the time, because you did not have any more ore.

Mr. Humphrey further stated, on page 629:

> Now that is the whole story. And all the rest of this stuff is just thrown in here to confuse it. Our whole being involved $27 million of sales on which we made a net profit of $7 million, $7,500,000 in 7 years. Now if that is unconscionable profit, I would like to know where it comes from. The rest of this is just baloney.

I add that the tax returns of the Hanna Co. showed a profit of $10 million, not $7½ million.

So, in addition to telling me that I was mixed up and confused, Mr. Humphrey also dismissed the tax depletion allowance and the windfall on the smelter as "just baloney."

Mr. CANNON. Mr. President, will the Senator yield?

Mr. ENGLE. I yield.

Mr. CANNON. To what does the Senator refer as the tax depletion allowance? What was that provision?

Mr. ENGLE. I intend to deal with that a little later. The tax depletion allowance relates to the depletion allowance which is received for the use of ore. It does not refer to tax amortization.

Mr. CANNON. Was that roughly a 23-percent allowance for depletion?

Mr. ENGLE. Yes, it was. I intend to deal with that in detail later.

Mr. CANNON. If the Senator intends to cover that later, I shall withhold questions at this time. I thank the Senator for yielding.

Mr. ENGLE. The Senator from South Carolina [Mr. Thurmond] got much the same treatment. I quote from pages 618–619 of the transcript:

> Senator Thurmond. But in dealing with our own Government, are we not in a little different situation, especially as you said during the Korean war, should we not have considered the boys who were fighting over there and offering their lives, and should not the business people back in this country have been willing to have held down their profits and cooperated with the Government and the taxpayers to include those boys and their families too, and should we push for a contract which gave such tremendous returns as was given on the Hanna contract?
>
> Mr. Humphrey. Well, now, Mr. Senator, I think you also are confused in this situation.

Mr. Humphrey's attitude toward holding down profits when our boys are offering their lives in war is well illustrated by the following colloquy, on pages 657 and 658, with the Senator from Nevada [Mr. Cannon] to whom I just yielded.

The Senator from Nevada [Mr. Cannon] questioned Mr. Humphrey concerning a quote attributed to Mr. Humphrey from Sherman Adams' book:

> Eisenhower asked him (Humphrey) if it were not possible for American businessmen to make some sacrifices in such a situation in the interests of world peace.
>
> "No," said Humphrey candidly. "The American businessman believes in getting as much as he can while the getting is good."

The Senator from Nevada [Mr. Cannon] then asked:

> Is that a correct statement attributed to you there?
>
> Mr. Humphrey. I think, Senator, that this is a typical case to prove that sometimes I change my mind.

Mr. CANNON. Mr. President, will the Senator yield?

Mr. ENGLE. I am glad to yield to my distinguished colleague again, to whom this particular question and answer relates.

Mr. CANNON. I should like to ask the distinguished Senator from California whether Mr. Humphrey ever did specifically answer the question put to him. Did he ever answer whether it was his belief that the American businessman believes in getting as much as he can while the getting is good?

Mr. ENGLE. No, he did not. He merely said:

> I think, Mr. Senator, that this is a typical case to prove that sometimes I change my mind.

Whatever that means.

Mr. CANNON. I do not believe that is the philosophy of the American businessman in general, because I think the American businessman is as much interested in doing his part for the country as anyone else. To attribute that belief to the American businessman during a critical situation such as the Korean war is not a fair representation of the position of the average American businessman.

Mr. ENGLE. I do not believe it is, either. I was surprised that Mr. Humphrey did not either describe it as a facetious remark or deny it.

Although Mr. Humphrey described the profit figures arrived at by the GAO accountant as "bunk" and "baloney," and asserted the Senators were all "mixed up" and "confused," he had to admit himself that he had no personal knowledge of the company's profits but had to rely on figures given to him by his subordinates.

On page 737 of the record Mr. Coburn said:

> I assume when you say that the mining company only made $7.5 million net from its operations, you are relying on Mr. Marting when you say that?
>
> Mr. Humphrey. I am relying on our figures, yes.
>
> Mr. Coburn. You do not know about that yourself?
>
> Mr. Humphrey. No, sir. I am taking our figures.

Although he would positively testify these figures were "baloney," he conceded his ignorance of the facts in his reply on page 706 to the question by the Senator from South Carolina [Mr. Thurmond]:

> Did you explain the depletion allowances of $5,692,390, the net profit on the smelter of $17,973,102, and the mine profit of $15,096,446—those three figures? Have you explained those?
>
> Mr. Humphrey. Those, Senator, are exactly the same figures that the chairman has just asked about, which he suggested, and I agree, is better left to the people who were there running the business at the time those figures were developed.

Mr. Humphrey's equivocation on the profit figures is confusing, but the record shows the Hanna Mining Co. profit experience on this nickel contract, and the record in this respect is undisputed.

On pags 700 to 702, the Senator from Missouri [Mr. Symington] placed in the record the Hanna Mining Co. sales, gross income, percent of profits on sales figures for 1954 through 1960, before Federal taxes, based upon the income tax returns filed by the company. These refer only to the nickel division of the company. The statement as placed in the record follows:

1954:	
Gross income	$668,000
Cost of operations	516,000
Profit	152,000
Return on sales, 23 percent.	
1955:	
Gross sales	$1,621,000
Costs	1,071,000
Profit	550,000
Return on sales, 34 percent.	
1956:	
Gross sales	$2,894,000
Costs	1,417,000
Profit	1,477,000
Percent profit on sales, 51 percent.	
1957:	
Gross sales	$4,952,000
Costs	2,103,000
Profit	2,849,000
Percent profit on sales, 58 percent.	
1958:	
Gross sales	$5,462,000
Costs	2,056,000
Profit	3,370,000
Percent earned on profit on sales, 62 percent.	
1959:	
Gross sales	$5,137,000
Costs	1,987,000
Profit	3,150,000
Profits based on sales, 51 percent.	
1960:	
Sales	$5,598,000
Costs	2,050,000
Profit	3,548,000
Percent of profit based on sales, 63 percent.	

Therefore, for a total period of 1954, 1955, 1956, 1957, 1958, 1959, 1960, 7 years of the contract:

Sales	$26,296,000
Costs	11,200,000
Profit	15,096,000

Fifty-seven percent profit based on sales.

Even using Mr. Humphrey's own figures on profits for the mining company, figures he admitted were given to him by his subordinates, the profits run almost 30 percent after taxes. Mr. Humphrey, on page 715, stated however:

> I think 25 or 30 percent or something of that kind, on a wasting asset is not an unreasonable profit.

Mr. BUSH. Mr. President, will the Senator yield for a question?

Mr. ENGLE. Yes, I am glad to yield to the Senator.

Mr. BUSH. The $15 million figure quoted by the Senator was the profit before taxes, was it not?

Mr. ENGLE. That is correct.

Mr. BUSH. That then substantiates the statement made by Mr. Humphrey, that the profit on the contract was $7½ million after taxes.

Mr. ENGLE. It does not substantiate it, if the income tax return is correct, because the income tax return showed that the profit was $10 million.

Mr. BUSH. The Senator's figure would certainly substantiate Mr. Humphrey's statement that the profit after taxes was $7½ million.

Mr. ENGLE. That is what he said. But he also said that they paid $5 million plus in taxes. This is one of the problems we need to go into.

The before-tax profit was $15,096,000. Mr. Humphrey himself said—and I just read the figure—that they paid $5 million plus in taxes. That would leave an after-tax profit of $10 million.

All I say is that the income tax return shows a profit of $10 million. Now Mr. Humphrey says the profit was $7½ million. Which is correct?

Even using Mr. Humphrey's own figures on profits for the mining company, figures he admitted were given to him by his subordinates, the profits run almost 30 percent after taxes. He went on to say—

> I think 25 or 30 percent or something of that kind, on a wasting asset is not an unreasonable profit.

The Senator from Missouri [Mr. Symington] replied:

> On that point I would just like to read into the record the average percent of profit in the mining industry in the years 1957, 1958, 1959, 1960, and 1961, before taxes: 11, 10, 8.2, 7, 5.7. This is the average.

Those were the figures submitted in the record by the Senator from Missouri [Mr. Symington] at that time.

Mr. BUSH. Mr. President, will the Senator yield for a question?

Mr. ENGLE. I am glad to yield.

Mr. BUSH. I do not believe the Senator was present at the last session of the committee meeting when I challenged that very statement by the then chairman of the committee, the Senator from Missouri [Mr. Symington].

Mr. ENGLE. I read the transcript.

Mr. BUSH. Reference is made to the average profits in the mining industry. Would that mean all mines, including coal, lead, zinc, and every kind of metal? We know that many mines have been losing money. We know that over the last decade the lead and zinc business has been in terrible condition. We know that the coal industry has lost a great deal of money. So by averaging mines that have lost money with those that have made money in all different kinds of mining ventures, one should arrive at those figures, I suppose. I do not question what he said, but I challenge the propriety of lumping the whole mining industry, including all kinds of mining ventures, proven and unproven, risk and nonrisk, and saying that the profits in a special situation like that, in which the Government pleaded with the contractor to make the contract, are comparable with the average earnings in mines of all kinds all over the United States. I challenged that figure at the time; and so long as we are making a new record, I wish to make my protest again. It is not a fair comparison.

Mr. ENGLE. The Senator from Missouri [Mr. Symington] obtained his figures from the Survey of Current Business for 1962. It must be remembered that in this particular contract the company had no risk, as was subsequently admitted by Mr. Humphrey himself; and, taking even his own figures, he had a 30-percent profit.

Mr. PROXMIRE. Mr. President, will the Senator yield at that point briefly?

Mr. ENGLE. Yes, I am glad to yield.

Mr. PROXMIRE. To go back a little, on page 4 I think we find one of the most shocking and striking parts of the testimony. It is true that a profit on sales is significant. But I think it is only fully significant when related to the capital investment and the return on the investment. On page 4 the Senator from California has pointed out so well the underlying facts, as disclosed by their own tax returns, that the Hanna Mining Co. made $10 million profit after taxes on an investment of $3.6 million, and Mr. Henson estimated that the return of capital was 457 percent. In other words, they made a return of 4½ times their investment in 1 year. That is an amazing return. What plain citizen ever has a chance to make that kind of money regardless of how hard he works, or how big his risk?

Mr. ENGLE. The Senator is correct. That is precisely what we are talking about.

Mr. PROXMIRE. If that return is not challenged, it seems to me that the profit is really unconscionable, particularly on an investment which was without any risk whatsoever.

Mr. ENGLE. I shall develop that point in a few minutes and show that Mr. Humphrey himself admitted that the contract was without risk.

Mr. PROXMIRE. That is a fantastic figure. The speech of the Senator from California is extremely useful, and on a subject which has been treated by the press in a manner—as, of course, it must be, because it is very controversial—that is frankly hard to comprehend. But I think the Senator is making it comprehensible and clear. I thank him for it.

Mr. ENGLE. It is a complicated business. I thought a review, placing the whole picture in context, was important and necessary at this time. I thank my friend from Wisconsin for his statement.

In his statement, Mr. Humphrey dismissed these contracts, involving the expenditure of over $100 million of Government funds, as relatively insignificant. He reiterated this under questioning by counsel, on page 759:

> Mr. Coburn. Now, Mr. Humphrey, you have said earlier this morning that the Nickel Division of the Hanna Mining Co. was only a very small or tag end of the company; is that right?
>
> Mr. Humphrey. It is a relatively small thing, yes, sir.
>
> Mr. Coburn. What about profits?
>
> Mr. Humphrey. Relatively small from a profit point of view.

The facts in the record, however, contradict Mr. Humphrey.

On page 734, the Senator from Missouri [Mr. Symington] placed in the record the profits for the three divisions of the Hanna Mining Co.: the nickel division, the Minnesota division, and the Michigan division, all mining operations of the Hanna Mining Co. The figures were taken from the Hanna Mining Co.'s own income tax returns. As placed in the record they show that for the year 1957, the Minnesota division had profits based on costs of operation of 6 percent; the Michigan division had profits of 30 percent based on costs; the nickel division had profits of 135 percent based on cost. In 1958 the profits in the Minnesota division were 9 percent; in the Michigan division 6 percent, and the nickel division 164 percent. In 1959, the profits in the Minnesota division were 15 percent; the Michigan division operated at a loss and the profits in the nickel division were 159 percent. In 1960 the profits in the Minnesota division were 11 percent; in the Michigan division 5 percent; and the nickel division 173 percent. Total for the 7 years, 1954 to 1960, during which the Government nickel contracts were in force, show that the Minnesota division had a gross cost of $207 million with profits before taxes of $22 million; the Michigan division had gross costs of $44 million and earned before taxes $6,455,000 profit; the nickel division had gross costs of $11 million and earned before taxes $15 million.

Mr. Humphrey responded to these figures:

> Of course, you understand that I do not accept at all the figures that you have read. I do not think they are correct. I think they are misstatements.

Senator Symington replied:

> These figures came off your tax return.

However much Mr. Humphrey tried to confuse the past profits of the nickel operation, there is no confusion as to what future profits will be. The president of the Hanna Mining Co. testified that Hanna's total investment in the mine and in the smelter was $5,350,000. There was further testimony that this entire investment has already been recovered. Hanna faces the future with a completely paid for plant and mine—paid for entirely by the Government through the purchase of nickel and ore. Its prospects are detailed in the following testimony.

On page 783, adding the $1,700,000 used to acquire the smelter to the investment in the mine, Mr. Coburn asked Mr. Marting:

> Now, that makes $5,350,000, does it not, that was spent to acquire this property to the present state of affairs?
>
> Mr. Marting. Yes, sir.
>
> Mr. Coburn. Now, as I understand it, you have delivered to the Government so far 4.4 million tons of ore, of nickel ore.
>
> Mr. Marting. That is correct.
>
> Mr. Coburn. So that at the present time you have spent $5,350,000 and you have three-fourths of your ore body and you have a smelter; is that right?
>
> Mr. Marting. That is correct.

On page 784, Mr. Coburn said:

> If you have three-quarters of your ore body left and you have delivered one-quarter, or 4.4 million tons of ore, I would estimate that you have 13.2 millions tons of ore left in your ore body; is that right?
>
> Mr. Marting. That would be pretty close to it.
>
> Mr. Coburn. Our investigation shows that the average cost per ton of producing or mining that ore during the first 5 months of 1962 was $1.67 a ton, right?
>
> Mr. Marting. That sounds right.
>
> Mr. Coburn. So that you are enjoying a profit at the present time of $4.33 a ton?
>
> Mr. Marting. That depends entirely on whether we sell the nickel. If we sold every pound of nickel—and I suppose if you continue and we sell all the nickel from now on—your arithmetic is certainly right, and that would be our profit.

Mr. Coburn went on:

> But, assuming that you sell all of the nickel metal that you smelt from this ore body, and assuming that your costs remain at the present level of $1.67 a ton, your profits for the future exploitation of this ore body will be $4.33 a ton times 13.2 million, right?
>
> Mr. Marting. Right.
>
> Mr. Coburn. Or, according to my figures, a profit to the mining company of about $56 million?
>
> Mr. Marting. This is the profit before taxes.

Second. The U.S. Government spent $22.3 million to build a refinery which Hanna Smelting Co., was permitted to buy for $1.7.

Mr. Humphrey also managed to create a great deal of confusion as to the value of the smelter when Hanna bought it from the Government. There is no question of its value at the time it was built however. Mr. Henson testified, and Humphrey did not dispute this, that the Government had to pay $22,300,000 to build the plant, and that money bore interest at the rate of 5 percent for a total interest item of $4,289,833. Therefore, the undisputed value of the smelter at the time it was built was $26,589,833.

The GAO auditor testified on pages 317, 318, and 319 as to his appraisal of the value of the plant at the time Hanna bought it, and his method of appraisal:

> Mr. Henson. If I recall yesterday's testimony, sir, the contractor had the right to buy the smelting plant for its residual value, which under the terms of the contract was stated to be 7½ percent of the total capital advances made during the life of the contract. Now during the performance of the contract, the Government advanced $22,300,000 for the construction of capital facilities. And in addition there was an interest figure of $4,289,833, or a total capital advance and interest on capital advance of $26,589,833. I computed a depreciated value of $19,694,665.
>
> This was the value of the plant, depreciated value of the plant, which Hanna acquired for $1,721,563, and deducting the latter amount, the net profit realized under the smelting contract in the form of capital assets was $17,973,102.

Mr. CANNON. Mr. President, will the Senator yield?

Mr. ENGLE. I am glad to yield.

Mr. CANNON. Do I understand the Senator from California to say that the depreciated value of the plant actually, according to Mr. Henson, was $19,694,665 at the time the company purchased it from the Government?

Mr. ENGLE. That is correct.

Mr. CANNON. The company actually purchased it for $1.7 million plus.

Mr. ENGLE. That is correct. On the basis of those figures they had a capital asset profit of $17,973,102.

Mr. CANNON. Is it a fact that the plant might well have been worth in excess of its depreciated value?

Mr. ENGLE. That is possible.

Mr. CANNON. The depreciated value was simply the book value which Mr. Henson had arrived at by applying normal depreciation rates. Is that correct?

Mr. ENGLE. What he did was to take the potential life of the operation and depreciated it for the time that the plant had been used.

Mr. CANNON. If I recall correctly, one of the witnesses testified as to the amount for which the company had insured the plant. Does the Senator recall what that figure was? I mean the burnable portion of the plant that was insured.

Mr. ENGLE. I was going to read it. Mr. Henson repeated this testimony on page 459:

> Senator Thurmond. Under your estimate, the plant was worth at least $20 million, considering the portion that could burn on which they carried $16 million insurance, and then the tracks and the spurs and the land and other property?

What he was saying was that the company had acquired the plant for $1,700,000 and then insured it for $16 million, which was only the part that could burn down. The roads and paving and the sewerage and the other things that make up the difference between the insured value and the depreciated value of the asset of $19,694,665 were those things that could not burn even if one set fire to them. Does that answer the Senator's question?

Mr. CANNON. Yes.

Mr. ENGLE. I continue to read:

> Mr. Henson. Yes, sir. I actually calculated it out to around $19 million.
>
> Senator Thurmond. And you feel that that would be the market value?
>
> Mr. Henson. It would be my opinion that it would be close to that.
>
> Senator Thurmond. And that is the plant that they were able to buy back for $1.7 million?
>
> Mr. Henson. Yes, sir.

It is most difficult to glean from the record exactly what value Mr. Humphrey places on the smelter. First he says the smelter was valueless to the Government, since the smelter is useless without the ore body. This would seem to beg the question, which is: What was the smelter worth to Hanna? Then he claims the Government was paid for the smelter in the form of nickel delivered to the stockpile. This is another attempt to confuse. The Government paid Hanna in cash for the nickel delivered to the stockpile, and Hanna was paid in cash, in full, under the contract. How much the nickel cost the Government is irrelevant to the question of how much Hanna paid for the smelter. The fact remains that the only thing Hanna paid the Government for the smelter was $1.7 million and Humphrey finally admitted it. The changing and various positions Humphrey took on this issue are fully reflected in the following excerpts; and it is important to note that he never once disputed the validity of the appraisal method employed by Mr. Henson in his valuation.

On page 625, Mr. Humphrey stated:

> The smelter was for this particular purpose and no other, and the smelter was absolutely useless and valueless except to the person who owned the mine the day the Government contract was fulfilled. Now, whether it could ever be turned into commercial use or not nobody knew. When the smelter was built nobody knew that there was a chance to develop a commercial business.

I might add that it turned out that it did.

On page 626, Mr. Humphrey stated relative to the value of the smelter:

> I will put it this way: It would probably cost around $15 or $16 million to replace it with a better plant—

I interpolate to say that that is about what they insured it for—

> and if we had not just bought this plant from you and just let you have it, we would have gone ahead and built a better plant, and it would have cost us in the area of somewhere around $12 or $15 million or maybe a little more.

On page 643, Mr. Humphrey testified that prior to the Government contract:

> The ore body was a mountaintop covered with timber, and we had gone up there and cleared away enough timber, just a wild mountaintop in Oregon, and we had gone up there and spent enough money to clear away enough timber to do some drilling to find that we had some ore that was up there, and that we had enough ore of a grade so that we thought we could produce and deliver 95 to 125 million pounds of nickel.

Also on page 643, Senator Cannon asked:

> And in order to do that, there had to be a smelter to process the ore?

Mr. HUMPHREY. There had to be a process, yes, sir, that is correct.

Senator CANNON. That the mine could use?

Mr. HUMPHREY. That is correct.

Senator CANNON. And the mine would be of no value without the smelter either to you or to the Government?

Mr. HUMPHREY. Without a process. Had to have a process.

Senator CANNON. Today it would be of no value without a smelter?

Mr. HUMPHREY. Without a process, that is right.

What he said was that the smelter was not any good to the Government without the ore, and what the Senator from Nevada [Mr. CANNON] developed was that the ore was not any good without the smelter.

On page 656, Senator CANNON said:

It would have cost you a considerable amount in capital expenditure if you built a new plant, and you have to have this or a new plant?

Mr. HUMPHREY. That is right.

Questioned on the value of the plant, Mr. Humphrey says on page 703:

On the plant, if you remove from cost, which you have to do to get this item that you have for plant value, the depreciation of the plant—then you automatically reduce the costs of the nickel. So you have got the money either in plant or in nickel.

Senator SYMINGTON on page 704, then pointed out that Hanna had insured the burnable aspects of the plant for $16 million and if you added the value of the roads and other nonburnable items the figure $17,973,000 may be high, may be low but "certainly, it is something, and you got it for $1.7 million."

To which Mr. Humphrey responded:

"I do not think you quite understand what I am saying. If the plant is not charged off, it makes the price of nickel go down. So you either have this money in the nickel stockpile or you get it in the plant. Now, you can take your choice. You cannot have it both ways.

On page 720, Senator BUSH asked Mr. Humphrey:

Therefore, your position is that you have not taken any profit on the smelter at all?

Mr. HUMPHREY. We have not any profit on it. If we make a profit, it will have to be made from now on. We have not any profit on it now.

Senator CANNON questioned Mr. Humphrey as follows:

Following up on that point, Mr. Secretary, you have no profit, you only have an asset that you acquired for $1.7 million which you have insured for $16 million?

Mr. HUMPHREY. That is right.

Third. Hanna's only investment in the entire nickel operation was $3.6 million which investment was guaranteed against loss by the Government.

Mr. Humphrey's testimony on the investment in the mine is, like all his testimony where figures are involved, enveloped in vagueness, uncertainty and contradiction. The following testimony excerpted from the record illustrates this convincingly.

On page 711 Senator THURMOND questioned Mr. Humphrey as to Hanna's investment in the mine and asked if it was $3.5 million. Mr. Humphrey responded:

I think that is it, in the mine. That is what we spent on the mine during the period.

Senator THURMOND then asked:

Does that count the cost of the mine and the money you put into the contract and everything connected with it, $3.5 million?

Mr. HUMPHREY. What it includes is the mine and its share of exploration expense only during the 5-year period that it was in operation. We spent $1 million a year and have spent $1 million a year for a long period. If we do not have a proper charge against the income that we make from the profitable companies, we would go broke, losing money on the unprofitable ones. And if we did not carry on exploration, we never would have found this mine. We never would have had it.

Senator THURMOND then asked:

But what does all of that amount to, your research, the cost of your land, where the mine is located, the cost of your buildings and improvements, your development, and the cash you put into it. All of it, as I understand it, runs about $3.5 million?

Mr. HUMPHREY. No. In addition to that, there are these other items that I have just mentioned to you, our exploration program.

Senator THURMOND. What does the total run to, if you will just give me that figure?

Mr. HUMPHREY. It would run between $5 million and $6 million.

Senator THURMOND. $5 million and $6 million?

Mr. HUMPHREY. That is right.

However, on page 780, Mr. Marting—I emphasize that he was a company witness—responding to questioning as to what Hanna's total investment in the mining property was, stated:

The total that we have got on our books on our mining property is $3,652,000.

Since Mr. Humphrey has testified that he gets his figures from Mr. Marting, I presume we may take Mr. Marting's testimony as the true facts.

However, Hanna would not even risk the loss of that $3.6 million—a sum which, if we accept Mr. Humphrey's testimony that the whole deal amounted to peanuts, pales into insignificance. The Government, nevertheless, had to guarantee Hanna against loss of that $3.6 million, as is evidenced on page 161 of the record:

Mr. COBURN. In other words, do I understand you to say that if the contractor elected to cancel the smelting contract, then the Government was obliged to pay back to the mining company under the mining contract all of its unrecovered capital advances?

Mr. HENSON. Yes, sir.

Mr. COBURN. And not in excess of $3,800,000?

Mr. HENSON. Correct.

Mr. COBURN. So again you have a Government exposure to that sum of money.

Fourth. George M. Humphrey and his immediate family had a 14 percent interest in the Hanna Mining Co. and the Hanna Smelting Co., and therefore received the benefit of 14 percent of the $29.2 million profit and windfall netted after taxes by Hanna from these nickel contracts.

Mr. Humphrey testified to the stockholdings of himself and his immediate family in the Hanna companies as follows:

On page 587 of the transcript when queried as to the holdings of the Humphrey family in the M. A. Hanna Co., Mr. Humphrey stated that:

The total of the shares approximated just a little under or a little over 10 percent of the total stock outstanding.

On page 591 of the transcript, Mr. Coburn asked if the Humphrey family holdings of the Hanna Mining Co. were a total of 8¼ percent. Mr. Humphrey responded:

That is right, just a little less than that.

Mr. Humphrey also testified, on page 588, that the M. A. Hanna Co. held stock in the Hanna Mining Co., which amounted to "about 60 percent at that time."

If the Humphrey family owned 10 percent of the M. A. Hanna Co., then they owned derivatively 10 percent of M. A. Hanna's 60 percent interest in Hanna Mining—that is, 6 percent. When that 6 percent is added to the 8 percent held outright, the Humphrey family interest in Hanna Mining Co. amounts to 14 percent and since the Hanna Mining Co. owned 100 percent of the Hanna Smelting Co., the Humphrey family also owned 14 percent of the smelting company. Therefore, whatever profits or windfall these two companies enjoyed, the Humphrey family received 14 percent of it—whether in the way of dividends paid out, appreciation in stock market values, or increase in value of company assets, or all three.

Mr. Henson testified, and his valuation has not been disproved, that the smelting company enjoyed a windfall profit of $17,973,102 by obtaining the smelter with a payment of $1,721,563.

Mr. Henson testified, and other than a bare denial, it has not been disproved, that Hanna overcharged the Government $1,030,000 for capital items which Hanna should have paid for out of their own pockets.

Therefore, the total windfall to the smelting company was—

Windfall profit	$17,973,102
Overcharged	1,030,000
Total	19,003,102

Fourteen percent of that windfall equals $2,660,434—and that is the amount of windfall accruing to the Humphrey family from the nickel contract with the smelting company.

Mr. Henson testified—he is a General Accounting Office accountant—that Hanna Mining Co.'s after-tax profits on its nickel contract, according to its Federal income tax returns, amounted to $10,206,337. Humphrey disputes that profit figure, but he does not dispute that it is the profit figure reflected on the Federal income tax returns.

Fourteen percent of that net, after-tax profit equals $1,428,887—and that is the amount of net profit accruing to the Humphrey family from this nickel contract.

Thus, the total windfalls and profits accruing to the Humphrey family from these nickel contracts is, according to the testimony of a certified public accountant of the General Accounting Office:

Smelting company	$2,660,434
Mining company	1,428,887
Total	4,089,321

Mr. CANNON. Mr. President, will the Senator yield?

Mr. ENGLE. I yield.

Mr. CANNON. If the $1,030,000 which was written off as a cost item had been capitalized, as it apparently should have been, would that have increased the amount the Hanna Co. would have had to pay for the smelter?

Mr. ENGLE. That is correct. I shall deal with that subject in a few minutes. It would have increased the cost of the smelter by some $75,000.

Mr. CANNON. The Senator has already pointed out that the contract provided that the cost to the Government would be based on the represented cost of production to the company. By writing off the $1,030,000 as operating expense, did that in effect increase the cost, so that the Government paid a higher price for the end product?

Mr. ENGLE. Yes; that is correct.

Mr. CANNON. I thank the distinguished Senator from California for his answer to my question.

Mr. ENGLE. Further than that, it had a direct relationship to the income tax, and I shall discuss that a little later.

This net accrual to the Humphrey family is shockingly at variance with Mr. Humphrey's assessment of gain under these contracts.

On page 641 of the record Mr. Humphrey volunteered the following information:

> Gentlemen, this is a tag end of our business. This is 1 mine out of 25 here and others in Canada. The total assets of the M. A. Hanna Co. are in excess of $450 million, and the amount here is $22 million. Now, when you try to develop that I make money or that this is an important item of increase in me or my assets, you are comparing $22 million with $450 million, and I am a very small percentage stockholder of both.

He further stated:

> Never at any time were the earnings from this more than 5 percent of the total earnings that my stock interest applied to.

Mr. Humphrey's bland and unsupported assertions cannot disguise the simple arithmetical fact that he is wrong.

Mrs. NEUBERGER. Mr. President, will the Senator from California yield?

Mr. ENGLE. I yield.

Mrs. NEUBERGER. In the light of the Senator's opening remarks, would he say that the investigation by the Stockpiling Subcommittee is merely a political investigation?

Mr. ENGLE. No, it is not. I dealt with that subject earlier in my remarks. I stated that we did not initiate the investigation. Mr. Campbell, the Comptroller General appointed by President Eisenhower, filed a report in April 1961 in which he denounced this contract. In May of this past year, the distinguished Senator from Delaware [Mr. WILLIAMS] placed the entire report in the RECORD and himself denounced the contract, and called upon our committee to look into the facts with reference to the contract.

So if Mr. Humphrey has been stabbed in the back, as he told the Christian Science Monitor he had been, the stabbing came from the wrong side of the fence. We did not do it. We examined into it, as we have examined into other contracts.

As I stated earlier, we treated Mr. Humphrey with great deference and respect. We tried to be polite to him. This is not a political vendetta against him in any way.

Mrs. NEUBERGER. The people of Oregon have a great interest in this investigation, because the mine and smelter are located in Oregon. But the Portland Oregonian has stated that the investigation is nothing but a political vendetta. I am glad the Senator from California is bringing out the point with respect to high profits, to show that the investigation is not a political vendetta, but is in the interest of all the people.

Mr. ENGLE. Certainly it is not a political vendetta, because the initiation of this inquiry was the GAO report by the Comptroller General, and in it he specifically denounced this contract. Mr. Campbell was appointed by President Eisenhower, and filed his report in 1961.

The facts we have submitted were developed by auditors sent by the office of the Comptroller General. They spent 5 months in the offices of the Hanna companies, developing the facts in regard to this matter.

I only hope this particular matter does not degenerate into what could be characterized as a political hassle. We are endeavoring to ascertain the facts and to ascertain whether we can improve the procedures, for the protection of the Government and the taxpayers.

Fifth. The Government assumed all the risk of financial loss; and, by Mr. Humphrey's own testimony, Hanna had no risk. Mr. Humphrey said he insisted they take no risk.

There would seem to be absolutely no dispute that Hanna undertook no risk on these contracts, and, conversely, that the Government assumed all the risk. The following excerpts from the record will bear this out clearly.

On page 156, there is this question:

> Senator SYMINGTON. As I understand it, you are testifying here under oath after auditing these books, that there was no risk, in effect no risk of any kind whatsoever, that the contractor under these contracts had to take in order to make a profit.
>
> Mr. HENSON. That is correct, sir. If the process were to prove feasible the contractor had a guaranteed market. He had a price sufficient to assure that he could fully develop the process and the amortization was over a limited quantity of nickel so that he was also assured that the price would be at a premium.

Mr. Humphrey stated, on page 613:

> This talk about risk, it is perfectly true, it is perfectly true that we took no risk with respect to the nickel smelting plant, and I insisted that we take no risk with respect to it.

Senator THURMOND asked on page 617:

> Under this contract as we understand it * * * it seems that the Government bore all the liability and the Hanna Co. took no hazards; is that correct?

Mr. Humphrey answered:

> That is about right; yes, sir.

Sixth. The Hanna nickel deal set up a complicated corporated arrangement, with two contracts and two companies, whereby Hanna Mining Co. sold ore to the Government, the Government sold the ore to the Hanna Smelting Co., and the Hanna Smelting Co. sold refined nickel to the Government, for the sole purpose of channeling all profits into the mining company which received tax benefits through tax depletion allowances.

The tax benefit is so obvious it hardly needs to be argued, and is explained on page 330 of the transcript:

> Senator ENGLE. Would you indicate to us, if you have explored it at all, what difference it would make in the tax obligations of these respective corporations in the light of the corporate setup engaged in this transaction and the multiplicity of contracts which were used.
>
> Mr. HENSON. I have computed a figure of roughly $1,200,000 in tax savings.

Mr. Humphrey states that this tax saving of $1.2 million had nothing whatsoever to do with Hanna's desire for separate companies, and that any suggestion of that sort is "just bunk."

When questioned why two contracts were made with the Government, Mr. Humphrey responded, on pages 611–612:

> There were not two corporations and there never were two corporations that were planned. * * * This mine was one of 20 or 25 mines that were owned by the Hanna Mining Co. They owned it. It was theirs, and it was run in exactly the same way that 20 or 25 other mining companies were run, that other mines were operated. * * * There was no reason on earth for this mine to be changed from the Hanna Mining Co. and put into any separate corporation, and it never was contemplated that it should be. There was no artful dodge or no monkey-business of any kind about trying to fool with taxes or anything of that sort.

On page 614 Mr. Humphrey stated:

> I was afraid of the Government contract. I did not want the Government contract right from the beginning, and I did not want to have a mine which we owned that was ours put in the corporation that was going to owe a lot of money to the Government * * * and all this talk about shenanigans of some kind is just bunk.

While Mr. Humphrey is apparently at great pains to conceal Hanna's true motivation, no such reticence afflicted his subalterns who negotiated the contract. The record suggests that they quite freely made known to GSA negotiators their true purposes at the time when the contract was negotiated.

A letter introduced in the record at page 171, and dated July 2, 1952, from M. H. Gentry, engineer with DMPA, and a negotiator on the Hanna contract, states, on page 3:

> Hanna insists on this involved setup of a mining company and smelting company because they conclude that only by this means may they benefit by depletion credits from the mine.

The letter also states:

> Hanna has declined to adjust or change its proposal, and has left the matter on a take-it-or-leave-it basis.

Another letter introduced in the record at page 479, and dated October 2, 1952, from Johnston Russell, director of financial analysis for DMPA, and a contractor negotiator, states, on page 1:

> The contractor insists on establishing two artificial corporate entities, one to operate the mine and the other the smelter. The contracts are to be so rigged that all profits accrue to the mining company and none to the smelting company, although the great bulk of the capital investment is required for the smelter. The contractor magnanimously points to the nominal management fee which he will draw for operating the smelter—

And, Mr. President, it was $100,000 annually—

> but the fact is that the price to be paid the mining company for the ore is set so high that the potential profits of the mining company would be quite liberal for both companies combined. Shifting all income to the mining company serves several objectives—it avoids tax liability by increasing percentage depletion deductions based on income (this type of deduction is not available to a smelter), and eliminates all income taxes for the smelter; it leaves the smelter company with no means of accumulating earnings to back up its obligations, thereby effectively placing all risk of the smelter on the Government and none on the contractor.

Again, since Mr. Humphrey says he had nothing to do with negotiating the terms of this contract, the statements and impressions conveyed by his company officials must be assumed to be, in this instance, the correct version of the reason for the involved corporate setup and the unique contracts executed.

Seventh. The Hanna Mining Co. obtained from the Government a price of $6 per ton on the basis of deliberate misrepresentations by Hanna to the Government of the cost of producing the ore during negotiations.

In demanding a $6 per ton price, Hanna told the Government what they estimated it would cost them to produce 1 ton of ore.

There was placed in the record, at page 183, a memorandum from Hanna Mining Co., dated June 12, 1952, and given to DMPA. This memorandum contains a statement of Hanna's estimated cost of producing nickel ore. In other words, this was Hanna's representation to the Government of what they estimated the cost of producing nickel ore would be.

On page 2 of this memorandum is to be found the estimate that it would cost $3.18 per ton of ore. The fact that this cost was deliberately misrepresented is demonstrated by two documents placed in the record, found by investigators in the Hanna files, but not made known to the Government negotiators.

There was placed in the record on page 373 a paper designated "Economic Analysis of the Riddle Nickel Product, by D. N. Vedensky, dated May 2, 1952." Attached to this report is an economic analysis showing an estimated cost of producing 1 ton of nickel ore at Riddle, Oreg. This analysis bears the initials "P.G.H." in the lower left hand corner and is dated May 13, 1952. On page 374, Mr. Henson testified that the initials stood for "Perry G. Harrison."

These are questions and answers from the record:

> Mr. Coburn. What company did he work for?
>
> Mr. Henson. He worked for the M. A. Hanna Co.
>
> Mr. Coburn. And does this page show an estimate made by him of the cost of producing a ton of this nickel ore at Riddle, Oreg.?
>
> Mr. Henson. Yes, sir.
>
> Mr. Coburn. What does it say?
>
> Mr. Henson. Estimated cost, $2.50 a ton.
>
> Mr. Coburn. $2.50 a ton?
>
> Mr. Henson. Yes, sir.
>
> Mr. Coburn. Now, when you were looking through the GSA files did you find a copy of that estimate in the files?
>
> Mr. Henson. No, I did not.

Mr. CANNON. Madam President, will the Senator yield?

The PRESIDING OFFICER (Mrs. Neuberger in the chair). Does the Senator from California yield to the Senator from Nevada?

Mr. ENGLE. I yield.

Mr. CANNON. Am I to understand from the statement the Senator has just made that there was a memorandum presented to the Government dated June 12, 1952, representing that the cost of production would be $3.18 a ton, and that was what the purchase price was based on?

Mr. ENGLE. That is correct.

Mr. CANNON. Am I to understand further that at the same time, in the Hanna Co. files was a memorandum dated May 2, 1952, or a month and 10 days earlier than the memorandum furnished the Government, which for the company's own records showed the analysis of cost to be $2.50 a ton, rather than the $3.18 a ton given to the Government?

Mr. ENGLE. That is precisely the case. That is why I said that the cost stated to the Government by the Hanna Co. was deliberately misrepresented. Obviously, Hanna, did not know, at the time they made the misrepresentation that a subpena would bring forth this memorandum which shows that is exactly what happened.

Mr. CANNON. The memorandum containing the estimated cost for the benefit of the company as being $2.50 a ton was never made available to the Government at any time until the records were subpenaed. Is that correct?

Mr. ENGLE. It was not.

Also on page 375 of the record there is introduced a memorandum designated "Riddle Nickel Mining, Hanna Coal & Ore Corp."

On page 376, Mr. Henson testified in response to Mr. Coburn's question if Mr. Henson had found this document in the Hanna Mining Co. file, "Yes, I did, sir."

Mr. Henson also testified that the document was prepared according to initials thereon by Russell C. Fish, president, Hanna Nickel Mining Co. This document which is dated in the lower left hand corner of the page, March 19, 1953, estimates the cost of producing a ton of ore at Riddle, Oreg., as $2.69. Mr. Coburn asked Mr. Henson:

> Now, when you looked through the GSA files, did you find that memorandum?
>
> Mr. Henson. No, I did not.
>
> Mr. Coburn. You could not find it anywhere?
>
> Mr. Henson. No, sir.
>
> Mr. Coburn. The only one that you found in the GSA files is the one that has already been referred to that showed that the estimated price was $3.18 a ton?
>
> Mr. Henson. That is right, sir.
>
> Mr. Coburn. By the Hanna Co.?
>
> Mr. Henson. That is right.

Of course, that sustains the point made by the Senator from Nevada in the questions he just asked me.

Thus, Hanna's true estimates of costs are 49 to 68 cents less than the costs represented to the Government. Taking the lower figure on 4,400,000 tons of ore, this is a gross misrepresentation of costs in the amount of $2,156,000.

Eighth. Hanna charged over $1 million to the Government by expensing purchases of capital equipment that were not authorized under the contracts.

Testimony was taken alleging that Hanna overcharged the Government over $1 million on the nickel sold to the Government. The testimony further left no doubt that this overcharge was accomplished by deliberate misrepresentations, by Hanna to the Government, as to the operating costs of the smelter. Detailed and documented evidence was placed in the record in support of this allegation. Humphrey's first response was that he did not know anything about this question. However, he then changed his story and denied there had been an overcharge.

On page 727, Senator Cannon asked Mr. Humphrey:

> Do you know anything about the representations that were made to the Government insofar as the expense of the operation, referring here to the allegation that Hanna had written off over $1 million of capital items as operating expenses.

Mr. Humphrey responded:

> No, I do not know anything about it at all.

Mr. Humphrey went on to say on page 732:

> We deny that we have made those, and we have competent accountants, accountants, I might say, of far greater reputation than the accountants that you are talking about, that say that our discussion is correct—that our decisions were correct.

Faced with detailed documentation, Humphrey apparently decided to attack the reputation of the Government accountant. One also wonders how Humphrey can testify he knows nothing about a certain matter and then proceed to deny, under oath, that the matter ever occurred.

On the question of Mr. Henson's ability and reputation as an accountant, I will simply cite from page 450 of the transcript:

> Mr. Henson. I should like to add in that respect I am a certified public accountant. I am certified and licensed by the State of Washington. In addition to my Government experience, I have had a good many years with the firm of Price Waterhouse & Co., and I have audited the records of many,

many clients, and I have never seen an instance where items of this nature had been charged into expense.

Mr. Humphrey's inadequate and ungracious denial should be compared with the following excerpts from the record that fully document the charge:

On page 412, there was introduced the following exhibit:

Interoffice memo of Hanna Nickel Smelting Co., dated December 14, 1956, written to Earl S. Mollard (plant manager) from E. E. Coleman (smelter superintendent).

Russ also stated that the Government was willing to allow us up to 86 cents per pound of nickel on our costs for the period of the extension. However, we cannot apply any of this toward recovering past losses. In other words, the figure is 86 cents or our costs, whichever is least, plus amortization.

On the basis of this, the Cleveland office is very interested in our caring for any maintenance work possible during January. It is their feeling that we should come as near the 86-cent figure as possible, taking advantage of it to do maintenance work that we may have had planned for a later period.

Mr. COBURN. What does this fellow Coleman mean by this? Does he mean that * * * it is to the advantage of the smelting company to run the operating costs up as much as possible during the period that the Government was studying whether a permanent increase in ceiling price should be allowed?

Mr. HENSON. That is the way I read it, sir.

On page 413 the following telegram was introduced as an exhibit:

Hanna Nickel Smelting Co., Riddle, Oreg., April 3, 1957.

To Jack Greenlee from L. H. Carlson.

Costs to replacement of inside duct work during March total $34,800. This will be pulled out of construction and put in operating costs. Since March production is 1,508,201 pounds nickel this will only add a little over 2 cents per pound to our costs.

Mr. COBURN. They had pulled this cost out of the construction cost of the plant and put it in the operating costs, had they not?

Mr. HENSON. Yes, sir. That means they had already recorded it as construction or capital costs and then for some reason decided to switch it to an expense.

On page 416, the following letter was introduced as an exhibit:

Letter from Earl S. Mollard to Mr. R. C. Fish of the M. A. Hanna Co., dated May 2, 1957.

We intend to absorb between $40,000 and $50,000 of the above funds into cost during the month of April which should leave a balance of about $90,000 remaining at the end of our dust collection program.

As I told you over the phone the other day, we have ordered new dutch ovens to replace the present ones. The total estimated cost of this job will be somewhere around $90,000. Though we cannot complete these alterations during May and June, I believe we can get the entire cost charged off. On the basis of 2,800,000-pound production during these 2 months, this chargeoff will amount to about 3½ cents per pound. We believe this can be readily taken care of under our ceiling price with some to spare.

During May and June I hope that we can also write off some of our furnace dust collection and remodeling costs so that the surplus remaining for other projects will amount to plus $150,000.

Mr. COBURN. Mr. Witness, does this mean that these people * * * capitalized these items originally had them capitalized as set out in this letter?

Mr. HENSON. Capitalized or capital advance committed for their acquisition.

Mr. COBURN. May 2, 1957, was the GSA still studying the question of what increase should be made in the ceiling price?

Mr. HENSON. Yes, sir. The negotiations were still in process.

Mr. COBURN. And on September 30, 1957, what was finally agreed to between the parties?

Mr. HENSON. For an increase in the contract ceiling price to 75 cents.

On page 473 there is this testimony:

Senator SYMINGTON. Based on the testimony you have given us during this long day, the committee has quite a bill, if you are correct in your testimony, to present to Hanna interests, has it not?

Mr. HENSON. I believe it has. Yes, sir.

Senator SYMINGTON. And you believe that they would justify presenting that bill on the grounds that the Hanna Co. is not operated in accordance with the contracts?

Mr. HENSON. That is correct, sir.

Senator SYMINGTON. They have violated the contracts as you see them, is that correct?

Mr. HENSON. Yes, sir.

On page 472, there is this testimony:

Mr. COBURN. Can you tell us how much difference this made in the residual payment that the contractor made to the Government, their having expensed items of $1,030,000.

Mr. HENSON. If we can assume that the entire $1 million could be capitalized, it would amount to $77,200.

That relates to the question which was asked by the Senator from Nevada. That is the cost figure on the residual value of the plant, which initially cost the Government $22 million, which was bought for $1.7 million.

On page 470, there is this testimony:

Mr. COBURN. But during the period of 1957, 1958, 1959, and 1960, you have located at least items totaling $1,030,000 that were capital items that were expensed by the contractor.

Mr. HENSON. That is correct.

Mr. COBURN. Then I will ask you this: As to those items that totaled $1,030,000 during that period of time they were expensed, did the contractor notify the Government or obtain the Government's consent at all to those expenditures, even though they were for capital items?

Mr. HENSON. No, sir; it did not.

Mr. COBURN. And since they were capital items, they were therefore in violation of the contract.

Ninth. There is a flat contradiction in the testimony by the GAO accountant and Mr. Humphrey on the question of destruction of records.

On page 328 of the transcript, Mr. Henson was questioned as follows by me:

Tell us about that. What records were destroyed, and when?

Mr. HENSON. I can't be sure of all the records that were destroyed. The company's records, reference list as to records on hand in storage were in quite a jumble, so it was rather difficult to really establish what was and was not there. Until late in the investigation I wasn't able really to go up and look for myself. Initially the contractor would tell us, "Whatever you want you tell us and we'll get it for you." As the investigation progressed this was working too slowly, frankly, and we were sometimes waiting for records, and ultimately I got the permission for myself—well frankly, one of the men who was working with me—to go up into the storage area to help locate some of the records. At that time we found that the records storage cards bore notations of the destruction of certain records in February and March of 1962.

Later, I questioned Mr. Humphrey concerning the testimony about destruction of records subsequent to the time that there was public notification that there was to be a stockpile investigation. Mr. Humphrey responded:

No records were destroyed at any time by anybody that bore on this business in any way except where there were other either duplicate records or other records that would give you the same information or would supply information that was required (pp. 631-632).

Now, somebody is not telling the truth. I would draw no conclusions on this matter now, but this question will be resolved one way or the other—and we will find out just who is lying—when hearings on this matter are resumed.

I continued with the questioning, and asked Mr. Henson whether those records which were shown by their files to have been destroyed, relating to the period 1952–54, when the contract was initiated and put into execution, were important to his investigation, and he said that they were.

Tenth. The Government paid Hanna $20.5 million more for its nickel than it is presently worth, and at least $20.5 million more than it was worth at the time it was purchased.

Mr. Humphrey has intentionally tried to confuse—or was himself confused about—the cost to the Government of the nickel delivered under these contracts. On page 2 of the statement submitted by Mr. Humphrey, inserted on page 569 of the transcript, Mr. Humphrey, by a misleading computation, states that the cost of the Hanna nickel presently in the Government inventory was 71 cents per pound. To arrive at that result, Humphrey deducts from costs amounts received by the Government when it sold some of the Hanna nickel during a severe nickel shortage; deducts a fictitious and speculative profit expected to be made on nickel as yet undelivered to the stockpile; and also deducts a receipt by the Government of $4.8 million, which, in fact, the Government never received, and which item the president of the Hanna Mining Co. conceded to the subcommittee assistant counsel had never been received by the Government.

It seems elementary economics, and it would seem to be certainly obvious to Mr. Humphrey, that profit made on the sale of an asset in no way reduces the cost of that asset. Whatever profits, if any, the Government manages to make when it sells some of its nickel in no way reduces the acquisition cost of the remaining nickel.

On page 17 of the transcript, Mr. Brooks, of GSA, submitted an official GSA table which shows the acquisition cost of the Hanna nickel. This table shows that 108,006,696 pounds of nickel have been delivered at a total cost of $98,104,871. This is an acquisition cost of 91 cents per pound, not 71 cents per pound.

On page 11 of the transcript Mr. Brooks submitted a table showing the market price for nickel for these years:

	Cents
1955	64.5
1956 through 1960	74.0

On page 567 of the transcript, Mr. Humphrey states that the current market price is 75 cents per pound. Mr. Humphrey knows that this price must be discounted at least 3 cents for transportation and other factors to be competitive with Inco's Port Colborne price of 75 cents for nickel sinter. In fact, and Mr. Humphrey would have to admit it, the Government could not realize more than 72 cents per pound for its Hanna nickel if sold on today's market.

The arithmetic is rather simple: The Government paid Hanna 91 cents per pound and the metal is worth today 72 cents per pound. On 108,006,696 pounds, the difference amounts to $20,521,272. That is the amount of money the Government paid to Hanna over and above the present value of the nickel received. Likewise, on every pound of Hanna nickel that the Government sells today, it will incur a loss of 19 cents.

Despite these facts, as established in the record, Mr. Humphrey finds it possible to testify as follows:

On page 622, the Senator from Maryland [Mr. BEALL] said:

> Then actually what the Government has in the stockpile is worth today as much as they paid for it during the days of production.

Mr. Humphrey responded:

> Well, it is worth more right at the moment.

Eleventh. George M. Humphrey, in the last analysis, dictated the principal terms of these contracts, and had final authority, responsibility, and decision on these contracts.

Mr. Humphrey, in his statement and testimony, raised the question of his personal participation in the making of these contracts. His testimony on this point would seem to require further explanation.

On page 647, Senator CANNON asked:

> Were you aware of the fact, if it was a fact, that GSA was rushing the signing of these contracts prior to your being approved by the Senate?
>
> Mr. HUMPHREY. I do not know.
>
> Senator CANNON. You have no knowledge on that?
>
> Mr. HUMPHREY. No.

Yet, on page 684, Humphrey testified he told Howard Young that the contract, if not signed, "had better be before I take office," and that this conversation took place in December 1952, after it was announced that Humphrey would be the new Treasury Secretary.

Also on page 684, queried on his personal participation in negotiations, Mr. Humphrey said:

> I never talked to anybody outside our own people about it, except I had one conversation.

Referring to his meeting with Young.

Despite Mr. Humphrey's assertion that this was his only conversation with Mr. Young, the evidence is to the contrary. On page 688, Mr. Coburn inserted in the record a letter dated July 30 which refers to Mr. Howard Young's conversation with Mr. G. M. Humphrey. Mr. Humphrey testified in response to that letter:

> I don't remember it. I think he told me on the phone about something, and I don't remember what it was. It was not of enough importance to make an impression on me I did not have anything to do with this. I was not involved in it, and I didn't want to have, except to see that they didn't make a foolish deal if I could help it.

Mr. Humphrey's statement here that he had nothing to do with this contract, and was not involved in it is hard to reconcile with his other testimony. On page 645, when queried about his role and participation in the contract negotiations, Mr. Humphrey said:

> All I did was to advise them as to their final action, as to what they should and should not do in final action.

Questioned further, on page 692 by Mr. Coburn concerning the extent of Mr. Humphrey's participation in the negotiations, Mr. Humphrey said:

> I don't think I got into tactics or moves or anything of that kind, but I knew what they were doing, and they talked to me about what they were doing and what they proposed to do, and some of the things that I said OK and some of the things I said, "No, you can't."

Mr. Coburn then asked:

> Did you make a final decision—final decisions?
>
> Mr. HUMPHREY. I did.
>
> Mr. COBURN. On the principal aspects?
>
> Mr. HUMPHREY. I did.
>
> Mr. COBURN. Of these contracts?
>
> Mr. HUMPHREY. I did on every bit of the business, yes.
>
> Mr. COBURN. The principal features had to be acceptable to you.
>
> Mr. HUMPHREY. That is right.
>
> Mr. COBURN. Is that an accurate statement? I am not trying to put words in your mouth.
>
> Mr. HUMPHREY. That is correct, I said, "Yes" or "No" at the end.

This statement is likewise difficult to reconcile with Humphrey's testimony before the Senate Committee sitting on Humphrey's confirmation hearing as Secretary of Treasury.

Mr. CANNON. Madam President, will the Senator yield?

Mr. ENGLE. I am glad to yield to my friend, the junior Senator from Nevada, because I intend to quote some of his questions with reference to that particular matter.

Mr. CANNON. I thank the Senator for yielding. Who was the Mr. Young referred to by the Senator in the conversations?

Mr. ENGLE. He was Mr. Howard Young, Deputy Administrator of the DMPA.

Mr. CANNON. Was he the person responsible for signing on behalf of the Government, or the one who handled the negotiations on behalf of the Government?

Mr. ENGLE. That is correct.

Mr. CANNON. I noticed very recently in an article published in the Sunday, August 19, issue of the Washington Post entitled "Truman Aid Defends Humphrey, Contract," a reference to Mr. Young. I wonder if Mr. Young himself will be called before the committee to testify concerning his relationship insofar as this matter is concerned.

Mr. ENGLE. His testimony has been requested. The chairman has indicated that he will call him when Mr. Young's physical condition permits him to appear. Mr. Young has had a serious operation for a detached retina, as I understand. Although he is up and about, he must be careful. He must especially avoid strain or stress. In deference to his health, he has not been called so far. The chairman gave adequate assurances to the distinguished Senator from Connecticut [Mr. BUSH] that at an appropriate time Mr. Young would be called.

Mr. CANNON. I believe the Senator said that the contracts were signed after the appointment of the Secretary of the Treasury has been announced.

Mr. ENGLE. As I recall the testimony the announcement was made in mid or late November 1952. The contracts were signed on the 16th day of January. Mr. Humphrey was sworn in as Secretary of the Treasury 4 days later, on the 20th of January.

Mr. CANNON. The reason why I asked the question is that the article quotes Mr. Young. It states:

> Young, who said he contributed about $4,000 to the GOP campaign chest while working under the Democrats, told UPI he knew of no such instructions. He also asserted that the fact that he had known Humphrey for 20-odd years and regarded him as a friend did not influence the Hanna stockpile negotiation.

The reference to "no such instructions" was to a statement that the Senator from Missouri [Mr. SYMINGTON] made that somebody on high had given word to "make this deal as the Hanna people want it."

Is the Senator familiar with that statement?

Mr. ENGLE. No, I am not familiar with that particular matter.

Mr. CANNON. I presume those questions will be gone into fully with Mr. Young when he appears before the commitee.

Mr. ENGLE. I have no doubt about it at all, and I believe he should and will be called.

On page 652, Senator CANNON stated:

> Now, at the time you went before the Senate committee, of course, the contract having only been signed over the weekend, that information was not fully under discussion or was not brought out to any degree?

And again on page 653, Senator CANNON said:

> At the time you went before the Senate committee, there was no detailed discussion of these contracts, as I understand it, because it was Friday?
>
> Mr. HUMPHREY. That is right, no detailed discussion at all.
>
> Senator CANNON. The only reference was where you said: "Mr. Humphrey, I would not want to leave this meeting without referring to one thing that really is not germane to the subject at all, but it has been mentioned in the newspapers, and I think it should be brought out here before you. The Hanna Coal & Ore Corp. is opening a nickel deposit out on the west coast under a deal with Defense Minerals, and that arrangement has all been made and it is completed, and they are opening a nickel deposit in Oregon. This is made under Government contract for the sale of nickel. I just want to bring it up. As I say, it has no connection with me except that it is the thing that has been in the newspapers, and I think it should be mentioned.

> I have no connection with it whatever." That was the only reference to it?
>
> Mr. HUMPHREY. That is the only reference there was. You see, it is a very small item in our total, just a very small, little thing in the total, and I think that nobody paid any more attention to it than that.

Since Mr. Humphrey testified, as quoted above, that he made the final decision on these contracts, that he said yes or no at the end, and the contracts were just signed 3 days before his confirmation hearing, I do not understand how he could tell the Senate committee, "I have no connection with it whatever."

Mr. CANNON. Madam President, will the Senator yield?

Mr. ENGLE. I am glad to yield.

Mr. CANNON. The Senator from California has said that the contracts were signed only 3 days earlier. What day of the week were the contracts signed?

Mr. ENGLE. The contracts were signed on Friday the 16th.

Mr. CANNON. All four of the contracts?

Mr. ENGLE. Yes, all four of the contracts.

Mr. CANNON. The Saturday following, of course, was a nonworking day or the beginning of a weekend, and Sunday was part of the weekend. Was it the following Monday when Mr. Humphrey appeared before the Senate committee?

Mr. ENGLE. Yes, that is correct.

Mr. CANNON. So the contracts had been signed on Friday and he came before the committee for confirmation on Monday?

Mr. ENGLE. The Senator is correct. That is precisely the way it was.

Twelfth. And finally, these contracts were signed just days before Humphrey became Secretary of the Treasury, by his own testimony, on his final orders, and on his orders to the Government that they must be signed before he became Secretary of the Treasury since it would have been improper had they been signed after he became Secretary of the Treasury.

In his own testimony Mr. Humphrey stated that he told Howard Young, sometime in December, that the contracts had to be signed before he took office, and that he gave orders to his company officials to get the contracts signed before that time. He further testified it would have been improper to have signed the contracts after he became Secretary of the Treasury.

Senator CANNON on page 647 asked—and this is the matter to which my friend has alluded:

> Would you have felt it would have been proper for the Government to enter into and sign these contracts after you were appointed Secretary of the Treasury?
>
> Mr. HUMPHREY. I do not think they would have done it. I do not think I would let them do it.
>
> Senator CANNON. In other words, if they had waited from Friday until Tuesday——
>
> Mr. HUMPHREY. The deal would have been off.

The burning question that remains is, Why does Mr. Humphrey think that it was proper to execute these contracts on January 16, and yet that it would be improper to execute them 4 days later on January 20 when everyone had known since the middle of November that he would be the Secretary of the Treasury?

Based on the detailed record I have cited, certain conclusions are evident to any fair-minded person.

The Hanna nickel contracts came under investigation at the request of two prominent members of the Republican Party. Comptroller General Joseph Campbell and Senator JOHN J. WILLIAMS of Delaware raised serious questions about whether the Government's interest had been protected.

The investigation was not a personal vendetta against George Humphrey or any other individual. It focused on the contracts, not on Mr. Humphrey, except insofar as he was in control of the Hanna companies during contract negotiations, made all the final decisions, and realized personal profits therefrom.

Mr. Humphrey himself insisted on appearing before the subcommittee. When he did so, the subcommittee extended every courtesy and did not seek to embarass him personally. Instead, it was he himself who made his personal conduct and integrity an issue. It was he who first raised the spectre of political machinations. It was he who attacked the subcommittee's motives—all this, obviously, in an effort, in part successful, to divert attention from the central issue: were unconscionable profits reaped from contracts, the terms of which were adverse to the national interest?

It is undisputed that the Government assumed all the risk, exposing itself to a liability upwards of $30 million, while Hanna took no risk and was guaranteed by the Government against any financial loss.

It is likewise undisputed that Hanna misrepresented its estimated costs of producing ore, and thereby secured a higher price for the ore from the Government.

It is fairly obvious that the extremely complicated corporate and contract arrangements were demanded by Hanna in order to obtain the maximum tax benefits, with a consequent loss of revenue to the Government.

Humphrey's own testimony establishes that his family had a 14 percent interest in the mine and smelter. Whatever the windfall was on the smelter, and whatever the profit was on the mine, the Humphrey family enjoyed a benefit of 14 percent of that windfall and that profit.

There remain four principal areas of disagreement. The subcommittee auditor says the Hanna Mining Co. netted, after taxes, over $10 million. Hanna, while not disputing that this may be what their income tax returns show, insists they made only $7,500,000.

Mr. Henson testified that certain records subpenaed by the subcommittee were either destroyed or not produced. Hanna denies this.

Mr. Henson testified that Hanna netted a $17 million windfall when they acquired the smelter for $1.7 million. Hanna does not say what they think the smelter is worth to them, but do disagree with Mr. Henson's appraisal.

Mr. Henson gave detailed testimony, and many documents from the Hanna files were introduced to show that Hanna misrepresented their operating costs, thereby billing the Government over $1 million for purchases of capital assets which Hanna should have paid for out of their own pocket. Hanna did not give any detailed rebuttal of this evidence, but did make a general denial and insisted the items were properly expensed and chargeable to the Government.

In order to resolve these conflicts in testimony, Senator SYMINGTON adjourned the hearings so that further investigation could be made and additional records examined. The hearings will resume when this has been done. The subcommittee intends to find out just what the facts are on these conflicting points, and just who is telling the truth.

Let me say that this body and the country owe Senator STUART SYMINGTON, who unhappily is in the hospital at this time, a debt of gratitude for the constructive, able, and intelligent effort he is making to get to the kind of conclusions that we ought to get to on a matter which involves billions of taxpayers' dollars.

Mr. PROXMIRE. Madam President, will the Senator yield?

Mr. ENGLE. I yield.

Mr. PROXMIRE. As I understand, the family of former Secretary of the Treasury, Mr. Humphrey, owns some 14 percent of the Hanna Co., and therefore it might properly be charged with 14 percent of that investment and a 14-percent profit, both the profit on the operation and then the windfall profit on the smelter, which has a value of $16 million. Is that correct?

Mr. ENGLE. That is correct.

Mr. PROXMIRE. As I calculate the figures, prorating investment and profit, this family invested about three-quarters of a million dollars and enjoyed a profit of about $4 million. I am not holding the Senator to the accuracy of my calculations. I want to establish whether these facts are true, that the Hanna Co., had provided for certain very advantageous tax arrangements through depletion, so they would maximize their aftertax profits. Is that correct?

Mr. ENGLE. That is correct. Instead of running it through one company, they had two companies, and the purpose of it was to funnel the profits into the mining company, where they could take advantage of the depletion allowance. The gross depletion allowance which they received on the ore they mined was something in excess of $5 million. I asked the General Accounting Office accountant what this boils down to when we project it into a tax saving. The figure I got was about $1,200,000.

Mr. PROXMIRE. In the second place, as I understand, Mr. Humphrey testified very emphatically, and he made sure that this was the situation; namely, that there was no risk whatever to his firm or to himself, and that at the same time the Government had about a $30-million risk involved, and that the Government assumed the full liability, which is about $30 million, but that there was no risk to the Hanna Co., or to Mr. Humphrey. Is that correct?

Mr. ENGLE. That is correct. He testified to that himself. The Government faced the risk of approximately $30 million. I had the figures in my statement, but just to give them roughly, it was something like $26½ million in the smelter. That was $22 million plus interest. There was also the return from investment, of $3.6 million.

Then, if they had to take over the contract, if the smelter process did not work, they would have to pick up more than a million dollars of liability on the power contracts which had been entered into. So the total liability of the Federal Government was in the neighborhood of $30 million. The Hanna Co. had no risk at all. Hanna would get back his $3.6 million in any case. Even on their own figures, they made profits of 30 percent on their cost figures. I gave them in detail here in the statement, when I showed the phenomenal profits. The Senator was on the floor, and he expressed amazement at the figures when I recited them.

Mr. PROXMIRE. Yes, a profit of 457 percent on invested capital.

Mr. ENGLE. Yes.

Mr. PROXMIRE. It would seem to me that this was a rather sharp business deal, and enormously advantageous to Mr. Humphrey as a businessman. However, I would say that at this point the burden of responsibility should be on the Government officials who permitted this kind of unconscionable contract to have taken place. But this was not the end of it. There are other facts adduced by the Senator from California. That brings the Humphrey action into serious question. The Senator points out that there was deliberate misrepresentation by Hanna to the Government of the cost of producing the ore by the Hanna Co. to the Government. Now we move into a serious ethical question involving Mr. Humphrey. In view of the emergency the Hanna Co. was able to and did in fact make these misrepresentations which were very difficult for the Government to check out. Is that correct?

Mr. ENGLE. The Government could not check them out. The Government did not have access to the Hanna Co. documents. The Hanna Co. submitted figures to the Government with respect to the cost of producing this ore, figures which were directly contradicted by confidential documents in their own files, which subsequently came to light.

Mr. PROXMIRE. In the second place, in "expensing" their capital equipment, they acted in a way that was not authorized by the contract; and, again, there was a deliberate misrepresentation and overcharge. Is that correct?

Mr. ENGLE. That is correct. They took capital items that had been listed on the books as capital items and ran them through as expense items at the very time they were trying to get the Government to raise the price they were charging for ore.

Mr. PROXMIRE. Finally, in addition to misrepresentation, the General Accounting Office charges that records which would be vital to check on this operation were destroyed.

Mr. ENGLE. That is exactly what the General Accounting Office said. Mr. Henson said that records covering the period 1952, 1953, and 1954 were destroyed, although not all of them. He did not say that all of them were destroyed, but that records were destroyed and notations on cards were destroyed. They were destroyed after the President of the United States had said he wanted the Committee on Armed Services to look into this situation. They were records which he testified were of vital importance to determine exactly what took place.

Mr. Humphrey has denied that. He denies that any records were destroyed. He made that denial under oath, and the General Accounting Office accountant testified under oath. We intend to find out the truth about this situation.

Mr. PROXMIRE. So there was misrepresentation both as to the cost of producing ore and of "expensing" capital equipment. There was an allegation of destruction of records; and here is the telling tie-in, Mr. Humphrey testified that he himself dictated the terms and had the final authority and responsibility for making all decisions.

Mr. ENGLE. That is correct. At the time when he testified before the Committee on Finance with respect to the confirmation of his nomination, he said he did not have anything to do with it.

I agree that Government officials who permit this kind of contract to be made have a responsibility. But I think, also, that we ought to keep in mind that at that time we were engaged in a war. Nickel was desperately needed for the construction of jet aircraft engines. The only pile of nickel in the United States was owned by Hanna and was located at Riddle, Oreg. The Hanna Co. was in a position to dictate extremely hard terms, and it did dictate hard terms. If the testimony we have before us with respect to profits is correct—and I believe it is—they made an extremely hard deal at a time when American boys were being shot in Korea. I do not say that the Hanna Co. did anything illegal; but I also say it should rest hard and heavy on the conscience of any corporation which would make this kind of profit during a time when the United States had youngsters over in Korea, fighting for their lives.

This is the case. There may be something in the income tax area. The Senator from Missouri [Mr. SYMINGTON] mentioned it. But it has not been said that what the Hanna Co. did was illegal. The Hanna Co. may have to pay more income taxes on the basis of some of the disclosures, and they may owe the Government some money for misrepresenting costs; but I say it should rest heavy—it certainly would on me—upon the conscience of any businessman to be associated with this kind of arrangement at a time when our country was at war and at a time when the material which was involved was vital to the lifeline of the Nation for the construction of jet aircraft engines.

Mr. PROXMIRE. I think this is a very useful contribution. The Senator from California has done a fair, objective job of adducing all the evidence in an extremely complicated case. It seems to me that what he has said is very persuasive. Not only was the Hanna Co. in a position to provide or withhold the only nickel available, and it drove a bargain of amazing exploitation, but Hanna was alone in a position to have the facts and therefore to misrepresent the facts, and only did in fact misrepresent those facts.

As the Senator charges—and I think he has documented the case well because the facts were misrepresented—a contract was made which was highly adverse to the interests of the country, but fantastically favorable to the financial interests of a man who literally a few hours later became the Secretary of the Treasury of the United States.

I thank the Senator from California for yielding.

Mr. ENGLE. I thank the Senator from Wisconsin for his contribution to the discussion.

I now yield to the distinguished Senator from Nevada.

Mr. CANNON. I, too, wish to commend the Senator for placing this matter in proper perspective, in order that everything connected with it may be drawn together so that we may determine what the situation is in relation to the nickel contract. The Senator from California has made a very objective presentation. It will be to the advantage of the American public to have this investigation placed in its proper context.

In addition to the items which the Senator from California has outlined, was there a provision in the contract for rapid tax amortization?

Mr. ENGLE. There was. I shall be glad to read that into the RECORD.

Article XIV, item 5, page 14, reads, in part:

> This contract may be terminated if the Contractor so elects in writing within thirty days * * * (b) if the Contractor is unable to obtain within sixty (60) days from date hereof a satisfactory certificate or certificates of necessity pursuant to section 124(a) of the Internal Revenue Act, as amended, for not less than 85 percent of the cost of the Facility subject to depreciation.

This item is different from the depletion allowance which I discussed with the Senator from Wisconsin. That is a 23-percent allowance for taxes for mining operations. That is why this corporate setup is so interesting. If all the profits could be run through the mining companies rather than the smelter, the amount of tax saving from depletion they could get would, of course, be greater if part of the profits were retained by the smelter, since no depletion allowance would be available to smelting profits. But this is a different situation. This is a case of a fast tax write-off. I understand that the Senator from Nevada wishes to discuss this subject.

Mr. CANNON. I do.

Mr. ENGLE. I yield to the Senator for that purpose.

Mr. CANNON. In other words, the corporation got a depletion allowance by way of tax benefit to cover the depletion of the minerals it had.

Mr. ENGLE. That is correct.

Mr. CANNON. There was no risk in relation to the contract, because the Government assumed all the risk. The company made extremely high profits, as has been pointed out; and, in addition, it insisted, as a part of the condition of the contract, as the record disclosed, that it have an 85-percent tax amortization agreed to by the Internal Revenue Service, or else it would cancel the contract.

Mr. ENGLE. That is correct. In other words, if this contract could not be written off fast—and that meant over 5 years, up to 85 percent of the value—it could cancel the contract. That leads me to believe that the Government's arm was twisted. I believe the Senator from Nevada has a letter he wishes to place in the RECORD.

Mr. CANNON. I brought up that point because on May 2, 1956, while Mr. Humphrey was Secretary of the Treasury, he wrote a letter to Dr. Arthur Flemming, Director of the Office of Defense Mobilization, which I shall offer for the RECORD after I have read a part of it. I read from the second paragraph:

> However, so far as the tax amortization situation is concerned, I am absolutely opposed to it and will oppose it in every way I can. It is an unfair and improper way to cover subsidies that should be paid right out in the open.
>
> If it is desirable to pay a subsidy either through price or in other ways directly by you from your funds to stimulate nickel production, that is a matter for you to decide and upon which I express no opinion. But the tax laws are for the purpose of raising revenue fairly from all taxpayers and it is absolutely unfair and improper to give special tax advantages to cover up a subsidy.
>
> I hope, therefore, that there will be no effort made to reestablish tax amortization as an incentive.
>
> Yours very truly,
>
> GEORGE M. HUMPHREY.

If Mr. Humphrey, who said he dictated the terms of this agreement, or that the terms of the agreement were subject to his approval, insisted on an 85-percent tax amortization provision for the benefit of the Hanna Co., why, on May 2, 1956, did he think that such a provision for other businessmen was not good?

That confirms the statement I made earlier. This company was trying to have its cake and eat it too. Does the Senator care to comment on that?

Mr. ENGLE. Yes, I would; for, in addition, he was granted the depletion allowance.

As to the necessity for a fast amortization, he said that if he did not get the certificate to do it, the contract would be terminated. So he got one for 85 percent. However, most of the companies which during the same period of time got such certificates never got one for more than 42 percent; that was the standard used at that time to encourage these businesses. It was limited to 42 percent. But in came Mr. Humphrey, just a few days before he became Secretary of the Treasury, and he got one for 82 percent. He said if he did not get it, the contract would be terminated.

Then he wrote a letter in which he stated that it was in fact improper and unfair for people to do that.

I have said the rule was 42 percent. Forty-two percent was the average which was granted throughout the Nation during that period of time. But he insisted on getting 85 percent, and he got it.

Mr. CANNON. Madam President, I ask unanimous consent to have the entire letter printed at this point in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

> THE SECRETARY OF THE TREASURY,
> *Washington, May 2, 1956.*
>
> Dr. ARTHUR FLEMMING,
> *Director, Office of Defense Mobilization, Washington, D.C.*
>
> DEAR ART: Mr. Robbins has just advised me of the meeting this morning concerning the nickel situation. As you know, this is a determination in which I personally wish to take no part, and I have turned the matter over to Mr. Robbins to act as in his judgment seems best with respect to the desirability of increasing supplies and appropriate steps to accomplish it.
>
> However, so far as the tax amortization situation is concerned, I am absolutely opposed to it and will oppose it in every way I can. It is an unfair and improper way to cover subsidies that should be paid right out in the open.
>
> If it is desirable to pay a subsidy either through price or in other ways directly by you from your funds to stimulate nickel production, that is a matter for you to decide and upon which I express no opinion. But the tax laws are for the purpose of raising revenue fairly from all taxpayers and it is absolutely unfair and improper to give special tax advantages to cover up a subsidy.
>
> I hope, therefore, that there will be no effort made to reestablish tax amortization as an incentive.
>
> Yours very truly,
>
> GEORGE M. HUMPHREY.

Mr. CANNON. Madam President, will the Senator from California yield further?

Mr. ENGLE. I yield.

Mr. CANNON. It seems to me this situation also raises the question of the propriety of having a person enter the Government service and at the same time retain stock in a company or companies doing business with the Government, so that he had an opportunity, let us say, to gain an advantage. I should like to have the Senator from California comment on that point, because I know that during his service on the Armed Services Committee, many, many officials entering the Government service have been required to divest themselves of stock holdings, because they might stand to gain by reason of the contracts of those companies with the Government. Would the Senator from California care to comment on the propriety of that, insofar as this subject is concerned?

Mr. ENGLE. I certainly would. Mr. McNamara, the present Secretary of Defense, was before us. He gave up hundreds of thousands of dollars' worth of stock, in order to take that position. The same was true of his predecessor, under the Republican administration.

Mr. Humphrey says he was not asked by the Senate Finance Committee to give up his stock, and says the law does not require that he do it. But he sat as a member of the Defense Mobilization Board, as an ex officio member, as Secretary of the Treasury. The Defense Mobilization Board had direct interest and influence in the operations under these various contracts.

Incidentally, the contract we are now discussing was amended from time to time while Mr. Humphrey was Secretary of the Treasury.

Whatever may be the law with reference to the Secretary of the Treasury—and the other day Mr. Humphrey pointed out that the law with reference to the Secretary of the Treasury is somewhat different from the law with reference to others—it seems to me that when he has stockholdings which are influenced directly by operations in the area in which he has a responsibility to act—such as as a member of the Defense Mobilization Board—it was his responsibility either to get rid of the stocks or to get off the Board.

Mr. CANNON. I agree entirely with the Senator from California. I think it entirely improper for a person to serve in a governmental capacity in which there might be a conflict of interest, in circumstances in which he might stand to gain by reason of his stock interest in a company doing business with the Government.

Mr. ENGLE. Madam President, I appreciate the comments the Senator from Nevada has made. He has been a most valuable and most diligent member of the subcommittee, as is indicated by the transcript of the hearings, for his name appears very often in them. I refer to the hearings of the Stockpiling Subcommittee and its activities in regard to the matter I have discussed this afternoon.

Madam President, I yield the floor.

Mr. BUSH. Madam President, I regret very much that this question has come before the Senate today, when the Senator from Missouri [Mr. SYMINGTON] is in the hospital, because he is a central figure in connection with the Stockpile Subcommittee's investigation.

It was suggested to me, following the "blowup" of last Friday in the committee, that because the rights of citizens had definitely been impinged upon and because the rights of Senators had likewise been denied, I should go to the floor of the Senate and register a protest. I declined to do so, because of the fact that the Senator from Missouri [Mr. SYMINGTON] could not be present. So I did not do it; and I am very sorry that Senators on his side of the aisle have brought up this question at a time when he is not present.

However, since they have brought it up, I cannot, in fairness to the entire situation, refrain from making some comments about it. However, I shall not detain the Senate very long.

Madam President, this case is being prejudged. The committee has heard only one side of it. The committee has not heard anything from the policymaking officials of the administration who were in charge of this branch of the Government when these contracts were made. I refer not only to the nickel contract, but also to the chrome contract and to other contracts which have come under scrutiny in the committee. No policymaking officials of the administration have been called as witnesses to explain why the contracts were considered to be in the interest of the Government of the United States.

Mr. Howard Young, the Deputy Administrator, was recently quoted in the newspapers as saying that it was a good contract; and he spoke very favorably of the Hanna Co. for accepting it, and he spoke in the highest terms of Mr. Humphrey. But Mr. Howard Young has not been called before our committee. Yet we have been in session since March 1, I believe—a period of 5½ months. Certainly Mr. Young has not been an invalid during all that time. I do not wish to make a request which, if complied with, would imperil his health; but I have repeatedly asked why neither Mr. Young nor Mr. Larson, then the Deputy Administrator of GSA, has been called before the committee. I have demanded that they come there.

It was merely stated that it was not thought that Mr. Young knows enough about the matter to be able to contribute to the committee's deliberations.

I seems to me very strange that the man who was in charge and had the chief responsibility should be writing contracts in the name of the U.S. Government—contracts which now are severely challenged by our friends on the other side of the aisle—without his knowing at least what the policy was.

But despite the fact that I am told he has been around town, within the country, and even within the District, no opportunity has been given for him to appear, and no opportunity has been given Members of the Senate to hear what he has to say about these contracts.

Mr. CANNON. Madam President, will the Senator from Connecticut yield?

Mr. BUSH. If the Senator from Nevada wishes to have me yield on this point, I yield for a question.

Mr. CANNON. I should like to ask the Senator from Connecticut whether he wishes the Record to show that the hearings on the nickel contract have been in progress for several months, as he indicated, or whether he wishes to correct the Record, so as to have it show clearly that the hearings on the nickel contract have been in progress only a short time?

Mr. BUSH. I referred to the nickel contract and to other contracts. In my remarks a moment ago I referred to the nickel contract and to the chrome contract and to other contracts which have been under scrutiny by the committee. The nickel contract is one.

Madam President, this case is being prejudged, because on Thursday afternoon, following the testimony of Mr. Humphrey before our committee, he was then prepared to put competent expert witnesses on the stand so that they might answer some of the specific charges that have been made against the Hanna Co. respecting these contracts. I remember two specifically. One was that the records had been destroyed; and the second was that items had been expensed instead of charged to capital accounts, and so forth.

He had expert witnesses on hand to explain, on behalf of the Hanna Co. exactly what took place.

The distinguished Senator from California, in his closing remarks, said Hanna did not give any detailed rebuttal of this evidence, but did make a general denial, and said the items were properly expensed and charged to capital accounts.

Hanna was ready to give detailed answers, but never had a chance to do it. The hearings were abruptly cut off on Thursday evening. Mr. Shiff, head of the records company, who for many years had been employed by Hanna and some 399 other companies in this country to supervise their records, to tell them how to keep their records, to tell them what records to keep and for how long, and which records could be destroyed with impunity and propriety, was ready to give his testimony. It would not have taken very long. But he was cut off on Thursday evening, at the close of a day on which, it seemed to me, and I think to most impartial observers, the company had acquitted itself very well. It had not sought to conceal anything. Mr. Humphrey had been outspoken and frank in response to all questions of the committee, and I think gave every evidence of trying to cooperate with the committee and give a full explanation of everything that was under question.

So I say the case is being prejudged. The accountants, Ernst & Ernst, were present. Who are Ernst & Ernst? They are certified public accountants. They are well known throughout the profession, in American industry, in the financial industry, financing, and by anybody else who uses public accountants. It is one of the outstanding firms in the Nation. They were ready to go on the stand to explain why certain items were expensed instead of charged to capital accounts. But they were not given an opportunity to do it.

My feeling is that there are those who are attempting to prejudge this case, and I cannot help but feel that bringing this matter to the Senate floor and putting these long excerpts into the Record is an attempt to influence public opinion against these witnesses, and, indeed, to prejudge the case, as I said before.

Mr. ENGLE. Madam President, will the Senator yield for a question?

Mr. BUSH. I yield for a question.

Mr. ENGLE. Does not the Senator think we have a right to put the picture in correct perspective when Mr. Humphrey makes a statement that the hearings were politically motivated, that we did not dare attack President Eisenhower, and therefore we were attacking him, and that this was a stab in the back? That is the posture in which the case was left.

Mr. BUSH. Did Mr. Humphrey make those statements before the committee?

Mr. ENGLE. He made them, as I understand, to the Christian Science Monitor, and they were referred to by the Senator from Missouri [Mr. Symington] in the statement that he made before the committee on the last morning, and the Senator from Missouri asked him if he made those statements, and he said he did make them.

Mr. BUSH. That is correct.

Mr. ENGLE. The Senator from Missouri [Mr. Symington] was scheduled to go into the hospital the next morning. He is in the hospital now. It seems to me, in the light of the fact that the hearings had blown up on that basis, that some Senator ought to rise on the floor of the Senate and bring the Record up to date. We will go on with the hearings. There is no question about that. That has been promised. The Senator from Missouri [Mr. Symington] made a statement to that effect.

Mr. BUSH. Has it been indicated to the Senator when the hearings will be resumed?

Mr. ENGLE. It has not been indicated to the Senator from California when the hearings will be resumed, but I assume it will depend upon the recovery of our chairman.

Mr. BUSH. Does the Senator assume that they will be resumed immediately after the recovery of the chairman?

Mr. ENGLE. I assume they would be resumed as soon as our chairman was physically able to go forward with the hearings. I am sure that is what he has in mind, after some investigation, I presume, with respect to some of the disputed items which were mentioned in the final statement he issued.

Mr. BUSH. I join the Senator in the hope that they will be resumed as soon as the chairman has recovered. My assumption is that the Senator from Missouri is likely to be laid up for 2 weeks.

Mr. ENGLE. A little more than that. Will the Senator yield further?

Mr. BUSH. I yield.

Mr. ENGLE. The statement I made today was with the knowledge and approbation of the Senator from Missouri [Mr. Symington], chairman of our committee. I think the Record should indicate that.

Mr. BEALL. Madam President, will the Senator yield for a question?

Mr. BUSH. I yield.

Mr. BEALL. Is it not a fact that the Record shows that the current Vice President of the United States, in 1957, when he was a Senator from Texas, investigated the nickel hearings, and the Hanna Co. in particular; and is it not a fact that at that time the Hanna Co. was commended for the work it was doing? Was there anything in the hearings critical of the Hanna Co.?

Mr. BUSH. I do not recall that there was. I do recall that Senator Johnson was involved in the case, along the lines the Senator from Maryland has suggested.

Mr. BEALL. He was chairman of the committee.

Mr. BUSH. I am very glad the Senator has brought that point out.

Madam President, I go back to my point about the prejudging of the hearings. I wish to emphasize again that in denying the Hanna Co. the right to complete its case on Friday, a great injury was done to it. I feel that this is an instance in which the Senate committee has violated the rights of witnesses. No matter what provocation there may be by virtue of statements that have been made away from the committee room, or what someone may have said in a statement made in anger, perhaps, a violation of the rights of witnesses before a committee should not take place.

A few years ago, in 1955, I submitted a resolution for revision of the rules of the Senate which would provide for fairness and justice in the preservation of rights of witnesses before committees. I resubmitted it on two or three occasions, but, unfortunately, it rests in the Rules Committee.

As a result of the submission of that resolution at that time, and other matters which took place about that time, Senate committees have been rather more respectful of the rights of witnesses. I have heard very few complaints, until last Friday, when we had the unfortunate termination of the hearings in the atmosphere that we viewed.

I also think the rights of Senators were abused. I remind my colleagues on the committee—the Senator from California [Mr. Engle] was not there at the time, I believe—that I insisted that the committee should not adjourn without a vote. It seemed to me we should have had a right of a vote on adjournment. I was denied a vote by the chairman.

I want to read into the Record at this point a quotation from the rulemaking provisions of the Legislative Reorganization Act of 1946, under the title "Committee Procedure," paragraph 44.2 under that title, section 133(b):

> Each such committee shall keep a complete record of all committee action. Such record shall include a record of the votes on any question on which a record vote is demanded.

I demanded a vote, and we were not given it.

I think my point of not prejudging the case is also sustained by the distinguished Senator from South Carolina. Though he is not present in the Chamber, the record of that morning shows he made a statement before adjournment—and I quote the remark by the Senator from South Carolina [Mr. Thurmond]:

> I just want to make this statement. As a member of this investigating committee, I am not here to defend Mr. Humphrey and I am not here to prosecute Mr. Humphrey. I want all the facts to come out. It appears to me that maybe some conclusions are being drawn here prematurely.

I fully agree with that.

Madam President, I ask unanimous consent that at the conclusion of my remarks the report of proceedings of the hearings held before the Subcommittee on the National Stockpile and Naval Petroleum Reserves of the Committee on Armed Services, Friday morning, may be printed in the Record in full.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Connecticut? The Chair hears none, and it is so ordered.

(See exhibit 1.)

Mr. BUSH. Madam President, I shall have to confess with regret that I have said publicly that I think this business has been somewhat of a political exercise, and I have given some of the reasons why I think it has been that way, including my remarks this afternoon.

There have been a good many comments in the press on this situation since the "blowup" of last Friday. I have before me an editorial from the New York Post of Monday, August 20. I read in part from that editorial:

> The subcommittee, controlled by Democrats, was clearly out to get Humphrey—to try to nail him with a charge of profiteering while he was in the Cabinet.
>
> But in 5 hours of testimony they never touched him with a glove, as even Symington was willing to acknowledge.
>
> And this got to be so frustrating—or perhaps embarrassing, depending on your political view—that the Democrats had to find a way of fighting back.
>
> Symington said privately, "I felt I had to do something dramatic."
>
> He did—in dismissing Humphrey and temporarily calling off the hearings, accusing Humphrey of impugning the "motives of the Senate" by suggesting the hearings were politically inspired.

Madam President, I do not wish to take this language out of context, so I ask unanimous consent that the entire editorial may be printed in the Record at the conclusion of my remarks.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Connecticut? The Chair hears none, and it is so ordered.

(See exhibit 2.)

Mr. BEALL. Madam President, will the Senator yield?

Mr. BUSH. I yield to the Senator from Maryland.

Mr. BEALL. I should like to call attention to another editorial from the Cleveland Plain Dealer, dated Saturday, August 18, 1962, and entitled "Symington Blows His Top":

> The basic issue in the controversy over the M. A. Hanna Co.'s contract to supply the Government with nickel seems to be one of whether the company's profit was reasonable or exorbitant.
>
> The background is that in 1948 Hanna acquired the only known source in the United States of nickel-producing ore and began engaging at that time in research and experiments on production. Along came the Korean war and the Government asked Hanna to embark on a crash program of production. Hanna would have preferred to build a pilot plant first, in view of the risk involved. But the Government was in a hurry, and so a contract was negotiated which in effect guaranteed Hanna against any loss.
>
> It is well to bear in mind that negotiations for this contract began during the Truman administration, before the 1952 election and long before George M. Humphrey, at that time head of the M. A. Hanna Co., had any thought of becoming Secretary of the Treasury under President Eisenhower. No political influence could have been involved and besides, as Humphrey told the Senate committee investigating the nickel deal, he did not have any influence with the Truman administration.

I think that was generally understood.

> Furthermore, the contract was signed while Mr. Truman was still President and before Humphrey became Secretary of the Treasury. Therefore it is clear that whatever profit Hanna made from the contract, whether it was reasonable or not, would have accrued to the company if Humphrey had not been a part of the Eisenhower administration.
>
> However, the way the Senate committee, headed by Stuart Symington, has conducted the investigation would indicate that political motives are involved. It takes two parties to make a contract, and if there was anything wrong with this particular contract, the Government will have to share part of the blame. But so far, the Senate committee has confined its activities to investigating the Hanna Co., not the Government. There is certainly ground for suspicion that the committee would not be so much interested in the affairs of the Hanna Co. if Humphrey had not been a member of the Eisenhower Cabinet.
>
> Humphrey voiced this suspicion when he told a Christian Science Monitor reporter that "they don't dare attack Ike directly, so they are attacking me. This is a stab in the back."
>
> It was this remark which caused Senator Symington to blow his top, charge Humphrey with impugning the dignity and purpose of the committee, and to summarily adjourn yesterday's hearing.
>
> Sometimes the truth hurts.

Mr. BUSH. I thank the Senator from Maryland. Do I correctly understand the Senator would like to have the entire editorial printed?

Mr. BEALL. Yes. I have read the entire editorial.

Mr. ENGLE. Madam President, will the Senator yield for a question?

Mr. BUSH. May I say one more thing? Then I shall be glad to indulge the Senator.

Mr. ENGLE. This is relative to the statement made by my friend.

Mr. BUSH. I yield to the Senator.

Mr. ENGLE. I should like to ask what either of my good friends think we ought to have done with the report filed by Mr. Campbell, the Comptroller General, which denounced this contract, which was placed in the Record by the Senator from Delaware [Mr. Williams]. In the report he specifically called our attention to the contract and asked us to do something about it. Were we supposed to drop it and to walk off? Mr. Campbell was appointed by President Eisenhower.

Mr. BUSH. Madam President, I am trying to say this afternoon what I think the committee should have done. The committee should have conducted itself with orderly procedure and should have given the witnesses, called to this city after long preparation and with some castigation, an opportunity to defend themselves and to explain the situation in the greatest of detail. This was denied to them. That is the procedure to which I object.

Madam President, there is one more editorial I should like to have printed in the Record, which bears directly on this situation. It was published in the Sunday Star of Washington on Sunday, August 19. The principal sentence is:

> We do not believe any fairminded person, on the basis of testimony so far presented, and the questions still to be answered, could possibly arrive at any firm conclusion regarding the propriety of Mr. Humphrey's or the Hanna Co.'s activities in the matter.

Madam President, I ask unanimous consent that this editorial also may be printed at the conclusion of my remarks.

The **PRESIDING OFFICER**. Is there objection to the request of the Senator from Connecticut? The Chair hears none, and it is so ordered.

(See exhibit 3.)

Mr. **BUSH**. Madam President, that is the nub of the situation. Fairminded people should not prejudge a case. The witnesses have not had an opportunity to make their case, to explain their side of the charges which have been made.

Again I wish to state my agreement with the Senator from South Carolina [Mr. THURMOND] that what we want is the facts. We want to get them all. We want to give witnesses fair and just treatment, which I very much regret to say I do not think the witnesses in the Hanna case have been accorded.

EXHIBIT 1

NICKEL STOCKPILING CONTRACTS WITH THE M. A. HANNA CO., CLEVELAND: THE HANNA SMELTING & REFINING CO., AND THE HANNA MINING CO.

(Hearing held before Subcommittee on the National Stockpile and Naval Petroleum Reserves of the Committee on Armed Services, Friday, August 17, 1962)

U.S. SENATE, SUBCOMMITTEE ON THE
NATIONAL STOCKPILE AND NAVAL
PETROLEUM RESERVES OF THE
COMMITTEE ON ARMED SERVICES,
Washington, D.C., August 17, 1962.

The subcommittee (composed of Senators SYMINGTON, THURMOND, ENGLE, CANNON, BUSH, and BEALL) met, pursuant to recess and subsequent postponement, in room 235, Old Senate Office Building, at 10 o'clock a.m., Senator STUART SYMINGTON (chairman of the subcommittee) presiding.

Present: Senators SYMINGTON, THURMOND, CANNON, BUSH, and BEALL.

Also present: George M. Humphrey, honorary chairman, M. A. Hanna Co.; chairman, executive committee of the National Steel Corp.

Richmond C. Coburn, chief counsel to the subcommittee; T. J. May, assistant counsel; J. H. Zimmer, assistant counsel; Edward O. McCue III, assistant counsel; and James Gehrig, special assistant to Senator Symington.

Senator SYMINGTON. This hearing will come to order.

I have a statement that I would like to read. I also have with me a copy of the Christian Science Monitor, Thursday, August 16, 1962.

As mentioned, for years, provided we could get details of the stockpile declassified, this subcommittee has wanted to hold hearings.

Last April 30 former Secretary of the Treasury Humphrey made the following statements to a Scripps-Howard newspaperman:

"This is beginning to look like a personal vendetta against me.

"First they had this nickel thing—and dropped that. I can't imagine why they would be so concerned with me. Unless it's that I stand as a symbol for sound money and a balanced budget—items that don't seem to be on those fellows' agenda."

After thinking it over and discussing it with some of the members of this subcommittee, we decided to let pass that attack.

Yesterday, however, Secretary Humphrey delivered himself of the following statement to a Christian Science Monitor newspaperman:

"They don't dare attack Ike direct so they are attacking me. This is a stab in the back."

In other words, since these hearings started, Mr. Humphrey not only disagrees with the figures as to his own and his company's profits on these contracts, but now impugns the motives of the Senate and this subcommittee.

Yesterday the subcommittee listened to a long statement from Mr. Humphrey—and then allowed him to make many speeches in reply to questions, many of which questions he did not answer.

There are some discrepancies in his testimony, however, and the subcommittee intends to obtain written clarification from him on such matters as the following:

When Mr. Humphrey appeared before the Senate Finance Committee at the time of his confirmation as Secretary of the Treasury, he stated at that time with respect to these nickel contracts:

"I have no connection with it whatever."

Yesterday, however, Mr. Humphrey emphasized that he made the final decision on the details of these contracts.

When questioned about the statement that he would have had a better deal by putting some $25 million in this mine and smelter, himself and his company, instead of having a free ride from the Government by using a pilot plant. My Humphrey, replied—and in his reply he clearly reflects his opinion of Government—"We were in the mining business and made a success of it, and GSA, or whatever the number is, didn't know anything about it."

I have been in the mining business, and I have been the president of a mining company, and I challenge Mr. Humphrey or anybody else to show how, using a pilot plant, he could have made a better deal than the one he made with the Government.

At another point Mr. Humphrey disputed the profit figures presented, and inasmuch as they were taken from the income tax files of the Hanna Co., I am requesting counsel to pursue this matter. Either the Hanna income tax returns are wrong, or Mr. Humphrey is wrong.

There are witnesses who can show why they believe this figure of $15 million profit, filed by Hanna, is actually far too low; and why they believe it is fair, based on sound accounting principles, to consider that the profits and windfalls in the contracts total at least $34 million, on a total production cost of $11,199,000.

Mr. Humphrey stated that the smelter company operated at cost, as it was supposed to do under the contract. We dispute that, and inasmuch as so many items—tractors, conveyor belts, typewriters, and so forth, were expensed out in 1 year that clearly should have been capitalized, and inasmuch as, in the opinion of counsel and the chairman of this committee, this was done for obvious reasons, we believe that the U.S. Government has a clear case against the Hanna Co., not only against their income tax returns, but also to recover at least $1 million because of faulty and improper charges that viloated the contract.

The certified public accountant who headed the team that audited these books in the Hanna Co. for a period of over 5 months states that, in his opinion, and after many months of analyses, certain records of the Hanna Co. were deliberately destroyed.

That testimony is all on the books.

The witness the Hanna Co. requested be put on the stand yesterday knew little or nothing of the details, simply made a sales talk about the importance of keeping good records, with which we agree.

This matter we also intend to pursue further.

The facts in this case at this point are clear.

For nearly a year, people at the working level in the Office of Defense Mobilization and the General Services Administration were objecting to the details of these Hanna contracts; but, as has been testified to many times under oath, the Hanna people consistently took the position, "take these terms or there is no deal," regardless of how badly the military service needed nickel at that time.

At some time between when it was announced that Mr. Humphrey would be the next Secretary of the Treasury, however—that is, sometime between the middle of November and the middle of January—the word went out from somewhere above the working level people: "Make this deal as the Hanna people want it."

And this committee intends to find out where that word came from.

Thereupon, a deal was made in which Hanna obtained every single point they demanded from the beginning.

This included the fantastic corporate setup where the Hanna Mining Co. sold ore to the Government, the Government sold the ore back to the smelting company 2 miles away, the smelting company sold the ferronickel back to the Government and the M. A. Hanna Co. took a high management fee despite the fact that some of the officers were officers in all three companies.

Mr. Humphrey's answers to questioning by counsel on this part of the contracts were especially unconvincing.

Let us remember that this contract was signed, in this way, at a time when the United States had been in a shooting war for over 2.5 years, and was still in it.

There are other matters we intend to pursue, especially inasmuch as yesterday Mr. Humphrey disputed most of the facts and figures obtained by the General Accounting Office team after a 5-month audit.

Now, let's look at what we already know about this situation.

The theory of capitalism is risk capital.

But on this deal the Hanna interests took absolutely no risk of any kind whatever.

Despite that fact, they admit, on their own income tax returns, they made over $15 million in profit, on costs of $11,200,000.

But the General Accounting Office representatives state—and they are supposed to do for the Senate what they are instructed and requested, and they are the watchdog of the Congress, and they state—after many months of audit, that actually they made profits and windfalls, the Hanna people, of $34 million on these costs of $11,200,000.

In addition, Mr. Humphrey and the Hanna people are now sitting pretty. They have their nickel mine, with most of their ore remaining. They have their smelter, all built and paid for by the Government. They have developed their nickel market with the industry they know so well. And they are now a member of the small group of companies that produce nickel and control the world nickel price.

Again, we deeply regret Mr. Humphrey's statement, which is now published in the Christian Science Monitor of this morning, which I have in my hand and which is the second attack that he has made against the motives of the Senate and this committee, the first one being last April 30.

Let me repeat this latest attack:

"They don't dare attack Ike direct so they are attacking me. This is a stab in the back."

Our reply to that is, We do not intend to let Mr. Humphrey hide behind former President Eisenhower; this because we intend to find out, once and for all, whether Mr. Humphrey, literally a few hours before he took office, gave final approval to a deal which returned to his company and to him, according to the Government auditors, over 300 percent profit and windfalls as against cost, with no risk whatever on the part of his company.

Before final determinations are reached in this matter and based on the above facts, the

American people will decide who stabbed who in the back.

In any case, the chairman of this subcommittee does not intend to have any witness, regardless of his previous position, impugn the motives of the Senate by such a remark.

This hearing is adjourned subject to the call of the Chair.

Senator BUSH. Mr. Chairman, I demand to be heard.

Senator SYMINGTON. Senator BUSH?

Senator BUSH. Mr. Chairman, I wish to disassociate myself completely from the statement just made by the chairman.

We were not on notice that any such statement was to be made.

Senator SYMINGTON. I did not know any such attack had been made upon this committee and the Senate.

Senator BUSH. I simply want to make it very clear that the chairman is stating his own views, as far as I am concerned, and that I do not wish to be associated by implication or otherwise with this kind of a statement.

I may say that the Defense Production Agency stockpile has not been classified. My understanding is that the nickel deposit is in the Defense Production Agency, and there has not been any reason why this could not have been gone into before, if it was the desire of this committee or any committee of the Senate, including the Banking and Currency Committee, which has charge of Defense Production Agency legislation, to go into it.

I think that the chairman's statement suggests very strongly that this is a political exercise, and I point out that no policymaking representative of the Truman administration has been called before this committee during these hearings.

I have repeatedly brought this up.

There have been excuses offered.

All we have heard from in connection with the administration is subordinates who have been, in the last analysis, saying that "I was told to do this; I was told to do that," and the records clearly show, the records we have had show, that they were told to do these things.

We have evidence that Mr. Howard Young insisted upon this contract being made.

Now, Mr. Chairman, I feel that it is appropriate for this committee to get down to business and stop quoting newspapers and attacks of one kind or another, but try to get at the real facts in this.

The Hanna accountants yesterday, before our committee, I thought, were given unnecessarily rough treatment.

The gentleman from the records corporation was harassed in, I thought, quite unreasonable fashion.

He came here to cooperate with the committee and was not given yesterday, in my judgment, a fair chance to do so.

Now, I request that this committee get down to business, put aside political animosities, and give Mr. Humphrey and his associates a fair chance to answer all the questions that the chairman and any of us may have to make to the representatives of his organization.

That concludes my comment——

Mr. HUMPHREY. Mr. Chairman——

Senator SYMINGTON. First, as regards the Senator's feelings about the political aspect of this hearing, he does not feel that way necessarily because of the statement that I have just read.

I know that because I heard him say that he thought it was politically motivated on a National Broadcasting Co. program this morning.

Senator BUSH. That is right.

Senator SYMINGTON. And, therefore, my statement has nothing to do with his feelings in this matter.

Second, so far——

Senator BUSH. Well, it certainly does have something to do with my feelings in this matter.

Senator SYMINGTON. I have not yielded to the Senator.

And, as far as calling Mr. Young, I have told the Senator, I think at least three or four times in these hearings, that Mr. Young has an operation for a detached retina and that, therefore, he could not come.

As soon as he is well enough to come, we will have him before this committee.

Senator BUSH. May I say——

Senator SYMINGTON. Has any Senator anything further to say?

Senator BUSH. Yes, I do have something.

Senator SYMINGTON. Well, you may continue.

Senator BUSH. Mr. Young is an important man, and I think, before the committee should form any judgments and make charges, that we should hear Mr. Young, regardless of how long it takes, and that we should withhold our judgments until we do hear the Government's side of this case.

I have asked about Mr. Larson.

The only answer I have gotten is, "Well, Mr. Larson does not seem to be familiar enough with this to call him," and, yet, he was the head of the GSA at the time, and he was Mr. Young's boss.

Senator SYMINGTON. The Senator is incorrect.

I told the Senator if he wanted Mr. Larson called, Mr. Larson would be called.

Senator BUSH. I told the Senator that I do want Mr. Larson.

Senator SYMINGTON. The counsel is the one who is picking the witnesses and not I, and if the Senator says anything else, he is not stating the facts.

Senator BUSH. I say that the chairman of this committee has plenty of influence.

If he wants Mr. Larson called, he can have him.

Senator SYMINGTON. Mr. Counsel, have you ever asked me to call a witness that I did not promptly agree?

Mr. COBURN. No, that is right.

Senator BUSH. I did not say that. I said that the chairman could easily make a suggestion himself, if he chose to do so.

Senator SYMINGTON. I did make the suggestion at your request.

Senator BUSH. He has not been called. His name was on the list and then it was removed.

Senator SYMINGTON. He is going to be called, and I did not know that his name was on the list, and I so told the Senator, and when the Senator asked him to be called 3 or 4 days ago, I said he would be called.

Has any other Senator got anything he would like to say?

Senator BUSH. I would like to say this.

I wish to finish my colloquy.

Senator SYMINGTON. I thought you had finished because you said you had finished.

Senator BUSH. No, I did not say that.

Senator SYMINGTON. Then you go right ahead.

Senator BUSH. I simply say that I have asked Mr. Larson to be called; that he could have been called before this; and my point is that before we start drawing conclusions, we should hear from those who were responsible for the Government in the making of this contract.

That is my point.

Now, I have——

Senator SYMINGTON. The conclusions that the witness and you are so interested in having drawn are that this testimony is baloney and that it is bunk and that he has been stabbed in the back.

Those are the conclusions that have been drawn so far, and I have drawn no conclusions of any kind.

What I say in my statement is simply facts.

Senator BUSH. Well, I have not drawn any conclusions either, and I am not interested in these witnesses any more than any other witnesses.

My interest in hearing these witnesses such as Mr. Larson and Mr. Young has been enhanced somewhat by the proceedings of this committee.

Senator SYMINGTON. I am sure the Senator feels that way, and I knew it before the committee hearings started and knew it during them and I know it now, but nobody is going to say that this subcommittee and the U.S. Senate "does not dare attack Ike, so they are attacking me. This is a stab in the back."

I knew about this before, but I wanted to be sure that it would be in print before I made my statement.

Has any other Senator any other thing he would like to say?

Senator BEALL. Yes, Mr. Chairman, I would like to make this observation.

I certainly do not concur in the statement that you, as chairman of this committee, have made.

I want to call attention to the fact that the Defense Production Agency contracts are not, and have never been, secret.

A Senate subcommittee headed by the now Vice President LYNDON JOHNSON held nickel hearings in 1957. They considered the Hanna Co. contracts at that time.

It stated the Government assisted this operation materially by underwriting the development and construction programs through capital advances and by the offer of premium prices for nickel produced, and at that time the then Senator JOHNSON approved of the contracts in 1957, and never did we have anything about this until right now.

Senator SYMINGTON. Of course, I have great respect for the Senator, as he knows, and it is true that part of these contracts were not classified under the Defense Production Agency aspect of it, and part of them were classified under the national stockpile.

But the truth with respect to the stockpile position could not have been ascertained until all of the records were declassified, because some of the nickel was under one; some of it was under another; and that is true of many, if not most, of the materials in the stockpile.

Has any other Senator got any comments?

Senator BEALL. I do not know any part of it that was classified.

Senator SYMINGTON. In reply the staff tells me this, Senator BEALL. To have these hearings it was necessary for us to have declassified all the objectives. For example, many of us voted for lead and zinc believing that it was defense mobilization requirements. Then we had to have declassified the requirements data, and that was for all the stockpile. And then we had to have declassified the Defense Mobilization Board minutes of their meeting, and then we had declassified all policy papers for nickel expansion. All of this had to be declassified before we had these hearings.

Senator BEALL. There has been much said about the excess profit. I would like to call the chairman's attention to the fact that he has been in the mining business, he knows that the ore is depleted, it is gone and you do not handle profits in the mining business like you do in other regular business because you are actually depleting your assets.

Senator SYMINGTON. That is true, and in the last 4 years——

Senator BEALL. And all mining companies are allowed tax writeoffs because of depletion.

Senator SYMINGTON. That is true, and in the last 4 years the average profits of the mining companies of the United States have ranged from 0.1 to 5.7 percent. Based on the income tax returns of the Hanna Mining Co., their profits on sales were 57 percent.

Senator Bush. Will the Senator yield?

Senator Symington. In addition to that they amortized this plant over the 7-year period, and there was some talk about the fact that the ore would only last for 16 years. There is now talk, and there are records that the ore will last 32 to 40 years. Therefore, although I agree you are allowed a large depletion in mining, and incidentally this corporation got a $5 million depletion as part of the costs it was allowed to add to the Government, I do not think in this case that anybody who studies the record but what will agree that the profits of the Hanna Mining Co. were not only far greater in the years of this contract than the profits of the Michigan and Minnesota divisions of the Hanna Mining Co. but were far, far greater than the average profits of the mining profits of this country.

Senator Bush. What are the average profits? What does this mean, average of what mining companies, coal mining companies?

Senator Symington. Of all mining companies, sales of billions of dollars.

Senator Bush. I do not think those are relevant factors at all. A lot of mining companies are losing money.

Senator Symington. The Senator has a right to his opinion.

Senator Beall. I would like to read, if I may, into the record, the recommendations of the Johnson committee in 1957.

I am reading from the record:

"That the Office of Defense Mobilization, the General Services Administration give new consideration to the question whether or not construction of additional producing and refining facilities should be expedited."

Senator Symington. This committee originally started its work to find out after all the facts were put in the public domain whether there were any profits that were unconscionable or whether the contracts had been made in the interests of the taxpayer.

We are not arguing the fact that nickel was needed. Nobody has ever argued that we needed nickel. All we wanted to do was to find out whether these contracts were the right contracts from the standpoint of the public interest.

Again, let me say that despite the attitude of the witness yesterday, which I thought was rather unusual, considering I have great respect for the Senate, we were willing and anxious to pursue this matter until I read this attack, which is the second bitter attack he has made against the Senate prior to his even giving us a chance to form our own opinions. Has any other Senator anything that he would like to say?

Senator Cannon. Mr. Chairman.

Senator Symington. Senator Cannon.

Senator Cannon. Mr. Chairman, I, too, resent the statements that were attributed to Mr. Humphrey, impugning the motives of the members of this subcommittee, and that the hearings were politically motivated. It is inconceivable to me that such a statement would be made by Mr. Humphrey when the record is undisputed on many, many items that have appeared before the subcommittee at this time.

First, we recognize the fact that Mr. Humphrey was the head of these Hanna Co's. According to his own testimony he made the final decisions relating to these contracts with the Government. He has testified here that the contract was signed on Friday, before he appeared before the committee for approval on Monday, and was sworn in as Secretary of the Treasury on Tuesday.

He has also testified, and it has not been disputed, that he would not have entered into the contracts if they had not been signed prior to his taking office, a period of 4 days, and I do not see that anything occurred in a period of 4 days that could have materially altered the situation.

He has testified that he benefited very materially and the record shows that he benefited clearly from the provisions of these contracts. There is no question but what he made very substantial profits which he is entitled to make, but he made very substantial profits at the cost to the Government under very adverse contract decisions. There was an 85-percent depletion provision which is a part of the contracts that are made a part of the record here.

Yet I think the record discloses that on May the 2d, as Secretary of the Treasury, he wrote a letter expressing his position, which I would quote part of:

"However, so far as the tax-amortization situation is concerned, I am absolutely opposed to it and will oppose it in every way I can. It is an unfair and improper way to cover subsidies that should be paid right out in the open."

. Now I do not know what happened between the time these contracts were entered into and Mr. Humphrey's position in May 1956, why he would approve a tax amortization program of 85 percent on the one hand and say it is bad on the other hand, when he was not involved, and particularly when we have his statement, which I asked him about yesterday, when he was asked if it were not possible for an American businessman to make some sacrifices in such a situation in the interests of world peace, and he said, "No, the American businessman believes in getting as much as he can while the getting is good."

Now, in view of that record, Mr. Chairman, I took him very resentful of impugning the motives of this subcommittee, and I resent very deeply the inferences that have been made. Thank you, Mr. Bush.

Senator Bush. Mr. Chairman.

Senator Symington. Senator Thurmond.

Senator Thurmond. Go ahead.

Senator Bush. Did I understand the chairman a moment ago to say he was going to adjourn this?

Senator Symington. I am going to adjourn this hearing at this time for further investigation by the staff of this committee.

Senator Bush. Mr. Chairman, I demand a vote in the committee on that.

Senator Symington. As I understand the powers of the chairman on this matter, it is the authority of the chairman and the chairman can decide when he——

Senator Bush. I do not believe there is any support——

Mr. Humphrey. Mr. Chairman——

Senator Bush. I would like to say that I have no knowledge of——

Senator Symington, Senator Humphrey would like to say something.

Mr. Humphrey. Excuse me.

Senator Bush. I just would like to say that I think it would be highly inappropriate for this committee to adjourn. We have all these witnesses here. Their testimony is incomplete. The Senator and all of us are trying to get at the facts, as he said, and what is a better time to do it than when we have all the people here who are ready to give us the facts that we want.

Senator Symington. My answer to you, Senator Bush, is that this witness disputed nearly every fact that had been developed by the accounting team of the U.S. Government, the General Accounting Office, after a 5-months audit. In addition to that prior to these hearings last April he made a bitter attack against this committee, and its motives, and yesterday in print and this morning in print he impugns the dignity and the motives of the U.S. Senate, and I do not intend to continue these hearings until the staff has further investigations made of the charges that he made yesterday against this committee and the Senate and the efforts that we are trying to do to get the truth.

Senator Bush. I renew my demand for a vote before we adjourn.

Senator Symington. I refuse. There is no vote and this hearing——

Senator Thurmond.

Senator Thurmond. Mr. Chairman, I just want to make this statement. As a member of this investigating committee, I am not here to defend Mr. Humphrey and I am not here to prosecute Mr. Humphrey. I want all the facts to come out. It appears to me that maybe some conclusions are being drawn here prematurely. It seems to me that we need to hear all of the witnesses, receive all of the testimony, read the record, consider the entire matter and then draw conclusions. That is what I expect to do.

Senator Symington. Let me say that I fully agree with the Senator that we will get all the facts. We will continue the investigation. I have requested additional money from the chairman of the full committee and have been assured that that money will be available to pursue this investigation. To get into this you-did-and-you-did-not business at the same time we have this type and character of attack on the Senate is such that I do not think—I have discussed it with counsel—we do not think we should continue at this time. Therefore, this hearing is adjourned.

Senator Bush. Mr. Chairman.

Mr. Humphrey. Mr. Chairman.

Senator Symington. Senator Humphrey.

Mr. Humphrey. Before you adjourn this, and I am very complimented at being called Senator Humphrey, but that is not the fact——

Senator Symington. I must say based on your attitude toward the Senate, that surprises me.

Mr. Humphrey. That is not the fact.

Senator Symington. Didn't you say, as you want to testify, did you say what the paper says you said?

Mr. Humphrey. Yes, I did.

Senator Symington. Did you make the statement last April 30 that this was a personal vendetta against you?

Mr. Humphrey. I did, and I believe it, and I think, Mr. Senator, Mr. Chairman, that the statement you have just read is ample proof of the extremely prejudicial atmosphere in which this whole proceeding has been carried forward.

Senator Symington. Let me say——

Mr. Humphrey. I think you have——

Senator Symington. You sent somebody to tell me.

Mr. Humphrey. Now just a minute, it is my turn now.

Senator Symington. Let me interrupt you now.

Mr. Humphrey. We can't both talk——

Senator Symington. You sent someone to say that you regretted your statement last April and I accepted that regret on your part and I believed him when he told me that you asked him to tell me that you were sorry that you made that statement. As things now stand, if we had not seen this attack, your out-of-town—you made a bitter and in my opinion a direct impugning of the motives of the U.S. Senate and this subcommittee and therefore, I do not intend to hear any testimony from you this morning.

Mr. Humphrey. You cannot stop me from making a statement and adjourn this. You don't dare.

Senator Symington. This hearing is adjourned. Don't ever tell me as a U.S. Senator and chairman of the committee what I dare or dare not do.

(Whereupon, at 10:35 a.m., the committee adjourned.)

EXHIBIT 2

[From the New York Post, Aug. 20, 1962]

STOCKPILE QUIZ

(By James McCartney)

The story behind the dramatic blowup of the Senate's defense stockpile hearings is the story of a single, powerful personality tying a Senate subcommittee almost into knots.

George M. Humphrey, millionaire industrialist and Treasury Secretary under President Eisenhower, staged one of the dramatic shows of the year in his appearance before Senator SYMINGTON's stockpile probers.

The subcommittee, controlled by Democrats, was clearly out to get Humphrey—to try to nail him with a charge of profiteering while he was in the Cabinet.

But in 5 hours of testimony they never touched him with a glove, as even SYMINGTON was willing to acknowledge.

And this got to be so frustrating—or perhaps embarrassing, depending on your political view—that the Democrats had to find a way of fighting back.

SYMINGTON said privately: "I felt I had to do something dramatic."

He did—in dismissing Humphrey and temporarily calling off the hearings, accusing Humphrey of impugning the "motives of the Senate" by suggesting the hearings were politically inspired.

Humphrey, who was always known as a strong personality and a dominant member of the Eisenhower Cabinet, showed that he hasn't changed in the 5 years since he left Washington.

He made clear that he is still used to giving orders, not to answering questions.

He assumed almost complete control of the hearings from the moment he sat down in the witness chair, even though faced by a hostile subcommittee.

He answered questions when he pleased and brushed over pointed inquiries by labeling them "bunk" or "baloney."

At one point he told Senator ENGLE, Democrat, of California, that he was "confused" about the case.

And Humphrey did it with charm and wit, never losing his poise. He had the galleries with him.

You would have thought Humphrey, not SYMINGTON, was running the hearings.

To SYMINGTON and the other Democrats, it was disturbing.

They are convinced—rightly or wrongly—that they have a telling case against Humphrey.

SYMINGTON has stated clearly that he believes Humphrey has been less than frank with the subcommittee, that Humphrey profited in stockpile deals more than he has indicated and that records of Humphrey companies were destroyed.

He also believes Humphrey deliberately filibustered in answering subcommittee questions and, as he put it, "holds us in complete contempt."

The fact is that the case against Humphrey, as outlined in 3 days of hearings before Humphrey appeared, was clearly not presented to Humphrey when he was a witness.

The Democratic Senators—as well as the subcommittee's counsel—were permitted to ask questions of Humphrey in rotation, and thus nobody was able to pursue a consistent line of question.

SYMINGTON has indicated that Humphrey might be recalled as a witness but it will probably be several weeks before he is called. The subcommittee will try to be better prepared for him by that time.

In all of this, the basic parts of the case involving Humphrey before the subcommittee have often been overlooked.

The story goes back to 1952, in the midst of the Korean war. The Government needed nickel for jet aircraft engines and for armor-piercing bullets and shells.

By a happy circumstance the M. A. Hanna Co., a mining firm, and its subsidiaries had come by a whole mountain of the stuff in Oregon—the only substantial supply of nickel in the United States

Humphrey was then a private businessman and a top official of M. A. Hanna, which is in Cleveland.

In the simplest sense, Humphrey's company had the nickel ore and the Government wanted it badly. It was willing to sign almost any kind of contracts to get it.

While negotiations were going on, Humphrey was offered a job as Secretary of the Treasury by Eisenhower and decided to take it.

He has acknowledged that he made all of the decisions in setting up the contracts in the final days of the Truman administration and rushed to get them signed before he became Treasury Secretary.

There is no question that the contracts were profitable, but the subcommittee and Humphrey disagree strongly on how profitable.

They simply don't agree on how profit should be computed.

Subcommittee witnesses have testified that they ranged all the way from 60 percent of sales in one part of the business to 437 percent of invested capital in another.

Humphrey says this is "nonsense"—but acknowledges profits of 25 percent of sales, which Senator THURMOND, Democrat, of South Carolina, said seemed pretty high to him.

EXHIBIT 3

WHO STABBED WHO?

Senator SYMINGTON, as chairman of the subcommittee reexamining the Hanna Co.'s execution of its nickel stockpiling contract with the Government, had prepared a brief statement for release on Friday.

It was fair and to the point. It summed up the status of the investigation so far. The committee auditors, it said, had testified and given their position. The Hanna Co. representatives had testified and given their position. There were four main points remaining at issue. They involved destruction of records, charged by the auditors and denied by the company; the propriety of certain bookkeeping practices; the amount of actual profit by the Hanna Co., and whether it enjoyed a windfall, at Government expense, in its construction of a smelter. These isuses were to be further investigated, pending resumption of the hearings.

It is unfortunate that the hearings were not recessed on that note and that this statement suffered a total eclipse. Instead, the hearings have been terminated for the time being in an unusual display of emotion on the part of Chairman SYMINGTON that was as disappointing to his admirers as it was prejudicial to the case he has been seeking to establish. We do not believe any fair-minded person, on the basis of testimony so far presented, and the questions still to be answered, could possibly arrive at any firm conclusion regarding the propriety of Mr. Humphrey's or the Hanna Co.'s activities in the matter.

Conclusions arrived at regarding Senator SYMINGTON's conduct are another matter. The statement he read at the outset of the brief hearing on Friday was vindictive as well as prejudiced in its prejudgments. His use of the chairman's gavel was an affront to decorum. His ostensible display of righteous indignation over Mr. Humphrey's having "impugned" the motives of the committee and the Senate, in circumstances which find Mr. Humphrey and the Hanna Co. so obviously the victims of innuendo reflecting on their patriotism as well as their integrity, has left an impression not soon to be erased. If we may borrow the Senator's angry reference to "Who stabbed who," our reluctant conclusion is that the Senator stabbed himself.

Mr. KEATING. Madam President, will the Senator yield to me?

Mr. BUSH. I am glad to yield to the Senator from New York.

Mr. KEATING. Since I am not a member of the committee and have no personal knowledge of the facts, knowing only what I have read from the press reports, I do not wish to engage in the debate in any way on the merits. I have heard the distinguished Senator from Connecticut say, both off the Senate floor and on the Senate floor, that he did not wish to discuss this subject before the Senate so long as our colleague the Senator from Missouri was incapacitated and was in the hospital. I know that he must regret the fact that it has been brought up today. Apparently our colleague from California, who points out that he has cleared the matter with the Senator from Missouri, has brought up the subject for reasons best known to those Senators at this time.

When I read the newspaper accounts of the hearing, I must say that I was astonished at the performance that had gone on. In the past certain Senate investigating committees, as well as some House investigating committees, have indulged in activities which have brought disrepute upon the entire investigating process. The investigating process is very necessary. It is an integral part of the legislative process. It is very important to get the facts. The only way we will get the facts is by hearings, but such hearings must be fairly conducted. A subject in which I have long been interested is the adoption of rules for congressional investigations. I know the Senator from Connecticut is interested in that also.

Mr. BUSH. A code of fair procedures.

Mr. KEATING. A code of fair procedures. What disturbed me, as I read the newspaper reports, was the fact that the chairman gaveled the hearing to an end and declined to allow a vote of the members of the committee on the adjournment of the hearing. Does the committee have some special rule with regard to that or are the rules of the Senate applicable, which provide that any question must be put to a vote?

Mr. BUSH. No. The Committee on Armed Services does not have written rules. Therefore, as is usual, and as has been the custom and procedure for decades, the rules of the Senate apply. The rules I have quoted are under the heading "Committee Procedure," in the rules of the Senate.

Mr. KEATING. That is also the case in the Committee on the Judiciary. We have some rules, but they do not bear on that subject. Where they are silent, the rules of the Senate apply.

Mr. BUSH. The Senator is correct.

Mr. KEATING. As I read the newspaper reports, it appeared that there was a clear and open defiance and violation of the rules of the Senate by the chairman of the subcommittee. If the subject had not been brought up by others, I would not raise this issue on the floor of the Senate in the absence of the chairman. I would be very happy to hear from him an explanation of his conduct. But can the Senator furnish any reason why the chairman of the subcommittee did not permit the question of adjourning the hearing to come to a vote?

Mr. BUSH. Madam President, I thank the Senator from New York for bringing out that point. Privately with him and other Senators I expressed several days ago a reluctance to discuss the matter on the Senate floor because of the necessary absence of the chairman. But so long as it has been brought up, against my wishes, and without any committee action—but I presume the Senator from California was within his rights as a Senator to do so——

Mr. KEATING. There is no question about it.

Mr. BUSH. So long as it has been done, very much against my better judgment, I do not wish to try to explain why the distinguished Senator from Missouri adjourned the hearing in spite of my protest and in spite of my request for a vote. I think any explanation will have to come from him at some more appropriate time.

Mr. KEATING. I understand the position of the Senator. My inquiry is whether he stated at the time any reason for his action. Apparently he did not.

Mr. BUSH. No. I do not recall thet there is anything in the record in the way of a reason why the meeting was so abruptly terminated.

Mr. KEATING. That is what disturbs me. I know nothing firsthand about the proceedings in that committee. But I was particularly concerned about this incident because of my interest over the years in maintaining the integrity of the investigative processes. It appeared to me that this was another unfortunate example of the kind of procedure with which the Senate in the past has had deep concern.

Mr. BUSH. I think the Senator is correct. I regret to say that I consider it—I have so stated—an abbreviation of the rights of other Senators. It was a denial of our rights under the rules of the Senate itself.

Madam President, I yield the floor.

Mr. ENGLE. Madam President, while we are dealing with editorials, on the same subject I should like to read in the RECORD an editorial appearing in the New York Post of Sunday, August 19, 1962, entitled "Tycoonsmanship." The editorial states:

> TYCOONSMANSHIP
>
> George Humphrey has been giving a Senate committee a lesson in the arts of tycoonsmanship.
>
> Studiously indifferent to serious questions of profiteering, General Eisenhower's Secretary of the Treasury has been haughty in his contempt for Senators who want to know the details of an apparent $34 million gain during the Korean war. He has, in fact, been acting like an irritated aristocrat in the presence of his inferiors.

I interpolate to say that Mr. Humphrey referred to some of us, including the Senator from South Carolina [Mr. THURMOND] and myself in particular, as mixed up and confused, which I did not regard as particularly complimentary.

In addition, he referred to committee members as "you boys," and otherwise treated us as though we were law clerks who did not quite know what we were talking about.

The editorial continues:

> The charges leveled at Humphrey are neither insignificant nor amusing. His company is alleged to have destroyed pertinent records in order to circumvent investigation. Humphrey himself was party to a no-risk contract which extracted a handsome profit from this Government at a time when it was involved in a shooting war.
>
> During the now-adjourned hearing, the former Treasury Secretary scolded Senator SYMINGTON, calmly told Senator ENGLE that he was "mixed up," and dismissed the allegations against his company as "just bunk." Yet, by Humphrey's own admission (and he tends to paint a rosier picture than the Government accountants), his corporation profited at a rate of 25 percent from the necessities of war. That is something more than "bunk."
>
> In the past, we have been critical of the "clubbiness" of the Senate. But in this case we are glad that Senator SYMINGTON asserted the dignity of the upper Chamber and let Mr. Humphrey know that his casual arrogance will not be tolerated.

Unless the Senator from Connecticut wishes me to yield, I will suggest the absence of a quorum.

Mr. BUSH. Madam President, will the Senator yield?

Mr. ENGLE. I am glad to yield.

Mr. BUSH. Madam President, I thank the Senator for yielding. I have been handed a clipping from the UPI ticker. It has a bearing on the very strong suspicion I have uttered for some time that what has been going on is really a political exercise in connection with the stockpile investigation. I read from the UPI clipping as follows:

> Kennedy recommended that everyone should read Senator ENGLE's speech today on the progress of the investigation into the Federal stockpile by Humphrey's A. Hanna Mining Co.
>
> The President was asked if he considered the profits of the Hanna Co. brought out in the Senate investigation to be unconscionable.
>
> They were extremely large profits with very little risk to the company, the President said.
>
> He said he could understand the desire of some witnesses to want to identify themselves with former President Eisenhower and charge that the investigation was a slap at the last administration. But it was the Hanna Co. and not former Treasury Secretary Humphrey that was the object of the Senate committee's inquiry, he said.
>
> Kennedy said the committee probably would go into operations of other firms as well as of the Hanna Co.

That is very interesting, Madam President, and it shows that the President of the United States seems to be well informed as to what is going on in connection with the stockpile investigation. I believe it confirms my strong suspicion that there is too much politics connected with this subject.

Mr. ENGLE. Madam President, I have been in public life since 1934, and this is the first time that a President of the United States has publicly recommended that my speech be read. I want it to be recorded as one of the greatest compliments I have ever had paid to me in my public service. I am delighted that my friend from Connecticut took occasion to call attention to it in the CONGRESSIONAL RECORD.

Mr. BUSH. I congratulate the Senator from California.

Mr. ENGLE. Madam President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. ENGLE. Madam President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

ADJOURNMENT UNTIL 10 O'CLOCK A.M. TOMORROW

Mr. ENGLE. Madam President, I move that the Senate adjourn, in accordance with the previous order, until 10 o'clock tomorrow morning.

The motion was agreed to; and (at 5 o'clock and 44 minutes p.m.), the Senate adjourned, under the previous order, until tomorrow, Thursday, August 23, 1962, at 10 o'clock a.m.

NOMINATION

Executive nomination received by the Senate August 22, 1962:

INTER-AMERICAN DEVELOPMENT BANK

Tom Killefer, of Virginia, to be Executive Director of the Inter-American Development Bank for a term of 3 years and until his successor has been appointed.

HOUSE OF REPRESENTATIVES

THURSDAY, AUGUST 23, 1962

The House met at 12 o'clock noon.

The Chaplain, Rev. Bernard Braskamp, D.D., offered the following prayer:

Psalm 8: 4: *What is man, that Thou art mindful of him? and the son of man that Thou visitest him?*

Eternal God, all-loving and all-powerful, help us to believe it is enough for us to know that Thy grace, which hath hitherto cared for and blessed us, will continue to provide wherever Thou dost guide in days to come.

We need not fear to commend and commit ourselves and one another to Thy father-hands which have formed our very being and created the heavens and ordained the sun and the moon and the stars and set them in their orbits.

Grant that our beloved colleagues and comrades who are absent from us by reason of illness in homes and hospitals, may be blessed with Thy ministry of divine healing for the great Physician, who became our Saviour by His suffering and sacrifice, can do for them more than we can ask or think.

Inspire us with that greatness and grandeur of soul which surrenders itself with heroic faith to Thy will for Thou hast made us for Thyself and unquiet is our heart until it rests in Thee.

To Thy name we render the praise and glory. Amen.

THE JOURNAL

The Journal of the proceedings of Monday, August 20, 1962, was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate by Mr. McGown, one of its clerks, announced that the Senate had passed without amendent bills of the House of the following titles:

H.R. 1458. An act for the relief of Lee Dock On;

H.R. 6984. An act to provide for a method of payment of indirect costs of research and development contracted by the Federal Government at universities, colleges, and other educational institutions;

H.R. 7638. An act for the relief of Kim Hyung In Comstock;

H.R. 7736. An act to amend the act of May 13, 1960 (Private Law 86–286);

H.R. 8730. An act for the relief of Sister Mary Alphonsa (Elena Bruno) and Sister Mary Attilia (Filipa Todaro);

H.R. 9915. An act for the relief of Umberto Brezza; and

H.R. 11310. An act to amend section 3515 of the Revised Statutes to eliminate tin in the alloy of the 1-cent piece.

The message also announced that the Senate had passed with an amendment in which the concurrence of the House is requested, a bill of the House of the following title:

H.R. 12391. An act to improve and protect farm income, to reduce costs of farm programs to the Federal Government, to reduce the Federal Government's excessive stocks of agricultural commodities, to maintain reasonable and stable prices of agricultural commodities and products to consumers, to provide adequate supplies of agricultural commodities for domestic and foreign needs, to conserve natural resources, and for other purposes.

The message also announced that the Senate insists upon its amendment to the foregoing bill, requests a conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. Ellender, Mr. Johnston, Mr. Holland, Mr. Aiken, and Mr. Young of North Dakota to be the conferees on the part of the Senate.

COMMUNICATION FROM THE CLERK OF THE HOUSE

The SPEAKER laid before the House the following communication from the Clerk of the House of Representatives:

August 22, 1962.

The Honorable Speaker,
House of Representatives.

Sir: Pursuant to authority granted on August 20, 1962, the Clerk received from the Secretary of the Senate on Wednesday, August 22, 1962, the following message:

That the Senate agree to the amendments of the House of Representatives to the bill (S. 2876) entitled "An act to extend the authority to insure mortgages under sections 809 and 810 of the National Housing Act, and to extend the coverage of section 810 to include persons employed at or in connection with an installation of the National Aeronautics and Space Administration or the Atomic Energy Commission."

Respectfully yours,
Ralph R. Roberts,
Clerk, U.S. House of Representatives.

COMMUNICATION FROM THE CLERK OF THE HOUSE

The SPEAKER laid before the House the following communication from the Clerk of the House of Representatives:

August 21, 1962.

The Honorable Speaker,
House of Representatives.

Sir: Pursuant to authority granted on August 20, 1962, the Clerk received from the Secretary of the Senate on Tuesday, August 21, 1962, the following messages:

That the Senate agree to the amendment of the House of Representatives to the bill (S. 1849) entitled "An act for the relief of Stephen S. Chang."

That the Senate agree to the amendments of the House of Representatives to the bill (S. 2736) entitled "An act for the relief of Arie Abramovich."

That the Senate agree to the amendment of the House of Representatives to the bill (S. 2835) entitled "An act for the relief of Sieu-Yoeh Tsai Yang."

That the Senate agree to the amendment of the House of Representatives to the bill (S. 3039) entitled "An act for the relief of Bartola Maria S. La Madrid."

That the Senate agree to the amendment of the House of Representatives to the bill (S. 1005) entitled "An act to amend section 10 and section 3 of the Federal Reserve Act, and for other purposes."

That the Senate passed H.R. 8564, entitled "An act to amend the Federal Employees' Group Life Insurance Act of 1954 to provide for escheat of amounts of insurance to the insurance fund under such act in the absence of any claims for payment, and for other purposes."

That the Senate passed H.R. 11523, entitled "An act to authorize the employment without compensation from the Government of readers for blind Government employees, and for other purposes."

That the Senate passed H.R. 12355, entitled "An act to amend the law relating to the final disposition of the property of the Choctaw Tribe."

That the Senate passed S. 2358, entitled "An act to improve the administration of transfers of certain real property for wildlife or other purposes by repealing the act of May 19, 1948, and incorporating the essential provisions thereof in the Federal Property and Administrative Services Act of 1949, as amended."

That the Senate passed S. 3389, entitled "An act to promote the foreign commerce of the United States through the use of mobile trade fairs."

That the Senate passed with amendment the bill (H.R. 860) entitled "An act to repeal certain obsolete provisions of title 38, United States Code, relating to unemployment compensation for Korean conflict veterans."

That the Senate passed with amendments the bill (H.R. 8567) entitled "An act to authorize the Secretary of the Interior to create trial boards for the U.S. Park Police, and for other purposes."

That the Senate passed with amendments the bill (H.R. 10431) entitled "An act to revise, codify, and enact title 37 of the United States Code, entitled 'Pay and Allowances of the Uniformed Services.'"

That the Senate passed with amendments the bill (H.R. 10432) entitled "An act to amend title 39, United States Code, to codify certain recent public laws relating to the postal service and to improve the code."

That the Senate passed with amendments the bill (H.R. 10433) entitled "An act to amend title 10, United States Code, to codify recent military laws, and to improve the Code."; and

That the Senate passed with amendments the bill (H.R. 10931) entitled "An act to revise and codify the general and permanent laws relating to and in force in the Canal Zone and to enact the Canal Zone Code, and for other purposes."

Respectfully yours,
Ralph R. Roberts,
Clerk,
U.S. House of Representatives.

LEGISLATIVE PROGRAM FOR WEEK OF AUGUST 27

Mr. BYRNES of Wisconsin. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Wisconsin?

There was no objection.

Mr. BYRNES of Wisconsin. Mr. Speaker, I take this time for the purpose of asking the majority leader to give us the program for next week.

Mr. ALBERT. Mr. Speaker, on Monday 18 bills have been programed under suspension of the rules. They are as follows:

First. Senate Joint Resolution 29: Qualifications of electors amendment.

Second. H.R. 11040: Concurring in Senate amendments to Communications Satellite Act of 1962.

Third. H.R. 12628: Senior Citizens Housing Act of 1962.

Fourth. H.R. 11099: Establish Institute of Child Health and Human Development.

Fifth. H.R. 12577: Trust powers of national banks.

Sixth. H.R. 12899: Merger, retention of bank branches.

Seventh. S. 3574: Extend International Wheat Agreement.

Eighth. S. 3327: Assistance for impacted areas.

Ninth. H.R. 12082: Provide maximum security, National Security Agency.

Tenth. H.R. 11363: Industrial security program.

Eleventh. S. 2429: Virgin Islands National Park boundaries.

Twelfth. H.R. 12761: Relief occupants of mining claims.

Thirteenth. S. 1606: Licensing, Federal Power Commission hydroelectric projects.

Fourteenth. H.R. 10542: Repeal Inland Waterways Corporation Act.

Fifteenth. H.R. 4272: Amend, Interstate Commerce Act, long and short hauls charges.

Sixteenth. H.R. 12833: Amend Air Pollution Control Act.

Seventeenth. H.R. 7195: Add lands to Wasatch National Forest.

Eighteenth. S. 4: Padre Islands National Seashore.

Mr. Speaker, each bill under suspension is allotted 20 minutes to a side. These bills may not necessarily be called in the order listed.

Monday is also District Day and there are four bills to be considered. They are:

First. H.R. 10916: False statements, Insurance Act.

Second. H.R. 12418: Regulations to prevent and control the spread of communicable and preventable diseases.

Third. H.R. 12467: Appointment, Armory Board.

Fourth. S. 3317: Custody of personal property.

On Tuesday, H.R. 10113, the Public Works Coordination and Acceleration Act, with 4 hours of general debate.

For Wednesday and the balance of the week, H.R. 12712, agriculture, experiment station research facilities, with 1 hour of general debate.

This, of course, is subject to the usual reservation that conference reports may be brought up at any time and that any change in program will be announced later.

I have also been requested by the chairman of the Committee on Ways and Means, the gentleman from Arkansas [Mr. MILLS], to advise that the following bills which have been reported unanimously from the Committee on Ways and Means may be called up under unanimous-consent agreement:

First. H.R. 12719: Tax treatment of Japanese-American evacuation claim awards.

Second. H.R. 5700: Certain contract carriers authorized to transport bonded merchandise.

Third. H.R. 12529: Free entry of two spectrometers for University of Illinois.

Fourth. H.R. 12820: OASDI agreements re certain State and local employees of Arkansas.

Fifth. H.R. 12526: 7-year loss carryforward for regulated transportation companies.

Sixth. H.R. 5260: Repeal of first domestic processing tax on coconut oil.

Seventh. H.R. 8754: Tax treatment of ground rents.

Eighth. H.R. 12213: Temporary suspension of duty on cork board.

Mr. Speaker, these bills, of course, may not necessarily be called in the order in which they have been listed.

Mr. Speaker, will the gentleman yield for a unanimous-consent request to go over until Monday next?

Mr. BYRNES of Wisconsin. I yield to the gentleman.

ADJOURNMENT OVER

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that when the House adjourns today, it adjourn to meet on Monday next.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

Mr. GROSS. Mr. Speaker, reserving the right to object, I noted in the morning paper a list of five must bills or five pieces of legislation that the President says must be passed, and then it seems, according to the newspaper report, the President would think that would constitute a wonderful record of legislative accomplishment in this session. I noted in the five pieces of must legislation insisted upon that there was no mention of a so-called pay reform bill or a postal rate increase. I wonder if these are now considered unimportant and not necessary to the alleged achievement of this session of the Congress.

Mr. ALBERT. If the gentleman is asking the gentleman from Oklahoma, these are still considered important, and I do not think the list referred to by the President was an exclusive list. It was a list which the President considered very important and without trying to put words in anybody's mouth, it does not mean that there are no other important bills that this House must consider.

Mr. GROSS. I would like to ask the gentleman whether it is anticipated that the so-called U.N. bond issue is likely to come up. That was not programed for the coming week; was it?

Mr. ALBERT. I would think that bill probably will be programed the following week. I am not bound by that, but we have a really heavy schedule next week.

Mr. GROSS. It is so phoney, I would hope that it is never programed; but that is my personal opinion of it. I would like to ask the gentleman when it is anticipated that we will get the annual multibillion-dollar foreign handout bill?

Mr. ALBERT. If the gentleman is referring to the foreign aid appropriation bill, the distinguished gentleman from Louisiana [Mr. PASSMAN] is here. We hope that the bill will be reported in the not too distant future.

Mr. GROSS. Some of us would like to know, I would say to the gentleman, at least a few of us would like to know whether we are doing right in supporting some of the domestic appropriation bills that have been called up and which will be called up; whether there will be any money left in the Treasury when the foreigners get through with their demands. I would like to see that legislation, I will say to the gentleman, come up early in every session so that we could be guided as to some of the other appropriations by what happens with reference to the foreign giveaway proposition. Has the gentleman any further information with respect to sine die adjournment? We are getting along to the point where some of us may have to ask for absentee voter ballots for the November 6 elections. I would like to know whether we are going to have to get absentee voter ballots or what the story is going to be.

Mr. ALBERT. I think the program that has been announced for next week indicates the extent to which the leadership is trying to expedite the business of this session.

Mr. GROSS. I hope the gentleman is right. All I can do is live in hope, if I die in despair as the old saying goes.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

DISPENSING WITH BUSINESS IN ORDER ON CALENDAR WEDNESDAY

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that it may be in order to dispense with business under the Calendar Wednesday rule on Wednesday next.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

Mr. AVERY. Mr. Speaker, reserving the right to object, and since I find myself on this side of the aisle, I want to assure my colleagues on the other side that I have not deserted them—I just happened to be on this side and did not have time to get back on the other side. But I did want to ask a question. As the session opened today, I observed that the other body in their wisdom had added some very questionable amendments to the farm bill and messaged it back to the House. I wonder if the gentleman could advise us as to what we might contemplate in the way of developments on these undesirable Senate amendments to this bill and as to how they might be treated?

Mr. ALBERT. I am sure that we will undertake to send the bill to conference at an early date and that the matter will be worked out in conference and brought back for the consideration of the House.

Mr. AVERY. Then the House might expect that it might be sent to conference on Monday?

Mr. ALBERT. I would not like to be bound on that question at this time.

Mr. AVERY. I thank the gentleman.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

REQUEST FOR SPECIAL ORDER

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that today, following special orders heretofore granted, that the gentleman from Hawaii [Mr. INOUYE] may address the House for 1 hour and revise and extend his remarks and include extraneous matter.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

Mr. BROWN. Mr. Speaker, reserving the right to object, I have been trying to ask some questions here for about 15 or 20 or 30 minutes. So I will reserve the right to object so that I may ask a question or two.

I would like to know if this so-called public works bill is the $900 million bill?

Mr. ALBERT. The gentleman is correct.

Mr. BROWN. The poll shows all right now, does it?

Mr. ALBERT. We are confident that the bill will be enacted or we would not be anxious to bring it up.

Mr. BROWN. The joint resolution the gentleman mentioned as No. 1 and No. 2 on the list, is that better known as the anti-poll-tax resolution?

Mr. ALBERT. The gentleman is correct.

Mr. BROWN. And the maximum security bill, is that the one that was objected to several times on the Consent Calendar?

Mr. ALBERT. This is a bill from the Committee on Un-American Activities.

Mr. BROWN. Yes, the Walter bill.

Mr. ALBERT. It was on the Consent Calendar at one time.

Mr. BROWN. And the agricultural bill. The gentleman just stated, as I understand, that an attempt will probably be made to send that to conference rather than back to the committee.

Mr. ALBERT. If the gentleman will not insist, I would like to defer commenting upon that matter at this time, because we have no intention of trying to send that bill to conference or committee this week or until we discuss the matter with the gentleman from North Carolina [Mr. Cooley], chairman of the Committee on Agricutlure.

Mr. BROWN. The reason why I am asking is because as a member of the Rules Committee I would like to get an idea of the lineup of the work we may have to do.

Mr. GROSS. Mr. Speaker, will the gentleman yield?

Mr. BROWN. I yield briefly.

Mr. GROSS. There are a few highly controversial bills on the suspension list, as I understand. Does this mean that the Rules Committee has been disbanded and that we no longer have a clearing house for legislation in the Rules Committee?

Mr. BROWN. The Rules Committee has cleared a great many bills. I am not sure which.

Mr. GROSS. The House does not exactly work its free will on bills under suspension, does it? Would the gentleman agree to that?

Mr. BROWN. There can be no amendments offered.

Mr. GROSS. And debate is strictly limited to 40 minutes on a bill.

Mr. BROWN. I hope the Rules Committee will not be blamed for that.

Mr. GROSS. I am not blaming the Rules Committee. I do not know why the Rules Committee has been bypassed.

Mr. BROWN. Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

AUTHORIZING SALE OF MINERAL ESTATE IN CERTAIN LANDS

Mr. ASPINALL. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H.R. 8134) to authorize the sale of the mineral estate in certain lands, with Senate amendments thereto, disagree to the amendments of the Senate and ask for a conference.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Colorado?

The Chair hears none, and appoints the following conferees: Messrs. Edmondson, Rogers of Texas, Morris, Saylor, and Wharton.

DISPOSITION OF MINERAL INTERESTS IN CERTAIN PUBLIC LANDS IN PIMA COUNTY, ARIZ.

Mr. ASPINALL. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H.R. 10566) to provide for the withdrawal and orderly disposition of mineral interests in certain public lands in Pima County, Ariz., with Senate amendments thereto, disagree to the amendments of the Senate and ask for a conference.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Colorado?

The Chair hears none, and appoints the following conferees: Messrs. Edmondson, Rogers of Texas, Morris, Saylor, and Wharton.

APPLICATION OF CERTAIN LAWS TO AMERICAN SAMOA

Mr. ASPINALL submitted a conference report and statement on the bill (H.R. 10062) to extend the application of certain laws to American Samoa.

PUBLIC REACTION TO FOUNDATION STUDY

Mr. PATMAN. Mr. Speaker, I ask unanimous consent to address the House for 1 minute, to revise and extend my remarks, and to include extraneous matter.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. PATMAN. Mr. Speaker, on July 23, 1962, and August 20, 1962, I presented to the House the first and second interim reports of the investigation of tax-exempt foundations by the House Select Committee on Small Business. They appear in the Congressional Record of those dates. Since then, I have received literally thousands of letters of encouragement, advice and commendation from all parts of the United States.

The reactions to our investigation will no doubt be of interest to the Members. I, therefore, wish to insert in the Record at this point excerpts from a few of the letters received to date:

Re foundations and tax exemption—you are so right. I served as a director of one for 25 years and can therefore express a modestly informed opinion.

So here's a tip o' the hat to you.

C.G.F.,
Media, Pa.

I fully agree with your statement as it was reported in the New York Times that foundations constitute a serious loophole in the tax law as well as a means of diverting large amounts of public money to private purposes.

W.P.,
Berkeley, Calif.

I observe from the papers that the matter of operations of foundations is still in your mind. I agree with you heartily that this area needs thorough cleaning. I have written to you heretofore in this regard. It is my contention that such organizations which make any charge for their services are in business; that their income from invested funds are taxable income; that donations to them should not be tax exempt.

F.K.J.,
Berwyn, Pa.

All people who know of the workings of these trusts will wholeheartedly support an investigation of these trusts, and also an investigation of the faithfulness of the Treasury Department in passing upon the eligibility of these trusts for exemption.

God bless you for your courage.

N.A.B.,
Vista, Calif.

I have read your comments with much interest, in the press recently in reference to foundations.

It has been most unbelievable in the past years to see our Congressmen sit and watch these multi-billion foundations grow as they have—and let so few people become so powerful in their operations. In my humble opinion they were set up to begin with—are now and will always—be—in the final analysis for tax evasion.

B.L.,
Big Spring, Tex.

The press reports indicate that a job that needed doing has been well done by you and your committee. I'd welcome studying the results.

P.W.B.,
New York, N.Y.

These foundations, in my opinion, are doing this country a great deal of harm with one hand and fooling the American people by the few good things they do. We support your move to investigate this situation.

H.L.,
Bellaire, Tex.

It is heartening to read of your stand on tax-free foundations. These have been (to public knowledge in most instances) such a blatant, outrageous disregard of the ordinary individual's good intentions toward his duties as a citizen. Perhaps this type of honest action will help alleviate the cynical and often helpless feeling so many people—including our teenagers and young adults—have toward "big money" and our own Government.

Thank you for your courageous stand.

L.D.,
Scarsdale, N.Y.

We are taking this opportunity to thank you for your very rare courage in regard to tax exemption for foundations.

R.S.,
Baldwin Park, Calif.

Thank you for trying to plug the big loophole such as tax exemption for foundations.

C.W.C.,
Bethell, Wash.

Thank you for your fine courage in the investigation of tax-exempt foundations.

M.M.,
Santa Barbara, Calif.

I urge you to push the investigation of the tax dodging of tax-exempt foundations.

J.E.K.,
Dallas, Tex.

Representative Wright Patman of Texas, should be thanked for his courage before Congress on July 23, 1962, in which he charged that present laws permitting tax-exempt foundations to become legalized tax dodgers. Many foundations are engaged in commercial and miscellaneous activities which disqualify them for tax exemption.

H.R.,
Lewiston, Idaho.

Just read what you are trying to do about the tax-exempt foundations. Thank God there is someone awake to what is going on in that crooked thing.

God bless you in your work. Is there anything we can do to help?"

G.G.,
Hibbing, Minn.

An investigation into all tax-free foundations is long overdue.

Thank you for your time and effort you have given this important matter.

L.M.,
Los Angeles, Calif.

Although I am a registered Republican, but thought once to vote Democrat and did, I now come upon another Democrat who comes up with some sound and proper reasoning; this is in your thought to have a tax on tax-exempt foundations and charitable trusts.

J.S.W.,
New York, N.Y.

For some time I have followed the workings of these foundations and it sickens me to see what they are doing with our money.

A.H.,
Norfolk, Va.

I want to congratulate you and your committee for looking into the tax-exempt foundations.

S.E.,
Wichita Falls, Tex.

We commend you for your determination to investigate the foundations engaged in various commercial activities to avoid tax payments. The foundations not concerned with charitable, educational, or welfare matters should pay their fair share of taxes.

C.R.,
Pacific Palisades, Calif.

I want to thank you for your courage and your stand you are taking against the tax-exempt foundations. There are many, many more who feel the same as I do. You surely will get support from the grassroots—so keep up the good work.

R.C.H.,
North Miami, Fla.

It is my considered opinion that these matters should have been gone into long before this for the benefit of our national economy and other aspects of the people as a whole.

J.M.C.,
St. Marys, Pa.

Keep up the good work to impose a moratorium on tax exemptions for foundations. This is legalized tax dodging. Please continue your effort.

R.R.S.,
Los Angeles, Calif.

We want to thank you and congratulate you on the inquiry you are conducting in respect to tax exempt foundations.

In 1762 we had taxation without representation, today in 1962, all across the board, we have too much representation without taxation.

Can we have a true return to fiscal responsibility unless every individual and every enterprise really is made to feel the tax bit?

A.W.M., Jr.,
Greensboro, N.C.

I do not happen to be in your district, but as a Texan we are both much interested in your report and investigation of alleged charity foundations as a vehicle to shift the taxes to the small man. I wish to congratulate you in grappling with this abuse and public problem. * * * Thank God there are a few conscientious Congressmen left, who will go after and into such matters.

A.C.M.,
San Antonio, Tex.

I want to commend you and all other Representatives who are fighting to stop any tax exempt foundations that are not worthy of it.

A.B.S.,
North Miami Beach, Fla.

Would like to commend you and your committee for tackling the untouchables.

B.S.,
Bakersfield, Calif.

You are to be congratulated on your work. Hope it can be carried much further.

F.S.,
Santa Ana, Calif.

I heartily agree with your conclusion, and it is interesting to note that your announcement came after a lengthy inquiry into this question.

I hope that your suggestion will receive the widespread support it deserves.

R.A.W.,
St. Petersburg, Fla.

I have read with interest an AP report on your investigation of tax exempt foundations. I think this is a well worthwhile project, and will without doubt bring out plenty of abuses.

J.B.F., Sr.,
Towson, Md.

Please dig to the bottom of this foundation fraud to escape taxation. * * *

Thanks and congratulations. Your committee is doing a long overdue job. You will meet much opposition. But you will be doing a great patriotic service.

R.C.J.,
Birmingham, Ala.

It is my feeling that a thorough investigation of tax-exempt foundations is long overdue and would urge you and other of our Representatives to press for such.

S.S.W.,
Long Beach, Calif.

I am convinced that all institutions who are presently granted tax-free status should be reexamined to determine what these foundations are doing, how they are doing it and whether they are as they claim.

M.E.H.,
York, Pa.

Congratulations and a thousand bravos for your wonderful work and that of your committee.

Terrific pressures will be brought to bear upon you and your committee to go soft on all this. But do not be deterred. Do not falter. Be of good courage.

A.M.,
New York, N.Y.

I am grateful to you for your courage in exposing the present laws which legalize tax dodging by tax-exempt foundations.

E.M.P.,
Omak, Wash.

Thank you for your rare courage on the tax-exempt foundations issue.

J.M.H.,
Chicago, Ill.

An intelligent citizen knows these phony institutions are nothing more or less than a device to cheat the Government out of income taxes. Why are they allowed to get away with these crooked deals? Or do our tax laws need an immediate revision?

L.S.,
Miami Beach, Fla.

Certainly tax laws need an overhauling with all this tax exemption and loopholes putting more and more of the tax burden on the little guy.

H.J.N.,
Detroit, Mich.

We are watching with intense interest your uncoverings regarding tax-exempt foundations. Keep up good work.

H.N.,
Detroit, Mich.

Read in the Miami Daily News, Sunday, July 22, that as chairman of the Small Business Committee you are going to investigate the tax-exempt foundations. Hallelujah. It is long, long overdue.

T.F.A.,
Miami Beach, Fla.

I'm grateful to you for looking into the tax exempt foundations. I have no way of knowing but I've long believed that too many so-called foundations get away with that, while poor devils like me has to get it up.

S.E.J.,
Butler, N.J.

We are writing to commend your current investigation into tax-free foundations. Keep up the good work.

C.A.T.,
Signal Mountain, Tenn.

We wish to commend you for your courage shown in your speech before Congress July 23, 1962, in stating that present laws permitting the establishment of tax-exempt foundations have resulted in legalized tax dodging, and were leading to the accumulation of great wealth by relatively small groups.

E.J.B.,
Wahpeton, N. Dak.

Congratulations to you for your efforts to bring the tax-free foundations to account. They should be made to pay taxes.

R.B.E., Jr.,
Indianapolis, Ind.

I am glad to see that you are beginning to investigate the tax dodging and political activities of the 45,124 tax-exempt foundations.

G.S.R.,
Roswell, N. Mex.

I urge you to continue to fully investigate the laxness by the Internal Revenue Service and violations of the Treasury Department regulations by foundations. You are correct in the statement that foundations are far more dangerous than anything that has happened in the past in the way of concentration of economic power.

W.G.R.,
Scribner, Nebr.

I read with interest your news article in the Wall Street Journal dated July 23, 1962. To put it modestly, I wholeheartedly concur with you. However, I wrote Mr. Douglas Dillon along these lines a few months ago and finally received an answer from about a third assistant with no encouragement.

H.B.C.,
Prairie Village, Kans.

Oh, this is wonderful. I never thought that a Senator or a Congressman would have the temerity, the intestinal fortitude to move against the entrenched might of the foundations. God bless Texas.

I.H.,
Louisville, Ky.

Well at long last. It certainly is encouraging to see that someone is not afraid to tackle this problem. I am referring, sir, to your investigation of tax-free foundations.

F.M.C.,
Cambridge, Mass.

It was indeed gratifying to me to read the enclosed clipping from the Cincinnati Enquirer. In my opinion, an investigation of tax-free foundations is long overdue.

Furthermore, these tax exemptions have caused tremendous tax burdens to be transferred from these foundations to the backs of the low income taxpayers, and probably are the cause of the present deplorable state of our Nation's fiscal affairs.

I know you will have formidable opposition in this task but shall be praying for your success.

P.H.K.,
Cincinnati, Ohio.

CAMPAIGN FUNDS

Mr. DORN. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from South Carolina?

There was no objection.

Mr. DORN. Mr. Speaker, I have introduced today a bill which would prohibit campaign contributions from crossing State lines to influence elections for the National House of Representatives, U.S. Senate, the Presidency, and presidential electors.

Representative government in the United States is rapidly becoming a mockery and a fraud. Election to office is becoming a question of who can obtain the most money. We see vast money raising schemes being conducted in Washington and New York to influence elections in other States. We hear mention of campaign contributions in off-election years and even when a candidate has no opposition. Pressure groups raise fantastic campaign "slush funds" which in turn are poured into a given area to influence those seeking Federal representative office. Some money even comes into the United States from abroad to influence elections.

The framers of our Constitution intended for each State to be sovereign, to choose their own national representatives, and send them to a Federal Congress representing that particular State. Likewise presidential electors should be selected and presidential primaries should be conducted within a State without outside pressure, financial or otherwise.

We hear reports of $100,000 being spent in National House races and $1 million in Senate races. Much of this money travels across State lines and often from points thousands of miles away. This is a threat to our form of government and to our entire way of life. This situation warrants the urgent attention of the Congress. The Congress can and must correct this shocking trend and reassure the American people.

QUALITY STABILIZATION

Mr. RANDALL. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Missouri?

There was no objection.

Mr. RANDALL. Mr. Speaker, I take this time to present some thoughts on the principle of quality stabilization which is expressed by several bills introduced both on the House and Senate sides, including H.R. 10335, by the gentleman from Indiana [Mr. MADDEN].

Our office has received quite a substantial volume of mail inquiring of the details of this proposed legislation and it is for this reason we take the floor to make an effort to summarize in as brief manner as possible what is proposed and what may be the objectives to be accomplished.

In recent years there has been a growth or increase in what might be best described as devastating methods of merchandising that are causing extensive damage not only to the retailers but also to manufacturers, wholesalers, and even consumers throughout the country. It seems that unfortunately within the last few years the marketplace of America has become infested with some "fast buck" sellers. It is argued the principle of quality stabilization would provide a tool to curb these practices that are injurious to all merchandising. For example, most of these bills spell out what constitutes misleading advertising, deceptive pricing, and published misrepresentations.

Very simply stated, this legislation gives the right to an owner of a trademark to elect to come under quality stabilization; and if the manufacturer so elects, the distributor and retailer must cooperate in maintaining the stabilized price of that trademark product. After a product has been quality stabilized, the brand-name owner can revoke the right of a retailer to sell his product, if the retailer violates the manufacturer's provisions. If, subsequently, a wholesaler or distributor disregards the revocation order and continues to supply offending retailers, the manufacturers can institute a civil suit for damages.

It is most refreshing that this legislation calls for no Government supervision. There will be no new bureau or department to supervise or enforce the quality stabilization law. This bill is not fair trade legislation and it is not a price-fixing measure. It is 100 percent optional. This is the most important thing to remember that everyone must realize that the use of the provisions of this law, if and when it is passed, is completely optional or completely voluntary for the manufacturer, wholesaler, and retailer.

Here are some statistics which we believe to be important: There are about 2 million retailers in America and 88 percent of them operate in only one location or store. Seventy percent of these retailers individually own their own business, and over 75 percent of them have annual sales under $100,000. There are about 165,000 merchandise wholesalers in the United States and 91 percent of them operate unincorporated businesses, and 75 percent operate from only one building.

Quality brands mean nothing more or less than well-known brands with a reputation for reliability and excellence of product. It is these brands that are taking it on the chin; because if these brands did not enjoy such an excellent reputation, they would be of no interest to the discounter who needs a traffic builder for his kind of selling. Now we think we should be specific and point out exactly what are some of the trade practices that call for enactment of this sort of legislation. These practices are: First, intentional misrepresentation in advertising as to make, model, size, and age; second, bait and switch merchandising tactics; third, price slashing or loss-leader methods even in some instances far below cost to build traffic into a store. Where the foregoing is now happening, a law of this sort is certainly needed to try to: First, stop disintegration of the brand-name system of distribution; second, arrest the growing rate of failure of small retail businesses; third, provide an incentive to the manufacturer to continue to build an excellent product; fourth, protect the consumer from junk merchandising after he has been lured into a store by bait and switch merchandising tactics.

Let us now describe in detail how this bill would work. First and foremost, the manufacturer must elect to come under the provisions of the act and take advantage of the provisions of the law. Then he would be required to publish a specific retail price at which his trademark product must be sold. This is not to say that he can never change his specific price because the interaction of competitive forces will always insure the consumer that the manufacturer's price represents fair value. Get this straight, any price established under this law will be at the manufacturer's peril and this is exactly the way the free enterprise system should function.

If a retailer violates the specific price schedule, the manufacturer may revoke the right of the offending retailer to make further sales. But this provision is not a one-way street. There are some obligations imposed on the manufacturer as well. He must exercise diligence in revoking the rights of the retailer who commits an act of unfair competition; and if he does not do this promptly, it will constitute a valid defense against any damage suit brought under this law. No longer will the manufacturer have the convenient excuse that he cannot protect his reseller against unfair competitors.

Please never be misled to believe quality stabilization is fair trade, because it contains none of the usual fair trade language. There are no provisions for contracts. There is no dependence on a nonsigner clause as in fair trade. Fair trade is a procedure of enforcement to compel a dealer to raise the price of his product. On the other hand, quality stabilization is an action akin to trespass, to stop a reseller from abusing a manufacturer's property right in the use of his trademark. This whole principle of stabilization is but the confirmation by Congress of the unanimous decision of the Supreme Court case in *Old Dearborn Distributing Co.* v. *Seagram Distillers Corp.* (299 U.S. 183 (1936)) which held that a manufacturer does have property rights that are symbolized in his trademark. This case points the way and about all the quality stabilization bill adds is to describe or spell out ways the manufacturer may protect his trademark as it moves through the channels of distribution.

Another question that has been raised is whether quality stabilization conflicts with the Sherman Act. The answer is that any group of manufacturers who effect collusive price fixing between themselves would be courting the same prosecution as the heavy electrical firms and their executives experienced not long ago.

Before going on, we should very quickly put the question: Will quality stabilization promote competition? We believe it will, because it is up to the manufacturer to make the first basic marketing decision; and just as there is no arm twisting against the manufacturer, so will the wholesaler and retailer be free and unfettered as to whether they wish to handle quality stabilized products or deal in a competitive, unstabilized product.

Let us not forget, a retailer may handle both top-brand lines that are stabilized, and others on which he may wish to vary his price. It is his decision as to the stabilized brands. He cannot any longer misrepresent as to size, model, age, or other details, or use bait and switch merchandising tactics, or sell below the manufacturer's published price, but he is not stopped from carrying merchandise that has not been stabilized. The only difference is, the unprincipled retailer cannot take advantage of a good product by running loss-leader ads. This stops the type of pricing that misguides customers, because for every $1 spent by customers lured into the store by bait advertising, the same customer will spend $9 for inferior products at the regular or higher price.

The worst part of this sort of thing is that when the customer counts up his gains and losses, he may soon come to dislike the honored product that lured him into the store; and even worse, this same loss-leader advertiser may very quickly drop one name-brand product and pick up another to once again, temporarily, pack his store with unsuspecting customers.

Quality stabilization will not lead to a restricting or narrowing of available products, but the very opposite will be true, particularly if the retailer carries both a stabilized and unstabilized product, because then the customer can buy that which he sees: First, quality and price, or second, price alone. The retailer can give the customer an excellent, durable, high quality product, and in the same store offer the products of lesser quality whose price might fit the customer's pocketbook or his limited needs.

Just as the retailer may carry both stabilized and unstabilized products, so, also, there will be some manufacturers who will make brands that are stabilized and in the same plant may make products that are not stabilized.

. What about the discounters? Will this put them out of business? The answer is an emphatic "No," because the discounter has just as much latitude, or as many alternatives or optional rights as does the manufacturer, retailer, and the consumer. The discounter is optionally free to refuse to handle stabilized products or else carry some stabilized items and many not under stabilization, just as any other merchant.

If put into use, we think it is a safe bet to predict that the greatest byproduct of the principle of quality stabilization will be a drastic reduction in the number of small business failures. Equally important is the fact that in no way will the consumer be injured, but he will receive a distinct benefit because he will be given a standard with which to measure quality—being provided with a kind of yardstick against entrapment of loss-leader ads and bait and switch tactics.

Then, with all the advantages and attractive features, who can be the opponents of this legislation and what can the opponents say against it? The only possible opposition would be those who are the offenders against historical retail methods, those who prefer to be unprincipled, and those who have shown a preference to be unethical and misleading. They can oppose this bill only by using the smear tactics by calling it fair trade and price fixing, but even these opponents know it is not fair trade because there is no Federal enforcement department and its provisions simply provide for options clear across the spectrum from the manufacturer, to the retailer, to the consumer.

It is little wonder, then, that over 70 national organizations have approved the principles of quality stabilization. We will not list them all, but they include the field of hardware, office machines, sporting goods, retail clothing, furniture, jewelry, air conditioners, drugs and pharmaceuticals, and almost every type of product handled by small business.

We have heretofore hesitated to endorse this measure until we had an opportunity to carefully consider how the principles of stabilization would apply and to determine whether there are any real or valid arguments against stabilization. We have not been able to find anything to support the charge that this is either fair trade or price fixing.

We hope the measures embodying the principles of stabilization will be reported by the committee and that the membership of the House may work its will at this session. We feel sure that if all Members fully understand quality stabilization, they will support it wholeheartedly.

CUSTOMS INSPECTION OF CERTAIN PRIVATE AIRCRAFT ARRIVING FROM CANADA OR MEXICO

Mr. BLATNIK. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The **SPEAKER.** Is there objection to the request of the gentleman from Minnesota?

There was no objection.

Mr. BLATNIK. Mr. Speaker, on June 5 of last year I introduced a bill, H.R. 7450, which provided that private aircraft traveling between the United States and Canada or Mexico would not be required to reimburse the United States for extra compensation paid to customs officers and employees.

This bill had the support of the Aircraft Owners and Pilots Association, the Flying Farmers Association, the National Association of State Aviation Officers, the International Northwest Aviation Council, and other aviation organizations.

It has become apparent, however, that no action is to be taken on this measure by the House Committee on Ways and Means, probably because it is not considered consistent with a principle established some time ago that customs services furnished for the benefit of parties in interest should be self-sustaining to the fullest extent possible. Though I am about to introduce legislation using a modified approach for alleviation of this vexing problem, I believe that the approach used in my earlier piece of legislation is the preferred course to follow, since it is clearly to our benefit to equalize our restrictions on private aircraft flying from Canada and Mexico into the United States with the restrictions applied in those countries. Motorists pay nothing for holiday inspections and pilots entering Canada pay only the cab or carfare—about $1—of the Canadian inspector. In contrast, the United States levies charges—sometimes as high as $50 for a few minutes' inspection—on private pilots entering the United States from Canada or Mexico on Sundays or holidays.

Under the present system, the U.S. Bureau of Customs requires the computation of actual compensation and expenses for each pilot entering the United States on a Sunday or holiday. Let me illustrate how this works: The first pilot entering the United States on a holiday pays the equivalent of the inspector's salary for 2 days. If the second pilot comes through that station on the same day, he is charged only half as much as the first one. If five aircraft clear on this Sunday or holiday, only the last one across is charged the correct pro rata fee. By that time the pilots who have preceded the last one through the checkpoint have taken off in disgust after long waiting. Later, the Bureau of Customs, in accordance with the law and its regulations, makes out refunds and mails them to the overcharged pilots, provided they can be found.

This system certainly causes a great deal of hardship and is in essence a very inequitable one, since the delays to the first pilot through the checkpoint can be very costly, as well as very annoying.

So, let me say that my original bill, H.R. 7450, sought to abolish a most unnecessary and annoying practice. Also, since motorists entering the United States from Canada or Mexico are not required to pay the salaries of the Bureau of Customs employees who make border inspections, it hardly seems just to charge personal and executive aircraft for the expenses incurred by the U.S. Bureau of Customs. The result is that tourists, flying for pleasure, frequently must cut short a holiday to avoid arriving at the port on a Sunday, unless they are willing to pay the Government a fee considered most excessive and discriminatory. Again I point out that further embarrassment is caused by the fact that the Canadian Government pays its own inspectors and the pilot is at no time charged more than the small transportation fee required to bring the officer to the airport.

Unfortunately, the Customs Bureau itself is bound by the provisions of the Tariff Act of 1930 to pay its inspection officers premium pay for nights, Sundays, and holidays, and to pass this charge on to private persons clearing customs. Automobile traffic has been exempted by law from the requirement to reimburse the Government for overtime services of Customs personnel, but not so traffic by air. Also, the Comptroller General has held that a flat rate cannot be prescribed to cover the reasonable estimated costs of inspection of private aircraft arriving from Canada and Mexico during overtime periods and on Sundays and holidays. Under existing law, then, the computation of actual compensation and expenses is required for each transaction. It is this requirement that brings about the annoying situation I mentioned earlier, whereby the first pilot cleared on a Sunday or holiday pays the full cost of the inspector's salary for 2 days and then is reimbursed for the amount that he paid in excess of his pro rata share, which is determined at the end of the day by dividing the inspector's salary and other expenses by the number of pilots cleared.

Mr. Speaker, the Department of the Treasury and the House Committee on Ways and Means apparently do not wish to disturb the provision in title 5, United States Code, section 140, which states that it is the sense of Congress that services furnished for the benefit of parties in interest shall be self-sustaining to the fullest extent possible. I have, therefore, prepared legislation which would at least do away with the annoying and costly current method of prorating the costs of inspection of private aircraft arriving from Canada or Mexico, while at the same time preserving the principle established under title 5, United States Code, section 140, requiring that services furnished to the parties in interest should be self-sustaining to the fullest extent possible. The cumbersome and burdensome system whereby the operator of each plane is required to deposit reimbursement for the cost of customs employees' extra compensation in an amount equal to what his share will be if no additional planes arrive that day would be replaced under my bill by a more reasonable and less costly system—the use of flat fees or fixed rates of charge to cover the reasonable estimated costs of providing the services involved.

This legislation would require the Secretary of the Treasury to prescribe a flat fee as fixed rate through use of certain reasonable criteria to assure that the Bureau of Customs will receive reimbursement for most of the cost of services provided. This system would also substantially reduce the cost of administration, and, more importantly, would be more advantageous to the pilots being cleared on Sundays and holidays.

The text of the bill follows:

H.R. ——

A bill to amend the Tariff Act of 1930 to provide that any payment or reimbursement to the United States required by such Act for extra compensation paid customs officers and employees on account of private aircraft traveling between the United States and Canada or Mexico shall be on the basis of flat fees prescribed by the Secretary of the Treasury

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 647 of the Tariff Act of 1930 (19 U.S.C. 1647) is amended to read as follows:

"SEC. 647. EXTRA COMPENSATION OF CUSTOMS OFFICERS IN CASE OF PRIVATE AIRCRAFT TRAVELING TO OR FROM CANADA OR MEXICO.

"In the case of a private aircraft arriving in the United States from Canada or Mexico or departing from the United States to Canada or Mexico, the amount required by section 451 or any other provision of this Act to be paid or reimbursed to the Government on account of extra compensation and expenses of customs officers and employees assigned to duty in connection with the lading or unlading of merchandise, baggage, or persons shall be determined on the basis of a flat fee or fixed rate of charge covering the reasonable estimated costs of providing the services involved. Such fee or rate of charge shall be prescribed by the Secretary of the Treasury by regulation, and shall be measured by—

"(1) the average cost per hour per man of furnishing such services;

"(2) the estimated number of arrivals and departures during the period or periods involved;

"(3) the estimated amount of merchandise, baggage, and persons to be processed during such period or periods; and

"(4) any other standards reasonably related to the services provided.

As used in this section, the term 'private aircraft' means any craft or other contrivance used as a means of transportation through the air which is not used to carry passengers or property for hire."

SEC. 2. The fourth sentence of section 451 of the Tariff Act of 1930 (19 U.S.C. 1451) is amended by inserting before the period at the end thereof the following: ", and shall apply to the lading or unlading of merchandise, baggage, or persons arriving in the United States from Canada or Mexico or departing from the United States to Canada or Mexico by private aircraft only in the manner provided in section 647".

SEC. 3. The amendments made by this Act shall apply only with respect to aircraft arriving in or departing from the United States on or after the first day of the second calendar month which begins more than 20 days after the date of the enactment of this Act.

COST OF AGRICULTURAL PROGRAMS

Mr. MICHEL. Mr. Speaker, I ask unanimous consent to address the House for 1 minute, to revise and extend my remarks, and to include two letters.

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

Mr. MICHEL. Mr. Speaker, all of us have been concerned about the cost of the agricultural programs, and the administration has gone to great lengths to tell the American people how their program will save the taxpayers millions and even as high as a billion dollars.

When the first farm bill was offered by the administration and defeated in the House earlier this year, it was beaten down with the help of discerning Democrats from the urban centers who were simply getting fed up with the cost of the program. Secretary of Agriculture Orville Freeman is well aware of this, and so we find him in recent weeks going all out to entice the urban centers back into the fold in support of his Department's activities.

Just a few weeks ago the food stamp plan was extended to 26 new congressional districts, 25 of which are now represented by Democrats in the Congress.

Now today, in this morning's mail, I received—as I am sure all of the other Members of the Congress received—a letter from the Secretary of Agriculture which reads as follows:

AUGUST 22, 1962.

Hon. ROBERT H. MICHEL,
House of Representatives,
Washington, D.C.

DEAR MR. MICHEL: I send you the enclosed "Packet for the Bride" as an example of our latest efforts to extend the services of the Department of Agriculture to consumers. We shall be glad to make this packet available to you for your constituents as you may suggest.

One of the least known facts about the Department is that a large proportion of its activities has to do with consumers. I believe it is important to make these services known if we are to fulfill our responsibilities to all the people.

"Packet for the Bride" contains 10 publications that have been available to you regularly on the congressional lists. By enclosing them in an attractive, inexpensive folder, we are able to draw the attention of new homemakers, who probably are most in need of this type of information.

You may want to add a transmittal letter in sending this packet to your constituents, perhaps utilizing our regular list 3, now used by many Members in offering bulletins to homemakers. Our Office of Information will change 10 bulletins to your bulletin quota account for each packet your office requests. The packet will be forwarded to your office or mailed under your frank, as you direct.

I shall be glad to have your comments on this packet and any suggestions on publications to be included in it. You may send requests for the packet to the Congressional Section, Office of Information (Code 111, extension 3365 or 4303) in the same way you request bulletins available on our congressional lists 1 and 3.

Sincerely yours,

ORVILLE L. FREEMAN.

The "Packet for the Bride," enclosed with the letter, is all done up in a pink and white outer folder, complete with folders advising the bride how to buy eggs, butter, and cheese—the latter being 18 pages in length and probably due to the ever-increasing amounts now being stored in Government warehouses as a result of the Secretary's arbitrary raising of dairy price supports soon after he came into office.

Then, too, there is a bulletin on "U.S. Grades for Beef," "Home Care of Purchased Frozen Foods," "Shopper's Guide to U.S. Grades for Food," a 96-page booklet entitled "Family Fare Food Management and Recipes," a "Food for Fitness" pamphlet, another entitled "Detergents for Home Laundering," and finally one on "How to Prevent and Remove Mildew."

All of these, of course, are designed to launch the bride to a successful homemaking venture.

The Secretary is very thoughtful in enclosing a sample letter that he suggests every Member of Congress might send along with this packet to each new bride in his District which reads as follows:

DEPARTMENT OF AGRICULTURE,
Washington, D.C.

DEAR BRIDE: It is a pleasure to send you this packet and to extend my wishes for your happiness. I hope that you will find these publications helpful in your new experience of shopping for two.

This is one of the special services we are providing in this Centennial Year of the Department of Agriculture.

I understand that brides want more information on how to buy food and furnishings for the home. You will find many suggestions in this packet to guide you.

Some of the enclosed publications tell you of grading and inspection services the Department of Agriculture performs to help make sure that our food supply is wholesome and of dependable quality. Other bulletins give you tips on buying and caring for food and furnishings in your home.

The enclosed list of popular publications include many more that are available to homemakers. And there are some that may be of interest to your husband. I want you both to feel free to request publications that you may need.

My very best wishes to you and your husband.

Sincerely yours,

ORVILLE L. FREEMAN,
Secretary.

In all fairness, Mr. Speaker, there are a number of charges made against the Department of Agriculture for benefits to the consumer rather than the farmer; and this is just another example. It is, however, getting to be rather ridiculous to have the Department of Agriculture talking economy on the one hand but going to such lengths on the other hand to curry the favor of the urban centers and their Representatives in the Congress for support of the Department's programs with, of all things, a "Packet for the Bride."

COMMITTEE ON PUBLIC WORKS

The SPEAKER. Under previous order of the House, the gentleman from Iowa [Mr. SCHWENGEL] is recognized for 60 minutes.

Mr. SCHWENGEL. Mr. Speaker, I take the floor today to talk about what seems to be a very serious problem in public works. In the committee are many projects that should be acted on during this session of the Congress.

There is a rumor that the public works omnibus bill is being held up until Congress acts favorably on the so-called standby public works bill, H.R. 10113. There is much evidence that there is truth in this rumor, for we have not yet held any hearings on what promises to be the largest and possibly the most important public works authorization bill that this Congress has ever considered.

And here it is August 23 and no hearings have been held on this bill yet. This should be conclusive proof that someone is a party to playing a strange kind of power politics the likes of which has seldom, if ever, been seen in the Congress of the United States.

Mr. Speaker, before I go further, I want to say that I have been a member of the Public Works Committee now for 8 years. It has been a great experience because here I have found, on both sides of the aisle, a great sense of dedication to the public welfare and, while at times there may have been situations that you could have pointed to and said here is a pork-barrel proposition, by and large all of us who serve on the committee know that all of the projects that come before our committee get a pretty thorough study and are seriously considered by every member of the committee before they cast their vote on the proposition when it is before the committee.

This committee has been of great public service in many ways through the years. Since my time we have authored and brought to the House floor hundreds of projects that were in the public interest, that serve to improve America in many ways, that helped strengthen the economy of the country. Just now we, as the result of wise action by the Congress, are in the middle of building the greatest highway system ever envisioned by any government—Interstate Highway System. While we have discovered that this legislation in some respects is inadequate and that individuals in government and out have taken unfair advantage in some instances, the program is moving—it is going forward. There is more evidence now than ever before that the Interstate Highway System is going to be of far greater value to the economic health and welfare of this country than even the most enthusiastic booster of the Interstate System at its inception imagined was possible. All of us should be very grateful for this.

There are many other small and large projects brought out by the Public Works Committee that deal with flood control, watersheds, rivers and harbors projects, and emergency situations that have brought both relief and economic stimulus to communities, to States, and the Nation.

I believe it can be said that nowhere in the world can be found a group of elected representatives who have in the past responded more effectively and used more good judgment and commonsense than the Public Works Committee has with the consideration and the passing of legislation to the floor that has finally passed both Houses and become the law of the land.

Therefore, many of us on the minority side are disturbed about the very apparent power maneuver that is evident now. I am sure that there are many on the majority side who also are disturbed about this.

It is for this reason I take the floor today to discuss the so-called standby public works bill.

Let me point out that this bill is inadequate, it is unsound, and it will make Government policy in many respects inconsistent with present law and practice and, worst of all, I believe it is a politically inspired document and could very well end up in the creation of the largest political "slush fund" with the taxpayers' money that the Congress has ever passed.

STATEMENT BY REPRESENTATIVE HALLECK

During the past weeks we have repeatedly called attention to the Federal Government's share in the blame for this Nation's current economic slump. There is no better example of wrong economic thinking than the renewed efforts of the Kennedy administration to get the House of Representatives to pass a so-called public works bill which is nothing more than a $900 million political slush fund for the President.

Not only does this legislation have numerous basic flaws, but it is typical of the Kennedy proposals which shake public confidence in the economic policies being pursued by the White House.

First, this bill authorizes $900 million in public works when there is already $2.6 billion in unspent money from specific appropriations which would produce far more jobs than this public works bill.

Second, this bill would set up a whole new Government bureaucracy under a public works czar that would take away from the Congress the decisionmaking on projects.

Third, this bill would confer upon the President unprecedented powers to spend money in such amounts as he might determine for projects—whether Federal, State, or local—of his own choosing in areas selected by him.

Finally, every cent of the $900 million proposed in this bill is unbudgeted and could lead only to more red-ink spending and further increases in the national debt.

It is a well established fact that public works projects have the most doubtful value of all Government devices to relieve an economic recession because they take too long to get started and produce relatively the fewest jobs for the unemployed.

This bill, reduced to its essentials, is nothing more than a $900 million political blank check for President Kennedy that will neither stimulate the economy nor create any significant number of jobs. It should be rejected.

Minority Views on H.R. 10113

We are opposed to the enactment of H.R. 10113 for the following reasons:

1. The bill will not accomplish its stated purpose to provide immediate work for a substantial number of unemployed and underemployed persons.

2. The Congress should not authorize the appropriation of additional funds to construct public works for the purpose of creating jobs when unobligated balances of existing appropriations, in the billions of dollars, are available for other programs which produce employment and which are not being used by the administration.

3. A new Federal agency, called the Office of Public Works Coordination and Acceleration, would be created, which agency would serve no useful purpose that could not be better performed by existing agencies, and which may seriously encroach upon and even supersede the authority of existing Federal departments and agencies, including, among others, the Departments of Defense, Agriculture, Commerce, Interior, and Health, Education, and Welfare, the Housing and Home Finance Agency, and General Services Administration, and which may emasculate the Congress in its traditional role of determining what public works programs and projects shall be undertaken by the Federal Government and the policies relative thereto.

4. Expenditure of the $900 million authorized to be appropriated by the bill will necessitate deficit financing and will contribute to the necessity for increasing the public debt ceiling.

5. The Federal share of the cost of public works projects of State and local governments, to be paid from funds authorized to be appropriated by the bill, would increase to 50 percent when the Congress has determined under existing law that the Federal contribution is to be less than 50 percent.

6. Public works projects of municipalities, counties, and any other political subdivisions and instrumentalities of States which, under existing law, are eligible for interest-bearing loans from the Community Facilities Administration will, under H.R. 10113, be eligible for Federal grants, from funds authorized to be appropriated by the bill, for 50 percent of the cost of such projects, even though the Congress may never have authorized Federal grants-in-aid for projects of the types undertaken. Also, other public works which under existing law are eligible only for Federal loans or for grants for planning or studies may be eligible under this bill for Federal grants for construction.

7. This bill would delegate to the President the power and authority of the Congress to authorize new Federal grant-in-aid programs and projects, and, through this new all-inclusive civil and military Federal and local public works blanket authorization, to select the Federal and federally assisted programs and projects to be constructed, and to determine the amounts of money to be appropriated therefor.

Mr. Speaker, so that the Members of the House and the public may be made more aware of the importance of the public works authorization bill, and so each Member of the House who has a direct and indirect interest in the bill may know something about it, I am herewith filing what I believe to be, with few exceptions, a complete list of the projects that have been sent to our committee for our approval and on which no action has been taken to date.

It should be pointed out also that even if we start hearings now it will be practically impossible to get all of these projects in the omnibus bill because we have requests for hearings by people who have different ideas, who disagree with the recommendations, and who would like to have some of the projects amended in certain respects before they are passed on by the committee.

Corps of Engineers survey reports which would be available for consideration in an omnibus rivers and harbors and flood control bill

REPORT	PLAN OF IMPROVEMENT
Alabama	
Alaska: Bradley Lake power project, Cook Inlet	Power dam.
Arizona:	
Gila River-Camelsback Dam site	Flood control reservoir.
Gila River, Painted Rock	Levee and channel.
Pinal Creek	Channel improvement.
Arkansas:	
White River, Village Creek	Channel straightening and clearing.
Crooked Creek at and in vicinity of Harrison	Reservoir, levees, and floodwalls.
Village Creek-White River-Mayberry	Pumping station.
California:	
Oakland Harbor, Fruitvale Ave. Bridge	Federal participation in reconstruction of highway bridge.
Oakland Harbor	Channel deepening and widening.
Dana Point	Dredging and breakwater.
Noyo River and Harbor	Breakwater construction.
Santa Barbara Harbor	Harbor improvements.
Ventura-Pierpont area	Groins—sand placement.
Orange County, app. V	Beach erosion protection, Surfside to Newport Beach.
Buchanan Reservoir	Multiple-purpose reservoir and channel.
Hidden Reservoir	Multiple-purpose reservoir—channel improvement.
New Melones Reservoir	Modification of authorized reservoir project; power.
Redwood Creek	Channel improvements.
Truckee River, Calif. and Nebr.	Flood control reservoir.
Alameda Creek	Channel improvement and levee; multiple-purpose reservoir.
Corte Madera Creek, Marin County	Channel improvements and levees.
Russian River	Warm Springs multiple-purpose reservoir.
Mormon Slough	Channel deepening and widening.
San Francisquito Creek	Multiple-purpose reservoir.
Colorado	
Connecticut:	
Mystic, Groton, and Stonington	Barrier dams.
Naugatuck-Ansonia-Derby	Levee and floodwall.
New London	Barrier dams and wells.
Westport	Earth dike.
Delaware	
Florida:	
Key West Harbor	Channel deepening and widening.
Canaveral Harbor	Improvements for navigation.
Pensacola Harbor	Do.
Port Sutton and Ybor Channel, Tampa Harbor	Maintenance of Port Sutton Channel and Basin; deepening of Ybor Channel.
Palm Beach County	Beach erosion control works: Martin County to Jupiter inlet; Jupiter Inlet to Lake Worth Inlet; South Lake Worth Inlet to Boca Raton Inlet.
Virginia and Biscayne Keys	Groins and periodic nourishment.
Boggy Creek	Primary drainage system.
Cutler drain area	Do.
Four River Basins	Flood and drainage improvements.
West Palm Beach Canal	Enlargement of downstream 17 miles reach of West Palm Beach Canal and water control structure.
Hendry County	Primary works for flood control and major drainage.
Shingle Creek, C. & S., Florida	Primary drainage system.
South Dade County	Do.
Georgia:	
Savannah Harbor	Turning basin.
Chattahoochee River at West Point	West Point Reservoir.
Flint River	Sprwrell Bluff—Lazer Creek and Lower Auchumpkee Reservoirs.
Savannah River—Trotters Shoals	Trotters Shoals Reservoir—power, recreation, and fish and wildlife.
Hawaii: Kaunakakai Harbor	Deep and light draft harbors.
Idaho:	
Blackfoot Dam	Modification of Blackfoot Dam.
Burns Creek	Construction of Burns Creek Reservoir by Bureau of Reclamation.
Ririe Dam and Reservoir	Construction by corps and operation by Bureau of Reclamation.
Illinois:	
Chicago Harbor	Channel deepening and widening.
Illinois Waterway, Ill. and Ind.	Duplicate locks.
Kaskaskia River	Slackwater navigation system.
Calumet Harbor and River, Ill. and Ind.	Improvements for navigation.
Illinois River and tributaries	16 local protection projects, 1 multiple-purpose reservoir, and channel improvement.
Columbia Drainage and Levee District No. 3	Drainage improvements.
Harrisonville and Ivy Landing	Pumping plants.
Pecatonica River, Ill. and Wis.	Levees, walls, etc.

Corps of Engineers survey reports which would be available for consideration in an omnibus rivers and harbors and flood control bill—Con.

REPORT	PLAN OF IMPROVEMENT
Illinois—Continued	
Rend Lake Reservoir	Reservoir for flood control and other purposes.
Wabash River at Mount Carmel	Levee and wall.
Mississippi River, urban areas from Hampton, Ill., to mile 300.	Levees and floodwalls at Rock Island, Ill., Hannibal, Mo., Gregory Drainage District, Missouri, Union Township Drainage District, Missouri.
Prairie DuPont Levee and Sanitary District	Pumping stations.
Richland Creek	Flood control channel.
Rock River at Rockford	Channel improvements for flood control.
Indiana: Burns Waterway Harbor	Deep draft harbor.
Iowa:	
Indian Creek	Flood control reservoir.
Mississippi River, Guttenberg	Levees and pumping plant.
Mississippi River upper urban areas from Hampton, Ill., to Cassville, Wis.	Local protection at Dubuque, Iowa.
Big Sioux River, Iowa and S. Dak	Channel improvements for flood control.
Kansas:	
Arkansas River, Dodge City	Levees, floodwalls, and channel improvements.
Kansas River Basin	Flood control reservoirs and water supply: Woodbine Reservoir, Onaga Reservoir, Grove Reservoir, Clinton Reservoir, Kansas City local protection.
Cow Creek	Channel improvements.
Big Hill Creek	Flood control and water supply reservoir; flood control channel.
Kentucky:	
Big South Fork, Cumberland River	Devils Jumps multiple-purpose dam.
Kentucky River	Flood control reservoirs: Red River Reservoir, Carr Fork Reservoir, Eagle Creek Reservoir.
Louisiana:	
Mississippi River, Baton Rouge to Gulf of Mexico	40-by 500-foot channel.
Gulf Intracoastal Waterway, Texas section	Channel improvements.
Bayous Terrebonne, Petit Caillou, etc	Maintenance of Houma navigation channel 10-by 45-foot channel in Bayou Le Carpe.
Natchitoches and Red River Parishes	Levee and interior drainage: Campti-Clarence area, Bayou Nicholas Basin and Coushatta area.
Mississippi River Delta at and below New Orleans	Raise existing back levees.
Maine:	
Carvers Harbor	Deepening and widening.
Kennebunk River	Channel improvement, anchorage and jetty extension.
Portland Harbor	Channel and anchorage deepening and widening.
Searsport Harbor	Access channel.
Narraguagus Harbor	Deepening, widening, and anchorages.
Maryland: Potomac River, North Branch	North Branch Reservoir.
Massachusetts:	
Chelsea Harbor	Channel deepening and widening.
Gloucester Harbor	Do.
Dorchester Bay and Neponset River	Do.
Marblehead Harbor	Breakwater.
Plymouth Harbor	Breakwater and anchorage area.
New Bedford	Construction of groins.
Wareham and Marion	Barriers and dikes.
Michigan:	
Caseville Harbor	Channel deepening and widening and breakwater.
Gladstone Harbor and Kipling	Channel deepening and widening.
Leland Harbor	Channel improvements.
Muskegon Harbor	Channel deepening and widening.
New Buffalo Harbor	Breakwaters and channel deepening.
Ontonagon Harbor	Channel deepening and widening and breakwater modification.
Rouge River	25-foot channel, turning basin.
Saginaw River	Channel deepening and widening.
River Rouge	Channel straightening and enlargement.
Minnesota:	
Mississippi River between Missouri River and Minneapolis, Minn., Minnesota, Wisconsin, Iowa, Illinois, and Missouri.	14 small boat harbors, maintenance of 1 harbor.
Warroad River and Bull Dog Creek	Channel improvement.
Big Stone Lake-Whetstone River	Dam and reservoir-channel improvements.
Mississippi:	
Chunky Creek, Chickasawhy and Pascagoula Rivers	Okatibbee Reservoir.
Mississippi River and tributaries, comprehensive	Modification of Mississippi River and tributaries project.
Missouri:	
Sandy Slough	Restoration of channel depths.
Mississippi River, Clarksville	Silt removal.
Kaysinger Bluff Reservoir	Modification of existing project to include hydroelectric power.
Mississippi River, St. Genevieve and St. Marys	Raise levees, Kaskaskia Island drainage district.
Salt River	Multiple-purpose Joanna Reservoir.
Montana	
Nebraska: Papillion Creek	Channel improvements for flood control.
Nevada	
New Hampshire:	
Portsmouth Harbor, N.H. and Maine	Channel deepening and widening and extension.
Shore of New Hampshire	Beach erosion control works: Hampton Beach, North Hampton Beach, Wallis Sands Beach.
New Jersey:	
Raritan River	Maintenance of 15-foot channel.
Raritan Bay and Sandy Hook Bay	Hurricane—flood control, beach erosion control: Madison Township, Matawan Township, Union Beach, Keansburg, and East Keansburg.
New Mexico:	
Alamogordo	Local protection project.
Rio Grande at Las Cruces	Las Cruces and Campus detention reservoirs and outlet channels.
New York:	
Buffalo Harbor	Channel deepening and widening.
Buttermilk Channel	Channel widening.
Great Sodus Bay Harbor	Channel and basin deepening and widening.
Little Neck Bay	Recreational harbor.
Oswego Harbor	Channel deepening and widening.
Flushing Bay and Creek	Commerical and recreational boating improvements.
Allegheny River at Salamanca	Levees and floodwalls.
Rondout Creek and Wallkill River, N.Y. and N.J	Local protection projects: Ellenville, North Gully at Ellenville, Rosendale.
North Carolina:	
Rollinson Channel	Channel deepening and widening.
Wilmington Harbor	40-foot channel.
Fort Macon—Atlantic Beach	Restoration, protection, and periodic nourishment at Fort Macon State Park.
Carolina Beach	Construction of dune.
Wrightsville Beach	Construction of sand dune.
Cape Fear River	New Hope Dam—flood control, water supply, and recreation.
North Dakota: Grand River, N. Dak. and S. Dak	Bowman-Haley Reservoir.
Ohio:	
Conneaut Harbor	Deepening channels and basin and breakwater; small boat harbor.
Huron River	Channel deepending and widening.
Cleveland Harbor	27-foot channel, 25-foot channel.
Ohio shore of Lake Erie—Marblehead	Groins and sand placement.
Ohio shore of Lake Erie—Sheffield Lake	Two groins and sand placement.
Crab Creek	Channel improvements for flood control.
Kokosing River	North Branch Reservoir and Channel.
Mad River	Buck Creek Reservoir.
Sandusky River	Levees (local protection)
Scioto River	Reservoirs and local protection.

Corps of Engineers survey reports which would be available for consideration in an omnibus rivers and harbors and flood control bill—Continued

REPORT	PLAN OF IMPROVEMENT
Oklahoma:	
Arkansas-Red River Basin—Water quality report	Experimental projects.
Kaw Reservoir	Reservoir for flood control and other purposes.
Broken Bow Reservoir	Addition of hydropower at Broken Bow Reservoir.
Hugo Reservoir, Kiamich River	Modification of Hugo Reservoir, addition of: Clayton Reservoir, Tuskahoma River.
Verdigris River	Copan Reservoir, Sand Reservoir, Skiatook Reservoir, Birch Reservoir, Candy Reservoir.
Oregon:	
Columbia and Lower Willamette Rivers	Channel deepening and widening.
Columbia River comprehensive, Oregon, Washington, and Idaho	Multiple-purpose development.
Rouge River	Multiple-purpose reservoirs: Lost Creek Reservoir, Elk Creek Reservoir, ApplegateReservoir.
Pennsylvania:	
Erie Harbor	Deepening channels.
Delaware River, Pa., N.J., Del., and Md	Multiple-purpose reservoirs.
French Creek	3 flood control reservoirs.
Juniata River	Raystown Reservoir.
Lackawanna River	Fall Brook Reservoir, Aulesworth Reservoir, Scranton local protection.
Rhode Island:	
Pawtuxet Cove	Small boat harbor.
Narragansett Pier	Hurricane—beach erosion and navigation projects
Point Judith	Hurricane—beach erosion and navigation.
South Carolina: Cooper River	Dam with spillway and lock.
South Dakota	
Tennessee	
Texas:	
Gulf Intracoastal Waterway—Channel to Victoria	Federal Government construct railroad bridge and maintain turning basin.
Trinity River—Wallisville	Multiple-purpose project.
Gulf Intracoastal Waterway—Channel to Palacios	Channel deepening and widening and turning basins.
Sabine-Neches Waterway	Deepening and widening.
Clear Fork of the Brazos River at Abilene	Channel improvement at various localities.
Freeport and vicinity	Levee construction.
Trinity River, Fort Worth, pt. II	Channel improvement and floodway extension.
Vince and Little Vince Bayous	Channel improvements for flood control.
East Fork of Trinity River	East Fork, Trinity River channel and levees. Enlargement of Lavon Reservoir
Port Arthur and vicinity	Levees and floodwalls.
Taylors Bayou	Channel improvement.
Lake Kemp, Wichita River	Reconstruction of Lake Kemp.
Navasota River	Millican Reservoir.
Sanders, Big Pine, and Collier Creeks	Pat Mayse Reservoir, Big Pine Reservoir
San Gabriel River	Modification of Brazos River comprehensive plan: Enlargement of Laneport Reservoir, addition of North Fork and South Fork Reservoirs.
Utah	
Vermont	
Virginia:	
James River	Channel improvements.
Lynnhaven Inlet Bay	Small-boat harbor.
Virginia Beach	Federal contribution toward periodic beach nourishment.
Norfolk	Floodwall.
Washington:	
Columbia and Lower Willamette Reservoir below Vancouver, Wash. and Oreg.	Channel deepening and widening.
Puget Sound-Kingston Harbor	Small-boat harbor.
Swinomish Channel	Elimination of navigation hazards.
Tacoma Harbor	Waterway extension, widening, and deepening.
Wynoochee River	Multiple-purpose reservoir.
West Virginia:	
Buckhannon River	Channel rectification.
Guyandot River	Justice Reservoir.
Twelvepole Creek	Beach Fork Reservoir.
Wisconsin:	
Green Bay Harbor	Channel deepening and widening.
Kenosha Harbor	Do.
Manitowoc Harbor	Do.
Milwaukee Harbor	Channel and basin deepening and widening.
Kickapoo River	Levees at: Lafarge Reservoir, Soldiers Grove, Gays Mills.
Wyoming	
Puerto Rico: San Juan	Protection of shores at Condado and Ocean Park.

Mr. Speaker, I believe it is imperative that the chairman of the Public Works Subcommittee call the subcommittee into session and start hearing the testimony on these projects so we can have some final action and bring this very much-needed legislation to the House floor for your consideration.

In my opinion, we should quit playing politics with this matter and resort to the orderly process and procedure that has been characteristic of the Public Works Committee through the years.

Mr. Speaker, I find it hard to believe that this bill can be very effective in getting the country going again.

We have seen the distressed area bill passed which has not fulfilled the glowing promises of the sponsors. We have seen this administration lag on approved projects and I can personally testify to one in my district, that is not included in the cost estimate that I gave earlier, which should have been moving a long time ago. It is the post office at Davenport, Iowa, that will be built under the Government lease program using private capital that has been adopted by the previous administration and that has been accepted and approved by this administration.

The Post Office Department has abundant evidence in their files furnished by myself, the Chamber of Commerce of Davenport, by the newspapers of Davenport, by the labor people, and by public-spirited citizens which indicate the great need for a post office there.

The record shows that the proposition for a new post office was first called to the attention of the Post Office Department in 1955. And, while there was some difficulty in agreeing on a site we knew several years ago that it would be one of two sites, and I was assured at least 3 years ago that the settlement of the site question need not postpone the consideration of the design and plans for the post office.

So, it was my understanding that they were to go ahead and that in fact there are plans and designs in the files for the post office there and, yet, this administration, even though they publicly committed themselves to this project, has not yet set this project moving.

So, Mr. Speaker, if they cannot get moving on worthwhile and needed projects like this, how in the world can we expect any great improvement with adoption of this so-called standby bill or acceleration bill which, as I indicated earlier, would only complicate and make the procedures more difficult and violate its established practices and be in conflict with certain laws already on the books.

Mr. Speaker, I say if this administration really wants to get the country moving again they can, by Executive order, by determination and by concentration on the job, get moving on projects like this and move forward in the areas that are involved with the $2,600,000 worth of projects that have been approved and to which I have referred earlier.

Mr. BALDWIN. Mr. Speaker, will the gentleman yield?

Mr. SCHWENGEL. I yield to the gentleman from California.

Mr. BALDWIN. I would like to commend the gentleman from Iowa for the statement which he has made. I would like to further commend the gentleman for the very dedicated service he has rendered on the House Public Works Committee during the past 8 years. I have had the privilege of serving with the gentleman from Iowa on the committee during that period of time.

I am sure I speak for all members of the committee when I say there has been no more dedicated and conscientious servant of his constituents and of the other people of the country in the work of the committee than the gentleman from Iowa.

Mr. SCHWENGEL. I thank the gentleman. In response, may I say it has been a pleasure to serve with him and all other members of the committee. I am sure when this bill of which I spoke comes before the House next Tuesday, the gentleman who just addressed these remarks to me will be in the well here talking from a wealth of experience, I am sure, on this subject, that will demonstrate again that this legislation is not needed and the public welfare will not be served by its passage.

HEALTH CARE FOR THE AGED

The **SPEAKER** pro tempore (Mr. LIBONATI). Under previous order of the House, the gentleman from Hawaii [Mr. INOUYE] is recognized for 60 minutes.

Mr. INOUYE. Mr. Speaker, may I declare at the outset, very forcefully and without equivocation, that I do not favor socialized medicine. As some of my colleagues know, I once had a great ambition to become a member of the honored medical profession but due to certain circumstances of the war, this cherished career was nipped at its bud. However, you may be assured that there is, and there will always be, a very soft spot in my heart for the medical profession.

As a legislator, I have always maintained an open mind on all legislative matters, but I am certain you will agree with me, Mr. Speaker, that the time must come when a legislator must take a position for or against any legislative matter. My legislative reputation is not one of hedging. I have always felt that after listening to the pros and cons of any legislation and digesting the evidence involved, I should have the political courage to take a position, even if such position may result in the loss of precious votes at the ballot box.

In the case of the King-Anderson-Javits bill, commonly referred to as the medicare or health care bill, may I say that I would have voted for this measure, had I been given the opportunity to do so. My reasons for taking this position are manifold.

First, and according to studies made by the American Hospital Association and the U.S. National Health Survey, it is definitely shown that older people require more hospital care than younger people. Persons over 65 years of age, for example, use nearly three times as much hospital care as persons under 65 years of age. The annual rate per 1,000 persons indicates that the aged spend 2,332 days in the hospital as compared to 883 days for those under 65. And hospitalization is more frequent. According to competent studies, 9 out of 10 persons past age 65 are hospitalized at least once, while 2 out of 3 are hospitalized 2 or more times. And, furthermore, hospitalization for the aged lasts longer. The average hospitalized person over 65 stays in the hospital twice as long—14.9 days—as compared to the average younger person—7.6 days.

Second, studies made by the U.S. Department of Health, Education, and Welfare show that older people have higher hospital and medical costs than younger people. For example, the average yearly private spending for hospital and medical care for the aged is nearly twice as much as other people. Half of the aged couples, where one or the other is hospitalized, spend over $800 per year for medical and hospital care; and, further, among the unmarried or single aged who are hospitalized half have had medical or hospital bills of over $600 in 1 year.

Third, the U.S. Census and the U.S. Department of Health, Education, and Welfare reports indicate, too, that the aged are less able to pay for medical and hospital care due to several reasons, but primarily to the fact that older people have less income. These studies indicate that two-person families with the head of the household 65 years or older, have a median income of $2,530 per year which is less than half of a younger two-person family whose median income is $5,314 per year.

It should be noted also that aged persons living alone have a median annual income of $1,050 as compared to $2,570 for persons under 65 years of age living alone. Second, these studies clearly indicate that older people have fewer assets. Four out of 10 families with the head of the family 65 years of age or older have either no assets readily convertible to cash or less than $200 in such assets. Third, these studies show that the aged have less insurance protection. Only about half of the aged have some minimal hospital insurance as compared to over 70 percent of younger people. The insurance the aged have is usually expensive, limited and restrictive, and frequently can be canceled at the option of the insurance company, or such policy excludes preexisting conditions. Fourth, for those groups among the aged who need the most protection, the proportion with insurance coverage is even lower. Less than 33 percent, for example, of the aged families with annual income less than $2,000 have any sort of hospital insurance while only 30 percent of the aged with chronic disabilities have hospital insurance. And, finally, a study of social security beneficiaries disclosed that of all those aged persons who incurred medical and hospital costs during the year, only 14 percent of the aged couples and 9 percent of the single aged persons had any of their expenses covered by insurance.

Fourth. According to the recent census, there are approximately 17,800,000 persons in the United States who are 65 years of age or older. And studies indicate that because of great advancements in the science of geriatrics, this number will continue to increase as years go by. The King-Anderson-Javits bill will provide health and hospital insurance for nearly all of the aged. On the other hand, the present Kerr-Mills medicare program will provide health and hospital protection for only an approximate 1 percent of the aged persons in the State of Hawaii. The national coverage for the aged under the Kerr-Mills program is less than 1 percent.

That, in brief, defines the problem confronting the senior citizens of our Nation today and for those of us who, inevitably, will become the senior citizens of tomorrow. It is a problem which we cannot ignore but compels us as a nation to devise solutions for its alleviation. It is to this end that the King-Anderson-Javits bill is directed, and briefly, would provide the following:

First. Hospital service for 90 days for each illness, subject to a deductible amount paid by the patient of $10 a day up to 9 days. The minimum amount deductible will be $20 and the maximum amount $90.

Second. Nursing home service after transfer from hospital up to 180 days which includes part-time nursing care provided by or under the supervision of a registered nurse or licensed practical nurse; physical, occupational, or speech therapy; medical social services; and supplies such as drugs, biologicals, and appliances.

Third. Outpatient hospital diagnostic services, as may be required, subject to the first $20 deductible amount for each diagnostic study.

Fourth. Home health services of up to 240 visits during the calendar year, including nursing care and therapy. These services are furnished by a home health agency or by others under arrangements made with it pursuant to a plan established and periodically reviewed by a physician.

In order to meet various objections raised to provisions and omissions contained in the original King-Anderson bill, the King-Anderson-Javits bill has, additionally, included provisions for the payment of health insurance benefits for persons who are not insured under the old-age and survivors insurance or railroad retirement, thus bringing its benefits to those who would otherwise not have been qualified under the original King-Anderson bill; provisions for the use of approved organizations, selected by the providers of services, in the administration of the program; provisions for an option under which beneficiaries could receive the health benefits through private insurance, group practice, and other voluntary plans instead of the Government plan; and several new and explicit provisions to assure that the Federal Government would not interfere in the practice of medicine or the operation of medical institutions.

The King-Anderson-Javits bill does not make any pretense at providing all except the necessary and essential services and items for health care and this, I feel, is only proper. For those requiring hospitalization, skilled nursing home care, home health care and outpatient diagnostic care, any item or service that would not be included if furnished by a hospital to an inpatient is not covered. Excluded from the benefits of the bill are such things as private accommodations—unless medically necessary; physicians' or surgeons' services except one where it is customarily a hospital service in the fields of pathology, radiology, physical medicine—rehabilitation—or anesthesiology and interns' or residents' services; private duty nursing care; any item for use at home after discharge from the hospital; services that are not generally provided by skilled nursing facilities; diagnostic services not customarily furnished by the hospital to its outpatients for the purpose of diagnostic study; and in the case of home health care, anything more than part-time care or drugs and biologicals.

On the other hand, the Kerr-Mills program which is now in effect, has many limitations which make the program woefully inadequate and ineffective. For example, as of December 1961. only 4 out of 1,000 aged in the United States were receiving any assistance under the Kerr-Mills program. All but the poorest were left out. People who have more than a minimum income get no benefits and some States have no benefits at all. At the end of 1961 only 19 States were paying Kerr-Mills benefits. Under this program, an aged person must pass a poverty test before he can get help and in many States, such as Massachusetts, his spouse and his children must also pass such a test before help will be extended to him. Studies have shown that because of limited State tax resources and high cost of good quality service, these States have been forced to use facilities that endanger health and safety.

As you know, the Kerr-Mills program is a Federal and State grant program financed by general taxation, and can best be defined as being a charity program. The patient himself does not in any way contribute for the receipt of benefits. This is a charity program paid for by all taxpayers. Under this program, however, 92 percent of the Federal funds are presently being spent in three States—New York, Massachusetts, and Michigan. In only six States are Kerr-Mills benefits now being paid to 1 percent of the population over 65. The benefits are not uniform and range in States from acute or emergency care only to comprehensive care. One State limits benefits to only 6 days in the hospital.

Opponents to the enactment of the King-Anderson-Javits proposal have been very consistent with their inconsistencies. For example, when the Forand bill was introduced in the 86th Congress, they cried that the Federal Government was encroaching upon the sacred privileges existing in the doctor-patient relationship. When the payment of medical fees was excluded from the provisions of the King-Anderson-Javits bill, they reversed their attack and criticized it for not paying doctors bills, dental bills, or medicines and drugs outside the hospital.

Although many have argued that the King-Anderson-Javits program would interfere with the doctor-patient relationship, or with the free choice of doctors, I should point out that my study of the bill indicates that there is no interference with doctor-patient relations. Every patient would have free choice of doctor, who may charge any fee desired, and hospital or nursing home from which he would receive care. The bill specifically provides that the Government will not provide care or offer any service, or suggest any physician or facility. However, the Government will set up means for paying for an aged person's hospital care by a small tax levied through his working years. As you know, under the King-Anderson-Javits program, those covered under social security would set aside approximately $1 a month toward this program. It is similar to the payment of insurance premiums. When and if the need arises after age 65, the patient will receive the services, not as a charity, but as a right—a right because he paid for it during his working years. By this means, the patient does not lose any of his American individuality. He does not have to subject himself to humiliation and loss of pride by proof of his poverty, nor does he have to suffer the fear and anxiety of bankruptcy. The King-Anderson-Javits bill has been labeled as socialized medicine, or at least a big step toward it. According to all evidence, I am inclined to believe that this is not socialized medicine. I believe the accepted definition of socialized medicine is one where doctors work as employees of the Government and the Government owns the medical facilities. As the proposal is written, I, for one, cannot see how it is socialized medicine in any way, shape or form.

Under the King-Anderson-Javits program, the Government does not provide a single medical service but provides basic hospital insurance for the aged, and these hospital services would be paid for in much the same way that Blue Cross or HMSA now pays. The bill specifically provides that the Government would in no way control, regulate or interfere with the practice of medicine or the administration or operation of participating hospitals. Further, the bill specifically provides that the Government will in no way dictate as to what fees, if any, the doctor will charge his patients—the doctor may charge nothing or he may charge as much as he wants. This is a matter of private relationship between the doctor and patient. It should be noted, however, that the Kerr-Mills program provides for the payment of doctor fees and in this sense could be labeled as an inroad to socialized medicine.

It has been argued that the King-Anderson-Javits program is an opening wedge to a broad Government health program. First of all, the proposal is considered an essentially complete one, designed to meet the above average health bills of our senior citizens. It will serve as a base around which private supplementary protection can expand and there will be no need to go further than the present proposal. It should be pointed out also that any extension of this program would have to be legislated by Congress, and as I indicated earlier, I am absolutely against socialized medicine. If I were convinced that the American people did not need or want the King-Anderson-Javits program, I would be the first to vote against it.

Critics also claim that the proposal would lead to Government control and yet it should be noted that our Government has assisted its citizens in meeting their health needs since 1789. As you may know, we have many health programs ranging from veterans' programs to hospital assistance programs. The Federal Government has contributed funds to assist in the construction of hospitals and finances 55 percent of our country's medical research—no one has refused this aid on the ground of Federal control, and I am sure you will agree with me that to date no bad results have been shown. Many have argued too that the King-Anderson-Javits program will result in all the problems and abuses found in the British system. In reading the proposal and comparing it to the British national health service system, I find that there is no comparison between these two programs. In Britain, for example, the Government provides medical and hospital care to the entire population. Under our proposal, the Government would provide only basic hospital insurance to a limited group with special needs.

Many persons opposing the King-Anderson-Javits bill have indicated that private insurance can meet the needs of the aged. Studies made available to Members of Congress, however, indicate that private insurance cannot extend the basic coverage to most of the aged. On February 6, 1960, Dr. Basil C. MacLean, president of the National Blue Cross Association, said:

> A lifetime's experience has led me at least to conclude that the costs of care of the aged cannot be met, unaided, by the mechanism of insurance prepayment as they exist today. The aged simply cannot afford to buy from any of these the scope of care that is required, nor do the stern competitive realities permit any carrier, whether nonprofit or commercial, to provide benefits which are adequate at a price which is feasible for any but a small proportion of the aged.

May I add at this point also that contrary to the argument that the proposal would ruin private insurance, I believe that it would instead be benefited. With patient protection assured under the program, aged persons could use what funds they have to supplement their medical insurance coverage. Without the burden of insurance of high cost insurance programs, Blue Cross or HMSA could hold down their rates and sell their insurance to more people successfully. I firmly believe that private health insurance would therefore thrive with the enactment of this bill, just as private life insurance was strengthened with the original Social Security Act 26 years ago.

Let us examine a few more arguments against the King-Anderson-Javits bill.

I have received letters indicating that any governmental hospital plan should be limited to the needy. Some, for example, ask "Why should we help millionaires?" As I pointed out earlier, the major goal of the King-Anderson-Javits bill is to pay benefits to all persons as a matter of right, rather than force them through the indignity of proving their poverty. I believe that we should do everything to prevent dependency and not deal with it after it has arisen and then only at the price of humiliation and deprivation for the aged person and his family. Then too, millionaires over 65 are in a real sense having the medical costs borne by public funds because medical deductions on tax returns, for them, result in a tax reduction equal to most—as high as 91 percent—of their medical expenses. We should note also the fact that aged persons with annual incomes of $10,000 or more constitute only 3 percent of the eligibles. Should the 97 percent be sacrificed because the 3 percent would also be receiving benefits? Furthermore, I doubt if too many millionaires will be satisfied with receiving the minimal benefits provided for in the measure.

Others argue that the program will cost too much. Under the provisions of the bill, this program will cost each participant approximately $1 a month, or roughly 3 cents a day. I am certain that for a workingman or workingwoman, a contribution of about $1 a month is no sacrifice. However, an illness in old age without this program could well be a catastrophe. The program does not add any burden on the general revenues because it would pay for itself. It would further cut down on public assistance programs that State and Federal Governments would otherwise have to carry.

And one final criticism which needs to be rebutted, namely, that the program would result in an overutilization of hospital and nursing home services. I sincerely believe that the King-Anderson-Javits bill, in anticipation of this problem, has met it with three rather adequate safeguards:

First. The attending doctor must certify that the services are needed before any service will be paid for. Only the attending doctor can decide when a patent should be hospitalized. I, for one, am willing to rely completely upon the competency and integrity of the attending doctor to determine whether a patient requires hospitalization or not.

Second. The institution or the hospital itself sets up a committee to review all admissions. After 30 days continuous service, it again reviews cases to determine if further treatment is required.

Third. Because of the types of services covered, such as outpatient, nursing home, and diagnostic services, I believe that there would be no financial incentive to use a higher cost service than is required.

I admit that there will naturally be an increase of aged entering the hospitals if this program is enacted. Under the provisions of the proposal these aged persons will get needed treatment which they have long put off. I do not believe that this is overutilization. In fact, I am certain you will agree that this is proper utilization.

We Americans are a proud people and I know that all of us rightfully feel that we have a responsibility in promoting the welfare of our families and our parents. This pride, however, has in much too many instances caused considerable grief and deprivation. We would all like to pay for our parents' hospital bills in the event of their need but to do so would be to deprive our children and our own families from those things which they otherwise would have received. If my parents were to succumb to illnesses of long duration, I know that I will be able to care for them. As a Member of Congress, I earn $22,500 per year; I receive a pension as a retired Army officer; I have no children—but, how many can say that they are as fortunate as I am? And would you not like to say that you need not impose upon your children nor plead poverty in order to meet your health needs at age 65?

Let me, in closing, once again reiterate that as long as I am a Member of the Congress of the United States I will stand up and vote against any program that will provide for socialized medicine. To me, the doctor-patient relationship, like the lawyer-client relationship, is a sacred one and should be outside the interference scope of any Government agency.

THE FOREIGN MILITARY ASSISTANCE PROGRAM

The SPEAKER pro tempore. Under previous order of the House, the gentleman from Washington [Mr. PELLY] is recognized for 15 minutes.

Mr. PELLY. Mr. Speaker, I desire to discuss foreign aid—especially foreign military assistance. My purpose is to point up the possibilities of greatly reducing Government expenditures.

A month or two ago, a newspaper article by Eric Sevareid stated that the United States was awakening to the cold facts that foreign aid is largely ineffective. He asserted that responsible Members of Congress were losing their illusions as to what money, food, arms, and so forth could do in and to underdeveloped nations. He said a growing suspicion was becoming a conviction that every President from Truman through Kennedy has wildly oversold the prospective results from America's generous intervention.

A year ago, Mr. Speaker, Congress was told that a completed reexamination of the Mutual Security Act would result in a more effective program. The results of any changes have been slow and disappointing. But always, many of us in the Congress have taken the position that if the United States was going to make a mistake, it should be on the side of greater U.S. strength in the free world and greater U.S. influence in the cold war. Both in economic and military aid, if an error is to be made in the foreing assistance program, we preferred that it should be on the plus and positive side in the winning of the cold war and in the strengthening of the U.S. posture in world affairs.

Mr. Speaker, it has been said that under foreign aid wherever the United States has sought to raise the economic level and standard of living in underdeveloped lands, almost inevitably the result has been that the poor people we seek to help have become poorer, but the rich who need no help have become richer. We hear of such riches being diverted to secret bank accounts in Switzerland.

I know members of the House Committee on Foreign Affairs have been concerned about such adverse criticism of economic aid. Neither Members of Congress nor any people who have traveled abroad return with any real enthusiasm about our foreign aid program over the world. The Agency for International Development has even had to resort to an attempt to sell the merit of the program by releasing figures on each State's and community's share in goods and services of foreign aid spent in the United States. This is hardly a proper basis of seeking popular support. Because $11 million was spent in Seattle, am I to be persuaded as to the merits of foreign aid?

Because of Cuba and Communist Castro, like others I have been especially concerned about the way the program is working in Latin America, and frankly, somewhat perplexed as to the proper course in finding the solution to the problem.

Earlier this session of Congress, Mr. Speaker, a $4.6 billion foreign aid authorization passed without my support. It was the first time, I had voted against foreign assistance legislation. Over the protest of many Members, including myself, this bill gave to the President the power which he asked to extend aid to Communist countries including Yugoslavia and Poland. The Senate had voted a ban on such aid, but administration pressure caused many Senators to recede on this point. I regretted this and it influenced my vote. In voting against this authorization bill also, I had in mind that $6 billion remained authorized and unspent from previous year's foreign assistance legislation. In addition, the bill contained $1 billion of back-door spending authority which I tried unsuccessfully by an amendment to strike out. For these reasons and because of the large annual Federal deficits which the Government continues to incur and in the face of my vote against the increase in the public debt ceiling, I could not justify the added load of the foreign aid bill to the tax burden.

Now the question naturally arises following that authorization bill as to my support or opposition to an appropriation. This will be the legislation to provide funds as recommended by the House Committee on Appropriations which is charged with weighing the need and urgency of the aid program as against the condition of the Federal Treasury. Here a factor to be considered must be the adverse effect of such spending on the U.S. balance-of-payments deficit which is such a chronic and increasingly serious threat to our economic stability. As I see it, Mr. Speaker, reduced foreign aid and expenditures abroad are necessary to solve this problem.

Mr. Speaker, in his annual report to the Congress on the mutual security program, President Kennedy said its objectives of international development could be realized only if the strength and will of the free world against aggression and subversion is maintained. He called for effective military assistance to sustain peaceful development.

On the other hand, the question has been raised lately in the Senate as to whether U.S. military aid in certain instances does far more harm than good.

As I indicated earlier, my remarks today especially concern the aspects of our military aid. A large percentage of mutual security, of course, is military assistance and in all frankness, in the past my own reservations and evaluations have been less concerned with this classification than with the amount of economic aid. Military aid in the past has been more or less taken for granted except to Communist countries.

During the fiscal year 1961 our military aid appropriation of $1.8 billion was augmented by funds from prior years so that the total availability was $1.93 billion programed among 56 countries. If all of this in the way of arms and grants for purchase of military hardware was truly effective against the threat of communism no one could complain. But I am persuaded a substantial cut in appropriations for military assistance is very much in order without harm and indeed perhaps with considerable benefit to the program. My point is that Congress should study and reappraise this aspect of aid. Once a Government policy is established it seems often there is not only no stopping of it, but not even any curtailing of it.

The other day I read a thought-provoking editorial on the subject of the recent military takeover in Peru. When military leaders, the editorial pointed out, overthrew that country's constitutional President, a U.S. Sherman tank was used to ram down the iron gate of the presidential palace. This tank had been supplied by our U.S. militiary assistance program. Moreover, the officer in charge, in fact, most of the top Peruvians military leaders are U.S. trained. The editoral commented further that similarly leaders are U.S. trained. The editoral commented further that similarly with an earlier military coup in Argentina when that nation's constitutional President was imprisioned, American arms were the force behind the incident.

The question raised in this article was as to whether our aid helps democracy or is used against it.

Certainly the Communist propagandist will say U.S. arms supported intervention of the military in elections.

Mr. Speaker, I am told that training foreign military personnel from certain countries in the United States is not accomplishing its purpose. It is working in reverse.

The President's report to Congress on the mutual security program on military assistance for Latin America says it is carefully designed to specific hemisphere defense tasks in accordance with the Rio treaty. It is described as of new significance with the growing Communist threat.

Mr. Speaker, I question the capability of any such hemisphere defense. The House Committee on Armed Services should call in our military planners and ascertain the value of it. A fresh look is what is needed and less reliance on those State Department bureaucrats whose reports could be self-serving.

Since World War II it has been the policy of our Government to select and bring to the United States for military training the most promising youth of countries receiving our military assistance. Here these foreign young men experience a new way of life. They receive better allowances, eat and live better than ever before. Here in our schools, under the instruction of our military personnel, they learn to use our modern weapons.

Upon their return home they observe an inefficient government which, nevertheless, is somewhat pleasantly prosperous with U.S. dollars. There comes an inevitable temptation to take over such a government, and to correct weakness by military dictatorship.

Military takeovers by foreign leaders trained in the United States to use our weapons have already occurred in South Korea, Turkey, Cuba, Brazil, Argentina, Ecuador, and Peru. It may well occur elsewhere.

This takeover of civilian governments by force is scarcely the purpose of our foreign aid program.

Mr. Speaker, the President's fiscal year 1963 budget calls for $1.5 billion military assistance to foreign countries. For our own best interest, as well as that of the intended recipients, it is imperative that the Congress carefully consider this requested appropriation.

In all, we have granted some $462 million in military assistance to Latin America; for the fiscal year 1963, $84 million is contemplated. I am told that in all Latin America no means for Western Hemisphere defense exist. The tanks, obsolescent fighters, and small arms we have sent there can in no way be considered defense against the Red bomber and missile threat against the Western Hemisphere.

If so, what then does our military assistance program to Latin America accomplish? The answer is it strengthens dictators and would-be dictators. It sometimes forces a population to live under its own military occupation. Our military assistance can do even greater harm; it tempts armed dictators to attack neighboring states.

Mr. Speaker, it seems to me the only weapons needed in Latin America are small arms to prevent local disorder and to disrupt the infiltration of subversive influences. Latin American countries already have these weapons. I therefore suggest that much of our military assistance to Latin America is not only unnecessary—it is harmful. In the interest of peace and democracy, as well as our own national solvency, a reappraisal should take place.

Turning now to the emerging countries of Africa, they—even less than the Latin American countries—need no modern weapons.

To arm these new countries with our weapons can well lead to more dictatorship and local wars.

In the past for example we have sent tanks and fighter aircraft to Ethiopia. Why, I have not the slightest idea. But Somaliland also wants tanks and fighters because she claims that Ethiopia has taken some of her territory and Somaliland wants to take it back.

Mr. Speaker, I can see no need for U.S. military assistance to any country in Africa. What good except to make other political leaders jealous, was the naval vessel we gave to Emperor Haile Selassie for a yacht or the $3 million it cost us to air condition and outfit it? How much of that sort of thing has been going on?

Greece and Turkey have frontiers in common with Communist countries. I favor military support for such countries. However to a large extent Greece nor Turkey must content themselves with arms they can afford, and depend on the NATO alliance for protection against Red aggression.

And speaking of NATO, the industrialized countries of Western Europe have flourishing economies. More so than ours relatively. Also, they have the genius to fashion modern weapons. They need no military assistance from us.

However, there are areas and countries, Mr. Speaker, which are threatened by Red aggression and need our help. To such our military assistance must continue. I refer to South Korea, Formosa, southeast Asia and Berlin. Here I would not cut.

In summary, I suggest that based on past military assistance programs to these threatened areas and countries, $750 million for fiscal 1963 is ample.

Mr. Speaker, in my opinion, I repeat, the Congress could cut the $1.5 billion requested for military assistance. Brig. Gen. Bonner Fellers, chairman of the Citizens Foreign Aid Committee, says this can be cut to $750 million and have a better overall program. So when the foreign aid appropriation bill comes up for House consideration on the military program alone, I am hopeful we can save substantially of the taxpayers money.

Mr. Speaker, a tax cut in 1963 has been promised to the American people by the President, although of course taxes are solely within the constitutional province of the Congress.

To justify such needed relief to the overburdened taxpayers, the upward spiral of Federal spending must be halted. Otherwise the result will be more inflation and weakening rather than strengthening our economy.

In this connection, if I may sum up, Mr. Speaker, an area or one of the areas to achieve necessary savings is our military assistance program. With other savings including a cut in economic foreign aid, a cut in our Defense expenditures as promised by Secretary McNamara, and reductions which can be made in nonessential domestic spending programs, I am sure the cut in taxes could be justified. Thereby a stimulant to the general economy could be accomplished.

Mr. Speaker, to conclude, when the foreign-aid appropriations bill comes to the House for consideration, the opportunity to reduce expenditures must not be overlooked. I urge substantial reductions in all parts of the program, but especially I urge that we not make a sacred cow out of the military aid part of the bill.

Mr. LANGEN. Mr. Speaker, will the gentleman yield?

Mr. PELLY. I yield to the gentleman from Minnesota.

Mr. LANGEN. Permit me to take this moment to compliment my colleague from Washington on the very worthy statement he has just made. I think it is indicative of his dedication to the economic security of this country as well as support of the policy that may gain this country respect throughout the world. I know that during the time I have served with him this has been his constant endeavor and purpose. His effectiveness in helping to bring about such a program is certainly to be commended.

Mr. PELLY. Of course I appreciate the very kind words of the gentleman. I just want to say to him and other Members of the House, as one who has in the past voted for foreign aid and believed in it, I have become concerned now as to whether or not much of the spending could not be reduced. In this connection, I have suggested various legislation, and am prepared to vote bills up or down in accordance with their effect on the economic as well as the military security of our country.

THE FEDERAL AVIATION AGENCY

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that the gentleman from Texas [Mr. GONZALEZ] may extend his remarks at this point in the RECORD and include extraneous matter.

The **SPEAKER** pro tempore. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

Mr. GONZALEZ. Mr. Speaker, I notice from the daily press that any number of persons and citizens are airing various grievances they feel they have against the Federal Aviation Agency and its Administrator, Mr. Najeeb Halaby. This fact gives me no comfort even though I have endeavored to be very pointed in my own criticism of how this Agency has executed functions given it by the Congress. But it is distressing to learn that so many of our citizens feel aggrieved by the actions, or sometimes the lack of actions, of this Agency.

The most distressing element in this picture is that there appears to be no avenue through which citizens, cities, or groups can appeal from some of the harmful actions, attitudes, or even indifference the Agency assumes toward their problems.

It is well known that the present Administrator was one of those who served under President Eisenhower's White House aviation facilities study group, which was charged with developing a plan for modernizing the Nation's airway facilities. This plan became known as the Curtis report. This is the group that recommended the formation of the Federal Aviation Agency, which was created in August 1958.

It should be recalled that Mr. Najeeb Halaby was vice chairman of this group. Today he is Administrator of the Agency he helped call into being. I have no quarrel with the fact there was a need to reorganize and update our efforts to bring more order, responsibility, and safety to our airways, and I recognize the real need for the passage of a Federal Aviation Act.

This act and the Agency it creates has been functioning only 4 years. It is apparent that we can see many problems now from this 4 years of experience that could not be fully anticipated in 1958. Although I have charged the present Administrator with a number of delinquencies, I wish to say in fairness that some of these may stem from deficiencies in the law itself and I argue for the need of our taking a pause and examining how wisely the present law delegates such broad, unilateral powers into the hands of any single administrator.

Few people recognize that we have established a single man in Government who has virtually unlimited powers in the expenditure of a budget that is rapidly approaching a billion dollars a year. One editorial writer has characterized him as a giant standing over the Nation with a bag full of jelly beans. It has become important to citizens, to cities, to associations, to unions, to Congressmen just how they stand in this man's favor.

He can break a strike by removing a license to fly of an elected union leader; he can give or not give money for needed construction to a city airport; he can approve or disapprove a particular piece of equipment; he can give or not give a multimillion-dollar contract; he can let an employee fly or not fly an FAA airplane to transport his family without expense; he can dismantle or construct important installations in an area; in short, he has much in the way of largess or penalties he and he alone can dispense.

I recognize that there are times we must delegate broad powers for the sake of efficient administration and decision-making. But I also argue that there should be some more orderly and regular opportunity of checking on this authoritarian approach to what should be only technical problems. There should be a recourse for all who feel aggrieved at the hands of a governmental administrator—any administrator and any agency. We have elaborate measures for this even in our system of military justice. Why can we not have it in the case of a purely civilian agency.

This is the question I raise about the Federal Aviation Agency. We must recognize that the head of this agency now presides over activities ranging all the way from governing Wake Island and its inhabitants to opening what amounts to a regional office in London, England. He can make decisions affecting whether your hometown is to grow or to wither, and he does not have to even listen to petitions of protest.

Mr. Speaker, it is time we paused and took a close look at this thing that has been created.

A TRIBUTE TO HON. DANIEL K. INOUYE

Mr. ALBERT. Mr. Speaker I ask unanimous consent that the gentleman from New York [Mr. O'BRIEN] may extend his remarks at this point in the RECORD and include extraneous matter.

The **SPEAKER** pro tempore. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

Mr. O'BRIEN of New York. Mr. Speaker, as the 87th Congress moves into its closing days, Members experience feelings of both anticipation and regret, anticipation of a return home to relatives, friends, and neighbors, and regret that many of our friends in the House will not answer the first rollcall of the 88th Congress.

Some of those who will leave have been the victims of the fortunes of political life; some are retiring after long years of service and some will seek in November election to different spheres of public trust.

We say farewell to all of them and wish them all the best in the days ahead.

I should like to pay a special tribute at this time to one of those who will leave this Chamber soon because he has been chosen by his party as a candidate for the U.S. Senate. I refer to the Honorable DANIEL K. INOUYE, of Hawaii.

My motives are twofold. First, because I have found in the first Member of the House from Hawaii a warm and delightful friend.

My second reason, I hope, will be understandable to my colleagues. Only a few years ago, it was my rare privilege to serve here as floor manager of the bills which made Alaska and Hawaii the 49th and 50th States of the United States.

Tuesday last was the third anniversary of the admission of Hawaii. Today is the third anniversary of one of the most dramatic and moving scenes ever to occur in this House.

On that day, a young man, just elected to Congress from the brandnew State, walked into the well of the House and faced the late Speaker Sam Rayburn.

The House was very still. It was about to witness the swearing in, not only of the first Congressman from Hawaii, but the first American of Japanese descent to serve in either House of the Congress.

"Raise your right hand and repeat after me," intoned Speaker Rayburn.

The hush deepened as the young Congressman raised not his right hand but his left, and he repeated the oath of office.

There was no right hand, Mr. Speaker. It had been lost in combat by that young American soldier during World War II. Who can deny that, at that moment, a ton of prejudice slipped quietly to the floor of the House of Representatives.

Now, 3 years later, I can proudly report that high on the credit side of our vote in admitting Hawaii to statehood is the fact that Hawaii sent DANIEL INOUYE to Washington.

I have watched his comparatively brief career here with far more than academic interest. I wanted him to succeed, not because of his political affiliation but because he was to be a living symbol of what we did when we added the 50th star to our flag.

I say now, cooly and dispassionately, that Congressman INOUYE's record here, his impact on the rest of us, his zeal and energy have surpassed by a thousandfold my greatest hopes.

It is not easy for a young man to be the first Representative of his State in this historic body. It was not easy for a young man to come here as the first person of his ethnic origin to serve in either House of the Congress.

He must have been aware that what he said and did would attract far more attention than if the words and deeds were those of any other Member. Despite this pressure he did indeed come, see, and conquer, not only our critical judgment but our hearts.

Three years is a short space in which to accomplish much here. Freshmen are supposed to yield to their seniors, to be seen and not heard. But, when you are the only voice of your State in this House and when that State is new and faced with the problems of newness, you cannot "age in the wood."

The record will show that DANIEL INOUYE has accomplished for his State, in 3 years, more than many of us might expect to accomplish in a decade.

Permit me to recite a few of those accomplishments.

His first task was to seek, for his new State, important concessions in the so-called statehood omnibus bill. Through his personality, hard work, and sagacity he carved a legislative milestone, winning for his State an additional $6 million in lieu of land grants customarily granted new States, but not available to Hawaii.

A more recent accomplishment was in an arena away from the House floor. He was a moving spirit in the settlement of the Hawaii shipping strike, a role attested by a letter of commendation from President Kennedy.

We all recall the recent great problems in enacting a new sugar law. The gentleman from Hawaii did yeoman work on that bill. Although he ranks 17th on the committee in seniority, it is significant that he was one of four selected to serve on the conference committee. Hawaii, as one observer noted, "batted 1,000 percent," achieving long-range stability for that important crop and winning a framework in which it can and will flourish.

Through his earnest efforts, the United States is moving forward with a great and exciting experience in its cultural contacts with Asiatic peoples. I refer to the East-West Cultural Center at the University of Hawaii, in which we have invested $20 million and from which untold benefits will flow. It is significant that Mr. INOUYE has received every dollar requested from a committee which is hardly extravagant.

Congressman INOUYE has been drafted repeatedly for missions abroad, where he has stood as a living symbol of true Americanism. He is a member of the Interparliamentary Union—the first freshman Congressman ever to serve. He was an American delegate to the United States-Mexico Parliamentary Conference and to the United States-Canada Conference. Under President Eisenhower, he was cochairman of the President's people-to-people program, in charge of the Far Eastern program.

In 1960 he was selected by the U.S. Junior Chamber of Commerce as one of the 10 outstanding young men of the year.

During his 3 years, he has seen to it that the millions of dollars in watershed, reclamation, harbor, and airport projects allocated to his State have been spread to the several islands to assist in the development of the whole State.

I hope I have painted a portrait of the complete Congressman, zealous in his efforts for his State and outstanding in the national arena. If not, I missed my goal because I believe DANIEL INOUYE has set a standard which waves high above the average and normal.

We wish him well in the days which lie ahead.

RELIEF FOR LOCAL TAXPAYERS

The SPEAKER pro tempore (Mr. LIBONATI). Under previous order of the House, the gentleman from Michigan [Mr. O'HARA] is recognized for 20 minutes.

Mr. O'HARA of Michigan. Mr. Speaker, the President's recent television address with regard to Federal tax reform was, of course, of great interest to us all. I, for one, share the President's belief that the Internal Revenue Code must be overhauled to eliminate loopholes and inequities and to encourage economic growth. As far as I am concerned, the sooner this is done the better.

Such a review will provide a good opportunity to relieve some of the unintentional hardship resulting from the patchwork pattern of taxes to which our citizens are now subject. The tax dollar is vigorously pursued by various units of Government with income taxes, real estate taxes, excise taxes, sales taxes, and personal property taxes, among others. The modern American is subject to just about every tax ever devised by the ingenuity of man.

TOO MANY TAX COLLECTORS

It must sometimes seem to him that there is a tax collector at the front door, a tax collector at the back door, and a third attempting entry at a window.

It is not within the power of the U.S. Congress to dictate to the States or to the cities with regard to how they shall or shall not tax persons within their jurisdiction. However, it is within our power to make appropriate changes in the Federal tax structure to provide a measure of relief from the effects of too many taxes and taxing jurisdictions.

REFUND OF DETROIT INCOME TAX

I have introduced H.R. 12388, which is designed to provide such tax relief in a significant way. My proposal would permit an individual taxpayer, within limits, to reduce his Federal income tax by the amount of State or city income tax he has had to pay.

For example, if an individual has paid $50 in State or city income tax, his Federal tax would be reduced by $50. If the full amount of his Federal income tax has already been withheld from his wages, he would be entitled to a $50 refund.

The limitation of which I spoke is that taxpayers could not reduce their Federal taxpayment by more than 5 percent on account of any State or city income tax paid.

As a practical matter, for taxpayers in the two lowest Federal income tax brackets—and this includes the vast majority of all taxpayers—the amount of Federal tax credit permitted would approximately equal a 1-percent State or city income tax, such as that recently imposed by the city of Detroit.

Note that my bill permits a dollar-for-dollar reduction of Federal income tax on account of State or local income taxes paid. Under existing law, an itemized deduction can be taken for State or local taxes. This is of no benefit whatsoever to the many taxpayers who take the standard deduction instead of itemizing their deductions. Even itemizing deductions, most taxpayers now save less than 25 cents in Federal income tax for each dollar paid in State or local income tax instead of the dollar-for-dollar reduction I am proposing.

NO SUBSTITUTE FOR STATE TAX REFORM

I do not pretend that my bill would be a substitute for State tax reform. Indeed, there is no substitute for effective tax reform by the States.

It is a matter of deep regret to me that the State legislature of my own State of Michigan has consistently and stubbornly refused to take constructive action to revise and overhaul Michigan's outmoded and unfair tax system.

It is the legislature's repeated refusal to take such necessary steps which has caused the financial crisis of Michigan's cities and has led to the scramble of the cities to tax the incomes of their residents and of nonresidents working within their boundaries.

PROPERTY TAXES TOO HIGH

Nor is the widespread resort to city income taxes, with their great potential for inequity, double taxation, and unhealthy municipal competition, the only consequence of State and local reliance upon outmoded and unfair revenue systems. A second, more serious, consequence to families of moderate income who are buying a home under a mortgage or land contract and to homeowners whose incomes have been reduced by retirement, illness, or unemployment, is an excessive reliance upon property taxes to supply the revenues required for expanding municipal and educational needs. In the years since World War II, property tax collections have increased at twice the rate of Federal tax collections. Property taxpayers are today carrying altogether too much of the load.

TAX RELIEF NOW

Passage of my bill permitting a Federal income tax credit for State or local income taxes paid will not solve all problems. Nevertheless, we who serve in the U.S. Congress have a responsibility to do what we can to remedy inequities of which we have knowledge and to create conditions under which State and local governments may more readily undertake necessary changes in their own tax structure. Enactment of H.R. 12388 would be a step in that direction.

I might add, that I am gratified by the response of many local governments to my bill. Its passage has been supported by resolutions adopted by a number of city councils, including those of Warren, St. Clair Shores, Roseville, and Fraser, Mich., in the congressional district which I represent.

I believe that action upon the principles embodied in this bill should not be postponed. However, if a final decision is made to delay undertaking Federal tax reform until next year, I shall, at that time, reintroduce H.R. 12388 and again urge its consideration.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

Mr. PELLY, for 15 minutes, today.

Mr. O'HARA of Michigan (at the request of Mr. ALBERT), for 20 minutes, today, and to revise and extend his remarks and include extraneous matter.

EXTENSION OF REMARKS

By unanimous consent, permission to extend remarks in the CONGRESSIONAL RECORD, or to revise and extend remarks, was granted to:

(The following Members (at the request of Mr. ALBERT) and to include extraneous matter:)

Mr. ANFUSO.
Mr. TOLL.
Mr. RAINS.
Mr. JOHNSON of Maryland.

SENATE BILLS REFERRED

Bills of the Senate of the following titles were taken from the Speaker's table and, under the rule, referred as follows:

S. 2358. An act to improve the administration of transfers of certain real property for wildlife or other purposes by repealing the act of May 19, 1948, and incorporating the essential provisions thereof in the Federal Property and Administrative Services Act of 1949, as amended; to the Committee on Merchant Marine and Fisheries.

S. 3389. An act to promote the foreign commerce of the United States through the use of mobile trade fairs; to the Committee on Interstate and Foreign Commerce.

ENROLLED BILLS SIGNED

Mr. BURLESON, from the Committee on House Administration, reported that that committee had examined and found truly enrolled bills of the House of the following titles, which were thereupon signed by the Speaker:

H.R. 3728. An act to amend chapter 11 of title 38, United States Code, to authorize special consideration for certain disabled veterans suffering blindness or bilateral kidney involvement;

H.R. 8564. An act to amend the Federal Employees' Group Life Insurance Act of 1954 to provide for escheat of amounts of insurance to the insurance fund under such act in the absence of any claim for payment, and for other purposes;

H.R. 10651. An act to amend title 28, United States Code, with respect to fees of U.S. marshals, and for other purposes;

H.R. 11523. An act to authorize the employment without compensation from the Government of readers for blind Government employees, and for other purposes; and

H.R. 12355. An act to amend the law relating to the final disposition of the property of the Choctaw Tribe.

SENATE ENROLLED BILLS AND JOINT RESOLUTIONS SIGNED

The SPEAKER announced his signature to enrolled bills and joint resolutions of the Senate of the following titles:

S. 1005. An act to amend section 10 and section 3 of the Federal Reserve Act, and for other purposes;

S. 1781. An act for the relief of the heirs of Lt. Col. James Murray Bate (deceased) and Maj. Billie Harold Lynch (deceased);

S. 1849. An act for the relief of Stephen S. Chang;

S. 2179. An act to amend section 9(d)(1) of the Reclamation Project Act of 1939 (53 Stat. 1187; U.S.C. 485), to make additional provision for irrigation blocks, and for other purposes;

S. 2256. An act to amend section 5 of the War Claims Act of 1948 to provide detention and other benefits thereunder to certain Guamanians killed or captured by the Japanese at Wake Island;

S. 2574. An act for the relief of Constantina Caraiscou;

S. 2686. An act for the relief of Stepanida Losowskaja;

S. 2736. An act for the relief of Arie Abramovich;

S. 2751. An act for the relief of Susan Gudera, Heinz Hugo Gudera, and Catherine Gudera;

S. 2835. An act for the relief of Sieu-Yoeh Tsai Yang;

S. 2862. An act for the relief of Mai Har Tung;

S. 2876. An act to extend for 1 year the authority to insure mortgages under section 809 and 810 of the National Housing Act;

S. 3016. An act to amend the act of March 2, 1929, and the act of August 27, 1935, relating to loadlines for oceangoing and coastwise vessels, to establish liability for surveys, to increase penalties, to permit deeper loading in coastwise trade, and for other purposes;

S. 3039. An act for the relief of Bartola Maria S. La Madrid;

S.J. Res. 132. Joint resolution extending recognition to the International Exposition for Southern California in the year 1966 and authorizing the President to issue a proclamation calling upon the several States of the Union and foreign countries to take part in the exposition; and

S.J. Res. 179. Joint resolution authorizing and requesting the President to designate April 21, 1963, as a day for observance of the courage displayed by the uprising in the Warsaw ghetto against the Nazis.

ADJOURNMENT

Mr. ALBERT. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 12 o'clock and 49 minutes p.m.), under its previous order, the House adjourned until Monday, August 27, 1962, at 12 o'clock noon.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

2439. A letter from the Secretary of the Treasury, transmitting a report covering the progress made in liquidating the assets of the former Reconstruction Finance Corporation for the quarterly period ending June 30, 1962, pursuant to (67 Stat. 230), and Reorganization Plan No. 1 of 1957 (22 F.R. 4633); to the Committee on Banking and Currency.

2440. A letter from the Secretary of State, transmitting a report on the fiscal operations of the United Nations to supplement the present annual report to the Congress on United Nations affairs, pursuant to the request of the President; to the Committee on Foreign Affairs.

2441. A letter from the Comptroller General of the United States, transmitting a report on examination of the pricing of repair parts for Mk–118 and Mk–119 computers under Department of the Navy fixed-price incentive contract NOrd–17812 with Ford Instrument Co., division of Sperry Rand Corp., Long Island City, N.Y.; to the Committee on Government Operations.

2442. A letter from the Assistant Secretary of the Interior, transmitting a proposed concession contract with Super Attractions, Inc., which will authorize the corporation to present theatrical productions at the Carter Barron Amphitheater in Rock Creek Park, District of Columbia, for the period November 1, 1962, through October 31, 1967, pursuant to (70 Stat. 543); to the Committee on Interior and Insular Affairs.

2443. A letter from the Assistant Secretary of the Interior, transmitting a determination relating to the deferment of the 1962 repayment installment due from the Pershing County Water Conservation District, Humboldt project, Nevada, pursuant to Public Law 86–308; to the Committee on Interior and Insular Affairs.

2444. A letter from the Assistant Secretary of the Interior, transmitting a draft of a proposed bill entitled "A bill to ratify certain conveyances of land on the Crow Indian Reservation," to the Committee on Interior and Insular Affairs.

2445. A letter from the Assistant Secretary of the Interior, transmitting a draft of a proposed bill entitled "A bill to amend subsection 204(4) of the Hawaiian Home Commission Act"; to the Committee on Interior and Insular Affairs.

2446. A letter from the Deputy Director, Central Intelligence Agency, transmitting a report of tort claims paid by the Central Intelligence Agency for the fiscal year 1962, pursuant to Public Law 79–601; to the Committee on the Judiciary.

2447. A letter from the Attorney General, transmitting a report relating to information received from Federal, State, and local agencies of government concerning identical bidding in advertised procurement, pursuant to section 7 of Executive Order 10936 issued April 24, 1961; to the Committee on the Judiciary.

2448. A letter from the Administrator, National Aeronautics and Space Administration, transmitting a report to the Committee on Science and Astronautics of the House of Representatives pursuant to section 3 of the act of July 21, 1961 (75 Stat. 216, 217), and submitted to the House of Representatives pursuant to rule XL of the Rules of the House of Representatives; to the Committee on Science and Astronautics.

2449. A letter from the Secretary of Commerce, transmitting the annual report on scientific research grants for the fiscal year 1962 for the Department of Commerce, pursuant to Public Law 934, 85th Congress; to the Committee on Science and Astronautics.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, pursuant to the order of the House of August 20, 1962, the following bills were reported on August 21, 1962:

Mr. McMILLAN: Committee on the District of Columbia. S. 3317. An act to amend provisions of law relating to personal property coming into the custody of the property clerk, Metropolitan Police Department, and for other purposes; with amendment (Rept. No. 2257). Referred to the Committee of the Whole House on the State of the Union.

Mr. McMILLAN: Committee on the District of Columbia. H.R. 10916. A bill to amend the act known as the "Life Insurance Act" of the District of Columbia, approved June 19, 1934, and the act known as the "Fire and Casualty Act" of the District of Columbia, approved October 3, 1940; with amendment (Rept. No. 2258). Referred to the House Calendar.

Mr. McMILLAN: Committee on the District of Columbia. H.R. 12418. A bill to amend the act entitled "An act to authorize the Commissioners of the District of Columbia to make regulations to prevent and control the spread of communicable and preventable diseases," approved August 11, 1939, as amended; without amendment (Rept. No. 2259). Referred to the Committee of the Whole House on the State of the Union.

Mr. McMILLAN: Committee on the District of Columbia. H.R. 12467. A bill to amend the act of June 4, 1948, as it relates to the appointment of the District of Columbia Armory Board; without amendment (Rept. No. 2260). Referred to the Committee of the Whole House on the State of the Union.

[*Submitted August 23, 1962*]

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. McMILLAN: Committee on the District of Columbia. S. 2250. An act to provide for the incorporation of the National Women's Relief Corps, Auxiliary to the Grand Army of the Republic, organized 1883, 78 years old; without amendment (Rept. No. 2263). Referred to the House Calendar.

Mr. ASPINALL: Committee of conference. H.R. 10062. A bill to extend the application of certain laws to American Samoa (Rept. No. 2264). Ordered to be printed.

Mr. ROBERTS of Alabama: Committee on Interstate and Foreign Commerce. H.R. 12833. A bill to amend the act of July 14, 1955, relating to air pollution control, to authorize appropriations for an additional 2-year period, and for other purposes; without amendment (Rept. No. 2265). Referred to the Committee of the Whole House on the State of the Union.

Mr. DAVIS of Tennessee: Committee on Public Works. H.R. 11799. A bill defining the interest of local public agencies in water reservoirs constructed by the Government which have been financed partially by such agencies; without amendment (Rept. No. 2266). Referred to the Committee of the Whole House on the State of the Union.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. LIBONATI: Committee on the Judiciary. S. 149. An act for the relief of the estate of Gregory J. Kessenich; without amendment (Rept. No. 2261). Referred to the Committee of the Whole House.

Mr. LANE: Committee on the Judiciary. H.R. 10897. A bill for the relief of Joseph Hammond; without amendment (Rept. No. 2262). Referred to the Committee of the Whole House.

PUBLIC BILLS AND RESOLUTIONS

Under clause 4 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. BLATNIK:

H.R. 12954. A bill to amend the Tariff Act of 1930 to provide that any payment or reimbursement to the United States required by such act for extra compensation paid customs officers and employees on account of private aircraft traveling between the United States and Canada or Mexico shall be on the basis of flat fees prescribed by the Secretary of the Treasury; to the Committee on Ways and Means.

By Mr. BROOKS of Texas:

H.R. 12955. A bill to authorize the modification of the existing project for Sabine-Neches Waterway, Tex.; to the Committee on Public Works.

By Mr. DERWINSKI:

H.R. 12956. A bill to increase the maximum amount of insurance applicable to accounts in savings and loan institutions under title IV of the National Housing Act from $10,000 to $20,000; to the Committee on Banking and Currency.

H.R. 12957. A bill to increase the maximum amount of an insured deposit under the Federal Deposit Insurance Act from $10,000 to $20,000; to the Committee on Banking and Currency.

By Mr. DORN:

H.R. 12958. A bill to prohibit interstate contributions in connection with congressional primaries and elections and with elections for electors of the President; to the Committee on House Administration.

By Mr. GLENN:

H.R. 12959. A bill to authorize the Secretary of the Interior to construct two modern stern ramp trawlers to be used for research, and for other purposes; to the Committee on Merchant Marine and Fisheries.

H.R. 12960. A bill to amend the act of June 12, 1960, for the correction of inequities in the construction of fishing vessels, and for other purposes; to the Committee on Merchant Marine and Fisheries.

By Mr. HOLIFIELD:

H.R. 12961. A bill to amend the Administrative Expenses Act of 1946 (60 Stat. 806), as amended (5 U.S.C. 73b–1), to authorize payment of expenses for storage of household goods and personal effects of civilian employees assigned to isolated duty stations; to the Committee on Government Operations.

By Mr. ICHORD of Missouri:

H.R. 12962. A bill to authorize the Secretary of Agriculture to accord fair and equitable treatment to producers who, while participating in the special wheat program for 1962 or the special feed grain program for 1961 or 1962, relied upon the erroneous advice of authorized representatives of the Secretary; to the Committee on Agriculture.

By Mr. JOHNSON of Maryland:

H.R. 12963. A bill to require certain safety devices on motor vehicles sold, shipped, or used in interstate commerce, and for other purposes; to the Committee on Interstate and Foreign Commerce.

By Mr. McMILLAN:

H.R. 12964. A bill to amend the act of February 9, 1907, entitled, "An act to define the term 'registered nurse' and to provide for the registration of nurses in the District of Columbia," as amended, with respect to the minimum age limitation for registration; to the Committee on the District of Columbia.

By Mr. RIVERS of Alaska:

H.R. 12965. A bill to improve and encourage collective bargaining between the management of the Alaska Railroad and representatives of its employees, and to permit to the extent practicable the adoption by the Alaska Railroad of the personnel policies and practices of the railroad industry; to the Committee on Post Office and Civil Service.

By. Mr. TOLLEFSON:

H.R. 12966. A bill to exclude cargo which is lumber from conference agreements under the Shipping Act, 1916, and from certain tariff filing requirements under such act; to the Committee on Merchant Marine and Fisheries.

H.R. 12967. A bill to amend the act of June 12, 1960, for the correction of inequities in the construction of fishing vessels, and for other purposes; to the Committee on Merchant Marine and Fisheries.

By Mr. ZELENKO:

H.R. 12968. A bill to amend section 901(b) of the Merchant Marine Act, 1936, to eliminate certain time limitations; to the Committee on Merchant Marine and Fisheries.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1, of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. ADDABBO:

H.R. 12969. A bill for the relief of Cosimo Barbetta; to the Committee on the Judiciary.

By Mr. BROYHILL:

H.R. 12970. A bill for the relief of Richard E. Reedy; to the Committee on the Judiciary.

By Mr. McFALL:

H.R. 12971. A bill for the relief of Dr. Dionysius I. Macatiag; to the Committee on the Judiciary.

By Mr. TEAGUE of California:

H.R. 12972. A bill for the relief of Mrs. Sumi Kato; to the Committee on the Judiciary.

By Mr. ZELENKO:

H.R. 12973. A bill to provide that the vessel SS *Glenbrook* may be a U.S.-flag commercial vessel for the purposes of section 901(b) of the Merchant Marine Act, 1936; to the Committee on Merchant Marine and Fisheries.

By **Mr. COLMER:**

H.J. Res. 850. Joint resolution authorizing the President of the United States to issue a proclamation declaring Sir Winston Churchill to be an honorary citizen of the United States of America; to the Committee on the Judiciary.

SENATE

THURSDAY, AUGUST 23, 1962

The Senate met at 10 o'clock a.m., and was called to order by the President pro tempore.

The Chaplain, Rev. Frederick Brown Harris, D.D., offered the following prayer:

Eternal Spirit, Thou who art not far off on the vast rim of the universe, but closer than hands or feet—a present help: As we move through this world of abounding wonder, give us to realize that every gleam of beauty is a pull toward Thee, every pulse of love is a tendril that draws in Thy direction, every vindication of truth links our finite minds up to the Mind that undergirds us, and every deed of good will fulfills all our tiny adventures of faith.

As we think of the peace that comes alone with the climate of unselfish good will to all men, we pray Thy blessing upon the President of this body as he wings his way to faraway, historic lands where the ferment of these agitated times is erupting in yeasty social commotion. Strengthen the impact his presence brings as the voice of America in the countries to which he goes, as he speaks for the Republic whose servant he is, as he refutes false witness spread by those who hate freedom, and as he brings to multitudes the assurance that the hope and might of this free land are with them in resisting tyranny and in their quest for more abundant life.

This we lift up as our soul's prayer in the Spirit of Christ. Amen.

THE JOURNAL

On request of Mr. MANSFIELD, and by unanimous consent, the reading of the Journal of the proceedings of Wednesday, August 22, 1962, was dispensed with.

MESSAGES FROM THE PRESIDENT

Messages in writing from the President of the United States submitting nominations were communicated to the Senate by Mr. Miller, one of his secretaries.

LIMITATION OF DEBATE DURING MORNING HOUR

On request of Mr. MANSFIELD, and by unanimous consent, statements during the morning hour were ordered limited to 3 minutes.

COMMITTEE MEETINGS DURING SENATE SESSION

On request of Mr. MANSFIELD, and by unanimous consent, the following committees or subcommittees were authorized to meet during the session of the Senate today:

The permanent Subcommittee on Investigations of the Committee on Government Operations.

The Public Lands Subcommittee of the Committee on Interior and Insular Affairs.

The Internal Security Subcommittee of the Committee on the Judiciary.

The Committee on Armed Services.

EXECUTIVE COMMUNICATIONS, ETC.

The PRESIDENT pro tempore laid before the Senate the following letters, which were referred as indicated:

Report on Modifications at Atlantic Missile Range, Cape Canaveral, Fla.

A letter from the Administrator, National Aeronautics and Space Administration, Washington, D.C., reporting, pursuant to law, on certain modifications to the gantry at pad 12, Atlantic Missile Range, Cape Canaveral, Fla.; to the Committee on Aeronautical and Space Sciences.

World Food Congress

A letter from the Secretary of State, transmitting a draft of proposed legislation authorizing an appropriation to enable the United States to extend an invitation to the Food and Agriculture Organization of the United Nations to hold a World Food Congress in the United States in 1963 (with an accompanying paper); to the Committee on Foreign Relations.

Conveyance of Certain Land on Crow Indian Reservation

A letter from the Assistant Secretary of the Interior, transmitting a draft of proposed legislation to ratify certain conveyances of land on the Crow Indian Reservation (with an accompanying paper); to the Committee on Interior and Insular Affairs.

Amendment of Hawaiian Homes Commission Act

A letter from the Assistant Secretary of the Interior, transmitting a draft of proposed legislation to amend subsection 204(4) of the Hawaiian Homes Commission Act (with an accompanying paper); to the Committee on Interior and Insular Affairs.

Report on Identical Bidding in Public Procurement

A letter from the Attorney General, transmitting, pursuant to law, a report on identical bidding in public procurement, dated July 1962 (with an accompanying report); to the Committee on the Judiciary.

PETITIONS AND MEMORIALS

Petitions, etc., were laid before the Senate, or presented, and referred as indicated:

By the PRESIDENT pro tempore:

A resolution adopted by the Legislature of the State of Florida; to the Committee on the Judiciary:

"House Memorial 18–X

"Memorial to the Congress of the United States of America urging the Congress to submit a constitutional amendment reserving, granting, and confirming power and jurisdiction relating to the apportionment and reapportionment of the membership of State legislatures to the States without review of the Federal courts, and further urging the Congress to enact immediate interim legislation under article III, section 2, of the U.S. Constitution limiting appellate jurisdiction of the Supreme Court

"Whereas the apportionment of the membership of State legislatures, both the house and senate, is properly a State and not a Federal question; and

"Whereas there has been some effort recently by some of the lower Federal courts, not only to determine the validity of the apportionment or reapportionment of the membership of State legislatures, but also to make apportionment or reapportionment by judicial decree; and

"Whereas such judicial proceedings seriously interfere with States rights and the freedom of government by the people of the several States; and

"Whereas such judicial proceedings are a massive repudiation of the experience of our whole past and are a deliberate, palpable, and dangerous exercise of powers not granted to the Federal judiciary by the U.S. Constitution; and

"Whereas it appears to be the view of the Federal judiciary that population numbers are a principal consideration in determining the validity of apportionment laws relating to the representation in both houses of a bicameral legislative body; and

"Whereas it has long been the custom, usage, and law of the State of Florida and the several States that other factors in addition to population ought to be considered in arriving at fair and equitable representation in State legislative bodies; and

"Whereas it is necessary that the Congress enact suitable laws relating to both the original jurisdiction of the Federal district courts and appellate jurisdiction of the U.S. Supreme Court, pursuant to power vested in the Congress by article III, section 2, of the U.S. Constitution and any other applicable laws until such time as the Federal judiciary's encroachment into the field of State legislative apportionment traditionally reserved unto the States is curbed: Now, therefore, be it

"*Resolved by the Legislature of the State of Florida,* That the Florida Legislature hereby and herein petitions the Congress of the United States of America, and each House and Member thereof, to draft and submit a suitable amendment to the U.S. Constitution, specifically reserving, granting, and clearly confirming exclusive power and jurisdiction relating to the apportionment and reapportionment of the membership of State legislatures to the several States and to spell out that State action in this field is not subject to review by the Federal courts; and be it further

"*Resolved,* That the Florida Legislature hereby and herein petitions the Congress of the United States of America, and each House and Member thereof, to draft, submit, and enact a suitable law having the effect of excluding from the original jurisdiction of the Federal district courts cases relating to State legislative reapportionment and excluding from the appellate jurisdiction of the U.S. Supreme Court cases relating to State legislative apportionment pursuant to powers conferred upon the Congress by article III, section 2, of the Constitution of the United States, which provides in material part as follows:

"'In all other cases before mentioned, the Supreme Court shall have appellate jurisdiction, both as to law and fact, with such exceptions and under such regulations as the Congress shall make'; and be it further

"*Resolved,* That copies of this memorial be transmitted forthwith by the chief clerk of the house and the secretary of the senate of the State of Florida to the President of the United States, the Vice President of the United States as Presiding Officer of the Senate, the Speaker of the House of Representatives of the Congress of the United States, to each of the congressional delegation from

Florida in the U.S. Congress, and to each of the Governors, secretaries of state, and attorneys general of the several States; and be it further

"*Resolved*, That a copy of this memorial be spread upon the journal of both the senate and house of representatives of the State of Florida, and sufficient copies thereof be furnished to the press."

CITY OF NEW YORK BAR ASSOCIATION ASKS FOR PROMPT ACTION ON THURGOOD MARSHALL NOMINATION

Mr. KEATING. Mr. President, I present, for appropriate reference, a resolution unanimously adopted by the executive committee of the Association of the Bar of the City of New York with regard to the nomination of Judge Thurgood Marshall. The resolution reads as follows:

Resolved, That the Association of the Bar of the City of New York urge the Committee on the Judiciary of the U.S. Senate to file promptly a report favorable to Judge Thurgood Marshall's confirmation and that the Senate act promptly to confirm Judge Marshall's appointment to the Court of Appeals for the Second Circuit.

The PRESIDENT pro tempore. The resolution will be received and apppropriately referred.

The resolution was referred to the Committee on the Judiciary.

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. CHAVEZ, from the Committee on Public Works, without amendment:

H.R. 3801. An act to authorize the Secretary of the Army and the Secretary of Agriculture to make joint investigations and surveys of watershed areas for flood prevention or the conservation, development, utilization, and disposal of water, and for flood control and allied purposes, and to prepare joint reports on such investigations and surveys for submission to the Congress, and for other purposes (Rept. No. 1910).

By Mr. ERVIN, from the Committee on Armed Services, with an amendment:

H.R. 11257. An act to amend section 815 (article 15) of title 10, United States Code, relating to nonjudicial punishment, and for other purposes (Rept. No. 1911).

By Mr. JACKSON, from the Committee on Armed Services, without amendment:

H.R. 10263. An act to authorize the Secretary of the Air Force to adjust the legislative jurisdiction exercised by the United States over lands within Eglin Air Force Base, Fla. (Rept. No. 1915);

H.R. 10825. An act to repeal the act of August 4, 1959 (73 Stat. 280) (Rept. No. 1916);

H.R. 11251. An act to authorize the Secretary of the Army to relinquish to the State of New Jersey jurisdiction over any lands within the Fort Hancock Military Reservation (Rept. No. 1917); and

H.R. 12081. An act to authorize the Secretary of the Army to convey certain land and easement interests at Hunter-Liggett Military Reservation for construction of the San Antonio Dam and Reservoir project in exchange for other property (Rept. No. 1918).

By Mr. JACKSON, from the Committee on Armed Services, with an amendment:

S. 2421. A bill to provide for retrocession of legislative jurisdiction over U.S. Naval Supply Depot, Clearfield, Ogden, Utah (Rept. No. 1912).

By Mr. JACKSON, from the Committee on Armed Services, with amendments:

S. 3221. A bill to provide for the exchange of certain lands in Puerto Rico (Rept. No. 1913); and

H.R. 7278. An act to amend the act of June 5, 1952, so as to remove certain restrictions on the real property conveyed to the Territory of Hawaii by the United States under authority of such act (Rept. No. 1914).

By Mr. MAGNUSON, from the Committee on Commerce, without amendment:

H.R. 2446. An act to provide that hydraulic brake fluid sold or shipped in commerce for use in motor vehicles shall meet certain specifications prescribed by the Secretary of Commerce (Rept. No. 1920).

By Mr. McGEE, from the Committee on Commerce, with amendments:

S. 2138. A bill to provide that a greater percentage of the income from lands administered by the Fish and Wildlife Service of the Department of the Interior be returned to the counties in which such lands are situated (Rept. No. 1919).

BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. BURDICK:

S. 3668. A bill to provide for a scenic parkway connection between units of the Theodore Roosevelt National Park, N. Dak., and for other purposes; to the Committee on Interior and Insular Affairs.

(See the remarks of Mr. Burdick when he introduced the above bill, which appear under a separate heading.)

By Mr. PASTORE:

S. 3669. A bill for the relief of Giannino Monaco; to the Committee on the Judiciary.

By Mr. SMITH of Massachusetts (for Mr. Bible) (by request):

S. 3670. A bill to amend certain criminal laws applicable to the District of Columbia, and for other purposes; to the Committee on the District of Columbia.

By Mr. KEATING:

S. 3671. A bill for the relief of Lisette Chomali; to the Committee on the Judiciary.

By Mr. HUMPHREY (for Mr. Symington):

S. 3672. A bill for the relief of Henry Hein and Sadie Hein; to the Committee on the Judiciary.

By Mr. DODD (for himself, Mr. Kefauver, and Mr. Carroll):

S. 3673. A bill to protect the public health by amending the Federal Food, Drug, and Cosmetic Act to regulate the manufacture, compounding, processing, and distribution of habit-forming barbiturate drugs, and of amphetamine and other habit-forming central nervous system stimulant drugs; to the Committee on Labor and Public Welfare.

(See the remarks of Mr. Dodd when he introduced the above bill, which appear under a separate heading.)

By Mr. MANSFIELD (for Mr. Anderson):

S. 3674. A bill for the relief of Leobardo L. Gonzalez; to the Committee on the Judiciary.

By Mr. PASTORE:

S. 3675. A bill to create or charter a corporation by act of Congress; to the Committee on the Judiciary.

THEODORE ROOSEVELT NATIONAL PARK

Mr. BURDICK. Mr. President, I introduce, for appropriate reference, a bill for a needed improvement in the Theodore Roosevelt National Park.

I am particularly pleased to be able to introduce this bill calling upon the Congress to authorize sufficient money to construct a surface road between the north and south units of the Theodore Roosevelt National Park in western North Dakota.

Pleased I am because this long-needed improvement in this beautiful, rugged, unspoiled national park will afford the many hundreds of visitors to the park an opportunity to move about freely in this same region that Theodore Roosevelt did many years ago.

Mr. President, I am pleased because the Theodore Roosevelt National Park is close to the hearts of the people of North Dakota. As I am sure Senators are aware, President Theodore Roosevelt spent some time in this area as a cattle rancher and in his own words became "as much a westerner as an easterner."

Mr. President, this is the area where I was raised as a boy. I remember the rugged Badlands which are now the Theodore Roosevelt Park. Let me say that the improvements made there have been tremendous, and this road will be only another in a line of improvements in this important memorial to a great President, Theodore Roosevelt.

The PRESIDENT pro tempore. The bill will be received and appropriately referred.

The bill (S. 3668) to provide for a scenic parkway connection between units of the Theodore Roosevelt National Park, N. Dak., and for other purposes, introduced by Mr. Burdick, was received, read twice by its title, and referred to the Committee on Interior and Insular Affairs.

REGULATION OF MANUFACTURE AND DISTRIBUTION OF HABIT-FORMING BARBITURATES AND AMPHETAMINE DRUGS

Mr. DODD. Mr. President, it is with a sense of urgency that I introduce today a bill to regulate the manufacture and distribution of habit-forming barbiturate and amphetamine drugs. I am pleased to have the Senator from Tennessee [Mr. Kefauver] and the Senator from Colorado [Mr. Carroll] as cosponsors of this measure.

It is our objective to crush an epidemic of illegal, irresponsible and harmful use of these drugs by a growing number of young people and adults throughout the country.

It is an epidemic that is destroying families and turning children against their parents.

It is an epidemic that is transforming formerly emotionally stable children into vicious animals.

It is an epidemic that is turning previously law abiding and even-tempered youths into wanton criminals.

I am not speaking of a plague being spread by germs in the air we breathe; I am speaking of a manmade plague. Its spawning ground is in the gigantic drug factories, its carriers are the goons and hoodlums who transmit this living death to its victims, hundreds of thousands of children and young people in every part of this Nation.

I speak of the rampaging illicit traffic in, and abuse of, the dangerous drugs, the pep pills, and the goof balls. This traffic is fast becoming an American tragedy, a stark tale of thousands of pain-racked, convulsing, ulcerated, debilitated human beings who are traveling a path that leads inevitably to insanity, criminality, prostitution, and death.

Mr. President, I reported to the Senate on August 24, 1961, that in the year 1960, drug companies in this country produced 5¾ billion capsules of barbiturates and 4 billion tablets of amphetamine drugs. This is in addition to millions of bootleg drugs that find their way into the black market. At that time, I indicated that we had no idea of the percentage of these drugs that is used illegally. In the interim, based on the quantities involved in seizures of illegal dispensers in these drugs, we now know that the volume of the extremely dangerous "pep pills" and "goof balls" sold illegally equal, and might actually exceed, the amounts sold legally in the Nation's drugstores.

Just think of it, 5 billion of these potential killers let loose to entice, entrap, and enslave our youth.

During recent hearings of the Senate Juvenile Delinquency Subcommittee I heard testimony concerning the bizarre results of the use of these drugs. The witness was the chief of police of Los Angeles, Calif. One boy was a barbiturate addict. After only 4 months of use he, along with two other users, decided on the spur of the moment to rob a taxicab driver. This young boy held a knife at the stomach of the cabbie during the robbery, then with no provocation plunged it into his body. As the wounded man fled down the street the boy pursued him and viciously stabbed him 12 more times. The man died in the early morning hours.

This boy was not a delinquent.

He had never committed an offense. He had been working for 15 months. His neighbors described him as a quiet, even-tempered person prior to the use of barbiturates. The police psychiatrist stated that the use of this drug had completely changed his personality, had turned him into a savage killer.

The second case involved a youngster addicted to the "pep pills," the amphetamines. The long-term effects of this drug are well known. Irritability, aggressiveness and finally self-induced insanity. In this case the youth was started on pep pills by a neighborhood friend. With increasing use the boy began to steal from his family, he actually carried out a mugging attempt of his own father. In desperation, the father bought a gun to protect the family from his own son. Three weeks ago, the boy came home and demanded money to buy pills. When his father refused, the boy threatened him and advanced toward him menacingly. The father fired the gun toward the floor to frighten the boy, but accidentally hit him in the leg. The mother, hysterical, tried to take the gun from her husband, it discharged and she fell to the floor, dead. The result of just these two cases: two dead, two in prison for murder, one wounded, and two families destroyed. And this is happening every day in cities throughout our country.

If this is not a plague, I do not know what is.

Mr. President, 15 months ago I introduced a bill to control this plague, this illegal traffic in dangerous drugs.

The Subcommittee To Investigate Juvenile Delinquency has during the intervening months continued its investigation of the overall problem of narcotic addiction. I have just described some of the bizarre details of the dangerous drug menace. I would like to bring to the attention of the Senate additional information from four areas which, together, show how these conditions have been developing during the last 15 months.

First, I would like to point out that during May, the subcommittee held hearings on the narcotic problem in the southwest United States.

One of the most alarming reports was presented to the committee by Sheriff Peter Pitchess of Los Angeles County and it concerned the use of dangerous drugs. A special commission of the California Governor's office found that in 1959, 10 percent of the total arrests made by the Los Angeles Police Department's juvenile narcotics squad were for dangerous drugs; in 1960, this had jumped to 32 percent, and for the first 4 months of 1961, a staggering 59 percent of all juvenile arrests by this squad were made for using or possessing what youngsters call "bennies," "goof balls," "red devils," "yellow jackets," and so forth. Since 1954, the number of arrests of juveniles for the use of these drugs has increased 468 percent.

These same frightening conditions were found to exist in San Diego and in San Francisco.

One might ask, Where do young people get these deadly drugs? We found the answer. We have been told that 1 million units of these drugs were delivered to Tijuana, Mexico, from a legitimate American drug firm in 23 days. Another 600,000 of these pills were delivered from another American firm over a period of 3 days. The majority of these drugs are carried right back across the border and sold illegally to children in our large cities.

In 1960, the U.S. customs service seized 34,000 units of dangerous drugs which had been purchased in Mexico and smuggled into the United States from Tijuana, Tecate, and Calexico. The San Diego Police Department seized over 36,300 units in the same period.

During the 9 months from October 1959 to July 1960, there were 2,000 arrests made in the State of California for violations of the dangerous drug laws. Over 1,200 or some 60 percent of these arrests took place in the Los Angeles area.

Yet it was obvious to our witnesses that only a fraction of the potentially dangerous drug traffic is coming to the attention of law enforcement.

The relationship of dangerous drugs to overall drug addiction was pointed out by California's Attorney General Stanley Mosk. In California, the decreased teenage use of marihuana, recognized as a steppingstone to heroin addiction, has been accompanied by a tremendous increase in the use of dangerous drugs. The juveniles themselves explained that while marihuana may cost from 50 cents to $1, one capsule of a dangerous drug costs only 10 cents. There is no smoke, odor, or telltale debris, which means that the likelihood of detection is drastically reduced. In addition, the evidence is swallowed. This hampers any effective enforcement efforts of the police.

Most important, however, the intoxication is greater, and it lasts longer. Because of this, during the past several years, use of these drugs by juveniles has increased from 5 percent of total juvenile arrests by the narcotic squads in the various California cities to over 50 percent.

The Southwest is at an even greater disadvantage than most parts of the country, because of the criminal peddlers across the border, just a few miles from California's large population centers. We were told of one pharmacist in Tijuana, Mexico, who sold California law-enforcement officers 25,000 pep pills. He was buying the drugs legally from a California distributor and retailing them illegally in the United States. Because of our inadequate laws on these drugs, he was in a position actually to order the drugs and have them delivered to an illegal recipient. For simply preparing the order form, this individual could clear as much as a thousand dollars a shipment.

The second development to which I referred was our subcommittee hearings held on August 6 and 7, in Los Angeles, Calif. Testimony received there documented beyond question the fact that millions upon millions of these pills are being shipped into Mexico and back into the United States for illegal consumption. Three days before our hearing began, one drug firm alone shipped 24 barrels, containing 2,400,000 amphetamine pills, to one Mexican druggist. This was the largest shipment of these drugs ever noted by the Bureau of Customs.

Law enforcement officials told us that children as young as 9 years are using dangerous drugs. We heard stories of entire families destroyed because one member became addicted to the amphetamines or barbiturates. The addicts and doctors who testified both confirmed the fact that adult heroin addicts began using pills in their middle teens.

The subcommittee's hearings coincided with the tragic death of a well-known movie personality, and pointed up the dangers inherent in the use of these drugs, the lack of knowledge surrounding their use, and the ease with which large amounts of them can be procured by simply making a telephone call. Marilyn Monroe was one of over 260 persons who died in 1 year in Los Angeles County alone of overdoses of barbiturates. The commercial drug industry and those connected with the dispensing and selling of drugs must be taken to task for this situation, for in the last analysis they cannot help but be aware of the ultimate destination of over half of these drugs they produce.

All of the witnesses, both in Washington and in California, who daily fight this problem, urged the speedy enactment of the provisions outlined in my bill. These amendments are desperately needed to combat this traffic which is increasing daily in the slums, in the schoolyards, in places of amusement, and on the streets among the children of all families, whether they be rich or poor.

The third indication of the increase in this traffic has been the large seizures made by the Pure Food and Drug investigators. The overwhelming majority of cases arising out of the illegal sale of prescription drugs involves amphetamines and barbiturates.

Last May 11, Pure Food and Drug investigators arrested three "goof ball" peddlers who were part of a gang engaged in selling these drugs to teenage customers. These men were selling to schoolchildren in the Newark, N.J., area. There had been numerous injuries to young people as a result of the use of these drugs.

In addition, teenagers had been found unconscious in the Newark streets from overdoses of barbiturates. Other cases were uncovered in Alabama, Florida, Georgia, Missouri, North Carolina, and Oklahoma. The point is obvious. This is a nationwide problem. These dedicated Pure Food and Drug investigators admit that they are making a fraction of a percentage of the arrests that should be made, which confirms the need for enactment of the recordkeeping and listing provisions of my bill.

The fourth indication is a report by the Department of Health, Education, and Welfare on the bill I introduced originally, S. 1939. The report is from the former Secretary of Health, Education, and Welfare, Abraham Ribicoff. The Secretary presented cases from all over the Nation which detailed the tragic results of this illegal traffic when these drugs are abused by young adults and children.

In the 15 months since the introduction of S. 1939, experts on the problem of dangerous drugs, notably the Pure Food and Drug Administration, have suggested refinements and changes of a technical nature in the bill. I have accepted many of these suggestions and I now offer a new bill, to be entitled the "Barbiturate and Stimulant Drug Control Amendment of 1962." In essence, it is a redraft of S. 1939, to reflect some of the suggested refinements and technical changes.

There are two major provisions in the pending legislation, neither of which calls for licensing. The first requires all manufacturers, compounders, and processors of the drugs to list their names and places of business with the Secretary of Health, Education, and Welfare.

The second provision requires every person selling, delivering, or otherwise disposing of the drugs to keep a record of the kinds and quantity involved, including the name and address of the person to whom the drug is sold—except in the case of duly licensed medical practitioners.

The recording and listing requirements will provide authorities with an effective means of locating the primary sources of illicit distribution; the extension of Federal control to previously immune activity will stimulate a more vigorous prosecution of offenders and increased penalties will emphasize the serious nature of the crime. This will in no way hamper the legitimate, legal, medical use of these drugs, but its stiff penalties will discourage blackmarketing and under-the-counter sales.

The substantive changes that are in the bill I am introducing today are three in number. First, as an outgrowth of the constant research to find drugs to help legitimate medical practitioners, new drugs have been added to the list of stimulants and depressants. We have, therefore, changed the section of the bill which defines the types of drugs involved, and have included generic terms which will encompass all future developments in this area, so that we shall not have to introduce new legislation every time a new compound is developed.

Second, there have been changes in detail in the recordkeeping provisions, to insure more effective enforcement of the bill.

Third, I have incorporated the suggestions of those who will be called on to enforce the penal provisions of the bill. We have clarified the provisions on penalties to the extent that, first, increased penalties for selling to a person under 18 will apply only to persons over 18 years of age, and second, increased penalties for selling to a juvenile on a second offense would apply only where a person had sold to a juvenile on his first offense, and not where the first offense was some other violation of the law.

Mr. President, everyone from the President of the United States to the patrolman on the beat, from the president of the largest producer of amphetamine drugs to the pharmacists who dispense them, has supported and documented the need for this legislation.

I submit that the Congress will be derelict in its duties if it does not take immediate action to stamp out this pestilence that is sweeping the land.

I, therefore, commend this new bill, the Barbiturate and Stimulant Drug Control Amendment of 1962, to the attention of the Senate and urge that it be afforded the swift action it deserves.

Mr. HUMPHREY. Mr. President, I wish to commend the Senator from Connecticut for his constant vigilance and diligence in connection with the regulation of drugs which are habit forming and, when used without proper professional guidance and instructions by doctors, can lend themselves to unbelievably disastrous results, including death itself.

The speech the Senator from Connecticut has made has been greatly needed. It is most timely in connection with the pending drug legislation. He has spent many months and years studying the problems of delinquency and crime; and it is a known fact that the promiscuous use of barbiturate drugs has contributed to delinquency. It is the duty of the Government and of the manufacturers and the dispensers of these drugs to enforce the regulations and laws and to take whatever voluntary action is required in order to prevent abuse in connection with their use.

Mr. DODD. I thank the distinguished majority whip. His encouragement is greatly appreciated.

The PRESIDENT pro tempore. The bill will be received and appropriately referred.

The bill (S. 3673) to protect the public health by amending the Federal Food, Drug, and Cosmetic Act to regulate the manufacture, compounding, processing, and distribution of habit-forming barbiturate drugs, and of amphetamine and other habit-forming central nervous system stimulant drugs, introduced by Mr. DODD (for himself, Mr. KEFAUVER, and Mr. CARROLL), was received, read twice by its title, and referred to the Committee on Labor and Public Welfare.

REVENUE ACT OF 1962—AMENDMENTS

Mr. GORE submitted an amendment, intended to be proposed by him to the bill (H.R. 10650) to amend the Internal Revenue Code of 1954 to provide a credit for investment in certain depreciable property, to eliminate certain defects and inequities, and for other purposes, which was ordered to lie on the table and to be printed.

PROXMIRE AMENDMENT KNOCKS OUT TAX DEDUCTION FOR BUSINESS LOBBYISTS

Mr. PROXMIRE. Mr. President, I submit an amendment, intended to be proposed by me to the bill (H.R. 10650) to amend the Internal Revenue Code of 1954 to provide a credit for investment in certain depreciable property, to eliminate certain defects and inequities, and for other purposes, which would eliminate the proposed tax deduction for lobbying expenses by business groups, and I ask unanimous consent that it be printed in the RECORD.

The PRESIDENT pro tempore. The amendment will be received, printed, and appropriately referred; and, without objection, the amendment will be printed in the RECORD.

The amendment was ordered to lie on the table, as follows:

On page 38, beginning with line 17, strike out all through line 21 on page 40 (section 3 of the bill, relating to appearances, etc., with respect to legislation).

Mr. PROXMIRE. Mr. President, I oppose the tax deduction for lobbying expenses because it would give a wholly unjustified tax advantage to those who stand to make a profit out of legislation. At the same time it would seriously handicap those who battle for their ideals and the ideals themselves.

Contributions to lobbying organizations that fight for their principles—be they left, right, or center—are not tax deductible. For example, groups like the American Civil Liberties Union, the League of Women Voters, and the Americans for Constitutional Action have no such tax advantage.

But if this provision is enacted, special interest business groups, whose financial interests will often run counter to the public interest, will get a juicy tax break. The same benefit will not be available to the nonbusiness lobby organizations. This means the public interest will have the cards stacked against it whenever it comes up against the dollar sign.

The lobbying deduction is flatly opposed by the Treasury. It was inserted into the tax bill at the last minute in the House of Representatives. No hearings on it were conducted by the House Ways and Means Committee.

This provision makes a mockery of tax reform. Instead of plugging a loophole, it opens one wide enough to drive a truck through. Business firms and groups will be able to deduct costs of direct lobbying, promoting legislation, contacts with Congressmen, lobbying and contacts with State and local officials and legislatures, and expenses incurred by trade associations in propagandizing a particular view of their members.

It is a sweeping departure from the long-established principle that only expenses "ordinary and necessary" to the income-producing conduct of business shall be tax deductible. I strongly hope it will be rejected.

From a legal standpoint, section 3 of the bill represents a change in a longstanding principle which has been supported on several occasions by Federal courts, including the Supreme Court. The Internal Revenue Code provides for deductions only for "ordinary and necessary" expenses. It is far outside the "ordinary and necessary" income-producing procedures of business to attempt to influence legislative decisions. While the Treasury Department has apparently not attempted to enforce fully its present regulations, dereliction of duty should not be a justification for legislative change.

The proposed change can be criticized on equity grounds. It clearly and explicitly discriminates in favor of business lobbying and against lobbying by private citizens or individual specialists. Thus the provision serves to rig the odds against legislation for the general wellbeing, and in favor of specialized legislation for the few. It is difficult enough at present for the individual legislator to obtain information on both sides of the questions upon which we must legislate. In effect, the new provision means that some tax funds now coming to Uncle Sam will be returned to businesses and trade associations in order that they can present their case more effectively, while at the same time discouraging individuals, who presumably have less capacity to meet lobbying costs, from incurring those costs. Thus the flow of information to legislators is diverted so that it comes more freely from certain sources and is less available from other sources.

The proposed section can be criticized on economic grounds. The Federal Government, through this measure, will be subsidizing the diversion of resources away from productive output for the benefit of the national economy into specialized propagandizing purposes designed solely to benefit the few. These proposed deductions are not equivalent to deductions for advertising. Advertising is intended to disseminate knowledge to the many about products which are available in the market. The proposed deductions are for expenses designed to influence the few for the special benefit of a few.

The proposed provision on lobbying expenses will discriminate against certain nonprofit lobbying organizations, such as the League of Women Voters. These organizations, like industry trade associations, are usually nonprofit and are generally not subject to tax on their own activities. However, contributions to these organizations, like contributions to industry trade associations, are only deductible by the contributors to the extent that the contributions are not used by the associations to support lobbying activities. Section 3, of H.R. 10650, would permit contributions to trade associations to be deductible even though the contributions were used by the trade associations for lobbying purposes. This change would be made on the grounds that the contributions were "ordinary and necessary" business expenses. However, contributions to organizations such as the League of Women Voters would not be deductible to the extent that the league engaged in lobbying activities because the contributions in that case—under the proposed bill—would not be considered as "ordinary and necessary" business expenses. Therefore, the bill tends to discriminate in favor of lobbying activities by industry trade associations and against lobbying activities by certain other groups which have been of great assistance to legislators in the past.

PHILIPPINE WAR DAMAGE CLAIMS—AMENDMENTS

Mr. LONG of Louisiana (for himself and Mr. Keating) submitted amendments, intended to be proposed by them, jointly, to the bill (H.R. 11721) to authorize the payment of the balance of awards for war damage compensation made by the Philippine War Damage Commission under the terms of the Philippine Rehabilitation Act of April 30, 1946, and to authorize the appropriation of $73 million for that purpose, which were ordered to lie on the table and to be printed.

Mr. KEATING. Mr. President, I send to the desk two amendments, one offered on behalf of myself and Senators Javits and Case, intended to be proposed to the Philippine war damage claims bill, relating to the sale of vested assets of the General Analine Co. The other amendment I am offering on behalf of my colleague from New York [Mr. Javits] and myself, to the same bill, relating to the settlement of heirless property claims.

I will also cosponsor an amendment to the Philippine war claims bill, to be offered by the distinguished Senator from Louisiana [Mr. Long].

All these amendments are designed to permit a final settlement of the American war claims problem on a fair and equitable basis. Certainly if we are to provide for additional payments to Philippine citizens—which I favor—we should at least take some cognizance of the 17-year-old problem relating to American war claims.

The PRESIDENT pro tempore. The amendments will be received, printed, and lie on the table.

TRADE EXPANSION ACT OF 1962—AMENDMENT

Mr. SALTONSTALL. Mr. President, I submit an amendment to the bill (H.R. 11970) to promote the general welfare, foreign policy, and security of the United States through international trade agreements and through adjustment assistance to domestic industry, agriculture, and labor, and for other purposes, on behalf of myself, my colleague, the junior Senator from Massachusetts [Mr. Smith], the Senators from Connecticut [Mr. Bush and Mr. Dodd], and possibly some other Senators whose names may be submitted at a later time, and ask that it be appropriately referred.

The PRESIDENT pro tempore. The amendment will be received, printed, and referred to the Committee on Finance.

Mr. SALTONSTALL. The amendment is designed to prevent dumping of foreign government surplus firearms and ammunition which has become a serious problem for American companies. In its report on the Anti-Dumping Law Amendments of 1958, the Senate Finance Committee stated:

> The antidumping feature of our Tariff Act is of considerable importance in protecting domestic industries from inroads of foreign goods sold or offered for sale at less than fair value.

Unfortunately, however, the antidumping law as presently written does not effectively prevent the dumping of foreign government surplus merchandise.

The industry which appears to be most affected by this loophole in the antidumping law is the sporting arms industry. There has been an increase of 300 percent in firearms imported since 1956 with the result that low-cost surplus rifles have usurped 37 percent of the American demand for sporting centerfire rifles. Since 1956 more than 1 million surplus military rifle imports have been dumped in the U.S. market bearing average import value of under $4 apiece, less than one-tenth of the least expensive comparable American product.

Unless some remedy is provided, the capability of the industry to survive and to meet its traditional responsibilities in a time of national emergency could be seriously weakened. The proposed amendment would bring the antidumping law into operation when foreign government surplus merchandise is imported at a price that is less than its cost of production determined in the manner provided by law.

I hope the amendment will be referred to the Finance Committee, which is studying the subject and is in executive session on the whole foreign trade bill.

AMENDMENT OF UNITED STATES CODE RELATING TO MAILING OF CERTAIN READING AND OTHER MATERIALS FOR USE OF BLIND PERSONS—ADDITIONAL COSPONSOR OF BILL

Under authority of the order of the Senate of August 16, 1962, the name of Mr. JOHNSTON was added as an additional cosponsor of the bill (S. 3647) to amend sections 4653 and 4654 of title 39, United States Code, with respect to the mailing of certain reading and other materials for the use of blind persons, introduced by Mr. CURTIS (for himself and other Senators) on August 16, 1962.

NOTICE OF RECEIPT OF NOMINATION BY COMMITTEE ON FOREIGN RELATIONS

Mr. FULBRIGHT. Mr. President, as chairman of the Committee on Foreign Relations I desire to announce that yesterday the Senate received the nomination of Tom Killefer, of Virginia, to be Executive Director of the Inter-American Development Bank for a term of 3 years, vice Robert Cutler, resigned.

In accordance with the committee rule, this pending nomination may not be considered prior to the expiration of 6 days of its receipt in the Senate.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Bartlett, one of its reading clerks, announced that the House had disagreed to the amendments of the Senate to the bill (H.R. 8134) to authorize the sale of the mineral estate in certain lands; asked a conference with the Senate on the disagreeing votes of the two Houses thereon, and that Mr. EDMONDSON, Mr. ROGERS of Texas, Mr. MORRIS, Mr. SAYLOR, and Mr. WHARTON were appointed managers on the part of the House at the conference.

The message also announced that the House had disagreed to the amendment of the Senate to the bill (H.R. 10566) to provide for the withdrawal and orderly disposition of mineral interests in certain public lands in Pima County, Arizona; asked a conference with the Senate on the disagreeing votes of the two Houses thereon, and that Mr. EDMONDSON, Mr. ROGERS of Texas, Mr. MORRIS, Mr. SAYLOR, and Mr. WHARTON were appointed managers on the part of the House at the conference.

MESSAGE FROM THE HOUSE—ENROLLED BILLS AND JOINT RESOLUTIONS SIGNED

The message further announced that the Speaker had affixed his signature to the following enrolled bills and joint resolutions, and they were signed by the President pro tempore:

S. 1005. An act to amend section 10 and section 3 of the Federal Reserve Act, and for other purposes;

S. 1781. An act for the relief of the heirs of Lt. Col. James Murray Bate (decreased) and Maj. Billie Harold Lynch (deceased);

S. 1849. An act for the relief of Stephen S. Chang;

S. 2179. An act to amend section 9(d)(1) of the Reclamation Project Act of 1939 (53 Stat. 1187; U.S.C. 485), to made additional provision for irrigation blocks, and for other purposes;

S. 2256. An act to amend section 5 of the War Claims Act of 1948 to provide detention and other benefits thereunder to certain Guamanians killed or captured by the Japanese at Wake Island;

S. 2574. An act for the relief of Constantina Caraiscou;

S. 2686. An act for the relief of Stepanida Losowskaja;

S. 2736. An act for the relief of Arie Abramovich;

S. 2751. An act for the relief of Susan Gudera, Heinz Hugo Gudera, and Catherine Gudera;

S. 2835. An act for the relief of Sieu-Yoeh Tsai Yang;

S. 2862. An act for the relief of Mai Har Tung;

S. 2876. An act to extend for 1 year the authority to insure mortgages under sections 809 and 810 of the National Housing Act;

S. 3016. An act to amend the act of March 2, 1929, and the act of August 27, 1935, relating to loadlines for oceangoing and coastwise vessels, to establish liability for surveys, to increase penalties, to permit deeper loading in coastwise trade, and for other purposes;

S. 3039. An act for the relief of Bartola Maria S. La Madrid;

H.R. 3728. An act to amend chapter 11 of title 38, United States Code, to authorize special consideration for certain disabled veterans suffering blindness or bilateral kidney involvement;

H.R. 8564. An act to amend the Federal Employees' Group Life Insurance Act of 1954 to provide for escheat of amounts of insurance to the insurance fund under such act in the absence of any claim for payment, and for other purposes;

H.R. 10651. An act to amend title 28, United States Code, with respect to fees of United States marshals, and for other purposes;

H.R. 11523. An act to authorize the employment without compensation from the Government of readers for blind Government employees, and for other purposes;

H.R. 12355. An act to amend the law relating to the final disposition of the property of the Choctaw Tribe;

S. J. Res. 132. Joint resolution extending recognition to the International Exposition for Southern California in the year 1966 and authorizing the President to issue a proclamation calling upon the several States of the Union and foreign countries to take part in the exposition; and

S. J. Res. 179. Joint resolution authorizing and requesting the President to designate April 21, 1963, as a day for observance of the courage displayed by the uprising in the Warsaw ghetto against the Nazis.

ADDRESSES, EDITORIALS, ARTICLES, ETC., PRINTED IN THE RECORD

On request, and by unanimous consent, addresses, editorials, articles, etc., were ordered to be printed in the RECORD, as follows:

By Mr. RANDOLPH:

Letter from Hon. L. Leo Kohlbecker, chairman, the Mayor's Commission on Human Relations, Charleston, W. Va., to Senator JOSEPH S. CLARK, of Pennsylvania.

By Mr. THURMOND:

Sundry newspaper articles relating to the trade expansion bill.

CONSIDERATION OF CERTAIN CALENDAR BILLS

Mr. MANSFIELD. Mr. President, with the consent of the Senate, I wish to have taken up at this time some measures on the calendar to which there is no objection. These measures have been cleared by both sides; and, so far as I know, there is no opposition to them.

LIMITATION OF ASSISTANCE FOR DRAINAGE OF CERTAIN WET LANDS

Mr. MANSFIELD. Mr. President, I ask unanimous consent for the present consideration of Calendar No. 1762, House bill 8520.

There being no objection, the Senate proceeded to consider the bill (H.R. 8520) to amend the Soil Conservation and Domestic Allotment Act to limit financial and technical assistance for drainage of certain wet lands which had been reported from the Committee on Agriculture and Forestry, with an amendment, to strike out all after the enacting clause and insert:

That the Soil Conservation and Domestic Allotment Act, as amended, is further amended by inserting after section 16 thereof the following new section:

"SEC. 16A. The Secretary of Agriculture shall not enter into an agreement in the States of North Dakota, South Dakota, and Minnesota to provide financial or technical assistance for wetland drainage on a farm under authority of this Act, if the Secretary of the Interior has made a finding that wildlife preservation will be materially harmed on that farm by such drainage and that preservation of such land in its undrained status will materially contribute to wildlife preservation and such finding, identifying specifically the farm and the land on that farm with respect to which the finding was made, has been filed with the Secretary of Agriculture within ninety days after the filing of the application for drainage assistance: *Provided*, That the limitation against furnishing such financial or technical assistance shall terminate (1) at such time as the Secretary of the Interior notifies the Secretary of Agriculture that such limitation should not be applicable, (2) one year after the date on which the adverse finding of the Secretary of the Interior was filed unless during that time an offer has been made by the Secretary of the Interior or a State government agency to lease or to purchase the wetland area from the owner thereof as a waterfowl resource, or (3) five years after the date on which such adverse finding was filed if such an offer to lease or to purchase such wetland area has not been accepted by the owner thereof: *Provided further*, That upon any change in the ownership of the land with respect to which such adverse finding was filed, the eligibility of such land for such financial or technical assistance shall be redetermined in accordance with the provisions of this section."

The amendment was agreed to.

The amendment was ordered to be engrossed and the bill to be read a third time.

The bill was read the third time and passed.

The title was amended, so as to read: "An Act to amend the Soil Conservation and Domestic Allotment Act, as amended, to add a new section 16A to limit financial and technical assistance for drainage of certain wetlands."

PAYMENT OF INDIRECT FEDERAL COSTS OF RESEARCH AND DEVELOPMENT

Mr. MANSFIELD. Mr. President, I ask unanimous consent for the present consideration of Calendar No. 1783, House bill 6984.

There being no objection, the bill (H.R. 6984) to provide for a method of payment of indirect costs of research and development contracted by the Federal Government at universities, colleges, and other educational institutions was considered, ordered to a third reading, read the third time, and passed.

FLOW OF DOMESTICALLY PRODUCED LUMBER IN COMMERCE

Mr. MANSFIELD. Mr. President, I ask unanimous consent for the present consideration of Calendar No. 1817, Senate bill 3517.

There being no objection, the Senate proceeded to consider the bill (S. 3517) to authorize the Secretary of Commerce to establish and carry out a program to promote the flow of domestically produced lumber in commerce, which had been reported from the Committee on Commerce, with an amendment, on page 1, at the beginning of line 8, to strike out "30 per centum" and insert "50 per centum"; so as to make the bill read:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of Agriculture shall transfer to the Secretary of Commerce each fiscal year, beginning with the fiscal year commencing July 1, 1962, from moneys made available to carry out the provisions of section 32 of the Act of August 24, 1935 (7 U.S.C. 612c), an amount equal to 50 per centum of the gross receipts from duties collected under the customs laws on lumber (rough, dressed, and worked), flooring, and moldings and plywood, which shall be maintained in a separate fund and shall remain available for use by the Secretary of Commerce to establish and carry out a program for the purpose of promoting the flow of domestically produced lumber in foreign and domestic commerce, including (1) research and experimentation to develop and increase markets for such lumber, (2) such other experimentation and biological, technological, and other research as may promote such purpose, and (3) the distribution to the domestic lumber industry of the results of the research and experimentation carried out under such program.

SEC. 2. In carrying out the program established under the provisions of this Act, the Secretary of Commerce shall, as far as practicable, cooperate with other appropriate agencies of the Federal Government and with State and local government agencies, private agencies, organizations, and individuals, having jurisdiction over or an interest in the domestic lumber industry. The Secretary may appoint an advisory committee from such industry to advise him in the formulation of policy, rules, and regulations with respect to requests for assistance, and other matters under the provisions of this Act.

SEC. 3. In order to assist the program established under the provisions of this Act, any agency of the United States, or any corporation wholly owned by the United States, may transfer, without reimbursement or transfer of funds, any equipment excess to its needs required by the Secretary of Commerce in carrying out such program.

SEC. 4. The Secretary of Commerce shall annually make a report to the Committee on Commerce of the Senate and the Committee on Interstate and Foreign Commerce of the House of Representatives with respect to the use of the separate fund established under the provisions of the first section of this Act.

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, was read the third time, and passed.

LEO F. REEVES

Mr. MANSFIELD. Mr. President, I ask unanimous consent for the present consideration of Calender No. 1831, Senate bill 703.

There being no objection, the bill (S. 703) to validate the homestead entries of Leo F. Reeves was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, notwithstanding the status of lots 3 and 4, section 1, township 4 north, range 11 west and lot 12 and the south twenty acres of lot 13, section 31, township 5 north, range 10 west, Seward meridian, Alaska, and the requirements of the homestead laws relating to settlement on entered lands, the Secretary of the Interior is hereby authorized and directed to consider that the homestead entries of Leo F. Reeves of Soldatna, Alaska, Anchorage 031423 and 034503 became valid and subsisting as to the above-described lands as of the date of said Reeves' actual settlement on any portion thereof and to issue patent for the lands to the entryman upon the entryman's compliance with, and subject to, the homestead laws applicable to public lands in Alaska, and upon the entryman's payment to the Secretary of the Interior of the fair market value of lot 12 and the south twenty acres of lot 13, as determined by the Secretary of the Interior on the basis of the most recent sales of similar land in the vicinity of the lands to be patented under the provisions of this Act.

VIEWING WITHIN THE UNITED STATES OF CERTAIN FILMS PREPARED BY THE U.S. INFORMATION AGENCY

Mr. MANSFIELD. Mr. President, I ask unanimous consent for the present consideration of Calendar No. 1845, Senate Concurrent Resolution 84.

There being no objection, the concurrent resolution (S. Con. Res. 84) expressing the sense of Congress that arrangements be made for viewing within the United States of certain films prepared by the U.S. Information Agency was considered and agreed to, as follows:

Resolved by the Senate (the House of Representatives concurring), That it is the sense of the Congress that the people of the United States should not be denied an opportunity to view the films prepared by the United States Information Agency depicting the recent visit of the wife of the President of the United States to India and Pakistan; and be it further

Resolved, That it is the sense of the Congress that the United States Information Agency should make appropriate arrangements to make the films described above available for distribution through educational and commercial media for viewing within the United States.

AMENDMENT OF THE ARMED SERVICES PROCUREMENT ACT OF 1947

Mr. MANSFIELD. Mr. President, I ask unanimous consent for the present consideration of Calendar No. 1846, House bill 5532.

There being no objection, the Senate proceeded to consider the bill (H.R. 5532) to amend the Armed Services Procurement Act of 1947 which had been reported from the Committee on Armed Services, with an amendment, to strike out all after the enacting clause and insert:

That title 10 of the United States Code is hereby amended as follows:

"(a) Subsection 2304(a) is amended to read as follows:

"'(a) Purchases of and contracts for property or services covered by this chapter shall be made by formal advertising in all cases in which the use of such method is feasible and practicable under the existing conditions and circumstances. If use of such method is not feasible and practicable, the head of an agency, subject to the requirements for determinations and findings in section 2310, may negotiate such a purchase or contracts, if—'.

"(b) Subsection 2304(a)(14) is amended to read as follows:

"'(14) the purchase or contract is for technical or special property that he determines to require a substantial initial investment or an extended period of preparation for manufacture, and for which he determines that formal advertising would be likely to result in additional cost to the Government by reason of duplication of investment or would result in duplication of necessary preparation which would unduly delay the procurement of the property;'.

"(c) Section 2304 is amended by adding a new subsection as follows:

"'(g) In all negotiated procurements in excess of $2,500 in which rates or prices are not fixed by law or regulation and in which time of delivery will permit, proposals shall be solicited from the maximum number of qualified sources consistent with the nature and requirements of the supplies or services to be procured, and written or oral discussions shall be conducted with all responsible offerors who submit proposals within a competitive range, price, and other factors considered: *Provided, however,* That the requirements of this subsection with respect to written or oral discussion need not be applied to procurements in implementation of authorized set-aside programs or to procurements where it can be clearly demonstrated from the existence of adequate competition or accurate prior cost experience with the product, that acceptance of an initial proposal without discussion would result in fair and reasonable prices and where the request for proposals notifies all offerors of the possibility that award may be made without discussion.'

"(d) The second sentence of subsection 2306(a) is amended by substituting '(f)' for '(e)'.

"(e) Section 2306 is amended by adding a new subsection as follows:

" '(f) A prime contractor or any subcontractor shall be required to submit cost or pricing data under the circumstances listed below, and shall be required to certify that, to the best of his knowledge and belief, the cost or pricing data he submitted was accurate, complete and current—

" '(1) Prior to the award of any negotiated prime contract under this title where the price is expected to exceed $100,000;

" '(2) Prior to the pricing of any contract change or modification for which the price adjustment is expected to exceed $100,000, or such lesser amount as may be prescribed by the head of the agency;

" '(3) Prior to the award of a subcontract at any tier, where the prime contractor and each higher tier subcontractor have been required to furnish such a certificate, if the price of such subcontract is expected to exceed $100,000; or

" '(4) Prior to the pricing of any contract change or modification to a subcontract covered by (3) above, for which the price adjustment is expected to exceed $100,000, or such lesser amount as may be prescribed by the head of the agency.

" 'Any prime contract or change or modification thereto under which such certificate is required shall contain a provision that the price to the Government, including profit or fee, shall be adjusted to exclude any significant sums by which it may be determined by the head of the agency that such price was increased because the contractor or any subcontractor required to furnish such a certificate, furnished cost or pricing data which, as of a date agreed upon between the parties (which date shall be as close to the date of agreement on the negotiated price as is practicable), was inaccurate, incomplete, on noncurrent: *Provided,* That the requirements of this subsection need not be applied to contracts or subcontracts where the price negotiated is based on adequate price competition, established catalog or market prices of commercial items sold in substantial quantities to the general public, prices set by law or regulation or, in exceptional cases, where the head of the agency determines that the requirements of this subsection may be waived and states in writing his reasons for such determination.'

"(f) The first sentence of subsection 2310 (b) is amended to read as follows:

" 'Each determination or decision under clauses (11)–(16) of section 2304(a), section 2306(c), or section 2307(c) of this title and a decision to negotiate contracts under clauses (2), (7), (8), (10), (12), or for property or supplies under clause (11) of section 2304(a), shall be based on a written finding by the person making the determination or decision, which finding shall set out facts and circumstances that (1) are clearly illustrative of the conditions described in clauses (11)–(16) of section 2304 (a), (2) clearly indicate why the type of contract selected under section 2306(c) is likely to be less costly than any other type or that it is impracticable to obtain property or services of the kind or quality required except under such a contract, (3) clearly indicate why advance payments under section 2307(c) would be in the public interest, or (4) clearly and convincingly establish with respect to the use of clauses (2), (7), (8), (10), (12), and for property or supplies under clause (11) of section 2304(a), that formal advertising would not have been feasible and practicable.'

"(g) Section 2311 is amended to read as follows:

" 'Section 2311. Delegation

" 'The head of an agency may delegate, subject to his direction, to any other officer or official of that agency, any power under this chapter except the power to make determinations and decisions under clauses (11)–(16) of section 2304(a) of this title. However, the power to make a determination or decision under section 2304(a)(11) of this title may be delegated to any other officer or official of that agency who is responsible for procurement, and only for contracts requiring the expenditure of not more than $100,000.'

"(h) The amendments made by this Act shall take effect on the first day of the third calendar month which begins after the date of enactment of this Act."

The amendment was agreed to.

The amendment was ordered to be engrossed, and the bill to be read a third time.

The bill was read the third time and passed.

The title was amended, so as to read: "An Act to amend chapter 137, of title 10, United States Code, relating to procurement."

APPOINTMENT TO SERVICE ACADEMIES OF CITIZENS OR NATIONALS OF THE UNITED STATES FROM AMERICAN SAMOA, GUAM, OR THE VIRGIN ISLANDS

Mr. **MANSFIELD**. Mr. President, I ask unanimous consent for the present consideration of Calendar No. 1847, Senate bill 3628.

There being no objection, the bill (S. 3628) to amend title 10, United States Code, to authorize the appointment of citizens or nationals of the United States from American Samoa, Guam, or the Virgin Islands to the U.S. Military Academy, the U.S. Naval Academy, and the U.S. Air Force Academy was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress, assembled, That title 10, United States Code, is amended as follows:

(1) Section 4342(a) is amended—

(A) by striking out the word "and" at the end of clause (8);

(B) by striking out the period at the end of clause (9) and inserting the word "; and" in place thereof; and

(C) by adding the following new clause at the end thereof:

"(10) one cadet from American Samoa, Guam, or the Virgin Islands nominated by the Secretary of the Army upon recommendations of their respective Governors."

(2) Section 4342(c) is amended—

(A) by striking out the words "clauses (1)—(5)" and inserting the words "clauses (1)—(5) and (10)" in place thereof; and

(B) by striking out the words "or Puerto Rico," and inserting the words ", Puerto Rico, American Samoa, Guam, or the Virgin Islands," in place thereof.

(3) Section 6954(a) is amended by adding the following new clause at the end thereof:

"(9) One from American Samoa, Guam, or the Virgin Islands nominated by the Secretary of the Navy upon recommendations of their respective Governors."

(4) Section 6958(b) is amended—

(A) by striking out the words "clauses (3)—(7)" and inserting the words "clauses (3)—(7) and (9)" in place thereof; and

(B) by striking out the words "or Puerto Rico," and inserting the words ", Puerto Rico, American Samoa, Guam, or the Virgin Islands," in place thereof.

(5) Section 9342(a) is amended—

(A) by striking out the word "and" at the end of clause (8);

(B) by striking out the period at the end of clause (9) and inserting the word "; and" in place thereof; and

(C) by adding the following new clause at the end thereof:

"(10) one cadet from American Samoa, Guam, or the Virgin Islands nominated by the Secretary of the Air Force upon recommendations of their respective Governors."

(6) Section 9342(c) is amended—

(A) by striking out the words "clauses (1)—(5)" and inserting the words "clauses (1)—(5) and (10)" in place thereof; and

(B) by striking out the words "or Puerto Rico," and inserting the words ", Puerto Rico, American Samoa, Guam, or the Virgin Islands," in place thereof.

ELIMINATION OF TIN IN ALLOY OF THE 1-CENT PIECE

Mr. **MANSFIELD**. Mr. President, I ask unanimous consent for the present consideration of Calendar No. 1849, House bill 11310.

There being no objection, the bill (H.R. 11310) to amend section 3515 of the Revised Statutes to eliminate tin in the alloy of the 1-cent piece was considered, ordered to a third reading, read the third time, and passed.

ADMISSION OF CERTAIN ADOPTED CHILDREN

Mr. **MANSFIELD**. Mr. President, I ask unanimous consent for the present consideration of Calendar No. 1851, House Joint Resolution 677.

There being no objection, the Senate proceeded to consider the joint resolution (H.J. Res. 677) relating to the admission of certain adopted children which had been reported from the Committee on the Judiciary, with an amendment, to strike out all after the enacting clause and insert:

That, in the administration of the Immigration and Nationality Act, the following-named aliens may be classified as eligible orphans within the meaning of section 101 (b)(1)(F) of the said Act, and a petition may be filed in behalf of each alien named in this Act pursuant to section 205(b) of the Immigration and Nationality Act by the petitioner or petitioners specified in each case subject to all the conditions in that section relating to eligible orphans:

Anne Kapsalis, formerly Anna Mastoraki; Mr. and Mrs. John E. Kapsales, petitioners.

Kazimiera Przyborowska; Mr. and Mrs. Anton Hartmann, petitioners.

Marie Antonina (Gutowicz) Olsenwik; Mr. and Mrs. Joseph Olsenwik, petitioners.

Kook Nam Whang; Mr. and Mrs. Cornie L. Van Zee, petitioners.

Wlodzimierz Miska; Mr. and Mrs. Jan K. Miska, petitioners.

Wanda Miska; Mr. and Mrs. Jan K. Miska, petitioners.

Ja Han Hong; Mr. and Mrs. Edward A. Ruestow, petitioners.

Bogumil Getris; Mr. and Mrs. Alex Getris, petitioners.

Tadeusz Romuald Czyz; Mr. and Mrs. Walter Czyz, petitioners.

Cynthia Ann Foutris, formerly Cynthia Ann Fili; Mr. and Mrs. James Foutris, petitioners.

Gaetanina Paola Angelone; Giuseppe Marinucci, petitioner.

Adele Anna Teresa Angelone; Giuseppe Marinucci, petitioner.

John Andrew Nichols; Mr. and Mrs. Nick A. Nichols, petitioners.

Anna Sophia Nichols; Mr. and Mrs. Nick A. Nichols, petitioners.

Manuel Calvete Pereira; Mr. and Mrs. Richard Roeder, petitioners.

Urszula Kosior; John Kosior, petitioner.

Teresita Fernandez; Mr. and Mrs. Felecisimo C. Fernandez, petitioners.

Apolonio Fernandez; Mr. and Mrs. Felecisimo C. Fernandez, petitioners.

Francisek Kopec; Mr. and Mrs. Joseph Kopec, petitioners.

Waldystaw Kopec; Mr. and Mrs. Joseph Kopec, petitioners.

Theresa Godino; Mr. and Mrs. Frank Godino, petitioners.

Vladimir Tsvetanov Trifonov; Mr. and Mrs. Sam Triffin, petitioners.

Teresa Mikucki; Mr. and Mrs. Jan Mikucki, petitioners.

Cecylia Orszula Pulit; Mr. and Mrs. Edward C. Pulit, petitioners.

Krystyna Pietrzycki; Mr. and Mrs. John Pietrzycki, petitioners.

Ignacy Pietrzycki; Mr. and Mrs. Joseph Pietrzycki, petitioners.

Wojciech Antoni Drogoszewski; Mr. and Mrs. Antoni Drogoszewski, petitioners.

Jan Kazimierz Lewandowski; Mr. and Mrs. Chester Lewandowski, petitioners.

Stanislaw Jozef Scislowski; Joseph Scislowski, petitioner.

Filomena Darmi, formerly Coccia; Mr. and Mrs. Dominic Darmi, petitioners.

Despina McCrain, formerly Despina Doxis; Mr. and Mrs. William J. McCrain, petitioners.

Vassilire McCrain, formerly Vassilire Doxis; Mr. and Mrs. William J. McCrain, petitioners.

Jean Mary Haynes; Mr. and Mrs. Robert E. Haynes, petitioners.

Michalina Adela Chudziak; Mr. and Mrs. Michael Chudziak, petitioners.

Joseph Mikulich; Sebastian F. Mikulich, petitioner.

Hyun Poot Doi (Paul Adrian Tucek); Mr. and Mrs. Charles Stanford Tucek, petitioners.

David Gabat Domligan; Mr. and Mrs. Jose Domligan, petitioners.

Apolonia Rudzinski; Mr. and Mrs. Anton Rudzinski, petitioners.

Barbara Kolodziejczyk; Mr. and Mrs. Tadeusz Kolodziejczyk, petitioners.

Augustyna Trzuskot; Mr. and Mrs. Joseph Trzuskot, petitioners.

Urzsula Barbara Kolodziej; Mr. and Mrs. Joseph Kolodziej, petitioners.

Sung Ae Kim; Mr. and Mrs. James Mericle, petitioners.

Anna Carbone Masiello; Mr. and Mrs. Nicola Masiello, petitioners.

Katsutoshi Fujii; Mr. and Mrs. Carl Stephen, petitioners.

Rosina Carpanzano; Mr. and Mrs. Michele Gentile, petitioners.

Jan (Krysztopa) Michniewicz; Mr. and Mrs. Antoni Michniewicz, petitioners.

Yoshiko (Kuba) Hudson; Mr. and Mrs. Eddie F. Hudson, petitioners.

Graziella Pasquale; Mr. and Mrs. Anthony Pasquale, petitioners.

Katherine Ann Pervetich; Mr. and Mrs. Anthony Pervetich, petitioners.

Carmine Antonio Cambio; Mrs. Gennaro Cambio, petitioner.

Evangelia Nicholas Giameos; Mr. and Mrs. Nick S. Giameos, petitioners.

The amendment was agreed to.

The amendment was ordered to be engrossed, and the joint resolution to be read a third time.

The joint resolution was read the third time, and passed.

The title was amended, so as to read: "Joint resolution relating to the admission of certain alien children."

Mr. MANSFIELD. Mr. President, I now ask unanimous consent to have considered in sequence the measures on the calendar beginning with No. 1852 and ending with Calendar No. 1864.

The PRESIDENT pro tempore. Is there objection? Without objection, it is so ordered; and the clerk will proceed to call these measures on the calendar.

DWIJENDRA KUMAR MISRA

The Senate proceeded to consider the bill (S. 2950) for the relief of Dwijendra Kumar Misra which had been reported from the Committee on the Judiciary, with an amendment, to strike out all after the enacting clause and insert:

That, for the purposes of the Immigration and Nationality Act, Dwijendra Kumar Misra shall be held and considered to have been lawfully admitted to the United States for permanent residence as of July 1, 1954.

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

BYUNG YONG CHO

The Senate proceeded to consider the bill (S. 2962) for the relief of Byung Yong Cho (Alan Cho Gardner) and Moonee Choi (Charlie Gardner) which had been reported from the Committee on the Judiciary, with an amendment, to strike out all after the enacting clause and insert:

That, in the administration of the Immigration and Nationality Act, Byung Yong Cho (Alan Cho Gardner) and Moonee Choi (Charlie Gardner) may be classified as eligible orphans within the meaning of section 101(b)(1)(F) of the said Act and petitions may be filed by Ralph T. and Virginia Gardner, citizens of the United States, in behalf of the said Byung Yong Cho (Alan Cho Gardner) and Moonee Choi (Charlie Gardner) pursuant to section 205(b) of the Immigration and Nationality Act subject to all the conditions in that section relating to eligible orphans.

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

PAUL HUYGELEN AND LUBA A. HUYGELEN

The bill (S. 3085) for the relief of Paul Huygelen and Luba A. Huygelen was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That Paul Huygelen and Luba A. Huygelen may be naturalized upon compliance with all the requirements of title III of the Immigration and Nationality Act, except that no period of residence or physical presence within the United States or any State shall be required in addition to their residence and physical presence within the United States since July 7, 1955, and February 6, 1952, respectively.

DESPINA ANASTOS

The Senate proceeded to consider the bill (S. 3265) for the relief of Despina Anastos (Psyhopeda) which had been reported from the Committee on the Judiciary, with an amendment, to strike out all after the enacting clause and insert:

That, in the administration of the Immigration and Nationality Act, Despina Anastos (Psyhopeda) may be classified as an eligible orphan within the meaning of section 101(b)(1)(F) of the said Act and a petition may be filed by Mr. and Mrs. John B. Anastos, citizens of the United States, in behalf of the said Despina Anastos (Psyhopeda) pursuant to section 205(b) of the Immigration and Nationality Act subject to all the conditions in that section relating to eligible orphans.

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

ANNA SCIAMANNA MISTICONI

The Senate proceeded to consider the bill (S. 3275) for the relief of Anna Sciamanna Misticoni which has been reported from the Committee on the Judiciary, with an amendment, to strike out all after the enacting clause and insert:

That, in the administration of the Immigration and Nationality Act, Anna Sciamanna Misticoni may be classified as an eligible orphan within the meaning of section 101(b)(1)(F) of the said Act and a petition may be filed by Mr. and Mrs. Anthony Misticoni, citizens of the United States, in behalf of the said Anna Sciamanna Misticoni pursuant to section 205(b) of the Immigration and Nationality Act subject to all the conditions in that section relating to eligible orphans.

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

NAIFE KAHL

The bill (S. 3390) for the relief of Naife Kahl was considered, ordered to be engrossed for a third reading, was read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for the purposes of sections 101(a)(27)(A) and 205 of the Immigration and Nationality Act, Naife Kahl shall be held and considered to be the natural-born alien child of Mr. and Mrs. Zaki Joseph Kahl, citizens of the United

States: *Provided*, That the natural parents of the beneficiary shall not, by virtue of such parentage, be accorded any right, privilege, or status under the Immigration and Nationality Act.

TAI JA LIM

The Senate proceeded to consider the bill (H.R. 1388) for the relief of Tai Ja Lim which had been reported from the Committee on the Judiciary, with an amendment, to strike out all after the enacting clause and insert:

That, in the administration of the Immigration and Nationality Act, Tai Ja Lim may be classified as an eligible orphan within the meaning of section 101(b)(1)(F), and a petition may be filed in behalf of the said Tai Ja Lim by John Yung Rhee, a United States citizen, pursuant to section 205(b) of the Immigration and Nationality Act subject to all the conditions in that section relating to eligible orphans.

The amendment was agreed to.

The amendment was ordered to be engrossed and the bill to be read a third time.

The bill was read the third time and passed.

KIM HYUNG IN COMSTOCK

The bill (H.R. 7638) for the relief of Kim Hyung In Comstock was considered, ordered to a third reading, read the third time, and passed.

PROPOSED AMENDMENT OF ACT OF MAY 13, 1960

The bill (H.R. 7736) to amend the act of May 13, 1960 (Private Law 86-286), was considered, ordered to a third reading, read the third time, and passed.

SISTER MARY ALPHONSA

The bill (H.R. 8730) for the relief of Sister Mary Alphonsa (Elena Bruno) and Sister Mary Attilia (Filipa Todaro) was considered, ordered to a third reading, read the third time, and passed.

UMBERTO BREZZA

The bill (H.R. 9915) for the relief of Umberto Brezza was considered, ordered to a third reading, read the third time, and passed.

PRINTING OF ADDITIONAL COPIES OF HEARINGS ENTITLED "MILITARY COLD WAR EDUCATION AND SPEECH REVIEW POLICIES" AND REPORT THEREON

The concurrent resolution (S. Con. Res. 87) authorizing the printing of additional copies of the hearings entitled "Military Cold War Education and Speech Review Policies" and the report thereon was considered and agreed to, as follows:

Resolved by the Senate (the House of Representatives concurring) That there be printed for the use of the Senate Committee on Armed Services not to exceed six thousand additional copies of all parts of the hearings entitled "Military Cold War Education and Speech Review Policies," held by the Special Preparedness Subcommittee during the current session, and not to exceed six thousand additional copies of the report thereon to be made to the Senate by that committee.

CONSTITUTION DAY

The joint resolution (S.J. Res. 217) making the 17th day of September in each year a legal holiday to be known as Constitution Day was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the 17th day of September in each year is hereby designated as "Constitution Day" and made a legal public holiday to all intents and purposes and in the same manner as the 1st day of January, the 22d day of February, the 30th day of May, the 4th day of July, the first Monday of September, the 11th day of November, the fourth Thursday of November, and Christmas Day are now made by law public holidays.

Mr. MANSFIELD. Mr. President, that completes the calendar measures which I wish to have considered.

SENATOR FONG OF HAWAII

Mr. SALTONSTALL. Mr. President, I ask unanimous consent to have printed in the RECORD an article from the Boston Herald of Tuesday, August 21, 1962, by Holmes Alexander, entitled "Hawaii Senator Tough Minded." It refers to our colleague, HIRAM FONG, of Hawaii, and describes his actions in the Senate and as a citizen of the United States. I think the article is worthy of reading.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

A STRAIGHT THINKER: HAWAII SENATOR TOUGH MINDED

(By Holmes Alexander)

WASHINGTON.—It turns out that the Senate got itself a no-nonsense man in the person of HIRAM FONG, Republican of Hawaii, who turned up to represent the 50th State toward the end of the 1959 session.

His colleagues have perceived that, while FONG is the first oriental, a full-blooded Chinese, to serve in the upper body, the fact of his birth and good-natured Far Eastern appearance are the least important things about this 54-year-old rough-and-tumble politico. A Harvard Law School graduate, he spent 14 years in the Hawaii House and three times was its speaker.

DID IT HARD WAY

No nonsense is the key to the FONG character. The son of an indentured laborer who went to the islands from Canton, FONG helped himself to education at McKinley High School and the University of Hawaii by working at many juvenile jobs from bean-picker to golf caddy. He put in 2 years as a clerk at the Pearl Harbor Navy Yard to earn the money to go to Harvard.

Later, as city-county attorney and in private practice, he had to battle his way up the political ladder. Twice his opponents tried to prevent him from taking his house seat on legal technicalities, but he won out. Once he engaged in a robust hollering match with an opponent who accused him of throwing parties and distributing leis whenever he wanted to get a bill through.

Another time he squared off in a fistfight with an enraged legislator, but instead of dramatizing the encounter, FONG dismissed it to reporters as a one-punch fracas in which he was on the receiving end and for which his adversary quickly apologized.

As a Senator of Oriental lineage, FONG decided he should learn more about the region, so after his first session he paid his own way on an extended Far Eastern trip. A friend of mine saw him at a public meeting in Taipei where the first several rows of seats were reserved for Nationalist China lawmakers and where the first question was:

"You're a Chinese, so what are you going to do for us?"

"No, I'm an American," snapped FONG. "I'm Senator from Hawaii, and I'm not Senator from Taiwan."

To this day, Orientals of all kinds who arrive in Washington make a beeline for FONG's office. He understands why this is so and tries to be cooperative, but when they try the ancestral approach for special favors he sets them straight in a manner which puts his message across with no chance of further misunderstanding.

TOUGH, BLUNT

FONG is tough minded about everything. He doesn't mind saying that he smothered a fair employment practices bill when he was speaker for the realistic reason that there was no need for it in Hawaii, where the races voluntarily mingle. On the other hand, and to the dismay of bleeding heart equalizers, he sees no sense in forced race mixing.

Yet the same hardheaded logic tells him that our immigration quotas on Far Eastern races are unrealistically low. As a member of the Judiciary Subcommittee on Immigration, he favors the admission of more Orientals—possibly the only instance where his center of gravity is east of the Senate majority.

On medicare he opposed the administration because he thought its bill was awkward and unfair, though he favors care for the aged, and was cosponsor of the Saltonstall substitute for a voluntary, workable plan.

THE SUPREME COURT PRAYER DECISION

Mr. ERVIN. Mr. President, on July 22, 1962, Dr. Howard C. Wilkinson, chaplain to Duke University, delivered a sermon in Duke University Chapel upon the Supreme Court prayer decision. Dr. Wilkinson made some exceedingly illuminating observations upon the origin of the first amendment and upon the problems which this decision raises. Believing, as I do, that his observations ought to be made available to all Members of Congress, I ask that a copy of his sermon be inserted at this point in the body of the CONGRESSIONAL RECORD as part of my remarks.

There being no objection, the sermon was ordered to be printed in the RECORD, as follows:

THE SUPREME COURT PRAYER DECISION

(Sermon preached in Duke University Chapel, Sunday, July 22, 1962, 11 a.m., by the Reverend Howard C. Wilkinson, chaplain to the university)

Forasmuch as many have taken in hand to set forth in order a declaration of their opinions concerning the Supreme Court's ruling regarding prayer in the public schools, it seemed good to me also, having had a keen interest in the subject for 20 years, to write a sermon on it. Few decisions which the Court has made in this generation have stirred up as much discussion and controversy as this one.

Among those who have expressed opposition to the ruling are former President Eisenhower; North Carolina Gov. Terry Sanford; Evangelist Billy Graham; the chaplain to Columbia University, Dr. John Krumm; Cardinal Spellman; Rabbi Shubow; and Justice Stewart, of the Supreme Court itself. Many U.S. Senators and Congressmen have either introduced or supported legislation calculated to set aside the Court's decision.

Among those who have expressed pleasure in the ruling are Dr. Douglas Branch, general secretary of the North Carolina Baptist State Convention; the Reverend Charles Jones, of the Community Church in Chapel Hill; the Reverend W. W. Finlator, of the Pullen Memorial Baptist Church in Raleigh; Dr. Dana Greeley, president of the Universalist Association in America.

Well, how about you and me? What will be our view? Was the decision wise or unwise, valid or invalid?

I

First, let us take a quick look at the decision itself. The State Board of Regents of New York composed a 22-word prayer which they said they believed would be subscribed to by all men and women of good will. They recommend the use of this prayer in the public schools of New York. The Board of Education of the Union Free School District No. 9, New Hyde Park, N.Y., in turn, directed the school district's principal to cause the regents' prayer to be used in each class at the beginning of each schoolday. Shortly after this the parents of 10 pupils in the school brought court action against the use of this prayer, contending that its use was contrary to the beliefs and religious practices of both themselves and their children.

The lower courts and the court of appeals in New York denied the wish of the objecting parents and upheld the action of the board of education. But on June 25, the U.S. Supreme Court reversed the decisions of the lower courts and granted the wish of the objecting parents.

That, in brief, was the case before the Court, and such was the Court's ruling. Why did it make this ruling? Here is a part of the majority's explanation: "It is no part of the business of government to compose official prayers for any group of the American people to recite. One of the greatest dangers to the freedom of the individual to worship in his own way lay in the government's placing its official stamp of approval upon one particular kind of prayer. It is neither sacrilegious nor antireligious to say that each separate government in this country should stay out of the business of writing or sanctioning official prayers and leave that purely religious function to the people themselves and to those the people choose to look to for religious guidance."

This ruling, with this explanation, clearly excludes the possibility of a State board of regents composing an official form of prayer for use in all schools, and it denies the legality of a local school board requiring that any given prayer be said in each classroom every day. If this ruling by the Supreme Court means that, and nothing more, it will certainly deserve the commendation and thanks of all Americans.

II

The haunting question which remains is, Did the Court mean something more than this? Did it intend by its ruling and opinion to stop all prayer in public schools? There is an enormous difference between the two intentions. Having read the complete opinion of the Court three times, I am still not certain of the answer to that question. The Court failed to provide a clear-cut answer to that query, whether because of carelessness or by studied intent, I do not know. The Court must respectfully be urged to supply an answer so unmistakably clear that all rational persons cannot fail to understand it.

Experts in constitutional law who have read the opinion are divided in their interpretation of the ruling. United Press International surveyed the opinions of a variety of these experts and found that some of them think the ruling is very narrow in its application, that it only bans officially composed and officially required prayers. Others take a different view of the ruling, declaring that the majority opinion spelled the end of all religious exercises in public schools, including voluntary prayers, devotional reading of the Bible, and such religious observances as Christmas, et cetera.

Indeed, the concurring opinion of Justice Douglas plainly states that there is no important difference between the kind of religious observance here ruled against and the prayers which open the sessions of the Supreme Court, both Houses of Congress, and many, many other religious observances in governmental agencies. His opinion is that all this should end.

Further evidence that the majority ruling and its supporting opinion may have been calculated to banish all prayer in public schools is gathered from the dissenting opinion of Justice Stewart, who sat with the other Justices when they discussed this matter prior to the ruling. In his dissent, Justice Stewart wrote: "We deal here * * * with whether schoolchildren who want to begin their day by joining in prayer must be prohibited from doing so."

I have already mentioned that we have no problem on our hands if the Court's ruling is directed only against the required use of governmentally written prayer. But in view of the definite possibility that it shall be interpreted as applying in wholesale fashion against all religious observances in all public institutions, it behooves us now to consider the problem we shall be facing in that event. A recent survey shows that 88 percent of the public schools in America regularly hold some form of voluntary religious observance. Therefore, a Supreme Court ruling which banned all this would inescapably effect a sweeping and drastic change in the public life of this country.

When the Court issues a clarification of the June 25 decision, the Justices should give attention to three matters which were not elaborated in their opinion. In fact, these three items have scarcely been touched upon in any of the discussion which has been raging since the Court's decision was handed down. The American public should study and ponder the significance of each of these three important matters which I shall now mention, since all three of them bear in a most direct way upon the question before America at the present time.

III

First, what did the authors and ratifiers of the first amendment mean by the phrase, "an establishment of religion?" The amendment specifies that "Congress shall make no law respecting an establishment of religion," and the Court declared that they based their ruling upon that statement. In deciding a point of constitutional law, the question is never, What do these words mean when we use them now?—or, What can these words be made to mean?—or, What do I wish the authors and ratifiers had meant by their words?

I fear that most of the ink which has been spilled on this subject recently has been in answer to such questions as these, rather than in answer to the only legitimate question which can honestly come before the Court. That question is, What did the authors and ratifiers of the amendment mean when they used the words, and how does that meaning relate to the present situation which the Court is being asked to rule upon?

This is a question which I have studied for a number of years, and I have read extensively in the relevant literature. It is my belief that the answer to this question is not merely probable, but is crystal clear, and that all who will take the time to read the records of that far-off era must come to the unequivocal conclusion that the phrase "an establishment of religion" referred to what we would call an established church or denomination.

It referred to the arrangement whereby government selects a particular denomination as its official, state church; the government appoints that church's ministers, pays them by tax money, constructs and maintains the houses of worship, and in some instances even requires under penalty that all citizens give verbal assent to the theological beliefs of that denomination. At the time of the American Revolution, eight of the American colonies had such established churches. England has an established church, the Anglican Church. The Evangelical-Lutheran Church is the state church of Norway.

Now the first amendment was intended to prevent this arrangement, and as Jefferson said, to erect a "wall of separation between church and state." The founders did not mean to eradicate religion from government, nor did they mean to hamper religious observances within the institutions of the state. They made it abundantly clear that the United States, as a nation, officially believed in and relied upon God, and they repeatedly acknowledged the Government's dependence upon God.

Literally hundreds of statements, decisions, proclamations, and enactments could be brought forward in proof of this. We have time now to cite only a few. George Mason drafted the Bill of Rights which was adopted by the Virginia Convention in 1776 and which was the most influential document in all subsequent bills of rights. Mason's original, handwritten draft of this Bill of Rights is in the Library of Congress, and it contains these words: "No particular religious sect or society of Christians ought to be favored or established by law, in preference to others."

The first Congress which was elected and convened under the Constitution of the United States came together for the first time on March 4, 1789, and recessed on September 29 of that same year. During that period of less than 7 months, this Congress installed the first President of the United States, adopted the Bill of Rights and sent it to the several States for ratification. The Members organized the Congress and fixed many important policies which have continued to this day.

1. One of the very first actions of this first Congress was to make provision for the appointment of two congressional chaplains, among whose duties would be that of leading the Houses of Congress in prayer to Almighty God each day.

2. By joint action of both Houses of Congress, plans were carried out to the effect that, as soon as George Washington took his oath of office as the first President of the United States, he, together with all other Government officials and all Members of both Houses of Congress went directly to St. Paul's Chapel to attend divine services, conducted by a congressional chaplain. This took place on April 30, 1789.

3. During that summer, this first Congress wrote, rewrote, discussed, and debated the proposed Bill of Rights, including what we now call the first amendment. On August 15 there was a lengthy discussion in the House of Representatives on this very amendment. Mr. Madison and Mr. Huntington spoke at length before the House on what the meaning of the proposed first

amendment is. Compulsory belief, the violation of conscience, tax support for churches and ministers, court suits to compel payment of church dues, the domination of all denominations by one established denomination—these were the evils which they said this amendment would avoid. After much discussion, the House adopted the proposed Bill of Rights and sent it over to the Senate on September 24.

4. On September 25 this same House of Representatives, upon motion of Elias Boudinot, of New Jersey, passed the following resolution:

"*Resolved*, that a joint committee of both Houses be directed to wait upon the President of the United States, to request that he would recommend to the people of the United States a day of public thanksgiving and prayer to be observed by acknowledging, with grateful hearts, the many signal favors of Almighty God, especially by affording them an opportunity peaceably to establish a Constitution of government for their safety and happiness."

Quite evidently, the authors of the "no establishment of religion" clause believed they had done nothing on September 24 which prevented their calling for a day of national, public prayer, on September 25.

This resolution reached the Senate later on that same day. By a strange but dramatically significant coincidence, it was acted upon immediately after the Senate took action on the Bill of Rights resolution which had been sent over from the House the day before. The action in both instances was favorable.

The vote on the prayer resolution in the House of Representatives, and its close relationship to the vote on the first amendment, will be seen in even more significant and relevant focus when it is recalled that there was an objection to it made at the time of its proposal. When Boudinot offered his resolution, a Mr. T. T. Tucker, from South Carolina, arose and spoke against it, giving some of the same arguments which the secularists of today use. He said that the Congress and the President should not call upon the people of the United States to set aside a day of thanksgiving to God because, said he, perhaps not all of the people will want to give thanks. But, he continued, whether this is the case or not, it is no business of Congress to call people to prayer, for this is a religious matter. Finally, he said, if a day of thanksgiving must take place, let someone else call it.

Now observe this: After the Members of the House heard all of Mr. Tucker's objections, they voted to ask the President to issue an official call for a national day of prayer and thanksgiving to God—and this within 24 hours of the time they voted not to have "an establishment of religion." So that those who gave us this amendment clearly did not intend it should interfere with religious observances in public institutions.

Before leaving this item, we should take a minute to indicate what Jefferson's understanding of this matter was, because of his great interest in it and his great influence upon it. Having read everything I can find which he wrote on the subject of religion, I can say that I believe Jefferson fully agreed with the viewpoint which I have thus far expressed. For example, in 1787—only 2 years before Congress voted to adopt the first amendment—he published a book, in which he included a section describing his objections to what he therein called "an establishment of religion."

Here are a few representative descriptions: He wrote of "poor Quakers were flying from persecutions in England;" he said that "heresy was a capital offence, punishable by burning. Its definition (being) left to the ecclesiastical judges;" he wrote of "laws giving salaries to the clergy;" and he recited how that "if a person * * * denies the being of a God, or the Trinity, or asserts there are more gods than one, or denies the Christian religion to be true, or the scriptures to be of divine authority, he is punishable * * * by 3 years imprisonment without bail." This was Jefferson's concept of "an establishment of religion."

That he did not believe in the eradication of religion from government is shown by many evidences, one of which is the official resolution which he signed as Governor of Virginia, in 1779. It reads, in part, as follows:

"*Resolved*, That it be recommended to the several States to appoint Thursday 9th of December next, to be a day of publick and solemn thanks to Almighty God, for His mercies, and of prayer for the continuance of His favor and protection to these United States; to beseech Him that He would be graciously pleased to influence our publick councils * * * that He would grant to His church the plentiful effusions of divine grace, and pour out His Holy Spirit on all ministers of the gospel; that He would bless the proper means of education and spread the light of Christian knowledge through the remotest corners of the earth * * * that He would in mercy look down upon us, pardon our sins, and restore us into His favor; and finally that He would establish the independence of the United States upon a basis of religion and wisdom and support them in the enjoyment of peace, liberty, and safety."

IV

Since there are some people who are deeply prejudiced in favor of a secularistic government, they might be helped to see the Constitutional point here if an illustration were used. So let us suppose an amendment to the Constitution which pertained to clothing had been adopted in those early days, and that the Supreme Court were asked in 1962 to rule on the constitutionality of wearing shoes. Suppose, further, that the language of the amendment, as now understood, could be construed to mean either that it is, or is not, constitutional to wear shoes. But if historical research proved conclusively that the Members of the Congress which adopted the amendment wore shoes, and that the members of the legislatures which ratified the amendment wore shoes, the conclusion would seem inevitable that the authors and ratifiers of that amendment did not intend the amendments which deal with clothing to be interpreted as a prohibition against wearing shoes.

By the same token, if we were to find—as we do—that there is an amendment which prohibits "an establishment of religion," and if we were to find—as we do—that the authors of this amendment had prayer in Congress and called upon the President to proclaim a day of national prayer, and if we were to find—as we do—that the State legislatures which ratified this amendment were opened with prayer; then the conclusion would seem inevitable that the authors and ratifiers of the first amendment did not intend that it should be construed to mean that it is unconstitutional to have prayer in such public institutions as Congress, the courts, the legislatures, the Armed Forces, and the public schools.

V

A second matter on which the Court did not elaborate in its June 25 opinion, but which is relevant to any decision concerning prayer in public institutions, is the clause which follows the clause we have just been discussing. The complete statement is this: "Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof." Let us see how that statement would read if we remove from it the portion we have already discussed. The remaining statement would go as follows: "Congress shall make no law prohibiting the free exercise of religion."

It's a fair assumption that what the legislative branch of Government is forbidden to do in this area, the executive and judicial branches are also forbidden to do. If, therefore, we substitute the Court in place of Congress, we would have a statement like this: "The Supreme Court shall not make a ruling prohibiting the free exercise of religion."

Does this mean that the Court shall not prohibit students and teachers in schools from freely exercising their religious desire to pray, so long as they do not compel others to do so? Justice Stewart, in his dissenting opinion, thinks it means just that. He wrote: "To deny the wish of * * * schoolchildren to join in reciting * * * prayer is to deny them the opportunity of sharing in the spiritual heritage of our Nation." Let the American people in general, and the Supreme Court in particular, ponder this question. Let us study the meaning of the fact that the first amendment bars the Government from prohibiting the free exercise of religion.

VI

A third matter on which the Court did not elaborate in its June 25 opinion, but which is directly relevant to any decision concerning religious observances in public institutions, is the complete impossibility of neutrality. Notwithstanding the fact that a number of people today imagine that there can be such a thing as a government which is religiously colorless, this is not possible at all, and the promise that it can be achieved is a cruel mirage. Either our public institutions will be oriented favorably toward religious faith, or they will be oriented unfavorably toward it. Our Lord Jesus Christ said, "He who is not with Me is against Me" (Matthew 12: 30). His parable of the empty room and the seven devils (Luke 11: 23–26) clearly teaches the folly of attempting to maintain a religious vacuum which neither affirms nor denies. Christ taught that the attempt to be neutral resulted in "seven devils" taking charge of the allegedly empty room. So would it be with our schools.

Dr. George Buttrick has written words[1] which deserve our sober thought here: "A school, a factory, or a symphony hall ought likewise to be consecrate. The doctrine of the separation of church and state never meant, and can never mean, the dichotomy of life into secular and sacred. The age-old frictions of the doctrine prove that fact. Our Founding Fathers, mindful of the tyrannies they had fled, intended a wise separation of function. But they never doubted that both functions were religious in nature. To teach facts without meanings is worse than teaching notes without music. To cultivate the mind without purpose * * * is worse than intensive farming that yields no food. Either education must become dedicate to a genuine faith or religion will be compelled * * * to provide a reverent education. The school and the Senate, the mill and the home, the hospital and the church should all be consecrate—by corporate prayer. Prayer is the light without which cities are vain."

It is my own belief that those who wrote our Constitution never intended to require that our public institutions should be conducted in such fashion that the thoroughgoing secularist would be the only person who could feel completely at home in them.

The American public in general, and the Supreme Court in particular, must bring careful study to the question of whether in the long run a genuine neutralism is possible for our public institutions. The idea that it is possible to effect an honest neutrality which will permanently be equally fair both to religion and irreligion presupposes an optimistic concept of the nature of man which Biblical theology knows nothing about; and if this neutrality can indeed be achieved without the support of religious resources and assumptions, then the Biblical doctrine of the nature of man will have been proved false, and I do not think it is false. It might be added, parenthetically that neither Adlerian nor Freudian psychology knows of such a race of humans as this neutralism presupposes. All of life is committed life, whether it be seen privately or in such public institutions as schools.

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[1] Prayer, by G. A. Buttrick, Abingdon-Cokesbury Press, 1942.

VII

If voluntary prayers in public schools, and religious observances of various kinds in all governmental institutions are held to be constitutional, this will not relieve the church and the home of their primary duty to cultivate religious faith and practice. Nor will it guarantee that all of the prayers which will be offered in school will be worthy prayers. (Incidentally, the same could be said of prayers offered in church and home.) If public devotions are allowed by the Court to continue, this will not mean that we are "God's chosen people," or that we have thereby purchased the smiling and bountiful favor of God for our land. Rather, it will keep our institutions more intently under the scrutiny of God's stern and righteous judgments than they otherwise would consciously be.

It will mean what the Supreme Court of the United States declared to be true 10 years ago: "We are a religious people whose institutions presuppose a Supreme Being." It will mean that we have officially committed ourselves to high ground, and that as a nation we are obligated to live in terms of that commitment.

As George Washington said, in proclaiming the first day of national thanksgiving, "It is the duty of all nations to acknowledge the providence of the Almighty God, to obey His will, to be grateful for His benefits, and humbly to implore His protection and favor."

PRAYER

O God,
Thy love divine hath led us in the past;
In this free land by Thee our lot is cast;
Be Thou our Ruler, Guardian, Guide, and Stay,
Thy word our law, Thy paths our chosen way.
Amen.

AID RELEASE SHOWS WISCONSIN SHORTCHANGED IN FOREIGN AID

Mr. PROXMIRE. Mr. President, I have received through the mail recently a publication from the Agency for International Development. While I favor foreign aid, and have voted for it in the past, I must say this publication presents an argument that undermines the position I have taken. Apparently this publication is supposed to induce me to vote for the foreign aid bill by pointing out that firms in 34 Wisconsin communities received a total of $26 million in foreign aid funds for providing goods and services from January 1954 through December 1961 out of a total of $4,400 million. But Wisconsin is getting less than one-third of the share it should get on a pro-rata basis. We have 2 percent of the people, 2 percent of the income, pay 2 percent of the taxes, and have far more than 2 percent of the factories. Since more than $4.4 billion is involved our pro rata share would be $88 million, but we get only $26 million.

I can see why AID should send this release to the Senators from New York, because 58 percent of the foreign aid purchases in the country—more than half—were made in New York State alone; but the publication was sent to the junior Senator from Wisconsin apparently to help persuade me to vote for this foreign aid bill. Why?

I ask unanimous consent that this release be printed at this point in the RECORD.

There being no objection, the release was ordered to be printed in the RECORD, as follows:

WISCONSIN RECEIVED $26 MILLION IN U.S. FOREIGN ASSISTANCE BUSINESS

Firms in 34 Wisconsin communities received a total of $26,044,944 in foreign aid funds for providing goods and services during the period of January 1954 through December 1961, the U.S. Agency for International Development reported today.

Under the current AID program, about 80 percent of the money used for grants and nearly 100 percent of the funds for commodities financed through loans are spent in the United States. A total of $4,429,581,138 has been expended in 44 States and the District of Columbia in this way under the U.S. foreign assistance program in the past 8 years.

The amounts cover grants and loans financed by AID and its predecessor agencies as well as payments to approved U.S. voluntary agencies for the cost of freight on shipments under their own oversea programs and on shipment of surplus agricultural commodities under the food-for-peace program.

Figures on each State's share in business resulting from the U.S. foreign assistance program are based on AID-financed transactions with exporting firms—either the foreign sales unit of a firm or an export merchant who is located on that State and engaged in oversea sales of American-produced commodities.

Here is how Wisconsin communities shared in the program:

Appleton	$1, 741
Baraboo	13, 874
Belgium	27, 199
Beloit	184, 493
Burlington	2, 770
Clintonville	821, 886
Cudahy	2, 503
Eau Claire	137, 967
Edgerton	22, 621
Fond Du Lac	502, 464
Fort Atkinson	11, 520
Grafton	2, 627
Green Bay	2, 335
Janesville	56, 940
Kenosha	2, 047, 970
Kohler	221, 883
La Crosse	448, 013
Madison	246, 813
Manitowoc	1, 621
Marinette	48, 556
Milton	362
Milwaukee	16, 565, 146
New Richmond	2, 588
Oshkosh	709, 961
Port Washington	14, 187
Racine	3, 672, 354
Rothschild	2, 710
Sheboygan	12, 700
South Milwaukee	115, 352
Superior	2, 181
Waukesha	50, 258
Waupin	13, 563
West Allis	38, 552
West Bend	39, 234

In the nationwide total of more than $4.4 billion in AID-supported foreign purchases, individual State shares of the business are as follows:

Alabama	$12, 473, 307
Arizona	4, 547, 884
Arkansas	1, 637, 752
California	269, 366, 484
Colorado	5, 835, 159
Connecticut	36, 130, 708
Delaware	7, 634, 460
District of Columbia	2, 585, 281
Florida	4, 198, 810
Georgia	3, 216, 885
Hawaii	10, 038
Idaho	594, 671
Illinois	121, 178, 586
Indiana	13, 489, 809
Iowa	8, 446, 602
Kansas	809, 332
Kentucky	11, 278, 933
Louisiana	92, 870, 549
Maine	1, 060
Maryland	7, 295, 451
Massachusetts	21, 643, 030
Michigan	29, 321, 289
Minnesota	10, 183, 396
Mississippi	5, 388, 270
Missouri	15, 301, 898
Nebraska	988, 657
New Hampshire	479, 411
New Jersey	57, 042, 722
New Mexico	1, 333, 668
New York	2, 567, 529, 605
North Carolina	8, 182, 124
Ohio	94, 647, 086
Oklahoma	14, 377, 166
Oregon	76, 072, 705
Pennsylvania	152, 603, 751
Rhode Island	3, 216, 607
South Carolina	1, 088, 014
Tennessee	193, 748, 138
Texas	487, 904, 994
Utah	727, 177
Vermont	853, 705
Virginia	38, 552, 185
Washington	14, 175, 379
West Virginia	4, 623, 956
Wisconsin	26, 044, 944
Total	4, 429, 581, 138

AID officials pointed out that, because a large part of the foreign aid commerce is handled by merchant exporters who tend to locate in port cities, large amounts of financing are shown for States containing major ocean ports. However, the Agency noted, these exporters generally are selling many commodities produced in inland cities and towns.

Mr. PROXMIRE. Mr. President, this release underscores the current short shrift Wisconsin gets from the Federal Government. Defense contracts won by Wisconsin firms are 1 percent of the total or one-half what our proportion of population, income, taxes paid, or factory facilities would seem to entitle us to receive. Space contracts are spread in a crescent from Florida to Texas. Wisconsin's share is infinitesimal. Research and development contracts go to California and New England, and generally overlook the Midwest and our great universities.

The great and often wasteful public works projects of this Government costing billions are concentrated overwhelmingly in the West and Far West. Wisconsin gets almost no public works.

I think it is time that this Wisconsin Senator protested vigorously, because I think we are overlooked, and badly overlooked. To rub salt into our wounds, our great dairy State suffers a farm bill this year which does nothing to improve the tragically low dairy farm income.

INVESTMENT CREDIT WOULD BLOW ANOTHER BIG LOOPHOLE INTO TAX LAWS

Mr. PROXMIRE. Mr. President, 2 days ago I submitted an amendment to knock out the investment credit provision in the tax bill. I want to emphasize what a very serious mistake inclusion of this tax giveaway would be. Virtually every authority who has studied the tax laws has said that they are riddled with too many exemptions and deductions and opportunities for special groups. This provision would add to them, and would be a $1 billion windfall. It would make it necessary to increase the taxes of the ordinary taxpayers that much more. We would never, ever be able to repeal it. It would grow and spread, weakening our tax system seriously.

THE THURGOOD MARSHALL NOMINATION

Mr. JAVITS. Mr. President, I wish to say a word about the observations of the President of the United States, yesterday, made at his press conference on the Thurgood Marshall nomination and confirmation.

In the first place, we have got to keep our eye on the ball, whatever the digression of the President of the United States. He confirmed the assurance of the majority leader, the deputy majority leader, and the minority leader, on which we completely relied, that the Senate would have an opportunity to vote on the confirmation of the nomination of Thurgood Marshall before we adjourned. The President's confirmation that that is the determination of the majority party will be very much welcomed. I welcome it. I praise the President for having made the nomination. But it is unfortunate that the President saw fit to mar the force of his words by reference to the fact that while the two Senators from New York had something to say about the appointments to seven other circuit vacancies during the Eisenhower administration, Thurgood Marshall was not nominated for any of them.

With all respect, I submit that the President can hardly know whom we recommended for judgeships or to what extent any of our recommendations were favorably received by President Eisenhower. In fact, I deeply feel that the recommendations I made were of a character and quality equal to that of Thurgood Marshall—and I have the highest opinion of him as a judge; I repeat, a nomination for which the President is entitled to full credit. Also, Thurgood Marshall was in those years, 1952 to 1960, deeply occupied with historic Supreme Court litigation. Whether he would have wished to leave that litigation for the bench is also a question.

If the President's digression was meant to question the sincerity of my views or those of my colleague [Mr. Keating] on appointments of Negroes to high public office, I doubt that I, or, for that matter, my colleague [Mr. Keating] will accept that feeling as being reasonable in view of our attempts in civil rights struggles or in the appointment of Negroes to high office.

The unfortunate implication of the President's additional remark is to evidence some feeling that the criticism we have directed against the subcommittee's holding up on the Marshall confirmation in some way was directed against the President. Nothing could be further from the fact. The President has made the appointment. Again I say I give him full credit for it. I have every feeling that the President, as much as I do, wants the confirmation of Thurgood Marshall's nomination before we go home. I have every confidence that the united determination which has been expressed will bring this about.

In view of the slightly discordant note, Mr. President, it is necessary to reaffirm my own faith in the bipartisan good faith of all who are fighting for confirmation of the nomination of Judge Marshall and my determination to stand solidly with them in this fight. I reaffirm also my statement—after all, one has only one's self to depend upon—that, come what may, the Senate shall have its opportunity to vote on confirmation of the Marshall nomination. I have no doubt whatever now, with all these assurances in hand, that this will be brought about.

Mr. President, I hope, therefore, that the country will look at what the President said about getting the nomination of Mr. Marshall confirmed, and that the country, too, will keep its eye on the ball, for I do not think that either my colleague [Mr. Keating] or I need protest devotion to the basic cause, which we fear is what has slowed down and delayed so unreasonably and intolerably the confirmation of the Marshall nomination.

In short, Mr. President, I forgive the President of the United States, if he needs it, in the interest of the larger purpose, which is the bipartisan dedication to getting this job done. I would urge the President, on the other hand, to give some attention to what I fear he has sadly neglected, which is calling on the Congress to enact very urgently needed civil rights legislation.

The PRESIDING OFFICER (Mr. Young of Ohio in the chair). The time of the Senator from New York has expired.

Mr. JAVITS. Mr. President, I ask unanimous consent that I may proceed for a half minute longer.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. JAVITS. Appointments to high office, desirable and wonderful as they are, are not substitutes for legislation to win voting rights in the South; to do something to avoid situations such as those in Albany, Ga.; to do something to desegregate the public schools; to do something to put a statutory base under the President's Committee on Equal Opportunity Among Government Contractors.

I would in turn, so long as the President mentioned me, be bold enough to suggest that he consult his own campaign pledges and his own ideas and purposes in terms of coming to the Congress for legislation which is so urgently needed in the civil rights field.

Mr. KEATING. Mr. President, I rise in the interest of accuracy. Yesterday, at his press conference, the President of the United States indicated strong support for his nominee to the Court of Appeals in New York, Judge Thurgood Marshall. Of course, I am delighted that the President made that statement.

Then the President added—according to the article in today's New York Times:

> In regard to Senator Keating, I do think it's interesting to point out that there were seven circuit court vacancies during the previous administration. The two Senators from New York had something to say about the appointments to those and Thurgood Marshall was not nominated in that—on any of those occasions.

In the first place, Mr. President, it must be noted that during the previous administration, unfortunately, the Senators from New York and, indeed, all Senators as far as I am aware, did not have as much to say about appointments to the bench as many of them thought they should have.

But, be that as it may, during my tenure as a U.S. Senator under the previous administration, only one appointment, Judge Friendly's, was made to the Court of Appeals in New York. But now the President of the United States has septupled that number—has multiplied it by seven. If the one doing that were not the President, one would be inclined to call the statement gross exaggeration. In the case of the President, I suppose one would have to call it a septuplication, for certainly he has septupled the one—that of Judge Friendly—up to seven.

In order to be accurate, I thought the Record should be set straight.

More important than this, I hope this nomination will not be approached in any way on a partisan basis. My efforts have always been on a completely bipartisan basis and I intend to continue to work for Judge Marshall's confirmation with interested Members on both sides of the aisle. I have been confident that all Republican members of the Judiciary Committee vigorously supported this nomination. I feel confident that they still do; but I hope that nothing will be said or done to imperil the bipartisan teamwork which will be needed if the nomination is to come before the Senate for a vote.

THE GRAND OLD MAN OF THE LAW

Mr. HRUSKA. Mr. President, at the annual meeting of the American Judicature Society, held recently in San Francisco in conjunction with the American Bar Association Convention, Roscoe Pound received its first golden anniversary award.

The society has honored its only surviving founder most appropriately. The writings of Dean Pound stimulated sweeping changes in the administration of justice; his work has been a major factor in the revitalization of the judiciary.

Nebraska, where he was born and raised and first began his illustrious career in the law, is understandably proud of Dean Pound. A profile entitled "The Grand Old Man of Law," printed in the New York Times of August 9, 1962, captures the rare spirit and describes the brilliant work of this schoolmaster of the bar.

I ask unanimous consent, Mr. President, that the article honoring Dean Roscoe Pound be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

GRAND OLD MAN OF LAW: ROSCOE POUND

Fifty-six years ago this month a little-known lawyer from the plains of Nebraska rose to address an evening session of the 29th annual meeting of the American Bar Association in St. Paul.

The speaker, then 35 years old and dean of the College of Law of the University of Nebraska, was Roscoe Pound, later dean of the Harvard Law School in its golden years and now, at 91, the grand old man of the law who was honored by the American Judicature Society in San Francisco yesterday.

For the complacent conservatives of the law who heard him at St. Paul, it had been a pleasant summer evening until Mr. Pound spoke. His address, a landmark in modern jurisprudence, was entitled "The Causes of Popular Dissatisfaction With the Administration of Justice."

He proceeded to denounce an archaic system of courts, procedure that was behind the times, lavish granting of new trials, frittering away of the courts' time on points of legal etiquette and the sporting theory that justice would somehow triumph when opposing lawyers used all the tricks of oratory, surprise, and cross-examination that were available.

Iconoclastic as it was in 1906, the address has received a major share of credit for the changes in legal thinking and methods in the succeeding years. The lawyer from Nebraska came to be called the schoolmaster of the American Bar Association.

Years later, with the promulgation of the Federal Rules of Civil Procedure in 1938, Dean Pound was to remark how long it had taken to overcome the doctrine that the law ought to be left to change itself.

WAS KNOWN AS BOTANIST

Dean Pound was already recognized as a great botanist when the speech at St. Paul thrust him onto the center stage of the law. Born in Lincoln, Neb., on October 27, 1870, the son of a lawyer, he received most of his education as a young boy from his mother.

At the University of Nebraska, he majored in botany and did graduate work in plant geography, ecology and parasitic fungi, earning a B.A., an M.A. and a Ph. D. in the field. He was the first director of the botanical survey of Nebraska.

Although he attained far greater prominence in the law, Dean Pound never received a bachelor of laws degree. Admitted to the Nebraska Bar in 1890 after a year's law study at Harvard, he practiced for a time in Lincoln, served as Commissioner of Appeals in the Supreme Court of Nebraska, taught jurisprudence and Roman law at the University of Nebraska and became dean there in 1903.

After further stints of teaching at Northwestern University and at the University of Chicago, he returned to Harvard in 1910 as story professor of law. Six years later, still one of the newest members of the Harvard faculty, he was appointed dean.

On his faculty over the years were such men as Edward H. Warren, James M. Landis, and Felix Frankfurter. The number of students rose from 791 to a peak of 1,440 in 1925. Among them were Thomas Corcoran, David E. Lilienthal, and Dean Acheson.

Witty, a great storyteller and a powerful yet matter-of-fact speaker who never lost his Nebraska accent, Pound was one of Harvard's most popular lecturers.

In his teaching, he followed the traditional case method, adding others of his own out of his philosophies of sociological jurisprudence. He often turned to illustrations from actual practice, and he treated the ideas of his students seriously.

When he resigned as dean in 1936, Mr. Pound became Harvard's first roving professor—entitled to teach in any faculty of the university he wished.

During the New Deal and afterward, Dean Pound assailed what he called administrative absolutism, contending that the new administrative agencies were seeking exemption from judicial scrutiny.

His critics recalled that in the celebrated speech of 1906 he had condemned the "spectacle of law paralyzing administration." He continued to attack the agencies even after a conservative Congress had enacted the Administrative Procedure Act to rectify the very shortcomings of which he had complained.

HIS LEARNING IS VAST

Dean Pound is renowned for his encyclopedic mind and his vast learning. At 76, already a master of French, German, Italian, Spanish, Sanskrit, Greek, Latin, and Hebrew, he took up Chinese for a trip to China.

A prolific author, he was revising two articles on labor unions and the law when he flew West to be honored by the American Judicature Society, of which he is the only surviving founder.

Heavy framed, standing 5 feet 10 and weighing 200 pounds in his prime, Dean Pound was long possessed of great physical stamina. According to one story, he could still run a mile in less than five minutes at the age of 50.

It was his habit for years not to wear an overcoat in the winter, believing in the body's ability to adjust to cold temperatures.

Still working in the green eyeshade he has worn for most of his life to protect his poor sight, Dean Pound now maintains an 8-to-5 schedule 5 days a week at Harvard. He also goes to his law school office from 9 to 1 on Saturdays. He takes his exercise in walking in the vicinity of his home at the Commander Hotel in Cambridge, Mass., and his relaxation in philosophy.

Dean Pound, who was twice a widower, met his second wife while serving in Washington as a member of the National Commission on Law Observance and Enforcement, known as the Wickersham Commission. The commission was appointed to recommend whether prohibition should be continued. Dean Pound, never a teetotaler, voted nonetheless with the majority of the commission that prohibition should be given a further trial.

HENRY L. GIORDANO, U.S. COMMISSIONER OF NARCOTICS

Mr. BUTLER. Mr. President, it is my pleasure to call to the attention of the Senate that the newly appointed U.S. Commissioner of Narcotics, Mr. Henry L. Giordano, comes from the Free State of Maryland, which has long held him in high regard as a public servant and a private citizen.

As a veteran of 21 years with the Bureau, he still puts in a 60-hour workweek, keeping close check on narcotics traffic around the world. Mr. Giordano has stated that he will make no major changes in Bureau policy set by the retired Commissioner Harry J. Anslinger, who I might add has done a truly magnificent job since the formation of this Bureau.

I would be remiss if I did not comment upon former Commissioner Anslinger, who won for himself and this Nation worldwide acclaim as a man dedicated to fulfilling the responsibility of public office to the highest possible degree. He headed a highly sensitive Bureau dealing with a highly emotional subject, and I believe it the mark of the man that he never sought personal publicity or gain. His efforts were of significant help in combating the heinous crime of illicit drug traffic. On August 30, Mr. Anslinger will receive the Alexander Hamilton Award, the highest Treasury Department medal award, for his outstanding service as Commissioner of the Bureau of Narcotics.

Mr. President, we are indeed fortunate to have Mr. Giordano, a man of integrity, dedication, and high qualifications as the successor to Mr. Anslinger. Mr. Giordano was sworn in as the new Commissioner on August 17 by Secretary of the Treasury Douglas Dillon.

Mr. President, I ask unanimous consent to have printed in the RECORD, following my remarks, the article from the Evening Star entitled "Crime Fighter's Exit," the article from the New York Times entitled "Tough Narcotics Chief," and the "Portrait" from Drug Trade News.

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

[From the Washington Evening Star]

CRIME FIGHTER'S EXIT

Harry J. Anslinger, having reached the compulsory retirement age of 70, is about to retire, with colors flying, from the crime front where he for many years has waged a relentless war on the illicit drug traffic. But he is not through fighting the narcotics racketeers. The United States will continue to have his services as its representative at international conferences of the U.N. on the narcotics problem.

Although Mr. Anslinger has differed with the American Medical Association and some other groups on how to handle drug addicts, the White House announced that his retirement was voluntary. The controversy has been over whether addicts should be treated as victims of a disease, as the doctors contend, or as law violators, as the veteran head of the Treasury's Narcotics Bureau has insisted.

Actually, however, Mr. Anslinger often made it clear that he thought addicts should be hospitalized instead of penalized—unless they had committed a crime, such as peddling drugs to others or robbing or murdering to gain narcotics or the money with which to buy them. But he has opposed medical proposals for clinics at which addicts could be supplied with their drug needs, legally. Since such clinics would restrict the amount of drugs used, he said, the urge for more narcotics would lead to further illicit activities.

It is of interest that Mr. Anslinger's successor will be his right-hand deputy, Henry L. Giordano, who is known to share generally Mr. Anslinger's views on means of combating the vicious drug racket. Those of us who regret the impending exit of the vigorous and outspoken Commissioner will hope that his successor will be as relentless and as successful in sending the peddlers and other scum to prison or into exile.

[From the New York Times]

Tough Narcotics Chief—Henry Luke Giordano

Washington, July 8.—Few men can lay a better claim to having come up the hard way in their profession than Henry Luke Giordano, the new Commissioner of the Federal Bureau of Narcotics.

At 48, he is a 21-year veteran of the Bureau. He made—and for a long time maintained—his mark as an ace undercover operative in one of the most hazardous fields of law enforcement.

Posing at various times as a down-at-the-heels narcotics peddler, a flashily prosperous racketeer, a small-time gambler, an escaped convict or a sailor on the beach, he has penetrated and won the confidence of some of the most ruthless criminal bands on the North American Continent.

Then he has turned the tables on them in court and helped send scores to prison.

President Kennedy announced Mr. Giordano's promotion to the top narcotics post on Thursday. Talking to reporters afterward, Mr. Giordano conceded that the job of a narcotics agent was a dangerous one.

"Most of the fellows recognize that, and take the proper precautions," he said disarmingly.

Even so, the record shows that 9 agents have been killed in the line of duty in the 32 years of the Bureau's existence and a good many others have suffered injuries.

But undercover work is about the only means of breaking a tough narcotics case, Mr. Giordano continued.

"You've got a satisfied seller on the one hand and a happy user on the other," he said. "Neither one, in most cases, is going to tell on the other. So you have to get in between these two some way to break up their traffic, and about the only way to do it is by deception."

It was in the guise of a tough-talking, free-spending Seattle racketeer that Mr. Giordano broke up the Mallock narcotics ring in western Canada in 1949. He was "borrowed" for the purpose by the Royal Northwest Mounted Police when their own efforts to pin the ring down had failed. He was gladly "loaned" by his superiors because the Canadian syndicate was extending its operations into Washington, Oregon, and California.

HE GOT SOME SAMPLES

In his racketeer role, Mr. Giordano drove an expensive car into Vancouver, British Columbia, put up at the best hotel and made himself conspicuous. He let it be known he could arrange an outlet for heroin in Seattle.

A new acquaintance arranged to get him some samples. He took these back to Seattle. Later, he called his man in Vancouver to say the samples had gone over well and the Seattle people wanted a regular supply. He said he was coming back to Vancouver to negotiate at the top, not with underlings.

Weeks went by while he waited in Vancouver. Then he was taken to a modest suburban house. There he met George Mallock, who, with his brother John, was believed to head one of the largest drug syndicates in North America. A large sum of money and a large quantity of heroin changed hands. The Seattle "racketeer" got in his car and drove away.

"I told them I was heading back to Seattle," Mr. Giordano recalled the other day "but they didn't seem quite to trust me. They followed me 5 or 6 miles, just to make sure.

"When they turned back, I stopped at the first telephone I could reach and called the Mounties. They moved in right away, picking up George and John Mallock and a number of their confederates."

TOUGH BUT NOT ROUGH

Mr. Giordano, a man of compact frame and pleasantly rugged features, has a manner that is relaxed, amiable and forthright.

"He is tough without being rough," an associate said.

Born June 10, 1914, in San Francisco, he attended the University of California School of Pharmacy in that city and received a graduate pharmacist's degree in 1934.

He was employed as a pharmacist in his native city from 1935 until he went to the Narcotics Bureau in 1941.

There he started as a junior agent. By 1958 he had become Deputy Commissioner.

During World War II he spent 3 years with the Coast Guard.

In 1955–56 he served as chief investigator of a House Ways and Means Subcommittee on Narcotics.

Mr. Giordano lives in suburban Silver Spring, Md., with his wife, the former Elaine Watson, and two teenage daughters.

Asked if he himself had any addictions, he said: "Just to cigarettes, and a little weekend gardening and grass cutting."

Narcotics Policy Divides Officials—Bureau's New Chief Backs Anslinger on Penalties

(By Cabell Phillips)

Washington, July 8.—A new man took over last week as Chief of the Federal Bureau of Narcotics. As he did, a small but intense controversy enveloped his predecessor and the whole attitude of the Government toward narcotics addiction.

The new Commissioner is Henry L. Giordano, a 48-year-old Californian who has been with the Bureau since 1941.

He succeeds Harry J. Anslinger, who retired upon reaching the age of 70 and who had headed the Bureau since its establishment in 1930.

Mr. Giordano stands with his former chief in believing that stiff prison penalties are the strongest deterrent to the illegal traffic in drugs. Present laws permit up to 10 years' imprisonment for a first offense of illegal possession and require a minimum sentence of 5 years for a first offense of illegal sale.

But Mr. Giordano would also like to see legislation to permit compulsory confinement and treatment of addicts under civil as well as criminal law.

"I think we should do everything we can," he said the other day, "to treat addicts whenever we find them, and not wait for them to commit a crime."

Legislation to accomplish this end has been introduced in Congress by Senators Kenneth B. Keating and Jacob K. Javits, New York Republicans, among others.

There is statistical evidence that the small and highly professional Bureau of Narcotics has done much to cut down the use of illicit drugs.

The incidence of narcotics addiction in the United States today is estimated at 1 in 4,000 as compared with 1 in 2,100 in 1950, the peak of a brief postwar resurgence of drug addiction.

The decline coincides with two control measures enacted by Congress, the Boggs Act of 1952 and the Narcotics Control Act of 1956. Both increased sharply the penalties for illegal possession and sale of narcotics.

But critics, largely in the field of medicine and mental health, contend that under Commissioner Anslinger the Narcotics Bureau was deficient in its attitude toward curative, as well as penal, treatment of addicts.

They say the Bureau could have had even a better and a more lasting record of achievement if it had been more sympathetic to medical and psychiatric treatment of addicts, rather than regarding them all as criminals.

Mr. Anslinger was frequently accused of having "the viewpoint of a cop" toward all problems surrounding the illicit use of drugs.

Dr. Robert H. Felix, Director of the National Institute of Mental Health of the Department of Health, Education, and Welfare, said, for example, that he felt Commissioner Anslinger took the view that, "once a person becomes an addict, he is dangerous and is breaking the law and should be confined."

"Addiction to narcotics," he continued in an interview, "is a severe form of emotional disorder. But there are many forms of emotional disorders, and they do not all lead to crime by any means.

"But if a person acquires a criminal record solely because of his addiction, the problem of treating and curing him is made a great deal more difficult."

This approach, he said, has made it virtually impossible for an addict to obtain help in overcoming his condition from a private physician.

"Under Mr. Anslinger's interpretation of the law," Dr. Felix said, "if a physician treats an addict by giving him gradually diminishing sustaining dosages of narcotics, both the physician and the patient could technically be regarded as violating the law. And few doctors want to take that chance."

Mr. Anslinger's defenders—and Mr. Giordano is prominent among them—deny most such allegations. The Bureau, they note, has long pursued a policy of committing addicts for treatment at the Federal hospitals at Lexington, Ky., and Fort Worth, Tex.

Most addicts, they point out, reveal themselves only after they have got involved in some sort of criminal activity, usually theft to get money with which to buy illegal drugs. And under the law, they add, possession of narcotics is prohibited.

At all events, they add, the stiffer the legal penalties have become over the years, the more rapidly the narcotics traffic has declined. They are firmly against any dilution of the legal sanctions now in force.

The Bureau has 290 agents in field offices across the country, plus several in foreign countries. Its work is concentrated mainly in the large cities of the Nation.

New York State (and this means primarily New York City) accounts for 46.6 percent of all the known addicts in the country today. California (principally Los Angeles and San Francisco), has 16.2 percent, and Illinois (Chicago) 14.6 percent.

[From Drug Trade News, May 28, 1962]

Portraits: Harry J. Anslinger, Federal Commissioner of Narcotics

George Eliot once declared that "our deeds determine us, as much as we determine our deeds." What one does fashions his character and his character etches his place in society. The difficulties of the task, the impossibilities of the burden, bring out in bold relief the utter immensity of the objective and the ironclad dedication of the man resolute enough and courageous enough to undertake it.

The acceptance of highly sensitive public obligations which involve the national interest demands a lofty sense of duty and affords the true measure of the man. Our deeds determine us as much as we determine our deeds. It is within this framework of duty and performance that this "portrait" of the Federal Commissioner of Narcotics is thoughtfully presented. It is bound to stir a sense of appreciation among all who place high value upon constructive public service.

Harry J. Anslinger was born in Altoona, Pa., on May 29, 1892, and has long maintained the family residence in nearby Hollidaysburg, in addition to a Washington home in connection with his official duties and responsibilities. He attended Pennsylvania State University and later enrolled in the School of International Relations, The Hague.

REMINGTON MEDALIST FOR 1962

He has been chosen to receive the Remington Honor Medal for 1962, pharmacy's highest distinction. He holds the LL.B. degree from the Washington College of Law. The University of Maryland conferred its LL.D degree upon him in recognition of his highly constructive contribution to the national interest and the public safety.

Public service has been his life's work. After significant connections with governmental agencies, both at home and abroad, Mr. Anslinger was appointed Federal Commissioner of Narcotics in 1930, and has been reappointed by each succeeding President, the most recent having been made by President Kennedy. It is widely recognized that no man, in such a sensitive field of Government, has served so long and so well.

During this long period Commissioner Anslinger has participated in numerous world conclaves dedicated to the suppression and control of narcotic addiction. He is at present Chairman, United Nations Commission on Narcotic Drugs, and has taken a leading part in other national and international agencies engaged in combating the illicit traffic in narcotic drugs. Indeed he has won wide acclaim for his leadership dealing most effectively with the underworld aspects of this public evil.

Commissioner Anslinger is the recognized world leader in efforts dedicated to international control of narcotic drug problems and worldwide cooperation toward the ultimate deletion of the illicit commerce in narcotic drugs. He has been awarded membership in many organizations dedicated to various segments of public service and is the recipient of outstanding professional and civil distinctions.

UNIVERSALLY RENOWNED

No attempt is herein made to enumerate all the many honors bestowed upon him in recognition of his profoundly valuable contributions to the public interest. Conspicuous among these are the following: Procter Medal, by the Philadelphia Drug Exchange; Career Service Award, National Civil Service League; Alumni Service Award, American University, and the Pennsylvania State University.

He has, on many occasions, been signally honored by the American pharmaceutical industry and other bodies deeply interested in the control and eradication of the illicit narcotic drug problems, so profoundly beneficial has been his public service in this profoundly important field.

Commissioner Anslinger has been accorded worldwide acclaim as a person dedicated to the welfare of his fellow man, a public servant of integrity and ability, a diplomat of distinction, and the foremost citizen of the world in matters relating to the overall field of narcotic drugs. He has valiantly served his day and generation and won the acclaim of all concerned with the quality and intrinsic worth of true dedication and lasting benefits to the public interest.

TRIBUTE TO BRUCE BEDFORD, SR.

Mr. CASE. Mr. President, Trenton and the State of New Jersey have lost one of their leading and best beloved citizens with the passing recently of Mr. Bruce Bedford, Sr., who had resided since 1955 at 36 Boudinot Street in the neighboring town of Princeton.

He had been a member of the board of directors of Trenton Trust Co. for the past 35 years, and a member of the New Jersey Advisory Banking Board. A leading industrialist of the State, he was the founder of the Luzerne Rubber Co. of Trenton, and president of the United New Jersey Railroad & Canal Co.

He was chairman of the board of directors of the Trenton Savings Fund Society, where he had served as president from 1934 to 1951. Always active in civic affairs, Mr. Bedford was a former president of the Trenton Chamber of Commerce, the first campaign chairman of the Trenton Community Chest, and a former member of the Trenton Board of Education.

A graduate in 1899 of Princeton University, he served on the Princeton University Athletic Committee, and belonged to the Ivy and Nassau Clubs, the Princeton Club of New York, and the Trenton Club.

Mr. Bedford's earlier home was in Wilkes-Barre, Pa., where he was a member of a very distinguished fourth-generation family. Survivors here include the widow, Mrs. Mathilde H. Bedford, two sons, Hugh Hamill and Bruce, Jr., a brother, Paul, who still resides in Wilkes-Barre; five grandchildren and one great-grandchild.

TRIBUTE TO SENATOR KUCHEL

Mr. BEALL. Mr. President, yesterday one of the Nation's most interesting and thought-provoking political columnists discussed the forthcoming elections in California. This writer, Thomas O'Neill, has gained an impressive reputation for calling the shots as he sees them, and this trait has occasionally resulted in articles which have raised the temperatures of politicians on both sides of the aisle.

With these remarks as background, I wish to offer for inclusion in the Record the portion of Mr. O'Neill's August 22 column in the Sun, of Baltimore, Md., dealing with my good friend, Senator Thomas Kuchel. Prior to this segment of the article, Mr. O'Neill discussed whether or not President Kennedy will give active support to Senator Kuchel's opponent in the current campaign.

There being no objection, the article was ordered to be printed in the Record, as follows:

> Whatever path President Kennedy picks, Senator Kuchel will probably be hard to unseat. He is in the middle road California political tradition of Earl Warren, whose protege he was in much of a 25-year career in public life. Although he is the assistant Republican leader in the Senate, Mr. Kuchel pursues an independent course, the inspiration of an attempt by the ultra right to sidetrack him in the primary election last June, an assault he stood off handily.
>
> In the administration's losing battle for the medical care bill, among others, Senator Kuchel was on the side of the President. It was a stand unlikely to damage him among California's nearly 1½ million voters in the age range of 65 and up. He has prudently kept his candidacy separate from that of Mr. Nixon who, in quest of votes (he trails in the polls) has arrived at a semiaccommodation with the frantic far right wing of the GOP. Senator Kuchel is an uncompromising critic of that element, and has repeatedly condemned its asinine clamor for the impeachment of Chief Justice Warren. He entered the Senate originally by appointment of then Governor Warren to replace the newly elected Vice President Nixon in 1952.
>
> As a political realist Senator Kuchel (the name rhymes with "people") accepts that he can expect no direct help from the Democratic President in a partisan campaign without regard to their private relationship. His attitude remains much the same as on an earlier occasion when he declined to change his campaign style under prodding from party leaders to punch harder: "If the people want me they will vote for me." They did.
>
> At their last joust Senator Kuchel ran up a majority of 450,000 over Senator Richards while General Eisenhower was winning California by 600,000, an indication of the formidable Richards strength. Senator Richards notes with satisfaction that there will be no equivalent magnet for votes leading the GOP this year and is campaigning strenuously to close the 1956 gap.

THE BUILDUP OF ATOMIC ARMS—POTENTIAL FOR DESTRUCTION

Mr. McGEE. Mr. President, the course of humanity has taken some rather bumpy detours in the search for peace and prosperity. Today we possess the power to destroy ourselves. Those that have witnessed the use of this power are perhaps in a unique position to counsel mankind on the dangers in the buildup of atomic arms. While this action is at present an unwelcome necessity it is equally necessary that we keep in mind the potential for destruction that is at our fingertips.

An excellent article on this subject appeared in the Casper Tribune-Herald on August 17. It was written by the Reverend Frank Edmund See, pastor of the First Christian Church of Casper after his recent visit to Nagasaki, Japan. I ask unanimous consent that the article be printed in the Record.

There being no objection, the article was ordered to be printed in the Record, as follows:

Casper Cleric Finds Memory of "Bomb" Lingers in Japan

(By Frank Edmund See)

> (Editor's Note.—Now touring Japan, the Reverend Frank Edmund See, pastor of the First Christian Church in Casper, describes present day Nagasaki, where he found emotional scars lingering from the day in 1945 when America dropped its second atomic bomb on the city. His dispatch was dated August 9.)
>
> "Today, the anniversary of the fateful morning in 1945 when the world's second atomic bomb fell on this shipbuilding city of 300,000 people, I stood on the very spot where the bomb fell," writes the Reverend Frank Edmund See, pastor of the First Christian Church, who is now concluding a preaching mission in Japan.
>
> "Nagasaki is a busy city. Here the capricious tides of the Pacific Ocean rise and recede with clocklike regularity. The pungent smell of the sea is inescapable. Nestled among the high green hills Nagasaki is known as the Naples of the Orient. It is the oldest trade port in Japan dating from 1570. Through the Nagasaki gateway Christianity gained a foothold in these islands in 1506 when a Spanish missionary, Francis Xavier,

landed here to begin his preaching of the Christian gospel. In 1962 it is one of the strongholds of the Christian religion in a land that is dominated by Buddhism, Shintoism and countless postwar sects.

"Today I saw very little evidence of the destructive force which tore this attractive city to shreds and seared and destroyed the lives of 70,000 people. In the memorial park where the bomb exploded, tourists silently gazed at the tall green marble marker that has been erected on the place where the weapon landed among the hills. Nearby a huge statue has been erected in the interests of world peace. On a hill towering over this now peaceful scene the International Cultural Building houses ominous exhibits of that day when, as one Japanese said, 'all hell broke loose.' On this memorial day people hurried to their places of employment shoe-horned into crowded buses, mothers with their babies strapped to their backs nonchalantly shopped in the marketplaces, the corner sandlots rang with the enthusiastic shouts of Little League baseball games and children ran and romped and laughed in this city's parks and playgrounds. I found absolutely no animosity in Nagasaki. The citizens and shopkeepers were friendly and gracious. The vice governor of the Nagasaki prefecture kindly received me in his spacious, well-appointed office and spent most of the time telling me of the problems of democracy in Japan. He made no mention of the bomb.

"However, while the external evidence reveals little sign of the physical destruction Nagasaki experienced or any deep-seated resentment on the part of the citizenry, there are hints here that the emotional scars have not been completely wiped out by the erasures of time. The citizens of Nagasaki apprehensively watch the big nations playing with thermonuclear fireworks. They see this nuclear buildup as an ominous threat to the security of mankind. As one man said to me, 'If the scientists and militarists in the Soviet Union and America really knew what it was like to be in hell when a nuclear weapon explodes over a city, they would stop this folly before the point of no return is reached.'

"The recent decision of the Soviet Union to resume nuclear testing even as the 17-nation disarmament conference reconvened in Geneva, is being loudly condemned in Nagasaki. The feeling here is that the Soviet Union committed a crime against humanity when she unilaterally broke the nuclear moratorium. But the Japanese cannot seem to understand that the United States has resumed testing in the Pacific only as a defensive measure. A Japanese Christian clergyman asked a colleague of mine today: 'What will be the end to all this nuclear testing?' And I overheard him reply 'I am very sure that America will never drop the first H-bomb or trigger the first intercontinental ballistic missile, but if Russia ever his voice trailed off as though he was too starts a nuclear war I'm afraid * * *,' and appalled at the thought of the prospect to further discuss it.

"Since this city is one of the two cities of the world to experience a nuclear holocaust, there is good reason for the way people in this community feel about it. It is impossible for me to describe to you the pictures I have seen on the destruction the A-bomb created. I had a chat with a teacher of English at Kwassui Junior Christian College for Women, Miss K. Chujo. This attractive Japanese professor was in a bomb shelter when the bomb exploded just a few short blocks away. She said it was so bad that she does not wish to think about it anymore. An official of the Atomic Bomb Casualty Commission here told me that victims of the 1945 bombing are still being carefully observed and checked for telltale signs of radiation which cloaked this city like a cloud of death 17 years ago. It is small wonder that the citizens of Nagasaki are so unalterably opposed to using nuclear energy as a military weapon. They believe that a sword of Damocles is poised over the heads of the world's population.

"After spending several hours walking through the city and talking to its citizens, I climbed a hill to the home of Madame Butterfly, the famous character in Puccini's opera. From there I had a panoramic view of the city's scenic harbor. It was so peaceful there. Yet far below me in Nagasaki many people anxiously watch the nuclear drama on the world's stage. They wait in hope. They look to the day when humanity will turn back from its tragedy-fraught course before the night forever descends. Perhaps the world ought to pause and listen to people who know from actual experience what the ultimate tragedy would mean to mankind."

THE GALLUP POLL ON THE MEDICARE BILL

Mr. McGEE. Mr. President, most of the Members of this body had the experience of being buried by a deluge of mail during the recent debate on the administration's medicare proposal.

This mail was distressing to me for two reasons: First, a great deal of it was obviously engendered by organizations opposing the measure; and, second, it demonstrated that a great many people did not understand how the plan would work. Many people opposed this bill because they believed it would affect their choice of doctors or because they thought it would provide a direct payment to doctors or would limit the free choice of hospitals. Of course, the bill would do none of these things.

And, Mr. President, it is apparent that now, even after the extensive debate on this issue which culminated in the vote which ended consideration of this legislation for this year at least, there are many people who do not understand what this bill would do.

The confusion over this issue is amply demonstrated in the recent Gallup poll published Wednesday in the Washington Post. I ask unanimous consent to have this poll printed in the RECORD.

There being no objection, the poll was ordered to be printed in the RECORD, as follows:

PUBLIC FOUND IN CONFUSION ON MEDICARE

(By George Gallup, director, American Institute of Public Opinion)

PRINCETON, N.J., August 21.—Although medicare will be one of the hotly debated issues in the coming political campaign, the public today is confused about many of the details of the administration's plan for hospital benefits to the aged.

A great many Americans have heard or read about medicare, but a surprisingly large number do not know such details as who will be covered by it and how the plan will be financed.

In a nationwide poll, conducted after medicare's defeat in the Senate caused President Kennedy to promise that he will take the issue to the people in the approaching campaign, Gallup poll reporters first sought to find out how much the public knows about some of medicare's basic details.

All of those who said they had heard or read about the Kennedy plan (81 percent), were asked:

"Do you happen to know how the medicare plan would be paid for?"

The results indicate that only half of those who have heard something about medicare are aware that it would be financed through social security:

How medicare paid for?

	Percent
Through social security	50
Other ways	20
Don't know	30

People who had heard about the plan were next asked:

"Who would be covered by the plan?"

Only a small minority volunteered that those covered would be persons 65 and over who have social security. Just over half said they thought it would include all older persons or everyone over 65 without referring to the social security limitation:

Who would medicare cover?

	Percent
Persons over 65 on social security	11
All older persons	53
Others	19
Don't know	17

At the heart of the complicated medicare controversy is the fundamental issue whether such aid should be financed through public funds or through private insurance such as Blue Cross or a plan like that recently proposed in New York State by a group of insurance companies.

To see how the public stands on this basic question—in the wake of medicare's defeat—all those in the survey were asked:

"Which of these two different proposals do you prefer for meeting hospital costs for older persons:

"One proposal—the medicare plan—would cover persons on social security and would be paid by increasing the social security tax deducted from everyone's paycheck.

"The other proposal would leave it up to each individual to decide whether to join Blue Cross or buy some other form of voluntary hospital insurance.

"Which of these two proposals would you prefer?"

The vote today:

	Percent
Social security	44
Private insurance	40
No opinion	16

Before the administration bill's defeat in the Senate, when a similar question was asked, indications were that the social security approach was losing some of its earlier appeal.

In April, 55 percent of the public voted for social security financing; 34 percent for private insurance handling.

On the eve of the Senate action, support for public financing had dropped to 48 percent while 41 percent preferred private insurance.

PRIZE-WINNING ARTICLE BY DR. ARTHUR D. WILLIAMS

Mr. SCOTT. Mr. President, one of the outstanding clergymen in Pennsylvania is Dr. Arthur D. Williams, Th. D., Protestant chaplain at the Eastern State Penitentiary. He attended Knoxville College, and won the highest honors in the college and the seminary at Lincoln University. He received his master's degree from Temple University, attended Yale and Harvard Graduate Divinity Schools and was awarded his Th. D. by the American Bible School of Chicago. He has had a long and distinguished career of teaching and has held churches in many parts of the country. His specialty is penology and is called upon often to lecture on the subject.

Recently he entered a hospital for surgery and while recuperating he entered a writers' contest that was sponsored by the American Legion. His article was awarded first prize. It expresses with a conviction that comes only from firsthand experience, what it means to bring the word of God into a prison.

I ask unanimous consent to insert Dr. Williams' article in the Record.

There being no objection, the article was ordered to be printed in the Record, as follows:

First Prize

My 6 years as an Army chaplain seems to pay off. This week I have met at least a dozen men I knew during the "good old days." When these learned that I am serving as a "wailing" at the Eastern State Penitentiary—maybe I should add the prefix "ancient," since it was 136 years old this October—they invariably ask "What is it like to be a chaplain in the 'pen'?"

With no attempt to be partisan, here is my simple answer. I know of no place where the moral level is lower. It is a place of depression. Indeed it is depressing to see thousands of men taken out of life's mainstream and cloistered in a house of madness and "exaggeration." Here we have all sorts of men. Here we have men who have committed all sorts of crime—murder, forcible rape, robbery, aggravated assault, burglary, larceny, and auto theft.

One thing is sure: crime is a hostile act. All crime is a selfish act. In explicit language all crime is doing to someone something we would not want someone to do to us. All crime hurts our fellow men, our family, and ourselves.

Crime makes the prisoner a social misfit. He has failed to make an honest and honorable living. He has also made a failure of his life in a dishonest or dishonorable way, or he would not be in prison.

Recidivism is very high. This is because the man in prison is hostile. He has a grudge against society. He knows that society creates the crime and that he commits the crime. He sees others making the quick buck. He makes crime a challenge. Why work for $30 a week, when he can steal $300 or $3,000 in 3 minutes? What is the need to marry and have children, when he can live out of legal wedlock and let society provide for his siblings? The odds are heavy in favor of his being a "repeater," if he leaves the prison, for breaking the laws of the State or county. He is there for breaking laws which were written long before the State was ever named. He is not in prison because he is poor, unemployed, or lacked education. Every prison has in its population many men who were materially "well off," many men who held good jobs, as judges, policemen, bankers, ministers, lawyers, engineers, and there are many men advanced in the arts and sciences. Some are physicians, professors, philosophers, soldiers, and sailors.

Men are in prison for lack of morals, not manners, money or minds. Crime costs the prisoner separation from family, friends, and society. He gives up his liberty. His freedom is that of a 6 year old. He loses time, wastes life, is burdened with guilt, is homesick, gives up name for a number, wears clothes of shame, is forced to associate with men of crime 7 days a week and 24 hours each day. Each man lives 730 hours each month, 8,760 hours each year with men of crime. This is more time than a man spends with his wife or a baby with its mother.

Many prisoners adopt religion to bear up their inadequacies. When life comes apart at the seams men resort to a shallow brand of "religion." It is true that if men had a God they would avoid the prison. The great religions of Buddha, Confucius, Zoroaster, Brahma, Shinto, Mohammed, Jewish, Catholic, and Protestants, all teach not to steal, lie, murder, rape, or do anything to anyone that you would not want them to do to you. We gambled with the Devil and caught hell. It is now time to gamble with God.

I know of no prisoner, Gandhi, John the Baptist, Socrates, George Fox, John Bunyan, Roger Williams, St. Paul, Martin Luther King, Joseph, or Jesus, who ever regretted taking God. Many prisoners do accept God and their record for stability is above the average. Finally, according to St. Paul (Hebrews 13: 3) we all are prisoners. We have all broken God's law, hence prisoners of sin. We must take interest in prisoners. Jesus said that He was in prison and we visited Him.

This means that any man who feels that he is serving the prisoner is moved by a low motive, but when we serve the men in prison as though we were serving Jesus, then our motivation is high and the quality of service is lofty and rewarding. This makes each prisoner my brother and sister. I am not only a chaplain of a prison, but also a chaplain in a prison. Prisoners are human and can only be helped by love of their fellow men.

LEE DOCK ON

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 1410.

The PRESIDING OFFICER. The bill will be stated by title for the information of the Senate.

The Legislative Clerk. A bill (H.R. 1458) for the relief of Lee Dock On.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Montana?

There being no objection, the Senate proceeded to consider the bill (H.R. 1458) for the relief of Lee Dock On which had been reported from the Committee on the Judiciary, with an amendment on page 2, after line 2, to insert a new section, as follows:

Sec. 3. For the purposes of the Immigration and Nationality Act, Mrs. Chow Chui Ha shall be considered to be within the purview of section 4 of the Act of September 22, 1959, and the provisions of section 24(a) (7) of the Act of September 26, 1961 (75 Stat. 657), shall be inapplicable in this case.

Mr. MANSFIELD. Mr. President, on behalf of the Committee on the Judiciary, I ask that the committee amendment be rejected. The matter has been handled in another bill.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment.

The committee amendment was rejected.

The PRESIDING OFFICER. The bill is open to amendment. If there be no amendment to be proposed, the question is on the third reading of the bill.

The bill (H.R. 1458) was ordered to a third reading, was read the third time, and passed.

The PRESIDING OFFICER. Without objection, the amendment to the title is rejected.

EXECUTIVE SESSION

Mr. MANSFIELD. Mr. President, I move that the Senate proceed to executive session for the purpose of considering nominations placed on the Secretary's desk.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

EXECUTIVE MESSAGES REFERRED

The PRESIDING OFFICER laid before the Senate messages from the President of the United States submitting several nominations, which were referred to the Committee on Labor and Public Welfare.

(For nominations this day received, see the end of Senate proceedings.)

EXECUTIVE REPORTS OF COMMITTEES

The following favorable reports of nominations were submitted:

By Mr. PASTORE, from the Joint Committee on Atomic Energy:

James T. Ramey, of Illinois, to be a member of the Atomic Energy Commission; and

John Gorham Palfrey, of New York, to be a member of the Atomic Energy Commission.

EXECUTIVE REPORTS OF COMMITTEE ON ARMED SERVICES

Mrs. SMITH of Maine. Mr. President, from the Committee on Armed Services, I report favorably the nominations of eight officers for temporary promotion to grade of rear admiral in the Navy and the nominations of two generals and one lieutenant general, four major generals and two brigadier generals in the Air Force. I ask that these nominations be placed on the Executive Calendar.

The PRESIDING OFFICER. The nominations will be placed on the Executive Calendar, as requested by the Senator from Maine.

The nominations are as follows:

Martin T. Macklin, and sundry other officers of the Navy, for temporary promotion to the grade of rear admiral;

Gen. Lauris Norstad (major general, Regular Air Force), U.S. Air Force, to be placed on the retired list in the grade of general;

Lt. Gen. John P. McConnell (major general, Regular Air Force), U.S. Air Force, to be assigned to positions of importance and responsibility designated by the President, in the rank of general;

Maj. Gen. Joseph J. Nazzaro (major general, Regular Air Force), U.S. Air Force, to be assigned to positions of importance and responsibility designated by the President, in the rank of lieutenant general; and

Brig. Gen. Jack N. Donohew, Regular Air Force, and sundry other officers, for temporary appointment in the U.S. Air Force.

Mrs. SMITH of Maine. Mr. President, in addition to the above, I report favorably the nominations of 1,594 officers in the Army, Marine Corps, and Air Force, in the grade of colonel and below. All of these names have already appeared in the Congressional Record, so in order to save the expense of printing on the Executive Calendar, I ask unanimous consent that they be ordered to lie on the Secretary's desk, for the information of any Senator.

The **PRESIDING OFFICER.** The nominations will lie on the desk, as requested by the Senator from Maine.

The nominations are as follows:

Howard F. Stevenson, and sundry other officers of the Marine Corps, for temporary appointment to the grade of colonel;

Willard F. Angen, and sundry other officers, for promotion in the Regular Army of the United States;

Jacquard H. Rothschild, for reappointment as a temporary brigadier general in the Army of the United States and for reappointment as colonel in the Regular Army of the United States;

Edward J. Osborne, and sundry other persons, for appointment in the Regular Army;

Franklin H. Andrew, Jr., and sundry other distinguished military students, for appointment in the Regular Army of the United States; and

Lawrence A. Adams, Jr., and sundry other officers for promotion in the Regular Air Force.

The **PRESIDING OFFICER.** If there be no further reports of committees, the clerk will state the nominations placed on the Secretary's desk.

COAST AND GEODETIC SURVEY

The Chief Clerk proceeded to read sundry nominations in the Coast and Geodetic Survey.

The **PRESIDING OFFICER.** Without objection, the nominations will be considered en bloc; and, without objection, they are confirmed en bloc.

U.S. COAST GUARD

The Chief Clerk proceeded to read sundry nominations in the U.S. Coast Guard.

The **PRESIDING OFFICER.** Without objection, the nominations will be considered en bloc; and, without objection, they are confirmed en bloc.

Without objection, the President will be immediately notified of the confirmation of all nominations confirmed today.

LEGISLATIVE SESSION

Mr. MANSFIELD. Mr. President, I move that the Senate resume the consideration of legislative business.

The motion was agreed to; and the Senate resumed the consideration of legislative business.

Mr. MANSFIELD. Mr. President, is there further morning business?

The **PRESIDING OFFICER.** Is there further business in the morning hour? If there is no further business, morning business is concluded.

DRUG INDUSTRY ACT OF 1962

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the unfinished business be laid before the Senate.

The **PRESIDING OFFICER.** The bill will be stated by title for the information of the Senate.

The CHIEF CLERK. A bill (S. 1552) to amend and supplement the antitrust laws with respect to the manufacture and distribution of drugs, and for other purposes.

The **PRESIDING OFFICER.** Is there objection to the request by the Senator from Montana?

There being no objection, the Senate resumed the consideration of the bill.

PRIVILEGE OF THE FLOOR

Mr. EASTLAND. Mr. President, I ask unanimous consent that during the consideration of the drug bill, Mr. Jerome N. Sonosky, special assistant to the Assistant Secretary for Legislation of the Department of Health, Education, and Welfare, be allowed the privilege of the Senate floor.

The **PRESIDING OFFICER.** Without objection, it is so ordered.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that Mr. Clarence M. Dinkins, chief counsel of the Patents Subcommittee, be authorized to be present on the floor of the Senate during the discussion of the bill today.

The **PRESIDING OFFICER.** Without objection, it is so ordered.

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum.

The **PRESIDING OFFICER.** The clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The **PRESIDING OFFICER** (Mr. BURDICK in the chair). Without objection, it is so ordered.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the time used for the call of the roll not be charged to the time on either side under the unanimous-consent agreement.

The **PRESIDING OFFICER.** Is there objection to the request by the Senator from Montana? The Chair hears none, and it is so ordered.

Mr. EASTLAND. Mr. President, on behalf of the Committee on the Judiciary, I ask unanimous consent to withdraw the substitute amendment contained in the bill as reported to the Senate on July 19 last, and that the additional substitute amendment reported on the 21st of August be considered in lieu thereof. Under the Senate precedents, this latter substitute amendment would be deemed to be the original text for the purpose of amendment.

The **PRESIDING OFFICER.** Is there objection to the request by the Senator from Mississippi? The Chair hears none, and it is so ordered.

Mr. MANSFIELD. Mr. President, will the Senator yield?

Mr. EASTLAND. I yield.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the time under the control of the majority leader be allotted to the chairman of the committee which reported the bill.

The **PRESIDING OFFICER.** Is there objection to the request by the Senator from Montana? The Chair hears none, and it is so ordered.

Mr. EASTLAND. Mr. President, S. 1552 as reported by the Committee on the Judiciary to the Senate on July 19, 1962, together with the additional amendments voted by the committee on August 20, 1962, is the result of long and intensive study. Under the chairmanship of the senior Senator from Tennessee [Mr. KEFAUVER], beginning in 1959, the Antitrust and Monopoly Subcommittee studied the drug industry for many months, with particular emphasis on prices, profits, and patent matters. The Senator from Tennessee [Mr. KEFAUVER] then introduced S. 1552, in April 1961, and the subcommittee held additional hearings from July 1961 to February 1962 on this bill. On March 8, 1962, the subcommittee reported out a revised bill. The full committee then referred the bill to the Patent Subcommittee for study of the patent provisions. In reporting the bill back to the full committee, the Patent Subcommittee withheld for further consideration two of the patent provisions and suggested amendments of the third provision.

The Judiciary Committee then spent many weeks in executive sessions going over the bill line by line, sentence by sentence, and section by section. In addition to the suggestions from the two subcommittees, the committee was guided by the recommendations of the President in his consumer message of March 14, 1962, and in his letter dated April 10, 1962, to the chairman of the Judiciary Committee.

After this intensive study, the committee approved a bill which in its opinion struck a reasonable and workable balance among the conflicting views of the Department of Health, Education, and Welfare, the majority and minority of the Antitrust Subcommittee, the pharmaceutical industry, and the medical profession. The committee felt that it covered the recommendations of the President in his letter of April 10 in every respect except one, the recommendation for legislation to establish special controls for habit-forming barbiturates and amphetamines, a matter on which the committee took no action because a bill on this subject is now pending before the Committee on Labor and Public Welfare.

The bill was reported to the Senate on July 19, 1962. Thereafter, as a result of the tragic thalidomide episode, the committee undertook a further review of the Food, Drug, and Cosmetic Act and the text of the pending bill on the calendar to determine whether additional amendments were necessary and appropriate. On August 4 the President submitted seven amendments to the bill. Beginning on August 6 the committee held a number of meetings at which these amendments were carefully reviewed. As a result the committee voted unanimously, on August 20, to recommend a number of amendments to the bill previously reported.

In general, the principal features of the bill as it would be amended by the committee amendments would accomplish the following:

First. Provide for cooperation between the Patent Office and the Department of Health, Education, and Welfare on questions relating to drug patents.

Second. Insure greater Government supervision of drug manufacturers by

(a) requiring every plant to be registered; (b) strengthening the inspection authority and requiring inspection of each plant at least once in every 2 years; and (c) authorizing the seizure of a drug if, regardless of its quality, it is made under inadequate methods, facilities or controls.

Third. Require that a new drug be shown to be effective, as well as safe, before it is cleared for the market, and authorize withdrawal of such a drug from the market if new evidence shows it to be ineffective.

Fourth. Strenghen the authority to withdraw a new drug from the market on safety grounds, and include a provision, in the event of an imminent hazard to the public health, for immediate suspension from the market pending a hearing.

Fifth. Add to the Secretary's existing authority to issue regulations to control the testing of new drugs before they are placed on the general market, by giving him specific authority to require records and reports as to data obtained as the result of investigational use of, and clinical experience with, both new drugs and antibiotics.

The committee drafted a drug bill responsive to the recommendations of the administration and to the needs of the American people. It will provide a framework under which industry and Government, working together, can continue to make available improved medicines and new medicines that are safe and useful. It will preserve the system of incentives which has made U.S. industry the most inventive and the most productive and will guarantee continued American prominence in this field.

SUMMARY OF THE PROVISIONS OF S. 1552 AS AMENDED BY THE COMMITTEE AMENDMENTS OF AUGUST 20, 1962

On the desk of each Senator appears Senate Report No. 1744 of July 19, the further amendments adopted by the Judiciary Committee on August 20, and a supplementary report explaining the committee amendments of August 20. I believe it would be helpful if I summarized the provisions of the bill, together with the committee amendments of August 20, 1962.

INFORMATION OF PATENTS FOR DRUGS

Section 2, which is not affected by the August 20 amendments, would amend the Federal Food, Drug, and Cosmetic Act to establish the basis for assistance from the Department of Health, Education, and Welfare to the Patent Office on questions relating to drug patents submitted by the Commissioner of Patents. It is designed to achieve the kind of collaboration that is in effect between the Patent Office and the Agriculture Department in connection with patents on plants. Any information on drugs furnished by the Secretary of Health, Education, and Welfare would be advisory. The final decision as to patentability would be left to the Commissioner of Patents, as has been the practice in the past. With such help from the Department of Health, Education, and Welfare, the Commissioner of Patents will be better equipped to make the decision as to whether a new drug represents the kind of genuine technical advance and new-product competition that should continue to be stimulated by patent rights.

This section of the bill is in lieu of three proposals in the bill as reported by the Antitrust Subcommittee to the full committee. One of such provisions would have imposed compulsory licensing on every drug patent; the committee did not feel that this proposal, which would drastically affect patent rights, should be included in legislation at this time, particularly in view of the testimony that it would seriously reduce the incentives to incur the risks of conducting research and developing new products for the market. Another would have created a new test of patentability for certain drug products; the committee felt that this provision raised so many technical questions that it should not be included in the bill as reported out. The third patent provision would have required all agreements relating to drug patents to be filed in the Patent Office; the committee felt that such proposals should be considered in the light of proposals with respect to patent agreements in general, not limited to drugs, and should therefore not be a part of S. 1552. Indeed, a bill on the subject of filing patent settlement agreements has been passed by the House and has been referred to the Senate Judiciary Committee.

REGISTRATION OF PRODUCERS OF DRUGS

Section 3, which was affected in only minor and technical respects by the August 20 amendments, calls upon every person who owns or operates any establishment for the manufacture, preparation, propagation, compounding, or processing of a drug or drugs to register each year with the Secretary of Health, Education, and Welfare. The Secretary is directed to inspect each such establishment at least once every 2 years. The purpose of this section is to enable the Secretary of Health, Education, and Welfare to be able to identify every manufacturer of prescription and nonprescription drugs and facilitate the inspection of each establishment. It is not a licensing system. The committee decided that it was not necessary, and would be inadvisable, to establish a system of licensing drug plants and operators. The committee felt that this registration provision, coupled with the added inspection authority in section 4 of the bill and the quality manufacturing controls in section 5 of the bill, were preferable to the provisions recommended by the subcommittee which would have set up a complete per-drug-per-plant licensing system.

FACTORY INSPECTION

Section 4, as it would read under the August 20 amendments, broadens the authority of the Food and Drug Administration to inspect establishments in which prescription drugs are made or held. The basic new authority is stated in such sweeping terms that it is necessary to set forth certain limitations necessary to exclude access to data that should be allowed to be held in confidence. Thus, it is provided that financial data, sales data other than shipment records, and pricing data shall be protected from inspection. There would also be a protection for personnel data other than data as to qualifications of technical and professional personnel performing functions subject to the act. Also protected from inspection would be a company's research data, other than records and reports of the type required by the regulations issued under the new drug and antibiotic sections of the act. The object of these limitations is to give the Government adequate power to insure high standards of manufacture and distribution without delving into the unrelated private affairs of a company, or exposing matters at the heart of its capacity to survive and grow in a highly competitive industry. In addition, it would be specified that this additional inspection authority does not extend to pharmacies, medical practitioners, and persons engaged in research, teaching, or chemical analysis.

A further amendment would permit the Food and Drug Administration to obtain injunctions against refusals to permit inspection.

QUALITY MANUFACTURING CONTROLS

Section 5, as it would read under the August 20 amendments, is designed to assure that drugs are manufactured according to good manufacturing practice. It would deem a drug to be adulterated and thus subject to seizure if made under facilities, methods, or controls that are inadequate to assure that the drug meets the specifications of a quality product. Adulteration could also be found if such facilities, methods, or controls were not operated or administered in conformity with good manufacturing practice.

Since the competitive position of responsible manufacturers depends in large part on the confidence of the medical profession and the public, it will be in their own interest to maintain high standards of current good manufacturing practice which will provide a readily determinable basis for enforcement proceedings against any substandard operator. The Secretary could use his general rulemaking authority under section 701(a) of the act to announce what he, in the administration of the act, considers to be good manufacturing practice insofar as methods, facilities, controls, and their operation and administration are concerned. As in the case of other regulations, the courts in the final analysis will pass upon the scope and effect of such regulations.

NEW DRUG CLEARANCE PROCEDURES

Section 6, in the context of the August 20 amendments, changes the procedure on original clearance of new drug applications. Under the present law, such applications become effective, and the drug thus cleared for the market, unless the Food and Drug Administration acts to block the drug within a period of 60 days—extendable to 180 days—after the filing of the application. The bill would change this procedure so that no new drug application would be cleared until the Food and Drug Administration had issued an affirmative approval. Within the 180-day period after the filing of an application, it would have to be either approved or notice given for opportunity for a hearing. If the applicant within 30 days after such notice requests a hearing, the hearing must be commenced within 120 days after the notice and be conducted on an expedited basis.

These provisions give the Food and Drug Administration greater flexibility in the light of the volume of new drug applications, the more complex nature of new drugs, and the shortage of personnel for study and investigation. The 180-day maximum and the provision for expedited hearings will help to assure that no useful drug will be held off the market for an inordinate period because of bureaucratic inertia or inability to act. It is hoped that the Food and Drug Administration will, as it now does, advise the applicant as soon as practicable after the filing, of any deficiencies it observes in the completeness of the material presented. It is also hoped that in the administration of this new provision, there will continue to be close cooperation and liaison between the Food and Drug Administration and the new drug applicants so that the flow to the market of safe and effective new drugs will not be excessively retarded.

Section 6 would also designate the U.S. court of appeals, instead of the district courts, as the forum for appeal from the Secretary's orders under the new drug procedures.

RECORDS AND REPORTS AS TO EXPERIENCE ON NEW DRUGS AND ANTIBIOTICS

Section 7, which was not affected by the August 20 amendments, authorizes the Secretary to issue regulations requiring manufacturers to maintain records and to make reports as to investigational and clinical experience with new drugs and antibiotics, as requested by the administration. It should be pointed out in this connection that, under the act as it now reads, new drugs and antibiotics cannot be marketed or moved in interstate commerce unless they have passed the applicable tests and been cleared. The statute directs the Secretary to establish regulations exempting such products from these prohibitions to the extent necessary for investigational use. In issuing such regulations, the Food and Drug Administration could, under existing law, impose conditions relating to records and reports. In fact, the Food and Drug Administration has recently issued new regulations bearing on this subject. However, in view of the President's recommendations of April 10, the committee felt it desirable to add language specifically referring to records and reports.

EFFECTIVENESS AND SAFETY OF NEW DRUGS

Section 8 of the bill, as it would read under the August 20 amendment, makes major changes—in addition to the procedural changes in section 6—in the new drug provisions of the act.

DEFINITION OF "NEW DRUG"

The term "new drug" is presently defined as one not generally recognized to be safe for the claimed uses or one, which while so recognized, has not been used for a material time or to a material extent for such uses. The bill would expand this definition so that the term "new drug" would also include not generally recognized to be effective for the claimed uses or one, which while so recognized, has not been used for a material time or to a material extent for such uses. Thus, every brandnew product, and every new claim for an existing product, would be subject to the tests and procedures established in section 505 of the act.

NEW GROUNDS FOR REJECTION OF NEW DRUG APPLICATION

Section 505(d) of the act sets forth certain grounds for refusing to approve new drug applications. Since 1938 the grounds have been expressed in terms of failure to pass safety tests, without reference to the effectiveness of the drug for the uses claimed. Under the bill, there would be added the test of effectiveness. The committee recognized that legitimate differences of opinion may exist among responsible clinicians with respect to the effectiveness of a particular new drug. Experience has shown that a majority of so-called experts has often been wrong in initially condemning a new drug, just as new inventions in other fields are usually regarded with skepticism and often with hostility. The new ground for rejection of a new drug application is therefore expressed in terms of "a lack of substantial evidence," evaluated on the basis of all the information before him, that the drug will have the effect claimed for it. The term "substantial evidence" is defined in terms of the kind and quality of the investigations that must support the claims.

The bill would also provide for rejection of a new drug application upon a finding that the proposed labeling is false or misleading.

NEW GROUNDS FOR WITHDRAWAL OF APPROVAL

Section 505(e) of the act sets forth the grounds for withdrawal of approval of a new drug application. Since 1938 the grounds have been expressed in terms of lack of safety of the drug, without reference to the effectiveness of the drug for the uses claimed. The bill would accomplish the following:

First. Clarify and expand the authority to withdraw approval on safety grounds so that the manufacturer would continue to have the burden of showing that the drug is safe, as he has on the original submission.

Second. Provide for withdrawal of approval if on the basis of new evidence, evaluated with the evidence at the time of approval, the Secretary finds that there is a lack of substantial evidence that the drug will have the effects claimed. This is a corollary of, and subject to the definition of "substantial evidence" in, the provisions for rejection of a new drug application on the original submission.

Third. Permit withdrawal of approval upon a finding that the manufacturer has failed to establish a system for maintaining required records, or repeatedly or deliberately failed to maintain such records or make required reports, or refused access to such records.

Fourth. Permit withdrawal of approval upon a finding that the methods, facilities, and controls are not adequate and were not made adequate within a reasonable time after notice of inadequacy.

Fifth. Permit withdrawal of approval upon a finding that the labeling is false or misleading and was not corrected within a reasonable time after notice.

Withdrawal of approval of any new drug application on the basis of the foregoing grounds would be preceded by a hearing and an order with findings on the basis of the record. In addition, however, the bill includes a provision for immediate suspension of approval upon a finding of an imminent hazard to the public health; in this case, the applicant would have to be given prompt notice and an opportunity for an expedited hearing. The committee believes that this authority, which could have grave effects upon a manufacturer and upon the confidence of the public in a drug which might later be found appropriate for continued availability to physicians, should only be exercised under the most extreme conditions and with the utmost care. For that reason, it is provided that it may be exercised only by the Secretary or the Acting Secretary. I feel that it would be desirable, wherever possible, for the Secretary, before taking action, not only to confer with the manufacturer, but also to consult a committee of experts appointed by the National Research Council. It should not be forgotten also that there may be other remedies available to the Secretary to cope with the situation instead of using the potentially lethal weapon of immediate suspension.

TRANSITIONAL PROVISIONS

As a result of the change in the definition of "new drug" and the addition of the new effectiveness test, it is necessary to include transitional provisions. Under these provisions, the new effectiveness test, in the case of drugs previously cleared under a new drug application, will apply only to new or amended claims unless the application is withdrawn or suspended. Withdrawal on the ground of a lack of substantial evidence of effectiveness will not apply, for a period of 2 years, to existing claims, unless the approval of any of the claims is withdrawn on other grounds. Established drugs which have never been required to go through new drug procedures will not be affected by the new effectiveness test insofar as their existing claims are concerned.

NAMES ON LABELS AND LABELING

Section 9 of the bill, as it would read under the August 20 amendment, would require the label of a drug to bear the established name of the drug, the established name of each active ingredient, and, in the case of prescription drugs, the quantity of each active ingredient. On the label, and on any labeling on which the drug or any ingredient thereof is named, if a trade name is used for the drug or the ingredient, the established name of the drug or the ingredient, as the case may be, must be shown in type at least half the size of the type used for the trade name. The term "established name" is defined as the name designated by the Secretary—under the authority granted in section 10 of the bill—or if there is none so designated, the name recognized in an official compendium, or if there is no such official name, the common or usual name.

These provisions preserve trademark rights, which give incentives to strive for excellence surpassing minimum standards. At the same time, they will make sure that established names are used so that physicians and pharmacists can more readily identify the characteristics of the product and more readily consider the use of competitive products where appropriate. The committee rejected proposals that would have required such subordination of trade names that the important functions of trademarks would have been weakened. There must be no loss of incentive for the manufacturer to build a reputation based on integrity and quality of product. In the pharmaceutical industry, above all, the individual manufacturer's pursuit of excellence is to be encouraged, not discouraged. Trade marks and trade names represent an important factor in assuring that this pursuit never flags.

DESIGNATION OF NAMES OF DRUGS

Section 10, which was not affected by the August 20 amendments, has to do with the designation of names of drugs. The Secretary of Health, Education, and Welfare is authorized to designate the name for any drug if he determines that such action is necessary or desirable in the interest of usefulness and simplicity. He is also directed to review existing names recognized in the official compendia to determine whether any revision is necessary or desirable in the interest of usefulness and simplicity. This provision is substantially as reported by the Antitrust Subcommittee.

INFORMATION TO PHYSICIANS

Section 11 would require manufacturers of prescription drugs to transmit to practitioners who request information about a drug, true and correct copies of all printed matter which is required to be included in any package in which that drug is distributed. This is to insure that every physician has ready access to full information about a drug. It would also require the Secretary to distribute such material to doctors, hospitals, medical schools, and libraries.

In addition, section 11 would add a new provision to the act applicable to the content of prescription drug advertising and other descriptive printed matter. This provision would require that such matter include the established name printed prominently and in type at least half as large as that used for any trade name. It would also require inclusion of the formula showing the quantity of each ingredient. Finally, it would require information relating to side effects, contraindications, and effectiveness; in this respect, the Secretary would be under a mandate to issue regulations setting forth the information to be included. Since heretofore the Federal Trade Commission has had jurisdiction of advertisements it would be provided that upon the issuance of regulations with respect to prescription drug advertising under the Food, Drug, and Cosmetic Act, such advertisements would, with respect to the matters covered by the new provision, be removed from the coverage of the Federal Trade Commission Act.

CERTIFICATION OF ANTIBIOTICS

Section 12 of the bill, as it would read under the August 20 amendments, extends batch certification controls, now applicable to five named antibiotics, to all other antibiotics. In the same connection, the provision of the act relating to exemptions of covered antibiotics from the batch certification controls would be strengthened by setting forth considerations which the Secretary must take into account in determining whether to grant an exemption. In order to keep exempted and covered manufacturers on an equal competitive basis, it would be made clear that, in labeling or advertising, an exempted manufacturer could represent that the product has been exempted and a covered manufacturer could represent that the product has been certified.

Mr. President, I believe that the committee has come up with a good drug bill which will protect the American people. Mr. President, I urge the passage of S. 1552 as amended by the committee.

Mr. KEFAUVER. Madam President——

The PRESIDING OFFICER (Mrs. NEUBERGER in the chair). Does the Senator from Tennessee have control of the time on his side?

Mr. KEFAUVER. Yes. Madam President, I yield myself 20 minutes.

The PRESIDING OFFICER. The Senator from Tennessee is recognized for 20 minutes.

Mr. KEFAUVER. Madam President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator from Tennessee will state it.

Mr. KEFAUVER. Senate bill 1552 was reported from the Judiciary Committee on July 19. An additional amendment, in the nature of a substitute, changing many sections of the bill, was reported on August 21. Do I correctly understand that, by unanimous consent, the August 21 amendment in the nature of a substitute has replaced the bill reported on July 19 which originally was before the Senate?

The PRESIDING OFFICER. That is correct.

Mr. KEFAUVER. Is the amendment in the nature of a substitute, reported on August 21, now the pending question, and is it subject to amendment?

The PRESIDING OFFICER. That is correct.

Mr. KEFAUVER. Madam President, I have heard that yesterday a unanimous-consent agreement was entered into. I trust that we shall be able to conclude the debate within the time allowed by the unanimous-consent agreement. However, several Senators have informed me that they wish to speak; and for fear that they might not have sufficient time under the limitation in the agreement, I ask unanimous consent that any time left over, during consideration of the amendments, may be added to the time available for general debate on the bill.

The PRESIDING OFFICER. Is there objection?

Mr. HRUSKA. Madam President, reserving the right to object, would that include any amendments which may be submitted, but are not now pending? If so, I can anticipate that the debate might be extended 3 or 4 additional days, and that it would be in violation of the spirit of the unanimous-consent agreement.

Mr. KEFAUVER. I do not know of any amendments which would be offered, but which are not now pending, although certainly I cannot say. But I do not think we shall go beyond the time. Several Senators have complained to me that they might not have sufficient time in which to speak. I have not complained.

Mr. HRUSKA. I suggest, Madam President, that the Senator from Tennessee withhold his request for unanimous consent until a later time.

Mr. KEFAUVER. Very well.

Mr. HRUSKA. Because, I say frankly, I do not know where that request might lead; and at this time we are not short of time.

Mr. KEFAUVER. Very well; I shall do that.

Mr. HRUSKA. I thank the Senator from Tennessee.

Mr. KEFAUVER. Madam President, the speech by the distinguished Senator from Mississippi [Mr. EASTLAND], the chairman of the Judiciary Committee, has accurately defined the provisions of the substitute which was reported on August 21. I wish to take this occasion to say that insofar as the Food and Drug Act is concerned, I think this measure is a good one. It is not as strong in some respects as I should like it to be. It is not as strong in some respects as the President recommended in the seven recommendations in his letter of August 3, or as has been recommended in the latest presentation in executive session by representatives of the Food and Drug Administration.

But this measure constitutes a genuine effort on the part of the majority and the minority of the Judiciary Committee—regardless of what may have happened in the past—and on the part of the President, the Food and Drug Administration, and the staff of the committees—to whom I pay the very highest tribute—and on the part of the industry itself to bring the food and drug law up to date and make it effective and modernized. If ever there was a law which needed to have new teeth put into it and needed to be modernized and made more effective, it is the food and drug law.

In my opinion, the bill now before us will assure the people of the United States safer, more effective and better prescription drugs; that physicians will have more accurate information as to drugs; that false and misleading statements as to the efficacy and side effects in advertising and promotion material will be eliminated, that physicians will receive recent and accurate information about drugs, and that prescribing by generic names will be made simpler and safer.

The bill gives the Food and Drug Administration much needed powers. It will also go far toward preventing repetition of the near calamity with respect to the drug thalidomide, about which we have read so much, was kept off the market largely by the heroic efforts of Dr. Frances Kelsey.

Drugs are big business, sales of drugs and appliances being more than $3 billion a year, or more than the amount received by doctors.

If the bill is passed, drugs will be safer, purer, and more reliable; they will be more properly tested; and information going to physicians will be more accurate as to side effects, warnings, and contradictions.

I want to compliment all who have had anything to do with bringing out this bill. There has been give and take. There has been an honest effort to bring out a good bill so far as the food and drug provisions of the bill are concerned. I endorse it. I think it is in the public interest. I think it should be passed immediately, for the protection of the public.

If Senators will turn to the original bill, introduced on April 12, 1961, of which I had the privilege of being the chief sponsor, and of which the Senator from Michigan [Mr. HART] was a cosponsor, they will find the bill as originally introduced, with lines drawn through it. As a result of hearings by the Antitrust and Monopoly Subcommittee, refined certain changes and revisions were made.

The original bill was stronger, in most respects, than the bill we have before us at the present time, but the bill we have before us is good legislation and it is strong legislation.

On page 23 of the report of the Judiciary Committee filed on July 19, Senators will find the bill reported by the full committee on that date.

Then, as we all know, on August 3 the President of the United States sent a letter to the Chairman of the Judiciary Committee, the Senator from Mississippi [Mr. EASTLAND], in which he made seven excellent recommendations for strengthening the bill that had been reported by the full committee, the history of which is well known.

The chairman of the full committee immediately instituted hearings, day after day, for the consideration of the President's recommendations. They were considered seriously on their merits, with the aim of getting the best possible bill.

There was some give and take. Concessions were made by all sides. Some recommendations were weakened, but not fatally so. Others were even strengthened.

Thus, the bill is the product of a fine, genuine, and cooperative effort. I want to compliment every Senator who has had anything to do with this bill since the President's recommendations of August 3 came to the Judiciary Committee. Without going into detail, I shall try to state briefly what the bill does.

The first section requires that the Commissioner of Patents—who passes on patents for drugs, but who, unfortunately, does not have pharmacologists or doctors in the Patent Office to inspect and test drugs—may call upon the Secretary of Health, Education, and Welfare to furnish full and complete information concerning any drug application, and the Secretary of Health, Education, and Welfare is authorized and directed to do so. The Secretary, of course, may draw upon the doctors of the National Institutes of Health or other doctors in the Department of Health, Education, and Welfare. This information will be supplied to the Commissioner of Patents for his consideration in passing upon whether or not a drug should be patented.

The next section provides for registration. Companies engaged in the manufacture of drugs are required to file with the Secretary of Health, Education, and Welfare their names and places of business.

With respect to the factory inspection provision, section 4, as matters now stand, Food and Drug Administration inspectors are unable, unless the factory permits, to get certain types of information or have access to certain types of records. This provision is not as strong as had been recommended, but should be generally satisfactory. It applies to pharmacies only to the extent that a pharmacy is engaged in manufacture of drugs.

The provision for factory inspection does not apply to proprietary, that is, over-the-counter drugs. There has been some misunderstanding as to what I said, as chairman of the subcommittee, in connection with proprietary drugs. I did say that the investigation, as started back in 1959, was concerned with the ethical drug industry. The companies we wanted to examine were all manufacturers of ethical drugs, and, of course, some of them also manufactured proprietary drugs. As time went on, I said that certain sections of the bill did not apply to proprietary drugs. But, since some ethical drugs become proprietary drugs, it is difficult to arbitrarily make a distinction in all of the provisions of the food and drug law between proprietary drugs and ethical drugs.

Then, the bill which was filed on April 12, 1961, in some respects did apply to proprietary drugs. Yet, although hearings began in August 1961 and went through February 1962, representatives of the proprietary drug producers did not ask to testify. Then, after the hearings were over, they protested that they had not had a chance to be heard.

It must be recognized that in proprietary drugs there is not the same level of concentration. The consumer is not captive. A person who wants a proprietary drug can shop around. There are usually several different products, selling at different prices. There are several different brands of aspirin, for instance, or mouthwash, or other such products.

In contrast, in ethical drugs, when the doctor writes the prescription in terms of a trade name, the patient has no alternative. He has to purchase the brand which the doctor prescribes and pay for it. As I have said before, in ethical drugs, he who orders does not buy and he who buys does not order. This is not true in proprietary drugs. There the buyer and the orderer are the same.

Furthermore, proprietary drugs are not as dangerous, or otherwise they would not be sold across the counter.

Nonetheless, the factory inspection provision, in my opinion, should apply to proprietary drugs, but since whatever the reason, they did not have a hearing, I agreed to their exclusion from this bill, but I have filed a separate and companion bill applying the factory inspection provision to proprietary drugs. If they are included in the House bill, of course, that provision will go into conference.

Effectiveness, as well as safety, should apply to new proprietary drugs, but proprietaries now on the market are not to be subject under the present bill to the provisions requiring them, upon notice by the FOA, to support their claims for effectiveness. I think they should be so required. That is a matter which can be remedied in conference or by other legislation.

I think that there is validity to the suggestion that proprietary drugs should not have to disclose their exact formula, which may constitute a trade secret.

Quality manufacturing controls are covered in section 5. This provision has been strengthened considerably in comparison to the bill which was reported in July. It is not as strong as the President recommended, or as was recommended by the majority members of the Antitrust and Monopoly Subcommittee. The Department of Health, Education, and Welfare believes it to be adequate and I hope they are proved to be correct.

On this point the bill which the Senate is now considering differs from the bill recommendation by the majority of the Antitrust and Monopoly Subcommittee in that the original bill would have set up certain positive and explicit standards which anybody who wished to get into business would have had to meet. It would certainly have prevented "bathtub operators" from getting into the business and making improper drugs.

In respect to the manufacture of vaccines and other products a license must be secured upon a showing that the manufacturer is qualified to make that particular kind of drug. Under the original bill this same approach of licensing would have been extended to all drugs. It is a good approach.

The present approach calls for a combination of registration, a good inspection system and quality manufacturing controls. If the manufacturers do not live up to these provisions, their products can be seized by the Food and Drug Administration. This is an alternative with which we are going along. It does represent a great improvement over what exists at the present time.

The next section covers the new drug clearance procedure. As has been stated, many drugs have been approved for sale on the market when they should not have been. Senators can look at page 43 of the report of the Committee on the Judiciary of July 19, 1962, and there they will find a list of drugs which have been approved for marketing but then had to be withdrawn because of serious side effects. Some have caused cataracts, blood disorders, kidney ailments, even death. Though not as dramatic as thalidomide, their side effects were serious.

The reason why some of these drugs have gotten onto the market is that the Food and Drug Administration simply did not have time to consider them, to test them, and to get all of the information needed with respect to the drugs before the time limit ran out and the drug was entitled under the present law to be put on the market automatically.

As stated by the chairman of the committee, the time period would be extended from 60 to 180 days. Thereafter, a 30-day notice could be given of a hearing. A hearing could be held. It would have to be commenced in 90 days. Then, if the new drug application were denied, the company would have a right to go to the U.S. court of appeals.

There would be no mandatory requirement that the Food and Drug Administration allow a drug to be put on the market automatically. There would have to be affirmative action by the Secretary, either approving or disapproving the application or giving notice of a hearing.

Section 7 relates to records and reports as to experience with new drugs and antibiotics. This section would require the keeping of records of experience on new drugs and antibiotics. A company would have to keep records as to the effectiveness and as to the side effects of drugs, and the Food and Drug Administration would have access to that information.

This has been one of the great failures in the past. Records have not been available to the Food and Drug Administration, it could not learn, for example, how many cases of aplastic anemias have been reported to a company because the records were not available to it. This can be a very effective provision.

The next section, section 8, relates to effectiveness and safety of new drugs.

The present situation, as was pointed out by former Secretary Ribicoff, of the Department of Health, Education, and Welfare, is that since 1913 manufacturers of drugs for hogs and other animals have been required to show not only that they were safe but also that they were efficacious for what it was claimed they would do. That has never been the rule as to prescription drugs used by human beings. Animals, but not humans, have been assured of receiving effective drugs.

This section would require, in addition to proof of safety, a showing by substantial evidence, by experts who are experienced in making investigations of the drug involved, that the drug will not only be safe but also will have the effect it purports or is represented to have.

The PRESIDING OFFICER. Does the Senator from Tennessee wish to extend his allotted time? His 20 minutes have expired.

Mr. KEFAUVER. Madam President, I yield myself an additional 15 minutes.

What I have described should have been done a long time ago. It is obviously very much in the public interest.

Theoretically—and it has almost happened in some cases—a certain almost completely inert drug might be safe, and claims might be made for its being efficacious for a certain purpose. Where safety is not involved the Food and Drug Administration has not had a basis for disapproving this new drug application.

Where a product does little or no good at all, physicians, because of claims by manufacturers, might be induced to give them to patients when they ought to be giving them older, proven effective medicines instead. Hence the proposal would be a great step toward the protection of the public health.

Another portion of the section would authorize the immediate suspension of a drug if there were an imminent hazard to public health. For example, suppose thalidomide had gotten on the market, and it was then found, as has unfortunately happened, that thousands of horribly deformed children were being born. Under that provision the Food and Drug Administration could immediately take the drug off the market if a hearing would be held after the action.

There are additional grounds for the withdrawal of a new drug from the market—if the manufacturer does not keep the proper records, or does not correct improper control procedures within a reasonable length of time, or does not comply with other provisions of that section.

Section 9 deals with the conspicuousness of official, or generic, names. We hope that as to nonpatented drugs, the bill will bring prices down substantially. Already as a result in part of the hearings before the Subcommittee on Antitrust and Monopoly, States and hospitals are buying drugs by generic names rather than by trade name. Mr. Ribicoff pointed out that in Connecticut hundreds of thousands of dollars had been saved. Sometimes when a drug is purchased by generic name, the price is one-half or one-third of what it would be under a trade name. Hospitals are buying drugs by generic name. The U.S. Government is buying drugs by generic name. In some cases, it is getting them for one-tenth of what it would otherwise pay if bought by trade name, even though they may be made by the same company and be exactly the same drug.

In times past the generic name has been printed in very small letters, both in advertisements and on the label. One must get a magnifying glass to see the generic name at times. It is often to be found in the corner somewhere in microscopic type. Often, it is simply omitted entirely. We recommended in the Subcommittee on Antitrust and Monopoly that the generic name be printed in letters as large as the trade name. Unfortunately, however, some generic names are very long. Finally, as a compromise, it was agreed that the Secretary should establish regulations that the generic name must be carried in print at least half as large as the trade name on the label as well as in advertisements.

Doctors would be able to see more readily the generic name of drugs, if they are in larger type. Knowing that all drug plants are inspected fully and have good control procedures, and that necessary safeguards are provided, there should be no doubt in the minds of any reasonable physicians that when they buy drugs by generic name instead of trade name, they are getting good and safe drugs.

With reference to section 10, as matters now stand, some drugs have no generic names; some have two or three. It is the company which coins the generic name. The U.S. Pharmacopoeia tries to persuade manufacturers to agree to generic names, and it has done a fine job. The AMA is setting up a committee to work on that subject. But, at the present time, unless the company agrees, nothing can be done about it. Under this section after the U.S. Pharmacopoeia has worked with the company and has been unable to reach a satisfactory generic name, the Secretary of HEW would have the standby authority to establish the generic name. In addition the Secretary would be required to make reviews of all the generic names—some of which are several inches long and entirely unpronounceable—and provide more simplified generic names so that physicians can remember, pronounce, and spell them.

Under section 11 advertisements must be accurate with respect to what it is said a drug will do. An advertisement must state the side effects and effectiveness, or a summary thereof, which must be approved by the Secretary of Health, Education, and Welfare.

This relates to advertisements in journals, promotion material, and any other similar type of material, including what is carried on the label, including the accompanying material.

We found cases concerning drugs that were addictive and in which nothing at all was said about side effects, and also cases in which drugs had other harmful side effects, but it was explicitly stated that there were no adverse side effects. That has been misleading to the physician. This proposal is a very important part of the bill. It will provide the physicians with honest and useful information.

There was an outdated provision in the law that longstanding antibiotics had to be batch-tested. But the new antibiotics, introduced since the law was passed, and are more in need of batch-testing than the old ones, were not covered. Section 12 requires the testing of all antibiotics, unless, as a result of experience, the Secretary of Health, Education, and Welfare finds that any particular one no longer needs to be tested.

Madam President, insofar as the Food and Drug Administration is concerned, I think we have here a good bill, which will do the job required of it.

Later I shall discuss three amendments. If Senators will examine the individual views of the Senator from Colorado [Mr. CARROLL], the Senator from Connecticut [Mr. DODD], the Senator from Michigan [Mr. HART], the Senator from Missouri [Mr. LONG] and myself—the majority members of the Antitrust and Monopoly Subcommittee—in the earlier committee report, beginning at page 33, they will see the amendments that we had in mind offering at that time.

I wish to say that the first three have been adequately taken care of after reconsideration of the bill by the Judiciary Committee, following the President's recommendations. Later on I shall offer an amendment, which I believe will be acceptable, to make it possible for the Food and Drug Commissioner or to require, if he deems it necessary, the testing of a new drug on animals before it is actually given to human beings. If thalidomide had been tested on rabbits, before the drug was introduced, the resulting deformities of baby rabbits would have been discovered so that this whole catastrophe would have been avoided in the countries where it occurred. Apparently, some thalidomide children are being born in the United States also.

The second amendment relates to making available the agreements with reference to the settlement of interference proceedings in the Patent Office, so that the Department of Justice and the Federal Trade Commission can see if the Sherman Act or other antitrust laws have been violated.

This amendment, dealing with interference proceedings, would do much to bring the price of prescription drugs down, because we have found that in many cases when several companies apply for a patent, they agree that one of them will get it, and the others withdraw. Then the company that gets the patent usually licenses the others, but they all sell at the same high price.

The third amendment would require compulsory licensing after 3 years of a qualified applicant upon the payment of 8-percent royalty and open a finding by the Federal Trade Commission that the drug is sold by the manufacturer to the druggist at more than 500 percent of the production and research cost.

Madam President, I wish at this point to pay tribute to the very competent staff who worked in the entire investigation, including Dr. John Blair, Horace Flurry, Paul Rand Dixon—before he left the subcommittee—Dr. E. Wayles Browne, Jr., Dr. Irene Till Hamilton, Mrs. Lucille Wendt, Mrs. Emily Zayyani and Miss Jo Anne Youngblood. Their work was supplemented from time to time in particular aspects by excellent contributions from Bernard Fensterwald, Jr., Mrs. Dorothy Goodwin, Winslow Turner, George Clifford, Dr. Walter Measday, Herman Schwarts and Paul Green. I also wish to express appreciation for the work of the minority staff members—Peter Chumbris, Ronald Raitt, Nicholas Kittre and James Bailey. All worked devotedly on all or some parts of this long and difficult investigation.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. KEFAUVER. I yield myself 15 minutes on the bill.

The staff started its staff work early in 1959. The first hearing was held on December 7, 1959. For some 2 years we held investigatory hearings, and for almost another year we held hearings on the bill itself. There has been a great deal of acrimony, and much criticism has been heaped upon the chairman and upon some of the majority members of the staff. But we felt we were doing a good job. As far as I am concerned, that is past history. The record is available for anyone who is interested.

I believe that anyone who reads the 13 volumes of hearings in the investigation and the 7 volumes of hearings on the bill as well as the report, will find them detailed and accurate. I have had the privilege of heading many investigations, but I have never known a staff that has worked more effectively, conscientiously and accurately.

Every figure and every statement, aside from typographical or inadvertent errors, is based on fact. The tables and charts are accurate. I cannot pay too high a tribute to those who did the work.

To show what was taking place in the Food and Drug Administration, in May 1960 we held hearings with reference to Dr. Henry Welch, who had been the head of the Antibiotic Section of the Food and Drug Administration. There had been some rumors that he had been receiving honorariums for editorial work in connection with several medical publications, in one of which he was associated with Dr. Felix Marti-Ibanez. John Lear, science editor of the Saturday Review, wrote some articles about it. Mr. John Connor, the president of the Merck Co., and then the chairman of the Pharmaceutical Manufacturers Association, became alarmed about a possible conflict of interest. In 1956 Mr. Connor called it to the attention of the Food and Drug officials. Apparently he did not have the full facts. Perhaps he could not get them. Then the Food and Drug Administration released a statement to the effect that Dr. Welch was not going to accept any large fees in the future. But they never asked him how much he had received. During our hearings, we found that he had received some $280,000 from the magazine of which he was half owner, based on reprints of articles paid for by the very companies that he was supposed to be regulating.

It was estimated that half went to the cost of publishing the reprints, and the other half was divided 50–50 between him and Dr. Felix Marti-Ibanez. At about the time of our hearings into the matter he resigned. The matter now is the subject of a grand jury investigation.

I have always thought that the Food and Drug Administration, and its head, Mr. George Larrick, should have pursued the matter further and received the full information at the time the situation was first brought to their attention several years earlier. But that is past history. That kind of conflict of interest is highly reprehensible. I am confident there are no present similar cases in the Food and Drug Administration.

When Mr. Flemming, then Secretary of Health, Education, and Welfare, appeared before our committee, he stated he would appoint two committees, the Bronk committee, which made an outside or "scientific" investigation and the Kendall committee which made an "inside" investigation. They did a great deal of work, but I do not know exactly what if anything, has been done as a result of their recommendations and reports.

During our investigatory hearings the pharmaceutical manufacturers testified that everything was all right as it was. They were against everything we proposed. The companies and their associates, in their advertisements and public relations, were very critical of the staff of the committee. But it should be said to their credit that when the bill was introduced in April 1961—and the bill was not one recommended by the Food and Drug Administration, although the Food and Drug officials later recommended most of its provisions.

The bill was aimed at reducing the unreasonably high prices of drugs, at providing safer, sounder, more dependable drugs, and at insuring advertising that was truthful concerning the purpose of drugs and their side effects for the benefit of physicians and the Nation.

The bill before the Senate accomplishes two of those objectives. It does not accomplish anything with respect to lowering the price of patented drugs. The patent provisions were eliminated.

It should be said to the credit of the pharmaceutical manufacturers that when they returned to testify on the bill, they accepted about three-fourths of the provisions of the bill. They had become convinced that some reforms were needed.

In contrast, representatives of the American Medical Association who testified on the bill, stated that in this entire omnibus bill there was nothing which they could support. In my opinion, 90 percent of the doctors of the Nation, including members of the American Medical Association, favor the bill which is now before the Senate. Many members of the AMA appeared before the committee, including members of its own council on drugs, outstanding physicians and specialists in their respective fields, to favor the bill. I pay tribute to those outstanding physicians who took the time and trouble to come here to help us with our investigation and to produce a good bill.

The committee covered all the important ethical drugs, including the steroids, oral antidiabetic drugs, tranquilizers, and antibiotics—the wonder drugs which cost so much money.

That distinguished medical journal, the New England Journal of Medicine carried series of six editorials endorsing and recommending the passage of most of the bill.

The report on the drug investigation, including the individual views of several members of the subcommittee, was circulated in March 1961, and finally filed on June 27. It contains a wealth of information about the entire drug field.

Before introducing the bill, as a result of the investigation, I spoke with the distinguished senior Senator from Alabama [Mr. Hill], chairman of the Committee on Labor and Public Welfare, and pointed out to him that, as of that time, three of the provisions dealt with antitrust or patent matters within the jurisdiction of the Committee on the Judiciary, and that others dealt with the Food and Drug Act. I discussed with him recommending that the FDA section be referred to the Committee on the Judiciary. The Senator from Alabama replied that he was very busy with other legislative matters and would be glad to have the Committee on the Judiciary handle that part of the bill. So he joined with me in asking that the Parliamentarian refer the bill to the Committee on the Judiciary, and it was so referred. The Senator from Alabama is an outstanding leader on problems of health research, both in the Committee on Labor and Public Welfare and the Committee on Appropriations. His backing, help, and suggestions have been appreciated throughout the investigation. There have been no committee conflicts.

Because two of the provisions in the original bill related to patent policy, I spoke with the distinguished senior Senator from Arkansas [Mr. McCellan], chairman of the Subcommittee on Patents, and he agreed that the Subcommittee on Antitrust and Monopoly should handle the whole matter. He said he was busy with other problems, particularly in the Committee on Government Operations, and that he would be glad to have the Subcommittee on Antitrust and Monopoly proceed with that part of the investigation. Thus, our subcommittee heard the testimony of a number of patent lawyers with respect to the patent sections, and the results of that investigation are contained in the report.

Representative Celler introduced a companion bill in the House of Representatives on the same day the bill was introduced in the Senate.

The bill now before the Senate accomplishes two of the stated objectives of the subcommittee. In January 1962, in his message to the Congress, the President of the United States said that action should be taken to reduce the high cost of prescription drugs. Following that came the President's consumer message of March 13, 1962, describing in general language desirable objectives in connection with drugs.

About that time, the then Secretary of Health, Education, and Welfare, Mr. Ribicoff, made an excellent statement before our committee, endorsing strongly all the food and drug provisions of the bill. Although he thought that the patent and antitrust provisions of the bill were generally in the public interest, and he favored the objectives which they sought, he said they were not within the jurisdiction of his Department and that he would not, therefore, wish to express an official position with respect to them. Throughout the time he was Secretary of Health, Education, and Welfare, he gave the subcommittee consistent and strong backing. Mr. Larrick, Commissioner of the Food and Drug Administration, testified in favor, generally, of the food and drug provision. Likewise, he did not express any position as to the patent or the antitrust sections of the bill.

The bill was considered by the Antitrust and Monopoly Subcommittee. I wish to thank the Senator from Nebraska [Mr. Hruska] and the Senator from Illinois [Mr. Dirksen] for suggesting improvements in the bill at that time. But when the bill was reported, it was approved by a vote of 5 to 3, along party lines.

Then the bill was sent to the full Judiciary Committee. As everyone knows, the three patent sections then were referred to the Subcommittee on Patents, which recommended against two of them and in favor of one of them. But the full Judiciary Committee eliminated all three.

Senators are familiar with what occurred in July in the Judiciary Committee, which resulted in the reporting of the bill and the submission of a report on July 19.

The **PRESIDING OFFICER.** The time the Senator from Tennessee has yielded to himself has expired.

Mr. **KEFAUVER.** Madam President, I yield myself 5 additional minutes.

The **PRESIDING OFFICER.** The Senator from Tennessee is recognized for 5 additional minutes.

Mr. **KEFAUVER.** Madam President, as I have said, everyone has cooperated now in trying to bring before us a very fine bill, insofar as the food and drug provisions are concerned.

On April 10, the President wrote a letter in which he generally recommended the bill as reported by the Antitrust and Monopoly Subcommittee. I ask unanimous consent that the letter be printed at this point in the Record.

There being no objection, the letter was ordered to be printed in the Record, as follows:

THE WHITE HOUSE,
Washington, D.C., April 10, 1962.

Hon. James O. Eastland,
U.S. Senate,
Washington, D.C.

Dear Senator: In the message I sent to the Congress on March 14, I called attention to the need for new legislative authority to advance and protect the interests of consumers in the marketing of drugs.

S. 1552, which is now pending before your committee, incorporates the major recommendations I made. It will strengthen and broaden existing laws in the food and drug field, contribute toward better, safer and less expensive medicines, and establish a better system of enforcement. As you know, the bill is the outgrowth of 28 months of intensive investigation and hearings by your Subcommittee on Antitrust and Monopoly. I believe that early passage of this legislation will substantially improve the ability of the drug industry to serve the Nation and help provide consumers with quality drugs at low, competitive prices.

I understand that the members of the Subcommittee on Patents have decided that the compulsory licensing feature of the legislation requires further study and consideration. I would hope that this would not, however, delay enactment of the other provisions of the bill—provisions which will establish necessary safeguards to assure the reliability and effectiveness of drugs placed on the market, provide for standardization of drug names, and thereby encourage physicians to prescribe drugs by nonproprietary rather than by brand names, require disclosure of adverse as well as beneficial effects of drugs in drug promotion, and assure consideration of therapeutic effectiveness in the granting of patents for drugs that are modifications of other drugs.

The message I sent to the Congress made several other suggestions which, it would seem to me, might appropriately be included in the bill now before your committee. They are:

1. Drug manufacturers should be required to keep records on and report to the Department of Health, Education, and Welfare any indications of adverse effects from the use of a new drug or antibiotic.

2. The Department of Health, Education, and Welfare should be empowered to withdraw approval of a new drug on the basis of a substantial doubt of its efficacy or safety.

3. The provisions requiring drug manufacturers to maintain facilities and controls to assure the reliability of their product, and to institute more effective inspection to determine whether drugs are being manufactured in accordance with the law, cannot feasibly be limited to a particular class of drugs and should therefore be made applicable to over-the-counter as well as prescription drugs.

4. An enforceable system of preventing the illicit distribution of habit-forming barbiturates and amphetamines should be provided.

The need for these amendments is based upon the accumulated years of experience of the Food and Drug Administration, and they appear to be properly within the scope of the subject matter dealt with in the extensive hearings of the Subcommittee on Antitrust and Monopoly.

In addition, I recommend two minor procedural changes:

1. In the section having to do with the rendering of advisory opinions by the Department of Health, Education, and Welfare to the Patent Office on the therapeutic effect of modifications and combinations, I suggest that the requirement providing the applicant with an opportunity for a plenary hearing be deleted. Under the provisions of S. 1552 in its earlier form, the Secretary's finding was conclusive and therefore should have required a formal hearing. But since the bill in its present form requires no binding decision to be made by the Secretary, the requirement of the hearing seems inappropriate and would tend to unduly delay the rendition of the Secretary's purely advisory opinion to the Commissioner. The action of the Commissioner is, of course, subject to well established de novo judicial review.

2. The provision requiring the filing of patent agreements with the Commissioner of Patents should more properly be in the form of an amendment to the Patent Act rather than the Sherman Act.

I have asked the Department of Health, Education, and Welfare to transmit to you promptly any additional recommendations to strengthen, clarify, or improve the bill that it may have and that will not require

> additional hearings or substantially delay action on the bill.
>
> It would not appear that the consideration of these proposed changes should occasion any further delay in the approval of this important measure.
>
> With the above changes, S. 1552 adequately deals with the most pressing problems in the drug field, and it is my sincere wish that it be enacted during the current session of the Congress. Your cooperation and assistance to this end will be greatly appreciated.
>
> Sincerely,
>
> JOHN F. KENNEDY.

Mr. KEFAUVER. Madam President, we are also familiar with the fact that on August 4 the President wrote to the Senator from Mississippi [Mr. EASTLAND] a subsequent letter, making seven specific recommendations. Since then, regardless of what happened before, there has been a genuine effort, on all sides, to work out a strong, effective bill; and that has been done. The results of this effort are set forth in the supplemental report which I hope Senators will read—part 2 of Senate Report No. 1744.

In May, on the recommendation of the Food and Drug Administration, a bill was introduced by Representative OREN HARRIS, the chairman of the House Committee on Interstate and Foreign Commerce. That bill has many provisions similar to those in the measure now before us, although there are a number of differences. I am gratified that Representative HARRIS is holding hearings on that bill. I hope that as a result of the hearings and as a result of the conference to be held between the House and the Senate, the bill will be passed by both Houses of the Congress and will be sent to the President.

Madam President, in concluding this part of my presentation, let me say there are many important measures before the Congress, but none is more important than this for the protection of the public.

Madam President, we are about to accomplish a great deal; and I wish to thank the majority members and the minority members and the staff members of the subcommittee and the full committee. I wish to say that in recent weeks Tom Collins of the full Judiciary Committee has virtually worked his heart out; and I desire to thank all who have made this measure possible.

The PRESIDING OFFICER. The time the Senator from Tennessee has yielded to himself has expired.

Mr. SCOTT. Madam President, to the committee amendment, I offer an amendment which I send to the desk and ask to have stated.

The PRESIDING OFFICER. The amendment to the committee amendment will be stated.

The LEGISLATIVE CLERK. In the committee amendment on page 2, in line 23, it is proposed to strike out "December 31" and insert "June 30."

Mr. KEFAUVER. Madam President, I had difficulty hearing the amendment read. Is it offered to the bill?

Mr. SCOTT. Madam President, if the Senator from Tennessee will let me proceed for a moment with my remarks I think he will understand my purpose in offering the amendment. I expect to withdraw it at the conclusion of my remarks.

Mr. EASTLAND. Madam President, let me ask how long the Senator from Pennsylvania wishes to speak.

Mr. SCOTT. Between 15 and 20 minutes.

Mr. EASTLAND. Madam President, I ask unanimous consent that the Senator from Pennsylvania may proceed for 20 minutes. If consent is given, it will not be necessary for him to offer the amendment, which I judge is only a pretext.

Mr. KEFAUVER. Madam President, reserving the right to object, let me say—as I have previously stated—that several Senators were disappointed at the time limitation which was applied. Under the circumstances, why do we not let the Senator from Pennsylvania speak on his amendment?

Mr. SCOTT. I have no objection, if I can obtain unanimous consent to speak for 15 or 20 minutes on the bill.

Mr. EASTLAND. Madam President, I have propounded a unanimous-consent request.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Mississippi?

Mr. HUMPHREY. Madam President, I shall be compelled to object; otherwise, there would be no use in having the unanimous-consent agreement entered into. The Senator from Pennsylvania has offered an amendment, and he is entitled to speak on it.

The PRESIDING OFFICER. Objection is heard.

Mr. DIRKSEN. Madam President, if the distinguished Senator from Pennsylvania will withdraw his amendment—for I suppose it is only a pro forma amendment——

Mr. SCOTT. That is correct.

Mr. DIRKSEN. If he will withdraw it, I will yield him 20 minutes on the bill.

Mr. SCOTT. I shall be happy to do so, with the understanding that the distinguished Senator from Illinois will yield me 20 minutes on the bill.

Mr. DIRKSEN. Madam President, I yield the Senator from Pennsylvania 20 minutes on the bill.

The PRESIDING OFFICER. The Senator from Pennsylvania is recognized for 20 minutes on the bill.

Mr. SCOTT. Madam President, I now withdraw my amendment.

The PRESIDING OFFICER. The amendment of the Senator from Pennsylvania is withdrawn.

Mr. SCOTT. Madam President, in my opinion this is a good bill. It has been carefully considered at great length in the subcommittees and in the Judiciary Committee. Many provisions of the original bill have been revised, altered, or omitted, in favor of carefully drawn legislation.

The President's wishes in regard to certain amendments, which have been referred to as the President's amendments, have been recognized and carried out in a bipartisan fashion. As a result, we now have what I believe is a far better bill than the original one, by virtue of the care and attention which have been given to the bill by the members of the committee, and also by reason of the expert assistance which has been rendered to us by the staff members.

COMMITTEE STAFFING

Madam President, in referring to the staff, I should like to address myself to the entire problem of minority staffing. I manage as well as I can with the assistants I have, and I have been considerately treated by the chairmen of my committees. We have a large and busy office, although we are not always able to do all that I should like to do as a Senator. But certainly it is true that if there were more minority staff members on the committees of which I am a member and on the other committees, more constructive contributions might be made by those of us on the minority side.

It is a most important problem if Congress is to meet its obligation to provide adequate research and staff assistance on a fair and equitable basis to members of both parties. As one who has served as a Member of both the House of Representatives and the Senate, I observe that this situation has too long suffered from neglect and indifference.

All Senators are familiar with the objectives of the Legislative Reorganization Act of 1946 in regard to committee staffs. The staffs were to be nonpartisan, and selected and promoted solely on the basis of merit. The report accompanying the act recommended that committee staff personnel "should be appointed without regard to political affiliation and should not be dismissed for political reasons." The intention was to establish a type of legislative civil service headed by a director of congressional personnel, but this body amended the act, empowering each committee of the Senate and House to choose its staff by majority vote. The ideal of the professional nonpartisan staff remained as the core of the resources—including the Legislative Reference Service and Legislative Counsel—that were to enable Congress to fulfill its historic and proper function in the legislative process.

Ernest S. Griffith, dean of the School of International Service of the American University, and former Director of the Legislative Reference Service of the Library of Congress, commented optimistically on the position of the Congress following the Legislative Reorganization Act. He suggested that—

> Congress has mastered, or has provided itself with the tools to master, the problem of assuring itself an unbiased, competent source of expert information and analysis which is its very own. By the same token it has mastered the problem of recapturing its constitutional role as the independent policy determiner, a self-respecting coequal of the bureaucracy, its legal master in policy matters, and in practice its competent partner or its intelligent critic. Congress has done this without sacrificing its own amateur standing as the elected representatives of the people. This has been no small contribution to the content of governance in a complex and technical age.

Since this has by no means occurred, I take a much less sanguine view of our situation. Not only have we failed to develop the strength of congressional staffs, but we have also witnessed the deterioration of the nonpartisan concept of the Legislative Reorganization Act. Roscoe Drummond, distinguished columnist of the New York Herald Tribune, through a series of perceptive columns, has called national attention to the abuses of the majority power. Congressional Quarterly and the North American Newspaper Alliance have also carried major articles on the subject of staffing. Certainly, there has been a failure to live up to the spirit of the Legislative Reorganization Act, but was the nonpartisan staff concept adequate in the first place? Our system of committee government within the Congress is based on a differentiation of majority and minority roles. We cannot expect committee staffs to function in an isolated nonpartisan world. Rather, it is my firm belief that we must broaden our concept of congressional staffing to recognize the two-party basis of the committee system, and the necessity for equitable control of staff resources between majority and minority. I am in no way suggesting that we move away from a professionally competent staff, but, that we insure a fair distribution of such staff resources as exists and work to increase the number of qualified staffs across the board. Such a move will improve, not impair, the effectiveness of congressional government.

Madam President, I am concerned about the unhealthy imbalance that has developed in majority versus minority staff in place of the original though inadequate goal of nonpartisan staffs. This situation has an important bearing on the future on the two-party system in this country. For the first time since 1952, the Republican Party finds itself without control of either the executive or legislative branch. It has had to learn anew the role of the loyal opposition. In this experience it has been gravely handicapped by its lack of staff resources. Until effective control by the majority of the vast bulk of these resources is expanded to close the information gap of the minority side, the problem will remain acute.

One hears too often that the Republican Party has few ideas, few alternatives, and little vision, or that it is merely the party of blind opposition and obstruction. This is a myth spread by our opponents, but it can also be a self-fulfilling prophecy when the party in power denies the minority adequate staff to develop distinctive constructive policies.

The most severe limitation to the effectiveness of a Representative or Senator is time. Faced with a busy schedule of committee work, speaking, corresponding with constituents, and performing a heavy burden of legislative duties, we must have staff assistance if we are to study and comment in depth on the major issues of the day. Staff is essential for the research, preparation, and presentation of major policy speeches. They are required for a coordinated effort among colleagues within the Congress and for the effective utilization of radio and TV time.

The limitation of time is doubly acute for the Republican minority in the Senate. As a distinct minority in this body, we Republicans have an extra burden in adequately covering our committee assignments. If we find it difficult for an individual Senator to do his homework in comparison to a Congressman, how much more difficult it is for a Republican Senator to do his job properly, covering more area per man, with less staff, than his Democratic colleagues? Deprived of competent, adequate professional staff, and in such a statistical minority, we cannot begin to match the resources of the bureaucracy downtown, or of a much better staffed Democratic majority on the Hill.

The minority in the Senate is also faced by a geographical imbalance. We have lost key seats in the North and West and we are just beginning to see the emergence of a genuine two-party system in the South. Many of these States have Republican Governors and/or Congressmen. If we, the Republican Party in the Senate, are to give adequate representation to Republicans in these areas, we need more staff. If we are to study such crucial problems as conservations, water resources, and reclamation we need staff authorized to make field trips and carry out investigations to fill in the broad gaps of our knowledge. The ideal of good government requires that we be a national party with a national vision serving the national interest, not a regional party hamstrung by a glaringly deficient number of minority staff assistants.

We of the minority are greatly concerned because the means of offering constructive alternatives, through adequate help in researching policy problems, is presently unavailable to us. Many of us have supported Republican initiative on a number of fronts, including for example the fields of employment, worker retraining, and civil rights. But, without adequate staff good ideas die for lack of public airing. In our system of government, we cannot rely on one party, the majority party, to produce all the ideas. By the very nature of politics, there are areas of public policy where the party in power cannot or will not act. The minority party must prod the majority party into action. It must nurse the neglected orphans of majority politics. The most glaring example of majority party paralysis is civil rights, as highlighted and exemplified presently in the Thurgood Marshall confirmation matter, on which the two Senators from New York [Mr. Javits and Mr. Keating] have been exerting their maximum efforts, not only to do justice to the nominee, and to the President who appointed him, but to the system of appointment and to the integrity of the Senate itself, particularly in view of the quality of the person designated for this high judicial office.

As I said, the most glaring example of majority party paralysis is civil rights, but on every issue there will be some facets the majority will ignore or deemphasize in terms of its own party interests. This is simply politics, and this is the reason the minority must be in a position to think out and develop its own position on every major public issue. It must have the resources to provide a real competition of ideas in the political marketplace. It should have a staff to read and study the Congressional Record, the latest books and magazines, professional journals, and learned papers; to monitor news broadcasts and analyses, to channel ideas to appropriate party spokesmen; to think out what should be the role of the minority in each particular area of policy.

Good minority staffing should service minority needs in addition to the actual membership of the committee where possible. Where a Member has a particular interest, say in foreign policy, agriculture, public works, or economic policy, he should be able to tap the expertise of minority staff familiar with that area. When staffing is kept to a bare minimum, this kind of cooperation in pooled resources among the minority is not possible.

Apart from proposing new programs or alternatives to the administration's proposals, much of the hard work of legislation and oversight rests in the sifting, evaluation, and reassessment of old programs. Too often in our budgeting and and program development, we start with last year's base and merely weigh the proposed additions. We should be examining the historical basis of proposals as well, including support, where warranted, of existing programs which are serving their purpose, or the elimination or pruning of existing programs no longer useful as presently operated. Government is or should be a dynamic business, responsive to the genuine needs of the citizenry. Yet without the prodding and questioning of the Republican minority, who have no vested interest in the growth of the bureaucracy, these new empires of agency personnel may become frozen into the structure of government. Obviously, effective oversight and investigation of the administration's programs requires adequate minority staffing.

An ambitious and attractive President can exploit the national media far more effectively than a numerical minority of individuals in Congress. If the minority is to cope effectively with its responsibility as to programs presented by the President and the majority, it must have resources to document its arguments. The real results of minority effort either in the form of constructive alternatives or sound criticism of administration policies, come in the committee reports, the speeches prepared by minority spokesmen when the bill comes before the Chamber for consideration, the amendments offered on the floor, and in other similar forms. It is doubly important that the minority have these resources, for the editors and newsmen who control the news media of our country will tend to judge the minority and its actions by what it reads of their reactions on the wire services and receives from its own services. Mailings of minority views by the Republicans on the Joint Economic Committee, including my colleague, the Senator from Connecticut, Prescott Bush, and my House colleague, Representative Curtis, of Missouri, and others, have been well received.

The House Republican policy committee's release of the report of its task force on "Operation Employment" last year is an excellent example of what needs to be done much more often. The response of the press to this sort of thing has been encouraging, but this needs to be done on a regular, systematic basis. It is disturbing to me that many minority reports are never written, filed, or distributed for one basic reason—lack of adequate staffs.

The minority member needs information from sources other than the administrative departments and the majority-controlled staffs. While it may be going too far to suggest that these sources are captive, it is not unreasonable to expect some will not go out of their way to volunteer information inimical or embarrassing to the policy objectives of the President and the majority party.

This need for independent information is particularly crucial in the field of foreign policy. I have commented on the floor of this Chamber, with other of my colleagues, on particular aspects of the administration's foreign policy that appeared to us to be deficient. There are policies concerning trouble spots in the world that need searching review and responsible constructive criticism from the minority. The strong pro-Arab bias in our Near East policy, and the troika experiment in Laos are two problems of deep personal interest to me. Yet, without the inclusion of minority staff members in connection with foreign policy surveys in Washington and abroad, the minority must depend on secondary and not always explicit sources for these policy reviews.

A recent Senate mission to Africa and the Congo included three Senators of the majority party and their staff. If the minority had had a part with a minority staff member in this survey team, it might have been better equipped to deal with the subsequent furor over the Katanga. The Joint Economic Committee's study of the U.S. economic policy in Latin America would have been entirely a majority party project but for the initiative of the senior House Republican on the committee. It has been stated that the staff of the Committee on Foreign Relations is nonpartisan. This is an excellent staff. Yet, can a nonpartisan staff serve two masters which have differing degrees of commitment to any given administration policy? Can it do an equal job with both? Do the critics of administration policy, especially from the academic world, enjoy equal access to both majority and minority members, or are the best ideas channeled to the majority, or smothered before they reach minority members who may be more receptive to them? Without adequate minority staff, I fear that we shall continue to operate at a decided disadvantage to our colleagues on the majority side of the aisle.

Madam President, these arguments have all dealt with the more general problem of increasing the effectiveness of the minority in congressional government. They are set forth within the context of a need for greater congressional staffing regardless of majority and minority roles. We may disagree as to the exact form staffing arrangements should take, but we should all agree that good government suffers when the minority is deprived of the means to: First, develop constructive alternatives; second, offer sound criticism and evaluation; third, document and communicate its views; and, fourth, check information supplied by the majority against impartial sources. The fact that these minimal minority rights have not been achieved is by itself the most serious and disturbing aspect of the entire problem. It has serious implications for the future of our two-party system. Our system of government was founded on the unwritten understanding that the party in power will not attempt to exterminate the party in opposition; that the ins and outs can exchange roles periodically; that the majority may press its advantage, but still will respect the integrity of the minority.

Madam President, the majority is not playing by the rules of the game, and if the American people knew the full facts of the story, their sense of justice and fair play would cry out against the shame of a loaded legislative procedure. Would they endorse a ratio of 14 to 12 to 1 between majority and minority staffs? Would they approve a system that places virtually complete control of congressional committee staffs under the majority chairmen? The chairman empowered to hire and fire, set salaries, and determine tenure? Would they condone the limitations placed upon the minority in terms of office space, travel, telephone calls, secretarial services, and other essentials to the mechanics of adequate staffing? Would they affirm the policy of some committee chairmen not permitting minority staff to question witnesses? Would they justify the power of a majority chairman to select witnesses to arrive at prearranged conclusions? Would they applaud the inaction of some of the minority who would rather keep the personal perquisites they have than risk losing them by rocking the majority boat too hard? I hardly think so. This is not a party partisan issue, Madam President. This is not a division between liberals and conservatives. It is a contest between those who are dedicated to achieving effective congressional government and those who are complacently content with the inequities that breed inefficient committee work and detract from the power and prestige of the Congress. It is a cause that includes in its ranks representatives of business and labor, civic action groups, the individual voter—all those who are dedicated to good government above petty political gain.

Why, then, have we not corrected the wrongs? Why are the loaded dice still in play? No one can be against good government—or can they? I should like to examine a few of the roadblocks or excuses for inaction and answer them one by one.

There are some who deny that the problem even exists. Chairmen of several committees have challenged assertions that the nonpartisan staff concept has broken down. They have also challenged tabulations of majority and minority staffs compiled in the House by Representative FRED SCHWENGEL, and in the Senate by my esteemed colleague, the Senator from Nebraska [Mr. CURTIS], and further researched by Roscoe Drummond, Congressional Quarterly, and the North American Newspaper Alliance. If the problem does not exist, why are so many of my Republican colleagues so exercised about it? In the past few months there have been speeches on the floors of the House and Senate by numerous Members. Representative FRED SCHWENGEL, of Iowa, has received letters supporting his stand for more equitable minority staff from ranking Members of the Congress and outstanding Republicans across the country. These are indications of a real discontent, not an imagined inequity.

The problem is real. One could point out a number of instances in the various Senate committees where more staffing is needed. A few examples will illustrate where the lack of staffing has limited the effectiveness of the Senate and Congress. The Aeronautical and Space Sciences Committee is moving into new virtually unexplored policy areas, yet it recently reviewed the $3.8 billion NASA budget in less than a week of cursory hearings. Observers have commented on the lack of critical discussion of major policy problems before various committees.

The Appropriations Committee has assumed a new importance with the increasingly frequent requests on the part of the Executive for greater authority and discretionary power. The minority needs adequate resources if it is to find out what the administration is doing and planning. Without sufficient minority staff, the majority will have unchecked control of the power of the purse.

The Armed Services Committee, with a defense budget of almost $48.5 billion, with the rapidly changing technology of weapons and weapon systems, with the recent charge of President Eisenhower to adopt a more critical attitude to defense spending, has perhaps the most demanding requirements for staff.

The committees with major responsibilities for domestic and foreign economic policy—Banking and Currency, Finance, Public Works, and Joint Economic—may be called upon in the next 6 to 12 months to face the first recession of this administration. Will they have sufficient staff, both the majority and minority, to assess the adequacy of the administration policies? Will the minority, which has already made a major contribution toward the solution of the unemployment problem through a House Republican task force, have the resources to develop new approaches to the vexing long-term problems of our economy? The minority has at present only one professional economist on the Joint Economic Committee.

One could go on at length but these illustrations should give us a sufficient indication of the magnitude of the problems we face.

The actual numerical ratio between the majority and minority staffs has also been challenged. Again it should be stressed that the distinction is between staff controlled by and responsible to majority and minority respectively. Different tabulations vary somewhat, perhaps by one or two per committee. We can quibble endlessly about figures, especially when the exact information about staffing is so difficult to obtain, but, and I stress this, the basic proportions stand as imbalance.

Madam President, I ask unanimous consent to have printed in the RECORD at this point the North American Newspaper Alliance release which gives the Schwengel-Curtis breakdowns for the committee staffs in the House and the Senate.

There being no objection, the release was ordered to be printed in the RECORD, as follows:

STAFF IMBALANCE DECRIED—RUNDOWN SHOWS 993 DEMOCRATS, 84 REPUBLICANS ON COMMITTEES

(By Sid Goldberg, North American Newspaper Alliance)

NEW YORK, April 22.—Republicans in the Senate and House are moving to increase minority representation on committee staffs. Right now the imbalance between Republicans and Democrats on these staffs, all of whom are appointed by the committee chairmen, is spectacular.

On the Senate committees, there are 462 Democrats to 39 Republicans.

On the House committees, there are 461 Democrats to 43 Republicans.

On the joint committees, there are 70 Democrats to 2 Republicans.

This adds up to a total of 993 Democrats compared to 84 Republicans—more than 10 to 1—who perform the vital tasks of doing the research and drawing up the reports for the regular and joint committees of Congress.

This ratio (which jumps to 35 to 1 for the joint committees) clashes head on with the proportion of Republicans to Democats among the elected Members of both Houses. In the Senate the Democrats outnumber the Republicans by about 2 to 1, and in the House by about 3 to 1.

(A committee-by-committee breakdown of the reputed party sympathies of staff members is published for the first time in the adjoining columns.)

In the Senate, CARL T. CURTIS, of Nebraska, had an aid personally visit each committee and get from minority members or staffmen an up-to-date rundown of party allegiances.

In the House, the job was taken on by Representative FRED SCHWENGEL, of Iowa, who with the assistance of other House Members and some national Republican leaders, obtained the committee-by-committee breakdown. It took about 3 months to get, and the list has just been completed and given to NANA for distribution.

A Republican source said the breakdown would have been vastly more difficult to get if it had not been for the cooperation of some Democrats.

"The country would get much more positive action from Congress if committee staffs were more equitably divided," Representative TOM CURTIS, of Missouri, told NANA. "As it stands now, minority members must rely on the research and reports of staffers who sympathize with the opposing party.

"Not only is the political division of the staffs imbalanced, but the total size of the staffs is dreadfully insufficient," said CURTIS who was one of several Republicans, working closely with SCHWENGEL. He pointed out that on his Committee on Ways and Means, there is only one staff member who works part time in the important area of foreign economic policy. "We need at least 10," he said.

TOM CURTIS added that the Ways and Means Committee has no staffer who works full time in the social security field. The situation, he said, is similar in many House and Senate committees and is made worse by the political dominance of one party.

On April 4 Representative WILLIAM E. MILLER, of New York, the GOP national chairman, wrote Representative SCHWENGEL:

"This is a matter of extreme urgency because the condition is so serious it can undermine the very effectiveness and even routine functions of Republican Members of the House."

SCHWENGEL has introduced House Resolution 570 which would enable the minority members of a committee, when most of them feel the staffing arrangement is unfair, to obtain a minority-majority staff proportion of 40 to 60. Also, the 40 percent of the staff appointed by the minority side would be paid by and be responsible to the minority members, not the committee chairman.

A comparable resolution has been introduced to the Senate by CARL CURTIS, and his resolution has the additional provision that all special committees, too, must have minority staff representation.

Representative JOSEPH W. MARTIN, JR., of Massachusetts, on April 11 pointed out in a letter to SCHWENGEL that "this move is not new. England has long recognized this vital need of representative government and has carefully made sure the minority is adequately staffed."

Several Democrats in both the House and Senate agree that reform is needed in the manner in which staff members are chosen.

JOINT COMMITTEE STAFFS HAVE ONLY TWO REPUBLICANS

Following is a breakdown of party sympathy among staff members of joint committees, as compiled by Representative FRED SCHWENGEL, of Iowa:

Joint committee	Democrats	Republicans
Atomic Energy	20	0
Defense Production	5	0
Disposition of Executive Papers	0	0
Economic	16	1
Internal Revenue Taxation	19	0
Library	0	0
Printing	8	1
Reduction of Nonessential Federal Expenditures	2	0
Total	70	2

HOUSE GOP STAFF MEN OUTNUMBERED 461 TO 43

Committee	Democrats	Republicans
Agriculture	10	1
Appropriations	48	13
Armed Services	15	0
Banking and Currency	12	2
District of Columbia	8	1
Education and Labor	45	2
Foreign Affairs	15	0
Government Operations	46	3
House Administration	4	2
Interior and Insular Affairs	7	2
Interstate and Foreign Commerce	25	0
Judiciary	42	1
Merchant Marine and Fisheries	8	1
Post Office and Civil Service	16	0
Public Works	40	5
Rules	2	1
Science and Astronautics	16	0
Un-American Activities	51	1
Veterans' Affairs	12	2
Ways and Means	17	4
Select Small Business	18	2
Select Export Control	4	0
Total	461	43

SENATE GOP STAFFERS OUTNUMBERED 462 TO 39

Following is a committee-by-committee breakdown of party sympathy among Senate staff aids as compiled by Senator CARL T. CURTIS, of Nebraska:

Committee	Democrats	Republicans
Astronautics and Science	11	1
Agriculture and Forestry	6	1
Appropriations	33	3
Armed Services	25	1
Banking and Currency	17	3
Commerce	27	3
District of Columbia	7	1
Finance	5	1
Foreign Affairs	28	0
Government Operations	44	4
Interior and Insular Affairs	17	1
Judiciary	146	11
Labor and Public Welfare	28	4
Post Office and Civil Service	10	1
Public Works	11	2
Rules and Administration	10	1
Small Business	18	0
Aging	19	1
Total	462	39

Mr. SCOTT. Madam President, while some refuse to face the fact of partisan control of committee staffs, and the imbalance between the majority and the minority, there are others who regard the abuses that have been revealed as deviations from the norm of professional nonpartisanship. They oppose reforms suggested by the minority for fear that an alleged party "spoils system" will destroy the professional competency of staff. This is not our intent. The touchstone of our approach is: "That course of action to achieve the most effective congressional government." We must recognize that these are legitimate functions for both majority and minority to perform, and that this requires adequate staff resources. A full solution of the problem would require both a redistribution of staff between majority and minority on a more equitable basis, and an overall increase in staffing levels—quantitatively and qualitatively. The disciples of nonpartisanship make a basic error by attempting to eradicate the two-party distinction from our committee system of government and its sine qua non committee staffing.

Some of my Republican colleagues ask why am I so concerned about staffing now. Instead, they argue, we should concentrate on at least regaining control of the House this November. When we are back in power, we will be able to right the wrongs, maybe even with a bit more charity than has been shown to us, they say.

Madam President, what is required is a statesmanlike solution and not political revenge. Our best course of action is to press immediately and persistently for a solution to the staffing problem, in keeping with the principles of responsible government.

The excuses for inaction can be multiplied and refuted. Those who disagree have their own arguments justifying the status quo. Yet when we pause to examine the immense and growing workload of legislative business, the backlog of bills not yet reported from committee, the prospects for a possible fall session during an election year, can we be complacent? My esteemed colleague, the junior Senator from Vermont [Mr. PROUTY], has asked in a speech before this body, if the committee system, the backbone of our operation, is to have "ribs on only one side, do we not abuse the greatest body in the world?"

What progress has been made in correcting the situation I have outlined and what more needs to be done?

There have been several significant attempts in recent months to break the staffing barrier which deserve recognition and due credit.

Our colleagues, the Senator from Nebraska [Mr. CURTIS] and the Senator from New York [Mr. KEATING] attempted in February to establish at least a 1-to-10 minority-majority staffing ratio on Senate investigations and special studies. I think Senators will recall the outcome of that test. The issue was decided on a straight party-line vote 30 to 55, the effect of which is a ruling by the majority party that the minority is not entitled even to 1 staff member for every 10 of the majority.

In March my good friend and colleague, the junior Senator from Vermont [Mr. PROUTY] introduced Senate Resolution 309, which provided:

> The staff of each committee and subcommittee of the Senate should include such number of individuals designated by the members thereof who are members of the minority party as may be required to uphold in equitable recognition of the minority rights of those members.

He was joined in that by Senators JAVITS, BOGGS, ALLOTT, MILLER, and myself. In the House, Representative FRED SCHWENGEL, of Iowa, has introduced House Resolution 570, which would enable a majority of the minority members of a committee, when they are not satisfied with the staffing of their committee, to request that 40 percent of the professional staff be appointed by them and assigned to such committee business as they, the minority members, deem advisable. Representatives SCHWENGEL and CURTIS of Missouri deserve special recognition for their initiative in bringing this problem to the attention of the House.

I can remember some years ago that the Representative from Missouri, Mr. CURTIS, was almost alone in decrying the imbalance in committee staffs, and the inadequacy of staffing levels regardless of majority or minority. Today, a large number of the Republicans in the House have indicated their support for broadened, more equitably balanced, congressional staffing. A partial list of the Republican Members of Congress favoring reform includes: Representatives ALGER, AYRES, BASS, BROMWELL, CONTE, CRAMER, DERWINKSI, DWYER, ELLSWORTH, FRELINGHUYSEN, FULTON, GOODELL, GRIFFIN, DURWARD HALL, KEARNS, LINDSAY, MCVEY, JOE MARTIN, MATHIAS, BILL MILLER, MORSE, ANCHER NELSEN, PELLY, SCHWEIKER, SCRANTON, SIBAL, STAFFORD, TABER, TOLLEFSON, JESSICA WEIS, and BOB WILSON.

The Representatives and Senators who have fought for increased staffing on an equitable basis have received strong endorsement for their cause from a broad range of editorial opinion. Typical of the comments of outstanding Republican leaders not in the Congress is a letter from former Vice President Richard M. Nixon to Representative SCHWENGEL which appeared in the CONGRESSIONAL RECORD of June 25. Mr. Nixon remarked:

> Indeed, the issue is not partisan at all. The shoe after all may well be on the other foot as early as January 1963, but the overriding consideration, all political preferences aside, is simply that democratic governmental processes demand an informed and responsible opposition. Your resolution surely works toward that goal, and thus it ought to be vigorously supported by every thoughtful Member of Congress.

No action has been taken on either the Prouty or Schwengel resolutions to date, yet they are significant illustrations of the deep concern the staffing issue has created among dedicated and respected members of the minority, and they point to possible solutions of the problem.

There have been some encouraging recent developments in the campaign for adequate minority staffing that also deserve comment. My good friend and colleague, the Senator from New York [Mr. KEATING], in an excellent statement entitled, "A New Republican Offensive," singled out committee staffing as the No. 1 issue for the Republican Conference. The following week the Republican Governors attending the 54th National Governor's Conference at Hershey, Pa., unanimously passed a resolution favoring reform of committee staffing and encouraging the Republicans in Congress to urge their leadership "to insist upon and take immediate action to correct the inequities which currently exist in committee staffing." I have had the benefit of the views of a number of Republican Governors, and I find that the current staffing ratio is of particular handicap to them. These men face an especially difficult assignment as a minority representation of this country's Governors when they or their representatives are called upon at frequent intervals to testify before various committees of the Congress. They do not now receive adequate Congressional staff assistance in preparing minority views and testimony, in organizing briefings with minority members of the House and Senate, in developing their ideas during hearings, or in following them up with the various levels of the Government. One point of particular concern is that the Democratic majority staffs, in dealing with problems of Federal-State relationships, are more favorably disposed toward increasing the responsibilities of the Federal Government than in developing the authority of our State, county, and local governments.

I could go on and document the views of members of my own party, but how do the members of the majority party feel? There are many who know that the present system is wrong, that it is unfair and unhealthy. Members of the Senate and House in the majority party who love the institutions of the Congress and are concerned about its position and its balance in relation to the increasing Executive power could well give more active attention to this problem. There are Democrats who are aware that the problem of staffing could develop into an important campaign issue. Differing points of view are not being brought out between majority and minority, and the electorate may be particularly sensitive to the Republican demands for more equitable staffing resources.

What is the attitude of majority staff to the situation of the minority? Some are candid enough to admit that the level of committee debate and of the legislative process in general would improve markedly with the introduction of more new challenging ideas. Virtual one-party control of committee staff has stifled the atmosphere of committee work. How many good staff people have left the Hill because they did not find their work sufficiently stimulating and challenging? Many have. I am confident that adequate minority staffing would go a long way toward infusing new life and vitality into the entire committee system.

Madam President, I have stated the arguments for and documented the broad and growing base of support for a reform in committee staffing. What should our course of action be from here?

First, we should resolve to take immediate action. Nothing is to be gained by waiting. We should begin to move on this problem at once, regardless of whether we can bring it to a successful conclusion before the end of this session. The issues at stake are far more fundamental than the shifting of personnel between the majority and the minority.

Next, after careful consideration, I recommend that an ad hoc committee be established to consist of three Senators and three Representatives who have expressed interest in staffing reform. This committee, with staff assistance, should review actions taken to date and make further representations to the minority leadership. The work yet to be done is considerable. Facts must be organized, research must be pursued, support must be mobilized, strategy must be planned.

If the ad hoc committee is to complete its preliminary work with reasonable speed, it will have to utilize outside resources. Under the pressing legislative schedule that we all face, and with the fall elections drawing near, we cannot realistically expect a group of Senators or Representatives to be able to cover all the aspects of this problem. We must draw upon resources in the Republican Party and among public-spirited citizens regardless of party affiliation from across the country. We shall need all available help if we are to get our story to the public at large and to state our case persuasively to the political scientists, national leaders, and other individuals who influence and arouse public opinion.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. SCOTT. Madam President, will the Senator from Illinois yield me 5 more minutes?

Mr. DIRKSEN. Madam President, I yield 5 more minutes to the Senator from Pennsylvania.

The PRESIDING OFFICER. The Senator from Pennsylvania may proceed for an additional 5 minutes.

Mr. SCOTT. Madam President, in addition to gathering data and planning a strategy to correct the basic problem of imbalance in committee staffs, the ad hoc committee should explore possible innovations in the staffing arrangements of the minority itself—reforms that could be instituted, unlike the other problems I have stressed, without recourse to the majority. Of course, an increase in minority staff would greatly facilitate the adoption of such innovations by providing the minority with more staff flexibility.

One important innovation that should be explored is the establishment of leadership seminars. Periodically the joint Republican leadership of the House and Senate—or of each body independently—could meet with key minority representatives from areas with particular problems not common to all areas with Republican representatives. They would cover one subject at each session, rotating the subjects considered on a periodic basis. Academicians and lay experts could be invited to present position papers or to testify. These sessions would provide the leadership with continuing familiarity with a broad number of subjects in substantial depth.

The leadership seminars would also provide a voice for and an outlet for ideas of Republicans who do not normally participate in leadership decisions. They should tap Republican sources and assistance at all levels, placing primary emphasis on practical experience and knowledge. The seminars would provide a forum for any individual member who has obtained a specialized knowledge of a subject of national, area, or group interest through surveys, trips abroad, or by reason of his own study and interest.

In this way, the leadership seminars, in addition to coordinating minority policy, could become the mechanism for a two-way process of channeling ideas from the leadership down to the Republicans on the various committees and their staffs, and stimulating and communicating new policy ideas and alternatives from the lower ranks of the committee staff and committee membership to the leadership. I join my colleague in the other House, Representatives CURTIS of Missouri, in believing that this two-way communication of ideas between the leadership and rank and file is needed in order to build a strong and healthy minority party in the Congress.

Another innovation that should be considered is the formation of a staff clearinghouse—a central unit that could recruit and refer qualified job applicants to vacancies on the committees. This would seem to be an essential step toward raising the professional level of minority staff, yet it has not been instituted on any systematic basis.

When the ad hoc committee has completed its preliminary work, and consulted with the minority leadership, it should ask for a meeting with the majority leadership to present the case for adequate staffing. I feel that this course of action offers us the best hope for an early solution to the staffing problem which remains as one of the gravest weaknesses of, and one of the most serious limitations to effective, constructive congressional work.

Mr. KEATING. Madam President, will the Senator yield?

Mr. SCOTT. I am very happy to yield to the distinguished junior Senator from New York.

Mr. KEATING. I wish to compliment the distinguished Senator from Pennsylvania for a very thoughtful and perceptive analysis of a real problem in both Houses of Congress. It is a matter which has been of concern to me. Like the Senator from Pennsylvania, I have no personal feeling about it and do not speak because of a particular lack on my own part. It is a general problem which is very serious and which should be faced up to by the leadership in both Houses of Congress.

I think the Senator from Pennsylvania has performed a real service by his well documented and very carefully analyzed speech on this subject.

Mr. SCOTT. I thank the Senator.

Mr. JAVITS. Mr. President, will the Senator yield to me?

Mr. SCOTT. I am happy to yield to the distinguished senior Senator from New York.

Mr. JAVITS. I have been attending a meeting of the Appropriations Committee and therefore was unable to hear the remarks of the Senator, but I have read every word of his speech.

Considering the multitudinous number of things Senators have to do, the staff activity which the Senator describes is absolutely indispensable in respect to doing our job.

In addition, I think we have shown on a thousand battlefronts—I think this is true of nearly every one of us on the minority side—how, in our country, the minority is not merely a critical organ, but instead is an indispensable part of the creativity of legislation.

We do not have a parliamentary system in which the Government, namely, the majority, is the only fountainhead of legislation. On the contrary, legislation is shaped in the legislative body with the creative participation of the minority. We will be better able to do that if we have the kind of assistance which the Senator has described. Indeed, it is inconceivable that we should have gone so long without it.

As Senators, we are all indebted to the Senator from Pennsylvania. The country is indebted to him for highlighting, dramatizing, articulating, and particularizing the issue as ably as he has. I congratulate him on a fine effort.

Mr. SCOTT. Madam President, I thank both distinguished Senators from New York. I am indebted to them. I may add parenthetically, as an illustration of the difficulties involved, that the consultation, research, and preparation of what is, after all, by Senate test, a comparatively brief speech, has consumed a good part of 1 month. I have had to displace work that I might have been doing in other areas.

Senators know that a speech of that length cannot be turned out over night, and it cannot be turned out without adequate and valuable help by one's office and staff assistants. That is a further illustration of why the reform is needed.

Madam President, I yield back the remainder of my time.

Mr. DIRKSEN. Madam President, I yield 6 minutes to the Senator from New York.

Mr. KEATING. Madam President, I think it is fair to say that there is no division in the Senate on the need of doing everything necessary to protect the health and safety of our citizens.

None of the differences which existed in the past over the provisions of proposed drug legislation was based on disagreement as to the overriding importance of protecting the public health. The point at issue rather was whether regimentation of this industry in the manner originally proposed by some would go so far in stifling research, initiative and the promotion of useful new drugs that unwittingly more harm than good would be done in serving the Nation's health needs. As a result of months of painstaking work pursued with the utmost diligence and attention by members of the Committee on the Judiciary on both sides of the aisle, and by the very accomplished and helpful staff, that did so much in assisting us to fashion the proposed legislation, we have finally devised a bill which will safeguard the people from harmful and useless drugs without jeopardizing the vital contribution of free enterprise in the fight against disease.

The bill in its present form has my full support, as it did the support of all members of the Judiciary Committee when it was unanimously reported. It contains important provisions strengthening existing drug laws. It will assure a safer and more reliable supply of drugs and, if properly enforced, will make impossible the use on human beings of such perilous compounds as thalidomide, which has caused such consternation in this and other countries. Its recordkeeping, inspection, and other control provisions will be of tremendous assistance in keeping unfit drugs off the market. Its reporting requirements and provisions for the withdrawal of previously approved drugs will enable continuous surveillance to be maintained by the Food and Drug Administration over drugs on the market and permit their prompt withdrawal whenever necessary to protect the public. Finally, the provisions for the identification of drugs and the furnishing of full information with regard to new drugs will reduce the possibilities of confusion or mistakes in the dispensing of drugs to the public.

All of these provisions represent significant improvements in the present law. They reflect recognition that the drug industry is affected with the public interest and must be subject to special controls in order to safeguard the public. I do not believe that this statement would be challenged by any official of the industry and I have every confidence that they will comply with the provisions of this law in a manner which will reflect the industry's own deep concern with the health and safety of the population.

At the same time, the committee has rejected or revised some proposals which would have converted this industry into a creature of the Government and stifled its continued contribution to the health of our people. Mistakes have been made, serious and even tragic mistakes. New laws were needed to prevent such mistakes in the future insofar as it is humanly possible to do so. But mistakes can be made by Government officials as well as private citizens as we all know too well. Socialistic control over any industry is no guarantee against errors and is a sure way of curbing progress, initiative, and incentive. Fortunately, the specter has been avoided and the drug industry will continue to be a part of our free enterprise system.

The people of this Nation enjoy the best standards of health of any people in the world. New drugs have curbed or cured such dread diseases as tuberculosis, diphtheria, polio, diabetes, and arthritis. As a result of tranquilizers, the population of our mental hospitals has been able to receive more humane and effective treatment than was ever before possible. No one who wanted this progress in the development and marketing of new, but safe and effective drugs to continue, can be accused of any lack of concern with the health of our people. On the contrary, those who would go so far as to hamper if not prevent these new products from being developed or reaching the market would not be acting in the public interest.

What most of the members of the Committee on the Judiciary were seeking were methods of preventing any unsafe drugs from reaching the market which would not interfere with the development or use of safe and needed medicines.

There were two objectives. First, and, it would be fair to say the most important, it would keep unsafe drugs off the market; second, we would see that as quickly as is safe, important new drugs reach the market. For example, we know that today we have no drug, that will cure cancer. Perhaps sometime we will have one. If we have one and its side effects are not disastrous, of course, it is to the advantage of the public to have that drug reach the market as early as is safe.

In my judgment, in the pending bill we achieve the two objectives in a reasonable and fair way. I am confident that the debate will make it clear to every Member that the bill would pass with virtually no opposition.

Mr. HRUSKA. Madam President, I yield myself 20 minutes on the substitute.

Madam President, S. 1552, the Drug Industry Act of 1962, as reported by the Senate Judiciary Committee on August 21, is a carefully drafted, thoroughly considered piece of legislation. It was reported out by a unanimous vote. It has my unqualified support.

The bill provides for the strengthening of our basic food and drug laws. It brings up to date the 1938 act, which was the latest major revision of the existing statutes in the drug field.

In general, the bill provides for the registration of all drug manufacturers. It provides for increased and improved factory inspection, quality controls, and the maintenance and submission of various records and reports, especially in regard to investigational use and clinical experience. It provides for the standardization and simplification of official names for drugs. It insures that the names will be prominently displayed on all labeling and advertising, and that all antibiotics will be certified by the Government. Advertising will be subject to appropriate regulation. Under the present law, the test which a new drug had to meet before it could be put on the market was that it be safe. Now a new test has been put into the bill: it must not only be safe to those who use it, but it must be effective for the claims made for its use. This is a major development.

COMMENTS ON THALIDOMIDE

In the past several weeks, there has been widespread discussion of the thalidomide episode. It started with the recent tragic news concerning the sale of this sleeping pill in Europe, particularly to expectant mothers, many of whom delivered malformed babies as a result of the use of that drug.

Efforts to secure Food and Drug Administration permission to place this drug on the market in the United States were begun nearly 2 years ago. Had such permission been given, the drug would have been available upon prescription, unlike the practice in Europe where the pill was sold over the counter. This at once indicates the greater care and protection afforded the public in America than elsewhere in the world in handling drugs.

The new drug application was assigned to Dr. Frances Kelsey in the Food and Drug Administration. The story is familiar from this point on. She had some misgivings about the safety of the drug, and requested additional evidence. More tests were run and additional clinical experience reports were submitted. This went on for some time. Then came the sad news from Europe that this drug was responsible for the tragic experience at childbirth. So Dr. Kelsey's doubts and determined refusal to grant permission to manufacture this drug in America were well justified.

Very properly, President Kennedy gave Dr. Frances Kelsey an award for this splendid contribution to public service. All of us rejoice for her. We express our gratitude also for the system by which she was able to exercise enough authority to protect the public in this manner.

It is noteworthy that thalidomide was barred and the public was protected under the 1938 act for Food and Drug Administration, as amended. Later testimony showed that even then not all of the powers in the drug field granted to the Secretary of Health, Education, and Welfare were employed by him or by the Food and Drug Administration. It is further noteworthy that new proposed rules are drafted and are being promulgated under the present law and without reference to any new authority contained in the pending bill.

Notwithstanding the fact that the present law was ample to detect and bar thalidomide here in America, the episode was useful to illustrate the necessity of additional provisions in the law, which I shall discuss later. Largely, however, they are a refinement of procedures and provisions already contained in S. 1552, as originally reported, rather than an enlargment of the scope of the bill. It should be observed that S. 1552 was first reported on July 19. It was sent back to the Judiciary Committee for further consideration and amendment, and reported in its present form on August 21.

WHY WAIT FOR A NEAR TRAGEDY BEFORE AMENDING THE LAW?

Quite often the question has been asked, Why was it necessary to have awaited or risked the near tragedy which threatened us in the thalidomide case before action is taken to strengthen the drug laws?

The plain answer is that the proceedings leading to the formulation and introduction of the instant bill long predated the thalidomide case.

Hearings were started by the Antitrust and Monopoly Subcommittee in 1959. They had to do, not with passing an original law on the subject, but to strengthen and to improve the existing statutes. The original Food and Drug Act was passed way back in 1906, during President Theodore Roosevelt's administration. Since then, from time to time, there have been several revisions of that law. Scientific methods change. New drugs appear. New operative procedures develop. And as they do, new problems arise and the law has to be changed.

The latest change in the drug laws was made in 1938, nearly 24 years ago. That was shortly after the appearance of the wonder drugs, particularly the antibiotics. It is now thought well to revise the drug laws again, this time radically and fundamentally so as to catch up with the times. That is what has been going on for 3 years, and that is the point at which we now find ourselves.

COMMITTEE?

Much curiosity exists as to why the Senate Judiciary Committee should be supporting and sponsoring a bill pertaining to the drug industry. Very frankly, some of us on the committee have wondered about this, too.

After all, the Judiciary Committee has jurisdiction over the courts, the national penitentiaries, immigration laws, antitrust laws, patents, constitutional rights and amendments, and similar subjects.

Why did it get into a bill which amends the statutes regarding the manufacture and distribution of drugs?

Frankly, the reason is that it was first thought that the antitrust laws were being violated by the drug industry; that a concentration of the industry resulted in monopoly; that the patent laws were not adequate; and that as a result of all this, drug prices were too high.

It is logical for the Antitrust and Monopoly Subcommittee to inquire into these subjects and to recommend whatever corrective action is necessary.

Although I will discuss some of these specific provisions later, at this point I should like to observe that the bill has no provisions for new antitrust laws, no provisions dealing with monopoly, no provisions amending the patent law, and no provisions against price fixing.

In fact the bill, as has been stated, relates to the conditions under which prescription drugs are made, distributed, admitted to the market, retained or withdrawn therefrom, and similar subjects. All of these matters are more properly within the jurisdiction of the Senate Committee on Labor and Public Welfare, to which food and drug administration measures are ordinarily assigned.

OPPOSITION TO BILL AS ORIGINALLY DRAFTED

S. 1552, in its original form, was introduced in April 1961. It contained several provisions which the committee subsequently rejected because they were detrimental, not only to the drug manufacturers, but more importantly and especially to the physicians who prescribed such drugs and the patients who would take such drugs and benefit from them.

With those detrimental provisions, the bill drew steadfast opposition from several members of the subcommittee. This generated much unwarranted and improperly founded criticism. However, by patiently developing the facts and reasons for their opposition, those members gained considerable support by the time the bill reached the entire committee. This is clearly seen by the fact that when the bill reached its final form, as reported to the Senate this week, it had unanimous approval of the entire Judiciary Committee membership—yet none of the highly objectional provisions remained.

In general, these objectional provisions had to do principally with our patent system and with the proposal to federally license manufacturers of prescription drugs.

These and other detrimental sections of the bill were wisely deleted.

Any attempt to resurrect any of these rejected provisions, in the form of an amendment to the bill, should be resisted and defeated.

In the main, it can be said that the bill in its present form fills a need and serves a purpose recognized as proper and desirable, not only by the Food and Drug Administration, physicians, and the general public, but also by the pharmaceutical industry itself. In fact, there was strong support for revision of the 1938 drug laws from the industry and the practicing physicians. But there was also grave concern expressed about the pending bill until the objectional provisions referred to above were deleted.

THE PATENT SYSTEM SHOULD NOT BE DESTROYED OR IMPAIRED

The bill as originally introduced provided for compulsory licensing under patents; that is, an inventor who secured a patent on a new drug would be forced to license any qualified manufacturer to make and sell the patented drug under certain conditions. Also, the original bill would have prohibited the holder of any patent from withdrawing any application for patent or conceding the priority of invention to any other applicant. He would likewise be required to file any agreements settling any interference suits or claims pertaining to such a patent.

Further restrictions as to patentability were sought in cases of so-called minor or molecular modifications of any drug or combination of drugs.

All of these proposals were very wisely rejected.

The patent system is very important to America. It has done much to make our Nation the leader in industry, commerce, and the sciences. We should remember that it is a system which the Federal Constitution itself provides and protects.

While it is generally vital, a patent is particularly important in the manufacture of pharmaceutical products.

Research by which new drugs are invented or discovered is very expensive. The cost sometimes runs into the millions of dollars. More often than not such research does not result in any marketable product. Just as in the oil drilling operation, many of the holes are dry.

The only way a company can justify the expenditure of stockholders' funds is by the assurance that it can recover the expense of research, development, and marketing of a new medicine. The patent system affords that assurance by giving the inventor for a term of years the exclusive right to manufacture, sell, or license such new drugs.

If the patent system were impaired by provisions such as those originally contained in the proposed bill, such a recovery of expense would no longer be possible. The specification of compulsory licensing to any qualified applicant after 3 years, as originally proposed, would completely dry up research funds, permanently retarding the dramatic advance in health standards and public care.

Consider that over two-thirds of the new drugs of the past 25 years have been discovered and developed here in America. Tremendous progress has been made. Yet there is so much more to be done in the search for new medicines and drugs to relieve pain and save lives. We need only to recall the enormous research which yet must be done in the fields of cancer, heart cases, multiple sclerosis, nephritis, arthritis, and a host of other diseases to realize this fully.

In order to have new discoveries, we must have an effective patent system. It is interesting to note that the trend in the world today is toward strengthening and making patent laws more effective rather than to dilute, impair, or repeal them. Particularly notable is the fact that the European Common Market is right now engaged in perfecting a system of product patents on pharmaceuticals. When that system is made effective, it will include Italy, which now has no patent laws on pharmaceuticals.

One of the outstanding witnesses on this subject during the course of the hearings was Dr. Vannevar Bush, an eminent scientist and inventor in his own right.

Madam President, I ask unanimous consent that an excerpt from the testimony of Dr. Bush be printed at this point in the Record.

There being no objection, the excerpt was ordered to be printed in the Record, as follows:

EXCERPT FROM TESTIMONY OF DR. VANNEVAR BUSH

> I was Chairman of the President's Science Advisory Board appointed in 1943 to study the patent system, and I was a member of a similar Patent Survey Committee created in 1945.
>
> I am one of few recently to propose a program of far-reaching changes in the patent system to bring it in line with modern conditions. This appeared as Study No. 1, conducted by your sister Subcommittee on Patents, Trademarks, and Copyrights, entitled "Proposals for Improving the Patent System" and published in 1956. I am still learning things, and I would not today attempt to support every proposal I then made.
>
> I continue to be convinced, however: (1) that the patent system is an essential part of our free enterprise system; (2) that it has been responsible for a significant part of the great technical and industrial advance of this country; that in particular it has made possible the salutary advent of many small independent individual companies; (3) that the system is not perfect, and that revisions could be made which would bring it into step more fully with modern conditions; (4) that when such a revision is made it must be done on an overall basis, by a group that fully understands the system, and also understands modern research and development, and that any attempt to do it piecemeal would inevitably result in damage to the system and to our national progress.
>
> If I were to attempt to analyze the system in all its aspects, I would be here for a week. I will therefore speak only of aspects affected by the present bill.
>
> As far as patents are concerned, the central feature of the present bill is that it would require the licensing of all drug patents to all comers after a 3-year interval, and at royalties with a stated maximum.
>
> The simple fact is that, if this were the law of the land, we would soon no longer lead the world in the development of new and useful drugs. Our industrial research programs on drug development would be severely cut back. How great a catastrophe this would be is not hard to visualize.

Mr. HRUSKA. Madam President, if we are to continue to have new discoveries and new inventions in the drug field or in any other field, it is necessary to keep the patent system and improve it, rather than to repeal or impair it.

Madam President, the pending bill can be recommended, not only for what it contains, but also for what it avoids. The bill does not contain an elaborate system of Federal licensing for drug manufacturers as originally proposed. The drug industry is not a public utility. It has enormous responsibility to the

American people, but so long as its products are safe and pure and will do what they are represented to do, the industry should be left free to conduct its own affairs in the American tradition of free enterprise.

The bill will bring reform, but it will not remove the responsibility from the industry to develop and distribute worthwhile drugs. The Government has extensive powers, especially in the area of factory inspection, advertising, and the quality control. There were attempts to give the Government even greater powers in these areas, but the committee wisely drew a line.

After all, a balance should be observed in legislation of this kind. The law which is placed on the statute books should, by all means, provide sufficient power to protect the public. At the same time, it should not impose insuperable obstacles upon industry, the public, and on the Government agencies themselves which prevent the introduction of useful medicines on the market. The task of the Food and Drug Administration is to protect the public. It discharges that mission in two ways: One, is by preventing harmful drugs from reaching the public. The other is by seeing that useful drugs and medicines receive approval and are placed on the market. When that latter mission fails, the public is not protected, because it is denied products which are helpful. We should not suffer that to happen any more than we would to expose the public to harmful products.

ARE DRUG PRICES EXCESSIVE?

To charge that prices are too high and to promise a reduction by legislation leads many a demagogic politician into a wonderful dream world. Sometimes it goes so far that he even convinces himself of his own virtue and prowess as a "friend and deliverer of the people."

An appeal to the emotions bring many plaudits. In turn this generates even more extravagant promises.

I mean promises that far too often cannot be fulfilled, Mr. President. I refer to promises that are not realistic. Promises that are cruel and deceptive to those to whom they are extended.

Everyone is for lower prices for clothing, food, rent, and services of all kinds. Who would not favor lowering the costs even on entertainment for which the average American spends 4 cents out of every dollar of disposable income; or on liquor or tobacco, on which he spends 5 cents out of such dollar. The record shows incidentally, that he spends only 1 cent for drugs out of such dollar.

However, prices cannot be legislated. It is possible, of course, to pass a law that a certain pill must not sell for more than $2 per hundred rather than the previous price of $3. But the undoubted result would be that no pills will be made and thus available under such a law.

One witness appearing before the Antitrust and Monopoly Subcommittee, Dean Eugene Rostow of the Yale Law School discussed the question, "Are prices and profits too high?" in this way:

> The committee's report, and a good deal of the testimony here, criticizes the industry performance of prices and profits which are deemed to be too high. Indeed, the chairman's opening statement takes the view that "the principal, though not the only reason for the bill, is that ethical drug prices are generally unreasonable and excessive." That is the end of the quotation from the chairman of this committee. I have two comments to make about that arresting statement. The first is that the committee's report does not convince me that the charge is valid, and what other evidence I have seen tends to support the contrary conclusion, for an expanding industry like the drug industry. The second point I should like to make is that even if we could agree that drug prices are too high, by some manageable standard, the committee report is static rather than dynamic; that is, it attempts to deal with prices at a moment of time, and not over a period of time. It therefore poses a problem which the whole tradition of the antitrust law regards, and I think rightly regards, as irrelevant. On the first point—whether drug prices can in fact be considered too high in some sense—Professor Markham has reviewed the evidence, and I do not wish to burden you with repetitive material. The most appropriate criterion to use in attempting to answer the question is that of company profitability, not profitability for particular products, and especially particular new products. Company profitability is the only way to judge the combined effect of new and old products, and of research failures and successes.

PRICES AND PROFITS

There are many factors that go into price. A distinction should be made between prices and profits. It would be a considerable help in this debate.

In his testimony, Dr. Vannevar Bush spoke to this subject.

> Now do not gather from this that I think our whole system of providing drugs for the public is perfect. I do not. I believe it can be improved. In particular I believe the cost of drugs to the user can be reduced. But the way to do this is not to knock out the source of new and better ones. The reason for the high cost of drugs does not lie in undue profits realized by the pharmaceutical industry. If an individual goes into a drugstore and pays a dollar for a prescription, 4 or 5 cents of that dollar represents profit to the concern which made it. If we knocked out all the manufacturer's profit, we would not reduce the cost much, and soon we would have an industry in distress. Personally, I never want to buy a drug made by a company that is losing money and is therefore tempted to cut corners. We need a healthy industry if we aspire to a fully healthy population.

The record shows that the average price of prescriptions in the United States is about $3. Sixty percent of them cost $3 or less. One in 100 prescriptions costs as much as $10. The manufacturer gets about 50 percent of the retail cost. Out of that he must underwrite the production expense and the costs of selling, advertising and promotion, pay the general and administrative expenses, taxes, licenses, royalties, and put aside reserves for depreciation, quality controls and research. All these must be taken care of before a profit is realized.

It is even more significant to compare such prices with other items. In the 10 years starting in 1948, average real wages of chemical and allied products workers increased 70 percent. Construction costs rose 64 percent. Wholesale drug prices rose 3 percent.

In that same decade, increases in retail prices of drugs have been substantially less than cost of living—rents, personal care, transportation and other essential items for the well-being and security of our citizens.

On the wholesale price index, using 100 for the year 1949, the Bureau of Labor Statistics shows that all commodities except farm and food products have gone up over 26 percent. Using that same index of 100, our committee record shows that there was a decline of prices for prescription drugs by over 10 points through the year 1961.

The same index shows that wholesale prices of industrial products rose 22 percent while wholesale drug prices rose only 3 percent.

GREATER EFFECTIVENESS OF DRUGS

We have the finest physicians in the world. They have the best training; the best hospitals in which to work and the best medicines which can be prescribed for the ills of their patients. It is this health team which has produced a standard which is the envy of the world.

In the past three decades the average life span has been increased by 10 years and 4.4 million working-age people are alive today who would have been dead if 1935 mortality rate continued.

The committee hearings show that the reduction in mortality contributes as much as $10.4 billion to the gross national product. The reduction in disability time contributes $2.5 billion.

WHAT ABOUT SPECTACULAR MARKUP IN DRUG PRICES?

Much has been made during the entire hearings and in this debate about tremendously high markups. Usually those who call attention to these astronomical percentage figures are careful to call it a "markup," or "margin by the factory cost and price to the retail druggists." However, the general public leaps to the conclusion that it is "profits" that are being talked about. Thus the repeated assertions of such great percentages are very misleading and inflammatory.

One example given was that after a compound had been made into tablets and put into bottles, the cost—including the cost of labor and the cost of making the tablets and placing them in bottles and preparing the bottles for shipment to the pharmacies—was $1.50; but the same pills were sold to the pharmacists for $15; so there was a markup of 1,000 percent.

The plain fact is that the term "markup," as thus used, covers only the production cost and the raw material in most of these cases. There is omitted from the calculation of profit all of the other expenses of doing business, including selling, advertising and promotion, general overhead, taxes—Uncle Sam gets 52 percent out of every dollar of profit—reserves for depreciation, quality control, and research.

This fact was brought out many times, but that did not deter the practice of using these extravagant and misleading figures on the part of those who just cited them.

The **PRESIDING OFFICER** (Mr. McCARTHY in the chair). The time the Senator from Nebraska has yielded to himself has expired.

Mr. **HRUSKA.** Mr. President, I yield myself 5 more minutes.

The **PRESIDING OFFICER.** The Senator from Nebraska is recognized for 5 more minutes.

Mr. **HRUSKA.** Mr. President, very often the pharmaceutical industry is portrayed as one of the highest profit makers on the American industrial scene. It will be noted that all too frequently a particular year is selected and used to illustrate this point. Unfortunately, no industry or company can live forever on the experience of any single calendar year. This is both good and bad, because some years also produce losses; hence, it is necessary to take an average over a period of years. In our committee hearings we find the statistic that for the 10 years of 1949-58, thus including several of the higher postwar years and the unusual years of 1957 and 1958, the average profit on sales for 10 larger companies was 12.2 percent. This is a much more fair way to compute profits.

The basis of profits is also a very interesting, although perplexing and baffling, subject. It is one thing to compute profits on the basis of net worth, a very highly flexible and variable method. It is another thing to use the normal standard of profits on basis of sales. Many hours of testimony were taken on this subject.

Still another fallacy in the computation of profits is that a particular product at a particular time, is taken rather than the entire range of products which are researched, developed, and marketed. Obviously, no company's profit position can properly or accurately be figured on such a restricted basis.

In summary, Mr. President, we must strengthen and preserve the system which has made possible the high standard of health care our country enjoys. But we cannot make progress by downgrading the practice of medicine or by destroying the manufacturer of drugs.

The Food and Drug Administration has a vital mission—to protect the public. Our efforts in Congress will be constantly devoted and directed toward improving the food and drug laws so as to assure the continued success of this mission.

Mr. President, the bill before the Senate complies with the President's recommendations. The bill originally reported to the Senate received the unanimous vote of the committee, as did the one which was reported earlier this week.

Having personally considered this legislation at each stage of the long course of committee hearings and executive session markups, I confidently commend it to my colleagues and the country.

Finally, Mr. President, I should like to extend my own congratulations to the staff of the committee and to the staff of the Antitrust Subcommittee. They have worked hard, and they have been most helpful.

I also wish to express my appreciation to the chairman of the subcommittee, Senator KEFAUVER. He has been considerate and patient, and has worked well with us. From time to time we have had differences which occasionally were quite spirited. But when they arose and there was the possibility of reconciliation, the chairman of the full committee, the Senator from Mississippi [Mr. EASTLAND], was always willing to serve as an arbitrator and invariably found an acceptable solution.

I also join in the thanks and compliments which have been extended by other Senators to all who have participated in this important work.

Mr. President, I yield back the remainder of the time available to me.

Mr. **HART.** Mr. President——

Mr. **KEFAUVER.** Mr. President, I yield 15 minutes to the Senator from Michigan.

The **PRESIDING OFFICER.** The Senator from Michigan is recognized for 15 minutes.

Mr. **HART.** Mr. President, today we are discussing this bill in a vastly different atmosphere from that which prevailed in recent months.

As Senators will observe, the bill was introduced on April 12 by the Senator from Tennessee [Mr. KEFAUVER], on behalf of himself and myself; and on July 19 the bill was reported by the Senator from Mississippi [Mr. EASTLAND], with amendments.

There is no need to discuss the chronological sequence of events which have led up to our consideration of the bill today, even though such a study may be of interest, as a case study, to those who may desire to evaluate such developments.

Mr. President, the terrible conditions of work which existed during the late 1800's in factories in which women were employed were finally improved following the terrible fire in the Triangle shirtwaist factory.

Very dangerous conditions which had long existed in the mines were finally improved, after terrible accidents had occurred.

In dealing with the dangerous practices followed in the drug industry, for a long time the Senator from Tennessee [Mr. KEFAUVER] was almost alone. I was glad to join him in attempting to impress upon the Congress the absolute necessity for marked improvements in both the production, the controls, and the pricing practices used in connection with ethical drugs.

Mr. **KEFAUVER.** Mr. President, will the Senator yield?

Mr. **HART.** Gladly.

Mr. **KEFAUVER.** At this time I want to express my deep appreciation to the Senator from Michigan for his interest, cooperation, and support throughout the whole investigation and all proceedings in connection with the bill. He was, along with me, a sponsor of the bill. He studied the problem. He was present at practically all the hearings, and spent a great deal of time and gave a great deal of thought to what should be done about this problem.

In the hearings, in the action of the subcommittee, in the action of the full committee, in getting the message to the people about the need for improvement in connection with the drug industry, he has been a valiant force and a strong and effective voice. I personally am grateful. The Senator deserves a great deal of credit, and I know the good people of his State of Michigan have much appreciation of the work the Senator has done and for his support of the bill.

Mr. **HART.** I can only express my thanks to the Senator from Tennessee for a statement which I shall treasure so long as I have mind and memory.

Mr. **KEFAUVER.** I hope that will be a long time.

Mr. **HART.** Mr. President, other Senators will describe, and the report of the committee in detail analyzes, all of the aspects of the bill now before the Senate. I wish to discuss just two aspects.

First, I hope Senators will agree, as they look at the complete record of the subcommittee hearings, that the committee took pains to build a complete record. That record makes clear to laymen a subject which is difficult and complex, and it reveals the need for the various provisions of S. 1552.

My remarks today will not be devoted to an analysis of that bill. Rather, I want to discuss briefly the sections relating to generic names and to advertising. I have a special interest in the provisions affecting generic names. In May 1960, when it was necessary for the Senator from Tennessee [Mr. KEFAUVER] to be absent from Washington, he designated me to preside over the 4 days of hearings devoted to the perplexing and most difficult problems involving the prescribing of drugs by generic and brand names. At that time, the committee was examining the prescription drug industry, as a part of its study of administered prices. From that, the drug antitrust bill now before the Senate evolved.

I know that I was one of those who needed to be reminded that in the field of prescription drugs, the person who pays for the prescription has nothing to say about what drug is to be ordered. Necessarily, it is the doctor who makes that choice. One of the purposes of the bill is to bring about conditions under which doctors may prescribe drugs by generic name and be confident that drugs meeting the highest standard are supplied.

At the root of this whole problem is the fact that certain drugs have achieved acceptance by their trade names in the mind of the physician who writes the prescription. That acceptance has been won through the efforts of the industry's salesmen, who are called detail men; it has been won by sustained and expensive and, why blink at the unhappy fact, sometimes misleading advertising; and, finally, that acceptance flows from the weakness of the law which makes it possible for a few unqualified manufacturers to operate.

I think it would be interesting to note here that, under present law, one can take a glass of water, put a little coloring in it, it can be called a manufacturing process, and he can obtain from the Food and Drug Administration a license to market it as a new drug. There is nothing the Food and Drug Administration can do about it. Why? Because it does not hurt anyone. It does not do anyone a blessed bit of good.

The shocking thing is that under present law a license must automatically issue, and thereafter, as Secretary Ribicoff testified, a cat and mouse game must be played to see if the Food and Drug Administration can find if there has been mislabeling or misleading advertising.

It is most unfortunate that high prices in prescription drugs should result from the fact that many doctors are uneasy about prescribing by generic names. Why is this so? The answer is that it is the weakness of the law which makes for this insecurity and makes high prices inevitable for prescription drugs.

Perhaps the situation will be made clearer if we move for a moment from drugs, which no one on this floor is qualified to prescribe, to the purchase of beef, with which all of us are familiar. When one goes to the butcher shop to buy a rib roast, he may like or dislike the price or the amount of fat on the beef displayed, but when he sees stamped on the meat the words, "USDA Prime," or "USDA Choice," or "USDA Good," he knows that a Government agency has impersonally graded the meat. The consumer then does not have to ask himself whether the name of the packer is one which has been dinned into his consciousness. The product has acceptance as prime, choice, or good. Is it surprising that packers who are heavy advertisers should try to have Government grading forbidden? One hears that this is so. When we have confusion and insecurity, it is the heaviest advertiser, not necessarily the maker of the best product, who prevails.

We may say that their attitude is shortsighted and not concerend with the public interest, but our problem is not a complicated one. The problem simply comes to an end when we demand that all drug manufacturers meet strict standards—and when we provide that any manufacturer who fails to meet the standard for a given product cannot continue to make that product.

The stricter standards for inspection imposed by this bill, and its requirement for registration, will guarantee the quality of every drug sold in the United States. The physician will know it is of adequate and acceptable quality whether it is marketed under a brand name or under a generic name.

Mr. KEFAUVER. Mr. President, will the Senator yield?

Mr. HART. Gladly.

Mr. KEFAUVER. The Senator conducted this important part of the hearings. Is it not true that the drug manufacturers spend $5,000 a year per physician to send out detail men who provide the physician with sample drugs and give him information about their own drugs, and for other selling and promotional expenses?

Mr. HART. That was indicated from our record of the hearings.

Mr. KEFAUVER. Is not the principal purpose of detailing to impress on the mind of the physicians a trade name and to leave the impression that if they used a drug with a trade name of a well-known manufacturer, they were perhaps getting a purer drug or a better drug or a more efficacious drug than would be so if the drug had been purchased by the generic name at a lower price?

Mr. HART. The testimony indicated clearly that that was the purpose of detailmen, and that was, in fact, the way they performed.

Mr. KEFAUVER. While the provision of the bill which the Senator is talking about now, relating to stricter factory inspections and control measures, may not be as effective as licensing, it will, in the first instance, be effective and give the physician adequate grounds for relying upon the soundness, purity, strength, and efficacy of any drug purchased or manufactured in this country, whether prescribed by the generic name or by the trade name. Is that correct?

Mr. HART. I feel that is so. Certainly it is our hope.

Something which bothered me very much and which bothered the Senator from Tennessee very much was the discovery that in certain States and in certain cities it was required that a prescription written for a person on public welfare be written in the generic name. If it is safe for the welfare patient, it is safe for all of us. If it is not safe, then it should not be done for any of us.

Mr. KEFAUVER. Did not the American Medical Association recommend that prescriptions be prescribed by generic name in the cases of welfare patients? But did not the same association fail to make such a recommendation for all other people?

Mr. HART. It is my recollection that this position was taken by the association in December of 1960.

Mr. KEFAUVER. The Senator feels as I do, does he not, that merely because a person is not so fortunate as to have as much money as somebody else, there is no justification for discrimination as to the purity or effectiveness of the kinds of drugs he takes?

Mr. HART. The question answers itself.

There are a great many reasons which were assigned as to why it was all right for the military to buy generically and why it was all right for large hospitals to buy generically, because they had formularies and they had hypothecaries and they could test the drugs. It was said that they could be sure of the quality.

What about the welfare patient? He did not have those services, but still it was felt all right to give him that type of prescription.

Let us not churn up the water now over the dam. Let us be thankful that we have a bill before us which will give assurance to physicians that if they prescribe generically the sources from which the drugs will be secured will be inspected, so that standards will be met. I think this is a most important aspect of the proposed legislation which, in the excitement and emotions following the incidents with respect to thalidomide, has been overlooked.

Mr. President, the effect of an easy and safe system of generic name prescribing is lower prices for drugs. I am anxious that my colleagues have always in mind this fact, so I want to touch briefly upon what the record reveals as to the pricing situation. The 1961 report of the Senate Judiciary Committee on "Administered Prices—Drugs," gives concrete examples of how small companies, marketing drugs under generic names, offer them at prices much below those of large manufacturers marketing the same drugs under brand names. These examples, of course, are drawn from those drugs which are not patented, such as penicillin, and prednisone, over which a patent dispute raged and enabled the development of a bulk market in the drug.

The Judiciary Committee's report shows comparative wholesale prices between selected small companies and large companies for penicillin potassium G tablets. Among the small companies—which traditionally sell by generic name—the prices for 100 tablets range from $2.95 to $3.30, to $4 or $5. In contrast, Merck and the Squibb division of Olin Mathieson charge $12 for the same quantity. The record is filled with instances of similar price disparity.

The PRESIDING OFFICER. The time allotted to the Senator from Michigan has expired.

Mr. HART. May I have 10 more minutes?

Mr. KEFAUVER. Mr. President, I yield 10 more minutes to the distinguished Senator, from the time on the bill.

The PRESIDING OFFICER. The Senator may proceed for 10 additional minutes.

Mr. HART. For prednisone and prednisolone, the small manufacturers again offer at the lower prices, that of the lowest price manufacturer being $4 for prednisone and $4.85 for prenisolone. Other offerings of small manufacturers were as high as $7.50 for prednisone and $7.75 for prednisolone. This relatively high figure, however, contrasts with the price of $17.90, for both prednisone and prednisolone, in which there is absolute price identity among the major manufacturers which offer it.

So much for certain aspects of the pricing practices as shown in the record. What this bill would do is insure the quality of all drugs. With this assurance, physicians could prescribe generically with greater confidence—and in many cases with a resulting price saving. It further would encourage generic prescriptions by strengthening the whole generic name system.

The drug antitrust bill moves effectively to end the chaos that now exists in the naming of prescription drugs. First, the authority to designate an official name for any drug in appropriate cases is to be conferred upon the Secretary of Health, Education, and Welfare.

When that name is established for any drug, it shall be the only official name used for the drug in any official compendium, and for the other purposes of the Food, Drug, and Cosmetics Act.

The bill removes authority for choosing generic names from the manufacturers—who profit when generic names cannot be remembered—and making the selection the responsibility of the Secretary of Health, Education, and Welfare. The bill would end an evil which is stated with remarkable clarity and economy in a single sentence in the report:

> If the generic name—

The report says—

> is too long to remember, too complex to spell, or, even simpler, if there is no generic name whatever, the physician is almost compelled to write his prescription in terms of the trade name, which is usually simple, short, easy to remember, and continually impressed upon his mind by advertising and promotion efforts.

And the report correctly comments:

> The present confusion is the combined result of an incentive for the drug companies to minimize the use of generic names and an absence of authority by any public body over the designation.

Whether we excuse or condemn the tendency of drug companies to minimize the use of generic names so as to focus the doctor's attention on their trade-name products, the bill before us would effectively end the practice.

The bill would provide that every drug advertisement, regardless of what medium is used, must include the generic name, which must be printed in type one-half as large and as prominent as that used for the trade or brand name in the advertisement. The advertisement would have to include a warning or a summary as to any dangerous or harmful property or effect from the drug. And finally, every advertisement would have to include a full and correct statement of the drug's efficacy.

I have said that there was a practice of subordinating or minimizing generic names, and the record amply demonstrates this. In that record are examples of advertisements with no generic names. There are instances of generic names printed in type so small as to be almost beyond reading. But was this accidental? No, for the record also discloses directives from drug firms instructing their advertising agencies not to use generic names except where absolutely necessary. A publication which does require the use of generic names in advertisements is the Journal of the American Medical Association. The record shows even here an attempt to evade this requirement. Again and again, there is the depressing evidence of the Journal calling to account one of the very largest advertising agencies, specializing in ethical drug promotion, for its failure to list the generic name, or for listing it in type of too small a size. And if this is not enough, we have the spectacle of a large manufacturer of drugs failing to designate any generic name at all. In such a case, there could be no fear of a doctor failing to prescribe by the company's brand name and instead prescribing by a nonexistent generic name.

It might be argued that in all the instances which I have cited the error was inadvertent. This bill recognizes the transcendent importance of generic names if the American people are to have good drugs at reasonable prices, and it seeks to end the failure to disclose generic names, whether that failure is intentional or unintentional.

I believe an inseparable part of the generic name safeguards is the bill's requirement that when a drug has harmful side effects or contraindications, the advertisement must list them or, if their length is too great for use in an advertisement, summarize them. Such a summary would have to be approved by the Secretary of Health, Education, and Welfare—the importance of which should be noted.

Is there a danger, and is the provision for disclosure of side effects necessary? Indeed, yes. The requirement comes from the fact that most drug advertisements fail to give anything approaching sufficient information, even as to injurious side effects. How widespread is this failure? To determine this, the subcommitee asked the Library of Congress to survey drug advertisements in six leading medical journals. The survey covered a 9-month period from July 1958 through March 1959. Thirty-four important trade-name products were covered. The advertisements for these drugs appeared in 2,033 pages of the journals. In no fewer than 89 percent, the report of the committee says:

> The advertisement contained no reference to side effects at all or only a short dismissal phrase which was typically less of a warning than a reason for prescribing.

Please observe: 11 percent listed the warning, 89 percent failed to mention it.

The Committee on the Judiciary in 1962 submitted to the Senate its report entitled "Administered Prices—Drugs." That document told of the case in which one drug company failed to disclose significant information about the side effects of a new antidiabetic drug. Evidence showed that the medical officer of the company informed the president and others, by way of a summary report, the results of a clinical test. This report stated that out of nearly 2,000 clinical cases reported, 27 percent reported one or more side effects. Among the side effects were minor irritations, adverse effects upon the nervous system, serious skin disorders and jaundice.

The original advertising material accompanying the drug began with the statement:

> Side effects are generally of a transient and nonserious character.

Now, if any of my colleagues tell me that the company acted in perfect good faith in thus paraphrasing the warning as originally prescribed by the company's own medical officer, I shall not argue with him. I concede that human beings can act in perfect good faith and that their actions may be suspected by their neighbors, especially when self-interest is served. But I submit to my colleagues that there is a way to end all controversies of this kind. The way is that taken by this bill before us. Guided by the abuses, or the mistakes of the past, the bill requires that where the side effects are summarized, that summary must be approved by the Secretary of Health, Education, and Welfare.

Mr. President, I submit that the provision is eminently fair. The story which I have recited shows how self-interest may lead a company to distort a warning, even granting that it is done in good faith. This provision, with its requirement that all advertising summarizing side effects must be approved by the Secretary, is a guarantee that the public health will be safeguarded.

Mr. President, the provisions strengthening generic names protect the public and do an injustice to no drug manufacturer and to no consumer. The provisions cover all manufacturers, not merely the large ones.

Mr. President, all of us certainly wish to salute the distinguished Senator from Tennessee [Mr. KEFAUVER]. As I said initially, human beings move for a variety of reasons, not all of which in any moment make sense. But his was the voice which pleaded with the conscience of the Senate and sought to reach the conscience of America for many months, protesting that existing law was inadequate, and that there were dangers and abuses. It required a tragic series of instances to make vivid the message that the Senator from Tennessee had been preaching and to bring this body to this day when, I am confident, it will respond and materially improve the safeguards to the people of America with respect to drugs. When we have done that, let us remember that had it not been for the groundwork laid by the Antitrust and Monopoly Subcommittee, under the chairmanship of the Senator from Tennessee [Mr. KEFAUVER], we would not have been in a position to move so quickly and effectively as we are now able to do in the light of the thalidomide incident. During that period there were heaped upon him many words, but none of praise. Now it is quite proper that he should be saluted for the leadership he has given. History will find for him a very secure place, and I am sure there will be an acknowledgement by a grateful people.

Mr. KEFAUVER. Mr. President, I call up my amendment designated "8-21-62—B" and ask unanimous consent that the name of the Senator from Minnesota [Mr. HUMPHREY] may be added as a cosponsor.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

The amendment will be stated.

The CHIEF CLERK. On page 32, line 17, of the committee amendment, after "Secretary." it is proposed to insert the following new sentences: "Such regulations shall include provisions for adequate tests in animals and approval by the Secretary of the results of such tests before a new drug may be distributed by a manufacturer to scientific experts for testing and evaluation of its effects in human beings. Such regulations shall also include provisions requiring said experts to register with the Secretary, to keep records with respect to the tests performed, and to furnish to the Secretary simultaneous copies of their reports to the manufacturer and, upon request of the Secretary, reports at other times."

Mr. EASTLAND. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. From which side will the time necessary for the quorum call be taken?

Mr. KEFAUVER. Mr. President, I ask unanimous consent that the time necessary for the quorum call be charged to neither side.

The PRESIDING OFFICER. Is there objection?

Mr. KUCHEL. Mr. President, reserving the right to object, may I inquire first whether the Senate is operating under a time agreement both on amendments and on the bill?

The PRESIDING OFFICER. Yes.

Mr. KUCHEL. How much time on the bill remains?

The PRESIDING OFFICER. On the bill the opponents have 54 minutes remaining and the proponents have 4 minutes.

Is there objection to the request of the Senator from Tennessee? The Chair hears none, and it will be so ordered.

The clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. KEFAUVER. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. SMITH of Massachusetts in the chair). Without objection, it is so ordered.

Mr. KEFAUVER. Mr. President, I yield myself 10 minutes. I ask unanimous consent that the distinguished Senator from New York [Mr. JAVITS] may be a cosponsor of the amendment; as well as any other Senator who may wish to add his name.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. KEFAUVER. Mr. President, let me say, first, what the procedure in drug testing is at the present time. Before a drug manufacturer files a new drug application, that is, for permission to sell the drug on the market, he places the drug with physicians. In the case of thalidomide, 1,200 physicians received the drug. Up to the present time, the Food and Drug Administration, although it may have some authority in the matter, has not used the skimpy authority it may have. It usually does not even know what physicians received the drug, nor how much of the drug has been sent out for testing, nor even that the drug has been placed with doctors for testing. The drug has been placed with physicians for testing on human beings, in many cases without having been tested on animals first. As Dr. Louis LaSagna of Johns Hopkins Hospital, stated before our subcommittee on July 19, 1961:

> I might add that the present FDA prerogatives do not satisfy me with regard to toxicity either. It is shocking that experimental drugs are subject to essentially no FDA regulation of any sort before patients receive them. Some drughouses perform extensive animal tests before a drug is first put into man; others perform almost none. It is reprehensible for man to be the first experimental animal on which certain kinds of toxicity tests are run, simply because bypassing adequate acute or chronic toxicity tests in laboratory animals saves time and money.

Mr. DOUGLAS. Mr. President, will the Senator yield?

Mr. KEFAUVER. I yield.

Mr. DOUGLAS. Was that done with the consent or without the protest of the Food and Drug Administration?

Mr. KEFAUVER. Up to this time the Food and Drug Administration has not come into the picture at all.

Mr. DOUGLAS. I thank the Senator.

Mr. KEFAUVER. That is a dangerous situation. There ought to be adequate testing on animals. The malformation of babies as a result of thalidomide could have been avoided if the drug had been tested on rabbits, because in England after the association of malformation with thalidomide in humans had been established and after the drug had been taken off the market, the British licensee, the Distillers Corp., tested the drug in rabbits and they found that the baby rabbits were malformed, in the same way as human babies.

I ask unanimous consent that the Senator from Rhode Island [Mr. PASTORE] be added as a cosponsor of the amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. KEFAUVER. The noted English medical journal, the Lancet, published the story of thalidomide testing on rabbits. There has not been adequate animal testing done either in England or in the United States, and certainly not in Germany, where thalidomide had been sold over the counter.

• It might be of interest to have printed in the RECORD this and another interesting article published in The Lancet on the need for determining the effect of drugs, generally, on the embryo.

I ask unanimous consent that the articles be printed in the RECORD.

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

IATROGENIC DISEASES OF THE NEWBORN

That one person's meat may be another's poison can be especially trying when the two individuals are connected by a placental circulation: thus the drugs taken by the pregnant woman may enter and upset her fetus. Moreover, drugs prescribed in doses relatively safe for older children and adults may harm the newborn even when given in proportionate amounts. So many surprising examples of this danger, admirably reviewed by Nyhan [1] and Lucey [2] have been recorded in the past few years that it behooves all who care for the pregnant woman or the newborn infant to be on the alert for it.

Tolbutamide [3] has been blamed for the congenital malformations of infants of diabetic mothers. This has not yet been confirmed; but undoubtedly the androgens,[4] the androgenic progestogens,[5] [6] and occasionally the synthetic œstrogens,[7] if given in early pregnancy, can masculinise the female fœtus. Malformation has followed attempted abortion with aminopterin,[8] and congenital goitre may result from treatment of the mother with anti-thyroid drugs [9] or with iodide-containing mixtures as recorded again, in our present issue, by Dr. Anderson and Dr. Bird. The use of hexamethonium bromide for maternal hypertension has caused paralytic ileus in the fœtus;[10] while temporary nasal discharge, costal retraction, lethargy, and anorexia have been reported in newborn infants of mothers receiving reserpine during labour.[11] The thoughtless administration or large volumes of intravenous fluids to labouring women can certainly influence the plasma-sodium concentration and the tonicity of the fœtus, although there is still no direct evidence that this is harmful.[12]

The vitamin-Kanalogue, naphthaquinone, Synkavit (the diphosphoric acid ester of 2-methyl-1: 4-naphthohydroquinone), is now known to cause hyperbilirubinaemia and even kernicterus in the newborn,[13] [14] particularly in the premature,[15] when (on the false assumption that if a little of it does good then a lot must do much better) it is given in doses far exceeding the 1–2 mg. necessary for the correction of hypoprothrombinaemia, or when it leaks across the placenta after a really big dose has been given to the mother before delivery. It is directly harmful to red blood cells even in vitro, and it may be more so in the presence of hypoglycaemia or when vitamin E levels are as low as they are in prematures.[15] On the other hand it causes the abnormal breakdown of red blood cells in which as a genetic defect the enzyme, glucose-6-phosphate dehydrogenase, is deficient and glutathione stability is altered. But in the low doses now recommended it should be harmless.

That redoubtable antimicrobial warrior, chloramphenical, has habit of returning bloody but unbowed from the recurrent near-mortal wounds inflicted by his critics. At present this invaluable antibiotic is shunned by many because there is considerable evidence that it has caused the death of newborn infants.[16] Several observers, principally in the United States, have described how babies, particularly prematures, have after a few days' treatment with chloramphenicol developed poor appetite, irregular shallow respiration, abdominal distension, hypothermia, flaccidity, ashen-gray cyanosis, and circulatory collapse, and have died. These signs can, of course, result from the infection for which chloramphenicol is given; and it is only fair to point out that the "gray syndrome" has usually appeared when this antibiotic has been prescribed for newborns in daily doses of 100 mg. or more per kg. body-weight, and that it has not been reported when the manufacturers' recommendation of 25 mg. per kg. daily for prematures and double this amount for full-term babies in the first week of life has been followed. The susceptibility of the newborn seems to lie in a failure of glucuronidation whereby relatively low doses produce effective or high plasma-levels of free chloramphenicol and excretion of the inactive glucuronide is reduced.

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[1] Nyhan, W. L., J. Pediat., 1961, 59, 1.

[2] Lucey, J. F., Pediat., Clin. N. Amer., 1961, 8, 413.

[3] Larrson, Y., Sterky, G. Lancet, 1960, ii, 1424.

[4] Grumbach, M. M., Ducharme, J. R. Fertil. Steril. 1960, 2, 157.

[5] Moncrieff, A. Lancet, 1958, ii, 267.

[6] Wilkins, L. F. Amer. med. Ass. 1960, 172, 1028.

[7] Bongiovanni, A. M., DiGeorge, A. M., Grumbach, M. M. F. chr. Endocrin. 1959, 19, 1004.

[8] Warkany, J., Beaudry, P. H., Hornstein, S. Amer. F. Dis. Child. 1959, 97, 274.

[9] Wilkins, L. The Diagnosis and Treatment of Endocrine Disorders in Childhood and Adolescence. Oxford, 1957.

[10] Hallum, J., Hatchuel, W. Arch. Dis. Childh. 1954, 29, 354.

[11] Budnick, I. S., Leikin, S., Hoeck, L. E. Amer. F. Dis. Child. 1955, 90, 286.

[12] Battaglia, F., Prystowsky, H., Smisson, C., Hellegers, A., Bruns, P. Pediatrics, 1960, 25, 2.

[13] Allison, A. C. Arch. Dis. Childh. 1955, 30, 299.

[14] Meyer, T. C., Angus, J., ibid., 1956, 31, 212.

[15] Crosse, V. M., Meyer, T. C., Gerrard, J. W., ibid., 1955, 30, 501.

[16] Lischner, H., Seligman, S. J., Krammer, A., Parmelee, A. H. F. Pediat, 1961, 59, 21.

This is a further example of enzyme immaturity; and here, as in the poor glucuronidation of bilirubin in neonatal hyperbilirubinaemia, a deficiency of glucuronyl transferase is important. A dose of 25 mg. per kg. daily is probably adequate not only for prematures but for all babies in the first week, and administration need only be twice daily. Thus although there has been a swing away from chloramphenicol, and even frank condemnation of it, its use continues in hospitals where it has been freely used for years in the newborn in low but effective doses without the "gray syndrome" having been observed. Nyhan points out that similar problems of immaturity in relation to glucuronidation may affect the metabolism in the baby of thyroxine, hydrocortisone, and (more important) progesterone and morphine. The newborn is also deficient in the enzyme pseudocholinesterase;[17] and this may be of practical importance, since long-continued apnoea has been described where succinylcholine has been used in anesthesia in the absence of normal enzyme activity.[18]

High circulating levels of unconjugated bilirubin, due partly to glucuronyl-transferase deficiency, are associated with a risk of kernicterus which varies directly with the level and indirectly with maturity. An explanation of kernicterus at lower indirect-bilirubin levels after administration of the sulphonamide, sulphafurazole, has been offered by Odell. Unconjugated, toxic bilirubin is loosely bound with plasma-albumin and in this form may be less likely to cause damage. Sulphafurazole, however, as well as salicylate and caffeine sodium benzoate, competes favourably with bilirubin for the binding sites on the albumin molecule and can displace bilirubin from them. Thus the administration of sulphafurazole may, without altering the indirect-bilirubin level, cause a rise in free cerebrotoxic bilirubin. The possible danger of the long-acting sulphonamides in this connection is unknown, but their use has been discouraged. Similarly a deficiency in the plasma-albumin level, as in prematurity, may so reduce the available binding sites for bilirubin that higher free levels develop.

Certain neonatal tissues (again particularly in the premature) may be unusually susceptible to various substances. The classical example is the retina, which can be so disturbed by sustained high atmospheric concentrations of oxygen that retrolental fibroplasia results. More simply, the newborn may be damaged because in a proprietary antibiotic mixture a high but harmless dose of one (for example, penicillin) selected by the physician is necessarily accompanied by a toxic dose of another (for example, streptomycin). Lastly, skin contact with unlaundered marking ink may produce severe methemoglobinemia.

A pregnant diabetic woman on tolbutamide with or without insulin may receive sulphafurazole or chloramphenicol for a complicating pyelonephritis, cobalt, and other hematinics for an anemia, a self-restricted diet and hydrochlorothiazide for toxemia, copious intravenous fluids before delivery, and a large dose of synkavit to help reduce the risk of hemorrhage in her premature baby. All the drugs prescribed by all concerned with each patient should be carefully recorded and their possible role in the etiology of unexpected disorders in the infant should be carefully examined.

THALIDOMIDE AND CONGENITAL ABNORMALITIES

SIR: Since the reports of Dr. McBride[19] and Dr. Lenz[20] associating thalidomide ("Distaval") with congenital malformations in babies, we have been investigating extensively its possible teratogenic effects in laboratory animals. As testing for teratogenic effects is not part of standard pharmacological screening procedure, experience in this field is very limited.

Our first experiments in rats showed resorption sites but no malformations. Now we have succeeded in producing deformities in rabbits remarkably similar to those seen in humans.[21] The experiments were carried out in New Zealand white rabbits which we have bred in our laboratories in a close colony over a period of 14 years. The mother rabbits, in a weight range of 3.3–3.5 kg., were given 0.5 g. (150 mg. per kg.) of thalidomide orally each day, from day 8 to day 16 of pregnancy, which was allowed to go to full term with normal delivery. The thalidomide was a blend of samples from seven batches.

The results were as follows:

Rabbit No.	Body weight (kilograms)	Treatment	Born	Litter stillborn	Deformed
1	3.5	Thalidomide	8	2	7
2	3.3	do	6	2	4
3	3.3	do	4	1	2
4	3.4	do			
5	4.0	Control	3	0	0
6	3.6	do	9	0	0
7	3.7	do	8	0	0
8	3.75	do	9	0	0

Three rabbits produced litters containing stillbirths and young with deformities. The fourth, being 4 days overdue, was killed and examined post mortem. The uterus was grossly distended with a straw-coloured fluid, probably indicating that the embryos had died and autolysis had taken place. In the first litter, seven of the young showed limb defects in the front and rear legs. The front legs were foreshortened owing to a reduction in long-bone formation of the radius and ulna; while the rear legs showed a varus deformity involving the tibiofibula. Radiologically the bone malformations were seen to be similar to those described by Morgan. The young in litters two and three are being reared for chromosome analysis and observation of other defects. One, in the second litter, which has died shows a defective femur.

Further experiments are being carried out, but these initial results have already been confirmed. In a second experiment, involving eight does, thalidomide administered under exactly the same condition has induced similar malformations in the first four litters born. No deformities of this kind have been previously observed in the colony, involving the breeding of over one thousand progeny, and our chief animal technician, Mr. R. E. Hughes, states that he has never seen anything like this during 50 years' experience of rabbit breeding.

It is hoped that the techniques employed will permit a method to be developed which will be of general application in the screening of all new drugs for possible teratogenic effects. Full details of these and other experiments in mice, rats, and hens' eggs will be published shortly.

G. F. SOMERS.

Mr. KEFAUVER. Mr. President, section 505 of the Food and Drug Act establishes the procedure for placing a drug on the market. Section 505(i) contains all the statutory authority the Food and Drug Commissioner has for controlling or testing a drug before it is placed on the market. It provides an exemption from the new drug application procedure set forth in section 505. It provides:

> The Secretary shall promulgate regulations for exempting from the operation of this section drugs intended solely for investigational use by experts qualified by scientific training and experience to investigate the safety of drugs.

The Food and Drug Administration thinks it may have adequate statutory authority now to require the testing of a drug on animals before it is administered as medicine to human beings. I do not believe this to be so. I have the utmost respect for the legal judgment of Horace Flurry, senior counsel on the staff of the Subcommittee on Antitrust and Monopoly who, with his long years of experience in antitrust law, is one of the most thoughtful and careful lawyers I know. He does not believe that the Food and Drug Administration now has the authority which this amendment would provide. In any event, the authority would be discretionary with the Secretary. Under the provisions of the amendment, he would be entitled to receive identical reports from doctors at the same time the drug companies get them. That has been one of the shortcomings in the present law.

The distinguished senior Senator from Minnesota [Mr. HUMPHREY] is not only an able legislator and our assistant majority leader; he is also a competent pharmacist, the only one who is a Member of Congress, so far as I know. He has shown a keen interest in the bill. His advice and counsel have been helpful to the Subcommittee on Antitrust and Monopoly. Moreover, as chairman of a subcommittee of the Committee on Government Operations, he, too, has held hearings on the very problem before us. Mr. Larrick and other witnesses appeared before his subcommittee. He, too, doubts that the Secretary has adequate authority at the present time. As a cosponsor of the amendment, he has suggested language which might improve the amendment. I shall yield the floor for the Senator from Minnesota to make his explanation.

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[17] Jones, P. E. H., McCance, R. A. Biochem. J. 1949, 45, 464.

[18] Kaufman, L., Lehmann, H., Silk, E. Brit. Med. J. 1960, 1, 107.

[19] Lancet, 1961, ii, 1358.

[20] Ibid. Jan. 6, 1962, p. 45.

[21] Morgan, B. C. Brit. Med. F. 1962, 1, 792.

Mr. HUMPHREY. Mr. President, I yield myself 5 minutes on the amendment.

I commend the Senator from Tennessee for his initiative in seeking an improvement in drug legislation. Particularly I commend him for his alertness and his constant vigilance in the public interest as it concerns the safety, efficacy, therapeutical effect, and side effects of new drugs.

We are very proud that the United States has a high caliber of pharmaceutical manufacturers with the capacity and ability to perfect new drugs which have had almost a miraculous effect upon sickness and upon problems relating to human health. I do not believe it would be right for the record ever to indicate that this Nation has had anything else but a superior pharmaceutical industry in terms of quality.

However, the Senator from Tennessee, with his constant vigilance with respect to the public health and the public safety, has put his finger upon what is now recognized as a glaring weakness in existing law and existing regulations concerning the testing of new drugs.

The amendment, as modified, which the Senator from Tennessee has offered, and as to which he has permitted me to join as a cosponsor, as also he has permitted the Senator from New York [Mr. JAVITS], the Senator from Rhode Island [Mr. PASTORE], and perhaps other Senators to join as cosponsors, would fortify the Secretary of Health, Education, and Welfare with statutory authority to require, in his discretion, when he believes it to be necessary, after receiving expert counsel and professional advice, the testing of animals prior to any testing on or use by human beings.

From the limited hearings which were held by the Subcommittee on Reorganization, a subcommittee which has a special directive from Congress to examine into scientific research, the evidence revealed that administrative types of regulations are frequently subject to court tests. It seems to me only wise and prudent to legislate in that field when there is any doubt as to whether the statutory authority is clear and evident, particularly if a regulation seeks to do very much the same thing that the proposed legislation would require. Therefore, I am happy to join with the Senator from Tennessee in offering the amendment. I believe we should write into the law a statutory requirement for the testing of drugs on experimental animals prior to testing on humans. At least, we should provide in the law discretionary authority for the Secretary of Health, Education, and Welfare. In my judgment, it is not sufficient merely to write such a requirement into the regulations of the Department of Health, Education, and Welfare.

As I have said, these and other administrative types of regulations are subject to court tests; and they, like any other regulations, might be invalidated in the courts because of a possible insufficiency of authority under existing law.

A number of Senators have been consulted concerning the amendment, and every one of them is interested, as are the Senator from Tennessee [Mr. KEFAUVER] and other Senators who are cosponsors. I am happy over the result of consultation and discussion, and the leadership that has been afforded by the committee and the Senator from Tennessee. Consultation has been had with the chairman of the committee, with the ranking minority member of the committee, with the distinguished minority leader, and also with representatives of the Department of Health, Education, and Welfare. I took the liberty of communicating with those who would manufacture the drugs.

I told them exactly where we stood; and I am happy to say that they, too, recognize the importance of the additional legislation.

I believe that we should write into the law a statutory provision for the testing of drugs on experimental animals prior to testing on humans.

In my judgment, it is not sufficient to write such a standard merely into the regulations of the Department of Health, Education, and Welfare.

These or any other administrative-type regulations are subject to a court test; they—like any other regulations—might be invalidated in the courts because of possibly insufficient authority under existing law.

I do not know that this particular regulation may be tested in the courts nor would I presume to predict what a court test would ultimately decide.

However, I do know that we must not leave this particular need to chance.

Fortunately, the Nation's pharmaceutical manufacturers are now thoroughly alerted to the danger of premature testing on humans.

I have little doubt that there will be a tremendous increase in the testing on pregnant laboratory animals, in particular.

But there is always a danger that some company in its zeal to speed a new drug onto the market might "shortcut" its procedures.

In a previous statement in the Senate on August 6, I cited a considerable body of evidence on the importance of a thorough procedure for the testing on laboratory animals.

It may be argued by some that most drug companies have performed such animal testing prior to human testing all along.

That argument is, however, refuted by the facts. A number of distinguished pharmacologists have stated exactly to the contrary.

They have commented that, based upon their experience, a very considerable number of drug applications do not contain records as to prior testing on experimental animals, including pregnant laboratory animals.

In my earlier statement, I reprinted excerpts to that effect from two such authorities as Helen B. Taussig, M.D., Department of Pediatrics, the Johns Hopkins Hospital, and Louis Lasagna, M.D., Department of Clinical Pharmacology, the Johns Hopkins University, Baltimore.

Mr. President, I ask unanimous consent that there be printed at this point in the RECORD excerpts from the Government Operations Subcommittee hearings on the need for prior and thorough animal testing, particularly testing on pregnant laboratory animals. These excerpts are taken from the verbatim transcript of our hearings, which are now being printed at the Government Printing Office.

There being no objection, the excerpts were ordered to be printed in the RECORD, as follows:

Senator HUMPHREY. Now, do you have any type of explicit rules or any type of systematic testing on pregnant experimental animals, for example, and animal fetuses. Is this required?

Commissioner LARRICK. Now, coming to your animal testing, I do not believe that there is a consensus of opinion today that there is any animal test which you can rely—which you can depend upon, with complete reliability, to say that this drug is safe for pregnant women throughout the course of their pregnancy. If you give it to rabbits, and the rabbits have malformed offspring, I think you could say we will not permit the drug on the market. But if you gave it to the rabbit, and nothing happened to the offspring, I do not think you would be safe in concluding that it is safe for the women.

In the final analysis, there are many circumstances where the transition of testing from animals to humans cannot be made with certainty today.

Senator HUMPHREY. Obviously that is very true.

Commissioner LARRICK. So in addition to the retrieval of scientific information, we have a vast area of scientific facts that we need to ascertain to keep abreast of this rapid flow of new drugs that are coming on the market, and food additives, and pesticides, and substances that are adding to our pleasures of life, but also the hazards of living.

Senator HUMPHREY. Yes, sir.

* * * * *

Dr. HAROLD AARON. Senator HUMPHREY, I think thalidomide, the thalidomide experience, teaches us that one component of a new drug application must be adequately tested, of any new drug, on as many species of that experimental animal as are necessary to determine whether that drug, that new drug, has any injurious effects on the fetus of that experimental animal. That has not been a requirement of new drug applications up to the present time. And not only on new drugs is that necessary but I think that same sort of experiment should be done with many old drugs.

We are not aware of all the effects on man of many of the drugs that are now used systemically. In addition to tranquilizers, there may be other drugs that may have potentially injurious effects on the fetus, and I think a start should be made on a broad ambitious program of testing of drugs, of their effects, new and old, on the pregnant animal, both in man and in experimental subjects.

Senator HUMPHREY. I appreciate your comments very much, Dr. Aaron. This is obviously an area in which there is very little information by a Member of Congress, and it is a matter which requires very careful scientific handling and analysis.

> I asked the staff to check with the National Institutes of Health and the U.S. Children's Bureau on some of this, this question of the use of drugs during pregnancy. Apparently from what limited information we were able to get in just a short period of time, and I stand to be corrected if I am in error here, neither the NIH nor the Children's Bureau had ever fully discussed with the Food and Drug Administration any degree or any—well, any major program as to the amount of drugs which women of childbearing age are consuming and which pregnant mothers are consuming. In other words, this whole area of the drug, experimental or even commercial, a drug that is in the commercial state as to the amount of that drug that can be consumed or utilized by women at the childbearing age or women in the state of pregnancy, has not been a subject of basic collaboration between the Children's Bureau, the NIH and the FDA.
>
> Am I in error on that? If I am, I want to be corrected.
>
> Dr. David Price. I think you are correct, Senator Humphrey, in your statement.

Mr. EASTLAND. Mr. President, will the Senator yield?

Mr. HUMPHREY. I yield.

Mr. EASTLAND. The Senator's amendment provides discretionary authority, does it not?

Mr. HUMPHREY. Is the Senator referring to the amendment to be offered by the Senator from Tennessee?

Mr. EASTLAND. I thought the Senator from Minnesota would offer the amendment.

Mr. HUMPHREY. The Senator from Tennessee is the principal author. I would not want to deny him the privilege of offering this worthy addition to the public law. I am happy to be a cosponsor of the amendment.

Mr. EASTLAND. As I understand, the amendment places discretionary authority in the Secretary of Health, Education, and Welfare.

Mr. HUMPHREY. That is correct.

Mr. KEFAUVER. If the Secretary wishes to authorize testing on animals, he may do so.

Mr. EASTLAND. If the Senator will offer the amendment, I will accept it.

Mr. KEFAUVER. Mr. President, I send the amendment to the desk and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The Legislative Clerk. On page 12, line 24, after "Secretary." it is proposed to insert the following new sentences:

> Such regulations may, within the discretion of the Secretary, include among other conditions relating to the protection of the public health, provisions for adequate tests in animals and disclosure to the Secretary of the results of such tests before a new drug may be distributed by a manufacturer to scientific experts for testing and evaluation of its effects in human beings, and for revoking the exemption if the Secretary finds that it is not reasonably safe to make such tests in human beings, and may within the discretion of the Secretary, also include provisions requiring said experts to register with the Secretary, to keep records with respect to the tests performed, and to furnish to the Secretary simultaneous copies of their reports to the manufacturer and, upon request of the Secretary, reports at other times.

Mr. KEFAUVER. Mr. President, I am grateful to the Senator from Minnesota for having taken the lead in drafting this amendment. I think it is much clearer than it was before.

Mr. HUMPHREY. I am happy to have been of assistance. I think it is a good amendment.

Mr. EASTLAND. Mr. President, on behalf of the Judiciary Committee, I accept the amendment.

Mr. DOUGLAS. Mr. President, before formal action on the amendment is completed, I wish to ask several questions of the distinguished Senator from Tennessee.

The PRESIDING OFFICER. Who is yielding time, and how much?

Mr. KEFAUVER. Mr. President, how much time on the amendment remains available to those of us on this side?

The PRESIDING OFFICER. Seventeen minutes.

Mr. KEFAUVER. I now yield myself 5 minutes.

The PRESIDING OFFICER. The Senator from Tennessee is recognized for 5 minutes.

Mr. DOUGLAS. Mr. President, will the Senator from Tennessee yield to me?

Mr. KEFAUVER. I yield.

Mr. DOUGLAS. First, let me compliment the Senator from Tennessee for his persistent efforts, against great odds and great pressures by a powerful industry and against an almost unanimous press. He has taken a tremendous amount of abuse but it has not deterred him.

Second, let me ask him whether he feels that such discretionary power will be sufficient. Is it not true that the Secretary will depend in large part upon the advice he receives from the Food and Drug Administration?

Mr. KEFAUVER. I wish to say frankly that if there is not a good Secretary of the Department, and if there is not a good Food and Drug Administration, of course there will be difficulties, no matter how good the law may be. It may well be that there are some ethical drugs for which tests need not be required.

Mr. DOUGLAS. All of us commend the heroic Dr. Kelsey, who resisted such great pressures—50 visits, I believe, by representatives of the manufacturer—in connection with the drug thalidomide.

But let me ask whether the problem in connection with the Welch matter has been cleared up. I refer to the situation which existed when Dr. Welch, of the Antibiotics Division, of the Food and Drug Administration, was writing magazine articles on the side, and received approximately $288,000 profit from the firms he was supposed to be regulating.

Mr. KEFAUVER. That is correct. He and his partner published, under the name "M.D. Publications," many articles, some of which were reprinted by the drug manufacturers. Dr. Welch was a half partner, and received one-half of the profits. When reprints were made, one-half of the amount received covered the publishing costs, and the other half was profit of which Dr. Welsh received half. In that way Dr. Welch received $288,000 from the industry which he was supposed to be regulating.

Mr. DOUGLAS. Should not the Food and Drug Administration have known about that?

Mr. KEFAUVER. The Food and Drug Administration had the matter called to its attention several years ago by Mr. John Connor, then chairman of the predecessor to the Pharmaceutical Manufacturers Association. They did this to their great credit. They asked his superior about the so-called honorariums Dr. Welch was receiving. They were apprehensive about the propriety of these "honorariums." In not going into that matter, his superiors were derelict in the performance of their duty; I say that very frankly. Instead, they whitewashed it. At our hearings we brought out that matter fully; and at about that time Dr. Welch was allowed to resign. We believe that the FDA officials should have gone into the matter thoroughly several years earlier. He was not even asked by them how much his "honorariums," as he called them, amounted to. That was an outrageous conflict of interest; and the matter is now before a grand jury.

Mr. DOUGLAS. Does not the Senator from Tennessee think that in permitting Dr. Welch to resign, rather than dismissing him from the public service, the then Secretary of the Department of Health, Education, and Welfare was derelict in the performance of his duty?

Mr. KEFAUVER. Yes, I think so.

Mr. DOUGLAS. Does the Senator from Tennessee believe that situation has really been cleared up?

Mr. KEFAUVER. I think there needs to be a great deal of vigor injected into the Food and Drug Administration.

Mr. DOUGLAS. And also new personnel?

Mr. KEFAUVER. Yes. I am sure there are many fine people there, and I am sure they are honest in their efforts. But they do not have the necessary "push" and leadership, which are greatly needed in this important branch of the Government.

Mr. DOUGLAS. Furthermore, people such as Dr. Kelsey and Dr. Barbara Moulton who also served with competence and courage are not always backed up and encouraged but instead frequently are discouraged and slighted.

Mr. KEFAUVER. That is true, although I am happy to say that Dr. Kelsey was. As to Dr. Moulton, I doubt if she received the backing she deserved.

Mr. DOUGLAS. The Secretary of Health, Education, and Welfare would also receive help from the National Institutes of Health, would he not?

Mr. KEFAUVER. Yes; they regularly call on the doctors of the National Institutes of Health for assistance.

Mr. DOUGLAS. Let me ask what assistance the Senator from Tennessee received from the National Institutes when he was looking into these drug matters.

Mr. KEFAUVER. We received very little cooperation from the National Institutes.

Mr. DOUGLAS. Did the Senator encounter hostility?

Mr. KEFAUVER. No, just coolness—for "meddling in someone else's affairs." But, after the revelations of such a shocking nature were brought out at some of the subcommittee hearings, we began to receive better cooperation from the Food and Drug Administration.

Mr. DOUGLAS. Would the mere enactment of a new law be sufficient, in view of the fact that discretionary powers are to be vested in the Secretary and the control is to remain where it has been; or is a thorough housecleaning needed in the National Institutes of Health and in the Food and Drug Administration, in order to have people in those agencies who really have the public interest at heart and who are energetic?

Mr. KEFAUVER. Although we did not receive much cooperation, the people in these agencies with whom I have had any dealings since the Welch affair are, I am sure, honorable public servants and wish to do their best. Our problem is that they have not always had the backing of Congress.

Mr. DOUGLAS. Have they had the backing of the various Secretaries and top bureaucrats?

Mr. KEFAUVER. No, they have not had as much backing by the Secretary as they need, and they have not had the necessary appropriations, and they have not had sufficient encouragement. They have been subjected to intensive pressure of public relations efforts by the industry. While they are stopped by honorable and honest people, the agencies need rejuvenation and infusion of new blood.

Mr. DOUGLAS. How would the Senator suggest that that be done?

Mr. KEFAUVER. I would suggest more aggressive and imaginative personnel, and more money.

Mr. DOUGLAS. Would a change of personnel in the upper levels help?

Mr. KEFAUVER. Yes, in some cases. I think the Bureau of Medicine by the FDA, particularly, needs beefing up rejuvenation, new strong leadership, and more money.

Mr. DOUGLAS. I wish to congratulate the Senator from Tennessee and his associates on the committee, and also the heroic people, such as Dr. Kelsey and Dr. Moulton, who have worked for the public interest, against such great odds. The good people need to be encouraged, and the others need to be replaced; is that true?

Mr. KEFAUVER. Yes, that is very true.

Mr. HUMPHREY. Mr. President, will the Senator from Tennessee yield?

Mr. KEFAUVER. I yield.

Mr. HUMPHREY. I think it should be pointed out that there are 12 doctors in the Bureau of Medicine, and they receive an average of 370 applications a year in connection with new drugs.

Mr. KEFAUVER. Yes. The Food and Drug Administration has been operating on a budget which is entirely too low while Congress has usually granted the agency nearly as much money as has been requested for it, the Budget Bureau's requests have been too low, and generally the agency has not had adequate backing of Congress.

The PRESIDING OFFICER. The additional time the Senator from Tennessee has yielded himself has expired.

Mr. KEFAUVER. Mr. President, I yield myself an additional 3 minutes.

The PRESIDING OFFICER. The Senator from Tennessee is recognized for 3 additional minutes.

Mr. DOUGLAS. Mr. President, let me ask the Senator from Tennessee how they could justify the payment of $288,000 to the head of the Antibiotics Division by the manufacturers of the very drugs he was supposed to be supervising?

Mr. KEFAUVER. They did not attempt to justify it. I think my own feeling is that he held the upper hand down there; and I think his superiors were afraid to challenge him.

Mr. HUMPHREY. Mr. President, will the Senator from Tennessee yield to me?

Mr. KEFAUVER. I yield.

Mr. HUMPHREY. For years we conducted hearings on the subject of the exchange of information among and between governmental agencies, but we got no help and no appropriations and no assistance from Congress, except a few dollars to investigate, with no headlines and no interest. We finally got the Department of Defense to register 22,000 research projects for which they were paying hundreds of millions of dollars, so the people and the Congress could know of the projects and eliminate duplication.

The Senator now speaking and a subcommittee, about which little is known and about which no headlines have been seen, have been begging for 5 years for an interchange of information between the Institutes of Health, the Public Health Service, and other agencies of government. Had Dr. Kelsey and the Bureau of Medicine in the Drug and Food Administration had an exchange of information, she would not have had to, by accident, read a British medical journal and find a letter to the editor about thalidomide, in order to do what she did. The information would have been indexed and cross indexed. It would have been possible to press a button and have the information become immediately available by IBM machine. It can be done by machine. In this town, unless one finds that there is a scoundrel or a culprit, he does not get much help.

Mr. KEFAUVER. The Senator is right in what he has said about the necessity for an interchange of information. It is quite true that he has received little cooperation. Perhaps now he can get something done about it.

Mr. HUMPHREY. The Senator from Tennessee has done the job. I am not complaining, on my part, because of lack of cooperation. What I am saying is that, with respect to the Food and Drug Administration—and it has had some bad apples—we cannot expect 12 trained doctors who are overworked, none of them getting more than $15,000 a year—one could make more than that by treating ingrown toenails—to do it. Here are professional doctors working their heads and hearts out.

Mr. DOUGLAS. Mr. President, if the Senator will yield, I do not want to detract from what the Senator from Minnesota is saying about the need for cross indexing or interchange of information, that is necessary, but what justification can there be for the head of the antibiotic section taking $288,000 from the very group he was supposed to regulate?

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. KEFAUVER. I yield myself 3 more minutes.

Let me say to the Senator from Illinois that there can be absolutely no justification for it. The facts about that incident were brought to the attention of the Secretary and the head of the Food and Drug Administration.

Mr. DOUGLAS. He was not dismissed.

Mr. KEFAUVER. They should have gone into it thoroughly several years earlier. They simply asked about it. Their questions were brushed aside. They did not find out how much Dr. Welch was getting. We did not find out the amount he had received until we issued subpenas and got the facts. It was shocking to find out how he had obtained $288,000 from the very companies he was supposed to regulate. There can be no justification for it.

Mr. JAVITS. Mr. President, will the Senator yield?

Mr. KEFAUVER. I yield to the Senator from New York.

Mr. JAVITS. I have also had an amendment submitted generally on the same subject, and I would like to be sure that when the amendment of the Senator from Tennessee is adopted, as the chairman of the committee has graciously indicated he would do, we have actually effected the result we want.

My amendment provided that a drug may be withdrawn from experimental use when substantial ground exists for doubt as to its safety. The amendment of the Senator from Tennessee now pending provides prior approval of the plans.

Does the chairman of the committee concur with the Secretary of Health, Education, and Welfare that he now has the power to withdraw the drug from experimental use if he finds that it is unsafe, as contemplated in the Senator's amendment?

Mr. EASTLAND. Yes.

Mr. JAVITS. I thank the Senator. That is the attitude of the Secretary. If we are going to accept the amendment, I want to make sure that the residual power to withdraw exists.

Mr. KEFAUVER. I agree with the chairman of the committee.

Mr. JAVITS. I thank the Senator. It is permissive; it is not mandatory. My amendment and the Senator's was, but this is probably the best we can do under the circumstances. I believe, with my colleague, it will be implemented, therefore.

I shall not press for my own amendment, which is essentially in the same area, because if we can accomplish something, it is better than merely to argue about it. I congratulate the Senator for being able to work this matter out to some extent.

Mr. KEFAUVER. We are glad to have the backing and support of the Senator from New York.

Mr. President, has the amendment been accepted?

Mr. EASTLAND. Yes. It was accepted before the colloquy between the Senator from Illinois and the Senator from Tennessee.

Mr. HUMPHREY. I suggest that the Chair put the question on the amendment.

The PRESIDING OFFICER. Does the Senator yield back all his time on the amendment?

Mr. DIRKSEN. Mr. President, I was going to take a little time. Here we have a classic example of the difficulties the Senate Judiciary Committee had with the bill. In the first place, it did not properly have jurisdiction of the bill and its predominant subject matter, and it got before the committee mainly because there was a patent item written into the bill. But it was that item, and none other, that made it possible for that bill to go to the Judiciary Committee.

This question of drug hearings and administered prices has been under consideration for a long time. It was in 1957 that Representative BLATNIK, of Minnesota, first introduced a drug bill, and extensive hearings were held. Certainly, they were not as extensive as the hearings before the Senate, but it was 5 years ago that a committee of Congress began to interest itself in the whole problem.

The Antitrust and Monopoly Subcommittee, after nearly 2 years, began investigating on December 7, 1959.

It was rather interesting, I thought, that actually we had no Government witnesses before the committee until 35 days of hearings had been undertaken. Of course, the burden of the effort was the question of administered prices, rather than the regulation, control, or regulation of the drug industry in the interest of the safety and efficacy of drugs and in the interest of the consumers and users of drugs.

Then Senate bill 1552, which is the bill before the Senate at the present time, in amended form, was introduced on April 12, 1961. That was nearly 19 months ago.

Our hearings continued, and at long last the bill was reported out of the subcommittee and went to the full committee.

The very first problem was the patent problem. The bill provided for compulsory licensing. I know nothing so alien to the whole American system, and the interesting thing is that we have a Subcommittee on Patents in the Judiciary Committee. It had never seen the bill. It had never considered this provision. There was no testimony on it as such. I think the Judiciary Committee very rightly sent the bill to the Patent Subcommittee to have at least a look at it to determine what ought to be done about the compulsory licensing system and other patent items of the bill.

At long last that subcommittee reported back. Incidentally, the chairman of that subcommittee is a very distinguished Senator, the Senator from Arkansas [Mr. McCLELLAN]. The subcommittee authorized him to move to strike rather substantial portions of the bill. That motion to strike was supported by a very substantial vote in the committee.

Then came the business of dealing with the other additions. For weeks we wrestled with them until, at long last, two things happened. The first was that the distinguished chairman of the subcommittee called a meeting, not attended by any Senator but attended by some of the staff members. My staff member was present. Others were present. I had no idea who they were. The hope was that somehow we could get a drug bill. Many considerations were involved.

First and foremost, of course, was the consumer. Second, and not in order of importance, perhaps, next to the consumer, the industry had a right to be heard as to whether the proposal was feasible, whether the suggestion was workable.

There was also a question as to enforcement, once something was written into a statute. There was the question of regulation, and whether there was authority under existing law to issue other regulations.

Frankly, Mr. President, I was not a little astonished when one of the meetings of the committee was attended by Mr. George Larrick, the Commissioner of the Food and Drug Administration; also attended by one of his assistants; and also attended by Mr. Jerome Sonosky, a very personable young man and talented legislative draftsman who we thought represented the Secretary of Health, Education, and Welfare, Mr. Ribicoff. In addition, there was present Mr. Theodore Ellenbogan, a very distinguished lawyer from the Department of Health, Education, and Welfare. I think at one time there also was present Mr. Rankin, the Assistant Commissioner of the Food and Drug Administration.

This was a concerted effort with the enforcing officials of the Government and the interpreting officials of the Government, in the hope that we could get a bill which would protect the consumers, which would continue to provide incentives for research. When all is said and done, that is the essence of the business—to go ahead in this field with research in the interests of the well-being and health of our people.

This week there appeared on the front pages of the American press a very short statement to the effect that according to the mortality tables we have now reached an average longevity in this country of 70.2 years. That is pretty phenomenal, Mr. President, but I think it is a testimony to what private enterprise has done in this country and what has been accomplished because we have preserved the incentives for the constant spending of almost fantastic sums of money in the interest of the well being and the health of the people of our country.

That procedure continued for some time. Then came the President's consumer message, in which he made some money in the interest of the well-being which was then already on the Senate Calendar. Why, certainly, any Member of the Senate, whether on the committee or not, is always more than glad, in the interests of the people and their health and well-being, to make sure that nothing is overlooked. So we were more than glad to consider those proposed amendments. And they were considered thoroughly. It was amazing to me how much discussion each one of them elicited. We wanted to do that which was in the interest of the country and of its people and in the interest of the continuance of research for the people.

There was a subsequent meeting, when we had before us Mr. Nicholas Katzenbach, the Deputy Attorney General. We also had Mr. Wilbur Cohen, the Assistant Secretary of the Department of Health, Education, and Welfare, with us. At the same time, we had with us Mr. Theodore Ellenbogan and Mr. Jerome Sonosky.

So there was a rounded effort on every front in order to test out every proposition. To show the difficulties, what has happened on the Senate floor now is the best evidence.

I compliment my distinguished pharmaceutical friend from Minnesota [Mr. HUMPHREY]. He did confer with me, he did confer with the chairman, he did confer with other Senators, he did confer with the distinguished Senator from Tennessee—in the hope that somehow we could devise a further safeguard and do it in such a fashion that every interest would be properly protected.

I think it has been worked out rather admirably, but when we stop to consider that an amendment like that in the committee was sometimes considered for days before every aspect of it was on the table, so that the committee could properly see what action to take or what direction to pursue, we know it is a difficult subject.

Still another amendment which will probably be offered relates to the notifying of prospective patients about a drug which will be experimentally used.

A question of psychology is involved. What will the drug do for a patient? Also, what will this do to a patient?

Suppose I am a doctor and I walk in and say to a patient, "I am going to give you a little shot of a drug called X-29-C," just to pick a name out of the air. The patient might make inquiry of the doctor, or he might not. The doctor might volunteer the statement: "Now, this is experimental, and under the law I must notify you that this is completely clinical."

Would that set up a psychological reaction, or even a physical reaction? I do not know. That is a matter for the medical fraternity to determine.

There are no doctors on the Judiciary Committee, and we had to make that determination as laymen from the testimony which was before us. So we finally got the job done as well as we could. It is now suggested that the notice become mandatory under the law. Perhaps that can be done.

I think I remember correctly the position of the Commissioner. If I am in error I certainly will withdraw my statement. Drawing on recollection, I believe when that question was presented to the Commissioner of the Food and Drug Administration he backed off from that very suggestion, as I recall. I believe he actually did.

So what should the committee do about the question? By dint of give and take this matter has finally been resolved, and we have before the Senate an amended substitute for the bill, which I think meets nearly every requirement, and which came from the committee by unanimous vote.

I wish to include in my observations, Mr. President, that the pending proposal deals, in brief, with information to the Patent Commissioner on request, registration, inspection, adulteration, new drugs, records, efficacy, labels, official names, information to physicians, and certification of antibiotics.

If my figures are correct, we had in all 16,506 pages of hearings on this whole matter.

The amendments which were rejected in committee were rejected very substantially; ofttimes by votes of 10 to 1, of 9 to 2, of 9 to 3, and so forth.

But, notwithstanding all of the difficulties, we got the job done. I was not too happy that Secretary Ribicoff, after we finished and after his agents had sat with the committee, went before the House Committee on Interstate and Foreign Commerce on the 20th of June, 1962, and, according to the press, said he was very unhappy about the amendments.

What kind of a business is this, Mr. President, that, after we ask the Cabinet member to send his people to the committee, he then goes before another body and testifies that he is unhappy about it?

I agree with my friend from Minnesota. I suppose we need a little coordination in the executive branch of the Government to make sure that those untoward things do not happen.

I compliment the distinguished chairman of the committee, because on his own responsibility he called the meeting. No Senators were present. His own staff members, my staff members, and the staff members of the Senator from Nebraska [Mr. HRUSKA] were present. Others were also present. There was an effort to prepare a drug bill under very difficult circumstances.

Mr. President, in all of this effort I have been pretty well excoriated in the press. Drew Pearson's column wrote of me in a fashion that was, frankly, unfair. I am not the whimpering type. I do not take exception to what members of the press in the gallery write about me that appears on the front page—if it gets on the front page. But that article was too much, and it was below the belt. I called up Drew Peason because he has been a friend of mine ever since 1933. I used to visit his house. I have met him at social functions. He had been in California when that article was written.

I said, "Drew, when you needed a friend, I sat in the courtroom all day and testified for you. I do not ask you to modify that column. I ask you to talk to your associate and find out how unfair and how unfounded it really was."

I let it go at that. Whether or not restitution will be made I do not know, and I do not care.

But, Mr. President, I do care about the unconscionable leaks that leak half the story or a third of the story, permitting a syndicated column to go into all sections of the country excoriating a Senator for certain alleged conduct, when there is no warrant for the allegation and no truth in it.

Even Mrs. Eleanor Roosevelt had to columnize on the subject. I guard my words when I say she did not know what she was talking about.

All those people should have sat with the Judiciary Committee in hearings day after day and week after week in the determined effort to produce a fair bill that would take into account the interest of everyone who might be affected.

So I do not whimper. It does not make any difference to me. I have a responsibility and I try to articulate it under my oath as best I can.

I am a little proud of a record that goes pretty far back, Mr. President, as I think of my own conduct as a public servant. I had no opportunity to comment yesterday when 35 Senators, including the majority leader, the distinguished Senator from Montana [Mr. MANSFIELD], the distinguished Senator from Minnesota [Mr. HUMPHREY], the distinguished Senator from Ohio [Mr. LAUSCHE], the distinguished Senator from Oklahoma [Mr. KERR], and others, paid some tribute to the minority leader. It brought to mind that if I should promptly respond, it would be within the character of the admonition which one author of the Gospel wrote more than a thousand years ago upon the sacred parchments when he wrote the standard of judgment when one's time comes. In effect he said that it is not our sins of commission but our sins of omission upon which the eternal judgment will be predicated.

In thunderous words, the author said:

> You did it not.

That is the basis for the judgment.

I want to be sure that I have not left undone those things that a public servant and a member of the human race is called upon to do to fulfill his responsibility.

The old Irish poet of long ago, John Donne, said:

> Every man's death diminishes me for I am a part of mankind.

Mr. President, I am of mankind. May that sentiment, that feeling and that impulse never forsake me when I undertake to sit with my senatorial colleagues to contrive difficult and perplexing language that must be constantly referred back to other legislation and other statutes before it ever makes sense, in the hope that we can derive something feasible, workable, and in the interest of the whole country, and in particular the consumer.

What a magnificent job the pharmaceutical industry of our country has done. So magnificent indeed is their work that our secrets are often times pilfered, then taken abroad, and in those countries in which there is no patent protection, frightful advantage is taken of the American pharmaceutical manufacturers.

No, we had better salute them. When we see the various drugs—medicines of all kinds, particularly in the antibiotic field—that are conducive to longer life, to well-being, and to the assuagement of man's ills—yes, I think we can salute them.

The other day out at home it was said of me that I was a creature of special interests. The man who made that statement is seeking political office. Let him go ahead and say it.

Mr. President, we shall lament and rue the day when we destroy the incentives that have builded up to a high level the pharmaceutical industry of the United States, which towers so high above that of Germany, which was in the lead for so long, that the comparison is almost pathetic.

In closing I salute the distinguished chairman of the committee, the Senator from Mississippi [Mr. EASTLAND], for his devotion and his effort to arrive at a proper bill. He did not let some of the cynical cartoons that appeared here and elsewhere deter him in that effort. I was depicted in certain cartoons. I could pay my compliments to the cartoonists, but I shall not do so. We have a task to perform, in good faith; and, with the fidelity that is expected of a public servant, we will try to do it.

The bill is here today. Though I disagreed, and often violently, with the distinguished Senator from Tennessee [Mr. KEFAUVER], I compliment him on his persistence, tenacity, combativeness, and instinct, with which he was born in the hills of Tennessee, and his effort to drive through and produce a bill in the face of many obstacles. He agrees that wherever we had to disagree, we approached the job in the utmost of good faith.

Our objection was not unlike his. Frankly, I compliment the Senator that at long last we have rounded out a bill, after all these hearings, which will be enacted this afternoon. I looked at the hearing dates, and I believe I should put them in the RECORD. In 1959 we held six hearings. In 1960; 6 days in January, 4 days in February, 8 days in April, 8 days in May, 2 days in June, and 6 days in September. In 1961 we had 10 days of hearings in April, 1 in May, 7 in July, 2 in September, 4 in October, 2 in November, and 5 in December. In 1962 we held two hearings in January and three in February. I do not know how I got other work done, because I belong to other committees and I have a few chores around here as minority leader. These hearings account for the thousands of pages of testimony in order to get the job done.

I shall present a little summation to conclude the record. As to section 2 of the bill, so far as changes in the original bill are concerned, there were no changes made in this section, which deals with information on patents. In section 3, on registration, no changes were made except for the provision for a grandfather clause and transitional period.

In section 4, dealing with factory inspection, no significant changes were made other than to provide for limited information on personnel. In section 5, quality manufacturing controls, there was provided limited information on personnel. However, there was deleted the provision for regulations by the Secretary of Health, Education, and Welfare.

In section 6, dealing with new drug clearance procedure, there was removed an automatic effective date for new drug applications at the end of 180 days. It provides for hearing and judicial review. However, even if this amendment had not been approved, the Food and Drug Administration could hold up a new drug application after 180 days by merely asking for more information, which was done in the thalidomide case, which was held up for 1½ years.

How was it held up? By asking for more and more information on the subject. That was done within existing law.

I said to Commissioner Larrick, in the hearing, "Didn't you have some authority in this field?"

He said, "I did."

Three times he made his response. Then I asked him the question, "Why didn't you use it?"

"Well," he said, "Senator, I can't tell you."

That is a great business, Mr. President. We put a law on the books to be used. I asked why they did not use it, and why they did not issue regulations, and he said, "I don't know." That is all the answer I got. That is all the answer that is in the record, if any record was made of the executive hearings.

Secretary Celebrezze was alive to the problem. I compliment him. I wish we could have had him before the committee. He had not been in office 20 days when he issued an announcement and issued these regulations, a great number of them, effective 60 days after they were announced. If Senators want an answer as to whether there was authority on the statute books, I say to them that Secretary Celebrezze found it and issued regulations under it, and that goes a long way.

Section 7—Records and reports: No changes.

Section 8—Effectiveness and safety of new drugs:

First. Definition of a new drug amended by adding the word "effectiveness" to safety.

Second. Classifying what constitutes substantial evidence.

Third. Only Secretary may take a drug off the market if there is imminent hazard with right to immediate hearing.

Fourth. Additional grounds for removal of application or suspension of a drug.

Section 9—Conspicuousness of official name: Relates only to prescription drugs as to quantity, and generic name must be one-half size of trade name and prominently displayed.

Section 10—Review and designation of official names: No changes.

Section 11—Information to physicians:

Paragraph o: No changes.

Paragraph p: Amended so that size of generic name one-half size to brand name and prominently displayed; and, also, provides a grandfather clause.

Section 12—Certification of antibiotics:

Deleted section 301(1).

Deleted provision for exemption of drugs for antibiotics for animal use.

Section 13—Definition: No changes.

So when we put this jigsaw puzzle together, it is not quite so simple as Mrs. Franklin Delano Roosevelt would make it appear in her column. I have great affection for the lady. I believe that is the right term, Mr. President. However, I disagree violently with some of the things that appear in her column, which are not founded upon the facts. As Charles Dickens said, "There is nothing so stubborn as a fact." It reminds me of the chap who had seen an automobile accident and was called as a witness in the case. He was asked, "Did you see the accident?"

He said, "Yes."

Counsel said, "How far away were you when it happened?"

He said, "22 feet, 9¾ inches."

Counsel looked at the court and the jury and said to the witness, "Now, sir, advise the court and jury how you know it was 22 feet, 9¾ inches."

"Well," he said, "When it happened I took out a tape measure and measured from where I stood to the point of the collision, because I knew some damn fool lawyer like you was going to ask me that." [Laughter.]

A great many questions have been asked and the answer always is, "This is the fact." The records of the Judiciary Committee stand out there with great illumination to indicate what the facts are in contriving what is here today before us for approval. Unless all signs fail I think this bill will get the unanimous vote of the Senate, even as it did last Monday morning of the Senate Judiciary Committee, when we put it all together.

I believe it will command the respect and the endorsement of the House of Representatives, and I hope there will be time enough, even though everyone wants to go home, for the House to consummate this legislation.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. DIRKSEN. I yield myself 1 more minute. I wish to compliment the distinguished members of the staff, Thomas Collins; my staffman, Peter Chumbris, who was for a long time a law associate of a distinguished judge here in the District of Columbia; and Ronald Raitt, who is on the staff of the Senator from Nebraska [Mr. HRUSKA].

Never have I seen greater fidelity. Never have I seen greater devotion to duty. Never have I seen greater competence in staffmen. Never have I seen staff people who were willing to work, not merely during the day, but also into the night, as long as it took, and on Sundays, in order to gather all the facts on which ultimately the legislative judgment must be predicted. Ron, Peter, and Tom, I salute you. You deserve the plaudits of the Senate for the great service you have rendered to us.

I have set out the record. I could go on for hours, but what I have said narrates the subject pretty well. I hope we may now get on with the business. I doubt whether other amendments are necessary.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Tennessee.

The amendment was agreed to.

Mr. JAVITS. I call up my amendment identified as "8-22-62—A."

Mr. HUMPHREY. Mr. President, will the Senator withhold the offering of his amendment for a moment? The chairman of the committee has stepped out of the Chamber for a few minutes. I wonder if we could have a quorum call first.

Mr. KEFAUVER. Mr. President, will the Senator withhold his amendment? The Senator from Connecticut [Mr. DODD] would like to make an address on antibiotics. He is very anxious to have a little time yielded to him for that purpose. I was going to ask unanimous consent that he have 15 minutes, not to be charged against either side.

Mr. JAVITS. I should like to have my amendment stated. Then I shall wait until the Senator from Connecticut has made his speech before I speak on the amendment.

The PRESIDING OFFICER. The amendment will be stated.

The LEGISLATIVE CLERK. On page 12, line 17, strike out the colon and the words "*Provided, however,* That", and insert in lieu thereof a period and the following:

> Such regulations shall contain provisions effective to require that, subject to such exceptions as the Secretary by regulation may prescribe, no such drug may be administered to any human being in any clinical investigation unless (1) that human being has been appropriately advised that such drug has not been determined to be safe in use for human beings, or (2) that drug previously has been determined to be safe in such use. Except as otherwise specifically provided by this subsection,".
>
> On page 14, lines 7 and 8, strike out the colon and the words "*Provided, however,* That", and insert in lieu thereof a period and the following: "Such regulations shall contain provisions effective to require that, subject to such exceptions as the Secretary by regulation may prescribe, no such drug may be administered to any human being in any clinical investigation unless (1) that human being has been appropriately advised that such drug has not been determined to be safe in use for human beings, or (2) that drug previously has been determined to be safe in such use. Except as otherwise specifically provided by this subsection,".

Mr. KEFAUVER. Mr. President, I ask unanimous consent that the Senator from Connecticut [Mr. DODD] be permitted to speak for 15 minutes, and that the time not be charged to either side.

Mr. JAVITS. Mr. President, reserving the right to object, first, I ask unanimous consent that both parts of my amendment be considered en bloc.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. JAVITS. Mr. President, the Senator from Colorado [Mr. CARROLL] has an amendment along the same line. I wished to state that myself, because I have no desire in any way to have a race with him. I shall endeavor, while the Senator from Connecticut [Mr. Dodd] is speaking, to see if the Senator from Colorado and I can agree on one text.

Mr. HUMPHREY. Mr. President, I must object to the unanimous-consent request of the Senator from Tennessee. The time can be yielded on the bill.

Mr. DIRKSEN. Mr. President, if the distinguished Senator from Tennessee will withdraw his request, I will yield 15 minutes to the Senator from Connecticut on the bill.

Mr. KEFAUVER. Mr. President, I withdraw my request.

Mr. DODD. Mr. President, first, I take this opportunity to pay tribute to a very great public servant, the distinguished senior Senator from Tennessee [Mr. Kefauver]. His dedicated labors in behalf of drug legislation to protect the American people are largely the cause of the bill being before us today for action.

It has been my privilege to work alongside this great man on the Subcommittee on Antitrust and Monopoly and to watch him, day by day, laboring in the thankless task of contending against some of the great corporate interests of the Nation in an attempt to protect the public interest.

The bill before us, inadequate though it is in some respects, is but one of the fruits of the dedication of the Senator from Tennessee. I am proud to join with him today in offering amendments to make the bill stronger, just as I am proud to join with him in his day-by-day struggle to make the American system stronger by preserving its essential element, the element of free competition.

(At this point the Senator from Connecticut [Mr. Dodd] addressed the Senate. His remarks appear elsewhere in the Record under the appropriate headline.)

Mr. HUMPHREY. Mr. President, I desire to suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. Metcalf in the chair). To which side is the time required for the quorum call to be charged?

Mr. HUMPHREY. I ask unanimous consent that the time required for the quorum call not be charged to either side.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

Mr. HUMPHREY. Mr. President, I now suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. HUMPHREY. Mr. President, I ask unanimous consent that further proceedings under the quorum call may be dispensed with.

The PRESIDING OFFICER (Mr. Pell in the chair). Without objection, it is so ordered.

Mr. HUMPHREY. Mr. President, I yield myself 3 minutes from the time on the bill.

The PRESIDING OFFICER. The Senator from Minnesota is recognized for 3 minutes.

SMALLPOX CASE REMINDS AMERICA THAT "ALLIANCE FOR PROGRESS" MUST BE BUILT ON "ALLIANCE FOR HEALTH"

Mr. HUMPHREY. Mr. President, it is a great pleasure to invite the attention of the Senate to an important international assembly now taking place in Minneapolis.

I refer to the 16th Pan American Sanitary Conference.

Once again, Minneapolis, Minn., is proud to be host to ministers of health.

MINNESOTA'S TRADITION OF HOSPITALITY

Four years ago, Minneapolis played a similar role—not merely for the Western Hemisphere, but literally for the world. At that time, the World Health Organization held one of its most successful convocations there.

It is with pride that I recall that many participants in the 1958 conference later staged this judgment: never, in their memory, did a city more extend itself to be hospitable to a great international assembly than did Minneapolis on behalf of WHO.

This was to be expected. Hospitality in Minnesota is a deep tradition. In addition, the State of Minnesota has a great medical heritage—both as regards domestic and international health. And, the State of Minnesota is proud of its contributions to international friendship.

HEALTH FOR PEACE

By deeds, not merely words, Minnesota has helped build foundations of health for peace.

So, too, it has helped build schools for peace, homes for peace, energy for peace, loans for peace, and ideas for peace.

With this background, I personally suggested Minneapolis as the site for this Conference. The suggestion was accepted.

Now, Minneapolis and all Minnesotans have taken to their homes and to their hearts the leaders of the healing arts from our sister republics to the south.

The spokesman for these arts—the Pan American Health Organization—is, it should be noted, the oldest international health organization in existence. It is the regional office in the Americas for the World Health Organization.

MY PREVIOUS EFFORTS IN CONNECTION WITH PAHO

It has been a pleasure for me, personally, to assist in some small way in its noble efforts.

Thus, it was my pleasure to serve with my distinguished associate from Minnesota [Mr. McCarthy] as cosponsor of the legislation under which a site has been made available in our Nation's Capital for the PAHO headquarters building, now under construction.

In May 1960 I issued, as chairman of a Senate Government Operations Subcommittee, a 102-page publication entitled "Health in the Americas and the Pan American Health Organization." This was the only congressional publication ever to be devoted exclusively to an analysis of the health of Latin America and to the great organization which serves as the hemisphere's arm for that purpose. In the 2 years which have followed, excerpts of our committee print have been widely reprinted and translated.

PROGRESS UNDER ALLIANCE PLANS

Nineteen hundred and sixty-two is a historic year for the PASB assembly.

The Alliance for Progress has emerged from its first year as a vital force for accelerated progress in the Americas.

Realism compels us to note that it has not achieved all the goals we had sought. We are impatient—and rightly so—for more results. But let there be no discounting of its solid achievements to date.

Among the foremost of these achievements is the area of public health. The Alliance for Progress has always required as its very foundation the Alliance for Health.

Under the able leadership of the Director of PAHO, Dr. Abraham Horwitz, some of the greatest steps forward in the history of inter-American health are now on their way to realization. I refer particularly to programs in environmental sanitation—including clean water and adequate refuse disposal.

I refer also to a whole series of steps which the assembly in Minneapolis is examining at this very moment: For the progress in eradication of malaria; additional steps against tuberculosis; improved nutrition; stronger national and community health departments; and so forth.

THE UNION OF HEALTH AND ECONOMIC DEVELOPMENT

What is perhaps most important, however, is that nowhere in the world have plans for health been more closely integrated with overall plans for development.

I know of few if any more dynamic spokesmen for the union of health and economic development plans than Dr. Horwitz and his associates.

The fact is a prosperous community requires good health. Conversely, a healthy community requires economic vitality.

Fortunately, these principles are built into the heart of the historic act of Bogotá, into the Charter of Punta del Este and the 10-year public health program of the Alliance for Progress—resolution A-2 of the charter.

Instead of strengthening health in isolation, it is being improved in concert with progress all along the line.

Leadership is being built—leaders, particularly, in the rural areas, in the remote villages.

A new clinic, a new well, a new school, a new road, a new cooperative, a new group of homes, this is the stuff and substance of human progress.

This is what lifts men's hearts. This is what lifts men's burdens. This is what frees them from the curse which otherwise dooms some to the misery of their fathers and of their grandfathers.

The endless cycle of disease, breeding poverty, breeding malnutrition, breeding despair, breeding more disease, breeding more poverty, and so forth can thereby be broken.

THE ROAD AHEAD

Today, bold national health plans for the next decade are being developed and evaluated. Implementation of these plans is beginning.

The road ahead is long. The obstacles are many. In many countries, it is still far easier to get money allocated for a dramatic steel mill, a highway, a fertilizer plant, a dam, than it is to have funds set aside for the less obvious health of human beings.

Gradually, however, the ministers of health are being given the resources with which to do the job.

It must be remembered that Latin America has a strong health base. It has great universities and schools of medicine.

Its situation should not be compared to that of certain developing regions where there is yet neither a medical base nor a tradition nor a national will.

Latin America is fortunately on the march. And we are marching with it—side by side.

THE SMALLPOX CASE

Within the past few days, a news story has dramatically symbolized the interdependence of health in the Americas.

I refer, of course, to the case of the missionary's son who came down with smallpox, after a trip from Brazil to Canada, via a stopover in the United States at Idlewild Airport.

Today, widespread inoculation is taking place along the youngster's route. This situation reminds us that in the jet age—disease anywhere is a potential threat everywhere.

Fortunately, the nations of the Americas have made great progress in eradicating smallpox. It has been eliminated in country after country. Last year, there remained but two focuses of infection—Brazil and Ecuador.

But it takes only one focus to endanger one hemisphere and one world.

Smallpox in this year of 1962 is an incredible anachronism. It is absurd for the world of the 20th century to be bothered by recurrent epidemics of this particular disease.

As far back as A.D. 900, it had been diagnosed by a Persian physician.

Over 160 years ago, a British physician, Edward Jenner, developed an antismallpox vaccine. While the vaccine does not cure, it does prevent the disease.

Yet, as late as 1947, 12 persons died of the disease in New York. In 1958, 15,000 died in East Pakistan.

Every time an epidemic starts, vast sums are spent to halt and wipe it out. But no one can count the intangible costs of an epidemic, including the costs of fear which grips the hearts of countless individuals who may have been contacted by a carrier.

Whether the tangible or the intangible costs are counted, or both, it is infinitely cheaper to wipe out this and other diseases than it is to try to live with them.

In 1957, 5 million New York City residents had to be vaccinated before the danger passed. It would have been a lot cheaper to have given more help to stamp out the original focus of infection—in that instance, Mexico. Fortunately, Mexico has since eradicated smallpox.

Communicable disease is never a respecter of frontiers. That is true more so today than ever before. A so-called well person might visit every continent, before it is discovered that he is a carrier of communicable disease.

Competitive coexistence may be all right sometimes, but not in the case of contagious disease.

OUR OWN RESPONSIBILITY TO ELIMINATE DANGER OF YELLOW FEVER

Let us Americans not assume that it is only the other fellow who must clean up his health problem, lest infectious disease spread.

In the case of urban yellow fever, certain areas of our own country are still infested with the mosquito, *Aedes egypti*. No eradication work is yet taking place in the United States. Fortunately, a program is being planned by the administration.

Meanwhile, the vector—the dread mosquito—is under surveillance and control at international airports and in the principal seaports of Southeastern United States.

However, the fact that certain areas of our country are still infested means that these areas pose a threat of reinfestation to those countries in Latin America which have freed themselves of this scourge.

This, then, is our challenge of the future—a challenge to us, as North Americans, to cooperate with our Central and South American friends to clean up our own house.

EXCERPTS ON HEALTH AND ECONOMIC DEVELOPMENT

I ask unanimous consent that there be printed at this point in the RECORD the text of excerpts from the excellent Quadrennial Report of the Director of the Pan American Sanitary Bureau for the years 1958–61.

These excerpts relate to the role of health in economic development.

There being no objection, the report was ordered to be printed in the RECORD, as follows:

[Excerpt from the Charter of Punta del Este]

QUADRENNIAL REPORT OF THE DIRECTOR OF THE PAN AMERICAN SANITARY BUREAU REGIONAL OFFICE FOR THE AMERICAS OF THE WORLD HEALTH ORGANIZATION 1958–61

[HEALTH OBJECTIVES FOR THE DECADE OF THE 1960'S]

To increase life expectancy at birth by a minimum of 5 years, and to increase the ability to learn and produce, by improving individual and public health. To attain this goal it will be necessary, among other measures:

To provide adequate potable water supply and sewage disposal to not less than 70 percent of the urban and 50 percent of the rural population;

To reduce the present mortality rate of children less than 5 years of age by at least one-half;

To control the more serious communicable diseases, according to their importance as a cause of sickness, disability, and death;

To eradicate those illnesses, especially malaria, for which effective techniques are known;

To improve nutrition;

To train medical and health personnel to meet at least minimum requirements;

To improve basic health services at national and local levels; and

To intensify scientific research and apply its results more fully and effectively to the prevention and cure of illness.

AUGUST 17, 1961.

GENERAL VIEW OF THE PERIOD AND FUTURE PROSPECTS

Without doctrine, principles, and methods no organization can be efficient. An institution's doctrine expresses its raison d'être, its ultimate goal, its principles of action; it is the motivating force of everything that is accomplished or contemplated, the framework of its ideas and efforts, the spirit that animates and governs its activities; it is expressed in tenets and principles, and these in turn in policies, guidelines, and methods, each of which reveals the essential purpose of the institution.

On such foundations is an organization built, and its growth is fostered by sound intentions and experience. The more dynamic and diversified its objectives, the greater the responsibility of its sponsors to keep abreast of new knowledge and be alert to the conditions that cause problems to arise, so that they can perfect policies or incorporate those that are justified by needs.

The doctrine of the Pan American Health Organization and of the World Health Organization is chartered in the constitution. Their aims are the prolongation of life, the prevention of disease, and the promotion of health. Those aims are embodied in the advisory services they extend to the Governments, and the fields in which they are given—individual and collective medicine—are services provided by the Governments for the common good.

Although health problems do not change their nature with the passage of time, they appear in different guises in different societies and environments. What has changed is the theory of their origin and their implications, the methods of identifying them and, with the growth of knowledge and experience, of solving them. Because the factors that determine health and disease are essentially biological and social, they reflect the social life and cultural values of a given society, the importance it attributes to them, and the resources it possesses. That is why in every age the marshalling of measures to prevent or cure diseases—health policy—reveals its theory of disease and the importance it attaches to health as a social function. Evident at all times have been the complexity of the process and, in order to understand its deepest implications, the necessity of reckoning with the many factors in play.

In the Americas, overriding emphasis has been laid in recent years on the necessity of harmonizing development and welfare, needs with resources, economic growth with social progress. In the definition of the Economic Commission for Latin America: "The problem of economic development is essentially that of rapidly assimilating the vast resources of modern technology in order to raise the living standards of the broad masses. Considerable difficulties stand in the way of solving this problem, both because of the magnitude of the process of transferring technology and because of the special circumstances in which the problem arises."[1] Equally important is a substantial change of attitude on the part of those who participate in and benefit from development. If indifference or pessimism prevails, it will be difficult, if not impossible, to stimulate production and redistribute the national income more equitably, even though all the necessary technical and financial resources are available. Because it is impossible today to conceive of an economic system without humanitarian purposes, one which is not aimed at improving the living conditions of the people and creating in them a feeling of responsibility and participation, a sense of national purpose. That social progress stimulates and is stimulated by economic growth is now an accepted tenet in the Americas, which are seeking to translate it into practice. The dominant policy, both nationally and internationally, is to accelerate development and to abolish the enormous disparities in the distribution of income, in order to raise standards of living. Those are but two phases of a single process which should be brought about simultaneously, step by step.

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[1] E/CN.12/582/Rev.1 (Eng.), p. 1.

Colm and Geiger view development as a social process that produces results which can be described and measured in economic terms. In Asia, Africa, and Latin America, development requires social and cultural change as well as economic growth; that is to say, qualitative transformations must occur concurrently with quantitative increases. There is, in fact, a reciprocal relation between the two, and neither process is likely to continue for long or go very far without the other. Hence, "development means change plus growth."[2]

It cannot be stated that in Latin America today an increase in the national product brings with it an automatic increase in per capita real income and, consequently, increased well-being. For a number of reasons, that phenomenon has not been demonstrated in this century. The rate of development—where development has occurred—has not been sufficient to meet the basic needs of a population that has grown more rapidly. Economic policy has not had the vigor and consistency that the pressure of problems and the anxieties of human beings demanded. Oversimplified formulas that merely call for the distribution of existing wealth among a larger number of persons and ignore the need to increase production and the rate of investment have no place today in Latin America, where countries are gaining an increasingly clearer insight into the ways of achieving progress and well-being.

The responsibility for the attainment of this goal rests principally with those who have had an opportunity of acquiring knowledge and experience and who are aware of the momentum of change in their countries and in the hemisphere. Whether in government, the universities, or in public or private institutions, they are the ones who must create a strong public opinion that will guide efforts toward definite objectives—the establishment of a broadly based economy, the improvement of living conditions, and increased opportunities for physical or intellectual employment as varied as each country's progress requires.

International organizations, and especially agencies like the World Health Organization and the Pan American Health Organization that were established by governments to work for the common good, have a similar responsibility. The application of the precepts that govern them to this phase of the continent's development and to the factors that determine existing social and health problems, according to the pace of the development process, explains the active part played by the Organization at the meetings of the so-called Committee of Twenty-one, the Special Committee of the Organization of American States To Study the Formulation of New Measures for Economic Cooperation. At its second meeting in Buenos Aires in April 1959, Resolution VII was approved: "To recommend to the Governments that, in programing and negotiating the financing of economic development, they include public health programs, inasmuch as they are essential to, and supplement, economic programs." Also, "To recommend to Governments that they seek technical advice from the Pan American Sanitary Bureau for the formulation of the above-mentioned programs."[3]

The third meeting was held in Bogotá in September 1960. Out of that meeting was to come an historic document, the Act of Bogotá, which situates measures for social progress and development within the framework of "Operation Pan-America." Its preamble is a lucid statement of the interrelation of the interests of the American Republics and the mutual dependence of economic and social problems. That is why activities must be carried out in both spheres mentioned in the document. The Organization had an active part in drawing up the section on health activities. That section calls for a reexamination of programs and policies, special regard being had to the strengthening of campaigns for the control or elimination of communicable disease, in particular malaria, and the progressive development of measures for the promotion, protection, and restoration of health.

The philosophy of the Act of Bogotá is reaffirmed and expanded in the Charter of Punta del Este, a new historic document resulting from the special meeting of the Inter-American Economic and Social Council at the ministerial level, held in Punta del Este, Uruguay, from August 5 to 17, 1961. The Charter of Punta del Este establishes the objectives of the Alliance for Progress within the framework of Operation Pan-America.

In that document health is acknowledged as a social function and an economic investment of itself and in relation to the other components of human welfare. The objectives the Governments have committed themselves to achieve during the decade are: "To increase life expectancy at birth by a minimum of 5 years, and to increase the ability to learn and produce, by improving individual and public health. To attain this goal it will be necessary, among other measures, to provide adequate potable water supply and sewage disposal to not less than 70 percent of the urban and 50 percent of the rural population; to reduce the present mortality rate of children less than 5 years of age by at least one-half; to control the more serious communicable diseases, according to their importance as a cause of sickness, disability, and death; to eradicate those illnesses, especially malaria, for which effective techniques are known; to improve nutrition; to train medical and health personnel to meet at least minimum requirements; to improve basic health services at national and local levels; and to intensify scientific research and apply its results more fully and effectively to the prevention and cure of illness."[4]

The 10-year public health program of the Alliance for Progress, Resolution A.2, of the Charter of Punta del Este, sets forth the measures the Governments are recommended to adopt in order to achieve those goals. In doctrine, it reaffirms the reciprocal relationship between health, economic development, living standards, and well-being, and consequently the need to foster economic development simultaneously with social progress. It draws a distinction between long-term methods and those that produce immediate results, in the sense that they represent the continuation and expansion of all activities that are being directed at the solution of urgent problems.

There is now general agreement on the need for each country to prepare a national health plan for the next decade as a long-range measure that will ensure the orderly development of activities for the protection, promotion, and restoration of health. A health plan is a method, a tool, and not an end in itself; it is a dynamic process which must be simple in its beginnings and which must be improved as time goes on by making successive evaluations of the results in relation to the precise objectives in view. The plan should indicate the direction to be followed, that is, policy, rather than overelaborate formulas that are divorced from reality in their disregard for existing resources, economic possibilities, and the administrative experience of the country. It should contain a straightforward presentation of the problems and their priorities, the goals to be attained within a given period of time, the available resources and their mobilization, the cost of the whole undertaking, and the methods of financing.

The formulation of a national health plan is a complex task, particularly in countries where vital statistics are very incomplete. Nevertheless, imperfections in that regard should not be a deterrent. There will always be ways of estimating or projecting the available data, no matter how inadequate, so as to establish definite objectives for a certain period of time. The preparation of such a health plan is an educational process which will benefit all public health officials. The work follows a specific orientation along lines that lead to significant achievement.

"More specifically, planning seeks directly or indirectly to influence those factors believed to determine the rate and direction of development. Hence, every development plan either consciously or unconsciously implies some particular theory of development and some notion of the specific ways in which the factors considered relevant can be stimulated to produce their effects. Development planning is, explicitly or implicitly, a strategy for development."[5]

When the health plan for the country has been prepared and specific priorities are determined, their incorporation into the different programs for economic development and social welfare will have to be effected. Obviously, large-scale undertakings, whether private or governmental, have not always considered health functions indispensable. In the mobilization of domestic resources, the relationship between the prevention and cure of diseases and the labor force is obvious. That explains why the 10-year public health program of the Alliance for Progress includes the following recommendations: "To adopt legal and institutional measures to insure compliance with the principles and standards of individual and collective medicine for the execution of projects of industrialization, urbanization, housing, rural development, education, tourism, and others."[6] At a later date, after special studies are made, it will be possible to prepare, by region, sector programs that consider the most widespread economic and social problems and the way to solve them through balanced development.

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[2] Colm, G. and Geiger, T. "Country Programing as a Guide to Development" (1961). In "Development of the Emerging Countries, an Agenda for Research," 45–71 (239), Brookings Institution, Washington, D.C. (February 1962).

[3] "OAS, Council series, C–sa–331" (approved) July 8, 1959 (original: Spanish).

[4] OAS Official Records, OEA/Ser. H/X.II.1 (Eng.), 1961, p. 11.

[5] Colm and Geiger, op. cit.

[6] OAS Official Records, OEA/Ser. H/X.II.1 (Eng.), 1961, p. 31.

The first need is to formulate health plans, programs, and projects in accordance with the characteristics of each country and possibilities for financing. To that end, the Charter of Punta del Este suggests, among other measures, the establishment within the health ministries of planning and evaluation units; these would have proper representation in the national development agencies, so as to insure the necessary coordination. However, there is a shortage of experts in the field of health planning, and measures to remedy that situation must be urgently considered by the governments, universities, and international organizations. Under the auspices of the Latin American Institute of Development Planning and the Pan American Health Organization, the first course for the training of such experts will be inaugurated in 1962. Plans have been made to train 100 experts in the next 5 years for Latin American countries.

A committee of experts has made recommendations on health planning which the Organization will put into practice. The Center for Development Studies of the University of Caracas has undertaken, in collaboration with the Pan American Sanitary Bureau, the preparation of a detailed guide for the formulation of national or regional health programs. All these efforts will obviously benefit from the activities of governments and the universities of each country, both for the training of experts and for the periodic review of plans and their improvement.

From another standpoint, health plans will permit governments to determine the areas where the collaboration of international organizations is needed. They may need advisory services on specific problems or opportunities for the training and improvement of the professional and auxiliary personnel that are indispensable for the achievement of the proposed objectives. Thus health plans will make it easier for international agencies to implement their policy of coordinating activities and making more productive use of available resources.

What is proposed is the logical way of harmonizing resources and their growth with needs and their extent. This in no way implies the undervaluing of what has been accomplished and of what is being done. On the contrary, if the plan is to meet with success, it must be based on past experience and profit from past mistakes so as to promote greater progress. As stated before, a health plan is a means but not an end. This explains why the Charter of Punta del Este contained the recommendation that governments complete the projects underway, particularly those related most directly to development. They are certain to be included in a long-term plan as social priorities. The charter makes special mention of the control or eradication of communicable diseases, sanitation, nutrition, medical care, maternal and child health, and health education. Activities in these fields have already been of benefit to the people of the Americas and continue to benefit an increasing number of them, and therein lies their greatest justification. To proceed with them is to make the past a prelude to the future, both at the national and at the international level. The purpose of this report is to describe what the Pan American Health Organization and the World Health Organization have done in the service of the governments in the past 4 years.

The period under review is characterized by certain general facts. The principles that govern the Organization were adapted to the current circumstances in the Americas and the need to incorporate health methods and concepts into programs of development and social progress was emphasized. The governing bodies of the Organization expressed their approval of this policy in several resolutions and promoted its application in the programs conducted with the assistance of the Organization. Great progress has been made in the Pan American Sanitary Bureau's traditional task—the control or eradication of communicable diseases, according to the nature of each disease, experience acquired as to the most effective techniques, the wishes of the governments, and the existing resources. Malaria eradication stands out among these diseases, for in the period under review it has become a worldwide undertaking.

Substantial progress was made in the control of all the common infectious diseases in the Americas, as is shown in the summary of the statistics appearing in the report.

Comparable progress is also evident in what have become known as the tools that public health uses in the control of diseases: the organization and administration of services, the education and training of personnel, planning, and research.

The Organization has provided advisory services at the national or local level, or both, to most of the countries of the hemisphere on problems relating to the organization and administration of health services, the formulation of general and specific programs, inservice training of personnel, and the revision of health legislation. Increased activities in medical care, nutrition, statistics, mental health, and radiation protection, to mention but a few, have constituted a fundamental part of this effort.

The importance of training the professional and auxiliary personnel necessary to allow health services to discharge their social function was recognized. Even though the funds allotted to those activities steadily increased, they still fell short of the real needs of the countries. Two expert committees defined the problem and the role that the Organization can play in the successive stages of its solution. The governing bodies have suggested that the large sums of money the plan calls for should be obtained from extrabudgetary funds, if possible in the form of voluntary contributions. In any event, as the report reveals, advisory services to professional schools, assistance with the training of auxiliaries, and the award of fellowships for the training of specialists have yielded positive results.

The need to formulate health plans has come to the fore in recent years. Reference has already been made to the decisions of the governments of the Americas in that connection, and to the steps the Organization is taking to help them incorporate health in the economic growth process.

The investigation of medico-social problems connected with the major diseases prevailing in the hemisphere also assumed great importance. Steps were taken to formulate a long-term program for which, in view of its value, it is hoped to obtain financing.

DRUG INDUSTRY ACT OF 1962

The Senate resumed the consideration of the bill (S. 1552) to amend and supplement the antitrust laws with respect to the manufacture and distribution of drugs, and for other purposes.

Mr. JAVITS. Mr. President, I yield myself 10 minutes on my amendment.

Mr. President, I modify my amendment by striking out the word "shall" in line 3 on page 1 of the amendment and inserting the words "may, within the discretion of the Secretary"; and on page 2, line 5, by striking out the word "shall" and making the same insertion.

The amendment proposes that, insofar as the Secretary may exercise his discretion, subject to such exceptions as the Secretary may by regulation prescribe, notice must be given to those to whom experimental drugs are to be administered.

This is a very much mooted point that has been very hotly argued in the committee, and in various circles in which the subject has been considered extending to this point in our discussions on the floor of the Senate. The point is critical. It is said that there is no need to make any provision on that score, not even a discretionary provision, because the decision can be left safely to the ethics of the medical profession on a State-by-State basis and that the profession will take care of the situation.

I have had the Library of Congress look into the question. I report to the Senate as follows from the survey:

> In our search of the laws of the 50 States we found no State statute which covered the use of an experimental drug and required the physician to inform the patient of such use.

The survey submitted by the Library of Congress contains an annotation of State laws on the question of new drugs, which supports that fundamental finding of fact. I ask unanimous consent that the statement of the Library of Congress, together with its conclusion and detailed analysis of the laws of the respective States, be printed at this point in my remarks.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

THE LIBRARY OF CONGRESS,
Washington, D.C., August 13, 1962.

To: Hon. JACOB JAVITS.
(Attention of Mr. Grey.)
From: American Law Division.
Subject: Summary of State laws on use of experimental drugs by physicians.

This is in response to your request for a synopsis of State laws on whether or not it is necessary for a physician to inform his patient that he is treating him with an experimental drug.

In our search of the laws of the 50 States we found no State statute which covered the use of an experimental drug and required the physician to inform the patient of such use. However, many of the States have statutes covering the requirements for new drugs which statutes are modeled after the uniform State food and drug law. We are enclosing a summary of the State laws which have this uniform statute or a closely related statute.

The uniform law, adopted by many of the States, provides that no person shall sell, deliver, offer for sale or give away any new drug unless an application had become effective under section 505, or section 355, of the Federal Food and Drug Act. The laws generally provide that this shall not apply to a drug intended solely for investigational use by experts qualified by scientific training and experience to investigate the safety in the drug and provided the drug is labeled "for investigational use only."

Also, we are sending a copy of a text published by Commerce Clearing House, Inc., "General State Food and Drug Laws Annotated," by David H. Vernon and Franklin M. Depew, which may be of interest to you.

FRANK L. CALHOUN,
Legal Assistant.

Summary of Individual State Laws Relating to Use of Experimental Drugs by Physicians and Statutes Relating to Use of New Drugs

(By Frank L. Calhoun, legislative attorney, American Law Division)

Alabama: No statutory provisions.

(Note.—When used throughout this refers only to statutes relating to new drugs.)

Alaska—Alaska Compiled Laws Annotated:

Section 40-5A-17. New drugs. (a) No person shall sell, deliver, offer for sale, hold for sale or give away any new drug unless (1) an application with respect thereto has become effective under section 355 of the Federal act, or (2) when not subject to the Federal act unless such drug has been tested and has not been found to be unsafe for use under the conditions prescribed, recommended, or suggested in the labeling thereof, and prior to selling or offering for sale such drug, there has been filed with the commissioner of health an application setting forth (a) full reports of investigations which have been made to show whether or not such drug is safe for use; (b) a full list of the articles used as components of such drug; (d) a full description of the methods used in, and the facilities and controls used for, the manufacture, processing, and packing of such drug; (e) such samples of such drug and of the articles used as components thereof as the commissioner of health may require; and (f) specimens of the labeling proposed to be used for such drug.

(b) An application provided for in subsection (a)(2) shall become effective on the 60th day after the filing thereof, except that if the commissioner of health finds after due notice to the applicant and giving him an opportunity for a hearing, that the drug is not safe for use under the conditions prescribed, recommended, or suggested in the proposed labeling thereof, he shall, prior to the effective date of the application, issue an order refusing to permit the application to become effective.

(c) This section shall not apply (1) to a drug intended solely for investigational use by experts qualified by scientific training and experience to investigate the safety in drugs provided the drug is plainly labeled "For investigational use only"; or (2) to a drug sold in this Territory at any time prior to the enactment of this act (this chapter) or introduced into interstate commerce at any time prior to the enactment of the Federal act; or (3) to any drug which is licensed under the Virus, Serum and Toxin Act of July 1, 1902 (U.S.C. 1934 cd. 42, ch. 4).

(d) An order refusing to permit an application under this section to become effective may be revoked by the commissioner of health.

(Follows pattern of uniform State food and drug law.)

Arizona: No statutory provision.

Arkansas: No statutory provision.

California—Section 26211, health and safety code, West's Annotated California Code:

New drug defined: New drug means (1) any drug the composition of which is such that such drug is not generally recognized, among experts qualified by scientific training and experience to evaluate the safety of drugs, as safe for use under the conditions prescribed, recommended, or suggested in the labeling thereof; or (2) any drug the composition of which is such that such drug as a result of investigations to determine its safety for use under such conditions, has become recognized, but which has not, otherwise than in such investigations, been used to a material extent or for a material time under such conditions (added Stats. 1939, c. 730, p. 2257, effective January 1, 1940).

Section 26287. Health and safety code—

The using on the labeling of any drug or device or in any advertisement relating to such drug or device of any representation or suggestion that an application with respect to such drug or device complies with the provisions of that section is prohibited. (Added Stats. 1939, ch. 730, p. 2257, effective January 1, 1940, as amended Stats. 1955, c. 1070, 10.)

West's Annotated California Codes (1961 suppl.).

Section 26288. New drugs and devices; application; contents of application.

The sale, offering for sale, holding for sale, delivering or giving away of any new drug or devices is unlawful and prohibited unless (1) an application with respect thereto has become effective under section 505 of the Federal act, or (2) if the drug or device is not subject to the Federal act unless such drug or device has been tested and has been found to be safe for use under the conditions prescribed, recommended, or suggested in the labeling thereof, and prior to selling or offering for sale such drug or device there has become effective an application filed with the board setting forth:

(a) Full reports of investigations which have been made to show whether or not such drug or device is safe for use;

(b) A full list of the articles used as components of such drug or device;

(c) A full statement of the composition of such drug or device;

(d) A full description of the methods used in, and the facilities and controls used for, the manufacture, processing and packing of such drug or device;

(e) Such samples of such drug or device and of the articles used as components of the drug or device as the board may require; and

(f) Specimens of the labeling and advertisements proposed to be used for such drug or device. (As amended Stats. 1959, c. 1623, p. 3992, § 1.)

(Follows pattern of uniform State food and drug law.)

Section 17500, Business and professions code (1961 suppl.).

False or misleading statements—It is unlawful for any person, firm, corporation or association, or any employee thereof with intent directly or indirectly to dispose of real or personal property or to perform services, professional or otherwise, or anything of any nature whatsoever or to induce the public to enter into any obligation relating thereto, to make or disseminate or cause to be made or disseminated before the public in this State, in any newspaper or other publication, or any advertising device, or by public outcry or proclamation, or in any other manner or means whatever, any statement, concerning such real or personal property or services, professional or otherwise, or concerning any circumstance or matter of fact connected with the proposed performance or disposition thereof, which is untrue or misleading, and which is known, or which by the exercise of reasonable care should be known, to be untrue or misleading, or for any such person, firm, or corporation to so make or disseminate or cause to be so made or disseminated any such statement as part of a plan or scheme with the intent not to sell such personal property or services, professional or otherwise, so advertised at the price stated therein, or as so advertised. (As amended Stats. 1955, c. 1358, p. 2443, § 1.)

Colorado—Colorado Revised Stats. 1953. (1957 Suppl.):

48-8-3. New drugs—when sale permissible. (Similar to California statute—follows pattern of uniform State food and drug law.[1])

Connecticut—title 19-212(h), definition of new drug, same as California definition—uniform law.

General Statutes of Conn. (Rev. of 1958) title 19, section 213—(Uniform Food Drug and Cosmetic Act) Prohibited Act. The following acts and the causing thereof shall be prohibited: (k) the using in intrastate commerce, in the labeling or advertisement of any drug, of any representation or suggestion that on application with respect to such drug is effective under section 355 of the federal act or under section 19-229, or that such drug complies with the provisions of either such section (1949 Rev., S. 3931, 1955, S. 2091(d)).

Sec. 19-229. New drugs (similar to California statutes follows uniform food and drug law). See California, section 26288.

Delaware—Del. Code Anno.

16 § 3315. The State Board of Pharmacy shall adopt Federal Food, Drug and Cosmetic Act so far as applicable.

Florida—Fla. Stats. Anno.

Title 31-500.03-(14). The definition of new drug—similar to California—uniform law.

Sec. 500.16. Sale, etc., of new drugs; exceptions.

(Follows uniform State food and drug law. See California.)

Georgia—Ga. Code Ann.

Title 42-1510 (1961 Suppl.)—procedure for marketing new drugs, application, exceptions.

(Follows uniform law. See California.)

Hawaii—Revised Laws of Hawaii, 1955.

Chap. 51-4(b) defines "new drug"—follows uniform law.

Chap. 51-16. New drugs, regulation of sale, etc., exceptions.

(Follows uniform law. See California.)

Idaho—Idaho Code—

Title 37-114(n)—definition of new drugs—follows uniform law.

Title 37-128—sale of new drugs, etc.—follows uniform law.

Illinois—Ill. Revised Stats. 1961.

(Uniform Drug, Device and Cosmetic Act.)

Chap. 111½—section 402-16—definition of new drug.

Section 418-19. New drugs.

Section 420. Drugs intended for investigational use only.

(Illinois statutes follow uniform law. See California.)

Indiana—Burns Ind. Stats. Anno.

Section 10-104 prescribing secret medicines—whoever prescribes any drug or medicine to another, the true nature and composition of which he does not, if inquired of, truly make known, but avows the same to be a secret medicine or composition, and thereby endangers the life of such other person, shall, on conviction, be fined not less than $30.00, nor more than $100.00, and be imprisoned in the county jail not less than 60 days, nor more than 6 months. [Acts 1905, ch. 169, section 366, p. 584.]

Section 35-3316-3319. New drugs—(follows uniform law. See California.)

Iowa—Iowa Code Anno. (1961 Suppl.) Uniform Act 203 A.2(13), definition of new drug 203A.11—application to sell new drugs, etc.

(Follows uniform law. See California.)

Kansas: No statutory provision.

Kentucky: No statutory provision.

Louisiana: No statutory provision.

Maine: No statutory provision.

Maryland: No statutory provision.

Massachusetts: No statutory provision.

Michigan: No statutory provision.

Minnesota: No statutory provision.

Mississippi: No statutory provision.

Missouri—Vernon's Mo. Stats. Anno.

Ch. 196.105—Provisions governing selling or delivering of new drug.

(Follows uniform law. See California.)

Montana: No statutory provision.

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[1] Throughout when references are made to California statute, it is to secs. 26211 and 26288, Health and Safety Code, pp. 2 and 3, which is similar to text of uniform law.

Nebraska: No statutory provision.
Nevada—Nevada Revised Stats.:
Ch. 585.140—New drug defined—follows uniform law.
Ch. 585.490—No person shall introduce or deliver for introduction into intrastate commerce any new drug which is subject to section 505 of the Federal Act 121 U.S.C. § 355 unless as application with respect thereto has become effective thereunder.
(Follows uniform law.)
New Hampshire: No statutory provision.
New Jersey—New Jersey Stats. Anno.
Title 24:1-1 Definition of new drug—follows uniform law.
Title 24:6A-1 Requirement for new drugs, etc.—(follows uniform law. See California).
New Mexico—N.M. Stats. Anno. (dangerous drugs):
Section 54-6-21(b). Licensed physicians, dentists, and veterinarians may dispense * * * any dangerous drugs provided that a record of all such dispensations * * * shall be kept showing the date when issued and bearing the name and address of the patient for which drug dispensed.
Section 54-6-2. New drugs—definition follows uniform law.
Section 54-6-11. New drugs—requirements—(follows uniform law. See California).
New York—McKinney's Consolidated Laws of N.Y. Anno.
New drugs. Education section 6809 (title 8. Art. 137).
(Follows uniform law. See California.)
North Carolina: No statutory provision.
North Dakota: No statutory provision.
Ohio—Pages Ohio Rev. Code Anno.
Section 3715.65—new drugs.
(Follows uniform law. See California.)
Oklahoma: No statutory provision.
Oregon: No statutory provision.
Pennsylvania—Purdon's Penna. Stats. Anno. (1961 Suppl.).
Title 35—section 780-16—new drugs.
(Follows uniform law. See California.)
Rhode Island—General Laws of R.I. (1961 Suppl.).
(Follows uniform law. See California.)
South Carolina: No statutory provision.
South Dakota: No statutory provision.
Tennessee: Tenn. Code Anno.
Section 52-117—new drugs, requirements.
(Follows uniform law. See California.)
Texas: No statutory provision.
Utah—Utah Code Anno. (1961 Suppl.).
Title 4-26-16—new drugs—follows uniform law.
Vermont—Vt. Stats. Anno. (1961 Suppl.)
Title 18—Section 4065—new drugs—follows uniform law.
Virginia: No statutory provision.
Washington: No statutory provision.
West Virginia: No statutory provision.
Wisconsin—West's Wisconsin Stats. Annc
Title 15—ch. 146.17—Nothing in this statute shall be construed to authorize interference with the individual's right to select his own physician or mode of treatment.
Wyoming: No statutory provision.
District of Columbia: No statutory provision.
The Federal Food, Drug and Cosmetic Act, 21 U.S.C. 301 is the basic regulatory law in the District of Columbia.

Mr. JAVITS. Mr. President, what has alarmed the country and, in my opinion, brought the bill to the point of passage as a bill—and I hope very much that the bill does pass—is the great concern which was sparked by the use of the drug thalidomide. Let us remember that thalidomide was not adminstered to mental patients—at least not in main—to people who would suffer terribly in terms of being upset if they knew they were taking a medicine which was experimental in character, or to people who had some fatal disease. The ladies to whom the drug was administered were pregnant. The ones we were worried about were those who had a fatal disease that a doctor did not desire to inform them about. The drug was administered to people who could have been told, and then if they chose to take it, they would have taken it. If they did not choose to take it, they did not have to take it.

I am for experimentation. I feel deeply that some risks must be assumed in experimentation. But we must hold the balance between personal dignity and personal responsibility and the right of the individual to know how his life is being disposed of, at least with his consent, and the virtues of experimentation.

We have found that there are always enough people, whatever may be the danger of the drug—often, for example, inmates of the jails—who are willing to lend themselves to experiments. Therefore, experimentation should not be conducted in a blind way, without people giving their consent.

I understand the problems in cases in which there is some fatal terminal disease, and in which the doctor, in the exercise of the judgment which the Hippocratic Oath assures will be used conscientiously, decides he will not tell. The Secretary could exempt any new drugs from any such regulation. There is the case of the hypertense patient, or the situation in which the drug may have some other effect if a person knows he is taking it for a specific reason, in which the Secretary may decide that the testing reason is greater than the possible risk which might be run. My amendment applies only to the question of safety.

In short, only if the drug has not yet been reasonably demonstrated to be safe would my amendment apply at all.

Finally, the amendment in completely discretionary.

It is said—I think in perfectly good faith—and was the cause of a great deal of discussion in the Judiciary Committee itself, that if we should write such a provision into the bill, the bill might fail and go down the drain.

It is said that doctors would not want it, and it might encounter such opposition that the bill would not become law. I think that begs the question. If it is right, sound, just, decent, and proper, and we cannot tell a mature adult who is going to be used for experimentation with a drug which has not yet been reasonably demonstrated to be safe and who is well able to come to the decision that he wants it himself and is not going to be adversely affected either in his illness or as a possible testing ground for the particular drug, where is the dignity, the responsibility, and the freedom of the individual?

In short, some balance must be maintained. I do not think we can summarily sweep the whole problem under the rug and let the situation continue as it has existed up to this time.

I should like to point out one other point which I think is very important. The amendment of the Senator from Colorado [Mr. CARROLL] contained a provision which, I believe, called for a written statement on the part of the testing expert. In the discussions on the bill it was said to relate to experts, that is, to those who are qualified by the fact that they are watching the drug experimentally, to advise the Secretary as to its merits or demerits. They are called experts. But when we debated the subject in the Committee on Government Operations, of which I am a member, and heard the whole debate before the subcommittee presided over by the Senator from Minnesota [Mr. HUMPHREY], the upshot of the debate and the testimony before us was that almost any doctor could qualify as an expert. All he has to do is to sign a paper saying that he is an expert.

It is claimed that under the bill as it is now written the Secretary would be a great deal tougher about deciding who is and who is not an expert and that he might or might not accept the statements of certain individuals who merely sign a paper and say they are experts. We know nothing about that whatever. Past experience on the question is very clear. Any physician who signs a document stating that he is an expert is thereby deemed to be an expert, and that will be the end of that dispute. It seems to me that under those circumstances we would certainly need something by way of an expression on the part of Congress that where it is feasible and practicable, the course suggested should be followed. That is all the amendment provides. Where it is possible, feasible, and practicable, it should be done, and under no other circumstances.

There is real need and a real problem. It is not a problem that can be solved by forgetting about it.

We should manifest a sense of responsibility by dealing with it. I would not make the provision mandatory. I would make it completely discretionary. I am allowing for as many exceptions as the Secretary wishes to impose. Indeed, my amendment is nothing but a license to complain, if that is an apt phrase to describe what I have in mind.

In short, there would be opportunity to complain where there was ground for complaint in the administration of the law. We should not forego the opportunity to write into the bill the right to complain where we feel injustices are being done or risks are being taken.

It is for these reasons, knowing full well that this matter has been discussed and considered and talked about, and, I believe, rejected by the Judiciary Committee, for which I have great regard, and I understand the complexities involved, that I believe the Senate, in the final analysis, must weigh in the balance these two questions of personal consent and personal dignity and the overriding interest—which I agree is overriding—in experimentation. I believe both can be reconciled in the way in which this amendment has been drafted, with all of the "outs" which the amendment provides.

I see the Senator from Colorado on the floor. I hope that it will be very clear that whatever is done in this matter is done by both of us.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. JAVITS. I yield myself 1 additional minute. I am not opinionated about it. I doubt that the Senator from Colorado is. However, in all good conscience I deeply feel that this is a matter which must be submitted to the conscience of the Senate. If the Senator from Colorado desires me to yield to him, I shall be happy to do so.

Mr. CARROLL. Yes; I would appreciate it.

Mr. JAVITS. I yield 10 minutes to the Senator from Colorado.

Mr. CARROLL. Mr. President, if I may have the attention of the chairman of the committee I should like to address to him a number of questions.

Before I do so I wish to say that I have no desire to criticize the chairman of the subcommittee or the members of the Judiciary Committee, the Senator from Tennessee [Mr. KEFAUVER], the Senator from Michigan [Mr. HART], or all the other men who have worked on this bill for 3 years. It is a very complex bill. In many ways this bill is a strong bill. In some respects, however, it needs further strengthening.

I call attention to the problem that has greatly aroused the people of America. I refer to the use of the drug thalidomide, which was administered on an experimental basis to many Americans. This same drug, it is now known, was responsible for the birth of hundreds of deformed children in Europe. All America knows of the courage and determination of Dr. Kelsey, who singlehandedly prevented a similar tragedy from occurring in America by stalling for time and thus keeping this drug from general sale. It is to strengthen the authority of such as Dr. Kelsey that we consider this bill today.

In our Judiciary Committee, we had the privilege of hearing the testimony of Commissioner Larrick of the Food and Drug Administration. In my questioning of Commissioner Larrick, I was shocked to learn that in this great Nation many drugs made by various pharmaceutical houses are going out into clinical investigation, in hospitals and by doctors, without any record being kept by the pharmaceutical house as to what doctors are receiving the drug. There is no evidence either that the doctor receiving the drug told the patient that he was to be used for experimental purposes.

This was all a great shock to me.

I believe that under normal circumstances when a man or a beloved member of a family goes to a doctor, that man has a right to know if he is to be given untested experimental medicine.

I wish to be as fair as I can about this. I have great confidence in the doctors of this Nation. I have great confidence in our medical profession. I know the physician recognizes his ethical responsibility to the patient. I realize that. I know that in most cases the doctor is going to act in the interest of his patient. However, I repeat that I believe firmly every human being has a right to know whether he is being treated with experimental medicine.

I have conferred with officials of the Food and Drug Administration on the importance of maintaining adequate records. These officials agree with me in this regard. When a test of a new drug is to be undertaken in a community, I suggested that not only should the FDA be informed of the fact; the FDA in turn should notify the Governor of the State, State public health officials, the State and county medical associations and local officials of the test.

It should be made very clear to Senators and to the country; this is not a Federal control bill.

This is a Federal information bill.

I have two amendments at the desk, but I am withholding them at this time. I do so because I believe I will be able to join with the Senator from New York in offering an amendment acceptable to us both.

I share the viewpoint of the able Senator from New York that we must tighten up the regulatory authority of the FDA.

I am not talking about regulating medicine between the physician and the patient. Let me make that clear.

We must tighten up the regulatory authority. I believe we are doing so in this bill.

The question is, Are we doing it adequately and sufficiently?

I realize there may be cases in which a doctor cannot inform his patient of the treatment, because the patient may be suffering from a serious case of cancer, and the doctor has not informed the patient of his illness.

Mr. EASTLAND. Mr. President, will the Senator yield?

Mr. CARROLL. I shall be glad to yield as soon as I complete my statement.

There may be involved a rare blood disease. The patient may be in a coma. It may be a child that needs medication. Such cases as these are the exceptions. As a general rule I believe that a man should be told that he is to be used as a guinea pig.

In regards the question of insuring the health and safety of the public, let me ask a series of questions of the chairman of the committee.

Under the pending bill may a member of the pharmaceutical industry send a drug to a doctor or clinical research group without a record being made of the transfer of that drug, and without notification to HEW?

Mr. EASTLAND. The Senate has now adopted an amendment which authorizes the Secretary of Health, Education, and Welfare to issue regulations, at his discretion, which among other things, would require physicians engaged in clinical testing "To keep records with respect to the tests performed, and to furnish to the Secretary simultaneous copies of their reports to the manufacturer."

Mr. CARROLL. I believe the Senator has read the Kefauver amendment.

Mr. EASTLAND. That is correct.

Mr. CARROLL. I was a cosponsor of the Kefauver amendment.

Mr. KEFAUVER. That is correct.

Mr. CARROLL. We must make a record here, and I expect the Secretary of Health, Education, and Welfare, the pharmaceutical industry, and members of the medical profession will pay some attention to the record which we make.

Mr. EASTLAND. I also call attention to section 7 of the additional amendments, or substitute bill, at page 12, beginning at line 10, and running through line 17, which reads:

> Such regulations may provide for conditioning such exemption upon the establishment and maintenance of such records, and the making of such reports to the Secretary, of data obtained as the result of such investigational use of such drugs, as the Secretary finds will enable him to evaluate the safety and effectiveness of such drugs in the event of the filing of an application pursuant to subsection (b).

Mr. CARROLL. I think we can now discuss specifics. Let us talk about thalidomide.

Mr. EASTLAND. We have provided for recordkeeping.

Mr. CARROLL. Let us talk about this one drug the distribution of which Dr. Kelsey was successful in stopping.

Mr. EASTLAND. On August 9, the Food and Drug Administration issued regulations which require that the Food and Drug Administration be notified and be given full information about the distribution of drugs for investigational use.

Mr. CARROLL. I hope I have not interpreted the Senator's remarks incorrectly.

Mr. EASTLAND. Let me finish. The amendment to the bill furnishes a firm statutory basis for such regulations.

Mr. CARROLL. I return to the drug to which the public has been alerted. Under the old practice, if such a drug were produced by a pharmaceutical house, it could be distributed on an experimental basis without prior notificaton to anyone.

Under the bill, what would be the authority of the Secretary of HEW? The regulation which the chairman has just read is of course a proposed regulation, not yet adopted.

Mr. EASTLAND. The Secretary of HEW could require animal testing; he could even seize the drug as an imminent hazard to human health.

Mr. CARROLL. In other words, the old practice will be brought to an end.

Mr. EASTLAND. The Secretary would have the power to require testing on animals before the drug was given to human beings.

The PRESIDING OFFICER. The time of the Senator from Colorado has expired.

Mr. JAVITS. Mr. President, may I suggest that the Senator from Mississippi might like to yield more time?

Mr. EASTLAND. How much time does the Senator from Colorado desire?

Mr. CARROLL. About 10 minutes, in order to make the RECORD.

Mr. EASTLAND. Mr. President, I yield 10 minutes to the Senator from Colorado.

Mr. CARROLL. Again, to be more specific, because I think this information is vital for the record, for the public, and for the Senate, do I correctly understand that the practice of moving drugs from the pharmaceutical industry to clinical research centers or to doctors' offices without clearance by HEW will be ended? If so what sort of clearance will be required?

Mr. EASTLAND. What was the question?

Mr. CARROLL. The question is whether the pharmaceutical industry will be able to place such drugs as thalidomide in the hands of doctors or clinical research centers without prior notification to HEW?

Mr. EASTLAND. No.

Mr. CARROLL. Therefore, when such a drug is sent to HEW, HEW will determine whether the drug should first have animal testing?

Mr. KEFAUVER. That is correct.

Mr. CARROLL. I note that the able Senator from Tennessee has that understanding.

Mr. KEFAUVER. That is correct; and that is provided in the amendment of which the distinguished Senator from Colorado was a cosponsor.

Mr. CARROLL. That was the amendment which was accepted on the floor of the Senate and is now a part of the bill under consideration?

Mr. EASTLAND. That is correct.

Mr. CARROLL. Now let us go to the next step. If there are some drugs on which HEW does not require testing, will the Department have the authority to require a report on them?

Mr. EASTLAND. That is correct. Whether animal testing is required or not, the Secretary is given the further discretionary authority to require experts engaged in animal testing to register and to keep records of the tests performed.

Mr. KEFAUVER. Furthermore, simultaneous reporting to HEW of their report to manufacturers may be required.

Mr. CARROLL. I think this is a substantial step forward. I observe in the Chamber many Senators who worked on the bill. I note that none of them seem to be in opposition, at least at this time, to the interpretation which we are placing on the bill by reason of the acceptance of the Kefauver amendment.

One point still bothers me—and frankly I do not know how we can tackle the problem. We still have not met the basic problem of patient notification.

How can doctors be required to inform their patients that they are using drugs for experimental purposes? It is most difficult to draw that type of amendment. If we were to approve a strict, mandatory prenotification requirement, we might prevent the doctor from helping his patients in times of extreme emergency.

Mr. EASTLAND. The distinguished Senator referred to the case of a person in a coma.

Mr. CARROLL. Or a person having cancer.

Mr. EASTLAND. It might be an experimental drug, a single injection of which would provide him with a chance to live. How could he be notified that an experimental drug is being used?

Mr. CARROLL. The Senator from Mississippi is correct. That is why I think it would be most difficult to draft such an amendment. It is my hope that no doctor or clinical research group, except in cases of rare emergency, would take it upon themselves to administer drugs for clinical reasons unless the patients were told what the effect of the drugs might be. Generally speaking, I believe a person has a right to this information.

I am confident that doctors will read the Record. The legislative history we are making will be transmitted to them. I warn them—and I am now speaking as a lawyer—that the use of drugs for experimental purposes, without the knowledge of their patients, is a hazardous step to take. I am now talking about the law which protects patients—the malpractice law. I have had the privilege of discussing some of these problems with my physician friends in Colorado.

For the first time in many years, the Senate is considering a bill on this subject; the HEW has drafted proposed regulations. Let me emphasize, there is no desire on the part of the HEW, the Senate, or the junior Senator from Colorado to have the Government control medicine at the grassroots; what is desired is to protect the public interest.

Mr. EASTLAND. Does not the remedy lie in the right of the patient to bring a malpractice suit?

Mr. CARROLL. It is my hope that no patient would have to resort to the bringing of a malpractice suit. That would be a remedy; but I am talking about the indiscriminate use of drugs, perhaps in a county hospital, where there are many poor people who do not think about malpractice suits, who do not have the money for such suits. I am thinking of the public interest.

What remedy would a malpractice suit offer to the parents of a deformed child?

The able Senator from Arkansas [Mr. McClellan] propounded some pointed questions to the representatives of HEW. Throughout the years, some of us have believed HEW had the power to issue regulations to curb dangerous practices. This was not the case. That is all beside the point now, because after 3 years of excellent work by the distinguished Senator from Tennessee and his staff, and by other members of the subcommittee, a solution seems to be in sight. I commend the distinguished Senator from Mississippi, the chairman of the committee, for his interest in the subject and for having reported to the Senate a bill which will cope with the situation which now exists.

Mr. KEFAUVER. Mr. President, will the Senator yield?

Mr. CARROLL. I yield.

Mr. KEFAUVER. The Senator from Colorado is a member of the Subcommittee on Antitrust and Monopoly. He has worked hard, long, and diligently. He has performed a great service on the bill during the hearings. I am disturbed about the same danger which concerns the Senator from Colorado and the Senator from New York [Mr. Javits], namely, the danger of doctors not informing patients, when it is feasible for them to do so, that they are being administered experimental drugs. On the other hand, it is very difficult to write such a requirement into the proposed legislation.

Some of us have been conferring in the cloakroom, trying to agree upon proper wording. As the Senator from Colorado has said, there might be cases of cancer in its last stages, or cases of patients who might be in a coma and could not be notified, or another case of children who require the emergency administration of medicine, and it would be impossible to notify the parents.

Mr. EASTLAND. Mr. President, will the Senator from Tennessee yield?

Mr. KEFAUVER. I yield.

Mr. EASTLAND. Is it not true that the medical profession says that in many cases it is desirable that a patient who is taking one of these drugs not know just what he is taking, in view of the fact that if the patient knew of his condition, the emotional reaction would cause him great harm?

Mr. KEFAUVER. Certainly that is true. This matter involves the relationship between the doctor and the patient.

Mr. EASTLAND. Would not the requirement to notify the patient put the Federal Government into the practice of medicine?

Mr. KEFAUVER. I do not think so, but I think it would be very difficult to administer and about impossible to police.

Mr. President, certainly the legislative history should be made here; and if suitable language can be prepared this afternoon, we shall be glad to give it consideration.

Mr. CARROLL. Mr. President, will the Senator from Mississippi yield?

Mr. HRUSKA. Mr. President, will the Senator yield for a question?

Mr. CARROLL. Mr. President, I have yielded for questions. Will the Senator from Mississippi yield 2 more minutes to me?

Mr. EASTLAND. Yes; but I do not wish to yield much more.

Mr. CARROLL. Of course I can speak later, at length, if necessary.

Mr. President, I do not want the Federal Government to be put into the practice of medicine. Under this bill, when experimental drugs are distributed, a record of their movement will be made. I think this Record now shows clearly that such a record will be made when these medicines move from a drug house to a doctor. A report will then be made. It seems to me that the knowledge that the report will be made will cause the doctor and the company to exercise greater caution, as the Senator from Tennessee says.

We are moving into a new era. We of the Antitrust and Monopoly Subcommittee have learned much. I think the pharmaceutical industry and the medical profession have learned, too.

In other words, the recent revelations have "shook them up," too.

However, although we are now making a record, certainly no one should receive the impression that after this bill is passed, we are going to leave this subject alone. We must keep alert. In that connection, I point out that the people at home are watching. I hold in my hand three excellent editorials from Colorado newspapers. The first from the Grand Junction Sentinel, the second from the Denver Post, the last from the Rocky Mountain News.

I ask unanimous consent that the editorials be printed at this point in the RECORD.

There being no objection, the editorials were ordered to be printed in the RECORD, as follows:

[From the Daily Sentinel, Aug. 3, 1962]

OUR DRUG TRAGEDY

There are no words to express the horror of the thalidomide drug tragedies. These are manmade tragedies, touching the most sacred part of man's existence, birth itself. They are brought about by man's carelessness, his egotistic assumption that his scientific knowledge supersedes his human responsibilities, his overconfidence in himself, his indifference to human life.

The victims are helpless babies and trusting parents who assumed doctors they consulted for high fees were capable of making sound judgments and would not needlessly put patients' lives in jeopardy. The doctors, around 1,200 of them in the U.S. and 10 in Colorado, were deliberately, by agreement with a drug firm, conducting experiments on human beings.

It is possible to agree with the Food and Drug Administration that experiments on humans are "necessary" if new drugs are to be developed. There is no moral basis for conducting experiments without the knowledge and consent of the humans involved. They are no more justifiable than the evil medical experiments carried out by the Nazis on helpless victims.

Our Nation was founded on the basic principle that man is free to make his own decisions. Not even in time of national crisis is he legally forced to put his life in jeopardy against his own conscience. Yet in the interests of science and progress we have reverted to the Dark Ages principle that human lives can be controlled by those who have the knowledge and the power to control them regardless of the wishes of the human beings involved.

Had a report such as that dealing with thalidomide come out of Soviet Russia it would have been used for a decade to prove the "Godless disregard for human lives" in that country. Since it involves American doctors, an American drug company and American laws it is being excused on the grounds of "necessity."

There are many areas in which our Food and Drug laws must be strengthened even over the loudest protests of both science and industry. The foremost area is that within which some few chosen men are given the right to experiment upon human beings without either their knowledge or their consent.

[From the Denver Post, Aug. 2, 1962]

DRUG TESTING PROCEDURES NEED STUDYING

The current furor over a sleeping tablet called thalidomide dramatizes in a shocking fashion a problem which affects the entire American public and which has long been a matter of serious concern for the Nation's medical scientists.

The problem can be stated simply: Are new drugs being adequately tested before they are put on the market?

Thalidomide, a nonbarbiturate which produces sleep without a hangover, has now been linked to a rare deformity known as phocomelia, a defect in which infants' limbs are missing or a hand or foot are attached directly to the body.

Although the drug, which was introduced in West Germany 5 years ago, has been widely consumed in several European countries and in Australia and Canada, it has never been approved for use in the United States by the Federal Food and Drug Administration. But some U.S. physicians have been supplied with thalidomide for use in a clinical testing program run by the drug's American supplier.

In recent years, several drugs which have been given FDA approval after having been exposed to similar clinical tests have been found to have harmful—and sometimes fatal—side effects.

When confronted with evidence of harmful side effects of new drugs, the drug companies justify their testing programs by saying they take all reasonable steps to make certain new drugs are safe, adding that more complete testing would be impossible or unfeasible for two main reasons:

First, in order to be able to say with absolute certainty that a drug is completely safe, it would be necessary to have much longer test periods in order to compile a sufficient number of statistics; and during this period, the drug would be denied to the general public.

Second, the more elaborate testing would be much more expensive and would cause the price of drugs to skyrocket.

Both of these contentions are of dubious merit, especially when viewed in the light of the patent fact that the drug industry is highly competitive and seems occasionally to be excessively motivated by the desire for profit.

None of this is to imply that drug companies willfully market drugs which they know to be harmful. It is certain that no reputable firm would market a new drug which it had the slightest reason to believe was unsafe.

The point is that the testing programs are now not sufficiently long or sufficiently detailed to reveal possible harmful side effects which no one could predict and which can only be discovered after the drug has been widely consumed.

Further, it does not seem to be an altogether desirable practice to have the company which has developed (and will market) the drug conduct the research on the safety of the drug.

It has been suggested that such research be conducted by an independent firm financed by the pharmaceutical houses and administered by a professional organization such as the American Medical Association. This suggestion seems eminently worth pursuing.

The FDA obviously is not pleased with the present testing system. Its Commissioner, George Larrick, has noted that "over 20 percent of the drugs evaluated" by the AMA's Council on Drugs since 1956 have had "one or more proposed uses that the council did not endorse, based on the evidence before it."

It also seems clear that the FDA, while staffed by competent and devoted public servants, is grievously understaffed, and consequently not able adequately to enforce its regulations and to make its own independent investigations.

The whole matter of the testing of new drugs needs—and has needed for some years—considerably more investigation. If the unfortunate case of thalidomide's harmful side effects serves to bring about this investigation and the necessary reforms, perhaps some good can yet come out of what up to now is an extremely ugly situation.

[From the Rocky Mountain News, July 31, 1962]

TESTING DRUGS

The United States can thank its lucky stars it has averted a major medical tragedy.

Through a fortunate chain of circumstances, plus the alertness of a woman physician at the Food and Drug Administration (FDA) and the conscientiousness of her boss, a dangerous medicine was kept off the U.S. market.

The drug is thalidomide. Originally regarded as a harmless sedative, it has turned out to be a medical monster. By the end of next fall, expectant mothers in at least 13 countries who used this drug during early pregnancy will have given birth to more than 7,000 deformed babies.

Though the drug didn't reach the prescription market in the United States, it now develops the medicine was supplied to 1,200 physicians throughout the country for exprimental use to establish its safety—before its disastrous effects became evident in Europe—where it had been in use for several years.

Safety-testing of new drugs is, of course, a necessity. But it is appalling to learn the FDA has no real control over such tests.

Indeed, it doesn't even have to be told about them until a drugmaker feels the medicine is safe enough to seek the Government's okay.

Presumably, if a drug turns out to be too dangerous to market the manufacturer need never advise the FDA about it. Yet knowledge of such adverse test results could help avert future trouble.

This whole situation cries for a quick remedy—because we may not be so lucky the next time a new drug is developed.

The FDA, as the official watchdog of the Nation's medicine cabinet, should also know who is testing what kind of drugs and where. The FDA also should be advised promptly of all bad reactions to all drugs—both before and after they are marketed.

The Pharmaceutical Manufacturers Association is to be commended for moving to develop safer methods to test drugs. But more needs to be done more quickly.

Compulsory reporting of untoward reactions by pharmaceutical manufacturers requires a change in the law.

This should be written into the drug bill pending in the Senate.

Meanwhile, stricter policing of experimental drugs apparently can be achieved by a mere change in regulations.

By ordering such a change, the Secretary of Health, Education, and Welfare, Anthony Celebrezze, could make an auspicious start in his new job.

Mr. CARROLL. Mr. President, I thank the able Senator from Mississippi, the chairman of the committee, for his courtesy in yielding to me.

Mr. EASTLAND. Mr. President, I yield myself 1 minute.

The PRESIDING OFFICER. The Senator from Mississippi is recognized for 1 minute.

Mr. EASTLAND. Mr. President, in connection with this proposal, the record should show that the Food and Drug Administration is opposed to it. Furthermore, it is not one of the recommendations the President of the United States made.

In connection with this proposal, I should like to refer to the testimony given by a very prominent doctor, Dr. Chester Keefer, of Boston, who supervised the clinical testing of penicillin and streptomycin, and is a leading authority on the subject. On August 20, he testified before the House Committee on Interstate and Foreign Commerce; and he stated that, in his experience, most clinical investigators tell their patients when they are receiving experimental, new drugs; and that when they do not tell their patients, it is for a valid medical reason—such as the risk that the patient's response might be affected by his knowledge that he was receiving the drug. This is particularly true in psychiatric diseases, blood pressure diseases, and other cases in which the response of the patient is directly affected by his state of mind and emotional condition.

The PRESIDING OFFICER. The time the Senator from Mississippi has yielded to himself has expired.

Mr. EASTLAND. Mr. President, I yield myself 1 more minute.

The PRESIDING OFFICER. The Senator from Mississippi is recognized for 1 additional minute.

Mr. EASTLAND. Mr. President, it is also true in cases of fatal diseases, such as cancer, when the doctor may think it best not to advise the patient of the seriousness of his condition. In such a case, the doctor could hardly tell the patient that he was administering an experimental cancer drug; yet such a drug might be the only chance of prolonging life or alleviating suffering.

Mr. McCLELLAN. Mr. President, I ask unanimous consent that I may proceed to address the Senate for 10 minutes, and that the time I use be charged against the 1 hour available to those in opposition to the proposed amendment identified as "8–21–62—A," proposed to be offered by the distinguished Senator from Tennessee [Mr. KEFAUVER], on behalf of himself and certain other Senators. I ask consent that I may speak out of turn, because of a very important committee meeting which is in progress, and I need to be there. I wish to oppose this amendment and one other amendment; and I ask that the time I use be charged to the time available to those in opposition to those amendments.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered; and the Senator from Arkansas is recognized for 10 minutes.

Mr. McCLELLAN. I thank the Chair very much.

Mr. President, I understand that the distinguished Senator from Tennessee [Mr. KEFAUVER] will offer an amendment which has been printed, and is at the desk, and is identified as his amendment labeled "8–21–62—A." It is known as the compulsory licensing amendment.

Mr. President, as chairman of the Subcommittee on Patents, Trademarks, and Copyrights I desire to speak briefly concerning the pending amendment presented by the senior Senator from Tennessee [Mr. KEFAUVER] and others. This amendment would authorize the Federal Trade Commission, upon complaint made to it by a qualified applicant for a license under a drug patent, to order the licensing of such drug patent whenever the Commission determines that the price of the patented drug is more than 500 percent of the cost of production for such drug. This amendment would permit the compulsory licensing of drug patents after the first 3 years of the life of the patent, whenever the Federal Trade Commission makes certain determinations. It also provides for cancellation of patents when the patentee fails to comply with the Commission's order. If this amendment were approved, it would require the Federal Trade Commission to become involved in lengthy proceedings to determine the costs of production of drugs.

The present version of this amendment has not been considered by the Patents Subcommittee or the full Committee on the Judiciary. There was a provision in S. 1552, as introduced, which would have provided for the compulsory licensing of drug patents after 3 years to all qualified applicants, with the payment of a royalty of up to 8 percent. When the Committee on the Judiciary referred S. 1552 to the Patents Subcommittee for study, it was the desire of the subcommittee—and, Mr. President, I shared in that desire and in that purpose—to speed consideration of any needed reforms in the drug statutes. However, it was clear that further study and probably hearings would be required before the subcommittee could act wisely and intelligently on the patent provisions. The majority of the subcommittee therefore concluded that the best course was not to approve the compulsory licensing provision, but to retain our jurisdiction over this subject pending further study and probably hearings. The full Committee on the Judiciary concurred in the view of the subcommittee that action on the patent provisions should be deferred—and also, I may say, that action on the other patent provisions in the bill should be deferred.

I note with considerable interest that in the report on Senate bill 1552, the junior Senator from Colorado [Mr. CARROLL], while concurring in most of the individual views of the Senator from Tennessee and his associates, withheld his support from the compulsory licensing amendment. The Senator from Colorado has stated the issue so clearly that I should like briefly to quote from his views. What I quote appears on page 51 of Report No. 1744. The distinguished Senator from Colorado said:

> However, in attempting to achieve justice, unsettled constitutional doubts arise in connection with altering the patent traditions of our free economic system.
>
> Without fuller discussion in separate Senate hearings, I am not convinced that amendment of the patent laws to achieve low drug prices is the proper means to a good end.

I note further in the report, on page 52, that two of the distinguished minority members of the committee said, and I quote from their statement in the report:

> We fully agree with the action taken by the full Judiciary Committee and also the action taken by the Patent Subcommittee which has retained jurisdiction of the patent provisions of S. 1552 for full examination and study.

I fully concur in the views of the Senator from Colorado and the views that I have read of the minority members of the committee that the Senate should not tamper with the patent laws without most careful study and, if necessary, hearings by the appropriate subcommittee. I am aware that the Subcommittee on Antitrust and Monopoly did receive testimony on the original patent provisions of S. 1552, and I certainly cast no reflections on the value of that testimony. I am sure it will be beneficial in a further study of this issue. However, I remind the Senate that quite recently during the consideration of the communications satellite bill, the Senator from Tennessee strongly advocated referring that bill to the Committee on Foreign Relations for further study, although extensive hearings had previously been held by other committees.

The Senator from Tennessee has done a marvelous job in his devoted and dedicated work and effort to bring forth a bill in this field. A bill is needed, and I highly commend him for it. But I feel under these circumstances that he will join in the request that the proposal be withheld for further study by the Patents Subcommittee of the Senate Committee on the Judiciary. I should think he would not only approve of this course, but that he would want to make a study of the changes in the patent laws—the committee that has jurisdiction over this specific provision in the bill.

The amendment being offered by the Senator from Tennessee and other Senators is most complex. I do not know, at this time, whether this amendment, or some modification thereof, is desirable, and therefore I cannot presently discuss the full merits involved. I do know that many who are well acquainted with drug research are seriously perturbed as to the implications of compulsory licensing.

The Committee on the Judiciary has labored hard and well in preparing this bill. I do not contend that the bill is perfect, but it does provide important additional safeguards to protect the public from unsafe and ineffective drugs. If the amendment of the Senator from Tennessee to which I have referred should be adopted, there would be serious question as to whether we might get any drug bill at all at this session of Congress.

I therefore hope the Senate will sustain the action of the Subcommittee on Patents and of the Committee on the Judiciary of the Senate in postponing any action with respect to drug patents, pending further study by the appropriate subcommittee of this body.

In that connection, I may point out that when the bill was referred to the Patents Subcommittee, after the Antitrust and Monopoly Subcommittee of the Judiciary Committee had reported it back to the full committee, I worked cooperatively, with the distinguished Senator from Tennessee and other Senators who are vitally interested in the bill, to expedite consideration of it. We simply withheld jurisdiction of the patent provisions so that they might receive appropriate and necessary study for us to act wisely and judiciously with respect thereto. I cooperated in expediting the matter to the end that we might process this bill—and I think it is a good bill—so it would be acted on at this session of the Congress, and so its good provisions might go into effect at the earliest practicable date.

Mr. KEATING. Mr. President, will the Senator yield?

Mr. McCLELLAN. I yield.

Mr. KEATING. I wish to reiterate the statement of the distinguished Senator from Arkansas about the expedition exercised in the Patents Subcommittee in reporting it back very promptly to the full committee.

I wish to ask the Senator a question. In the other body, as I understand, the drug bill is in the Commerce Committee. Is there not a real danger that, if we should endeavor, on this side of the Capitol, to write patent provisions into the bill without any review by the Patents Subcommittee, when it went to the other body, where patent legislation is under the jurisdiction of the Committee on the Judiciary, which has never had a look at the bill in the House, it would be very likely to kill any drug legislation in this session, which, in my judgment, would be a tragedy of the first order?

Mr. McCLELLAN. I have just pointed that out. I appreciate the remarks of the Senator from New York. It is not worth adopting the amendment. Assuming it is good, assuming it is finally adopted, assuming its merits are 100 percent, it is not the wise thing to do under the conditions that prevail. It would place in jeopardy the passage of any bill in this session. I hope it will not be done. I can assure my colleagues there will be action by the Patents Subcommittee of the Committee on the Judiciary.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. McCLELLAN. How much time have I used?

The PRESIDING OFFICER. The Senator has used 10 minutes.

Mr. McCLELLAN. I yield myself 5 minutes to be charged to the opposition on the amendment 8-21-62—D, offered by the Senator from Tennessee.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

Mr. McCLELLAN. Mr. President, the senior Senator from Tennessee [Mr. KEFAUVER] and other Senators are offering an amendment which would add to title 35 of the United States Code a requirement that every contract, agreement, or understanding entered into by any applicant for a drug patent with any other person, granting any rights with respect to the patent application, or for the purpose of having a patent granted, shall be made in writing and filed with the Commissioner of Patents. It further provides that such agreements shall be available to the Department of Justice and the Federal Trade Commission, with penalties for failure to file.

There may well be merit to the requirement for the filing of certain agreements made in connection with the acquisition of patents. However, I do not understand why drug patents should be singled out for special treatment. I would like to call the attention of the Senate to H.R. 12513, which has been approved by the other body and recently referred to the Subcommittee on Patents.

The bill was passed in the House early this month; I believe August 7. Of course, we have not yet had time to consider it. My understanding is that the bill would not restrict the provision simply to drug patents, but would be applicable to all patents. I think I am correct in that.

While the language of the pending bill is not identical with that contained in the amendment of the Senator from Tennessee, it would provide for the filing of all agreements made in connection with interference settlements in the Patent Office, and would not be confined exclusively to agreements involving drug patents.

The Subcommittee on Patents, of which the Senator from Tennessee is a member, is acting expeditiously to consider the bill approved by the other body. This bill came to the Senate on August 7. I have already announced that the subcommittee will hold a public hearing on H.R. 12513, on September 4. Therefore, Mr. President, I hope that the Senate will not approve this amendment and will permit the Subcommittee on Patents to give further study to the suggestion made by the Senator from Tennessee and his associates.

It may very well be—and the other body has so thought, Mr. President—that such a provision should apply across the board in the patent field. If so, certainly the Patents Subcommittee of the Committee on the Judiciary is the proper subcommittee to give that matter initial consideration, to hold hearings thereon and to report to this body its findings and recommendations through its parent committee.

Mr. KEFAUVER. Mr. President, I hope the distinguished Senator from Arkansas will yield, before he leaves the Chamber, for I would like to ask one or two questions. I appreciate the fact that the Senator is in charge of some very important hearings, at which there are witnesses, and that the Senator wishes to return to those hearings.

When S. 1552 was first introduced, is it not true that I spoke to the Senator from Arkansas and explained to him there were two or three patent provisions in the omnibus bill, at which time I asked him if he had any objection to the Antitrust and Monopoly Subcommittee considering the whole bill? At that time the Senator explained that he was very busy with other investigations, and that he had no objection to the Antitrust and Monopoly Subcommittee holding hearings on the whole matter, as I had suggested, did he not?

Mr. McCLELLAN. The Senator is quite correct, Mr. President. I am glad I did. By so doing I think we have expedited the consideration of this measure. By reason of that cooperation I think we have before us today a good bill, which should be passed and enacted into law, thus to give earlier protection than otherwise would have been provided.

Mr. KEFAUVER. The Senator has been every cooperative. We are always faced with problems when we consider omnibus bills containing several different kinds of matters. One committee has to take the lead in the hearings, and the Senator has cooperated magnificently.

The PRESIDING OFFICER. The 5 minutes the Senator yielded have expired.

Mr. KEFAUVER. Mr. President, I yield myself 3 minutes.

The PRESIDING OFFICER. The Senator from Tennessee is recognized for 3 minutes.

Mr. KEFAUVER. The omnibus bill was referred to the Committee on the Judiciary and, according to the record, on page 11, was referred to the Subcommittee on Patents on March 14, 1962. There were two or three meetings of the subcommittee. On April 11, about 1 month later, the bill was referred to the Committee on the Judiciary with the recommendations of the Patents Subcommittee. Is that not the situation?

Mr. McCLELLAN. The Senator has the dates before him. I do not question at all the accuracy of the dates he has mentioned.

Mr. KEFAUVER. Is the Senator aware that the drug industry itself has agreed to accept and has recommended the opening up of the agreements in reference to the interference proceedings for the benefit of the Federal Trade Commission and the Department of Justice?

Mr. McCLELLAN. I am not fully advised with regard thereto. As the Senator knows, I have been quite occupied with other things. I know that the House has passed a bill and sent it to the Senate, which would apply all the way across the board. The bill is now before the Senate Patents Subcommittee, and we are preparing to expedite consideration of it.

Mr. KEFAUVER. Does the Senator think there will be time for hearings on and for reporting H.R. 12513 during this session of Congress?

Mr. McCLELLAN. The Senator's judgment about that may be as good as mine. I would not undertake to say. I do not know when Congress proposes to adjourn. I know we are all burdened and overworked. The fact that we are does not necessarily mean we should act in haste on a matter of this importance. I think, sometimes, that is when we make our mistakes.

I think we shall have a good bill if we do not load it down with amendments so that when it goes to the other House it will be tied up. Let us pass this bill.

Again I say, Mr. President, the distinguished Senator from Tennessee has done yeoman service in bringing the bill to the Senate and working on it in such a dedicated manner as he has, along with other Senators who have cooperated with him. Let us pass the bill. I can tell the Senator and anyone else who is interested in the legislation that there will be no procrastination or unnecessary delay by the Patents Subcommittee with respect to taking action on the bills embodying the substance of these amendments.

Mr. KEFAUVER. I thank the Senator.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. Does the Senator wish to have the time charged to his time?

Mr. KEFAUVER. Mr. President, I ask unanimous consent that I may suggest the absence of a quorum and that the time necessary for the call of the roll not be charged to either side.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Tennessee? The Chair hears none, and it is so ordered.

Mr. KEFAUVER. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

[No. 214 Leg.]

Aiken
Allott
Bartlett
Beall
Boggs
Burdick
Bush
Butler
Byrd, Va.
Byrd, W. Va.
Cannon
Capehart
Carlson
Carroll
Case
Chavez
Church
Cooper
Cotton
Dirksen
Dodd
Douglas
Eastland
Ellender
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Fong
Fulbright
Goldwater
Gore
Hart
Hartke
Hayden
Hickenlooper
Hill
Holland
Hruska
Humphrey
Jackson
Javits
Johnston
Jordan, N.C.
Jordan, Idaho
Keating
Kefauver
Kerr
Kuchel
Lausche
Long, Hawaii
Long, La.
Magnuson
Mansfield
McCarthy
McClellan
McGee
McNamara
Metcalf
Miller
Monroney
Morse
Moss
Mundt
Murphy
Muskie
Neuberger
Pastore
Pearson
Pell
Prouty
Proxmire
Randolph
Robertson
Russell
Saltonstall
Scott
Smathers
Smith, Mass.
Smith, Maine
Sparkman
Stennis
Talmadge
Thurmond
Tower
Wiley
Williams, Del.
Young, N. Dak.
Young, Ohio

Mr. HUMPHREY. I announce that the Senator from Nevada [Mr. BIBLE], the Senator from Pennsylvania [Mr. CLARK], the Senator from New Jersey [Mr. WILLIAMS], and the Senator from Texas [Mr. YARBOROUGH], are absent on official business.

I also announce that the Senator from New Mexico [Mr. ANDERSON], the Senator from Alaska [Mr. GRUENING], the Senator from Wyoming [Mr. HICKEY], and the Senators from Missouri [Mr. LONG and Mr. SYMINGTON] are necessarily absent.

Mr. KUCHEL. I announce that the Senator from Utah [Mr. BENNETT], the Senator from South Dakota [Mr. BOTTUM], the Senator from Nebraska [Mr. CURTIS], and the Senator from Kentucky [Mr. MORTON] are necessarily absent.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from New York.

Mr. JAVITS. Mr. President, I yield myself 2 minutes. I should like to have the attention of the chairman of the committee, the Senator from Mississippi [Mr. EASTLAND].

We have been endeavoring to work out some way of dealing with the problem presented by the amendment. It is recognized to be a real problem. It is a question of what we can do without spoiling the experimentation of drugs, which we feel is necessary, without interfering with the professional relation between doctor and patient, and without trying to run the doctor; but at the same time flagging a situation which to us seems very clear, and that is, that in many cases we feel the patient can be informed when he is being used as the subject for experimentation.

We have tried various ways in which to obtain this objective. The objective is very clear. The Secretary of Health, Education, and Welfare has great authority in respect of regulations. Indeed, he is issuing new regulations now. Under those regulations he can specify those who qualify before him as experts. He can also specify the kind of expert report which he will accept.

It is because we believe that to be the case that the Senator from Colorado, who has been working with me, and I, neither of us having any idea of preference or priority in respect to this matter, have tried to work out something, something that we consider to be, at least under the stresses of the moment, in the interest of the patient, so that the interest of the patient can be flagged, because that is what we are talking about.

Having consulted all of the parties on both sides, I am prepared to offer, on behalf of the Senator from Colorado [Mr. CARROLL] and myself, a substitute for my own amendment which would accomplish what we have in mind. I hope Senators will listen to this suggestion.

Mr. PASTORE. Mr. President, may we have order?

The PRESIDING OFFICER. The Senate will be in order.

Mr. JAVITS. It has to do with a release today by the Food and Drug Administration that relates to what may be in a person's medicine chest and which may look as innocent as an aspirin tablet——

Mr. CARROLL. Mr. President, may we have order? We cannot hear.

The PRESIDING OFFICER. The Senate will be in order.

Mr. JAVITS. It relates to something that may look as innocent as an aspirin tablet, but may be extremely harmful. The Food and Drug Administration this afternoon has issued a release about this in connection with thalidomide. It is my opinion that the amendment which I propose might be adopted by the Senate. However, I have no desire and the Senator from Colorado has no desire in any way to destroy the bill by putting up some new structure different from the structure which is contemplated by the bill.

However, we do want the patient to be considered—at least considered, Mr. President. We want at least to raise a red flag, to say that the patient should be considered, at least to give a license to every Senator to complain if he thinks the patient's interests are not being protected to the extent that it is medically feasible to do so.

Therefore the Senator from Colorado and I, after laboring on this matter for many hours, have developed a modification of the amendment, to insert in the committee substitute, on page 12, line 20, after the word "profession," the words "and the interests of patients."

As I said, we have worked under great stress. We would provide that at least the operative aspects of the regulations which the Secretary would issue must give due regard, as this law would then say, not only to the professional ethics of the medical profession, but also to the interests of the patients. Beyond that we trust in the Secretary and in our own lung power, if we feel there is a grievance. At least there will be something in the bill which shows our intent with respect to our solicitude for the patients, without in any way destroying the structure of the bill.

Mr. CARROLL. Mr. President, will the Senator yield?

Mr. JAVITS. I yield myself 2 additional minutes. I yield now to the Senator from Colorado.

Mr. CARROLL. I associate myself with the remarks of the able Senator from New York. We have worked hard on this amendment. We have tried to perfect it.

I wish to commend members of the Committee on the Judiciary, especially the Senator from Tennessee [Mr. KEFAUVER], chairman of the Subcommittee on Antitrust and Monopoly, for their work upon this bill.

As the able Senator from New York has stated, a startling news release has appeared today with respect to the drug thalidomide.

I ask unanimous consent to insert the release in the RECORD at this point.

There being no objection, the release was ordered to be printed in the RECORD, as follows:

NEWS RELEASE FROM U.S. DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE, FOOD AND DRUG ADMINISTRATION, AUGUST 23, 1962

Tablets of thalidomide, unidentified by name, and which may be mistaken for other drugs, are still at large in family medicine cabinets, the Food and Drug Administration warned today.

The warning was based on information obtained by FDA inspectors in their nationwide survey of doctors who received thalidomide for clinical investigation.

FDA disclosed that 410 out of 1,168 doctors interviewed by its inspectors had at that time made no effort to contact patients to whom they had given the drug. Many of the 410 felt it was not necessary because of the time lapse, or they had no records to indicate which of their patients had received the drug. Inspectors were able to convince many doctors of the need to make certain that patients did not have the drug in their possession.

When advised of the FDA findings, Anthony J. Celebrezze, Secretary of Health, Education, and Welfare, contacted the American Medical Association and requested their cooperation. He said he had been assured of the AMA's assistance in attempting to get the cooperation of these doctors.

Thalidomide was never approved for sale in this country, but under the law the manufacturer could distribute thalidomide tablets to doctors for clinical investigation. On this basis, the FDA survey shows, more than 2,500,000 tablets were distributed to 1,267 doctors.

Thalidomide is the drug which was sold widely in Europe as a sleeping pill. It there resulted in gross deformities in a large number of babies, and has been found to be particularly dangerous when taken in the early stages of pregnancy.

The thalidomide tablets distributed in the United States came in a variety of sizes and colors. Generally they were given out by the doctor-investigator in envelopes and containers bearing only directions for use.

"People would be wise to follow the advice given by the President at his press conference 2 weeks ago and check their medicine cabinets," said George P. Larrick, Commissioner of Food and Drugs.

"If they have medicines left over from a previous illness or any unidentified drugs, the safe thing is to dispose of them by flushing them down the toilet."

Pointing up the importance of the medicine cabinet cleanout, the Commissioner mentioned an FDA inspector's report that a doctor in Omaha, Nebr., who contacted his patients after the inspector's visit, was able to retrieve 150 tablets from 4 patients who had received the drug as far back as 1959.

A doctor in Kansas City, Mo., gave 50 tablets to a male patient who passed some of them on to his married daughter. She took the drug during the early stages of pregnancy and is due to deliver by October 1962. The case is being followed up.

Six doctors donated supplies of thalidomide to religious groups for charitable distribution overseas and are unable to trace the present location of these drugs. In one instance, six bottles were donated to a religious group which traded them to a hospital pharmacy for other drugs. These have been recovered, FDA said.

Records furnished by the firms show that 2,528,412 thalidomide tablets were distributed to doctors for investigational use. They varied in strength (quantity of the active ingredient) from 12½ to 200 milligrams. Lesser quantities of liquids and powders containing the drug were also distributed.

More than 50 percent of the doctors interviewed had no record of the quantities returned or destroyed pursuant to the manufacturer's instructions. There is no way of knowing the amounts actually returned or destroyed, FDA said.

Most of the doctor-investigators said that they had received the manufacturer's advice in March 1962 to stop using the drug, but 85 said they were not warned of adverse reactions and 42 said they did not get any message from the manufacturer. The notice to discontinue was given by letters, with follow-up phone calls and visits by detail men beginning in March and continuing through July 1962.

Doctors interviewed reported that 19,822 patients had received thalidomide. Of these, 3,760 were women of child-bearing age, of whom 624 were reported as pregnant. According to the doctors, most of the pregnant patients got the drug in the last trimester of pregnancy or just prior to delivery. There are reports of 21 women who have not delivered. Three of these are reported to have received the drug in early pregnancy.

Three cases of abnormalities have been reported in offspring of patients who took thalidomide distributed in the United States, FDA said.

One doctor and his patient reported the drug was taken only during the final trimester of pregnancy. The doctor concluded the drug was not responsible, and FDA concurred after reviewing the case.

In the second case, the attending physician said he did not know that thalidomide was responsible for the abnormal fetus. The child was stillborn and the doctor refused to disclose the name of the mother. Whether thalidomide was responsible has not been resolved. Investigation continues.

The third case concerns a deformed child who died in her 11th month. This case is also under investigation.

When asked if they had signed a statement on their qualifications, required by FDA regulations to be obtained by the manufacturer, 640 doctors stated they had signed such statements but 247 said they had not. Others said they could not remember or did not answer the question.

Written reports were made to the manufacturer by 276 doctors, and 102 doctors said they gave verbal reports. Many of the verbal reports were given to company detail men. Others made no reports or did not answer the question.

The following tabulation updates figures in the August 7, 1962, progress report on FDA's survey of the investigational use of thalidomide in the United States:

	Aug. 7	Aug. 21
Number of doctors reported as investigators or users of thalidomide	1,248	1,267
Interviews completed	1,097	1,168
Number of patients who received the drug	15,904	19,822
Women of child-bearing age who received the drug	3,272	3,760
Number of pregnant women reported to have received the drug	207	624
Number of doctors interviewed who still had the drug on hand	74	79
Quantity of tablets on hand	22,948	25,096

FDA noted that the number of doctors having the drug exceeds the number of investigators (1,231) as previously reported by the manufacturer because a few investigators gave some of the drug to their partners or to other physicians. As of August 21, 99 physicians had not been interviewed. In a few cases, the physicians have died. Others to be contacted are still on vacation or otherwise away from home but are being interviewed as quickly as possible.

Mr. CARROLL. Mr. President, it has now been found that the drug thalidomide has been in the hands of hundreds of doctors, some of whom have not made reports, some of whom have not yet told their patients they have been prescribed the drug. Much of the drug is still unfound; there are no doubt babies still unborn who will be affected by the drug. The effects wrought by thalidomide will bring years of pain and suffering to parents and offspring.

The purpose of the amendment we now offer is to put doctors and the pharmaceutical industry on notice to give consideration to the patient who is being used for clinical investigations. This amendment is not mandatory. It does not require doctors to notify their patients that they are to be used for experimentation. We call upon physicians through the ethics of their own profession. We also seek to alert doctors to some of the dangers of which we have been appraised within the last few weeks.

Mr. PASTORE. Mr. President, will the Senator yield?

Mr. JAVITS. I yield to the Senator from Rhode Island.

Mr. PASTORE. I am interested in the amendment; but, as a practicable matter, what would be accomplished by the words "interests of patients"?

Mr. CARROLL. I had prepared an amendment which would have been mandatory; that is to say, it would have provided that the doctor "shall" notify the patient. However, it was pointed out that certain types of emergency cases would not make it feasible for a doctor to do so in every case.

The PRESIDING OFFICER. The time of the Senator from New York has expired.

Mr. JAVITS. Mr. President, how much time have I remaining?

The PRESIDING OFFICER. The Senator from New York has 5 minutes remaining.

Mr. JAVITS. Mr. President, will the Senator from Illinois yield time to me on the bill?

Mr. DIRKSEN. I yield 5 minutes to the Senator from New York on the bill.

Mr. JAVITS. Mr. President, I yield 2 minutes to the Senator from Colorado on the bill.

Mr. CARROLL. There might be cases of cancer in which an experimental drug could be used. We felt that a doctor should not be inhibited in the use of such a drug at such a time. Also, an experimental drug might be used upon a patient in a coma or upon a child in an emergency. We wish to leave the use of such a drug to the discretion of competent physicians. It might be used by a hospital or in clinical research; it might be used by a lone doctor. What we seek to do is to call upon the ethics of the medical profession in the public interest and in the interest of the patient.

I think that what we are doing is sounding the gong of alarm to the medical profession. Many of them are just as uninformed about lax testing requirements as are lawyers, legislators, or citizens.

I commend the committee and the able Senator from Tennessee [Mr. KEFAUVER], who has been working for 3 years on this problem for persevering and for bringing it to the attention of the Senate.

Mr. PASTORE. From the explanation just given, I do not see how anyone could object to the proposal, because the fundamental reason why we are legislating is to protect patients.

Mr. JAVITS. We learned that experts are only doctors who sign certificates. We are trying to tighten up on the practice. At least, we are making our desires clear with respect to the regulationmaking power of the Secretary. I cannot even certify to Senators that this phrase is now in the proper part of the bill; but our intention is clear. I think that so long as we have a lien on the Secretary—and we do—our intention will be honored.

Mr. EASTLAND. Mr. President, will the Senator submit his amendment?

Mr. JAVITS. Mr. President, I send the amendment to the desk on behalf of myself and the Senator from Colorado [Mr. CARROLL] and ask that it be read.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. On page 12, line 20, after "profession," it is proposed to insert "and the interests of patients."

Mr. JAVITS. Mr. President, I yield back the remainder of my time.

Mr. MANSFIELD. I yield back the remainder of my time.

The PRESIDING OFFICER. The question is on agreeing to the amendment, as modified, of the Senator from New York, offered for himself and the Senator from Colorado [Mr. CARROLL], to the committee amendment.

The amendment to the amendment was agreed to.

Mr. KEFAUVER. Mr. President, while Senators are present, I call up my amendment designated "8-21-62—A." I ask that the amendment not be read but that it be printed in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the proper place in the bill insert the following:

"LICENSING OF PRESCRIPTION DRUG PATENTS

"SEC. 15. Section 282 of title 35, United States Code, is amended by adding at the end thereof the following new subsection:

"'(5) Whenever the Federal Trade Commission, upon complaint made to it by a qualified applicant for a license under a drug patent, has reason to believe as a result of an investigation that such application for a license was made and not granted after a period of three years from the date of issuance of the patent and that the price of the patented drug charged or quoted to druggists by the patentee is more than 500 per centum of the cost of production for such drug in finished form and packaged for sale, the Commission shall issue and serve upon such patentee a notice of a hearing upon a day and at a place therein fixed at least thirty days after the service of its notice and to show cause why an order as hereinafter provided should not be issued by the Commission. The patentee shall have the right to appear at the time so fixed and present evidence on the cost of production of the drug and the price charged or quoted to the druggists.

"'If, after consideration of the evidence, the Commission finds that the price charged or quoted to druggists by the patentee is more than 500 per centum of the cost of production of such drug in finished form and packaged for sale, it shall order such patentee to grant an unrestricted license to any qualified applicant to make, use, and sell such drug in finished form, provided that no such order shall be issued until more than three years after the date on which a patent is first issued for such drug. Such order shall be subject to review by the court of appeals of the United States and shall become final in the same manner as are orders of the Commission issued pursuant to section 5 of the Federal Trade Commission Act.

"'For the purpose of this section the Commission shall have all of the powers granted to it by the Federal Trade Commission Act.

"'Whenever at any time after an order of the Commission, as herein directed, shall have become final and thirty days thereafter have elapsed, the Commission shall notify the Commissioner of Patents in writing of any failure or refusal of any patentee, his heirs, or assigns to grant an unrestricted license to a qualified applicant after receipt of an application in writing. Upon receipt of such notification the Commissioner shall cause notice of the cancellation of that patent to be published in the Federal Register and endorsed upon all copies of that patent thereafter distributed by the Patent Office.

"'As used in this section—

"'(a) "Qualified applicant" means a drug manufacturer who is registered with the Secretary of Health, Education, and Welfare under section 508 of the Federal Food, Drug, and Cosmetic Act;

"'(b) "Drug" means any drug which is subject to the provisions of section 503(b) (1) of the Federal Food, Drug, and Cosmetic Act;

"'(c) "Patentee" means the patentee, his heirs or assigns, or licensee when the patentee does not sell to druggists and such sales are made only by the patentee's licensee;

"'(d) "Cost of production" means cost of materials and labor used to produce the drug in finished form and packaged; a fair allocation of plant overhead; royalties paid, if any, for the use of any product or process patent in connection with the production of the drug; and the drug's share of the patentee's total research expense as determined by the relationship of the annual sales of that drug to the patentee's total annual sales of drugs for the last preceding annual or fiscal year;

"'(e) "Unrestricted license" means a license which (A) includes a description of the manner and process (not including a patented process) of making and using the invention in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains to make and use the same, and shall set forth the best mode contemplated by the patentee of carrying out the invention; and (B) contains no condition, limitation, or restriction upon the manufacture, use, or sale in finished form only in the United States other than the payment by the licensee of a royalty not exceeding 8 per centum of the gross selling price received by the licensee for the sale of that drug to druggists in its finished form for use and packaged.'"

Mr. KEFAUVER. Mr. President, on this amendment, I ask for the yeas and nays.

The yeas and nays were ordered.

LEGISLATIVE PROGRAM—ORDER FOR ADJOURNMENT TO 10 A.M. TOMORROW

Mr. DIRKSEN. Mr. President, I should like to direct an inquiry to the distinguished majority leader as to the plans for the rest of today, for tomorrow, and also for Saturday.

Mr. MANSFIELD. It is the intention of the leadership—and I hope it meets with the concurrence of the Senate—to remain with the pending business until it is finished; and then, if possible, to take up and dispose of Calendar No. 1763, H.R. 10743, to amend title 38, United States Code, to provide increases in rates of disability compensation, and for other purposes. That bill has been on the calendar for some time.

Tomorrow it is expected to have the Senate consider the Philippines war claims bill and other bills.

The Senate will be in session on Saturday to take up the Department of Agriculture appropriation bill and other legislative matters. This is imperative, for if we intend to adjourn at a reasonably early time this year, we must begin to hold Saturday sessions and to come in early and remain in session fairly late each day.

Mr. President, I ask unanimous consent that when the business for today has been concluded, the Senate adjourn until 10 o'clock tomorrow morning.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

DRUG INDUSTRY ACT OF 1962

The Senate resumed the consideration of the bill (S. 1552) to amend and supplement the antitrust laws with respect to the manufacture and distribution of drugs, and for other purposes.

Mr. KEFAUVER. Mr. President, the amendment now under consideration is controversial, so I shall explain it.

The amendment provides that whenever the Federal Trade Commission finds that a patented drug sells for more than 500 percent of the production cost and the cost of research, after the drug has been on the market for 3 years, a qualified drug manufacturer may obtain a license to manufacture and market the drug upon payment of a royalty.

Under the amendment, if the drug is not selling at a price which represents a markup of more than 500 percent, the manufacturer will be entitled to retain the exclusive right for the remainder of the 17-year period.

Mr. President, this amendment will reduce the price of drugs. That is what the American people want. The amendment will not work undue hardship on the drug manufacturers; and the amendment will be in the interests of the people who use drugs.

If Senators will examine part 17 of the hearings of the Antitrust and Monopoly Subcommittee, they will find an article, based on a Gallup-type poll—the article was published in the Washington Star—stating that 65 percent of those interviewed favored Government regulation of the price of drugs, because they believed that the price of drugs was exorbitant; 22 percent of those interviewed said "No"; and 13 percent said "No opinion."

The article states, in part:

> Strong words were heard by the interviewers—"Outrageous. Extortion. Murder."

Another Gallup-type poll showed that 71 percent of those interviewed thought there should be price control of prescription drugs.

Mr. President, I am not in favor of price control, and I do not advocate it. But prices must be brought down. The only alternative to price control is to have vigorous price competition.

I hope Senators who have the time to do so will read pages 46 to 50 in the Judiciary Committee report of July 19 on the drug bill. There they will see the individual views of the Senator from Michigan [Mr. HART], the Senator from Colorado [Mr. CARROLL], the Senator from Connecticut [Mr. DODD], the Senator from Missouri [Mr. LONG], and myself.

Mr. President, among the 77 nations for which information is available, only 28 grant product patents on drugs and only 3—the United States, Panama, and Belgium—do not have some special provision to protect the people against excessive prices for drugs, either limited patent protection, compulsory licensing or price control.

That drugs are unique is indicated by the fact that 74 of these 77 countries have some special provision to protect their people against monopoly in this particular field. For example, in Germany, only process patents are granted in drugs. Although the protection extends to the product, the patent protection disappears when another process of making the drug is developed. This same method has long been employed in other countries which have been prominent in drug discovery, such as Switzerland, France, Denmark, and others. In Great Britain there is both compulsory licensing and voluntary price control in drugs.

I know it is argued that if an exception is made for drugs, it might erode into other industries and then lead to a general breakdown of the patent laws. But that has not been the case in these other nations which have always treated drugs differently under their patent laws.

When a government wishes to purchase military equipment items or, for that matter, drugs, it can buy them even if a patent is violated, although of course in the United States the Government can be sued in the Court of Claims. But individual citizens cannot do that. No patents at all are granted in connection with atomic energy.

Whether one considers the profits of the companies, or the procedure followed in other countries, or the lower prices obtained by means of competitive bidding in connection with sales to States or to governments, or the costs of production—whatever criteria is used—there is no justification, for the prices of drugs are clearly excessive, high, and unreasonable.

Mr. EASTLAND. Mr. President, will the Senator from Tennessee yield?

The PRESIDING OFFICER (Mr. BURDICK in the chair). Does the Senator from Tennessee yield to the Senator from Mississippi?

Mr. KEFAUVER. I yield.

Mr. EASTLAND. Is this the amendment which would limit the patent right to 3 years?

Mr. KEFAUVER. The amendment provides that if after 3 years the Federal Trade Commission finds that the manufacturer is selling to druggists at a price which is more than 500 percent of the cost of production, plus research, then he must license qualified companies at an 8-percent royalty, thereby making it possible to have competition and thus lower prices.

Mr. EASTLAND. But if a company spends thousands of dollars on the development of an antibiotic which would save thousands of lives, how could the company get back its investment, under such a provision of law?

Mr. KEFAUVER. I am glad the Senator from Mississippi has asked that question. Usually a patent is pending for at least 2 years, and sometimes for as much as 5 years. During all that time the company could have the drug on the market. It would have the advantage of having been the first to put it on the market. It would have the advantage of having its name used first in connection with the sale of the drug. Then, after the patent was issued, the company would have 3 more years in which to continue to enjoy those advantages. The usual experience is that the largest part of the company's revenue from a drug comes during the first few years. Thus, in the average case the company would have, during the 2 years the patent was pending and for 3 years thereafter, these advantages; and thereafter the company would get a royalty from the licensee of up to 8 percent on the sales of the drug in finished form, not in bulk form, and that is a very high royalty.

In many cases the large companies now voluntarily grant licenses to other large companies for the manufacture and sale of the drug. But in only one or two cases does the company get as much as an 8-percent royalty; the usual royalty is 3 percent or 4 percent.

Mr. EASTLAND. Mr. President, will the Senator from Tennessee yield again to me?

Mr. KEFAUVER. I yield.

Mr. EASTLAND. Does not the Senator from Tennessee know that a company can invest millions of dollars on research in connection with the development of a new drug; and then, almost immediately thereafter, a better drug may come on the market? So there must be some means of making adequate research possible. The number of drugs developed in the United States exceeds the number developed in all the rest of the countries of the world, combined; and our drug companies have an incentive to spend money on research and development.

On the other hand, in Italy there has not been even one medical development in recent years, while the companies in the United States have been making this breakthrough, under the free-enterprise system of the United States. That is what is at issue here.

Mr. KEFAUVER. Mr. President, with all due respect, I must point out that the Senator could not be more mistaken about that matter.

Mr. EASTLAND. Will the Senator from Tennessee explain where I am wrong?

Mr. KEFAUVER. Yes. In the year for which we obtained records from 22 major companies, the average amount spent for research—including attorneys' fees and all other costs—was 6.3 percent of the sales dollar. In contrast, the amount spent for promotion and sales was 24 percent. The companies could very well cut down the amount spent on promotion, and undoubtedly they will; and they could very well spend more on research, if they wished to do so, and still make very satisfactory profits.

Let me explain to Senators that for quite a number of years the profits of the drug industry have been the highest in any American industry. On the left of the chart I am now pointing to are shown the 15 most profitable types of industry in America. It will be seen that the net worth after taxes for the drug industry is about 21.4 percent. The average for all manufacturing is 11 percent.

The next chart shows the rate of return after taxes on net worth, which for all manufacturing is approximately 10 percent. For drug companies in the last 3 or 4 years it has been around 20 percent.

The next chart relates to particular companies. Some companies, such as Carter Products, made enough profit in 2 years to repay their entire net worth. American Home Products is another similar case.

If we consider the return on sales, it will be seen that it runs around 10 percent, or a little higher for drugs, while for all manufacturing it runs a little more than 5 percent, just half. The return on investment and the profit rate on sales are about double in drugs what they are in all manufacturing.

Let me give the Senate specific examples why it is necessary to have compulsory licensing.

I ask unanimous consent to have printed at this point in the RECORD a table showing the costs and prices of major drug products.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Costs and prices of major drug products

	Factory cost		Price to MMSA	Price to druggist in foreign country	Price to druggist in United States	Price to druggist as percent of factory cost	
	Actual	Committee estimate				Actual	Committee estimate
Prednisone [1] (Meticorten, Schering)	[2] $8.99	[3] $13.61	[4] $17.97	[5] $75.30	[6] $170.00	1,891	1,249
Reserpine [7] (Serpasil, Ciba)	[2] .63	[8] 2.48	[9] .52	[10] 10.50	[6] 39.50	6,270	1,593
Meprobamate [11] (Miltown, Carter)	[12] 7.00	[13] 7.32	[14] 39.53	[15] 29.60	[6] 65.00	929	888
Tolbutamide [16] (Orinase, Upjohn)	(17)	[18] 13.11	(17)	[19] 37.00	[20] 83.40	(17)	636
Tetracycline [21]	[22] 1.67	[23] 2.88	[24] 6.07	[25] 26.90	[6] 26.01	1,557	903

[1] 5 milligrams, 1,000's.
[2] McKesson; pt. 5, p. 2664.
[3] Report, p. 16.
[4] MMSA contract N7275 (Schering).
[5] Report, p. 32 (England).
[6] Red book or blue book.
[7] 0.25 milligram, 1,000's.
[8] Estimated.
[9] MMSA contract N6813 (Ciba).
[10] Report, p. 36 (Germany).
[11] 400 milligrams, 1,000's.
[12] Carter; pt. 16, p. 9162.
[13] Report, p. 18.
[14] MMSA contract N7527 (Carter).
[15] Report, p. 35 (England).
[16] 0.5 gram, 1,000's.
[17] Not available.
[18] Report, p. 20.
[19] Report, p. 37 (Germany).
[20] Upjohn catalog.
[21] 250 milligrams, 100's.
[22] Bristol; pt. 5, p. 2408.
[23] Report, p. 23.
[24] MMSA contract N32-13175 (Pfizer).
[25] Report, p. 42 (Germany).

Mr. KEFAUVER. Let us take the drug prednisone, which is used by arthritics.

The subcommittee staff computed the cost on 1,000 tablets as $13.61. That was based on the sale of the drug in bulk powder form by a reliable company, testing it, compounding it into tablets, putting it in bottles and then into packages ready for shipment. On such bulk sales and on the tableting and bottling a profit was made. That is the reason why the factory cost estimated by the staff has proved to be a little high. The actual factory cost of making prednisone by McKesson & Robbins, which is a reliable concern, is $8.99 a thousand. Yet, prednisone is sold by Schering as Meticorten, under its tradename, to druggists for $170 a thousand.

The same company, Schering, when the Government put out bids for the purchase of prednisone for the Military Medical Supply Agency, offered a bid of $17.97 a thousand. Why should Schering charge druggists $170 a thousand when they make a bid to the Government of $17.97 a thousand?

England has fairly high prices. Yet prednisone was sold in England for $75.30 a thousand.

I hold in my hand a bottle of prednisone. It is for arthritics and aged patients. McKesson's factory cost, as I said, is $8.99. Its price to a druggist is $20.95. But the prices to retailers of Merck and Schering and others is $170.

It happened that prednisone is involved in a patent interference. It is widely believed that Schering is going to get the patent. If Schering licenses Merck and Upjohn, if any one of these large companies gets the patent, they will only license other large companies. The arthritics and old people will be denied the right to buy prednisone made by McKesson & Robbins and other companies at 2 or 3 cents a tablet. They will have to pay nearly 30 cents a tablet, as they do now when they buy prednisone under a trade name.

Mr. LAUSCHE. Mr. President, will the Senator yield on this point?

Mr. KEFAUVER. I yield.

Mr. LAUSCHE. Is there any dispute about the fact the Senator from Tennessee has just pointed out, that in selling to the Government 1,000 tablets were sold for $17.97, while in selling to druggists they were sold for $170?

Mr. KEFAUVER. That is the price at which Schering bid to the Government. The company which actually obtained the contract bid lower. The Government got it for less.

Mr. LAUSCHE. Then, there is no dispute about the claim that, in selling to druggists, it sold 1,000 tablets for $170, but in selling to the Government it offered them at $17.97?

Mr. KEFAUVER. The Senator is correct.

I see present in the Chamber the Senator from Michigan [Mr. McNamara] who has investigated the problem of the aged and aging and who has testified before our committee. These older people cannot take a drug only one day a week; they have to take it every day.

Mr. EASTLAND. Mr. President, will the Senator yield for a question?

Mr. KEFAUVER. In just a minute. The price to the druggist is 17.9 cents apiece. When the druggist sells it to the patient, the patient has to pay 28 cents a tablet for it.

Mr. McNAMARA. Mr. President, will the Senator yield?

Mr. KEFAUVER. I yield.

Mr. McNAMARA. I wish to verify what the Senator from Tennessee has said. We obtained that testimony from all over the country regarding this particular drug, as well as others. It was brought out that patients had to pay 30 cents a tablet in some cases to obtain the drug.

This is no small part of the problems of retired persons.

I ask unanimous consent that I may have printed in the Record at this point testimony presented by Ernest Giddings, director of legislation, National Retired Teachers Association and American Association of Retired Persons, before the House Committee on Interstate and Foreign Commerce on August 23, 1962.

There being no objection, the testimony was ordered to be printed in the Record, as follows:

Testimony of Ernest Giddings

Mr. Chairman and members of the committee, my name is Ernest Giddings. I am director of legislation for two nonprofit organizations of older persons, the National Retired Teachers Association and the American Association of Retired Persons. I am appearing today on behalf of the 500,000 members of our associations to urge an early favorable report by your committee on H.R. 11581 in order that the bill may be taken to the floor of the House of Representatives for debate and action during the next few weeks before adjournment.

The associations I represent were organized to help older persons help themselves and to encourage them to accept a major share of the responsibility for making their later years meaningful and independent. Membership in the National Retired Teachers Association is open to any retired teacher. Membership dues are $2 a year. Membership in the American Association of Retired Persons is open to any person 55 years of age or over upon payment of the annual membership fee which is also $2. Both organizations are nonprofit and nonpartisan. The combined membership of the two organizations is approximately 500,000.

NRTA and AARP are dedicated to the purpose of serving the needs of their elderly membership. When our campaign for insurance protection was initiated there was no hospitalization or medical program exclusively for retired persons, and most programs designed to serve employed men and women arbitrarily excluded them from participation in the plan the day they reached the age of 65, or advanced the premiums with lowered benefits. To break this age barrier the officers of the two organizations worked for 7 years before convincing an insurance company to be daring enough to pioneer with us. The success of this breakthrough is attested by the fact that today more than 350,000 retired men and women are covered by a hospitalization program which was denied them until a few years ago, on no more valid grounds than that of age.

During the years 1958 and 1959 our members by the thousands protested the cost of the drugs. As a final result we established and have conducted for several years a nonprofit drug service for our membership. The major function of our drug service is to fill prescriptions and provide the vitamins ordered by our members. Several registered pharmacists are employed as well as total facilities to meet the regular standards of safety and sanitation.

Early in our experience with a drug service we invited the Food and Drug Administration to inspect our drug facilities and services as well as our labeling procedures for drug containers. We requested their comments and suggestions and their recommendations were accepted and carried out. We are not in the drug service by choice, but because our members take the position that they have no other way of securing the medicine they need at a price they can afford to pay.

Some organizations resent our entry into the drug field. As associations, we pay the same cost of drugs as they do. We ask no favors nor concessions. We pay more than the going wage to our pharmacists. We conduct an ethical pharmacy. We share our potential profits with our members to keep them self-supporting on a limited income. This sharing seems to be the point of contention of those who resent our operation in the drug field. Yet we stand shoulder to shoulder with our critics in the defense of high ethical standards, of the purity of the products and the unquestioned spirit of mission that this dispensing of drugs generates.

Our members are vitally concerned with the subject before your committee for many reasons:

1. The incomes of our people who were retired from public and private retirement systems were fixed 5, 10, 15, or 20 years ago and cannot readily be adjusted upward as our economy grows and as prices rise;

2. Their ability to purchase the needed drugs often makes the difference between sickness and health and sometimes between life and death;

3. When physicians, as is the general practice in writing prescriptions, identify the drug by its trade name instead of by its official name they leave our aged sick little or no opportunity for reducing costs. The patient must buy the prescribed brand and is left no opportunity of shopping around to buy at a price he can afford;

4. Those who exist on a bare subsistence level must often sacrifice on food or some other necessity in order to afford the prescribed drug or else deny themselves or ask for charity;

5. The opportunity to buy drugs they need at a cost they can afford, will keep them physically fit, able to work part or full time to supplement their retirement incomes and thus continue to do their part in the productivity of the Nation, and at the same time maintain their self-respect;

6. When elderly people living on a subsistence income can be saved on drug purchases as much as $100 to $300 in 1 year, this saving alone may preserve their sense of self-sufficiency, their feeling of dignity, and keep them from being placed on the relief roles of their local communities or State.

MONOPOLY

It is certainly to be expected that the work of your committee will result in a bill requiring improvement in the quality of drugs, requiring that physicians be provided with more adequate and complete information about drugs, and restricting the use of advertising matter of the overstated and misleading kind.

However, the bill makes little or no attempt to deal with the factor chiefly responsible for the high drug costs. Most sales of drug prescriptions are of patented drugs. The drug patent like patents for a door lock or firearm run for 17 years. This means that the owner of a drug patent is protected for 17 years in his exclusive monopoly regardless of the fact that this monopoly control may be the single factor which prevents thousands of our members and millions of others of all ages from use of the drug. Cost is an extremely effective deterrent from the benefit of needed drugs in the case of older people with limited incomes. Much as we believe in the principles of free enterprise and protection of the profit motive it is our position that no person or corporation should be allowed to withhold from public use products which relieve pain and suffering and which may make the difference between life and death. Only two other nations Belgium and Panama grant so much protection as we do in the nature of product patent monopolies on drugs without limitations on the drug producer to protect the public welfare.

Drug costs are not fiction, they are very real. Some reasonable part of the high costs can be charged to research. On the other hand all the evidence indicates that drug industry profits lead all the rest by a wide margin.

Profits after taxes were 19.7 percent of investment in the drug and medicine manufacturing industries in 1961 according to reports published by the First National City Bank. This rate is almost double that of all manufacturing which was shown to be 10.1 percent in that year.

Markup on many drugs is appalling. Prednisone widely used in relieving pain from arthritis has until recently cost the patient about 28 cents a pill or close to $30 a month. Until recently the pill cost the druggist 17 cents each. After some investigations into drug costs McKesson & Robbins commenced manufacture of the Prednisone pill and found its costs to be approximately 1 cent per pill.

Our evidence is that tetracycline, an antibiotic, costs about 2 cents a pill to produce; costs the druggist about 30 cents and costs the patient about 50 cents.

We believe the interests of the drug industry can be adequately served and that the welfare of the sick and ailing at any age can be better served if your committee will write legislation to restrict the existing 17 years exclusive patent legislation now protecting the drug manufacturer at the cost of the consumer. We urge your committee to give full consideration to the licensing procedure proposed in S. 1552 in its original form.

Such a provision would require that the owner of a drug patent after a 3-year exclusive monopoly, license for production of the drug any qualified drug manufacturer, that manufacturer being permitted to agree to pay the patent owner up to an 8-percent royalty on all sales for the 14-year period.

Under such a plan competition would to a limited extent replace monopoly and drug costs to the ill and suffering of all ages should gradually become adjusted downward by a competitive marketing of the drug.

REGULATION OF LICENSE AGREEMENTS

A second factor contributing heavily to high drug costs is a practice common in the drug industry which results in price fixing by agreement. Such agreements are frequently entered into during the course of Patent Office hearings between rival applicants for a patent. The contracts thus agreed upon in these proceedings determine who shall receive the patent, who shall be licensed to produce the drug and the price, usually uniform and identical, which each producer will charge for the drug.

We urge your committee, as it writes up the bill, H.R. 11581, to include an amendment requiring that all patent interference settlements be filed with the Patent Office. Terms of the agreements would therefore be available to both the Department of Justice and the Federal Trade Commission for use of either in any investigations into possible violations of the Sherman Act. We believe such a requirement would be of immeasurable assistance to these agencies. Since the Pharmaceutical Manufacturers' Association has agreed to the desirability of such a provision it is our hope that your committee will write this requirement into H.R. 11581 before reporting out the bill. We believe such a requirement would greatly assist in lowering the excessively high prices of many drugs.

PROOF OF EFFICACY

Present law requires only that the Food and Drug Administration be satisfied that a drug is "safe" before it may be manufactured and sold to the public. Present law does not provide the Food and Drug Administration authority to require proof that the drug is effective in treating the sickness for which it is sold. In fact, and in practice therefore a drug may be legally marketed which is "safe" under current requirements but which is ineffective when taken by the patient for a specific illness. Frequently, the patient may be given the "safe" drug when he should be given one both "safe" and effective and in such a case the drug is positively injurious and harmful to the health of the patient.

Medicines are too expensive and good health is too precious to receive so little protection from either the drug industry or from our Federal Government. By Federal law we give better protection than this to the products we sell to treat plant or animal diseases. It is our plea, therefore, that your committee insist upon perfecting section 102 of H.R. 11581 not only to require proof with application for a patent that the new drug meet a rigid efficacy test, but also proof of efficacy of every claim made for the drug after the patent has been granted and the drug is on the market.

The drug budget of our members is so limited and the health of all citizens is too vital to themselves and the national welfare to permit any degree of deception, however slight, in advertising a drug for human consumption.

NEW DRUG APPLICATIONS

Our recent experience with the baby-deforming drug thalidomide is ample proof that our Food and Drug Administration needs more protection by Federal statute in its terribly important duty to refuse any and every new drug application as long as there is a shadow of a doubt about its possible dangerous side effects. A public official with less dedication to his or her tremendous responsibility than Dr. Kelsey might well have yielded to 1 of the more than 40 contacts from the new-drug applicant, the Merrill Co. In such a case deformed children would have been born by the thousands in our country.

The major impact of the thalidomide catastrophe occurred after the bill was introduced on May 3 of this year. It is to be assumed that you will greatly improve section 104 which, as it stands today, simply extends by a short time the opportunity of the Food and Drug Administration to require proof of safety of the new drug. We believe the present requirement of automatic approval, whether after 90 days following application or after any other specified number of days, places unnecessary and dangerous pressure on the Food and Drug Administration staff. Some better plan than the automatic approval procedure must be devised.

In this brief statement I have tried to emphasize to your committee the position of our membership that drug prices are excessive. The incomes of older people are static and therefore buying power diminishes with every increase in the cost of living. If drug prices are needlessly high it is our position that the Congress has a responsibility to the national welfare to seek out and apply the proper remedy. When freight rates became discriminatory decades ago the Congress provided a partial remedy in enacting the Interstate Commerce Act. When the combinations known as trusts needed regulation in the last century the U.S. Congress passed the Sherman Antitrust Act.

It seems to us that the Congress has ample evidence of the genuine need for the passing of an effective drug bill before the present Congress adjourns.

In our drug service at 1000 Vermont Avenue, here in Washington, we fill approximately 6,000 prescriptions weekly. If these could all be filled with generic drugs, rather than with the same drugs carrying trade names, the savings to our members would be tremendous. As an illustration, we have many members using a trademarked drug prescribed for heart conditions.

In a 4-month period we dispense some 335,000 tablets of this drug. Sold under the trade name, this would amount to $13,187. If they were dispensed under the generic name, they would cost only $7,662, or a savings of $5,525.

To use another illustration, a popular prescription for high blood pressure sells in the amount of 190,000 tablets per month, for a total of $10,250. This generic could be purchased for $3,945, or a saving of $6,301.

A well-known tranquilizer sells up to 120,000 per month, with a cash value of $6,840. Purchased under the generic name they would cost $3,000 or a saving of $3,840.

These three drugs alone would have saved our members a total of $15,666 if bought under their generic name.

Mr. EASTLAND. Mr. President, will the Senator yield?

Mr. KEFAUVER. I yield.

Mr. EASTLAND. The Senator's argument is beside the point. What the Senator wants to do is reduce the patent right from 17 years to 3 years. That is the point at issue.

Mr. KEFAUVER. No.

Mr. EASTLAND. If the patent right is reduced to 3 years, there will be no research. Millions of Americans are living today because of research. That is the point at issue.

Mr. KEFAUVER. Let me point out that licensing as carried on today does not prevent companies from making profits. CIBA, and its widely licensed reserpine, makes excellent profits, for example.

Mr. EASTLAND. The Senator is not going to put a noose around the drug industry's neck and still get research.

Mr. KEFAUVER. I yielded for a question, not for argument. I point out that companies that have licensed other companies voluntarily do not suffer from loss of profit. Merck is licensed, and it does not suffer from lack of profit or research.

The chart shows, for example, with reference to methyltestosterone, that there is only one producer but among the major companies there are seven sellers. It is licensed to six others by the maker.

Progesterone has one producer, but it is licensed to eight others. Reserpine is made by CIBA, and is licensed to five others. The same is true in many other cases.

The result of my proposal would be that the drug companies would not hold up the public in the manner in which they do now. They would not be selling their products at more than 500 percent of the cost of production plus research.

I emphasize this point to the Senator from Mississippi. I ask Senators to look at the definition of "cost of production" in the amendment. Senators will see that it includes research on any particular product. I ask Senators to look at page 4:

> "Cost of production" means cost of materials and labor used to produce the drug in finished form and packaged; a fair allocation of plant overhead; royalties paid, if any, for the use of any product or process patent in connection with the production of the drug; and the drug's share of the patentee's total research expense as determined by the relationship of the annual sales of that drug to the patentee's total annual sales of drugs for the last preceding annual or fiscal year;

In no industry other than the drug industry are there such markups. Even Coca-Cola has a smaller markup, and it has about the highest, outside the drug industry.

Mr. BUSH. Mr. President, will the Senator yield for a brief question?

Mr. KEFAUVER. I will yield to the Senator in a moment.

I have a list of 14 major drug companies which have markups representing their entire operations of from 242 to 463 percent of the cost of production.

I also have a representative list of markups of large firms in other industries. The Coca-Cola Co. has the highest markup of all the others—markup is only 234 percent. They range down to as low as 104 percent, for Douglas Aircraft Co., Inc. Many, if not most of these large and well-known companies in other industries, with lower markups, are able to carry on extensive research.

I ask unanimous consent that these two lists may be printed in the RECORD at this point.

There being no objection, the lists were ordered to be printed in the RECORD, as follows:

Company sales as percent of cost of goods sold: 15 drug companies, 1959

Norwich Pharmacal Co	463
Schering Corp	461
Bristol-Myers Co	392
The Upjohn Co	391
Smith Kline & French Laboratories	365
Carter Products, Inc	360
G. D. Searle & Co	319
United States Vitamin & Pharmaceutical Corp	292
Sterling Drug, Inc	275
Warner-Lambert Pharmaceutical Co	273
Parke, Davis & Co	272
American Home Products Corp	268
Abbott Laboratories	249
Merck & Co., Inc	243
Mead Johnson & Co	242

Computed from table 7 of report, "Administered Prices: Drugs" (S. Rept. No. 448, 87th Cong., 1st sess.). Original tables compiled from data published by Moody's Industrials.

Company sales as percent of cost of goods sold: 50 manufacturing companies in 50 3-digit industry groups, 1959

Group number:		
208X	Coca-Cola Co	234
284	Colgate-Palmolive Co	188
283	Eastman Kodak Co	167
211	R. J. Reynolds Tobacco Co	164
281	E. I. du Pont de Nemours & Co	162
324	Lehigh Portland Cement Co	160
205	National Biscuit Co	160
381	Minneapolis-Honeywell Regulator Co	158
357	Burroughs Corp	157
351	Outboard Marine Corp	153
289	Hercules Powder Co	151
326	Johns-Manville Corp	151
398	Armstrong Cork Co	149
207	Hershey Chocolate Co	148
271	Curtis Publishing Co	146
203	General Foods Corp	143
321	Pittsburgh Plate Glass Co	142
266	Masonite Corp	140
314	International Shoe Co	139
287	Tennessee Corp	139
285	Glidden Co	137
204	Corn Products Co	137
251	Simmons Co	136
231	Cluett, Peabody & Co., Inc	136
202	National Dairy Products Corp	135
291	Socony Mobil Oil Co	134
295	Flintkote Co	134
331	United States Steel Corp	134
333	Aluminum Co. of America	133
301	Goodyear Tire & Rubber Co	130
241	Georgia-Pacific Corp	130
356	Worthington Corp	128
355	Food Machinery & Chemical Corp	127
354	Blaw-Knox Co	126
352	International Harvester Co	126
343	American Radiator & Standard Sanitary Co	125
208	Schenley Industries	125
227	Bigelow-Sanford, Inc	124
371	General Motors Corp	124
365	Radio Corp. of America	123
374	Westinghouse Air Brake Co	122
262	West Virginia Pulp & Paper Co	122
341	American Can Co	119
366	Raytheon Co	117
221	Burlington Industries, Inc	116
349	Combustion Engineering, Inc	116
206	American Sugar Refining Co	114
361	General Electric Corp	113
201	Swift & Co	110
372	Douglas Aircraft Co., Inc	104

Computed from table 8 of report, "Administered Prices: Drugs." Original tables compiled from data published by Moody's Industrials.

Mr. KEFAUVER. I now yield to my distinguished friend from Iowa [Mr. MILLER], who previously requested that I yield.

Mr. MILLER. Mr. President, the Senator made a comment a few moments ago which concerns me, when he referred to the pills in a certain bottle, and pointed out that one company was selling a bottle of those pills for $20 while another company was selling pills of the same nature for $170.

Mr. KEFAUVER. Exactly the same product.

Mr. MILLER. This does not concern me very much, because it seems to me that if the product is the same and if there is such a differential in price, people naturally will buy the $20 bottle of pills instead of the $170 bottle of pills. What is the point the Senator was trying to make?

Mr. KEFAUVER. The detail men from Merck and Schering and Upjohn impress the trade name upon the doctors on whom they call.

Schering calls its product "Meticorten." When a prescription is written for "Meticorten," the patient is forced to pay nearly 30 cents a tablet for it. He cannot shop around. If the doctor should write down "prednisone," the patient could shop around. He might go to a druggist who sells the McKesson & Robbins product, which he can buy for 3 cents a tablet.

A patent will soon be issued on prednisone. When it does, McKesson & Robbins will, and other competitive companies, be prevented from giving the people the break they are now giving them. The patient will have no alternative but to pay the high price of 30 cents a tablet charged the trade-name product.

I should like to show Senators what has happened in regard to some of these other drugs.

I see the Senator from Florida [Mr. SMATHERS] in the Chamber. He knows of this situation. He was the first witness before our committee. He talked about the foreign prices for the same drugs made in the United States, and sold here and overseas—either by the American manufacturer or a subsidiary. There was a great difference in price.

Those drugs were selling overseas for as little as one-fifth as much as the American people had to pay for the same drugs.

Mr. BUSH. Mr. President, will the Senator yield for a brief question?

Mr. SMATHERS. Mr. President, will the Senator yield to me, since he mentioned my name?

Mr. KEFAUVER. I yield to the Senator from Florida.

Mr. SMATHERS. The Senator is absolutely correct in what he is saying. I received some information several years ago concerning drugs which were being sold. That information is in the record. The name of the particular drug escapes me at the moment, but it is a drug which is being sold in the United States.

It was selling for a high price. The then Governor of the State of Florida happened to be traveling in Berlin. He had been a victim of a certain type of disease and needed this particular drug. He was able to get it in Europe. He is the person who first called the situation to my attention. He was able to get the drug in the foreign country at something like 80 percent less than the cost in the United States. He started a little investigation on his own, and discovered that the same company made the drug in the United States and shipped it overseas, there to sell it for some 80 percent less than it was sold to the people of the United States. I am not sure exactly what is the answer to the problem, but I think the able Senator from Tennessee has rendered a great service to all of us by bringing this situation to the attention of the Senate and to the attention of the public.

I believe in the free enterprise system. I think we must have research. On the other hand, I do not believe we need to have a private enterprise system and a free enterprise system which demands what amount to unconscionable profits, particularly when the profits come, in most cases, out of the pockets of sick people or elderly people who really are in no position to pay high prices for their drugs.

My own father suffers from arthritis. He has been taking prednisone and other drugs. He was among the first on whom the drugs were tried. I know from personal experience that he has had to pay a great deal of money for such drugs, much more than he was actually in a position to pay. He was always grateful to get them. They have brought wonderful results for him. He was glad in one instance to become the "guinea pig" in respect to one of the drugs. Without those drugs he would be continually in pain today. He is 81 years old and still getting around well.

There is no question in regard to the fact that drug prices have been out of line compared to what they should have been. I congratulate the Senator for his fine work.

Mr. KEFAUVER. I thank the Senator from Florida. The Senator has been very helpful to the committee. He has given us much encouragement.

The record is full of testimony concerning instances in which drugs are made in the United States and sold overseas at much lower prices.

I ask Senators to refer to page 113 of the report on the study of administered prices in the drug industry—Senate Report No. 448—by the Committee on the Judiciary. I am sorry the Senator from Mississippi has left the Chamber. The table on that page is labeled: "Comparison of Prices of Inventing Company in Home Country and of American Licensee in United States."

The table lists drugs discovered abroad which have been offered to an American licensee. The first one listed is Thorazine, a tranquilizer. It was discovered by Rhone Poulenc in France. The price in France is 51 cents for 50 tablets. The licensee in the United States, Smith, Kline & French, sells the same drug in the United States at $3.03 per unit, although Smith, Kline & French did none of the research.

Reserpine, a tranquilizer, was developed by CIBA, a company in Switzerland, from rauwolfia serpentina, which is the root of a bush in India. People have been chewing it for a thousand years to calm their nerves. CIBA sells it in Germany at $1.05 per 100. In the United States their licensee, in this case their subsidiary, sells exactly the same product for $4.50 per 100. Yet it was developed in Switzerland, and no research went into it in the United States.

I refer to Orinase, which was developed in Germany by Hoechst. Orinase is an oral antidiabetic drug. All the research was done in Germany, where it is sold for $1.85 for 50 tablets. But Upjohn, their licensee in the United States, which did none of the research, sells it for $4.17. Mr. President, that is not right.

Let us now consider tetracycline, which is the largest selling drug among the broad spectrum antibiotics. The factory cost as estimated by the staff—and in all cases the staff's estimated cost was higher than the actual cost when we finally got it—was $2.88 per hundred. The actual figure of Bristol's production cost is contained in part 4, page 2408, of the hearings by the subcommittee on the bill. The actual cost of making that product is $1.67 per hundred tablets.

The bid to the Military Medical Supply Agency by Pfizer, which makes the same product, was $6.07 per 100. The price to the druggist in the United States is $26.01 which reflects a 15 percent price reduction made just as we began our antibiotic hearings.

Strangely, in that case the foreign price is higher. The reason is that there is a cartel in this broad spectrum antibiotic, there is strong evidence that all the companies have agreed to keep the price high here and abroad; and following our disclosure of cartel agreements for their product, the Department of Justice launched a grand jury investigation.

I yield to the Senator from Connecticut.

Mr. BUSH. I was about to ask the Senator when he had the prednisone chart before the Senate whether he had any testimony as to how long it takes to develop an article like that. In other words, how many years of development are behind that article before it becomes a commercial product? Did the testimony before the Senator's subcommittee bring out that point?

Mr. KEFAUVER. Yes; the story about prednisone is all in the record. It is a derivative of cortisone. Cortisone, being a product of nature, is not patentable.

There is an interesting story about the development of that drug. During the last war, the U.S. Government thought that the Germans were giving their pilots some drug that would enable them to fly in higher altitudes than could our pilots. They obtained the services of Dr. Vannevar Bush and John Connor. A great deal of research was conducted to see if we could make some drug that would permit our pilots to fly at the same heights as the German pilots. Out of that research came the beginning of cortisone.

Then a very fine physician at Mayo Clinic, Dr. Hench, continued the development of cortisone, for which he received the Nobel Prize.

Syntex, a small Mexican company, first developed prednisone. A molecular change in cortisone resulted in hydrocortisone. Then Syntex made another small molecular change and obtained prednisolone. Next came a drug called methylprednisolone. This was followed by another molecular change, triamcinolone. Merck then made still another small molecular change and obtained dexamethasone. That whole story is contained in the record of our hearings. This is an example of the "horsepower race" in drugs.

Mr. BUSH. If the Senator will excuse me, I do not quite get the answer to my question. I see there is a great deal of background before development of the commercial product. How long a period of time is required to develop one of those molecular divisions?

Mr. KEFAUVER. Different periods of time are required for different products. Some come by accident and some come after a relatively long time.

Mr. BUSH. The point I make, if the Senator will permit me, is that research is expensive, but it is charged off as an expense. Over a period of years a company might spend millions of dollars in developing a product, and yet when earnings are related to the return after taxes, the fact is overlooked that all the money, time, effort and genius, has been spent, but there are no assets to which to relate the profit. But those intangible assets still exist.

Mr. KEFAUVER. The Senator knows very well that profit is after research, as well as after taxes.

Mr. BUSH. Yes, I know it is after research, but the research has gone before on an item like that. After prednisone is placed on the market, research does not continue.

Mr. KEFAUVER. They have been making the same high profit rate for years. I should call attention to the fact that many companies, none of which approached the mark-up of any of the drug companies—such as General Motors, General Electric, International Shoe—all had a great deal of research expense.

As a demonstration of the apparent attitude of some of the big American companies, I wish the Senator would look at page 113 of Senate Report No. 448. If he will do so, he will see that in the product shown there the American companies did no research. They are only the agents in this country for a foreign inventor and producer. Yet in many cases the agent sells at prices two or three times the prices at which the inventing company sells.

Mr. LAUSCHE. Mr. President, will the Senator yield?

Mr. KEFAUVER. I yield.

Mr. LAUSCHE. On the item Chlorpromazine, invented in France, selling at 51 cents a hundred tablets, I suppose, in France, but at $3.03 in the United States by the licensee, Smith, Kline & French, what explanation did Smith, Kline & French give for the disparity in price?

Mr. KEFAUVER. I refer the Senator to the chart showing the profits of Smith, Kline & French. In 1952, after taxes, it was 22.7 percent, up until 1954, when Thorazine was introduced. As the Senator knows it is a very potent tranquilizer. After taxes the net profit on investment was 37 percent. It reached up to 50 percent in 1955. In other words, that rate of profit would almost pay for the company in 2 years. Then it came down to about 35 percent in 1958. It was up to about 38 percent in 1959.

Mr. BUSH. Is not that a consolidated account for all of their products?

Mr. KEFAUVER. Oh, yes; that covers all their products, but Thorazine is their big-selling product. Thorazine was the source of their big increase in profits. The record is clear on that point.

Mrs. NEUBERGER. Mr. President, will the Senator yield?

Mr. KEFAUVER. I am happy to yield to the distinguished Senator from Oregon.

Mrs. NEUBERGER. In reference to the question about the cost of research being charged off on drugs, page 136 of the hearings is very revealing. Even the U.S. drug industry itself said that there had been a research gap. They began to pull out old drugs that had been developed long before—for example, Terramycin in 1950. I do not know what was done to it. Perhaps they put a different color in it or something. But it looks as if they had been doing a great deal of research. So it would not be reflected in those prices, according to their own testimony.

Mr. KEFAUVER. I thank the Senator. Up to 1940 the Germans, French, and English—particularly the Germans—were leading the United States.

When the war came, during the forties, many plants in Europe were either converted to other purposes or destroyed, and their research specialists were diverted to other purposes. The same has been true during the recovery period, until recently. Therefore, in the past 20 years the rate of development in America has risen rapidly, as compared with what has happened in Germany and in other countries which were badly hurt by the war.

I do not want anyone to misunderstand me. I believe there are fine companies in the United States. They are entitled to a great deal of credit for their research and development. Also scientists in universities and hospitals have developed many drugs. Many times they have put them on the market, unpatented and without any royalty, for anyone to produce and sell.

Let me cite a very remarkable example. Reserpine is made from a root, rauwolfia serpentina found in India. It is a derivative of rauwolfia. CIBA, a fine Swiss company, got a patent on reserpine, which it markets under the trade name Serparil. Apparently its patent is not very strong, so CIBA licenses it to many other companies.

The actual factory cost of McKesson & Robbins is 63 cents for a thousand tablets of reserpine. CIBA bid on the generic name, to MMSA with its drug at 52 cents a thousand, or less than the cost to McKesson. I suppose McKesson must pay CIBA a small royalty for making the drug. Our staff had estimated that the factory cost was $2.48 a thousand. We were quite high there. In Germany CIBA's price is $10.50 a thousand, but in the United States its price to the druggist is $39.50 a thousand.

I ask how anyone can justify a bid of 52 cents a thousand to the Government and a sales price to the druggist of $39.50 a thousand. That is markup of more than 6,000 percent. The drug companies have a higher markup than that enjoyed by any other kind of business in the United States.

There is plenty of room for profits, and for generous salaries. If the manufacturers will keep their price under 500 percent of the cost of production when they sell their product to the druggist, there will be no compulsory licensing. If they want to increase the markup to 1,800 percent, they will have to license other companies, for which they will receive 8-percent royalty.

I have before me a bottle of reserpine. The factory cost of a thousand of these, from McKesson & Robbins, after paying some royalty, apparently, to CIBA, is 63 cents a thousand. McKesson & Robbins sell the same pills to the druggist for $2.75 a thousand. The patient would pay about $4.50 a thousand, if he bought the McKesson & Robbins product. The CIBA price to retailers is $39.50 a thousand, and they have suggested a fair trade minimum price of $65.83 a thousand, to the consumer. At the same time their price to MMSA was 52 cents a thousand.

Mr. President, I ask unanimous consent to have printed in the RECORD at this point table 37 from the hearings, showing a comparison of prices of the inventing company in home country and of the licensee in the United States.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

TABLE 37.—*Comparison of prices of inventing company in home country and of American licensee in United States*

Product	Inventing company	Home country	Price in home country	U.S. licensee	Price in United States	Price in United States as percent of home country
Chlorpromazine (Thorazine)	Rhone Poulenc	France	$0.51	Smith, Kline & French	$3.03	594.1
Prochlorperazine (Compazine)	do	do	.80	do	3.93	491.2
Promazine (Sparine)	do	do	[1] .83	American Home Products	3.00	361.4
Reserpine (Serpasil)	CIBA	Switzerland	[2] 1.05	CIBA	4.50	428.6
Prednisone	Syntex	Mexico	[3] 15.07	Schering	17.90	118.8
Insulin [4]	(University)	Canada	.46	Lilly	.84	182.6
Insulin, Protamine Zinc [4]	Nova Terapeutisk	Denmark	.49	do	.99	202.0
Tolbutamide (Orinase)	Hoechst	Germany	1.85	Upjohn	4.17	225.4
Synthetic penicillin (Syncillin)	Beecham	England	7.68	Bristol	18.00	234.4
Griseofulvin (Fulvicin)	Glaxo	do	8.52	Schering	13.00	152.6
Sulfisomidine (Elkosin)	CIBA	Switzerland	[2] 2.00	CIBA	3.30	165.0

[1] Not reported from France; this price in West Germany; $1.32 in Italy.

[2] Not reported from Switzerland; this price in West Germany.

[3] Sold by Sheremex.

[4] 10 cubic centimeters of 40 units per cubic centimeter.

Mr. LAUSCHE. Mr. President, will the Senator yield?

Mr. KEFAUVER. I yield.

Mr. LAUSCHE. How does the Senator answer the analysis made by the Senator from Colorado [Mr. CARROLL] that the amendment has doubtful constitutional validity because it would change the present patent law rights fixed by the Constitution?

Mr. KEFAUVER. I say to the Senator that there is nothing in the Constitution that fixes any length of time or conditions in connection with a patent. Many bills have been passed by either the Senate or the House providing for a compulsory license on various products. Such bills were never passed by both Houses of Congress. The Commissioner of Patents testified that the length of time and the terms and the conditions upon which a patent can issue is purely a matter for Congress to decide. There are no patents on atomic energy. The Government has a right to buy anything from a competitor, and then let itself be sued in the Court of Claims by the holder of the patent. As I see it, no constitutional question is involved.

Section 8 of article I of the Constitution provides that Congress shall have the power to "promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries."

Copyrights for music are for a longer time. Copyrights on books are for a longer time. They are rot uniform with the 17 years for a patent.

Mr. LAUSCHE. Does the Senator have any view or any answer to the charge that by legislation we would begin fixing prices if his amendment were adopted?

Mr. KEFAUVER. I believe that by legislation maintaining competition between the various companies, for the protection of the public, we will bring about a lower cost of drugs, and we will be taking affirmative steps toward dissuading the people of the United States from demanding price control. As I showed from various polls, 65 percent of those polled in 1960 were in favor of Government price fixing for prescription drugs. In the last poll that I saw the percentage was about 70 percent. Why do the people want the Government to fix the prices of prescription drugs? Because they are outrageously high. People cannot afford to pay for them, especially our older people. If we want eventually to have Government price control, let these drugs continue to be sold at an 800-percent markup, and we shall soon have it.

If the manufacturers will be reasonable and not sell for more than 500 percent above the cost of production plus research, the people will get their drugs more reasonably priced, and there will be no agitation for price control.

Mr. EASTLAND. Mr. President, the issue is whether the great American drug industry shall be destroyed. The question of price control is now in the hands of the Subcommittee on Patents, and this very amendment is in the hands of the subcommittee of which the Senator from Arkansas [Mr. MCCLELLAN] is the chairman. The question is now under study, and the Senate is being asked to discharge that committee from its studies.

The United States has the greatest drug industry in the history of the world. Millions of Americans are alive today because of the patent system of our country. The question is not one of price; the question is, Shall a manufacturer who spends large sums of money be granted a patent for 3 years, while a man who invents a new kind of dog collar is granted a patent for 17 years? The 17 years applies to all other industries.

Sixty new drug breakthroughs have occurred in the United States since 1940 under our present system, as against 29 in Great Britain, France, West Germany, and Switzerland combined. For 1955 and thereafter—and these figures have been taken from the records of the subcommittee headed by the Senator from Tennessee—25 are credited to the United States, and 11 to other countries.

The Senator from Tennessee would like to have the United States adopt the Italian system and destroy all incentive to make investments in research by limiting patents on drugs to 3 years. There has been no discovery in Italy since 1940. Why? Because Italy does not have a patent system. So the issue is whether we should adopt that system or not.

Of 544 new, single chemical entities made available to American physicians in the past 20 years, more than 60 percent have originated in the United States—think of that—under the American system of free enterprise, where there is an incentive for research and development of new drugs to save human life.

Of 70 percent of the prescriptions filled in 1960, more than 500 million could not have been filled in 1950 because the medicines had not then been discovered. The progress that has been made has taken place under the American system of free enterprise.

Yet, we are asked, in the face of that record, to discharge the subcommittee headed by the Senator from Arkansas, take the bill away from that committee, and pass it.

Four and one-half million Americans are alive today who would be dead if the mortality rate of 25 years ago still prevailed. Twenty-three years have been added to the life span of the average American since the turn of the century.

Under the proposed system, patent rights would be limited and a bridle placed around the throat of the drug industry. We are asked to kill the drug industry by cutting its throat. What will happen to that great American industry that is being condemned?

The death rate from influenza has dropped 90 percent. The death rate from tuberculosis has dropped 83 percent. The death rate from acute rheumatic fever has dropped 83 percent. The death rate from syphilis has dropped 79 percent. The death rate among mothers in childbirth has declined more than 90 percent.

In the face of those facts, we are asked to turn back the hands of the clock and discharge the committee headed by Senator McCLELLAN. Yet during the period since 1944 the infant mortality rate has been cut in half. During the 5 years ending in 1960, the number of patients released from mental hospitals has increased more than 51 percent. Since 1949, the U.S. pharmaceutical industry has increased its actual research and development expenditures for human medicines more than 600 percent.

I say, for God's sake let the drug industry continue. For God's sake, let us give it a vote of confidence, so that it can develop the drugs to save the lives of the people of this country.

We are being asked to destroy the patent system. That is what is at issue in this amendment. We are asked to reduce the patent life from 17 years to 3 years. In my judgment, if the Senate concurs in such a proposal, it will be committing a crime against humanity.

If I may make a personal reference, I know that because of the use of one of the wonder drugs, I am here today, as are millions of other Americans. That is what is at issue. If there is no incentive for people to make money, to experiment, or to conduct research, we shall have destroyed the greatest industry in the history of the country.

Mr. ERVIN. Mr. President, will the Senator from Mississippi yield?

Mr. EASTLAND. I yield for a question.

Mr. ERVIN. Does not the entire free enterprise system rest upon the proposition that a man should be entitled to the fruits of his own labor?

Mr. EASTLAND. Certainly.

Mr. ERVIN. Does not the amendment, in effect, undertake to provide that one man shall be robbed of the fruits of his labor, and that the fruits of his labor shall be given to others who did not labor?

Mr. EASTLAND. Of course; the Senator is exactly correct. But the main casualty would be the American public.

Mr. ERVIN. Would not a person engaged in the manufacture of drugs be foolish to spend any of his money or effort in research, if he could, after 3 years, take the benefit of the research of everybody else, without having to pay anything for it?

Mr. EASTLAND. Of course. Consider what has happened in Italy. There is now a movement in that great country today to enact patent laws based upon our own, so that Italy can have research and development.

Mr. ERVIN. Would not this amendment—which is clothed in an appealing form, and is attempted to be restricted, in this particular case, to instances in which a 500-percent profit would be made—be an entering wedge for the destruction of the American doctrine that men shall be entitled to the fruits of their own labor?

Mr. EASTLAND. Of course it would be an entering wedge.

Mr. ERVIN. In the opinion of the Senator from Mississippi, would not this amendment, instead of providing cheap drugs, make it certain that there would be no competition in drugs and that no new drugs would be developed?

Mr. EASTLAND. Certainly; there would be no competition in drugs, and no new drugs would be developed, and the death rate among Americans would be increased—if this amendment were adopted and were enacted into law, and if the American drug business were destroyed.

Mr. HRUSKA. Mr. President, will the chairman of the committee yield time to me, on this amendment?

Mr. EASTLAND. How much time?

Mr. HRUSKA. Five minutes.

Mr. EASTLAND. I yield 5 minutes to the Senator from Nebraska.

The PRESIDING OFFICER. The Senator from Nebraska is recognized for 5 minutes.

Mr. HRUSKA. Mr. President, the subject we are now discussing was discussed for many days in the course of the hearings held by the Subcommittee on Antitrust and Monopoly. Many witnesses testified, and many pages of testimony on this subject were taken. The arguments advanced this afternoon by the chairman of the subcommittee, the Senator from Tennessee [Mr. KEFAUVER], were advanced frequently in the course of those hearings.

But, however this amendment may be described and however it may now be set up, the plain fact is that it is a price-fixing measure.

All of us know that we encounter great difficulties when we attempt to deal with price-fixing statutes, for if such a statute can be applied to one commodity, it can be applied to others. Even in times of war and national emergency, our country did not have very good luck with price-fixing statutes.

Furthermore, Mr. President, this amendment would amount to a partial repeal of the patent law, and this amendment is not the way to do that.

During our hearings, there appeared before us Dr. Vannevar Bush, an eminent and world-famous scientist. During the war he was Director of the Office of Scientific Research and Development. In 1943, he was Chairman of the President's Science Advisory Board; in 1945, he was a member of a Patent Survey Committee.

In the course of his testimony before the Antitrust and Monopoly Subcommittee, Dr. Bush stated that four main things must be kept in mind in connection with the patent system:

> 1. That the patent system is an essential part of our free enterprise system;
>
> 2. That it has been responsible for a significant part of the great technical and industrial advance of this country, and that in particular it has made possible the salutary advent of many small independent individual companies;
>
> 3. That the system is not perfect, and that revisions should be made which would bring it into step more fully with modern conditions;
>
> 4. That when such a revision is made, it must be done on an overall basis, by a group that fully understands the system, and also understands modern research and development, and that any attempt to do it piecemeal would inevitably result in damage to the system and to our national progress.

The fourth point made by Dr. Bush is a very telling one.

There is no question that the Subcommittee on Antitrust and Monopoly—eminent though it is, and even though it is composed of fine members and a fine staff, and even though its chairman is a very distinguished Senator—does not qualify under Dr. Bush's recommendation that the work "must be done by a group that fully understands the system, and also understands modern research and development."

Furthermore, there is no question that this amendment is a piecemeal approach to a very small segment of the patent system.

What did Dr. Bush say about an amendment of this type? He said:

> As far as patents are concerned, the central feature of the present bill is that it would require the licensing of all drug patents to all comers after a 3-year interval, and at royalties with a stated maximum.
>
> The simple fact is that, if this were the law of the land, we would soon no longer lead the world in the development of new and useful drugs. Our industrial research programs on drug development would be severely cut back.

There is no question about that, Mr. President.

Dr. Bush also said, in the course of his very excellent testimony:

> Furthermore, compulsory licenses for all comers are bound to prevent the very kind of healthy competition in discovering new products that now characterizes the industry.

Some of us who are members of the subcommittee protested against going at all into this field; we felt that we were not the subcommittee to do that, that we were not authorities, nor were we even familiar with the system; and we felt that such an attempt would be a piecemeal approach. Eventually that was also the judgment of the entire committee.

Earlier this afternoon the Senator from Arkansas [Mr. McCLELLAN] stated that when the matter was referred to his committee, it was clear that further study and probably further hearings would be required before the committee could act intelligently on patent provisions. Therefore, the committee concluded that the best course for it to follow was not to go further with that matter, but to retain its jurisdiction over the subject, pending further study and, probably, further hearings; and it was decided that such action should be deferred.

It was suggested that if such an amendment were adopted, probably it would jeopardize the passage of the bill and its enactment into law.

This bill is important, not only to those who administer the drug laws, but also to the millions of people who are entitled to have good drugs available and who are entitled to have bad drugs kept off the market.

Therefore, I hope the amendment will be decisively defeated.

I yield back the remainder of the time which has been yielded to me.

Mr. KEFAUVER. Mr. President, I shall be glad to answer any questions which Senators may wish to ask.

In reply to the charges made by the Senator from Mississippi, let me say that it is a little farfetched to take the position that a drug company could not get along with a markup of 500 percent on its production costs, including its costs of research, when no other industry has markups that high. Furthermore, an 8 percent royalty would be paid. Most of the large companies cross-license them at the present time for 2, 3, or 5 percent.

Mr. PASTORE. Mr. President, will the Senator from Tennessee yield?

Mr. KEFAUVER. I yield for a question.

Mr. PASTORE. Would any of the evidence which was adduced before the subcommittee indicate that drugs developed in the United States are sold at higher prices to Americans, but are sold at lower prices to persons who live in other countries?

Mr. KEFAUVER. Yes; there are cases where the drugs are actually manufactured in the United States, but sold abroad at lower prices. On almost all products prices are higher in the United States than in any other country, except Canada.

Mr. HRUSKA. Mr. President, will the Senator from Tennessee yield?

Mr. KEFAUVER. I yield.

Mr. HRUSKA. Is it not true that in most European countries there are price-fixing statutes which control the prices of drugs?

Mr. KEFAUVER. In Germany there are none.

Mr. HRUSKA. On the contrary, there are some in Germany, and they are in connection with the cross-licensing.

Mr. KEFAUVER. And there are none in Switzerland or Holland or some of the Scandinavian countries.

Mr. PASTORE. Mr. President, will the Senator from Tennessee yield again to me?

Mr. KEFAUVER. I yield.

Mr. PASTORE. I know that even when one purchases merchandise in the District of Columbia—and the same is true in the State of Rhode Island—if one is able to demonstrate that he can buy a given article cheaper in one store than in another, if he buys it in the store which charges the higher price, he can make a remonstrance and can have the difference paid back to him.

I think it is little justification to argue that because there are price-control laws in other countries, an article which is developed in the United States, on the basis of research work done in the United States, should be sold to American consumers at higher prices than those charged to the people of other countries. Regardless of the laws which may apply in other countries, I say it is immoral to gouge the American public. I do not care what laws other countries have. I say it is immoral to gouge the American public.

Mr. KEFAUVER. Let me say to the Senator from Rhode Island that if American companies do not feel they can make a profit in countries that fix prices, they do not have to do business there. They do not have to sell there at a lower price.

Mr. PASTORE. I say it is immoral.

Mr. KEFAUVER. It is immoral; there is no doubt about it.

Let me point to Merck on the chart. Awhile ago a Dr. Vannevar Bush was mentioned. He is a fine man, but he happens to have been chairman of the board of Merck & Co. until just recently. Merck's price for prednisone is $170. The price at which it sells in England is $75.30; in Brazil, $141.50. Many of these facts appear in the hearing record.

Mr. HUMPHREY. Mr. President, will the Senator yield?

Mr. KEFAUVER. I yield.

Mr. HUMPHREY. First of all, let me ask the Senator about the language in his amendment. On page 1 it provides:

> Whenever the Federal Trade Commission, upon complaint made to it by a qualified applicant for a license under a drug patent, has reason to believe as a result of an investigation that such application for a license was made and not granted after a period of three years from the date of issuance of the patent and that the price of the patented drug charged or quoted to druggists by the patentee is more than 500 per centum of the cost of production for such drug in finished form and packaged for sale, the Commission shall issue—

And so forth. What does the Senator mean by "the cost of production"?

Mr. KEFAUVER. Production costs for drugs included are as stated on page 4 of the amendment.

Mr. HUMPHREY. So the descriptive phrase "cost of production" includes the portion of the cost of research on that particular drug?

Mr. KEFAUVER. As determined by the relationship of the sales of the product of the company's total drug sales applied to the company's total research costs. Some method of allocations such as this is necessary, since companies generally do not allocate research costs to particular products.

Mr. HUMPHREY. The language is "the price of the patented drug charged or quoted to druggists by the patentee is more than 500 per centum of the cost."

In other words, the profit is to be revealed at 500 percent of the cost of production?

Mr. KEFAUVER. That is the markup over the cost of production plus the research allowance. In other words, the 500 percent would have to cover not only profits but pay the sales and distribution costs, which in the drug industry are already excessive.

Mr. HUMPHREY. I wish to make one comment. I hope the Senator noted that these are prices charged to druggists at more than 500-percent profit. When one has a prescription filled, he does not have it filled by Merck or Eli Lilly, Wyeth, or any other drug company; it is filled by his druggist. When that person goes home he remembers the price charged him. Then prices of drugs are considered by the consumer to be high. But it is the druggist who is first of all charged the high price by the manufacturer. The retail markup is not exorbitant.

According to what the Senator from Tennessee has indicated, the evidence is that the price we are talking about is the price that the manufacturer charges to the foreign outlet and the military services of the Government and to the druggist himself, through his wholesaler, the wholesaler getting his normal markup, and selling it to the retail druggist, and the retail druggist in turn getting his markup from the individual who brings in the prescription. But, all too often, the customer blames the pharmacist for what the customer feels are high prices, when in fact, the price of the prescription is in a large measure determined by the manufacturers price.

Mr. KEFAUVER. Let me return to the charts in the rear of the Chamber. As much as $39.50 is charged for Reserpine. The druggists ought to join with us in trying to bring the prices down. I am sure they would like to sell more drugs at lower prices to people who cannot now afford to pay for them, than to sell fewer drugs at higher prices. It is not the fault of the druggists.

Mr. HUMPHREY. I believe this has been a shortsighted policy on the part of the retail pharmacists. I think they would be better off if they would lend their efforts toward encouraging a more reasonable and constructive policy on pricing of drugs. The American public has been deeply concerned about this problem. There is no doubt, as the chairman of the committee has pointed out, that miraculous results have been brought about by American drugs. The American people have been well served by the drug industry and others who watch over their health.

Anything that can be done to bring the costs down and at the same time preserve a reasonable profit for the manufacturer, the wholesaler, and the pharmacist is in the public interest. Whether that is to be done by amending the patent laws I do not know. I do not have any expert knowledge in that subject. I shall vote for the amendment, or against any motion to table, not because I feel that the Senator's approach through a change of patent laws is the desirable or proper method, but because I do feel that the public interest needs to be given more consideration and that certain pricing patterns are without full justification. I do not want my remarks to be interpreted as condemning the pharmaceutical manufacturers. They have carried on fabulous and costly research that has produced amazing new drugs. They are entitled to a good profit, but there seems to be evidence in some instances that competition is lacking or overpricing has been the practice.

The PRESIDING OFFICER. The time of the Senator from Tennessee has expired.

Mr. KEFAUVER. I yield myself 3 minutes on the bill.

The PRESIDING OFFICER. All time on the bill has expired.

Mr. MANSFIELD. Mr. President, I wish to announce that it is my intention to move to table the pending amendment. I will withhold that motion briefly, so that the Senator from Tennessee and the Senator from Colorado may speak.

Mr. KEFAUVER. The last chart refers to drugs in the same family antibiotics, both patented and unpatented. It shows changes in price between 1951 and 1960. As to the patented antibiotics, sold by Lederle, Pfizer, Bristol, and Parke Davis; namely, Aureomycin, Terramycin, tetracycline and Chloromycetin, there have been no change in price since 1951. During our hearings they reduced prices about 15 percent.

In contrast, the old form of penicillin, which is not patented, has steadily gone down in price, as new methods of production have lowered costs. The same has been true of streptomycin, which is widely licensed by Rutgers University. Competition has transferred the benefits of lower costs to the consuming public.

The people of the United States are entitled to some consideration. This is an opportunity to give them some relief. They are not going to get a reduction in prices until there is competition or price control. I prefer the former.

Mr. ERVIN. Mr. President, this amendment is bad not merely because it would rob some men of the fruits of their labor for the benefit of other men who have not labored, but also because it would have no therapeutic quality. It would not have as much therapeutic value as a bread pill.

The amendment provides that any company which makes a 500 percent profit on a given patented drug would be subject to compulsory licensing. All any company making a 500 percent profit would have to do to nullify the bill would be to reduce the profit from 500 percent to 499.9 percent. This being true, the proposal is absolutely worthless and ought to be defeated on that ground, if not on the ground that it is absolutely inconsistent with the free enterprise system, which holds that every man is entitled to the fruits of his own labor and shall not have them taken away for the benefit of someone who has not done anything to deserve them.

Mr. MANSFIELD. Mr. President, I yield 2 minutes to the Senator from Rhode Island [Mr. PASTORE].

Mr. PASTORE. Mr. President, I shall vote for the amendment, but not because I believe this is the way to solve the problem. I believe in the free enterprise system in the United States, and that we should not do anything to put shackles on that system. However, I shall vote for the amendment merely as a protest against the actions of this industry, which should know better. The drug industry has allowed abuse to creep into its operations. We have seen that the drugs invented in France can be sold in France at a price of 51 cents and, when sold to the American public through a brokerage arrangement—and that is all it amounts to—the price is $3.03. I say that is gouging the American consumers.

I have no illusions concerning the fact that the amendment will be defeated, but this is the only way the Senator from Rhode Island can register a complaint and a remonstrance against this abuse. It is about time that the drug industry itself began to clean house.

The amendment is not in the proper form. This is not the way to solve the problem, but this is the only way we can protest this afternoon, and I shall vote for the amendment only to indicate my protest.

Mr. MANSFIELD. Mr. President, I yield 5 minutes to the Senator from Colorado [Mr. CARROLL].

Mr. CARROLL. Mr. President, I wonder if the able Senator from Tennessee [Mr. KEFAUVER] would be good enough to answer a question or two by the Senator from Colorado.

Mr. KEFAUVER. I shall be glad to try.

Mr. CARROLL. The able Senator from Tennessee knows that I expressed individual views in the Judiciary Committee report on the drug act.

Mr. KEFAUVER. I know that. I hope I can persuade the Senator that he is mistaken as to his constitutional position.

Mr. CARROLL. I wish to say for the benefit of all Senators present as well as for the record, that the able Senator from Tennessee and the other members of the Subcommittee on Antitrust and Monopoly have conducted an exhaustive inquiry into the question of pricing in the drug industry.

The able Senator from Rhode Island put his finger on the problem. There is not the slightest doubt in my mind that advantage has been taken of the American people. Profits have been unconscionable.

I wish to read a paragraph from my individual views:

> It is true that testimony during our extensive hearings seems to establish conclusively that the prices of certain ethical drugs are administered unreasonably high. The margin between factory cost and price to the retail druggists on some of these drugs has been an unconscionable 1,000 percent, including research costs. Profit rates of the drug producers, not the retail druggist, have exceeded all other industries.

Valuable work has been done in this connection. The Senator knows the work I have done in regard to the overall bill.

However, on this particular issue, there is some doubt in my mind. I am concerned about whether or not a constitutional question arises in connection with altering the patent traditions of our free economic system. I have been informed that the able Senator from Arkansas [Mr. McCLELLAN] will hold hearings on that issue.

I should like to join the able Senator from Rhode Island in raising a protest to high drug prices by compulsory licensing, but in all good conscience I felt I had to file the individual views as expressed in the drug bill report.

Mr. KEFAUVER. I say to the Senator from Colorado that nobody has been more helpful than he has been in this whole investigation and throughout the hearings. He has been fighting the battle, and has spent long hours in so doing. He has acted as chairman at many meetings. He has been of inestimable benefit to the committee and to the public by his diligence. Regardless of the views of the Senator from Colorado concerning this amendment, I want him to know of my appreciation of what he has done.

I see no constitutional problem. There is nothing in the Constitution about all patents having to run the same length of time. The proposal requires no surrendering of a patent, only sharing it with another company if the patentholder charges unreasonable prices.

Mr. CARROLL. Mr. President, I thank the Senator from Tennessee for his gracious and generous comments about the junior Senator from Colorado.

This is the only issue in connection with this bill to which I have had even a slight degree of opposition. I speak now as a lawyer. Each lawyer has his own point of view about the Constitution.

I hope, in the hearings which are to be held, that we can bridge what I believe to be a constitutional gap, by a different wording. As I have indicated, I think the profits of the drug manufacturers have been unconscionable, and the prices of life-preserving drugs have been too high. The conduct by some members of the industry with reference to these problems has been nearly incomprehensible. Perhaps through the McClellan hearings the problem can be straightened out.

I was hoping that the Senator from Tennessee could say to the junior Senator from Colorado that there is a difference between the measure which is now before the Senate and the one on which I dissented in my separate views on the committee drug bill.

Mr. KEFAUVER. There is a difference in the present amendment as compared to what was in the bill up to the time it was considered by the Judiciary Committee.

Mr. CARROLL. I should like to know what the difference is.

Mr. KEFAUVER. The difference is that the present amendment provides that after 3 years any company would have a right to obtain licensing upon payment of a royalty in the event the Federal Trade Commission should find that the price at which the company was selling to the druggist was more than 500 percent of the factory cost plus research; that is, that the price was unreasonably high. That is the new feature which was added.

Mr. CARROLL. I thank the able Senator from Tennessee. I still think my minority views were correct. I was concerned about the 3-year patent limitation and the royalty feature.

The idea of forcing down exorbitantly high drug profits does not worry me. But I would like further study by patent experts on this particular method of bringing into line with the rest of American industry the drug manufacturers who profiteer on the health of our Nation's families.

The PRESIDING OFFICER. The time of the Senator from Colorado has expired.

Mr. CARROLL. Will the Senator yield me 1 more minute?

Mr. MANSFIELD. I yield 1 additional minute, Mr. President.

The PRESIDING OFFICER. The Senator from Colorado may proceed for 1 minute.

Mr. CARROLL. Mr. President, I wish to close by saying that this is the only time I have not been in full agreement with the able Senator from Tennessee on this bill.

For the reasons previously stated I cannot support this amendment, however, again I commend him and the Antitrust Subcommittee staff for the wonderful work done on this proposed legislation.

Mr. KEFAUVER. I thank my colleague.

Mr. MANSFIELD. Mr. President, I move to table the amendment offered by the Senator from Tennessee [Mr. Kefauver], for himself and other Senators, and on this motion I ask for the yeas and nays.

The yeas and nays were ordered.

The PRESIDING OFFICER. Does the Senator yield back his remaining time?

Mr. MANSFIELD. I do.

The PRESIDING OFFICER. The question is on agreeing to the motion by the Senator from Montana to lay on the table the amendment offered by the Senator from Tennessee for himself and other Senators. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The Chief Clerk called the roll.

Mr. HUMPHREY. I announce that the Senator from Nevada [Mr. Bible], the Senator from Alaska [Mr. Bartlett], the Senator from New Mexico [Mr. Chavez], the Senator from Pennsylvania [Mr. Clark], the Senator from Indiana [Mr. Hartke], the Senator from New Jersey [Mr. Williams], the Senator from Texas [Mr. Yarborough], and the Senator from West Virginia [Mr. Byrd] are absent on official business.

I also announce that the Senator from Missouri [Mr. Symington], the Senator from New Mexico [Mr. Anderson], the Senator from Alaska [Mr. Gruening], the Senator from Wyoming [Mr. Hickey], and the Senator from Missouri [Mr. Long] are necessarily absent.

I further announce that, if present and voting, the Senator from Pennsylvania [Mr. Clark], the Senator from Alaska [Mr. Gruening], and the Senator from Texas [Mr. Yarborough] would each vote "nay."

On this vote, the Senator from Alaska [Mr. Bartlett] is paired with the Senator from Nevada [Mr. Bible]. If present and voting, the Senator from Nevada would vote "yea," and the Senator from Alaska would vote "nay."

Mr. KUCHEL. I announce that the Senator from Utah [Mr. Bennett], the Senator from South Dakota [Mr. Bottum], the Senator from Nebraska [Mr. Curtis], the Senator from Arizona [Mr. Goldwater], and the Senator from Kentucky [Mr. Morton] are necessarily absent.

The Senator from Vermont [Mr. Prouty] is detained on official business.

If present and voting, the Senator from Utah [Mr. Bennett], the Senator from South Dakota [Mr. Bottum], the Senator from Nebraska [Mr. Curtis], the Senator from Arizona [Mr. Goldwater], and the Senator from Kentucky [Mr. Morton] would each vote "yea."

The result was announced—yeas 53, nays 28, as follows:

[No. 215 Leg.]

YEAS—53

Aiken
Allott
Beall
Boggs
Bush
Butler
Byrd, Va.
Cannon
Capehart
Carlson
Carroll
Case
Cooper
Cotton
Dirksen
Eastland
Ellender
Ervin
Fong
Fulbright
Hayden
Hickenlooper
Hill
Holland
Hruska
Javits
Johnston
Jordan, N.C.
Jordan, Idaho
Keating
Kerr
Kuchel
Mansfield
McClellan
Miller
Monroney
Mundt
Murphy
Pearson
Pell
Robertson
Russell
Saltonstall
Scott
Smith, Mass.
Sparkman
Stennis
Talmadge
Thurmond
Tower
Wiley
Williams, Del.
Young, N. Dak.

NAYS—28

Burdick
Church
Dodd
Douglas
Engle
Gore
Hart
Humphrey
Jackson
Kefauver
Lausche
Long, Hawaii
Long, La.
Magnuson
McCarthy
McGee
McNamara
Metcalf
Morse
Moss
Muskie
Neuberger
Pastore
Proxmire
Randolph
Smathers
Smith, Maine
Young, Ohio

NOT VOTING—19

Anderson
Bartlett
Bennett
Bible
Bottum
Byrd, W. Va.
Chavez
Clark
Curtis
Goldwater
Gruening
Hartke
Hickey
Long, Mo.
Morton
Prouty
Symington
Williams, N.J.
Yarborough

So the motion to lay on the table was agreed to.

Mr. KEFAUVER. I have one more amendment, the purpose of which concerns a situation when patent applications involve agreements between companies. The amendment would make such agreement open for inspection by the Department of Justice and the Federal Trade Commission, so that they could determine whether there had been any violation of the antitrust laws. On August 7, the House of Representatives passed a bill which is substantially the same in purpose, relating to all patent interference proceedings in all fields. It is not limited to drugs.

The PRESIDING OFFICER. The Senator will have to offer his amendment to speak on it.

Mr. KEFAUVER. I am not going to present it. The distinguished Senator from Arkansas [Mr. McClellan] has schduled hearings on the House bill for September 4. He advises me that even though he may be engaged in the work of the Government Operations Committee at that time, he will delegate to another Senator to preside over the hearings, and he will try to secure action on the proposal.

The PRESIDING OFFICER. The Senator will have to present his amendment to speak on it.

Mr. KEFAUVER. Then I will present my amendment.

Mr. MANSFIELD. The Senator need not do that. I will yield him as much time as he desires.

Mr. KEFAUVER. I should like to have 1 minute.

Mr. MANSFIELD. I yield 5 minutes to the Senator from Tennessee.

Mr. KEFAUVER. The Senator from Arkansas will try to obtain action on the bill if possible during this session of Congress. That being the case, I am not going to present the amendment.

Mr. McCLELLAN. Mr. President, will the Senator yield?

Mr. KEFAUVER. I yield.

Mr. McCLELLAN. I have advised the Senator from Tennessee, and I also advise all my other colleagues in the Senate, that hearings have already been scheduled. They were scheduled 2 or 3 days ago. I announced that the hearings would be held. There will be no intention to delay and no dilatory tactics will be employed. I do not know anything about the merits of the bill. It must be studied. We will endeavor to hold hearings and process the bill. That is as much as anyone can promise. The

House has passed it. It has that recommendation, at least. So far as I know, the hearings will be expedited.

Mr. KEFAUVER. I will not offer the amendment.

I take this opportunity of thanking all members of the Judiciary Committee for their attention and cooperation, and also the very fine staff on both sides of the subcommittee and of the full committee.

I feel that later there will be some favorable action in connection with lowering the cost of patented drugs. I was very pleased with the vote on the issue this afternoon. In all other respects I think we have a very fine drug bill which meets the requirements of the President. It will give the American people the assurance that there will be safer and better and more accurately advertised drugs, and that the price of unpatented drugs will be less expensive.

Mr. CARROLL. Mr. President, will the Senator yield?

Mr. KEFAUVER. I yield.

Mr. CARROLL. The able Senator from Tennessee deserves the thanks of all Members of this body for the fine work he has done in this field. We cannot commend him too highly. Many times he has fought alone on this issue. I also commend the chairman of the Judiciary Committee and the President of the United States, who, in his letter of August 3, asked for tough amendments to the bill. I say to the Senator from Tennessee that the Senate can now see with me how important this bill is. The drug thalidomide was under 2 years of clinical investigation without HEW knowing about it. As a matter of fact, thalidomide was tested by Smith, Kline & French as far back as 1956–57 without FDA knowing it. For reasons unknown Smith, Kline & French discontinued testing the drug. I have just talked with two leading officials in HEW, and I asked them, "Under the bill as amended by the Kefauver-Carroll amendment, can the thalidomide disaster happen again in America?"

They said, "Not under this bill as you amended it a few moments ago which now provides a firm statutory basis for the proposed FDA regulations announced on August 9."

This bill will be recognized as one of the outstanding achievements of this Congress and of this administration. It is an excellent drug bill.

I see in the Chamber the Senator from New York [Mr. Javits]. I have also discussed with HEW representatives the amendment he and I sponsored. They think this amendment will be helpful. I have been assured that this bill, as we have amended it on the floor today, gives FDA an opportunity to call upon State public health officers and to call upon local medical groups for help in protecting the public against unsafe drugs.

The PRESIDING OFFICER. The question is on agreeing to the additional committee substitute amendment, as amended.

The substitute amendment, as amended, was agreed to.

The PRESIDING OFFICER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed for a third reading, and was read the third time.

Mr. MANSFIELD. I yield 2 minutes to the Senator from New York.

Mr. JAVITS. Mr. President, I should like to say to the Senator from Tennessee, with regard to the amendment which was tabled, that I am very sympathetic with his fight to do something about these outrageous prices in the drug field. I believe that American business is very unwise in taking the position it has taken.

I understand that he has served notice, as the Senator from Rhode Island did, by voting against the tabling and in favor of the amendment, in effect, on the drug industry. This matter has concerned me on many grounds, which are very understandable. They go back to the Schechter case, of NRA days, in the price-fixing field. It should be stated by Senators who, like myself, voted in favor of tabling the amendment, that if this provocation of the American people continues, far more drastic remedies than I am willing to entertain today may very well be necessary. I trust and hope that American business may have enough self-discipline to see the handwriting on the wall and that this situation is verging upon the intolerable.

Mr. KEFAUVER. I thank the Senator from New York.

Mr. MANSFIELD. I yield 1 minute to the Senator from Oregon.

Mr. MORSE. In supporting the Kefauver amendment, I believe it should be stated that there is voluminous evidence which makes it clear that profiteers cannot be stopped without putting checks upon them. The Senator from Tennessee is seeking to check the profiteers in the drug industry.

Mr. MANSFIELD. I yield 1 minute to the Senator from Connecticut.

Mr. DODD. Mr. President, I too, wish to commend the great Senator from Tennessee. I am very proud of the fact that I have stood by his side.

Mr. KEFAUVER. The Senator from Connecticut certainly has been with me all the way through.

Mr. DODD. The Senator from Tennessee has waged a valiant fight. His facts are right. He has been right all the way on this issue. He has had the courage and the integrity to make this fight. I believe I will live to see the day, whether I am in the Senate or out of it, when Congress will adopt the measures that he has proposed in the Senate this afternoon. We all owe him a great debt of gratitude. The American people do, as well.

Mr. MANSFIELD. Mr. President, I yield myself 1 minute.

I join with all Senators who have been saying worthwhile things about the Senator from Tennessee. He deserves every one of them. He has waged a good fight, a strong fight. He never gives up. The results of his work over the years will be felt in the future.

Mr. HUMPHREY. Mr. President, will the majority leader yield 1 minute to me?

Mr. MANSFIELD. I yield 1 minute to the Senator from Minnesota.

Mr. HUMPHREY. Mr. President, the bill represents hard work, considerable research, and long hearings on the part of the committee. I join with the majority leader in his commendation of the Senator from Tennessee, of the members of the committee, and of the committee chairman in reporting the bill to the Senate.

THE INGREDIENTS FOR DRUG PROGRESS: A VITAL PHARMACEUTICAL INDUSTRY, AN EFFECTIVE FEDERAL LAW, STRONG FEDERAL ADMINISTRATION, AND DYNAMIC COOPERATION IN RESEARCH

Mr. President, before final action, I should like to submit a few comments with respect to the pending bill S. 1552, as amended, the Drug Industry Act of 1962.

Since I am not a member of the Senate Committee on the Judiciary, I would not presume to attempt to comment on all of the many technical phases of the bill which have had that committee's consideration.

The distinguished senior Senator from Tennessee [Mr. Kefauver], who has devoted himself so intensively and fruitfully during these past 2½ years to the subject, has presented the issues very clearly to the Senate.

In addition, we have in Senate Report No. 1744, 87th Congress, parts I and II, a clear exposition of the bill, as amended.

The comments which I will make today are devoted to but a few specialized phases of the future—not merely the past—of drug research.

STUDY BY GOVERNMENT OPERATIONS SUBCOMMITTEE

These happen to be the phases on which I personally have made some study during these past several years.

I have done so in my capacity as chairman of a Government Operations Subcommittee. For several years, we have looked at the subject of Federal and non-Federal biological and medical research. In the course of this effort, we have examined the role of pharmaceutical research.

On August 1 and 9, 1962, we held hearings on the theme "Inter-Agency Coordination in Drug Research."

At that time, we explored the significance of the thalidomide tragedy. It is, of course, that sad development which has done so much to focus public attention on this subject. I am glad to observe that, during the hearings, many of the remedies proposed under the new HEW regulations were discussed at length.

For example, in the hearings, we brought out the absolute importance of thorough testing on laboratory animals, including testing on pregnant laboratory animals; prompt notification to the Food and Drug Administration by the drug companies as soon as testing starts; full recordkeeping on adverse side effects of testing; and full reporting to FDA on these side effects; in addition to many other points covered in the new regulations.

NEED FOR PERSPECTIVE AND BALANCE: THE BASIC FACTS

In the course of the hearings, I emphasized what I regard as one of the paramount needs of the future. I refer to the need for a sense of perspective and balance on this whole issue.

With such a sense, certain facts become clear. Nine of these facts, as I see them, are:

First. The American pharmaceutical industry has contributed profoundly to the advancement of the health and well-being of our citizens and of people throughout the world.

Second. The vitality of the pharmaceutical industry is, therefore, important to the well-being of the American people.

Third. The American pharmaceutical profession, which dispenses the Nation's drugs, enjoys the highest standards of any pharmaceutical profession in the world.

Fourth. The United States has, relatively speaking, enjoyed one of the most advanced systems of drug regulation in the world, through the Food and Drug Administration.

Fifth. Nonetheless, the past several years have demonstrated an urgent need for dynamic improvement in the status quo. The undeniable fact is that there have been serious loopholes in Federal drug laws. The legislation now pending before us will close many of these loopholes.

Sixth. There have been serious weaknesses in the administrative regulations of the Food and Drug Administration. The pending regulations announced by Secretary Celebrezze will, if adopted, help to remedy some of these weaknesses.

Seventh. But, in the final analysis, good laws and good regulations require good administration.

Eighth. Excellence in administration requires excellence in the scientific decisions upon which administration is based.

Ninth. Sound scientific decisions require prompt, complete exhange of scientific information, nationally and internationally.

CONCENTRATING ON THE FUTURE

I should like to examine at length some of these points.

I am going to look, however, not at the past, not at the loopholes, not at the weaknesses, nor the flaws. The senior Senator from Tennessee has well described them both in past comments and in the report before us.

I should like instead to look ahead to the future.

The future is going to witness a tremendous expansion in the obligations of the Food and Drug Administration.

And the principal point which I am making today is that the Food and Drug Administration will not be in a position to meet these obligations unless and until certain actions are taken—within and outside the U.S. Government.

A REVOLUTION IN INFORMATION

Not the least of these suggested actions is a peaceful "revolution," so to speak, in the exchange of drug information.

Present information procedures, techniques, and systems are about as effective as "looking for a needle in a haystack while wearing smoked glasses."

Drug information exchange within the U.S. Government is weak. Information exchange between the U.S. Government and foreign governments, between the U.S. Government and the drug industry, between the U.S. Government and the medical profession—all these, too, leave much to be desired.

IMPORTANCE OF ADEQUATE RESOURCES AND STRONG ADMINISTRATION

In the final analysis, the effectiveness of the Drug Industry Act of 1962 will depend upon several essential ingredients:

First. There must be adequate resources to fulfill the new law and the new regulations.

Second. These resources must be administered with strength, efficiency, and discretion.

Third. The FDA scientists who make the decisions on which administration is based must not work in isolation. They must be able to draw upon the greatest scientific minds in the country.

Let me cover each of these points in turn.

First, FDA needs adequate resources. That means adequate money and adequate manpower. Fortunately, President Kennedy has taken the first step. A supplemental request for FDA has been sent to the Congress—amounting to the largest single increase for the agency in its history.

Even that may not be enough. But it is not just more which is needed—more money, more men and women—but the right men and women.

THE NEED FOR ADEQUATE RESOURCES

Here I wish to quote from comments which I made in our August 9 subcommitting hearing. I promised publicly at that time that I would make these very points on the floor of the Senate. Why? Because I do not want Congress or the press or the public to think that merely writing a new law and new regulations is sufficient.

As I stated on August 9, I do not want a false sense of security to develop.

The fact is that a massive workload is being dumped into FDA's lap. It is going to take a large number of workers—and the highest caliber of workers—to do justice to that workload. They must use this new information, evaluate it, and act on it, instead of merely allowing it to gather dust in file cabinets.

Mr. President, I ask unanimous consent to have printed at this point in the Record excerpts from the hearings conducted by the Subcommittee on Reorganization relating to the Food and Drug Administration and other agencies of the Government.

There being no objection, the excerpts were ordered to be printed in the Record, as follows:

COMMENTS IN AUGUST 9 HEARING

Senator Humphrey. Now, Mr. Commissioner, I want to interrupt to say if you are going to do all of this, and it is going to be done, you better tool your shop up to handle it, because it is quite obvious that if these regulations are to be followed, and mean something, that you have to have the professional, qualified, trained personnel to evaluate this mountain of information that is going to be coming to you.

In other words, here we are demanding that the Food and Drug Administration tighten up its regulations within existing law. You are asking that certain law be changed.

The President has sent down some legislation here. He wants laws strengthened and changed.

Every time that we impose, either legislatively or administratively, more controls or rules and regulations that relate to the manufacturing process to the investigational process, to the safety, to the efficacy, to the therapeutic effect, the clinical aspects, the side effects of drugs, it means that you have to have in this Government some place, and most likely in your own agency, the people that can interpret what this is all about. Otherwise, this is just piling up more and more reports and asking manufacturers to spend more and more time filling out reports for the Government.

Mr. Larrick. And giving the public a false sense of security.

Senator Humphrey. And a false sense of security. And all of this would be exceedingly unfortunate. It would be a travesty on justice because what we are looking for is not just to ask manufacturers to fill in more reports. Some manufacturers do a very good job already. We are not asking you to collect more reports. We are asking that you have the people that can do something with it, to read them, to evaluate them, to interpret them, and to revise and to rescind and all that comes with this great administrative process, and I am hopeful that now that public opinion in a sense demands that we do more in terms of drug safety and drug efficacy, that we won't try to do it on the cheap, so to speak.

You cannot have these drugs safe and efficacious without paying for it, and let's get the marbles right out on the table so that the taxpayers will know it. If the taxpayers want to have safe drugs, and good drugs, they are going to have to pay for it.

Mr. Larrick. I hope you will make that speech——

Senator Humphrey. I make it as loud as I can without driving everybody out of the hall. [Laughter.]

Mr. Larrick. And elaborate on it when the drug bill comes up on the floor?

Senator Humphrey. I am. We have got an awful lot of people who believe in "economy" and at the same time believe in miracles. I have seldom found that the two went together. If you want improvement in Government you have got to pay for it.

STRONG, SOUND ADMINISTRATION

Mr. HUMPHREY. Mr. President, now, second, there must be strong effective administration of the new law and regulations.

Some of the evidence gathered by the subcommittee indicates that administration within and above the Bureau of Medicine has not been all that it should be.

Forms, practices, and procedures in the Bureau, particularly in the New Drug Division—have seemed, to some expert observers, as antiquated.

The National Bureau of Standards report on administrative systems within the agency confirms these weaknesses, although, understandably enough, in guarded, discreet terms.

FDA is going to have to get the best possible administrative procedures and systems in the Bureau of Medicine and elsewhere.

That does not mean just new workers. It means men—men with drive, with initiative, men and women who are not just "going by the book," by the letter of the law, but by its spirit, its tone, its fundamental purpose.

Congress does not wish FDA's new law and regulations to make it a bureaucratic maze. Congress wants a vital, dynamic, strong agency which works with the medical profession and the pharmaceutical industry and profession to the greatest possible extent, while standing vigilant to protect the public safety.

SCIENTISTS MUST DRAW UPON NATION'S FULL COMPETENCE

Third, the scientists in the Bureau of Medicine must be encouraged, enabled, and trained to draw upon the fullest competence of the Nation's scientific community.

In particular, the New Drug Division must have available the "cream" of the Nation's scientific talent for consultation, regularly or irregularly.

The 12 members of the New Drug Division cannot, all by themselves, effectively analyze 365 new drug applications a year.

The entire Bureau, by itself, cannot evaluate the masses of information pouring in on drugs already on the market.

THREE THOUSAND APPLICATIONS IN 12 YEARS

Statistics compiled by our subcommittee staff show that from 1950 to 1962 applications for 3,001 drugs intended for human use have been filed. I repeat, 3,001 drugs.

Many of these drug applications and subsequent drug reports pose complex medical problems which would baffle the greatest specialists in the world, much less a dozen practitioners in the New Drug Division.

Remember, it is often fantastically difficult to "decipher" the effects of a single new drug on the human heart, or on the nervous system, or on the reproductive system, or other systems.

Teamwork to backstop these complex scientific decisions is, therefore, essential.

This does not mean that the Food and Drug Administration staff should, in the slightest, shirk its own responsibilities. It cannot shirk them. But it should base its decisions not on intuition, nor on the "letter of the law," alone, but on the best scientific judgment which is available within the agency or anywhere within our country or for that matter, abroad.

UPGRADING SCIENCE WITHIN THE AGENCY

FDA's own scientific program must be of the highest order.

FDA's scientists, particularly in the Bureau of Medicine, must be brought into the mainstream of scientific endeavor instead of being in a "backwater."

FDA science has heretofore been relatively isolated. That is not just my judgment. It is the judgment of a series of scientists who have looked at FDA science, from inside and outside.

In 1955 the first Citizens Advisory Committee on the Food and Drug Administration urged a strengthening of FDA's science program.

Five years later, in 1960, a National Academy of Sciences report urged a strengthening of FDA's scientific program.

Two years later, in 1962, the 1955 and 1960 recommendations are still relatively dead letters. Why?

FDA's in-house scientific competence must be upgraded.

In the person of Dr. Frances O. Kelsey we see a scientist of outstanding merit and diligence. But there are indications that the Food and Drug Administration could use many more individuals of the caliber of Dr. Kelsey and of a relative handful of other employees who are of outstanding scientific ability.

But even that is not enough.

FDA must use the external "avenues" which are open to it for consultation.

THREE AVENUES FOR CONSULTATION

Three great avenues are open to FDA—the U.S. Public Health Service, including the National Institutes of Health; the National Academy of Sciences-National Research Council; and American medicine's own organizations, including the American Medical Association Council on Drugs and the specialty boards of medicine.

AVENUES OF CONSULTATION NOT USED

But what do we find in the record of the past?

We find that the avenues are, by and large, not used. This is not always FDA's fault.

To be sure, it should have reached out to tap the Nation's best scientific brains.

But the latter, particularly in Federal agencies, should have eagerly offered to be of service. And the offer should have been more than a pro forma, "call me if you want me."

NIH'S ENORMOUS COMMITMENT IN DRUG RESEARCH

Let us look at these Federal relationships or lack of relationships.

The first and most important concerns the National Institutes of Health.

I shall devote some little time to the Institutes, because after 4 years of rather intensive contacts with it, I feel that our subcommittee has developed a degree of specialized knowledge about its operations.

The plain fact is that the National Institutes of Health has been called upon only sporadically by FDA and then in but a few specialized areas, such as relate to drugs against cancer.

NIH has volunteered little to FDA and FDA has asked for little from NIH.

Each has gone through enough motions to show the Congress that it has not really forgotten the other. But each has done little to make the relationship broad, two way, or vital.

Consider, however, what NIH potentially has to offer.

It can offer the greatest pool of drug research information in the world, if only it bothered to organize that pool.

NIH'S ENORMOUS COMMITMENT IN DRUG RESEARCH

NIH is deeply and rightly committed to drug research.

The National Cancer Institute has spent $117 million on research drugs to combat cancer since 1956.

The National Institute for Mental Health has spent $39 million on drug research grants since 1957.

The National Institute for Allergy and Infectious Diseases has spent $1.3 million in 3 years on its Laboratory of Parasite Chemotherapy alone.

This year, the National Institute of Neurological Diseases and Blindness is spending $4.1 million on 186 grants in phamacology and experimental therapeutics.

I have no doubt that the above sums represent money well spent.

HANDS OFF AFTER MONEY IS GIVEN OUT

But NIH has the curious notion that, in most instances, its job is done when it hands out research money.

From then on, NIH seems to ignore its responsibility. "Never mind," it seems to say, "if the drug research results get buried in thousands of journals, let the National Library of Medicine worry about that. Never mind if thousands of clinical reports are unassimilated or unevaluated, let the researcher or practitioner call a medical library or consult on his desk some outdated encyclopedia or other reference work. That is his business" it seems to say.

IMPERATIVE NEED FOR EVALUATION

In one of but two or three outstanding exceptions, the National Institute for Mental Health does fortunately evaluate drugs—through systematic reporting by 16 institutions.

And the National Cancer Institute does screen at least new and experimental compounds.

But where are the other five categorical institutes?

Have they forgotten that drug—or other—research is of little use unless it is evaluated? And unless the evaluation is placed at the disposal of every possible user within or outside a given institute?

Have they forgotten that drug research information which is of primary use to one institute may also have tremendously significant secondary value to another institute or to another agency?

Have all seven Institutes forgotten that you cannot draw an artificial line around a drug and pretend that "this drug affects but one organ system alone"?

The obvious fact is that a cardiovascular drug may have extremely significant effects on the central nervous system, or vice versa, and on other systems.

Under these circumstances, exchange of information between institutes and between agencies is indispensable.

"CHINESE WALLS" BAR EXCHANGE

Yet, so far as systematic exchange is concerned, invisible "Chinese walls" exist between Institutes. And "Chinese walls" exist between the Institutes and FDA. These "walls" are utterly incongruous.

NIH does no service to its great and deserved reputation by its sluggishness in interinstitute and "external" communication.

NIH tends to act with somewhat of a split personality on this issue.

On the one hand, NIH has not hesitated to fill the record of Senate and House Appropriations Committee hearings with page after page, describing its achievements in drug research.

And there are many such achievements—brilliant achievements—which I am happy to salute.

But, when it comes to vitalizing a relationship with FDA, NIH withdraws and pretends that drug evaluation really is not its business.

No one contends that NIH should do FDA's specific work. No one contends that NIH does not have enough of its own work to do.

But, NIH is supporting drug research at the frontiers of science. And it is NIH's job to help the whole U.S. Government capitalize on that research—learn from it, draw upon it, to the greatest possible extent.

Where are the NIH–FDA seminars or symposia or conferences which one might expect?

Where are the joint articles which might be written by NIH and FDA pharmacologists?

Where are the evidences by which science itself could attest to true scientific collaboration?

Where is the systematic rotation of pharmacological personnel between agencies?

Where does the career system provide for incentives for tours of duty in one another's agency?

A SECOND RARELY USED AVENUE

Now, let us turn to another avenue which should be open to FDA—the avenue through the National Academy of Sciences and National Research Council.

The National Academy of Sciences has only rarely been called upon. Within the last decade it has been used by FDA fewer times than you could count on the fingers of one hand. Why should this be the case? What do we have a National Academy of Sciences-National Research Council for? Why should it not be used more regularly?

Why was not the Academy's recommendation of 1960 acted upon—to the effect that an advisory scientific group be established to serve FDA?

Now, as to a third avenue, the specialty boards of medicine have hardly been consulted. Through the enterprise of one scientist in FDA, a few consultative arrangements were made with a few of the American Medical Association recognized specialty boards.

Unfortunately, even these few relationships have rarely been utilized; they have tended to wither upon the vine. When our subcommittee staff asked for a list of the consultative panels, FDA seemed to have difficulty even finding the list, much less finding a record that the groups have been called upon more than once or twice.

It is not enough for FDA to state that, on occasion, some member of its scientific organization picks up the phone and calls some scientist in the National Institutes of Health, or in private practice, or in a university, or some other laboratory. There must be a system of consultative relationships established.

I am not speaking for a so-called system which consists of an empty letterhead. So-called consultative committees which do not really consult—already clutter up the landscape of Washington.

What is needed is for FDA to become a dynamic center of scientific consultation. The cream of the talent of the United States and of the international scientific community should be on tap for FDA's use.

But let us be clear on one point. It will only be on tap if FDA's own scientists are of the highest order.

Few scientists are willing to advise other scientists if they do not feel that the latter are their peers. If one scientist feels that another scientist is really "on the ball," if the other man talks the same language, if he perceives the frontier problems of science, if he is personally contributing to the mainstream of scientific thought, then consultation will be lively and frank. Otherwise, the consultation will be pro forma, dull, and useless. It will be a shadow without substance. It will be but a showy facade which might be intended to impress the Congress, but which will not really impress science itself.

I ask unanimous consent that there be printed at this point in the Record the text of a letter to the editor of the New York Times, which appeared in its issue of August 14, 1962.

The letter from Dr. Frederick Wolff, assistant professor of medicine, division of clinical pharmacology, the Johns Hopkins Hospital, calls a spade a spade with respect to scientific weaknesses in the Food and Drug Administration.

It points out that we need to upgrade the scientific work—to raise it to the standard of, for example, the National Institutes of Health.

It says, in effect, we dare not follow the Food and Drug Administration and scientists to become mere clerks, trying to see their way clear through a mountain of paperwork and not performing any scientific work of their own.

There being no objection, the letter was ordered to be printed in the Record, as follows:

To Strengthen Drug Agency—Physician Proposes Reforms for Adequate Functioning of FDA

To the Editor of the New York Times:

It is appropriate that the Government and Congress have shown appreciation of Dr. Frances Kelsey and the Food and Drug Administration's achievement to block the sale of thalidomide in this country. A disaster of the first magnitude has been avoided. This experience is being used to bolster the agency's facilities and resources by 25 percent.

The Food and Drug Administration is generally known as the Cinderella of the health agencies. It is exposed to such continuous pressures from the people's representatives, industry and others, is so underpaid, understaffed, overworked and neglected that it is constantly losing its best people to industry and the intellectually more stimulating atmosphere of the universities. It has been given a policeman's job. But whereas policemen at least have police and law schools and the science of criminology to back them up, the Food and Drug Administration works in isolation in surroundings which are a disgrace in relation to its vital functions.

LACK OF SPACE

The medical reference library has less material than that of many a minor pharmaceutical house. The laboratories have insufficient space or personnel to deal with pressing problems; the Bureau of Medicine is both physically and emotionally removed from the laboratories. Drugs are judged, but there is no research into the science of evaluating drugs. The work is done by a small band of devoted scientists and retired physicians who cope somehow.

Penury is the lot of this key agency. The health services and pharmaceutical industries of the world are watching these developments, recognizing the unique position of the FDA. Far from being a bar to properly constituted pharmaceutical business, it guides nationwide research into channels useful to the health of the people.

One cannot but doubt whether a 25-percent increase in its facilities will be more than a token of the administration's interest. The sum of the reforms required to give the Food and Drug Administration the tools to function adequately might be summarized under four headings:

The agency should be removed from partisan and lobby pressures of Congress and its entourage. Remote control and administration on the pattern of the National Institutes of Health would be preferable to the present position.

RESTRICTING FUNCTIONS

Staff and facilities are required to pursue research and studies into the many problems uncovered during their attempts to obtain compliance with the Food and Drug Act. The tendency to restrict the Administration's function to supervisory regulation only has had a deadening effect, leading to continuing loss of scientists burdened with oceans of paperwork.

Working conditions and salaries should be made to equal those of other Federal research agencies, such as the National Institutes of Health. Original scientific work and participation in national and international scientific meetings should be encouraged.

The Food and Drug Administration, once it had reached a size and standard commensurate with its responsibilities—and this might require severalfold increase of its facilities—should establish a staff of experts, as already set up in relation to the National Institutes of Health and the National Research Council.

Only a powerful and able Food and Drug Administration will command the respect and trust of other branches of the sciences and contribute to the full utilization of this Nation's limitless resources.

Frederick Wolff, M.D.

LACK OF CENTRALIZED INFORMATION ON CURRENT DRUG RESEARCH

Mr. HUMPHREY. Mr. President, also, I ask unanimous consent that there be printed at this point in the Record a memorandum which I have prepared on centralized information on current drug research.

Included in this memorandum will be excerpts from a letter, dated August 20, 1962, from Monroe Freeman, Ph. D., director of the Science Information Exchange.

There being no objection, the memorandum was ordered to be printed in the Record, as follows:

Absence of Information on Who Is Now Doing What Drug Research and Where

One of the central points which I should like to emphasize today is that nobody, either inside or outside the U.S. Government, can put his finger—reliabily—on who is now doing what drug research, where and how.

No one who starts drug research can be sure that—

(a) Research he is beginning has not already been performed elsewhere with negative or positive results; or

(b) Research which he is beginning is not now being conducted elsewhere—with the same or different techniques, controls, etc.

The closest approximation to reliable, coordinated information is through the Science Information Exchange. It was reported to me in a letter, dated August 20, 1962, that the U.S. Government is now supporting $40 million in pharmacological research in selected categories, including 1,549 grants.

But, as the exchange carefully notes:

1. This does not include Federal intramural research;

2. It does not include university research, supported by local and internal university funds;

3. The estimate is based upon a classification of subjects according to exchange's standards and not necessarily according to the standards of, let us say, the National Institutes of Health.

4. A mass of information which the pharmaceutical industry might naturally regard as confidential in nature is not included.

(A release of July 17, 1962, from the Pharmaceutical Manufacturers' Association has estimated that the drug industry spent $245.3 million on research and development in 1961.)

FEW SUBJECT-TYPE INQUIRES TO EXCHANGE

Now the question might be asked: Do Federal agencies at least call upon the exchange to learn about the subjects covered under existing Federal support?

The answer, by and large, is "No."

Federal agencies tend to ask the exchange not about the subject of drug research elsewhere, but, rather, about the history of an individual applicant.

In other words, the agencies are interested to learn what research an investigator, say "John Jones," may have previously performed under Federal grant, or may now be performing under Federal grant.

The agencies do not appear to be interested in learning whether "Sam Smith," or "Dick Henry," or anybody else is doing or has done the same or related research according to subject matter.

The entire U.S. Government sends an insignificant amount of subject-type inquires to the exchange. These subject-type inquiries average less than 50 per month for all categories.

By "all categories," I mean all of the some 7,000 subjects by which the exchange indexes the over 35,000 current grants now under support by the U.S. Government.

Let no one, therefore, attempt to fool the Congress into thinking that the agencies are utilizing the exchange in order to "audit" against needless, unintended duplication of effort.

The agencies only seem interested in avoiding unintentional duplication of support for a given investigator. But they do not seem to care if several investigators are, unknowingly, duplicating each other's current or prior work.

The key descriptive term is "unknowingly."

Knowing duplication, by contrast, is absolutely essential to scientific progress. Replication of research is indispensable.

But needless, unknowing, unintentional duplication is a horse of a different color.

It is impossible to prevent such unknowing duplication if the whole U.S. Government, spending over one-half billion dollars for medical grants and in-house medical research, sends less than two subject-type inquiries to the exchange per day.

Two inquiries per day cannot possibly elicit sufficient information to avoid unknowing duplication.

There follow excerpts from the exchange's helpful and prompt reply to the subcommittee:

LETTER FROM SCIENCE INFORMATION EXCHANGE

"Attached is the table on pharmacological research as currently registered with the exchange. I hope the category selections will be useful for your purpose.

"This is a new kind of compilation for Science Information Exchange, in that the items have been counted only once; thus, the categories may be compared or totaled to give valid comparisons and correct totals. We believe this gives more realistic data and certainly lessens the danger of misinterpretation.

"There are, and always will be, inherent errors and limitations in any compilations of this kind and magnitude. These are noted below and must be considered in drawing conclusions. As you know, these data represent only the work that has been registered with the exchange. The following paragraphs try to define this general limitation a little more significantly:

"1. The real Federal total is always greater than ours because of (a) the variable timelag between the initiation of projects and receipt of notices in Science Information Exchange; (b) many 'continuing' projects are not included until Science Information Exchange has received information that they are in fact being continued and not terminated; (c) Food and Drug Administration is probably the only important gap in the pharmacology research not registered (FDA has arranged for their input, but the records have not reached Science Information Exchange in time for this computation); and (d) we objectively assign categories from a 200-word summary, which in itself may not spell out all possible applications inferred or implied.

"2. Intramural research is not included because SIE does not have the dollar value of intramural research from any agency at this task level. The number of intramural research tasks for some agencies could be furnished, if desired.

"3. This report on non-Government research is mostly that supported by major foundations at the national level. Two very important segments of this pharmacological research are missing: (a) The pharmaceutical industry, and (b) university research supported by local and internal university funds. The pharmaceutical industry is not willing to furnish research information at the task level needed by SIE. We are beginning to get good cooperation from universities on their internal programs but this part of our collection is just beginning to build up.

"In the attached table, the first 14 categories are reasonably clear and specific. Category 15 included projects that were clearly related to more than one of the selected categories above. We had no way to arbitrarily split the dollars between two categories and we felt it would be equally misleading to assign all the grant to one or the other. I seriously doubt if even the principal investigator himself could do so with any realistic accuracy. Category 16 included those projects that related to many other miscellaneous applications of pharmacological research with little, if any, commonality among them. If broken down, these would come out as 30 to 50 categories with no more than a few projects in each. We felt that lumping them in one category (category 16) would suit your purpose better than a long list of small unrelated groups.

"Pharmacology research in selected categories

	Government		Non-Government		Total	
	Number of grants	Amount	Number of grants	Amount	Number of grants	Amount
1. Cancer	564	$18,837,341	74	$1,780,196	638	$20,617,537
2. Cardiovascular system	95	1,098,811	13	107,070	108	1,205,881
3. Digestive system	11	155,928	1	8,138	12	164,066
4. Endocrine system	20	512,205	0	0	20	512,205
5. Hematologic disease	17	334,203	3	92,790	20	426,993
6. Infectious diseases	30	466,327	0	0	30	466,327
7. Metabolic and nutritional conditions	24	393,598	2	43,524	26	437,122
8. Metabolic-endocrine relationships	32	938,769	2	12,310	34	951,079
9. Nervous system and neuromuscular (central and autonomic)	129	2,354,379	4	25,066	133	2,379,445
10. Neuroendocrine relationships	13	221,567	2	5,240	15	226,807
11. Psychopharmacology	256	7,298,821	17	285,743	273	7,584,564
12. Respiratory system	7	88,216	0	0	7	88,216
13. Skin disorders	3	112,358	0	0	3	112,358
14. Toxicology	26	393,016	0	0	26	393,016
15. Research in 2 or more categories listed above	93	1,987,480	10	153,468	103	2,140,948
16. Research in areas not listed above	229	5,456,670	20	355,017	249	5,811,687
Total	1,549	40,649,689	148	2,868,562	1,697	43,518,251

"(1) Items in categories 1 to 14 are reasonably specific in their area of coverage.

"(2) Item 15 includes research which overlapped in 2 or more of the categories (1 to 14) listed in the table. It was felt impossible to attempt splitting the level of support based on information available here at the exchange.

"(3) Item 16 includes pharmacological research in all areas not included in the specific categories (1 to 14) listed in the table. They were extremely diverse in classification and so have simply been grouped together. Though they represent a fair amount of money in toto the amount of any single category grouped under this listing would be very small.

"(4) Current extramural grants tabulated Aug. 17, 1962."

There is now being printed at the Government Printing Office the hearing volume containing the transcript of the August 1 and August 9 hearings by the Senate Government Operations Subcommittee. The subject was "Interagency Coordination in Drug Research."

This volume contains a considerable number of exhibits gathered by myself and the subcommittee staff both prior and subsequent to the formal hearings.

Included among these exhibits is:

(a) Correspondence on many important aspects of interagency drug cooperation.

(b) Extracts from major articles in the medical literature on drug information.

(c) Descriptions of Federal activities in drug research, including the activities of the National Institutes of Health.

(d) A series of chronologies—the most complete, I believe, available anywhere within the public record, on the subject of the thalidomide tragedy. These chronologies include facts from the Food and Drug Administration's files, from material furnished by the William S. Merrell Co., from the medical literature on the case, etc.

In effect, the oral hearings represented but one phase of a much broader review conducted by the subcommittee and its staff into the many ramifications of the drug problem.

REVIVE THE "MEDIPHONE" CLEARINGHOUSE

Included in the reprinted correspondence, for example, is a message, which I invited, as regards the clearinghouse project which was known as Mediphone, Inc. This private project, unfortunately, did not succeed commercially and consequently has now closed down. It had been designed to give physicians anywhere in the United States, 24-hour-a-day telephone service as regards any drug on the market—toxicity, side effects, etc.

It is my hope that the project will be revived because it can offer an invaluable service to busy American medical practitioners.

I commend its revival to the American Medical Association council on drugs and to other interested professional groups.

A KEY POINT—AND FLAW—IN THE NEW HEW REGULATIONS, FDA WOULD HAVE TO ACT VERY FAST TO AVOID HAZARDOUS CLINICAL TESTING

Our August 9 hearing brought out a key point. It did so, however, through an error by Commissioner Larrick which he subsequently acknowledged.

On page 163 of the verbatim transcript of the hearings, Commissioner Larrick stated that he believed the new HEW regulations "required a 10-day period" between (a) the date a drug company submitted its reports on animal testing and (b) the date at which it could start testing on humans.

However, on August 16, Commissioner Larrick wrote to me, stating that he was in error. The regulations do not contemplate a specific 10-day delay or any other specific hiatus. These regulations merely contemplate that FDA be notified of evidence justifying clinical tests. If FDA does not act immediately to the contrary, the manufacturer could go ahead.

In effect, FDA is going to have to process information exceedingly rapidly. Its "silence will give consent." If it allows the information in its files to gather dust, a manufacturer will have already proceeded on his clinical testing.

These facts emphasize still further the need for FDA to improve its internal handling of information.

At present, the FDA files are not in good shape. A team of the National Bureau of Standards made an intensive examination of FDA—its procedures, systems, recordkeeping, filing, etc. In its report, the National Bureau of Standards did not, for understandable reasons, comment frankly on the weaknesses of the existing system. But, reading between the lines of the team's report, one can see that FDA's files are in a sorry mess.

The new regulations, therefore, can become a farce unless there is a substantial improvement in FDA's control of the flood of incoming information.

There follows the text of Commissioner Larrick's letter and then the original, unrevised transcript.

Department of Health,
Education, and Welfare,
Food and Drug Administration,
Washington, D.C., August 16, 1962.

Hon. Hubert H. Humphrey,
Chairman, Subcommittee on Reorganization and International Organizations, Committee on Government Operations, U.S. Senate, Washington, D.C.

Dear Senator Humphrey: I have reviewed the transcript of the hearings on August 1 and August 9, before the Subcommittee on Reorganization and International Organization on Interagency Coordination in Drug Research Information. A number of editorial changes have been indicated on the transcripts which are enclosed.

However, on page 163, there is an error in my testimony which should be corrected. When I testified, I was under the impression that after submitting his notice of claimed exemption (which would make it possible to ship the new drug for clinical testing for safety), the manufacturer would have to wait a stated period of time before initiating the clinical tests. The regulations as proposed do not so require. All that is necessary is that he notify us of his claim for exemption, and supply the evidence justifying clinical tests. We would, however, review this material and have the opportunity to stop the tests if we did not agree with the manufacturer.

I believe this response should be substituted for the last 9 lines on page 163 and the first line of page 164 of the transcript. Since this involves a colloquy with Senator Mundt, I am sending a copy of this letter to him.

Sincerely yours,

Geo. P. Larrick,
Commissioner of Food and Drugs.

"Commissioner Larrick. In other words, what I am saying is this:

"The have to send to us adequate information. Now, that means if they want to make a summary, and that summary comes in to a competent scientist like some you gentlemen have met, and the scientist says this summary is sufficient to make it appear quite safe to start your clinical work, they would not have to send in this great mass of stuff at that level.

"But if the scientist in Food and Drug says, 'Well, I am not sure; I cannot tell from this summary whether we have reached that stage or not, we need the whole thing'; then the scientists can say, 'Before you ship it out for clinical work, I want to see it all.'

"Senator Mundt. Now, you have not stated to us yet what there is in the new regulations in terms of a reaction from Food and Drug back to the pharmaceutical company which triggers off their opportunity to proceed. So there must be something else that you have to apparently say yes or maybe or 'We have the file', or else——

"Commissioner Larrick. They must submit this data and allow a stated period of time to elapse within which we can file or send something to them which stops them.

"If we remain silent, they may proceed.

"Senator Mundt. How long a period of time?

"Commissioner Larrick. Ten days, I believe.

"These are very new.

"Senator Mundt. OK. Anyhow, you have a stipulated period of time?

"Commissioner Larrick. Right.

"Senator Humphrey. Before the Senator leaves this matter of filing the statement—you used the word 'summary.' It seems to me somewhere along in your regulations you ought to indicate what you want in that summary, because otherwise it could be very general.

"Now, a good, solid, reputable drug house, one of the standard companies with a well-known name, is not going to risk its reputation by filing a phony statement. But you and I know there are many, many people that get into this business, and some of them do not last too long. And we want to make sure that their products do not shorten up the life of anyone, either.

"It seems to me that you ought to lay down some specific guidelines, as to what you mean by a summary. Otherwise, it could be very misleading. There would just be more paperwork without any real information.

"Commissioner Larrick. Right.

"Senator Humphrey. Any other recommendations?

"Commissioner Larrick. Yes. They have to send us five copies of all the informational material that they send to the clinical investigator."

Mr. HUMPHREY. Mr. President, I hope that the vote which was recently taken on the Kefauver amendment will be interpreted as a desire on the part of Congress for prompt action with respect to the pricing of drugs.

Mr. MANSFIELD. Mr. President, on the passage of the bill, I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. DIRKSEN. Mr. President, I speak in behalf of the minority members of the Committee on the Judiciary: the Senator from Wisconsin [Mr. Wiley], the Senator from Nebraska [Mr. Hruska], the Senator from New York [Mr. Keating], the Senator from Hawaii [Mr. Fong], and the Senator from Pennsylvania [Mr. Scott]. I will exclude myself. At every session there were full meetings in order to protect the bill, and I believe that on every occasion every Republican member was present at the hearings. That is an unprecedented display of fidelity to duty, and I congratulate every minority member of the committee.

The distinguished Senator from Nebraska [Mr. Hruska] has become, verily, an expert in this field. The bill became one of the most difficult measures, languagewise, with reference to the Food and Drug Act, in which I have ever been engaged. It required unprecedented fidelity to duty to get the work done. I salute my colleagues on the Committee on the Judiciary for the magnificent results.

Mr. MANSFIELD. Mr. President, I yield back the remainder of my time.

Mr. DIRKSEN. I yield back the remainder of my time.

The PRESIDING OFFICER. All time has been yielded back. The bill having been read the third time, the question is, Shall it pass? The yeas and nays have been ordered, and the clerk will call the roll.

The Chief Clerk called the roll.

Mr. HUMPHREY. I announce that the Senator from Alaska [Mr. Bartlett], the Senator from Nevada [Mr. Bible], the Senator from West Virginia [Mr. Byrd], the Senator from New Mexico [Mr. Chavez], the Senator from Pennsylvania [Mr. Clark], the Senator from Tennessee [Mr. Gore], the Senator from Indiana [Mr. Hartke], the Senator from Arizona [Mr. Hayden], the Senator from Oklahoma [Mr. Kerr], the Senator from New Jersey [Mr. Williams], and the Senator from Texas [Mr. Yarborough] are absent on official business.

I also announce that the Senator from Missouri [Mr. Symington], the Senator from New Mexico [Mr. Anderson], the Senator from Alaska [Mr. Gruening], the Senator from Wyoming [Mr. Hickey], and the Senator from Missouri [Mr. Long] are necessarily absent.

I further announce that, if present and voting, the Senator from Alaska [Mr. Bartlett], the Senator from Nevada [Mr. Bible], the Senator from West Virginia [Mr. Byrd], the Senator from New

Mexico [Mr. CHAVEZ], the Senator from Pennsylvania [Mr. CLARK], the Senator from Tennessee [Mr. GORE], the Senator from Indiana [Mr. HARTKE], the Senator from Arizona [Mr. HAYDEN], the Senator from Oklahoma [Mr. KERR], the Senator from New Jersey [Mr. WILLIAMS], the Senator from Texas [Mr. YARBOROUGH], the Senator from Missouri [Mr. SYMINGTON], the Senator from New Mexico [Mr. ANDERSON], the Senator from Alaska [Mr. GRUENING], the Senator from Wyoming [Mr. HICKEY], and the Senator from Missouri [Mr. LONG] would each vote "yea."

Mr. KUCHEL. I announce that the Senator from Utah [Mr. BENNETT], the Senator from South Dakota [Mr. BOTTUM], the Senator from Nebraska [Mr. CURTIS], the Senator from Arizona [Mr. GOLDWATER] and the Senator from Kentucky [Mr. MORTON] are necessarily absent.

The Senator from Vermont [Mr. PROUTY] is detained on official business.

If present and voting, the Senator from Utah [Mr. BENNETT], the Senator from South Dakota [Mr. BOTTUM], the Senator from Nebraska [Mr. CURTIS], the Senator from Arizona [Mr. GOLDWATER], the Senator from Kentucky [Mr. MORTON], and the Senator from Vermont [Mr. PROUTY] would each vote "yea."

The result was announced—yeas 78, nays 0, as follows:

[No. 216 Leg.]

YEAS—78

Aiken
Allott
Beall
Boggs
Burdick
Bush
Butler
Byrd, Va.
Cannon
Capehart
Carlson
Carroll
Case
Church
Cooper
Cotton
Dirksen
Dodd
Douglas
Eastland
Ellender
Engle
Ervin
Fong
Fulbright
Hart
Hickenlooper
Hill
Holland
Hruska
Humphrey
Jackson
Javits
Johnston
Jordan, N.C.
Jordan, Idaho
Keating
Kefauver
Kuchel
Lausche
Long, Hawaii
Long, La.
Magnuson
Mansfield
McCarthy
McClellan
McGee
McNamara
Metcalf
Miller
Monroney
Morse
Moss
Mundt
Murphy
Muskie
Neuberger
Pastore
Pearson
Pell
Proxmire
Randolph
Robertson
Russell
Saltonstall
Scott
Smathers
Smith, Mass.
Smith, Maine
Sparkman
Stennis
Talmadge
Thurmond
Tower
Wiley
Williams, Del.
Young, N. Dak.
Young, Ohio

NAYS—0

NOT VOTING—22

Anderson
Bartlett
Bennett
Bible
Bottum
Byrd, W. Va.
Chavez
Clark
Curtis
Goldwater
Gore
Gruening
Hartke
Hayden
Hickey
Kerr
Long, Mo.
Morton
Prouty
Symington
Williams, N.J.
Yarborough

So the bill (S. 1552) was passed.

The title was amended so as to read: "A bill to amend and supplement the laws with respect to the manufacture and distribution of drugs, and for other purposes."

Mr. DIRKSEN. Mr. President, if it is appropriate to move that the vote by which the bill was passed be reconsidered, I so move.

Mr. HUMPHREY. Mr. President, I move to lay on the table the motion to reconsider.

The motion to lay on the table was agreed to.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the bill as passed be printed.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOUGLAS. Mr. President, the vote by which the Kefauver drug bill was passed just now—78 to 0—is quite a commentary on how time and history frequently bear out the views of some unpopular people and how what may seem to be a majority opinion at one moment in time is later proved not to be the case.

The Senator from Tennessee [Mr. KEFAUVER] has waged a long and lonely fight for an adequate drug bill. He has been attacked by the powerful drug industry, and in the press he has been derided as one of the despised band of liberals. He has not received a great deal of cooperation from some of his colleagues, although I think to their dying day the Senator from Michigan [Mr. HART], the Senator from Connecticut [Mr. DODD], the Senator from Colorado [Mr. CARROLL], and the Senator from Missouri [Mr. LONG], can take pride in the aid they gave the Senator from Tennessee at a time when, with his back to the wall, he waged his apparently hopeless battle against these powerful interests.

But now, Mr. President, because of the many terrible tragedies which have occurred in European countries from the use of the drug thalidomide and the cases which have occurred in this country, it has been proved that the Senator from Tennessee was right all the time, and that the scoffers, scorners, and bitter opponents were wrong.

Now, by its unanimous vote, the Senate has placed its generous seal of approval on what the Senator from Tennessee [Mr. KEFAUVER] and his colleagues have long fought for. Men who had openly and secretly fought him now flock to get on the bandwagon, and pretend that they were always his supporters.

As a humble American citizen, I wish to commend the Senator from Tennessee, and all those who helped him, for fighting for all these months and years for this great reform. Certainly the American people will eternally be grateful to him.

Mr. President, can we learn from this lesson; or can mankind educate itself only by disaster and tragedy?

INCREASES IN RATES OF DISABILITY COMPENSATION

Mr. MANSFIELD. Mr. President, I move that the Senate proceed to the consideration of Calendar 1763, House bill 10743.

The motion was agreed to; and the Senate proceeded to consider the bill (H.R. 10743) to amend title 38, United States Code, to provide increases in rates of disability compensation, and for other purposes.

Mr. DIRKSEN. Mr. President, I offer the amendment which I send to the desk and ask to have stated.

The PRESIDING OFFICER. The amendment will be stated.

The LEGISLATIVE CLERK. On page 4, it is proposed to strike out all of lines 7, 8, and 9, and to insert in lieu thereof the following: "July 1962, and payments shall be made accordingly, regardless of the date this Act becomes law."

Mr. DIRKSEN. Mr. President, I yield myself 1 minute.

This bill was passed by the House on April 2, 1962. This act is long overdue.

As the bill now stands, it would become effective on the first day of the second calendar month which begins after the date of the enactment of the act. The amendment will merely make the act effective as of July 1962.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Illinois.

The amendment was agreed to.

The PRESIDING OFFICER. The bill is open to further amendment.

Mr. LONG of Louisiana. Mr. President, will the Senator from Illinois yield for a question?

Mr. DIRKSEN. I yield.

Mr. LONG of Louisiana. Does the amendment make the effective date June 1?

Mr. DIRKSEN. No, July 1.

Mr. LONG of Louisiana. July 1?

Mr. DIRKSEN. Yes.

Mr. JAVITS. Mr. President, I am deeply gratified that the majority leader has brought up this bill.

Last Monday, I addressed the national convention of the Disabled American Veterans, at Atlantic City; and I can testify to the Senate about the anxiety with which they have awaited the passage of this tiny, yet very important, increase in the compensation of only disabled veterans. They did not understand why it has taken so long. We understand, because of the parliamentary difficulties; but they did not. They regarded it as a small measure of justice much too long overdue.

I think they will hail this accomplishment, and I think all of us will take satisfaction from this accomplishment at long last.

Mr. BYRD of Virginia. Mr. President, this bill provides increases in the rates of service-connected disability compensation, to reflect the changes which have occurred in the cost of living since the last compensation increase in 1957, as well as to more adequately compensate the seriously disabled veterans. In other words, it would increase the monthly rates payable to veterans of all wars and peacetime service who have a service-connected disability rated between 10 and 100 percent or who are entitled to receive compensation at one of the higher statutory award rates, which presently run to a maximum of $450 or as much as $600 monthly if the veteran is entitled to the $450 rate, needs regular aid and attendance, and is not being cared for in a Veterans' Administration hospital.

I ask that a table showing the increase in compensation payable to each rate of disability, as well as the cost estimate, be inserted in the RECORD.

This table shows that the cost of these proposed increases would be approximately $98 million in the first year.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Cost estimate

Degree and paragraph	Wartime cases	Peacetime cases	Current wartime rates	H.R. 10743 as reported	H.R. 10743, percent increase over current rates	Cost of H.R. 10743 as reported
10(a)	761,000	53,700	$19	$20	5.3	$9,776,000
20(b)	281,900	16,900	36	38	5.6	6,969,000
30(c)	251,700	17,500	55	58	5.5	9,481,000
40(d)	153,800	7,600	73	77	5.5	7,747,000
50(e)	102,100	5,700	100	107	7.0	8,986,000
60(f)	79,500	4,600	120	128	6.7	7,963,000
70(g)	40,500	2,400	140	149	6.4	4,576,000
80(h)	25,300	1,100	160	170	6.3	3,142,000
90(i)	7,400	200	179	191	6.7	1,090,000
100(j)	74,700	10,400	225	250	11.1	24,906,000
(l)	3,390	330	309	340	10.0	1,360,000
(m)	2,370	270	359	390	8.6	963,000
(n)	390	30	401	440	9.7	194,000
(o)	150	60	450	525	16.7	178,000
(p)	2,570	210	450	525	16.7	2,464,000
(o)+(r)	4,240	800	150 (+450)	200 (+525)	20.8	7,320,000
(s)	3,430	500	265	290	9.4	1,149,000
Total	1,794,440	122,300	----------	----------	----------	98,264,000

(k) Anatomical loss, or loss of use of a creative organ, or 1 foot, or 1 hand, or both buttocks, or blindness of 1 eye having only light perception, rates (a) to (j) increased monthly by $47 additional to basic compensation paid monthly for veteran with these disabilities (this $47 rate unchanged.)

Anatomical loss, or loss of use of a creative organ, or 1 foot, or 1 hand, or both buttocks, or blindness of 1 eye, having only light perception, in addition to requirement for any of rates in (l) to (n), rate increased monthly for each loss or loss of use by $47 additional to basic compensation paid monthly for veteran with these disabilities (this $47 rate unchanged.)

(l) Anatomical loss, or loss of use of both hands, or both feet, or 1 hand and 1 foot, or blind both eyes with 5/200 visual acuity or less, or is permanently bedridden or so helpless as to be in need of regular aid and attendance, monthly compensation.

(m) Anatomical loss, or loss of use of 2 extremities at a level, or with complications, preventing natural elbow or knee action with prosthesis in place or has suffered blindness in both eyes having only light perception, or has suffered blindness in both eyes, rendering him so helpless as to be in need of regular aid and attendance, monthly compensation.

(n) Anatomical loss of 2 extremities so near shoulder or hip as to prevent use of prosthetic appliance or suffered anatomical loss of both eyes, monthly compensation.

(o) Suffered disability under conditions which would entitle him to 2 or more rates in (l) to (n), no condition being considered twice, or suffered total deafness in combination with total blindness with 5/200 visual aduity or less, monthly compensation.

(p) In event disabled person's service-incurred disabilities exceed requirements for any of rates prescribed, Administrator, in his discretion, may allow next higher rate, or intermediate rate, but in no event in excess of $450.

(q) Minimum rate for arrested tuberculosis. (This $67 monthly rate is unchanged.)

(r) If entitled to compensation under (o), or the maximum rate under (p), and in need of regular aid and attendance, while not hospitalized at Government expense, additional monthly aid and attendance allowance.

(s) If totally disabled and (1) has additional disability independently rated at 60 per centum or more, or (2) is permanently housebound.

Mr. BYRD of Virginia. Mr. President, section 2 of the bill provides that veterans who are receiving the statutory award of $450 and also additional compensation of $150 while not in a hospital, will have their compensation continued until the first day of the second month which begins after they are hospitalized. Inasmuch as it costs the Veterans' Administration approximately $25 a day to hospitalize each patient in a general medical, and surgical hospital, and more for those veterans who are in the paraplegic class, it is obvious that the payment of this additional compensation, in lieu of furnishing hospital care, is, in effect, a saving to the Government. It seems reasonable to the committee, and also good medical practice, to permit these badly disabled service-connected cases to report to a hospital whenever they are in need of care, without suffering a financial loss. Even at these rather liberal rates, many paralyzed veterans experience difficulty in making ends meet, since some require 24-hour care in their home and must pay out sizable amounts to individuals employed to take care of them.

Section 2 of the bill provides that this allowance will be discontinued from the first day of the second calendar month which begins after the day of the veteran's admission for hospitalization. If the veteran leaves the hospital against medical advice, and thereafter is readmitted, the allowance during this period of hospitalization shall be discontinued from the date of such readmission, for so long as that hospitalization continues. Informal advice has been received from the Veterans' Administration that there would be no great cost, administrative or otherwise, as a result of the enactment of this section.

Section 3 of the bill increases the presumptive period for multiple sclerosis from 3 to 7 years. The committee took this action based on information, obtained from the National Institutes of Health, that it was the opinion of its scientific staff that 7 years was not an unreasonable period to recognize as the interval between onset and diagnosis in multiple sclerosis cases, and that the committee would be justified in recommending the enactment of legislation providing for a 7-year presumptive period for this disease. For all other chronic diseases, except multiple sclerosis, tuberculosis and Hansen's disease—which have 3-year presumptive periods—there is a limitation to a 1-year presumptive period in wartime cases.

The administration favors this bill.

Mr. President, I also ask that a table showing a history of compensation increases which have taken place since July 1, 1933, be incorporated in the RECORD.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Sec. 314, title 38, subparagraph	Percent	July 1, 1933	Percent increase	Jan. 19, 1934	Percent increase	Public Law 312, 78C, June 1, 1944	Percent increase	Public Law 182, 79C, Oct. 1, 1945	Percent increase	Public Law 662, 79C, Aug. 1, 1946	Percent increase	Public Law 339, 81C, Dec. 1, 1949	Percent increase	Public Law 356, 82C, July 1, 1952	Percent increase	Public Law 427, 82C, Aug. 1, 1952	Percent increase	Public Law 695, 83C, Oct. 1, 1954	Percent increase [1]	Public Law 85-168, Oct. 1, 1957	Percent increase from Jan. 19, 1934	Percent increase from Apr. 1, 1946	Percent increase from July 1, 1952	Percent increase from Oct. 1, 1954
(a)	10	9	11.1	10	15	$11.50	------	------	20	$13.80	8.7	$15	5	$15.75	------	------	7.9	$17	11.8	$19	40.0	37.7	20.6	11.8
(b)	20	18	11.1	20	15	23.00	------	------	20	27.60	8.7	30	5	31.50	------	------	4.8	33	9.1	36	80.0	30.4	14.2	9.1
(c)	30	27	11.1	30	15	34.50	------	------	20	41.40	8.7	45	5	47.25	------	------	5.8	50	10.0	55	83.3	32.9	16.4	10.0
(d)	40	36	11.1	40	15	46.00	------	------	20	55.20	8.7	60	5	63.00	------	------	4.8	66	10.6	73	82.5	32.2	15.9	10.6
(e)	50	45	11.1	50	15	57.50	------	------	20	60.00	8.7	75	15	86.25	------	------	5.5	91	9.9	100	100.0	44.9	15.9	9.9
(f)	60	54	11.1	60	15	69.00	------	------	20	82.80	8.7	90	15	103.50	------	------	5.3	109	10.1	120	100.0	44.9	15.9	10.1
(g)	70	63	11.1	70	15	80.50	------	------	20	96.60	8.7	105	15	120.75	------	------	5.2	127	10.2	140	100.0	44.9	15.9	10.2
(h)	80	72	11.1	80	15	92.00	------	------	20	110.40	8.7	120	15	138.00	------	------	5.0	145	10.3	160	100.0	44.9	15.9	10.3
(i)	90	81	11.1	90	15	103.50	------	------	20	124.20	8.7	135	15	155.25	------	------	5.0	163	9.8	179	98.9	44.1	15.3	9.8
(j)	100	90	11.1	100	15	115.00	------	------	20	138.00	8.7	150	15	172.50	------	------	4.9	181	24.3	225	125.0	63.0	30.4	24.3
(s)	Subparagraph (s) (housebound cases), Public Law 86-663, effective Sept. 1, 1960																			265	------	------	------	------
(l)	------	------	------	------	------	------	------	200	20	240.00	------	------	------	------	10.8	$266	4.9	279	[2] 10.8	309	[3] 54.5	28.8	[4] 16.2	10.8
(m)	------	------	------	------	------	------	------	235	20	282.00	------	------	------	------	11.0	313	5.1	329	[2] 9.1	359	[3] 52.8	27.3	[4] 14.7	9.1
(n)	------	------	------	------	------	------	------	265	20	318.00	------	------	------	------	11.0	353	5.1	371	[2] 8.1	401	[3] 51.3	26.1	13.6	8.1
(o)	------	------	------	------	------	------	------	300	20	360.00	------	------	------	------	11.1	400	5.0	420	[2] 7.1	450	[3] 50.0	25.0	[4] 12.5	7.1
(p)	------	------	------	------	------	------	------	300	20	360.00	------	------	------	------	11.1	400	5.0	420	[2] 7.1	450	[3] 50.0	25.0	[4] 12.5	7.1
(r)	Subparagraph (r), "A and A", nonhospitalization, Public Law 85-782, effective Oct. 1, 1958																			150	------	------	------	------

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[1] Varies because of roundoff.

[2] Flat $30 increase.

[3] From Oct. 1, 1945.

[4] From Aug. 1, 1952.

Mr. KEATING. Mr. President, the purpose of this legislation is to provide long overdue and well-deserved increases in the rates of disability compensation for veterans. Disability compensation rates genuinely need a boost, from the bottom to the top.

I wonder, Mr. President, how many of us are aware that veterans who were completely disabled in the war, possibly even completely paralyzed, can only get a maximum of $600 a month. These are men who need continual close care, men who are not being taken care of in a veterans hospital. It is clear that $600 is not sufficient to provide the kind of food, shelter and constant attention that these men who were wounded in the defense of this Nation need. All of the gratitude and homage which we may show to these men who served our Nation in the past for its present and future safety must appear as pure blarney to these unfortunate veterans when we do not provide adequately for their most basic needs.

Mr. President, the last disability compensation increase was in 1957. Since then there has been a 6-percent increase in the cost of living. The bill before us now for consideration, H.R. 10743, provides for increases from 5.3 to 11.1 percent payable to veterans disabled 10 to 100 percent. Higher percentage increases in this bill, as traditionally, are provided for those with more than 50 percent disability.

As a member of the board of directors of the National Multiple Sclerosis Society, I am particularly interested to note that on the recommendation of the National Institutes of Health, the presumptive period for multiple sclerosis has been increased from 3 to 7 years. NIH has indicated that it is not unreasonable for a period of up to 7 years to elapse between the onset and diagnosis of multiple sclerosis.

Furthermore, Mr. President, this measure is in effect a savings to the Government; if the compensation is not increased, many of the most seriously disabled men may well be forced into veterans hospitals at a cost perhaps as high as $25 per day. In other words, the minimum for hospitalization per month would be $750, and it would be more than this for those who may be paralyzed. It is only fair that we provide adequate compensation so that these men who cannot even struggle to make ends meet because of their physical disability are not forced out of their homes into hospitals against their will.

Mr. President, this bill is not a boondoggle; it should rather be regarded as one of the prices of our freedom. These men have paid with their health for the freedom we enjoy today. It is not asking a great deal for us to meet their needs today and I am proud to support this legislation and urge all my colleagues to do the same.

The **PRESIDING OFFICER.** The bill is open to further amendment.

If there be no further amendment to be proposed, the question is on the engrossment of the amendment and the third reading of the bill.

The amendment was ordered to be engrossed, and the bill to be read a third time.

The bill (H.R. 10743) was read the third time and passed.

Mr. MANSFIELD. Mr. President, I move that the vote by which the bill was passed be reconsidered.

Mr. DIRKSEN. Mr. President, I move that the motion to reconsider be laid on the table.

The motion to lay on the table was agreed to.

BALANCE OF AWARDS MADE BY PHILIPPINE WAR DAMAGE COMMISSION

Mr. MANSFIELD. Mr. President, I move that the Senate proceed to the consideration of Calendar No. 1844, House bill 11721, the Philippine war damages bill, so that it may be laid down and made the pending business for tomorrow.

The motion was agreed to; and the Senate proceeded to consider the bill (H.R. 11721) to authorize the payment of the balance of awards for war damage compensation made by the Philippine War Damage Commission and to authorize the appropriation of $73 million for that purpose.

LEGISLATIVE PROGRAM

Mr. MANSFIELD. Mr. President, I announce, for the information of the Senate, that there will be no further consideration of business tonight.

PROGRAM FOR SATURDAY

Mr. MORSE. Mr. President, will the Senator from Montana yield for a question?

Mr. MANSFIELD. I yield.

Mr. MORSE. Will there be a session of the Senate on Saturday?

Mr. MANSFIELD. Yes. We shall have the agriculture appropriation bill on Saturday, plus some other matters.

COMMITTEE MEETINGS DURING SENATE SESSION TOMORROW

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Judiciary Committee be authorized to sit tomorrow morning. I make this request for the purpose of enabling that committee to consider the nomination of Judge Marshall, which is long overdue.

Mr. MORSE. Mr. President, will the Senator from Montana yield?

Mr. MANSFIELD. I yield.

Mr. MORSE. Will the Senator from Montana add to his request a similar request for the Education Subcommittee to meet?

Mr. MANSFIELD. That is agreeable. I add that request to the one I have already made, Mr. President.

The **PRESIDING OFFICER.** Is there objection? Without objection, permission is granted for both of these committees.

REVENUE ACT OF 1962—AMENDMENTS

Mr. DIRKSEN. Mr. President, let us take a moment to look around us; to appraise our standards and to determine the things that we hold dear. For many months now, nay, for many years, we in the Congress have been considering the aid which should be given to schools, to hospitals, to symphony orchestras and art museums. In some cases we have provided for Federal aid coming out of the pockets of every taxpayer, whether or not he would have it otherwise, to provide such benefits for the people of this country; and even where we have not provided for Federal aid we have provided for deductions from Federal income tax for contributions to hospitals, to schools, to universities, to art museums, symphony orchestras, and opera societies—all because it is in the public interest to have such things and to have them in as fine a state as possible.

But what is more important than art and music, and perhaps more important than even medical care and education? Mr. President, it is justice. It is our judicial system which preserves and protects the liberties of the people, which guarantees them a free and fair trial when they are accused, and which provides them with a fair and impartial forum for the settlement of their own controversies.

Now, Mr. President, we permit deductions for contributions to organizations working to improve our hospitals, churches, and schools, but Mr. President, we do not permit deductions for contributions to organizations to improve our judicial system. I, therefore, am submitting an amendment to H.R. 10650 which will place the deduction for contributions for judicial reform on the same basis as contributions to improve symphony orchestras, opera societies, hospitals, schools, and churches.

The opponents of this proposal to permit the deductibility of contributions for judicial reform have tried to stop it by saying that it permits the deduction of lobbying expenses. What could be further from the real truth? There is no personal or business gain in judicial reform. It is something which benefits all the people and it is a matter of importance in a number of States besides my own, because proposals for judicial reform are pending in at least half a dozen States. The need for this legislation in aid of judicial reform has been attested to by National, State, and local bar associations who are working actively for this reform and which are joined by the Better Government Association, the Committee on Illinois Government, the League of Women Voters, and all sorts of religious and civic groups. Let us not let the people down when they seek, through nonprofit civic organizations, to improve their judicial systems and make them equal to the demands of this century.

I ask that my amendment be printed in the RECORD.

The **PRESIDING OFFICER.** The amendment will be received, printed, and, without objection, will be printed in the Record and lie on the table.

The amendment submitted by Mr. Dirksen is as follows:

On page 391, after line 21, insert the following new section:

"Sec. 27. Contributions to Organizations Proposing Reorganization of the Judiciary.

"(a) Inclusion as Charitable Contributions.—Section 170(c) (relating to definition of charitable contribution) is amended by inserting after paragraph (5) thereof the following new paragraph:

"'(6) An organization—

"'(A) created or organized under the law of any State;

"'(B) organized and operated exclusively to consider proposals for the reorganization of the judicial branch of the government of any State or political subdivision thereof, to provide information, to make recommendations, and to seek public support or opposition as to such proposals; and

"'(C) no part of the net earnings of which inures to the benefit of any private shareholder or individual.'

"(b) Effective Date.—The amendment made by subsection (a) shall apply to taxable years ending after December 31, 1961."

Renumber section 27 of the bill as section 28.

Mr. DIRKSEN. Mr. President, I wish to turn to a different area of our standards of value; to an area which we should cherish equally with justice, and that is the welfare of those men and women who by their efforts have helped to build this country and who have reached that time of life which has been called the "golden years." Yes, they are golden years, indeed, full of golden memories, irreplaceable memories. But, unfortunately, memories have little purchasing power and, for many, those golden years have a very little gold, if all that exists to live on are social security benefits. Now, the people I represent, these magnificent people in their golden years, are not asking for more money from the bill. They are only asking that they be allowed to earn more money without losing their full retirement benefits. Mr. President, this is really a very simple proposal indeed. All it does is to permit them to earn $1,800 a year instead of $1,200 without facing a reduction in retirement benefits. Let us make their golden years a little brighter by this change.

I ask unanimous consent that the amendment may be printed in the Record.

The PRESIDING OFFICER. The amendment will be received, printed, and will lie on the table; and, without objection will be printed in the Record.

The amendment submitted by Mr. Dirksen is as follows:

On page 391, between lines 21 and 22, insert the following new section:

"Sec. 27. Increase in Amount Individuals Are Permitted To Earn While Receiving Benefits Under Title II of the Social Security Act.

"(a) Increase in Amount.—(1) Paragraphs (1), (3), and (4)(B) of subsection (f) of section 203 of the Social Security Act are each amended by striking out '$100' wherever it appears therein and inserting in lieu thereof '$150'.

"(2) The first sentence of paragraph (3) of such subsection (f) is amended by striking out ', except that of the first $500 of such excess (or all of such excess if it is less than $500), an amount equal to one-half thereof shall not be included'.

"(b) Conforming Amendment.—Paragraph (1)(A) of subsection (h) of section 203 of such Act is amended by striking out '$100' and inserting in lieu thereof '$150'.

"(c) Effective Date.—The amendments made by the preceding subsections of this section shall be effective, in the case of any individual, with respect to taxable years of such individual ending after 1962."

On page 391, line 22, strike out "27" and insert in lieu thereof "28".

Mr. DIRKSEN. Mr. President, I want to turn to another problem of our citizens who have passed the age of 60. By their sacrifices they have provided the new blood to carry this country forward. Through their homes ran the feet of youngsters. Their halls were filled with the laughter of young people. But, as all things do, these children blossomed and they went out into the world as men and women to do their part. Now the halls are empty. Now the need for the rooms is gone. Now, too, retirement is near. That means a loss of income. That means living on the savings, such as there may be, of a lifetime. It means selling the old house and getting a smaller place. All that is natural.

Now, Mr. President, I come to the unnatural part—inflation and taxes. Those two terrifying forces for older people will rob them of the value of their home at the very time their income will be reduced by retirement. As all of us know, a home is really like a form of savings. We put money into a house to improve it. We regard it as a form of saving. Now, as they pass 60, people need to draw on such savings. And so, Mr. President, I propose that when people 60 years of age or more sell homes occupied by them for 5 years or more the gain that they realize, which is really the savings they have accumulated on the house, will not be taxed as income.

I ask unanimous consent that the amendment be printed in the Record.

The PRESIDING OFFICER. The amendment will be received, printed, and will lie on the table; and, without objection, will be printed in the Record.

The amendment submitted by Mr. Dirksen is as follows:

On page 391, between lines 21 and 22, insert the following new section:

"Sec. 27. Exclusion From Gross Income of Gain From Sale of Residence by Individual Age 60 or Over.

"(a) Exclusion From Gross Income.—Part III of subchapter B of chapter 1 of the Internal Revenue Code of 1954 (relating to items specifically excluded from gross income) is amended by renumbering section 121 as 122, and by inserting after section 120 the following new section:

"'Sec. 121. Gain From Sale or Exchange of Residence of Individual Who Has Attained Age 60.

"'(a) General Rule.—In the case of an individual, gross income does not include gain from the sale or exchange after December 31, 1961, of property used by the taxpayer as his principal residence, if—

"'(1) the taxpayer has attained the age of 60 years before such sale or exchange occurs, and

"'(2) such property has been used by the taxpayer as his principal residence for a period of not less than 5 years at the time such sale or exchange occurs.

"'(b) Property Held Jointly by Husband and Wife.—In the case of property held by a husband and wife as joint tenants or as tenants by the entirety, the age requirement contained in subsection (a)(1) and the use requirement contained in subsection (a)(2) shall be treated as having been met by both the husband and the wife if it is met by either spouse.

"'(c) Property Used in Part as Principal Residence.—In the case of property only a portion of which is used by the taxpayer as his principal residence, subsection (a) shall apply to so much of the gain from the sale or exchange of such property as is determined, under regulations prescribed by the Secretary or his delegate, to be attributable to the portion of the property used by the taxpayer as his principal residence.

"'(d) Involuntary Conversions. — For purposes of subsection (a), the destruction, seizure, requisition, or condemnation of property, occurring after December 31, 1961, shall be treated as the sale or exchange of such property.'"

(b) Table of Contents.—The table of sections for such part is amended by striking out

"Sec. 121. Cross references to other Acts."

and inserting in lieu thereof

"Sec. 121. Gain from sale or exchange of residence of individual who has attained age 60.

"Sec. 122. Cross references to other Acts."

(c) Technical Amendments.—(1) Section 1033(h) of the Internal Revenue Code of 1954 (relating to involuntary conversions) is amended by adding at the end thereof the following new paragraph:

"(3) For exclusion from gross income of gain from involuntary conversion occurring after December 31, 1961, of residence of taxpayer who has attained age 60, see section 121."

(2) Section 1034 of such Code (relating to sale or exchange of residence) is amended by adding at the end thereof the following new subsection:

"(k) Cross Reference.—

"For exclusion from gross income of gain from sale or exchange after December 31, 1961, of residence of taxpayer who has attained age 60, see section 121."

(d) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 1961.

On page 391, line 22, strike out "27" and insert in lieu thereof "28".

Mr. DIRKSEN. Mr. President, I come to the situation to which I addressed myself some days ago—reform of the needs requirement for medical care under the Kerr-Mills bill. It has been truly said that while need is an appropriate test for aid, the determination of the need shall not be conducted in such a manner that it deters those who are in need from receiving aid. And so, Mr. President, I propose that those men and women of this country, who have met the test of age and who are in need of medical treatment under the program offered, shall be able by their own oath to declare their assets and that their statement shall be accepted as correct. We are not dealing with able-bodied people in their twenties, thirties, forties, and fifties, who are able to work, but who by false statements to welfare agencies induce and procure aid where it should not be given. We are dealing, instead, with those who have earned their rest, who have earned their aid and who are in need of help. These people I believe we can trust.

I ask unanimous consent that the amendment be printed in the Record.

The PRESIDING OFFICER. The amendment will be received, printed, and will lie on the table; and, without objection, will be printed in the Record.

The amendment submitted by Mr. Dirksen is as follows:

On page 3091, between lines 21 and 22, insert the following new section:

"Sec. 127. Amendment to Title I of the Social Security Act Relating to Statement of Financial Status of Claimants for Medical Assistance for the Aged.

"Paragraph (11) of section 2(a) of the Social Security Act is amended (1) by striking out "and" at the end of clause (D), (2) by striking out the period at the end of clause (E), and (3) by adding after clause (E) the following new clause:

"'(F) prior to October 1, 1963, may, and on and after such date, shall, provide that any statement of a claimant for medical assistance for the aged, if made under oath or affirmation and on such form as may be prescribed by the State agency, shall, insofar as such statement relates to the financial status of such claimant, be presumed to be factually correct for purposes of determining his eligibility for such assistance'."

On page 391, line 22, strike out "27" and insert in lieu thereof "28".

Mr. DIRKSEN. Mr. President, I submit one further amendment to H.R. 10650. This is styled and is commonly known as H.R. 10 with the caption "Self-employed individuals voluntary pension plan."

This is the bill as it came from the Senate Committee on Finance, and in connection therewith I ask unanimous consent to have reprinted in the Record a statement that I made on September 27, 1961, and a copy of the amendment be printed in the Record at this point.

The PRESIDING OFFICER. The amendment will be received, printed, and will lie on the table; and, without objection, the statement and the amendment will be printed in the Record.

The statement submitted by Mr. Dirksen is as follows:

Statement by Senator Dirksen

For the past 10 years I have followed with considerable interest H.R. 10, a bill to encourage the establishment of voluntary pension plans by self-employed individuals. I have long been in favor of the principle of this legislation, but on several occasions during the course of this 10-year period I found it necessary to differ with the proponents as to the method of achieving their goal. Today I am pleased to say that I wholeheartedly endorse H.R. 10 as reported by the Senate Finance Committee. The features which I found objectionable in the past have either been eliminated or changed to the point where I can, in all good conscience, embrace this legislation.

Practically everyone who is acquainted with this subject will agree that the principle of this legislation as now proposed is sound. Certainly the Members of the House recognized this in the 85th and 86th Congresses and again in this session when they passed H.R. 10 by a practically unanimous vote. Certainly the members of the Senate Finance Committee in the 86th Congress recognized this when, after extensive hearings, they approved H.R. 10 by a 12 to 5 vote. On August 25 of this year, this committee ordered H.R. 10 favorably reported 14 to 3.

It was apparent to me, after reading the minority views in the Senate Finance Committee report, that a number of misconceptions still exist in the minds of two of my distinguished colleagues. Their proposals were heard and voted down by the committee in the 86th Congress and again this year. I am confident that the proponents of this legislation will, on the floor of this Congress meet these arguments again and in such a way as to gain the overwhelming support of this body. Rather than criticize, I wish to commend the spokesmen for the various national self-employed groups because, to the best of my knowledge, at no time have they said, "If you won't give us these benefits, then we wish to have them taken away from the corporate employees."

This is a good bill and for a number of reasons, one of which is the fact that it encourages people to help themselves. It encourages initiative, self-reliance, and the other qualities which helped to make this country great, but qualities, which I regret to say, are disappearing rapidly from the American scene. This Congress has an opportunity to resurrect these attributes which are so desperately needed by our country at this time by enacting H.R. 10 into law.

This remedial legislation is designed to correct an inequity in our tax structure which prevents this Nation's 10 million small business, farm, and professional people from receiving treatment comparable to that which is accorded corporate employees.

The impetus for the steady growth in corporate coverage was supplied in 1942 by the 77th Congress when it wisely enacted legislation which encouraged corporations to promote the economic well-being and future security of their employees. One has only to look at the increase which has occurred since 1940 to appreciate the soundness of this legislation. In that year 4.1 million were covered; in 1950, 9.8 million; and in 1960 the figure rose to 20 million. Approximately 1 million people are being added each year to private pension plans.

When we add to the 1960 total the approximately 8 million covered by State and local government plans, civil service, armed services, railroad retirement systems, etc., the total number of Americans covered by pension plans is approximately 30 million people.

H.R. 10 does not, as its few opponents would have you believe; broaden a tax loophole, and open a Pandora's box, but rather extends what has been proven over the past 19 years to be sound legislation to the point where it includes a dedicated, courageous group of Americans, the self-employed.

To accomplish this, self-employed persons are treated for retirement plan purposes as the employers of themselves. This was the fundamental concept of the House bill and it is retained in the Senate Finance Committee's substitute. As employers, self-employed individuals are permitted, like other employers, to deduct contributions (within specified limits) made to pension or profit-sharing plans for the benefit of themselves and such other employees as may be covered under the plan. Under the committee bill, a self-employed person would be permitted to contribute to a retirement plan 10 percent of his earned income or $2,500, whichever is the lesser. He would be permitted to deduct 100 percent of the first $1,000 contributed and 50 percent of the remaining $1,500, which may be contributed. The maximum deductible amount would be $1,750.

As employees, as with other employees, they are not taxed on such contributions made for their benefit, or the income thereon, until they receive the funds upon retirement or otherwise.

The committee changes have drastically reduced the size of the revenue deferral, in fact to a point where this can no longer be used as a major argument against this measure. Oh, I am not deluding myself, because there will be some who will cry economy, who will use the international situation as an excuse for opposing this bill; but these few, time and time again have, and will continue, to support domestic programs with high price tags and questionable dollar value.

The estimates for H.R. 10 range from less than $100 million to $200 million. In view of the actual experience in other countries, Great Britain, Canada, and New Zealand; and the fact that the Treasury Department generally overestimates, I am inclined to accept the lower figure.

Regardless of the exact amount, I wish to remind you that the potential revenue deferral is already made possible in the present tax law since the establishment of tax-deferred pension plans is available to any self-employed person who incorporates his business or occupation.

If we fail to act in this Congress, we will, I am certain, force a great many of this Nation's self-employed to incorporate and in most cases solely for the purpose of gaining tax treatment relative to their retirement savings similar to that which is offered their corporate brethren. Passage of H.R. 10 will encourage these fine, hard-working Americans to retain their self-employed status, defeat will be a major blow to them and an invitation to incorporate for tax advantage because of their natural desire to protect themselves in their later years. Now I don't believe we can afford the loss of too many more self-employed without jeopardizing the position of this country both on the domestic and international fronts.

H.R. 10 is a good bill, it is a just bill. I urge, my colleagues on both sides of the aisle to join with me in working for the early enactment of H.R. 10 in the 2d session of the 87th Congress.

The amendment submitted by Mr. Dirksen is as follows:

On page 391, after line 21, insert the following new section:

"Sec. 27. Self-Employed Individuals Voluntary Pension Plans.

"Section 401 of the Internal Revenue Code of 1954 (relating to qualified pension, profit-sharing, and stock bonus plans) is amended—

"(1) by adding at the end of paragraph (5) of subsection (a) the following new sentence: 'For purposes of this paragraph and paragraph (10), the total compensation of an individual who is an employee within the meaning of subsection (c)(1) means such individual's earned income (as defined in subsection (c)(2)), and the basic or regular rate of compensation of such an individual shall be determined, under regulations prescribed by the Secretary or his delegate, with respect to that portion of his earned income which bears the same ratio to his earned income as the basic or regular compensation of the employees under the plan bears to the total compensation of such employees.';

"(2) by adding at the end of subsection (a) the following new paragraphs:

"'(7) A trust shall not constitute a qualified trust under this section unless the plan of which such trust is a part provides that, upon its termination or upon complete discontinuance of contributions under the plan, the rights of all employees to benefits accrued to the date of such termination or discontinuance, to the extent then funded, or the amounts credited to the employees' accounts are nonforfeitable. This paragraph shall not apply to benefits or contributions which, under provisions of the plan adopted pursuant to regulations prescribed by the Secretary or his delegate to preclude the discrimination prohibited by paragraph (4), may not be used for designated employees in the event of early termination of the plan.

"'(8) A trust forming part of a pension plan shall not constitute a qualified trust under this section unless the plan provides that forfeitures must not be applied to increase the benefits any employee would otherwise receive under the plan.

"'(9) In the case of a plan which provides contributions or benefits for employees some or all of whom are employees within the meaning of subsection (c)(1), a trust forming part of such plan shall not constitute a qualified trust under this section unless, under the plan, the entire interest of each employee—

"'(A) either will be distributed to him not later than his taxable year in which he attains the age of 70½ years, or, in the case of an employee other than an owner-employee (as defined in subsection (c)(3)), in which he retires, whichever is the later, or

"'(B) will be distributed, commencing not later than such taxable year, (i) in accordance with regulations prescribed by the Secretary or his delegate, over the life of such employee or over the lives of such employee and his spouse, or (ii) in accordance with such regulations, over a period not extending beyond the life expectancy of such employee or the life expectancy of such employee and his spouse.

"'(10) In the case of a plan which provides contributions or benefits for employees some or all of whom are owner-employees (as defined in subsection (c)(3))—

"'(A) paragraph (3) and the first and second sentences of paragraph (5) shall not apply, but—

"'(i) such plan shall not be considered discriminatory within the meaning of paragraph (4) merely because the contributions or benefits of or on behalf of employees under the plan bear a uniform relationship to the total compensation, or the basic or regular rate of compensation, of such employees, and

"'(ii) such plan shall not be considered discriminatory within the meaning of paragraph (4) solely because under the plan contributions described in subsection (e)(3)(A) which are in excess of the amounts which may be deducted under section 404 (determined without regard to section 404(a)(10)) for the taxable year may be made on behalf of any owner-employee; and

"'(B) a trust forming a part of such plan shall constitute a qualified trust under this section only if the requirements in subsection (d) are also met.'; and

"(3) by redesignating subsection (c) as subsection (h) and inserting after subsection (b) the following new subsections:

"'(c) DEFINITIONS AND RULES RELATING TO SELF-EMPLOYED INDIVIDUALS AND OWNER-EMPLOYEES.—For purposes of this section—

"'(1) EMPLOYEE.—The term "employee" includes, for any taxable year, an individual who has earned income (as defined in paragraph (2)) for the taxable year. To the extent provided in regulations prescribed by the Secretary or his delegate, such term also includes, for any taxable year—

"'(A) an individual who would be an employee within the meaning of the preceding sentence but for the fact that the trade or business carried on by such individual did not have net profits for the taxable year, and

"'(B) an individual who has been an employee within the meaning of the preceding sentence for any prior taxable year.

"'(2) EARNED INCOME.—

"'(A) IN GENERAL.—The term "earned income" means the net earnings from self-employment (as defined in section 1402(a)) to the extent that such net earnings constitute earned income (as defined in section 911(b) but determined with the application of subparagraph (B)), but such net earnings shall be determined—

"'(i) without regard to paragraphs (4) and (5) of section 1402(c),

"'(ii) in the case of any individual who is treated as an employee under sections 3121(d)(3) (A), (C), or (D), without regard to paragraph (2) of section 1402(c), and

"'(iii) without regard to items which are not included in gross income for purposes of this chapter, and the deductions properly allocable to or chargeable against such items.

"For purposes of subparagraph (A), sections 911(b) and 1402, as in effect for a taxable year ending on December 31, 1961, and subparagraph (B), as in effect for a taxable year beginning on January 1, 1962, shall be treated as having been in effect for all taxable years ending before such date.

"'(B) EARNED INCOME WHEN BOTH PERSONAL SERVICES AND CAPITAL ARE MATERIAL INCOME-PRODUCING FACTORS.—In applying section 911(b) for purposes of subparagraph (A), in the case of an individual who is an employee within the meaning of paragraph (1) and who is engaged in a trade or business in which both personal services and capital are material income-producing factors and with respect to which the individual actually renders personal services on a full-time, or substantially full-time, basis, so much of his share of the net profits of such trade or business as does not exceed $2,500 shall be considered as earned income. In the case of any such individual who is engaged in more than one trade or business with respect to which he actually renders substantial personal services, if with respect to all such trades or businesses he actually renders personal services on a full-time, or substantially full-time, basis, there shall be considered as earned income with respect to the trades or businesses in which both personal services and capital are material income-producing factors—

"'(i) so much of his share of the net profits of such trades or businesses as does not exceed $2,500, reduced by

"'(ii) his share of the net profits of any trade or business in which only personal services is a material income-producing factor.

The preceding sentences shall not be construed to reduce the share of net profits of any trade or business which under the second sentence of section 911(b) would be considered as earned income of any such individual.

"'(3) OWNER-EMPLOYEE.—The term "owner-employee" means an employee who—

"'(A) owns the entire interest in an unincorporated trade or business, or

"'(B) in the case of a partnership, is a partner who owns more than 10 percent of either the capital interest or the profits interest in such partnership.

To the extent provided in regulations prescribed by the Secretary or his delegate, such term also means an individual who has been an owner-employee within the meaning of the preceding sentence.

"'(4) EMPLOYER.—An individual who owns the entire interest in an unincorporated trade or business shall be treated as his own employer. A partnership shall be treated as the employer of each partner who is an employee within the meaning of paragraph (1).

"'(5) CONSTRUCTIVE OWNERSHIP.—An individual shall be treated as owning any interest in an unincorporated trade or business which is owned, directly or indirectly, by his spouse or minor children. An individual who owns any interest in an unincorporated trade or business or is an employee of such trade or business shall be treated as owning any interest in such unincorporated trade or business which is owned, directly or indirectly, by his ancestors or lineal descendants. Any interest treated as owned by any individual by reason of the application of the preceding sentences shall not be treated as owned by him for the purpose of applying such sentences in order to make any other individual the constructive owner of such interest. For purposes of this paragraph, a legally adopted child of an individual shall be treated as a child of such individual by blood.

"'(6) CONTRIBUTIONS ON BEHALF OF OWNER-EMPLOYEES.—The term "contribution on behalf of an owner-employee" includes, except as the context otherwise requires, a contribution under a plan—

"'(A) by the employer for an owner-employee, and

"'(B) by an owner-employer as an employee.

"'(d) ADDITIONAL REQUIREMENTS FOR QUALIFICATION OF TRUSTS AND PLANS BENEFITING OWNER-EMPLOYEES.—A trust forming part of a pension or profit-sharing plan which provides contributions or benefits for employees some or all of whom are owner-employees shall constitute a qualified trust under this section only if, in addition to meeting the requirements of subsection (a), the following requirements of this subsection are met by the trust and by the plan of which such trust is a part:

"'(1) In the case of a trust which is created on or after the date of the enactment of this subsection, or which was created before such date but is not exempt from tax under section 501(a) as an organization described in subsection (a) on the day before such date, the trustee is a bank, but a person (including the employer) other than a bank may be granted, under the trust instrument, the power to control the investment of the trust funds either by directing investments (including reinvestments, disposals, and exchanges) or by disapproving proposed investments (including reinvestments, disposals, and exchanges). This paragraph shall not apply to a trust created or organized outside the United States before the date of the enactment of this subsection if, under section 402(c), it is treated as exempt from tax under section 501(a) on the day before such date. For purposes of this paragraph, the term "bank" means a bank as defined in section 581, a corporation which under the laws of the State of its incorporation is subject to supervision and examination by the commissioner of banking or other officer of such State in charge of the administration of the banking laws of such State, and, in the case of a trust created or organized outside the United States, a bank or trust company, wherever incorporated, exercising fiduciary powers and subject to supervision and examination by governmental authority.

"'(2) Under the plan—

"'(A) the employees' rights to or derived from the contributions under the plan are nonforfeitable at the time the contributions are paid to or under the plan; and

"'(B) in the case of a profit-sharing plan, there is a definite formula for determining the contributions to be made by the employer on behalf of employees (other than owner-employees).

Subparagraph (A) shall not apply to contributions which, under provisions of the plan adopted pursuant to regulations prescribed by the Secretary or his delegate to preclude the discrimination prohibited by subsection (a)(4), may not be used to provide benefits for designated employees in the event of early termination of the plan.

"'(3) The plan benefits each employee having a period of employment of 3 years or more. For purposes of the preceding sentence, the term "employee" does not include any employee whose customary employment is for not more than 20 hours in any one week or is for not more than 5 months in any calendar year.

"'(4) Under the plan—

"'(A) contributions or benefits are not provided for any owner-employee unless such owner-employee has consented to being included under the plan; and

"'(B) no benefits may be paid to any owner-employee, except in the case of his becoming disabled (within the meaning of section 213(g)(3)), prior to his attaining the age of 59½ years.

"'(5) The plan does not permit—

"'(A) contributions to be made by the employer on behalf of any owner-employee in excess of the amounts which may be deducted under section 404 (determined without regard to section 404(a)(10)) for the taxable year;

"'(B) in the case of a plan which provides contributions or benefits only for owner-employees, contributions to be made on behalf of any owner-employee in excess of the amounts which may be deducted under section 404 (determined without regard to section 404(a)(10)) for the taxable year; and

"'(C) if a distribution under the plan is made to any employee and if any portion of such distribution is an amount described in section 72(m)(5)(A)(i), contributions to be made on half of such employee for five taxable years succeeding the taxable year in which such distribution is made.

Subparagraphs (A) and (B) shall not apply to any contribution which is not considered to be an excess contribution (as defined in subsection (e)(1)) by reason of the application of subsection (e)(3).

"'(6) Except as provided in this paragraph, the plan meets the requirements of subsection (a)(4) without taking into account for any purpose contributions or benefits under chapter 2 (relating to tax on self-employment income), chapter 21 (relating to Federal Insurance Contributions Act), title II of the Social Security Act, as amended, or any other Federal or State law. If—

"'(A) of the contributions deductible under section 404 (determined without regard to section 404(a)(10)), not more than one-third is deductible by reason of contributions by the employer on behalf of owner-employees, and

"'(B) taxes paid by the owner-employees under chapter 2 (relating to tax on self-employment income), and the taxes which would be payable under such chapter 2 by the owner-employees but for paragraphs (4) and (5) of section 1402(c), are taken into account as contributions by the employer on behalf of such owner-employees,

then taxes paid under section 3111 (relating to tax on employers) with respect to an employee may, for purposes of subsection (a)(4), be taken into account as contributions by the employer for such employee under the plan.

"'(7) Under the plan, if an owner-employee dies before his entire interest has been distributed to him, or if distribution has been commenced in accordance with subsection (a)(9)(B) to his surviving spouse and such surviving spouse dies before his entire interest has been distributed to such surviving spouse, his entire interest (or the remaining part of such interest if distribution thereof has commenced) will, within 5 years after his death (or the death of his surviving spouse), be distributed, or applied to the purchase of an immediate annuity for his beneficiary or beneficiaries (or the beneficiary or beneficiaries of his surviving spouse) which will be payable for the life of such beneficiary or beneficiaries (or for a term certain not extending beyond the life expectancy of such beneficiary or beneficiaries) and which will be immediately distributed to such beneficiary or beneficiaries. The preceding sentence shall not apply if distribution of the interest of an owner-employee has commenced and such distribution is for a term certain over a period permitted under subsection (a)(9)(B)(ii).

"'(8) Under the plan—

"'(A) any contribution which is an excess contribution, together with the income attributable to such excess contribution, is (unless subsection (e)(2)(E) applies) to be repaid to the owner-employee on whose behalf such excess contribution is made;

"'(B) if for any taxable year the plan does not, by reason of subsection (e)(2)(A), meet (for purposes of section 404) the requirements of this subsection with respect to an owner-employee, the income for the taxable year attributable to the interest of such owner-employee under the plan is to be paid to such owner-employee; and

"'(C) the entire interest of an owner-employee is to be repaid to him when required by the provisions of subsection (e)(2)(E).

"'(9)(A) If the plan provides contributions or benefits for an owner-employee who controls, or for two or more owner-employees who together control, the trade or business with respect to which the plan is established, and who also control as an owner-employee or as owner-employees one or more other trades or businesses, such plan and the plans established with respect to such other trades or businesses, when coalesced, constitute a single plan which meets the requirements of subsection (a) (including paragraph (10) thereof) and of this subsection with respect to the employees of all such trades or businesses (including the trade or business with respect to which the plan intended to qualify under this section is established).

"'(B) For purposes of subparagraph (A), an owner-employee, or two or more owner-employees, shall be considered to control a trade or busines if such owner-employee, or such two or more owner-employees together—

"'(i) own the entire interest in an unincorporated trade or business, or

"'(ii) in the case of a partnership, own more than 50 percent of either the capital interest or the profits interest in such partnership.

For purposes of the preceding sentence, an owner-employee, or two or more owner-employees, shall be treated as owning any interest in a partnership which is owned, directly or indirectly, by a partnership which such owner-employee, or such two or more owner-employees, are considered to control within the meaning of the preceding sentence.

"'(10) The plan does not provide contributions or benefits for any owner-employee who controls (within the meaning of paragraph (9)(B)), or for two or more owner-employees who together control, as an owner-employee or as owner-employees, any other trade or business, unless the employees of each trade or business which such owner-employee or such owner-employees control are included under a plan which meets the requirements of subsection (a) (including paragraph (10) thereof) and of this subsection, and provides contributions and benefits for employees which are not less favorable than contributions and benefits provided for owner-employees under the plan.

"'(11) Under the plan, contributions on behalf of any owner-employee may be made only with respect to the earned income of such owner-employee which is derived from the trade or business with respect to which such plan is established.

"'(e) EXCESS CONTRIBUTIONS ON BEHALF OF OWNER-EMPLOYEES.—

"'(1) EXCESS CONTRIBUTION DEFINED.—For purposes of this section, the term "excess contribution" means, except as provided in paragraph (3)—

"'(A) if, in the taxable year, contributions are made under the plan only on behalf of owner-employees, the amount of any contribution made on behalf of any owner-employee which (without regard to this subsection) is not deductible under section 404 (determined without regard to section 404(a)(10)) for the taxable year; or

"'(B) if, in the taxable year, contributions are made under the plan on behalf of employees other than owner-employees—

"'(i) the amount of any contribution made by the employer on behalf of any owner-employee which (without regard to this subsection) is not deductible under section 404 (determined without regard to section 404(a)(10)) for the taxable year;

"'(ii) The amount of any contribution made by any owner-employee (as an employee) at a rate which exceeds the rate of contributions permitted to be made by employees other than owner-employees;

"'(iii) the amount of any contribution made by any owner-employee (as an employee) which exceeds the lesser of $2,500 or 10 percent of the earned income for such taxable year derived by such owner-employee from the trade or business with respect to which the plan is established; and

"'(iv) in the case of any individual on whose behalf contributions are made under more than one plan as an owner-employee, the amount of any contribution made by such owner-employee (as an employee) under all such plans which exceeds $2,500; and

"'(C) the amount of any contribution made on behalf of an owner-employee in any taxable year for which, under paragraph (2)(A) or (E), the plan does not (for purposes of section 404) meet the requirements of subsection (d) with respect to such owner-employee.

For purposes of this subsection, the amount of any contribution which is allocable (determined in accordance with regulations prescribed by the Secretary or his delegate) to the purchase of life, accident, health, or other insurance shall not be taken into account.

"'(2) EFFECT OF EXCESS CONTRIBUTION.—

"'(A) IN GENERAL.—If an excess contribution (other than an excess contribution to which subparagraph (E) applies) is made on behalf of an owner-employee in any taxable year, the plan with respect to which such excess contribution is made shall, except as provided in subparagraphs (C) and (D), be considered, for purposes of section 404, as not meeting the requirements of subsection (d) with respect to such owner-employee for the taxable year and for all succeeding taxable years.

"'(B) INCLUSION OF AMOUNTS IN GROSS INCOME OF OWNER-EMPLOYEES.—For any taxable year for which any plan does not meet the requirements of subsection (d) with respect to an owner-employee by reason of subparagraph (A), the gross income of such owner-employee shall, for purposes of this chapter, include the amount of income for such taxable year attributable to the interest of such owner-employee under such plan.

"'(C) REPAYMENT WITHIN PRESCRIBED PERIOD.—Subparagraph (A) shall not apply to an excess contribution with respect to any taxable year, if, on or before the close of the 6-month period beginning on the day on which the Secretary or his delegate sends notice (by certified or registered mail) to the person to whom such excess contribution was paid of the amount of such excess contribution, the amount of such excess contribution, and the income attributable thereto, is repaid to the owner-employee on whose behalf such excess contribution was made. If the excess contribution is an excess contribution as defined in paragraph (1)(A) or (B)(i), or is an excess contribution as defined in paragraph (1)(C) with respect to which a deduction has been claimed under section 404, the notice required by the preceding sentence shall not be mailed prior to the time that the amount of the tax under this chapter of such owner-employee for the taxable year in which such excess contribution was made has been finally determined.

"'(D) Repayment after prescribed period.—If an excess contribution, together with the income attributable thereto, is not repaid within the 6-month period referred to in subparagraph (C), subparagraph (A) shall not apply to an excess contribution with respect to any taxable year beginning with the taxable year in which the person to whom such excess contribution was paid repays the amount of such excess contribution to the owner-employee on whose behalf such excess contribution was made, and pays to such owner-employee the amount of income attributable to the interest of such owner-employee which, under subparagraph (B), has been included in the gross income of such owner-employee for any prior taxable year.

"'(E) Special rule if excess contribution was willfully made.—If an excess contribution made on behalf of an owner-employee is determined to have been willfully made, then—

"'(i) subparagraphs (A), (B), (C), and (D) shall not apply with respect to such excess contribution;

"'(ii) there shall be distributed to the owner-employee on whose behalf such excess contribution was willfully made his entire interest in all plans with respect to which he is an owner-employee; and

"'(iii) no plan shall, for purposes of section 404, be considered as meeting the requirements of subsection (d) with respect to such owner-employee for the taxable year in which it is determined that such excess contribution was willfully made and for the 5 taxable years following such taxable year.

"'(F) Statute of limitations.—In any case in which subparagraph (A) applies, the period for assessing any deficiency arising by reason of—

"'(i) the disallowance of any deduction under section 404 on account of a plan not meeting the requirements of subsection (d) with respect to the owner-employee on whose behalf an excess contribution was made, or

"'(ii) the inclusion, under subparagraph (B), in gross income of such owner-employee of income attributable to the interest of such owner-employee under a plan.

for the taxable year in which such excess contribution was made or for any succeeding taxable year shall not expire prior to one year after the close of the 6-month period referred to in subparagraph (C).

"'(3) Contributions for premiums on annuity, etc., contracts.—A contribution by the employer on behalf of an owner-employee shall not be considered to be an excess contribution within the meaning of paragraph (1), if—

"'(A) under the plan such contribution is required to be applied (directly or through a trustee) to pay premiums or other consideration for one or more annuity, endowment, or life insurance contracts on the life of such owner-employee issued under the plan,

"'(B) the amount of such contribution exceeds the amount deductible under section 404 (determined without regard to section 404(a)(10)) with respect to contributions made by the employer on behalf of such owner-employee under the plan, and

"'(C) the amount of such contribution does not exceed the average of the amounts which were deductible under section 404 (determined without regard to section 404(a)(10)) with respect to contributions made by the employer on behalf of such owner-employee under the plan (or which would have been deductible under such section if such section had been in effect) for the first 3 taxable years (i) preceding the year in which the last such annuity, endowment, or life insurance contract was issued under the plan and (ii) in which such owner-employee derived earned income from the trade or business with respect to which the plan is established, or for so many of such taxable years as such owner-employee was engaged in such trade or business and derived earned income therefrom.

In the case of any individual on whose behalf contributions described in subparagraph (A) are made under more than one plan as an owner-employee during any taxable year, the preceding sentence shall not apply if the amount of such contributions under all such plans for such taxable year exceeds $2,500. Any contribution which is not considered to be an excess contribution by reason of the application of this paragraph shall, for purposes of subparagraph (B) (ii), (iii), and (iv) of paragraph (1), be taken into account as a contribution made by such owner-employee as an employee to the extent that the amount of such contribution is not deductible under section 404 (determined without regard to section 404 (a)(10) for the taxable year, but only for the purpose of applying such subparagraphs to other contributions made by such owner-employee as an employee.

"'(f) Certain Custodial Accounts.—

"'(1) Treatment as qualified trust.—For purposes of this title, a custodial account shall be treated as a qualified trust under this section, if—

"'(A) such custodial account would, except for the fact that it is not a trust, constitute a qualified trust under this section;

"'(B) the custodian is a bank (as defined in subsection (d)(1));

"'(C) the investment of the funds in such account (including all earnings) is to be made—

"'(i) solely in regulated investment company stock with respect to which an employee is the beneficial owner, or

"'(ii) solely in annuity, endowment, or life insurance contracts issued by an insurance company;

"'(D) the shareholder of record of any such stock described in subparagraph (C) (i) is the custodian or its nominee; and

"'(E) the contracts described in subparagraph (C)(ii) are held by the custodian until distributed under the plan.

For purposes of this title, in the case of a custodial account treated as a qualified trust under this section by reason of the preceding sentence, the custodian of such account shall be treated as the trustee thereof.

"'(2) Definition.—For purposes of paragraph (1), the term 'regulated investment company' means a domestic corporation which—

"'(A) is a regulated investment company within the meaning of section 851(a), and

"'(B) issues only redeemable stock.

"'(g) Annuity Defined.—For purposes of this section and sections 402, 403, and 404, the term "annuity" includes a face-amount certificate, as defined in section 2(a)(15) of the Investment Company Act of 1940 (15 U.S.C. sec. 80a–2); but does not include any contract or certificate issued after December 31, 1961, which is transferable, if any person other than the trustee of a trust described in section 401(a) which is exempt from tax under section 501(a) is the owner of such contract or certificate.'

"Sec. 3. Deductibility of Contributions to Plans.

"(a) Inclusion of Self-Employed Individuals.—Section 404(a) of the Internal Revenue Code of 1954 (relating to the deductibility of contributions to pension, annuity, profit-sharing, or stock bonus plans or plans of deferred compensation) is amended—

"(1) by striking out in paragraph (2) 'and (6) and inserting in lieu thereof '(6), (7), and (8), and, if applicable, (9) and, in the case of a plan described in paragraph (9) of this subsection, which meets the requirements of section 401(a)(10) and of section 401(d) (other than paragraph (1)),'; and

"(2) by adding after paragraph (7) the following new paragraphs:

"'(8) Self-employed individuals.—In the case of a plan included in paragraph (1), (2), or (3) which provides contributions or benefits for employees some or all of whom are employees within the meaning of section 401(c)(1), for purposes of this section—

"'(A) the term "employee" includes an individual who is an employee within the meaning of section 401(c)(1), and the employer of such individual is the person treated as his employer under section 401 (c)(4);

"'(B) the term "earned income" has the meaning assigned to it by section 401(c)(2);

"'(C) the contributions to such plan on behalf of an individual who is an employee within the meaning of section 401(c)(1) shall be considered to satisfy the conditions of section 162 or 212 to the extent that such contributions do not exceed the earned income of such individual derived from the trade or business with respect to which such plan is established, and to the extent that such contributions are not allocable (determined in accordance with regulations prescribed by the Secretary or his delegate) to the purchase of life, accident, health, or other insurance; and

"'(D) any reference to compensation shall, in the case of an individual who is an employee within the meaning of section 401 (c)(1), be considered to be a reference to the earned income of such individual derived from the trade or business with respect to which the plan is established.

"'(9) Plans benefiting owner-employees.—In the case of a plan included in paragraph (1), (2), or (3) which provides contributions or benefits for employees some or all of whom are owner-employees—

"'(A) the limitations provided by paragraphs (1), (2), (3), and (7) on the amounts deductible for any taxable year shall be computed, with respect to contributions on behalf of employees (other than owner-employees), as if such employees were the only employees for whom contributions and benefits are provided under the plan;

"'(B) the limitations provided by paragraphs (1), (2), (3), and (7) on the amounts deductible for any taxable year shall be computed, with respect to contributions on behalf of owner-employees—

"'(i) as if such owner-employees were the only employees for whom contributions and benefits are provided under the plan, and

"'(ii) without regard to pragraph (1)(D), the second and third sentences of paragraph (3), and the second sentence of paragraph (7); and

"'(C) the amounts deductible under paragraphs (1), (2), (3), and (7), with respect to contributions on behalf of any owner-employee, shall not exceed the applicable limitation provided in subsection (e).

For purposes of this paragraph and subsections (e) and (f), the term "owner-employee" has the meaning assigned to it by section 401(c)(3) (determined with the application of section 401(c)(5)).

"'(10) Special limitation on amount allowed as deduction for self-employed individuals.—Notwithstanding any other provision of this section, the amount allowable as a deduction under paragraphs (1), (2), (3), and (7) in any taxable year with respect to contributions made on behalf of an individual who is an employee within the meaning of section 401(c)(1) shall be an amount equal to—

"'(A) so much of the contributions made on behalf of such individual in such taxable year which are deductible under such paragraphs (determined with the application of paragraph (9) and of subsection (e) but without regard to this paragraph) as does not exceed $1,000, plus

"'(B) one-half of the contributions made on behalf of such individual in such taxable year which are deductible under such paragraphs (as so determined) as exceeds $1,000.

For the purposes of section 401, the amount which may be deleted, or the amount deductible, under this section with respect to contributions made on behalf of such individual shall be determined without regard to the preceding sentence.'

"(b) Limitations on Deductible Contributions on Behalf of Owner-Employees.—Section 404 of the Internal Revenue Code of 1954 (relating to the deductibility of contributions to pension, annuity, profit-sharing, or stock bonus plans or plans of deferred compensation) is amended by adding after subsection (d) the following new subsections:

"'(e) Special Limitations for Owner-Employees.—

"'(1) In general.—In the case of a plan included in subsection (a) (1), (2), or (3), which provides contributions or benefits for employees some or all of whom are owner-employees, the amounts deductible under subsection (a) (determined without regard to paragraph (10) thereof) in any taxable year with respect to contributions on behalf of any owner-employee shall, subject to the provisions of paragraph (2), not exceed $2,500, or 10 percent of the earned income derived by such owner-employee from the trade or business with respect to which the plan is established, whichever is the lesser.

"'(2) Contributions made under more than one plan.—

"'(A) Overall limitation.—In any taxable year in which amounts are deductible with respect to contributions under two or more plans on behalf of an individual who is an owner-employee with respect to such plans, the aggregate amount deductible for such taxable year under all such plans with respect to contributions on behalf of such owner-employee (determined without regard to subsection (a) (10)) shall not exceed $2,500.

"'(B) Allocation of amounts deductible.—In any case in which the amounts deductible under subsection (a) (with the application of the limitations of this subsection) with respect to contributions made on behalf of an owner-employee under two or more plans are, by reason of subparagraph (A), less than the amounts deductible under such subsection determined without regard to such subparagraph, the amount deductible under subsection (a) (determined without regard to paragraph (10) thereof) with respect to such contributions under each such plan shall be determined in accordance with regulations prescribed by the Secretary or his delegate.

"'(3) Contributions allocable to insurance protection.—For purposes of this subsection, contributions which are allocable (determined under regulations prescribed by the Secretary or his delegate) to the purchase of life, accident, health, or other insurance shall not be taken into account.

"'(f) Certain Loan Repayments Considered as Contributions.—For purposes of this section, any amount paid, directly or indirectly, by an owner-employee in repayment of any loan which under section 72(m)(4)(B) was treated as an amount received under a contract purchased by a trust described in section 401(a) which is exempt from tax under section 501(a) or purchased as a part of a plan described in section 403(a) shall be treated as a contribution to which this section applies on behalf of such owner-employee to such trust or to or under such plan.'

"Sec. 4. Taxability of Distributions.

"(a) Employees' Annuities. — Section 72(d)(2) of the Internal Revenue Code of 1954 (relating to employees' annuities) is amended to read as follows:

"'(2) Special rules for application of paragraph (1).—For purposes of paragraph (1)—

"'(A) if the employee died before any amount was received as an annuity under the contract, the words "receivable by the employee" shall be read as "receivable by a beneficiary of the employee"; and

"'(B) any contribution made with respect to the contract while the employee is an employee within the meaning of section 401(c)(1) which is not allowed as a deduction under section 404 shall be treated as consideration for the contract contributed by the employee.'

"(b) Special Rules Relating to Self-Employed Individuals and Owner-Employees.—Section 72 of the Internal Revenue Code of 1954 (relating to annuities, etc.) is amended by redesignating subsection (m) as subsection (o) and by inserting after subsection (l) the following new subsections:

"'(m) Special Rules Applicable to Employee Annuities and Distributions Under Employee Plans.—

"'(1) Certain amounts received before annuity starting date.—Any amounts received under an annuity, endowment, or life insurance contract before the annuity starting date which are not received as an annuity (within the meaning of subsection (e)(2)) shall be included in the recipient's gross income for the taxable year in which received to the extent that—

"'(A) such amounts, plus all amounts theretofore received under the contract and includible in gross income under this paragraph, do not exceed

"'(B) the aggregate premiums or other consideration paid for the contract while the employee was an owner-employee which were allowed as deductions under section 404 for the taxable year and all prior taxable years.

Any such amounts so received which are not includible in gross income under this paragraph shall be subject to the provisions of subsection (e).

"'(2) Computation of consideration paid by the employee.—In computing—

"'(A) the aggregate amount of premiums or other consideration paid for the contract for purposes of subsection (c)(1)(A) (relating to the investment in the contract),

"'(B) the consideration for the contract contributed by the employee for purposes of subsection (d)(1) (relating to employee's contributions recoverable in 3 years), and

"'(C) the aggregate premiums or other consideration paid for purposes of subsection (e)(1)(B) (relating to certain amounts not received as an annuity),

any amount allowed as a deduction with respect to the contract under section 404 which was paid while the employee was an employee within the meaning of section 401 (c)(1) shall be treated as consideration contributed by the employer, and there shall not be taken into account any portion of the premiums or other consideration for the contract paid while the employee was an owner-employee which is properly allocable (as determined under regulations prescribed by the Secretary or his delegate) to the cost of life, accident, health, or other insurance.

"'(3) Life insurance contracts.—

"'(A) This paragraph shall apply to any life insurance contract—

"'(i) purchased as a part of a plan described in section 403(a), or

"'(ii) purchased by a trust described in section 401(a) which is exempt from tax under section 501(a) if the proceeds of such contract are payable directly or indirectly to a participant in such trust or to a beneficiary of such participant.

"'(B) Any contribution to a plan described in subparagraph (A)(i) or a trust described in subparagraph (A)(ii) which is allowed as a deduction under section 404, and any income of a trust described in subparagraph (A)(ii), which is determined in accordance with regulations prescribed by the Secretary or his delegate to have been applied to purchase the life insurance protection under a contract described in subparagraph (A) is includible in the gross income of the participant for the taxable year when so applied.

"'(C) In the case of the death of an individual insured under a contract described in subparagraph (A), an amount equal to the cash surrender value of the contract immediately before the death of the insured shall be treated as a payment under such plan or a distribution by such trust, and the excess of the amount payable by reason of the death of the insured over such cash surrender value shall not be includible in gross income under this section and shall be treated as provided in section 101.

"'(4) Amounts constructively received.—

"'(A) Assignments or pledges.—If during any taxable year an owner-employee assigns (or agrees to assign) or pledges (or agrees to pledge) any portion of his interest in a trust described in section 401(a) which is exempt from tax under section 501(a) or any portion of the value of a contract purchased as part of a plan described in section 403(a), such portion shall be treated as having been received by such owner-employee as a distribution from such trust or as an amount received under the contract.

"'(B) Loans on contracts.—If during any taxable year, an owner-employee receives, directly or indirectly, any amount from any insurance company as a loan under a contract purchased by a trust described in section 401(a) which is exempt from tax under section 501(a) or purchased as part of a plan described in section 403(a), and issued by such insurance company, such amount shall be treated as an amount received under the contract.

"'(5) Penalties applicable to certain amounts received by owner-employees.—

"'(A) This paragraph shall apply—

"'(i) to amounts (other than any amount received by an individual in his capacity as a policyholder of an annuity, endowment, or life insurance contract which is in the nature of a dividend or similar distribution) which are received from a qualified trust described in section 401(a) or under a plan described in section 403(a) and which are received by an individual, who is, or has been, an owner-employee, before such individual attains the age of 59½ years, for any reason other than the individual's becoming disabled (within the meaning of section 213(g)(3)), but only to the extent that such amounts are attributable to contribution paid on behalf of such individual (whether or not paid by him) while he was an owner-employee.

"'(ii) to amounts which are received from a qualified trust described in section 401(a) or under a plan described in section 403(a) at any time by an individual who is, or has been, an owner-employee, or by the successor of such individual, but only to the extent that such amounts are determined, under regulations prescribed by the Secretary or his delegate, to exceed the benefits provided for such individual under the plan formula, and

"'(iii) to amounts which are received by an individual who is, or has been, an owner-employee, by reason of the distribution under the provisions of section 401(e)(2)(E) of his entire interest in all qualified trusts described in section 401(a) and in all plans described in section 403(a).

"'(B)(i) If the aggregate of the amounts to which this paragraph applies received by any person in his taxable year equals or exceeds $2,500, the increase in his tax for the taxable year in which such amounts are received and attributable to such amounts shall not be less than 110 percent of the aggregate increase in taxes, for the taxable year and the 4 immediately preceding taxable years, which would have resulted if such amounts had been included in such person's gross income ratably over such taxable years.

" '(ii) If deductions have been allowed under section 404 for contributions paid on behalf of the individual while he is an owner-employee for a number of prior taxable years less than 4, clause (i) shall be applied by taking into account a number of taxable years immediately preceding the taxable year in which the amount was so received equal to such lesser number.

" '(C) If subparagraph (B) does not apply to a person for the taxable year, the increase in tax of such person for the taxable year attributable to the amounts to which this paragraph applies shall be 110 percent of such increase (computed without regard to this subparagraph).

" '(D) Subparagraph (A) (ii) of this paragraph shall not apply to any amount to which section 402(a) (2) or 403(a) (2) applies.

" '(E) For special rules for computation of taxable income for taxable years to which this paragraph applies, see subsection (n) (3).

" '(6) Owner-employee defined.—For purposes of this subsection, the term "owner-employee" has the meaning assigned to it by section 401(c) (3) (determined with the application of section 401(c) (5)).

" '(n) Treatment of Certain Distributions With Respect to Contributions by Self-Employed Individuals.—

" '(1) Application of subsection.—

" '(A) Distributions by employees' trust.—Subject to the provisions of subparagraph (C), this subsection shall apply to amounts distributed to a distributee, in the case of an employees' trust described in section 401(a) which is exempt from tax under section 501(a), if the total distributions payable to the distributee with respect to an employee are paid to the distributee within one taxable year of the distributee—

" '(i) on account of the employee's death,

" '(ii) after the employee has attained the age of 59½ years, or

" '(iii) after the employee has become disabled (within the meaning of section 213(g) (3)).

" '(B) Annuity plans.—Subject to the provisions of subparagraph (C), this subsection shall apply to amounts paid to a payee, in the case of an annuity plan described in section 403(a), if the total amounts payable to the payee with respect to an employee are paid to the payee within one taxable year of the payee—

" '(i) on account of the employee's death,

" '(ii) after the employee has attained the age of 59½ years, or

" '(iii) after the employee has become disabled (within the meaning of section 213(g) (3)).

" '(C) Limitations and exceptions.—This subsection shall apply—

" '(i) only with respect to so much of any distribution or payment to which (without regard to this subparagraph) subparagraph (A) or (B) applies as is attributable to contributions made on behalf of an employee while he was an employee within the meaning of section 401(c) (1), and

" '(ii) if the recipient is the employee on whose behalf such contributions were made, only if contributions which were allowed as a deduction under section 404 have been made on behalf of such employee while he was an employee within the meaning of section 401(c) (1) for five or more taxable years prior to the taxable year in which the total distributions payable or total amounts payable, as the case may be, are paid.

This subsection shall not apply to amounts described in clauses (ii) and (iii) of subparagraph (A) of subsection (m) (5) (but, in the case of amounts described in clause (ii) of such subparagraph, only to the extent that subsection (m) (5) applies to such amounts).

" '(2) Limitation of tax.—In any case to which this subsection applies, the tax attributable to the amounts to which this subsection applies for the taxable year in which such amounts are received shall not exceed whichever of the following is the greater:

" '(a) 5 times the increase in tax which would result from the inclusion in gross income of the recipient of 20 percent of so much of the amount so received as is includible in gross income, or

" '(B) 5 times the increase in tax which would result if the taxable income of the recipient for such taxable year equaled 20 percent of the amount of the taxable income of the recipient for such taxable year determined under paragraph (3) (A).

" '(3) Determination of taxable income.—Notwithstanding section 63 (relating to definition of taxable income), for purposes only of computing the tax under this chapter attributable to amounts to which this subsection or subsection (m) (5) applies and which are includible in gross income—

" '(A) the taxable income of the recipient for the taxable year of receipt shall be treated as being not less than the amount by which (i) the aggregate of such amounts so includible in gross income exceeds (ii) the amount of the deductions allowed for such taxable year under section 151 (relating to deductions for personal exemptions); and

" '(B) in making ratable inclusion computations under paragraph (5) (B) of subsection (m), the taxable income of the recipient for each taxable year involved in such ratable inclusion shall be treated as being not less than the amount required by such paragraph (5) (B) to be treated as includible in gross income for such taxable year.

In any case in which the preceding sentence results in an increase in taxable income for any taxable year, the resulting increase in the taxes imposed by section 1 or 3 for such taxable year shall not be reduced by any credit under part IV of subchapter A (other than section 31 thereof) which, but for this sentence, would be allowable.'

"(c) Capital Gains Treatment of Certain Employees' Trusts Distributions.—Section 402(a) (2) of the Internal Revenue Code of 1954 (relating to capital gains treatment for certain distributions) is amended by adding at the end thereof the following new sentence: 'This paragraph shall not apply to distributions paid to any distributee to the extent such distributions are attributable to contributions made on behalf of the employee while he was an employee within the meaning of section 401 (c) (1).'

"(d) Capital Gains Treatment of Certain Employees' Annuity Payments.—Section 403(a) of the Internal Revenue Code of 1954 (relating to taxability of a beneficiary under a qualified annuity plan) is amended—

"(1) by striking out in paragraph (2) (A) (i) 'which meets the requirements of section 401(a) (3), (4), (5), and (6)' and inserting in lieu thereof 'described in paragraph (1)';

"(2) by adding at the end of paragraph (2) (A) the following new sentence: 'This subparagraph shall not apply to amounts paid to any payee to the extent such amounts are attributable to contributions made on behalf of the employee while he was an employee within the meaning of section 401 (c) (1).'; and

"(3) by adding after paragraph (2) the following new paragraph:

" '(3) Self-employed individuals.—For purposes of this subsection, the term "employee" includes an individual who is an employee within the meaning of section 401 (c) (1), and the employer of such individual is the person treated as his employer under section 401(c) (4).' "

"SEC. 5. PLANS FOR PURCHASE OF UNITED STATES BONDS.

"(a) Qualified Bond Purchase Plans.—Part I of subchapter D of chapter 1 of the Internal Revenue Code of 1954 (relating to deferred compensation, etc.) is amended by adding at the end thereof the following new section:

" 'SEC. 405. QUALIFIED BOND PURCHASE PLANS.

" '(a) Requirements for Qualification.—A plan of an employer for the purchase for and distribution to his employees or their beneficiaries of United States bonds described in subsection (b) shall constitute a qualified bond purchase plan under this section if—

" '(1) the plan meets the requirements of section 401(a) (3), (4), (5), (6), (7), and (8) and, if applicable, the requirements of section 401(a) (9) and (10) and of section 401(d) (other than paragraphs (1), (5) (B), and (8)); and

" '(2) contributions under the plan are used solely to purchase for employees or their beneficiaries United States bonds described in subsection (b).

" '(b) Bonds to Which Applicable.—

" '(1) Characteristics of bonds.—This section shall apply only to a bond issued under the Second Liberty Bond Act, as amended, which by its terms, or by regulations prescribed by the Secretary under such Act—

" '(A) provides for payment of interest, or investment yield, only upon redemption;

" '(B) may be purchased only in the name of an individual;

" '(C) ceases to bear interest, or provide investment yield, not later than 5 years after the death of the individual in whose name it is purchased;

" '(D) may be redeemed before the death of the individual in whose name it is purchased only if such individual—

" '(i) has attained the age of 59½ years, or

" '(ii) has become disabled (within the meaning of section 213(g) (3)); and

" '(E) is nontransferable.

" '(2) Must be purchased in name of employee.—This section shall apply to a bond described in paragraph (1) only if it is purchased in the name of the employee.

" '(c) Deduction for Contributions to Bond Purchase Plans.—Contributions paid by an employer to or under a qualified bond purchase plan shall be allowed as a deduction in an amount determined under section 404 in the same manner and to the same extent as if such contributions were made to a trust described in section 401(a) which is exempt from tax under section 501(a).

" '(d) Taxability of Beneficiary of Qualified Bond Purchase Plan.—

" '(1) Gross income not to include bonds at time of distribution.—For purposes of this chapter, in the case of a distributee of a bond described in subsection (b) under a qualified bond purchase plan, or from a trust described in section 401(a) which is exempt from tax under section 501(a), gross income does not include any amount attributable to the receipt of such bond. Upon redemption of such bond, the proceeds shall be subject to taxation under this chapter, but the provisions of section 72 (relating to annuities, etc.) and section 1232 (relating to bonds and other evidences of indebtedness) shall not apply.

" '(2) Basis.—The basis of any bond received by a distributee under a qualified bond purchase plan—

" '(A) if such bond is distributed to an employee, or with respect to an employee, who at the time of purchase of the bond, was an employee other than an employee within the meaning of section 401(c) (1), shall be the amount of the contributions by the employee which were used to purchase the bond, and

"'(B) if such bond is distributed to an employee, or with respect to an employee, who, at the time of purchase of the bond, was an employee within the meaning of section 401(c)(1), shall be the amount of the contributions used to purchase the bond which were made on behalf of such employee and were not allowed as a deduction under subsection (c).

The basis of any bond described in subsection (b) received by a distributee from a trust described in section 401(a) which is exempt from tax under section 501(a) shall be determined under regulations prescribed by the Secretary or his delegate.

"'(e) Capital Gains Treatment Not To Apply to Bonds Distributed by Trusts.—Section 402(a)(2) shall not apply to any bond described in subsection (b) distributed to any distributee and, for purposes of applying such section, any such bond distributed to any distributee and any such bond to the credit of any employee shall not be taken into account.

"'(f) Employee defined.—For purposes of this section, the term "employee" includes an individual who is an employee within the meaning of section 401(c)(1), and the employer of such individual shall be the person treated as his employer under section 401(c)(4).

"'(g) Proof of purchase.—At the time of purchase of any bond to which this section applies, proof of such purchase shall be furnished in such form as will enable the purchaser, and the employee in whose name such bond is purchased, to comply with the provisions of this section.

"'(h) Regulations.—The Secretary or his delegate shall prescribe such regulations as may be necessary to carry out the provisions of this section.'

"(b) Clerical amendment.—The table of sections for such part is amended by adding at the end thereof the following new item:

"'Sec. 405. Qualified bond purchase plans.'

"Sec. 6. Prohibited Transactions

"Section 503 of the Internal Revenue Code of 1954 (relating to prohibited transactions) is amended by adding at the end thereof the following new subsection:

"'(j) Trusts Benefiting Certain Owner-Employees.—

"'(1) Prohibited transactions.—In the case of a trust described in section 401(a) which is part of a plan providing contributions or benefits for employees some or all of whom are owner-employees (as defined in section 401(c)(3)) who control (within the meaning of section 401(d)(9)(B), determined with the application of section 401(c)(5)) the trade or business with respect to which the plan is established, the term "prohibited transaction" also means any transaction in which such trust, directly or indirectly—

"'(A) lends any part of the corpus or income of the trust to;

"'(B) pays any compensation for personal services rendered to the trust to;

"'(C) makes any part of its services available on a preferential basis to; or

"'(D) acquires for the trust any property from, or sells any property to;

any person described in subsection (c) or to any such owner-employee, a member of the family (as defined in section 267(c)(4)) of any such owner-employee, or a corporation controlled by any such owner-employee through the ownership, directly or indirectly, of 50 percent or more of the total combined voting power of all classes of stock entitled to vote or 50 percent or more of the total value of shares of all classes of stock of the corporation.

"'(2) Special rule for loans.—For purposes of the application of paragraph (1)(A), the following rules shall apply with respect to a loan made before the date of the enactment of this subsection which would be a prohibited transaction if made in a taxable year beginning after December 31, 1961:

"'(A) If any part of the loan is repayable prior to December 31, 1964, the renewal of such part of the loan for a period not extending beyond December 31, 1964, on the same terms, shall not be considered a prohibited transaction.

"'(B) If the loan is repayable on demand, the continuation of the loan beyond December 31, 1964, shall be considered a prohibited transaction.'

"Sec. 7. Other Special Rules, Technical Changes, and Administrative Provisions.

"(a) Retirement Income Credit.—Section 37(c)(1) of the Internal Revenue Code of 1954 (relating to definition of retirement income) is amended—

"(1) by striking out subparagraph (A) and inserting in lieu thereof the following:

"'(A) pensions and annuities (including, in the case of an individual who is, or has been, an employee within the meaning of section 401(c)(1), distributions by a trust described in section 401(a) which is exempt from tax under section 501(a)),'; and

"(2) by striking out 'and' at the end of subparagraph (C), by striking out 'or' at the end of subparagraph (D) and inserting in lieu thereof 'and', and by adding after subparagraph (D) the following new subparagraph:

"'(E) bonds described in section 405(b)(1) which are received under a qualified bond purchase plan described in section 405(a) or in a distribution from a trust described in section 401(a) which is exempt from tax under section 501(a), or'.

"(b) Adjusted Gross Income.—Section 62 of the Internal Revenue Code of 1954 (relating to the definition of adjusted gross income) is amended by inserting after paragraph (6) the following new paragraph:

"'(7) Pension, profit-sharing, annuity, and bond purchase plans of self-employed individuals.—In the case of an individual who is an employee within the meaning of section 401(c)(1), the deductions allowed by section 404 and section 405(c) to the extent attributable to contributions made on behalf of such individual."

"(c) Death Benefits.—Section 101(b) of the Internal Revenue Code of 1954 (relating to employees' death benefits) is amended—

"(1) by striking out clause (ii) of paragraph (2)(B) and inserting in lieu thereof the following:

"'(ii) under an annuity contact under a plan described in section 403(a), or'; and

"(2) by adding at the end thereof the following new paragraph:

"'(3) Self-employed individual not considered an employee.—For purposes of this subsection, the term "employee" does not include an individual who is an employee within the meaning of section 401(c)(1) (relating to self-employed individuals)'.

"(d) Amounts Received Through Accident or Health Insurance.—Section 104(a) of the Internal Revenue Code of 1954 (relating to compensation for injuries or sickness) is amended by adding at the end thereof the following new sentence: 'For purposes of paragraph (3), in the case of an individual who is, or has been, an employee within the meaning of section 401(c)(1) (relating to self-employed individuals), contributions made on behalf of such individual while he was such an employee to a trust described in section 401(a) which is exempt from tax under section 501(a), or under a plan described in section 403(a), shall, to the extent allowed as deductions under section 404, be treated as contributions by the employer which were not includible in the gross income of the employee.'

"(e) Amounts Received Under Accident and Health Plans.—Section 105 of the Internal Revenue Code of 1954 (relating to amounts received under accident and health plans) is amended by adding at the end thereof the following new subsection:

"'(g) Self-Employed Individual Not Considered an Employee.—For purposes of this section, the term "employee" does not include an individual who is an employee within the meaning of section 401(c)(1) (relating to self-employed individuals).'

"(f) Net Operating Loss Deduction.—Section 172(d)(4) of the Internal Revenue Code of 1954 (relating to nonbusiness deductions of taxpayers other than corporations) is amended—

"(1) by striking out 'and' at the end of subparagraph (B);

"(2) by striking out the period at the end of subparagraph (C) and inserting '; and'; and

"(3) by adding after subparagraph (C) the following new subparagraph:

"'(D) any deduction allowed under section 404 or section 405(c) to the extent attributable to contributions which are made on behalf of an individual who is an employee within the meaning of section 401(c)(1) shall not be treated as attributable to the trade or business of such individual.'

"(g) Certain Life Insurance Reserves.—Section 805(d)(1) of the Internal Revenue Code of 1954 (relating to pension plan reserves) is amended—

"(1) by striking out in subparagraph (B) 'meeting the requirements of section 401(a)(3), (4), (5), and (6) or' and inserting in lieu thereof 'described in section 403(a), or plans meeting'; and

"(2) by striking out in subparagraph (C) 'and (6)' and inserting in lieu thereof '(6), (7), and (8)'.

"(h) Unincorporated Businesses Electing To Be Taxed as Corporations.—Section 1361(d) of the Internal Revenue Code of 1954 (relating to unincorporated business enterprises electing to be taxed as domestic corporations) is amended by inserting before the period at the end thereof the following: 'other than an employee within the meaning of section 401(c)(1) (relating to self-employed individuals), or for purposes of section 405 (relating to qualified bond purchase plans) other than an employee described in section 405(f)'.

"(i) Estate Tax Exemption of Employees' Annuities.—Section 2039 of the Internal Revenue Code of 1954 (relating to exemption from the gross estate of annuities under certain trusts and plans) is amended—

"(1) by striking out in subsection (c)(2) 'met the requirements of section 401(a)(3), (4), (5), and (6)' and inserting 'was a plan described in section 403(a)'; and

"(2) by adding at the end of subsection (c) the following new sentence: 'For purposes of this subsection, contributions or payments on behalf of the decedent while he was an employee within the meaning of section 401(c)(1) made under a trust or plan described in paragraph (1) or (2) shall be considered to be contributions or payments made by the decedent.'

"(j) Gift Tax Exemption of Employees' Annuities.—Section 2517 of the Internal Revenue Code of 1954 (relating to exclusion from gift tax in case of certain annuities under qualified plans) is amended—

"(1) by striking out in subsection (a)(2) 'met the requirements of section 401(a)(3), (4), (5), and (6)' and inserting in lieu thereof 'was a plan described in section 403(a)'; and

"(2) by adding at the end of subsection (b) the following new sentence: 'For purposes of this subsection, payments or contributions on behalf of an individual while he was an employee within the meaning of section 401(c)(1) made under a trust or plan described in subsection (a)(1) or (2) shall be considered to be payments or contributions made by the employee.'

"(k) Federal Unemployment Tax Act.—Section 3306(b)(5) of the Internal Revenue Code of 1954 (relating to definition of wages) is amended by striking out subparagraph (B) and inserting in lieu thereof the following new subparagraphs:

"'(B) under or to an annuity plan which, at the time of such payment, is a plan described in section 403(a), or

"'(C) under or to a bond purchase plan which, at the time of such payment, is a qualified bond purchase plan described in section 405(a);'.

"(l) Withholding of Income Tax.—Section 3401(a)(12) of the Internal Revenue Code of 1954 (relating to definition of wages) is amended by striking out subparagraph (B) and inserting in lieu thereof the following new subparagraphs:

"'(B) under or to an annuity plan which, at the time of such payment, is a plan described in section 403(a); or

"'(C) under or to a bond purchase plan which, at the time of such payment, is a qualified bond purchase plan described in section 405(a).'

"(m) Information Requirements.—

"(1) In general.—Subpart B of part III of subchapter A of chapter 61 of the Internal Revenue Code of 1954 (relating to information concerning transactions with other persons) is amended by adding at the end thereof the following new section:

"'Sec. 6047. Information Relating to Certain Trusts and Annuity and Bond Purchase Plans.

"'(a) Trustees and Insurance Companies.—The trustee of a trust described in section 401(a) which is exempt from tax under section 501(a) to which contributions have been paid under a plan on behalf of any owner-employee (as defined in section 401(c)(3)), and each insurance company or other person which is the issuer of a contract purchased by such a trust, or purchased under a plan described in section 403(a), contributions for which have been paid on behalf of any owner-employee, shall file such returns (in such form and at such times), keep such records, make such identification of contracts and funds (and accounts within such funds), and supply such information, as the Secretary or his delegate shall by forms or regulations prescribe.

"'(b) Owner-Employees.—Every individual on whose behalf contributions have been paid as an owner-employee (as defined in section 401(c)(3))—

"'(1) to a trust fund described in section 401(a) which is exempt from tax under section 501(a), or

"'(2) to an insurance company or other person under a plan described in section 403(a),

shall furnish the trustee, insurance company, or other person, as the case may be, such information at such times and in such form and manner as the Secretary or his delegate shall prescribe by forms or regulations.

"'(c) Employees Under Qualified Bond Purchase Plans.—Every individual in whose name a bond described in section 405(b)(1) is purchased by his employer under a qualified bond purchase plan described in section 405(a), or by a trust described in section 401(a) which is exempt from tax under section 501(a), shall furnish—

"'(1) to his employer or to such trust, and

"'(2) to the Secretary (or to such person as the Secretary may by regulations prescribe),

such information as the Secretary or his delegate shall by forms or regulations prescribe.

"'(d) Cross Reference.—

"'For criminal penalty for furnishing fraudulent information, see section 7207.'

"(2) Clerical Amendment.—The table of sections for such subpart B is amended by adding at the end thereof the following:

"'Sec. 6047. Information relating to certain trusts and annuity and bond purchase plans.'

"(2) Penalty.—Section 7207 of the Internal Revenue Code of 1954 (relating to fraudulent returns, statements, or other documents) is amended by adding at the end thereof the following new sentence: 'Any person required pursuant to section 6047 (b) or (c) to furnish any information to the Secretary or any other person who willfully furnishes to the Secretary or such other person any information known by him to be fraudulent or to be false as to any material matter shall be fined not more than $1,000, or imprisoned not more than 1 year, or both.'

"Sec. 8. Effective Date.

"The amendments made by this Act shall apply to taxable years beginning after December 31, 1961."

On page 391, line 22, strike out "27" and insert in lieu thereof "28".

MEDICARE

Mr. MILLER. Mr. President, during the debate on the so-called medicare bill which was favored by the President and the administration, I made the observation that it seemed to me that there was a great amount of confusion in the minds of the general public regarding the nature of this proposal. I am glad to report that in the Wednesday, August 22, issue of the Washington Post, an article entitled "Public Found in Confusion on Medicare" brings out a recent survey by the Gallup Poll which shows that the number of people who are familiar with the proposal is very low and that there is a great amount of confusion and misconception over the nature of the so-called Kennedy medicare proposal, sometimes known as the King-Anderson bill, and known as the Anderson-Javits amendment during our recent debate.

I ask unanimous consent that the article be printed in the Record at this point.

There being no objection, the article was ordered to be printed in the Record, as follows:

Public Found in Confusion on Medicare

(By George Gallup, director, American Institute of Public Opinion)

Princeton, N.J., August 21.—Although medicare will be one of the hotly debated issues in the coming political campaign, the public today is confused about many of the details of the administration's plan for hospital benefits to the aged.

A great many Americans have heard or read about medicare, but a surprisingly large number do not know such details as who will be covered by it and how the plan will be financed.

In a nationwide poll, conducted after medicare's defeat in the Senate caused President Kennedy to promise that he will take the issue to the people in the approaching campaign, Gallup Poll reporters first sought to find out how much the public knows about some of medicare's basic details.

All of those who said they had heard or read about the Kennedy plan (81 percent), were asked:

"Do you happen to know how the medicare plan would be paid for?"

The results indicate that only half of those who have heard something about medicare are aware that it would be financed through social security:

How medicare paid for?

	Percent
Through social security	50
Other ways	20
Don't know	30

People who had heard about the plan were next asked:

"Who would be covered by the plan?"

Only a small minority volunteered that those covered would be persons 65 and over who have social security. Just over half said they thought it would include all older persons or everyone over 65 without referring to the social security limitation:

Who would medicare cover?

	Percent
Persons over 65 on social security	11
All older persons	53
Others	19
Don't know	17

At the heart of the complicated medicare controversy is the fundamental issue whether such aid should be financed through public funds or through private insurance such as Blue Cross or a plan like that recently proposed in New York State by a group of insurance companies.

To see how the public stands on this basic question—in the wake of medicare's defeat—all those in the survey were asked:

"Which of these two different proposals do you prefer for meeting hospital costs for older persons:

"One proposal—the medicare plan—would cover persons on social security and would be paid by increasing the social security tax deducted from everyone's pay checks.

"The other proposal would leave it up to each individual to decide whether to join Blue Cross or buy some other form of voluntary hospital insurance.

"Which of these two proposals would you prefer?"

The vote today:

	Percent
Social security	44
Private insurance	40
No opinion	16

Before the administration bill's defeat in the Senate, when a similar question was asked, indications were that the social security approach was losing some of its earlier appeal.

In April, 55 percent of the public voted for social security financing; 34 percent for private insurance handling.

On the eve of the Senate action, support for public financing had dropped to 48 percent while 41 percent preferred private insurance.

ADMINISTRATION OF OATHS BY CERTAIN EMPLOYEES

Mr. HUMPHREY. Mr. President, I ask that the Chair lay before the Senate the amendments of the House of Representatives to Senate bill 538.

The **PRESIDING OFFICER** laid before the Senate the amendments of the House of Representatives to the bill (S. 538) to amend section 205 of the Federal Property and Administrative Services Act of 1949 to empower certain officers and employees of the General Services Administration to administer oaths to witnesses, which were, to strike out all after the enacting clause and insert:

That section 205 of the Federal Property and Administrative Services Act of 1949 (40 U.S.C. 486) is amended by adding at the end thereof the following new subsection:

"(i) If authorized by the Administrator, officers and employees of the General Services Administration having investigatory functions are empowered, while engaged in the performance of their duties in conducting investigations, to administer oaths to any person."

And to amend the title so as to read: "An Act to amend section 205 of the Federal Property and Administrative Services Act of 1949 to empower certain officers and employees of the General Services Administration to administer oaths to any person."

Mr. HUMPHREY. Mr. President, on behalf of the committee that handled this legislation, it is recommended that the amendments of the House be concurred in. They are technical in nature and do not alter the purpose or intent of the legislation.

Mr. DIRKSEN. Mr. President, the matter has been cleared, and there is no objection.

Mr. HUMPHREY. I move that the Senate concur in the amendments of the House of Representatives.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Minnesota.

The motion was agreed to.

MR. KHRUSHCHEV'S DILEMMAS

Mr. HUMPHREY. Mr. President, there appeared in the Washington Post a fine article by Roscoe Drummond on Wednesday, July 25, 1962, entitled "Mr. K.'s Dilemmas: Our Worries Slight by Comparison."

Mr. Drummond, one of the most competent and famous of our political columnists, has made observations on some of the developments in the Soviet Union that are worthy of thoughtful and serious consideration of every American.

I ask unanimous consent that the excellent article be printed in the body of the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

MR. K.'S DILEMMAS: OUR WORRIES SLIGHT BY COMPARISON

(By Roscoe Drummond)

If you think things are not going well for the United States—uncertain peace in Laos, uncertain war in Vietnam, a sluggish economy at home—pretend you are Nikita Khrushchev and look out at the world from his vantage point—or his disadvantage point.

Mr. Khrushchev is in trouble, serious trouble. Few things are going well for the Soviet Union, many things are going badly. He faces the most distressful dilemmas nearly everywhere he turns.

Here is what is on Mr. K.'s desk when he goes to work at the Kremlin every morning and, because the solutions are so painful, they are there at the end of the day:

Soviet agriculture is faltering, failing, and falling behind. Today it is in a colossal mess for two reasons. Communist farming through collectivization doesn't work. To the extent it might work, Stalin and Khrushchev have denied it the machinery, the fertilizer, and the manpower needed. Russia pass the United States in food production? Russia isn't going to pass Poland the way things are now going.

Why can't Khrushchev allocate more resources to agriculture, at least enough to ease the grave shortages? Because he can't bring himself to let anything interfere with his concentration on heavy industry, machine tools, and the raw materials essential to heavy industry and heavy armaments—pig iron, steel, coal, and oil. Mr. K. pays lipservice to agriculture and to light consumer goods, but the apple of his eye is armament—more weapons, bigger bombs. When the choice has to be made, it is guns over butter and that continues to be the choice today.

It is an increasingly burdensome choice. Rockets, missiles, antimissile missiles, and space ships are frightfully expensive. They strain and drain the Soviet economy even more than they do the U.S. economy. They eat up the resources of raw materials and manpower and finance needed to nourish agriculture and consumer goods.

Then why not join with the United States in an agreement to cutback the arms race, end nuclear testing, and put more resources and energy and manpower into creating a balanced economy which will serve the whole Soviet people?

For Premier Khrushchev to do this would require difficult decisions. He would have to open up the Soviet Union to a degree of outside inspection which the Communists, conspiratorial by nature, resist with all their will. Secondly, he would have to admit, implicitly at least, that the military threat to the safety of the Soviet Union by Western powers—constantly proclaimed by the Kremlin leaders—has either been greatly reduced or never existed.

At this point it looks as though he prefers secrecy to arms reduction.

If Khrushchev ever really wants to reduce the burden of the arms race, ease tensions, and call off the cold war with the West in order to concentrate on his cold war with Red China, we ought to be responsive—not out of fear, nor with one-sided concessions. There is no need to appease and no good would come of it.

POLICY FOR ADAMS-MORGAN PROJECT

Mr. MILLER. Mr. President, an editorial from the Washington Post of July 17, 1962, and a letter to the editor of that same newspaper of August 20, 1962, point up the need for greater imagination in urban renewal planning and more sensitivity to the problems, not only of residents who may be displaced by the program, but the small businessman as well. While no one would underestimate the impact of family dislocation, there is far too little consideration given to the plight of the small businessman, and the places where people earn their wages. In the Adams-Morgan project in the District of Columbia, current proposals call for the elimination of 35 firms which account for about $35 million in annual sales and employ approximately 900 workers. Many of these businesses would be severely damaged by dislocation from the project area which is central to their markets; others might not survive, while others might have to leave the city entirely and seek new markets.

At a time when the pocketbook of the District of Columbia is severely strained, it would seem highly questionable whether the best path to take is possible elimination of ever-increasing numbers of business firms from the tax rolls of the District, and at the same time displacing workers from their jobs. Moreover, when Small Business Administration studies indicate that at least 150,000 businesses will be dislocated by urban renewal alone during the 1960's, it would seem appropriate to question the oversimplified policy of improvement by exclusion. The small businessman is a valuable citizen in every community. It is to be hoped that those planning the Adams-Morgan area will take a new and more imaginative look at the needs of both residents and small businessmen in the Federal City.

I ask unanimous consent to have the editorial and letter printed in the RECORD at this point.

There being no objection, the editorial and letter were ordered to be printed in the RECORD, as follows:

[From the Washington Post, July 17, 1962]

POLICY FOR ADAMS-MORGAN

The least spectacular of Washington's experiments in urban renewal, the Adams-Morgan project is also the most heavily freighted with hope and with precedent for reconstruction of residential neighborhoods. Wholesale demolition is a confession of failure, and there will not be much more bulldozing in the manner of the Southwest project. The city is searching for the techniques of preserving the best in an area while eradicating the worst.

While most of the city's redevelopment has gone forward amidst unrelieved slums, Adams-Morgan encompasses rich and poor, Negro and white, homeowner and businessman. It will show us whether urban renewal can be used to preserve the healthy diversity that is, on a small scale, the reflection of the city itself.

The project is the first to be designed with the active cooperation and advice of the people who live in it. The residents have organized some two dozen civic associations, some of them taking in only a single block, to work with the professional planners. In a city destitute of the normal mechanisms of political expression, this street-level assumption of responsibility makes Adams-Morgan doubly significant.

Adams-Morgan must succeed. It must be steered away from one dangerous error toward which it appears to be drifting. The easy way to improve a community is to eject the land uses, and the people, offensive to the majority's sense of esthetics. This is dangerous in a city like Washington with no comprehensive plan. The excluded businesses and the slum dwellers simply leave the planned neighborhood, which is on the road up, and move into the nearest unplanned neighborhood, which is then put on the road downward.

The present Adams-Morgan plan calls for the demolition of about 970 housing units, in which some 2,500 people now live. Of the displaced families requiring public housing, more than one-fourth will not be accommodated within the project. The plan tends, then, to reduce the number of poor people in the area, sending them to other parts of Washington, while it also increases the number of prosperous families, drawing them from other parts of Washington.

The Adams-Morgan community feels very strongly that a major cause of local blight lies in the rising number of shabby and unsanitary rooming houses. The plan will exclude most of them. It does not tell us where the houses' operators, or their roomers, will next turn up.

The plan would exclude the area's light industry, and some of its heavy commerce. One of these businessmen is a printer who settled in Champlain Street after having been evicted from the southwest redevelopment project.

As a matter of principle, it ought to be firmly established that no public renewal project may strengthen and evaluate one area at the expense of its neighbors. If we are to improve the city one section at a time, then each plan must be self-contained. The Adams-Morgan project has come a long and difficult way. It now bears great promise of success. It must cap that success by rejecting the unworthy policy of improvement by exclusion.

[From the Washington Post, Aug. 20, 1962]

Industry as a Neighbor

Adams-Morgan is no ordinary urban renewal project. It is a project which authorities around the Nation are eying. It is a project which hopes to attain something as close to the ideal as is possible in urban development: renewal without wholesale demolition and dislocation.

While everyone is vitally concerned about the problem of residents dislocated by the project, it evidences little in the way of imagination and ingenuity to do as the National Capital Planning Commission and the Redevelopment Land Agency have proposed. That is, to simply pluck out all service commercial facilities from the area and drop in housing, parks, and planting where the business firms formerly stood, without regard for the impact it would have on the remainder of the District's population both economically and socially. It merely creates the sterile community context brought about in the southwest demolition approach.

The statement recently attributed to an NCPC representative that the need to eliminate these service commercial uses is "basic to making the neighborhood suitable for intown living" is highly questionable.

It should be pointed out that intown light industrial complexes not only are workable but are proposed in more than 130 projects around the Nation. It has been shown time and time again that such complexes, properly buffered from neighboring residential areas and under sound controls, not only help retain the economic stability of the city but modernized planning approaches indicate that such businesses also add to the esthetic qualities of the area as well.

As to operating to the disadvantage of the community and the city as a whole, it should be pointed out that the proposed NCPC plan has been developed without the benefit of an economic survey of these businesses, an imperative measure for the proper planning of any area. No such survey was ever conducted until the service commercial firms themselves financed it.

Among other things, the survey indicated that the 35 firms which would be displaced are responsible for more than $35 million in annual sales, employ more than 900 people, and create a direct payroll of about $5.2 million each year.

Moreover, they are, for the most part, key services of the downtown areas as well as the entire region, and this central location has been and is a key factor in their growth and survival. At least two firms, both auto dealerships, are franchised to do business only within this section of town and are not susceptible to easy relocation elsewhere.

There are any number of similar complexes right here in the Washington area operating compatibly within close proximity to residential neighborhoods.

At a time when studies indicate that more than 150,000 businesses will be displaced by urban renewal during the 1960's, there is a need for a more sensitive consideration of the small businessman's plight as well as his importance to the community.

Wilson Switzer,
President, Adams-Morgan Light Commercial Institute.
Washington.

THE DEBATE ON TELSTAR

Mr. MILLER. Mr. President, in the Thursday, August 16, 1962, issue of the Jefferson, Iowa, Herald the lead editorial discusses the debate on the Telstar satellite communications bill. I ask unanimous consent to have it printed in the Record at this point.

There being no objection, the editorial was ordered to be printed in the Record, as follows:

The Debate on Telstar

In his weekly newsletter entitled "Report to the Hawkeye State," Senator Jack Miller this week discusses the debate over the communications satellite (Telstar) bill which has been rocking the Senate during the past couple of weeks. Miller supports the administration-sponsored bill in opposition to the handful of liberal Democrats who oppose it as a "Government giveaway" program.

The pros and cons of the legislation are difficult for the public to grasp but Miller does an excellent job of explaining in his letter how the joint Government-private enterprise corporation would be organized and how it would operate.

"Organized under the laws of the District of Columbia," Miller writes, "the corporation will have special restrictions on stockownership and composition of the board of directors. This is to prevent any single interest group from dominating the corporation's activities and to give the general public an opportunity to participate in its ownership. Stock is to be sold at a price not to exceed $100 per share. Fifty percent of the voting shares may be purchased by communications common carriers authorized by the Federal Communications Commission (such as American Telephone & Telegraph Co., International Telephone & Telegraph Co., Radio Corp. of America, and the like). The other 50 percent is reserved for purchase by the general public. Of the 15-member board of directors, 6 are to be elected by the communications common carriers, 6 by stockholders representing the general public and 3 are to be appointed by the President of the United States.

"Powers and responsibilities of the President, the National Aeronautics and Space Administration, and the FCC are carefully spelled out in the bill. Purchase of equipment to operate the system must be under competitive bids supervised by the FCC.

"Federal facilities would be used to shoot the satellites into orbit, and the corporation would pay the Government for this service. The corporation would operate the satellites and microwave terminal stations (both sending and receiving) and could authorize communications common carriers to construct and operate terminal stations—charging appropriate fees, as regulated by FCC, for these services."

Miller points out that our communications industry is now owned and operated by private industry, including our underwater transoceanic cables, and that the new addition to the industry would merely continue that type of operation. While it would be a "monopoly," it would be no different from other utilities which are franchised and subject to Government restrictions and controls.

The U.S. Chamber of Commerce this week in a news release points out that Americans must decide whether America is to operate under Government ownership or free enterprise. Says the chamber, and with complete truth, "If the attitude of the handful of Senators who want Federal ownership of the new Telstars had prevailed in history, our Government today would own telephone companies, electric utilities, gaslines, railroads, airlines, trucklines, the steel industry, the auto industry, and a host of other industries started since Independence Day 1776."

There are altogether too many Americans who always seem to favor Government over private ownership whenever the issue is raised. They would probably be fighting mad if you tried to pin a Socialist label on them—but that's what they are nevertheless. Perhaps some of their fathers once told them that "all businessmen are so-and-so's" as the elder Mr. Kennedy is reported to have advised son Jack.

A VICTORY FOR AGRICULTURE

Mr. HUMPHREY. Mr. President, the Senate this week acted on one of its major responsibilities of the legislative session by adopting a farm bill.

This legislation continues progress toward the goals that have marked every effort of the Kennedy administration in the field of food and agriculture. The objectives are: First, improvement and protection of farm income; second, reduction of farm program costs; third, reduction of excessive stocks of farm commodities; fourth, maintenance of reasonable and stable prices to consumers for farm products; fifth, maintenance of abundant supplies and reserves of foods for domestic and export needs; sixth, conservation of natural resources, and their utilization in the general welfare; and, seventh, expansion of opportunities and improvement of living standards in rural areas.

I am disappointed that some of our most competent newspaper reporters in the agricultural field apparently have not recognized the very close similarities between the bill as passed by the Senate and that originally submitted by the administration.

The farm bill adopted by the Senate this week is not a word-for-word repetition of the administration's recommendations. Yet it retains the significant goals and provisions attached to those recommendations. The action of the Senate serves the interest of farmers, of consumers, and of taxpayers.

Progress in meeting our problem of living successfully with abundance is not only written into the legislation, but is obvious in the attitudes of Members of the Congress and the country as a whole.

Senators will recall that the administration's proposals for emergency action to halt the downward trend in farm income and the upward rush of surpluses had rough going in the Congress and in many areas of the agricultural economy in 1961.

Some of the opposition was based on a sincere belief that the emergency feed grains and wheat programs were not adequate. Some of the opposition was rooted in traditional distrust of change. And some of it then, as now, was based on the theory that any farm and food legislation is bad legislation.

Yet, as the debate in the House and Senate this summer has proved, no farm programs have been as well accepted in and out of the Congress as those emergency efforts.

There is, of course, rarely a tendency among us to quarrel with success. And the emergency farm programs launched in 1961 did reverse the downward slide in farm family income—there was a billion dollar improvement in 1961 as compared with 1960. The build-up of unneeded, unwanted surpluses was halted. And the gate was opened for a reduction in the cost of acquiring and handling and storing these surpluses.

As a result, many who were negative about starting these programs in 1961 have taken the same attitude toward stopping them in 1962.

I said we seldom quarrel with success. That is particularly true in the political sector. The political courage demonstrated by the Kennedy administration in heading for permanent programs while temporary programs were at a popularity peak should not go unrecognized. It is a refreshing change from the patchwork remodeling and repair that has too often marked action on the farm legislation front.

What do we have in H.R. 12391, as passed by the Senate on August 22, in relationship to the long-term objectives of the administration?

We have a permanent wheat program which, if approved by producers of that commodity in a referendum, will establish a realistic program of supply management and distribution while protecting farm income.

We have the beginning of what can be a comprehensive effort to utilize land and water resources not needed in food production to answer the growing need of our society for outdoor recreation that enriches both physical and spiritual health.

We have expanded opportunity to utilize our food abundance for helping friends of freedom in other lands through Public Law 480.

We have a continuation of the emergency feed grains program for another year, and the opportunity to solidify the gains it has given farmers and taxpayers. This is short of the permanent program recommended by the administration, but it is not the backward step that restoration of the Benson feed grains era would have represented. I point out one parallel between the recommended permanent program and the feed grains provision adopted by the Senate. The permanent program provided for a choice, by farmers themselves, between supply management and high price supports, and unlimited production with limited price supports. The extension of the emergency program fixes a 0 to 90 percent price support formula beginning in 1964 if no new legislation is made effective.

This is done, Mr. President, because we owe it to the farmers and we owe it to the taxpayers not to return to the Benson policies of guaranteed price supports and unlimited production. The only results of these policies were the accumulation of surpluses, rising costs of the farm program, and lower prices to farmers while they were working harder and harder to produce enough to maintain themselves and their families.

Secretary of Agriculture Freeman is a friend of the farmer. He proved this as Governor of the State of Minnesota and as Secretary of Agriculture. I assure Senators, Mr. President, that just as he will not permit a return to the costly programs of the previous administration, he will not permit programs which will place our farmers in a position worse than they are in now. He stands for progress and this administration stands for progress.

The Secretary has been directed to present to the Congress next year a permanent feed grains program. This does not mean a mandatory program, but whatever it is, I assure Senators it will be thoroughly discussed and refined in the Agriculture and Forestry Committee. I am confident the Congress will accept it.

The legislation we have adopted provides an expanded credit program through Farmers Home Administration to improve opportunities for those in rural areas, streamlines Rural Electrification Administration bookkeeping, and gives added emphasis to broadening industrial uses of agricultural products.

A comparison of this 1962 farm bill with the long-term objectives for food and agriculture announced by President Kennedy early in his administration indicates quite clearly we are not sidetracked—agriculture is indeed moving ahead.

We have not done all we can and must do.

It is regrettable that the bill we have approved does not face up to the difficulties both farmers and Government are experiencing in the dairy field. Incomes of dairy farmers are far from adequate even though Government price support expenditures continue to rise and the storage of dairy surpluses is a growing problem. The chairman of our Committee on Agriculture and Forestry has made it clear, however, that he appreciates the importance of remedial action in relationship to the plight of our dairy farmers and I know the Senator from Louisiana [Mr. ELLENDER] will act with the same high, constructive purpose that consistently marks his leadership on the agricultural front.

Also, we have postponed a permanent feed grains program.

Yet the positive far outweighs the negative.

We are protecting and improving farm income. We are meeting the problem of distributing the benefits of an economy of abundance. We are reducing the waste of private and public resources that are related to unneeded, unwanted surpluses. We are demonstrating a real determination to use, rather than idle, both human and natural resources in rural areas.

Disagreement on methods has not blinded us on goals.

In summary, Mr. President, this legislation will eliminate waste of land, waste of human resources, and waste of food and fiber resources. It will continue under the successful voluntary feed grains program and the new, permanent wheat certificate program to reduce agricultural surpluses while maintaining abundant supplies and reserves of foods for domestic and export needs, and further reduce the cost of an agricultural program. It will conserve our natural resources, further increase agricultural income, and provide new opportunities and improved living standards for a growing population. It also will improve the diet of our own people and expand our food-for-peace program on the international front. It has within it the basic standards and basic principles required for a more effective agricultural policy. We can improve upon it and we will improve upon it, but we have made a good start in adopting an effective program for American agriculture.

PHILIPPINE WAR DAMAGE CLAIMS—AMENDMENT

Mr. JAVITS (for himself, Mr. KEATING, and Mr. DOUGLAS) submitted an amendment, intended to be proposed by them, jointly, to the amendment intended to be proposed by Mr. LONG of Louisiana to the bill (H.R. 11721) to authorize the payment of the balance of awards for war damage compensation made by the Philippine War Damage Commission under the terms of the Philippine Rehabilitation Act of April 30, 1946, and to authorize the appropriation of $73 million for that purpose, which was ordered to lie on the table and to be printed.

ENROLLED BILLS AND JOINT RESOLUTIONS PRESENTED

The Secretary of the Senate reported that on today, August 23, 1962, he presented to the President of the United States the following enrolled bills and joint resolutions:

S. 1005. An act to amend section 10 and section 3 of the Federal Reserve Act, and for other purposes;

S. 1781. An act for the relief of the heirs of Lt. Col. James Murray Bate (deceased) and Maj. Billie Harold Lynch (deceased);

S. 1849. An act for the relief of Stephen S. Chang;

S. 2179. An act to amend section 9(d)(1) of the Reclamation Project Act of 1939 (53 Stat. 1187; U.S.C. 485), to make additional provision for irrigation blocks, and for other purposes;

S. 2256. An act to amend section 5 of the War Claims Act of 1948 to provide detention and other benefits thereunder to certain Guamanians killed or captured by Japanese at Wake Island;

S. 2574. An act for the relief of Constantina Caraiscou;

S. 2686. An act for the relief of Stepanida Losowskaja;

S. 2736. An act for the relief of Arie Abramovich;

S.2751. An act for the relief of Susan Gudera, Heinz Hugo Gudera, and Catherine Gudera;

S. 2835. An act for the relief of Sieu-Yoeh Tsai Yang;

S. 2862. An act for the relief of Mai Har Tung;

S. 2876. An act to extend for 1 year the authority to insure mortgages under sections 809 and 810 of the National Housing Act;

S. 3016. An act to amend the act of March 2, 1929, and the act of August 27, 1935, relating to load lines for oceangoing and coastwise vessels, to establish liability for surveys, to increase penalties, to permit deeper loading in coastwise trade, and for other purposes;

S. 3039. An act for the relief of Bartola Maria S. La Madrid;

S.J. Res. 132. Joint resolution extending recognition to the International Exposition for Southern California in the year 1966 and authorizing the President to issue a proclamation calling upon the several States of the Union and foreign countries to take part in the exposition; and

S.J. Res. 179. Joint resolution authorizing and requesting the President to designate

April 21, 1963, as a day for observance of the courage displayed by the uprising in the Warsaw ghetto against the Nazis.

ADJOURNMENT UNTIL 10 A.M. TOMORROW

Mr. HUMPHREY. Mr. President, I had been given some indication that some other Senator might wish to address the Senate, but, if there is no further business, I move, pursuant to the order previously entered, that the Senate stand in adjournment until 10 o'clock tomorrow morning.

The motion was agreed to; and (at 7 o'clock and 24 minutes p.m.) the Senate adjourned, pursuant to the order previously entered, until tomorrow, Friday, August 24, 1962, at 10 o'clock a.m.

NOMINATIONS

Executive nominations received by the Senate August 23, 1962:

Public Health Service

The following-named persons to be members of the Board of Regents, National Library of Medicine, Public Health Service, for terms of 4 years expiring August 3, 1966:

Dr. Henry Nelson Harkins, of Washington, vice Dr. Worth Bagley Daniels, term expired.

Dr. Alfred Gellhorn, of New Jersey, vice Thomas Edward Keys, term expired.

CONFIRMATIONS

Executive nominations confirmed by the Senate August 23, 1962:

Coast and Geodetic Survey

The nomination beginning Fair J. Bryant to be captain, and ending James P. Randall to be lieutenant commander, which nominations were received by the Senate and appeared in the Congressional Record on August 3, 1962.

U.S. Coast Guard

The nominations beginning Harold D. Seielstad to be captain, and ending Robert H. Thornton to be lieutenant (junior grade), which nominations were received by the Senate and appeared in the Congressional Record on August 3, 1962.

EXTENSIONS OF REMARKS

The Trade Expansion Bill

EXTENSION OF REMARKS

OF

HON. STROM THURMOND

OF SOUTH CAROLINA

IN THE SENATE OF THE UNITED STATES

Thursday, August 23, 1962

Mr. THURMOND. Mr. President, the State of Columbia, S.C., has printed on its editorial page of August 21, 1962, an excellent editorial and also an eloquent statement by Congressman L. Mendel Rivers, South Carolina's distinguished Representative from the First District, on the subject of the trade expansion bill. The editorial is entitled "Deadly Threat to State" and the statement by Congressman Rivers carries the following headline: "Rivers Sees Socialization in Trade Act—Threat to South Carolina Payrolls, Congressman Says."

I ask unanimous consent, Mr. President, that these articles be printed in the Congressional Record because I feel they merit the attention of the Members of this body as we prepare to consider the trade expansion bill and the many amendments which are being offered to this legislation.

There being no objection, the articles were ordered to be printed in the Record, as follows:

[From the Columbia (S.C.) State, Aug. 21, 1962]

Deadly Threat to State

South Carolinians with the continuing progress of their State at heart should read the statement on this page today by Representative L. Mendel Rivers. And they should read also the text of the advertisement which appeared in Monday's issue of the State signed by two leading textile producers.

Both the statement of the Congressman and of the textile men are on the subject of the Trade Expansion Act, especially as it would, in their opinion, affect industry in the South and in South Carolina. Both deal with the possible fate of the jobs of thousands of Southern workers—and the stake the South has in these jobs being maintained.

II

Mr. Rivers envisions not only a "deadly threat to the State's biggest payrolls," but fears the trade expansion plan would lead to "a world government before Americans know what is happening." He warns of excessive international agreements. He pictures the possibility that we may become so enmeshed in treaties that "we literally could not defend ourselves without the help and cooperation of our allies."

In the advertisement signed by Roger Milliken and Charles A. Cannon, two of the largest textile manufacturers, is the reminder that the administration so far has not lived up to its promise to hold down texile imports.

"We were told," their statement says, "that the Geneva agreement would hold imports at the level of 1961, but actual imports for the year to date indicate that the volume of cotton textile imports for 1962 will be up 30 percent over 1961."

The Cannon-Milliken statement included eight proposed amendments to the Trade Expansion Act which would provide safeguards for American industry. They are amendments proposed by Senator Prescott Bush, Senator Strom Thurmond, and a bipartisan group of six other Senators.

III

Messrs. Milliken and Cannon support these amendments and ask that citizens telegraph or telephone Senator Harry F. Byrd, chairman of the Senate Finance Committee which is considering the bill. They also suggest that one's own Senators be urged to support the protective changes in the bill. (It has been passed by the House of Representatives and is now in the Senate committee.)

IV

Citizens consideration of the complexities of such a matter may not come easily, but none would fail to feel the impact of the serious blows which men in a position to know say might come to South Carolina's chief industry and its value to the State if the Trade Act is not changed.

The State has sought to keep an open mind on the problems embodied in international trade. It has sought to understand the merits of maintaining the friendship of nations selling goods in the United States. But none can overlook the warnings of Messrs. Rivers, Thurmond, Milliken, Cannon and others. The matter has been brought home to South Carolina and it is grave. The protective amendments now before the Senate committee are of the utmost importance to the welfare of the entire State of South Carolina.

[From the Columbia (S.C.) State, Aug. 21, 1962]

Rivers Sees Socialization in Trade Act—Threat to South Carolina Payrolls, Congressman Says

(Note.—Congressman L. Mendel Rivers of the Second District, has issued a new and forceful statement in opposition to the Trade Expansion Act, now before the Senate. The text of his statement is published below.)

The Trade Expansion Act can be the fatal step in a calculated move to enmesh our Nation irretrievably in a world government before Americans know what is happening.

It has been rightly called the most important piece of legislation before the Congress this year.

Never in my 22 years in Congress have I seen a more dangerous piece of legislation designed to give the President almost unlimited authority over the life and death of our economic way of life.

I fought this measure on the House floor, voting to recommit it to Ways and Means Committee, and when this motion was defeated, I cast my vote solidly against it. The measure now awaits action in the Senate.

The drive to put the United States into an international Socialist system is being spearheaded on three broad fronts—political, military, and economic.

The political thrust plays on fear of nuclear warfare. The one-world propaganda expounds on the theory that war threatens to annihilate mankind, therefore the only way to prevent war is to subject all nations to an overriding international authority.

The one-worlders military technique is to entangle America into so many international defense treaties and agreements that we literally cannot defend ourselves without the help and cooperation of our allies.

When we reach this point of dependency, then the people would be told that we must surrender our Armed Forces to international control.

I assure you as long as I have breath in my body I'll fight this one-world philosophy which erodes at the basic concepts under which our Founding Fathers created the greatest nation on earth.

The real danger lies in the economic phase of this scheme—the trade program. The naive may think this bill will enable our industries to compete better with those of the European Common Market. But I fear it predisposes the destruction of the economy of the United States, and in particular will hurt South Carolina.

I have in mind now the deadly threat to the biggest payrolls in our State, the textile industry, which is locked in a life and death struggle with the Japanese industries.

Such a bill could destroy entirely some of our industries and cripple others by making them subject to economic and political decisions by international and foreign authorities.

Under the bill, the President has sweeping powers to eliminate tariffs on some commodities and slash others up to 50 percent, not just on a commodity-by-commodity basis, but on broad categories of goods. Through exercise of this power, it is obvious some domestic industries can be ruined and many left jobless.

Another objectionable provision is special payments for workers who lose their jobs because of imports, business leaders believe. I believe such allowances could upset present State unemployment compensation systems and lay the groundwork for federalization of the program. Such payments are included in the trade-adjustment section which carries various aids for companies and employees damaged by import competition.

Such adjustment assistance would mean Federal subsidy. More subsidy would mean greater Federal control and ultimately higher taxes to pay for such subsidies.

I ask you where will this money come from? I can quickly tell you—right from the taxpayer's pocket.

The only logical conclusion I can draw from the present trade bill is that socialization of industry must be the inevitable result if we embark on this avenue of dealing with foreign nations.

Bringing American Culture to the Soviet Union

EXTENSION OF REMARKS

OF

HON. VICTOR L. ANFUSO

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, August 23, 1962

Mr. ANFUSO. Mr. Speaker, one of our most famous New York personalities will shortly be visting the Soviet Union in cooperation with the American National Theater and Academy and the Department of State.

Mr. Earl Wrightson, one of our Nation's finest performers, will shortly become an integral part of our country's people-to-people program, but his main objective in a concert tour of the Soviet Union will be one that has long been overlooked by other personalities, as well as by many of our own officials. Heretofore they have visited, primarily, the larger cities, particularly Moscow. Mr. Wrightson's tour will, of course, include the large cities, but concentration will be on the small outlying districts where the people of Russia themselves can hear the music of America and see an American perform.

Mr. Wrightson and his distinguished costar, Miss Lois Hunt, formerly of the Metropolitan Opera, are well known to the Members of Congress, particularly because of their most admirable recent appearances at the Shoreham Hotel here. In the upcoming weeks they will be guests on the "Bell Telephone Hour" and the "Voice of Firestone" on television.

What is of particular interest here is the fact that Mr. Wrightson, in volunteering to visit the Soviet Union, is paying his own way. This is not a tour that the Government will sponsor financially. Mr. Wrightson is such a success that he can well afford to pay his own way. What is important is that he volunteered to do so at his own volition. This seems to me to be a step in the right direction. If more of our equally famous personalities and equally talented stars were to take this step, our cultural program with the Soviet Union would be increased a thousandfold and would be of immeasurable help in bringing our culture and way of life to the people of the Soviet Union.

Mr. Wrightson and his company are to be congratulated for their thoughtfulness and patriotism.

Mayor's Commission on Human Relations, Charleston, W. Va., Honors Senator Joseph S. Clark for Contributions to Improved Human Relations

EXTENSION OF REMARKS

OF

HON. JENNINGS RANDOLPH

OF WEST VIRGINIA

IN THE SENATE OF THE UNITED STATES

Thursday, August 23, 1962

Mr. RANDOLPH. Mr. President, our able colleague, the senior Senator from Pennsylvania, the Honorable JOSEPH S. CLARK has long been known as a champion of civil rights, equal job opportunity, and better human relations. His efforts to promote an atmosphere of understanding and tolerance among citizens have earned him the deserved recognition and respect of civic groups and patriotic organizations throughout the United States.

For this reason it is fitting that he should have been chosen as the principal speaker at the annual dinner of the Mayor's Commission on Human Relations, Charleston, W. Va., on April 12, 1961. Mayor John A. Shanklin of Charleston, and commission chairman L. Leo Kolbecker officiated at the banquet which was attended by West Virginia's Governor, William Wallace Barron, and 1,000 other public motivated citizens of the Charleston area.

It was my pleasure on that occasion to laud the efforts of Senator CLARK and to express tribute to his dedication to the principles of justice and individual equality which are so much a part of the heritage of the United States. Senator CLARK, unable to be present due to airplane difficulties, delivered an inspiring and meaningful message to those assembled by means of a telephone hookup from his residence in Washington, D.C.

It is gratifying to report, Mr. President, that because of his significant contributions to the welfare of all citizens, and his lifelong adherence to the ideals and practices of good human relations, Senator CLARK has been presented with a suitably inscribed plaque by the Mayor's Commission on Human Relations. In a letter to Mr. CLARK, and transmitting this award, Commission Chairman Kohlbecker noted the Senator's efforts in behalf of the city of Charleston, and informed him of additional progress which has been made there in the field of human relations. The plaque is inscribed:

> To JOSEPH S. CLARK in grateful appreciation of your outstanding contribution to the city of Charleston Mayor's Commission on Human Relations to eliminate discriminatory practices in the Charleston, W. Va., community based solely upon race, creed, or national origin.

Mr. President, I ask unanimous consent that Mr. Kohlbecker's letter to Senator CLARK be printed in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

CITY OF CHARLESTON,
MAYOR'S COMMISSION ON
HUMAN RELATIONS,
Charleston, W. Va., March 15, 1962.

Hon. JOSEPH S. CLARK,
U.S. Senate, Washington, D.C.

DEAR SENATOR: It has taken us some time to obtain the plaque commemorating your valuable contribution to our efforts here in Charleston on the occasion of our second annual dinner last year. While you were unable to attend in person, you still were able to deliver your stirring address through the facilities of the telephone company, and believe me, speaking for our citizens here in Charleston, we appreciate your grand contribution to our efforts.

We are sending you this plaque to commemorate this milestone in our progress here in Charleston. You will be glad to learn that all of our major hotels and restaurants now serve all peoples, regardless of race, color or creed. We are now working on the second phase of our objective, and that is the matter of equal employment opportunities for all peoples.

Thanks again, Senator, for your fine contribution to our efforts. Speaking for all of our citizens here in Charleston, we are greatly appreciative of your grand contribution to our work.

Kind regards and best wishes.

Sincerely,

L. L. KOHLBECKER,
Chairman.

Congressman Johnson Pays Tribute to Col. Henry Stickney

EXTENSION OF REMARKS

OF

HON. THOMAS F. JOHNSON

OF MARYLAND

IN THE HOUSE OF REPRESENTATIVES

Thursday, August 23, 1962

Mr. JOHNSON of Maryland. Mr. Speaker, I was advised today by Miss Elsie McNamara, managing editor of the Daily Banner, Cambridge, Md., one of our outstanding daily newspapers, that Col. Henry Stickney, of Cambridge, had passed away and will be buried in Arlington Cemetery, Thursday, August 23, 1962.

Colonel Stickney survived the Bataan death march. He was captured by the

Japanese May 7, 1942, and remained a prisoner until August 1945. He is survived by his loyal wife Elinor, who resides in the Parkview Apartments in Cambridge.

I am sure the Members of Congress and all Americans share in the grief of Mrs. Stickney. As long as we have courageous men like Colonel Stickney this Nation will always be known as the land of the free and the home of the brave.

We salute Colonel Stickney and pay our deepest respects to Mrs. Stickney. May our Lord give her strength in the knowledge that her husband served God and country nobly in our most trying hour.

Philadelphia Association for Youth

EXTENSION OF REMARKS

OF

HON. HERMAN TOLL

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, August 23, 1962

Mr. TOLL. Mr. Speaker, in 1932 the Crime Prevention Association of Philadelphia was founded to assist in the control of antisocial behavior through programs of an educational, social and recreational nature, in cooperation with other appropriate agencies. Over the years the association developed a number of programs and expanded its activities, while concentrating its efforts in area youth work.

In 1960 gang youth violence flamed from south to north to west Philadelphia, resulting in deaths, severe injuries and increasingly dangerous interracial tensions. The Crime Prevention Association decided that it was necessary to attempt a new approach to the problem of juvenile delinquency. The subtitle "Philadelphia Association for Youth" was adopted and the new organization appealed to trusts, foundations, and the Philadelphia City Council for funds to meet this situation. Late in 1960, through the efforts of Hon. Paul D'Ortona, now president of Philadelphia City Council, an appropriation of $40,000 was secured to aid the association's area-youth-work program in 1961. Additional funds were obtained from a foundation grant, private contributions, and the United Fund. The newly formed Philadelphia Association for Youth was now financially prepared to approach the problem of juvenile delinquency control.

A pilot project was initiated under the direction of Stephan H. Kneisel, executive director of the Crime Prevention Association. The 17th police district, an area with a history of street fighting among youth groups and frequent interracial hostilities, was chosen as the site for the project. Prior to 1961, the 17th district held top position for recorded tension and youth conflict situations. The district embraces about 6½ square miles and about 2,500 boys between the ages of 14 and 17, and over 13,000 school-age youngsters.

It was decided that, except for a minimum clerical staff, the new funds were to be used to put as many workers on the street as possible in areas of greatest need. By January 1961 two full-time and four part-time workers had been employed. The staff was gradually enlarged until it comprised 25 full- or part-time workers, 20 of whom were employed working directly with the youth of the area. Extensive cooperation was obtained from the board of education, which made three strategically located school gyms available for recreational programs; the Philadelphia Department of Recreation assigned a youth worker of its own to one of the recreational facilities in the area; the juvenile aid division of the police department provided day-to-day communication between the association's area workers and the police officers assigned to the 17th district; and the Philadelphia Commission on Human Relations supplied additional personnel and coordination functions. The support of the residents and businessmen of the area was also enlisted. Several businessmen donated vacant apartments or store basements to be used as clubhouses and residents aided in the formation of Boy and Girl Scout troops as well as supplying much-needed adult leadership and supervision.

It is difficult to evaluate the intangible improvements brought about by the Philadelphia Youth Association's activities in the 17th police district. The overall improvement of the living conditions, property values, and social climate of the area cannot be taken lightly. However, there is more tangible evidence of improvement after only 12 months of operation. Homicides due to youth group violence numbered 3 in 1960, while there were none in 1961 in the 17th district; major group conflicts were reduced from 34 to 12 and major intergroup incidents from 38 to 21. Both the youth and racial conflicts in 1961, as opposed to those in 1960, were sporadic and seemingly unrelated. The overall operations of the Philadelphia Association for Youth in 1961 reached 19,937 boys and girls, including 3,325 registered members.

What of the future? The youth association has already begun expanded operations for 1962, including an increased grant from the city council. H. Hunter Holt, Jr., president of the Crime Prevention Association, stated in the 1961 annual report: "This has been a glorious, hectic, exhausting year of progress, not for the association but for Philadelphia. If it has the vision and will, Philadelphia can become the first major city in the world to have redirected the energies and potentialities of its most troublesome youth groups into constructive channels."

I congratulate the Philadelphia Association for Youth for its efforts in 1961 and for the progress it has made toward solution of Philadelphia's juvenile problem.

The Public Works Employment Bill

EXTENSION OF REMARKS

OF

HON. ALBERT RAINS

OF ALABAMA

IN THE HOUSE OF REPRESENTATIVES

Thursday, August 23, 1962

Mr. RAINS. Mr. Speaker, the public works employment bill, H.R. 10113, will come before the House next Tuesday and give us all a chance to cast a clear-cut vote on the problem of unemployment and show whether or not we are willing to do something to help our 4 million jobless men and women.

This bill is designed to provide a prompt expansion of employment in those areas suffering from the most serious economic problems. It would do this by authorizing the appropriation of $900 million to build Federal projects which have been authorized by the Congress and to make 50-percent grants for a wide range of local community facilities. These grants could be used to help finance water and sewer facilities, public buildings, streets and sidewalks, and in fact practically any local construction project except schools provided that the project, in the language of the bill, "meets an essential public need."

This bill will have a prompt effect on the economy because of the great number of projects fully planned and ready to go in eligible areas. An indication of this backlog is given by the list of local public works which have been planned or are now being planned under the 702 program of advances for public works planning. There are hundreds of projects under that program which could be aided under the public works bill. One of the great advantages of H.R. 10113 as an economic stimulant is that it not only provides a substantial amount of employment and provides it promptly but at the same time adds to our national wealth by creating urgently needed public facilities.

I am particularly pleased that a large number of projects under this program are in my own State of Alabama and elsewhere throughout the South. As the table below shows, the benefits of this bill would not be confined to a few large cities but would be spread throughout the country in small towns and rural areas as well as cities of every size. I would like to point out that the benefits of this bill are not confined solely to the areas in which the projects will be undertaken. Through the demand for construction materials and equipment which these projects will require and through the spending and respending of the additional income created by the bill, the entire country will benefit.

Mr. Speaker, the projects planned under the 702 program represent only a small part of the great number of facilities which could be aided under this bill but it is clear evidence that there is a backlog of projects which will make it possible to create employment quickly. Naturally, it is not certain that each and every one of these projects will receive grants under the public works bill. For example, it may be some of them are too large to meet the requirement that the bulk of the employment be created within 12 months though even in the case of these larger projects, it is often possible to separate them so that some part can be aided by grants. In my judgment it is safe to assume that the overwhelming majority of these projects would be fully eligible and I insert the list in the RECORD:

PROGRAM OF ADVANCES FOR PUBLIC WORKS PLANNING

Projects planned or being planned in areas eligible for aid under H.R. 10113, June 30, 1962

ALABAMA

City	County	Type of project	Estimated total cost
Gadsden	Etowah	Sewer	$4,500,000
Haleyville	Winston	do	612,000
Tuskegee	Macon	do	365,000
Collinsville	De Kalb	do	167,000
Athens	Limestone	do	375,000
Arab	Marshall	Water	792,000
Chickasaw	Mobile	Sewer	385,945
Do	do	do	240,579
Mobile	do	Water	3,809,800
Do	do	do	6,297,700
Bayau La Batre	do	Sewer	792,334
Birmingham	Jefferson	do	6,875,000
Do	do	Grade separation	5,000,000
Glencoe	Etowah	Sewer	115,000
Jasper	Walker	do	123,000
Ragland	St. Clair	do	55,000
Oneonta	Blount	Streets	386,794
Phenix	Russell	Sewer	320,408
Vincent	Shelby	do	110,171
Repton	Conecuh	Water	48,500
Selma	Dallas	Sewer	383,000
Do	do	do	224,000
Do	do	do	148,000
Luverne	Crenshaw	Street	73,967
Do	do	do	71,259

ALASKA

Cordova		Sewer	$1,000,000
Fairbanks		Water	1,796,000
Do		do	6,000,000
Kenai		Sewer	424,000
Do		Water	622,000
Kodiak		do	271,000
Nome		do	1,200,000
Seldovia		do	197,000
Cordova		do	314,000
Fairbanks		do	2,380,000
Ketchikan		Power	1,283,440
Kodiak		Sewer	125,050
Seward		Water	375,444
Wrangell		Seawall	160,000

ARIZONA

Eager	Apache	Sewer	$215,127
Springerville	do	do	139,804
Holbrook	Navajo	Public buildings	57,704
Do	do	do	91,815

ARKANSAS

Calico Rock	Izard	Water	$84,000
Do	do	Sewer	195,000
Oxford	do	Water	70,000
Perry	Perry	do	45,000
Ashdown	Little River	Sewer	176,000
Jasper	Newton	Water	100,000
Yellville	Marion	Sewer	130,300

CALIFORNIA

Keys	Stanislaus	Sewer	$200,000
Laytonville	Mendocino	Water	93,000
Turlock	Stanislaus	Sewer	1,825,000
Stockton	San Joaquin	Police station	1,668,050
Do	do	Library	1,038,271
Hollister	San Benito	Sewer	781,000
Coalinga	Fresno	do	300,000
Fresno	do	Storm drains	5,509,000
Santa Monica	Los Angeles	Pedestrian mall	397,000
West Covina	do	Storm drains	257,000
Do	do	do	161,000
Do	do	do	135,000
Montclair	San Bernardino	Sewer	3,273,000
India	Riverside	Grade separation	1,151,000
Carlsbad	San Diego	Sewer	2,090,000
Chula Vista	do	Water	4,169,000
Weaverville	Trinity	Public buildings	270,000
San Diego	San Diego	do	494,123
Willets	Mendocino	Streets	273,371

CONNECTICUT

City	County	Type of project	Estimated total cost
Bristol	Hartford	Municipal building	$1,629,815
Do	do	Flood control	661,500
Norwich	New London	Water	513,250
Simsbury	Hartford	Firehouse addition	31,680

GEORGIA

Clarkesville	Habersham	Water	$280,000
Hartwell	Hart	do	643,605
Lavania	Franklin	do	468,000
Cumming	Forsyth	Sewer	265,000
Macon	Bibb	Coliseum	2,918,000
Warm Springs	Meriweather	Streets	52,498
Do	do	Sewer	39,187
Do	do	Water	19,373
Manchester	do	Library	22,333
Luthersville	do	Water	45,281
Bowman	Elbert	Sewer	56,832
Toccoa	Toccoa	City hall	78,974
Arlington	Early	do	33,000
Davisboro	Washington	Sewer	74,952
Baldwin	Habersham	do	92,610
Blairsville	Union	do	106,990
Royston	Franklin	do	174,446
Do	do	Water	67,072
Clayton	Rabun	Library	63,247
Barien	McIntosh	Water	89,896

HAWAII

Hawaii	Hawaii	Water	$457,340
Do	do	Sewer	747,500

IDAHO

Coeur d'Alene	Kootenai	Hospital	$1,913,000

ILLINOIS

Arthur	Moultrie	Water	$415,000
Lovington	do	Sewer	388,000
Valmeyer	Monroe	Water	179,800
Do	do	Sewer	205,850
Ava	Jackson	do	169,400
Bartelso	Clinton	Water and sewer	81,000
De Soto	Jackson	Sewer	160,000
Lacon	Marshall	do	614,000
Cairo	Alexander	do	694,000
Do	do	do	729,000
Centralia	Marion	Water	1,520,000
Danville	Vermilion	Sewer	860,000

INDIANA

Terre Haute	Vigo	Sewer	$2,826,000
Michigan City	La Porte	do	2,340,000
Cannelton	Perry	do	99,000
Marengo	Crawford	Water	88,600

IOWA

Mystic	Appanoose	Water	$182,000

KANSAS

Pittsburg	Crawford	Storm drains	$2,813,000
Do	do	Police and fire station	94,000

KENTUCKY

Flatwoods	Greenup	Sewer	$838,000
	Floyd	Courthouse	595,000
Prestonburg	do	Sewer	843,000
Hopkinsville	Christian	Municipal building	633,025

PROGRAM OF ADVANCES FOR PUBLIC WORKS PLANNING—Continued

Projects planned or being planned in areas eligible for aid under H.R. 10113, June 30, 1962—Continued

KENTUCKY—Continued

City	County	Type of project	Estimated total cost
Paintsville	Johnson	Sewer	$1,212,000
Clinton	Hickman	do	142,000
Clay City	Powell	Water	175,000
Georgetown	Scott	Sewer	704,000
Hindman	Knott	Water	143,000
Bowling Green	Warren	Sewer	4,346,000
Monticello	Wayne	do	524,357
Hazard	Perry	do	116,600
New Haven	Nelson	do	85,114
Pewee Valley	Oldham	Water	174,661
Earlington	Hopkins	Sewer	169,659
White Plains	do	Water	68,600
Pikeville	Pike	Public buildings	66,650
Glasgow	Barren	Streets	41,382
Sebree	Webster	Sewer	83,252
Irvine	Estill	do	116,412
Do	do	Streets	87,985
Senton	Marshall	Sewer	52,080
Cumberland	Harlan	Water	63,904
Do	do	Sewer	180,426
Somerset	Pulaski	do	456,089
Crofton	Christian	Water	97,000
Irvington	Breckinridge	Sewer	288,968
Paintsville	Johnson	do	370,000

LOUISIANA

City	County	Type of project	Estimated total cost
Church Point	Acadia	Water	$244,000
Morse	do	do	120,000
Plaucheville	Avoyelles	do	189,000
	do	Hospital	1,465,000
Pine Prairie	Evangeline	Water	107,000
Lafayette	Lafayette	Airport	1,700,000
Do	do	Streets	4,493,000
Do	do	Storm drains	600,000
Do	do	City buildings	500,000
Do	do	Park	250,000
Abbeville	Vermilion	Storm drains	395,000
Delcambre	Vermilion and Iberia	Road	277,000
Do	do	Sewer	450,000
Leesville	Vernon	do	400,000
Leonville	do	Water	93,000
Hammond	Tangipahoa	Streets	380,000
Roseland	do	Sewer	200,000
Baton Rouge	East Baton Rouge	Dock	14,250,000
New Orleans	Orleans	Police facility	8,440,000
Do	do	Storm drains	11,450,000
Do	do	Sewer	14,526,000
Do	do	do	4,399,000
Abbeville	Vermilion	Harbor	1,066,000
Basile	Evangeline	Sewer	460,000
Bogalusa	Washington	Park	139,934
Mamou	do	Water	129,000
Do	do	Sewer	43,354
Provencal	Natchitoches	Gas	85,000
Winnsboro	Franklin	Sewer	465,000
Youngsville	Lafayette	do	175,750
Sunset	St. Landry	do	211,396
Melville	do	do	300,000
Opelousas	do	do	731,000
Hammond	Tangipahoa	Water	575,000
Do	do	Sewer	668,000
Bunkie	Avoyelles	do	18,872
Do	do	Roads	39,573
Do	do	Sewer	110,000
Cottonport	do	do	77,098
Do	do	do	153,550
Do	do	do	27,815
Eunice	St. Landry	do	214,154
Independence	Tangipahoa	Public buildings	24,216
Kaplan	Vermilion	Sewer	257,000
Mansura	Avoyelles	do	98,963
New Orleans	Orleans	Bridges	4,872,993
Bogalusa	Washington	Viaduct	492,676
Opelousas	St. Landry	Sewer	396,198

MAINE

City	County	Type of project	Estimated total cost
Wiscassett	Lincoln	Sewer	$460,000
Limestone	Aroostook	do	535,000
Do	do	Water	131,000
Millinocket	Penobscot	Sewer	1,417,000
Calais	Washington	do	600,000
Biddeford	York	do	2,336,000
Saco	do	do	2,448,000
Lubec	Washington	do	58,600
Patton	Penobscot	Water	222,950

MARYLAND

City	County	Type of project	Estimated total cost
	Dorchester	Water	$430,000
Crisfield	Somerset	Sewer	329,537
Do	do	do	300,000

MASSACHUSETTS

City	County	Type of project	Estimated total cost
Brockton	Plymouth	Water	$2,179,000
Chicopee	Hampden	Sewer	2,986,000
Holyoke	do	Water	2,946,986
Adams	Berkshire	Sewer	3,035,000
Lowell	Middlesex	Fire alarm building	72,100
Do	do	Sidewalks	107,500
Abington	Plymouth	Sewer	306,000
Newburyport	Essex	do	536,000
Dracut	Middlesex	Water	432,600
Do	do	Sewer	279,080
Do	do	do	488,900
Do	do	do	387,700

MICHIGAN

City	County	Type of project	Estimated total cost
Pentwater	Oceana	Sewer	$139,000
Ishpeming	Marquette	do	297,500
	Macomb	Storm drains	12,335,271
	do	do	5,754,902
	do	do	7,560,301
	do	do	2,690,786
	Oakland	Sewer	16,503,000
Oak Park	do	do	384,417
Pontiac	do	do	2,336,000
Waterford Township	do	Water	12,756,516
Alma	Gratiot	Sewer	600,000
Norton Township	Muskegon	do	2,050,000
Empire	Leelanau	Water	27,000

MINNESOTA

City	County	Type of project	Estimated total cost
Chisholm	St. Louis	Water	$1,462,000
Cass Lake	Cass	Sewer	128,000

MISSISSIPPI

City	County	Type of project	Estimated total cost
Tchula	Holmes	Water	$239,000
Potts Camp	Marshall	do	184,000
Bude	Franklin	Sewer	1,900,000
Leland	Washington	do	330,000
Okalona	Chichasaw	Water	156,000
Do	do	Sewer	220,000
Yazoo City	Yazoo	do	1,610,000
Biloxi	Harrison	Water	1,121,000
Bay Springs	Jasper	Sewer	103,400
Shelby	Bolivar	do	99,300
Mize	Smith	Water	26,500
Lexington	Holmes	Streets	99,169
Hazlehurst	Copiah	Sewer	322,688
New Hebron	Lawrence	Water	40,840
Summit	Pike	Sewer	111,771
Shaw	Bolivar	do	120,829
Ruleville	Sunflower	do	105,000
Mound Bayou	Bolivar	Streets	26,390
De Kalb	Kemper	Sewer	86,000
D'Lo	Simpson	Water	25,000

MISSOURI

City	County	Type of project	Estimated total cost
Pilot Knob	Iron	Water	$83,358
St. Genevieve	St. Genevieve	Courthouse	603,000
Potosi	Washington	Sewer	116,900

MONTANA

City	County	Type of project	Estimated total cost
Ronan	Lake	Sewer	$163,000
Hamilton	Ravalli	Storm drains	240,000
Ronan	Lake	Streets	109,144
Do	do	do	83,624

NEVADA

City	County	Type of project	Estimated total cost
Caliente	Lincoln	Public buildings	$36,400

NEW JERSEY

City	County	Type of project	Estimated total cost
Atlantic City	Atlantic	City yards	$2,788,973
Englishtown	Monmouth	Water	315,000
Little Silver	do	Sewer	1,590,000
Long Beach Township	Ocean	Water	260,468
Long Branch	Monmouth	City hall	510,000
Passaic	Passaic	Roads	2,825,137
Do	do	Bus terminal	176,370
Do	do	Roads	587,395
Pompton Lakes	do	Sewer	1,725,000
Totowa	do	do	705,900
Do	do	do	233,800

PROGRAM OF ADVANCES FOR PUBLIC WORKS PLANNING—Continued

Projects planned or being planned in areas eligible for aid under H.R. 10113, June 30, 1962—Continued

City	County	Type of project	Estimated total cost
NEW JERSEY—Continued			
Wanaque	Passaic	Water	$42,980,000
Wayne Township	do	Sewer	1,929,360
Wildwood	Cape May	Incinerator	500,000
Do	do	do	500,000
Pleasantville	Atlantic	Sewer	731,000
Lakehurst	Ocean	do	428,000
Little Falls	Passaic	do	359,000
Jersey City	Hudson	Administration building.	1,285,000
Paterson	Passaic	Sewer	294,450
Woodbine	Cape May	do	338,577
Milford	Passaic	Townhall	265,000
NEW MEXICO			
Central	Grant	Sewer	$205,000
Gallup	McKinley	Airport	1,000,000
Mountainair	Torrence	Road	187,500
Raton	Colfax	do	190,000
Do	do	Sewer	94,000
NEW YORK			
Beacon	Dutchess	Incinerator	$523,250
Do	do	Sewer	1,152,000
Newburgh	Orange	Incinerator	830,000
Brasher	St. Lawrence	Sewer	355,000
Chaumont	Jefferson	Water	296,500
Cloversville	Fulton	Sewer	2,194,525
Heuvelton	St. Lawrence	do	400,600
Niskayuna	Schenectady	do	1,640,850
Stockholm	St. Lawrence	do	230,000
Tupper Lake	Franklin	do	997,041
Do	do	Fire station	59,800
Westport	Essex	Sewer	544,000
Jamestown	Chautauqua	Administration building.	2,864,000
Plattsburgh	Clinton	Water	435,000
Norfolk	St. Lawrence		257,000
Jamestown	Chautauqua	Sewer	120,460
NORTH CAROLINA			
Henderson	Vance	Sewer	$926,500
Hot Springs	Madison	do	89,000
Spruce Pine	Mitchell	do	461,200
Do	do	Water	300,000
Murphy	Cherokee	Sewer	425,000
Marshall	Madison	do	160,000
Norlina	Warren	do	211,000
Hendersonville	Henderson	do	1,150,696
Tabor City	Columbus	Streets	87,600
Do	Macon	Courthouse	369,000
Do	Columbus	Sewer	71,250
Bryson City	Swain	do	76,225
Do	do	do	101,825
Roxboro	Person	do	128,950
Do	do	Water	86,950
Durham	Durham	do	507,950
Roper	Washington	do	54,670
Elm City	Wilson	Sewer	14,980
OHIO			
Ripley	Brown	Sewer	$467,572
Aberdeen	do	Water	280,000
Lorain	Lorain	Bridge	5,144,900
Do	do	Sewer	5,271,200
Zanesville	Muskingum	Water	656,600
North Bend	Hamilton	do	43,800
Do	do	Sewer	86,300
Greenfield	Highland	do	187,100
OKLAHOMA			
Wilburton	Latimer	Water	$690,000
Ada	Pontotoc	Sewer	307,658
Do	do	Highways	42,793
Do	do	Sewer	1,035,000
Do	do	do	150,000
Do	do	Highways	26,875
Do	do	do	20,090
Broken Bow	McCurtain	Sewer	149,698
Checotah	McIntosh	do	135,727
Nowata	Nowata	Highways	36,905
Valliant	McCurtain	Sewer	87,008
OREGON			
Newport	Lincoln	Water	$241,000
Nelscott	do	Sewer	144,000
Yamhill	Yamhill	do	125,000
Eastside	Coos	do	398,000
Cave Junction	Josephine	do	136,526
Newport	Lincoln	do	575,000
Willamina	Yamhill	do	209,000
Coos Bay	Coos	Waterfront improvements.	1,100,000
PENNSYLVANIA			
	Allegheny	Bridge	$7,301,795
	do	Viaduct	6,822,500
	do	Bridge	17,681,000
Athens, Sayre	Bradford	Sewer	3,331,213
Belle Vernon	Fayette	do	945,000
Dravosburg	Allegheny	Sewer	526,440
Erie	Erie	Auditorium	3,650,000
Do	do	Harbor facilities	842,000
Do	do	do	8,584,000
Do	do	Road	1,996,200
Fayette City	Fayette	Sewer	240,000
Glassport	Allegheny	do	959,500
Glenwillard	do	do	845,000
Harborcreek Township	Erie	Water	2,199,386
Latrobe	Westmoreland	Sewer	2,989,630
McKeesport	Allegheny	Railroad crossings	11,352,550
McVeytown	Mifflin	Water	545,000
Monessen	Westmoreland	Streets	914,404
Moon Township	Allegheny	Sewer	2,662,150
Do	do	Water	750,000
Nanty Glo	Cambria	Sewer	748,000
New Castle	Lawrence	do	9,300,000
Newton-Hamilton	Mifflin	Water	57,750
Patton	Cambria	Sewer	627,000
Pleasant Township	Warren	do	315,000
Tunkhannock	Wyoming	do	340,000
West Franklin	Greene	do	155,000
Rostraver Township	Westmoreland	do	2,241,000
Waterford	Erie	do	571,555
Whitehall	Allegheny	do	3,800,000
Alexandria	Huntingdon	do	138,000
Old Lycoming Township.	Lycoming	do	764,000
Liverpool	Perry	do	545,000
Do	do	do	545,000
Youngsville	Warren	do	85,000
Bradford Township	McKean	do	807,000
	Allegheny	Incinerator	6,300,000
Pittsburgh	do	Water	7,600,000
Synder Township	Blair	Sewer	330,000
Lower Yoder Township.	Cambria	do	490,000
Woodland	Clearfield	Water	312,000
Conneaut Lake	Crawford	Sewer	2,480,000
Millcreek	Erie	do	3,000,000
Scranton	Lackawanna	Bridge	304,000
Hempfield Township	Mercer	Sewer	609,000
Pine Grove	Schuylkill	do	900,000
Tamaqua	do	do	1,600,000
Orwigsburg	do	do	719,000
Port Carbon	do	do	303,000
Beaver	Beaver	do	480,000
Pittsburgh	Allegheny	Administration building.	225,000
Do	do	Roads	87,000
Do	do	Sewer	265,600
Hollidaysburg	Blair	Courthouse	531,280
Mount Union	Huntingdon	Sewer	252,370
Williamsport	Lycoming	Courthouse	2,372,000
South Williamsport	do	Sewer	267,000
Williamsburg	Blair	do	230,335
Blakely Borough	Lackawanna	do	14,300
Do	do	Roads and streets	43,002
Huntingdon	Huntingdon	Sewer	732,548
Blakely	Lackawanna	do	450,295
Wilkes-Barre	Luzerne	do	3,181,817
Hyndman	Bedford	do	163,638
Hughestown	do	do	184,485
Nanticoke	do	do	1,146,000
Pittston Township	do	do	471,204
Duryea	do	do	548,617
Jenkins Township	do	do	865,742
Exeter	do	do	832,048
Plains Township	Luzerne	do	1,572,439
Dupont	do	do	900,085
Pittston	do	do	1,169,157
Punxsutawney	Jefferson	do	287,084
Sheffield Township	Warren	do	189,000
West Newton	Westmoreland	do	180,000
Latrobe	do	do	597,544
Athens	Bradford	do	668,176
Coudersport	Potter	do	402,909
Mansfield	Tioga	do	108,480
Donora	Washington	do	704,000

PROGRAM OF ADVANCES FOR PUBLIC WORKS PLANNING—Continued

Projects planned or being planned in areas eligible for aid under H.R. 10113, June 30, 1962—Continued

PENNSYLVANIA—Continued

City	County	Type of project	Estimated total cost
Orbisonia	Huntingdon	Sewer	$152,552
Canton	Bradford	do	359,740
West Wyoming	Luzerne	do	875,915
New Eagle	Washington	do	288,044
Monongahela	do	do	565,248
Nescopeck	Luzerne	do	101,666
Meyersdale	Somerset	do	80,635
Tunkhannock	Wyoming	do	353,771
Sayre	Bradford	do	272,216
Scranton	Lackawanna	do	7,560,417
Saegerstown	Crawford	do	83,390
Cornplanter Township	Venango	do	278,579
California	Washington	do	318,074
Hazleton	Luzerne	do	1,663,985
Belle Vernon	Westmoreland and Fayette.	do	500,000
Plymouth	Luzerne	do	614,848
Monesson	Westmoreland	do	1,470,000
Charleroi	Washington	do	796,430
Brownsville	Fayette	do	967,422
Wyalusing	Bradford	do	30,085
Do	do	do	118,410
Masontown	Fayette	do	404,500
Harrisville	Butler	do	103,050
Taylor	Lackawanna	do	545,504
Wyoming	Luzerne	do	377,071
Matamores	Pike	do	649,650
Cressona	Schuylkill	do	344,489
Borough of Ashland	do	do	442,400
Township of Lackawanna.	Lackawanna	do	353,973
West Pittston	Luzerne	do	194,245
Saxton	Bedford	do	246,395
Freeland City	Luzerne	do	550,000
Dawson	Fayette	do	79,661
Olyphant	Lackawanna	do	425,880
Dickson City	do	do	476,750
Vanderbilt	Fayette	do	207,846
Duquesne	Allegheny	do	1,582,000
St. Clair	Schuylkill	do	306,000
Township of Monroe	Snyder	do	477,921

RHODE ISLAND

City	County	Type of project	Estimated total cost
East Greenwich	Kent	Water	$1,157,000
Cranston	Providence	Sewer	2,500,000
Narragansett	Washington	do	601,000
Do	do	Town hall	298,000
Westerly	do	Incinerator	161,400
Smithfield	Providence	Sewer	345,000
Do	do	do	191,000

SOUTH CAROLINA

City	County	Type of project	Estimated total cost
Aiken	Aiken	Sewer	$1,500,000
Do	do	Storm drains	1,000,000
Fairfax	Allendale	Sewer	81,000
Summarville	Dorchester	Municipal building	27,800
St. Stephen	Berkeley	Water	11,420
Do	do	Sewer	80,000
Chester	Chester	Public buildings	60,986
Orangeburg	Orangeburg	Sewer	46,500
North	do	do	13,500
Port Royal	Beaufort	do	110,000
Springfield	Orangeburg	do	88,000
Orangeburg	do	do	83,500
Branchville	do	do	111,008
	McCormick	Health center	100,394
Dorchester	Dorchester	Courthouse	111,562
Kershaw	Kershaw	Sewer	86,500
Do	do	Water	45,500
Beaufort	Beaufort	Sewer	185,000
Do	do	do	273,000

TENNESSEE

City	County	Type of project	Estimated total cost
La Follette	Campbell	Sewer	$859,650
Brin	Houston	do	215,000
Monterey	Putnam	do	610,000
Pikeville	Bledsoe	do	281,050
Sneedville	Hancock	do	200,000
Jellico	Campbell	Roads	79,000
Jasper	Marion	Sewer	86,440
Do	do	Water	95,387
Big Sandy	Benton	Sewer	156,500
Livingston	Overton	Water	75,842
Sparta	White	Sewer	60,704

TEXAS

City	County	Type of project	Estimated total cost
Port Arthur	Jefferson	Bridge	$400,000
Do	do	Water	500,000
Do	do	Sewer	500,000
Do	do	Storm drains	2,500,000
Beckville	Panola	Water	50,000
Do	do	Sewer	85,000
Avery	Red River	Water	72,000
Blossom Prairie	Lamar	Sewer	50,832

UTAH

City	County	Type of project	Estimated total cost
Beaver	Beaver	Hospital	$260,000
Orem	Utah	Water	1,500,000
Coalville	Summit	Sewer	115,000

WASHINGTON

City	County	Type of project	Estimated total cost
	Kittitas	Hospital	$1,367,130
Ronald	do	Sewer	4,914,500
East Wenatchee	Douglas	Sewer and water	2,320,000
Toledo	Lewis	Sewer	125,500
Spokane	Spokane	Streets	4,440,000
Tacoma	Pierce	Park	496,265
Do	do	Bridge	3,000,000
Newport	Pend Oreille	do	890,000
Anacortes	Skagit	Sewer	310,000
Yakima	Yakima	do	585,000
Concrete	Skagit	do	138,760

WEST VIRGINIA

City	County	Type of project	Estimated total cost
Montgomery	Fayette and Kanawha.	Sewer	$660,000
Clarksburg	Harrison	Water	52,000
Huntington	Kanawha	Sewer	194,000
Cameron	Marshall	do	297,000
Wheeling	Ohio	Water	5,343,000
Harrisville	Ritchie	Sewer	200,000
Craigsville	Nicholas	Water	532,000
Bethlehem	Ohio	Sewer	575,000
Blacksville	Monongalia	Water	40,000
Charleston	Kanawha	Sewer	1,460,000
	Mercer	Water	646,738
Rivesville	Marion	Sewer	300,000
Oceana	Wyoming	do	376,473
Welch	McDowell	do	358,973
Do	do	do	489,698
War	do	do	400,000
Marmet	Kanawha	do	243,847
Stonewood	Harrison	do	350,389
Ansted	Fayette	do	287,828
Wheeling	Ohio	do	2,150,000
Morgantown	Monongalia	Parks	186,000
Do	do	Airport	351,000

WISCONSIN

City	County	Type of project	Estimated total cost
Coleman	Marinette	Sewer	$44,000

SENATE

FRIDAY, AUGUST 24, 1962

The Senate met at 10 o'clock a.m., and was called to order by the President pro tempore.

Rev. Luther Holcomb, D.D., executive director, Greater Dallas Council of Churches, Dallas, Tex., offered the following prayer:

Help us, O God, lest our lives be kept within too small an orbit. Open our minds to the claim of a larger life, and open our hearts to the call of humanity.

We pray for those who seek truth and speak it when they find it, for those who cannot see evil without crying out against it, for those who condemn oppression and fight for liberty, for all who turn mankind toward the light of hope.

May Thy blessings be upon our President. Protect and guide our Vice President while he is away from us on a significant mission. Be with those who serve in this eminent body.

Grant us a vision of the world that is not yet, but ought to be; and in loyal devotion to its appearing, grant us the peace of those who strive in spirit and in truth. In His holy name. Amen.

THE JOURNAL

On request of Mr. HUMPHREY, and by unanimous consent, the reading of the Journal of the proceedings of Thursday, August 23, 1962, was dispensed with.

LEAVE OF ABSENCE

Mr. MORSE. Mr. President, I ask to be excused from attendance on the sessions of the Senate for the rest of today and tomorrow, inasmuch as I shall be touring the Bureau of Land Management rangelands in Oregon with the Director of the Bureau of Land Management, on official business.

The PRESIDENT pro tempore. Without objection, the request for leave of absence is granted.

LIMITATION OF DEBATE DURING MORNING HOUR

On request of Mr. HUMPHREY, and by unanimous consent, statements during the morning hour were ordered limited to 3 minutes.

COMMITTEE MEETINGS DURING SENATE SESSION

On request of Mr. HUMPHREY, and by unanimous consent, the Permanent Subcommittee on Investigations of the Committee on Government Operations was authorized to meet during the session of the Senate today.

On request of Mr. HUMPHREY, and by unanimous consent, the Subcommittee on Flood Control, Rivers and Harbors of the Committee on Public Works was authorized to meet during the session of the Senate today.

EXECUTIVE SESSION

Mr. HUMPHREY. Mr. President, I move that the Senate proceed to the consideration of executive business, to consider the nominations on the Executive Calendar, beginning with the nominations to the Atomic Energy Commission.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

EXECUTIVE REPORTS OF A COMMITTEE

The following favorable reports of nominations were submitted:

By Mr. EASTLAND, from the Committee on the Judiciary:

E. Avery Crary, of California, to be U.S. district judge for the southern district of California; and

Jesse W. Curtis, Jr., of California, to be U.S. district judge for the southern district of California.

The PRESIDENT pro tempore. If there be no further reports of committees, the nominations on the Executive Calendar, beginning with those to the Atomic Energy Commission, will be stated.

ATOMIC ENERGY COMMISSION

The Chief Clerk read the nomination of James T. Ramey, of Illinois, to be a member of the Atomic Energy Commission for the remainder of the term expiring June 30, 1964.

The PRESIDENT pro tempore. Without objection, the nomination is confirmed.

The Chief Clerk read the nomination of John Gorham Palfrey, of New York, to be a member of the Atomic Energy Commission for a term of 5 years expiring June 30, 1967.

The PRESIDENT pro tempore. Without objection, the nomination is confirmed.

THE NAVY

The Chief Clerk proceeded to read sundry nominations in the Navy.

Mr. HUMPHREY. Mr. President, I ask unanimous consent that these nominations be considered en bloc.

The PRESIDENT pro tempore. Without objection, the nominations will be considered en bloc; and, without objection, they are confirmed.

THE AIR FORCE

The Chief Clerk proceeded to read sundry nominations in the Air Force.

Mr. HUMPHREY. Mr. President, I ask unanimous consent that these nominations be considered en bloc.

The PRESIDENT pro tempore. Without objection, the nominations will be considered en bloc; and, without objection, they are confirmed.

THE ARMY, THE AIR FORCE, AND THE MARINE CORPS

The Chief Clerk proceeded to read sundry nominations in the Army, the Air Force, and the Marine Corps, which had been placed on the Secretary's desk.

Mr. HUMPHREY. Mr. President, I ask unanimous consent that these nominations be considered en bloc.

The PRESIDENT pro tempore. Without objection, the nominations will be considered en bloc; and, without objection, they are confirmed.

Mr. HUMPHREY. Mr. President, I ask unanimous consent that the President be immediately notified of the confirmation of these nominations.

The PRESIDENT pro tempore. Without objection, the President will be notified forthwith.

LEGISLATIVE SESSION

Mr. HUMPHREY. Mr. President, I move that the Senate resume the consideration of legislative business.

The motion was agreed to; and the Senate resumed the consideration of legislative business.

REPORTS OF A COMMITTEE

The following reports of a committee were submitted:

By Mr. SMATHERS, from the Committee on Commerce, with amendments:

S. 319. A bill to amend part I of the Interstate Commerce Act in order to provide that the provisions of section 4(1) thereof, relating to long-and-short haul charges, shall not apply to express companies (Rept. No. 1921).

By Mr. MAGNUSON, from the Committee on Commerce, with amendments:

S. Con. Res. 53. Concurrent resolution favoring travel by legislative and Government employees on United States air flag carriers (Rept. No. 1922).

BILLS AND JOINT RESOLUTION INTRODUCED

Bills and a joint resolution were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. PROXMIRE:

S. 3676. A bill to amend title II of the Social Security Act to lower from 62 to 60 the age at which benefits thereunder may be paid, with appropriate actuarial reductions made in the amounts of such benefits; to the Committee on Finance.

(See the remarks of Mr. PROXMIRE when he introduced the above bill, which appear under a separate heading.)

By Mr. BURDICK:

S. 3677. A bill for the relief of Eftyhios Psaltiras; to the Committee on the Judiciary.

By Mr. KUCHEL:

S.J. Res. 221. Joint resolution to designate the lake to be formed by the waters impounded by the San Luis Dam in the State of California as "Lake O'Neill"; to the Committee on Interior and Insular Affairs.

(See the remarks of Mr. KUCHEL when he introduced the above joint resolution, which appear under a separate heading.)

RETIREMENT AT AGE 60 UNDER SOCIAL SECURITY ACT

Mr. PROXMIRE. Mr. President, we have been working hard in the Joint Economic Committee to develop some constructive solution to the problem of unemployment. I am one of those Senators who disagree with the notion that we can constructively solve the problem by reducing taxes and increasing the Federal deficit. I do not think that is the constructive way to do it.

With this in mind, I submitted a resolution last week calling upon Governors and State legislatures to raise the school-leaving age to 17. I have been advised by authorities that this would help substantially in reducing unemployment, and open up jobs for the people who need them badly.

This morning, on the same line, I introduce a bill to permit social security retirement at age 60. The bill would require no increase in social security taxes because those electing retirement at 60 would take a one-third reduction in benefits.

The bill is principally aimed at unemployment. It is the second part of what I call my double-barreled attack on unemployment.

For more than 10 years I have been shaking hands with workers—literally by the tens of thousands—at Wisconsin's plant gates. The one persistent suggestion I constantly hear is a plea to lower the social security retirement age.

At a time when a high and persistent level of unemployment has become our No. 1 economic problem this grassroots suggestion has solid, commonsense merit.

The men and women who suggest this again and again point out that their retirement from the labor force would open up their jobs to younger workers—now unemployed—and in some cases to heads of families with growing children.

As workers pass the age of 60, the difficulty of finding new jobs multiplies. For men and women of this age, the duration of unemployment frequently exceeds half a year.

The seriousness of the problem can also be measured by the fact that the older workers constitute a large and growing percentage of the high national total unemployment. With each passing year, the percentage mounts.

Under my bill if an individual chooses to take his social security at age 60 rather than 65, his monthly payments would be reduced one-third. Thus a man and wife who would get $180 per month if they retired at 65 would get $120 per month at 60.

By scaling the benefits down in this way, the cost to the social security program would be held virtually level.

The bill has been drafted by the legislative counsel in consultation with the Division of Actuary of the Social Security Administration. It provides actuarily reduced benefits to beneficiaries at age 60, at an estimated level premium cost of 0.03 percent of taxable payroll. This cost is entirely due to the dependents' beneficiaries—mainly children and wives—that will be brought in by the slightly younger retired workers.

I introduce the bill and ask that it be appropriately referred.

The PRESIDENT pro tempore. The bill will be received and appropriately referred.

The bill (S. 3676) to amend title II of the Social Security Act to lower from 62 to 60 the age at which benefits thereunder may be paid, with appropriate actuarial reductions made in the amounts of such benefits, introduced by Mr. Proxmire, was received, read twice by its title, and referred to the Committee on Finance.

DESIGNATION OF LAKE O'NEILL IN STATE OF CALIFORNIA

Mr. KUCHEL. Mr. President, I introduce, for appropriate reference, a joint resolution to designate the lake to be formed by the waters impounded by the San Luis Dam in the State of California as Lake O'Neill. I ask unanimous consent that the joint resolution lie on the desk until next Thursday, to be available for other Senators who may wish to cosponsor it.

The PRESIDENT pro tempore. The joint resolution will be received and appropriately referred; and, without objection, the joint resolution will lie on the desk, as requested by the Senator from California.

The joint resolution (S.J. Res. 221) to designate the lake to be formed by the waters impounded by the San Luis Dam in the State of California as Lake O'Neill, introduced by Mr. Kuchel, was received, read twice by its title, and referred to the Committee on Interior and Insular Affairs.

AMENDMENT OF WAR CLAIMS ACT OF 1948—AMENDMENTS

Mr. JOHNSTON (for himself, Mr. Dirksen, Mr. Bible, Mr. Bush, and Mr. Saltonstall) submitted amendments, intended to be proposed by them, jointly, to the bill (H.R. 7283) to amend the War Claims Act of 1948, as amended, to provide compensation for certain World War II losses, which were ordered to lie on the table and to be printed.

REVENUE ACT OF 1962—AMENDMENTS

Mr. KUCHEL (for himself, Mr. Bennett, Mr. Magnuson, Mr. Jackson, Mrs. Neuberger, Mr. Morse, Mr. McCarthy, and Mr. Engle) submitted amendments, intended to be proposed by them, jointly, to the bill (H.R. 10650) to amend the Internal Revenue Code of 1954 to provide a credit for investment in certain depreciable property, to eliminate certain defects and inequities, and for other purposes, which were ordered to lie on the table and to be printed.

Mr. BEALL (for himself and Mr. Javits) submitted an amendment, intended to be proposed by them, jointly, to House bill 10650, supra, which was ordered to lie on the table and to be printed.

Mr. McCARTHY (for Mr. Clark) submitted amendments, intended to be proposed by Mr. Clark to House bill 10650, supra, which were ordered to lie on the table and to be printed.

PRINTING OF INTERIM REPORT ON CUTLER DRAIN AREA, FLORIDA, CENTRAL AND SOUTHERN FLORIDA PROJECT (S. DOC. NO. 123)

Mr. MANSFIELD. Mr. President, on behalf of the Senator from New Mexico [Mr. Chavez], I present a letter from the Secretary of the Army, transmitting a report dated May 18, 1962, from the Chief of Engineers, Department of the Army, together with accompanying papers and illustrations, on an interim report on the Cutler Drain Area, Florida, central and southern Florida project, requested by a resolution of the Committee on Public Works, U.S. Senate. I ask unanimous consent that the report be printed as a Senate document, with illustrations, and referred to the Committee on Public Works.

The PRESIDENT pro tempore. Without objection, it is so ordered.

NOTICE OF HEARING ON NOMINATION OF INZER B. WYATT TO BE U.S. DISTRICT JUDGE, SOUTHERN DISTRICT OF NEW YORK

Mr. EASTLAND. Mr. President, on behalf of the Committee on the Judiciary, I desire to give notice that a public hearing has been scheduled for Friday, August 31, 1962, at 10:30 a.m., in room 2228, New Senate Office Building, on the nomination of Inzer B. Wyatt, of New York, to be U.S. district judge, southern district of New York, a new position.

At the indicated time and place persons interested in the hearing may make such representations as may be pertinent.

The subcommittee consists of the Senator from South Carolina [Mr. Johnston], the Senator from New York [Mr. Keating], and myself, as chairman.

ADDRESSES, EDITORIALS, ARTICLES, ETC., PRINTED IN THE RECORD

On request, and by unanimous consent, addresses, editorials, articles, etc., were ordered to be printed in the Record, as follows:

By Mr. CAPEHART:

Address delivered by Senator Goldwater before the Order of AHEPA banquet, in Chicago, Ill., on August 22, 1962.

By Mr. RANDOLPH:

Speech delivered by Senator Thomas J. Dodd, of Connecticut, at the congressional breakfast of the Religious Heritage of America Pilgrimage; and an article appearing in the August 24 issue of the Washingington Post and Times Herald concerning the appointment of Ella F. Harllee as Churchwoman of the Year.

ALBERT COATES AND HIS DREAM

Mr. ERVIN. Mr. President, for close to 40 years the State of North Carolina has been blessed with one of the most progressive and enlightened systems of local government in the United States. This superior quality is due in a considerable degree to the work of one man and the institute which he created—the Institute of Government at the University of North Carolina in Chapel Hill, the first facility of its kind in the history of the world.

Saturday of this week, August 25, marks the 66th birthday of the man, Dr. Albert Coates, and September 1 will mark his retirement as director of the institute he founded. Although officially he will leave the Institute of Government, the name of Albert Coates is emblazoned upon the heart of his progeny. The bold and rather shocking proposals that evolved into the Institute of Government undeniably were his originally. However, it is apparent to all of his close friends and associates that the institute is the child of both Albert Coates and his beloved wife, Gladys. They together have nurtured it through infancy and adolescence, and now that it is full grown they step back and pass on the mantle of guidance to those Albert Coates has trained to succeed him. Fortunately, Albert Coates will continue in his position as professor of law at the University of North Carolina Law School.

In 1933, before the institute had come to full fruition and while it was still struggling for recognition even within its own State, President Franklin D. Roosevelt wrote of it:

> The Institute of Government, its purposes and its organization, as conceived and established in North Carolina, has rendered and will continue to render fine service to the State and the Nation. It is my hope that other States will recognize the leadership of North Carolina in what it is doing through this institute and that States having no comparable agency will accept and follow your leadership.

Mr. President, other States have followed North Carolina's leadership in the field of local government, and the institute has succeeded, perhaps beyond the expectations of many of its supporters, but not beyond the expectations of Albert Coates. The institute has rendered the service President Roosevelt envisaged. Several States presently are providing such services, and about 20 States have now requested information regarding the operation of the institute with, we hope, the idea of promoting similar facilities of their own.

The institute was established to study government at every level from the township to the State, including the best methods for cooperation with the Federal Government. The knowledge thus gained by its highly trained staff is made available to public officials through schools, publications, legislative journals, guidebooks, reference services, and special reports done for the Governor on any requested problem.

Close to 85 percent of the public officials in the State of North Carolina know Albert Coates as the person whose school first introduced them to their new offices, whose publications kept them informed of the most advanced methods of operation, and whose institute kept itself ready at all times to answer any questions that might arise during their terms in office.

Professor Coates approached the problem of popular government by citing the question arithmetic teachers used to ask of their students:

> A frog in a hole 30 feet deep jumps up 3 feet and falls back 2; how long will it take him to get out?

Using this question as a starting point, Coates taught:

> Popular government is in the hole today. Like the frog in the arithmetic problem, it starts out with officers fresh from the people, moves forward with them as they acquire knowledge and skill in the administration of the law, then on subsequent election days drops back to begin again, almost at the beginning, with new and inexperienced officers. Thus, with every rotation of officers in every general election, the continuity of governmental experience is broken. Accumulated government knowledge goes over the wheel to waste. Government is forever in the hands of beginners—who do not always have beginners' luck.

As professor Coates taught his first criminal law course in 1923, he became increasingly aware how little he was actually able to tell his students about what they really needed to know to practice law in their North Carolina communities. The textbooks discussed the philosophies of the law and the Supreme Court decisions, but did not attempt to deal with the hundreds of everyday problems faced by lawyers, justices of the peace, policemen, or clerks of court in the administration of criminal justice. Other courses did not provide practical methods for such necessary duties of government as supervising tax rolls, administering welfare programs, or running the precinct polls on election day. But to teach this material required that the teacher himself acquire a thorough knowledge of the field. So Coates went to the only source from which he could learn—the people elected to enact, administer, enforce the laws and local ordinances. In one county he would work with the police force, then the sheriff's office, the constable, the highway patrol, and later with the Federal authorities. Having mastered the practical application of the laws by the different agencies in one county, he would move to another area and repeat the process all over again. Only after learning his subject in this manner did he feel qualified to teach it to his students. Teaching the law as it actually functioned was one of the main objectives of Coates as he began teaching law at the University of North Carolina.

As he worked his way through the different levels of government, Coates was appalled by the petty jealousies among the different divisions. These jealousies and fears resulted in overlapping functions, waste, lack of cooperation, and general inefficiency. Even worse was the gap he found existing between the people and the governments they elected. He realized that the best method of improving a government of, by, and for the people was to inform and educate the people about the functions of government and the part they should play in it. This he sough to do through the Institute of Government. Other people were not always so sure about the functions of the institute, nor did everyone desire its success. For example, even some departments of the university became concerned that their domains were being invaded and Coates' institute on occasion bore the brunt of jokes, scorn, and ridicule. These were some of the problems Albert Coates confronted as he built the Institute of Government, and these are problems to which he and his wife have devoted 40 years of their lives.

Professor Coates was born in the country near Smithfield, Johnston County, N.C., and was educated at the University of North Carolina and Harvard Law School. He returned from Harvard to the State of his birth, and in 1928, he married Gladys Hall of Portsmouth, Va. She immediately assumed an important role in the life of the nascent institute. They married for love, but that did not prevent him from putting her to work on his dream, nor did it prevent her from helping it become reality. Sometimes I think she might deserve more credit than he. He was obsessed with an idea that drove him and held him as tenaciously as he held it. She married the man and the institute along with him. In the institute itself she was invaluable, working daily without pay and driving with him to his various meetings all over the State so that he could use travel time to prepare for his next lecture at the law school. Mrs. Coates' role can best be summed up by a remark a coed made to her in the institute's library one day:

> For a long time I thought you were Mr. Coates' secretary. And I felt so sorry for his wife.

She has been more than a wife to him.

In shaping his unique creation, Coates became so enamored by the knowledge, experience, and techniques derived from his association with it, that he became convinced that his law school classes also should share its benefits. This new approach to the study of law which he consequently introduced into the classroom was at that time extremely controversial and was the cause of many difficulties for the young professor. During the depression years, he and his wife had to sell their property and move from a house into one room and make many other sacrifices to keep the institute alive. It has been estimated that Coates by the early 1940's had contributed from his salary and other earnings over $40,000 to this project. In raising the money needed to build the institute's original home, Coates pledged half his salary for a number of years. It is, therefore, hard to separate Coates, the man, from Coates, the institute. Their stories are so entwined that they can only be told together. They grew together, they succeeded together, and had they failed, they would have failed together. According to Euripides, "toil * * * is the sire of fame." If this is true, fame could not be denied Albert Coates.

During its faltering years the institute had made a mark which was not to be erased. Its publication, Popular Government, concerning problems and information on local government was widely read; thousands of local officials, from tax assessors to county sheriffs, had been trained through the institute's facilities and by its experts; the university and the State legislature began to recognize its invaluable contribution. In 1935, Roscoe Pound, then dean of the Harvard Law School, wrote:

> I doubt whether anything which has taken place in connection with American government in the present century is as significant as the movement for planned, intelligent, official, and administrative cooperation which began some years ago in North Carolina, and has now taken on enduring form in the Institute of Government.

In 1942, the Institute of Government finally took its rightful place as a legitimate part of the University of North Carolina. Its accomplishments already had established it as an indispensible facility of the State in the minds of those who had taken advantage of its services. Slowly the other departments of the university began to accept the Institute of Government for what it really is. Where the staff of the institute had particular knowledge in an area covered by a course of another department, the staff member was invited to instruct the class for a few lectures, or often he was asked to teach an entire course.

Due, in a large measure, to the interest in government generated by the institute, North Carolinians rank among the Nation's best informed citizens on the activities of their State legislature. A service similar to the Federal Government's CONGRESSIONAL RECORD was begun. At the prompting of Coates, every legislative action, administrative decision or attorney general's ruling was immediately relayed by the institute to the public officials affected. The various and scattered State laws were collected and codified; the institute staff researched and compiled reports on important projects or problems either too complex or too time consuming for the legislators or government officials to handle. It has been said of Professor Coates that he got an idea and became completely obsessed with it. If this was a sickness, his malady was not one "unto death," but a sickness which infused

North Carolina government with a new and more meaningful life.

Since 1942, when the Institute of Government officially became a part of the University of North Carolina, the staff has held hundreds of schools for public officials, published about 100 guidebooks for the use of these officials, conducted 300 special studies, and contributed for publication over 1,400 articles and features in the field of government. In the year 1960 alone, the staff answered 4,800 written inquiries and thousands of oral inquiries pertaining to the administration of local and State government. Between 95 and 100 percent of the cities and counties in North Carolina participate in the services offered by the Institute of Government, and their yearly dues, along with an annual legislative appropriation, provide it with the funds it needs to function.

In 1956 through the efforts of Mr. Coates and a number of other benefactors the Institute of Government was able to leave its already overcrowded building and enter a new million-dollar plant. Its new facility, the Joseph Palmer Knapp Building, was made possible by the generosity of a number of patrons and a half-million-dollar grant from the Knapp Foundation which was matched by the State of North Carolina. Already it is becoming too small to accommodate Coates' constantly growing institution.

A corollary to its growth in plant facilities has been the institute's growth in staff to meet the ever-increasing demands from all levels of government, as well as of institutions and individuals, for information and assistance concerning government operations. The staff has grown from less than 1 full-time employee to approximately 20 full-time staff members today. It is these staff members and a number of benefactors with whom Albert Coates credits the success of the institute.

In accepting an award for distinguished service some years ago Mr. Coates said:

> I accept it in the name of half a dozen men of North Carolina who backed me with their vision and their judgment and gave the sum and substance to a dream.
>
> I accept it in the name of pioneering colleagues—from institute beginnings to this hour—men who have toiled and thought and wrought with me, who ever with a frolic welcome took the thunder and the sunshine, and opposed free hearts, free foreheads to all the lurking hazards of the way.
>
> I accept it in the name of men of the university administration who helped to bring the Institute of Government within the framework of the University of North Carolina.
>
> I accept it in the name of thousands of officials in city halls, county courthouses, State departments, and Federal agencies, who have sustained me through the trials and tribulations of the years; for if I have been privileged to draw the outlines of the Institute of Government, they have filled in its features and breathed into them the breath of life.
>
> I accept it on the common law theory that man and wife are one and the man is the one. I am sure this was the understanding of the givers of this good and perfect gift; and in that understanding I share the credit with the distaff side and commit the cash in toto to her keeping. For if a grateful heart is privileged to miss a beat in the catching of the breath which comes with this award, and in that breathless moment I confess this recognition satisfies a human longing for the only sort of fame I want; then in a spirit that vaunteth not itself, is not puffed up, and would not behave itself unseemly, I will put my feeling in its proper setting and clothe it with a poet's words:
>
> "O fame! If I e'er took delight in thy praises,
> 'Twas less for the sake of thy high-sounding phrases,
> Than to see the bright eyes of the dear one discover
> She thought that I was not unworthy to love her.
> There chiefly I sought thee, there only I found thee;
> Her glance was the best of the rays that surround thee;
> When it sparkled o'er aught that was bright in my story,
> I knew it was love, and I felt it was glory."

This moving statement by Albert Coates is an example of his great warmth and feeling for others and his desire to give full credit to all those who have participated with him in the creation and development of his dream.

When Albert Coates retires as director of the Institute of Government in September, he can look with pride on this monument to him. This unique creation is a product of years of unrelenting dedication, tenacity and plain hard work. I sincerely join in the words of the University of North Carolina's board of trustees at the time they presented him with the Oliver Max Gardner Award in 1952:

> No North Carolinians ever proved greater love for our State and few men or women in our history have rendered such lasting service to our people. May Heaven's blessings attend the great family of Coates always.

Mr. JORDAN of North Carolina. Mr. President, I would like to associate myself with the remarks made by my colleague, Senator ERVIN.

We in North Carolina take a great deal of pride in the fact that our State stands unusually tall in the ranks of responsible government. If we have made a mark of any kind in history, it has been a deep impression of sound and efficient State and local government. For many years good government has been a habit in North Carolina.

What we have been able to accomplish in this connection has been due, in large part, to the leadership of Albert Coates and the Institute of Government.

The history of the Institute of Government in North Carolina is the history of Albert Coates and the history of a dedicated man who overcame many, many obstacles.

Over 40 years ago Albert Coates came to the University of North Carolina as a country boy who wanted to be a teacher. He finished his undergraduate work at the university and went on to Harvard Law School. After completing his work there he returned to the university and started teaching in the law school. While teaching he came to the conclusion that the theory of law and government should be brought into closer company with the practice of law and government. He had a dream that a tremendous public service could be rendered by encouraging those who teach theory, those who make laws, and those who enforce laws, all to learn something from each other.

It was on this proposition that Albert Coates created the Institute of Government. He had a deep conviction that those who teach the law should have some understanding how it is executed. He had a deep conviction that those who made the laws should have some understanding of how they were enforced. And he had a deep conviction that those who enforce the laws should know something about how they were made and taught.

Through the years Albert Coates and the Institute of Government have specialized in just one product—more efficient government. Albert Coates has often said:

> One hundred thousand dollars lost through honest inefficiency is as great a burden to the taxpayer as a hundred thousand dollars lost through conscious fraud.

Although Mr. Coates is officially retiring as the director of the Institute of Government, all of us in North Carolina know that he will keep on teaching good government wherever he goes and whatever he does. It is impossible for us to say thank you enough for the contributions he has made to good government in our State.

FINANCING OF THE UNITED NATIONS

Mr. HUMPHREY. Mr. President, in this morning's New York Times there is a splendid editorial entitled "Paying for Peace." The editorial discusses the importance of congressional action on the matter of financing the United Nations peacekeeping activities.

As all of us know, this is one of the more important issues before the Congress—the Senate having acted favorably on the President's request for authority to purchase United Nations bonds in order to further the United Nations peacekeeping operations, and the other body now having this request under consideration.

It is particularly important that the matter of financing the activities of the United Nations be given additional attention. Later, I hope to be able to discuss in an informative and, I hope, helpful manner, some of the possibilities of improving the financial activities and arrangements of the United Nations. We have been meeting our responsibilities to the United Nations; I wish other nations would do as well. The trouble is that the financing of the United Nations activities has been handled on an ad hoc basis—always an emergency, always a crisis, and always a little short of cash.

It seems to me the time has come for members of the United Nations to give careful consideration to a more permanent and an orderly plan and system of financing the activities of the United Nations, particularly its peacekeeping activities and operations. I hope the Congress will look carefully into this matter. I also hope and urge that the officials of the United Nations, particularly the Secretariat of the General Assembly, study further means of financing, on an orderly and permanent basis, the peacekeeping activities of the United Nations.

Mr. President, I ask unanimous consent that the New York Times editorial to which I have referred be printed at this point in the RECORD.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

PAYING FOR PEACE

The United Nations has discovered that 104 or more members cannot live as cheaply as the original 50-odd members. It has also learned that new responsibilities, such as the use of U.N. police in the Middle East and the Congo, cost more than the do-nothing policy that killed the old League of Nations.

This is why Acting Secretary General Thant is asking for a larger regular budget this year than last—$4 million larger, for a total of over $86 million. This sum does not include the $10 million a month now being spent in the Congo or the $1,625,000 a month that goes into the Middle East border patrol.

This is also why Mr. Thant has been authorized to raise $200 million in bonds to meet the costs of the Congo affair. Such a device would not be needed if all the members were paying toward the Middle East and Congo costs as the International Court of Justice has held they should. But Russia, most of the Arab States, France, and some others are holding back on one or both, mainly on the peculiar reasoning that a minority should not pay for what it does not approve of, even when a majority votes it.

Finally, this is why President Kennedy seized the opportunity given him by a slanted question at his latest press conference. The inquiring reporter raised the subject of prospective House enactment of a bill authorizing purchase of up to $100 million worth of the U.N. bonds, a measure already passed by the Senate. But what he was apparently after was a guarantee from the President that none of the money would be used to finance atrocities in the Congo.

The President repudiated the insinuation, and properly. It is unlikely that each individual soldier for the U.N. in the Congo has behaved 24 hours a day like a Sunday school scholar. But these men have done a difficult and dangerous job with much self-restraint and with credit to the U.N.

Mr. Kennedy expressed hope that Premier Adoula for the Central Government and President Tshombe of Katanga Province might now reach accord. And he added, as to the U.N.'s financial problem:

"I can assure you that if the United Nations is denied funds, it will mean the collapse of peaceful efforts, not only in the Congo but in many parts of the world."

Are the expenditures for the regular and special budgets of the U.N., and for its scientific and humanitarian specialized agencies, worth while? We may be loath to pick up parts of the bill that Russia and other countries arrogantly refuse to pay, but the most we will pay or invest is not much in comparison with the cost in lost lives or of military hardware that the U.N. may spare the world if it is successful in preventing war. U.N. costs would not even take us or the Russians very far on a journey to the moon.

IMPORTANCE OF SUSPENSION OF NUCLEAR TESTING IN THE ATMOSPHERE

Mr. HUMPHREY. Mr. President, earlier this week I directed a letter to Mr. William C. Foster, Director of the U.S. Arms Control and Disarmament Agency. In the letter I referred to the danger our people are facing because of radioactive fallout. I referred particularly to the fallout of radioactive iodine 131 in the State of Minnesota and in other parts of the Nation.

I hope the responsible officials of our Government realize that a major disaster has occurred in vast areas of the Midwest—economic disaster, as well as a potential health disaster. Cattle in the State of Minnesota—by order of the public health authorities of that State—today are not being fed on pasture or on feed recently grown in our State, but are being kept in barns, under protection, and the feed has to be imported, in order to be sure the milk will not be contaminated by iodine 131, which, if taken in sufficient quantities, cumulatively, will cause cancer of the thyroid, and is particularly dangerous to children.

Mr. President, this is what happens when the world goes crazy and when mankind engages in the sort of suicidal madness of an uncontrolled arms race. The constant contamination of the atmosphere by radioactive fallout is a threat to the living—not only a threat to peace, but also a threat to health. It is death and sickness on the installment plan, rather than death on a moment's notice.

Mr. President, I ask that I may proceed for 2 additional minutes.

The PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. HUMPHREY. Mr. President, I shall ask unanimous consent to have printed in the RECORD the letter I have received from Mr. Foster. I have the highest regard for him; and he is doing a very fine job as Director of the U.S. Arms Control and Disarmament Agency. His letter of August 22 is a reply to my request and my urging that our Government take the lead at the disarmament discussions at Geneva and propose a ban on all nuclear-weapons testing in the atmosphere, in outer space, and under water. I do not urge the inclusion of a ban on nuclear testing underground, for we know there are difficulties in connection with the inspection of underground nuclear explosions. Fortunately, such detection means have improved; but there are still problems and difficulties. In addition, it would be necessary to have on-site monitoring and inspection stations close to and in the Soviet Union. But, Mr. President, nuclear testing in the atmosphere can be monitored without on-site inspection stations. It can be detected by our own seismic instruments. I strongly urge that we take the lead in this respect for the rest of the world. Of course this cannot be done unilaterally; it must be done by agreement—by agreement between ourselves, the Soviet Union, Britain, and France.

So, Mr. President, I ask unanimous consent that the letter addressed to me by Mr. Foster, in which he states again in clear and concise terms our policy regarding an agreement, or what we propose in the form of an agreement, on suspension of nuclear tests be printed at this point in the RECORD, in connection with my remarks.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

U.S. ARMS CONTROL AND
DISARMAMENT AGENCY,
Washington, D.C., August 22, 1962.

Hon. HUBERT H. HUMPHREY,
U.S. Senate.

DEAR SENATOR HUMPHREY: Your letter of August 21 properly points out the importance which must be attached to the early conclusion of a nuclear test ban agreement, both from the standpoint of achieving a deceleration in the nuclear arms race and from the standpoint of its opening up the possibilities of progress in broader areas of disarmament.

Since you have followed this subject so closely for so long a time, it is not necessary for me to recapitulate the efforts we have made to achieve agreement and I know you share my own great sense of disappointment at the lack of progress.

As you are aware, the United States has recently modified its position on the control requirements for a nuclear test ban in order to reflect the new scientific factors developed in the extensive research program on seismic detection and identification in which this Government has been engaged. We have recently pointed out to the conference in Geneva that the increase in long-range seismic detection capability has made possible the development of a satisfactory network composed of substantially fewer seismic detection stations than had been originally envisaged under the Geneva system which was agreed with the Soviet Union in 1958. We have pointed out that a detection system consisting of internationally supervised national stations, rather than internationally operated stations, is now feasible.

We have also pointed out that since the number of earthquakes comparable to underground tests of a given magnitude has been substantially reduced from previous estimates, it is possible to envisage a decrease in the number of on-site inspections which would be required to verify the nature of unidentified events recorded by the detection system.

We had hoped that these new developments would materially improve the prospects for successful negotiations in Geneva. Unfortunately, this has not appeared to be the case so far, although I personally, and my colleagues in the executive branch, believe that agreement in this area is so important and so significant for the future that we cannot afford to be deterred from pursuing it with the utmost persistence.

That is why we have not abandoned our effort to achieve a comprehensive agreement which would put an end forever to all nuclear tests. A comprehensive agreement would be the most effective agreement in slowing the arms race and in dealing with the danger represented by the spread of nuclear weapons capabilities to a widening group of countries. The major stumbling block in this effort has been and continues to be the problem of on-site inspection. The U.S. position that on-site inspection is an essential requirement in any control system is a soundly based one. The Soviet Union, however, reversing its previous position on this question, has now stated its unwillingness to accept the concept of objective onsite inspection and has maintained that such inspection could take place, if ever, only at the invitation of the party which might have violated the agreement. The complete unacceptability of this position does not need to be elaborated. It is patently improbable that anyone who had violated the agreement by conducting a clandestine underground test would ever voluntarily invite the inspection which might disclose the violation. The Soviet position obscures the essential scientific point that there is nothing about an underground test conducted in violation of the agreement which would distinguish it from an innocent seismic disturbance in the absence of on-site inspection. Therefore, there must be a right for an international control organization to have uninhibited capability for random checking on unidentified disturbances. The number of inspections need not be large, but the inspection must be objective.

Although this continues to be the central problem, we have not given up hope that a solution can be found. If it appears that despite the new revisions in the U.S. position an agreement is not forthcoming, we would, of course, consider possible alternatives so that all progress in this area will not be lost. One of these alternatives, as you suggest, is an agreement for an early end to atmospheric, underwater and outer space testing, which can be verified without control posts or on-site inspection in the Soviet Union. The United States has put forward proposals for an atmospheric ban in the past: by President Eisenhower in April 1959 and by President Kennedy in September 1961. In both cases this concept was rejected by the Soviet Union. However, a number of countries participating in the negotiation in Geneva have spoken favorably about such an agreement, and we could not, of course, write off as a foregone conclusion that the Soviet Union would not at some point accept this measure of progress.

Accordingly, while a comprehensive ban remains our first preference and our first negotiating objective, I can assure you that we would not want to bypass any road that offered possibilities for progress. Your most helpful letter and your earlier speeches outline one course of action to which we will continue to give the most serious consideration.

We will continue to keep you informed of developments in this field.

Sincerely,

WILLIAM C. FOSTER.

Mr. HUMPHREY. Mr. President, I regret that the letter does not espouse what I have openly advocated and what other Senators have advocated; namely, the suspension of all nuclear-arms testing in the atmosphere. I urge that we take that step, and that we place before the Soviet Union and the rest of the world our challenge to end these atmospheric tests before the tests end us.

I am of the opinion that our Government ought to reexamine this matter carefully, considering the national interest, national security, and our international responsibilities.

I ask my colleagues in the Senate, What do you intend to do with the people in my State of Minnesota who are today threatened by the contamination of iodine 131 from radioactive fallout? Who bears the responsibility for this contamination of the atmosphere and this threat to life? The State of Minnesota is only one of the many States affected. Regrettably, people do not know very much about this, but ultimately we must find some way of protecting the life and health of our people.

Mr. PROXMIRE. Mr. President, I want to join the Senator from Minnesota in his fervent plea for an agreement to suspend nuclear testing in the atmosphere. He is so right. It is good to hear his strong and influential voice raised on this score. I hope other Senators will join the Senator from Minnesota. There has been far too much criticism of any kind of constructive efforts, under any circumstances, to reach an agreement to suspend nuclear testing.

I realize that such an agreement must be based, without question, on a system of inspection and control that works and gives us assurance, but certainly we should do everything in our power to end atmospheric nuclear tests, which are polluting the atmosphere in Minnesota, Wisconsin, and Iowa. It is going to spread through the country if nuclear tests continue. Of course, we must safeguard our security, but we must do everything within our power consistent with the security of our country to bring about a suspension of atmospheric nuclear testing.

THE NOMINATION OF JUDGE THURGOOD MARSHALL

Mr. JAVITS. Mr. President, I think today should mark the final culmination of the drama which has represented the effort to confirm the nomination of Thurgood Marshall as a judge of the Court of Appeals for the Second Circuit. Another hearing is taking place before the subcommittee. It appears now that the case is clearly made and that the story is now complete. The President has had his say. We have had our say. The subcommittee obviously is in no hurry to deal with this nomination. So it has been made very clear to me that ultimately the Senate, either by direct action or on a motion to discharge the committee, is going to have to deal with this matter.

My colleague [Mr. KEATING], who has fought so magnificently in this struggle, has today released a letter from the American Bar Association showing that all of the questions which are raised against Judge Marshall in the subcommittee hearings have no appeal in the eyes of that association, and the association found every evidence that the nominee has a keen appreciation of the canons of ethics of the American Bar Association and that he has complied with them in every respect and that it received no evidence to the contrary, and unanimously concluded that Thurgood Marshall was well qualified for the Federal judiciary.

Also, I have a telegram from Herbert Brownell, president of the bar of the city of New York, my own hometown, in answer to the argument that Judge Thurgood Marshall is not admitted in New York, and, indeed, a number of States which represent the second circuit. Mr. Brownell, former Attorney General, speaking as the president of the bar of the city of New York, and following the action of the executive committee of the bar association, stated that the executive committee adopted a resolution that the Association of the Bar of the City of New York urge the Committee on the Judiciary of the U.S. Senate to file promptly a report favorable to Judge Thurgood Marshall's confirmation and that the Senate act promptly to confirm Judge Marshall's appointment to the Court of Appeals for the Second Circuit.

The President of the United States remarked that my colleague [Mr. KEATING] and I might have had Thurgood Marshall appointed a judge sooner.

Let me give an example of the differences in the record. As I said yesterday, I do not have to defend my record on Negroes being appointed to higher office, or on civil rights against the President or anyone else. Nevertheless, let us get the facts. Thurgood Marshall was nominated on September 24, 1961. The nomination has been languishing ever since.

Let us look at the record of the Eisenhower administration. As Al Smith used to say, "Let's look at the record."

The following Negroes were appointed to the bench in the Eisenhower administration:

Scovel Richardson, U.S. Customs Court, nominated March 4, 1957, and confirmed April 4, 1957.

The **PRESIDING OFFICER** (Mr. YOUNG of Ohio in the chair). The time of the Senator has expired.

Mr. JAVITS. I ask unanimous consent that I may proceed for 2 additional minutes.

The **PRESIDING OFFICER.** Without objection, it is so ordered.

Mr. JAVITS. Walter A. Gordon, to the U.S. District Court, Virgin Islands, nominated January 17, 1959, and confirmed September 2, 1959.

I do not say President Eisenhower was any more sympathetic to this matter than President Kennedy. I think both men have the same desire and wish, but I only give those facts, first, in answer to the President's feeling about what happened in the previous administration, about which I think he was wrong; and, second, and far more important, to show the comparison with the record on Thurgood Marshall.

I hope the administration and the majority leader in the Senate will not wait until the final days of the session, for that would be unseemly. I think the time for action on the Marshall nomination is no later than the week of Labor Day, which is sufficiently in advance of the time when the Senate apparently will adjourn. I have no doubt that the confirmation will take place, but this has been a hard fight and is a very key question in connection with our national policy. I join with my colleague in the struggle, not only as to Judge Marshall, but to show that we practice what we preach, and that when a man who is a Negro has the eminent and distinguished qualifications to receive this kind of backing from the American Bar Association and the bar of the city of New York, he should get prompt justice at our hands. That is what we have been trying to do.

Mr. President, I have another subject to discuss, but I shall not do so at this time.

INVESTMENT TAX CREDIT INCENTIVE PROVISION PROPOSED IN COMMITTEE

Mr. PROXMIRE. Mr. President, I rise once again to protest the investment credit provision in the pending tax bill. I have already pointed out that this investment credit provision would result in an extra billion-dollar deficit, in addition to the presently expected deficit.

Second, it is an unwanted subsidy. The great business organizations which testified before the Finance Committee represent to some extent, at least, the thinking of businessmen. The chamber of commerce opposes it. The National Association of Manufacturers opposes it. The McGraw-Hill survey has indicated that business would not use it. The National Industrial Conference Board has indicated the same result. The Wall Street Journal survey also indicates that business would not use it.

It would be a windfall, but it would be a windfall which would have very little results.

There is one other fact I should like to bring to the attention of the Senate. I have overlooked this in my previous statements on the Senate floor, and I think it is most important.

The distinguished Senator from Illinois [Mr. Douglas] and the distinguished Senator from Tennessee [Mr. Gore] have filed very enlightening and informative dissenting views on the tax bill, particularly with regard to the investment credit provision. They point out that the investment credit provision has been sharply changed from the administration's original request. Originally the investment credit provision was designed to provide an incentive for additional investments; that is, if a firm invested $1 million a year for a 3-year period it was to be entitled to get a credit to the extent it exceeded that $1 million in the fourth year. If in the fourth year the firm invested $1,100,000, then the credit would be based on the $100,000 additional investments. In that event it could have been a credit of 20 or 30 percent with a far lesser reduction in Federal revenues.

Mr. President, that provision could have been a substantial incentive. It would have been an incentive for several reasons. First, it would have persuaded firms to increase their investment in plant and equipment. In the second place, it would have provided an opportunity in respect to the greatest handicap toward the growth in our economic system, that is the growth of the small but highly efficient firms.

A competent, scholarly study by Professors Butters and Lintner of Harvard Business School, made several years ago, showed that under the present corporation income tax laws the very efficient and growing firms could not begin to grow as corporations grew in the past because the corporation income tax takes such a huge proportion of their income.

Mr. President, the pending investment credit provision would not provide for that kind of relief. The investment credit provision would provide that all investment—I repeat, all investment, including a reduction in investment—still would receive the investment credit. For example, if a firm invested $1 million a year for 3 years and then reduced its investment—I repeat, cut back its investment—from $1 million to $900,000, the firm still would get the 7-percent credit, which in that case would be a $63,000 reduction in the tax liability.

So, as the Senator from Illinois [Mr. Douglas] and the Senator from Tennessee [Mr. Gore] point out so well in their dissent, this provision would work as a very feeble incentive to business to increase its investment. At the same time it would constitute a billion-dollar drain on the Treasury.

I think this particular part of the dissenting views of Senators Gore and Douglas is so persuasive that I ask unanimous consent that pages 396 through 400 of the report of the Committee on Finance, which embraces the dissenting views of the Senator from Illinois [Mr. Douglas] and the Senator from Tennessee [Mr. Gore], be printed in the Record at this point.

There being no objection, the excerpt from the report was ordered to be printed in the Record, as follows:

The Investment Credit—The Opening of Another Loophole

(Dissent of Senators Douglas and Gore)

WHAT THE INVESTMENT CREDIT IS

1. The bill in its present form provides a tax credit of 7 percent on amounts invested in new tangible depreciable property, other than buildings, which is subject to a depreciation life of more than 8 years. There are certain limitations which can be briefly stated: (a) If the life of the property is less than 4 years, no credit will be granted; (b) if the life is from 4 to 6 years, only one-third of the credit (2⅓ percent) will be granted; (c) if the life is from 6 to 8 years, then two-thirds of the credit (4⅔ percent) will be granted. The credit for used property is limited to the first $50,000 of investment.

2. The bill also provides a 3-percent credit for regulated private utilities such as telephone and domestic telegraph, gas, and electric companies.

3. The investment credit can be offset dollar for dollar against taxes owed up to $25,000 but above that amount may not reduce tax liability by more than 25 percent.

4. The Long amendment adopted by the Finance Committee slightly reduces the effect of these tax credits in later years by providing that the basis cost of the asset shall not exceed the value of asset minus the investment credit. Thus, depreciation is limited to 93 percent of the original cost of the asset (97 percent for utilities).

The Department of Commerce estimates that the production of durable equipment in 1961 amounted to $25.5 billion. A 7-percent reduction in this would amount to $1¾ billion annually. This would be reduced in practice by the lower rate for the private utilities, the exceptions listed above, and the Long amendment.

It is probably safe to estimate the initial loss of revenue from this feature of the bill at somewhere between $1.1 billion to $1.4 billion. We personally believe it will amount to not far from $1.3 billion.

This measure is advocated by the majority as a means of stimulating industry to improve its plant and machinery, reduce its costs, and by stimulating investment to expand employment and reduce unemployment.

Here it should be noted that the tax credit originally proposed by the administration was on net additional investment, or the amount invested in industry over and above that allowed for depreciation. There would have been strong grounds for supporting such a proposal or one which would have given the credit to increases in investment over the average for a previous 3- or 5-year period. But during its consideration by the House Ways and Means Committee, this proposal was vulgarized almost beyond recognition. Instead of being a bonus for net additional investment or for increased investment, it was tranformed into a credit for all investment (aside from buildings) or what may be termed gross investment. Thus, if a company invests less than the physical depreciation of its machinery and equipment, it will still get a 7-percent credit, or a 14-percent tax deduction on this gross investment. To repeat, an actual decrease in investment as compared with the years prior to July 1, 1962, will be rewarded.

II. WOULD THE INVESTMENT CREDIT APPRECIABLY STIMULATE INVESTMENT?

In other words, by giving the rewards on average gross investment rather than on marginal net investment any possible stimulus to added investment is greatly reduced and in our judgment is very slight indeed. We are confirmed in this opinion by the results of the McGraw-Hill survey in the spring of 1962. The question asked by McGraw-Hill was as follows:

"If the administration's program of tax incentives for investment were enacted, how much would this increase your capital expenditures in 1962?"

In reply to this, business as a whole indicated that it would raise its 1962 plans by only about 1 percent, or about $300 million. Nine out of every ten companies which replied stated that they would not use such a gram in 1962.

Since the bonus under the proposed investment credit will amount to about $1.1 to $1.4 billion, this would mean that, out of every dollar which the Government will lose in taxes less than 30 cents will find its way into increased investment in American industry. This is a very high price to pay for a little stimulus.

The National Industrial Conference Board made a special survey in late March and early April 1962 of the 1,000 largest manufacturing corporations in the United States to determine what effect the 7-percent investment credit would have upon their capital investment. While the influence of the credit on the plans of the companies varied somewhat from industry to industry, the results were that only 8 percent of those responding said they would revise their capital spending for the balance of 1962 if the credit were enacted by mid-1962. Seventeen percent of the reporting companies said they would increase their investments in 1963 if the credit were enacted by the end of the current session of Congress. But the prospective change in the dollar volume of capital spending in 1963 as a result of the credit would be as small as 1 percent.

As the report of the survey states:

"Overall, the increase in 1963 outlays expected on account of the investment tax credit may be small in relation to its potential. In more than half of the industries covered, moreover, the imputed difference was less than 1 percent."[1]

There are already more than adequate funds available for investment on the part of corporations which they are refusing to use for this purpose. Thus the July 1962 Survey of Current Business, issued by the Department of Commerce (p. 24), shows that in 1961, American corporations had acquired $43.1 billion of corporate funds[2] but invested only $31.3 billion in equipment and inventories.[3] In this 1 year, therefore, they piled up nearly $12 billion in plant and assets. There were also very large accumulations of liquid assets in preceding years, amounting to about $5 billion in 1960 and an equal amount in 1959.[4] If business conditions did not cause American corporations to invest these huge sums in past years, there is little prospect that the extra bonus of $1.3 billion will be translated into investment. What is more likely to happen is that the overwhelming proportion will also pass into the cash reserves and swell them still further. There would seem to be little prospect that the investment credit will have any real stimulative effect. It will increase the power and wealth of the already powerful and wealthy.

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[1] The Business Record, National Industrial Conference Board, August 1962, p. 19.

[2] Made up as follows (in billions of dollars): Retained profits, $7.3; depreciation, $24.8; sale of stocks, $4.5; sale of bonds, $5.1.

[3] Made up of $29.6 billion in plant and equipment and $1.8 billion in inventories.

We should also realize that a very large percentage of plant and equipment now lies idle and unutilized primarily because there is not adequate demand for the goods which could be produced at the prices charged.

The McGraw-Hill index of plant utilization is now at approximately 85 percent. Even though the 15 percent which now lies idle is partially composed of a standby reserve or is markedly obsolete, it is still true that the percentage of plant utilized is 5 or 6 percent short of what would be used under full employment. Can it be maintained that, if good machinery and equipment is thus allowed to lie idle because of a shortage in effective demand relative to prices, a bonus on investment would stimulate a still further increase in machinery and equipment? For would not this still further increase the already high percentage of idle equipment?

In addition, it should be realized that, while the purpose of the investment credit is to stimulate economic growth and to help business to compete more effectively in foreign markets, it would in fact be given all the way across the board without regard to the quality or social need for the investment. Thus, the credit would be available for such investments as a new ski lift at Sun Valley or in Vermont, an escalator in a department store, new farm machinery to spread fertilizer on lands which are already overproducing, klieg lights in a burlesque house, and martini-mixing machines in a bar. Other investments of an even more questionable nature would receive the bonus.

It is hard to see how this increases our efficiency as compared with other countries or whether this serves meaningful economic growth.

The 3-percent credit which is to go to utilities would be completely wasted and is wholly unnecessary.

The rate of return of the private utilities is regulated by both State and Federal bodies. If regulation is properly carried out, then any favorable tax consequences of the credit would be offset by reductions in the rates charged to consumers.

If not properly carried out, it would be an outright gift to the private utilities, for it would merely increase their rate of return above that set by the regulatory bodies.

In addition, the 3-percent credit for utilities has nothing to do with other stated purposes of the credit, namely, to help modernize industry or to make it more competitive in world markets.

III. WHO HAS BEEN GETTING THE TAX CUTS?

Let us also note the way in which tax benefits and reductions have been made during these last 8 years. In 1954, accelerated depreciation, with the double declining balance and the sum of the digits methods, was authorized by Congress. This amounted to an initial loss of revenue to the Government of at least $2 billion a year. This went to the industrial corporations and to the industrialists. At the same time the $50 dividend exclusion and the 4-percent credit were passed in 1954, which gave $400 million a year more to the owners of common stocks. This summer the Treasury has issued a new Bulletin F, permitting machinery and equipment to be depreciated much more rapidly. It is estimated that this will reduce business taxes by approximately $1.5 billion a year. All of these taken together comes to just short of $4 billion a year.

Now we have this provision for the investment credit which will give the investors in machinery and equipment at least another $1.3 billion annually. Thus, in 8 years we have decreased the annual tax burden on industry by over $5 billion a year. This, of course, goes to the upper income groups in society who own the overwhelming proportion of the stock of American corporations.

During this period the low- and middle-income groups have received virtually nothing in the way of tax cuts. It is about time that the United States was less partial in its distribution of favors. This is true both on economic and ethical grounds.

IV. INVESTMENT CREDIT A FORM OF THE TRICKLE-DOWN THEORY

The basic way in which investment is stimulated and the economy moved forward is not by granting incentives for increased capital expenditures at a time when the existing plant and equipment is not fully used, but by increasing the demand for the products which the existing plant and equipment can produce which, in turn, will stimulate investment. In other words, the investment credit proposed is really a form of the trickle-down theory of economics which has largely been shown to be ineffective in the past. We believe instead in the theory that purchasing power should be built from the bottom up.

V. INVESTMENT CREDIT OPENS UP ANOTHER LOOPHOLE

Finally, the investment credit would open up more tax loopholes and would be quickly extended to other fields.

As nearly as possible a proper tax system should be neutral in the way it treats both income and expenditures. If we could have an absolutely just tax system it would probably make no distinctions as to the amount of tax to be paid on income or deductions for expenditures, no matter where the funds were derived or for what they were spent. It is the failure to carry out this principle which has so eroded our present tax system and which has made it so unjust.

For example, income from a wage or salary, in general, is taxed at the full rate, but income from oil, or from stock options, or from the cutting of timber, or from dividends, or from gains on the stock market, or from the sale of real property, among others, is taxed at lower rates and has special privileges not afforded to income from a wage or salary.

On the expenditure side, money spent for entertainment expenses, for business expense accounts, including yachts, club dues, and so forth, are deductible from taxable income, while the expenses of an ordinary person driving to and from work, or the payment of rent, or expenditures for the recreation or education of one's children are not deductible. These privileges for deductions and allowances go almost entirely to the strong, the powerful, and the well-to-do, and favor high income groups and unearned income as opposed to low income groups and earned income.

The main purpose of tax reform is to try to modify or to do away with some of these inequities and privileges in the tax laws.

What the investment credit does is to say that for social purposes we should give a special tax privilege for funds used to buy most kinds of depreciable property. At least as good a case can be made that society would be as wise to allow deductions for money spent for the education of children, for a future pension, or for preventive medicine rather than for capital investment.

Every legislator is pressed almost daily by some constituent or interest group to vote for a tax deduction for their particular interest. Once we start on this road it is almost impossible to stop. For this reason alone it is very unwise to give a special deduction for funds which are spent in this particular way; namely, for capital investment. It would be equally unwise to give deductions for most of these other proposals.

If the 7-percent tax credit is allowed on machinery and equipment, it will be only a short time before it will be granted on plant and buildings, and this will amount to another revenue loss of not far from $1.5 billion. Indeed, proposals to this effect have already been made. Residential construction would not be left behind for long and this would take another $1.5 billion away from our revenue. It would also be inevitable that the principle of H.R. 10 would find its way into enactment, and moneys devoted to purchasing voluntary retirement plans would be exempted from taxation. So would expenditures to educate children in college.

The final result would be that only income spent for current consumption would be taxed. This would be a kind of sales tax which would be highly regressive in nature and would weigh proportionately far more heavily upon those with lower or middle incomes than upon those with large resources. State and local taxation is already highly regressive. This is only made bearable by the fact that Federal taxation is progressive and hence introduces a kind of rough proportionality over the range of most incomes. To make Federal taxation also regressive or less progressive would in our opinion be grossly unjust. And yet that is precisely the end result toward which the opening of these loopholes would tend. We cannot acquiesce in these tendencies however well intentioned they may be.

RETIREMENT OF MAJ. GEN. TERENCE P. FINNEGAN, CHIEF OF CHAPLAINS, U.S. AIR FORCE

Mr. DODD. Mr. President, a distinguished citizen of Connecticut and of the United States is about to retire from the Air Force after 25 years of outstanding service to his country.

The Chief of Chaplains of the U.S. Air Force, Maj. Gen. Terence P. Finnegan, will leave the service on August 31. His devotion to God and country is in the great tradition of our Armed Forces, a tradition which goes back to the foundation of the Republic.

Monsignor Finnegan was at Schofield Barracks in Honolulu during the infamous Japanese attack on Pearl Harbor, December 7, 1941. He worked without sleep for the next 3 days, succoring the wounded, comforting the dying, and evacuating civilians out of the danger areas.

Throughout the war, he was in the Pacific theater, almost invariably in the frontlines; he again served in the Far East during the Korean conflict. Since then, he has traveled to almost every Air Force installation to establish with the officers and men a personal relationship that has done much to make the chaplains service an integral and indispensable part of the education of our young men in the Air Force.

The Air Force moral leadership program initiated by Major General Finnegan has recently been cited by the Senate Subcommittee on Preparedness as being the best conceived, planned, and executed educational program in the armed services to date.

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[4] John K. Landrum seems to come to the same general conclusion, although with somewhat smaller increases in liquid funds. See his "Corporate Profits and Cash Flow" supplement to testimony before Joint Economic Committee, Aug. 10, 1962, p. 1.

During his tenure of office, the very serious recruitment problems of the chaplain's service were largely overcome. Monsignor Finnegan established minimum educational standards for chaplains, and almost doubled the strength of the corps, so that the serious shortage of priests, ministers, and rabbis in the Air Force was largely alleviated.

He was substantially responsible for the magnificent design of the Air Force Academy chapel, insisting that the three major faiths should worship under one roof.

Even more important than his organizational achievements are the basic tenets which Monsignor Finnegan has impressed upon the men and officers of the U.S. Air Force. To him, the love of country, of liberty, and of justice has always been inseparable from the love of God; indeed, man's devotion to his country and to his fellow man is directly derived from the precepts of religion. To Father Finnegan, there can be no patriotism, no self-sacrifice, no freedom without the conviction that man's liberty is derived from a higher Being to whom he owes allegiance and life itself, and who is the final arbiter of man's actions.

Acutely aware of the danger which Communist atheism presents to the Western World, he told the graduating class of the Air Force Academy, in June 1960:

> It shall probably be during your lifetime the coming of a decision whether our Western way of life, as we have known it, shall maintain itself and be passed on to your children's children. The world in its long history has seen great crises. The world has been in none greater than this of our day.
>
> There still stands in the balance, and it remains yet to be decided, whether the world of tomorrow shall be the world of godless atheism or whether it shall be to live under the principles of Christ.

Perhaps Monsignor Finnegan's service to his country is best described by the citation accompanying the Distinguished Service Medal about to be awarded to him:

> Chaplain, Maj. Gen. Terence P. Finnegan distinguished himself by exceptionally meritorious service to the United States in a position of great responsibility as chief of Air Force chaplains, U.S. Air Force, from August 15, 1958 to September 1, 1962.
>
> The superb ability, exemplary leadership and selfless dedication displayed by Chaplain Finnegan significantly advanced the moral and religious program of the Air Force.
>
> The singularly distinctive accomplishments of Chaplain Finnegan in this important assignment culminate a distinguished career in the service of his country, and his dedicated contributions reflect the highest credit upon himself and the U.S. Air Force.

THE NEUTRON BOMB

Mr. DODD. Mr. President, there has been a surprising amount of confusion, even in circles that should be informed, on the subject of the neutron bomb. This is unfortunate, because our ability to produce a pure fusion weapon and its practical application to tactical warfare have critical significance for the conduct of the test-ban negotiations in Geneva, for the future of NATA and our relations with our allies, and for our entire national security.

How widespread are the misunderstandings on the question of the neutron bomb and how deep they go was illustrated several months ago in an article written by Mr. William Laurence, Pulitzer Prize winning writer, for the Saturday Evening Post.

I first asked the Saturday Evening Post for permission to reply to Mr. Laurence's article in article form and at the same length. When the editors of the Post replied that this would not be possible, I attempted to deal with the inaccuracies contained in Mr. Laurence's article within the framework of a letter to the editor. This letter, in considerably condensed form, was printed in the Saturday Evening Post's recent issue.

Mr. President, because I consider this question to be of such very great significance, I ask unanimous consent to have printed at this point in the RECORD the uncut version of my letter to the editor of the Saturday Evening Post concerning the feasibility and potential utility of the neutron bomb.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

July 6, 1962.

The EDITOR, THE SATURDAY EVENING POST,
Philadelphia, Pa.

SIR: Mr. William Laurence, in his article in your issue of May 5, questioned the scientific feasibility of the neutron bomb; in effect, he said that it would have no serious military utility if it were developed; and he impugned the judgment of those who have urged a concerted effort to develop the neutron bomb. Among these was the late Thomas E. Murray, one of the most experienced and distinguished members of the Atomic Energy Commission, who, until the day he died, had full access to all material relating to nuclear weapons development.

Mr. Laurence it is clear, does not understand the concept of the neutron bomb. This is revealed by his statement that "it is easier to guard against this thermonuclear weapon, the N-bomb, than against the H- or A-bombs." The comparison is meaningless because the H-bomb and the N-bomb are weapons with totally different applications. The H-bomb is, by its nature, a strategic weapon, a weapon of mass destruction unsuitable for use in the battlefield because it would blot out the very countries we are attempting to defend. The N-bomb, in contradistinction, is conceived not as a mass destruction weapon, but as a tactical weapon which could be used with discrimination in battlefield situations and which, in addition, would provide an effective warhead for the antimissile missile. It would make an ideal defensive weapon (1) because it produces no significant fallout; (2) because it could be tailored for use in a variety of ranges, extending from several hundred yards to more than half a mile; (3) because there would be no effective defense against it; (4) because it would be comparatively cheap to produce.

Mr. Laurence quoted a number of prominent nuclear scientists as challenging the scientific feasibility of the neutron bomb. But there are nuclear scientists of at least equal distinction who are convinced that the neutron bomb can be made, and that we should proceed with its development as a matter of highest priority. Indeed, those experts who are working on the project are of the opinion that the N-bomb can be perfected in highly sophisticated form within a reasonable short time.

One of the scientific authorities quoted by Mr. Laurence was the eminent theoretical physicist, Dr. Hans Bethe. Dr. Bethe belongs to the group of scientists who, understandably, are horrified over the potentialities of the unceasing race in nuclear technology, and who believe that somehow, this race must be stopped. Because they consider this to be of transcendent importance, these scientsists, I believe without exception, all urged that we take the risk implicit in the ill-fated 3-year honor moratorium on nuclear testing. Speaking for this philosopsy when the H-bomb was only a concept, Dr. Bethe once said that the H-bomb should not be made. At a later date, he said that, even if the H-bomb was built, it would not be as effective as an improved A-bomb.

There is another group of scientists who are equally horrified over the potentialities of the nuclear weapons race, but who accept the hard political fact that the Kremlin is out to cut our throats and will never tolerate the minimal measure of inspection essential to any agreement on nuclear testing or disarmament. The stand of this group is that we must run as hard and as fast as we can in the nuclear race because the Kremlin's unbroken record of aggression and dishonesty leaves us with no alternative.

It may be hard for the layman to make up his mind when two groups of equally distinguished scientists take diametrically opposed stands on a project like the N-bomb. But, in general, history demonstrates that those scientists who have said "we can and we must" have far more frequently been correct than those who have said "we cannot" or "we must not," or who have minimized the importance of further technological progress in the field of nuclear weaponry.

Mr. Laurence pursued his argument against the scientific feasibility of the neutron bomb, by tying it in with Project Sherwood, which is aimed at producing industrial power through a controlled fusion process. He quoted Dr. Edward Teller as telling him that he did not expect this goal to be acheived before the end of the century. "Nor, for that matter," continued Mr. Laurence, "does anyone know whether such fusion without fission ever will be possible."

When I read this passage to Dr. Teller over the telephone, Dr. Teller replied as follows: "Because of the rigid classification imposed on the entire question of the neutron bomb, I have never offered any public opinion, either pro or con, on its feasibility or on the advisability of pursuing the project. * * * The comments I have made at various times on Project Sherwood have absolutely no bearing on the neutron bomb for the simple reason that the two projects are unrelated. As for Mr. Laurence's statement that no one actually knows whether fusion without fission will ever be possible, I would point out that in a paper published in December 1958 the Soviet physicist, L. A. Artsimovich, strongly implied that the Soviets, as early as 1952, had been able to produce a neutron-emitting thermonuclear reaction, using a high-explosive trigger."

In questioning the military utility of the neutron bomb, Mr. Laurence is pitting himself against the considered judgment of the Joint Chiefs of Staff, who have carefully weighed the military application of the neutron bomb and are of the opinion that it would be an extremely effective weapon, considerably more effective, in fact, than any tactical weapon developed to date.

As matters now stand, we propose, in any limited warfare situation, to limit ourselves to conventional weapons, at least in the initial stages. But suppose the Kremlin demonstrates its possession of the neutron bomb and employs it for tactical purposes in the first stage of a military encounter at Berlin or some other point. We would then be confronted with the terrible choice between surrender or escalation to the all-out thermonuclear war which we are seeking to avoid.

The development of the neutron bomb would make war less likely by increasing our defensive capabilities. And, if a limited warfare situation should erupt, the possession of this potent but discriminating and credible tactical weapon, would enable the administration to prevent or at least minimize the possibility of escalation into general thermonuclear war.

Thomas J. Dodd,
U.S. Senator.

CHAOS IN THE CONGO

Mr. DODD. Mr. President, as the Senate is aware, I have repeatedly urged that we abandon the futile policy of force in our dealings with Katanga and that we seek, instead, to find a solution for the differences between the Adoula government and the Tshombe government through the traditional devices and processes of conciliation.

There are some who attempt to justify the policy of force which has thus far produced nothing but chaos in the Congo by arguing that Mr. Tshombe cannot be trusted to keep his word, that he has repeatedly violated agreements into which he has entered. This canard has been so assiduously fostered by the United Nations and, I regret to say, by certain members of our Department of State, that it has come to enjoy a measure of acceptance even by responsible and fairminded editors.

In an editorial in the New York Herald Tribune yesterday morning we were again told—for the thousandth time—that, I quote, "the trouble is that Mr. Tshombe always agrees to proposals but that's as far as he ever goes. A few weeks pass and then one sees again that no progress whatever has been made toward a unified Congo."

I think it important to set the record straight, Mr. President, because if conciliation is to work, it is important to know in advance whether or not the parties to be conciliated have records of good faith.

The most effective answer to the Herald Tribune editorial and to the persistent canards concerning Tshombe's bad faith was, in my opinion, given by the distinguished columnist, Arthur Krock, on the editorial page of the New York Times yesterday. I believe that Mr. Krock's column should be read in juxtaposition to the Herald Tribune editorial, because such a reading will make it apparent how much misrepresentation there has been on the question of the Congo.

Mr. Krock points out that the only two agreements Tshombe is specifically accused of violating are the Coquilhatville agreement of June 1961, and the Kitona agreement of last December.

He points out that Tshombe signed the Coquilhatville agreement under duress after he had been imprisoned for almost 2 months by the Léopoldville authorities, in contravention of the historic immunity of political and military conferees.

And finally, he points out that the Kitona agreement was also the product of duress in the form of military action and political pressure; that the commitment to the loi fondamentale, which had never been ratified and which was only intended to be a provisional document, was at the best questionable from a legal standpoint; and that "Tshombe committed himself to this law by a signature which was sure to prove worthless when the circumstances by which it was obtained became known in Katanga."

Mr. President, I believe that good faith and conciliation have never been given a proper chance in the Congo; and it is from this standpoint that I ask unanimous consent to have printed into the Record at this point the editorial from the August 23 New York Herald Tribune entitled, "Tshombe Knows His Bargaining," and Mr. Arthur Krock's column from the August 23 New York Times entitled, "U.N. Chance for Unbiased Congo Showdown."

There being no objection, the editorial and column were ordered to be printed in the Record, as follows:

Tshombe Knows His Bargaining

Moise Tshombe of Katanga is a cool campaigner. He agrees at once to U Thant's proposals for a federal Congo, and even offers to share some of his copper mine revenue with the rest of the country while a constitution is worked out.

The trouble is that Mr. Tshombe always agrees to proposals, but that's as far as he ever goes. A few weeks pass, and then one sees once again that no progress whatever has been made toward a unified Congo.

Nor was it perhaps wise for Mr. Thant to issue his proposals in the form of a threatening ultimatum. It is easy to sympathize with the Acting Secretary General's exasperation, but it puts the U.N. back in the position of a contestant in the struggle, not its referee.

And just how will Mr. Thant enforce the sanctions he talks of? How is he to persuade countries which consume Mr. Tshombe's copper and cobalt not to import any on the basis of what some of them regard as a jurisdictional dispute and others as unwarranted U.N. meddling? The State Department is supporting Mr. Thant's move strongly, but as we have already seen, the State Department possesses lamentably little influence in the financial circles of London and Brussels where the Katanga's mineral revenues are doled out.

Perhaps Mr. Tshombe is at last ready to agree genuinely to a federated Congo under the reign, if not the rule, of Léopoldville. He suggests, for example, that Katanga be given the status of one of the Soviet Union's "autonomous" republics.

This seems like a workable arrangement until we remember he is referring to the power these republics have on paper, not in practice. Their paper power is of course very great, and two of them, Byelorussia and the Ukraine, have independent seats in the U.N.

So if Mr. Tshombe is asking for a U.N. seat for Katanga in return for agreeing to a favorable constitution, he does not for example intend to surrender anything. Mr. Tshombe wasn't born yesterday.

U.N. Chance for Unbiased Congo Showdown

(By Arthur Krock)

Washington, August 22.—The definite and detailed offer of negotiation of the Congo impasse by Moise Tshombe of Katanga offers the U.N. and the principal backer of its Congo policy, the Kennedy administration, an opportunity to substitute equitable statesmanship for incessant threats of, and resorts to, armed compulsion. But this will not be possible if Acting Secretary General Thant and the State Department continue to exhibit the bias and the inclination to pursue their anti-Tshombe feud that were again implicit in the following report in this newspaper today of U.N. official reaction to Tshombe's proposal:

"He has entered negotiations more than once but has always found a way to put off a solution of the crisis over Katanga's secession."

This is a sample of the half-truths which have characterized the U.N.-U.S. statements, both on and off the record, since Belgium in 1960 yielded to the pressures from Washington and the Afro-Asian U.N. members and granted independence to the Congo peoples and leaders before they were prepared for it. While it is literally true that Tshombe has balked and repudiated "solutions of the crisis over Katanga's secession," the statement is flagrantly deceptive when unaccompanied by an acknowledgment of the U.N.-U.S. provocations for his actions and that the solutions thrust upon him were ultimatums of total surrender.

He was arrested by the Congo leaders then dominated by Moscow's protege, Patrice Lumumba, when he walked out of the meeting at Coquilhatville that was summoned to ratify the agreement at Tananarive for a loose confederation of the former Belgian Provinces. He walked out because this agreement had previously been abrogated by a new compact between other Congo leaders and the U.N., made without his assent, and because the Coquilhatville conference had been rigged in advance to effect this repudiation of Tananarive. But neither the U.N. nor the State Department made any protest of the arrest.

After the U.N.-Katanga war, Tshombe went to Kitona as one of the understandings on which the bloodshed in his Province was suspended. There he was subjected to combined U.N.-U.S. pressures, in which the American Ambassador was a principal, attended by threats of renewed and more intensive war measures against Katanga unless Tshombe signed an agreement to recommend to his parliament the acceptance of the Belgian loi fondamentale.

This law, governing the Congo in its colonial status, provided for a heavily centralized government at Léopoldville by which Katanga would have much less autonomy than an American State, and the entire revenue from its mineral sources, the only support in the Congo of a viable economy, would be turned over to the wasteful, grossly overstaffed Adoula government. Also, under the loi fondamentale, Léopoldville would unilaterally decide what portion of this revenue would be returned for the maintenance of the provincial government.

THE FORCED SIGNATURE

At Kitona, Tshombe committed himself to this law by a signature which was sure to prove worthless when the circumstances by which it was obtained became known in Katanga. Since then the U.N., on the representation of "peaceful persuasion," has issued a series of threats of compulsion; with the endorsement of the State Department has proposed various economic boycotts and embargoes; but has never put in definite terms the modifications of the loi fondamentale that it has expressed willingness to exchange for the ending of Katanga's secession.

These are but a few of the U.S.-U.N. provocations of Tshombe's devious obstructions by fair means and foul, of his subsequent evasions and rejections of the terms of absolute surrender that the U.N. spokesman yesterday classified as a "solution" of the crisis in the Congo. They belong in any fair and adequate record on which an informed public opinion can be based. This record has been importantly supplemented by the proposals Tshombe now has tendered—not only definite, but promising as the basis of a real and feasible solution.

These proposals call for a practical test by the U.N. and the State Department in which the good faith of all concerned, or the lack of it by any, will be established persuasively for the first time.

JUVENILE DELINQUENCY PREVENTION PROGRAM SPONSORED BY CLAIROL, INC., OF CONNECTICUT

Mr. DODD. Mr. President, at a time when every day we read in the press about crime and juvenile delinquency in our Nation's Capital, when women are attacked in churches, and tourists assaulted by teenage girls on the very steps of the Capitol, it is a pleasure for a change to report some progress in our fight against this menace. It is good to be able to speak of some new steps that are taken in the right direction.

I am proud today to acquaint my colleagues with a delinquency-prevention project in the District of Columbia developed and sponsored by a business corporation from my own State of Connecticut. Clairol, Inc., a cosmetics firm with its home office in Connecticut, has provided an example that I hope will be followed by industrial and business concerns everywhere.

The program I speak of is operated by Clairol, Inc., in conjunction with the District Government, and consists of 5 weeks of lectures on self-improvement given to a selected number of teenage girls from all parts of Washington. The lectures are delivered by experts in the respective areas, and deal with such topics as personal appearance and grooming, physical fitness, understanding of self and others, discovering one's talents and job opportunities, and understanding the world in which we live. The basic purpose of the project is not only to help the young participants increase their own self-confidence and their social and cultural awareness, but also to develop the leadership qualities of these girls, so they can help other young people in the community to become better citizens.

I applaud the intent of this program, because as chairman of the Juvenile Delinquency Subcommittee, I have learned time and again that it is often those young people who do not know how to handle themselves, who have not learned the rudiments of manners, of grooming, and of conduct, who are the first on the road to delinquency. They have no self-respect, and, thus, no respect for others. They lack the proper bearing and the social skills for coping with even the most elementary problems of community living. Some do not know how to present themselves to a potential employer, because no one has bothered to teach them this procedure. Some do not know what their strong and weak points are, because they have not been taught to take stock of themselves. As a result, they are at a disadvantage in competing for jobs, for recognition and approval in school, and in social activities.

If our community programs can strengthen the personalities of these young boys and girls, if they can raise the level of self-confidence and self-awareness in them, and if such programs can train some of the young people to be leaders, to influence and help their fellows, we shall have made an important contribution to the prevention and control of youth crime. The best help is often not that which comes from some official agency, but, rather, the help and the encouragement received from one's friends and neighbors. The best help in many cases is the chance to help one's self.

The program initiated by Clairol, Inc., seems to afford such a chance; and we can express the hope that this pilot project will be successful and that it will be extended to young people in other communities. Particularly in view of the unprecedented rise in delinquency among girls in the past several years, it is good that the present program is specifically directed toward girls.

But even more commendable is the fact that this project is supported by a business firm. Clairol, Inc., has recognized the responsibility the business community has in helping our youth become productive and constructive members of society. Our free enterprise system has produced a great industrial economy but this economy needs young people to run it and to keep it going. Our industry and business have a stake in American youth; and a recognition of this will bring rewards, not only to the industry, but also to the entire country.

Mr. President, I am indeed glad to see a firm from my State contributing resources and personnel and joining forces with the District government to help the youth of this city, the city that belongs to all the States and to all the citizens of our land. And I am proud to be able to tell my colleagues of the fine work that Clairol, Inc., has undertaken in our Nation's Capital.

MASS TRANSIT SUPPORT

Mr. WILLIAMS of New Jersey. Mr. President, the mass transportation bill, S. 3126, has received widespread support from all parts of the country, and I have received communications in support of the legislation from local governing bodies and civic groups of both large and small communities.

In all these instances, local officials, who understand local problems, have exercised their right of petition in support of a program which they feel is both a sound and a necessary one; a program to allay the public cost and the private torture of traffic congestion in our urban areas.

In addition to these communications, it is worth pointing out that both the Senate and House held extensive hearings, and support was received from all parts of the country and all shades of opinion. The Senate committee heard the testimony of 35 witnesses, and only 2 opposed the bill. The House heard 50 witnesses, with only 2 expressing opposition.

I ask for unanimous consent to have printed in the RECORD a number of resolutions adopted in favor of S. 3126, which has been reported as a clean bill, S. 3615.

There being no objection, the resolutions were ordered to be printed in the RECORD, as follows:

CHAMBER OF COMMERCE
OF GREATER PHILADELPHIA,
Philadelphia, Pa., May 11, 1962.

Hon. HARRISON A. WILLIAMS, Jr.,
U.S. Senate,
Old Senate Office Building,
Washington, D.C.

DEAR SENATOR WILLIAMS: The Chamber of Commerce of Greater Philadelphia strongly supports this bill to provide aid for urban transportation systems and urges that you attempt to obtain its passage into law. We ask that you insert this statement of our reasons into the hearing record on the above bill.

Urban transportation has become a national problem. Of the 20 largest of the Nation's standard metropolitan areas as shown by the latest census, 15 are experiencing transit crises in some manner. Within these 15 areas reside 51.3 million persons, compared with a total of 54.5 million residing in rural areas and 16 million aged 65 or over, numbers of persons affected by two other widely recognized national problems.

In the growing urbanization of this Nation's population, adequate transportation, especially in rural systems, is an absolute necessity for community maintenance and economy. As parts of a total transportation system, they must be coordinated with highway facilities to provide a proper regional network. They must be capable of reaching across natural obstacles such as water and political obstacles such as State lines.

S. 3126 appears well designed and well fitted to achieve these objectives. It covers each of them in what appears to be a practicable manner. It appears to be a bill well suited to achieve all of these objectives.

Special provision contained therein for aiding pilot and demonstration projections, such as Philadelphia's Passenger Service Improvement Corp. and its regionalwide arrangement in the southeast transportation compact can develop experiments and experience from which the whole Nation may benefit. The total benefit to the Nation from enactment of this legislation and its intelligent implementations exceed by far its cost.

We urge your favorable action.

Sincerely yours,

JOHN H. DEMPSTER.

SOMERVILLE, N.J., *May 9, 1962.*

Hon. HARRISON A. WILLIAMS,
U.S. Senator,
Washington, D.C.

DEAR SIR: The following resolution was adopted by the Somerville Borough Council, at its meeting held May 7, 1962.

"Be it resolved by the Borough Council of the Borough of Somerville, N.J., That—

"Whereas the problem of mass transportation in the northern New Jersey-New York area is a matter of vital concern to our economic welfare; and

"Whereas integrated transportation requires rail transportation as one of its components to prevent the billions of dollars of expenditures for highway facilities with its consequent loss of ratables, increased auto insurance costs, high fatalities, additional police and maintenance expense and loss of income by reason of the removal of commuters to areas outside of New Jersey; and

"Whereas the President in his message of April 5, 1962, to the Congress has recommended a comprehensive plan for an integrated transportation system; and

"Whereas S. 3126 introduced in the Senate by Senator HARRISON A. WILLIAMS, of New Jersey, provides for additional assistance for the development of comprehensive and coordinated mass transportation as recommended in the President's message: Now, therefore, be it

"*Resolved,* That the Congress of the United States is hereby requested to act as expeditiously as possible in the adoption of S. 3126 and such other legislation as will implement and put into effect the recommendation of the President contained in his message of April 5, 1962, heretofore referred to, and be it further

"*Resolved,* That copies of this resolution be spread in full in the minutes of the borough council, and copies thereof be forwarded to Senator Harrison A. Williams, Senator Clifford P. Case, Congressman Peter Frelinghuysen, and to the intermunicipal group for better rail service."

Very truly yours,

Edith A. Varley,
Borough Clerk.

Plainfield, N.J., Resolution

Whereas the problem of mass transportation in the northern New Jersey-New York area is a matter of vital concern to our economic welfare; and

Whereas integrated transportation requires rail transportation as one of its components to prevent the billions of dollars of expenditures for highway facilities with its consequent loss of ratables, increased auto insurance costs, high fatalities, additional police and maintenance expense, and loss of income by reason of the removal of commuters to areas outside New Jersey; and

Whereas the President in his message of April 5, 1962, to the Congress has recommended a comprehensive plan for an integrated transportation system; and

Whereas, S. 3126, introduced in the Senate by Senator Harrison A. Williams of New Jersey provides for additional assistance for the development of comprehensive and coordinated mass transportation as recommended in the President's message; Now, therefore, be it

Resolved by the Common Council of the City of Plainfield, N.J., That the Congress of the United States is hereby requested to act as expeditiously as possible in the adoption of S. 3126 and such other legislation as will implement and put into effect the recommendation of the President contained in his message of April 5, 1962, hereinbefore referred to.

Richard P. Dyckman,
Mayor.

Township of Scotch Plains, N.J., Resolution

Whereas the problem of mass transportation in the northern New Jersey-New York area is a matter of vital concern to our economic welfare; and

Whereas integrated transportation requires rail transportation as one of its components to prevent the billions of dollars of expenditures for highway facilities with its consequent loss of ratables, increased auto insurance costs, high fatalities, additional police and maintenance expense and loss of income by reason of the removal of commuters to areas outside New Jersey; and

Whereas the President in his message of April 5, 1962, to the Congress has recommended a comprehensive plan for an integrated transportation system; and

Whereas S. 3126, introduced in the Senate by Senator Harrison A. Williams, of New Jersey, provides for additional assistance for the development of comprehensive and coordinated mass transportation as recommended in the President's message: Now, therefore, be it

Resolved, That the Congress of the United States is hereby requested to act as expeditiously as possible in the adoption of S. 3126 and such other legislation as will implement and put into effect the recommendation of the President contained in his message of April 5, 1962, hereinbefore referred to.

Helen M. Reidy,
Clerk.

Resolution by Freeholder Tiller for the Department of Public Works

Whereas the problem of mass transportation in the northern New Jersey-New York area is a matter of vital concern to our economic welfare; and

Whereas integrated transportation requires rail transportation as one of its components to prevent the billions of dollars of expenditures for highway facilities with its consequent loss of ratables, increased auto insurance costs, high fatalities, additional police and maintenance expense and loss of income by reason of the removal of commuters to areas outside New Jersey; and

Whereas the President, in his message of April 5, 1962, to the Congress, has recommended a comprehensive plan for an integrated transportation system; and

Whereas, S. 3126, introduced in the Senate by Senator Harrison A. Williams of New Jersey provides for additional assistance for the development of comprehensive and coordinated mass transportation as recommended in the President's message: Now, therefore, be it

Resolved, That the Congress of the United States is hereby requested by the Board of Chosen Freeholders of the County of Union to act as expeditiously as possible in the adoption of S. 3126 and such other legislation as will implement and put into effect the recommendation of the President contained in his message of April 5, 1962, hereinbefore referred to; and be it further

Resolved, That certified copies of this resolution be forwarded to the New Jersey Members of the Congress of the United States and to the intermunicipal group for better rail service.

New Jersey Bus
Association, Inc.,
Jersey City, N.J.

Whereas mass transportation systems in many municipalities of New Jersey are being jeopardized by the deterioration of the bus equipment owned and operated by the common carrier bus companies; and

Whereas said companies are unable to finance the purchase of new equipment because of their financial inability to meet the interest and installment requirements demanded by banking institutions or finance companies; and

Whereas under the provisions of U.S. Senate Bill S. 3126 introduced by Senator Williams of New Jersey, municipalities will be enabled to obtain loans from the U.S. Housing and Home Finance Administrator which can be used to purchase new buses for operation by said common carriers under lease or management arrangement:

Now, the New Jersey Motor Bus Association, Inc., as the spokesman for the independent bus companies of the State of New Jersey does, on this 8th day of June 1962, express its approval of and give its endorsement to said bill S. 3126 and hereby urges Senator Case and the New Jersey Members of the U.S. House of Representatives to support and vote for said legislation.

Resolution Requesting Congress To Act Expeditiously in the Adoption of S. 3126

Be it resolved by the township committee of the township of Cranford, That—

Whereas the problem of mass transportation in the northern New Jersey-New York area is a matter of vital concern to our economic welfare; and

Whereas integrated transportation requires rail transportation as one of its components to prevent the billions of dollars of expenditures for highway facilities with its consequent loss of ratables, increased auto insurance costs, high fatalities, additional police and maintenance expense and loss of income by reason of the removal of commuters to areas outside New Jersey; and

Whereas the President in his message of April 5, 1962 to the Congress has recommended a comprehensive plan for an integrated transportation system; and

Whereas, S. 3126, provides for additional assistance for the development of comprehensive and coordinated mass transportation as recommended in the President's message: Now, therefore, be it

Resolved, That the Congress of the United States is hereby requested to act as expeditiously as possible in the adoption of S. 3126 and such other legislation as will implement and put into effect the recommendation of the President contained in his message of April 5, 1962, hereinbefore referred to.

Resolution of the Council of the Borough of Fanwood, N.J.

Be it resolved by the mayor and Council of the Borough of Fanwood, That—

Whereas the problem of mass transportation in the northern New Jersey-New York area is a matter of vital concern to our economic welfare; and

Whereas integrated transportation requires rail transportation as one of its components to prevent the billions of dollars of expenditures for highway facilities with its consequent loss of ratables, increased auto insurance costs, high fatalities, additional police and maintenance expense and loss of income by reason of the removal of commuters to areas outside New Jersey, and

Whereas the President in his message of April 5, 1962 to the Congress has recommended a comprehensive plan for an integrated transportation system; and

Whereas S. 3126, introduced in the Senate by Senator Harrison A. Williams, of New Jersey, provides for additional assistance or the development of comprehensive and coordinated mass transportation as recommended in the President's message: Now, therefore, be it

Resolved, That the Congress of the United States is hereby requested to act as expeditiously as possible in the adoption of section 3126 and such other legislation as will implement and put into effect the recommendation of the President contained in his message of April 5, 1962 hereinbefore referred to; be it further

Resolved, That a copy of this resolution be sent to the New Jersey Members of Congress and intermunicipal group for better rail service.

John H. Campbell,
Clerk.

Resolution of the Borough of Bound Brook, N.J.

Be it resolved by the Borough of Bound Brook, That—

Whereas the problem of mass transportation in the northern New Jersey-New York area is a matter of vital concern to our economic welfare; and

Whereas integrated transportation requires rail transportation as one of its components to prevent the billions of dollars of expenditures for highway facilities with its consequent loss of ratables, increased auto insurance costs, high fatalities, additional police and maintenance expense, and loss of income by reason of the removal of commuters to areas outside New Jersey; and

Whereas the President in his message of April 5, 1962, to the Congress has recommended a comprehensive plan for an integrated transportation system; and

Whereas S. 3126 introduced in the Senate by Senator Harrison A. Williams of New Jersey provides for additional assistance for the development of comprehensive and coordinated mass transportation as recommended in the President's message: Now, therefore, be it

Resolved, That the Congress of the United States is hereby requested to act as expeditiously as possible in the adoption of S. 3126 and such other legislation as will implement and put into effect the recommendation of the President contained in his message of April 5, 1962, hereinbefore referred to.

Anthony L. Curcio,
Mayor.

Resolution of the Council of the Borough of Roselle, N.J.

Be it resolved by the mayor and Council of the Borough of Roselle, That—

Whereas the problem of mass transportation in the northern New Jersey-New York area is a matter of vital concern to our economic welfare; and

Whereas integrated transportation requires rail transportation as one of its components to prevent the billions of dollars of expenditures for highway facilities with its consequent loss of ratables, increased auto insurance costs, high fatalities, additional police and maintenance expense and loss of income by reason of the removal of commuters to areas outside New Jersey; and

Whereas the President in his message of April 5, 1962, to the Congress has recommended a comprehensive plan for an integrated transportation system; and

Whereas S. 3126, introduced in the Senate by Senator Harrison A. Williams, of New Jersey, provides for additional assistance for the development of comprehensive and coordinated mass transportation as recommended in the President's message: Now, therefore, be it

Resolved, That the Congress of the United States is hereby requested to act as expeditiously as possible in the adoption of S. 3126 and such other legislation as will implement and put into effect the recommendation of the President contained in his message of April 5, 1962, hereinbefore referred to; be it further

Resolved, That the borough clerk be and she is hereby directed to forward certified copies of this resolution to the U.S. Senators from New Jersey and to all New Jersey Members of the House of Representatives, together with a copy to the intermunicipal group for better rail service.

James G. Argyros,
Mayor.

Borough of Garwood,
Union County, N.J.

Whereas, the problem of mass transportation in the northern New Jersey-New York area is a matter of vital concern to our economic welfare; and

Whereas integrated transportation requires rail transportation as one of its components to prevent the billions of dollars of expenditures for highway facilities with its consequent loss of ratables, increased auto insurance costs, high fatalities, additional police and maintenance expense, and loss of income by reason of the removal of commuters to areas outside New Jersey; and

Whereas the President in his message of April 5, 1962, to the Congress has recommended a comprehensive plan for an integrated transportation system; and

Whereas S. 3126, introduced in the Senate by Senator Harrison A. Williams of New Jersey, provides for additional assistance for the development of comprehensive and coordinated mass transportation as recommended in the President's message: Now, therefore, be it

Resolved by the mayor and Council of the Borough of Garwood, County of Union, State of New Jersey, That the Congress of the United States is hereby requested to act as expeditiously as possible in the adoption of S. 3126 and such other legislation as will implement and put into effect the recommendation of the President contained in his message of April 5, 1962, hereinbefore referred to.

Approved:

I. George Casabona,
Mayor.

HOUSING FOR THE ELDERLY

Mr. WILLIAMS of New Jersey. Mr. President, among the many accomplishments of the Kennedy administration, one of the most important is the new lift that has been given to the efforts to deal with the critical problem of providing decent housing for our growing number of elderly families.

I am sure many Members will be as gratified as I was to learn that the Housing and Home Finance Agency has accepted and programed as many applications for elderly housing in 1961 as it did in the 5 previous years combined.

Last month, Mr. Sidney Spector, Assistant Administrator in charge of the various housing programs in this area, gave an excellent review of the programs now available, the progress that is now being made, and the philosophy guiding the efforts of the Housing Agency to make the golden years of retirement a bit more of a reality.

Particularly encouraging is the Agency's recognition, as expressed by Mr. Spector:

> Aging is an individual matter of infinite and ineffable variety. There is the widest conceivable variation in needs, capabilities, desires, and characteristics. We are, therefore, determined that we must not allow rigidities and dogmatisms to dominate our Federal housing programs. Rather, they must meet a wide range of desires and needs and must do so flexibly, imaginatively, and with periodic evaluation of the results being achieved.

Mr. President, I ask unanimous consent that this speech, given to the National Council on Aging, Institute on Housing for the Elderly, in Glenwood Springs, Colo., July 15, be included in the Record at this point.

There being no objection, the speech was ordered to be printed in the Record, as follows:

Housing: Shelter, Showcase, or Living Environment

(Address by Sidney Spector, Assistant Administrator, Housing for Senior Citizens, Housing and Home Finance Agency, to National Council on Aging, Institute on Housing for the Elderly, Glenwood Springs, Colo., July 15, 1962)

This is a most important institute. In many ways it deserves the term "historic." For the first time in my knowledge we are holding an intensive, systematic set of seminars on the total problem—sponsorship and management—of this new, exploding, field of housing for America's senior citizens.

And we are doing it under the most significant and important sponsorship. We in the HHFA were delighted and eager to join in supporting an institute on this subject initiated by the National Council on the Aging, the Metropolitan Denver Conference of Non-Profit Housing for the Aging, and the National Association of Housing and Redevelopment Officials and supported further by the Department of Health, Education, and Welfare. It is an area where we not only have a human interest, but in which we are handling an investment of over a billion dollars. The proper sponsorship, effective planning and prudent management of this investment is a matter of major concern and one which all of us need education and understanding.

The composition, program and setting for this institute are most auspicious. I wish Dr. Weaver were here to deliver his own address, but, as he wrote to Beverly Diamond, the events in Washington have made it absolutely impossible. He is interested in this institute and has insisted on good representation at its sessions. With Commissioner Sidney Woolner, Commissioner Marie McGuire, Bill Hughes, Flora Hatcher, and Abner Silverman, you can do no better and we will all give him a detailed report on our proceedings.

But I want to begin at the end—by speaking about the last years of life.

This is a subject we joke about in public but worry about in private. The fear of age, deterioration, and death is the one fear that unites us.

Ideally we would like to view our old age as Huck Finn viewed his own funeral; just walk in, say it was a mistake, and thank everyone for coming anyway. But, if we were like Huck, each time we would want to repeat this; to see if the crowds were any larger, the praise any louder, the tears any wetter. We find this amusing and whimsical.

But, what about the people who now are in their old age? Do they find much whimsy and amusement? I think not. For, despite all of our stereotypes about the goldenness of old age, it is today's senior citizens who know it personally, who feel it in their souls, their arms, their legs, their brains; for whom old age is the final emptiness before the void.

One of the greatest measures of civilization we have thought is the degree to which it is concerned about its older members. We have made many advances on the scientific and humanistic fronts and we thought that we had altered our yardstick of measurement from the social Darwinist theory of survival of the fittest to a new index, that of survival of the weakest—to insure survival of all.

Yet in many ways, we in our "civilized society" seem lower on this index than some of the more primitive cultures. Our tendency to isolate our senior citizens psychologically through rejection, and physically through institutionalization, stands in sharp contrast to the pattern of some nonliterate societies. Too often we witness the sinister syndrome of the typical older person in our culture—unwanted and unrecognized. He is put on the shelf and assigned a passive role, not expected to make any positive contribution to the community. Finally, alone in Burgess' "roleless role" he may become senile, and consigned, often because there is no other available facility, to a mental hospital. For ours, we boast, is a youthful, virile society with little room for slow moving noninnovating aged.

The aged today, as a group, are deprived of meaningful contribution through lack of social expectation. They have become the victims of civilized Darwinism.

It is civilized Darwinism because we are not so brutal, or perhaps so honest, as some of the primitive tribes. We don't solve the problems of aging as some nonliterate cultures do by placing a dependent grandfather in a canoe, sending the canoe down the river and letting the alligators dispose of the problem.

But neither are we as progressive as some of the primitive societies that place older citizens on a higher level as advisers, as judges, like the Sanhedrins of ancient Israel. Instead, often we tell ourselves that older persons want to disengage and should do so; besides they are hard to live with and by leaving them in solitude we are actually helping them.

In many ways we as a nation are encumbered by a combined philosophy of "Uncle

Tom's Cabin" in which we let our problems grow like Topsy, and of Alice in Wonderland where events seem to have us moving two steps backward for every one we take forward.

However, there is a new administration in Washington with a new Administrator of the Housing and Home Finance Agency, Robert C. Weaver, deeply concerned with the needs and aspirations of America's senior citizens. And in 1961, we took some major steps forward.

As a result of the Housing Act of 1961, of President Kennedy's leadership and direction, the inspired commitment of Administrator Robert C. Weaver, the Housing and Home Finance Agency now has a set of major instruments with which to begin the attack on the housing needs of America's senior citizens. If this administration does not establish a dramatic milestone in the history of improving the conditions of our older citizens, then a great opportunity will have been lost.

As I shall describe in greater detail, we now have techniques in the armamentarium of housing to apply therapies from a many-sided approach—just as the needs themselves are many sided and individual. The Nation now has available:

For the very low income senior citizens, a substantial expansion in public housing.

For those who are able and wish to own their own homes, liberalized financing methods for home purchase.

For moderate and higher income groups, mortgage insurance for both profit and nonprofit motivated rental housing through the private lending market.

For the lower middle income group, direct loans at low rates of interest on a long-term basis.

For those wishing to rehabilitate existing homes, liberalized means of financing through long-term mortgage insurance.

For those concerned with nursing homes, easier techniques of financing the construction of skilled nursing homes.

However, these major legislative steps only authorized movement. The basic question was one asked many years ago by Rudyard Kipling:

> "'Ye have read, ye have heard, ye have thought,' he said,
> And the take is yet to run:
> By the worth of the body that once ye had,
> Give answer—what ha' he done?"

The speed with which these programs moved forward in 1961 is a dramatic demonstration of the intensity of need and the commitment of this administration. The Housing and Home Finance Agency had as much business in the single calendar year of 1961 as in the previous 5 years combined.

Applications accepted and programed for rental units in 1961 totaled 44,353 approximately equal to the 44,602 units accumulated from 1956 to 1960. As of May 31, 1962, the total volume of applications had reached almost 109,000 units for an approximate total dollar value of $1.3 billion.

Of greater significance is the volume of actual commitments made by our constituent agencies for senior citizens housing. In 1961 commitments were issued for 22,483 rental units, which was more than double the 10,623 issued in 1960. The total of commitments for 1961 alone was about 80 percent of the combined figures of the entire 5 years. As of May 31, 1962, total cumulative commitments were for close to 59,000 units, or an estimated total $718.5 million.

A considerable interest thus has developed into a surging momentum and now is the time to take advantage of this momentum to insure for senior citizens the opportunity of selecting housing in accordance with their needs and desires.

This complex of legislative authorizations provides a balanced set of methods for accelerating a sound program of housing—new and rehabilitated, subsidized and insured, private and public, low and moderate incomes.

HOUSING FOR SENIOR CITIZENS: A SPECIAL PROBLEM

It is sometimes asserted that the aged of this Nation do not constitute a special category, but rather have the same order and kind of problems as the rest of the population. In the housing field, this stereotypical concept implies that housing for older persons should not be viewed as a separate problem, but that by solving the housing needs of the Nation as a whole we will automatically take care of the older population. In theory and over the long run, this is doubtless true. Fortunately, however, the American approach has been one of practical wisdom. We have attacked problems when and where they were the most critical and have made immediate ameliorations to the extent necessary and possible. We have not permitted suffering today while we carry tomorrow's objectives to their logical, often absurd, conclusions. With the aged, this is even more pressing and valid. For them, the adage which Keynes made famous—namely, "In the long run we shall all be dead"—is no empty epigram but a foreseeable reality, which presses for immediate response.

But it is not only the time factor which induces special, accelerated action to meet the housing needs of older persons. It is the fact that a whole series of problems converge with age and although they are similar to problems at any age, their incidence is so extensive and their frequency so much higher that they combine to form a special set of problems for national attention.

OBJECTIVES IN SENIOR CITIZEN HOUSING

The programs of housing for senior citizens administered through the Housing Agency are designed to help sustain the dignity and maximum independence of the individual older person. Housing for senior citizens cannot be molded into a single pattern, but should offer a wide range of opportunities for the maximum exercise of free choice of living arrangement.

This objective can best be attained by continuing in the retirement years the contributions and close relationship to the community which the older person enjoyed during his working years. The policies of the Housing Agency, therefore, encourage senior citizens housing in a neighborhood where the residents can participate in community life with neighbors, children, and friends. Older persons often desire and need to live together and to profit from the company, interests, and support of their age group. But they also desire and need to be part of the life of the larger community containing people of all ages.

Thus, the site of a development for housing older persons may be in the downtown area of a city, in a suburb, or in a small rural community. But, whatever location may be found desirable, it should promote and facilitate participation in general community activities.

The process of aging also carries with it physical and psychological changes, which often involves diminution of capacity. To attain dignity and independence under these conditions the structures require a physical and social design which permits an older person to continue living safely in his own apartment. When a disability occurs, the elderly person should be able to obtain suitable accommodations. Housing Agency policy is designed to achieve these ends to the extent possible.

Closely connected with these factors is the general need to assure the accessibility of health and welfare facilities related to successful living in the retirement years. Here again the location and site of a housing project are of basic importance in insuring the availability of community health resources.

Housing for senior citizens should also be accessible to senior centers, and other community groups, thus encouraging social relationships as avenues to greater participation in community activities. Senior citizens should have an opportunity not only for recreation but for work as hospital aids, homemaker assistants, teachers, counselors, civic volunteers, and for other part-time employment—paid or unpaid.

Older persons want to be near the life and excitement of daily living. The retirement years are meant to be busy and active years, but at an individual's own direction, discretion, and pace. Thus, their housing should be close to good public transportation, adequate shopping facilities, and churches. It should be easily accessible to the educational and cultural centers of the community.

Senior citizens need to mix with their neighbors, in order to have social contacts which may help to compensate for the loss of spouse and friends and to counter their tendencies to withdraw from activity. This requires creative skill in physical design to encourage, through the structural arrangements themselves, the informal groupings, the active subgroups, and the identification of new family relationships so important to the retired older persons.

Older persons, like everyone else, need to feel proud of their apartments and buildings. Housing Agency criteria, therefore, call for imaginative design, good site, suitable size of units, and beauty in architecture and furnishings.

In the development of housing for senior citizens encouragement is given in the programs of the Housing Agency to achieving these objectives. Sponsoring groups are further advised that housing for senior citizens should be consonant with overall plans for community growth. Programs of local planning, health, and welfare agencies are also considered. More favorable consideration is given to those applicants who relate their housing projects to community health care services.

The Agency emphasizes the achievement of a proper relation between the cost of good, enduring construction with low maintenance costs for the life of the loan, and the attainment of the lowest possible rental charges.

In brief, the objectives of our national housing policy are to assist in filling the need for good housing adapted to the physical, psychological, and economic changes which take place with age: housing designed to achieve independence and dignity; housing which the aged can afford; housing which nurtures and promotes self-respect and usefulness in the retirement years.

THE AGED: A SPECIAL HOUSING PROBLEM

Twenty-one million people are now 62 and over, and by 1980 we expect at least 30 million in this age group. The over 65 population increases at a net rate of 400,000 each year.

Perhaps even more thought provoking than the overall numbers involved is the fact that already one out of three persons reaching the age of 60 has a parent or close relative over 80 to be concerned about. In just 40 years this ratio will rise to two out of three. Then our society will have the unique challenge of meeting the housing needs of not one but two generations of senior citizens.

As an indication of how fast our senior citizens population is growing, it may be noted that while the general population increased only 19 percent from 1950–60, the group over 65 rose 35 percent and the age group 85 and over increased more than 60 percent.

It is true that most older people are mobile and able to care for themselves with a minimum of help. However, 8 out of 10 do have one or more chronic illnesses and older people do spend twice as many days in hospitals as those under 65. Thus, as constrasted to detailed provision of, access to medical facilities is a basic consideration in planning housing for the elderly.

While not a homogeneous economic group, the aged tend to be in the low or moderate income categories with median money incomes about 50 percent of those under 65. Thus, more than one-half of the aged families have annual incomes of less than $3,000 per year and about one-third have less than $2,000 per year. On the other side, of course, one-half of the aged families have incomes of more than $3,000 per year. About one-half of the single aged persons have annual incomes of less than $1,050 per year. Housing for senior citizens must relate particularly to their income levels and to the relative inflexibility of their income potentials.

With the cessation of regular employment, and the end of years occupied by raising and educating a family with associated activities, many older people find themselves lacking in clear purpose. Yet on the average they face 14 years of life expectancy after retirement and thus need new activities to fill their days.

This is the period when children have left home and when the death of a spouse occurs most frequently, leaving serious social and emotional vacuums. Almost one-half of the aged are either widowed, separated, divorced, or single; a total of about 8 million senior citizens thus live alone. They are subject to social isolation, lower incomes, and unsuitable living arrangements.

About two-thirds of the aged now live in their own homes. A large portion of them have lived in these homes for 30 years or more, after having purchased them to house their young and growing families. They face problems of rising maintenance expenses, higher property taxes, and major repairs at a time when their physical capacities are substantially reduced and their family incomes halved. At this stage much of the existing housing occupied by senior citizens is too large, too old, too costly, or too inefficient and unsafe for the changes which occur with age.

Additional data are required to identify the national needs of elderly persons, and special studies are required for particular areas. However, there are now some indices which are helpful. Data are now being provided by the special tabulations processed by the U.S. Bureau of the Census under contract arrangements with the Housing Agency. These tabulations have been financed by the appropriation of $125,000 authorized by the Congress last year.

For the first time we will have detailed data on the kinds of housing older persons occupy, the cost, room size, and quality of housing, their incomes, and their status of dependence or independence. A preliminary analysis of these special tabulations has been completed and will be published in a series of reports very shortly.

Preliminary data from the special Census Bureau tabulations indicate that over 19 percent of the households in which senior citizens live are substandard in that they lacked private bath, toilet, or hot running water, or were structurally deficient. These substandard units do not include those which—while basically standard—may not be suitable for older persons, because they are too large or too costly to maintain.

The data do not include the 17–20 percent of the aged who do not live in their own households but live, as dependents, with their children or others in generally standard housing. Current research provides evidence that senior citizens generally prefer to live independently if they can. In most cases desperately low incomes or poor health, or both, compel a parent to move in with children.

A recent study by the Cornell University Center for Housing and Environmental Studies analyzed the quality of housing of a national sample of persons receiving social security benefits in 1960. The results of this research study indicated the following:

1. Forty percent of older persons were living in houses built 51 years ago and an additional 40 percent were living in houses built between 30 and 50 years ago.

2. The aged in poorer health tended to occupy the poorest housing.

3. Approximately 45 percent of all aged households were classified as being in "need of better accommodations" based on the quality of the housing and the living arrangements of individuals who were dependent on their relatives.

These are the basic large considerations which relate to the condition of senior citizens and to their living arrangements. There are other factors which social gerontologists could list such as increasing social isolation, progressive reduction in strength, increasing social distance between generations. But for the formulation of national policy, the elements of retirement, income, health, and marital status constitute the crucial four horsemen of the later period of life.

TYPES OF FEDERAL PROGRAMS

Despite the relatively higher frequency of the above trends in older age, I cannot stress adequately enough the need to be constantly aware of the fact that aging is an individual matter of infinite and ineffable variety. There is the widest conceivable variation in needs, capabilities, desires, and characteristics. We are, therefore, determined that we must not allow rigidities and dogmatisms to dominate our Federal housing programs. Rather, they must meet a wide range of desires and needs and must do so flexibly, imaginatively and with periodic evaluation of the results being achieved.

The aging process is a gradual and dynamic one affecting individuals at different times, in different places, in different ways. No facet of aging strikes everyone at the same time and thus no generalization has more than a partial validity. It often results in an approach of ubiquitous ambiguity, but this is the nature of man in society.

The diversity of these needs, fortunately, is now matched by the availability of a multifaceted group of programs which I mentioned earlier in this paper. I should like now to review each of the programs. Many of them are new and verbalization today will have to be tested by action tomorrow. But this is the test which all of us are willing to meet.

Low-rent public housing

The great surge forward in the provision of senior citizen housing has been reflected dramatically in the public housing program, where during fiscal 1962, over 12,200 units, or 53 percent of all dwelling units placed under annual contributions contracts in that period, are designed specifically for the elderly. Increasing interest and activity are evidenced by the fact that during the six-month period ending March 31, 1962, 48 out of the 62 newly created local housing authorities included plans for housing senior citizens.

Over 100,000 units or more than ⅕ of all public housing dwellings are occupied by elderly families, and ⅓ of all local housing authorities have included some units for senior citizens in their programs.

Public housing projects are marked also by the inclusion of activity centers of great variety. This indicates an understanding of the need for an active life as well as a safe and secure one. These activity centers, often the first of their kind in a community, embrace recreation, education, preventive health and other facilities. Their operation involves many local and State organizations. Thus, through the combined and coordinated efforts of housing and community officials, we can be optimistic that the low-income elderly, a large majority of whom have only a State pension or a limited social security income, may not only be housed in comfort in their later years but may find fulfillment through daily association with persons of their own ages and citizens of the community.

A number of excellent examples of community center design and program structure have resulted from public housing study and experience in this field.

FHA mortgage insurance

As of May 30, 1962, the Federal Housing Administration had 193 active projects representing 29,712 units and mortgage insurance in the amount of $334,759,019. Of these:

1. Sixty-eight projects were finally endorsed for mortgage insurance and occupied, providing 7,256 units and mortgage insurance in the amount of $69,444,521;

2. In addition to the finally endorsed projects are 88 projects with 13,157 units which have been initially endorsed for insurance or committed for insurance in a total of $157,267,300, more than two-thirds of which are under construction, some completed but awaiting final endorsement; and

3. The remaining 37 of 193 projects in active status ("application on hand") have been given feasibility approval and are in process. These represent $108,047,198 of mortgage insurance and would create 9,299 additional units, bringing the total to 29,712 units and $334,759,019 of mortgage insurance.

There were 101 active projects as of January 1, 1961, covering about 4 years of operation. These included 12,550 units; calling for mortgage insurance of $127,928,721.

Properties covered by mortgage insurance under the program have a replacement cost of much more than the mortgage insurance by reason of the fact that many projects have, through gifts and founders' fees, been able to construct housing costing more than the amount of mortgage insured. A tabulation of December 31, 1961, covering 54 completed projects, revealed an average replacement cost on 5,203 units of $11,700.

The range in per-unit cost is great, running from $6,189 up to $28,570 per unit. This range is attributable to the degree of inclusion in projects of special features and amenities such as infirmaries, chapels, social rooms, recreation facilities (indoor and outdoor), and art-craft shops.

All projects under section 231 are built to at least minimum standards adopted by FHA, with particular care to provide for residents the utmost security against fire, special designing for their comfort, health care, recreation, and security against accidents.

FHA nursing homes

Prior to January 1, 1961, there were only 30 applications received representing 2,468 beds with $13,138,760 in mortgage amount. Only 10 commitments had been issued and 2 projects were under construction.

As of May 31, 1962, a total of 179 project applications had been received having 15,397 beds and mortgage requirements of $91,167,823; 108 commitments had been issued. These projects contained 8,861 beds with mortgage amount of $49,360,400. Of the 108 projects committed, 7 had been completed and 49 were under construction.

Nursing homes under FHA commitment in 1961 ranged in size from 39- to 150-patient capacity, the median being 76. FHA regulations require a minimum of 20 beds. FHA regulations, reinforcing most State or local license requirements, also require elevators in all structures of more than one story. One-story nursing homes in 1961 accounted for 71 percent of the projects committed and for 66 percent of the accommodations. Structures with elevators accounted for the remaining 29 percent of the projects and for 34 percent of the accommodations.

Mortgage amounts prorated according to the number of beds resulted in a median per bed of $5,744. Almost 8 percent of the beds had average mortgage amounts of $9,000 to $10,000, while about 1 percent averaged less than $3,000.

Monthly charges per patient varied from $165 to more than $500 per month, varying generally according to the number of beds per room.

At the present time more than two-thirds of the States have developed one or more projects.

FHA has maintained extremely close and cooperative working relations with the Department of Health, Education, and Welfare, the State Health Agencies and Professional groups.

During the past several months as the national interest in this program has expanded projects beyond the usual nursing home type have been developed. These have included projects for retarded children, alcoholics, and mild mental cases.

The direct loan program

A dramatic program given new stimulus by President Kennedy and the Congress this year is the Senior Citizens Housing Loan Program. The Administrator of the Housing Agency is authorized to make loans directly to private nonprofit organizations, consumer cooperatives and certain public agencies to construct rental housing for older persons whose income is above that for public housing, but still not sufficient for more expensive private housing.

The Housing Act passed in 1961 and signed by the President increased the authorization from $50 to $125 million for this program. It also raised the proportion which the Federal Government could lend from 98 to 100 percent of the development cost. The current interest rate is 3½ percent and the term of the loan as long as 50 years. The program is administered by the Community Facilities Administration and is one which is expected to be used as a model for providing senior citizens housing. Just this week the Administration requested an increase in the authorization for this program from $125 to $250 million and Congressman RAINS has introduced a bill to accomplish this end. You will hear a detailed analysis of this program from its head, Sidney Woolner, Commissioner of CFA.

There was dramatic progress during 1961 and continuing into the first 5 months of 1962 in the amount of business under the direct loan program. Applications filed totaled 103 for $51 million in 1960, 102 for $152 million in 1961 and 49 for $78 million during the first 5 months of 1962, making a total of 254 applications for $284 million since inception of the program. Executed loan agreements totaled 22 for $17 million in 1961 and 12 for $12 million during the first 5 months of 1962.

It is estimated that cumulative net reservations will reach about $180 million by June 30, 1963, and approximately $250 million by December 31, 1963. Of the 254 projects, for $284 million, in applications filed through May 31, 1962, a total of 119 projects for $124.2 million was either rejected or withdrawn. This program in which the Federal Government makes direct loans to nonprofit sponsors requires careful screening and responsible analysis since so many of the sponsors are wonderfully motivated but highly inexperienced in this field. Our staffs in Washington and in the regions work carefully and at great length with these sponsors; they perform many of the planning functions which a more experienced sponsoring group would ordinarily undertake prior to the submission of an application.

In these early stages of the program a great number of applications have been rejected or withdrawn in order to safeguard both the soundness of the projects and the purpose for which the legislation was intended. We have felt that these rejections, while difficult to make, were prudent requirements and will have a direct bearing on the success of the program.

We are now reaching the stage, however, where sponsoring groups are increasing their know-how and we can expect a decreased rate of rejections with a consequent increase in the rate at which applications become fund reservations, executed agreements and completed projects.

Despite this very large number of rejected or withdrawn applications, we had a backlog of applications under review, exclusive of those under fund reservation, amounting to 69 projects for $97.1 million as of May 31, 1962.

MORE EFFECTIVE ORGANIZATION

To insure a coordinated, helpful administration of these programs, Robert Weaver early established a central Office of Housing for Senior Citizens. When this administration came in, we found the different programs had varying and duplicating standards and policies, confusing to architect, builder and public alike. There was no place where an ordinary citizen, church or civic groups could secure information and assistance on an overall basis.

We now have a full-time office, headed by an Assistant Administrator, to devote energy and interest to accelerating the construction of housing for older persons.

We have developed a common, national policy on the objectives of senior citizens housing. The assumptions behind these objectives should undergo rigorous research examination since they represent only the consensus of best thinking—published and unpublished. Essentially, this policy is one which assists in financing that type of housing which sustains independence and dignity, which provides and encourages opportunities for continued relationships with the community as a whole.

We have worked out a common set of standards for our major programs dealing with design and construction. These standards are intended to avoid rigidity, permit imagination and provide for the development of housing suitable for the elderly, while protecting the public interest.

We organized and are operating an information and technical service for sponsors who are often uninformed in the fields of finance and construction. An internal clearinghouse of information on each of the senior citizen housing programs has been developed to minimize duplication of activity, to exchange knowledge and to provide a means by which each constituent agency can benefit from the experience of the others.

With the establishment of this Office, the operating responsibilities of the direct lending program were transferred to the Community Facilities Administration which administers a similar direct lending program for college housing. All of our programs are now decentralized to the field so that service can be local, personal, and speedy.

A national policy concerned with housing for senior citizens must take into account the achievements in housing and community settings, not only among the older generations, but among the younger generations as well. Further, it is of even greater importance that it view the future in terms of the changing expectations of all Americans.

Remarkable advancements in science and technology plus a general improvement in living and working conditions have abetted higher levels of individual health and extended life expectancy. Those achievements have demonstrated the possibility of and encouraged the belief in, a better life—healthier and more meaningful—for everyone. They have impressed these values not only during the young, working lives of Americans, but have set them down as expectations for retirement and old age. For all of us, life under self-respecting conditions has become the natural order of things. Senior citizens of tomorrow may be expected to be more insistent than their elders were, on decent housing in suitable living environments—environments in which they may spend their days in independence and in dignity.

President Kennedy has accepted this goal as his own and will provide the magnetic leadership to stride across this new social frontier with concrete accomplishments. This administration has an appreciation of the aged not as a problem, but as a positive gain of American civilization.

These are exciting and winning times in the field of lengthening life and in the war against deterioration—greater perhaps than in any previous century. We have before us the luminous possibility that a child born today or tomorrow can look forward to a healthy childhood, productive middle years, and a creative old age. And we may repeat the prayer of the great Navajo poet:

> "In beauty may I walk
> With beauty before me may I walk
> With beauty behind me may I walk
> With beauty all around me may I walk
> In old age wandering on a trail of beauty,
> lively, may I walk
> In old age, wandering on a trail of beauty,
> living again, may I walk
> It is finished in beauty. It is finished in
> beauty."

NOMINATION OF JUDGE THURGOOD MARSHALL

Mr. SCOTT. Mr. President, the disgraceful delay in acting on the nomination of Judge Thurgood Marshall is described very well in an editorial in today's New York Herald Tribune entitled "Senate's Obligation on Thurgood Marshall."

The hearings on this nomination are an unprecedented example even for this body of procrastination and, to borrow a word from the Tribune editorial, "pettifogging."

Judge Marshall's career is a matter of public record and there can be no doubt of his eminent qualifications for judicial service. He should have been confirmed long ago and would have been if not for the stalling tactics of a few of his opponents. Not a shred of testimony has been presented in the months of hearings on this nomination which casts one iota of doubt on the character, loyalty, and ability of Thurgood Marshall.

The Tribune editorial points out that our colleague, Senator KEATING, whose State is within the principal jurisdiction of the court of appeals to which Judge Marshall has been appointed, has taken the lead in pressing for action on this nomination. It is most regrettable that the President at his press conference recently chose to engage in some partisan sniping at the efforts of the Senator from New York. The truth is that Senator KEATING has always approached this matter without any regard for partisanship and if anything, he deserves the commendation, not condemnation from the administration for his effort to keep this nomination from dying of neglect.

This is another illustration of the White House's unfortunate tendency to place politics ahead of progress on crucial issues. The only opposition to Marshall of which I am aware comes from members of the President's own party. I hope that the President's remarks will not imperil the solid Republican support which the nomination has had to date.

Mr. President, I ask unanimous consent that the editorial from the New York Herald Tribune be printed following my remarks in the Record.

There being no objection, the editorial was ordered to be printed in the Record, as follows:

Senate's Obligation of Thurgood Marshall

Democratic Senators of the South are doing nothing about President Kennedy's nomination of Thurgood Marshall to the U.S. Court of Appeals.

This is a disgraceful situation. Here we have an eminent lawyer, thoroughly qualified in every respect, and yet the southern Democrats, through their committee control, have held up the confirmation for almost a year.

This stalling in the Judiciary Subcommittee, headed by Senator Olin Johnston, of South Carolina, is clearly occasioned by the fact that Judge Marshall, a Negro and longtime counsel of the National Association for the Advancement of Colored People, won the Supreme Court victory in the historic 1954 school desegregation cases.

But the temper of the Senate is unmistakably for action, Senator Kenneth B. Keating, of New York, a member of the full Judiciary Committee, has served notice that he intends to move that the subcommittee be discharged. And if this is blocked by the committee chairman, Senator James Eastland, the chronic obstructionist from Mississippi, there is plenty of evidence that traditional respect for committee processes cannot always be endured. The leaders of both parties are determined to get the Marshall question to a vote on the Senate floor.

This is a matter of fairplay and integrity. The pettifogging over Thurgood Marshall's qualifications, which is nothing but racism in disguise, is clearly intolerable. The great majority of the Senate, we feel confident, are fed up with unworthy, subterranean tactics. It is mandatory to approve the Marshall selection on merit.

The PRESIDING OFFICER. Is there further business in the morning hour? There being no further business in the morning hour, morning business is closed.

BALANCE OF AWARDS MADE BY PHILIPPINE WAR DAMAGE COMMISSION

Mr. HUMPHREY. Mr. President, I ask unanimous consent that the Chair lay before the Senate the unfinished business.

The PRESIDING OFFICER. Without objection, the Chair lays before the Senate the unfinished business.

The Senate resumed the consideration of the bill (H.R. 11721) to authorize the payment of the balance of awards for war damage compensation made by the Philippine War Damage Commission and to authorize the appropriation of $73 million for that purpose.

STRATEGY FOR THE LONG PULL—TRUE VICTORY

Mr. JAVITS. Mr. President, no issue is more important to Americans at all times than the question of peace and how to preserve it in the presence of the deep conflicts that divide East and West. Our efforts have been directed in large part to the integration of the power of the free world, to help the newly established and developing countries escape the dangers of internal violence and political upheaval on the one hand, and the infiltration and subversion of aggressive international communism on the other hand.

In an address which I delivered earlier this year before the World Affairs Council of Albany, N.Y., I discussed at length many of the problems that confront us both within and without the borders of the United States as a consequence of the great political conflict of our times. I have since supplemented and brought this information up to date and included references to later events. I ask unanimous consent to print in the Record my remarks as follows:

There being no objection, the remarks were ordered to be printed in the Record, as follows:

Strategy for the Long Pull—True Victory

No one who analyzes American foreign policy today can help but be overwhelmed by the myriad of forces, the complex challenges and the recurring crises that shape our times.

It seems as if we are constantly living in a sea of troubles.

I wish there were some easy answer to this chronic headache that besets the Nation and all mankind. There isn't. The realities of U.S. foreign policy exist in the fact that the world has undergone revolutionary changes since World War II and that the end of this historical upheaval is nowhere in sight. In the age we live in today, there are no longer only two sides to every question; there are often four sides, and sometimes more.

It has become the vogue among a certain wing of both the Republican and Democratic Parties to meet this situation with a cry for "total victory"—not negotiations, not coexistence, but total victory, and the only alternative to such total victory is alleged to be defeat. Leaders of this group frequently denounce the foreign policies of President Eisenhower and now President Kennedy as a no-win policy. They demand a halt in foreign aid, the end of any channels of communication with the Communist bloc and withdrawal from the United Nations.

I do not believe that they represent the mainstream of American public opinion. But their following is substantial enough to warrant a serious rebuttal. Moreover, they offer slogans that, unless exposed, could catch fire and gravely endanger our security. After all, what American would say he is against "total victory"? Or for a no-win policy? The danger comes in the sweeping adventures, the long-shot gambles and the stark isolationism which these men would have us embark on in order to achieve what they define as total victory.

Their ideas are simple enough—that we should get set to fight whenever some challenge comes along from a foreign power; and that we should say what we want on any major foreign policy issue no matter how difficult or obscure and give our opponents a take-it-or-leave-it ultimatum.

Is this the best way to answer the Communist challenge? It seems to me that those who beat the drums for allegedly quick, decisive moves in our current struggle for freedom are suffering mainly from despair. They cannot bear to face the burdens of the long pull which is required to meet a strong and resourceful enemy, and which offers a real chance to win without atomic war.

I believe they are—and I say this in a strictly philosophical sense—the intellectual cowards of our time, because it takes much more stamina and courage to face a continuing struggle of enormous proportions, involving military, political, economic, cultural, moral, and ideological facets than it does to say, "OK, let's end it all one way or the other, right here and now."

I advocate a policy of true victory—a strategy of the long pull, the burdens of which we must carry in the years ahead.

It is a strategy which accepts the challenge of communism with the courage and determination to meet it by using every instrumentality of our foreign policy—political and economic as well as military; and with a willingness to see it through as far into the future as may be necessary. This is truly the "tough" approach.

It is a strategy which recognizes the chief objective of American foreign policy to be free world integration. The building of an Atlantic community, beginning with a European community which is alone already stronger economically than the Soviet Union, is the most exciting facet of this era. It means we can help the age-old rivalries of Europe, which launched the great wars of the past, give way to a momentous partnership with enormous potential benefit to the free world's mission. It means we must work with this new unified Europe not just for military defense but for economic prosperity through a truly great trade program. It means that we must team up with Western Europe to do a better job at helping the developing nations of Asia, Africa, and Latin America through public and private foreign aid, trade, and technical assistance programs which are truly effective and practical.

This building of free world strength and unity cannot be accomplished overnight, but it is the sure route to the ultimate triumph for freedom for all mankind. We cannot achieve that goal by yielding to archaic protectionist fears or by refusing to help the new nations in the constructive task of building new societies which will ally themselves to the side of freedom.

There are those who complain that our concern for the newly developing nations is, as one of my colleagues said recently, "sluggish sentimentality." But is it in our national interest to ignore their struggle for independence and progress and to push them into the waiting arms of the Communist bloc? I assure you the Communists look upon the underdeveloped areas as an arena of opportunity and they are investing great resources into the struggle to prove to them that their system is superior to ours.

It is significant that none of the 40 countries which have become independent since World War II has chosen communism as a form of government. But these new nations, undergoing drastic social, political and economic changes in this new revolutionary atmosphere, are vulnerable to crisis. It will take patience, skill, insight and resources to deal with their problems so that the free world's cause prevails.

Nor can we let free world interests be damaged by an unwillingness to face the fact that our current trade law is obsolete. We must allow our trade and tariff policy to expand trade, not contract it. This will require that we take the risks of increased competition with the other industrialized nations of the free world. But the alternative policy would stagnate our economy and split the economic power of the free world into factions.

Then there is this matter of withdrawing from the United Nations. Granted the U.N. is an imperfect instrument, and there is perhaps reason for disappointment that as it has enlarged to 104 nations, frustrations have mounted. But it has had enormous successes, too—in restoring order where there has been a breach of the peace, as in

Iran, Indonesia, Kashmir and Palestine; in preventing war-producing confrontation between the big powers, as in the Congo; in helping transform colonies into independent nations at it did with surprisingly little bloodshed in Africa; and in providing a forum where countries can negotiate and exchange ideas.

The United Nations of course does not have the strength to keep the great powers together, but it has had the strength to keep the great powers apart. The strategy for the long pull is not to withdraw from this community of nations, but to help strengthen it and improve its machinery for dealing with threats to peace and for preventing international disagreements from breaking out into open hostilities. That is in our national interest and consistent with the objectives of our foreign policy.

We live in a dangerous era. It is not a time for extravagance nor for irresponsibility. It is a time for discipline and patience. We will have frustrations and setbacks in the years ahead, but if we refuse to be stampeded into misguided adventures, the spirit of what our Nation stands for will guide us to true victory.

Mr. JAVITS. Mr. President, the conflict we are referring to is the struggle between freedom and communism. This is a political conflict and a very real one.

The reason it is so intense right now, aside from its normal dynamics, is that there is an attitude in this Nation being expressed by people who fancy themselves conservatives but are really on the extreme right, who use a slogan which is very misleading and yet typifies the political conflict in which we are engaged. That slogan is "total victory"—whatever that may mean—total victory in the struggle against the Communists.

Now I wish you would bear those words in mind as we discuss the situation, because in my opinion in the coming congressional elections, you will meet this slogan more and more. I do not think the ultraright is going to get very much further in any part of the country than it already has, which is not too far, in the States in which it has made a bid, as in California against former Vice President Nixon. And I do not think it will get anywhere in my own State of New York.

But nonetheless as sometimes happens with movements in the United States which do not necessarily muster great public support in numbers, the ultraright does set a cause for public discussion which is very real and sometimes can be very useful. I believe that the reevaluation of American techniques in the political conflict as represented by the debate with the ultraright is very useful in crystalizing our discussion and very useful in sharpening our own thinking upon these subjects.

Our foreign policy, obviously, can hardly keep from being overwhelmed by the myriad of forces, the complexity of the challenges, the recurring crises that are the hallmark of our times. It must seem to you as it does to me that there is not a moment that one is untroubled, that we are literally living in a sea of troubles.

Now, what is endemic in the American people, obviously, is that they would like to have some answer to this. Americans like to wrap things up and get them done. They do not like them to drag on and leave loose ends.

I wish that I could offer a prescription to the people or to you, but I cannot, because there is not one. There is one prescription which would be real and final—and unthinkable—that is, to issue a set of specifications for the Russians and Communist Chinese, give them a stated time in which to deliver on them, and if they did not deliver, bomb them with atomic weapons and hydrogen weapons.

Now, that would be very final and very decisive. And when you analyze the concept of "total victory," it pretty much leads only to that. This is why it is so dangerous to the thinking of the American people—not that they should not hear it. The people should by all means, hear it as many times as they wish, but it must not be left unchallenged. This is my purpose in this discussion and in many other discussions of a similar character which I have had and will continue to have.

The realities of our situation, which we must understand in terms of the political conflict, is that even if the Russians did not exist, there would be a political conflict. Now, if I leave you with nothing else, may I leave you with that: Even if the Russians did not exist, we would have a major political conflict.

The reason we have a major political conflict is that two-thirds of the world is very poor and also yellow or black and only one-third of the world is white with a generally higher standard of living. Scientists may question whether anybody is truly white or black, but that is neither here nor there. I am using the generally accepted terms.

These people who are yellow or black have for some centuries been administered, to use a polite phrase, by the one-third that is white. And by some process which no one can fathom they have come to two conclusions: one, that they are not going to be ruled by white men any more; and, two, that there is enough well-being in the world in terms of technology so that they do not have to starve all their lives or endure serious economic privation.

Now, when you are dealing with this mass of people—in round figures, about 2 billion people or more, of whom not less than 1½ billion are in the free world, let alone those who are behind the Iron Curtain and the slave world—you begin to appreciate that the realities of our foreign policy are not only based on the struggle against the Communists—which, would be obsessive enough—but also upon the revolutionary changes which the world has undergone since World War II. The occurrence of so deep a revolution in mankind and of such historic size has probably never been known because the world has never operated at one time in such orders of magnitude.

We all know about the wars of old. The other night somebody said to the surprise of those who were listening that Caesar conquered Gaul with 10 legions. That is about 10,000 men. And the great Alexander probably did not have any more effectives than that when he conquered what was then known as the civilized world. The whole continent of Europe at one time, as you all know, even in a state of somewhat advanced civilization, represented a total of about 15 or 20 million people.

The orders of magnitude today are unbelievable, and it is no wonder, therefore, that there is great complexity, especially over the very deep currents which are influencing the world.

Now, why do I speak this way about this expression "total victory?" The reason is that it typifies two contrasting points of view. There is on the one hand a desire to win the struggle for freedom through negotiation, the arts of effective preparation, strong alliances, vigorous and vital economic ties among all nations of the world, and assurances of success economically, socially, and culturally. We want to induce nations to pursue the path of freedom, to engage in efforts to establish various types of rule by law in the world, even instruments as elementary and as inadequate as the United Nations or the World Court of Justice—not very glamorous activities, not decisive activities which some Napoleon or Charlemagne or other great captain would order upon the world—but the only way that I know of to avert world war III.

On the other hand, there is "total victory," a point of view which holds that leaders of the United States—whether Eisenhower or Kennedy or other leaders—are pursuing a no-win policy.

And now what would they like us to do?

They would like to halt foreign aid. They would like us to declare a complete embargo upon any communication or trade with the Communist bloc. They would like us to withdraw from the United Nations. They would like us to send armed forces into Cuba. They would like us to tell the Russians that we give them so many hours or days or weeks or months to tear down the Berlin wall and if they refuse, the necessary implication is that we will push it over. And if that is not satisfactory to them and they insist on fighting, we will fight, and if that becomes escalated into an atomic war, then we are ready to accept that eventuality.

The alternative, I would assume, is to look hard and long over the wall of what would be Fortress U.S.A., make ourselves impregnable, and then tell the rest of the world to go hang.

Now obviously neither of these alternatives will appeal to the American people because neither can be delivered to the American people with any assurance that the forces arrayed against us will remain inactive while we engage in all these measures. I think even untutored minds in our country, and there are not too many any more that are untutored, understand the fundamental proposition, that great powers cannot bluff.

Let us understand that. Great powers cannot bluff.

The best proof of that is Mr. Khrushchev. Mr. Khrushchev has been engaging in all kinds of loud denunciations about Berlin. And every time he has to recede from an ultimatum date, his position gets progressively weaker. Hence he has ceased giving us ultimatums with dates. He now makes them very generally; for example, he says we have to get our troops out of Berlin someday. He does not say precisely when, because he has learned the hard way what we already know in our free society—that great powers cannot bluff.

And so, my friends, the dangers of these broad generalizations, the broad slogan about "total victory" and the allegation that distinguished Americans are pursuing "no win" policies—these are given to us by devotees of sweeping adventures and long-shot gambles or by stark isolationists who would have us embark upon programs which in my view would be fateful to our country.

Now, their ideas are simple enough when you boil them down: That we should get set to fight when any foreign power challenges us. That we should lay down the rules as to what we want on any major foreign policy issue and give our opponents a take-it-or-leave-it alternative. And obviously this is the challenge and the issue in our country on what is called, in your series of lectures, "the political conflict."

Now, is this the best way to deal with a political conflict? I must say that I do not think so at all.

I think that those who beat the drums for this approach, for the allegedly quick, decisive moves, are suffering mainly from despair or a lack of ideas. They cannot bear to face the 10, 20, 30, 40, maybe 50 years, which may be required to meet a strong and resourceful enemy and which is the only way in my view to win without atomic war and to avert world war III.

I think in all honesty that it is intellectual cowardice to assume that quick catchy slogans are a substitute for brains and resources and the willingness to sacrifice and what is most important, the willingness to pursue a line of policy over a long period of time.

Now, mind you, my friends, there are no short cuts. Fifty billion dollars a year for defense represents roughly 9 percent of the U.S. gross national product, and it is completely nonproductive, a real drain and a real strain on our economic system and the endurance of our people. And this is not the first time that Americans will die, as they are now dying in Vietnam; and as a matter of fact, it is not even in the order of magnitude in which casualties may have to be suffered.

Let us never forget that Japan and the Soviet Union fought a full-scale war, complete with tanks, artillery, infantry and air, on the shores of Lake Baikal, and neither ever declared war against the other. This may very well be a hallmark of our times.

Let us not forget also that we are dealing with hundreds upon hundreds of millions of people in the world who feel that they have had a raw deal for centuries, and now finally see a way, even if they ally themselves with the devil; namely, the Russians and the Communist Chinese, to get back their dignity and get a little even with the world which they feel has treated them so badly for all these centuries.

We happen to be living in a time which has the disadvantage of forcing us to answer for the sins of our fathers and our grandfathers and our great-grandfathers to these people who have been held down, in their view, for a very, very long time. This, as I see it, is a major issue of the conflict and one that we have to meet.

Now, how do we go about meeting it? You are by now very well aware of all the aspects of the policy which this country is pursuing—our aid, our trade, our technical assistance, our general political effort to cement broad-scale security as well as economic alliances, our efforts to buttress the economic condition of the whole world through organizations like the International Bank, the Monetary Fund, the new International Development Authority, the Inter-American Bank, Bank for International Settlements, and other agencies.

You are very well aware, I am sure, of the indirect effort which we are also making through other countries to raise the standard of living and the sense of dignity of the developing peoples who might be otherwise unhappy or disspirited if they had been compelled to accept some aid from us or from European powers who were formerly their administering countries or, as they would call it, their colonial masters.

Mr. President, now these are matters which are inherent in the justly famous, bipartisan foreign policy of our country. They are being dealt with and are going through the Congress every day. A foreign aid bill is going through the Congress right now, roughly in the magnitude of four and a half billion dollars; there are also our defense appropriations, our surplus food disposal programs, our Peace Corps—all of these are inherent and part of an established policy which has been practically unchanging from Truman through Eisenhower through Kennedy, and as far as we can see will be carried on for some considerable time just as it is.

As a matter of fact, even if the most ardent advocate of the "total victory" policy and the most ardent denouncer of the "no win" policy were to be elected President of the United States in 1964, I assure you that the first thing he would do would be to assure the nations of the world that the United States will carry on the same policy which Kennedy is carrying on today, as far as all of these bread and butter things are concerned. He would know that if he did not do this, the whole house would collapse around his ears; and no President wants a national disaster, I do not care what views he widely advertises before he is elected.

Now, what are the new ideas? What is the more advanced thinking in these fields? Are Government officials like myself and others who have addressed you and will do so, are we thinking in more fundamental terms?

The reason I think our country has the right to ask that of me and others like me is this: I think it is just about even, a 50–50 chance, that if we go on with all the things we are doing and the Russians and the Communist Chinese go on with all the things they are doing, it is about 50–50 whether we shall win or lose. I do not think victory is assured at all. And I do not think anybody in authority will tell you that it is assured.

Now, that even split is just unnecessary and too close for comfort for the American people. I think we have the resources, I think we have the skill and the ability, I think we have the determination to win. And what is more, I think we have the moral right because in this matter I think we are without any question on the side of human decency and the progress of mankind to a better destiny than it has ever had before. I think, therefore, that we have every right to see before us a decisive opportunity to win the struggle for freedom, and the 50–50 division is just not good enough. In addition 50–50 is just too low, considering the resources which we have to throw into the struggle.

I would like to present to you, therefore, the new lines of activity which to my mind will add that quotient necessary to give us much better than a 50–50 opportunity to win the cold war struggle.

First, what needs to be done is the building of the Atlantic Community. I think this is the base of strength representing the industrialized nations bordering upon the Atlantic, upon which a secure future and a future which can surely win for freedom must be built. Now, this does not mean that we need to join the European Common Market tomorrow, and it does not mean Atlantic union or any other slogans. It does mean that we have to join with our allies both in the Western Hemisphere, like Canada for example and Mexico, and on the European Continent in building an Atlantic Community infinitely more integrated than the one today, militarily, culturally, socially, and economically. It means also that we must team up with this Atlantic Community in order to do a much better job than we are doing now in helping the developing nations of Asia, Africa, and Latin America.

In short, we would then have two missions. One, to integrate our own strength right here in the Atlantic Community in order to have a base of strength which would be truly impregnable in terms of the world. And the other, and very importantly, to build a base of assistance for the new nations of the world which can do more with them than we are able to do alone, or that all of us are able to do today with a relatively uncoordinated effort.

Now, in democratic terms, this is essential, too, because if you did give a solid base to this struggle for freedom in terms of the Atlantic Community, you would be enlisting a population which for the first time begins to be comparable in its totality as a population to the populations of the Soviet Union and Communist China. In this Atlantic Community you have a population, in very broad general orders of magnitude, of something like 600 million. This begins to be a unity of power which can be compared in population terms to the unit of power which exists as you know upon the Eurasian Continent. In this connection, I think we would be very unwise—and I think we in the Congress would be very unwise—if we have any assumptions that the Russians and the Communist Chinese are going to fall apart and that tomorrow morning at 4 o'clock Khrushchev is going to turn to us to ask us to help him defend himself against the Communist Chinese. They have altogether too much in common and the Communist Chinese are altogether too intransigent against the West and especially against us, to leave us any area of comfort whatever except the broadest possible integrated base for the security of the Western World.

Now, such an integrated community—and I will discuss with you what measures are inherent in the beginnings of this integrated community even now—such an integrated Atlantic Community would have at the present writing a thousand billion dollars in productive power, something more than twice that of the United States.

I just beg you to imagine what Khrushchev would do to us if he had a thousand billion dollars of productive power. The most optimistic estimate of Russian productive power is something in the area of a quarter of that; that is, the Soviet Union, all its satellites, and including Communist China. If Khrushchev had a thousand billion dollars of productive power, I assure you we would not last very long.

Now, no one is going to utilize our power against him, notwithstanding his sins against mankind, and I use him only as a symbol of the whole Communist complex, in the same way that they would use it against us. But it gives us some concept of the tremendous economic base which mankind would then have with which to do the job of winning in this struggle for freedom.

There are many things which are going on right now which are very conducive to building up this Atlantic community. For one thing, we have an opportunity in the trade bill which is now going through the Congress, to work ou a contractural arrangement with the European Common Market which will be very strong for them and very strong for us.

Now, I have no illusion whatever that the clever Europeans have suddenly grown wings and have become angels in whom you can entrust your fate expecting they will take good care of you. Not at all. Cupidity, avarice, and greed, and parochialism and antipathies are still very much part of the scene in Europe just as they have been for centuries.

But what Europe has been learning now is that it is very profitable to integrate. This is the great lesson which Europe has learned. It is very profitable to integrate. Europe has at long last had a taste of what we have known ever since our national history began, that a broad intercommunicating market with a balance of many skills and many types of resources leads to undreamed of freedom of movement, freedom of the human imagination and human construction ability and therefore to new heights of prosperity. This is the extraordinary thing about the European Economic Community, or the European Common Market.

It is composed of only 6 countries, as you all know, with a population of roughly 165 million and a gross national product not much more than $165 billion—perhaps $200 billion.

It started from a point way behind ours in terms of the standard of living and in terms of an integrated economy, but it is making the most extraordinary, sensational, and exciting strides forward. This is a great object lesson to Europeans, and I think will make dealing with them very much more congenial for us than it ever has been before.

And so I say, while we have to keep our eyes wide open in making our arrangements with them, we must at the same time free our hands so that we may negotiate arrangements which will be extremely useful and profitable to them and to us.

The trade bill is perhaps the first test of the kind of liquidity in our operations which we must have if we are to carry this matter off successfully. We have to emphasize the expansion of trade, not its contraction.

Now, let us understand that we will be taking considerable risks in this matter, especially the unavoidable risks of the competition of increased imports and of the increased competition with our own production.

But the alternative policy would stagnate our economy. Even more significant than this consequence, the alternative policy would split the economic power of the free world in a way which we just cannot afford or tolerate in this political conflict that we are talking about.

So I think the trade law—and I will not trouble you with the details which I think you are quite familiar with in a general way—the trade law represents the first indication that we are moving in the direction of an integrated Atlantic Community.

Now there are many more things that need to be done. There is, for example, in Europe now a new cooperative organization which is called the Organization for Economic Cooperation and Development (OECD) of which we and Canada and the European nations are all full members. The OECD is dedicated to a cooperative effort in helping the newly developing areas of the free world. It has concentrated such activity in what is called the Development Assistance Committee, which is composed of a group of nine countries including ourselves and Japan, which is not a member of the OECD. These countries represent the main foreign-aid-giving countries in the world. Great effort is being made to coordinate the activities of the DAC, and its success would mean a better interrelationship between the aid which the various countries get and the free world.

Although we think a very great deal about our own aid program, let us begin to understand that the assistance being given by other countries is growing appreciably. It is not unfair to estimate that even today Europe is responsible for about one-third to one-half as much aid as we are giving to the underdeveloped countries.

Let us also not forget that in this field of aid there is great competition from the Communist bloc. Today it is putting out something like a billion and a half, or two billion dollars a year in foreign assistance programs. It is true that this Communist aid goes to a more selected list of countries than we help—something like 20 countries, whereas our list runs to about 60. Nonetheless, there are more free world countries, especially new countries, and we ought to be glad that our list is considerably longer than the Communists'.

Now, the Communists very closely integrate and coordinate their aid because it is all run from Moscow. Czechoslovakia and Poland, Rumania and Hungary and other countries are told what they are to give and what part of the package they are to make up. Obviously in the free world that cannot be done; so the OECD is the instrument for it. That is the second point: better coordination of the governmental aid now going on which needs to be helped and promoted. Thus our two points so far: trade and better governmental coordination of aid.

The third point, a very important one, is the tying in of the private enterprise system to our foreign policy. If there is any one area in which we are more remiss than any other, it is the failure to utilize the private enterprise system, of the United States particularly, in order to support and forward the foreign economic policy of our country. Our efforts in this respect have been minor.

We have, for example, a program which guarantees oversea investments of American companies when their projects are conducive to the national foreign policy. Notwithstanding that this program has been in effect now for about 13 years, it has yet to attain the billion-dollar mark. American investments abroad, if my memory serves me, run to about $36 billion today, which indicates that this guarantee program has been relatively little utilized.

It is unusual rather than usual for our Government to put into effect programs of development for underdeveloped countries in association with private enterprise. Two exceptions to that generality are India and Turkey. The great Indus River project between India and Pakistan, which is resulting in a very great improvement in the agricultural economy of both countries had the participation of private enterprise. It was made possible by a consortium of countries, including ourselves, the United Kingdom and West Germany, elements of private business enterprises in all of these countries, and international financing agencies.

The same kind of assistance was given to Turkey, but this was on an ad hoc basis, that is, temporarily, for that situation.

We have a committee called Comac functioning now in AID, the Agency for International Development, which handles our foreign aid program. This is a committee of private enterprises for the purpose of encouraging participation by private enterprise in the Alliance for Progress. Comac is headed by two very distinguished businessmen: Jack Sundelson, former treasurer of Ford

Motors, and Peter Grace, of W. R. Grace & Co. But this is a very elementary effort which has not really advanced very far. I am very proud to say that I was successful in inserting in the foreign aid bill a provision to give some staffing and financing to this group. But it is just an indication of how very new and relatively untried are these efforts.

And yet American private business is by all odds the most effective medium for giving technical assistance and investment help to new countries, as well as for introducing the system of private enterprise. It has one other effect, which may be more important than its direct effects, and that is, it induces the wealthy group in those countries to leave some of their capital at home.

For example, one of the curses of Latin America is the fact that capital developed by local capitalists, whether they are landowners or other local industrialists, often is no sooner created than it leaves the country and escapes to Switzerland, the United States, the United Kingdom, France, or West Germany. Thus the native population never gets the benefit of the capital which they themselves produced.

Now, this is a very persuasive argument for use by the Communists. The one thing the Communists sell is the promise that they will make sure that the capital remains in the country for its own development even though the capital might have come off the backs of the people in terms of privation. This is a very serious matter, this matter of flight capital.

Now, when American private enterprise gets into a country and offers partnerships to the local capitalists, that begins to make some sense to them. They begin to see a way in which they, too, can leave their capital at home and keep it productive with less fear of various things that can happen to it if they have American partners.

This is true also of the foreign enterprise partners not just American necessarily—French, British, German, Italian, Belgian, Dutch, and other countries. So it has a very important and very interesting side effect.

The final thing which we must achieve is to do an infinitely better job than we are doing with our education and information programs. It is one of the things which literally breaks my heart, that a great power like the United States, with a tremendous body and rippling muscles, speaks with a pipsqueak voice.

We spend on our U.S. Information Agency, the core of our propaganda transmittal to the world, about $140 million a year for all of the educational and informational activities which we carry on in the world. The Russians are said to spend, and I am sure the figure is reliable, not less than 10 times that, not less than $1,400 million for the same purpose.

As a matter of fact, in the hierarchy of expenditures for propaganda, we rank probably behind the United Arab Republic. This is almost laughable, but it is true.

The ideas of leaders like Gen. David Sarnoff of RCA, who has offered blueprints for the effective utilization of mixed programs of government and private enterprise to make a real propaganda dent in the world at a cost of probably a billion a year, are not being heard in any way.

The most parochial attitude, in my opinion, is shown by the Congress of the United States in its attitude toward these programs. The USIA is treated like a stepchild and yet should be as critically important to us as any branch of foreign aid or military defense.

I am sure that many people could come up with more ideas than I have given you today as to new things which we must do in order to weight the balance decisively in our favor. Nonetheless, I have shared with you some thoughts which I hope will be provocative and encourage you to go further in this field.

I would like to close upon the subject of the rule of law, which relates to all kinds of matters including disarmament, an end to nuclear testing, a treaty for outer space, and many other aspects of the foreign policy of the United States—the rule of law, which it seems to me is the end and aim of everything which we are trying to accomplish in terms of our foreign policy.

The United States, unlike the Soviet Union, has no fear of the judgments of mankind. We are accustomed to taking lickings. This is not sensational or earth shaking in our free society, as long as it is done within the context of law and as long as you know that because you are the minority you are not going to be taken out and shot at sunrise. This is a system so unlike that of the Communist countries that to erect this standard for the free world and to make it vital and effective is probably one of the single greatest steps that we can take to win the cold war struggle.

I might tell you my own definition of what it means to win the cold war struggle, which is not by any means just an arid phrase. It is to nail down the fact that the great preponderance of nations in the world will choose the path of self-determination and free institutions in a solid way so that it is completely embedded in their systems. I think if we can do that, if we can accomplish that, we will have definitely won the cold war.

In order to accomplish that, I think we can be enormously aided by erecting the standard of the rule of law.

Now, that means many things. It means, for example, that those who would have us withdraw from the United Nations should be defeated. Not that the United Nations is an organization which can take care of everything. It cannot. When it gets into a confrontation between the superpowers, as, for example, in Berlin, there is nothing the United Nations can do.

On the other hand, the United Nations has been very useful in Iran, in Indonesia, in Kashmir, in Palestine. It has been very useful, in my view, in preventing a confrontation of the big powers in the Congo. It helped the transition of colonies like Libya and Somaliland from a colonial status to an independent status without undue use of force or upset.

It has provided a forum where countries can negotiate and exchange ideas and blow off steam. And very importantly it has given a sense of independence, a sense of dignity to the new nations of the world.

After all, suppose you were from Mali or Ghana or the Ivory Coast or Burundi and Ruanda, which have just attained their independence. What would it mean if you were lost in some little capital in Africa, in terms of your dignity and importance as a nation? What could your people be proud of? Your poverty and your ignorance and the long distances from the centers of culture and activity of mankind?

But all of that is transformed when they, too, can go to the UN and send their diplomats and representatives and prime ministers and presidents to meet the other heads of government and when they, too, can have a voice in the debate and when, of all miracles of mankind, they have a vote—think of it, a vote equal with that of the United States or the Soviet Union in determining great international questions.

Think of the sense of responsibility, the experience in democracy, the taste for democracy which this intoxicating medicine provides.

Now, some of them are extreme and irresponsible. You have to expect that. After all, who is not when he first gets started in a career which calls for responsibility?

There are plenty of restraints on them. We do not have to do what the United Nations says and on some occasions we have not. I understand that fully; and so must all Americans. But still it is a very useful and important body for the reasons which I have described.

The same is true of the World Court at The Hague which for example, is responsible for an important decision on U.N. financing which, I think we will find, is accepted by the nations of the world.

I see my colleague, Senator Moss, here in the audience. I did not realize we were honored by the presence of a fellow Senator. He will remember that when we approved the Treaty for Antarctica, one of the extraordinary aspects of that treaty which was made with the Soviet Union among other powers, was the acceptance of the International Court of Justice as the adjudicatory medium in respect of the enforcement of that treaty. Many of us feel that that ought to be done on a treaty for outer space for which the Treaty on Antarctica sets a very fine precedent.

I know many people favor the Connolly reservation which keeps the United States from accepting the jurisdiction of the World Court in an adverse sense, so we cannot be sued there without our consent, even in a case properly susceptible of international adjudication. I must say I disagree. I do not know that it can be changed right away, although I think it should be done as soon as possible. I think when we do it we will also be making a major contribution to what I call the progress of the rule of law in the world.

And I will ask you to note, too, that this is no extreme and radical idea. A man named Charles Rhyne, a former president of the American Bar Association, heads a committee of the American Bar Association with some of the most distinguished lawyers in America among its members. This committee is doing precisely what I am telling you today and pursuing this line of activity with lawyers all over the world. And I think it is one of the most important things, incidentally, that lawyers can do.

Well, gentleman, I see my time is up. We live in a dangerous era. It is not a time for extravagance nor a time for irresponsibility. But on the other hand it is a time for discipline and patience.

We will have frustrations and setbacks in the years ahead. But if we refuse to be stampeded into misguided adventures by catchwords, like "total victory" and "no win" accusations applied even to distinguished leaders of our land like Dwight Eisenhower, if we refuse to be stampeded in that way but keep our heads as American pioneers—and there is still lots of pioneer spirit in this country—the spirit of what our nations stand for may not guide us to "total victory" but it will guide us to true victory.

PRESIDENT'S COMMITTEE ON EQUAL EMPLOYMENT OPPORTUNITY

Mr. JAVITS. Mr. President, I wish in a few moments to discuss briefly the issue of Berlin. Before I do so, however, I should like to invite attention, very briefly, to the situation which now affects the President's Committee on Equal Employment Opportunity.

The news today is that Mr. Troutman, an Atlanta lawyer, a member of the Committee supposed to be a friend of the President, who has been responsible for the voluntary so-called plans for progress program, which has been the subject of some discussion, consideration, and controversy, has now left the Committee.

Mr. President, I believe that post mortems on whether his work was good, bad, or indifferent, therefore, are immaterial. But, Mr. President, this does mark, apparently, the implementation of a report which has been written about in the press, but not actually released, made by Theodore Kheel, of New York. I refer to the New York Times story on the report, published in the New York Times August 19, 1962.

Mr. President, I ask unanimous consent that the article relating to this report may be printed in the RECORD at this point.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

WHITE HOUSE URGED TO USE COMPULSION IN NEGRO JOB DRIVE

(By Peter Braestrup)

WASHINGTON, August 18.—The administration is being urged to give priority to compulsory, rather than voluntary, approaches to ending discrimination against Negroes by employers with Government contracts.

Full use of the leverage inherent in the Government's power to cancel contracts with private companies was proposed by Theodore W. Kheel in a study of the President's Committee on Equal Employment Opportunity.

"Purely voluntary approaches," he wrote, "are not likely to produce lasting results."

Mr. Kheel, a former president of the Urban League, prepared the report at the request of the panel's Chairman, Vice President JOHNSON. It will be made public next week, following a meeting of the full Committee.

JOHNSON SAID TO CONCUR

The Vice President and Secretary of Labor Arthur J. Goldberg, the panel's Vice Chairman, were said to agree wholeheartedly with Mr. Kheel's proposals on policy and reorganization of the Committee's effort.

The report emphasized using the leverage provided in President Kennedy's Executive order of March 1961, creating the panel as an aid to persuading Federal contractors to comply with the order's ban on discrimination. This emphasis was seen by officials as an answer to fears expressed by Negro groups that the administration and Mr. Kheel favored a "soft" line.

"The Committee," Mr. Kheel wrote, "will not realize its potential of accomplishment unless the contractors are persuaded that they must not only not discriminate but [also] take affirmative forward steps as well.

"It follows, therefore, that the proper blend of enforcement and persuasion is the main challenge."

Mr. Kheel's major reorganization proposal asked a full-time Executive Vice Chairman to serve as operating head of both the 33-man regular Committee staff, headed by John Feild, and the semiautonomous 4-man plans for progress group, headed by Robert B. Troutman, Jr., of Atlanta.

The National Association for the Advancement of Colored People has attacked the administration for giving too much leeway to Mr. Troutman's "voluntary" approach.

Mr. JOHNSON is expected to appoint Hobart Taylor, his Negro special assistant and the panel's special counsel, to the full-time post next week. The job was filled on a part-time basis by Assistant Secretary of Labor Jerry R. Holleman until his resignation in May. Since then, Stephen Shulman, Mr. Goldberg's special assistant, has handled the work on an interim basis.

PRAISE FOR TROUTMAN

Mr. Kheel praised the energetic leadership of Mr. Troutman, a panel member and friend of the President, in signing up 85 major corporations under voluntary plans for progress to open up jobs for Negroes.

Mr. Kheel noted that all of the signers, which include General Motors and the General Dynamics Corp., had been aware that signing a plan for progress did not exempt a Federal contractor from compliance with the President's order.

Extended to private concerns that do not have Federal contracts, Mr. Kheel commented, the plans for progress should have great moral influence over the rest of the business and labor community.

However, he said, the plans for progress, although an "important addition" to the Committee effort, are not the only available means of "persuasion." He noted that the President's order specified that the Executive Vice Chairman should use conferences, mediation and persuasion before instituting legal proceedings against an offending company.

VOLUNTARY PLAN REJECTED

Such approaches, coupled with the threat of contract cancellation, have been successfully used in the South by Mr. Feild's staff and by Defense Department specialists. No contract has yet been canceled.

Mr. Kheel firmly rejected Mr. Troutman's controversial proposal that the plans for progress be "served from the Committee and operated as a private organization supported by private funds." Instead, he said, the new Executive Vice Chairman should exercise close supervision over the Troutman operation.

Over all, Mr. Kheel wrote, the Johnson panel has compiled a record in which "all associated with the Committee may take just pride." Among the specifics he cited were:

The start of a compliance-reporting system, covering 38,000 companies and 5 million workers, to enable the Committee to see which companies and unions are hiring and promoting Negroes.

A pilot Federal-State-local vocational education project in Los Angeles, designed to recruit and train Negroes and Mexicans for jobs opened up by the Executive order.

The training of nine Air Force "compliance" officers, skilled in race relations, to help private concerns live up to antidiscrimination clauses in procurement contracts.

Numerous advances in previously segregated plants and unions in both the North and the South.

KHEEL'S PROPOSALS

However, Mr. Kheel wrote, "this formative stage has not passed without some displays of weakness." He recommended that:

Less attention be paid to much publicized individual complaints of discrimination, except where they can be used as leverage to investigate [and change] patterns of [discriminatory] employment in a given company or area.

The committee should recognize by awards those companies that comply fully with the President's order, and publicize the worst offenders in public hearings. The plans for progress signing ceremonies, held it the White House, he noted, have preempted the spotlight.

The 27 individual panel members, who include Cabinet officials and private citizens such as Walter P. Reuther, president of the United Auto Workers Union, and Edgar Kaiser, president of the Henry J. Kaiser Co., should be kept informed of the staff's actions in monthly reports.

Outside speaking chores for Mr. Feild and his aids should be kept to a minimum, and help from volunteers and other Federal specialists used to the maximum.

Mr. Kheel warned that the Johnson panel had inherent limitations owing to its $425,000 annual budget.

Moreover, Mr. Kheel said, "it must be recognized that an Executive order does not have the same force and effect as a law of Congress." Proposed fair employment practices legislation has been thwarted in the past by southern Senators.

The Urban League, of which Mr. Kheel was head, is a private organization of white and Negroes devoted to promoting the welfare of Negroes.

Mr. JAVITS. Mr. President, I understand that this is only a story on a report, but nonetheless these things have a way of being accurate. It is said:

> Mr. Kheel firmly rejected Mr. Troutman's controversial proposal that the plans for progress be "severed from the committee and operated as a private organization supported by private funds." Instead, he said, the new Executive Vice Chairman should exercise close supervision over the Troutman operation.

All of this, the statement about the report and the resignation of Mr. Troutman, would now indicate that the plans for progress idea will only be part of the fundamental machinery which is built upon the sanction of the Government's right to cancel contracts and not to deal with a particular contractor. The whole operation will now be built upon that fundamental machinery and the plans for progress will not be an escape valve for companies which, by merely signing an agreement, may seek to evade complaints against them and evade the obligation to obey the Executive order.

Mr. President, I think this is a very salutary charge, if the Kheel report is what it is rumored to be. Incidentally, I see no reason why it should be withheld from us and a report of it not published, so I hope that it will speedily be released and become a public document.

Mr. President, I think this change is all for the good. I am glad to see that the work of the committee is being consolidated in this fashion.

I make one other request, Mr. President. I think it is high time that President Kennedy did what President Eisenhower did. President Eisenhower sought a statutory base under this committee, which was one of the major aspects of the Eisenhower administration activity in this field. I think that is essential. It would give them subpena power. It would give them staffing. It would give them the backing of Congress and the right to look to the Congress for some money. Then this would cease to be an activity carried on under an Executive order, which does not have the force of statutory law, when the Government has to engage in the sanction of canceling contracts instead of seeking an injunction and bringing people into court, as they should, which is the established way of proceeding in these matters.

As we know, Mr. President, the disposition of the Senate is to table the civil rights proposals, certainly at this stage of the session, unless they have administration support, so the only effective way to proceed is to have administration support. I urge the President of the United States, now that he is in effect reorganizing the Committee, to do what President Eisenhower did and to seek from us either now or early in the next session of Congress the statutory base for the President's Committee on Equal Employment Opportunity.

BERLIN

Mr. JAVITS. Mr. President, I now wish to address myself to the question of Berlin.

Mr. President, one of the functions and one of the attributes of being a Senator is the opportunity to air a matter of this character without having it regarded as fundamental and considered Government policy.

Mr. President, I believe from an observation of the critical buildup of tensions in the Berlin area that the "salami tactics" of the Communists, and the Soviet Union in particular, are taking a toll of the American position in Berlin. I say that because now we have seen riots in the streets of Berlin, which will tend to give concern to the American people, and quite rightly, that our policy, instead of being decided by the United States, will be driven out of control by some untoward action on the streets of Berlin.

For example, Mr. President, suppose that the Russian trooper who stood up in an armored car, when it was being conducted to the Russian war memorial in Berlin yesterday, had, instead of merely standing up, fired at some rock thrower and killed him, or injured him seriously. Then we might very well have an incident which would be truly incendiary in character, and our policy would thus be made on the streets of Berlin.

The hampering conditions—the niggling, undignified, unseemly and, indeed, intolerable conditions which prevail at the checkpoint between East and West Berlin—certainly do not befit the dignity, strength, and authority of the great United States of America. Whatever the Communists may be able to do to tolerate it—and perhaps it is epitomized by Khrushchev's thumping his shoe on a desk at the United Nations—that kind of action is not for us. We do not operate in that way. We should not. In my opinion, it would hurt us and not help us in the world, including Germany.

Let us remember that we are still in occupation in Berlin. The memories of a previous Germany are still fresh. There has always been a worry on the part of the Western World that perhaps someday, in some effort or impetus to reunify Germany, the Germans might again be tempted to make a deal with the Russians if that were the only place in which they saw any hope for their ultimate aim. Let us remember that World War II—and the world must never forget this—was sparked by an agreement between Ribbentrop and Molotov or, for practical purposes, between Hitler and Stalin. The world must be kept aware of that.

Mr. President, I ask unanimous consent that the Allied statement on Berlin be printed in the RECORD at this point in my remarks.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

ALLIED STATEMENT ON BERLIN

WASHINGTON, August 23.—Following is the text of a joint communique on Berlin issued today by the United States, Britain, and France:

1

"The Soviet Government has announced the liquidation as of August 23, 1962, of the office of the Soviet commandant in Berlin. The Governments of the United States, the United Kingdom, and France note with concern that at a moment when tension has arisen in Berlin as a consequence of irresponsible action at the wall by East Berlin guards the Soviet Government is attempting by unilateral steps to dilute long existing four-power responsibilities and procedures in the city of Berlin."

2

"It is quite clear that these unilateral steps can have no effect whatsoever on either Allied rights or Soviet responsibilities in Berlin. The Governments of the United States, the United Kingdom, and France will continue to exercise their full rights and discharge their full resposibilities in Berlin. They will continue to hold the Soviet Government responsible for the discharge of its obligations there."

3

"The Soviet Government obviously has authority to organize or reorganize its military structure in Germany as it sees fit. It does not have the authority to abolish or change the Kommandatura (the four-power governing authority in Berlin) which was established by quadripartite agreement on the basis of the rights accruing to the four powers as the result of the defeat of Nazi Germany."

4

"The unwarranted withdrawal of the Soviet representative from the Kommandatura in 1948 did not destroy the authority of the Kommandatura, and the announced abolition of the office of the Soviet commandant likewise cannot have that result. That office was established under four-power agreements as a part of the administrative machinery for Berlin, and its quadripartite responsibilities cannot be abolished by the Soviet Government without the consent of the three Western Powers."

5

"The reference in the Soviet announcement to certain limited functions does not and cannot in any respect limit or restrict the full responsibilities of the Soviet Union in Berlin. Nor can the reference to the 'temporary' discharge of functions in any way alter the fact that four-power responsibilities for Berlin can be changed only by four-power agreement and that fundamental responsibilities for Berlin can only be terminated by a peace settlement with Germany as a whole. There is no unilateral way to dispose of these responsibilities, and the Soviet assertions concerning the alleged sovereignty and independence of the so-called GDR (German Democratic Republic) and the nonexistence of the four-power Kommandatura are without foundation or effect."

6

"Accordingly, the commandants in the Western sectors of Berlin will continue to exercise their rights and discharge their responsibilities both in their individual sectors and jointly in the Kommandatura in accordance with long established procedures and agreements. They will continue to consider the Soviet officials as responsible for carrying out their obligations regarding the Soviet sector of Berlin."

7

"Moreover, the Soviet announcement can in no way affect the unity of Berlin as a whole. Despite the illegality of the wall and the brutality of the East German authorities in preventing the inhabitants of East Berlin from leaving that area, Berlin remains a single city. No unilateral action by the Soviet Government can change this."

8

"The Governments of the United States, United Kingdom, and France cannot acquiesce in any impairment of their rights or in any encroachment threatening the life of Berlin. Responsibility for the consequences of any such attempts will rest entirely with the Soviet Government. The Governments of the United States, the United Kingdom, and France must take whatever steps they think necessary to discharge their obligations to the population of Berlin and to protect their right and vital interests."

Mr. JAVITS. That Allied statement on Berlin speaks in the traditional terms which we have been carrying on now ever since the end of World War II. It states:

> Four-power responsibility for Berlin can be changed only by four-power agreement, and fundamental responsibilities for Berlin can only be terminated by a peace settlement with Germany as a whole. There is no unilateral way to dispose of these responsibilities.

That is what the statement says. We have been saying that now for 17 years. The fact is that East Berlin is effectively cut off from West Berlin by a wall. There is no access and no communication. The Soviet Union has unilaterally, outrageously, and flagrantly violated the four-power agreement. Normally, when someone violates an agreement on one side, the other side is free to do anything it chooses to protect itself and no longer must respect that agreement. But U.S. policy is that we should respect that agreement. That is what our policy is stated, restated, and restated to be, according to this, the very latest document on policy issued on our part and on the part of the other Allied Governments.

I respectfully submit that that policy is getting to be old hat. More than that, it may be a handicap, in that we would be tied to the four-power agreement without any freedom of movement whatever. All we have to do is worry about whether the Russians will make good any of their threats. The newest threat is that they will hamper communications between East Germany and West Germany on the autobahn.

Everyone knows that the very life of West Germany and its 2 million people is absolutely dependent upon communication by land, by canal, and by air. Therefore today I will confine myself to urging upon our Government, together with the other Allied Governments, consideration of a new policy on Berlin. I urge that we consider what we could do to take the initiative ourselves by renouncing the four-power agreement on the ground that it has been outrageously and flagrantly violated by the Soviet Union, and therefore is no longer binding.

In other words, we have been pursuing a policy of being bound by an agreement which the other side has nullified. Let us now examine the consequences of a policy in which we would say,

> Okay. If you do not want it that way, then we are not bound either. But there are a few things we can do about the situation, too, which may not be very much to your liking.

By way of explanation of what could be done, I myself have written an article for the Reporter magazine. I ask unanimous consent that the text of the article be printed at this point in my remarks.

There being no objection, the article was ordered to be printed in the Record, as follows:

A Proposal for Taking the Initiative in Berlin

(By Senator Jacob K. Javits, of New York)

Of course we must stand firm in Berlin. For it is there that the Kremlin is attempting to consolidate its iron grip on Eastern Europe and to push its influence forward into Western Europe. But it is also in Berlin that we ourselves can best demonstrate our own determination to help defend the freedom of Western Europe and to hold out the hope of freedom to the peoples of Eastern Europe. And in order to do that, standing firm may not be enough. We must also be prepared to take risks.

I do not believe that the Soviet rulers want war. Memories of the destruction of whole cities and regions are still fresh in the minds of the Soviet people, and even Communist leaders must take into account the possible consequences of recklessness in the age of nuclear warfare. Yet their behavior in Berlin has come uncomfortably close to cornering us and leaving us no honorable way out. In the interests of the millions of people who live on both sides of the wall that runs through Berlin and all across the heart of Europe, we should not and we cannot refuse to negotiate. But at the same time I see no reason to rush into negotiations on Berlin and the rest of Germany unless there is some promise of an acceptable result. We cannot, in short, be bound to consider only those problems the Russian leaders would put up for negotiation. After all, they have left very little, and on their terms we would begin to negotiate right down at the rock bottom of what must be preserved at all costs. The Communists must clearly give some evidence of a greater willingness to make concessions. And for our part we must not expect Khrushchev to like our proposals any more than we have to like his on Berlin.

WHY WE ARE THERE

We must seize the diplomatic initiative from the Soviet Union. This must be done so that at the appropriate moment we can in obvious good faith propose clear and compelling terms that will command the respect of everyone—even of the people inside the Soviet Union. We have been on the defensive in Berlin for 3 years. For too long we have been reacting to each successive Communist violation of the four-power agreement covering the occupation of Berlin with nothing stronger than purely defensive actions and words of protest. While the Communists have proceeded with their concerted campaign to bludgeon Berlin into surrender—culminating last August 13 in the erection of a prison wall—we have seemed to be in constant retreat.

The wartime agreements among the four powers looked forward to the eventual unification of Germany on the basis of self-determination by free elections. They provided for the occupation status of Greater Berlin and the rights of access to the city from West Germany over the 110-mile corridor across East German territory. The Soviet leaders have never denied the lawful right of the Western Powers to deploy their own troops in Berlin; they have sought to justify their own numerous violations of the wartime agreements—such as the presence of East German troops in Berlin, the interruption of communications between West Germany and West Berlin and between East and West Berlin, and now the wall that physically divides the city—on the ground that changes which have occurred since the agreements were signed have rendered them invalid. In other words, the changes the Communists themselves have made have been used as the justification for further changes—on the ground that the situation has changed.

Well, if conditions have changed, as the Communists say they have, the goals of the occupation have not. Indeed, the Allied occupation of Berlin is more necessary than ever today if Germany is not to become once more the cause of a world war.

The NATO Allies clearly have right on their side in Berlin, and fortunately the Russians cannot ignore their might. The mission of Western troops in Berlin is to carry out the allied commitments on the joint administration of the whole city, East and West alike, until such time as the unification of Germany is finally accomplished. This is still our stand, and the fact that the Communists have done everything they could to perpetuate the division of Germany in no way gives them a right to claim that reunification is a dead issue.

There most certainly are some facts to be faced about the situation in Berlin. But they are not the facts the Soviet Union wants us to accept. As I see it, the Western Allies must insist emphatically on three fundamental principles in any negotiations over the Berlin question:

1. West Berlin is part of the West, and its freedom cannot under any circumstances be traded away.

2. We cannot recognize the validity of any steps taken or attempted by the Soviet Union to alter the original four-power agreement on Berlin, including above all our right of access both to and within Greater Berlin.

3. We must seek peaceful means by which the security of Europe may be guaranteed. In such negotiations it may be desirable to have representatives of both the German Federal Republic and the East German regime present, as they were at the Geneva talks of 1959. But the presence of East German representatives must not be taken as a recognition on our part of the Ulbricht regime. For it must be clearly understood that as one of the principal guarantees of the security of Europe we shall continue to work for the eventual reunification of Germany on the basis of self-determination through free elections. In short, we are working for an integrated Europe of which a reunified Germany can be a peace-maintaining element.

Only if the three Western Powers are firmly united on these basic principles can the willingness of the Soviet Union to conduct meaningful negotiations be tested. The Western Powers must, as they have already made clear, be prepared to use force to maintain these principles if force is used against them. Our own willingness to try to reach a reasonable solution was abundantly demonstrated in 1958 when the Soviet Union demanded drastic changes in the status of Berlin as a climax to a decade of agitation. Extensive negotiations were carried on among the four powers for many months and resulted in the convening of a Foreign Ministers Conference at Geneva in the spring of 1959. A number of earnest proposals were put forward there by Secretary of State Christian Herter, but as we now know they came to nothing. The lessons of those dark days have not been forgotten. Now it is up to the Kremlin to demonstrate its own desire for serious negotiation.

We cannot forget, however, that for some time the reunification of Germany along the lines laid down at Potsdam has been the last thing the Soviet Union wants. The counterproposals for a free city in Berlin would have the effect of perpetuating the division of Germany. Indeed, the Russians seem to want not merely two Germanys but three. Chairman Khrushchev has now repeated these demands and demonstrated how far he is determined to go in putting this policy into effect by cutting off communications between West and East Berlin.

Chairman Khrushchev has sought to justify this drastic action by invoking in Europe the terrible memories of the holocaust wrought by Germany under Hitler. I, too, believe it is vital for all of us to remember vividly the horrors of aggressive German militarism. That consideration must inevitably influence our own German policy. But Chairman Khrushchev must not be allowed to provide a reborn German militarism with a new chauvinistic cause, and the permanent division of Germany would do just that.

Of course, Chairman Khrushchev would be glad to reunify Germany in a flash—but as a Communist satellite all of whose resources he would then be able to employ to force communism's way further into Europe. But even if we should be tricked or frightened into letting Khrushchev have all of Germany, this course would lead sooner or later to the imminence of war. It would present a greater danger to the security of Europe than anything since the Ribbentrop-Molotov pact of 1939. This is the basic reason why it is our policy on Germany, not Chairman Khrushchev's, that is the policy of peace, based, as it is, on full knowledge of history. As President Kennedy said in his interview with Khrushchev's son-in-law, Aleksei Adzhubei, the editor of Izvestia, our policy would prevent

Germany from taking any unilateral acts of aggression, since it would irrevocably consolidate the position of Germany as an integral part of Western Europe as a whole, dependent on European unity for its own security. It is the Kremlin's policy that would make for a repetition of the fatal errors that preceded the Second World War.

A STEP FORWARD

There is no reason for us to ask for new legal rights in Berlin. In fact, our basic demand is that the old rights be respected, and we certainly must insist on the restoration of communication between the eastern and western parts of the city. We should, however, move forward—legally and fully within the spirit of the occupation agreements—to implement our insistence on the reunification of Germany.

I am therefore also making the following proposal for consideration and study as a step to be taken toward the ultimate reunification of Germany while negotiations with the Soviet Union are being prepared: Without abandoning any of their rights and agreements as occupation powers, the United States, France, and the United Kingdom could concur in the incorporation of West Berlin into the Federal Republic of Germany. This could be done legally and with the full consent of the people of West Berlin.

Under the Bonn constitution as well as the Berlin constitution, the entire city was declared to be a "land," or state, of West Germany. Reservations made by the allied military governors on May 4, 1949, and reaffirmed in 1955, when West Germany joined NATO, restricted German sovereignty so as not to compromise the special status of the city. But now that that status has been drastically undermined by the Communists, West Berlin cannot be left dangling as a kind of third Germany. The city's loose and informal association with West Germany is indeed something that can be considered a fact, one that is far more genuine and meaningful than the East German regime. And as long as West Berlin remains isolated and exposed, more than a hundred miles from the nearest friendly territory, Western troops must be there to protect the city's freedom. The size of these troop units may make the allied military presence in Berlin seem merely symbolic. Yet it is an armed symbol, and the determination with which it is maintained can provide a very effective guarantee of security to the nations of the West and of hope to the peoples of the East. And as long as the Russians refuse to live up to their agreement on the reunification of Germany, they must be required to respect our rights of access to Berlin.

Accordingly, the restrictions placed on West German sovereignty in Berlin could now be formally withdrawn. Berlin, though still occupied by Allied military forces, could formally pass into the governmental jurisdiction of the Federal German Republic, and the West Berlin representatives in the Bundestag and Bundesrat, who now sit as nonvoting members, could be given full legal status. This would be a logical sequel to the use of a common currency, close economic ties, and many laws in common between West Berlin and the Federal German Republic.

It would not be necessary to amend the basic law of West Germany or the Berlin constitution. Incorporation could be accomplished by holding a plebiscite to determine the will of the people and by a joint declaration of the United States, France, and the United Kingdom. By thus legally integrating West Berlin into the German Federal Republic, close ties could be maintained between the city and West Germany while at the same time our guarantees not to let West Berlin fall to the Communists would be preserved.

So long as this step is regarded as a basic move in the fulfillment of the allied obligation to reunify Germany, the Soviet Union could not object on valid legal grounds. And yet the Russians would be confronted with an accomplished fact that would certainly have to be taken into account in any negotiations over the future of Berlin. Heretofore, it has been the Russians who have presented us with accomplished facts—the main difference being that they have effected changes by illegal means of military force, whereas the change we would make would be based on a perfectly legal agreement between the people of West Berlin and the people of West Germany.

It has recently been reported that West Germany and West Berlin have been encouraged—perhaps by the President of the United States—to work out a "new contractual basis" for their relationship. It is not yet clear what all this might involve, but it would seem that the creation of new legal bonds between two sections of West Germany might add a number of new difficulties to an already difficult situation. The Russians, too, might want to have a voice in the matter. No such difficulties would be presented by the integration of West Berlin into the German Federal Republic, since the step would involve only the formal ratification of old and fully established economic, political, and spiritual bonds.

In the past our policy on Germany has been criticized as a weak one because we have apparently sought only to maintain the status quo. It has been repeatedly said that the status quo should be improved. What I am suggesting is that the status quo be improved in the interest not only of Berlin but of the West.

Mr. JAVITS. In that article I have suggested the possibility that West Berlin be incorporated in West Germany and be a part of it—or a land, as it is called. We would then have the State of West Germany with all the juridical rights and the protection of the NATO Treaty. That is one possibility.

Another possibility is that we all know that several hundred million dollars worth of business is done between West Germany and East Germany to this very day. It is said to be indispensable business in very important materials essential to the production of East German industrial plants.

At one time it will be remembered that the East Germans threatened to interfere with commercial traffic from West Germany to West Berlin. The West Germans threatened to retaliate by cutting off all trade with East Germans about as fast as one could snap his fingers.

I only say those things to indicate that we are by no means powerless with respect to Berlin. I am beginning to feel, as I expressed today—and it is my duty to express it—that because we are apparently fixed in one position, giving us no freedom of maneuver whatsoever, the salami tactics which the Soviet Republic is using in Berlin are ruthless, brutal, and to the death in terms of shooting people who try to get over that wall, to the outrage of all civilized communities of mankind. We do not have to stand and take it.

Mr. President, I urge upon our Government today that it consult with the other allied governments with a view toward exploring the possibility of a new policy on Berlin, such policy being our saying, "We are no longer bound by the four-power agreement. We have freedom of action, and here are a few things we are going to do as long as you have torn the agreement up and treated it as a scrap of paper."

Mr. President, I shall return to this subject again, but I open it now in the expectation that our Government will explore the possibilities of other positions from the one which it has taken as recently as this morning.

I thank my colleague for making it possible for me to speak at greater length than the time allotted.

BALANCE OF AWARDS MADE BY PHILIPPINE WAR DAMAGE COMMISSION

The Senate resumed the consideration of the bill (H.R. 11721) to authorize the payment of the balance of awards for war damage compensation made by the Philippine War Damage Commission and to authorize the appropriation of $73 million for that purpose.

The PRESIDING OFFICER. The bill is open to amendment.

Mr. HUMPHREY. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. HUMPHREY. Mr. President, I ask unanimous consent that the order for a quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. SPARKMAN. Mr. President, H.R. 11721 was passed by the House of Representatives on August 1 of this year. It authorizes an appropriation of $73 million to pay the balance af awards for war damage compensation made by the Philippine War Damage Commission under the terms of the Philippine Rehabilitation Act of 1946.

Under the terms of title I of that act, $400 million was appropriated to provide for payments to claimants, on account of war damage to private property in the Philippines, for rebuilding, replacement, or repair of such damaged property. The act authorized payments up to a maxmium of 75 percent of the approved amount of each claim after an initial $500 had been paid on such claim. The $400 million appropriated was sufficient to pay the initial $500 on each claim and approximately 52.5 percent of the amount of each claim in excess of $500. All approved claims for $500 or less were paid in full in accordance with the act. I should point out that after the deduction of certain authorized administrative and other expenses of the Philippine War Damage Commission, an amount slightly in excess of $388 million was left for the payment of approved claims.

No new claims would be allowed under the terms of H.R. 11721. Only those claimants, or their successors in interest, who received an award under the original Philippine Rehabilitation Act of 1946 would be entitled to receive payment for the balance of their awards. Moreover, before any payment can be made to a claimant, he is required to submit proof that he has invested, or will invest, in the rehabilitation and economic development of the Philippines, a sum equal to the value of his war damage award. This is the same condition for payment which was contained in the 1946 act. H.R. 11721 provides that only the smaller payments, those of less than ₱25,000—approximately $6,200—are exempt from this requirement.

Under the terms of the bill the Foreign Claims Settlement Commission is directed to review claims applications and certify awards to the Secretary of the Treasury, who would have the option of paying the awards to individual claimants in either dollars or Philippine pesos.

Mr. President, the legislation relating to the payment of the balance of awards made under the Philippine Rehabilitation Act of 1946 has been before the Congress for a number of years. It has been thoroughly debated in the House of Representatives and in the press. Our continued failure to act on this matter has tended to exacerbate United States-Philippine relations, and I hope the Senate will approve H.R. 11721 so that we may settle this longstanding obligation once and for all.

I may add to that brief statement that the bill was reported by the Foreign Relations Committee in exactly the same form in which the House had passed it. Therefore, if we accept the bill today in that form it will be ready to go to the White House.

The PRESIDING OFFICER. The bill is open to amendment.

Mr. HUMPHREY. Mr. President, I thank the Senator from Alabama for his concise and informative statement on this important bill. It is one which has caused a great deal of concern, and its passage by the House the second time and now the possibility of its passage in the Senate will do a great deal to improve relationships between the Republic of the Philippines and the United States. It is much deserved legislation.

It was my privilege to introduce on August 4, 1961, S. 2380, which was a companion bill to the one introduced by Representative ZABLOCKI, H.R. 11721. That is the bill which is now before the Senate.

The proposed legislation as passed by the House and as approved by the Committee on Foreign Relations is, in my mind, good legislation. I am hopeful that it will be promptly approved by the Senate.

Mr. President, I ask unanimous consent to have printed in the RECORD at this point a statement showing the background to the Philippine war damage bill.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

BACKGROUND TO PHILIPPINE WAR DAMAGE BILL

PURPOSE OF H.R. 11721

This bill authorizes the Foreign Claims Settlement Commission to complete payment on approved claims of individual Filipino and American citizens and corporations for damage to their private property in the Philippines during World War II. All claims under $500 have already been paid in full. The $73 million that could be paid under this bill represents the balance (22.5 percent) between the 52.5 percent already paid on approved claims exceeding $500, and the 75 percent authorized to be paid by the Philippine Rehabilitation Act of 1946 but for which insufficient funds were appropriated. Approximately 88,000 claimants are involved.

SAFEGUARDS

This bill contains safeguards to prevent submission of new claims, to prevent duplicate payments and to limit the legal fees which may be charged claimants for assistance in processing claims. It also modifies H.R. 8617, defeated in May 1962, to require that all claimants receiving amounts over 25,000 pesos (approximately $6,200) prove that such amounts have been invested in the rehabilitation of the Philippine economy. The Philippines is aware that with the passage of this bill, no further war damage claims will be considered.

PHILIPPINE OBLIGATIONS TO UNITED STATES PAID ON ASSUMPTION THEIR CLAIMS WOULD BE SETTLED

The Philippines, in April 1961, settled its obligation to the United States (under the Romulo-Snyder agreement of 1950) with the payment of $20 million. The Philippines fully anticipated that having settled its obligation, Congress would act favorably on war claims legislation in 1961. There was considerable disappointment in the Philippines when Congress adjourned last year with no action taken on the war damage claims.

IMPORTANCE TO U.S. FOREIGN RELATIONS OF PASSAGE OF H.R. 11721

With the passage by the Congress of the Philippine Rehabilitation Act of 1946, the United States accepted a self-assumed but unescapable moral commitment to provide compensation to Filipino and American individuals and corporations who suffered property losses as a consequence of World War II action in the Philippines. This commitment was part and parcel of the epic-making legislative acts passed by the 78th and 79th Congress which laid the foundation for and gave expression to Philippine independence. The Department of State recognizes this commitment. It has been acknowledged by President Kennedy who has repeated his wholehearted support for Philippine war damage legislation on several occasions. It is also strongly felt in the Philippines.

The depth of feeling in the Philippines became readily apparent earlier this year after the failure of the Congress to pass H.R. 8617. Philippine reaction at all levels was one of disbelief which gave way to disappointment and then bitterness that the United States would so treat its best friend in Asia. Public opinion was aroused against President Macapagal's going through with his state visit to the United States and, with reluctance, he postponed his trip. Coincidentally, the Philippines announced the changing of its independence day from July 4 to June 12, the day of the declaration of independence from Spain in 1898. Subsequently, President Macapagal explained that this shift had not been caused by the war damage bill's defeat, but had long been planned. He announced that July 4 would be kept as a holiday and observed as Philippine-American Friendship Day.

There have been indications from the Philippines that the adverse reaction appearing after defeat of H.R. 8617 has gradually subsided; the Philippines is, however, closely following congressional intentions on war damages. The Department of State is strongly of the opinion that it would be in our best foreign policy interests to take favorable action on H.R. 11721. This would not only fulfill a solemn moral commitment and thus help clear the air in our relations with the Philippines, but at the same time be seen as tangible evidence to the neutralist nations that the United States does not ignore its obligations to its proven friends and allies.

RECORD OF MACAPAGAL ADMINISTRATION

Inaugurated December 30, 1961, President Macapagal has undertaken sweeping economic and social reforms in the Philippines. After 10 years of restrictions, currency controls have been abandoned. Plans for accelerated economic development are being drawn up and efforts have been made to attract foreign investment. A campaign against governmental graft is underway, directed by the President, who is endeavoring to provide the country with an able and clean administration.

Mr. SPARKMAN. The Senator referred to the bill that he introduced. Of course, the Senator knows that we also had a bill which had been introduced by the chairman of the Committee on Foreign Relations.

Mr. HUMPHREY. Yes; by the Senator from Arkansas [Mr. FULBRIGHT].

Mr. SPARKMAN. The bill that was introduced by the Senator from Minnesota was the one which had been recommended by the administration. It followed somewhat closely the bill that we finally agreed upon. The bill we agreed upon really is a crossing of the two measures. The one that was introduced by the chairman of the Committee on Foreign Relations was the bill that had been recommended by the administration a few years ago.

However, the House worked out this formula and passed the bill which is now before us. It was our information that any one of the three bills would be perfectly acceptable to the Philippine Government. It was our belief that by handling this matter on the basis of making payments to the individuals who had been awarded claims, a greater amount of good would come because the money would go to the individuals with the knowledge that it was coming from the United States for the settlement of their claims. Furthermore, we felt it was entirely possible that we might save some money by the adoption of this plan, of limiting it to those who had already established a claim, because some of them may move away and may not follow up their claims.

Then, too, the House added the formula which they picked up from the original Rehabilitation Act, requiring investment for those who received more than 20,000 or 25,000 pesos, the equivalent of $6,200. It requires the investment of that amount, unless it had been reinvested since the damage accrued. Either that, or they must reinvest it. This reinvestment must be made in their own country.

Since this is thoroughly acceptable to the Philippines, because there was not a great deal of substantive difference among the three measures, it was decided it would be wise to report to the Senate the bill that had been passed by the House in order that we might obtain final action in the Senate.

Mr. MANSFIELD. Mr. President, would the acting chairman of the Foreign Relations Committee yield?

Mr. SPARKMAN. If I have the floor, I shall be very happy to yield to the majority leader.

Mr. MANSFIELD. First, I wish to commend the distinguished Senator from Alabama who acted as the chairman of the committee during the active consideration of the pending Philippines war claim bill. I congratulate him for being successful in unanimously reporting from the Foreign Relations Committee the bill which is almost the same, if not exactly the same, as the one passed by the House.

Mr. SPARKMAN. I may say that it is exactly the same. We did not change a word or a comma.

Mr. MANSFIELD. Some Senators were interested in attaching an amendment to the bill. I have been in touch with them over the past several days, in the hope that such amendment will not be offered. I have assured them that if the amendments which they had in mind were not offered to the pending bill, the leadership would do all in its power, at the appropriate time, to bring up another bill to which those amendments could be attached. It is my understanding that these Senators—and they are both Republicans and Democrats—have agreed to this procedure. However, as the Senator knows, it is better to have these pledges, promises, and commitments in writing in the Record if at all possible. Therefore, with the Senator's permission I would like to suggest the absence of a quorum, which I do.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. LONG of Louisiana. Mr. President, I regret that I did not have the opportunity to hear the statement by the majority leader, but I believe I should state what my understanding with the majority leader was. I was planning to offer a war claims amendment which I believe has been altogether too long delayed—17 years too long, to be exact—but the majority leader informed me that he would feel compelled to move to table such an amendment if I offered it to the Philippine war claims bill, because he said that this is a priority measure which the President is most desirous of signing. The amendment which I have in mind would cause some debate and thus delay action on the Philippine bill. However, the majority leader indicated that if on a subsequent date I would offer the same amendment to a measure which was not a priority item, he would be willing to give it sympathetic consideration.

Mr. MANSFIELD. Mr. President, the Senator from Louisiana has my assurance in that respect. I thank him for his consideration. I thank also the Senator from New Jersey [Mr. Williams] and the Senators from New York [Mr. Javits and Mr. Keating] for their consideration of the importance of the Philippine war claims bill, the passage of which is long overdue. It entails the payment of a debt legally owed the Philippine Government, based upon legislation passed by previous Congresses.

I hope that the action about to be taken by the Senate, which I trust will be unanimous, will serve further to cement the relations between the United States of America and its longtime close friend and strong ally, the Republic of the Philippines.

The PRESIDING OFFICER. The bill is open to amendment. If there be no amendment to be proposed, the question is on the third reading and passage of the bill.

The bill (H.R. 11721) was ordered to a third reading, was read the third time, and passed.

Mr. SPARKMAN. Mr. President, I move that the Senate reconsider the vote by which the bill was passed.

Mr. HUMPHREY. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. MANSFIELD. Mr. President, I am delighted that this measure has passed the Senate unanimously.

Mr. FONG subsequently said: Mr. President, by its action today approving the Philippine war damage claims bill, the Senate has brought the United States one giant step closer toward removing a longstanding source of irritation in the relations between our two Nations.

With the Senate action, both Houses of Congress have now declared their policy. All that is needed to make this policy official is the signature of the President, and I am confident that will be forthcoming.

This is a step that was long overdue. It is a demonstration that America fulfills her commitments, whether they be moral commitments or legal commitments. Now approximately $73 million in remaining unpaid claims under the Philippine Rehabilitation Act of 1946 can be fully and finally satisfied.

We in Hawaii have an especially close feeling of kinship with our Pacific neighbors in the islands of the Republic of the Philippines. We were partners for survival in World War II, when Hawaii suffered a staggering blow at Pearl Harbor and the Philippines suffered a near-mortal invasion. Today, Hawaii and the Philippines carry on extensive trade and commerce, and there is considerable travel between the islands. Educational and cultural ties bind us as well. More than one-tenth—69,000—of Hawaii's residents are of Filipino ancestry. They are fine citizens of America.

Freedom has no more vigorous champions than the Philippine people who cherish their independence as we do ours. In war and in peace we have no more stanch allies than they.

Though in size and population the Republic of the Philippines ranks among the smaller nations of the world, the spirit of its people is as strong and vigorous as that of any other land. As President Eisenhower said 2 years ago when he visited the Philippines:

> The spirit of a people is not to be measured by its size or its riches or even its age. It is something that comes from the heart, and from the very smallest nation can come some of the great ideas—particularly those great inspirational ideas that inspire men to strive always upward and onward. * * * In the great cause of peace and friendship and freedom, we who are joined together will succeed. The eternal aspirations, purposes, ideals of humanity inspire and hearten and urge us to success.

We Americans are brothers with our Philippine friends through blood commonly shed on the field of battle when we struggled against the foe. We are spiritual brethren with them in the quest for a world of freedom with dignity and justice for all mankind. The action taken by the Senate today strengthens the brotherhood between us.

Mr. COOPER subsequently said: Mr. President, I am glad that I am a Member of the Senate today and that I have the opportunity to support this bill, which authorizes the payment of $73 million by the United States to the Republic of the Philippines in partial compensation and settlement of damages inflicted upon the people of the Philippines during World War II.

This final payment arises from the obligation declared by the United States under the terms of the Philippine Rehabilitation Act enacted by the Congress in 1946. The passage of this bill will make possible the payment of a part—not exceeding 75 percent—of the approved claims of Philippine individuals and companies suffering war damage in World War II. Out of the 88,000 claims, over 87,000 average less than $400, and we can hope that these payments, although small, will be of some benefit to them.

The passage of this legislation has been supported by all our Presidents since World War II, and I am sure by an overwhelming number of the Congress and the American people. We support the legislation because we believe it is an obligation—if not legally binding—yet of such moral force that its payment represents the honorable course for our country.

And this commitment made in 1946, arises from the circumstances and events of World War II, and our association and alliance with the people of the Republic of the Philippines that we can never forget.

It was in the Philippines that the soldiers of our country suffered early reverses, surrender, and the death march of Bataan. The soldiers of the Philippines were then comrades-in-arms, fighting and dying with them. The soldiers, the people of the Philippines never surrendered. The people, the veterans of the Philippines participated in the liberation of their country, and when Gen. Douglas MacArthur fulfilled his promise to return, with him when he came ashore was Gen. Carlos Romulo.

The bravery of the people of the Philippines, their loyalty to the cause of the United States, and to their own cause of independence, sovereignty and freedom fill bright pages in history.

At the close of World War II the United States kept its promise, and the Republic of the Philippines came to full status in the family of nations. Since that time, it has stood with the United States in alliances, and in many causes in the United Nations against the threat of aggression and subversion by the Soviet Union or Communist China. It has remained true to its traditions against colonialism, for representative government and free democratic institutions and values. I know from my experience as a delegate to the United Nations, that the Republic of the Philippines came under attack by the Soviet Union because it stood by its democratic friends—because it believes in freedom.

The United States has a special relationship with the Republic of the Philippines. Our political and economic institutions are mingled with the culture of that great and beautiful country. We have been faithful to our friendship with this Republic, and its people and Government have been loyal and friendly to us. We must respect and help each other as equals. I would like to see the United States do all that it can appropriately do, and with generosity assist the Republic of the Philippines and its people to reach its high goals of political and economic stability and freedom.

MEDICAL CARE FOR CERTAIN COAST AND GEODETIC SURVEY RETIRED SHIPS' OFFICERS AND CREW MEMBERS AND DEPENDENTS

Mr. MANSFIELD. Mr. President, I move that the Senate proceed to the consideration of Calendar No. 1866, S. 3318.

The PRESIDING OFFICER. The bill will be stated by title.

The LEGISLATIVE CLERK. A bill (S. 3318) to provide medical care for certain Coast and Geodetic Survey retired ships' officers and crew members and their dependents, and for other purposes.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Montana.

The motion was agreed to; and the Senate proceeded to consider the bill.

The PRESIDING OFFICER. The bill is open to amendment. If there be no amendment to be proposed, the question is on the engrossment and third reading of the bill.

The bill (S. 3318) was ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, by the Senate and House of Representatives of the United States of America in Congress assembled, That, subject, to regulations of the President, retired ships' officers and retired members of the crews of vessels of the Coast and Geodetic Survey shall be entitled to medical, surgical, and dental treatment and hospitalization at facilities of the Public Health Service, provided the ships' officer or crew member (1) was on active duty as a vessel employee of the Coast and Geodetic Survey on July 1, 1962, and his employment as a vessel employee was continuous from that date until retirement, or (2) was retired as a vessel employee of the Coast and Geodetic Survey on or before July 1, 1962.

(b) Subject to regulations of the President, dependent members of families (as defined in such regulations) of ships' officers and members of crews of vessels of the Coast and Geodetic Survey, whether on active duty or retired, shall be furnished medical advice and outpatient treatment by the Public Health Service at its hospitals and relief stations and, if suitable accommodations are available, they shall also be furnished hospitalization at hospitals of the Public Health Service: *Provided,* That the ships' officer or crew member (1) was on active duty as a vessel employee of the Coast and Geodetic Survey on July 1, 1962, and his employment as a vessel employee has been continuous from that time; or (2) was on active duty as a vessel employee of the Coast and Geodetic Survey on July 1, 1962, and his employment as a vessel employee was continuous from that time until retirement; or (3) was retired as a vessel employee of the Coast and Geodetic Survey on or before July 1, 1962. When dependent members of families are hospitalized, a per diem charge, at such uniform rate as may be prescribed from time to time for the hospitalization of dependents of members of the uniformed services at hospitals of the uniformed services pursuant to section 1078(a) of title 10, United States Code, shall be made.

(c) The Coast and Geodetic Survey shall furnish proper identification to those persons entitled to medical treatment under the provisions of this Act.

SEC. 2. (a) Section 326(b) of the Public Health Service Act (42 U.S.C. 253(b)) is repealed.

(b) Section 326(c) of the Public Health Service Act (42 U.S.C. 253(c)) is amended by inserting the words "or Coast and Geodetic Survey" after the words "Coast Guard" both times the words appear in the subsection.

Mr. HUMPHREY. Mr. President, I ask unanimous consent to have printed at this point in the RECORD a statement in explanation of the bill.

There being no objection, the explanation was ordered to be printed in the RECORD, as follows:

EXPLANATION

S. 3318 would restore permanent authority for treatment at Public Health Service facilities of retired vessel employees of the Coast and Geodetic Survey and their dependents. This authority was inadvertently repealed by section 5 of Public Law 86–415, approved April 8, 1960 (74 Stat. 34) but has been continued on a year-to-year basis by language in the Public Health Service appropriation acts. The bill would also provide for an eventual transition to medical care coverage under the Federal Employees' Health Benefits Act of 1959, rather than under the Public Health Service Act, for retired vessel employees and for the dependents of all vessel employees, active or retired.

EXTENSION OF FEDERAL EMPLOYEES COMPENSATION ACT TO EMPLOYEES IN TRUST TERRITORY OF PACIFIC ISLANDS

Mr. MANSFIELD. Mr. President, I move that the Senate proceed to the consideration of Calendar No. 1867, S. 3319.

The PRESIDING OFFICER. The bill will be stated by title.

The LEGISLATIVE CLERK. A bill (S 3319) to extend to certain employees in the Trust Territory of the Pacific Islands the benefits of the Federal Employees' Compensation Act.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Montana.

The motion was agreed to; and the Senate proceeded to consider the bill.

The PRESIDING OFFICER. The bill is open to amendment. If there be no amendment to be proposed, the question is on the engrossment and third reading of the bill.

The bill (S. 3319) was ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That all of the provisions of the Act of Congress approved September 7, 1916, entitled "An Act to provide compensation for employees of the United States suffering injuries while in performance of their duties, and for other purposes", are hereby extended to employees who perform services for the government of the Trust Territory of the Pacific Islands under an appointment from the Department of the Interior or any other Federal agency.

Mr. HUMPHREY. Mr. President, I ask unanimous consent to have printed at this point in the RECORD a statement in explanation of the bill.

There being no objection, the explanation was ordered to be printed in the RECORD, as follows:

EXPLANATION

S. 3319 was reported unanimously from the Committee on Labor and Public Welfare. It would extend the benefits of the Federal Employees' Compensation Act to certain persons, otherwise regarded as employees of the United States for civil service purposes, who perform services for the government of the Trust Territory of the Pacific Islands.

There are some 250 employees who hold appointments from the Department of the Interior through the High Commissioner of the Trust Territory or his delegate, acting pursuant to authority delegated from the Secretary of the Interior, that are paid from funds that are a combination of local revenues and Federal grants. These individuals are considered as employees of the United States by the Civil Service Commission and by the Comptroller General of the United States. The Bureau of Employees' Compensation in the Department of Labor, however, has concluded that these employees of the Trust Territory of the Pacific Islands cannot be regarded as within the coverage of the Federal Employees' Compensation Act.

Enactment of this bill would remove an inconsistency that currently exists between rulings of the Civil Service Commission and the Bureau of Employees' Compensation with respect to employees of the United States performing services for the government of the Trust Territory of the Pacific Islands.

Mr. HUMPHREY. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. PELL in the chair). Without objection, it is so ordered.

VETERANS READJUSTMENT ASSISTANCE ACT OF 1961

Mr. MANSFIELD. Mr. President, I move that the Senate proceed to the consideration of Calendar No. 676, Senate bill 349.

The motion was agreed to; and the Senate proceeded to consider the bill (S. 349) to provide readjustment assistance to veterans who serve in the Armed Forces between January 31, 1955, and

July 1, 1963, which had been reported from the Committee on Labor and Public Welfare, with amendments, on page 52, at the beginning of line 21, to strike out "(2)" and insert "(3)", and on page 55, line 1, after the word "shall", to strike out "be subject to the provisions of section 1811(h) of this title" and insert "not be made after June 30, 1973, except pursuant to commitments issued by the Administrator on or before that date"; so as to make the bill read:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act shall be known as the "Veterans' Readjustment Assistance Act of 1961".

SEC. 2. (a) Title 38 of the United States Code is amended by adding after chapter 39 the following new chapter:

"CHAPTER 40—EDUCATION OF VETERANS WHO SERVE BETWEEN JANUARY 31, 1955, AND JULY 1, 1963

"Subchapter I—Definitions

"Sec.
"1908. Definitions.

"Subchapter II—Eligibility

"1910. Entitlement to education or training generally.
"1911. Duration of veteran's education or training.
"1912. Commencement; time limitations.
"1913. Expiration of all education and training.

"Subchapter III—Enrollment

"1920. Selection of program.
"1921. Applications; approval.
"1922. Change of program.
"1923. Disapproval of enrollment in certain courses.
"1924. Discontinuance for unsatisfactory progress.
"1925. Period of operation for approval.
"1926. Institutions listed by Attorney General.

"Subchapter IV—Payments to veterans

"1931. Education and training allowance.
"1932. Computation of education and training allowances.
"1933. Measurement of courses.
"1934. Overcharges by educational institutions.

"Subchapter V—State approving agencies

"1941. Designation.
"1942. Approval of courses.
"1943. Cooperation.
"1944. Use of Office of Education and other Federal agencies.
"1945. Reimbursement of expenses.

"Subchapter VI—Approval of courses of education and training

"1951. Apprentice or other training on the job.
"1952. Institutional on-farm training.
"1953. Approval of accredited courses.
"1954. Approval of nonaccredited courses.
"1955. Notice of approval of courses.
"1956. Disapproval of courses and discontinuance of allowances.

"Subchapter VII—Miscellaneous provisions

"1961. Authority and duties of Administrator.
"1962. Educational and vocational counseling.
"1963. Control by agencies of United States.
"1964. Conflicting interests.
"1965. Reports by institutions.
"1966. Overpayments to veterans.
"1967. Examination of records.
"1968. False or misleading statements.
"1969. Information furnished by Federal Trade Commission.
"1970. Effective date and retroactive allowances.

"Subchapter I—Definitions

"§ 1908. Definitions

"(a) For the purpose of this chapter—

"(1) The term 'eligible veteran' means any veteran who is not on active duty and who—

"(A) served on active duty at any time between January 31, 1955, and July 1, 1963;

"(B) was discharged or released therefrom under conditions other than dishonorable; and

"(C) served on active duty for a period of more than one hundred and eighty days (exclusive of any period he was assigned by the Armed Forces to a civilian institution for a course of education or training which was substantially the same as established courses offered to civilians, or as cadet or midshipman at one of the service academies), or was discharged or released from a period of active duty, any part of which occurred between January 31, 1955, and July 1, 1963, for an actual service-connected disability.

"(2) The term 'program of education or training' means any single unit course or subject, any curriculum, or any combination of unit courses or subjects, which is generally accepted as necessary to fulfill requirements for the attainment of a predetermined and identified educational, professional, or vocational objective.

"(3) The term 'course' means an organized unit of subject matter in which instruction is offered within a given period of time or which covers a specific amount of related subject matter for which credit toward graduation or certification is usually given.

"(4) The term 'dependent' means—

"(A) a child of an eligible veteran;

"(B) a parent of an eligible veteran, if the parent is in fact dependent upon the veteran; and

"(C) the wife of an eligible veteran, or, in the case of an eligible veteran who is a woman, her husband if he is, in fact, dependent upon her.

"(5) The term 'educational institution' means any public or private elementary school, secondary school, vocational school, correspondence school, business school, junior college, teachers college, college, normal school, professional school, university, scientific or technical institution, or other institution furnishing education for adults.

"(6) The term 'training establishment' means any business or other establishment providing apprentice or other training on the job, including those under the supervision of a college or university or any State department of education, or any State apprenticeship agency, or any State board of vocational education, or any joint apprentice committee, or the Bureau of Apprenticeship established in accordance with chapter 4C of title 29, or any agency of the Federal Government authorized to supervise such training.

"(7) The term 'State' includes the Canal Zone.

"(8) The term 'Commissioner' means the United States Commissioner of Education.

"(b) Benefits shall not be afforded under this chapter to any individual on account of service as a commissioned officer of the Coast and Geodetic Survey, or of the Regular or Reserve Corps of the Public Health Service.

"(c) The Congress of the United States hereby declares that the veterans' education and training program created by this chapter is for the purpose of providing vocational readjustment and restoring lost educational opportunities to those service men and women whose educational or vocational ambitions have been interrupted or impeded by reason of active duty between January 31, 1955, and July 1, 1963, and for the purpose of aiding such persons in attaining the educational and training status which they might normally have aspired to and obtained had they not served their country.

"Subchapter II—Eligibility

"§ 1910. Entitlement to education or training generally

"Each eligible veteran shall, subject to the provisions of this chapter, be entitled to the education or training provided under this chapter.

"§ 1911. Duration of veteran's education or training

"(a) Each eligible veteran shall be entitled to education or training under this chapter for a period equal to one and a half times the duration of his service on active duty between January 31, 1955, and July 1, 1963, and, with respect to an eligible veteran on active duty on June 30, 1963, service on active duty after such date until his first discharge or release from such active duty after such date (or to the equivalent thereof in part-time training), except that—

"(1) in computing the duration of such service, there shall be excluded (A) any period of active duty which is creditable to an eligible veteran in determining entitlement to education or training under chapter 33 and (B) a period equal to any period he was assigned by the Armed Forces to a civilian institution for a course of education or training which was substantially the same as established courses offered to civilians or served as a cadet or midshipman at one of the service academies;

"(2) the period of education or training to which an eligible veteran shall be entitled under this chapter shall not, except as provided in subsection (b), exceed thirty-six months reduced by a period equivalent to any period of educational assistance afforded him under chapters 33 and 35 of this title; and

"(3) the period of education or training to which an eligible veteran shall be entitled under this chapter together with vocational rehabilitation training received under chapter 31 of this title, and education or training received under part VIII of Veterans Regulation Numbered 1(a), and section 12(a) of the Act enacting this title shall not, except as provided in subsection (b), exceed thirty-six months in the aggregate.

"(b) Whenever the period of entitlement to education or training under this chapter of an eligible veteran who is enrolled in an educational institution regularly operated on the quarter or semester system ends during a quarter or semester and after a major part of such semester or quarter has expired, such period shall be extended to the termination of such unexpired quarter or semester. In all other courses offered by educational institutions, whenever the period of eligibility ends after a major portion of the course is completed such period may be extended to the end of the course or for nine weeks, whichever is the lesser period.

"(c) In the case of any eligible veteran who is pursuing any program of education or training exclusively by correspondence, one-fourth of the elapsed time in following such program of education or training shall be charged against the veteran's period of entitlement.

"§ 1912. Commencement; time limitations

"(a) No eligible veteran shall be entitled to initiate a program of education or training under this chapter after three years after his discharge or release from active duty or after three years after the date of enactment of this chapter, whichever is later. Notwithstanding the preceding sentence, any otherwise eligible veteran whom the Administrator determines to have been prevented from initiating a program of education or training under this chapter within the period prescribed by the preceding sentence because he had not met the nature of discharge requirements of section 1908(a)(1)(B) of this title before a change, correction, or modification of a discharge or dismissal made pursuant to section 1553 of title 10, the correction of the military records of the proper service department under section 1552 of title 10, or other corrective action by competent authority, shall be permitted to initiate a program of education or training under this chapter within three years after the date of his discharge or dismissal was so changed, corrected, or modified, or within three years after the date of enactment of this chapter, whichever is later.

"(b) The program of education and training of an eligible veteran under this chapter shall, on and after the delimiting date for the veteran to initiate his program, be pursued continuously until completion, except that an eligible veteran may suspend the pursuit of his program for periods of not more than twelve consecutive months, and may suspend the pursuit of such program for longer periods if the Administrator finds that the suspension for each such period was due to conditions beyond the control of the eligible veteran.

"(c) For the purposes of computing the three-year period under this section and the eight-year period under section 1913, the date of an eligible veteran's discharge or release shall be the date of his discharge or release from his last period of active duty which began before July 1, 1963, but no period of active duty performed after July 1, 1963, shall be included in computing such periods unless it follows a break in active duty status of more than 90 days.

"§ 1913. Expiration of all education and training

"No education or training shall be afforded an eligible veteran under this chapter beyond eight years after his discharge or release from active duty or eight years after the enactment of this chapter, whichever is later, except that any veteran who is eligible to initiate a program of education or training by reason of the second sentence of section 1912(a) of this title shall be permitted to pursue, subject to other provisions of this chapter, such program for a period of not more than five years after the date of initiation thereof; but in no event shall education or training be afforded under this chapter after June 30, 1973, unless the veteran's date for initiating his program occurs after June 30, 1968.

"Subchapter III—Enrollment

"§ 1920. Selection of program

"Subject to the provisions of this chapter, each eligible veteran may select a program of education or training to assist him in attaining an educational, professional, or vocational objective at any educational institution or training establishment selected by him, whether or not located in the State in which he resides, which will accept and retain him as a student or trainee in any field or branch of knowledge which such institution or establishment finds him qualified to undertake or pursue. Nothwithstanding the foregoing provisions of this section, an eligible veteran may not pursue a program of education or training at an educational institution or training establishment which is not located in a State, unless such program is pursued at an approved educational institution of higher learning. The Adminstrator in his discretion may deny or discontinue the enrollment under this chapter of any veteran in a foreign educational institution if he finds that such enrollment is not for the best interest of the veteran or the Government.

"§ 1921. Applications; approval

"Any eligible veteran who desires to initiate a program of education or training under this chapter shall submit an application to the Administrator which shall be in such form, and contain such information, as the Administrator shall prescribe. The Administrator shall approve such application unless he finds that such veteran is not eligible for or entitled to the education or training applied for or that his program of education or training fails to meet any of the requirements of this chapter, or that the eligible veteran is already qualified, by reason of previous education and training, for the educational, professional, or vocational objective for which the courses of the program of education or training are offered. The Administrator shall notify the eligible veteran of the approval or disapproval of his application.

"§ 1922. Change of program

"(a) Subject to the provisions of section 1921 of this title, each eligible veteran (except an eligible veteran whose program has been interrupted or discontinued due to his own misconduct, his own neglect, or his own lack of application) may, at any time before the end of the period during which he is entitled to initiate a program of education or training under this chapter, make not more than one change of program of education or training.

"(b) Each eligible veteran, who has not made a change of program of education or training before the expiration of the period during which he is entitled to initiate a program of education or training under this chapter, may make not more than one change of program of education or training with the approval of the Administrator. The Administrator shall approve such a change if he finds that—

"(1) the eligible veteran is not making satisfactory progress in his present program and that the failure is not due to his own misconduct, his own neglect, or his own lack of application, and if the program to which the eligible veteran desires to change is more in keeping with his aptitude or previous education and training; or

"(2) the program to which the eligible veteran desires to change, while not a part of the program currently pursued by him, is a normal progression from such program.

"(c) As used in this section the term 'change of program of education or training' shall not be deemed to include a change from the pursuit of one program to pursuit of another where the first program is prerequisite to, or generally required for, entrance into pursuit of the second.

"§ 1923. Disapproval of enrollment in certain courses

"(a) The Administrator shall not approve the enrollment of an eligible veteran in any bartending course, dancing course, or personality development course.

"(b) The Administrator shall not approve the enrollment of an eligible veteran—

"(1) in any photography course or entertainment course; or

"(2) in any music course—instrumental or vocal—public speaking course, or course in sports or athletics such as horseback riding, swimming, fishing, skiing, golf, baseball, tennis, bowling, sports officiating, or other sport or athletic courses, except courses of applied music, physical education, or public speaking which are offered by institutions of higher learning for credit as an integral part of a program leading to an educational objective; or

"(3) in any other type of course which the Administrator finds to be avocational or recreational in character;

unless the eligible veteran submits justification showing that the course will be of bona fide use in the pursuit of his present or contemplated business or occupation.

"(c) The Administrator shall not approve the enrollment of any eligible veteran, not already enrolled, in any nonaccredited course below the college level offered by a proprietary profit or proprietary nonprofit educational institution for any period during which the Administrator finds that more than eighty-five per centum of the students enrolled in the course are having all or any part of their tuition, fees, or other charges paid to or for them by the educational institution or the Veterans' Administration under this chapter, chapter 31 or 33 of this title, or section 12(a) of the Act enacting this title.

"§ 1924. Discontinuance for unsatisfactory progress

"The Administrator shall discontinue the education and training allowance of an eligible veteran if, at any time, he finds that, according to the regularly prescribed standards and practices of the educational institution or training establishment, the conduct or progress of such veteran is unsatisfactory.

"§ 1925. Period of operation for approval

"(a) The Administrator shall not approve the enrollment of an eligible veteran in any course offered by an educational institution when such course has been in operation for less than two years.

"(b) Subsection (a) shall not apply to—

"(1) any course to be pursued in a public or other tax-supported educational institution;

"(2) any course which is offered by an educational institution which has been in operation for more than two years, if such course is similar in character to the instruction previously given by such institution;

"(3) any course which has been offered by an institution for a period of more than two years, nothwithstanding the institution has moved to another location within the same general locality; or

"(4) any course which is offered by a nonprofit educational institution of college level and which is recognized for credit toward a standard college degree.

"§ 1926. Institutions listed by Attorney General

"The Administrator shall not approve the enrollment of, or payment of an education and training allowance to, any eligible veteran in any course in an educational institution or training establishment while it is listed by the Attorney General under section 3 of part III of Executive Order 9835, as amended.

"Subchapter IV—Payments to veterans

"§ 1931. Education and training allowance

"(a) The Administrator shall pay to each eligible veteran who is pursuing a program of education or training under this chapter, and who applies therefor, an education and training allowance to meet in part the expenses of his subsistence, tuition, fees, supplies, books, and equipment.

"(b) The education and training allowance for an eligible veteran shall be paid, as provided in section 1932 of this title, only for the period of the veteran's enrollment as approved by the Administrator, but no allowance shall be paid—

"(1) to any veteran enrolled in an institutional course which leads to a standard college degree or a course of institutional on-farm training for any period when the veteran is not pursuing his course in accordance with the regularly established policies and regulations of the institution and the requirements of this chapter;

"(2) to any veteran enrolled in an institutional course which does not lead to a standard college degree or in a course of apprentice or other training on the job for any day of absence in excess of thirty days in a twelve-month period, not counting as absences weekends or legal holidays established by Federal or State law during which the institution or establishment is not regularly in session or operation; or

"(3) to any veteran pursuing his program of education excusively by correspondence for any period during which no lessons were serviced by the institution.

"(c) No education and training allowance shall be paid to an eligible veteran for any period until the Administrator shall have received—

"(1) from the eligible veteran (A) in the case of an eligible veteran enrolled in an institutional course which leads to a standard college degree or a course of institutional on-farm training, a certification that he was actually enrolled in and pursuing the course as approved by the Administrator, or (B) in the case of an eligible veteran enrolled in an institutional course which does not lead to a standard college degree or a course of apprentice or other training on the job, a certification as to actual attendance during such period, or (C) in the case of an eligible veteran enrolled in a program of education or training by correspondence, a certification as to the number of lessons actually completed by the veteran and serviced by the institution; and

"(2) from the educational institution or training establishment, a certification, or an endorsement on the veteran's certificate, that such veteran was enrolled in and pursuing a course of education or training during such period, and, in the case of an institution furnishing education or training to a veteran exclusively by correspondence, a certification, or an endorsement on the veteran's certificate, as to the number of lessons completed by the veteran and serviced by the institution. Education and training allowances shall, insofar as practicable, be paid within twenty days after receipt by the Administrator of the certifications required by this subsection.

"§ 1932. Computation of education and training allowances

"(a) The education and training allowance of an eligible veteran who is pursuing a program of education or training in an educational institution and is not entitled to receive an education and training allowance under subsection (b), (c), (d), (e), or (f) shall be computed as follows:

"(1) If such program is pursued on a full-time basis, such allowance shall be computed at the rate of $110 per month, if the veteran has no dependent, or at the rate of $135 per month, if he has one dependent, or at the rate of $160 per month, if he has more than one dependent.

"(2) If such program is pursued on a three-quarters time basis, such allowance shall be computed at the rate of $80 per month, if the veteran has no dependent, or at the rate of $100 per month, if he has one dependent, or at the rate of $120 per month, if he has more than one dependent.

"(3) If such program is pursued on a half-time basis, such allowance shall be computed at the rate of $50 per month, if the veteran has no dependent, or at the rate of $60 per month, if he has one dependent, or at the rate of $80 per month, if he has more than one dependent.

"(b) The education and training allowance of an eligible veteran who is pursuing a full-time program of education and training which consist of institutional courses and on-the-job training, with the on-the-job training portion of the program being strictly supplemental to the institutional portion, shall be computed at the rate of (1) $90 per month, if he has no dependent, or (2) $110 per month, if he has one dependent, or (3) $130 per month, if he has more than one dependent.

"(c) The education and training allowance of an eligible veteran pursuing apprentice or other training on the job shall be computed at the rate of (1) $70 per month, if he has no dependent, or (2) $85 per month, if he has one dependent, or (3) $105 per month, if he has more than one dependent; except that his education and training allowance shall be reduced at the end of each four-month period as his program progresses by an amount which bears the same ratio to the basic education and training allowance as four months bears to the total duration of his apprentice or other training on the job; but in no case shall the Administrator pay an education and training allowance under this subsection in an amount which, when added to the compensation to be paid to the veteran, in accordance with his approved training program, for productive labor performed as a part of his course, would exceed the rate of $310 per month. For the purpose of computing allowances under this subsection, the duration of the training of an eligible veteran shall be the period specified in the approved application as the period during which he may receive an education and training allowance for such training, plus such additional period, if any, as is necessary to make the number of months of such training a multiple of four.

"(d) The education and training allowance of an eligible veteran pursuing institutional on-farm training shall be computed at the rate of (1) $95 per month, if he has no dependent, or (2) $110 per month, if he has one dependent, or (3) $130 per month, if he has more than one dependent; except that his education and training allowance shall be reduced at the end of the third, and each subsequent, four-month period as his program progresses by an amount which bears the same ratio to $65 per month, if the veteran has no dependent, or $80 per month, if he has one dependent, or $100 per month, if he has more than one dependent, as four months bears to the total duration of such veterans' institutional on-farm training reduced by eight months. For the purpose of computing allowances under this subsection, the duration of the training of an eligible veteran shall be the period specified in the approved application as the period during which he may receive an education and training allowance for such training, plus such additional period, if any, as is necessary to make the number of such months of such training a multiple of four.

"(e) The education and training allowance of an eligible veteran pursuing a program of education or training exclusively by correspondence shall be computed on the basis of the established charge which the institution requires nonveterans to pay for the course or courses pursued by the eligible veteran. Such allowance shall be paid quarterly on a pro rata basis for the lessons completed by the veteran and serviced by the institution, as certified by the institution.

"(f) The education and training allowance of an eligible veteran who is pursuing a program of education or training under this chapter in an educational institution on a less-than-half-time basis shall be computed at the rate of (1) the established charges for tuition and fees which the institution requires similarly circumstanced nonveterans enrolled in the same course to pay, or (2) $110 per month for a full-time course, whichever is the lesser.

"(g) Each eligible veteran who is pursuing an approved course of flight training shall be paid an education and training allowance to be computed at the rate of 75 per centum of the established charge which similarly circumstanced nonveterans enrolled in the same flight course are required to pay for tuition for the course. If such veteran's program of education or training consists exclusively of flight training, he shall not be paid an education and training allowance under one of the preceding subsections of this section; if his program of education or training consists of flight training and other education or training, the allowance payable under this subsection shall be in addition to any education and training allowance payable to him under one of the preceding subsections of this section for education or training other than flight training. Such allowance shall be paid monthly upon receipt of certification from the eligible veteran and the institution as to the actual flight training received by the veteran. In each such case the eligible veteran's period of entitlement shall be charged (in addition to any charge made against his entitlement by reason of education or training other than flight training) with one day for each $1.25 which is paid to the veteran as an education and training allowance for such course.

"(h) No eligible veteran shall be paid an education and training allowance under this chapter for any period during which (1) he is enrolled in and pursuing a course of education or training paid for by the United States under any provision of law other than this chapter, where the payment of such allowance would constitute a duplication of benefits paid to the veteran from the Federal Treasury, or (2) he is pursuing a course of apprentice or other training on the job, a course of institutional on-farm training, or a course of education and training described in subsection (b) on a less than full-time basis.

"§ 1933. Measurement of courses

"(a) For the purposes of this chapter (1) an institutional trade or technical course offered on a clock-hour basis below the college level involving shop practice as an integral part thereof, shall be considered a full-time course when a minimum of thirty hours per week of attendance is required with not more than two and one-half hours of rest periods per week allowed, (2) an institutional course offered on a clock-hour basis below the college level in which theoretical or classroom instruction predominates shall be considered a full-time course when a minimum of twenty-five hours per week net of instruction is required, and (3) an institutional undergraduate course offered by a college or university on a quarter or semester-hour basis for which credit is granted toward a standard college degree shall be considered a full-time course when a minimum of fourteen semester hours or its equivalent is required.

"(b) The Administrator shall define full-time training in the case of all types of courses of education or training other than institutional on-farm training and the types of courses referred to in subsection (a); except that, the Administrator shall not define full-time apprentice training for a particular establishment other than that established as the standard workweek through bona fide collective bargaining between employers and employees.

"§ 1934. Overcharges by educational institutions

"The Administrator may, if he finds that an institution has charged or received from any eligible veteran any amount in excess of the established charges for tuition and fees which the institution requires similarly circumstanced nonveterans enrolled in the same course to pay, disapprove such educational institution for the enrollment of any veteran not already enrolled therein, except that, in the case of a tax-supported public educational institution which does not have established charges for tuition and fees which it requires nonveteran residents to pay, such institution may charge and receive from each eligible veteran who is a resident an amount equal to the estimated cost of teaching personnel and supplies for instruction attributable to such veteran, but in no event to exceed the rate of $10 per month for a full-time course. Any educational institution or training establishment disapproved under this section shall also be disapproved for the enrollment of any veteran not already enrolled therein under chapter 31 or 33, or for the enrollment of any eligible person not already enrolled therein under chapter 35.

"Subchapter V—State approving agencies

"§ 1941. Designation

"(a) Unless otherwise established by the law of the State concerned, the chief executive of each State is requested to create or designate a State department or agency as the 'State approving agency' for his State for the purposes of this chapter.

"(b) (1) If any State fails or declines to create or designate a State approving agency, the provisions of this chapter which refer to the State approving agency shall, with respect to such State, be deemed to refer to the Administrator.

"(2) In the case of courses subject to approval by the Administrator under section 1942 of this title, the provisions of this chapter which refer to a State approving agency shall be deemed to refer to the Administrator.

"§ 1942. Approval of courses

"(a) An eligible veteran shall receive the benefits of this chapter while enrolled in a course of education or training offered by an educational institution or training establishment only if such course is approved by the State approving agency for the State where such educational institution or training establishment is situated or by the Administrator. Approval of courses by State approving agencies shall be in accordance with the provisions of this chapter and such other regulations and policies as the State approving agency may adopt. Each State approving agency shall furnish the Administration with a current list of educational institutions and training establishments, specifying courses which it has approved, and, in addition to such list, it shall furnish such other information to the Administrator as it and the Administrator may determine to be necessary to carry out the purposes of this chapter. Each State approving agency shall notify the Administrator of the disapproval of any course previously approved and shall set forth the reasons for such disapproval.

"(b) The Administrator shall be responsible for the approval of courses of education or training offered by any agency of the Federal Government authorized under other laws to supervise such education or training. The Administrator may approve any course in any other educational institution or training establishment in accordance with the provisions of this chapter.

"(c) Any course offered by an educational institution or training establishment shall be considered approved for the purposes of this chapter if it is in an approved status for education or training under chapter 33 of this title, and has not been disapproved under the provisions of this chapter.

"§ 1943. Cooperation

"(a) The Administrator and each State approving agency shall take cognizance of the fact that definite duties, functions, and responsibilities are conferred upon the Administrator and each State approving agency under the veterans' educational programs. To assure that such programs are effectively and efficiently administered, the cooperation of the Administrator and the State approving agencies is essential. It is necessary to establish an exchange of information pertaining to activities of educational institutions and training establishments, and particular attention should be given to the enforcement of approval standards, enforcement of wage and income limitations, enforcement of enrollment restrictions, and fraudulent and other criminal activities on the part of persons connected with educational institutions and training establishments in which veterans are enrolled under this chapter.

"(b) The Administrator will furnish the State approving agencies with copies of such Veterans' Administration informational material as may aid them in carrying out this chapter.

"§ 1944. Use of Office of Education and other Federal agencies

"(a) In carrying out his functions under this chapter, the Administrator may utilize the facilities and services of any other Federal department or agency. The Administrator shall utilize the services of the Office of Education in developing cooperative agreements between the Administrator and State and local agencies relating to the approval of courses of education or training as provided for in section 1945 of this title, in reviewing the plan of operations of State approving agencies under such agreements, and in rendering technical assistance to such State and local agencies in developing and improving policies, standards, and legislation in connection with their duties under this chapter.

"(b) Any such utilization shall be pursuant to proper agreement with the Federal department or agency concerned; and payment to cover the cost thereof shall (except in the case of the Office of Education) be made either in advance or by way of reimbursement, as may be provided in such agreement. Funds necessary to enable the Office of Education to carry out its functions under this chapter are authorized to be appropriated directly to such Office.

"§ 1945. Reimbursement of expenses

"The Administrator is authorized to enter into contracts or agreements with State and local agencies to pay such State and local agencies for reasonable and necessary expenses of salary and travel incurred by employees of such agencies in (1) rendering necessary services in ascertaining the qualifications of educational institutions and training establishments for furnishing courses of education or training to eligible veterans under this chapter, and in the supervision of such educational institutions and training establishments, and (2) furnishing, at the request of the Administrator, any other services in connection with this chapter. Each such contract or agreement shall be conditioned upon compliance with the standards and provisions of this chapter.

"*Subchapter VI—Approval of courses of education and training*

"§ 1951. Apprentice or other training on the job

"(a) Apprentice or other training on the job shall consist of courses offered by training establishments whenever such courses of training are furnished in accordance with the provisions of this section. Any training establishment desiring to furnish a course of apprentice or other training on the job shall submit to the appropriate State approving agency a written application setting forth the course of training for each job for which an eligible veteran is to be trained. The written application covering the course of training shall include the following:

"(1) Title and description of the specific job objective for which the eligible veteran is to be trained;

"(2) The length of the training period;

"(3) A schedule listing various operations for major kinds of work or tasks to be learned and showing for each, job operations or work, tasks to be performed, and the approximate length of time to be spent on each operation or task;

"(4) The wage or salary to be paid at the beginning of the course of training, at each successive step in the course, and at the completion of training;

"(5) The entrance wage or salary paid by the establishment to employees already trained in the kind of work for which the veteran is to be trained; and

"(6) The number of hours of supplemental related instruction required.

"(b) The appropriate State approving agency may approve a course of apprentice or other training on the job specified in an application submitted by a training establishment in accordance with subsection (a) if such training establishment is found upon investigation to have met the following criteria:

"(1) The training content of the course is adequate to qualify the eligible veteran for appointment to the job for which he is to be trained.

"(2) There is reasonable certainty that the job for which the eligible veteran is to be trained will be available to him at the end of the training period.

"(3) The job is one in which progression and appointment to the next higher classification are based upon skills learned through organized training on the job and not on such factors as length of service and normal turnover.

"(4) The wages to be paid the eligible, veteran for each successive period of training are not less than those customarily paid in the training establishment and in the community to a learner in the same job who is not a veteran.

"(5) The job customarily requires a period of training of not less than three months and not more than two years of full-time training, except that this provision shall not apply to apprentice training.

"(6) The length of the training period is no longer than that customarily required by the training establishment and other training establishments in the community to provide an eligible veteran with the required skills, arrange for the acquiring of job knowledge, technical information, and other facts which the eligible veteran will need to learn in order to become competent on the job for which he is being trained.

"(7) Provision is made for related instruction for the individual eligible veteran who may need it.

"(8) There is in the training establishment adequate space, equipment, instructional material, and instructor personnel to provide satisfactory training on the job.

"(9) Adequate records are kept to show the progress made by each eligible veteran toward his job objective.

"(10) Appropriate credit is given the eligible veteran for previous training and job experience, whether in the military service or elsewhere, his beginning wage adjusted to the level to which such credit advances him, and his training period shortened accordingly, and provision is made for certification by the training establishment that such credit has been granted and the beginning wage adjusted accordingly. No course of training will be considered bona fide if given to an eligible veteran who is already qualified by training and experience for the job objective.

"(11) A signed copy of the training agreement for each eligible veteran, including the training program and wage scale as approved by the State approving agency, is provided to the veteran and to the Administrator and the State approving agency by the employer.

"(12) Upon completion of the course of training furnished by the training establishment the eligible veteran is given a certificate by the employer indicating the length and type of training provided and that the eligible veteran has completed the course of training on the job satisfactorily.

"(13) That the course meets such other criteria as may be established by the State approving agency.

"§ 1952. Institutional on-farm training

"(a) An eligible veteran shall be entitled to the benefits of this chapter while enrolled in a course of full-time institutional on-farm training which has been approved by the appropriate State approving agency in accordance with the provisions of this section.

"(b) The State approving agency may approve a course of institutional on-farm training when it satisfies the following requirements:

"(1) The course combines organized group instruction in agricultural and related subjects of at least two hundred hours per year (and of at least eight hours each month) at an educational institution, with supervised work experience on a farm or other agricultural establishment.

"(2) The eligible veteran will perform a part of such course on a farm or other agricultural establishment under his control.

"(3) The course is developed with due consideration to the size and character of the farm or other agricultural establishment on which the eligible veteran will receive his supervised work experience and to the need of such eligible veteran, in the type of farming for which he is training, for proficiency in planning, producing, marketing, farm mechanics, conservation of resources, food conservation, farm financing, farming management, and the keeping of farm and home accounts.

"(4) The eligible veteran will receive not less than one hundred hours of individual instruction per year, not less than fifty hours of which shall be on such farm or other agricultural establishment (with at least two visits by the instructor to such farm each month). Such individual instruction shall be given by the instructor responsible for the veteran's institutional instruction and shall include instruction and home-study assignments in the preparation of budgets, inventories, and statements showing the production, use on the farm, and sale of crops, livestock, and livestock products.

"(5) The eligible veteran will be assured of control of such farm or other agricultural establishment (whether by ownership, lease, management, agreement, or other tenure arrangement) until the completion of his course.

"(6) Such farm or other agricultural establishment shall be of a size and character which (A) will, together with the group-instruction part of the course, occupy the full time of the eligible veteran, (B) will permit instruction in all aspects of the management of the farm or other agricultural establishment of the type for which the eligible veteran is being trained, and will provide the eligible veteran an opportunity to apply to the operation of his farm or other agricultural establishment the major portion of the farm practices taught in the group-instruction part of the course, and (C) will assure him a satisfactory income for a reasonable living under normal conditions at least by the end of his course.

"(7) Provision shall be made for certification by the institution and the veteran that the training offered does not repeat or duplicate training previously received by the veteran.

"(8) The institutional on-farm training meets such other fair and reasonable standards as may be established by the State approving agency.

"§ 1953. Approval of accredited courses

"(a) A State approving agency may approve the courses offered by an educational institution when—

"(1) such courses have been accredited and approved by a nationally recognized accrediting agency or association;

"(2) credit for such course is approved by the State department of education for credit toward a high school diploma;

"(3) such courses are conducted under sections 11–28 of title 20; or

"(4) such courses are accepted by the State department of education for credit for a teacher's certificate or a teacher's degree.

For the purposes of this chapter the Commissioner shall publish a list of nationally recognized accrediting agencies and associations which he determines to be a reliable authority as to the quality of training offered by an educational institution and the State approving agencies may, upon concurrence, utilize the accreditation of such accrediting associations or agencies for approval of the courses specifically accredited and approved by such accrediting association or agency. In making application for approval, the institution shall transmit to the State approving agency copies of its catalog or bulletin.

"(b) As a condition to approval under this section, the State approving agency must find that adequate records are kept by the educational institution to show the progress of each eligible veteran. The State approving agency must also find that the educational institution maintains a written record of the previous education and training of the veteran and clearly indicates that appropriate credit has been given by the institution for previous education and training, with the training period shortened proportionately and the veteran and the Administrator so notified.

"§ 1954. Approval of nonaccredited courses

"(a) No course of education or training (other than a course of institutional on-farm training) which has not been approved by a State approving agency pursuant to section 1953 of this title, which is offered by a public or private, profit or nonprofit, educational institution shall be approved for the purposes of this chapter unless the educational institution offering such course submits to the appropriate State approving agency a written application for approval of such course in accordance with the provisions of this chapter.

"(b) Such application shall be accompanied by not less than two copies of the current catalog or bulletin which is certified as true and correct in content and policy by an authorized owner or official and includes the following:

"(1) Identifying data, such as volume number and date of publication;

"(2) Names of the institution and its governing body, officials and faculty;

"(3) A calendar of the institution showing legal holidays, beginning and ending date of each quarter, term, or semester, and other important dates;

"(4) Institution policy and regulations on enrollment with respect to enrollment dates and specific entrance requirements for each course;

"(5) Institution policy and regulations relative to leave, absences, class cuts, make-up work, tardiness and interruptions for unsatisfactory attendance;

"(6) Institution policy and regulations relative to standards of progress required of the student by the institution (this policy will define the grading system of the institution, the minimum grades considered satisfactory, conditions for interruption for unsatisfactory grades or progress and a description of the probationary period, if any, allowed by the institution, and conditions of reentrance for those students dismissed for unsatisfactory progress. A statement will be made regarding progress records kept by the institution and furnished the student);

"(7) Institution policy and regulations relating to student conduct and conditions for dismissal for unsatisfactory conduct;

"(8) Detailed schedules of fees, charges for tuition, books, supplies, tools, student activities, laboratory fees, service charges, rentals, deposits, and all other charges;

"(9) Policy and regulations of the institution relative to the refund of the unused portion of tuition, fees, and other charges in the event the student does not enter the course or withdraws or is discontinued therefrom;

"(10) A description of the available space, facilities, and equipment;

"(11) A course outline for each course for which approval is requested, showing subjects or units in the course, type of work or skill to be learned, and approximate time and clock hours to be spent on each subject or unit; and

"(12) Policy and regulations of the institution relative to granting credit for previous educational training.

"(c) The appropriate State approving agency may approve the application of such institution when the institution and its nonaccredited courses are found upon investigation to have met the following criteria:

"(1) The courses, curriculum, and instruction are consistent in quality, content, and length with similar courses in public schools and other private schools in the State, with recognized accepted standards.

"(2) There is in the institution adequate space, equipment, instructional material, and instructor personnel to provide training of good quality.

"(3) Educational and experience qualifications of directors, administrators, and instructors are adequate.

"(4) The institution maintains a written record of the previous education and training of the veteran and clearly indicates that appropriate credit has been given by the institution for previous education and training, with the training period shortened proportionately and the veteran and the Administrator so notified.

"(5) A copy of the course outline, schedule of tuition, fees, and other charges, regulations pertaining to absence, grading policy, and rules of operation and conduct will be furnished the veteran upon enrollment.

"(6) Upon completion of training, the veteran is given a certificate by the institution indicating the approved course and indicating that training was satisfactorily completed.

"(7) Adequate records as prescribed by the State approving agency are kept to show attendance and progress or grades, and satisfactory standards relating to attendance, progress, and conduct are enforced.

"(8) The institution complies with all local, city, county, municipal, State, and Federal regulations, such as fire codes, building and sanitation codes. The State approving agency may require such evidence of compliance as is deemed necessary.

"(9) The institution is financially sound and capable of fulfilling its commitments for training.

"(10) The institution does not utilize advertising of any type which is erroneous or misleading, either by actual statement, omission, or intimation. The institution shall not be deemed to have met this requirement until the State approving agency (A) has ascertained from the Federal Trade Commission whether the Commission has issued an order to the institution to cease and desist from any act or practice, and (B) has, if such an order has been issued, given due weight to that fact.

"(11) The institution does not exceed its enrollment limitations as established by the State approving agency.

"(12) The institution's administrators, directors, owners, and instructors are of good reputation and character.

"(13) The institution has and maintains a policy for the refund of the unused portion of tuition, fees, and other charges in the event the veteran fails to enter the course or withdraws or is discontinued therefrom at any time prior to completion and such policy must provide that the amount charged to the veteran for tuition, fees, and other charges for a portion of the course shall not exceed the approximate pro rata portion of the total charges for tuition, fees, and other charges that the length of the completed portion of the course bears to its total length.

"(14) Such additional criteria as may be deemed necessary by the State approving agency.

"§ 1955. Notice of approval of courses

"The State approving agency, upon determining that an educational institution has complied with all the requirements of this chapter, will issue a letter to such institution setting forth the courses which have been approved for the purposes of this chapter, and will furnish an official copy of such letter and any subsequent amendments to the Administrator. The letter of approval shall be accompanied by a copy of the catalog or bulletin of the institution, as approved by the State approving agency, and shall contain the following information:

"(1) date of letter and effective date of approval of courses;

"(2) proper address and name of each educational institution or training establishment;

"(3) authority for approval and conditions of approval, referring specifically to the approved catalog or bulletin published by the educational institution;

"(4) name of each course approved;

"(5) where applicable, enrollment limitations such as maximum numbers authorized and student-teacher ratio;

"(6) signature of responsible official of State approving agency; and

"(7) such other fair and reasonable provisions as are considered necessary by the appropriate State approving agency.

"§ 1956. Disapproval of courses and discontinuance of allowances

"(a) Any course approved for the purposes of this chapter which fails to meet any of the requirements of this chapter shall be immediately disapproved by the appropriate State approving agency. An educational institution or training establishment which has its courses disapproved by a State approving agency will be notified of such disapproval by a certified or registered letter of notification and a return receipt secured.

"(b) The Administrator may discontinue the education and training allowance of any eligible veteran if he finds that the course of education or training in which such veteran is enrolled fails to meet any of the requirements of this chapter or if he finds that the educational institution or training establishment offering such course has violated any provisions of this chapter or fails to meet any of its requirements.

"(c) Each State approving agency shall notify the Administrator of each course which it has disapproved under this section.

"Subchapter VII—Miscellaneous provisions

"§ 1961. Authority and duties of Administrator

"Payments under this chapter shall be subject to audit and review by the General Accounting Office as provided by the Budget and Accounting Act of 1921 and the Budget and Accounting Procedures Act of 1950.

"§ 1962. Educational and vocational counseling

"The Administrator may arrange for educational and vocational counseling to persons eligible for education and training under this chapter. At such intervals as he deems necessary, he shall make available information respecting the need for general education and for trained personnel in the various crafts, trades, and professions. Facilities of other Federal agencies collecting such information shall be utilized to the extent he deems practicable.

"§ 1963. Control by agencies of United States

"No department, agency, or officer of the United States, in carrying out this chapter, shall exercise any supervision or control, whatsoever, over any State approving agency, State educational agency, or State apprenticeship agency, or any educational institution or training establishment. Nothing in this section shall be deemed to prevent any department, agency, or officer of the United States from exercising any supervision or control which such department, agency, or officer is authorized by law to exercise over any Federal educational institution or training establishment, or to prevent the furnishing of education or training under this chapter in any institution or establishment over which supervision or control is exercised by such other department, agency, or officer under authority of existing provisions of law.

"§ 1964. Conflicting interests

"(a) Every officer or employee of the Veterans' Administration, or of the Office of Education, who has, while such an officer or employee, owned any interest in, or received any wages, salary, dividends, profits, gratuities, or services from, any educational institution operated for profit in which an eligible veteran was pursuing a course of education or training under this chapter shall be immediately dismissed from his office of employment.

"(b) If the Administrator finds that any person who is an officer or employee of a State approving agency has, while he was such an officer or employee, owned any interest in, or received any wages, salary, dividends, profits, gratuities, or services from, an educational institution operated for profit in which an eligible veteran was pursuing a course of education or training under this chapter, he shall discontinue making payments under section 1945 of this title to such State approving agency unless such agency shall, without delay, take such steps as may be necessary to terminate the employment of such person and such payments shall not be resumed while such person is an officer or employee of the State approving agency, or State Department of Veterans Affairs or State Department of Education.

"(c) A State approving agency shall not approve any course offered by an educational institution operated for profit and, if any such course has been approved, shall disapprove each such course, if it finds that any officer or employee of the Veterans' Administration, the Office of Education, or the State approving agency owns an interest in, or receives any wages, salary, dividends, profits, gratuities, or services from, such institution.

"(d) The Administrator may, after reasonable notice and public hearings, waive in writing the application of this section in the case of any officer or employee of the Veterans' Administration, of the Office of Education, or of a State approving agency, if he finds that no detriment will result to the United States or to eligible veterans by reason of such interest or connection of such officer or employee.

"§ 1965. Reports by institutions

"(a) Educational institutions and training establishments shall, without delay, report to the Administrator in the form prescribed by him, the enrollment, interruption, and termination of the education or training of each eligible veteran enrolled therein under this chapter.

"(b) The Administrator shall pay to each educational institution which is required to submit reports nad certifications to the Administrator under this chapter, an allowance at the rate of $1 per month for each eligible veteran enrolled in and attending such institution under the provisions of this chapter to assist the educational institution in defraying the expense of preparing and submitting such reports and certifications. Such allowances shall be paid in such manner and at such times as may be prescribed by the Administrator, except that if any institution fails to submit reports or certifications to the Administrator as required by this chapter, no allowance shall be paid to such institution for the month or months during which such reports or certifications were not submitted as required by the Administrator.

"§ 1966. Overpayments to veterans

"Whenever the Administrator finds that an overpayment has been made to a veteran as the result of (1) the willful or negligent failure of the educational institution or training establishment to report, as required by this chapter and applicable regulations, to the Veterans' Administration excessive absences from a course, or discontinuance or interruption of a course by the veteran or (2) false certification by the educational institution or training establishment, the amount of such overpayment shall constitute a liability of such institution or establishment, and may be recovered in the same manner as any other debt due to the United States. Any amount so collected shall be reimbursed if the overpayment is recovered from the veteran. This section shall not preclude the imposition of any civil or criminal liability under this or any other law.

"§ 1967. Examination of records

"The records and accounts of educational institutions and training establishments pertaining to eligible veterans who received education or training under this chapter shall be available for examination by duly authorized representatives of the Government.

"§ 1968. False or misleading statements

"The Administrator shall not make any payments under this chapter to any person found by him to have willfully submitted any false or misleading claims. In each case where the Administrator finds that an educational institution or training establishment has willfully submitted a false or misleading claim, or where a veteran, with the complicity of an educational institution or training establishment, has submitted such a claim, he shall make a complete report of the facts of the case to the appropriate State approving agency and where deemed advisable to the Attorney General of the United States for appropriate action.

"§ 1969. Information furnished by Federal Trade Commission

"The Federal Trade Commission shall keep all State approving agencies advised of any information coming to its attention which would be of assistance to such agencies in carrying out their duties under this chapter.

"§ 1970. Effective date and retroactive allowances

"The provisions of this chapter shall take effect as of September 1, 1961. In the event this chapter is enacted subsequent to such date, the Administrator shall prescribe regulations for making retroactive payments of education and training allowances, upon application therefor, to eligible veterans for education or training pursued by them on or after September 1, 1961, and prior to the date of the enactment of this chapter."

(b) The table of contents at the beginning of such title is amended by inserting immediately after

"39. Automobiles for Disabled Veterans..1901"

the following:

"40. Education of Veterans Who Serve
Between January 31, 1955, and
and July 1, 1963.............. 1908".

(c) The table of chapters at the beginning of part III of such title is amended by inserting immediately after

"39. Automobiles for Disabled Veterans........................ 1901"

the following:

"40. Education of Veterans Who
Served Between January 31,
1955, and July 1, 1963........ 1908".

(d) Such title is further amended—

(1) by inserting in section 102(a)(2) immediately after "chapter 33" the following: "or 40", and by striking out "chapters 19 and 33" in section 102(b), and inserting in lieu thereof "chapters 19, 33, and 40";

(2) by striking out in section 111(a) "33 or 35", and inserting in lieu thereof the following: "33, 35, or 40";

(3) by inserting in section 211(a) after "1761," the following: "1961,";

(4) by striking out in section 1662(b) "chapters 31 and 35" and inserting in lieu thereof the following: "chapters 31, 35, and 40";

(5) by striking out in section 1711(b) "chapter 31 or 33", and inserting in lieu

thereof the following: "chapter 31, 33, or 40";

(6) by striking out in section 1734(a) "chapter 31 or 33" and inserting in lieu thereof the following: "chapter 31, 33, or 40";

(7) by striking out in section 3013 "and 35" and inserting in lieu thereof the following: "35, and 40";

(8) by inserting after "chapter 35" in section 1611 (a) (2) the following: "or education or training under chapter 40"; and

(9) by inserting in section 1634 immediately before the comma following "therein" the following: "under this chapter or chapter 40".

(e) Public Law 85–857 (72 Stat. 1264) is amended by adding at the end of section 12 (a) the following: "The period of education or training to which a veteran is entitled under part VIII, Veterans Regulation Numbered 1(a) as saved from repeal by this subsection together with education or training received under chapter 33 or 40 of title 38 of the United States Code shall not exceed forty-eight months in the aggregate."

SEC. 3. (a) Section 1502(a) of title 38 of the United States Code is amended to read as follows:

"(a) Every veteran who is in need of vocational rehabilitation on account of a service-connected disability which is, or but for the receipt of retirement pay would be, compensable under chapter 11 of this title shall be furnished such vocational rehabilitation as may be prescribed by the Administrator, if such disability—

"(1) arose out of service during World War II or the Korean conflict; or

"(2) arose out of service either between July 25, 1947, and June 27, 1950, or subsequent to January 31, 1955, and is rated for compensation purposes as 30 per centum or more, or if less than 30 per centum is clearly shown to have caused a pronounced employment handicap."

(b) The first sentence of paragraph (3) of section 1502(c) of such title is amended to read as follows:

"(3) Vocational rehabilitation may not be afforded a veteran on account of post-World War II service after nine years following his discharge or release; except vocational rehabilitation may be afforded to any person until—

"(A) August 20, 1963, if such person was discharged or released before August 20, 1954; or

"(B) nine years after the date of the enactment of the Veterans' Readjustment Assistance Act of 1961 if such person is eligible for vocational rehabilitation by reason of a disability arising from service prior to such enactment either between July 25, 1947, and June 27, 1950, or subsequent to January 31, 1955."

(c) Paragraph (4) of section 1502(c) of such title is amended to read as follows:

"(4) Vocational rehabilitation may not be afforded outside of a State to a veteran on account of service after July 25, 1947, if the veteran, at the time of such service, was not a citizen of the United States."

(d) Section 1502(d) of such title is repealed.

SEC. 4. (a) Chapter 37 of title 38 of the United States Code is amended by inserting immediately after section 1817 the following new section:

"§ 1818. Veterans who serve between January 31, 1955, and July 1, 1963.

"(a) Each veteran who served on active duty at any time between January 31, 1955, and July 1, 1963, shall be eligible for the benefits of this chapter (except sections 1813 and 1815, and business loans under section 1814, of this title), subject to the provisions of this section, if his total service was for a period of more than one hundred and eighty days, or if he was discharged or released from a period of active duty, any part of which occurred between January 31, 1955, and July 1, 1963, for a service-connected disability.

"(b) No veteran shall be eligible for benefits under this section so long as he is eligible under this chapter for any unused benefits derived from service during World War II or the Korean conflict. Any veteran who is eligible for benefits under this section and who has obtained benefits under this chapter by reason of service during World War II or the Korean conflict shall have his benefits under this section reduced by the amount of any benefits previously obtained under this chapter. Benefits shall not be afforded under this section to any individual on account of service as a commissioned officer of the Coast and Geodetic Survey, or the Regular or Reserve Corps of the Public Health Service.

"(c) Loans may be guaranteed under this section if made before July 1, 1973. If a loan report or application for loan guaranty is received by the Administrator before July 1, 1973, an additional period not to exceed one year will be allowed for disbursement of the loan and the issuance of evidence of guaranty. Direct loans authorized by this section shall not be made after June 30, 1973, except pursuant to commitments issued by the Administrator on or before that date.

"(d) A fee shall be collected from each veteran obtaining a loan guaranteed or made under this section, and no loan shall be guaranteed or made under this section until the fee payable with respect to such loan has been collected and remitted to the Administrator. The amount of the fee shall be established from time to time by the Administrator, but shall in no event exceed one-half of 1 per centum of the total loan amount. The amount of the fee may be included in the loan to the veteran and paid from the proceeds thereof. The Administrator shall deposit all fees collected hereunder in the revolving fund established under the provisions of section 1824 of this title."

(b) The table of sections at the beginning of chapter 37 of such title is amended by inserting immediately below

"1817. Release from liability under guaranty."

the following:

"1818. Veterans who serve between January 31, 1955, and July 1, 1963."

(c) Section 1822(a) of such title is amended by striking out "or 1813", and inserting in lieu thereof "1813, or 1818".

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that further proceedings under the quorum call may be dispensed with.

Mr. GOLDWATER. Mr. President, reserving the right to object—and I probably shall object—I do not think this is the time to bring up this bill.

The PRESIDING OFFICER. The Senator from Arizona is not in order. The Senator can either object or not object.

Mr. GOLDWATER. I object.

Mr. MANSFIELD. Mr. President, would the Senator withhold his objection?

Mr. GOLDWATER. No.

The PRESIDING OFFICER. Objection is heard. The clerk will continue to call the roll.

The Chief Clerk resumed and concluded the call of the roll, and the following Senators answered to their names:

[No. 217 Leg.]

Aiken
Boggs
Church
Ervin
Goldwater
Javits
Jordan, N.C.
Long, La.
Mansfield
McCarthy
McNamara
Morse
Pell
Smathers
Sparkman
Wiley
Williams, Del.
Yarborough

Mr. HUMPHREY. I announce that the Senator from Alaska [Mr. BARTLETT], the Senator from Nevada [Mr. BIBLE], the Senator from Pennsylvania [Mr. CLARK], the Senator from California [Mr. ENGLE], the Senator from Tennessee [Mr. GORE], the Senator from Indiana [Mr. HARTKE], and the Senator from Massachusetts [Mr. SMITH] are absent on official business.

I also announce that the Senator from New Mexico [Mr. ANDERSON], the Senator from Alaska [Mr. GRUENING], the Senator from Wyoming [Mr. HICKEY], the Senator from Missouri [Mr. LONG], and the Senator from Missouri [Mr. SYMINGTON] are necessarily absent.

Mr. KUCHEL. I announce that the Senator from Utah [Mr. BENNETT], the Senator from South Dakota [Mr. BOTTUM], the Senator from Maryland [Mr. BUTLER], the Senator from New Hampshire [Mr. MURPHY], the Senator from Illinois [Mr. DIRKSEN], the Senator from Kentucky [Mr. MORTON], and the Senator from Texas [Mr. TOWER] are necessarily absent.

The Senator from Nebraska [Mr. HRUSKA] is absent on official business.

The PRESIDING OFFICER. A quorum is not present.

Mr. MANSFIELD. Mr. President, I move that the Sergeant at Arms be directed to request the presence of absent Senators.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Montana.

The motion was agreed to.

The PRESIDING OFFICER. The Sergeant at Arms will execute the order of the Senate.

After a little delay, Mr. ALLOTT, Mr. BEALL, Mr. BURDICK, Mr. BUSH, Mr. BYRD of Virginia, Mr. BYRD of West Virginia, Mr. CANNON, Mr. CAPEHART, Mr. CARLSON, Mr. CARROLL, Mr. CASE, Mr. CHAVEZ, Mr. COOPER, Mr. COTTON, Mr. CURTIS, Mr. DODD, Mr. DOUGLAS, Mr. EASTLAND, Mr. ELLENDER, Mr. FONG, Mr. FULBRIGHT, Mr. HART, Mr. HAYDEN, Mr. HICKENLOOPER, Mr. HILL, Mr. HOLLAND, Mr. HUMPHREY, Mr. JACKSON, Mr. JOHNSTON, Mr. JORDAN of Idaho, Mr. KEATING, Mr. KEFAUVER, Mr. KERR, Mr. KUCHEL, Mr. LAUSCHE, Mr. LONG of Hawaii, Mr. MAGNUSON, Mr. MCCLELLAN, Mr. MCGEE, Mr. METCALF, Mr. MILLER, Mr. MONRONEY, Mr. MOSS, Mr. MUNDT, Mr. MUSKIE, Mrs. NEUBERGER, Mr. PASTORE, Mr. PEARSON, Mr. PROUTY, Mr. PROXMIRE, Mr. RANDOLPH, Mr. ROBERTSON, Mr. RUSSELL, Mr. SALTONSTALL, Mr. SCOTT, Mrs. SMITH of Maine, Mr. STENNIS, Mr. TALMADGE, Mr. THURMOND, Mr. WILLIAMS of New Jersey, Mr. YOUNG of North Dakota, and Mr. YOUNG of Ohio entered the Chamber and answered to their names.

The PRESIDING OFFICER (Mrs. NEUBERGER in the chair). A quorum is present.

Mr. YARBOROUGH obtained the floor.

Mr. KEFAUVER. Madam President, will the Senator from Texas yield for a unanimous-consent request as in the morning hour?

Mr. YARBOROUGH. Madam President, I ask unanimous consent that I may yield to the Senator from Tennessee for a unanimous-consent request, provided I do not lose my right to the floor.

The **PRESIDING OFFICER.** Without objection, it is so ordered.

EFFECT ON PROPOSED SATELLITE CORPORATION OF DISTRICT OF COLUMBIA BUSINESS CORPORATION ACT

Mr. KEFAUVER. Madam President, many problems raised by the proposed communications satellite legislation were not fully explored either in committee or on the floor of the Senate. Among them is the effect on the satellite corporation of the District of Columbia Business Corporation Act.

The organizational structure of the satellite corporation will present legal problems never before encountered in a commercial profit-making corporation. For instance, the unique composition of its board of directors raises serious doubts as to the duties of different directors and the legal standards by which their conduct is to be judged. Unprecedented questions concerning quorums, executive committees, vacancies on the board, merger and charter amendment are also involved.

When cloture was invoked, I had a prepared speech pointing out some of the defects and problems connected with the corporation's organizational structure. After the guillotine was dropped, my one remaining hour did not permit me to deliver this speech and direct the Senate's attention to these points.

Mr. James C. Kirby, Jr., a staff counsel who has had considerable experience in the practice of corporation law, assisted me in analyzing these problems, collecting legal authorities and preparing the speech. I wish to express my appreciation to Jim Kirby. In this field he has fine expertise. The issues the proposal raises are still pertinent and I think it would be most helpful to the Congress for this analysis to be made a part of the CONGRESSIONAL RECORD.

I had proposed amendments which would have remedied some of these problems, but under the cloture procedure, they were not properly considered. I hope the Members of the House will take note and that some corrective amendments will be recommended in conference. Perhaps some of the defects and uncertainties in the bill can be dealt with by appropriate provisions in the articles of incorporation and this statement may be helpful to the Department of Justice as it goes about this. I invite attention to this statement by all who are interested in the subject and in the success of the corporation.

I am sorry I did not have the opportunity to deliver this speech and that the Senate was prevented from considering these serious shortcomings of this corporation, but it is always timely to criticize and correct bad legislation. I therefore ask unanimous consent that the speech which I had prepared and would have delivered be printed in the RECORD as a written statement.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

SPEECH TO HAVE BEEN DELIVERED BY SENATOR ESTES KEFAUVER CONCERNING MANAGEMENT STRUCTURE OF SATELLITE CORPORATION

I direct the attention of the Senate to the legal structure for the management of the corporation which is to be established under H.R. 11040.

Some of us think the space communications satellite should be owned and operated by a corporation owned by the Government and operated solely under considerations of the public interest and national objectives of the United States.

Others thought that space communications by means of satellites should be treated just like any other method of communications despite the critical national and international problems involved and despite the great public investment in the assets to be used. Under this theory the satellite corporation would have been entirely owned and operated privately but subject to regulation as a public utility and monopoly like other communications carriers.

H.R. 11040 is neither of these. It is neither fish nor fowl; it is neither animal, vegetable, nor mineral. It is a hybrid polyglot creature which was thought to be a compromise between public and private interests. However, it does not incorporate the best features of either alternative and does not serve the legitimate purposes of either.

Let us look at this strange corporation which is proposed by H.R. 11040. Has it somehow, like Solomon in his wisdom, split the baby in half? Can the prerogatives of parenthood be given both to the public interest of all the people of the United States and to the interests of private corporations who seek profits? I believe close examination will show that this corporation has an illogical organizational structure which does not fit into legal or economic concepts of corporate ownership and control.

H.R. 11040 provides in section 301 that there is to be created "a communications satellite corporation for profit which will not be an agency or establishment of the U.S. Government." Thus, it is to be made clear to everyone, including prospective investors, that this corporation is to be operated with a view to profits to be earned by its shareholders. This is not unusual. In fact, it is the objective of every private corporation and it is one of the great features of our free enterprise competitive system. It would be unfair and misleading to members of the public who are prospective investors in this corporation if it were to be operated for any other purpose than for profit, as section 301 assures.

Then section 301 goes on: "The corporation shall be subject to the provisions of this act and, to the extent consistent with this act, to the District of Columbia Business Corporation Act." This statement is a proper one to follow the first clause of section 301. Except as otherwise provided in H.R. 11040, this corporation is to be like any other corporation organized under the laws of the District of Columbia. It will have the same powers, the same rights and duties, the same liabilities as any other corporation except as this bill expressly says to the contrary. The first question that occurs is, Who is to manage this corporation? Who is to make its business decisions? When conflicts arise between a course which might serve the national interest and the course which might make the largest profits, who will choose between the alternatives? What will their duty be and what is the standard for their decision?

To every lawyer and every businessman, the answer, I am sure, is very clear to the question of who will conduct the corporation's business and make its decisions. This is a corporate function which is entrusted universally to the board of directors. Corporations organized in the District of Columbia are no exception. Section 916 of title 29 of the District of Columbia Code, 1961 edition, expressly provides that "the business and affairs of a corporation shall be managed by a board of directors."

THE DIVIDED STRUCTURE OF THE BOARD OF DIRECTORS

The next question then becomes, Who will be the Directors of this corporation? Of course, we do not know who these individuals will be. No one knows. There is no way of knowing at this time. We only know how they will be chosen.

Directors are covered by section 303(a), which provides, first, that the corporation shall have a board of directors consisting of individuals who are citizens of the United States. Three members of the board shall be appointed by the President of the United States by and with the consent of the Senate for 3-year terms, except that the initial three directors are to have staggered terms so that one Presidentially appointed director's term of office will expire every year. Six members of the board are to be elected annually by the stockholders, who are communications carriers, and six are to be elected by other stockholders of the corporation.

No stockholder who is a communications common carrier and no trustee for such a stockholder is allowed to vote for more than three directors. This is intended to insure that no one carrier like A.T. & T. can place more than three persons directly on the board.

Thus, we have a 15-member board of directors, 6 of whom are to be elected by communications carriers, 6 by other stockholders, and 3 to be appointed by the President subject to confirmation by the Senate. I venture that there is no other corporation for profit, which this is guaranteed to be by section 301, which has such an unusually constituted board of directors.

Directors appointed by the President will be half as many as the numbers who may be elected by communications common carriers. This is very interesting. Do the supporters of the bill contemplate by this that decisions of the board shall pay only one-half as much attention to the public interest as is paid to the private interests of a company like A.T. & T.? Then there are the six directors elected by other stockholders. Is it thought that the public interest is to have one-half as much emphasis in the management of the corporation as the interests of noncommunications carrier stockholders?

On the surface, it would appear that the public is to receive some sort of weighted representation worth 20 percent of this board of directors. Where Solomon suggested an equal division of the baby, apparently H.R. 11040 suggests an 80- to 20-percent division. I suggest that in either event it is fatal to attempt to divide the baby at all. Solomon knew this but apparently the supporters of H.R. 11040 do not. What is this three-faced board of directors to mean in practical effect?

Suppose there arises a corporate decision where the public interest of the United States as a whole calls for one course and the financial welfare of the stockholders calls for another. Is it expected that the Presidentially appointed directors will always vote on the course required by the public interest? If so, it must also be expected that the directors elected by the stockholders will vote for a contrary course if it is in the interests of their constituents. If so, the directors echoing the public interest will always be outvoted and might as well not be on the board at all. I suggest that their very presence on the board as a 20-percent minority carries a clear implication that the other directors are to be guided by different considerations and influences in reaching corporate decisions.

Although this is the inference from the composition of the board, I hesitate to draw it as a final conclusion. It carries dangerous suggestions as to the conflicts which could arise in the board and the ultimate factors which will guide its decisions. It also is contrary to all the established rules of corporation law concerning the duties and loyalties of directors of a corporation. I shall go into this in more detail later.

PAUL A. PORTER'S VIEWS ON GOVERNMENT DIRECTORS

This is not the first occasion when it has been suggested that the Government be represented on a board of directors. In 1945, the Commerce Committee of the U.S. Senate conducted an investigation of international communications by wire and radio, pursuant to Senate Resolution 187 of the 78th Congress, as extended by Senate Resolution 24 of the 79th Congress. A subcommittee under the chairmanship of Senator Burton K. Wheeler conducted extensive hearings inquiring into the best means of developing efficient international communications by wire and radio. The Navy proposed a corporation very similar to that contemplated by H.R. 11040. It was to be privately owned but sponsored by the Government and comanaged by private owners and the Government. It would have been the single American operating agency in the field of international communications and would have merged the facilities of all private communications carriers. The resulting corporation was to be owned by American communications carriers and manufacturers and suppliers of communications equipment. It was also proposed by the Navy that the U.S. Government be represented on the board of directors. The proposal was a bit more complex than H.R. 11040. One-fourth of the board was to be Government officials and certain acts of the corporation were to require the consent of these Government directors.

However, the basic theory was apparently the same as that behind H.R. 11040, that the public interest was very much involved and U.S. national policy was a factor and that the Government should have a voice in the management of a privately owned corporation for profit.

On Wednesday, March 21, 1945, the Honorable Paul A. Porter, then Chairman of the Federal Communications Commission, testified before the subcommittee. His comments upon the Navy's proposal of Government representation on the board of directors are still pertinent to our discussion today. I have extracted this portion of his testimony and I would like to read it in its entirety. It begins at page 184 of part 1 of the hearings, and I now quote from Mr. Porter:

"The Navy plan, as I understand it, envisages an anomalous pattern of a privately owned corporation, sponsored by the Government, comanaged by private owners and the Government, yet purportedly subject to existing measures of regulatory control.

"This type of organization, has, I believe, certain deficiencies which I would summarize as follows:

"1. It would tend to divide Government regulatory authority and thus create confusion and the usual consequences of divided responsibility.

"2. The relationship of a regulatory agency to a private monopoly even in the international field should be one of arm's length, and the limited participation by Government directors in the affairs of the company would destroy that relationship.

"3. The public might tend to be misled in the purchase of securities of the new carrier because of this limited Government participation on its board of directors.

"I will comment briefly on each of these points.

"The proposal would exclude the regulatory authority from any jurisdiction over extensions or maintenance of service. This is based upon the assumption that regulation as to rates and division of traffic is separable from the other operating policies of the utility. Our experience would indicate that these functions are not separable, and considerations of rates, division of traffic, and so forth, are linked closely with the maintenance of circuits, extension of service, and other operating procedures. We do not believe that it would be feasible to have one group of governmental officials determining one set of problems concerning the company's operations—that is, the Cabinet members—and another agency, the FCC, passing upon related and interwoven problems. Sound public administration would seem to me to dictate that the authority should be centralized and repose in an expert body charged with responsibility of enforcing the standards which Congress must write in the legislation creating a monopoly in this field. In effect, the proposal would set up on certain matters a new regulatory agency composed of the Government directors and leave the existing agency with responsibility as to other matters. The anomaly becomes all the more apparent when it is realized that the jurisdiction of not only the FCC is involved, but of other agencies, such as the SEC, the NLRB, and the Treasury Department, would have to be applied to a corporation one-fourth of whose directors represent members of the Cabinet.

"Senator McFarland. Maybe what the Government had in mind is what Senator Wheeler suggested the other day. Too frequently it appears the company controls the regulatory body and in this case somebody thought it advisable to propose an additional agency so they could not control.

"Mr. Porter. It would be my private opinion an arrangement of this sort would probably precipitate the thing Senator Wheeler fears.

"The Chairman (who was Senator Wheeler). If 5 Cabinet officers were placed on the board with 15 private directors, I feel the Government representatives might be taken over. It seems to me the Government would be charged with responsibility for the operation of the company, for its financial standing, for its financial policies, and everything else, although actually the Government would not have complete control of the company by any means. But a great many people would think because of the fact Secretary Wallace or some other Cabinet official was on the board of directors that the enterprise was sure to be a great success.

"Senator McFarland. Do you think, Mr. Porter, that if such a company were set up there should be a separate agency or a separate part of the FCC to present or handle policies?

"One of the major difficulties in regulatory commissions is that you find yourself in the position of acting, or having to act as a judge and advocate both. That, of course, is always bad. In other words, here is a new territory that needs to be explored and we need a communications system. Who is going to present these problems to the FCC? Are you going to present it and then act as judge?

"Mr. Porter. Well, I think a procedure can be developed.

"Senator McFarland. Now that is what I presume the Navy had in mind. I do not say their proposal is the solution of it, but I presume that is what they had in mind; that there should be some agency which would present the interests of the Nation other than the Commission.

"Mr. Porter. Than the regulatory authority?

"Senator McFarland. Yes. You are sitting as judges. Now if you are also an advocate, no one wants to have a judge who is an advocate because he is at a kind of a disadvantage.

"Mr. Porter. I certainly think there are a number of alternatives that could be considered, sir, such as the creation of a Government advisory board, or a policy board of some character that could make representations as far as their particular interests were concerned, to the company or the regulatory authority. I am directing my comment to Government participation if with a privately managed group.

"Senator McFarland. Of course, it might well be the companies which wanted to do business in this particular field could present their problems to the FCC, but if it followed the pattern in freight rate hearings in the United States, sometimes a man is too small to get in and fight. It costs more than the extra rates would bring him to present it.

"Mr. Porter. If what you are concerned about is the development of an arrangement that would protect the Government's interest in fields which I believe Admiral Redman described as strategic, I do not think the problem is insoluble. A relationship can be worked out between the services and the regulatory authority and the private carrier that will accomplish those objectives.

"To my mind, there are a number of compelling reasons that could be marshaled against the proposals for Cabinet officials participating in the management of this private company. I am, of course, completely sensitive to the objectives of the Navy Department's proposals to make certain that the interests of national security are properly safeguarded, but I disagree as to the practicability of the plan.

"Government directors would naturally be concerned with the earning capacity of the company. Their responsibilities for its prosperity could not be separated under all circumstances from their responsibility for considerations of broader public concern.

"Conflicts will doubtless arise with respect to abandonment of service or extension of service and related matters. It is my view that the public's interest will be better protected by an arm's-length relationship than by intimate participation in the affairs of the proposed company. Other procedures can be devised to make certain that considerations of importance to the military are amply protected, and in the field of foreign policy, the State Department can and should be in a position to assist the company without being required to participate on its board. I feel strongly that this limited marriage between Government and private business will not in practice result in the advantages claimed for it, but to the contrary will have many disadvantages.

"With the proper kind of merger, it is the expectation of all with whom I have discussed this problem that the integrated company can function efficiently and profitably. With detailed and appropriate standards in the act authorizing such a merger, I feel that sound public policy requires elimination of Government participation in the management of a private monopoly even on a limited scale. The Government's regulatory powers over the private carrier should be specific and definite, but it seems to me we should avoid if possible the commingling of functions of regulation and management which this plan appears to do.

"The CHAIRMAN. Under that plan the final appeal would be left to the President of the United States.

"Mr. PORTER. Yes, sir.

"The CHAIRMAN. And that is almost an impossible task for the President to assume.

"Mr. PORTER. He would have to delegate it, obviously.

"The CHAIRMAN. Surely.

"Mr. PORTER. And I think the members of the Cabinet would have to delegate their responsibilities, and you would be setting up a new communications agency dealing with these problems, and I do not think they could separate their governmental functions from their participation in the general activities of the company.

"The CHAIRMAN. You say the Government ought to take the enterprise over completely?

"Mr. PORTER. Or it either ought to be an arm's-length relationship.

"The CHAIRMAN. Or, you say, it ought to be an arm's-length relationship, one or the other.

"Mr. PORTER. Yes, sir.

"My third point on the form of organization rests upon the consideration that the presence of directors representing the Government, but without financial interest or responsibility, might create misleading impressions of Government financial support to the detriment of investors.

"In any organization of this kind, the Government would face the criticism of injecting itself into management, and will be charged with the responsibility for any mistakes or abuses by the carrier, even though the Government directors may have had no responsibility for the policies. Moreover, Government will inevitably be expected to insure the financial success of the company."

I suggest that the very keen analysis made by Mr. Porter in 1945 is still relevant today. The presence of Government directors on the board of the satellite corporation when it is being regulated by the Federal Communications Commission will only confuse and divide the Government's authorities and responsibilities.

It is true today as it was in 1945 that a regulated private monopoly should be at an arm's-length relationship with the Government, and that participation by Government directors in the management of the corporation might tend to destroy that relationship. Furthermore, the public who are being invited to purchase stock in this company as an investment may be misled as to the Government's role and responsibility. They may expect the Government to insure that they make profits on their investment and they may hold the Government responsible for actions of management for which the Government really was not responsible.

Let us consider now the directors other than those appointed by the President. First, how are they to be elected?

Section 303(a) provides that six directors are to be elected by the stockholders who are communications common carriers and six shall be elected annually by the other stockholders. Thus, it is contemplated that the members of the public who buy stock at $100 a share will have equal representation with the communications companies on the board.

I suggest this is again a snare and a delusion. Apparently, it is thought that some great democratic principle will operate and that thousands of American citizens and small investors will go to the polls and elect directors who will be responsive to their interests.

PUBLIC STOCKHOLDERS DO NOT REALLY CHOOSE DIRECTORS

No one who has had the slightest acquaintance with stockholders' meetings in widely held corporations can really believe that this will be true. Mr. Beardsley Ruml wrote about this subject in 1950 in an article entitled "Corporate Management As a Locust of Power." This was published by New York University Law School as a part of broader study entitled "Social Meaning of Legal Concepts." At page 229, Mr. Ruml stated:

"The fact is that the stockholders elect the directors but they do not choose them. They are chosen by the board of directors itself, which makes the nominations.

"The reason for this lack of correspondence of form and substance rests on two practical considerations: (1) The stockholders cannot choose directors because they are not organized as a political body in a way to make their franchise effective, and (2) real choice of directors by stockholders would be an extremely costly and disruptive procedure, damaging to efficient management, to business profits, and to the interests of the stockholders."

In other words, Mr. Ruml observed that it was not only impractical but it would be unwise for the stockholders to actually choose the directors. Here we touch upon one of the facts of life of large American corporations today. The fact that stocks of corporations are widely held among thousands of small shareholders is a good thing. This is to be applauded for many reasons, but it has brought one clear development with it and that is the separation of control and ownership. Those who own the corporation are its shareholders. Although technically and legally they have the ultimate power of control, as a practical matter control is exercised by the full-time management officials of the company, and by the word "control," I mean not merely the day-to-day operation of a company's affairs, but the power to select and change management.

Berle and Means, writing in 1932 in their famous book, "The Modern Corporation and Private Property," discussed how control had come to be divorced from ownership as corporate wealth had become more widely dispersed. I quote a few of their statements, as follows, from pages 5, 66, and 68:

"Parallel with the growth in the size of the industrial unit has come a division in its ownership such that an important part of the wealth of individuals consists of interests in great enterprises of which no one individual owns a major part. Frequently ownership is so widely scattered that working control can be maintained with but a minority interest. Separation becomes almost complete when not even a substantial minority interest exists, as in the American Telephone & Telegraph Co. Under such conditions control may be held by the directors or titular managers who can employ the proxy machinery to become a self-perpetuating body, even though as a group they own but a small fraction of the stock outstanding.

"A large body of security holders has been created who exercise virtually no control over the wealth which they or their predecessors in interest have contributed to the enterprise. In the case of management control, the ownership interest held by the controlling group amounts to but a very small fraction of the total ownership. Corporations where this separation has become an important factor may be classed as quasi-public in character in contradistinction to the private, or closely held corporation in which no important separation of ownership and control has taken place.

"Thus the position of ownership has changed from that of an active to that of a passive agent. Henceforth, in the corporate system the 'owner' of industrial wealth is left with a mere symbol of ownership while the power, the responsibility and the substance which have been an integral part of ownership in the past are being transferred to a separate group in whose hands lies control."

INSIDERS CONTROL THROUGH PROXY MACHINERY

It is well known that those who are in charge of the proxy machinery of a widely owned corporation are in control as a practical matter and can dictate the selection of officers and directors. Under the District of Columbia Business Corporation Act, most of the stockholders of this satellite corporation will doubtless vote by proxy just like other stockholders of widely held corporations. Section 911 of title 29 of the District of Columbia Code provides that:

"A shareholder may vote either in person or by proxy executed in writing by the shareholder or by his duly authorized attorney in fact. No proxy shall be valid after 11 months from the date of its execution, unless otherwise provided in the proxy. Every proxy shall be revocable at the pleasure of the person executing it or his personal representatives or assigns; but the parties to a valid pledge or to an executory contract of sale may agree in writing as to which of them shall vote the stock pledged or sold until the contract of pledge or sale is fully executed."

I understand that this is substantially the same provision as is found in most State corporation laws.

The members of the public who buy stock in the satellite corporation will undoubtedly receive a solicitation of their proxy in the mail before every annual meeting. They will either fail to return it at all and thus fail to vote at all, or they will designate some predetermined member of management as their agent to vote for management's slate of directors. For the stockholders as a group ever to join together and oppose management, they would have to conduct their own proxy solicitation. The difficulty and expense of proxy battles is fairly well known and I should not have to dwell on it at length.

In 1929, it cost John D. Rockefeller $300,000, although his interests owned 15 percent of the stock, in order to oust the management of the Standard Oil Co. of Indiana. Professor Newcomer, in the book, "The Big Business Executive," written in 1955, summed up the situation as follows:

"In a corporation where stock is widely distributed, the possibility of dissatisfied stockholders mustering the necessary votes to force a change is very slim. It is easier to sell the stock. The cost alone is prohibitive, as was made abundantly clear in the recent New York Central upset. The cost of this proxy battle was estimated to be more than $1 million. Only when the dissatisfied minority has really important holdings, as in the case of getting the New York Central, is the chance of getting a new deal a real one."

The most forthright and candid statement I have found concerning minority control and the proxy system in modern corporations is a monograph prepared by the Temporary National Economic Commission in 1940. This was monograph No. 11 entitled "Bureaucracy and Trusteeship in Large Corporations." From pages 20 and 21, I quote as follows:

"Minority control is much more common than majority control among the large companies. It arises where a compact group owns a substantial but minority interest which constitutes a majority of the stock actually represented at stockholders' meetings, or to which the control group can attract a sufficient number of proxies from scattered holders to constitute a majority at such meetings. The latter rather than the former is the usual means of minority control.

"Once in power a minority group is difficult to dislodge. It has, of course, picked a management which is congenial and cooperative. Then the proxy machinery, with expenses paid by the company, is commonly at its disposal. The proxy committee is in effect chosen by the control group and is used as a means of perpetuating itself. Naturally, the larger the corporation and the more dispersed the stock, the more difficult it is for a noncontrol faction to amass a sufficient number of proxy certificates to oust the control group and assume command.

"As long as management is cooperative with the minority control group, therefore, the minority is relatively secure in its power. When, however, the minority and the management disagree, a major battle may impend in which the management holds a powerful and strategic position. In the ensuing struggle for proxies the management may deny the use of the proxy machinery to the minority, which is then faced with formidable obstacles. The expense of circularizing stockholders with arguments sufficiently convincing to result in their sending in proxy certificates to the minority is a considerable item when stockholders are numbered in thousands. Then there is the natural tendency of the stockholders to let well enough alone and to vote for the existing management, if they vote at all. Thirdly, there are always two sides to the arguments, and to many the side of management may be the more convincing.

"The most common form of control among the large corporations may be termed management control. When stockholding is sufficiently diffuse, the position of management becomes almost impregnable. Management does not need to own stock; the strategic advantages of its location are quite sufficient. A presumption of worth is in its favor and, more concretely, the proxy machinery is at its disposal. Management chooses the proxy committee and by making appointments from among the members of management assures its own continuance. The effectiveness of this machinery is too formidable for small stockholders to overcome."

Therefore, as a practical matter, the public stockholders cannot be expected really to choose the directors whom they elect. There is no requirement that the directors who are elected by these stockholders have any particular qualifications. They could be officers of the satellite corporation; they could even be representatives of A.T. & T. or some other communications carrier. Any communications carrier can vote for only three candidates for the board of directors but there is no restriction upon other stockholders electing persons chosen by them.

The domination of widely held corporations by inside management is not necessarily bad. I am merely pointing out the misleading nature of this bill if it implies that the six directors elected by the public stockholders are apt to be significantly different from those elected by the carriers. From the standpoint of business efficiency, this may be a good thing. A study published by Brookings Institute in 1945, entitled "Business Leadership in the Large Corporation," noted that the trend was for directors no longer to be a body independent of, and superior to, the executive officers of a corporation. This view is shown from the following quotations from this publication:

"In the broader of the two senses in which the word is used, 'management' includes not merely the executives but also the board of directors. The board stands between the stockholders and the executive group. It is not expected even in theory to direct the affairs of a business in any detail, but it is supposed to exercise a broad supervision. This broad supervision presumably includes several types of activities: choice of the major executives (or at least the chief executive), establishment of general objectives, formulation of broad policies, a general appraisal of the operating and financial results of the firm's activities, and distribution of profits. The chief executive reports to the board, and the board reports to the stockholders and—though its responsibilities here are very nebulous—to the community at large.

"It is no secret of course that the board's actual role in most large corporations is far different from the conventionalized picture given in the preceding paragraphs. The extent to which boards of directors have become inactive is indicated in part by the dissatisfaction expressed in many quarters with the role which the typical board now plays in the operation of the large corporation.

"The fact that executives make up a large fraction of the total board assumes great significance when management has become separated from ownership. If the executive group holds a majority of the stock, the fact that officers predominate on the board does not of itself prejudice the interests of any group. The officer-directors, whether as officers or as directors, represent the majority stockholders. When the great bulk of stock ownership is divorced from management, however, a board made up primarily of officers creates an entirely different situation. In this case, the officers are given the right to supervise themselves; there is no continuous independent link between management and stockholders; and the interests of the latter can be protected, except as management chooses to protect them, only through the medium of the annual stockholders' meetings and through resort to legal action by particular stockholders. The weakness of the protection provided by these two media needs elaboration. Thus, in effect, the officer board means that the board as an independent supervisory body has ceased to exist.

"While the officer board, taken in conjunction with the separation of ownership and management, represents a significant development, its importance should not be overstressed. In the first place, officers may, despite their lack of ownership, take their responsibilities to stockholders quite seriously. In addition, the executive group is in a better position to recognize and protect the interests of other groups—for example, workers or customers—than are directors elected by and owing allegiance to particular stockholding and other interests. How seriously officers take their responsibilities in these directions is, of course, a moot point. Some broadening of their sense of responsibility in recent years has certainly occurred, and in the last few years chief executives have paid a good deal of lip service, at least, not only to their stockholders but also to labor and the public.

"Those who seek to restore the board as a true decisionmaking body misread the problem of large-scale management organization. The withering away of the active leadership function of the board is unavoidable. It is merely a reflection of the fact that large-scale business leadership can be performed efficiently only by a single group of working officials willing and able to devote the necessary time to the business. Nonofficer directors, however, have other roles to play. Executives need the advice of outside directors, and what is even more important, we must rely on the board as an independent body to provide the link between executives and those outside groups whose welfare the company exists to serve."

Professor Newcomer's study, "The Big Business Executive," noted the same trend and concluded that the records of corporations with inside boards was better than those with outside boards. The following quotation from page 40 of this work is a possible explanation:

"Between the typical inside board of today and that of the earlier period there are two important differences which may account for the apparent current success of this type of board. Today it is rarely made up of officers appointed and dominated by a small group of stockholders and bankers. The subordinate officers are usually the appointees of the president, but his authority is not likely to be exercised with the same degree of arbitrariness as that of the owner-president, and the chance of decisions being reached after consideration by a group of officers appears to be better than in the board dominated by the owner-president or by bankers and stockholders interested in a quick profit. The other factor, related to this, is the professionalization of business leadership. The officers for the most part have had longer experience with the company and are more likely to identify their interests with those of the company. They tend to have a professional pride in its success.

"These factors may account for the apparent superiority of the inside board. But to the extent that it prevails, the accepted system of checks and balances, which the relationship of the board to the stockholders on the one hand and the officers on the other was designed to provide, is disappearing."

It is not completely clear exactly what are the purposes of classifying the directors of the corporation. As I will demonstrate later, as a legal matter, all directors will have the same duty under the law. It is certainly safe to conclude, as a practical matter, that all of the elected directors are likely to be of the same viewpoint.

Let us now examine the lawful duties and responsibilities of these directors. H.R. 11040 contains provisions which I have just discussed concerning the manner of electing directors. However, once they are elected, they all then step into the office of director of this satellite corporation. H.R. 11040 makes no classification beyond the manner of their election. Once they're elected and take their seats at the board of directors' table, each of them falls into the same category and has the same duties. It would be helpful at this time to review the general rules of law which determine the duties of directors of corporations for profit.

FIDUCIARY DUTIES OF DIRECTORS TO STOCKHOLDERS

Professor Ballantine's "Treatise on Corporations," the most recent volume of which was published in 1946, is probably the most widely used and highly respected single volume on this subject. It is relied upon extensively by law schools, practicing lawyers, and the courts. At page 156, Professor Ballantine summarizes the duties of directors as to management, as follows:

"It has been said that 'directors owe a three-fold duty to the corporation. First, they must be obedient. Second, they must be diligent. Third, they must be loyal. As to obedience, they, of course, owe a duty to keep within the powers of the corporation as well as within those of the board of directors. * * * With regard to diligence, the directors owe a duty to exercise reasonable care and prudence. * * * In no event is the idea to be tolerated that directors serve merely as brightly gilded ornaments of the corporate institution. * * * The third duty owing by directors is that of undivided loyalty'."

Fletcher on Corporations is probably the most authoritative, multivolume treatise on the subject of corporation law. It analyzes and discusses every aspect of corporation law in great detail. Volumes 2 and 3 are devoted to the rights, duties, and liabilities of directors and officers of corporations. In volume 3, at page 173, Fletcher summarizes the fiduciary duty, or duty of loyalty, of directors, as follows:

"At common law and by the modern current of authority in this country and in England, the directors of a private corporation are considered in equity as bearing a fiduciary relation to the corporation and its stockholders. In other words, it is universally recognized that courts of equity treat the relationship of director and stockholder as a trusteeship, in order to determine the rights, duties, and liabilities of directors."

At page 178, Fletcher continues on the same subject in a bit more detail as follows:

"The directors of a corporation are entrusted with the management of its business and property for the benefit of all the stockholders, and occupy the position of trustees for the collective body of stockholders in respect to such business. They are subject to the general rule, which prevails in regard to trusts and trustees, that they cannot use the trust property or their relation to it for their own personal gain. It is their duty to administer the corporate affairs for the common benefit of all the stockholders, and exercise their best care, skill, and judgment in the management of the corporate business solely in the interest of the corporation."

Thus, under the law, it will be the duty of each and every one of these 15 directors, whether appointed by the President, whether elected by the communications common carriers, or whether elected by the public stockholders to manage the corporation and make corporate decisions for the common benefit of all the stockholders, and they are to be guided solely by the interests of the corporation.

At page 197 of volume 3 of Fletcher on Corporations, after reviewing decisions and authorities from all the States, Fletcher concludes with this summary:

"In other words, the directors of a corporation, in the performance of their duties as trustees of the corporation's business and property, must administer the corporate affairs for the good and benefit of all the stockholders and exercise their best care, skill and judgment for the management of the corporate business and act solely in the interests of the corporation."

Everyone concerned with this legislation admits and recognizes that the public interest of all the people of the United States and the national objectives of the U.S. Government are very much involved in space communications.

PUBLIC INTEREST CONSIDERATIONS

Section 102(a) of the bill provides that Congress declares it to be the policy of the United States to establish a commercial communications satellite system "which will be responsive to public needs and national objectives."

The President's policy statement on communications satellites of July 24, 1961, stated that private ownership and operation of the U.S. portion of the system is favored only if it could meet eight considerations of public and national policy. At this point, it might be helpful to restate those eight public policy considerations to which private ownership is supposed to be subordinated. I would like to quote those policy requirements verbatim as follows:

"1. New and expanded international communications services be made available at the earliest practicable date;

"2. Make the system global in coverage so as to provide efficient communication service throughout the whole world as soon as technically feasible, including service where individual portions of the coverage are not profitable;

"3. Provide opportunities for foreign participation through ownership, or otherwise, in the communications satellite system;

"4. Nondiscriminatory use of and equitable access to the system by present and future authorized communications carriers;

"5. Effectve competition, such as competitive bidding, in the acquisition of equipment used in the system;

"6. Structure of ownership or control which will assure maximum possible competition;

"7. Full compliance with antitrust legislation and with the regulatory controls of the Government;

"8. Development of an economical system, the benefits of which will be reflected in oversea communication rates."

Now, let us return to a consideration of what the duties and responsibilities of these 15 directors will be under the law as directors of a privately owned commercial corporation. As I have previously indicated, their sole duty is one of undivided loyalty to the corporation and its stockholders as a collective group. It should require no elaboration for the proposition that stockholders invest in the common stock of a corporation for the purpose of earning a profit on their investment. It is the duty of directors, as trustees of their invested capital, to manage the capital solely with a view to that end. It is a healthy development of our free enterprise system that many companies are conscious of a duty to the public and manage corporate affairs with some degree of responsibility to the public's needs. However, this has come about as a matter of social and moral responsibility and enlightenment. It is not a duty imposed by law or enforcible in the courts. As a matter of law, directors' duty is still one of undivided loyalty to the corporation and its stockholders. I do not suggest that the law should be changed in this respect. I merely suggest that a privately owned corporation for profit, managed by directors whose sole duty is to their stockholders, is not the proper vehicle for an undertaking such as the space communications system where the public's interest is so overriding.

DUTY OF DIRECTORS TO SEEK PROFITS

Suppose these directors are faced with a decision where the public interest of the people of the United States is best served by a course of action which would be the least profitable to the corporation? Can these directors dissipate corporate funds or throw away corporate profits in order to serve the public interest? The law of corporate directors' duties clearly says they cannot. From page 228 of "Ballantine on Corporations," I read the following pertinent statement:

"A business corporation is regarded as being carried on primarily for the profit of its shareholders. The discretion of the directors does not, in general, extend to humanitarian purposes or to purely philanthropic donations for the benefit of mankind, or even its employees, at the expense of the shareholders."

In support of this general statement, Professor Ballantine cites the famous case of *Dodge* v. *Ford Motor Company*, which was decided in 1919 by the Supreme Court of Michigan and is reported at volume 204, page 459 of the "Michigan Reports," and in volume 170, page 668 of "Northwest Reports." I think it would be helpful at this point to review that case briefly.

THE CASE OF HENRY FORD

Minority stockholders of Ford Motor Co. owning 10 percent of its capital stock brought suit against Henry Ford, the president of the company, and its board of directors to compel the company to declare a dividend. Ford Motor Co. had been a spectacularly successful operation. From an initial capital of $2 million, it had grown to have total assets in 1916 of $132 million. From 1911 until 1915, it had paid regular quarterly dividends equal to 5 percent monthly on its capital stock. It had also paid special dividends of $1 million in 1911, $4 million in 1912, $10 million in 1913, $11 million in 1914, and $15 million in 1915, for a total of $41 million in special dividends. In 1910 it had produced 18,664 cars. By 1916 its annual production of cars had risen to 472,350. Originally, the Ford automobile had sold for more than $900. From time to time, the selling price had been lowered until in 1916 it sold for $440.

Henry Ford thought the stockholders had been amply rewarded on their investments. He announced that it would be the policy of the company in the future not to pay any special dividends but to put back into the business in the future all of the company's earnings other than the regular dividend of 5 percent per month on the authorized capital of the company. Mr. Ford had made the following statement:

"My ambition is to employ still more men; to spread the benefits of this industrial system to the greatest possible number, to help them to build up their lives and their homes. To do this, we are putting the greatest share of our profits back into the business."

Henry Ford also thought the company had a duty to give to the American public a low-priced car. At the same time he announced the limitation on dividends, he also announced that the price of the Ford car would be reduced another $80 to sell at a price of $360.

The minority stockholders sought to compel Henry Ford and the company to pay a special dividend instead of using the surplus profits to build new plants and provide more jobs and a cheaper car. The brief filed by the minority stockholders, or plaintiffs, with the Supreme Court of Michigan, contains the following statement as the grounds of their action:

"1. The proposed scheme of expansion is not for the financial advantage of the corporation, either mediate or immediate, and is not to be prosecuted with that intent, but for the purpose of increasing the number of employees and of the cars produced, to the end of giving employment and low-priced cars to a greater number of people.

"These are ends worthy in themselves but not within the scope of an ordinary business corporation—ends which, if prosecuted, should be by individuals associated for such purposes."

The Supreme Court of Michigan unanimously ruled for the plaintiffs and upheld a judgment of the trial court compelling the Ford Motor Co. to pay a special dividend of $19 million to the minority stockholders. The opinion of Judge Ostrander is regarded as a classic statement of the purpose of private corporations and their duties in managing the corporation affairs. I would like to read just two pages of the opinion which summarizes the basic facts and the holding of the court upon those facts:

"When plaintiffs made their complaint and demand for further dividends, the Ford Motor Co. had concluded its most prosperous year of business. The demand for its cars at the price of the preceding year continued. It could make and could market in the year beginning August 1, 1916, more than 500,000 cars. Sales of parts and repairs would necessarily increase. The cost of materials was likely to advance, and perhaps the price of labor; but it reasonably might have expected a profit for the year upwards of $60 million. It had assets of more than $132 million a surplus of almost $112 million and its cash on hand and municipal bonds were nearly $54 million. Its total liabilities, including capital stock, was a little over $20 million. It had declared no special dividend during the business year except the October 1915 dividend. It had been the practice, under similar circumstances, to declare larger dividends. Considering only these facts, a refusal to declare and pay further dividends appears to be not an exercise of discretion on the part of the directors, but an arbitrary refusal to do what the circumstances required to be done. These facts and others call upon the directors to justify their action, or failure or refusal to act. In justification, the defendants have offered testimony tending to prove, and which does prove, the following facts: It had been the policy of the corporation for a considerable time to annually reduce the selling price of cars, while keeping up, or improving, their quality. As early as in June 1915 a general plan for the expansion of the productive capacity of the concern by a practical duplication of its plant had been talked over by the executive officers and directors, and agreed upon; not all of the details having been settled, and no formal action of directors having been taken. The erection of a smelter was considered, and engineering and other data in connection therewith secured. In consequence, it was determined not to reduce the selling price of cars for the year beginning August 1, 1915, but to maintain the price, and to accumulate a large surplus to pay for the proposed expansion of plant and equipment. and perhaps to build a plant for smelting ore. It is hoped by Mr. Ford that eventually 1 million cars will be annually produced. The contemplated changes will permit the increased output.

"The plan, as affecting the profits of the business for the year beginning August 1, 1916, and thereafter, calls for a reduction in the selling price of the cars. It is true that this price might be at any time increased, but the plan called for the reduction in price of $80 a car. The capacity of the plant, without the additions thereto voted to be made (without a part of them, at least), would produce more than 600,000 cars annually. This number, and more, could have been sold for $440 instead of $360, a difference in the return for capital, labor, and materials employed of at least $48 million. In short, the plan does not call for and is not intended to produce immediately, a more profitable business, but a less profitable one; not only less profitable than formerly, but less profitable than it is admitted it might be made. The apparent immediate effect will be to diminish the value of shares and the returns to shareholders.

"It is the contention of plaintiffs that the apparent effect of the plan is intended to be the continued and continuing effect of it, and that it is deliberately proposed, not of record and not by official corporate declaration, but nevertheless proposed, to continue the corporation henceforth as a semi-eleemosynary institution, and not as a business institution. In support of this contention, they point to the attitude and to the expressions of Mr. Henry Ford.

"Mr. Henry Ford is the dominant force in the business of the Ford Motor Co. No plan of operations could be adopted unless he consented, and no board of directors can be elected whom he does not favor. One of the directors of the company has no stock. One share was assigned to him to qualify him for the position, but it is not claimed that he owns it. A business, one of the largest in the world, and one of the most profitable, has been built up. It employs many men, at good pay.

" 'My ambition,' said Mr. Ford, 'is to employ still more men, to spread the benefits of this industrial system to the greatest possible number, to help them build up their lives and their homes. To do this we are putting the greatest share of our profits back in the business.'

" 'With regard to dividends, the company paid 60 percent on its capitalization of $2 million, or $1,200,000, leaving $58 million to reinvest for the growth of the company. This is Mr. Ford's policy at present, and it is understood that the other stockholders cheerfully accede to this plan.'

"He had made up his mind in the summer of 1916 that no dividends other than the regular dividends should be paid, 'for the present.'

"Question. For how long? Had you fixed in your mind any time in the future, when you were going to pay——

"Answer. No.

"Question. That was indefinite in the future?

"Answer. That was indefinite; yes, sir.

"The record, and especially the testimony of Mr. Ford, convinces that he has to some extent the attitude toward shareholders of one who has dispensed and distributed to them large gains, and that they should be content to take what he chooses to give. His testimony creates the impression also, that he thinks the Ford Motor Co. has made too much money, has had too large profits, and that, although large profits might be still earned, a sharing of them with the public, by reducing the price of the output of the company, ought to be undertaken. We have no doubt that certain sentiments, philanthropic and altruistic, creditable to Mr. Ford, had large influence in determining the policy to be pursued by the Ford Motor Co.—the policy which has been herein referred to.

"It is said by his counsel that 'although a manufacturing corporation cannot engage in humanitarian works as its principal businesss, the fact that it is organized for profit does not prevent the existence of implied powers to carry on with humanitarian motives such charitable works as are incidental to the main business of the corporation.'

"And again: 'As the expenditures complained of are being made in an expansion of the business which the company is organized to carry on, and for purposes within the powers of the corporation as hereinbefore shown, the question is as to whether such expenditures are rendered illegal because influenced to some extent by humanitarian motives and purposes on the part of the members of the board of directors.'

"In discussing this proposition, counsel have referred to decisions such as [here the court cited a number of cases from the United States and England]. These cases, after all, like all others in which the subject is treated, turn finally upon the point, the question, whether it appears that the directors were not acting for the best interests of the corporation. We do not draw in question, nor do counsel for the plaintiffs do so, the validity of the general proposition stated by counsel, nor the soundness of the opinions delivered in the cases cited. The case presented here is not like any of them. The difference between an incidental humanitarian expenditure of corporate funds for the benefit of the employees, like the building of a hospital for their use and the employment of agencies for the betterment of their condition, and a general purpose and plan to benefit mankind at the expense of others, is obvious. There should be no confusion (of which there is evidence) of the duties which Mr. Ford conceives that he and the stockholders owe to the general public, and the duties which in law he and his codirectors owe to protesting, minority stockholders. A business corporation is organized and carried on primarily for the profit of the stockholders. The powers of the directors are to be employed for that end. The discretion of directors is to be exercised in the choice of means to attain that end, and does not extend to a change in the end itself, to the reduction of profits, or to the nondistribution of profits among stockholders in order to devote them to other purposes."

OPPORTUNITIES FOR DIRECTORS' CONFLICTS OF INTEREST

It would be appropriate now to paraphrase this statement of Mr. Ford's duties to apply to the directors of the satellite corporation. It would read "there should be no confusion of the duties which the directors of the communications satellite corporation owe to the general public and the duties which in law these directors owe to the stockholders of the corporation. The satellite corporation is organized and carried on primarily for the benefit of its stockholders. The powers of the directors are to be employed for that end."

The divided structure of the board of directors of the satellite corporation obscures and confuses this basic principle of corporate law. All 15 of its directors will be obligated to the stockholders about managerial decisions in operating the corporation for the benefit of its stockholders. To distinguish the directors according to whether they are appointed by the President, or whether they are elected by communications carriers, or whether they are elected by other stockholders is either illusory or it invites breaches of the duties owing by the directors to the stockholders.

The satellite corporation will be different from ordinary corporations and even ordinary public utilities in many ways. But one of the most important distinctions is that the satellite corporation will be dealing principally with its stockholders as its customers. Usually there is no identity of interest between those who do business with a corporation or purchase its product and those who have invested in the corporation and seek profits upon their investment.

However, the communications carriers who own stock in the satellite corporations will be using its facilities, and paying for this use, for the transmission of international communications. Suppliers of equipment and services who are selling to the corporation are expected to invest in the stock which is available to the public at large. They too will then be in the dual capacity of expecting to profit from the corporation by investing in it and expecting to profit from the corporation by dealing with it.

This presents unusual opportunities for self-dealing and great dangers of conflicts of interest. If a director is faced with a situation where the stockholder responsible for his election, whether a communications carrier or supplier of equipment, is involved in a corporate decision, whose interests is he to serve? He will be torn between his fiduciary duty of loyalty to the corporation and all its stockholders as a whole and his practical loyalty and obligation to the interests which placed him on the board. This is a question which has come up, indirectly at least, in the hearings which have been held on this subject. Several witnesses representing private interests showed their concern about control of the corporation and representation on its board of directors.

On February 27 and 28, 1962, Dr. Elmer W. Engstrom, president of the Radio Corp. of America, was testifying before the Committee on Aeronautical and Space Sciences which was holding hearings on S. 2650 and S. 2814. The distinguished senior Senator from Missouri [Mr. SYMINGTON], who is very knowledgeable about the realities of the business world, engaged Dr. Engstrom in an interesting colloquy. I would like to quote from these hearings beginning on page 111, as follows:

"Senator SYMINGTON. You say in your statement that you approve this legislation provided three points, which you stipulate in detail, are accepted. In those three points, you don't talk about the stock. Does that mean you approve the stock proposal in the administration bill?

"Dr. ENGSTROM. I think, sir, if that is the interpretation that I have given, I must——

"Senator SYMINGTON. You say: 'RCA is in favor of S. 2814 as proposed by President Kennedy. At the same time we recommend the following additional provisions which we believe would clarify and strengthen the objectives of the bill.'

"Then you give three, none of which refer to the stock.

"Dr. ENGSTROM. That is correct.

"Senator SYMINGTON. Is the inference, therefore, that you are satisfied with the stock provisions?

"Dr. ENGSTROM. To the extent that, of course, we would have the option of whether or not we wished to purchase stock under those conditions, yes.

"Senator Symington. If you don't purchase any stock, you are out of the picture, aren't you?

"Dr. Engstrom. Except as we might rent facilities from the satellite corporation.

"Senator Symington. Is that in the back of your mind, not to buy either A or B stock? You would just like to rent from the people that put their money into the corporation?

"Dr. Engstrom. No, sir. We would much rather have a position where we could have ownership in the satellite corporation.

"The Chairman. If you will yield, he said as of this time and on the basis of his knowledge, he wouldn't buy any.

"Dr. Engstrom. That is correct.

"Senator Symington. Do you think, as president of a corporation, with stockholders, you would have the right to put their money into this B stock, under the present terms of this bill?

"Dr. Engstrom. I think, sir, I have expressed enough doubt. I would question the validity of such action.

"Senator Symington. Do you believe, based on the wording of the administration bill as to the B stock, as president of RCA, you would buy B stock?

"Dr. Engstrom. I think I would have the right, but I think it would be poor judgment at the moment.

"Senator Symington. I accept that.

"Do you know of any corporation run by directors who do not have an interest in the corporation operations?

"Dr. Engstrom. No, they should have such interest.

"Senator Symington. But that would be possible here, wouldn't it? You could have directors running this company who would have no interest in the actual operation of the company.

"Dr. Engstrom. I don't understand this would be true after the first year.

"Senator Symington. Let's put it this way: The proposed bill says that under no circumstances can anybody buy more—any corporation, individual, or combination—than 25 percent, is that correct, of the issued stock, outstanding stock?

"Dr. Engstrom. That is correct, and not more than 15 percent, I believe of the total authorized stock.

"Senator Symington. You are allowed 13 directors, are you not, as the maximum number?

"Dr. Engstrom. Yes.

"Senator Symington. Assuming that you went to the maximum number, you could have a majority of the directors who were not directly interested in the corporation. Even if all six interested companies wanted stock, you could still have seven who didn't participate in any way, could you not? Assume that they exercised their rights, and there is a cumulative voting clause, you could have six directors representing the carriers, is that correct?

"Dr. Engstrom. Yes.

"Senator Symington. If you could have 13 directors, you could have 7 not representing the carriers, could you not?

"Dr. Engstrom. I think that is theoretically possible; yes.

"Senator Symington. What do you mean theoretically possible? It is right here in the proposed bill, isn't it?

"Dr. Engstrom. Except as each party owning stock has the right to vote for two directors, and if the stock is widely held, then, of course, there might be the possibility, as you outlined, that directors would be elected not by those who have an interest in the business, but those who have the financial interest in the company; yes, sir.

"Senator Symington. Let me pursue that. If other people have the same apprehension about stock investment, you might end up with only two or three directors who were carriers, might you not?

"Dr. Engstrom. Yes.

"Senator Symington. Directors generally run a company, do they not?

"Dr. Engstrom. Yes, sir; they set the policy.

"Senator Symington. The president reports to the directors?

"Dr. Engstrom. Yes."

Notice how Dr. Engstrom apparently did not like the idea of a satellite corporation where those who would do business with it were not represented on the board of directors.

The testimony of Dr. Allen E. Puckett, vice president of Hughes Aircraft Co., on March 1, 1962, before the same committee, is very illuminating. It indicates why a supplier of equipment or a carrier wants representation on the board of directors. At pages 240 and 241 of the hearings, the senior Senator from Missouri and Dr. Puckett had the following discussion:

"Senator Symington. You say on page 9 that your company is interested in the communications satellite company both as a potential supplier of equipment to the company and as a potential investor in the company, which you believe could be reasonably profitable.

"All communications carriers are closely regulated, as you know, by the FCC, as to the amount of profit they can make. Would you expand on what you mean by 'reasonably profitable'?

"Dr. Puckett. I am afraid I can't give you a more specific idea of what we would consider a reasonable profit.

"As you know, corporations of our type these days are satisfied with very, very small profits in terms of percentage on business, or any other measure you want to make. And 8 or 10 percent on this investment would look pretty good.

"Senator Symington. Do you see any conflict of interest if you are both an investor in the company, if it is set up the way you want it, with members on the board of directors, and also a supplier of equipment?

"Dr. Puckett. We have discussed this. It is a very reasonable question. As best we can see, there should not be a conflict of interest on several grounds, partly that at most our share in the ownership would be quite small, and we would expect that our degree of control would be almost nonexistent. Secondly——

"Senator Symington. Your degree of control of what?

"Dr. Puckett. Of the satellite corporation. We would expect to have only the same influence through stockholders' votes that the other stockholders would have.

"Senator Symington. Let's discuss it corporately. If you have a director as a result of your interest, you wouldn't be adverse to him working to get your equipment used, would you?

"Dr. Puckett. No, I wouldn't.

"Senator Symington. Thank you."

In other words if through cumulative voting a supplier of satellite equipment is enabled to elect a member of the board of directors of the satellite corporation, it can be expected that the director will use his influence to get the satellite corporation to purchase equipment from his sponsor. I do not doubt that this is true. I expect realistically it is what is expected of such a director. I expect that directors elected by communications carriers would be similarly expected to owe allegiance to the carriers.

But under the law of fiduciary duties of corporate directors, these same individuals would be expected under law to owe undivided loyalty to the corporation itself and to all its stockholders as a group. At this time, it would be helpful to look at a few of the court cases which have arisen as a result of this sort of conflict of interest. They will demonstrate the illogical setup provided by this bill and will illustrate the dangers which are risked if such a corporation operates the satellite system.

COURT DECISIONS ON DIRECTORS' CONFLICT OF INTEREST

One of the leading cases on the subject is *Wardell* v. *Railroad Company*, which is reported at 103 United States Reports, page 651. In this case, a committee of the board of directors of a railroad company entered a contract to purchase coal. The coal company with which they contracted was largely owned by the directors of the railroad company. The contract was held by the U.S. Supreme Court to be a fraud upon the railroad company.

In delivering the opinion of the U.S. Supreme Court in this case, Mr. Justice Field said at page 658 of 103 United States Reports:

"It is among the rudiments of the law that the same person cannot act for himself and at the same time, with respect to the same matter, as the agent of another whose interests are conflicting. Thus a person cannot be a purchaser of property and at the same time the agent of the vendor. The two positions impose different obligations, and their union would at once raise a conflict between interest and duty; and, 'constituted as humanity is, in the majority of cases duty would be overborne in the struggle.' The law, therefore, will always condemn the transactions of a party on his own behalf when, in respect to the matter concerned, he is the agent of others, and will relieve against them whenever their enforcement is seasonably resisted. Directors of corporations, and all persons who stand in a fiduciary relation to other parties, and are clothed with power to act for them, are subject to this rule; they are not permitted to occupy a position which will conflict with the interest of parties they represent and are bound to protect. They cannot, as agents or trustees, enter into or authorize contracts on behalf of those for whom they are appointed to act, and then personally participate in the benefits. Hence all arrangements by directors of a railroad company, to secure an undue advantage to themselves at its expense, by the formation of a new company as an auxiliary to the original one, with an understanding that they, or some of them, shall take stock in it, and then that valuable contracts shall be given to it, in the profits of which they, as stockholders in the new company, are to share, are so many unlawful devices to enrich themselves to the detriment of the stockholders and creditors of the original company, and will be condemned whenever properly brought before the courts for consideration."

The statement which I have just quoted from Mr. Justice Field is still a sound statement of the law concerning the duties of corporate directors. In 1949, Circuit Judge Clark of the U.S. Court of Appeals for the District of Columbia Circuit, quoted the same passage in delivering the opinion in *Mayflower Hotel Stockholders Protective Committee* v. *Mayflower Hotel Corporation*, which is reported at 193 Federal Reporter, 2d, page 416. At page 420, Judge Clark said of Mr. Justice Field's holding in the Wardell case that "this case has been many times cited, universally followed, and never overruled."

Another leading case is *Geddes* v. *Anaconda Copper Mining Company*, decided by the Supreme Court of the United States in 1921 and reported in 254 U.S. Reports 590.

In that case, Mr. Justice Clarke delivered the opinion of the Court and at page 599, he said:

"The relation of directors to corporations is of such a fiduciary nature that transactions between boards having common members are regarded as jealously by the law as are personal dealings between a director and his corporation, and where the fairness of such transactions is challenged the burden is upon those who would maintain them to show their entire fairness and where a sale is involved the full adequacy of the consideration."

In this case, one corporation negotiated to sell its property to another corporation. The board of directors had one member in common. Minority stockholders of one of the corporations brought suit to set aside the sale on the grounds that its property had been sold for an inadequate consideration. The Court upheld a finding that the agreed price was inadequate and held that the sale should have been set aside as demanded by the minority stockholders.

There have been many, many reported cases in the courts where minority stockholders have gone to court to try to undo the effects of contracts which resulted from boards of directors who had conflicting interests. The cases generally do not hold such contracts are totally void. They do hold that because of the divided loyalties involved, the courts will subject them to close scrutiny and place the burden of proof on those who made the contract to show that it is entirely fair.

In the case of *Corsicana National Bank* v. *Johnson*, decided by the Supreme Court of the United States in 1919, Mr. Justice Pitney delivered the opinion of the Court and on page 90 said the following:

"The fact that the same persons were directors and managers of both corporations subjects their dealings inter sese to close scrutiny. That two corporations have a majority or even the whole membership of their boards of directors in common does not necessarily render transactions between them void; but transactions resulting from the agency of officers or directors acting at the same time for both must be deemed presumptively fraudulent unless expressly authorized or ratified by the stockholders; and certainly where the circumstances show, as by the undisputed evidence they tended to show in this case, that the transaction would be of great advantage to one corporation at the expense of the other, especially where in addition to this the personal interests of the directors or any of them would be enhanced at the expense of the stockholders, the transaction is voidable by the stockholders within a reasonable time after discovery of the fraud."

A more recent case which is widely cited by courts and legal writers is the case of *Pepper* v. *Litton*, decided by the U.S. Supreme Court in 1939 and reported at 308 U.S. Reports, page 295. In this instance, a trustee in bankruptcy was attacking a claim which a controlling stockholder had filed against a bankrupt corporation. The opinion of the Court in this instance was written by Mr. Justice Douglas. At page 306, he stated:

"A director is a fiduciary. *Twin-Lick Oil Co.* v. *Marbury*, 91 U.S. 587, 588. So is a dominant or controlling stockholder or group of stockholders. *Southern Pacific Co.* v. *Bogert*, 250 U.S. 483, 492. Their powers are powers in trust. See *Jackson* v. *Ludeling*, 21 Wall. 616, 624. Their dealings with the corporation are subjected to rigorous scrutiny and where any of their contracts or engagements with the corporation is challenged the burden is on the director or stockholder not only to prove the good faith of the transaction but also to show its inherent fairness from the viewpoint of the corporation and those interested therein. *Geddes* v. *Anaconda Copper Mining Co.*, 254 U.S. 590, 599. The essence of the test is whether or not under all the circumstances the transaction carries the earmarks of an arm's-length bargain. If it does not, equity will set it aside. While normally that fiduciary obligation is enforceable directly by the corporation, or through a stockholder's derivative action, it is, in the event of bankruptcy of the corporation, enforceable by the trustee. For that standard of fiduciary obligation is designed for the protection of the entire community of interests in the corporation—creditors as well as stockholders."

The standards which the courts have applied in passing on transactions of this sort are most enlightening as to the proper duty of a corporate fiduciary such as a director. The case of *Austrian* v. *Williams* was decided by Judge Weinfeld of the U.S. District Court for the Southern District of New York in 1952. It is reported at 103 Federal Supplement, page 64. Judge Weinfeld cited *Pepper* v. *Litton* for the proposition that the essence of the test of fairness of such a transaction is whether or not under all the circumstances it carries the earmarks of an arm's-length bargain. He went on to say that this is not a test which permits of precise definition but that it involves a judgment based on all the factors and circumstances. He then went on to adopt a statement made by the great Justice Learned Hand in an earlier case to the effect that "whether the proposition would have commended itself to an independent corporation" is very close to the proper test of fairness. Judge Weinfeld also stated the test in another way as whether the transaction was worse than the corporation would have accepted or could have been forced to accept had the parties traded at arm's length.

The earlier case decided by Justice Learned Hand and to which Judge Weinfeld referred was *Ewen* v. *Peoria and Elgin Railway*, which is reported at 78 Federal Supplement, page 312. This case involved an operating agreement between two railroads where one was the controlling stockholder of the other. The opinion was rendered by Judge Hand for a three-judge district court. In the course of the opinion, Judge Hand discussed the problem of determining whether a transaction between affiliated corporations bore the earmarks of an arm's-length bargain, as required by *Pepper* v. *Litton*. At page 315, he noted that the ideal principle, if it were always capable of practical application, would be that the fiduciary should never use his power to the prejudice of the corporation; that is, "that it should fix the terms of any transaction between the two as though each had, in fact, exerted its bargaining power against the other at arm's length." He noted that this can be done fairly easily in some situations such as where an agent is dealing in fungible goods which are traded upon an active market. Here, the price which would be agreed on in an arm's-length transaction can be easily determined. But in complex commercial transaction, this is often impossible. The most which can be done sometimes is to set limits outside which it can be said that one of the parties would not have dealt in an arm's-length bargaining situation. Here the critical test then becomes who has the burden of proof in the particular lawsuit.

Volume 61 of Harvard Law Review contains a discussion of this general subject, which states that "it is the general rule that whenever there is reason to assume that there has been a disinterested exercise of business judgment, a court will decline to reconsider a matter on which directors have acted." The note goes on to suggest that the best way to phrase the proper test is "would reasonable and disinterested directors have conducted themselves as did these particular directors?"

This is obviously a question which must go into the very motives and state of mind of directors who find themselves in a situation of divided loyalty. The best solution for anything as important to the Nation as the satellite corporation is not to risk having decisions made by directors who have a conflict of interest.

CARRIERS AND EQUIPMENT COMPANIES IN DUAL POSITION

The statement of Dr. Puckett, of the Hughes Aircraft Co., in the hearings of the Space Committee was that "our company is extremely interested in the proposed legislation, both as a potential supplier of equipment to the communications satellite company and as a potential investor in the company which we believe could be reasonably profitable." In other words, Mr. President, the supplier of equipment would have two bites at the apple, so to speak. They could profit from selling equipment to it and they could profit from earnings on their investment in the company's stock. Obviously, the two interests are opposed to each other. As their profits go up in selling equipment to the satellite company, the earnings of the satellite company, available for distribution as dividends on its stock, go down accordingly. But this stockholder who is also a supplier of equipment will win one way or the other.

The communications carrier who owns stock will be in much the same position. He will be paying the satellite company for using its facilities, while at the same time he will be investing in the company. It is to the carrier's advantage on the one hand to pay the least it can to use the satellite company's facilities, and on the other hand, as a stockholder, it is to the carrier's advantage to pay higher charges. Like the supplier of equipment, the carrier has two bites at the apple, two chances to profit from the satellite company. Now, let us look at the third type of stockholder. The average investor, the member of the public, who buys this stock at $100 a share, can make money in only one way. That is, from dividends on his investment or growth in the value of his stock because of the success of the satellite company. He has no chance to profit from selling equipment to the company or using the company's facilities. Yet, the board of directors which is running the company is almost certain to be dominated by those who have two bites at the apple, as opposed to his one bite.

Now it is not necessary to accuse any communications carriers or any suppliers of equipment of wanting to take advantage of a position of trusteeship. Human nature being what it is, it will be the natural unavoidable tendency for directors representing special interests to be biased in favor of those interests rather than the public interest or the individual investor.

In *Loft* v. *Guth*, a Delaware case reported at 23 Delaware Chancery Reports, page 138, and 2 Atlantic Reporter, 2d series, page 225, the Court accurately dealt with the conflict between duty and self-interest with the following language:

"When a conflict between duty and self-interest arises in the breast of a person holding a fiduciary relation, the only safe rule to adopt in the interest of the integrity of trust and quasi-trust relations, is the rule that ascribes to self-interest, rather than a sense of duty, the motive power of ensuing action."

It just strains belief to think that directors who owe their position to common communications carriers or to suppliers of equipment are not going to make corporate decisions with a view to the welfare of those interests.

An interesting case which illustrates the problems which arise when directors have divided loyalties is the case of *Chelrob, Inc.* v. *Barrett*, 293 N.Y. 442, 57 Northeast, 2d 825. This was a suit by preferred stockholders of the Queens Borough Gas & Electric Co. against the Long Island Lighting Co. and the Nassau & Suffolk Lighting Co. The Queens Co. was a subsidiary of the Long Island Co. in that Long Island owned all its common stock, which was all the voting stock. The plaintiffs had preferred stock but no voting rights. The Queens Co. in turn owned all the common stock of the Nassau Co. The parent company, the Long Island Co., elected the directors for both subsidiary corporations and many directors were common to all three companies. The Nassau Co. bought its gas from the Queens Co. at a price mutually agreed upon by the directors of the two corporations. The parent company, Long Island, in turn bought some of its gas from the Nassau Co.

The Queens Co. preferred stock had not paid a dividend for several years. The preferred stockholders filed a minority stockholders' suit claiming that the price being paid to their company, the Queens Co., was unreasonably low and that it had been set by the directors primarily with a view for the benefit of the Long Island and Nassau Co. as buyers of the gas.

The highest court of New York, the Court of Appeals, held that the preferred stockholders were entitled to recover a large money judgment on behalf of the Queens Co. against the other two companies. In reaching this holding, it stated the duty of these common directors in managing the companies, as follows:

"The minority directors or stockholders cannot come into court upon allegations of a want of judgment or lack of efficiency on the part of the majority and change the course of administration. Where directors act with undivided loyalty toward the corporation which they direct, their determination that a course of action will promote the interest of the corporation is ordinarily not subject to review by the court and errors of judgment by directors do not alone suffice to demonstrate lack of fidelity. This is true even though the errors may be so gross that they may demonstrate the unfitness of the directors to manage the corporate affairs. The test in each case is whether corporate action is the result of the exercise by the directors of their unbiased judgment in determining that such action will promote the corporate interests."

This states the sort of judgment to which stockholders are entitled in a private corporation. They are entitled to "corporate action which is the result of the exercise by the directors of their unbiased judgment in determining that such action will promote the corporate interests."

That sort of unbiased judgment is what the stockholders of the satellite corporation will be entitled to. Is it really believed that directors elected by the common carriers will give them an unbiased judgment? Is it believed that the directors whom the equipment suppliers are so anxious to elect will also render an unbiased judgment? Is it expected that the directors appointed by the President will act in the interests of the stockholders of the corporation?

Of course not, the answer is negative in each instance. Otherwise, there would be no purpose in setting up these special procedures for electing different directors.

As I indicated when I first began, this corporation now before the Senate is a polyglot. It is not designed to protect the public interest. At the same time, it is not designed along the lines of a sensible corporation for profit in which an individual stockholder could be sure what the duties of the directors are to him. This corporation does not have the best features of either public or private ownership.

This fragmented, three-sided board of directors was a late compromise in the course of this legislation. I don't believe it has been fully considered. It may be that there is some way by which a privately owned corporation could be set up so that it would adequately represent the public interests, serve the special interests of communications carriers and equipment suppliers, and also offer a sound investment for the individual member of the public. I doubt it, but I am certain that this distorted contraption which would be set up under H.R. 11040 cannot serve all three interests. Perhaps given another 6 months in attempting to combine all these conflicting interests into one unified business entity, a workable method might be found. At least another attempt should be made before we accept this inadequate vehicle which H.R. 11040 offers.

CUMULATIVE VOTING FOR DIRECTORS

I would like now to examine a significant section of H.R. 11040 dealing with the election of directors. As I have previously noted, section 303(a) limits every stockholder who is a comunications common carrier to voting for not more than three candidates. The section then provides "subject to such limitations, the articles of incorporation to be filed by the incorporators designated under section 302 shall provide for cumulative voting under section 27(d) of the District of Columbia Business Corporation Act."

Section 27(d) of the District of Columbia Business Corporation Act is contained in title 29, section 911(d) of the District of Columbia Code. The language of this section is as follows:

"(d) The articles of incorporation may provide that in all elections for directors every shareholder entitled to vote shall have the right to vote, in person or by proxy, the number of shares owned by him, for as many persons as there are directors to be elected, or to cumulate said shares, and give one candidate as many votes as the number of such directors multiplied by the number of his shares shall equal, or to distribute such votes on the same principle among any number of such candidates."

In order to help us all understand the full implications of this provision, I would like to read the discussion of cumulative voting contained in "Ballantine on Corporations" beginning at page 404. It reads as follows:

"Cumulative voting is the privilege, where several directors are to be voted for at the same time, of casting votes for the whole number of shares held, multiplied by the number of directors to be elected, for one candidate, or distributing the votes among part of the vacancies to be filled, instead of straight voting or casting votes according to the number of shares held for all of the vacancies. The aim is to allow a minority to secure representation on the board of directors. Without cumulative voting a bare majority of the shares may elect the full board and thus control the corporation without any representatives of other interests being present at board meetings.

"All the directors must be voted for at one time, not in turn for each director to be chosen. The more directors there are to be elected, the smaller the minority needed to secure a representative. In case the directors are classified, with only one-half or one-third to be elected annually, the benefits of cumulative voting are greatly cut down. If there are five vacancies to be filled, each share of stock may be voted five times for one individual to fill one vacancy, instead of one vote per share for each of the five vacancies. If there are five directors to be chosen and one-fifth of the shares are voted for one nominee, he is practically assured of getting a place on the board, while if only three directors are to be chosen one-third of the shares would be required for the same assurance.

"As Cook points out each shareholder is entitled to as many votes for directors as equal the number of shares he holds multiplied by the number of directors to be elected. If there are five directors to be chosen, one or more persons holding 100 shares may cast 500 votes in favor of one candidate or may distribute the votes in favor of one or more persons for the five vacancies. There are dangers in this method of voting. An unwary majority may find that a vigilant minority has deprived the majority of control, if they spread their votes over too many offices. If there are 1,000 shares outstanding and 10 directors to be elected, and one person holds 600 shares, he should be able to elect a majority of the directors. If, however, he casts 600 votes straight for each one of 10 candidates, and if the 400 minority shares cumulate their 4,000 votes on six candidates, they can give each of the six, 666.6 votes. The minority will thus elect six of the directors and the majority will elect only four directors.

"In order to be safe under the cumulative system, where there is a substantial block of minority votes, the majority must often abandon the attempt to elect a complete board and must cumulate their votes on such a proportion of the members of the board as the number of their shares bears to the total number of shares which will be voted at the election. The formula for cumulative voting thus is that each group, majority or minority, should ascertain the proportion which the number of shares which it holds bears to the number of shares which it expects to be voted at the election, and then vote its shares cumulatively for that proportion of the number of directors to be elected. If a shareholder after casting his vote, sees he has made a mistake, he may recall his ballot and change his vote before the presiding officer finally announces the result of the voting.

"Suppose that three out of five directors receive a majority of the votes and there is a tie as to the two others, does it follow that the selection of the three directors only is invalid and that an entirely new vote must be taken? Statutory provisions are common that directors in office hold over until their successors are elected and it is impossible to say for which of the three members of the existing board the newly elected directors are 'successors.' It has been held that if a majority of the new board of directors receive a plurality of votes on a ballot, they constitute a new board and supersede all the members of the old board, so that none of the members of the old board will hold over. Two vacancies would thus result which the shareholders could proceed to fill by another ballot to which the right of cumulative voting would apply. If, however, a majority or quorum for a new board is not elected upon a ballot, the old board would hold over as in case of a tie and an entirely new vote would be necessary.

"By some constitutional and statutory provisions the method of cumulative voting is made mandatory, that is, granted to shareholders irrespective of authorization in charter or bylaws. In many jurisdictions, however, cumulative voting is only permissive and does not exist unless it is affirmatively authorized by provision in the charter or sometimes in the bylaws. If the privilege of cumulative voting is to be granted at all for the protection of the minority, it should be made mandatory and not merely permissive at the option of the incorporators or the majority group. Nor should majority shareholders have the power to withdraw the privilege by amendment of the charter or otherwise."

Apparently under section 303(d), it is mandatory that the articles of incorporation shall provide for cumulative voting for the directors of the satellite corporation. However, it is not clear whether this right could not later be changed by an amendment to the articles of incorporation. No provision of H.R. 11040 limits the ordinary power of the stockholders to amend the articles of incorporation.

Section 911(d) of title 29 of the District of Columbia Code is only permissive. It provides that articles of incorporation may provide for permissive voting. Under section 921(f) of title 29, a corporation may amend its articles of incorporation so long as it is amended to contain provisions which might lawfully have been included in the original articles. The procedure for amendment is set forth in section 921(h) of title 29. Apparently, a majority of the board of directors can propose an amendment and it is adopted upon receiving an affirmative vote of the holders of two-thirds of the outstanding shares of each class of stock entitled to vote.

DANGERS IN CUMULATIVE VOTING

Thus, we see that a majority of the board and two-thirds of the stockholders apparently could eliminate this right to cumulative voting under the satellite corporation. I am not sure that this is a bad thing because cumulative voting can be the source of many problems. At volume 33 of the Harvard Business Review, page 108, there is a comprehensive article by C. M. Williams on the subject of cumulative voting. This was published in the May-June issue of 1955. Mr. Williams found that situations where stockholders exercise their right of cumulative voting were generally of six types. I quote his description of these six situations of cumulative voting as follows:

"1. Cases growing out of conspicuous mismanagement or board failures;

"2. Situations grounded in conflicts of important business interests between stockholders, or between stockholders and management;

"3. Where stockholders became convinced on rather general grounds that the board of directors was unrepresentative of, and generally insensitive to, stockholder interests;

"4. Instances involving clashes of strong personalities;

"5. Struggles for control of the corporation in which representation through cumulative voting was an intermediate objective;

"6. Cases of the 'anglers'—opposition leaders who appeared to seek board membership in order to push narrow and selfish interests of their own."

I hope, if the satellite corporation is formed as provided in H.R. 11040, that none of these six situations develop. I suppose the most likely one is No. 2 listed by Mr. Williams. That is, "conflicts of important business interests between stockholders, or between stockholders and management." But I hate to think of the consequences if the satellite corporation's board of directors becomes a battle ground between communications carriers and suppliers of equipment, or some similar conflict.

Cumulative voting can be a mixed blessing. Those who are going to use it must plot their tactics like a general going into a battle. According to the article by C. M. Williams, the most important tactical question in a cumulative voting fight is how to cumulate the votes so as to elect a maximum number of directors. At pages 40 to 42, he discusses a formula which has been devised which can be helpful if the number of shares to be voted is known, in deciding upon the number of shares needed to elect a given number of directors. The formula assumes one vote per share for each director to be elected. In the formula the following notations will be used: X=number of shares needed to elect a given number of directors; Y=total number of shares at meeting; N=number of directors desired to elect; D=total number of directors to be elected.

$$X=\frac{Y\times N}{D+1}+1$$

Let us apply the formula to a hypothetical situation: dissident stockholder Jones wishes to be elected to an eight-man board. There are 1,500 shares outstanding, of which he expects about 900 shares to be represented at the meeting. How many of the 900 shares must Mr. Jones assemble to get elected? By applying the formula, it is seen that Mr. Jones will need 101 of the 900 shares to be elected. If Mr. Jones seeks control of the company and hopes to elect 5 directors, according to the formula he will need 501 shares to elect the 5. It is apparent that the result of the first application of the formula is simply 1/9Y+1 and of the second 5/9Y+1. Thus, the number of shares voting is the critical factor.

It can be seen that it is important to know the number of shares which are going to be voted at the meeting, and also whether other stockholders are going to exercise their right to cumulative voting also. There have been instances where an unwary majority lost control to an aggressive minority because of faulty cumulation of its votes. One example of this is found in the reported case of *Pierce* v. *Commonwealth* at 104 Pennsylvania Reports, page 150. A majority of the stockholders of the Sharpsville Railroad failed to cumulate its votes. There were six directors to be elected and it distributed its votes equally over all six positions. The minority cumulated its votes on four candidates and was thus able to elect four out of six members of the board.

There are other instances in reported legal cases but I see no need to go into them because it is so obvious that this could easily happen. This danger that an unwary majority might lose control has led some States to provide by law that shareholders must give advance notice of an intention to cumulate their votes. Minnesota and Ohio have such laws, but the District of Columbia Code contains no such provision.

Cumulative voting has been an issue in connection with national banks in recent years. In 1955, in the 84th Congress, the distinguished junior Senator from Virginia [Mr. ROBERTSON] introduced S. 256 which would eliminate cumulative voting in electing directors of national banks unless the particular bank's articles of association provided for cumulative voting.

The National Banking Act from 1864 until 1933 had no provision for cumulative voting. In 1933, it was amended to require mandatory cumulative voting in the election of directors of all national banks. The Robertson bill sought only to make cumulative voting permissive and leave it to each bank's articles of association, just as the District of Columbia Code does for corporations in the District. The bill was reported favorably by the Committee on Banking and Currency and it passed the Senate. On July 21, 1956, it was reported favorably from the Committee on Banking and Currency of the House but it received no further action in the House. The House report contains a brief but valuable discussion of cumulative voting which I would like to read into the record:

"Present law provides that in the election of directors of national banks each shareholder shall have the right to vote the number of shares owned by him for as many persons as there are directors to be elected, or to cumulate such shares and give one candidate as many votes as the number of directors multiplied by the number of his shares shall equal, or to distribute them on the same principle among as many candidates as he shall think fit. S. 256 would eliminate mandatory cumulative voting in the election of directors of national banking associations but would permit such associations to retain cumulative voting by so providing in their articles of association.

"To illustrate briefly how cumulative voting works under the existing statute, take the case of a national bank with a board of directors consisting of 10 members and a capital account of $100,000 represented by 1,000 shares. At the election, 1 shareholder owning 91 shares, cumulates his 910 votes (10 directors to be multiplied by 91 shares) so as to cast 910 votes for 1 candidate. The remaining (majority) shareholders, owning 909 shares, cast 909 votes for each of 10 other candidates. In this situation the 1 candidate who received 910 votes would be elected. None of the 10 candidates who received 909 votes each would be elected to the remaining 9 directorships. A second ballot would be held to elect nine directors, and in this second ballot the shares which were voted for the one director elected on the first ballot could not be voted. In other words, on the second ballot (and any subsequent ballots which prove necessary) a stockholder is not entitled to vote shares which he has already fully cumulated and voted in favor of a successful candidate. It is obvious that with a smaller board of directors, 5 for example, an individual would need 167 shares out of 1,000 shares to assure his election as a director. Thus there is a tendency to keep the number of board members at a lower figure when it is considered that an unwanted individual might otherwise be able to elect himself to the board through cumulative voting."

At this point in the report, there appears a table which I will not attempt to read. It shows the number of shares necessary to be voted to elect one director by cumulative voting for various sized boards ranging from 5 members to 25 members. The table shows that in the case of a board of directors with 25 members, it would only require a holding of 39 shares of stock out of a total of 1,000 shares to assure the election of 1 of the 25 board members. In the case of a 5-member board, a stockholder holding 167 shares out of 1,000 could elect 1 of the 5 board members. I continue now reading from the report:

"Instances were cited to the committee of where banks had reduced the number of members of their boards so that a prospective unwanted candidate for a board position would have to hold a larger number of shares of the bank to place himself in a position of forcing his election to the board.

"The successful operation of any bank depends upon confidence—confidence of stockholders in the management, confidence of different members of the management body in each other, and confidence of the depositors and the community in the bank as an organization. Confidence is not engendered by having a minority group force itself on the directorate of a bank by the use of the cumulative voting provision, and in some cases where such an end has been accomplished the party or parties thus added to the boards have pursued a course of creating needless dissension, thereby lessening the mutual confidence of the directorate and the confidence of the staff in the directorate, and even the confidence of the community in the bank.

"Unity of management is also important for banks because of the unfavorable effects which usually accompany any rift in the managing body. Those who are charged with the responsibility of managing a bank need to give full attention to operating it in a sound manner without lowering effectiveness through factional division. They should be able to give their full attention to running their banks in a manner which will give sound and full service to depositors and borrowers, while keeping the bank in a sound condition. This can best be accomplished by having a harmonious board which is selected by a majority of the stockholders.

"Unity of management is also important for banks because of the confidential nature of their functions and the paramount importance of maintaining the bank's affairs on a confidential basis. It has been reported in some cases that directors who have forced themselves on bank directorates through the use of cumulative voting have disclosed information to which they have access in their capacity as directors in ways which are inimical to the best interests of the banks which they serve.

"The Banking Act was enacted June 3, 1864, without any provisions for cumulative voting and this situation prevailed for a period of 70 years until 1933 when in the revision of the law a provision was added making the privilege of cumulative voting mandatory in the election of national bank directors.

"With respect to cumulative voting in State banks in the various States, eight States have laws prohibiting cumulative voting in the election of bank directors, four States make cumulative voting mandatory in the election of bank directors, and in four States cumulative voting is permissive in the election of bank directors. The remaining 32 States have no laws dealing specifically with cumulative voting in the election of bank directors but in some of these States the provisions of State law dealing with the election of directors of corporations may apply also to banks.

"The following sets forth the status in the various States of cumulative voting in the election of directors of banks and directors of corporations:

"States with laws prohibiting cumulative voting by shareholders of State banks: Delaware, Louisiana, Michigan, New Jersey, South Dakota, Texas, Washington, and Wisconsin.

"States with mandatory cumulative voting laws (similar to the existing Federal banking statute): Illinois, Pennsylvania, Wyoming, and Kansas.

"States with permissive cumulative voting laws: New York, Ohio, Oklahoma, and Rhode Island.

"In the remaining 32 States the provisions of State law dealing with the election of directors of corporations may or may not apply also to banks. Of these States 12 make cumulative voting mandatory. Thirteen are on a permissive basis if adopted by the shareholders, and seven have no provisions dealing with cumulative voting. These States are as follows:

"States with no laws—banks unable to exercise cumulative voting: Alabama, Connecticut, Georgia, Iowa, Massachusetts, New Hampshire, and Oregon.

"States with mandatory cumulative voting for corporations: Arizona, Arkansas, California, Idaho, Kentucky, Mississippi, Missouri, Montana, Nebraska, North Dakota, South Carolina, and West Virginia.

"States with permissive cumulative voting for corporations: Colorado, Florida, Indiana, Maine, Minnesota, Nevada, New Mexico, North Carolina, Maryland, Tennessee, Utah, Vermont, and Virginia.

"This bill would eliminate mandatory cumulative voting, but it would permit those national banks which desire to retain cumulative voting to do so by providing in their articles of association for this method of electing directors. The Treasury Department is in favor of the legislation, and representatives of the American Bankers Association testified in support of the bill. The Independent Bankers Association and the Independent Bankers Association (12th Federal Reserve District) also support the legislation. The bill was ordered reported by a majority vote of your committee."

The report of the Senate Committee on Banking and Currency, submitted by the distinguished chairman of that committee, the junior Senator from Virginia on April 28, 1955, contained similar information. It also contained some facts which are as material to cumulative voting now as they were then. I will quote one brief paragraph from that report, which is Senate Report No. 240 of the 84th Congress, first session, as follows:

"It must be remembered that at an average shareholders meeting to elect directors, it is a rarity to have all of a bank's shares voted, either by proxy or in person. Normally, the vote cast in smaller banks is between 70 and 90 percent of the total shares. The vote in larger institutions is usually an even smaller percentage of the total shares. Assuming only 70 percent of the shares were voted, or 700 out of 1,000 shares, to elect a 10-man board, an individual owning only 64 shares would be assured of electing himself to the directorate. On a 25-man board, with only 70 percent of the 1,000 shares represented, a man with only 27 shares would be assured of election."

At the hearings held by the Senate Subcommittee on Banking of the Banking and Currency Committee on S. 256, the chairman of the board of the Riggs National Bank of Washington, Mr. Robert V. Fleming, testified in support of the Robertson bill. I would like to quote just briefly from his testimony, as contained on page 5 of the hearings conducted by that subcommittee on April 7, 1955. Mr. Fleming made the following statement:

"It has been my observation that national banks as well as other banking institutions seek and endeavor wherever possible to obtain as directors men of outstanding character and integrity, who are held in the highest esteem in the community, for their advice and guidance so that the confidence of the public which a bank must have can be maintained.

"It has also been my observation over this long period of time that national bank directors are sincerely working in the interest of the shareholders they represent and are careful in the selection of the officials they elect to run the bank. I have often marveled at the time and effort they expend simply for a small director's fee. It is on account of their interest in the institution and the community in which they live that they make what I consider a very distinct sacrifice in serving as directors.

"Cumulative voting has never been exercised in my own institution, although at each shareholders meeting I thoroughly and carefully explain to the shareholders the provisions of cumulative voting and how they can accumulate their votes for one or two directors if they so desire, but this has never been availed of.

"I believe that in larger institutions cumulative voting rarely has been exercised, although I believe that in smaller institutions from time to time an individual for personal reasons or one who is seeking to gain control of the institution may have exercised the cumulative voting provision, which sounds good in theory but which in practice has not worked out.

"Under existing business pressure and the dynamic economy in which we are living both officers and directors must work in harmony in order that their institution may be run successfully, and it seems to me that if the shareholders vote to eliminate cumulative voting—which would have to be by majority vote—this is the American way of doing business and rule by a majority rather than by a segment which may be disgruntled or have some personal reasons for desiring to impose either themselves or their nominees as directors.

"Cumulative voting could permit the election of a director who could represent and act for the benefit of a special interest and not be in the interest of the majority of the shareholders or the welfare of the institution.

"It is therefore my considered judgment that this bill, S. 256, permitting the shareholders of a national bank to have the option either to eliminate cumulative voting or retain it is a sound piece of legislation and I trust it will be favorably reported by the Banking and Currency Committee and be enacted into law."

CUMULATIVE VOTING NO AID TO PUBLIC STOCKHOLDERS

So we see, that cumulative voting is a mixed blessing and can have undesirable results. I have shown before that it is unlikely that the small investors and members of the general public who buy this stock will have any effective voice in the election of directors. It is most likely that stockholders who have some interest in the management of the corporation, beyond merely investing, will cumulate votes or team together to elect these six directors. Cumulative voting is apparently designed to permit them to do this.

Mr. Ballantine's work on corporations concludes its discussion of cumulative voting with the following:

"The privilege of cumulative voting is likely to be most useful in case of corporations whose shares are concentrated in the hands of a few individuals divided into groups with holdings which represent a good proportion of the shares outstanding. It is not likely to be of practical value in connection with large corporations with scattered shareholdings."

Thus, if the stock of this corporation is to be widely held among the public, cumulative voting is of no value. Apparently, it is contemplated that the stock of this corporation will not really be widely held because a weapon has been put in—in the form of cumulative voting—which is best designed to enable equipment suppliers to cumulate votes and get representation on the board. If so, board membership will be utilized to serve the narrow and selfish interests of particular groups or companies. I have previously shown that this is not the proper function of directors of a corporation.

STOCKHOLDERS' RIGHTS TO INSPECT CORPORATE BOOKS

Let us look closer at the status of the individual member of the public at large who buys a share of stock in this satellite corporation. I have already shown how unlikely it is as a practical matter that he will have any voice in electing the board of directors. I have already shown how the board of directors is going to be constituted so that it probably will not be managed with a viewpoint to his interests, but to those of the communications carriers and equipment suppliers.

Suppose, however, an individual stockholder does take the time and trouble to exert his rights and tries to do something about the management of the corporation?

Suppose he is concerned about some obligation of the corporation or wants to learn about the corporation's financial condition? It is important for a stockholder to be able to inspect the books and records of the corporation and learn how the directors are carrying out their trusteeship of his investment. For just a moment, let us look at the general law on this subject as stated in Ballantine on Corporations beginning at page 376:

"The right of the shareholder to ascertain how the affairs of his company are being conducted by its directors and officers is founded on his beneficial interest through ownership of shares and the necessity of self-protection. Managers of some corporations deliberately keep the shareholders in ignorance or under misapprehension as to the true condition of affairs. Business prudence demands that the investor keep a watchful eye on the management and the condition of the business. Those in charge of the company may be guilty of gross incompetence or dishonesty for years and escape liability if the shareholders cannot inspect the records and obtain information.

"The proper scope of the shareholder's right or privilege to have the corporate books, files, and records opened to his inspection is a subject upon which there has been much litigation. Suspicious and unfriendly shareholders coming with their attorneys, auditors, and accountants, demanding to see all the records and hoping to find some alarming charge they intend to communicate to other shareholders, are usually not welcome guests at a busy corporation's office. Their intrusion is resented and they are apt to meet with obstacles and rebuffs at the hands of the corporate officers and employees. Must the shareholder make a showing of sufficient ground for his demand and is his wrongful motive, if any, a defense to the corporation? Inspection may be abused to divulge confidential information to competitors or to injure the corporation and other shareholders. The corporation should be protected, if possible, from a vexatious and burdensome interference with its business in bad faith or the disclosure of confidential information to those who intend to abuse it.

"By early English decisions it was formerly held that there must be something more than bare suspicion of mismanagement or fraud. There must be some particular controversy or question in which the party applying was interested, and inspection would be granted only so far as necessary for that particular occasion. By the general rule in the United States, however, shareholders have a right to inspect the books and papers of a corporation without first showing any particular dispute or proving any mismanagement or other occasion rendering an examination proper. The privilege, however, is not absolute and the corporation may show in defense that the applicant is acting from wrongful motives.

"In *Guthrie* v. *Harkness*, there was involved the right of a shareholder in a national bank to inspect its books for the purpose of ascertaining whether the business affairs of the bank had been conducted according to law, and whether, as suspected, the bank was guilty of irregularities. The court said: 'The decisive weight of American authority recognizes the right of the shareholder, for proper purposes and under reasonable regulations as to place and time, to inspect the books of the corporation of which he is a member. * * * In issuing the writ of mandamus the court will exercise a sound discretion and grant the right under proper safeguards to protect the interest of all concerned. The writ should not be granted for speculative purposes or to gratify idle curiosity or to aid a blackmailer, but it may not be denied to the stockholder who seeks the information for legitimate purposes.'

"Among the purposes held to justify a demand for inspection are the following: (1) To ascertain the financial condition of the company or the propriety of dividends; (2) the value of the shares of stock for sale or investment; (3) whether there has been mismanagement; (4) in anticipation of shareholders meetings to obtain a mailing list of shareholders to solicit proxies or influence voting; (5) to obtain information in aid of litigation with the corporation or its officers as to corporate transactions. Among the improper purposes which may justify denial of the right of inspection are: (1) Obtaining of information as to business secrets or to aid a competitor; (2) to secure business 'prospects' or investment or advertising lists; (3) to find technical defects in corporate transactions in order to bring 'strike suits' for purposes of blackmail or extortion.

"In general, however, officers and directors have no legal authority to close the office doors against shareholders for whom they are only agents, and withhold from them the right to inspect the books which furnishes the most effective method of gaining information which the law has provided, on mere doubt or suspicion as to the motives of the shareholder. While there is some conflict of authority, when an inspection by a shareholder is contested, the burden is usually held to be upon the corporation to establish a probability that the applicant is attempting to gain inspection for a purpose not connected with his interests as a shareholder, or that his purpose is otherwise improper. The burden is not upon the petitioner to show the propriety of his examination or that the refusal by the officers or directors was wrongful, except under statutory provisions."

Ballantine then goes on to discuss various statutory regulations of the stockholder's common-law right of inspection of corporate books. Some State statutes limit the right of inspection to certain types of books and records. Others require that the stockholder have owned his stock for a certain period of time or own a certain percentage of its shares in order to exercise the right of inspection. The District of Columbia has such a statutory provision on this subject and it is very important to an understanding of this bill. I will come to it in just a moment. When we look closely at this satellite corporation bill's provisions on this subject, we find another sleeper which shows that the bill has little to offer the individual member of the public.

PUBLIC STOCKHOLDER EXCLUDED FROM FINANCIAL RECORDS

Section 304(e) of H.R. 11040, as amended, now provides as follows:

"The requirement of section 45(b) of the District of Columbia Business Corporation Act (D.C. Code, sec. 29–920(b)) as to the percentage of stock which a stockholder must hold in order to have the rights of inspection and copying set forth in that subsection shall not be applicable in the case of holders of the stock of the corporation, and they may exercise such rights without regard to the percentage of stock they hold."

This sounds just from looking at this bill that a stockholder in the satellite corporation is going to have a full right of inspection and copying without regard to the percentage of stock which he holds. Notice, however, that this clause refers only to section 45(b) of the District of Columbia Business Corporation Act, which is subsection 920(b) of title 29 of the District of Columbia Code. Notice, too, that it refers only to the rights of inspection and copying "set forth in that subsection." Let us then look at this subsection 920(b) from section 29 of the District of Columbia Code, which reads as follows:

"(b) Any person or persons who shall be the holder or holders of record of at least 5 per centum of all the outstanding shares of a corporation shall have the right to examine, in person, or by agent or attorney, at any reasonable time or times, for any proper purpose, its record of shareholders and to make extracts therefrom."

This subsection (b) which I have just read only concerns the right of a stockholder to examine the record of shareholders and to make extracts from it. What does this mean? This only means that a stockholder in the satellite corporation will not have to own 5 percent of the stock in order to learn who the other stockholders are. But this would not give him the right to look into the contracts and financial affairs of the company. This right is governed by subsection (d) of this same section of the District of Columbia Code, section 29–920. It reads as follows:

"(d) If any person or persons holding in the aggregate 5 per centum or more of all of the outstanding shares of a corporation shall present to any officer, director, or registered agent of the corporation a written request stating the purpose therof, for a statement of its affairs, it shall be his duty to make or procure such a statement sworn to by the president or a vice president or by the treasurer or an assistant treasurer, embracing a particular account of its assets and liabilities in detail, and to have the same ready and on file at the registered office of the corporation within thirty days after the presentation of such request. Such statement shall at all times during business hours be open to the inspection of any shareholder and he shall be entitled to copy the same."

What is the net result? The result is this. An individual stockholder in the satellite corporation only has a right to see the corporation's list of stockholders. Only those who own 5 percent of all the outstanding shares of the corporation have a right to look into its financial condition.

I think this should be explained to the American public who are being led to believe that they are going to have a real possibility of sharing in the ownership and management of this corporation through possible ownership of half its stock. At this time I would like the Senator who is in charge of the bill to answer this question: Why does the bill give the individual stockholder the right to examine the corporation's record of shareholders but deny him the right to examine its financial accounts?

VACANCIES ON THE BOARD OF DIRECTORS

This fragmented board of directors for the satellite corporation presents still another unique problem under corporate law. This involves vacancies on the board of directors.

Although the bill is very careful to set up three different means of election or appointment of members to the board, it contains no similar provision for the filling of vacancies. Suppose a vacancy on the board occurs by reason of death, resignation, or removal of a director elected by the communications common carriers? One would think that such a director's constituents would want to be sure that the 6–6–3 division of the board was always preserved. I suppose the only way this could be done would be to convene a special meeting of the stockholders who are communications carriers in order to fill the vacancy. This not only would require time and expense, but it would certainly be a novel and unique procedure for any corporation.

Since the bill is silent on this point and makes the corporation subject to the District of Columbia Corporations Act, we must look to its provisions to find out how vacancies are filled. Section 29–916(c) of the District of Columbia Code governs this possibility. I quote its provisions as follows:

"Any directorship to be filled by reason of an increase in the number of directors may be filled by election at an annual meeting or at a special meeting of shareholders entitled to vote called for that purpose. Any vacancy occurring in the board of directors for any cause other than by reason of an increase in the number of directors may be filled by affirmative vote of a majority of the remaining directors, though less than a quorum of the board of directors, unless the articles of incorporation otherwise provide. A director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office."

The first sentence of this section would not apply, since it concerns directorships to be filled by reason of an increase in the number of directors. I assume this would never apply to the satellite corporation and that its articles of incorporation could never be amended by vote of the stockholders to increase the number of members on the board.

The second sentence of sentence 916(c) is applicable. It provides that any vacancy on the board occurring for any cause other than increase in the total number of directors may be filled by affirmative vote of a majority of the remaining directors. In other words, if a director appointed by the President dies or resigns or is removed, a majority of the other directors could fill this vacancy with someone of a different viewpoint.

A Presidentially appointed director might leave an unexpired term of almost 3 years. If so, a majority of the remaining directors would elect his successor for the entire unexpired term under the last sentence of section 916(c). If this happened, the purpose of having three directors appointed by the President could be defeated for a long period of time.

REMOVAL OF DIRECTORS

I referred to vacancies which might occur by reason of death, resignation or removal of directors. The satellite corporation bill contains no provision concerning removal of directors. We must then look to the District of Columbia Code or to the general common law pertaining to corporate directors on this particular point. At page 148 of volume 2 of Fletcher on Corporations, there is the following pertinent statement of the law:

"The right to remove a director or an officer for cause inheres in every corporation as a part of its being. In other words, irrespective of any provision in the statute, charter or by-laws, stockholders or members have authority to remove directors from office during their term if substantial grounds can be shown. * * * [Cases are then cited from the Federal courts and from a number of States, including Colorado, Louisiana, Michigan, New Jersey, New York, Pennsylvania, and Wisconsin.] * * * As said by Judge McQuillen in his work on municipal corporations, the power to remove a corporate director from his office for reasonable and just cause is one of the common law incidents of all corporations."

In other words, any director may be removed during his term by the stockholders if the stockholders find him guilty of misconduct or negligence. If this happened, the vacancy which results will be filled under section 916(c) by the majority of the remaining directors. Again, we see a means by which the divided representation on the board of directors could be defeated.

QUORUM FOR DIRECTORS MEETINGS

Like other deliberative bodies, it is not to be expected that all members of a board of directors can be present at every meeting. One or more may be ill or disabled, for instance. Some may have conflicting business engagements which prevent their attendance. This is not at all uncommon in the lives of the busy men who are typically elected to the boards of major companies. Unless the board of the satellite corporation is to be composed primarily from its inside management—which is a real possibility as I have shown—its directors are particularly likely to be busy men who may not always be able to attend meetings.

Also, very often matters of an emergency nature arise which require special meetings of the board of directors on short notice. Corporate interests may suffer seriously sometimes if a critical decision cannot be made quickly. For this reason, it is essential that boards of directors be able to act with the presence of some quorum and not be required to have all directors present.

If it is important to divide the board of the satellite corporation among directors appointed by the President, directors elected by communications common carriers and directors elected by public stockholders, then it should also be important to provide that corporate action cannot be taken unless directors of all three categories are present. H.R. 11040 contains no provisions concerning a quorum of directors and no provisions that any particular types of directors must participate in board actions. Again, we must turn to the District of Columbia Business Corporations Act for the applicable law. Section 29–916(d) is the pertinent provision and it reads as follows:

"A majority of the number of directors fixed by the bylaws or in the absence of a bylaw fixing the number of directors, then of the number stated in the articles of incorporation, shall constitute a quorum for the transaction of business unless a greater number is required by the articles of incorporation or the bylaws. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the board of directors, unless the act of a greater number is required by the articles of incorporation or the bylaws."

Thus, it will be left for the bylaws or the articles of incorporation to fix the number, of which a majority shall constitute a quorum. Then a majority of that quorum is sufficient to transact business.

In other words, the largest quorum which can be established for the satellite corporation is a majority of its total number of directors, or 15, which means the largest quorum which can be established is 8 members of the board. If this is the quorum, then a majority of eight, or five, could bind the corporation. Consequently, this could be five directors elected by communications carriers, or five directors elected by equipment suppliers. It is possible that no director appointed by the President will be present at a particular meeting.

If it is so important to have a board composed of three separate kinds of directors, should it not also be important to insure that business is not transacted in the absence of any one class of directors? Perhaps the bill should be amended to provide that a quorum must include at least one member of each class of directors, or that a quorum should contain the same proportions of the various classes of directors as does the entire board. I do not know. This is a difficult question caused by the unprecedented composition of this board. The question could not arise under an ordinary privately owned corporation or under a Government-owned corporation. This is another example of the illogical structure of this corporation and its failure to fit sound principles either of corporate management or of administration of the public's business.

EXECUTIVE COMMITTEE

It is generally known that most corporations have executive committees. I would like to read briefly from pages 132 through 135 of Ballantine on Corporations in order to set forth the background and general law concerning executive committees, as follows:

"A corporation must of necessity act through agents and representatives. The board of directors may be designated as the primary agents, whose powers may be as extensive as the objects and purposes of the corporation require. All other agents normally receive their authority by delegation, express or implied, from these primary agents. The doctrine that an agent cannot delegate his powers does not apply where he is authorized to do so, either expressly or impliedly. And even in the absence of express authority, an authority to delegate discretionary authority to committees, officers, and agents must be implied from necessity and usage, for the directors cannot attend to all the current business operations of the corporation, and it is not customary for them to do so. It is not necessary in order to bind a corporation that each particular act done by its officers and agents should be specifically authorized by the board of directors, but general and discretionary authority may be expressly or impliedly conferred upon the officers and agents.

"The power of a board of directors to delegate discretionary authority to agents is sometimes explained on the ground that their powers are in a sense original, as if they were themselves principals. Such a theory is entirely needless to explain the power of delegation. Directors are general managers with plenary powers, and their authority clearly includes power to appoint other agents, such as a general executive who in turn can employ subordinates who become agents of the corporation.

"Corporation acts frequently authorize the appointment of executive, finance, and other committees of the board of directors which may exercise the powers of the board in the management of the corporate business and affairs to the extent provided in a resolution of the board or in the bylaws of the corporation. The appointment of committees by the directors is sometimes provided for in the articles, but more usually in the bylaws of a corporation. The question arises, both under statutory provisions and the common law, and also under provisions of the articles or bylaws, to what extent may the board of directors delegate its powers and authority to an executive committee, a finance committee or some other committee? Does this extend only to the management of ordinary business transactions involving discretion or does it extend to important questions of policy, such as the declaration of dividends, removal and compensation of officers, and the amendment of bylaws?

"In *Haldeman* v. *Haldeman,* however, the court approves what it calls 'the modern rule' as formulated by Cook, that not only 'the transaction of the ordinary and routine business of the corporation' may be delegated, but that even 'in matters involving discretion, the powers of a board of directors may be delegated to an executive committee of the board and the acts and contracts of such a committee may be made binding on the corporation.' In *Dyer Bros. Golden West Iron Works* v. *Central Iron Works* a contract entered into by a number of steel manufacturing corporations to protect themselves against excessive demands of their employees provided for a joint 'executive committee,' to which was delegated full and exclusive power to represent the parties in negotiations with the employees, was held not an undue delegation of the discretionary executive functions of the directors, although it conferred exclusive authority upon the committee as to labor disputes for a period of 3 years with full power to regulate conditions of employment.

"The scope of authority given to an executive or other committee should clearly appear in the duly adopted resolution or bylaw creating it. As a matter of business practice there is no doubt that in many companies the use of an executive committee may reduce the directors to little more than a supervising and ratifying body. The full board of directors of many a company meets only at rare intervals to glance casually over the transactions of an executive committee of three or five members and approve them in a perfunctory manner. There is some limit, however, to the power of the directors or trustees to abdicate authority and responsibility or exclude minority representatives. They cannot delegate entire supervision and control of the corporation to an executive committee for this is inconsistent with the charter or law, which requires that they shall have general supervision and control of the corporation. Directors may doubtless delegate to various committees, officers, and managers the exercise of wide discretionary powers and may permit the general manager or an executive committee to conduct the ordinary business operations generally. But attempts of executive committees to usurp the entire control and management and exclude some of the directors have been condemned."

As the quotation from Ballantine indicated, corporation laws have come to recognize the necessity for committees and to authorize the appointment and use of executive committees by the board of directors. The District of Columbia Business Corporations Act is no exception. It contains in section 916(e) of title 29 of the District of Columbia Code the following provision:

"If the bylaws so provide, the board of directors, by resolution adopted by a majority of the number of directors fixed by the bylaws, or in the absence of a bylaw fixing the number of directors, then of the number stated in the articles of incorporation, may designate two or more directors to constitute an executive committee, which committee, to the extent provided in such resolution or in the bylaws of the corporation shall have and may exercise all of the authority of the board of directors in the management of the business and affairs of the corporation; but the designation of such committee and the delegation thereto of authority shall not operate to relieve the board of directors, or any member thereof, of any responsibility imposed upon it or him by law."

Since the satellite corporation is governed by the District of Columbia Business Corporations Act, I assume it is authorized by the section I have read to provide in its bylaws for the establishment of an executive committee by majority action of the board of directors. If so, two or more directors could be given "all the authority of the board of directors in the management of the business and affairs of the corporation." This obviously is a great power. It means all the powers given to this three-sided board of directors could be transferred to a committee of two or more of them. This committee might well be composed only of directors elected by communications carriers. There is certainly no requirement under H.R. 11040 that any director appointed by the President be included on any executive committee.

This, again, points up what a corporate monstrosity is proposed for this satellite corporation. The flexibility of an executive committee is something which is needed by a busy, active corporation. Yet the underlying theory of this divided board of directors cannot be made consistent with it. There may not be any easy way to remedy this. The act could be amended to provide that any executive committee shall include at least one or more directors appointed by the President. If so, I would assume that the carriers would want a similar provision for directors elected by them, and perhaps the equipment suppliers would want a similar provision for directors which they might elect as public stockholders. Perhaps it could be provided by amendment that all three categories of directors must be represented on any executive committee which may be established in the same proportion as they are represented on the full board of directors. Then we would run into problems of quorums of the executive committee. Should each of the various categories of directors be present before the executive committee can act? It begins to get ridiculous but this is the logical conclusion of the illogical premises upon which this satellite corporation is to get its board of directors.

CORPORATE STRUCTURE NEEDS FURTHER STUDY

I have not had time to fully study all the conflicts and inconsistencies between the stated purposes of this satellite corporation and the District of Columbia Code or the general common law applicable to corporations. The Business Corporations Act contains 58 different sections in title 29 of the District of Columbia Code. This covers 45 pages in the volume containing these sections.

However, I believe I have shown enough to demonstrate that the peculiar hybrid nature of this divided board of directors will present many troublesome problems. This fragmented board resulted from a compromise late in the committee proceedings on this legislation. I do not believe all the implications of such a unique board of directors have been considered. This alone constitutes adequate grounds for returning this legislation to committee and deferring action on it until next year. No experts on corporation law testified concerning the legal structure of this corporation and there would be ample time for those who are acquainted with this complex field of law to study the intricate problems involved.

PHILIPPINE WAR DAMAGE CLAIMS

Mr. KEATING. Madam President, will the distinguished Senator from Texas yield to me for the purpose of engaging in a short colloquy with the distinguished majority leader?

Mr. YARBOROUGH. Madam President, I ask unanimous consent that I may yield to the distinguished Senator from New York without losing my right to the floor.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. KEATING. Madam President, because I was engaged in a hearing with respect to the nomination of Judge Thurgood Marshall—and I am happy to say that the hearings on this nomination were concluded this morning—it was not possible for me to be in the Chamber at the time when the distinguished majority leader referred to amendments which are at the desk and were intended to be offered by the Senator from Louisiana [Mr. LONG], my colleague from New York [Mr. JAVITS], myself, and other Senators, to the Philippine war claims bill.

Yesterday the Senator from Louisiana [Mr. LONG] and other Senators met with the majority leader. It was agreed among us that if we would not press our amendments to the Philippine war claims bill, the majority leader would call up on motion, within a reasonable length of time, an appropriate measure to which our amendments might be offered. He said with the utter frankness, as he always deals with us, that because he desired to have the Philippine war claims bill passed without change and without any amendments, he would feel constrained to move to table any amendments which we might offer dealing with American war claims. I disagree with his analysis, but I entirely appreciate the position in which he found himself.

The Senator from Louisiana [Mr. LONG] and others of my colleagues who who are much interested in this subject felt that if we could accommodate the majority leadership, which is so important to the enactment of legislation, by deferring the offering of these amendments, our cause would be advanced thereby. Therefore, we entered into our agreement.

But I wish to ask the majority leader, since I was not present earlier to hear what he said, whether I have substantially stated the situation and whether we may have his assurance that in the relatively near future a bill will be taken up on motion to which it will be appropriate to offer our amendments.

Mr. MANSFIELD. The Senator from New York has substantially stated what the informal agreement was with him and his colleague from New York [Mr. JAVITS], the Senator from Louisiana [Mr. LONG], the Senator from New Jersey [Mr. WILLIAMS], the Senator from Michigan [Mr. HART], and other Senators. I stated that understanding before the bill was passed.

Later, in a colloquy with the Senator from Louisiana [Mr. LONG], I stated it again; and now I reiterate it.

Mr. KEATING. Madam President, I appreciate the assurance given by the distinguished majority leader.

Madam President, it had been my hope that the Senate would consider and approve legislation necesary to initiate a final settlement of American war damage claims at the same time it was acting to complete the Philippine war claims program.

The major provisions of an American war claims program have been approved overwhelmingly in the other body. Hearings have been held on such bills on many occasions in the 17 years since the end of World War II. Both this administration and the previous administration have given their strong endorsement to measures designed to provide the basis for an American claims program.

Unfortunately, however, American war claims, unlike Philippine claims, have not been placed in a "must" category by the President. As a result we have been advised—as I have indicated—that any attempt to add provisions for an American claims program to the Philippine bill would be opposed by the majority leader. I regret this decision of the leadership, because it appears to me that in any list of priorities our fellow Americans deserve at least equal consideration with even our best friends overseas.

It might be different if these amendments would jeopardize the Philippine program in the House. But this cannot possibly be the case here because the House has already approved an American war claims program by an overwhelming vote. In my judgment, it would have been entirely appropriate to deal with both the Philippine and American claimants in a single bill and it is for that reason I joined with Senator LONG of Louisiana in sponsoring an amendment for an American claims program, and with other Senators, offered other amendments necessary for a final settlement of this problem.

The principal amendment which I sponsored, in which I was joined by Senators JAVITS and CASE, was designed to permit the sale of free enterprise of the General Aniline & Film Co.—a huge industrial enterprise which has been run by the Department of Justice ever since it was vested as enemy owned during the war. A bill identical to this proposed amendment recently passed the House after debate without a dissenting vote. Hearings on such legislation have been held on many occasions over a period of 8 years, in the House and Senate. It has been endorsed by every Attorney General since 1949 including present Attorney General Kennedy. It is endorsed by labor as well as management organizations, both local and national.

My judgment is that this bill would be approved by an overwhelming majority of the Members of this body if it could be brought to a vote on its merits. However, the determined opposition of the chairman of the Trading With the Enemy Subcommittee, has thus far been successful in preventing the Senate from having this opportunity. As a result the Government, against its own desires, continues to be saddled with the responsibility for managing the operations and fortunes of GAF. As long as this condition exists, this plant cannot play its vital role in our free enterprise system and achieve its full potential as a source of employment, competition, and sound investment for the American economy. The situation is inexcusable and I have been ready at all times to take any step and utilize any parliamentary device available to try to break this virtually one-man Senate impasse.

The majority leader has now given us his personal assurance that this subject matter will be given separate consideration in the Senate before this session adjourns. At the same time he advised us that he would move to table the provisions of these bills if offered as amendments to the pending Philippine bill. Under these circumstances, the only reasonable course was to withhold our amendments at this time.

It is my endeavor at all times to cooperate with the majority leader and I know that his assurances of future action have been accepted by all of us without any reservations. Moreover, we could not risk jeopardizing approval of the substance of these amendments by subjecting them to a leadership tabling motion. It is my hope, and I know that of many other Members on both sides of the aisle, that, when these proposals are presented under a procedure satisfactory to the majority leader, that they will have his support. This would virtually guarantee their passage and enactment into law at this session of Congress.

Mr. President, in view of these considerations, I decided not to press my amendments at this time. I shall continue, however, to watch this situation closely and to follow whatever course is necessary to make certain that before this Congress adjourns, we will have taken a long overdue step to accord equal justice to our fellow Americans.

VETERANS' READJUSTMENT ASSISTANCE ACT OF 1961

The Senate resumed the consideration of the bill (S. 349) to provide readjustment assistance to veterans who serve in the Armed Forces between January 31, 1955, and July 1, 1963.

Mr. YARBOROUGH. Madam President, Senate bill 349, cosponsored by 37 Senators, provides for readjustment assistance to veterans who serve in the Armed Forces between January 31, 1955, and July 1, 1963. The first date is the date when the former educational program under the GI bill terminated by Presidential proclamation. The second date, July 1, 1963, is the termination date of the present draft law. This bill covers a period coterminus with the period of the present draft law.

It has often been said that there has never been a GI bill except for the period of a "hot" or "shooting" war. However, such a statement is in error, because from October 1953, the termination of the Korean conflict, until July 1, 1955, there was a cold war period, and the benefits of the GI assistance bill which were applicable to the veterans of the Korean conflict are applicable to the veterans who served during that period.

Madam President, this bill is a very successful culmination of the effort to make such veterans readjustment assistance available to the cold war veterans. Some veterans of shooting wars have felt that the benefits to be made available to such veterans should not be as extensive as those made available to the veterans of the shooting phases of World War II or the Korean war. So, Madam President, the benefits provided under this bill are not as extensive as those which previously have been made available to the veterans of World War II or the veterans of the Korean conflict. For example, under this bill no mustering out pay or GI business loans or farming loans—loans to help a veteran start a farming business—are provided for.

Unlike the veterans readjustment assistance bills applicable to those who served in World War II or in the Korean conflict, the readjustment assistance made available to veterans under this bill can be received only by veterans who have served for a minimum of 6 months, whereas under the other GI bills the veterans are required to have served only 90 days, in order to be entitled to the benefits. But under this bill the requirement is more severe; only those who have served for a minimum of 6 months will be entitled to these benefits.

The bill provides that for each day such a veteran serves, he shall be entitled to 1½ days of training or education, with the proviso that under the bill the maximum length of education or training which he can receive will be 36 months. Accordingly, a veteran who served for only 12 months will be limited to 1½ years of education. However, the principle of the bill is that the amount of education it will provide will serve as a spark which will start these young men back to school; and once they return to school, it is believed they will continue. In short, this is a pump-priming bill. Although the maximum amount of education under the bill will be 3 years to any one veteran, yet it is generally believed that once these young men start their education under this bill, they will be likely to finish it after the entitlement under the bill has ended.

Madam President, this bill has many side effects, in addition to its educational effects. The bill will have an immediate and direct impact on our unemployment situation. The present figures on unemployment show that more than 25 percent of the total male unemployment at this time—which 25 percent amounts to more than 600,000 persons—is attributable to the group of cold war veterans in the age group from 18 to 24. Although the national unemployment figures show that unemployment among all persons has been about 5 or 6 percent, yet among the veterans of the cold war the unemployment rate ranges from 35 percent to, in some cases, 50 percent. That high rate of unemployment is due to the fact that they do not possess the skills and the other capabilities required in order to secure employment.

In addition, Madam President, while these 45 percent of our young men—that is the percentage of our young men who have been serving in the Armed Forces since 1955—have been rendering that service, the other 55 percent of our young men have been forging ahead in the battle of life; and during this period the 45 percent—those who have been out on the firing line, defending freedom for all of us—have been falling behind.

In that connection I point out that the veterans of the cold war period have been experiencing trouble ever since they have returned to civilian life; again and again they have experienced the sharp penalty of having fallen behind in their progress in civilian life. So those who were not called into the service have had that distinct advantage.

Mr. PASTORE. Madam President, will the Senator from Texas yield to me?

Mr. YARBOROUGH. I yield.

Mr. PASTORE. Under the present system, a young man who is called into the service can be deferred if he is in college, can he not?

Mr. YARBOROUGH. Yes.

Mr. PASTORE. What benefits will such a young man get under this bill?

Mr. YARBOROUGH. None.

Mr. PASTORE. This bill applies only to those who have been drawn from civilian life and have been mustered into the armed services, and these benefits will accrue to them in proportion to the length of time they will have served; is that correct?

Mr. YARBOROUGH. Yes; and I thank the Senator from Rhode Island for bringing up this point.

This bill is not a bonus bill; it is a readjustment bill—as the Senator from Rhode Island has so aptly and succinctly stated. It is a readjustment bill—a bill to help get these young men back into the mainstream of our economic life. That is the purpose which was pointed out most clearly years ago by the Senator from Alabama [Mr. SPARKMAN] at the time when he was serving in the House of Representatives. He stated that the purpose was to have a readjustment bill to help these young men readjust to private life, after they have been in the service.

Mr. ROBERTSON. Madam President, will the Senator from Texas yield?

Mr. YARBOROUGH. I yield.

Mr. ROBERTSON. I realize that many of the unemployed lack the scientific knowledge or the mechanical skills which are required in our highly technical age, and that more mechanical training and education would be very beneficial.

In connection with the pending bill we are dealing with the group best equipped physically—young men who not only could qualify when they entered the service, but also have had 2 or 3 years of training in the development of their bodies. Many of them also took technical courses while they were in the military service.

But what are we going to say to the 4-F who could not get into the service because he was physically handicapped? He will be more discriminated against than ever, if the physically fit who got into the service and had training while they were in the service are now to be given 3 years of college training or 3 years of training in mechanical skills. But what are we to offer to the 4-F group?

Mr. YARBOROUGH. A retraining program is available, I say to the distinguished Senator from West Virginia.

Mr. ROBERTSON. Let me point out that I am a Senator from the State of Virginia.

Mr. YARBOROUGH. I beg your pardon; I was thinking of the place of birth of the distinguished Senator from Virginia. He is a most distinguished Virginian, and I am sure that he is also proud of the place of his birth.

Mr. ROBERTSON. I do not want one of the distinguished patrons of the bill to be embarrassed because of my comments on it.

Mr. YARBOROUGH. Of course not. As I stated, there is already available a program to take care of the handicapped, and there is a $100 million appropriation for that purpose.

Mr. ROBERTSON. How are those appropriated funds made available?

Mr. YARBOROUGH. Under the Manpower Retraining Act of this year.

Mr. ROBERTSON. It is under the redevelopment program, is it?

Mr. YARBOROUGH. It is a separate manpower retraining act.

Mr. PASTORE. Madam President, will the Senator from Texas yield to me? I think I can give a little clarification in connection with this point.

Mr. YARBOROUGH. I yield.

Mr. PASTORE. We have never made provision for 4-F's under a GI bill. These GI bills deal with those who have gone into the military service. If, unfortunately, a young man is not called into the service, because of physical disability, he continues in civilian life. Consequently, he does not suffer the displacement that is suffered by those who are called into the military services.

That is an entirely different situation from that of the young man who is called up and does not pass his physical examination. The point raised by the Senator from Virginia with regard to 4-F's has always been so. I do not know why we are getting excited about it now.

Mr. ROBERTSON. I understand this bill will cost over $2 billion. Is that correct?

Mr. YARBOROUGH. It will average about $300 million per year for the first 5 or 6 years.

Mr. ROBERTSON. The Senator thinks it will not cost over $1.8 billion?

Mr. YARBOROUGH. $1.8 billion.

Mr. ROBERTSON. I made a little speech recently about cutting taxes, and I mentioned, as to certain programs and other proposals, they would add to the spending and make a bigger deficit than we anticipated. But what are we going to say to the men who serve after 1962? How can we provide for men who serve in peacetime training and give college educations to a small group, and later on say, "No, we will not do that for you"? What will be our excuse?

Mr. YARBOROUGH. I point out that there is a draft law in effect. These men are going into the service because there is a draft law in operation and breathing down their necks. They do not have an option. The ones being drafted are those who have the best physical constitutions and the best brains. In the last war, as a staff officer, I saw men with one glass eye coming up to the front lines. We were scraping the bottom of the barrel. Now we are taking our prime material and we are causing them to fall behind in their education 2 or 3 years. The Senator mentioned 4-F's——

Mr. ROBERTSON. What is the Senator going to say——

Mr. YARBOROUGH. Let me finish. I do not yield until I finish. Those who are 4-F's and go on to college are far ahead of the ones who went into the service, and the latter comprise as much as 35 percent of all the unemployed in some areas. We would save money with this bill. We are paying $80 million right now in unemployment benefits, and a substantial part of it goes to GI's who go back into civilian life. How much wiser it would be to reduce unemployment benefits and pay for these young Americans' education.

I point out that the money would go not only for college education, but for high school education. Eighty-one percent of the veterans have not had training beyond high school. They must have vocational training. They must have training on the job. They must have technical training. It will help us get needed technicians. It will be the kind of training needed by our economy.

If all the educational recommendations which the President made were carried out they would cost $8½ billion. But only a little over a billion has been authorized for education, so we can have this without unsettling the budget. I am on the Education Subcommittee. I have supported every one of his recommendations.

The President has pointed out how important it was, to get this country moving, that we educate our youth. A report by the National Science Foundation shows that in Russia twice as many engineers and scientists are being turned out each year than in this country. The group affected by the bill comprises the greatest reservoir we have of prospective scientists and engineers.

Mr. PASTORE. Mr. President, will the Senator yield?

Mr. YARBOROUGH. I yield.

Mr. PASTORE. What the Senator says is not quite the point. I realize that we must go forward and educate the talented, and under our democratic process give an equal opportunity to those who are less talented. But the important thing to remember is that these are young people who are being called up to serve their country. The fact that there is no shooting war is no doing of theirs. They are being called away from their homes. We have had instances where those who stayed home made large profits in nickel, even while they were serving their Government in high posts. All we are trying to do here is to help young people who are called away from their homes to serve their country, so that when they come back into civilian life, and when they can be admitted into college, they will receive some Government assistance. That is all it amounts to.

Mr. YARBOROUGH. The Senator is right.

Mr. ROBERTSON. May I finish my question?

Mr. YARBOROUGH. I yield to the Senator from Virginia.

Mr. ROBERTSON. Two days ago the Secretary of the Treasury told us there was no easing in the tensions being applied to us by those behind the Iron Curtain. Every day we read about instances in West Berlin which could erupt suddently into situations of great difficulty. We do not dare let down our guard. I would very much dislike to have the Senate take a position, when we know we have to continue the draft to maintain our national security, of doing an injustice to those not physically disabled boys by asking them to spend 2 years in training.

I point to the little nation of Switzerland, where everybody, until he is 60 years of age, must take training every year. What has been the result? Switzerland obtained her freedom 100 years before Jamestown was settled. In all the recent wars nobody has attacked the Swiss. Why? They knew it did not pay to attack Switzerland, because every man was a trained soldier and they could go in the snows of the Alps and whip any invading army.

We are the richest nation of the world. We have in the past been the strongest nation politically, but there are forces in this Nation that are undermining our virility, our strength, our courage, and our patriotism. I would deplore any movement in the Senate that would take the position that it is doing an injustice to a man to ask him to serve in the Armed Forces, whether in peacetime or wartime, and we must give him a special reward. If we do that we have set a precedent that we shall not be able to end. We cannot draw a distinction between a man who was drafted between 1956 and 1962 and one who was drafted between 1962 and 1982. We shall have to continue the practice of drafting men.

Mr. PASTORE. Mr. President, if the Senator will yield, because I think a strong implication has been made, the Senator from Rhode Island believes it is a great honor and privilege to serve one's country. That is not the point at issue here. All we are saying here is that we follow the practice of the past, that when our boys have served in the Armed Forces we make provision to help them when they return because of the sacrifice they have made. I realize it is a great honor to serve our country. I do not want any misunderstanding on that. That is not the point here. Of course, every man called into service is proud and honored to serve his country. We all know that. But we have followed the practice, and it has become a tradition, that those who have been called away from their homes, if they have the qualifications and want to go to college, will be given a helping hand by the Government. There is no reason why we should not do it for those who are called into the service in peacetime as well as in wartime. They are being called to serve their country, and must face whatever peril there may be.

Mr. MORSE. Madam President, will the Senator yield?

Mr. YARBOROUGH. I yield.

Mr. MORSE. I wish to say to the Senator from Texas, before I comment upon the bill, that I have seen great battles in the Senate in my years here, but I have never seen anyone more persistent, more dedicated to a deserving cause than the Senator from Texas in connection with the cold war GI bill. For 2 years the Senator from Texas has waged his battle for justice to secure for our GI's who have been drafted into the service, legislation to meet their educational needs.

Let us look at the volume of the hearings the Senator from Texas has conducted. I respectfully say I do not know of any bill which has come to the Senate in recent times that has had more thoroughgoing hearings than this bill.

The Senator has exhibited magnificent leadership in connection with this bill. I commend him for it.

Now I should like to make a brief statement in support of the position of the Senator from Texas. My own testimony in support of the bill is in the RECORD.

I make my first argument in support of sound economy in the United States. We have heard the argument on the floor of the Senate that this program may cost $2 billion. The fact is that the program will not cost the American taxpayers one single red cent. The bill would provide, in fact, for what could be termed a temporary loan to these veterans.

It is an undeniable fact that the World War II GI education bill which the Congress has already financed, for a program which has already come to fruition, has sent thousands and thousands of ex-GI's through American colleges and through high schools.

The GI bill of World War II has not cost the American taxpayer a cent in reality, for there have been paid into the Treasury of the United States, in the form of taxes, large sums which otherwise never would have been paid. In my judgment, these increased tax revenues are far in excess of the cost of the program.

I am at a loss to understand the shortsightedness on the part of so many of my colleagues in regard to the financing of this proposed legislation. The money we appropriate for this purpose is an investment in the future of the Republic. The record is clear, and the statistics supplied by the Veterans' Administration are undeniable.

The World War II GI's who went to college have repaid more than the cost. Without the increased earning capacity made possible through education many of our World War II servicemen would have earned lower salaries and thus paid fewer dollars in income taxes. Because of the World War II GI bill they have earned higher salaries and paid higher income taxes into the Treasury of the United States. The dollar difference resulting from increased earning capacity wiped out the cost of the former GI bill. It will be true of this GI bill also.

I will tell Senators what the bill is. In my judgment, it is the soundest investment we can make in our country and for our country at this time.

I recall again the great statement made by Thaddeus Stevens, the parent of the public school system of Pennsylvania years ago. He was then attacked on the basis of the same economy ground on which we now are being attacked. The argument was made that public education cost too much. His famous rejoinder was that he hoped the people of the State of Pennsylvania would come to fear ignorance more than taxation.

I say to the American people today, "I pray to Almighty God that you will recognize we must stop the stalking of ignorance across the country, for as we deny to young men and women the opportunity to go to college—and we are denying it to them now by the tens of thousands—we are imbedding ignorance in the body politic of this country, and we cannot afford it."

The bill supported by the Senator from Texas will provide for repayment to the taxpayers of many times its cost in the years to come, as these GI's pour into the Treasury of the United States increased taxes which otherwise they would never have had the ability to pay.

Lastly, let me say to my friend from Texas, as chairman of the Subcommittee on Education, in my judgment this may be, in all probability, one of the last opportunities for the Senate at this session of Congress to pass a higher education bill. S. 349, the cold war GI bill is the most democratic higher education bill that we could possibly pass. The bill will make available these benefits to the GI's on the basis of their ability and their merits. It will give them an opportunity to go to college. We will not only benefit the individual ex-serviceman, but we also will benefit all the American people, by enacting this type of a democratic higher education bill.

I do not know how we could devise a formula which would be more democratic than the formula which simply says to the young men and women who are serving our country as GI's in peacetime, "We are going to give you an opportunity to go to college, if you want to go to college. We are going to give you an opportunity to develop an earning power which otherwise you would not have, with your college degree, which will result from the successful completion of your college course."

What could be more democratic than that? I hope that this body will recognize the economic soundness of this program and will also recognize that it is sound from the standpoint of our many obligations to these veterans.

As the Senator from Rhode Island has pointed out, these young citizens are making a sacrifice from the standpoint of the disruption of their lives. The record is clear. Their lives are disrupted for 2 years and we know many of them feel forced to give up any idea of going on to college, when their service is completed. They come out of the services and are pressed by various personal problems. Let us be frank about it; a great many men proceed to get married. That makes it nearly impossible for many of them to go on to college.

The bill will be a sound investment in our economy. It will be fair to the peacetime veterans themselves. We need it from the standpoint of raising the level of enlightenment of the people of this country, because many of these men and women, if they do not go to college, or do not receive the other training benefits of the bill, could become unemployable, as automation proceeds in the next decade. Automation will create great problems for us.

We shall have a much stronger Republic if these young men and women go to college and come out with their degrees, thus being able to make the greater contribution to their lives and to our Republic than otherwise they would be able to make.

Mr. President, I have stressed the higher education aspects of the bill, but what I have said applies with equal force to the on-the-job training and the vocational and technical school provisions. It is legislation in the public interest which should become law.

Mr. YARBOROUGH. Madam President, I thank the distinguished Senator from Oregon for his kind references to me. The Senator gives me more credit than I am entitled to receive. I am only one of 37 cosponsors of the measure. As chairman of the Veterans' Affairs Subcommittee of the Committee on Labor and Public Welfare I felt I should take an active part in introducing the bill and in attempting to speak, partially, for the 37 cosponsors.

PRIVILEGE OF THE FLOOR

Mr. YARBOROUGH. Madam President, at this time I ask unanimous consent that such staff members of the Committee on Labor and Public Welfare as may be needed be allowed the privilege of the floor during the debate on Senate bill 349.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. KEFAUVER. Madam President, will the Senator yield to me?

Mr. YARBOROUGH. First, Madam President, I should like to yield to the distinguished Senator from North Dakota [Mr. BURDICK] who has been on his feet seeking recognition. However, before yielding to the Senator from North Dakota, I wish to say, in response to what the Senator from Virginia said, that I thought of a letter which I have in my private library, written by George H. Thomas after the Civil War. Gen. George H. Thomas, the rock of Chickamauga, had an application made to him after the conclusion of the Civil War by a boy who was a drummer boy at Chickamauga. This boy wanted to go to the Naval Academy. He wrote a letter to his general, to his commander, first through his former colonel. He asked for an appointment. General Thomas merely turned the letter over and wrote a whole page on the back. He said that this young man had discharged his obligations to his country before he reached his majority and that he should have the opportunity to go to one of the country's schools.

That is a good statement in regard to the pending bill. The men who would be benefited have been drafted—and many of them have enlisted ahead of the time of the draft, to choose their branch of service. They have discharged their obligations to their country first. The country ought to give to them an opportunity to take their full places in the economic life of the Nation. It would be to the benefit of the country that these men be readjusted and become productive citizens of the economy.

I now yield to the distinguished Senator from North Dakota.

Mr. BURDICK. Madam President, I wish to compliment the chairman of the subcommittee for his very tireless and effective work in behalf of the bill.

One of the arguments which has been raised by the opposition to the bill seems to be that there should be some distinction as between a "hot war" veteran and a "cold war" veteran. I think the Senator from Oregon and the Senator from Rhode Island have very effectively answered that argument. The whole theory of the original GI bill was to provide some compensation for a disruption of the lives of the veterans.

During the course of our hearings Stephen S. Jackson, Deputy Assistant Secretary of Defense, testified. On page 216 of the hearings he gave the following answer to the following question, which I asked:

> I understand from previous witnesses, and I believe from the drafters of this original legislation, that the essential reason or the basis for the legislation was based upon disruption, not the type of service he was going to face or the type of enemy he was going to face, it was based upon disruption; I believe witnesses have so testified as to that.
>
> Mr. Jackson. I believe that is true; yes.

So actually a boy who is compelled to go into the service through the draft is faced with the same disruption, whether his service is in a hot war or a cold war. I think Senators should understand that the whole basis of the proposed legislation is to try to rehabilitate and give the boys who have been taken in the draft an opportunity.

Mr. YARBOROUGH. The Senator is correct. The bill is intended to compensate for the disruption. It is a readjustment measure, designed to enable a boy to readjust himself to the economy and permit him to get back into a productive capacity. He should have opportunity to reacquire the power to earn money in a free economy that has passed him by while he was in the service defending the lives, property, safety, and security of the vast majority of the people. After all, only a small segment of those of draft age—only 45 percent of the young men—serve. All the others in that age group, including the other sex, constitute a majority of those in the prime years of life who do not serve. Only a small segment is called out to make the necessary sacrifice for all of us. They ought to have an opportunity to readjust.

Mr. KEFAUVER. Madam President, will the Senator yield?

Mr. YARBOROUGH. I yield to the distinguished Senator from Tennessee.

Mr. KEFAUVER. I join the distinguished Senator from Oregon [Mr. Morse] and the distinguished Senator from North Dakota [Mr. Burdick] in paying tribute to the distinguished Senator from Texas for his hard fight for the measure and the record he has made in support of it, which appears to me to be unanswerable. It is typical of the fight that he has made for GI benefits of other groups throughout his years of public service.

I was impressed with the words of the Senator from Oregon [Mr. Morse] in pointing out that from an economic viewpoint, the investment that is made in the education of men and women who have had to interrupt their lives in order to serve in the Armed Forces of our country has brought economic benefits to the Nation and to our people many times greater than the investment that has been made in their education.

We know that they apply themselves when they have the opportunity of going to school. We know they have advanced in positions after they have obtained an education, which enables them to make a larger economic contribution to our country.

But I point out to the Senate that, in addition to the economic return, there is another great return. The proposed legislation would give them an opportunity to be more enlightened citizens in our democracy, which must lead the way to freedom. It would enable them to participate more intelligently in public affairs and in the formation of opinion, which is so necessary for a democracy.

In other words, it would build a stronger and greater United States, more capable of world leadership.

While I cannot remember the exact words, I have always though in that connection of a statement by one of our first venerable statesmen, Thomas Jefferson, author of the Declaration of Independence. On one occasion he said that if he were given a choice of having a dictator or a king in a country in which the people were educated, or having a democracy in a country in which the people were not educated, he would choose the country with a king or a dictator and educated people, because in that case sooner or later the people would throw off the yoke of dictatorship and would establish a democracy. They would be capable of doing so.

But on the other hand, if a democracy existed in which the people were not educated, the people being unable to govern and direct their public affairs, sooner or later a dictator would take over.

So the measure would build not only the economic strength but also the political and social strength of our country. I commend the Senator from Texas.

Mr. YARBOROUGH. Madam President, I thank the distinguished Senator from Tennessee for his wise remarks about this bill and for his kind personal statement about me. I commend him. He is a cosponsor of the measure, as are the distinguished senior Senator from Oregon [Mr. Morse], the distinguished senior Senator from Rhode Island [Mr. Pell], and the distinguished Senator from North Dakota [Mr. Burdick], all of whom have made statements today. They are coauthors and they have been diligent in their work for the bill.

Mr. GOLDWATER. Madam President, will the Senator yield?

Mr. YARBOROUGH. I yield.

Mr. GOLDWATER. I have a question which I should like to direct to the distinguished Senator from Texas. Can the Senator from Texas tell the Senate if the administration approves the bill?

Mr. YARBOROUGH. Does the Senator mean the President of the United States?

Mr. GOLDWATER. First, the Veterans' Administration.

Mr. YARBOROUGH. I was a member of the Committee on Labor and Public Welfare when the bill came up in the last Congress. I was a member of the subcommittee with the then Senator from Massachusetts, now President of the United States. The vote was split 2 to 2. Senator Kennedy came in and cast the deciding vote that brought the bill out of the Veterans' Affairs Subcommittee by a vote of 3 to 2.

The vote was closer that year than the vote on the present bill is. Then we voted it out of the full Committee on Labor and Public Welfare.

I do not think the President of the United States is opposed to the bill. Otherwise I do not think we could occupy the favorable position that we now occupy, with the majority leader calling up the bill today.

Mr. GOLDWATER. The Senator has not answered the question. Has the Veterans' Administration approved the bill?

Mr. YARBOROUGH. The agency reports are opposed. However, the President of the United States determines the position of the administration.

Mr. GOLDWATER. Does the Department of Defense approve the bill?

Mr. YARBOROUGH. No. The Department of Defense has not approved the bill.

Mr. GOLDWATER. Has the Bureau of the Budget approved the bill?

Mr. YARBOROUGH. No.

Mr. JAVITS. Madam President, will the Senator yield to me?

Mr. YARBOROUGH. I yield.

Mr. JAVITS. Has the President of the United States, since he became President, in any way approved the bill?

Mr. YARBOROUGH. He has not disapproved it. He approved it as a Senator.

Mr. JAVITS. He has not approved it as President.

Mr. YARBOROUGH. It is written into the Democratic platform. He campaigned on that platform. I believe he would approve it.

Mr. JAVITS. Is that the only basis upon which the Senator says that the President has approved it?

Mr. YARBOROUGH. In answer to the Senator's question, I will say that I was out of the city yesterday. I came in on a late plane this morning. The majority leader was desirous of taking up the bill.

Mr. MORSE. Madam President, will the Senator yield?

Mr. YARBOROUGH. Personally, I think the President has approved it, but I am not going to say that he has because I have not discussed it with him recently.

Mr. GOLDWATER. Madam President, will the Senator yield?

Mr. YARBOROUGH. I yield.

Mr. GOLDWATER. The executive branch comes under the President.

Mr. YARBOROUGH. The Senator is correct.

Mr. GOLDWATER. And yet no agency of the executive department of the Government has approved the bill.

Mr. YARBOROUGH. I point out that the reports were written last year. The reports that are in the RECORD were written last year.

Mr. GOLDWATER. Have we no reports this year?

Mr. YARBOROUGH. We have reports of the revised estimates of the VA. We constantly receive reports about what it would cost.

Mr. GOLDWATER. I want to know whether the administration has approved the bill. It is my understanding that the administration has not approved the bill, and not one single bureau concerned with the bill has approved it.

Mr. YARBOROUGH. The bureaus have not approved the bill.

Mr. KEATING. Madam President, will the Senator yield?

Mr. YARBOROUGH. I yield.

Mr. KEATING. Have they disapproved?

Mr. YARBOROUGH. The bureaus are not supporting the bill, or they were not the last time I saw the reports. I do not know what their position is today. The last time I saw the reports those three bureaus were opposed to the bill. I do not believe the President of the United States is opposed. On the contrary, I think he is in favor of it. I point out that those same bureaus were opposed to the bill when the Senate passed the previous bill.

Also, the former GI bills are self-liquidating. This bill is not a giveaway or a boondoggle.

I have before me official figures from the Bureau of the Census on income in our country. These are comparative statistics on veterans and nonveterans. The Bureau has figures on veterans who took GI training and those who did not. Two years ago the Bureau estimated that within 8 years the entire cost of the GI bills would be paid off by reason of the increased earnings of the veterans who took training as compared with veterans who did not and those who are nonveterans. The figures show that at the end of World War II, nonveterans in the same age bracket were earning far more money than the veterans who came out of the war. After the veterans received the training provided, the veterans caught up with the nonveterans. Ten years after World War II veterans who took the training were earning far more money, on the average, than those who had stayed home and had earned relatively high money at the end of World War II. The trained veterans were earning so much more that the figures for all veterans, including even the half that did not take any training, were brought up as a class.

I say to the distinguished Senator that of the 15½ million veterans of World War II, 7,800,000 took educational training, or about 50 percent. Of the 4¼ million veterans of the Korean conflict, again 50 percent took training. Half of them did not want any more schooling, and 50 percent of them did.

The question of the cost has been raised. The Veterans' Administration estimates on cost, based upon figures of World War II and the Korean conflict, show that 50 percent of the veterans will take training. However, we have lost so much time that some of the men are now married and have children, and I do not believe that 50 percent of these cold war veterans will take training. That is a tragedy that more do not, of course.

Mr. GOLDWATER. I have not injected the matter of cost into this discussion. If we can justify the need for the legislation, we can justify the cost of it. The Senator is running down an alley I have not started into yet. I call to the attention of the Senate the fact that there have been no hearings held this year. The bill has been on the calendar since August 10 of last year. The reports we must refer to are reports which were issued by the bureaus last year. Not one bureau has approved the bill.

Mr. YARBOROUGH. I hope the Senator does not mean to take the position that we must have a hearing every month while a bill is on the calendar.

Mr. GOLDWATER. No. These reports are over a year old, and the bill is over a year old. The administration disapproves the bill. That is the only point I was trying to make at this time. I will try to make other points later.

Mr. YARBOROUGH. If these departments want to purge themselves of their error, I would be glad to have them do so.

Mr. GOLDWATER. I have not noticed any of them breaking down the door of the Senate trying to purge themselves of anything.

Mr. MORSE. Mr. President, will the Senator yield?

Mr. YARBOROUGH. I yield.

Mr. MORSE. I wonder if the Senator from Texas shares my reaction to the questions put by our good friends, the Senator from Arizona and the two Senators from New York. They seem to stress great solicitude for the position of the President of the United States. I wonder if the Senator has formed the impression I have formed, that perhaps the President of the United States need only recommend a bill on any subject matter and he will get the support of the Senator from Arizona and the Senators from New York.

Mr. YARBOROUGH. It would be very helpful. I have supported the President of the United States about 90 percent of the time on legislation which the Senate has considered. However, I do not believe that those recommendations have had very much persuasive effect with the distinguished Senator from Arizona.

Mr. GOLDWATER. Last week we saw a fine example of certain Senators not following the leadership of the President. So I do not believe that the two Senators who are now speaking are speaking from very good experience so far as supporting the President of the United States is concerned. It is customary, I might observe, to refer to reports as favorable or unfavorable as coming from the executive branch of the Government. In this case the reports are unfavorable. I do not believe that the President should have to phone here and say that this is a bill that should or should not be passed. That is not his prerogative. The executive branch of our Government has seen fit to disapprove the bill.

Mr. MORSE. Mr. President, will the Senator yield for a question?

Mr. YARBOROUGH. I yield.

Mr. MORSE. Is it not true that the report of the committee as filed with the Senate, a copy of which is on the desk of each Senator, makes perfectly clear the position of the various departments, and undoubtedly the Senator from Texas will cover the contents of the reports before he finishes his discussion of the bill? The Senator has been speaking for only a relatively short time, but there certainly has been no concealment from the Senate of the position of the administrative agencies on the bill.

Mr. YARBOROUGH. That is correct. The first 50 pages of the hearing, the whole of which runs to 334 pages, show the text of the bill and the reports of the agencies. This is all a matter of record. The agencies were opposed to the bill in past Congresses, as they are now.

Mr. MORSE. Mr. President, will the Senator yield for another question?

Mr. YARBOROUGH. I yield.

Mr. MORSE. Does the Senator from Texas agree with me that if, with regard to a bill, the Department of Defense or any other department of the Government is against the bill, and the President is against the bill, but a Senator feels that the bill is in the public interest, he still has the obligation to press for the enactment of the bill?

Mr. YARBOROUGH. Certainly; 37 Senators are cosponsoring the bill. The Senator from Oregon and the Senator from New Jersey [Mr. WILLIAMS], who is on the floor, know that the President cast the deciding vote to bring the bill out of committee. He did that when he was a Senator. Without his vote, it would not have been brought out. He voted for the bill on the floor of the Senate when he was a Senator.

Mr. MORSE. Mr. President, will the Senator yield further?

Mr. YARBOROUGH. I yield.

Mr. MORSE. The Senator from Arizona and the two Senators from New York have expressed a great interest in the position of the President on this bill. Does the Senator agree with me that the people of our States did not send us here to rubber stamp the wishes of the President, but that as Senators, if we are convinced that the public interest calls for the passage of a great bill such as this, we are bound to vote for the passage of the bill?

Mr. YARBOROUGH. I agree. However, I do not believe that is the issue here, because we do not have any conflict with the President on this matter at all.

Mr. MORSE. Mr. President, will the Senator yield for a final question?

Mr. YARBOROUGH. I yield.

Mr. MORSE. Does the Senator agree with me that the questions we are asking the Senate to decide in connection with this bill are whether or not the record made on the bill shows that it would do justice to the peacetime veterans who need to have justice done to them, and whether or not the legislation would be in the interest of the American people?

Mr. YARBOROUGH. The bill would definitely be in the best interest of the American people. The distinguished Senator from Oregon is not a member of the Veterans' Affairs Subcommittee, but he is chairman of the Education Subcommittee of the Committee on Labor and Public Welfare. The Senator will recall that when the college presidents and deans of colleges came to testify on educational bills before his subcommittee, I have always brought up the GI bill. I always asked them about this bill. Almost without exception they said that this bill was the best educational bill of all, and that this bill would really do more to educate people and get people to college than any other educational bill. When an educational bill was before the Senator's subcommittee I interrogated them on every occasion. I doubt that any other bill is more important than this one. The distinguished Senator from Oregon has heard a great deal about the pending bill as chairman of the Education Subcommittee, because I always brought it up, regardless of what bill was being considered by the committee.

Mr. WILLIAMS of New Jersey. Mr. President, will the Senator yield?

Mr. YARBOROUGH. I yield.

Mr. WILLIAMS of New Jersey. I was on the floor when the Senator from Texas was applauded by the senior Senator from Oregon for his persistence in his work on the bill and in finally bringing it to the floor. I certainly join in the plaudits on his persistence. When persistence is applied to a bill that brings educational opportunities to servicemen and servicewomen who have devoted periods of their life to the defense of our country, I believe that persistence has the quality of nobleness. I applaud it.

I wish to say, also, that this Nation is distressed that we are lagging in certain respects in competition with the Soviet Union. Right now we are distressed that we are lagging in space exploration. However, it seems to me that we should be far more profoundly disturbed when we see certain lags in education compared with the Soviet Union. In 1958 the United States graduated only 37,300 students in engineering, while 108,600 engineers were graduated in the Soviet Union.

Mr. YARBOROUGH. In other words, we graduated 37,000 engineers in 1 year and the Soviet Union graduated 108,000 in 1 year?

Mr. WILLIAMS of New Jersey. Those are the figures we have. That was for 1958–59.

Mr. YARBOROUGH. They graduated three times as many?

Mr. WILLIAMS of New Jersey. In the same year the United States graduated only 6,900 physicians, while the Soviet figure was 27,000. So, I believe that this lag is far more disturbing, and far more basic, in our understanding of how we stand with respect to the Soviet Union.

I should like to go back and comment on what our experience was with the GI bill of rights for World War II veterans and veterans of the Korean war. The figures I have show that 7,800,000 World War II veterans and 2,334,000 Korean war veterans were trained under the GI bill. These are Veterans' Administration figures. Also, 441,214 have studied engineering; 156,425 have entered the fields of physics, chemistry, and the other natural sciences; 334,534 are engaged in teaching; 174,614 are in medical work and related jobs.

I should think we would consider those figures and take great hope for this country. If the bill passes, there will be more engineers, more teachers, and more physicians.

I also heard the senior Senator from Tennessee [Mr. KEFAUVER] say that it should be our work to try to find ways to make servicemen more enlightened, so that they can more intelligently participate in public affairs. I think the absentee voting by service personnel is indicative of their eagerness to participate in public affairs.

Madam President, I ask unanimous consent to have printed at this point in the RECORD an editorial entitled "The Soldiers' Vote," published in the Atlantic City Press of August 20, 1962.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

THE SOLDIERS' VOTE

More attention is being paid the soldiers' vote in 1962's off-year election.

Absentee ballots, cast for the most part by GI's have decided more than one closely contested election in various municipalities in recent years.

Now the Federal voting assistance program, an activity set up under the Secretary of Defense as a result of the Federal Voting Assistance Act of 1955, is trying to interest GI's in the upcoming election in November.

Postcards requesting absentee ballots were distributed to every eligible service voter by the middle of this month and will be received by those on duty in the United States no later than September 15.

Every State in the Union will accept these cards as valid applications for absentee ballots. But servicemen from Texas or Alabama will have to pay poll taxes before exercising the right to vote. Under voter registration laws of Louisiana and Alabama the serviceman will have to have registered to vote in person—a rule which is often an effective bar to getting an absentee ballot.

Apart from these glaring exceptions, the States have tried to facilitate the voting of members of armed services in general elections.

In Atlantic County, applications for absentee ballots reached a new high in the 1960 presidential election year when nearly three times the average yearly number were processed. The absentee voters were calculated at approximately 5 percent of the total number of registered voters in the county at that time. Included, however, were registered eligible absentee voters such as service wives away from home, pregnant women, physically disabled and persons away at colleges.

The interest shown by GI's has been surprisingly good, considering that many are young, have little political identification, embrace the tradition of aloofness from civilian politics and are removed from the immediacy of local issues and candidates. In the 1960 election, 736,000 servicemen and servicewomen cast absentee ballots out of a total of 1.8 million eligible by age to cast a vote.

Although the services will urge voting as a civic duty, servicemen must find out about candidates and issues on their own. The experience of Maj. Gen. Edwin A. Walker, commander of the 24th Division in Germany in 1960, has made the military cautious of anything that could be construed as an effort to influence votes. The most that can be done is to make available addresses of nonpartisan groups—such as the League of Women Voters—to which the serviceman can write for information.

Mr. WILLIAMS of New Jersey. The editorial states that in the 1960 election, 736,000 servicemen and servicewomen cast absentee ballots. All of us recall that that election was decided by 118,000 votes.

I think that for the rest of my life my vote for the bill will be one of the most important votes I have ever cast in the Senate. I, too, applaud the distinguished senior Senator from Texas.

Mr. YARBOROUGH. I thank the distinguished Senator from New Jersey for the outstanding contribution he has made to this subject, and for the remarks he has made about me, which are overgenerous. I commend him principally for the information he has given the Senate about education.

I have observed that the service of the distinguished Senator from New Jersey in behalf of the cause of education covers the whole spectrum. He is a member of the Committee on Labor and Public Welfare, and has rendered notable service in the field of education as a whole. He has introduced a bill for the education of the children of migratory farm labor, children who are growing up in illiteracy. He has prepared a formula under which the Government will pay the school districts into which the children of migrant workers go, especially in the rural areas which are without the resources to educate such children. Under the leadership of the Senator from New Jersey, we shall see developed a program which will provide that the children of migrant farm labor will not in the future grow up in illiteracy.

So it can be said that the Senator from New Jersey has supported education at all levels, thereby rendering a high grade of public service to the American people. Here, as in other fields, he is helping with an act of justice. It is time that we pay back a debt we owe our service personnel by giving them an opportunity to readjust and return to the mainstream of American life.

Mr. WILLIAMS of New Jersey. I am most grateful to the Senator from Texas for his comments about me. I can only hope that I will have the strength to work with persistence on behalf of the education of the children of migratory workers equal to that of the Senator from Texas in behalf of servicemen and servicewomen.

Mr. JAVITS. Mr. President, will the Senator from Texas yield?

Mr. YARBOROUGH. I yield to the distinguished Senator from New York.

Mr. JAVITS. From page 38 to page 41 of the bill there are various criteria with respect to the bill itself and the qualifications of educational institutions. The Senator is well aware of the problem of admissions, which may be conditioned in a discriminatory way as respects creed and color, and in some areas, the South, for example, it has been impossible to make any progress on that score. What would the Senator think about including a nondiscrimination criterion among those which are specified in the bill?

Mr. YARBOROUGH. The bill provides aid to the students rather than to the institution. This has never been a problem under GI education. The money would be paid directly to the student, and he can take the money and pick the school of his choice. He may pick the best one in the Nation, if he wishes to do so. So this would not be like paying money directly to the school district itself and then letting the school say whether it will or will not admit the student. In this instance, the student would have the option and could choose the school. The Veterans' Administration has never had any difficulty in the administration of the GI education program.

If the Senator from New York wishes to give the underprivileged of this country a chance, they will get such a chance under this bill. When we consider the number of men drafted annually—and this has been testified to by representatives of the Department of Defense—those who stay in the service the longest are those who do not have money. The man who has enough money to stay in college is not drafted. In World War II, he had to make high grades. However, now if he can hang on by the skin of his teeth, with straight D's, he does not have to stop his education. If he gets past the magic age of 26, he does not have to serve. If he is married and has children, he does not have to serve. It is the people who have the least money who are drafted and serve.

The underprivileged of the country, those who have had very little schooling, get in under the GI bill. Hundreds of thousands of people went to school under the GI bill who came from families no member of which had ever been in college before in any generation of that family's life. The GI bill has opened a whole new era of education. It has opened up a new age of education for more families in America than any educational bill ever before passed.

If the able Senator from New York wishes to help the underprivileged of this country, this is the bill by which to do it. The criterion is whether the young people wear the uniform of their country and serve their time.

To offer a provision such as the Senator suggests would create difficulty. He knows the difficulty which would result, the snafu or snarl which would result, so that the bill would not get past the Committee on Rules of the House, and so go down the drain.

Mr. JAVITS. I do not think any of us needs to stand still for any idea that because he asks a question it means that he is against the bill or expects to offer an amendment. I asked the Senator a question. The Senator need not answer it if he does not wish to do so. The Senator should not tell me that I am offering an amendment to the bill. He does not know whether I will offer one or will not. Neither does he know whether it would be adopted or not.

The Senator mentioned the qualifications under the title "State Approving Agency," so I asked the Senator whether he thought it would be appropriate to include a qualification that the institution which qualified would not engage in a discriminatory policy. I understand the Senator's answer to that question to be "no"; that he does not think any such provision is necessary because he believes that the money will be paid to the individual and that the individual person will spend that money as he pleases; and that this statement is based upon the experience of the Veterans' Administration, which does not think that such a provision as I have suggested is necessary. All right; that is an answer.

Another question: the Senator made a comparison between the GI's who served in the war and those who serve in peacetime. I did, too, so did the Senator from Texas; so did many other Members of the Senate. There is one thing that troubles me about that, and I should like to have the Senator's explanation. It is necessary to his bill.

The Department of Defense or the Legislative Reference Service, as appears in one of the recitals in the report, says that a peacetime serviceman serves very largely in civilian occupations; that he gets paid, in their judgment, civilian rates of pay; that he has the comforts, very largely, of a civilian; and that he serves for a stated period of time, so that he may make his plans for life. Therefore, there are great distinctions as between a World War II GI, who benefited from the GI bill, and a peacetime GI, who the Senator wishes to benefit now.

I think these are legitimate, authentic points, and I think I am just as much as any other Member of this body, a friend of the man who does not have much, economically speaking. But I am also here to consider my State, which pays more than 19 percent of the Federal taxes. This is a very expensive bill. So if the Senator chooses, perhaps he would enlighten us as to this argument and his judgment about it, which I am deeply interested in hearing.

Mr. YARBOROUGH. I appreciate the question asked by the distinguished Senator from New York. He has asked not only my answer, but also my judgment. I consider that a compliment.

Mr. JAVITS. I thank the Senator from Texas. I respect him for his judgment.

Mr. YARBOROUGH. The distinguished Senator from New York serves on the Committee on Labor and Public Welfare. He is a diligent attendant at meetings of the committee and a careful student of all the proposed legislation which comes before it.

In response to the Senator's inquiry, I refer him to page 326 of the hearings. There he will find the pay scale of the military enlisted personnel. Those having less than 2 years' service, under pay grade E-1, get $83.20 a month. I think the Senator would have his own answer as to whether the pay is comparable to civilian pay scales.

Mr. JAVITS. Plus complete maintenance, medication, and everything else. I can see that this man is probably necessary; I merely think the RECORD should be clear as to what we are talking about.

Mr. YARBOROUGH. Madam President, I ask unanimous consent to have the tables on page 326 of the hearings printed at this point in the RECORD.

There being no objection, the tables were ordered to be printed in the RECORD, as follows:

TABLE 8.—*Post-Korean conflict ex-service men*[1] *and women in civil life, Dec. 31, 1960—State of residence*[2]

[In thousands]

Residence	Number
All places, total	1,571
United States	1,549
Alabama	25
Alaska	2
Arizona	11
Arkansas	15
California	119
Colorado	16
Connecticut	24
Delaware	3
District of Columbia	8
Florida	35
Georgia	33
Hawaii	7
Idaho	8
Illinois	85
Indiana	41
Iowa	27
Kansas	17
Kentucky	28
Louisiana	28
Maine	13
Maryland	25
Massachusetts	46
Michigan	72
Minnesota	33
Mississippi	16
Missouri	39
Montana	5
Nebraska	16
Nevada	3
New Hampshire	5
New Jersey	49
New Mexico	8
New York	137
North Carolina	38
North Dakota	7
Ohio	80
Oklahoma	24
Oregon	17
Pennsylvania	110
Rhode Island	6
South Carolina	20
South Dakota	5
Tennessee	31
Texas	79
Utah	8
Vermont	3
Virginia	31
Washington	27
West Virginia	25
Wisconsin	36
Wyoming	3
Outside United States	22

[1] Excludes men whose only service was under the 6-month Reserve training program.

[2] Based on "permanent address after discharge" as recorded at time of separation.

Selected basic pay data, military enlisted personnel

Pay grade	Years of service			
	Under 2 years	Over 2 years	Over 3 years	Over 4 years
E-5	$145.24	$180	$180	$205
E-4	122.30	150	160	170
E-3	90.37	124	124	141
E-2	85.80	108	108	108
E-1	83.20	105	105	105
E-1 (under 4 months)	78.00			

Mr. YARBOROUGH. At this time the average factory worker in the United States earns approximately $90 a week. The military pay scale is set forth in the hearings, which are available to the distinguished Senator from New York, and the military pay scale is in monthly salaries.

Personally, I have never known an enlisted man who had served from 1 to 5 years to return to civilian life with any money saved up. That is why mustering-out pay has been provided in the other bills—to enable them to buy bread for the first several months after they leave the service.

The argument—made either by the Defense Department or by someone else—that those who have served learn trades while they are in the service and therefore do not need further training after they leave the service is entirely erroneous, because the record shows that in certain areas more than 35 percent of the veterans have been unemployed. While they serve in the Armed Forces, they learn how to handle weapons of warfare, but that training does not train them for civilian occupations. As a result, when they leave the armed services, many are not able to obtain civilian employment.

The Bradley Commission made a study of this situation; and in that connection I wish to read from page 277 of the hearings. In the hearings, we find excerpts from that report, commencing on page 269 of the committee hearings. I read the following from page 277:

> III. OPPORTUNITIES FOR TRAINING OR OCCUPATIONAL EXPERIENCE WHILE IN SERVICE
>
> Both the Commission's Final Report and the Staff Report on post-Korean veterans considered the question of how the need for readjustment assistance and the extent of the Government's obligation are affected by the servicemen's opportunities for work experience and training while in the Armed Forces. Although the data available to the Commission are subject to various interpretations, they indicate that such opportunities can be useful to a minority of post-Korean veterans, but that in the overwhelming majority of cases they cannot be expected fully to offset the interruption of education or civilian work experience during military service.
>
> After noting that there has been a trend toward having an increased percentage of military personnel in "civilian-type occupations," the Commission's report points out that the value of such experience in later civilian life has several limitations (Final Report, pp. 326–327).
>
> "2. In some of the occupational specialties closely comparable to civilian jobs (electronics, aircraft mechanics, and so forth) there is a high civilian demand. For many of the occupational specialties, however, the civilian labor demand is relatively low, including the large administrative and clerical group and the seamen who constitute most of the Navy's lower enlisted grades.
>
> "3. About half of the enlisted men in 1954 were in occupations closely comparable to civilian jobs where there was a moderate to high civilian labor demand. The other half were in occupational specialties with no civilian counterpart or where there was no significant civilian labor demand.
>
> "4. It is likely that many ex-servicemen simply will not want to follow the occupation to which they were assigned while in the service. Moreover, inductees and first-term enlistees will undoubtedly be in the lower skill levels of the various occupational groups and hence will be less 'salable' in the job market. They are probaby more highly concentrated in the military-type and low civilian demand groups in the Army, and they are unquestionably concentrated in the military-type groups, for which there is little civilian labor demand, in the Navy."

Mr. JAVITS. Does the Senator from Texas also realize that the Bradley Commission report did not recommend these peacetime GI benefits?

Mr. YARBOROUGH. That is true. But since the Senator from New York has asked this question, I point out that on an employment and retraining basis, such training is most important. Of course, the distinguished Senator from New York has great knowledge of this subject, for he is on the committee which has been dealing with the manpower bill and with various bills in regard to types of dislocation of labor; and he knows that the need for new skills is one of the great needs in connection with the development of full employment for manpower in our country.

Mr. JAVITS. When these veterans leave the service they are not nearly as employable as they were before they entered it, are they?

Mr. YARBOROUGH. That is very true; and it is shown by the fact that, despite their youth and their physical vigor and their good minds, they have the highest unemployment rate of all groups in the country.

I should like to point out that only approximately 50 percent of the veterans have taken training under GI bills each time it has been made available to them. We do not know whether the 50 percent who did not take it lacked ambition or just what was their reason for not taking the training. However, we do know that only 50 percent of the veterans have actually gone ahead with such training.

This training is no bed of roses. The figures show that 80 percent of those who go to college under the GI bills work at the same time—for these benefits do not pay their way through college—or else their wives work, or else they borrow money from funds that the colleges know about. Only 20 percent of the GI's who go to college subsist on the GI bill payments alone, or perhaps receive help from their parents. Most colleges do not have records in regard to those who receive help from their parents, but the colleges do have records on these other types.

Mr. JAVITS. Madam President, will the Senator from Texas yield briefly at this point?

Mr. YARBOROUGH. I yield.

Mr. JAVITS. I am sorry to have taken this much of the Senator's time.

Mr. YARBOROUGH. Oh, no; I appreciate the fact that the distinguished Senator from New York has asked these cogent questions which deal with the very heart of this matter, and I hope he will help us on this bill. He supports much legislation dealing with education and retraining, and he is greatly interested in all matters affecting labor. I regret that my answer to his first question was not exactly germane to part of it, because I know he is very much interested in these matters; and I urge him to support us actively in connection with this measure.

Mr. JAVITS. Let me say that I join my colleagues in registering real alarm because of the fact that the higher education bill has been allowed to die on the vine, after having been passed by both the House and the Senate, and then going to conference, where it now is. I am one of the conferees, and so is the Senator from Texas. I think it is shocking that that bill is still in conference, and that the press confidently predicts it will "go down the drain" and never will become law.

So I can understand the Senator's feeling about the bill now before the Senate, when he contemplates these essential needs, which must be fulfilled in the national interest, and when he realizes that the higher education bill is regarded by some as being dead, although it has been passed by both Houses and although the President says it is one of his "must" bills. Obviously, this situation would drive one to favor alternatives, even if one did not like them so much.

But I point out that under the pending bill there is not to be the selectivity that there will be under the higher education bill. In other words, the pending bill deals with an enormous mass of veterans who serve a relatively short period of time, whereas during World War II most of the periods of service were for from 4 to 5 years. Both the Senator from Texas and I served in that war; and although I was a staff officer, and did not serve as a foxhole private, yet that service was not so easy, either.

But regardless of whether these young men have talents which are adaptable to service in the national interest, Congress would be providing them with training in the educational field, which already is rather crowded, and also would be giving them preference, by providing Government help, over the talented ones and meritorious ones whom we were trying to reach by means of the higher education bill.

My question is whether we are justified in doing this out of our sense of frustration and disgust because of the apparent failure, so far, of the legislative process in connection with the higher education bill.

Mr. YARBOROUGH. No; the pending bill is not offered because of a sense of disgust or frustration. It was passed by the Senate in 1959; and I believe the distinguished Senator from New York voted for it then.

Mr. JAVITS. Yes, I did.

Mr. YARBOROUGH. The Senate passed the bill then, and that was before the higher education bill had made the progress it has now made.

I wish to say that I have not given up my advocacy of the higher education bill; I have not surrendered. I am hopeful that further conferences will be held and that some higher education bill will be enacted into law.

But the distinguished Senator from New York knows that the House did not include in its version of the bill provision for a single scholarship. The House bill, even if it should pass, would not provide for one single scholarship. If the Senate bill on scholarships passes, it will provide for about 28,000 a year, a mere handful. I think it is important that legislation be enacted for the benefit of brilliant students. With the Russians graduating 108,000 engineers to our 37,000 in only one category, we see that even with the good that would come from the bill relating to 28,000 gifted students, which is now snagged in conference, we still have not met this problem. We have not extended education as broadly as it ought to be extended, even if we pass this bill and the higher education bill.

Experience shows that which number 45 percent of the whole of those drafted only one-half go to school. It means that in that category 22½ percent of adult males who would go to school under the bill. The figures show that two men go to college for every one woman in America. Only one woman gets to college for every two men. That is what the women are protesting so much about. When it comes to higher education, the women get the worst of it because if a family consists of several children and the family can afford to send only one of them to college, the normal thing is to select a boy to go. The women feel that they ought to have an opportunity.

If we could place 22½ percent of the young men in school—and that is all that is provided under the bill—they would not all go only to college; the 22½ percent relates to education. Of the 7,800,000 World War II veterans who took training under the GI bill, 29 percent went to college and 71 percent received on-the-job training, high school education, other types of training or vocational education.

In the Korean conflict there was a more select group. In World War II there were both young and old in all categories, but in the Korean conflict the soldiers were a group in the prime of life. Nearly 50 percent went to school under the GI bill, and of that number 51 percent went to college and 49 percent took vocational, on-the-job training, high school training or education preparatory to college, and other types of training.

After all, the maximum education any veteran could receive under this bill would be 3 years. That would not put him through college. It would give him a start, an initial push, so that if he is good for a year or two, he has an opportunity for scholarships, and other kinds of assistance, to help him get through college.

The Senator from New York raised the question as to whether or not we are really getting the top quality in the country in colleges. Testimony from university deans of admissions and presidents shows that in any large group going to college, the highest grades have been made by the military veteran student. After a year or two of military service, there are not many boondogglers. They knuckle down and get to work. The dean of Penn State testified that monitors are placed in the dormitories to keep order. Veterans were not selected merely because they were veterans. Each man was studied for the most competence and capability, and it was found that 33 of 36 of the monitors were veterans.

The dean of admissions of Penn State, at University Park, Pa., also testified that the disciplinary problems among nonveteran males amounted to 4 or 5 percent of the students, but for veterans I believe it was less than 1 percent, perhaps less than one-half of 1 percent. At any rate, it was less than 1 percent.

Whether or not those veteran students had the most native ability, they show that by diligence, after having military service, they show the greatest ability of any group in college.

The proof of the pudding is in the eating; these veterans are scholastically at the top of their class. We are not only registering them and giving us an opportunity to pay them a debt society owes them, but we are also helping to make some of the best citizens and leaders for the future in this Nation.

The number of GI's who took training under the GI bill has proved how well they have used such training. Also, as shown in the testimony by deans of admissions of colleges, we are also getting the most stable students. Deans and presidents have testified that veterans are now bringing to the college campus a seriousness which did not exist before. The veterans are older, and by reason of the example of their own hard study, other students are studying harder.

Mr. JAVITS. Madam President, will the Senator yield?

Mr. YARBOROUGH. I yield.

Mr. JAVITS. What is the Senator's expectation of getting action on this bill in our distinguished and sister body?

Mr. YARBOROUGH. We were very much disappointed in the other Congress because the Senate passed the bill and it languished and failed in the House. Some statements at least purported to have come from positions of leadership on the other side as in opposition to this veterans' legislation in the past.

However, there is a bill pending in the Veterans' Affairs Committee, introduced by Representative OLIN TEAGUE, on this subject. It does not go as far as this measure in the Senate, but in the past year, since this bill came before us, he has said several times that he does not oppose this type of legislation. That situation did not exist back in 1959.

I do not want to try to state what my fellow Texan's position in the House is. Although he has not said that he was for it, he has said that he is not opposed to legislation of this type.

Mr. COOPER. Madam President, will the Senator yield?

Mr. YARBOROUGH. I yield.

Mr. COOPER. In 1959, the Senator remembers, I was a member of the Committee on Labor and Public Welfare, along with the Senator from New York [Mr. JAVITS] and the Senator from Arizona [Mr. GOLDWATER] both of whom have just spoken. A bill was reported to the Senate that year. In committee, I voted against it. President Kennedy, who was then a member of the committee, voted against it.

When the bill came to the floor, I offered an amendment on behalf of myself, and Senators Kennedy, Javits, Prouty, Case of New Jersey, and Thurmond. The effect of my amendment was to provide that the benefits should be extended through loans rather than grants. I do not know what the position of the President of the United States is now, but I know that in 1959 he voted against the bill in committee. He joined me in offering an amendment to extend benefits on a loan basis. I do not know whether he has changed his view.

My amendment was further amended on the floor by an amendment offered by the Senator from Louisiana [Mr. LONG], in which, as I remember, he provided a measure of forgiveness of the loans, if veterans in their studies met certain requirements.

Because of the inquiries of the Senator from Ohio [Mr. LAUSCHE], I wanted to call attention to the fact that in 1959 the President of the United States opposed the bill in the full committee and joined with me in an amendment to extend educational benefits on a loan rather than a grant basis.

Mr. YARBOROUGH. When it was bogged down in the Veterans' Affairs Subcommittee by a vote of 2 to 2, President Kennedy cast the deciding vote to bring it out.

Mr. LAUSCHE. Madam President, will the Senator yield?

Mr. YARBOROUGH. I yield.

Mr. LAUSCHE. Am I correct in my understanding that veterans who served between World War I and World War II were granted no such benefits as contemplated by the bill?

Mr. YARBOROUGH. No. There was no draft and there was merely a cadre of regular Army dedicated soldiers, most of whom were career men.

Mr. LAUSCHE. That situation prevailed with respect to the men and women who served following World War II up to the Korean conflict?

Mr. YARBOROUGH. In certain respects; yes.

Mr. LAUSCHE. Am I correct in my understanding that never in the history of our country have there been benefits of this type paid to veterans who served in peacetime?

Mr. YARBOROUGH. No. The distinguished Senator is not correct in that statement.

Mr. LAUSCHE. There was one instance when young men and women served in what was called peacetime, but they were actually engaged in a conflict.

Mr. YARBOROUGH. No; I am not referring to the Korean conflict. I am referring to the period of time after the truce was negotiated in October of 1953, from then until January of 1955, when there was a full GI veterans bill, with more benefits than this bill would provide.

President Eisenhower finally ended the benefits by Presidential proclamation January 31, 1955. That is the point at which this bill would pick up. There was a period of about 16 months when full benefits were provided in a nonshooting war period and those were far broader than the benefits under the pending bill.

Mr. LAUSCHE. Is it not a fact that it has been the tradition and the belief in our country that service to the Government as a military man is an honor and a privilege, and that in peacetime there never have been compensations of this type, except, probably, in the period of a year and a half from 1953 to 1955?

Mr. YARBOROUGH. It has been a tradition, also, that we were not a military people. It has been a tradition that we did not have the draft, like the monarchies in Europe have used. We are a peace-loving people. We have not had a $50 billion military budget before.

I say to the distinguished Senator from Ohio I think that if we can spend $50 billion or $51 billion for military expenditures and the AEC and other things for defense, certainly we can spend as much as $300 million a year in order to adjust these servicemen when they come back to civilian life.

I do not call it peacetime when our fellow Americans are being shot down in helicopters in Vietnam.

Soldiers and sailors and airmen are being shot on boats and in planes all around the perimeter of the free world. This has been going on now for 15 years.

Some of our servicemen have been sitting in the arctic wastes. That was not done before World War II. Our servicemen have been sitting out in the Libyan deserts at listening stations. Many of them who are now serving in the deserts and in the arctic wastes are performing more rugged service than millions of those who served stateside in World War II. There was not then a difference under the GI bill as between oversea service and domestic service. Service in World War II included all military service, and millions of servicemen and women never got out of the United States, but they were entitled to all the benefits provided.

This is not to be a bonus, I say to the Senator from Ohio. This is to provide for readjustment. This is to readjust our servicemen so that they may enter civilian life again and not be a drag on the economy, so as not to cost the $80 million a year which we are now paying out to veterans in unemployment benefits. This GI bill will make it possible for them to earn money and to pay taxes and to add to the economy.

Mr. LAUSCHE. I understand the intent. What is to be the termination date of effectiveness?

Mr. YARBOROUGH. July 1963.

Mr. LAUSCHE. Why has that date been chosen?

Mr. YARBOROUGH. Because that is the date when the draft is to end. This is to have a termination date the same as the draft. It is only to be provided because we do have a draft. If these men were all volunteers, we would not need to pass the bill. The situation is different from the situation the Senator pointed to, in the 1930's. There was no draft then. The men served in the regular forces and were all volunteers, career men.

Mr. LAUSCHE. I should like to direct the Senator's attention to a letter of May 4, 1961, shown on page 26 of the hearings, from the General Counsel of the Department of Defense opposing the passage of the bill. Are we to infer that the Department of Defense, contrary to the wishes of the President, opposed the bill?

Mr. YARBOROUGH. The Department of Defense opposed it in 1959. The Department of Defense opposed it in 1961. So far as I know, the Department of Defense has always opposed it.

Mr. LAUSCHE. The question is whether we are to infer that the Department of Defense, contrary to the wishes of the President, opposed this bill.

Mr. YARBOROUGH. I think the distinguished Senator from Ohio has been a Member of the Senate longer than I have.

Mr. LAUSCHE. Very well.

Mr. YARBOROUGH. The Senator can make such inferences as he pleases. I do not think the President of the United States is opposed to this bill. If he were, I do not think we would be debating it. I do not think the leadership would give it priority over other bills if the President were against it.

Mr. LAUSCHE. There is also a letter shown in the hearings, written by the Bureau of the Budget, which likewise opposes the bill. Are we to infer that that Bureau wrote the letter contrary to the wishes of the President?

Mr. YARBOROUGH. That is a matter of personal inference. The Senator may draw whatever inference he wishes to draw.

Mr. LAUSCHE. Very well.

Mr. YARBOROUGH. I am not drawing that inference.

Mr. LAUSCHE. There was also a letter from the Office of the Administrator of Veterans' Affairs, of the Veterans' Administration. I put the same question: Are we to deduce that the Veterans' Administration, contrary to the wishes of the President, wrote a letter opposing passage of the bill?

Mr. YARBOROUGH. I will take the record as it is.

Mr. LAUSCHE. Very well.

Mr. YARBOROUGH. I am taking the need for this bill as proved by indisputable facts, as shown in the records of the country. I think we ought to go on the records of the country as to what the needs of the country are, rather than on an inference as to what somebody might have thought or might have said.

Mr. LAUSCHE. I think mention was made by the Senator from Texas about what the President's Commission on Veterans' Pensions had to say. I call the Senator's attention to page 26 of the hearings, to an excerpt from the letter written by the Department of Defense:

> The question of providing benefits of the type contemplated by S. 349 to peacetime veterans of the military service was one of the major topics of consideration of the President's Commission on Veterans' Pensions, established in 1955 with Gen. Omar N. Bradley as chairman. That Commission in its final report to the President on April 23, 1956, concluded that, in view of the changed character of our national military responsibilities for the forseeable future, peacetime veterans should not be provided benefits such as were provided to veterans of World War II and the Korean conflict.

The finding by the Commission on Veterans' Pensions, headed by Gen. Omar Bradley, is used by the Kennedy administration to say, "We do not favor this bill." I wish the Senator from Texas would explain this rather paradoxical position.

Mr. YARBOROUGH. The Senator from Ohio may not have been in the Chamber at the time, but we have already put what the Commission said into the RECORD, from page 277 of the hearings. The facts the Commission found as facts did not support its opinion, given at the end.

I hear the word "peacetime" used only when we are asked to deal with veterans' education. I do not hear anyone talking about peacetime with respect to the fact that we have a $49 billion budget for defense. I do not hear anybody talking about peacetime with respect to the fact that we have provided large sums of money, billions of dollars, for space exploration. I do not hear anybody talking about peacetime with respect to the fact that we are providing nearly $2 billion for the atomic energy program—or at least a billion and more.

If we should add all of those figures together, we would have a figure of nearly $60 billion, and I do not hear anybody talking about peacetime in respect to that Defense budget.

Why should we say that this is peacetime with respect to $300 million for education and readjustment and training for veterans, yet call it a cold war for everything else?

It is either a cold war for all, or it is not a cold war for anyone. It is either peacetime for all, or not peacetime for one class only. Let us put them all on the same plane.

I do not agree with the Senator that we are now in peacetime. If we were, I do not think our helicopters would be shot down in South Vietnam. If this were ordinary peacetime, I do not think our forces would be deployed along the perimeter of the free world. It certainly is not the normal peacetime such as we had in 1930's, about which the Senator asked, when there was a small force of regular Army personnel and when the world was at peace.

This is a cold war in which we are engaged. It has erupted into a hot war in lots of spots.

There have been other hot wars engaged in by our country, but the boys who are presently serving are the ones who are in the hot phases of this cold war in which we are now engaged.

I do not think this is comparable to peacetime at all.

Mr. LAUSCHE. I should like to ask the Senator whether the American Legion has approved the bill.

Mr. YARBOROUGH. The American Legion took no position on it one way or the other.

Mr. LAUSCHE. Is that not rather significant?

Mr. YARBOROUGH. No; I do not think it is. I have talked to their representatives. The membership of the American Legion is an older group of men, who are interested in other things.

There were other bills in which they were more interested.

So far as I know, every other veterans' organization has approved the bill, though not at every convention each year.

I think the rank-and-file members of the Legion are in favor of the bill. I am a member of the American Legion. I get letters from the rank-and-file members. I think the rank-and-file members of the American Legion are for the bill overwhelmingly. I say that as my opinion, as a member of the American Legion.

Mr. LAUSCHE. The Senator knows that I am a veteran of World War I. I believe I can frankly say that we want to do everything reasonable to help veterans. However, over and above help to veterans, I wish to make sure that in what I do I am serving my country. Frankly, I begin to doubt the wisdom of what we are asked to do when the seed is sown by our statement, "Young man, you need not serve your country unless you are to be rewarded fully in peacetime on the same basis as you are in wartime."

At a meeting on Wednesday, attended by the Senator from Wisconsin [Mr. WILEY] and the Senator from Texas [Mr. YARBOROUGH], I read excerpts from a book concerning the war between the Romans and the Germans. The Germans were barbarians north of the Rhine and Danube. The Romans were the cultured people. When the war began it was assumed that the barbarians would not have a chance, but that the Romans, with their military strength and wealth, would conquer.

However, there was a difference in the life of the people across the Danube. They were vigorous. They served their group. They were willing to sacrifice. When the war was fought, to the great consternation and surprise of the Romans, the barbarians won and the Romans went down to defeat.

In the description of that battle the historian Creasy pointed out that Rome could not get its youth to serve its country in the military. Only by compulsion of the cruelest type could they get a modicum of youth into the military service.

I call upon my fellow Americans to begin to ponder whether, through what is sought to be done in the Congress, we are not abandoning a policy of more than 150 years in our country. I wonder if we are not going to sow the seed by which we would give the attitude to the youth that they should forget their inherent obligations to their country.

I recognize that we have men who are called and men who are not called up. But the men who are not called frequently are physically disabled. They are not to be benefited at all. The others are to be benefited.

I recognize that the Senator from Texas is very sincere. I admire him. I know of the candidness of his approach. On this item I am willing to go along with a provision to make loans to veterans, as we did in 1959, as pointed out by the Senator from Kentucky [Mr. COOPER].

I ask the Senator from Kentucky whether President Kennedy at that time supported us in the amendment.

Mr. COOPER. Madam President, will the Senator yield?

Mr. YARBOROUGH. Madam President, if the Senator has concluded, I should like to answer his question.

Mr. LAUSCHE. Madam President, I merely wished that part of my question answered by the Senator from Kentucky.

The PRESIDING OFFICER. Does the Senator from Texas yield to the Senator from Kentucky?

Mr. YARBOROUGH. Madam President, I yield the floor.

Mr. COOPER. At the time, I was a member of the Committee on Labor and Public Welfare. The bill was considered by the committee, and President Kennedy, then a member of the committee, opposed the measure in the committee and voted for my motion to change the grants to loans. Then when the bill came to the floor of the Senate, I offered an amendment providing a system of loans rather than a system of grants. President Kennedy joined me in the amendment.

In the Senate the Senator from Louisiana [Mr. LONG] offered an amendment to my substitute amendment. It was a combination grant-loan proposal, and the RECORD shows that the then Senator Kennedy voted for it. I know that he voted for my amendment in committee, and in the Senate he joined in the amendment, which I intend to offer again today, to make the program a loan program.

Mr. LAUSCHE. Madam President, I supported the Senator from Kentucky in his proposal to change the provisions of the bill so that a grant program would be established instead of a loan program. My recollection is that we did not succeed. Am I correct?

Mr. COOPER. The Senator from Louisiana [Mr. LONG] offered an amendment which modified my amendment. His amendment modifying my amendment was agreed to—it is correct that we did not succeed in securing adoption of my original amendment.

Mr. LAUSCHE. Madam President, I shall concude. It is a simple thing to vote for a bill. It is easy to speak in behalf of it. Sentiments and emotions will be in the direction of supporting the measure. But, as far as I am concerned, in the rendition of service to my country, on the basis of the oath that I took as a Senator and on the basis of what I believe as a citizen is my obligation, I will be rendering the best service possible for the youth of my country and for its security by making certain that we do not wash ourselves down the drain by abandoning our traditional approach in treating our wartime veterans on a more liberal basis than we do those who serve in a time of peace.

Mr. GOLDWATER. Madam President, I wish to make a few remarks at this point in order to keep the record straight. We hear the argument by the proponents of the bill that Russia has been graduating more scientists and engineers than we have. Therefore it is necessary for us to provide peacetime GI benefits.

I have heard that argument used on every education bill that has come through this body since I have been here. I think it is time that we look the facts in the face. I do not care how many education bills we pass here. We will still not induce young men to go into engineering and science. The problem is some place outside this body. It is some place outside the GI or the young man.

A number of years ago we passed the National Defense Education Act. At that time the whole argument was based upon the fact that we were lagging behind Russia and had to give fellowships so that we could get more teachers of science.

The first report that was submitted on the National Defense Education Act shows some rather surprising figures that I wish to put into the record at this time.

Of the first 3,840 fellowships given under the National Defense Education Act—an act passed to provide us with better and more trained scientists—we find slightly more than 700 out of that 3,800 taking fellowships in science and engineering. In fact, at that time there were only 3 students in nuclear engineering, only 12 in aeronautical engineering, including missiles and aircraft, 72 in mechanical engineering, 78 in electrical engineering, 65 in civil engineering, and 70 in chemical engineering.

In the other sciences—the physical sciences, mathematics, and astronomy—a most important subject, for without the knowledge of astronomy we could go no place in space or in missilry—there were only 24 fellowships. There were 186 in chemistry.

I point that out to try to debunk the idea that the bill would flood the market with trained scientists and engineers. The plain truth of the matter is that our young people, through their own choice, are not going into those fields.

I had two sons graduate from college this year. I attended both graduation exercises. I was appalled by the small number of the graduating class representing the engineering schools. This was the most graphic demonstration that I ever sat through. Of 1,400 graduates last year, I would say that only 5 percent came up for degrees in engineering.

Now let us look on the other side of the coin. The National Defense Education Act would never have been passed without the words "national defense" in it. Here we are listening to the same arguments. We are told that we must pass this bill because we are behind the Russians.

We have had some amusing fellowships awarded to help in the scientific field, 2,794 fellowships were in the humanities. I have nothing against the humanities. I believe that a study of the liberal arts is very essential in an educated person. However, when I hear the argument made by people that this money is going to be used by the GI's of the peacetime variety to go into science, that is just so much bunk.

Mr. ALLOTT. Madam President, will the Senator yield?

Mr. GOLDWATER. I yield.

Mr. ALLOTT. The distinguished Senator from Arizona was present in those hearings, as I recall. Is there any question in his mind that if the bill had been brought to the floor or to the committee on the basis that fellowships were to be granted in the humanities rather than in the sciences and in mathematics, it would have been approved or passed?

Mr. GOLDWATER. No; I say to the Senator from Colorado that it would not have been passed. In fact, one reason it did pass was that it had "national defense" in it. I recall that in the debate I pointed out that, of 21 bills introduced with the "national defense" label on them, 19 passed. I doubt that any one of them would have passed if it had not had attached to it the national defense description.

Mr. ALLOTT. Madam President, will the Senator yield further?

Mr. GOLDWATER. I yield.

Mr. ALLOTT. I was one of those who supported the National Defense Education Act. I am sure the Senator is aware of that fact. I made several speeches in support of it on the floor. I did so because I thought we were doing something to develop the interest of our people in science and mathematics. Now the figures that the Senator has given prove that there has been a perversion of this act. Less than one-fifth of the fellowships granted, or about 700 out of 3,800, have actually been used for purposes which the sponsors of the bill, the Senator from Alabama and I and other Senators, represented to the Senate at that time. Is that not true?

Mr. GOLDWATER. The Senator is absolutely correct. I tried to convince my good friend from Colorado that he was in error at that time, but I was unable to do so. I did my best to convince the Senator that this would happen. Perhaps the Senator would be interested in some of the places to which these fellowships have gone under the guise of national defense. For example, there is folklore. We must have that to get ahead in this world. Thirteen fellowships were awarded in folklore. We are always talking about the separation of church and state. These are theological fellowships. Religion accounts for 39. I do not know how we have existed for 186 years without Buddhist studies being taught by our schools. Four fellowships were awarded in Buddhist studies.

Another field is sociological studies of foreign areas. Now we are really getting somewhere in science. There were 108 scholarships in that subject.

I could go on for a long time reading this list. However, I point out that the argument that the GI peacetime bill will be used to produce engineers or scientists does not hold water. We must in some way encourage our young people to go into engineering and science. I do not know how to do it. I have two sons. One of them wants to be a lawyer. I do not know what is wrong with him. The other, I believe, wants to be a merchant. I wish both of them would become engineers. It is not so much a question of what we do about producing engineers as what we do to encourage young people to get into that field.

To get along with this subject, because I know other Senators wish to speak on this subject, the service of these young men in peacetime, or cold war, or whatever we want to call it, is entirely different from the wartime draft. The same considerations do not exist for affording benefits to this group comparable to the benefits afforded to wartime GI's.

Why do I say that? In the report from the Bureau of the Budget it is pointed out that young men under the age of 22 have not been drafted for some time. In fact, the average draft age today is about 23. A young man 23 years of age is about to finish college. That is not true in every case, but 23 is the average age. That young man is either in his junior year or is finishing his senior year. Without exception these young men are deferred. This is not the case of a boy being taken into the service at the age of 19 or 20, his whole life being disrupted and he actually being torn away from his home, to go into combat or into training for combat, with the service extending over 3 or 4 or 5 or even 6 years. In this case the young man, if he is in college, can obtain deferment, and therefore this young man's life will not be disrupted. We are discussing a bill which would not give much benefit to anyone. The average boy, if he wants to go through college, either by virtue of his parent's ability to send him to college or his own ability to work his way through college, will have already taken care of that need.

The draft is decreasing. In 1960 only 90,000 men were drafted. I do not know what the figure is for 1961, but it is much smaller than that.

As I pointed out earlier, not one bureau of the Government has approved this bill. We have had no word from anyone near the White House or in the executive branch who favors this bill. I do not argue that we should always legislate according to the wishes of the bureaus, but Senators depend very heavily upon what the bureaus think about proposed legislation on which we are working. In view of that fact alone I believe we should vote "no" on this particular piece of legislation.

There is another argument that I should like to use against the bill. One of the biggest problems of the military—and it has been with them for a long time, although the situation has improved somewhat, but not enough—is what I call the fallout in personnel. Young people are attracted by better salaries on the outside, and leave the service. The passage of the pending bill would only increase this problem. If we say to a young man who goes into the service, "When you get through with your 2 or 3 years, you will get a college education if you have not been to college, or you will be trained in a vocational field, and you will be able to buy a house without a downpayment and have 40 years to pay for it," he will get out. In that way we make this problem worse for the military.

I wish to point out one other thing in conjunction with this point, and that is that the young men who go into the military today receive a fine vocational training. The proof of that is the difficulty of the Air Force and the Navy and the Army in retaining young men. About $20,000 a year is spent on each trainee in electronics, in communications, rocketry, and all the other scientific fields.

The young men come out of the service and get jobs. Some are unemployed, but some young men who do not go in the service are also unemployed. I point this out merely to further the argument that I believe the bill, if it is passed, will work a hardship on the military, rather than help them.

Madam President, I shall probably have more to say about the bill later in the day, but I sincerely hope that if the bill is to be passed, it will be amended in such a way that it can be made palatable to the administration and to the Senate and House. In my opinion, as it stands now it has no merit, and the arguments for it do not hold water. If we pass it, we shall abandon almost every standard that we have used in the past in this field of legislation.

I close by recalling what President Franklin Roosevelt said in vetoing a similar measure in 1944:

> This measure would grant special benefits to a particular group and exclude other members of the Regular Military and Naval Establishments who similarly have been called upon, on numerous occasions, to engage in similar military operations in times of peace. I believe that it is sound in principle to abide by the official beginning and ending dates of wars in providing benefits, heretofore described, and feel that extension of the period to the Philippine Insurrection, beyond that established in conformity with recognized legal precedents, would constitute sufficient deviation from that principle to invite further exceptions for additional groups with service in military occupations, expeditions, or campaigns other than during a period of war.

I point out that in the Philippine Insurrection our boys were being shot at. They were certainly entitled to consideration. Today we are asked to consider young men who are serving their country under the privilege and honor that is theirs to do so, who do not ask special recognition for this service.

I hope the bill will be defeated.

Mr. PROUTY. Mr. President, few, if any, of us knew that this bill would be called up today. That has made it very difficult for us to prepare amendments which we might wish to offer when the opportunity presents itself.

It is significant to note that while the proposed legislation has been approved by the Senate on a previous occasion, it has been before the House Committee on Veterans' Affairs for years and has never been reported by that committee. In this connection it should be observed that the House Committee on Veterans' Affairs devotes its entire time to matters affecting veterans, and that great committee, on which I had the honor to serve when I was a Member of the House, has failed to take any action.

We all know that the President of United States has been opposed to the proposed legislation in the past, and we must assume he has not changed his mind in that respect. If the situation were otherwise, there would have been some word from the White House to indicate his change of heart. There has been no such word.

Madam President, no one can deny that higher education in this country is facing serious problems. More construction of facilities must get underway and more assistance must be made available to college students. I want to tackle these problems now and I shall propose a substitute for the pending legislation which I believe will be a blow for progress in the field of higher education. It is common knowledge that at the present time the conference committee of the House and Senate is deadlocked over certain provisions of the Senate and House college aid bills. The House is adamant in its position that grants and loans for construction should be made available to both public and private institutions of higher learning. The House conferees also are vigorously opposed to the scholarship provisions which were in the Senate-passed bill.

Madam President, I hope I shall have an opportunity to present a higher education proposal, in which benefits will be provided for peacetime veterans. I contemplate a provision which would afford veterans all the money required for the first year of their college education in the form of grants. In subsequent academic years, veterans will be eligible for loans which can be canceled in part when they maintain a respectable standing in their class. I have not had an opportunity to work out all the details of this proposal yet.

I would like to say, however, that in facing up to the problems of higher education, I believe we must not overlook the peacetime veterans. We also have an obligation to other young men and women who have not yet had service in the Armed Forces. We can get some idea of the scope of the challenge before us by examining the college enrollments expected in the years ahead.

The able Representative QUIE gave some interesting figures in a speech in the House on August 8, 1962. He said that college enrollments which now stand at 3,610,000, will increase by 30 percent in the next 5 years, and by 1970 they will total an estimated 6,006,000—an increase of 66 percent.

Madam President, if we expect to meet this challenge, we cannot do it piecemeal. We must take an overall approach which makes provision for all the boys and girls of the Nation who deserve but cannot afford a higher education. I hope I shall have the opportunity to present a detailed remedy for some of the difficulties of the day. It will be extensive in scope and will make available grants to private and public colleges and universities to relieve the classroom and library shortages. My substitute bill will also provide scholarships, to peacetime veterans during their first academic year. Additional help will be given them in their second, third, and fourth college years.

I take this course only because we are getting nowhere in the conference on the higher education bills. We might as well get off the treadmill and try a sound approach which will get our colleges out of their financial quagmire. The President has said that a bill to stimulate higher education is one of the most needed measures. Let the Senate face up to facts now. Let it accomplish what the conferees have failed to do and that is work out a measure which the House will accept.

Mr. JAVITS. Mr. President, will the Senator from Vermont yield?

Mr. PROUTY. I yield.

Mr. JAVITS. The Senator from Vermont and I are members of the committee of conference. I am delighted to hear what he has said. I stated almost the same thing, though not quite so eloquently, earlier today.

I have prepared an amendment upon which I should like to have the Senator's views. I realize that they will be "off the top of his head." But what he has just stated concerning his proposed amendment differs from my proposal. There is no reason why there should be two amendments. I should like to have an amendment which the Senator from Vermont and I could cosponsor.

My amendment provides 125,000 scholarships for veterans, in order to get the cream of the crop, as it were, and it would cost about $700 million for such a program, as an estimate, in comparison with the, roughly, $2 to $4 billion cost of the pending bill. My proposal would be a straight scholarship program, the recipient of the scholarship to receive $1,500 a year, with no payment moving to the institution, because I have added the amount to what would be given the individual who has served as a peacetime veteran. Could the Senator from Vermont help me?

We have had no time to prepare our amendments; it is necessary for us to confer about them on the floor. Will the Senator give me his idea? It might be better, perhaps, than what I have in mind.

Mr. PROUTY. Frankly, the details have not been completed. The consideration of the bill today has taken us all completely by surprise.

Mr. JAVITS. Would the Senator permit me to emphasize his last point? The bill has been on the calendar for a year. We are members of committee. In the committee, the bill was discussed thoroughly. Amendments were offered. So far as I know, the bill was not listed for consideration now, although I am subject to correction. It is a bill which was not considered likely to be taken up today. It is only a happenstance that I myself am here, because the Committee on Appropriations had scheduled a witness whose appearance required me to be present. But we are confronted with a major piece of proposed legislation which, really, none of us is prepared to debate now. We are all dashing around to find our files and old amendments which we have had in our files for the purpose of dealing with this measure.

May I ask the distinguished Senator from Texas why there is so much pressure that the bill had to be called up today under these circumstances?

Mr. YARBOROUGH. I am not the majority leader, who runs the Senate; but I am very happy that he brought up the bill. I regret that I was not here yesterday when he was seeking me. I am happy that he brought up the bill, because it is getting late in the session. If the House is to have an opportunity to act, the bill should be passed by the Senate. I have thought that the lag that there has been, unfortunately, in the consideration of the higher education bill, because of the absolute refusal of the House to agree to any type of scholarship provision, makes this GI bill even more urgent. I think it is urgent anyway. I think it is even more urgent now.

The need for the bill is shown by the fact, notwithstanding the statement of the Senator from Arizona [Mr. GOLDWATER]—and I regret that he is not here now—that otherwise we would never be able to train a sufficient number of engineers and scientists. It is the group of students who would be benefited by the bill which would produce those engineers and scientists. The statement issued by the Administrator of Veterans Affairs on Tuesday, August 14, 1962, simply negatives any position which they have taken against us in the past.

As show by this Veterans' Administration statement of August 14, under the previous GI bill, the reservoir of trained men was increased by 460,000 engineers, 360,000 schoolteachers, 130,000 doctors, dentists, and nurses, and 150,000 scientists. It is in these categories which our country is most deficient, as the distinguished Senator from New York knows. Based on the experience of the armed services with respect to these subjects, dealing with engineering and science, the highest percentage of men and women who take these subjects in our country is among the veterans. That is where we will have to look for engineers and scientists. In 2 years the Russians graduated 108,000 engineers compared to only 37,000 in this country.

We are still benefiting by the trained manpower pool developed under the GI bills of World War II and the Korean conflict. If 460,000 engineers and 150,000 scientists are not proof that this bill now pending will provide the kind of training we sought under the National Defense Education Act, I do not know what proof would be regarded as sufficient. That is the strongest kind of proof. We are not speculating about this matter; we have the strongest kind of proof. Some of those veterans—although only a small number—are still in school. Certainly these GI bills have helped produce the scientists we need.

Mr. JAVITS. Madam President, the floor is in the possession of the Senator from Vermont [Mr. PROUTY], who very graciously yielded to me. If the Senator from Vermont will permit me to make a further comment, I shall state that I judge that the Senator from Texas is not making any apology for his bill or for the precipitate way it was brought up. It is my position that it was brought up just before the election because it is a very attractive bill. However, I appreciate the complete good faith of the Senator from Texas. He has been fighting for this bill on every possible occasion in the committee, and I am not challenging his action. I merely wondered whether he had any explanation for the precipitate way the bill was brought up. I gather that he does not, but that he is happy it has been brought up.

Mr. YARBOROUGH. After the bill was reported from the committee last August, it was not then passed upon by the Democratic Policy Committee; but in February of this year the Democratic Policy Committee unanimously approved the bill.

The 1959 bill was approved by the Democratic Policy Committee, but not unanimously. The Senate Committee on Labor and Public Welfare approved this bill by a stronger vote than the one by which it approved the 1959 bill.

We have been trying to get the bill taken up. We had a discussion with the majority leader, during the debate on the space satellite bill, because we thought this bill should have been brought up first.

So there is always a question of priority with many bills seeking recognition. I wish the bill had been brought up sooner, but I am very happy that the bill has been taken up now. But it has not been languishing here, unattended; we have been trying to have the bill taken up before.

Mr. KEATING. Madam President, will the Senator from Vermont yield to me?

Mr. PROUTY. I yield.

Mr. KEATING. As the distinguished Senator has said, this bill was approved in February by the Democratic Policy Committee; and in the early months of this session we were more or less twiddling our thumbs, doing virtually nothing. So it is difficult for me to understand why the bill is brought up now, instead of having been brought up then, for at this time we are faced with the necessity of passing a number of "must" bills which will require considerable debate. This bill also will require considerable debate.

I favor the adoption of certain amendments to this bill. I certainly favor the amendment of the Senator from Kentucky [Mr. Cooper], and I think I shall support the amendment of the Senator from Vermont [Mr. Prouty]. But I am amazed that the bill has been brought up so late in the session.

Mr. PROUTY. Madam President, I should like to emphasize, as Senators know full well, that if the peacetime G.I. bill is passed by the Senate in its present form it will go to the House of Representatives, and will be referred to the Committee on Veterans Affairs. If history were to repeat itself—and I think there is no reason to believe it would not—we then would find that the bill would not be reported by the Committee on Veterans Affairs of the other body. It will be buried in a snug pigeonhole. Let us not indulge in an exercise in futility. Let us instead do something meaningful for higher education in a broader sense. We know this is possible because both the House and Senate have entertained college-aid bills with enthusiasm. We can get the show on the road if we but have the will to do so. Progress is within reach. Why not move the legislative arm? While the two bodies do not seem to be able to get together on the two versions of the higher education bills, a new device—a new prod from the Senate—may get matters moving again. We can take care of higher education and the peacetime veteran in one measure.

The combination may have an appeal that cannot be resisted. In any event, the possibility is well worth our consideration; so let us not rush through the reported bill, without giving Senators time to prepare amendments.

Furthermore, in view of the lack of notice, many Senators have not had an opportunity to study the bill or to read the committee's report on it. I think this is a very dangerous way to legislate, particularly on a measure of such vital importance as this one.

I hope the Senator from Texas will exercise his influence in some manner, so that we shall be able to debate this bill at length, and so that Members of the Senate will at least have an opportunity to know what the bill provides.

Mr. YARBOROUGH. Madam President, in answer, let me say that such influence as I have, if any, I have been trying to exert for all these educational bills, both last year and this year. I hope we can rescue the higher education bill from the conference committee; and I hope the Senator from Vermont will support this GI bill. I know he has favored it in the past; and I hope the bill will not be burdened by the adoption of crippling amendments, because the purpose is readjustment assistance to enable the veterans to be retrained, so they can earn a living, instead of being drags on the economy.

Many people in this country are deprived of an education because of physical impediments or because they are slow to learn or because their families have experienced terrible tragedies—perhaps a malignancy has struck down the wage earner of the family while in the prime of life. All kinds of tragedies have prevented many Americans from obtaining an education.

Here, not personal family tragedy, the Government of the United States has deprived these cold war veterans the chance for an education. The Government sent them to the perimeter of the free world, to defend us and our homes and our possessions. We, as a people, are robbing them of their chance for an education. It was not providence that caused these veterans to be penalized in this way; we owe them a chance to readjust. The Government of the United States dragged them off by the nape of the neck and required them to serve in the Armed Forces, to protect our lives, our homes and our possessions, at great personal sacrifice. When they return from service, they are several years behind the others of their age, and they are at a great disadvantage.

Mr. PROUTY. Madam President, I should like to ask the Senator from Texas a question. He is a conferee—as I am—on the higher education bill. Is it not a fact that if two or, at most, three Members on his side will agree with those on the minority side, we can report a higher education bill? Thus far we have not been able to do that. That is why I think we must bring the matter to the floor of the Senate.

The Senator knows my bill will contain a provision which will be favorable to the peacetime veterans. The Senator knows also that we canont neglect the other young people of the country. We need a higher education bill for the benefit of both the veteran and the nonveteran who by obtaining enlightenment will further the national interest.

Mr. YARBOROUGH. But it would be a great mistake to clutter up this bill with other provisions. The importance of the GI bills has been widely recognized. To have a part of this bill administered by the Veterans' Administration and a part of it administered by the Department of Health, Education, and Welfare would, I believe, result in so much confusion that the bill would be killed.

Mr. PROUTY. My amendment would provide that the administration would be by the Department of Health, Education, and Welfare. The Veterans' Administration would only have to certify that a veteran is eligible to receive the grants or other aid to be provided.

Mr. YARBOROUGH. We have heard a good deal, recently, about the possibility of a real outbreak, the possibility of real fighting. For instance, the following headline appears in the Washington Daily News of today: "Convoys of GI's Defy Red Threat; Allies Urge Russians To Join Talks on Crisis in Berlin."

On page 3 is another headline which reads: "Reds Kill Refugee After He Goes Over Wall," to get on our side. They are closer to a shooting war every day at the Berlin wall. They are shooting water cannons, they are lobbing grenades, over the wall, the East Germans and the West Germans have been shooting. One bazooka shot over the wall and war will explode.

I read a headline on page 3 of today's Washington Daily News, "U.S. GI's Defy Threat."

The article reads:

> The U.S. Army sent convoys in both directions along the East German autobahn today in defiance of a Soviet threat to force Red army escorts on autobahn traffic.
>
> Reports from the convoys as they were en route through Communist territory did not indicate the Russians were carrying out the threat, an Army spokesman said.

I ask unanimous consent that the whole story be printed in the Record, in the interest of time.

The PRESIDING OFFICER. (Mr. Metcalf in the chair). Is there objection?

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the Washington Daily News, Aug. 24, 1962]

REDS KILL REFUGEE AFTER HE GOES OVER WALL—U.S. GI'S DEFY THREAT

BERLIN, August 24.—The U.S. Army sent convoys in both directions along the East German autobahn today in defiance of a Soviet threat to force Red army escorts on autobahn traffic.

Reports from the convoys as they were en route through Communist territory did not indicate the Russians were carrying out the threat, an Army spokesman said.

The threat was made yesterday by a Russian colonel in a 3-hour hassle over whether Soviet armored cars in West Berlin should have Western escorts.

The eastward convoys were from the 2d Battle Group, 6th Infantry, which have been in West Germany for the past 2 weeks on annual live-firing practice. They entered the autobahn at the Marienfeld checkpoint.

The westward convoys carried troops from the 3d Battle Group going for live-firing training on West German ranges.

ANOTHER SLAYING

The U.S. Army sent the convoys through East Germany to West Berlin, located 110 miles inside Communist territory, at a time when tensions were high in the city because of the Communist slaying of another young refugee trying to reach the West from East Berlin.

Meanwhile, the Western Big Three Powers called on Russia today to meet with the Allies in Berlin to discuss measures for prevention of further incidents in the divided city.

In notes handed to the Kremlin in Moscow, the United States, Britain, and France suggested "a quadripartite meeting preferably in Berlin, which could provide for the establishment of the necessary contacts in accordance with existing agreements".

WILL PERSIST

The notes said the Allies are prepared "to persist in their attempts to bring about joint consultation with the Soviet authorities with a view to preventing further deterioration of the situation in Berlin."

West Berlin police feared the slaying last night of 19-year-old Hans Dieter Wesa might trigger new riots by West Berliners in protest against the Communist-built antirefugee wall.

West Berlin police said they were "absolutely certain" that young Wesa, a transport policeman, was in Western territory when he was cut down by Communist border guards.

Herr Wesa was the second border victim of Communist bullets during the past week in which tensions have been high because of the shootings and the Soviet squeeze on the Western Allied rights in the divided city.

The shooting of an 18-year-old East German construction worker last Friday triggered 3 days of riots in West Berlin. West Berliners stoned Soviet vehicles, clashed with their own police, and jeered U.S. soldiers because they did not go to the aid of the victim.

COMMAND CHANGE

Herr Wesa's death followed closely the appointment of an East German commandant in East Berlin and the flaunting of arms by Soviet soldiers riding armored cars in West Berlin.

East German Deputy Foreign Minister Otto Winzer said the appointment of the East German commandant meant that in East Berlin the East Germans, rather than the Russians, now will determine who has what rights.

West Berlin police called the shooting of Herr Wesa the "most brazen" to date. He was the 50th refugee known killed trying to flee East Germany since the antirefugee wall was erected a year ago.

In stating that Herr Wesa was shot after he had dashed across the border, West Berlin authorities said cartridge cases from East Berlin machine pistols were found in West Berlin near where Herr Wesa fell. The body was 15 feet inside the French sector.

Western police said that whoever did the shooting must have been standing right at the border or even inside West Berlin.

As a measure to ease the tension caused by the riots earlier this week, a Western ambulance and three medics have been standing by the Friedrichstrasse crossing point to help refugees shot down on the eastern side of the border.

According to police, Herr Wesa apparently left his post in the Communist-controlled elevated system and darted across about 25 yards of rail. The elevated actually is below ground level at that point.

Western police said Herr Wesa apparently was scrambling over a 5-foot-high metal fence topped with a strand or two of barbed wire when the Red guards discovered his flight.

They fired about 30 shots in three salvos from their machine pistols and Herr Wesa dropped, fatally hit in the head and back.

West Berlin firemen picked him up and rushed him to a hospital, but he was dead on arrival.

Mr. YARBOROUGH. We have our convoys going around, in defiance of their threats. Who knows if it may not be a hot war tomorrow? These men are not like the men who volunteered and were a small cadre of veteran soldiers in the 1930's. It is a hot war. It is already hot in South Vietnam.

I think we have a good pattern. We have a fine administration of the GI bills in the Veterans' Administration. The fly-by-night schools that sprang up in 1946 after World War II have been eliminated. The Government is getting every dollar's worth out of the expenditures. We are actually making money on the GI bills. The GI's are paying money back in as taxes. It is velvet. That is one thing about this education—it pays back additional money to the Government in taxes.

Mr. PROUTY. I agree with the Senator. I have no argument about that.

Mr. YARBOROUGH. I think the suggestion the Senator has made that both proposals be wrapped up in one bill would cause confusion and defeat the object we have in mind. I know the Senator is on the Veterans' Affairs Subcommittee. I know of his diligent work on that committee, but I plead with him not to try to bring the Health, Education, and Welfare Department over into the Veterans' Administration, because the Senator, with his long experience and great capacity, knows that if we try to unite the two units to administer two sections of the education bill, it will be torn apart.

Mr. PROUTY. I did not have that in mind. The VA would simply certify that one had served in the Armed Forces and is entitled to benefits that might accrue to him under the legislation. That is what I am proposing. If we are going to be realistic, we must recognize that the bill as it now stands has not a ghost of a chance of being acted on in the House of Representatives this year. So we can all vote for it and say it is good politics, but nothing will happen.

Mr. YARBOROUGH. I do not concede that.

Mr. PROUTY. If we pass my measure, it will help veterans and the rank and file of our young people as well.

Mr. YARBOROUGH. I do not concede that it has not a ghost of a chance. I do not know what chance it has. I have been talking with Speaker MCCORMACK since the time when he was majority whip. He has been for it. I am not willing to concede that it has not a ghost of a chance. I hope it can be passed.

Mr. PROUTY. You say the Speaker is for it, yet it has not been reported by the Veterans' Affairs Committee.

Mr. YARBOROUGH. I have never served in the House, and I am not an expert on the procedures in that body.

Mr. PROUTY. Particularly at this late date, the bill is not going to come out.

Mr. KEATING. Mr. President, will the Senator yield?

Mr. PROUTY. I yield.

Mr. KEATING. I agree with much of what the Senator has said with respect to those who are serving in the cold war and are undergoing hazards. I hope the Senator's remarks on the banner headlines will not start a war. I am sure that was not the intention of the Senator from Texas, and I hope the cold war situation will not be accentuated by his remarks. However, we have an obligation to veterans who are undergoing risks during their service, but it seems to me there is much merit in the position taken by the Senator from Vermont. The important higher education bill, as I understand, is now in a complete stalemate in conference.

Mr. PROUTY. That is correct.

Mr. KEATING. The last word I have heard on anything in the way of scholarships for veterans is that the Senate conferees will not yield to the House in limiting such benefits to loans and grants for buildings and educational facilities. In the debate on the measure, the Senator from Vermont and I offered an amendment to provide for loans in place of scholarships. That amendment had rather cursory treatment. At least, it had minimal consideration in this body.

Mr. PROUTY. May I interrupt the Senator to say that because of the time element and other factors we were deficient in a sense, because I was told afterward by quite a number of Senators that they did not realize what was in our proposed amendment.

Mr. KEATING. That is correct. It was a little like this measure. This measure was brought up unexpectedly and hurriedly. Unless it is clear what is in it, many Senators will vote for it or against it without full knowledge.

At the time I had a strong feeling that loans instead of grants for these young people were in their interest, to strengthen their moral fiber, and were in the interest of the taxpayers, because obviously the money would be paid back. We had a forgiveness provision in it for those who stayed in the top quarter of their class. Fifty percent of the loan would be forgiven; and for those who went into teaching, in either public or private schools, where there is a great need, up to 50 percent would be forgiven.

Am I to understand that the amendments which the Senator from Vermont is now endeavoring to fashion as a substitute, I take it, for this measure, would first have a provision for scholarships for the veteran population?

Mr. PROUTY. At least for the first year it would be a 100-percent grant. For the next 3 years, if a veteran were in the top 50 percent of his class, he would receive a 50-percent forgiveness for the loan.

Mr. KEATING. In addition, as I understand, the Senator is endeavoring to salvage the higher education bill from the conference where it is now reposing?

Mr. PROUTY. And completely stalemated at the present time.

Mr. KEATING. And if I correctly understand, he is seeking to do that by incorporating the terms of the Prouty-Keating amendments as they were offered here on the floor, in effect?

Mr. PROUTY. That is true.

Mr. KEATING. It seems to me the Senator is performing a real service in that regard, and is not encumbering this bill. He is presenting to this body a bill which has a very much better hope of passage in the other body than this bill, which has no hope, based upon my knowledge of what is going on in the other body.

Mr. PROUTY. The Senator is absolutely correct. Anyone of us who served in the House knows how it operates. At this late time in the session no legislation of a major character has any possible chance of getting through the House.

Mr. KEATING. If the Senator will yield further, it is my information, and I believe it is reliable, that the House conferees would be ready to accept as a higher education formula the proposal contained in the Prouty-Keating amendment offered on the floor of the Senate for loans in lieu of scholarships.

Mr. PROUTY. I believe that is correct. Certainly the House conferees are adamant in their position that we should have both loans and grants for institutions of higher learning, while the House conferees, and I believe the House, are very much opposed to the scholarship provisions in the Senate bill. I believe they would adopt a provision for loans. I think they would also be in favor of scholarships at least on a first-year basis for peacetime veterans. That, of course, was not brought up at the conference, but I feel a majority on both sides would favor that approach.

Mr. KEATING. I certainly hope the debate here will serve a useful purpose. First, as to informing Members of this body what the bill is all about, since we have been taken so unawares by it; and, second, to give the Senator an opportunity to fashion the proposed amendment he has in mind.

I should be very much interested to see what he comes forth with, because I have been concerned about the fact that the higher education bill has been stymied on dead center and could not get anywhere. The Senator may have a formula to blast that bill out, and also to take care of the situation with which we are confronted with regard to cold war veterans.

I agree with the Senator from Texas in many respects, although I wish to make it clear that I shall support the substitute amendment to be offered by the Senator from Kentucky, to substitute loans in the bill. I agree that we face a situation in which veterans are defending us all over the world, as the Senator has said. They are entitled to consideration at our hands, as I know the Senator from Vermont agrees.

Mr. PROUTY. I appreciate the comments of my distinguished friend from New York, although he is not a member of the Labor and Public Welfare. No Senator has done more to fight for a workable higher education program than has the junior Senator from New York. I appreciate his cooperation and his comments.

Mr. President, I suggest the absence of a quorum.

Mr. McNAMARA. Mr. President, will the Senator withhold his suggestion?

The PRESIDING OFFICER. Does the Senator withhold his suggestion?

Mr. PROUTY. Briefly?

Mr. McNAMARA. Will the Senator withhold for a few minutes?

Mr. PROUTY. I withhold my suggestion, Mr. President.

Mr. McNAMARA. Mr. President, I congratulate the Senator from Texas [Mr. Yarborough] for his persistence in pursuing this proposed legislation through the committee and before the Senate. There is much speculation as to what the House will do or will not do. This is always in season, no matter what the time of the year. I have no idea what the House will do.

Even the opponents of the bill—those who want to add amendments to it which obviously would kill it—agree that the Senator from Texas is correct, that this is a good bill and should be passed now.

There has been much talk about the situation dealing with the higher education bill in the conference committee. I am one of the conferees. I say to Senators that the higher education bill is not properly before the conference. It came from the House Rules Committee with a string on it. Were it not for that string we could do something. It is unfair to blame this situation on the conference committee. The Senators on that side of the aisle know that.

Mr. PROUTY. Mr. President, will the Senator yield?

Mr. McNAMARA. I do not yield at this point.

Mr. PROUTY. Mr. President, will the Senator yield?

Mr. McNAMARA. Not at this point.

The PRESIDING OFFICER. The Senator declines to yield.

Mr. PROUTY. I wanted the Senator to yield for a correction.

Mr. McNAMARA. The Senator can correct the Record as he pleases.

Mr. PROUTY. On second thought I think the Record as a whole will speak for itself.

Mr. McNAMARA. Of course it does. So be it.

Mr. President, the fact remains that this is a good bill. It is timely. It should be passed and it should be passed now, today.

The opponents say that draftees at this time are 23 years of age, or something like that. The bill also would cover the youngsters who left high school as a result of the draft, before they even had an opportunity to finish their high school education. I think we owe to these youngsters just as much as we owe to our people who heretofore were involved in a shooting war. Everybody agrees that this would be a good thing for the country. It would pay for itself. I do not know why we are waiting.

I hope that this attempt to amend the bill will be vigorously opposed by the Senator from Texas and by other Senators. Again I wish to congratulate the Senator from Texas for standing so firm in carrying on this fight. I shall do everything I can to support him.

Mr. YARBOROUGH. Mr. President, will the Senator yield?

Mr. McNAMARA. I yield.

Mr. YARBOROUGH. I thank the Senator from Michigan for his generous statement. I think he has hit the nail right on the head. These amendments, which would try to drag the Department of Health, Education, and Welfare over into the Veterans' Administration, would so cripple the bill as to practically kill it.

Mr. HUMPHREY. Mr. President, I support the bill, S. 349, now before the Senate to provide readjustment assistance to veterans who have served on active duty in the Armed Forces since January 31, 1955.

The merit of such a program was proven by the results of the GI bills for veterans of World War II and the Korean conflict.

I have maintained that readjustment assistance be extended to cover post-Korean veterans. As matter of fact, I introduced bills to this effect in both the 84th Congress and the 85th Congress, and it was my privilege to join as a cosponsor of the legislation introduced by the Senator from Texas [Mr. Yarborough] in the past and present Congress.

Before discussing this measure, I first wish to pay special tribute to the senior Senator from Texas [Mr. Yarborough] the chief sponsor of S. 349 and chairman of the Subcommittee on Veterans Affairs of the Committee on Labor and Public Welfare, which conducted full and exhaustive hearings on this proposal. The Senator from Texas has, as usual, done a conscientious and competent job for which he deserves to be commended.

Under the terms of this bill, veterans would be eligible for (a) education and vocational training assistance, (b) vocational rehabilitation training for veterans with service-connected disabilities, and (c) loan guarantees for the purchase of homes, farmlands, and farm equipment.

I need not spell out in detail to Senators how much the GI bills have meant to the young veterans in preparing them for their life's work.

As is shown in tables 5 and 6 of the excellent committee report, in my own State of Minnesota 143,000 World War II veterans and 50,000 Korean veterans received training of various types under the GI bills. It is estimated that some 95,000 young Minnesotans will have served in the Armed Forces between January 31, 1955, and July 1, 1963, when the present draft law expires. Of these 95,000 young people, an estimated 34,000 of them will take advantage of the training provisions contained in S. 349 should it become law.

The training which the young men and women who served in World War II and the Korean conflict have received has benefited not only them as individuals, but the society as a whole. The training which these veterans received at our universities and colleges, and in vocational schools and through on-the-farm training has made it possible for them to contribute more to the Commonwealth.

They have made their contributions in the fields of medicine, science, law, engineering, education, business, farming, and as skilled craftsmen sorely needed by our industrial enterprises in this scientific age.

Needless to say many of these veterans would not have had the opportunity to receive the training to develop their talents if it were not for the GI programs. The loss would not only have been their own, but that borne also by society.

In reading the minority views of the three members of the committee who opposed S. 349, it is interesting to note that no objection is made as to the program itself or as to the benefits which it will bring to the veterans and the country as well. The opponents' argument is that readjustment assistance should not be extended to veterans who served in the Armed Forces during peacetime rather than wartime.

While it is true that since the end of the hostilities in the Korean conflict, American servicemen have not engaged in combat, we are engaged in a very real cold war. No one can say that this cold war could not turn into a very hot shooting war overnight.

It should also be recalled that the Presidential proclamation of December 19, 1950, which proclaimed the existence of a national emergency, has never been withdrawn.

There can be today no sharp delineation between wartime and peacetime service. These are very vague terms in an age of swift and deadly weapons of mass destruction which can strike virtually without notice.

Our Armed Forces today are required to be prepared to move into action on a moment's notice should an enemy strike. So I say respectfully to the opponents of this measure that I cannot quite accept their argument that members of the Armed Forces are serving on peacetime duty.

It should also be remembered that the GI bills for World War II and Korean veterans provided assistance whether a veteran was subject to hazardous duty or not. Literally millions of veterans who received GI benefits never left the shores of the United States; yet they were not declared ineligible.

Readjustment assistance to veterans is not on the basis of a reward for time spent in actual combat or being subjected to threat of loss of limb or death itself. Rather the purpose of such legislation is to aid in the readjustment to civilian life of young people who served in the Armed Forces due to the exigencies of the war—be it a cold war or a hot war—young people who would normally not go into military service.

If the Nation requires young people to serve in the Armed Forces under a compulsory draft law, thereby taking them away from their normal civilian pursuits, it is only reasonable to suggest that it assist them to make up for the lost time, so to speak, through constructive training programs.

The opponents argue that this program is too expensive. It is estimated by the Veterans Administration that it will cost over $400 million a year. I do not deny that this is a lot of money; it surely is. But it is literally a drop in the bucket compared to the $48 billion a year we are spending on defense. If we can afford such a vast sum for armaments, I maintain that we can certainly afford $400 million a year for this positive and constructive program to train our young veterans.

I hope the bill will be approved by an overwhelming vote. It is a good bill. It will be money well spent to assist our young people who have been called upon to protect the Nation. It will make these veterans better and more able citizens, and the Nation will receive the benefits of their learning and skills.

NATIONAL SECURITY AND SPACE POWER

Mr. DODD. Mr. President, as a member of the Aeronautical and Space Sciences Committee, I regret that I was unable to be here on Monday when my colleague, the very able Senator from Nevada [Mr. CANNON], presented his remarkable analysis of our space effort.

I agree with him and with the several distinguished Senators who joined in the discussion on Monday that the time has now come when we must reappraise our entire space effort in the light of the recent Soviet accomplishments. We must do so in the almost certain knowledge that both our survival as a nation and our ability to preserve the peace may ultimately depend on our control of the space environment or at the very least on our possession of an adequate military deterrent power in space.

The Senator from Nevada, as was apparent from his speech, has made an intense study of this entire subject. He is uniquely prepared to make such a study by virtue of his considerable military experience and his experience as a general in the Air Force Reserve, and by virtue, as well, of his membership on the Aeronautical and Space Sciences Committee. While I cannot pretend to his expertness in the field of military and space science, I nevertheless wish to speak in support of his position because I believe that the reservations he has expressed about our space program are shared by many in the U.S. Senate. For that matter, I am convinced that the views he so ably expressed enjoy the support of the overwhelming majority of the American people.

The primary goals of our foreign policy, as I see it, are first, the protection of our Nation; second, the maintenance and extension of freedom; and third, the preservation of peace. These three objectives are organically interrelated.

Peace cannot be protected by weakness. In the face of an implacable aggressor, it cannot be protected by unilateral disarmament or by unilateral pacifism. And, above all, it cannot be protected by burying our heads in the sand or by indulging in wishful thinking about the humanization of Soviet communism.

Peace cannot be protected, and will not be protected, if, in our passionate desire for peace, we ignore the harsh realities of the world in which we live.

In the fantastic technological world of today, our ability to protect our freedoms and preserve the peace depends not only on our statesmanship, but on our military power in-being—on land, on sea, in the air and, tomorrow, in space. For this tomorrow we must start preparing today.

Six weeks ago the United States launched the Telstar satellite, which for the first time made possible the exchange of live television programs between countries on both sides of the Atlantic Ocean. The feat was justly hailed as the opening of an entire new era in the sphere of intercontinental communications.

Once again the U.S. space program had demonstrated its primacy in the field of science.

On Friday and Saturday, August 10 and 11, 1962, 4 weeks after the launching of the Telstar, the Soviet Union astounded the world by hurling into the skies, with amazing precision, two enormous spaceships, weighing 5½ tons each, which flew in close formation, orbit after orbit, until they were brought down to earth landings, at preselected points, on Wednesday of last week.

The Soviet feat reopened the recurrent debate on who is ahead in space. Spokesmen for NASA stated that despite the impressive Soviet accomplishment the United States still enjoyed a very substantial lead in the scientific exploration of space; and they also held that our moon program would give us the capability to place men on the moon before the Reds.

But there were other estimates that were not as optimistic as NASA's. The authoritative magazine, Missiles and Rockets, in an editorial in its August 20 issue, made the statement that the United States is now 5 years behind the Soviet Union in space technology. It said that the Soviet lead involved not merely booster power, but operational launch and tracking capabilities and other factors.

> The Russian accomplishment has demonstrated, in a most vivid manner—

Stated the editorial—

> that the United States, rather than closing the gap, is falling behind in the advanced technology of space.

Speaking in Washington on August 21, Dr. Arthur Kantrowitz, director of the Avco-Everett Research Laboratory, and one of this country's top space technologists, made a similar estimate of our status.

> It has become painfully clear with each successive year—

Dr. Kantrowitz said—

> that we are falling farther and farther behind. Thus, we were 4 months behind the launch of Sputnik I, 10 months behind the first man in orbit, and we are now reported to be years behind their most recent achievement. I find it difficult to believe that we are, in fact, catching up.

I believe that partly instinctively, partly in consequence of the impressive performances of *Vostoks III* and *IV*, the American people, in their preponderant majority, hold an apprehensive view concerning our position in the space race, a view that comes much closer to that of the "Missiles and Rockets" editorial and of Dr. Kantrowitz than to the rosy prognosis put out by NASA.

The arguments advanced by official spokesmen for NASA, it seems to me, completely missed the point of the Soviet accomplishment. It may be true that we enjoy a very great lead over the Soviets in the scientific exploration of space. It may even turn out to be true that Americans will be the first human beings to set foot on the moon. But the flights of *Vostoks I* and *II*, and the twin flights of *Vostoks III* and *IV*, demonstrate how different the Soviet approach to space is from our own.

The U.S. effort in space stems from the concept, enunciated in the National Aeronautics and Space Act of 1958, that activities in space should be devoted to peaceful purposes for the benefit of mankind. In line with this concept, by far the major portion of our space effort has been placed in the hands of the National Aeronautics and Space Administration, the civilian agency set up under the act. Our military space program has been assigned a position of altogether secondary importance.

The Soviets in contradistinction, have placed relatively little emphasis on space science—for science's sake. They have concentrated the bulk of their effort on the development of manned, maneuverable spacecraft. In doing so, they are obviously aiming at the military control of the space environment surrounding the earth. I hope there is no one who has any illusion on this score.

For many years now Gen. Bernard A. Schriever, the top man in the U.S. missile program and, I believe, the most knowledgeable of our military men in all matters relating to space, has publicly warned that the Soviets might beat us to the development of true military vehicles for space use, and he has urged that we place more emphasis on manned spacecraft and space platforms, that we develop a capability to rendezvous with, inspect, and, if necessary, destroy unidentified satellites.

Gen. Curtis LeMay, the Air Force Chief of Staff, has issued a similar warning:

> The first nation to develop a manned space vehicle with complete mission flexibility—

Said the general—

> could possibly dominate the space above the atmosphere.

I referred to these warnings by two of our most distinguished military leaders in a speech which I made before the Foreign Relations Commission of the American Legion in Washington some 6 months ago.

Other and more knowledgeable voices, in the intervening period—and I refer in particular to the distinguished Senator from Nevada—have also urged that our space program be reorganized in a manner that would place more emphasis on its national security aspects.

But despite the publicly expressed concern of military leaders and of Members of Congress, nothing has yet been done to improve the situation of which they complained. Indeed, I have reason to believe that in several respects the situation is worse today than it was at the time of *Vostok I*.

To the extent that they were quoted after the flight of the Vostoks—and I must point out that they were quoted very little because of the rigid restrictions on discussion of the military aspects of space—our military men did not exude any of the optimism expressed by spokesmen for NASA. The Washington Post and Times Herald on August 14, for example, said that—

> To many in the Air Force, the prolonged orbital flight of Cosmonauts Nikolayev and Popovich is further proof that the real Russian aim in space is military—to develop an aerospace force capable of dominating the earth. In the Air Force view, the placing of *Vostok III*, and *Vostok IV* in similar orbits at the same time has far greater military than scientific implications and should serve as a warning to the United States to get on with an accelerated military space program of its own.

There were at least some people in the world of science who were not so engrossed in the miracles of space science that they overlooked the potential military implications of the Soviet accomplishment. The Senator from Nevada, in his speech this Monday, quoted Sir Bernard Lovell, director of Britain's radioastronomy station at Jordrell Bank in Cheshire. I think Sir Bernard's statement so significant that it merits quoting again:

> I think one must say that this Soviet exploit has added a new and agonizing dimension to the world's troubles. * * * It would be a very reasonable assumption that we are not far from the situation where the Soviet could knock down American orbiting spacecraft. * * * They have a clear space superiority in the military, if not in the scientific sense.

Everything now points to the conclusion that we must allocate a higher priority to our defense requirements in space. There are, as I understand it, two major requirements that call for priority attention.

First, there is the requirement, for the creation at the earliest possible date, of a manned space laboratory which would give us the ability to test space weapons systems and their components under actual environmental conditions.

Second, there is the requirement for the development of the manned, maneuverable spacecraft which, in the opinion of our military experts, hold the key to ultimate supremacy in space.

Accepting this conclusion, there are two problems we must immediately confront: first, what concrete measures can we take today to accelerate our military space program; and, second, will we have to cut back on NASA's scientific program in space, or perhaps cut back on our moon program, in order to find the manpower and resources for an accelerated military program in space?

The Senator from Nevada and the junior Senator from Wisconsin, in the course of their discussion, both made the point that we were confronted with the growing problem of available scientific manpower and, as I read the discussion, they implied that, to find the funds and personnel for an expanded military effort in space, we would probably have to cut back on NASA, which, of course, means cutting back on the moon program.

This is an exceedingly complex question, and I am looking forward to the statement which the Senator from Nevada has promised us. It is my earnest hope that, despite the very great costs of maintaining both, we will not have to cut back on our moon program in order to accelerate our military space effort. Recognizing how complex this question is, I do not pretend to a final opinion. But I will point out that I have spoken to military men and scientists of outstanding competence who believe that this country is rich enough in human and material resources to be able to afford a major military program in space as well as a major scientific program.

The moon program has been criticized in some editorials and articles as a prestige gimmick, that may turn out to have very little real military or scientific significance. For my own part, I am inclined to accept the evaluation of the exceedingly competent NASA experts that the project will vastly contribute to our scientific knowledge of space, that it is an essential stepping stone to the exploration of outer space, and that it may ultimately prove to have some very serious military significance.

But even if the criticisms were correct, even if the moon shot, on consummation, proved to have relatively little scientific or military significance, even if it were essentially a prestige operation, I would still be in favor of pushing ahead toward the moon with all possible speed.

The factor of prestige must not be underestimated. Someone once made the statement that "prestige is to power as cash is to credit." There is a lot to this statement in the sense that prestige is both a condition of power and an essential ingredient of the power complex.

Indeed, under the strange rules of the cold war, there have been many situations in which momentary prestige has counted for more than economic and military power in being.

In terms of our economic resources and military strength, the free world is incontestably superior to the Communist world. But the Communist world has been able to use the prestige accruing from its space accomplishments to persuade the noncommitted peoples of Asia, Latin America, and Africa that the Communist system is technically superior to the free enterprise system. They have been able to use this prestige to win votes for themselves in the councils of the United Nations. And they have used this prestige, too, at conference table after conference table, in their negotiations with the West. How effectively they have used it may be gleaned from the tragic record of consecutive concessions we have made to them in the diplomatic conferences of recent years.

For these reasons, I earnestly hope that it will prove possible to maintain our scientific space program and our moon program intact while instituting an immediate program to bolster our flagging military effort in space.

As matters now stand, NASA has complete control over the development of manned space vehicles, and over the launching program that has been scheduled for the years to come. The Armed Forces provide the missiles and the astronauts and the machinery for recovery. But the elaborate mechanism of control is operated by civilians under the direction of NASA. The one and a quarter billion dollars, approximately, which has been allocated to our defense effort in space this year, has to be divided between many programs. Without a major increase in funds for space purposes, the Air Force will simply not be able to undertake the development of a stable of manned space vehicles of varying capabilities.

Under a free enterprise system, human talent tends to gravitate to those organizations that have the most ambitious programs, that offer the greatest scope for imagination and initiative, and that dispose of the greatest funds.

Lacking funds, lacking a clear-cut directive, lacking an assigned mission in space, our military space effort is already suffering from a serious attrition of morale. In consequence of this, some of the ablest men in our military establishments, I am told, are leaving the service for private industry.

Their motivation in seeking a change, I think it should be emphasized, is not monetary gain; it is the natural desire of talented and ambitious men to want to be part of a program that appears to be going places.

If this process of demoralization is permitted to continue, and if our defense establishment continues to lose qualified scientific and technical personnel, the time is not too far distant when our Armed Forces, if they were given the green light for a stepped-up space program, would lack the personnel to man it.

The reorganization of our space effort will require a number of changes.

First, and preceding everything else, there must be a change in policy, which clearly and publicly assigns a greater emphasis to the military potentialities of space.

We must cease to be apologetic for our efforts to develop a defensive capability, particularly in space. We must accept the harsh fact that our very survival as a nation may very well depend on our ability to control our space environment.

Second, there must be a specific directive to the Defense Department to proceed as a matter of the utmost urgency with the development of military space systems, in particular of manned space vehicles.

We are rapidly approaching the point where our scientific and our military efforts in space must begin to diverge.

Through the early stages of space flight—through Project Mercury and perhaps through Project Gemini—the same programs could adequately serve both our scientific and our military requirements.

But, beginning with Gemini, our Military Establishment will be confronted with the practical need to develop technologies and spacecraft and hardware specifically adapted to military purposes.

Even in anticipation of Gemini, I would like to suggest that the Air Force be authorized to set up an urgent program for the development of a true military spacecraft, and provided with the necessary funds for such a program.

I take it for granted that the Air Force would place this program under the direction of the most competent and dynamic officer available to it.

Our military personnel have time and again demonstrated a unique talent for getting things done with the utmost expedition, for knocking months and years off estimated schedules. I remind my colleagues of the fantastic tempos achieved by our military experts in the development of the A-bomb, of the nuclear submarine, of the Polaris missile, and, most recently, of the Minuteman missile system.

Third, I believe that while proceeding with the development of specialized military spacecraft, our Military Establishment should be authorized to embark immediately on a launching program of its own for manned space vehicles, perhaps employing modified versions of the equipment now under development by NASA. This measure, in itself, would greatly accelerate the tempo of development because our military, presumably, would not carry out all launch operations before the kleig lights of the world press, and because military risk calculations are considerably different from the risk calculations under which our civilian agencies are, quite properly, obliged to operate.

There are experts who believe that if our Defense Establishment were given authority to immediately set up a launching program of its own, it would be possible among other things, to greatly expedite the programs that have been scheduled for the development of rendezvous and docking techniques. Dr. Kantrowitz of the Avco-Everett Research Laboratory has, in fact, expressed the opinion that these problems could be solved employing the Mercury capsule with suitable modifications.

Fourth, to support the establishment of military launching and vehicle development programs, our astronaut training program will have to be stepped up, and military personnel will have to be trained in the use of the complex monitoring and control systems that constitute the brain of our entire space vehicle effort.

Fifth, our defense program in space will have to be provided with whatever money may be necessary to achieve its objectives, and to overtake the Soviet lead in manned space vehicles.

Sixth, the machinery of cooperation between NASA and Defense will have to be overhauled in a manner which gives due consideration to the requirements of defense as well as to the requirements of science.

Specifically, I would like to suggest that representatives of the armed services sit in as advisers at the meetings of the National Aeronautics and Space Council, which has been set up for the purpose of guiding the President on the assignment of responsibilities between NASA and Defense.

I have heard that even in our Department of Defense there are some people whose attitude toward the space program is conservative or even skeptical. Before they commit any of the Defense Department's limited funds to further space projects, they would like to have a precise statement of the military objectives to be achieved by these disbursements. In general, this is an attitude of which I approve. But when it comes to something as new and as fantastic as space technology, I think it is possible to err on the side of too much caution.

No one can predict with certainty what forms the spacecraft of the future will take, what their military capabilities will be, how heavily they will count in the mortal struggle between the free world and international communism. But this much can be said with certainty: That all of the military men associated with our space program are convinced that space has tremendous military potentialities, and they fear that if we ever permit the Soviets to establish military control over our space environment, the outcome of the world struggle will have been decided at that point.

Speaking in Detroit last October, Gen. Curtis LeMay suggested a number of possibilities in the realm of space weaponry:

> Perhaps they will be weapons that strike with the speed of light.
>
> If a new generation of armaments operated in space can neutralize an aggressor's ICBM's, the world will enter a new era in warfare. Furthermore, war in the future may be waged and decided without a weapon being applied against an earth target. Space capabilities may bring about the technological disarmament of nuclear weapons. It may also remove major wars from the surface of the earth.

General LeMay's prophetic words may be difficult to credit, even in this age of technological miracles. But when the general spoke of weapons that strike with the speed of light, he was not speaking about things that are vague theoretical concepts.

Within the past fortnight, Gen. Bernard Schriever has made public significant information on the potentialities of the laser, an instrument that has the ability to focus a beam of light so sharply that it might ultimately be able to destroy objects at distances of hundreds of miles. As General Schriever pointed out, primitive lasers are already in existence both in this country and in the Soviet Union. If the laser becomes an operational weapon, and if this weapon is then mated to manned space vehicles, the possibility of such a weapons system is obviously unlimited.

These are only several of the things that have been mentioned as possibilities in the realm of space weaponry. The establishment of an accelerated space vehicle program must not be permitted to wait until specific weapon systems, adaptable for use in space, have been designed. The very first purpose of a military manned vehicle program, in fact, would be to explore the military potentialities of space and to provide us with the capabilities for testing weapon systems in the environment of space.

Mr. President, I again want to congratulate the junior Senator fom Nevada for initiating a most significant discussion. If I have spoken up today, it is not so much for the purpose of amplifying his remarks as for the purpose of helping to demonstrate that there is a very considerable body of opinion in the Congress of the United States which is gravely concerned over the status of our military space program, and which is prepared to support whatever measures and whatever sacrifices may be necessary to overtake the Soviet lead in space, and to make the United States of America supreme in space as it is supreme on sea and in the air.

Let us continue to hope that space will be used for peaceful purposes only. Let us always stand ready to enter into a properly safeguarded pact to this end with the Soviets.

But let us take guidance from our traditional stand that there must be no disarmament in any field that is not accompanied by an adequate system of inspection.

Let us remember that while the great majority of our space launchings have been publicly staged, the Soviets have staged all of their launchings in secret.

Let us remember that while we have been throwing up Telstars and weather satellites and navigational satellites, the Soviets have been throwing up manned space vehicles in progressively more sophisticated operations.

Let us remember the unbroken Soviet record of perfidy and aggression in the years that have intervened since the close of World War II.

Let us remember, in particular, how the Soviets induced us to enter into an honor moratorium on nuclear testing; how we negotiated in good faith for a test-ban treaty while our nuclear technology remained inactivated; and how the Soviets finally violated the moratorium last September with a mammoth series of more than 50 tests.

Remembering these things, we cannot afford to neglect our military effort in space while the Soviets push theirs with all the energy at their command. For this would be tantamount to disarming ourselves unilaterally, and leaving ourselves at the mercy of a foe who has sworn to bury us.

I again congratulate the junior Senator from Nevada [Mr. CANNON] for initiating a most significant discussion. I believe that only good can come out of the discussion and that our program will grow better.

Mr. President, I ask unanimous consent to have printed in the RECORD at this point the following items:

First. An editorial from the magazine Missiles and Rockets, August 20, 1962, entitled "The Big Knife."

Second. A speech by Dr. Arthur Kantrowitz, director of Avco-Everett Research Laboratory, entitled "Some Thoughts on Our Space Policies."

Third. A speech by Gen. Bernard A. Schriever, head of the Air Force Systems Command, entitled "A New Spectrum in Technology."

There being no objection, the editorial and speeches were ordered to be printed in the RECORD, as follows:

[From Missiles and Rockets, Aug. 20, 1962]

THE BIG KNIFE

The United States is 5 years behind the Soviet Union in space technology. But the real question is not how far behind we are but what we are going to do about it.

A front-page story in the New York Times of August 14 reports:

"Leaders of this country's space program are still optimistic about chances of being the first to land astronauts on the moon. The Soviet Union's success in putting two manned spacecraft into orbit close together has neither surprised them nor caused great concern."

We don't mind telling you we are considerably less optimistic and a great deal more concerned.

The Russian accomplishment has demonstrated in the most vivid manner that the United States, rather than closing the gap, is falling further behind in the advanced technology of space. This Nation's prestige and security both are threatened.

Krafft Ehricke, director of advanced studies at General Dynamics/Astronautics, always has been one of the industry's most outspoken and farsighted scientists. His comment when asked about possible military application of the Soviet flights was right to the point:

"If you have a big knife, you can use it to carve a steak or you can plunge it into your neighbor's back."

Most comment on the new Russian achievement has centered on the accomplishment, or near accomplishment, of what is planned more than 2 years from now in the U.S. Gemini program. This overlooks a number of significant points, particularly in potential military applications:

We have a highly classified U.S. military program, officially labeled "621A" and more informally known as Saint I. This is Satellite Inspector, designed for unmanned rendezvous and inspection of unidentified satellites. It is behind schedule and has not yet gotten off the launch pad in an initial feasibility demonstration. The twin Soviet capsules, orbiting within sight of one another, already have accomplished more than program 621A will prove. Space-to-earth television, one of the requirements of 621A, has been demonstrated by the Soviets.

The follow-on program, Saint II or 621B, calls for a manned satellite interceptor with the capability of destroying or neutralizing hostile satellites. This one is not even off the drawing boards. Three-month study contracts for Saint II were abruptly canceled in June, although industry is continuing its work in this area. The Soviet flights have fully demonstrated the feasibility of such intercept and destruction.

The demonstrated Soviet capability of orbiting two or more manned capsules for long periods of time provides the Russians with a reconnaissance potential which puts the complex and expensive U.S. Samos and Midas programs in a shadow. Midas, indeed, is known to be in serious development trouble due to inability of its sensors to discriminate. Manned reconnaissance is far more effective than spy satellites which depend on cameras or sensors. One of the two Soviet astronauts described, in fact, the major road system he could see in Latin America.

The U.S. Air Force is carrying out a determined study effort on orbital weapons systems. The Soviets now have demonstrated this capability. A high Department of Defense official told us orbital weapons are impractical because, traveling on predictable paths, they are too easy to knock down. May we ask: With what?

The Russians have demonstrated operational launch and tracking capabilities beyond those of the United States. They have made Gemini obsolescent and are well along the Apollo curve.

We're tired of hearing from addle-pated scientists and politicians who insist that the Russians are ahead of the United States only in booster performance. This is flatulent balderdash. So is the prophecy that we will pass the Russians in this field as soon as Saturn becomes operational. Are we naive enough to believe that the Soviets are standing docile in booster technology while we overtake them en route to the moon?

Now is the time for the administration to act and with vigor. The argument that money won't buy time is patently false. It will, up to a point, and we are far from that point. Starting with a decision to take the wraps off the U.S. Air Force and an all-out manned military space effort, there are many things which can be done immediately:

1. Put more money into the X-20 (Dyna-Soar) program.
2. Step up financing of Aerospace plane.
3. Fund Saint II development, drawing on Gemini technology where available and required but going as far beyond it as necessary and as rapidly as possible.
4. Fund development of the manned military space station.
5. Fund an extensive big solid booster program.
6. Forget vague predevelopment definition studies intended to conclusively prove before something is built that it will work: If a feasibility study proves feasibility, get on with the job and build it. Be prepared to accept occasional failures.
7. Tear down the vast consulting and in-house empires for research and development and systems engineering. The military services should have sufficient technical capability, either in-house or from nonprofit organizations, to competently evaluate proposals and bids and to provide technical surveillance of funded programs. The actual work, including systems engineering, should be left to private industry—which will do a far better job.

Only in this manner can we be assured that the big knife will cut into steak—and not into our back.

SOME THOUGHTS ON OUR SPACE POLICIES

(Speech by Dr. Arthur Kantrowitz, director, Avco-Everett Research Laboratory, at a luncheon meeting of the National Rocket Club, Washington, D.C., Tuesday, August 21, 1962.)

We live in an age dominated by science and technology. It is also a time of competing forms of social organization. The competition in space exhibits both of these phenomena of our times in a striking way. The Soviet Union is endeavoring to exhibit the superiority of their social system by exhibiting in the most spectacular way possible that they better understand how to develop and apply science and technology. The Russian space spectaculars are in a limited sense frauds. They are not simple deceptions in that I am willing to accept their claims of specific achievement at face value. However, they are designed to conceal the fact that the Soviet Union cannot match America's tremendous successes in applying science and technology to the great problems of combating want and disease and ignorance. In this respect they are frauds.

Consider, however, the military significance of space. At the present time there are certain clear applications of space for reconnaissance and communications which are important but perhaps not decisive in a military sense. However, it is my conviction that the elaboration of space technology will lead to new decisive weapons, that the most likely way in which the ICBM stalemate will finally be broken is by space-based weapons.

Their recent advance toward the achievement of rendezvous in space has brought them close to the capability of multiplying the weight that they can place in orbit in a single launch by the number of vehicles they can rendezvous. This achievement would make it possible for them to surpass the orbital capabilities of the biggest boosters we are even talking about. The Russians will first have the opportunity to explore the capabilities of a permanent manned laboratory in space. We must hope that we will also have such a laboratory before this capability leads them to a new weapon of decisive strategic importance. In this grim sense the Russian achievement is not a fraud.

In the past few years we have been seriously attempting to match Russian achievements in space. It has, however, become painfully clear with each successive year that we are falling farther and farther behind. Thus, we were 4 months behind the launching of Sputnik I, 10 months behind the first man in orbit, and we are now reported to be years behind their most recent achievement. I find it difficult to believe that we are, in fact, catching up. I find it still more difficult to believe that America cannot excel in this area. Why is it that we can lead the world in so many areas of technology and not in the large-scale technology of space?

One of the important roots of America's excellence in technology has been our deep belief in what Jefferson once called "the free marketplace of ideas." In technology this means the provision of a climate suitable for the growth of many competing ideas. This includes not only those immediately credible but the striking and imaginative ideas which require some nurturing to achieve credibility. How can we as a nation apply this basic element of our philosophy to the space effort?

The space effort differs from previous technological adventures in that in many cases demonstration of the power of an idea requires the expenditure of large amounts of money. Ideas which can be explored and proven on a small scale are still moving ahead more vigorously in this country than anywhere else. Thus, for example, in the space science area where because of the relatively modest requirements for funds many ideas can be pushed at the same time, we are still exhibiting America's traditional excellence. However, in the man-in-space area the cost is so high that there has been an important tendency to adopt the technique of our opponent, who claims that planning by an oligarchy is superior to the free marketplace of ideas. There is some tendency on our part to adopt the facile statement—let's pick one idea now and run with it. Thus, you see our Government recently wrestling to find the one best idea for the moon trip. It is my conviction that this policy represents a departure from the competitive free marketplace of ideas which has been responsible for America's technological excellence. This departure has led to our inability to compete with the Russians.

It is a simple thing to say that since a project is going to be very expensive let us not multiply the cost by trying to do it several ways. I am convinced, however, that this is a fallacy. Putting the problem so restrictively compels the adoption of the most cautious of available approaches. In attempting anything new the ability to start an imaginative approach before every step has been demonstrated can save much time and money. We did this in the ICBM program when we started to build boosters before we knew that the precision guidance and the reentry problems had practical solutions. This adventurous decision was reasonable because we simultaneously agreed to pursue several approaches to each difficult problem, allowing these approaches to compete in the early and relatively inexpensive phases. It is a truism that a policy which compels adoption of the most cautious approach to an adventurous problem will be very costly in time and in money.

The present plan in space concentrates an awesome responsibility on a small group of Government employees who must invent, advocate, judge, and execute systems to meet national goals. The free marketplace of ideas would cast a group of Government scientific officials in the role of judge. They would sit in judgment over the ideas of others, over the many advocates of varying approaches to meet a new challenge. They would listen to the evidence and to the cross-examination of that evidence by advocates of alternate approaches. They would find in some cases that no scientific decision could be reached on the basis of the available evidence. In these cases it would be necessary to continue multiple approaches until new evidence could accumulate. They would direct attention to the specific questions which must be answered to enable scientific decisions to be made. It, of course, would be necessary for the judge himself to carefully refrain from taking a position on matters before him. Thus, the enormous responsibility of our space program could be spread over a much larger segment of our scientific and engineering community. The essential function which must remain a purely governmental one is that of judgment, whereas the function of invention and execution can be delegated. The delegation of these responsibilities to the scientific community as a whole will create the free marketplace.

The role of judge has not been well developed in the history of science. In small-scale scientific work this role has been less important than that of the brilliant far-seeing advocate. This tradition has been reflected in the education of our scientists and engineers who have had the achievements of great pioneers held up as examples. To implement a free marketplace of ideas we will need to develop a corps of scientific judges. We will need to endow these people with the prestige that judgeship has achieved in the legal profession. We will need to endow their position with authority so that technical judgments will not be overridden by political authority. We will need, also, to be certain that these technical judges do not extend their authority beyond their area of competence; i.e., beyond the answering of scientific questions.

Encouragement of the free marketplace of ideas would attract many of the most creative of our engineers and scientists to the space program. It would call forth the enthusiasm without which, as Emerson once said, nothing great can ever be achieved. It would exhibit the power of a free society.

A NEW SPECTRUM IN TECHNOLOGY

(Keynote address by Gen. B. A. Schriever, before the Society of Photographic Instrumentation Engineers, New York, N.Y., August 6, 1962)

It is a real pleasure to be with you this evening. The members of the Society of Photographic Instrumentation Engineers have played an indispensable role in building our modern Air Force. We welcome the opportunity to cooperate with you in this symposium.

The importance of your effort in photographic instrumentation is not always properly appreciated. Like many of the other essential elements in systems acquisition, it tends to be taken for granted. In the complete process of developing, testing, producing, and installing a new aerospace system, public recognition is given to only the visible portion of the effort. Most of the general public is unaware of the efforts that provide that visibility.

As far as we in the Air Force are concerned, this is not the case. As one of the largest users of photographic instrumentation in the world, we know the vital importance of your efforts. We simply could not do the job in research and development without your creative work in support of our many development and test centers—the sled track at Holloman, the wind tunnels at Arnold Center, the launch pads at Cape Canaveral, and our other facilities across the country. More than a thousand people within the Air Force Systems Command are directly concerned with photographic instrumentation.

In recent years you have pioneered many advances in your field, such as the development of new lenses, high speed cameras and film, and high speed film processing methods. These advances have contributed to the rapid progress of our research and development efforts. They have helped provide more complete and accurate information on test results. As a consequence, far fewer tests are required. For example, more than 2,500 test firings were required to develop the German V-2. Less than 50 tests were needed to develop the Thor. Better instrumentation is a major factor in this dramatic reduction.

Instrumentation today is a big business—a billion dollar business. You could consider that the Atlantic missile range is an instrumented shooting gallery. On any major development test, dozens of cameras and thousands of people are involved. Advances in photographic techniques allow us to optically view and record separation of missile stages at slant ranges in excess of 80 miles. Photographic instrumentation is used to observe and record events such as the separation of the reentry vehicle from the booster on ballistic missile flights, or the expansion of an Echo-type balloon.

The procurement of major instrumentation items, such as the new ships for the extended Atlantic missile range, may involve hundreds of millions of dollars. We are applying the same management techniques and procedures to these procurements that we use for the acquisition of major weapon systems. The Air Force has established and is operating system program offices to support these new developments and acquisitions.

The rapid advances in the state of the art show clearly that the future holds even more promise. This symposium is an indication of your interest in new techniques. Your capability for rapid and accurate measurement will improve. It is obvious that the Air Force is also vitally interested in every area of advanced technology that may contribute to national security.

One new area to which you are devoting increased attention is the development of Laser techniques. A recent issue of the Spie magazine was devoted to this rapidly growing new technology, and later this week some of the papers will be concerned specifically with Laser applications. Most of you are well acquainted with the technical aspects of the Laser. I want to outline some of the possibilities that we see for application of this advanced technique—not only in this particular field, but in many other fields as well.

This revolutionary discovery may prove to be even more important to the world than the development of the ballistic missile, the discovery of the transistor, or the reality of Telstar. Ballistic missiles revolutionized the military art. Transistors outmoded previous developments in electronics. Telstar, an instantaneous and automatic communications link between Europe and America, is the precursor of global communications networks through space. The Laser will have a profound impact on every scientific and technical discipline represented here this evening—and more besides.

As a new method for transmission of energy, the Laser has almost infinite potential. The Laser can direct a concentrated beam of light across great distances with extreme precision. It is therefore ideally suited for application in space. In addition, it appears to have many practical applications in research, industry, medicine, and communications.

The Laser can be used to create temperatures millions of times hotter than the surface of the sun. This makes it a powerful research tool. In effect, it offers the possibility of placing a private sun in every laboratory. The ability to focus heat on an extremely small area makes it possible to achieve better chemical analysis by vaporizing the material under study without adding impurities. As a light source in the spectroscope, the Laser will enable scientists to achieve results much more quickly than in the past.

Lasers also have a number of potential industrial applications. In the chemical industry they can be used in the selective heating of a single ingredient in a chemical mixture. This will permit the achievement of certain chemical reactions that can be achieved in no other way. Even embroidery work on the individual chemical bonds of molecules can be accomplished through the use of the Laser.

Lasers will also open up a completely new area of microtechnology, by giving us the ability to drill or cut to tolerance measured in hundreds of molecules. All materials—including diamonds—can now be drilled or cut with extreme precision. High temperature materials can also be welded easily.

Lasers also offer a completely new approach to the design of large computers, which—in spite of their tremendous speeds—are still too slow to do all the scientific and business jobs we would like. Lasers may make it possible to greatly increase computation speeds by substituting "pipelines of light" for wires and components.

Great potential also exists in the field of medicine. Lasers, with their output focused to a very small spot, can be used to perform many kinds of knifeless surgery. A surgeon has already used this technique to operate on a human eye and correct a detached retina. The Laser beam, which is focused on the retina by the lens of the eye, is used to burn small sections around the detached area. Scar tissue forms at the points of burn, reattaches the optical elements, and sight is restored. In effect, elements of the inner eye have been "spot welded" without cutting any portion of the organ itself. In the near future similar techniques may be used for nerve surgery, brain surgery, and the removal of undesired tissue.

One of the most promising uses for the Laser will be found in the field of communications. For years radio and TV stations, as well as military users of the frequency spectrum, have been trying for clear channels without interference from other users. This has become a matter of worldwide concern.

The Laser opens up entirely new frequency ranges. From the earliest experiments in radio to the present time we have explored about 100 billion cycles. On most frequencies we have multiple, interfering users in competition and conflict. But in the next few years Lasers will open more than a million times the present communications spectrum. This presents the opportunity for a vast expansion—including TV relay and lunar and interplanetary communications.

As I have suggested earlier, the Laser is ideally suited for application in space. One of its uses will be as part of various sensing devices. Surveillance, data readout, mapping, surveying, and navigation and control may be revolutionized by the full application of the Laser principle. The first step toward a space Laser radar was recently demonstrated. Scientists bounced Laser beams off the moon and detected the returning signal.

The Laser offers a method for communications and energy transfer in space. If a high-energy Laser beam were directed at a satellite, most of its energy could be transferred to an appropriate receiver. Thus it would be entirely possible to recharge batteries or activate a chemical power source in a space vehicle. If a Laser system were developed as a backup to the space vehicle's normal power supply, it could correct for a power failure.

This same capability could also be used for defensive purposes in space. Within an increase in the energy level of a Laser beam, or with more precise aiming techniques, it might have increasingly destructive and lethal effects and perhaps could be used to degrade or destroy the sensors and structure of the space vehicle at which it was directed.

As you know, these are only a few of the potential applications of the Laser. Its many possibilities have intrigued the scientist and the engineer, and it is time for industry and the Government to make sure that this new technology is developed fully and rapidly.

To a very large extent, the rate of development depends on the amount of research and development effort expended. This costs money; it all has to be organized and directed; and it will result from industrial progress. But if the Laser is to achieve maximum utility in research and for industrial and national security purposes, a clear appreciation of its scientific import must also come from the Government.

As you know, the Government is already actively supporting Laser research and development. Although much of this is directed toward possible military application, it is clear that many civilian applications will be derived from these defense-oriented early efforts.

The Army Ordnance Missile Command, the Signal Corps, and the Corps of Engineers have all backed Laser developments and evaluations which provide promise for Army missions. The Office of Naval Research has sponsored numerous contracts related to materials. The National Aeronautics and Space Administration has industry studies underway which may well open new doors to precision tracking of U.S. space launches. Other agencies will become involved in the application of Lasers.

In the Air Force, our current funding for Laser technology is about $6 million. Our efforts range from instrumentation development to the search for means of using Laser beams in support of our military space objectives. Our budget for fiscal year 1964 should include an increase for Laser research and development.

The Laser is a striking example of the potential to be found in today's advanced technology. We must make full use of its possibilities for national security purposes.

There is ample evidence of the Soviet Union's interest in Lasers. The Soviets claim to have discovered the Laser in 1951, and in 1959 they awarded the Lenin Prize to the authors of important Russian papers on Lasers. The level of Soviet Laser research, as reflected in numerous reports since the mid-1950's, suggests that considerable planning and organization have gone into their efforts.

It appears that Soviet efforts to date have roughly paralleled those of the United States. But the Soviet may secretly have specific Laser applications under strenuous development. They have always been quick to make military application of their scientific advances.

The Laser is only one of the many areas of advanced technology that must receive increased support if our Nation is to maintain technical superiority.

In order to strengthen the direction and support of advanced technology within the Air Force, the Research and Technology Division has recently been created as part of the Air Force Systems Command. This division is now operational under Maj. Gen. Marvin Demler and is directed to insure maximum exploitation of the Laser and other significant scientific innovations. This new division will provide us with the management tool that will enable us to be more responsive in vital areas of applied research and advanced technology. Increased effort in this area is vital in today's technological contest.

The Laser is a primary example of the new scientific challenges and opportunities facing the United States today. Through this technique, light has become a significant tool of almost infinite potential—for either good or evil. Other areas of advanced technology may have similar implications for our national security. We must recognize this fact and insure that the advance of technology will continue to add to the strength and security of the free world.

Mr. CANNON. Mr. President, I was delighted to hear the very apt and timely remarks of my colleague, the Senator from Connecticut, on national security and military space power. I am honored and flattered by his kind remarks concerning the speech I made on Monday on this subject.

I know that the Senator from Connecticut has long been concerned with our lagging military space accomplishments, and his remarks today added immeasurably to the case which is rapidly being developed, both here and throughout the Nation, to bring a sense of urgency to the space challenge. He has given a valuable address on the need to reorient our space efforts in order to insure the peace. For, as Senator DODD has fittingly expressed it, "Peace cannot be protected by weakness." He has wisely sensed that a majority of the American people have reservations about our position in the space race and that they are not satisfied with mere scientific "gadgetry" alone.

The Senator from Connecticut states, as I have been saying, that "we must allocate a higher priority to our defensive requirements in space." And he urges a higher priority for the military potentialities of space.

I am encouraged by the progress that has been made this week in the form of statements by the Secretary of Defense that much more will be done in this important area very soon. I hope that much more will be done, and I commend the Senator from Connecticut for his eloquent and persuasive statement that we must start preparing today so that we establish our military power not only on land, sea, and air but in space.

VETERANS READJUSTMENT ASSISTANCE ACT OF 1961

The Senate resumed the consideration of the bill (S. 349) to provide readjustment assistance to veterans who serve in the Armed Forces between January 31, 1955, and July 1, 1963.

The **PRESIDING OFFICER.** The question is on agreeing to the committee amendments.

The amendments were agreed to.

Mr. **COOPER.** Mr. President, I propose an amendment, which I send to the desk and ask that it be printed, ordered to lie on the table, and printed in the RECORD.

The **PRESIDING OFFICER.** The amendment will be received, printed, and will lie on the table; and, without objection, the amendment will be printed in the RECORD.

The amendment is as follows:

On page 1, beginning with line 5, strike out all through line 2 on page 52, and insert in lieu thereof the following:

"STATEMENT OF POLICY

"SEC. 102. The Congress of the United States hereby declares that the veterans' education and training loan program created by this Act is for the purpose of providing vocational readjustment and restoring lost educational opportunities to those service men and women whose educational or vocational ambitions have been interrupted or impeded by reason of active service in the Armed Forces during a period when compulsory military service under the laws of the United States was in effect, and for the purpose of aiding such persons in attaining the educational and training status which they might normally have aspired to and obtained had they not served their country.

"TITLE II—EDUCATIONAL AND VOCATIONAL TRAINING LOANS

"Part I—Definitions

"SEC. 201. For the purpose of this title—

"(1) the term 'basic service period' means the period beginning on February 1, 1955, and ending on the day before the date of termination of compulsory military service under the laws of the United States, except that with respect to a person in the active service of the Armed Forces on such day, such term means the period beginning on February 1, 1955, and ending on the date of the person's first discharge or release from service after such day;

"(2) the term 'eligible veteran' means any person who is not in the active service in the Armed Forces and who—

"(A) has served in the active service of the Armed Forces at any time during the period beginning on February 1, 1955, and ending on the day before the date of termination of compulsory military service under the laws of the United States,

"(B) has been discharged or released from such active service under conditions other than dishonorable, and was not given a bad-conduct discharge, or if an officer, did not resign for the good of the service, and

"(C) has served in the active service of the Armed Forces continuously prior to such discharge or release for six months or more subsequent to January 31, 1955 (exclusive of any period he was assigned by the Armed Forces to a civilian institution for a course of education and training which was substantially the same as established courses offered to civilians, or a cadet or midshipman at one of the service academies), or has been discharged or released by reason of an actual service-incurred injury or disability;

"(3) the term 'date of termination of compulsory military service under the laws of the United States' means the day following the last day on which involuntary induction of civilians (other than individuals liable for induction by reason of a prior deferment) into the Armed Forces of the United States is authorized under (A) the Universal Military Training and Service Act, as now in effect or hereafter amended, or (B) any law enacted after the date of the enactment of this Act, if such law is enacted within six months after the Universal Military Training and Service Act ceases to be effective.

"(4) the term 'program of education or training' means any single unit course or subject, any curriculum, or any combination of unit courses or subjects, which is generally accepted as necessary to fulfill requirements for the attainment of a predetermined and identified educational, professional, or vocational objective;

"(5) the term 'course' means an organized unit of subject matter in which instruction is offered within a given period of time or which covers a specific amount of related subject matter for which credit toward graduation or certification is usually given;

"(6) the term 'dependent' means—

"(A) a child (as defined in section 101 of the Veteran's Benefit Act of 1957) of an eligible veteran,

"(B) a parent (as defined in section 101 of the Veteran's Benefit Act of 1957) of an eligible veteran, if the parent is in fact dependent upon the veteran, and

"(C) the wife of an eligible veteran, or, in the case of an eligible veteran who is a woman, her husband if he is in fact dependent upon the veteran;

"(7) the term 'educational institution' means any public or private elementary school, secondary school, vocational school, correspondence school, business school, junior college, teachers college, college, normal school, professional school, university, scientific or technical institution, or other institution furnishing education for adults;

"(8) the term 'training establishment' means any business or other establishment providing apprentice or other training on the job, including those under the supervision of a college or university or any State department of education, or any State apprenticeship agency, or any State board of vocational education, or any joint apprentice committee, or the Bureau of Apprenticeship established in accordance with Public Law 308, Seventy-fifth Congress, or any agency of the Federal Government authorized to supervise such training;

"(9) the term 'Armed Forces' means the Army, the Navy, the Air Force, the Marine Corps, and the Coast Guard of the United States;

"(10) the term 'State' means each of the several States, the Territories and possessions of the United States, the District of Columbia, the Commonwealth of Puerto Rico, and the Panama Canal Zone;

"(11) the term 'Administrator' means the Administrator of Veterans' Affairs; and

"(12) the term 'Commissioner' means the United States Commissioner of Education.

"Part II—Eligibility

"Entitlement to education or training loans generally

"SEC. 202. Each eligible veteran shall, subject to the provisions of this title, be entitled to education and training loans for the purpose of assisting him in pursuing a program of education or training. Such loan shall be repayable by such veteran to the Government as hereinafter provided.

"Commencement; time limitations

"SEC. 203. (a) No eligible veteran shall be entitled to initiate a program of education or training under this title more than three years from the date of the enactment of this Act, or after three years after his discharge or release from active service, whichever is later.

"(b) The program of education and training of an eligible veteran under this title shall, on and after the delimiting date for the veteran to initiate his program, be pursued continuously until completion except that an eligible veteran may suspend the pursuit of his program for periods of not more than twelve consecutive months, and may suspend the pursuit of such program for longer periods if the Administrator finds that the suspension for each such period was due to conditions beyond the control of the eligible veteran.

"(c) In the event an eligible veteran returns to active service in the Armed Forces prior to the date on which compulsory service under the laws of the United States terminates, his date of discharge or release shall, for the purposes of this section and section 204, be the date of discharge or release from his last period of active service which began prior to the date on which compulsory service under the laws of the United States terminates.

"Expiration of All Education and Training

"SEC. 204. No education or training loan shall be provided an eligible veteran under this title beyond eight years after his discharge or release from active service, and in no event shall an education or training loan be provided under this title more than ten years after the date on which compulsory service under the laws of the United States terminates.

"Computation of Veteran's Loan Entitlement

"SEC. 205. (a) Each eligible veteran shall be entitled to receive education and training loans under this title to assist him in obtaining education or training over a period equal to one and a half times the duration of his active service in the Armed Forces during his basic service period (or to the equivalent thereof in part-time training), except that—

"(1) in computing the duration of his active service in the Armed Forces, there shall be excluded a period equal to any period he was assigned by the Armed Forces to a civilian institution for a course of education or training which was substantially the same as established courses offered to civilians or as a cadet or midshipman at one of the service academies;

"(2) the period for which an eligible veteran shall be entitled to receive education and training loans under this title shall not, except as provided in subsection (b), exceed thirty-six months; and

"(3) the period for which an eligible veteran shall be entitled to receive education and training loans under this title, together with education or training received under part VIII of Veterans Regulation Numbered 1(a), title II of the Veterans' Readjustment

Assistance Act of 1952, of the War Orphans' Educational Assistance Act of 1956, or of vocational rehabilitation training under part VII, Veterans Regulation Numbered 1(a), or Public Law 894, Eighty-first Congress, shall not, except as provided in subsection (b), exceed thirty-six months in the aggregate.

"(b) Whenever the period of entitlement to education and training under this title of an eligible veteran who is enrolled in an educational institution regularly operated on the quarter or semester system ends during a quarter or semester and after a major part of such semester or quarter has expired, such period shall be extended to the termination of such unexpired quarter or semester. In all other courses offered by educational institutions, whenever the period of eligibility ends after a major portion of the course is completed such period may be extended to the end of the course or for nine weeks, whichever is the lesser period.

"(c) In the case of any eligible veteran who is pursuing any program of education or training exclusively by correspondence, one-fourth of the elapsed time in following such program of education or training shall be charged against the veteran's period of entitlement.

"Part III—Enrollment

"Selection of Program

"SEC. 206. Subject to the provisions of this title, each eligible veteran may select a program of education or training to assist him in attaining an educational, professional, or vocational objective at any educational institution or training establishment selected by him, whether or not located in the State in which he resides, which will accept and retain him as a student or trainee in any field or branch of knowledge which such institution or establishment finds him qualified to undertake or pursue. Nowithstanding the foregoing provisions of this section, an eligible veteran may not pursue a program of education or training at an educational institution or training establishment which is not located in a State, unless such program is pursued at an approved educational institution of higher learning. The Administrator in his discretion may deny or discontinue the enrollment under this title of any veteran in a foreign educational institution if he finds that such enrollment is not for the best interest of the veteran or the Government.

"Applications; Approval

"SEC. 207. Any eligible veteran who desires to initiate a program of education or training under this title shall submit an application to the Administrator which shall be in such form, and contain such information, as the Administrator shall prescribe. The Administrator shall approve such application unless he finds that such veteran is not eligible for or entitled to the education or training applied for or that his program of education or training fails to meet any of the requirements of this title, or that the eligible veteran is already qualified, by reason of previous education and training, for the educational, professional, or vocational objective for which the courses of the program of education or training are offered. The Administrator shall notify the eligible veteran of the approval or disapproval of his application.

"Change of Program

"SEC. 208. (a) Subject to the provisions of section 207, each eligible veteran (except an eligible veterans whose program has been interrupted or discontinued due to his own misconduct, his own neglect, or his own lack of application) may, at any time prior to the end of the period during which he is entitled to initiate a program of education or training under this title, make not more than one change of program of education or training.

"(b) Each eligible veteran, who has not made a change of program of education or training before the expiration of the period during which he is entitled to initiate a program of education or training under this title, may make not more than one change of program of education or training with the approval of the Administrator. The Administrator shall approve such a change if he finds that—

"(1) the eligible veteran is not making satisfactory progress in his present program and that the failure is not due to his own misconduct, his own neglect, or his own lack of application, and if the program to which the eligible veteran desires to change is more in keeping with his aptitude or previous education and training; or

"(2) the program to which the eligible veteran desires to change, while not a part of the program currently pursued by him, is a normal progression from such program.

"(c) As used in this section the term 'change of program of education or training' shall not be deemed to include a change from the pursuit of one objective or level of education or training to the pursuit of a higher objective or level of education or training in the same field of study or training.

"Avocational and Recreational Courses

"SEC. 209. (a) The Administrator shall not approve the enrollment of an eligible veteran in any bartending course, dancing course, or personality development course.

"(b) The Administrator shall not approve the enrollment of an eligible veteran—

"(1) in any photography course or entertainment course, or

"(2) in any music course—instrumental or vocal—public speaking course, or course in sports or athletics such as horseback riding, swimming, fishing, skiing, golf, baseball, tennis, bowling, sports officiating, or other sport or athletic courses, except courses of applied music, physical education, or public speaking which are offered by institutions of higher learning for credit as an integral part of a program leading to an educational objective, or

"(3) in any other type of course which the Administrator finds to be avocational or recreational in character;

unless the eligible veteran submits justification showing that the course will be of bona fide use in the pursuit of his present or contemplated business or occupation.

"Discontinuance of Education and Training Loans for Unsatisfactory Progress

"SEC. 210. The Administrator shall discontinue education and training loans to an eligible veteran if, at any time, he finds that, according to the regularly prescribed standards and practices of the educational institution or training establishment, the conduct or progress of such veteran is unsatisfactory.

"Minimum Number of Nonveteran Students Required

"SEC. 211. The Administrator shall not approve the enrollment of any eligible veteran, not already enrolled, in any nonaccredited course below the college level offered by a proprietary profit or proprietary nonprofit educational institution for any period during which the Administrator finds that more than 85 per centum of the students enrolled in the course are paying all or any part of their tuition, fees, or other charges with the assistance of loans obtained under this Act, or are having all or any part of their tuition, fees, or other charges paid to or for them by the educational institutional or the Veterans' Administration under Part VII of Veterans Regulation Numbered 1 (a), title II of the Veterans Readjustment Assistance Act of 1952, the War Orphans' Educational Assistance Act of 1956.

"Period of Operation for Approval

"SEC. 212. (a) The Administrator shall not approve the enrollment of an eligible veteran in any course offered by an educational institution when such course has been in operation for less than two years.

"(b) Subsection (a) shall not apply to—

"(1) any course to be pursued in a public or other tax-supported educational institution;

"(2) any course which is offered by an educational institution which has been in operation for more than two years, if such course is similar in character to the instruction previously given by such institution;

"(3) any course which has been offered by an institution for a period of more than two years, notwithstanding the institution has moved to another location within the same general locality; or

"(4) any course which is offered by a nonprofit educational institution of college level and which is recognized for credit toward a standard college degree.

"Institutions Listed by Attorney General

"SEC. 213. The Administrator shall not approve the enrollment of, or disbursement of an education and training loan to, any eligible veteran in any course in an educational institution or training establishment while it is listed by the Attorney General under section 3 of part III of Executive Order 9835, as amended.

"Part IV—Loans to veterans

"Education and Training Loans

"SEC. 214. (a) The Administrator shall provide to each eligible veteran who is pursuing a program of education or training under this title, and who applies therefor, an education and training loan to meet in part the expenses of his subsistence, tuition, fees, supplies, books, and equipment.

"(b) The education and training loan for an eligible veteran shall be provided, as provided in section 215, only for the period of the veteran's enrollment as approved by the Administrator, but no loan shall be provided—

"(1) to any veteran enrolled in an institutional course which leads to a standard college degree or a course of institutional on-farm training for any period when the veteran is not pursuing his course in accordance with the regularly established policies and regulations of the institution and the requirements of this title,

"(2) to any veteran enrolled in an institutional course which does not lead to a standard college degree or in a course of apprentice or other training on the job for any day of absence in excess of thirty days in a twelve-month period, not counting as absences weekends or legal holidays established by Federal or State law during which the institution or establishment is not regularly in session or operation, or

"(3) to any veteran pursuing his program of education exclusively by correspondence for any period during which no lessons were serviced by the institution.

"(c) No education and training loan shall be provided to an eligible veteran for any period until the Administrator shall have received—

"(1) from the eligible veteran (A) in the case of an eligible veteran enrolled in an institutional course which leads to a standard college degree or a course of institutional on-farm training, a certification that he was actually enrolled in and pursuing the course as approved by the Administrator, or (B) in the case of an eligible veteran enrolled in an institutional course which does not lead to a standard college degree or a course of apprentice or other training on the job, a certification as to actual attendance during such period, or (C) in the case of an eligible veteran enrolled in a program of education or training by correspondence, a certification as to the number of lessons actually completed by the veteran and serviced by the institution, and

"(2) from the educational institution or training establishment, a certification, or an endorsement on the veteran's certificate, that such veteran was enrolled in and pursuing a course of education or training during such period, and, in the case of an institution furnishing education or training to a veteran exclusively by correspondence, a certification, or an endorsement on the veteran's certificate, as to the number of lessons completed by the veteran and serviced by the institution.

Education and training loans shall, insofar as practicable, be disbursed within twenty days after receipt by the Administrator of the certifications required by this subsection.

"Computation of Education and Training Loans

"SEC. 215. (a) The education and training loan of an eligible veteran who is pursuing a program of education or training in an educational institution and is not entitled to receive an education and training loan under subsection (b), (c), (d), (e), or (f) shall be computed as follows:

"(1) If such program is pursued on a full-time basis, such loan shall be computed at the rate of $110 per month, if the veteran has no dependent, or at the rate of $135 per month, if he has one dependent, or at the rate of $160 per month, if he has more than one dependent.

"(2) If such program is pursued on a three-quarters time basis, such loan shall be computed at the rate of $80 per month, if the veteran has no dependent, or at the rate of $100 per month, if he has one dependent, or at the rate of $120 per month, if he has more than one dependent.

"(3) If such program is pursued on a half-time basis, such loan shall be computed at the rate of $50 per month, if the veteran has no dependent, or at the rate of $60 per month, if he has one dependent, or at the rate of $80 per month, if he has more than one dependent.

"(b) The education and training loan of an elegible veteran who is pursuing a full-time program of education and training which consists of institutional courses and on-the-job training, with the on-the-job training portion of the program being strictly supplemental to the institutional portion, shall be computed at the rate of (1) $90 per month, if he has no dependent, or (2) $110 per month, if he has one dependent, or (3) $130 per month, if he has more than one dependent.

"(c) The education and training loan of an eligible veteran pursuing apprentice or other training on the job shall be computed at the rate of (1) $70 per month, if he has no dependent, or (2) $85 per month, if he has one dependent, or (3) $105 per month, if he has more than one dependent; except that his education and training loan shall be reduced at the end of each four-month period as his program progresses by an amount which bears the same ratio to the basic education and training loan as four months bears to the total duration of his apprentice or other training on the job; but in no case shall the Administrator provide an education and training loan under this subsection in an amount which, when added to the compensation to be paid to the veteran, in accordance with his approved training program, for productive labor performed as a part of his course, would exceed the rate of $310 per month. For the purpose of computing loans under this subsection, the duration of the training of an eligible veteran shall be the period specified in the approved application as the period during which he may receive an education and training loan for such training, plus such additional period, if any, as is necessary to make the number of months of such training a multiple of four.

"(d) The education and training loan of an eligible veteran pursuing institutional on-farm training shall be computed at the rate of (1) $95 per month, if he has no dependent, or (2) $110 per month, if he has one dependent, or (3) $130 per month, if he has more than one dependent; except that his education and training loan shall be reduced at the end of the third, and each subsequent, four-month period as his program progresses by an amount which bears the same ratio to $65 per month, if the veteran has no dependent, or $80 per month, if he has one dependent, or $100 per month, if he has more than one dependent, as four months bears to the total duration of such veteran's institutional on-farm training reduced by eight months. For the purpose of computing loans under this subsection, the duration of the training of an eligible veteran shall be the period specified in the approved application as the period during which he may receive an education and training loan for such training, plus such additional period, if any, as is necessary to make the number of such months of such training a multiple of four.

"(e) The education and training loan of an eligible veteran pursuing a program of education or training exclusively by correspondence shall be computed on the basis of the established charge which the institution requires nonveterans to pay for the course or courses pursued by the eligible veteran. Such loan shall be disbursed quarterly on a pro rata basis for the lessons completed by the veteran and serviced by the institution, as certified by the institution.

"(f) The education and training loan of an eligible veteran who is pursuing a program of education or training under this title in an educational institution on a less-than-half-time basis shall be computed at the rate of (1) the established charges for tuition and fees which the institution requires similarly circumstanced nonveterans enrolled in the same course to pay, or (2) $110 per month for a full-time course, whichever is the lesser.

"(g) Each eligible veteran who is pursuing an approved course of flight training shall be paid an education and training loan to be computed at the rate of 75 per centum of the established charge which similarly circumstanced nonveterans enrolled in the same flight course are required to pay for tuition for the course. If such veteran's program of education or training consists exclusively of flight training, he shall not be provided an education and training loan under one of the preceding subsections of this section; if his program of education or training consists of flight training and other education or training, the loan provided under this subsection shall be in addition to any education and training loan provided to him under one of the preceding subsections of this section for education or training other than flight training. Such loan shall be disbursed monthly upon receipt of certification from the eligible veteran and the institution as to the actual flight training received by the veteran. In each such case the eligible veteran's period of entitlement shall be charged (in addition to any charge made against his entitlement by reason of education or training other than flight training) with one day for each $1.25 which is provided to the veteran as an education and training loan for such course.

"(h) No eligible veteran shall be provided an education and training loan under this title for any period during which (1) he is enrolled in and pursuing a course of education or training paid for by the United States under any provision of law, where the payment of such loan would constitute a duplication of benefits provided to the veteran from the Federal Treasury, or (2) he is pursuing a course of apprentice or other training on the job, a course of institutional on-farm training, or a course of education and training described in subsection (b), on a less than full-time basis.

"Loan Requirements

"SEC. 216. Education and training loans made under the provisions of this title—

"(1) shall be made without security, except that the veteran shall execute a promissory note, or notes, payable to the United States;

"(2) shall be repaid in equal or graduated periodic installments, in accordance with such schedules as may be approved by the Administrator over such period of time as the Administrator shall prescribe, not exceeding twelve years, beginning one year after the date on which the veteran ceases to pursue his program of education or training, except that——

"(A) periodic installments may be readjusted in the case of any veteran if the Administrator finds that a readjustment would be in the best interest of the veteran and the Government, and

"(B) periodic installments need not be paid during any period (i) in which the veteran is pursuing a full-time program of education or training, or (ii) during which the veteran is a member of the Armed Forces, if such veteran is recalled to active duty and is in a pay grade which makes repayment an undue burden, as determined by the Administrator; and

"(3) shall be interest free, except that if such loan is not repaid within the period prescribed by the Administrator interest shall accrue on the unpaid principal, beginning on the day following the date on which the last payment is due, at a rate of 2 per centum per annum. If a veteran fails to make payments in accordance with the schedule of repayment prescribed for him by the Administrator, and the Administrator determines that adherence to the prescribed schedule would not constitute an undue hardship on the veteran, the Administrator shall declare the entire remaining amount of such loan due, and interest shall accrue on the unpaid principal of such loan at the rate of 2 per centum per annum from the date of such declaration.

"(4) shall be canceled upon the death of the veteran, or if he becomes permanently and totally disabled as determined in accordance with regulations of the Administrator;

"(5) shall be subject to such additional terms, conditions, and requirements as the Administrator may determine to be necessary to protect the financial interests of the United States and to carry out the purpose of this title.

"Actions to enforce repayment of loan

"SEC. 217. (a) In addition to any legal action brought to recover a loan made under this Act, the Administrator is authorized to utilize all other resources to effect recovery of such loans, including setoffs of such loans against veteran benefits, national service life insurance dividends, or any other Federal funds otherwise payable to the veteran.

"(b) If an education and training loan provided under this title is not repaid, it shall be lawful for the Administrator or his delegate to collect such indebtedness in the same manner, and to the same extent, insofar as applicable, as the Secretary of the Treasury may collect a tax under the provisions of section 6331 of the Internal Revenue Code of 1954.

"(c) In addition to any State court of competent jurisdiction, any United States district court for any district wherein the veteran resides or was resident at any time shall have jurisdiction of any action brought by or on behalf of the Federal Government to recover any amount payable under any promissory note executed to evidence a loan made under this title. No legal service of any kind shall be required to be made upon the veteran other than notice of the institution of such action stating the date of entry and name of court; such notice shall be sent by registered mail to the last-known address of such veteran as indicated in the records of the Veterans' Administration.

"(d) In any action by or on behalf of the Federal Government to recover any amount payable under any promissory note executed to evidence a loan made under this title, the fact that the veteran was an infant at the time of signing such promissory note shall not be a defense.

"Measurement of Courses

"Sec. 218. (a) For the purposes of this title, (1) an institutional trade or technical course offered on a clock-hour basis below the college level involving shop practice as an integral part thereof, shall be considered a full-time course when a minimum of thirty hours per week of attendance is required with not more than two and one-half hours of rest periods per week allowed, (2) an institutional course offered on a clock-hour basis below the college level in which theoretical or classroom instruction predominates shall be considered a full-time course when a minimum of twenty-five hours per week net of instruction is required, and (3) an institutional undergraduate course offered by a college or university on a quarter or semester-hour basis for which credit is granted toward a standard college degree shall be considered a full-time course when a minimum of fourteen semester hours or its equivalent is required.

"(b) The Administrator shall define full-time training in the case of all types of courses of education or training other than institutional on-farm training and the types of courses referred to in subsection (a): *Provided*, That the Administrator shall not define full-time apprentice training for a particular establishment other than that established as the standard workweek through bona fide collective bargaining between employers and employees.

"Overcharges by Educational Institutions

"Sec. 219. The Administrator may, if he finds that an institution has charged or received from any eligible veteran any amount in excess of the established charges for tuition and fees which the institution requires similarly circumstanced nonveterans enrolled in the same course to pay, disapprove such educational institution for the enrollment of any veteran not already enrolled therein, except that, in the case of a tax-supported public educational institution which does not have established charges for tuition and fees which it requires nonveteran residents to pay, such institution may charge and receive from each eligible veteran who is a resident an amount equal to the estimated cost of teaching personnel and supplies for instruction attributable to such veteran, but in no event to exceed the rate of $10 per month for a full-time course.

"Part V—State approving agencies

"Designation

"Sec. 220. (a) Unless otherwise established by the law of the State concerned, the chief executive of each State is requested to create or designate a State department or agency as the 'State approving agency' for his State for the purposes of this title.

"(b) (1) In the event any State fails or declines to create or designate a State approving agency, the provisions of this title which refer to the State approving agency shall, with respect to such State, be deemed to refer to the Administrator.

"(2) In the case of courses subject to approval by the Administrator under section 221, the provisions of this title which refer to a State approving agency shall be deemed to refer to the Administrator.

"Approval of Courses

"Sec. 221. (a) An eligible veteran shall receive the loans provided by this title while enrolled in a course of education or training offered by an educational institution or training establishment only if such course is approved by the State approving agency for the State where such educational institution or training establishment is situated or by the Administrator. Approval of courses by State approving agencies shall be in accordance with the provisions of this title and such other regulations and policies as the State approving agency may adopt. Each State approving agency shall furnish the Administrator with a current list of educational institutions and training establishments, specifying courses which it has approved, and, in addition to such list, it shall furnish such other information to the Administrator as it and the Administrator may determine to be necessary to carry out the purposes of this title. Each State approving agency shall notify the Administrator of the disapproval of any course previously approved and shall set forth the reasons for such disapproval.

"(b) The Administrator shall be responsible for the approval of courses of education or training offered by any agency of the Federal Government authorized under other laws to supervise such education or training. The Administrator may approve any course in any other educational institution or training establishment in accordance with the provisions of this title.

"(c) Any course offered by educational institutions or training establishment shall be considered approved for the purposes of this Act if it is approved for education or training under title II of the Veterans Readjustment Assistance Act of 1952.

"Cooperation

"Sec. 222. (a) The Administrator and each State approving agency shall take cognizance of the fact that definite duties, functions, and responsibilities are conferred upon the Administrator and each State approving agency under the veterans' educational programs. To assure that such programs are effectively and efficiently administered, the cooperation of the Administrator and the State approving agencies is essential. It is necessary to establish an exchange of information pertaining to activities of educational institutions and training establishments, and particular attention should be given to the enforcement of approval standards, enforcement of wage and income limitations, enforcement of enrollment restrictions, and fraudulent and other criminal activities on the part of persons connected with educational institutions and training establishments in which veterans are enrolled under this title.

"(b) The Administrator will furnish the State approving agencies with copies of such Veterans' Administration informational material as may aid them in carrying out this title.

"Use of Office of Education and Other Federal Agencies

"Sec. 223. (a) In carrying out his functions under this title, the Administrator may utilize the facilities and services of any other Federal department or agency. The Administrator shall utilize the services of the Office of Education in developing cooperative agreements between the Administrator and State and local agencies relating to the approval of courses of education or training as provided for in section 224, in reviewing the plan of operations of State approving agencies under such agreements, and in rendering technical assistance to such State and local agencies in developing and improving policies, standards, and legislation in connection with their duties under this title.

"(b) Any such utilization shall be pursuant to proper agreement with the Federal department or agency concerned; and payment to cover the cost thereof shall (except in the case of the Office of Education) be made either in advance or by way of reimbursement, as may be provided in such agreement. Funds necessary to enable the Office of Education to carry out its functions under this title are authorized to be appropriated directly to such Office.

"Reimbursement of Expenses

"Sec. 224. The Administrator is authorized to enter into contracts or agreements with State and local agencies to pay such State and local agencies for reasonable and necessary expenses of salary and travel incurred by employees of such agencies in (1) rendering necessary services in ascertaining the qualifications of educational institutions and training establishments for furnishing courses of education or training to eligible veterans under this title, and in the supervision of such educational institutions and training establishments, and (2) furnishing, at the request of the Administrator, any other services in connection with this title. Each such contract or agreement shall be conditioned upon compliance with the standards and provisions of this title.

"Part VI—Approval of courses of education and training

"Apprentice or Other Training on the Job

"Sec. 225. (a) Apprentice or other training on the job shall consist of courses offered by training establishments whenever such courses of training are furnished in accordance with the provisions of this section. Any training establishment desiring to furnish a course of apprentice or other training on the job shall submit to the appropriate State approving agency a written application setting forth the course of training for each job for which an eligible veteran is to be trained. The written application covering the course of training shall include the following:

"(1) Title and description of the specific job objective for which the eligible veteran is to be trained;

"(2) The length of the training period;

"(3) A schedule listing various operations for major kinds of work or tasks to be learned and showing for each, job operations or work, tasks to be performed, and the approximate length of time to be spent on each operation or task;

"(4) The wage or salary to be paid at the beginning of the course of training, at each successive step in the course, and at the completion of training;

"(5) The entrance wage or salary paid by the establishment to employees already trained in the kind of work for which the veteran is to be trained; and

"(6) The number of hours of supplemental related instruction required.

"(b) The appropriate State approving agency may approve a course of apprentice or other training on the job specified in an application submitted by training establishment in accordance with subsection (a) if such training establishment is found upon investigation to have met the following criteria:

"(1) The training content of the course is adequate to qualify the eligible veteran for appointment to the job for which he is to be trained.

"(2) There is reasonable certainty that the job for which the eligible veteran is to be trained will be available to him at the end of the training period.

"(3) The job is one in which progression and appointment to the next higher classification are based upon skills learned through organized training on the job and not on such factors as length of service and normal turnover.

"(4) The wages to be paid the eligible veteran for each successive period of training are not less than those customarily paid in the training establishment and in the community to a learner in the same job who is not a veteran.

"(5) The job customarily requires a period of training of not less than three months and not more than two years of full-time training, except that this provision shall not apply to apprentice training.

"(6) The length of the training period is no longer than that customarily required by the training establishment and other training establishments in the community to provide an eligible veteran with the required skills, arrange for the acquiring of job knowledge, technical information, and other facts which the eligible veteran will need to learn in order to become competent on the job for which he is being trained.

"(7) Provision is made for related instruction for the individual eligible veteran who may need it.

"(8) There is in the training establishment adequate space, equipment, instructional material, and instructor personnel to provide satisfactory training on the job.

"(9) Adequate records are kept to show the progress made by each eligible veteran toward his job objective.

"(10) Appropriate credit is given the eligible veteran for previous training and job experience, whether in the military service or elsewhere, his beginning wage adjusted to the level to which such credit advances him and his training period shortened accordingly and provision is made for certification by the training establishment that such credit has been granted and the beginning wage adjusted accordingly. No course of training will be considered bona fide if given to an eligible veteran who is already qualified by training and experience for the job objective.

"(11) A signed copy of the training agreement for each eligible veteran, including the training program and wage scale as approved by the State approving agency, is provided to the veteran and to the Administrator and the State approving agency by the employer.

"(12) Upon completion of the course of training furnished by the training establishment the eligible veteran is given a certificate by the employer indicating the length and type of training provided and that the eligible veteran has completed the course of training on the job satisfactorily.

"(13) That the course meets such other criteria as may be established by the State approving agency.

"Institutional On-Farm Training

"SEC. 226. (a) An eligible veteran shall be entitled to the loans provided by this title while enrolled in a course of full-time institutional on-farm training which has been approved by the appropriate State approving agency in accordance with the provisions of this section.

"(b) The State approving agency may approve a course of institutional on-farm training when it satisfies the following requirements:

"(1) The course combines organized group instruction in agricultural and related subjects of at least two hundred hours per year (and of at least eight hours each month) at an educational institution, with supervised work experience on a farm, or other agricultural establishment.

"(2) The eligible veteran will perform a part of such course on a farm or other agricultural establishment under his control.

"(3) The course is developed with due consideration to the size and character of the farm or other agricultural establishment on which the eligible veteran will receive his supervised work experience and to the need of such eligible veteran, in the type of farming for which he is training, for proficiency in planning, producing, marketing, farm mechanics, conservation of resources, food conservation, farm financing, farming management, and the keeping of farm and home accounts.

"(4) The eligible veteran will receive not less than one hundred hours of individual instruction per year, not less than fifty hours of which shall be on such farm or other agricultural establishment (with at least two visits by the instructor to such farm each month). Such individual instruction shall be given by the instructor responsible for the veteran's institutional instruction and shall include instruction and home-study assignments in the preparation of budgets, inventories, and statements showing the production, use on the farm, and sale of crops, livestock, and livestock products.

"(5) The eligible veterans will be assured of control of such farm or other agricultural establishment (whether by ownership, lease, management agreement, or other tenure arrangement) until the completion of his course.

"(6) Such farm or other agricultural establishment shall be of a size and character which (A) will, together with the group-instruction part of the course, occupy the full time of the eligible veteran, (B) will permit instruction in all aspects of the management of the farm or other agricultural establishment of the type for which the eligible veteran is being trained, and will provide the eligible veteran an opportunity to apply to the operation of his farm or other agricultural establishment the major portion of the farm practices taught in the group-instruction part of the course, and (C) will assure him a satisfactory income for a reasonable living under normal conditions at least by the end of his course.

"(7) Provision shall be made for certification by the institution and the veteran that the training offered does not repeat or duplicate training previously received by the veteran.

"(8) The institutional on-farm training meets such other fair and reasonable standards as may be established by the State approving agency.

"Approval of Accredited Courses

"SEC. 227. (a) A State approving agency may approve the courses offered by an educational institution when—

"(1) such courses have been accredited and approved by a nationally recognized accrediting agency or association;

"(2) credit for such course is approved by the State department of education for credit toward a high school diploma;

"(3) such courses are conducted under the Act of February 23, 1917, as amended (39 Stat. 927), or the Vocational Education Act of 1946; or

"(4) such courses are accepted by the State department of education for credit for a teacher's certificate or a teacher's degree.

For the purposes of this title the Commissioner shall publish a list of nationally recognized accrediting agencies and associations which he determines to be reliable authority as to the quality of training offered by an educational institution and the State approving agencies may, upon concurrence, utilize the accreditation of such accrediting associations or agencies for approval of the courses specifically accredited and approved by such accrediting association or agency. In making application for approval, the institution shall transmit to the State approving agency copies of its catalog or bulletin.

"(b) As a condition to approval under this section, the State approving agency must find that adequate records are kept by the educational institution to show the progress of each eligible veteran. The State approving agency must also find that the educational institution maintains a written record of the previous education and training of the veteran and clearly indicates that appropriate credit has been given by the institution for previous education and training, with the training period shortened proportionately and the veteran and the Administrator so notified.

"Approval of Nonaccredited Courses

"SEC. 228. (a) No course of education or training (other than a course of institutional on-farm training) which has not been approved by a State approving agency pursuant to section 227, which is offered by a public or private, profit or nonprofit, educational institution shall be approved for the purposes of this title unless the educational institution offering such course submits to the appropriate State approving agency a written application for approval of such course in accordance with the provisions of this title.

"(b) Such application shall be accompanied by not less than two copies of the current catalog or bulletin which is certified as true and correct in content and policy by an authorized owner or official and includes the following:

"(1) Identifying data, such as volume number and date of publication;

"(2) Names of the institution and its governing body, officials and faculty;

"(3) A calendar of the institution showing legal holidays, beginning and ending date of each quarter, term, or semester, and other important dates;

"(4) Institution policy and regulations on enrollment with respect to enrollment dates and specific entrance requirements for each course;

"(5) Institution policy and regulations relative to leave, absences, class cuts, makeup work, tardiness and interruptions for unsatisfactory attendance;

"(6) Institution policy and regulations relative to standards of progress required of the student by the institution (this policy will define the grading system of the institution, the minimum grades considered satisfactory, conditions for interruption for unsatisfactory grades or progress and a description of the probationary period, if any, allowed by the institution, and conditions of reentrance for those students dismissed for unsatisfactory progress. A statement will be made regarding progress records kept by the institution and furnished the student);

"(7) Institution policy and regulations relating to student conduct and conditions for dismissal for unsatisfactory conduct;

"(8) Detailed schedule of fees, charges for tuition, books, supplies, tools, student activities, laboratory fees, service charges, rentals, deposits, and all other charges;

"(9) Policy and regulations of the institution relative to the refund of the unused portion of tuition, fees, and other charges in the event the student does not enter the course or withdraws or is discontinued therefrom;

"(10) A description of the available space, facilities, and equipment;

"(11) A course outline for each course for which approval is requested, showing subjects or units in the course, type of work or skill to be learned, and approximate time and clock hours to be spent on each subject or unit; and

"(12) Policy and regulations of the institution relative to granting credit for previous educational training.

"(c) The appropriate State approving agency may approve the application of such institution when the institution and its nonaccredited courses are found upon investigation to have met the following criteria:

"(1) The courses, curriculum, and instruction are consistent in quality, content, and length with similar courses in public schools and other private schools in the State, with recognized accepted standards.

"(2) There is in the institution adequate space, equipment, instructional material, and instructor personnel to provide training of good quality.

"(3) Educational and experience qualifications of directors, administrators, and instructors are adequate.

"(4) The institution maintains a written record of the previous education and training of the veteran and clearly indicates that appropriate credit has been given by the institution for previous education and training, with the training period shortened proportionately and the veteran and the Administrator so notified.

"(5) A copy of the course outline, schedule of tuition, fees, and other charges, regulations pertaining to absence, grading policy, and rules of operation and conduct will be furnished the veteran upon enrollment.

"(6) Upon completion of training, the veteran is given a certificate by the institution indicating the approved course and indicatin that training was satisfactorily completed.

"(7) Adequate records as prescribed by the State approving agency are kept to show attendance and progress or grades, and satisfactory standards relating to attendance, progress, and conduct are enforced.

"(8) The institution complies with all local, city, county, municipal, State, and Federal regulations, such as fire codes, building and sanitation codes. The State approving agency may require such evidence of compliance as is deemed necessary.

"(9) The institution is financially sound and capable of fulfilling its commitments for training.

"(10) The institution does not utilize advertising of any type which is erroneous or misleading either by actual statement, omission, or intimation. The institution shall not be deemed to have met this requirement until the State approving agency (1) has ascertained from the Federal Trade Commission whether the Commission has issued an order to the institution to cease and desist from any act or practice, and (2) has, if such an order has been issued, given due weight to that fact.

"(11) The institution does not exceed its enrollment limitations as established by the State approving agency.

"(12) The institution's administrators, directors, owners, and instructors are of good reputation and character.

"(13) The institution has and maintains a policy for the refund of the unused portion of tuition, fees, and other charges in the event the veteran fails to enter the course or withdraws or is discontinued therefrom at any time prior to completion and such policy must provide that the amount charged to the veteran for tuition, fees, and other charges for a portion of the course shall not exceed the approximate pro rata portion of the total charges for tuition, fees, and other charges that the length of the completed portion of the course bears to its total length.

"(14) Such additional criteria as may be deemed necessary by the State approving agency.

"Notice of Approval of Courses

"SEC. 229. The State approving agency, upon determining that an educational institution has complied with all the requirements of this title, will issue a letter to such institution setting forth the courses which have been approved for the purposes of this title, and will furnish an official copy of such letter and any subsequent amendments to the Administrator. The letter of approval shall be accompanied by a copy of the catalog or bulletin of the institution, as approved by the State approving agency, and shall contain the following information:

"(1) date of letter and effective date of approval of courses;

"(2) proper address and name of each educational institution or training establishment;

"(3) authority for approval and conditions of approval, referring specifically to the approved catalog or bulletin published by the educational institution;

"(4) name of each course approved;

"(5) where applicable, enrollment limitations such as maximum numbers authorized and student-teacher ratio;

"(6) signature of responsible official of State approving agency; and

"(7) such other fair and reasonable provisions as are considered necessary by the appropriate State approving agency.

"Disapproval of Courses; Cancellation and Discontinuance of Loans

"SEC. 230. (a) Any course approved for the purposes of this title which fails to meet any of the requirements of this title shall be immediately disapproved by the appropriate State approving agency. An educational institution or training establishment which has it courses disapproved by a State approving agency will be notified of such disapproval by a registered letter of notification and a return receipt secured.

"(b) The Administrator may cancel and discontinue the education and training loan of any eligible veteran if he finds that the course of education or training in which such veteran is enrolled fails to meet any of the requirements of this title or if he finds that the educational institution or training establishment offering such course has violated any provisions of this title or fails to meet any of its requirements.

"(c) Each State approving agency shall notify the Administrator of each course which it has disapproved under this section. The Administrator shall notify the State approving agency of his disapproval of any educational institution or training establishment under part VII of Veterans Regulation Numbered 1 (a), as amended.

"Part VII—Miscellaneous provisions

"Authority and Duties of Administrator

"SEC. 231. (a) Education and training loans made under this title shall be subject to audit and review by the General Accounting Office as provided by the Budget and Accounting Act of 1921, as amended, and the Budget and Accounting Procedures Act of 1950.

"(b) The Administrator is authorized to accept uncompensated services and to enter into contracts or agreements with private or public agencies, or persons, for necessary services, incident to the administration of this title, including personal services, as he may deem practicable.

"(c) The Administrator may arrange for educational and vocational guidance to persons eligible for education and training loans under this title and, if the Administrator requires such educational and vocational guidance, he is authorized, in his discretion, to defray, or reimburse the veteran for his traveling expenses to and from the place of advisement. At such intervals as he deems necessary, he shall make available information respecting the need for general education, and for trained personnel in the various crafts, trades, and professions: *Provided,* That facilities of other Federal agencies collecting such information shall be utilized to the extent he deems practicable.

"Advisory Committee

"SEC. 232. The Administrator shall form an advisory committee which shall be composed of persons who are eminent in their respective fields of education, labor, and management, and of representatives of the various types of institutions and establishments furnishing education and training to veterans enrolled under this title. The Commissioner and the Director, Bureau of Apprenticeship, Department of Labor, shall be ex-officio members of the advisory committee. The Administrator shall advise and consult with the committee from time to time with respect to the administration of this title and the committee may make such reports and recommendations as it deems desirable to the Administrator and to the Congress.

"Control by Agencies by the United States

"SEC. 233. No department, agency, or officer of the United States, in carrying out this title, shall exercise any supervision or control, whatsoever, over any State approving agency, State educational agency, or State apprenticeship agency, or any educational institution or training establishment: *Provided,* That nothing in this section shall be deemed to prevent any department, agency, or officer of the United States from exercising any supervision or control which such department, agency, or officer is authorized, by existing provisions of law, to exercise over any Federal educational institution or training establishment, or to prevent the furnishing of education or training under this title in any institution or establishment over which supervision or control is exercised by such other department, agency, or officer under authority of existing provisions of law.

"Conflicting Interests

"SEC. 234. (a) Every officer or employee of the Veterans' Administration, or of the Office of Education, who has, while such an officer or employee, owned any interest in, or received any wages, salary, dividends, profits, gratuities, or services from, any educational institution operated for profit in which an eligible veteran was pursuing a course of education or training under this title shall be immediately dismissed from his office or employment.

"(b) If the Administrator finds that any person who is an officer or employee of a State approving agency has, while he was such an officer or employee, owned any interest in, or received any wages, salary, dividends, profits, gratuities, or services from, an educational institution operated for profit in which an eligible veteran was pursuing a course of education or training under this title, he shall discontinue making payments under section 245 to such State approving agency unless such agency shall, without delay, take such steps as may be necessary to terminate the employment of such person and such payments shall not be resumed while such person is an officer or employee of the State approving agency, or State Department of Veterans Affairs or State Department of Education.

"(c) A State approving agency shall not approve any course offered by an educational institution operated for profit and, if any such course has been approved, shall disapprove each such course, if it finds that any officer or employee of the Veterans' Administration, the Office of Education, or the State approving agency owns an interest in, or receives any wages, salary, dividends, profits, gratuities, or services from, such institution.

"(d) The Administrator may, after reasonable notice and public hearings, waive in writing the application of this section in the case of any officer or employee of the Veterans' Administration, of the Office of Education, or of a State approving agency, if he finds that no detriment will result to the United States or to eligible veterans by reason of such interest or connection of such officer or employee.

"Reports by Institutions

"SEC. 235. (a) Educational institutions and training establishments shall, without delay, report to the Administrator in the form prescribed by him, the enrollment, interruption, and termination of the education or training of each eligible veteran enrolled therein under this title.

"(b) The Administrator shall pay to each educational institution which is required to submit reports and certifications to the Administrator under this title, an allowance at the rate of $1.00 per month for each eligible veteran enrolled in and attending such institution under the provisions of this title to assist the educational institution in defraying the expense of preparing and submitting such reports and certifications. Such allowances shall be paid in such manner and at such times as may be prescribed by the Administrator, except that in the event any institution fails to submit reports or certificates to the Administrator as required by this title, no allowance shall be paid to such institution for the month or months during which such reports or certifications were not submitted as required by the Administrator.

"Overpayments to Veterans

"Sec. 236. In any case where it is found by the Administrator that a loan or an excessive amount of an otherwise proper loan has been made to a veteran as the result of (1) the willful or negligent failure of the educational institution or training establishment to report, as required by this title and applicable regulations, to the Veterans' Administration excessive absences from a course, or discontinuance or interruption of a course by the veteran or (2) false certification by the educational institution or training establishment, the amount of such overpayment shall constitute a liability of such institution or establishment, and may be recovered in the same manner as any other debt due the United States: *Provided*, That any amount so collected shall be reimbursed if the overpayment is recovered from the veteran. This provision shall not preclude the imposition of any civil or criminal action under this or any other statute.

"Examination of Records

"Sec. 237. The records and accounts of educational institutions and training establishments pertaining to eligible veterans who received education or training under this title shall be available for examination by duly authorized representatives of the Government.

"False or Misleading Statements

"Sec. 238. The Administrator shall not provide loans or make any payments under this title to any person found by him to have willfully submitted any false or misleading claims. In each case where the Administrator finds that an educational institution or training establishment has willfully submitted a false or misleading claim, or where a veteran, with the complicity of an educational institution or training establishment, has submitted such a claim, he shall make a complete report of the facts of the case to the appropriate State approving agency and where deemed advisable to the Attorney General of the United States for appropriate action.

"Criminal Penalties

"Sec. 239. Whoever knowingly and willfully—

"(1) makes or presents any false, fictitious, or fraudulent affidavit, declaration, certificate, voucher, endorsement, or paper or writing purporting to be such, concerning any claim for a loan or for payment of money under this title, or pertaining to any matter arising under this title,

"(2) makes or presents any paper required under this title on which paper a date other than the date upon which it was actually signed or acknowledged by the claimant has been willfully inserted,

"(3) certifies falsely that the declarant, affiant, or witness named in such affidavit, declaration, voucher, endorsement, or other paper or writing personally appeared before him and was sworn thereto, or acknowledged the execution thereof, or

"(4) accepts and converts to his own use loan moneys for any period during which he was not actually pursuing a course of education or training under this title for which period the loan moneys were provided shall be fined not more that $5,000 or imprisoned not more than three years, or both.

"Waiver of Loans

"Sec. 240. The Administrator is authorized to waive the unpaid balance, including interest, of any loan made under this title—

"(1) if such loan has been outstanding for a period not less than ten years from the date of the beginning of the repayment period prescribed for such loan; and

"(2) if the Administrator determines that further efforts to recover such loan would be impracticable or against equity and good conscience.

"Information Furnished by Federal Trade Commission

"Sec. 241. The Federal Trade Commission shall keep all State approving agencies advised of any information coming to its attention which would be of assistance to such agencies in carrying out their duties under this title.

"Amendment to War Orphans' Educational Act of 1956 and the Veteran's Benefits Act of 1957

"Sec. 242. (a) Section 202(b) of the War Orphans' Educational Act of 1956 is amended by inserting after 'of 1952' the following: ', the Peacetime Veterans' Educational Loan Act of 1962,'.

(b) Section 211(a) of the Veteran's Benefits Act of 1957 is amended by striking 'and' immediately preceding section 501(a)' and inserting immediately before 'the decisions' the following: 'and section 231 of the Peacetime Veterans' Educational Loan Act of 1962,'.

"Authorization for Appropriations

"Sec. 243. There are hereby authorized to be appropriated such amounts as may be necessary to carry out the provisions of this Act.

"Effective Date

"Sec. 244. This Act shall take effect on the date of its enactment, but no education and training loan shall be made for any period prior to the first day of the first month which begins more than thirty days after the date of enactment of this Act."

Renumber sections 102 through 244 as section 2, and in order, section 3, 4, and so forth.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Kentucky.

Mr. MANSFIELD. Mr. President, will the Senator yield, without losing his right to the floor?

Mr. COOPER. I yield.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that I may suggest the absence of a quorum without the Senator losing his right to the floor.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

[No. 218 Leg.]

Boggs
Burdick
Bush
Case
Chavez
Church
Cooper
Dodd
Douglas
Goldwater
Hart
Hill
Humphrey
Javits
Keating
Lausche
Mansfield
McCarthy
McNamara
Metcalf
Neuberger
Pastore
Proxmire
Talmadge
Thurmond
Williams, Del.
Yarborough
Young, Ohio

The PRESIDING OFFICER. A quorum is not present.

Mr. MANSFIELD. I move that the Sergeant at Arms be directed to request the attendance of absent Senators.

The motion was agreed to.

The PRESIDING OFFICER. The Sergeant at Arms will execute the order of the Senate.

After a little delay Mr. Aiken, Mr. Allott, Mr. Beall, Mr. Byrd of Virginia, Mr. Byrd of West Virginia, Mr. Cannon, Mr. Capehart, Mr. Carlson, Mr. Carroll, Mr. Cotton, Mr. Curtis, Mr. Eastland, Mr. Ellender, Mr. Ervin, Mr. Fong, Mr. Fulbright, Mr. Hayden, Mr. Hickenlooper, Mr. Holland, Mr. Jackson, Mr. Johnston, Mr. Jordan of North Carolina, Mr. Jordan of Idaho, Mr. Kefauver, Mr. Kerr, Mr. Kuchel, Mr. Long of Hawaii, Mr. Long of Louisiana, Mr. Magnuson, Mr. McClellan, Mr. McGee, Mr. Miller, Mr. Monroney, Mr. Morse, Mr. Moss, Mr. Mundt, Mr. Muskie, Mr. Pearson, Mr. Pell, Mr. Prouty, Mr. Randolph, Mr. Robertson, Mr. Russell, Mr. Saltonstall, Mr. Scott, Mr. Smathers, Mrs. Smith of Maine, Mr. Sparkman, Mr. Stennis, Mr. Wiley, Mr. Williams of New Jersey, and Mr. Young of North Dakota entered the Chamber and answered to their names.

The PRESIDING OFFICER (Mr. Lausche in the chair). A quorum is present.

Mr. COOPER obtained the floor.

Mr. YARBOROUGH. Mr. President, will the Senator from Kentucky yield to me to submit a clarifying amendment, without losing his right to the floor?

Mr. COOPER. Mr. President, I yield for that purpose.

Mr. YARBOROUGH. Mr. President, I send to the desk amendments which I ask to have read.

The PRESIDING OFFICER. The amendments will be stated.

The Chief Clerk. On page 1, line 4, it is proposed to strike out "1961" and insert in lieu thereof "1962".

On page 49, line 21, strike out "1961" and insert in lieu thereof "1962".

On page 50, line 2, strike out "1961" and insert in lieu thereof "1962".

On page 53, line 5, strike out "1961" and insert in lieu thereof "1962".

Mr. YARBOROUGH. Mr. President, I ask unanimous consent that the amendments be agreed to en bloc. They merely update the bill to this year.

Mr. KUCHEL. Mr. President, is it the intent of the unanimous-consent request, if it is granted, that the new amendments will still be susceptible to an amendment to delete? Are these committee amendments?

Mr. YARBOROUGH. This is not an effort to cut off any amendments. These amendments merely update the bill to 1962.

The PRESIDING OFFICER. If the amendments are adopted, the right to offer further amendments to the substitute or to the language proposed to be stricken, will not be precluded.

Mr. KUCHEL. Very well.

The PRESIDING OFFICER. Without objection, the amendments are agreed to en bloc.

Mr. COOPER. Mr. President——

The PRESIDING OFFICER (Mr. LAUSCHE in the chair). The Senator from Kentucky is recognized.

Mr. COOPER. Mr. President, I offer an amendment on behalf of myself, the senior Senator from New York [Mr. JAVITS], the senior Senator from Ohio [Mr. LAUSCHE], the junior Senator from New York [Mr. KEATING], and the senior Senator from Delaware [Mr. WILLIAMS]. It is identical with an amendment which I offered in 1959, when this bill was last before the Senate.

I can explain the amendment in a few words. It is in the nature of a substitute for section 2 of the bill, which provides education and vocational training assistance for peacetime veterans. My amendment is practically identical with the bill introduced by the senior Senator from Texas [Mr. YARBOROUGH], but there is this marked difference: The amendment I offer would substitute a system of loans for the system of grants provided by the bill introduced by the Senator from Texas.

Mr. President, the system of loans to be established by the amendment which I have offered, on behalf of myself and the other Senators I have named, has the following provisions: The amounts loaned would be the same as the amounts of the grants called for by the bill of the Senator from Texas. The loans would be for 12 years, on repayment schedules arranged by the Veterans' Administration, and the schedules could be rearranged to accommodate the veterans' financial circumstance. They would bear no interest until default, and then at 2 percent. No payment would be required until 1 year after the veterans' education or training ends. There is also a provision that the Administrator can waive payment, upon findings of equity, justice, and conscience.

The terms of the loans are very generous, and I emphasize that this system of loans, generous in its special provisions, takes into special account the military service rendered by those who are called into military service in peacetime. Men and women, called into the service in peacetime, and who serve for more than 6 months would have an opportunity to obtain loans needed to attend high school, training schools, vocational school, and college, with reasonable terms for their repayment.

The report on the bill points out, on page 28, that if the bill as introduced by the Senator from Texas were to be enacted, the cost during the first 5 years would be almost $2 billion, and the cost over the complete term of payments would be approximately $3,500 million. Of course, cost is not the sole consideration of a bill of this kind, for the Congress wants to do justice and equity to those who serve.

But my amendment—and this is its purpose—takes into consideration the obligation owed these men and women for their service in the Armed Forces, and is designed to discharge the obligation in a fair and generous way.

I know it is difficult to draw a proper distinction between the so-called peacetime veterans and wartime veterans. In referring to this point, I do not in any way derogate the great service the young men and women have rendered or their devotion to our country. It is not necessary for me to draw such a distinction, inasmuch as the report on the bill contains statements by various governmental agencies which point out distinctions between the two groups of veterans, which led them to recommend that the bill as submitted to us—the bill which calls for grants—be not enacted.

There are differences in the circumstances of service—not differences of spirit or patriotism. In recent years, when one enlists or is drafted, he knows that his service will be for a definite term unless an emergency develops. Those who served in World War I, World War II, or the Korean war could not know when their service would end—they joined "for the duration."

Again, differing from service in wartime, educational benefits are available to those who serve in peacetime; it is possible for them to take advantage of these benefits, if they desire, for the insistent demands of wartime do not obtain.

Another element to be considered is separation from family and home. At least some of those who serve in the Armed Forces during peacetime have opportunities to be with their families, which those who serve in time of war cannot enjoy. If they serve abroad, some of those who serve during peacetime can take their wives or families with them.

Finally, Mr. President, there is a difference in the character of risk involved. I know the Senator from Texas has argued—and very persuasively—that those who are in the service today and in areas such as Vietnam or Berlin can be subjected at any time to dangers of war; and it is true that some of our servicemen in Vietnam do come under fire. So far as I am concerned, I should like to see the President and the Department of Defense make rcommendations for special treatment to be accorded those who are actually brought into combat duty or are in danger in a combat area. But, with these exceptions, I must say that the risk which those who serve in peacetime face is far less than that, actual or potential, encountered by those who serve in time of war.

The administration of President Eisenhower opposed this bill as one which represented a new field of payments and compensation to veterans; and, so far as I can determine from the record and from the committee report, the administration of President Kennedy opposes the bill. The Department of Defense and the Veterans' Administration state their opposition to the bill which would provide grants for educational benefits. As the Senator from Ohio [Mr. LAUSCHE], who now occupies the chair, pointed out a few minutes ago, it is not reasonable to believe that the administration would support this bill, and at the same time allow the Department of Defense and the Veterans' Administration—the agency of the administration which is concerned with veterans—to oppose the bill as they do.

That would not be logical. I do not believe, from the records that it can be said that the administration supports the bill.

When the bill was before the Senate in 1959, I was serving on the Committee on Labor and Public Welfare. I served for a time on the subcommittee which heard testimony on the bill over a period of 2 years. If the veterans organizations supported the bill strongly, it was not very evident to members of the subcommittee. There was actually little enthusiasm for it, except by some members of our committee.

Mr. President, I want to correct some comments I made earlier in the debate. A question was raised about the attitude of the President. I said to the Senate that when I proposed his amendment on the floor of the Senate in 1959 President Kennedy, at that time a Member of this body and a member of our Committee on Labor and Public Welfare, joined me in the amendment. It is correct that he joined me in offering the amendment in the Senate. But I was wrong when I said that he had voted against the bill in committee.

Looking at the records of the committee, I find that in the subcommittee President Kennedy voted on June 17 to report the bill to the full committee—and it was reported by a vote of 4 to 1. I am informed that when the bill was reported to the Senate on July 1 by the full committee, he was recorded for the bill. It is also correct that he voted for the Long amendment, which was offered to my amendment on the floor of the Senate, and that he voted for the bill as passed by the Senate, including the Long amendment, which was a modification of the Cooper amendment.

However, it is also true that he voted for my motion in the committee, to substitute loans for grants in section 2 of the bill, which was defeated on a rollcall by a vote of 7 to 8—and that later, when the bill was before the Senate, he joined in sponsoring this amendment to substitute loans for grants.

Because of the statement I made a few minutes ago, I wanted the RECORD correct, because I do not think it proper for me to draw from these facts any inference about the President's position today. I repeat that he voted for the motion in committee, and joined me in cosponsoring the amendment, which is identical with the one I offer today, to substitute a system of loans for a system of grants.

I said earlier that cost is not always compelling. There is a duty on the part of Congress to do justice to its people. But cost is relevant. This section of the bill would cost, at its peak, about $450 million a year.

It is limited to a 5-year period, and upon that basis, it is estimated that its total cost will be about $3½ billion. But who can say here today that this period of emergency, when young men are called into service for their country, will be ended in 5 years? I do not believe, and I do not think any Member of this body believes, that 5 years from now, our problems with the Soviet Union will be settled, and that it will not be necessary to continue with the draft 5 years from now. I hope, and I would like to believe, this will be true; but it is not probable. So the cost of this bill would continue—year after year.

When the bill was before the committee in 1959, a calculation was made that, if the draft continued for 20 more years, as it was anticipated it very well might continue, the total cost of the bill would be about $15 billion.

I bring up the question of cost for another reason. We may be nearing the close of the session. I do not know. It appears to me that, even though the bill should pass in the Senate today, it will not be passed by the House. So, with the session over, it would be necessary to bring the bill before the Senate again next year.

I regret that in the closing days of the session there should be brought before us a bill which proposes gifts or grants to a large number of young veterans, when it must be known that it has no possible chance of being enacted this year.

What is the reason for bringing the bill before us if it has no possible chance of enactment? I have confidence in the good purposes and good faith of the Senator from Texas in wanting an expression from the Senate on this proposal, but from the standpoint of practicality, the bill could be looked upon—knowing it has no possible chance of passage—as a kind of cynical action on the part of this body, if we should vote for it, holding out to veterans in this country that they will secure its benefits when we know it is extremely doubteful that this is possible.

So I offer my amendment in good faith, saying that we owe some obligation to these men, and that the proposal of loans, with all its generous terms, offers a course which should be followed if the bill is enacted next year.

I close by saying the highest and noblest duty, the greatest honor that can come to anyone, is to give up a part of his life to military service for the security of our country. Most consider it the highest duty one can perform for our country. Much as I am honored, and fortunate as I am to be in the Senate, if I had to make a choice between the opportunity I have had to serve here and the opportunity which I had, limited though it was, and though it was not of great importance, to serve my country, in the wartime military service, I would choose the latter.

I believe that sometime in this Congress and in this country we will have to proclaim that all citizens of our Nation have the duty to serve, to protect, and to guard the liberties of our country. I support every help to our veterans, but the constant efforts to pay everyone for the primary obligation and duty of serving his country is not proper, and it is not best for our country.

For these reasons I offer the amendment, which would recognize our obligation to these veterans to help them in adjustments they had to make. I think it is reasonable, if we vote for the bill, that we should provide a system of loans rather than a system of grants.

Mr. LAUSCHE. Mr. President, will the Senator yield?

The PRESIDING OFFICER (Mr. Case in the chair). Does the Senator yield?

Mr. COOPER. I yield to the Senator from Ohio.

Mr. LAUSCHE. Is it a fact that in 1959 we had before the Senate practically the identical bill that is now being considered, and that at that time the present President, who was then Senator Kennedy, joined with the Senator from Kentucky is an amendment that would change the bill from one of grants to one of loans?

Mr. COOPER. Yes, he did. In all fairness, I have pointed out that he voted finally for the bill which passed the Senate, and he voted for the Long amendment.

Mr. LAUSCHE. But the fact is that in the midst of the consideration of the bill he actually indicated that the aid ought to be by way of loans rather than grants, as they are contemplated in this bill and as they were contemplated in that bill?

Mr. COOPER. I can only discuss the facts. I cannot attempt to say what President Kennedy, who was then a Member of this body, thought at that time. I do not think he entered into the debate on the bill. I can only speak the facts. He joined in my amendment, but I must say that when the Long amendment was offered he supported the Long amendment to my amendment and voted for the bill which was passed. I want that to be clear, because I would not want to attempt to speak for him, and I would not want to do him any injustice in not reporting faithfully and correctly the Record.

Mr. LAUSCHE. Probing into that aspect of this discussion, it is a fact, is it not, that three arms of the present administration have sent letters to the committee which considered the bill, expressing their opposition to it?

Mr. COOPER. I have looked at the report and the hearings. I find that the Department of Defense and the Veterans' Administration—those I remember—opposed that part of the bill which would provide for educational benefits.

Mr. LAUSCHE. Did not the Bureau of the Budget oppose it?

Mr. COOPER. Yes.

Mr. LAUSCHE. The Defense Department opposed it, and so did the Veterans' Administration.

Mr. COOPER. That is correct.

Mr. LAUSCHE. The fact is that the American Legion did not support the bill, though admittedly it did not oppose it.

Mr. COOPER. I have not served on the committee since 1959, so I do not know the attitude of the American Legion.

Mr. LAUSCHE. That fact was established in the discussion today.

I point out to the Senator that the President's Commission on Veterans' Pensions, created in 1955 by President Eisenhower, over which Gen. Omar N. Bradley presided, filed a report.

I direct the Senator's attention to page 26 of the hearings, the last full paragraph in the letter at the bottom of the page, the second sentence of which reads:

> That Commission in its final report to the President on April 23, 1956, concluded that, in view of the changed character of our national military responsibilities for the foreseeable future, peacetime veterans should not be provided benefits such as were provided to veterans of World War II and the Korean conflict.

The point I wish to make is that the Commission, which made the study, said that in view of the changed character of our national military responsibilities for the foreseeable future, grants should not be made.

A moment ago the Senator said that there was no assurance that this program would come to an end in 1965. I submit that what the Senator from Kentucky said is in accord with the statement made in the letter. We will for many years be required to maintain a military strength which is compatible to the strength we now maintain, because the Soviet threat will not soon come to an end.

Mr. COOPER. I agree. I think all of us in this body know that if the bill should be adopted, the benefits would not be ended even in 5 years. As we look at the world today, we know that peacetime service will be required for many years to come.

Mr. LAUSCHE. If the Senator will permit, I should like to read further from page 27 of the hearings, because I think this is a very significant part of the statement by the Department of Defense:

> Extensive studies have been made of the reasons why personnel choose to leave the Armed Forces. In the Department of the Air Force, for example, surveys have revealed that one of the primary reasons for the separation of first-term airmen has been the desire and intention to take advantage of veterans' educational benefits. Attitude surveys conducted in the Air Force when the Korean GI bill was in effect, conclusively established that 45 to 50 percent of all separating first-term airmen were leaving the service to pursue courses of formal education.

I point out that I have listened to arguments, from the military and in the Senate, that one of the grave problems confronting the Department of Defense relates to securing for some protracted period the use of the training which is obtained at great expense in the first and second years. The military services have not been able to obtain that use. I do not recall the exact figure, but the cost to train a man is thousands and thousands of dollars. Then the services have the man only 2 years.

According to the study which has been made, these benefits have operated as an inducement for the men to leave the military service.

Mr. COOPER. I remember in our hearings that was the contention made by the military services.

Mr. LAUSCHE. I am glad to join with the Senator from Kentucky.

Mr. COOPER. This fact should be taken into account. Of course, it would not be wholly conclusive. It is a proper question to consider what benefits should be made available to veterans.

It is correct to say that the Department of Defense opposed the bill, and one of the reasons it advanced was that the bill was at a cross purpose with their program to provide incentives for men and women to stay in the service. The Senator is correct.

Mr. LAUSCHE. As I understand the amendment which has been offered by the Senator from Kentucky, and sponsored by me and other Senators, it contemplates making available to these men and women loans to further their education when they leave the service.

Mr. COOPER. Yes. As I have said, the loans would be on a very generous basis. The loans would be made for 12 years, with the first installment not due until the year after the duration of schooling, without interest until default. There would be a provision for forgiveness for reasons of equity. It seems to me this would offer an opportunity for any boy or girl who has been in the service and who is sincerely interested in securing an education to do so. It would offer a great opportunity to go to school and to obtain an education.

Mr. LAUSCHE. I thank the Senator very much.

Mr. THURMOND. Mr. President, will the Senator from Kentucky yield?

Mr. COOPER. I yield.

Mr. THURMOND. Mr. President, I understand the Senator from Kentucky is offering as an amendment a loan program in lieu of the grant program.

Mr. COOPER. The Senator is correct.

Mr. THURMOND. I presume this is similar to the program which was offered by the Senator from Kentucky and myself in 1959.

Mr. COOPER. Yes; it is the same with one exception. The proposal we made in 1959 provided for repayment in 10 years. I thought we should be a little more generous and make it 12 years. I have made it 12 years in the amendment instead of 10.

When I offered the amendment I looked for the Senator from South Carolina, because I knew he had joined in the amendment in 1959. At that time the Senator was not in the Chamber, and I did not feel at liberty to place his name on the amendment as a cosponsor. I should be glad to have the Senator join with me.

I wish to tell Senators that the Senator from South Carolina was the chairman of the subcommittee which previously considered the proposed legislation, I believe over a period of 2 years.

There were full hearings. Many witnesses testified. There was thorough consideration of the bill. We did not pass upon it lightly. I am sure we can advise the Senate accurately about the viewpoints of those who testified and the arguments that were made for and against passage of the bill.

Mr. THURMOND. I commend the able and distinguished Senator from Kentucky for offering the amendment. I would be pleased to have my name added as a cosponsor.

Mr. COOPER. Mr. President, I ask unanimous consent that the names of the Senator from South Carolina [Mr. Thurmond] and the Senator from Delaware [Mr. Williams], may be added as cosponsors of the amendment.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. THURMOND. Mr. President, I wish to say a few words in support of the amendment offered by the Senator from Kentucky and against the bill that is now proposed by the Veterans Subcommittee of the Committee on Labor and Public Welfare.

Several years ago, when I was chairman of the Veterans Subcommittee, long hearings were held, and we reached the conclusion that such a bill was inadvisable. We felt that it was not only inadvisable, but also unfair. I do not think it is fair for a peacetime or cold war trainee to receive the same benefits as veterans of World War II or Korea. That is what the bill would do. I do not think it would be fair for a young person who is serving now with less hazards than in hot wars, to receive the same help and assistance from his Government as a man who fought in a hot war, went into combat, jumped from the sky, sailed on the ocean, or piloted an airplane in enemy territory. I do not think it is right. I think it would establish a bad precedent. I think it is unjust to World War II and Korean veterans for peacetime or cold war trainees to be put in the same category.

It seems to me that a letter to the distinguished chairman of the Committee on Labor and Public Welfare from Phillip S. Hughes, Assistant Director for Legislative Reference in the Bureau of the Budget, answers all those questions. I believe it has been brought out that not only is the Budget Bureau opposed to the bill, but also that the Defense Department and the Veterans' Administration are opposed to it. The Veterans' Administration is charged with administering programs which Congress passed to benefit veterans, and it is familiar with problems and needs of veterans. I do not believe the VA would oppose the passage of benefits really needed by veterans.

The VA has said that the bill is objectionable and should not be passed by the Congress. The Defense Department is opposed to it. The Department of Defense, which must administer our defense program, has strong reasons for opposing the bill.

From the standpoint of money, I do not know that I would necessarily oppose such a program if I felt that it was a just bill from all other standpoints.

According to the Budget Bureau, the bill would cost about $4 billion through June 30, 1973, and an additional cost would be incurred beyond that date.

Four billion dollars is a considerable sum of money, particularly as now the budget is not balanced. We are incurring a deficit and have been incurring a deficit of billions of dollars for a number of years. I think the cost factor should be considered.

I should like to read a statement from the Bureau of the Budget on this proposed program. I am informed that the agencies have reaffirmed their position on the question. Their position is the same now as it was when their letters were written. The counsel of the Veterans Subcommittee told me that today.

On page 24 of the hearings appears a letter to the chairman of the Committee on Labor and Public Welfare from the Bureau of the Budget, which I believe should be read into the Record, because it so clearly and effectively answers the arguments advanced in support of the bill that I feel Senators should have the benefit of the thoughts contained therein. The letter reads, as follows:

> The extension of wartime readjustment benefits to peacetime ex-servicemen is principally justified on the argument that peacetime service is comparable to that during wartime because of (a) the existence of a compulsory draft which disrupts educational and career plans and (b) the rigors and hazards in a cold war period.
>
> However, compared with wartime, the draft has a lesser impact on disruption of education and career plans and the impact is considerably offset by excellent educational and vocational training opportunities provided in military service. Moreover, the rigors and hazards of peacetime service bear little relationship to wartime service and from the standpoint of hazards do not differ substantially from risks in civil life.

The letter further states:

> (1) In peacetime, flexible selective service procedures plus military reserve programs enable a young man to complete educational and vocational programs before going into service. Young men under age 22 have not been drafted for some time. Further, the period of required service is definitely fixed, enabling the individual to make specific educational and career plans. The draft reaches only a small proportion of the Nation's young men, far fewer than in wartime; in fiscal year 1960 only 90,000 men were drafted, compared to over 3 million in 1943.

Next, the letter makes the following point:

> (2) Under peacetime conditions the Armed Forces provide extensive on- and off-duty schooling. Hundreds of thousands of servicemen are enabled to obtain a high school or college education or to acquire a trade or skill useful in later life. In the peacetime Armed Forces training is a major mission. The great majority of personnel serve in positions which require skills similar to those in civilian occupations. The Armed Forces operate extensive service schools and encourage and facilitate off-duty education and training.

The letter makes a further point:

> (3) Exposure to death and disability in peacetime bears no comparison with wartime.

That is a point that we have raised. Today's trainees should not receive the same benefits as wartime veterans.

I shall point out how the hazards at present do not compare with those in World War II and Korea.

The letter goes on to state:

> Peacetime service permits close attention to safety and comfort and in the modern Armed Forces many servicemen serve in jobs comparable to civilian occupations and at no greater risks. Service mortality statistics show that currently 1.7 deaths per thousand man-years occur which is to be compared with 5.5 per thousand during the Korean conflict and 11.6 per thousand during World War II.

That statement refutes absolutely the hazards of the present type of service as distinguished from previous wartime service for which benefits exists. The letter makes another point which I believe is important. It states:

> Peacetime ex-servicemen are being separated for service in comparatively small numbers and do not encounter the same difficult problems in economic and career readjustment to civil life faced by hundreds of thousands of wartime veterans.

The letter makes another important point about benefits, which I believe Members of the Senate should consider. It states:

> While in service peacetime servicemen are now paid at a rate that substantially exceeds previous wartime rates, even allowing for price changes; and the rates are substantially in line with average pay in comparable civilian occupations. In addition, substantial fringe benefits are provided including coverage under the Federal old-age, survivors, and disability insurance program and special disability, survivor, and medical benefits in case of disability or death.

It seems to me that the Bureau of the Budget in its excellent report to the chairman has answered every argument that the proponents of the bill attempt to raise in favor its its passage.

I am quite sure that if there were any merit in the bill the Veterans' Administration, which is familiar with and sympathetic to veterans needs would certainly have endorsed the bill.

On page 26 of the hearings there is a letter from the Department of Defense to the chairman of the Committee on Labor and Public Welfare. In that letter this point is made:

> The question of providing benefits of the type contemplated by S. 349 to peacetime veterans of the military service was one of the major topics of consideration of the President's Commission on Veterans' Pensions, established in 1955 with Gen. Omar N. Bradley as chairman. That Commission in its final report to the President on April 23, 1956, concluded that, in view of the changed character of our national military responsibilities for the foreseeable future, peacetime veterans should not be provided benefits such as were provided to veterans of World War II and the Korean conflict.

Further in the letter this statement appears:

> Programs of educational and vocational assistance encourage personnel to leave military service immediately after accruing the maximum benefits which can be gained. This results in a serious handicap to the Armed Forces in their efforts to attract and retain qualified personnel on a career basis.

Mr. President, if these opportunities were not available to these young men in service, it would be a different matter. But as is stated in the report of the Bureau of the Budget, these educational opportunities are available to these young men in the service. It seems to me that the time has come, with our budget being in the shape it is, with our spending of billions and billions of dollars far more than we are taking in, we ought to begin to trim expenses wherever we can.

I would be the last one to want to trim any justifiable benefit from a veteran. But to my way of thinking, when a young man serves his country, he is only paying back a small part of some of the benefits that this country, which is providing more freedom and liberty than any other country, and a higher standard of living than any other country, has provided for him.

It seems to me that every young man ought to be willing to serve for a reasonable time in the armed services of his country. In some countries of the world the young men are required to serve for a long period. In this country only a comparatively small number are required to serve in the armed services. They ought to be willing to serve their country, because that is a simple act of patriotism and a responsibility of citizenship. Of course, we cannot buy patriotism. It is our duty to encourage our young people to go into the armed services. Many of these young men get educational opportunities in the service. They get many benefits, such as travel to foreign countries, an opportunity which they might otherwise never be able to enjoy. A great many of the young men have medical defects corrected. They have their teeth treated. They are given a broader horizon from a mental standpoint, and they become healthier from a physical standpoint.

Mr. President, I am quite sure that a young man gets many advantages that he would not get if he did not go into the service. The bill is unsound in principle, aside from the fact that it would cost more than $4 billion, according to the Budget Bureau.

For those reasons the Senate should reject this bill and pass a loan program for these servicemen who want to go to college or receive further education, if they are not able to do so otherwise.

The purpose of the bill is to provide benefits for those who want to go to college and cannot. Under the amendment offered by the Senator from Kentucky and other Senators, these young people can get loans and can get an education. What more can a young man ask? Why should he have a handout? It seems to me that we are living in an age of too many handouts. Opportunity ought to be all that a young person should expect. The amendment of the Senator from Kentucky will provide the opportunity for a young man to borrow money to go to college. The loan does not have to be paid back until after he gets his education. When it is repaid, others could use the money with which to go to college. In that way a revolving fund would be set up which would help many others in the future.

I hope the Senate will think this over well. I realize that the bill was passed before, but it was stopped in the House. My prediction is that the committee bill will be stopped again in the House. The only thing that will have a chance to get through Congress is a loan program. If we pass a loan program the House may accept it, but the House has clearly indicated that it will not go along with the pending bill. Therefore these servicemen would be denied the benefits of any program.

I hope that thorough consideration will be given to this subject. I realize that the Senate passes a great many bills to spend a great deal of money. This may be just another bill for spending money, but it is an unncessary bill, because we can provide for these young people to get an education through a loan fund.

The point has been made here that we must get a great many engineers and scientists, and we ought to pass the pending bill for that reason. If my memory serves me correctly, that was the purpose sought to be accomplished by the so-called National Defense Education Act, passed in 1958. Since many of the young persons who will be drafted or inducted into the service do not have aptitude along scientific and engineering lines, only a reasonable percentage of those who are inducted or drafted would become expert scientists or engineers. If more engineers and scientists are still needed, there the Congress should reconsider the National Defense Education Act which was purported as a solution to the financial needs in this area.

Mr. WILLIAMS of Delaware obtained the floor.

Mr. YARBOROUGH. Mr. President, will the distinguished Senator from Delaware yield to permit me to question the Senator from South Carolina?

Mr. WILLIAMS of Delaware. Mr. President, I yield to the Senator from Texas, provided I do not lose my right to the floor.

Mr. YARBOROUGH. My question to the distinguished Senator from South Carolina is: What is the total numerical strength of the Armed Forces of the United States in all branches today?

Mr. THURMOND. Mr. President, that figure would have to be broken down among the Army, Navy, Air Force, and Marine Corps. I would not want to state a figure unless I were absolutely certain of it.

Mr. YARBOROUGH. Would it be more than 2 million?

Mr. THURMOND. Yes; but I am not quite certain of the exact figure. The number varies from time to time. As the Senator knows—he is a member of the Army Reserve—the strength of the Army has been increased and is now something over 1 million. The strength of the Marine Corps also has been increased to roughly 200,000 men. I would estimate that the total for all services is between 2½ and 3 million men.

Mr. YARBOROUGH. If we assume that the membership in the Armed Forces is more than 2 million—I think that is a safe assumption—does the distinguished Senator from South Carolina consider that to be a normal peacetime situation? He referred to peacetime veterans. Does he regard it a peacetime situation to have more than 2 million persons in the armed services?

Mr. THURMOND. I think we are only doing now what should have been done long ago; that is, to maintain a stronger national defense. We know that the aim of communism is to dominate and enslave the world; therefore, we must maintain a strong national defense. This situation will continue for many years. I think that is another reason why we should not pass a bill to make grants to men who serve now. I think the young men who will be called into service in the years ahead should be willing to sacrifice, as I feel quite certain most of them will be. Of course, there are some who would want to get benefits. Nevertheless, I think we ought to provide them with a loan program, if we pass anything along the line of educational benefits.

Mr. YARBOROUGH. There is in effect at this time, is there not, a draft law, under which young men are drafted into the armed services?

Mr. THURMOND. There is.

Mr. YARBOROUGH. Does the distinguished Senator from South Carolina believe that the peace-loving, antimilitaristic people of the United States favor draft laws in normal, peacetime circumstances?

Mr. THURMOND. In my opinion most of the people of the United States are peace loving, but not antimilitary. Under the Communist system—and communism is the enemy of the United States and the rest of the free world today—all the young people are drafted when they are needed, and they do not receive any such benefits as are provided in this country. Our country provides far more benefits to all its citizens, including veterans.

I believe the record shows that in 1960 only 90,000 men were drafted. In 1943, during World War II, 3 million were drafted.

Mr. YARBOROUGH. The Senator from South Carolina has referred to the present veterans as peacetime veterans. Does the distinguished Senator from South Carolina consider conditions in South Vietnam, where thousands of Americans are serving, to be peacetime conditions?

Mr. THURMOND. In any place where there is danger, and young men are serving in hazardous duty, and are injured or killed, provision is now made for them. Educational benefits will do the dead ones little good.

Mr. YARBOROUGH. I thank the Senator from South Carolina. I thank the Senator from Delaware for yielding.

EXCESSIVE PROFITS OF FORD INSTRUMENT CO.

Mr. WILLIAMS of Delaware. Mr. President, the Comptroller General has called our attention to another negotiated contract wherein the Defense Department allowed the contractor an 82-percent profit.

This contract, which the Department of the Navy negotiated with Ford Instrument Co., a division of Sperry Rand Corp., Long Island City, N.Y., allowed that company a profit of approximately $907,000 against production costs of about $1,102,000. This represents a profit of 82 percent.

On June 30, 1956, cost-plus-a-fixed-fee contract NOrd-17221 was awarded to Ford Instrument for the design, development, and production of one each EX 11 and EX 12 Model O computers and of related repair parts and accessories sufficient to maintain the equipment for 5 years. These computers were prototypes for the Mk 118 and Mk 119 Model O computers. The prototypes EX 11 and EX 12 were delivered in July and December 1958, respectively.

While these prototypes were in process of development, the Bureau of Ordnance requested the contractor to submit its proposal for production of 17 Mk 118 and 30 Mk 119 Model O computers, plus related repair parts. On January 17, 1957, the contractor submitted separate proposals on a fixed-price incentive basis for 17 Mk 118 and 30 Mk 119 Model O computers. The unit prices proposed by the contractor for each type of computer were identical—$214,500. Subsequently, on February 13, 1957, the contractor proposed a maximum price of $984,560 for maintenance and repair parts for the Mk 118 computers and $1,737,450 for maintenance and repair parts for the Mk 119 computers. However, the contractor did not furnish a listing of the individual parts showing unit prices or quantities and types of parts to be delivered. The total prices quoted for repair parts were proposed on a redeterminable basis, with provision for a downward adjustment only based on the costs actually incurred at the specified redetermination date.

During the negotiations held on May 7 through 10, 1957, the unit price for computers was increased to $222,800 to include tooling costs which had been listed separately in the contractor's proposals. At the same time, prices were established on a fixed-price incentive basis for the repair parts applicable to both types of computers. The negotiation records do not show what consideration, if any, was given to the contractor's offer to establish prices for repair parts on a redeterminable downward only basis. The resultant target prices negotiated for repair parts for the Mk 118 and Mk 119 computers amounted to $964,900 and $1,702,700, respectively.

As a result, firm target costs of approximately $2,500,000 were negotiated for repair parts. These target costs were about $1,398,000 in excess of the actual costs subsequently incurred by Ford Instrument. On costs of about $1,102,000, Ford Instrument will receive profits of about $907,000, or a profit rate of 82 percent. Of this profit, $123,000 represents target profit of 11.1 percent of actual costs, and $784,000 represents target profit of 11.1 percent and incentive profit of 45 percent of the difference between the negotiated target costs and the actual costs subsequently incurred for repair parts.

Thus we find that on costs of about $1,102,000, Ford Instrument will receive profits of about $907,000, or a profit rate of 82 percent of costs incurred under the provisions of the incentive contract.

Mr. President, I ask unanimous consent that the Comptroller General's letter of August 20, 1962, in which he summarized this report, be printed at this point in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

WASHINGTON, *August 20, 1962.*

To the President of the Senate and the Speaker of the House of Representatives:

Enclosed is our report on examination of the pricing of repair parts for Mk 118 and Mk 119 computers under Department of the Navy fixed-price incentive contract NOrd-17812 with Ford Instrument Co., division of Sperry Rand Corp., Long Island City, N.Y.

The Navy and Ford Instrument negotiated firm target costs for computer repair parts as a basis for paying the contractor incentive profits for cost reductions made during performance of the contract, even though the types and quantities of parts to be furnished under the contract were unknown at the time of negotiation. Furthermore, it was impossible to accurately estimate production costs inasmuch as the prototypes of the computers for which the repair parts were needed had not yet been completed and the design data on the parts were not firm. As a result, firm target costs of approximately $2,500,000 were negotiated for computer repair parts. These target costs were about $1,398,000 in excess of the actual costs subsequently incurred by Ford Instrument. On costs of about $1,102,000, Ford Instrument will receive profits of about $907,000, or a profit rate of 82 percent of costs incurred under the provisions of the incentive contract. Of this profit, $123,000 represents target profit of 11.1 percent of actual costs, and $784,000 represents target profit of 11.1 percent and incentive profit of 45 percent of the difference between the negotiated target costs and the actual costs subsequently incurred for repair parts.

It is apparent that the Navy either should have delayed negotiation of firm target prices for computer repair parts until the type and quantity of such parts were known or should have used a form of contract pricing which was more appropriate under the circumstances existing at the time. Since, at the time of price negotiations for contract NOrd-17812, the design data on the repair parts were not firm and neither the Navy nor the contractor knew the quantities and types of parts to be delivered under the contract or the costs of their production, there was no realistic basis for establishing firm target prices. Under these circumstances, we do not believe there is any basis for concluding that the reduced costs subsequently incurred by the contractor actually resulted from efficiency on the part of the contractor. Therefore, we believe it is unreasonable for the Navy to allow additional profits attributable to inflated target prices. We are recommending that the Navy make every effort to effect an appropriate adjustment in the contract before final prices for the computer repair parts are negotiated.

Copies of this report are being sent to the President of the United States, the Secretary of Defense, and the Secretary of the Navy.

Joseph Campbell,
Comptroller General of the United States.

CALL OF THE ROLL

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

Mr. KEATING. Mr. President, I do not see on the floor at the moment the distinguished Senator from Vermont [Mr. Prouty], who asked me to object——

The PRESIDING OFFICER (Mr. Lausche in the chair). Debate is not now in order.

Mr. KEATING. Then, Mr. President, I object.

The PRESIDING OFFICER. Objection is heard; and the clerk will continue the call of the roll.

The legislative clerk resumed and concluded the call of the roll; and the following Senators answered to their names:

[No. 219 Leg.]

Aiken
Allott
Beall
Boggs
Burdick
Bush
Byrd, Va.
Byrd, W. Va.
Cannon
Capehart
Carlson
Carroll
Case
Chavez
Church
Cooper
Cotton
Curtis
Dodd
Douglas
Eastland
Ellender
Ervin
Fong
Fulbright
Goldwater
Hart
Hayden
Hickenlooper
Hill
Holland
Humphrey
Jackson
Javits
Johnston
Jordan, N.C.
Jordan, Idaho
Keating
Kefauver
Kerr
Kuchel
Lausche
Long, Hawaii
Long, La.
Magnuson
Mansfield
McCarthy
McClellan
McGee
McNamara
Metcalf
Miller
Monroney
Moss
Mundt
Muskie
Neuberger
Pastore
Pearson
Pell
Prouty
Proxmire
Randolph
Robertson
Russell
Saltonstall
Scott
Smathers
Smith, Maine
Sparkman
Stennis
Talmadge
Thurmond
Wiley
Williams, N.J.
Williams, Del.
Yarborough
Young, N. Dak.
Young, Ohio

The PRESIDING OFFICER (Mr. Young of Ohio in the chair). A quorum is present.

VETERANS' READJUSTMENT ACT OF 1961

The Senate resumed the consideration of the bill (S. 349) to provide readjustment assistance to veterans who served in the Armed Forces between January 31, 1955, and July 31, 1963.

Mr. YARBOROUGH rose.

Mr. MANSFIELD. Mr. President, I yield to the Senator from Texas.

The PRESIDING OFFICER. The Senator from Texas is recognized.

Mr. YARBOROUGH. Mr. President, certain statements have been made in support of the amendment offered by the distinguished Senator from Kentucky [Mr. Cooper] which I think need clarification. I do not mean that any Senator has intentionally made an erroneous statement. I realize that the amendment was offered 2 years ago. At that time the distinguished Senator from Oklahoma [Mr. Kerr] and the distinguished Senator from Louisiana [Mr. Long] offered a substitute, and the substitute was agreed to. The amendment now offered by the Senator from Kentucky was not agreed to 2 years ago. I think we ought to point out what is contained in that amendment.

In the amendment offered by the distinguished Senator from Kentucky is a provision that would change the entire program into a loan program. That would even include work on farms. If a man receives on-the-job training on a farm, he must borrow money.

This year we passed the Manpower Development and Training Act. Under the Manpower Development and Training Act we pay people to obtain training. Under the amendment offered by the distinguished Senator from Kentucky a veteran would have to borrow money to receive on-the-job training that a nonveteran could get free. The Government would pay for it. It would add to the disadvantage already suffered by a veteran. We would add a double disadvantage to the disadvantage already suffered by the veteran. I do not mean that the veteran could not forget his service. He could forget his service and not claim any veterans' right, and go into the manpower training program as a civilian, as could the 55 percent of youth who stay out and do not serve. If the amendment were agreed to, he would be better off under the law by not admitting that he was a veteran than he would be by admitting that he was.

I refer to Public Law 87-415, 87th Congress, S. 1991, March 15, 1962, the Manpower Development and Training Act. Under that act the unemployed who are unemployable would be trained to attain proper skills. The program is under the direction of the Secretary of Labor. He is directed to provide for a program for testing, counseling, and selecting for occupational training under the act workers in farm families with less than $1,200 annual income. Such people are paid to be trained. If the applicant were a veteran, under the amendment of the distinguished Senator from Kentucky he would have to borrow money. I refer to section 226 of the amendment offered by the Senator from Kentucky. On the top of page 36, lines 1 through 6, the following provision appears:

> An eligible veteran shall be entitled to the loan provided by this title while enrolled in a course of full-time institutional on-farm training which has been approved by the appropriate State approving agency in accordance with the provisions of this section

In other words, the amendment would compel a veteran to borrow money to be trained for competence in farmwork, while the Manpower Act would permit a nonveteran to be paid by the Federal Government for obtaining the same competence.

After a veteran has lost 1, 2, 3 or more years of service, in addition to the detriment he already suffers, and in addition to the fact that that veteran does not have an equal chance in life with the nonveteran, we would add insult to injury by saying that in order to get the training that someone else can get free, he must borrow money.

Mr. COOPER. Mr. President, will the Senator yield?

Mr. YARBOROUGH. I yield.

Mr. COOPER. I anticipated that that argument might be made. I hope we will not allow ourselves to be diverted by this argument which, though appealing, is not inclusive of the subject at all, except in the following respect: I think the Senator would agree that if a veteran meets the requirements of the Manpower Development and Training Act, he would be eligible for retraining.

Mr. YARBOROUGH. Certainly.

Mr. COOPER. But the benefits in the bill of the Senator from Texas and my substitute do not go to the few who may come within the terms of the Manpower Development and Training Act. The benefits of the bill and my substitute would go to a class—every peacetime veteran, man or woman, would be covered. The program is broad. It would give a veteran an entire college education if he were eligible for it.

While the argument the Senator has made might be appealing for a moment, on examination it does not hold water.

Mr. YARBOROUGH. Does the distinguished Senator claim that my argument is erroneous?

Mr. COOPER. It is erroneous in the sense that the Senator makes it appear applicable to an entire class of veterans. Any veteran who can meet the requirements of the Manpower Development and Training Act, which is rather limited in its scope—the benefits of the law go to those out of work and who are to be retrained—could qualify. But the program is not a broad program of education. It is for a limited period of retraining.

Mr. YARBOROUGH. Mr. President——

Mr. COOPER. Let us not abandon the purposes of the bill now.

Mr. **YARBOROUGH**. The Senator need not worry. I would not abandon the bill. I have fought for it for 4 years. I will continue to fight for it until it is law, because it is the most just measure in the Congress.

Mr. **COOPER**. Let us not make it narrower than it is, and bring it to the narrow scope of the Manpower Development and Training Act. The purpose of the Senator's bill and my substitute is to provide help to enable hundreds of thousands of young men and women to obtain a broad and a comprehensive college education, or even a high school education.

What the Senator is doing—and it could have a little appeal, but I hope we will not be confused by it—is to compare the broad purposes of the pending bill, and the opportunities under it for veterans, with the more limited purposes and scope of the Training Act. The Senator's bill and my substitute would give large opportunities to hundreds of thousands of boys and girls who serve. The Manpower Training Act has certain limited purposes, and is rather narrow in its scope.

Mr. **YARBOROUGH**. My bill would give broad opportunity. The amendment offered by the distinguished Senator from Kentucky would absolutely take away the opportunity of an education. Under the amendment, if a soldier coming out of the service had not finished high school—and remember that only 19 percent of the veterans have finished high school—he would have to borrow money to go to high school.

The distinguished Senator stated that the purpose of the bill is to give veterans a broad general college education. I point out that the terms of the bill are so limited now without his amendment that the maximum number of years of training any veteran could receive would be 3 years. That is the maximum, if he had not finished high school. If he had 1 or 2 years of high school, at most he would get 1 or 2 years of college. It is not a complete college education program. There is a great misunderstanding. I hope the Senator will study the bill more closely and perhaps withdraw his proposed amendment.

Under his amendment the only way anyone could get any training would be to borrow money. There are other programs in government that are broader with respect to benefits that is the narrow bill before the Senate. The Senator has spoken of a limited class. I point out that 25 percent of the total unemployed males in our country—over 600,000 people—are in the cold-war veteran age group. That is the age group of veterans and nonveterans. When we consider the veterans themselves in the 18 to 24 age group, in some areas 35 to 50 percent are unemployed.

The bill has been before the Senate for less than a day. That is no fault of the majority leader. I was absent yesterday on an important assignment. I returned today by airplane at 9:45 a.m. Even in this short time news has gotten around the country. I wish to read some telegrams that have come in:

FRANKFORT, KY., *August 24, 1962.*
SENATOR RALPH YARBOROUGH,
Chairman, Subcommittee on Veterans' Affairs, Senate Office Building, Washington, D.C.:

The National Association of State Approval Agencies is certainly hopeful of favorable Senate action on S. 349. We consider this the greatest mass educational program ever undertaken by any country. We commend you for your courageous leadership in this matter.

ROBERT W. SALLING,
Legislative Director.

WASHINGTON, D.C., *August 24, 1962.*
Hon. RALPH W. YARBOROUGH,
New Senate Office Building,
Washington, D.C.:

Pursuant to 1961 convention action, JWV heartily endorses S. 349 and urges enactment by U.S. Senate.

JOSEPH F. BARR,
National Executive Director, Jewish War Veterans of the United States of America.

WASHINGTON, D.C., *August 24, 1962.*
Hon. RALPH YARBOROUGH,
U.S. Senator, New Senate Office Building, Washington, D.C.:

American Veterans Committee thanks you for leadership on behalf of cold war GI bill and trust your efforts will lead to passage.

J. ARNOLD FELDMAN,
Executive Director, American Veterans Committee.

NEW YORK, N.Y.,
August 24, 1962.
SENATOR RALPH YARBOROUGH,
New Senate Office Building,
Washington, D.C.:

Amvets in national convention assembled in New York City are watching with interest the Senate deliberations on S. 349 and strongly urge its favorable consideration.

EDWIN P. FIFIELSKI,
National Commander of Amvets.

WASHINGTON, D.C., *August 24, 1962.*
The Honorable RALPH YARBOROUGH,
New Senate Office Building,
Washington, D.C.:

The National Education Association supported the original GI bills and supports S. 349 as a fair and just extension of this national policy. We commend you for your untiring efforts on behalf of our deserving veterans.

J. L. MCCASKILL,
Executive Secretary NEA Legislative Commission.

I think this is very unusual and worthy of note, because the NEA has generally concerned itself mostly with primary and secondary education.

JEFFERSON CITY, MO., *August 24, 1962.*
Hon. RALPH W. YARBOROUGH,
U.S. Senator, Senate Office Building, Washington, D.C.:

The National Association of State Approval Agencies composed of members of Governor's councils and State educational agencies from all States that approve and supervise educational institutions and establishments for veterans training heartily endorses and urgently requests enactment of S. 349 into law for benefit of millions of cold war veterans whose educational opportunities have been interrupted or lost because of service in military forces of the United States of America.

PAUL S. SMELSER,
President, National Association of State Approval Agencies, Director, Veterans Education, State Department of Education.

WASHINGTON, D.C., *August 24, 1962.*
Senator RALPH YARBOROUGH,
New Senate Office Building,
Washington, D.C.:

The Department of Rural Education of the National Education Association urges the passage of S. 349, the cold war GI bill. This will be particularly helpful to rural youth.

ROBERT M. ISENBERG,
Executive Secretary, Department of Rural Education, NEA.

JEFFERSON CITY, MO., *August 24, 1962.*
Senator RALPH YARBOROUGH,
New Senate Office Building,
Washington, D.C.:

Respectfully urge support of S. 349 for benefit of veterans whose educational careers have been hindered by required military service.

H. PAT WARDLAW,
Assistant Commissioner of Education and Director of Vocational Education.

CONCORD, N.H., *August 24, 1962.*
Senator RALPH YARBOROUGH,
New Senate Office Building,
Washington, D.C.:

Urge full support of GI bill S. 349 thus extending benefits to many New Hampshire veterans not included in previous legislation.

EARL H. LITTLE,
Chief, Division of Vocational Education, State Department of Education.

MONTGOMERY, ALA., *August 24, 1962.*
Hon. RALPH YARBOROUGH,
New Senate Office Building,
Washington, D.C.:

S. 349 one of the most important efforts yet for veterans education and training. Please give it your utmost support.

M. O. HULSEY,
State Supervisor, Trade and Industrial Education.

Mr. President, I believe that the argument made by the distinguished Senator from South Carolina is utterly without logical grounds. This bill would be a great aid in the fight against communism. These people are not demanding something. The country has demanded something of them. It has reached out and pulled them out of their normal life, and, so far as most of them are concerned, has wrecked their economic opportunity unless they get this retraining opportunity. I have not heard one argument made against the bill that is logical or sound.

Mr. President, I ask unanimous consent to have printed in the RECORD a table which appears on pages 28 and 29 of the committee report on S. 349. The table is entitled "Probable Participation and Total Amounts of Educational Allowances by State Under Readjustment Training Program Proposed by the Veterans Readjustment Assistance Act of 1961 (S. 349)."

There being no objection, the table was ordered to be printed in the RECORD.

Probable participation and total amounts of educational allowances by State under readjustment training program proposed by the Veterans' Readjustment Assistance Act of 1961 (S. 349)

State	Veteran population		Experience, World War II and Korean programs		Veteran population, post-Korean induction period [3]		Participation and allowances for veterans (1st 5 years only)	
	World War II [1] (A)	Korean conflict, June 30, 1960 [2] (B)	World War II veterans trained (Public Law 346) (C)	Korean veterans trained (Public Law 550) through June 30, 1960 (D)	In civil life June 30, 1960 [4] (E)	Total expected through fiscal year 1973 [5] (F)	Veterans expected to train [6] (G)	Amounts of educational allowances [7] (H)
Total	15,432,000	5,482,000	7,800,000	2,334,000	1,380,000	4,440,000	1,413,000	----------------
Alabama	253,000	113,000	171,000	60,000	22,000	71,000	28,000	49,200,000
Alaska	9,000	4,000	6,000	1,500	2,000	5,000	1,500	2,100,000
Arizona	74,000	37,000	39,000	15,000	10,000	31,000	10,000	13,900,000
Arkansas	156,000	53,000	103,000	23,000	14,000	45,000	15,000	24,600,000
California	1,187,000	465,000	581,000	233,000	105,000	338,000	127,000	168,800,000
Colorado	147,000	51,000	87,000	28,000	14,000	45,000	18,000	29,200,000
Connecticut	224,000	79,000	88,000	29,000	20,000	66,000	18,000	20,900,000
Delaware	34,000	12,000	14,000	4,000	3,000	10,000	2,000	1,900,000
District of Columbia	107,000	28,000	99,000	31,000	7,000	22,000	18,000	29,100,000
Florida	289,000	144,000	171,000	66,000	30,000	98,000	33,000	45,700,000
Georgia	290,000	115,000	191,000	64,000	29,000	92,000	38,000	60,400,000
Hawaii	39,000	22,000	17,000	7,000	6,000	20,000	5,000	7,100,000
Idaho	57,000	21,000	33,000	8,000	6,000	20,000	6,000	9,700,000
Illinois	935,000	273,000	443,000	120,000	75,000	241,000	79,000	97,800,000
Indiana	400,000	139,000	161,000	48,000	36,000	115,000	30,000	41,500,000
Iowa	228,000	89,000	111,000	33,000	23,000	73,000	20,000	26,000,000
Kansas	188,000	67,000	88,000	23,000	14,000	47,000	12,000	16,800,000
Kentucky	245,000	103,000	114,000	34,000	24,000	78,000	19,000	27,600,000
Louisiana	238,000	86,000	155,000	45,000	25,000	79,000	31,000	55,100,000
Maine	82,000	36,000	39,000	8,000	11,000	35,000	6,000	8,500,000
Maryland	242,000	88,000	122,000	29,000	22,000	70,000	17,000	24,000,000
Massachusetts	522,000	168,000	246,000	74,000	39,000	127,000	42,000	50,400,000
Michigan	681,000	229,000	275,000	79,000	63,000	204,000	53,000	70,100,000
Minnesota	299,000	105,000	143,000	50,000	30,000	95,000	34,000	48,800,000
Mississippi	165,000	59,000	119,000	28,000	14,000	45,000	16,000	29,200,000
Missouri	387,000	144,000	228,000	62,000	34,000	110,000	35,000	50,700,000
Montana	57,000	21,000	29,000	8,000	5,000	15,000	4,000	6,100,000
Nebraska	122,000	50,000	60,000	23,000	14,000	44,000	15,000	24,800,000
Nevada	17,000	8,000	8,000	2,000	3,000	9,000	1,700	2,000,000
New Hampshire	57,000	24,000	28,000	6,000	5,000	15,000	3,000	4,300,000
New Jersey	559,000	178,000	210,000	54,000	43,000	138,000	31,000	31,400,000
New Mexico	71,000	24,000	37,000	13,000	7,000	22,000	9,000	12,800,000
New York	1,608,000	464,000	790,000	202,000	120,000	386,000	126,000	135,600,000
North Carolina	344,000	140,000	198,000	61,000	33,000	107,000	35,000	52,100,000
North Dakota	46,000	23,000	23,000	13,000	7,000	22,000	9,000	15,400,000
Ohio	855,000	271,000	383,000	94,000	70,000	226,000	59,000	66,600,000
Oklahoma	221,000	83,000	135,000	40,000	20,000	64,000	24,000	40,100,000
Oregon	168,000	54,000	77,000	21,000	16,000	51,000	15,000	19,700,000
Pennsylvania	1,179,000	373,000	588,000	142,000	96,000	310,000	88,000	112,600,000
Rhode Island	96,000	28,000	33,000	12,000	6,000	20,000	6,000	8,900,000
South Carolina	164,000	72,000	102,000	31,000	18,000	58,000	19,000	33,400,000
South Dakota	59,000	24,000	26,000	12,000	5,000	16,000	6,000	11,400,000
Tennessee	298,000	113,000	203,000	51,000	28,000	91,000	31,000	46,100,000
Texas	782,000	271,000	453,000	136,000	69,000	222,000	83,000	124,000,000
Utah	74,000	30,000	46,000	21,000	7,000	21,000	11,000	17,900,000
Vermont	32,000	15,000	16,000	4,000	3,000	10,000	2,000	2,700,000
Virginia	301,000	127,000	116,000	34,000	28,000	90,000	18,000	25,500,000
Washington	233,000	86,000	111,000	36,000	24,000	78,000	25,000	36,300,000
West Virginia	194,000	79,000	74,000	22,000	22,000	71,000	15,000	20,400,000
Wisconsin	313,000	121,000	132,000	42,000	32,000	103,000	27,000	40,600,000
Wyoming	28,000	10,000	14,000	3,500	2,000	7,000	1,800	2,800,000
Outside United States, total	76,000	63,000	63,000	48,000	19,000	62,000	35,000	79,400,000

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[1] As of Dec. 31, 1953, which approximates peak number of World War II veterans in civil life.

[2] Includes approximately 962,000 veterans who also served during World War II.

[3] Veterans of service period Feb. 1, 1955, through June 30, 1963.

[4] Estimate of post-Korean veterans in civil life on June 30, 1960, based on 1 percent sample of separations from Armed Forces; does not provide for migration subsequent to separation. Data rounded to nearest thousand.

[5] Excludes several hundred thousand career military personnel who served during the post-Korean induction period and who are expected to remain continuously in military service until after the end of fiscal year 1973.

[6] State distribution of trainees expected in 1st 5 years is based on State distribution of post-Korean veterans and State participation rates applicable to Korean veterans.

[7] State distribution of estimated education and training allowance is based on State distribution of trainees expected in 1st 5 years and cost factors applicable to trainees under the Korean readjustment training program.

Mr. YARBOROUGH. Mr. President, I yield the floor at this time to the distinguished majority leader.

REVENUE ACT OF 1962

Mr. MANSFIELD. Mr. President, I wish to compliment and commend the distinguished Senator from Texas for the vigorous and courageous leadership he has shown in behalf of the postwar GI bill of rights. He has fought hard for the bill down through the years, and he was successful in getting it through the Senate in a previous Congress.

However, in view of the situation which has developed, I should like at this time to lay the pending bill aside so that I may discuss it once again with the policy committee when it next meets, and also with the distinguished minority leader, the Senator from Illinois, to see if we might possibly arrive at an agreement to limit debate on the bill at a future date.

I therefore move that the Senate proceed to the consideration of Calendar No. 1843, and that it be made the pending business.

Mr. JAVITS and Mr. MILLER addressed the Chair.

Mr. MANSFIELD. I yield to the Senator from New York.

Mr. JAVITS. A parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. JAVITS. May this be done without a vote?

Mr. MANSFIELD. It can. It can be done by unanimous consent.

The PRESIDING OFFICER. It may be done by unanimous consent.

Mr. MANSFIELD. I ask unanimous consent that the pending bill be laid aside and that the Senate proceed to the consideration of Calendar No. 1843.

The PRESIDING OFFICER. The clerk will state the bill by title for the information of the Senate.

The CHIEF CLERK. A bill (H.R. 10650) to amend the Internal Revenue Code of 1954 to provide a credit for investment in certain depreciable property, to eliminate certain defects and inequities, and for other purposes.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

Mr. JAVITS. Has the pending bill been laid aside?

The PRESIDING OFFICER. A unanimous-consent request is pending that the Senate proceed to the consideration of the tax bill.

Mr. COOPER. Reserving the right to object, may I ask the distinguished majority leader whether he intends to bring up the veterans bill again this afternoon?

Mr. MANSFIELD. Not this afternoon. I intend to discuss it further with the policy committee and also wish to confer with the minority leader to see if it is possible to reach an arrangement under which the bill could be brought up later, under a limitation of debate.

Mr. COOPER. Not this week?

Mr. MANSFIELD. Not this week. There is nothing tricky about the request to lay the bill aside.

Mr. JAVITS. We do not mean to imply that there ever is anything tricky on the part of the majority leader. Does that include Monday as well?

Mr. MANSFIELD. It includes all of next week, as well.

Mr. COOPER. I am sure the majority leader knows that we do not mean to imply that there is anything tricky.

Mr. MANSFIELD. I am certain about that. I thought there might be a question about the request on that point. "Tricky" was the wrong word. No subterfuge is involved.

Mr. JAVITS. I voted for the bill when it was before the Senate previously. It was unfortunate that it was brought up quite suddenly, without an opportunity for study or preparation. I say that even though I was one of those who was in favor of the bill.

Mr. MANSFIELD. I have been waiting for that allegation or charge to be made.

Mr. JAVITS. I make no charge.

Mr. MANSFIELD. The fact that it came on so suddenly—and it did come on suddenly—is due to the fact that when bills are reported out of committees, they are taken up by the policy committee. The policy committee then gives the leader authority at his "discretion" to bring up a bill. What is done in effect, is that the question of scheduling is passed from the appropriate committee to the policy committee to a single individual. He looks at the calendar and wonders what he can bring up. He finds that half the bills are being objected to by Democrats and the other half by Republicans, and sometimes by both.

So he searches for something that he can bring up, first determining whether there is a Senator in the city who is either for or against it. Then the bill is called up. He is then told that the bill has been called up suddenly. Of course it has. However, what can he do under these circumstances?

There was more difficulty attached to this bill than I thought there would be when I called it up. I am glad the Senator from Texas has had an opportunity once again to show his deep interest and initiative in connection with this bill.

Mr. JAVITS. Mr. President, will the Senator yield?

Mr. MANSFIELD. I yield.

Mr. JAVITS. I wish to compliment the Senator from Montana.

Mr. MANSFIELD. The Senator always does that. I appreciate it.

Mr. JAVITS. I commend him and compliment him for his traditional fairness. The Senator has displayed again what is in his character, and I thank him for it.

Mr. PROUTY. Mr. President, I should like to point out that the substitute I intend to offer for the Cooper amendment is not ready. I am deeply concerned about the lack of progress which has been made with the higher education bill. It was my purpose to incorporate my substitute for peacetime veterans' benefits in the general higher education bill, which we all know is at present stymied in conference. I am very much in favor of this legislation and I hope it will be enacted. I believe also that the peacetime veterans should be given a preference over nonveterans where student assistance is concerned. I regret that I did not have an opportunity to offer my amendment today but I understand the circumstances, and I applaud the majority leader for deferring action in view of those circumstances.

Mr. MANSFIELD. This is one of the consequences of taking bills up suddenly. I am sure the Senator understands my problem, just as I am sure I understand why he has not had an opportunity to propose his amendment.

Mr. YARBOROUGH. Mr. President, will the distinguished majority leader yield?

Mr. MANSFIELD. I yield.

Mr. YARBOROUGH. First, I thank the majority leader for the privilege of having made a start on the consideration of the bill. The majority leader told me he was hopeful that amendments could be disposed of rapidly and that there would be an opportunity to finish the consideration of the bill today, before other pressing measures got in the way.

I ask the majority leader if it is not probable that the Senate will return to the consideration of the bill at this session. I understand that a Senator on our side of the aisle has an amendment, in addition to the one which the distinguished Senator from Vermont [Mr. Prouty] says he intends to offer. Will it be possible for the Senate to return to the consideration of the bill later, in the hope that there will be time in a busy schedule to complete action on the bill?

Mr. MANSFIELD. That is my hope. Mr. President has my request been agreed to?

The PRESIDING OFFICER. Is there objection to the request of the Senator from Montana that the Senate proceed to the consideration of House bill 10650?

There being no objection, the Senate proceeded to consider the bill, which had been reported from the Committee on Finance with amendments.

Mr. MANSFIELD. Mr. President, what is the pending business?

The PRESIDING OFFICER. Calendar No. 1843, H.R. 10650.

WHY PICK ON KATANGA—EDITORIAL IN THE DALLAS MORNING NEWS

Mr. THURMOND. Mr. President, the Dallas Morning News of Dallas, Tex., has published in its editorial columns of August 22, 1962, some eloquent editorial comments which present a brief but powerful defense of Katanga against United Nations and United States determination to force Katanga into a coalition government with the Central Congolese Government. The arguments in this editorial are so persuasive, Mr. President, and make so much practical commonsense that I fail to understand how anyone in our Government can support a policy against self-determination for the people of Katanga.

The editorial is entitled "Why Pick on Katanga?" I feel that it is important enough to be read at this time to the membership of the Senate. I also respectfully remind Senators of the able and well documented address presented on the Senate floor on August 3, 1962, by the distinguished Senator from Connecticut [Mr. Dodd]. I commend to the Senate, to the House, and to every American, Senator Dodd's lengthy and scholarly address on August 3, and also the impressive editorial published in the Dallas Morning News.

The editorial reads as follows:

Why Pick on Katanga?

Acting U.N. Secretary General U Thant's latest demand for a unified Congo is nothing short of an ultimatum which gives Katanga President Moise Tshombe the alternative of accepting the United Nations terms or facing extinction. U Thant in effect has threatened to destroy the economy of Katanga—which he claims is essential for the survival of the Congo—unless Tshombe turns over his armed forces to the Central Congolese Government within 3 months and accepts a new federal constitution proposed by Congolese Premier Cyrille Adoula within 30 days.

The Secretary General's ultimatum apparently will be backed up by the United States, for when he first issued an appeal for sanctions against Katanga on July 31, the State Department was quick to come up with a 21-point plan to force Tshombe to his knees.

This whole fantastic business demands the answering of vital questions:

Why has the economic, political and military might of the West—and of the United States in particular—been marshaled to crush a stable, pro-Western, anti-Communist government which seeks only to run its own affairs?

By what right is the U.N. or the United States imposing its will on the people of Katanga who, from every indication, seem to support Mr. Tshombe's policy of seeking independence or a loose federation within the Congo?

Surely the U.N.'s actions cannot be reconciled with or justified on the basis of its own charter, which prohibits U.N. interference in the internal affairs of any nation.

Nor can these actions be squared with the so-called peacekeeping mission of the U.N.—which has stirred up more trouble in the Congo than it has prevented. Let's not forget that Katanga has made no effort to impose its will on other parts of the Congo.

Since the end of World War II, the United States and the United Nations have devoted themselves to the cause of self-determination for all people (except those billion-plus poor souls behind the Iron Curtain).

We have supported virtually every independence move on this side of the Iron Curtain—presumably because self-determination is a sacred principle—even when we could tell in advance that by doing so we might be creating difficulties for ourselves or working against our own self-interest.

Why, then, has Katanga been singled out as the only free world country which can't be allowed self-determination or independence? It certainly has all of the characteristics required for separate nationhood—and a good many more than some of the nations whose independence we have supported with vigor.

Katanga has a stable domestic order. It is financially self-sufficient. It has a well-trained, orderly army, a sound currency and the support of the native population.

Opposition to Katangan independence surely cannot be justified by maintaining that it has "seceded" from the rest of the Congo. For neither the United Nations nor the United States has offered any opposition to similar "secessions" in other countries.

Recently Jamaica decided to withdraw from the West Indies Federation. Not a sound of protest was heard from U.N. or U.S. officials.

Nor was there any protest when Ruanda-Urundi split into two separate nations.

Nor when Syria pulled out of the United Arab Republic.

Nor when Mali and Guinea parted.

Nor when the separate states of Nigeria decided to be governed by an extremely loose, decentralized federation.

Why only Katanga? The question becomes more pertinent every day. We don't know the answer, though we suspect it may have something to do with the fact that Tshombe has been militantly anti-Communist. But somebody ought to come up with a satisfactory answer to the question—and the answer should certainly be given before we pour another $100 million of the American taxpayers' money into the U.N's Congo war chest.

ESTABLISHMENT OF FREDERICK DOUGLASS HOME AS A PART OF PARK SYSTEM IN NATIONAL CAPITAL

Mr. HART. Mr. President, I ask that the Chair lay before the Senate the amendment of the House to S. 2399.

The PRESIDING OFFICER laid before the Senate the amendment of the House of Representatives to the bill (S. 2399) to provide for the establishment of the Frederick Douglass home as a part of the park system in the National Capital, and for other purposes, which was, on page 3, lines 1 and 2, strike out "such sums as are necessary" and insert "not more than $25,000 for repairing and refurbishing Cedar Hill in order".

Mr. HART. Mr. President, I move that the Senate concur in the amendment of the House. By so doing, we will insure that in the year of the 100th anniversary of the Emancipation Proclamation, the home of a distinguished American, Frederick Douglass, will become a public shrine and be suitably preserved.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Michigan.

The motion was agreed to.

CONFUSION ON FALLOUT STANDARDS INDICATES NEED FOR PROXMIRE RADIATION HAZARDS BILL

Mr. PROXMIRE. Mr. President, today's Wall Street Journal carries a detailed summary of recent developments in the area of Federal standards for protection against radiation hazards. It describes a new policy stated in a letter from the Federal Radiation Council to the Joint Atomic Energy Committee. The policy is the reported result of weeks of debate between the Atomic Energy Commission, the Defense Department, and the Public Health Service—in which the Public Health Service, which bears primary responsibility for protection of health against environmental and other hazards, argued for rigorous application of earlier, stricter standards.

The writer of the article, Mr. Jonathan M. Spivak, comments:

> While meant to clear up the uncertainties about Federal radiation protection policy, the Council's statement is likely to raise new issues and confusion.

Mr. Spivak notes:

> It's likely there will be little help for the local authorities in the Council's admonition to evaluate the "source and magnitude and duration of probable exposure levels" before acting.

He points out that lack of information on this subject prompted Utah public health officials to take protective action concerning milk, last month—probably unnecessarily. He quotes a scientist as saying:

> The health service has been measuring I^{131} fallout levels in milk in terms of the radiation guides. For the Government now to say these don't apply directly to fallout makes no sense to me. I would like to see the data they use to back up the assertion that exposure levels many times above the guides pose no major health hazard.

Mr. President, the situation described by this article is compelling justification for immediate consideration and enactment of the Proxmire bill, S. 3472, giving the Public Health Service full authority over protecting the public health and safety from radiation hazards. Hearings on my bill and on the general subject of fallout protection at the present time would provide a useful and necessary public forum. I hope they can be conducted soon.

I ask unanimous consent that Mr. Spivak's article be printed at this point in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

RADIATION COUNCIL MOVES TO RESOLVE FALLOUT DISPUTE—ADMINISTRATION GROUP SAYS THE PRETEST GUIDES DO NOT SPECIFY SAFE, UNSAFE LEVELS—NEW CONFUSION CALLED LIKELY

(By Jonathan M. Spivak)

WASHINGTON.—The Kennedy administration delicately sought to extricate itself from the restrictions of a Federal radiation protection policy adopted before the resumption of nuclear weapons testing by Russia and the United States.

After weeks of debate between the Atomic Energy Commission and the Defense Department, both of which wanted to state clearly that the peacetime radiation guides do not now apply, and the Public Health Service, which wished to apply them rigorously, the Kennedy administration came up with this compromise solution:

While the Federal radiation protection guides, originally established with only industrial atomic activities in mind, have some "relevance for the assessment of fallout conditions," they do not represent any clear line between safe and dangerous conditions. Their primary purpose is to alert local officials to the need for considering protective action. Any decision as to the need and nature of the action to be taken must include an evaluation of many other factors, such as probable length of exposure, source of the fallout, and even the potential effect of the protective measures on national security.

RADIATION COUNCIL REPLY

The policy was enunciated in a reply by the Federal Radiation Council, chief arbiter of Government radiation policy, to the Joint Congressional Committee on Atomic Energy, which wanted to know whether the existing standards applied to fallout, and if not, what standards should apply. The Federal Radiation Council is headed by the Secretary of Health, Education, and Welfare and composed of the Secretaries of Defense, Labor, Commerce, and Agriculture and the Chairman of the Atomic Energy Commission.

While meant to clear up the uncertainties about Federal radiation protection policy, the Council's statement is likely to raise new issues and confusion.

The Federal guides establish a series of three radioactive contamination levels for air, food and water. The lowest level calls for no concern, while the top level, known as range III, requires an immediate determination of the need for protective measures. The guides do not, however, detail clearly what steps local health officials must take, or how rapidly they must act, when contamination levels reach range III. The guides say only that the radiation exposure produced by this level of contamination should not be exceeded "without careful consideration of the reasons for doing so" and that every effort should be made to keep doses as far below the level as possible.

The Council's policy statement further beclouds the meaning of range III contamination levels, without providing local health authorities any new standard to determine at what precise point they should take action against fallout hazards. Under the guides, State and local health authorities have assumed that, as soon as contamination levels gave signs of breaking into the range III levels, action was needed as a precautionary measure, even though the guides were not actually violated.

LITTLE HELP FOR LOCAL OFFICIALS

It's likely there will be little help for the local authorities in the Council's admonition to evaluate the "source and magnitude and duration of probable exposure levels" before acting. For example, Utah State officials took protective action last month, by diverting fallout-contamination milk away from fresh-milk uses, on the theory that another U.S. above-ground blast at the test site in neighboring Nevada would raise contamination to the range III level. Actually, before the Utah action, the decision had been made—but not announced—to wind up the Nevada test series, according to AEC sources. But the Utah officials did not know that. And obviously any attempt by local health authorities to predict the magnitude and duration of Soviet tests would be fruitless.

The range III level set for radioactive iodine I^{131}, the fallout product of greatest current concern, is 100 micromicrocuries per liter of milk. A micromicrocurie is a millionth of a curie (a unit of radioactivity equal to the amount of radiation emitted by a gram of radium in a second); a liter equals 1.05 quarts.

Some non-Government scientists have been hotly critical of the council and the Public Health Service for failing to recommend more aggressive action against the possible dangers of existing I^{131} exposure, Now, the effort to further minimize the risk and indirectly discourage immediate protective measures may bring new complaints of failure to protect the public interest and of deliberate attempts to conceal fallout hazards.

SCIENTIST COMPLAINS

"The Health Service has been measuring I^{131} fallout levels in milk for 2 years in terms of the radiation guides," says one scientist. For the Government now to say these don't directly apply to fallout makes no sense to me. I would like to see the data they use to back up the assertion that exposure levels many times above the guides pose no major health hazard," he complains.

From the side of those urging a liberalization of the guides comes criticism that the Council was far too vague in indicating what new levels should apply or how to assess the various factors involved in determining whether protective measures should be applied. "The statement helps a little, but it establishes no standards to determine when you should take specific action. And without them, the confusion will continue to exist in the area of fallout protection," asserts a congressional source.

The problem faced by the Kennedy administration is that the radiation protection guides were set at levels calculated to permit continued operation of nuclear power reactors, necessary disposal of atomic wastes, and other peacetime nuclear activities, without producing an excessive risk of exposure. But when adopted by the Federal Radiation Council in 1960 and early 1961, no thought was given to the possible effect of fallout from nuclear weapons testing in raising radiation exposure levels.

Administration science advisers feel the Federal radiation protection standards for I^{131} as well as for other radioisotopes—natural or man made elements which give off radiation—are extremely conservative, and, if rigidly applied in a nuclear testing situation, could raise more problems than they would resolve.

While it's easily possible, these advisers argue, to keep the peacetime-activity levels of radiation exposure well within the guides, there will be sudden and transient rises in radioactivity from nuclear testing which can be expected to exceed them. But the added hazard from increased exposure above the guidelines is so negligible that the widespread application of protective measures might produce even greater dangers, the advisers say.

PANIC A KEY CONCERN

These dangers include an unnecessary magnification of fallout hazards and possible public panic, and a boycott on fresh milk which would hurt the dairy industry economically and might disrupt normal milk consumption patterns, thus creating public health problems. There is the further political concern that a rash of fallout protection measures by the States might make it awkward for the United States to resume nuclear testing and would fuel the demands of neutralist nations, concerned with testing hazards, that the United States accept an immediate uninspected test ban with Russia.

AEC and Pentagon authorities contend the peacetime radiation guides should not apply at all to fallout, since the guides are based on the theory that the biological risks of radiation exposure can be assessed only in relation to the benefits produced by atomic activities. "If a testing program so increased national security that it prevented a nuclear war, how would you 'factor' that into the guides?" asks one official.

In contrast, the Public Health Service and its Division of Radiological Health are privately eager to enforce the guides as is. Their attitude in essence is that health concerns must come first, and if protective measures are not taken at the levels suggested in the present guides the tendency will be not to take them at all.

COUNCIL TAKES MIDDLE GROUND

The Federal Radiation Council's policy statement took a middle ground, stressing that while the guides should not be ignored in judging fallout hazards, many other factors must be considered by health authorities. The dangers from I^{131} exposure were deliberately minimized.

"As applied to fallout, the guides can be used as an indication of when there is need for detailed evaluation of possible exposure hazards and a need to consider whether any protective action should be taken under all the relevant circumstances," the Council said.

The Council insisted the guides themselves are on the extremely conservative side and should be applied with caution. "We do not believe there is any risk of a major health hazard until exposure levels are many times above the guide levels," it said, making a special reference to a recent National Academy of Sciences National Research Council assessment of the potential dangers of thyroid cancer from radiation exposure. This report said that, while one form of radiation exposure—high levels of medical X-rays—has been known to lead to thyroid cancer in children, and radiation from I^{131} has been shown to be cancer causing for some animals, "no case of thyroid cancer ascribable to I^{131} has been found in man."

Other evidence, cited by some scientists to allay fears of I^{131} exposure, is the fact that the radioisotope has been safely used for medical diagnosis and treatment at levels many times more concentrated than those prescribed in the guides; conflicting with this.

FEDERAL GOVERNMENT SHOULD BEAR COST OF PROTECTING MILK AGAINST FALLOUT CONTAMINATION

Mr. PROXMIRE. Mr. President, I am disturbed and concerned by reports that the cost of keeping milk pure and free from contamination by radioactive fallout will be borne by individual farmers and consumers in affected areas. To me this simply does not make sense. The present high radiation levels in Minnesota, Iowa, Utah, and parts of Wisconsin are the result of the radioactive idoine 131 produced in considerable measure by our own nuclear tests in Nevada. To charge the quite considerable cost of taking appropriate protective countermeasures to individual families and producers who have the misfortune to be located in the areas where the I^{131} fallout drifts to the ground simply cannot be justified.

Nuclear testing is a part of the cold war struggle in which we are engaged. Our military and defense leaders believe tests by us are necessary in order to be able to match Soviet test accomplishments, so that we may maintain the nuclear capability to maintain peace and security and preserve and extend freedom throughout the world. Nuclear tests are as much a national defense measure as is the callup of reserves or the procurement of missiles.

To make private individuals pay the indirect costs of nuclear testing would be like asking the families of servicemen called to active duty to pay their salaries and expenses. Just as we recognize that this cost is part of a national burden which should be shared nationally and equitably, so we should take appropriate steps to make certain that the cost of maintaining an adequate supply of pure and wholesome milk free of radioactive contamination is fairly shared.

I am extremely glad that the Senate approved my amendment to the farm bill which extends the livestock feed program to provide stored grain from Commodity Credit Corporation stocks to farmers in areas where pastures have become contaminated to such an extent that cows must be fed on stored feed. My amendment broadens an already existing program. It gives the Secretary of Agriculture discretion to specify terms and conditions for releasing the feed. It would not require a new administrative setup, since the already functioning livestock feed program, under which feed has been made available in cases of drought, flood, and other natural disasters, can be extended to cover this new situation.

This morning's Wall Street Journal contains a detailed story on the protective countermeasures which took effect yesterday in Minnesota and northwestern Wisconsin. Farmers shipping fluid milk into Minneapolis and St. Paul have been asked to divert their cows away from pasturage to stored feed. The financial burden of doing this will be large. In addition to the cost of extra feed, transportation, and labor, farmers will face lower income, because cows switched to dry feed at this time of year and at short notice will produce less milk.

I strongly hope my amendment will be retained in the House-Senate conference on the farm bill. It is a simple proposal that extends an already functioning program.

I ask unanimous consent, Mr. President that the article from the Wall Street Journal to which I have referred be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

MINNESOTA MILK NEARS RADIATION DANGER LEVEL; CHANGE IS ASKED IN FEED FOR COWS

CHICAGO.—Minnesota dairy industry officials asked farmers to switch their herds from "hot" pastures to stored feed to prevent the level of radioactivity in milk from rising above currently accepted safety levels.

The State department of health said the radiation level is close to the hazardous range.

The change is expected to result in higher retail milk prices throughout Minnesota since it will cost farmers more to feed their cattle alfalfa, grains and other aged feed rather than allowing them to graze.

The Minnesota action follows measures taken by Utah health officials earlier this month. Radioactive iodine levels in milk supplies in the Salt Lake City area rose sharply, causing some milk to be diverted to manufactured products such as cheese. The time delay in manufacturing allows radioactivity levels to drop to safe levels.

The Twin Cities Milk Producers Association, a cooperative marketing organization of 3,600 dairy farmers within a 75-mile radius of Minneapolis-St. Paul, asked members to make the feed change beginning yesterday.

The co-op asked farmers to sign affidavits that they would put their dairy herds on feed at least 21 days old. Radioactive iodine, which collects on grass and is transmitted to milk produced by grazing cows, dissipates half of its radioactivity every 8 days, so the 21-day lag would sharply reduce the level of radiation.

RECOMMENDED BY STATE AGENCY

The co-op's action was part of a statewide program recommended by a special commission appointed by Minnesota's Governor Andersen. "All of the producers' organizations in the State will have made this move within several days," said H. E. Birdsall, controller of the co-op.

The producers' co-op began charging bottlers 45 cents more per hundredweight for milk produced by cows feeding on stored feeds, Mr. Birdsall said. The extra charge will later be redistributed to farmers who comply with the program, to help reimburse them for the added costs.

As a result, Mr. Birdsall said, "most bottlers (in the Twin City area) have announced they will raise the retail price of milk by about 1 cent a quart," effective either immediately or by next Monday.

Mr. Birdsall said the association was not sure how many farmers are complying with the program. "We asked them to do the best they can without making too costly changes," he said. The request was made of only the 2,600 farmers who produce grade A milk for bottling. Another 900 members, who produce grade B milk, which is not bottled, were not included, he said.

"Under present conditions, it really would not matter if none of the farmers changed," Mr. Birdsall said, since the radiation level has not exceeded what is considered the danger point.

Dr. Warren R. Lawson, chief radiologist of the department, said the culmulative count of radioiodine in milk samples is about 33,000 micromicrocuries on an annual intake basis. This figure measures the accumulated radiation absorbed per year, figured on a basis of 1 liter (1.05 quarts) of milk consumed daily over that period.

STATE FOLLOWS FEDERAL GUIDE

The Federal Radiation Council has a guideline that indicates control measures are not neecssary until the cumulative count reaches 36,500 micromicrocuries a year. At that level, Dr. Lawson said, the State health department would warn that infants under 1 year old, pregnant women and women nursing babies should discontinue consumption of fluid milk.

The feed change for dairy herds was recommended at eight regional meetings held since August 1 around the State by the special six-man Governor's committee. The committee, made up of industry officials, Agriculture Department, and university specialists outlined the program at the meetings with producers and bottlers.

D. T. Carlson, chairman of the committee and executive secretary of the Minnesota Milk Council, a bottlers' association, said the program as it affects farmers is "completely voluntary." The council's recommendation was prompted by the State's high radiation count and the uncertainty over whether the current atomic tests by the United States and the Soviet Union would push the count higher, Dr. Carlson said.

The committee also has recommended that any milk produced from grazing cows be diverted to making butter, cheese, and other dairy products, rather than being bottled, he added. The decay of the radioactivity will eventually make such storable products safer to consume. He said the State health department "is going to check" to see that bottlers comply with this recommendation.

The dairy feed recommendation is expected to be in effect at least until October 1, Mr. Birdsall said. It won't last "more than a couple months at most," he added, since farmers usually put their herds on stored feed at the end of the grazing season in late fall anyway.

ORDER FOR ADJOURNMENT UNTIL 11 A.M. TOMORROW

Mr. MANSFIELD. Mr. President, I ask unanimous consent that when the Senate concludes its session tonight, it adjourn until 11 a.m. tomorrow.

The PRESIDING OFFICER (Mr. Burdick in the chair). Without objection, it is so ordered.

PROGRAM FOR TOMORROW—CONSIDERATION OF AGRICULTURE APPROPRIATION BILL

Mr. MANSFIELD. Mr. President, for the information of the Senate, let me say that I hope a sizable portion of the membership of the Senate will be on hand tomorrow, notwithstanding the fact that tomorrow is Saturday. We shall have the agriculture appropriation bill before us, and it is a very important bill. It calls for appropriations in the hundreds of millions of dollars, if not the billions of dollars. So I expect and hope that there will be a good attendance of Senators.

IMPORTANCE OF SPACE SUPERIORITY

Mr. YOUNG of Ohio. Mr. President, in this grim period in the history of the world when Communist Russia is seeking to throw us off balance, first in one region of the world, then another, most recently in West Berlin, let us not overlook for one minute the very serious situation with which we would be confronted if the Soviet Union were to attain absolute supremacy in outer space.

World War II proved to the entire world that air superiority was the vital factor in bringing about victory in that war. As a member of the Senate Committee on Aeronautical and Space Sciences, I have listened to testimony by great physicists and great leaders of our Armed Forces—notably, in one instance, testimony by Gen. Bernard Schriever—to the effect that if the Soviet Union were to attain absolute supremacy in outer space, with the power to destroy our satellites and to shower missiles upon our airfields, missile sites, and cities, it then would have the power to compel our Nation to sue for peace.

Mr. President, Napoleon Bonaparte made his conquests and nearly ruled the world with the power of his armies, with his tactic of quick movement of his ground forces and the element of surprise, plus his leadership.

Then Great Britain ruled a vast portion of the world by the strength of her farflung armies and her seapower. Seapower became supreme, and Britannia ruled the waves. In fact, by the power of her ground forces and her seapower, the British Empire maintained her supremacy for more than a century. Admiral Mahan, of the U.S. Navy, wrote an authoritative book entitled "The Influence of Seapower Upon History."

During World War I, it was armed forces, seapower, and heavy artillery that prevailed. World War II proved that air supremacy won battles, and won the war. Many times while I was in Italy with the 5th Army, in talking we would say that in the future America must be sure of two things: first, never fight a war on our own soil; second, never lose control of the air. World War II taught us that.

Airpower as it was known in World War II is doubtless on its way out today as the supreme weapon with which to win wars.

Next it will be missilery and the control of outer space which will be supreme and could change the map of the world. In fact, that is the situation confronting us now in this grim period of international anarchy. If an evil power such as Communist Russia were to obtain absolute supremacy in the domination and control of outer space, our situation would be perilous indeed.

We must, of course, continue expenditures—and they are huge expenditures—for NASA, for the peaceful exploration of outer space. However, in addition to that, we must proceed with the greatest urgency, for the defense of this Nation, to attain, from a military standpoint, if not supremacy, at least equality or superiority in outer space.

It is impossible to conceive the horror that might come to us were we to sit idly by and permit the Soviet Union to control the military use of outer space, and to continue her exploration of outer space, with her satellites orbiting this hemisphere, without our taking notice of them. As we are doing now, we must continue to step up our exploration of outer space and do all that is necessary, with a viewpoint to having superiority, if not supremacy, in outer space over any nation or group of nations in the world.

Until such time as there are definitely enforcible arms control and finally disarmament agreements and a ban on further nuclear testing between the nations of the world, plus adequate safeguards, the United States must have and maintain military control of outer space—if not supremacy, certainly superiority.

Mr. President, in connection with this threat against us from space poised by the Soviet Union, the Washington Evening Star on August 22, 1962, published a very important lead editorial on this subject, and paid proper respect to our colleague, the junior Senator from Nevada [Mr. Cannon] for the magnificent and effective address he recently made on this subject in the Senate Chamber.

The distinguished Senator from Nevada is one of the outstanding authorities in the Congress on the vital subject of our defense preparedness. He had a brilliant combat record in World War II. He is a brigadier general in the Air Force Reserve and an accomplished jet pilot. As a hard working member of the Armed Services Committee and the Aeronautical and Space Sciences Committee, he is extremely well qualified on this topic and is making an outstanding contribution to the defense of our Nation and the entire free world.

I ask unanimous consent to include in the RECORD that editorial as a part of my remarks.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

THE THREAT FROM SPACE

A reassuring note was sounded at the Pentagon after last week's tandem space flight by two Soviet cosmonauts. A spokesman said the feat appeared to have no immediate military significance. At a press conference yesterday, Secretary McNamara spoke in a somewhat different key. Russia, he said, is "substantially ahead" of the United States in some phases of military space development, but we are striving to overcome their lead.

This followed a speech on Monday by Senator CANNON of Nevada. Senator CANNON is a Democrat, and there were no partisan aspects to his remarks. As a general in the Air Force Reserve, it may be supposed that he reflects the point of view of that service. But he is also a member of the Senate Armed Services Committee and the Aeronautical and Space Sciences Committee. Thus, as far as information available to the Senate is concerned, he is in a position to know what he is talking about.

We think this was a very significant speech and that it dealt with a very real threat to the future security of the United States.

Recalling President Kennedy's campaign remark that "if the Russians control space, they can control the earth," Senator CANNON made clear his belief that they are well on their way toward achieving space control. The essence of his argument, as we understand it, comes down to this: In terms of military, as distinguished from purely scientific, application of space technology, the Russians are way out in front. And at our respective rates of advance it will be very difficult to overtake them.

The *Vostok III* and *IV* performance indicates that a nuclear attack on the United States from space is within the present capability of the Soviet Union. We have no known defense at this time against such an attack.

But, it is asked, why worry about an attack from space when nuclear weapons can be fired with perhaps greater accuracy from earth? Why worry when we are supposed to have such a preponderance of power that we can absorb a surprise attack and hit back with ruinous force? The answer is that our strike-back capability is designed to hit Soviet missile launching sites, whose locations presumably are known, and similar land targets. But we have no means now of knocking down an orbiting space vehicle from which our country could be attacked. The Russians, however, are believed to have the capabality of making such an attack on us, and, quite probably, can or soon will be able to intercept and destroy our reconnaissance satellites.

Even so, our strike-back capability remains. But the real question is whether we will continue to have the superiority in power which is essential to a successful deterrent. If we lose that superiority the day of anguished decision could come—the day when we might have to choose between capitulation and annihilation.

This is the substance of the view expressed by Senator CANNON and other respected Senators. They do not want to see the military threat from space downgraded and neglected while we race to beat the Russians to the moon. Hopefully, we take Mr. McNamara's latest comment to mean that their voices are being heard in the Pentagon.

AMENDMENT OF PUBLIC LAW 86-506, 86TH CONGRESS

Mr. MANSFIELD. Mr. President, I move that the amendment of the House of Representatives to S. 1208 be laid before the Senate and concurred in.

The PRESIDING OFFICER laid before the Senate the amendment of the House of Representatives to the bill (S. 1208) to amend Public Law 86-506, 86th Congress (74 Stat. 199), approved June 11, 1960, which was, on page 2, line 2, strike out all after "by" down through and including "347)" in line 4, and insert "the Act of May 11, 1938 (52 Stat. 347; 25 U.S.C. 396a et seq.), and the Act of August 9, 1955 (69 Stat. 539), as amended (25 U.S.C. 415 et seq.), including the same uses and terms as are permitted thereby on the Agua Caliente (Palm Springs), Dania, and Navajo Reservations".

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Montana.

The motion was agreed to.

Mr. HUMPHREY subsequently said: Mr. President, I wish to comment briefly before we conclude our business on the measures that were laid down by the Chair when the Senate was asked to agree to certain amendments by the House. I do so because I believe the majority leader was very correct when he called for prompt consideration of those bills and for following procedure as he did.

I ask unanimous consent to have printed in the RECORD a statement by the Senators handling the bill for the Senate on S. 1208, which passed the Senate on May 11, 1961.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

S. 1208 is a bill to amend Public Law 86-506, 86th Congress, approved June 11, 1960.

S. 1208 as it passed the Senate on May 11, 1961, amended a 1960 statute to authorize leasing of additional Indian lands in California that are a part of the Colorado River Indian Reservation. The House has amended the bill to include authorization to make longer term leases on the reservation, up to a maximum of 99 years, in order to bring about greater economic development of tribal resources. At the time S. 1208 was under consideration by the Senate Interior Committee, it was decided that longer term leasing, although desirable, would not be included in the bill because a general bill, S. 108, making 99-year leasing applicable to all tribes had passed the Senate in March 1961. However, the House has not acted on S. 108, and, therefore, if longer term leasing is to be applicable on the Colorado River Reservation, it must be authorized in S. 1208. The House amendment is satisfactory to the sponsors of the bill and is recommended by the Department of the Interior.

Mr. HUMPHREY. The House amended the bill to include an authorization to make longer term leases on the reservation up to a maximum of 99 years. S. 1208 was a bill to amend Public Law 86-506, the 86th Congress, relating to the Colorado River Reservation in Arizona and California. The statement relating to the bill indicates that the Senate committee and the Senate conferees found that the House amendment was satisfactory to the sponsors of the bill and it is recommended by the Department of Commerce.

Mr. President, on each of the bills, without delaying the Senate any further, a statement will be placed in the RECORD so that there can be no doubt as to what the bills provide.

Mr. KUCHEL. Mr. President, will the Senator yield?

Mr. HUMPHREY. I yield.

Mr. KUCHEL. I merely wish the RECORD to show that every time a conference report has come back here, the majority leadership has cleared that conference report with the appropriate leadership on the minority side of the aisle before it has been taken up.

Mr. HUMPHREY. And often when it is not a conference report. There are times when the House amends a bill and sends it back to us with an amendment, and the majority and the minority leadership of the respective committees, the ranking Members, the interested Members, Members who handled the bill on the floor of the Senate as well as the majority and the minority, and those of us who have the responsibility here for the conduct of the business of the Senate, clear those bills.

Mr. KUCHEL. My able friend is precisely correct.

Mr. HUMPHREY. I wish to make clear that if we do not follow that procedure we will be here when the snow is flying, trying to conclude the business of the Congress.

Mr. KUCHEL. If my friend will permit me to say so, to one who is a candidate for public office, that statement involves a good deal of chagrin and woe around his heart.

Mr. HUMPHREY. Is it not interesting that, with my term not ending until 1966, I do not seem to feel the same sense of emotion as does the Senator from California.

Mr. KUCHEL. Two years from now there will be a precise reflection of the same type of apprehension on the part of the Senator from Minnesota.

Mr. HUMPHREY. A sort of delayed action, perhaps? I thank my very helpful and genial colleague.

CHANGE OF NAMES OF EDISON HOME NATIONAL HISTORIC SITE AND EDISON LABORATORY NATIONAL MONUMENT

Mr. MANSFIELD. Mr. President, I make the same motion with respect to the amendment of the House to S. 2916. Incidentally, these matters have been cleared, so they are noncontroversial.

The PRESIDING OFFICER laid before the Senate the amendment of the House of Representatives to the bill (S. 2916) to change the names of the Edison Home National Historic Site and the Edison Laboratory National Monument, to authorize the acceptance of donations, and for other purposes, which was, on page 2, strike out lines 10 through 12, inclusive.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Montana.

The motion was agreed to.

Mr. HUMPHREY subsequently said: Mr. President, I ask unanimous consent to have printed an explanation of the amendment of the House.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

> S. 2916 is a bill to change the names of the Edison Home National Historic Site and the Edison Laboratory National Monument to the Edison National Historic Site, and to authorize the acceptance of donations and permit the addition of donated lands to the combined unit. This bill passed the Senate on July 18, 1962. This bill authorizes the combining of the two areas into a single unit to be known as the Edison National Historic Site, addition of the three-quarters of an acre now owned by the Government, and acceptance of further donated lands to become part of the site.
>
> The House amended the bill to strike section 4 as unnecessary. This section authorized the appropriation of funds. No funds are necessary to accomplish the purposes of the bill.
>
> The House amendment is satisfactory to the sponsor of the bill.

Mr. HUMPHREY. Mr. President, to indicate what we are dealing with, here is Senate bill 2916 which would change the name of the Edison Home and National Historic site. The amendment of the House merely strikes out lines 10 through 12 on page 2 of the bill as passed by the Senate. It would strike out lines 10 through 12 which read:

> There are hereby authorized to be appropriated such sums as are necessary to accomplish the purposes of this act.

In other words, the authorization was stricken, because it was not needed for that purpose.

I wish to say in all respect to my colleagues that whenever a bill is passed there is an explanation in the RECORD. I hope we can establish as a standard practice that when any bill to which there is no objection, is passed, the pertinent portions of the committee report which explain the purpose of the bill will be included in the CONGRESSIONAL RECORD as a part of the legislative history of the bill.

It should be understood that when House amendments are agreed to, a statement relating to such House amendments, showing how they change the Senate bill, will also be included in the RECORD.

If we can establish that standard of procedure—and I hope by my remarks tonight we can indicate that as standard procedure—we shall have no difficulty.

I can understand the desire of every Senator to know what is in each bill that is passed. It is a legitimate request, and it is to be commended, and not frowned upon. Senators who have responsibilities for various pieces of legislation have at all times prepared the necessary explanation.

REVISION OF BOUNDARIES OF CAPULIN MOUNTAIN NATIONAL MONUMENT, N. MEX.

The PRESIDING OFFICER laid before the Senate the amendments of the House of Representatives to the bill (S. 2973) to revise the boundaries of Capulin Mountain National Monument, N. Mex., to authorize acquisition of lands therein, and for other purposes, which were, on page 2, line 10, after "Act" insert ": *Provided*, That the Secretary of the Interior is not authorized hereby to pay any amount in excess of the fair market value of the lands acquired pursuant to the provisions of this Act", and on page 2, line 17, strike out "and", and insert "to be".

Mr. MANSFIELD. Mr. President, I move that the Senate concur in the amendments of the House of Representatives to S. 2973.

The motion was agreed to.

Mr. HUMPHREY subsequently said: Mr. President, I ask unanimous consent to have printed an explanation of the amendments of the House.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

> S. 2973, a bill to revise the boundaries of the Capulin Mountain National Monument, N. Mex., to authorize acquisition of lands therein and for other purposes passed the Senate on June 26, 1962. The bill revised the boundaries of the Capulin Mountain National Monument in New Mexico authorizing the addition of 95 acres of land at a cost of not more than $2,500. The House has amended the bill to prohibit the Secretary of the Interior from paying more than the fair market value of the land to be acquired. This was the purpose of the original Senate limitation of $2,500. The House amendment is satisfactory to the sponsor of the bill.

ADDITION OF CERTAIN LANDS TO PIKE NATIONAL FOREST, COLO., AND CARSON NATIONAL FOREST AND SANTA FE NATIONAL FOREST IN NEW MEXICO

The PRESIDING OFFICER laid before the Senate the amendment of the House of Representatives to the bill (S. 3112) to add certain lands to the Pike National Forest in Colorado and the Carson National Forest and the Santa Fe National Forest in New Mexico, and for other purposes, which was, on page 2, line 13, strike out "half" and insert "half,".

Mr. HUMPHREY. Mr. President, I move that the Senate concur in the amendment of the House of Representatives to S. 3112.

The motion was agreed to.

Mr. HUMPHREY subsequently said: Mr. President, I ask unanimous consent to have printed an explanation of the amendment of the House.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

> S. 3112, a bill to add certain lands to the Pike National Forest in Colorado and the Carson National Forest and the Santa Fe National Forest in New Mexico, and for other purposes, passed the Senate on June 26, 1962. It incorporates into the Pike National Forest in Colorado and the Carson and Santa Fe National Forests in New Mexico some 268,000 acres of land which are now owned by the Federal Government and are being administered by the Forest Service under title 3 of the Bankhead-Jones Farm Tenant Act.
>
> The bill does not involve the acquisition of any new lands but changes the status of federally owned lands for administrative purposes. The House amended the bill in order to clarify a land description. The House amendment is acceptable to the sponsor of the bill.

DIVISION OF TRIBAL ASSETS OF PONCA TRIBE OF NATIVE AMERICANS OF NEBRASKA

The PRESIDING OFFICER laid before the Senate the amendments of the House of Representatives to the bill (S. 3174) to provide for the division of the tribal assets of the Ponca Tribe of Native Americans of Nebraska among the members of the tribe, and for other purposes, which were, on page 1, strike out all after line 2 over through and including line 17, page 2, and insert:

> That the Secretary of the Interior shall, with the advice and assistance of the Ponca Tribe of Native Americans of Nebraska and pursuant to such regulations as he may prescribe, prepare a roll of the members of the tribe and record thereon persons whose names appeared on the census roll of April 1, 1934, and the supplement thereto of January 1, 1935, and their descendants of not less than one-quarter degree Indian blood of the Ponca Tribe, regardless of place of residence, who are living on the date of this Act. He shall provide a reasonable opportunity for any person to protest against the inclusion or omission of any name on or from the roll and his decision on such protests shall be final and conclusive. After all protests are disposed of, the roll shall be published in the Federal Register. The Secretary shall thereupon give the adult members of the tribe whose names appear on the roll an opportunity to indicate their agreement or disagreement with a division of tribal assets in accordance with the provisions of this Act. If a majority of those indicating agreement or disagreement are favorable to such division, the Secretary shall publish in the Federal Register a notice of the fact and the roll prepared by him shall thereupon become final and the following sections of this Act shall become effective.

And on page 3, lines 15 and 16, after "member" strike out ", or that is not used and selected by some other member".

Mr. HUMPHREY. Mr. President, I move that the Senate concur in the amendments of the House of Representatives to S. 3174.

The motion was agreed to.

Mr. HUMPHREY subsequently said: Mr. President, I ask unanimous consent to have printed an explanation of the amendments of the House.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

S. 3174, a bill to provide for the division of the tribal assets of the Ponca Tribe of Native Americans of Nebraska among the members of the tribe was introduced by the senior Senator from Idaho [Mr. CHURCH], by request, as a result of an executive communication from the Department of the Interior. The Senate passed S. 3174 on June 26, 1962, without amendment. The House has amended the bill by rearranging the sequence of events in section 1. The practical result of the House amendment is to provide that the remaining sections of the bill will not become effective until a final roll of the tribe has been completed and a majority of the adult members whose names appear on the roll have indicated their agreement with a division of the tribal assets in accordance with the provisions of the act.

While the members of the tribe have indicated on several occasions that they wish to terminate their relationship with the Federal Government, the language adopted by the House would insure that the tribal members would have full opportunity again to accept or reject the proposed division of tribal assets.

The House language is similar to that contained in several termination bills enacted by Congress and that it is satisfactory to the Department of the Interior and to the chairman of the Subcommittee on Indian Affairs, Mr. CHURCH.

CONSTRUCTION, OPERATION, AND MAINTENANCE OF SPOKANE VALLEY PROJECT

The PRESIDING OFFICER laid befoe the Senate the amendments of the House of Representatives to the bill (S. 2008) to amend the act of September 16, 1959 (73 Stat. 561, 43 U.S.C. 615a), relating to the construction, operation, and maintenance of the Spokane Valley project, which were, to strike out all after the enacting clause and insert:

That the Act of September 16, 1959 (73 Stat. 561, 43 U.S.C. 615s), be amended as follows:

"(a) By substituting in section 1 thereof the words 'seven thousand two hundred and fifty' for the words 'ten thousand three hundred' and by inserting the words 'and for domestic, municipal, and industrial uses' after the words 'the State of Idaho' in this same section.

"(b) By amending section 2 to read as follows: 'In constructing, operating, and maintaining the Spokane Valley project, the Secretary shall be governed by the Federal reclamation laws (Act of June 17, 1902, 32 Stat. 388, and acts amendatory thereof or supplementary thereto), except that (1) interest on the unpaid balance of the allocation to domestic, municipal, and industrial water supply shall be at a rate determined by the Secretary of the Treasury, as of the beginning of the fiscal year in which construction is initiated, on the basis of the computed average interest rate payable by the Treasury upon its outstanding marketable public obligations which are neither due nor callable for redemption for fifteen years from date of issue; and (2) the remaining cost of the project beyond the amount to be reimbursed or returned by the water users shall be accounted for in the same manner as provided in item (c) of section 2 of the Act of July 27, 1954 (68 Stat. 568), and power and energy required for irrigation pumping for the Spokane Valley project shall be made available in the same manner as provided for therein. The amount to be repaid by the irrigators shall be collected by the contracting entity through annual assessments based upon combination turnout and acreage charges and through the use of such other methods as it and the Secretary may agree upon.'

"(c) By deleting from section 3 thereof the figure '$5,100,000' and inserting in lieu thereof the figure '$7,232,000'."

And to amend the title so as to read: "An Act to amend the Act of September 16, 1959 (73 Stat. 561; 43 U.S.C. 615s), relating to the construction, operation, and maintenance of the Spokane Valley project."

Mr. HUMPHREY. Mr. President, I move that the Senate concur in the amendments of the House of Representatives to S. 2008.

The motion was agreed to.

Mr. HUMPHREY subsequently said: Mr. President, S. 2008 is a bill to amend the Spokane Valley project authorization.

The bill as it passed the Senate amended the authorization act of September 16, 1959, to:

First. Provide for domestic water service.

Second. Set the payout period at 50 years.

Third. Reduced the acreage from 10,290 acres to about 7,250 acres.

Fourth. Increases the authorization from $5,100,000 to $7,232,000.

This proposed development would replace an existing water supply obtained by gravity diversion from the Spokane River. The gravity system is badly deteriorated and there is a danger of failure at any time. The estimated cost of the project facilities is $7,178,000. Of this amount $6,141,000 is allocated to irrigation and $1,037,000 is allocated to municipal water supply. The cost allocated to irrigation would be repayable without interest and the cost allocated to municipal water supply would be repayable with interest in accordance with reclamation law. The House struck out that portion of the Senate bill which permitted 50-year contracts under section 9 of the Reclamation Project Act. The result is to limit the maximum contract period to 40 years. The amendment is acceptable to the sponsors of the bill.

EXTENSION OF CERTAIN AUTHORITY OF SECRETARY OF THE INTERIOR

The PRESIDING OFFICER laid before the Senate the amendment of the House of Representatives to the bill (S. 981) to extend certain authority of the Secretary of the Interior exercised through the Geological Survey of the Department of the Interior, to areas outside the national domain, which was, after line 9, insert:

SEC. 2. The Secretary of the Interior shall report to the Speaker of the House of Representatives and the President of the Senate on January 31 and July 31 of each year on all actions taken pursuant to this Act during the six months ending on the December 31 and June 30 immediately preceding the reporting date and on the results of such actions.

Mr. HUMPHREY. Mr. President, I move that the Senate concur in the amendment of the House of Representatives to S. 981.

The motion was agreed to.

Mr. HUMPHREY subsequently said: Mr. President, S. 981 is a bill to extend the authority of the Secretary of the Interior exercised through the Geological Survey of the Department of the Interior to areas outside the national domain where it is determined by him to be in the national interest. The bill passed the Senate on August 2, 1961. The House amended the bill to require reports on the activities of the Geological Survey outside of the United States on a biennial basis. The House amendment is acceptable to the Department of the Interior and to the sponsor of the bill.

Mr. HUMPHREY. Mr. President, does that complete the list of bills we had agreed to consider and which were at the desk?

Mr. DOUGLAS. Mr. President, I am sure these bills are worthy, but they are going through with greater speed than the movement of light, and the reading of the title of the bills by the reading clerk is so incomprehensible as to make it impossible for Senators to know what is happening.

I suppose it is very impudent for a Member of the Senate to try to find out what is going on, but these bills are not on the calendar. They are being read so rapidly that they are completely unintelligible to the membership.

I wondered if we could have an explanation of some of the bills.

Mr. MANSFIELD. Mr. President, we shall be delighted to give the Senator from Illinois an explanation. This is something which the Senator from Washington [Mr. JACKSON] has been trying to do for a long time. It happened that there were differences between the Senate and the House versions of the bills, and on the basis of mutual accommodation and agreement, this is being done. These matters have been cleared in order to send them to and have them considered on the floor. They were cleared so far as the ranking members of the committees were concerned, and it was all done in the open.

I assure the Senator from Illinois that the fact the they have been read rapidly was as much the fault of the majority leader as anyone else, but no Senator opposed what was being done, and I thought everybody was satisfied.

Mr. DOUGLAS. Mr. President, with that explanation, I shall have no objection, but if we are to be a deliberative body, then the statement of bills should be a bit more intelligible, for the benefit of the garden-variety Member who tries to keep up with what is happening.

Mr. MANSFIELD. I wish, after this, that the chairman or the appropriate members of the committee concerned would come to the floor of the Senate to handle the bills for themselves, and would not ask the leadership to assume that responsibility.

TRIBUTE TO THE LATE WILL M. WHITTINGTON

Mr. STENNIS. Mr. President, death this week took from amidst Mississippians one of its most effective public servants, former Representative Will M. Whittington at the age of 84.

For more than a quarter of a century, Mr. Whittington served in the Congress, and his record of achievement and distinguished service to his fellowman is one of the bright chapters in American political history.

This noted Greenwood lawyer was the author and the father of America's first major flood control program.

After the terrible flood along the banks of the Mighty Mississippi River in 1927, Will Whittington, who later became chairman of the House Public Works Committee, rolled up his sleeves and went to work. He became "Mr. Flood Control," and a grateful Nation will not forget his good works.

I had the distinguished honor and high privilege of serving with Mr. Whittington as a member of the Mississippi congressional delegation for 3 years. He retired voluntarily in 1950.

Mr. President, I am sure that Senators will agree with me and recall that his mind was ever alert and vigorous, that he had a great capacity for work, and that he was sincerely devoted to the true American ideals and principles of our great form of government. The good work he did will live long.

I ask unanimous consent that the account of Mr. Whittington's death, published in the Jackson (Miss.) Clarion-Ledger on August 21, 1962, be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

STATESMAN WHITTINGTON DIES AT 84

GREENWOOD.—William Madison Whittington, Sr., 84, an outstanding statesman, philanthropist, and churchman, suffered a heart attack and died at his home in Greenwood.

The former U.S. Congressman was first elected to Congress as a Democrat in 1925, and served until his retirement in 1950. He returned to Greenwood in January of 1951, to make his home and resume his practice of law with his son W. M. Whittington, Jr.

Born in Franklin County, the distinguished Mississippian was the son of Alexander Madison and Margaret Isaphene McGehee Whittington. He was a graduate of Mississippi College and of the University of Mississippi School of Law.

He was admitted to the bar in 1899, and returned to Roxie, to be principal of the school there and to begin his practice of law. He also served on the board of aldermen in Roxie.

ORGANIZED LAW FIRM

Congressman Whittington came to Greenwood in 1904, and in 1914 organized his own law firm. Here continuing his public service he served on the Greenwood City Council and was a member of the State senate from Leflore County for two terms.

In the U.S. Congress the title of "Mr. Flood Control" was bestowed on Mr. Whittington by his colleagues for his untiring efforts as chairman of the Public Works Committee to bring relief to the low-lying areas of the country.

Whittington was author of practically all flood control legislation passed by Congress after flood control became a national policy in 1928. He was also one of the most economy minded men ever to serve in the National Congress and several times returned funds given to him for investigations and studies, and once declined to take additional funds appropriated by Congress to operate his office, saying that he did not need the money because he had a capable staff.

HEADED FLOOD WORK

He was chairman of the Flood Control Committee for 12 years, and was a member of the Committees on Reclamation, Roads, and on Expenditures in the Executive Department. He was responsible for the establishment of the experiment station at Stoneville.

Several years ago Mr. and Mrs. Whittington donated the money to build the Aven Fine Arts Building at Mississippi College in Clinton, and Whittington Hall was named for the Congressman. Both were named alumni of the year at Mississippi College a few years ago and both were given honorary doctor of laws degrees.

Mrs. Whittington is the former Anna Ward Aven of Clinton, who was the first woman to graduate at Mississippi College. The couple celebrated their golden wedding anniversary in 1960.

GAVE PARK

Here in Greenwood, Mr. Whittington gave the city 40 acres of land for Whittington Park, and he built a large pavilion on the site.

Long active in the Baptist Church, Whittington is a former Sunday school superintendent, and was a deacon in the First Baptist Church for 40 years. He was president of the Mississippi Baptist convention when he was 32 years old, and when he was 33 he was elected vice president of the Southern Baptist convention. He has often held offices since in the conventions.

The Congressman was a member of the Kiwanis Club, the Leflore County, Mississippi State, and American Bar Associations. He was a 33d degree Mason and a Shriner.

In addition to his wife, he leaves two sons, W. M. Whittington, Jr., and Aven Whittington, both of Greenwood; a daughter, Mrs. Kenneth Davenport, Stone Ridge, N.Y.; two brothers, Charles S. and Curtis C. Whittington, both of Greenwood; two sisters, Mrs. Thomas Perkins, Brookhaven, and Mrs. H. H. Webb, Jackson; and nine grandchildren.

DEPARTMENT OF AGRICULTURE AND RELATED AGENCIES APPROPRIATION BILL, 1963

Mr. STENNIS. Mr. President, since I cannot be present on the Senate floor tomorrow, and since I understand the appropriation bill for the Department of Agriculture and related agencies for 1963 will be under consideration, I wish to anticipate its consideration and make a few remarks, particularly with reference to one or two Senate committee amendments which will be presented by the Senator from Georgia [Mr. RUSSELL].

EXTENSION SERVICE

COOPERATIVE EXTENSION WORK, PAYMENTS AND EXPENSES

Mr. President, one amendment to be presented by the Senator from Georgia [Mr. RUSSELL] proposes a $3 million increase in that part of the appropriation which is for the extension service, which provides funds for distribution among the States under a well-established legal formula.

Senators will recall that this program is operated by the Federal Government and the States on a cooperative basis. For many years the funds for this program, which reaches into every single county of the 3,000 counties in the United States, were supplied largely on a 50-50 basis. That has varied from time to time. In 1936 the Federal Government paid 59 percent of the cost of this marvelous program. For 1962 the Federal Government is paying only 37 percent of the cost of the program. For the past 12 years the States have, on the average, appropriated $2 for every $1 the Federal Government has appropriated for this program.

There is a particular need in many of these States now for additional funds, particularly with reference to the salaries of the Extension Service workers.

When the Congress passes a salary-increase bill for Federal employees, that bill does not apply automatically to those who are in the Extension Service. The State legislatures appropriate a part of the moneys for such salaries. The Federal Government provides a part. The program is not systematized. It is not regular, but is highly irregular.

The situation has reached the point where workers in corresponding brackets in the regular Federal service, in the Department of Agriculture, have received pay raise after pay raise, and the disparity has become more apparent. The recruiting of men of talent, dedication, and training in this field is becoming more and more difficult.

Since 1950, for example, the Federal funds provided an increase in salary of only 8.1 percent for the Extension Service workers. If all the Federal funds which have been appropriated for the entire program had gone for salaries, they would have been increased only 12.8 percent. Since 1950, the regular Federal employees have had their salaries increased 51.8 percent, as contrasted with the 12.8 percent I have enumerated. Our own salaries as Members of Congress have increased 50 percent, compared to what they were in 1950.

In view of these facts, I really cannot understand why the Bureau of the Budget did not make a more liberal allowance for this year. It allowed an increase of only $1 million. The Senator from Mississippi is of the opinion, and believes the Senate will agree, that several million dollars more than that should have been put in the budget for this purpose.

The House adopted the $1 million increase, and the Senate committee, on motion of the Senator from Georgia, has added the $3 million additional. It is to this amendment I am addressing myself now. I believe it will be acceptable to the membership of this body.

Even with that amendment added, it would be possible to increase the salaries of these underpaid Extension Service workers only $200 per year.

I believe that this will have an appeal to the Members of the other body, in the conference. I do not speak for them, of course, but I know of their interest. I believe it is a matter which will commend itself to the membership of the other body.

Next year, frankly, I think we should give this item our special attention again, because it will require further attention than the bill now would provide, merely to meet the current problem.

If the Congress should pass a salary increase bill for Federal employees this year, of course the Extension Service workers would not be included under the terms of that bill. We could consider that fact, if it happens, next year.

I think this is particularly appropriate for another reason. The present Administrator of the Federal Extension Service, Mr. E. T. York, Jr., of Alabama, is doing excellent work. He and his staff are devoted and dedicated to their mission.

I respectfully call this amendment to the attention of the Senate now.

UTILIZATION RESEARCH AND DEVELOPMENT PROGRAM

Mr. President, also in anticipation I wish to speak of another item which appears in the Department of Agriculture appropriation bill, to be considered tomorrow. I make these remarks in support of, and not intending at all to be ahead of, the Senator from Georgia [Mr. Russell], who will handle the consideration of the bill.

The Senator from Georgia proposed in the committee—and that proposal was adopted—that a fund of $25 million be set up as a special research fund to add to our present program of research throughout the Nation with reference to the utilization of farm products. This includes grains, feeds, fibers, fruit, and all the other products of the soil. The subject has not been exhausted, and needs particular attention.

Mr. President, I agree wholeheartedly with the distinguished Senator from Georgia that utilization research by the Department of Agriculture has demonstrated its ability to do great things and should be more adequately supported.

The $25 million increase proposed for this work in the current fiscal year would approximately double the present effort we are making to find new uses and wider markets for farm products and would also provide laboratory and pilot-plant facilities needed for the accelerated program.

The record of the past 20 years by Federal scientists engaged in this work gives convincing evidence that funds devoted to utilization research can yield benefits worth many times their cost to taxpayers.

In talking with Department officials about utilization research, I have been particularly impressed by the tremendous opportunities that exist to use farm products as raw materials for the production of industrial chemicals.

The chemical industry is one of the largest and most rapidly expanding industries we have. It turns out its products in multitudinous variety and vast quantity, aggregating currently some 15 billion pounds a year, worth $25 billion.

This industry has itself indicated its confidence in the possibilities of becoming a larger consumer of farm products.

In one of the chief technical journals of the industry, Industrial and Engineering Chemistry, published by the American Chemical Society, the following statement was recently made—May 1962:

> Chemical-processing-industry opinion is that much greater amounts of agricultural raw materials can be used as chemical intermediates.

The industry journal goes on to emphasize the need for research to open up this new market for farm products:

> Increased use of agricultural products in industry depends on the accumulation of new and precise knowledge of the chemical and physical makeup of agricultural commodities and application of that knowledge to more efficient use in old forms and development through chemical modification of new and better products. It also depends on the commercial acceptability of products and processes developed, for industry will adopt only those products and processes it can make or use profitably.
>
> The versatility of agricultural raw materials for making chemical products is great. * * * Many agricultural materials are uniquely suited for a specific application. In some cases they are the lowest cost materials available to do a given job. Many times they are the best materials for the application or the only ones that will work at all.
>
> In spite of this versatility and the great potential for using farm products in the chemical industry, actual usage of these materials has only scratched the surface. About 12 percent of total agricultural sales goes for nonfood uses, and that includes cotton, wool, tobacco, and leather, which account for over three-fourths of the nonfood market. The chemical industry uses between 11 and 12 percent of the nonfood agricultural products, or about 1.5 percent of total farm production. One reason is lack of research attention. While industry spends about 3 percent of gross sales on research, about 1 percent of gross farm product sales is devoted to agricultural research, and only a small fraction of this is aimed at finding new uses for farm products.

The proposed increase of $25 million for utilization research will do much to rectify the lagging emphasis we have given to research aimed at expanding industrial markets for farm products.

What are the end products of the chemical industry for which farm products can serve as raw materials? They number in the hundreds. Among them are plastics, resins, surface coatings, drying agents, wetting agents, synthetic rubber, pigments, solvents, adhesives, printing inks, dyes, antifreezes, lubricants, gums, catalysts, and other processing chemicals of all kinds.

To make these products, the chemical industry needs organic materials such as those found in great variety in farm products. I refer, of course, to such basic elements as starches from grain, proteins from seed crops, fats from animal products, oils from cottonseed, soybeans, and other plant sources, fibers from cotton, wool, and wood, plus a multitude of even more elemental substances—alcohols and aldehydes, esters and acids, sugars, salts, steroids, flavonoids—all available from crops the farmer grows.

This is the world of utilization research.

Today, the chemical industry is buying about $500 million worth of farm products. But this is less than 2 percent of the industry's total needs for raw materials—and those needs are fast increasing.

The opportunity for farm products to move ahead in this vast market are obviously great. And to realize that opportunity, we must do more utilization research.

My emphasis here has been on the vast possibilities offered by utilization research in converting farm products into needed raw materials for industry. But I do not wish to minimize the important advances this research is also making in the development of wider food outlets for farm products. This research, too, offers great promise and should be expanded.

I repeat that I make my remarks now before the Senate proceeds to consider the bill for the sole reason that it will be impossible for me to be present when the bill is considered. I respectfully commend to Senators the subject as presented by the Senator from Georgia as well as the points of view I have expressed. I yield the floor.

THE TRUTH SHALL MAKE YOU FREE

Mr. FONG. Mr. President, I commend to each and every one of my colleagues in the Senate and to each and every reader of the Congressional Record a penetrating editorial on the need for truth in our space policy which appeared in the Saturday Honolulu Star-Bulletin.

The Honolulu Star-Bulletin is an outstanding metropolitan newspaper with a daily circulation exceeding 100,000 throughout the State of Hawaii. Under its editor, William H. Ewing, the Star-Bulletin is exercising increasing leadership on local, national, and international affairs.

I should like to read several paragraphs from the editorial which summarize its import:

> We have not lost the race to the moon or the race for space and we will not if we will summon the strength that we have through the only means that we have; that is, from the spirit of our people.
>
> But we are dangerously handicapping ourselves when we pretend that the race is less vital than it is, or that our position is less critical than it seems.
>
> In time of stress the truth is always better, not only as a matter of simple honesty but because it clears the air, it makes for understanding, it often inspires the listener to give the best that is in him.
>
> But this editorial is not an argument for virtue. It is advanced in the interest of strength, because democracy is strongest only when allowed to work in all its parts.
>
> We decry the subversion of truth in Washington as shameful, not only for being shameful but because it is not in the national interest.

Mr. President, this editorial might well be titled, "The Truth Shall Make You Free." I ask unanimous consent that the entire text of the editorial be printed in the Record at this point.

There being no objection, the editorial was ordered to be printed in the Record, as follows:

The Source of Our Strength

The United States, and the world, are at a pivotal point in history. We are about to move into the Cosmos, to bridge the gap between earth and the moon and the other planets. It may take 5 years, or 10, or longer. The time required is not the point, for years, or centuries, are specks in time too small to be counted. The point is that it will be done.

If men had reached a little higher stage of intelligence, as some scientists suspect that beings on other planets may have done, we almost certainly would combine our international efforts to make this herculean leap into space, the unknown. Intellectually, it is fantastic that men should quarrel and even, perhaps, fight over the conquest of space. The idea that puny man should dispute the infinite would be incredible to anyone but man. Only man, being intellectually a dwarf, can understand it.

Someday, perhaps centuries from now, maybe sooner, man will become a rational creature. But today he is inhibited in his development by shibboleths and superstitions, by jealousy and suspicion, by emotional considerations that color and guide and dictate his thinking. His technological advances have outstripped his intellectual development by a million miles. In short, he is not ready for space. But he will go.

At this critical point in our history it is imperative that the poeple of the United States and their Government should deal in utter frankness with each other. Indeed, it is at our own peril that we do otherwise, because forthrightness is basic to the theme of our democracy. Our guarantees of free speech and free press were not placed in the Constitution to be subverted. They were recognized as being essential to the strength of free government. Freedom in this context means frankness and forthrightness as well as the absence of restraint.

Yet repeatedly we find, in the utterances of our spokesmen in Washington, statements which may be, as far as they go, correct; but which are not the whole truth and which are often spoken for the effect they may have on the rest of the world rather than for the accurate information of the American public.

Information is issued or withheld, in many cases, not primarily to inform the American people so that they can make up their minds who their government should be and what it should do (this is a government of the people, by the people, for the people) but for the presumable effect such information may have on those we regard as our enemies.

This is wrong not only in principle. In practice the decision on what to say and what not to say is often made by individuals who have no part in high policymaking or a clear understanding of what high policy is. Or the decision is dictated by people whose background is wholly military. It is no criticism of the military trained mind to say that it lacks understanding of the democratic concept. There is nothing democratic about military organization.

These are not idle observations. Everyone who has dealings with the Government in Washington knows that manipulation of information which belongs to the public is practiced every day. Last month the Star-Bulletin published two editorials critical of the Defense Department's handling of news of the Johnston Island nuclear tests. The editorials had a response from the Defense Department. The response, produced by the Associated Press, said that Defense Department officials had been guided not only by concern for military secrecy but also by considerations "of the impact on international relations." In a word, propaganda.

Last week the Russians put two men into orbit in separate capsules. One of them stayed aloft through 64 orbits. The other orbited the earth 48 times. Thursday James E. Webb, head of the National Aeronautics and Space Administration, and other Space Administration officials pooh-poohed the Russian achievement. They referred to it as a "baby step" which indicated nothing so far as the race to the moon is concerned.

Now, this is obviously a statement concerned with "the impact on international relations." All we need to do is to imagine that it had been we, not the Russians, who had put up two astronauts simultaneously and kept them there and brought them down safely after 4 days and 3 days, approximately, in space, and that until this time the Russians had been able to maintain a man in orbit only through three circuits of the earth.

Had this happened, we are unable to imagine Mr. Webb and his fellow spokesmen saying it was hardly anything at all, that it was a "baby step," that at all, that it offered no evidence one way or the other as to who was ahead in the race to the moon.

The fact is that our space leaders were propagandizing the world and they were propagandizing us. They were trying to make the rest of the world believe that, despite this new Russian achievement, the United States has not been outdistanced in space when as a matter of fact we have been. At the same time they were trying to gloss over what the Russians had done as a means of bracing the spirit of the American people.

They were subverting the American press, which in turn is the people, for purposes of propaganda. This in itself is bad enough but they are completely mistaken in their thinking, that we cannot bear to hear bad news. The American people will provide the spirit and the demand to reach the Moon first if they know how important it is to get there first and what effort is required. They are not going to become excited if they think we are winning when we are not.

The total of what the Russians learned from the long-distance twin flight may not be surmised by even the best of scientists and technicians in other countries. But two aspects of the knowledge they gained are obvious. One, the reaction of the man himself to long periods of exposure to space. The other, the technique of the space rendezvous.

The Russians, according to their own statement and the best information of foreign observers who tracked their craft, did not achieve a space rendezvous. That is, they did not lock their capsules together in orbit. But they came very close, so close that on Monday Sir Bernard Lovell, director of Britain's Jodrell Bank Radio Telescope Observatory, said it appeared one astronaut might have transferred to the other's capsule.

Dr. Willie Ley, the German rocket expert, said he believed the Russians had planned a rendezvous but failed for lack of fuel after coming within 25 miles of each other. Dr. Ley added that the failure may have been due at least in part to human miscalculation, which is another way of saying that technically the Russians knew what they were about.

How important is it to be able to rendezvous in space, to maneuver a body in orbit? It is at least this important: it would make possible a landing on the moon by a small auxiliary rocket which would later rejoin the mother rocket for the return to earth, the method which we have settled on as the most practicable; and it would permit interception in space for military purposes.

Russian scientists and Government leaders have repeatedly professed their yearning for peaceful and even cooperative exploration of space. But the Soviet defense minister, Marshal Malinovsky, used the latest exploit to emphasize its military significance. We can choose to accept whichever statement we like. But we would be burying our head in the sand to ignore Malinovsky.

It may be that the nation which first achieves maneuverability in space can control space if it so desires. A body in orbit which cannot maneuver is like a train on a track. And if it should simply disappear in space it would be hard to sustain a charge as to who was responsible.

And if the Russians should reach the moon ahead of us; if they should set up a colony there, and establish regular rocket communication back and forth; could we, and would we, use force to land there also if they should say, "No, this is Soviet territory, by right of claim (they landed the first rocket there, bearing a Soviet flag in 1959) and by right of conquest?"

Our position in history today is, indeed, pivotal. Ours, a nation which has never known defeat, is not keeping pace with our rivals in a race the outcome of which may determine the future of man on our planet.

Our Republic was designed and has developed as one which would be strongest in adversity, because it drew its strength from its people, who in turn derived their strength from a pattern of life denoted by the one word, "free." Yet today under stress we find our Government copying the methods of the unfree, of shortcircuiting the lifeline of truth on which our strength of spirit depends.

We have not lost the race to the moon or the race for space and we will not if we will summon the strength that we have through the only means that we have, that is, from the spirit of our people. But we are dangerously handicapping ourselves when we pretend that the race is less vital than it is, or that our position is less critical then it seems.

In all logic, then, which is more important today: to tell the American people the truth, the whole truth, and nothing but the truth about space; or to speak primarily for effect on the rest of the world, misguiding our own people as a result?

In time of stress the truth is always better, not only as a matter of simple honesty but because it clears the air, it makes for understanding, it often inspires the listener to give the best that is in him. But this editorial is not an argument for virtue. It is advanced in the interest of strength, because democracy is strongest only when allowed to work in all its parts. We decry the subversion of truth in Washington as shameful, not only for being shameful but because it is not in the national interest.

ADJOURNMENT TO 11 A.M. TOMORROW

Mr. HUMPHREY. Mr. President, if there is no further business to come before the Senate, I move that the Senate stand in adjournment until 11 o'clock a.m. tomorrow.

The motion was agreed to; and (at 5 o'clock and 42 minutes p.m.) the Senate adjourned, under the previous order, until tomorrow, Saturday, August 25, 1962, at 11 o'clock a.m.

CONFIRMATIONS

Executive nominations confirmed by the Senate August 24, 1962:

Atomic Energy Commission

James T. Ramey, of Illinois, to be a member of the Atomic Energy Commission for the remainder of the term expiring June 30, 1964.

John Gorham Palfrey, of New York, to be a member of the Atomic Energy Commission for a term of 5 years expiring June 30, 1967.

In the Navy

The following-named officers of the staff corps of the Navy, as indicated, for temporary promotion to the grade indicated, subject to qualification therefor as provided by law:

MEDICAL CORPS

To be rear admirals

Martin T. Macklin
William N. New

SUPPLY CORPS

To be rear admirals

Elton W. Sutherling
William A. Evans
Bernhard H. Bieri, Jr.

CHAPLAIN CORPS

To be rear admiral

James W. Kelly

CIVIL ENGINEER CORPS

To be rear admiral

Alexander C. Husband

DENTAL CORPS

To be rear admiral

Frank M. Kyes

IN THE AIR FORCE

To be generals

Gen. Lauris Norstad 25A (major general, Regular Air Force), U.S. Air Force, to be placed on the retired list in the grade indicated, under the provisions of section 8962, title 10, of the United States Code.

Lt. Gen. John P. McConnell 611A (major general, Regular Air Force), U.S. Air Force, to be assigned to positions of importance and responsibility designated by the President in the rank indicated, under the provisions of section 8066, title 10, of the United States Code.

To be lieutenant general

Maj. Gen. Joseph J. Nazzaro 1241A (major general, Regular Air Force), U.S. Air Force, to be assigned to positions of importance and responsibility designated by the President in the rank indicated, under the provisions of section 8066, title 10, of the United States Code.

The following-named officers for temporary appointment in the U.S. Air Force, under the provisions of chapter 839, title 10, of the United States Code:

To be major generals

Brig. Gen. Jack N. Donohew 1319A, Regular Air Force.

Brig. Gen. Paul T. Preuss 1407A, Regular Air Force.

Brig. Gen. Maurice C. Harlan 18858A (colonel, Regular Air Force, Dental), U.S. Air Force.

Brig. Gen. Robert P. Taylor 18737A (colonel, Regular Air Force, Chaplain), U.S. Air Force.

To be brigadier generals

Col. Michael J. Ingelido 4295A, Regular Air Force.

Col. Edwin R. Chess 55101A (lieutenant colonel, Regular Air Force, Chaplain), U.S. Air Force.

IN THE ARMY

The nominations beginning Willard F. Angen to be colonel, and ending Lawrence J. Youngblood, Jr., to be second lieutenant, which nominations were received by the Senate and appeared in the CONGRESSIONAL RECORD on August 3, 1962.

IN THE AIR FORCE

The nominations beginning Lawrence A. Adams, Jr., to be colonel, and ending Norma D. Halley to be first lieutenant, which nominations were received by the Senate and appeared in the CONGRESSIONAL RECORD on August 14, 1962.

IN THE MARINE CORPS

The nominations beginning Howard F. Stevenson to be colonel, and ending Joseph F. Donahoe to be colonel, which nominations were received by the Senate and appeared in the CONGRESSIONAL RECORD on August 14, 1962.

EXTENSIONS OF REMARKS

Basic Ideas of Government

EXTENSION OF REMARKS

OF

HON. HOMER E. CAPEHART

OF INDIANA

IN THE SENATE OF THE UNITED STATES

Friday, August 24, 1962

Mr. CAPEHART. Mr. President, it was my good fortune to have been a guest Wednesday, August 22, in Chicago at a dinner given by the Order of Ahepa, at which our colleague, the distinguished Senator from Arizona [Mr. GOLDWATER] was the principal speaker. His remarks were so fundamentally American, and his address so replete with basic ideas of government, that, in my opinion, it should be made available for all to read.

Therefore, Mr. President, I ask unanimous consent that the text of Senator GOLDWATER's address be printed in the RECORD.

There being no objection, the address was ordered to be printed in the RECORD, as follows:

BASIC IDEAS OF GOVERNMENT

(Text of a speech by U.S. Senator BARRY GOLDWATER, Republican, of Arizona, before the Order of AHEPA banquet, Wednesday, August 22, 1962, Chicago, Ill.)

It is a great honor and a great privilege to be here today—to have the opportunity to address you Americans of Greek ancestry. There is no other group in all this country which stands in a closer or more vital relationship with the basic traditions of Western civilization. For it was the ancient Greeks who described for the first time the conditions necessary for political freedom. It was your ancestors—you—sitting here in this room today—who created the idea of a mixed constitution, the concept of checks and balances which lies at the very heart of our American system of government.

A conservative is a man who believes we have something worth conserving. A conservative knows that we were not born yesterday. A conservative knows that the wisdom of the ages is not something to throw overboard because some young college graduate has just had another bright idea.

You, here in this room, are true conservatives. You whose ancestors developed a level of civilization which even now many of us are scarcely able to understand and appreciate. You know the meaning of the word conservative, because the great part of our civilization, and the best of it, exists today only because you and others have conserved the magnificent cultural heritage of Greece. As one who is primarily interested in the political life of our Nation, I feel very strongly the debt we owe you, especially for the basic political ideas that come to us from the Greek tradition.

Very properly we pay homage to the Americans who have been called the Founding Fathers of our country. But they could not have thought as they did, they could not have drawn this blueprint for American Government had it not been for your great ancestor Plato, or even more for another incomparable thinker of ancient Greece—Aristotle.

These men—Plato and Aristotle—are truly Founding Fathers of America, in a very real sense. Theirs were the ideas, handed down from ancient Greece, which lie at the heart of the American concept of freedom.

It was your forefathers who pioneered the idea of freedom. It was your forefathers who, 2,500 years ago, built the new frontier against barbarism, and against despotism.

It was your forefathers who literally created the very idea of freedom today as we know it. And the creation of this idea was a kind of miracle.

We have to remember that the ancient Greeks lived in a world which never had known, in all its history, a concept of freedom like the idea they brought into the world. It was an entirely new idea, a new way of life. There was no tradition of freedom for them to look back to. They had to create the idea, as it were, out of nothing.

And they created there a new frontier—a frontier between free men, on one side, and, on the other side, men who live in constant fear of their government, whose whole lives are subject to the whim of despots. In all history since then there has continued to be only one real frontier, the frontier of freedom beyond which lies man, helpless before the overwhelming power of government.

How did those astonishing ancestors of yours create this great liberating concept of man? Not only was there no tradition of freedom to teach them this way of life, this concept of man, but they stood near rich and immensely powerful nations whose whole outlook was hostile to the idea of freedom. Egypt at that time had several thousands of years of history as a rich and powerful nation, and the tyranny of the Pharaohs was cruel and absolute. Even the terrible slave labor camps of Soviet Russia are hardly worse than were the enormous gangs of slaves—tens of thousands in number—who were driven to death building the enormous pyramids to satisfy the whims of the Egyptian Pharaohs. These were the neighbors of the Greeks, a hundred times as wealthy and a hundred times more powerful than the Greeks.

And there were the Persians of that day—a powerful and rich empire ruled by cruel and arbitrary despots. As you know so well, the Persian kings sent a huge army to conquer the Greeks. Most of the army was composed of well-equipped slaves, who were sometimes driven into battle by whips in the hands of the Persian officers.

All this array of slave power failed. Poor as they were, few in number as they were, the Greeks had one precious weapon the Persians lacked. They were freemen with a fierce sense of independence, a characteristic which Greeks have never lost. This is the greatest gift of Greece to Western civilization: The concept of a man as a free citizen.

The whole idea of politics as a subject which could be studied is a Greek invention. No one ever heard of political science before Plato and Aristotle, and no man since has spoken more profoundly on the problems of politics.

It is to the concept of the free citizen that we owe the possibility of all the other achievements of the Greeks. Now politics I know something about. Now I am not a scholar in the field of Greek ideas, yet who is there who does not have some grasp of the breadth and significance of our debt to Greece?

Every schoolboy knows something of this debt. Yet, sometimes reformers with ideas they believe are new, or scientists in love with some new scientific development are tempted to forget the source of almost all the ideas.

We are often tempted to think of our civilization as having hit peaks of development unheard of in the past. The atom seems like something new. How many remember that the very word "atom" is a Greek word and that the idea of the world as being constructed basically of atoms was originated by a Greek—Democritus, by name—several thousand years ago.

It was this concept of the atom combined with modern mathematics which created this new atomic age we live in. But the very word "mathematics" is also a Greek word, and most of the basic mathematics we now have was originated and thought through 2,000 years ago by Greeks.

"Geometry" is another Greek word. Who can think of basic mathematics without following in the footsteps of Euclid?

In a word, the really hard basic thinking which created the possibility of the modern world of atomic physics was done by the Greeks long ago. We moderns have only taken a few steps beyond the giant strides of those men. Our whole world of technology is unthinkable, is clearly impossible without the astonishing creative thinking of the Greeks. These powerful rockets that soar into space, all the complicated machinery of modern living are only rather ingenious developments flowing from the astounding intellectual creations of Greece. Without Greece, they would not exist.

What about philosophy—except for religion, the only serious and profound attempt to penetrate and explain the meaning of human existence? Again, the word "philosophy" is a Greek word. As you know, the word means love of wisdom. Some time ago I was reading on an airplane—that's where I get most of my reading done—and I was reading some comments by Professor Whitehead, whom many have called the most distinguished modern philosopher. Whitehead's comment that stayed in my mind was this: "All modern philosophy is only a series of footnotes to Plato."

Now some of our modern thinkers would have us believe their ideas are very original, very novel. These people are, to put it very simply, ignorant of history. They don't know that many of their notions are nothing more than pale and distorted reflections of past ideas, many of which were discussed as trivial or unsound by the giants of the past.

The very writing of history itself—as we know it today—was an invention of the Greeks. Herodotus and Thucydides were as you all know so well the first great historians. Even today Thucydides stands as a giant among modern writers of history.

Now what are we to say about a nation like the Greeks who create a great cultural innovation like the writing of history, and who, almost simultaneous with the first efforts in the field, produce histories of such astounding excellence that we are still stumbling behind them 2,000 years later. What histories are being written today that we dare compare with Thucydides for sheer dramatic power, such a devotion to truth, such a determined objectivity. Thucydides wrote history on a broad canvas with a generosity of spirit and a grandeur of vision which is almost inconceivable in our own age.

Anyone suffering from the illusion that ours is a great age and that our modern ideas constitute the last step in progress could regain some objectivity and a proper sense of humility by studying Thucydides, one of the great Greeks.

It would be possible to go on far more time than I have today, reviewing the magnitude, the astonishing creations of the Greeks. Who is not acquainted with the greatness of Greek architecture, of Greek art? Has ever a more distinguished, a more beautiful or a more appropriate building been conceived than the Parthenon?

Almost all the important buildings in Washington are built in the Greek style. What beauty there is in the Capitol building in Washington, and the White House—the dignity and serenity, the essential seriousness, the sense of order—these characteristics are Greek, and Greek alone. They represent the great tradition of Western civilization, the heart and core of the ideals that motivate us, the atmosphere of rationality which remains even in the midst of temporary disorder. These ideals, this tradition, this rationality remain so powerful that they can survive even the constant barrage of reforms, the small revolutions proposed by small minds, the disorder promoted by modern day reformers who keep proposing as "bold" new concepts many of the same notions which were long ago consigned to the trash barrel of history.

When I stand and gaze at the great Parthenon up there against the sky, on the escarpment overlooking Athens I know what the word "bold" means. To understand what has happened to us, you need to do no more than study the use of the term "bold" in the hands of mediocre modern reformers. No notion is now so trivial that a modern reformer will not describe it as a "bold new idea" or a "bold new plan." Among pygmies even the smallest things look big. Among those who think history began yesterday, everything is new.

To get a perspective on the prevailing style of today nothing is more salutary than to study the art of the Greeks. It is only necessary to place a great sculpture from the high period of Greek achievement against almost any modern sculpture. The humanity of the Greek is almost inevitably in sharp contrast with the inhuman modern concept. The Greek serenity, the Greek balance and repose, the Greek rationality, the inherent sense of human dignity stands sharply against the confusion and distortion, the tangled emotions, the cult of the ugly and commonplace which is so often characteristic of modern art.

And the theater. We could never leave a discussion of the Greek tradition without a view of the grandeur and magnificence of the Greek theater. Here, again, we are in the presence of a great invention of the Greek imagination.

In the Greek theater the whole community gathered to view a spectacle of the highest significance. In the great tragedies, the Greeks beheld a spectacle in which the most profound human emotions were plumbed and all against a cosmic background that strangely did not dwarf the actors but caused them instead to rise to heroic levels which would be inconceivable on the modern stage. There was an air of greatness about the Greek theater which not only represented in truth the Greek view of man and the universe but reflected back upon the audience and taught them that greatness was possible even in the face of inevitable evil, even in the face of a monstrous and absolutely terrifying fate. The Greek theater was made by men who drew the breath of greatness; the Greek theater was created by men who knew greatness and who taught men how it was to be great. Even their comedies shared in this sense of greatness. In the midst of even the wildest and most whimsical comedy there remained that breath of greatness and of freedom.

It is no surprise that the greatest writer of Greek comedy—Aristophanes—was also profoundly conservative.

I wonder what he would have said about the humorless and self-righteous professional reformers of today? I wonder what he would have said about their cult of the common or mediocre man?

Unless there is a belief in the potential greatness of man, there can no longer be tragedy; there can be only melodrama. When man becomes trivial, tragedy becomes ludicrous. What is more, comedy also becomes a trifling thing—at best witty and clever, never carrying with it hints of the grandeur and depth of the tragic vision which must serve as the necessary vital contrast for truly great comedy.

I do not believe, in our present social state, dominated as it is by a trivial conception of man—dominated as it is by superficial reformers who expect to save and to protect and to remake man through government action—I do not believe that either great tragedy or great comedy is possible in such an environment.

Your ancestors once showed us what man could be. Your ancestors in their concept of the theater gave us a model of greatness against which to measure the theater, for all time.

And what of the modern theater?

Have you looked at your TV set lately?

What wallowing in self-pity. What vast and contorted expressions of emotion over trifling problems. What meaningless violence and meaningless sex.

Comedy has become "wisecracks." Very clever, sometimes even very witty. But the background of greatness is not there, so the savor, the depth of contrast, is gone. The surprise, the fast switch, the shock have taken its place.

Your ancestors would look upon us with pity. To them, we would be truly barbarians.

We who call ourselves conservatives have only the most profound respect for this great Greek tradition, whether it be in the art of government, or in science or mathematics, whether in architecture or sculpture, or in philosophy, or in history, or in the art of the theater. I have no time to talk of the magnificence of Greek poetry, or the handicrafts, or of the creation of the great sciences of botany and zoology. All these you know so well.

We conservatives do not believe that history began yesterday. We do not believe that anything over 20 years old is necessarily "horse and buggy," and ought therefore to be discarded. We conservatives do not believe that something is good just because some think it is new, or that it is obsolete just because some say it is old.

We believe that what wisdom we may have is the product of the thought and work of many, many generations. If we stand high at all, we gain this height, we believe, because we stand on the shoulders of past generations.

We ask only that the wisdom of the past be brought to bear also on today's problems. We ask only that reformers read some history, and that they have a decent respect for our forefathers and our great traditions.

We conservatives ask for an end to the cynical, cocksure attitudes of reformers who describe any ideas inherited from the past as "horse and buggy."

In a word, we conservatives believe there is something great and something valuable to be conserved from the past. We do not believe we were born yesterday.

We conservatives believe that Americans of Greek ancestry have a special character. They are bearers of a special trust.

All of us who live in the Western World owe a profound, immeasurable debt to your forefathers. But you, the direct descendants of the men who created so much of the basis of our whole civilization—you have in your very blood, in the very fiber of your brains and nervous systems, the germ of that greatness.

The heroic stand of modern Greeks against the Nazis and then against the Communists showed the world that the spirit of ancient Greece still lives today in the Greeks of modern times.

You are conservatives. You have conserved from your ancestors that tradition of fierce independence—that concept of the greatness of man—which we conservatives of the modern world treasure as a priceless possession.

I am a conservative, and I feel at home here.

It has been a great honor for me to be here with you, the sons and daughters of the magnificent Greek tradition: The tradition which is now an essential and central element in the America which is also yours and mine.

Senator Thomas J. Dodd Delivers Inspiring Address at Congressional Breakfast Meeting of Religious Heritage of America, Inc., Pilgrimage

EXTENSION OF REMARKS

OF

HON. JENNINGS RANDOLPH

OF WEST VIRGINIA

IN THE SENATE OF THE UNITED STATES

Friday, August 24, 1962

Mr. RANDOLPH. Mr. President, the 12th annual Washington pilgrimage sponsored by Religious Heritage of America, Inc., is being held in this city from August 22 to 25, 1962.

Religious Heritage of America is a nationwide, nonsectarian association of citizens who believe that faith in God is the foundation on which this Nation was built, and that our future depends on maintaining our position as a "nation under God."

Each year this organization holds a pilgrimage to Washington, D.C., encouraging personal meetings between members and governmental leaders. Through such close contact, Religious Heritage of America, Inc., promotes the practice of religious principles in Government.

It was my privilege this morning to attend the congressional breakfast portion of the pilgrimage. Presiding at this gathering of legislators, churchmen, and interested citizens was Senator Jack Miller, of Iowa. The invocation was offered by the Reverend Frederick Brown Harris, Chaplain of the Senate, and "the Lord's Prayer" was sung by Miss Lee Meredith soprano soloist at the Foundry Methodist Church, Washington, D.C.

Dan Fenn, staff assistant to President John F. Kennedy, conveyed the greetings of the Chief Executive and then presented awards of appreciation to T. Sutton Jett, Regional Director of the National Capital Parks, and to Ronald F. Lee, Director, Fifth District, National Park Service.

In directing the program, Senator Miller made reference that these meetings had in the past been chaired by the late Senator Francis Case of South Dakota, and that prior to his death Senator Case had hoped to introduce a joint resolution setting aside one day during the year to be known as Religious Heritage Day. Senator Miller stated that the Sunday immediately before Thanksgiving has been proposed, and that the matter was now being studied by Senator Alexander Wiley of Wisconsin.

Principal speakers at the congressional breakfast were Representative Fred Schwengel of Iowa, whose subject was "U.S. Capitol, Symbol of This Nation Under God"; and Senator Thomas J. Dodd of Connecticut.

Senator Dodd commented meaningfully on "The Spiritual Basis of our American Democracy", and stressed the need to remain cognizant of our traditions of freedom, equality, and democracy, all evolved through deep adherence to spiritual ideals.

Mr. President, I am pleased to announce that Ella F. Harllee has been selected as Churchwoman of the Year by Religious Heritage of America, Inc. Miss Harllee, president and director of the Educational and Religious Radio and Television Association, has been responsible for more than 12,000 religious radio and television broadcasts in the Washington area during the past 10 years, and has contributed much to the spiritual betterment of our Nation's Capital.

I ask unanimous consent that Senator Dodd's remarks, and the Washington Post and Times Herald article concerning the selection of Ella F. Harllee as Churchwoman of the Year be reprinted in the Record.

There being no objection, the material was ordered to be printed in the Record, as follows:

REMARKS OF SENATOR THOMAS J. DODD, AT THE RELIGIOUS HERITAGE OF AMERICA CONGRESSIONAL BREAKFAST, NEW SENATE OFFICE BUILDING, WASHINGTON, D.C., FRIDAY, AUGUST 24, 1962

It is a pleasure and an honor for me to participate in this congressional breakfast sponsored by the Religious Heritage of America.

The subject assigned to me this morning is "The Spiritual Basis of Our American Democracy." This is a very large order for me, and one which I doubt I can properly fill.

In trying to prepare for it, I thought back to the origins of our democracy and to that remarkable group of men who brought into being upon this continent a free society.

On the beautiful grounds of Monticello, near Charlottesville, Va., is the tomb of one of those men, Thomas Jefferson. On that tomb is an inscription which Jefferson himself prepared, according to a custom of the time.

As he reflected, during his last years, on the achievements of his life and tried to summarize in a single sentence the things for which he wished to be remembered, many thoughts must have come into his mind.

He had played an important part in the decision of the Thirteen Colonies to fight for their independence. He was our first American Secretary of State, our second Vice President and our third President.

At a single stroke, and without a drop of blood, he achieved through the Louisiana Purchase a doubling of the size of our country. He was the founder of one of our political parties and the father of policies which have shaped American history down through the decades.

And, yet, he cited none of these things for the remembrance of his countrymen. The inscription that he wrote was this:

"Author of the Declaration of Independence; of the statute of Virginia for religious freedom; and the father of the University of Virginia."

In that simple inscription, I think, can be found the elements which form the spiritual basis of our democracy: that in the eyes of the law, all men should be equal and should enjoy the inalienable rights with which they have been endowed by their Creator; that men should be free and that their freedom to accept or reject should extend even to the most sacred and fundamental of man's beliefs; and that the purpose of society is not only to guarantee these freedoms and to protect these rights but also to educate, to elevate each citizen to the fullest realization of his capacities and talents in order that he might make the wisest use of freedom, for himself and for society.

These were the basic fundamentals of the ideal society to which Jefferson devoted his life. But these ideals did not appear full blown in the 18th century in the writings of the founders of our country and their contemporaries around the world.

Whence comes the dignity of man, a phrase so glibly used these days by writers and speakers?

Why ought man to be free, to be educated, to be loved, to be treated justly?

Our spiritual heritage gives the answer: Because he is a child of God, with a noble destiny. And as such he has inalienable rights, he has infinite possibilities. The ideal society is that society best formed to enable individual men to achieve those infinite possibilities. And the only form of government which, in the long run, has proved itself to be in harmony with these goals is that which we loosely call democracy.

We cannot appreciate the extent to which these ideas have transformed the Western World unless we look back for a moment at the kind of society that existed, at the philosophy that prevailed, in the mighty civilizations of antiquity.

Historians tell us that in the predominate thought of archaic times, human life was a melancholy and futile thing, without meaning and without purpose. The earth itself was considered hostile to man, and life upon it, whether it be the life of vegetables, animals, human beings or civilizations, consisted merely of endless cycles of birth, growth, decay, and death.

In the despair-ridden thought of that day, everything eventually returned to its original state and its journey signified nothing.

The gods were merely manifestations of various aspects of nature. Man was thought to be in complete bondage to an unchangeable fate. Every aspect of his life was predetermined by fate and beyond his power to change.

We know that society and its institutions reflect our ideas about God and man, and the governments of that time were therefore reflections of these ancient concepts.

Since man had no significance, since his life consisted only of a preordained role, his part in life was only to conform. His only conceivable duty was to fill his little slot in the social order, to perform his inevitable tasks, and to suffer his inexorable fate.

There was in this order of things no room for freedom, no room for individual choice, no room for individual responsibility, no room even for the quest for individual goodness.

Therefore, political order in the ancient world was an order of ruthless despotism, of rigid and permanent class structure, of complete domination by the state of every aspect of human life, of the unspeakable cruelty and contempt for human life that characterize all government, ancient or modern, which is not elevated by moral law.

And worst of all, this cruel, purposeless world would never change.

The Roman Emperor, Marcus Aurelius, one of the most enlightened of pagan rulers, illustrated this changeless fatalism when he said that every man of normal intelligence who had attained the age of 40 had seen everything that had ever happened in the world and everything that would ever happen.

It is in this contrast between the philosophy of the ancient world and the philosophy of our free world that we can find the spiritual basis of democracy.

Democracy could not gain a foothold under the prevailing thought of antiquity.

Democracy cannot exist without recognition of individual worth; without a concept of personal responsibility; without respect for the rights of others; without hope for the future; without the confidence that man by his own deeds can alter the course of events and reshape the world around him.

Before democracy could have meaning, there had to be a complete transformation in man's concept of his own nature and of his purpose and role in life. It was the evolution of Judaic-Christian thought which brought about this transformation.

To the Jews and Christians there were no nature gods that were mere reflections of the phenomena of nature, such as the seas and the sun, the stars, and the moon.

There was one God, the Creator and sustainer of the entire universe. The earth was inherently good because it was created by that God, and man was significant because he was created for a divine purpose. Life on earth therefore had meaning.

The God of the Jews and Christians was a personal God, profoundly concerned with the individual fate of men. Man was His coworker in building a new order on earth. The spark of divinity was in him. He had a vocation as a son of God. As such, he had an inherent dignity.

There was a moral law governing the operations of men. They were not helpless victims of fate. They were free agents. They were free either to accept the divine law and build a good and humane society or to reject it and build an evil and inhumane society.

The new philosophy flatly rejected the archaic thinking that the essence of life was blind and meaningless repetition. History had significance. Purposeful progress in carrying out the divine plan was the law of life. And so, in place of the ancient belief that the earth was changeless and static, the great Hebrew and Christian prophets and scholars offered visions of an order of justice and righteousness which have made a profound impact on the thinking of mankind ever since.

We need not be surprised that political democracy came very late in the development of our Judaic-Christian civilization, for democracy is but a political means to achieving an end, and first the end had to be established and accepted.

Slowly, under the impact of Judaic-Christian teachings, man's ideas about himself changed.

Slowly, the new concepts of the nature of man gained victory over the old.

Slowly, as the centuries passed, the individual human being, his personal destiny, his intrinsic worth, his infinite possibilities moved toward the center of the stage. And as this concept of intrinsic individual worth grew, there grew with it inevitably the concept of individual freedom.

Men began to ask—if God endowed man with a free will, why should the princes of this world deny him free choice?

If all men are equal in the sight of God, why should they not be held equal before the law?

If all men are to be judged upon their personal merit in the next world, why should they not be judged upon their personal merit in this world?

We regret that the answers to these questions were so late in coming. We regret that religious leaders themselves so often failed to understand the social and political implications of the revolution which their basic doctrines had set off. We regret that temporal leaders all too often misused these doctrines as pretexts for establishing a ruthless authoritarianism. We regret that princes and prelates alike so misunderstood the implications of free will that they repeatedly launched unspeakable persecutions and wars against one another.

But we may glory in the fact that it was our own Founding Fathers who saw individual freedom and political democracy as the logical outgrowth of our spiritual heritage.

We rejoice that the founders of American democracy saw in Christianity not a justification for authoritarianism, or religious wars, or persecutions, or enslavements, but rather they saw in it a foundation for the rights of man, a justification for freedom of thought and religious tolerance, and a mandate to educate and to elevate and to liberate the individual.

We are indebted to the men who founded this Nation for many gifts, but none more priceless than this: Three great revolutions have swept across the world in the modern age; the American, the French, and the Communist revolutions. The French Revolution and the Communist Revolution were antireligious in character and the evil which they let loose far outweighed any reforms they achieved. The American Revolution was rooted in a deeply religious foundation and the good that has flowed from that revolution has transformed the world.

For almost two centuries we in America have pursued the goal of broadening and extending our kind of democracy.

Perhaps the greatest danger facing our Nation is that as we pursue this goal, and as the tide and turmoil of recurring crises loom up on all sides, we will forget the spiritual origins of the freedom, the equality, the democracy, which we espouse.

This meeting today and the many that have been held and will be held are efforts to remind ourselves of these values and to ask ourselves what, in the light of these values, our country should stand for and, if need be, fight for.

I am pleased and honored to have been permitted to take part in so significant an occasion.

[From the Washington Post, Aug. 24, 1962]

Ella F. Harllee, Cited; She's the Church Woman of the Year

(By Marie Smith)

Ella F. Harllee, president and director of the new Educational and Religious Radio and Television Association which opened offices here August 1, will have a citation of honor to hang on her office wall after tonight.

She has been named Church Woman of the Year by the Religious Heritage of America and will receive the award at a banquet tonight at the Washington Hotel.

Miss Harllee, a native Washingtonian who still lives in the house in which she was born on Lamont Street has carved out a career for herself in religious education and broadcasting.

She has been responsible for more than 12,000 religious radio and television broadcasts in the Washington area in the past 10 years and more recently her horizon has broadened to include the world.

The Religious Radio and Television Association, founded on a grant from the Lilly Foundation, will distribute to an international audience the televison Bible courses that Miss Harllee and her associates have directed to local audiences in the past.

"The urgency is so great we've got to cut corners to educate large masses," Miss Harllee said in telling about the enlarged program.

For the past 2 years she has been director of the religious film and television project jointly administered by the American University and the National Capital Area Council of Churches.

She developed and completed the video recording of two college credit television courses, "The Life and Teachings of Jesus" and "An Introduction to the New Testament" which have been viewed by more than a million people and are to be distributed by the association throughout the English speaking world.

Next month, her third course in the trilogy, "An Introduction to the Old Testament" will be introduced locally on WMAL-TV with the Reverend Edward W. Bauman, teacher of the two earlier courses, as the instructor.

Mr. Bauman will be assisted by Rabbi Balfour Brickner, director of Interfaith Activities of the Union of American Hebrew Congregations in New York and formerly at Temple Sinai here.

Miss Harllee said the courses are "interfaith" and those enrolled, both on campus and at home, have included Jews, Protestants, and Catholics.

Of the foreign distribution courses, Miss Harllee said: "The only answer to mass education is mass media. We haven't got time to teach the illiterate to read to educate them. They can learn through pictorial images."

She added that the religious telecourses will supplement the work of missionaries and help them tell their stories.

Students who take the course for credit go to American University to classes, take field trips and examinations. Those who study at home take only the field trip. This year's field trip for the Washington area home students was a visit to the National Gallery to view religious art. "We had 750 people turn out for that trip," Miss Harllee said.

Miss Harllee, who began her religious work at Central Presbyterian Church, where she is a member, is the daughter of the late Brig. Gen. William Curry Harllee, of the Marine Corps, and Mrs. Harllee, who is a past historian general of the United Daughters of the Confederacy. Her brother is Rear Adm. John Harllee, Vice Chairman of the Federal Maritime Commission.

She comes by her interest in religion naturally. She is a direct descendant of the Reverend Richard Buck, second rector of the Jamestown (Va.) Church, and chaplain of the general assembly which convened in the church at Jamestown on July 30, 1619. Miss Harllee, who has traveled 30,000 miles in the past year in behalf of the Bible courses and has visited 30 art galleries in Europe in a search for religious art to illustrate them, said more than 6,000 persons have enrolled already for this season's courses currently scheduled in 6 cities.

"This is more than a national network college course got over the entire United States last year," she said.

The Bible course is sponsored in each city by a local college or civic group and is offered on a credit and noncredit basis.

"We've found more nonchurch people than regular churchgoers are enrolled," Miss Harllee said, "and the response ranges from people who haven't even finished high school to people with Ph. D. degrees."

"The largest segment is people between 30 and 40 years of age," she added.

SENATE

Saturday, August 25, 1962

The Senate met at 11 o'clock a.m., and was called to order by the President pro tempore.

The Chaplain, Rev. Frederick Brown Harris, D.D., offered the following prayer:

Our Father, God, Thou hast ordained that, in the leadership of the nations, the care of the many must ever rest upon the shoulders of the chosen few. We beseech Thee to give understanding, humility, and charity to those who in Thy name and for the Nation's sake are entrusted in this Chamber of decision with the power to give direction to the life of the Republic.

Endue them, we pray, with such wise insights regarding the total pattern of human needs that every vexed question of boundary and trade, of production and distribution, of language and culture, may be transformed into bridges across all the chasms that now separate man from brother man—until Thy will be done and Thy Kingdom come in all the earth. Amen.

THE JOURNAL

Our request of Mr. Mansfield, and by unanimous consent, the reading of the Journal of the proceedings of Friday, August 24, 1962, was dispensed with.

LIMITATION OF DEBATE DURING MORNING HOUR

On request of Mr. Mansfield, and by unanimous consent, statements during the morning hour were ordered limited to 3 minutes.

COMMITTEE MEETINGS DURING SENATE SESSION

On request of Mr. Mansfield, and by unanimous consent, the Subcommittee on Roads of the Committee on Public Works was authorized to meet during the session of the Senate today.

On request of Mr. Mansfield, and by unanimous consent, the Subcommittee on Rivers and Harbors of the Committee on Public Works was authorized to meet during the session of the Senate today.

EXECUTIVE SESSION

Mr. MANSFIELD. Mr. President, I move that the Senate proceed to the consideration of executive business, to consider the new reports on the Executive Calendar.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

The PRESIDENT pro tempore. If there be no reports of committees, the new reports on the Executive Calendar will be stated.

U.S. DISTRICT JUDGES

The Chief Clerk proceeded to read the nominations of E. Avery Crary, of California, and Jesse W. Curtis, Jr., of California, to be U.S. district judges for the southern district of California.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that these nominations be considered en bloc.

The PRESIDENT pro tempore. Without objection, the nominations will be considered en bloc.

Mr. KUCHEL. Mr. President, let me take a moment to congratulate the two new Federal district judges in California.

I have had the pleasure of knowing Federal District Judge E. Avery Crary most of my life. We went to college together, he in law school, I in undergraduate school, at the University of Southern California. As a matter of fact, he and I were roommates a long, long time ago, in college. A graduate of the University of Iowa and of the U.S. Military Academy, Judge Crary is preeminently qualified as a judge.

He is a highly respected superior court judge in the county of Los Angeles. He will make an excellent addition to the Federal judiciary.

I also wish to congratulate the Honorable Jesse W. Curtis, Jr., of California, who likewise today enters the Federal judicial service. While I do not know him very well on a personal basis, I know him by his splendid reputation as a citizen, a lawyer, and as a judge. He comes from a very distinguished family in the county of San Bernardino, and for a number of years he has represented his county as a superior court judge.

I wish the Record to show that here are two able lawyers and distinguished California judges who now have an opportunity to render constructive service to the people of the United States in the same high fashion that they have previously rendered to the people and the judiciary of California. Certainly their appointments merit the enthusiastic approval of the U.S. Senate.

The PRESIDENT pro tempore. The question is, will the Senate advise and consent to these nominations?

Without objection, the nominations are confirmed.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the President be immediately notified of the confirmation of these nominations.

The PRESIDENT pro tempore. Without objection, the President will be notified forthwith.

LEGISLATIVE SESSION

Mr. MANSFIELD. Mr. President, I move that the Senate resume the consideration of legislative business.

The motion was agreed to; and the Senate resumed the consideration of legislative business.

REVENUE ACT OF 1962—AMENDMENTS

Mr. SPARKMAN submitted an amendment, intended to be proposed by him, to the bill (H.R. 10650) to amend the Internal Revenue Code of 1954 to provide a credit for investment in certain depreciable property, to eliminate certain defects and inequities, and for other purposes, which was ordered to lie on the table and to be printed.

Mr. McCARTHY. Mr. President, I send to the desk an amendment which I propose to offer for myself to H.R. 10650, the Revenue Act of 1962. This is an amendment which would be a substitute for the Committee on Finance provision with respect to controlled foreign corporations. I ask unanimous consent that the amendment and an explanatory statement be printed in the Record.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment and explanatory statement are as follows:

On page 175, beginning with line 9, strike out all through line 18 on page 245 and insert the following:

"Sec. 12. Controlled Foreign Corporations.

"(a) In General.—Part III of subchapter N of chapter 1 (relating to income from sources without the United States) is amended by adding at the end thereof the following new subpart:

"'SUBPART F—CONTROLLED FOREIGN CORPORATIONS

"'Sec. 951. Amounts included in gross income as the result of improper accumulations.

"'Sec. 952. Earnings improperly accumulated.

"'Sec. 953. Income from insurance of United States risks included in gross income.

"'Sec. 954. Definitions included in gross income.

"'Sec. 955. Rules for determining stock ownership.

"'Sec. 956. Exclusion from gross income of previously taxed earnings and profits.

"'Sec. 957. Special rules for foreign tax credit.

"'Sec. 958. Adjustments to basis of stock in controlled foreign corporations and of other property.

"'Sec. 959. Miscellaneous provisions.

"'Sec. 951. Amounts Included in Gross Income as the Result of Improper Accumulations.

"'(a) General Rule.—If a foreign corporation is a controlled corporation for an uninterrupted period of 30 days or more during any taxable year beginning after December 31, 1962, every person who is a United States shareholder (as defined in section 952(a)) of such a corporation and who owns (within the meaning of section 955(a)) stock in such corporation on the last day in such year, on which such corporation is a controlled foreign corporation shall include in his gross income, for his taxable year in which or with which such taxable year of the corporation ends, his pro rata share (determined under section 952(a)(2)) of the corporation's increase in earnings improperly accumulated.

"'(b) Limitation on Amount of Pro Rata Share of Earnings Improperly Accumulated Included in Gross Income.—For purposes of subsection (a), the pro rata share of any person who is a United States shareholder in the increase of the earnings of a controlled foreign corporation improperly accumulated shall not exceed an amount (A) which bears the same ratio to his pro rata share of such increase (as determined under section 952(a)(2)) for the taxable year, as (B) the part of such year during which the corporation is a controlled foreign corporation bears to the entire year.

" '(c) Coordination With Provisions Relating to Foreign Investment Company and Foreign Insurance of United States Risks.—

" 'A United States shareholder who, for his taxable year is—

" '(1) a qualified shareholder (within the meaning of section 1247(c)) of a foreign investment company with respect to which an election under section 1247 is in effect, or

" '(2) as the result of the application of section 953 required to take an amount into income,

shall not be required to include in gross income, for such taxable year, any amount under subsection (a) with respect to such foreign investment company or with respect to income taken into account by such shareholder as the result of the application of section 953.

" 'Sec. 952. Earnings Improperly Accumulated

" '(a) General Rules.—For purposes of this subpart—

" '(1) Amount of investment.—The amount of earnings of a controlled foreign corporation improperly accumulated at the close of any taxable year in the case of a corporation formed or availed of for the purpose of avoiding United States income tax is the aggregate amount of the investment in extraneous property at the close of the taxable year, to the extent such amount does not exceed the sum of (A) the earnings and profits for the taxable year, and (B) the earnings and profits accumulated for prior taxable years beginning after December 31, 1962.

" '(2) Pro rata share of increase for year.—In the case of any person who is a United States shareholder the pro rata share of the increase for any taxable year in the earnings of a controlled foreign corporation improperly accumulated is the amount determined by subtracting—

" '(A) his pro rata share of the amount determined under paragraph (1) for the close of the preceding taxable year, reduced by amounts paid during the taxable year or treated as paid during that or prior years as a result of the application of section 951 or 953, from

" '(B) his pro rata share of the amount determined under paragraph (1) for the close of the taxable year.

" '(3) Amount attributable to property.—The amount taken into account under paragraph (1) or (2) with respect to any property shall be its adjusted basis, reduced by any liability to which the property is subject.

" '(b) Definition of Investment in Extraneous Property.—For purposes of this subpart—

" '(1) General rule.—The term "investment in extraneous property" means any money or other property (tangible or intangible) acquired after December 31, 1962, which is beyond the reasonable needs of the business.

" '(2) Property not requiring preponderance of evidence by taxpayer.—Any property other than the following shall be considered property beyond the reasonable needs of the business unless the United States shareholder by the preponderance of the evidence shall prove to the contrary:

" '(A) Any money or other property which is located outside the United States and is ordinary and necessary for the active conduct of a trade or business carried on almost wholly without the United States by the controlled foreign corporation.

" '(B) Property which would qualify under subparagraph (A) except for the fact that it is located in the United States, but only if such property is—

" '(i) obligations of the United States, money, or deposits with persons carrying on the banking business;

" '(ii) property purchased in the United States for export to, or for use in, foreign countries;

" '(iii) any loan arising in connection with the sale of property if the amount of such loan outstanding at no time during the taxable year exceeds the amount which would be ordinary and necessary to carry on the trade or business of both the lending corporation and the borrowing United States person had the sale been made between unrelated persons;

" '(iv) any aircraft, railroad rolling stock, vessel, motor vehicle, or container used in the transportation of persons or property in foreign commerce and used predominantly outside of the United States; or

" '(v) the amount of assets of an insurance company equivalent to the unearned premiums or a reasonable allowance for policy and similar reserves, on outstanding business with respect to contracts which are not contracts described in section 953(c).

" '(C) Stock and obligations owned by the controlled foreign corporation in another foreign corporation in which it owns at least 10 percent of the voting stock and 10 percent of the value of all classes of stock; but this subparagraph shall apply only if substantially all of the property of such other foreign corporation is ordinary and necessary for the active conduct of a trade or business engaged in by such corporation almost wholly without the United States.

" '(D) Any investment which is required because of restrictions imposed by a foreign country, and any investment which, when made, was so required and which would result in substantial losses if withdrawn.

" '(3) Holding or investment company.—The fact that any corporation is a mere holding or investment company shall be prima facie evidence that property held by it is "investment in extraneous property."

" '(4) Situs of certain property.—Property which is an obligation of, or pledges and guarantees made with respect to obligations of, United States persons shall be considered as property located in the United States.

" '(5) Reasonable needs of the business.—For purposes of this part, the term "reasonable needs of the business" includes the reasonably anticipated needs of the business.

" 'Sec. 953. Amounts Included in Gross Income Which Is Income From Insurance of United States Risks.

" '(a) General Rule.—If a foreign corporation is a controlled corporation on any day of a taxable year beginning after December 31, 1962, every person who is a United States shareholder (as defined in section 954(b)) of such a corporation who owns (within the meaning of section 955(a)) stock in such corporation on the last day, in such year, in which such a corporation is a controlled foreign corporation shall include in his gross income as a dividend, for his taxable year in which or with which such taxable year of the corporation ends his pro rata share (determined under subsection (b)) of the corporation's income derived from insurance of United States risks (as determined under subsection (c)).

" '(b) Pro Rata Share of Income Derived From Insurance of United States Risks.—

" '(1) In general.—The pro rata share referred to in subsection (a) in the case of any United States person is the amount—

" '(A) which would have been distributed with respect to the stock which such person owns (within the meaning of section 955(a)) in such corporation if on the last day, of its taxable year, on which the corporation is a controlled foreign corporation it had distributed pro rata to its shareholders an amount (i) which bears the same ratio to its income derived from insurance of United States risks for the taxable year, as (ii) the part of such year during which the corporation is a controlled foreign corporation bears to the entire year, reduced by

" '(B) the amount of any distribution received by any other United States person during such year as a dividend with respect to such stock.

" '(2) Limitation on amount of pro rata share of income derived from insurance of United States risks included in gross income.—For purposes of subsection (a), the pro rata share of any person who is a United States shareholder in a controlled foreign corporation's income derived from insurance of United States risks shall not exceed an amount (A) which bears the same ratio to his pro rata share of such income for the taxable year, as (B) the part of such year during which the corporation is a controlled foreign corporation bears to the entire year.

"(c) Income From Insurance of United States Risks.—

" '(1) General Rule.—For purposes of this section, the term "income derived from the insurance of United States risks" means that income which is attributable to the reinsurance or the issuing of any insurance or annuity contract—

" '(A) in connection with property or liability arising out of activity in, or in connection with the lives or health of residents of, the United States, or

" '(B) in connection with risks not included in subparagraph (A) as the result of any arrangement whereby another corporation receives a substantially equal amount of premiums or other consideration in respect of any reinsurance or the issuing of any insurance or annuity contract in connection with property or liability arising out of activity in, or in connection with the lives or health of residents of, the United States, and which (subject to the modifications provided by subparagraphs (A), (B), and (C) of paragraph (2)) would be taxed under subchapter L of this chapter if such income were the income of a domestic insurance corporation. This section shall apply only in the case of a controlled foreign corporation which receives during any taxable year premiums or other consideration in respect of any reinsurance or the issuing of any insurance or annuity contract described in this paragraph in excess of 5 percent of the total of premiums and other consideration received by it during such taxable year in respect of all reinsurance and issuing of insurance and annuity contracts.

" '(2) Special rules.—For purposes of paragraph (1)—

" '(A) In the application of part I of subchapter L, life insurance company taxable income is the gain from operations as defined in section 809(b).

" '(B) A corporation which would, if it were a domestic corporation, be taxable under part II of subchapter L shall apply paragraph (1) as if it were taxable under part III of subchapter L.

" '(C) The following provisions of subchapter L shall not apply:

" '(i) Section 809(d)(4) (operations loss deduction).

" '(ii) Section 809(d)(5) (certain nonparticipating contracts).

" '(iii) Section 809(d)(6) (group life, accident, and health insurance).

" '(iv) Section 809(d)(10) (small business deduction).

" '(v) Section 817(b) (gain on property held on December 31, 1958, and certain substituted property acquired after 1958).

" '(vi) Section 832(b)(5) (certain capital losses).

" '(D) The items referred to in—

" '(i) Section 809(c)(1) (relating to gross amount of premiums and other consideration), "'(ii) Section 809(c)(2) (relating to net decrease in reserves),

"'(iii) Section 809(d)(2) (relating to net increase in reserves), and

"'(iv) Section 832(b)(4) (relating to premiums earned on insurance contracts),

shall be taken into account only to the extent they are in respect of any reinsurance or the issuing of any insurance or annuity contract described in paragraph (1).

"'(E) All items of income, expenses, losses, and deductions (other than those taken into account under subparagraph (D)) shall be properly allocated or apportioned under regulations prescribed by the Secretary or his delegate.

"'(F) The income derived from insurance of United States risks of any controlled foreign corporation for any taxable year shall not exceed the earnings and profits of such corporation for such year.

"'Sec. 954. Definitions.

"'(a) Controlled Foreign Corporation.

"'(1) General rule.—For purposes of this subpart, the term "controlled foreign corporation" means any foreign corporation of which more than 50 percent of the total combined voting power of all classes of stock entitled to vote is owned (within the meaning of section 955(a)), or is considered as owned by applying the rules of ownership of section 955(b), by United States shareholders on any day during the taxable year of such foreign corporation.

"'(2) Special rule for insurance.—For purposes only of taking into account income described in section 953(c) (relating to income derived from insurance of United States risks), the term "controlled foreign corporation" includes not only a foreign corporation as defined by paragraph (1) but also one of which more than 25 percent of the total combined voting power of all classes of stock is owned (within the meaning of section 955(a)), or is considered as owned by applying the rules of ownership of section 955(b), by United States shareholders on any day during the taxable year of such corporation, if the gross amount of premiums or other consideration in respect of reinsurance or the issuing of insurance or annuity contracts described in section 953(c), exceeds 75 percent of the gross amount of all premiums or other consideration in respect to all risks.

"'(b) United States Shareholder Defined.—For purposes of this subpart, the term "United States shareholder" means, with respect to any foreign corporation, a United States person (as defined in section 7701(a)(30)) who owns (within the meaning of section 955(a)), or is considered as owning by applying the rules of ownership of section 955(b), 10 percent or more of the total combined voting power of all classes of stock entitled to vote of such foreign corporation.

"'Sec. 955. Rules for Determining Stock-Ownership.

"'(a) Direct and indirect ownership.

"'(1) General rule.—For purposes of this subpart, stock owned means—

"'(A) stock owned directly, and

"'(B) stock owned with the application of paragraph (2).

"'(2) Stockownership through foreign entities.—For purposes of subparagraph (B) of paragraph (1), stock owned, directly or indirectly, by or for a foreign corporation, foreign partnership, or foreign trust or foreign estate (within the meaning of sec. 7701 (a)(31)) shall be considered as being owned proportionately by its shareholders, partners, or beneficiaries. Stock considered to be owned by a person by reason of the application of the preceding sentence shall, for purposes of applying such sentence, be treated as actually owned by such person.

"'(3) Special rule for mutual insurance companies.—For purposes of applying paragraph (1) in the case of a foreign mutual insurance company, the term 'stock' shall include any certificate entitling the holder to voting power in the corporation.

"'(b) Constructive Ownership.—For purposes of sections 951, 953, and 954, section 318(a) (relating to constructive ownership of stock) shall apply to the extent that the effect is to treat any United States person as a United States shareholder within the meaning of section 954(b) or to treat a foreign corporation as a controlled foreign corporation under section 954(a), except—

"'(1) In applying paragraph (1)(A) of section 318(a), stock owned by a nonresident alien individual (other than a foreign trust or foreign estate) shall not be considered as owned by a citizen or by a resident alien individual.

"'(2) In applying the first sentence of subparagraphs (A) and (B), and in applying clause (i) of subparagraph (C), of section 318(a)(2) if a partnership, estate, trust, or corporation owns, directly or indirectly, more than 50 percent of the total combined voting power of all classes of stock entitled to vote of a corporation, it shall be considered as owning all the stock entitled to vote.

"'(3) Stock owned by a partnership, estate, trust, or corporation, by reason of the application of the second sentence of subparagraphs (A) and (B), and the application of clause (ii) of subparagraph (C), of section 318(a)(2), shall not be considered as owned by such partnership, estate, trust, or corporation, for the purposes of applying the first sentence of subparagraphs (A) and (B), and in applying clause (i) of subparagraph (C), of section 318(a)(2).

"'(4) In applying clause (i) of subparagraph (C) of section 318(a)(2), the 50-percent limitation contained in subparagraph (C) shall not apply.

"'(5) The second sentence of subparagraphs (A) and (B), and clause (ii) of subparagraph (C), of section 318(a)(2) shall not be applied so as to consider a United States person as owning stock which is owned by a person who is not a United States person.

"'Sec. 956. Exclusion From Gross Income of Previously Taxed Earnings and Profits.

"'(a) Exclusion From Gross Income of United States Persons.—For purposes of this chapter, the earnings and profits for a taxable year of a foreign corporation attributable to amounts which are, or have been, included in the gross income of a United States person under section 951 or 953 shall not, when such amounts are distributed to (or would but for this subsection be included in the gross income of) such shareholder (or any other United States person who acquires from any person any portion of the interest of such United States shareholder in such foreign corporation, but only to the extent of such portion, and subject to such proof of the identity of such interest as the Secretary or his delegate may by regulations prescribe) directly, or indirectly through a chain of ownership described under section 955(a), be again included in the gross income of such United States person (or of such other United States person).

"'(b) Exclusion From Gross Income of Certain Foreign Subsidiaries.—For purposes of sections 951 and 953, the earnings and profits for a taxable year of a controlled foreign corporation attributable to amounts which are, or have been, included in the gross income of a United States shareholder under section 951 or 953, shall not, when distributed through a chain of ownership described under section 955(a), be also included in the gross income of another controlled foreign corporation in such chain for purposes of the application of section 951 and 953 to such other controlled foreign corporation with respect to such United States shareholder (or to any other United States shareholder who acquires from any person any portion of the interest of such United States shareholder in the controlled foreign corporation, but only to the extent of such portion, and subject to such proof of identity of such interest as the Secretary or his delegate may prescribe by regulations).

"'(c) Allocation of Distributions.—For purposes of subsections (a) and (b), section 316(a) shall be applied by applying paragraph (2) thereof, and then paragraph (1) thereof—

"'(1) first to earnings and profits attributable to amounts included in gross income under section 951 or 953, and

"'(2) then to other earnings and profits.

"'(d) Distributions Excluded From Gross Income Not To Be Treated as Dividends.—Except as provided in section 957(a)(3), any distribution excluded from gross income under subsection (a) shall be treated, for purposes of this chapter, as a distribution which is not a dividend.

"'Sec. 957. Special Rules for Foreign Tax Credit.

"'(a) Taxes Paid by a Foreign Corporation.—

"'(1) General rule.—For purposes of subpart A of this part, if there is included, under section 951 or 953, in the gross income of a domestic corporation any amount attributable to earnings and profits—

"'(A) of a foreign corporation at least 10 percent of the voting stock of which is directly owned by such domestic corporation, or

"'(B) of a foreign corporation at least 50 percent of the voting stock of which is directly owned by a foreign corporation at least 10 percent of the voting stock of which is in turn directly owned by such domestic corporation,

then, under regulations prescribed by the Secretary or his delegate, such domestic corporation shall be deemed to have paid the same proportion of the total income, war profits, and excess profits taxes paid (or deemed paid, if, paragraph (4) applies) by such foreign corporation to a foreign country or possession of the United States for the taxable year on or with respect to earnings and profits of such foreign corporation which the amount of earnings and profits of such foreign corporation so included in gross income of the domestic corporation bears to the entire amount of the earnings and profits of such foreign corporation for such taxable year.

"'(2) Taxes previously deemed paid by domestic corporation.—If a domestic corporation receives a distribution from a foreign corporation, any portion of which is excluded from gross income under section 956, the income, war profits, and excess profits taxes paid or deemed paid by such foreign corporation to any foreign country or to any possession of the United States in connection with the earnings and profits of such foreign corporation from which such distribution is made shall not be taken into account for purposes of section 902, to the extent such taxes were deemed paid by such domestic corporation under paragraph (1) for any prior taxable year.

"'(3) Taxes paid by foreign corporation and not previously deemed paid by domestic corporation.—Any portion of a distribution from a foreign corporation received by a domestic corporation which is excluded from gross income under section 956(a) shall be treated by the domestic corporation as a dividend, solely for purposes of taking into account under section 902 any income, war profits, or excess profits taxes paid to any foreign country or to any possession of the United States, on or with respect to the accumulated profits of such foreign corporation from which such distribution is made, which were not deemed paid by the domestic corporation under paragraph (1) for any prior taxable year.

" '(b) Special Rules for Foreign Tax Credit in Year of Receipt of Previously Taxed Earnings and Profits.—

" '(1) Increase in section 904 limitation.—In the case of any taxpayer who—

" '(A) either (i) chose to have the benefits of subpart A of this part for a taxable year in which he was required under section 951 or 953 to include in his gross income an amount in respect of a controlled foreign corporation, or (ii) did not pay or accrue for such taxable year any income, war profits, or excess profits taxes to any foreign country or to any possession of the United States, and

" '(A) the amount by which the applicable limitation under section 904(a) for the taxable year referred to in paragraph (1)(A) was increased by reason of the inclusion in gross income under section 951 or 953 of the amount in respect of the controlled foreign corporation, reduced by

" '(B) the amount of any income, war profits, and excess profits taxes paid, or deemed paid, or accrued to any foreign country or possession of the United States which were allowable as a credit under section 901 for the taxable year referred to in paragraph (1)(A) and which would not have been allowable but for the inclusion in gross income of the amount described in subparagraph (A).

" '(3) Cases in which taxes not to be allowed as a deduction.—In the case of any taxpayer who—

" '(A) chose to have the benefits of subpart A of this part for a taxable year in which he was required under section 951 or 953 to include in his gross income an amount in respect of a controlled foreign corporation, and

" '(B) chooses to have the benefits of subpart A of this part for the taxable year in which he receives a distribution or amount which is excluded from gross income under section 956(a) and which is attributable to earnings and profits of the controlled foreign corporation which was included in his gross income for the taxable year referred to in subparagraph (A), and

" '(C) for the taxable year in which such distribution or amount is received, pays, or is deemed to have paid, or accrues income, war profits, or excess profits taxes to a foreign country or to any possession of the United States with respect to such distribution or amount,

the applicable limitation under section 904 for the taxable year in which such distribution or amount is received shall be increased as provided in paragraph (2), but such increase shall not exceed the amount of such taxes paid, or deemed paid, or accrued with respect to such distribution or amount.

" '(2) Amount of increase.—The amount of increase of the applicable limitation under section 904(a) for the taxable year in which the distribution or amount referred to in paragraph (1)(B) is received shall be an amount equal to—

" '(B) does not choose to have the benefits of subpart A of this part for the taxable year in which he receives a distribution or amount which is excluded from gross income under section 956(a) and which is attributable to earnings and profits of the controlled foreign corporation which was included in his gross income for the taxable year referred to in subparagraph (A), no deduction shall be allowed under section 164 for the taxable year in which such distribution or amount is received for any income, war profits, or excess profits taxes paid or accrued to any foreign country or to any possession of the United States on or with respect to such distribution or amount.

" '(4) Insufficient taxable income.—If an increase in the limitation under this subsection exceeds the tax imposed by this chapter for such year, the amount of such excess shall be deemed an overpayment of tax for such year.

" 'Sec. 958. Adjustments to Basis of Stock in Controlled Foreign Corporation and of Other Property.

" '(a) Increase in Basis.—Under regulations prescribed by the Secretary or his delegate, the basis of a United States shareholder's stock in a controlled foreign corporation, and the basis of property of a United States shareholder by reason of which he is considered under section 955(a)(2) as owning stock of a controlled foreign corporation, shall be increased by the amount required to be included in his gross income under section 951 or 953 with respect to such stock or with respect to such property, as the case may be, but only to the extent to which such amount was included in the gross income of such shareholder.

" '(1) In general.—Under regulations prescribed by the Secretary or his delegate, the adjusted basis of stock or other property with respect to which a United States shareholder receives an amount which is excluded from gross income under section 956(a) shall be reduced by the amount so excluded.

" '(2) Amount in excess of basis.—To the extent that an amount excluded from gross income under section 956(a) exceeds the adjusted basis of the stock or other property with respect to which it is received, the amount shall be treated as gain from the sale or exchange of property.

" 'Sec. 959. Miscellaneous Provisions.

" '(a) Earnings and Profits.—For purposes of this subpart, the earnings and profits of any foreign corporation, and the deficit in earnings and profits of any foreign corporation, for any taxable year shall be determined according to rules substantially similar to those applicable to domestic corporations, under regulations prescribed by the Secretary or his delegate.

" '(b) Blocked Foreign Income.—Under regulations prescribed by the Secretary or his delegate, no part of the earnings and profits of a controlled foreign corporation for any taxable year shall be included in earnings and profits for purposes of this subpart, if it is established to the satisfaction of the Secretary or his delegate that such part could not have been distributed by the controlled foreign corporation to United States shareholders who own (within the meaning of section 955(a)) stock of such controlled foreign corporation because of currency or other restrictions or limitations imposed under the laws of any foreign country.

" '(c) Records and Accounts of United States Shareholders.—The Secretary or his delegate may by regulation require each person who is, or has been, a United States shareholder of a controlled foreign corporation to maintain such records and accounts as may be prescribed by such regulations as necessary to carry out the provisions of this subpart.'

"(b) Technical and Clerical Amendments.—

"(1) Section 551(b) (relating to foreign personal holding company income included in gross income of United States shareholders) is amended by adding at the end thereof the following new sentence: 'The amount included in the gross income of any United States shareholder for any taxable year under the preceding sentence shall be reduced by such shareholder's proportionate share of the undistributed personal holding company income which is included in his gross income under section 951 or 953 (relating to certain amounts included in gross income of United States shareholders) for such taxable year as his pro rata share of the company's earnings improperly accumulated or income derived from insurance of United States risks, as the case may be.'

"(2) Section 901 (relating to foreign tax credit) is amended by striking out 'section 902' and inserting in lieu thereof 'sections 902 and 957'.

"(3) Section 902(e) is amended to read as follows:

" '(e) Cross References.—

" '(1) For application of subsections (a) and (b) with respect to taxes deemed paid in a prior taxable year by a United States shareholder with respect to a controlled foreign corporation, see section 957.

" '(2) For reduction of credit with respect to dividends paid out of accumulated profits for years for which certain information is not furnished, see section 6038.'

"(4) Section 904(f) is amended to read as follows:

" '(f) Cross References.—

" '(1) For increase of applicable limitation under subsection (a) for taxes paid with respect to amounts received which were included in the gross income of the taxpayer for a prior taxable year as a United States shareholder with respect to a controlled foreign corporation, see section 957(b).

" '(2) For special rule relating to the application of the credit provided by section 901 in the case of affiliated groups which include Western Hemisphere trade corporations for years in which the limitation provided by subsection (a)(2) applies, see section 1503(d).'

"(5) The table of subparts for part III of subchapter N of chapter 1 is amended by adding at the end thereof the following:

" 'Subpart F. Controlled Foreign Corporations.'

"(6) Section 1016(a) (relating to adjustments to basis is amended—

"(A) by striking out the period at the end of paragraph (18) and inserting in lieu thereof a semicolon; and

"(B) by adding after paragraph (18) the following new paragraph:

" '(1) to the extent provided in section 958 in the case of stock in controlled foreign corporations (or foreign corporations which were controlled foreign corporations) and of property by reason of which a person is considered as owning such stock.'

"(c) Effective Date.—The amendments made by this section shall apply with respect to taxable years of foreign corporations beginning after December 31, 1962, and to taxable years of United States shareholders within which or with which such taxable years of such foreign corporations end."

Explanation of Amendment on Unreasonable Accumulation

This amendment, which is a substitute for the Finance Committee's provision on controlled foreign corporations, taxes to U.S. shareholders of controlled foreign corporations their share of the profits of these corporations which are accumulated beyond the reasonable needs of the business (see proposed sec. 952(b)). The profits unreasonably accumulated are taxed to the U.S. shareholders only to the extent of earnings and profits accumulated in taxable years beginning after December 31, 1962. The concepts followed in determining when profits are accumulated beyond the reasonable needs of the business follow, to the extent feasible, the concepts provided under present law in taxing domestic corporations on earnings unreasonably accumulated (see sec. 531 of present law).

In general terms the amendment provides that property, other than the following, will be considered property beyond the reasonable needs of the business unless by the preponderance of the evidence proved to the contrary:

1. Property located outside of the United States which is ordinary and necessary to a business carried on by the controlled corporations almost wholly without the United States.

2. Certain specified property necessary to the trade or business outside of the United States even though located in this country. Thus, the amendment permits the funds to be held in Government obligations and bank accounts in the United States for the foreign business. Similarly, property may be held here for the foreign business if it is purchased for export, if it represents a reasonable loan arising from the foreign business, if it represents certain specified types of transportation equipment used partially within but largely without the United States, or if it represents certain assets of insurance companies.

3. Stock or bonds owned by controlled foreign corporation in another foreign corporation in which it has at least a 10-percent interest.

4. Any investments which are required because of restrictions imposed by a foreign country. This would include investments even though not immediately associated with a trade or business if they arise from compensation paid to a company for expropriation of its foreign business or a part of such business.

In addition to taxing to the U.S. shareholders accumulations beyond the reasonable needs of the business, this amendment also taxes to these U.S. shareholders in the case of a controlled foreign corporation income such a company earns from insurance of U.S. risks. This provision is practically the same as the first feature of the controlled foreign corporation provisions in the bill as reported by the Finance Committee. As indicated in the committee report, this is designed to tax what is essentially U.S. insurance business which, through one device or another, has been either issued to, or transferred to, foreign corporations in order to avoid the U.S. corporate income tax on underwriting gains.

The controlled foreign corporation provision in the Finance Committee versions of this bill in the case of controlled foreign corporation taxes to U.S. shareholders:

1. Income from insurance abroad of U.S. risks;
2. Income from passive investments, such as dividends, interest, royalties, etc.;
3. Income from sales subsidiaries of U.S. concerns which are incorporated in countries other than that where the principal operations of the foreign business are carried on;
4. Service income from subsidiaries of the basic foreign corporations; and
5. Earnings from foreign operations which are invested in U.S. property which is unrelated to the basic foreign business.

This amendment taxes income from insurance abroad of U.S. risks in substantially the same manner as the Finance Committee bill. In addition, since investments in U.S. property are likely to be classified as beyond the reasonable needs of the business, this amendment essentially treats earnings reinvested in U.S. property in the same manner as the Finance Committee provision. The basic difference between this amendment and the Finance Committee provision is that this substitutes a tax on funds accumulated beyond the reasonable needs of the business for a tax on investment income, income from sales subsidiaries and income from service subsidiaries.

Questions have been raised as to the effect of the Finance Committee provision, and this amendment, on what has sometimes been described as runaway movie productions. These generally are foreign corporations set up for the production of either a single or a series of motion picture productions. Once the motion pictures are produced, they may be sold to another corporation, or they may be held by the corporation in question for the receipt of movie rental income. Under the Finance Committee provision, if after the sale of the movies the funds were invested in stocks or securities, this income would be taxed to the U.S. shareholders. If the productions were not sold but instead were held for the receipt of rental income, once this income reached 30 percent or more of the total income of the corporation, the Finance Committee provision would tax this income to the U.S. shareholders.

This amendment if the movie productions were sold and the proceeds invested in stocks or securities would tax this income to the U.S. shareholders as income beyond the reasonable needs of the business. This would also be true if the films were held for the receipt of rental income unless these proceeds were used in the production of further movies or were used to purchase movies so that the business of the corporation was viewed as leasing motion picture films. It is clear, however, that an unreasonable accumulations tax, coupled with section 15 of the bill which taxes the accumulations of a foreign corporation made in the future at ordinary income tax rates when the foreign operation is liquidated or its stock is sold, would tax earnings from motion picture productions as ordinary income either currently as earned or at the time of the liquidation of the foreign enterprise.

Mr. DOUGLAS. Mr. President, on behalf of myself and the Senator from Tennessee [Mr. Gore], I submit an amendment, intended to be proposed by us, jointly, to House bill 10650, the Revenue Act of 1962. I ask that the amendment be printed and lie on the table, and that a statement relating to the amendment be printed in the Record.

The PRESIDENT pro tempore. The amendment will be received, printed, and lie on the table; and, without objection, the explanatory statement will be printed in the Record.

The explanatory statement presented by Mr. Douglas is as follows:

Explanation of Administration's Withholding Plan for Dividends and Interest as Offered by Senators Douglas and Gore

The plan provides that payors of interest, dividends, and patronage dividends are to withhold one-fifth or 20 percent of the payment they would otherwise make to the interest, dividend, or patronage dividend recipient, with certain exceptions noted above. Withheld amounts are to be paid over to the Government by the payor (sec. 3481) by the last day of the first month after the end of the quarter of the payor's taxable year during which they were withheld (April 30, July 31, October 31, and January 31 for calendar year taxpayers).

The recipient of the interest, dividend, or patronage dividend payment when he files his own income tax return can claim credit for the tax withheld by the payor on his behalf. This withholding system does not require the attachment of any receipt by the recipient of the payment to his tax return (sec. 3489 provides a presumption that amounts have been withheld). It also does not require the payor to send the income recipient any receipt.

It is contemplated that the recipient will report on his tax return the net interest, dividend, or patronage dividend payment received. He will then add to this amount one-fourth of the amount received, representing the amount withheld. This is what is referred to as "grossing up" the interest or dividend payment. Thus, for example, if an individual were entitled to $100 of dividends before withholding, one-fifth of this amount, or $20, would be withheld by the payor and remitted to the Government. The remaining $80 would be the net dividend payment received by the recipient. This is the amount he would initially report on his income tax return. He would be asked to add to this one-fourth of this amount, or $20, bringing the total back to the full $100 dividend payment. He would then compute his income tax in the usual manner by taking into account $100 as dividend income. Finally, the tax otherwise owed would be reduced by the amount withheld with respect to this dividend payment, namely, $20.

Under the plan, provision is made for exemptions from withholding in certain cases and also for quick refunds where no tax is owed or there is overwithholding. In addition, no withholding is provided in the case of certain types of interest and other payments.

The withholding provisions generally are to be effective with respect to interest and dividend payments made after January 1, 1963. In the case of patronage dividends, the withholding provisions will apply to payments with respect to patronage occurring in the first taxable year of the cooperative beginning after January 1, 1963.

1. General definitions of interest, dividends, and patronage dividends: The plan defines interest, dividends, and patronage dividends, to which withholding is to apply, in fairly broad terms and then specifies certain exceptions. The definitions are described here; the discussion of the exceptions then follows:

The definition of interest provided by the bill for the most part is limited to payments made by corporations where the holder of the indebtedness is likely to be an individual (although not necessarily actually so in any given case). In addition, where non-interest-bearing obligations are issued on a discount basis, no attempt is made to withhold on the payments received at the time of the redemption of the obligation (except in the case of savings bonds). Withholding is not provided where discounts are involved because of differences in the tax treatment of original issue discount where the obligation is held to maturity by the initial holder and where it is acquired before that time by a subsequent purchaser.

In more specific terms, the bill includes within the definition of interest, to which withholding is applied, eight different categories of interest:

1. Interest on evidences of indebtedness (such as bonds, debentures, notes, and certificates) issued by a corporation with interest coupons or in registered form. In addition, there is included interest on other types of indebtedness issued by a corporation where the instrument is of a type generally offered by corporations to the public, but only to the extent so provided by regulations issued by the Treasury Department. This will not include interest on mortgage paper generally, since mortgages usually are not of a type offered by corporations to the public.
2. Bank account interest.
3. So-called dividend payments made by mutual savings banks, savings and loan associations, building and loan associations, cooperative banks, homestead associations, credit unions, etc. Included in this category is interest paid on face-amount certificates.
4. Interest on amounts held by insurers under an agreement to pay interest. This does not include policyholder dividends but does include interest on accumulations of such dividends as well as other amounts held at interest. The withholding occurs at the time the amounts otherwise are required by law to be reported as income.
5. Interest on deposits with stockbrokers.
6. Interest on obligations of the United States. This does not include any obligations issued at a discount, such as Treasury bills (but see category 7 below).
7. Interest on non-interest-bearing obligations of the United States issued at a discount and having a maturity of more than

1 year from the date of issue. This is primarily interest on series E savings bonds.

8. Interest which is created and paid by a dealer in the case of a short sale of a bond.

The definition of a dividend for purposes of the withholding tax is the same as that provided by the code for other purposes (as defined in sec. 316). However, in addition, "dividends" are defined as including payments made by stockbrokers as substitutes for dividends. Thus, if an individual has sold stock short, his broker may have borrowed stock for him from another person to cover his short sale. If a dividend becomes payable during the period of the loan of the stock, the stockbroker must make a payment to the person from whom the stock was borrowed as a substitute for the dividend he would otherwise receive (and obtain reimbursement for this payment from the person to whom the loan of the stock was made). Such a substitute payment by a stockbroker is treated as if it were a dividend for purposes of withholding.

In the case of patronage dividends withholding will apply to those paid in money, in qualified allocations, and in other property except nonqualified allocations. In addition, in the case of the so-called exempt farmer's cooperative, withholding is to apply to amounts not representing patronage dividends where the amounts are paid to patrons in money, qualified allocations, or other property (except nonqualified allocations) if the payment is made on a patronage basis and the earnings involved are derived from business done with the United States or from sources other than patronage (such as investment income). Withholding does not, however, apply to so-called progress payments made by marketing cooperatives.

2. General exceptions where withholding does not apply: The plan provides certain exceptions to the definitions of interest, dividends, and patronage dividends subject to withholding. In the case of all three categories of payments, there is no withholding with respect to amounts paid by one corporation to another where both are members of the same affiliated group and where a consolidated return was filed for income tax purposes in the past year. In such cases these intercompany transactions are "washed out" for tax purposes.

A second group of payments to which withholding is not to apply in the case of any of these three types of payments are those made to nonresident aliens and foreign corporations where there already is a special form of withholding by the payor under present law, or where there would be but for the fact that the income is not considered as income from sources within the United States.

A third group of payments to which withholding will not apply are interest, dividend, or patronage dividends paid by foreign corporations not engaged in trade or business within the United States.

In the case of interest payments, exemptions from withholding are also provided for:

1. Interest on tax-exempt State and local obligations since these are not subject to income tax.

2. Amounts paid by a foreign government, international organization, nonresident alien not engaged in a trade or business here, or a partnership not engaged in a trade or business here and composed in whole or in part of nonresident aliens. (An exemption for foreign corporations not in business here was previously noted.)

3. Bank account interest paid to foreign corporations, nonresident aliens, and foreign partnerships. In this case the income is not subject to U.S. tax.

4. Amounts paid with respect to tax-free covenant bonds. The payor in such a case is required to pay the tax.

5. Amounts paid with respect to deposits in school savings accounts to the extent provided by regulations. In such cases the exemption in general will be limited to children, the great bulk of whom would in any case owe no income tax.

6. Interest (other than U.S. or corporate bond interest, not including savings bond interest) paid to States, foreign governments, and international organizations. In these cases the interest income is not subject to tax by the United States.

7. Amounts paid by a U.S. agency or instrumentality to another U.S. agency or instrumentality if the Secretary of the Treasury determines that the withholding in this case represents an unnecessary burden. In this case also no tax would be due. There is also a provision which gives the Secretary of the Treasury discretion to exempt corporate and U.S. bond interest (other than savings bond interest) from withholding. This would permit the Secretary to provide an exemption for this interest (or certain types of it) if he finds withholding is seriously disrupting the bond market, especially with respect to foreign investors.

In the case of dividends, the additional exceptions where withholding is not to apply are as follows:

1. Amounts paid in stock or stock rights, except that if the stock or rights is that of the distributing corporation, the exception applies only where the distribution is not includible in the income of the recipient.

2. Any distribution where the recipient treats the amount received as a capital gain or recognizes no gain or loss.

3. Amounts which, even though includible in the income of the recipient, are treated as redemptions of stock (sec. 302), dispositions of section 306 stock, distributions in liquidation to which section 333 apply, additional consideration in connection with certain reorganizations (sec. 356), or distributions pursuant to an SEC order (sec. 1081(e)(2)).

4. Undistributed amounts treated as dividends of corporations electing subchapter S treatment (treatment similar to partnerships).

5. Amounts paid under a lease entered into before 1954 where the shareholders of the lessor corporation are entitled to the amounts without deduction for any U.S. tax.

6. Dividends paid to States, foreign governments, and international organizations.

In the case of patronage dividends, in addition to the exceptions previously noted, where the Secretary of the Treasury determines that a cooperative is primarily engaged in selling at retail goods or services which are generally for personal, living, or family use, an exception from withholding may be provided. Patronage dividends in this case are not includible in the income of the recipient and, therefore, need not be subject to withholding.

3. Exemption certificates and intra-annual refunds and credits for individuals: To prevent hardships in the case of those who owe no tax on their interest, dividends, or patronage dividend payments, or who are subject to overwithholding, the plan contains a series of provisions providing for exemptions from withholding or refunds or credits of the withholding tax. Under this heading there are presented those provisions applicable in the case of individuals. This is followed by discussions of the provisions applicable to governmental units and tax-exempt organizations, to corporations generally, and finally to nonresident aliens.

In the case of individuals, interest, dividend, and patronage dividend withholding is not to apply where the individual files an exemption certificate with the payor, certifying that he reasonably believes he will not be liable for the payment of any income tax for the year in question (sec. 3483). Their exemption certificate will remain in effect until revoked by the file because he has become taxable.

For those under age 18, the exemption certificates can be filed whether or not the individual expects to have any tax liability. The payors will remove their names from their exemption lists at the first of the year in which they become 18.

The exemption certificates may be filed with respect to practically all forms of interest, dividends, and patronage dividends, except corporate or Government bond interest (other than savings bonds referred to below). An exception is necessary for corporate and Government bond interest because of the difficulty of making exemption certificates work where these bonds are transferred from one holder to another between interest payment dates, where one such holder might be exempt and the other not. Another exception is provided for interest on dividend accumulations under insurance policies where the handling of exemption certificates would be very difficult.

The exemption certificates apply in the case of series E savings bonds but instead of filing one exemption certificate in such cases, a separate exemption certificate is required to be filed with respect to each transaction in which these bonds are cashed in. This is necessary since these bonds may be cashed at different places.

The bill provides that anyone who willfully files an exemption certificate, knowing the certification to be fraudulent or false, is to be fined not more than $500 or imprisoned for not more than 1 year, or both.

In addition to the exemption certificates described above applicable where there is no tax liability, the bill provides for quarterly refunds payable during the year, where there is tax liability but the withholding is expected to be excessive. In the case of wage withholding it is possible for the payor to take into account directly the personal exemptions of the taxpayer. However, in the case of dividend, interest, and patronage dividend withholding, both because there is a much greater chance of multiple payors and also because of the greater likelihood of the purchase or sale of stock during the year, no system of having the payor take exemptions into account appears feasible. However, much the same effect is achieved by a quarterly refund system. Quarterly refunds are available to single persons expecting a gross income of less than $5,000 and married individuals and heads of households expecting a gross income of less than $10,000 a year. These quarterly refunds in no case are to be available for dependent children. (For treatment of refunds in their cases, see discussion below.)

Taxpayers whose gross income is expected to be below the specified amount may file one refund claim each quarter (at any time during the quarter). This claim may request a refund for any withholding on interest, dividends, or patronage dividends up to the amount of the taxpayer's "refund allowance." His "refund allowance" is 20 percent of—

1. His expected deductions for personal exemptions, plus

2. His expected standard or itemized deductions, plus

3. His expected retirement income, less

4. Any other taxable income he expects to receive which is not subject to dividend and interest withholding. A subtraction must also be made for any refunds received in earlier quarters during the year. In effect this grants the taxpayer an exemption from withholding for his personal exemptions, retirement income credit, and personal deductions similar to the exemption provided through employers for wage withholding.

Actually the taxpayer generally will need to compute his claim for refund only in the first quarter. In the second and third quarters it is expected that the Internal Revenue Service will automatically mail him partially completed refund claims, based upon the information the taxpayer previously submitted.

For the fourth quarter the refund is to be claimed on the regular tax return of the individual which he may file immediately after the end of the year.

To minimize small adjustments, the bill provides that the intra-annual refund claims may be filed only for amounts of $10 or over. However, where the excess withholding for one quarter is below $10 but the cumulative amount for two or more quarters is above $10, an intra-annual refund is then permitted for the cumulative amount.

The manner in which the quick refund works can be illustrated by the example of a husband and wife, both over age 65, who receive interest payments of $1,500 four times a year. Assume that this is their only income and it is subject to withholding. Assume further that the couple expect to file a joint return for the year, are allowed four exemptions, expect to have itemized deductions for the year of $1,000, and that each receives half of the income. Both are eligible for the maximum retirement income credit.

Calculation of refund allowance

1. Allowance for exemptions (4×$600)	$2,400
2. Plus: itemized deductions	1,000
3. Plus: allowance for retirement income credit ($1,200 for each of them)	2,400
4. Less: income subject to tax, other than dividends and interest subject to withholding	------
5. Total	5,800
6. Refund allowance for year, 20 percent of line (5)	1,160

	1st quarter	2d quarter	3d quarter
(7) Amount withheld (20 percent of $1,500)	$300	$300	$300
(8) Refund allowance for year	1,160	1,160	1,160
(9) Refund for prior quarters	--------	300	600
(10) Refund allowance ((8)-(9))	1,160	860	560
(11) Refund (smaller of (7) or (10))	300	300	300

At the end of the year the couple will compute their tax ($40) in the usual manner. From this they will deduct the amount withheld. Initially $1,200 was withheld but through refunds in the first three quarters this was reduced to $300. After offsetting the tax of $40 there still would remain a refund of $260 at the end of the year. This could be claimed by filing the final return in January following the end of the year.

The plan also includes a special procedure under which an individual may receive his quarterly refund immediately without having to wait the 3-4 weeks which it normally will take the Internal Revenue Service to process and pay a claim. Under this procedure, banks and mutual thrift institutions will be permitted to cash refund claims of individuals. The bank or thrift institution would then be reimbursed by the Treasury usually within 3-4 days, provided it checked the mathematical accuracy of the refund claim and obtained reasonable identification from the person presenting the claim.

In addition to the use of exemption certificates and intra-annual refunds as outlined above, taxpayers required to file declarations of estimated tax may take credit on such declarations for amounts withheld with respect to interest and dividends in the same manner as they presently do in the case of wage and salary withholding (sec. 6015). In addition, an ordinary annual refund claim may be made with respect to excessive withholding on interest and dividends as is presently true of wage withholding.

One further type of crediting is also provided by the bill. This relates to withholding on interest, dividends, and patronage dividends received by dependent children who have not filed exemption certificates. In such cases, if the child has not separately filed a claim for refund, and the child's gross income is less than $600 and is not subject to any wage withholding, then his parent may, on the parent's return, claim a credit for the amount of the withheld tax with respect to the child's interest, dividend, or patronage dividend.

4. Exemption certificates, intra-annual refunds and credits for governments and exempt organizations: The plan provides that exemption certificates can be filed by exempt organizations (other than exempt cooperatives) with respect to their interest (other than U.S. or corporate bond interest except savings bond interest), dividends and patronage dividends. In these cases the exemption certificates once filed remain in effect as long as the organization is exempt. The same effect is achieved in the case of States, local governments, foreign governments and international organizations by the exceptions to the definitions of amounts subject to withholding.

The plan also provides that a governmental unit or tax-exempt organization may offset the withholding on dividends and interest it receives against the amount it is required to the Government for taxes it withheld with respect to its employees for social security and Federal income tax purposes (sec. 3505).

In addition, refunds may be claimed by States or local governments or tax-exempt organizations for amounts not credited in the manner described above against social security or wage withholding taxes. These refunds will be made to the governmental unit or exempt organization on a monthly basis during the year of liability. Monthly refunds may also be filed by the U.S. Government and by foreign governments or international organizations and foreign central banks of issue (to the extent the income on which the withholding occurs in the latter case is not derived from any commercial banking functions (sec. 3485)). The Secretary of the Treasury is given discretion to make these refunds more often than once a month if he finds this is feasible.

5. Credits or refunds from corporations: Because of the 85-percent intercorporate dividends received deduction, any net tax on dividends received by corporations is likely to be less than 8 percent. In addition to the low rate of tax applicable, there has been little difficulty in collecting tax from corporations. In view of these considerations, the plan permits the crediting or quarterly refunding of the entire amount withheld in the case of interest or dividends received by corporations.

First, any amount withheld on interest and dividend payments received by corporations (including cooperatives) can be claimed as credits against the tax they are required to withhold and remit to the Government with respect to their own dividend and interest payments (sec. 3487). For this purpose, withholding on interest and dividends received by one corporation may be claimed as credit by another corporation which is a member of the same affiliated group.

Any amount withheld with respect to interest and dividends received by a corporation in excess of the credits it claims with respect to its own withholding on interest and dividends may be refunded to the corporation on a quarterly basis (during the year of liability) (sec. 3486). In addition, for purposes of an estimated tax required of a corporation, any amount withhold (which is not credited or refunded as provided above) may be treated as a payment of the corporation's estimated tax (sec. 6655 (f)).

6. Trusts, nominees, custodians, etc.: Under the withholding plan, the Secretary of the Treasury or his delegate would have the discretion to permit exemptions for certain trusts, nominees, custodians, or corporations. For example, if it is found to be practical, the regulations could permit exemptions for simple trusts whose beneficiaries are entitled to exemptions. Similarly, the regulations could provide exemptions for corporations which are subject to heavy burdens from withholding, or, for that matter, for all corporations, if this is found feasible from the point of view of the payers and the Internal Revenue Service and would not affect the revenue.

7. Nonresident aliens and foreign corporations in the case of nominees: Although the present statutory withholding rate on payments to nonresident aliens and foreign corporations is 30 percent, this rate has been lowered by regulations in many cases to conform with the tax rates under treaty provisions. As a result, the withholding rate applicable in these cases may be either above or below the 20 percent applicable under this plan to domestic dividend and interest payments. Where the dividend or interest payor makes the payment directly to the nonresident alien or foreign corporation, he can apply the proper withholding rate. However, under present law where the interest or dividend payor makes the payment to a nominee, the latter withholds the appropriate amount. Under the bill no special problem exists in this latter case where the applicable withholding rate with respect to the nonresident alien or foreign corporation exceeds the 20-percent domestic withholding rate. In such cases the nominee needs only to withhold the additional amount. A problem would exist, however, where the applicable withholding rate is less than the domestic 20-percent rate. This problem is met in the bill by providing that the amount to be withheld on foreign residents or corporations is to be at least 20 percent. This, of course, does not change the actual rate of tax in such cases and any excess amounts withheld can be recovered by the aliens through refund claims. It is not intended that any inference should be drawn from the amendment as to whether there is presently any treaty requiring withholding at less than a 20-percent rate.

8. Obligations sold between interest payment dates: Where an interest-bearing bond or other obligation is sold or exchanged between the interest payment dates, the bill provides that the amount withheld is to be treated as divided between the seller and the purchaser (or transferor and transferee) in proportion to the time (with respect to which the interest relates) which each holds title to the obligation. It is anticipated that the buyer and seller in such cases will take this treatment into account in the price at which the bond is sold. Thus, in the case of a $100 interest payment where the seller of the obligation has held the bond for half of the interest payment period in question, he presumably will demand $10 less than he otherwise would from the purchaser of the bond, since he knows that at the time of reporting his income for tax purposes he may claim a credit equal to this amount. Thus, he will demand of the purchaser one-half of the "net" interest (other factors being equal), or one-half of $80; namely, $40. This, plus the $10 for which he can claim a credit, will provide him with the interest for the half of the period for which he held the obligation.

9. Effective date: In general, this provision is to apply in the case of interest and dividends paid on or after January 1, 1963. (However, in the case of transferable obligations, it is to apply only to interest paid with respect to interest-payment periods commencing on or after January 1, 1963.) In the case of patronage dividends, the bill is to apply only with respect to payments

with respect to patronage occurring on or after the first day of the first taxable year of the cooperative beginning on or after January 1, 1963.

Mr. DOUGLAS (for himself and Mr. Gore) also submitted an amendment, intended to be proposed by them, to House bill 10650, the Revenue Act of 1962, which was ordered to lie on the table and to be printed.

PRINTING OF REVIEW OF REPORT ON PLYMOUTH HARBOR, MASS. (S. DOC. NO. 124)

Mr. HUMPHREY. Mr. President, on behalf of the Senator from New Mexico [Mr. Chavez], I present a letter from the Secretary of the Army, transmitting a report dated July 27, 1962, from the Chief of Engineers, Department of the Army, together with accompanying papers and illustrations, on a review of reports on the Plymouth Harbor, Mass., requested by a resolution of the Committee on Public Works, U.S. Senate. I ask unanimous consent that the report be printed as a Senate document, with illustrations, and referred to the Committee on Public Works.

The PRESIDENT pro tempore. Without objection, it is so ordered.

PERSONAL STATEMENT—PROCEDURE IN HANDLING BILLS

Mr. DOUGLAS. Mr. President, are we now in the morning hour?

The PRESIDENT pro tempore. Yes.

Mr. DOUGLAS. I thank the Chair.

Mr. President, I wish to explain certain happenings yesterday which are recorded on pages 17534, 17535, and 17536 of the Record. In the absence of such an explanation, I believe the Record would give a false impression of what happened.

The reading clerk read very rapidly the titles of a number of bills which I could not find listed on the Senate Calendar. Action on House amendments to the bills as passed by the Senate was speedily taken. The reading was so rapid that I could not, from my seat, determine what the subjects were. I moved down to the first row of seats, but still could not hear what the subjects were. I asked one of my colleagues whether he could understand what was being done and he said he could not.

As a result, I made certain comments, which appear on page 17536 of the Record; and a very gracious reply was made by the majority leader.

Subsequent to the discussion, evidently, the majority whip had inserted in the Record explanations of the amendments of the House; and the Record shows that they were subsequent comments. However, a casual reader would infer that my protest was captious, because although the explanations of the amendments were inserted in the Record after I made my protest, they appear in the Record prior to my statement.

Mr. President, I think all the amendments were worthy ones, and the subsequent statements by the majority leader and the majority whip were full and gracious. I have no complaint whatsoever on that score. But I do wish to say that I think such a practice is not in the best interest of the orderly handling of legislation. I was not able to find the bills listed on the calendar. The House amendments were brought up and were rushed through at supersonic speed; and at least two Members of the Senate who were trying to listen very closely could not tell what the measures were about.

In that instance, no damage was done. However, I can conceive of situations in which unworthy amendments might be pushed through under similar circumstances. I know that would never be done under the present majority leader or the present majority whip, but I think the statements the majority whip subsequently made in explanation of the amendments should have been made prior to their adoption rather than subsequently.

I hope the procedure I request will be followed in the future.

Mr. MANSFIELD. Mr. President, the Senator from Illinois has made a very fair and correct statement.

However, I think I should point out that when those bills were originally brought up in the Senate—and, as I recall, all of them were passed unanimously—explanations were made or were inserted in the Record.

What had happened in the meantime was that there were technical and other minor differences between the House versions and the Senate versions; and it was at the request of the acting chairman of the Committee on Interior and Insular Affairs that the amendments of the House were brought up yesterday.

I wish to assure the Senator from Illinois that insofar as we are capable of so doing, hereafter there will be explanations, even of such amendments, when they come before the Senate, and that I will make it a point, insofar as I can, to ask the clerk to read more slowly and not to have them handled so quickly.

Of course, the Senator from Illinois understands that we would not use any trick or subterfuge of any kind. It was just a matter of conducting expeditiously the business of the Senate.

Mr. DOUGLAS. I understand, and I realize that the bills were worthy ones. This is simply a matter of correcting a bad habit, which on occasion might be extremely embarrassing to the staff, to the leadership of the Senate, and to the country.

Mr. MANSFIELD. The Senator's advice is well founded and his counsel will be followed.

STRENGTH OF THE MILITARY AND AIR FORCE ACADEMIES

Mr. RUSSELL. Mr. President, there is at the desk a message from the House of Representatives on H.R. 7913 which I ask the Presiding Officer to lay before the Senate.

The PRESIDENT pro tempore laid before the Senate a message from the House of Representatives announcing its disagreement to the amendments of the Senate to the bill (H.R. 7913) to amend title 10, United States Code, to bring the number of cadets at the U.S. Military Academy and the U.S. Air Force Academy up to full strength, and requesting a conference with the Senate on the disagreeing votes of the two Houses thereon.

Mr. RUSSELL. I move that the Senate insist upon its amendments, agree to the request of the House for a conference, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer appointed Mr. Russell, Mr. Cannon, and Mr. Saltonstall conferees on the part of the Senate.

PERSONAL STATEMENTS—COMMITTEE MEETINGS

Mr. DOUGLAS. Mr. President, are we still in the morning hour?

The PRESIDENT pro tempore. The Senate is still proceeding in the morning hour.

Mr. DOUGLAS. Mr. President, in the interests of a full understanding of some of the happenings on the floor of the Senate, certain notice should be paid to those who were present yesterday and answered the quorum calls. Members of the Senate will remember that criticism was made of certain Members for not being present 3 weeks ago during the consideration of the satellite communications bill, and Members of the so-called liberal bloc were criticized because, for one reason or another, many of them were not present on that day, along with some 40 others who were not present.

I deeply regret that there were not enough Members of the majority yesterday present on the floor to help pass the GI bill of rights for the so-called cold war veterans. The quorum calls will indicate, I think, that this cannot be laid at the door of the liberal bloc. The Record will show that of the 11 who voted against the satellite communications bill, and who I think perhaps can be regarded as the hard core of the liberal bloc, 10 of them were present yesterday and answered to the quorum calls, and that thereafter the failure to get adequate attendance to pass the GI bill, which compelled our leader, and I think correctly compelled our leader, to lay it aside cannot be charged to the so-called liberal bloc.

I was also sorry that the Finance Committee yesterday morning failed to obtain a quorum to continue its very important deliberations in connection with the trade expansion bill. I see my good friend the junior Senator from Georgia [Mr. Talmadge] here. He has always been present at the meetings of the Finance Committee. Generally he gets there a few minutes ahead of me, and I believe he has a perfect record of attendance. I deeply regret that there were only five of us present yesterday, with one additional member who came for a brief period and left. As a result of our failure to obtain a quorum, we lost a day.

I mention this not to criticize anyone who was absent nor to praise anyone who was in attendance, but merely to show that if there is any slowup in procedure, it cannot be laid at the door of the so-called liberal bloc.

Mr. TALMADGE. Mr. President, will the Senator yield?

Mr. DOUGLAS. I yield to the Senator from Georgia.

Mr. TALMADGE. First, I desire to express to the Senator from Illinois my deep gratitude for his generosity in the remarks he made about the junior Senator from Georgia's being in regular attendance in the Finance Committee. I try to attend all of my committee meetings wherever possible, and attend them on time. Unfortunately, many Senators are in the same situation I find myself in frequently when I have two different committees of which I am a member meeting simultaneously. One cannot be in two different places at the same time.

I do compliment the distinguished Senator from Illinois. He has attended the Finance Committee regularly, and, I might say well prepared and well informed on the issues. I compliment him for doing so.

One of the things I have found most frustrating since I have been in the Senate is the fact that sometimes we spend a half hour, or 45 minutes, or even an hour, as on yesterday, attempting to get a quorum in our committees. If Senators cannot attend meetings on time, they at least ought to notify the clerks and the chairmen that they are compelled to be absent, or ought to make an appearance and leave their proxy with other Senators so the committees can transact business.

I compliment the Senator from Illinois for calling this matter to the attention of the Senate.

Mr. DOUGLAS. I appreciate the remarks made by the Senator from Georgia.

The PRESIDENT pro tempore. The time of the Senator has expired.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senator from Illinois may have 3 additional minutes.

The PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. DOUGLAS. My comments were made in no captious spirit, but I do want to make clear that the slowdown of the work in the Finance Committee is not the fault of the Senator from Georgia, or the Senator from Illinois, or the senior Senator from Virginia. The liberal bloc cannot be charged with lack of attendance yesterday which prevented, I think, a vote upon the GI bill of rights.

I think these matters need to be considered as a whole, so that a balanced judgment may be obtained.

THE MISUNDERSTOOD COURT

Mr. SMATHERS. Mr. President, there has been a considerable amount of confusion lately surrounding the meaning of some recent decisions of the U.S. Supreme Court. Because of the complex nature of several of the issues with which the Court deals, the somewhat rambling and sprawling character of many of the Court's written opinions and the hurried reporting of the Court's decisions in the various news media, the public has brought a rather confused picture of what certain of the Court's decisions actually mean.

In fact, this problem of communication apparently prompted one of the nine Justices of the Court to explain while off the bench the meaning of one of the Court's recent decisions.

A very fine paper in my home State, the Tampa Tribune, on August 6 carried an editorial which deals with this difficulty the Court has had of late in making its decisions clear to the general public. I think that the thoughtful comments in this editorial would prove quite useful to the Supreme Court and to all of us in interpreting the significance of the Court's opinions.

Mr. President, I ask unanimous consent that this editorial, titled "The Misunderstood Court," be printed at this point in the RECORD.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

THE MISUNDERSTOOD COURT

Supreme Court Justice Tom C. Clark has rendered to the people of the Nation a real service in breaking custom by commenting while off the bench on a specific decision of the Court—the ruling on the New York State public school prayer.

Justice Clark's service was not in his explanation that all the Court intended to do in its June 25 ruling was to declare that a "State-written prayer circulated to State-employed teachers with instructions to have their pupils recite it in unison at the beginning of each school day" violated the first amendment. After the initial wave of indignation largely based on misinterpretation and overextension of the decision, the people saw that was what the Court meant.

But his comments noting that such errors in interpretation arise from "the haste with which news agencies are obliged to cover our announcements" are a healthy sign that the members of the Court recognize the defects in a situation which they themselves—and only they—can correct.

Justice Clark left no doubt that what prompted him to speak was the record volume of letters critical of the decision in the days immediately after June 25. Once the people understood that the Court had not ruled "that there could be no official recognition of a divine being * * * or public acknowledgment that we are a religious nation," the criticism subsided.

We hope Justice Clark's comments indicate the Court may act to prevent recurrences of unfortunate misinterpretation of its actions.

There are ways the Court might do this—and none would either impair its dignity or interfere in the slightest with the proper administration of justice.

The Court has always had among its members men of considerable eloquence. It has also had among them men whose opinions ranged to the far bounds of ambiguity, and who smothered clarity in the very volume of their verbiage. Some sharp self-editing by the Justices would both make their decisions more readily understood by laymen and less subject to conflicting opinions as to their meaning by lawyers and the lower courts.

The Court might also separate its actual decision and how that decision shall be effected from the lengthier body of opinion explaining how and why the decision was reached. A good deal of the confusion on the School Prayer case arose from the fact that its documentary presentation encompassed the majority opinion written by Justice Black, a concurring opinion with more extreme views by Justice Douglas, and a dissenting opinion by Justice Stewart.

But obscured as a footnote to Justice Black's opinion was an explanation of just how limited the decision was. This declared: "There is of course nothing in the decision reached here that is inconsistent with the fact that schoolchildren and others are officially encouraged to express love for our country by reciting historical documents such as the Declaration of Independence which contain references to the Deity * * * or with the fact that there are many manifestations in our public life of belief in God." Greater prominence of position for this point could have prevented most of the furor.

In the rush to get the news into print even the New York Times, which printed the texts of the three opinions, overlooked that footnote. And this fact points to the third action the Court might take to avoid future misunderstanding.

It hands down its decisions at noon of each Monday when it is in session. Sometimes several dozen decisions are promulgated on the same day. Obviously, the opinions are not written a few minutes before noon on the specific Monday; it is doubtful if any is. It would be a simple matter for the Court to release its texts several hours in advance with the condition that the press and other media could prepare their accounts but not make them public until the decisions were actually handed down at Monday noon.

We do not know that any of these solutions of the Court's problem of communication with 180 million people is what Justice Clark had in mind. If they are, however, we do know the ends of justice will be best served by his prevailing upon his colleagues to put them into effect.

FRIENDSHIP 90

Mr. SMATHERS. Mr. President, the Nation can be justly proud of its young good-will ambassadors from West Palm Beach, Fla. The group called Friendship 90 is the Palm Beach High School Choir which is now touring and performing in 11 Latin American countries.

A 21-day mission of friendship and good will to South America is en route by a party of 92 which includes the 77-voice choir. It is commendable that such a successful friendship mission was entirely financed by private means. When the Federal Government was not able to provide funds, the citizens of West Palm Beach met the problem by raising over $56,000 from individual donations in a 7-week campaign. Thus a project, international in scope, was made possible by individual citizens' efforts.

The choir's reception and popularity in Latin America has been exceedingly gratifying. Allen Stewart, the American Ambassador to Venezuela, writes that the choir—

> Made a tremendous contribution toward friendlier relations between Venezuela and the United States.
>
> They did this not only by presenting an outstanding musical organization in an excellent program of American songs, but by their sincere, down-to-earth desire to become better acquainted with their Venezuelan neighbors.

In stressing the impact on Latin American relations he said:

> It has been a long time since we have seen a group of this kind, traveling under private auspices, which was so adept in reaching the workingman in an atmosphere of genuine congeniality.

The youngsters not only bring a message of friendship in their singing, but take time to mingle with the crowd before the concert, during intermission, and afterward. This is a splendid example of the President's people-to-people program in action.

The appearance of this young group of singers illustrates the desire of the people of the United States to learn more about our Latin American neighbors and to cement further the cultural ties that bind our two continents. I am sure all my colleagues will join with me in extending warmest congratulations to Friendship 90.

IMPORTANCE OF PURE WATER RESEARCH

Mr. MONRONEY. Mr. President, preparations are being made for initial establishment this fall of a great new regional laboratory for the study of water pollution problems at Ada, Okla. I am convinced that its work eventually will contribute materially to the industrial usefulness for the Nation of States in our area, as well as the solution of problems affecting the health and prosperity of the entire United States.

Although construction of the necessary building is not scheduled to begin until December and completion is not scheduled until September 1964, two units of the new lab will get started next month by using temporary quarters at East Central State College.

This cooperation demonstrates only one facet of the unique interrelationship of a college and a research laboratory which can work to the advantage of both. The Oklahoma Board of Regents for Higher Education recently has approved additional courses in chemistry, biology, and physics at both graduate and undergraduate levels for East Central College. During August, the U.S. Public Health Service has held three short courses on the campus.

Certainly the advantages to research establishment of location in a college community are evident. Scientists on the staff find a community of interest with faculty members, and both faculty and students are stimulated by and helpful to activities of the laboratory. Citizens of Ada also are enthusiastic about the work to be done nearby. Recently the chamber of commerce heard Gordon E. McCallum, Chief of the Division of Water Supply and Pollution Control of the Public Health Service describe in bold and sweeping terms the dangers facing the Nation in terms of water pollution and the clean water supply. He paid well-deserved tribute to the extraordinary contribution made in this field by Oklahoma's senior Senator, ROBERT S. KERR.

In describing some of the problems which will be studied at the Ada laboratory, he mentioned the extent of pollution on inland waters of the Nation's 8 million pleasure boats, on ground water of 17 million home septic tanks, and the unknown effects on waterways of detergents, pesticides, and fertilizers.

I was especially interested in his mention, among the lab's projects, of the salt pollution in the Arkansas-Red River basins, which he said is a problem in other basins including the Lower Colorado. I have supported in every way possible for 5 years the Arkansas-Red River conservation project aimed at finding and fencing off the salt sources which result in the Arkansas River carrying 11,000 tons of salt in 1 day's flow at Little Rock and a Red River count of 3,600 tons of salt daily as it passes Shreveport, La. There is one stretch of the Cimarron River in Oklahoma, an Arkansas tributary, which is 20 times as salty as the ocean. On Elm Fork, a Red tributary in southwest Oklahoma, the water at one spot is 6 times as salty as the sea.

The Public Health Service soon will give us its report on where the salt is and the types of projects which might be useful in preventing its contamination of our rivers. Meanwhile, the Corps of Engineers has asked to begin construction of one levee to reduce salt in the Red, as well as to do preliminary work on other preventive measures. Real progress has been made and I am hopeful that the regional laboratories like that at Ada will contribute still further.

I have been told by one of the experts in this field that the whole process of desalting our rivers is as complex in its own way as trying to put a man on the moon. Even after finding where the salt is, the problem involves river dynamics, physics, and mathematics, if we are to have an keep a fairly stable supply of usable water.

I ask unanimous consent to insert in the RECORD the Ada speech of Mr. McCallum entitled "Focus for Clean Water" and a news story from the Ada Evening News describing preparations in our State for the advent of the laboratory.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

REGENTS EXPAND EAST CENTRAL PROGRAM

Action of the State board of regents for higher education last week was an important step in the preparation of East Central State College to meet the larger responsibilities which the school will have when the Federal Water Pollution Research Laboratory rises south of Ada.

The regents approved additional courses at East Central State College in chemistry, biology and physics, both undegraduate and graduate.

This action was an outgrowth of a surge of interest in the sciences at East Central growing out of the plans for the laboratory, which will give part-time work for many science students and also will recruit many of them for full-time work after they graduate.

This expansion of science offerings begins in 1962–63 in close collaboration with the staff of the laboratory. The professional people of the laboratory will be closely associated with the college faculty, and Federal authorities have expressed the desire that some of them teach science courses now and then at the college. They will have academic standing as honorary faculty members.

In August the U.S. Health Service will hold three short courses on the campus of East Central. It expects to begin assembling the staff for the Water Pollution Laboratory at Ada by September.

Contract for construction of the first unit of the laboratory, estimated to cost $2,500,000 and to provide 60,000 square feet of floor space, is expected to be awarded probably in December.

In the meantime, the first two units of the research laboratory will be using temporary quarters at East Central, starting in September.

Coordination of laboratory with the college brought the requested and approved updating of science offerings at East Central for the impending school year.

New courses give some picture of the extensive adjustment to expanded science studies needed under the laboratory-inspired setup.

Under biology, there are these new courses: sanitary bacteriology, invertebrate zoology, pathogenic bacteriology, human physiology, morphology of algae, mycology, limnology, determinative bacteriology, radiation biology, genetics and evolution, fresh water invertebrate zoology, comparative physiology and plant physiology.

Chemistry will add quantitative analysis, chemical literature, advanced inorganic chemistry, chemistry of water and sewage, instrumental methods of analysis, identification of organic compounds.

Physics adds mathematical physics and theoretical mechanics.

From these new courses can be gleamed some idea of the wide-ranging program the Water Pollution Research Laboratory will develop, to be expanded as knowledge of water and air pollution develops through research.

And, as the laboratory will serve a 15-State area, the extent of its services in coming years of development begins to take form.

The Training Institute here August 19–24 puts the big program into the service stage even before construction begins on the giant laboratory plant.

The institute will be conducted by the Robert A. Taft Sanitary Engineering Center of Cincinnati, Ohio, for the Public Health Service.

Trainees will include, from Oklahoma and surrounding States, professional personnel from State and local agencies, industry, university staffs, representatives from other Government departments and agencies.

Courses will be presented in classrooms and specially equipped laboratories, and at field locations.

They involve intensive and extensive schooling in three basic areas—atmospheric particulate sampling, water quality studies, and introduction to environmental radiation surveillance.

Thus the program of the research laboratory, with East Central in close cooperation, swings into action in August, develops into a second step with expanded science courses at East Central in September, and construction of the research lab plant starting late this year or in early 1963.

Thereafter it will expand rapidly into an eventual enormous program of laboratory research and field studies, finally adding application of funds, for a one major area of the entire Nation.

FOCUS FOR CLEAN WATER

(By Gordon E. McCallum)

I have looked forward with high anticipation to this visit to Oklahoma and the city of Ada, ever since Bill Little conveyed your kind invitation in early June.

Now, as you know, I am in the water business, the clean water business, for the Public Health Service and its parent agency, the U.S. Department of Health, Education, and Welfare. I knew when I accepted Bill Little's invitation that I would find here a most friendly group of listeners.

Incidentally, I wish a little of the Ada chamber's enthusiasm for our cause could somehow rub off on certain other groups who need to see the light.

Oklahoma has, in recent years, by popular vote "gone wet", and whatever else this may imply, I use it here to emphasize that Oklahoma is in the water business in a very big way. I only wish that every State were as far advanced in its water thinking as is yours.

I know you will agree that one man, your Senator Bob Kerr, has been largely responsible. This remarkable native son of Ada, Okla., qualifies as statesman, business tycoon, diplomat, author, humanitarian, and renowned orator. I know that he is also a farmer and an Angus breeder. But more important, he has attained to the leadership and outstanding authority on land, wood, and water in the Congress of the United States. If you saw him on "CBS Reports," June 21, you know that he fully qualifies.

Therefore, I come here with a true sense of humility, yet inspired by your infectious enthusiasm, in this instance for a certain Government project soon to take shape on the south campus of East Central State College. This is the Public Health Service's new water pollution field laboratory, a project which will mean much to water resource development, not alone in Oklahoma, but to the whole Southwest.

It is going to mean a great deal more because you good people of Ada and this chamber of commerce have, from the beginning, given the project your unstinting support. Into this new establishment you are pouring the same "Boomer-Sooner" zeal that your pioneer forebears so well demonstrated just two generations ago when they came to settle this new land and eventually molded it into the 46th State of the Union.

Now I know you are anxious for me to get into specifics of the new laboratory. But before I do, I want to talk briefly about water in general, and in Oklahoma in particular.

The Federal Government got into the water resource development picture some 140 years ago, but Congress extended its activities and authority slowly, and only after there were clearly visible real problems which were not being met, or could not be met, by local, State, or private effort.

Especially was this true in water pollution control, which only in 1956 became recognized as a continuing Federal responsibility. Even then, Congress was careful to specify that water pollution control is primarily a State responsibility, but it had then become, and is now, very clear that Federal cooperation and assistance are needed.

Water pollution is one of the pressing social and economic issues of our time. It is directly related to the very rapid growths in population, urban living, and industry. It is related also to the miracle technologies of the past two decades from which have come vast amounts of strange and complex new wastes. And, in the years behind us, we have failed even to keep up with control of old, familiar wastes which we have long known how to treat.

Our population, now in excess of 185 million, is using water at the rate of 325 billion gallons a day. Per capita use has increased three times as fast as the population growth rate itself. To meet future requirements, water reuse, entailing the best of pollution prevention techniques, will be increasingly necessary along our major streams.

In the past 25 years, since enactment of the Flood Control Act of 1936, Oklahomans have become rather thoroughly conscious of what Federal cooperation can do. This began, I believe, with your Grand River Dam built by the Corps of Engineers in northeast Oklahoma. It was soon followed by the Altus-Lugert irrigation project of the Bureau of Reclamation in southwest Oklahoma. Other impoundments, almost too numerous to mention, have since come into existence. Still others will follow.

In a State so richly endowed with the big Federal lakes, its people could overlook the impact of less spectacular water development programs. Oklahoma, for example, has been a leader in taking advantage of the U.S. Soil Conservation Service's small watershed program. And in water pollution control, the program I represent, some 120 Oklahoma towns and cities have received nearly $6 million in Federal grants the past 6 years to help them build sewage treatment works. In the same period, your State health department has received grants of $240,000 to assist in its water pollution control program.

I learned from Don McBride of Senator Kerr's staff, to whom the Senator often refers as the "third Senator from Oklahoma," that your first State legislature, in 1907, endorsed by resolution a plan now evolving federally as the Arkansas River comprehensive development project. This project which has been described as "the most unique attempted by the Corps of Engineers" will cost more than $1 billion. But its sponsors claim that total annual benefits of $65 million in flood control, hydroelectric power, and transportation will accrue to the beneficiaries, primarily the people of Oklahoma. When completed in 1970, this project will make possible the extension of navigation to central Oklahoma. It will provide an opportunity to move more than a billion gallons of water a day from your abundant supply area of southeast Oklahoma to the water-short area in central Oklahoma.

I happen to be a native of Michigan—often referred to as America's Water Wonderland. Oklahoma is going to run Michigan some close competition for that title when all her water resources are fully developed.

The average citizen, I daresay, thinks of your great manmade lakes far more often in terms of fishing, boating, and water skiing than he does in terms of flood control, hydroelectric power or irrigation. And it does go without saying that these recreational uses of these waters have been a big and beneficial factor in your State's economy.

I am told, however, that the recreational uses of your earliest impoundments came with a great and unexpected impact. The Federal construction agencies were wholly unprepared for the water hungry thousands who flocked to the new lakes. The same thing happened in others of the semiarid prairie States, and it hastened the development of today's multiple-use planning in all major water projects.

The increasing demand and competition for water to supply domestic, municipal, agricultural, industrial and recreational purposes, coupled with increasing pollution of streams and lakes, has caused major concern even in areas of heavy rainfall. This has stressed the need for the most efficient use of all water resources.

President Kennedy put it this way in a recent message to Congress: "Our Nation's progress is reflected in the history of our great river systems. The water that courses through our rivers and streams holds the key to full national development. Uncontrolled, it wipes out homes, lives, and dreams, bringing disaster in the form of floods; controlled, it is an effective artery of transportation, a boon to industrial development, a source of beauty and recreation, and the means for turning arid areas into rich and versatile croplands. In no resource field are conservation principles more applicable. By 1980, it is estimated, our national water needs will nearly double; by the end of the century, they will triple. But the quantity of water will remain almost constant.

"Our goal, therefore, is to have sufficient water sufficiently clean in the right place at the right time to serve the range of human and industrial needs."

Now this is certainly the goal of the Arkansas-Red River water quality conservation project on which we in the Public Health Service have been working the past 5 years. It started, I might say, as a "gleam in the eye" of our mutual friend, Morrison Cunningham of Oklahoma City. In 1956 when Morrison was serving as a member of the Federal Water Pollution Control Advisory Board, he and I had lunch together one day in Washington. Somewhere in our conversation the problem of salt and gypsum pollution came up. Morrison explained to me that, while some of this came from oilfield operations, much came also from natural sources, from springs and surface salt beds emanating from underlying halite deposits in the thin gypsum rock. It appeared from his explanation that a lot of the salt was coming from a rather small source or sources. At any rate, he convinced me it would be worth while to get some facts which might reveal possibilities in controlling the salt sources to make a lot of downstream water more usable.

This conversation led to our initiating the Arkansas-Red River basins water quality conservation project on July 1, 1957. It is a project unique in the whole country. It was the first of the comprehensive river basin studies specifically funded by Congress and implemented by the Public Health Service under the Federal Water Pollution Control Act.

We have made some startling discoveries. We have found that the waters of the 2 rivers carry some 25,000 tons—500 carloads—of salt each day. Two-thirds of this comes from natural sources, the rest is brine pollution from the oilfields. One spring alone, near Estelline, Tex., flows from 5 to 6 cubic feet per second, sending the equivalent of 10 carloads or 500 tons of salt daily into the Red River. One of the most interesting of the 12 major salt sources we pinpointed is your Great Salt Plains of Northwest Oklahoma, tributary to the Arkansas.

Some 40 million acre-feet of water pass through the Ark-Red Basins each year. Never has so much good water been spoiled by such small amounts of bad water. When this bad water is removed, the affected segment of the Arkansas-Red Basin will be able to support a population of 25 million rather than the 6.9 million who now live here.

We have now come up with engineering studies, in cooperation with the Corps of Engineers and the Geological Survey, to show how salt brines can be kept out of the Arkansas and the Red Rivers. Next January the published report will be presented to the Congress. Already the Corps of Engineers have begun initial work on some of the necessary construction to check the salt flows. The project has studied such methods as pumping the salt back into the ground, creating small salt lakes, capping some of the springs, and even piping salt brine down to the Gulf.

This will be water reclamation through quality control. It seems very clear now that only in this way can these two great river basins of the Southwest realize their full potential for growth and development.

The Federal construction agencies have proposed $1½ billion for new water resource developments beginning in this new fiscal year of 1963. Such structures will have a profound effect on water quality. During the past 3 years, the Public Health Service has prepared reports on water supply or flow control needs for the construction agencies (Corps of Engineers and Bureau of Reclamation) on 97 projects, many of them here in Oklahoma. These will result in an estimated $25 million worth of annual benefits in the form of water storage for municipal and industrial supplies and for stream flow regulation for quality control. We are presently preparing reports on 78 additional projects and have committee assistance to another 131.

There is much to be gained from this work. For example, in the Red River Basin, about which I have been talking, the natural salt pollution actually originates in the semi-arid western reaches of the basin. But it degrades water even in the eastern portion where rainfall is plentiful, all the way down into Louisiana.

As you people know, a series of 11 impoundments will soon be constructed in southeast Oklahoma, and I need not tell you that here is where your good, sweet waters are found. Some water from these impoundments can be used initially to dilute the salt concentration of the Red River until the Corps of Engineers can build the necessary structures to the west to cut off the flow of salt waters. Meantime, the authorities of your State and of Texas are moving to control the manmade sources of brine pollution from the oilfields. Dilution water can be provided from the eastern reservoirs until the control measures become effective; they will then be used to supply municipal and industrial needs as the economy of this region expands.

Nowhere have the Nation's water needs, including this dilution principle, been more emphatically pointed up than in the Senate Select Committee on National Water Resources. This committee, chaired by Senator KERR, conducted in late 1959 and 1960 the most comprehensive study of the water resource ever made in our Nation's history. In January 1961 the committee's final report to Congress and to the Nation made this startling statement:

"The entire Nation is confronted by critical and complex water problems. Soaring needs, aggravated by spreading pollution, demand immediate action to insure the wise use of every drop of water. The price tag for progress in the next 20 years is estimated to be $12 billion for new dams and reservoirs, and $42 billion for new municipal and industrial waste treatment works. The ultimate answer lies in Federal-State cooperation for the full development of every major river basin. Such a giant effort should draw on all levels of government, and have the active support and understanding of an aroused public."

Now Senator KERR and his committee did not intend that their report should be simply another to stow away and gather dust in the archives. They categorized five major needs, one of these bore down heavily on research, and proceeded to promote the necessary action. At the National Conference on Water Pollution in December 1960, Senator KERR said:

"There is a crying need for funds for increased research. The time has long passed when any industrial or business organization, with any hope of survival or progress in the modern world, does not devote a substantial part of its budget to research. The job of pollution abatement, the task of providing usable drinking water for the teeming millions of Americans, today and tomorrow, comes under the head of big business, very big business. It is an enterprise and an effort in which every citizen has a stake. And yet the provisions for research have been, and are, woefully inadequate. In fact, thus far, research has been so inadequate that the problem of pollution elements not yet identified may be as serious as the one of neutralizing and handling the pollution known to exist. Greater research is an absolute necessity, not as a vehicle for passing the buck, nor as a justification for delay. It is necessary as a means to find ways to better abate pollution, and do it more rapidly and at less cost."

When the Congress convened last year, Senator KERR and others lost no time in dropping into the hamper new legislation to cover the needs pointed up by the select committee. Actually some 30 water bills were introduced in about as many days. And they found the Washington climate most receptive, both in the new administration and in the Congress.

Out of it all came epochal amendments to the Federal Water Pollution Control Act, signed into Public Law 87-88 by President Kennedy on July 20, 1961. It greatly broadened and strengthened the hand of the Federal Government to give financial assistance to cities and States, to enforce water pollution abatement, and to set up new research facilities. The new act authorized establishment of seven regional water pollution research laboratories, recognizing that problems vary from region to region. The first location announced for these laboratories was Ada, Okla.

The architectural firm of Coston, Frankfurt & Short, of Oklahoma City, is preparing plans for the building which will contain 50,000 square feet of laboratory and office space. It will be situated on the 312-acre tract comprising the south campus of East Central State College, near the log cabin birthplace of Senator KERR. The annual operating budget is estimated at $1½ million. The facility will serve a vast area embracing all or parts of some 15 States comprising the basins of the Colorado and the lower Mississippi Rivers and all those in between.

Our staff here will number about 150, including some 100 of the country's expert water scientists, plus the necessary clerical, stenographic, and custodial help. Where possible, we will recruit locally, but through the Federal civil service system. The new families who come here to live among you will be high caliber citizens who will contribute much to your community life and betterment—people who will want to help in school, church, and civic leadership, including, I hope, the chamber of commerce. We hope to move into the completed establishment by September 1964, and if that seems a long time, I suppose we can partly blame the traditional slow cutting of redtape in Government affairs. Some of our personnel, however, will move in ahead of the ribbon-cutting ceremonies and will be stationed here gradually over the next 2 years.

Now, I think you might like to know some of the specific problems which we hope to solve in the regional research laboratories. I have indicated that many of these will be of regional origin and peculiar to the area served. Yet many will have to do with pollution problems which are similar the Nation over. Thus, we will in many cases be doing a nationwide service from our station here at Ada.

I have mentioned the salt pollution of the Ark-Red Basins. This problem exists in differing forms in other basins. For example, an extreme trouble area this year has been in the lower Colorado, where return-irrigation flows, with their heavy salt content, have created downstream a rather touchy situation.

Herbicides, pesticides, and fertilizers used in farming, synthetic chemicals, and radioactive materials from industrial and defense production, detergent foam from washing machines—all these are invading our waterways. They are pollutants which do not respond to today's known treatment processes. Some of these wastes are toxic, and we still don't know how the human body reacts to steady doses of them when they get into our drinking water.

You may have read in the papers that the year 1961 saw a record 73,000 cases of viral hepatitis in the United States. Some of these cases were traced to raw oysters and clams harvested in polluted waters along the gulf coast and also the Atlantic. But the disease was prevalent inland also, and there is reason to believe that some of the hepatitis cases came from contaminated waters. In our country over 17 million home septic tanks on relatively small lots pose a serious threat to the continued safety of ground water; so does inadequate disposal of effluents from community waste treatment plants or from the sewage treatment systems built for schools, hospitals, and other institutions. These conditions exist in a great many areas which have moved too quickly from rural to suburban status and where either greed or ignorance has given some real estate developers too free a hand. The movement of wastes infiltrating the ground water supply is wide open for new studies and research.

No one has yet determined the extent and effect of pollution accruing from the operation on our inland waters of the Nation's 8 million pleasure boats. Overboard sewage and garbage disposal from these is a growing problem. So is the exhaust from both inboard and outboard motors. The exhaust has been implicated in taste and odor problems in drinking water and in fish flesh coming from waters used heavily for boating.

In city after city, drinking water is less palatable as more and more chemicals are added to rid it of pollutants. In many States, miles of streams, bays, and estuaries are lost each year to fish and wildlife, to fishing, and swimming, because of unsightly, smelly, and actually dangerous sewage and industrial wastes clogging the water.

The list is long; the unanswered problems are many. The ones I have cited are typical of some that will be studied here in Ada at the water pollution research laboratory. What our scientists do here may keep many of these problems from happening here. And in the long run, this group of scientists may have more to do with the economic growth and continued scenic beauty of Oklahoma and the Southwest than anything else.

President Kennedy has said the "New Frontier" in conservation rests in the application of the discoveries of science. This attitude was reflected in his address concluding the White House Conference on Conservation, held May 24-25, in Washington.

The early conservation leaders, Theodore Roosevelt, Gifford Pinchot, and Franklin Roosevelt, were concerned more with the preservation of natural resources against carelessness and exploitation. Their job was primarily to exercise the leadership and courage to do the things we already knew how to do. But, said President Kennedy, the challenge of the sixties, and our great contribution, is in "harnessing science to conservation."

I can think of no finer note on which to close, than to quote you these lines from Senator KERR's book, "Land, Wood, and Water":

"With * * * complete information, the people are in the best position to plan and promote the development of their rivers. This is done through their elected Representatives in Congress. This is democracy in action. I know the people of Oklahoma are on the march for our water program. They have demonstrated a keen awareness of the problem and willingness to do their part to solve it. This attitude has brought a favorable reaction in Washington, reinforcing the congressional drive for the needed funds * * *. This outstanding progress in Oklahoma and the region has attracted the attention of other States beset with water problems * * *. The national spotlight focuses on our region as water problems become more acute."

A LETTER FOR FREEDOM

Mr. MUNDT. Mr. President, a former Senator of South Dakota, James Kyle, is credited with the idea to set aside a day in tribute to the working men and women of America. His proposal resulted in the annual observance we are now celebrating, Labor Day.

As a present Senator from South Dakota, I would like to offer another suggestion, directed again to the working men and women of America, both within and without the trade union movement. Only this suggestion does not concern "action for" but "action by" the thousands of citizens of America who proudly claim affiliation as working force that keep this Nation moving forward.

Labor Day, as we know it and observe it, is set aside as both a day of rest and a day of homage. I propose that we add a third reason for our observance of this holiday. Let us make Labor Day a day of international brotherhood for freedom.

This is how I propose that we could add this individual observance to our Labor Day activities:

On Labor Day, sometime during the day, I suggest that every American sit down for only a few minutes and write a letter, to a friend, a relative, or even a stranger, who lives here in this country or who lives overseas.

In those few minutes, the letterwriter can put down on paper one or more reasons why he or she is glad to be an American and what freedom really means to that person as an individual. Then send the letter off to whoever you wish as a "Labor Day Message for Freedom."

I think in this fashion, taking only a few minutes time, we can put more meaning into an already meaningful day, helping others understand a little more what freedom means to us and also helping ourselves to appreciate a bit more the great blessing that has been bestowed upon our Nation and upon our people living in this free land, which stands as a beacon light of liberty to all the world.

Mr. MANSFIELD. Mr. President, is there further morning business?

The PRESIDENT pro tempore. Is there further morning business? If not, morning business is closed.

REVENUE ACT OF 1962

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the unfinished business be laid before the Senate.

The PRESIDENT pro tempore. The Chair lays before the Senate the unfinished business.

Without objection, the Senate resumed the consideration of the bill (H.R. 10650) to amend the Internal Revenue Code of 1954 to provide a credit for investment in certain depreciable property, to eliminate certain defects and inequities, and for other purposes.

DEPARTMENT OF AGRICULTURE AND RELATED AGENCIES APPROPRIATIONS, 1963

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the unfinished business may be temporarily laid aside and that the Senate may proceed to the consideration of Calendar No. 1871, the Department of Agriculture and related agencies appropriation bill, 1963.

The PRESIDENT pro tempore. The bill will be stated by title for the information of the Senate.

The CHIEF CLERK. A bill (H.R. 12648) making appropriations for the Department of Agriculture and related agencies for the fiscal year ending June 30, 1963, and for other purposes.

The PRESIDENT pro tempore. Is there objection to the request of the Senator from Montana?

There being no objection, the Senate proceeded to consider the bill, which had been reported from the Committee on Appropriations, with amendments.

USE OF FUNDS ACQUIRED BY OWNERS OF BRIDGES ACROSS DELAWARE RIVER

Mr. MANSFIELD. Mr. President, with the concurrence of the membership of the Senate I should like at this time to have the Senate consider some measures on the calendar to which there is no objection.

I ask unanimous consent that the pending business may be temporarily laid aside and that the Senate may proceed to the consideration of Calendar No. 1870.

The PRESIDENT pro tempore. The bill will be stated by title for the information of the Senate.

The CHIEF CLERK. A bill (H.R. 5604) to amend the acts of May 21, 1926, and January 25, 1927, relating to the construction of certain bridges across the Delaware River so as to authorize the use of certain funds acquired by the owners of such bridges for purposes not directly related to the maintenance and operation of such bridges and their approaches.

The PRESIDENT pro tempore. Is there objection to the request of the Senator from Montana?

There being no objection, the Senate proceeded to consider the bill.

Mr. MANSFIELD. Mr. President, the purpose of H.R. 5604 is to amend the acts of May 21, 1926 and January 25, 1927, which granted the consent of Congress for the construction of bridges across the Delaware River at Burlington and Palmyra, N.J., to provide that nothing contained therein shall be construed to prohibit any public agency, which now or hereafter may own such bridges and which has on hand, funds derived from sources other than toll revenues in excess of the amounts required for maintenance and reconstruction, from paying such surplus to the county of Burlington, N.J., for acquisition, construction, or improvement of county facilities, buildings, and roads.

The PRESIDENT pro tempore. The bill is open to amendment. If there be no amendment to be proposed, the question is on the third reading and passage of the bill.

The bill (H.R. 5604) was ordered to a third reading, was read the third time, and passed.

JOINT INVESTIGATIONS AND SURVEYS OF WATERSHED AREAS FOR FLOOD PREVENTION

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the pending business may be temporarily laid aside and that the Senate may proceed to the consideration of Calendar No. 1872.

The PRESIDENT pro tempore. The bill will be stated by title for the information of the Senate.

The CHIEF CLERK. A bill (H.R. 3801) to authorize the Secretary of the Army and the Secretary of Agriculture to make joint investigations and surveys of watershed areas for flood prevention, and for other purposes.

The PRESIDENT pro tempore. Is there objection of the request by the Senator from Montana?

There being no objection, the Senate proceeded to consider the bill.

Mr. MANSFIELD. Mr. President, the purpose of H.R. 3801 is to authorize and direct the Secretary of the Army and the Secretary of Agriculture, when called upon to do so by resolutions of the Committees on Public Works of the Senate or House of Representatives, to make joint investigations and surveys on river basins and watershed areas, and to prepare joint reports, setting forth their recommendations for works of improvement for flood prevention or the conservation, development, utilization, and disposal of water, and for flood control and allied purposes.

The PRESIDENT pro tempore. The bill is open to amendment. If there be no amendment to be proposed, the question is on the third reading and passage of the bill.

The bill (H.R. 3801) was ordered to a third reading, was read the third time, and passed.

U.S. NAVAL SUPPLY DEPOT, CLEARFIELD, OGDEN, UTAH

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the pending business may be temporarily laid aside and that the Senate may proceed to the consideration of Calendar No. 1874.

The PRESIDENT pro tempore. The bill will be stated by title for the information of the Senate.

The CHIEF CLERK. A bill (S. 2421) to provide for retrocession of legislative jurisdiction over U.S. Naval Supply Depot Clearfield, Ogden, Utah.

The PRESIDENT pro tempore. Is there objection to the request by the Senator from Montana?

There being no objection, the Senate proceeded to consider the bill (S. 2421) to provide for retrocession of legislative jurisdiction over U.S. Naval Supply Depot, Clearfield, Ogden, Utah, which had been reported from the Committee on Armed Services, with an amendment on page 1, line 6, after the word "relinquishment," to strike out "or" and insert "of"; so as to make the bill read:

> *Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That, notwithstanding any other provision of law, the Secretary of the Navy may, at such times as he may deem desirable, relinquish to the State of Utah all, or such portion as he may deem desirable for relinquishment, of the jurisdiction heretofore acquired by the United States over any lands within the United States Naval Supply Depot Clearfield, Ogden, Utah, reserving to the United States such concurrent or partial jurisdiction as he may deem necessary. Relinquishment of jurisdiction under the authority of this Act

may be made by filing with the Governor of the State of Utah a notice of such relinquishment, which shall take effect upon acceptance thereof by the State of Utah in such manner as its laws may prescribe.

Mr. MANSFIELD. Mr. President, the purpose of this bill is to relinquish to the State of Utah such of the jurisdiction heretofore acquired by the United States over the lands within the U.S. Naval Supply Depot Clearfield, Ogden, Utah, as the Secretary of the Navy may deem desirable. The bill would not impose any obligation to relinquish any jurisdiction to the State. The Secretary of the Navy would have complete discretion as to whether or not jurisdiction should be relinquished and, if so, whether or not relinquishment would apply to all or only a portion of the lands. The Secretary would also have the right to reserve to the United States such concurrent or partial jurisdiction as he may deem necessary.

The PRESIDENT pro tempore. The question is on agreeing to the committee amendment.

The amendment was agreed to.

The bill (S. 2421) was ordered to be engrossed for a third reading, was read the third time, and passed.

EXCHANGE OF CERTAIN LANDS IN PUERTO RICO

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the pending business may be temporarily laid aside and that the Senate may proceed to the consideration of Calendar No. 1875.

The PRESIDENT pro tempore. The bill will be stated by title for the information of the Senate.

The CHIEF CLERK. A bill (S. 3221) to provide for the exchange of certain lands in Puerto Rico.

The PRESIDENT pro tempore. Is there objection to the request by the Senator from Montana?

There being no objection, the Senate proceeded to consider the bill (S. 3221) to provide for the exchange of certain lands in Puerto Rico, which had been reported from the Committee on Armed Services with amendments on page 2, line 1, after the word "size", to insert "from which all improvements have been removed", and after line 16, to insert a new section, as follows:

SEC. 3. Public Law 187, Eighty-fifth Congress, is amended by—

(1) striking out the word "and" at the end of paragraph (a) and inserting in lieu thereof the following: "excepting therefrom, however a .049 acre parcel of land to be conveyed by the United States to San Juan Darlington, Incorporated, in exchange for an adjacent parcel of land of like size,";

(2) striking out "; in consideration of" at the end of paragraph (b), and inserting in lieu thereof a comma and the word "and"; and

(3) inserting after paragraph (b) a new paragraph as follows:

"(c) The .049 acre parcel of land to be acquired from the San Juan Darlington, Incorporated, in exchange for the parcel of like size excepted from the description set out in paragraph (a) of this Act; in consideration of".

So as to make the bill read:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Navy is hereby authorized to convey, from the lands comprising the United States Naval Station, San Juan, Puerto Rico, to the San Juan Darlington, Incorporated, all right, title, and interest of the United States in and to an irregularly shaped parcel of land containing .049 acre and which is contingguous to the lands of the said San Juan Darlington, Incorporated. Such conveyance shall be conditioned upon the conveyance to the United States by the said San Juan Darlington, Incorporated, of a parcel of like size, from which all improvements have been removed, which is contiguous to that portion of the lands comprising the United States Naval Station, San Juan, Puerto Rico, which adjoin the properties of the said San Juan Darlington, Incorporated.

SEC. 2. If necessary to facilitate the exchange of lands provided for in the first section of this Act, the Secretary may enter into such agreement with the government of the Commonwealth of Puerto Rico and prepare and execute instruments pursuant to such agreement as may be necessary to effectuate the relinquishment by such government of any interest it may have in the lands to be conveyed by the United States under such section in consideration of the United States conferring upon such government a similar interest in the lands to be conveyed to the United States under such section.

SEC. 3. Public Law 187, Eighty-fifth Congress, is amended by—

(1) striking out the word "and" at the end of paragraph (a) and inserting in lieu thereof the following: "excepting therefrom, however a .049 acre parcel of land to be conveyed by the United States to San Juan Darlington, Incorporated, in exchange for an adjacent parcel of land of like size,";

(2) striking out "; in consideration of" at the end of paragraph (b), and inserting in lieu thereof a comma and the word "and"; and

(3) inserting after paragraph (b) a new paragraph as follows:

"(c) The .049 acre parcel of land to be acquired from the San Juan Darlington, Incorporated, in exchange for the parcel of like size excepted from the description set out in paragraph (a) of this Act; in consideration of".

Mr. MANSFIELD. Mr. President, the bill authorizes the Secretary of the Navy to convey 0.049 acre of Government land near the entrance to the San Juan, P.R., Naval Station to the private concern of San Juan Darlington, Inc., in exchange for the conveyance to the Government by San Juan Darlington, Inc., of an adjacent 0.049 acre parcel owned by them.

The PRESIDENT pro tempore. The question is on agreeing to the committee amendments.

The amendments were agreed to.

The bill (S. 3221) was ordered to be engrossed for a third reading, was read the third time, and passed.

RESTRICTIONS ON REAL PROPERTY CONVEYED TO HAWAII

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the pending business may be temporarily laid aside and that the Senate may proceed to the consideration of Calendar No. 1876.

The PRESIDENT pro tempore. The bill will be stated by title for the information of the Senate.

The CHIEF CLERK. A bill (H.R. 7278) to amend the act of June 5, 1952, so as to remove certain restrictions on the real property conveyed to the Territory of Hawaii by the United States under authority of such act.

The PRESIDENT pro tempore. Is there objection to the request by the Senator from Montana?

There being no objection, the Senate proceeded to consider the bill (H.R. 7278) to amend the Act of June 5, 1952, so as to remove certain restrictions on the real property conveyed to the Territory of Hawaii by the United States under the authority of such act, which had been reported from the Committee on Armed Services, with amendments, on page 2, after line 9, to insert a new section, as follows:

SEC. 2. Such Act is further amended by adding at the end thereof a new section as follows:

After line 11, to insert a new section, as follows:

SEC. 3. In order that the State of Hawaii may convey good and clear title to any parcel of land conveyed by it under the exchange authority prescribed in clause (a) of section 2 of this Act, the Secretary of the Navy is authorized to relinquish to the State of Hawaii any right, title, and interest of the United States in and to such parcel free of any conditions set forth in section 2 on condition that the State of Hawaii agree, with respect to any lands received by such State in exchange for such parcel, to convey to the United States rights and interests substantially equal to those held by the United States in the lands originally conveyed by it to such State (then a Territory) under this Act, and such other rights and interests as the Secretary may deem necessary in the public interest.

And, on page 3, at the beginning of line 1, to change the section number from "2" to "3".

Mr. MANSFIELD. The bill would authorize the State of Hawaii, with the consent of the Secretary of the Navy and the Administrator of the Federal Aviation Agency, to sell, exchange, or lease particular structures and parcels of land not required for airport purposes, providing the proceeds from any sale or lease, or the property received in exchange, shall be used for airport purposes.

The property in question was conveyed to the Territory of Hawaii by Public Law 377, 82d Congress (66 Stat. 128) for public airport purposes. Under section 2(a) of that act it was made a condition of the transfer that the Territory shall not alienate its title to the property conveyed nor lease the same or any part thereof except for public airport purposes provided that particular structures or parcels of land conveyed, not suitable for airport purposes, may be leased for other purposes with the consent of the Secretary of the Navy. This condition is contained in the quitclaim deed from the United States to the Territory, dated December 10, 1950.

Under the proposed amendment, this condition would be modified to permit the State of Hawaii not only to lease land not required for airport purposes, but also to "sell or exchange" such property providing that the proceeds of such sale shall be used to improve airport facilities.

The amendment also provides that the State of Hawaii must obtain the consent of the Secretary of the Navy and the Administrator of the Federal Aviation Agency before it can exercise its authority to dispose of property.

If enacted, the authority contained in this bill will enable the State of Hawaii to reinvest the proceeds derived from sale or exchange of property in further developments and needed improvements at the Kahului Airport on the island of Maui. Future plans for Kahului Airport include extension of the existing 7,000-foot runway into a 10,000-foot jet runway. Under this measure the State proposes to exchange a portion of this property not actually used for airport purposes for another piece of privately owned property located at the end of the runway in order that the runway can be extended. The Senate amendment will assure beyond doubt that the State can convey clear title to the land to be disposed of and will convey to the United States the same rights and interests in the property to be acquired as were held by the United States in the property disposed of.

The PRESIDENT pro tempore. The question is on agreeing to the committee amendments.

The amendments were agreed to.

The amendments were ordered to be engrossed and the bill to be read a third time.

The bill (H.R. 7278) was read the third time, and passed.

JURISDICTION OF LANDS WITHIN EGLIN AIR FORCE BASE, FLA.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the pending business may be temporarily laid aside and that the Senate may proceed to the consideration of Calendar No. 1877.

The PRESIDENT pro tempore. The bill will be stated by title for the information of the Senate.

The CHIEF CLERK. A bill (H.R. 10263) to authorize the Secretary of the Air Force to adjust the legislative jurisdiction exercised by the United States over lands within Eglin Air Force Base, Fla.

The PRESIDENT pro tempore. Is there objection to the request by the Senator from Montana?

There being no objection, the Senate proceeded to consider the bill.

Mr. MANSFIELD. The purpose of this bill is to authorize the Secretary of the Air Force to retrocede to the State of Florida any part of the legislative jurisdiction he deems desirable at Eglin Air Force Base, Fla., and particularly so much of the jurisdiction as may be necessary to permit the State of Florida to control public traffic on highways traversing the base.

This proposal is a part of the Department of Defense legislative program for 1962, and was requested by the Air Force on behalf of the Department of Defense.

The PRESIDENT pro tempore. The bill is open to amendment. If there be no amendment to be proposed, the question is on the third reading and passage of the bill.

The bill (H.R. 10263) was ordered to a third reading, was read the third time, and passed.

REPEAL OF AUTHORIZATION TO CONVEY CERTAIN PROPERTY TO CITY OF WARNER ROBINS, GA.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the pending business may be temporarily laid aside and that the Senate may proceed to the consideration of Calendar No. 1878.

The PRESIDENT pro tempore. The bill will be stated by title for the information of the Senate.

The CHIEF CLERK. A bill (H.R. 10825) to repeal the act of August 4, 1959 (73 Stat. 280).

The PRESIDENT pro tempore. Is there objection to the request by the Senator from Montana?

There being no objection, the Senate proceeded to consider the bill.

Mr. MANSFIELD. Mr. President, the purpose of the bill is to repeal the act of August 4, 1959, which authorized and directed the Secretary of the Air Force to convey to the city of Warner Robins, Ga., approximately 29 acres of land and improvements comprising a part of Robins Air Force Base. Repeal of this act will clear title to the property and enable the General Services Administration to proceed with disposal action in accordance with the provisions of the Federal Property and Administrative Services Act.

The PRESIDENT pro tempore. The bill is open to amendment. If there be no amendment to be proposed, the question is on the third reading and passage of the bill.

The bill (H.R. 10825) was ordered to a third reading, was read the third time, and passed.

FORT HANCOCK MILITARY RESERVATION

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the pending business may be temporarily laid aside and that the Senate may proceed to the consideration of Calendar No. 1879.

The PRESIDENT pro tempore. The bill will be stated by title for the information of the Senate.

The CHIEF CLERK. A bill (H.R. 11251) to authorize the Secretary of the Army to relinquish to the State of New Jersey jurisdiction over any lands within the Fort Hancock Military Reservation.

The PRESIDENT pro tempore. Is there objection to the request by the Senator from Montana?

There being no objection, the Senate proceeded to consider the bill.

Mr. MANSFIELD. Mr. President, the purpose of this bill is to authorize the Secretary of the Army to relinquish to the State of New Jersey all or any portion he deems desirable of the legislative jurisdiction heretofore acquired by the United States over any lands within the Fort Hancock Military Reservation, N.J. Relinquishment would be accomplished by filing with the Governor of New Jersey a notice of relinquishment, effective upon acceptance by the State in such manner as its laws may prescribe.

Recently the Secretary of the Army leased to the State of New Jersey 460 acres of land in the southern area of this reservation for a term of 25 years for park and recreational purposes. The present plan of the State is to develop this area as a State park involving expenditures for improvements of upward of $3 million over the next 5 years. In this connection it is anticipated that thousands of persons will annually visit the park. Because the United States has exclusive jurisdiction over this area, the State and local law enforcement agencies are without legal authority to furnish any protection or surveillance thereof.

Under well-established principles of law, once legislative jurisdiction has been vested in the United States, it cannot be revested in a State other than by operation of a limitation imposed by the State at the time the State ceded jurisdiction, or by an act of Congress. Retrocession of jurisdiction at Fort Hancock will require an act of Congress.

The PRESIDENT pro tempore. The bill is open to amendment. If there be no amendment to be proposed, the question is on the third reading and passage of the bill.

The bill (H.R. 11251) was ordered to a third reading, was read the third time, and passed.

SAN ANTONIO DAM AND RESERVOIR PROJECT

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the pending business may be temporarily laid aside and that the Senate may proceed to the consideration of Calendar No. 1880.

The PRESIDENT pro tempore. The bill will be stated by title for the information of the Senate.

The CHIEF CLERK. A bill (H.R. 12081) to authorize the Secretary of the Army to convey certain land and easement interests at Hunter-Liggett Military Reservation for construction of the San Antonio Dam and Reservoir project in exchange for other property.

The PRESIDENT pro tempore. Is there objection to the request of the Senator from Montana?

There being no objection, the Senate proceeded to consider the bill.

Mr. MANSFIELD. Mr. President, under the provisions of the bill, the Secretary of the Army would be authorized, upon such terms and conditions as he deems in the public interest, to convey to the Monterey County Flood Control & Water Conservation District fee title to approximately 8,775 acres of land, and flowage easements over approximately 1,135 acres of land and a highway bridge easement over approximately 65 acres of land, all of which are areas now in the Hunter-Liggett Military Reservation. The Monterey

County Flood Control & Water Conservation District, in exchange, would convey to the United States an exclusive right-of-way for road purposes between Hunter-Liggett Military Reservation and Camp Roberts, construct a tank road and appurtenances, in accordance with plans and specifications approved by the Secretary of the Army, and also relocate existing Army facilities, consisting principally of a communication line, now in the areas to be conveyed by the Secretary of the Army to the district.

The Government is assured a fair return for the conveyance by a provision in the bill requiring the district to make payment of the amount by which the appraised market value of the property conveyed by the Secretary of the Army exceeds the market value of the property accepted in exchange therefor. Preliminary estimates indicate, however, that the Government will in fact receive fair value, moneywise, in the exchange. The fair market value of land which the district requires is estimated to be $563,000. The estimated value of the privately owned land which the district will acquire for the 60-foot-wide tank trail right-of-way is $16,250, extending 6 to 8 miles, totaling approximately 125 acres. The cost of constructing that portion of the tank road which is not on the Hunter-Liggett Military Reservation is estimated at $580,000, making a total cost of the offbase portion of the tank road $596,250. In addition, there will be other costs for replacement in kind, including moving, constructing, and improving the portion of the road on the reservation and relocating an Army communication line.

The construction of reservoirs to impound floodwaters that waste to the ocean will provide a supply of water to meet the foreseeable needs of the Salinas Valley and, at the same time, provide much needed flood protection of agriculture and municipal developments.

The first step toward solving the water problems of the Salinas Valley was the construction of Nacimiento Dam in 1957. This dam, with a capacity of 350,000 acre-feet, was built on the Nacimiento River tributary of the Salinas River at a cost of $7 million, and was financed entirely with local funds.

The second step in this plan is the construction of the proposed San Antonio Dam on the San Antonio River, a tributary of the Salinas River, which will also be financed entirely with local funds with the exception of a grant by the State of California for statewide recreation benefits. Cost of this dam is estimated at $12 million.

The third step is the construction of a canal from a diversion point on the Salinas River to the coastal area near Fort Ord, that is now contaminated by salt water. Construction of this canal cannot be initiated until San Antonio Dam is completed to insure a firm water supply for the canal.

Other more expensive dams of lesser priority are planned on other tributaries of the Salinas River, as the need arises.

Numerous benefits will be derived from the San Antonio project by local, State, and Federal interests.

To construct the project it is necessary that the required lands of Camp Hunter-Liggett become available to the district.

The local district is paying for the entire project, with the exception of a State grant for recreational purposes; no Federal funds are involved.

The PRESIDENT pro tempore. The bill is open to amendment. If there be no amendment to be proposed, the question is on the third reading and passage of the bill.

The bill (H.R. 12081) was ordered to a third reading, was read the third time, and passed.

HYDRAULIC BRAKE FLUID FOR MOTOR VEHICLES

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the pending business may be temporarily laid aside and that the Senate may proceed to the consideration of Calendar No. 1882.

The PRESIDENT pro tempore. The bill will be stated by title for the information of the Senate.

The Chief Clerk. A bill (H.R. 2446) to provide that hydraulic brake fluid sold or shipped in commerce for use in motor vehicles should meet certain specifications prescribed by the Secretary of Commerce.

The PRESIDENT pro tempore. Is there objection to the request by the Senator from Montana?

There being no objection, the Senate proceeded to consider the bill.

Mr. MANSFIELD. The bill would require that any hydraulic brake fluid manufactured for use in motor vehicles sold or shipped in commerce must meet standards to be set by the Secretary of Commerce.

The purpose of this legislation is to save lives, and improve highway safety.

The PRESIDENT pro tempore. The bill is open to amendment. If there be no amendment to be proposed, the question is on the third reading and passage of the bill.

The bill (H.R. 2446) was ordered to a third reading, was read the third time, and passed.

NONJUDICIAL PUNISHMENT

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the pending business may be temporarily laid aside and that the Senate may proceed to the consideration of Calendar No. 1873.

The PRESIDENT pro tempore. The bill will be stated by title for the information of the Senate.

The Chief Clerk. A bill (H.R. 11257) to amend section 815, article 15, of title 10, United States Code, relating to nonjudicial punishment, and for other purposes.

The PRESIDENT pro tempore. Is there objection to the request of the Senator from Montana?

There being no objection, the Senate proceeded to consider the bill, which had been reported from the Committee on Armed Services, with an amendment, on page 2, line 7, after the word "demand", to insert "However, except in the case of a member attached to or embarked in a vessel, punishment may not be imposed upon any member of the armed forces under this article if the member has, before the imposition of such punishment, demanded trial by court-martial in lieu of such punishment."

Mr. MANSFIELD. Mr. President, the committee amendment provides that except for those who may be attached to or embarked in a vessel punishments may not be imposed under the new article 15 if the military member demands a trial by court-marital in lieu of the nonjudicial punishment.

The present language of the Uniform Code of Military Justice makes no provision for a trial by court-martial in lieu of nonjudicial punishment. Existing regulations, however, as contained in the Manual for Courts-Martial, provide that members of the Army and Air Force have the right to demand a trial by court-martial in lieu of nonjudicial punishment prior to the imposition of the punishment. At the same time these regulations—paragraph 132—provided that no member of the Navy or Coast Guard may demand trial by court-martial in lieu of nonjudicial punishment. The bill extends to a considerable degree, as compared to existing law, the nonjudicial punishments which may be imposed by a commanding officer. Under such circumstances the committee feels that all military members, except those attached to or embarked in a vessel, should have the statutory right to demand a court-martial in lieu of accepting nonjudicial punishment. Except for the military members aboard ship, the effect of the committee amendment will be to continue the existing practice in the Army and Air Force and, at the same time, extend the right to members of the Navy, Marine Corps, and Coast Guard.

Because of testimony by the Navy, the right to demand a trial by court-martial in lieu of nonjudicial punishment was not extended to those aboard ship, in view of the unique responsibilities of the ship's captain and in the interest of maintaining morale and discipline aboard ship. Since it would be the ship's commander who would impose nonjudicial punishment, the right to demand a trial would involve, first, the question of maintaining discipline where a person aboard ship could refuse the punishment to be imposed by the commanding officer for minor infractions; and second, the matter of a court-martial being conducted by a junior officer appointed by the commanding officer to make a judgment on the same set of facts that have been considered by the commanding officer. The committee would like to emphasize that only in rare cases would it appear that personnel would demand a trial by court-martial.

It would be expected that nonjudicial punishment would be accepted for most minor infractions.

The PRESIDENT pro tempore. The question is on agreeing to the committee amendment.

The amendment was agreed to.

Mr. DOUGLAS. Mr. President, so far as military discipline is concerned, I think the measure is very important. Would the bill extend the power of commanding officers to what are known in the Navy as deck court-martials, in which the commanding officer can mete out punishment without the convening of a formal court-martial?

Mr. MANSFIELD. In effect, that is correct. But, as I understand the purpose of the bill, it would avoid the necessity of a court-martial, and thereby would tend to keep the record of a man in the service more clear.

Mr. DOUGLAS. Mr. President, this is a very important matter.

Mr. MANSFIELD. The bill concerns minor infractions only.

Mr. DOUGLAS. It is a very important matter. A nice balance ought to be maintained between the need for military discipline and the protection of the rights of enlisted men particularly. In our Code of Military Justice we attempted to protect enlisted men from the arbitrary use of power by commanding officers.

Mr. MANSFIELD. Mr. President, will the Senator yield?

Mr. DOUGLAS. I yield.

Mr. MANSFIELD. If a man in the service desires a court-martial, he can request it and get it. That applies to minor infractions which would tend to keep his record more clear and would do away with such procedures as deck courts-martial and the like to a degree.

Mr. DOUGLAS. Mr. President, I wonder if we could pass over the bill until the chairman of the Committee on Armed Services, who evidently drafted the bill, is here to explain it.

Mr. MANSFIELD. The chairman of the committee is present. But, if the Senator from Illinois will indulge me, I should like to read from the bill itself:

> However, except in the case of a member attached to or embarked in a vessel, punishment may not be imposed upon any member of the armed forces under this article if the member has, before the imposition of such punishment, demanded trial by court-martial in lieu of such punishment.

Mr. RUSSELL. Mr. President, I understand that the bill would give servicemen benefits that they do not now enjoy. A serviceman would elect whether to be tried by a court-martial, a summary court, or accept nonjudicial punishment. If he wants a court-martial, he may get it. So many young men have been getting less than honorable discharges for minor offenses when they were tried by a court-martial, that it seemed to be in the interest of young servicemen to let them have so-called article 15 punishment. They would not be required to be discharged under conditions less than honorable because of punishment under article 15.

Mr. DOUGLAS. Can the majority leader and the chairman assure me that an enlisted man would have the right of choice of either a deck court, as it is called, or a formal court-martial?

Mr. MANSFIELD. That is correct.

Mr. RUSSELL. It is not true in some cases where a ship is at sea. That never has been so. But the bill would give not only to the man in the Navy but the man in the Air Force and the man in the Army the right of election. The bill is intended to permit smaller penalties to be imposed for offenses that cannot be overlooked, but would protect the record of the young man in the service. The bill was very carefully considered in the House.

Mr. DOUGLAS. I thank the chairman. I withdraw my objection.

Mr. RUSSELL. A blue ribbon subcommittee, presided over by the distinguished Senator from North Carolina [Mr. ERVIN], went into the bill very carefully. The committee held hearings. Nothing is contained in the bill which was not offered with the intention of giving servicemen an option so that they could elect civilian punishment and avoid discharges under conditions less than honorable.

Mr. DOUGLAS. I think that is very valuable. I think perhaps we have made legislative history which the officials of the armed services should observe.

Mr. MANSFIELD. I thank the Senator.

The PRESIDENT pro tempore. The bill is open to further amendment. If there is no amendment to be proposed, the question is on the engrossment of the amendment and the third reading of the bill.

The amendment was ordered to be engrossed and the bill to be read a third time.

The bill was read the third time and passed.

DEPARTMENT OF AGRICULTURE AND RELATED AGENCIES APPROPRIATIONS, 1963

Mr. MANSFIELD. Mr. President, what is the pending business?

The PRESIDENT pro tempore. The bill will be stated by title.

The LEGISLATIVE CLERK. A bill (H.R. 12648) making appropriations for the Department of Agriculture and related agencies for the fiscal year ending June 30, 1963, and for other purposes.

The Senate resumed the consideration of the bill.

Mr. RUSSELL obtained the floor.

Mr. MANSFIELD. Mr. President, will the Senator from Georgia yield briefly so that I may suggest the absence of a quorum?

Mr. RUSSELL. I am glad to yield for that purpose.

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum.

The PRESIDENT pro tempore. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. RUSSELL. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. RUSSELL. Mr. President, I ask unanimous consent that the committee amendments be agreed to en bloc, that the bill as thus amended be considered as original text for the purpose of amendment, and that no points of order will be waived.

The PRESIDENT pro tempore. Is there objection? The Chair hears none, and it is so ordered.

The committee amendments agreed to en bloc are, as follows:

On page 2, line 20, after the word "improvements", to strike out "and for acquisition of sites therefor by donation, exchange, or purchase at a nominal cost not to exceed $100,".

On page 3, after line 8, to strike out:

"Research: For research and demonstrations on the production and utilization of agricultural products, home economics, and related research and services, $77,473,000: *Provided*, That the limitations contained herein shall not apply to replacement of buildings needed to carry out the Act of April 24, 1948 (21 U.S.C. 113a);"

And, in lieu thereof, to insert:

"Research: For research and demonstrations on the production and utilization of agricultural products, home economics, and related research and services, $106,126,500, including such amounts as may be necessary, notwithstanding the foregoing limitations, to remain available until expended, for the construction, alteration, and equipping of facilities and acquisition of the necessary land therefor by purchase, donation or exchange: *Provided*, That the limitations contained herein shall not apply to replacement of buildings needed to carry out the Act of April 24, 1948 (21 U.S.C. 113a);"

On page 4, at the beginning of line 7, to strike out "$56,330,500" and insert "$59,180,500", and in line 11, after the word "conditions", to insert "*Provided*, That, $150,000 shall be available, notwithstanding the foregoing limitations, for the construction and equipping of facilities and acquisition of the necessary land therefor by purchase, donation, or exchange: *Provided further*, That no funds shall be used to formulate or administer a brucellosis eradication program for fiscal year 1964 that does not require minimum matching by any State of at least 40 per centum:"

On page 5, line 10, after the word "butter", to strike out "$24,711,000" and insert "$25,211,000".

On page 6, after line 21, to strike out:

"CONSTRUCTION OF FACILITIES

"For construction of facilities and acquisition of the necessary land therefor by purchase, donation or exchange, $760,000, to remain available until expended."

On page 8, line 2, after "(7 U.S.C. 347a)", to strike out "$59,020,000" and insert "$62,020,000", and in line 5, after the word "all", to strike out "$60,590,000" and insert "$63,590,000".

On page 8, line 13, after the word "employees", to strike out "$6,605,000" and insert "$7,105,000".

On page 8, line 23, after the word "possessions", to strike out "$2,464,500" and insert "$2,724,500".

On page 9, line 4, after "(7 U.S.C. 451–457)", to strike out "$657,000" and insert "$707,000".

On page 9, line 16, after the word "aircraft", to strike out "$90,280,000" and insert "$90,825,000".

On page 11, line 23, after the word "expended", to strike out "$25,000,000" and insert "$24,000,000".

On page 12, at the beginning of line 14, to strike out "$12,000,000" and insert "$12,500,000".

On page 13, line 7, after the word "products", to strike out "$9,410,000" and insert "$9,910,000".

On page 14, line 3, after the word "laws", to strike out "$9,518,000" and insert "$9,693,000".

On page 15, at the beginning of line 3, to strike out "$38,857,000" and insert "$40,107,000".

On page 15, after line 11, to insert:

"CONSTRUCTION OF FACILITIES

"For construction of facilities and acquisition of the necessary land therefor, as authorized by law, $1,600,000 to remain available until expended."

On page 15, line 20, after "(7 U.S.C. 1623 (b))", to strike out "$1,325,000" and insert "$1,425,000".

On page 16, line 10, after the word "Act", to strike out the colon and "*Provided further,* That for the purpose of providing additional assistance based on program participation and needs in the States as may be necessary to aid in meeting the nutritional and other requirements of section 9 of the Act, not to exceed $10,000,000 of this appropriation shall be available for commodity assistance under section 6 of the Act, in addition to amounts normally expended for commodity procurement under that section, under such regulations as the Secretary may prescribe".

On page 17, line 5, after "(7 U.S.C. 1766)", to strike out "$16,145,000" and insert "$16,895,000".

On page 17, after line 17, to strike out:

"For purchase of foreign currencies which accrue under title I of the Agricultural Trade Development and Assistance Act of 1954, as amended (7 U.S.C. 1704), for market development activities authorized by section 104(a) of the Agricultural Trade Development and Assistance Act of 1954, as amended (7 U.S.C. 1704(a)), $4,000,000, to remain available until expended: *Provided,* That funds appropriated herein shall be used to purchase such foreign currencies as the Department determines are needed and can be used most effectively to carry out the purposes of this paragraph, and such foreign currencies shall, pursuant to the provisions of section 104(a), to be set aside for sale to the Department before foreign currencies which accrue under said title I are made available for other United States uses: *Provided further,* That this appropriation shall be available, in addition to other appropriations for these purposes, for the purchase of the foregoing currencies."

And, in lieu thereof, to insert:

"For purchase of foreign currencies which accrue under title I of the Agricultural Trade Development and Assistance Act of 1954, as amended (7 U.S.C. 1704), for the purposes of market development activities under section 104(a) of that Act, $4,000,000 to remain available until expended: *Provided further,* That funds appropriated herein shall be used to purchase such foreign currencies as the Department determines are needed and can be used most effectively to carry out the purposes of this paragraph, and such foreign currencies shall, pursuant to the provisions of section 104(a), be set aside for sale to the Department before foreign currencies which accrue under said title I are made available for other United States uses."

On page 19, after line 7, to strike out:

"ACREAGE ALLOTMENTS AND MARKETING QUOTAS

"For necessary expenses to formulate and carry out acreage allotment and marketing quota programs pursuant to provisions of title III of the Agricultural Adjustment Act of 1938, as amended (7 U.S.C. 1301–1393), $44,098,000, of which not more than $7,125,000 shall be transferred to the appropriation account 'Administrative expenses, section 392, Agricultural Adjustment Act of 1938'."

And, in lieu thereof, to insert:

"EXPENSES, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

"For necessary administrative expenses to formulate and carry out programs authorized by title III of the Agricultural Adjustment Act of 1938, as amended (7 U.S.C. 1301–1393); Sugar Act of 1948 (7 U.S.C. 1101–1161); sections 7 to 15, 16(a), 16(d), and 17 of the Soil Conservation and Domestic Allotment Act, as amended (16 U.S.C. 590g–590o, 490p(a), and 590(q) as added by section 132 of the Act of August 8, 1961; and subtitles B and C of the Soil Bank Act (7 U.S.C. 1831–1837, 1802–1814, and 1816) $95,423,000: *Provided,* That, in addition, not to exceed $51,379,500 may be transferred to and merged with this appropriation from the Commodity Credit Corporation fund."

On page 20, at the beginning of line 9, to strike out "$80,000,000" and insert "$77,650,000", and in line 10, after the word "year", to strike out the colon and "*Provided,* That expenditures (including transfers) from this appropriation for other than payments to sugar producers shall not exceed $2,350,000".

On page 20, line 22, after the word "States", to strike out "$242,000,000" and insert "$212,900,000"; on page 21, line 3, after the word "*Provided,*", to strike out "That not to exceed $29,100,000 of the total sum provided under this head shall be available during the current fiscal year for administrative expenses for carrying out such program, the cost of aerial photographs, however, not to be charged to such limitation; but not more than $5,750,000 shall be transferred to the appropriation account 'Administrative expenses, section 392, Agricultural Adjustment Act of 1938': *Provided further,* That none of the funds herein appropriated shall be used to pay the salaries or expenses of any regional information employees or any State information employees, but this shall not preclude the answering of inquiries or supplying of information at the county level to individual farmers: *Provided further,* That, no portion of the funds for the 1963 program may be utilized to provide financial or technical assistance for drainage on wetlands now designated as Wetland Types 3(III), 4(IV), and 5(V) in United States Department of the Interior, Fish and Wildlife Service Circular 39, Wetlands of the United States, 1956: *Provided further,*"; in line 22, after the word "That", to strike out "such" and insert "necessary"; and on page 22, at the beginning of line 3, to strike out "including administration,".

On page 23, line 25, after the word "expended", to strike out "$300,000,000" and insert "$305,000,000", and on page 24, line 3, after the word "*Provided,*", to strike out "That not to exceed $9,875,000 shall be available for administrative expenses, of which not less than $8,000,000 may be transferred to the appropriation account 'Local administration, section 388, Agricultural Adjustment Act of 1938': *Provided further,*".

On page 24, after line 10, to strike out:

"SPECIAL AGRICULTURAL CONSERVATION AND ADJUSTMENT PROGRAMS

"For necessary administrative expenses to carry into effect a special agricultural conservation program pursuant to section 16(d) of the Soil Conservation and Domestic Allotment Act, as added by section 132 of the Act of August 8, 1961 (75 Stat. 302), and a special wheat program pursuant to section 124 of such Act, $15,000,000."

On page 24, line 23, after the word "service", to strike out "$3,645,000" and insert "$3,695,000".

On page 26, line 4, after the word "Library", to strike out "$1,028,500" and insert "$1,153,500".

On page 26, line 13, after the word "Agriculture", to strike out "$3,506,000" and insert "$3,256,000", and in line 20, after the word "Secretary", to insert a colon and "*Provided further,* That not to exceed $225,000 may be transferred by the Secretary from other appropriations available to the Department of Agriculture for the expenses of the Office of Internal Audit and Inspection."

On page 28, line 9, after the word "loans", to strike out "$275,000,000" and insert "$290,000,000, of which $50,000,000 shall be placed in reserve to be used only to the extent required during the fiscal year 1963 under the then existing conditions for the expeditious and orderly conduct of the loan program."

On page 28, line 21, after "(40 U.S.C. 440–444)", to strike out "$34,382,000" and insert "$34,582,000".

On page 29, line 14, after the word "expense", to strike out "$6,549,000" and insert "$7,049,000".

On page 29, line 17, after the word "exceed", to strike out "$3,330,000" and insert "$2,830,000".

On page 29, line 24, after "(75 Stat. 391)", to strike out "$2,278,455,000" and insert "$2,066,955,000".

On page 30, line 6, after "(7 U.S.C. 1446; 75 Stat. 147–148, 319)", to strike out "$105,000,000" and insert "$95,000,000".

On page 30, line 11, after the word "exceed", to strike out "$47,116,000" and insert "$43,188,500".

On page 31, line 8, after the word "recoverable", to insert "and unrecovered prior years' costs, including interest thereon,"; at the beginning of line 14, to strike out "$1,080,632,000" and insert "$700,000,000"; in line 16, after the word "Act", to strike out "$250,000,000" and insert "$189,000,000"; and in line 18, after the word "Act", to strike out "$40,000,000" and insert "$50,000,000".

On page 31, line 20, after the word "For", to strike out "expenses during fiscal year 1963" and insert "unrecovered prior years' cost, including interest thereon,", and in line 23, after "(7 U.S.C. 1641–1642)", to strike out "$81,218,000" and insert "$15,650,000".

On page 32, line 2, after the word "For", to strike out "expenses during fiscal year 1963" and insert "unrecovered prior years' costs", and in line 7, after "(7 U.S.C. 1856)", to strike out "$125,000,000" and insert "$92,867,000".

Mr. RUSSELL. Mr. President, since the full committee has taken action on the bill, events have made necessary the offering of another amendment. The Senate passed and sent to the other body a substitute for H.R. 12391, the Food and Agriculture Act of 1962.

We have been advised that if that bill is enacted it will require a substantial increase in the administrative expenses for fiscal 1963 for the feed grain and the wheat stabilization programs. That includes the wheat certificate program. The Department suggested the sum of $30,332,000 would be needed for these programs. In order to bring all these expenses under the appropriation procedure, as the committee had attempted to do with the other administrative expense items, I submit an amendment to the committee amendment already adopted on page 20, line 5, after the word "fund" to insert: ", and additional amounts not to exceed $30,000,000, may be transferred contingent upon the enactment of H.R. 12391, Food and Agricultural Act of 1962".

I ask that the amendment be adopted under the conditions applying to the other amendments, which have already been approved.

The PRESIDING OFFICER (Mr. Holland in the chair). The amendment will be stated.

The Legislative Clerk. On page 20, line 5, after the word "fund" insert ", and additional amounts not to exceed $30,000,000, may be transferred contingent upon the exactment of H.R. 12391, Food and Agriculture Act of 1962".

Mr. RUSSELL. The committee also reported an item of $100,000 to improve the Plant Material Centers at Tucson, Ariz., Americus, Ga., and Maui, Hawaii.

It develops that it is necessary to raise the statutory building limitation from $15,000 to $25,000 for the construction of one building in this program, and it is estimated that the cost will be more than $15,000.

I therefore offer an amendment, at page 9, line 22, after the phrase "except for," to insert "one building to be constructed at a cost not to exceed $25,000 and".

The PRESIDING OFFICER (Mr. Holland in the chair). The question is on agreeing to the amendment.

The amendment was agreed to.

Mr. RUSSELL. Mr. President, before I start with my explanation of the bill, I wish to advert to page 6 of the committee report, which has to do with the recommendations of the Budget Bureau and action by the other body on poultry research facilities. The committee had directed that the work be done where there was space at the National Disease Laboratory, at Ames, Iowa, and that the work at East Lansing, Mich., be phased out.

A number of matters have been brought to my attention since the action of the committee, of which I was not apprised at the time the committee acted. The senior Senator from Michigan [Mr. McNamara] has had a number of conferences with me in regard to this situation. I have been advised that this work is already being done in connection with one of the large drug companies. I did not feel justified in changing the action of the committee without consulting the members of the committee, but I did assure the Senator from Michigan that I would state on the floor that, in the light of the newly developed information, I would be glad to suggest to the Senate conferees that the Senate recede and accept the proposal of the House with reference to this research.

Mr. YOUNG of North Dakota. Mr. President, will the Senator yield?

Mr. RUSSELL. I yield.

Mr. YOUNG of North Dakota. I am very happy the Senator has taken the position he has stated. I now have considerably more information on this subject from people who are interested in this type of research. After I received that information I came to the conclusion that the research should be carried on where it is presently being done, in Michigan. They are equipped to do it, and they have the personnel there to handle it. Besides, they are receiving a large contribution from some doctors, drug people, and others concerned in this program.

Mr. RUSSELL. The Senator from North Dakota will be a conferee on the bill. He heard what I said. I am glad to have the Senator's statement. The Senator from North Dakota is usually better informed than almost any other Member of this body on matters that are affected by this agricultural appropriation bill.

I now desire to make a brief statement in regard to the bill.

Mr. ROBERTSON. Mr. President, will the Senator yield?

Mr. RUSSELL. I yield.

Mr. ROBERTSON. Before the distinguished Senator from Georgia makes a statement on the technicalities of a rather long and very important bill, I wish to take this opportunity to commend him for the fine work he has done in preparing the bill. It has been my happy privilege to serve for a number of years on the subcommittee of the Appropriations Committee which handles the annual supply bill for the Department of Agriculture.

My distinguished friend from Georgia is the chairman of that subcommittee. I have found that there is no Member of the Senate who is more conversant than he with the problems confronting our farmers. They are serious problems. I have found him to be sympathetic to those problems. I found him to be progressive in his attitude toward the solution of those problems, but without indulging in any extravagance that might be referred to under the heading of political expediency.

I believe Senators will find, when he presents the bill, which is under the House figure and under the budget estimate, but still has some increases over the House figures in certain essential fields, that the Senator from Georgia has indeed done a work of real master craftsmanship in the practical art of politics, which is the bringing in of an appropriation bill designed in a practical way to meet the needs of the farmers.

I wish to make one comment about one action the committee took. It eliminated the Reuss amendment which put a limitation on expenditures for the soil conservation fund for the drainage of potholes in the Dakotas and Minnesota. The members of the committee are very much concerned with the problem concerning migratory birds, especially ducks. The recent census shows that the supply this fall of these birds will be the lowest during the 11 years since the censuses have been taken. In other words, it will be the lowest since we took this country from the Indians.

There should be no shooting of ducks this fall, but we are committed to the revenue from the duck stamp. The Department will make a statement on some kind of season this year, although it has not declared yet how long it will be or what the bag limit will be; however, some season will be declared.

I hope and pray that duck hunters will not hunt ducks this season. I refused to go duck hunting last year, because the supply was so small; I therefore did not have the heart to cut down the brood stock. This fall there will be a 17-percent decrease from what there was last year.

Some years ago I went down to the Smithsonian Institution to see the last two passenger pigeons which were killed in this area. The last two, Mr. President. They were killed in 1887, 75 years ago. One hundred years ago the supply of passenger pigeons was so large that they darkened the sky like a great cloud. They are all gone now. In the last hundred years we have destroyed completely 1,200 different species of birds. I would say that one of our greatest resources is ducks. They used to be plentiful, but now they are threatened. So when we took out of this bill authority to contribute up to $18 an acre to drain potholes, and, after they were drained to put them into production, to pay $20 an acre not to produce on such acres, it was because the Senate had passed a similar House bill, and that carried a Senate amendment which we thought was better than the Reuss limitation on an appropriation.

In addition, the bill passed by the Senate last Thursday and sent to the House will apparently be passed without any objection, and become permanent legislation, whereas this provision would be effective only for 1 year as a limitation on that year's appropriation.

Mr. RUSSELL. The Senator has stated the matter correctly, with the exception of his very lavish praise for the chairman of the subcommittee, with which he introduced his remarks.

Mr. ROBERTSON. Those were the truest words uttered by the Senator from Virginia.

Mr. RUSSELL. I appreciate the Senator's generosity.

This item was eliminated from the bill because of the fact that there was permanent legislation pending which was more far reaching, and established more definite standards. Such legislation was reported by the standing Committee on Agriculture and Forestry, and has passed the Senate. It was understood in the committee that if anything should happen to this legislation along the way to prevent its enactment into law, the Senate conferees would recede on this item.

Mr. YOUNG of North Dakota. Madam President, will the Senator yield?

Mr. RUSSELL. I yield.

Mr. YOUNG of North Dakota. I believe that the House bill which the Senate passed on Thursday, August 23, goes far enough in this direction. I should like to submit for printing in the Record at this point a statement and explanation with regard to that bill, which appears on page 17350 of the Congressional Record for August 23, 1962.

Mr. RUSSELL. Madam President, I have no objection.

The PRESIDING OFFICER (Mrs. Neuberger in the chair). Is there objection to the request of the Senator from North Dakota?

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

That the Soil Conservation and Domestic Allotment Act, as amended, is further amended by inserting after section 16 thereof the following new section:

"SEC. 16A. The Secretary of Agriculture shall not enter into an agreement in the States of North Dakota, South Dakota, and Minnesota to provide financial or technical assistance for wetland drainage on a farm under authority of this Act, if the Secretary of the Interior has made a finding that wildlife preservation will be materially harmed on that farm by such drainage and that preservation of such land in its undrained status will materially contribute to wildlife preservation and such finding, identifying specifically the farm and the land on that farm with respect to which the finding was made, has been filed with the Secretary of Agriculture within ninety days after the filing of the application for drainage assistance: *Provided*, That the limitation against furnishing such financial or technical assistance shall terminate (1) at such time as the Secretary of the Interior notifies the Secretary of Agriculture that such limitation should not be applicable, (2) one year after the date on which the adverse finding of the Secretary of the Interior was filed unless during that time an offer has been made by the Secretary of the Interior or a State government agency to lease or to purchase the wetland area from the owner thereof as a waterfowl resource, or (3) five years after the date on which such adverse finding was filed if such an offer to lease or to purchase such wetland area has not been accepted by the owner thereof: *Provided further*, That upon any change in the ownership of the land with respect to which such adverse finding was filed, the eligibility of such land for such financial or technical assistance shall be redetermined in accordance with the provisions of this section."

Mr. KUCHEL. Madam President, will the Senator yield?

Mr. RUSSELL. I now yield to the distinguished minority whip.

Mr. KUCHEL. If the distinguished Senator from Virginia [Mr. ROBERTSON] will lend me his attention for a moment, I do not rise in any sense to challenge the comments which my able friend from Virginia made, except affirmatively to point out that they do not apply to the Pacific coast flyway. I am sure he will agree with me in that conclusion.

Mr. ROBERTSON. I agree, with a modification. That area has a few more ducks than we have, but not nearly enough.

Mr. KUCHEL. I am glad to have the Senator's agreement, but I categorically reject his modification.

INTRODUCTORY STATEMENT

Mr. RUSSELL. Madam President, I wish now to proceed with a brief statement outlining the provisions of the bill.

This is the annual supply bill for the Department of Agriculture. It is not generally realized that the programs carried out by the Department of Agriculture have direct and widespread benefits to all segments of our nation, and are not limited to agriculture. The activities of this Department make significant and substantial contributions to consumers, industry, trade, commerce, and our foreign policy, as well as to the welfare of the general public.

American agriculture has been an outstanding success in its contribution to the continuing development of our economy and high standard of living. The present efficiency of American agriculture must not blind us to the unfinished work and requirements which lie ahead. There are many problems still facing Agriculture and the Nation generally, and the world, and to solve these problems we must continue to provide adequate financing to the Department of Agriculture not only to help farmers receive a fair share of the wealth that they produce, but also to make further contributions to the health and well-being of American consumers and contribute to the strengthening of our entire economy.

GENERAL STATEMENT

The magnitude of the agricultural appropriations bill has increased in recent years, and this is largely due to the costs of the farm program, and to the operations under what is referred to as Public Law 480.

In total, the bill before the Senate recommends appropriations of $4,774,983,000. This is a decrease of $700,859,500 under the bill as it came from the other body; the bill as reported is $1,211,806,500 under the appropriations for 1962, and it is $1,579,800,000 under the estimates considered for 1963.

This bill also carries $3,209,472,000 to reimburse the Commodity Credit Corporation for program costs authorized by various laws. The regular reimbursement to the Commodity Credit Corporation for realized losses under the price support and related programs, for fiscal year 1961 is $2,066,955,000. In addition, $95 million is carried to reimburse the Corporation for the 1962 costs of the special milk program. The special milk program is now carried on a regular appropriation basis in this bill.

The committee has denied the budget proposal to reimburse the Corporation for $423 million, which is one-third of the revaluation of inventory loss amounting to $1,268,546,877. The committee believes that the full amount of this revaluation cost should be presented and considered as a separate item at the appropriate time.

FOREIGN ASSISTANCE PROGRAMS

The bill also carries $1,047,517,000 to reimburse the Commodity Credit Corporation for costs in carrying out Public Law 480 activities, including sales for foreign currencies, emergency famine relief, and long-term supply contracts. Under this general heading are also included expenses for the International Wheat Agreement and bartered materials for the supplement stockpile. As the bill came to the committee, it provided $1,576,850,000 for these various items but denied the unrecovered costs for 1962, amounting to $384,885,000.

Last year, as Senators will recall, the committee agreed to the proposal for advance reimbursement appropriations totaling $1,600 million for these programs. As indicated, their total cost for 1962 amounted to $1,984,885,000, including the amounts carried in this bill.

These programs are authorized by specific legislative enactments, and have usually been reimbursed on a realized cost basis. The committee believes it unwise to continue these large advance reimbursement appropriations, and has recommended reductions in these items. The bill provides $1,047,517,000 for these purposes, and provides $662,632,000 for advance reimbursements for costs incurred under some of these programs for 1963. The committee believes that the amounts provided will be adequate for this calendar year.

GENERAL ACTIVITIES

For the general activities and credit agencies of the Department under titles I and II of the bill the committee recommends an appropriation of $1,558,462,000. This is an increase of $147,781,500 over 1962 and an increase of $49,473,500 over the bill as it came from the other body, but is still $6,931,000 under the budget request.

PAYMENTS FOR EXTENSION AND COOPERATIVE STATE EXPERIMENT STATION RESEARCH

The bill carries an appropriation of $63,590,000 for payments to States for the Extension Service. This amount is $4 million over the 1962 level for payments to county extension workers, and is an increase of $3,500,000 over the budget request and the amount in the bill as it came to the committee.

For the payments to the States for cooperative research under the Federal grant program, the bill carries $38,207,000. This is an increase of $2 million over 1962, as requested in the budget and provided by the other body.

AGRICULTURAL RESEARCH SERVICE PROGRAMS

I want to make a few comments with regard to the Agricultural Research Service. For plant and animal disease and pest control the committee restored the full budget estimate of $3 million to initiate the hog cholera eradication program which was authorized by law, last year. As I recall, the bill was introduced by my distinguished colleague, the Senator from Georgia [Mr. TALMADGE].

This is a cooperative program, and the committee believes that the full amount should be provided. Most of the other small increases requested in the budget are provided for plant quarantine and regulatory activities.

The committee restored the budget estimate for the meat inspection service, totaling $25,211,000, and the amount provided is $1 million more than the amount allowed for the meat inspection program in fiscal 1962.

For research conducted by the Agricultural Research Service, the committee has made a number of changes over the bill as it came to us, totaling $28,653,500. The committee merged with this item "Construction of Facilities."

UTILIZATION RESEARCH PROGRAM

The principal increase made by the committee was to provide an increase of $25 million to initiate a concerted, and greatly expanded program on utilization research and development. The committee report deals with this item in some detail. I ask unanimous consent that an excerpt from the committee report, beginning at the bottom of page 6 and ending at the top of page 8, dealing with this subject, be printed in the RECORD at this point.

There being no objection, the excerpt was ordered to be printed in the RECORD, as follows:

UTILIZATION RESEARCH AND DEVELOPMENT PROGRAM

The story of American agriculture is one of the outstanding success stories of modern times. But the success is marred by the channeling of much of our agricultural production into Government storage or into disposal abroad at an economic loss to the Nation. To meet this problem, various farm programs have been enacted into law over the years, costing us, during the last 10 years, over $26.2 billion, and the Department has on hand, as of now, an inventory of $4,286,507,000. The Senate has just passed another farm bill dealing with this problem. Many unexploited opportunities presently exist for utilizing our surplus production through research and development of new uses for these commodities.

The Agricultural Research Service has been conducting for many years a program of utilization research and development to find new food, feed, and industrial uses for farm products. This research, though limited, has been very successful in providing additional markets for commodities that otherwise would have further contributed to the expensive Government storage and disposal programs.

The need to expand utilization research to find new and improved uses and markets, particularly industrial uses and markets for agricultural commodities and products, is increasingly evident. In the supplement to the Senate hearings on this bill the following statement appears on page 21, and points out, as follows:

In its two decades of operation, USDA utilization research and development has added over $2.5 billion of value to farm commodities at a cost of less than $200 million—representing a benefit-to-cost ratio of 15 to 1. Although there has been an increasing cost per man-year of research throughout this period, this continuing program of fundamental research and applied technology has resulted in spiraling advantages, with each succeeding year giving more return per year for the total expenditure. For example, during the past 5 years utilization research enhanced agricultural commodities $1.75 billion, which is 70 percent of the total gain made in the two decades of this program. This increasing rate of return is expected to continue, as the storehouse of scientific and technologic information is accumulated.

The committee believes it is clearly evident that an all-out effort should be made to greatly expand and accelerate potential uses for agricultural commodities. Present expenditures of about $18,573,000 annually by the agency are infinitesimal in view of these vast expenditures to acquire, store, handle, and dispose of these surpluses.

The committee has recommended an increase of $25 million for the initiation of a concerted research program to develop new uses for agricultural commodities. This $25 million is to be allocated with considerable discretion by the Secretary of Agriculture for the purpose of accelerating utilization research through agreements and contracts with private organizations and firms and to improve, construct, and staff such research facilities; as well as to take such other steps as may be necessary to carry out a greatly accelerated research program.

In the last 10 years, Federal expenditures for surplus commodities have kept mounting as productivity on farms has increased. Every effort has been made to export and to practically give away these commodities. It appears that these large surpluses will continue to be with us for some time, and the committee believes that one solution to this problem—and it involves a very small expenditure of funds in comparison with the costs of all of these programs—is to embark upon an accelerated all-out utilization research program. The committee recommends, without any earmarking of funds, that in this accelerated research program attention be given to the desert grapefruit and grapefruit products, to grapes, and any acceleration needed on flax and flaxseed. The committee expects the Department to keep it informed periodically on plans and progress made under the accelerated utilization research program.

MARKETING AND SCHOOL LUNCH PROGRAMS

Mr. RUSSELL. For the inspection, research, and regulatory activities of the Agricultural Marketing Service, the bill provides $40,107,000, including the full budget request for mandatory poultry inspection.

An appropriation of $1,600,000 is carried in the bill to provide adequate facilities for carrying on marketing research on peanuts as justified by the Department before the Appropriation Committees.

The committee bill provides a total of $20,895,000 to finance the activities of the Foreign Agricultural Service. This is an increase of $5 million over last year in direct appropriations. The increases are to accelerate market development activities.

The bill provides appropriations totaling $230 million for school lunch and the special milk program, and the latter is placed on a direct appropriation beginning this year. In addition, $145 million of commodities are furnished to the program by section 6 purchases, by section 32 transfer, and by donations from inventories. We anticipate that there will be approximately $100 million of donations from inventories of the Commodity Credit Corporation, as there have been each year in the past.

APPROPRIATION PROCEDURES

The committee has instituted in this bill a change in appropriation procedures for the farm programs administered by the Agricultural Stabilization and Conservation Service. Heretofore, these programs have been financed by direct appropriations and by limitations within appropriation items as well as by transfers from other agencies. The committee has proposed to merge all of these administrative expense costs into a single item, and recommends an appropriation of $95,423,000 for this purpose. This is only $5 million below the amounts requested in the budget estimates for these purposes and provided by the other body. In addition, a provision has been inserted authorizing the transfer from Commodity Credit Corporation funds of $81,379,500—this includes the amounts of the estimates to which the Senate agreed a few minutes ago—for use by the Agricultural Stabilization and Conservation Service in carrying out storage and price support activities.

In setting up this one appropriation account, the committee has reduced the amounts of appropriations for the Agricultural Conservation Program and for the Sugar Act, and made the full amount of $305 million for the Conservation Reserve available for program payments. It is believed this procedure will contribute to administrative savings. We believe this procedure of consolidating these expense accounts will result in considerable savings, and I know it will enable Congress and the public to have a much clearer idea of just what is involved in the administration of the farm program.

Mr. YOUNG of North Dakota. Madam President, will the Senator from Georgia yield?

Mr. RUSSELL. I am glad to yield.

Mr. YOUNG of North Dakota. I believe this proposal as proposed by the Senator from Georgia is a good step forward. Presently the county committees have to deal with several accounts from which their employee salaries are paid. If their salaries would come under one lump-sum item, I think it will be possible to eliminate some of the personnel and duplication.

Mr. RUSSELL. I thank the Senator from North Dakota for his statement. I certainly am hopeful that this will result in substantial savings, at least in the administrative costs involved, inasmuch as in the past it has been necessary to try to make such payments from four or five different funds to a single individual for doing the administrative work.

This saving has been made with the assistance of the distinguished Senator from North Dakota [Mr. YOUNG], who in the days when the other party was in the majority presided with great distinction as chairman of this subcommittee.

Mr. YOUNG of North Dakota. I thank the Senator very much.

SOIL CONSERVATION PROGRAMS

Mr. RUSSELL. The bill carries an advance authorization of $250 million for the 1963 agricultural conservation program. This is the same amount as the 1962 program authorized last year.

For the soil and water conservation programs administered by the Soil Conservation Service, a total of $187,910,000 is recommended in the bill. This is an increase of $9,632,000 over 1962 for these important conservation activities.

CREDIT PROGRAMS

The committee recommends loan authorizations totaling $340 million for the lending programs administered by the Farmers Home Administration under the "direct loan account" authorized in the Agricultural Appropriation Act, 1961. An authorization of $290 million is provided for farm operating loans, which is $15 million over the budget request and carried in the bill as it came from the other body. An authorization of $50 million is carried for real estate loans, of which $40 million is for farm ownership loans and $10 million for soil and water conservation loans.

For the programs administered by the Rural Electrification Administration a total of $480 million authorization is provided, of which $100 million is placed in a contingency reserve. These authorizations are the full amount and as requested in the revised budget.

The committee has, however, been concerned about the controversy which has developed with regard to generation and transmission loans, and has suggested that the Committee on Agriculture and Forestry may wish to carefully reexamine this aspect of the program.

UTILIZATION RESEARCH

Madam President, at this point I wish to make a statement with particular regard to the $25 million increase in the utilization research work. We in this country today occupy a very unusual position, because, Madam President, throughout all of human history mankind has been compeled to wage a constant struggle to produce sufficient food and fiber to assure his existence. Ours is the only civilization known to man that has been faced over a period of years with the serious problem of dealing with more food than our people can eat and more fiber than they can utilize for clothing.

One of the great miracles of the present era has been the record increase of production with fewer hands at work by American agriculture.

Our production has been so great that we have been the breadbasket for hungry people of almost every country, both old and new, in every conceivable corner of the globe.

Despite the fact that we have given or sold for soft currencies—which are of little practical value to us—many billions of dollars of food and fiber, we are still confronted with tremendous surpluses.

The program of disposal has been costly. Nearly a billion dollars has been expended on freight charges alone—to transport these vast quantities of food and fiber, to deliver them to their recipients all over the world. We are paying almost $2 million each and every day for storage costs.

This record production by less than 10 percent of our people is a great tribute to the magnificent work that has been done in the field of production research since the establishment of the Department of Agriculture.

The problems of surpluses did not become so serious until comparatively recent years and research designed to provide for the utilization of these surpluses has lagged far behind the research in improved production.

The utilization research program of the Department of Agriculture has been limited but, with the means at its disposal, it has done a splendid job in discovering new methods of using our surplus production for the benefit of all of our citizens.

The committee has sought to find an answer that would at least in part, solve the problem of what to do with all of these surplus agricultural products.

We have recommended an increase of $25 million for the initiation of an accelerated research program to develop new uses for agricultural commodities. We must find some means, other than almost forcing these commodities upon the people of other lands, without any return in tax dollars. We must turn some of these tax-purchased surpluses into commodities for the use and benefit of the American people. The $25 million sought is minute indeed when compared with the total spent and lost by the Government in the last 10 years in handling surplus commodities.

This appropriation increase would be used, with wide discretion by the Secretary of Agriculture, for accelerating utilization research through agreements and contracts with private organizations and firms, to improve and construct research facilities as needed, and to take such other steps as may be necessary to carry out a greatly intensified research program.

One of the best solutions at hand for our problems of mounting surpluses is to begin and begin at once this faster paced program of utilization research to develop and determine the means by which the people of this country can enjoy the cornucopia of prosperity which is ours because of the ingenuity, aggressiveness, and determination of our farmers and of our blessed land.

We all recognize that we live in an age of science. American agriculture—the most productive and efficient in the world—is a product of our scientific development.

Our farm abundance today is based squarely on the results of a hundred years of farm production research. This research has given us the great variety and high quality of our agricultural products. Because of research, less than one-tenth of our total labor force, working on the land, can feed all our people. Largely because of farm production research, the average family in this country enjoys a varied and healthful diet at a cost of only about one-fifth of the family's take-home pay.

But research to find new uses and wider markets for our agricultural abundance—what we call utilization research—has lagged far behind the production research that has made our abundance possible.

Utilization research did not begin in earnest until about 1940—or some 80 years after the need for farm production research was recognized through the establishment of the Department of Agriculture and the land-grant colleges. Over the last 20 years, utilization research, to find new uses and wider markets for farm products, has received only a fraction of the support which we have continued to give to production research.

I am not critical of the success of our production research. Without the means found to reduce costs of production, American agriculture would have been destroyed. But the success we have achieved in production research demonstrates the importance of increasing our search for new uses for farm products. The reasons for this are twofold:

First, though only limited effort has been devoted so far to utilization research, it has clearly demonstrated its value. The benefits of this research to the Nation have already far exceeded its cost.

Second, our scientists engaged in this effort clearly see opportunities that additional utilization research can exploit for the benefit of the national economy and all our people.

During two decades of operation, utilization research by the Department of Agriculture added more than $2.5 billions in value to farm commodities of many kinds, at a cost in Federal funds of less than $200 million. This means that each dollar of utilization research over the past 20 years yielded an average of $15 in benefits to the economy. In the last few years, moreover, the techniques of utilization research have been improved and the new knowledge developed has gained wider and more rapid application. As a result, the benefit-cost ratio has also improved. In the period 1956 to 1960, for example, benefits amounted to $25 for each dollar spent for research.

This increased rate of return has occurred in spite of the rising cost per man-year of research. But, as with other kinds of research, benefits tend to multiply as the storehouse of scientific and technological information is accumulated. Further improvements in the benefit-cost ratio of utilization research can be expected.

Let us examine in a bit more detail just what some of the specific benefits of this research have been, and then explore briefly some of the promising possibilities that lie ahead.

First, we might consider the markets for vegetable and animal fats and oils. These are farm products important in every section of the country.

Our total market for fats and oils amounts to about 18 billion pounds. Nearly half of this—8.6 billion pounds—is in foods. About a fifth—3.5 billion pounds—is in industrial products. More than a fourth—5.2 billion pounds—of all our fats and oils is exported.

What has utilization research done for fats and oils? Soybeans will give us part of the answer. The improvement in flavor and stability of soybean oil through research has led to expanded food uses worth about $46 million annually. As a result, soybeans have replaced surplus grain and cotton on some 27 million acres of cropland.

Development of ways to use inedible fats in animal feeds has created a new market for 700 million pounds of surplus fats each year, worth about $45 million annually.

Development of new and improved industrial products from various seed oils has increased annual sales of vegetable oil by $18 million. In addition, this research has given consumers many useful new products, such as more durable and flexible sheet plastics, new foam plastics made from castor oil, and new linseed oil-water emulsion paints that are easier to apply and give a longer-lasting finish.

Utilization research has also developed new outlets for animal fats, in a number of industrial processes. These include improved oleic-acid products for better vinyl plastics, stearic acid for use in rubber manufacture, improved tallow derivatives for tinning processes and cold rolling of steel. In total, animal fat markets have been increased by about $16 million a year.

All together, benefits to fats and oils from utilization research amount to at least $125 million in additional sales.

We have scarcely scratched the surface in exploring wider and more varied uses of large quantities of fats produced on our farms.

Some of the benefits, which have substantial dollar value but cannot be precisely calculated, are not included in this total. They include the development of improved high-protein cottonseed and soybean oil meals, needed by our growing livestock and poultry industries, and a variety of new, high-quality food products from fats and oils, now available to consumers at low cost.

A number of us are especially concerned about what utilization research has done for cotton. This is a story of accomplishment that benefits not only cotton farmers in my State and others, but also consumers in every State.

Utilization research at the Department of Agriculture Laboratory in New Orleans laid much of the groundwork for the cotton industry's development of wash-and-wear fabrics. Recent improvements in these fabrics are also products of the creative research by Federal scientists at New Orleans.

In addition, they have developed many other new cotton products and new ways of using cotton. These include an all-cotton elastic bandage; new flame-resistant fabrics for both military and civilian use; heat-resistant fabrics for ironing-board covers; and more durable shade cloth used to grow thousands of acres of fine tobacco.

USDA scientists have also made many contributions to improved textile machinery that help cotton compete as a raw material in our textile mills with manmade fibers—and give consumers better products.

In 1960, we used about 23.5 pounds of cotton per person in this country. But we know, from long-term market trends, that if utilization research had not developed wash-wear cottons and other new products I have mentioned, per capita disappearance of cotton in this country would have declined to 20.5 pounds—or 3 pounds less than the actual figure.

In other words, utilization research created additional uses for cotton totaling more than a million bales a year. It slowed down the decline in cotton's markets in the face of competition from synthetics. And it shows high promise of halting the decline, or perhaps even reversing it. That is important for cotton farmers, of course. It is also important for consumers—because the final result is improved cotton products of all kinds.

Besides expanding industrial, nonfood markets for things the farmer grows, utilization research has had many notable successes in developing new food products, which have provided more income for farmers and new products for consumers.

In frozen foods alone, the contributions of utilization research have increased sales by an aggregate of some $765 million a year.

How many people who enjoyed frozen concentrated orange juice at the breakfast table this morning realize that this product was created through research supported by their tax dollars?

The high quality of our frozen foods today is in large part a result of intensive research by Department of Agriculture scientists which established the procedures necessary to insure farm-fresh quality in the product as frozen and to maintain that quality through distribution channels.

Utilization research has developed new methods and new equipment to improve the quality and variety of frozen fruits and vegetables, frozen poultry, and precooked frozen foods of many kinds.

To farmers, this work has meant additional markets for perishable crops. To consumers, it means better nutrition through retention of vitamins in frozen products and a more varied diet because of year-round availability of a wide variety of foods. The convenience of frozen foods has lightened the work of homemakers throughout the country.

For the economy as a whole, utilization research on frozen foods as contributed to the establishment of more than 1,200 new processing establishments, mostly small and located in rural areas. And it has aided also in expanding frozen-food exports, which are now worth $77 million a year and are rapidly increasing.

Research on dehydrated foods has also proved highly worthwhile. New sales of dehydrated products made possible by utilization research amount to $150 million a year.

Developments responsible for this expanded market for fruits and vegetables include new fruit-juice powders; high-moisture dehydrated prunes and figs; more efficient methods of drying vegetables and fruit juices; improved dried eggs that retain their excellent flavor in storage; and improvements in the technology of producing nonfat dry milk and using this product in bread.

Among the most successful research developments in this field are dehydrated potato flakes and improvements in the processing of potato granules and other potato products. Through these developments, utilization research has virtually halted the trend toward lower per capita consumption of potatoes.

The accomplishments I have mentioned are only a few of those made by Department of Agriculture scientists engaged in utilization research. There are many others. Worth special mention are developments that contribute greatly to our national readiness in the face of possible emergency. They include:

A method, for use when needed, of removing radioactive strontium 90 from milk;

Nutritious and tasty wheat wafers for use as emergency rations in fallout shelters;

Many contributions in the field of pharmaceuticals, including development of mass-production methods that first made penicillin generally available, and dextran, a storable synthetic blood plasma extender, already in our emergency stockpile.

But what of the future? What can we expect of an accelerated program of utilization research? What are the unrealized opportunities today for developing new markets, here at home, for our agricultural surpluses?

The first great opportunity lies in wider industrial uses for cereal grains. Our utilization research scientists see real possibilities, for example, in diverting 170 million bushels of cereal grains from feed and food uses to new industrial uses.

They are already finding out that new materials derived from grains can be used by our great paper industry to add both wet and dry strength where needed in paper products at competitive prices. They are well along in developing a new type of corn that yields a now-rare starch valuable for use in a great variety of films, fibers, plastics, coatings, and other products. They are developing new adhesives from starch with better water resistance, greater holding power, and other desirable properties. Through grain fermentation they are creating entirely new organic chemicals needed by industry in a wide variety of processes.

If these and other developments can be pursued aggressively, they could take the harvest from more than 3 million acres of cereal grains and reduce the average annual addition to feed-grain carryover stocks by 60 percent.

Increases in food uses for wheat are another possibility foreseen by our utilization research scientists. They are working to preserve and accentuate the flavor and aroma of freshly baked bread in baking processes, and to develop new and more attractive wheat foods through the process known as "air classification" of wheat flour. Both of these developments could increase markets here at home for wheat.

Other developments could help us expand export markets for wheat, both to dollar-market countries and to low-income areas. These include new methods of obtaining strong bread doughs without additives and new low-cost wheat foods such as bulgur, pearled wheat, fermented wheat products, and meat-like foods from wheat.

Wheat is actually a cheap source of calories. At $2.08 a bushel, it provides 425 calories for 1 cent. Making wheat products more attractive can benefit consumers both here and abroad.

How about the potential benefits to cotton growers and cotton consumers from utilization research?

Market studies show that consumers want greater resilience and strength in cotton products; they want cotton garments that truly require no ironing at all; they want cottons with luster for some uses and cottons that better resist soiling and staining. All these attributes, our scientists believe, can be built into cotton through chemical modification of the fiber or the fabric—but it will take a lot more research to make this possible.

However, if just these improvements can be made in cotton goods it will add at least another million bales a year to the demand for cotton.

Similar prospects are in sight for oilseeds and for a variety of animal products.

Development of a stable, full-flavored, dry whole milk could so decrease milk costs to consumers that it might well increase our use of milk by 10 percent—providing new markets worth $1 billion.

New frozen, dehydrated, or processed meat and poultry products would lower the retail price and boost consumption of meat and poultry. This could increase the demand for feed grains by an amount equal to 240 million bushels of corn a year—more than the annual addition to our feed grain stocks.

Other gains by our livestock industry are possible through increased research on hides and leather and on both edible and inedible fats.

The accomplishments of utilization research so far have been impressive. The opportunities for further achievement are even greater. But you have another question—Why must this kind of research be done by the Federal Government? I believe I can give you a good answer.

Our industries that are concerned in one way or another with agriculture together with the Department of Agriculture and the State have each contributed to research progress in agricultural experiment stations production. But the effort in utilization research has been almost exclusively a Federal effort. I believe it must continue to be so. The reasons are simple.

The State agricultural experiment stations are not in a position to support utilization research on a large scale, because the problems of this research do not vary from one State to another—they concern the development of nationwide markets for farm products.

Industry cannot be expected to increase appreciably its research to find new uses for farm products, because industry's main interest is in markets for its own products, not markets for the farmer.

The farmer produces raw materials. Industry will use farm-grown materials, or materials produced in a factory, a mine, or an oil well, depending on their suitability for particular purposes and on their price.

The Federal Government is the only agency interested in and capable of taking on the job of making farm products more appealing to industry as raw materials. The Department of Agriculture must bear most of the load in utilization research. That is the main reason we must expand the program in this field.

Madam President, the problems facing agriculture in this country today fall into four main categories. Agriculture has problems of underconsumption. It has problems that involve the conservation and wise use of agricultural resources and the abundance that flows from them. And it has problems that can be solved only by creating increased opportunities for our farm and rural people.

The kind of research I have been talking about—utilization research—is making a direct attack on agriculture's problems in all of these three major areas.

The fourth category of agricultural problems are those that result from overproduction of farm commodities. Utilization research does not reduce farm production, but it is finding new and wider uses for farm products. The very existence of overproduction—of surplus goods we have not yet learned how to us economically and effectively—seems to me one of the best of all reasons for launching an aggressive, accelerated program of utilization research.

Mr. CURTIS. Madam President, will the distinguished Senator from Georgia yield at this time, or does he prefer to yield later?

Mr. RUSSELL. I am glad to yield now.

Mr. CURTIS. I wish to commend the distinguished Senator from Georgia for the intelligent and generous attention he has given this subject. My commendation also goes to the other members of the subcommittee, including the distinguished Senator from South Dakota [Mr. MUNDT] and the distinguished Senator from North Dakota [Mr. YOUNG], who likewise have been very much interested in this subject.

Mr. RUSSELL. If the Senator will indulge me, there is nothing new in the suggestion about utilization research. The Senator from Indiana [Mr. CAPEHART] some years ago proposed legislation in this area. While the sum of $25 million is perhaps as much as can be properly utilized in 1 year, I consider this as one step in an essential program in this area.

Mr. CURTIS. I agree with the Senator.

I shall not take a great deal of his time, but I wanted to make another observation or two. I think this is very important. I believe if we began with the legislative history of the establishment of some of our laboratories, we would find even at that time this program was envisioned. A few years ago, the President, pursuant to an act of Congress, established a bipartisan commission to make recommendations along this line.

Mr. YOUNG of North Dakota. Madam President, will the Senator yield?

Mr. CURTIS. I yield.

Mr. YOUNG of North Dakota. The Senator from Nebraska was the chief sponsor of that legislation.

Mr. CURTIS. There were quite a few interested in it.

Mr. RUSSELL. The Senator from Nebraska has been a voice crying in the wilderness for several years——

Mr. CURTIS. I think it was not a wilderness, so far as the distinguished Senator from Georgia is concerned. But that commission was an unusual commission. We gave them $100,000. They returned about 40 percent of it. Most of the people who served on it volunteered their services. They charted a course, a dreamer's course; yet the Commission was made up of practical men. They found that the problem of surpluses can best be reached by finding greater uses for the surpluses.

I commend the committee for what it has done about it in the bill, and express the hope that, in due time, the full program as envisioned by the Welsh Commission can be gotten underway.

If I may, I wish to stress two points that I think merit the consideration of the Congress in the days that lie ahead. One is that we must have a utilization of the research. It is easy to provide the laboratories and get the scientists and scholars there, but we must use the research that has been developed. I am not too sure but that there have already been gains made in the laboratories that could be utilized but have not been used.

That leads me to the second suggestion I have. We spend a great deal of money on subsidizing transportation, export subsidies, through foreign aid. The Secretary of Agriculture estimates we are spending $1.9 billion a year in subsidizing exports. I would like to see a change in the substantive law so the Commodity Credit Corporation could sell surplus stocks at a lower price equivalent to the export subsidy under regulations and requirements that would assure that those stocks did not get back into channels of food or beverages or food for animals.

In other words, I believe there are many industries that are ready to go ahead and use surpluses and, through the magic of chemistry, make other products out of them, but they cannot start an infant industry of that kind and buy the stocks of the Commodity Credit Corporation at the prices the law requires that they be sold for.

We should extend to industrial users the same opportunity to buy at a lower price as we do to foreign importers. I think this would greatly enhance the program and bring gratifying results in a short while.

I did not intend to take so much of the time of the Senator from Georgia. I thank him for yielding to me.

Mr. RUSSELL. I wish to congratulate the Senator from Nebraska for the great contribution he has made in this area. When I said a few minutes ago that he was a voice crying in the wilderness, he cut me off before I could say "for many years," because the Senator, for 2 or 3 years here, endeavored to get his resolution through. It was finally trimmed down to a certain extent, as I recall, but was finally enacted. I was happy to be among those who supported the Senator's efforts. The Senator from Nebraska has made great contributions in this area.

All he has said is completely true. The net expenditures under Commodity Credit Corporation from 1952 through 1961 amounted to $26,238 million.

As of the time these data were compiled, we also had on hand an inventory of $4,300 million.

So this is a problem which we must attack in an effort to get some value for the American taxpayers for the dollars that have gone into the program. We have increased our production enormously, and are now the breadbasket of the world, and people everywhere look to us. I was amazed to read an article wherein it was stated that one of our long-time friends overseas issued an official pronouncement to its farmers and told them not to plant any wheat, that it was not necessary, because they could get all the wheat they needed to feed in that country under the Public Law 480 program.

During the Punta del Este meeting, when we undertook to get a common front against communism in this hemisphere, when our Secretary was there, and also some of our distinguished colleagues, including the senior Senator from Iowa [Mr. HICKENLOOPER], and the Senator from Oregon and others, one of the larger nations of the Western Hemisphere said we ought not to press them so hard to join in a denunciation of communism, because they had made a great contribution to this country; they had consumed more of our agricultural production than anyone else in this hemisphere. They had done more than they could be expected to do for the United States.

This is a problem of endeavoring to see that the American people receive some value for these commodities. They have great value, we know, in sustaining life, but there are innumerable avenues that might be opened up in the field of chemistry, as well as in the diet, that would consume tremendous quantities of these commodities, particularly fats and grains.

Mr. CURTIS. I agree with the Senator. I commend him for his interest and for the services he has rendered.

Mr. MUNDT. Madam President, will the Senator yield on that point?

Mr. RUSSELL. I am glad to yield to the Senator from South Dakota, who has been a pioneer in this field.

Mr. MUNDT. I may say that I think the Senate as a whole will realize, as we go into this bill, that the $25 million which has been appropriated now for industrial research, from the standpoint of getting our agricultural products used industrially, will probably prove to be the cheapest investment that has ever been made for the solution of the farm problem, because this is a permanent program. This is something that works against the surpluses we now have and works against the potential surpluses that we have the capacity to produce.

If it evolves as the members of the subcommittee hope it will evolve, it will mean we can talk to farmers in terms of doing their most efficient job of utilizing their acres to produce the maximum of their optimum yields of crops, instead of devising ways for them to reduce their crops and charging the cost of that back to the taxpayers.

The Senator from Georgia has been most constructive in his approach to this subject. We shall have, as title V of the agriculture bill, which passed this body earlier in the week, an elaborate mechanism established which, if it is included in whatever final legislation is passed, would provide meticulous guidelines for the utilization of this $25 million and would provide also a need, and a reasonable one, for an additional appropriation. If this does not carry through and if title V is lost someplace in the shuffle, or if there is no farm bill acceptable to the Congress, the $25 million would go far toward meeting the first point made by the Senator from Nebraska; that is, to provide utilization of the research already made, as well as to stimulate, by private contract and otherwise, new utilization in this field.

I think there is merit in the suggestion that Commodity Credit Corporation stocks which are now costing large sums annually for storage might well be sold at reduced prices to industrial concerns and research groups who will agree to utilize those surplus stocks solely in trying to open up industrial markets for farm production.

In this field we are moving in an imaginative and in a practical manner toward a permanent solution to the farm problem. It has been a joy and a privilege to work with the Senator from Georgia and the subcommittee in moving in this direction.

Mr. RUSSELL. I thank the Senator. He has been one of the pioneers and principal movers in this area.

Mr. HOLLAND. Madam President, will the Senator yield?

Mr. RUSSELL. I am glad to yield to the Senator from Florida.

Mr. HOLLAND. I wish to commend, most heartily, the fine service rendered by the distinguished Senator from Georgia. I am particularly happy in regard to three items in the research recommendations of the committee, which happen to affect my State, but all of which affect other States as well.

The first of those items is the $100,000 to overcome the cause of varietal decline affecting production in the three major sugarcane producing areas; that is, Louisiana, Hawaii, and Florida. This is supported, as the Senator knows, by the Senators from all of those States. I think it is a fine step. I think our recent experiences in connection with sugar supply problems indicate the need for knowing more about how we may produce more economically on our domestic sugar lands.

The second item is the $100,000 for the expansion of the citrus breeding research, which is likewise supported by the Senators from California, Arizona, Texas, and Florida, the principal citrus producing States. I think this will bring forth vast returns for every dollar expended.

The third item is the $100,000 to accelerate the research program to develop mechanical harvesting aids for citrus. Again, this is supported strongly by all the citrus producing areas. As the trees are getting larger and the supply of domestic people who are willing to handle the heavy ladders involved is getting smaller and smaller, we are finding this a more grave problem year after year.

I certainly commend the Senator for his recommendations and for including these items in the bill.

I wish to say also that the allowance of the full budget estimate covering the quarantine inspections at ports of entry is, I think, exceedingly important.

We have recently suffered another infestation of Mediterranean fruit fly, as the Senator knows, which was caught early, and, I hope, is being eradicated speedily. We shall have to face additional hazards in this field, as the screwworm is eradicated in the southwest. As the Senator knows, we have embarked on a large program there. It will require constant vigilance along the whole southwest border to prevent the reinfestation of that whole important area in livestock breeding, from Mexico.

There are so many other items which are of great importance that I feel I could not name them all, but I wish to commend the distinguished Senator particularly upon his having insisted in this bill upon our going ahead with the eradication of hog cholera. We have been toying with control measures, as the Senator knows, for years; spending millions and millions of dollars at the expense of the States, of the Federal Government and of the producers. The problem has become more widespread, if possible, rather than less, due to that temporizing tactic.

There are so many things which I think the Senator has recommended which are essentially wise and which will pay off tremendously in dollars and cents that I cannot say with sufficient force that I feel the Senator is rendering great service in the careful way he goes into all the problems of agriculture involved in this bill and comes to the Senate with a measure which affects agricultural producers literally from one end of the Nation to the other in every one of their important and difficult problems.

I cannot begin sufficiently to express my own gratitude to the distinguished Senator for the careful and methodical way in which he handles the bill. I thank the Senator.

Mr. RUSSELL. I am very grateful indeed for the Senator's very high opinion. I must, however, in common honesty, state that I have an unusually able subcommittee composed of Senators who have been interested in agriculture throughout their lives. Many of them have farm backgrounds. Many came up as boys close to the problems of the soil and of agriculture. With a committee of this kind, with all members interested, as each and every one is, in wide areas of agricultural life, the Senator from Georgia is compelled to give close scrutiny to a large number of items to keep up with the other members of the committee. I have a strong committee, for which I am very grateful.

Mr. YOUNG of North Dakota. Madam President, will the Senator yield?

Mr. RUSSELL. I yield to the Senator from North Dakota.

Mr. YOUNG of North Dakota. The Senator mentioned awhile ago that when the Republicans were in control of the Senate the senior Senator from North Dakota was chairman of the subcommittee of the Committee on Appropriations which dealt with agriculture. That has been a long while ago, since the Republicans were in control of the Senate. I am one of those who hope that Republicans will again in my time control the Senate, but not for the reason of displacing the distinguished Senator from Georgia as chairman of this subcommittee. Even if the Republicans were in control of the Senate I should be perfectly happy to have the Senator continue as chairman of the subcommittee. He has made a great record. No one in the Congress renders better service in handling this appropriation, not only with respect to taking care of the needs of agriculture, but also with regard to keeping the appropriations within bounds.

Mr. RUSSELL. Let me sincerely thank my distinguished friend. I will say that no observer from outside the Congress could sit in the committee room and detect the party membership of any member of the subcommittee. I have never seen the slightest effect of partisan influence or any reference to partisan predilections on the part of any member of this subcommittee.

Mr. YOUNG of North Dakota. That is certainly true.

I should like to invite the Senator's attention to the language in the report, in the second paragraph at the top of page 14, which is:

> The committee recognizes the savings to producers which can be made through transporting grain in larger boxcars and even in covered gondola cars. It recognizes, however, the difficulty in securing adequate and representative grain samples from these cars. The development of an improved sampling technique is essential to the extensive use of improved grain transportation facilities. The committee recommends that, within the funds provided for fiscal year 1963, some effort be devoted to testing various grain sampling devices.

This has become quite a problem in our area, and I think over most of the United States. The Southern Railway has developed a much larger boxcar made of aluminum, having the same overall weight. However, the car would carry 3,500 bushels as compared to the capacity of the cars in my area, which carry 2,000 bushels. Even with the cars we have had for years the sampling system has not been very good. For example, the probing device used in grain never reaches the bottom. It has presented many problems.

We believe that through research we can develop a better system. I was very happy to read the language in the report, which I believe indicates that we will go a long way toward getting the kind of research we need. During the presentation before the committee. I requested $20,000 for that purpose. Does the chairman believe that with the deletion of that amount there will be any curtailment of the necessary research in that field?

Mr. RUSSELL. No. It is my information that that amount is about what would be required to carry out the necessary research. It will be taken from funds that have been appropriated for research purposes.

Mr. YOUNG of North Dakota. Then adequate research will be carried on?

Mr. RUSSELL. As the Senator well knows, generally the Department of Agriculture responds very well to requests of the committee in the committee report. I have every reason to believe that research will be carried out as directed in the item which the Senator has read. If not, Congress will be back in January and can consider the situation then.

Mr. YOUNG of North Dakota. I thank the Senator.

Mr. MUNDT. Madam President, will the Senator yield?

Mr. RUSSELL. I am glad to yield to the Senator from South Dakota, who has been an able and active member of the subcommittee.

Mr. MUNDT. I thank the chairman. I invite attention to another paragraph, under the title "Limitation on Administrative Expenses," on page 24 of the report, which I should like to read:

> The committee has received complaints about the handling of storage in privately owned warehouses. The Department is requested to take the necessary steps to distribute these warehoused surplus commodities equitably among the grain-producing States, where such action can be taken without incurring additional cost to the Government.

As our chairman recalls, I opposed that paragraph in our committee deliberations. I raised some questions about it, because to me it was not clear exactly what instructions we were delivering to the Department of Agriculture. My reason for opposing the paragraph was that it seemed to hint a little at an amendment, called the Yates amendment, which came to us at one time from the House, and which we summarily rejected. The House concurred in that action. While the paragraph does not in any way resemble the language of the Yates amendment, its ambiguity and vagueness disturbed me. I have received a great many inquiries from other Senators who were interested in the Yates amendment fight, from farmers who raise and store grain on their own farms, and from operators of privately owned and cooperative elevators, which play such an important part in the economy of the Midwest.

In order to clarify the record, I point out that the language of the committee does not anticipate a change in the Department policy of leaving grain in storage as close to the producing areas as possible, or so I interpret it. I should like to have that type of affirmation and confirmation from the chairman, if he interprets it in the same way.

Mr. RUSSELL. I do not think the amendment is in anywise related to the Yates amendment. I should be able to recall the Yates amendment, because I received telegrams by the bushel about it. As I recall, the Yates amendment provided that we should utilize all the Government-owned warehouses and fill them before privately owned warehouses were utilized.

Mr. MUNDT. The Senator's memory is excellent, as usual.

Mr. RUSSELL. I do not think that is a part of the problem. It has been more of an issue between shipping points and other sections with respect to the grain that was in transit, as I understood the matter. The distinguished Senator from Oklahoma [Mr. MONRONEY] was active in presenting the subject to the committee. He is one of those who filed the complaints referred to in the first line of the item. I had understood from his statement in the committee that the paragraph related primarily to grains in transit to ports of shipment.

Mr. MONRONEY. Madam President, will the Senator yield?

Mr. RUSSELL. I yield.

Mr. MONRONEY. The Senator is exactly correct. The paragraph deals strictly with privately owned warehouses. When we were overrun wtih wheat and the Nation's warehouses were full and had to be emptied to make way for the new crop. there was no place to store wheat except in mothballed ships, in Army cantonments, or in abandoned factories. At the urging of the Government, a group in the eastern half of Oklahoma and in the western half of Arkansas constructed at their own expense modern concrete storage to take care of grain being moved toward terminal warehouses.

As the Senator well knows, pressure on our warehouse space has materially lessened. The storage was built with the encouragement of the Commodity Credit Corporation.

While there was no guarantee of perpetually filling it, modern, durable, usable storage was constructed to replace oil tank farms, ordnance works, and various other places in which the grain would otherwise have had to be stored.

Unfortunately, as the amount of grain stored decreased by 4 percent of our stocks, the authorities in the CCC office at Dallas shipped 25 million bushels of grain out of eastern Oklahoma and western Arkansas storage. The shipment occurred between October 1961, and May 1962. That action was claimed to result from the need to move the grain to terminal warehouses. Actually the grain was not going to a port. It was going to inland terminals, most of which are located at Fort Worth, Tex., or other inland places, and are designated, as the Senator well knows, class 9 warehouses. Warehouses to which I have referred are class 8 warehouses, which do not furnish the official weights and grades, but serve as intermediate storage between the terminal at the port and the country storage.

The only purpose of the statement is, because of the near bankruptcy which those warehousemen are facing, to admonish the Department that more equitable distribution among the grain-producing States is desired.

The statement does not order the Department to do anything more. But I do not think it is quite right to empty the warehouses of one State in order to fill the warehouses of another State when both facilities are in line of transit, and delivery to a port is no more speeded up than it would be if the grain were left where it was.

A great deal of grain storage will not be utilized. Commodity Credit Corporation utilization of the facilities in Oklahoma is 34.93 percent of our grain storage capacity.

Nebraska, with twice as much storage space as ours, has twice the percentage of space full, which makes about four times as much wheat stored in Nebraska. The warehouses are 66.8 percent full.

Kansas warehouses, which have approximately four times as much storage space as those in Oklahoma, are 67.21 percent full.

In Texas, which raises a very much smaller amount of wheat, but has built a great amount of storage space, some of it completed since the Oklahoma storage space was built to supply the needs, the warehouses are 63.91 percent full as compared to Oklahoma's figure of 34.93 percent.

We feel there should be some equity. I appreciate the committee's taking the necessary time to hear us and its advising the Commodity Credit Corporation that if the cost is no greater, it should utilize storage on an equitable basis among the grain-producing States.

Mr. MUNDT. I am happy to have the explanation of the Senator from Oklahoma in the RECORD. It is much more informative than the brief language in the committee report. Let us pinpoint these specific facts. As I understand, the Senator from Oklahoma, first of all, states that there is nothing in the committee report which would move in the direction of taking grain from private storage and putting it into public storage.

Mr. MONRONEY. Absolutely not. The purpose of the amendment is to try to keep these poor men from going bankrupt. They are in private storage, and I hope that they will be able to share equitably in the private storage and receive some of the benefits.

Mr. MUNDT. The second point is that there is nothing in the language which would move in the direction of eliminating present Department of Agriculture policy to store where they can, the grain on the farm where it is raised, if the farmer has the necessary facilities.

Mr. MONRONEY. That is correct.

Mr. MUNDT. If he does not have the facilities to store it, to store it in the immediate vicinity until the local storehouses and elevators are filled. What the Senator is trying to do relates to the next step, moving it out into transit.

Mr. MONRONEY. Intermediate.

Mr. MUNDT. Toward some ultimate seashore terminal; and the Senator wants equitable treatment in that regard.

Mr. MONRONEY. Yes.

Mr. MUNDT. Where there is no additional cost involved.

Mr. MONRONEY. Where there is no additional cost. It must move just as cheaply in line of transit as it would through other routings.

Mr. MUNDT. It appears that the Senator from South Dakota was one of the pioneers in supporting what the Senator is asking, because during the Billie Sol Estes hearings I put into the record the fact that there were comparatively large empty services in eastern Oklahoma and southeastern Oklahoma which were not being utilized, whereas the grain was being shipped into western Texas. I put into the record figures to show that there were, surprisingly enough, elevators in Oklahoma much closer to Texas ports than the transit elevators of west Texas. There may be other reasons why these elevators in west Texas were used. Our committee has spent months in trying to find out, and we are not in a position yet to make a report.

I find no complaint with the amendment, now that we have had this legislative history made in the RECORD. It ought to obviate any misunderstanding about it.

Mr. MONRONEY. The Senator has described my amendment perfectly. I am grateful to him for giving me a chance to amplify what had of necessity to be briefly described in the committee report. I appreciate the fact that the chairman has given me an opportunity to describe this inequitable situation in Oklahoma.

Mr. AIKEN. Madam President, will the Senator yield?

Mr. RUSSELL. I yield.

Mr. AIKEN. The Senator from Oklahoma has been discussing the storage situation as it relates to wheat. Absolutely the same situation relates to other grains. People who raise corn have been wondering where the big surplus of corn was, because, they say, "our elevators are empty, and our storage bins are empty. Therefore, we wonder where the surplus is."

Obviously, if it is in the pipeline, it is not in surplus. If it is on the way to the market somewhere, it is not in surplus. It seems to me that it would be a good idea if a committee would look into the situation, or if we had the General Accounting Office look into the situation and make an accurate survey of just what we do have in this country in the way of grain and how much, if any of it, is in surplus.

The complaint which comes from the Senator from Oklahoma is common in other parts of the country too.

Mr. MONRONEY. I was willing to accept the record when I was told that the Oklahoma warehouses were empty because they sold so much grain. However, when I got the figure, I found that there was only a 4-percent reduction in volume of stocks and that 25 million bushels had been moved out of the elevators. It was then I found it was piling up in Texas, in warehouses that had been built much later—by a year or two—than the other elevators that were being emptied out, and which were not as close to line of transit.

Mr. AIKEN. I had a call from a Midwestern operator who wanted to know whom to see at the Department of Agriculture in regard to the storage of grain. I told him whom to see. I forget who it was now, but he saw them, and then reported back to me to say that they had told him they had storage running out of their ears, and they did not need any more.

Mr. HUMPHREY. Madam President, will the Senator yield?

Mr. RUSSELL. I wish to say to the distinguished Senator from Vermont that with respect to his suggested inquiry, perhaps it would be more appropriate to have such an inquiry conducted by the Government Operations Committee or by the Standing Committee on Agriculture and Forestry. They have general oversight in these matters, which is not the fact with respect to the Agricultural Department Appropriations Subcommittee.

Mr. AIKEN. The Government Operations Committee, with the assistance of the General Accounting Office, could make a complete survey, and they could find out just what the situation is with respect to any surplus, and where it is.

Mr. HUMPHREY. Madam President, will the Senator yield?

Mr. RUSSELL. I yield.

Mr. HUMPHREY. I wish to have the attention of the Senator from Oklahoma, particularly, if I may, because I was equally disturbed about this particular paragraph in the report, and as to what its meaning might be, and how it might be interpreted by the attorneys for the Department of Agriculture and by the officials of the Department.

I understand now that what the Senator is talking about is that there will be no discriminatory treatment.

Mr. MONRONEY. The Senator is correct.

Mr. HUMPHREY. With reference to privately owned facilities that is.

Mr. MONRONEY. Against privately owned facilities.

Mr. HUMPHREY. On two occasions I have offered an amendment, and both times the Senate adopted the amendment, which reaffirmed in the Senate the sense of Congress as it relates to the policies of the Commodity Credit Corporation. That amendment read:

> Congress hereby reaffirms its long-standing policy concerning the use by governmental agencies of the usual and customary channels, facilities, and arrangements of trade and commerce, and directs the Secretary of Agriculture and the Commodity Credit Corporation, to the maximum extent practicable, to adopt policies and procedures designed to minimize the acquisition of stocks by the Commodity Credit Corporation and to encourage orderly marketing of farm commodities through private competitive trade channels, both cooperative and noncooperative, and to obtain maximum returns in the marketplace for the producers and the Commodity Credit Corporation.

This is a directive from Congress. I wanted to make sure that the language in the report did not run in contradiction to what was a directive in the law, that the Commodity Credit Corporation shall encourage orderly marketing of farm commodities through private competitive trade channels, both cooperative and noncooperative.

In other words, we are not going to bypass the established facilities and put Government-owned stocks strictly into Government-owned facilities; rather as I understand it, the Senator from Oklahoma seeks to have the Commodity Credit Corporation operate efficiently and at as low a cost as it can within the terms of the charter of the Commodity Credit Corporation.

Mr. MONRONEY. Yes, we stated that the cost to the Government should not be increased.

Mr. HUMPHREY. Which charter, by the way, does not give the Commodity Credit Corporation the power to take over the agriculture of this country and the warehousing of agricultural commodities, but which power is directed toward supplementing the agricultural programs of this Nation rather than supplanting them.

I hope we have a clear-cut understanding on the basis of what has taken place here. First of all, do I understand that the Senator concurs in the Government's policy of trying to warehouse this grain as close to its point of origin as possible?

Mr. MONRONEY. The Senator is correct. There is no effort being made by this language to change the pattern. It is the intermediate warehouse for which we seek a degree of fairness in treatment. As the Senator knows, as the grain moves from the country warehouses, it often is stopped at intermediate warehouses.

There can be all types of warehouses, including the class 9 warehouse, the large vertical warehouses that are approved to fix weights and grades. The warehouses I am speaking of are new and lower cost warehouses, and are designated as class 8. It does not have at this time facilities for weighing and grading, although the owners offered to establish them, and they do not now offer this service.

Therefore, they have been barred from handling any more grain. But they have served us well. The grain has been kept well.

But now they have emptied 20 million bushels into Texas terminal warehouses. One of the reasons why the amendment is needed is that they are in line of transit, that they are in intermediate storage, and that to use them as a stopping point between the country warehouse that is being emptied and the terminal warehouse that is being filled would require a so-called in-and-out charge of 2½ cents a bushel.

They have offered to absorb this in-and-out charge, so the Government would get this grain delivered to the terminal warehouses on the gulf coast at no additional cost to the Government.

This is the prime reason why we ran into the complaint that this might violate customary grain freight procedures. I do not think it does. I do not think the people should be denied the right to render the minimum service, absorbing the in-and-out cost, which would allow them to participate, at no additional cost to the Government.

Mr. HUMPHREY. In other words, the in-and-out charges would be absorbed.

Mr. MONRONEY. By private warehousemen, who otherwise would have been bankrupt and had no other place to which to turn.

Mr. HUMPHREY. I agree. I represent, in part, a very important agricultural State. Minnesota has terminal warehouses which are privately owned and cooperatively owned. Sometimes the terminal warehouses stand idle and unused at the head of the lakes at Duluth, Minn., and Superior, Wis. I, for one, would very much like to have the standing Committee on Agriculture and Forestry, along the lines that have been suggested, examine into the whole question of Commodity Credit Corporation policy relating to storage and warehousing of surplus grain, to the effect and for the purpose of seeing to it that the mandate of the charter of the Commodity Credit Corporation is being fulfilled, and also that the most economical and efficient methods are being used.

I do not say they are not being used. I have had questions repeatedly asked of me when I am at home to this effect: "We have noticed that a big shipment of corn left Iowa and has gone all the way to New York. Why?" I do not know why. I inquire, and someone will say, "We wanted to get it to a port where we could export it."

Well, the question then is, "How long do you leave it at the point of export? Do you want to leave it there for months or just long enough for it to be shipped out?" Those are questions which need to be asked.

A good inquiry was conducted a few years ago on the question of storage rates. As a result, considerable sums of money were saved by the Government. I think it should be known, and it has been established here today, that the Government has excess storage available to it—Government-owned storage, privately owned and constructed storage, and cooperatively owned and constructed storage. There has been much criticism of people who store grain. Some of the comments would attempt to give the impression that there has been stealing from the Government. I think the record ought to be made clear that in 1950 the Government started asking warehousemen, commercial operators, farm cooperatives, and farmers themselves to build storage. Not only were they asked to build it, but the Government urged such construction upon them as a patriotic duty. Tax inducements were given to promote such building. For years a debate was running in this country as to whether enough storage was being built and as to whether people were holding back. I remember the pictures of grain piled upon the ground in Kansas, corn lying on the ground in southern Minnesota and Iowa, wheat lying on the ground in the Dakotas. Even the newspaper critics were asking, "Why is not such building being started?"

Mr. MUNDT. There were also loan programs for the farmers to enable them to build storage facilities.

Mr. HUMPHREY. There were loan programs to permit farmers to build their own storage—storage right on their ground.

More construction was created then than was necessary. Millions of dollars were invested in storage. But when one seeks to get a little Government business, he is considered, somehow or other, as acting illegally or immorally. Actually, I think people ought to go into business to make a profit. If they are seeking a little storage business on equitable terms, at fair, competitive rates, they ought to be commended rather than criticized. I would say the same for the farm cooperatives. In my part of the country, farm cooperatives are very important. One reason Minnesota has a solvent economy, since we do not get much help from the Federal Government, is that our farmers have learned how to build cooperatives in order to bring in a little extra money for themselves. This has helped the whole Midwest.

As I look around the Chamber, I see Senators from States where farm cooperatives have done as much to save agriculture as has any agricultural program. Without cooperatives, there would not be any family farm program.

So I wish to make certain that there is nothing in the report or by way of any intent of Congress which will cripple or in any way distort or in any way impede the activities of the Commodity Credit Corporation to conduct its business as it was intended to do. The U.S. Department of Agriculture says it is doing just that.

Madam President, in this connection I ask unanimous consent to have printed a statement at this point in the RECORD.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

The Senate Committee on Appropriations, in its report on H.R. 12648, the Appropriations Act for USDA for fiscal 1963, Senate Report No. 1908, at page 24, requests the Department "to take the necessary steps to distribute these warehoused surplus commodities equitably among the grain producing States where such action can be taken without incurring additional cost to the Government."

This "request" if not modified, may well require the Department to abandon in substantial part its policy in handling grains, title to which have come to the Government under the price-support program.

This "request" in effect is contrary to the philosophy of the charter of the Commodity Credit Corporation which has recently been reaffirmed and reexpressed by the Senate. The first occasion was on May 25, 1962, when the Senate accepted, without objection, Senator HUMPHREY's amendment to S. 3225 providing in part as follows: "* * * Congress hereby reconfirms its longstanding policy of favoring the use by governmental agencies of the usual and customary channels, facilities, and arrangements of trade and commerce, and directs the Secretary of Agriculture and the Commodity Credit Corporation to the maximum extent practicable to adopt policies and procedures designed to minimize the acquisition of stocks by the Commodity Credit Corporation, to encourage orderly marketing of farm commodities, through private competitive trade channels, both cooperative and noncooperative, and to obtain maximum returns in the marketplace for producers and for the Commodity Credit Corporation."

The second occasion was on August 20, 1962, when the Senate, without objection, again adopted as an amendment to H.R. 12391, the language quoted above. (See CONGRESSIONAL RECORDS for Mar. 25, 1962, at p. 9320; and for Aug. 20, 1962, at p. 17138.)

In accordance with the directives reaffirmed twice by the Senate, the Department of Agriculture has adopted as a policy to leave grains, title to which has passed to the Government, in store as close to producing areas as possible. Consistent with this policy the Department has not moved its grain stocks from those positions except to fill the needs of Government programs or to provide storage space necessary for an orderly takeover or to provide adequate space for grain producers at time of harvest or to aid the Government in the management of its inventories of grain stocks.

Basic in this policy is a continuing attempt by the Department of Agriculture to retain for the use by grain producers, grain merchandising warehouses and to recognize that these warehousemen and warehouses are ready, willing and able to perform, and in fact do perform, services other than being repositories for Government-owned grain.

Warehouses which store only Government-owned grain * * * store no grain for producers, store no grain for their own account, and do not engage in merchandising activities * * * do not fall within the usual and customary channels, facilities and arrangements which are utilized or can be utilized in marketing grain or in transactions relating to grain.

The grain warehouses which fall into the usual and customary channels, facilities, and arrangements which are utilized in marketing grain and in transactions relating to grain are warehouses which buy and sell grain for their own account, which store grain for the account of others, including the Government, and which are so located and so operated that they are part of the regular flow of interstate commerce in grain, regularly serving grain producers and consumers.

Mr. HUMPHREY. Madam President, I thank the Senator from Oklahoma [Mr. MONRONEY]. He has been very helpful.

Mr. MUNDT. Madam President, will the Senator from Georgia yield?

Mr. RUSSELL. I yield.

Mr. MUNDT. I think we have now established in the RECORD the intent of this little paragraph. All who are rightfully concerned can set their minds at rest that this legislative history will compel the Department of Agriculture to conduct the kind of operations which the colloquy this morning has established should be conducted.

Madam President, I plan, when the Senator from Georgia concludes, to make some extended remarks on the subject of research and utilization of farm products, because I think this is a most important aspect of the bill, probably the most important aspect in any agricultural appropriation bill passed in the history of Congress.

Mr. KUCHEL. Madam President, will the Senator from Georgia yield?

Mr. RUSSELL. I am delighted to yield to the distinguished senior Senator from California, the minority whip, and the acting minority leader today.

Mr. KUCHEL. I thank the able Senator from Georgia. First, I wish to join in the salute that has been paid to him by Senators on both sides of the aisle.

Mr. RUSSELL. I thank the Senator from California.

Mr. KUCHEL. Once again the senior Senator from Georgia has performed a valuable service to agriculture.

I speak on behalf of California, particularly for the citrus industry of that State, and most especially for the lemon industry, and the grape industry, as well. In the last year, the Department of Agriculture has conducted a reporting service with respect to lemon production, and the California Legislature has appropriated sufficient moneys to provide matching with the Federal Government, acting through the Department of Agriculture, to continue the statistical reporting service in California both with respect to lemons and grapes. This reporting is now a regular activity.

I say to my able friend, the Senator from Georgia, that objective yield studies on grapes and lemons in my State are highly important. They need to continue.

I read from page 13 of the committee report:

> The committee requests a detailed report as to cost sharing and cooperation received from States and private sources in connection with these and other crop and livestock reporting estimates and services in connection with the 1964 budget presentation.

In connection with the budget item as approved by the House, provision was specifically made in the report for the objective yield studies on both grapes and lemons.

For the purpose of making the legislative history, I ask the able Senator from Georgia whether, as regards the action taken by the Senate committee in recommending an increase in the amount for the statistical reporting service—as provided in both the bill and the report—is it the intention of the committee, in bringing the bill to the floor, that U.S. participation in this particular reporting work shall be continued when a State such as California has provided the essential matching moneys?

Mr. RUSSELL. Madam President, so many items are involved in this area that I would not wish to say that the committee specifically intended that this item or that item, in particular, should be carried on; but, as I understand, funds have been available for the State's part of this work—furnished either by the State of California or by the producers themselves. For a number of years our committee has insisted as vigorously as it knew how that such programs be given priority as new programs are added—in other words, that priority be given to programs in which the State offers participation or participation by the producers equal to that provided by the Federal Government. We have consistently undertaken to see that those programs were accorded priority.

Mr. KUCHEL. I thank the Senator from Georgia.

Mr. RUSSELL. And certainly nothing this committee has done would stand in the way of the Department's recognizing this program.

Mr. KUCHEL. I thank the Senator from Georgia, because I believe the rule the committee has laid down, which the able Senator from Georgia has just now enunciated, is a sound one. Since I happen to find the people of California, whom I have the honor to serve, in the fortunate position of having had their State government comply with that rule, I am equally grateful that the Senator from Georgia has indicated that priority will be given to this type of cooperative activity in the Department's statistical reporting service for California lemons and grapes. Under the Senator's comments respecting the pending bill, it should be clear that California has established a priority for these important objective yield studies.

Mr. COOPER. Madam President, will the Senator from Georgia yield?

Mr. RUSSELL. I yield.

Mr. COOPER. I join my colleagues—as I have done every year when I have had the opportunity to do it—in expressing our appreciation and admiration for the leadership of the Senator from Georgia [Mr. RUSSELL] in connection with the handling and development of this bill.

I wish to ask a question. I notice that the committee report indicates that the appropriations for the Department of Agriculture will be, under the Senate committee's version of the bill, approximately $700 million less than the total carried in the House version of the bill, and $1,579,800,000 less than the estimates for 1963. Does that refer to the budget estimates?

Mr. RUSSELL. Yes; it refers to the budget estimates. I would be less than frank—indeed, I would be less than honest—if I stated that that represented a saving in expenditures, because it does not.

Mr. COOPER. That is the point I wished to make.

I notice that the two largest reductions are in the items which call for reimbursement of the Commodity Credit Corporation, a reduction of approximately $400 million, and for expenses incurred under Public Law 480, a reduction of approximately $700 million. Will those reductions be presented to us later, in a supplemental appropriation bill; or will they be deferred until a subsequent year?

Mr. RUSSELL. They will be handled in either one or the other of those ways. I cannot advise the Senator from Kentucky which route the Commodity Credit Corporation will pursue. He knows that until last year this program was carried on altogether on the basis of taking these commodities from the Commodity Credit Corporation inventory, and then submitting, each year, an estimate of the amount needed to repair the capital structure of the Commodity Credit Corporation. Last year the administration of the Department thought it wise to get an advance appropriation on an estimated basis for these purposes, and we appropriated $1,600 million for Public Law 480 purposes. At the end of the year, those funds were expended; and they had, in addition, unreimbursed costs totaling $384,855,000.

The committee is now endeavoring to get this program on either one basis or the other. It is confusing enough, at best, without having to trace it through one line of appropriations and then go through another line—for repairing the capital structure of the Commodity Credit Corporation for these amounts taken out of it.

In my opening statement I said we made perfectly sure that adequate funds were available in order to carry over until the next calendar year—not the next fiscal year—so they could either submit requests for current appropriations, or else could request funds to restore the impairments in the capital structure of the Commodity Credit Corporation.

Nothing in this bill would deny the Commodity Credit Corporation the funds needed for the program it has in mind under Public Law 480.

Mr. COOPER. Under basic law?

Mr. RUSSELL. Yes.

For example, we allowed $700 million for sales for soft currencies. Certainly that should be enough for 4 months.

Mr. COOPER. The committee is proposing, is it, that the amounts made available in this bill should follow such sales, rather than be appropriations in advance?

Mr. RUSSELL. No; I am afraid we are doing it both ways in this case. But we are asking them to elect and choose either one way or the other, because in this bill we appropriate funds—to make good for their actual operations—over and above the $1.6 billion we gave them last year. We also recommend the appropriation of $2,066,955,000 to enable them to repair the capital structure for the regular realized losses.

Mr. COOPER. Might this also mean that the great increases in appropriations, which the Senate is sometimes charged with making, could no longer be charged against the Senate, and that the other body might have to initiate some appropriations to care for these costs?

Mr. RUSSELL. I admit that one of the members of our committee indicated that the other body might consider that to be our objective.

Mr. COOPER. But the indicated saving——

Mr. RUSSELL. No; we do not claim that it is a saving. In my statement I said that this is largely a paper saving. I wish I could say it is a saving. Certainly it would be a very substantial one—$1.2 billion below the appropriations carried in the bill last year. But I could not in good conscience say that, because it is entirely possible that the amount spent this year under the Public Law 480 program will be in excess of the amount spent for this purpose last year.

Mr. COOPER. I should like to state for the record that last year the administration proposed that farmers holding tobacco allotments should be permitted to lease the allotments or transfer them to other persons, changing the present law that the allotments should run with the land.

It was not related to appropriations, but was in legislation which came before the Senate Committee on Agriculture.

Mr. RUSSELL. I remember the legislation, but I am afraid I cannot give the Senator much information about it.

Mr. COOPER. As enacted, the bill did not include burley tobacco allotments, because I considered it might lead to the concentration of allotments in the hands of the few and the wealthy, or could lead to abuses, and moved in the committee to exclude burley from the provisions of the bill. So burley tobacco was not included.

Later the Department of Agriculture proposed that the method of keeping records of tobacco sales be changed.

I am sure the Senator knows, because tobacco is raised in his own State, that a record is kept of the number of pounds of tobacco sold by each farmer when he brings his crop to the auction sale warehouse. This record is kept on the marketing card held by each farmer having a tobacco allotment, and on two duplicate slips stapled within the card—called "memorandums of sales." The auction warehouse keeps one copy, the seller keeps the original, and one copy goes to the county ASCS office.

The Department of Agriculture last year proposed that this system of keeping a record of tobacco production and marketing be eliminated. The delegation in the Senate and in the House from the State of Kentucky opposed that proposal, for the main reason that this is a method of assuring, in fairness to all tobacco farmers, that the allotments of tobacco acreage shall be followed. It is a protection against abuses and irregularities.

The Department argued that abolishing these records would save some money. It might for a time, but I say it is much more important to keep this method of protecting the system of allotments, and of protecting farmers against abuses and irregularities, than it is to effect a small saving.

I raise this point because I notice that the Statistical Reporting Service of the Department of Agriculture has asked for additional funds to assure better crop production records, and that these funds have been provided in this bill by the Senate Committee on Appropriations.

These funds have been provided—according to the reason given by the Department of Agriculture—in order to obtain better crop production figures by States and counties. So I hope that the Department will not, on the other hand, propose again this year to eliminate the method of keeping accurate crop production records of tobacco by States and counties—a method which also prevents the kind of irregularities and abuses which are taking place in other crops.

. If this method of keeping tobacco production and marketing records is abandoned, it may lead to abuses and irregularities—I do not say by many farmers—but by enough to be unfair to farmers who faithfully follow the program and perhaps to destroy confidence in the program.

Last year, when I found out about this proposal, which had not been discussed with the tobacco organizations or interested farm groups, I immediately wrote the Secretary of Agriculture, on December 6, 1961. On December 18, I received his reply dated December 15, saying the decision had already been made through a memorandum which was dated December 12—several days after I urged that no such step be taken without an opportunity for discussion. Later, after questions were raised by several Members of Congress, and after protests by the groups affected, the decision was reversed, or at least suspended for a time. But I do not know that the matter has been finally disposed of; it could arise again.

Madam President, I ask unanimous consent to insert in the Record at this point copies of my letter of December 6 to Secretary Freeman; his reply; my letter to the burley cooperative after suspension of the proposal was announced, and a portion of my statement to the Appropriations Committee earlier this year at the time hearings were being held on this bill. I ask also to include my letter to Assistant Secretary McClain and his reply, in 1959, when the same proposal was made during the previous administration.

There being no objection, the letters were ordered to be printed in the Record, as follows:

December 6, 1961.

The Honorable Orville L. Freeman,
Secretary of Agriculture,
Washington, D.C.

Dear Mr. Secretary: I understand that some consideration is being given to changing tobacco marketing cards so as to eliminate the memorandums of sales. This is the part of the marketing card on which is recorded the number of pounds of tobacco sold by the farmer. A copy is kept at the auction warehouse, sent to the county ASCS office to be posted on the farm record, and appears finally on the marketing card kept by each farmer.

The memorandum of sale has been a primary record in the past. I am convinced it has played an important part in maintaining a sound program. I think Kentucky tobacco organizations are agreed that it has been useful and necessary.

I know you are keenly aware of the problem in many crops of managing not only the number of acres planted, but also the number of units produced on those acres. Without accurate records of individual farm sales, the successful tobacco program could become subject to some of the problems experienced by other crops.

It may be that the memorandum of sale is not always used to full advantage to guard against excess production. But failure to fully use this check on performance is no reason to abandon the safeguards offered by the procedure. For example, the very fact that farmers see their sales in pounds recorded against their allotted acreage, and are given this record to keep, is important in maintaining their confidence in the strict administration of the program.

The memorandum of sale in its present form may not be the only procedure through which an accurate, complete and convenient accounting of individual farm sales of tobacco can be maintained. I do not object to considering or testing alternatives which can be shown to accomplish as well the purposes of the present tobacco marketing card. However, because the present system has worked well and is proved and widely accepted, I ask that no steps be taken which could lead to its abandonment without advance notice to me and an opportunity to discuss this matter with you.

Consistent and effective administration of the tobacco program is of vital importance to my State. I think you understand my deep interest in the tobacco program as one of the sponsors of the basic legislation, and one who has fought to maintain a sound and effective program. I would like to be kept informed on this question, and if a change is considered would also want to consult with Kentucky groups which are most familiar with the tobacco program, to make sure that any change would be acceptable and understood by Kentucky tobacco growers.

Sincerely yours,

John Sherman Cooper.

Department of Agriculture,
Washington, D.C.,
December 15, 1961.

Hon. John Sherman Cooper
U.S. Senate.

Dear Senator Cooper: This is in reply to your letter of December 6, 1961, concerning memorandums of sale in tobacco marketing cards.

The Department recently made an administrative decision to discontinue the use of memorandums of sale in marketing cards for farms planting within their allotments. The attached statement provides in some detail complete information regarding the change. Knowing of your interest in the tobacco program, we felt that you would like to know the background, reasons, and effect of the decision. We are convinced that the change will permit county ASC committeemen to make better use of available administrative funds in administering the tobacco program.

Your letter indicates that the change involves elimination of some basic individual farm records. You will note from the statement that individual farm production records will be maintained in the county ASCS offices as they have been in the past. We did not consider this a policy change and in view of that saw no reason to check the question with the various farm organizations in the several tobacco producing States. However, we are furnishing farm and warehouse leaders copies of the attached statement and requesting that they contact Department representatives if they have questions concerning this decision.

We hope this statement clarifies the question as to what is actually involved. If after reviewing the statement you have further questions, please let us know, and, if you wish, representatives of our ASCS Tobacco Division will be happy to discuss them with you.

Sincerely yours,

Orville L. Freeman,
Secretary.

April 5, 1962.

Mr. John M. Berry,
President, Burley Tobacco Growers Cooperative Association, Lexington, Ky.

Dear Mr. Berry: You were advised last week, I am sure, that instructions have been issued to the State ASCS offices that the memorandums of sale and the field representatives will be retained this year.

I am glad that the Department of Agriculture has reversed or suspended its decision to eliminate the memorandums of sale and take the warrant writers out of the auction warehouses at sales time. For, I did protest the decision as soon as I heard about it, and took steps to announce it so that others could properly make their views known. As you know, I also talked to Secretary Freeman about this when he came to see me.

I know that the suspension of the decision is the result of efforts by many interested members of Congress and by the leadership of tobacco organizations and tobacco-State farm groups. I think we were all agreed on this matter, and were glad to work to keep the present tobacco record system.

Sincerely yours,

John Sherman Cooper.

P.S.—I also mentioned this last month before the Appropriations Committee, and I am enclosing a copy of my statement in case you have not seen it.

STATEMENT OF SENATOR JOHN SHERMAN COOPER SUBMITTED TO THE SUBCOMMITTEE ON AGRICULTURAL APPROPRIATIONS, MARCH 23, 1962

* * * * *

CROP PRODUCTION RECORDS

I notice the Statistical Research Service is asking for additional funds to provide more reliable crop production figures by States and counties. It has requested $750,000 to extend better statistical sampling to four more States this year. Yet, another great arm of the Department, the Agricultural Stabilization and Conservation Service, is taking steps to eliminate one source of the accurate production figures and individual farm histories we already have on one basic crop—tobacco. This information is important to the tobacco industry, to the operation of the successful tobacco program, and to the counties in which tobacco is an important source of income.

I point out that complete tobacco production figures—not a statistical sampling, and including State and county figures for each type of tobacco—are already kept. This is accomplished through the memorandum of sale, which is the part of the tobacco marketing card on which is recorded the pounds of tobacco sold by every farmer. It is filled out by Department employees in the auction warehouses at sales time. Yet, the Department has announced that it is eliminating the memorandums of sales, on which county and State crop records have been based, and is substituting an unproved system in which tobacco organizations have expressed no confidence.

I have urged Secretary Freeman not to abandon this record system, as have other Members of Congress. For complete tobacco crop records are only one of its benefits; its first purpose is to protect growers who comply with the tobacco program.

This committee should know that while some officials of the Department are asking for additional funds each year to do more sampling and make better crop estimates, others seem to want to throw away one of the most reliable record systems for any crop, that for tobacco. If this is done, I think they will find it necessary to return to Congress in future years for money to improve tobacco program compliance and the records of tobacco production, sales, and yields. If the Department's decision to abandon the memorandums of sales is not changed by the time the agricultural appropriations bill is reported by this committee, the committee may wish to specify in the bill that the present economical and complete records of tobacco farm sales be continued.

U.S. Senate,
Committee on Public Works,
March 9, 1959.

Hon. Marvin L. McLain,
Assistant Secretary of Agriculture,
Department of Agriculture,
Washington, D.C.

Dear Mr. McLain: I understand a proposal has been made to eliminate the memorandums of sale from the tobacco marketing cards issued to every producer. I believe such a move would strike at the heart of the marketing controls which, coupled with strict acreage allotments, have made the tobacco program workable and effective.

Accurate and complete individual sales records are essential to the tobacco production-control program. Knowing that the customary impartial and automatic record of marketings might be abandoned could cause farmers to lose faith in the effectiveness of the production-control program, with disastrous results. The problems and cost of checking on acreage compliance would then be multiplied, and the Department's job of performance checking would be made far more difficult. It would open the door to a number of improper practices, which are now effectively prevented. To argue that these records are not needed because so few farmers have excess tobacco is like urging that a police force be disbanded because of a good record of crime prevention.

I know of no knowledgeable or experienced tobacco leaders in Kentucky who do not view this proposal with dismay. I do not believe the proposal is motivated by any desire to undermine the effectiveness of the tobacco program, but I believe that would be its effect.

I recognize that maintaining records of individual sales involves some expense, but this is a relatively small part of the cost of enforcement of the program. If they are essential to the program, as I consider them to be, these records must be maintained.

The effectiveness of the present tobacco marketing cards has never before been questioned. They have been in use since the beginning of the program, and are central to its operation. Without the memorandums of sales, I believe the marketing cards might soon become meaningless.

Efforts to prevent marketing of excess tobacco on another producer's card, to discourage production on hidden fields, to control "pickup tobacco," and in fact to enforce acreage compliance, would be seriously endangered.

I strongly urge that any consideration being given to abandoning the present primary sales records be brought to a close immediately. If it is not, I fear the claim will be made that the entire tobacco program is under attack, through the means of making the production-and-marketing control system ineffective or unworkable.

I ask that this matter be resolved so that there will be no delay in issuing to growers their 1959 tobacco marketing cards—including the primary source record, in duplicate, of individual farm marketings. If, at some later time an alternative method is developed of maintaining accurate and effective individual sales records, I hope it will be discussed with tobacco leaders and interested Members of Congress before any action is taken to replace, or delay issuance of, the customary marketing cards—which represent the most tangible evidence tobacco farmers have that their program is being operated impartially, equitably and effectively.

Sincerely,

John Sherman Cooper.

Department of Agriculture,
Washington, D.C.,
March 19, 1959.

Hon. John Sherman Cooper,
U.S. Senate.

Dear Senator Cooper: This is in reply to your letter of March 9, 1959, concerning the possibility of eliminating the memorandums of sale which are currently used in connection with the tobacco marketing quota program.

In the interest of economy and efficiency in Government, we are constantly seeking ways to decrease the cost of administering programs which are assigned to this Department. We have no intention of abandoning memorandums of sale unless a substitute can be developed which will be just as effective in providing necessary enforcement characteristics and which will be less costly.

We assure you that no change will be made in this respect until you are consulted. We appreciate your interest in this program.

Sincerely yours,

Marvin L. McLain,
Assistant Secretary.

Mr. COOPER. Madam President, I wanted to put that statement into the Record because the Committee on Appropriations has made available additional funds for the Statistical Reporting Service so that it may keep records of crop production. I hope the Department of Agriculture will not abandon the present method of keeping accurate records of production under the tobacco program.

Mr. RUSSELL. I appreciate the Senator's statement and concern. Of course, as the Senator knows, we have had research in this area for some time, and the committee is not advocating the step of which the Senator complains.

Mr. COOPER. No. It was a proposal made by the Department of Agriculture.

Mr. RUSSELL. That would be a matter of regulation within the Department of Agriculture.

Mr. HUMPHREY. Madam President, will the Senator yield to me on this point?

Mr. RUSSELL. I yield.

Mr. HUMPHREY. As I understand, the bill, as reported by the House, provided about $529 million more than the Senate on title IV in the bill, known as the foreign assistance programs. The House provided $211 million more on the Commodity Credit Corporation's obligations under price supports.

I want to ask the chairman of the subcommittee whether it is his belief that the Commodity Credit Corporation can fulfill its obligations under existing law for the total fiscal year 1963 with the funds appropriated by the Senate committee.

Mr. RUSSELL. No, I do not think so, for the whole fiscal year. I stated it would be so for the calendar year and until the next Congress convened and had an opportunity to reexamine the program. The Department could do it if it greatly reduced the program, but it could not do it with a program of such magnitude as it has maintained and as it is anticipated it will maintain for the next year. It will be necessary to have a deficiency or supplemental appropriation to repair the capital structure of the Commodity Credit Corporation, or it could reach the stage where it would be necessary for us to pass legislation increasing the capital structure.

Mr. HUMPHREY. The borrowing power or the capital stock.

Mr. RUSSELL. Yes.

Mr. HUMPHREY. I notice, if the funds which were made available by the bill as reported by the House were to stay fixed for the fiscal year, it is estimated a curtailment of at least $540 million in title I of Public Law 480 would be necessary in the fiscal year 1963. Based on the commodity distribution of estimated 1963 costs, this would be reflected in the decreases in exports of individual commodities as follows: wheat, 160 million bushels; cotton, 350,000 bales; tobacco, 18 million pounds; dairy products, 35 million pounds; and feed grains, 13 million bushels.

This represents about half of the budgeted program for these commodities.

There is where I got the estimates contemplated to be spent and budgeted.

Mr. RUSSELL. I do not know how the Department has arrived at that, but this committee has no right or authority to impair the capital structure of the Commodity Credit Corporation. We might do it by some kind of limitation, but we did not do even that, but we put in the report that nothing had been done that would hamper the program of the Commodity Credit Corporation in fulfilling its obligations under Public Law 480.

I stated on the floor in my preliminary remarks that the only thing we guarantee is that it would be enough to run the program, even under the great magnitude under which it has been run, into the next calendar year, and not the fiscal year.

Mr. HUMPHREY. I am hopeful the understanding is that after January, going into the next calendar year, if the Commodity Credit Corporation needs additional reimbursement—and that is what this amounts to—for authorized programs, the Senate will have a clear-cut understanding that such reimbursement will be made available where the Department shows the need.

Mr. RUSSELL. The Congress has never failed to reimburse the Department for any impairment of capital structure over the past 10 years. We did it promptly when the need for the funds could be determined. We have also done it on the basis of estimates when the Commodity Credit Corporation itself was not absolutely sure as to what the amount would be.

Mr. HUMPHREY. I know that is the record. I know the Senator from Georgia has always acted in that way.

Mr. RUSSELL. The full faith and credit of the Government of the United States is pledged to make good the capital losses of the Commodity Credit Corporation when incurred in accordance with law.

I will modify that statement by saying that even if it occurred when it is not in accordance with the law, even if it were done illegally, I think we would still have to make good the impairment of the capital structure.

Mr. HUMPHREY. Of course, we shall have to go to conference on these respective appropriations, and at that time we can adjust the differences between the two figures; but even if a compromise was arrived at, it would not mean that the obligations which the Commodity Credit Corporation assumes under law would not be fulfilled by the Congress under terms of reimbursement. Is that the proper understanding?

Mr. RUSSELL. I just told the Senator that Congress to date never has failed to make good any impairment of the capital of the Commodity Credit Corporation. We have done so in supplemental appropriation bills. We have done it in regular appropriation bills. We have done it in deficiency appropriation bills. I do not anticipate there will be any change in that program. Certainly there will not be so far as I am concerned.

Mr. HUMPHREY. I am grateful to the Senator.

Mr. RUSSELL. I accept it as a legal obligation of the Government of the United States.

Mr. HUMPHREY. I thank the Senator very much. I was pretty sure that was his view. For the Department, it is rather important that there be a clear-cut understanding as to the congressional intent and purpose.

Mr. RUSSELL. We tried to make it clear in the report of the committee.

Mr. HUMPHREY. Madam President, I ask unanimous consent to have a statement relating to this item printed in the Record.

There being no objection, the statement was ordered to be printed in the Record, as follows:

Statement Regarding Effect of 1963 Appropriation Actions on CCC Ability To Finance Programs

(1) On June 30, 1962, the CCC had in use $13,892 million of its total borrowing power of $14,500 million. This left $608 million available.

(2) Projected net additional use of CCC borrowing power during the fiscal year 1963 (the amount to be used in excess of the balance available on June 30, 1962) amounts to $3,718 million assuming final passage of a farm bill providing for a continuation of the voluntary feed grain program and a voluntary wheat acreage diversion program for 1963 crops.

(3) Under the House bill, appropriations for reimbursement of realized losses and for Public Law 480 and other special export program costs would amount to $4,025 million. This would restore CCC borrowing power enough to more than offset the $3,718 million anticipated to be used in addition to the balance available on June 30, 1962, in the fiscal year 1963. This would leave a very narrow margin of $207 million available as of June 30, 1963, if estimates of projected use turn out to be accurate.

(4) Under the Senate provision, appropriations for reimbursement of realized losses and Public Law 480 and other special export program costs would be $3,278 million or $747 million less than the House bill. This would result in insufficient borrowing power to finance estimated use. The deficiency as of June 30, 1963, would amount to $540 million, with no margin for unanticipated demands.

(5) Curtailment of at least $550 million in title I of Public Law 480 costs would be necessary in the fiscal year 1963. Based on the commodity distribution of estimated 1963 costs, this would be reflected in the decreases in exports of individual commodities as follows: wheat, 160 million bushels; cotton, 350,000 bales; tobacco, 18 million pounds; dairy products, 35 million pounds; and feed grains, 13 million bushels. This represents about half of the budgeted program for these commodities.

(6) In summary, the use of CCC borrowing power as of June 30, 1962, and as of June 30, 1963, under the House and Senate appropriations is as follows: Borrowing authorization, $14,500 million; borrowing power in use, June 30, 1962, $13,892 million; June 30, 1963, under House bill, $14,283 million; and under Senate report, $15,040 million.

Available: June 30, 1962, $608 million; June 30, 1963, under House bill, $207 million; under Senate report, $540 million.

The deficiency, as revealed in the Senate measure and report, can and according to the chairman will be made up by supplemental appropriations to reimburse the CCC. This is reassuring. It means that the proposed budgeted programs can and should go forward on schedule.

Mr. HOLLAND. Madam President, will the Senator yield?

Mr. RUSSELL. I yield to the Senator from Florida.

Mr. HOLLAND. The Senator will recall that Congress has granted a small appropriation—I believe $84,000 a year—for the furnishing of planting information as to the amount of acreage planted in two highly perishable winter crops, tomatoes and celery, affecting the States of Florida, Arizona, Texas, and California. Dr. Trelogan of the Department of Agriculture testified before the subcommittee that the program had been exceedingly helpful in reducing and controlling the amounts of planting. It is my understanding that that item, though not specifically mentioned, is included in the terms of the present bill and would be included under the appropriation. Am I correct in that understanding?

Mr. RUSSELL. Yes, Madam President.

I appreciate the diligence with which the Senator protects the item for his State. He knows that once an appropriation is made in this manner we do not thereafter always spell it out. The budget estimates which show how the funds would be spent under the bill come in four volumes. The bill would be extremely thick if we were to attempt to spell out each item.

It is my understanding—and I do not think it would be controverted—that this item is included in the budget estimates. If we ever start a program we can continue it without spelling it out by name, but we cannot stop it without spelling it out.

Mr. HOLLAND. I thank the distinguished chairman. That is how I understood the situation. Some people in my State had expressed doubt about it. I wanted to show affirmatively that the item was contained in the bill.

Mr. RUSSELL. My understanding is that it is.

Mr. HOLLAND. I thank the Senator.

Mr. ROBERTSON. Madam President, will the Senator yield?

Mr. RUSSELL. I yield to the Senator from Virginia.

Mr. ROBERTSON. The distinguished Senator from Georgia will recall that during the markup of the bill by the subcommittee I requested the inclusion of an item for the construction of a laboratory at the Virginia Polytechnic Institute, to study the expanded use in rural areas of electricity. There was no budget estimate for the item, and the committee turned down the request, although it did receive pertinent testimony from Department of Agriculture officials that it was in favor of a study as to how the use of electricity could be expanded and be of further benefit to our farms, which would be worth while.

Would the Senator be willing to comment, in case there is a budget estimate for next year?

Mr. RUSSELL. Madam President, the diligence of the distinguished Senator from Virginia in this regard is certainly to be commended. I think this is the third year he has pressed the claim of that great educational institution, the Virginia Polytechnic Institute, to be the site of this proposed laboratory to deal with rural electrification research.

Though the Department has not officially spoken, individuals in the Department in the field of research have expressed interest in having a laboratory established. There have been other sections of the country which likewise have presented their views on and claims for the location of a laboratory. I will say that none of them brought up as handsome a brochure as that which was presented by the distinguished Senator from Virginia to the committee this year.

We have wrestled with this question in the committee over a period of years. The Department has not obtained a budget estimate for this work, so we did not include the item. There were other handicaps.

I assure the Senator that if the Department submits a budget estimate and seeks to locate the facility in or around Blacksburg, Va., that the committee will certainly give careful consideration to that item.

The Senator has been very diligent. He has fought the good fight for this laboratory. He has expressed great interest in seeing that new and as of now unknown blessings from the use of electricity can be brought to the farm families of this Nation.

Mr. ROBERTSON. I thank our fine chairman.

Mr. HUMPHREY. Madam President, would the Senator yield, before we leave this item?

Mr. RUSSELL. I yield, but I will state, before the Senator asks a question, that the distinguished Senator from Minnesota has likewise vigorously presented the claims and merits of the proposition of locating the laboratory, in the event it should be established, near the University of Minnesota, in St. Paul, Minn.

Mr. HUMPHREY. The Senator is correct.

Mr. RUSSELL. He has called to the attention of the committee the fact that there is a great unused federally owned facility which is near the university, which would be admirably adapted for the operations of this experiment, and that it already contains various forms of electrically operated machinery which would be helpful and might—might—reduce the cost of the laboratory below the $1.8 million which has been suggested.

Mr. HUMPHREY. I thank the Senator for his prophetic vision in sensing what my interrogation might be. I suppose he is somewhat used to hearing the colloquy.

I say to my good friend from Virginia, I know that the brochure which was presented from Virginia was outstanding and excellent. I am hopeful that when the Department makes its recommendations it will sense the importance of having both the great State of Virginia and the equally great State of Minnesota as sites for these REA laboratories. Both are needed.

The Senator from Virginia made a good case. I wish to be very fair about it. The only difference is that I would have given some free land with my proposition, and some free buildings.

I do not wish to act too competitively about this, because what I should like to have is coexistence with my friend from Virginia. I am of the opinion that if we will team up together, from both north and south of the Mason-Dixon line, we might be able to get these REA laboratories a little sooner than some people think.

Mr. ROBERTSON. The important thing, of course, is to help the farmers.

Mr. HUMPHREY. That is correct. We are going to do that in Virginia and Minnesota.

Mr. RUSSELL. Madam President, I would not be completely fair to those who have honored me by sending me to this body if I did not state that there is a large body of opinion which thinks the most desirable location for this laboratory in connection with the proposed research work is the Georgia School of Technology and experiment station at the University of Georgia.

There is no budget estimate before us, so the issue is not to be determined at this time. In view of the statements which have been made, I thought it only fair that I should say there were those who thought that this facility could be operated to the benefit of all the Nation from that area.

It is interesting to note, Madam President, that there has been considerable research work done in this area. The Federal Government and the States will spend in the year 1963 $1,196,800, largely at 15 State agricultural experiment stations which are operated in cooperation with the Federal Government.

The National Association of Electric Companies reports that the electric companies are spending approximately $5 million a year for research on the various uses of electricity. This includes such items as grain drying, air conditioning of barns, tobacco curing, poultry ventilating, calf bedding, and the like.

In addition, there is approximately $3 million being spent annually on experimental farms, on scholarships to agricultural universities, and in work with such organizations as 4-H Clubs and the Future Farmers of America, on the utilization of electricity on the farm.

Of course, all of that very considerable work would undoubtedly be given added momentum with the laboratory proposed to be established.

Madam President, I have before me a large number of charts and tables of one kind or another, particularly relating to the operation of the Commodity Credit Corporation. One of them is very simple. It includes the net expenditures for the fiscal years 1952 to 1961 and estimated inventories as of August 10, 1962. It shows expenditures by commodities, and is so simple that any one could understand it. Without cluttering up the RECORD with all the other tables I have before me, I ask unanimous consent that that particular table be printed at this point in the RECORD.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

COMMODITY CREDIT CORPORATION

Net expenditures, fiscal years 1952–61, and estimated inventories as of Aug. 10, 1962

[Millions of dollars]

Commodity	Net expenditures fiscal years 1952–61	Estimated inventories as of Aug. 10, 1962, and tobacco loans as of May 31, 1962, value
Feed grains:		
Corn	4,085.1	712.4
Grain sorghums	1,379.0	713.7
Barley	442.6	26.6
Oats and rye	148.7	12.0
Total, feed grains	6,055.4	1,464.7
Wheat and flour	9,411.6	2,104.2
Rice	773.7	.2
Other grains	163.6	115.4
Total, grains	16,404.3	3,684.5
Cotton	3,168.6	249.2
Dairy products	2,358.8	348.7
Tobacco	498.4	[1] 318.4
Total of above	22,430.1	4,600.8
Interest and general overhead	2,261.3	
Change in loans held by banks	[2] 556.2	
Bartered materials transferred to supplemental stockpile	1,008.8	
Public Law 480 commodities not listed above and related costs not segregated by commodity (transportation estimated)	972.8	
All other	121.5	4.2
Total, CCC	[3] 26,238.3	4,605.0

[1] Loans.

[2] Denotes net receipts.

[3] Public Law 480 actual receipts from sales of foreign currencies and rentals from military housing have been credited to the commodities on a pro rata basis since the accounting records do not segregate such receipts by individual commodities.

NOTE.—Excludes special milk, National Wool Act, drought emergency feed, and other minor special programs.

Total realized cost (loss), fiscal years 1952–61

[In millions of dollars]

	Fiscal year 1952	1952–61	Fiscal year 1961
All grains	196.2	11,116.4	3,358.9
Dairy products	1.1	2,520.6	248.2
All other commodities, programs, interest and general overhead	82.8	8,468.0	1,627.0
Total	280.1	22,105.0	5,234.1

NOTE.—Public Law 480 actual receipts from sales of foreign currencies and credits for currencies used in militaring housing construction have been credited to the commodities on a pro rata basis since the accounting records do not segregate such receipts by individual commodities.

The PRESIDING OFFICER. The bill is open to further amendment.

Mr. HUMPHREY. Madam President, I shall not detain the Senator long. I call the Senator's attention to a statement in the middle of the fourth paragraph on page 13 of the report—

> The committee believes that in some areas of the country the travel, per diem, and related expenses for county offices and the use of committeemen have been excessive. The use of county committeemen should generally be limited to advisory functions, explanation of program changes, and to the general oversight of county office operations. Their use in visiting individual farms and in the administration of county office program activities should not be continued.

That language was very disturbing to me in the light of our experience in our part of the country with county committeemen. We have a little different background and experience in the Midwest than those in the Northeast and in the South. We like the system the way we operate it. I merely wish to be sure there is nothing in the bill that could be interpreted as preventing the elected county committee people from making visitations which the law itself requires. I have never been very much of an advocate of the so-called county manager system.

I conducted an investigation of that subject some years ago when I was a member of the Committee on Agriculture and Forestry. I found them, and I find now, the same sort of things going on under the county manager system. It does not seem to make much difference whether it is a Republican administration or a Democratic administration. I have had a longtime interest in the farm committee system and its responsibilities for the administration of the program.

I wondered how the Senator interpreted that particular matter. I have learned that the county committeemen were putting in an average of less than 52 days a year. That was a little bit more than in 1961 but less than in the years 1950 through 1954, and less than in 1957.

The point which interested me most in the report was that there is a great deal more flexibility as to manpower in our farm program administration than in any other governmental endeavor that I know about. Almost any agency confronted with a new program of the magnitude of the feed grain program and the wheat program would first of all, have to go out, on great recruiting ventures. In that farm program the committee and their hired personnel absorbed much of the new work, as farm people and their hired helpers have been doing throughout our history.

With the feed grain program and the wheat program and the signups that are necessary under these programs, we should not prevent county committeemen from doing their duty, because they are not reimbursed, nor should we require them to fail to stay in the office and do a poor job because they cannot observe what is going on.

I understand the Senator from North Dakota [Mr. YOUNG] was very much upset about that provision in the committee.

Mr. RUSSELL. Madam President, the Subcommittee on Agriculture Appropriations has consistently supported the committee system. We have manifested that support. If the Senator from Minnesota had been in the Chamber, he would know that we have already added $30 million to the bill for the administration of the farm program even before it has passed.

Mr. HUMPHREY. I understand that.

Mr. RUSSELL. So we do not intend to strike down the committees.

On page 576 of the hearings the Senator will observe that some questions were asked by the Senator from North Dakota [Mr. YOUNG] and by the chairman as to travel. It was stated that committeemen were going from farm to farm to inform farmers about the program, instead of having meetings to which people could come and receive information as to what was going on. Of course, the committeemen must travel from farm to farm; otherwise there would be no way to check on the several programs.

Mr. HUMPHREY. The Senator is correct.

Mr. RUSSELL. Of course, what I have said has no reference to that subject. We did request a breakdown from a few States, which was supplied by the Department and appears on page 965 of the committee hearings. The figures for the State of Minnesota were not among those furnished. But if the Senator will look at the table, he will see that there is a vast difference in the to-and-from travel items as between some of the States.

Mr. HUMPHREY. Yes. I can help the Senator by stating why. If the Senator had examined the figure for my own State, he would have seen a large travel item. The reason is that we had over a 70 percent signup on the feed grain program. We saved the Government several million dollars because of that signup.

How was that signup achieved? By going from farm to farm. That is the way we did it before. That is why Minnesota had more than an 80-percent participation in the price support and acreage limitation program back in the late 1940's and early 1950's. This was because we had our committeemen at work.

I noticed that North Dakota had a large travel allowance. I know why. If we are going to sign up farmers under the emergency wheat program or under the feed grain program, we must go out and get the signatures.

Mr. YOUNG of North Dakota. Madam President, will the Senator yield?

Mr. RUSSELL. I yield.

Mr. YOUNG of North Dakota. I would have to disagree with my friend from Minnesota as to that kind of travel. I believe it is necessary to hold educational meetings throughout counties by the county committeemen and the staff members, but I believe the business of going from farm to farm by committeemen and urging farmers to sign up is overdone. I do not think it should be a part of the program. The Senator will note the vast difference between States. In some places it is apparently being overdone.

Mr. HUMPHREY. There is a vast difference between feed grain production in Mississippi and feed grain production in Minnesota. There is a vast difference between production in Minnesota and Ohio. I know my program in the State of Minnesota.

Mr. RUSSELL. That may be true, but in Georgia every farm is under quota.

Mr. HUMPHREY. Yes. That is a cotton program.

Mr. RUSSELL. It is not all cotton. Peanuts, tobacco, and rice are also grown, and every one of the farmers is put under strict limitations.

The committeemen must go out every year to see that the limitation has not been exceeded. The Senator comes from that blessed section of the country that does not operate under very rigid quotas.

Farmers in my area have been required to plow up a half acre of ground in cotton, in which he has already invested his fertilizer and his labor. The crop had almost reached the stage of maturity. But he had to plow it up before he could market any of his cotton crop. It was wasted.

There must be a great deal of travel by committeemen in Georgia. We have some feed grains. There is nothing like as much as there is in Minnesota, but there is a very substantial quantity.

Mr. HUMPHREY. I do not know what the travel expenses in my State were last year. I am not trying to select one particular State. However, I do know that we had the highest percentage of feed grain participation of any State in the Union. I know how that was achieved. I understood that it would be done as we wanted it to be done, and that if the feed grains were reduced the Government cost would be reduced and the Government would save the cost of storage. In our State, represented in this body by Senator MCCARTHY and myself, we had the largest signup of farmers in the entire Nation. I do not know what their travel allowances were. I do not have a report on it. However, I want to make sure that we do not set up a system whereby all county management all over the country will be done by junior bureaucrats. Some of them, I might say, do not know the difference between a corncob and a ukelele. I do not want that kind of person telling farmers what their farm program should be. I saw that happen before. I do not like it. As long as I am a Senator from the State of Minnesota I do not intend to have it happen in my State. It was a no-good program in the beginning, and it has not improved much. I just want to be sure that the county committee system is not being disrupted unduly.

Mr. RUSSELL. We have no intention of doing that. I am amazed that men as ignorant as the Senator has described, who cannot tell the difference between a corncob and a ukulele, should be employed as county office managers in Minnesota. There is no one in Georgia, certainly, who does not know the distinction that the Senator has described.

Mr. HUMPHREY. The Senator would be surprised at some of the things that have taken place. When the Senator from Missouri [Mr. SYMINGTON] looked into the subject of the county committee system down there, what was happening there was not very encouraging.

Our people do a good job. We have not had any corruption. We have not had any complaint. I want to be sure that there is nothing in the report that will interfere with that system. I do not want anything done to interfere with their mobility, their movement around the State. I do not want them going on picnics. I am not asking that they be sent on free trips all over the State at the expense of the Government. There are quite long distances between some points in our State.

Mr. RUSSELL. The distinguished Senator from North Dakota [Mr. YOUNG] happens to be the only Member of this body who has actually served on a county committee. As a real dirt farmer, he was elected by the farmers of his home county to help run the farm program before he was elected by all of the voters of North Dakota to the Senate. When he speaks, it is out of his actual experience as a committeeman who has worked with the farm program in a rural county. I look to him for advice on issues of this kind.

While I do not want to curtail the program, neither do I want to see undue travel allowances made, as could be the case in some instances. There must be travel. Everyone knows that, because they must check on these things. They can only do that by visiting the farms. This language is merely an admonition to them, to send word down the line not to abuse this regulation and restriction. I hope the word is sent down, and that if there are any abuses they will be corrected. If not, Congress will be here next year, and can deal with it.

Mr. HUMPHREY. I thoroughly agree with what the Senator has said. The line that bothered me was:

> Their use in visiting individual farms and in the administration of county office program activities should not be continued.

Mr. RUSSELL. That should have said, "probably," or "unnecessarily." We realize that there must be some visits to the individual farms, to check on compliance.

Mr. HUMPHREY. I appreciate that statement. That is the kind of discussion I think is necessary to clarify these words.

Mr. YOUNG of North Dakota. Madam President, will the Senator yield?

Mr. RUSSELL. I yield.

Mr. YOUNG of North Dakota. There are two kinds of travel outlined in the hearings, at page 965 of the hearings. One of them is by the committeemen to the farms, and the other by employees. In my State travel by committeemen cost $25,351. By other employees it was $225,371.

The travel by other employees is the travel by the people who check compliance. The committeemen rarely check compliance. I am one who feels that the activities of county committeemen should not be curtailed as they were by the previous administration. I do not like to see them though go hog wild and travel all over the county at Government expense. One of the reasons why the program is being criticized by farmers is that they see these county offices being built up with additional employees, at additional expense, all of which comes out of the program.

Mr. HUMPHREY. There are no more than five committeemen in most of the States. I do not want to see them travel unduly. I believe that the abuse, if any, has been the travel by administrative officers, not so much by the committeemen. The interpretation that has been given today is satisfactory. The language which seems to restrict the use is as follows:

> Their use in visiting individual farms and in the administration of county office program activities should not be continued.

If the committee were to say that it should not be abused or should not be excessive, that would be understandable. However, when it says that it should not be continued, that is too much for me.

Mr. YOUNG of North Dakota. I wonder if the Senator from Georgia would object to having this table printed in the RECORD.

Mr. RUSSELL. I was going to offer it for the RECORD, if I have not already placed it in the RECORD.

Mr. YOUNG of North Dakota. I ask unanimous consent that the table at page 965 of the hearings be printed in the RECORD at this point.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

TRAVEL EXPENSES OF COUNTY COMMITTEEMEN

The information requested was furnished by five ASCS State offices. They estimated the distribution of the total county office travel expense for the fiscal year 1961 as shown below on the basis of data from five representative counties. The travel to and from farms by committeemen includes travel by county and community committeemen in carrying out their work as committeemen.

State	Travel to and from farms		Other travel	Total travel
	Committeemen	Others		
Georgia	[1] 0	$95,897	$79,837	$175,734
Kansas	$38,531	208,122	97,657	[2] 344,310
Mississippi	[1] 0	154,462	16,782	171,244
North Dakota	25,351	225,371	152,569	[3] 403,291
Wisconsin	12,582	115,662	23,344	151,588

[1] Committeemen were not paid travel expenses for making farm visits.

[2] Includes $104,300 for CCC price support and storage.

[3] Includes $172,103 for CCC price support and storage.

FARMER COMMITTEE SYSTEM

Mr. HUMPHREY. Madam President, my longtime interest in the farmer committee system for administration of farm programs leads me to focus attention on a statement in the committee report. The statement is that expenses for the work of county committeemen in some parts of the county have been excessive.

My observations and inquiries have led me to believe that county committeemen hold down expenses and make program administration more economical than it could be under any alternative system that has been considered or suggested. One reason for this is that committeemen are usually busy farmers who do not want to spend any more time than necessary away from their own work. Most of them can make more money per day working for themselves than they can make carrying on public service duties as committeemen. All of them are taxpayers who believe in economy. And I do not know any committeemen who go around looking for opportunities to make decisions involving their neighbors' business and which cannot always be popular. I have always thought we as a nation were very fortunate that this innovation in public institutions, the farmer committee system, was developed and used—not only because farmers want important decisions made by their peers but also because the system makes available to the public a great reservoir of technical competence in all localities where it can be drawn upon when and as needed, on a per-day basis rather than on an annual salary basis.

It would be very disturbing to me if the statement in our Appropriations Committee report were interpreted to mean that the farmer committee system is not an efficient, economical administrative mechanism. I feel sure our committee does not intend that its report should be so interpreted.

My interest in the current feed grain and wheat programs recently prompted me to check into the question of manpower required to operate these new endeavors on top of the previous workloads, and I was surprised to learn that the county ASC offices used less total manpower in fiscal year 1962 than in 1958 at the high point of work on the soil bank program. I learned also that county committeemen were putting in an average of less than 52 days a year—that is that, on the average, each was working less than a day a week. That was a little more than in 1961 but less in the years 1950 through 1954 and less than in 1957. The point that interested me most was that we have a great deal more flexibility as to manpower in our farm program administration than we have in any other governmental endeavor I know about. Almost any agency confronted with new programs of the magnitude of the feed grain and wheat programs would have had to go out first of all on tremendous recruiting ventures. In the farm program agency, the committeemen and their hired personnel simply absorbed much of the new work as farm people and their hired helpers have been doing throughout our history. Even more important, the committeemen know farming, they know their neighbors, they know local conditions. They may not be skilled in office techniques, but they can do the major jobs in farm program administration better than anybody else could ever be trained to do them.

The PRESIDING OFFICER. The bill is open to further amendment, if there be no further amendment, the question is on the engrossment of the amendments and third reading of the bill.

The amendments were ordered to be engrossed and the bill to be read a third time.

The bill was read the third time.

The PRESIDING OFFICER. The question is, Shall the bill pass?

Mr. MANSFIELD. Madam President, I wish to express, on behalf of my colleague the junior Senator from Montana [Mr. METCALF] and myself, and in behalf of the people of northeastern Montana, our thanks to the chairman of the committee and the members of the committee, both Republican and Democratic, for inserting the necessary funds, in the amount of $395,000, for the construction of a soil and water research center at Sidney, Mont. We are deeply indebted to them for their consideration.

Mr. HUMPHREY. Madam President, this report means a great deal to me. I refer now to utilization funds, in the sum of $25 million. The Senator recalls my interest in this matter in the committee. Do I understand that under the utilization of existing Commodity Credit Corporation stocks, and the production that may come into the Commodity Credit Corporation stocks, the utilization research can also include the improvement of fibrous or grain stocks, so as to change their chemical content and thus to make better utilization of them for industrial purposes?

Mr. RUSSELL. Let me say, first, that this is not limited to Commodity Credit Corporation stocks.

Mr. HUMPHREY. I understand.

Mr. RUSSELL. This applies across the board to all agricultural commodities. Some of the finest possibilities for finding new uses are for crops which are now planted in limited areas. If utilization of these crops can be increased, they can then be planted in areas where we are paying large sums to take land out of production, as we do under an emergency program, or taking it out without payment in the case of commodities that are under quotas.

Mr. HUMPHREY. Such as breeding and the genetic structure of seeds.

Mr. RUSSELL. The committee report deals with that subject, and it was discussed in committee. I invite the Senator's attention to the small addendum to the hearings. In it he will find a statement by the Department on which these appropriations are predicated. That was for basic utilization research. We followed in essence the report that was submitted by the Department of Agriculture. I would not want to undertake to define the scope of this research. It was contemplated that the appropriation would be used in accordance with the detailed report that was submitted to the committee after it had been requested.

Mr. HUMPHREY. I examined the report yesterday.

Mr. RUSSELL. I do not believe it is intended that the money will be spent to increase production research. Production research has gone so far now that it has far outstripped utilization. We have had production research for 100 years, since the Department was created and the land-grant colleges and experimental stations were established. We have had only about 40 years of utilization research, and it has been very small in relation to the appropriations provided for the production research. Consumption should first catch up with present production before we begin to provide substantial increases in appropriations to increase production any further. We do not know what to do with what is being produced now.

Mr. HUMPHREY. This is a comprehensive report. I was hoping that what is provided in the committee bill relating to chemical, biochemical, genetic, and related studies having to do with modification of species, and involving such areas as genetic studies of crop quality characteristics, would enable the initiation or at least some limited beginning out of the $25 million program.

Mr. RUSSELL. The report, on page 5, contains a statement, under paragraph (15):

> Plans have been submitted to the committee for a basic research program dealing with chemical, biochemical, genetic, and related studies having to do with modification of species and involving such areas as genetic studies of crop quality characteristics. This appears to be very complex subject matter, and the Department is expected to analyze this proposal and report on its merits and the need for such research in connection with the hearings next year.

So it is intended next year to consider a quality research program. I can see how that is related, in a way, to utilization; but it would be very delicate to relate it to utilization and new uses research, and it could not be done very readily.

Mr. HUMPHREY. I understand. With the $25 million, which the bill authorizes, some pilot beginning could get underway. I trust the Department will give the proposal serious consideration.

Mr. RUSSELL. I doubt very much that it is contemplated, but the Department has a very large amount of money in other appropriations which could be utilized for this purpose. The appropriation carried here is $106,126,500, and the Department can, of course, invoke the use of some of those funds.

Mr. HUMPHREY. The report indicates that this will be done next year. The School of Agriculture of the University of Minnesota, a land-grant college, whose staff are a fine group of men, has been pleading for years to get into the field of utilization and research, to make some beginning in the field of chemical, biochemical, genetic, and related studies.

In the light of the report of the Department with respect to utilization research, this proposal seems to fall within its scope. I do not take anything said now or that was said during the committee hearings as limiting the Department or the Department's research specialists. This appropriation would be advantageous in fulfilling the objectives of utilization and research. I favor utilization research. I have sponsored measures for such research. The Senate has passed such bills twice. I hope the Department will look upon this colloquy as not being in opposition to at least some exploration in genetic, chemical, or biochemical research. We have provided $25 million. I hope there will be an opportunity at least to get a few thousand, or a few hundred, dollars for a beginning in this type of research. It seems to me that that would be a fair beginning.

Mr. RUSSELL. The bill provides funds for such work, if the Department wishes to make a start in that direction. The college of agriculture in my own State is also much interested in this field.

Mr. MUNDT. Madam President, great progress in the formulation and implementation of new and progressive public policies comes as the results of many minor steps. It seldom comes before us as a novel idea to be accepted or rejected by a single act of Congress.

The attempt to make a king-sized effort to break the barriers which prevent the full utilization of research in opening up new industrial markets for our agriculture products is a case in point. Many Senators and several Members of Congress for at least half a dozen years have been working on the project of winning acceptance for the concept that a full-scale "crash program" of opening up new markets for farm products would provide an economically sound and an enduring solution to what has been before us as a so-called farm problem since the closing days of World War I.

In fact, ever since the early twenties, Congress has been considering and enacting legislation designed to cure that farm problem. A wide array of ideas and programs have been attempted. Some have been abandoned; some have served the country and our farmers well; but the basic reasons for our farm problem remain unremoved and they remain unsolved. Simply stated, the farm problem derives from the fact that the law of supply and demand is out of balance insofar as farming is concerned. Farmers are able to produce more than they are able to sell at fair and decent prices bringing them their cost of production plus a reasonable profit. Except in times of war or preparation for war, farmers have consistently been selling most of their products for four decades at prices far below parity. Supplies have outrun demand and in a glutted market prices received by farmers have consistently been out of relationship to prices paid by the farmers.

Strangely enough, Madam President, for these same four decades, most of the efforts of Congress and our various administrations—all of the major and more expensive efforts, in fact—have been devoted to trying to correct the "supply end" of the formula of supply and demand. Far too little time, talent, and attention has been devoted to trying to correct the equally pertinent "demand end" of the formula. Consequently, a number of us for nearly 10 years have been suggesting and proposing one technique or device after another to do something effective, practical, and enduring about expanding the demand for farm products to the point where farmers could again receive a fair price for a full crop and look forward to continuing and increasing agricultural opportunities.

The Senate, in previous years, has approved and sent to the House legislation to set in motion a sizable crash program to explore and develop industrial uses of farm products. It has been my pleasure and privilege to either cosponsor or to author some of these measures. In fact, there is now before the House for the second time this year a Senate-passed farm bill which as title V contains a program very similar to those previously approved for setting in motion a comprehensive program for the industrial utilization of farm products. As a member of the Senate Committee on Agriculture and Forestry, I made the motion in our committee which on both occasions had title V added to the Senate farm bill.

The agriculture appropriations bill now before us contains a different although similar approach to the important task of setting up and operating a program designed to vastly expand profitable markets for farm products through developing and utilizing industrial markets for farm products or for the large family of synthetics which can be produced from farm products. I said earlier on the Senate floor this Saturday afternoon that I consider the $25 million earmarked and made available in this appropriations bill for that purpose to be the most important and productive investment ever made in American history insofar as finding a lasting and useful solution to our farm problem is concerned. I believe this, most emphatically, Madam President. To get this $25 million added in the subcommittee, our chairman, Senator RUSSELL, Senator YOUNG of North Dakota, and I collaborated in offering the amendment which both the subcommittee and the full committee approved. I feel confident the Senate will support our action and I am hopeful the House conferees will embrace it without reducing its amount.

Madam President, for the further information of the Congress and the country, I ask unanimous consent that three pages of the testimony from our subcommittee hearings this year may be printed at this point in the RECORD since they deal specifically with the testimony of Dr. Byron Shaw, Administrator of the Agriculture Research Service, on this subject.

There being no objection, the testimony was ordered to be printed in the RECORD, as follows:

NEED FOR MORE UTILIZATION RESEARCH

Senator MUNDT. As you know, Doctor, and in a sense I think you share my conviction, we have discussed this many, many times at this stage of the hearing. I am one who feels that as we live through a continuing era of surplus with constantly growing costs of storage and handling of surplus, that it would seem a more realistic utilization of research funds to spend the larger amount on trying to utilize farm products industrially, through new markets, new uses, human or animal consumption. I feel that we should spend a greater percentage of our research in trying to expand the market potential rather than on research which is designed to contribute to the increase in surplus.

Dr. SHAW. I don't believe that our farm research is intended to increase our surpluses.

Senator MUNDT. I know it is not intended to increase surplus but the end result has to be that, under prevailing conditions.

Dr. SHAW. You are correct that on the face of it increasing efficiency usually does carry with it increasing yield. This has aggravated some of the problems.

My own opinion is that we need strengthening in both areas. I would agree with your general view that the relative strengthening should be greater in the utilization area, but we need to strengthen both areas.

Senator MUNDT. I would not quarrel with that. I do too because, as you look ahead to an ultimately larger population you need constantly, of course, to increase the efficiency of production. But faced, as we have been for a long time, you might say in peacetime for a quarter of a century, with surpluses because we are unable to use them, it seems to me that somehow or other we have to crack through the sound barrier and actually utilize some of these surplus commodities industrially. Your research institutions at Peoria and elsewhere have come up with some very fine discoveries and developments. But it seems to me that the lag is in getting them commercially utilized. Human nature being what it is, people don't like to change their method of production, their sources of raw material, the machinery involved, and many other factors. How do you get the discoveries out of the laboratory where you have proved their feasibility into the field of actual production and utilization?

ADOPTION OF NEW PRODUCTS BY INDUSTRY

Dr. SHAW. When we develop a new product, one of the first things we do is to bring to our laboratory a group of industry people who would likely have an interest in it. If, for example, it is a starch product, we meet with representatives of the milling industry or manufacturers who would be concerned, and show them the benefits of our work. These meetings often result in further experimentation by the industry in their own plants using our materials and processes, to see how it can be adapted. This often leads to the adoption by the industry of the product or process.

Now, in some cases we have things that we think will go and we can't get any takers.

Let me mention just one of these. We developed a dialdehyde starch (an oxidized starch) which could be used to make good tanning agents. At present, we import our tanning materials. This starch has advantages in that it would cut down the time for tanning leather from weeks to days. It also had many other desirable properties. So we made contacts with the tanning industry to see if they would be interested. They said they were generally interested in the product, but where was the market, where was a supply of this material, where could they buy it? Until there was a supply they were not going to be interested in using it. So we went to the suppliers. They said yes, they were interested in it too, but where was the market? In cases of that sort we frequently do, and in this case we did, make a contract to produce a large enough quantity of this material so that it could then be tried out by the tanners.

I think through that kind of process we will get this one on the road, but it takes some time.

LEGISLATIVE NEEDS

Senator MUNDT. That certainly is one good way to approach the problem. I have been, as you know, author and coauthor, sponsor and cosponsor, an enthusiastic member of the cheering section on the sidelines and an advocate of increased new market research appropriations to see if we could not find some new emphasis and drive to put behind that type of a program. I've tried to find some way that we could provide you with more latitude, more leeway, more flexibility, more authority, or more money so that by use of incentives, demonstration plans, private contracts, or something, we might overcome this natural resistance to change which people have to switching to the industrial use of farm products.

It seems to me the weakness is not in the laboratories or the capacity of your people to find new uses. The problem is in getting the new uses accepted in the industrial and economic free market areas. I think maybe you need some kind of new authority or new funds or new latitude or something, to speed it up and to encourage industry and business to use and market synthetic products derived from farm products of many types and kinds.

UTILIZATION RESEARCH FUNDS

Dr. SHAW. I think we have the essential authority, I think we have the essential people. I think what is required is money. So far I have not been successful in getting that money placed in the budget.

Senator MUNDT. Would it have to be money which is earmarked for some special kind of activity or functions? If we throw it into general research, 50 or 60 percent or even more will go to production research rather than to utilization research.

Dr. SHAW. We want it on the utilization research.

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Senator MUNDT. I shall try hard to help you get such earmarked funds. I do not want to belabor the record any further at this time, Mr. Chairman, but you have provided, as you always do, a supplementary report of utilization research. I am sure it contains a lot of new developments. Perhaps we can't put this whole thing in the record——

Senator RUSSELL. Yes, we are going to put this in the record or make it otherwise available. We asked for it 2 years ago in the committee report.

Senator MUNDT. Thank you.

Mr. MUNDT. In addition, Madam President, I ask that at this point in my remarks there now appear a short paragraph entitled "What Has Utilization Research Accomplished?" prepared for our subcommittee hearings by the Agriculture Research Service and appearing on page 21 of the supplement to our hearings on the Agriculture Appropriations Act for 1963 expenditures.

There being no objection, the paragraph was ordered to be printed in the RECORD, as follows:

In its two decades of operation, USDA utilization research and development has added over $2.5 billion of value to farm commodities at a cost of less than $200 million—representing a benefit-to-cost ratio of 15 to 1. Although there has been an increasing cost per man-year of research throughout this period, this continuing program of fundamental research and applied technology has resulted in spiraling advantages, with each succeeding year giving more return per year for the total expenditure. For example, during the past 5 years utilization research enhanced agricultural commodities $1.75 billion, which is 70 percent of the total gain made in the two decades of this program. This increasing rate of return is expected to continue, as the storehouse of scientific and technologic information is accumulated.

Mr. MUNDT. Madam President, since I am one who has frequently been critical of some of the price support proposals made by Secretary of Agriculture Ezra Taft Benson during the 8 years he headed our Department of Agriculture, I would like to take this means of congratulating Secretary Benson for one signal and important service he rendered during his administration.

It will be noted in the statement submitted by the Department of Agriculture which I have just inserted in the Record, that this statement appears:

> During the past 5 years, utilization research enhanced agriculture commodities $1.75 billion, which is 70 percent of the total gain made in the two decades of this program.

Madam President, while it is true that this sharp gain in the emphasis places on utilization research and the support for it was in part the result of the continuing and growing efforts of a number of us in Congress to highlight and publicize the possibilities of this program, it is also undeniably true that it was in part as well attributable to the enlightened leadership of Secretary Benson in this field in which he continued to ask for and secure additional appropriations to advance the program. The tangible results and the substantial increase in farming income flowing from these joint efforts of Congress and the Benson leadership in this area of activity pay eloquent testimony to the value and the wisdom of the program to which we are today proposing to provide $25 million earmarked for this specific purpose. This appropriation will far exceed anything Congress has ever attempted before in providing adequate funds to promote this exciting and important program.

Finally, Madam President, I would like to include with my remarks a summary of important achievements occurring during fiscal year 1961 in this specific field of utilizing our farm products industrially.

There being no objection, the summary was ordered to be printed in the Record, as follows:

IX. IMPORTANT RESEARCH ACCOMPLISHMENTS—FISCAL YEAR 1961

New convenience food from wheat

A new convenience food, ready prepared canned whole grain wheat, has been developed by Department scientists. This product can be used to contribute desirable body and texture to a wide variety of dishes such as soups, stuffing for poultry, puddings, salads, pilafs, and other foods. The new food is being test-marketed by USDA's Economic Research Service in cooperation with the Kansas Wheat Commission. Two manufacturers are in regional distribution in the Midwest and Pacific Northwest on the canned product and national distribution of a similar dried product is underway. Only a few minutes heating in a little water is needed before serving the canned product. The convenience food is cooked whole grains of wheat with only the rough outer layers of bran removed. It has a delicate whole-wheat flavor and essentially the same nutritive value as whole kernels of wheat.

Commercially feasible new use for dialdehyde starch

A process has been developed for the tanning of sole leather in which dialdehyde starch, a new chemical derivative of cereal grain, is used as a pretanning agent followed by retanning with vegetable tan. The process, evaluated in a commercial tannery, produces commercially acceptable leather. Cost studies show that with dialdehyde starch at 30 cents per pound, a figure which should be attainable when full commercial production is acheived, the cost of the new process is competitive with conventional tanning. The big advantage is about a 50-percent saving in processing time, a definite economic gain. The new process can be applied in existing tanneries with minimum investment in additional facilities. Another advantage of the new tanning process is that the waste disposal problem—a serious one—is greatly alleviated.

New cereal products serve as an integral part of paper

New wheat flour and cereal starch products have been discovered that can be economically incorporated as an integral part of paper and other pulp products. Wheat flour and starches have been converted into water-soluble chemical derivatives that can be added to slurries of paper pulp which after a simple chemical treatment are precipitated on the pulp fibers to become part of the paper sheet. Chemicals used to make the cereal product cost only 3 to 5 cents a pound. Papers have been made in laboratory experiments containing as high as 45 percent of cereal product. The papers had higher dry and wet tensile strengths than all-woodpulp papers. No operating conditions that would conflict with commercial paper processes were necessary. If initial findings are borne out in larger scale tests, it is expected that the cereal product might replace 10 percent of the long fiber pulp now used in newsprint; 3 percent of the coating adhesives used in coated paper; 20 percent of the pulp used in making coarse paper; and 10 percent of the pulp used in making building and insulation board. These conservative estimates would require the use of 100 to 180 million bushels of grain for applications not using cereal products today.

New cereal starch plastics successfully prepared

A wide variety of new plasticlike products (graft polymers) has been prepared from cereal starch by attaching to the starch molecules polymeric chains derived from commercially available petrochemicals. Some of the products have sharp melting points, while others soften with heat and appear suitable for molding. Some are soluble in water, others in organic solvents. Certain of the soluble graft copolymers appear to be film formers. This basic research points the way to preparation of many new products from starch that can be "tailor made" to meet specialized industrial requirements.

Dry milling and fractionation of cereals and cereal flours

Engineering studies on the fine grinding and air classification of flours from a wide variety of Hard and Soft wheats—and from sorghum, corn, rice, and soybeans—have shown that many new and potentially useful products can be obtained. By fractionation of cereal flours, materials differing over a wide range in chemical and physical properties become available. Some of these may be expected to find use in outlets that represent new markets for cereals and their flours. Soft wheats gave low-protein fractions suitable for use in products such as paper and gypsum board, and high-protein fractions for higher valued food uses. Hard wheat yielded fractions potentially useful in industry or in food products such as cake flours or high-protein concentrates for food fortification. Small changes were noted in the properties of fractions from rice and soybean flours. Sorghum and corn flours yielded fractions that varied considerably in properties, and the lower protein flours from each have increased industrial potential.

New species and strains of yeast collected abroad

About 200 specimens of yeasts have been collected in Spain under a Public Law 480 research grant and submitted for detailed study by experts associated with the ARS culture collection. This activity has resulted in a number of valuable additions to the collection. New species of yeast have been found. Some strains show carbon assimilation patterns unlike those of other yeasts. Other specimens have characteristics that should prove useful in research to develop stable inbred strains of yeast incapable of sexual reproduction that may have value for fermentative production of new chemicals. The new species and strains of yeast augment significantly resources of the collection for exploratory studies to provide basic information on industrial use of micro-organisms to obtain new products and processes by fermentation of agricultural commodities.

Visco-elastic properties of wheat gluten explained by basic discovery

Wheat gluten is unique among proteins in its visco-elastic properties which are responsible for the ability of bread dough to rise by entrapping gases. These properties were shown to reside in the glutenin component which makes up 50 percent of the gluten, and which is composed of large molecules ranging up to several million in molecular weight. Cleavage of the sulfur linkages in this component gave uniform protein molecules having a molecular weight of 21,000. This derived protein has no visco-elasticity. Thus, it is evident that glutenin is composed of polymers of the small protein molecules held together by sulfur linkages, and that this polymeric character is necessary for the unique visco-elastic properties. This basic information points the way to applied studies directed toward controlling gluten properties for both food and industrial applications.

New soluble gum from corn sugar

The ARS process developed for producing a water-soluble gum by bacterial fermentation of corn sugar is being adapted to commercial use by three manufacturers. The gum, called polysaccharide B-1459, dissolves in water to give clear, viscous solutions. These solutions have viscosities uniquely stable to heat, acids, alkalies, inorganic salts, and aging. The manufacturers foresee applications for the gum in adhesives, agricultural sprays, emulsions, oil-well drilling and flooding agents, paper and textile sizes and coatings, latex paints, leather pasting and finishing compositions, and preparations for use in the ceramics industry. The current market in the United States for water-soluble gums, which are almost entirely imported, amounts to 40 million pounds annually.

Nutrients in dehydrated forages protected by chemical stabilizer

The major producers of dehydrated forages have announced that their total production will henceforth be treated with ethoxyquin—a stabilizing agent whose use for this purpose was discovered by Department scientists. It is estimated that 80 to 90 percent of the dehydrated forage produced in the United States will be protected with this antioxidant, preventing severe losses of valuable provitamin A, vitamin E, and poultry and egg pigmenting factors (xanthophylls). Cooperative studies conducted at State experiment stations have shown that incorporation of ethoxyquin in mixed feeds also prevents certain diseases in poultry and lambs, as well as rancidification of fats in feeds. Development and commercial adoption of the ethoxyquin treatment is the result of a joint research effort involving scientists from the Agricultural Research Service, State experiment stations, and the industry. Extensive toxicity testing over a 5-year period led to Food and Drug Administration approval for the use of the compound in dehydrated forages and mixed feeds for all types of animals. A new commercially available water emulsion of ethoxyquin has reduced cost of treatment by one-half to less than 50 cents per ton of dehydrated forage or mixed feeds.

Growth promoter in forages

The compound, coumestrol, previously discovered by Department scientists, has been shown to be a powerful animal growth promoter. This substance has been found in certain lots of fresh and dehydrated alfalfa and other forage legumes. In recent cooperative studies, processed forages rich in this compound were fed to fattening steers at the Nebraska Agricultural Experiment Station. The rate at which the test animals gained weight was impressive. At the Oregon Experiment Station, sheep (wethers) whose diets included a coumestrol-rich dehydrated alfalfa showed marked increases in rate of gain over control animals receiving low-coumestrol dehydrated alfalfa. Development of methods for producing standardized, high-coumestrol forages for use in animal feeds, will provide farmers with a new, high-value market for forage crops.

New processes enhance wool usefulness

The new interfacial polymerization (IFP) treatment that gives wool fabrics markedly improved performance characteristics—including greater shrink-, muss-, and pull-resistance and increased wearability—is being rapidly adapted to commercially feasible processes. The process for applying the new finish, discovered by basic research, has been developed in standard commercial equipment, and the processing variables, including speeds, temperatures, and specific requirements for different fabrics, have been determined in the new wool processing plant at the western division. Announcement of this new IFP process, although less than a year ago, has resulted in the immediate initiation of intensive mill development studies by several of the country's largest wool mills, assisted by Department scientists and technologists. These cooperative studies are aimed at adapting the process to a continuous, high-speed treatment, under the particular conditions existing in the various plants. Many industry processors have expressed the opinion that the IFP treatment is superior to all existing commercial shrink-resist treatments.

In other utilization investigations, derivatives of corn sugar and related carbohydrates have been used successfully as intermediates in synthesis of high-molecular-weight polyamide resins that have aroused industrial interest in possibilities of their use for shrinkproofing woolen fabrics. The resins also have promise for other industrial uses such as molded articles, and coatings to meet special requirements. This research was carried out in Scotland under a Public Law 480 grant.

Industrial uses for wool

A rapid chemical process has been developed which greatly simplifies wool feltmaking, eliminating the need for the slow, expensive mechanical beating traditionally used to produce dense wool felts. The process is based on the discovery that the chemical, dimethyl sulfoxide, causes wool fibers to contract in length. Thus, soft wool felt treated with hot dimethyl sulfoxide becomes dense and hard within a few minutes. Hardness can be controlled by varying either the time or the temperature of the treatment. Mechanical tests show that felts made by this new process are two to three times stronger than the original, untreated felts. The hardening and toughening of the felt are permanent, because the contraction in fiber length is the result of rearrangement of the wool molecules. The new method has an advantage over present batch practice since it is adaptable to continuous process. Commercial evaluation of the process is underway. In addition, industrial users of felts are studying the increased utility of chemically produced felts over wool felts produced by traditional procedures.

New processes for producing stretchable and bulky cotton textiles

Textiles that have stretchable characteristics are receiving widespread acceptance in both wearing apparel and industrial applications. For wearing apparel, increased bulk may also be of importance. Department scientists have been investigating three methods of producing stretchable cotton textiles and each method has excellent commercial possibilities. In one method, the cotton is crosslinked while under a twisting stress, and then crimp and bulk are imparted by a stress reversing twist. Several companies are interested in this method of treatment and one company considers their product ready for commercialization.

The second method being investigated is the application of standard false twisting techniques to thermoplastic cottons. These crimped, chemically modified cottons are reported by one company to be ideally suited for tropical wearing apparel.

The third method is that of completely relaxed shrinkage in mercerizing caustic solutions. Industry has demonstrated enthusiastic response to the slack mercerized products for both industrial and wearing apparel uses. Several companies have announced the availability of these products and one company is in the advanced stages of producing cotton fabrics with stretchable properties in both the warp and filling directions. Further research is in progress to perfect these processes and products so that products having the desired use-quality characteristics can be produced.

New aerodynamic cleaner improves quality of cotton products

A new lint cotton cleaning device, called the SRRL Aerodynamic Cleaner, has been developed by the Department to help the textile industry efficiently process cotton that has been harvested mechanically or by hand snapping. The cleaner is designed specifically to remove from cotton the motes and fine leaf (pepper) trash that are currently plaguing the cotton industry, and is used in combination with either of two lint cotton opening machines known as the SRRL Opener and the SRRL Opener-Cleaner. The combined Opener-Cleaner, Aerodynamic Cleaner units will remove up to about 45 percent of the trash from lint cotton. Although the new cleaner was just recently released, nine commercial firms are already licensed to use the development and two are known to be manufacturing the cleaner. Reports from the textile industry indicate that the device is doing an excellent job of removing pepper trash (a material which conventional cleaning equipment has not been able to adequately remove). This will aid industry in producing higher quality cotton products.

New finishes for producing wrinkle-resistant and wash-wear cottons

A new class of agents for imparting wrinkle-resistance and wash-wear properties to cotton fabrics has been developed and tested on a laboratory scale by USDA scientists. The finishing agents employed are dimethylol monocarbamates. The treated fabrics have good wash-wear properties and the finish is durable to multiple launderings. A highly desirable feature is the resistance to the chlorine bleach almost universally used in laundering. Potential low cost, ease of preparation, standard methods of application, and the good appearance and durability of the finished cotton fabric combine to give the method great commercial promise. Specific agents of this general class are being investigated to determine their suitability for commercial use.

An investigation of the reaction of formaldehyde with cotton has provided fundamental information about the mechanism for changing the physical properties of cotton which has resulted in the development of several new processes for the production of wash-wear cottons. In one of these processes wet wrinkle resistance is imparted to cotton fabric, thus providing line-dry fabrics. Other processes produce fabrics having the desirable property of dry wrinkle resistance in addition to wet wrinkle resistance. The most recently developed vapor process achieves these results with very low amounts of formaldehyde combined with the fabric and may be applied to completed garments, such as shirts. The finishes are durable to laundering and to chlorine bleach, characteristics necessary for good wash-wear performance. Two of the processes have been applied on commercial type equipment and several textile mills are actively engaged in evaluating them. Because of the low cost of the chemicals employed, the formaldehyde processes should be very economical. This work has stimulated a reexamination of this type treatment by industry, and several companies are reported to be producing wash-and-wear cottons using formaldehyde.

Flame-resistant cotton products

Good progress has been made in research to improve the light and weathering resistance of the APO–THPC flame-retardant finish for cotton fabrics, a superior flame retardant previously developed in cooperation with the Quartermaster Corps. By changing the ratio of the chemicals employed in the APO–THPC treating formulation, the outdoor service life of medium-to-heavy fabrics has been increased by 40 to 50 percent (to approximately 18 months). This service life approaches the useful life of textiles subjected to intermittent exposure to weathering. Research is continuing to effect further improvements in this type flame-resistant finish for use on tents, tarpaulins, boat covers, and certain types of industrial fabrics.

Fundamental information on microbiological breakdown of cotton

Cotton fabrics in many applications are exposed to bacteriological and fungicidal attack. Fundamental research at the Shirley Institute, Didsbury, Manchester, England, involving Public Law 480 funds, has resulted in the development of important information on the biochemical pathways involved in the microbiological breakdown (hydrolysis) of cotton cellulose. Studies of the enzyme systems involved have shown that these systems consist of at least two types. One of these, less of which is present in isolated enzyme preparations, appears to penetrate the cellulose more readily. This would explain the significantly greater degradation of cotton by living organisms compared to the limited degradation by the isolated preparations. Research in progress should enable the development of laboratory test methods that will simulate more closely actual service conditions of cotton products, thereby aiding in obtaining information that will facilitate the development of more effective preservative treatments for cotton.

Practical method for imparting weather and rot resistance to cotton fabrics

A practical, low-cost treatment, developed for making cotton fabrics exposed to mildew, rot, and weathering last much longer, offers promise of maintaining a market of approximately 230,000 bales of cotton a year in canvas goods products such as awnings, tarpaulin, tentage, field coverings, beach umbrellas, ditch liners, and irrigation pipes. The treatment uses a chemical called acid colloid of methylolmelamine, and can be applied with equipment already available in a great many textile finishing plants. One finisher has produced the colloid-treated fabric and supplied it to approximately six consumers who are using it as ditch liners, dam stops and in other applications. Other samples are under experimental exposure as seedbed covers in Florida. Further interest in the development is anticipated.

Machine for rapidly determining foreign matter content of cotton

A completely self-contained and compact machine, called the Trash Analyzer, has been developed for rapidly determining the foreign matter content of lint cotton. The machine is capable of 95 percent cleaning efficiency at 60 pounds per hour production. Trash content of a bale of cotton can be determined in less than 5 minutes with this machine, as compared with 1 hour with conventional machines. The Trash Analyzer is being evaluated over a wide range of grades and qualities of cotton. It is a tool long needed by the industry and its use will aid manufacturers in producing higher quality cotton products.

Basic information on fabric failure developed by microscopical study

Research employing light and electron microscopy has contributed new information toward a better understanding of fabric failure. The results of flexural strain, compression, and frictional wear can be seen, especially at the submicroscopic level. In fabric-to-fabric flat abrasion tests on gray cotton, the surfaces of cotton fibers appeared considerably damaged when examined with the electron microscope by the replica technique. This study of fabrics, yarns, and fibers under varying conditions of abrasion should contribute to a better understanding of the breakdown of fabrics in everyday use and toward potential improvement of abrasion-resistant treatments. Increased utilization of cotton should result from the development of fabrics having improved abrasion resistance.

Chemistry of meat flavors

The factors responsible for flavor and aroma in meats have been resolved into several principles. First, flavor is derived from some of the water extractable substances in meat. Second, the substances extracted are not flavors but precursors which develop flavor on heating. Third, lean beef, pork, and lamb have a similar flavor; but contributions from the fatty tissue confer flavor differences characteristic of the species. For example, lamb fat contains nontriglyceride material that on heating releases minute amounts of carbonyls responsible for most of the characteristic lamb aroma. Flavor substances, isolated and studied to date, include amines, sulfide compounds, carbonyls, and fatty acids. The substances from which these were derived have been identified as low molecular weight carbohydrates, polypeptides, and amino acids which produce flavor by their interaction. These new facts concerning meat flavor provide a basis for the development of improved processing, handling, and preservation aimed at the production of better flavor meat and meat products.

Removal of strontium 90 from milk

The U.S. Department of Agriculture, the U.S. Atomic Energy Commission, and the U.S. Public Health Service have undertaken a joint research effort to develop a feasible commercial-scale process, to be used in case of national emergencies, for the removal of radioactive contamination from milk. A continuous pilot plant process, using commercially obtainable equipment, has been developed which removes over 90 percent of strontium 90 in a single pass through a resin bed with little or no effect upon the flavor and stability of the milk. It is estimated from these pilot plant studies that such removal of strontium 90 would cost in the order of 5 cents, or perhaps higher, per quart of treated milk. The research is continuing in an effort (a) to refine the resin regeneration phase, (b) to explore other removal procedures that might be more efficient, and (c) to study the problems of adapting a pilot plant process to commercial use.

Dried cheese whey—A new product

Cottage cheese whey, which had hitherto not been dried, now can be successfully dried by a new ARS method of foam-spray drying. At present, 3 billion pounds of cottage cheese whey produced annually and containing half the solids of milk are wasted into sewers and streams. With the development of stream pollution control and urban charges for sewer use, cottage cheese plants are faced with heavy disposal expense and even forced closing. Following publication of the new method, inquiries were received from virtually every large dairy company and dairy equipment manufacturer in the United States. It is anticipated that the method will find wide commercial adoption. Its use may avoid the closing of factories and it will provide a new dairy ingredient for food manufacturers.

Autoxidation in fatty foods

Basic studies to determine the role of major food components, including fats, in autoxidation and off-flavor development, have shown that histidine, one of the common amino acids of proteins, has a profound effect on autoxidation of fats. In aqueous emulsions of fats it is a powerful prooxidant, and if traces of iron salts are also present the prooxidant effect is greater than when either histidine or iron salts only are present. Phosphates nullify the prooxidant effect of histidine. The findings are of importance to a better understanding of factors that promote or retard autoxidation in fatty foods, and should point the way to a practical solution of the off-flavor problems in many food products.

Surfactants from tallow

Utilization research has shown that alpha sulfoacids prepared from tallow are effective lime soap dispersing agents, and may be expected to be useful in the form of soap-detergent combinations. It has also been discovered recently that certain esters of the alpha sulfoacids are especially effective as wetting agents. Since they compare in effectiveness with the best known commercial wetting agents and are also potentially very cheap to manufacture, commercial interest in them seems assured. In the meantime, manufacture of alpha sulfoacids has been undertaken by several commercial concerns.

New apple juice product

A market test recently conducted by AMS in cooperation with ARS and industry has shown the USDA-developed sevenfold superconcentrated apple juice to have an excellent public acceptance. In consequence, a large Middle West processor will manufacture it this season for household use. This product rapidly reconstitutes to give a juice having the aroma and flavor of fresh juice. It has already been manufactured on a commercial scale for use by the jelly industry. However, this market test will open the way to expanding its use as a beverage.

Basic studies aid sausage manufacture

Excellent progress has been made in studies, conducted at the Research Institute of Meat Technology, Hameenlinna, Finland, under a Public Law 480 grant, on the effect of various micro-organisms on the development of flavor (aroma), color, and other desirable chemical changes occurring during sausage manufacture. Over 700 strains of organisms obtained from curing brines used for curing hams and sausage have been screened for their ability to affect certain qualities (color, flavor, etc.) in the finished product. The conclusions reached from the results obtained so far are that no single strain of bacteria can produce all the changes desired in the ripening of dry sausage, but a mixed culture composed of several strains will be required to effect these changes. This will entail a detailed study of a very large number of organisms, but the fundamental results obtained undoubtedly will be of great value in devising methods of manufacturing improved sausage and other cured meat products.

Research finds a major cause of egg spoilage

Basic studies of the nature of bacterial growth in egg whites have revealed that trace amounts of iron counteract the protective action of the protein, conalbumin, in egg white and thereby permits spoilage. Applied studies based on this finding have shown that iron in the water used to wash eggs can be high enough to markedly influence spoilage. With wash water containing 5 to 10 parts per million of iron, a level commonly found in well water, spoilage is threefold to eightfold that obtained with water containing less than 0.5 part per million of iron. This discovery is helping egg producers and processors reduce the serious shell egg spoilage that accounts for a loss of approximately $20 million annually. Major egg producers are starting to treat wash waters to lower iron content to 0.5 part per million before eggs are washed prior to shipment, in order to eliminate excessive spoilage.

Levopimaric acid from pine gum

Levopimaric acid is an important, reactive resin acid present in pine gum. It would be a valuable intermediate in the chemical industry if practical processes were available for isolating it from the gum in a pure form. Department scientists have succeeded in developing a laboratory procedure which produces levopimaric acid salt of 90 percent or higher purity in good yield, from pine gum. Indications are that it will be possible to isolate the pure acid without altering the composition of the turpentine or decreasing the value of the residual rosin. Additional research is underway to develop information needed for possible commercial-scale use of the procedure.

Basic compositional studies of tobacco

Significant progress has been made, in cooperation with the Cigar Manufacturers Association of America, in the isolation and identification of the numerous chemical compounds which account for the color, aroma, and leaf pliability of tobacco. Aliphatic and cyclic paraffins, terpenes, tocopherols, sterols, and at least 15 higher fatty acids and their esters were characterized. In addition to the fatty acids, which contribute to the flavor and aroma of tobacco smoke, other complex highly aromatic mixtures were isolated.

New crop seed oils containing epoxy-fatty acids for plastic composition

Ironweed seed, Vernonia anthelmintica, a potential new crop, contains 20 percent of oil the principal component of which is epoxy oleic acid, a compound which has application in plastic compositions. Research has shown that the oil from fresh seed, extracted promptly after grinding, contains 65 to 70 percent of epoxy oleic (vernolic) acid combined almost entirely as glycerides. The seed contains an active lipase which rapidly hydrolyzes the glycerides and produces free acids unless the extraction is done promptly after grinding the seed or unless the enzyme is deactivated. A process for deactivating the enzyme without destruction of epoxy acid has been developed. A method has also been developed for isolating the triglyceride of epoxy oleic acid from the crude oil in 95 percent purity and in good yields. This finding is an important step in providing a relatively pure material for future work in the evaluation of the trivernolin and its chemical derivatives for industrial use in the field of plastics, polymers and surface coatings.

Valuable chemicals found in wild plants

Substantial percentages of novel components, many having significant industrial potential, are present in a number of the 3,400 samples of uncultivated plants analyzed. Recently discovered products include vegetable oils unlike those commercially available and new carbohydrate seed mucilages. The new oils have been converted in the laboratory to plasticizers, foamed plastics, dibasic acids for polymers, and waxlike substances. Coproduct meals of some oilseeds have been upgraded for feed use by newly developed processes. The seed mucilages are effective as additives for increasing paper sheet strength. These uncultivated plant samples come from both domestic and foreign sources through cooperating agencies in the Department. Projects under Public Law 480 provide many foreign species. Species desirable both agronomically and industrially can lead to development of new crops offering greater latitude in farmers' choice of commodities for profitable land use.

Efficient plasticizers from cottonseed fatty acids

Attractive plasticizers for vinyl chloride plastics have been produced from the fatty acids of cottonseed oil. One of these plasticizers, the morpholide of selectively hydrogenated cottonseed fatty acids, is superior to the commonly used "DOP" plasticizer in efficiency, volatility and low temperature performance, and comparable in thermal stability. Another type, the morpholide of partially epoxidized cottonseed fatty acids, has an even higher efficiency and lower volatility and imparts a markedly greater thermal stability to the vinyl chloride resin used in the plastics, though at some sacrifice in low temperature performance. In addition to being a good plasticizer, it is also an efficient vinyl chloride stabilizer. Several industrial companies are evaluating the new products in various applications.

Cottonseed oil color improved

From 25 to 50 percent of domestically produced cottonseed oils contain reddish colorations that are not satisfactorily removed by present commercial refining, bleaching, and deodorizing methods. These oils are discriminated against and have reduced market value. Research by Department scientists has shown that activated alumina is a satisfactory bleaching agent for these off-color cottonseed oils. The activated alumina used in the new bleaching process has been found to be about 16 times more effective than Fuller's earth conventionally employed in bleaching cottonseed oil. The spent alumina can be reactivated and reused indefinitely without loss of its effectiveness as a bleaching agent and with little loss of alumina. The new process has no adverse effect on important oil properties. Pilot plant work on bleaching cottonseed oils with alumina is in progress to show whether the cost of alumina bleaching will be competitive with present refinery procedures for processing off-color oils, and to develop information necessary for possible commercial scale use of the process.

Solvent-blown urethane foams from castor oil

The preparation of lightweight plastics, known as urethane foams, based on castor oil, has resulted from earlier Department research. These foams were prepared by the foaming action of carbon dioxide gas produced as a result of the chemical reaction of water with one of the components of the polymerization mixture. A method for preparing improved castor-based foams has been developed in which the foaming is produced by vaporization of a low boiling solvent due to the heat of reaction generated during polymerization. Such foams may be used as upholstery materials, crash pads, for thermal and accoustical insulation, lightweight structural materials and numerous specialty products. In general, such lightweight solvent-blown plastics are stronger and have better thermal insulation properties than the analogous water (carbon dioxide) blown foams. Commercial evaluation of such foams based on castor oil is underway.

Basic allergens research

Utilization of castor-seed meal, a rich source of protein, is limited because of the presence of very potent allergens. Many humans become sensitized by extremely small amounts of the dust from the meal and thereafter react violently to exposure. Department scientists have demonstrated that castor meal contains at least six proteins which cause allergic reactions in monkeys sensitized with serum from humans allergic to castor. These findings have led to the development of a new diagnostic test for allergenicity, in which inexpensive Philippine Old-World monkeys, instead of allergic humans, can be skin tested repeatedly. In other studies, a process has been devised that appears promising as a commercial method for inactivating the principal allergenic constituents in castor-seed meals.

Solution of the castor-seed allergen problems, made probable by these discoveries, gives promise for growing castor as an industrial crop on large acreages in the United States.

New process for soybeans in commercial use

During the past year two soybean processors have installed commercial-size flash desolventizer units based on the original designs and pilot-plant development of the Department. These desolventizers were developed to remove solvent from extracted soybean meal without damaging the protein by excessive heating. Meal quality, as determined by water solubility of the protein, can be controlled over a wide range by simple adjustment of operating conditions. Use of this process permits the economic production of undenatured extracted soy flours and will promote the further development of high-quality soybean protein food products. The equipment required for the flash desolventizer is of simple construction and flexible design so that it can be added to existing plant facilities at low cost without major building revisions. It is unique in that it contains no moving parts in the desolventizing zone.

New chemicals from soybean oil show industrial promise

Ozonization of soybean oil or its fatty acids has yielded a variety of new chemical derivatives that have attracted widespread industrial interest. One type of derivative, called "MAZ" is an ester of a reactive aldehyde and shows much promise as a cross-linking agent for synthetic polymers and as an intermediate for novel types of acetal resins. Another type of derivative, called "aldehyde oil," retains the glyceride structure of the original oil and can be prepared in several forms having different degrees of reactivity toward other chemicals. Uses in plastics, resins, plasticizers, paper, and textile chemicals are being explored. Process economics appear to be very favorable for these new chemicals which have raw material costs of 12 to 23 cents per pound. Potential market areas for MAZ and aledhyde oils now consume 3 billion pounds of organic chemical products annually. These new chemicals are now being commercially evaluated.

"Hidden oxidation" a major factor in quality of soybean oil

The most important problem of the soybean oil industry is development of objectionable flavor during storage of the oil or upon exposure to heat when used as a cooking oil. Most of the volatile flavor components of these oxidative decomposition products are removed during the deodorizing stage of the refining. However, utilization research found that about 90 percent of the total decomposition products remain in the refined oil. Studies have shown that these residual products undergo further changes with time to reduce the flavor and oxidative stability of oil which may appear to be of high quality immediately after refining. These effects from unremoved oxidative products have been called "hidden oxidation." A method for detecting hidden oxidation has been developed by the Department, and industry is now testing it. This test reveals the history of the oil and provides information on its future stability for use as salad oil.

Fast-drying linseed oil emulsion paint developed

Stable linseed oil-water emulsion paints have been prepared that dry-to-touch, develop excellent water resistance, and can be recoated within 15 to 30 minutes after application. The paints can be thinned with water, and water can be used for brush cleanup. Samples evaluated by six cooperating industrial companies compared favorably with commercially available synthetic resin emulsion paints in brushing, wet-edge, hiding, drying, and other essential properties. They were superior to many of the commercial synthetic resin paints in leveling, blister resistance, and adherence to chalky weather surfaces. Outside weathering and long-term storage tests, and additional formulation studies to obtain the best combination of properties are being undertaken preparatory to commercial production of these paints.

New emulsifiers made from linseed oil

Nonionic emulsifiers of several types have been prepared from linseed oil by chemical derivation of linseed fatty acids or linseed fatty alcohols. These new emulsifiers have properties uniquely different from conventional products now in use. When used to formulate linseed oil emulsion paints, the new emulsifiers appear to exert a specific stabilizing effect when the paints contain zinc oxide as one of the pigments. When such paints are formulated with conventional emulsifiers, they almost always increase gradually in viscosity until they become too thick to be used. With the new linseed oil derived emulsifiers, formulations are easily achieved having viscosities that have remained stable for more than 2 years. Emulsion paints made with these new products are being evaluated by six industrial companies.

Edible gels and foams made from soybean protein

Edible gels and foams have been made from refined soybean protein that have been good potential for both food and industrial uses. The gels, which are the first heat-reversible gels made from a vegetable protein, become liquid when heated and thicken when cooled. Foams made from solutions of the refined protein are unusually stable—several times more so than other foam products tested for comparison. They offer wide potential in many types of food products—giving them added desired texture and flavor properties.

Dehydrofreezing of fruits and vegetables gains broad acceptance

Dehydrofreezing is a new method of food preservation developed by Department scientists, whereby foods are partially dehydrated and then frozen. The process is now in commercial use. Several million pounds of dehydrofrozen apples are being produced each year for use in commercial bakeries. Dehydrofrozen peas, carrots, and potatoes are being manufactured in rapidly increasing tonnages and are becoming important export items. Three million pounds of dehydrofrozen pimientoes were produced last year for use in cheese products. A large food concern has just completed a successful market test of dehydrofrozen baby foods, including fruits, vegetables, soups, meat dinners, and puddings.

In the new process, dehydration is limited to removal of about half of the water present to avoid the irreversible quality damage that occurs during late stages of complete drying. The reduction in product weight and volume achieved by partial dehydration results in large savings in costs of freezing, packaging, handling, and shipping. Fresh flavor, texture, and color are retained by keeping the product frozen. Less drip on thawing and easier moisture control during remanufacture are among the advantages of dehydrofrozen over conventional frozen foods. The fresh-product quality, the convenience, and the economy of reconstituted dehydrofrozen foods assures expanding acceptance of dehydrofreezing as a method of food preservation.

A better dry bean product

Objective scientific research has not only established the cause and effect relationship between dry bean ingestion and flatulence, but also yielded a reproducible method for demonstrating this relationship. A variety of bean products, including canned pork-and-beans, oven-baked beans, canned dry limas and canned green limas, have been examined and have all been found to cause the same response. It has also been demonstrated that contrary to popular belief, the causative agent is not the high fiber content of beans, nor the resistance of the cell walls to digestion in the upper intestine. The substances in beans which cause flatulence have not yet been identified, but the development of a reliable, quantitative method for studying the phenomenon has removed the major barrier to this research, and should speed the identification of the substances responsible. This will lead to modified processing procedures to eliminate undesirable effects.

The present farm value of dry beans is about $110 million annually. Development of dry bean products devoid of flatulence-producing properties could double or treble the demand for this inexpensive but highly nutritious food.

New antimycotic agents discovered

Chemical preservatives, called sorbates, are now being used successfully on a commercial scale as antimycotic agents on retail packs of high-moisture dried prunes and figs. The utility of these compounds for this purpose was discovered by utilization scientists. Sorbates are also being used on bulk packs of these fruits for domestic and foreign shipment. The residual antimycotic effect is the most important attribute of this treatment, and represents an important advantage over the agents that were used for many years. The farm value of prunes and figs has been in excess of $50 million for the past several years and the value of the processed products is substantially greater than this. Six of the largest packers of these dried fruits now use sorbates on the major part of their packs. This is benefiting the growers by extending the domestic and foreign markets for these products.

Breakthrough in bacterial spore research

The great resistance of bacterial spores to heat makes it necessary to apply severe processing schedules in the canning of nonacid foods. This results in quality losses, and makes impossible the canning of certain commodities. Basic research on the nature of the heat resistance of spores has been impeded for decades by the difficulty in obtaining substantial quantities of clean spores, free of vegetative cell debris and medium particulates. This problem has now been solved by development of a two-phase solvent extraction system that makes possible the recovery of clean spores of Clostridium botulinum from dead cultures with a very low (1 percent) spore population. In other species, it has proved effective in removing very small amounts of subcellular debris. This accomplishment is a major breakthrough in microbiological research and has implications far beyond the solution of agricultural problems.

Fundamental research on food stabilizers

Basic research, being conducted in the United Kingdom under a grant through Public Law 480, is providing important information on the relationship between molecular structure and antioxidant activity. Among the antioxidants studied have been complex chemical compounds called polyphenols. These compounds have yielded some particularly valuable information on structural features necessary for antioxidant action. This information will prove of value in the design of practical antioxidants which combine the ideal structural features with commercial availability. The importance of this basic research is recognized since expansion of markets for many food products is limited by rancidity that develops in these products on storage. This rancidity, caused by oxidative deterioration of fats, can be inhibited or prevented by addition of trace amounts of suitable antioxidants. These fundamental studies are invaluable guidelines for developing antioxidants that are adequately effective and acceptably safe for use in foods.

Dehydrated mashed potatoes makes further gains

A new direct process for the manufacture of dehydrated mashed potatoes in the form of granules yields an instantly reconstitutable product of uniform high quality. Cooked potatoes are dried and granulated in a series of operations which eliminates any recycling of partially dried product. New procedures and specially designed equipment make it possible to separate the delicate potato cells and dry them with a minimum of mechanical damage. Invented by utilization scientists, the process is undergoing intensive industry evaluation, and may well lead to greatly increased production, presently exceeding 150 million pounds annually of dehydrated mashed potatoes (flakes and granules).

Cherry brining

During the past several years, growers have suffered sizable losses due to the sporadic and unpredictable deteriorative softening of cherries during brining. The direct loss to the grower resulted from the withholding of crop payments until the brined cherries were examined several months after brining. Research on this problem has yielded reproducible sampling procedures, and a single objective method for measuring texture of the brined cherries. The mechanisms of softening have been identified by basic enzyme studies. Pectinolytic degradation has been shown to play a major role in softening. In addition, breakdown of the tissue cellulose and hemicelluloses occurs, presumably by a chemical process since cellulytic enzymes are not involved. This basic information, confirmed by model system studies, provides the information needed by the industry to develop modified brining procedures which will prevent softening. Potential losses to growers of as much as $5 million per year can thus be prevented.

Flavor components of onions identified

Improved products from a large variety of fruits and vegetables may be possible as a result of basic research on the flavor components of onions. Isolation and identification of the volatile flavor components of sliced onions furnished clues which led to the identification of precursor materials from which flavor components are derived. This in turn led to the isolation of an enzyme from onion capable of producing onion-like flavors from these precursors. Studies of these enzymatic reactions showed that chemical determination of the amount of a substance called pyruvic acid present in the onion can be used as an objective measurement of pungency. High pungency is desired in onion varieties used for processing. As a result of this research, the plant breeder can judge more accurately and more quickly whether varieties are suitable for processing. These findings suggest areas of research on other fruits and vegetables aimed at determining flavor precursors, and isolating flavor enzymes and determining their stability during processing. Greatly improved processed products will thus result.

Fruit juice concentrates improve frozen dessert flavors

Fruit juice concentrates with their accompanying concentrated aromas (essences) are a Department development. Their use has until recently been confined to making jelly of improved flavor. In cooperation with a land-grant college, concentrates and essences from seven important fruits and berries were evaluated as flavoring agents in ice cream, sherberts, ices, ice milks, and variegated ice cream. The optimum level of flavoring materials, the basic mix composition, as well as sugar and acid contents were determined. Most of the fruit concentrates and essences were found, by consumer test panels, to be a valuable and economically practical means of improving the flavor of fruit ice cream and related products, either when used as a fruit supplement or when used as the only source of fruit flavor. These findings including recommended formulations and cost data are being made available to commercial ice cream manufacturers and should increase the consumption of both dairy and fruit products.

New "instantized" dehydrated foods

Conventionally dehydrated vegetables, for example three-eighths of an inch carrot and potato dice, require from 20 to 30 minutes boiling to be ready for eating. A new process under pilot plant development shortens this time to 5 minutes. It also enables more rapid dehydration of large pieces formerly requiring inordinately long times to dehydrate and to reconstitute. The new process gives the dried piece a porous structure, which assures rapid reconstitution with boiling water to give texture and flavor comparable to the freshly cooked piece. The process has thus far been successfully applied to potatoes, carrots, beets, and corn, and should be applicable to other vegetables as well as fruits. The dehydrated soup industry has manifested considerable interest in the new process as it will permit the use of large vegetable pieces instead of the small fragments now necessary in a soup requiring about 10 minutes to prepare.

Precooked, dehydrated sweetpotato flakes

A flavor-stable precooked, dehydrated sweetpotato flake product, previously developed by Department scientists on a small pilot-plant scale in cooperation with the Quartermaster Food and Container Institute for the Armed Forces, is now being produced on a semicommercial scale. As part of national emergency planning, an industrial preparedness study has been completed for the Quartermaster Corps (under contract), and plant designs and costs for proposed commercial operations have been distributed to industry. Industry interest is high for this new product that can be reconstituted in 60 seconds and has the color and taste of freshly cooked mashed sweetpotatoes. One commercial firm is reportedly undertaking limited commercial production of the flakes this season to ascertain the commercial potential of the product. Commercial exploitation of the product will further the economy of the sweetpotato industry by affording a profitable outlet for a substantial proportion of the crop, as much as 6 to 8 million bushels annually, which is substandard for the fresh market and not adequately absorbed by the demand for canned and frozen products.

Mr. MUNDT. Madam President, as we state in our committee report accompanying this appropriation bill—

> The story of American agriculture is one of the outstanding success stories of modern times. But the success is marred by the channeling of much of our agriculture production into Government storage or into disposal abroad at an economic loss to the Nation.

The $25 million we now propose to appropriate and earmark for industrial utilization and for actions designed to utilize the research already undertaken and completed will go a long way toward finding the necessary markets so our farmers can enjoy decent incomes from the great successes they have achieved in whipping the problems of production.

Our committee proposes to monitor, patrol, police, and supervise the expenditure of these new funds for new purposes most meticulously. Our committee report specifically states:

> The committee expects the Department to keep it informed periodically on plans and progress made under the accelerated utilization research program.

We in turn, Madam President, will keep the Senate and the public informed concerning the accomplishments.

We are indeed fortunate in this happy land to be bothered by a surplus rather than a shortage of farm production. We now need to learn how to use what we have learned how to produce. By approving our recommendations for this $25 million the Senate as a whole will be participating in this forward step and will be helping in a permanent way toward the solution of a stubborn farm problem which I believe will begin to yield and finally surrender to this updated approach to solving the difficulties confronting the farmers for far too long as the result of an unbalanced operation of the inevitable law of supply and demand.

Mr. KEATING. Madam President, I want to thank the committee and particularly the distinguished senior Senator from Georgia [Mr. RUSSELL], who I understand made a motion in committee on an amendment which I had submitted to the committee and which was accepted in part.

This amendment concerned the U.S. Plant, Soil and Nutrition Laboratory at Cornell University in Ithica, N.Y. This facility is in the final stages of construction and will be completed in October of this year.

Dr. W. K. Kennedy, the director of research of the New York State Colleges of Agriculture and Home Economics, was in touch with me several months ago urging that because this new facility would be ready this year, operation and maintenance funds should be budgeted in 1963. Although the officials of the Agriculture Department responsible for this program indicated agreement on this point, the funds in question were apparently not budgeted in time for submission to the Congress this year. On February 20, I wrote to the Senator from Georgia calling this situation to his attention.

The bill before us today contains $65,000 for this important research laboratory at Cornell. While this is not the full amount requested, it will be extremely helpful. It will be money well spent. We in New York have many vital agricultural interests, and it has long been regretted by persons in this field that we have not received a fair and proportional share of the total Federal funds for research in agriculture. There is still plenty of room for improvement, but I am delighted that the Senate Appropriations Committee has shown an inclination to help us in this area.

Madam President, since February 20 when I first wrote to the Senator from Georgia on this matter, my colleague from New York, Senator JAVITS, was named to the Appropriations Committee and was appointed to serve, among others, on the Agriculture Subcommittee. One of his first official acts was to lend his fine efforts to this particular Ithaca research problem which was then pending before the subcommittee. He was immensely helpful in this regard, and I know in the future he will accomplish much to encourage and promote needed agricultural research programs in New York on the major crops produced in our State.

Madam President, I should also like to thank Senator YOUNG, Senator MUNDT and Senator HRUSKA with whom I discussed this subject and all of whom indicated real sympathy and understanding of our situation in New York.

The PRESIDING OFFICER. The bill having been read the third time, the question is, Shall it pass?

The bill (H.R. 12648) was passed.

Mr. RUSSELL. Madam President, I move that the Senate insist upon its amendments, request a conference with the House of Representatives thereon, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer (Mrs. NEUBERGER in the chair) appointed Mr. RUSSELL, Mr. HAYDEN, Mr. ELLENDER, Mr. YOUNG of North Dakota, and Mr. MUNDT conferees on the part of the Senate.

REVENUE ACT OF 1962

The PRESIDING OFFICER (Mr. BURDICK in the chair). The Chair lays before the Senate the unfinished business.

The Senate resumed the consideration of the bill (H.R. 10650) to amend the Internal Revenue Code of 1954 to provide a credit for investment in certain depreciable property, to eliminate certain defects and inequities, and for other purposes.

SENATE DRUG BILL WOULD REDUCE SOME PRICES

Mr. KEFAUVER. Mr. President, Morton Mintz, staff reporter of the Washington Post, who has written many objective and thoughtful articles about the drug legislation has written another article in the Post of August 25, 1962, which deserves particular attention. He points out how, with better inspection and control, all prescription drugs should be safe and effective and that physicians will be more likely to prescribe drugs by generic names. He also explains that the legislation just passed in the Senate will give impetus to generic names. The greater use of generic names has already brought large savings to the Government, States and hospitals. The further use will bring great savings to individual patients.

Mr. Mintz' article will be of interest to everyone, particularly physicians and those who must use prescription drugs.

I ask unanimous consent that the article be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

SENATE DRUG MEASURE WOULD REDUCE PRICES

(By Morton Mintz)

For the price-conscious consumer the key provision in the drug bill passed by the Senate Thursday is one intended to give physicians the greatest possible opportunity to know the generic, or common, names of the drugs they prescribe.

The provision would require listing of the common name—in type half as large as that used for the brand name—on drug labels and in advertising material and descriptive literature available to physicians.

When the bill was debated, its main sponsor, Senator ESTES KEFAUVER, Democrat, of Tennessee, said that the provision could result in lower prescription-drug prices.

EFFECT ON PRICES

KEFAUVER, who is chairman of the Senate Antitrust and Monopoly Subcommittee, and Horace L. Flurry, its chief counsel, summarize their explanation of the relationship between the bill and drug prices this way:

By itself, the common-name provision might have a limited effect on consumers. The reason is that physicians want to be certain that the drugs they prescribe are of the highest quality.

The doctors judge it wiser to have the patient pay more for a brand name product in which they have confidence than to take the risk of writing common-name prescriptions that may be filled with the product of manufacturers in whom they lack confidence.

But other provisions of the bill, such as tougher factory inspection and quality controls, are intended to assure physicians and the public that cheaper generic-name products meet safety, purity and other standards.

The expectation is that the combination—common names more readily available to physicians, and greater assurances of quality—will cause an upsurge of common-name prescriptions.

But whatever upsurge there may be would affect only about 20 to 25 percent of the prescription drugs sold.

About 60 percent of the total are patented drugs, available only under brand names no matter how the prescriptions are written. The remainder—10 to 15 percent—are old drugs, digitalis, for example, that are usually prescribed by generic name even now.

In the Senate debate on the bill, KEFAUVER sought to drive down unconscionably high drug prices principally with an amendment that could break a drug-patent monopoly after 3 years. The amendment failed by a vote of 53 to 28.

Among the nonpatented drugs the price gap between the trade-name and generic-name versions can be wide. KEFAUVER has cited the example of prednisone, which is prescribed for the relief of pain from arthritis.

The brand-name retail price is about 30 cents a pill—about $30 a month for many arthritic victims.

Under its common name "prednisone," in a version made by a reputable manufacturer, retails for about 3 to 3.5 cents a pill, or approximately $3 to $3.50 for a month's dosage.

A physician's response to a request for a common-name prescription depends on many factors besides faith in a given manufacturer's products. He may weigh, for example, the seriousness of the patient's condition, a preference for the inactive ingredients in one formulation as opposed to another, or the patient's economic circumstances.

Serious consideration was not given by the subcommittee to the possibility of requiring physicians to prescribe by common names. This, it was believed, would constitute interference with the physician-patient relationship, and with the doctor's right and duty to prescribe according to his best judgment.

The physician has now, and would retain, the widest latitude. He can, for example, direct the pharmacist to type the generic name on the label of the bottle the consumer takes home from the drugstore.

Whatever the physician's instructions, the pharmacist will comply. If the physician specifies a brand-name drug, the pharmacist will supply it. If a drug is prescribed under its generic name, or with an option, the pharmacist is free to supply it in either version—but the consumer is free to shop around.

ORDER FOR ADJOURNMENT UNTIL 10 A.M. ON MONDAY, AUGUST 27

Mr. MANSFIELD. Mr. President, I ask unanimous consent that when the business for today has been completed, the Senate adjourn until 10 o'clock on Monday morning next.

The PRESIDING OFFICER. Without objection, it is so ordered.

REVENUE ACT OF 1962

Mr. MANSFIELD. Mr. President, what is the pending business?

The PRESIDING OFFICER. The pending business is the bill commonly known as the tax bill.

Mr. MANSFIELD. I am delighted to know that.

Mr. President, there will be no further legislative business and no more votes today.

THE NEW YORK PRAYER CASE

Mr. ROBERTSON. Mr. President, few Supreme Court decisions have raised more controversy than Engel against Vitale, the New York prayer case.

On June 25 of this year, the Supreme Court, by a 6 to 1 majority, held unconstitutional the daily recitation in New York public schools of a short prayer composed by the State board of regents and adopted by a local school board. I hope to show in my remarks that the establishment clause of the first amendment was not intended to prohibit such public religious exercises.

Because of my concern over this recent decision and its implications, I testified some weeks ago before the Senate Judiciary Committee. I spoke in behalf of an amendment to the Constitution which, while fully protecting the fundamental principle of separation of church and state, would permit the continuation of those governmental religious practices that have long been a part of our heritage.

In his concurring opinion in Engel against Vitale, Mr. Justice Douglas suggested some 19 of these practices which he felt should be abolished. His list included the Chaplains of both Houses of Congress and of the Armed Forces, the national motto "In God We Trust," and the reading of the Bible in District of Columbia schools.

Mr. Justice Clark in a recent speech in California referred to public criticism of the Supreme Court's decision in the New York prayer case. He said that the public did not fully understand the meaning of the decision. He implied, in my judgment, that the Court would not follow the course suggested by his colleague, Mr. Justice Douglas.

Mr. TALMADGE. Mr. President, will the distinguished Senator from Virginia yield?

Mr. ROBERTSON. I yield to my friend, the Senator from Georgia.

Mr. TALMADGE. I listened with much interest to the comment my distinguished friend made about the special concurring opinion of Associate Justice Douglas. Is it not true that if his opinion were the law, he would have the Nation place nonbelievers and believers in exactly the same category with respect to the law?

Mr. ROBERTSON. Absolutely; he would.

Mr. TALMADGE. In other words, if his opinion were the decision of the Court, he would place the Supreme Being and the Devil in a coequal status?

Mr. ROBERTSON. Yes. His opinion, if it ever became law, would completely secularize our Nation, and there would be no more recognition of God in our Government than in any country behind the Iron Curtain.

Mr. TALMADGE. I thank the Senator from Virginia.

Mr. ROBERTSON. Mr. President, in its October term, the Supreme Court will have the opportunity to hear cases in which petitioners challenge practices that are not dissimilar to the regents' prayer. For example, in Murray against Curlett, the Court will determine whether a Maryland law providing for the voluntary recitation of the Lord's Prayer in public schools is constitutional.

It seems to me that if the Court is to be consistent, it must adopt the position of Mr. Justice Douglas and declare the recitation unconstitutional. This would apply also to many other religious practices which are a part of our heritage. To the present Court, however, consistency—known in judicial parlance as stare decisis—is not considered to be "a jewel." In view of Mr. Justice Clark's recent comments, therefore, it is quite possible that the Supreme Court will follow its decision in Engel against Vitale to a logical, if unfortunate, conclusion.

Mr. TALMADGE. Mr. President, will the distinguished Senator from Virginia yield again to me?

Mr. ROBERTSON. I yield.

Mr. TALMADGE. Did it strike my friend as being most unusual—as it did me—for an Associate Justice of the Supreme Court, who had concurred in an opinion which met with almost universal hostility in our country, to call a press conference while he was visiting in California, in order to interpret the decision which was handed down in Washington, D.C.?

Mr. ROBERTSON. Well, the newspaper comment on it was that within the recollection of the newspaper commentators there was no precedent for such action by a member of the Court whose decision had been criticized.

Mr. TALMADGE. Did it strike the Senator from Virginia, as it struck me, that that member of the Supreme Court was making an effort to alibi for what he had concurred in?

Mr. ROBERTSON. That inference could be drawn.

Mr. TALMADGE. Does the distinguished Senator from Virginia know of any other time in the history of American jurisprudence when an Associate Justice of the Supreme Court has seen fit to call a press conference in an attempt to interpret an opinion in which he had previously concurred?

Mr. ROBERTSON. There is none, so far as I can recall. I did not begin the practice of law until 1908. Such a thing might have happened in an earlier period, but I recall none since then.

Mr. TALMADGE. The able Senator from Virginia is not only one of the greatest lawyers and one of the greatest Biblical scholars in the Senate; he is also one of the greatest historians in the Senate. Does he recall any instance in the history of the Supreme Court of the United States, from its beginning to the present time, when an Associate Justice of the Supreme Court has called a press conference, in an attempt to explain his decision?

Mr. ROBERTSON. Mr. President, my friend, the Senator from Georgia, credits me with more than I deserve; I do not, however, recall such an instance.

Mr. TALMADGE. Neither do I.

Mr. ERVIN. Mr. President, will the Senator from Virginia yield to me?

Mr. ROBERTSON. I yield to the distinguished Senator from North Carolina.

Mr. ERVIN. Does not the Senator from Virginia agree with me in the observation that this is not the first time in recent years that the Supreme Court of the United States or some of its members have challenged by their words or by their conduct the observation of the writer of the book of Ecclesiastes that there is nothing new under the sun?

Mr. ROBERTSON. I would have to agree with that observation.

Mr. ERVIN. Until the event alluded to by the Senator from Virginia and the Senator from Georgia, there was no recorded instance in the history of our Nation when a member of the judiciary undertook to explain at a press conference what a decision of the Court meant; is not that true?

Mr. ROBERTSON. Yes, that is my understanding.

Mr. ERVIN. Notwithstanding the modest dissent of the distinguished Senator from Virginia, I should like to concur in the opinion expressed a moment ago by the able and distinguished junior Senator from Georgia [Mr. TALMADGE], when he said the junior Senator from Virginia is one of the greatest lawyers and one of the greatest Biblical scholars and one of the greatest students of history in our country.

Mr. ROBERTSON. Well, Mr. President, I have no words adequate to express my appreciation of that high tribute.

Mr. ERVIN. And, Mr. President, if the Senator from Virginia will pardon me, I should like to say that anyone who is interested in the history of our Nation and in the fundamentals of American government can do no better than to read some of the speeches which the able and distinguished junior Senator from Virginia has made on the floor of the Senate during the years that I have been privileged to serve with him in the Senate.

Mr. ROBERTSON. Mr. President, I appreciate what my friend has said.

Today I am making a rather extended speech because we are dealing with a vital principle of government—the question of whether we shall sit idly by and permit the Supreme Court—which, in my opinion, has misinterpreted both the 1st amendment and the 14th amendment of the U.S. Constitution—to, as Bishop Pike has said, deconsecrate our Nation.

We have no clear assurance that the Court will not follow the broad concurring opinion of Mr. Justice Douglas in rendering future decisions. That is why I say we cannot sit complacently and assume that the outlawing of a 22-word prayer, which merely recognizes that there is a God, is consistent with our Constitution and religious traditions.

It is conceivable that if the Supreme Court's decision is followed to its logical conclusion, we will have to remove the words, "In God We Trust," and "Annuit Coeptis"—that is, "May Providence help us," from the doorways of the Senate Chamber.

Mr. TALMADGE. Mr. President, will the Senator from Virginia yield again to me?

Mr. ROBERTSON. I yield.

Mr. TALMADGE. Did not the concurring opinion of Mr. Justice Douglas state that the Nation, the States, the counties, and the school districts, must be divorced from God and that God must be divorced from our Government?

Mr. ROBERTSON. Well, he implied that it was not the proper function of anyone on the Government payroll to make any reference to God. One could carry that opinion a little further, and conclude that God must be divorced from our Government. Such an interpretation is certainly consistent.

Mr. TALMADGE. Mr. President, will the Senator from Virginia yield again to me?

Mr. ROBERTSON. I yield.

Mr. TALMADGE. Would not that opinion be, in effect, a denial of the whole history of our Government and the functioning of our Government from the time of the Continental Congress to the present time?

Mr. ROBERTSON. Undoubtedly; and that is the theme of my speech today.

Mr. TALMADGE. And would not it be directly in refutation of the Constitution of the United States and of all acts of Congress since that time?

Mr. ROBERTSON. Absolutely. We have always affirmed that there is a God and that we are dependent upon his kindness and His loving care. Our unique form of government acknowledges in the Declaration of Independence that we have certain unalienable rights which we get directly from God, not from princes or potentates. Our free enterprise system and our constitutional liberties are founded upon the teachings in the Bible. Because of this we have had the freest and the most prosperous nation in the world, we have had one of the bravest nations in the world, because our people had a faith in which they believed, one they would fight for, one they would die for.

We must remember the fate of Rome when its young men, stripped of their patriotism through corruption and softness, would not defend their nation; they would not fight.

To continue, I would hope that the Court will make the most of its approaching opportunity to interpret the 1st and 14th amendments as their framers intended.

Clearly, the words "establishment of religion," in the first amendment, were intended to mean establishment of a particular denomination — Methodist, Baptist, or Catholic—as the national religion. And clearly the 14th amendment was not intended to apply the establishment clause of the 1st amendment to the States.

With the hope that the Court in its October term will give greater weight to constitutional history, and the hope that the Court will not extend the doctrine of Engel against Vitale, I do not plan to ask for legislative action on an amendment to the Constitution at this session of Congress. I do, however, feel that the imminent Court action makes it particularly advisable for me to review in some detail the reasons why the decision in Engel against Vitale is bad law and a dangerous precedent.

In discussing the Supreme Court's decision, I wish to state again, as I have said before, that a simple nonsectarian prayer like the one recited in some New York public schools would in no way be an adequate substitute for the type of prayer which we find, in God's words, according to the Book of Chronicles:

> If my people, which are called by my name, shall humble themselves and pray, and seek my face, and turn from their wicked ways; then will I hear from heaven, and will forgive their sin, and will heal their land (2 Chronicles 7: 14).

In Virginia, from time to time prayers have been recited in our public schools and passages have been read from the Bible. Although we have never had a State law that required a prepared prayer to be recited or a section of the Bible to be read, neither have we ever had a law that prohibited such a recognition of God.

The issue that disturbs me most is not whether we have prayers in our public schools. It is whether we as a nation complacently accept a decision of the Supreme Court which casts aside the plain language of the Constitution; which invades the province of the States; and which, if carried to its logical and ultimate conclusion, would undoubtedly sweep us down the broad and easy highway of secularism.

Article III of the Constitution establishes the structure and jurisdiction of the Federal judiciary.

Section 1 provides:

> The judicial Power of the United States, shall be vested in one supreme Court, and in such inferior Courts as the Congress may from time to time ordain and establish.

Section 2 defines this judicial power as follows:

> The judicial Power shall extend to all Cases, in Law and Equity, arising under this Constitution, the Laws of the United States, and Treaties made, or which shall be made, under their Authority.

The Federal judicial power, like the legislative and executive power, was intended by the framers of the Constitution to be limited in scope. Any additional jurisdiction which the Supreme Court now exercises has been assumed by the Court in its own construction of the Constitution.

The Supreme Court, for example, in *Martin* v. *Hunter's Lessee,* 1 Wheat, 304 (1816), and *Cohens* v. *Virginia,* 6 Wheat. 264 (1821), resolved in its favor the question of whether the State courts or the Supreme Court was to be the final interpreter of "the supreme law of the land."

In *Marbury* v. *Madison,* 1 Cr. 137 (1803), the Court assumed the power of judicial review of acts of Congress. Chief Justice John Marshall concluded in this case, "that a law repugnant to the Constitution is void; and that courts, as well as other departments—of government—are bound by that instrument"—page 180.

Each branch of the Federal Government is bound by the provisions of the Constitution. But the Supreme Court is the final judicial body to interpret these provisions. The Court's position has in recent years contributed to an increasing number of decisions which misinterpret the intent of those who framed the Constitution and its amendments. Too frequently the Supreme Court has discarded the approach toward the interpretation of the Constitution prescribed by Thomas Jefferson in his letter of June 12, 1823, to William Johnson:

> The capital and leading object of the Constitution was to leave with the States all authorities which respected their own citizens only, and to transfer to the United States those which respected citizens of foreign or other States: to make us several as to ourselves, but one as to all others. In the latter case, then, constructions should lean to the general jurisdiction, if the words will bear it; and in favor of the States in the former, if possible to be so constructed * * *. On every question of construction, carry ourselves back to the time when the Constitution was adopted, recollect the spirit manifested in the debates, and instead of trying what meaning may be squeezed out of the text, or invented against

it, conform to the probable one in which it was passed. ("The Complete Jefferson," Padover, S. K., 1943, p. 322.)

ANALYSIS OF THE DECISION

This is the text of the prayer involved in the Supreme Court's controversial decision:

> Almighty God, we acknowledge our dependence upon Thee, and we beg Thy blessings upon us, our parents, our teachers and our country.

No local school board was required by the New York State Board of Regents to prescribe this or any other prayer for recitation in its classrooms. But each local school board could, if it wished, prescribe the prayer for its own students. Recitation by the students was voluntary. Any child could remain silent. Or, with the written consent of his parent or guardian, a student could be excused from class during the prayer.

Nevertheless, parents of 10 New York pupils challenged the constitutionality of the State law which authorized the use of the prayer in the public schools and the regulation of the local board requiring its recitation. Their challenge was based on the following ground:

> These actions of official governmental agencies violate that part of the 1st amendment of the Federal Constitution which commands that "Congress shall make no law respecting an establishment of religion"—a command which was made applicable to the State of New York by the 14th amendment of the said Constitution. (*Engel* v. *Vitale*, U.S. Supreme Court, October term 1961, majority opinion, p. 2.)

The Court accepted this contention. It did so despite the fact that the prayer was nondenominational. It did so despite the fact that participation in its recitation was voluntary.

Mr. Justice Black, who delivered the majority opinion, noted at page 9:

> The establishment clause, unlike the free exercise clause, does not depend upon any showing of direct governmental compulsion and is violated by the enactment of laws which establish an official religion whether those laws operate directly to coerce nonobserving individuals or not (id., p. 9).

The decision can, of course, be construed narrowly. It may be argued that Engel against Vitale applies solely to cases which involve prayers composed and authorized for public recitation by governmental officials. Some of the Court's language would tend to justify such a construction. I refer in particular to the following footnote at page 14 of the majority opinion:

> There is of course nothing in the decision reached here that is inconsistent with the fact that schoolchildren and others are officially encouraged to express love for our country by reciting historical documents such as the Declaration of Independence which contain references to the Deity or by singing officially espoused anthems which include the composer's professions of faith in a Supreme Being, or with the fact that there are many manifestations in our public life of belief in God. Such patriotic or ceremonial occasions bear no true resemblance to the unquestioned religious exercise that the State of New York has sponsored in this instance (id., p. 14).

A broader construction of the Court's decision, however, would seem to be supported by other language in the majority opinion. Such language, in effect, would extend the application of the court's decision far beyond the facts in Engel against Vitale.

The following statement of Mr. Justice Black suggests a more inclusive interpretation:

> The establishment clause thus stands as an expression of principle on the part of the founders of our Constitution that religion is too personal, too sacred, too holy, to permit its "unhallowed perversion" by a civil magistrate (id., p. 10).

And further:

> It is neither sacrilegious nor antireligious to say that each separate government in this country should stay out of the business of writing or sanctioning official prayers and leave that purely religious function to the people themselves and to those the people choose to look to for religious guidance (id., p. 14).

On the other hand, Mr. Justice Douglas, in his concurring opinion, leaves no doubt that if his view were to prevail, all public religious exercises would be eliminated.

He notes at page 4 of his opinion that:

> What New York does on the opening of its public schools is what each House of Congress does at the opening of each day's business.
>
> In New York the teacher who leads in prayer is on the public payroll; and the time she takes seems minuscule as compared with the salaries appropriated by State legislatures and Congress for chaplains to conduct prayers in the legislative halls. Yet for me the principle is the same, no matter how briefly the prayer is said, for in each of the instances given the person praying is a public official on the public payroll, performing a religious exercise in a governmental institution.

Future court decisions may construe Engel against Vitale narrowly or broadly. Whatever the outcome, I hope to show in my remarks that the Supreme Court majority misinterpreted the meaning of the first amendment. It did so by outlawing traditional relationships of government and religion which are fully consistent with our fundamental policy of separating church and state.

FIRST AMENDMENT—ESTABLISHMENT CLAUSE NOT INTENDED TO PROHIBIT PUBLIC RELIGIOUS EXERCISES

The first amendment to the Constitution states in part:

> Congress shall make no law respecting an establishment of religion or prohibiting the free exercise thereof.

The establishment clause of this amendment was intended to prohibit the Congress from designating a particular sect or combination of sects as the national religion. But the history of our Nation clearly shows that public religious exercises of the type declared unconstitutional in Engel against Vitale were by no means considered an establishment of religion.

Mr. TALMADGE. Mr. President, will the Senator yield at that point?

Mr. ROBERTSON. I yield.

Mr. TALMADGE. Is it not true that at the time the Constitution and the first amendment were written the very words "establishment of religion" meant a particular, state-supported church?

Mr. ROBERTSON. Of course. It was the Church of England. The church and the government are still connected in England. We did not want such a system. The state-supported Church of England was an establishment of religion.

Mr. TALMADGE. At that time did not the Senator's own great State have an establishment which James Madison and Thomas Jefferson meant to separate from Government?

Mr. ROBERTSON. Absolutely. My colonial ancestors sided with Jefferson and Madison. They split with the Church of England, which was the establishment, and joined the Baptist Church. The Baptists were so conscious of their freedom and local autonomy that they would not even have a bishop. The Methodists and Episcopalians, for example, had bishops, but we did not. Each local church governed itself; every member had a vote; and the majority ruled. Thomas Jefferson said that he learned a lot about democracy from an old Baptist preacher in Albemarle County.

Mr. TALMADGE. Is it not true that all statutes, portions of the Constitution, ordinances, or whatever laws may be passed, must be construed in the light of what the circumstances were, what the discussions were, what the understanding was in the use of words at that time?

Mr. ROBERTSON. I have just quoted Thomas Jefferson to that effect. I shall comment on what Mr. Justice Storey and other authorities on the Constitution have said, affirming that the common rule in interpreting the Constitution is to follow the intent of those who adopted it as shown by the meaning of the words in the day and time used.

We should give to the Constitution its proper meaning in conformity with what those who wrote it intended. If we are not satisfied with the result, we should follow the advice of George Washington in his Farewell Address by amending the Constitution in accordance with its own provisions.

Mr. TALMADGE. Is it not true that every word that was said at the Constitutional Convention, every word said or uttered in the First Congress, every letter that has ever been written by anyone who ever participated in the drafting of the first amendment of the Constitution of the United States, must be interpreted to mean that we were not to have a state-supported religion, or one religion that had preference over any other religion?

Mr. ROBERTSON. That is absolutely true. I shall give a good many instances of debates, letters, and court opinions of that day and time, which make clear what the framers of the first amendment had in mind.

In Virginia, the people were taxed to support the Church of England. It was an establishment. For many years not only were the people taxed to support that church, but also they could not practice any other doctrine. They were put in jail if they dissented from any doctrine which the Church of England held.

Mr. TALMADGE. Would not the framers of article I of the Constitution—those who drafted that immortal portion of the Constitution of the United States—be shocked, amazed, and chagrined if they should hear that the U.S. Supreme Court had used their language to put God and the Devil on an equal plane?

Mr. ROBERTSON. I am sure that would be true. My friend has phrased it rather dramatically, but it comes down to that. The Court gave them equal status.

Mr. TALMADGE. Mr. President, will the Senator yield further?

Mr. ROBERTSON. I yield.

Mr. TALMADGE. I read a portion of the first amendment to the Constitution:

> Congress shall make no law respecting an establishment of religion.

Mr. ROBERTSON. That does not say "the States." It says "Congress." And "establishment" meant "a national church."

Mr. TALMADGE. Exactly. I should like to get to the word "religion." Did the framers of the first amendment to the Constitution ever contemplate atheism as a religion?

Mr. ROBERTSON. They certainly did not. They repudiated it.

Mr. TALMADGE. Mr. President, will the Senator yield further?

Mr. ROBERTSON. I yield.

Mr. TALMADGE. Did the Senator draw the same conclusion from the decision in Engel against Vitale that I did; that the Supreme Court had set up atheism as a new religion, which was to be considered along with the Methodist, Baptist, Judaist, and Catholic religions, and that one was coequal with the other?

Mr. ROBERTSON. When I first read the decision, that was what I feared. But Justice Black had a footnote in his majority opinion which gave the Court an "out." Mr. Justice Clark in his speech in San Francisco hinted that the Court's decision should be interpreted narrowly. So I would not be too dogmatic in saying exactly what they intended. I know what the logical consequence would be if we were to follow the advice of Mr. Justice Douglas. That is what we must guard against.

Mr. TALMADGE. If we shall construe the decision in the light in which it was reached, it could be held, in view of the fact that atheism is to be considered a religion, that a prayer to almighty God discriminated against atheism, and that therefore it would be violative of the first amendment. Is that not a conclusion to be drawn?

Mr. ROBERTSON. Atheism is a religion. It is a religion that denies God. Buddhism is a religion. Mohammedism is a religion. Shintoism is a religion. There are many religions. Of course atheism is a religion. The Unitarians do not believe in the Trinity. They have a religion.

Mr. TALMADGE. But it was not considered as a religion within the meaning of the "establishment" clause of the first amendment, was it?

Mr. ROBERTSON. The purpose of the first amendment was that Congress should make no law to establish a church.

Mr. TALMADGE. Exactly.

Mr. ROBERTSON. That is what was meant.

Mr. TALMADGE. I share the Senator's view in that regard.

I have read some of the Senator's magnificent speeches and writings on this subject. I have been privileged to read the address which the Senator is giving today. Anyone who reads that document with a fair and open mind can draw no other conclusion than that the Supreme Court in its decision has distorted the intent of the framers of the first amendment to the Constitution of the United States.

Mr. ROBERTSON. I thank my friend. That is what I hope to prove by the time I have finished my prepared address.

Mr. ERVIN. Mr. President, will the Senator yield for a question?

Mr. ROBERTSON. I yield to my friend from North Carolina.

Mr. ERVIN. I should like to determine whether the Senator from Virginia would corroborate my understanding of the history which ultimately resulted in the first amendment.

Is it not true that Thomas Jefferson and James Madison were the great leaders of the movement in Virginia to put an end to the State church in Virginia?

Mr. ROBERTSON. That is true. Jefferson framed the bill. He encountered so much opposition from the rich landowners in the legislature that he could not have it passed. After he had gone as our Ambassador to France, Madison got the bill through for him.

Mr. ERVIN. Is it not true that what we now know as the statute of Virginia for religious freedom was in large measure the handiwork of Jefferson?

Mr. ROBERTSON. Yes, it was. Like James Madison and George Mason, Thomas Jefferson was a leader in the struggle for religious freedom.

Mr. ERVIN. Jefferson was so proud of his part in the authorship of the statute of Virginia for religious freedom that when the time came to propose an epitaph to be engraved upon the stone which would mark his grave he made a reference in that epitaph to the fact that he was one of the authors of the Virginia statute for religious freedom. He preferred to have that fact remembered about him, rather than to have it remembered that he had been twice elected President of the United States.

Mr. ROBERTSON. That is true. He wanted to be remembered for that. He wanted to be remembered also as the founder of the University of Virginia and as the author of the Declaration of Independence.

Mr. ERVIN. I ask the Senator from Virginia if among the most eloquent words in the statute of Virginia for religious freedom are not these words, in substance:

> To compel a man to make contributions of money to the dissemination of opinions he disbelieves is sinful and tyrannical.

Mr. ROBERTSON. That is absolutely correct.

Mr. ERVIN. I ask the Senator from Virginia if he agrees with me that that expression was perhaps the central theme of the statute of Virginia for religious freedom, and if that does not manifest an unalterable desire on the part of those who authored the statute to put an end to the practice of using tax money to support religious institutions?

Mr. ROBERTSON. There is no doubt about it. We find that fully set out in what we know as the "Memorial and Remonstrances" of James Madison. Patrick Henry had argued for passage in the Virginia Legislature of a tax bill to support teachers of the Christian religion. Jefferson and Madison, on the other hand, insisted that we must never use tax money to support a church or any activity of a church; otherwise, we restrict freedom of religion.

Mr. ERVIN. Does the Senator from Virginia agree with me that the history of the first amendment shows that James Madison, who is so often fittingly called "The Father of the Constitution," should be given credit above all other men for the inclusion of the first amendment in our Constitution?

Mr. ROBERTSON. I do not think there is any doubt about it, because he prepared the Bill of Rights, the essence of which was adopted by the First Congress. I plan to discuss at some length the proposals dealing with religion.

Mr. TALMADGE. Mr. President, will the Senator yield at that point?

Mr. ROBERTSON. I yield.

Mr. TALMADGE. Did not the colloquy in the First Congress between James Madison himself and Representative Huntington, of Connecticut, demonstrate beyond any shadow of doubt that the purpose of offering the amendment was to prohibit a national church and the choice of one religion above another?

Mr. ROBERTSON. Absolutely. When I reached that portion of my speech, I shall give the Senator the exact language as taken from the records of that period. I went to a great deal of trouble to document my speech. If we go to the original sources and are willing to be bound by them, we cannot escape from the fact that the Supreme Court in the New York case misinterpreted the first amendment.

Mr. CURTIS. Mr. President, will the Senator yield?

Mr. ROBERTSON. In a moment, when I finish my colloquy with the Senator from North Carolina.

Mr. ERVIN. Mr. President, will the Senator yield further?

Mr. ROBERTSON. I yield.

Mr. ERVIN. Does the Senator from Virginia agree with me in the conviction that the purposes of the first amendment, insofar as it relates to religion, were identical with the purposes which

Madison had in mind when he piloted the Virginia statute for religious freedom through the Virginia Legislature?

Mr. ROBERTSON. The first amendment prevented the establishment of a national church; the Virginia statute of religious freedom prevented the establishment of a State church.

Mr. ERVIN. In other words, fundamentally the provision was designed to prohibit Congress from establishing an official church, and to prevent Congress from using tax money to support religious institutions.

Mr. ROBERTSON. Congress may pass no law respecting a religious establishment.

Mr. ERVIN. It was also to make certain that a man should have the right to attend the church of his choice or to refrain from attending any church if he so desired.

Mr. ROBERTSON. The first amendment left the States free to legislate as they chose in religious matters. Virginia set a fine example by becoming the first State to offer complete separation of church and state and complete freedom of religion.

Mr. ERVIN. In the light of the controversy which was engendered by Patrick Henry's proposal that a tax should be imposed for the support of religion and that the taxpayer should have the privilege of designating what religious institution should be the beneficiary of his tax, and the opposition of Madison to that proposal, does not the Senator from Virginia agree with me that the establishment clause of the first amendment was designed not only to prevent the passage of laws to maintain one religion, but also was passed to prevent the imposition of taxes to support all religion?

Mr. ROBERTSON. The Federal Government must not appropriate funds to subsidize a church or to a church activity.

Mr. ERVIN. That being true, does the Senator from Virginia agree with me in the thought that the bill which was passed through the Senate for the aid of all institutions of higher learning, and which was so phrased as to permit aid to be extended to church-controlled and church-owned institutions, was clearly unconstitutional under the first amendment?

Mr. ROBERTSON. I did not favor the bill. There were some Senators, however, who attempted to draw the distinction between aid to individuals and aid to religious institutions. The Senator from North Carolina and I thought it would be more fundamental to hold that Federal taxes were not to be used as a subsidy for any church activity. We would be safe to follow that conclusion to the end.

Mr. ERVIN. I thank the Senator from Virginia. I agree that the attempted distinction was a distinction without a difference.

Mr. ROBERTSON. We admitted that there was an attempt to make a distinction, but we did not accept the distinction.

Mr. CURTIS. Mr. President, will the Senator yield?

Mr. ROBERTSON. I yield.

Mr. CURTIS. I commend the distinguished Senator from Virginia for his presentation today. It is supported by a great deal of study, research, reading of leading cases, of history, and of the debates. He is making a great contribution. His sincerity of purpose and his fundamental belief make his work that much more worth while.

I especially commend the distinguished Senator for placing in the daily RECORD yesterday in the Appendix, on page A6390, a letter which I have read since coming into the Chamber. The letter is from Mrs. Floyd Gibson, of Covington, Va., on the effect of the Court decision.

Mr. ROBERTSON. The letter was written by the teacher of a primary school in the little town of Covington. It was written the day she read about the decision. It came from her heart. I was very much touched when I read the letter and, therefore, had it printed in the daily Appendix yesterday. I would have no objection at all, if my friend from Nebraska thinks it should be made a part of the body of the RECORD, to have it printed at this point.

Mr. CURTIS. Mr. President, I ask unanimous consent that the letter appearing on page A6390 of the daily RECORD of yesterday be printed at this point in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

COVINGTON, VA.,
June 26, 1962.

JUSTICE BLACK,
Washington, D.C.

DEAR SIR: I have been a schoolteacher in rural Virginia for many years. I have seen all kinds of "isms" come and go. I never could have lived through the hectic days successfully if the children and I had not met together with our Father at the beginning of each workday to thank Him for His care and to ask Him to bless the day and help us make it a good one.

As a result of such beginnings, the days went more smoothly and the children seemed happy, too. Over and over it happened that if we had a rough day it would be found that for some reason we would have had to omit the morning prayer.

There is no greater beauty to be found in the English language than is to be found in the majestic words of the Bible. First Corinthians, chapter 13 is a masterpiece that has never been matched by any writer since St. Paul was inspired to record those words for us. Repeatedly I have seen the great words of John 14 bring a changed expression to a troubled little face. Small shoulders might be drooping when those words were repeated just before heads went down on desks for a moment of silent prayer which was to be closed by all the class praying the prayer that was given to us by our Lord. When the quiet moments were ended, and faces were lifted, hope and cheerfulness were written where the troubled expression had rested.

I tell you, sir, I have had the very words "get out your Testaments" bring quietness into a whispering, moving class during the first moments after the bell, while I was checking the roll, taking up the milk money, the cafeteria money, the ice cream money, and any other money that always takes time of the elementary teacher on every weekday morning in our schools. Just holding a well-worn Testament in his hands, or loafing through its pages, seemed to bring serenity and stillness to the child. A schoolchild today needs such moments to himself ahead of the busy hours that lie ahead.

I have never felt resentful because of the ruling on segregation. I know that the public school teacher will have to bear the brunt of the burden of adjustment when it comes to all of us. I have felt that it is just another challenge to us to do our best, always keeping in mind that it is the children, only, who matter.

Immortal souls are more important than all the politics of administrations and governments. Schools have to clothe many children. Schools have to give vitamin pills and do anything else for the children that the parents fail to do. At least that is the way it seems to me. Then, on the side, the schools even see to it that an education is given to meet each child's individual differences insofar as is possible in this day of heavy loads and many problems, while an ever-increasing number of parents spend textbook money on whisky. Isn't soul salvation more important than these other services?

What of the child who never sees the inside of a church? Would the Jews and Unitarians and the others like them have said anything if they had known of the children of their faiths who were being deprived of the right to offer a simple prayer acknowledging the greatest of God who created our beautiful world, and then sets us in it to live and enjoy the life that He gave to us? It seems to me to be a simple matter of good manners, if nothing else, to send up a sincere "thank you" as we hurry through our day.

I believe that God can, and will, work out a solution for us so that we can safely emerge from this muddle of world problems and politics into which we, small, unassuming people, have been shoved. The Supreme Court that we trusted to keep us and our ideals safe, has today added to the muddle and the noise and confusion about us. You men charged with this great responsibility have done what you could to make it easier for our youth of the last half of this 20th century to grow into godless adults by tying the hands of the public school teacher who wanted to do something about this condition of our times. You, and we, may have to live under a government run by these children. Do you think you will like that living?

Most sincerely,

MRS. FLOYD GIBSON.

A. RELIGIOUS TRADITIONS

Mr. ROBERTSON. Mr. President, Justice Stewart stated in his dissent in Engel against Vitale:

> What is relevant to the issue here is * * * the history of the religious traditions of our people, reflected in countless practices of the institutions and officials of our Government (id., "Dissenting Opinion," p. 2.)

He went on to say that he did not consider the voluntary recitation of a simple prayer recognizing God to be any violation of the first amendment.

Mr. TALMADGE. Mr. President, will the Senator yield?

Mr. ROBERTSON. I yield.

Mr. TALMADGE. Does the Senator have the so-called regents prayer before him so that he can read it?

Mr. ROBERTSON. I have it before me.

Mr. TALMADGE. As I recall, it was a 22-word prayer.

Mr. ROBERTSON. It reads:

> Almighty God, we acknowledge our dependence upon Thee, and we beg Thy blessings upon us, our parents, our teachers, and our country.

Mr. TALMADGE. Mr. President, will the distinguished Senator yield for a question?

Mr. ROBERTSON. I yield.

Mr. TALMADGE. What religion does that establish?

Mr. ROBERTSON. It does not establish any religion. That is merely a religious exercise on a voluntary basis. The prayer affirms that there is a God and asks He help us. That is all it does.

Mr. TALMADGE. Does not an established religion have to have faith, prayers, and beliefs, for example?

Mr. ROBERTSON. Of course. In America there are certain denominations or sects—the Episcopalians, the Methodists, the Catholics. They have certain beliefs, creeds, and ministers. The regents prayer applied to all.

Mr. TALMADGE. Is there anything in that 22-word prayer that could be offensive to a Protestant?

Mr. ROBERTSON. Certainly not. Protestants believe in God.

Mr. TALMADGE. Is there anything in that prayer that could be offensive to the Methodist Church?

Mr. ROBERTSON. Certainly not.

Mr. TALMADGE. Or to the Baptist Church?

Mr. ROBERTSON. Certainly not.

Mr. TALMADGE. Or to the Episcopalians?

Mr. ROBERTSON. Certainly not.

Mr. TALMADGE. Or to the Presbyterians?

Mr. ROBERTSON. Certainly not. Do not stop there.

Mr. TALMADGE. Or to the Catholic Church?

Mr. ROBERTSON. Do not the Catholics and Jews believe in God too?

Mr. TALMADGE. The Senator has anticipated my question. Is there anything in that 22-word prayer that could be offensive to any religious church that he knows of anywhere in America?

Mr. ROBERTSON. It could not. It could not be to any Jewish synagogue or to any Catholic church or to any Protestant church.

Mr. TALMADGE. Does the Senator share my view that is could be offensive only to an atheist or agnostic?

Mr. ROBERTSON. That is right. That is the danger. The Court's decision leads us to a denial that we are a religious nation.

Mr. TALMADGE. Does the Senator know of any other major power on the face of the earth, outside the Iron Curtain, which has gone to the extent of outlawing belief in a supreme being?

Mr. ROBERTSON. I do not. So far as the countries behind the Iron Curtain are concerned, it is part of their political doctrine to deny God, the Bible, and all religious principles. They do not want to be bound by any religious principles. We do not trust the Communists because they are bound by no moral principles and believe in no hereafter.

Mr. TALMADGE. Mr. President, will the Senator yield?

Mr. ROBERTSON. I yield.

Mr. TALMADGE. Do jurors in Virginia, in Federal and State and municipal courts, take an oath?

Mr. ROBERTSON. They do; on the Bible.

Mr. TALMADGE. To whom is the oath addressed?

Mr. ROBERTSON. To God.

Mr. TALMADGE. If it is not addressed to God, to whom can it be addressed?

Mr. ROBERTSON. I do not know.

Mr. TALMADGE. Does the President of the United States take an oath?

Mr. ROBERTSON. Yes. We saw him take an oath on the Bible in 1961.

Mr. TALMADGE. To whom is it addressed?

Mr. ROBERTSON. To God.

Mr. TALMADGE. If it is not addressed to God, to whom can it be addressed?

Mr. ROBERTSON. That is the point. If we take God out of government, what do we have left to stand with?

Mr. TALMADGE. Do the Justices of the Supreme Court take an oath?

Mr. ROBERTSON. Their bailiff opens the term calling on God to bless the Court.

Mr. TALMADGE. Do they take an oath of office?

Mr. ROBERTSON. Yes.

Mr. TALMADGE. To whom is it addressed?

Mr. ROBERTSON. They take an oath on the Bible, and the oath is addressed to God. When we take our oath in the Senate, we say, "So help me God." We not only take it, we sign it. I have one of those documents framed in my office, because I like to remember that I took an oath to uphold the Constitution.

Mr. TALMADGE. If we do not take such an oath addressed to God, to whom can it be addressed?

Mr. ROBERTSON. It would have no validity if it were not addressed to God. That is the essence of our country. That is what we are talking about. Yet there are those who want us to deny that our Government has anything to do with God. While we do not want to put Government into religion, we do not want to take every vestige of religion out of Government.

Mr. TALMADGE. Does the Senator share my view that this decision was so monumental that it rocked the very cornerstone of the creation of our Republic?

Mr. ROBERTSON. I never in my experience saw such a violent reaction as followed this decision. It has aroused more discussion by more Members of Congress than any other decision. It was the first time in the history of our country, so far as I know, that a member of the Supreme Court tried to defend the decision after it had been delivered.

Mr. TALMADGE. If a prayer by the schoolchildren of New York addressed to Almighty God is unconstitutional, would not the Senator think that our oath of office as Senators is unconstitutional?

Mr. ROBERTSON. We would have no right as Senators to propose that kind of oath.

Mr. TALMADGE. Is not the same principle involved?

Mr. ROBERTSON. Certainly. We might as well, then, take an oath on the volume of hearings of the Agricultural Appropriation Act. It is a bigger volume than most Bibles.

Mr. TALMADGE. The same principle is involved; namely, the existence of a Supreme Being.

Mr. ROBERTSON. That is the whole essence of it.

Ever since we became a nation and ever since we became free of the domination of the mother country, we have acknowledged that there is a God and that we depend upon Him. We have a form of government based upon the Holy Word.

Mr. TALMADGE. Is it not true that the Supreme Court has taken jurisdiction of a case that originated in Pennsylvania regarding the reading of the Bible in school classes?

Mr. ROBERTSON. I understand it has.

Mr. TALMADGE. Is it not true that the Supreme Court has taken jurisdiction of a case which originated in Maryland which also involves the same question?

Mr. ROBERTSON. Yes. This case also involves the recitation on a voluntary basis of the Lord's Prayer.

Mr. TALMADGE. Is it not also true that the same type of case is in the process of being appealed to the U.S. Supreme Court from the Supreme Court of the State of Florida?

Mr. ROBERTSON. That involves, in addition to the reading of the Bible and the Lord's Prayer, the use of religious paintings and hymns, and celebrations on religious anniversaries, such as Christmas and Easter.

Mr. TALMADGE. Is it not further true that the Supreme Court does not normally take jurisdiction of cases on certiorari unless it intends to overrule the lower court?

Mr. ROBERTSON. If the Supreme Court feels that the lower court was right, they do not usually grant certiorari. When they do grant certiorari, they feel that there is something in the decision which justifies taking a look at it. In the New York case they reversed the decision of that State's highest court. We do not know what the Supreme Court will do next.

Mr. TALMADGE. If they did what their decision presages? It would remove all the chaplains in the armed services, the Pledge of Allegiance to the Flag, the word "God" in The Star-Spangled Banner," and everything else that the American Republic has held dear throughout the history of our country.

Mr. ROBERTSON. That is the clear implication of the concurring opinion of Mr. Justice Douglas. He said that if the New York decision were carried to its logical conclusion, some 19 other religions' well-established practices would be unconstitutional. We could not have a chaplain to open the Senate with prayer; chaplains could not serve at military academies or in the Armed Forces of the Nation. Mr. Justice Douglas said that because the Government would be paying for religious instruction with public funds, those services could not be performed.

Mr. TALMADGE. Is not the New York State school prayer, which was outlawed by the recent decision of the Supreme Court, in the same category as the prayer which is offered by the Chaplain when he opens the session of the Senate each day?

Mr. ROBERTSON. It is a brief prayer acknowledging the Deity and asking His help. That is the essence of the opening prayer of the Senate.

Mr. TALMADGE. The Senator from Virginia is making a magnificent speech. I wish every person in the United States of America could read it. Above all, I hope the Justices of the Supreme Court will read the historic background and presentation which the Senator makes in his speech. If they do, unless they violate their oath of office, they cannot keep from reversing the unconscionable decision they have already made.

Mr. ROBERTSON. The junior Senator from Virginia would not flatter himself that the Supreme Court will read what he is saying. He hopes, however, that somebody who will appear before the Supreme Court next October will have read the speech and will present these facts in the hope that the Court will reverse itself and not follow further what I consider to be a most dangerous trend.

Continuing from my text, our Founding Fathers never anticipated that government was to be hostile to churches. They never expected that government was to deny to individuals the privilege of affirming publicly their belief in God.

The Right Reverend James A. Pike—Protestant Episcopal bishop of the diocese of California, a member of the bar of the U.S. Supreme Court, and a former teacher in the field of church-state relations at the Columbia University Law School—testified recently before the Senate Judiciary Committee. He said that the principles on which the Constitution and the Bill of Rights are founded can be traced to the Bible. He stated that the system of checks and balances and the separation of powers are in effect an affirmation of the Biblical doctrine of original sin. That is, these divisions of power within the Constitution recognize the frailties of man and therefore seek to avoid the assumption of absolute power by a single man or group of men. He observed further that the origin of the Bill of Rights can be traced to the Biblical recognition of the worth of the individual as opposed to the supremacy of the state.

Commenting on the traditional relationship between church and state in America, Bishop Pike stated:

> The American approach to relationship of religion to the Nation has steered clear of church-state union on the one hand and secularization of public life on the other.
>
> We have, unlike countries which have chosen these other ways, steered a middle course reflected in virtually all aspects of our public life, including our schools; a recognition of dependence upon Almighty God and of the fact that He is the highest reality and not the state. (Transcript of report of proceedings, hearing held before Committee on the Judiciary, relating to the holding of prayers in public schools, Aug. 2, 1962, p. 82.)

Our heritage abounds with public expressions of a belief in and a reliance upon God. George Washington said in his Farewell Address that—

> Reason and experience both forbid us to expect that national morality can prevail in exclusion of religious principle.

Woodrow Wilson observed that—

> America was born a Christian nation. America was born to exemplify that devotion to the elements of righteousness which are derived from the Holy Scriptures. ("Our Public Schools—Christian or Secular," Martin, R. H., National Reform Association, 1952, p. 65.)

Over the years we find public expression of reliance upon divine providence again and again in the Mayflower Compact, 1620; the Declaration of Independence, 1776; the constitutions of all but one of the States, beginning in 1776; the national anthem, 1931; the Pledge of Allegiance to the Flag, 1954; and the national motto—"In God We Trust"—inscribed on our currency, 1956.

The Supreme Court, which struck down the New York prayer, has traditionally opened each session with the supplication: "God save the United States and this honorable Court." Every President upon assuming office has prayed for the help and protection of God.

Mr. TALMADGE. Mr. President, will the Senator yield?

Mr. ROBERTSON. I yield.

Mr. TALMADGE. Has not the same invocation, "God save the United States and this honorable Court," been used from the days of Chief Justice Marshall until the present time?

Mr. ROBERTSON. Absolutely. It is one of our greatest traditions.

To continue, Justice Story, in his "Commentaries on the Constitution," discusses the place of religion in early American history as follows:

> There will probably be found few persons in this or any other Christian country who would deliberately contend that it was unreasonable or unjust to foster and encourage the Christian religion generally as a matter of sound policy, as well as of revealed truth.
>
> In fact, every American colony, from its foundation down to the revolution, with the exception of Rhode Island, if, indeed, that State be an exception, did openly, by the whole course of its laws and institutions, support and sustain in some form the Christian religion. * * * Indeed, in a republic, there would seem to be a peculiar propriety in viewing the Christian religion as the great basis on which it must rest for its support and permanence, if it be, what it has ever been deemed by its truest friends to be, the religion of liberty.

Mr. TALMADGE. Was not the prayer with which the bailiff opens the session of the U.S. Supreme Court written by someone?

Mr. ROBERTSON. Of course it was.

Mr. TALMADGE. Was it not paid for with tax money?

Mr. ROBERTSON. In all probability.

Mr. TALMADGE. Is there any distinction between the Supreme Court's own prayer and the New York State school prayer?

Mr. ROBERTSON. None that I can see.

Mr. TALMADGE. Are not both prayers addressed to the Supreme Being?

Mr. ROBERTSON. That is correct. The Supreme Court Justices ask God to bless and protect the Court. The New York prayer included a request that God bless the parents, the teachers, and the country. That is the only difference between the two prayers.

Mr. TALMADGE. Does the Senator from Virginia share my view that the Supreme Court needs much prayer?

Mr. ROBERTSON. I think the views of the fine lady in Covington, whose letter said the Supreme Court needed prayer, are shared by a good many people.

Mr. TALMADGE. Does not the Senator from Virginia believe that it might be in order for Congress to adopt a resolution asking the country at large—all 185 million of us—to pray for the Supreme Court?

Mr. ROBERTSON. I do not know about that; but I hope that the thinking citizens of this country will realize that a very grave problem confronts us, and that the Supreme Court should give what might be called prayerful consideration to what should be done next.

I have been criticized by some persons in my State, who say that I am trying to break down the wall of separation between church and state. Others have said, "You do not like the Court anyway, and, therefore, you criticize anything they do."

Before I conclude my remarks today, I hope that I will have demonstrated that my views are not based upon any prejudice against the Court or any lack of interest in preserving fully the doctrine of separation of church and state. My view is that the Supreme Court has misinterpreted the meaning of the 1st amendment; and that the Court has misapplied the 14th amendment. I believe that if the Supreme Court is not somehow checked, it will, as the distinguished Senator from Georgia has stated, eliminate from our Government every established and cherished reference to the fact that there is a God and that we are a God-fearing people.

Mr. TALMADGE. Mr. President, will the Senator from Virginia further yield?

Mr. ROBERTSON. I yield.

Mr. TALMADGE. Is not what the Senator from Virginia objects to, as I object to it, not separation of church and state, but separation of God and state?

Mr. ROBERTSON. That is true; that is the point: we want to keep the state out of the churches, but we do not want to take the recognition of God out of our Government.

I continue to read from Justice Story's "Commentaries on the Constitution":

> Probably at the time of the adoption of the Constitution and of the amendment to it now under consideration [the first amendment], the general if not the universal sentiment in America was, that Christianity ought to receive encouragement from the state so far as was not incompatible with the private rights of conscience and the freedom of religious worship. An attempt to level all religions, and to make it a matter of state policy to hold all in utter indifference,

> would have created universal disapprobation, if not universal indignation. ("Story's Commentaries on the Constitution," vol. 2, Cooley's edition (1873), pp. 604–605.)

Present State laws and practices regarding nonsectarian recognition of the Deity in the public schools are discussed by Canon Anson Phelps Stokes in "Church and State in the United States," as follows:

> It is noticeable that no State specifically prohibits public school Bible reading by statutory law, though about three-fourths prohibit "sectarian" instruction or textbooks. These two facts taken together clearly imply that lawmakers in general either do not consider Bible reading as practiced in the public schools to be instruction, or do not consider the Bible sectarian, or consider both of these arguments of opposers of the plan to be fallacious. * * *
>
> Generally speaking there is in most States little legal or other objection, except on the part of a relatively few extremists, to the voluntary recital of the Lord's Prayer at opening exercises. ("Church and State in the United States," vol. II, (1950), pp. 551–552.)

As our history confirms, America is a nation with a profound religious heritage.

B. JAMES MADISON

Since recent Supreme Court decisions, among them *Everson* v. *Board of Education*, 330 U.S. 1 (1946), *McCollum* v. *Board of Education*, 333 U.S. 203 (1947), and *Zorach* v. *Clauson*, 343 U.S. 306 (1952), have relied heavily upon statements of Madison and Jefferson regarding the relationship of church and state, I intend to examine the positions of these two great Virginians in some detail.

James Madison, it will be remembered, was the author of the first 10 amendments to the Constitution. This Bill of Rights embodied the basic guarantees of personal liberty expressed earlier in the Virginia Declaration of Rights written by George Mason.

Madison proposed the adoption of the Bill of Rights in the House of Representatives on June 8, 1789. The original draft dealt with the subject of religion in the fourth and fifth amendments.

The fourth amendment was intended by Madison to be a limitation upon the powers of Congress. It provided:

> The civil rights of none shall be abridged on account of religious belief or worship, nor shall any national religion be established, nor shall the full and equal rights of conscience be in any manner, or on any pretext, infringed. (1 Annals of Congress 434 (1789).)

The fifth amendment was intended to be a limitation upon the States:

> No State shall violate the equal rights of conscience (id., p. 435).

The differences between Madison's fourth and fifth amendments are both obvious and significant. First, whereas the Congress and the States would be prohibited from violating "equal rights of conscience," the clause "nor shall any national religion be established" is proposed as a limitation upon the powers of Congress only. Second, as Madison's remarks will show more explicitly, the clause "nor shall any national religion be established" means simply that Congress shall not be empowered to select a particular religious sect—be it Baptist, Methodist, or Roman Catholic—and establish this sect as the "national" religion.

Madison's draft of the Bill of Rights was referred to a select committee of which he was a member. This committee altered the provisions regarding religion in the fourth and fifth amendments to read respectively:

> No religion shall be established by law, nor shall the equal rights of conscience be infringed (id., p. 729).

And

> No State shall infringe the equal rights of conscience (id., p. 755).

On August 15, 1789, the House resolved itself into a Committee of the Whole to consider the select committee's report. Madison is recorded in the Annals of Congress as having said the following about his fourth amendment as revised by the select committee:

> Mr. Madison said, he apprehended the meaning of the words to be, that Congress should not establish a religion—

I call that specifically to the attention of the distinguished Senator from Georgia and the distinguished Senator from North Carolina. Those are the words of Madison. He apprehended the meaning to be that, and I continue to read:

> Congress should not establish a religion, and enforce the legal observation of it by law, nor compel men to worship God in any manner contrary to their conscience. Whether the words are necessary or not, he did not mean to say, but they had been required by some of the State conventions, who seemed to entertain an opinion that under the clause of the Constitution, which gave power to Congress to make all laws necessary and proper to carry into execution the Constitution, and the laws made under it, enabled them to make laws of such a nature as might infringe the rights of conscience, and establish a national religion; to prevent these effects he presumed the amendment was intended, and he thought it as well expressed as the nature of the language would admit (id., p. 730).

In explaining his proposed fourth amendment, as revised by the select committee, Madison interpreted the clause, "no religion shall be established by law," to prohibit Congress from enacting a law which would establish a particular religion as the "national" religion. We may, therefore, infer that when Madison used the clause, "laws as might establish a national religion," he was not referring to laws, State or Federal, which merely affect religion in general.

Although incidental to the present discussion of Madison, the remarks of Congressman Benjamin Huntington, of Connecticut, at this point in the debate underscore the irony of the decision in Engel versus Vitale.

> Mr. Huntington said that he feared * * * that the words might be taken in such latitude as to be extremely hurtful to the cause of religion. He understood the amendment to mean what had been expressed by the gentleman from Virginia; but others might find it convenient to put another construction upon it. * * *
>
> By the charter of Rhode Island, no religion could be established by law; he could give a history of the effects of such a regulation; indeed the people were now enjoying the blessed fruits of it. He hoped, therefore, the amendment would be made in such a way as to secure the rights of conscience, and a free exercise of the rights of religion, but not to patronize those who professed no religion at all (id., pp. 730–731).

Madison moved during the debate on the proposed amendment, as revised by the select committee, to insert "national" before "religion." It will be remembered that the word "national" had appeared in the proposed fourth amendment as originally introduced by Madison.

Referring again to the debate:

> Mr. Madison thought, if the word "national" was inserted before religion, it would satisfy the minds of honorable gentlemen. He believed that the people feared one sect might obtain a preeminence, or two combine together, and establish a religion to which they would compel others to conform. He thought if the word "national" was introduced, it would point the amendment directly to the object it was intended to prevent (id., p. 731).

Madison withdrew his motion after Elbridge Gerry had pointed out the political overtones of "national" as compared with "federal;" nevertheless, it is clear that to Madison the term "religion" in the proposed fourth amendment meant "national religion." His remark that "one sect might obtain a preeminence and establish a religion," is hardly consistent with the Supreme Court's interpretation of the establishment clause in Engel against Vitale.

On August 17, 1789, the House began to discuss Madison's fifth amendment as revised by the select committee. This amendment, it will be remembered, would have prohibited the States from infringing the "equal rights of conscience," but not from establishing religions. In defense of his proposal, Madison is reported to have made the following argument:

> Mr. Madison conceived this to be the most valuable amendment in the whole list. If there were any reason to restrain the Government of the United States from infringing upon these essential rights, it was equally necessary that they should be secured against the State governments. He thought that if they provided against the one, it was as necessary to provide against the other, and was satisfied that it would be equally grateful to the people (id., p. 755).

Madison's proposed fourth and fifth amendments, as revised by the select committee, were passed by the House with some modifications and sent to the Senate on August 24.

The Senate rejected the proposal to protect the free exercise of religion from State infringement. It also modified the House version of Madison's proposed fourth amendment to read:

> Congress shall make no law establishing articles of faith or a mode of worship, or prohibiting the free exercise of religion (Senate Journal, First and Second Cong., p. 77).

A conference committee was appointed, and on September 24 and 25 the House and Senate, respectively, approved the Bill of Rights.

Madison's position during the congressional debates on his proposed fourth and fifth amendments may be summarized as follows:

First, the free exercise of religion is a basic right of the individual which must be preserved from any encroachment by either the Federal or the State governments.

Second, the Federal Government must be prohibited from establishing a religion, that is, from designating a particular religion as the national religion.

Third, the Federal Government—and certainly the State governments—are not to be prohibited from enacting legislation which affects religion but which does not establish a particular religion.

Madison's "Memorial and Remonstrance" of 1784 is an important landmark in the struggle for freedom of religion and separation of church and state. It was directed against a proposal advanced by Patrick Henry in the Virginia House of Delegates to raise funds, through assessments, for the salaries of teachers of the Christian religion. The "Remonstrance" paved the way for the enactment 2 years later of Jefferson's bill establishing religious freedom in Virginia.

On July 26, 1962, I inserted in the CONGRESSIONAL RECORD the text of a speech which I delivered last year on "Madison's Contributions to Religious Freedom." In that speech I discussed the "Memorial and Remonstrance" at some length.

It is sufficient at this time to point out that Madison's argument in his "Remonstrance" against using State funds to subsidize religion must not be taken to imply that he objected to giving public recognition to the Deity. The "Remonstrance" was directed—not against religion—but against the establishment of a particular religion. Section 9 remonstrated against the subsidy proposal.

> Because the proposed establishment is a departure from that generous policy which, offering an asylum to the persecuted and oppressed of every nation and religion, promised a luster to our country, and an accession to the number of its citizens. What a melancholy mark in the bill of sudden degeneracy. Instead of holding forth an asylum to the persecuted, it is itself a signal of persecution. It degrades from the equal rank of citizens all those whose opinions in religion do not bend to those of the legislative authority. ("Letters and Other Writings of James Madison," vol. I, 1865, J. B. Lippincott & Co., p. 166.)

Madison concluded his "Memorial and Remonstrance" with the following words:

> We, the subscribers, say that the general assembly of this Commonwealth have no such authority. And in order that no effort may be omitted on our part against so dangerous an usurpation, we oppose to it this remonstrance earnestly praying, as we are in duty bound, that the Supreme Lawgiver of the Universe, by illuminating those to whom it is addressed, may, on the one hand, turn their councils from every act which would affront His holy prerogative or violate the trust committed to them; and, on the other, guide them into every measure which may be worthy of His blessing, redound to their own praise, and establish more firmly the liberties, the prosperity, and the happiness of the Commonwealth (id., p. 169).

Madison's belief that "establishment of religion" meant establishment of a particular religion is expressed in several of his letters.

On March 2, 1819, he wrote to Robert Walsh:

> It was the universal opinion of the century preceding the last, that civil government could not stand without the prop of a religious establishment (id., p. 125).

And on July 10, 1822, to Edward Livingstone:

> It was the belief of all sects at one time that the establishment of religion by law, was right and necessary; that the true religion ought to be established in exclusion of every other; and that the only question to be decided was, what was the true religion. The example of Holland proved that a toleration of sects dissenting from the established sect was safe, and even useful. The example of the Colonies, now States which rejected religious establishments altogether, proved that all sects might be safely and advantageously put on a footing of equal and entire freedom (id., pp. 275–276).

In a letter of 1832 to Reverend Adams, Madison wrote:

> In most of the governments of the Old World the legal establishment of a particular religion and without or with very little toleration of others makes a part of the political and civil organization. * * *
>
> Until Holland ventured on the experiment of combining a liberal toleration with the establishment of a particular creed, it was taken for granted, that an exclusive and intolerant establishment was essential. * * * The prevailing opinion in Europe, England not expected, has been that religion could not be preserved without the support of government nor government be supported without an established religion. * * *
>
> It remained for North America to bring the great and interesting subject to a fair, and finally to a decisive test. ("Writings of James Madison," vol. 9, ed. Gaillard Hunt, pp. 484–488.)

If any doubt remains regarding Madison's attitude toward legislation affecting religion, but not establishing a religion, it should be resolved by the fact that Madison was a member of the joint committee for appointing chaplains for the two bodies of Congress, that he approved, as President, bills appropriating funds for the payment of the chaplains of Congress and of the Armed Forces, and, further, that he approved as President bills appropriating funds for the promotion of religion and religious education among the Indians.

C. THOMAS JEFFERSON

In Everson against Board of Education ("Writings of James Madison," vol. 9, ed., Gaillard Hunt), Mr. Justice Black stated at page 16:

> In the words of Jefferson, the clause against establishment of religion by law was intended to erect "a wall of separation between church and state."

In recent years, the Supreme Court has misinterpreted what Jefferson meant by "a wall of separation." A review seems appropriate, therefore, of Jefferson's concept of the church-state relationship.

I will begin with the epitaph which Jefferson wrote for inscription upon his tombstone. It reads quite simply:

> Here was buried Thomas Jefferson, author of the Declaration of American Independence, of the statute of Virginia for religious freedom and father of the University of Virginia.

Presumably Jefferson considered these three achievements to be the most significant of his contributions to society. Therein we find his concept of the proper relationship between church and state.

In the Declaration of Independence Jefferson wrote these familiar words:

> We hold these truths to be self-evident; that all men * * * are endowed by their Creator with unalienable rights; that among these are life, liberty, and the pursuit of happiness.

In conclusion Jefferson stated:

> With a firm reliance on the protection of divine providence, we mutually pledge to each other our lives, our fortunes, and our sacred honor.

Jefferson introduced his bill for establishing religious freedom in Virginia on June 13, 1779. It was adopted in 1786. Section 1 begins:

> Well aware that the opinions and belief of men depend on their own will, but follow involuntarily the evidence proposed to their minds; that Almighty God hath created the mind free, and manifested his supreme will that free it shall remain by making it altogether insusceptible of restraint (Padover, op. cit., p. 946).

The bill concludes with these words:

> We the General Assembly of Virginia do enact that no man shall be compelled to frequent or support any religious worship, place, or ministry whatsoever, nor shall be enforced, restrained, molested, or burthened in his body or goods, or shall otherwise suffer, on account of his religious opinions or belief; but that all men shall be free to profess, and by argument to maintain, their opinions in matters of religion, and that the same shall in no wise diminish, enlarge, or affect their civil capacities (id., p. 947).

These two documents mark Jefferson unmistakably as an advocate of religious freedom and as an opponent of the establishment of religion. His interpretation of "establishment" is clearly defined in the following excerpt from a paper which Jefferson wrote in February 1826:

> The attack on the establishment of a dominant religion, was first made by myself. It could be carried at first only by a suspension of salaries for one year, by battling it again at the next session for another year, and so from year to year, until the public mind was ripened for the bill for establishing religious freedom, which I had prepared for the revised code also. This was at length established permanently, and by the efforts chiefly of Mr. Madison, being myself in Europe at the time that work was brought forward (id., Padover, p. 1295).

Or as P. A. Bruce said in his "History of the University of Virginia":

> Jefferson was fully resolved to tear up the Episcopal Establishment of Virginia root and branch, whenever the hour seemed opportune to do so. He was eager, as we have seen, to raze the whole system of monopoly, which, in 1776, he found in existence in the new Commonwealth; but he was particularly impatient to demolish that branch of it which was represented in the union of the church with the state. ("History of the University of Virginia," vol. 1, Bruce, P. A., p. 22.)

In providing for religious worship at the University of Virginia, Jefferson showed again that his insistence upon the separation of the State from an established religion was, by no means, to include the separation of the State from religion generally.

The University of Virginia, of course, has been a tax-supported, educational system on State property ever since its foundation. While rector of the university, Jefferson submitted to the board of visitors the following regulation, which James Madison, as a member of the board, approved:

> One of [the] * * * rooms on [the] * * * middle floor [of the library] shall be used for annual examinations, for lectures to such schools as are too numerous for their ordinary school room, and for religious worship (id., p. 1111).

Jefferson wrote on October 7, 1822:

> In the same report of the commissioners of 1818 it was stated by them that "in conformity with the principles of constitution, which place all sects of religion on an equal footing, with the jealousies of the different sects in guarding that equality from encroachment or surprise, and with the sentiments of the legislature in freedom of religion, manifested on former occasions, they had not proposed that any professorship of divinity should be established in the university; * * *.
>
> It was not, however, to be understood that instruction in religious opinion and duties was meant to be precluded by the public authorities, as indifferent to the interests of society. On the contrary, the relations which exist between man and his Maker, and the duties resulting from those relations, are the most interesting and important to every human being, and the most incumbent on his study and investigation. The want of instruction in the various creeds of religious faith existing among our citizens presents, therefore, a chasm in a general institution of the useful sciences.
>
> But it was thought that this want, and the entrustment to each society of instruction in its own doctrine, were evils of less danger than a permission to the public authorities to dictate modes or principles of religious instruction, or than opportunities furnished them by giving countenance or ascendancy to any one sect over another. A remedy, however, has been suggested of promising aspect, which, while it excludes the public authorities from the domain of religious freedom, will give to the sectarian schools of divinity the full benefit the public provisions made for instruction in the other branches of science. These branches are equally necessary to the divine as to the other professional or civil characters, to enable them to fulfill the duties of their calling with understanding and usefulness.

Jefferson went on to conclude:

> It has, therefore, been in contemplation, and suggested by some pious individuals, who perceive the advantages of associating other studies with those of religion, to establish their religious schools on the confines of the university, so as to give to their students ready and convenient access and attendance on the scientific lectures of the university; and to maintain, by that means, those destined for the religious professions on as high a standing of science, and of personal weight and respectability, as may be obtained by others from the benefits of the university. Such establishments would offer the further and greater advantage of enabling the students of the university to attend religious exercises with the professor of their particular sect, either in the rooms of the building still to be erected, and destined to that purpose under impartial regulations, as proposed in the same report of the commissioners, or in the lecturing room of such professor.
>
> To such propositions the visitors are disposed to lend a willing ear, and would think it their duty to give every encouragement, by assuring to those who might choose such a location for their schools, that the regulations of the university should be so modified and accommodated as to give every facility of access and attendance to their students, with such regulated use also as may be permitted to the other students, of the library which may hereafter be acquired, either by public or private munificence. But always understanding that these schools shall be independent of the university and of each other. Such an arrangement would complete the circle of the useful sciences embraced by this institution, and would fill the chasm now existing, on principles which would leave inviolate the constitutional freedom of religion, the most inalienable and sacred of all human rights (id., pp. 957–958).

Jefferson's record as President of the United States further confirms the fact that his opposition to the establishment of a particular religion did not extend to laws affecting religion in general.

Like Madison, Jefferson signed bills authorizing appropriations for the payment of chaplains in both Houses of Congress and in the Armed Forces. He also signed bills appropriating funds for the promotion of religion and religious education among the Indians. These latter appropriations resulted from a treaty concluded with the Kaskaskia Indians and sent to the Senate on October 31, 1803, by President Jefferson. It contained the following passage:

> And whereas the greater part of the said tribe have been baptized and received into the Catholic Church, to which they are much attached, the United States will give, annually, for 7 years, $100 toward the support of a priest of that religion, who will engage to perform for said tribe the duties of his office, and also to instruct as many of their children as possible, in the rudiments of literature. And the United States will further give the sum of $300, to assist the said tribe in the erection of a church. ("American State Papers, Class II," vol. LV, p. 687.)

Clearly, Thomas Jefferson did not mean that the "wall of separation" was to be so insurmountable as to preclude any church-state relationship whatever. In January, 1799, he wrote to Elbridge Gerry:

> I am for freedom of religion, and against all maneuvers to bring about a legal ascendency of one sect over another (Padover, op. cit., p. 263).

Jefferson's position is well summarized in "Religion and Education Under the Constitution," by James M. O'Neill who states:

> At any rate, we know conclusively, if we know Jefferson, that he could not possibly have been thinking of a wall so high, so impregnable, so absolute, so completely without gates, or stiles, or friendly openings, as forever to prohibit any intercourse, neighborly help, or cooperation of any kind between government and religion (p. 83).

D. NORTHWEST ORDINANCE

The Northwest Ordinance was passed by the Continental Congress in 1787 and affirmed by the First Congress on August 7, 1789. It provided for the government of the territory bounded by the Mississippi and Ohio Rivers and the Great Lakes.

The Northwest Territory was under Federal jurisdiction until its components became States. Accordingly, the relationship there between church and state is significant in interpreting what the framers of the first amendment meant by laws "respecting an establishment of religion."

Article III of the Ordinance stated in part:

> Religion, morality, and knowledge, being necessary to good government and the happiness of mankind, schools and the means of education shall forever be encouraged.

The church-state relationship in Ohio was a particularly close one. In an article written for the Mississippi Valley Historical Association, Margaret J. Mitchell stated:

> We usually say the church and school go hand in hand but in the case of Ohio one would rather say the church was the power behind the earlier educational enterprises. From the very inception of the plan to colonize Ohio, Manasseh Cutler—Congregationist minister and chief officer of the Ohio company—had planned to found a great institution of learning in which morality and religion should be a part of the curriculum since, as he puts it in his sermon, "that was the only way to make citizens conform to law."
>
> * * * * *
>
> In 1788 the Ohio company bargained for two townships for a college and in 1797 an academy was erected at Marietta. * * * In 1795, the Connecticut assembly authorized the sale of the rest of the reserve, providing that the money arising from the sale thereof should constitute a perpetual fund, the interest on which was to be appropriated to the use and benefit of the several ecclesiastical societies, churches, or congregations of all denomintions in the territory, to be applied to the support of their ministers and schools. ("Religion in Early Ohio," Margaret J. Mitchell, Mississippi Valley Historical Association Proceedings (1915–18), pp. 79–80.)

Rev. Richard J. Gabel, A.M., S.T.D., noted in his book, "Public Funds for Church and Private Schools":

> There was no exclusion of religious schools or religious education in this distribution [of funds], since the State in general and in the persons of its early executives seems to have considered the intimate union of religion and education as expressed in the Northwest Ordinance and in the State constitution as a binding injunction to encourage religious education (pp. 257, 258).

In *State of Ohio, etc.* v. *The Trustees of Sec. 29, etc.*, 11 Ohio 24 (1841), the court was presented with the issue of determining whether a religious society known as the Roman Catholic Society of Delhi Township was to be entitled to a proportionate share of the fund for support of religion. Rejecting the petition because the society had not met certain statutory qualifications, the court noted that:

> The law now in force * * * is found in the act of March 14, 1832, "to incorporate the original surveyed townships." In the 13th section of this act it is provided "that each and every denomination of religious societies, after giving themselves a name, shall appoint an agent, who shall produce to the trustees a certificate, containing a list of their names, and numbers, specifying that they are citizens of said township; and the agent shall pay over an equal dividend of the rents, within 3 months after they shall have been received, to be appropriated to the support of religion, at the discretion of each society; provided that all members, above the age of 15 years, shall be entitled to have their names enrolled by any society" (pp. 26–27).

The Ohio State auditor's report of 1939 discussed the close relationship of church and state in Ohio at page 31:

> Originally, the care of these [ministerial] lands was placed by Congress in the hands of the State legislature and locally, three men were elected to have charge of the lands with the responsibility of taking care of them. They met once a year, and after paying all claims, including the services of the officers, the remainder was distributed, pro rata, to the different religious societies that filed with the trustees a sworn statement of the number of members, 15 years of age or older, each living in the original surveyed township. No distinction was made as to different religious organizations and each received a share proportionate to its number of members.
>
> The duty of administering these lands now falls upon the auditor of State who in his capacity as supervisor of school and ministerial lands has immediate charge of making these lands produce their utmost, distributing the funds and keeping the records, and collecting all rents." (Ohio, auditor of State, "A Short History [of] Ohio Land Grants," Columbus, Ohio, 1939.)

So here we find in the State of Ohio—which came from the Northwest Territory—as late as 1939—and I have no evidence which would indicate that the practice has been terminated—the auditor of the State distributing to each religious denomination its pro rata share of the annual net income from ministerial land.

The relationship of church and state in the Northwest Territory illustrates the fact that the establishment clause in the first amendment was intended to prohibit the establishment of a particular church. In the New York prayer case the Supreme Court distorted that meaning.

E. CHAPLAINS

The application of the establishment clause to religion in the general sense was discussed at some length in a House Judiciary Committee report of 1854. This report rejected the petitions of citizens of several States that "the office of chaplain in the Army, Navy, and at West Point, at Indian stations, and in both Houses of Congress, be abolished." U.S. House reports, volume 2, No. 124, 33d Congress, 1st session, 1853–54.

Mr. James Meacham, of Vermont, reviewing the reasons for the committee's decision to reject the petition, wrote as follows:

> Having made that decision, it is due that the reason should be given. Two clauses of the constitution are relied on by the memorialists to show that their prayer should be granted. One of these is in the sixth article, that "no religious test shall ever be required as a qualification to any office of public trust under the United States." If the whole section were quoted, we apprehend that no one could suppose it intended to apply to the appointment of chaplains.
>
> * * * * *
>
> Another article supposed to be violated is article 1 of amendments:
>
> "Congress shall make no law respecting an establishment of religion." Does your present practice violate that article? What is an establishment of religion? It must have a creed, defining what a man must believe; it must have rites and ordinances, which believers must observe; it must have ministers of defined qualifications, to teach the doctrines and administer the rites; it must have tests for the submissive, and penalties for the nonconformist. There never was an established religion without all these (p. 1).

With regard to the history of chaplains in Congress, Representative Meacham continued:

> Here, as before, we shall find that the same practice was in existence before and after the adoption of the constitution. The American Congress began its session September 5, 1774. On the second day of the session, Mr. Samuel Adams proposed to open the session with prayer.
>
> I give Mr. Webster's account of it: "At the meeting of the First Congress there was a doubt in the minds of many about the propriety of opening the session with prayer; and the reason assigned was, as here, the great diversity of opinion and religious belief: until, at last, Mr. Samuel Adams, with his gray hairs hanging about his shoulders, and with an impressive venerableness now seldom to be met with (I suppose owing to different habits), rose in that assembly, and, with the air of a perfect Puritan, said it did not become men professing to be Christian men, who had come together for solemn deliberation in the hour of their extremity, to say there was so wide a difference in their religious belief that they could not, as one man, bow the knee in prayer to the Almighty, whose advice and assistance they hoped to obtain; and, independent as he was, and an enemy to all prelacy as he was known to be, he moved that Rev. Mr. Dushe, of the Episcopal Church, should address the Throne of Grace in prayer."
>
> John Adams, in his letter to his wife, says he never saw a more moving spectacle. "Mr. Dushe read the Episcopal service of the Church of England; and then, as if moved by the occasion, he broke out into extemporaneous prayer, and those men who were about to resort to force to obtain their rights were moved to tears; the floods of tears, he says, ran down the cheeks of pacific Quakers, who formed part of that interesting assembly; and depend upon it, that where there is a spirit of Christianity, there is a spirit which rises above form, above ceremonies, independent of sect or creed, and the controversies of clashing doctrines" (p. 2).

This report discussed the purchase of Bibles by the Continental Congress, as follows:

> I do not deem it out of place to notice one act, of many, to show that that Congress was not indifferent to the religious interests of the people; and they were not peculiarly afraid of the charge of uniting church and state. On the 11th of September 1777, a committee having consulted with Dr. Allison about printing an edition of 30,000 Bibles, and finding that they would be compelled to send abroad for type and paper, with an advance of £10,272 10s., Congress voted to instruct the Committee on Commerce to import 20,000 Bibles from Scotland and Holland into the different ports of the Union. The reason assigned was, that the use of the book was so universal and important. Now, what was passing on that day? The army of Washington was fighting the Battle of Brandywine; the gallant soldiers of the Revolution were displaying their heroic though unavailing valor; 1,200 soldiers were stretched in death on that battlefield; Lafayette was bleeding; the booming of the cannon was heard in the hall where Congress was sitting—in the hall from which Congress was soon to be a fugitive: at that important hour Congress was passing an order for importing 20,000 Bibles; and yet we have never heard that they were charged by their generation of any attempt to unite church and state, or surpassing their powers to legislate on religious matters (p. 3).

The House Judiciary Committee report went on to discuss the prayer of Benjamin Franklin in the Federal Convention of 1787. In this prayer, Franklin appealed to the "Father of Lights" to illuminate the understandings "of this assembly, groping, as it were, in the dark to find political truth." The report continued by reviewing the action taken by the First Congress in providing for chaplains:

> The First Congress under the Constitution began on the 4th of March 1789; but there was not a quorum for business till the 1st of April. On the 9th of that month Oliver Ellsworth was appointed, on the part of the Senate, to confer with a committee of the House on rules, and on the appointment of chaplains. The House chose five men—Boudinot, Bland, Tucker, Sherman, and Madison. The result of their consultation was a recommendation to appoint two chaplains of different denominations—one by the Senate and one by the House—to interchange weekly. The Senate appointed Dr. Provost, on the 25th of April.
>
> On the 1st day of May Washington's first speech was read to the House, and the first business after that speech was the appointment of Dr. Linn as Chaplain. By whom was this plan made? Three out of six of that joint committee were members of the Convention that framed the Constitution. Madison, Ellsworth, and Sherman passed directly from the hall of the Convention to the Hall of Congress. Did they not know what was constitutional? * * * The convention of Virginia elected on its first day a chaplain—Rev. Abner Waugh—who every morning read prayers immediately after the ringing of the bell for calling the convention. No one will suppose that convention so inconsistent as to appoint their chaplain for their own deliberative assembly in the State of Virginia, and then recommend that this should be denied to the deliberative bodies of the Nation (pp. 4, 5).

Summarizing the Judiciary Committee's position with regard to the constitutionality of chaplains, Representative Meacham concluded:

> While your committee believe that neither Congress nor the Army or Navy should be deprived of the service of chaplains, they freely concede that the ecclesiastical and civil powers have been, and should continue to be, entirely divorced from each other. But we beg leave to rescue ourselves from the imputation of asserting that religion is not needed to the safety of civil society. It must be considered as the foundation on which the whole structure rests. Laws will not have permanence or power without the sanction of religious sentiment—without a firm belief that there is a Power above us that will reward our virtues and punish our vices. In this age there can be no substitute for Christianity; that, in its general principles, is the great conservative element on which we must rely for the purity and permanence of free institutions. That was the religion of the founders of the Republic, and they expected it to remain the religion of their descendants (pp. 8, 9).

F. FOURTEENTH AMENDMENT

The first amendment was proposed and ratified as a prohibition upon the Federal Government, not upon the States (*Barron* v. *Baltimore,* 7 Peters 243 (1833), *Permoli* v. *Municipality of New Orleans,* 3 Howard 389 (1845).)

It would appear, therefore, that even if the New York regents' prayer did constitute "an establishment of religion," the State of New York would, nevertheless, be constitutionally justified in its action. Since the Supreme Court's decision in *Cantwell* v. *Connecticut,* 310 U.S. 296 (1940), however, the due process clause of the 14th amendment has been interpreted as extending to the States the provisions of the 1st amendment dealing with religion, including both the establishment clause and the freedom of worship clause.

This holding of the Court misinterprets the intent of those legislators who framed and who ratified the 14th amendment. Since the Supreme Court's misinterpretation of the establishment clause has somewhat paralleled its misapplication of the due process clause, it seems appropriate to review briefly the relationship of church and state during and subsequent to the passage of the 14th amendment.

To begin with, the 14th amendment was intended by the Reconstruction Congress to extend to former slaves existing State guarantees of basic rights which in certain cases were being extended to whites only. It was not intended, either by the Senators and Congressmen who proposed it or by the State legislators who ratified it, to superimpose on the constitutions of States, both Northern and Southern, the particular guarantees secured to individuals in the Bill of Rights against arbitrary Federal action. Charles Fairman, professor of law emeritus of Harvard, has made a comprehensive study of this very point. "Does the 14th Amendment Incorporate the Bill of Rights? The Original Understanding," Fairman, C., 2 Stanford Law Review 5 (1949) cited favorably in *Bartkus* v. *Illinois,* 359 U.S. 121 (1959).

To argue, as Mr. Justice Black does, that the due process clause of this amendment was intended to apply to the States every guarantee of the Bill of Rights is to rewrite history. Mr. Justice Black might ponder the retort in 1871 of then Representative James A. Garfield, of Ohio, to Representative John A. Bingham, also of Ohio. Bingham, the author of the 14th amendment, was arguing 5 years after the amendment had been passed by Congress that it applied the first eight amendments to the States. Garfield denied this; he replied:

> My colleague can make but he cannot unmake history. (Congressional Globe, 42d Cong., 1st sess. (1871), app. 151.)

As in the case of Congress, debates by legislators in the ratifying States were free of any implication that the 14th amendment was to apply the establishment clause to the States. I have already reviewed provisions in the Ohio constitution and statutes authorizing the support of religion out of public funds.

New Hampshire went even further. The New Hampshire constitution required that the Governor, councilors, senators, and members of its house of representatives must be "of the Protestant religion." This provision was not eliminated until 1877. In addition, New Hampshire townships were authorized to establish churches where "public Protestant teachers of piety, religion, and morality" might preach.

In one of the leading New Hampshire cases of the 19th century, *Hale* v. *Everett,* 53 N.H. 9 (1868), these constitutional provisions were held to prohibit the use of such a church by an advanced Unitarian who felt he could not call himself a Christian. The majority opinion pointed out that the first amendment did not apply to the States. It cited Judge Story to the effect that the first amendment applied only to the Federal Government and that the State governments were free to enact legislation on religious matters.

In 1874, the Supreme Court of Michigan in *Weimer* v. *Bunbury,* 30 Mich. 200, heard arguments that a Michigan statute violated the fourth and fifth amendments to the U.S. Constitution. Judge Cooley took the position that there was nothing in this objection:

> It is settled beyond controversy, and without dissent, that these amendments are limitations upon Federal, and not upon State power. (Citing *Barron* v. *Baltimore,* ibid.)

It is interesting to note that Judge Cooley took the same position in his great work on "Constitutional Limitations," which first appeared in 1868. This same position is maintained in the eighth edition of "Cooley's Constitutional Limitations" issued in 1927, which continued to quote Judge Story.

The history of the Blaine amendment of 1875 further substantiated the fact that the 14th amendment was not intended to extend to the States those provisions of the 1st amendment regarding religion.

James G. Blaine, who opposed Grover Cleveland in the presidential campaign of 1884, was a Member of the House of Representatives in 1875. On December 14 of that year, Blaine introduced a constitutional amendment which would have extended to the States existing restrictions upon the Federal Government regarding the establishment of religion and the free exercise of religion.

Both the Senate and the House versions of the amendment provided in part:

> No State shall make any law respecting an establishment of religion, or prohibiting the free exercise thereof (CONGRESSIONAL RECORD, vol. 4, pt. 6, pp. 5189, 5453).

Although the Blaine amendment passed the House, it failed to receive the two-thirds majority in the Senate. The significance of Blaine's proposal lay in the fact that if the 14th amendment had already applied to the States the religious provisions of the 1st amendment, the Blaine amendment would have been a mere duplication.

The following colloquy between Senator Francis Kernan, of New York, and Senator Oliver Morton, of Indiana, illustrated by the absence of any reference to the 14th amendment what a limited application these legislators considered it to have. In this respect they reflected the general sentiment of Congress.

Senator Kernan discussed the Blaine proposal as follows:

> I have said that, in my judgment, the proposed amendment would be a very wide departure from correct principles. As to the first clause I have no comment to make; this declares that "no State shall make any law respecting an establishment of religion, or prohibiting the free exercise thereof; and no religious test shall ever be required as a qualification to any office or public trust under any State."
>
> That provision has my most hearty commendation; but for all that it is not necessary to put it in the Federal Constitution. That matter was discussed in the Convention that made the Constitution, and it was not thought wise to put in any such provision, but to leave it to the States (id., p. 5581).

Senator Morton answered the argument of Senator Kernan, as follows:

> The Senator from New York took the ground that the Constitution of the United States should not interfere with a State upon the question of schools or religion, and my friend's argument amounts to this * * * that the States should be left free if they see proper to establish sectarian schools by public taxation, and that if the State of New York desires to levy a tax and collect money of the people to establish, if you please, Protestant schools on the one hand or Catholic schools on the other, should be left free to do that, and we should not interfere by a constitutional amendment to prevent her. That is my friend's argument, that the States should be left free to establish a religion or to establish sectarian schools (id., p. 5584).

Both Senators in this colloquy evidently believed that the 14th amendment had not already extended to the States the restrictions upon Congress enumerated in the 1st amendment. Furthermore, the prohibition in the first amendment against "an establishment of religion" would clearly not have been construed by them as an impediment to voluntary public religious exercises. In these beliefs, they represented the general feeling of Congress at that time.

G. COURT DECISIONS

In *Holy Trinity Church* v. *United States,* 134 U.S. 457 (1891), the Supreme Court stated emphatically that we are a religious people:

> But beyond all these matters no purpose of action against religion can be imputed to any legislation, State or national, because this is a religious people. This is historically true. From the discovery of this continent to the present hour, there is a single voice making this affirmation (p. 465).

More recently Judge Martin P. Burks, speaking for the Virginia Supreme Court of Appeals, declared in *Pirkey Brothers* v. *Commonwealth,* 134 Va. 713 (1922), a decision upholding the Virginia Sunday closing laws:

> But from the creation of the State until the present time, this State has been recognized as a Christian State, at least in the sense that the great body of its citizens adhere to the tenets of the Christian religion, and, while at all times according freedom of conscience to all men, it has so far respected the opinions of this great body of its citizens as always to preserve from desecration the sanctity of Sunday which they regard as holy (p. 717).

In 1940, as I have stated, the Supreme Court in *Cantwell* v. *Connecticut, supra,* 134 Va. 713 (1922), interpreted the 14th amendment as extending to the States the provisions of the 1st amendment dealing with religion. An examination of *McCollum* v. *Board of Education, supra,* 134 Va. 713 (1922), and *Zorach* v. *Clauson, supra,* 134 Va. 713 (1922), illustrates the difficulty which the Court created for itself by adopting the Cantwell doctrine and by failing to apply the historical distinction between laws which would establish a particular religion and laws which merely affect religion generally.

In the McCollum case, the Board of Education of Champaign, Ill., instituted a program under which public school students with the permission of their parents were released during the day to attend classes conducted in the schools by representatives of the Roman Catholic, Protestant, and Jewish faiths. Only students whose parents had so requested were required to attend.

The Supreme Court held this program unconstitutional. Citing favorably *Everson* v. *Board of Education, supra,* 134 Va. 713 (1922), Mr. Justice Black quoted the Everson case in his majority opinion as follows:

> No tax in any amount, large or small, can be levied to support any religious activities or institutions, whatever they may be called, or whatever form they may adopt to teach or practice religion (p. 210).

In spite of the constitutional history to the contrary, the Court, after applying the establishment clause to the States, went on to hold that the utilization of Illinois tax-supported public schools in the teaching of the Protestant, Roman Catholic, and Jewish religious faiths was an establishment of religion.

In Zorach against Clauson, the Court reached the opposite verdict on a set of facts which were substantially the same, with the exception that students received their religious instruction off the school grounds. The Court determined in the Zorach case that the policy of the New York Board of Education was not inconsistent with the establishment clause.

Distinguishing the two verdicts, the Court stated at page 315:

> In the McCollum case the classrooms were used for religious instruction and the force of the public school was used to promote that instruction. Here, as we have said, the public schools do no more than accommodate their schedules to a program of outside religious instruction.

The Court seemed to be saying that in cases of this type the primary factor to be considered is whether State funds have been spent to further religious purposes. However, the Court in the Everson case had upheld in 1946 the reimbursement of parents by the State of New Jersey for fares paid in the transportation of children by bus to and from Roman Catholic schools.

If the Court, on the other hand, had interpreted the 1st and 14th amendments as their framers intended, this confusion in the law could have been avoided. Clearly, public funds in every State in the Union are diverted in some way to the support of religion. This is done, for example, when States and localities grant tax exemptions to religious institutions.

In 1959 the Supreme Court gave some indication that it might reconsider its application of the first amendment to the States and, by implication, its misinterpretation of the establishment clause. I am referring to *Bartkus* v. *United States,* 359 U.S. 121, in which the Court upheld a State prosecution for violation of its own penal law after the appellant had previously been acquitted by a Federal court on substantially the same evidence. The Court declared:

> We have held from the beginning and uniformly that the due process clause of the 14th amendment does not apply to the States any of the provisions of the first eight amendments as such. (Cites cases.) The relevant historical materials have been canvassed by this Court and by legal scholars. (Cites Fairman, "Does the 14th Amendment Incorporate the Bill of Rights? The Original Understanding," 2 Stan. L. Rev. 5). These materials demonstrate conclusively that Congress and the members of the legislatures of the ratifying States did not contemplate that the 14th amendment was a shorthand incorporation of the first eight amendments making them applicable as explicit restrictions upon the States (p. 124).

After the regents' prayer case, however, any alteration by the Supreme Court of its religious posture since 1940 appears very unlikely. Indeed the majority opinion of Mr. Justice Black seems to indicate that the Supreme Court intends to follow—not constitutional history—but rather the Court's own decisions misinterpreting it.

ENGEL VERSUS VITALE—A DECISION WITH BROAD IMPLICATIONS

Mr. President, the repercussions of Engel against Vitale are likely to be far reaching.

Two cases are now on appeal before the Supreme Court which offer ample opportunity for the Court to enlarge upon its recent misinterpretation of the establishment clause. Petitioners in a third case, I understand, intend also to seek a writ of certiorari. These three cases—Schempp against School District of Abington Township, Murray against Curlett, and Chamberlin against Dade County Board of Public Instruction—originated in Pennsylvania, Maryland, and Florida, respectively. All cases involve the reading of the Bible in the public schools; and in the Maryland case the daily recitation of the Lord's Prayer is at issue also. In each instance, the student's participation is voluntary.

The most comprehensive of the test cases comes on appeal from the Supreme Court of Florida. In the Chamberlin case, appellants seek not only to terminate the daily reading of a brief passage from the Bible, but in addition, to be relieved of the singing of hymns in music classes, the painting of pictures on religious themes, the decoration of schoolrooms at Christmastime, the saying of grace or other prayers at school functions, and the holding of baccalaureate ceremonies at commencement.

In delivering the opinion of the Supreme Court of Florida, which denied the claim of the petitioners, Justice Millard F. Caldwell stated:

> To say that the vast majority of students in the Dade County public school system are to be foreclosed of the privilege of living a few moments each day with the words of the Bible, the greatest of all literature, or of observing in the classroom, if such were possible, the magnificent painting of "The Last Supper," or of listening to Caruso's recording of "Adeste Fidelis," because a minority might suffer some imagined and nebulous confusion, is to approach the ridiculous.
>
> We believe it necessary that public education give due recognition to the place of religion and the culture and convictions of our people but that in doing so the principle of separation of church and state must be safeguarded. The road is a difficult one but, certainly, we cannot agree that banishing the Bible and music and paintings of religious connotation will benefit the plaintiff's children in any material way. We are of the opinion that erasing the influence of the best literature, music, and art and gentler aspects of American life in general would be to create an antireligious attitude in the schools and substantially injure the well-being of the majority of the schoolchildren. (*Chamberlin* v. *Dade County Board of Public Instruction,* June 6, 1962.)

In answer to another question bearing upon the issue, Mr. Justice Caldwell said the following about the embarrassment that might arise for children who do not participate:

> In the instant case we are told that the primary objects of solicitude are the children of the plaintiffs, atheists, Unitarians, and Jews, which children, although not required to be present at the time, will, so it is said, suffer some supposedly irreparable emotional stress if their classmates are permitted to hear the Bible read. It seems more likely that the children in question are the unwitting victims of a quasi-political contest.
>
> The plaintiffs assume, inferentially at least, that minorities enjoy a peculiar susceptibility to psychological and emotional trauma and compulsions and are entitled to some peculiar and fatherly protection against the strange ways of the ordinary American citizen. But such is not the case. The minority is entitled to enjoy the same privileges and the same justice as are enjoyed by people generally as an inherent right. The minority and the majority are both denied the privilege of disrupting the lives of others because of some hypersensitivity or fractious temperament. (*Chamberlin* v. *Dade County Board of Public Instruction,* June 6, 1962.)

It is to be hoped that the six Supreme Court Justices who struck down the regents' prayer will somehow find no inconsistency in upholding as constitutional the recitation of the Lord's Prayer and the reading of the Bible in public schools. Such a reversal in position would be no more pronounced than that already executed by Mr. Justice Douglas. It is interesting to compare his majority opinion in Zorach against Clauson—Chamberlin against Dade County Board of Public Instruction, June 6, 1962—with his concurring opinion in Engel against Vitale.

Zorach against Clauson at pages 312,

> The first amendment, however, does not say that in every and all respects there shall be a separation of church and state. Rather it studiously defines the manner, the specific ways, in which there shall be no concert or union or dependency one on the other. That is the commonsense of the matter. Otherwise the state and religion would be aliens to each other—hostile, suspicious, and even unfriendly. Churches could not be required to pay even property taxes. Municipalities would not be permitted to render police or fire protection to religious groups. Policemen who helped parishioners into their places of worship would violate the Constitution. Prayers in

> our legislative halls; the appeals to the Almighty in the messages of the Chief Executive; the proclamations making Thanksgiving Day a holiday; "so help me God" in our courtroom oaths—these and all other references to the Almighty that run through our laws, our public rituals, our ceremonies would be flouting the first amendment. A fastidious atheist or agnostic could even object to the supplication with which the Court opens each session: "God save the United States and this honorable Court."

Engel against Vitale at pages 1–6 of the concurring opinion:

> The point for decision is whether the Government can constitutionally finance a religious exercise. Our system at the Federal and State levels is presently honeycombed with such financing [here he lists in a footnote some 19 "aids"]. Nevertheless, I think it is an unconstitutional undertaking whatever form it takes.
>
> * * * * *
>
> What New York does on the opening of its public schools is what each House of Congress does at the opening of each day's business.
>
> In New York the teacher who leads in prayer is on the public payroll; and the time she takes seems minuscule as compared with the salaries appropriated by State legislatures and Congress for chaplains to conduct prayers in the legislative halls. Only a bare fraction of the teacher's time is given to reciting this short 22-word prayer, about the same amount of time that our marshal spends announcing the opening of our sessions and offering a prayer for this Court. Yet for me the principle is the same, no matter how briefly the prayer is said, for in each of the instances given the person praying is a public official on the public payroll, performing a religious exercise in a governmental institution.

Conflicting positions of this type could have been avoided if contemporary Justices of the Supreme Court had but followed the historically sound definition of "establishment" as expounded by Judge Cooley—"Cooley, General Principles of Constitutional Law," in the work cited, page 213:

> By establishment of religion is meant the setting up or recognition of a state church, or at least the conferring upon one church of special favors and advantages which are denied to others. It was never intended by the Constitution that the Government should be prohibited from recognizing religion, or that religious worship should never be provided for in cases where a proper recognition of Divine Providence in the working of government might seem to require it, and where it might be done without drawing any invidious distinctions between different religious beliefs, organizations, or sects.

The public clamor against the regents' prayer decision indicates how strongly the American people value the place of religion in our national life. Action must now be taken to preserve this heritage.

At an annual conference held in Hershey, Pa., early in July of this year the Governors of 49 States—with only Gov. Nelson Rockefeller of New York abstaining—resolved that—

> The conference urge the Congress of the United States to propose an amendment to the Constitution of the United States that will make clear and beyond challenge the acknowledgment of our Nation and people of their faith in God and permit the free and voluntary participation in prayer in our public schools.

The firm action of our State Governors underlines the impact of the court's recent decision upon the American people.

Several Members of Congress have introduced constitutional amendments which, if approved, would nullify Engel against Vitale. The Senate Committee on the Judiciary has conducted hearings on these amendments.

In his testimony before the committee, the Right Reverend James A. Pike suggested that the establishment clause of the first amendment be amended so that the words "the establishment of religion" would be restated as "the recognition as an established church of any denomination, sect, or organized religious association." Bishop Pike noted in his testimony that under this amendment "the secularization and deconsecration of the Nation which—recent—Supreme Court decisions have begun would be blocked. Our middle way would be preserved." Such a proposal seems to me to be the type of amendment which Congress should recommend to the States for ratification. If the Court will not reverse its present position.

Mr. President, the great New England statesman, Daniel Webster, was the Isaiah of his day and generation when he said:

> If we and our posterity * * * shall live always in the fear of God, and shall respect His commandments; if we and they shall maintain just moral sentiments, and such conscientious convictions of duty as shall control the heart and life, we may have the highest hopes of the future fortunes of our country; and if we maintain those institutions of government and that political union exceeding all praise as much as it exceeds all former examples of political associations, we may be sure of one thing—that while our country furnishes materials for a thousand masters of the historic art, it will be no topic for a Gibbon, it will have no decline and fall. It will go on prospering and to prosper. But if we and our posterity reject religious instruction and authority, violate the rules of eternal justice, trifle with the injunctions of morality, and recklessly destroy the political constitution which holds us together, no man can tell how sudden a catastrophe may overwhelm us that shall bury all our glory in profound obscurity. ("Chaplains of the General Government," Johnson, L. D., (1856), p. 55.)

Mr. ERVIN. Mr. President, will the Senator from Virginia yield?

Mr. ROBERTSON. I yield to my friend.

Mr. ERVIN. I should like to commend the able Senator from Virginia for his scholarly and thorough presentation on this important question.

As I stated a few minutes ago, during the time the Senator from Virginia and I have been privileged to serve together in the Senate of the United States, the Senator from Virginia has made some of the finest contributions to the preservation and presentation of the history of our country and to the preservation and presentation of the fundamental constitutional principles upon which our country rests. Today he has continued in masterful fashion the task he has performed equally as well on a number of other occasions.

I wish all the people of this Nation who believe in constitutional government and who believe, as George Washington did, that it is just as necessary to preserve it as it was to initiate it in the first place, could have the benefit of the study the Senator from Virginia has given during his service in the Senate to these various fundamental questions.

Mr. ROBERTSON. Mr. President, that tribute is doubly appreciated, because it comes not only from one of the ablest Members of this body, but also from a man who has served as a member of the highest court of his own State. He is widely recognized as the best constitutional lawyer in the Senate.

Mr. TALMADGE. Mr. President, will the Senator from Virginia yield?

The PRESIDING OFFICER (Mr. METCALF in the chair). Does the Senator from Virginia yield to the Senator from Georgia?

Mr. ROBERTSON. I yield.

Mr. TALMADGE. The distinguished Senator from Virginia has had an illustrious and honorable career in many fields of endeavor. He has served his country in uniform, in time of war. He has served his great State of Virginia, the mother State of our country, in the legislative branch, in the judicial branch, and also in the executive branch of the Government. He has served honorably and long in the Congress of the United States, both in the House of Representatives and in the Senate. But I do not believe the distinguished Senator from Virginia has ever rendered during his long career, a more outstanding service than the one he has rendered today on the floor of the Senate. I have never heard a more scholarly, logical, irrefutable, eloquent legal argument in all my life. He has gone into the history and the origin of the first amendment to the Constitution of the United States. He has quoted from those who framed that amendment. He has quoted from the debates in the House of Representatives and in the Senate of the United States as to its meaning. He has traced the decisions of the U.S. Supreme Court in construing that document. He has quoted from Mr. Justice Story and from Judge Cooley, the writers of the greatest commentaries, in all the history of our country, on the meaning and the significance of that document.

He has laid threadbare the argument that government cannot participate in religion. He has clearly demonstrated that government cannot exist without religion.

Mr. President, I compliment the distinguished Senator from Virginia on the outstanding and eloquent job he has done today.

Mr. ROBERTSON. I thank the Senator. During my 30 years of service in the Congress I have discussed many issues, but none of such transcendent importance to the future of our Nation as the one I have attempted to discuss today. I only wish that, like Isaiah of old, my lips, in presenting this speech, could have been touched by a burning coal from the altar.

REVENUE ACT OF 1962

Mr. CURTIS. Mr. President, whatever feeling I may have about the provisions of H.R. 10650, I believe that section 12 of the bill, relating to controlled foreign corporations, creates a dangerous precedent and upsets many constitutional safeguards. For the first time, this bill taxes an American corporate shareholder on his share of the undistributed profits of a foreign subsidiary even though such shareholder has not received such profits and may never receive them because of the vicissitudes of business risks. If such a provision is enacted, it will upset the constitutional rule which has been in effect at least ever since the first income tax was enacted following the adoption of the 16th amendment in 1913. This attempt to disregard the corporate entity and tax the income to the shareholder of a corporation before such income is distributed to the shareholder in the form of dividends strikes a dangerous blow at every domestic corporation doing business in the United States. The Secretary of the Treasury stated on page 322 of vol. 1 of the House hearings:

> As far as tax law is concerned, I do not think there is anything in this proposal that we cannot do equally with domestic corporations.

In his appearance before the Senate Finance Committee the Secretary said: "We apply the same procedures as have been applied for many years to foreign personal holding companies." The Secretary is apparently confusing the situation which prevails in the case of foreign personal holding companies with the situation which exists in the case of an ordinary business corporation. When the foreign personal holding company provision was adopted pursuant to a report by the Joint Committee on Tax Evasion and Avoidance in 1937, the Committee made the following statement:

> The proposal recommends a method of taxation which is a departure from any previously used with respect to corporate income. The committee feels, however, that this innovation is necessary to protect the revenue and prevent further use of one of the most glaring loopholes now existing. The proposal would affect only foreign corporations which are owned 50 percent or more by five American citizens or residents, including members of their families, and which have the same type of investment income which make a domestic corporation subject to tax as a personal holding company. Real foreign operating companies or widely held holding companies are not included.

The report continues:

> There appears to be no justification for the continued existence of foreign personal holding companies * * *. It is believed as a matter of fiscal policy that the dissolution of such companies should be effected as promptly as possible * * *. (H. Doc. No. 337, p. 21).

In short, the purpose of this 1937 legislation was to impose such an onerous and punitive regime on the prescribed U.S. individual shareholders in foreign personal holding companies that they would forthwith liquidate such existing companies and would be discouraged from creating any such companies in the future.

The fact that the Treasury describes the new proposal as being similar to the 1937 measure raises the question whether it now seeks to force the liquidation of all of the foreign subsidiaries including real foreign operating companies that might fall under the proposed enactment, and prevent future recourse to foreign corporations to conduct business abroad.

In other words, by imputing tax avoidance to a foreign subsidiary's transactions in a third country although they are perfectly normal and satisfactory to the tax authorities of the countries involved, the Treasury would ask Congress to require a punishment that is modeled on legislation intended to liquidate foreign personal holding companies. In other words, the Congress was attempting by the foreign personal holding company legislation to reach the shareholder of a foreign personal holding company only where such corporation was being utilized to avoid payment of U.S. income taxes. It was never intended to apply such a provision to operating companies that actually engage in manufacturing, processing and selling goods outside of the United States.

The Secretary's theory overlooks the elementary and fundamental principles asserted repeatedly by the Supreme Court of the United States that in the absence of fraud or evasion a corporation is an entity separate and distinct from its stockholders and that the earnings of the corporation cannot be imputed to the shareholder until distributed in the form of dividends. The courts have not disregarded the corporate entity, except to prevent fraud or evasion. Neither fraud or evasion is involved in a corporation manufacturing, processing, and selling goods abroad. The income from such activities is attributable to a foreign subsidiary operating outside of the United States and cannot be attributed to its parent corporation organized in the United States prior to distribution to its corporate shareholders.

I know there are many who do not like the corporation system under which we have been operating for many years and would like to disregard the corporate entity and tax all income to the shareholders of a corporation whether domestic or foreign. That this is a decided change in the tax policy of the country was admitted by the Secretary of the Treasury in his appearance before the Finance Committee. Perhaps the philosophy of this proposal is to remove the constitutional obstacle which prevents the taxation of income earned by a corporation directly to the shareholder before it is distributed. But we cannot overcome a constitutional prohibition by legislation. The Court will have to review this question anew. The people who advocate such a theory are in the same group as those who desire the Federal Government to remove the constitutional prohibition in the case of income from State and local obligations. If we remove these constitutional safeguards, there will be no anchors for us to cling to.

Do we want to permit these constitutional questions which have already been decided by the Supreme Court to be reviewed and reconsidered because of this bill? This is exactly what will happen if we adopt the rule of this bill in section 12. The question will involve long and costly litigation. It will take years before this question is decided by the courts. I shudder to think of the affect of such a reversal on an Oklahoma corporation, a Delaware corporation, a Nebraska corporation, or any corporation located in any State of the Union if the Federal Government should impose upon the shareholder of such a corporation a tax on the earnings of such a corporation before such earnings are distributed to its shareholders. As well stated by the Supreme Court in Eisner versus Macomber, 252 U.S. 189–1920:

> Certainly the interest of the stockholder is a capital interest, and his certificates of stock are but the evidence of it. They state the number of shares to which he is entitled and indicate their par value and how the stock may be transferred. They show that he or his assignors, immediate or remote, have contributed capital to the enterprise, that he is entitled to a corresponding interest proportionate to the whole, entiled to have the property and business of the company devoted during the corporate existence to attainment of the common objects, entitled to vote at stockholders' meetings, to receive dividends out of the corporation's profits if and when declared, and, in the event of liquidation, to receive a proportionate share of the net assets, if any, remaining after paying creditors. Short of liquidation, or until dividend declared, he has no right to withdraw any part of either capital or profits from the common enterprise; on the contrary, his interest pertains not to any part, divisible or indivisible, but to the entire assets, business, and affairs of the company. Nor is it the interest of an owner in the assets themselves, since the corporation has full title, legal and equitable, to the whole. The stockholder has the right to have the assets employed in the enterprise, with the incidental rights mentioned; but, as stockholder, he has no right to withdraw, only the right to persist, subject to the risks of the enterprise, and looking only to dividends for his return.
>
> If he desires to dissociate himself from the company he can do so only by disposing of his stock.

When we attempt to tax the stockholder on the undistributed profits of the corporation, we are not levying an income tax on the shareholder because he has received no income. We are levying a tax on him merely because of his ownership of stock. It is not an income tax, but a direct tax on the shareholder and subject to the rule of apportionment. It is in violation of the fifth amendment of the Constitution because it is attempting to collect from the shareholder a tax on income which belongs to the corporation. Such a tax bill will place an American corporation in an unfair, competitive position with its foreign competitors. The tax laws of Australia, Belgium, Canada, France, Germany, Italy, Japan, Netherlands, Norway, Sweden, and the United Kingdom do not tax the undistributed earnings of foreign subsidiaries to the parent company under any circumstances. Tough European competitors like the idea of imposing additional handicaps on American business. While these European competitors heartily approve steps to decrease the effectiveness of American business, it is notable that no single measures have been proposed by their governments with respect to their own industries. In fact, their tax policies have been in the opposite direction—to encourage expansion of their business abroad. It would appear that the Treasury is more concerned with the vigor of foreign businesses than of American businesses. It is also obvious that heavy tax burdens on American's oversea business would greatly abet the increasing economic competition of the Communists. In this bill we are asked to approve a policy which is, first, detrimental to American business; second, beneficial to foreign business in competition with American business; and third, greatly beneficial to state-owned Communist industries which seek to bury us.

I am familiar with the escape valve prepared in the Treasury and adopted by the Finance Committee as a result of an amendment offered by the Senator from Oklahoma [Mr. KERR]. The effect of this amendment is not to apply the punitive provisions of section 12 if the combined foreign tax and the U.S. tax—to the extent the latter is paid on the distributive income—is not substantially below the U.S. corporate rate. The lower the foreign tax rate is, the greater the distribution to the shareholders must be and the greater the proportion of the total must be subject to the U.S. tax of 52 percent. Thus, whether the provisions of section 12 will apply will depend upon the effective rate of foreign tax. For example, if the effective rate of foreign tax is under 10 percent, the company will be required to distribute 90 percent of the earnings and profits to avoid the punitive provisions of section 12, and if the effective foreign rate is over 47 percent, the punitive provisions compelling distributions of earnings and profits will be dispensed with. In this connection, I would like to insert in the RECORD a table showing how the minimum distribution required varies with the effective foreign tax rates.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Required minimum distribution of earnings and profits after foreign taxes

If the effective foreign tax rate is (percentage):	Percent
Under 10	90
10 or over but less than 20	80
20 or over but less than 30	70
30 or over but less than 40	60
40 or over but less than 42	50
42 or over but less than 44	38
44 or over but less than 46	26
46 or over but not more than 47	14
Over 47	0

Mr. CURTIS. Mr. President, the purpose of this table is to help large companies doing business throughout the world. Despite the fact that a number of large corporations were called into the Treasury to consider this formula and although some stated that it would shield them against the punitive provisions of section 12, nevertheless they recommended strongly against the enactment of that section. Some of them pointed out that this minimum formula would provide a very strong incentive for foreign governments to raise their own tax rates on the earnings of American-controlled companies and/or on distributions to American shareholders. This would provide additional revenue to the foreign countries and protect their balance-of-payment position, both by decreasing the surplus available for dividends and by eliminating the incentive to pay dividends. The adverse effect on the United States would be obvious if the foreign effective rate was uniformly increased to 47 percent; the advantage to the United States would be eliminated. Moreover, those companies which did business in a country with a high rate of tax and also in a country with a low rate of tax would not be benefited by the minimum distribution table if the average foreign tax rate is substantially below the U.S. rate, but would be subject to all the hardships of section 12. This section will discourage any incentive to minimize foreign taxes and because of the existence of foreign tax credit will result in less tax being paid to this country. I cannot understand why we are so anxious to increase the foreign taxes on American business operating abroad when the effect will be to reduce our taxes in this country. If a foreign country does not desire to increase its taxes, why should we try to induce it to do so?

The escape valve from section 12 still contains the fundamental error of taxing the shareholder on the corporate earnings before distribution. Furthermore, it will not apply uniformly to all foreign corporations operating abroad, but only those long-established corporations with foreign operations throughout the world. It will drastically hurt the new and developing businesses that desire to reinvest earnings overseas. In effect, it is a tax on undistributed earnings, but is collected not from the foreign corporation but from the American corporate shareholders of such corporation, although such shareholders have no right to such earnings before distribution. Our experience with undistributed tax on domestic corporations in 1936 was unfortunate and it had to be repealed in 1938. This undistributed profits tax is on the shareholder before the earnings are distributed to him. Therefore, it is even a worse approach than the 1936 provision.

If the administration had definitely set out to design a piece of legislation to discourage Americans engaging in business abroad, it could hardly find anything better than section 12.

There is another point which I wish to emphasize in the escape valve provision. Those corporations which elect to secure the benefit of the escape valve are apt to have the amount of their foreign tax credit reduced by administrative fiat instead of by act of Congress. Under the provisions of section 936(f), the Secretary is authorized to make regulations, including regulations for the determination of the amount of the foreign tax credit in the case of distributions with respect to the earnings or profits of two or more foreign corporations. The report indicates that the Treasury intends to construe the grant of authority to make regulations as authority for the right to reduce the foreign tax credit of those who elect to take advantage of the escape valve. This is not legislation by the Congress but a change in the law by administrative action. It is an assumption of legislative power by the administration, which I deplore.

One of the most vital objections to section 12 is the tremendous burden of accounting and recordkeeping it would impose on controlled foreign subsidiaries of American companies. Since the section applies to tax haven transactions, it follows that accounting and recording systems will have to be installed in every foreign-controlled corporation so that every transaction carried out by the company can be classified and recorded as being within or without the scope of section 12. When I asked Secretary Dillon in the hearings before the Senate Finance Committee to define a tax haven company, he stated:

> What we have done is not to define a tax haven company specifically, but to define in effect a tax haven transaction. For example, a tax haven transaction is one where a company incorporated in country A purchases from country B and resells in country C.
>
> So in this situation there have to be three countries involved and the use of the words "tax haven company" is just a short description of companies which operate in this way. We do not have a definition of a company as a tax haven company.

This means that in determining whether or not a transaction is a tax haven transaction, not only transaction accounting must be applied but also geographical accounting not normally followed must be applied because of the new concept as to out-of-country subsidiaries and branches. These complex and new accounting methods will apply not only to sales and service subsidiaries and branches but also to manufacturing companies involved in the chain. Failure to meet the formula by a few dollars may well mean the loss of the exemption. The determination of earnings or profits in connection with the formula will create a tremendous problem. These earnings and profits may not be determined until final settlement of the company's U.S. income tax return for which an 8- to 10-year lapse of time would not be unusual. Because the figures to be used in the computation would not be available, the financial officers of the U.S. shareholder company or companies could not determine the percentage effective rate of foreign income taxes in the year in which the dividend distribution was to be made nor indeed for a considerable number of years thereafter. The U.S. investor, therefore, would have no choice but to compel every controlled foreign subsidiary to classify and record every business transaction as within or without the scope of section 12 and to maintain these records and supporting geographical locations of income and expenses until all tax determinations have become final.

There is another point which I would like to bring up. Secretary Dillon appeared before the Senate Foreign Relations Committee in June of this year and recommended that the United States become a member of the Organization of Economic Cooperation and Development. The United States was made a member of this organization under a treaty ratified by the Senate on March 16, 1961, which was put in effect on September 30, 1961. Secretary Dillon appeared before the Senate Foreign Relations Committee and urged that the United States become a member of this organization. Both the United States and Canada are now members of the organization. A fiscal committee composed of representatives of 18 member states, including representatives of the U.S. Treasury, prepared articles to be included in a Draft Convention for the avoidance of double taxation with respect to tax on income and capital. The Council of the OECD recommended that the member states adopt these articles in existing conventions and in negotiating future conventions. One of the basic rules laid down by the council to be adopted was in regard to the interpretation of article XX. The commentary on article XX stresses the point that the corporation is a legal entity with a separate juridical personality distinct from its shareholders and then goes on to state in regard to a shareholder:

> He is not a trader and the company's profits are not his so they cannot be attributed to him. He is personally taxable only on those profits which are distributed by the company.

This is the same rule which has been applied in the United States in respect of the legal existence of bona fide corporations that have a business purpose and are not a sham; yet Mr. Dillon, after he recommended that the United States become a member of this organization which adheres to this principle, has been trying to get the Congress to abandon such a principle and tax the shareholder of a bona fide business corporation on earnings of the corporation which have not been distributed and may never be distributed because they are subject to the risk of the business. I am at a loss to understand why Mr. Dillon should come before the Congress and plead for admission of the United States to become a member of this organization and then later attempt to repudiate one of the organization's basic rules.

In closing, I wish to comment briefly on the balance-of-payments question. Testimony before our committee was unanimously of the opinion that the proposals recommended by the Treasury for taxing the undistributed earnings of foreign corporations to the American shareholder would actually adversely effect the balance-of-payments situation. At the request of the President of the United States, a committee of businessmen was appointed by the head of the Chamber of Commerce of the United States to analyze the U.S. balance-of-payments problem and offer suggestions and recommendations for dealing with it. This committee was appointed in May of this year and released its report on July 13, 1962. It is interesting to note that one of the recommendations of the report is to the effect that:

> Tax proposals, such as certain of those now under consideration in H.R. 10650, which would reduce U.S. competitive capabilities in foreign markets, should not be adopted.

I ask unanimous consent to have that report printed in the RECORD at this point.

There being no objection, the report was ordered to be printed in the RECORD, as follows:

JULY 13, 1962.

THE PRESIDENT,
The White House,
Washington, D.C.

DEAR MR. PRESIDENT: In our conversation of May 17, I promised to appoint a committee that would analyze the U.S. balance-of-payments problem and offer suggestions and recommendations on behalf of the Chamber of Commerce of the United States for dealing with it. The committee that I appointed was, as you will see from the attached roster of its members, drawn from the business community and is composed of men who by reason of their training and responsibilities inherent in their individual positions may, I think, be regarded as having special competence in this field. The committee's report, which I attach hereto, is submitted with the concurrence of all its members and with the unanimous approval of the board of directors of the national chamber.

I think it fair to observe that this report, while in no sense neglectful of specifics, addresses itself more fully than do most such reports to what may perhaps be described as the larger economics of the situation in which we find ourselves. It is concerned with the implications of the reemergence, after many years, of an international competitive order, and with the necessity of fitting our economy to the requirements of that order. It is especially concerned that this be done without sacrifice of any of the commercial principles for which we have stood as sponsor for a generation. I may add that while the report in no way minimizes the gravity of the situation, it is a hopeful and even confident report.

I am authorized by the committee to offer you its further services if, in your judgment, those services can in any way be useful to you.

Sincerely,

H. LADD PLUMLEY.

THE U.S. BALANCE-OF-PAYMENTS SITUATION

We can and we must meet the problem posed by the deficit in our international balance of payments. The problem is a serious one for two reasons:

First, there is in the current balance-of-payments situation a threat to existing monetary arrangements, here and in the world generally. Gold losses of the magnitude experienced in recent years cannot long be sustained even though the reserves of our monetary system are large. Persistence of such losses and any prolonged accumulation at recent rates of foreign short-term claims against the dollar pose a threat to continued acceptance of the dollar as a reserve currency and thus endanger the entire free world structure of international liquidity, payments and trade. A crisis of confidence in the dollar would deal a serious blow to the position of the United States as leader of the free world and would dangerously restrict its flexibility of movement.

There is a second aspect of the problem which is of equal concern. This is a danger that, in concern over its gravity, steps may be taken and measures adopted the abiding effect of which will be to compromise or abridge the essential principles of the kind of international economic community we have sought to foster and have invested billions of dollars to achieve.

The balance-of-payments situation in which we find ourselves is thus serious, and urgently so, but it does not follow that it is immediately critical or that it is unmanageable.

That the situation is not immediately critical is chiefly due to two circumstances. The first is that this country's international liquidity position—defined as its gold stock and holdings of convertible currencies plus the world's willingness to accept and hold dollar assets—is not critically impaired. The second is that a number of steps have been taken, typically in concert with other nations, to supplement the resources and facilities that would, in the event of emerging crisis, be available to this country's monetary authorities.

We here refer to the operations of the Treasury and the Federal Reserve in the international money market, and to increased multilateral cooperation through the Basle Group, the gold pool, and IMF. These measures are to be commended. They add to our strength and assurance as we deal with the fundamental problem of improving the long-range competitive position of the United States in the world economy, and they have in them a basis for strengthening the international financial structure.

We have said further that the balance-of-payments situation is not unmanageable.

That situation is not the result of a sudden reversal in the balance of our international accounts; it comes instead from a substantial increase of an imbalance that had prevailed for the greater part of a decade. This substantial increase of imbalance was, furthermore, contemporaneous with the reemergence after a long lapse of years of something approximating an international competitive system. Productive capacities, particularly those of Europe, had been restored and had become competitive with our own. No longer were we in the position of being the world's one certain source of supply for most manufactured goods. Equally important was the reconstruction of the world's monetary system on a basis of external convertibility, which had the effect of exposing the dollar to international pressures not experienced for over a generation.

In short, the problem that confronts us is not that of repairing a disrupted American economy but of adjusting it to a world competitive order—the kind of order that we have worked ever since World War II to achieve.

There appear to the committee to be reasons for believing that the required process of adjustment can be realized and that, in particular, it can and must be realized without resort to unwise expedients, such as, for example, control of capital movement or foreign exchange.

The process of international adjustment to an emergent world competitive system will in some part take place in other countries, as indeed it is already beginning to do. The rapid rate of growth in Western Europe and Japan is leading to relatively rapid increases in wages and, to a measurable extent, in prices as well. These changes will undoubtedly have the effect of helping in some measure to restore equilibrium to the international payments situation.

It appears reasonable to expect countries experiencing sustained surpluses on balance of payments to embrace policies appropriate to their creditor position. Nevertheless, the task of the United States is inescapable, and can neither be avoided nor deferred. It is mandatory that the U.S. economy maintain and improve its competitive position, and that we comply fully with our responsibilities as the world's banker and custodian of the key international currency.

The Nation's task, as it is defined by these observations, appears to require two directions for action. The first is to settle upon what is to be the U.S. economy's role, within the world economy and the second is to insure that the U.S. economy is adequately competitive to fulfill that role.

THE ROLE OF THE UNITED STATES IN THE WORLD ECONOMY

A primary consideration here is the magnitude of outlay for military expenditures abroad and economic aid to developing countries for which our economy must make provision in the form of an excess of exports over imports of goods and services. These items are sometimes said to be the seat of our present serious problem, and it is inescapable that the greater their amount the more rigorously competitive must our economy become.

Military expenditures and economic aid are here considered apart from private capital flows for two reasons. In the first place, their size, and indeed the fact that they exist at all, is not primarily determined by economic forces, as are international capital movements. In the second place, these are outlays that, bearing as they do on the general interests of an Atlantic community now substantially restored to economic health, can be more equitably shared than would have been possible 10 or even 5 years ago. It is the view of the committee that the encouragingly productive efforts of recent years to secure the sharing of these outlays must be pursued with unremitting vigor.

The role of the U.S. economy within the world economy so far as private capital is concerned is a different matter.

It is the conviction of this committee that the United States must be preserved as a free and unrestricted market for capital funds, whichever may be the direction—in or out—of the flow of such funds. For one thing, it is seriously to be doubted that the integrity of the dollar as a reserve currency can be maintained unless the market for capital be free. But beyond this is the evident fact that private investments abroad are today a substantial source of international income to an economy seriously in need of it. The unimpeded flow of such productive investment funds is thus essential to the United States if we are to take advantage of the opportunities which will prevail in an expanding international economy. If foreign investment is discouraged, an important and rising long-term source of revenue from abroad will be seriously impaired to the detriment of the country's future balance-of-payments position.

If freedom of capital movement is thus to be preserved, as we believe is required, then it follows that we must, as the occasion demands, adopt and adhere to monetary and fiscal policies consistent with our role in the world economy. If interest rates in the United States are too low in relation to the rates at which funds can be effectively placed or borrowed abroad, either our rates must rise or foreign rates must decline. At this time, it seems obvious that interest rates in the United States must be allowed to rise. Flexible interest rates are an essential part of the balance-of-payments adjustment mechanism. While it is of utmost importance that interest rate flexibility be accepted in the other major countries also, the United States cannot avoid this same discipline if we are to retain the dollar as a key unit of international exchange.

Finally, this committee believes that there is no justification for a change in the dollar price of gold, and that such a change, if effected, would make no useful contribution to the solution of our balance-of-payments problem.

MAINTAINING THE COMPETITIVENESS OF THE U.S. ECONOMY

It is imperative that every present action be shaped to the pattern of the kind of economy that can be a continuing viable part of the competitive world economy that is now emergent. Restriction, for example, of investment abroad for the sake of relief from today's pressures would be as shortsighted as restriction of commodity imports. The sustained strength of the U.S. payments position on commercial account provides substantial basis for faith that our economy has the resourcefulness to maintain its place in a competitive world order, provided only that we are prepared to abide by the rules of such an order.

The first requisite of such an order is that the private sector of the American economy be made able to produce a current balance of goods and services that, after provisions for its investment abroad, is adequate to cover our outlays for military expenditure and foreign aid. The second requisite is that this end be realized within the context of a commercial policy exemplified so far as commodity trade is concerned by the tariff proposals in title II of the Trade Expansion Act of 1962 (H.R. 11970).

To be made competitive in the degree required by the obligations of military assistance and foreign aid, two types of action are required.

The first is that we must hold the line so far as costs are concerned. This is a minimum requirement, because, while we are presently competitive in the sense that our economy continues to provide an export balance on current account, we are not competitive enough to provide the balance required of us. Holding the line on costs requires forthright rejection of inflationary monetary and fiscal policies.

This is not only a minimum requirement, it is imperative. The situation in which, as far as the balance of payments is concerned, we find ourselves is so serious that we cannot afford to lose ground. Indeed, it is the conviction of this committee that, with due allowance for essential defense requirements, the balance-of-payments situation is so pressing that until the required improvement has been registered in the U.S. position within the world competitive order, any other objectives of national fiscal and credit policy must be subordinated to this one. The committee does not believe that this objective is inconsistent with, but rather that it is prerequisite to, sustained full employment and economic growth. In fact, a U.S. economy that is a continuing viable part of the competitive world economy has its own contribution to make to the attainment of these domestic objectives as well.

The second requirement is that policy must be directed to increasing the effectiveness of the American economy both in supplying commodities in the world market and in the provision of income from services, including tourist expenditures in the United States and, conspicuously, the growth of earnings from investments abroad.

Taxation of foreign source income should be compatible with the vital objective of obtaining a maximum penetration of the world market. It should preserve flexibility for American business, operations overseas in covering multiple markets, and should permit reinvestment of earnings and expansion of effort in all free world markets. Tax proposals, such as certain of those now under consideration in H.R. 10650, which would reduce U.S. competitive capabilities in foreign markets should not be adopted.

Other policies affecting our competitive ability to supply goods in the world market include tax revisions appropriate to the stimulation of investment both at home and abroad. It is the opinion of the committee that each such revision should be made the occasion for careful and discriminating review of Government expenditure, in order to minimize the net impact on the Government's budgetary position. Continued deficit financing can produce neither confidence nor sound progress. It is essential, too, to encourage U.S. firms to compete more actively abroad. In this latter respect, we particularly endorse the trade promotion program of the Department of Commerce, the export credit insurance program of the Export-Import Bank, and the continuing efforts of the responsible agencies to abate and remove all remaining restraints upon the movement of U.S. products into foreign markets.

Our future balance-of-payments position will be determined primarily by just one thing: the ability of American business to compete successfully and adequately in all markets of the free world.

In summary, this committee recommends the following policy guidelines for dealing with the balance-of-payments situation:

1. Continued efforts to develop multilateral cooperation for strengthening the international financial structure.
2. Reassessment of U.S. unilateral governmental transfers and military expenditures abroad, to eliminate unnecessary drains wherever possible.
3. Increased efforts to persuade our major allies to shoulder a greater share of the common burden of free world defense and aid to the developing areas.
4. Rejection of any move in the direction of limitation of the United States as a capital market.
5. Adoption of an interest rate policy sufficiently flexible to bring U.S. rates into line with those of our major trading partners whenever necessary.
6. Maintenance of the present dollar price of gold.
7. Forthright rejection of inflationary monetary and fiscal policies.
8. Increasing efforts along the lines set forth in title II of the Trade Expansion Act to reduce tariffs and other barriers to world trade.
9. Reduction and revision of U.S. tax schedules appropriate to the stimulation of investment both at home and abroad.
10. Continued encouragement of U.S. firms to compete more actively abroad.

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Mr. CURTIS. Mr. President, I also ask to have printed at this point in the RECORD a brief by Adrian A. Kragen, professor of law, Berkeley, Calif., on the constitutionality of taxing the undistributed profits of a corporation to its American shareholders.

There being no objection, the brief was ordered to be printed in the RECORD, as follows:

STATEMENT OF ADRIAN A. KRAGEN

The President's tax program relative to the income of foreign corporations which originally was directed at the twofold purpose of strengthening the balance-of-payments position of the United States and eliminating the use of tax havens (hearings before the Committee on Ways and Means, House of Representatives, 87th Congress, 1st sess., p. 34) [1] has in the Revenue Act of 1962 been narrowed in H.R. 10650 to what purports to be an elimination of the use of tax havens (CCH staff explanation, p. 58). I therefore consider it unnecessary to comment in this discussion on the validity of the arguments in the Treasury memorandum of June 19, 1961 (hearings, p. 313, commencing at page 318) that the proposed legislation is constitutionally defensible under article I, section 8, clause 3, of the Constitution on the ground that a major purpose of the legislation is to adjust the balance of international payments.

The proposals relative to the foreign corporation which are now before this committee raise certain basic but individually independent questions which I would like to comment on in this opinion. These questions are:

A. Can undistributed corporate profits which are not actually received by a taxpayer-shareholder be considered as income to such taxpayer for U.S. income tax purposes on:

(1) The theory that accretion without more is income?

(2) The theory of constructive receipt?

B. Is ownership by U.S. shareholders of more than 50 percent of the shares of a foreign corporation legal justification for the treatment of the pro rata share of undistributed corporate income as constructively received by each of the U.S. shareholders holding 10 percent or more of the shares?

A(1). Accretion: The answer to the question A(1) is fundamental to the entire consideration of the validity of the legislation. In the event that an accretion to wealth in and of itself can be considered as income for U.S. income tax purposes, we would only need to consider whether the proposal to measure an income tax by such accretion accorded the taxpayer due process of law. In essence this is the much considered and discussed question of whether "realization" is necessary in order to have "income" within the meaning of that word in the 16th amendment of the U.S. Constitution. The Treasury memorandum discusses this matter at some length and comes to the conclusion that there is a strong possibility that the Supreme Court would, if faced with the direct issue, override the "realization doctrine" as expressed in *Eisner* v. *Macomber* (1920) 252 U.S. 189. My examination of the decisions has led me to doubt the validity of this conclusion.

The focal point for any discussion of the doctrine of realization is the classic *Eisner* v. *Macomber* case. In that case, the court defined income as (p. 207):

"'The gain derived from capital, from labor, or from both combined,' provided it be understood to include profit gained through a sale or conversion of capital assets.

"Here we have the essential matter: not a gain accruing to capital, not a growth or increment of value in the investment; but a gain, a profit, something of exchangeable value proceeding from the property, severed from the capital however invested or employed, and coming in, being 'derived,' that is, received or drawn by the recipient (the taxpayer) for his separate use, benefit and disposal;—that is income derived from property. Nothing else answers the description."

In *Eisner* v. *Macomber* there was, in my opinion, a clear and unequivocal statement that income of a corporation could not be taxed to the shareholder without a receipt of that income by the shareholder, i.e., that realization in some measure is essential to the definition of income for Federal income tax purposes.

The Treasury over a long period has attacked that concept and has consistently urged the overruling of *Eisner* v. *Macomber*. Despite such urging the Supreme Court of the United States has never seen fit to overrule the fundamental doctrine enunciated in the case. In fact, even where the Court has distinguished *Eisner* v. *Macomber*, it has actually impliedly recognized the continuing validity of the definition insofar as realization is concerned. Thus, in *Commissioner* v. *Glenshaw Glass Co.* (1955) 384 U.S. 426, the Court in distinguishing *Eisner* v. *Macomber* stated (pp. 430–431):

"The Court was there endeavoring to determine whether the distribution of a corporate stock dividend constituted a realized gain to the shareholder, or changed 'only the form, not the essence,' of his capital investment. Id., at 210. It was held that the taxpayer had 'received nothing out of the company's assets for his separate use and benefit.'

"Here we have instances of undeniable accessions to wealth, clearly realized, and over which the taxpayers have complete dominion."

In *Helvering* v. *Griffiths* (1943) 318 U.S. 371, the Court specifically declined to rule on the question and the Treasury Department finds comfort in this negative determination. However, the pronouncement quoted above from Glenshaw Glass appears to me clearly to set forth the present vitality of the realization rule of *Eisner* v. *Macomber*.

Helvering v. *Bruun* (1940), 309 U.S. 461, is used by the Treasury Department and some legal scholars as a harbinger of the demise of the realization requirement for income inclusion. It is my opinion that the Bruun case does not derogate from the basic doctrine enunciated in *Eisner* v. *Macomber*. In Bruun there was an actual realization in the receipt by the taxpayer of something of actual value. Prior to the cancellation of the lease, all that the lessor had was a fee in land. The building on that land, having a useful life less than the life of the lease, was for the purposes of the lessor nonexistent.

When the lease was canceled, it resulted in the receipt by the lessor of a building with a then value in excess of $50,000. This was a clear realization of something new which constituteed income under the *Eisner* v. *Macomber* definition. It was property separate and apart from the land itself whether or not it was practical at the moment to sever it physically. Nowhere in the Bruun opinion is there any indication that the realization test is abandoned or even weakened (see Roehner & Roehner, "Realization: Administrative Convenience or Constitutional Requirement?" 8 Tax L. Rev. (1953) 173).

The Treasury in its memorandum while conceding that the "question of the need for the realization of the income has not yet been squarely met by the Court" (p. 315, House hearings) relies on *Helvering* v. *Horst* (1940) 311 U.S. 112 as another indicia of the loss of vitality of *Eisner* v. *Macomber*. In my opinion the Horst case strengthens rather than weakens the requirement of realization. The Court throughout its opinion emphasizes the necessity for realization and for something more than mere enhancement in value of a capital asset held by the taxpayer. It simply recognizes that the actual exercise of the power to dispose of a right to income is in itself a realization even though the tangible receipt of the income is by another. It nowhere indicates that mere accretion in value is realization or that the power to dispose of a right to income is the equivalent of the exericse of that power.

My examination of the decisions of the Supreme Court of the United States has resulted in my opinion that *Eisner* v. *Macomber* is still the controlling authority on the issue of the necessity for realization for the purpose of the determination of income under our income tax laws. Therefore, I must conclude that an attempt to tax a shareholder in general on the undistributed profits of the corporation on the theory of accretion is of very dubious constitutionality under article 1, section 2, clause 3, and article 1, section 9, clause 4.[2]

A(2) Constructive receipt: The Treasury Department attempts to support the proposed legislation upon the ground that it will tax income which can be considered as constructively received by the shareholder.

Since 1871 [3] Congress with certain exceptions [4] has levied a tax upon the income of corporations at the corporate level and has treated the shareholders as separate and distinct from the corporate entity. Since 1921, the only legislation imposing a compulsory tax on the shareholders of a corporation based on a pro rata share of corporate income, whether distributed or not, is the Foreign Personal Holding Company Act.

The Treasury Department relies on these provisions as a precedent for the present proposal. In my opinion there is no authority specifically supporting the constitutionality of the foreign personal holding company provisions. Even if there were such authority, I do not believe it could be considered as controlling in regard to the present statutory proposal.

I have found four cases which consider the foreign personal holding company provisions. In two of these, *Alvord* v. *C.I.R.* (4 Cir. 1960) 277 F. 2d 713 and *Marsman* v. *C.I.R.* (4 Cir. 1953) 205 F. 2d 335, no constitutional issue appears to have been raised or discussed. In one, *Rodney* v. *Hoey* (S.D.N.Y. 1944) 53 F. Supp. 604, the plaintiff apparently argued that it was unconstitutional to tax constructive receipt of income without discussing the question of realization and the court rejected the contention merely by citing *Eder* v. *Commissioner of Internal Revenue* (2 Cir. 1943) 138 F. 2d 27. The Eder case discusses the constitutionality in a single sentence. Actually the only allegation of unconstitutionality raised by the plaintiff was on the ground that the inability to distribute in dollars due to blockage rules precluded taxability. The constitutionality of the foreign personal holding company provisions was not presented to the court. This decision cannot be considered to be a definitive upholding of the statute even by the circuit court. The Eder case was not taken to the Supreme Court probably because on remand the Tax Court valued the blocked pesos at about one-half of the amount determined by the Commissioner.

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[1] Hereinafter referred to as "hearings."

[2] *Pollock* v. *Farmer's Loan & Trust Co.* (1895) 158 U.S. 601.

[3] The Civil War Revenue Acts taxed the shareholder on corporate profits whether distributed or not. *Collector* v. *Hubbard* (1870), 79 U.S. 1, sustained this legislation without passing upon its constitutionality. In *Eisner* v. *Macomber*, *supra*, the Supreme Court stated (pp. 218–219) that the Hubbard case had been overruled.

[4] The Revenue Acts of 1913, 1916, 1917, and 1918 , levied a tax on shareholders measured by their pro rata share of undistributed corporate profits in the case of "personal service corporations" and when corporate income had been accumulated in order to avoid taxes.

In 1921, Congress, doubting the constitutionality of this procedure, levied the tax on the corporation (see Ways and Means Committee Rept. No. 350, 67th Cong., 1st sess., p. 13; Senate Finance Rept. No. 275, 67th Cong., 1st sess., pp. 16–17).

All of the cases involving the foreign personal holding company sections discuss the purpose of the legislation, that is, the closing of a loophole that allowed the widespread evasion of income taxes by the device of the "incorporated pocketbook." The section did not purport to and was not intended to cover bona fide operating companies engaged in the sale of goods.

The presence of the tax evasion factor in the enactment of the foreign personal holding company provisions is clear from the legislative history. It is also clear that this tax evasion factor was the major argument of the Treasury Department against the contention of constitutional invalidity: For example, Arthur H. Kent, then General Counsel of the Treasury, testified before the Joint Committee on Tax Evasion and Avoidance as follows:

"Mr. Reed. Have you considered the constitutional question involved?

"Mr. Kent. We have given a good deal of thought to that, Mr. Reed, and we believe that if the courts appreciate, as they well do if the facts are properly presented to them, that this does not represent any attempt to avoid in any general way the principles laid down in past decisions, but is simply a bona fide effort by the Congress of the United States to prevent its citizens, residents of this country, from resorting to foreign laws to beat our taxes, that it will be sustained.

"Mr. Reed. In view of previous decisions of the courts in relation to the tax on incomes and the tax on capital?

"Mr. Kent. If those decisions were applied according to their letter, the plan might fail. But the courts have always shown a quite different attitude where you are dealing with a tax evasion situation and this situation can hardly be described in any other way." (Testimony of Arthur H. Kent, General Counsel of the Treasury before Joint Committee on Tax Evasion and Avoidance, 75th Cong., hearings Aug. 9 and 10, 1937, p. 76.)

Although the protection of the revenues against tax evasion has not been determined by the Supreme Court to be an adequate justification for the taxing of corporate income to the shareholders, the present proposal does not purport to rely for important provisions on the presence of widespread or flagrant tax evasion. The committee report on H.R. 10650 states that certain types of income, namely, foreign corporate income from the insurance of American risks and income from patents, copyrights, etc., developed in the United States have tax avoidance aspects but the committee report equally indicates that income of foreign corporations from other sources does not fall within that category. However, it determines that such income should be taxed to American shareholders unless used in certain ways, one of which is "in accord with the policy enunciated by the President," i.e., invested in business in less developed countries. Even if we assume that widespread tax evasion would justify the action proposed, this premise is not available in relation to shareholders of bona fide operating corporations whose income is from activities falling outside those classified in the tax evasion category by the Ways and Means Committee.

The doctrine that the corporate entity is an entity distinct and apart from that of its shareholders is one of long standing in Anglo-American law and in our revenue system.[5] The Supreme Court in *Eisner* v. *Macomber* placed this doctrine on a constitutional footing when it stated that the income of a corporation was not income to a shareholder within the meaning of that term in the 16th amendment. The Court stated (p. 219):

"The amendment (16th amendment) applies to income only, and what is called the stockholder's share in the accumulated profits of the company is capital, not income. As we have pointed out, a stockholder has no individual share in accumulated profits, nor in any particular part of the assets of the corporation, prior to dividend declared."[6]

The Supreme Court has indicated that this constitutional prohibition does not exist when the corporate entity is not a real entity, when the corporate entity is in effect a mere form without substance. Thus, in *Moline Properties* v. *Comm'r.* (1943) 319 U.S. 436, the Supreme Court stated (pp. 438–439):

"The doctrine of corporate entity fills a useful purpose in business life. Whether the purpose be to gain an advantage under the law of the State of incorporation or to avoid or to comply with the demands of creditors or to serve the creator's personal or undisclosed convenience, so long as that purpose is the equivalent of business activity or is followed by the carrying on of business by the corporation, the corporation remains a separate taxable entity.

"In general, in matters relating to the revenue, the corporate form may be disregarded where it is a sham or unreal. In such situations the form is a bald and mischievous fiction."[7]

In 1939, a distinguished committee established by the National Tax Association to study the taxation of domestic corporations concluded that application of the partnership method of taxation to a corporation whereby the shareholders would be required to include in their income the undistributed corporate profits would probably require an amendment to the Constitution (1939 proceedings of the National Tax Association, pp. 534, 548).[8]

The Treasury memorandum takes the position that when the U.S. shareholders of a foreign corporation have such power over the corporate income that they can either distribute it to themselves in the form of dividends or use it for their benefit, the corporate entity may be disregarded for tax purposes without regard to whether that entity is bona fide or is "sham and unreal." The Treasury believes that this is a theory of constructive receipt and that *Eisner* v. *Macomber* would be no bar to its utilization.

I would submit that this position is by no means clearly correct and that there is a serious constitutional question under the 16th amendment in a situation where the shareholders in a bona fide operating corporation have the actual power over the income unless and until the Supreme Court overturns *Eisner* v. *Macomber*.

If, however, we assume that in such a situation *Eisner* v. *Macomber* does not constitute a bar, we still must find, as the Treasury memorandum recognizes, an actual command of income in order to avoid the constitutional doctrine of due process of law to the effect that A cannot be taxed on the income of B.[9]

B. Ten-percent shareholder; 51-percent majority:

The Treasury relied in its presentation on the proposition that the income of a "controlled corporation" could be considered for Federal income tax purposes as constructively received by its shareholders. The provisions of section 13 of H.R. 10650 implement this contention. It proposes to tax any United States shareholder who holds 10 percent or more of the voting stock or of the total value of the shares of a foreign corporation over 50 percent of whose voting stock is owned by United States persons. (In regard to "foreign base company income" as defined in section 952(d), the requirement is that five or fewer U.S. persons own more than 50 percent of the voting power.)[10]

The Treasury memorandum, written in support of the original proposal that a 10-percent share interest would be sufficient "control" to support a legislative determination that income was constructively received by the shareholder, relied on a group of cases under the Securities and Exchange Act and the Public Utility Holding Company Act. These authorities are not pertinent to the present situation. We are dealing in the area of taxation with a constitutional definition of income enunciated by the Supreme Court and with the apparently established right of the taxpayer under the due process clause of the Constitution to be free from compulsory taxation on that which is not and cannot be obtained or enjoyed by him. Whether the shareholder has sufficient "control" to be an "insider" for the purposes of the Securities and Exchange Act or has sufficient "control" to be considered as falling within the reach of the Public Utility Holding Company Act[11] is not relevant in the instant situation where established specific constitutional questions must be resolved.

In the cases decided since *Collector* v. *Hubbard*, *supra*, which have determined that the corporate entity should be disregarded and corporate income attributed for tax purposes to the shareholders, there was no doubt that actual command of the corporate income existed in the shareholders.[12]

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[5] See, e.g., *Klein* v. *Board of Supervisors* (1930) 282 U.S. 19, 24; *Burnet* v. *Commonwealth Imp. Co.* (1932) 287 U.S. 415; *New Colonial Ice Co.* v. *Helvering* (1934) 292 U.S. 435, 442; *Nat'l Carbide Corp.* v. *Comm'r*, (1949) 336 U.S. 422.

[6] See also, e.g., *Lynch* v. *Hornby* (1918) 247 U.S. 339, 344.

[7] See generally, Cleary, "The Corporate Entity in Tax Cases," 1 Tax L. Rev. (1945) 3; Case, "Disregard of the Corporate Entity and Federal Taxation, The Modern Approach," 30 Va. L. Rev. (1944) 398.

[8] See also, Ballantine, "Corporate Personality in Income Taxation," 34 Harv.L.Rev. (1920) 573, 586; cf., *Long Poultry Farms* v. *Commissioner of Internal Rev.* (4 Cir. 1957) 249 F. 2d 726, 731.

[9] See *Hoeper* v. *Tax Commission* (1931) 284 U.S. 206; *Heiner* v. *Donnan* (1932) 285 U.S. 312, 326–327.

[10] The original Treasury proposal attributed the income of foreign corporations to American shareholders with respect to corporations in existence prior to the passage of the bill only if there were 10 or fewer shareholders who owned more than 50 percent of the corporate shares. With respect to corporations established after the bill, any American shareholder who owned 10 percent of the shares, whether or not the majority of the shares were held by American shareholders, was taxable on his pro rata share of the undistributed profits. The second Treasury draft eliminated the distinction between corporations in existence on the date of the bill's enactment and those to be set up thereafter and attributed the income of foreign corporations to American shareholders only when five or fewer American shareholders owned 50 percent or more of the total corporate shares.

[11] The presumption in that act is prima facie only. See *Electric Bond & Share Co.* v. *S.E.C.* (2 Cir. 1937) 92 F. 2d 580, 590, affirmed (1938) 303 U.S. 419.

This actual command of the income is the essence of the Treasury's own regulation on constructive receipt of income (Reg. 1–452.2(a)). However, the provisions of section 13 of H.R. 10650 would allow the taxation of income to shareholders who had no command of the income and no possibility of acquiring actual control of it. Under the provisions of section 13, a shareholder who owned 10 percent of the voting power [13] of a foreign corporation and who had no relationship with the other shareholders, no representation on its board of directors and no actual power to determine its policies would be considered to have constructively received income of the corporation which as a matter of actual fact he might never receive or have command over. Further, this attribution might occur even though the corporation could not have distributed the income to its shareholders by reason of the law of the country of its organization. The fact that the shareholder happened to be an American and that 51 percent of the total corporate shares were held by Americans is hardly a sufficient basis upon which to conclude that he had actual control over the corporate income. It cannot be logically reasoned that the remaining American shareholders were subject to his domination and control as if they were members of his family for it is manifest that shareholders who possess only a common nationality do not have the same common economic interests as do members of a natural family group.

With respect to the 10-percent American shareholder, there is in my view no difference between a situation where 41 percent of a 51-percent American majority is in the hands of unrelated Americans and one where all the shares other than his 10 percent are in the hands of foreign shareholders. The requirement of a 51-percent majority by American shareholders appears to have been inserted in the bill in order to arrive at a more satisfactory definition of an actual control situation. Upon close analysis it will be seen that this provision adds nothing.

The attribution of the income of a bona fide operating corporation as provided in section 13 of H.R. 10650 would appear to attribute the income of A to B in violation of constitutional principles discussed hereinabove.

Should the present bill be changed and limited to foreign corporations with a small group of American shareholders, there is further question in my opinion as to the constitutionality under the fifth amendment to the U.S. Constitution of the application of this special treatment to the shareholders of one class of bona fide corporations. Congress admittedly has a broad discretion when it engages in classification under the taxation power. We are dealing here, however, in the main with bona fide foreign corporations that are being singled out for special treatment solely because they cannot be jurisdictionally taxed by the United States. These words of the Supreme Court with reference to the power of classification are appropriate:

> "There are, however, limits to the power of Congress to create a fictitious status under the guise of a supposed necessity." (*Helvering* v. *City Bank Co.* (1935), 296 U.S. 85, 92.)

This memorandum indicates at least in my opinion that there are serious doubts as to the validity under the Constitution of the basic provisions of section 13 of H.R. 10650. The testimony before the House Ways and Means Committee and, I assume, before this committee indicates considerable difference of opinion as to the efficacy of this legislation to meet the problem, if one exists. In other sections of the bill, H.R. 10650 has taken steps to tighten up the tax treatment given to income from foreign sources and to preclude the use of devices to attribute improperly income to foreign sources. The bill also provides for the Treasury request for more extensive reporting requirements with respect to certain foreign corporations. These new weapons in the hands of the Treasury may enable it to meet adequately the problem to which its request is directed without plunging into the doubtful and exceedingly controversial area of the attribution to shareholders of the income of bona fide operating corporations organized under the laws of foreign countries.

Mr. CURTIS. Mr. President, I also wish to have printed at this point in the Record a memorandum on the complications which would develop if section 12 is enacted.

There being no objection, the memorandum was ordered to be printed in the Record, as follows:

Technical Memorandum on Section 12

Section 12 of this bill is a very complicated provision. I do not pretend to understand all of the intricacies of this provision, nor, for that matter, do I believe that anyone else fully understands them either. I believe that a provision this complicated and difficult to understand, if enacted, will result in confusion, uncertainty, and numerous court suits for many, many years to come.

The complexity of this provision arises from the fact that highly selective types of income are chosen for taxation and then a series of escape valves is superimposed upon this structure. The result is an exceedingly complicated statute. The result is also a statute which is highly discriminatory between different types of businesses, depending in part upon the nature of the business and in part upon its size.

Many companies, as a result of the escape valves or because their income does not come within the specified definition, will find that this provision has no effect on them. This is especially likely to be true in the case of the larger well-established businesses, whose investments have stabilized and who, therefore, can meet the conditions of the escape valve which provides for certain specified percentage distributions. On the other hand, many of our smaller enterprises with investments abroad, if this provision is enacted, will be hit with its full force, with the domestic shareholders being taxed in full on the foreign earnings.

The bill selects five different specific categories of income which, under certain conditions, are to be taxed to the U.S. shareholders, even though not distributed to them. The first of these is income derived from insurance or reinsurance of U.S. risks. This probably can be more readily justified as the type of income properly taxable to U.S. shareholders than is true of many of the other categories. However, here too, problems arise since it is necessary to break down the insurance income between that originating from U.S. risks and otherwise. Then in effect it is necessary to determine taxable income arising from this insurance business in the manner provided by our special tax statutes dealing with life insurance and casualty insurance companies.

Second, what is called foreign personal holding company income is selected for taxation to the shareholders. This is to be true, however, only if over 30 percent of the company's income arises from this and certain other sources specified in the bill. Moreover, if more than 70 percent of the income arises from these sources, then all of the income is to be taxed to the shareholders even though the remaining income may arise from manufacturing operations.

However, this foreign personal holding company income does not include dividend and interest income derived from related parties—a term which must be defined—if the corporation in which the income arises is a less developed country corporation—another term which it takes several pages to define—but only if the income is reinvested in one of these less developed country corporations. However, an intricate provision is designed to deny the exclusion of this income from that taxed to the shareholders, if in a subsequent year there is a decrease in investments in a less developed country corporation.

The third type of income selected for special taxation is "foreign base company sales income." This is a truly complicated provision. The definition of the foreign base company sales income provides that this provision is to apply only where the property involved is either purchased from a related person or sold to a related person and only if the property purchased is manufactured, produced, grown, or extracted outside of the country where the controlled foreign corporation is organized and is sold for use, consumption, or disposition outside of that country. Here problems arise not only in applying the related party concept but also in determining the ultimate destination of the goods involved. Actually if the statutory provision were to be literally applied, it would itself seem almost impossible to administer and also almost impossible for the taxpayer to comply with.

After all, who can fully determine the ultimate disposition of goods? Here, too, there are difficult problems in determining when the income is attributable to the sale of purchased property or when it is attributable to manufacturing or processing, since the latter is not included under this provision. To complicate the provision still further, branch operations under some conditions are to be brought under this provision and treated as if they were something they are not; namely, a separate subsidiary corporation. This will apply when the Secretary determines the branch is treated for tax purposes by the country of incorporation, or the country where it is doing business, as if it were a separate corporation.

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[12] See e.g., *Hay* v. *Commissioner of Internal Revenue* (4 Cir. 1944) 145 F. 2d 1001, certiorari denied (1945) 324 U.S. 863 (sole stockholder); *Commissioner of Internal Revenue* v. *Smith* (2 Cir. 1943) 136 F. 2d 556 (sole stockholder); *Paul Plunkett & Co.* (1940) 42 B.T.A. 464 (sole stockholder); *G. M. Jackson* (1939) 39 B.T.A. 937; *Kaspare Cohn Co. Ltd.* (1937) 35 B.T.A. 646 (sole stockholder); cf. *Advance Machinery Exch.* v. *Commissioner of Int. Rev.* (2 Cir. 1952) 196 F. 2d 1006 (corporation had actual control over the income of two other corporations and a partnership); *Shaw Construction Company* (1961) 35 T.C. 1102 (corporation had actual control over the income of other multiple corporate entities); *Munson S.S. Line* v. *Commissioner of Int. Rev.* (2 Cir. 1935) 77 F. 2d 849 (sole stockholder); *Southern Pacific Co.* v. *Lowe* (1918) 247 U.S. 330 (sole stockholder); *Gulf Oil Corp.* v. *Lewellyn* (1918) 248 U.S. 71 (sole stockholder except for qualifying shares); *Asiatic Petroleum Co.* v. *Commissioner of Int. Rev.* (2 Cir. 1935) 79 F. 2d 234, certiorari denied (1935) 296 U.S. 645 (corporation had actual control over income realized by sister subsidiary); Rev. Rule 54–596, C.B. 1954–2, 51.

[13] A shareholder who had no voting power but owned shares valued at 10 percent of the total share value would have income attributed to him under sec. 13.

The fourth category of income selected for special taxation to the shareholders is foreign base company services income. This is income from the performance of technical, managerial, engineering, architectural, scientific, skilled, industrial, commercial or similar services, again where they are performed for a related party and outside of the country in which the controlled foreign corporation is organized. This presents many of the same types of problems that will arise in connection with the determination of foreign base company sales income. In addition, there is the problem of determining when the income arises from the specified types of services and when it is attributable to other sources which are not selected out for this discriminatory treatment.

A fifth type of earnings which are to be taxed to the shareholders, even though not distributed, are earnings from any source which are reinvested back here in the United States. This, of course, is most peculiar, since if one were to look for investments which helped our balance-of-payments problem most it would seem as if this type of investment—which the bill selects out for punitive taxation—actually was the most beneficial in this respect. The bill first of all specifies a series of sweeping categories of reinvestments back here in the United States which will give rise to taxation to the shareholders and then as is frequently the case in these foreign income provisions, provides a series of exceptions to these rules. Thus, no tax will be imposed, for example, if the investment is in Government bonds or in a bank account but tax will be imposed if the investment is in corporate bonds or securities. Special, intricate provisions are necessary to keep the income from being taxed to the U.S. shareholder more than once; first as foreign base company sales or service income and then again as income from investments in the United States.

Superimposed on this structure are a series of relief provisions which, of course, may or may not help any given company, depending upon a variety of circumstances unique in each case. One of these I have already referred to; namely, the provision which makes section 12 generally inapplicable if a certain proportion of the income is distributed, a percentage which varies with the effective foreign tax rate. This distribution schedule appears on page 225 of your bill.

I pause here to call attention only to the fact that the so-called effective tax rate will not be easy to compute since this does not mean merely the tax rate of the foreign country but is the actual tax paid to the foreign country divided by the foreign income determined in general on the basis of the U.S. rules for taxation—modified to whatever extent the Treasury deems appropriate. In addition, this rule may be applied to each controlled foreign corporation separately, or to all of them in combination, or to each group of corporations in an ownership chain, or to the combination of those in developed countries. Just computing the distribution percentages under all of the different combinations will be no small task.

Another major relief provision which will help some companies, but not others, is the so-called export trade corporation provision. Under this provision if you are dealing in goods produced or manufactured in this country and exported, the income derived from this under certain conditions will not be subjected to section 12. The conditions, however, in practice will be quite limiting in their application. For example, the relief under this provision is available only to the extent that the income involved does not exceed 1½ times export promotion expenses or 10 percent of gross receipts, whichever gives the taxpayer the less liberal treatment. Also, this provision only aids those who are able to reinvest their export trade income abroad in the export trade business. Investments cannot be made, for example, in manufacturing operations even though generally under this provision manufacturing profits are not though to be bad and are not generally denied tax deferral under section 12.

My discussion of the complexities of section 12 constitutes merely the broadest sketch of this intricate provision. The tax lawyers and cost accountants will have a field day as the problems in this provision gradually unfold over the next 2 or 3 years if this provision is enacted. I suppose if this provision does nothing else, it will assure full employment for these professions for years to come. Unfortunately, however, it will also hamstring our American operations abroad and in the long run seriously damage our balance-of-payments since it is the return from these investments, and from American exports abroad, which must offset the imbalance brought about primarily by our foreign aid and foreign military expenditures.

Mr. CURTIS. Mr. President, I am not in favor of permitting foreign corporations being organized to avoid the Federal tax on income attributable to activities in this country. If they are sham corporations or corporations organized to avoid the American tax, this can be prevented without violating the Constitution. Section 482 of the existing law gives the Treasury authority to allocate income and deductions among related taxpayers where he determines that such allocation is necessary in order to prevent evasion of taxes. The Internal Revenue Service today is checking very carefully on the transfer pricing of exports, particularly where foreign subsidiaries are involved. In addition, if we should find that a corporation is being organized abroad for the purpose of unreasonably accumulating its income to avoid the Federal income tax, we can apply the same rule that we now apply in the case of a domestic corporation which is unreasonably accumulating its surplus to avoid the payment of its income tax. This can adequately be done under the bill and I hope an amendment will be offered to accomplish that purpose.

TIGHT-MONEY POLICY PREVENTED FED HELP THIS YEAR

Mr. PROXMIRE. Mr. President, this morning's New York Times reports the statement of a Director of the Federal Reserve Board, George W. Mitchell. Mr. Mitchell, who, incidentally, was the most recent appointee, and I understand the only Kennedy appointee, to the Federal Reserve Board, says:

> The balance-of-payments problem has prevented the Federal Reserve System from pursuing an easier money policy that might have helped the Nation's economy grow faster this year.

This is a very significant statement, because it contradicts a statement made before the Joint Economic Committee by the Secretary of the Treasury and the Chairman of the Board of Governors of the Federal Reserve Board. I very strongly agree with Mr. Mitchell. I think he is a refreshing breath on the Federal Reserve Board. However, I do feel very strongly, also, that it is a great mistake for us to tailor our monetary policy to the notion that we have an unfavorable balance of payments, when the authorities who have studied this agree overwhelmingly that the interest differential plays a very minor—in fact, an insignificant—part in determining the flow of capital funds.

This opinion has been given by outstanding authorities on the question, including the Federal Reserve's Economist Robert Comar, Assistant Treasury Secretary Robert Roosa, and Dr. Philip Bell, of Haverford University, who included well-thought-out and well-documented evidence before the committee.

Again and again we have asked our top money managers to provide documentation for the position that the size of our gold outflow is significantly determined by interest-rate differentials among countries. Even though this position is used as an alibi for the presently high interest rates in this country, no definite proof has yet been provided. Even the studies made by the Federal Treasury and the Federal Reserve Board have supported the position we take that higher interest rates as a method of preventing capital outflow or to lure money into this country is not an effective method of accomplishing either purpose.

I ask unanimous consent that the article from the New York Times of today, under the headline, "Payments Deficit Seen Credit Bar" be printed in the RECORD at this point.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

PAYMENTS DEFICIT SEEN CREDIT BAR—MAY HAVE PUT UNWARRANTED CHECKS ON ECONOMY, SAYS DIRECTOR OF RESERVE

WASHINGTON, August 24.—The balance-of-payments problem has prevented the Federal Reserve System from pursuing an easier money policy that might have helped the Nation's economy grow faster this year, according to George W. Mitchell of the Federal Reserve Board.

Mr. Mitchell, formerly director of research for the Federal Reserve Bank of Chicago, is the only appointee of President Kennedy on the seven-man board. He stated his views in a speech yesterday at Madison, Wis.

Mr. Mitchell did not say that the system should have been maintaining looser reins on credit, or even that such a program would have prevented this year's slowdown in the economic uptrend.

POSSIBLE RESTRICTIVE EFFECTS

He did say, however, contrary to recent statements by other authorities in this field, that the international payments problem may have had unwanted restrictive effects on the domestic economy.

The problem is this: to cope with the balance-of-payments deficit—more money flowing out than in—the Federal Reserve and the Treasury have sought to keep short-term interest rates high enough to discourage an outflow of funds seeking better returns abroad. To cope with the domestic problem, the money-policy managers want to avoid interests rates that would discourage borrowing and expansion at home.

CHAIRMAN TESTIFIES

William McChesney Martin, Jr., Chairman of the Federal Reserve Board, testified to the

Joint Economic Committee of Congress last week that this problem "has not yet constituted as clear cut a dilemma as some observers suggest." Up to now, he said, the Federal Reserve has not had to choose between the domestic and international problems in deciding what policy to adopt.

Douglas Dillon, the Secretary of the Treasury, testified the following day that "there is no lack of credit availability from domestic expansion."

A basic Martin-Dillon point was that while short-term interest rates had indeed been pushed upward recently for the specific purpose of discouraging outflow, long-term rates had remained relatively steady and some, notably mortgage rates, had actually been declining.

Walter W. Heller, Chairman of President Kennedy's Council of Economic Advisers, had testified to the same committee a week earlier that the late-spring uptrend in rates on long-term Government securities was "a very serious source of concern to us."

He underscored his concern by saying that "interest rates must not be tightened one basis point (one one-hundredth of 1 percent) more, and credit must not be tightened $1 more, than required by the balance of payments."

SITUATION DELICATE

The Dillon, Martin, and Heller statements, and now the Mitchell speech, do not mean that there is conflict among the policymakers. Rather, they reflect the delicacy of making policy in the present situation.

According to the Martin and Dillon testimony, the present outlook is for interest rates to continue more or less as they are, barring a strong upsurge in demand for loans.

Mr. Mitchell's actual words were: "The slower expansion thus far in 1962 suggests that a more aggressive money policy involving greater availability might have led to a fuller utilization of resources." The Reserve System, however, has had to balance that possibility against the risk that lower interest rates might have worsened the balance-of-payments problem, he said.

He said that the System's actions to support short-term rates may have kept long-term rates from declining more, mainly because the higher short-term rates made short-term investment "too attractive in this period of uncertainty."

REVENUE ACT OF 1962

The Senate resumed the consideration of the bill (H.R. 10650) to amend the Internal Revenue Code of 1954 to provide a credit for investment in certain depreciable property, to eliminate certain defects and inequities, and for other purposes.

WHY INVESTMENT CREDIT SHOULD BE KNOCKED OUT OF TAX BILL

Mr. PROXMIRE. Mr. President, what is the pending business?

The PRESIDING OFFICER. The business pending before the Senate is H.R. 10650, the tax bill.

Mr. PROXMIRE. I asked that question because I intend to make a somewhat protracted speech on the tax bill. I wish to emphasize that, while this will be a long speech, I deliberately chose a late hour on Saturday afternoon because I wanted it understood that I have no intention of delaying consideration or a vote on the tax bill. Also, my remarks, while they will take some time, will be as relevant and as pertinent as I can make them. I not only will make them relevant to the tax bill, but to one section. There are other sections on which I feel strongly, but I am going to discuss only one, that on investment credit.

The investment-credit provision was proposed by the administration, I am sure with great sincerity, for the purpose of encouraging an increase in investment in plant and equipment. However, in the process of consideration for 10 months last year by the Ways and Means Committee of the House, and for many months this year by the Finance Committee of the Senate, that original proposal has been changed enormously.

It is my belief that investment credit, which I very strongly oppose, will result in a tax loss for this Government of more than $1 billion. That $1 billion loss of revenue will be at a time when we have a large deficit. We had a big deficit last year. We are going to have a deficit this year, and everybody knows it, regardless of business conditions, and even without a tax cut which the President has said will be recommended next year. A tax cut will increase that deficit further.

In addition to the deficit anticipated for this last year, we have an additional $1½ billion tax cut which the Treasury has already given to business by adjustment in depreciation schedules.

This is not only a tax reduction and, in my judgment, and in the judgment of most of the witnesses who appeared before the Finance Committee and testified on this subject—and I have very carefully gone through all the testimony on investment credit—it is a subsidy, and is defined and described as a subsidy, but the amazing thing is that it is an unwanted subsidy. Business does not want it. Spokesmen for business, from outstanding business firms or business associations, chambers of commerce, oppose it emphatically and clearly, and the National Association of Manufacturers opposes it, and did so with great emphasis and detail in those hearings.

I am going to quote a number of business leaders who oppose it for definite reasons, and not merely because the Kennedy administration offered it. On the contrary, they oppose it because they think it is unfair, will not work, is a subsidy, and will increase our deficit.

I say it will not work, not merely on the basis of simple opposition to it, but on the basis of a very careful business survey. McGraw-Hill, which is recognized as one of the most competent and careful business surveying organizations in the country, made a survey of business recently, very widespread and extensive, and found that the $1,300 million reduction in revenues would result next year in a $300 million increase in plant and equipment, if the hundreds of people who were interviewed reflect business opinion. On the basis of the McGraw-Hill surveys, which have been extraordinarily accurate in the past, there is every reason to believe that this is a pretty close and accurate estimate.

Think of it, a tax loss to our Treasury of $1,300 million. But how much of a stimulus to the economy? Over $300 million. It is pathetically inadequate. There are reasons for that, which I shall point out.

The National Industrial Conference has made a study of the impact of investment credit, and it arrived at almost the same figure. It found the increase in plant and equipment would be about 1 percent—in fact, a little less than 1 percent. Since the investment in plant and equipment is expected to be about $38 billion, that increase would also be about $300 million.

The Wall Street Journal made a survey of some 68 firms, and it found that of these leading firms—firms that would certainly have to be an important factor if we are going to have a substantial increase in plant and equipment—only 1 out of the 68 leading firms in our country said it would increase or modify or change its investment policy because of the investment tax credit—one firm.

Mr. President, the argument which is used in great detail and with very great emphasis by the Secretary of the Treasury and by others who favor this measure is that it is necessary because it would improve our balance of trade and would put us in a stronger position to compete with other countries. The argument is made that other countries have similar credits or have more rapidly accelerated depreciation and that business firms operating in other countries have an advantage over American business firms.

Mr. President, this is not true on any basis at all. It cannot be shown, as I shall show, that the firms of other countries have a competitive advantage because of depreciation policy. It cannot be shown, as a matter of fact—and this is the telling point, in my judgment—that we suffer at the present time or are likely to suffer in the near future an adverse balance of trade.

It is true that we have an adverse balance of payments, but we have a favorable balance of trade. When I say "favorable," I mean emphatically favorable. We have a favorable balance of trade now which is running about $5 billion a year. We sell $5 billion a year more abroad than we buy from abroad. That means that other countries have an adverse balance of trade. The foreign nations might be anxious to modify their labor policies, their tax policies, or other policies, to see if they can correct their adverse balances of trade, but we have a very favorable balance of trade.

Some people say we have that favorable balance of trade because of our foreign aid program, which ties in a lot of offshore procurement; that is, other countries have to buy, with the proceeds of foreign aid, goods from this country. It is true that this is a factor. It is also true that we export a great deal of food which is paid for on a soft currency basis, which we never really receive.

Nevertheless, leaving that out of account, our commercial surplus, or our commercial favorable balance of trade, is $2.6 billion a year.

This means that Americans are selling commercially more abroad than Americans are buying from abroad; leaving out all foreign aid, leaving out all military purchases, and leaving out all the influence of the Government in the economic picture. Concentrating only on the commercial area, we have a favorable balance of trade with other countries of $2.6 billion a year, which is a very substantial proportion of the total amount of exports and the total amount of imports. It is heavy indeed.

It is unlikely that we can maintain that favorable balance of trade. Once again I insist that other countries cannot, for long, continue to have an unfavorable balance of trade.

Therefore, I argue that the contention on the part of the Secretary of the Treasury—and this is the point at which he puts overwhelming weight in his argument—that we must provide a tax "gimmick" of this kind, a tax subsidy of this kind to business, which business does not want, to increase the competitive efficiency of its operations compared to other nations simply does not hold up.

On the basis of the clear comparison of our capacity to sell abroad in competition with the capacity of foreign firms to sell in this country, we are competing extraordinarily well right now.

Mr. President, as this incentive provision was originally designed, it made a certain amount of sense.

As it was originally designed, this proposal would have provided a 15-percent credit, but only for additional investment. It would have provided for a 6-percent credit for 50 percent of regular investment. That would have provided a real incentive for firms to increase their investment and to invest more. Of course, that kind of incentive would have been far less expensive.

I give Senators a quick example. If a firm ordinarily invested $1 million a year in plant and equipment—I am speaking of a large firm—under the provision, as it has emerged from the Committee on Finance, if the firm did not increase its investment at all it would still receive a credit of $70,000.

If the firm should reduce its investment from $1 million a year to $900,000, it still would receive a big credit. Then it would receive a credit of $63,000. If the firm should increase its investment from $1 to $1.1 million, over the base period—in other words, by $100,000—it would receive a credit of an extra $7,000.

It is no wonder that businessmen, when queried by the National Industrial Conference board and by McGraw-Hill, have said they would not change their investment policies. Of course they would not. They would get the credit whether they increased their investments or not. There would be no real incentive to change. There would be no substantial reason for businessmen to increase their investments.

Mr. President, as I intend to point out in some detail, because I think this must be documented, one of the weakest and worst aspects of the bill is that it would apply to every single utility in the country. When we speak of utilities, it is well known that the utilities have all the funds they need, that they can get all the funds they need, to buy all the equipment they need. Their income, of course, is regulated, almost by definition.

Any time a utility feels it is desirable to build additional plant or to buy additional equipment, such as an additional generator, it is the easiest thing in the world, in this country—everywhere, and I am speaking of every utility—to get the money, either by use of the depreciation reserve route, or by use of earnings, or by selling obligations to the public. The testimony is clear that utilities have no difficulty at all in getting additional funds, and that their customers would be required to pay for the cost of that additional equipment by every public service regulatory agency in the country. There is no question about it.

As a matter of fact, I think, with all the obloquy which was heaped on the A.T. & T. in the past couple of weeks, it should be pointed out that the A.T. & T. has shown real business statesmanship in this regard. A.T. & T. is a company which invests an enormous amount of money and buys a tremendous amount of plant and equipment. The representatives of A.T. & T. appeared before the Finance Committee and said, in effect, "We do not want this credit." They pointed out that even with a 3-percent investment credit they would get $75 million a year. That $75 million a year would be net. That is what they would receive after taxes, if this provision is passed. They said, in effect, "This is so inequitable, so useless. It is not going to persuade us to buy another nickel's worth of equipment. It is a stupid provision. From the standpoint of good public policy, good economic policy, and good tax policy we oppose it."

Not only would the investment credit permit A.T. & T. to get $75 million a year—which, incidentally, would be 7½ percent of all the credit allowed to all the corporations, all the businesses, and all the individuals in the entire country, which would be a lot of it, and which is not wanted—but, in addition, it would provide that any number of firms, businesses, and individuals who have nothing whatsoever to do with the growth of the foreign trade aspects of our country would receive juicy handouts.

For example, bar equipment would be included. If a firm should buy a new martini mixer, or if it should buy swizzlesticks or anything for a bar, it would get a 7-percent credit. Businesses would be encouraged to buy these things. They would get a subsidy for making this kind of investment, which is supposed to provide for the growth of our country.

As was pointed out in the hearings, glass tabletops at the "21 Club" would be included. The Secretary of the Treasury had to agree, in the testimony.

No matter what kind of equipment is bought, whether it be a lighting machine in a burlesque house, a slot machine, or equipment bought by A.T. & T. which they say would have no effect whatsoever on their purchases, they would still receive a 7-percent credit. There would still be a reduction in the revenues needed by our Government at a time when taxes are much too high and the deficit is high and growing.

Probably the strongest argument against the investment credit is the fact that it is not needed. What we need is increased demand.

The fact is that today throughout our country firms are not running close to capacity. The McGraw-Hill survey, which I shall cite in a few moments, shows that firms are now running at something like 85 percent of capacity. Very few firms are close to 90 percent of capacity.

Some industries, like the steel industry, are operating well below the 85 percent of capacity. So long as firms are operating below capacity, there is no reason why they should buy more equipment.

It is true that there may be some modernization, regardless of capacity operation. Why do firms modernize? Why do they buy new equipment? Tax laws may have some influence on that decision. But the overwhelming reason is that firms can economize on their costs, and can reduce their costs, principally labor costs.

As wages rise, and as a firm becomes labor conscious, it is very likely to buy automated machinery which will replace expensive manpower in order to reduce costs. I submit that the evidence is clear that this is an overwhelming reason why firms modernize and why they buy equipment if they are not expanding. If they wish to expand, of course, they may buy additional equipment so that they can produce more. But if they are not going to expand, the big reason for buying new equipment is to reduce costs.

Mr. President, to sum up, I oppose the investment credit provision because it would not work. It would be unfair to other taxpayers who could not take advantage of it, because it is hypercyclical. I have not stressed that point. What the investment credit would do runs counter to everything else that the President has asked for.

It would tend to expand investment in periods of prosperity, expansion and inflation, when profits are high, and firms have something to write it off against, and it would tend to discourage investment in periods of recession and unemployment when profits were going down and firms had very little to write off their increased investment against.

INVESTMENT CREDIT IS INEQUITABLE

The proposed investment credit would not meet the test of tax equity on any score. It would give business firms benefits which would be more than 100 percent of costs. It would permit a firm to write off equipment which it buys at a rate of more than 100 percent.

For a corporation in the 52-percent bracket, the investment credit is equivalent to a depreciation of 107 percent of the cost of the newly acquired asset. Other taxpayers, except those who receive percentage depletion allowance, are limited to deductions of 100 percent of cost.

Granting such an exceptional privilege raises a serious question of tax equity.

It is true that the only other example of this kind of tax privilege, this kind of loophole, and this kind of gross equity is the notorious loophole of the oil depletion allowance.

LOOPHOLE WILL SPREAD

Second, it is almost impossible to remove such a provision from the law once it is in.

That is the difficulty with the provision about which I have been speaking. It will be extremely difficult to get it out of the law should it get in.

It would not only be difficult to get the provision out of the law but also, I predict, that type of provision would spread. It would spread rapidly. Soon it would include buildings. After all, what sense does it make if we give a firm an incentive to buy new equipment, if it must put such equipment in an old, rickety plant that is falling apart?

Therefore I am concerned, as I am sure other Senators must be, about the potentially dangerous precedent set by the investment credit. It is not unlikely that other groups will request similar tax treatment. Retailers may request more than 100-percent deductions for the costs of carrying inventory. Construction firms may request more than 100-percent deductions for buildings they own. Teachers could request deductions for more than 100 percent of the costs of advanced courses. Individuals who borrow money to invest in homes may request more than 100-percent deductions of their interest costs incurred in the purchase of homes.

I mentioned the fact that the proposal is an unfortunate provision because of its hypercyclical aspect. Let me now show why I think it would be hypercyclical. It would aggravate the business cycle by encouraging investment during a period of inflation and discouraging it relatively in a recession, when businesses have less income against which to write off new investment.

Therefore, in periods of recession, these firms will not be able to carry back this credit to a prosperous period. As a matter of fact, the typical growing small firm is likely to go several years, especially a manufacturing firm, before it makes enough money to count. Most investors recognize that, and do not expect a firm to make much money in that period. At the same time, they have to be prepared to go several years before they can expect to make any money. So there will be no credit against which many of these firms can write it off.

If the proposed credit stimulates investment—which I doubt—the stimulus will be greater in those periods when investment is likely to be high in any case. Thus, investment will be stimulated exactly in those periods when there is little or no need for an investment stimulus. Contrariwise, the investment credit will have its least stimulative effect when investment prospects are dim. Hence, the credit will tend to accentuate present fluctuations in investment. If there is any single goal sought by administration economic policy, it is to increase growth by stabilizing the economy and ironing out fluctuations. This proposal will have exactly the opposite effect. It will be inflationary in boom times. It will increase unemployment in recession periods.

The investment credit is also undesirable from a cyclical standpoint because it serves to reduce Government revenues exactly at those times when Government revenues should be raised to curb private demands for goods and services, namely, in inflationary periods. If the Federal budget were otherwise in balance during a prosperous period, the effect of the investment credit would be to create budget deficits in the prosperous periods. Certainly this is fiscal irresponsibility in its purest form. Moreover, it is bad economics. Almost all economists, regardless of their political persuasion, feel that the Government should run surpluses during periods of high employment. The investment credit will serve to reduce those surpluses, or throw the budget into a deficit position, exactly in those periods when surpluses would be most appropriate.

One basic criticism of the investment credit is that the goals which are sought by this device are inappropriate. Specifically, the credit is designed to stimulate artificially the rate of physical investment in the United States. Why do we need an artificial stimulus to obtain more investment than the free market deems appropriate? A fundamental tenet of our economic system is that, wherever possible and to the greatest possible extent, we will permit free market forces to determine the amounts and types of goods to be produced. The investment credit attempts to interfere with the free market decisions of consumers and producers.

It is argued that the investment credit is needed to stimulate physical investment to compete with foreign countries. Such competition takes many forms. If standard of living is the area of competition, then we have managed well to date without the investment credit.

If "competition with foreign countries" refers to our balance-of-payments position, then it seems ridiculous to support the investment credit for all industries in the United States simply to aid the relatively few firms that actually compete overseas.

I shall go into detail on this point in a few minutes.

Moreover, there has been remarkably little evidence provided indicating that lack of investment is holding back U.S. firms in foreign competition. First, it is not clear that U.S. firms are suffering significantly in their competition with foreign industry.

As I pointed out, we have a highly favorable balance of trade.

Second, it is not clear that, if such suffering is occurring, it is due to lack of investment. It could just as easily be due to lack of initiative, weakness of new designs, excessive labor costs, insufficient mobility, or many other reasons which would not be affected by the investment credit. Surely, the burden of proof is on those who support the investment credit to indicate that the problems of foreign competition—which were so heavily stressed by Secretary Dillon—in fact exist and would be significantly reduced by adoption of the investment credit.

Mr. President, there has been some criticism of the investment credit for a year and a half, ever since it was introduced early in 1961. These questions have not been answered. The proponents of the investment credit simply come up to Congress and insist that it is going to work, and insist that it will make us more competitive, and insist that it will make business more efficient. However, they never prove their case. They assert it. They assert it, Mr. President. The big question is how something of this kind, which is opposed by all the business organizations, opposed by AFL-CIO, opposed by the Farmers Union, and opposed by the Farm Bureau Federation, gets into the bill. How can it pass the Ways and Means Committee?

Any time, certainly any time when it is possible to initiate a tax cut for certain groups and get the President behind it, and the executive branch, including the Secretary of the Treasury, no matter what it is for, no matter how unjust and unfair or unnecessary it may be, or how adverse it may be to our revenues, it is sure to get the support of some people who have an immediate and personal financial interest. There were a few people like that who testified for it. These people are very likely to let their representatives know how they feel about it.

Nobody really seems to care about the loss of a billion dollars, because we become so inured to enormous deficits and enormous spending so that it does not seem like very much. The result is no one fights against it very hard, at least no big group. We do not get the Farm Bureau to come in to do the kind of job that they were able to do on the farm bill in the House of Representatives. We do not get the AFL-CIO to do the kind of job that they would do on a specific piece of labor legislation. Neither will the chamber of commerce do what they would ordinarily do for one of its members when legislation more directly and more adversely to their interests is involved.

So that while people know it is wrong and say so, because they know it is bad social policy and it is bad economic policy and it has a harmful effect on the country, one still cannot get the hard, tough, concerned organized action from groups with political power against such a worthless giveaway.

What grounds do we have for doubting the efficacy of the investment credit?

First, the credit will be given to business firms even if they do not change their investment decisions by one iota.

Obviously, business firms are always engaged in making investments. On all of these investments, they will obtain the proposed credit. But the only justification for the credit is that new investment, over and above what would normally be made by a business firm, will be encouraged as a result of the credit. Nonetheless, business firms receive the cake—credit—and can eat it—without taking any new and additional actions to earn it.

Second, businessmen themselves are not responding favorably to the proposed credit.

It is rare in the area of tax policy to have advance laboratory tests of the potential effectiveness of policy proposals. Such laboratory tests, when available, should certainly be examined closely. In this case we have the example of the accelerated depreciation methods which were introduced in the 1954 Internal Revenue Code. One of the primary purposes of these accelerated methods was to encourage greater business investment in plant and equipment.

Yet, look what happened. Before the enactment of these new methods, the growth in capital stock per worker was roughly 3.5 percent per year. After the adoption of the accelerated depreciation methods, capital stock per worker grew by only 1.9 percent per year from 1954 to 1960. In other words, instead of acceleration of business investment as a result of the new depreciation methods, there was a very substantial dropoff, so that the rate of increase was only about one-half what it had been in the earlier period. The effect of this on output per worker was significant.

Let me digress here to say that, of course, I do not say that because we had more rapid depreciation and greater incentive for business to buy plant and equipment, that was the reason why there was a dropoff in business investment and plant and equipment.

But I say that the depreciation acceleration was swamped, as the investment credit is going to be swamped, by such dominant economic influences as demand, and the percentage of capacity that is being utilized, as the cost of production, including labor costs and the other costs; and these big economic influences are going to swamp investment credit, too.

The effect of these dominant economic influences on output per worker was significant. Output per worker in the period from 1947 to 1954 increased by 3.3 percent per year. After the accelerated depreciation methods were enacted, the rate through 1960 was only 2.1 percent per year.

So we tried this tax gimmickry before. It did not work. We found that our efficiency rate with respect to plant and equipment sharply declined.

How can we explain this lack of effectiveness of a tax stimulus to investment so analogous to the investment credit? It seems to me there are several available explanations in addition to the ones I have given. One, while the tax benefits were being given, there was still no corresponding increase in aggregate demand for the goods and services which additional investment could produce. Therefore, while there were cost savings through tax reductions, there was no particular stimulus to obtain more investment to produce more goods and services. The tax stimulus, as I am sure will be the case with the investment credit, was simply reflected in increased profits, rather than increased production.

Two, the period since 1954 has been generally one of excess capacity due to inadequacy of consumer demand. Given this excess capacity, there are relatively few marginal investment decisions which will be encouraged by an investment tax stimulus such as accelerated depreciation or the proposed credit.

CREDIT COULD BE INFLATIONARY

I wish to emphasize this, because it is an extremely important point. The investment tax credit may work when industrial operations are close to capacity. The incentive may work, but it does not work, and the experience between 1954 and 1961 shows that it does not work, when industry is operating well below capacity operations, as it is now. This ties in beautifully with the argument I made that this is a hypercyclical, supercyclical, likely to be inflationary incentive, because what happens in the good and prosperous years, when capacity is crowded and industry is operating close to capacity? Then there will be an incentive to invest, and then, believe me, that is exactly the time when there is every incentive for business to increase its prices. It has always been done before. Now it will be done a fortiori; it will be done with great emphasis, because there is an additional stimulus working in the economy, but only working fully at a time when we do not need it, only at a time when there is pressure on limited facilities.

Third, there is ample indication that prices of products are sometimes administered prices. When this is the case, prices are less subject to market forces. We know this is not simply an occasional situation. We know it is true in the steel industry, and throughout much industry. We know it is true to a considerable extent in the tobacco industry, the insurance industry, and, to a lesser extent, the automobile industry and in the oil industry.

Such prices tend to stay up under circumstances in which they could be reduced. Returns from increased investment for a business firm come only if the firm reduces its prices to sell the increased quantities that can be produced with the additional investment.

Rather than expanding plant and equipment to produce more goods and then lowering prices in order to sell the additional goods, some firms have been content to maintain prices and sell lesser quantities that require lesser amounts of plant and equipment.

A classic example is steel, which now has a break-even point of 40 percent of capacity, and makes a very good profit at 70 percent of capacity, and is in a position where this kind of incentive would be of almost no value, or almost minimal value. In fact, steel officials admitted this to McGraw-Hill interrogators.

Almost every economist who testified at the hearing agreed that this would have very little stimulating effect on steel. Yet it is interesting that the one industry which the Secretary of the Treasury said is really watering at the mouth for this privilege is the steel industry. The steel industry wants it, but it will not have any favorable economic effect upon the country through what the steel industry will do with it, because there is no argument, there is no question that steel will use it for anything except to increase its after-tax income to capacity.

The tax stimuli to investment, therefore, reflect themselves merely in higher after-tax profits at constant price levels, rather than in greater production at lower price levels.

A principal argument for the investment credit is that business firms need additional cash for additional requirements. The facts refute this justification. There is no evidence that the major firms, which do the great amount of investing in the United States, need additional cash flows to finance further investment.

On this point I shall really give it to the Senate in spades tonight, because I have it documented completely. There is no question about it. I shall do that in a few minutes.

We can take General Motors, for example. General Motors set aside depreciation reserves of $1,637 million during the years 1957 to 1960, while it invested only $1,589 million in plant and equipment combined. During those same years, it retained profits after payments of dividends in the amount of $1,017 million, out of which it added $965 million to its cash and security holdings—rather than in physical investment—so that the total of its financial holdings at the end of 1960 was $1,637 million—ironically, the same amount as its depreciation reserves.

In this instance, General Motors in a sense did not use any depreciation reserves for plant and equipment at all. General Motors kept that in Treasury bills and notes. I suppose they invested also, to some extent, in the obligations of other firms.

Surely General Motors has not been in need of an artificial tax advantage to support further physical investment.

The GM case is typical of many large firms and reflects the situation in industry generally. Table 1, drawn from the recent report of the President's Council of Economic Advisers, indicates that, in the period from 1959 to 1961, funds available from internal sources alone exceeded total plant and equipment outlays for industry generally. This is completely aside from the additional funds that would be available through new debt financing or new equity issues.

I may say that is completely aside from the $1,500 million tax cut for this purpose which the Treasury has already given business.

Mr. President, I ask unanimous consent to have printed at this point in the RECORD a table showing the relationship of plant and equipment outlays to internal funds.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

TABLE 1.—*Relationship of plant and equipment outlays to internal funds*

[Billions of dollars]

Period	Plant and equipment outlays (1)	Funds available from internal sources [1] (2)	Col. (2) as percent of col. (1) (3)
1950-54	$107.2	$97.1	90.6
1955-58	113.2	108.4	95.8
1959-61	88.9	93.0	104.6

[1] Retained profits and depletion allowances, and depreciation and amortization allowances.

Source: Table B-65, report of the Council of Economic Advisers, January 1962, p. 283.

Mr. PROXMIRE. Mr. President, it has been alleged that the low level of investment in recent years has been due to a squeeze on corporate profits. Two sets of facts indicate that this reasoning is fallacious. The first set of facts involves the history of the last few years. This history indicates quite clearly that corporate profits are quite sensitive to the rate at which capacity is being utilized. Corporate profits have been low only when capacity is not being fully utilized. Since the rate of utilization was higher in the early period of this decade, it follows that the ratio of profits to GNP would be higher in the earlier period. This, in turn, suggests that the lack of investment has been due to an inadequacy of final demand, rather than a lack of corporate profits. Lack of investment is a symptom, not a cause.

The second set of facts concerns the relationship between corporate profits and that part of the national income which originates in corporations. If the corporate share of economic activity falls, corporate profits decline as a percentage of GNP, even when corporate profits are a stable percentage of the income flow through corporations.

If a comparison is made simply between corporate profits and GNP, this percentage has gone down. However, if corporate profits plus capital consumption allowances are related to national income originating in corporations—which is the more relevant comparison—it is clear that the ratio in recent years has been higher than at the beginning of the decade—even though unemployment rose from 3.7 percent to 6.1 percent during the same period.

In the course of the hearings before the Joint Economic Committee, many witnesses appeared and gave testimony relating to the point about which I am now speaking.

LANGUM PROOF OF ADEQUATE CASH FLOW WITHOUT INVESTMENT CREDIT

Mr. President, one man who appeared was John K. Langum, president of Business Economics, Inc., of Chicago, Ill. He made a very careful analysis of cash flow and what happened as to the availability of funds to business firms in this country for investment in plant and equipment. He provided a real eye opener, because I think I can show that never before in history has business had so much money available to be put into plant and equipment as it has today; never before have we had a situation in which business has been so able to invest in that way. So the argument that a tax credit is needed, to permit business to invest in plant and equipment, is fallacious.

I quote now from the statement submitted to us by Mr. Langum:

> The historical record in terms of the overall data as reported greatly exaggerate the real decline in corporate profitability which has occurred. More than that, undue concern about the profits situation has in itself caused weakening of business confidence and hurt the cause of adequate recovery. Furthermore, erroneous interpretations of the situation regarding corporate profitability directs attention away from the more basic matters making for the good health of the economy and with that the well-being of corporate profitability as well.
>
> As I see it, there have been three fundamental factors causing the decline from the high levels of profit margins and rate of return as reported which prevailed in the early postwar years. These are: First, the unusual circumstances of the early postwar years which led to record levels of profits never reached before or after.

Mr. President, there is talk about a profits squeeze. But, Mr. President, the difficulty is that those who make such statements are comparing the situation existing at this time with the situation at a time when profits were at an alltime high, for peculiar reasons. Incidentally, profits have gone even higher recently.

I read further from the statement by Mr. Langum:

> Second, the tremendous step-up in depreciation charges during the last decade which has lowered reported earnings but has increased cash flow. Third, the inadequate growth in the economy generally from 1957 on and particularly the sideways movement of real output in the private durable sector.
>
> Unusual circumstances of high demand and short supply made the early postwar years the most profitable period corporate enterprise has ever experienced. Beyond this, costs, including the cost of plant consumed, were seriously understated and reported profits were greatly overstated. In particular, the tremendous burst of demand in the early postwar years brought about a rapid increase in prices which gave rise to major inventory profits included in reported corporate profits. The effect on profits of inventory valuation from changing prices has been specifically recognized and measured by the Department of Commerce. Some aspects of this are shown in the table on page 3 entitled "Inventory Valuation Adjustment in Relation to Corporate Profits before Taxes."

Incidentally, Mr. President, a little later I shall ask unanimous consent to have printed in the RECORD a series of tables submitted by Mr. Langum.

I read further from his statement:

> The degree to which inventory valuation raised reported profits is indicated for selected early postwar years—1947, 1948, 1950—in contrast to certain recent years. When prices are rising, as they were sharply in the early postwar years, higher profits emerge from inventory valuations at lower levels of costs.

I think this fact should be called to the attention of critics who say profits have not been so good. The amazing thing is that this year profits are going up to an alltime high, despite the fact that prices are level and despite the fact that wholesale prices have been extraordinarily stable for 5 years. A big reason for increased profits has been the change in inventory valuations. But now we have a situation in which prices are not rising at all; and under these circumstances the profit showing is a real one in terms of inventory, not simply one which results from changes in the price level.

I read further from the statement by Mr. Langum:

> As a matter of fact, much of the decline in coporate profitability as indicated by reported data is simply a return to more usual circumstances from extremely abnormal situations prevailing after World War II.

This is also indicated in the tables.

Then Mr. Langum says:

> Basic emphasis must be given to rising depreciation charges. Data on this matter are shown on page 1. The dollar amount of depreciation and amortization charges, as measured in the Department of Commerce series on sources and uses of corporate funds, is shown in the second column. Depreciation charges have risen from $7.8 billion in 1950 to $19.1 billion in 1957 and to $24.8 billion in 1961.

CASH EARNINGS SKYROCKET

Mr. President, I wish to emphasize this point, because it has been overlooked. Again and again we hear it argued that profits are about the same now as they were in 1950. But I wish to point out, first of all, that profits were very high in 1950, as I have said, partly because prices had been rising and because inventory valuations were up. Second, I wish to point out that there has been a mammoth increase in depreciation charges since 1950; and so far as the ability of business to invest in plant and equipment is concerned, it is measured, not only by earnings, but also by depreciation reserves. And depreciation reserves have risen from $7.8 billion in 1950 to $24.8 billion in 1961—or an increase of $17 billion, or an increase of well over 200 percent in 10 years—a terrific increase, which far exceeded increases in income, profits, wages, and gross national product. The increase is perfectly enormous. Of course, it is this depreciation reserve which enables business to be in a very strong position now to invest in plant and equipment, and not to need the proposed investment credit.

Mr. President, the charts Mr. Langum prepared for the Joint Economic Committee on August 10 are most persuasive on this score. As a matter of fact, if we go back a little further, they are even more persuasive. He points out that corporate profits after taxes have risen from $13.4 billion in 1946 to $23.3 billion in 1961—an increase of approximately 70 percent. But depreciation for the period from 1946 to 1961 increased from $4.2 to $24.8 billion—a six-fold increase, or 500 percent. If we add those two, we find that cash earnings—which constitute the real index of what business has available for investment in plant and equipment—increased from $17.6 billion in 1946 to $48.1 billion in 1961—certainly an alltime high. So business is in a very strong position to invest in plant and equipment, based on cash earnings, without any reliance whatsoever on the equity market or on the capital market in any form.

I ask unanimous consent that table 1, entitled "Corporate Profits in Relation to Depreciation Accruals and Capital Outlays, 1946–61," be printed at this point in the RECORD.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Corporate profits in relation to depreciation accruals and capital outlays, 1946–61

[In billions of dollars]

	Corporate profits after taxes	Depreciation and amortization allowances	Cash earnings	Plant and equipment outlays	Net cash earnings	Corporate dividends
1946	13.4	4.2	17.6	12.5	5.1	5.8
1947	18.2	5.2	23.4	17.0	6.4	6.5
1948	20.5	6.2	26.7	18.8	7.9	7.2
1949	16.0	7.1	23.1	16.3	6.8	7.5
1950	22.8	7.8	30.6	16.9	13.7	9.2
1951	19.7	9.0	28.7	21.6	7.1	9.0
1952	17.2	10.4	27.6	22.4	5.2	9.0
1953	18.1	11.8	29.9	23.9	6.0	9.2
1954	16.8	13.5	30.3	22.4	7.9	9.8
1955	23.0	15.7	38.7	24.2	14.5	11.2
1956	23.5	17.3	40.8	29.9	10.9	12.1
1957	22.3	19.1	41.4	32.7	8.7	12.6
1958	18.8	20.3	39.1	26.4	12.7	12.4
1959	24.5	21.6	46.1	27.7	18.4	13.7
1960	23.0	23.1	46.1	30.8	15.3	14.4
1961	23.3	24.8	48.1	29.6	18.5	15.0

Mr. PROXMIRE. Mr. President, in addition, on the basis of data furnished by the First National City Bank of New York, Mr. Langum shows the rate of return on net worth for leading manufacturing corporations. It is interesting to note that for the period 1925 through 1929, the average was 11 percent. Then, after the war, for the period 1947–51 the average was 16.2 percent. The trouble is that people are inclined to say that that 16 percent is normal, and wish to compare the figure for other periods with that one. However, it should be noted that during the next 5 years the average decreased to 13.2 percent, and during the next 5 years—from 1957 to 1961—it decreased to 11 percent. So now it is exactly at the same rate it was in the golden 1920's, which generally are regarded as years of great prosperity. But the point is that today business has far, far greater depreciation reserves—and not only in terms of gross national product or the needs of business; on any basis which one might consider, they are far greater than ever before.

I ask unanimous consent that the table to which I have referred be printed at this point in the RECORD.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Rate of return on net worth, leading manufacturing corporations

FIRST NATIONAL CITY BANK DATA

	Percent
1925	10.7
1926	10.8
1927	9.0
1928	11.6
1929	12.8
5-year average	11.0
1947	17.0
1948	18.9
1949	13.8
1950	17.1
1951	14.4
5-year average	16.2

Rate of return on net worth, leading manufacturing corporations—Continued

FIRST NATIONAL CITY BANK DATA

	Percent
1952	12.3
1953	12.5
1954	12.4
1955	15.0
1956	13.7
5-year average	13.2
1957	12.8
1958	9.8
1959	11.6
1960	10.5
1961	10.1
5-year average	11.0

BUSINESS FALLING FAR BEHIND CASH EARNINGS IN MACHINERY-EQUIPMENT INVESTMENT

Mr. PROXMIRE. The next table is a table entitled "Capital Outlays and Corporate Dividends in Relation to Cash Earnings, 1946–61."

This table shows that if we consider the relationship of plant and equipment outlays to cash earnings, we find that since 1952 the ratio has dropped from 81 percent to 61 percent. It has dropped fairly steadily and uniformly. It means business is investing a smaller and smaller part of cash earnings available in plant and equipment.

So, far from needing this additional investment credit, which would give them the capacity to invest in plant and equipment, they need it far less than they did 10 years ago.

I repeat, at that time they were investing 81 percent of their cash earnings in plant and equipment. Now it has dropped down to 61 percent. This last figure of 61 percent does not include the huge increase in depreciation reserves made by the depreciation change that gave the firms an additional $1½ billion.

I ask unanimous consent that this table, entitled "Captial Outlays and Corporate Dividends in Relation to Cash Earnings, 1946–61," be printed in the RECORD at this point.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Percent of capital outlays and corporate dividends in relation to cash earnings 1946–61

	Plant and equipment outlays/cash earnings	Corporate dividends/corporate profits after taxes	Corporate dividends/cash earnings
1952	81.16	52.33	32.61
1953	79.93	50.83	30.77
1954	73.93	58.33	32.34
1955	62.53	48.70	28.94
1956	73.28	51.49	29.66
1957	78.99	56.50	30.43
1958	67.52	65.96	31.71
1959	60.09	55.92	29.72
1960	66.81	62.61	31.24
1961	61.54	64.38	31.18

CASH EARNINGS SUPERABUNDANT FOR BIG FIRMS

Mr. PROXMIRE. Mr. Langum's next to the last table shows cash flow in relation to sales for all manufacturing corporations, by size. The table shows that the smaller the firm, the smaller the cash flow is in relationship to sales. The bigger the firm, the bigger the cash flow. There is a tremendous difference.

With the small firms which have assets of less than $1 million, only 3.3 percent of their sales is available for cash earnings for reinvestment. For the next sized firms the percentage is 3.8 available. The percentage rises quite sharply to 8.1 percent for the big firms with assets of $250 million to $1 billion. For the really big firms, with assets of $1 billion and over, the ratio is 14 percent. In other words, there the cash flow is 14 percent of their sales.

These are the firms that are going to get the principal, the prime, the overwhelming benefit out of the investment credit.

INVESTMENT CREDIT GIVES BIG FIRMS ADVANTAGE

The very biggest firm on the face of the earth, American Telephone & Telegraph Co., is going to get about 7 percent of this whole credit. It is going to get $75 million. It does not want it. It says it is bad public policy. Bless them for saying it, but they are going to get it. They say they do not want it.

The bigger the firm, the more investment credit it will get, whether it is growing or not. As a matter of fact, the small, growing firm is very likely not to make money for several years. It is competing with firms that invest great sums in plant and equipment. The big firm will get 7 percent for all the plant and equipment they invest in. It might buy a machine for $10,000. It is going to cost it only $9,300, because it can take the credit against its income. A small firm, not making money, but which is growing, as is true of most firms for the first several years, will have to pay $10,000. This tax credit is going to be discriminatory against such firms until they make substantial amounts of money. Until then, the big firms are going to get the advantage. As I said, the bigger the firm, the bigger the advantage.

I ask unanimous consent that the table to which I have referred be printed in the RECORD at this point.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Cash flow in relation to sales, all manufacturing corporations, by size, 1961

	Percent of sales		
	Net profit after taxes	Depreciation and depletion [1]	Total
All asset sizes	4.3	3.3	7.6
Under $1,000,000	1.2	2.1	3.3
$1,000,000 to $5,000,000	1.8	1.9	3.8
$5,000,000 to $10,000,000	2.8	2.2	5.0
$10,000,000 to $25,000,000	3.1	2.4	5.5
$25,000,000 to $50,000,000	3.8	2.8	6.6
$50,000,000 to $100,000,000	4.0	2.9	6.8
$100,000,000 to $250,000,000	4.1	3.2	7.2
$250,000,000 to $1,000,000,000	4.8	3.3	8.1
$1,000,000,000 and over	8.4	5.7	14.0

[1] Including accelerated amortization of emergency facilities.

Mr. PROXMIRE. Mr. President, I ask unanimous consent to have printed at this point in the RECORD a table entitled "Annual Rate of Profit After Taxes on Stockholders' Equity at End of Period, All Manufacturing Corporations, by Size, 1961."

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Annual rate of profit after taxes on stockholders' equity at end of period—All manufacturing corporations, by size, 1961

	Percent
All asset sizes	8.7
Under $1 million	5.6
$1 million to $5 million	6.0
$5 million to $10 million	6.8
$10 million to $25 million	7.0
$25 million to $50 million	7.6
$50 million to $100 million	8.3
$100 million to $250 million	8.4
$250 million to $1,000 million	9.3
$1,000 million and over	10.8

Mr. PROXMIRE. This table shows that the big firms, with assets of $1 billion and over, had twice the average rate of return in 1961 as the small firm with assets of $1 million and less.

NEW DEPRECIATION GUIDELINES FURTHER INCREASE CASH EARNINGS

As I said, all of this refers to the situation before the depreciation guideline rules were adopted. This year, the Secretary of the Treasury—as a matter of fact only a few weeks ago—revolutionized business costing, and, for that matter, corporation income tax procedures. He did it by his new and, I think, on the whole, laudatory and appropriate change in depreciation schedules. In doing it, he undermined the argument that business needs additional funds for investment in equipment and machinery, because, as I have pointed out, all the evidence shows that they already have ample funds. The new depreciation guidelines and rules, publication 456 will make far more money available, because this provides such a substantial increase that I am going to read from the very concise and very well expressed introduction, which is quite short. The introduction points out:

> The procedure becomes effective immediately and may be used in the preparation of any tax return due after the date of publication.

The date of publication was July.

> The new guideline lives and new administrative procedures are applicable to all depreciable property, including existing assets as well as new acquisitions.
>
> New guideline lives for machinery and equipment are set forth which, on the whole, average 30 to 40 percent shorter than those previously suggested for use by taxpayers. The new guidelines will automatically permit more rapid depreciation deductions than those presently taken on 70 to 80 percent of the machinery and equipment used by American business. They will not disturb the depreciation taken on the remaining 20 to 30 percent of business assets on which depreciation is now as fast as, or faster than, that provided in the new guidelines.

So what they do is speed up depreciation wherever people want to speed it up. Wherever they are satisfied with the rate of depreciation, they can go along at any rate they wish.

I continue to read:

> A central objective of the new procedure is to facilitate the adoption of depreciable lives even shorter than those set forth in the guidelines, or shorter than those currently in use, provided only that certain standards are met and that subsequent replacement practices are reasonably consistent with the tax lives claimed.

As I am going to point out, it means they can virtually depreciate their equipment at any rate, provided they use it up, but there is no longer any limitation on depreciation, provided they comply with the reasonable provisions set forth here, and they are very reasonable, believe me.

I want to repeat, because I think it is worth emphasizing this point of the use of lives shorter than the guidelines provided.

> The guideline lives will not be treated as minimums. Shorter lives which have already been established or which may in the future be justified as reflecting the taxpayer's existing or intended replacement practices will be permitted.
>
> Thus the new procedure will not disturb the continued use of below-guideline lives which a taxpayer has already demonstrated to be realistic.
>
> Moreover, the procedure sets forth standards under which taxpayers, including those previously using lives below the guidelines, may establish still shorter tax lives concurrent with the adoption of more progressive replacement and modernization practices.

It provides that the reserve ratio test is not exclusive; that it is an overall measure; that penalty rates will not be imposed.

Finally, it says:

> Where a depreciable life used by a taxpayer cannot be justified under any of the standards provided in this procedure, including the reserve ratio test and use of all pertinent facts and circumstances, the life will be lengthened in accordance with definite rules. However, the life will in no case be lengthened beyond the shortest life which can be justified by all the facts and circumstances. The adjusted life will be designed to reflect the taxpayer's current replacement practice for that class.

Mr. President, it seems to me that the Treasury is being as reasonable as it can possibly be and still provide any kind of justification with respect to the other taxpayers. Any businessman who wants to depreciate at any rate he wishes to depreciate can do so, provided, of course, he is actually using up the equipment. There is no limit whatsoever.

As I say, this is good. This is desirable. This is necessary. I think this is going to be good for the economy.

But, Mr. President, I think this is enough. This is a terrific reform. It is a real advantage. It goes quite far. To go further than this, and especially to go further than this with a tax credit of the kind suggested, is, plainly, unjust to the ordinary taxpayer who cannot take advantage of it.

DILLON ADMITS CASH EARNINGS ADEQUATE FOR INVESTMENT

To clinch this point on which I have been laboring so long, which I have been trying to emphasize so heavily—that business does not need additional cash earnings to buy equipment—I should like to quote from the testimony of Secretary Dillon, who is certainly the chief proponent of the proposal. Secretary Dillon appeared before the Joint Economic Committee several days ago. I asked him about this specific question. This is what Secretary Dillon said:

> First, on the question of cash flow.
>
> There is, I think, generally speaking, or there has been, adequate flow, although it has not been adequate for certain specific industries, and I mentioned the steel industry as one possibility. But for industry as a whole, I do not think cash flow is the problem.

Mr. President, I think that these words by Mr. Dillon sew the case up pretty well.

The fact that the chief proponent, the man who is fighting so hard for this provision, the real author of the proposal admits that cash flow is not a significant factor, although it may be with respect to a few isolated industries, it seems to me, buttons up the case completely.

M'GRAW-HILL SURVEY SHOWS RECORD AND RISING INVESTMENT IN PLANT AND EQUIPMENT

Mr. President, I referred earlier to the McGraw-Hill studies. McGraw-Hill is an agency to which I think the business of the Nation owes a real debt of gratitude, because they have made authoritative, competent, careful studies of business, and their surveys have been recognized as being objective, accurate, honest and fair.

The most recent survey by McGraw-Hill bears right on the point of investment credit. I shall give the highlights.

> 1. American business now plans to spend $38 billion for new plants and equipment this year. If these plans are carried out, capital spending will top the previous record set in 1957, by $1 billion. Preliminary plans for 1963–65 indicate a high level of investment in new facilities in the years ahead.

In other words, the No. 1 agency surveying business investment in plant and equipment says that investment is going to be good this year, and that all the evidence is it is going to be good in 1963, in 1964, and in 1965, whether we provide an investment credit or not. None of this is posited on having an investment credit. We do not need it. McGraw-Hill, on the basis of a very careful, thorough, comprehensive survey of hundreds of business leaders, comes to this conclusion.

The argument has been made that perhaps we cannot expand our facilities in a period in which industry is operating well below capacity, but certainly we can modernize it at a more rapid rate, and that is where we ought to concentrate investment, rather than in the expansion of facilities.

What does McGraw-Hill say about this?

> 2. Manufacturers continue to stress modernization. They will devote 70 percent of this year's investment to modernization, and an almost equal percentage during 1963–65.
>
> 3. Manufacturers were operating at an average rate of 83 percent of capacity at yearend 1961, seven points below their preferred rate. They plan to increase their capacity 4 percent this year and 10 percent between 1963 and 1965. This is at about the same rate as during the past 4 years.

In other words, Mr. President, business is operating, according to McGraw-Hill, at 7 points below its optimum, and at 17 points below its maximum. There is no indication at all that business needs to increase its capacity, or that it would increase its capacity, yet this investment credit provision is designed to give to business the ability to do that, although the authoritative business agency which is studying the problem says, on the basis of these facts—at least, I would certainly so conclude—that it is not needed.

> 4. Manufacturers expect unit sales volume to rise 7 percent this year, and another 18 percent by 1965. For the long run, every industry expects sales to rise faster than expansion of capacity. If these sales expectations were realized, pressure for additional capacity would develop.

If that pressure develops, it is perfectly clear that it would be the real incentive for increasing plant and equipment, exactly as it has always been in the past, and exactly as it was the incentive which provided increased plant and equipment between 1947 and 1954, before there was any accelerated depreciation and before there was any tax credit incentive. At that time we had a far greater rate of expansion in plant and equipment.

> 5. American manufacturers, having concentrated on modernizing facilities between 1958 and 1961, have updated a large portion of their plant and equipment. Only 24 percent of plant and equipment now operating was installed prior to 1945, compared with 48 percent in August 1958.

The argument has been used over and over again by Secretary Dillon and by others, "The trouble is that American equipment is old. We cannot compete with equipment overseas, because that equipment is newer."

What does McGraw-Hill say, on the basis of the facts—not on the basis of the theory of the Secretary of the Treasury or of some economist in the Treasury Department who has dreamed up some new "gimmick," but on the basis of what the facts show?

> Only 24 percent of plant and equipment now operating was installed prior to 1945, compared with 48 percent in August 1958.

In other words, there is now a far newer industrial plant in America than there was 4 years ago.

As I said, modernization is going to be the object of 70 percent of the investment this year and in the coming years. Also, as I said, there is a perfectly enormous amount of cash earnings available for this investment.

> 6. Companies expect their cash flow—depreciation plus retained earnings—to rise 14 percent this year. Because of this sharp rise in internal funds, they expect their demands for external funds for all purposes will increase only 1 percent over last year.

In other words, this was done, as I understand it, before the new, generous depreciation guidelines were announced or before it could be certain they would be announced. At that time, before the guidelines were announced, there was virtually no dependence on external financing. The business firms could do it all internally, without any resort to America's unparalleled, unrivaled capital markets. Why in the world do we need an investment credit provision?

> 7. Industry continues to seek new products, new processes, and improvements in present products. R. & D. performed by industry will amount to nearly $12 billion this year and $13.3 billion by 1965.

Of course, there is the real factor which is going to stimulate investment in plant and equipment in America.

Let me go into a little bit of detail on this, because I think this argument is so important. It goes right to the point of the argument for an investment credit and the contention that it is needed this year.

Business as a whole is going to invest $38 billion in new plant and equipment in 1962, which is more than in any previous year in history. This is $3.5 billion, or more than 11 percent, more than was spent last year.

It is well over the top of the previous record for spending in 1957, by a billion dollars.

The manufacturers plan to spend $15.4 billion, a 13-percent increase over 1961, but a half billion dollars short of the 1957 record.

What will be the overall effect of spending a billion dollars more?

Incidentally, most business firms have significally raised their sights since last fall. The McGraw-Hill survey, which was taken last October, indicated a 4-percent increase in capital investment this year. The U.S. Department of Commerce, Securities and Exchange Commission survey, taken in January and early February, showed an expected 8-percent increase in overall capital spending.

The current survey also indicates that industrial firms have updated a large proportion of their plant and equipment.

> Still, American manufacturers plan to continue their modernization drive. Taken as a whole, this survey highlights industry's emphasis on modernization, on replacement of obsolete facilities, and on its continuing search for new products, new processes, and cost-cutting facilities. These are the most important findings of this, the 15th annual survey of business' plans for new plants and equipment.

I ask unanimous consent that a table from the U.S. Department of Commerce, Securities and Exchange Commission, showing plans for capital spending by all manufacturing, mining, railroads, other transportation and communications, electric and gas utilities, commercial, and all business, be printed at this point in the RECORD.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Plans for capital spending

[Dollars in billions]

Industry	Actual, 1961	Planned, 1962	Percent change, 1961-62	Preliminary plans		
				1963	1964	1965
All manufacturing	$13.67	$15.41	13	$14.89	$15.15	$15.03
Mining	.98	1.09	11	1.00	.99	.98
Railroads	.67	.85	27	.75	.77	.76
Other transportation and communications	5.07	5.50	8	5.07	5.05	4.94
Electric and gas utilities	5.52	5.74	4	5.68	6.11	6.19
Commercial	8.46	9.30	11	8.83	8.12	7.71
All business	34.37	37.98	11	36.22	36.19	35.61

Source: U.S. Department of Commerce, Securities and Exchange Commission.

Mr. PROXMIRE. Mr. President, the report continued:

> Equally important as the record amount planned for this year is the high level of planning for 1963–65. Business firms already have plans for an average expenditure of almost $36 billion per year—an amount exceeding the average spending in any 3 consecutive years in our history. Manufacturers in particular indicate a high level of investment in the years ahead. In each of the years between 1963 and 1965, they indicate investment plans more than $1 billion higher than their 1961 investment.

WHY DO WE NEED INVESTMENT GIMMICKS NOW?

It is remarkable at this time, when the business leaders of our country, the ones who make the decisions, the ones who know, if anyone knows, according to McGraw-Hill, that they expect to increase their investment so that it will be the biggest increase we have ever had in our history, and it will be continued for the next 3 years, we have a proposal for the Treasury to provide a windfall, a giveaway, and a proposal that business says will do no good. They will take it, but it will do no good.

I wish to emphasize what McGraw-Hill has said:

> The McGraw-Hill survey is not a forecast, but a report of what companies now plan to spend. Past experience indicates that a wide variation of capital spending is possible

under changing economic conditions. Plans beyond 1 year are subject to review and revision as the time approaches. In past surveys preliminary plans for future years have generally been considerably lower than plans for the current year. That is because some companies do not plan fully beyond the current year. Nor do they fully anticipate their future demands. Thus preliminary plans for the years ahead have generally been revised upward. Thus, if there is an upward revision, 1963, 1954, and 1965 will be years of high, and perhaps record, capital expenditure by business.

PLANS IN MANUFACTURING

The recovery in business sales and profits evidently has had a favorable influence on capital expenditure decisions in recent budget reviews. Almost every industry has increased its investment plans since last fall. At that time, manufacturers as a whole planned a 7-percent increase. They now indicate plans for a 13 percent increase. Only the chemical industry plans a lower level of investment than it did last fall, because of a slight cutback in petrochemical investment. Electrical machinery makers plan to reduce investment 5 percent this year, but this is a lesser reduction than the 9-percent cut indicated last fall. Apparel and textile manufacturers, who recently were permitted faster writeoffs of their equipment, have taken advantage of this provision by raising their planned investment since last fall.

All other manufacturing industries indicate increases of 10 percent or more, ranging from a 30 percent increase in the rubber industry to 10 percent for paper and pulp producers.

Once again, whenever we enter into a discussion or an argument about the fact that they are using the investment credit not only for manufacturing but for all purposes, including transportation, entertainment, and creation, they say—

> Yes, but the main field of competition is in manufacturing. That is where we must be competitive. We must compete with European countries. That is where we must get growth and modernization.

But what do the facts show? When we go to the business leaders who make the plans, we find that they plan to expand at a record rate. They plan to expand more rapidly than ever before.

The proposed legislation is not needed. I submit it is a tax cut at a time when we are facing a big deficit. I can think of all kinds of things we could spend the money for, including education and many other things. I can also think of many people who would like to share in a $1 billion tax cut. That could mean a great deal of money in the pockets of Mr. and Mrs. Average Taxpayer.

But in the circumstances, we are asked to give it to businesses when they say they do not need it. Not only do they say they do not need it, but their objective testimony and the most competent survey indicate that they will not use it and will expand at a very healthy rate without it. The investment credit makes no sense.

The statement shows that railroads, commercial businesses, trade, finance, electric utilities, and so forth, plan to continue to increase their investment at a very substantial rate, with very few exceptions.

As I said, in rubber there would be an increase of 30 percent; transportation equipment, aircraft, ships, and so forth, 28 percent; autos, trucks, and parts, 20 percent; nonferrous metals, 25 percent; steel, 15 percent, and so on.

I ask unanimous consent that a table showing the plans for increased investment for 1962, and also the preliminary plans for 1963, 1964, and 1965 be printed at this point in the RECORD.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Capital spending plans of manufacturing companies

[In billions of dollars]

Industry	Actual[1] 1961	Planned 1962	Percent change, 1961–62	Preliminary plans		
				1963	1964	1965
Iron and steel	1.13	1.30	15	1.27	1.05	0.88
Nonferrous metals	.26	.32	25	.37	.40	.41
Machinery	1.10	1.32	20	1.29	1.38	1.41
Electrical machinery	.69	.66	−5	.65	.67	.64
Autos, trucks, and parts	.75	.90	20	.86	.98	.94
Transportation equipment (aircraft, ships, railroad equipment)	.38	.49	28	.50	.44	.42
Fabricated metals and instruments	.90	1.07	19	1.03	1.06	1.07
Chemicals	0.68	0.75	10	0.68	0.67	0.68
Paper and pulp	.22	.29	30	.30	.32	.32
Rubber	.51	.59	16	.56	.55	.58
Stone, clay, and glass	1.88	1.86	−1	1.92	2.00	2.12
Petroleum and coal products	2.76	3.09	12	3.09	3.34	3.34
Food and beverages	.98	1.11	13	.98	1.00	.99
Textiles	.50	.56	12	.48	.49	.49
Miscellaneous manufacturing	1.19	1.33	12	1.19	1.13	1.15
All manufacturing[2]	13.67	15.41	13	14.89	15.15	15.03

[1] U.S. Department of Commerce, Securities and Exchange Commission.

[2] Petrochemicals, included under chemicals and petroleum and coal products, is counted only once in the total.

HUGE AMERICAN PLANT EXPANSION IN PAST 10 YEARS

Mr. PROXMIRE. In addition, McGraw-Hill has published an excellent table showing the increase in investment in plant and equipment as an index of industrial capacity. It shows how manufacturers are expanding and have been expanding since 1950. It shows that for all manufacturing in this country we have expanded our plant and equipment by 89 percent. In other words, taking December 1950 as 100, it has gone up to 189. Transportation equipment has gone up to 288. Machinery has gone up to 203 percent; nonferrous metals 207; chemicals 230. It is a perfectly phenomenal increase.

As I point out, the increase in the coming 3 years will break all records. Yet the argument made by the Treasury is that the tax cut we need is not for the hard-pressed average taxpayer who could use the money very readily, but for business firms which say they do not want it and cannot use it. The evidence shows overwhelmingly that they do not need it.

I ask unanimous consent that the table showing how manufacturers are expanding capacity be printed at this point in the RECORD.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

How manufacturers are expanding capacity[1]

[Index of Industrial Capacity (December 1950= 100)]

Industry	1960	1961	Planned		Percent increase		
			1962	1965	1960–61	1961–62	1962–65
Iron and steel	145	146	150	159	1	3	6
Nonferrous metals	195	203	207	215	4	2	4
Machinery	191	195	203	227	2	4	12
Electrical machinery	225	234	241	265	4	3	10
Autos, trucks, and parts	174	177	181	199	2	2	10
Transportation equipment (aircraft, ships, railroad equipment)	267	272	288	311	2	6	8
Fabricated metals and instruments	171	178	190	217	4	7	14
Chemicals	207	219	230	253	6	5	10
Paper and pulp	172	181	186	205	5	3	10
Rubber	165	172	182	204	4	6	12
Stone, clay and glass	166	171	176	185	3	3	5
Petroleum and coal products	147	147	148	149	0	1	1
Food and beverages	147	151	159	173	3	5	9
Textiles	122	126	132	148	3	5	12
Miscellaneous manufacturing	157	165	173	194	5	5	12
All manufacturing	177	182	189	208	3	4	10

NOTE.—All data as of end of year.

[1] Weighted by 1957 value added weights used by Federal Reserve Board in its calculation of the industrial production index.

PLANT MODERNIZATION WILL GET HEAVY EMPHASIS

Mr. PROXMIRE. In addition, there is a table showing more modernization and less expansion. That is on the point which, as I will show, Secretary Dillon hit so hard in his testimony. The table shows that in 1961 the actual expansion for all manufacturing—the actual increase, I should say, in replacement through modernization—was 68 percent, whereas expansions was only 32 percent.

For example, with respect to steel, replacement and modernization was 84 percent and expansion only 16 percent. In 1962 those companies plan to have even more rapid modernization and a greater emphasis on modernization. It will be 70 percent instead of 68 percent, with only 30 percent for expansion.

The table shows that during the years 1963 to 1965 the expectation is the overwhelming emphasis that will continue to be placed on modernization and provisions for greater efficiency. That is the pattern. That is what will be done. Those are the plans. That is the full expectation.

I ask unanimous consent that the table on more modernization and less expansion be printed at this point in the RECORD.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

More modernization, less expansion

Industry	1961 actual		1962 planned		1963–65 planned	
	Percent of capital spending for—					
	Expansion	Replacement and modernization	Expansion	Replacement and modernization	Expansion	Replacement and modernization
Iron and steel	16	84	18	82	31	69
Nonferrous metals	33	67	35	65	43	57
Machinery	30	70	24	76	30	70
Electrical machinery	48	52	42	58	35	65
Autos, trucks and parts	10	90	7	93	16	84
Transportation equipment (aircraft, ships, railroad equipment)	38	62	35	65	37	63
Fabricated metals and instruments	51	49	57	43	48	52
Chemicals	57	43	53	47	53	47
Paper and pulp	29	71	31	69	29	71
Rubber	57	43	39	61	43	57
Stone, clay, and glass	47	53	44	56	49	51
Petroleum and coal products	9	91	5	95	10	90
Food and beverages	35	65	30	70	39	61
Textiles	32	68	38	62	36	64
Miscellaneous manufacturing	39	61	47	53	39	61
All manufacturing	32	68	30	70	32	68

Mr. PROXMIRE. Mr. President, I ask unanimous consent that a very excellent explanation—I wish I had more time, I would go into it in more detail—of those two tables, one entitled "Capacity and Operating Rates" and the other entitled "Expansion Versus Modernization," be printed at this point in the RECORD.

There being no objection, the explanation was ordered to be printed in the RECORD, as follows:

CAPACITY AND OPERATING RATES

Continuing a trend which began in 1958, manufacturers are emphasizing modernization rather than expansion of capacity. They plan to add 4 percent to capacity this year and another 10 percent between the end of 1962 and 1965. One reason for the slow rate of capacity expansion is that, although some industries were operating at or close to their preferred rates at yearend 1961, a majority were not. But the operating rates have moved up since last fall. Manufacturers on the average were operating 83 percent of their capacity at the end of 1961, compared with 81 percent last September. For many companies, 83 percent is still considerably below the preferred rate. Only the petroleum industry was operating at its preferred rate, and this was due in part to seasonal factors. Hence, manufacturers as a whole plan to add modestly to capacity over the next 4 years.

However, a comparison of individual industries shows some striking differences. The steel industry's operating rate has shown greatest improvement since last fall—from 74 percent to 83 percent of capacity, indicating considerable improvement in the general economy.

Not all industries, however, were benefiting from the economic recovery underway at year end. The stone, clay, and glass industry, for example, was operating at a lower level in December than in September. But, for the most part, this industry is geared to the construction industry, which declined at year end for many reasons, including unseasonably bad weather. The fabricated metals and instruments industry was also operating at a lower level of capacity in December than in September.

However, all industries except transportation equipment were operating well above the December 1960 levels, when the economy was still deep in a recession.

Without exception, every industry now indicates a lower preferred operating rate than it did 2 years ago. Manufacturing as a whole now indicates it prefers to operate at 90 percent of capacity, compared with the 94 percent rate of 2 years ago. One possible explanation for the lower rate is that, having devoted approximately two-thirds of their investment to modernization over the past 4 years, companies can now operate at a lower level of capacity at lower cost and greater efficiency. Companies may have come to accept a lower operating rate as typical of a highly competitive economy.

EXPANSION VERSUS MODERNIZATION

Perhaps one of the most striking findings of this survey is that once again manufacturing firms plan to devote 70 percent of their investment to replacement and modernization. That is roughly the same proportion they have devoted to such purposes every year since 1958. Of the $53 billion spent by manufacturing firms between 1958 and 1961, more than $34 billion has been invested in replacement and modernization. Manufacturers plan to continue this program through 1965. They now have plans to devote 68 percent of their 1963–65 expenditures to this purpose.

Of course, not all industries indicate such a high proportion for modernization. For example, in 1962 both the fabricated metals and instruments companies and the chemical companies plan to devote more than half of their investment to expansion. The chemical firms' expansion will persist through 1965. At the other extreme is the petroleum industry, which indicates that 95 percent of this year's investment will be for modernization, and 90 percent between 1963 and 1965.

What has been the impact of all this modernization on our total stock of plant and equipment? It has served to reduce substantially the amount of antiquated facilities being maintained by U.S. industry.

In August 1958, the Department of Economics conducted a special survey to determine the modernization needs of U.S. industry. In that survey, manufacturers revealed that 48 percent of all plant and equipment in operation had been installed prior to World War II. Another 19 percent had been installed between the end of World War II and the beginning of the Korean conflict, so that only 33 percent of all manufacturers' producing facilities could reasonably be considered modern.

Mr. PROXMIRE. I ask unanimous consent to have the table entitled "Planned Spending by Regions" printed in the RECORD at this point.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Planned capital spending by regions, percent of expenditures

Industry	New England[1]		Middle Atlantic[2]		South Atlantic[3]		North Central[4]		South[5]		West[6]	
	1962	1963	1962	1963	1962	1963	1962	1963	1962	1963	1962	1963
Iron and steel	1	1	30	38	8	(7)	34	40	18	20	(7)	1
Nonferrous metals	8	5	13	7	16	19	23	40	21	19	19	10
Machinery	10	9	24	25	5	3	43	52	9	4	9	7
Electrical machinery	6	8	36	35	9	11	41	40	3	2	5	4

See footnotes at end of table.

Planned capital spending by regions, percent of expenditures—Continued

Industry	New England [1]		Middle Atlantic [2]		South Atlantic [3]		North Central [4]		South [5]		West [6]	
	1962	1963	1962	1963	1962	1963	1962	1963	1962	1963	1962	1963
Autos, trucks, and parts	(7)	3	9	6	2	2	75	80	3	2	11	7
Transportation equipment (aircraft, ships, railroad equipment)	14	17	5	5	9	7	14	12	1	1	57	58
Fabricated metals and instruments	16	14	15	16	5	4	39	38	12	13	13	15
Chemicals	3	2	19	16	23	19	23	27	25	24	7	12
Paper and pulp	17	12	7	6	22	27	19	19	13	18	22	18
Rubber	1	2	4	5	20	7	34	41	20	36	21	9
Stone, clay, and glass	1	1	19	16	9	13	41	41	22	20	8	9
Petroleum refining	(7)	(7)	31	33	(7)	(7)	23	24	38	43	8	(7)
Food and beverages	1	2	10	8	13	6	33	37	24	31	19	16
Textiles	7	9	17	19	57	53	4	4	12	12	3	3
Miscellaneous manufacturing	6	8	34	25	8	10	19	24	21	19	12	14
All manufacturing	5	5	23	22	10	9	31	34	20	21	11	9

[1] New England: Maine, Vermont, New Hampshire, Connecticut, Rhode Island, and Massachusetts.

[2] Middle Atlantic: New York, New Jersey, and Pennsylvania.

[3] South Atlantic: Delaware, Maryland, Virginia, West Virginia, North Carolina, Georgia, Florida, Washington, D.C., and South Carolina.

[4] North Central: Ohio, Michigan, Indiana, Illinois, Wisconsin, Minnesota, Iowa, Missouri, North Dakota, South Dakota, Nebraska, and Kansas.

[5] South: Texas, Oklahoma, Arkansas, Louisiana, Kentucky, Tennessee, Mississippi, and Alabama.

[6] West: Washington, Oregon, California, Montana, Idaho, Wyoming, Nevada, Colorado, Utah, Arizona, and New Mexico.

[7] Less than 0.5 percent.

WHY EXPAND CAPACITY WITH SO MUCH IDLE?

Mr. PROXMIRE. Mr. President, the great difficulty in adopting an investment credit at this time is the fact that we are operating well below either the preferred rate or the maximum rate of capacity utilization.

McGraw-Hill has made a very careful survey, probably the best and most authoritative and scholarly survey anyone has made. It says, for example, that steel in 1961 was operating at 83 percent of capacity. Now it is far below that. The nonferrous metals industry was operating at 79 percent of capacity. Transportation equipment was operating at 71 percent of capacity, and so on. When our industries are operating far short of capacity, we could give a 50-percent investment credit, and we could even abolish the corporation income tax, and there would be no incentive whatever for a firm to invest more in plant for the purpose of increasing its capacity. Why in the world should a plant increase its capacity when it is operating as far below as some of these firms are, and that being true of every industry with one exception, the paper and pulp industry? I will cite the argument made by the paper and pulp industry against the investment credit. This is the one industry that could use it. The factual evidence, however, is very clear that in the case of these industries which are operating well below capacity, they will not invest in additional equipment for the purpose of increasing capacity. They may do it for modernization. They are doing it at a record rate for modernization.

I ask unanimous consent to have printed in the RECORD at this point a table headed "Capacity—Rates of operation."

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Capacity—Rates of operation

[Percent]

Industry	Actual operating rate								Preferred rate 1961
	1954	1955	1956	1957	1958	1959	1960	1961	
Iron and steel	81	98	98	68	73	96	50	83	91
Nonferrous metals	87	95	92	74	77	77	72	79	90
Machinery	72	87	85	76	70	76	70	75	87
Electrical machinery	92	98	87	76	80	79	74	79	91
Autos, trucks, and parts	95	96	(1)	76	78	88	80	86	91
Transportation equipment (aircraft, ships, railroad equipment)	69	74	80	74	70	75	71	71	87
Fabricated metals and instruments	81	94	83	80	80	84	76	76	83
Chemicals	79	90	83	81	80	82	75	79	91
Paper and pulp	97	100	96	88	87	91	88	90	95
Rubber	93	91	88	80	78	84	76	93	95
Stone, clay, and glass	87	94	90	74	79	78	70	71	81
Petroleum and coal products	90	96	96	90	87	86	81	90	90
Food and beverages	82	88	80	80	82	83	81	82	86
Textiles	88	93	90	80	87	92	82	91	94
Miscellaneous manufacturing	(1)	(1)	85	80	84	89	83	89	93
All manufacturing	84	92	86	78	80	85	77	83	90

[1] Not available.

NOTE.—All rates as of end of year.

BUSINESS EXPECTS MORE CASH EARNINGS THIS YEAR—EVEN WITHOUT GOVERNMENT HELP

Mr. PROXMIRE. There is one other section in the McGraw-Hill report that I should like to deal with. It shows that business firms as a whole appear to be in a stronger financial position this year than last. The report goes on to say that they expect their cash flow—retained earnings plus depreciation allowances—to be 14 percent, compared with the 9-percent increase they expected last year. The report continues:

> Businessmen as a whole expect that their demands for external financing will increase only 1 percent, while manufacturing firms expect no increase in their demands for external funds. Thus it would appear that business as a whole may rely almost entirely on its own resources to finance its spending programs this year.
>
> Companies were asked how much they expect their demand for external financing for whatever purpose to increase or decrease between 1961 and 1962. Companies go into the financial markets for funds for many other purposes besides financing capital equipment, but, taken as a whole, their response to this question would indicate they do not anticipate exerting much pressure on the financial markets.

Mr. President, that is a masterpiece of understatement.

Since we have excellent capital markets—the best in the world—why do we need to have investment credit to provide another $1.3 billion? It is apparent to me that it is wholly unnecessary.

To summarize my conclusion on the McGraw-Hill survey, I should like to say that this finding, that only 1 percent would be the increase in investment in equipment as a result of the investment credit—that is, that it would add $300 million to the outlays as now planned—strongly suggests that the investment credit would be ineffectual in stimulating investment. This is especially true since the Treasury has placed great hope in the shortrun stimulation in the immediate future.

This is the particular point I stressed. The Secretary of the Treasury, when I cited this McGraw-Hill finding, in the hearings before the Joint Economic Committee, said, "This is the first year. This is the first reaction." He said that after businessmen get used to the investment credit they will not increase by only 1 percent, but by a great deal more, and that it will act as an important stimulant in the future.

FIRST YEAR REACTION TO INVESTMENT CREDIT CRUCIAL

I should say exactly the opposite. All experience with such stimulations suggests that my conclusion is right and the Secretary's conclusion is wrong. The real impact is in the first year. If it is not felt in that first year, it is never felt. That was true certainly in the case of the depreciation in the 1954 Revenue Act. That came in 1955. Since then it has declined. The stimulus works up and then there is a decline, not an increase.

Another interesting aspect of the McGraw-Hill survey deals with selected industries and the percentage increase in investment which these industries thought they would make as a result of the credit.

The iron and steel industry is pressing hard for the investment credit. But the percent increase that they said the investment credit would increase their investment would be zero. In the nonferrous metals it would be 1 percent. In electrical machinery, it would be 1 percent. In autos, trucks, and parts, it would be zero.

For transportation and equipment, it would be zero; for fabricated metals and instruments, zero; chemicals, zero; petroleum and coal products, zero; miscellaneous manufacturing, 1 percent; mining, 1 percent; railroads, 1 percent; other transportation and communications, zero.

These people say there will be no increase in investment in plant and equipment the first year because of the investment credit. None at all, Mr. President. If they do not have it in the first year, they will never have it.

CREDIT DESIGNED TO ACCOMMODATE NO INCREASE IN INVESTMENT

One of the principal reasons why the investment credit was modified from its original form providing for 15-percent credit for additional investment—not for all, but additional increment and increase over the last year—and that was knocked out and, instead, 7 percent was provided on all investment—was done primarily at the request of the railroads, because they said they could not take advantage of the provision for additional increases in investment, because they are not making any increases in investment.

They are not increasing investment, and they will not, and they confess they will not. Yet we will have a reduction in our Federal revenues by tens of millions of dollars for the benefit of the railroads, and they will do nothing, except to increase their income and increase their dividends, I suppose, but they will do nothing to stimulate the economy, resulting in an increased deficit for the Treasury and more taxes to be paid by the ordinary taxpayer.

The finding made by McGraw-Hill that U.S. business plans to spend more for new producing facilities this year than in any previous year, planning to spend a record amount in 1963–65, certainly does not suggest, as Secretary Dillon has stated, that investment will be a "soft spot" in the economy. This rapid rate of investment is almost completely independent of the proposed tax credit, and it has nothing to do with the proposed tax credit.

M'GRAW-HILL SAYS NO INVESTMENT "SOFT SPOT"

In testifying on the McGraw-Hill survey, Douglas Greenwald, manager of the department of economics, McGraw-Hill Publishing Co., appeared before the Joint Economic Committee and said:

> My assignment is to discuss the current and short-run health of the economy with particular reference to the key area of the economy—private investment in new plants and equipment. My contribution, for the most part, will be based on recent important factual information from McGraw-Hill's surveys of business' anticipations. And results of these surveys indicate that capital investment intentions by business constitute an element of strength in the business outlook.

I emphasize: The McGraw-Hill expert said:

> Surveys indicate that capital investment intentions by business constitute an element of strength in the business outlook—

Not as Secretary Dillon said, a "soft spot." There is strength in the business outlook, according to McGraw-Hill, which is recognized as an authoritative surveyor of the economy.

Mr. Greenwald continued:

> In my department of the McGraw-Hill Publishing Co. we have made surveys of plans for business' spending on new facilities for 15 years. We also maintain a monthly index of new orders for nonelectrical machinery which reflects the new incoming business of producers of capital equipment, and a quarterly forecast index of machinery orders, which reflects the producers' expectations for four quarters ahead. The indexes cover a relatively small number of large manufacturers of machinery.
>
> We generally survey business on its plans for domestic investment twice a year—in the spring and in the fall. The spring survey is very comprehensive and is geared to longer range plans; the fall survey covers fewer questions and is geared to short-range plans.
>
> In October 1961 we carried out our fall survey of business' plans for 1962 and 1963. Our comprehensive survey of business' plans for 1962 to 1965 was made during March and early April of this year. At the end of June we carried out a special checkup of plans.
>
> The McGraw-Hill checkup of spending plans showed that business, in general, is planning to invest approximately the same amount in new plants and equipment in 1962 that it reported to us in our comprehensive survey taken earlier this year, and a considerably higher amount than it anticipated last fall.

This survey was made as up to date as possible. It was made as of only a few weeks ago and was brought up to date for June.

Mr. Greenwald continued:

> Our fall 1961 survey indicated that business had plans to invest $35.84 billion in 1962, an increase of about 4 percent over 1961. Over the past several years our fall surveys of business' plans have always provided the correct direction of change in investment as well as fairly reliable indications of the degree of change.
>
> The McGraw-Hill comprehensive survey of business' plans for new plants and equipment taken early this spring indicated that business firms had raised their investment sights significantly from the fall. Planned investment for 1962 was $37.98 billion, up 10.5 percent over 1961.

So the later survey, in April, showed a very substantial increase, and the record spending that is now taking place for plant and equipment has reached an estimated $38 billion for 1962, the highest in the history of the country.

Mr. Greenwald continued:

> During the years that we have been making these spring surveys, they have proved remarkably accurate in indicating the trend of overall investment for the year ahead, except in 1950, when all plans were altered by the Korean war. During the last decade, the average error between the McGraw-Hill survey's planned percentage change and the Department of Commerce's percentage change for actual data is only 3.5 percent.
>
> We do not conclude from this experience, however, that we have a sure-fire forecasting device. We claim nothing for the results of our surveys except that they report present plans. We heavily emphasize the proposition that our surveys are not promises of what is actually going to happen.
>
> Our special checkup in late June showed that business planned to spend $37.96 billion on new plants and equipment this year, up 10.4 percent over 1961.

That was according to the recheck taken in June, before the stock market prices began to recover. I continue:

> This checkup was based on plans of a substantial cross section of business, accounting for 35 percent of total capital investment. For the most part the results reflect the plans of large companies. This recheck provided no indication of what small companies were doing about their investment. To begin with, investment plans of small companies were not up as much for 1962 as those of larger companies.
>
> The downward movement of the stock market in May and June may have had some impact on their investment plans. However, small companies account for a relatively small percentage of total capital investment.
>
> Our checkup pointed up the fact that business in general had not cut back or canceled plans for investment in new facilities in 1962 as a result of the sharp drop in stock prices in May and June or the so-called loss of business confidence.
>
> Manufacturing industries overall planned to invest $15.3 billion this year, down about $110 million from plans reported to us in the spring. Steel, machinery, electrical machinery, stone, clay and glass and miscellaneous manufacturing industries plan to invest less in 1962 than they did earlier. However, transportation equipment—aircraft, railroads and shipbuilding—fabricated metal products and instruments, chemicals, rubber and food industries plan to increase their capital expenditures this year more than planned originally.
>
> Among manufacturing industries, railroads and utilities planned slightly higher capital investment for 1962 than they did earlier, while the mining industry cut its plans.
>
> About 80 percent of the companies that answered in our recheck indicated they had made no change in their 1962 plans for new plants and equipment. The remaining 20 percent indicated some changes in their planning. But this group was split right down the middle, with half increasing plans and half cutting them.
>
> Among the companies indicating investment cutbacks, only a very few cited economic conditions as the reason. In most cases where investment plans were lower than they were earlier, the reasons given had absolutely nothing to do with a lack of business confidence or the drop in the stock market. Instead, technological delays and construction delays were the reasons given.
>
> We should point out that in past years of high and rising business activity a large number of companies increased investment plans during the year. This has not been the case so far in 1962.
>
> This recheck of McGraw-Hill survey was taken before stock market prices began to recover, before margin requirements were reduced from 70 percent to 50 percent and before Revenue Procedure 62–21, with its more realistic depreciation guidelines regarding lives of machinery and equipment, became effective. It is conceivable that these three factors, along with the 7-percent tax credit for new machinery and equipment purchases, which Congress may soon make a part of the Nation's law, could result in

> higher capital expenditures at the end of this year than are now anticipated by companies and by business economists in general.
>
> However, it is my opinion that their impact on capital spending may be slow in coming. We have some factual evidence on this point.

M'GRAW-HILL ESTIMATES CAUTIOUS

I think it is interesting to note that McGraw-Hill suggests that a 7 percent tax credit would not be effective and would result, at best, in only a 1 percent increase in credit. Other factors, such as improved stock prices, and general restoration of confidence in the economy should improve the plans of businessmen from what they were in June, which would seem to have been about as gloomy a month as we have had in a long time. This should emphasize that all the figures I have given show that a good outlook for business investment in plant and equipment are conservative and are based on a survey made at the time when businessmen, if ever, were probably cautious, prudent, and even pessimistic about the future.

Therefore, a survey taken in August, on the basis of the facts which I have listed here, on the basis of general improvement in conditions, would suggest that the estimates would probably be increased, and there would be an even greater increase in business investment in plant and equipment.

Mr. Greenwald continued:

> In our spring survey, we asked the question, "If the administration's program of tax incentives for investment were enacted, how much would this increase your capital expenditures in 1962?"

That was a crucial question. I shall repeat it, because it is so important to the argument I am making:

> If the administration's program of tax incentives for investment were enacted, how much would this increase your capital expenditures in 1962?
>
> Business as a whole indicated that it would raise its 1962 plans by only 1 percent, or about $300 million. Nine out of every 10 companies replying indicated that they would not use such a program at all in 1962.
>
> The fact that American business is going ahead with its investment plans for 1962 was not a surprise to us. It confirmed our belief that business' plans for new plants and equipment, once made for the year ahead, are generally carried out. In the past, wars, recessions and booms have led to significant changes in investment plans. But in my view we are not likely to be in any of these three situations this year.
>
> Also, it makes good sense for businessmen to go right ahead with their modernization programs in 1962. Business firms reported to us in our recent checkup that this year's capital investment programs are stressing modernization, with the hope that these cost-cutting projects will result in better profit margins.

"MODERNIZATION" A TWO-EDGED SWORD

Incidentally, modernization means, of course, generally, stress on automation; stress on automation means that this kind of investment, while highly beneficial in terms of improving plant efficiency and while it will improve, unquestionably the standard of living of the American people, will probably have an adverse effect on employment. It is much more likely to increase unemployment, certainly in the short run, than to reduce unemployment. From this standpoint, it seems to me, once again, that investment credit, to the extent it has any effect at all—and I would certainly question that it has any effect—would seem to contribute to the one particular economic problem that faces America, the problem of unemployment, the problem of men out of work, the problem of heads of families not having jobs so that they can support the families. This would result in personal tragedy and also have a very serious effect on communities, localities, and States undertaking to provide additional relief, and so forth. I continue reading:

> In our earlier survey this year, manufacturers reported that they planned to devote 70 percent of their 1962 investment dollar to modernization. The reason for their concern is obvious. About 40 percent of U.S. plant and equipment dates back to before 1951, and nearly 25 percent goes back to World War II or even before that. These significant statistics were also revealed by our spring survey.
>
> Only a very small percentage of investment is going for new capacity this year. Most of this is going for capacity for new products which are an important part of the payoff of industry's tremendous expenditures on research and development during the last decade. Little investment is going for additional capacity for existing products.

As I pointed out, they prefer to operate at 90 percent of capacity, but they are well below it. This is another reason, of course, why the proposed investment credit is likely to be ineffectual.

I have one other reference to make to testimony, given by Mr. Greenwald, before I finish discussing the McGraw-Hill survey. He stated:

> Corporations now have a high enough rate of cash flow to finance a considerably higher level of investment than is now planned for 1962.

Mr. President, this is a point which I think we have clearly established, if we have established nothing else this afternoon.

I read further from the testimony of Mr. Greenwald:

> Our comprehensive survey taken early this year showed that businessmen anticipated increasing their volume of cash flow, composed of retained earnings and depreciation, at a faster rate than their investment in new plants and equipment. At that time they expected to increase cash flow by 14 percent and investment by only 10.5 percent.

Once again, Mr. President, does that make any sense, when we know that business is increasing its cash earnings—that is, its depreciation reserves plus its earnings after taxes—more rapidly than it is increasing its investment in plant and equipment? Under these circumstances, why in the world, should we provide a $1 billion tax cut, in order to give business additional cash earnings, when business is not using what it now has, and is not beginning to tap our capital markets.

Mr. Greenwald then said:

> It is my belief that the McGraw-Hill data on plant and equipment expenditures indicate that this key segment of the economy will continue to expand this year. If plans hold up for the year as a whole, then the quarterly rate of capital expenditures may be expected to reach $39 billion in the fourth quarter, compared with a rate of about $37 billion in the second quarter.

EUROPEAN SITUATION NOT APPLICABLE

There is one more reference which has to do with McGraw-Hill, although it is on a slightly different point. It is constantly argued that we have to compete with European firms. We can answer that argument on several levels. But when Mr. Greenwald was asked about it and when he was asked whether their gross national product is expanding more rapidly and whether their plant is more efficient, he had this to say:

> If you have a high rate of growth in terms of investment relative to GNP, you grow faster. I think this is fine in many areas of the world, but I don't think this applies to us any more. I think we have a great record of growth in the past and we are the richest nation in the world.

Mr. Katona, an eminent professor of economics at the University of Michigan, had this to say on the same subject:

> I have just come from a study of the Common Market countries. It is very true that in the first 10 years after World War II, which is roughly 1947 to 1957 because of the previous desolation, they have spent very much more on business investment than we. The trend is downward. The new impetus in the Common Market countries comes from consumers, enormous increase in installment credit and automobiles, consumer housing, and consumer equipment. On the whole, the Common Market countries are Americanizing rapidly and that will show up in lesser business investments, more resembling our rates, and more consumer tangible investment expenditures as well. So if you look at the trend which foreshadows the future rather than the past facts will, I believe, diminish.

I have been reading from McGraw-Hill and from the kind of distilled statistics which come from its surveys and its studies in the past.

At this point I should like to refer to the statements made by a group of very competent business executives—a group of experts in the paper industry—Henry P. Baldwin, vice president, Consolidated Water Power & Paper Co.; Alexander Calder Jr., president, Union Bag-Camp Paper Corp.; William H. Chisholm, president, Oxford Paper Co.; J. E. Cowles, treasurer, St. Regis Paper Co.; William A. Hanway, secretary, International Paper Co.; William R. Haselton, vice president, general manager, Tacoma area, St. Regis Paper Co.; Harold Holden, president, Gilman Paper Co.; J. B. Lockhart Jr., vice president and controller, Riegel Paper Corp.; Guy E. McCorison, board chairman, Thilmany Pulp & Paper Co.; and A. G. Paine, president, New York & Pennsylvania Co., Inc.

They were asked:

> Question. What is your opinion of the Kennedy administration incentive proposal to let business subtract from its taxes 7 or 8 percent of what it spends on new installations or more up-to-date equipment?

Here is the reply:

> Consensus. Almost to a man, each member of the panel opposed this proposal, and most of them were vehement in their reaction.

Mr. President, why do they do that? Why in the world do those businessmen oppose a tax credit which would put money in the pockets of their firms and would enable them to have higher dividends and would put them in a better cash position and would increase their income after taxes?

Here is one of the answers:

> I don't feel the Government has a right to levy selective taxes or show favoritism to people who work along the lines they [the Government leaders] want. While the right to tax implies the right to destroy, it should never imply the right to dictate what should be done, as this does.

The next one said:

> Wonderful, isn't it. After we have gone through a multimillion-dollar expansion and there already is overcapacity. Someone who will jump through the hoop gets it, but we don't benefit after all we have spent. This is favoritism.

The next one said:

> A shoddy solution. A sort of a one-shot patch. Sort of a forgiveness, but not really changing the unfair depreciation rate. Probably OK to get textiles out of a hole.

The next one answered:

> This is not a proper amendment to the tax law. Incentive is not a proper part of the tax law. Only valuable to some small companies. We are told we have reached our expansion capacity. So what? A new company gets more out of this. The 7 or 8 percent would not be meaningful. The controllers' association is against investment credit incentives.

The next one answered:

> An arbitrary credit designed to compensate for something wrong with the overall tax structure—the unrealistic depreciation policy. The 7 or 8 percent could easily be changed and therefore, even if it were a good solution, it would not necessarily be a permanent one. What's needed is a fair and realistic policy for years to come.

The next one answered:

> Another gimmick. Won't solve the basic problem. Qualifications accompanying this gimmick are unrealistic—a common result of most gimmicks. Will not stimulate greater investment in the heavy goods industries, where unemployment is greatest. I fear it will delay further action on the basic problem.

Another one answered:

> Harmful in the long run to the general economy. Basically, tax policy should follow sound business policy. Any reduction in taxes should be made through the basic tax rate. We take this position even though our company might benefit during the first year under the proposed law.

The next one answered:

> The allowance of accelerated depreciation in 1954 was to an extent more logical than the proposed credit, in that it tended to compensate for unduly long lives imposed on some corporate taxpayers by Bulletin F of the Internal Revenue Service. Here again we believe a better approach is to follow sound business policies throughout the tax law and to reduce tax rates commensurately. We see no sound reason for writing off an extra amount of an asset in the first year of its useful.

The final one answered:

> I say, also, it is a gimmick. Nearly every industry already has too much production. Why ask them to increase capacity when they can't sell it?

Mr. President, these are hardheaded, tough-minded businessmen—businessmen who make the decisions on plant and equipment. This is their reaction; and it is typical of the position taken by the Chamber of Commerce of the United States, by the Junior Chamber of Commerce, by the National Association of Manufacturers, and by a number of industry groups. They are uniformly agreed that this will not work and that they do not like it.

So why on earth should we insist on forcing on them a tax cut which they do not want, when there are so many in America who would like to have a tax cut if they could get it, and when there are many who would like to have investments in their particular area—for instance, in the public utilities—increase.

Mr. President, it is argued that, somehow, we must put ourselves on a basis of competitive equality with European business and also on a basis of taxation equality with European business.

Together with the distinguished junior Senator from Tennessee [Mr. GORE], I completely and thoroughly disassociate myself from that view. I think it is a really "phony" argument. It is the argument which those of us who served in State legislatures used to hear, and it is the same argument which I used to hear when I was Democratic nominee for Governor of Wisconsin. At that time it was argued that Wisconsin had to have what Illinois had. Wisconsin had an income tax, but no sales tax, whereas Illinois had a sales tax but no income tax. So it was argued that Wisconsin should do away with its income tax, and should institute a sales tax.

Wisconsin did not lose industry overall, although Wisconsin had an income tax, progressive taxation, one of the most progressive tax systems in the country, and Michigan which had no income tax and a sales tax did lose industry by the bushel basket. It did not work in the States. If it were to work anywhere, it would work there, where interstate industry competition and trade is so much more dominant than it is between nations. But we are getting the same old argument with relation to our tax structure at home and tax structure abroad.

The Secretary of the Treasury, when he was asked what countries had investment credit, said only Belgium, Holland, and the United Kingdom. There is no question that we can compete with the United Kingdom effectively. Incidentally, that is the only country whose gross national product has been growing at a slower rate than ours, and it has a big investment credit. As far as Belgium and Holland are concerned, it is ridiculous and fantastic to compare the productivity of the United States of America with a country the size of Belgium or Holland. If one were to compare it with that of Germany or France, there would be some basis of comparison, but not very much more.

In view of the fact that our entire foreign trade amounts to less than 5 percent of our gross national product, to base our tax system—and that is what the argument has been on this question—on what our competition is going to be with Belgium, Holland, England, France, and Germany is ridiculous.

An article on page 52 of the August 25, 1962, issue of Business Week, which is the most recent issue, shows that the tax burden in the United States, as a percentage of gross national product, is in the middle of a list of nations. It is interesting to note that while in this country it is higher than in Spain, Switzerland, Portugal, Japan, Greece, Australia, Ireland, Belgium, Canada, and Denmark, it is lower than it is in Great Britain, the Netherlands, Italy, Sweden, Luxembourg, Norway, Finland, Austria, France, and West Germany.

The highest burden is in the country that is growing the fastest, West Germany, the country that is always held up as a model of progressive free enterprise capitalism. There the percentage of National, State, and local taxes in 1959 to gross national products was 34 percent. In this country it was 26.7 percent, far, far less.

I wish to quote from page 52 of that article in Business Week:

> If you're rich, you might be able to hold onto more of your wealth under European income tax treatment than under the U.S. system. But if you're making under $50,000 or so and trying to become a capitalist, you doubtless have a better chance of doing it in the United States than in most European countries. Economically, this situation may make Europe more favorable to development of venture capital, but it also may be the reason the United States gets a much greater flow of funds from middle-income earners into the capital markets.

In other words, our system makes the man who has a good income, but not a great income, not in excess of $50,000, far better off than he is in Europe.

I continue to read from the article:

> Apart from the income tax, European governments also tend to favor the man with money by a heavy reliance on indirect taxes such as those on retail sales. This shifts much of the tax burden onto middle- and low-income groups who spend relatively more of their income. In some countries, particularly France and Italy, it offsets the relatively lighter taxation of personal and corporate income.
>
> For the economy as a whole, the sizable indirect taxes sometimes are rejiggered to encourage or discourage consumer spending. But a high level of indirect taxes weakens the automatic stabilization effect of government budgets, by which a business upswing brings in more revenue—tending to balance the economic cycle. A weaker stabilizer may be good in a recovery, since America's high tax rates tend to choke off a recovery too early. But in a downturn, a weak stabilizer is not desirable.

In other words, we not only have a lesser tax burden on the overwhelming majority of our citizens, but we also have a far sounder tax system from an economic standpoint, a tax system which is much more stable. It tends to prevent expansion from proceeding quite as rapidly, and, at the same time, it tends to prevent inflation. As Business Week points out, our tax system prevents a downturn from accelerating, and prevents a recession from getting very bad.

This article also discusses something to which I have already adverted:

> Ancient rule forgotten. Some 2,000 years ago a Hindu law book known as the Code of

Manu laid down an oft-repeated rule of thumb on tax burdens: "A king who in times of distress taxes even the fourth part of the crops is free from guilt if he protects his subjects to the best of his ability."

That is the notion that if more than one-quarter of income is taken in taxes something may be amiss.

I continue to read:

This is indicated by the chart on this page, which shows the share of GNP taken by total tax collections—Federal, State, and local, including social security charges—in 21 nations. Starting with the U.S. at 26 percent and running up to West Germany's 34 percent, nearly all the Western industrialized nations exceed the old rule-of-thumb limit.

But, so far as the Western industrialized nations are concerned, our taxes are less burdensome than most, not more.

I continue to read from the article:

But the way the load is spread is perhaps more important than its size. The pattern of tax collections (national, State, local, and social security) in the table on page 54 indicates some of the variations in structure. Admittedly, this is not a true picture of tax incidence, which would take into account the unknown degree to which various business taxes are shifted to consumers. But collections at least show who foots the bill in the first instance, and perhaps where the intentions of government lie.

Rather surprisingly, U.S. corporations shoulder a smaller share of this Nation's total burden than do—

Let me repeat that:

Rather surprisingly, U.S. corporations shoulder a smaller share of the Nation's total burden than do those in Germany, France, Belgium, and Holland. Britain is the only major European nation in which corporations carry a lighter load than U.S. companies. Most of the countries that place a substantially lighter burden on business are small, like Switzerland, and, ironically, include such Socialist lands as Denmark and Sweden.

I ask unanimous consent that the table showing the tax burden, share of gross national product taken by National, State, and local taxes, in 1959, the data coming from the United Nations, Yearbook of National Accounts Statistics; United Nations Statistical Yearbook; U.S. Treasury, be printed at this point in the RECORD.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

The tax burden: Share of GNP taken by National, State, and local taxes, 1959

	Percent
West Germany	34.0
France	33.3
Austria	33.1
Finland	32.1
Norway	31.8
Luxembourg (1958)	30.0
Sweden	29.7
Italy	29.2
Netherlands	29.1
Britain	28.9
United States	26.7
Denmark (estimated)	24.5
Canada	24.3
Belgium	23.1
Ireland	22.2
Australia	22.0
Greece	20.1
Japan	19.0
Portugal	18.2
Switzerland	14.4
Spain (1957)	13.4

Data: United Nations, Yearbook of National Accounts Statistics; United Nations Statistical Yearbook; U.S. Treasury.

Mr. PROXMIRE. Mr. President, I also ask unanimous consent to have printed in the RECORD a table showing how the tax burden is spread, country by country, including Sweden, Denmark, the Netherlands, Austria, Britain, West Germany, Belgium, France, Portugal, Spain, Ireland, and the United States.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

How the tax burden is spread—Country by country [1]

	Percentage of total tax collections at all levels of government by source, 1958						
	Direct taxes on income, wealth, payroll						Indirect taxes (excise, sales, etc.) on individuals and corporations
	Individuals			Corporations			
	Income, wealth taxes	Social security charges	Total	Income, wealth taxes	Social security charges	Total	
Sweden	46	7	53	11	3	14	33
Denmark	43	5	48	6	--------	6	46
Netherlands	31	7	38	10	19	29	33
Austria	30	7	37	7	15	22	41
Britain	26	7	33	15	6	21	46
West Germany	18	15	33	10	14	24	43
Belgium	21	9	30	9	19	28	42
France	11	6	17	7	23	30	53
Portugal	10	6	16	21	15	36	48
Spain	10	5	15	17	14	31	54
Ireland	12	2	14	9	3	12	74
European average	23	7	30	7	11	23	47
United States	35	6	41	16	8	24	35

[1] For all countries, 1958 is most recent year of breakdown on social security charges.

NOTE.—Similar breakdown on Italy is not available, but ratio averages 48.5 percent from indirect; 16 percent direct taxes on corporations and individuals; 29 percent in social security charges on business; 6.5 percent in social security charges on individuals.

Data: National Institute Economic Review, Britain.

Mr. PROXMIRE. Mr. President, I also ask unanimous consent that the text of the article "How Taxes Compare," from the August 25 issue of Business Week, be printed at this point in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

HOW TAXES COMPARE

If you're rich, you might be able to hold onto more of your wealth under European income-tax treatment than under the U.S. system. But if you're making under $50,000 or so and trying to become a capitalist, you doubtless have a better chance of doing it in the United States than in most European countries. Economically, this situation may make Europe more favorable to development of venture capital, but it also may be the reason the United States gets a much greater flow of funds from middle-income earners into the capital markets.

Apart from the income tax, European governments also tend to favor the man with money by a heavy reliance on indirect taxes, such as those on retail sales. This shifts much of the tax burden onto middle- and low-income groups who spend relatively more of their income. In some countries, particularly France and Italy, it offsets the relatively lighter taxation of personal and corporate income.

For the economy as a whole, the sizable indirect taxes sometimes are rejiggered to encourage or discourage consumer spending. But a high level of indirect taxes weakens the automatic stabilization effect of government budgets, by which a business upswing brings in more revenue—tending to balance the economic cycle. A weaker stabilizer may be good in a recovery, since America's high tax rates tend to choke off a recovery too early. But in a downturn, a weak stabilizer is not desirable.

ANCIENT RULE FORGOTTEN

Some 2,000 years ago, a Hindu lawbook known as the Code of Manu laid down an oft-repeated rule of thumb on tax burdens: "A king who in times of distress taxes even the fourth part of the crops is free from guilt if he protects his subjects to the best of his ability."

By this standard, few mature nations today are free from guilt. This is indicated by the chart on this page, which shows the share of GNP taken by total tax collections—Federal, State, and local, including social security charges—in 21 nations. Starting with the United States at 26 percent and running up to West Germany's 34 percent, nearly all the Western industrialized nations exceed the old rule-of-thumb limit.

DIVIDING THE LOAD

But the way the load spread is perhaps more important than its size. The pattern of tax collections (National, State, local, and social security) in the table on page 54 indicates some of the variations in structure. Admittedly, this is not a true picture of tax incidence, which would take into account the unknown degree to which various business taxes are shifted to consumers. But collections at least show who foots the bill in the first instance, and perhaps where the intentions of governments lie.

Rather surprisingly, U.S. corporations shoulder a smaller share of this Nation's total burden than do those in Germany, France, Belgium, and Holland. Britain is the only major European nation in which corporations carry a lighter load than U.S. companies. Most of the countries that place a substantially lighter burden on business are small, like Switzerland, and ironically, include such Socialist lands as Denmark and Sweden (Business Week, July 14, 1962, p. 72).

STEEL STUDY

One industry where this question has been studied is steel. Total taxes as a percent of sales in 1960 for steel companies in several countries were compiled recently by the International Metalworkers at Geneva. For U.S. steel producers, taxes were 7.7 percent of sales; in France, 11.5 percent; in West Germany, 7 percent; in Belgium, 7.3 percent; in Britain, 5.5 percent; and in Sweden, 4.4 percent.

In light of the considerably more favorable treatment of corporate profits taxation—as compared with the United States—it is surprising to find a similar, or heavier, tax burden in Germany, Belgium, and France. This is only one industry, of course, but three farflung U.S. companies in other industries, too, report there's "some doubt" that the total burden on their several European subsidiaries is much different from the burden on their U.S. companies.

But even if the load, company for company, is about the same, the form taken by these other taxes can have different effects.

OFFSETTING FACTOR

Payroll taxes, for one, may largely offset lower income taxes on business in many countries. In France, Germany, Belgium, Holland, and Italy, most of the direct revenue collections from corporations come from social security contributions and other payroll taxes.

French employers pay social security and other compulsory charges, such as housing allowances, averaging 44.5 percent of their payrolls—and sometimes it runs to 50 percent. Italian employers pay an average 47.8 percent of their wage bill in social security. German employers are better off, but still face payroll charges of about 16 percent. In the United States, the average is only 4.5 percent.

Even if wages are lower in Europe than in the United States, these enormous payroll charges are a considerable incentive to modernize plants to minimize labor costs. Britain, whose industry bears a social security burden closer to that of U.S. industry, has been keenly aware of this incentive on the Continent. In fact, Britain enacted a payroll tax last year, partly to discourage adding workers in boom times—which strains an already short labor supply. But trade union opposition to the tax was so strong that it has never been applied—and there's talk of repealing it.

TURNOVER TAX

Indirect taxes, too, offset the lighter profits tax in some countries. This is particularly true of the French production tax—a tax on the value added by a manufacturer. Basically, the "TVA," as it's called, is a turnover tax that is noncumulative—in contrast to a general sales tax whose total effect is multiplied as it is added on at each stage from raw material to retail customer. In effect, the French manufacturer subtracts the value of all his purchases of materials from the value of his own sales and applies the tax to the difference.

For the company that cannot pass it on, it's a sizable tax bite. The current rate is close to 20 percent, but because it is included in a company's sales figures, it is in effect a tax of close to 25 percent. But economists contend that in most cases the TVA is shifted to the buyer in the form of higher prices. Moreover, it is deductible for income-tax purposes, and it's even included in the value of depreciable assets. Thus, its real burden on profits is unknown.

For the French Government, the TVA yields as much, and sometimes more, than both personal and corporate income taxes combined. Partly because of this, and also because of its noncumulative effect, it's being considered for eventual adoption by all Common Market countries in lieu of other types of indirect taxes.

EVASION PREVENTIVE

The heavy reliance on indirect taxes in France, as well as in Italy and other Latin countries, has developed not so much from the economic merits of this type of tax as from its collectability. Tax evasion is notorious in these nations—and to some extent it must distort the picture of the real burden on business. Corporations are known to keep separate books for the tax collector, and the tax bill is often negotiated. Unincorporated businesses often show no books at all, and taxes are sometimes assessed on the basis of floor space, number of machines, and other indirect signs of financial status.

In personal taxation, too, evasion of income taxes has forced a heavy reliance on indirect taxes. Because of inaccurate reporting by taxpayers, income taxes in France and Italy are often assessed according to the outward signs of wealth. The French taxpayer, for instance, must declare the number of rooms in his house, the number of horsepower in his car, and whether he has a maid, a pet, or a piano. If his income seems out of line with these indexes, it can bring the assessor down on his head.

CONSUMER TAXES

In Britain, the burden of indirect taxation falls on the consumer through the purchase tax, which can go as high as 50 percent on autos and other durables. The Government has the authority to move the rates up or down by 10 percent to aid in leveling off the business cycle. Rates vary widely by commodities, but they average out at about 20 percent across-the-board. A move is under way now to cut top rates and raise the lower rates gradually to bring the purchase tax to a single rate of about 20 percent. This, however, might lessen the influence of changes in the tax on consumer spending.

Business circles in Britain, mainly sparked by the powerful Federation of British Industries, are eying the use of indirect taxation on the Continent, particularly the French system. A recent FBI report suggested that the Government consider shifting some of the burden of business taxation from a direct to an indirect basis.

The export incentive aspect of indirect taxation particularly has perked the ears of Britons. The French for instance, exempt export sales from the sizable TVA. The Germans have a turnover tax, payable on all domestic sales, including intercompany sales, of 4 percent. Because its effect is compounded, the German manufacturer gets a rebate of 6 percent on his export sales, and this may be more than he has actually paid in turnover taxes.

LOCAL LEVIES

Thus, the total tax burden on European industry on the national level counts many taxes whose effect are different from direct income taxation. But other taxes have the same effect. In Sweden, companies pay a deductible local income tax of 14 percent in addition to the 40 percent corporate rate imposed by the National Government. This, in effect, raises the corporate rate to 48 percent. Germany also has a deductible municipal profits tax that goes as high as 15 percent.

In another way, leading European countries favor capital by greatly reducing double taxation on corporate dividends and profits. A stockholder gets a tax credit of 24 percent for dividends in France and 38.75 percent in Britain. In the United States the deduction is only 4 percent.

Germany taxes a corporation on its distributed profits at the rate of 15 percent, compared to the rate of 51 percent on undistributed profits—similar to a system tried in the United States in the late 1930's. Although this is a definite incentive to distribution it doesn't lower the corporate tax burden as much as the difference in rates would suggest. Because local profits taxes and capital assets taxes limit the amount available for distribution, a company ends up with a total direct tax bill of 65 percent even if it distributes 40 percent of those profits that are available for dividends.

UNITED STATES WINNING TRADE COMPETITION

Mr. PROXMIRE. Mr. President, we hear over and over again that we are doing a less than adequate job in competing with other countries in trade.

For this reason, it is said, we suffer an unfortunate balance-of-payments situation. This is not true. I have said this before, and now I am going to document it with figures from the record.

I have before me a U.S. Department of Commerce survey of current business. The table shows that business in the first half of 1962, seasonally adjusted and raised to the annual rate, was the best ever in the history of this Nation. Commercial exports were $18.1 billion.

If American business is not able to compete, if American plants are inefficient and cannot do an adequate job, how can anyone explain the fact that the United States is doing so well? More is being sold abroad than ever before, and this is exclusive of Government aid financed exports. It does not include military equipment. It does not include foreign aid. It does not include Public Law 480 shipments. It refers only to commercial exports.

Imports also have risen during this period of time, but exports have risen more rapidly. In other words, not only are our exports increasing at a healthy and rapid rate, but also they are increasing more rapidly than imports are increasing. So, on the basis of the only objective facts available, we are doing a better job than ever before.

There is a highly favorable balance of trade. There is no question about it. The favorable balance of trade can be divorced from and separated from the additional advantage we get from our foreign aid program, in addition to our favorable balance of trade.

It is true that we have an unfavorable balance of payments. That is the result of two things.

First, this results because we have a large military outlay, an economic grant, loan, and foreign aid program, and troops stationed abroad. The cost of that program to our balance of payments amounted to $5.2 billion in the first half of 1962, at an annual rate and seasonally adjusted.

In addition, we suffer from an outflow of capital. Businessmen are investing abroad. That is a very good thing. I wish businessmen could invest so much that we could sharply reduce foreign aid. This is a kind of private foreign aid. When private capital is sent abroad it performs the same function as is performed when we provide a Government loan. The difference is that the private loan has the discipline of the profit motive, and there is a very great likelihood that it will be repaid in hard currency, and also there is a great advantage in the fact that it costs the taxpayers nothing. Also, it is a very healthy thing for the economies abroad.

This kind of aid is rapidly replacing foreign aid, such as we have provided in years past to Europe. It cannot do the job, of course, for the underdeveloped countries.

Nevertheless, this is the reason—whether it be private aid or public aid—

for our adverse balance of payments. The adverse balance of payments itself has been diminishing.

Any argument that we face an internal situation in this country which results in our factories being so inefficient that in order to get their costs down we must give them a subsidy, a special "gimmick," a special tax reduction so that they can buy new equipment, is not corroborated by the facts.

I ask unanimous consent that the table from the Survey of Current Business entitled "U.S. Balance of Payments, 1958–62" be printed in the RECORD at this point.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

U.S. balance of payments, 1958–62

[In billions of dollars]

	1958–60 average	1961		1962, 1st half[1]
		Full year	2d half[1]	
Commercial exports	17.4	17.7	17.8	18.1
Government aid-financed exports[2]		2.2	2.4	2.6
Imports	−14.3	−14.5	−15.5	−15.9
Surplus on trade	3.1	5.4	4.7	4.8
Services rendered	7.0	7.7	7.8	8.2
Services received[3]	−5.9	−6.3	−6.5	6.5
Surplus on services	1.1	1.4	1.3	1.7
Surplus on trade and services	4.2	6.8	6.0	−6.5
Military outlays[4]	−2.9	−2.5	−2.4	−2.0
Economic grants	−1.6	−1.9	−4.0	−3.2
Loans[5]	−.8	−.9		
Total Government outlays	−5.3	−5.3	−6.4	−5.2
Private long-term capital:				
Inflow	.3	.6	.1	.3
Outflow	−2.4	−2.5	−2.8	−2.5
Net	−2.1	−1.9	−2.7	−2.2
Total Government outlays and private long-term capital	−7.4	−7.2	−9.1	−7.4
Basic deficit	3.2	.4	3.0	.9
Private short-term capital:				
Recorded outflow	−.6	−1.5	−1.2	−.8
Errors and omissions	.1	−.6	−.4	.5
Net	−.5	−2.1	−1.6	−.3
Overall deficit	3.7	2.5	4.6	1.2

[1] Seasonally adjusted, raised to annual rate.
[2] Excluding shipments under military aid programs.
[3] Including private remittances and Government pensions.
[4] Net of sales of military equipment.
[5] Net of repayments.

NOTE.—Details may not add to totals because of rounding.

Source: U.S. Department of Commerce, Survey of Current Business. Figures for the 1st half of 1962 are educated guesses based on preliminary and incomplete data.

NEED MORE CONSUMER PURCHASING POWER

Mr. PROXMIRE. Mr. President, Dr. Otto Eckstein, a witness before the Joint Economic Committee recently pointed to our real need. He said:

> We have already had a liberalization of depreciation allowances which will save business about $2 billion a year.

That was the recent revision of schedule F by the Secretary of the Treasury. Continuing—

> The investment credit which may be enacted in this session would add at least another billion-plus to business tax relief.
>
> Thus, these two measures alone would reduce corporation income tax payments by $3 to $4 billion, thereby increasing the supply of investible funds. If further substantial relief is given in business taxation, while at the same time lack of growth of consumer purchasing power keeps the demand for final products relatively low, there is little chance that the additional savings being made available will in fact be invested.

That is a masterpiece of understatement, when one recognizes the fact that even before we made the depreciation schedules available, let alone the investment credit, business was not coming close to using its cash earnings. As has been pointed out, there has rarely been a situation, as far back as we can go, in which the ratio of plant and equipment investment to cash earnings has been as low as it is now.

Dr. Eckstein proceeded to say:

> Thus, a tax cut which only adds to savings may very well do more harm than good in dealing with the central economic problem of our day, which is the shortfall of demand below potential supply.

That sentence from Dr. Eckstein is mighty significant.

> A tax cut which only adds to savings may very well do more harm than good in dealing with the central economic problem of our day, which is the shortfall of demand below potential supply.

Where will the tax cut for business go, when businessmen say they do not want it and will not use it, other than into savings? That is where it will go.

A.T. & T. is to get a $75 million tax cut, which it does not want. A.T. & T. representatives testified before the Finance Committee against this proposal. That money will go into savings, because they will not use it. They will not increase their investment by $1 because of it.

Dr. Eckstein says that this may very well do more harm than good.

> On the other side, increased international competition and the need for high long-term growth to meet our obligations requires us to take some additional steps toward raising the fraction of GNP which is invested.

The statistics which we have placed in the RECORD take care of the latter part of Dr. Eckstein's argument, I think.

NO REAL PRECEDENT FOR INVESTMENT CREDIT

The testimony by Secretary Dillon, who was the principal witness in favor of the bill, is really the cornerstone on which this provision is based. Secretary Dillon said:

> This method of investment stimulation is presently in use in the United Kingdom, Belgium, and the Netherlands and is in the process of being enacted by the Australian Parliament. It is a tried and proven approach.

Again, I point out that there could not be a more unfortunate example. The only countries in the world, apparently, which have the investment credit are the United Kingdom, Belgium, and the Netherlands.

The United Kingdom has a slower rate of growth than ours, the slowest of any industrialized country in the world. The United Kingdom has not increased its growth. It has not improved its ability to trade. It has not increased efficiency. It is the only industrialized country of the world with a record of growth worse than ours.

What are the other countries? Belgium and Holland have this provision. To compare the economy of the United States of America with the economies of Belgium and Holland is like comparing a Cadillac with a "kiddy-car" or with a tricycle. There is no comparison. Belgium and Holland are fine countries, but they are little countries. They are very small countries.

They depend on foreign trade overwhelmingly. They have moved now into a brand new economic situation by joining the Common Market. The comparison there is obviously void.

Mr. Dillon said that the Australian Parliament is in the process of adopting it but it has not been adopted. So that could hardly be an effective test.

I suppose in Australia they are saying that the U.S. Congress is in the process of adopting investment credit. We may be. But certainly our experience cannot be used as an example of how it is likely to work.

Mr. Dillon went on to say that the investment credit will stimulate investment in industrial capacity.

If my very extensive and elaborate belaboring of the McGraw-Hill study today did nothing else, it established the fact that we are already performing a tremendous task of modernization of our plant and equipment, the biggest job we have ever done. Last year the figure was 68 percent; this year 70 percent. In the coming years at least 68 or 70 percent of all our investment will be for modernization.

The evidence is that in some industries it even will be higher. That is a remarkable performance. It is particularly remarkable in view of the further fact that the McGraw-Hill survey shows that we are investing a record amount—never as much overall.

As far as increasing the expansion of our industrial capacity is concerned, Mr. Dillon would have to agree that that would not do it. The only way we can increase the expansion of equipment is by increasing demand. Nobody is going to buy more equipment if he does not have a use or a market for it.

Whenever we have gotten advocates of investment credit to testify, they have conceded that the main thrust will not be on expansion but on modernization. But as the McGraw-Hill survey shows modernization is proceeding apace.

Mr. Dillon said that in the second place, it would strengthen our whole economy.

It cannot strengthen our whole economy. As Dr. Eckstein so well said, a tax cut that adds to savings will do more harm than good.

Mr. Dillon said that it would contribute to economic growth.

Obviously, if it is not going to be invested or will not result in additional expansion or modernization—and the testimony is overwhelming that it will not—it will not contribute to economic growth.

Mr. Dillon said that it would substantially increase the competitiveness of American products in markets at home and abroad. I think we have already answered that by pointing out the fact that we are already competing with the greatest effectiveness overseas. We have done so to such an extent that I think the problem is how we should increase the capacity of countries overseas so that they can rectify their balance of trade, and so that it will not be necessary for us to carry such a big share of the burden of our foreign aid program.

COLD EVIDENCE OF MARKETPLACE: AMERICA MORE EFFICIENT

Mr. Dillon went on to say:

> Our balance-of-payments positions, as well as our standard of living in the long run, can be improved or even maintained only if we can increase our efficiency and productivity at a rate at least equal to that of other leading industrialized nations.

That seems to be pretty much the cornerstone of Mr. Dillon's argument. We must be able to increase our productivity as rapidly as do countries abroad. Every survey and study shows that countries abroad have increased their productivity for a very obvious reason. They rebuilt their economies from scratch. They were in a position in which they had no buildings, factories, or equipment. The people had too few clothes. They had nothing. They have come a long way. Of course, in that process a country grows when it starts from scratch. The war-ravaged economies have been rebuilt. They are not completed yet. What is now happening in Europe is that they are going through an Americanization process. The Americanization process is to do what they can, as rapidly as possible, to get the same kind of standard of living there as we have here. That means further growth in their countries.

Whereas in our country 9 out of 10 homes have television, only about 2 out of 10 homes in Europe have television.

In our country 99 families out of 100 have refrigerators; less than half the homes in Europe have refrigerators. They have an enormous market and a great need for goods. That means they will grow, especially in view of the fact that they have high skills. They pay increasing wages. They suffer inflation of a much more serious kind than we do.

Under those circumstances it is not accurate or responsible to compare our rate of growth with that of countries abroad. It does not make sense, because we would compare entirely different things.

Unless we wish to make comparisons on the basis of which country is best able to trade in the world, I submit on the basis of statistics which I put in the RECORD showing our overwhelming balance of trade—even if we left out of account foreign aid and military troops abroad—there is real evidence of a strong balance of trade.

There is real evidence that we are competing very effectively and that we are more efficient than they. While there may be some plants which are newer than ours, because they started later, nevertheless, overall, we have a more productive and efficient economy than exists in Europe. I think we can keep it that way by relying on our market economy and by doing what a number of economists have stressed over and over again, which is to get a fuller utilization of our present plant.

The way to increase efficiency is to operate at the optimum rate. The reason we are less efficient is that plants abroad are operating at their maximum capacity. When a plant operates at 100 percent of capacity, its overhead is spread over a much larger volume of production. When we operate our plants at 85 percent of capacity or, as in the steel industry, at 50 or 60 percent of capacity at times, we must spread the overhead over a more limited volume, so the overhead is twice as great per unit at 50 percent of capacity as it is at 100 percent of capacity.

The way that we can reduce our unit cost is to get our rate of capacity of operations up. We do not get the rate of capacity of operations up by building a capacity that we do not need. That would drive us in the opposite direction.

Mr. Dillon went on to say:

> These nations have now largely achieved the conditions needed to attract massive investment in productive facilities—including external currency convertibility, price stability, and political stability—and they are providing effective tax incentives designed to accelerate investment and growth. We cannot, therefore, afford to stand by and do nothing, or put off affirmative action to a later day. We need to increase our investment in machinery and equipment now—delay can only place greater strains on our international payments position and put off the achievement of the rate of growth we must achieve if we are to meet our domestic and international commitments and provide jobs for our ever-increasing labor force.

That is really Alice in Wonderland. One would think from hearing Mr. Dillon testify that we had an unfavorable balance of trade instead of the extremely favorable balance of trade that I have already established.

Mr. Dillon went on to say:

> Machinery and equipment expenditures—the type of business capital expenditure which is basic to the creation of new products and which also makes the most direct contribution to cost-cutting, productivity, and efficiency—constitute a smaller percentage of the gross national product in the United States than in any major industrial nation of the world.

Of course, Mr. President. We are a service economy. We are a mature economy. We are not still building our factories. We are not equipping our factories from scratch. We are an economy, as Dr. Katona pointed out, in which we are consumer oriented. We are producing for the consumer. That is the reason.

Of course, it is also true that we have a much greater absolute investment in a per capita sense and on any other basis than any of these other countries. We have greater absolute investment in plant and equipment than they. Theirs are poor economies.

The point I should like to make is that this investment credit does not encourage investment in equipment alone. This provides credit for any depreciable asset including martini mixers, glass table tops, escalators, and almost anything one can think of.

Mr. Dillon goes on to say:

> Recent studies indicate a close correlation between the ratio of investment in productive equipment to GNP and the rate of economic growth. In view of the relatively small proportion of GNP that has been allocated to investment in machinery and equipment in the United States, it is not surprising to find that the average annual rate of growth (in constant prices) experienced in the United States in the decade of the fifties was only 3 percent, compared with more than 7 percent for West Germany, and with a range of 4 to 6 percent for most other industrial countries of Western Europe.

Mr. President, the answer is that we have far greater investment than exists abroad. We have a much greater economy, much more expansive demand for all goods, and a much greater production of all goods than they. We have had an increase in our gross national product of $50 billion over a period of 18 months. This is an increase of 10 percent. If the British, German, French, and Italian economies grew by $50 billion, it would be an increase of perhaps 50 percent or 60 percent or 70 percent. We are growing much more rapidly than they are. Our rate is less because our base is far greater. Only one of the countries mentioned by Mr. Dillon has an investment credit, and that is the United Kingdom, and that country grew less rapidly than we did.

Mr. Dillon goes on to say:

> We cannot hope to achieve the increased rate of capital formation necessary to more rapid economic growth and full employment unless we bring our tax treatment of capital investment into line with the standards which our European competitors have used so successfully, over the past decade.

This country is far more efficient, far more productive, than the European countries. They have grown because they have grown from a smaller base. Economists who come before our Joint Economic Committee from Italy, England, and Switzerland say they come to a country which is the most greatly admired, which has an industrial efficiency that far surpasses theirs. They admit it.

For us to have to key our tax policies to the policies of Europe, in view of our great record, is almost insulting, as well as being extraordinarily regressive, because the fact is that in Europe the tax burden is overwhelmingly on the little man, and the man with big income, especially the man with an income of more than $50,000, is far less heavily taxed, and has many more loopholes available to him. I do not see that there is any basis, based on the record, for us to change our economy and model it after European economies in view of the overall record of the United States of America as compared with the economies abroad.

WHY SHOULD AMERICA MATCH INEQUITABLE FOREIGN TAX PROVISIONS?

Mr. Dillon goes on to say:

> The revised depreciation guidelines, to be announced in late spring of this year, will constitute the first really major change in the administration of depreciation since the

> early 1930's. The establishment of a modern depreciation system which takes account of the current faster tempo of obsolescence will help to stimulate investment in this country. But I must emphasize the shortening of depreciable lives to a fully realistic basis will not bring American industry abreast of its foreign competitors. For all the other major industrialized nations of the free world provide for either the use of unrealistically short lives for depreciation purposes, a practice which distorts income and cost statements, or for special initial allowances or investment allowances which supplement regular depreciation charges, or for a combination of two or more of these incentives.

This is very discouraging reading, to have the Secretary of the Treasury say that because Europeans have very unsound and inferior and inequitable situation at the present time, we ought to do the same thing.

What he did in changing our depreciation schedules was good and praiseworthy, in providing that our depreciation shall be as realistic as it can be, with just as short a life as business can establish for every item of equipment. To say that we should do more than this, does not make sense. It is morally wrong to permit a company or a person to depreciate more than 100 percent. That this is wrong is exactly the position taken by Senator BYRD and Senator WILLIAMS of Delaware, in the hearings of the Senate Finance Committee. These men have been conservatives and have fought hard throughout the years for conservative principles. They understand business and are supported by American business. They know that this kind of provision is wrong, because they are men who believe in morality and recognize that it does not make any sense to permit people to depreciate more than 100 percent, to get back more then they put in. This is a clear subsidy.

Secretary Dillon also said:

> It is essential to our competitive position in markets, both here, at home, and abroad, that American industry be put on the same basis as foreign industry. Unless this is done, increased imports and decreased exports will unnecessarily add to the burden of our balance-of-payment deficit.

The whole case is built around the notion that because other countries provide an unjust break for their business people, we must do exactly the same thing. As I said earlier, exactly the same argument is made in every State of the Union before every State legislature. It is the old Gresham's law that prods legislatures to a regressive tax system, because that is the way business likes it.

In this case, apparently, someone in the Treasury thinks we should push business in that direction, even though business does not like it, but that does not make sense. This cannot be justified on the basis of our balance of trade, because it is favorable, and not unfavorable.

FACTS FLATLY CONTRADICT DILLON ON NEED FOR CASH

Mr. Dillon says:

> An increase of this magnitude will provide a major stimulus to business firms to replace older, less efficient machinery and equipment, and, in the process, incorporate the most recent technological developments into productive facilities. Investment decisions are influenced as well by the availability of funds. Since the credit will increase the flow of cash available for investment, it will stimulate investment through this effect as well as through its effect on profitability. The increased cash flow will be particularly important for new and smaller firms, which do not have ready access to the capital markets and whose growth is often restrained by a lack of capital funds.

We have already documented that right up to the hilt. We have shown that there is no dearth of capital funds, that cash earnings are more than sufficient, and that there is a surplus of cash funds.

We have rarely, if ever, in our history had a situation in which there was such a small amount of investment in equipment and plant in relationship to cash earnings available. The responses to the McGraw-Hill survey show there will be resort to capital markets to the extent of only 1 percent of the need for investment in plant and equipment.

Mr. Dillon goes on to say:

> Another interesting comparison may be made, one that should intrigue those who favor a low-interest rate as a primary investment stimulus. An 8-percent investment credit reduces the gross financing costs of a 10-year asset as much as would a reduction of the interest rate from 5 to 3⅓ percent, for a 15-year asset from 5 to 3⅔ percent. But the credit does not entail the balance of payments and other difficulties that would accompany a concerted effort to bring long-term interest rates down by such a large extent.

As I stated earlier, when I discussed this subject about 3 o'clock this afternoon, all the scholarly studies show that interest differentials have little effect on the balance of payments.

But to get back to his point, while it is true that this might have a greater effect so far as business being able to borrow is concerned, the overwhelming experience is that interest rates have almost no effect on business investment in plant and equipment.

The classic experience was from 1955 to 1957. In that period, the Federal Reserve Board followed a policy of very tight interest rates. The discount rate was increased and open market operations were pursued to drive interest rates up. Tight money conditions existed for about 3 years. Conditions were so tight that the homebuilding industry took a very serious beating, and the number of housing starts dropped precipitously below a million starts a year.

The important point was that that was a period of high and rising interest rates. Yet it was the best period, from the standpoint of investment in plant and equipment, that this country has ever had. So the analogy that the Secretary of the Treasury makes does not bear out the idea that either interest rates or a tax credit will be decisive factors in determining whether businessmen will make investments in plant and equipment. Such investments will be made based largely on cost and whether the businessman has a market sufficient to persuade him that he can make such an investment and make a profit.

I continue reading:

M'GRAW HILL REFUSES DILLON ON MODERNIZATION

> The American economy now is much in need of modernization of its capital equipment which, in the technological environment of the 1960's, requires an increase in the ratio of capital to output. One of the important means of achieving a higher rate of economic growth lies precisely in increasing this ratio, and a direct approach to investment incentives is needed to accomplish this.

Unfortunately, Mr. Dillon does not prove this. The McGraw-Hill survey states exactly the opposite. McGraw-Hill shows that we have a record investment in equipment. Never was it so big. It will be bigger next year, and bigger the year after. Most of it is going into modernization. But this fact the Secretary of the Treasury chooses to ignore.

DILLON RIGHT IN OPPOSING 3-PERCENT UTILITY CREDIT STILL IN BILL

Mr. Dillon continues:

> H.R. 10650 provides a partial credit of 3 percent with respect to otherwise qualified outlays by regulated public utilities such as electric power, gas, and telephone companies. The full credit is allowed transportation companies which do not enjoy the monopoly privileges of the other utilities and whose rates are not regulated in a manner designed to permit a specific rate of return for each company. The full credit is also allowed to gas pipelines.

Of course, this is ridiculous. Providing a 3-percent credit for utilities is an absolute waste of money. The Secretary of the Treasury knows it, and he testified to that effect. He is against this proposal. He testified against it, and he submitted excellent documentation, which I shall place in the RECORD shortly, which establishes why providing an incentive for utilities does not stand up.

Finally Mr. Dillon says:

> Far from adding to the forces responsible for alternative recessions and recoveries, it will be of major assistance in strengthening our present recovery and enabling us to attain a higher rate of growth and sustained full employment.

There is no corroboration of this. It is merely an assertion; but it does not stand up against the very careful analysis, which I made earlier, showing that the effect would be supercyclical. It cannot be anything else. It is sure to have that effect. Certainly in a period of expanding business conditions, when profits are good, firms will be more likely to use investment credit, because they can then reduce their tax liability.

In these times of large inventory, when the Government is anxious to do all it can do to reduce the pressure on limited resources, there will be every temptation and every reason for a firm to buy equipment so as to be able to reduce its tax liability.

Furthermore, this is exactly the period of time when the Government will want to maintain a surplus, so that it can also in this way discourage inflation and keep inflation within bounds. But both these purposes would be subverted by investment credit. Investment credit as an offset would persuade businessmen to invest in equipment at a time when Government ought to reap a surplus. Exactly the reverse situation would happen in a recession and drive us deeper into a recession, because businessmen would postpone the purchase of equipment until they were sure they would have income against which to write it off, and will postpone it to a period when profits are down.

If we should again have a recession when many corporations operate at a net loss, the investment credit would be a serious deterrent for anybody to invest in plant and equipment. Purchases would be postponed, doubly aggravating the recession or depression.

Secretary Dillon was most thoughtful in analyzing his reasons for the exclusion of public utilities from the investment credit. He pointed out that public utilities are a regulated monopoly industry and are subject to ratemaking procedures.

Of course, that would mean that consumers, in effect, would be subsidized at the expense of the general taxpayers.

I think that is clear from the arguments I have already made.

Mr. President, I ask unanimous consent to have printed at this point in the RECORD the detailed arguments for the exclusion of public utilities from the investment credit and supporting data, to be found on pages 126 through 143 of the hearings.

There being no objection, the excerpt from the hearings was ordered to be printed in the RECORD, as follows:

DETAILED ARGUMENT FOR THE EXCLUSION OF PUBLIC UTILITIES FROM THE INVESTMENT CREDIT AND SUPPORTING DATA

1. Utilities' investment needs are determined by public demand

The public utilities are regulated monopoly industries which are legally obligated to serve public needs and which construct their facilities on a demand basis to meet public requirements. Studies of investment in both the telephone and electric power industries conclude that the relationship between present demand and capacity is the primary determinant of investment. Investment in utilities does not occur spontaneously to create new demand but is determined by demand.[1]

2. Utilities are regulated monopolies afforded the opportunity to earn just and reasonable rates of return after tax

In return for their authorization to operate as regulated service corporations, they are assured consumer rate charges which will cover their costs of operation, including Federal income taxes, plus a just and reasonable rate of return on investment. This rate of return is set so as to attract the capital needed to serve the public convenience and necessity.[2] For the vast majority of utilities the rate of return presently available. when adjusted for the lack of risk on that investment, equals or exceeds the rate of return in other industries. Furthermore, the rate of return is gaged to enable the utility to obtain adequate capital at whatever cost is required.

(See appendix A to exhibit I–C.)

Because the corporate income tax is treated as a cost of operation, the utilities and their investors do not bear the burden of the tax. They are therefore not subject to the disincentive effects which the tax may have on investment decisions of other industries not sheltered by regulated monopoly conditions. In addition, the risk of investment in the utility field is less than in industry generally. The utilities have no difficulty raising capital needed for expansion.

3. Utilities will not raise investment significantly in response to the credit

With a captive monopoly market, guaranteed rates of return, ready access to capital funds, and need for new investment determined largely by long-range trends in consumer demand, public utilities are not likely to respond in the same manner as other industrial corporations operating in competitive markets to tax incentives such as the investment credit.

Unlike manufacturers who can stimulate new markets by developing new products, the gas and electric utilities offer a commodity that has changed imperceptibly over the past half century. They cannot stimulate new types of demand that the manufacturing firm can tap with new products. Rather the utilities' new investment satisfies growing consumer needs that they are legally required to meet and that they can readily project for the years ahead.

4. Experience with amortization program in regulated industries was unsatisfactory

The unsatisfactory results of attempts to stimulate public utility investment are exemplified by the recent experience with accelerated amortization in the electric utility field. This experience was critically reviewed by the Congress when it restricted the further issuance of amortization certificates in 1957. Chairman BYRD of the Senate Finance Committee, in commenting on the matter in 1957, stated that he regarded such rapid tax writeoffs for utilities as without any justification whatever because utilities are guaranteed profits.[3]

The report of the Senate Judiciary Committee made by its Subcommittee on Antitrust and Monopoly concerning the experience of regulated industries under rapid amortization stated:

"Grave consequences have followed the enormous grants of tax amortization to operating utilities in the electric power field. Consumers have fared badly, for the Federal Power Commission rules that lower rates were not the purpose of the tax amortization statute, and the courts have sustained the FPC. As a result of the hearings, the Federal Power Commission surveyed operating utilities and it was established that to an unsuspected extent, tax-free dividends were being paid. Public power witnesses complained of predatory practices by utilities enjoying the lower net taxable income coming from high-depreciation charges, and the subcommittee obtained a listing of all acquisitions made by utilities subsequent to obtaining amortization."[4]

(See app. B to exhibit I–C.)

5. Investment credit would tend to be passed on to consumers and in the process would gravely complicate rate regulation

The extension of the investment credit to the utilities would tend to bring heavy pressure on the various regulatory commissions to pass the benefit on to consumers in the form of lower rates. Assuming such a pass-through, there would be little, if any, incentive effect to utility investment. While some of the pass-through would serve to reduce costs slightly for industrial users, much of the benefits would affect residential consumption.

There is, however, serious doubt as to how the investment credit might be treated by the various regulatory agencies. While existing law would appear generally to call for the flow-through approach, it is possible that the credit might lead to pressures for some type of tax-normalization approach which would permit the utilities to retain the credit in addition to their fair rate of return on investment. In any event, the credit would gravely complicate the regulatory process and become a continuing source of controversy and litigation.

In view of the conflicting pressures on the regulatory agencies, the treatment of the credit would probably not be uniform in all jurisdictions. Moreover, before the issues were resolved there would be a period of uncertainty and confusion which would not be favorable for investment or the orderly operation of the utilities. Granting the credit to utilities would introduce discriminatory treatment of different firms, as regulatory agencies responded with different procedures for passing the credit through to consumers.

Special difficulties would be involved in applying the flow-through principle to the credit because, unlike general tax reduction, the credit would vary from year to year with the capital expenditures of the utility corporation. This variance in the tax reduction from year to year would make it extremely difficult for the regulatory authority to determine the proper rate adjustments. Substantial tax credits would be likely to go neither to lower rates nor to additional investment, but into dividends to shareholders. The resulting erratic distribution of the credit in the regulated area and the numerous disputes it would engender would not serve the best interests of either the utilities industry or the Nation in the long run.

(See app. C to exhibit I–C.)

6. Insignificant effect of the credit on consumer demand

Some utilities have contended that if the credit were passed on so as to lower the cost of service to consumers, this would increase demand and therefore provide a basis for additional investments in production facilities.

Estimates of the possible effect of passing on the entire amount of the benefit of a 3 percent credit in the form of lower utility rates suggest an average reduction of cost to electricity consumers of less than 1 percent.[5] For the average residential customer whose electric bill was about $7.25 a month in 1959, the resulting reduction would amount to about 7 cents a month. Similarly, for industrial and commercial customers whose average electric bill in 1959 was $880 a year or about $73 a month, the adjustment would be about $69 a month. These reductions are so small as to be an insignificant stimulus to the consumer in changing his use of electricity, even if the demand were reasonably elastic. While reliable estimates are not available on the elasticity or responsiveness of demand for electric power to price changes, there is reason to believe that it has a relatively low degree of elasticity.[6]

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[1] See Avram Kisslegoff and Franco Modigliani: "Private Investment in the Electric Power Industry and the Acceleration Principle," Review of Economics and Statistics 39 (1957), pp. 363–379 and Paul G. Clark, "The Telephone Industry; A Study in Private Investment," in Wassily Leontieff, Studies in the Structure of the American Economy (New York: Oxford University Press 1953), pp. 243–94.

[2] Typically the firm's rates are individually regulated in such a way as to provide the full amount of revenue required to service its long-term debt and preferred stock, as well as a return on common stock which is "fair," as judged by price earning ratios and similar measures of the cost of equity capital.

[3] U.S. Senate, Committee on Finance, "Rapid Amortization of Emergency Facilities," hearings before the Committee on Finance, 85th Cong., 1st sess., on S. 1795, May 7 and 9, 1957, p. 9.

[4] U.S. Senate, Committee on the Judiciary, Subcommittee on Antitrust and Monopoly, "Rapid Amortization in Regulated Industries," 85th Cong., 2d sess., S. Rept. No. 1380, Mar. 12, 1958, p. 67.

[5] The 1-percent figure is based on an estimate of $88.5 million credit which the electric power utilities would have received on their 1959 eligible investment in relation to $9.5 billion of operating revenues.

7. High levels of excess capacity now exist in the electric utility industry

The high levels of excess capacity which now exist in the case of the electric utilities suggest that the investment credit would not be effective and is not needed in this area.

The data on the growth of excess reserves of kilowatts stated as a percentage of December peakloads indicate that in the postwar period reserve capacity over the peakload reached a level of 19.3 percent in 1954, declined to 17.3 percent in 1956, but rose steadily since then to a high of 28.6 percent for 1960.[7]

(See app. D to exhibit 1–C.)

The 1956 report of the Joint Committee on Internal Revenue Taxation on the 5-year amortization program indicated that the Office of Defense Mobilization operated on the assumption that an excess capacity reserve in the neighborhood of 24 percent would be required for full mobilization in 1955, which is well above the actual reserves maintained during the Korean war. When reserve capacity reached 20 percent, the goal was closed, presumably because this level was deemed adequate.[8]

8. The investment credit is especially inappropriate for gas pipelines

The natural gas pipeline industry has expanded at a very rapid rate without the investment credit. As of the end of 1960, the index of plant investment was around 350, as compared to 100 at the end of 1950.

So far as is known, no desirable expansion or modernization has been prevented by lack of readily available funds.

Expansion of interstate natural gas pipelines can be effectuated only with a certificate of convenience and necessity issued by the FPC. The Commission requires an affirmative showing of the adequacy of reserves before any such certificate will be granted. Certification procedures are designed to assure orderly growth in the industry, and will limit the extent to which the investment credit can stimulate growth.

9. The investment credit as a stimulus to investment

The investment credit is required to provide the maximum stimulus to investment that will raise our rate of growth, increase productivity, and assist sectors of the economy where economic conditions have caused business to fall behind in its modernization of equipment. The utility industries are not in special need of such a stimulus.

The investment credit specifically excludes buildings and residential construction, as investment in those areas contributes little to modernization of the Nation's industrial productivity. Excluding utilities is but another way in which the impact of the credit would remain focused on investment that will best strengthen our industrial efficiency.

10. The credit is not discriminatory to public utilities

Exempting utilities from the credit is not discriminatory to the public utility industry. The legally intended incidence of the income tax paid by the public utilities is on their consumers. Consistent with this principle, the benefits would be passed on to consumers and the utilities would have no net gain from receiving the credit.

11. Purpose of strengthening international competitive position of American industry is primarily applicable to businesses other than public utilities

The credit is intended to aid manufacturing and other industries in strengthening their ability to compete with foreign producers for markets here and abroad. This goal is largely inapplicable to utilities which are only indirectly concerned with problems of foreign competition. The need for the credit is clearly greatest in the case of manufacturing and other businesses which need to keep abreast of foreign competition that already receives special investment tax incentives.

12. Industries would not construct their own utility facilities to obtain advantage of the credit

The proportion of the total electric power generated by industrial firms has declined steadily since the late 1930's.

(See appendix F to exhibit I–C.)

This suggests that the utility industry has been able to make increasing use of economies of scale in large generating plants. Increasing size of generating installations makes it uneconomic for most manufacturers to generate their own power. As the initial investment has an expected life of about 30 years, and most industrial plants would have a highly variable need for power over that period, it is highly unlikely that a shift to self-generating power by industrial corporations would be stimulated by the credit.[9] In fact the current trend would appear to be in the opposite direction. Many companies now lease production machinery, vehicles, and special equipment, as well as buildings, in order to minimize the capital investment required and permit flexible changes in the product lines, method of production, and location.

13. Impact of the credit on small utilities

It has been contended that the investment credit would be a boon to small utilities that do not have ready access to the capital market and have a low rate of return. With the exception of a few firms that account for a very small part of the market, there does not appear to be any support for the contention that rates of return are lower in small utilities. In electric utilities, for example, many of the smaller companies with assets of $5 to $50 million enjoy a rate of return of 3.1 to 4.5 percent, a return substantially in excess of the 2.8-percent return enjoyed by the industry's largest firms.[10]

About four-fifths of the investment in utilities is concentrated in firms with over a quarter of a billion dollars in total assets that have ready access to the capital market and a rate of return that appears comparable to manufacturing when it is discounted for the lack of risk in utilities and the greater ratio of debt to equity financing. This implies that only a minuscule portion of the credit granted to utilities would go to smaller firms.

(See App. G to exhibit 1–C.)

14. Revenue consideration

The extension of the credit at 3 percent to the public utilities would involve a revenue cost of $225 million at anticipated 1962 investment levels. This cost is considerably more than the cost of raising the proposed credit in other areas by a whole percentage point, a rise which can be expected to stimulate considerable quantities of new investment in manufacturing and elsewhere.

The investment credit would not only have a substantial initial cost in the utility industry, it would also be more expensive in the long run. Due to the fact that the credit is expected to stimulate less investment in the utility sector than in other industries, less growth in GNP and eventual recoupment of initial revenue losses can be expected from credits extended to the utility than can be expected from credits granted elsewhere.

15. If the credit is not passed on to consumers, windfall benefits accrue to stockholders

Utilities have had ready access to funds for financing new investments during past years. They are much less likely than other industries to have a backlog of investment projects which could not be financed if funds were not made available through the investment credit. For this reason the utilities are more likely than any other group to pay out the case benefits of the investment credit in the form of dividends. As a consequence much of the reduction in tax liabilities made possible by a credit to utilities will become an immediate benefit to the stockholder, rather than a stimulus to additional investment.

16. Competitive position of the utilities in relation to other energy suppliers who will receive the full amount of the credit

Even though the utilities do not receive the credit, there is little reason to believe that their sales will suffer as a result of competition from oil, coal, and other energy sources. Use of these other energy sources on existing equipment would require conversion of equipment that could only be undetaken at great expense.

Thus only new investment would be strongly affected by the price differential.

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[6] Franklin Fisher and Carl Kaysen estimate that household demand for electricity is inelastic; sales would not respond to price declines sufficiently to maintain their revenues from households. Industrial demand tends to be somewhat more elastic, but on the average, one must conclude that overall elasticity of demand in industry is probably close to unity, indicating only slight increases in gross revenues from industry with decreasing prices.

(See app. E to exhibit I–C.)

Demand for gas is also inelastic. A. M. Strout estimates that elasticity of demand for all heating fuels is about three-tenths, indicating that a 1-percent decrease in price would stimulate three-tenths of a percent increase in quantity sold or a loss in revenues of approximately seven-tenths of 1 percent. (See A. M. Strout, "Weather and the Demand for Space Heat" Review of Economics and Statistics, 43 (May 1961) pp. 185–192.) Though greater substitution among fuels can be anticipated in the long run and the long-run elasticity will be higher, competition between fuels is effectively limited by the high costs of conversion and one can expect little response from the consumer to a reduction in prices.

[7] Data from June 1961, issue of FPC "Electric Power Statistics."

[8] U.S. Congress, Joint Committee on Internal Revenue Taxation, "A Report on 5-Year Amortization of Emergency Defense Facilities Under Sec. 168 of the Internal Revenue Code of 1954," December 1956, p. 25.

[9] Profitability calculations indicate that the value of the credit is less on 30-year assets than on assets with a shorter life. Hence there is less incentive to the industrial producer here than in an investment in production machinery and equipment with a life of 15 years.

[10] These rates are based on net income after taxes as reported on tax returns. Book incomes will be somewhat higher, and will indicate a greater ratio to return.

In the case of electric utilities a large part of demand resulting from new investment is entirely independent of other fuels as there are not satisfactory substitutes for electric illumination, small electric motors, and electric power for chemical purifying and refining uses which account for a high proportion of the sales of electricity. In the case of natural gas, it is questionable whether the price differential arising from granting the credit to nonutility industries would give oil and coal a sufficient competitive edge to capture a greater share of new installations for heating, where the automatic delivery, cleanliness, and low maintenance costs of gas are important factors in the choice of heating fuels.

17. Conclusion

The available evidence indicates that the credit would not achieve its intended incentive to investment in the case of the regulated monopoly industries. The application of the credit would be inappropriate in the case of corporations enjoying sheltered markets and just and reasonable rates of return which, in effect, insulate them from the corporate income tax. Exclusion of utilities from the credit will not impair their right to realistic depreciation revision which may be found appropriate in the light of Treasury depreciation studies. Extension of the credit to utilities, on the other hand, would cost disproportionate amounts of revenue. As recognized by important sectors of the utility industry itself, the credit might be prejudicial to the best interests of the utilities in the long run.

[App. A to exhibit I–C]

STATE COURT OPINIONS FAVORING PASS THROUGH OF TAX INCENTIVE BENEFITS

In holding that utilities should be required to pass on to their ratepayers the benefits of liberalized depreciation under section 167 of the Internal Revenue Code, the Pennsylvania Superior Court said (*City of Pittsburgh* v. *Pennsylvania P.U.C.*, 182 Pa. Superior Ct. 551, 125 A. 2d 372, 382–383):

"Counsel asserts that, since utilities are an important segment of the national economy, they must likewise benefit. The weakness in this assertion is in failing to recognize the distinct nature of a utility as a regulated quasi-monopoly. As such it may obtain funds for modernization and expansion at the current reasonable cost, and it is allowed to pass this cost on to its customers in an annual depreciation allowance and its annual allowable net return as well. In fixing the rate of return the commission takes cognizance of the cost of capital to the utility. It appears therefore that this general desire of Congress to provide working capital and funds for modernization and expansion is, and has been for many years, adequately met for public utilities through rate proceedings."

Similarly, the Supreme Court of Illinois, said (*City of Alton* v. *Commerce Commission*, 19 Ill. 2d 76, 165 N.E. 2d 513, 520–521):

"Under the policy of this State, utilities are allowed a rate of return calculated to attract the capital required for necessary expansion. * * * Since in this respect utilities differ from other corporations, the purpose of section 167 would not be thwarted nor would discrimination be introduced into the Federal tax law by requiring utilities to pass the savings of accelerated depreciation on to their customers. * * * Utilities are at least partial monopolies, and no competition exists to induce them to pass savings on to the public."

[App. B to exhibit I–C]

HISTORICAL PRECEDENT OF ACCELERATED AMORTIZATION

The FPC, in line with perhaps the majority of other regulatory bodies passing on the issue, permitted utilities to normalize income taxes paid with the benefit of accelerated amortization under section 168 of the Internal Revenue Code. (The FPC and many State commissions have adopted the same procedure with respect to liberalized depreciation under section 167.) Utilities thereby accumulated very substantial reserves. Yet the fact is, as set forth at some length in a report of the Subcommittee on Antitrust and Monopoly of the Senate Judiciary Committee, that accelerated amortization had no real tendency to encourage construction of emergency facilities.

For example, the subcommittee said: "Under the policies then (i.e., April 1955) in force, no clear relation to defense needs was required for approval of certificates for electric power generation as they were granted on the basis of total demand, including civilian as well as military needs. The lack of incentive was indicated by the fact that in the few instances where proposed facilities were held ineligible—because of location in target areas—the utility companies constructed them despite the rejection.

The subcommittee further said: "Of the applications considered by the Department of the Interior and the Office of Defense Mobilization, approval was given to facilities scheduled to bring in 13,013,450 kilowatts. Applications which were denied because of their target area location totaled 5,298,000. All of the projects so denied still are scheduled for completion in 1958, despite the withholding of the tax-amortization inducement."

[App. C to exhibit I–C]

"FLOW THROUGH" OF THE CREDIT TO CONSUMERS AND ASSOCIATED COMPLICATIONS

The rate-regulating agency would have to monitor each utility's investment in every year to assure that the company did not earn an excessive return through the investment credit. The following table indicates the varying effect of the credit among companies during the period 1958–60.

Estimated effect of 3-percent tax credit, customer benefit versus stockholder benefit, selected utilities, 1958–60 data

Company	Results whether customer or stockholder gets benefits	
	Customer benefit per year [1]	Stockholder benefit extra return on equity [2]
		Percent
Consolidated Edison Co. of New York:		
1958	$0.83	1.04
1959	1.11	1.33
1960	1.99	2.17
Northern States Power Co. (Minnesota):		
1958	.61	.66
1959	1.18	1.13
1960	1.35	1.32
The Detroit Edison Co.:		
1958	1.37	1.00
1959	1.14	.84
1960	.45	.33
Pacific Gas & Electric Co.:		
1958	1.36	1.20
1959	.85	.78
1960	.81	.76
Appalachian Power Co.:		
1958	2.88	2.78
1959	.57	.55
1960	.57	.54

[1] Average reduction in residential electric bills consequent to rate reductions on residential sales made possible by the investment credit.

[2] Average percentage point increase in rate of return to equity made possible by passing the investment credit through to stockholders.

[App. D to exhibit I–C]

System capacity and peakloads, 1940–60, U.S. totals for major systems

[Kilowatts]

End of year	Dependable (adverse water year)	December peakloads	Indicated reserves (excess of dependable over December peakload as percent of peak)
1940	34,403,434	27,948,071	23.1
1941	37,353,709	31,531,206	18.3
1942	39,665,335	32,942,464	20.4
1943	42,416,767	37,060,061	14.5
1944	43,760,322	37,853,847	15.6
1945	45,373,031	37,368,925	19.8
1946	45,701,894	43,173,803	5.9
1947	48,146,326	47,554,537	1.2
1948	52,689,808	51,611,873	2.1
1949	59,285,449	54,238,069	9.3
1950	65,574,230	61,719,096	6.2
1951	72,687,954	67,869,836	7.1
1952	80,035,407	73,055,403	9.6
1953	89,802,220	78,592,567	14.3
1954	102,055,254	85,580,848	19.3
1955	114,512,107	98,291,077	16.5
1956	120,453,230	102,723,432	17.3
1957	128,325,252	107,388,343	19.5
1958	141,827,422	113,679,341	24.8
1959	154,537,818	121,561,168	27.1
1960	165,536,249	128,713,483	28.6

Source: June 1961 issue of FPC Electric Power Statistics.

[App. E to exhibit I–C]

ELASTICITY OF ELECTRIC DEMAND

HOUSEHOLD DEMAND

Longrun household demand is influenced primarily by the acquisition of electric appliances. A recent statistical study concludes: [1]

"In summary, these longrun results indicate that the growth of the stock of appliances is insensitive to the price of electricity within the range of experienced prices. Whether much larger differences in the prices of appliances than those previously observed would make a difference in the rate of growth of the appliance stock is not clear from these data, nor are these regressions a really adequate explanation of appliance ownership as such. They do suffice to indicate the effect of electricity price, however, which is all that is at issue here."

INDUSTRIAL DEMAND

Longrun industrial demand is shaped by changing technology as well as the price of electricity. The same study concludes:

"The results are generally significant and correlations are quite high. The upper limit to price elasticity is somewhat greater than unity in 6 out of the 10 industries (highest 2.6, for the chemicals industry), unity or less in 2 more and zero in the remaining 2 (fabricated metal products and transportation equipment). Similar results are obtained for the mineral industries. Altogether, there is reason to expect a fairly high degree of sensitivity to electricity price in industrial demand given the technology of 1956. The paucity of the data makes it fairly difficult to be certain, however, and the effects of technological change are certainly more important than in the price effect just discussed."

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[1] Fisher, Franklin M. and Kaysen, Carl, A Study in Econometrics: The Demand For Electricity In the United States, Amsterdam: North-Holland Publishing Co. (1962), pp. 5–7.

[App. F to exhibit I–C]

Generating capacity, privately owned electric utilities and industrial establishments, 1939–60

[Thousand kilowatts]

Year	Combined capacity	Privately owned utilities capacity	Industrial establishments	
			Capacity	Percent of combined capacity
1939	44,483	33,908	10,575	24
1940	45,433	34,398	11,035	24
1941	47,631	36,041	11,590	24
1942	49,626	37,442	12,184	25
1943	51,717	39,128	12,589	24
1944	52,610	39,733	12,877	24
1945	53,064	40,307	12,757	24
1946	53,104	40,355	12,749	24
1947	54,816	41,987	12,829	23
1948	58,436	45,381	13,055	22
1949	63,954	50,484	13,470	21
1950	69,106	55,175	13,931	20
1951	74,544	60,192	14,352	19
1952	79,435	64,349	15,086	19
1953	87,053	71,201	15,852	18
1954	95,413	79,127	16,286	17
1955	103,311	86,887	16,424	16
1956	107,790	91,145	16,645	15
1957	114,474	97,376	17,098	15
1958	126,256	108,202	18,054	14
1959	136,510	118,999	17,511	13
1960	145,793	128,000	17,793	12

Source: FPC.

[App. G to exhibit I–C]

THE INVESTMENT CREDIT AND SMALL UTILITY COMPANIES

It has been argued that the credit will provide aid to small utility companies that have difficulty financing new investment projects by issues of stock and bonds in the capital market. Clearly such companies are an infinitesimal portion of the industry. If future investment is roughly proportional to the present investment in utility companies corporations with assets in excess of a quarter of a billion dollars will receive four-fifths of the $225 million benefits that would be granted by a 3-percent credit.

The attached tables present the investment in utility companies, their rate of return, and the percent of total investment held by companies, by size of total assets. For purposes of comparison a similar table has been prepared for all manufacturing corporations. The tables indicate:

1. Investment in heavily concentrated in utility companies with more than a quarter of a billion dollars of assets. (See table 1.) Firms of that size have ready access to the capital market and can attract equity or debt capital on favorable terms.

2. The rate of return as reported by utilities of different sizes does not appear to vary systematically,[1] while the rate of return in manufacturing increases with the size of the firm. (See tables 2 and 3.) Thus while there may be some justification in special aid to small manufacturing corporations to help them raise their return, no such aid to the utilities would appear necessary or desirable.

The rate of return as reported by the telephone industry appears higher than that reported by the gas and electric utilities, but this is partially the result of the fact that 30 percent of the investment in gas and electric utilities is being depreciated under accelerated methods while only 1 percent of the investment in telephone and telegraph is being depreciated under these methods. Taking account of the reduced risk of investment in utilities and the typically high ratio of debt to equity capital, utilities' rates of return are roughly comparable to rates of return in manufacturing. Ratios of bonds with maturity of 1 or more years to total capital account are about 16 percent for manufacturing, 35 percent for communications and 52 percent for gas and electric companies. If equity financing requires a yield approximately 1½ to 2 times that required for bonds, the difference in capital structure would account for most of the observed difference in rate of return.

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[1] Variation in rate of return does occur as utilities are individually regulated in a way to reflect difference in the structure of their capital and the cost of capital which may vary according to market valuations of the firm's management, potential for growth, and so forth.

TABLE 1.—*Percent of investment in electric, gas, and telephone utilities, by size of firm, 1958–59*

Site of firm	Telephone communications	Gas production and distribution[1]	Electric companies and systems
Under $100,000	0.2	(2)	(2)
$100,000, less than $500,000	.8	0.3	(2)
$500,000, less than 1,000,000	.7	.1	(2)
$1,000,000, less than $2,500,000	.7	.5	0.2
$2,500,000, less than $5,000,000	.4	.6	.4
$5,000,000, less than $10,000,000	.8	1.2	.2
$10,000,000, less than $25,000,000	1.2	3.1	.9
$25,000,000, less than $50,000,000	0.8	4.4	1.4
$50,000,000, less than $100,000 000	1.9	5.6	2.5
$100,000,000, less than $250,000,000	.5	16.7	18.3
$250,000,000 and over	92.0	67.5	76.1
Total percent	100.0	100.0	100.0
Total amount (in billions of dollars)	$24.0	$14.5	$40.8

[1] Excluding natural gas production.
[2] Less than 0.05 percent.

Source: "Statistics of Income Data Sourcebook."

EXHIBIT I–C

TABLE 2.—*Rate of return and investment in public utilities as measured by the ratio of net profits after taxes to total assets less accumulated depreciation and amortization, by size of corporation (tax year 1958–59)*

Total assets of corporation	Telephone communication		Gas production and distribution[1]		Electric companies and systems	
	Investment	Rate of return	Investment	Rate of return	Investment	Rate of return
	Millions	*Percent*	*Millions*	*Percent*	*Millions*	*Percent*
Under $100,000	$42.3	5.3	$5.2	0.9	$3.3	3.0
$100,000, less than $500,000	190.9	2.9	37.8	1.7	16.7	13.9
$500,000, less than $1,000,000	158.2	2.9	15.9	.2	19.9	4.2
$1,000,000, less than $2,500,000	180.0	2.1	65.6	4.0	68.2	6.9
$2,500,000, less than $5,000,000	99.4	4.9	86.7	5.3	165.0	1.0
$5,000,000, less than $10,000,000	203.3	4.1	171.2	3.7	88.4	4.5
$10,000,000, less than $25,000,000	255.3	3.6	451.3	3.9	382.3	3.1
$25,000,000, less than $50,000,000	202.7	4.0	633.4	3.7	553.1	3.8
$50,000,000, less than $100,000,000	$457.2	3.6	$816.2	3.0	$1,002.7	3.3
$100,000,000, less than $250,000,000	120.4	8.8	2,424.7	1.7	7,467.7	2.8
$250,000,000 and over	22,092.9	5.7	9,798.7	2.1	31,019.3	2.8
Total	24,002.6	5.5	14,506.7	2.3	40,786.6	2.8

[1] Excluding natural gas production.

Source: "Statistics of Income Data Sourcebook."

NOTE.—The rate of return estimates are based on net income for tax purposes related to net total assets. These rates will be much smaller than book net income related to equity.

TABLE 3.—*Investment and rate of return in manufacturing as measured by the ratio of net profits after taxes to total assets less accumulated depreciation and amortization (tax year, 1958–59)*

Total assets of corporation	Investment (millions)	Rate of return (percent)	Percent of total investment
Under $25,000	$310	(1)	0.1
$25,000, under $50,000	697	(1)	.3
$50,000, under $100,000	1,771	(1)	.8
$100,000, under $250,000	5,112	1.3	2.2
$250,000, under $500,000	6,131	3.8	2.6
$500,000, under $1,000,000	7,942	3.7	3.4
$1,000,000, under $2,500,000	12,315	4.6	5.2
$2,500,000, under $5,000,000	10,237	5.3	4.3
$5,000,000, under $10,000,000	$11,177	6.0	4.8
$10,000,000, under $25,000,000	17,695	5.6	7.5
$25,000,000, under $50,000,000	13,523	5.5	5.7
$50,000,000, under $100,000,000	18,532	6.1	7.9
$100,000,000, under $250,000,000	25,586	6.2	10.8
$250,000,000 and over	104,808	5.5	44.4
Total	235,836	5.5	100.0

[1] Losses reported in 1958–59.

Source: "Statistics of Income Data Sourcebook."

NOTE.—The rate of return estimates are based on net income for tax purposes related to net total assets. These rates will be much smaller than book net income related to equity.

Mr. PROXMIRE. Mr. President, I should like to skip a little bit ahead in the hearings, to the testimony of Donald C. Cook. He is president of the American Electric Power Co. He made the most effective presentation in favor of providing this incentive for utilities, and I think this is the appropriate place to refer to it, because I have discussed what I think is a very adequate and effective refutation of the argument made by Mr. Dillon.

Mr. Cook said:

Section 2—

The section setting forth the proposed investment credit—

is intended to encourage additional capital investment by providing for a tax credit in proportion to the amount of the taxpayer's investment in certain new facilities.

I believe that this concept—which I understand was proposed and supported by the administration—is, in the case of public utilities at least, well calculated to achieve the stated purposes.

Section 2, in the form in which it passed the House, provides that, in the case of property with a life of at least 8 years, the credit for most taxpayers is 7 percent; in the case of electric utilities, however, the credit is only 3 percent.

I think it clear—and I intend to show—that, in the case of electric utilities, the tax credit will do more to increase construction and, therefore, to bring about the desired growth in the economy, than in the case of nonutilities.

Then he said—and these are the arguments against it:

To support both the original exclusion of utilities and the proposed discriminatory treatment, it has been asserted (1) that the availability of the tax credit would not in fact induce greater investment by utilities, because in any event, they would have to build all the facilities necessary to enable them to meet the demand for their service; (2) that if, on the one hand, the tax reduction were retained by a utility the credit would not achieve its intended incentive to investment, and that if, on the other hand, it were passed on to consumers the credit would still not provide any incentive; (3) that the demand for electricity and, therefore, the facilities necessary to supply it are fixed and would not be increased by the tax credit; and (4) that electric utilities are not subject to competition.

Each of these assertions is invalid, and I propose to show it. In addition, at the conclusion of my testimony—to provide concrete evidence that the tax credit would, in fact, represent an important incentive to increased construction expenditures by electric utilities—I will present to the committee a list of projects, together with their estimated costs, never before included in any budgeted construction by any company in the American electric power system, which we are prepared to go forward with immediately if the tax incentive provisions of the legislation are applicable to electric utility companies.

His argument was that the investment credit is so attractive that in the event it is granted, his company stands ready to invest immediately in $21 million worth of projects which otherwise it would skip.

This is a highly intriguing method of testifying, because it is very concrete and specific, and it says to Congress that the practical consequence of passing the investment credit will be that thousands of people will be put to work by that company alone at once in specific States. That argument is very appealing; but I think it is as fallacious as can be.

In the interrogation of Mr. Cook, I think the pro and the con arguments in connection with this issue were rather well developed.

After stating:

If the credit available to electric utilities were 7 percent, rather than 3 percent, the American Electric Power System would forthwith embark upon additions to its scheduled construction projects in a total amount of $21,020,000.

In reply to a question by the chairman of the committee, the Senator from Virginia [Mr. BYRD], Mr. Cook said:

The CHAIRMAN. This is for 1 year?

Mr. COOK. This is for 1 year only and it is predicated on the basis that for every dollar of tax credit relief which we would receive in the year 1962 we would expend at least $2 for construction which we never had theretofore budgeted.

COOK'S $21 MILLION PROJECTS RIGHT OUT OF THIN AIR

Mr. President, the witness really pulled that out of the air. He said, "We are making the basic assumption that if we get this credit, we will invest twice as much as the credit thus would make available." He did not explain why, but he said they would invest it. Apparently, his reasoning was that it would make the profitability that much greater. But he did not explain. His statement was really based on a formula that for every dollar obtained by means of the proposed credit, they would spend $2. He referred to the investment they probably would make in the next few years, anyway; and he said, in referring to the total: "We will make this in 1962, if you give us this tax credit"—which would be about a $10 million tax benefit to them.

Mr. Cook replied to a question by the chairman of the committee questioned whether the tax credit would result in any increase in electrical service. The chairman asked whether Mr. Cook would send to the committee a memorandum to support his position that Secretary Dillon was incorrect and that the proposed tax credit would increase use of electric energy. Mr. Cook replied:

Mr. COOK. Yes, I will, and indeed some of my testimony this morning, Senator, indicated where it was incorrect. I think it was particularly incorrect—and the part that bothered me the most—in the position taken that reductions in rates would not increase the use of electric energy, when there is within the executive branch of the Government, to my certain knowledge, clear information that the facts are to the contrary.

That statement was made when that gentleman testified before the Finance Committee on April 9, 1962. But when the hearings were published—only a few days ago—the memorandum he had promised to send had not been received. But Mr. Cook has not documented his statement that the proposed tax credit would result in increased use of electrical energy. He said he would document that statement; but since April, there has been nothing but silence from him; he has not provided the documentation which he promised to provide.

At the hearing there was very enlightening colloquy between the Senator from Delaware [Mr. WILLIAMS] and Mr. Cook on this issue:

Senator WILLIAMS. Mr. Cook, on page 18 of your statement you list approximately $21 million which would be spent in additional improvements over a seven-State area, as I understand it, if the 7-percent credit is approved in the bill.

Mr. COOK. Yes, Senator.

Senator WILLIAMS. Do I understand that it is your feeling that these expenditures would not be made if the 7-percent credit is not approved?

Mr. COOK. I so state categorically they will not be made.

Senator WILLIAMS. Now, if the 7-percent credit is approved would they be made this year or over the next 2 or 3 years?

Mr. COOK. These projects are not complicated projects, Senator. The details are set forth in the appendix to my statement——

Senator WILLIAMS. I have examined them.

Mr. COOK. And because they are not complicated projects it should be possible for the modest engineering required and the modest amount of design work required to go forward promptly.

Senator KERR. Well, your statement a while ago was to the fact of effect that would be a 1-year result?

Mr. COOK. That is correct, sir.

Senator KERR. That was your statement to the chairman.

Senator WILLIAMS. That is my question, "Would they be approved in addition this year?"

Mr. COOK. The answer is "Yes."

Senator WILLIAMS. Would they be spent this year or would they be approved?

Mr. COOK. They would be approved, they would be engineered and designed and construction would be started this year but I cannot represent categorically to the committee that they will all be completed in 1962.

Senator WILLIAMS. That was my understanding that they would be planned and started but perhaps completed over this year, next year, and maybe over in 1964.

Did you have anything further to add on that?

Mr. COOK. The chances are that they would not be completed this year, and therefore, the expenditures would extend over 1962 and 1963 with a significant amount being spent in 1963.

Senator WILLIAMS. Yes.

Now, what are your projected expenditures for 1962 without this improvement?

Mr. COOK. Without this credit?

Senator WILLIAMS. Without the credit.

Mr. COOK. That is set forth on the second page of the appendix at $152 million.

Senator WILLIAMS. What are your projected expenditures for 1963?

Mr. COOK. $118 million.

Senator WILLIAMS. And I think you said in 1964, well you have $64 million, it would no doubt be $100 million anyway?

Mr. COOK. I would guess in the neighborhood of $90 to $100 million.

Senator WILLIAMS. That is the 3-year period, that is $370 million of your expenditures that you are planning to make without any investment credit?

Mr. COOK. Yes, sir.

Senator WILLIAMS. If your investment credit is approved you will spend an additional $21 million?

Mr. COOK. Yes, sir; in the period indicated.

Senator WILLIAMS. How much would this investment credit be worth on the $370 million expenditures at 7 percent?

Mr. COOK. If it were applicable to $370 million at 7 percent it would aggregate for that 3-year period approximately $26 million.

> Senator Williams. That you would receive as a tax credit?
>
> Mr. Cook. That is correct.
>
> Senator Williams. Now, as I understand it, what you are telling the committee is that it is the plans of your company to spend $370 million over the next 3 years without any investment credit?
>
> Mr. Cook. That is correct, sir.
>
> Senator Williams. But if we approve an investment credit which will give you a $26 million tax reduction you will spend $21 million of it in additional capital——
>
> Mr. Cook. No, that would be $21 million that would be spent immediately, Senator, but if the tax credit remains as a permanent part of the tax structure we would have added to that by quite similar amounts in future years.
>
> Senator Williams. But you are speaking now, as I understand it, you can only outline $21 million which would not be spent if you don't get it. Am I to understand that the financial condition of your company is such that you cannot afford to spend this $21 million if you don't get the $26 million tax credit?
>
> Mr. Cook. No, Senator, I have not testified to that. As a matter of fact, I testified to the contrary and I would like to state it categorically here.
>
> Senator Williams. I didn't think you wanted to leave that impression but that was the impression I was getting.
>
> Mr. Cook. No.
>
> My testimony is specifically that it really is almost a matter of indifference as to whether we retain in the company the amount of cash that would be generated by a reduction in the tax rate.
>
> The point is that we could pass these amounts on to our customers but by virtue of the basic economics of our industry. The fact that our revenue requirements are greatly influenced by the extent of the fixed charges applicable to plant investment and the fact that Federal income taxes represent a major part of those fixed charges and the further fact that as a result of the elimination of those fixed charges represented by the Federal income tax component, makes economically feasible many, many marginal projects.
>
> And this is true regardless of whether we would retain the tax reduction or pass it on to our customers in whole or in part.

This is the essence of Mr. Cook's testimony. I submit an argument cannot be made that a utility will increase its investments because of what I think is a ridiculous, wasteful, and totally unjustified credit of 3 percent to utilities. He never said how it would work. He merely makes the assertion, and he brings it in very cleverly. This reference to $21 million of named projects is persuasive argument, but it fades away on analysis.

I read further:

> Senator Williams. Are these projects which you have outlined in the $21 million category essential to your company in order to provide adequate service in the communities which you serve?
>
> Mr. Cook. They are not in the essential category, Senator, but they are desirable projects which otherwise would not come along until 1965 or thereafter.
>
> Senator Williams. They would be, but they would be furnished at a later year anyway, is that correct?
>
> Mr. Cook. It is likely as to most of them that sometime, whether it is 1965 or 1966 or 1967 or whenever, at some time most of these projects would be carried forward.

There is your answer, Mr. President. By far the most effective witness for investment credit, which is going to cost hundreds of millions of dollars, admits that not one of these projects involving $21 million is a new project that otherwise would not be engaged in. It would be a matter of speeding up by a year or two. It would involve borrowing investment from the future to make it in the present.

There are times when we would want to do that, but to make it the permanent policy of our country at a time of relative prosperity, at a time when McGraw-Hill indicates a favorable outlook for investment, when they expect investment to expand, is most unwise.

I think the colloquy between the Senator from Delaware [Mr. Williams] and Mr. Cook exposes it very well.

I would like to read a little further, because I think this is the kind of consideration which can be answered specifically and almost arithmetically, because it can be handled on such a factual basis.

Let me read this colloquy:

> Senator Williams. Would you suggest that this tax credit be taken into consideration in the overall depreciation, with a 100-percent limitation on the amount which can be depreciated?
>
> Mr. Cook. I would regard that, Senator, as nothing but a depreciation reform proposal in a disguised form.
>
> The great merit of the tax credit proposal is that it has no relationship to the aggregate investment in plant and equipment except insofar as that aggregate investment is a measuring stick.
>
> Senator Williams. As I understand it, the reason you are endorsing the investment credit formula is that you think that industry is entitled to be able to depreciate 116 percent of the cost of any equipment.
>
> Mr. Cook. No, sir; I do not.
>
> Senator Williams. Do you think it should be limited to 100 percent?
>
> Mr. Cook. It is widely urged in some quarters that we have what is known as economic depreciation which would result in depreciation allowances in excess of 100 percent. I personally do not believe in them. I believe that depreciation should be confined to the amount of capital invested in the assets and should be limited to 100 percent.
>
> Senator Williams. Well that was the point I was raising. If you agree that the amount of depreciation which is allowed on any equipment should be restricted to 100 percent, do you recommend that if this investment credit is left in this bill and broadened to 7 percent, as you recommend, that we put an overall limitation of 100-percent recovery for any industry?
>
> Mr. Cook. I think the two are unrelated, Senator, and I think to the extent that that limitation is placed on it, by the same token, it will limit the effectiveness of the tax credit device as a means of expanding plants and equipment in the United States.
>
> Senator Williams. I am having difficulty in reconciling your statement. As I understand it, a moment ago you said you thought that the depreciation schedule should be limited to 100 percent.
>
> Mr. Cook. I do.
>
> Senator Williams. Do I understand except as it would apply to this case you can get 116 percent now. Either we——
>
> Mr. Cook. I am sorry.
>
> Senator Williams. I do not quite understand your reasoning.
>
> Mr. Cook. I will be glad to try to explain it.
>
> Senator Williams. Under this formula——
>
> Mr. Cook. The tax credit, Senator, and there is no disguising it, and there is no reason why anyone should not be candid about it, the tax credit proposal is a tax reduction.
>
> Senator Williams. It is a subsidy.
>
> Mr. Cook. The only significance of the plant account in connection with it is that it is used as the measuring stick, if you will, to determine the amount of the tax credit.
>
> Senator Williams. Would you characterize it as a subsidy?

I think that colloquy emphasizes that, although witnesses who favor the investment credit may duck and dodge, they cannot avoid the irresistible logic of the fact that this is a subsidy, that any time more than a 100-percent depreciation is provided—and this is in excess of 100 percent depreciation—it is a subsidy.

Under the circumstances, even those who favor the investment credit have great difficulty justifying it, because over and over again in the colloquy Mr. Cook, on principle, had to oppose depreciation which exceeded 100 percent, although that is exactly what investment credit is. If it does not do that, it does not do anything, as Mr. Cook pointed out.

There is another colloquy I should like to read:

> Senator Williams. What were your capital expenditures in 1960 and 1959?
>
> Mr. Cook. In 1960—one moment, sir—I do not have the exact figure here, Senator. My recollection was that it was about $100 million in 1960.
>
> Senator Kerr. In 1961?
>
> Mr. Cook. It would be approximately the same amount—in 1961 our expenditures were approximately $97 million.
>
> Senator Williams. Approximately $100 million, yes. You have a 50-percent expansion in this year's expenditures which were budgeted before you were advised of the possibility of the incentive credit.
>
> Mr. Cook. Yes, Senator; that is correct.

There we have it, Mr. President. This firm has already increased its investment 50 percent, and it did it before there was any notion of investment credit. Now it is said that there would be an additional 6- or 8-percent increase if they could get the 3-percent credit.

I submit that, on the basis of this testimony, and on the basis of very astute interrogation by the Senator from Delaware [Mr. Williams], the only conclusion one can reach is that there would be no real incentive and there could be no real incentive for utilities in getting the 3-percent cut which would be allowed under the proposed law, and that it is unjustified.

A.T. & T. DOES NOT WANT $75 MILLION

I come back to the testimony by Mr. Dillon. In the course of the interrogation of Mr. Dillon by the Senator from Virginia [Mr. Byrd], the chairman of the committee, the Senator said:

> Consider A.T. & T. They are not lacking funds or progress, they are one of the leading companies in the world. Is it true that A.T. & T. will get 104 million?

That was on the assumption by the chairman that there was to be a 4-percent credit for utilities. It is to be 3 percent, so A.T. & T. would get $75 million.

Secretary Dillon then said:

> I agree with everything you have to say about the A.T. & T. because we are recommending that the investment credit not apply to the A.T. & T., and they don't want it to apply because they are a regulated public utility and they agree with us it shouldn't apply to regulated public utilities.

Thus the chairman of the Committee on Finance, the Secretary of the Treasury speaking for the President of the United States, and A.T. & T. itself have all agreed they should not get a credit, yet they are going to get it. It is written into the bill. They are going to get a $75 million a year credit out of the Federal Treasury which they do not want.

A little further on the chairman, in questioning Secretary Dillon, said:

> Do you agree with Mr. Stam that the loss from the investment proposal will be $1.4 billion the first year, and $2.4 billion in the 10th year?
>
> Secretary DILLON. I think our figures for 10 years probably would not be far different from Mr. Stam's, but we do not think there would be any loss, because we think, as a result of this bill, there will be a great deal more business, a great deal more people employed, a great deal more activity, which will all bring in additional taxes which you would not get otherwise, and that, therefore, this would pretty well offset itself.

This is always the argument made in respect to every tax cut. It is always said, "It is not going to cost anything." Of course that is impossible. We cannot cut taxes and expect to get back more than the amount by which we reduce taxes. It cannot be done.

In the instant case, it is doubtful that there would be any stimulation. The business experts say that in the first year, the year with most impact, the stimulation in investment in plant and equipment would be only $300 million. We will not get back much money if the increase in the investment in plant and equipment is only about one-fourth of the tax cut.

I submit that the estimates by Mr. Dillon are wrong. It is clear there would be a loss. We might as well face it. The loss would double by the end of 10 years.

DOUGLAS EXPOSES GROWTH FALLACY

A little further along in the testimony the Senator from Illinois [Mr. DOUGLAS], questioning Mr. Dillon, said this:

> If a supermarket buys 100 pushwagons in order to increase the speed with which the suburban housewife may move through the supermarket, will this receive an 8-percent—

It was then to be 8 percent—

> investment credit in order that the American supermarket may excel those in Holland, Belgium, and West Germany?
>
> Secretary DILLON. It will make our commercial distribution, I would hope, more effective. It will release individual labor for more effective work in industry.
>
> Senator DOUGLAS. And, similarly, will the credit be given for the installation of more shelves in which deodorants and other facial and body aids may be purchased? Will this increase the productive efficiency of the American public and aid in the competition for foreign markets with the chemical industry of Germany?
>
> Secretary DILLON. I am not sure that a shelf is a piece of equipment.

That was one of the things which was recommended; that the bill provide that a shelf be defined as a piece of equipment.

> Senator DOUGLAS. Well, then, would an atomizer to kill flies in the supermarket, which is a certain piece of tangible property, receive an 8-percent investment credit in order that the glories of the American trading system may show its superiority to those of continental Europe?
>
> Secretary DILLON. I think that may be so.
>
> Senator DOUGLAS. Would this apply to tangible personal property in the field of commercialized recreation?
>
> Secretary DILLON. Commercialized recreation, yes.
>
> Senator DOUGLAS. Would a ski lift in Sun Valley receive the 8-percent investment credit?
>
> Secretary DILLON. I could not answer that. I do not know whether that is equipment or whether that is real property.
>
> Senator DOUGLAS. It would be used as an integral part of what is defined as the production of utilities?
>
> Secretary DILLON. An automatic pin setting machine——
>
> Senator DOUGLAS. Let us put it this way:
>
> Would you say that the purchase of skis and snowshoes by Sun Valley, which is certainly tangible personal property, would receive an investment credit?
>
> Secretary DILLON. They are not machinery and equipment. They are not——
>
> Senator DOUGLAS. It is tangible personal property?
>
> Secretary DILLON. I think you will see the bill applies to depreciable equipment and I do not think personal skis are depreciable equipment, Senator.
>
> Senator DOUGLAS. Then what about the ski lift?
>
> Secretary DILLON. I do not know whether that would be or not.
>
> Senator DOUGLAS. Well, put it this way: Would the installation of a popcorn machine in the Yankees' ball park, which would last over 8 years, be subject to the 8-percent credit?
>
> Secretary DILLON. If that is machinery or equipment——
>
> Senator DOUGLAS. It is certainly machinery, yes.
>
> Secretary DILLON. Then it would be, I would assume.
>
> Senator DOUGLAS. And the purpose of this, I assume, is so that American industry may have:
>
> (a) A faster rate of growth; and,
>
> (b) That it may compete more effectively with the European Market.
>
> Secretary DILLON. Senator, I agree with you that these may be considered anomalies, but that is not the purpose.
>
> The reason for their inclusion is that we did not feel that it was possible or practicable to start a whole new era in the tax law by trying to divide out just where was industrial equipment and where was commercial equipment, and what should be helped and what should not be helped, because we would have had to write hundreds of pages of tax laws.
>
> Senator DOUGLAS. You have taken in a pretty broad territory.
>
> Secretary DILLON. I think that is correct, I agree with that.
>
> Senator DOUGLAS. And even assuming it is a good idea, is not the question whether you should restrict it somewhat?
>
> I do not wish to humiliate you, but I would like to go on with some further illustrations, if I may.
>
> Secretary DILLON. It might well be restricted, if the committee decided that it can do it.
>
> Senator DOUGLAS. Would an escalator in a movie house be regarded as a piece of machinery and equipment?
>
> Secretary DILLON. To that I would have to again give the same answer:
>
> I am not sure whether that is attached or whether it is equipment. If it is a structural part of the building it would not be eligible for the credit.
>
> Senator DOUGLAS. A movie house in the same way?
>
> Secretary DILLON. Same way, wherever it was.
>
> Senator DOUGLAS. The justification for this would be to increase the growth rate in the United States and also to enable the American movie houses to compete more effectively with foreign movie houses so that Americans would stay in the United States and would watch movies?
>
> Secretary DILLON. It certainly would help the escalator business.
>
> Senator DOUGLAS. Or possibly the foreigners would come here in order to avoid walking upstairs?
>
> Secretary DILLON. It would employ people making escalators. But, on reflection, I am quite sure that an escalator would not qualify for the credit.
>
> Senator DOUGLAS. Now, may I ask this:
>
> Would this include the installation of automatic cocktail mixers in taverns?
>
> Secretary DILLON. I think it includes all restaurant and bar equipment.

This includes any kind of cocktail mixer. Any kind of bar equipment would get the 7-percent credit under the terms of the bill.

I continue the quotation:

> Senator DOUGLAS. And this is done to increase the growth rate and also enable American industry to compete more effectively with foreign industry?
>
> Would the installation—let the record show the Secretary did not reply.
>
> Senator GORE. Mr. Chairman, in all fairness, I think the record should show that he did smile.
>
> Senator DOUGLAS. Would the installation of glass-top tables in the 21 Club in New York be regarded as equipment upon which an 8-percent investment credit would be given?
>
> Secretary DILLON. Any equipment having a useful life of more than 4 years would get at least one-third of the credit.
>
> Senator DOUGLAS. Yes.
>
> I take it the answer is "Yes."
>
> And this also will increase the growth rate, I assume, and will enable American industry to compete more effectively.
>
> Will the provision of floodlights in a burlesque house of dubious reputation get an 8-percent investment credit?
>
> Secretary DILLON. I hope we do not have any more such dubious reputation houses.
>
> Senator DOUGLAS. But I mean, assuming that they exist, would they get an investment credit?
>
> Secretary DILLON. Again, that is a piece of equipment, if the law, as presently written, is passed.
>
> Senator DOUGLAS. Are you not interpreting economic growth rather broadly?
>
> Secretary DILLON. If this committee can find a way in which to change this, it would be all right, but I would like to point out here, just to make it clear, that all the other alternative suggestions for providing incentives to growth have just the same problem. They all apply to all sorts of equipment. There is no difference in that regard between the suggestion that we have made and the alternative suggestions for triple declining balance depreciation and more rapid depreciation of one type or another.
>
> Senator DOUGLAS. Mr. Secretary, in 1954, your predecessor, Secretary Humphrey, appeared before this committee and asked that a 4-percent dividend credit be allowed in order to stimulate, as he said, the percentage of corporate financing which would be conducted through the purchase of equity shares.
>
> * * * * *
>
> Senator DOUGLAS. Now, I take it from your statement that you have found that 4 percent which was granted has had no effect in stimulating the percentage of corporate financing carried on by the purchase of equities?
>
> Secretary DILLON. No, it has not.

Senator Douglas. Yet, you think that an 8-percent investment credit will stimulate the total investment?

Secretary Dillon. Very much so because it is a totally different type of credit.

Senator Douglas. If Mr. Humphrey was wrong on 4 percent, may you not be wrong on 8 percent?

Secretary Dillon. I do not think in this case that we are likely to be wrong; this same type of law has been in effect in many other countries, and it has clearly stimulated investment there. So I assume the same thing would happen here.

UNITED KINGDOM, HOLLAND, BELGIUM TO TAKE INADEQUATE EXAMPLES

Though the tax credit may have been in effect in Holland and Belgium, there is not sufficient evidence either that it has worked in Holland or Belgium, or that if it has worked in a country that small, it would work in our country. It has been in effect in England; and I submit the evidence shows that it has not stimulated impressing growth in England. England is far more comparable to this country than Belgium or Holland is. They have a lower rate of growth than we have in this country. That is the sum total of all experience with investment credit. So the statement by Secretary Dillon that it has been in effect in other countries and has stimulated the investment there does not stand up. There is no record to corroborate it.

INCENTIVE ELIMINATED BY WAYS AND MEANS

Senator Douglas said:

> Now, as I remember it, in the draft which you submitted last year to the House Ways and Means Committee, you provided that the investment credit would only be granted on the net investment, the investment over and above depreciation. Is that true?
>
> Secretary Dillon. That was the original proposal. Well, now, it was not only on that. It would be a 15-percent credit on that, and then it was a 6-percent credit on the amount that was between 50 percent of depreciation and 100 percent of depreciation.
>
> Senator Douglas. But now this credit is allowed for gross investment so that a mere replacement of wornout machinery assumes the 8-percent credit as well as an addition.

Secretary Dillion pointed out that that is what the Ways and Means Committee decided to do.

> Senator Douglas. The bill in this present form provides for this investment credit for the investment that would be made anyway in the absence of credit; isn't that true?
>
> Secretary Dillon. That is true. And in the same fashion as any sort of further acceleration of depreciation——
>
> Senator Douglas. It is, therefore, a bonus on investment which would occur anyway.
>
> Secretary Dillon. To the same extent that any such change in depreciation would be, yes.
>
> Senator Douglas. Well, if we want to stimulate investment, wouldn't it be better to have the credit on the marginal decisions, on the investment which would not be made in the absence of such credit or the investments in excess of the previous rate of investment either for the industry or for the——
>
> Secretary Dillon. Possibly the previous rate of investment if we can find the proper formula. What you suggest might have been very great effect, Senator, and might be more reasonable.
>
> The formula we suggested did not work in many cases because, for instance, the railroads have very large depreciation. Unfortunately, they do not have very large earnings now. Therefore, any percentage formula over and above depreciation was of no help to them.

The reason I read that part is because I want to stress what Secretary Dillon said. He is honest. It is not his fault. It is the fault of the House Ways and Means Committee. What the House decided to do was to decide that instead of providing a fairly substantial credit on the additional investment, it would provide a credit on the whole gross investment. Why did it do so? It did so because it was said that the railroads and other industries could not get much advantage out of a credit which was only on the additional investment.

TO INCLUDE DECLINING INDUSTRY KILLED CREDIT

I submit that is exactly the trouble. Surely they would not get the advantage. Why? Because they are not going to increase their investment. The whole purpose of the investment credit, if it has any purpose at all, is to increase investment. But the program has been changed and modified so as to permit the railroads to come in, even though they are declining in their investment in plant and equipment. They were permitted to come in because, it was said, they would otherwise be discriminated against.

Mr. President, there is an excellent object lesson in what happens when a country tries to insert a tax gimmick of that kind in the tax laws. It continues to spread, without any relationship to its fundamental purpose of increasing growth. What has happened is that the growth-increasing effect is all but gone. Business reaction is clear that it will only increase by a tiny, insignificant amount. But the loss to the Treasury will be fantastically increased.

The old, original proposal of the Kennedy administration would have lost far less to the Treasury than the present proposal.

I ask unanimous consent that the remainder of the colloquy between the Senator from Illinois [Mr. Douglas] and Mr. Dillon in the marked pages that I have before me, that is, the remainder of page 438 and the first one-third of page 439, be printed at this point in the Record.

There being no objection, the testimony was ordered to be printed in the Record, as follows:

> So we had to find some other formula. It turned out that there were a good many industries of that nature, and many accountants testified that there would be all sorts of accounting problems as to what was and what was not proper depreciation, and, therefore, the Ways and Means Committee did decide this was the simpler method.
>
> I must say we were convinced that tax simplification, that the advantages of ease of administration, were very large in this simple approach compared to the other.
>
> Senator Douglas. My offhand judgment is that you are going to be paying bonus to firms which do not need the bonuses in order to simulate investments for items which are of very dubious value in our economic growth and in our competition with foreign countries, as far as that is concerned.
>
> But I have a further objection as of this moment to this plan, and that is whenever we make deductions from taxes based on ways in which income is spent, we open up the door to tremendous abuses.
>
> Congress has now before it or the Senate has before it, H.R. 10 which would provide partial tax exemption for voluntary contributions to the self-employed for pensions.
>
> The Senator from Tennessee and I have opposed that measure, and I assume we will oppose it in the future. But it may well pass.
>
> If this passes, the same principle will inevitably be extended to civil service, to those on social security, to those on railway retirement, to a whole range of benefits.
>
> Every one of us gets a big volume of correspondence asking that similar deductions be made for the cost of educating children up to and through the college level.
>
> If you make a deduction, and this is a deduction from taxes not from taxable income, but from taxes, there will be claims that you should make similar deductions for the purchase of homes in order to encourage homeownership.
>
> I think in your very laudable desire to close loopholes you are now opening up one of the possibilities for the biggest loopholes of all.

GORE SPOTS THREE TAX CREDIT FALLACIES

Mr. PROXMIRE. Mr. President, certainly one of the ablest Members of this body is the distinguished Senator from Tennessee [Mr. Gore]. The Senator from Tennessee has a remarkable grasp of fiscal, financial, and tax policy. He made what I thought was a brilliant analysis of investment credit during the hearings.

The investment credit is based upon three fallacious principles. They are wrong. The first fallacy, the first error, is that U.S. tax policy should and must conform to the tax policies of other industrialized nations.

Said the Senator from Tennessee [Mr. Gore]:

> The United States, I have conceived, is a leader in the free world economy. You say, let me read from your statement, that—"it is essential to our competitive position and markets, both here and abroad, that American industry be put on the same basis as foreign industry."
>
> Now, if we do that, we let the plutocrat industrialists, who seem to dominate in West Germany, and the Tory government in England, fix the tax policy of the United States.
>
> If we compete with them in their present preferential tax treatment, then suppose they up us again, must we again meet their standards?
>
> Secretary Dillon. I think that is a very real and difficult problem. I would not say that the European governments are generally all conservative governments, because the government that gives probably the greatest benefits to industry for depreciation is the Socialist government of Sweden. So it is a general thing in European tax policy that they do give substantially greater benefits for writeoffs of depreciation than we do.
>
> Now we are in a world that is a competitive world, and the thing I just cannot see is how we are going to compete unless we allow our industry to compete on an even basis with these foreign competitors.
>
> I do not like, any more than you, having to pass laws or enact provisions because they are the type of provisions that have been enacted somewhere else.
>
> I would like to think that we could operate all by ourselves.
>
> But I just do not feel we are in a vacuum, and I think we are facing a very real competitive situation, and this particularly applies to the question of the choice between investment in this country and investment

> overseas. It certainly is true that an American company that is able to make that choice gets better treatment if it invests its money overseas than if it invests it here today on this basis.
>
> Senator Gore. You have moved to correct the preferential treatment of income earned abroad by our citizens.
>
> Secretary Dillon. Only part of it; except for the investment credit, which is a very important part, and the treatment of depreciation, we cannot correct that by foreign tax measures. We can only correct that by equalizing opportunities for business here at home with those abroad, because there is no other way of doing it.
>
> Senator Gore. That further illustrates the policy of the treadmill if the U.S. Government undertakes to match tax concessions for business. The Government of West Germany, although I do not ask you to agree with this, pursues a policy under which the mass of the people are underpaid; people underconsume; the profits and the privileges of the few maximized. Yet this investment credit is advocated on the basis that we must match West Germany, and other European countries.

Before I go further, I wish to say that that is exactly the point I made before. I wish to emphasize and underline it. We are leading the world. We are not losing out. Our plant is not less efficient. It is more efficient. Our industry does a better job. The hard, tough, objective, stubborn answer that will not go away, that cannot be refuted, is that we have a very favorable balance of trade on commercial exports, where we compete abroad.

We sell more abroad than other countries sell abroad. We have a favorable balance of trade. They have an unfavorable balance of trade. It is an essential fact. This establishes the fact that we are more efficient, in spite of our higher standard of living, and higher wages. Notwithstanding all that, we still can outsell every country in the world. To say that somehow or other because other countries have been growing from virtually nothing we should therefore drastically modify our tax system to provide a privilege that business does not want and says will not work, does not add up. It does not make sense.

Senator Gore goes on to say:

> That leads to the second of what I regard as fallacious premises. You propose to give unjustified benefits to just about all types of business and industry in the United States, the overwhelming proportion of which is not engaged in foreign commerce, and does not make any significant contribution to foreign commerce, on the grounds that such benefits are necessary for U.S. industry to compete internationally.
>
> Now, I will not cite examples. Both Senator Williams and Senator Douglas cited them. I could cite hundreds of them, as I am sure you could, such as elevators in a downtown parking garage.
>
> Yet all these people, the bowling alleys—I said I would not cite more of them—are given this unjustified tax benefit on the basis that the small percentage of our industry and business engaged in international commerce needs tax breaks to compete, because the industrialists of Germany and Sweden and England have such breaks and benefits.
>
> I said I would not ask you a lot of questions.
>
> Secretary Dillon. Shall I comment on that?
>
> Senator Gore. Yes, yes, indeed.
>
> Secretary Dillon. I would say that one of the basic reasons for this proposal, and the reason I gave first, and which I will advert to frequently, is the balance-of-payments reason. That, of course, applies both to competition abroad in the export field and to competition here in the United States against imports.
>
> It is important, but it is not the only reason. There is another reason which we feel is equally important, which is the reason which is spelled out at some length in the report of the President's Council of Economic Advisers.

It should be noted again that the balance of payment has been improving all the time. The fact is we can hardly make a greater contribution to the balance of payment by changing our balance of trade, because the overwhelming proof shows that obviously the way we can improve our balance of payment—even foreigners who come here admit it—is by reducing the foreign aid and our military commitment, and in trying to persuade our allies to play a greater role in the defense of the free world. This is the way in which we can reduce our balance-of-payment problem.

Furthermore, one other reason our balance of payment is adverse is due to American investment abroad. That means that as the years pass there will be a greater return on capital from abroad to this country. That means that basically our creditor position is being built up and reinforced and strengthened, and it is certain that we are going to get greater returns from abroad, and not less.

Then Secretary Dillon goes on to say:

> We do feel that an increase in investment and the rate of investment is necessary for the economic growth of this country and to solve the problems of growth and unemployment here in this country.
>
> We do feel that this can be brought about—will be brought about—by the investment credit, and in that aspect these other types of investments take on a somewhat different characteristic: Different industries, no matter how unimportant they may be for exports, are vitally important because they give employment and are part of our overall economy here at home. And we do feel that this is an important part of our economic growth.

Investment is the one kind of spending which has been stimulated over and over again since 1954. The whole 1954 Revenue Act was designed to encourage investment. The action taken earlier this year by the Secretary of the Treasury, in reducing the depreciation rate, was designed to increase consumer demand. It was a tax cut designed for business, so that it could increase investment. That is where we have concentrated our attention. This is where we do not need it. The facts are clear that we do not need it, because we already have excess capacity. As the McGraw-Hill survey showed we have, we will this year have the biggest investment in plant and equipment we have ever had. It will be bigger next year, and bigger every year thereafter. Most of it is from modernizing at a very rapid rate.

Senator Gore then says:

> Well, that leads to the third premise which I regard as fallacious, and that is that you urge more productive capacity when idle capacity, surplus production, and widespread unemployment constitute our most gnawing domestic problem.

That is exactly the point I made.

Secretary Dillon said:

> The only thing I have to say on that last is that we do believe that increased expenditure for capital goods will create employment by itself, and that this is just a question of economic theory. I must say that I am not an economist, I do not pretend to be. But certainly the President's Council of Economic Advisers are very capable.

Top economists before our Joint Economic Committee have advised exactly the opposite course. They have stated that where we need help is in the consumer area, not in the investment area.

TOP BUSINESS ORGANIZATIONS DIRECTLY OPPOSE INVESTMENT CREDIT

The testimony before the Committee on Finance, which was also very telling, and which I feel must be called to the attention of the Senate, included an excellent statement by Mr. Walter A. Slowinski, of the Chamber of Commerce of the United States. His statement is less than one page in length. It is worth emphasizing and commenting on:

> At yesterday's hearings the Secretary of the Treasury indicated the Chamber of Commerce of the United States had not taken a position on the investment incentive credit at its last tax policy committee meeting. This is in error. The chamber has consistently opposed the investment incentive credit in each of its several forms which have been considered by the chamber's committee on taxation as well as its board of directors.
>
> In each case the vote has been adverse to this type of investment subsidy.
>
> The chamber again recommends against the adoption of this novel and untried preferential tax credit subsidy for business. It is unnecessarily complex and it will be difficult to administer such new concepts in our code as "section 38 property," "qualified investments," "carryover adjustments," and "unused credit years."
>
> The opposition by the chamber to the tax credit is not influenced in any manner by the other proposals contained in H.R. 10650. If all other sections were stripped from this bill, the position of the chamber in opposition to the tax credit as a subsidy would remain.
>
> The investment incentive credit has no place in an income tax law. Its rate (now at 7 percent) and its tenure (somewhat uncertain) continue to be uncertain in the light of the last-minute downward changes which occurred during the last few days of March in the Ways and Means Committee.
>
> The credit gives preferential tax treatment to certain taxpayers in favored groups.
>
> It may actually be a windfall to a business which had already fortuitously planned to purchase new facilities later in 1962. On the other hand it will work against small businesses or lose companies which have no current funds for expansion or no taxable income to be offset by the credit.
>
> More importantly, the adoption of the credit at a revenue loss of at least $1.175 billion may prejudice and delay meaningful depreciation reform promised by the Secretary of the Treasury this spring.
>
> * * * * *
>
> Many countries provide such initial allowances to measure reasonably the cost of first-year obsolescence. This type of initial allowance has already been adopted in our Internal Revenue Code on a small scale in the 20-percent first-year depreciation allowance for small business in section 179 of the code, but it is limited to $10,000.

There is no question that the chamber of commerce, which is a body representing a tremendous number of businessmen throughout the country, emphatically opposes the investment credit. While I have often disagreed with the chamber of commerce, and expect to do so in the future, I believe it should be given very sober and thoughtful and respectful attention on this kind of testimony which deals with a tax cut for business. When it appears against this tax reduction on the ground that it is not businesslike and does not work, and is not favorable for business, I think we must recognize that it is entitled to respectful attention and should be given real weight.

Also testifying before the Committee on Finance was a representative of the National Association of Manufacturers, Mr. Harold H. Scaff, who is chairman of the Tax Committee of the National Association of Manufacturers. Mr. Scaff's statement on investment credit was even shorter.

Mr. Scaff said:

> The proposed credit is a means for providing varying degrees of relief for some taxpayers but not for others. It is not in form or substance a part of, or in substitution for, or in addition to, or a companion of, depreciation reform. It would simply provide reduction in effective tax rates for taxpayers who use their income, or other funds, as the Government thinks is best for the economy at a particuar time.
>
> There has been a tendency to promote and discuss the investment tax credit apart from the price which it would exact in terms of other changes in the tax law. Even without the exaction of such a price, we would oppose the credit for the reasons set forth in the appendix attached hereto. Very simply, we believe that tax reduction should be afforded by direct means. We would take this position even if, in our opinion, all of the other provisions of H.R. 10650 constituted sound tax policy.
>
> Consistently, we would not favor legislation of the character of H.R. 10650, even if the tax reduction feature were of the kind to which we subscribe. Despite any seeming temporary advantage, we do not believe that the reshuffling approach offers significant promise for the reduction of the tax burden on capital accumulation and use. Instead, as I have indicated, we look upon it as providing a green light for more Federal spending, which would tend to perpetuate or even increase the restraint of taxation on capital formation and economic progress. This is why we say that H.R. 10650 would provide a red light against adequate growth in the private economy. We believe that the whole approach reflected in H.R. 10650 should be abandoned and that instead the Government should turn to an alternative program of releasing the tax blocks to economic growth, combined with reduction and control of the spending level.

I ask unanimous consent that a more detailed explanation of Mr. Scaff's position on behalf of the National Association of Manufacturers, appearing on pages 536 and 537 of the hearings, be printed at this point in the Record.

There being no objection, the excerpt was ordered to be printed in the Record, as follows:

> ### Appendix—Investment Tax Credit
>
> 1. Nature of credit: In the administration's advocacy of an investment tax credit, there has been a persistent tendency to view it as being a part of, or in substitution for, or addition to, or as a companion of, depreciation reform.
>
> Actually, such a credit, in form or in substance, has no connection with depreciation reform. Instead, it is in form and in substance simply a means for lowering effective tax rates to the extent of qualification. The result would be to increase the effective graduation of the corporate tax, and also the personal tax as applied to the income of unincorporated businesses.
>
> 2. Subsidy: In economic substance, the investment tax credit would be a subsidy. This fact was first stated by an administration spokesman in March 1961. As a subsidy, it is essentially an expenditure program. Its effect would be no different from establishing a Federal agency for the purpose of paying subsidies to businesses at the rate of $8 ($7 in H.R. 10650) for each $100 of expenditure for specified types of property.
>
> 3. Carrot or stick: As between businesses which do or do not, or could or could not, take advantage of such a credit, or which do so in varying degree, the credit is as much a tax penalty as it is a tax favor. The objective could be as well achieved by reducing business tax rates and then applying penalty superrates for failure to reinvest in given property categories in varying proportion to profits.
>
> This is only to say that tax manipulation of the economy is a two-edged sword. Favoring and penalizing by taxation are actually one and the same thing. The abortive undistributed profits tax of 1936 placed the emphasis on penalizing, but, as against those penalized, the result would have been to favor those who conformed to the Government-desired pattern of economic action.
>
> Whether the carrot or the stick is used, the end result of this kind of device is the same. Those who do what the Government wants done at a particular time are favored, and those who for whatever reason do not are penalized.
>
> 4. Economic effect: Despite its subsidy nature, there is no reason to believe that an investment tax credit would make any greater contribution to sustained, long-range economic growth than would result from release to business through orthodox means of a comparable amount of tax dollars, for the following reasons:
>
> (a) If the administration had stayed with its original implication of a short-term, "stimulative" device, there may have been some tendency for business to move forward its plans for expenditure in affected categories in order to get sure advantages of the credit. When the administration shifted to an all-out context of permanency, it eliminated the reason for moving expenditures forward. The fact that the word "stimulation," with its short-term or temporary, artificial meaning, is still used in advocating the credit, does not impart character to the credit that does not otherwise exist. Reference to "stimulation" of long-term economic growth is an incongruity.
>
> (b) Regardless of the short-term or long-term nature of the credit, however, or the semantics used in promoting it, it could have no more effect than the tax dollars involved except as (i) business diverted funds from other uses to expenditure for affected categories of property, or (ii) makes more use of bank credit than otherwise would be the case.
>
> In a short-range context, it might be that a credit would excite business to make somewhat greater use of bank credit than otherwise would be the case. However, such an excitement could not be given effect for long, unless the Nation were to accept a continually inflationary expansion of bank credit, or credit were to be diverted from other uses. When the economy achieves full recovery, we inevitably will be faced with a new period of financial tightness. Under such conditions, there is no reason to believe that an investment credit would affect the natural allocation of funds based on rate of interest.
>
> It seems to be believed in some quarters that more liberal use of bank credit is a substitute for the savings of individuals and business. Quite the opposite is true. The greater the total of savings, the greater the use that can be made of bank credit without inflationary consequences. The smaller the total of savings, the less the bank credit which may be used without inflationary consequences.
>
> (c) Businesses which receive the advantage of a credit would be just as free to use the dollars so gained in disbursements to owners, or for kinds of expenditure not qualifying for the credit, as they would be to so use tax reduction dollars made available through other means. There is no reason to believe that the use of business funds after enactment of the credit would to any significant extent overrule normal business judgment as to the best use of such funds.
>
> 5. Foreign experience: England is often cited as one of the nations which employs an investment tax credit. Such nations as Germany, France, and Italy, with their faster moving and more stable economies, do not employ such a device. The credit in England covers plant as well as productive equipment. The credit has not solved their problems of an uneconomic tax structure, and it is hardly to be expected that it would solve ours.
>
> 6. The basic tax problem: Except for the excessive and uneconomic use of tax rates and methods, there would be no reason to advocate an investment tax credit. In view of the need in the national interest to remove the tax blocks to greater economic growth, it is unfortunate that nearly a year has now been taken in discussion of a device that runs around the problem instead of meeting it. The public welfare will suffer further if consideration of this device continues to becloud tax discussions.
>
> 7. Principles of credit: Through less complicated and manipulative than the original credit proposed, the flat credit is no different in basic principle. As would be expected, some of the testimony against the credit in the 1961 hearings was primarily directed at the complications of the then-pending proposal. But a great part if not the bulk of the testimony reflected opposition or dissatisfaction with the credit principle itself.

Mr. PROXMIRE. Once again, I emphasize that when the National Association of Manufacturers takes a position on legislation of this kind, on legislation that is alleged to relate to the ability of our firms to be able to compete with firms overseas in manufacturing, and when the National Association of Manufacturers takes a position emphatically and clearly against the investment tax credit, and when they document it, as I think anyone who reads the Record can see they document it, we should pay very respectful attention to it.

AFL–CIO EMPHATICALLY OPPOSES INVESTMENT CREDIT

One of the outstanding economists in the country is Stanley Ruttenberg, of the AFL–CIO. Not only is he a fine economist; he is an esteemed gentleman, who appeared before the Committee on Finance, representing the considered opinion of the leadership of the 13 million men and women who make up the AFL–CIO. In the course of his appearance before the Committee on Finance, he said:

> We cannot and we do not support the investment credit. It is justified by its supporters on the ground that, first, it will improve our world competitive position.

We deal in my statement with this problem. Suffice it to say that I can't see how our world competitive position can be improved as a result of this bill. In the year 1961 our export surplus was already $5½ billion as compared with an export surplus over imports in 1959 of only $1 billion.

As a matter of fact, more than $5 billion of the $5½ billion surplus is due exclusively to a surplus in manufacturing export items over manufactured import items. If we were not competitive, it seems to me we would not be able to maintain this kind of an export surplus.

I think that statement says it very well. It is the same argument I have tried to make today.

Mr. Ruttenberg continues:

The second point which is advanced as an argument in support of investment credit is that it would increase the cash flow to corporations and thereby supplement funds that corporations need to promote financial investment.

We do not think that any of the facts justify the view that there is a shortage of investment funds on the part of American corporations today.

In the post-World War II period from 1946 through 1961 American corporations, excluding financial institutions, invested $374 billion in new plant and equipment. And over this period of time an amount equal to 96 percent of that total investment was supplied by two sources, depletion allowances and retained earnings after distribution of dividends. And in the year 1961 these sources of corporation funds exceeded plant and equipment expenditures by 6 percent.

Once again, this is the argument I have pointed out. I think that what Mr. Ruttenberg said when he appeared several months ago before the Committee on Finance is much truer now that we have revised the allowance for greater cash earnings available to American business. Mr. Ruttenberg documents this argument thus:

Third, it is argued that it will stimulate private capital investment that wouldn't occur otherwise.

It is argued that our equipment is older and, therefore, ipso facto, not as modern or as efficient as that of other countries. We challenge those who say that our equipment is not as efficient and modern as that found in other countries around the world and we challenge the statistics which try to show that the average age of our equipment is, therefore, much older and, therefore, consequently, they say less efficient in other countries around the world.

I think the challenge of Mr. Ruttenberg, of the AFL-CIO, very well taken on the basis of facts and statistics I have poured into the RECORD this afternoon from McGraw-Hill and other sources. I think it is clear that the documentation is all on our side. It has to be on our side. The assertion is made that our equipment is growing older. The fact is that it is so efficient that we are able to outproduce, outcompete, and outtrade other countries of the world. What more do they want?

Mr. Ruttenberg continued:

There is another argument which is being made currently. As a matter of fact, the Secretary of the Treasury made the argument in his presentation here the other day. He said that if you compare depreciation rates in the United States with rates of other countries around the world, you find that the representative tax life of equipment in the United States has averaged 19 years as compared with an average of anywhere from 5 years in Sweden to 10 years in most of the other European countries to 16 years in Japan, and 27 years in Great Britain.

Therefore, the argument is made if we want to compete with these companies overseas it is essential for us, in our approach to tax laws through investment credit or depreciation changes, to change our law so that Americans too can write off equipment faster.

I have a table and a memorandum which deals with this subject. I wish I had time to go into it but suffice it to say that the general conclusion is that if you look at these average lives of depreciable assets in countries abroad and in the United States and then compare these rates with the rise in industrial production, there is no correlation whatsoever.

Some of the countries of Europe who write off 90 or 95 percent of their equipment in the first 5 years have had lower increases in industrial production and gross national product than some of the other countries that write off equipment, not in the first 5 years at 90 percent but write it off at 60 or 65 percent.

The point made by Mr. Ruttenberg is absolutely true. The country which has the biggest, juiciest investment credit is Great Britain; and Great Britain also has the slowest rate of growth, the slowest rate of investment in plant and equipment.

I ask unanimous consent to have printed at this point in the RECORD the documentation by Mr. Ruttenberg that appears at pages 599 and 600 of the hearings.

There being no objection, the statement and table were ordered to be printed in the RECORD, as follows:

The attached table points up one serious fallacy in using international comparisons to prove that the United States needs to adopt the investment credit and faster depreciation incentives: There is no correlation between faster tax writeoffs or liberal incentive allowances and changes in economic growth rates or industrial production improvements.

All but the last two columns in the table have been used by Secretary of the Treasury Dillon (see table 1, p. 9, of his testimony on April 2 before the Senate Finance Committee) to demonstrate that U.S. depreciation and other allowances are not so rapid or so liberal as those in other industrial countries. The last two columns, however, point up some of the inconsistencies of using this type of data to prove that America must try to emulate foreign tax systems in order to accomplish faster growth or needed rises in industrial production.

For example, Sweden is the country with the fastest tax writeoffs and possibly "life span" for equipment, according to the table. Equipment may be written off 100 percent in 5 years in Sweden. The "representative tax life" of Swedish equipment, according to the Secretary's table, is 5 years. But the rise of Swedish gross national product between 1953 and 1960 was among the lower of the countries shown on the table, 30 percent in the period; its industrial production increased 35 percent.

But Japan, a country whose tax writeoff is considerably less than Sweden's—only 68.2 percent in the first 5 years, for equipment with a representative tax life among the longest, 16 years—had the most rapid growth both in gross national product and in industrial production—77 percent and 168 percent, respectively, between the years 1953 and 1960.

Again, Belgium, with 92.5 percent writeoff in the first 5 years, has equipment with the short lifespan of only 8 years. But even the United Kingdom, with a representative equipment life of 27 years and only a 64-percent writeoff in the first 5, shows a faster growth rate than Belgium, both in terms of gross national product and in terms of industrial production.

Or, if there is a correlation, why should France, whose equipment is written off 76.3 percent in the first 5 years have a slower growth rate than West Germany, whose equipment is written off 67.2 percent in that period? Yet the table clearly shows France well behind West Germany, in both growth and industrial production rises between 1953–60.

The table does show that U.S. depreciation allowances and typical lifespans of equipment as well as growth and industrial production rises have been less rapid than other countries. It also shows, however, that changing the U.S. tax provisions would not mean that the U.S. industrial production or gross national product increases would improve.

It is not only wrong to consider these items in a vacuum, as this table does. It is also wrong to draw from the table's data policy conclusions which the data itself does not support.

Comparison of depreciation deductions, initial and incentive allowances[1] *for industrial equipment in leading industrial countries with similar deductions and allowances in the United States*

	Representative tax lives (years)	Depreciation deductions, initial and investment allowances (percentage of cost of asset)			Rise in gross national product, 1953–60 (percent)	Rise in industrial production, 1953–60 (percent)
		1st year	1st 2 years	1st 5 years		
Belgium	8	22.5	45.0	92.5	21	27
Canada	10	30.0	44.0	71.4	22	30
France	10	25.0	43.0	76.3	36	68
West Germany	10	20.0	36.0	67.2	61	80
Italy	10	25.0	50.0	100.0	40	82
Japan	16	43.4	51.0	68.2	77	168
Netherlands	10	26.2	49.6	85.6	42	57
Sweden	5	30.0	51.0	100.0	30	35
United Kingdom	27	39.0	46.3	64.0	22	30
United States	10	10.5	19.9	42.7	19	19

[1] The deductions and allowances for each of the foreign countries have been computed on the basis that the investment qualifies fully for any special allowances or deductions permitted. The deductions in the United States have been determined under the double declining balance depreciation method, without regard to the limited 1st-year allowances for small business.

Source: Statement by Douglas Dillon before Senate Finance Committee, Apr. 2, 1962, table 1, p. 9; and Organization for European Economic Cooperation, "General Statistics," July 1961, No. 4.

Mr. PROXMIRE. Mr. Ruttenberg goes on to emphasize, I think very eloquently, the utter waste in the investment credit, when he says:

If you really believe, however, you need to help our foreign competitive trade situation, rather than having an investment credit which goes across the board—it helps barbershops, it helps agriculture, it helps bowling alleys, it helps equipment in shopping centers, thank goodness it doesn't apply to plant but only to equipment as it is written in the bill, that is a help; it applies also to utilities which obviously don't need the help—why don't we direct the investment credit to just those industries involved in international trade, export industries and others that have serious import disadvantages. In this way we could apply the use of this mechanism selectively for a limited period of time, as long as we have a balance-of-payments crisis.

Senator GORE. Could I make one addition? I feel myself in sympathy with much of what you have suggested if you would add to it that the credit only apply to that degree of plant improvement which is over and above the normal experience of the industry.

Of course, Mr. Ruttenberg wholeheartedly agreed with the statement of Senator GORE.

Mr. President, I ask unanimous consent to have printed at this point in the RECORD a more detailed explanation of the investment credit, as submitted by Mr. Ruttenberg, on pages 632 to 637.

There being no objection, the excerpt from the hearings was ordered to be printed in the RECORD, as follows:

THE INVESTMENT CREDIT

At the outset, we wish to make one laudatory comment about this ill-conceived proposal. Its authors are to be commended, at least, for their recognition that fiscal policies can and must be shaped to achieve more than the traditional objective of raising adequate revenue and doing it fairly. Just as fast tax writeoffs served successfully to spur defense-related construction, special tax concessions are wisely granted to encourage small business and temporary tax cuts to counter future business downturns are now properly being supported by the President—practical new fiscal tools must be conceived and used to achieve priority national goals as the need arises. Although we view the investment credit to be an undesirable tax device, we recognize the values of the search for new and imaginative fiscal policies to help solve pressing problems.

It is being argued by the administration that this costly credit is vitally needed to stimulate capital investment and, particularly, to increase our ability to compete overseas. It is our view that this super-billion-dollar permanent subsidy—which will absorb all the revenue from loophole closings—will do little to help achieve these desirable ends. In fact, in the long run it could well do more harm than good. Essentially, the enactment of this scheme would simply substitute a new tax loophole for the discarded older ones.

If we could believe, with its proponents, that this investment credit crash program could truly spur and sustain economic growth and resolve the balance-of-payments problem quickly, the AFL-CIO would support it. Unfortunately, these problems will not be ended or even mitigated by this tax windfall, no matter how well intended.

In determining what should and should not be done to come to grips realistically with our economic growth and balance-of-payments problems, a number of widespread fallacies need to be exposed. Toward this end, the following questions must be raised as this committee weighs the merits of the investment credit proposal and they should be reasonably answered.

(1) Is it indeed true that American industry is substantially obsolete and therefore is being outcompeted in the markets of the world?

(2) Is it true that American business needs the tax credit to help finance new investments because otherwise funds would not be available?

(3) To what extent would the tax actually stimulate new capital outlays in enterprises vital to our national goals? To what extent would the tax credit simply subsidize investment that would occur without it?

(4) With much of our productive capacity still idle because of lagging domestic demand, how long could the spur of the tax credit sustain investment growth? Should not a top priority now be given to tax policies that will encourage the higher demand that is the essential underpinning for sustained investment growth?

(5) What fruitful measure should now be pursued to deal with the balance-of-payments deficit?

Are we outcompeted in world markets?

Investment credit enthusiasts have overcapitalized on the alarmist view that a crisis of obsolescence has overtaken the American economy—a view that is not supported by the facts.

In 1962, private business firms are reported to be spending a record $37.2 billion on new plant and equipment, a rate about 8 percent higher than in 1961. Since World War II, as a matter of fact, capital investment in the United States, excluding agriculture, has exceeded $425 billion—an unparalleled record anywhere.

The view that we are being outproduced and outcompeted is largely due to a misunderstanding of the balance-of-international-payments problem. While it is true that the balance of payments has been negative, the balance of trade has been decidedly positive. In 1961, our nonmilitary exports ($20.1 billion) actually exceeded imports ($14.7 billion) by about $5½ billion. Actually, almost all the balance in our favor comes from finished manufactured products.

"In 1961, they amounted to over $10 billion while our imports of manufactured products were only $5 billion," Secretary of Labor Goldberg proudly announced in public testimony 3 weeks ago. Indeed, "our biggest dollar earners are our exports of manufactured products," he added. Surely, this record doesn't indicate that American industry is too obsolete to compete.

While it may be true that some of our enterprises lag technologically for special reasons, and that total new investment would be even higher if domestic demand was growing fast enough to support it, we hardly can be convinced that technological rigor mortis has overtaken the Nation. Too many American workers have been automated out of their jobs or have justifiable reason to fear that they soon will be, for us to have any illusion that our productive system is standing still.

Is a public subsidy needed to finance private investment?

There is just no evidence that American business needs an across-the-board tax credit subsidy to help pay for its new investment. Larger capital outlays are not being deterred because of any overall lack of available private investable funds.

On the contrary, savings available for capital formation are substantial. Actually many businesses now finance new plant and equipment solely with their own internally generated funds—money accumulated from retained profits and depreciation set-asides. From 1946 through 1961, American corporations—excluding financial institutions—invested $374 billion in new plant and equipment. However, their internally generated funds available for new investment over the 15-year period actually totaled 96 percent of that sum. In 1961, this internal cash flow actually exceeded last year's total outlay for new plant and equipment by 6 percent.

In recent years the cash available for investment from depreciation set-asides alone has grown spectacularly. This is due both to the tremendous aggregate rise in postwar investment and the liberalization of depreciation allowances in 1954 and 1958. While in 1953 corporate depreciation allowances totaled less than $12 billion, equal to only 49 percent of capital outlays that year, in 1961 these set-asides reached a staggering total of more than $24 billion, a sum equal to 80 percent of all corporate new plant and equipment expenditure last year. And, with the further liberalization of schedule F now being put into effect by the Treasury, depreciation set-asides will grow even faster.

According to the Council of Economic Advisers, about two-thirds of our manufacturing exports are accounted for by the metal, machinery, and transport industries. Yet, it is precisely the major companies in these industries that are most generously endowed with internally generated funds available for capital improvements. In fact, in recent years they have seldom been forced to sell stock or borrow to meet their new investment needs.

It should also be recalled that the substantial effort to encourage business investment through tax aids has not been confined to liberalized depreciation allowances alone. In 1954, the Congress for the first time also sanctioned the writeoff of research and development outlays as a current cost of doing business. Although this tax law change has also resulted in a substantial Federal revenue loss, it, too, serves as a substantial stimulant to technological progress. In 1960, the U.S. outlay for research and equipment by our industries reached a record $10.5 billion compared with less than $2 billion for all the Common Market nations combined.

It is our view that the Congress has already been more than generous in its effort to spur new investment via tax law. In the fact of the ample resources available to business for new plant and equipment, a further across-the-board public subsidy clearly cannot be justified on the basis of overall need.

Can the tax credit assure investment that serves essential national needs and that wouldn't occur without it?

America's productive plant is neither obsolete, outcompeted nor do businessmen lack access to funds for its expansion. We are told nonetheless, that the investment tax credit is vitally needed. Moreover, the administration is seeking this generous across-the-board business subsidy not just for a year or two; it is being urged "as a continuing part of our tax structure." According to some estimates the original credit proposal would have cost the Treasury more than $26 billion over the next 10 years.

Will this mountainous giveaway advance the national interest in any relation to its tremendous cost?

Actually, it isn't likely that much additional investment will result from this public outlay that wouldn't occur without it.

While the President's original tax credit proposal was at least aimed at rewarding increased investment from year to year, the House enacted bill now proposes to give this handout to a business even when its new investment is not rising—in fact, even when it is going down. What is more, the committee has lengthened the list of investment credit free riders thereby adding hundreds of millions of dollars to the Treasury's annual revenue loss. Furthermore, as the new equipment (paid for by the public through the subsidy device) wears out, the committee would allow full depreciation set-asides against it. Thus, the benefit from each of these freeloading investment credit handouts would go on and on in perpetuity.

While the tax credit will scarcely assure much added investment that wouldn't occur without it, its payout in tax savings to business will delight the beneficiaries. For example, had it been on the books from 1957 through 1960, Ford and General Motors together would have enjoyed nearly $100 million more in profits after tax.

According to a recent Wall Street Journal survey of business intentions, if the tax credit becomes law, spokesmen for 67 companies out of 68 said it would have no significant effect on their investment plans. As one business leader put it: "This program won't alter our construction program one bit; it's nothing more than a windfall."

According to J. A. Livingston, the popular business columnist, the whole tax investment credit idea is "just another loophole."

Despite its multibillion-dollar cost, most of the tax credit subsidy would also be of dubious value in achieving vital national objectives. It would reward investors in a host of undertakings—from bowling alleys to barber shops—that have little bearing on our ability to raise exports or on other priority national goals. Even new investment in agriculture will be rewarded despite the fact that this industry now receives a vast public subsidy precisely because it is already producing too much. In a similarly generous spirit utilities are included too, although they enjoy a guaranteed rate of profit and already are legally obligated to provide the new investment required to meet expansion needs.

Actually, the major beneficiaries of the billions of dollars about to be squandered under the investment tax credit scheme will be the 500 largest and richest industrial giants of America. These are the enterprises that, according to Fortune magazine, now account for more than half of all manufacturing and mining production and profits. They account for the lion's share of investment in new plant and equipment as well.

Thus, it is evident that the tax credit would neither guarantee a significant net addition to private investment nor would it selectively stimulate these forms of capital outlay that most serve the Nation's needs. Furthermore, over the years it would impose a burden of billions upon the public for subsidies totally unrelated to the financial need of the business beneficiaries.

Can the tax credit assure sustainable investment growth?

Let us now briefly consider the proposed investment credit against the broader backdrop of the Nation's growth needs.

Enactment of the credit might temporarily nudge business investment higher, but it certainly will not encourage balanced and sustainable economic growth. On the contrary, it would more likely distort the recovery and hasten the next recession just as the overgenerous tax benefits for investors after 1954 temporarily stimulated investment from 1955 to 1957 while consumption lagged. Inevitably, the recession of 1957–58 and a substantial accumulation of unused plant and equipment ensued. Today the tax credit stimulus could be expected to be less because of excess production capacity already in existence. The artificially continued investment stimulus would be short lived.

The major prerequisite for increased and sustained business investment is high-level use of existing plant and equipment and the expectation that sales will continue to rise. When demand and sales are high and give promise of being sustained, American businessmen generally need little prodding to expand their productive facilities. And even when demand is sluggish, they seem ready enough to improve the efficiency of their capital stock in order to reduce unit production costs.

Today, with substantial American productive capacity still idle, demand must catch up to insure a sustainable investment rise. Since domestic sales are the major support of most of our companies that also export overseas, rising demands in our home market coupled with a more strenuous effort to sell abroad are now needed to set the stage for a durable investment boom.

Even the most generous investment credit handout cannot stimulate private investment for long in the absence of adequately rising demand.

The findings of the Wall Street Journal's survey support this conclusion completely. It found many concerns are now worried "by excess capacity, which makes spending large sums of money for new machinery seem to them a dubious proposition regardless of tax laws." As one business executive put it, "the problem now is trying to find markets for our present production, not getting money to make more."

With much of our already existing productive capacity still idle for lack of orders, further tax benefits for business should be given the lowest priority. For this reason, and the additional fact that the productivity of new capital investment constantly is rising and multiplying the potential output of goods and services which must be sold, highest priority today should be given to tax policies which broadly stimulate consumer demand.

The kind of spur business needs most is the durable stimulus of rising family spendable income, which lower income taxes for the middle and lower brackets could now help provide. Instead of squandering the revenue from loophole closing on an unwarranted tax credit scheme, it would be far wiser to use it to cut personal taxes and raise consumer demand.

Last spring, when spokesmen for American business were testifying before the Ways and Means Committee, they appeared to be cool to the investment tax credit plan. We assume that this was not to any desire to reject this lush multibillion-dollar bonanza out of hand, but rather because they preferred to bargain with the Federal Government for a further increase in depreciation allowances, which they cherish even more.

Depreciation set-asides are entered on the books as a cost of doing business; when depreciation allowances are liberalized, after-tax profits are held down. The investment credit, on the other hand, would have the effect of raising profits after tax. In this form, windfalls are more visible and can be embarrassing. What is more, because faster depreciation writeoffs raise bookkeeping production costs, they invite price markups. A tax credit, however, prevents price distortion.

Although depreciation benefits already have been liberalized twice, in 1954 and 1958, the Treasury recently announced that it is increasing them still further through an overall downward revision of its "useful life" Bulletin F schedule of depreciable business assets. It is estimated that this administrative adjustment alone will increase depreciation set-asides by about $2½ billion annually. In our view, the actual useful life of a business asset is the proper depreciation rate yardstick—no more and no less. If inequities exist under the old Bulletin F schedule, because of an accelerating rate of capital replacement, the AFL–CIO supports their removal.

Having won their faster depreciation writeoff victory over at the Treasury, however, the business community apparently decided to seek a second victory by substituting a still faster depreciation writeoff scheme in lieu of the administration's tax credit proposal. Until hours before the House vote this was the Republican plan, and it was finally abandoned only for reasons of political expediency.

However, whether the additional $1.2 billion business tax benefit had been gained via the investment credit or the still faster depreciation writeoff route, in our view makes little difference. Either way, the deck is loaded against the average taxpaying family and the national interest.

How should we resolve the balance-of-payments problem?

If the investment credit is not the way to meet the balance-of-payments deficit, then how do we effectively cope with this continuing national problem?

According to a report of Secretary of the Treasury Dillon a week ago, the basic dollar deficit of the United States as a consequence of all our transactions with foreigners except the international ebb and flow of short-term capital, was $600 million in 1961. This was a very substantial reduction from the basic deficit of $1.9 billion in 1960 and $4.3 billion in 1959. The growth of our trade surplus from $1 billion in 1959 to $4.7 billion in 1960 and $5.5 billion in 1961 largely accounts for this reduction.

As long as governments continue to settle their international transactions by a transfer of the world's limited supply of gold, countries with adverse balances and too little gold are faced with trouble. For this reason, the United States, with its postwar hoard of gold, has taken drastic and generous steps to help other nations that have, or had, too little. Now that postwar reconstruction and prosperity have been achieved by many nations, some now find themselves in possession of a growing accumulation of gold and dollars. On the other hand, in recent years America's international accounts have gotten out of balance and our gold loss has been substantial. Steps to rectify this situation are clearly necessary.

There are many things that can be done.

In the first place, the administration's effort to insure greater opportunities for the sale of U.S. products in world trade through tariff reduction, must be supported.

Second, it is imperative that other prospering nations that enjoyed our generosity during the postwar years now shoulder a larger share of the rising cost of economic and military aid and of maintaining international institutions.

What is more, we must now institute a system of offshore procurement in reverse. Just as a few years ago we wisely build up the dollar earnings of other nations by buying military and other supplies from them, other countries now must be encouraged to buy from us, particularly those who are directly receiving or indirectly benefiting from our aid.

In addition, special inducements to export American capital due to the unwarranted and outdated preferential tax treatment we still accord income earned abroad, must now be ended as requested by the President. The bill before you goes only part of the way in closing these loopholes. Completing the job, as we will point out later, will reduce the balance-of-payments deficit and recoup $250 million in needed revenue for the Treasury.

If further drastic steps are needed—and other countries have not hesitated to use them when confronted by a payments crisis—the movement of private capital abroad should be restricted and directed in accordance with priority national needs. Moreover, the travel outlays of Americans abroad could be further limited, temporarily. Under any circumstance, a far more vigorous effort to encourage foreign tourists to visit and spend in the United States must now be undertaken.

A combination of some or all of these measures will end the balance-of-payments problem. Although the administration is already pushing some of them a greater effort is needed.

Finally, we should also strive to raise our export surplus still further, although there must be a realistic limit to our expectations. The economic resurgence of other countries and the reduction of tariff barriers amongst them are inevitably creating sharper competition for America. It is well to recall that the era in which our industries alone remained unscathed by the devastation of war has receded far into history. What is more, many nations must, indeed, "export or die"; in our zeal to sell abroad we must not undermine the economies of our friends.

However, instead of rushing to enact the blunderbuss investment credit scheme in the name of spurring exports—which would only distort economic growth at home and impose an unjustifiable and costly burden on the taxpayer—we should be shaping wiser and less expensive policies to spur sales overseas.

American businessmen themselves should work harder to sell to potential customers abroad and to compete more effectively at home against imports as well. As a dramatic example of this need, it is important to recall the costly failure of the automobile industry to anticipate the growing domestic and foreign preference for compact cars. As a consequence, our loss of sales and of dollar exchange in both areas was tremendous. Although foreign trade has been vitally important to a few American industries, exports still account for less than 5 percent of the sale of America's total national product. For this reason, export potentialities have not been a major preoccupation of the business community or even of the Federal Government, until recently. The balance-of-payments problem clearly requires a change of view.

What is more, money now being sought for the wasteful investment tax credit should be selectively used and be limited to the creation of a variety of aids that specifically encourage a favorable U.S. balance of trade.

While international agreements should properly prohibit aids that lead to the dumping of goods overseas, much can be done—and now is being done by other governments—to legitimately stimulate exports.

In the first place, if an investment tax credit has validity it should be restricted to enterprises engaged in production for export or in strenuous competition with imports.

Secondly, the granting of one or another form of direct tax concession related specifically to levels of export sales, might well be explored by this committee. However, such tax benefits, including investment credits, should be allowed only temporarily, for as long as our balance-of-payments deficit continues.

Furthermore, low-cost credit for loans for oversea customers and low-cost insurance to cover the commercial and political risks associated with foreign sales, must be made more widely available. Toward this end, the activities of the Export-Import Bank must be increased.

In our view, this committee would perform a great service by thoroughly studying the feasibility of these and all other export stimulating alternatives. We are advised that as long as these devices do not result in lower selling prices abroad than in our own domestic market, they are not barred by any international pact.

We are convinced that wise selection from among many constructive available means of attacking the balance-of-payments problem—short of resorting to the costly and unwarranted across-the-board investment credit—will bring results.

CLOSING TAX LOOPHOLES

Tax withholding on dividend and interest income

One of the important features of the bill before you is that it will withhold dividend and interest income tax purposes, in accordance with the President's request.

This proposal imposes no new tax; it simply would enforce payment of what has long been due.

Gross discrimination now exists between wage and salary income and dividend and interest income because withholding applies to one and not the other.

The withholding system leaves no room for the forgetful, the neglectful, or those who would deliberately try to avoid payment of taxes. Uncle Sam receives his due share of wage income almost at the same time that the wages are paid to the worker.

As a result of withholding, 97 percent of all wage and salary income is reported on Federal income tax returns. Because no withholding system applies to dividends, to interest, or to any other type of income, a far larger proportion of this income is not reported in income tax returns. Treasury data shows that for 1959, 9 percent of all dividends and 35 percent of all interest remained unreported. It is estimated that the total of unreported income in these two categories amount to $3.8 billion.

As long as the withholding system applies only to wages and salaries, a gross injustice exists which forces wage and salary income to pay a greater share of the tax burden than other types of income. Clearly the answer is to equalize this treatment by instituting a withholding system on other types of income.

What have been the objections to this proposal? Some of those who regularly pay dividends and interest to holders of their securities have insisted that a withholding system would be too great an administrative burden for them to bear. However, it would be far less than the burden they now assume in withholding income taxes from wages and salaries. Moreover, in the past few years, many firms have introduced mechanical operations into their dividend and interest payment procedures so that whatever additional bookkeeping is involved can be swiftly handled.

Another objection has been a concern that many low-income recipients not subject to tax would find their dividend and interest payments reduced by the amount of the withholding, and be forced to undergo personal hardship while awaiting refunds from the Treasury.

This is a problem of but minor proportion.

In the first place, Treasury figures reveal that only 11 percent of unreported dividends, and 29 percent of unreported interest is received by taxpayers with incomes below $5,000. The great bulk of it belongs to those with higher incomes.

What is more, for those with low incomes the bill before you provides for an equitable arrangement whereby individuals who expect no tax liability can avoid withholding, as can all individuals under 18. Besides, married couples with less than $10,000 income and individuals with less than $5,000 can receive quarterly refunds if they expect to have less tax liability for the year than the amount withheld.

BYRD EMPHASIZES INJUSTICE TO STRUGGLING SMALL BUSINESS

Mr. PROXMIRE. Mr. President, I wish to refer to another point, which was developed at the hearings when I appeared before the Finance Committee and testified against the proposed investment credit. A very excellent point was made by the chairman of the committee, the Senator from Virginia [Mr. Byrd]. He said—and I think this should not be missed, and I wish to discuss it now:

> The Chairman. Just one more comment, Senator.
>
> The more you consider this plan the less effective it will be, I think. Now, you take a struggling young industry. They frequently have to lose money for some years in competition with some well-established business. Then the well-established business will take 8 percent credit on its taxes, the struggling young business that hasn't got firmly established and wasn't up to that time enabled to make a profit would get nothing.

I think the chairman of the committee was absolutely correct, and I think this can often happen. I know the small firm with which I was once associated had a similar experience. Any struggling, young firm can expect to lose money for quite a time. When, a little later, it wishes to buy a piece of equipment costing $1,000, in competition with a big competitor, the small firm has to pay $1,000 for it, for it has no past operations to constitute a basis against which to take a tax credit. So the struggling young firm would not find the proposed tax credit of any use to it. Meanwhile, its big competitor could, under this proposal, purchase the same piece of equipment, but would not have to pay $1,000 for it; it would have to pay in effect only $930, net, because it would have the benefit of a $70 credit under this proposal. So under such circumstances the new, struggling firm would be at a real competitive disadvantage.

The statistics show that over 300,000 American corporations lost money last year, and that large numbers of individual proprietorships—all of which are small—made little money, and that even those which made money would have received only a limited amount of credit from this source.

A moment after that statement by the chairman of the committee, I said:

> Senator Proxmire. It favors the stable company which is earning a substantial amount, and reinvesting amounts over the years, and now growing. It disadvantages the growing company and especially the growing small company.

BASIS FOR A.T. & T. OPPOSITION TO $75 MILLION GIFT

Mr. President, one of the most impressive appearances before the committee was made by Alexander L. Stott, vice president and comptroller of the American Telephone & Telegraph Co., because that company stands to gain $75 million after taxes, every year, as soon as this proposal goes into effect. Why does this firm oppose it? Mr. Stott testified:

> The Bell System construction program for 1962 is approximately $2.8 billion and it will probably remain in this general area in the immediate future.
>
> This construction is designed to meet the needs of the public for telephone service. We have an obligation to construct adequate facilities to meet this need. Clearly, it would not be economically desirable to build excess plant merely to obtain a tax credit. The Bell System companies have been able, under sound regulation, to obtain the additional amount of new capital from investors required to carry on construction of new facilities. Therefore, we can see no justification for using tax moneys to help finance our expansion. As the proposed incentive

now stands, our business would obtain substantial benefits whether its construction were increased or not. For example, under a 3-percent rate our credit would be in the range of $75 million for 1962; at a 4-percent rate it would be about $100 million; and at an 8-percent rate it would be about $200 million. If we received this credit we would be taking money from the taxpayers for expansion which we believe should properly be obtained from investors.

He went on to document that in spades.

I ask unanimous consent to have the excellent statement submitted by Mr. Stott, on pages 897 and 898, printed at this point in the RECORD, because I think it is very rare to have a situation in which a firm at any time turns down $75 million a year.

There being no objection, the excerpt from the hearing was ordered to be printed in the RECORD, as follows:

STATEMENT OF ALEXANDER L. STOTT, VICE PRESIDENT AND COMPTROLLER OF AMERICAN TELEPHONE & TELEGRAPH CO., ON H.R. 10650

This statement is made on behalf of the Bell System companies to give our views on the proposal in the pending legislation for an incentive tax credit and other matters. Because the Bell System is a heavy user of capital equipment, it has always had a keen interest in construction and depreciation matters. In recent years the construction program of the Bell System companies has been running in the neighborhood of $2.5 billion a year.

There can be no disagreement with the objective of stimulating modernization and expansion of the Nation's productive facilities. If our Nation is to create the jobs needed for its expanding work force and improve our competitive position in world markets, our productive facilities must be rapidly modernized.

Since the purpose of the incentive tax credit is to promote construction and growth, the question is whether it would have that result. As far as the Bell System companies are concerned it will not. Apparently this is also true of many other companies. On February 8, 1962, the Wall Street Journal published the results of a survey it had made of the plans of 68 large corporations. All except 1 stated that their construction programs would not be significantly affected if the proposal should be enacted, and 29 stated that the credit would not change their capital spending plans at all.

The Bell System's construction program for 1962 is approximately $2.8 billion and will probably remain in this general area in the immediate future. This construction is designed to meet the needs of the public for telephone service and we have an obligation to construct adequate facilities to meet this need. Clearly it would not be economically desirable to build excess plant merely to obtain a tax credit. We have been able, under sound regulation, to obtain from investors the additional amount of new capital required to carry on our construction of new facilities. Therefore, we can see no justification for using tax moneys to help finance our expansion. As the proposed incentive credit now stands, our business would obtain substantial benefits whether its construction were increased or not. For example, under a 3-percent rate we estimate that our credit would be in the range of $75 million for 1962. At a 4-percent rate it would be about $100 million, and at an 8-percent rate it would be about $200 million. If we received this credit we would be taking money from the Government which we should obtain from investors and not the taxpayers.

The investment credit is not a step toward needed tax reform. Rather, it is a subsidy to spur new construction by reducing the cost of acquiring new equipment. We do not think that business needs a subsidy to expand—it needs basic tax reform. In any case we are convinced that it would not be sound tax policy to offer a subsidy until faults in the present tax structure have been remedied. The credit may prove to be a windfall to many rapidly growing companies which would expand in any event. But it would be of little help to those companies whose plant and equipment is in the most need of modernization. Since one taxpayer's subsidy is another taxpayer's penalty, the credit would introduce an undesirable area of discrimination as among taxpayers. Furthermore, if the private enterprise system as we have known it is to remain strong and healthy, we believe it would be a mistake to take a step which may tend to cause business to look more and more to the Government to solve its problems.

It has been stated that the incentive credit is only part of the proposed program for spurring economic growth and that the the other component would be a downward revision of depreciable lives set forth as guidelines in Bulletin F. On January 18, 1962, the Secretary of the Treasury said, "I consider our program of depreciation reform (Bulletin F)—including the investment credit—a central part of our economic policy." If the proposed incentive credit becomes law, there is a distinct possibility that it will be regarded as providing tax depreciation reform, and true reform will be long deferred.

Revision of Bulletin F may be useful in some areas. It should be kept in mind, however that Bulletin F is only an administrative guide, specifying average service lives for property by industry groups. Actual depreciation allowed for tax purposes is seldom derived solely by reference to these guidelines. This situation would not be changed simply by having the Treasury Department issue a new bulletin listing shorter lives. Such action would certainly be of no value to us and we suspect the same would be true for many other businesses. In our case, depreciation rates are established on the basis of our own detailed engineering studies. As a matter of actual practice, the depreciation which we claim for tax purposes is based on rates prescribed for our companies by regulatory authorities for accounting purposes.

In my opinion it is important to understand why the Nation has fallen behind in modernization and expansion of productive facilities. High tax rates, and inflation in the postwar years are clearly at the root of our trouble. Depreciation allowances for tax purposes have failed to recover the purchasing power of the investment in plant being used up in providing goods and services, taxable income has been overstated, and capital has been taxed under the label of income. To maintain the purchasing power of its investment in plant and equipment, business must replace the capital eroded through taxation, either by undertaking outside financing or by retaining more earnings in the business. Many businesses have not been in a position to replenish their capital by these methods and so have not been able to keep their plant and equipment up to date. Furthermore even where businesses have been able to obtain the capital needed to offset this erosion, they have put a burden on the savings of the country and have reduced the amount of capital that otherwise would have been available for expansion of the economy.

We believe that the first and most important step to stimulate modernization and expansion should be basic tax reform to permit depreciation allowances adequate to preserve the purchasing power of the investment in the productive facilities of the Nation. Such depreciation allowances could be calculated by adjusting the depreciation determined on the basis of the number of dollars originally invested in plant by the changes in the price level between the year of investment and the current year. The purpose of price-level adjustment of depreciation is to allow for changes in the general purchasing power of the dollar and not for changes in the price of particular assets.

We realize that many methods have been advocated for improving tax depreciation allowances and on the basis of studies we have made, we are convinced that price-level depreciation would be the fairest method for all concerned; that is, the public, business, investors, and the Treasury. But, whatever depreciation methods are adopted, effective control of tax depreciation can be achieved through a requirement in the tax law that the taxpayer may not use for tax purposes any depreciation method that is more liberal than the method used in his books of account. Since generally accepted accounting principles require realistic depreciation methods for financial reporting and accounting purposes, this requirement would protect the Government's tax revenues by preventing the use of fast depreciation methods for tax purposes where such methods cannot be justified for financial reporting purposes.

By recognizing changes in purchasing power in the computation of depreciation allowances for tax purposes and requiring that no more liberal tax depreciation methods may be used than are used for accounting purposes, substantial amounts of new funds would become available for modernization and expansion to businesses with an appreciable investment in productive facilities. All businesses would obtain relief on an equitable basis, and businesses with the greatest need for modernization would share in the relief. Furthermore, whereas the expected cost of the proposed incentive credit is currently estimated at about $1.4 billion, without including any changes in depreciation tax treatment, the cost of recognizing realistic depreciation deductions based on purchasing power, with appropriate safeguards, would be about $2 billion. We are convinced, too, that inadequate depreciation allowances for tax purposes have been holding back growth and that realistic tax depreciation allowances which reflect the change in the purchasing power of the dollar are a necessary condition for a dynamically growing economy.

I should like to comment briefly on two other subjects which were mentioned during the appearance of the Secretary of the Treasury before your committee earlier this week. These are, first, the suggestion to change the restricted stock option provisions presently contained in section 421 of the Internal Revenue Code and, second, a proposal to eliminate the $50 dividend exclusion and 4-percent dividend credit presently available to individuals. Any major changes in these provisions would seriously impair our ability to continue to obtain the amounts of new capital needed in our business.

Mr. PROXMIRE. Mr. President, I wish to refer briefly to the testimony of another witness, one who favored the proposed investment credit, Mr. Arthur J. Packard, president of the American Hotel Association, which represents, as he said, an industry which has 29,000 hotels and 41,000 motels. He favors the proposed tax credit. He said:

> Let me deal first with the provisions in the bill relating to the proposed 7-percent investment tax credit.

We can see why this proposal becomes politically potent, because in these circumstances the 29,000 hotels and the 41,000 motel proprietors have a solid financial reason for influencing Members of Congress, to enact the law. It is to be assumed that that is what they would do. But certainly the argument in favor of providing such a tax credit—as that argument was made by Mr. Packard—is very, very weak. He said:

> We believe this approach is sound and particularly applicable to the hotel industry. Although hotels have engaged in substantial modernization programs since World War II, there is still a vast area in which hotels could modernize even farther to meet increased competition within the industry.

Of course that makes no sense at all. If they are going to modernize, in order to meet competition within the industry, and if the whole industry gets the credit, the whole industry will be able to modernize, and then all of them will be in exactly the same competitive position that they were in before.

I think the Senator from Tennessee [Mr. GORE] and the Senator from Illinois [Mr. DOUGLAS] brought out the point that the main thrust of the proponents of this measure would be to make our businesses more competitive with businesses abroad. But to make American hotels more modernized than hotels in Italy would have no really helpful effect on our economy, even if the investment credit worked and the evidence is overwhelming that it wouldn't work.

The real point in connection with Mr. Packard's statement was brought out in the following testimony:

> The CHAIRMAN. You say the occupancy rates have dropped every year from 93 percent in 1946 to 62 percent in 1961.
>
> Does that include all the motels and hotels both or what does it include?
>
> Mr. PACKARD. That is right.

In other words, it includes both.

Obviously, if their vacancies are increasing—if they now have only 61 percent occupancy, instead of 93 percent—the last thing in the world they need is an incentive to build more motels and more hotels. I suppose some of the money would be used to make their existing facilities more attractive; but under these circumstances to build additional units would be just as stupid as the Small Business Administration policy of making loans for the construction of more hotels or motels over the country. In the present overbuilt situation, that is sure to cause even more forced selling.

RETAILERS WANT CREDIT ON PARKING LOTS

Mr. President, there is also in the RECORD a statement by Allen P. Lucht, treasurer of the Federated Department Stores. He pleaded for a little more generous definition of depreciable property. He pointed out all the benefits the retailers expect to get out of this proposal if it is enacted into law. I think a reading of his testimony, as it appears in the hearings, provides about as good an argument against the proposal as I have seen—even though he favored the proposed investment credit.

For example, he said:

> The Ways and Means Committee report mentions specifically that the parking lot of a factory is not used as an integral part of manufacturing. It is for the benefit of the employees of the factory. However, the retailer's parking lot is an entirely different category. Present day consumer habits have made the customer parking lot a vital necessity. The retailer who does not have one soon falls behind in our highly competitive system.

Therefore, he said, he wanted to see a 7-percent credit made available for parking lots. No doubt he could get one under this proposal. I suppose it could be argued that a parking lot is depreciable property—that in time it will depreciate; and I suppose it does. But this does not contribute to our growth, and that would be the wasteful consequence the proposed tax credit would have on our economy.

BRISTOL-MYERS OPPOSES CREDIT

The next to the last witness whom I want to quote tonight is Walter H. Kamp, financial vice president of Bristol-Myers Co. Mr. Kamp, representing the drug industry, appeared before the committee and testified as follows:

> #### 1. INEFFECTIVENESS
>
> As I understand it, the basic purpose of this credit is to stimulate industrial expansion and modernization and thereby promote economic growth and fuller employment. Certainly, all of us are in full accord with these objectives. However, good intentions notwithstanding, the investment credit proposal will be almost completely ineffective in achieving these objectives. If it were not for the fact that any reduction in taxes releases additional funds for expansion or other corporate purposes, it could be stated with assurance that this proposal would be wholly ineffective in stimulating industrial expansion and modernization.
>
> However, I do not believe that the investment credit is a good method of reducing Federal income taxes since the proposed investment credit will be of the least help to those it is primarily designed to help; i.e., industries lagging in the modernization of plant and equipment.
>
> You will note that I have purposely omitted from this category expansion in the productive capacity of our industrial enterprises. As one who has seen his own company's sales grow from $6 million in 1929 (the year in which I joined Bristol-Myers Co.) to over $164 million in 1961, I can state without hesitation that if the economic factors are right—i.e., growing consumer demand for a company's product, a reasonable price to the consumer, and an adequate return on the investment required—industry will provide its own expansion of industrial facilities and productive capacity without any need for an investment credit provision. Certainly, this has been the experience of our company throughout the entire period of my 33 years' association with it.
>
> To return then to those industries lagging in the modernization of plant and equipment, this is due generally to either a lack of cash or unfavorable economic factors.
>
> If the problem is lack of cash, the investment credit provision will be of no help whatsoever, because in order to obtain a tax credit of $100,000 a company would first have to pay out $1,400,000 for the purchase of new equipment. Obviously, if the company were short of cash to begin with, it certainly wouldn't have $1,300,000 net to lay out for new equipment. On the other hand, accelerated depreciation could apply to equipment already purchased and would thus involve no additional cash outlay, but the savings in taxes accomplished thereby would be immediately available for either additional new equipment or the replacement of obsolete equipment.
>
> If, however, the lag in modernization of plant and equipment is due to unfavorable economic factors, no 7-percent discount in the purchase price is going to answer or substitute for the solution of the basic underlying problems.
>
> To summarize, then, the investment credit provision will help those people who do not need help and will be completely ineffective in helping those people who need help.
>
> I suppose if I were a defeatist, I might say that the chances of ever obtaining any reduction in corporation taxation are infinitesimal, and therefore we ought to grab any opportunity for tax reduction that is offered us. Fortunately, our company was never built upon defeatism, and therefore my colleagues and I feel that we must oppose this investment tax provision even though—short range—it might be of immediate benefit to us. I hope you will bear with me if some of the points I make in succeeding paragraphs have already been covered by others in these hearings.
>
> #### 2. REVENUE LOSS
>
> At a time when we are already faced with a substantial deficit for the current fiscal year, and the probability of an even greater deficit for the 1963 fiscal year, it would appear most unwise to increase these deficits by a costly giveaway program of highly doubtful effectiveness which business in general does not want and which, in my opinion, would be unsound at any time.
>
> #### 3. DISCRIMINATORY EFFECTS
>
> As I tried to point out in section 1, the application of this provision would be highly discriminatory in its effect upon varying industries, and taxpayers who cannot qualify for the favored treatment—i.e., those who most need it—will, in effect, have to bear the load for the benefits granted to the favored few.
>
> #### 4. GOVERNMENT INTERFERENCE AND CONTROL
>
> The enactment of a provision of this nature would create an extremely dangerous precedent leading to the encouragement or discouragement of any particular segment of private enterprise, depending upon the whim or mood of the moment. Today it is an investment credit for new machinery and equipment. Tomorrow it could be an investment credit for industrial development in Africa, Latin America, Oshkosh, or Timbuktu. The scope of such favored and discriminatory treatment is limited only by the imagination of those proposing it.
>
> In conclusion, may I say that the investment credit concept is moving far afield from the basic purpose of tax legislation; i.e., to raise the necessary governmental revenue with the least possible disruption of normal business practices.
>
> May I thank you for granting me this opportunity of appearing before you on behalf of my company.

KEYSERLING CALLS TAX CREDIT WRONG ON EVERY SCORE

One of the most articulate economists in the country, and certainly one of the most imaginative, is Leon Keyserling. Mr. Keyserling cannot be said to be one who parrots the line of the National Association of Manufacturers or chambers of commerce. He was the Chairman of the Council of Economic Advisers under President Truman. He was chief economist for some time, as I recall, for outstanding labor organizations. He has been a teacher and a Government economist of high repute. This is what he said about the tax credit:

> It seems to me a provision which business does not seek, labor does not want, the condition of the Federal budget does not justify, the state of the national economy does not call for, the full consequences of which the public does not appreciate, and which even those economists who favor it have not been able to support with careful or specific empirical analysis. The proposal cannot stand the test of logic; it should not survive the lessons of experience.

Then he goes on to recall a very interesting and to me a very persuasive analogy. He says:

> The Chairman of the Federal Reserve Board and the Secretary of the Treasury, before this committee in early 1957, shortly before the Chairman proposed his extensive investigation of the financial conditions of the United States, said that we needed more plant, we needed more investment, we needed more savings; the level of consumption was too high. We were faced with a great inflationary threat. They used this in justification of the tight money policy. They used this in justification of the amortization schedules and benefits taken out of the Treasury, with which business was then being plied.
>
> Before this committee on the record in early 1957, I said that we were in oversupply on everything; we were moving straight toward an economic recession. We had a deficiency of demand relative to our plant capacity.
>
> The members of this committee asked the proponents of the tax amortization to run around and tell where the shortages were, and this is all on the record, they were able to find only one type of lead type.
>
> Lo and behold, the recession came, and it was the most serious recession since World War II.
>
> Lo and behold, Mr. Martin, Chairman of the Federal Reserve Board, came back to the same committee in 1958 and he said, in substance, that, looking backward, we had an investment boom which was too fervid relative to the demand, and that is why we had a recession.
>
> In other words, this was a complete acceptance of what I had advanced before the committee 1 year earlier.

The argument that Mr. Keyserling made is that what happened in 1957 resulted from having provided incentives for plant and equipment which resulted in a boom in plant and equipment in 1955 and a serious recession following, because demand was falling off. That is exactly what investment credit will do. Keyserling documents it in spades. He goes on to say this:

> I said at the beginning of my testimony, and I did this deliberately and advisedly, that we should have had $90 billion more of business investment over the last 9 years, and then we would have been more competitive. We would have had more technology, we would have had more productivity. I think we should have a much higher level of business investment, over the next few years, than we are going to get.
>
> But we are not going to get it by repeating the same errors which prevented us from getting it over the last 9 years, because business investment feeds on utilization, and merely to fan once again a fervid investment boom which gets the existing idle plant capacity, how is this in the long run going to provide a healthy climate for business investment? That is the first point.
>
> The second point is that there has been a tremendous exaggeration of this whole international problem, as a scare device for pumping the Congress and the country into approving something that the Treasury has worked out.
>
> Let me illustrate which I mean. I am for the trade program, although I am not prepared to debate it here. I think it will improve our foreign trade position. I think it will improve our balance of payments. I think it is a good step on international political grounds.
>
> But for us to think, for us to think for a second, that even if the trade program were passed immediately, and even if it had optimum results, it would yield more, than a $2 or $3 billion annual gain in the performance of the American economy—I do not think there is a single economist who studies this subject in the whole United States who will be found to say that it will add more than $2 or $3 billion a year to our net performance position. I do not think it will add that much.

He refutes argument that plants overseas are more efficient than the plants in this country. He says:

> Of course, steel plants in India are newer than in the United States. India did not dream of a real steel industry until just a few years ago.
>
> Of course, steel plants in Germany and in Japan are newer. They were bombed out a few years ago. On the average they are newer.
>
> If we were bombed out and recovered, ours would be still newer. Of course, some of the plants are newer in Italy, France, and some of the other European countries, because they have lagged so far behind us, because they have really started their industrial development so very much later than we have.

He points out that when one goes over there and travels around, he has to travel a long time and look at much equipment and many plants before he finds one that compares with a typical American factory, in efficiency or capacity of equipment.

I read from his statement:

> It is argued that, if we have a higher level of business investment, we will have a higher ratio of investment to the size of our economy, and if we have a higher ratio of investment relative to the size of the economy, we will grow faster.
>
> Well, point 1, as I have already said, you won't have a higher investment, relative to the size of your economy. You will have a smaller investment, because you will merely repeat what happened during the last 9 years, which turned investment down more than anything else because it is the most volatile sector.
>
> Let us examine the argument itself. It is just like saying, because red blood corpuscles make a man strong, that if he has nothing but red blood corpuscles, he will be as strong as Hercules.
>
> If he has nothing but red blood corpuscles, he will die.
>
> The problem is, What is the ratio of the red blood corpuscles to the white blood corpuscles, to the whole man, which will keep him strong?

CONSUMER DEMAND NOT INVESTMENT INCENTIVE NEEDED

This is the point. We have been pouring on incentives for investment, when we do not need incentives for investment. This is the one area of our economy which is moving ahead, which has been built up, which has had every incentive over the past 8 years, including a big incentive this year already.

> How do the proponents of a tax proposal justify the right ratio?
>
> First of all, they look overseas. Everybody likes to look overseas now, and they say, "Why, in Japan the ratio of investment to the total economy was 40 percent."
>
> Sure. But that is not sustainable. It is not going to be 40 percent when Japan is rebuilt. If we were bombed out and rebuilt our ratio would be 40 percent, too.

He goes on to point out that that seems to be true elsewhere.

There was a brief colloquy between the Senator from Delaware [Mr. Williams] and Mr. Keyserling which I think beautifully summarizes the situation on balance of payments and balance of trade. The Senator said:

> First, as I understand your argument, you do not think that the adoption of this investment credit would in any way improve our balance-of-payments situation; is that correct?
>
> Mr. Keyserling. I think it would worsen our balance-of-payments position in the sense that being an undesirable American economic policy it would worsen our economic performance, so this, in turn, would worsen our balance-of-payments position.
>
> Senator Williams. I understand that it is your opinion that the adoption of this investment credit plan would, in effect, be starting an unwarranted subsidy for American industry.
>
> Mr. Keyserling. Well, this ties in with your first question.

Then there was a colloquy with the Senator from Tennessee [Mr. Gore] on the impact of international trade. The argument was made that the investment credit of $1.4 billion would have a massive effect on our foreign trade situation and that somehow our favorable balance of trade, which is now, as I previously pointed out, about $5 billion a year including foreign aid and $2.6 billion excluding foreign aid, would be improved a great deal. The Senator from Tennessee [Mr. Gore] pointed out how impossible this was in terms of simple arithmetic.

The Senator asked Mr. Keyserling:

> Ten percent of this credit, $1.4 billion, would be $140 million.
>
> Mr. Keyserling. Yes, sir.

This is apropos of the position the Senator from Tennessee [Mr. Gore] had taken that only 5 percent of our economy is involved in foreign trade but, being more generous, he would allow 10 percent. The Senator said:

> I ask you, by what logic can we assume that a tax credit of $140 million is going to improve the balance of payments by $2, $3, or $4 billion?
>
> Mr. Keyserling. We cannot; we cannot.
>
> Senator Gore. I just do not see it; I agree with you.
>
> Mr. Keyserling. Furthermore, Senator, it is worse than that because the method that you have used is in itself an exaggeration because you cannot say that if you have a tax credit of $1.4 billion, and since 5 percent of the economy is engaged in trade, there is going to be a 5-percent ratio. This is not the way it works.
>
> What the proponents of the tax credit are saying is that this tax credit, by more efficiency, will result in reduced prices, and that these reduced prices will enable us to sell more goods overseas.
>
> When you bring that additional step in, you get down to a lot less than 5 percent, because you have to say, first, here is a certain credit to industry. This is going to change their investment pattern so much.
>
> Now according to the judgment of Business Week, they are going to invest 1 percent more than they otherwise would, or about $300 million more in 1962. Now by your method, we apply 5 or even 10 percent to investment in production for foreign trade.

The effect would be, we have learned, that the firms engaged in foreign trade would probably increase their investment in plant and equipment $15 million, that is 5 percent of $300 million.

Since foreign trade involves some $20 billion a year, $15 million is only a drop in the bucket and would have only an insignificant effect.

DOUGLAS-GORE DISSENT A MASTERPIECE

Mr. President, I wish to summarize. I think one of the finest analyses I have seen since I have been in the Senate in any committee report was the job done by the Senator from Illinois [Mr. Douglas] and the Senator from Tennessee [Mr. Gore] in their supplemental and minority views on the tax bill.

In the course of the dissent the Senator from Illinois [Mr. Douglas] and the Senator from Tennessee [Mr. Gore] point out that the loss of revenue would be between $1.1 and $1.4 billion, which would be a very substantial loss. They emphasize the fact that the present provision is not an effective incentive, although it started out that way when the administration originally recommended it. It is no longer an efficient incentive, because it would provide a credit for all investment, even if a firm reduced the amount of investment it made. The result would be that the increased investment would offer a very small, very modest, very weak, very slight incentive for growth.

The Senators point out that all the surveys also agree that this would provide very little increased investment in plant and equipment. These surveys have been conducted by the most authoritative and highly respected business groups. Then the Senators summarize, in a statement which I think ought to be brought to the attention of the Senate, for the emphasis is on what has happened to tax benefits in the past 8 years.

> In 1954, accelerated depreciation, with the double declining balance and the sum of the digits methods, was authorized by Congress. This amounted to an initial loss of revenue to the Government of at least $2 billion a year. This went to the industrial corporations and to the industrialists. At the same time the $50 dividend exclusion and the 4-percent credit were passed in 1954 which gave $400 million a year more to the owners of common stocks. This summer the Treasury has issued a new Bulletin F, permitting machinery and equipment to be depreciated much more rapidly. It is estimated that this will reduce business taxes by approximately $1.5 billion a year. All of these taken together come to just short of $4 billion a year.
>
> Now we have this provision for the investment credit which will give the investors in machinery and equipment at least another $1.3 billion annually. Thus, in 8 years we have decreased the annual tax burden on industry by over $5 billion a year. This, of course, goes to the upper income groups in society who own the overwhelming proportion of the stock of American corporations.
>
> During this period the low- and middle-income groups have received virtually nothing in the way of tax cuts. It is about time that the United States was less partial in its distribution of favors. This is true both on economic and ethical grounds.

The Senator from Illinois [Mr. Douglas] and the Senator from Tennessee [Mr. Gore] also said:

> The investment credit proposed is really a form of the trickle-down theory of economics which has largely been shown to be ineffective in the past. We believe instead in the theory that purchasing power should be built from the bottom up.

I think the Senators are correct. If we add to this loophole the kinds of amendments offered by distinguished Senators to the tax bill there could be a real drain on the Treasury this year.

Mr. President, in conclusion I wish to say that the reason that I have detained the Senate so long—I have spoken now nearly 4½ hours—is not that I am sadistic, but because I felt very strongly that this statement had to be made. It had to be made in a speech.

I suppose I could have sat down and typed up my remarks, and brought them over and put them into the Record. Somehow those actions have a way of being totally ignored. I think, somehow, this may achieve some degree of attention and understanding on the part of other Members of the Senate.

There is no more important tax bill which is to come before the Senate in the next several years. Certainly no more important tax bill has come before the Senate since I have been a Member of the Senate. As the Secretary of the Treasury rightly said, the "guts"—the heart and soul—of this bill is the investment credit.

I am speaking at length now because I know that if I did so on Monday, Tuesday, Wednesday, Thursday, or at any time before we take action on the bill, I would be accused, and properly so, of delaying the Senate by engaging in a filibuster and tying it up. I am sure my address has imposed a very real discomfort and inconvenience on very tolerant people tonight. I am sure that if I did it at any other time, it would have imposed a far greater degree of inconvenience on more people.

SUMMARY

In conclusion, I am opposed to the investment credit because it is a tax cut.

I have been consistently opposed to a tax cut this year. I am opposed to a tax cut which the beneficiaries do not want and a tax cut which the largest business in the world has testified it does not want and would not have. They have said it would not work, and would be bad economic and social policy. That kind of tax cut, it seems to me, is ridiculous.

Not only is the subsidy not wanted, but the McGraw-Hill survey, the National Industrial Conference Board, the Wall Street Journal, and everyone who has studied the question agrees that it would not provide a stimulation of investment. It would not work.

Furthermore, at least 80 percent of the volume of the argument of Secretary Dillon is based upon how important it is to make us competitive with industry abroad, when the facts are overwhelming that we are leading industries abroad. The United States of America has a favorable balance of trade of over $5 billion, and $2.6 billion of that is entirely in the commercial private sector of our economy. That means if countries abroad have an unfavorable balance of trade, we have a favorable balance of trade to that extent. We are beating them. We are still the supreme nation of the world. That does not mean we cannot improve our economy. It does not mean we cannot hope that they can also improve their economies. Of course, we do. No argument can be made on the ground of economic competition because we are trading effectively.

The proposal is also bad because, whereas it started as an incentive on the marginal investment, on additional extra investment, now it is an incentive on the gross investment—all of it. So firms will get it even if they reduce their investment.

I point out also that it would cover the entire sweep of industry. It would cover bars, burlesque houses, parking lots, and supermarkets. It has no relationship whatever to industrial policy. It would cover every kind of equipment that is legal. It would cover slot machines and driving ranges.

Mr. President, the last thing that we need economically now is increased capacity at a time when our business plant is chugging along far below capacity. Why in the world should we cut taxes for the purposes of increasing that capacity further?

When we have done that in the past, as Leon Keyserling pointed out so well, what was the result? The result was a serious recession.

It seems to me that the proposal is one that cannot be justified.

I also point out that those who are opposed to the investment credit are as responsible, able, thoughtful, and disinterested a group of Senators as I think one could find. Of all the conservative Senators, none has won greater respect on the part of business and on the part of his colleagues than has the chairman of the Committee on Finance, the Senator from Virginia [Mr. Byrd] on the Democratic side.

On the Republican side the ranking Republican member of the Committee on Finance has been recognized as a man of absolute integrity. Some might disagree with him on public policy, but no one disagrees with his integrity and ability. I refer to the Senator from Delaware [Mr. Williams]. He is also strenuously opposed to the tax credit. So the Senator from Delaware [Mr. Williams] and the Senator from Virginia [Mr. Byrd] are opposed. Also the only professional economist in the Senate, the brilliant Senator from Illinois [Mr. Douglas] is opposed. He has devoted his life to the study of economics. He taught economics at the University of Chicago. He won his doctorate at the age of 25, writing his thesis on the subject of wages, which is still a definitive work on that subject. He is emphatically opposed to the proposed investment credit provision. I think Senators will find very few people who have the great competence in the field of taxation than the Senator from Tennessee [Mr. Gore], or whose integrity and ability is more widely recognized. He is also emphatically opposed to the investment credit.

On the basis of the groups opposed to the measure, whether it be labor, business, or outstanding figures in American life, those distinguished Senators who have thought the issue through most carefully are opposed to the investment credit.

As I take my seat I wish to emphasize that the proposal is wrong because it is bad public policy. It is bad economic policy. It is a giveaway at a time when our Government cannot afford to increase its deficit further.

Mr. President, with sincere apologies for detaining the Senate so long, I yield the floor.

PESTICIDES A MIXED BLESSING FOR CALIFORNIA FARMERS

Mr. PROXMIRE. Mr. President, Mr. Lawrence E. Davies has written two detailed, informative articles about side-effects and problems that have resulted from use of pesticides in California. These articles, which appeared in the New York Times of August 24 and 25, provide an interesting supplement to the series of three articles by distinguished nature writer Rachel Carson that ran in the New Yorker magazine recently, and which will be published in book form in October.

By means of anecdote and description, Mr. Davies tells how West-coast beekeepers have established informal "warning systems" to alert one another about proposed chemical poison spray activities. With sufficient warning, bees can be removed from the areas before the spraying takes place. This prevents the chemical from being ingested by bees and thus appearing as a residue in the honey they produce.

In other instances DDT residues wind up in milk after cows are fed on truck garden waste and byproducts—such as tomato vines and skins, lettuce trimmings, and sugarbeet tops—because the truck crops were sprayed during the growing season. Cows fed on untreated pasturage near sprayed areas have also produced milk containing DDT residues—since the chemical can drift considerable distances through the air to reach what Mr. Davies terms "guiltless fields."

Each of these examples, and the many others described in these articles, illustrates the need for caution and intelligence in the use of chemical poisons. Certainly it would not make sense to prohibit their use. Without modern chemical assistance, our agriculture could not produce the magnificent abundance of fruits, vegetables, field crops, livestock, and livestock products which has made possible a massive rise in diet standards. No one wants to see a return to the mosquito-infested bogs that were the state-of-nature before invention of DDT. But the very fact that proper use of chemicals can do so much good puts a heavy responsibility on the users to make certain that they do not have unpleasant side effects. And I would observe that an effort to talk the problem out of existence is doomed to failure. Widespread public concern has already been aroused and will probably increase when Miss Carlson's book is published.

I welcome the constructive attitude of the U.S. Departments of Agriculture and Interior—the two Federal Departments most concerned—toward this situation. In letters to me, these Departments described the measures used to guide and regulate the use of pesticides and the steps being taken to explore the matter further. From Mr. Davies' articles it appears that the State of California agriculture and public health authorities are also vigilant in their concern about possible ill effects resulting from pesticide use. Other State authorities, including those in my own State of Wisconsin, are doing an excellent job of coping with the problem.

But a problem it is, and it should be recognized as such. Moderate, workable, effective solutions can be found. Irrational public panic certainly is not called for—but neither is the blinkered approach of those who state no problem exists.

Mr. President, I ask unanimous consent that the two articles I have referred to be printed at this point in the RECORD.

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

[From the New York Times, Aug. 24, 1962]

SPRAY WARNINGS AID BEE RAISERS—NOTIFICATION SERVICE EASES CALIFORNIA PESTICIDE FIGHT

(By Lawrence E. Davies)

It was time for another spraying of pesticide on a field of long-staple cotton outside Bakersfield.

Mrs. Bill Quinlan, who looks after 350 hives of honey bees, received a telephone call in the late afternoon. Twenty of her colonies were foraging for honey in a seed alfalfa acreage adjoining the cotton. The pesticide chosen for the spraying job was no friend of bees.

"This is the beekeepers' notification service," a voice said. "They're spraying at 9 o'clock tomorrow morning in township 59, section 3."

Mrs. Quinlan offered no objection. She was up at 3 o'clock the next morning, headed in a hoist truck for the alfalfa field. She covered the hives with a black plastic. Had the spraying been scheduled for the alfalfa instead of the adjacent cotton field she would have hoisted the hives aboard the truck and taken them to a safer place.

PARTNERS AND ENEMIES

Mrs. Quinlan has bees "hired out" to farmers as far as 40 miles distant to help with pollination of their crops. In this sense the beekeeper and the farmer are economic partners. At the same time, they are synthetic enemies in an insecticide age.

The question of how to spray or dust California fields producing crops worth more than $3 billion annually without destroying the bees, which yield honey and beeswax valued at $4 to $6 million a year, has led to many a bitter verbal battle.

National interest in this type of problem has been stimulated by a recent series of articles by Rachel Carson in the New Yorker magazine. Miss Carson was critical of many ways in which pesticides have been used.

The spirited controversy between beekeepers and farmers has led to the setting up here in Kern County of a pilot program that is attracting statewide attention.

It involves a round-the-clock telephone notification service for the 184 registered beekeepers residing in or outside of Kern County who own apiaries within the county.

USE MAY SPREAD

The service was conceived by Seldon Morley, the Kern County agricultural commissioner. It has been hailed locally as a step so encouraging in its first summer's operation that it may be employed eventually throughout the State.

A large map on a wall of Kidd's telephone answering service, which has the contract for informing beekeepers when crops are to be treated, is decorated with hundreds of large-headed pins.

Yellow pins, each bearing a letter, identify the operators of equipment used in spraying or dusting crops with pesticides. Red and blue pins are numbered to identify all of the beekeepers registered in Kern County.

Joseph Sellers, chairman of the bee committee of the Kern County Chemical and Applicators Association, said the appliers telephoned the notification service when a material hazardous to bees was to be used to treat a crop.

HOW SYSTEM WORKS

"We give the name of the grower, the name of the material, and the location of the field, by township and section," Mr. Sellers explained.

"The switchboard operator receiving the call goes to the map, takes the operator's pin and sticks it in the area to be treated," he said. "She takes note of all the numbers within a mile of the point of application. We have the apiary owner's address and telephone number and we proceed to place long-distance collect calls to those beekeepers whose hives are in the vicinity to be sprayed."

Mrs. Ruth Shaw, manager of the answering service, said that as many as 52 calls had been made in a 15-minute period. During the first 6 weeks there were 6,000 calls.

Mrs. Shaw said the crop dusters were "cooperating 100 percent."

The experiment was pronounced a great success among beekeepers living in the Bakersfield area, but those in Los Angeles, San Diego and more distant points with migratory apiaries in Kern County were described as often either reluctant to accept the calls or as refusing them outright.

CAN OBTAIN DELAY

If a beekeeper objects to a spraying schedule he can get it delayed 48 hours to enable him to take his hoist trucks into the fields, load the hives aboard and transport the colonies' headquarters to a safe place.

"But usually only in cases where the spray is highly toxic do they object," Mr. Sellers said.

Hoist trucks carrying beehives down the highways between fields of cotton, grapes, seed alfalfa, melons and other Kern County crops are a common sight.

California uses about one-fifth of all the agricultural pesticides employed in the whole country. Last year Kern County, by aircraft alone, sprayed and dusted some 857,000 acres, roughly the land area of Long Island.

Homer Len Foote, supervisor of apiary inspection for the California Department of Agriculture, said at Sacramento that bee losses had been serious.

"Many beekeepers have complained that their losses due to insecticide injury have been greater during the last two seasons than ever before," Mr. Foote said.

This year the beekeepers conducted a drive to further restrict the use of pesticides. Their targets were the organic phosphates parathion and methyl parathion and the carbamate with the trade name Sevin.

The California Department of Agriculture held a series of public hearings. Sixty-five witnesses testified, filling 648 pages of transcript.

The beekeepers sought amendments to the State's injurious materials regulations. In late July, Charles Paul, director of the agriculture department, notified William F. Huston, chairman of the legislative and pesticide committee of the California State Beekeepers Association, that the amendments were not justified.

"Information developed at the hearings," Mr. Paul said, "indicated that Sevin can be injurious to bees in direct application but that it does not present a unique threat to man, fish, or warmblooded animals."

There was little testimony presented with regard to losses of bees attributed to use of parathion and methyl parathion, which are now subject to regulation as injurious materials.

FOUR THOUSAND BEEKEEPERS

Mr. Foote reported that more than 4,000 persons in California registered one or more colonies of bees, with an average colony numbering 60,000 to 80,000 bees in a hive.

"With two colonies to the acre," he said, "you've got probably about 80,000 field bees out foraging for food on 1 acre. About half the colony takes care of the nest."

Migratory beekeeping is a characteristic of this State. Beekeepers operate up to 11,000 colonies of bees each, with hives scattered over hundreds of miles. The State has more than 500,000 honey-bee colonies, accounting for about 10 percent of the Nation's bees.

Mr. Foote said honey bees were essential to the pollination of a considerable group of important California crops. He included almonds, prunes, plums, apples, cherries, canteloups, watermelons, cucumbers, alfalfa seed, clover seed, and vegetable seed, with a total value last year of just under $200 million.

"If we get a good sage crop, California ranks number one as a honey producer," he said. "If not, we lose out usually to Minnesota."

HONEY DOWN IN 1961

The State's 1961 honey crop was 20 percent below that of 1960 and 27 percent under the average annual production of the last decade.

"Not all of this loss can be attributed to insecticide injury, since it was a drought year," Mr. Foote said. "However, colonies that escaped pesticide injury in some cases produced a better than average surplus in irrigated areas."

Mr. Sellers is one of the larger operators of aircraft used in California to spray and dust crops. He is one of 17 applicators in Kern County, where he uses 10 of his 23 pilots.

"A majority of beekeepers," he contended, "don't know one chemical from another. Their leaders' attitude is that they don't want any chemical used that is harmful to bees. The farmers can't stand still for that.

"If it were not for bees a farmer could spray his crop with parathion for $2.35 an acre, but he can easily go out and put on $15 worth of materials nontoxic to bees and still won't get control of the insects. I could see him spending $40 a year per acre if 3 applications were required."

Some Kern County farmers refuse to apply insecticides to their crops. "I believe in good old Mother Nature," said Merrill Stoops.

He and his brother, Dr. Dee L. Stoops, operate eight parcels of cotton land and raise alfalfa.

"Dutch Tyner used to dust and spray, but he has quit," Mr. Stoops continued, "and he made 2¼ bales of cotton per acre overall."

I. E. Tyner, to whom Mr. Stoops referred, said:

"I figure when you use pesticide you kill the good bugs off. We haven't sprayed in several years."

[From the New York Times, Aug. 25, 1962]

Coast Dairymen Battle Pesticides—Residues in Milk Fat Are Problem in California

(By Lawrence E. Davies)

SACRAMENTO, CALIF., August 24.—A California dairy farmer varied the feed of his milch cows by including a diet of tomato pomace—the skins and seeds of tomatoes after the juice has been squeezed out.

Residues of the insecticide DDT, one of 14,000 chemical preparations used to control insects and weeds in this State's agricultural valleys, were found in the milk samples.

Investigation showed that a tomato field had been sprayed with pesticide, and the dairyman, with the tomato grower's permission, had carted away the pomace for feed. Similar incidents involved pea vines, lettuce trimmings and sugarbeet tops.

In other episodes, dairymen fed their cows hay from their own fields that had not been treated with residue-forming pesticides. Still sometimes residues appeared in the fat of milk. Insecticides dusted on fields miles away had drifted over to contaminate the guiltless acres.

These are some of the problems that California agriculture in general, and dairying in particular, are tackling with increased vigor as they use record quantities of pesticides to help keep the State at the top of the Nation's honor roll in farm production.

TWENTY-EIGHT SUSPENDED

These are examples, connected with milk production, of the things that cause concern nationally with the growing use of insecticides, herbicides and pesticides of all kinds.

California dairy products grossed $391,048,000 last year. This figure represented 12.3 percent of the State's gross farm income.

During the year, 28 of the 9,000 California dairies were placed on the suspension list—17 by the State department of agriculture and 11 by milk processors themselves—because of contaminated milk. Eight of the 28 were still on the list early this year and the State added 7 others up to July.

The action was taken because of the presence in the milk fat of chlorinated hydrocarbons including DDT, DDE, DDD, toxaphene and lindane, according to Albert E. Reynolds, chief of the bureau of dairy service in the department's division of animal industry.

The Department of Agriculture stepped up its examination of dairies for pesticide residues after shipments of canned milk about 2 years ago had been found to contain traces of residue.

John Hillis, program supervisor for spray residue and agricultural pest control, said here the other day that 200 to 400 samples of milk now were examined every month for residues.

Six of the department's laboratories—three of those in Sacramento and one each in San Francisco, Fresno, and Los Angeles—are devoted exclusively to pesticide residue analysis.

Robert Z. Rollins, chief of the division of chemistry under whom the laboratories operate, noted that one of the Sacramento laboratories did nothing except analyze milk samples. Another devoted full time to work on cattle feeds.

RESIDUE LAW IS CITED

"We're the only State," Mr. Rollins said, "with a specific residue law, dating from 1927. Inspectors every day sample fruit, hay, milk, etc., to see if they meet the tolerances required of them. Most States don't have analyses—they don't know they have a problem."

He said that California got the word out to everyone about 1946 or 1947 that the chlorinated hydrocarbons DDT and DDE, a metabolized product, should not be applied to animals or to feed or to dairy barns.

By 1960 analytical chemists, he said, had so improved their methods that an increasing number of samples of milk were found that showed traces of insecticide.

In Imperial County of southern California the agricultural commissioner has placed chlorinated hydrocarbons under a strict permit system. In the southern end of the San Joaquin Valley growers, pesticide manufacturers and salesmen, and applicators have organized a California Crop Protection Council to discuss common problems.

"There is no place for the concentration of residues of chemicals like DDT in food products if it can be avoided," R. L. Van Buren, area supervisor of the Bureau of Dairy Service, said.

"We think we are doing a pretty good job. We watch things closely and we have gained a better knowledge of what we are doing. We have a staff of specialists that we think are darned good."

On the milk problem Richard Peters, chief of the Bureau of Vector (insect) Control of the State Department of Public Health at Berkeley, said that his department could not move in until milk was actually on the market.

"But we haven't considered there has been a hazard in the milk situation," he said.

FARMHANDS KILLED

So far as damage from pesticides is concerned, Dr. Irma West, medical officer of the Public Health Department's Bureau of Occupational Health, reported that from 1953 to 1962 there had been eight deaths in California from the organic phosphate parathion—about one a year among workers, virtually all farmhands.

"Usually," she said, "the worker has been applying the material. It is usually a history of concentrated material. Parathion is the No. 1 cause of occupational diseases in agriculture."

In a paper she read in 1956 Dr. West included these paragraphs:

"In 1955 there were no occupational deaths or fatal poisonings among children reported as due to organic phosphates. Whether this surprisingly good record comes as a result of a stepped-up campaign on the part of all interested governmental and other agencies, we can't be certain.

* * * * *

"When one considers that the most conservative estimate of the amount of parathion applied on farms in California in 1955 could provide a lethal dose for 5 to 10 times the whole world's population, California's safety record seems rather remarkable."

Dr. West and Dr. Howard W. Mitchell, chief of the bureau of occupational health, said the other day that in one California county alone in 1958 the application of more than 8 million pounds of phospate ester pesticides was reported.

"We would guess that much of it was parathion, and that the current use of parathion and other phosphate esters is considerably greater than it was estimated for 1955 in California," they said.

"The estimated number of fatal doses probably isn't too different, using today's data," they said. "Human fatal doses only can, of course, be estimated. A more recent estimate of the fatal oral adult dose for parathion is nine drops."

(The estimate made at the time of Dr. West's article in 1955 was that one or two drops, taken orally, would be possibly fatal to a person).

IMPROVEMENT IS NOTED

A report on agricultural chemicals by a special committee of 15 experts appointed by Gov. Edmund G. Brown commended agencies in the field of control, particularly the State Departments of Agriculture and Public Health, and the University of California and industry.

It noted "marked improvement" especially in enforcement and regulation and understanding of the pesticide problem in the dairy and farming community.

This report, drafted at the end of 1960, pointed out that agricultural pest control operators who apply pesticides for hire must be examined and licensed annually by the State Department of Agriculture.

"Such operators treat nearly two-thirds of all the acreage that is treated with pesticides in California," the committee reported. "They do one-third of the Nation's agricultural pest control business in this State alone."

Its list of recommendations included "encouragement and necessary financial aid for further development of biological control of pests and the development of pest-resistant varieties of crops."

PUBLISHER QUESTIONS COPYRIGHTING OF WRITING BASED ON GOVERNMENT-FINANCED WORK

Mr. PROXMIRE. Mr. President, the increasing scope of coypright protection applied to writing and other material prepared at Government expense, or on the basis of information connected with Government employment, is a cause for some concern. There have been a number of specific examples in recent years to which attention has been drawn in this regard—among them the sale of their personal stories by the original seven astronauts for $500,000, with full copyright protection. The broader subject of copyright ownership of the vast mass of Government-financed research is a related and equally significant question.

Mr. James Reston discussed this problem with specific reference to the astronauts' commercial feat in his column on August 22, in the New York Times. The editor of the Public Affairs Press, Mr. M. B. Schnapper, has written a letter to the Times exploring the copyright aspects of the points raised by Mr. Reston in more detail. I ask unanimous consent that Mr. Reston's column and Mr. Schnapper's letter be printed at this point in the Record.

There being no objection, the column and letter were ordered to be printed in the Record, as follows:

[From the New York Times, Aug. 22, 1962]

Even up in Outer Space Money's a Problem

(By James Reston)

Washington, August 21.—Within the next month the National Aeronautics and Space Administration will appoint 10 new astronauts, and this raises several difficult and delicate questions.

What rules are to govern the pay and security of these new spacemen and their families? Will they be free to sell their personal stories to the highest bidder while still in service, and, if so, what about other Americans on dangerous missions, including military astronauts and intelligence agents, who are not authorized to commercialize their official adventures?

This is merely one dramatic illustration of the Government's increasingly complicated problem of hiring highly trained specialists these days. For example, the test pilots of North American's experimental X-15 winged aircraft make three or four times the salary of the NASA astronauts, and the NASA men make more than the men in the Air Force's astronaut program, but the Government, directly or indirectly, pays the salaries of all three.

The same thing happens with experts in the fields of science and diplomacy. The Kennedy administration is constantly complaining about its inability to get enough topflight scientists and foreign policy experts to work in the Government, but it finances many projects in universities and think factories like the Rand Corp., where the pay is higher than in the Government. Thus Washington, in trying to get around the lower ceilings of Government wages, indirectly subsidizes higher wages for Government work outside Washington and competes with itself.

THE ASTRONAUT CONTROVERSY

The problem of the astronauts is not theoretical but practical and immediate. When the 10 new spacemen are appointed, the space agency wants to define the rules that will govern their activities. Accordingly, a lively controversy is now in progress behind the scenes here on what those rules should be.

Many departments have no clear regulations, but some regulations obviously are necessary. The space agency, for example, does not allow Shepard, Glenn, Grissom, Carpenter and the other astronauts to endorse commercial products, but it does permit them to do things many other public servants may not do.

For example, the seven original astronauts of Project Mercury were permitted to form a kind of closed commercial corporation within the Government. They appointed Leo De Orsey, a Washington attorney, as their agent and authorized him to own and sell the personal stories of the seven astronauts and their families to the highest bidder. Under this arrangement, Mr. De Orsey sold exclusive rights to these personal stories for the duration of Project Mercury to Time, Inc., of New York for $500,000—or about $70,000 for each of the astronauts for the entire 3½-year period.

What is at issue here, of course, is not official information about the training and flights of the astronauts, but their personal stories. Nevertheless, it is difficult to separate the personal story from the technical and official story, and the fact remains that the astronauts organized, in effect, a kind of exclusive collective bargaining agency to deal with the Government on terms which did not apply to others engaged in equally hazardous tasks.

The easy thing to do in this situation is merely to continue the Project Mercury arrangement into the Moon Project. The Government does not pay the astronauts enough—$11,000 to $14,000 a year—to enable them to provide security for their families in the event of accident or death. But to throw them on the commercial market means not only discriminating against other courageous Government servants who cannot do the same but also discriminating against poor publications in favor of wealthy publications.

THE PRECEDENTS

It is true, of course, that public servants often sell their private experiences on the commercial market. Many Presidents and Secretaries of State have done so, but not until after they have left Government service. The difficulties now lie in distinguishing between (1) what is personal and what is official information, (2) what can be done while in service and after service, (3) and what one group in Government may do in comparison with another.

President Kennedy, for example, has just appointed Charles E. Bohlen as U.S. Ambassador to France. Mr. Bohlen has been a Foreign Service officer for over 30 years. He has been at almost every major conference with the Russians for a generation both as Russian interpreter and adviser to every President since Roosevelt. Thus Mr. Bohlen's personal recollections are probably worth a fortune if he were permitted to sell them, but as a matter of fact he has not commercialized his personal experience, and President Kennedy is now trying to devise ways and means of getting some extra cash for him to pay his official obligations in Paris.

Nobody, therefore, wants to be stingy with the astronauts, but this problem of money and security in the Government service is increasingly complex and needs to be carefully analyzed if unfair precedents are not to be established.

August 23, 1962.

Editor, New York Times,
New York, N.Y.

Dear Editor: In yesterday's Times, Mr. Reston raised some very disturbing questions about the problems and dangers that arise when public servants sell to private publishers exclusive rights to officially acquired knowledge.

If such transactions merely involved supplementary income for Government workers who merchandise information officially accessible to the public there can be little cause for objection. But the situation is quite different if public servants place price tags on information otherwise inaccessible to the American people. Moreover, if, as is now the case, public servants become party to copyright restrictions on privileged Government information for a minimum of 28 years and a possible maximum of 56 years, there is ample reason for objection on legal and other grounds.

Significantly, the more commercially valuable officially privileged knowledge becomes, the greater the temptation and likelihood to maintain tight restrictions on such knowledge until such time as it can be sold to the highest bidder. In recent years this has been increasingly evident, particularly in the case of official information in the new sciences—astronautics, atomic energy, etc.

It should be borne in mind that as a result of the tremendous growth of Government research since World War II (approximately $12 billion are expended annually on such research at the present time) many public servants now have privileged access to a vast amount of invaluable information in practically every field of endeavor. This information is and should remain the property of the Government. To the extent that it must remain restricted for reasons of national security or executive privilege there can be no reasonable objection, but to the extent that such restrictions are not necessary this information should be accessible to the public and the press without any commercial price tags.

Unfortunately, a very questionable practice was given official sanction several years ago when the first seven Astronauts were authorized to sell to a deservedly popular magazine, reportedly for $500,000, exclusive rights to information obtained through knowledge and experience in Government undertakings that have cost the American people billions of dollars. Such information should not, I submit, be subject to commercial sale and restriction for any period of time—let alone for possibly 56 years.

The same applies to every other instance—and they are accumulating almost daily—of private sale by public servants of officially acquired knowledge. Such transactions are contrary to sound public policy, longstanding statutes, and the Constitution's first amendment.

Permit me to point out that copyrighting of Government information is prohibited by section 8 of the Copyright Act. According to an official interpretation of this section of the law "Any work produced by a Government employee within the scope of his employment is not copyrightable, even though produced by a private publisher (Report of the Register of Copyrights to the House Committee on the Judiciary, 87th Cong., 1st sess., 1961).

Incidentally, the original and continuing purpose of the prohibitions in section 8 of the Copyright Act is, of course, to assure maximum availability and dissemination of Government information.

In challenging the legality of copyrighting of official information by public servants a committee of leading editors and scholars recently declared:

"Governmental curtailment of freedom of press via copyrighting is contrary to the guarantees of the Constitution's first amendment. This amendment is rendered meaningless when Government officials employ or authorize copyright procedures as a means of placing restrictions on information amassed to promote 'the general welfare and secure the blessings of liberty to ourselves and our posterity.'

"Anyone who has the legal right to copyright has the legal right to restrict and censor. In recently justifying copyright restrictions on a score of official military histories Gen. C. G. Dodge stated, 'The works were copyrighted * * * to prevent quoting of material out of context.' Another Army officer has explained that copyrighting has been employed in order to prevent 'sensationalizing.' These are disturbing admissions. Any attempt to control the manner and extent to which Government information can be quoted by the press or by the public is censorship." (Congressional Record, Aug. 9, 1962.)

In short, it is high time that transgressions of the Copyright Act and the first amendment be curtailed.

Sincerely yours,

M. B. Schnapper,
Editor.

FORMER REPRESENTATIVE JOE L. SMITH, SR., OF WEST VIRGINIA, FINISHES HIS EARTHLY LIFE

Mr. RANDOLPH. Mr. President, Joe L. Smith, Sr., who served in the Congress for 16 years, died in his home city of Beckley, W. Va., on Thursday last.

There are several Members of the Senate who served with Representative Smith during his tenure in the House of Representatives from 1929 to 1945. We remember him as a gentle and good man. He was cooperative and courageous. People, regardless of party, esteemed him as a dedicated public official.

It was my privilege to be closely associated with Mr. Smith during the time we were colleagues in the House, over a period of 12 years. I recall especially his dedication to the best interests of the coal industry in West Virginia. At that time he was chairman of the Committee on Mines and Mining, and I worked with him in my capacity as chairman of the Subcommittee on Coal.

Mrs. Randolph joins in our genuine sorrow at the passing of our friend. We convey in this public manner, as we have done in private, our sincere sympathy to his widow and two sons.

Mr. President, I ask unanimous consent to have printed in the Record at this point as a part of my remarks an article from the Washington Post of Friday, August 24, 1962, reporting the death of Mr. Smith.

There being no objection, the article was ordered to be printed in the Record, as follows:

EX-REPRESENTATIVE JOE L. SMITH, 82; BANKER OF WEST VIRGINIA

Beckley, W. Va., August 23.—Joe L. Smith, Sr., who represented West Virginia's old Sixth District in Congress for eight consecutive terms and one of Beckley's leading businessmen, died today. He was 82.

Mr. Smith had been president of the Beckley National Bank for the past 45 years. He was the father of State Commerce Commissioner Hulett C. Smith.

Mr. Smith's political career also included terms as mayor of Beckley, State senator, and chairman of the West Virginia Democratic Executive Committee.

His eight consecutive terms in Congress from 1929 to 1945 set a West Virginia record. It was later surpassed by the late Representative John Kee, of Bluefield, who was serving his 10th straight term from the Fifth District when he died in 1951.

The Sixth District, which Mr. Smith represented, no longer exists. It was eliminated in the realinement of West Virginia counties into five districts after the 1960 census.

Mr. Smith was married in 1914 to the former Christine Carlson, of Annapolis, Md.

Surviving in addition to Mrs. Smith and Hulett C. Smith is another son, Joe L. Smith, Jr., of Beckley, owner and operator of radio stations WJLS in Beckley and WKNA-FM in Charleston.

TAXATION OF JAPANESE-AMERICANS

Mr. KUCHEL. Mr. President, about a month ago I called to the attention of the Senate what seemed to me to be an insult added to injury. On that occasion I stated in part—

> Mr. President, after the Second World War an embarrassed Nation sought, at least partially, to right the grievous wrong done to tens of thousands of our fellow citizens of Japanese extraction. With valor and bravery, 23,000 Japanese-Americans fought, and many died, in the Pacific and in Europe, for our country and for freedom. But their families had been suddenly uprooted from their homes, their farms, and their business interests and summarily moved to the equivalent of concentration camps. The record shows that, overwhelmingly, the 110,000 evacuees were loyal Americans.
>
> The least this country could do, in simple justice, was to afford some partial, token compensation for the property losses these people had sustained. On evacuation, they were compelled to sell their belongings, abandon their property and leave. Vandalism, theft, and cheating completed their economic loss.
>
> To its credit, at the end of the war, Congress created an Evacuation Claims Commission to provide procedures by which partial restitution might be made.
>
> And now, insult is to be added to injury. The Internal Revenue Service announces it will impose an income tax upon some of the payments our Government made to them.
>
> I deny that Congress ever intended such a travesty. The awards represent but a fraction of the loss. Morally, the problem is the other way around. These people ought to be permitted to take a loss on their tax returns. Actually, however, the act of Congress simply sought to do simple justice, and to close the book on a not very pretty chapter in our history.
>
> I am introducing appropriate legislation to state specifically that these awards are not to be subject to taxation. Meanwhile, I shall urge the Commissioner of Internal Revenue to make such a finding administratively, for that is, and was, the intent of the Congress.
>
> Mr. President, I ask unanimous consent to have the amendment I intend to offer, on behalf of myself and the Senator from Utah [Mr. Bennett], the Senators from Washington [Mr. Magnuson and Mr. Jackson], the Senators from Oregon [Mrs. Neuberger and Mr. Morse], printed in full in the Record, along with certain newspaper articles from the San Francisco News-Call Bulletin for Monday, July 23, 1962.
>
> The Presiding Officer. The amendment will be received, printed, and referred to the Committee on Finance; and, without objection, the amendment and articles will be printed in the Record.
>
> There being no objection, the amendment and articles were ordered to be printed in the Record, as follows:
>
> "At the proper place in the bill insert the following new section:
>
> " 'Sec. Exclusion From Gross Income of Certain Awards Made Pursuant to Evacuation Claims of American-Japanese Individuals.
>
> " '(a) Exclusion From Gross Income.—Part III of subchapter B of chapter 1 of the Internal Revenue Code of 1954 (relating to items specifically excluded from gross income) is amended by renumbering section 121 as 122, and by inserting after section 120 the following new section:
>
> " ' "Sec. 121. Certain Awards Made Pursuant to Evacuation Claims of American-Japanese Individuals.
>
> " ' "Gross income does not include amounts received as an award pursuant to a claim filed under the provision of the Act entitled 'An Act to authorize the Attorney General to adjudicate certain claims resulting from evacuation of certain persons of Japanese ancestry under military orders', as amended, approved July 2, 1948 (62 Stat. 1231)."
>
> " '(b) Technical Amendments.—The table of sections for such part is amended by striking out
>
> " ' "Sec. 121. Cross references to other Acts."
>
> and inserting in lieu thereof
>
> " ' "Sec. 121. Certain awards made pursuant to evacuation claims of American-Japanese individuals.
>
> " ' "Sec. 122. Cross references to other Acts."
>
> " '(c) Effective Date.—The amendment made by subsection (a) shall be effective with respect to amounts described in section 121 of the Internal Revenue Code of 1954 (as amended by this section) whether received before, on, or after the date of enactment of this Act.' "

At that time I introduced proposed legislation to prevent the imposition of Federal taxes against the awards which had previously been made in accordance with the law to Americans of Japanese extraction who were summarily—I think I may say illegally—uprooted from their homes and their businesses in the early days of World War II by the Federal Government.

In commenting on the problem, the Los Angeles Times said:

> In the hysteria which followed Pearl Harbor, 80,000 U.S. citizens were deprived of their freedom and property. There was no proof of sabotage or disloyalty, but they were of Japanese ancestry.

The Times article went on to indicate that Congress has the duty at this session of Congress to prevent the imposition of Federal income taxes upon the awards which this Government made in an endeavor to right a wrong which was done to a group of American citizens of Japanese extraction.

The San Francisco Examiner commented in part on its editorial page for Tuesday, July 24:

> The income tax bite now being put upon Japanese American wartime evacuees for compensation awards carries injustice to an extreme few can countenance. The Internal Revenue Service probably has no other recourse under existing law. But if the compensation law is that bad, remedial law is needed and should promptly be written.

In my judgment, the Congress did not intend that awards given to those good people in partial restitution for grievous property losses were to be made subject to the Federal income tax.

But to make it abundantly clear that that was and is the intention of Congress, I have introduced legislation to prevent it. A few days ago I introduced a new version of that legislation, which constitutes the verbatim language now approved in the House of Representatives by the House committee, to deal with the same problem.

In a conversation with the Commissioner of Internal Revenue, Mortimer M. Caplin, he told me that he was in sympathy with the legislation which I have introduced.

I ask unanimous consent that the text of my amendment, and the text of the bill which is now pending before the Senate be printed in full. I ask, in addition, that a copy of my letter to Commissioner Caplin and the text of the two editorials, the one from the Los Angeles Times of August 2 and from the Los Angeles Examiner of July 24, be incorporated in full in the Record at this point.

There being no objection, the material was ordered to be printed in the Record, as follows:

On page 391, between lines 21 and 22, insert the following new section:

"Sec. 27. Exclusion From Gross Income of Certain Awards Made Pursuant to Evaluation Claims of American-Japanese Individuals.

"(a) In General.—No amount received as an award under the Act entitled 'An Act to authorize the Attorney General to adjudicate certain claims resulting from evacuation of certain persons of Japanese ancestry under military orders', approved July 2, 1948, as amended by Public Law 116, Eighty-second Congress, and Public Law 673, Eighty-fourth Congress (50 U.S.C. App., secs. 1981–1987), shall be included in gross income for purposes of chapter 1 of the Internal Revenue Code of 1939 or chapter 1 of the Internal Revenue Code of 1954.

"(b) Effective Date, etc.—Subsection (a) shall apply with respect to taxable years ending after July 2, 1948. If refund or credit of any overpayment of Federal income tax resulting from the application of subsection (a) (including interest, additions to the tax, additional amounts, and penalties) is prevented on the date of the enactment of this Act, or within one year from such date, by the operation of any law or rule of law, the refund or credit of such overpayment may nevertheless be made or allowed if claim therefor is filed within one year after the date of enactment of this Act. In the case of a claim to which the preceding sentence applies, the amount to be refunded or credited as an overpayment shall not be diminished by any credit or setoff based upon any item other than the amount of the award referred to in subsection (a). No interest shall be allowed or paid on any overpayment resulting from the application of this section."

On page 391, line 22, strike out "27" and insert in lieu thereof "28".

U.S. Senate,
August 1, 1962.

Hon. Mortimer M. Caplin,
Commissioner, Internal Revenue Service, Department of the Treasury, Washington, D.C.

Dear Commissioner Caplin: I believe all Americans share the feeling that a grievous wrong was done to American citizens of Japanese ancestry when they were forcibly evicted, by military orders, during the Second World War from their homes and places of business on the Pacific coast. An embarrassed nation sought to rectify this constitutional and human wrong when Congress, in 1948, authorized the Attorney General to adjudicate the claims of persons of Japanese ancestry against the United States for losses arising from their forced evacuation.

The Federal Reserve Bank of San Francisco early in 1942 estimated that the real and personal property losses of the 110,000 evacuees would approximate $400 million. When the evacuation claims program was liquidated by the Department of Justice in 1958, $36,874,240.29 had been paid out; 26,552 claims had been considered.

When the Truman administration recommended this legislation in 1947, then Secretary of the Interior Krug succinctly stated the hectic conditions of the evacuation: "Merchants had to dispose of their stocks and business at sacrifice prices. In a setting of confusion and hysteria, many evacuees sold personal possessions for a small fraction of their value. A large number had to accept totally inadequate arrangements for protection and management of property. Valuable leasehold interests had to be abandoned." Vandalism, theft, fire, and property damage were prevalent. Property records were sometimes inadequate, mislaid, or lost.

Three years after the passage of the 1948 act, the Department of Justice in 1951 recommended that Congress authorize the Attorney General to compromise and settle all claims up to three quarters of the amount of the compensable items, or $2,500, whichever was less. Congress agreed to this change and it was approved by the President on August 17, 1951. As a condition precedent to the award, the applicant had to agree to an automatic 25 percent deduction of his allowable items. In addition, there was no appeal procedure.

Thus the claimant was faced with a choice of getting a little bit now and nothing later or, through other procedures including an action in the Court of Claims, waiting several additional years in the hopes of securing a greater amount, but quite possibly securing nothing. The "bird in the hand rather than two in the bush" philosophy is not new to human affairs. Many accepted these awards in full and complete settlement of their claims against the Government. Rising inflation, increasing age, the desire to get reestablished, and the fact that no interest was provided on any award made in the future were certainly material factors in making a determination to accept a smaller and probably inadequate amount.

Regardless of procedure, thousands of these claims have been settled, surveyed by the Internal Revenue Service, and closed. On many of these settlements the statute of limitations has already run.

A few of these claims, however, remain. The Internal Revenue Service apparently has announced that the awards made under the 1948 act, as amended, will now be subject to taxation.

I respectfully disagree with this decision. I do not believe that it can reasonably be construed as the intent of Congress. Such action by the Internal Revenue Service would compound a wrong already long and valiantly borne by American citizens of Japanese ancestry. That the original awards were inadequate, paltry, and late in terms of the damages actually inflicted is clear. At no time in the letters, records, and official hearings pertaining to this vexatious problem have officials of the Federal Government raised the question of subjecting these awards to taxation. The fact that the great majority of the claims are now closed and not subject to taxation would mean that discriminatory treatment is being applied to the remaining few for whom the statute of limitations has not yet run.

I am unable to find any testimony in the action of Congress regarding possible taxation of these awards. The nature of the awards themselves would, it seems to me, negate any such intention by the Congress. I urge you to resolve this matter administratively by overruling the prior position your Service has taken.

May I hear from you.

Very sincerely yours,

Thomas H. Kuchel,
U.S. Senator.

[From the Los Angeles Times, Aug. 2, 1962]

Insult Added to Injury

In the hysteria that followed Pearl Harbor, 80,000 U.S. citizens were deprived of their freedom and property. There was no proof of sabotage or disloyalty, but they were of Japanese ancestry.

An Executive order issued February 19, 1942, by President Roosevelt authorized the exclusion from Pacific coastal areas of all German and Italian aliens and all Japanese aliens and citizens. A total of 135,000 persons of Japanese origin were thus forced to "relocation centers."

For 20 years non-Japanese Americans have been trying to forget this incident. In 1957 the Congress tried to make amends by passing the National Japanese Evacuation Claims Act.

Unfortunately the $400 million in claims for property lost by the Nisei were settled for less than 10 cents on the dollar—$36.9 million. Many Nisei, including members of the much-decorated 442d Combat Team, must at times have thought that they would have been better off to have stayed in Japan and been rehabilitated as ex-enemies, for Congress was much more generous with Japan.

But none of us can now ignore the plight of these Nisei. Internal Revenue Service officials have discovered that Congress left a loophole in the compensation act so that the money paid out in claims is taxable.

This, as Senator Kuchel said, "is adding insult to injury."

Senator Kuchel this week introduced a bill to right the wrong. His measure would make all compensation under the 1957 act nontaxable. The bill should have high priority in the Congress.

We cannot undo the injury. But we can prevent the added insult.

[From the Los Angeles Examiner, July 24, 1962]

Piling an Injustice Upon Injustice

The income tax bite now being put upon Japanese-American wartime evacuees from the west coast for compensation awards carries injustice to an extreme few can countenance. The Internal Revenue Service probably has no other recourse under existing law. But if the compensation law is that bad, remedial law is needed and should be promptly written.

The IRS ruling is that compensation awarded for property losses incurred in consequence of evacuation is in part taxable income. Comparison is made with lands seized for freeways. Conscience rejects that interpretation, if law doesn't. And if law doesn't, the statutes should be made to reflect conscience.

The evacuees were never compensated adequately for property losses. There was no indemnification at all for the months and years taken out of their lives, the hardships endured and the humiliation suffered.

The merits of evacuation are not being argued. The facts are. And the facts are that thousands of people with full rights of American citizenship were compelled to leave their homes and businesses and accept imprisonment. We called it relocation, but it was plain and simple incarceration.

Few Americans have easy minds about that now. Congress acknowledged injustice in enactment of the Evacuation Claims Act. But indemnification seldom covered actual physical loss. Now, because Congress failed to exempt the compensation awards from income tax, IRS feels under compulsion to take back a good part of what was so niggardly given.

Instead of the original wrong being righted, new wrongs are being pyramided upon it. Congress should start all over again in setting the record straight. The first thing needed is to put an end to the absurdity that Government can admit a wrong, offer indemnification for it, and then take it back in taxes. Bad as the original injustice was, this rivals it.

Mr. KUCHEL. Mr. President, I make these comments and place in the RECORD these insertions tonight so that they will be available to our colleagues next week. I do hope most sincerely that the Senate overwhelmingly and, indeed, I permit myself the hope, by unanimity, will approve the legislation which I have offered, not alone for myself but also on behalf of a number of my colleagues in the Senate—legislation which will prevent insult from being added to injury.

ADJOURNMENT TO 10 O'CLOCK A.M. ON MONDAY NEXT

Mr. KUCHEL. Mr. President, if there is no further business to come before the Senate I move that the Senate stand in adjournment until 10 o'clock on Monday morning next.

The motion was agreed to; and (at 7 o'clock and 43 minutes p.m.) the Senate adjourned, under the previous order, until Monday, August 27, 1962, at 10 o'clock a.m.

CONFIRMATIONS

Executive nominations confirmed by the Senate August 25, 1962:

U.S. DISTRICT JUDGES

E. Avery Crary, of California, to be U.S. district judge for the southern district of California.

Jesse W. Curtis, Jr., of California, to be U.S. district judge for the southern district of California.

HOUSE OF REPRESENTATIVES

MONDAY, AUGUST 27, 1962

The House met at 12 o'clock noon.

Maj. F. M. Gaugh, divisional secretary, North and South Carolina Division, the Salvation Army, Charlotte, N.C., offered the following prayer:

Almighty God, who hast given us this good land for our heritage, we beseech Thee that we may always prove ourselves a people mindful of Thy favor and glad to do Thy will. Bless our land and save us from violence, discord, and confusion; from pride and arrogancy; and from every evil way. Endue with the spirit of wisdom those to whom, in Thy name, we entrust the authority of Government that there may be justice and peace, and that through obedience to Thy law we may show forth Thy praise among the nations of the earth; for we ask it through Jesus Christ our Lord. Amen.

THE JOURNAL

The SPEAKER. The Clerk will read the Journal of the last day's proceedings.

The Clerk read as follows:

Journal of the proceedings of Thursday, August 23, 1962.

Mr. WILLIAMS (interrupting the reading of the Journal). Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. Will the gentleman withhold the point of order to permit the Chair to receive a message?

Mr. WILLIAMS. I withhold the point of order.

MESSAGE FROM THE SENATE

A message from the Senate by Mr. McGown, one of its clerks, announced that the Senate had passed without amendment bills of the House of the following titles:

H.R. 2446. An act to provide that hydraulic brake fluid sold or shipped in commerce for use in motor vehicles shall meet certain specifications prescribed by the Secretary of Commerce;

H.R. 3801. An act to authorize the Secretary of the Army and the Secretary of Agriculture to make joint investigations and surveys of watershed areas for flood prevention or the conservation, development, utilization, and disposal of water, and for flood control and allied purposes, and to prepare joint reports on such investigations and surveys for submission to the Congress, and for other purposes;

H.R. 5604. An act to amend the acts of May 21, 1926, and January 25, 1927, relating to the construction of certain bridges across the Delaware River, so as to authorize the use of certain funds acquired by the owners of such bridges for purposes not directly related to the maintenance and operation of such bridges and their approaches;

H.R. 10263. An act to authorize the Secretary of the Air Force to adjust the legislative jurisdiction exercised by the United States over lands within Eglin Air Force Base, Fla.;

H.R. 10825. An act to repeal the act of August 4, 1959 (73 Stat. 280);

H.R. 11251. An act to authorize the Secretary of the Army to relinquish to the State of New Jersey jurisdiction over any lands within the Fort Hancock Military Reservation;

H.R. 11721. An act to authorize the payment of the balance of awards for war damage compensation made by the Philippine War Damage Commission under the terms of the Philippine Rehabilitation Act of April 30, 1946, and to authorize the appropriation of $73 million for that purpose; and

H.R. 12081. An act to authorize the Secretary of the Army to convey certain land and easement interests at Hunter-Liggett Military Reservation for construction of the San Antonio Dam and Reservoir project in exchange for other property.

The message also announced that the Senate had passed, with amendments in which the concurrence of the House is requested, bills and a joint resolution of the House of the following titles:

H.R. 1388. An act for the relief of Tai Ja Lim;

H.R. 5532. An act to amend the Armed Services Procurement Act of 1947;

H.R. 7278. An act to amend the act of June 5, 1952, so as to remove certain restrictions on the real property conveyed to the Territory of Hawaii by the United States under authority of such act;

H.R. 8520. An act to amend the Soil Conservation and Domestic Allotment Act, as amended, to add a new subsection to section 16 to limit financial and technical assistance for drainage of certain wetlands;

H.R. 10743. An act to amend title 38, United States Code, to provide increases in rates of disability compensation, and for other purposes;

H.R. 11257. An act to amend section 815 (art. 15) of title 10, United States Code, relating to nonjudicial punishment and for other purposes; and

H.J. Res. 677. Joint resolution relating to the admission of certain adopted children.

The message also announced that the Senate had passed, with amendments in which the concurrence of the House is requested, a bill of the House of the following title:

H.R. 12648. An act making appropriations for the Department of Agriculture and related agencies for the fiscal year ending June 30, 1963, and for other purposes.

The message also announced that the Senate insists upon its amendments to the foregoing bill, requests a conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. RUSSELL, Mr. HAYDEN, Mr. ELLENDER, Mr. YOUNG of North Dakota, and Mr. MUNDT to be the conferees on the part of the Senate.

The message also announced that the Senate had passed bills, a joint resolution, and concurrent resolutions of the following titles, in which the concurrence of the House is requested:

S. 703. An act to validate the homestead entries of Leo F. Reeves;

S. 1552. An act to amend and supplement the laws with respect to the manufacture and distribution of drugs, and for other purposes;

S. 2421. An act to provide for retrocession of legislative jurisdiction over U.S. Naval Supply Depot, Clearfield, Ogden, Utah;

S. 2950. An act for the relief of Dwijendra Kumar Misra;

S. 2962. An act for the relief of Byung Yong Cho (Alan Cho Gardner) and Moonee Choi (Charlie Gardner);

S. 3085. An act for the relief of Paul Huygelen and Luba A. Huygelen;

S. 3221. An act to provide for the exchange of certain lands in Puerto Rico;

S. 3265. An act for the relief of Despina Anastos (Psyhopeda);

S. 3275. An act for the relief of Anna Sciamanna Misticoni;

S. 3318. An act to provide medical care for certain Coast and Geodetic Survey retired ships' officers and crew members and their dependents, and for other purposes;

S. 3319. An act to extend to certain employees on the Trust Territory of the Pacific Islands the benefits of the Federal Employees' Compensation Act;

S. 3390. An act for the relief of Naife Kahl;

S. 3517. An act to authorize the Secretary of Commerce to establish and carry out a program to promote the flow of domestically produced lumber in commerce;

S. 3628. An act to amend title 10, United States Code, to authorize the appointment of citizens or nationals of the United States from American Samoa, Guam, or the Virgin Islands to the U.S. Military Academy, the U.S. Naval Academy, and the U.S. Air Force Academy;

S.J. Res. 217. Joint resolution making the 17th day of September of each year a legal holiday to be known as "Constitution Day";

S. Con. Res. 84. Concurrent resolution expressing the sense of Congress that arrangements be made for viewing within the United States of certain films prepared by the U.S. Information Agency; and

S. Con. Res. 87. Concurrent resolution authorizing the printing of additional copies of the hearings entitled "Military Cold War Education and Speech Review Policies" and the report thereon.

The message also announced that the Senate agrees to the amendments of the

House to bills of the Senate of the following titles:

S. 538. An act to amend section 205 of the Federal Property and Administrative Services Act of 1949 to empower certain officers and employees of the General Services Administration to administer oaths to witnesses;

S. 981. An act to extend certain authority of the Secretary of the Interior exercised through the Geological Survey of the Department of the Interior, to areas outside the national domain;

S. 1208. An act to amend Public Law 86–506, 86th Congress (74 Stat. 199), approved June 11, 1960;

S. 2008. An act to amend the act of September 16, 1959 (73 Stat. 561, 43 U.S.C. 615a), relating to the construction, operation, and maintenance of the Spokane Valley project;

S. 2399. An act to provide for the establishment of the Frederick Douglass home as a part of the park system in the National Capital, and for other purposes;

S. 2916. An act to change the names of the Edison Home National Historic Site and Edison Laboratory National Monument, to authorize the acceptance of donations, and other purposes; and

S. 2973. An act to revise the boundaries of Capulin Mountain National Monument, N. Mex., to authorize acquisition of lands therein, and for other purposes;

S. 3112. An act to add certain lands to the Pike National Forest in Colorado and the Carson National Forest and the Santa Fe National Forest in New Mexico, and for other purposes;

S. 3174. An act to provide for the division of the tribal assets of the Ponca Tribe of Native Americans of Nebraska among the members of the tribe, and for other purposes.

The message also announced that the Senate insists upon its amendments to the bill (H.R. 7913) entitled "An act to amend title 10, United States Code, to bring the number of cadets at the U.S. Military Academy and the U.S. Air Force Academy up to full strength," disagreed to by the House; agrees to the conference asked by the House on the disagreeing votes of the two Houses thereon, and appoints Mr. Russell, Mr. Cannon, and Mr. Saltonstall to be the conferees on the part of the Senate.

CALL OF THE HOUSE

The SPEAKER. The gentleman from Mississippi makes the point of order that a quorum is not present.

Evidently a quorum is not present.

Mr. ALBERT. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 197]

Adair
Alford
Andersen, Minn.
Arends
Ashley
Baring
Bass, N.H.
Berry
Blatnik
Blitch
Bolling
Boykin
Bromwell
Cannon
Coad
Collier
Corman
Cramer
Cunningham
Curtis, Mass.
Davis, James C.
Dawson
Diggs
Dominick
Dooley
Ellsworth
Evins
Findley
Frazier
Garland
Giaimo
Glenn
Granahan
Hall
Hébert
Hoffman, Mich.
Kearns
Kilburn
Kitchin
McDowell
McMillan
McSween
McVey
Macdonald
MacGregor
Mason
Merrow
Monagan
Moore
Moorehead, Ohio
Morris
Morrison
Nedzi
O'Brien, Ill.
O'Hara, Mich.
Osmers
Peterson
Pilcher
Pirnie
Powell
Reifel
Rivers, Alaska
Saund
Scherer
Seely-Brown
Shelley
Sibal
Sisk
Smith, Miss.
Spence
Steed
Thompson, La.
Utt
Weaver
Wilson, Calif.
Wilson, Ind.

The SPEAKER. On this rollcall 359 Members have answered to their names, a quorum.

Without objection, further proceedings under the call will be dispensed with.

Mr. WILLIAMS. Mr. Speaker, I object.

Mr. ALBERT. Mr. Speaker, I move that further proceedings under the call be dispensed with.

Mr. WILLIAMS. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were refused.

The SPEAKER. The question is on the motion.

Mr. GROSS. Mr. Speaker, I demand a division.

The SPEAKER. The motion is that further proceedings under the call be dispensed with.

The question was taken; and there were—ayes 111, noes 32.

Mr. WILLIAMS. Mr. Speaker, I object to the vote on the ground a quorum is not present, and make the point of order that a quorum is not present.

The SPEAKER. The Chair will count. [After counting.] One hundred and ninety Members are present, not a quorum.

The Doorkeeper will close the doors, the Sergeant at Arms will notify absent Members, and the Clerk will call the roll.

The question was taken; and there were—yeas 298, nays 65, not voting 73, as follows:

[Roll No. 198]

YEAS—298

Addabbo
Albert
Anderson, Ill.
Anfuso
Ashbrook
Aspinall
Auchincloss
Avery
Ayres
Bailey
Baker
Baldwin
Barrett
Barry
Bass, Tenn.
Bates
Battin
Becker
Beermann
Belcher
Bell
Bennett, Fla.
Bennett, Mich.
Berry
Betts
Boggs
Boland
Bolton
Bonner
Bow
Brademas
Bray
Breeding
Brewster
Bromwell
Brooks, Tex.
Broomfield
Brown
Bruce
Buckley
Burke, Ky.
Burke, Mass.
Burleson
Byrne, Pa.
Byrnes, Wis.
Cahill
Carey
Casey
Cederberg
Celler
Chamberlain
Chelf
Chenoweth
Chiperfield
Church
Clancy
Clark
Cohelan
Conte
Cook
Corbett
Curtin
Curtis, Mo.
Dague
Daniels
Davis, Tenn.
Delaney
Dent
Denton
Derounian
Derwinski
Devine
Dingell
Dole
Doyle
Dulski
Durno
Dwyer
Edmondson
Fallon
Farbstein
Fascell
Feighan
Fenton
Finnegan
Fino
Fogarty
Ford
Frelinghuysen
Friedel
Fulton
Gallagher
Garmatz
Gavin
Gilbert
Gonzalez
Goodell
Goodling
Gray
Green, Oreg.
Green, Pa.
Griffin
Griffiths
Gross
Hagen, Calif.
Haley
Halleck
Halpern
Hansen
Harding
Harrison, Wyo.
Harsha
Harvey, Ind.
Harvey, Mich.
Hays
Healey
Hechler
Herlong
Hiestand
Hoeven
Hoffman, Ill.
Holifield
Holland
Hosmer
Hull
Inouye
Jarman
Jennings
Jensen
Joelson
Johansen
Johnson, Calif.
Johnson, Md.
Johnson, Wis.
Jonas
Jones, Mo.
Judd
Karsten
Karth
Kastenmeier
Kearns
Kee
Keith
Kelly
Keogh
Kilgore
King, Calif.
King, N.Y.
King, Utah
Kirwan
Kluczynski
Kowalski
Kunkel
Kyl
Laird
Lane
Langen
Lankford
Latta
Lesinski
Libonati
Lindsay
Lipscomb
Loser
McCulloch
McDonough
McFall
McIntire
McSween
Mack
Madden
Magnuson
Mahon
Mailliard
Marshall
Martin, Mass.
Martin, Nebr.
Mason
Mathias
May
Meader
Michel
Miller, Clem
Miller, George P.
Miller, N.Y.
Milliken
Minshall
Moeller
Montoya
Moore
Moorhead, Pa.
Morgan
Morse
Mosher
Moss
Moulder
Multer
Murphy
Natcher
Nedzi
Nelsen
Nix
Norblad
Nygaard
O'Brien, N.Y.
O'Hara, Ill.
O'Hara, Mich.
O'Konski
Olsen
O'Neill
Ostertag
Patman
Pelly
Perkins
Pfost
Philbin
Pike
Pillion
Poage
Price
Pucinski
Purcell
Quie
Randall
Ray
Reece
Reifel
Reuss
Rhodes, Ariz
Rhodes, Pa.
Riehlman
Rivers, Alaska
Roberts, Tex.
Robison
Rodino
Rogers, Colo.
Rogers, Fla.
Rooney
Roosevelt
Rosenthal
Rostenkowski
Roudebush
Roush
Rousselot
Rutherford
Ryan, Mich.
Ryan, N.Y.
St. George
St. Germain
Santangelo
Saylor
Schadeberg
Schenck
Schneebeli
Schweiker
Schwengel
Scranton
Sheppard
Shipley
Short
Shriver
Siler
Slack
Smith, Iowa
Springer
Stafford
Steed
Stratton
Stubblefield
Sullivan
Teague, Calif.
Thomas
Thompson, N.J.
Thomson, Wis.
Thornberry
Toll
Tollefson
Tupper
Udall, Morris K.
Ullman
Vanik
Van Pelt
Van Zandt
Wallhauser
Walter
Watts
Weis
Westland
Whalley
Wharton
Wickersham
Widnall
Wright
Yates
Young
Younger
Zablocki
Zelenko

NAYS—65

Abbitt
Abernethy
Alexander
Alger
Andrews
Ashmore
Beckworth
Broyhill
Colmer
Cooley
Davis, John W.
Dorn
Dowdy
Downing
Elliott
Everett
Fisher
Flynt
Forrester
Fountain
Frazier
Gary
Gathings
Grant
Hagan, Ga.
Hardy
Harris
Harrison, Va.
Hemphill
Henderson
Horan
Huddleston
Jones, Ala.
Kornegay
Landrum
Lennon
Matthews
Mills
Murray
Norrell
Passman
Poff
Rains
Riley
Rivers, S.C.
Roberts, Ala.
Rogers, Tex.
Scott
Selden
Sikes
Smith, Va.
Stephens
Taber
Taylor
Teague, Tex.
Thompson, Tex.
Trimble
Tuck
Vinson
Waggonner
Whitener
Whitten
Williams
Willis
Winstead

NOT VOTING—73

Adair
Alford
Andersen, Minn.
Arends
Ashley
Baring
Bass, N.H.
Blatnik
Blitch
Bolling
Boykin
Cannon
Coad
Collier
Corman
Cramer
Cunningham
Curtis, Mass.
Daddario
Davis, James C.
Dawson
Diggs
Dominick
Donohue
Dooley
Ellsworth
Evins
Findley
Flood
Garland
Giaimo
Glenn
Granahan
Gubser
Hall
Hébert
Hoffman, Mich.
Ichord, Mo.
Kilburn
Kitchin
Knox
McDowell
McMillan
McVey
Macdonald
MacGregor
Merrow
Monagan
Moorehead, Ohio
Morris
Morrison
O'Brien, Ill.
Osmers
Peterson
Pilcher
Pirnie
Powell
Saund
Scherer
Seely-Brown
Shelley
Sibal
Sisk
Smith, Calif.
Smith, Miss.
Spence
Staggers
Thompson, La.
Utt
Weaver
Wilson, Calif.
Wilson, Ind.

So the motion was agreed to.

The Clerk announced the following pairs:

On this vote:

Mr. Cramer for, with Mr. Utt against.

Until further notice:

Mr. Hébert with Mr. Bass of New Hampshire.
Mr. Powell with Mr. MacGregor.
Mr. Morrison with Mr. Pirnie.
Mr. Alford with Mr. Glenn.
Mr. Evins with Mr. Adair.
Mr. Monagan with Mr. Collier.
Mr. Kitchin with Mr. Dominick.
Mr. McDowell with Mr. Cunningham.
Mr. Peterson with Mr. Findley.
Mr. McMillan with Mr. Moorehead of Ohio.
Mr. Flood with Mr. Kilburn.
Mr. Ashley with Mr. Andersen of Minnesota.
Mr. Macdonald with Mr. Wilson of California.
Mr. Giaimo with Mr. Seely-Brown.
Mr. Staggers with Mr. Arends.
Mr. Blatnik with Mr. Osmers.
Mr. Granahan with Mr. Dooley.
Mr. O'Brien of Illinois with Mr. Knox.
Mr. Morris with Mr. Smith of California.
Mr. Bolling with Mr. Ellsworth.
Mr. Sisk with Mr. Wilson of Indiana.
Mr. Ichord of Missouri with Mr. Gubser.
Mr. Shelley with Mr. Scherer.
Mr. Daddario with Mr. Weaver.
Mr. Corman with Mr. Sibal.
Mr. James C. Davis with Mr. Merrow.
Mr. Diggs with Mr. Garland.
Mr. Baring with Mr. Curtis of Massachusetts.
Mr. Donohue with Mr. Hall.
Mr. Dawson with Mr. McVey.
Mr. Cannon with Mr. Hoffman of Michigan.

The doors were opened.

The **SPEAKER**. The Clerk will proceed with the reading of the Journal of the preceding session.

Mr. **WILLIAMS**. Mr. Speaker, I demand that the Journal be read in full.

The **SPEAKER**. The Clerk will read the Journal in full.

The Clerk continued with the reading of the Journal.

Mr. **WILLIAMS** (interrupting reading of the Journal). Mr. Speaker, I make the point of order that a quorum is not present.

The **SPEAKER**. The Chair will count. [After counting.] Seventy-eight Members are present, not a quorum.

Mr. **ALBERT**. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 199]

Adair
Alford
Andersen, Minn.
Arends
Ashley
Baring
Bass, N.H.
Blatnik
Blitch
Bolling
Boykin
Cannon
Clark
Coad
Collier
Corman
Cramer
Cunningham
Curtis, Mass.
Daddario
Davis, James C.
Dawson
Diggs
Dominick
Donohue
Dooley
Ellsworth
Evins
Findley
Fisher
Flood
Garland
Giaimo
Glenn
Granahan
Gubser
Hall
Harris
Hébert
Hoffman, Mich.
Ichord
Johnson, Calif.
Kilburn
Kitchin
Knox
McDowell
McMillan
McVey
Macdonald
MacGregor
Mason
Meader
Merrow
Monagan
Moorehead, Ohio
Morris
Morrison
O'Brien, Ill.
Osmers
Peterson
Pfost
Pilcher
Pirnie
Powell
Purcell
Saund
Scherer
Seely-Brown
Sibal
Sisk
Smith, Miss.
Spence
Teague, Tex.
Thompson, La.
Tuck
Utt
Weaver
Wilson, Calif.
Wilson, Ind.

The **SPEAKER**. On this rollcall, 356 Members have answered to their names, a quorum.

Mr. **WILLIAMS**. Mr. Speaker, I object to dispensing with further proceedings under the call of the House.

Mr. **ALBERT**. Mr. Speaker, I move that further proceedings under the call of the House be dispensed with.

The **SPEAKER**. The question is on the motion.

Mr. **WILLIAMS**. Mr. Speaker, I move to lay that motion on the table.

Mr. **ALBERT**. Mr. Speaker, I make the point of order that the motion to lay on the table is not in order.

The **SPEAKER**. The motion to dispense with further proceedings under the call is not debatable and not subject to amendment and, therefore, the motion to lay on the table is not in order.

The question is on the motion to dispense with further proceedings under the call.

The question was taken.

Mr. **WILLIAMS**. Mr. Speaker, I object to the vote on the ground that a quorum is not present, and make the point of order that a quorum is not present.

The **SPEAKER**. The Chair will count. [After counting.] Two hundred and twenty-six Members are present, a quorum.

Mr. **WILLIAMS**. Mr. Speaker, I demand a division.

The House divided and there were—ayes 146, noes 19.

Mr. **WILLIAMS**. I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The **SPEAKER**. The Chair just counted 226, but the Chair will count again. [After counting.] Two hundred and nineteen Members are present, a quorum.

Mr. **WILLIAMS**. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were refused.

So the motion was agreed to.

MESSAGE FROM THE PRESIDENT

A message in writing from the President of the United States was communicated to the House by Mr. Ratchford, one of his secretaries, who also informed the House that on the following dates the President approved and signed bills and a joint resolution of the House of the following titles:

On August 20, 1962:

H.R. 12547. An act to amend the act of August 7, 1946, relating to the District of Columbia hospital center, to extend the time during which appropriations may be made for the purposes of that act.

On August 24, 1962:

H.R. 23. An act to authorize the Secretary of the Interior to construct, operate, and maintain the Arbuckle reclamation project, Oklahoma, and for other purposes;

H.R. 2139. An act for the relief of Suraj Din;

H.R. 2176. An act for the relief of Salvatore Mortelliti;

H.R. 3127. An act for the relief of Amrik S. Warich;

H.R. 3507. An act to provide for the withdrawal and reservation for the Departments of the Air Force and the Navy of certain public lands of the United States at Luke-Williams Air Force Range, Yuma, Ariz., for defense purposes;

H.R. 3508. An act to amend the Tariff Act of 1930, as amended;

H.R. 4449. An act to amend paragraph 1774 of the Tariff Act of 1930 with respect to the importation of certain articles for religious purposes;

H.R. 5139. An act for the relief of Helena M. Grover;

H.R. 6219. An act to permit the vessel *Bar-Ho IV* to be used in the coastwise trade;

H.R. 6456. An act to permit the tugs *John Roen, Jr.*, and *Steve W.* to be documented for use in the coastwise trade;

H.R. 7549. An act for the relief of Lewis Invisible Stitch Machine Co., Inc., now known as Lewis Sewing Machine Co.;

H.R. 7741. An act to permit the vessel *Lucky Linda* to be documented for limited use in the coastwise trade;

H.R. 8100. An act to amend section 109 of the Federal Property and Administrative Services Act of 1949, as amended, relative to the general supply fund;

H.R. 8168. An act to admit the oil screw tugs *Barbara, Ivalee, Lydia,* and *Alice* and the barges *Florida, DB–8, No. 220,* and *No. 235* to American registry and to permit their use in the coastwise trade while they are owned by Standard Dredging Corp., a New Jersey corporation;

H.R. 10276. An act to change the name of the Petersburg National Military Park, to provide for acquisition of a portion of the Five Forks Battlefield, and for other purposes;

H.R. 10308. An act for the relief of Elizabeth A. Johnson;

H.R. 10852. An act to continue for a temporary period the existing suspension of duties on certain classifications of spun silk yarn, and to provide for the free entry of a towing carriage for the use of the Virginia Polytechnic Institute;

H.R. 10928. An act to transfer casein or lacterene to the free list of the Tariff Act of 1930;

H.R. 11400. An act to continue for 2 years the existing suspension of duties on certain lathes used for shoe last roughing or for shoe last finishing;

H.R. 11405. An act to provide for the maintenance and repair of Government improvements under concession contracts entered into pursuant to the act of August 25, 1916 (39 Stat. 535), as amended, and for other purposes;

H.R. 11643. An act to amend sections 216(c) and 305(b) of the Interstate Commerce Act, relating to the establishment of through routes and joint rates;

H.R. 12355. An act to amend the law relating to the final disposition of the Choctaw Tribe; and

H.J. Res. 439. Joint resolution authorizing the State of Arizona to place in the Statuary Hall collection at the U.S. Capitol the statue of Eusebio Francisco Kino.

The **SPEAKER**. The Clerk will proceed with the reading of the Journal.

The Clerk continued the reading of the Journal.

CALL OF THE HOUSE

Mr. **RIVERS** of South Carolina (interrupting the reading of the Journal). Mr. Speaker, I make the point of order that a quorum is not present.

The **SPEAKER**. The Chair will count. [After counting.] One hundred and eighty-four Members are present, not a quorum.

M. ALBERT. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 200]

Adair
Alford
Andrews
Ashley
Bass, N.H.
Blatnik
Blitch
Bolling, Mo.
Boykin
Cannon
Celler
Coad
Collier
Corman
Cramer
Curtin
Curtis, Mass.
Davis, James C.
Dawson
Diggs
Dominick
Donohue
Dooley
Edmondson
Ellsworth
Evins
Findley
Fisher
Garland
Glenn
Goodell
Granahan
Hall
Halleck
Hardy
Harris
Harsha
Hébert
Henderson
Hiestand
Hoffman, Ill.
Hoffman, Mich.
Jarman
Kearns
Kilburn
Kitchin
McDowell
McMillan
McVey
Macdonald
Mason
Merrow
Moorehead, Ohio
Morris
Morrison
Moulder, Mo.
Norblad
O'Brien, Ill.
Osmers
Peterson
Pilcher
Powell
Saund
Scherer
Seely-Brown
Shelley
Sisk
Smith, Miss.
Smith, Va.
Spence
Stratton
Thompson, La.
Utt
Weaver
Widnall
Wilson, Calif.
Wilson, Ind.

The SPEAKER. Three hundred and sixty Members are present, a quorum.

Without objection, further proceedings under the call will be dispensed with.

Mr. DOWDY. Mr. Speaker, I object.

Mr. ALBERT. Mr. Speaker, I move that further proceedings under the call be dispensed with.

The question was taken; and the Speaker announced that the ayes appeared to have it.

Mr. DOWDY. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER. The Chair will count. [After counting.] One hundred and ninety-two Members are present, not a quorum.

The Doorkeeper will close the doors, the Sergeant at Arms will notify absent Members, and the Clerk will call the roll.

The question was taken and there were—yeas 312, nays 62, not voting 62, as follows:

[Roll No. 201]

YEAS—312

Addabbo
Albert
Anderson, Ill.
Anfuso
Ashbrook
Aspinall
Auchincloss
Avery
Ayres
Bailey
Baker
Baldwin
Barrett
Barry
Bass, Tenn.
Bates
Battin
Becker
Beermann
Belcher
Bell
Bennett, Fla.
Bennett, Mich.
Berry
Betts
Boggs
Boland
Bolton
Bonner
Bow
Brademas
Bray
Breeding
Brewster
Bromwell
Brooks, Tex.
Broomfield
Brown
Broyhill
Bruce
Buckley
Burke, Ky.
Burke, Mass.
Burleson
Byrne, Pa.
Byrnes, Wis.
Cahill
Carey
Casey
Cederberg
Celler
Chamberlain
Chelf
Chenoweth
Chiperfield
Church
Clancy
Clark
Cohelan
Conte
Cook
Cooley
Corbett
Corman
Curtin
Curtis, Mo.
Daddario
Dague
Daniels
Davis, Tenn.
Delaney
Dent
Denton
Derounian
Derwinski
Devine
Dingell
Dole
Doyle
Dulski
Durno
Dwyer
Edmondson
Fallon
Farbstein
Fascell
Feighan
Fenton
Finnegan
Fino
Fisher
Flood
Fogarty
Ford
Frelinghuysen
Friedel
Fulton
Gallagher
Garmatz
Gavin
Giaimo
Gilbert
Gonzalez
Goodell
Goodling
Gray
Green, Oreg.
Green, Pa.
Griffin
Griffiths
Gross
Gubser
Hagen, Calif.
Haley
Halleck
Halpern
Hansen
Harding
Harrison, Wyo.
Harsha
Harvey, Ind.
Harvey, Mich.
Hays
Healey
Hechler
Herlong
Hiestand
Hoeven
Hoffman, Ill.
Holland
Hosmer
Hull
Ichord, Mo.
Inouye
Jarman
Jennings
Jensen
Joelson
Johansen
Johnson, Calif.
Johnson, Md.
Johnson, Wis.
Jonas
Jones, Mo.
Judd
Karsten
Karth
Kastenmeier
Kee
Keith
Kelly
Keogh
Kilgore
King, Calif.
King, N.Y.
King, Utah
Kirwan
Kluczynski
Knox
Kowalski
Kunkel
Kyl
Laird
Lane
Langen
Lankford
Latta
Lesinski
Libonati
Lindsay
Lipscomb
Loser
McCulloch
McDonough
McFall
McIntire
McSween
MacGregor
Mack
Madden
Magnuson
Mahon
Mailliard
Marshall
Martin, Mass.
Martin, Nebr.
Mathias
May
Meader
Michel
Miller, Clem
Miller, George P.
Miller, N.Y.
Milliken
Minshall
Moeller
Monagan
Montoya
Moore
Moorhead, Pa.
Morgan
Morse
Mosher
Moss
Moulder
Multer
Murphy
Natcher
Nedzi
Nelsen
Nix
Norblad
Nygaard
O'Brien, N.Y.
O'Hara, Ill.
O'Hara, Mich.
O'Konski
Olsen
O'Neill
Ostertag
Patman
Pelly
Perkins
Pfost
Philbin
Pike
Pirnie
Poage
Price
Pucinski
Purcell
Quie
Randall
Ray
Reece
Reifel
Reuss
Rhodes, Ariz.
Rhodes, Pa.
Riehlman
Rivers, Alaska
Roberts, Tex.
Robison
Rodino
Rogers, Colo.
Rogers, Fla.
Rooney
Roosevelt
Rosenthal
Rostenkowski
Roudebush
Roush
Rousselot
Rutherford
Ryan, Mich.
Ryan, N.Y.
St. George
St. Germain
Santangelo
Saylor
Schadeberg
Schenck
Schneebelli
Schweiker
Schwengel
Scranton
Sheppard
Shipley
Short
Shriver
Sibal
Siler
Slack
Smith, Calif.
Smith, Iowa
Springer
Stafford
Staggers
Steed
Stratton
Stubblefield
Sullivan
Teague, Calif.
Thomas
Thompson, N.J.
Thompson, Tex.
Thomson, Wis.
Thornberry
Toll
Tollefson
Tupper
Udall, Morris K.
Ullman
Vanik
Van Pelt
Van Zandt
Wallhauser
Walter
Watts
Weaver
Weis
Westland
Whalley
Wharton
Wickersham
Widnall
Wright
Yates
Young
Younger
Zablocki
Zelenko

NAYS—62

Abbitt
Abernethy
Alexander
Alford
Alger
Andrews
Ashmore
Beckworth
Boykin
Colmer
Davis, John W.
Dorn
Dowdy
Downing
Elliott
Everett
Flynt
Forrester
Fountain
Frazier
Gary
Gathings
Grant
Hagan, Ga.
Hardy
Harris
Hemphill
Henderson
Horan
Huddleston
Jones, Ala.
Kornegay
Landrum
Lennon
Matthews
Mills
Murray
Norrell
Passman
Poff
Rains
Riley
Rivers, S.C.
Roberts, Ala.
Rogers, Tex.
Scott
Selden
Sikes
Smith, Va.
Stephens
Taber
Taylor
Teague, Tex.
Trimble
Tuck
Vinson
Waggonner
Whitener
Whitten
Williams
Willis
Winstead

NOT VOTING—62

Adair
Andersen, Minn.
Arends
Ashley
Baring
Bass, N.H.
Blatnik
Blitch
Bolling
Cannon
Coad
Collier
Cramer
Cunningham
Curtis, Mass.
Davis, James C.
Dawson
Diggs
Dominick
Donohue
Dooley
Ellsworth
Evins
Findley
Garland
Glenn
Granahan
Hall
Harrison, Va.
Hébert
Hoffman, Mich.
Holifield
Kearns
Kilburn
Kitchin
McDowell
McMillan
McVey
Macdonald
Mason
Merrow
Moorehead, Ohio
Morris
Morrison
O'Brien, Ill.
Osmers
Peterson
Pilcher
Pillion
Powell
Saund
Scherer
Seely-Brown
Shelley
Sisk
Smith, Miss.
Spence
Thompson, La.
Utt
Wilson, Calif.
Wilson, Ind.

So the motion was agreed to.

The Clerk announced the following pairs:

Mr. Powell with Mr. Adair.
Mr. Hébert with Mr. Moorehead of Ohio.
Mr. Cannon with Mr. Glenn.
Mr. Evins with Mr. Cramer.
Mr. Pilcher with Mr. Garland.
Mr. Holifield with Mr. Arends.
Mr. Shelley with Mr. Kilburn.
Mr. Peterson with Mr. Collier.
Mr. Saund with Mr. Seely-Brown.
Mr. Morrison with Mr. Wilson of California.
Mr. Kitchin with Mr. Dooley.
Mr. O'Brien of Illinois with Mr. Findley.
Mr. Diggs with Mr. Osmers.
Mr. Macdonald with Mr. Utt.
Mr. Ashley with Mr. Bass of New Hampshire.
Mr. McMillan with Mr. Hall.
Mr. Donohue with Mr. Cunningham.
Mrs. Granahan with Mr. Ellsworth.
Mr. Dawson with Mr. Wilson of Indiana.
Mr. Morris with Mr. Andersen of Minnesota.
Mr. James C. Davis with Mr. McVey.
Mr. Bolling with Mr. Dominick.
Mr. Sisk with Mr. Merrow.
Mr. Baring with Mr. Kearns.
Mr. Thompson of Louisiana with Mr. Curtis of Massachusetts.
Mr. McDowell with Mr. Scherer.
Mr. Blatnik with Mr. Pillion.
Mr. Harrison of Virginia with Mr. Mason.
Mr. Spence with Mr. Hoffman of Michigan.

The result of the vote was announced as above recorded.

The doors were opened.

The SPEAKER. The Clerk will proceed with the reading of the Journal.

The Clerk concluded the reading of the Journal.

The SPEAKER. Without objection the Journal as read will stand approved.

Mr. WILLIAMS. Mr. Speaker, I object.

Mr. ALBERT. Mr. Speaker, I move that the Journal as read stand approved.

The SPEAKER. The question is on the motion of the gentleman from Oklahoma.

The question was taken; and the Speaker announced that the ayes appeared to have it.

Mr. WILLIAMS. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER. The Chair will count. [After counting.] Two hundred and nineteen Members are present, a quorum.

So the motion was agreed to.

The SPEAKER. The Chair recognizes the gentleman from New York [Mr. CELLER].

QUALIFICATIONS OF ELECTORS

Mr. CELLER. Mr. Speaker, I move to suspend the rules and pass Senate

Joint Resolution 29, proposing an amendment to the Constitution of the United States relating to qualifications of electors.

Mr. ABERNETHY. Mr. Speaker, a point of order.

The **SPEAKER.** The gentleman will state his point of order.

Mr. ABERNETHY. Mr. Speaker, I make the point of order that this is District Day, that there are District bills on the calendar, and as a member of the Committee on the District of Columbia I respectfully demand recognition so that these bills may be considered.

Mr. ALBERT. Mr. Speaker, may I be heard on the point of order?

The **SPEAKER.** The Chair is prepared to rule, but the gentleman may be heard.

Mr. ALBERT. Mr. Speaker, by unanimous consent, suspensions were transferred to this day, and under the rules the Speaker has power of recognition at his own discretion.

Mr. ABERNETHY. Mr. Speaker, I respectfully call the attention of the chairman to clause 8, rule XXIV, page 432 of the House Manual, which reads as follows; and I respectfully submit it is a mandatory rule:

> The second and fourth Mondays in each month, after the disposition of motions to discharge committees and after the disposal of such business on the Speaker's table as requires reference only, shall, when claimed by the Committee on the District of Columbia, be set apart for the consideration of such business as may be presented by said committee.

Mr. Speaker, I submit that rule is clear that when the time is claimed and the opportunity is claimed the Chair shall permit those bills to be considered.

Therefore, Mr. Speaker, I respectfully submit my point of order is well taken, and that I should be permitted to call up bills which are now pending on the calendar from the Committee on the District of Columbia.

Mr. SMITH of Virginia. Mr. Speaker. I should like to be heard on the point of order.

The **SPEAKER.** The Chair will hear the gentleman.

Mr. SMITH of Virginia. Mr. Speaker, the rules of the House on some things are very clear, and the rules of the House either mean something or they do not mean anything.

Mr. Speaker, the gentleman from Mississippi [Mr. ABERNETHY], has just called to the Chair's attention clause 8 of rule XXIV. Nothing could be clearer; nothing could be more mandatory. I want to repeat it because I hope the Chair will not fall into an error on this proposition:

> The second and fourth Mondays in each month, after the disposition of motions to discharge committees and after the disposal of such business on the Speaker's table as requires reference only—

And that is all; that is all that you can consider—disposition of motions to discharge committees—

> and after the disposal of such business on the Speaker's table as requires reference only—

That is all that the Chair is permitted to consider.

Mr. Speaker, after that is done the day—

> shall when claimed by the Committee on the District of Columbia, be set apart for the consideration of such business as may be presented by said committee.

Mr. Speaker, I know that the majority leader bases his defense upon the theory that the House having given unanimous consent to hear suspensions on this Monday instead of last Monday when they should have been heard—and I doubt if very many Members were here when that consent order was made and I am quite sure that a great number of them had no notice that it was going to be made, and certainly I did not—now the majority leader undertakes to say that having gotten unanimous consent to consider this motion on this day to suspend the rules, therefore, it gives the Speaker carte blanche authority to do away with the rule which gives first consideration to District of Columbia matters.

Mr. Speaker, there was no waiver of the rule on the District of Columbia. That consent did not dispose or dispense with the business on the District of Columbia day. The rule is completely mandatory. The rule says that on the second and fourth Mondays, if the District of Columbia claims the time, that the Speaker shall recognize them for such dispositions as they desire to call.

The **SPEAKER.** The Chair is prepared to rule.

Several days ago on August 14 unanimous consent was obtained to transfer the consideration of business under suspension of the rules on Monday last until today. That does not prohibit the consideration of a privileged motion and a motion to suspend the rules today is a privileged motion. The matter is within the discretion of the Chair as to the matter of recognition.

The Chair overrules the point of order.

The Clerk read the resolution (S.J. Res. 29) as follows:

> *Resolved by the Senate and House of Representatives of the United States of America in Congress assembled (two-thirds of each House concurring therein)*, That the following article is hereby proposed as an amendment to the Constitution of the United States, which shall be valid to all intents and purposes as part of the Constitution only if ratified by the legislatures of three-fourths of the several States within seven years from the date of its submission by the Congress:
>
> "ARTICLE —
>
> "SECTION 1. The right of citizens of the United States to vote in any primary or other election for President or Vice President, for electors for President or Vice President, or for Senator or Representative in Congress, shall not be denied or abridged by the United States or any State by reason of failure to pay any poll tax or other tax.
>
> "SEC. 2. The Congress shall have power to enforce this article by appropriate legislation."

The **SPEAKER.** Is a second demanded?

Mr. McCULLOCH. Mr. Speaker, I demand a second.

Mr. SMITH of Virginia. Mr. Speaker, I would like to know if the gentleman qualifies. I believe that the opposition has the right to demand a second.

The **SPEAKER.** Is the gentleman from Ohio [Mr. MCCULLOCH] opposed to the resolution?

Mr. McCULLOCH. Mr. Speaker, I am not opposed to the resolution.

The **SPEAKER.** The gentleman does not qualify.

Mr. RAY. Mr. Speaker, I demand a second.

The **SPEAKER.** Is the gentleman opposed to the resolution?

Mr. RAY. Mr. Speaker, I am.

The **SPEAKER.** Without objection, a second will be considered as ordered.

There was no objection.

The **SPEAKER.** The gentleman from New York [Mr. CELLER] is recognized for 20 minutes.

Mr. CELLER. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, our late lamented Speaker, Sam Rayburn, President Kennedy, Vice President Lyndon Johnson, our present Speaker, John McCormack, all have at one time or another inveighed against the poll tax. Both party platforms have repeatedly pledged abolition of the poll tax. For example in the party platforms, the Republicans had the abolition of the poll tax as a platform plank in 1944, 1948, and 1952, as follows:

In 1944:

> The payment of any poll tax should not be a condition of voting in Federal elections, and we favor immediate submission of a constitutional amendment for its abolition.

In 1948:

> We favor the abolition of the poll tax as a requisite to voting.

In 1952:

> We will prove our good faith by * * * Federal action toward the elimination of the poll tax as a prerequisite for voting.

In 1960:

> (1) To continue the vigorous enforcement of civil rights laws to give the right to vote to all citizens in all areas of the country (from party pledge).

Democrat—no specific reference to the poll tax by name in platforms of 1948 and 1952, but it is obviously referred to in the Democratic platform of 1948 in the following manner:

In 1948:

> We call upon the Congress to support our President in guaranteeing the basic and fundamental American principles: (1) the right of full and equal political participation.

In 1952: We find an approval of the removal of the poll tax:

> We favor Federal legislation effectively to secure these rights to everyone: * * * (3) the right to full and equal participation in the Nation's political life, free from arbitrary restraints.

In 1960:

> We will support whatever action is necessary to eliminate literacy tests and the payment of poll taxes as requirements for voting.

I regret that this constitutional amendment is brought up under suspension of the rules with only 40 minutes of debate. I applied for a rule. A rule was not forthcoming. A discharge petition was filed but not processed. Such a petition is rarely used and has its attendant difficulties if not embarrassments. Hence this suspension of the rules.

In espousing this amendment I regret that I must differ with my esteemed colleagues of the Judiciary Committee, Representatives WILLIS, ASHMORE, FORRESTER, DOWDY, and TUCK. Their opposition is as strong as it is sincere. In this we are as different as Hamlet is from Hercules, as a pig's tail is from the tail of a comet. But remember, democracy's strength lies in differences of opinion and the right to utter them.

The House has passed an antipoll tax bill five times, the Senate twice, including the resolution before you.

Antipoll tax legislation, since 1942, passed by the House in 77th, 78th, 79th, 80th, and 81st Congresses. Debated in the Senate during each of these Congresses but passed by the Senate only during 86th and 87th.

No bills passed by either House or Senate—82d through the 85th.

In each instance the bill which passed the House contemplated Federal legislation to prevent a poll tax prerequisite to voting in Federal elections. No such bill was passed by the Senate and at least one—H.R. 7, 78th Congress—was prevented from coming to a vote through filibuster.

Only time it passed the Senate was during the 86th Congress, and that took the form of constitutional amendment.

Seventy-seventh Congress, H.R. 1024: Passed the House on October 13, 1942, 254 to 84. Reported in Senate and debated in Senate.

Seventy-eighth Congress, H.R. 7: Passed House May 25, 1943, 265 to 110. Senate filibustered and cloture vote defeated 36 to 44.

Seventy-ninth Congress, H.R. 7: Motion to discharge the Committee on Rules from further consideration was adopted by 224 to 95; H.R. 7 passed the House June 12, 1945, 251 to 105. Debated in Senate but no action taken.

Eightieth Congress, H.R. 29: Passed House 290 to 112 on July 21, 1947. Reported and debated in the Senate.

Eighty-first Congress, H.R. 3199: Passed House July 26, 1949, by 273 to 116.

Eighty-sixth Congress, Senate Joint Resolution 39: Passed Senate February 2, 1960, 72 to 16—constitutional amendment. By vote of 50 to 37 Holland motion to table JAVITS' amendment by statute on February 2, 1960. House reported measure after deleting antipoll tax portion on May 31, 1960.

Eighty-seventh Congress, Senate Joint Resolution 29: Passed Senate March 27, 1962—voice vote. JAVITS' amendment defeated March 27, 59 to 34, and resolution itself passed Senate by vote of 77 to 16.

Only five States maintain poll taxes—Alabama, Arkansas, Mississippi, Texas, and Virginia. Here is how it operates in those States.

Alabama: Poll tax of $1.50 for persons over 21 and under 45. Maximum such requirement, including arrears, is a payment of $3—or for 2 years. Must be paid by February 1, next preceding the election, all poll taxes due from him for the last 2 years.

Arkansas: Poll tax of $1. Tax must be paid on or before October 1 preceding the election.

Mississippi: $2 per year, poll tax. Must be paid on or before February 1 of that election year in which he wishes to vote. Must have proof of payment for 2 preceding years.

Texas: $1.50 poll tax fee—$1 goes to support of schools. Must be paid before February 1 of the year in which seeks to vote.

Virginia: $1.50 poll tax fee. Must be paid at least 6 months before election in which seeks to vote. Must have paid taxes—State poll taxes—assessed against him during the 3 years next preceding the year of the election.

And it is interesting to note that these five States which still require the payment of a poll tax were among the seven States with the lowest voter participation in the 1960 presidential election. The fear that a constitutional amendment would take too long is illusory. The first 10 amendments, constituting the Bill of Rights, were ratified in approximately 9 months. The 17th, 18th, 19th, and 20th amendments each required only approximately 1 year, while the 21st and 23d amendments took less than a year. And remember, 45 States do not have a poll tax.

Reasonable minds differ as to the method to be adopted to abolish the poll tax. Some would travel the statutory route, others the constitutional route. As the Attorney General stated, "a constitutional amendment is a realistic and commendable" approach.

In testifying before the Senate Constitutional Amendments Subcommittee on June 28, 1961, Assistant Attorney General Nicholas deB. Katzenbach said:

> While we think from the recent trend in decisions that the courts would ultimately uphold such a statute, the matter is not free from doubt. In any event, as a practical matter and in view of the widespread support offered by the many sponsors of Senate Joint Resolution 58, the poll tax may possibly be laid forever to rest faster by constitutional amendment than by attempt to enact and litigate the validity of a statute. All of us know that long delays are inherent in litigation generally, and this is particularly true when important constitutional issues are at stake. Accordingly, the Justice Department supports the proposed amendment as a realistic technique which seeks the early demise of the poll tax.

Later, during that hearing, Mr. Katzenbach said:

> I am authorized on this to speak for the administration and for the President.

If the statutory method were pursued there would ensue a long period of litigation to test the statute's constitutionality.

Furthermore, a statute would be difficult to enact in both Houses—as difficult as trying to grasp a shadow.

This amendment has passed the Senate, I repeat. I am a pragmatist. I want results, not debate. I want a law, not a filibuster. I crave an end to the poll tax, not unlimited, crippling amendments.

I say to you gentlemen and ladies, "Stretch your feet according to your blanket."

It is wiser to recognize the exigencies under which we operate.

I do not wish to try for too much and fail. I do not want to keep rolling a boulder up a high hill like Sisyphus, only to have it fall down constantly upon me. We would have inordinate trouble trying to get a mere statute passed. Hence this constitutional amendment.

I am aware that this resolution only affects voting in Federal elections. States could inflict the tax on ballots in State or local elections. This might mean double or bobtailed ballots. That would be unfortunate.

It is hoped that this constitutional amendment, when ratified, will liberate the minds of the members of the State legislatures of the five poll tax States and cause these men to realize that the fungus growth on their own local body politic could very well strangle progress in many directions.

Excuse is offered that the poll tax receipts are used for educational purposes in some States. This is a specious argument. Poll tax proceeds might be used for many good causes—for bird sanctuaries, homes for inebriates, baseball parks, or what have you. But since the poll tax is inherently obnoxious, the good does not justify the evil. It is like the fruit of a poisoned tree or water from a tainted well.

The constitutional amendment is in exactly the form that it passed the Senate. I fought down all amendments before the Judiciary Committee so that we could pass upon the resolution as it had passed the Senate. This will avoid any conference and thus prevent delay. Delay has dangerous ends.

There has been sufficient delay in removing this unfair burden on the right to vote, a burden on the white man's ballot as well as on the colored man's ballot.

Recent studies of the U.S. Commission on Civil Rights revealed on the whole that the imposition of the poll tax has not been administered in a discriminatory manner, but the power to do so is resident therein. Past history is replete with discrimination. Present history still records some unjust brakes on the right to vote.

For too long a time have the rights of minorities been trammeled and trampled upon; 100 years have elapsed since the Emancipation Proclamation. That is a long time. Emancipation has still not been fully achieved. Certainly there should be no longer any procrastination in consigning the poll tax to limbo.

Cervantes said:

> By the street of by and by one arrives at the House of Never.

Let us not tarry longer with this obstruction to voting. Let us get rid of it now.

Mr. FASCELL. Mr. Speaker, will the gentleman yield?

Mr. CELLER. I yield to the gentleman from Florida.

Mr. FASCELL. I want to congratulate the gentleman as chairman of the

Judiciary Committee for his perseverance and his leadership in this matter. I would like the Record to show also that the distinguished senior Senator from the State of Florida, the Honorable Spessard L. Holland, in the other body, has for a long time been the sponsor of this resolution. I am very happy to join the gentleman from New York and my senior Senator from Florida in supporting this joint resolution.

We, in the U.S. Congress have witnessed a long and ofttimes bitter struggle to abolish the poll tax as a prerequisite for voting, so that no American must pay for the privilege of exercising his constitutional privilege—the right to vote.

One of the outstanding leaders in the fight for the abolition of this horrendous detriment to democracy is the distinguished and able senior Senator from my State of Florida, the Honorable Spessard L. Holland.

As far back as 1937 Senator Holland called the poll tax "an impediment to voting" and participated, as a Florida State senator, in the successful fight to remove the poll tax as a voting requirement in the State of Florida.

Through his outstanding efforts in this matter, we, in the State of Florida, have realized a great increase in the exercise of voting responsibilities and the advent of clean politics. It was common knowledge throughout the State of Florida that some persons were controlling certain county elections through manipulation in the payment of poll taxes. As Senator Holland phrased it, "This means of undemocratic and corrupt control was terminated by the poll tax repeal."

Now we are discussing the abolition by constitutional amendment of the poll tax in the only five States in this free Nation which require the payment of money as prerequisite for casting a vote—Alabama, Arkansas, Mississippi, Texas, and Virginia. Certain interests have maintained that the poll tax in these States is not a bar to voting on the logic that the tax is so small—ranging from $1 to $2—that it does not present an economic barrier in our state of affluency.

Mr. Speaker, the payment of money, whether directly or indirectly, whether in a small amount or in a large amount, should never be permitted to reign as a criterion of democracy. There should not be allowed a scintilla of this in our free society.

There are other local questions involved which, indeed, the people locally should have a right to pass upon, but as Senator Holland has so ably noted over the years:

> Those local questions ought not to affect the rights of citizens to vote in Federal elections and to help name their President and their Vice President, their Senators and their Representatives.

There are cries that abolition of the poll tax through a constitutional amendment is tantamount to an outright invasion of States rights.

Mr. Speaker, I submit that no constitutional amendment can be called an invasion of States rights. The very heart and foundation of our system of democracy and way of free life is a respect for and subservience to the Federal Constitution which is amendable and when amended as prescribed in the Constitution establishes rights for all Americans.

We have come a long way in the constitutional history of this great Nation. We have defended the belief that neither race, religion nor creed shall be a bar to the full enjoyment of every man of our constitutional privileges. Certainly, we do not intend to permit money—however insignificant the amount—to remain as a criteria for the freeman to exercise this privilege of participation in his government.

What fairer method is there for removal of this questionable criteria than through a constitutional amendment, as is provided for under our Federal Constitution in our democratic system.

Mr. COHELAN. Mr. Speaker, I rise in support of this important measure which would insure all Americans the right to vote free from the arbitrary discrimination of a poll tax.

This right to vote, Mr. Speaker, is the cornerstone of our democracy. It is the foundation of our form of government. It is the one right, in fact, upon which all other constitutional guarantees depend for their effective protection. It must, therefore, be defended, secured and observed.

This right to vote free from discrimination based on race or color, however—the promise guaranteed by the 15th amendment to our Constitution—continues to suffer abridgement. The excellent studies conducted by the Commission on Civil Rights reveal that many minority groups, and Negroes in particular, are anxious to exercise their full political rights as free Americans, and that progress has been made in this regard. Unfortunately, these same studies also reveal that many Negro American citizens not only find it extremely difficult, but often impossible to vote; that devices such as the poll tax are still effective tools of discrimination.

Mr. Speaker, I agree with those who argue that every State has a constitutional right to impose voting tests. These tests must, however, be reasonable and consistently applied. They must serve as qualifications for voting, not as barriers, and as the poll tax is currently being used it is neither reasonable nor a valid qualification. It is being used solely and exclusively to withhold the vote from certain groups and it must, therefore, be abolished as a violation of an equally important section of our Constitution—the 15th amendment.

Mr. Speaker, the Declaration of Independence states boldly that all men are created equal. I reject the concept that this means only some men and I urge that we in this Congress, by approving this legislation, join still further in the cause for racial justice and human equality.

The SPEAKER. The Chair recognizes the gentleman from New York [Mr. Ray].

Mr. RAY. Mr. Speaker, I yield myself 1 minute, and rise in opposition to the resolution.

Mr. Speaker, if I were a resident of one of the five States affected by this legislation, undoubtedly I would vote to change the law of that State, but I would be equally and more violently opposed to having the long arm of the Federal Government reach in and compel me to make that change.

Mr. Speaker, I yield 5 minutes to the gentleman from Ohio [Mr. McCulloch].

Mr. McCULLOCH. Mr. Speaker, Senate Joint Resolution 29 is a proposal to amend the Constitution of the United States to eliminate the poll tax, as a condition precedent to voting in Federal elections. It is a mild proposal, indeed, in view of the limited use of poll tax laws as a deterrent to voting in the United States today.

Only in Alabama, Arkansas, Mississippi, Texas, and Virginia is the payment of a poll tax a prerequisite for voting. More important, the Civil Rights Commission in its 1961 report stated:

> With the possible exception of a deterrent effect of the poll tax—which does not appear generally to be discriminatory upon the basis of race or color—Negroes now appear to encounter no significant racially motivated impediments to voting in 4 of the 12 Southern States: Arkansas, Oklahoma, Texas, and Virginia.

Thus, the Civil Rights Commission itself is unable to attribute more than a nod to the notion that poll taxes are used today to racially discriminate in voting.

Even if we were to assume, however, that evidence did exist that the poll tax was being so used, it would be necessary to exclude the States of Arkansas, Texas, and Virginia, since the Civil Rights Commission specifically found that voter discrimination for such means does not exist is those States. This leaves only the States of Alabama and Mississippi where the poll tax may be a racial deterrent to voting. Let us turn, then, to the voter situation in those two States to see how materially the final adoption of Senate Joint Resolution 29 will contribute to the cause of civil rights, in the area of voter enfranchisement.

In doing so, I wish to stress that I am not necessarily concluding that the poll tax is being used discriminatorily in these two States. However, in order to determine the maximum effective limits of this proposal, I secured voter registration statistics for 1960 in those counties of Alabama and Mississippi which have less than 10 percent registration among the nonwhite voting-age population. This is a most liberal estimate, since the Civil Rights Commission only labels a county for suspicion if it has less than 3 percent nonwhite registration.

Analyzing the figures, I discovered that Alabama has approximately 160,000 nonwhite citizens of voting age within such counties who have not registered. Turning to Mississippi, I found that there are approximately 250,000 nonwhite citizens of voting age within counties of 10 percent or less nonwhite registration, who have not registered. This means that by final approval of the proposed constitutional amendment, we could only assist, at the most, 410,000 citizens.

Now, I well appreciate that to assist even one additional eligible citizen to vote is a good thing. I am for that principle, I have always been for that principle, and I intend to vote for this joint resolution. But, I ask, Will one truly be able to maintain a straight face in the future when we hear talk of the New Frontier's bold new legislative program for civil rights?

Constitutional lawyers and careful students of government have long contended that the Constitution of the United States has been and should continue to be reserved for fundamental and profound changes in the basic law of the land. To proceed, as we are planning to proceed with today's action, could be harmful in precedent. It could be harmful because it tends to breed disrespect for our Constitution and encourage its change as one might amend an ordinance, or a State, or a Federal law. I hope our action today will never be used as an arguent or justification for amending the Constitution, when legislation would accomplish the same end.

Although there is no need to now enter into debate as to the propriety of proceeding by the legislative route on this matter, I may say that many skilled and intelligent lawyers have argued that such a route is possible. Yet, as strange as it may seem, little or no consideration was given to this fundamental issue in committee. Of even greater importance, I am of the firm opinion that if we are to amend the Constitution, we should make the amendment fully effective.

Do we really believe that abolition of the poll tax will, in fact, enfranchise many additional citizens who today are barred from voting? Of course not, because there are many subtle and clever devices that can be used to prevent a person from voting, if that be the intention of public officials. Nineteen States, for example, presently impose some form of literacy test as a voting requirement, and more than half that number are from so-called Northern States. I am, however, pleased to say, that the State of Ohio has no literacy test for voting. With literacy tests as prevalent as they are, and as subject to abuse as we know some of them to be, those who speak of this proposal as monumental, are deceiving themselves, and those who believe them.

It is regrettable that a proposal to amend the Constitution is debated on a motion to suspend the rules, when total time for debate is limited to 40 minutes.

There is no time to describe the effective extralegal devices which so completely deter voting in some States. Suffice it to say that this proposal will not solve the real problem. It will only be solved by an energetic and a real will to enforce the basic and statutory law of the land, and perhaps supplemented by appropriate legislation by the Congress.

In the waning days of the 2d session of the 87th Congress, I urge the suspension of the rules and the adoption of the resolution. It is neither brave nor bold, in fact it is a shameful retreat of the broad advance on the New Frontier in the fall of 1960, but it is the best that can be had this year.

Mr. HALLECK. Mr. Speaker, will the gentleman yield?

Mr. McCULLOCH. I yield to the gentleman from Indiana.

Mr. HALLECK. Mr. Speaker, I believe it might be well for me to say at this point that the proposition before us is not new or novel. I have voted for antipoll tax legislation, I would guess, at least a half dozen times. I remember voting for such a bill in 1942. I voted for such a bill in 1943, and I voted for one in 1945. In June of 1947, as majority leader of the 80th Congress, we called up under suspension of the rules an antipoll tax bill. It passed by substantially more than the necessary two-thirds majority.

So, as I said at the outset, this is nothing new or novel; it is something that the House of Representatives has been trying to write into law for a long, long time. This proposal is a constitutional amendment. I think most of the measures we have heretofore dealt with undertook to accomplish this by statute law. Is that correct?

Mr. McCULLOCH. That is correct.

Mr. HALLECK. Therefore, as far as I am concerned, I propose to vote for this measure as I have voted for similar measures through the last 20 years.

Mr. McCULLOCH. I thank the gentleman from Indiana, our minority leader, and I am pleased that he has brought the record up to date.

Mr. Speaker, it is indeed regrettable that a constitutional amendment should be brought to the floor of the House with only 40 minutes for debate thereon. I hope it does not happen again.

Mr. ROGERS of Texas. Mr. Speaker, will the gentleman yield?

Mr. McCULLOCH. I yield to the gentleman from Texas.

Mr. ROGERS of Texas. Can the gentleman tell me whether if this amendment is adopted it will destroy a right that is presently vested in the States?

Mr. McCULLOCH. I am not convinced that that is the case.

Mr. ROGERS of Texas. The States now have the right to make this determination. If you pass this amendment it destroys the right of the States in that regard, does it not?

Mr. McCULLOCH. I am not convinced that it does. Some of the ablest lawyers in the country are of the opinion that the intended result can be accomplished either by congressional action or constitutional amendment.

Mr. CELLER. Mr. Speaker, I yield 5 minutes to the gentleman from Louisiana [Mr. WILLIS].

Mr. WILLIS. Mr. Speaker, Louisiana was one of the first States in the Union to repeal the poll tax. I voted to repeal it. And I would hope that some of these days the three or four remaining States still having the poll tax requirement as a condition to vote will repeal it.

Thus far, therefore, the proponents of the measure before us today and I are together. Beyond that point, however, we part company. Why? I disagree on the basis of two great constitutional concepts. In other words, I part company with my friends who favor this proposal because I believe I have the Constitution on my side.

The first constitutional provision is this. With great humility and out of consideration for all the people, the Founding Fathers put a provision in the Constitution which says that the qualification of people to vote for Members of Congress and national offices shall be the same as those who vote for members of the State legislature and local offices. The resolution before the House today would reverse this principle. It would make a special provision applicable to Members of Congress and national offices only. It would provide that when a person enters a polling booth to vote for a Member of Congress or national office, he could not be required to pay a poll tax, but when voting for a local officer on the same ballot he could be forced to pay a poll tax. Strangely enough, the proponents of this measure use this very argument to get votes for the pending proposal. On reflection I say to you that this is the greatest argument against a vote for it.

Why make a special provision for Members of Congress and national offices only? Where is our humility? Those of you who vote for this resolution must face the fact that you will not be able to tell the folks back home, "Look what I did for you." You will have to tell the mayor of your hometown, your sheriff, your justice of the peace, and on up to your Governor, "Look what I did for me."

Oh, I know, you might be able to whisper to these local officials that you could not make such a provision for them and so for the time being you made the provision only for yourself. But they might well say to you, "Did you try? Did you make a fight for us? Did you offer an amendment to include us?"

And then, too, you might be able to tell your political friends that to match the tactics of those of the opposite party you had to do something special for a special minority group—a minority group incidentally for whom I have the greatest compassion and a majority of whom I think vote for me. But the truth of the matter is that this great country of ours is made up of conglomerate people of innumerable minority groups. For example, the Catholics as such are not in a majority and in that sense are a minority group. No one sect of the Protestants constitute a majority and in that sense they, too, are minority groups. Suppose some of these days any one of these groups tells you, "Out of political consideration you always seem to justify doing something special for one minority group: when are you going to start doing something for us?" What are you going to say?

Of course you might be able to tell them, "Your turn will come next." But this, in my opinion, would violate another constitutional provision, which, in plain language, states that the time, place, and manner of conducting elections shall be left up to the States. The constitutional amendment before us today, if passed, would be an entering wedge and a foot in the door which through pressure groups, however sincere, would inevitably lead to other amendments concentrating the entire election procedure and machinery in the Federal Government—and then goodby States rights.

The proposal before us today is reminiscent of one made by former President Eisenhower. You will remember, I am sure, that he proposed an amendment to the Constitution which would give the right to vote to all people 18 years of age. The argument was that if a person was old enough to fight for his country, he was old enough to vote, and it had great temporary emotional appeal. But then the people were heard from with a great voice saying, "The proposal has great merit, but on reflection we should heed the admonition of the Founding Fathers to the effect that the qualification of voters and the time, place, and manner of conducting elections should be left up to the States." And the proposal was abandoned.

Passage of the proposed amendment to the Constitution restricted to so-called national elections would lead to a breakdown of the division of power between the Federal Government and the States.

For example, we provide money to build a so-called Federal highway system. Should we use this as an excuse for Congress to enact speed laws and to create traffic courts? We provide funds for land-grant colleges, which includes practically every State university. Should we use this as an excuse to pass legislation regulating our State public educational system? I am very much afraid that the restriction of the present proposal to national elections in order to get votes today will be used as an excuse to further amend the Constitution in the field of State and local elections and will inevitably result in the concentration of more and greater power in the Federal Government at the expense of the States and the people, and I urge its defeat.

Mr. CELLER. Mr. Speaker, I yield such time as he may consume to the gentleman from Virginia [Mr. Tuck].

Mr. TUCK. Mr. Speaker, I thank the distinguished gentleman from New York [Mr. Celler] for allotting me this brief time in which to discuss such an important question.

Mr. Speaker, I rise in opposition to Senate Joint Resolution 29, proposing an amendment to the Constitution of the United States relating to the qualifications of electors, with specific reference to the payment of a poll tax as a prerequisite for voting in Federal elections. I respectfully submit that the House could be utilizing its time more profitably and devoting its attention to far more important matters.

This resolution is a political gesture addressed to powerful minority groups who neither live nor vote in the five poll tax States.

The power of the Congress to pass a resolution of this nature is not questioned; however, to do so will be to subvert hallowed constitutional principles. The principle involved here is the right of the States to control their own election machinery and to set forth qualifications of voters. That right is upheld in the decision of *Butler* v. *Thompson*, 341 U.S. 937, wherein the Supreme Court held that "the decisions generally hold that a State statute which imposes a reasonable poll tax as a condition of the right to vote does not abridge the privileges or immunities of the citizens of the United States which are protected by the 14th amendment. The privilege of voting is derived from the State, and not from the National Government."

The Supreme Court in *Minor* v. *Happersett*, 21 Wall. 162, held that "the Constitution of the United States does not confer the right of suffrage on anyone". Suffrage is basically a privilege and becomes a right only if denied under the guarantees of the 15th and 19th amendments. A person may vote only if he meets the qualifications prescribed by his State.

The operation of the poll tax does not create a problem which requires solution by a constitutional amendment. The unbroken precedents of upholding the poll tax against constitutional attack should not be ignored by this House. This body will not be justified in the passage of the proposed resolution.

It is claimed by the proponents of this joint resolution that it is necessary as a civil rights measure. If such were true, the Supreme Court would have long since outlawed the poll tax as violative of the 15th amendment instead of upholding it as a legitimate exercise of a State's power.

The Civil Rights Commission in its 1961 report did not make a single reference to an instance in which the poll tax requirement had been administered in such manner as to discriminate against any voter or class of voters.

In my own State, the effect of the amendment's provisions upon State election machinery would be disastrous. Whereas now only one list of voters must be kept, under the proposed amendment two sets of records would have to be maintained inasmuch as the constitution of Virginia requires the payment of a poll tax. One set would list those who had complied with State law and could, therefore, vote in State elections; the other set would list those persons who, though they had not complied with the law in State elections could vote in elections for Federal officers. This would be wholly unworkable. Our system has worked well. We are not discriminating against anyone, and the record so bears this out.

In closing, I would like to reemphasize the following general objections to the proposed amendment:

First. The proposed amendment is not consistent with the principles of a Federal system of government as outlined in the Constitution.

Second. The existence of a poll tax does not create a problem which demands solution by constitutional amendment.

Third. The proposed amendment, if adopted, would deprive five States of a source of substantial revenue.

Fourth. If adopted, the proposed amendment would abolish a tested and proven method of maintaining proper voters rolls.

Fifth. Adoption of the proposed amendment would establish a precedent for future amendments, which properly may be referred to as "national referendums," on any item in a State's laws that fail to meet the approval of the other States.

Mr. RAY. Mr. Speaker, I yield 5 minutes to the gentleman from New York [Mr. Lindsay].

Mr. LINDSAY. Mr. Speaker, I am very much opposed to poll taxes, and therefore I will vote for this bill, but I do so with a heavy heart.

This is probably the greatest piece of legislative gamesmanship that has come to the floor of the House in the 87th Congress. This is a great day also for the anticivil rights proponents. It may sound strange to some of you, but I am going to agree pretty much with my good friend, the gentleman from Louisiana [Mr. Willis]. First of all, this is a fantastic procedure under which to amend the Constitution—an up or down vote, no amendments permitted, no motion to recommit possible, a total of 40 minutes of debate. Secondly, the result sought to be achieved can and should be achieved by a simple spot vote.

The leadership on the majority side, who are running this show, Mr. Speaker, ought to be proud of themselves for handing us this dish of tea. Under this kind of gag procedure they casually and cynically tinker with the U.S. Constitution, for political reasons, to get off the hook on civil rights. They would amend the Constitution to abolish the poll tax in Federal elections only. Why only Federal elections? That was the point made by my friend from Louisiana [Mr. Willis]—in Federal elections only. The impact is on two States. Only five States still have a poll tax of any kind and only two of these continue to use the poll tax in order to disfranchise voters. The Civil Rights Commission, in its 1961 report, said as follows:

> The absence of complaints to the Commission, actions by the Department of Justice, private litigation, or other indications of discrimination, have led the Commission to conclude that, with the possible exception of a deterrent effect of the poll tax—which does not appear generally to be discriminatory upon the basis of race or color—Negroes now appear to encounter no significant racially motivated impediments to voting in 4 of the 12 Southern States.

Mr. Speaker, it is dangerous to alter the U.S. Constitution when the same result can be reached by statute. Some of the Members on the majority side who think of themselves as great liberals ought to worry about this a little bit. There are any number of proposals, for example, to amend the U.S. Constitution on the school prayer issue, and if you can do it as easily as we do here today, to correct a relatively minor matter that can be corrected by simple statute, just think of what can occur in the future in the event the extreme right should be in the ascendancy. This is using a sledge hammer, a giant cannon, in order to kill a gnat.

Of course, Mr. Speaker, what we really have here is the last act and the last scene of this bad charade that we have been forced to watch for almost 2 years in which the administration and the majority side of the aisle step by step have delivered on the deal not to give the country significant or meaningful civil rights legislation. I think it is a pretty sorry show. This is known as an "off the hook" bill—a show device that will get the administration off the hook for breaking its pledges with the American people on civil rights.

The present Attorney General of the United States came to the Judiciary Committee and testified that the poll-tax requirement in Federal elections can and should be eliminated by simple statute. And do you know when he changed? He changed when the President of the United States got caught in a press conference and came out for a constitutional amendment on the subject of the poll tax in Federal elections. This was part of the administration's original deal with southern committee chairmen. And then the Attorney General, of course, fell in line.

Mr. Speaker, if we are going to amend the Constitution, the amendment ought to be meaningful. It ought to be debated at length. Such an amendment should abolish impediments to voting in local elections as well as State elections. It should not be confined to Members of Congress. The real difficulty lies at the local level, in school boards and in those other areas where the anti-civil-libertarian forces go to work to the detriment of all citizens of this country and to the detriment of the free democratic process. Such an amendment, further, should do away with all obstructions to the right to vote.

And what has happened to all of the civil rights legislation that was promised in the Democratic platform and over and over again in the 1960 campaign? I will tell you what has happened. It has gone down the drain in the trade that was made by this administration not to come up with a civil rights program. Then, to get off the hook, they come up with this sugar-coated proposition that is meaningless except for its possible political value to those who want to get off the hook. This is a sad day on Capitol Hill, Mr. Speaker, and I am only sorry there are not more protests. I suspect that the liberals on the Democratic side of the aisle are discreetly remaining quiet at this moment because they know perfectly well this is the wrong way to achieve a result and they are embarrassed. How they can go out on the hustings now and defend the administration on this one is beyond me.

The SPEAKER. The time of the gentleman from New York [Mr. Lindsay] has expired.

Mr. BALDWIN. Mr. Speaker, I rise in support of Senate Joint Resolution 29. This constitutional amendment is long overdue. I hope it will be passed by an overwhelming vote. No person should have to pay for the privilege of voting.

Mr. CELLER. Mr. Speaker, I yield myself one-half minute.

Mr. Speaker, the gentleman from New York [Mr. Lindsay] says that the committee had to yield. I simply say that that is a lot of "malarkey." I would say this generally with reference to what the gentleman from New York [Mr. Lindsay] said.

He reminds me of a bull that charges into an express train. He shows commendable courage but deficient judgment.

Mr. RAY. Mr. Speaker, I yield 1 minute to the gentleman from Texas [Mr. Alger].

Mr. ALGER. Mr. Speaker, I have only 1 minute, but I want to tell my colleagues I have always been against the poll tax as a voting qualification in the State of Texas, but the end does not justify the means. If we want to change this State prerogative in Texas, Texans will do it in good time at Austin, Tex. This resolution today is the wrong way to do it. We do not have discrimination in Texas because of the poll tax, but whether we do or not, it is not the business of the other States to tell us our voting qualifications. I wish my colleagues who take the lead on States rights and the Constitution during civil rights debates would join us conservatives when we need them so badly on other issues on grounds of States rights. I am trying to be consistent. I am against the poll tax. But this is the wrong way to do it, and you will live to rue the day you do it.

I want to commend the gentlemen who wrote the minority views. I would like to read the court decision of Butler versus Thompson, time prevents, so I commend it to your consideration. This resolution is wrong, and I hope it is voted down.

Mr. RAY. Mr. Speaker, I yield 4 minutes to the gentleman from Virginia [Mr. Smith].

Mr. SMITH of Virginia. Mr. Speaker, 4 minutes; 4 minutes. I have been here a long time. I hope that the walls of this Hall will never ring again with the kind of a farce that has been put on here today, with the Constitution of the United States to be amended, when no one can offer an objection or an amendment to it, when no one can raise his voice in extended debate, but 20 minutes for and 20 minutes supposedly against it. It is unprecedented in the annals of this Government for an amendment to the Constitution, no matter how insignificant it may be, to be considered here under this procedure.

Mr. ROGERS of Colorado. Mr. Speaker, will the gentleman yield?

Mr. SMITH of Virginia. I decline to yield. I have only 4 minutes, and I regret very much, much more than the gentleman does, I am sure, that we do not have additional time.

I heard one of the speakers—and by the way, the best arguments I have heard for the defeat of this resolution have come from the Republican side. This should not be done in this way. It shows the utmost disrespect and disrepute to which the great Constitution of the United States has fallen. Think on the origin of this resolution in the other body. There was a little bill to honor the great Alexander Hamilton, one of the great Republicans of this country, and it was displaced so that they might get onto the floor this disgraceful exhibition of disrespect and disrepute of the great Constitution of the United States.

Gentlemen, how many of you are going to be proud of the vote you are about to cast, about to cast under the pressure of both parties, because the Republican leadership is just as much responsible for this as the Democrats. They do not put bills of this controversy on the "Suspense" Calendar unless they have the consent and approval of the minority leadership. So do not lay it on the Democratic side, and I am not excusing the Democratic leadership because they could have brought this up in the regular way.

Mr. HALLECK. Mr. Speaker, will the gentleman yield?

Mr. SMITH of Virginia. I decline to yield. If you had cooperated with us in fixing this thing so that we would have some time to debate a proposed amendment to the Constitution we would have been glad to discuss it and discuss it fully and on its merits. But this resolution could have been brought up here in the regular way. Some of you will remember that just 18 months ago the leadership of this House packed the Committee on Rules so that they would have a majority vote on it. They could have gotten it out of the Committee on Rules with a majority vote, if they had wanted to do it in the democratic way and permit the House to vote on it. Yet, this House is going to vote for this in this extraordinary situation, and they are going to do it under political pressure to please a minority group. We all know that, everybody knows that, the country knows that. What is this country going to come to when we, supposedly responsible and dignified Members of the Congress, "crook the pregnant hinges of the knee" at every call and at every demand of any minority group in this country in order that some votes may be controlled? Is that the kind of government that we are going to run from now on? Think it over. Vote for it, as you will. Vote for it, as I know you will; and knowing so, vote for it under pressure—under political pressure from a minority group—and then regret it as long as you live.

The SPEAKER. The time of the gentleman has expired.

Mr. RAY. Mr. Speaker, I yield one-half minute to the gentleman from Georgia [Mr. Forrester].

Mr. FORRESTER. Mr. Speaker, Georgia levies no poll tax. Only 5 of our 50 States do. Nevertheless, the levying of poll taxes has always been a matter for decision by the respective States, and I hope it will continue to be. The 5 States still collecting a poll tax have as good morals, as much respect for law, and as efficient government as the other 45 States. This statement cannot be challenged. To say that a $1 or $2 poll tax prevents anyone from exercising the privilege to vote is laughable. Maybe a poll tax serves no good purpose but, conversely, it serves no evil purpose. It is a right that the States have exercised from the beginning and a right that can be destroyed only by a constitutional amendment prohibiting such tax.

The committee is to be congratulated on recognizing the fact that only a constitutional amendment can deprive the States of the power to levy such tax, and proceeding by way of constitutional amendment rather than by statute which would undoubtedly have been illegal. I cannot believe any good will be accomplished by striking down the rights of the States to levy a poll tax for the purpose of trying to cure an imaginary ill nurtured by minority groups.

Appeasing of minority groups' unreasonable demands is making us ridiculous in the eyes of the people of the world.

Mr. RAY. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days to extend their remarks on the pending resolution before the vote thereon.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. RAY. Mr. Speaker, I yield the balance of the time remaining to the gentleman from New York [Mr. HALPERN].

Mr. HALLECK. Mr. Speaker, will the gentleman yield?

Mr. HALPERN. I yield to the gentleman.

Mr. HALLECK. Mr. Speaker, I do not want to get into any controversy with any of my colleagues, but I just want it clearly stated for the record and understood that today is the regular day for considering legislation under suspension of the rules under the arrangement made last Monday; and so far as the suspensions are concerned, it was within the province of the Speaker and the majority leadership to schedule them, and that is what has been done.

Mr. HALPERN. Mr. Speaker, I am in favor of any step taken in the direction of outlawing this undemocratic, feudal practice of placing a price tag on the right to vote.

Mr. Speaker, I would much prefer that the poll tax be outlawed by statute rather than by an amendment to the Constitution, as this House has authorized five times previously. There is a big question as to the effectiveness of going the amendment route—obtaining approval of three-fourths of the State legislatures is a long, difficult, and tedious process, to say the least.

We are now, however, faced with no other alternative under the rule and the circumstances here today but to support this constitutional amendment. Despite the question of the effectiveness of this method, I definitely shall support this Senate joint resolution.

It is vital that the Congress go on record before our people that the poll tax be repealed. Mr. Speaker, I urge a massive vote for passage.

Mr. CELLER. Mr. Speaker, I yield the 1 minute remaining on this side to the gentleman from Colorado [Mr. ROGERS].

Mr. ROGERS of Colorado. Mr. Speaker, I regret that the gentleman from Virginia should say that we were placed under a gag rule, that we could not present the matter to the House so that this constitutional proposal could be amended. I want to direct attention to and read a letter from the gentleman from Virginia, addressed to the chairman of our committee, which reads as follows:

> HOUSE OF REPRESENTATIVES, U.S.,
> COMMITTEE ON RULES,
> *Washington, D.C., June 15, 1962.*
>
> Hon. EMANUEL CELLER,
> *Chairman, Committee on the Judiciary, House Office Building, Washington, D.C.*
>
> DEAR MR. CHAIRMAN: This will acknowledge your letter of June 14 requesting that the Committee on Rules schedule a hearing on Senate Joint Resolution 29, proposing an amendment to the Constitution of the United States relating to the qualifications of electors.
>
> I shall endeavor to schedule a hearing on this measure at the earliest possible time and shall be glad to advise you when a date has been set.
>
> Sincerely,
> HOWARD W. SMITH,
> *Chairman.*

If the gentleman from Virginia and others are interested and do not want the Constitution amended, or us to have an opportunity to say how it should be amended, why did he not, upon the request of the chairman of this committee, grant a rule so that we could come in here and discuss it in every particular?

Mr. DEVINE. Mr. Speaker, when we are faced with one of the most serious and important steps in the operation of our Government; when we are revising the very document that is the foundation of the great Republic; when the Constitution of the United States is to be altered in any manner whatsoever, it well behooves this Congress to follow orderly, calm, and comprehensive procedures to assure full and complete debate and discussion.

Here today, under a procedure to suspend the rules and pass a bill designed to amend the Constitution of the United States we are gagged, full debate and discussion are prohibited, and only 20 minutes is allowed for each side.

As the gentleman from New York [Mr. LINDSAY] so ably stated, here we are "tinkering" with the Constitution and only a relatively few minutes are permitted to talk about the merits of the legislation. And the gentleman from New York has a sound record in favor of civil rights legislation.

It is quite apparent this bill will pass, and the easy and politically expedient vote would be "aye." However, it is a travesty to manhandle the Constitution by this deplorable procedure, and I will not be a party to such practice.

My district has nearly 16 percent nonwhite population, and they properly have equal voting rights without restrictions such as the poll tax. Thus this bill will neither give nor deprive my people of anything. I feel, however, that the constituents in my district would not approve of the offhand manner in which this House is toying with the Constitution of the United States.

Mr. POFF. Mr. Speaker, in my first campaign for Congress 10 years ago, I registered my opposition to the poll tax as a price tag on the voting privilege.

I prefer to see the States repeal the poll tax.

I am opposed to a Federal statute on the subject.

I am opposed to a constitutional amendment if that amendment reaches into State and local elections.

However, a constitutional amendment which is confined to Federal elections and which is ratified by the States as the Constitution provides is not an unconstitutional invasion of States rights, and such an amendment I feel obliged to support.

Mr. ABERNETHY. Mr. Speaker, the great Constitution of the United States is the greatest document ever assembled by freemen. It is renowned and acclaimed throughout the world. It was assembled only after the loss of life and shedding of blood by men who made the sacrifice to establish and preserve the dignity of man.

It is to be regretted, Mr. Speaker, that the greatest assaults made upon our Federal Constitution in this day and age have been made by our highest Court, the personnel of which seem to feel that they have the right to twist and turn its provisions to their own thinking, and by this Congress itself.

An assault is being made on this great document today by Members of this House who, I regret to say, have their eyes on the forthcoming election much more than they do on the Constitution. Under tremendous pressure—political pressures, if you please—there is a bending to political expediency. The objective is not to please or improve standards in the so-called poll tax States. It is to please special minority groups in other States, primarily in the northeastern region of the country. The action is being taken with the hope, the design, and the ambition to curry favor, and to secure the political endorsement of these minorities, on the next election day.

This horrible assault will be made, Mr. Speaker, under a procedure which gags Members of this body, which denies them the right to debate the issue freely and fully, which denies the offering of the slightest amendment, and without the Members possibly understanding the consequences of such a far-reaching resolution.

There are resolutions and bills which may be properly and satisfactorily considered under a time limitation of 40 minutes as the rule under which we are now operating provides. There are resolutions and bills of such simple character that amendments thereto would be unworthy. But, Mr. Speaker, indeed a resolution which has the effect of changing, altering, amending, defacing, or whatever you may call it, the Constitution of our great country should never be submitted to and swept through this House in such a ruthless and tornado-like fashion. What a terrible precedent.

Furthermore, Mr. Speaker, the adoption of this resolution will provide a most dangerous precedent for future proposals to further eliminate variations among the various States with respect to voter qualifications. These qualifications deal with age, with education, with residence and so on. Without any doubt, the action which appears inevitable here today will lead to other assaults, from the Federal level, on the sovereignty and dignity of each of the great States of our Union.

While there may be differences of opinion as to the appropriateness of a poll tax as a condition to voting, the courts have on several occasions sanctioned the constitutionality of such and held that the imposition of the tax was a matter of decision and determination for each State.

This resolution is another move toward conformity, to make all States and all peoples similar and alike. The strength of our country lives in the individualism our citizens, of groups of citizens, of our great cities, and our States. But apparently the pressure minority groups are not satisfied with the individual characteristics, traits, customs and practices among our people. So, through organization and organized political pressures they are forcing House Members today to take another step toward conformity.

Finally and simply, Mr. Speaker, is it not absurd to suggest in this day when per capita income is high that a $2 per year poll tax restricts the right of any individual to vote? Even the Civil Rights Commission, whose interest, affection and, I might say, bias in favor of minority groups is well known, has dared not make such a contention. In fact, it has intimated and almost firmly stated quite the contrary.

I have some hope, slight though it may be since the skids are well greased, that you will not take this dangerous and unprecedented step. I know that many, if not most, of you are concerned. I know you do not like this procedure. And I know you would rather this issue not be here. Pause a moment, if you please. If your conscience tells you to go slow, then do it.

Mr. BENNETT of Florida. Mr. Speaker, there are sound reasons to abolish the poll tax requirement for voting in Federal elections. One is that it is a step forward in democracy. There is another which I would particularly call attention to. Experience has shown that the existence of such a tax is a temptation toward its payment by others than the person designed to be taxed. This in turn has been a temptation toward the payment of money in an effort to control the vote of the person whose tax is paid by another. This is reason enough for me to support this measure. In conclusion, I would like to pay particular tribute to the primary exponent of this measure, the senior Senator from Florida, Senator HOLLAND. His able leadership in this is the chief factor in its passage.

Mr. ROOSEVELT. Mr. Speaker, every step forward, even a small one, is important in securing full voting rights for citizens of the United States. The vote of this House takes nothing away from the States for the States must vote by a majority of 75 percent to make this constitutional amendment effective. The strength, and not the weakness, of our form of government comes from our ability thus to change our Constitution. Better late than never, but this is a vote for which every American can be proud.

Mr. JOELSON. Mr. Speaker, I want to express my complete support of this measure designed to eliminate the poll tax. It is my opinion that the poll tax system is a denial of the basic elements of democracy.

It is unthinkable that in the United States, there are still areas in which American citizens are required to pay for the right to vote. Such a system tends to discourage our poorer citizens from the exercise of their precious right of choosing their officials.

There is no doubt that in certain sections of our country, our poorer citizens among the Negroes have been prevented from voting by the poll tax as well as by other less subtle forms of persuasion.

Mr. Speaker, the poll tax is undemocratic and un-American. It is a blight that must be eliminated from our Nation.

Mr. WINSTEAD. Mr. Speaker, I rise in opposition to the adoption of Senate Joint Resolution 29, which seeks to prohibit the payment of a poll tax as a qualification for voting.

It is indeed unfortunate that the tax is known as a poll tax, for a great percentage of the public at large is under the impression that this is a tax on the polls or places where voters come on election day to cast their votes; and this tax is therefore regarded by them as a fee to be paid for the privilege of voting. It is plain to see that this point of view would incense those who hold it. However, this is not the case at all. The word "poll" is an old Anglo-Saxon word meaning "head," and the poll tax is merely a head tax. The law dictionaries define a poll tax as a capitation tax; a tax assessed on every head, that is, on every male of a certain age, and so forth, according to statute.

In my State a head tax of $2 is levied annually on each person with certain exemptions, and the revenue thus produced is used to support our schools. Every person must pay this tax, regardless of sex, race, color, and whether or not he votes. There is no discrimination. All are treated alike. All must pay it except those who come within the exemptions, and only those come within the exemptions who we think cannot afford to pay it, namely, the deaf, the dumb, the blind, the maimed, and the aged. A person who chooses not to vote still owes the tax, and although in my State no criminal proceedings are allowed to enforce its collection, such tax is made a lien upon taxable property. What is its connection with voting? We think that a person who fails to meet this small tax obligation to his State is not qualified to participate in the political affairs of the State. His disinterest and disregard for obligations have disqualified him. Is our interpretation of a tax evader's disqualification so erroneous that 45 States are willing to unite and invade the domestic affairs of the 5 other sovereign States to compel them to invalidate this interpretation? It is true that it is proposed that this be accomplished by constitutional amendment. The method is correct but the purpose is wrong. I ask that we pause and take a sober look at what is transpiring in this Chamber today. The issue appears to have simmered down to a choice between legislation and a constitutional amendment. I know that some of my colleagues feel that they are making a great concession to the cause of our national unity for forgoing an attempt to repeal the poll tax by statute and voting instead for the constitutional amendment proposed by Senate Joint Resolution 29. This is truly a noble gesture and I deeply respect them for it. They are men of honor and intellect; and some of them may possibly be sincere in their efforts to accomplish what they think is right; but they are mistaken in their judgment of the real issue. In their desire to choose a method which is legal, they have overlooked the illegality of the goal.

Since no reputable evidence has been offered by the proponents of this legislation to show that the poll tax requirement in any of the so-called five poll-tax States has ever disqualified or disfranchised any person from voting, one is prompted to question the reason why this legislation is being considered at this time. The answer is obvious to every Member of this body. It is strictly an administration election-year vote-getting gimmick calculated to attract votes from so-called civil rights reform groups and their fellow travelers.

Thirteen sovereign States met through their representatives in convention and drafted an agreement to form a union. They signed a contract, our Constitution, under which the powers were divided between the Central Government and the States. Qualifications for voting were left to be determined by the States. This was not done in carelessness or without forethought. The question was thoroughly debated by the delegates to the Constitutional Convention of 1787. These were men of great wisdom, capable statesmen, distinguished lawyers and grave students of government. Gouverneur Morris was against making the qualifications of the electors of the National Legislature depend upon the will of the States. Colonel Mason argued that—

> A power to alter the qualifications would be dangerous in the hands of the Federal Legislature.

Mr. Ellsworth claimed that—

> The qualifications were on a most proper footing. The right of suffrage was a tender point, and strongly guarded by most of the State constitutions. (See 5 Elliott's Debates on the Federal Constitution, p. 385 et seq.)

And so the power to determine qualifications for voting was rightly left with the States. What was true of 13 States in 1787 is just as true of 50 States today. Each State is confronted by different problems, has a different school of thought, and is composed of people of different temperaments. It cannot possibly be expected that their suffrage qualifications would be uniform.

Should we attempt to impose uniform requirements on each State, there will be an invasion of the rights of the States and a fracture of one of the fundamental principles of American government. And this invasion of States rights will be but the beginning; for once the Federal

Government has succeeded in making uniform one qualification for voting, others will follow. Do not be blinded by the fact that this is done by constitutional amendment. Do not overlook the fact that if 45 States can unite to repeal the poll tax laws of 5 States, 41 States can unite and make illegal the laws of the 9 States which disqualify paupers from voting, 47 States can unite and render null and void the laws of 3 States which disqualify inmates of charitable institutions from voting, and 46 States may compel the other 4 States to raise their minimum age for voting to 21 to conform to their own minimum. I could go on and on, but I hope by now I have aroused your interest sufficiently so that you will note the dangers existing to your own State. Once we embark upon such a path, there will be no authority left in the States over their own voters and the inevitable result will be the Federal preemption of the entire field of voting.

This question of the poll tax has come up in every session of the Congress since 1939. Five bills were passed by the House, and a joint resolution was adopted by the Senate in the 86th Congress. Yet nothing resulted. After the issues were joined and the excitement of debate was over, they took a second, sober look at the proposition and acted no further. A constitutional amendment should be resorted to in matters of national importance and should not be used as a means of forcing the will of the majority upon a small minority regardless of the worthiness of the purpose, or the need for such action.

I say "need" because there is really no need for any action in this field on the national level. In 1920, 12 States had a poll-tax requirement as a prerequisite for voting. Today only five States still have such laws. North Carolina repealed her law in 1920, Pennsylvania in 1933, Louisiana in 1934, Florida in 1937, Georgia in 1945, South Carolina in 1951, and Tennessee in 1953. Each of these States repealed the requirement when her people felt that there was no longer any need for it. Since Congress did not find it necessary to amend the Constitution in 1920 to invalidate the laws of 12 States, why is there a need for such action now when only 5 States still have such laws? Let us refrain from taking any action on this resolution, as did our colleagues in the past, and let us leave it to the five States themselves to take the necessary action sought by Senate Joint Resolution 29. I strongly urge this, lest the tide of federalism, once loosed, become so great that we can no longer stem it. Then will our State sovereignty, which we have so zealously striven to preserve, no longer exist.

Mr. MOORHEAD of Pennsylvania. Mr. Speaker, I favor the elimination of the poll-tax requirement as a prerequisite for voting.

Our country is a democracy and the right to vote is one of the privileges of living in a democracy and is guaranteed to every qualified citizen of the United States. Surely it was not contemplated by those who wrote our Constitution that only those should vote who could and would pay a poll tax. The claim that a poll-tax payment requires only a very small amount is an evasion of the real issue for the principle remains the same whether the amount be small or large; besides, what is a trifle for some may be a formidable sum for others. I am proud to know that as a Representative from my State of Pennsylvania, I represent all the people of my district and not only those who can pay a small sum in order to partake in the political affairs of their State.

This should be so in every State in these United States. America now stands as a tower of strength and a shining example of democracy, and the eyes of the world are upon us. Is it reconcilable that a nation so mighty and so advanced shall still permit a segment of its population to be disfranchised for failure to pay a poll tax? Let us but give our people an opportunity to decide this issue and they will shout their approval of eliminating the poll tax.

Mrs. DWYER. Mr. Speaker, the right to vote is only one of several rights of American citizenship guaranteed by the United States Constitution. But it is a fundamental right, for it is the one ultimate means by which the American people retain control of their government. Any unnecessary limitation or qualification, any form of discrimination, which interferes with the free exercise of this right must be condemned as an affront to the principles of American freedom.

Historically, one of the most obnoxious forms of such a limitation has been the poll tax. It has no reasonable relationship to the right to vote and, in fact, has been used in certain circumstances in order to discriminate against and prevent groups in our society from exercising this right. Even though only five States today require the payment of a poll tax as a prerequisite to voting, it is nevertheless as important as it ever was—and a long overdue moral requirement—that our Government formally and officially remove this unjustified restriction on the right to vote.

While I intend to vote for this legislation, on the ground that it represents the only opportunity Congress will have this year to vote on any kind of anti-poll-tax measure, I must in all frankness state my disappointment at the decision of the committee to utilize the procedure of a constitutional amendment to attain this objective. It seems to me that the Attorney General of the United States and other constitutional authorities have established beyond doubt that Congress has the authority to legislate directly in this field. Simple legislation could accomplish what we seek most expeditiously and without risking the incalculable delays involved in requiring the ratification of a proposed amendment by the legislatures of three-fourths of the States.

The most tragic aspect of the pending legislation, however, is the fact that it represents, for all practical purposes, the sum total of the civil rights legislation we are likely to get during this entire session of Congress. Both Congress and the administration must share responsibility for this unfortunate state of affairs. After years of the most careful study, the Commission on Civil Rights submitted to the President and the Congress 27 recommendations for legislative action. Yet, the administration has requested that Congress act on only two of them, the abolition of the poll tax as a qualification for voting, and the establishment of a sixth grade education as proof of literacy for voting purposes. And in both cases, the administration proposal was framed in a manner to assure the least timely and least effective results.

Mr. Speaker, I cannot understand the reluctance of Congress and the administration to do what we all know is right in this supremely important area of governmental action. In a Nation which prides itself on the moral basis of its system of government, nothing is more important than the protection and extension of human and civil rights, the recognition of the dignity of all mankind, the guarantee of freedom and equal opportunity to all, regardless of color, creed, economic status, or national origin.

In view of the nature of the subject and in face of the unquestioned need of further action, one must conclude that the record of the administration and Congress reveals an unhappy failure of leadership in behalf of civil rights. Let no one imagine for a moment that approval of the pending legislation will contribute anything at all significant to this record. There is much to do in the field of civil rights. We must not content ourselves with token gestures.

Mr. RYAN of New York. Mr. Speaker, I support Senate Joint Resolution 29.

On January 22, in a speech before this body, I pointed out the pressing need for civil rights legislation. I said then and I still believe that—

> Congress has vast unfilled responsibilities in the field of civil rights. These responsibilities must be met immediately, so that all of our citizens can enjoy the benefits of our land and partake fully in our national life.

With enactment of Senate Joint Resolution 29, the Congress will take a step, even if only a small one, in the direction of establishing equality for all citizens.

It has long been my opinion that the use of the poll tax to determine voter qualification should be abolished by the Congress. I have introduced H.R. 8893 which eliminates the poll tax as a qualification for voting in Federal, State and local elections.

It is apparent that Congress has the power to enact legislation to abolish the poll tax. Both the 15th amendment and article 1, section 8, clause 18, authorize Congress to implement the right to vote without racial distinction. The 15th amendment flatly states:

> The right of citizens of the United States to vote shall not be denied or abridged by the United States or by any State on account of race, color, or previous condition of servitude.

The amendment does not make any exceptions for State and local elections. Section 2 of the 15th amendment states:

> The Congress shall have power to enforce this article by appropriate legislation.

Although the State may establish qualifications for voting, article 1, section 2, of the Constitution is subject to limitations. For instance, article IV, section 4, of the Constitution provides:

> The United States shall guarantee to every State in this Union a Republican Form of Government.

The basic principle which this section protects is that State governments must govern "with the consent of the governed." Article 1, section 8, of the Constitution gives the power to Congress "to make all laws which shall be necessary and proper for carrying into execution the foregoing powers."

There is no reason why this legislation should not be applied to State and local elections as well as Federal elections. The poll tax prevents Negroes from participating in the election of Governors, mayors, State legislators, aldermen, sheriffs, and city, county, and State judges, as well as Federal representatives. In many respects more can be done at the State and local level to alleviate social, economic, and political injustices to which the Negro is subjected.

Although I believe that Congress has the constitutional authority to, and should, pass legislation abolishing the poll tax, I am in favor of Senate Joint Resolution 29. From the past history of poll-tax legislation, it seems that, if the poll tax is to be abolished, a constitutional amendment will be the method.

Dozens and dozens of bills and joint resolutions have been introduced in both Houses of Congress to abolish the poll-tax requirement, some by an act of Congress and some by constitutional amendment, but all to no avail. In the 86th Congress one House adopted a joint resolution proposing an anti-poll-tax amendment, but this provision was not even reported out in the other House.

Senate Joint Resolution 29 is by no means a perfect measure. Since it is proposed that we amend the Constitution with regard to the poll-tax requirement, why should the amendment be limited to Federal elections? Are we not, in fact, by this amendment, saying to a portion of our population, "You may vote for Federal officers free of charge, but you must continue to pay for the privilege of voting for your Governor or mayor"?

Since Senate Joint Resolution 29, however, has succeeded in reaching the floor of this House after passing the other body, let us seize this opportunity to adopt it and send it on to the States for ratification.

Mr. Speaker, this is a badly needed reform. It is indeed badly needed, for the poll tax is a weapon of discrimination. Right now the Justice Department is involved in a lawsuit—United States against Dogan—in Tallahatchie County, Miss., in order to obtain an injunction against the use of the poll tax to discriminate against Negro citizens.

The poll tax by its very nature discriminates against persons of low economic status. According to the 1960 U.S. Census of Population, the median income for white families in the United States is $5,893, while for nonwhite families it is $3,161. In the South the median income for white families is $5,009, while for nonwhite families it is $2,322.

The 1961 Civil Rights Commission Report on voting substantiates the fact that in areas where the Negro voted, he was more prosperous than in areas where he was disenfranchised. The report points out that in 15 nonvoting counties in the South—areas where 97 percent or more of the Negroes who attained voting age were not registered to vote in 1958—the median income for Negroes "did not even match that of the State's Negro population." The report goes on to say:

> The highest Negro median in all 15 was only $885, and this was well below the lowest median income for white families in any of the counties." (U.S. Commission on Civil Rights Reports, "Voting," 1961, vol. 1, p. 153.)

Mr. Speaker, the existence of poll taxes cannot be reconciled with our democratic ideals and must be abolished. I, therefore, urge my colleagues to vote for Senate Joint Resolution 29.

Mr. WILLIAMS. Mr. Speaker, this is a sad day for those who believe in constitutional government. It is a sadder day for those who believe in representative government and those who have had faith in the House of Representatives and its historical tradition of justice.

Under the current suspension procedure which we are operating today, we are considering a far-reaching amendment to the Constitution in only 40 minutes.

The U.S. Constitution will be 175 years old on September 17. During that time, the Congress and the respective States have amended it only 23 times. Nevertheless, the leadership of this body, in the New Frontier tradition of running roughshod over those who disagree, has taken the unusual step of limiting debate on such a historical step to less than an hour. What will future generations think of such behavior?

Mr. Speaker, the puny arguments advanced in support of this amendment center around the supposition that poll taxes prevent citizens from voting. Such an argument is specious and unfounded. The real reason we have this amendment before us today is because organizations devoted to agitation and intoxicated with political power disproportionate to their actual voting strength are being placated.

Members of these minority blocs have no interest in this amendment. But their leaders do because they feel that now they can herd their members and vote them in additional States like so many cattle.

It is time that Americans take stock of where we are heading. We need voting quality—not voting quantity. We need an intelligent electorate—instead of ignorant puppets at the polling place.

Free bread and free circuses brought about the downfall of Rome, and it was a thousand years before there was a flicker of interest in reviving civilization.

Is the United States entering a period comparable to the Dark Ages? A quick glance at the legislative recommendations of those presently in power indicates clearly that our national goals now include the rewarding of indolence and the penalizing of thrift and industry. Tax, tax, spend, spend, elect, elect, has new zeal.

Mr. Speaker, the downfall of this Republic is assured when bloc voting minorities obtain absolute control of the executive branch of the Government. This proposed constitutional amendment takes us a long step toward that goal of all power-hungry politicos, because when people are relieved of the responsibility of citizenship the selfish can lead them like sheep.

The social planners, in their dreamy quest for Utopia, and leaders of bloc voting groups, in their unconscionable quest for power, realize that the erasure of State lines is necessary to the fulfillment of their hope to make intellectual eunuchs of Americans. This amendment will aid them.

Adoption of this constitutional amendment will cause future generations to weep. In the anguish of their tears, I hope they are able to rise above the enveloping ashes of governmental decay and reclaim the mantle of individual responsibility which this House proposes to bury.

Mr. GOODELL. Mr. Speaker, this is perhaps the hardest vote of my career. I favor action—effective action—to wipe out poll taxes across the land. I would favor a really effective constitutional amendment. I am not concerned with strategy or technicalities in this vote. If we were presented today with an effective proposal, whatever its form, I would vote for it.

But today we are presented with a travesty, a political maneuver which sickens me. This constitutional amendment really does not accomplish much of anything. It is a hollow shell. It will apparently have no significant effect upon Negro rights anywhere except in Alabama and Mississippi and its effect in those two States is questionable. The amendment is limited in its purview to Federal elections. It does not begin to face the real issue of deprivation of voting rights at the local and State level.

Mr. Speaker, I listened through two rollcalls without voting because I am so torn on this issue. I believe in strong and effective civil rights legislation. I have consistently voted for such legislation, even at times when such legislation had been, in my judgment, unnecessarily weakened. We are not perfectionists and the legislative process is far from perfect. In the last analysis we must often vote for what we believe to be the lesser of two evils or the better of two courses which are both profoundly deficient.

And so, Mr. Speaker, today I find myself favoring some action to eradicate poll taxes. Everyone admits that Senate Joint Resolution 29 is profoundly deficient, but we are told that it is the best we can have. As the gentleman from New York [Mr. LINDSAY] so aptly put it, and I commend to you the full reading of his statement today, "We are trying to kill a gnat with a sledge hammer."

Mr. Speaker, I sincerely believe that Senate Joint Resolution 29 abuses the constitutional process. It is a pretty political package that can only disappoint its recipients when its meager content is revealed. It sets a precedent for whimsical, frivolous and almost meaningless amendment to the basic document of our Republic. This Congress should never engage in such delusive action. I am ashamed that we are called upon today to do so in the name of protecting minority rights. I defy any of my colleagues to exceed in devotion to civil rights the gentleman from New York who now addresses you. I tell you with all my heart, however, that I cannot be for something that is wrong, simply because it has a right purpose and a right label. It is never easy to explain or justify a vote against wrong when that wrong is wrapped in the bright tinsel of right. Yet I have a deep conviction, Mr. Speaker, that history will judge us not on the tinsel but on the substance of our legislative endeavors.

In that conviction, I vote a tortured "no" on this constitutional amendment, knowing full well that today friends of human dignity will condemn me, but confident that history will eventually cast its vote in the negative on Senate Joint Resolution 29 and the circumstances of its passage in the Congress of the United States.

Mr. STRATTON. Mr. Speaker, the vote being taken today on this resolution represents the culmination of one important phase of the long fight against discrimination in America, and in behalf of full implementation of the equal rights of all our citizens under the 14th amendment to the Constitution. Over the years the poll tax has been one of many devices that have been used with the intention of denying to Negro citizens, generally in our Southern States, the right to vote which was supposedly guaranteed to them by the 14th amendment. In fact it is a little hard to realize that though we have talked and fought against this kind of vicious discrimination for years, we are only now, in the year 1962, and after the poll tax has already been superseded in many States by other more ingenious machines of discrimination, starting the long process of having an effective constitutional amendment outlawing the poll tax ratified by the several States. Nevertheless, this job must certainly be pushed forward with all possible dispatch.

And then, having eliminated this one roadblock in the path of full citizenship for all our citizens, regardless of race, creed, or color, let us move on to tackle as quickly as we can the next device designed to accomplish the same unholy objective. Let us eliminate, for instance, such things as unreasonable and unfair literacy tests which similarly are designed to prevent Negro citizens in the South from exercising the fundamental right to vote, as revealed so graphically by the reports of the U.S. Civil Rights Commission.

I congratulate the distinguished chairman of the Committee on the Judiciary, the beloved dean of our New York State delegation, Mr. CELLER, for his long fight in behalf of this legislation, and for the victory which the vote soon to be taken here will represent not only for him personally but for the principles of equality and freedom and effective democracy for which he has so long fought so untiringly.

Mr. ADDABBO. Mr. Speaker, I rise in support of Senate Joint Resolution 29, a constitutional amendment to abolish the poll tax.

Although I believe a serious question involving an amendment to the Constitution should be brought up under the regular order of the House and sufficient time be given for debate and amendment, to fully protect the rights of all voters. It is our responsibility when such process is stopped by the power of one man and a small minority to take this action to protect the right of all qualified to vote, even though under present laws only a few may be denied this right because of a poll tax.

In this day of so much apathy and so many who have the right to vote not using this great privilege, I believe it is our responsibility to at least give to all those qualified to vote the right to do so without having to pay for that right and to continue to work for the moral rights of all.

Mr. DINGELL. Mr. Speaker, I am delighted that the House of Representatives is finally considering an amendment to the Constitution of the United States outlawing poll tax as a requirement for voting.

I was the first sponsor of such legislation in this Congress and feel that it is an important step toward adequate protection of the rights of all the people of this great land of ours.

This legislation will work together with the voting statutes of the Civil Rights Acts of 1957 and 1959 to encourage wide voting participation of all races and classes of people within this country and should do much to raise the level of voter participation in States where poll tax is now used.

States using poll tax had the lowest level of voting in the 1960 presidential elections and indeed rank among the lowest in voting participation of all the States, as shown below:

	Total vote	Percent voting
Mississippi	298, 171	25. 6
Alabama	564. 242	30. 9
Virginia	771, 449	34. 3
Arkansas	428, 500	41. 6
Texas	2, 311, 670	43. 3

Voting levels in these States show clearly that the poll-tax question has been unfairly minimized and I said earlier on the floor of Congress in connection with this legislation a constitutional amendment outlawing the poll tax should be enacted for a number of reasons:

First. It affects persons of all races, places, job conditions, and economic levels.

Second. It strikes at this evil in all elections, primary and general.

Third. It prohibits enactment of substitute legislation by Federal and State Governments.

Fourth. It prohibits other taxes being used as a device to evade the legislative purpose of the amendment.

Fifth. It prevents the Federal Government and the States from setting up property qualifications as a prerequisite for voting in elections for Federal officials.

This measure alone will not solve the problems of full voting equality and real citizenship for our people. It is equally true that a number of other measures must be promptly taken to permit our citizens full participation not only the right to vote but in all the benefits of citizenship in our beloved land.

It is indeed regrettable that this is perhaps the best effort of this Congress in protecting the rights of our people, but it is a long stride forward, and if followed by other strides in each coming Congress can make full realization of the belief we Americans express in the basic dignity of man and in the words of the Founding Fathers "that all men are created equal" and the biblical admonition that we are indeed "our brother's keeper."

POLL TAX IS ANTIVOTING REQUIREMENT AND SHOULD BE ABOLISHED

Mr. BOLAND. Mr. Speaker, I rise in favor of Senate Joint Resolution 29 and hope that it is approved today by an overwhelming vote. The purpose of this proposed constitutional amendment is to prevent the United States or any State from denying or abridging the right of citizens of the United States to vote in any primary or other election for President or Vice President, for electors for President or Vice President, or for Senator or Representative in Congress because of an individual's failure to pay any poll tax or other tax.

The proposed constitutional amendment further confers upon the Congress of the United States the power to enforce this proposed article of the Constitution by appropriate legislation.

Federal legislation to eliminate poll taxes, either by constitutional amendment or statute, has been introduced in every Congress since 1939. Bills to ban the poll tax by statute, rather than by constitutional amendment, had been approved five times between 1942 and 1949 by the House, but died each time in the Senate. The Senate has adopted constitutional amendments on two occasions, in the last Congress and the present bill.

President Kennedy said in his state of the Union message on January 1, 1962:

> The right to vote should no longer be arbitrarily denied through such iniquitous local devices as literacy tests and poll taxes.

Mr. Speaker, the fact of the matter is that the poll tax remains in some areas as a major obstacle to voting participation of minority and low income groups. The poll tax as a prerequisite for voting is now limited to five States: Alabama, Arkansas, Mississippi, Texas, and Virginia. However, it has the concrete result of making those States among the seven with the very lowest voter participation in elections.

POLL TAX DISCOURAGES ELECTORAL PROCESS PARTICIPATION BY MINORITIES

The poll tax is an arbitrary and restrictive requirement, contrary to our democratic principle of civil rights, and specifically designed to deny minorities of their rights and privileges of citizenship. It should be abolished. While the amount of the poll tax now required is small, there should not be any price tag or any kind of tax on the right to vote. For some people this financial imposition may be enough to discourage participation in the electoral process.

Mr. Speaker, the right to vote is the core of our democratic process, and the foundation upon which good citizenship is built. It is the most precious attribute to American citizenship. It is a right denied to tens of millions of enslaved peoples and captives of communism throughout the world. It is a right that we must guarantee to every American if our public image in the world is to remain spotless and if the right to vote is to remain as a fundamental to free democratic government.

Mr. YATES. Mr. Speaker, on several occasions during my 14 years in Congress, a bill has been passed to eliminate the poll tax. I have voted for the bill on each occasion. The right to vote is an inalienable right of every American citizen, regardless of race, color, or creed. The American democracy envisaged by our Constitution cannot exist so long as each citizen is not given the right to express his choice of those who are to govern the affairs of the Nation.

The imposition of the poll tax is a barrier to the right to vote. It ought to be eliminated. I personally favor the form of legislation that was passed in earlier Congresses so that reliefs can be afforded through statute law. This would be a much quicker procedure than the method of using a constitutional amendment.

Too long have citizens in this country been deprived of their right to vote. Access to a polling booth has slammed shut in the face of many citizens merely because of their race. Various methods have been used to effect a disenfranchisement of Negroes and imposition of the poll tax is one of these.

But the poll tax does not limit Negro suffrage only. It limits white suffrage, as well. Placing the payment of a fee between the voter and the ballot box is distinctly not in keeping with the ideals of our democracy. Equal justice under law is the cardinal American tenet, and equal justice applies to all Americans.

Mr. Speaker, every American should have an opportunity to try for office if he wishes, and to influence the conduct of Government on an equal plane with other American citizens. The poll tax prevents this and it should be eliminated. I am happy to support this legislation.

Mr. VANIK. Mr. Speaker, although a case might be made for the elimination of the poll tax by the enactment of appropriate statutes, it is quite apparent in this situation that the ratification of this amendment to the Constitution will bring speedier and more certain elimination of the poll tax. The State legislatures of the several States will be meeting within 3 or 4 months. Ratification by three-fourths of the State legislatures should occur by midyear 1963. There is every reason to believe that for the first time in our Nation's history, the poll tax will not be a factor in the presidential and congressional elections of 1964.

Furthermore, the outlawing of the poll tax constitutes an increment to the rights of man deserving stature as a constitutional amendment. A statutory outlawing of the poll tax would be subject to revision, attack, or judicial procrastination which cannot threaten a constitutional amendment.

I am pleased to support this bill.

Mr. WHITTEN. Mr. Speaker, I would like to aline myself with the gentleman from Virginia, the Honorable HOWARD SMITH; the gentleman from Louisiana, the Honorable ED WILLIS; and other Members who have spoken against the pending constitutional amendment. To amend the Constitution with only 14 minutes of debate certainly is indicative of the great change which has taken place in our Republic.

At the outset qualifications of electors were intended to be left up to the States and they were left there. There are many reason for this, including the fact that each State and its local problems differed from others. In the early history of this Republic it was recognized that governmental affairs needed to be in the hands of the most responsible and solid of our citizens; and to insure that the Government was in such hands that behind them we needed an electorate who had a sense of responsibility themselves, who had an interest in public affairs.

Mr. Speaker, that continues to be the intent of our Constitution. Through the years, however, where voting was a privilege and not a right, with time many special groups have come around to where they even talk about penalizing people for not voting as though a person who had to be forced to vote, under threat of penalty, could contribute anything to sound government.

The poll tax in my State is $2. Under the constitution of the State it goes to support the schools. Can anyone imagine that any citizen who is unwilling to contribute $2 toward schools could contribute anything toward sound government. Poll taxes are levied on all races, creeds, and colors. It is an obligation whether one votes or not. With reference to voting it is required only that it be paid on or before a certain date. This has a beneficial effect in preventing taking over of elections by special interests at the last minute. In the absence of a poll tax a cut off date for qualifying is highly essential if honest elections are to be continued.

Mr. Speaker, from my observations here it would appear that this constitutional amendment will likely pass. The leadership of both political parties are apparently lined up in support of it. However, I would like to quote a portion of the minority views as carried on pages 6 and 7 of House Report No. 1821 by the Committee on the Judiciary as perhaps the best reason to vote this resolution down. I quote:

> The proposed amendment would outlaw the poll tax in Federal elections only. Its adoption would confront five States with the choice of either foregoing considerable revenue and abandoning a convenient method of registration or of installing dual ballots and voting procedures, one for Federal and one for State elections. Worse than this, the adoption of the amendment would provide a dangerous precedent for future proposals further to eliminate variations among the States with respect to voter qualifications, such as age, education, and residence. It would mark further erosion of the constitutional system and its reservation to the individual sovereign States of the right to conduct their internal affairs without interference.
>
> To sum up, as we shall show, the resolution should be rejected because it is inconsistent with the Constitution, because no legitimate need can be served by its adoption, because it marks a flagrant intrusion into the area of rights reserved to the States, and because its adoption would open the door to further regimentation in matters traditionally reserved to State and local supervision.
>
> ### CONSTITUTIONALITY OF POLL TAXES
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> The Founding Fathers long and vigorously debated the question of qualification for electors in Federal elections and resolved that these qualifications should be identical with those used by the respective States for electors of the most numerous branch of the State legislatures. It may also be recalled that poll taxes, as originally adopted by States as a qualification for voting, had the purpose and effect of broadening—not narrowing—the class of persons enfranchised. Predominantly, the requirement of the payment of a tax as a prerequisite to voting provided an alternative to a requirement of property ownership which would have disqualified all but freeholders.
>
> Over the decades a long line of judicial decisions has established that the suffrage is not a right, but a privilege; that this privilege was conferred not by the Federal Constitution but by the States, and that it becomes a right only insofar as it may be infringed in violation of the 15th or the 19th amendment, by discrimination on account of race or sex. The right of the States to control their own election machinery and to prescribe their own reasonable qualifications for voting was clearly affirmed, for example, in the 1951 decision of *Butler* v. *Thompson*, 341 U.S. 937, where the High Court said:
>
> "The decisions generally hold that a State statute which imposes a reasonable poll tax as a condition of the right to vote does not abridge the privileges of immunities of the citizens of the United States which are protected by the 14th amendment. The privilege of voting is derived from the State and not from the National Government. The qualification of voters in an election of Members of Congress is set out in article I, section 2, clause 1, of the Federal Constitution, which provides that the electors in each State shall have the qualifications requisite for electors of the most numerous branch of the State legislature."
>
> Earlier, in 1937, in the leading case of *Breedlove* v. *Suttles*, 302 U.S. 277, the Supreme Court summed up the state of the law with respect to constitutional validity of poll taxes in the following passage:
>
> "To make payment of poll taxes a prerequisite to voting is not to deny any privilege or immunity protected by the 14th amendment. Privilege of voting is not derived from the United States, but is conferred by the State, and, save as restrained by the 15th and 19th amendments and other provisions of the Federal Constitution, the State may condition suffrage as it may deem appropriate." (Citing *Minor* v. *Happersett*, 21 Wall 162; *Ex Parte Yarborough*, 110 U.S. 651; *McPherson* v. *Blacker*, 146 U.S. 1, and *Guinn* v. *United States*, 283 U.S. 347.)
>
> Manifestly, the use of poll taxes is a constitutionally sanctioned method for qualifying voters.

Mr. Speaker, the tragedy is that it will not end in dealing only with Federal elections but will be another step toward the elimination of all States rights. Next we will see the Federal Government attempting to set up and control residential requirements, age requirements and various other things now clearly within the power of the State—as is set out in the minority report. With that we will see more and more pressure of politics, more and more appeal to elections by public clamor and more and more deterioration in the domestic and international situation of our Nation.

Mr. Speaker, as one who believes the Founding Fathers were right in their allowances for differences in the various States and in recognizing that each State was the best judge of how to have responsible management, right in recognizing that the States were the best judges of how to qualify a responsible electorate, I deplore the action of the Congress in taking the step which they do here today. I can only make my protest and point out, as I have on so many occasions in the past, a statement by Lord Benchley, in the 17th century, I believe, that a democracy could not long endure because the elected officials would dissipate the resources of the country in order to keep being elected. Certainly, Mr. Speaker, any step toward adding disinterested and irresponsible voters to the electorate, any step which removes any showing whatever by the voter that he has an interest in government affairs, even so little interest as to refrain from contributing $2 annually to public schools as they do in my State, certainly will do nothing toward holding public affairs in the hands of responsible people.

Poll tax legislation is a State matter and one in which the Federal Government should not interfere. It is a further step in the wrong direction.

Mr. GALLAGHER. Mr. Speaker, I rise in support of this proposed amendment to the Constitution, which would abolish the poll tax as a requirement for voting in Federal elections.

It is high time that this antiquated device is terminated. The five States in which payment of the poll tax is presently a requirement for voting are among the lowest seven States in the union in voter turnout. It is not coincidental that these five States are also among those States with the highest concentration of Negro citizens.

Those who oppose equal rights for Negro citizens always argue that the Southern States should be permitted to solve their own problems. But Negro citizens have been denied the right to vote in many Southern States. This prevents them from attaining their rights of the polls.

I am hopeful that, once the burden of the poll tax is removed, more and more citizens will exercise their prerogatives to vote. If the Negro citizens of the South can successfully exercise their right to vote it is likely that many of the civil rights problems currently existing can be solved at the polls.

Opponents of the poll tax amendment argue that poll taxes are such a small amount of money that nobody is disqualified from voting. But a dollar and a half or two dollars is a lot of money to man who only makes two or three hundred a year. Any charge for voting unjustly discriminates against people of limited means. And whatever the amount of money, a citizen of the United States should not have to pay for his constitutional right to vote.

I urge my colleagues in the House of Representatives to vote for this proposed amendment.

Mr. SELDEN. Mr. Speaker, the American people can only be amazed when their House of Representatives sets aside but 40 minutes time to deliberate whether or not to amend the Constitution of the United States.

Indeed, this ridiculous limitation would seem to support those who argue that the Constitution has come to be regarded lightly in the Nation's Capital. Yet there are those of us who will not be stampeded into drastically altering, in less time than it takes to answer the morning mail, a document which has served the Republic for 170 years.

Senate Joint Resolution 29, the so-called Qualification of Electors Amendment, represents a serious alteration of the meaning of the Constitution and the intent of the Founding Fathers. By usurping State regulation of voting and by placing these powers in the Federal Government, this proposed amendment does violence to the very principles upon which the Constitution was based.

I wonder whether any of the zealous proponents of this amendment realize what centralized authority over voting privileges and procedures can come to mean. They speak at great length about alleged evils brought about by State and local regulation of voting. Yet the inequity and corruption which could arise from centralized authority over the franchise defies the imagination.

The framers of the Constitution understood this danger. By providing for State and local regulation of voting, they sought to insure against the rise of totalitarian authority and they sought to protect the rights of all Americans.

In discussing the alleged evils of State regulation of voting, the amendment's proponents have had a great deal to say concerning my native State of Alabama. It would be far better if they had concentrated their vocal energies on the well-established evils surrounding the ballot boxes of certain States and cities closer to their own homes.

The fact is that Alabama has long since dispensed with the long-term cummulative poll tax. It can hardly be suggested that the present Alabama law, requiring payment of $1.50 per annum, either discourages or prevents the exercise of the franchise. Certainly the steady increase in both the number of qualified voters and the number of voters casting ballots in recent Alabama elections would belie such a suggestion.

It might also be pointed out that the poll tax in Alabama for the fiscal year 1961 to 1962 amounted to $405,000. This money is applied by law to the Alabama educational system. It is therefore levied and applied toward the education of future voters in the State, a contribution to the strengthening of the country, the State, and the community.

My opposition to the proposed amendment, therefore, is based on two grounds: first, it represents perhaps one of the most serious usurpations of State authority by the Federal Government ever submitted to this Congress; secondly, such a drastic change in our system of government is neither justified nor warranted by the situation existing as to voting privilege and procedures in the several States.

Mr. ELLIOTT. Mr. Speaker, I think the House of Representatives does the public a great disservice when we spend even 40 minutes of a busy legislative day to consider a measure as inconsequential to the national interest as is Senate Joint Resolution 29, the so-called anti-poll tax measure.

I think no one would disagree that the genius of our Constitution, which is the most significant document of government ever devised by mankind, is its ability to provide for a changing society, decade after decade, century after century. I think no one would disagree that we should not tinker with it, as we might with a zoning ordinance or a traffic law. It should be amended only for the most important reasons of national interest.

Is there a great, overriding, national issue involved here? Of course not. First of all, there is no national issue at all since this proposed amendment will affect only five States: Alabama, Arkansas, Mississippi, Texas, and Virginia. This resolution does, however, threaten to destroy a great national principle, which is that our country is a federation of sovereign States which are constitutionally guaranteed the right to be independent in their own unique internal affairs. This means that, just as the individual citizen is guaranteed by the Constitution certain rights and freedoms, so too are the States guaranteed a freedom which I would call "freedom from conformity."

Nothing in the Constitution dictates that one State must do something just because her sister States do it. The fact that most States raise local revenues by income taxes or property taxes is no reason for those which do not to change their laws and conform. It is for each State to decide for herself in light of the wishes of her own people.

If adopted, this resolution would violate the sovereign right of five States to be free from having to conform. It would permit 45 sovereign States, none of which authorize the collection of a poll tax as one of their many conditions for voting eligibility, to impose by a raw show of numerical power their views and methods upon the citizens of 5 equally sovereign States which, in their own judgment, have determined that such a tax is desirable.

The fact that only five States are involved is not the only reason why this is not a national issue. On three separate occasions our forefathers deliberately expressed right in the Constitution that the question of qualifying voters in Federal elections was a matter for State procedures to control. There has never been an absolute right to vote without such control. The Constitution provides, in article II, that the State legislatures shall provide for the choosing of electors in presidential elections. The Constitution provides, in article I, that the electors for the election of U.S. Representatives "in each State shall have the qualifications requisite for electors in the most numerous branch of the State legislature."

This same principle was reaffirmed with the passage, in 1912, of the 17th Amendment to the Constitution, which provided for the direct election of U.S. Senators rather than election by State legislatures, as was formerly the procedure.

In short, one of the cornerstones of our constitutional government is that, in adopting our Federal system, the Founding Fathers preserved for the States the right to determine the eligibility and qualifications of their respective voters. Under this time-honored principle, each of the 50 States has set various qualifications for voting. Some States require prospective voters to demonstrate that they have a fundamental ability to read so as to assure a meaningful vote. In the past, voters have had to be landowners, or taxpayers, or property holders. All States have set their own age requirements, ranging from 18 to 21 years of age. No one, to my knowledge, has ever tried to justify infringing upon this sovereign right of the States by compelling all States to agree upon one single age requirement. Such a suggestion would be viewed, even by today's proponents, as ludicrous.

The 19th amendment to the Constitution did affect the qualifications of voters by prohibiting discrimination against women. Here is an example of a great national issue which affected the rights of more than one-half of our country's total population. But where is the great issue in today's proposal?

There are some who would seek to gain political advantage by characterizing this amendment as civil rights legislation. But anyone who knows anything about the poll tax knows that civil rights plays no part whatever in the question. Even the U.S. Commission on Civil Rights has stated that the poll tax has not effectively been used to discriminate against citizens of any race or creed.

The poll tax, as its historical definition has always indicated, is nothing more than a per capita or capitation tax—the oldest tool there is for raising revenue. There are many who are against the poll tax because it is no longer a modern or efficient method of raising revenues.

It is on this judgment that the proponents of this legislation base their case. In the majority report, the opinion is expressed that, "Just as the property requirement proved antiquated, so does the poll tax today." In other words, it is the opinion of the majority that a constitutional amendment is needed to clear from the books local procedures in 5 States which the remaining States consider "antiquated."

This is a judgment, however, which only the people of the State involved are entitled to make. The people of Florida, or New York, or California, have no more right to tell Alabama citizens not to raise revenue by the poll tax than they have to tell them they should abandon the income tax in favor of, say, statewide lotteries.

The majority report also says that this "antiquated" tax serves no other purpose than to be "an obstacle to the proper exercise of a citizen's franchise." This has never been demonstrated to be true. Citizens by the millions do not vote and this represents a tragic lack of interest in our greatest political safeguard. But the reason for their failure to vote is not because of the poll tax. In 1960, for instance, it has been estimated that approximately half a million registered voters who had paid their poll taxes refrained from voting in Virginia. I am sure such is the case in all of the 5 States.

The poll taxes in these States are too small to prevent people from voting. They range from $1 to $4 per person. There was a time in Alabama, it is true, when those persons who had not paid their poll taxes for many years were required to pay the cumulative total for all the years in which they were in arrears before they could vote. Perhaps such a rule deterred a few voters from voting. Several years ago, however, Alabama corrected this hardship, without the aid of a constitutional amendment, and placed a maximum charge of $3 regardless of the number of years the person was in arrears.

There are those who consider this tax a penalty. This could not be further from the fact. Every dollar which Alabama collects from the poll tax, an amount exceeding $400,000 goes toward the education of our schoolchildren. In many ways, I believe it is quite fitting that each voter should pay $1.50 to help educate the next generation of voters who will need all the education they can get to cast an intelligent and responsible ballot.

Mr. Speaker, I believe it is an exercise in the trivial for responsible lawmakers to concern themselves with how the people of 5 States raise school revenues. I believe it is a disgrace that such an obviously political maneuver should be permited to masquerade as an issue involving the rights of man. I urge the Members of this body to pay heed to the simplest of constitutional principles and reject the poll tax issue immediately so that we can turn to matters of greater national interest.

Mr. CURTIS of Missouri. Mr. Speaker, I shall vote against suspending the rules and passing this measure for a number of reasons, not the least of which is the highly questionable procedures followed in bringing this matter to the floor of the House.

I believe it is important that the Constitution of the United States should be amended only after a strong case has been made for both its need and the legal necessity for it.

No case worthy the name has been made for either the need or the necessity. The need does not exist as pointed out by the U.S. Commission on Civil Rights quoted by both the majority and the minority of the committee in the report accompanying the measure.

The legal necessity does not exist. As pointed out again by both the majority and the minority of the committee ordinary legislation as opposed to a constitutional amendment would adequately take care of whatever need might exist.

Everyone in the House knows exactly why this measure is before us. In my judgment it is a shabby attempt to avoid the responsibility of coping with some real problems of civil rights which exist in our country today. We have some real problems of extending the right of franchise to all our citizens. The right to vote, part of the right of franchise, is still being denied many of our citizens through a variety of subterfuges, but the poll tax is no longer one of these subterfuges. The equally important right to cast a free ballot and have that ballot counted fairly along with all the other ballots cast is the most neglected aspect of the right of franchise today.

Because of the action of the House leadership last year on the Cramer amendment, the Civil Rights Commission does not have jurisdiction over this second important aspect of the right of franchise, the right to have the vote counted honestly.

A second area in which basic civil rights are involved and are being neglected is the various Federal housing programs. There are many other areas. The point is this: The House and this Congress are not facing up to real issues of civil rights, but by bringing up this unneeded measure it hopes to throw powder in the eyes of those who look upon civil rights in an emotional way.

Emotionally the poll tax is detested, not because of its present remaining use in five States but because of its past abuse. The promoters of this bill today hope to catch ahold of this remaining emotionalism to hide their inaction on important civil rights matters.

Perhaps also they hoped that there would be enough Congressmen like myself who would decline to go along with this subterfuge so that they could make partisan political capital against us, or against our party.

Certainly it would be easy for me to vote for this measure. It means nothing, and I would have to explain nothing to my constituents. Voting against it requires an explanation that may never get through to my people. From past experience I can predict that my reasons will not get through to my people in time for the November elections because the reporting media will give me little or no assistance in broadcasting these views.

However, it is important that some people vote against this measure because of what it is and what it is not; that is someone other than southern Democrats who likewise make political hay, but out of the converse emotion. Their constituents remember the poll tax of the past and think a vote to retain it will preserve their political control.

Yes, I have listened to my southern friends express concern for the Constitution and for States rights, and I agree with them on this matter in this instance because I have this concern. However, I have noted over a period of years that it is primarily on civil rights issues, almost alone, that they express this concern. When the issue of constitutionality and States rights comes up on many of the measures which extend the broad powers of the Federal Government into the States, local communities, the families and into private lives I find them far from the well of the House and voting for these measures extending Federal powers.

Finally, I would say to the chairman of the committee handling this bill, the gentleman from New York [Mr. CELLER], this bill could have had a rule if your committee sought it with vigor. Furthermore, this bill could have been brought out under Calendar Wednesday promptly. I point out that Calendar Wednesday is remarkably free from other pending legislation. Under Calendar Wednesday the bill would be handled as most of our bills are handled under the 5-minute rule, open to amendment at any point—an open rule as opposed to the gag rule under which we consider suspensions. Calendar Wednesday is not subject to delaying tactics any more than any other rule under which bills are debated, amended, and passed in the House. It is impossible to filibuster in the House if the majority really are opposed to the filibuster. At any time the majority by motion can shut off debate or any other delaying tactics as was proven here when a brief and rather inane filibuster was attempted a few hours ago.

Furthermore, Calendar Wednesday is a legislative day, and like any legislative day can last as long as no motion to adjourn is voted. In other words it can last a week or more if necessary. I am merely rebutting the false arguments that have been advanced from time to time by the self-styled liberals as to why they say they cannot work their will by the utilization of Calendar Wednesday.

Calendar Wednesday is not used by the self-styled liberals either because they lack a majority vote on the issue, or they seek to prevent debate and amendment for other ulterior purposes. In this instance before us today the purposes are quite ulterior as to why they choose to debate this sorry measure under a rule which limits debate to 40 minutes and prohibits all amendments.

Someday I hope that true liberals will start showing the courage to vote down phony civil rights measures. Until they do, and check the playing of partisan politics with matters involving civil rights, our progress toward better civil liberties in this country will remain slow.

Mr. HALPERN. Mr. Speaker, in principle, how can any freedom-loving American oppose Senate Joint Resolution 29? Its ultimate enactment will be a monumental step in the progress of our Nation.

I have long advocated the abolishment of the payment of a poll tax as a requirement for voting in Federal elections, but I strongly advocate that this be done by statute. On July 1, 1960, I introduced H.R. 12925, and on January 6, 1961, I introduced H.R. 2021. These bills make unlawful the requirement of a poll tax payment as a prerequisite to voting for national officers. I have long advocated and I will still advocate the principle that the poll tax requirement is not a qualification of voters within the meaning of the Constitution for it does not affect the capacity or the fitness of a citizen to vote. The poll tax requirement is and must be deemed as an interference with the manner of holding elections and is a tax upon the right or privilege of voting for said national officers. As such, these poll tax laws may be altered by Congress under the power given to Congress by section 4 of article I of the Constitution to make or alter the manner of Federal elections.

Further, the imposition of a tax on the right of voting is clearly an abridgement of the rights and privileges of citizens. Congress may therefore abolish it by statute under the power granted to Congress by the 14th amendment which provides that no State shall make or enforce any law which shall abridge the privileges and immunities of citizens of the United States. We also have ample proof that the average per capita income of nonwhite citizens in the Nation is extremely low as compared with the average income of a white person. It is quite simple to deduce from this that the poll tax requirement serves as a discrimination against Negroes in the exercise of their voting rights. Congress can therefore abolish this poll tax requirement by statute under the power it derives from the 15th amendment which provides that the right of citizens of the United States to vote shall not be denied or abridged by the United States or by any State on account of race, color, or previous condition of servitude.

For these reasons I believe that Congress has the constitutional authority to abolish the poll-tax requirement by statute. I also believe that the statutory method would be the quickest and would succeed in eliminating the payment of a poll tax in this coming election, whereas a constitutional amendment would have a long tedious road to travel before becoming effective.

However, we must be realistic. The House has five times passed a bill to abolish the poll-tax requirement—H.R. 1024, 77th Congress; H.R. 7, 78th Congress, H.R. 7, 79th Congress, H.R. 29, 80th Congress; and H.R. 3199, 81st Congress—but not one of these bills succeeded in passing the Senate. On the other hand, in the 86th Congress, the Senate adopted Senate Joint Resolution 39 proposing to accomplish this by constitutional amendment, but this received no action in the House. It is thus quite clear that both Houses agree in principle to the abolishment of the poll-tax requirement but cannot agree upon the method to be pursued in effecting this abolishment.

In our disagreement as to the method, let us not lose sight of our goal, which is to abolish the poll-tax requirement. With this in mind I introduced House Joint Resolution 663 on March 13 of this year, which proposes a constitutional amendment similar to that proposed by Senate Joint Resolution 29. In principle, I therefore urge that we support Senate Joint Resolution 29. Let us vote on the merits of the issue and not upon the form in which it is offered. This amendment will prevent the imposition not only of a poll tax but of any other tax as prerequisite to voting and will apply not only to a State but to the United States as well, and it is broad enough to prevent the defeat of its objectives by some ruse or manipulation of terms.

The adoption of this amendment will secure throughout our Nation a more active participation in Federal elections by persons qualified under the laws of their respective States and will assure that their ability to vote will not be dependent on their economic status. I wish to direct your attention to the statement made by Senator HOLLAND in the Senate on Januray 28, 1960—CONGRESSIONAL RECORD, volume 106, part 2, page 1518—one of the Senators sponsoring Senate Joint Resolution 29, and a Senator whose State abolished the poll tax requirement in 1937. He cites statistics to prove that although the population of Florida increased only 18 percent in the period between 1935 and 1940, the number of persons voting in the Democratic primary in 1940 showed an increase of 46 percent over the number of persons who voted in such primary in 1936 before the poll tax requirement was repealed. This is first hand information from a qualified person concerning his own State. There can be no doubt that the poll tax requirement as a prerequisite to voting is an evil which must be stamped out as soon as possible.

Mr. Speaker, may this House by its resounding vote of approval let the American people know how it feels about this antiquated, feudalistic form of voting.

Mr. DORN. Mr. Speaker, the States in substance existed before the Central Government. Our Federal Government is a creature of the States. The power, insuring the effective operation of each within its respective sphere, is vested in the Constitution. In the Constitution, powers are delegated to each in order to maintain a division and proper balance, with the States enjoying as inherent those powers not specifically delegated. The States, thus ultimately the people, must be allowed to preserve their constitutional rights and powers, both granted and residual.

Since the States have been guaranteed by the Constitution the privilege of deciding upon the manner and method of conducting their elections, there is no need for this amendment. It would be an imposition for the Federal Government to presume to dictate to the States how they must operate their elections. This coercion of the States by its own creation is a direct invasion of States rights.

There is no justification for this amendment as only five States now retain the poll tax as a requirement for vote. My own State of South Carolina long ago did away with the poll tax as a prerequisite for voting. In the States that do require poll tax, the token remittance ranges from $1 to $2, the receipts in most cases being used for education and other citizen benefits. Upon the basis of this evidence, a claim of the use of poll tax as an implement of discrimination is invalid and not worth consideration. The adoption of this amendment would, in truth, be a manifestation of the power highly organized and well-financed pressure groups can bring to bear upon the people of the United States. I believe each State should be free to make this decision with regard to the criteria for voting, being governed by the desires of its citizens.

The adoption of this amendment would have far-reaching effects, setting a dangerous precedent. It is a step toward complete Federal control of elections on the State and local levels. This is just another among the long list of incidents of the continuing centralization of the Federal Government at the expense of the State and local governments and ultimately the citizen.

This amendment would be another weight upon one side of the already unequal balance which controls the constitutional division of power. This easy amendment of our Constitution would lead to further encroachment of this one division, the Federal Government, upon the rights included in the realm of the other, the State governments. The final burden of these limitations will be borne by the people.

The powerful pressure groups and minorities forcing this unnecessary amendment through the Congress will, with its adoption, grow more bold, arrogant, and demanding. They cannot and will not cease their agitation until they establish a dictatorship over the majority or until representative government is destroyed and elections become a Federal fraud.

The States and the people at the local level have been doing a magnificent job in this field—they need to be complimented and encouraged. This amendment is not needed. It is a reflection on the fine job done by the States. It is desperately sought by the pressure groups so as to claim for themselves and the Federal Government credit for something that has already been done by the States and the people. This amendment is a fraud and a waste of the time of the Congress.

The SPEAKER. The time of the gentlemen from Colorado has expired; all time has expired.

The question is, Will the House suspend the rules and pass the resolution, Senate Joint Resolution 29?

Mr. ABERNETHY. Mr. Speaker, I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 294, nays 86, answered "present" 1, not voting 54, as follows:

[Roll No. 202]

YEAS—294

Addabbo
Albert
Anderson, Ill.
Anfuso
Ashbrook
Ashley
Aspinall
Auchincloss
Avery
Ayres
Bailey
Baker
Baldwin
Barrett
Barry
Bass, Tenn.
Bates
Becker
Belcher
Bell
Bennett, Fla.
Bennett, Mich.
Betts
Boggs
Boland
Bow
Brademas
Bray
Breeding
Brewster
Brooks, Tex.
Broomfield
Brown
Broyhill
Bruce
Buckley
Burke, Ky.
Burke, Mass.
Byrne, Pa.
Byrnes, Wis.
Cahill
Carey
Cederberg
Celler
Chamberlain
Chelf
Chenoweth
Chiperfield
Church
Clancy
Clark
Cohelan
Conte
Cook
Corbett
Corman
Curtin
Daddario
Dague
Daniels
Davis, Tenn.
Delaney
Dent
Denton
Derounian
Derwinski
Diggs
Dingell
Dole
Doyle
Dulski
Durno
Dwyer
Edmondson
Fallon
Farbstein
Fascell
Feighan
Fenton
Finnegan
Fino
Flood
Fogarty
Ford
Frelinghuysen
Friedel
Fulton
Gallagher
Garmatz
Gavin
Giaimo
Gilbert
Glenn
Gonzalez
Goodling
Gray
Green, Oreg.
Green, Pa.
Griffin
Griffiths
Gross
Gubser
Hagen, Calif.
Haley
Halleck
Halpern
Hansen
Harding
Hardy
Harrison, Wyo.
Harsha
Harvey, Ind.
Harvey, Mich.
Hays
Healey
Hechler
Hoeven
Hoffman, Ill.
Holifield
Holland
Horan
Hosmer
Hull
Ichord, Mo.
Inouye
Jarman
Jennings
Jensen
Joelson
Johnson, Calif.
Johnson, Md.
Johnson, Wis.
Jonas
Judd
Karsten
Karth
Kastenmeier
Kee
Keith
Kelly
Keogh
King, Calif.
King, N.Y.
King, Utah
Kirwan
Kluczynski
Knox
Kornegay
Kowalski
Kunkel
Kyl
Laird
Lane
Langen
Lankford
Latta
Lesinski
Libonati
Lindsay
Lipscomb
Loser
McCulloch
McDonough
McFall
McIntire
McVey
MacGregor
Mack
Madden
Magnuson
Mailliard
Marshall
Martin, Mass.
Martin, Nebr.
Mathias
May
Meader
Michel
Miller, Clem
Miller,
 George P.
Miller, N.Y.
Milliken
Minshall
Moeller
Monagan
Montoya
Moore
Moorhead, Pa.
Morgan
Morse
Mosher
Moss
Moulder
Multer
Murphy
Natcher
Nedzi
Nelsen
Nix
Norblad
Nygaard
O'Brien, N.Y.
O'Hara, Ill.
O'Hara, Mich.
O'Konski
Olsen
O'Neill
Osmers
Ostertag
Pelly
Perkins
Pfost
Philbin
Pike
Pillion
Pirnie
Poff
Price
Pucinski
Quie
Randall
Reuss
Rhodes, Ariz.
Rhodes, Pa.
Riehlman
Rivers, Alaska
Robison
Rodino
Rogers, Colo.
Rogers, Fla.
Rooney
Roosevelt
Rosenthal
Rostenkowski
Roudebush
Roush
Rutherford
Ryan, Mich.
Ryan, N.Y.
St. George
St. Germain
Santangelo
Saylor
Schadeberg
Schenck
Schneebeli
Schweiker
Schwengel
Scranton
Shelley
Sheppard
Shipley
Shriver
Sibal
Siler
Slack
Smith, Calif.
Smith, Iowa
Spence
Springer
Stafford
Staggers
Steed
Stubblefield
Sullivan
Taber
Taylor
Teague, Calif.
Thomas
Thompson, N.J.
Thomson, Wis.
Thornberry
Toll
Tollefson
Tupper
Udall, Morris K.
Ullman
Vanik
Van Zandt
Wallhauser
Walter
Watts
Weaver
Weis
Westland
Whalley
Wharton
Whitener
Wickersham
Widnall
Yates
Young
Younger
Zablocki
Zelenko

NAYS—86

Abbitt
Abernethy
Alexander
Alford
Alger
Andrews
Ashmore
Battin
Beckworth
Beermann
Berry
Bonner
Boykin
Bromwell
Burleson
Casey
Colmer
Cooley
Curtis, Mo.
Davis, John W.
Devine
Dorn
Dowdy
Downing
Elliott
Everett
Fisher
Flynt
Forrester
Fountain
Frazier
Gary
Gathings
Goodell
Grant
Hagan, Ga.
Harris
Harrison, Va.
Hemphill
Henderson
Herlong
Hiestand
Huddleston
Johansen
Jones, Ala.
Jones, Mo.
Kilgore
Landrum
Lennon
McSween
Mahon
Matthews
Mills
Murray
Norrell
Passman
Patman
Poage
Purcell
Rains
Ray
Reifel
Riley
Rivers, S.C.
Roberts, Ala.
Roberts, Tex.
Rogers, Tex.
Rousselot
Scott
Selden
Short
Sikes
Smith, Va.
Stephens
Teague, Tex.
Thompson, Tex.
Trimble
Tuck
Van Pelt
Vinson
Waggonner
Whitten
Williams
Willis
Winstead
Wright

ANSWERED "PRESENT"—1

Reece

NOT VOTING—54

Adair
Andersen,
 Minn.
Arends
Baring
Bass, N.H.
Blatnik
Blitch
Bolling
Bolton
Cannon
Coad
Collier
Cramer
Cunningham
Curtis, Mass.
Davis,
 James C.
Dawson
Dominick
Donohue
Dooley
Ellsworth
Evins
Findley
Garland
Granahan
Hall
Hébert
Hoffman, Mich.
Kearns
Kilburn
Kitchin
McDowell
McMillan
Macdonald
Mason
Merrow
Moorehead,
 Ohio
Morris
Morrison
O'Brien, Ill.
Peterson
Pilcher
Powell
Saund
Scherer
Seely-Brown
Sisk
Smith, Miss.
Stratton
Thompson, La.
Utt
Wilson, Calif.
Wilson, Ind.

So (two-thirds having voted in favor thereof) the rules were suspended and the joint resolution was passed.

The Clerk announced the following pairs:

On this vote:

Mr. Blatnik and Mr. Macdonald for, with Mr. Hébert against.

Mr. McDowell and Mr. Pilcher for, with Mr. McMillan against.

Mr. Baring and Mr. Hall for, with Mr. James C. Davis against.

Mr. Powell and Mr. Kilburn for, with Mr. Thompson of Louisiana against.

Mr. Dawson and Mr. O'Brien of Illinois for, with Mrs. Blitch against.

Mrs. Bolton and Mr. Cramer for, with Mrs. Reece against.

Until further notice:

Mr. Evins with Mr. Wilson of California.
Mr. Kitchin with Mr. Arends.
Mr. Morrison with Mr. Collier.
Mr. Cannon with Mr. Utt.
Mr. Saund with Mr. Findley.
Mr. Morris with Mr. Cunningham.
Mr. Donohue with Mr. Dooley.
Mr. Sisk with Mr. Moorehead of Ohio.
Mr. Peterson with Mr. Ellsworth.
Mr. Smith of Mississippi with Mr. Adair.
Mr. Stratton with Mr. Andersen of Minnesota.
Mrs. Granahan with Mr. Scherer.
Mr. Bolling with Mr. Seely-Brown.
Mr. Coad with Mr. Dominick.

Mrs. REECE. Mr. Speaker, I have a live pair with the gentleman from Florida [Mr. CRAMER] and the gentlewoman from Ohio [Mrs. BOLTON]. If they were present, they would have voted "yea." I voted "nay." I withdraw my vote and vote "present."

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

Mr. STRATTON. Mr. Speaker, while the rollcall vote was being taken a moment ago on the so-called poll-tax amendment, Senate Joint Resolution 29, I was called momentarily outside the Chamber on urgent business affecting the people of my district. Although I was well aware that the amendment, which I have long supported, would carry by a sizable margin, I nevertheless desired that my position in favor of it should be formally recorded. Had I been present I would have voted an emphatic "aye."

COMMUNICATIONS SATELLITE ACT OF 1962

Mr. HARRIS. Mr. Speaker, I move to suspend the rules and agree to House Resolution 769.

The Clerk read the resolution as follows:

Resolved, That immediately upon the adoption of this resolution the bill H.R. 11040, with the Senate amendment thereto, be, and the same is hereby, taken from the Speaker's table, to the end that the Senate amendment be, and the same is hereby, agreed to.

The **SPEAKER.** Is a second demanded?

Mr. SPRINGER. Mr. Speaker, I demand a second.

Mr. RYAN of New York. Mr. Speaker, I demand a second.

The **SPEAKER.** The gentleman from Illinois has demanded a second.

Mr. RYAN of New York. Mr. Speaker, is the gentleman from Illinois opposed to the bill?

The **SPEAKER.** Is the gentleman from Illinois [Mr. SPRINGER] opposed to the bill?

Mr. SPRINGER. Mr. Speaker, I am not opposed to the bill.

The **SPEAKER.** Is the gentleman from New York [Mr. RYAN] opposed to the bill?

Mr. RYAN of New York. Mr. Speaker, I am opposed to the bill and I demand a second.

The **SPEAKER.** Without objection, a second will be considered as ordered.

There was no objection.

Mr. HARRIS. Mr. Speaker, I yield myself 8 minutes.

The bill now before us has been hammered out through extensive legislative and executive action. It bears the imprimatur of the President of the United States. It has been strongly endorsed by three members of the Cabinet—the Secretary of State, the Attorney General, the Secretary of Defense, as well as by the two agencies of the Federal Government most closely connected with space communications—NASA and the FCC. It has been studied, scrutinized and endorsed by four committees of the Congress. It passed this House on May 3 by a vote of 354 to 9, and on August 17 the Senate confirmed the judgment of this body by an almost equally overwhelming vote, 66 to 11. Few bills come before this body with such endorsements.

Mr. Speaker, on May 2 of this year I stood in the well of this House and urged the Members to approve the communications satellite bill which our Committee on Interstate and Foreign Commerce had reported. We had a good bill. It was carefully developed by the committee after full and complete hearings and several days of executive sessions. On the following day, 354 Members of this House voted in the affirmative and only 9 voted in the negative.

Today, almost 3 months later, I am standing before you again, and this time asking you to support the Senate amendment to the communications satellite bill, H.R. 11040, and thus send it to the President for his signature.

The major reason why I am asking you today to agree to the Senate amendment is very simple and should be very persuasive—our Nation needs this legislation now without any further delay.

When we came before you 3 months ago I said that I thought we were very fortunate indeed in that we do not have to depend on the Government to do it all. I told you that this bill provides for a new type of organization which was specifically designed to meet specific needs. I told you that our committee felt—and the President so recommended—that a private, profitmaking corporation with Government cooperation and subject to Government regulation to the extent necessary was the most appropriate way in which this most important program could be gotten underway expeditiously.

This House supported our committee's judgment overwhelmingly and the other body did likewise. President Kennedy has advised me that the Senate amendment to H.R. 11040 is completely satisfactory to him.

Mr. Speaker, deeds, however, always speaker louder than words. Since the House voted overwhelmingly to support this legislation which provides for a private, profitmaking communications satellite corporation, another private, profitmaking communications corporation—the American Telephone & Telegraph Co.—with the cooperation of NASA, launched Telstar. Experimental Telstar is living proof that in this Nation we are fortunate in that important programs can be entrusted to private industry, and that we need not concentrate all of such programs in the hands of an all-powerful Federal Government.

This principle—that we can well afford to decentralize the planning and execution of a program of this nature which is important to this Nation's welfare and security—this principle, I say, is basic to this legislation. This principle has been fought hard by a few persons—well intended, perhaps—who apparently do not have faith in private enterprise and who believe that this program should be carried on by the Government alone.

I say to you that we can and must have faith in decentralization and cooperation which are essential to our private enterprise system and to our democratic way of life. If we lose faith in these fundamental principles and pay only lipservice to them, then we shall be ill-equipped to compete successfully with other nations who insist on concentrating all planning and execution of vital programs in the hands of their governments.

From the beginning, President Kennedy, and before him, President Eisenhower, sought to have the communications satellite program carried on by private enterprise with the cooperation and, to the extent necessary, under the supervision of our Government.

The FCC at first recommended that the private corporation to be established should be nonprofit and should be owned 100 percent by international communications carriers. The hardware manufacturers and domestic communications carriers fought that plan because it excluded them from sharing in the control of the corporation.

Then, President Kennedy recommended that the private corporation to be created should be profitmaking and should be controlled primarily by those stockholders who are willing to put their money into the new venture.

After extensive hearings, our committee felt that there was merit in both proposals, and that the control of the new corporation should be shared by new investors and existing carriers. That is the fundamental idea on which H.R. 11040 is based. That idea has been retained, unchanged in the amendment to the bill which passed the other body.

Now, the amendment makes numerous small changes in the bill passed by the House. I am holding in my hand a detailed analysis which our committee staff prepared at my request showing in detail the changes which the other body made in the House bill. There is also available to the membership a committee print which shows word-by-word the changes which the other body made in the House bill.

Mr. Speaker, many of these changes could be discussed and debated at length if time would permit. The outstanding fact, however, is that the other body left intact the principal provisions of the bill which the House supported on May 3 with only nine dissenting votes.

We could go on for months to dot the "i's" and cross the "t's" in this legislation, and perhaps improve on it. As a matter of fact, there are several provisions which the other body modified which I personally thought were far superior in the form in which they passed the House. However, such improvements as could be made would go to details of the bill and not to the basic pattern on which this legislation is designed. That pattern is, and I repeat, that we do not want to centralize all important programs in an all-powerful Federal Government, but that we have faith in letting private industry carry on important programs with the cooperation of our Government and, where necessary, subject to Government supervision.

Time is running out and in my judgment further delay will hurt the program. The enactment of this legislation is only a first step and, as actual experience is accumulated, changes can be made by subsequent Congresses. Therefore, I am asking the Members of the House today, not to delay this legislation any further and to vote for the amendment to H.R. 11040.

Mr. Speaker, I ask unanimous consent that following my remarks there be included in the RECORD an analysis of the principal differences between H.R. 11040 as passed by the House and as passed by the Senate, and a more detailed summary attached thereto for the information of the Members of the House and for the benefit of industry and for all concerned throughout this Nation.

The **SPEAKER.** Is there objection to the request of the gentleman from Arkansas?

There was no objection.

PRINCIPAL DIFFERENCES BETWEEN H.R. 11040 AS PASSED BY THE HOUSE AND THE SENATE

(A more detailed summary is attached hereto)

1. Senate bill contains more specific language than House bill relating to domestic communication services.

2. House bill requires FCC to insure effective competition in procurement of equipment by corporation. Senate bill requires FCC to insure effective competition in procurement of equipment for satellite system and terminal stations by corporation and communications common carriers. Also, requires Commission to consult with Small Business Administration to insure that small business concerns are given an equitable opportunity to share in procurement program.

3. House bill grants to FCC power to require establishment of commercial communication by satellite to foreign countries. Senate bill contains in addition similar requirement for the establishment of satellite terminal stations in foreign countries.

4. House bill requires FCC to insure compatibility and interconnections between satellite system and terminal stations. Senate bill contains in addition similar provision with regard to compatibility and interconnections among terminal stations.

5. House bill directs FCC in determining public interest to encourage construction and operation of terminal stations by communications common carriers whenever not inconsistent with policies of this act. Senate bill requires the FCC in determining public interest to authorize construction and operation of terminal stations by communications common carriers or the corporation without preference to either.

6. Senate bill grants to FCC power to approve financing, to approve any substantial additions to the satellite system or to terminal stations, to require additions to the system or stations where they would serve the public interest, and to make rules and regulations to carry out the act. House bill does not contain comparable provisions.

7. Senate bill adds requirement that incorporators be appointed by and with the advice and consent of the Senate; and eliminates provision disqualifying incorporators to serve as directors of corporation.

8. Senate bill eliminates provision prorating number of directors which may be elected by communications common carriers depending on percentage of voting stock of corporation owned by communication common carriers. (Thus common carriers may elect six directors regardless of percentage of voting stock owned by them.)

9. House bill reserves for purchase by authorized communications common carriers 50 percent of the stock offered by the corporation. Senate bill reserves for purchase by such carriers 50 percent of the stock authorized for issuance by the corporation.

10. House bill silent on whether or not voting stock of corporation shall be eligible for inclusion in the carriers' rate base. Senate bill provides that voting stock of corporation shall not be eligible for inclusion in carriers' rate base.

11. House bill contains provision which makes the right of stockholders to inspect the books of the corporation subject "to such regulations as the Commission may prescribe in the interest of national security." Senate bill eliminates this provision.

12. House bill provides that corporation may operate commercial communication satellite systems. Senate bill provides that corporation may operate "a commercial communication system."

13. House bill provides that corporation shall be subject to FCC regulation as common carrier under provisions of Communications Act. Senate bill in addition provides that the provision of terminal station facilities shall be subject to FCC regulation as a common carrier activity fully subject to the Communications Act.

14. House bill provides for reimbursement by corporation for all costs incurred by State Department in assisting corporation in international negotiations. Senate bill omits this provision.

15. Senate bill imposes duty on corporation and communications common carriers to comply with provisions of this act and regulations promulgated thereunder. House bill does not contain comparable provision.

16. Senate bill requires FCC to report to Congress on anticompetitive practices, need for additional legislation, and evaluation of corporation's capital structure to assure most efficient and economical operation of corporation. House bill does not contain comparable provision.

SUMMARY OF DIFFERENCES BETWEEN H.R. 11040 AS PASSED BY THE HOUSE AND THE SENATE

DECLARATION OF POLICY

Section 102(b): This subsection as passed by the Senate states that expanded telecommunications services are to be made available as promptly as possible. As passed by the House, the subsection is limited to international communication services. In other words, the Senate language includes both international and national telecommunication services. (See also sec. 102(d).)

Section 102(c): This subsection provides that the satellite corporation shall be so organized and operated as to maintain and strengthen competition in the provision of communications services to the public. The Senate added a provision that the activities of the corporation and of the persons or companies participating in the ownership of the corporation shall be consistent with the Federal antitrust laws.

Section 102(d): As passed by the House, this subsection provides that the Congress reserves to itself the right to provide for additional communications satellite systems if required to meet unique governmental needs or if required in the national interest. The Senate added a provision that it is not the intent of Congress by this act to preclude the use of the communications satellite system for domestic communication services where consistent with the provisions of this act. Conforming changes were made by the Senate in several sections of the bill.

DEFINITIONS

Section 103(2): As passed by the House, this paragraph defines the term "satellite terminal station" as a "complex of communication equipment located on the earth's surface which receives from or transmits to terrestial communication systems for relay via communications satellites." As passed by the Senate, the term is defined as a "complex of communication equipment located on the earth surface, operationally connected with one or more terrestial communication systems, and capable of transmitting telecommunications to or receiving telecommunications from a communications satellite system."

Section 103(7): As passed by the House, this paragraph provides that the term "communications common carrier" has the same meaning as the term "common carrier" has when used in the Communications Act of 1934, as amended. The Senate added a provision that the term "in addition includes, but only for purposes of sections 303 and 304, any individual, partnership, association, joint-stock company, trust, corporation, or other entity which owns or controls, directly or indirectly, or is under direct or indirect common control with, any such carrier." (Section 303 relates to the election by carriers of directors of the satellite corporations, and section 304 to ownership by carriers of voting stock in the satellite corporation.)

PRESIDENT'S RESPONSIBILITIES AND POWERS

Section 201(a)(1): As passed by the House, this paragraph provides that the President shall aid in the development of a national communication satellite program. As passed by the Senate, this paragraph provides that the President shall aid in the planning and development of such program.

Section 201(a)(6): As passed by the House, this paragraph requires the President to take all necessary steps to insure the availability and utilization of the communications satellite system for general governmental purposes except where a separate system is required to meet unique governmental needs. As passed by the Senate, this paragraph requires the President to take all necessary steps to insure such availability and utilization except where a separate system is required to meet unique governmental needs or is otherwise required in the national interest.

NASA'S RESPONSIBILITIES AND POWERS

Section 201(b)(2): As passed by the House, this paragraph provides that NASA shall "coordinate its research and development program in space communications with the research and development program of the corporation." As passed by the Senate, this paragraph provides that NASA shall "cooperate with the corporation in research and development to the extent deemed appropriate by the [National Aeronautics and Space Administration] in the public interest."

FCC'S RESPONSIBILITIES AND POWERS

Section 201(c)(1): As passed by the House, this paragraph provides that the FCC shall "insure effective competition in the procurement by the corporation of apparatus, equipment, and services, and, to this end, shall prescribe appropriate rules and regulations." As passed by the Senate, this paragraph provides that the FCC shall "(1) insure effective competition, including the use of competitive bidding where appropriate, in the procurement by the corporation and communications common carriers of apparatus, equipment, and services required for the establishment and operation of the communications satellite system and satellite terminal stations; and the Commission shall consult with the Small Business Administration and solicit its recommendations on measures and procedures which will insure that small business concerns are given an equitable opportunity to share in the procurement program of the corporation for property and services, including but not limited to research, development, construction, maintenance, and repair."

Section 201(c)(2): As passed by the House, this paragraph provides that the FCC shall "insure that all present and future authorized carriers shall have nondiscriminatory use of, and equitable access to, the communications satellite system on just and reasonable terms and conditions, and regulate the manner in which available facilities of the system are allocated among users thereof."

As passed by the Senate, this paragraph provides that the FCC shall "insure that all present and future authorized carriers shall have nondiscriminatory use of, and equitable access to, the communications satellite system and satellite terminal stations under just and reasonable charges, classifications, practices, regulations, and other terms and conditions, and regulate the manner in which available facilities of the system and stations are allocated among users." (Language added by the Senate underscored.) (In effect, the Senate transferred to this paragraph language relating to terminal stations which may be found in section 201(c)(7) in the bill as passed by the House.)

Section 201(c)(3): This paragraph relates to FCC proceedings for the purpose of requiring the establishment in the national interest of commercial communication by means of the communication satellite system to a particular foreign point. The Senate added following the word "by means of the communications satellite system" the words "and satellite terminal stations."

Section 201(c)(4): As passed by the House, this paragraph provides that the FCC shall insure that facilities of the communications satellite system are technically compatible and interconnected operationally with satellite terminal stations. As passed by the Senate, this paragraph also provides that the FCC shall insure that satellite terminal stations are compatible and interconnected with each other.

Section 201(c)(7): As passed by the House, this paragraph provides that the FCC shall "grant a license for the construction and operation of each satellite terminal station, either to the corporation or to one or more authorized carriers or to the corporation and one or more such carriers jointly, as will best serve the public interest, convenience, and necessity." As passed by the House, this paragraph also provides that "in determining the public interest, convenience, and necessity the Commission shall encourage the construction and operation of such stations by communications common carriers wherever, in the judgment of the Commission, such construction and operation are not inconsistent with the policies of this Act." As modified by the Senate, this provision would require the Commission in determining the public interest to "authorize the construction and operation of such stations by communications common carriers or the corporation, without preference to either."

Section 201(c)(8): This is a new paragraph added by the Senate. This paragraph requires Commission authorization for the corporation to issue any shares of capital stock (except the initial issue of voting stock), to borrow moneys, or to assume any obligation in respect of the securities of any other person. Such authorization is to be given upon a finding that such action by the corporation is compatible with the public interest and is necessary or appropriate for, or consistent with, carrying out the purposes and objectives of the act by the corporation.

Section 201(c)(9): This is a new paragraph added by the Senate. This paragraph gives the Commission responsibility for insuring that no substantial additions are made to the facilities of the system or satellite terminal stations unless such additions are found by the Commission to be required by the public interest.

Section 201(c)(10): This is a new paragraph added by the Senate. This paragraph empowers the Commission in accordance with the procedural requirements of section 214 of the Communications Act of 1934, to require that additions be made by the corporation or by carriers with respect to facilities of the system or satellite terminal stations where it find that such additions would serve the public interest.

Section 201(c)(11): This is a new paragraph added by the Senate. This paragraph gives the Commission authority to make rules and regulations to carry out this act.

SATELLITE CORPORATION—ORGANIZATION

Section 302: The House passed bill provides that the President shall designate incorporators. As passed by the Senate this provision provides that the President shall appoint incorporators, by and with the advice and consent of the Senate. The Senate eliminated a provision contained in the House bill which provided that no incorporator shall be elected to the board of directors which first succeeds such incorporators as the board of directors of the corporation.

SATELLITE CORPORATION—DIRECTORS AND OFFICERS

Section 303(a): As passed by the House this section provides that three members of the board shall be appointed by the President by and with the advice and consent of the Senate for a term of 3 years. The Senate modified this provision by adding after the words "three years" the following new language: "or until their successors have been appointed and qualified, except that the first three members of the board so appointed shall continue in office for terms of one, two, and three years, respectively, and any member so appointed to fill a vacancy shall be appointed only for the unexpired term of the director whom he succeeds."

As passed by the House this subsection contains provisions which specified that if the communications common carriers own "in the aggregate not exceeding 15 per centum of the outstanding voting stock of the corporation; they shall elect one member; if they own in the aggregate in excess of 15 per centum but not exceeding 25 per centum, two members; if they own in the aggregate in excess of 25 per centum but not exceeding 35 per centum, three members; if they own in the aggregate in excess of 35 per centum but not exceeding 40 per centum, four members; if they own in the aggregate in excess of 40 per centum but not exceeding 45 per centum, five members; and if they own in the aggregate in excess of 45 per centum, six members."

The Senate passed bill eliminates the prorating provisions and provides that six members of the board shall be elected annually by those stockholders who are communications common carriers. (The other six to be elected annually by the other stockholders of the corporation.)

SATELLITE CORPORATION—FINANCING

Section 304(a): As passed by the House, the provisions of this subsection relating to price and distribution of the initial stock offering apply to the shares of stock initially issued. As passed by the Senate, these provisions apply to the shares of stock initially offered.

Section 304(b)(1): As passed by the House the term "authorized carrier" is defined as "a communications common carrier authorized by the Commission to own shares of stock in the corporation." As passed by the Senate, this definition has been modified as meaning "the communications common carrier which is specifically authorized or which is a member of a class of carriers authorized by the Commission to own shares of stock in the corporation upon a finding that such ownership will be consistent with the public interest, convenience and necessity."

Section 304(c): As passed by the House this subsection provides that the corporation is authorized to issue nonvoting securities, bonds, debentures and other certificates of indebtedness as it may determine. The subsection further provides that such nonvoting securities, etc. as a communications common carrier may own shall be eligible for inclusion in the rate base of the carrier to the extent allowed by the Commission. The Senate added the following provision: "The voting stock of the corporation shall not be eligible for inclusion in the rate base of the carrier."

Section 304(e): As passed by the House this subsection contains a provision which makes the right of stockholders to inspect the books of the corporation subject "to such regulations as the Commission may prescribe in the interest of national security." The Senate passed bill eliminates this clause.

Section 304(f): As passed by the House this subsection reads as follows: "Upon application to the Commission by any communications common carrier and upon a finding by the Commission after notice and hearing that the public interest and the purposes of this act will be advanced thereby, the Commission may compel any authorized carrier which owns shares of stock in the corporation to sell to the applicant a number of shares determined by the Commission to be reasonable in the light of the estimated proportionate use of the corporation's facilities by the applicant and other factors consonant for the purposes of this act at a price determined by the Commission to be fair and reasonable."

As passed by the Senate this subsection has been modified to read as follows: "Upon application to the Commission by any authorized carrier and after notice and hearing, the Commission may compel any other authorized carrier which owns stock in the corporation to transfer to the applicant, for a fair and reasonable consideration, a number of such shares as the Commission determines will advance the public interest and the purposes of this Act. In its determination with respect to ownership of shares of stock in the corporation, the Commission, whenever consistent with the public interest, shall promote the widest possible distribution of stock among the authorized carriers."

SATELLITE CORPORATION—POWERS

Section 305(a)(1): As passed by the House this paragraph provides, among others, that the corporation is authorized to operate "commercial communications satellite systems." The Senate-passed bill substitutes "a commercial communications satellite system" (singular).

APPLICABILITY OF COMMUNICATIONS ACT OF 1934

Section 401: This section provides that the corporation shall be deemed to be a common carrier within the meaning of section 3(h) of the Communications Act of 1934, as amended, and as such shall be fully subject to the provisions of title II and title III of that act. The Senate passed bill adds the following provision: "The provision of satellite terminal station facilities by one communications common carrier to one or more other communications common carriers shall be deemed to be a common carrier activity fully subject to the Communications Act. Whenever the application of the provisions of this act shall be inconsistent with the applications of the provisions of the Communications Act, the provisions of this act shall govern."

FOREIGN NEGOTIATIONS

Section 402: As passed by the House this section contains a provision to the effect that the State Department shall be reimbursed by the corporation for all costs, including salaries, incurred by the Department in assisting the corporation in negotiating with international or foreign entities. The Senate passed bill omits this provision.

SANCTIONS

Section 403(a): As passed by the House, this section confers jurisdiction upon certain district courts to grant appropriate equitable relief to prevent or terminate certain conduct or threatened conduct. As passed by the Senate, such jurisdiction would be conferred "except as otherwise prohibited by law."

Section 403(c): The Senate passed bill adds a new subsection to section 403 which provides that it shall be the duty of the corporation and all communications common carriers to comply, insofar as applicable, with all provisions of this act and all rules and regulations promulgated thereunder.

REPORTS TO CONGRESS

Section 404(c): The Senate passed bill adds to this section a new subsection (c) which provides that "the Commission shall transmit to the Congress, annually and at such other times as it deems desirable, (i) a report of its activities and actions on anticompetitive practices as they apply to the communications satellite programs; (ii) an evaluation of such activities and actions taken by it within the scope of its authority with a view to recommending such additional legislation which the Commission may consider necessary in the public interest; and (iii) an evaluation of the capital structure of the corporation so as to assure the Congress that such structure is consistent with the most efficient and economical operation of the corporation."

Mr. RYAN of New York. Mr. Speaker, I yield 5 minutes to the gentleman from California [Mr. ROOSEVELT].

Mr. ROOSEVELT. Mr. Speaker, to admit error is neither easy nor pleasant. I voted for H.R. 11040 when it passed the House, but I would like to point out that we are not today debating H.R. 11040. We are in essence debating the Senate bill.

I sat here, as many of you did, through the previous debate on an amendment to the Constitution. We heard a great deal about bypassing the Rules Committee, about the necessity for bringing up bills under suspension.

Mr. Speaker, here, in connection with one of the most important bills that will affect our country we are again limited to 40 minutes, and we are prohibited from offering any kind of amendments.

On top of that, the normal procedure in a bill of this kind, where the House has passed one version and the Senate another, is to go to conference where at least the differences between the two Houses can be brought to the attention of the conferees and then, if necessary, debated by either House. Here, on one of the most important measures of this or any session, we bypass this procedure. Why? Simply because everybody wants to go home and we are afraid there may be a filibuster in the other body.

So we hurry to do this thing. If this were a question of something going through to throw the country into an economic depression or whether some horrible thing would happen if we did not get it out of this Congress, perhaps that would be justified.

I would call your attention to the fact that that distinguished gentleman from NASA, Dr. Hugh L. Dryden, has testified it will be 3 to 5 years before most of the provisions of this bill can go into practice. What is the hurry, then? Where do we suddenly get this tremendous urgency that we must do this under an extraordinary procedure? I do not understand it, Mr. Speaker.

Therefore, I would like to point out a few of the differences between the two Houses. For instance, in the bill of the other body, they have eliminated the provision prorating the number of directors that may be elected by communication common carriers depending upon the percentage of voting stock of the corporation owned by the communication common carrier. What this means is that the common carrier may elect six directors, regardless of the percentage of voting stock owned by them. I am sure that the able and distinguished gentleman from Arkansas, chairman of the committee, thought highly of that provision when he put it in the House bill. Yet he is willing to eliminate that now, it having been eliminated by the other body. Why? This is one of the most important fundamental things which has to do with protecting the interests of the people of the United States. Yet we in the House are asked to give that up and pass it by.

There are many other provisions. For instance, one of them in our bill which passed the House of Representatives originally provided for reimbursement by the corporation that is set up in the bill for all costs incurred by the State Department in assisting the corporation in international negotiations. But the other body took it out. All of a sudden the State Department is going to have to pay for the work that it does for this private corporation. I do not understand that. I do not believe that those of you who are so interested in fiscal responsibility can understand it. It should be a matter which should have come before a conference committee.

Mr. Speaker, the debate in the other body and the detailed criticisms of the bill by such people and organizations as former President Harry Truman, many individual unions, and the AFL–CIO, distinguished experts like Benjamin Cohen and others, all these have brought to light much of what was not available to the Members of this House at the time we passed the bill 3 months ago.

So I must say, Mr. Speaker, that while it is hard to admit it, I must admit that I believe I was in error in originally voting for this bill. But I would not compound it now by voting for a procedure which violates every proper ethic, violates the tradition of going to conference, and sets up something, such as this, because somewhere there is a hidden pressure that we get this thing done at this time.

Further, Mr. Speaker, there are some matters of fundamental importance to consider. In the first place, no global satellite system will be possible without numerous and complex international negotiations which will seriously affect our foreign policy. Such negotiations should be handled by the one interest which is motivated solely by considerations of the overall national good—the President and his arm, the State Department. Instead, S. 402, the bill before us draws an artificial and impractical distinction between business and other negotiations, and relegates the State Department to the role of a mere assistant where so-called business negotiations are concerned. It does not even give the State Department the deciding voice in determining what is business. Thus, for the first time in our history a private group is given a statutory right to conduct negotiations involving foreign policy considerations with foreign entities.

Secondly, as former President Truman said, the bill is a gigantic giveaway of vast amounts of taxpayer-financed research to a private monopoly. The taxpayer gets nothing for the Government in return. The bill does not even provide preferential rates for governmental use, as some small compensation, even though USIA Director Edward R. Murrow said he would probably be unable to afford use of this taxpayer-subsidized satellite system unless he received preferential rates.

In addition, the bill establishes a consortium of companies in direct contradiction of our antitrust policies. Without the exemption from the antitrust laws created by this bill, the joint venture of carriers and equipment companies to be established by this bill would violate sections 1 and 2 of the Sherman Act and section 7 of the Clayton Act. This is because the bill will result in restraining competition in the communications industry as well as in the equipment supply industry; it will create a monopoly, it will further dangerous vertical integration in numerous areas. Small businessmen who cannot afford substantial stock holdings will almost certainly be frozen out.

There are numerous other ways in which this bill is fatally defective. I will add only one more point. This bill, as all recognize, will set up a corporation dominated by A.T. & T. That company is promoting the low-orbit system. Once the corporation becomes committed to this low system, it will be reluctant to scrap it for the superior high system. The Russians, on the other hand, will almost certainly move right to the high system, and once again, we will have the second best.

And even with respect to maximum development of the low system, it must be kept in mind that A.T. & T. and the other carriers have a multibillion dollar investment in existing facilities which will probably be rendered obsolete by full development of the satellite system. It will, therefore, not be to the carriers' interest to promote even the low system as rapidly as possible.

The list of objections to this bill could be extended almost indefinitely. Any of the points I have listed would be sufficient by itself, to condemn this bill. Jointly, they make passage of this bill almost unthinkable.

Many industry and other expert witnesses have shown that we have nothing to lose and much to gain from deferring final decision on this question until a later date. This is because research and development are still in the early stages and are proceeding at top speed, regardless of a resolution of the organizational question. If the corporation is set up at this time, it will have almost nothing to do.

For all these reasons, I believe we should reject this motion and I will vote against it.

Mr. RYAN of New York. Mr. Speaker, I yield 2 minutes to the gentleman from Texas [Mr. POAGE].

Mr. POAGE. Mr. Speaker, first I want to extend to the entire membership of the House an invitation to attend the meeting of the American Group of Inter-Parliamentary Union to be held tomorrow morning, Tuesday, August 28, at 8:30 a.m. in room G–221 of the New Senate Office Building.

Mr. Speaker, I want all Members of the House to know that they are welcome to attend. They will have to buy their own breakfast as will everyone else, but we hope that many of those who have criticized the Inter-Parliamentary Union as being a closed organization will be present and participate. Therefore, I extend the invitation to everyone.

Now, Mr. Speaker, as to this bill, I happen to be one of the nine who originally voted against this measure when it came before the House. I think every reason which existed at that time still exists for opposition to this proposal.

I do not look upon this as any clear-cut issue between private ownership and Government ownership as some have viewed it. On the contrary, I know of no reason why the Government should not continue to own the instrumentality which it places aloft—and it is always going to be the Government which actually puts these satellites in orbit and not the Bell Co.—I know of no reason why the Government should give up ownership.

On the other hand, I know of no reason why any private concern should not be licensed to use these satellites and to pay a fee for the use thereof in proportion to the time of use. This would assure use by new as well as existing companies. I think this is essential to true free enterprise.

I know of no reason for establishing a "favored instrumentality" similar to the British East India Co. or the old Hudson's Bay Corp. That is what this bill seems to be doing. Certainly no one will deny that this bill gives a few corporations privileges not available to all corporations. Certainly this bill extends to a few existing corporations opportunities which will be forever denied to new corporations.

I know of no reason why we should revert to the policies of the 16th century. That is exactly what we are doing with this bill. We are establishing a "favored instrumentality" to perform vital and we hope profitable business functions and we are giving to that instrumentality a complete monopoly in a vital field. I know of no reason why the Government should create such a monopoly or deny every citizen the right to use these satellites by paying a uniform fee.

On the other hand, I know of no reason why the Government should get into the communications business. Why cannot the Government continue to own the ball which it puts in the air as long as it circles the earth? And why should it not license the use of that ball to anybody who wants to use it and who will pay the fixed fees? Let them pay in proportion to their use. That will assure the Bell Telephone Co. of being able to develop all of the use that is necessary; and it will make sure that they pay their fair proportionate share of the Government's costs. But when you give them the entire board of directors I am not so certain that they are going to pay their full share.

I think that, regardless of what we have been told, we must recognize that we are not faced with a clear-cut choice between Government ownership and operation on the one hand and private operation on the other. Indeed, it seems more likely that we are faced with a 16th century monopoly for a favored few if we pass this bill, as against a really competitive arrangement where any private corporation can get in the business by paying the fees and complying with the rules. I believe that the latter situation is the more likely to perpetuate private industry.

Frankly, I doubt that you can long retain monopolistic control of so vital a new industry, and I fear that the arrangement to bring all satellite communications under the control of a Bell Co. dominated corporation contains the seeds of its own destruction.

The SPEAKER. The time of the gentleman from Texas [Mr. POAGE] has expired.

Mr. RYAN of New York. Mr. Speaker, I yield 3 minutes to the gentleman from New York [Mr. ROSENTHAL].

Mr. ROSENTHAL. Mr. Speaker, the issue and discussion today seems to have centered on the question whether or not there should be private or Government ownership of communications satellites. I merely take this time to bring to the attention of my colleagues the result of a poll that appeared in the Washington Star of August 19, 1962. I do not think we should regard the result of this poll so freely and willingly as we seem to be doing this afternoon. I read just a short paragraph from that article:

> A cross section of the public was asked, "Do you think the future network of American communications satellites—like Telstar—should be owned and developed by the Government or private industry?"
>
> The replies, in percentages, were:

	Percent
Government	44.1
Private industry	39.3
Uncertain as yet	4.8
No opinion	11.8

Mr. Speaker, I suggest that if we go ahead today in a hurry to pass something that hardly seems necessary for us to be in a hurry for, we defy the wishes of the American people.

Mr. HARRIS. Mr. Speaker, I yield 5 minutes to the gentleman from Illinois [Mr. SPRINGER].

Mr. SPRINGER. Mr. Speaker, let me review, if I can, just what has happened on this bill thus far. In a little over 4 hours some 2 months ago we passed this bill, substantially the same bill we have before us today, by a vote of 354 to 9. It went over to the other body and a filibuster was put on over there by six or seven or eight Members of that body, which lasted some 3 weeks. But they finally passed the bill overwhelmingly and it comes back to us today. Now we are taking up the amendments which the Senate added to its own bill, which is slightly different from the House version. That is where we are today.

When this bill was before the House there were some on the floor who shouted, "Giveaway, giveaway." When it went over to the other body there were some over there who shouted from morning until night, "It is a giveaway."

The history of this bill is this. This bill was sent down by the President of the United States. He is my President, as he is yours. This is his bill. Before our committee in the House the lead-off witness was Bobby Kennedy, his own Attorney General. The second witness, who followed, was Newton Minow, the President's Chairman of the Federal Communications Commission. There are the three backers for the particular bill which we passed in the House. It is substantially the same bill which we are asked to act on here today. If you say this is a giveaway bill of the resources of our country, you are saying the President of the United States sent down to the Congress a giveaway bill. I do not think that is what the President of the United States did. I do not think that is what the Attorney General of the United States testified to, or the Chairman of the Communications Commission either. They brought down a bill which fitted in with all the traditions of America. It is that kind of bill we have before us today.

Why are we taking this bill up today? Sure, the opponents would like to send this bill to conference. There is a little group over here that would like to send it to conference, and those five or six in the other body would like to get it where they can keep it in conference for 3 or 4 weeks and, when it comes back to the other body, they will filibuster it again and kill it. That is the reason for the action of those here today who want it to go to conference. This will never pass unless it reaches the President's desk soon. That is what will happen, and I think every Member of the House ought to know that is what will happen if this bill is sent to conference.

After reading the differences between the House and Senate bills, I believe these are reasonable differences. In my opinion, there is no considerable difference that will affect anybody who voted for this bill before in being able to vote for it today. I believe this bill as it passed the House overwhelmingly, as I say, 354 to 9, is a reasonable bill, which was well considered in committee. It was given all the consideration in committee that a bill of this nature and stature ought to have.

There is a reason this ought to pass. The prestige of this country is on the line. All the world is going to watch whether we pass this bill or whether we are going to turn the President down on passing this satellite bill. There are 35 or 40 countries immediately interested in what is happening along this line. This is a fair bill; it is in the public interest, and those who vote for it will certainly be justified in going back to their constituencies and saying, "This is a good bill, and I voted for it."

Mr. RYAN of New York. Mr. Speaker, I yield such time as he may desire to the gentleman from Oregon [Mr. ULLMAN].

Mr. ULLMAN. Mr. Speaker, I rise in opposition to this legislation.

Mr. Speaker, most responsible opponents of this legislation are not opposed to private operation of the communications satellite program.

In my opinion, Congress should enact legislation which would retain ownership of the satellite system by the American people, but which would provide for operation by the private communications companies through competitive leasing arrangements. This would be similar to the system under which the Federal Communications Commission grants channels to radio and television stations. Under this arrangement, the American people continue to own the airwaves, but private enterprise is granted their use. It is a system which has worked well.

Furthermore, we would be following the precedents of the past. For example, during World War II, atomic energy and jet propulsion systems were developed by the Government at tremendous expense. Yet, at the end of the war the benefits were made available to competing firms in a way which would encourage the development of the competitive system. The opponents of the bill now before us want to follow this precedent. Competitive leasing of the communications facilities would further the system of free enterprise capitalism much more than a system of Government-instituted monopoly.

Mr. Speaker, the U.S. taxpayer is not protected under this legislation. First he will have donated the hundreds of millions of dollars which went into the research and development of this system without compensation. Under the provisions of H.R. 11040—as amended by the Senate—the corporation is not required to reimburse the Government for any of its investment in developing the communications system or the millions it took to develop the rockets which launch the satellites into orbit.

Secondly, the U.S. Government will be the corporation's largest customer, but in this bill there is no assurance that it will receive preferential rates. Certainly the U.S. taxpayer deserves this when you consider the huge subsidy the corporation would receive. Mr. Murrow, the Director of the U.S. Information Agency, testified that he feared his Agency could not afford to use the private system if USIA were charged the regular commercial rates. The U.S. Government will be its largest user and will be at the mercy of the corporation on rates.

The magnitude of this bill's impact on foreign policy has been stressed, and rightly so. These satellites will orbit over the territory of every nation in the world. Arrangements for the international regulation of such a communications system will have to be negotiated with foreign governments. In a project of such magnitude and importance, I believe our State Department, not a private corporation, should be in control of negotiations with foreign powers.

Mr. Speaker, there has been a great deal of haste in the attempt to pass this legislation. History often has shown that the result of rushing a bill through Congress is the enactment of imperfect legislation. I believe this will be the case in this instance. The House bill was a much better bill than the one the other body has returned to us. And now we are called upon to accede to the Senate version. An example of the superior House bill is the provision for the selection of the six directors representing the communication companies. The House Interstate and Foreign Commerce Committee wisely inserted a provision prorating the number of directors on the basis of the percentage of the stock purchased by the companies. This, I believe, was a wise precaution. But the Senate struck that provision. Instead, they inserted in their bill a provision which would allow the companies to buy less than the 50 percent of the stock allotted and yet still elect the full number of directors.

Mr. Speaker, the ranking members of the House Commerce Committee were so concerned about this and other provisions, that it was reported they would insist on a conference. But because of the great rush to get a bill enacted, they were persuaded to accept the objectionable amendments. Here we have a situation in which the Senate is asking the House to suspend its independent judgment and accept their bill. They are asking us to accept amendments which we do not think are wise without even going to conference where our conferees could argue the merits of the House version.

The excuse for all this haste has been that we will fall behind in our communications satellite program if we do not pass the bill this year. But I have yet to hear any convincing argument that this would happen. We have made great progress under a system in which the different private corporations worked in close and fruitful cooperation with the various Federal agencies involved. Telstar was launched and the first live TV program was sent across the Atlantic by means of this cooperative effort. If this bill were to be considered again next year it would in no way slow down our efforts in this area.

Mr. Speaker, it may not be immediately evident to all that the policy incorporated in this bill is a mistake. It may take a period of years, but I feel we will all come to regret this policy. Yet, if the Members of this body do decide to turn the communications satellite system over to private ownership, let us at least pass the best legislation possible. The bill we are asked to approve today does not measure up to this requirement. Mr. Speaker, I hope the House in its wisdom will reject this bill as passed by the other body.

Mr. RYAN of New York. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, once again the House of Representatives is faced with the question of the communications space satellite bill. Now we are being asked to pass the version which passed the Senate. I think it is important that this bill go to conference where the differences can be ironed out. I was opposed to the bill originally, and I am still opposed to it. However, I believe that there are significant differences which should be ironed out in conference and that this bill should not be passed under a suspension-of-the-rules procedure.

The time which has passed since we first considered this bill and, especially, the Senate debate have strengthened my conviction and reinforced my belief that this proposal in either the House or Senate version is not sound. I should like to summarize some of the reasons why. Former President Harry Truman, the AFL–CIO Executive Council, the American Veterans Committee, and others have considered this proposal not in the national interest.

If this bill is enacted, it means handing over to a private monopoly the fruits of a vast public investment. The taxpayers have financed our space program. The taxpayers have financed 90 percent, according to Dr. Welsh, of the space communications competence which has made possible Telstar and which will make possible other significant advances in space communications. It seems to me, this investment should be reserved to all the people.

In addition, the issue here is not free enterprise. There can be no free enterprise in a noncompetitive monopoly situation.

The U.S. position of preeminence in space satellite communications must be maintained. We must have the best possible satellite communications system at the earliest possible date.

H.R. 11040 would create a private corporation to own and operate the U.S. portion of a worldwide communications system using space satellites.

If enacted into law, this bill will hand over to a private monopoly the fruits of vast amounts of taxpayer-financed research. It will endanger United States progress toward the most rapid development of a truly global satellite communications system. It will seriously impede the conduct of our foreign policy insofar as space communications are concerned.

To make matters worse, the philosophy embodied in this bill violates the principles of free competitive enterprise which have been the foundation of our Nation's economic and political strength.

In short, it is a premature and overhasty step in the wrong direction.

THE GIGANTIC GIVEAWAY

As Harry Truman said on August 10, H.R. 11040 proposes the most gigantic giveaway in the history of this country. It would turn over a governmentally created private monopoly the benefits of hundreds of millions of dollars of taxpayers' money which have been invested in the development of space and satellite communications technology. Even after the corporation is set up, the taxpayers will continue to subsidize it, and will get nothing in return. For example:

First. The Government will have to pay the same rates as any commercial user, under the terms of the bill, even though Government expenditures made the satellite system possible and the Government will be the largest user. Moreover, the bill appears to require the Government to use only this system. (Section 201(a)(6).)

Second. NASA is required under the bill to help the private corporation, but the private corporation is not required to help NASA.

Third. The State Department under the bill is required to help the private corporation, but the private corporation is not required to help the State Department.

When the benefits of Government-financed research and development have been turned over to private enterprise in such areas as the research on atomic energy, jet aircraft, and on agriculture, the benefits of the Government investment have been made available to competing firms and in a manner to encourage competition.

The bill before us, on the other hand, proposes the unprecedented creation of a single private monopoly which would be the sole beneficiary of this huge taxpayer investment. Indeed, only this corporation is statutorily entitled as a matter of right to the NASA services set out in section 201(b) of the bill.

FOREIGN POLICY

The satellite system will be inextricably involved in numerous complex international negotiations and relationships. As pointed out by numerous students of international affairs like Ambassador Ernest A. Gross and Benjamin Cohen, the bill would turn over the conduct of our foreign negotiations in this matter to a private company. The President and State Department originally insisted on the need to retain all international negotiations in the hands of the President and the State Department. The carriers reacted with vigorous protest. To appease them an artificial and impossible distinction between "business" and "government" was injected into the bill and the State Department relegated to the role of mere assistant to the corporation where so-called business negotiations are concerned. The bill does not even give the President or the State Department the power to define what is "business" or "governmental."

Such a statutory abdication of governmental responsibility is unprecedented. It is most unwise in an area where our foreign policy interests are so vitally concerned.

ANTITRUST EXEMPTION

The private monopoly which this bill would create is likewise unique in our history. This bill proposes to allow existing and future communications common carriers to join together and participate in the ownership of a private satellite corporation. Without the special legislative immunity provided by this bill, such action by the communications carriers would be in clear violation of the antitrust laws. In fact, when the FCC originally requested the communications carriers to get together and suggest a plan for the ownership and operation of our satellite communications system, the Justice Department advised that the representatives of these carriers could not even come together to discuss the matter without violating the antitrust laws.

This exemption is one of the primary purposes of this bill, and the need for such an exemption shows how inconsistent with our free enterprise traditions this corporation will be.

SEPARATION OF COMPETING FORMS

This bill also constitutes a departure from our wise and time-tested policy of not allowing common carriers in the fields of transportation or communications to own or control competing carriers. For example, railroads may not control airlines or the trucking lines. Airlines may not control the railroads. The barge lines have not been allowed to own or control the railroads, nor have the railroads or airlines been allowed to control barge lines. We have also found it desirable to keep separate the ownership and control of telephone and telegraph communications.

This philosophy of separate ownership of competing forms of transportation and communications is founded on the belief that the economy and the public will benefit from a maximum degree of competition in these fields. We expect this competition to provide rapid development and early introduction of the newest developments in all fields.

CONFLICT OF INTEREST

The bill before us represents a complete reversal of this use policy, for it would turn over our satellite communications system to the very companies which now operate our existing communications facilities. The new facilities will be competitive with the older communications facilities. In many instances a satellite communications system will make existing facilities obsolete. We cannot afford to turn over control of this wonderful new development to companies with huge investments in such existing facilities since the spur of competition will be absent. Such companies will be inclined to lag in the speedy development of the new and revolutionary technology until they have recovered their full profits from the existing facilities.

The problem goes deeper because virtually all of the communications carriers of any size have their own manufacturing subsidiaries or divisions. There would be a natural tendency for the carriers to use their representation in the satellite corporation to influence its procurement policy. They would, of course, favor themselves and thereby restrict competition in the supplying of goods and services for the satellite system. Small companies, who cannot get much of a voice in management, will be frozen out.

NO REIMBURSEMENT TO GOVERNMENT

The private monopoly created by this bill will receive free of charge the benefits of millions of taxpayer dollars and would be under no obligation to reimburse the Government for any of this. The only requirement is that the corporation repay NASA for the out-of-pocket costs of launching the corporation's satellites into orbit, a trivial sum in comparison with the true costs to the taxpayer.

NEED FOR PREFERENTIAL RATES

This bill does not even provide that the Government and its agencies are to receive preferential rates for the use of the satellite system. There is adequate precedent in the field of communications for granting the Government preferential rates. Certainly the Government and the taxpayers are entitled to some special consideration from this proposed private monopoly in return for the huge subsidy the corporation will receive, both now and in the future. Here the Government will have to pay the same rates as any commercial user.

PROBLEM FOR USIA

The Director of the U.S. Information Agency, Edward R. Murrow, has testified that he doubts the Voice of America will be able to afford to use the facilities of the private corporation at commercial rates. At a time when it is important to carry the message of the United States all over the world, this is dramatic evidence of the problem involved. Look at the situation we will create by passing this bill.

OWNERSHIP

On the question of ownership of the proposed private corporation, there are some points which need to be clarified. The proponents of this bill and the press have frequently stated that the bill provides for 50-percent ownership by the public and 50-percent ownership by the communications carriers. Such statements are highly misleading.

This bill provides that the carriers shall be limited to 50 percent of the voting stock of the corporation. There is no ownership limitation on the nonvoting securities, bonds, debentures, or other securities of the corporation. Moreover, nothing in the bill requires that all or even much of the financing is to be through the use of voting stock.

A. T. & T. DOMINANCE

It is entire possible that the corporation could be financed largely through nonvoting securities, bonds, or debentures. If this procedure were followed, and there are good reasons to suspect that it will be, the carriers could easily end up with far more than 50 percent of the corporation's securities. As a matter of fact, the way the bill is worded, it would be entirely possible to finance the corporation in such a way that A.T. & T. alone could own 99 percent of the total of all securities issued by the corporation.

The proponents of this bill have suggested that the public interest is to be protected through the medium of stockownership by the public at large. The bill simply does not contain any provision to insure that this result will follow. If public participation is important, the bill should be drafted in such a way as to insure that protection.

FURTHER INADEQUACIES

The shocking inadequacy of this bill and the absence of real protection of the public interest is evident on every important issue. The administration has stated that the American taxpayers who have made the system possible should have an opportunity to buy stock in the proposed private satellite corporation. Compare this statement with the language of the bill. The bill provides only that the shares of voting stock initially offered shall be sold at no more than $100 and in such a way as to encourage the widest distribution to the American public. Neither of these requirements is imposed on subsequent offers of voting stock on any issue or offer of any other form of securities.

It would be perfectly lawful under this bill to have a small initial offer of voting stock in which the public could share, then use subsequent offerings for all major financing. The subsequent offerings could go directly to large corporations, banks, insurance companies, and the like, and the general public could be excluded completely.

PROBABLE METHOD OF FINANCING

The fact is that the corporation will probably be financed to a significant extent through the use of securities other than voting stock.

In the first place, the carriers do not have to buy any minimum amount of voting stock in order to have their right to elect their six directors. Secondly, all nonvoting securities, bonds, debentures, and so forth, which a communications carrier may buy are eligible for inclusion in the carrier's rate base.

THE DOUBLE RETURN

By purchasing securities other than voting stock, the carriers lose nothing in regard to their rights to elect directors and at the same time can earn a double return on their investment. On the one hand, any nonvoting securities, bonds or debentures would naturally pay either interest or dividends to the holder. On the other hand, through their eligibility for inclusion in the carrier's rate base, the carrier could exact a reasonable profit on these securities and bonds raising the rates to the carrier's own customers.

I have not yet had it explained to me why the communications carriers should be entitled to earn a double return at the expense of the taxpayers and the consuming public. Indeed, it is a puzzle why a carrier should be allowed to include any of the satellite corporation's securities in its own rate base at all. A.T. & T. wants to buy stock in General Motors, it is entitled to under the law, but its investment in General Motors stock does not become a part of its rate base. Why should stockownership in a private satellite corporation entitle A.T. & T. or the other communications carriers to any special privileges which are not available to any other purchasers of the satellite securities?

THE TYPE OF SYSTEM

Experiments are currently underway with low-orbit and high-orbit—synchronous—satellites. An operational system using either type is still at least a few years away. It is generally agreed, however, that the high system is ultimately the most desirable and most economical.

A.T. & T. has been promoting the low system. If this corporation is established, with A.T. & T. the dominant voice, we shall be wedded to an investment of hundreds of millions of dollars in a system which is second best. We must retain maximum flexibility so that we can determine which system to use now, and be in a position to switch to the high system as soon as possible.

NO SPACE LAW

There is now no general body of international law governing outer space. This fact alone creates many serious problems which the legislation before us necessarily leaves unanswered, for only international agreements and practices can resolve them. There are inherent problems in any attempt by one nation unilaterally to appropriate for its own use or for commercial purposes any new development of this sort. We do not even know as yet what position the United States might take if other nations were to protest our use of outer space for commercial purposes through a privately owned corporation operating for profit.

It seems to me wise to keep these satellites as American-flag satellites while the international questions are being resolved.

PARTICIPATION OF PRIVATE ENTERPRISE

Those of us who are opposing this bill believe that ownership and control of the satellite system should remain in Government hands for the benefit of all the people. We understand fully the importance of cooperation between Government and business in this important area. The record shows, however, that we have repeatedly emphasized that the facilities of the satellite communications system might appropriately be operated by private enterprise under contract or lease arrangements with the Government.

It seems to me that the gentleman from Texas [Mr. POAGE], when he spoke a few minutes ago, pointed out the real question here. The question is whether we are going to hand this system over to a private monopoly which will be dominated by the giant communications carriers or whether we will set up and establish a method whereby the communications space satellite system launched by the Government and developed by the Government can be made available on a competitive basis to all, so that any carrier may come in and bid for the use of this communications system. It has never been my position, and I do not believe it has been the position of Members of the other body, that the Government actually should be in the business of communications.

QUESTION OF GOVERNMENT EFFICIENCY

Statements have been made on the floor and elsewhere concerning the comparative efficiency of Government and private enterprise. Efficient, capable operation is not, however, a characteristic reserved for private corporations and unattainable by the Government. Private enterprise, like the Government, has a record containing both successes and failures, but the strength and freedom of our country attest to the fact that both business and Government are capable of doing fine jobs.

For those who find it a popular pastime to berate Government efficiency and operation, I would like to point out that it was not the Federal Government which built the Edsel—it was the Ford Motor Co. It was not the Government which built the 880–990 jet aircraft; it was the General Dynamics Corp. On the other hand, TVA, Bonneville, the Panama Canal—all these are efficient governmental operations. These examples show that trial and error, efficiency and inefficiency are not peculiar to either Government or private industry.

CONCLUSION

Mr. Speaker, I think the gentleman from Texas [Mr. POAGE] emphasized the issue very clearly in his statement. The issue is whether we reserve for the benefit of the millions of taxpayers of the United States the resources which we have developed at their expense or whether we turn them over to a private corporation which will be dominated by A.T. & T. and by other carriers, which will be able to put their investment in this system into their rate base and get a double return.

I submit we should not pass this bill. I urge defeat of the bill. I believe it is in the national interest not to pass this now. There are many unknown factors. There is no need to rush into this kind of proposal. Our space program will go forward, and it will benefit the Nation not to take hasty action now.

Mr. HARRIS. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD at this point giving a complete explanation setting forth how foolish this argument is of the so-called giveaway and the great claims about this program.

The **SPEAKER.** Is there objection to the request of the gentleman from Arkansas?

There was no objection.

Mr. HARRIS. Mr. Speaker, when we were preoccupied by this bill last May, it was opposed by a few of our colleagues on the ground that it was a giveaway in the sense that the proposed corporation would be able to take advantage of research and development in space communications which has been conducted at Government expense. Various figures were used to support this contention. In fact, we were confronted literally by a numbers game.

These assertions, it seemed to me, were self-defeating for if the Government had expended hundreds of millions or billions of dollars to develop a communications satellite facility, as claimed, where was the evidence? The Government had then and has now no active communications satellite or ground station in operation. The simple fact is that the only communications satellite and ground stations in operation today were conceived, designed, and constructed by private industry.

Deputy Attorney General Katzenbach, on the basis of estimates prepared for him by NASA, has stated on several occasions that a proper allocation of Government expenditures in space communications would be in the neighborhood of $80 million through fiscal 1963. This is a far cry from the hundreds of millions or billions claimed by the few opponents of this bill. It is also true that between $100 and $200 million have been expended by the military on Project Advent but unfortunately this program has recently undergone a redirection or a reorientation while the efforts of private enterprise with Telstar have met with unqualified success. Our experience with Advent scarcely affords the Government any vested right to own and operate the proposed satellite system.

The fact that the Government has sponsored research and development in satellite communications hardly constitutes a giveaway. This argument could be extended to many areas of our economy. Our commercial jet aircraft are based on designs made possible by Government-financed military aviation and the fruits of this research have been made available to our aircraft manufacturers. The same is true although perhaps to lesser degree with respect to drugs, hospital equipment, and techniques of medical treatment which were the outgrowth of knowledge financed by the Government. The Government has also paid for the bulk of the organized agricultural research in this country for more than a century, yet few seriously argue that the Government should own and operate this Nation's farms. Throughout the entire breadth of our economy one finds that the fruits of Government research and development are made available to private enterprise when they are commercially feasible and serve to promote our national objectives.

The Government's research and development in the space effort is going on in all sorts of fields, in rocketry, metallurgy, communications, biology, systems controls, and so forth. Now, I would suppose that the benefits of research in these fields will be spinning off into our society in all sorts of ways, increasing our productivity, yielding taxes, going a long way to recover in the general health of our society the costs incurred by the Government which went into this effort. But it is by no means a one-way street.

The reverse is also true. There has been a continued input from the private field into Government and back from Government research into the private field. This is one of the great partnerships which has helped this country develop.

Space communications is an excellent illustration of the beneficial effect of the continuing partnership between Government and industry. The case of Karl Jansky is a memorable one. Working for one of our private communications companies, Mr. Jansky's assignment was to discover what was making the noise that was disrupting transatlantic telephone service. In his research Mr. Jansky detected a steady hissing whenever his antenna was pointed at one particular section of the sky. He soon discovered that the noise was coming from outer space and with this discovery opened the door to radio astronomy, without which our knowledge of the universe would be limited and our space programs severely handicapped.

The invention of the transistor is also a case in point. It was the product of a fundamental research and development program conducted by one of our private communications companies. The record indicates that this one company alone has spent $1 billion since World War II on research to improve communications service but which is closely pertinent to today's satellite communications development. The discovery of the transistor which led to the Nobel Prize in physics, has made possible the miniaturization necessary for our space programs. I do not know how much such a development is actually worth in monetary terms, and it certainly is very great, but it is clear that without it our space effort would be years behind.

It should also be pointed out that Telstar, our first successful active communications satellite, was developed by private industry at a cost of some $50 million, including the cost paid to the Government for the launching expenses. It is also worth noting that all developments and know-how acquired in connection with Telstar are being made available free to NASA. Telstar is an excellent illustration of the benefits that have flowed from the continuing partnership between Government and private industry.

What this legislation attempts to do is to adapt the resources of the country to this particular project and to bring in the capital through other means that taxation. This no minor matter when our Federal budget is currently running at a $6 billion deficit. Under this bill further research and development will be largely financed by private capital rather than by the taxpayers, and the cost of developing and operating a communications satellite system—including all launching and rocket costs—will be borne by private industry and not by the taxpayers. In all probability this will involve further investment of several hundreds of millions of dollars in what is unavoidably a risk investment. In our form of government we have generally sought to attract private capital into such risk situations rather than expend the involuntary contributions of the taxpayers where, as here, a workable alternative is possible. And should this venture prove successful, the Government will have its contribution to the success of this enterprise returned not only through the payment of corporate taxes but in many other ways.

Finally, it has been said that the corporation will be able to make large windfall profits in this field. This legislation precludes any such possibility. The facts are that under this bill the corporation is going to pay for everything it gets and that it will earn only a regulated return on what it invests.

In conclusion, let me advert to one further matter: Several of our colleagues opposed this bill last May on the ground that the proposed satellite corporation could be dominated by a few large stockholders. This contention was advanced again before the other body and it seems to me was laid to rest by Attorney General Robert Kennedy in his testimony before the Senate Foreign Relations Committee when he concluded:

> I think anybody who makes an objective study of this bill, this legislation, could not possibly reach that conclusion.

This bill represents a very useful marriage of private industry and Government. The policy considerations have been carefully considered and fully debated.

> There is no reason to suppose—

As Secretary Rusk has stated—

> that they would be more wisely decided if this process were to be extended another year.

On the other hand there is every reason to suppose that the impetus from the passage of this legislation and the organization of the satellite corporation will bring us measurably closer to the time when a global communications satellite system is in operation. The time to act has arrived.

Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their remarks in the RECORD at this point on this bill.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

Mr. MACK. Mr. Speaker, the changes made by the Senate do not substantially affect the objectives of the communications satellite bill originally passed by the House. I recommend that we accept the Senate amendments, thus completing legislative action on this important measure.

This bill provides for a privately owned, profitmaking corporation subject to Government supervision to operate the communications satellite system. I support this principle and believe that it will substantially improve the prestige of the United States in the eyes of the free countries of the world. I supported private ownership when we were originally considering this bill in the Interstate and Foreign Commerce Committee and I continue to support this approach.

Mr. Speaker, I hope that we settle this problem once and for all because I feel very strongly that we should proceed with our communications satellite program.

Mr. GONZALEZ. Mr. Speaker, I am immensely disturbed by the unseemly haste this Congress has shown in the matter of determining important future public policies for a system of communications satellite.

There was scant discussion on this when the matter was previously before the House. And in the Senate many questions were raised which received little in the form of answers from the proponents of this measure.

I wonder about this haste. And I wonder about this absence of answers. Either there is much that is not yet known about the consequences of the policies proposed in this bill or there is much that is not being told.

One thing that is known and can be told is that this proposition on its very face is a perfect illustration of an old Texas story about two neighbors who joined together to share ownership of a cow. To insure a true joint ownership it was agreed that the cow would be tethered across their property line with the understanding that each neighbor would administer to his half of the cow. This arrangement seemed fair enough when proposed but in short enough time the dim-witted one of the neighbors realized that from this bargain he ended up feeding the cow at one end while his sharp-trading friend acquired the right to milk the cow at the other end.

Mr. Speaker, this is what I see in this communication satellite bill. The sovereign Government of the United States and its citizens is the dim-witted member of this duo that is getting prepared to feed a cow from which it will not even have the right to receive milk.

Nowhere was this fact made clearer than in the testimony of Mr. Edward R. Murrow, Director of the U.S. Information Agency, before the Committee on Foreign Relations of the U.S. Senate. Mr. Murrow expressed his apprehension to the Senate committee saying that his important Agency would not be able to afford to use the satellite system. He said that it would cost $900 million a year to simply use the satellites for an hour and a half program a day beamed into the undeveloped areas of the world.

Then we were treated to the unhappy scene of the head of this Government Agency musing about whether it might be possible for this important work of the Government to enjoy something less than the going commercial rates. Mr. Murrow said:

> National investment in the system has been great. Having contributed to developing the system, Government should not be on a parity of payment with other commercial users. We strongly believe that affordable rates for our Agency's use—inasmuch as we speak abroad for all the Nation and for all this Government—is an appropriate partial repayment of that national investment. One may phrase this as a reservation of a public domain for public use, an extension of the public service concept into the system.

But the Senate has now acted on the bill and did not address itself to Mr. Murrow's point. By failing to do so, and by the House proponents bringing the Senate version before us for adoption it is now confirmed who is to feed the cow. If further confirmation is needed, consider the fact that the Senate even dispensed with the House proviso in section 402 which would require the corporation, this East India Company of the skies, to reimburse the State Department for any direct assistance it renders.

Mr. Speaker, before the Senate acted on this bill I tried to call attention to the fact that the "verbs" in this bill were largely for the purpose of defining the duties the Government will continue to have in this setup. There are many pages telling what this Government must do to feed this cow whose milk it must then purchase at regular commercial rates. Let me just remind you again of some of these.

The President must aid in development and foster the execution of this commercial system; he must continuously review both the development and operation of the system; he must coordinate all activities of Government agencies in this field; he must exercise supervision of relationships of the corporation with other governments; he must insure arrangements for foreign participation; he must take all necessary steps to insure availability of the system; he must exercise authority to protect the electromagnetic spectrum.

Now, with the President given mandates to aid, to foster, to review, to coordinate, to supervise, to insure, to take all necessary steps, and to exercise authority over the corporation, one is tempted to ask, "What is the corporation responsible for doing?" What verbs are left to describe its functions?

But, wait, despite the bill's charges to the President, it is still not satisfied that our national objectives and the cause of world peace and understanding can be turned over to the corporation. There are further guarantees to be erected.

The National Aeronautics and Space Administration must get into the act and advise, cooperate, furnish, consult, on things ranging from research and launchings to a catchall—other services.

But the bill does not stop yet. There are more chores for the Government to do for this corporation. The Federal Communications Commission must prescribe the bookkeeping system, must approve the technical operations, must grant a license for construction, must insure that this monopoly does not destroy effective competition or result in discrimination.

As though all of these were not enough, there is yet one other Federal department with a stake in this system: The Secretary of State can move in to require commercial communications to a particular foreign point.

After detailing all the functions of the President and others and adding three Presidentially appointed members of the board of directors, one would think the bill had done enough to get us an operational communication satellite system. And, actually it has. But it is at this point that the bill says, "now let's do all this in the name of good old private enterprise."

Private enterprise indeed. With all the governmental involvement required in this system, why do we delude ourselves by thinking there is any enterprise left for private persons. The bill erects a superstructure of governmental responsibilities and then calls in private enterprise. For what purpose?

The only purpose I can see is to permit private persons to profit from something Government must and should do.

Mr. HARRIS. Mr. Speaker, I yield 1 minute to the gentleman from Pennsylvania [Mr. FULTON].

Mr. FULTON. Mr. Speaker, I want to thank the chairman of the House Interstate and Foreign Commerce Committee, the gentleman from Arkansas [Mr. HARRIS], for his extension of the invitation for me to sit at the committee hearings on the communications satellite bill.

I would like to say to the House as one of the senior members on the Science and Astronautics Committee, having previously served on the Select Committee on Space on appointment by the Speaker, that we need this legislation passed, and we need it passed today. The United States is now first in the space communications field.

We should unite on a bipartisan basis for a good U.S. space program in order to obtain effective, economical, and meaningful progress in communications satellites. The U.S. space program where feasible, should be placed on a private enterprise basis. While there has been a compromise in some respects, I strongly advocate the passage of this legislation at this time.

I favor basic policy in the space field that where private enterprise can do the job the U.S. law should have private enterprise do it. This policy I think is clearly indicated to be correct both in space as well as on the ground.

A point we must remember is that Telstar was put into operation in space at the cost to, and under contract with, private enterprise. Telstar was paid for, the booster as well as the pad and ground facilities, were all paid for by private enterprise under contract. I favor the position that as much as possible our U.S. policy keep private enterprise in the space development, business, and operations. I hope we pass this bill today to indicate these policies, by an overwhelming majority.

Mr. HARRIS. Mr. Speaker, I yield 1 minute to the gentleman from Louisiana [Mr. WAGGONNER].

Mr. WAGGONNER. Mr. Speaker, a few days ago we sat here in this Chamber and disposed of some of the property which we had confiscated or taken control of as a result of World War II for the express purpose of getting rid of properties we could not through Government agencies operate as efficiently, or as economically, as private enterprise. This is a similar proposition: the U.S. Government cannot operate this communications satellite program as economically, as efficiently, as can private enterprise. I advocate private ownership of this communications satellite program. I approve this bill and I hope we will pass it.

Mr. HARRIS. Mr. Speaker, I yield the balance of my time to our distinguished majority leader, the gentleman from Oklahoma [Mr. ALBERT].

The SPEAKER. The gentleman from Oklahoma is recognized for 3 minutes.

Mr. ALBERT. Mr. Speaker, the action which the House is taking today on the measure now under consideration is one of historic significance. The communications satellite bill will rank among the most important legislative accomplishments of this decade. The distinguished gentleman from Arkansas [Mr. HARRIS] and his great committee are due the gratitude of the Congress and the country for the magnificent contribution they have made in finalizing this legislation in the form in which it is brought to the House today.

This legislation opens new frontiers in the science of outer space. It has far-reaching implications, national and international. The potential benefits which may accrue from a telecommunications system are virtually unlimited. We can visualize greater understanding between nations as the world shrinks further beneath an expanded capacity for rapid communication. The transmission of ideas and events around the world will be reduced to a matter of minutes. The entire world will become a stage to be viewed by all mankind. People all over the world will be able to see and hear things as they happen. We visualize a worldwide telecommunications system over which the truth can be transmitted to all mankind without delay or distortion. The potential of such a system as a weapon in the battle for world peace and understanding staggers the imagination.

The legislation before us gives a new dimension to our leadership in space communications. We are first; we intend to retain that primacy. The urgency in adopting this legislation arises from the need to press our advantage. We cannot afford the luxury of inaction which might permit hostile powers to overtake the lead we now hold in space communications.

Mr. Speaker, the Congress released the full force and power of the Government into space research 4 years ago in the National Aeronautics and Space Act of 1958, in which we declared that—

> It is the policy of the United States that activities in space should be devoted to peaceful purposes for the benefit of all mankind.

We are beginning now to see the results and the wisdom of that action. Four of our astronauts have been to space and returned, two have orbited the earth. A Tiros weather satellite, as I speak today, is maintaining constant surveillance for hurricanes. Countless lives have been saved, and millions of dollars in property preserved by that application of space science.

H.R. 11040 provides a model for cooperation between the Federal Government and private enterprise for the benefit of every American citizen. Private industry already has demonstrated its capacity to refine and build on the existing body of research and knowledge in the space field. This bill continues the practice, aiming at new horizons of achievement.

Today we have the opportunity to open a whole new area of applied space science. We have the opportunity to enhance American prestige. We have the opportunity to create greater world harmony through understanding. We have the opportunity and, with it, we have the responsibility. We must meet and accept both.

The **SPEAKER**. The question is on the motion of the gentleman from Arkansas, that the House suspend the rules and pass the bill House resolution 769.

Mr. **SPRINGER**. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 372, nays 10, not voting 53, as follows:

[Roll No. 203]

YEAS—372

Abbitt
Abernethy
Addabbo
Albert
Alexander
Alford
Alger
Anderson, Ill.
Andrews
Anfuso
Ashbrook
Ashley
Ashmore
Aspinall
Auchincloss
Avery
Ayres
Bailey
Baker
Baldwin
Barrett
Barry
Bass, Tenn.
Bates
Battin
Becker
Beckworth
Beermann
Belcher
Bell
Bennett, Fla.
Bennett, Mich.
Berry
Betts
Boggs
Boland
Bolton
Bonner
Bow
Brademas
Bray
Breeding
Brewster
Bromwell
Brooks, Tex.
Broomfield
Brown
Broyhill
Bruce
Buckley
Burke, Ky.
Burke, Mass.
Burleson
Byrne, Pa.
Byrnes, Wis.
Cahill
Carey
Casey
Cederberg
Celler
Chamberlain
Chelf
Chenoweth
Chiperfield
Church
Clancy
Clark
Cohelan
Colmer
Conte
Cook
Cooley
Corbett
Corman
Curtin
Curtis, Mo.
Daddario
Dague
Daniels
Davis, John W.
Davis, Tenn.
Delaney
Dent
Denton
Derounian
Derwinski
Devine
Diggs
Dingell
Dole
Dorn
Dowdy
Downing
Doyle
Dulski
Durno
Dwyer
Edmondson
Elliott
Everett
Fallon
Farbstein
Fascell
Feighan
Fenton
Finnegan
Fino
Fisher
Flood
Flynt
Fogarty
Ford
Forrester
Fountain
Frelinghuysen
Friedel
Fulton
Gallagher
Garmatz
Gary
Gathings
Gavin
Giaimo
Gilbert
Glenn
Goodell
Goodling
Grant
Gray
Green, Pa.
Griffin
Griffiths
Gross
Gubser
Hagan, Ga.
Hagen, Calif.
Haley
Halleck
Halpern
Hansen
Harding
Hardy
Harris
Harrison, Va.
Harrison, Wyo.
Harsha
Harvey, Ind.
Harvey, Mich.
Hays
Healey
Hechler
Hemphill
Henderson
Herlong
Hiestand
Hoeven
Hoffman, Ill.
Holifield
Holland
Horan
Hosmer
Huddleston
Hull
Ichord, Mo.
Inouye
Jarman
Jennings
Jensen
Joelson
Johansen
Johnson, Calif.
Johnson, Md.
Jonas
Jones, Ala.
Jones, Mo.
Judd
Karsten
Karth
Kearns
Kee
Keith
Kelly
Keogh
Kilgore
King, Calif.
King, N.Y.
King, Utah
Kirwan
Kluczynski
Knox
Kornegay
Kunkel
Kyl
Laird
Landrum
Lane
Langen
Lankford
Latta
Lennon
Lesinski
Libonati
Lindsay
Lipscomb
Loser
McCulloch
McDonough
McFall
McIntire
McSween
MacGregor
Mack
Madden
Magnuson
Mahon
Mailliard
Marshall
Martin, Mass.
Martin, Nebr.
Mathias
Matthews
May
Meader
Michel
Miller, Clem
Miller, George P.
Miller, N.Y.
Milliken
Mills
Minshall
Moeller
Monagan
Montoya
Moore
Moorehead, Ohio
Moorhead, Pa.
Morgan
Morse
Mosher
Moss
Moulder
Multer
Murphy
Murray
Natcher
Nedzi
Nelsen
Nix
Norblad
Norrell
Nygaard
O'Brien, N.Y.
O'Hara, Ill.
O'Hara, Mich.
O'Konski
Olsen
O'Neill
Osmers
Ostertag
Passman
Patman
Pelly
Perkins
Pfost
Philbin
Pike
Pillion
Pirnie
Poff
Price
Pucinski
Purcell
Quie
Rains
Randall
Ray
Reece
Reifel
Reuss
Rhodes, Ariz.
Rhodes, Pa.
Riehlman
Riley
Rivers, Alaska
Rivers, S.C.
Roberts, Ala.
Roberts, Tex.
Robison
Rodino
Rogers, Colo.
Rogers, Fla.
Rogers, Tex.
Rooney
Rostenkowski
Roudebush
Roush
Rousselot
Rutherford
Ryan, Mich.
St. George
St. Germain
Santangelo
Saylor
Schadeberg
Schenck
Schneebeli
Schweiker
Schwengel
Scott
Scranton
Selden
Shelley
Shipley
Short
Shriver
Sibal
Sikes
Siler
Slack
Smith, Calif.
Smith, Iowa
Smith, Va.
Spence
Springer
Stafford
Staggers
Steed
Stephens
Stratton
Stubblefield
Sullivan
Taber
Taylor
Teague, Calif.
Teague, Tex.
Thomas
Thompson, N.J.
Thompson, Tex.
Thomson, Wis.
Thornberry
Toll
Tollefson
Trimble
Tuck
Tupper
Udall, Morris K.
Vanik
Van Pelt
Van Zandt
Vinson
Waggonner
Wallhauser
Walter
Watts
Weaver
Weis
Westland
Whalley
Wharton
Whitener
Whitten
Wickersham
Widnall
Williams
Willis
Winstead
Wright
Yates
Young
Younger
Zablocki
Zelenko

NAYS—10

Gonzalez
Green, Oreg.
Johnson, Wis.
Kastenmeier
Poage
Roosevelt
Rosenthal
Ryan, N.Y.
Sheppard
Ullman

NOT VOTING—53

Adair
Andersen, Minn.
Arends
Baring
Bass, N.H.
Blatnik
Blitch
Bolling
Boykin
Cannon
Coad
Collier
Cramer
Cunningham
Curtis, Mass.
Davis, James C.
Dawson
Dominick
Donohue
Dooley
Ellsworth
Evins
Findley
Frazier
Garland
Granahan
Hall
Hébert
Hoffman, Mich.
Kilburn
Kitchin
Kowalski
McDowell
McMillan
McVey
Macdonald
Mason
Merrow
Morris
Morrison
O'Brien, Ill.
Peterson
Pilcher
Powell
Saund
Scherer
Seely-Brown
Sisk
Smith, Miss.
Thompson, La.
Utt
Wilson, Calif.
Wilson, Ind.

So (two-thirds having voted in favor thereof) the rules were suspended and the resolution was passed.

The Clerk announced the following pairs:

Mr. Powell with Mr. Adair.
Mr. Frazier with Mr. Kilburn.
Mr. James C. Davis with Mr. Cramer.
Mr. Morrison with Mr. Arends.
Mr. Kitchin with Mr. Collier.
Mr. O'Brien of Illinois with Mr. Ellsworth.
Mr. Pilcher with Mr. Wilson of California.
Mr. Evins with Mr. Hall.
Mr. Hébert with Mr, Andersen of Minnesota.
Mr. Saund with Mr. Cunningham.
Mr. Morris of New Mexico with Mr. Wilson of Indiana.
Mr. Bolling of Missouri with Mr. Findley.
Mr. Sisk with Mr. Utt.
Mr. Peterson with Mr. Dooley.
Mr. Baring with Mr. Seely-Brown
Mr. Thompson of Louisiana with Mr. Merrow.
Mr. McMillan with Mr. Bass of New Hampshire.
Mr. Blatnik with Mr. McVey.
Mr. Kowalski with Mr. Curtis of Massachusetts.
Mr. Cannon with Mr. Mason.
Mr. McDowell with Mr. Scherer.
Mr. Donohue with Mr. Dominick.
Mrs. Granahan with Mr. Garland.
Mr. Macdonald with Mr. Hoffman of Michigan.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

FOOD AND AGRICULTURE ACT OF 1962

Mr. **COOLEY**. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H.R. 12391) to improve and protect farm income, to reduce costs of farm programs to the Federal Government, to reduce the Federal Government's excessive stocks of agricultural commodities, to maintain reasonable and stable prices of agricultural commodities and products to consumers, to provide adequate supplies of agricultural commodities for domestic and foreign needs, to conserve natural resources, and for other purposes," with a Senate amendment thereto, disagree to the Senate amendment, and agree to the conference requested by the Senate.

The Clerk read the title of the bill.

The **SPEAKER**. Is there objection to the request of the gentleman from North Carolina?

Mr. **AVERY**. Mr. Speaker, I object.

SENIOR CITIZENS HOUSING ACT OF 1962

Mr. **RAINS**. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 12628) to provide additional funds under section 202(a)(4) of the Housing Act of 1959, and to amend title V of the Housing Act of 1949, in order to provide low- and moderate-cost housing, both urban and rural, for the elderly.

The Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Senior Citizens Housing Act of 1962".

SEC. 2. The Congress finds that there is a large and growing need for suitable housing for older people both in urban and rural areas. Our older citizens face special problems in meeting their housing needs because of the prevalence of modest and limited incomes among the elderly, their difficulty in obtaining liberal long-term home mortgage credit, and their need for housing planned and designed to include features necessary to the safety and convenience of the occupants in a suitable neighborhood environment. The Congress further finds that the present programs for housing the elderly under the Housing and Home Finance Agency have proven the value of Federal credit assistance in this field and at the same time demonstrated the urgent need for an expanded and more comprehensive effort to meet our responsibilities to our senior citizens.

SEC. 3. (a) Section 202(a)(4) of the Housing Act of 1959 is amended by striking out "$125,000,000" and inserting in lieu thereof "$225,000,000".

(b) Effective with respect to applications for loans under section 202 of the Housing Act of 1959 made after the date of the enactment of this Act—

(1) section 202(d)(1) of such Act is amended by striking out "(A)", and by striking ", and (B)" and all that follows and inserting in lieu thereof a period;

(2) section 202(d)(7) of such Act is amended by striking out all that follows "new structures" and inserting in lieu thereof a period; and

(3) section 202(d)(8) of such Act is amended by striking out "(A)", and by striking out ", and (B)" and all that follows and inserting in lieu thereof a period.

SEC. 4. (a)(1) Section 501 of the Housing Act of 1949 is amended—

(A) by striking out the period at the end of subsection (a) and inserting in lieu thereof the following: ", and (3) to elderly persons who are or will be the owners of land in rural areas for the construction, improvement, alteration, or repair of dwellings and related facilities, the purchase of previously occupied dwellings and related facilities and the purchase of land constituting a minimum adequate site, in order to provide them with adequate dwellings and related facilities for their own use.";

(B) by inserting at the end of subsection (b) the following new paragraph:

"(3) For the purposes of this title, the term 'elderly persons' means persons who are 62 years of age or over."; and

(C) by inserting immediately before the semicolon at the end of clause (1) of subsection (c) the following: ", or that he is an elderly person in a rural area without an adequate dwelling or related facilities for his own use".

(2) Section 502(a) of such Act is amended by adding at the end thereof the following new sentence: "In cases of applicants who are elderly persons, the Secretary may accept the personal liability of any person with adequate repayment ability who will cosign the applicant's note to compensate for any deficiency in the applicants repayment ability."

(b) Title V of the Housing Act of 1949 is amended by adding at the end thereof the following new section:

"DIRECT AND INSURED LOANS TO PROVIDE HOUSING AND RELATED FACILITIES FOR ELDERLY PERSONS AND FAMILIES IN RURAL AREAS

"SEC. 515. (a) The Secretary is authorized to make loans to private nonprofit corporations and consumer cooperatives to provide rental housing and related facilities for elderly persons and elderly families of low or moderate income in rural areas, in accordance with terms and conditions substantially identical with those specified in section 502; except that—

"(1) no such loan shall exceed the development cost or the value of the security, whichever is less;

"(2) such loans shall bear interest at rates determined by the Secretary, not to exceed the maximum rate provided in section 202 (a)(3) of the Housing Act of 1959; and

"(3) such a loan may be made for a period of up to fifty years from the making of the loan.

There is authorized to be appropriated not to exceed $50,000,000, which shall constitute a revolving fund to be used by the Secretary in carrying out this subsection.

"(b) The Secretary is authorized to insure and make commitments to insure loans made to any individual, corporation, association, trust, or partnership to provide rental housing and related facilities for elderly persons and elderly families in rural areas, in accordance with terms and conditions substantially identical with those specified in section 502; except that—

"(1) no such loan shall exceed $100,000 or the development cost or the value of the security, whichever is least;

"(2) such loans shall bear interest at rates determined by the Secretary, not to exceed the maximum rate provided in section 203 (b)(5) of the National Housing Act;

"(3) provide for complete amortization by periodic payments within such term as the Secretary may prescribe;

"(4) for insuring such loans, the Secretary shall utilize the Agricultural Credit Insurance Fund subject to all the provisions of section 309 and the second and third sentences of section 308 of the Consolidated Farmers Home Administration Act of 1961, including the authority in section 309(f)(1) of that Act to utilize the insurance fund to make, sell, and insure loans which could be insured under this subsection; but the aggregate of the principal amounts of such loans made by the Secretary and not disposed of shall not exceed $10,000,000 outstanding at any one time; and the Secretary may take liens running to the United States though the notes may be held by other lenders; and

"(5) no loan shall be insured under this subsection after June 30, 1964.

"(c) No loan shall be made or insured under subsection (a) or (b) unless the Secretary finds that the construction involved will be undertaken in an economical manner and will not be of elaborate or extravagant design or materials.

"(d) As used in this section—

"(1) the term 'housing' means new or existing housing suitable for dwelling use by elderly persons or elderly families;

"(2) the term 'related facilities' includes cafeterias or dining halls, community rooms or buildings, appropriate recreation facilities, and other essential service facilities;

"(3) the term 'elderly persons' means persons who are 62 years of age or over; and the term 'elderly families' means families the head of which (or his spouse) is 62 years of age or over; and

"(4) the term 'development cost' means the costs of constructing, purchasing, improving, altering, or repairing new or existing housing and related facilities and purchasing and improving the necessary land, including necessary and appropriate fees and charges approved by the Secretary.

"(e) Amounts made available pursuant to section 513 of this Act shall be available for administrative expenses incurred under this section."

(c)(1) Section 511 of the Housing Act of 1949 is amended—

(A) by striking out "section 504(b)" and inserting in lieu thereof "section 504(b) or 515(a)"; and

(B) by striking out "$650,000,000" and inserting in lieu thereof "$700,000,000, of which $50,000,000 shall be available exclusively for assistance to elderly persons as provided in clause (3) of section 501(a)".

(2) Section 506(a) of such Act is amended by striking out "section 514" each place it appears and inserting in lieu thereof "sections 514 and 515".

(3) Section 504(a) of such Act is amended by striking out "(1) in the form of a loan, or combined loan and grant, in excess of $1,000, or (2) in the form of a grant (whether or not combined with a loan) in excess of $500" and inserting in lieu thereof "in the form of a loan, grant, or combined loan and grant in excess of $1,000".

(4) Paragraph (12) of section 5200 of the Revised Statutes (12 U.S.C. 84) is amended by inserting "or title V of the Housing Act of 1949," immediately before "shall be subject under this section".

The SPEAKER. Is a second demanded?

Mr. McDONOUGH. Mr. Speaker, I demand a second.

The SPEAKER. Without objection, a second will be considered as ordered.

There was no objection.

Mr. RAINS. Mr. Speaker, I yield myself 8 minutes.

Mr. Speaker, the Senior Citizens Housing Act of 1962—H.R. 12628—is designed to help meet one of the most urgent needs in the field of housing, that of providing suitable homes for our elderly citizens at rents and prices within their means. The Congress can take great pride in its record of approving measures to meet this problem. The most important forward step so far is the program of low-interest direct loans, authorized by the Housing Act of 1959 for which additional funds were approved last year. The outstanding success of this program and the widespread support which it has is clear evidence of the growing recognition of the housing needs of the elderly. It shows that we are on the right track in our efforts to provide this housing and in the years to come I am confident that we will witness substantial further progress in this field.

There are several factors underlying the need for special provisions for housing for our senior citizens and increased efforts to make assistance available. First, the number of older people in our population is increasing rapidly—nearly twice as fast as overall population. In the past decade the total number of people in this country rose 19 percent while the number aged 65 and over jumped 35 percent. For many families the problem of age is compounded because today 1 out of 3 persons reaching the age of 60 has one or more close relatives over 80 to be concerned about. Looking to the future, the number of our older citizens will continue to rise more rapidly than the population as a whole and we must not delay in providing the programs and assistance they need and deserve.

Health problems and living patterns are the second reason for providing programs specially tailored to the needs of the aged. The miracles of modern medicine have extended life expectancy but we must recognize the fact that age imposes certain physical limitations even on the healthy and also makes the dangers of illness and accident a more serious matter. Because of this, homes which just a few years ago were entirely satisfactory may no longer be entirely suited to the elderly. Design features acceptable to younger families can become extremely bothersome or even dangerous in the later years. Some of the chores in maintaining a home may now seriously tax the energy and ability of an older person. There have been a number of careful studies of the special design features such as single-floor plans, ramps instead of steps, wide doorways, extra lighting, and special safety measures in the bathroom and kitchen. Actually, many of these features are desirable even for the younger families, but the fact is that most houses built for the general market do not include them and private lenders tend to shy away from such housing on the grounds that it is "special purpose" housing which limits its market. The fact of the matter is that there is a tremendous market for such housing and I am sure that as experience shows the success of these programs, private lenders will be encouraged to put more of their funds to work in meeting this problem. An important consideration in planning housing for the elderly is the striking difference in their living patterns compared to younger people. A large majority are retired or unable to work. Because of this, good housing properly designed assumes a very special importance since it becomes in most cases a focal point of their lives.

Sharply reduced incomes are a third and pressing reason why we need special legislation to help the elderly. While many families are able to prepare for their later years through savings and investment in home ownership and many are able to plan an adequate retirement income, the plain truth is that most senior citizens are forced to live on very modest incomes. Often the financial planning of earlier years will no longer provide for a comfortable retirement and in some cases our older citizens were unable to maintain an income level high enough to provide fully for their later years. Typically, a family after retirement often suffers an income drop of about one-half.

There has been a growing recognition of the fact that our housing problems in rural areas are every bit as serious as they are in the cities. In some ways, these problems are magnified in farm areas and small towns by the relatively lower income levels and shortage of private mortgage financing. This is particularly true for the 7 million rural people who are 60 or older. There is an obvious need to amend and supplement our housing programs to reach this important segment of our population and this bill is designed to do just that.

Mr. Speaker, the legislation before us has been carefully considered by our Subcommittee on Housing which held 3 days of intensive hearings and received testimony in support of the bill from administration witnesses representing both the Housing and Home Finance Agency and the Farmers Home Administration as well as representatives of farm and cooperative organizations, labor unions, groups representing senior citizens and other organizations interested in providing better housing for the elderly. All of the witnesses strongly endorsed the objectives of both bills. The bill now before the House was reported out of the Subcommittee on Housing and the full Committee on Banking and Currency without a single vote in opposition.

Mr. Speaker, the bill before us, H.R. 12628—the Senior Citizens Housing Act of 1962—has five major provisions. These provisions build on the successful programs now in operation for the elderly, and I will not go into great detail. They are fully discussed in the report of our committee—House Report No. 2052.

The first provision would authorize the appropriation of additional funds for the existing program of direct loans for housing for the elderly in urban areas. This is the program created in the Housing Act of 1959, under which the HHFA can make loans for rental and cooperative housing to private nonprofit and cooperative sponsors. The interest rate is based on a formula reflecting the cost of money to the Treasury plus the cost of administration, which currently produces a rate of 3½ percent and the loans can have maturities up to 50 years. These terms make it possible to provide good housing for the elderly at rents as much as $15 or $20 a month below what would have to be charged under regular FHA or conventional financing. At present $125 million is authorized for these loans, of which $80 million has already been appropriated. The balance of $45 million plus an additional $50 million has been requested by the administration for appropriation this year. This is the amount they expect to use during the current year. H.R. 12628 would authorize $100 million for appropriation. This would be enough to carry the program until about October of next year. In my judgment this program is one of the most successful that the Congress has ever authorized in the field of housing and it has found widespread acceptance. Already the Housing Agency has received applications for more than $160 million in these loans. This is more than the amount authorized in existing loan funds and thus this additional legislation is urgently needed.

The other major provisions of the bill are designed to extend to our older citizens in rural areas benefits similar to those which now exist under the Housing and Home Finance Agency for people in urban areas.

The Housing Act of 1949 established a program of direct Federal loans to build or improve housing in rural areas where private financing is not available on reasonable terms. At present an applicant for one of these loans must already own the land and the loans cannot be used to purchase existing homes. These limitations present special problems to older people in rural areas, many of whom wish to move closer to town but are unable to buy the building site entirely out of their own resources. They need to be able to buy the land along with the home just as is now done under some of our homeownership programs. In addition, existing housing often represents the best investment for older people because it can be purchased at a lower price without delay and in the area where they want to live. This bill would remove these two limitations in the case of older families. At the same time it would permit the Farmers Home Administration to accept cosigners if the elderly applicant does not have sufficient income to safely assure repayment of the loan. These amendments would make this program extremely helpful to those older people who want to have a home of their own.

Another provision of the bill for rural areas would establish a program of direct loans for rental and cooperative housing sponsored by nonprofit and cooperative organizations. This program, which would be administered by the Farmers Home Administration, would be very similar to the HHFA program created in 1959 which has proved so successful in urban areas. The interest rate on these loans would be the same as that established for the urban program, currently 3½ percent, and the loan maturity could extend for 50 years. I believe that this provision will fill an important gap in our housing legislation by providing good housing at reasonable rents for rural families who are no longer willing or able to take on all the responsibilities of maintaining homes of their own.

This bill would also set up a program of mortgage insurance for rental housing for the elderly in rural areas, generally similar to that now administered by the Federal Housing Administration, with adjustments for the special mortgage financing problems of rural areas. Under this program, the FHA has established a maximum maturity of 40 years and an interest rate of 5¼ percent. An insurance premium would be collected to build up reserves and enable the program to pay its own way. This provision will enable private lenders to finance rental housing for rural elderly families of somewhat higher income.

Finally, the bill will liberalize the program of grants to improve rural housing which was established in 1949 by raising the grant ceiling from $500 to $1,000. These grants can be made to rural homeowners whose incomes are so low that they cannot qualify for loans to make improvements necessary to the health and safety of the occupants or the community. The present $500 ceiling was established more than a decade ago when much lower cost levels prevailed and the committee feels that we are justified in raising the maximum. This provision would be particularly beneficial to the elderly for whom health and safety present special problems.

Mr. Speaker, in a word, this bill is designed to expand our programs of assistance to meet the urgent housing needs of our elderly, building on the firm foundation of existing programs which have proven so highly successful. In addition, it is designed to give our millions of older citizens in rural areas parity with the aids now available to those who live in the city. I urge all of my colleagues to give their support to this vitally needed legislation.

Mr. GROSS. Mr. Speaker, will the gentleman yield?

Mr. RAINS. I yield to the gentleman from Iowa.

Mr. GROSS. I find no departmental reports in the report accompanying this bill. Is there some particular reason for that?

Mr. RAINS. We have all of the departmental reports. We had all of the heads of the agencies involved at our hearings who testified in favor of the bill.

Mr. GROSS. But there is none contained in the report?

Mr. RAINS. They could of course have been included in the report but we printed them instead in the record of our hearings.

Mr. GROSS. The Department of Agriculture appropriation hearings for 1963 show that this fund for rural housing grants and loans will have an estimated unobligated balance of $277,611,000 at the end of this fiscal year.

Mr. RAINS. I do not understand what the gentleman means. That may be the authorized amount. The Farmers Home Administration is now pleading with the Budget Bureau for money with which to make the loans.

The SPEAKER. The time of the gentleman from Alabama has expired.

Mr. RAINS. Mr. Speaker, I yield myself an additional 3 minutes.

Mr. WHITTEN. Mr. Speaker, will the gentleman yield?

Mr. RAINS. I yield to the gentleman from Mississippi.

Mr. WHITTEN. May I say to the gentleman from Iowa that the funds to which the gentleman from Iowa has pointed were carried in the original act. It is a continuing fund and the funds are available to the Farmers Home Administration in that amount. However, since the Farmers Home Administration went into the rural housing program, as against requiring that it be strictly farm housing, the demand has been so great that at the present time there has been a freeze order by the Bureau of the Budget on the use of those funds, accounting for all of the pressure that Members have been receiving from applicants and people back home, including the State Farmers Home Offices because at present there is a freeze order on allocating those funds. But they are in existence, and it will take only a release by the Bureau of the Budget to make them available.

Mr. GROSS. If the gentleman will yield further, then you are asking for an additional $50 million on top of the $277 million unobligated, or will be unobligated as of the end of this fiscal year?

Mr. RAINS. No; the gentleman is mistaken about that. We are not asking for additional funds in the very same program that the gentleman from Mississippi [Mr. WHITTEN] has discussed. We are asking now for the additional funds in the housing for the elderly program.

I would say this to the gentleman from Iowa: I am greatly concerned—and I am glad the gentleman from Mississippi brought it up—and I have urged the Bureau of the Budget to do something about the release of the funds to the Farmers Home Administration for that particular housing program, because many Members and many people have written to me about it. But that is a different situation from what we are discussing here.

Mr. PELLY. Mr. Speaker, will the gentleman yield?

Mr. RAINS. I shall be glad to yield to the gentleman from Washington.

Mr. PELLY. Is this $50 million to be in borrowing authority or so-called back-door spending, and a part of it for an appropriation?

Mr. RAINS. All of the new programs authorized are on an appropriation basis. That includes the $100 million additional for the urban district loan programs and the $50 million made available to start a similar program for the elderly in rural areas. The other $50 million in loans for sales housing, it is true, comes out of Treasury borrowing but this program is not really new but is merely an extension of an existing program to also cover the rural elderly.

Mr. PELLY. I commend the gentleman from Alabama [Mr. RAINS] and I am very happy to learn that.

Mr. McDONOUGH. Mr. Speaker, I yield such time as she may consume to the gentlewoman from New Jersey [Mrs. DWYER].

Mrs. DWYER. Mr. Speaker, I rise in support of H.R. 12628. It is outstanding legislation and is badly needed.

Mr. Speaker, in terms of the funds which this legislation would make available, this bill is a very modest one. As an effective contribution toward meeting one of the most pressing needs of the fastest growing and lowest income segment of our population, however, the Senior Citizens Housing Act will continue to prove to be as fruitful and worthwhile an investment as our Government can make.

It is extremely significant, I believe, that the Committee on Banking and Currency reported this bill favorably without a single dissenting vote. This fact testifies to the importance with which our committee views the housing needs of the elderly, to the success which this program has enjoyed in its very short life, and to the continuing need for this kind of assistance.

I very strongly supported this program, Mr. Speaker, when it was initiated as a part of the Housing Act of 1959. At that time, it seemed to many of us that the special difficulties which older people faced in securing adequate housing justified a special program of this kind. Experience showed that existing Federal housing assistance did not meet the needs of retired persons, a substantial proportion of whom occupied old and obsolete housing but had such sharply reduced incomes that they were unable to meet financing requirements of conventional or FHA-insured private housing. On the other hand, incomes of retired persons were just high enough to disqualify them for assistance under the public housing program.

The past 3 years have confirmed the accuracy of this analysis. As of June 30 of this year, all but $12 million of authorized appropriations under this program had either been loaned or earmarked for loans. Interest in the program has been extensive and more than 14,000 housing units have already been constructed or are presently under construction or are in the active planning stage. A number of housing-for-the-elderly projects have been started in my own area of New Jersey, and I can testify personally to the air of expectancy with which older people have anticipated construction of this housing. Applications for rental units were filed almost as soon as plans were announced and long before construction began. It is obvious that the approximately $20 a month saving reflected in the rental cost of units constructed under the direct loan program makes all the difference in the world in bringing clean, decent, and functional housing within the financial ability of most older persons.

There are important advantages to this program other than the saving in rental charges. Under the direct loan program, housing must be especially planned and built for use by elderly persons. The design of the housing units must conform to the special requirements of older people regarding safety, comfort, and convenience. Housing must also be located in such a way as to provide for the health, transportation, shopping, church, recreation, and other social and community needs of the occupants. In these respects, therefore, the direct loan program has helped to pioneer the design and construction of other, conventionally financed, housing for the elderly and has had a most salutary effect on stimulating the construction of the kind of overall environment most suitable for persons in their older years.

This legislation, Mr. Speaker, meets all the tests of a constructive bill. The need for this program has been found to be a very real one. This need cannot be met in any other way. Early experience under the program proves that it is a practicable and effective way of meeting the need. The cost of the program to the taxpayers is moderate, and the direct loan basis on which the program operates assures eventual repayment of the Federal investment.

In every respect, this is a good bill, and I urge our colleagues to support it.

Mr. McDONOUGH. Mr. Speaker, I yield myself 5 minutes.

Mr. Speaker and Members of the House, I doubt that there is anyone who would begrudge the senior citizens of this Nation better housing and more adequate housing, under favorable terms, at a reasonable rent. As a matter of fact, that is the manner in which this bill came out of the committee. Extensive hearings were held by the committee and all of the departments involved in this type housing were heard, reports were filed, and the committee in executive session passed this bill out for consideration on the floor of the House by 18 votes "yea," 1 "present," and no negative votes.

Mr. Speaker, as the chairman of the Subcommittee on Housing, the gentleman from Alabama [Mr. RAINS] has informed you, this is an extension of an existing program which provides for direct loans for housing of our elderly citizens at 3½ percent interest over a period of 50 years.

Mr. Speaker, in order to show the need I read from the report and recent study by Cornell University which analyzes the quality of housing of a national sample of persons receiving social security benefits in 1960. The results of this research study indicated the following:

1. Forty percent of older person were living in houses built over 50 years ago and an additional 40 percent were living in houses built between 30 and 50 years ago.

2. The aged in poorer health tended to occupy the poorest housing.

3. Approximately 45 percent of all aged households were classified as being in "need of better accommodations" based on the quality of the housing and the living arrangements of individuals who were dependent on their relatives.

There is a great need for this type of housing. It is limited to those people who are in the income bracket where they do not qualify for public housing but who are above the age of 62. That number of people is increasing very rapidly in this country.

In 1960, there were 7 million persons who had reached or passed the age of 60, living in rural areas. Almost 2 million live on the farms and about 5 million in the small rural communities of America.

These figures indicate that there is a demand for housing in the rural areas as well as in the urban areas. This bill provides for the housing for elderly in the rural areas.

Mr. Speaker, there is no apparent opposition to the bill. I endorse the statement previously made by the chairman of the subcommittee and urge the Members of the House to support the passage of this bill as needed legislation.

Mr. RAINS. Mr. Speaker, I yield such time as he may require to the gentleman from Pennsylvania [Mr. BARRETT].

Mr. BARRETT. Mr. Speaker, one of the most heartening developments in the past several years is the growing realization by the Congress of the needs of older people—our senior citizens—and our moral obligation to help them meet their special problems. These are the men and women who, through a lifetime of honest toil, have made America the wealthiest and most powerful Nation in the world today. Those of us who have a heart are ready and willing to take whatever steps are necessary to pay our tremendous debt to the older generation.

In the field of housing, senior citizens are confronted with a special group of obstacles. Their age makes it difficult for them to obtain mortgage loans. Because the great majority of our older folks have fixed and limited incomes, they are often unable to find the kind of housing they need at a rent or price which they can afford. The handicaps of advanced age also require specially designed and planned housing.

I take special pride in the fact that the Housing Subcommittee on which I am privileged to serve in the Congress has sponsored a number of financing programs to provide better housing for the elderly.

We have liberalized FHA financing to make it easier for older folks to obtain a mortgage on liberal terms.

We have also established a program of FHA insurance for rental housing for senior citizens. Already, we have one of these FHA projects completed in my own Philadelphia—the York House with over 200 units—and I am sure that in the very near future we will see many more.

We have made special provision to make low-rent public housing available for senior citizens. These are people in the very lowest income range who are desperately in need of housing aid. The law provides that low-rent housing units can be specifically designed to meet the needs of the elderly, and in last year's housing act we authorized an additional Federal payment of up to $120 a year for apartments occupied by the elderly if needed to meet the operating costs of the project. Over 100,000 units nationally, or more than one-fifth of all public housing dwellings, are occupied by older families. Right now over 1,400 low-rent units—1 out of every 8—are occupied by elderly persons or families in Philadelphia. Moreover, we have more than 500 units built or planned which are specially designed for the elderly and undoubtedly the number will increase substantially.

Another program which is proving to be of great value in meeting the housing needs of the elderly is the program of direct loans from the Government at a low rate of interest to nonprofit corporations to build housing for senior citizens of modest income. Under the direct loan program the interest rate is 3½ percent and the loan maturity can extend to 50 years. These terms make it possible to reduce rents to senior citizens by $15 to $20 a month as compared with rental projects financed at market interest rates.

Unfortunately, the previous administration dragged its heels in administering the program and at first progress was slow. However, the Kennedy administration fully recognizes the needs of our senior citizens and the value of this program. As a result, activity has risen sharply and I am confident that it will make a major contribution toward providing good housing at modest rents for our growing number of older citizens. The bill now before the House—the Senior Citizens Housing Act—would authorize an additional $100 million for these loans so that this vital program can continue to operate in high gear.

Mr. Speaker, when our Housing Subcommittee held hearings on this important legislation, it had the unanimous support of the witnesses who testified. It well deserves that support and I strongly urge all of my colleagues in the House to join me in supporting it here today.

Mr. RAINS. Mr. Speaker, I yield such time as he may require to the gentleman from Massachusetts [Mr. LANE].

NEW AND BETTER HOUSING FOR SENIOR CITIZENS

Mr. LANE. Mr. Speaker, the U.S. Government has accomplished much in providing public housing for low-income groups. And it has made substantial progress in meeting the special housing problems of the aged.

Public housing projects for the aged, however, aimed to help those most in need of safe, pleasant, and healthy accommodations, have income ceilings for eligible occupants that exclude all but those who depend upon social security or other forms of meager pensions.

Not enough incentives have been provided for the construction of housing for the next group: elderly families whose incomes are just below $3,000, or about $240 per month. A recent Cornell University study reveals that 800,000 units are required for this income group.

Our responsibility is to encourage and help in the construction of suitable housing for older persons whose incomes are too high for public housing, but not sufficient to meet the cost of good housing provided with private financing at conventional interest rates.

Twenty-one million Americans are now 62 years of age and over. By 1980, we will have 30 million in this age group. The over-65 population is increasing by 400,000 each year. A fact which has escaped public notice is that 1 out of 3 persons reaching the age of 60 has a parent or close relative over 80 to consider. Our society must face the increasing challenge of meeting the housing needs of not one, but two generations of senior citizens at the same time.

The average income of the aged is about 50 percent less than those under 65. Housing for senior citizens must take into account their income levels and the relative inflexibility of their income potentials.

About two-thirds of the aged now live in their own homes. They face problems of rising maintenance costs and property taxes. As a result, much of their housing is too large for their needs, too costly for upkeep, and ill adapted to meet the special needs of the aged.

It is appalling to observe that 19 percent of the households occupied by senior citizens are without private bath, toilet, or hot-running water. Some of these properties are dilapidated and even dangerous. Seventeen to twenty percent of the aged with pathetically small incomes, or because of health, live with their children in generally standard housing. But senior citizens prefer to live independently if they can for the sake of their human dignity.

Because of age, senior citizens find it almost impossible to obtain liberal mortgage financing. Limited by small and fixed incomes, they are unable to afford the type of housing that they require.

The purpose of H.R. 12628 is to authorize the appropriation of an additional $100 million for the existing program of direct loans to provide housing for the elderly in urban areas, so that rental housing can be provided for them at rents of $15 to $20 a month below projects financed either in the usual way or with FHA insurance. A comparable program will benefit those living in rural areas.

Low interest rates on loans that will not mature for up to 50 years are offered as an inducement for private nonprofit corporations, consumer cooperatives and certain public bodies or agencies, to construct this type of housing.

Eligible properties include rental housing structures and such related facilities as dining halls, community rooms, infirmaries, and other essential service facilities.

By administrative action, the Housing and Home Finance Agency has been following the policy of confining its loans to new construction, although the present law permits loans to rehabilitate, convert, or improve existing structures. The Committee on Banking and Currency wisely decided to change the law, in line with administrative practice, to guarantee brandnew construction that will fully meet the needs of elderly persons.

The housing provided under the direct loan program, designed for the safety, comfort, and convenience of older people, will benefit them in more than material ways.

Special housing for this group is helpful to personal and social relationships. The aged feel more at home with those who share their outlook and their interests.

The Senior Citizens Housing Act of 1962 marks further progress in our continuing efforts to protect the senior citizens of the Nation.

Mr. RAINS. Mr. Speaker, I yield such time as he may require to the gentleman from New Jersey [Mr. JOELSON].

Mr. JOELSON. Mr. Speaker, I am pleased to support the Senior Citizens Housing Act. It provides a comprehensive program of low and moderate cost housing for the elderly.

Twenty-one million Americans are now 62 years of age or over, and it is expected that this figure will rise to 30 million within the next two decades. Since these people generally must live on very limited incomes, it is our obligation to make suitable provision for them.

Mr. RAINS. Mr. Speaker, I yield such time as he may require to the gentleman from New York [Mr. RYAN].

Mr. RYAN of New York. Mr. Speaker, I rise in support of this legislation.

Housing for the elderly is a growing problem. As a result of advances in medical care and higher standards of living, more people are living longer. This trend can be expected to continue in the coming decades.

Some 21 million people in the United States are now 62 years of age and over. By 1980, we expect at least 30 million in the over 62 age group. The urgency of positive solutions to the problem of housing for older people can also be illustrated in terms of the growth rate of this segment of our population. The group over 62 years of age rose 35 percent between 1950 and 1960 and those over 85 years of age increased more than 60 percent, while the population as a whole increased only 19 percent. The group 62 years of age and over is currently growing at a net rate of 400,000 persons each year.

Provision for the basic needs of our senior citizens is a problem which soon will affect three generations of Americans. Already one out of three persons reaching the age of 60 has at least one parent or close relative over 80. In just 40 years this ratio is expected to rise to two out of three.

When one realizes that 50 to 60 percent of the persons aged 65 and older have less than $1,000 total cash income annually, the problem of caring for more than one generation of older people becomes serious indeed. The aged are not a homogenous group in terms of income and monetary assets. Although some have adequate means, most do not. The group as a whole tends to be in the low or moderate income categories with median money incomes 50 percent less than those under 65 years of age.

Housing for the aged should take into account their prevailing income levels and the relative inflexibility of these incomes. Most older people cannot expect any significant increases in their income in future years although the cost of living tends to increase steadily. Recent Bureau of the Census studies indicate that among the 6.2 million families with heads 65 and over, half had family income levels of less than $2,830 and one-fourth had less than $1,620. These family incomes supported an average of 2.6 persons per family or a total of approximately 9.3 million aged and about 6.7 million younger persons. Single elderly persons living alone or with nonrelatives are even less fortunate. Half of the 3.6 million aged persons in this category had incomes of less than $1,010, while four-fifths had less than $2,000.

Even though older persons are more likely than younger persons to have some savings, in general those with the smaller incomes are the least likely to have other monetary assets to fall back on. In addition, most of the savings of the aged are tied up in their homes or in life insurance rather than in a form readily convertible to cash for emergencies.

With such limited financial means, most older people have been unable to afford decent housing. Mr. Speaker, the proposal before us today will do much to help older people. Until recent years the vast majority of Federal housing laws have primarily helped younger families, those just getting started. Some progress was made in the long ignored and neglected area of senior citizen housing in the 1956 and 1959 Housing Acts, but more is desperately needed if we are going to meet our moral obligation to the older and retired members of our population. The most prosperous Nation in the world should not fail to meet one of their most basic needs—decent and reasonably priced housing in suitable neighborhoods with adequate community facilities. It is time we really tackled the problem of housing for the aged.

H.R. 12628 provides important financial assistance to help fill the urgent housing needs of the increasingly large group of aged and retired families and single persons in the United States. It extends additional Federal aid to low and moderate cost housing, both urban and rural, for the elderly.

The section 202 program of low-interest direct loans for rental housing in urban areas authorized by Congress in 1959 has been one of the most successful Federal programs designed to meet the housing needs of limited income elderly people. Many older people have relatively fixed incomes which are too high for low rent public housing but are insufficient for most decent private housing. Moreover, it is particularly difficult for them to obtain liberal mortgage financing.

The low interest rates made available on loans to private nonprofit corporations under the section 202 program makes it possible for these groups to provide rental housing for limited income older persons and families at rents $17 to $20 lower than would be feasible with the usual financing charges available in the private market. Thus, these Federal loans make a real difference in rents and the type of housing which elderly people in this income bracket can afford.

However, all of the funds authorized to date have already been appropriated or are included in current budget requests. There is a sizable unmet demand for this assistance by church groups, cooperatives, labor unions, and other private philanthropic organizations which have sponsored corporations to provide economical and appropriately designed rental housing for older people in the lower middle income brackets. H.R. 12628 will help meet this demand by authorizing an additional $100 million for new construction under the section 202 program.

There are serious housing obstacles also facing the elderly in rural areas where mortgage credit is difficult to obtain. Although title V programs of housing assistance in rural areas have made significant contributions to better housing in rural areas, additional programs are needed, particularly for the elderly.

H.R. 12628 will fill this gap in several ways. First of all, it establishes a new $50 million program of direct loans by the Farmers Home Administration similar to the section 202 program under the Housing and Home Finance Administration to permit private nonprofit corporations and consumer cooperatives to build moderate cost rental housing for the elderly in rural areas.

Additional rental housing at private market rates for older persons with larger incomes will be encouraged by a new Farmers Home Administration insurance program similar to the existing Federal Housing Administration program. Also, senior citizens 62 years of age or older will be given three special advantages under the existing Farmers Home Administration housing loan program. They will be allowed to buy existing housing as well as build or improve their homes. The loans may be used to finance the land as well as the dwelling and a cosigner will be permitted for elderly applicants who are deficient in repayment ability.

Lastly, H.R. 12628 will aid older homeowners in rural areas by raising the current ceiling on rural grants to owner-occupants whose incomes are too small to qualify for other types of loans for necessary housing improvements. Increasing the maximum grant from $500 to $1,000 will make it easier for more older applicants to make such repairs and improvements at today's higher prices.

Mr. Speaker, the basic objective of all assistance to the elderly should be to foster the maintenance of their independence in their own homes and communities. Today most older people want and can live independently in their own homes. More standard suitable housing for the elderly in a variety of price ranges and types—including homes for sale and rent and high-rise apartments—cooperative and rental—and adequate community facilities are needed to meet this need. Federal assistance to promote the provision of this housing will go far toward making this goal possible. Mr. Speaker, I urge passage of H.R. 12628.

Mr. YATES. Mr. Speaker, will the gentleman from Alabama yield for a question?

Mr. RAINS. I yield for a question.

Mr. YATES. Is there an extension of the direct loan program in this bill for housing for the elderly?

Mr. RAINS. Yes; it is the first section of the bill.

Mr. YATES. And it has worked well under the present law?

Mr. RAINS. Indeed.

Mr. Speaker, I ask unanimous consent that all Members have 5 legislative days in which to revise and extend their remarks on the bill under consideration.

The SPEAKER. Is there objection to the request of the gentleman from Alabama?

There was no objection.

Mr. McDONOUGH. Mr. Speaker, I yield such time as he may require to the gentleman from New Jersey [Mr. Widnall].

Mr. WIDNALL. Mr. Speaker, I rise in support of this bill. I would like to call the attention of the House to the fact that in July I introduced a bill for $125 million additional authorization for this program, feeling that it had filled a great need in our country and deserved further attention. At that time I also requested in the bill that the new program be confined to new construction. Within the committee that amendment was agreed on so that the program as now presented to the House is amended so that in the future it will be confined to new construction. This means you can build in accordance with the real needs of elderly persons where special housing is required. Also it will mean that you will not have the problem of displacement of citizens, which has taken place in the past.

Mr. Speaker, I urge the adoption of the bill. I feel it is in the best interests of our elderly citizens.

Mr. McDONOUGH. Mr. Speaker, I yield such time as he may consume to the gentleman from New York [Mr. Halpern].

Mr. HALPERN. Mr. Speaker, I rise in support of this legislation.

It is a long step forward in providing housing for the elderly—a most vital need that affects the 21 million people that are now 62 and over. I have long advocated such a program and have been repeatedly urging the Housing Administration to spur cooperative programs in this field between the Federal Government and private enterprise. This bill meets that objective and I support it wholeheartedly.

As a member of the Banking and Currency Committee I wish to commend the distinguished chairman of the Housing Subcommittee and its membership on this bill. I am well aware of the hard work and dedicated efforts by the committee and able staff which resulted in this workable and meaningful program.

The program will provide housing for the elderly in urban areas as well as rural areas and will set up a new program of direct loans to private corporations and consumer co-ops for moderate cost, rental housing for the elderly. Additional insurance is provided for rental housing in rural areas.

Mr. Speaker, we in New York are particularly pleased that under the direct loan program, long-term low-interest rate loans will now be continued on a more adequate scale. Last year I was one of those who fought for the amendment—which was adopted—to make consumer cooperatives eligible for these benefits for elderly housing. This bill will provide additional incentives for both cooperatives, public bodies, and private corporations to build projects that are especially planned for use by elderly families and persons.

Mr. Speaker, again I urge an overwhelming vote for passage of this most desirable bill. We can do no less for the senior citizens of America.

Mr. RAINS. Mr. Speaker, I yield such time as he may require to the gentleman from California [Mr. Roosevelt].

Mr. ROOSEVELT. Mr. Speaker, I thank the distinguished gentleman from Alabama and congratulate him on a very wonderful, wonderful bill.

Mr. Speaker, the great gentleman from Alabama has with his usual skill brought us a bill of benefit to those who need it urgently. It is a pleasure to congratulate him and his committee members. Too often we pass over the needs of our senior citizens who have little or no lobby here in Washington. This is a bill that truly adds to the achievements of the 87th Congress.

Mr. RAINS. Mr. Speaker, I yield such time as he may require to the gentleman from Illinois [Mr. Yates].

Mr. YATES. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the Record.

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

Mr. YATES. Mr. Speaker, I am very happy to support this bill which would expand and better the Federal programs of housing for the elderly, not only in urban areas but in rural areas, as well.

Every study that has been made of the problems of the aging has indicated that their needs are many and that one of the most important is the need for housing at prices they can afford to pay. Those age 65 and over are part of the fastest growing segment of our population; and unfortunately, most of them do not have funds with which to provide adequate, decent housing for themselves. The report on the bill shows the extent of the enormous need for new housing and housing rehabilitation for the elderly. In large urban areas, too many of them are compelled to live in slums. In rural areas, their houses are old and are in great need of repair.

This bill gives an opportunity to them to live their later years in good, fairly modern surroundings. It is an excellent bill. I favor the passage most strongly.

Mr. VANIK. Mr. Speaker, as a member of the Banking and Currency Committee, I urge the enactment of the Senior Citizens Housing Act.

In my community and throughout the Nation, we are witnessing the first benefits of this splendid program. It would be tragic if this program were to "bog down" because of lack of funds at the very moment it was beginning to produce results.

In my community, the great majority of our senior citizens live in the central city—a surprising number in their own modest homes. Grave problems occur which upset these "gold age" households, such as the death of one family member, the destruction of the homestead by highway improvements, and by the reshaping of urban life. Senior citizens in most cases fail to qualify for home purchase credit because of reduced income and the likelihood of costly hospital and medical expense overhead. Low-cost housing designed to meet these needs is absolutely essential in the large population centers.

This legislation provides a minimum support to a very worthwhile cause.

Mr. WICKERSHAM. Mr. Speaker, this bill is important. I urge its passage.

One of the first loans approved in this country was one at Cordell, Okla.

It was dedicated a few months ago. It has proven to be a safe venture.

With the passage of this bill, it will be possible for favorable action to be given on several applications for housing for senior citizens in Oklahoma, including Leedey and Thomas, Okla.

Mr. FOGARTY. Mr. Speaker, I wish to urge that the House act favorably on H.R. 12628, the Senior Citizens Housing Act of 1962.

This bill is one of the most constructive legislative recommendations to come before this Congress and comes very close to fulfilling one of the major recommendations of the White House Conference on Aging held in January 1961.

As you know, I have been quite critical of the failure to implement the recommendations made by the 2,500 delegates to that Conference. In the final report of that forum a basic principle was pronounced that—

> All aging people—regardless of race, creed or national origin—should be adequately housed in a suitable neighborhood of their choice, and supplied with community facilities and services at rents they can afford.

Further, the report stated that "Government agencies will broaden and expand present laws, or where pertinent, interpret existing regulations so as to expedite the building and financing of needed low-rent housing for the aged."

The Senior Citizens Housing Act of 1962 with its authorization of an additional $100 million for direct loans to provide housing for the elderly, will make it possible for the elderly to obtain rental housing at rents $15 to $20 a month below conventionally financed projects or those with FHA insurance.

The bill also recognizes and provides for comparable housing for the elderly living in rural areas.

The greatest weakness in this bill is the amount of money authorized to meet the tremendous need. Many of the individuals and organizations testifying before the Committee on Banking and Currency recommended appropriations of $250 to $300 million to provide a realistic housing program to meet the basic needs of our senior citizens.

While it has been said that the $100 million authorized under H.R. 12628 would be sufficient to carry the program through this fiscal year, I believe that the full potential of the legislation cannot be realized under this limitation. I am equally sure that we will find ourselves early in the next session of Congress repeating our documentation in support of an additional authorization to meet the needs that we know will exist.

I do not think we should delay until next year to appraise the situation. We have sufficient information to insure the effective use of an increased appropriation and to postpone such action would not only be a disservice to the elderly but a misuse of the time of Congress to repeat all of the effort that has gone into conferences, hearings, and the final compromise appropriation of $100 million. We cannot afford the delay or the waste of time.

It has been made abundantly clear in every successful conference or meeting on aging that housing extends far beyond the provisions of shelter. Adequate housing is essential to the happiness, health, and welfare of the aging citizen, and hence to the welfare and security of the Nation as a whole.

The enactment of H.R. 12628 with a sufficient appropriation will provide living accommodations for the elderly in the urban and the rural areas that will enrich their way of life and offer a future to many who now have none.

Mr. FINNEGAN. Mr. Speaker, I rise in support of the bill before us, the Senior Citizens Housing Act of 1962, which would provide an additional $100 million authorization for direct loans to provide moderate cost housing for the elderly. As a member of the Housing Subcommittee it has been a pleasure to help draft this much-needed legislation.

The direct loan program for housing for the elderly meets a need that can be met no other way. It provides suitable housing for the elderly persons whose incomes are too high to qualify for low-rent housing but not high enough to afford decent housing in the conventional housing market.

In my district which now covers the North Lake Shore of Chicago from the Chicago River to Evanston there is perhaps the largest concentration of elderly per percentage of the population of any congressional district in the Midwest. These people are on retirement and find it difficult to live on a modest retirement income and obtain adequate housing. The present program has helped to fill the need. I am sure with the extension of the program there will be many more senior citizens housing projects built. Because of the favorable financing terms available to nonprofit sponsors under the program, we are able to provide housing at rentals $15 to $20 a month below the rents which would have to be charged under conventional financing methods. Nonprofit sponsors, such as religious groups, cooperatives, and labor unions can obtain a loan for a term as long as 50 years and at an interest rate of $3\frac{1}{2}$ percent. This interest rate is based on a formula which represents the average cost of money to the Treasury so there is no subsidy involved.

Mr. Speaker, the direct loan program of housing for the elderly is one of the most successful housing programs we have and it is vital that we pass this bill today to assure that the program will have funds to permit it to operate through the next fiscal year. Failure to pass this bill would be a terrible blow to our senior citizens who need and deserve decent housing. Our committee heard impressive and expert testimony on the dimension of this problem. For example, almost one-fifth of of the 16 million housing units in which elderly persons live are substandard according to recent tabulations of the Census Bureau.

At the time of the 1960 census, 23,700,000 persons 60 years and over lived in this country. The median income in 1959 of older persons who headed households was $1,900. The median income of households with older persons was $3,300 as compared with $5,000 for all households. Many older persons were found to be living with their children in houses too small for the families.

These are cold figures but it takes very little imagination to picture the misery and unhappiness of these senior citizens living in unsuitable substandard or inadequate housing. Others are depriving themselves of things they need in order to pay the rentals necessary to live in housing that is perhaps little better than substandard. A country which boasts the highest living standards in the world cannot afford to ignore the housing situation of its elderly mothers and fathers and grandparents.

I cannot see how anyone who understands the economic problems of the elderly can vote against this bill. The need is great. I repeat there are close to 25 million elderly with median incomes of $1,900 to $3,300—almost $2,000 per year less than other households and one-fifth of these live in substandard homes. Mr. Speaker, I urge that this bill be promptly passed by the House so that this deserving program which is doing so much good and which costs the Government nothing, since the loans are fully repayable, can be continued without interruption.

Mr. RHODES of Pennsylvania. Mr. Speaker, this legislation to provide low and moderate cost housing for the elderly is meritorious and should be enacted. It is a good bill which applies to both urban and rural areas.

The need for this program is made evident by the fact that 21 million of our fellow citizens are now 62 years of age or older. Every year this number is increased by another half-million.

In my home city of Reading I am acquainted with the many problems that face our elderly folks in need of decent housing facilities. For 10 years I served as a member of the Reading Housing Authority and became familiar with these problems.

Reading has been the first city in the Nation to have a public housing project for elderly citizens. The need for this program in my district was made evident by the large number of eligible old folks who applied for the limited number of available housing units. A second project for the elderly has been approved for Reading and plans for construction are now underway.

These are the kind of programs, Mr. Speaker, that will bring employment as well as a little sunshine into the lives of many elderly citizens in the distressed coal region areas where modern public housing is sorely needed.

This legislation is urgent and I trust that it will be enacted before this Congress adjourns.

Mr. COHELAN. Mr. Speaker, I rise in support of this measure to provide additional funds for low and moderate cost housing for our Nation's senior citizens.

The problems which these citizens face, Mr. Speaker, are many and difficult. They are not limited, furthermore, to the 17 million persons in our country age 65 and over—a group which represents the fastest growing segment of our entire adult population. These problems are also of serious concern to the many young people who have aged parents to support; to the middle aged who find employment opportunities closing to them; and to those who are about to step over the threshold into the strange and uncertain world of retirement.

These problems range the entire spectrum of our daily existence. They enter into such significant facets of our daily life as education, employment, pensions, and productive use of retirement years. These problems are formidable in scope, they are complex in their ramifications, and they are compelling in their quality. None of these problems, however, is more formidable, more complex, or more compelling than that of providing safe, sanitary housing at prices which our senior citizens can afford.

To meet this need will require a substantial effort. It will require such an effort for a sizable portion of our elderly live in substandard housing; their average incomes are far below that of other groups; and their housing requirements are often special in nature.

This bill, Mr. Speaker, provides such an effort. It is farsighted and constructive. It is a measure which commends itself on the basis of both need and merit and I urge that it be approved without further delay.

The SPEAKER. The question is, Will the House suspend the rules and pass the bill H.R. 12628, with an amendment?

The question was taken; and the Speaker announced that in his opinion two-thirds had voted in favor thereof.

Mr. McDONOUGH. Mr. Speaker, I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 367, nays 6, not voting 62, as follows:

[Roll No. 204]

YEAS—367

Abernethy
Addabbo
Albert
Alexander
Alford
Anderson, Ill.
Andrews
Anfuso
Ashley
Ashmore
Aspinall
Auchincloss
Avery
Ayres
Bailey
Baker
Baldwin
Barrett
Barry
Bass, Tenn.
Bates
Battin
Becker
Beckworth
Beermann
Belcher
Bell
Bennett, Fla.
Bennett, Mich.
Berry
Betts
Boggs
Boland
Bolton
Bonner
Bow
Brademas
Bray
Breeding
Brewster
Bromwell
Brooks, Tex.
Broomfield
Brown
Broyhill
Bruce
Buckley
Burke, Ky.
Burke, Mass.
Burleson
Byrne, Pa.
Byrnes, Wis.
Cahill
Carey
Casey
Cederberg
Celler
Chamberlain
Chelf
Chenoweth
Chiperfield
Church
Clancy
Clark
Cohelan
Colmer
Conte
Cook
Cooley
Corbett
Corman
Curtin
Curtis, Mo.
Daddario
Dague
Daniels
Davis, John W.
Delaney
Dent
Denton
Derounian
Derwinski
Devine
Diggs
Dingell
Dole
Dowdy
Downing
Doyle
Dulski
Durno
Dwyer
Edmondson
Elliott
Everett
Fallon
Farbstein
Fascell
Feighan
Fenton
Finnegan
Fino
Fisher
Flood
Flynt
Fogarty
Ford
Forrester
Frelinghuysen
Friedel
Fulton
Gallagher
Garmatz
Gary
Gathings
Gavin
Giaimo
Gilbert
Glenn
Gonzalez
Goodell
Goodling
Grant
Gray
Green, Oreg.
Green, Pa.
Griffin
Griffiths
Gross
Gubser
Hagan, Ga.
Hagen, Calif.
Haley
Halleck
Halpern
Hansen
Harding
Hardy
Harris
Harrison, Va.
Harrison, Wyo.
Harsha
Harvey, Ind.
Harvey, Mich.
Hays
Healey
Hechler
Hemphill
Henderson
Herlong
Hiestand
Hoeven
Hoffman, Ill.
Holifield
Holland
Horan
Hosmer
Huddleston
Hull
Ichord, Mo.
Inouye
Jarman
Jennings
Jensen
Joelson
Johnson, Calif.
Johnson, Md.
Johnson Wis.
Jonas
Jones, Ala.
Jones, Mo.
Judd
Karsten
Karth
Kastenmeier
Kearns
Kee
Keith
Kelly
Keogh
Kilgore
King, Calif.
King, N.Y.
King, Utah
Kirwan
Kluczynski
Knox
Kornegay
Kowalski
Kunkel
Kyl
Laird
Landrum
Lane
Langen
Lankford
Latta
Lennon
Lesinski
Libonati
Lindsay
Lipscomb
Loser
McCulloch
McDonough
McFall
McIntire
MacGregor
Mack
Madden
Magnuson
Mahon
Mailliard
Marshall
Martin, Mass.
Mathias
Matthews
May
Meader
Michel
Miller, Clem
Miller, George P.
Miller, N.Y.
Milliken
Mills
Minshall
Moeller
Monagan
Montoya
Moore
Moorehead, Ohio
Moorhead, Pa.
Morgan
Morse
Mosher
Moss
Moulder
Multer
Murphy
Murray
Natcher
Nedzi
Nelsen
Nix
Norblad
Norrell
O'Brien, N.Y.
O'Hara, Ill.
O'Hara, Mich.
O'Konski
Olsen
O'Neill
Osmers
Ostertag
Passman
Patman
Pelly
Perkins
Pfost
Philbin
Pike
Pillion
Pirnie
Poage
Poff
Price
Pucinski
Purcell
Quie
Rains
Randall
Reece
Reifel
Reuss
Rhodes, Ariz.
Rhodes, Pa.
Riehlman
Riley
Rivers, Alaska
Rivers, S.C.
Roberts, Ala.
Roberts, Tex.
Robison
Rodino
Rogers, Colo.
Rogers, Fla.
Rogers, Tex.
Rooney
Roosevelt
Rosenthal
Rostenkowski
Roudebush
Roush
Rousselot
Rutherford
Ryan, Mich.
Ryan, N.Y.
St. George
St. Germain
Santangelo
Saylor
Schadeberg
Schenck
Schneebeli
Schweiker
Schwengel
Scott
Scranton
Selden
Shelley
Sheppard
Shipley
Shriver
Sibal
Sikes
Siler
Slack
Smith, Calif.
Smith, Iowa
Smith, Miss.
Spence
Springer
Stafford
Staggers
Steed
Stephens
Stratton
Stubblefield
Sullivan
Taylor
Teague, Calif.
Teague, Tex.
Thomas
Thompson, N.J.
Thompson, Tex.
Thomson, Wis.
Thornberry
Toll
Tollefson
Trimble
Tupper
Udall, Morris K.
Ullman
Vanik
Van Pelt
Waggonner
Wallhauser
Walter
Watts
Weaver
Weis
Westland
Whalley
Wharton
Whitener
Whitten
Wickersham
Widnall
Williams
Willis
Winstead
Wright
Yates
Young
Younger
Zablocki
Zelenko

NAYS—6

Abbitt
Alger
Dorn
Johansen
Martin, Nebr.
Ray

NOT VOTING—62

Adair
Andersen, Minn.
Arends
Ashbrook
Baring
Bass, N.H.
Blatnik
Blitch
Bolling
Boykin
Cannon
Coad
Collier
Cramer
Cunningham
Curtis, Mass.
Davis, James C.
Davis, Tenn.
Dawson
Dominick
Donohue
Dooley
Ellsworth
Evins
Findley
Fountain
Frazier
Garland
Granahan
Hall
Hébert
Hoffman, Mich.
Kilburn
Kitchin
McDowell
McMillan
McSween
McVey
Macdonald
Mason
Merrow
Morris
Morrison
Nygaard
O'Brien, Ill.
Peterson
Pilcher
Powell
Saund
Scherer
Seely-Brown
Short
Sisk
Smith, Va.
Taber
Thompson, La.
Tuck
Utt
Van Zandt
Vinson
Wilson, Calif.
Wilson, Ind.

So (two-thirds having voted in favor thereof) the rules were suspended and the bill as amended was passed.

The Clerk announced the following pairs:

Mr. Cannon with Mr. Arends.

Mr. O'Brien of Illinois with Mr. Short.

Mr. Baring with Mr. Nygaard.

Mr. Vinson with Mr. Hall.

Mr. Boykin with Mr. Adair.

Mr. Pilcher with Mr. Cramer.

Mr. Hébert with Mr. Findley.

Mr. Powell with Mr. Wilson of California.

Mr. Morrison with Mr. Dooley.

Mr. Kitchin with Mr. Kilburn.

Mr. Peterson with Mr. Ashbrook.

Mr. Morris with Mr. Van Zandt.

Mr. Blatnik with Mr. Moorehead of Ohio.

Mr. Evins with Mr. Andersen of Minnesota.

Mrs. Granahan with Mr. Ellsworth.

Mr. Bolling with Mr. McVey.

Mr. Saund with Mr. Wilson of Indiana.

Mr. Thompson of Louisiana with Mr. Collier.

Mr. James C. Davis with Mr. Garland.

Mr. McDowell with Mr. Bass of New Hampshire.

Mr. Sisk with Mr. Utt.

Mr. Davis of Tennessee with Mr. Cunningham.

Mr. McMillian with Mr. Merrow.

Mr. Fountain with Mr. Taber.

Mr. Donohue with Mr. Curtis of Massachusetts.

Mr. Macdonald with Mr. Dominick.

Mr. Frazier with Mr. Mason.

Mr. Coad with Mr. Seely-Brown.

Mr. Dawson with Mr. Hoffman of Michigan.

Mr. RAY and Mr. JOHANSEN changed their votes from "yea" to "nay."

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

MOTIONS TO SUSPEND RULES

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that motions to suspend the rules under rule XXVII, in order on Monday, September 3, be transferred to Thursday, August 30, 1962.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

Mr. WILLIAMS. Mr. Speaker, I object.

INSTITUTE OF CHILD HEALTH AND HUMAN DEVELOPMENT

Mr. HARRIS. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 11099) to amend the Public Health Service Act to provide for the establishment of an Institute of Child Health and Human Development, and for other purposes, with an amendment.

The Clerk read as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That title IV of the Public Health Service Act (42 U.S.C., ch. 6A, subch. III) is amended by adding at the end thereof the following new part:

"PART E—INSTITUTES OF CHILD HEALTH AND HUMAN DEVELOPMENT AND OF GENERAL MEDICAL SCIENCES

"Establishment of Institute of Child Health and Human Development

"SEC. 441. The Surgeon General is authorized, with the approval of the Secretary, to establish in the Public Health Service an institute for the conduct and support of research and training relating to maternal health, child health, and human development, including research and training in the special health problems and requirements of mothers and children and in the basic sciences relating to the processes of human growth and development, including prenatal development.

"Establishment of Institute of General Medical Sciences

"SEC. 442. The Surgeon General is authorized, with the approval of the Secretary, to establish in the Public Health Service an institute for the conduct and support of research and research training in the general or basic medical sciences and related natural or behavioral sciences which have signifiance for two or more other institutes, or are outside the general area of responsibility of any other institute, established under or by this Act.

"Establishment of Advisory Councils

"SEC. 443. (a) The Surgeon General is authorized, with the approval of the Secretary, to establish an advisory council to advise, consult with, and make recommendations to the Surgeon General on matters relating to the activities of the institute established under section 441. He may also, with such approval, establish such a council with respect to the activities of the institute established under section 442.

"(b) The provisions relating to the composition, terms of office of members, and reappointment of members of advisory councils under section 432(a) shall be applicable

to any council established under this section, except that, in lieu of the requirement in such sections that six of the members be outstanding in the study, diagnosis, or treatment of a disease or diseases, six of such members shall be selected from leading medical or scientific authorities who are outstanding in the field of research or training with respect to which the council is being established, and except that the Surgeon General, with the approval of the Secretary may include on any such council established under this section such additional ex officio members as he deems necessary in the light of the functions of the institute with respect to which it is established.

"(c) Upon appointment of any such council, it shall assume all or such part as the Surgeon General may, with the approval of the Secretary, specify of the duties, functions, and powers of the National Advisory Health Council relating to the research or training projects with which such council established under this part is concerned and such portion as the Surgeon General may specify (with such approval) of the duties, functions, and powers of any other advisory council established under this Act relating to such projects.

"Functions

"Sec. 444. The Surgeon General shall, through an institute established under this part, carry out the purposes of section 301 with respect to the conduct and support of research which is a function of such institute, except that the Surgeon General shall, with the approval of the Secretary, determine the areas in which and the extent to which he will carry out such purposes of section 301 through such institute or an institute established by or under other provisions of this Act, or both of them, when both such institutes have functions with respect to the same subject matter. The Surgeon General is also authorized to provide training and instruction and establish and maintain traineeships and fellowships, in the institute established under section 441 and elsewhere in matters relating to diagnosis, prevention, and treatment of a disease or diseases or in other aspects of maternal health, child health, and human development, with such stipends and allowances (including travel and subsistence expenses) for trainees and fellows as he deems necessary, and, in addition, provide for such training, instruction, and traineeships and for such fellowships through grants to public or other nonprofit institutions.

"Preservation of existing authority

"Sec. 445. Nothing in this part shall be construed as affecting the authority of the Secretary under section 2 of the Act of April 9, 1912 42 U.S.C. 192), or title V of the Social Security Act 42 U.S.C., ch. 7, subch. V), or as affecting the authority of the Surgeon General to utilize institutes established under other provisions of this Act for research or training activities relating to maternal health, child health, and human development or to the general medical sciences and related sciences."

Sec. 2. Section 301(d) of the Public Health Service Act is amended by striking out the words "research projects" wherever they appear therein and inserting in lieu thereof "research or research training projects".

Sec. 3. Title II of the Public Health Service Act is amended by adding after section 221 the following new section:

"Advisory committees

"Sec. 222. (a) The Surgeon General may, without regard to the civil service laws, and subject to the Secretary's approval in such cases as the Secretary may prescribe, from time to time appoint such advisory committees (in addition to those authorized to be established under other provisions of law), for such periods of time, as he deems desirable for the purpose of advising him in connection with any of his functions.

"(b) Members of any advisory committee appointed under this section who are not regular full-time employees of the United States shall, while attending meetings or conferences of such committee or otherwise engaged on business of such committee receive compensation and allowances as provided in section 208(c) for members of national advisory councils established under this Act.

"(c) Upon appointment of any such committee, the Surgeon General, with the approval of the Secretary, may transfer such of the functions of the National Advisory Health Council relating to grants-in-aid for research or training projects in the areas or fields with which such committee is concerned as he determines to be appropriate."

The SPEAKER. Is a second demanded?

Mr. SCHENCK. Mr. Speaker, I demand a second.

The SPEAKER. Without objection, a second will be considered as ordered.

There was no objection.

Mr. HARRIS. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the Record.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

Mr. HARRIS. Mr. Speaker, I am asking the House to support the bill H.R. 11099, which was reported unanimously by our committee.

The purpose of the legislation is to establish two new institutes at the National Institutes of Health. The first of these two would be the Institute of Child Research and Human Development. The second would be the Institute of General Medical Sciences.

As the Members of the House can readily see from the names of these two proposed new institutes, neither of them is related or limited to any particular disease or disease category.

At present, there are seven institutes at the National Institutes of Health. Each of these institutes deals with a different disease or disease category. There is the National Cancer Institute, the National Heart Institute, the National Institute of Mental Health, the National Institute of Dental Research, and so forth.

Now, under the provisions of the Public Health Service Act, the Surgeon General is authorized to establish by administrative action additional institutes for other diseases and groups of diseases. He is not authorized, however, to establish any institute which cuts across individual disease categories. Therefore, it is necessary to resort to legislation if these two new institutes are to be established.

Some of the Members of the House might ask, "Why is it necessary to establish new institutes?" Some Members may say that the existing institutes are already spending enough money, and that the creation of two additional institutes will only lead to increased spending.

Let me tell you, then, why our committee feels that it is highly desirable to establish these two new institutes.

Our committee received extensive testimony from physicians, expert in these two areas, that there is an urgent need for better administrative coordination of research activities carried on and supported by the National Institutes of Health where these research activities are not directly related and limited to individual diseases. These witnesses testified that research in these two broad areas in which the new institutes would function is essential to any broad advances in the health sciences.

The proposed new Institute of Child Health Research and Human Development is designed to coordinate programs in the fields of child health and human development and to stimulate new interest and effort in these important research areas.

The new Institute will give major attention to the study of the continuing process of growth and development that characterizes all biological life—from reproduction and prenatal development through infancy and childhood and on into the stages of maturation. The program will include research and training in the following broad areas:

First. The biological and physiological aspects of human reproduction, growth, and development.

Second. Studies in the prenatal and perinatal period in human development, from conception until shortly after birth.

Third. Obstetrical and pediatric problems not directly related to the specific disease interests of the other institutes.

Fourth. Studies of the process of maturation.

Fifth. Studies in special problem areas such as mental retardation.

Some research activity is now being conducted in these fields. As compared with research in the fields covered by the disease-oriented institutes, however, it is relatively limited and inadequate.

The existing categorical institutes would continue their primary responsibility for research in their particular disease categories with respect to children as well as other segments of the population. For example, the study of leukemia in children would remain in the National Cancer Institute, and the National Institute of Mental Health would continue to be responsible for research into schizophrenia in children.

The proposed new Institute of General Medical Sciences will continue to carry out without any essential change the reresearch and research training activities of the present Division of General Medical Sciences. It will support research and research training in those scientific areas which provide a common basis for understanding a wide range of disease and health problems. Specific areas of research will include:

First. The basic medical, biological, preclinical, and the related natural and behavioral sciences, such as biochemistry, biophysics, molecular biology, cellular biology, anthropology, enzymology, and pharmacology.

Second. Certain clinical sciences, such as general surgery, orthopedic surgery, dermatology, pathology, and anesthesiology.

Third. Public health, medical care, and nursing.

Fourth. Methods of science, such as electronmicroscopy and biostatistics.

Studies in these fields are usually not related to any particular disease, but they provide the fundamental understanding of the structure, organization, and functions of living cells and organisms upon which all disease-directed research is based.

Despite the size and scope of its grant programs, the present Division of General Medical Sciences does not have an advisory council of its own. Instead, its project grants are reviewed by the National Advisory Health Council—which performs this function with respect to all research grants outside of the fields of the seven categorical advisory councils, and which also serves as a general advisory body to the Surgeon General on programs and policies of the Service.

The establishment of a separate Institute of General Medical Sciences with its own specialized Council would relieve the National Advisory Health Council of the responsibility of advising the Surgeon General with regard to activities and grants in this area.

The committee feels that the size and importance of this Division's program warrant its elevation to full institute status.

Mr. Speaker, to summarize, the provisions of the legislation are confined primarily to matters of organization and administration and do not add significantly to the existing authority of the Surgeon General to conduct or support research and research training in the health and medical sciences. Therefore, no specific appropriations authorization is included in the legislation. No additional appropriations are contemplated for the fiscal year 1963. Insofar as administrative expenses of the two new institutes are concerned, it is estimated by the Department of Health, Education, and Welfare that additional funds required to carry out the legislation will not exceed $500,000 annually.

Mr. Speaker, I ask the House to support the bill H.R. 11099.

Mr. Speaker, I yield such time as he may require to the gentleman from Alabama [Mr. ROBERTS], chairman of the subcommittee which held the hearings on and reported this bill.

Mr. ROBERTS of Alabama. Mr. Speaker, the bill before the House today will provide for the establishment of an Institute for Child Health and Human Development, and an Institute of General Medical Science, amending title 4 of the Public Health Service Act.

Purposes of the bill are as follows:

First. It authorizes the creation of an institute for the conduct and support of research and training relating to maternal health, child health, and human development, including research and training in the special health problems and requirements of mothers and children, and in the basic sciences relating to the processes of human growth and development, including prenatal development.

Second. The Surgeon General is authorized, with the approval of the Secretary, to establish in the Public Health Service an institute for the conduct and support of research and research training in the general or basic medical sciences and related natural or behavioral sciences which have significance for two or more other institutes, or are outside the general area of responsibility of any other institute, established under or by this act.

In the past, the functions pertaining to child health and the problems of the aging have been under the Institute of the General Medical Sciences. The functions of this institute are in the basic sciences pertaining to pharmacology, biology, and general studies in the general and basic medical sciences. In this institute we find the continuous testing of drugs to be as certain as is humanly possible, that we may prevent the use of dangerous and harmful drugs. The institute also studies such clinical sciences as, for example, general surgery, orthopedic surgery, dermatology, pathology, and anesthesiology.

It is concerned, generally, with public health, medical care, and nursing, as well as certain fields of statistics. This bill would elevate the Division of General Medical Sciences to institute status. It would give the Child Health Center and the Center for the Aging institute status.

The other institutes, such as heart, cancer, mental health, et cetera, are what is known as specific disease institutes. The two institutes created by this bill will differ in scope and purpose and would be charged with research but not tied to any specific disease. We are faced with the problem of becoming a Nation of the very young and the very old. Our people are living longer and since 1900, the rapid advances of medicine and science have raised the average lifespan from about 47 in 1900 to 67 as of today.

With the advent of new techniques, new vaccines, and improved methods of sanitation, we have practically eliminated all of the infectious killers of babies. We have replaced these problems with others which are even longer lasting and probably more dangerous. At least we may say they are more burdensome and more expensive. Our huge birth rate, which is at an all-time high, means that we are adding about 4 million children to our population each year and if this level continues, we will have over 90 million children in 1970 which will comprise 42.3 percent of the total population.

As stated before, acute infectious diseases—formerly the great cripplers and killers of infants, children, and adults—have given way to the chronic, disabling, irreversible conditions often originating before birth, such as mental retardation, congenital anomalies, disorders of speech, hearing, vision, and the degenerative disorders of the heart, limbs, brain, and so forth.

The elderly will constitute the second largest population group in our country and it has risen since 1900 to about 17 million. This is a jump of from 4 to over 9 percent of the total population. As the number of people in the older age group has increased, so have the medical, social, economic, psychological, and physiological problems associated with aging.

You will note from a glance at the chart carried on page 62 of the hearings, that predictions are made on the basis of the figures of 90 million children as to the number of handicapped children in various fields.

These predictions run for a low of 450,000 affected by epilepsy to a high of 12,500,000 for eye conditions. Other very high figures are in the field of mentally retarded, estimated to run around 2,720,000. The problem of the mentally retarded child is one of the most serious. Someone has stated that no family can afford to have a mentally retarded child, speaking of the terrific cost. We have in this country today over 1½ million children and almost 4 million adults who are mentally retarded. We believe many of these are salvageable.

Approximately 3 percent of the mentally retarded are in institutions. Mental retardation accounts for some $250 million annually in public institutional costs.

The mentally retarded are heavily represented among persons who qualify for childs benefits based on disability. Among the 20,000 persons of 18 and older who qualified for childhood disability benefits in 1957, the first year in which payments were made, mental deficiency was the primary diagnosis in 45 percent of the cases. In addition, 22 percent had cerebral spastic infantile paralysis with mental deficiency. Thus, mental deficiency was a factor in two-thirds of the cases.

HANDICAPPING CONDITIONS

Many of the physical, mental, and emotional problems in our population have their start in childhood. Research leading to their prevention or control would have a tremendous impact on the health of the country.

There are no complete or exact data on the numbers of children with various types of handicaps, but approximate estimates are available for some conditions.

The national health survey found that there were over 2 million impairments among children under 14 and 1¾ million among youths of 15 to 24 years of age. Over 300,000 young people under 25 were reported as blind or with other serious visual defects, almost 600,000 as deaf or having serious trouble with hearing, and more than 700,000 with speech impairments. Over 1,800,000 were found with orthopedic impairments, including paralysis, amputations, and other types of orthopedic defects. These figures probably understate the problem, since they do not include the institutionalized population, and may otherwise be subject to underreporting.

Close to 100,000 children have cleft palate or harelip. Some 30,000 to 50,000 children a year are born with congenital heart disease.

The number of mentally retarded children is over 1½ million. About 1 out of every 600 or 700 babies is Mongoloid.

Without further progress in research and prevention, the numbers of handicapped children will increase from year to year. Partly because of the increase in the child population and partly because medical advances are keeping some children alive who otherwise would have died.

Projections of available data suggest that by 1970 there will be nearly one-half million children under 21 with handicaps resulting from cerebral palsy, and nearly as many with epilepsy. The number of children with some degree of mental retardation may be as high as 2¾ million.

ARMED FORCES REJECTEES

A substantial number of babies come into the world with handicaps resulting from prenatal and natal causes for many of which we do not yet have adequate knowledge for prevention. Still other children accumulate physical or emotional problems during childhood and adolescence. By the time these children reach young manhood, many of them do not qualify for service in the Armed Forces. The extent of rejection for military service is a reflection of the state of physical fitness of our youth.

The actual number of young people who are examined and found physically or emotionally not qualified for military service obviously varies greatly from year to year, depending in part on the need for manpower and the criteria in effect for acceptance or rejection. The following data, however, indicate the order of magnitude of the problem.

Studies of IV–F made by the Selective Service System and the Department of the Army indicate that a group which constitutes from 20 to 25 percent of their examinations fail to meet military medical statements. In the Statement of Registered Manpower, as of April 30, 1961, 3,328,549 registrants are listed as having failed to meet the physical and mental standards established by the Armed Forces. Of these probably 35 to 40 percent would be on the basis of health standards. During the 1-year period ending June 1960, in 169,000 preinduction examinations, 45,000 registrants were disqualified for medical and psychiatric reasons. This does not include the disqualifications that same year directly by local boards or through final induction examinations.

INFANT MORTALITY

The urgency of need for the development of more effective research relating to these problems is indicated by the fact that, in the last decade, the United States has dropped from 6th to 10th place among the advanced nations in the saving of infant lives. Every year some 70,000 pregnancies result in stillbirths, and more than 110,000 American babies die before their first birthdays. Of those infants who survive, some 400,000 are born with congenital malformations and countless others with disorders of the nervous system and other parts of their bodies.

Mr. HARRIS. Mr. Speaker, will the gentleman yield?

Mr. ROBERTS of Alabama. I yield to the gentleman from Arkansas.

Mr. HARRIS. Is it not a fact that the purpose of this legislation is to strengthen the administration of research and training programs of the NIH which are not necessarily related to any particular disease or disease category?

Mr. ROBERTS of Alabama. That is correct. As the gentleman knows, we have practically eliminated the infectious diseases among children with powerful vaccines and better techniques, but those have been displaced by such things as retardation, Mongolism, blindness, and deafness and many other problems that are sometimes very difficult and about which practically nothing is being done.

Mr. HARRIS. For the information of the House, is it not true that there are within the National Institutes of Health seven Institutes, each with its own advisory council for seven different diseases or groups of diseases?

Mr. ROBERTS of Alabama. That is correct. They are related to certain specific diseases such as heart disease, cancer, mental health, and neurological diseases.

Mr. HARRIS. Under present authority the Surgeon General may set up this type of organization for special purposes?

Mr. ROBERTS of Alabama. That is correct.

Mr. HARRIS. Is it not true that this sets up a specific category of the Institute so that the National Institutes of Health can make special studies of human development, that is, the development of the child and all those things that have to do with it?

Mr. ROBERTS of Alabama. That is true. This is a very critical thing for this reason: We have fallen from 6th to 10th place among civilized nations of the world in the number of children who die before they become 1 year of age. We are now in 10th place among the nations of the world.

Mr. HARRIS. I would say to the House that this bill has been carefully worked out. It indicates what it is. It specifically takes care of this kind of special study. I am sure the membership of this House after a careful understanding of what it will do will be wholeheartedly in support of this program.

Mrs. BOLTON. Mr. Speaker, will the gentleman yield?

Mr. ROBERTS of Alabama. I yield to the gentlewoman from Ohio.

Mrs. BOLTON. I am equally interested in anything that affects our children, especially when we have grandchildren. We know that the future is going to bring many more problems, more complex diseases, so that it is appealing. But I am troubled by the bill. In the first place, it helps the child before it becomes something else?

Mr. ROBERTS of Alabama. I suppose that depends on the child, but 21 years of age and under is the definition of a child for the purpose of this legislation.

Mrs. BOLTON. It goes through to 21 from infancy?

Mr. ROBERTS of Alabama. From birth.

Mr. HARRIS. If the gentlewoman would permit, I would say that it is also a study of prenatal troubles. Prenatal health is a part of it.

Mrs. BOLTON. That, of course, broadens it very much.

Mr. HARRIS. Yes.

Mrs. BOLTON. I do not find any financial statement. Does this go into the hundreds of millions of dollars? Where does this stop?

Mr. ROBERTS of Alabama. It is stated in the report that for fiscal year 1963 no funds will be necessary. No buildings are contemplated. I believe it was testified that in the future, they will ask for not over one-half million dollars a year which, and when you consider 90 million children, is a very small amount.

Mrs. BOLTON. But there is a provision for pay and allowances set forth on page 17 of the report. That means money; does it not?

Mr. ROBERTS of Alabama. That is correct.

Mrs. BOLTON. Is it to be handled as the advisory groups have been handled in the field of dentistry, for instance, for dental work in the Health Institute? Sometimes that has been a matter of grave discussion as to whether the research being done is good research and whether they deserve money in the coming year. I happen to have followed that very closely for quite a number of years, and it can be an absolutely impossibly high financial matter.

Mr. ROBERTS of Alabama. I might say to the gentlewoman whom I know is very sincerely interested in this field that my subcommittee plans to hold extensive hearings on a bill introduced by our distinguished chairman beginning in the next session, if we are here, to go into the entire Public Health Service, and the NIH, institute by institute, and have them account for everything they are spending and to give us any information as to breakthroughs and as to work that they are doing. I think the gentlewoman will be satisfied with the review that will be given.

Mrs. BOLTON. Of course, the results of such a review would be, perhaps, a year or a year and a half or even more from now and this will be furnishing the money and we would not know just where we are with this.

Mr. ROBERTS of Alabama. I think the gentlewoman will remember that I made the statement that no funds will be requested for 1963 fiscal year.

Mrs. BOLTON. Yes. And this is simply setting up the framework. I thank the gentleman very much.

Mr. QUIE. Mr. Speaker, will the gentleman yield?

Mr. ROBERTS of Alabama. I yield to the gentleman.

Mr. QUIE. You also mentioned that you limit the age to 21 as provided in this bill and, yet, in the report in a number of places you say that there will also be research requirements for mothers, children, and aged persons.

Mr. ROBERTS of Alabama. That was taken care of by the committee amendment which the chairman filed when the bill was called up. We have stricken all reference to aging in this bill.

Mr. QUIE. I see, and that amendment will take care of the reference to aging?

Mr. ROBERTS of Alabama. That was by agreement with the minority.

Mr. SCHENCK. Mr. Speaker, our Subcommittee on Health and Safety conducted rather extensive hearings on this legislation and had some of the best child specialists and university people in this entire field. It was eminently shown at that point that the bringing together of the various activities under one Institute of Health for Children would promote efficiency and reduce costs.

Mr. HARRIS. Mr. Speaker, I yield to the gentleman from Texas [Mr. THOMPSON].

Mr. THOMPSON of Texas. Mr. Speaker, I am in favor of the enactment of this bill. However, were it not for the fact that it is being considered under suspension of the rules, I would offer some clarifying amendments to make certain that vision and physiological optics were specifically included in the programs of the new Institute of Child Health and Human Development. There can be no argument but that vision is one of the most important factors in the well-being, not only of children but of the entire population.

It is true that the language of the bill is broad enough to include these subjects and to enable the Surgeon General to avail himself of the services of optometrists who have made outstanding contributions to the solution of visual problems of children and youth. Unfortunately, notwithstanding all that this professsion has done and is doing in this field, I am informed that there is not a single optometrist, as such, employed in the entire Department of Health, Education, and Welfare. This is something which I hope the new head of that Department will speedily rectify.

In supporting the passage of this bill, I want the record to clearly indicate that this is what was intended not only by myself but by many others who will support the passage of this legislation.

Mr. HARRIS. Mr. Speaker, I yield to the gentleman from Florida [Mr. ROGERS], a member of the subcommittee.

Mr. ROGERS of Florida. Mr. Speaker, legislation before us now is designed to accomplish a great deal with very little additional legislative authority. The bill as is presently written simply carries out action which could be accomplished by administrative regulation within the Department of Health, Education, and Welfare were it but for a provision wisely placed in the Public Health Service Act when it was passed by the Congress. This legislation establishes an Institute of Child Health and Human Development, a section within the National Institutes of Health. The Surgeon General has authority to conduct research on specifically defined diseases. However, his authority to carry out research in areas which include several diseases is limited. As we know, the maladies of man are often interrelated. Suffering from one disease can cause further difficulties and a human being may then become subject to several illnesses. Because of the progress being made at the National Institutes of Health on specific diseases, there has been a wealth of information relating to the health matters of children which has gone unused. There is no clearinghouse at the NIH for research information of this type. Thus a real need for this Institute exists.

What will be the subjects under study at the National Institute of Child Health and Human Development? Generally speaking, the human being will be studied from the viewpoint of the lifespan, with emphasis on the long-term effects of prenatal, infant, and adolescent growth. We have a need for medical research information which relates to the development of the embryo and how it affects later life. For example, have we any idea of the effects of certain drugs taken during pregnancy on the adolescent? Thalidomide, about which we have all become so concerned, is a case in point. It is possible that with proper research the misfortunes arising from this drug might have been avoided. Who knows what drugs or conditions affiliated with human conception could have an adverse effect in later life? It is possible that the after effects of treatments taken by a young mother might later have harmful effects on mother and child. Pharmacology, or the study of drugs, is only one area where a need for additional medical knowledge is needed.

Are we sure that the American child is being properly fed in infancy? Foods which are designed for the child of age 1 may not have been the proper food in retrospect. Can the diet at age 1 be correlated with heart disease at age 50? Can a concentration of certain infant foods actually cause hardening of the arteries at age 65? These are questions which need to be answered.

Mr. Speaker, this legislation will not require any sizable additional cost to the taxpayer. The results gained from the Institute of Child Health and Human Development in terms of more enlightened medical and health practices should far outweigh its cost. We have seen the tremendous strides made toward conquering cancer. Not long ago, polio was a dreaded crippler. Malaria was once labeled a "scourge of mankind." Medicine is based on effective research, and the essence of research is coordination, organization, and guidance.

One can look at this bill primarily from the point of view of whether or not it promotes administrative efficiency at the National Institutes of Health. The chairman of our committee, the gentleman from Arkansas [Mr. HARRIS], has already pointed out how this bill helps in tightening up the programs in support of research in the fields of general medical sciences and child health and human development.

Another way of looking at this bill is to inquire whether it will permit us to gain additional scientific knowledge in fields in which such knowledge is badly needed. When representatives of the pharmaceutical industry testified last week before our committee on legislation aimed at strengthening the Nation's food and drug laws, they stressed our woeful lack of scientific knowledge which contributed to the thalidomide disaster.

These two new Institutes, and particularly the Child Health Institute, are aimed at securing additional knowledge in these all-important fields. We need to know more how drugs affect human life in its embryonic form.

There is a third way of looking at this legislation. The question might be asked, Is this legislation economically sound? My answer to this question is an unqualified "Yes." The legislation does not provide additional spending authority for the National Institutes of Health. The cost of the legislation is minimal. It is estimated that the outlay for the two new Institutes will be in the neighborhood of one-half million dollars.

Under these circumstances I consider this legislation a good economic bargain. With these rather modest additional expenditures contemplated by this legislation we may be in a position of saving millions of dollars which otherwise would be required to support malformed children, retarded children, or children who otherwise are handicapped in some way in earning their own livelihood. These savings in many instances will be savings to the families of these children. In other instances they will be savings to local and State governments which will be called upon to support these children if they become public charges.

Mr. Speaker, for all of these reasons I support this legislation and to those who say that we cannot afford the minor additional expenditures which will result from this legislation, I say we can ill afford not to spend these few additional dollars in order to avoid the expenditure of much larger sums in caring for or rehabilitating children who are born with severe handicaps.

Mr. HARRIS. Mr. Speaker, I yield such time as he may desire to the gentleman from Rhode Island [Mr. FOGARTY].

Mr. FOGARTY. Mr. Speaker, this bill is one of the most important pieces of legislation affecting the future welfare of the American people—and especially of future citizens who are as yet unborn—to come before this House since the act which completed the present group of Institutes at the National Institutes of Health was passed 12 years ago.

The creation of a National Institute of Child Health and Human Development and the elevation of the Division of General Medical Sciences to the status of an Institute will signify the beginning of an important new phase in this country's concerted attack on disease and disability. I am confident that dramatic and rapid progress will result from the broader approach which these Institutes will make possible.

Much work affecting child health is, of course, already being done and supported by NIH. The Heart Institute is as concerned about congenital heart disease in young children as about the circulatory diseases of their grandparents. One of the major objectives of the Cancer Institute is to find the cause of and a cure for leukemia which is the most common form of cancer among children. Most of the work of the Institute of Allergy and Infectious Diseases directly concerns children. Much of the research supported by NIH on metabolic diseases, on dental problems, on neurological and sensory disabilities, and in the field of mental illness is focused on childhood when so many of the problems in these areas first appear.

The work of each of the existing Institutes is, however, primarily concerned with a specific disease or group of diseases. There is no institute whose principal mission and clear responsibility it is to concern itself with the infinitely more complex problem of the total development of the human body from conception through maturity. There is no institute which can give its full attention to the relationship between all the physiological and environmental factors affecting patterns of normal and abnormal development of the child and young adult.

In the basic biological sciences, about which I want to speak in a moment, the need for interdisciplinary approaches to biological problems is now well recognized. It has become perfectly clear that biological problems cannot be fully understood and most biological problems cannot be solved unless a much broader range of scientific knowledge, skills, and techniques than those available to the biologist working alone is brought to bear on them. Nature simply will not confine herself to the neat compartments into which man has divided his study of science.

The need for a broader approach is now no less evident in the so-called clinical sciences. Nature does not maintain the distinctions drawn by man in his classification of diseases. Research on many disease problems already cuts sharply across the field for which the various categorical Institutes are responsible. Let me mention just two examples. What now seems to be among the most promising work toward finding the cause of cancer is being done in virology which is primarily the concern of the National Institute of Allergy and Infectious Diseases. Important discoveries have been made on the metabolic origins of several neurological diseases and of some forms of mental retardation—work which cuts across the interests of three Institutes.

The need for supplementing and complementing the disease-oriented research of the categorical Institutes with a broader effort aimed at the understanding of the complex processes of human development—and how and why they go awry—is nowhere more obvious than in the field of child health. The blunt truth is that despite the great spurt in medical knowledge during the past 25 years very little is known about the prenatal factors that determine whether a newborn baby will be healthy and bright or deformed or retarded.

The tragic thalidomide cases, which have been so much in the news these last few weeks, illustrate the terrible consequences of the inability of scientists to predict the effect of drugs, taken by the mother, on an unborn child. But this is only the latest example of the discovery of an unsuspected danger to child health. It is natural to be indignant that the damage done by this drug was not prevented and it is, of course, essential to take whatever steps we can to tighten control over the experimental use of drugs in the hope of preventing similar tragedies in the future. But we must also be thankful that this danger was discovered relatively quickly.

It was a common practice, for many years, to take X-ray pictures of pregnant women before it was discovered that this useful tool in insuring a safe delivery might actually damage the baby. No one knows how many people now suffer from birth defects as a result of a procedure which, at the time, was used to assist physicians in preventing birth damage.

You have seen the recent report of evidence that smoking during pregnancy is likely to cause premature delivery with possible damage to the baby. No one knows how many infants died or got off to a bad start in life as a direct result of excessive smoking among women since the 1920's.

There are uncounted thousands of people with serious brain damage because it was not known, when they were born, that some forms of anesthesia given mothers during delivery might so reduce the blood supply and the heartbeat of the unborn baby that the lack of oxygen supplied to its brain would, in a matter of minutes, do irreparable damage. It is now possible for physicians to detect and promptly correct this condition partly as a result, I am proud to say, of a monitoring method developed at the Lying-In Hospital in Providence, R.I.

What other unsuspected factors are responsibile for the fact that we will this year have in this country nearly a million "reproductive failures"—pregnancies in which the baby dies either before or shortly after birth or survives with some congenital defect? What are the unknown causes that prevent thousands of young couples from having the children they want?

What is the relationship of hereditary characteristics to susceptibility to certain diseases in later life? Can we learn how to prevent the transmission of an hereditary defect of a parent to his or her children? How can we predict and prevent abnormal development during early childhood, adolescence, and adult life?

Why is it that this country, which during the past 20 years has become the world's leader in medical research, has during the past 10 years slipped from 6th to 10th place, in comparison with other advanced nations, in its ability to save the lives of newborn infants? And what are we doing about it?

Much is already being done and I am happy to say that the National Institutes of Health have taken the lead in stimulating, supporting, and conducting research in this vital area. An outstanding example is the long-term perinatal program of the Neurology Institute which is in process of studying 50,000 mothers from the early months of pregnancy and will continue to watch the development of the children until they are at least 6 years old. This work is being done in cooperation with 15 research centers across the country. One of these is a Child Development Study directed by Brown University in Rhode Island. This project is developing new approaches and new techniques for studying prenatal influences and postnatal development which are not only producing significant research results but have already saved lives and prevented abnormalities.

Dramatic progress has also been made at NIH in the search for an understanding of the basic mechanism by which hereditary characteristics are transmitted. During the past year two scientists at NIH earned worldwide acclaim by discovering what has been called the key to the genetic code. This key holds out the very real promise that scientists will during the next few years be able to unravel the extraordinarily complex chemical messengers that direct growth and development during the reproduction process. This, in turn, will unlock the door to deeply penetrating research into the ways in which this process might be controlled to prevent the abnormalities and defects—some of them, fortunately, only minor blemishes—that now occur in something like 1 in every 14 pregnancies.

What is urgently needed is a center at which the problems of child health and human development are viewed as part of a continuous, interrelated process; a center which will examine the discoveries of narrower, disease-oriented research for their possible relationship to the normal growth process; a center which will coordinate research projects aimed at quite distinct clinical or biological problems but which may have a mutual relationship to the general development of the body; a center which will identify gap areas in the understanding of normal body changes and stimulate research to fill these gaps or to link discoveries concerning specific diseases to their possible hereditary background or genetic effect. Such a center would also serve as a national repository and clearinghouse for information on developmental problems. It would greatly facilitate the rapid dissemination of new information in this complex and vitally important field.

The National Institute of Child Health and Human Development, authorized in this bill, will have these functions. Its creation will help to focus the appropriate segments of the work now being done—and most of which will continue to be done—under the auspices of the seven categorical institutes on the problems of child health and human development. The new Institute's professional staff and the new advisory council that will be established will be able to give their full attention to this vitally important field.

I am sure that we may confidently expect that the creation of this new Institute will lead to a dramatic increase in the pace and effectiveness of the research attack on a wide range of fundamental problems whose solution will go a long way toward eliminating the tragedies of infant deaths, mental retardation, neurological defects and crippling physical malformations.

The other major provision of the bill would confer the title and status of an Institute on the present Division of General Medical Sciences.

During the 4 years since this Division was created to give special recognition and separate program direction to research and training in the basic clinical and biological sciences, its programs have rapidly expanded in scope and importance. The appropriation for the Division for the current fiscal year is larger than that of all but four of the seven existing Institutes. Its support for research projects and training programs—which account for nearly all of the Division's expenditures—is greater than that of all but two of the other Institutes.

In fact, this Division is already an Institute in all but name. This bill will give formal recognition to the important role it plays in the support of the basic clinical and biological sciences.

Elevating the Division to the status of an Institute and providing it with a separate Advisory Council will also underscore the importance which the Federal Government—and, I think, the country as a whole—attaches to research in the basic sciences underlying the practice of medicine and the work of the other applied health sciences.

I have repeatedly stressed on the floor of the House and elsewhere—and it is the unanimous opinion of all those familiar with the problems of medical research—that the rate of future progress in the solution of disease problems depends squarely and directly on the progress that can be made toward a better understanding of basic biological principles. In many cases it is not just the rate of progress that will depend on the clarification of these basic principles—it is whether any significant progress can be made at all.

The harsh fact is that the life sciences are still in a much more primitive state of development than the so-called physical sciences. The fundamental laws and the generally applicable theories which make it possible for physicists to harness nuclear energy, for the metallurgist to produce alloys with predetermined properties, and for the astronomer to work out that a newly discovered comet has an orbit which it takes 2,900 years to complete and which will carry it nearest the earth on a certain date at a certain place, simply do not yet exist in the biological and the behavioral sciences.

Until such basic knowledge does exist, much medical research will necessarily have to be done on a trial-and-error basis with all the dangers, frustrations, and sometimes misleading results that entails.

It is the function of the Division of General Medical Sciences to support work which will progressively dispel the ignorance about basic biological processes and ultimately establish the medical sciences on a solid foundation of known principles with predictable consequences. This is a task of such importance that the organization charged with responsibility for it amply merits the authority and prestige inherent in the status of a legally constituted and proudly identified National Institute of General Medical Sciences.

The two new Institutes created by this bill will complement the seven categorical Institutes in such a way that the NIH will have a fully rounded program aimed, in a balanced and logical manner, at discovering the fundamental principles of the life sciences, sharpening the attack on the major disease categories, and developing an understanding of man as a unified living entity. The passage of this bill will demonstrate to the American people and to the scientific community the clear determination of the Congress and of the administration that medical research should be vigorously pursued on the broad fronts where there has been too little activity in years past but where the most dramatic advances can now be confidently expected.

Mr. HARRIS. Mr. Speaker, I ask unanimous consent that all Members may have permission to extend their remarks in the RECORD at this point.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

Mr. SCHENCK. Mr. Speaker, I yield 5 minutes to the gentleman from Iowa [Mr. GROSS].

Mr. GROSS. Mr. Speaker, I take this time to ask a few questions.

Do I understand this bill proposes the establishment of another Advisory Council and another Advisory Committee? Is that correct?

Mr. ROBERTS of Alabama. That is correct.

Mr. GROSS. We have them all over the place at NIH now.

Mr. ROBERTS of Alabama. I do not know what the gentleman means by "all over the place." The system down there has been the establishment of a council for each of the institutes.

Mr. GROSS. Each one of these present institutes has a council?

Mr. ROBERTS of Alabama. That is correct.

Mr. GROSS. And there are advisory committees to go along with them?

Mr. ROBERTS of Alabama. We have an advisory council with each institute. That has been the system that has been followed since the beginning, and if we authorize these two institutes there will be a need for many pediatricians who are specialists to serve on the council.

Mr. GROSS. How many more of these advisory councils, committees, and consultants do you think the taxpayers of the country can afford right now?

Mr. ROBERTS of Alabama. I think that when you consider that mental retardation costs this country around $250 million a year, that the taxpayers would be well advised to spend a little money studying it.

Mr. GROSS. The gentleman is not saying, is he, that this is going to cure mental retardation?

Mr. ROBERTS of Alabama. Not at all, but I am sure if the gentleman is interested in the subject he will find that the cost to society of one mentally retarded child or one Mongoloid is quite considerable, and I think he will realize that this is good legislation.

Mr. GROSS. Some people might say that the gentleman from Iowa is mentally retarded.

Mr. ROBERTS of Alabama. I would not agree with them.

Mr. GROSS. On page 16 of the report I find subparagraph (f):

> (f) In accordance with regulations, special consultants may be employed to assist and advise in the operations of the Service. Such consultants may be appointed without regard to the civil-service laws and their compensation may be fixed without regard to the Classification Act of 1949, as amended.

How many consultants do you think this new Institute and its advisory committee would see fit to saddle upon the taxpayers?

Mr. ROBERTS of Alabama. I would say to the gentleman that that is covered by the language of the present law.

Mr. GROSS. That could be, but how many additional consultants do you think it is going to take? They are growing by leaps and bounds all over this Government. Is there in the report in connection with this bill, as the public law requires, a statement from the Department, which in this case would be the Department of Health, Education and Welfare, advising of the cost of the new personnel consultants and otherwise, that will be deemed necessary?

Mr. ROBERTS of Alabama. Yes, there is a statement in the report. I believe it is on page 3—no, it is in the middle of page 2, which sets out the probable cost of the legislation. Further in the hearings under questioning by the gentleman from Florida [Mr. ROGERS] a member of our committee, I believe they said that when they got to the phase of needing money that they would probably need 50 people to carry on this work in these two Institutes, which I think is very reasonable.

Mr. GROSS. I see nothing on page 3 of the report which conforms to the public law in this regard.

Mr. HARRIS. I think if the gentleman would refer to page 2 of the report he would find references to the cost of this proposed legislation.

I would like to say, if the gentleman would permit, on that, in further explanation that that is not new additional money expected. Part of this program in effect is being carried on under the general plan, and already funds are being expended for this purpose. What the Department will do under the reorganization is to take this out from the general category and pinpoint it into one specialty program.

I would like to say also, in further reference to the Council the gentleman referred to, each one of these problems is a specialized matter, and we have to get people who are specialists in this particular field. You do not find them very easily. We already have specialists in all 8 or 10 of these categories, and it is for that reason it is advisable to have this kind of a setup if it is effective at all.

Mr. JOHANSEN. Mr. Speaker, will the gentleman yield?

Mr. GROSS. I yield to the gentleman from Michigan.

Mr. JOHANSEN. The law which the gentleman from Iowa refers to requires a projection of the number of personnel for the next 5 years, does it not?

Mr. GROSS. I cannot say as to the number of years, but it requires a projection, and I cannot find that in the report.

Mr. JOHANSEN. There is nothing on page 2 that covers that point as to the number or cost.

The SPEAKER. The time of the gentleman from Iowa has expired.

Mr. SCHENCK. Mr. Speaker, may I assure the gentleman from Iowa that the purpose of this is and it is contemplated that the cost will actually be somewhat reduced because of the combination of services in one Institute rather than several.

Mr. GROSS. Mr. Speaker, will the gentleman yield?

Mr. SCHENCK. I yield to the gentleman from Iowa.

Mr. GROSS. Where is it proposed to get the money for this additional setup?

Mr. SCHENCK. May I say to the gentleman from Iowa that under the legislation we are proposing here there is to be no appropriation in the fiscal year 1963. There is expected to be not to exceed a half million dollars in succeeding years. The savings made by transferring personnel into these categories will take care of that.

Mr. GROSS. There is no requirement for money in fiscal year 1963?

Mr. SCHENCK. That is exactly what the report says.

Mr. GROSS. Then there is to be no activity in fiscal year 1963?

Mr. SCHENCK. Oh, yes. The Institutes of Health is going right ahead organizing, combining and coordinating the work in these several Institutes that have to deal in particular with children.

Mr. GROSS. Is my friend from Ohio saying they have sufficient money to take care of these new functions; that there has already been appropriated to the National Institutes of Health so much money they do not have to have additional funds for this brandnew setup from now until the end of this fiscal year?

Mr. SCHENCK. That is correct as far as this Institute for Child Health is concerned.

Mr. GROSS. Then we are appropriating too much money for the Department of Health, Education, and Welfare. Here is the start of a new Institute and not a dime of additional money is requested to finance it. This simply means that the appropriations to the National Institutes of Health have been more than the authorized requirements. Among others, I stated this to be the fact when the appropriation bill for the Department of Health, Education, and Welfare was before the House earlier in this session. This completely corroborates the fact that this Department has been getting a substantial amount of money surplus to its immediate needs.

I am not opposed to the establishment of another Institute, but I am more than ever convinced that there is bad financial management in this regard on the part of Congress.

The SPEAKER. The question is on the motion of the gentleman from Arkansas that the House suspend the rules and pass the bill H.R. 11099.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the bill was passed.

PLACING AUTHORITY OVER THE TRUST POWERS OF NATIONAL BANKS IN THE COMPTROLLER OF THE CURRENCY

Mr. PATMAN. Mr. Speaker, I move to suspend the rules and pass the bill—H.R. 12577—to place authority over the trust powers of national banks in the Comptroller of the Currency.

The Clerk read as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) the Comptroller of the Currency shall be authorized and empowered to grant by special permit to national banks applying therefor, when not in contravention of State or local law, the right to act as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the laws of the State in which the national bank is located.

(b) Whenever the laws of such State authorize or permit the exercise of any or all of the foregoing powers by State banks, trust companies, or other corporations which compete with national banks, the granting to and the exercise of such powers by national banks shall not be deemed to be in contravention of State or local law within the meaning of this Act.

(c) National banks exercising any or all of the powers enumerating in this section shall segregate all assets held in any fiduciary capacity from the general assets of the bank and shall keep a separate set of books and records showing in proper detail all transactions engaged in under authority of this section. The State banking authorities may have access to reports of examination made by the Comptroller of the Currency insofar as such reports relate to the trust department of such bank, but nothing in this Act shall be construed as authorizing the State banking authorities to examine the books, records, and assets of such bank.

(d) No national bank shall receive in its trust department deposits of current funds subject to check or the deposit of checks, drafts, bills of exchange, or other items for collection or exchange purposes. Funds deposited or held in trust by the bank awaiting investment shall be carried in a separate account and shall not be used by the bank in the conduct of its business unless it shall first set aside in the trust department United States bonds or other securities approved by the Comptroller of the Currency.

(e) In the event of the failure of such bank the owners of the funds held in trust for investment shall have a lien on the bonds or other securities so set apart in addition to their claim against the estate of the bank.

(f) Whenever the laws of a State require corporations acting in a fiduciary capacity to deposit securities with the State authorities for the protection of private or court trusts, national banks so acting shall be required to make similar deposits and securities so deposited shall be held for the protection of private or court trusts, as provided by the State law. National banks in such cases shall not be required to execute the bond usually required of individuals if State corporations under similar circumstances are exempt from this requirement. National banks shall have power to execute such bond when so required by the laws of the State.

(g) In any case in which the laws of a State require that a corporation acting as trustee, executor, administrator, or in any capacity specified in this section, shall take an oath or make an affidavit, the president, vice president, cashier, or trust officer of such national bank may take the necessary oath or execute the necessary affidavit.

(h) It shall be unlawful for any national banking association to lend any officer, director, or employee any funds held in trust under the powers conferred by this section. Any officer, director, or employee making such loan, or to whom such loan is made, may be fined not more than $5,000, or imprisoned not more than five years, or may be both fined and imprisoned, in the discretion of the court.

(i) In passing upon applications for permission to exercise the powers enumerated in this section, the Comptroller of the Currency may take into consideration the amount of capital and surplus of the applying bank, whether or not such capital and surplus is sufficient under the circumstances of the case, the needs of the community to be served, and any other facts and circumstances that seem to him proper, and may grant or refuse the application accordingly: *Provided,* That no permits shall be issued to any national banking association having a capital and surplus less than the capital and surplue required by State law of State banks, trust companies, and corporations exercising such powers.

(j) Any national banking association desiring to surrender its right to exercise the powers granted under this section, in order to relieve itself of the necessity of complying with the requirements of this section, or to have returned to it any securities which it may have deposited with the State authorities for the protection of private or court trusts, or for any other purpose, may file with the Comptroller of the Currency a certified copy of a resolution of its board of directors signifying such desire. Upon receipt of such resolution, the Comptroller of the Currency, after satisfying himself that such bank has been relieved in accordance with State law of all duties as trustee, executory, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics or other fiduciary, under court, private, or other appointments previously accepted under authority of this section, may, in his discretion, issue to such bank a certificate certifying that such bank is no longer authorized to exercise the powers granted by this section. Upon the issuance of such a certificate by the Comptroller of the Currency, such bank (1) shall no longer be subject to the provisions of this section or the regulations of the Comptroller of the Currency made pursuant thereto, (2) shall be entitled to have returned to it any securities which it may have deposited with the State authorities for the protection of private or court trusts, and (3) shall not exercise thereafter any of the powers granted by this section without first applying for and obtaining a new permit to exercise such powers pursuant to the provisions of this section. The Comptroller of the Currency is authorized and empowered to promulgate such regulations as he may deem necessary to enforce compliance with the provisions of this section and the proper exercise of the powers granted therein.

SEC. 2. Nothing contained in this Act shall be deemed to affect or curtail the right of any national bank to act in fiduciary capacities under a permit granted before the date of enactment of this Act by the Board of Governors of the Federal Reserve System, nor to affect the validity of any transactions entered into at any time by any national bank pursuant to such permit. On and after the date of enactment of this Act the exercise of fiduciary powers by national banks shall be subject to the provisions of this Act and the requirements of regulations issued by the Comptroller of the Currency pursuant to the authority granted by this Act.

SEC. 3. Subsection (k) of section 11 of the Federal Reserve Act (12 U.S.C. 248(k)) is repealed.

SEC. 4. Paragraph (2) of subsection (a) of section 584 of the Internal Revenue Code of 1954 is amended by inserting "or the Comptroller of the Currency" immediately after "the Board of Governors of the Federal Reserve System".

SEC. 5. Section 581 of the Internal Revenue Code of 1954 is amended by striking out "section 11(k) of the Federal Reserve Act (38

Stat. 262; 12 U.S.C. 248(k))", and inserting in lieu thereof "authority of the Comptroller of the Currency".

Mr. **SPEAKER**. Is a second demanded?

Mr. **WIDNALL**. Mr. Speaker, I demand a second.

Mr. **PATMAN**. Mr. Speaker, I ask unanimous consent that a second be considered as ordered.

The **SPEAKER**. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. **PATMAN**. Mr. Speaker, this bill places authority over the trust powers of national banks in the Comptroller of the Currency.

The power is now in the Board of Governors of the Federal Reserve System. The Board of Governors, through Mr. Martin, Chairman, agreed to the passage of the bill and recommended its passage. There is no objection to the passage of the bill. The committee voted it out of the committee unanimously.

Mr. Speaker, I do not know of anyone who would like to speak on the bill on our side.

If the gentleman from New Jersey [Mr. WIDNALL] does not have any requests for time, I think we had just as well ask for a vote on the question.

Mr. **WIDNALL**. Mr. Speaker, I have no requests for time.

Mr. **GROSS**. Mr. Speaker, will the gentleman yield?

Mr. **PATMAN**. I yield to the gentleman from Iowa.

Mr. **GROSS**. I would like to ask the gentleman from Texas [Mr. PATMAN], how long the Federal Reserve Board has had the authority that he now proposes to take from it?

Mr. **PATMAN**. I think from the very beginning of the Federal Reserve System, in 1913. I am not absolutely sure about that, but I believe it is correct. However, it is possible that the 1935 act gave the power to the Board.

Mr. **GROSS**. If the gentleman will yield further, permit me to ask the gentleman the reason why you take this authority from the Federal Reserve Board?

Mr. **PATMAN**. Well, the Federal Reserve Board feels it more logically belongs in the Comptroller of the Currency than in the Federal Reserve Board.

Mr. **GROSS**. If the gentleman will yield further, permit me to ask the gentleman this pointed question:

Has there been dissatisfaction with the administration of it by the Federal Reserve Board?

Mr. **PATMAN**. There has been no dissatisfaction at all. But, you see, the Comptroller of the Currency has to do with the national banks.

The **SPEAKER**. The question is on the motion of the gentleman from Texas [Mr. PATMAN] that the House suspend the rules and pass the bill H.R. 12577.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the bill was passed.

A motion to reconsider was laid on the table.

RETENTION OF BANK BRANCHES UPON CONVERSION

Mr. **PATMAN**. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 12899) to amend section 5155 of the Revised Statutes relating to bank branches which may be retained upon conversion or consolidation or merger.

The Clerk read as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subsection (b) of section 5155 of the Revised Statutes, as amended (12 U.S.C. 36), is amended to read as follows:

"(b) (1) A national bank resulting from the conversion of a State bank may retain and operate as a branch any office which was a branch of the State bank immediately prior to conversion if such office—

"(A) might be established under subsection (c) of this section as a new branch of the resulting national bank, and is approved by the Comptroller of the Currency for continued operation as a branch of the resulting national bank;

"(B) was a branch of any bank on February 25, 1927; or

"(C) is approved by the Comptroller of the Currency for continued operation as a branch of the resulting national bank.

The Comptroller of the Currency may not grant approval under clause (C) of this paragraph if a State bank (in a situation identical to that of the national bank) resulting from the conversion of a national bank would be prohibited by the law of such State from retaining and operating as a branch an identically situated office which was a branch of the national bank immediately prior to conversion.

"(2) A national bank (referred to in this paragraph as the 'resulting bank'), resulting from the consolidation of a national bank (referred to in this paragraph as the 'national bank') under whose charter the consolidation is effected with another bank or banks, may retain and operate as a branch any office which, immediately prior to such consolidation, was in operation as—

"(A) a main office or branch office of any bank (other than the national bank) participating in the consolidation if, under subsection (c) of this section, it might be established as a new branch of the resulting bank, and if the Comptroller of the Currency approves of its continued operation after the consolidation;

"(B) a branch of any bank participating in the consolidation, and which on February 25, 1927, was in operation as a branch of any bank; or

"(C) a branch of the national bank and which, on February 25, 1927, was not in operation as a branch of any bank, if the Comptroller of the Currency approves of its continued operation after the consolidation.

The Comptroller of the Currency may not grant approval under clause (C) of this paragraph if a State bank (in a situation identical to that of the resulting national bank) resulting from the consolidation into a State bank of another bank or banks would be prohibited by the law of such State from retaining and operating as a branch an identically situated office which was a branch of the State bank immediately prior to consolidation.

"(3) As used in this subsection, the term 'consolidation' includes a merger."

The **SPEAKER**. Is a second demanded?

Mr. **WIDNALL**. Mr. Speaker, I demand a second.

The **SPEAKER**. Without objection, a second will be considered as ordered.

There was no objection.

Mr. **PATMAN**. Mr. Speaker, this bill is endorsed by the Board of Governors of the Federal Reserve System, by the General Counsel of the Treasury Department, and by the Federal Deposit Insurance Corporation.

Mr. Speaker, I ask unanimous consent to insert in the RECORD at this point the letters which the committee has received from each of these departments.

The **SPEAKER**. Is there objection to the request of the gentleman from Texas?

There was no objection.

(The letters referred to follow:)

BOARD OF GOVERNERS OF THE
FEDERAL RESERVE SYSTEM,
Washington, August 24, 1962.

The Honorable BRENT SPENCE,
Chairman, Committee on Banking and Currency, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: It is understood from counsel to your committee that you would like to have a report from the Board on the bill H.R. 12899, "To amend section 5155 of the Revised Statutes relating to bank branches which may be retained upon conversion or consolidation or merger."

This bill would facilitate retention of branches by a national bank resulting from conversion of a State bank or from the consolidation or merger with either another national or a State bank, even though the branches were not in operation on February 25, 1927. Considerations relating to applications for branches in connection with conversions, consolidations, or mergers of the kinds above described are necessarily included among those taken into account by the Comptroller of the Currency in acting upon any such conversion, consolidation, or merger. Therefore, the bill, in effect, would permit avoidance of duplication of effort. It is noted that the bill would not permit the retention of branches in such situations if a State bank in a situation identical to that of the resulting national bank would be prohibited by the law of the State in question from retaining and operating as a branch an identically situated office.

The Board would have no objection to enactment of the bill.

Sincerely yours,
WM. MCC. MARTIN, Jr.

THE GENERAL COUNSEL
OF THE TREASURY,
Washington, August 24, 1962.

Hon. BRENT SPENCE,
Chairman, Committee on Banking and Currency, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: Reference is made to your request for the views of this Department on H.R. 12899, "To amend section 5155 of the Revised Statutes relating to bank branches which may be retained upon conversion or consolidation or merger."

Under the provisions of section 5155 of the Revised Statutes, as amended (12 U.S.C. 36), upon the conversion of a State bank into a national bank, or the consolidation or merger of two or more national banks or of State and national banks resulting in a national bank, any branches established since February 25, 1927, are required to be relinquished. H.R. 12899 amends this section to provide that in such instances and subject to the approval of the Comptroller of the Currency, the converted bank, or the bank under whose charter the consolidation or merger is being effected, may retain and operate all of the branches which it had in lawful operation at the time of the conversion, consolidation or merger, if the law of the State would not prevent a resulting State bank identically situated, from retaining such branches.

The present law operates as a deterrent to State banks converting into national banks and is inconsistent with the well-established doctrine that State banks should be permitted to convert freely into national banks and vice versa. Enactment of this legislation would not be detrimental to the State banking systems nor would it give to national banks any advantage over State banks in the matter of branches. Further, a bank which takes over by merger or consolidation a State or other national bank should not for that reason have to give up the branches which it has in operation at the time of the consolidation or merger. The purpose of the existing law is to prevent a bank from acquiring branches where they could not legally be establishd under State law, by taking over other banks. This purpose does not exist in the case of branches of the continuing bank and there is no reason why a bank should not be permitted to continue in operation the legally established branches which it already has in existence.

H.R. 12899 has the same general objective as H.R. 12578 which incorporated a draft bill submitted to the Congress by the Treasury Department. While the Department is of the opinion that the revisions made in the proposal it submitted are not necessary and may cause confusion, the Department nevertheless believes that the passage of H.R. 12899 is in the best interests of the national banking system and urges its enactment.

The Department has been advised by the Bureau of the Budget that there is no objection from the standpoint of the administration's program to the submission of this report to your committee.

Sincerely yours,

FRED B. SMITH,
Deputy General Counsel.

FEDERAL DEPOSIT
INSURANCE CORPORATION,
Washington, August 15, 1962.

Hon. BRENT SPENCE,
Chairman, Committee on Banking and Currency, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: You have requested a statement of the Corporation's views in reference to H.R. 12899, a bill to amend section 5155 of the Revised Statutes relating to branch banks which may be retained upon conversion or consolidation or merger.

This bill concerns itself with the retention of branches by the one final resulting national bank in the case of conversions or consolidations or mergers, which branches were lawfully in operation by that one resulting bank prior to the transaction but which were not in operation on February 25, 1927, and would not be permitted under existing law as a new branch.

The interest of the Corporation in this bill stems from the fact that Federal legislation on the right of national banks to change into State banks and State banks to change into national banks, without the approval of the respective supervisory authority, is premised on the proposition that there shall be a "two-way street." By that is meant that there shall be equal freedom for the banks in one system to convert or consolidate or merge into banks in the other system. The Federal legislation permitting national banks to move into a State system is based upon the premise that there is appropriate offsetting State legislation which permits freedom of transition of State banks into the national system. There is also a well-founded principle in Federal legislation that the matter of branches and the right to establish and maintain them is a subject of local concern, to be controlled by local and State legislation. This principle established by the McFadden Act in 1927, should remain the guideline for the establishment and maintenance of branches of both State and national banks.

It is the view of the Corporation that H.R. 12899 is consistent with the above-stated principle in the matter of changes from State banks to national banks and national banks to State banks. Accordingly, the Corporation favors the enactment of H.R. 12899.

We have been advised by the Bureau of the Budget that it has no objection from the standpoint of the administration's program to the submission of this report.

Sincerely yours,

ERLE COCKE, Sr.,
Chairman.

Mr. PATMAN. Mr. Speaker, this bill also passed the committee unanimously. I do not know of any objection to it. All of the agencies involved agree it is a good bill.

Mr. WIDNALL. Mr. Speaker, will the gentleman from Texas [Mr. PATMAN] explain what this bill proposes to do?

Mr. PATMAN. It allows the banks that merge to keep the branches which they had at the time of the merger. That is really the essence of it. It just retains the same branches.

Mr. WIDNALL. If the gentleman will yield further, the bill was reported out of the committee unanimously?

Mr. PATMAN. Yes.

Mr. WIDNALL. And all of the testimony was favorable to the bill?

Mr. PATMAN. There was no opposition to it.

The SPEAKER. The question is on the motion of the gentleman from Texas [Mr. PATMAN], that the House suspend the rules and pass the bill H.R. 12899.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the bill was passed.

A motion to reconsider was laid on the table.

INTERNATIONAL WHEAT AGREEMENT ACT EXTENSION

Mr. PATMAN. Mr. Speaker, I move to suspend the rules and pass the bill (S. 3574) to extend the International Wheat Agreement Act of 1949.

The Clerk read as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 2 of the International Wheat Agreement Act of 1949, as amended, is further amended as follows:

(1) The first sentence is amended by striking out the language in the first parenthesis and all that follows in such sentence and inserting in lieu thereof the following: "signed by the United States and certain other countries revising and renewing such agreement of 1949 for periods through July 31, 1965 (hereinafter collectively called the 'International Wheat Agreement')".

(2) There is inserted immediately before the last sentence the following new sentence: "Such net costs in connection with the International Wheat Agreement, 1962, shall include those with respect to all transactions which qualify as commercial purchases (as defined in such agreement) from the United States by member and provisional member importing countries, including transactions entered into prior to the deposit of instruments of acceptance or accession by any of the countries involved, if the loading period is not earlier than the date the agreement enters into force."

The SPEAKER. Is a second demanded?

Mr. WIDNALL. Mr. Speaker, I demand a second.

The SPEAKER. Without objection, a second will be considered as ordered.

There was no objection.

Mr. PATMAN. Mr. Speaker, this bill also passed the committee unanimously. The purpose of the bill is to extend for an additional 3 years the necessary implementing legislation to carry out U.S. participation in the International Wheat Agreement. This agreement was really signed in 1949 and has since been extended at 3-year intervals. The latest extension has been ratified by the Senate on July 9, 1962, by a vote of 79 to 0.

Mr. WIDNALL. Mr. Speaker, will the gentleman yield?

Mr. PATMAN. I yield to the gentleman from New Jersey.

Mr. WIDNALL. There is no opposition so far as you know to the bill?

Mr. PATMAN. No.

Mr. GROSS. Mr. Speaker, will the gentleman yield?

Mr. PATMAN. I yield to the gentleman from Iowa.

Mr. GROSS. Does this bill have the approval of the European Economic Community, otherwise known as the Common Market?

Mr. PATMAN. We do not consult the Common Market about things like this.

Mr. GROSS. Perhaps the gentleman's committee does not, but it seems that the State Department and everybody else does and acts accordingly. I just wondered if the gentleman had to get the approval of the Common Market.

Mr. PATMAN. We do not feel obligated to confer with the Common Market.

Mr. WIDNALL. Mr. Speaker, the subcommittee and the full committee felt that this was very much in the best interests of the United States to continue with this agreement.

Mr. PATMAN. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Texas.

There was no objection.

Mr. PATMAN. Mr. Speaker, the following comments constitute background information pertinent to the consideration of a bill to extend the International Wheat Agreement Act of 1949, as amended, to implement U.S. membership for the ensuing 3 years in the 1962 International Wheat Agreement. The Senate gave its advice and consent for ratification of the agreement on July 9, 1962.

SCOPE OF WHEAT AND FLOUR TRADE INVOLVED

The rights and obligations under the agreement are of necessity restricted to commercial trade, inasmuch as exports under special Government programs, notably Public Law 480 and noncommercial barter—United States—and under the Colombo plan and export credits insurance—Canada—by their very nature do not involve rights and obligations such as attach to trade under a multilateral agreement.

U.S. exports of wheat and flour for the crop year just ended June 30, 1962, are expected to total around 710 million

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bushels. A preliminary estimate of the composition of this trade is as follows:

	Million bushels
1. Commercial sales to IWA member importing countries	160
2. Commercial sales to other exporting countries and to nonmember countries	55
3. Sales to all countries under title I, Public Law 480	410
4. Sales to all countries under title IV, Public Law 480	7
5. Noncommercial barter sales to all countries	28
6. Donations to all countries	50
Total exports	710

Only the segment of trade in category No. 1 comes under the rights and obligations of the wheat agreement for the reasons mentioned above, and also inasmuch as trade so covered is restricted to exports to member importing countries, the concept of the agreement being one of a multilateral contract between importing purchasers and exporting suppliers.

Under the 1962 agreement, and likewise under the proposed implementing legislation, "member importing countries" is intended to include importing countries with "provisional" membership. The 1962 agreement recognizes a provisional membership to accommodate those countries which participated in the negotiations but whose legislatures do not find it possible to ratify before the agreement comes into force. In such a case an interim instrument is deposited; that is, an intention to seek acceptance or accession in accordance with the country's constitutional procedures. This allows a country time to conclude those formalities, and the provisional membership expires upon deposit of the full instrument of acceptance or upon expiry of the period granted by the Wheat Council for its deposit, but in no case later than July 31, 1963.

The agreement also recognizes the practical necessity for the concluding of export transactions in advance of shipment, and the inevitable circumstance that some sales for loading the first crop year in the agreement will be made before some countries have been able to deposit instruments of acceptance or accession. Accordingly, the criterion for recording transactions under the agreement is not the time of consummation of the transaction, but is whether or not the loading period falls within the term of the agreement.

It is the intention that the reimbursement to the Commodity Credit Corporation which in the proposed legislation is authorized to be appropriated, should include net costs to the Corporation with respect to all transactions which qualify as commercial purchases—as defined in the agreement—from the United States by member and "provisional" member importing countries, on the same basis recognized by the Wheat Council.

U.S. PROGRAM UNDER THE AGREEMENT

The Commodity Credit Corporation program which has been conducted pursuant to the International Wheat Agreement Act of 1949, as amended, enables commercial wheat exporters and millers to purchase wheat at domestic market prices and to sell the wheat, or wheat-flour product, to purchasers in wheat agreement importing countries, at prices consistent with the agreement price range, in competition with other exporters in the world market. The program costs in connection with these exports are occasioned by reason of the U.S. domestic price of wheat being higher than the competitive world price. The cost per bushel—and this has been the case since 1953—is the difference between the domestic price at ports and the competitive world price as it moves within the limits of the agreement price range. Should prices advance to the maximum, then the program cost per bushel would be the difference between the domestic price and the U.S. equivalents of the agreement maximum, until the U.S. quantitative commitment had been fulfilled and then prices could advance higher with a compensating reduction in the program cost.

The Wheat Agreement Act of 1949, as amended, requires the Commodity Credit Corporation in making wheat available under the agreement to have regard for its responsibility to utilize the usual and customary channels, facilities, and arrangements of trade and commerce to the maximum extent practicable. During the life of the 1959 agreement, all exports of wheat and wheat flour under the agreement were accomplished through the private trade. Insofar as practicable, practices and procedures applicable to ordinary commercial exports are permitted and encouraged. The program requirements are such as to make participation practicable for small business or for any exporter regularly engaged in the exportation of wheat or wheat-flour.

Under the program, an exporter in the private trade negotiates a sale of wheat or wheat flour with a buyer in a wheat agreement importing country, in the knowledge of export payment rates which are publicly announced each day by the Commodity Credit Corporation after grain markets have closed. The exporter reports the sale by telegraph to the CCC, and if the transaction is eligible he receives registration under the program within a few hours. He later accomplishes the exportation and upon presentation of evidence of sale and proof of exportation he collects the export payment from an office in his area at the rate per bushel of wheat or hundredweight of flour which prevailed at the time the sale was made. In the case of wheat, the export payment is made in the form of a negotiable certificate which is redeemable only in wheat from Commodity Credit stocks at the domestic market price. This wheat is utilized only in connection with further exports under the program.

EXPORT PROGRAM COSTS

The average payment on combined wheat and flour exports under the wheat agreement during the fiscal year 1960–61 was 57 cents per bushel. This is approximately the low point for any annual average since the beginning of the agreements in 1949 except for 1953–54 when the average was 44 cents; the highest annual average was 79 in 1956–57; and the overall average since 1949 was 63½ cents. It is difficult to estimate the program costs during the life of the 1962 agreement due to the uncertainties inherent in two of the three principal determinative factors; namely, first, the volume of trade; second, the level of domestic market prices; and, third, the future export prices which will need to be established in order to remain fully competitive in the world market. The volume of commercial sales to member importing countries is expected to be about 160 million bushels annually. The domestic price factor may be expected to operate to increase unit costs although this depends upon the level of domestic market prices, whereas present conditions would indicate that the third factor—the export price—may to some extent decrease unit costs. The closet estimate possible at this time is 65 cents per bushel with a possibility of reaching 70 cents if domestic markets rise materially; or conversely, a lowering of the cost per bushel, should conditions lead to a domestic market decline.

The following information relating to the 1962 International Wheat Agreement is pertinent to the proposed implementing legislation:

PROSPECTIVE MEMBERSHIP

Forty-eight countries participated in the 1962 United Nations Negotiating Conference, but 7 of these were importing countries which did not subscribe a percentage obligation prior to the adjournment of the conference; consequently only 41 countries are inscribed in the agreement.

The membership status as of August 1, 1962, was as follows:

	Exporters	Importers	Total
Countries which had deposited final instruments of acceptance or accession	4	12	16
Countries which had deposited provisional instruments of acceptance or accession	4	10	14
Countries granted extensions for the deposit of instruments	2	5	7
Countries not granted extensions (which did not sign the agreement) which may seek accession as new members		4	4
Total inscribed in agreement	10	31	41

NOTE.—The names of the countries in the foregoing categories are listed in "App. I: Exporting Countries," and "App. II: Importing Countries."

OBLIGATION OF IMPORTING COUNTRIES

Each member importing country undertakes to purchase from member exporting countries a specified percentage of its total commercial purchases from all sources, whatever that total may be. The weighted average of the percentages subscribed by all importing countries under the 1962 agreement is approximately 81 percent. This takes into account the prospective membership of the U.S.S.R. At the level of trade during

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the crop-years 1959 to 1960 and 1960 to 1961, commercial purchases from all sources aggregated around 590 million bushels.

It is expected that the member importing countries will buy within the agreement a much greater proportion of their total commercial requirements than the 81 percent subscribed. Under the previous 1959 agreement, when the weighted average subscribed was 70 percent, the actual commercial purchases for the crop years 1959 to 1960 and 1960 to 1961 approximated 92½ percent.

The importers' obligation exists at the agreement minimum price and throughout the range up to the maximum price. The right of the United States and other exporting countries is to sell this guaranteed percentage that the member importers purchase. This benefit is global in the sense that exporting countries compete with one another in selling importing countries their requirements.

OBLIGATION OF EXPORTING COUNTRIES

The obligation of exporting countries exists if the price reaches the agreement maximum. Then, they undertake to furnish any quantities not already purchased in that year, up to a moving average equal to importers' historical commercial purchases during a 4-year period. To purchase up to these quantities at the maximum price, before prices may go any higher, is the importing countries' right. The maximum obligation of the United States, at the maximum price, for the crop year 1961-62 was 163 million bushels. During the life of the 1962 agreement, the maximum obligation each year could be expected to continue at about this figure. Exporters' obligations are global in the sense that an exporting country may discharge its obligation by selling to any member importing countries until the exporter's overall commitment has been fulfilled.

It is interesting to note that commercial sales by United States for the current 1961-62 subject to the terms of the agreement, secured competitively under nonmaximum price conditions—projected on the basis of the volume recorded during the first 11 months—totals around 160 million bushels. This approximates the total quantity mentioned in the preceding paragraph which the United States could have been called upon to furnish had prices reached the maximum.

THE PRICE RANGE

The basic maximum and minimum prices in the 1962 agreement are $2.025 and $1.625 per bushel, respectively, compared with $1.90 and $1.50 in the expiring agreement. These prices are on a gold basis—that is, equal to U.S. currency—and are in terms of a basic grade and a basing point; namely, No. 1 Manitoba Northern Wheat in bulk in store at the head of the Lakes.

The equivalents of the agreement basic prices at U.S. ports are determined on the basis of prevailing transportation rates to destinations. As an example, the current f.o.b. equivalents at U.S. gulf ports of the new agreement basic prices are approximately $2.16 maximum and $1.76 minimum. For practical purposes of comparison, these prices must be further interpreted in terms of classes and grades in relation to the basic grade. The United States establishes differentials for its various classes and grades as required in the light of competitive world prices.

Shorter supplies of hard wheats in the higher protein brackets and price advances of these qualities during the last half of 1961 and early 1962, were factors favorable to the obtaining of the increase in the agreement price range at the negotiating conference. However, this was accomplished in the face of remaining large supplies of ordinary protein wheats and a concerted resistance to price increase on the part of developing countries. Although purchases by developing countries are largely under government-assisted programs rather than commercial, nonetheless they opposed a higher price range, and by and large it was the industrialized, commercial buyers which enabled the United States and other exporting countries to negotiate the price increase.

AGREEMENT ADMINISTRATION

The agreement is administered internationally by a Wheat Council composed of member countries of the agreement. Votes are divided equally between exporting countries and importing countries, with each group having 1,000 votes. The United States holds 290 of the 1,000 exporter votes in the Council.

The U.S. pro rata proportion of the cost of administration under the 1959 agreement averaged $22,600 annually, which is about one-sixtieth of a cent per bushel of wheat exported under the agreement.

APPENDIX 1

Exporting countries inscribed in the 1962 agreement

Exporting country	Member of 1959 agreement	Inscribed in 1962 agreement	Status as of Aug. 1, 1962		
			Instrument full membership deposited	Instrument of provisional membership deposited	Granted extension for deposit of instrument of acceptance
1. Argentina	X	X		X	
2. Australia	X	X	X		
3. Canada	X	X	X		
4. France	X	X			X.
5. Italy	X	X		X	
6. Mexico	X	X			X.
7. Spain	X	X		X	
8. Sweden	X	X		X	
9. United States	X	X	X		
10. U.S.S.R.	Nonmember	X	X		

APPENDIX 2

Importing countries inscribed in the 1962 agreement

Importing country	Percent of commercial purchases pledged		Status as of Aug. 1, 1962			
	1959	1962	Instrument of full membership deposited	Instrument provisional membership deposited	Extensions granted	See footnote
1. Austria	45	60	X			
2. Belgium-Luxembourg	80	90		X		
3. Brazil	50	30		X		
4. Cuba	90	90		X		
5. Dominican Republic	90	90			X	
6. Federal Republic of Germany	70	87½		X		
7. India	70	70	X			
8. Indonesia	70	70			X	
9. Ireland	90	90	X			
10. Israel	60	60		X		
11. Japan	50	85		X		
12. Republic of Korea	90	90	X			
13. Netherlands	75	90		X		
14. New Zealand	90	90	X			
15. Nigeria	90	80	X			
16. Norway	60	90	X			
17. Philippines	70	80		X		
18. Portugal	85	85			X	
19. Rhodesia and Nyasaland	90	90	X			
20. Saudi Arabia	70	70	X			
21. South Africa	90	90	X			
22. Switzerland	80	87		X		
23. United Arab Republic	30	30		X		
24. United Kingdom	80	90	X			
25. Vatican City	100	100	X			
26. Venezuela	70	60			X	
27. Ceylon	(1)	80				X.
28. Iran	(1)	80				X.
29. Liberia	(1)	70			X	
30. Libya	(1)	70				X.
31. Poland	(1)	50				X.

(1) Not member of 1959 agreement.

Seven additional importing countries participated in the 1962 negotiating conference but did not specify a percentage undertaking and consequently were not inscribed in the agreement. Two of these countries—Finland and Greece—

applied to the International Wheat Council for accession after the agreement came into force on July 16, 1962. The applications were approved and the countries are now placing membership before their legislatures. The other five countries in this category may seek accession in the same manner in the future. These countries are: Colombia, Denmark, Morocco, Pakistan, and Syria.

Nine importing countries which were members of the 1959 agreement did not participate in the 1962 negotiating conference. One of these countries—El Salvador—applied for accession after the agreement came into force on July 16, 1962. The application was approved by the Wheat Council and the deposit of the instrument of accession is pending. The other eight countries in this category are Costa Rica, Guatemala, Haiti, Honduras, Iceland, Panama, Peru, and Sierra Leone. Sierra Leone has applied for accession but the Wheat Council has not yet had opportunity to act on it.

Of the 41 exporting and importing countries inscribed in the agreement, all but 4 have deposited instruments, either final or provisional, or have been granted extensions for deposit. The four which have not been granted extensions, have not applied therefor nor did they sign the agreement during the prescribed period. These countries are Ceylon, Iran, Libya, and Poland. They are privileged to apply to the Wheat Council for accession under article 35(4) of the agreement which authorizes the Council by two-thirds votes of exporting countries and two-thirds votes of importing countries to approve accession by the Government of any member of the United Nations or the specialized agencies or by any Government which was a member of the 1959 Wheat Agreement.

The SPEAKER. The question is, Will the House suspend the rules and pass the bill S. 3574?

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the bill was passed.

A motion to reconsider was laid on the table.

ASSISTANCE FOR CERTAIN FEDERALLY IMPACTED AREAS

Mr. RAINS. Mr. Speaker, I move to suspend the rules and pass the bill (S. 3327) to make certain federally impacted areas eligible for assistance under the public facility loan program, with amendments, which I send to the Clerk's desk.

The Clerk read as follows:

> *Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That paragraph (4) of section 202(b) of the Housing Amendments of 1955 is amended by inserting immediately after "Act" the following: ", or in the case of a community in or near which is located a research or development installation of the National Aeronautics and Space Administration".

The SPEAKER. Is a second demanded?

Mr. WIDNALL. Mr. Speaker, on that I demand a second.

The SPEAKER. Without objection, a second will be considered as ordered.

There was no objection.

Mr. RAINS. Mr. Speaker, right at the outset let me make it clear that the title of the bill does not accurately describe the amendment in the nature of a substitute that I have sent to the desk. This bill, S. 3327, is intended to make loans from the Community Facilities Administration available to those rapidly growing communities where research or development installations of the National Aeronautics and Space Administration are located.

This is the bill which was brought up on the consent calendar, but objection was raised on the grounds that it referred to federally impacted areas where there are NASA installations. My amendment overcomes those objections by eliminating entirely any reference to federally impacted areas. Instead, the amendment which is at the desk in effect substitutes a population ceiling. Under this amendment any community which has a NASA research or development installation would be eligible under the public facility loan program provided that its population does not exceed 150,000. Under existing law these loans can be made to any community with a population of 50,000 or less except that in depressed areas—those eligible for aid under the Area Redevelopment Act—we have raised the population ceiling to 150,000, the same that this bill would establish for communities with NASA installations.

Mr. Speaker, in my judgment, this is an extremely worthwhile piece of legislation. The creation of these space research centers has in most cases brought in a substantial number of new families to the area and often has placed great strain on existing community facilities. As a result of this population increase, these communities are forced to finance additional water and sewer facilities, streets, sidewalks, public buildings, and the like. Schools, of course, are not eligible under the community facility loan program and are not eligible under the bill now before the House.

Certainly we all recognize the vital importance of the space program and the need to take whatever steps are called for to keep that program moving at a rapid pace. One of these needs is adequate housing, which includes adequate community facilities for the people who work there. This bill will assure that financing on reasonable terms is available to help these communities provide the facilities needed.

Let me point out that the community facility loan program does not cost the taxpayer a single cent. The interest rate of these loans is set by a formula which fully reflects the cost of money to the Treasury and all costs of administering the program. At present the interest rate on these loans is 3¾ percent. They can be used only if the community cannot sell its own tax-exempt securities to private investors at reasonable rates. Currently, this means a 4-percent rate, and no community which can borrow on its own in the private market at 4 percent or less can obtain one of these loans.

At present there are NASA installations in 16 communities; 9 of these communities are already eligible under the public facility loan program because they are small towns of less than 50,000 population. At the other extreme, there are 3 communities in large cities which, because of their financial power, are able to borrow at low interest rates from private investors and so do not need this program and are excluded by the 150,000 population ceiling. The remaining four communities would be made eligible for these loans by the pending bill if they find that they cannot borrow from private investors at reasonable rates. These are Huntsville, Ala.; Hampton, Va.; and Pasadena and Santa Monica, Calif.

May I emphasize that these four communities would use this program only if it were really needed and, in my judgment, this kind of backstop financing should be made available to them. I urge all of my colleagues to support the bill.

Mr. BAILEY. Mr. Speaker, will the gentleman yield?

Mr. RAINS. I yield to the gentleman from West Virginia.

Mr. BAILEY. Did I understand the distinguished gentleman from Alabama to say that this in no way affects Public Laws 815 and 874?

Mr. RAINS. Not all. It has no connection with it. In the Senate they use the words "impacted areas," whereas in reality it is an amendment to the Community Facilities Act. It has no relation to the impacted area laws, either 815 or 874.

Mr. BAILEY. I thank the gentleman.

The SPEAKER. The question is, Will the House suspend the rules and pass the bill S. 3327, as amended?

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the bill was passed.

The title was amended so as to read: "An act to make eligible for assistance under the public facility loan program certain areas where research or development installations of the National Aeronautics and Space Administration are located."

A motion to reconsider was laid on the table.

MAXIMUM PERSONNEL SECURITY IN THE NATIONAL SECURITY AGENCY

Mr. WILLIS. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 12082) to amend the Internal Security Act of 1950 by adding thereto title IV establishing a legislative base for personnel security procedures in the National Security Agency.

Mr. HAYS. Mr. Speaker, I make the point of order that a quorum is not present.

Mr. WILLIS. Mr. Speaker, I withdraw my motion.

The **SPEAKER**. Does the gentleman from Ohio withdraw his point of order?

Mr. **HAYS**. I withdraw it, Mr. Speaker.

PADRE ISLAND NATIONAL SEASHORE

Mr. **ASPINALL**. Mr. Speaker, I move to suspend the rules and pass the bill (S. 4) to provide for the establishment of the Padre Island National Seashore, as amended.

Mr. **GROSS**. Mr. Speaker, I make the point of order that a quorum is not present.

The **SPEAKER**. Will the gentleman withhold his point of order until the Chair lays before the House two messages?

Mr. **GROSS**. Yes, Mr. Speaker.

BARBARA W. TROUSIL, EDWARD G. TROUSIL, AND ROBERT E. TROUSIL

The Chair laid before the House the following communication from the Clerk of the House:

AUGUST 27, 1962.

The Honorable the SPEAKER,
House of Representatives.

SIR: I have the honor to transmit herewith a sealed envelope addressed to the Speaker of the House of Representatives from the President of the United States, received in the Clerk's office at 4:53 p.m. on August 24, 1962, and said to contain a veto message on H.R. 3372, "An act for the relief of Barbara W. Trousil, Edward G. Trousil, and Robert E. Trousil."

Respectfully yours,
RALPH R. ROBERTS,
Clerk, U.S. House of Representatives.

BARBARA W. TROUSIL, EDWARD G. TROUSIL, AND ROBERT E. TROUSIL—VETO MESSAGE FROM THE PRESIDENT OF THE UNITED STATES (H. DOC. NO. 533)

The **SPEAKER** laid before the House the following veto message from the President of the United States:

To the House of Representatives:

I am returning herewith, without my approval, H.R. 3372, "for the relief of Barbara W. Trousil, Edward G. Trousil, and Robert E. Trousil."

This bill would waive the applicable statute of limitations and permit Barbara W. Trousil, Edward G. Trousil, and Robert E. Trousil to file their claims under the Czechoslovakian claims program administered by the Foreign Claims Settlement Commission.

In 1958, the Congress authorized a program to compensate those U.S. citizens who sustained losses when their property located in Czechoslovakia was nationalized following World War II. Under that program—to be financed from the liquidation of certain assets of the Czechoslovakian Government situated in the United States—the statutory deadline for filing claims was September 15, 1959.

The beneficiaries of the present bill, U.S. citizens who returned to this country from Czechoslovakia after the war, filed their claim under the Czechoslovakian program in August 1960. It was, therefore, necessarily rejected by the Foreign Claims Settlement Commission as being barred by the applicable statute of limitations.

According to the report of the House Committee on the Judiciary, the beneficiaries' failure to file timely was due to the deception of the manager of their Czechoslovakian properties. It is asserted that this manager, starting in 1953, repeatedly deceived the beneficivakia, and learned that the property and that it was not until 1960 that they became suspicious, went to Czechoslovakia, and learned that the property had, in fact, been nationalized in 1953. Had they not been so misled, it is argued, the beneficiaries would have known about the loss of their property and would, therefore, have filed a timely claim under the 1958 statute.

While regretting the losses suffered by the beneficiaries, I find myself unable to approve this bill. First of all, accepting the facts as presented in the committee report, it seems to me that the beneficiaries could and should have taken the precaution of filing under the claims program while taking earlier steps to verify the status of their property. Indeed, the manager's reported explanation that earnings from the property could not be removed from Czechoslovakia would, of itself, appear to be a sufficient reason for filing a claim. Given the wide range of possible reasons for not filing claims within a prescribed statute of limitations, I do not believe those which have been advanced in this case are sufficiently distinguishing to warrant the discriminatory relief proposed in H.R. 3372.

My second reason for disapproving the bill relates to the Czechoslovakian claims program as a whole. Claims adjudications under this program are required to be completed by the Foreign Claims Settlement Commission next month. It now appears that with awards aggregating over $80 million, compared with the $9 million available to pay them, claimants will be fortunate if they realize 10 cents on the dollar under the statutory payment scheme providing for full payment up to $1,000, with pro rata distribution thereafter.

It is obvious that any award to the beneficiaries of the present bill would reduce the extremely limited awards payable to claimants who filed their claims timely. In addition, the time required for presentation of the beneficaries' case and adjudication of their claim would necessarily delay pro rata distribution to the more than 4,000 claimants, most of whom have already waited many years for compensation. Waiver of the statutory period in this case could also serve as a precedent for similar action on behalf of other claimants, thus delaying still further the ultimate settlement date.

JOHN F. KENNEDY.

THE WHITE HOUSE, *August 24, 1962.*

The **SPEAKER**. The objections of the President will be spread at large upon the Journal.

Without objection, the bill and message are referred to the Committee on the Judiciary and ordered to be printed.

There was no objection.

THIRD ANNUAL REPORT ON WEATHER MODIFICATION—MESSAGE FROM THE PRESIDENT OF THE UNITED STATES (H. DOC. NO. 534)

The **SPEAKER** laid before the House the following message from the President of the United States which was read, and, together with accompanying papers, referred to the Committee on Interstate and Foreign Commerce and ordered to be printed with illustrations:

To the Congress of the United States:

I transmit herewith for the consideration of the Congress the Third Annual Report on Weather Modification (for fiscal year 1961) as submitted by the Director of the National Science Foundation.

JOHN F. KENNEDY.

THE WHITE HOUSE, *August 27, 1962.*

Mr. **ASPINALL**. Mr. Speaker, I withdraw the motion previously made.

REVISING THE BOUNDARIES OF THE VIRGIN ISLANDS NATIONAL PARK, ST. JOHN, V.I.

Mr. **O'BRIEN** of New York. Mr. Speaker, I move to suspend the rules and pass the bill (S. 2429) to revise the boundaries of the Virgin Islands National Park, St. John, V.I., and for other purposes, with amendments.

The Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, in furtherance of the purposes of the Act of August 2, 1956 (70 Stat. 940), as amended, providing for the establishment of the Virgin Islands National Park, and in order to preserve for the benefit of the public significant coral gardens, marine life, and seascapes in the vicinity thereof, the boundaries of such park, subject to valid existing rights, are hereby revised to include the adjoining lands, submerged lands, and waters described as follows:

NORTH OFFSHORE AREA

Beginning at the hereinafter lettered point A on the shore of Cruz Bay, a corner in the Virgin Islands National Park boundary, being also a corner of lot F, Cruz Bay, added to the park by order of designation signed June 29, 1960, by the Assistant Secretary of the Interior pursuant to the Act of August 2, 1956 (70 Stat. 940), and published in the Federal Register of July 7, 1960, the said corner being the terminus of the course recited therein as "north 58 degrees 50 minutes west a distance of 20.0 feet, more or less, along Government land to a point;" for the third call in the metes and bounds description lot F, Cruz Bay.

From the initial point A, distances in nautical miles, along direct courses between the hereinafter lettered points at geographic positions (latitudes north, longitudes west):

Northwestward, approximately 0.13 mile to point B, latitude 18 degrees 20 minutes 08 seconds, longitude 64 degrees 47 minutes 43 seconds in Cruz Bay;

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0.43 mile to point C, latitude 18 degrees 20 minutes 08 seconds, longitude 64 degrees 48 minutes 10 seconds in Pillsbury Sound;

1.36 miles to point D, latitude 18 degrees 21 minutes 30 seconds, longitude 64 degrees 48 minutes 10 seconds in Windward Passage;

1.64 miles to point E, latitude 18 degrees 22 minutes 10 seconds, longitude 64 degrees 46 minutes 35 seconds in the Atlantic Ocean;

1.99 miles to point F, latitude 18 degrees 22 minutes 45 seconds, longitude 64 degrees 44 minutes 35 seconds in the Narrows;

3.18 miles to point G, latitude 18 degrees 22 minutes 00 seconds, longitude 64 degrees 41 minutes 20 seconds in Sir Francis Drake Channel;

1.04 miles to point H, latitude 18 degrees 21 minutes 10 seconds, longitude 64 degrees 40 minutes 40 seconds in Haulover Bay;

Southwestward approximately 0.22 mile to point I, a bound post on the shore of Haulover Bay marking a corner of the Virgin Islands National Park boundary as shown on drawing numbered NP–VI–7000 entitled "Acquisition Area Virgin Islands National Park", approved November 15, 1956, by the Acting Secretary of the Interior in accordance with the provisions of the Act of August 2, 1956, supra, being also the southeasterly corner of estate Haulover 5a and 5c east end quarter as delineated on the municipality of Saint Thomas and Saint John drawing PW file numbered 9–24–T51 dated October 26, 1950;

Thence running generally westward along the Virgin Islands National Park northerly boundary as it follows the northerly shore of the island of Saint John as shown on the said drawing numbered NP–VI–7000 and on drawing numbered NP–VI–7003 entitled "Land Ownership Cruz Bay Creek" depicting the boundary adjustment affected by the said order of designation to point A, the point of beginning.

The area described contains approximately 4,100 acres.

SOUTH OFFSHORE AREA

Beginning at the hereinafter lettered point L, a concrete bound post on the shore of Drunk Bay marking a northeasterly corner in the Virgin Islands National Park boundary as shown on the said drawing numbered NP–VI–7000, being also the northeasterly corner of parcel numbered 1, estate Concordia (A), as delineated on the Leo R. Sibilly, civil engineer, drawing file numbered C9–13–T55.

From the initial point L, distances in nautical miles, along direct courses between the hereinafter lettered points at geographic positions (latitudes north, longitudes west):

Eastward approximately 0.32 mile to point M, latitude 18 degress 18 minutes 48 seconds, longitude 64 degrees 41 minutes 50 seconds in Sabbat Channel;

0.88 mile to point N, latitude 18 degrees 17 minutes 55 seconds, longitude 64 degrees 41 minutes 50 seconds in the Caribbean Sea;

0.40 mile to point O, latitude 18 degrees 17 minutes, 55 seconds, longitude 64 degrees 42 minutes 15 seconds in the Caribbean Sea;

1.88 miles to Point P, latitude 18 degrees 18 minutes 48 seconds, longitude 64 degrees 44 minutes 00 seconds in the Caribbean Sea;

1.74 miles to point Q, latitude 18 degrees 18 minutes 48 seconds, longitude 64 degrees 45 minutes 50 seconds in the Caribbean Sea;

0.45 mile to point R, latitude 18 degrees 19 minutes 15 seconds, longitude 64 degrees 45 minutes 50 seconds in Fish Bay;

Eastward approximately 0.08 mile to point S on the shore of Fish Bay, a corner in the present Virgin Islands National Park, as delineated on said drawing numbered NP–VI–7000, being the northwesterly corner of parcel numbered 2 estate Fish Bay, numbered 8 Reef Bay Quarter, and the terminus of the delineated course "south 78 degrees 52 minutes west distance 1,178.9 feet" as depicted on the Leo R. Sibilly, civil engineer, drawing file numbered G9–385–T56.

Thence running generally eastward along the present southerly park boundary as it follows the southerly shore of the island of Saint John as depicted on the said drawing numbered NP–VI–7000 to point L, the point of beginning.

The area described contains approximately 1,550 acres.

Lands, submerged lands, and waters added to the Virgin Islands National Park pursuant to this Act shall be subject to administration by the Secretary of the Interior in accordance with the provisions of the Act of August 25, 1916 (39 Stat. 535; 16 U.S.C. 1–4), as amended and supplemented.

SEC. 2. Within the boundaries of Virgin Islands National Park as established and adjusted pursuant to the Act of August 2, 1956 (70 Stat. 940), and as revised by this Act, the Secretary of the Interior is authorized to acquire lands, waters, and interests therein by purchase, donation, with donated funds, or by condemnation of exchange.

SEC. 3. Nothing in this Act shall be construed as authorizing any limitation on customary uses of or access to the areas specified in section 1 for bathing and fishing (including setting out of fishpots and landing boats), subject to such regulations as the Secretary of the Interior may find reasonable and necessary for protection of natural conditions and prevention of damage to marine life and formations.

SEC. 4. There are hereby authorized to be appropriated such sums, but not more than $1,250,000, as are necessary to acquire lands pursuant to section 2 of this Act.

The SPEAKER. Is a second demanded?

Mr. SAYLOR. Mr. Speaker, I demand a second.

The SPEAKER. Without objection, a second will be considered as ordered.

There was no objection.

Mr. SAYLOR. Mr. Speaker, I yield such time as he may require to the gentleman from Washington [Mr. WESTLAND].

Mr. WESTLAND. Mr. Speaker, I would not want this bill to go through without the House knowing what it is all about. I think the first thing that I ought to call to the attention of the House is that when this park on the island of St. John was originally established it was established on the basis that Mr. Laurance Rockefeller had an option on some 9,000 acres of land which was about three-quarters of the island, and that he was going to donate those 9,000 acres to the Federal Government, the Park Service, and make a park out of three-quarters of this island. Since then Mr. Rockefeller has apparently been able to acquire about 6,000 acres of the land and that has been put into a national park. Many of us on the Interior Committee have been down and visited this beautiful island. This land acquisition has completely stultified any further development of that area. Most of us know that land values in the Virgin Islands have gone up tremendously as methods of transportation have improved. You can fly down there in a jet out of New York in a matter of 3 hours. Many of the people in the Caribbean area want to find a place to live there.

This bill says that inasmuch as Mr. Rockefeller has not been able to acquire these other 3,000 acres the Federal Government is going to do it through condemnation proceedings. The whole proposition was set up originally on the basis that the park would be a donation, that the land would be a donation. Now you are asked to appropriate funds for the purpose of buying these other 3,000 acres that Mr. Rockefeller apparently cannot afford to buy. If he cannot afford to buy them I do not believe the Federal Government can afford to buy them either.

Furthermore, I think these 3,000 acres could better be used by people who want to go down there to live. I think—I am pretty certain of this—that the Legislature of the Virgin Islands has actually passed a resolution condemning Mr. Rockefeller for his attitude in trying to take over practically the whole of the island.

I would like to call to the attention of the House also another feature, and that is the matter of picking up 5,600 acres of underwater flora and fauna.

The report says:

> The many varieties of reef fish and the spiney lobster are in danger of depletion through uncontrolled spearfishing. Moreover, indiscriminate spearfishing is not only a very efficient method of killing fish but it serves to instill a permanent fear of swimmers into those fish that escape.

I would not want to instill a permanent fear of swimmers in fish. I think that would be a horrible thing to do; and so maybe we ought to expropriate these 5,600 acres which are under water so that these fish will not have a fear complex of swimmers. Maybe that part of the bill is all right, but I think the House should reject this proposition of acquiring these other 3,000 acres through condemnation proceeding when Mr. Rockefeller himself says he cannot afford to buy them.

The SPEAKER. The question is, Will the House suspend the rules and pass the bill S. 2429?

The question was taken; and on a division (demanded by Mr. FULTON) there were—ayes 60, noes 50.

So (two-thirds not having voted in favor thereof), the motion was rejected.

SMALL HYDROELECTRIC POWER PROJECTS

Mr. HARRIS. Mr. Speaker, I move to suspend the rules and pass the bill (S. 1606) to authorize the Federal Power Commission to exempt small hydroelectric projects from certain of the licensing provisions of the Federal Power Act.

The Clerk read as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subsections (b), (e), and (i) of section 10 of the Federal Power Act, as amended (16 U.S.C. 803(b), 803(e), 803(i)), is amended by striking out the words "one hundred horsepower" in each such subsection and inserting in lieu thereof the words "two thousand horsepower".

The SPEAKER. Is a second demanded?

Mr. SCHENCK. Mr. Speaker, I demand a second.

Mr. HARRIS. Mr. Speaker, I ask unanimous consent that a second be considered as ordered.

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The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

Mr. HARRIS. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

Mr. HARRIS. Mr. Speaker, the purpose of S. 1606 is to increase from 100 to 2,000 horsepower the size of small hydroelectric projects which may be exempted from certain of the licensing provisions of the Federal Power Act.

The original Federal Water Power Act in 1920 created the Commission for the purpose of licensing hydroelectric developments on the waters of the United States over which the Congress has jurisdiction. That act recognized, and its major revision in 1935, the Federal Power Act, continued to recognize, that all of the requirements for licensing a large hydroelectric project were not necessary for small projects. The Commission was given authority in section 10(i) of the act to waive all of the licensing provisions for projects of not more than 100 horsepower except the 50-year license period and annual charges for the use of Indian tribal lands, in section 10(b) to waive approval of plans for changes in a project of not more than 100 horsepower, and in section 10(e) to waive annual charges for such projects except those on Indian tribal lands.

Subsection 10(i) does not mean that projects of 100 horsepower or less do not have to have a license. It means that the Commission may, if it deems the public interest warrants such action under the circumstances, waive some of the conditions and requirements that it must attach to and apply to the license of a larger project. The bill simply would raise this discretionary dividing line from 100 to 2,000 horsepower.

As stated by the Commission, some of the detailed requirements that it now may waive for projects of not more than 100 horsepower and that it would be authorized by the bill to waive for projects of not more than 2,000 horsepower are those relating to the original cost of the project, the annual charges, the establishment of amortization reserves and depreciation reserves, and other accounting matters which are deemed unnecessary for these small plants, expensive for the licensees to comply with, and expensive for the Commission to administer.

One of the subjects which the Federal Power Commission is required to consider in the issuing of a project license is that of fish and wildlife resources.

Section 18 of the Federal Power Act reads:

> The Commission shall require the construction, maintenance, and operation by a licensee at its own expense * * * of such fishways as may be prescribed by the Secretary of Commerce [now Interior].

In connection with concern expressed at the hearing by some of the members relative to this subject, Chairman Swidler gave specific assurance that while the Commission might waive some provisions and not waive others, it was not the Commission's intention to waive the requirements with respect to protection of fish resources at these projects.

Section 2 of the Fish and Wildlife Coordination Act (16 U.S.C. 662) also imposes certain duties upon all Federal agencies, and upon all licensees, to consult with the Department of Interior and with appropriate State agencies with respect to the conservation and improvement of wildlife resources in connection with water resource development. In response to a direct question, Chairman Swidler stated that this bill would not change the responsibility of the Commission to confer with the Department or the heads of the State agencies.

In view of these assurances the Department of the Interior has no objection to the enactment of the legislation.

The Committee on Interstate and Foreign Commerce urges the passage of the bill.

Mr. Speaker, this is a very satisfactory proposal and is offered at the request of the Federal Power Commission to help expedite the business of the Commission in relation to very small hydro projects. Not only that, but it relieves certain administrative difficulties in problems with the operators of these very small hydro projects.

In the early days of the twenties, when the Federal Water Power Act was enacted into law, there was included among the administrative provisions of the act a provision relating to small hydro projects up to 100 horsepower. This proposition—it is permissive—would extend to the Federal Power Commission a discretion as to whether or not it could exempt or would exempt hydro projects from the usual provisions of the act up to 2,000 horsepower. That is simply the purpose of it, and that is all it does.

The committee conducted hearings, and this bill was voted out of the committee unanimously. I believe it is a desirable piece of legislation, and would be in the public interest.

Mr. SCHENCK. Mr. Speaker, I yield such time as he may desire to the gentleman from Iowa [Mr. JENSEN].

Mr. JENSEN. Mr. Speaker, I merely want to point out that, in my judgment—and I know a little about the workings of the Federal Power Commission—this is not good legislation. I am not saying that they would take advantage of the new authority which they would receive under legislation of this nature. But I do say that the Federal Power Commission could penalize people they do not like and favor people they do like in the electric power industry.

I do not believe that the 30-minute hearings held before the committee is sufficient time for any member of the committee to determine the value of such legislation as this, especially under suspension of the rules.

I would hope that this bill could be laid over until the committee would have sufficient time to look into a number of matters which I think should be looked into. I am sure that the gentleman will agree that the Federal Power Commission does exercise great authority over all types of electric power, both Federal and private, and to give them this added power under a suspension of the rules and after only 30 minutes of hearings before the committee, as I understand it, which was all the hearings that the committee held on this bill, is not good practice for the House of Representatives.

Mr. Speaker, I would hope that the gentleman from Arkansas [Mr. HARRIS] will withdraw his request for consideration of this bill at this time.

Mr. HARRIS. I would say to the gentleman that I certainly do appreciate the gentleman's interest. I know of the gentleman's continuing interest in matters of this kind. I will say, however, the committee conducted hearings and went into the desirability of this particular proposal—the discretion that would be given here to the Federal Power Commission. In view of the fact that the 2,000 horsepower project is only 1,500 kilowatts of power, a very small operation, I would hope that the House would favorably consider it.

Mr. JENSEN. And the next request will be to handle all hydroelectric applications in the same manner.

Will the gentleman agree that the committee only held 30 minutes of hearings? I have been told by members of the committee that that is a fact.

Mr. HARRIS. We heard the Chairman of the Federal Power Commission on it. So far as we were able to ascertain, there was no one else who wanted to be heard, because it was explained to be a relatively small matter.

The gentleman made one comment that would cause me some concern, and that was the comment with reference to the special or the preferential treatment which the Commission might give in the administration of this provision. If that were to happen, I can say to the gentleman from Iowa [Mr. JENSEN], I shall be the first one to go into it with the Federal Power Commission to determine why such preferential treatment were given.

Mr. JENSEN. But in regard to that, the gentleman will be too late. The horse will be stolen before you shut the barn door. The gentleman realizes that, does he not? I have the greatest regard for the gentleman.

Mr. HARRIS. I appreciate that and the feeling is mutual. If we had any idea or any reports at all that such would be the case, then I am sure it would have been explored thoroughly. But here we are trying to say——

Mr. JENSEN. Who knew? Did the gentleman or his committee inform any Member of the House that hearings were going to be held on a bill of this nature? I certainly did not know anything about it.

Mr. HARRIS. We announced the hearings as we do all of our hearings, and put it on the hearing calendar.

Mr. JENSEN. Well, I will say to my good friend and colleague the gentleman from Arkansas [Mr. HARRIS] that this bill is too far reaching in its significance to pass it today under a suspension of the rules, especially since no one, to my knowledge, appeared before the committee in opposition to the bill. I am sure if people—many people—in this country, had known about it, they would have appeared in opposition to this kind of legislation.

Mr. HARRIS. I will say to the gentleman from Iowa [Mr. JENSEN] I regret exceedingly that there seems to be any opposition at all. The Department of the Interior supports it in addition to the Federal Power Commission. The Bureau of the Budget has submitted its report, and we thought it was a method of doing something for the small private licensees.

I really believe that it is something which would be desirable when it is thought through and when one sees what it is. The committee, at least, thought so.

We have had no expression of any opposition since the day that the bill was reported which was August 16. As the gentleman knows, the other body passed the bill. Had there been any opposition the committee would have been among the first to hear of it. We have not had one single objection to it since it was reported.

Mr. JENSEN. The gentleman knows that there is no Member of the House or the Senate who can possibly follow, understand, or have knowledge of every bill that this Congress considers, or that is introduced. They run into the thousands.

Mr. HARRIS. I thoroughly agree with the gentleman. If my attention is ever called to any objection by any Member of Congress I do my best, as chairman of the committee, to give opportunity to those who have objections to register them or state their position.

Mr. BAILEY. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. Does the gentleman yield for a parliamentary inquiry?

Mr. HARRIS. I yield.

Mr. BAILEY. Mr. Speaker, I would like to inquire who has the floor at the present time.

Mr. HARRIS. I have charge of the time.

Mr. BAILEY. Mr. Speaker, will the gentleman yield?

Mr. HARRIS. I yield.

Mr. BAILEY. Since the Federal Power Commission over the last 5 years has authorized certificates of convenience to five Canadian and two Mexican corporations to pipe natural gas into the United States on the free list I am of the opinion that the Federal Power Commission has too much authority right now and I am not in favor of giving it any more.

Mr. HARRIS. Mr. Speaker, I will say to the gentleman that this does not extend additional authority to the Federal Power Commission. It adjusts the size of small hydroplants which have been exempted by law heretofore, to give the Commission discretion on the question whether or not these small 1,500 kilowatt operating plants would be exempt from some of the multitudinous administrative functions that go with such organizations and such administration.

Mr. BAILEY. I would like further to clarify my position. Any Federal commission empowered as they are to do that, I do not want to give them any more authority at any time.

Mr. HARRIS. Of course, this gives business people some relief from the rigid authority that they have today. This is an effort to relax some of the rigid authority that they have and have exercised all these years.

Mr. AVERY. Mr. Speaker, will the gentleman yield?

Mr. HARRIS. I yield.

Mr. AVERY. If I understand the gentleman from Arkansas correctly this would not be any open-end authority for any public power entity to construct any such plant without further authorization or further appropriation by the Congress.

Mr. HARRIS. Oh, no; of course not.

Mr. AVERY. I think that is the critical and deciding point on this whole issue. This is not an open-end authority for any public power construction.

Mr. HARRIS. No. Under the law they must obtain a license. The question is whether or not the Federal Power Commission will decide on a broad basis exemptions from the multitudinous administrative responsibilities that go along with the large hydroelectric company operations. We know that a small operator, whether a small hydroplant or a small independent gas producer, has to proceed under very heavy burdens in order to carry out the administrative directions of the regulatory agency.

Mr. CURTIS of Missouri. Mr. Speaker, will the gentleman yield?

Mr. HARRIS. I yield.

Mr. CURTIS of Missouri. This is discretionary rather than mandatory, is it not?

Mr. HARRIS. That is true. It was discretionary for so long, up to 100 horsepower. This makes it discretionary——

Mr. CURTIS of Missouri. Up to 2,000?

Mr. HARRIS. Up to 2,000.

Mr. CURTIS of Missouri. In other words, the Commission could grant exemption or not grant exemption?

Mr. HARRIS. It is the intention under this program for the Commission by regular proceedings of its own on a broad scale to permit certain of these small operations to be exempt from some of the administrative functions of the Federal Power Act.

Mr. CURTIS of Missouri. Why would it be mandatory not to make an exemption?

Mr. HARRIS. I will say in all frankness that the hearings did not discuss that. We did not give it consideration. There is no mention of it during the course of the hearings or the executive session. Consequently, I assumed it was that there would be objection to outright mandatory exemption under the law, and I imagine there would be.

Mr. SCHENCK. Mr. Speaker, I have no further requests for time.

Mr. HARRIS. Mr. Speaker, I yield to the gentleman from Michigan [Mr. DINGELL].

Mr. DINGELL. Mr. Speaker, I thank the gentleman for yielding to me.

I had a number of reservations to this legislation in the committee having to do specifically with the language which appeared in the report on page 3 with regard to the Commission's waiving requirements in the Federal Power Act in regard to the construction of fishways, preservation of fish and wildlife values, and a number of other things of which I am sure the chairman was well aware. There is language in the report that states that fish and wildlife values will not be waived under the provisions of this act, and I note that the chairman has since the writing of the report also received a communication from the Power Commission stating that requirements which would be necessary to protect fish and wildlife values, including the construction of fishways, would not be waived under the provisions of the bill now before us, S. 1606.

The legislation is clear that there is no such purpose to waive essential wildlife values which the FPC must continue to protect.

Mr. HARRIS. The gentleman is correct.

Mr. Speaker, I ask unanimous consent that that letter from the Power Commission be included at this point in the RECORD.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

The letter referred to follows:

AUGUST 22, 1962.

Hon. OREN HARRIS,
Chairman, Interstate and Foreign Commerce Committee, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This letter is to advise you of the Commission's position with respect to the proposal to amend S. 1606 to prohibit the Commission from waiving under section 10(i) of the Federal Power Act "any requirement under section 18 of this act which relates to the construction, maintenance and operation by a licensee of fishways." As you know, S. 1606 has the full support of the Commission; it would raise from 100 horsepower to 2,000 horsepower the capacity of hydroelectric projects which could be processed under section 10(i), thus saving both the applicants and this Commission time and expense in most cases in that class without in any way sacrificing the control of the Commission over power developments which utilize the water resources of the Nation.

After a full discussion of the proposal to amend S. 1606, the Commission has decided that it should oppose the amendment. The principal basis for the Commission's objection is that the proposal seems to assume that, in the absence of its inclusion, the Commission would fail to give adequate consideration to problems created by the impact of the proposed construction of a project upon the fish resources of the Nation. There is no basis for such an assumption. As I testified at the subcommittee hearing, the Commission consults with the Department of Interior and State agencies on fishery matters in all license cases, including those coming within the existing waiver provisions of section 10(i) of the act, and the Commission does not intend to waive "the requirements with respect to protection of fish resources at these [minor] projects." Of course, neither S. 1606 nor the amendment to that bill would in any way affect the provisions of section 2 of the Coordination Act which require the Commission to consult with the U.S. Fish and Wildlife Service and the State conservation agencies in

> any license case involving the impoundment or diversion of a stream. The Coordination Act and other provisions of the Power Act (e.g., section 10(a)) have resulted in comprehensive requirements for the construction of facilities and control of operations to protect fishery interests which are much more extensive than the requirements concerning "fishways" to which section 18 of the Power Act specifically and solely refers.
>
> The amendment unnecessarily singles out for special treatment just one of the many important provisions of the act that the Commission considers in every license case, even though it already has authority to waive that requirement under the present provisions of section 10(i). In the absence of any showing that the Commission has abused its powers under its existing authority, the addition of the unexplained exception suggested by the proposed amendment might have the effect of raising new questions as to the proper interpretation of the act, thus increasing the difficulties of administration or resulting in unnecessary litigation.
>
> Sincerely yours,
>
> JOSEPH C. SWIDLER,
> *Chairman.*

The SPEAKER. The question is, Will the House suspend the rules and pass the bill S. 1606?

The question was taken; and on a division (demanded by Mr. JENSEN), there were—ayes 107, noes 20.

So (two-thirds having voted in favor thereof) the rules were suspended and the bill was passed.

A motion to reconsider was laid on the table.

REREFERRAL OF S. 3389

Mr. HARRIS. Mr. Speaker, I ask unanimous consent that the bill (S. 3389) which is to promote the foreign commerce of the United States through the use of local trade fairs be rereferred to the Committee on Merchant Marine and Fisheries.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

DISTRICT OF COLUMBIA BUSINESS

The SPEAKER. This is District Day. The Chair recognizes the gentleman from Texas [Mr. DOWDY].

Mr. DOWDY. Mr. Speaker, by direction of the Committee on the District of Columbia, I call up the bill (H.R. 12467) to amend the act of June 4, 1948, as it relates to the appointment of the District of Columbia Armory Board and ask unanimous consent that the bill be considered in the House as in Committee of the Whole.

Mr. HAYS. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. Does the gentleman from Texas withdraw his request?

Mr. DOWDY. Yes, Mr. Speaker, I will withdraw the request, but I have some other bills to call up.

Mr. HAYS. Then I will just make a point of order of no quorum.

Mr. DOWDY. This is District business.

Mr. HAYS. I will make a point of order.

The SPEAKER. Does the gentleman from Ohio withdraw the point of order that a quorum is not present?

Mr. HAYS. Yes, Mr. Speaker, I withdraw the point of order of no quorum—for the time being.

THE LATE HONORABLE JOSEPH LUTHER SMITH

Mr. BAILEY. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from West Virginia?

There was no objection.

Mr. BAILEY. Mr. Speaker, it is my sad duty to inform the House of the death, last week, of the Honorable Joseph Luther Smith, of Beckley, W. Va., for 16 years a Member of this body.

Joe L. Smith, as he was known, was born in Marshes—Now Glen Daniel—Raleigh County, W. Va., May 22, 1880. He attended public and private schools. Starting to work on the Raleigh Register as a "printer's devil," he later owned the publication, and served as editor and manager until 1911. He also engaged in the real estate and banking business.

He entered public life and served as mayor of Beckley for 25 years. He was a member of the State senate. In 1928 he was elected to the 71st Congress, and served with distinction for 8 terms. He was not a candidate for reelection in 1944.

While it was not my privilege to serve with Joe Smith, our paths crossed many times, and I knew and admired him.

Members who served with him will be interested to know that his son, Hulett, serves West Virginia as Commissioner of Commerce.

I extend my deepest sympathy to Mrs. Smith and her children.

Mr. Speaker, at this time I would like to ask on behalf of my colleague, the gentleman from West Virginia [Mr. SLACK], permission to insert his remarks at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from West Virginia?

There was no objection.

Mr. SLACK. Mr. Speaker, with profound sorrow I announce to the membership of the House the passing on Thursday, August 23, of a former Member, Mr. Joe L. Smith, of Beckley, W. Va. He died at the age of 82 after a long and active career which brought him well-deserved recognition and acclaim both as a public official and a successful businessman.

For 16 years he served the Sixth West Virginia District which I now represent, and during the last 13 of those years he held the chairmanship of the Committee on Mines and Mining where he brought to bear on proposed legislation his close personal knowledge of the problems of the minerals industries.

His eight terms in the House, 1929–45, spanned an era in which this body was required to deal with two of the greatest threats to our national survival—the economic depression of the thirties and the Fascist aggression of World War II. During both of those critical periods he remained steadfast in his faith in our country and its people, and went about his official duties with a quiet determination which helped our ship of state maintain an even keel.

In 1945 when he decided not to stand for reelection again, he was interviewed by the press, and was asked about his continuous success, even though he had never been known to make a fiery political speech. His comments at that time reflect a calmness and conviction all too rarely found in public life. He said:

> I'm no spellbinder. I never made a rash promise in my life. I've just been a neighbor to my people and I'll bet I have had more fun than any other fellow who ever served in Congress for 16 years.
>
> If I had worried about political campaigns like the average fellow I would not have been here. I would have been dead. I never worried—and my friends always elected me.

During the 17 years since his congressional career ended he was active in banking, real estate and insurance, and maintained a keen interest in business, political, and community affairs until he became ill a few months ago. He is survived by his wife, with whom he would have celebrated a 48th wedding anniversary next month, and two sons, Joe L. Smith, Jr., and Hulett C. Smith, both of whom are leaders in the business and community life of the city of Beckley.

I take this occasion to extend my deepest sympathy to members of his family in their bereavement, and to assure them that he will be remembered here on Capitol Hill through his work in the Congress for many years to come.

Mr. BAILEY. Mr. Speaker, I ask unanimous consent that all members of the delegation from West Virginia and other friends of Joe L. Smith be permitted 5 days within which to extend their remarks in the RECORD on the life, character, and public service of our former colleague.

The SPEAKER. Is there objection to the request of the gentleman from West Virginia?

There was no objection.

PERSONAL STATEMENT

Mr. FOUNTAIN. Mr. Speaker, I was unable to be present when H.R. 12628, the housing bill for the elderly, passed the House today under suspension. I would like for the RECORD to show that had I been present I would have voted "yea."

THE SECRETARY OF THE INTERIOR AND THE ELECTRIC POWER INDUSTRY IN THE UNITED STATES

Mr. SAYLOR. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

Mr. SAYLOR. Mr. Speaker, I was interested to note the other day on the United Press International news ticker that Secretary of the Interior Stewart Udall is expected to leave for the Soviet Union this week to tour Russian electric power installations. The news item

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went on to say that those making the trip with Mr. Udall include: Joseph C. Swidler, Chairman of the Federal Power Commission; Gen. R. G. McDonnell, U.S. Corps of Engineers; Under Secretary of Interior James K. Carr; Floyd E. Dominy, Reclamation Commissioner; Charles F. Luce, Bonneville Power Administration; Howard Morgan, a member of the FPC; Fred Chambers, Tennessee Valley Authority; Lee White, Assistant Special White House Counsel; Paul Shaad, of the Sacramento, Calif., Municipal Utility District.

This news item was of special interest to me because I have been concerned for some time about the attitude and activities of the Secretary of the Interior and several of these other gentlemen, particularly with regard to the electric power industry in this country.

It may be remembered that at the time of Mr. Udall's appointment as Secretary of the Interior he indicated that he did not consider himself doctrinaire on either public power or private power. However, it should be noted that since taking office almost every decision he has made has been considered favorable to the public power point of view.

Now it seems he wants to make a trip to Russia to get a better view of how that totalitarian Government runs a totally controlled and less efficient electric power system.

It seems to me that if the Secretary of the Interior wants a better knowledge of the operation of a truly magnificent and efficient electrical power supply system, he better look in his own backyard, rather that spending the taxpayers' money to go half way around the world—even though it is approaching vacation time.

I wonder if the distinguished Secretary has taken the time to visit any one of the world's most efficient steam electric generating plants, because each and every one of them is located right here in the United States. The most efficient powerplant in Russia would not even make the top 10 in the United States.

According to statistics from the Federal Power Commission, these 10 most efficient plants are:

First. Clinch River: Owned and operated by the Appalachian Power Co., with a net heat rate of 8,975 British thermal units per kilowatt-hour.

Second. Dickerson Plant: Right out here in Maryland, and owned by the Potomac Electric Power Co., with a net heat rate of 9,014 British thermal units per kilowatt-hour.

Third. The Kanawha: Also owned by the Appalachian Power Co.

Fourth. The G. G. Allen plant: Owned and operated by the Duke Power Co.

Fifth. Clifty Creek: Owned by Indiana-Kentucky Electric Corp.

Sixth. Eddystone plant of the Philadelphia Electric Co.

Seventh. The D. E. Karn plant of the Consumers Power Co. of Michigan.

Eighth. Muskingum River plant of Ohio Power Co.

Ninth. Camer Plant of the Ohio Power Co.

Tenth. Tanner's Creek of the Indiana and Michigan Electric Co.

Please note, Mr. Secretary of the Interior, that each and every one of these 10 most efficient steam electric generating plants is owned and operated by investor-owned electric companies operating within the framework of free competitive enterprise, while paying full taxes to the Federal, State and local Governments, and getting their money in the open market at the going rate of interest. I think it would be safe to say that the Secretary of the Interior has probably not visited and studied a single one of the plants. Nevertheless, he now finds it necessary to take a junket to Russia to study their plants.

A previous news item pointed out that the purpose of the trip is to "study Soviet technological advances in power production and particularly transmission of large blocks of power over great distances."

It is not difficult to understand why this important spokesman for the administration on Federal power activities wants to study the Russian government's controlled transmission system, for he and other members of the administration on this junket have been actively advocating a federally controlled national grid ever since they have been in office.

Perhaps the Secretary should also give consideration to taking the present REA Administrator with him, because he is an integral part of the efforts of these Federal bureaucrats to increase the production and interconnection of Federal power. The REA Administrator in a speech before a meeting of the Western Farmers Electrical Cooperative, at Anadarko, Okla., on April 14, 1961, said:

> This administration wants Federal interties constructed to link power areas served by the big Federal hydroprojects. We have an interest in this plan. * * * The new Assistant Secretary of the Interior for Power, Kenneth Holum, has indicated a desire to work closely with REA and its representatives for the interties. These backbone Federal interties could well be first important steps toward a concept that has excited the enthusiasm of some Americans—and the indignation of others—for a number of years. I refer to the idea of giant power, which envisions interconnection of all the power pooled in the Nation with giant transmission lines."

As a further indication of the attitude of this administration, let me refer to the President's special message on natural resources delivered to the House of Representatives on February 23, 1961, in which the President said:

> I have directed the Secretary of the Interior to develop plans for the early interconnection of areas served by that Department's marketing agency with adequate common carrier transmission lines.

So now we see the spectacle of the Secretary of the Interior running off to Russia to study at first hand ways and means of further encroaching upon this Nation's progressive electric companies.

I do not say, nor do I think the electric industry itself would say that they are perfect. But as a member of the House Interior and Insular Affairs Committee for the past 13 years, I have studied the electric power supply situation in this country and I am completely satisfied that an industry which produces over 5,000 kilowatt hours per capita is far better for us than the Russian system, which produces less than 1,400 kilowatt hours per capita.

I think we would all be better off if the Secretary of the Interior and these other Federal officials would take some good advice and "See America First" rather than going over to Russia to learn some new way to federalize the world's greatest and most efficient electric supply system.

LYNDON JOHNSON, OF STONEWALL, TEX.

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that the gentleman from Texas [Mr. Gonzalez] may extend his remarks at this point in the Record.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

Mr GONZALEZ. Mr. Speaker, on August 27, 1908, there was born on a farm near Stonewall, Tex., the man who today serves as Vice President of the United States.

Stonewall is a small town on a beautiful, clear, rock-bottom river called the Pedernales, which in Spanish means "flint rocks." "Stonewall" and "Pedernales" are colorful names and they tell something of this rugged but infinitely pleasant part of Texas. They tell something, too, of Samuel Ealy and Rebekah Baines Johnson, the parents of our Vice President, who must have given their son much of the hardiness, stamina, and sheer love of the land for which he is so well known.

Mr. Speaker, no one can know the extent to which Lyndon Johnson possesses these qualities until they have seen him in his native setting. Our Vice President is known for many great and significant contributions in this Nation, but even all of these can be placed aside and the measure of this man can be seen from other worthy, but less-known attributes.

I see our Vice President as a true product of the hill country of Texas. I see his bravery in the time he snatched his family out of the death-dealing Pedernales when roaring at full flood; I see his derring-do in crossing that same risen river in a beat-up jalopy along a low water dam—just out of zest to get home the quickest possible way; I see his attachment to his roots and to the heritage of his people when he pauses at the oak guarded graveside of family members down the river from his house; I see his love of the land as he drives at sundown to flush out and count the deer and check on his stock tanks; I see the neighborliness of the man as he talks to and about those who adjoin his home; I see his pride turned away from self and vested in the condition of the coastal bermuda grass this time of year, or the sleekness of a prize bull; I see him dismissing his own legislative accomplishments and inquiring only if the beef he has raised or the sausage he has ground meets one's fancy, and I see our Vice President relaxed and at one with the hill country of which he is a part. As we say, he is fully "simpatico" with it.

These are worthy qualities in a man, for they bespeak something about how genuine he is, and I value them in our Vice President as I would value them in any man. I believe that a man should have pride in what he is and what he does, and I, for one, rejoice that Lyndon Johnson has them and is at one with Stonewall and the Pedernales.

How typical it is that today while we note this additional milestone in his life, our Vice President is in some foreign corner of the world serving as our good will ambassador among people who may have a dim understanding of all our purposes but cannot mistake the firm hand and steady eye of one who is at home on all the rocky rivers of the world. I wish him well. He is a great parliamentary leader and brings credit to us and to our land.

NAJEEB HALABY'S VISIT TO SAN ANTONIO, TEX.

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that the gentleman from Texas [Mr. Gonzalez] may extend his remarks at this point in the Record and include extraneous matter.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

Mr. GONZALEZ. Mr. Speaker, in earlier remarks to this House I stated that I was curious to know what motivation compelled Mr. Najeeb Halaby, Administrator of the Federal Aviation Agency, to make a personal attack on me in my hometown.

Several Members of the House have asked me about this statement, and in response to their queries I wish today to put in the Record Mr. Halaby's personal attack on me while visiting in San Antonio. This occurred on May 18, 1962, almost a month before I appeared before the Subcommittee on Independent Offices to protest what Mr. Halaby proposed to do in moving the San Antonio ARTC Center to Houston. It occurred before I made any statements or inquiries about his personal conduct of his office.

I insert this information just as it appeared in the San Antonio News as written by the able columnist, Mr. Paul Thompson, on May 19, 1962:

(By Paul Thompson)

Najeeb E. Halaby, the Federal Aviation Administrator, was anything but a diplomat while visiting San Antonio yesterday.

He managed to alienate some 30 of the town's leading citizens, including the mayor and chamber of commerce president, and he flatly refused to give pertinent information on why the 280-job air traffic control center will be shifted from here to Houston.

Most of those who tried to reason with Halaby at International Airport were astonished at his failure to behave with even rudimentary courtesy.

DIFFIDENT

Local officialdom would never have known of the FAA man's visit if Congressman Henry Gonzalez hadn't tipped them beforehand.

Men like Mayor McAllister, Mayor Pro Tempore Walter Gunstream, Chamber of Commerce President Jim Gaines, Banker Tom Frost, Jr., Bill Pope, and Melvin Sisk went to the airport to meet him.

Halaby acted as if he didn't want to talk to anybody, according to Sisk.

STARTS HERE

The control center went into a new building behind Scrivener's on Broadway nearly 3 years ago.

This same FAA authorized a 10-year lease of the building on grounds it should function in San Antonio.

Just recently the FAA announced that the center would move to Houston, along with the one now operating in New Orleans.

The reasons given were economy and safety.

CRUSTY

Mayor McAllister and the others hoped to discover why Halaby reasoned that moving the control center to Houston would effect economy or promote safety.

The visitor never did come up with an explanation.

Instead, he crossed verbal swords with the mayor, Frost, Sisk, Gaines, et al.

"His attitude," declared Sisk, "seemed to be that he had made a decision and no one should bother him about it."

OBJECTIONS

Sisk pointed out that Houston is the only city in the country where a new building will go up to house control centers for other cities.

"Taxpayers will have to pay 10 years rent on the present building here, and the building in New Orleans must be vacated. I don't see how that, plus putting up another structure in Houston, adds up to economy," he said, adding:

"As for safety, there are more flights here than in Houston, taking military planes into account."

LETTER

Congressman Gonzalez wrote Halaby a letter April 12 asking for a full explanation of the forthcoming shift. He got no answers.

The Administrator said yesterday that Gonzalez will be answered, though he did not say what was taking him so long.

He took occasion to call Gonzalez "a freshman who is acting like a freshman."

DISAGREES

In general, Halaby was high-handed, discourteous, arrogant, and uncooperative. At one point, according to Banker Frost, he referred to the control center affair as so much squabbling "between Texas cow towns."

Those who went out to see him certainly had a right to ask why the FAA put the control center into a new building here less than 3 years ago, installed up-to-the-minute equipment, authorized a 10-year lease, then suddenly decided to drop the whole thing for economy reasons.

"We weren't there to protest," said Chamber of Commerce President Gaines. "We wanted to know the basis on which this decision was made. We felt we had the right to know."

Mr. Halaby didn't agree.

MARKING OF PADEREWSKI'S GRAVE

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that the gentleman from Delaware Mr. McDowell may extend his remarks at this point in the Record.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

Mr. McDOWELL. Mr. Speaker, no word of homage, no identification marks the resting place in Arlington Cemetery of Ignace Jan Paderewski, Polish pianist, composer, statesman. He has rested there 21 years unacknowledged in a land which should treasure, which should cultivate his memory. From the late years of the 19th century until his death in 1941 America enjoyed concert after unforgettable concert of the pianist Paderewski—performances which revealed the highly trained and original mind of the artist. His operatic and instrumental compositions are well known and well loved; his skill and versatility as a composer cannot be challenged. But above all, it is his patriotism that we can never forget; for in spite of his deep devotion to music Paderewski interrupted a spectacular career as concert pianist when his beloved country of Poland needed his service.

Upon Paderewski's death in New York City in 1941 his body was placed in Arlington National Cemetery with the plan that when Poland once again became free he would be moved to his home country. The plan still holds. We are certain that the Polish people will one day throw off the yoke of Communist oppression, for the desire for freedom burns as brightly as ever in the Polish soul. But until such time is it right that the grave of this great artist and statesman remains anonymous? Should we not somehow show the world the affection and respect our Nation feels toward this great artist and public servant? Could we not set up some reminder that we are holding his remains in trust until his own country has achieved the goals he worked so hard for during his lifetime? I submit that we can. A simple identifying marker on his tomb would indicate that America has not forgotten Paderewski. It would serve as a token of our continuous respect and affection for him and would remind the world of our temporary trust. It would also remind the world that we have not forgotten President Wilson's demand in 1 of his 14 points: the creation of a united, independent, and autonomous Poland.

The creation of an independent Polish state was as important to Paderewski as his musical career, and his success as a musician of worldwide renown never caused him to forget his own country. When World War I broke out, he interrupted his musical career to dedicate himself to his country's service. In 1914 he became honorary president of a nonparty group of Poles who organized a "General Committee of Assistance for the Victims of the War in Poland." In this capacity he established branches in London and Paris and then went to the United States where he spent nearly 4 years championing the Polish cause and recruiting and organizing a hundred thousand Polish independence fighters.

After the armistice was reached he returned to Warsaw where he succeded in forming a coalition ministry of which he became Prime Minister and Minister of Foreign Affairs. He regularized the international position of Poland by ob-

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taining recognition from the various powers. He suppressed the military groups which hindered national unity, and he obtained authorization from the Diet to form a national army. Paderewski was Poland's first delegate to the Paris Peace Conference in 1919, and thus he also played a role in the settlement of European affairs.

After the creation of the independent Poland which was his goal he resigned from office in 1919 to resume his musical career, and again he met worldwide acclaim as a brilliant artist. With Hitler's invasion of Poland in 1939, however, Paderewski was once again recalled from his career to serve his country, and once again he responded unselfishly. He immediately began raising funds for the defense of Poland, and he contributed substantially to this financial cause himself. In 1940 he accepted the presidency of the Polish Parliament in Exile, although his health was poor, in a final effort to win the battle for Polish freedom. But he had already reached the age of 79 and his strength had been exhausted by his untiring efforts for the freedom of his countrymen. He died on June 29, 1941, and was buried in Arlington Cemetery.

America and Poland both mourned his death, for his life was a continuing inspiration to all who knew of him. His unswerving devotion to human freedom and his indefatigable efforts for his country are unsurpassed. He serves as an example and an inspiration to the Polish people of how the individual can contribute to his country through undying faith in human freedom and through active dedication to achieving this goal. He saw his country become free at the end of the First World War only to be enslaved again two decades later. May his spirit once again see a free Poland emerge from Communist oppression. The indomitable spirit of his people, the Poles, we know, will not be subdued by totalitarianism. The remains of Ignace Jan Paderewski will one day be returned to a free Poland. But until such time, let me repeat, it is fitting, it is requisite that we place a simple marker on his grave in Arlington to show the world our respect an affection for this great man and patriot and to remind the world that his task has not yet been finished.

I have discussed this matter with the White House and I hope soon to have an official decision regarding it.

Brig. Gen. Fred C. Weyand, Acting Chief of Legislative Liaison, Department of the Army, recently suggested that the feasibility of having Paderewski's remains "properly interred in a location where appropriate memorial is possible might be investigated."

It is my earnest conviction that this matter must now be resolved in a way that will do honor to all.

We cannot delay any longer.

REDEVELOPMENT LAND AGENCY PUTS THE SQUEEZE ON PARKING IN THE DISTRICT

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that the gentleman from Connecticut [Mr. Kowalski] may extend his remarks at this point in the Record.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

Mr. KOWALSKI. Mr. Speaker, a situation has been brought to my attention in which, I feel, the public interest is being subverted to the possible gain of a few individuals. And the principal culprit is an agency of the U.S. Government itself.

Specifically, on Virginia Avenue between 9th and 10th Streets SW., there is a large vacant lot owned by the U.S. Government. It is capable of parking several hundred automobiles. For a number of months, construction workers and laborers who work on Government projects in this area have been using this lot for that purpose. On August 15, they were summarily informed by this Government agency that they could no longer use this area on penalty of arrest.

In calling the controlling agency, the Redevelopment Land Agency, I was informed that it had leased several other lots in the vicinity to private parking concerns. I was told that these private concerns had complained that they were losing business because this large lot was being used free of charge. I was also told that this lot was to be used only for Government employees' cars. At this date, some 20 automobiles of Government employees use this facility, leaving several hundred spaces unused.

In catering to these complaints from the lessee parking concerns, this Agency has added the profit squeeze to the District's parking problem—already a growing monster—as well as squeezing the local citizenry out of the use of vacant Government land.

Is this serving the public interest, Mr. Speaker? Where is the concern for the taxpayer, the ordinary workingman? We are all very well aware how critical the parking problem is in the District of Columbia. A little thoughtful foresight on the part of the Redevelopment Land Agency could go a long way toward alleviating this problem.

I would urge that all Government-owned property, which can be used for parking, be made available free of charge to those citizens who work in the District and have need of such facilities. The few paltry dollars that the U.S. Government earns from leasing such lots to private concerns, certainly does not outweigh the right of the taxpayer to the use of unused Government land.

In the specific instance I have described, I fail to see how arbitrarily ordering that a large lot remain vacant serves either the interest of the citizens of the District or of the U.S. Government. And I see no compelling reason why the public interest cannot be served.

I would hope that my colleagues in the Congress will also take an interest in this matter, for small as it may appear it is causing a senseless and unnecessary inconvenience to many of our citizens.

PUBLIC WORKS ACCELERATION

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that the gentleman from West Virginia [Mr. Slack] may extend his remarks at this point in the Record.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

Mr. SLACK. Mr. Speaker, the House will soon be called upon to express its will on the pending Public Works Acceleration Act, on which a rule was granted last week. This measure is the outgrowth of a proposal by the President which was transmitted to the Congress in February.

The original proposal by the President was made on the basis of a conviction that our economic growth process could be made much smoother if the Congress were to authorize a standby program of public works construction. It was an antirecession proposition primarily, with $2 billion worth of public works activity to be generated at such a time as might be considered desirable when various economic indicators began to record declines.

Experience has pretty well proven that there is an unavoidable time lag between the congressional adoption of antirecession measures and their implementation as applied to any protracted business decline which fosters employee layoffs. The elimination of this time lag was one of the major objectives of the bill as originally conceived.

The proposal was taken up by the Senate, and after due committee consideration a bill was reported and passed on May 28 by that body. The Senate bill provided $2 billion in standby public works authority, to become operative when a sharp rise in unemployment was recorded and it became apparent that unusual action would be required to reverse an economic decline.

The Senate added another feature, however, in the form of immediate authorization of a $600 million public works program to be initiated in those areas which did not entirely share in the recovery from the last recession. This provision brought to the bill some of the characteristics of a limited Area Redevelopment Act.

Four months ago the House Committee on Public Works began consideration of the proposal. Even before the first hearings were scheduled, prominent members of the minority were widely quoted to the effect that they would oppose, unalterably and forever, the granting of standby public works authority to the President, and would insist that all such authority continue to rest with the Congress.

Their views were influential, inasmuch as the House Committee on Public Works reported out a bill, H.R. 10113, which contains no standby authority whatsoever, but simply authorizes appropriations of $900 million to accelerate construction of Federal, State, and local public works projects immediately, and stipulates that the projects must be located in areas eligible for aid under the Area Redevelopment Act, or which have had substantial unemployment during the past year.

The original purpose of the proposal—that of an antirecession tool—has been lost completely, and the connection between massive public works programs and the ebb and flow of our business cycle has become wholly obscured.

Most recently, in the weeks since H.R. 10113 was reported out, we have been treated to a wave of oratory which expresses a solemn conviction that now the House should defeat the bill, because it has no antirecession value; it is simply a huge public works pork barrel which will be exploited by the present administration for partisan purposes. Those most active in undermining the original principle are now most active in deploring the loss of the principle and demanding defeat of the bill.

The Public Works Acceleration Act appears to have become part of a foolish and dangerous game of Russian roulette which some of my colleagues like to play with our economy. In the wider ranges of that game, they calculate the effects of a recession on the next Presidential election. In the middle ranges they broadcast publicly how many congressional seats the minority will gain at the election this November, and weigh out loud the ratio between the number of administration proposals defeated in this Congress and the prospects for the minority to gain control of the next Congress.

We are not playing a game of chance, however. We are dealing with certain tangibles which have defied proper solution ever since the end of World War II. Our business cycle does rise and fall, and it does respond to Federal spending. But the principle involved in the standby public works proposal may or may not be valid. We do not know, because we have never tried it, and we cannot know until we do.

We do know what happens when a recession strikes us while the administration lacks suitable plans and authority to take countermeasures. We saw that in 1958–59, and we were treated to a $12 billion deficit amassed by an administration supposedly dominated by hardheaded businessmen who could operate on proven business principles.

The fortunes and prospects of the public works acceleration proposal have bounced up and down like a yo-yo during the past 6 months, in response to every total employment forecast, every gross national product estimate, every stock market gyration, and every pronouncement by every professor who ever served in any capacity in the Federal Government. Within the past week we have had solemn, authoritative statements that we are "on the verge of a major recession," that the economy has "leveled off, but on a high plateau," and that business anticipates "steady gains at least until mid-1963."

Our obligation in considering matters of this kind is not to try to outguess the economic indicators, but rather to take what we know has happened in the past and use it as a yardstick for action now—to repair the roof while the sun is shining, as the President stated it originally. It is high time for us to reorient ourselves about the whole proposition.

The purpose of the public works standby proposal was not to create a pork barrel, or to undermine the authority of Congress in public works authorization, or to create a new bureaucracy, or to intrude the interest of the Federal Government more heavily into State and community affairs.

The main underlying purpose was to seize those occasions when we experience a business decline and exploit them through public construction programs both to generate temporary employment and to improve our public facilities. This, in turn, would render our communities more attractive, so that new markets might be found and new private capital investment might be encouraged to present itself, thereby countering recession tendencies. It is an extension of the same conviction which brought millions of dollars worth of electric appliances sales to those residing along powerlines strung by the Rural Electrification Administration, and billions of dollars worth of automotive sales as a result of the Federal aid highway program.

Before we allow ourselves to be sidetracked by more delightful anticipation of the way we will inflict defeats on Presidential proposals, it would be well for us to review some established trends recently published by the Bureau of Labor Statistics, trends which are disquieting and are not subject to partisan manipulation:

First. During the next 10 years there will be gains in output per man-hour in certain industries which will lead to decreases in employment of about 100,000 workers per year. This total is in addition to total worker losses which will be recorded in other industries where total output will decline or remain relatively stable.

Second. There will be 1 million net additions—new workers—to the labor force each year during the next decade.

Third. We have presently 67 million employed persons. If output-per-man-hour were to increase 3 percent per year, then our gross national product would need to increase at a rate sufficient to provide 2 million jobs per year through capital expansion, just to retain the same level of employment we have today.

In the face of this knowledge, the standby public works proposal offers us a clear choice between two roads we can follow:

First. We can do nothing to recognize the situation and can oppose the public works program. This simply means that we will inevitably be required to adopt some hasty makeshift public employment program later when there is a business downturn, or perhaps only when the working force begins to far exceed the job opportunities.

Second. We can take a stand for a deliberately programed public works effort, sanctioned and engineered in advance of the day of its need, but only implemented now to a limited extent.

Recent history has demonstrated that without strong urgings—tax adjustments, tariff and trade changes, and the like—our business community will not expand rapidly enough to provide job opportunities for the new entrants into the labor force plus those displaced by automation. This is not necessarily a weakness in our system.

We all want to maintain a vigorous enterprise society characterized by great flexibility, with a capacity to grow in any direction at any time or in all directions simultaneously, as dictated by demand. We want that society to be responsive to cost reduction generated by technological advance. We must realize that a necessary part of this process is the periodic temporary dislocation of employment opportunity caused by the diversion of energies and capital investment into newly developed fields of production.

The role of programed capital public works in this context is one whereby we raise our standard of living and increase the facilities of our communities so that we help open new areas attractive to entrepreneurial risk.

Within the traditional American approach to economics it would be no more possible to stabilize our economy completely than it would be to stabilize a bowl of mercury. We must, in fact, avoid any Government action which interferes sharply with the decision-making process in business management. The stabilization process produced famine and tragedy in China recently, and after 45 years in the Soviet Union has produced an economically backward nation, far less developed than the European countries, and attempting to hide behind flashy space exploits which produce absolutely nothing for the Soviet people.

The choice then seems quite clear: Either public works programed and pursued in a businesslike, efficient fashion during the lulls in our economic expansion drive, or an endless series of hasty and expensive efforts to provide subsistence for those affected whenever we encounter a downward business spiral.

It is a situation we must grapple with to a final conclusion one day, and we are well-positioned to take proper action now.

NATE GROSS, THE MAN WITH A FRIENDLY SOUL

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that the gentleman from Illinois [Mr. LIBONATI] may extend his remarks at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

Mr. LIBONATI. Mr. Speaker, the press has given rise to many great literati of the written word—men who penciled their impressions of the lives of individuals, importance of events, and controversial subjects in issue with a vividness and clarity comparable to the master strokes of a painter's brush. The unique style of the individual writer and his analytical perceptiveness gained for each public notice and individual acclaim. Such a columnist was the late Nate Gross of the Chicago American, born in Chicago on the Northwest Side, colloquially called "Bucktown." He loved people and their doings, and throughout his entire career, never wrote a damaging line about anyone.

UNIVERSITY OF MICHIGAN LIBRARIES

Nate entered the newspaper field in 1929 after his graduation from Chicago Law School. He covered police courts as a reporter "on the beat" for the Associated Press and Times. Later he joined the staff of the Chicago American in 1933 and was assigned to the Criminal Courts Building.

It is said that everyone's personality is subjected to and influenced and molded by life's experience—and Nate believed this to be true. He said that the hundreds of unfortunates of the common run of offenders brought into the municipal and criminal courts were a social study in human psychology.

He was a kindly, considerate, and friendly man to begin with—and so these studies of human behavior in the raw developed in him a deeper sense of humility in judging humankind. He looked upon the underdog as a friendless person searching for advice, and as a victim of despair whose spark of hope for the future was dead. Nate did something about that—he gave a helping hand and became a friend.

He numbered hundreds of policemen among his closest friends, especially Capt. Frankie Pope, now retired, formerly commander of the police in Chicago's first district. Civic leaders, politicians, judges, lawyers, businessmen, and celebrities of the stage, screen, and cafe society called him by his first name.

I have known Nate Gross for many years. He covered many notorious criminal trials, both at the Old Courts Building and at the present criminal court at 26th and California Avenue, Chicago, Ill. His own collection of reports of the celebrated criminal trials and incidents depict the history of the fabulous twenties and the characters of that era.

It was Nate Gross who was famous in that period of newspaper headlines for always being at the scene. If there was an interview with the defendant to get—he delivered to his sheet. The fellows were around the Criminal Courts Building one day talking of days long ago. How men of a different breed weighed out justice—more on the practical side of life's experiences. When humor and pathos swing jurors as actors with an audience.

Many of Nate's friends of the early days are gone now—passing through the gate of destiny to the promised land—Boensinger, Chicago American; Hildy Johnson, Morning Examiner; and Jim Doherty of the Tribune; Art Summerfield, Clem Lane, and Enoch Johnson of the Daily News. The now-retired, distinguished George Wright of the Chicago Daily Tribune, and Ted Todd, retired of the Chicago American, and Congressman Roman Pucinski of the Sun Times were celebrated reporters of that era.

The members of the famous criminal bar at that period were Miles Devine, Patrick O'Donnell, Clarence Darrow, Frank McDonald, George Crane, Wilbur Crowley (Judge), Erbstein, Brodkin, Bellows, Petrone, Stewart, Nicosia, Love, Bulger, Brody, E. M. Libonati, Busch, Meyers, the Devine brothers, Schultz, Barbaro, Scalise, the Stillo brothers, Altieri, Billy Smith, Ropes O'Brien, Milton Smith, Michael Romano, Emmett Byrne, Harold Levy, Judge Austin, Alex Napoli, Congressmen Edward Finnegan, and Barratt O'Hara.

Among the outstanding members of the bench were O'Connell, Dougherty, Butler, Crowley, Hartigan, Lupe, Sharbaro, Pope, Cilella, Barth, Geroulis, Cornelius Harrington, Morrissey, Quilici, Greene, Dunne, McDermott, Chelos, Drucker, McSweeney, Kula, McCormick, Covelli, Austin, Weiss, Padden, Casey, Normoyle, Wells, Dempsey, Barry, Robson, Holmgren, Roberts, Kluczynski, Ward, Burke, Bicek, Tucker, Leonard, Kiley, Touhy, Lyons, Adesko, Stanton, Helander, Jacobs, Hayes, and Rooney.

Whenever Nate met a man of brilliant mind and high principle humbled by a sincere desire to contribute his worth to the public problems at hand—he felt rewarded and exalted in whatever way his journalistic capacity could contribute to the individual's career. On the other hand, he knew too well the average professional "headline grabber" who seasoned to the public's fickleness and hardened to its sense of ingratitude—Nate sensed his unfitness, weighed his cold unconcern for the scandal caused by the acceptance of temptation, and wearing a mask of innocence paraded about with statesmanlike importance. Nate knew of all their shady maneuverings, false approaches, phony protestations—but the information elicited from this type was the "tipoff" before time of many important news stories—headline material, and so he gave his services more or less to each.

Nate Gross was a gentle soul who seldom permitted himself to become angered or excited. He spoke in soft tones and listened intently to anyone who stopped to talk with him.

Nate had a warm, sweet feeling heartfelt in depth for the friendship and confidence of the real leaders of men. He was always anxious to search his mind and heart to serve them. Nate himself was a lawyer by training—and in his logical mind he set each up on a pedestal to admire—he could honestly abandon the critical attitude of the professional reporter. He lived happiest when he could aggrandize the importance of real leadership in a world that the public should be informed of the work and contributions made by men in public life whose importance will never die.

Mr. Gross, as does every distinguished columnist, had enemies in newspaper circles, but he had more friends.

Being human, he had faults. The faults were of the heart kind, the virtues of both the heart and the head. He sometimes made mistakes of judgment, but was a sage in his political activities. As a writer there were few instances of any errors, but when he failed, it was due to his true loyalty to a friend or to one in whom he was interested and owed his consideration, and he never lacked courage to maintain and defend his convictions and contend for what he believed to be just. It can be said that he was reckless as to consequences; yet when he was convinced that a thing was right, he would make the fight on that basis without regard to what the result might reflect on him, either as a columnist or as an individual.

Even those who did not always agree with him realized this and declare it to be true.

He never resorted to trickery or indulged in newspaper politics in the upbuilding of his career. He was never guilty of pettiness or mean acts. As Gross was big physically, he was big in other ways.

His striking characteristics were frankness, sincerity, courage, and common sense. He had great mental powers to discern public opinion and determine the crux of the solution of a public question. Gross knew his own abilities—when he thought that he could use his abilities to the advantage of his friends, he did so.

He lived in polite luxury at the Blackstone Hotel on Michigan Avenue in its palmy days, and always gave the proprietorship and hotel personnel the most favorable publicity and respect.

He made a deep impression upon the ever increasing citizens of the ethnic groups by writing profusely of their customs and incidents experienced by him in his world travels.

He gave praise where praise was due without regard to the individual's negative social status or questionable acceptance by moralists and reformers—other columnists were afraid to touch upon these sensitive areas of publicity.

He wore his heart on his sleeve and was very sensitive to any hurt directed against him. He was sincere, candid, and earnest in his journalism as well as in his political convictions.

Memory of Nate Gross dwells sweetly in all the minds of those who knew him, and an unusual and sentimental incident is recalled in connection with the first anniversary of his death last year at the dedication of his monument. Services were held at the grave site. A distinguished banker and businessman from Chicago with tears in his eyes told me that Nate had loaned him his entire fortune—a goodly sum—at a time of grave crisis and dire necessity in his financial affairs, without a note. That he had paid back the loan a short time before Nate's death. The money had saved him from bankruptcy. Nate's action in this instance attests to his deep sense of loyalty and generosity to his last dollar toward his friends, leaving the financial worries for tomorrow as a matter of personal economics.

If the future museum for celebrated journalists cited for their work and selected as famous newsmen, Nate Gross would be there represented in marble or bronze in recognition of his dedication to the highest principles of brilliant journalism. His fearlessness in defense of the underdog was one of his most conspicuous traits. As the years roll by, Gross will live longer in the memory of the citizens of Chicago through his magnificent writings in defense of the unwanted, the unwashed, and the unappreciated characters of his time.

Nate did more than his share to place the journalist in his proper niche before the public mind. He fought all the way for clean and straight-to-the-truth journalism. He did not believe that to be friendly to the individual or the masses, forced you to sell your publisher or editor down the river. He felt that friendliness was a certain medium for the stimulating sources of news. And with him it worked. He had a high code of ethics—off the record meant a secretive and honored confidence which he kept.

Not all men can be fully understood or appreciated in their lifetime. Contentions and passions must be carried away with the mortal parts to the cemeteries before situations can be intelligently revolved in the mind.

In his personality, Nate Gross was a most engaging man, and everyone loved him and mourned his passing.

May God bless this fine character of His likeness and keep him forever in the mansions of His glory.

HON. THURGOOD MARSHALL

The **SPEAKER.** Under the previous order of the House, the gentleman from Pennsylvania [Mr. Nix] is recognized for 10 minutes.

Mr. **NIX.** Mr. Speaker, the delay in the confirmation of Mr. Thurgood Marshall is an international disgrace and a national calamity. The obstructionist tactics of a reactionary minority confirms the charges of our enemies that restraints can be placed upon the democracy we expound and nullify justice whenever the Negro is involved.

The President named Mr. Marshall last September 23 to fill a vacancy on the Second Circuit of the Court of Appeals which embraces New York, Connecticut, and Vermont and, since last October Acting Judge Marshall has sat on an interim basis under a recess appointment. Hearings were delayed until May and since then six sessions to debate his qualifications have taken place.

Mr. Speaker, we find in Mr. Marshall a legally able citizen of the United States and one who is uniquely qualified for the highest judicial appointment. Permit me to enumerate some of these qualifications. Immediately upon completion of his academic training in 1933 Mr. Marshall was admitted to the bar of the State of Maryland and he practiced in Baltimore until 1938. In 1939 he was admitted to the U.S. Supreme Court and thereafter to the U.S. Circuit Courts of Appeals for the Second Circuit, Fourth Circuit, Fifth Circuit, Sixth Circuit, and Eighth Circuit and numerous U.S. District Courts.

In the meantime Mr. Marshall had become counsel for the Baltimore City Branch of the National Association for the Advancement of Colored People in 1934 and advanced to assistant special counsel in 1936. In 1938 he was appointed special counsel in active charge of legal cases to secure full citizenship rights for Negroes. From 1950 until his nomination by the President last fall, he served also, as the director-counsel of the NAACP Legal Defense and Educational Fund, Inc., in charge of the program of legal aid and assistance to worthy Negroes being denied rights guaranteed by the Constitution of the United States.

As chief legal officer of the NAACP Acting Judge Marshall has appeared before the Supreme Court of the United States and the Federal and State courts for most of the States of the South. In the U.S. Supreme Court, Mr. Marshall has argued or prepared briefs with the cooperation of NAACP lawyers in all NAACP cases affecting constitutional rights of Negroes from 1938 to his recent nomination for judge of the Second Circuit Court of Appeals. He has appeared 32 times before the U.S. Supreme Court, winning 29 and losing only 3.

This record represents an amazing and meteoric rise in the legal profession, in the respect of the bench and the bar, and in the admiration of the American people. History may accord him a very special place for his role in the legal evolution of the rights of man in the United States.

Mr. Speaker, it, therefore, becomes crystal clear that the issue before us is not Mr. Marshall's professional competence, nor his loyalty as a citizen of the United States, nor his integrity, but rather it becomes quite evident that he is being opposed solely because, through his earnest endeavors and tireless efforts a myth has been exploded; because a vicious practice born of the slave system and nurtured since the Reconstruction period—a practice which continued brutalities and injustices against the Negro—is now being struck down.

Mr. Speaker, I, therefore, say in concluding these remarks, if we sit idly by and allow this confirmation of Acting Judge Marshall to be further delayed; if we permit this appointment to become the subject of further obstructionistic tactics; if we tolerate the efforts of hostile forces to place a cloud of suspicion upon the name and reputation of this outstanding American, then we all become a party to one of the most vicious conspiracies ever engaged in by officialdom against the interest of this great Nation.

May we exercise our positive influence to complete this unfinished task and get along with other pressing business of state.

BACKGROUND ON LAOS

Mr. **ARENDS.** Mr. Speaker, I ask unanimous consent that the gentleman from Wisconsin [Mr. Laird] may extend his remarks at this point in the Record and include extraneous matter.

The **SPEAKER.** Is there objection to the request of the gentleman from Illinois?

There was no objection.

Mr. **LAIRD.** Mr. Speaker, on August 13, 1962, I inserted in the Congressional Record my letter of July 24 addressed to Secretary of State Rusk in which I raised certain questions regarding the 1962 Geneva Agreements on Laos. On August 10, 1962, Assistant Secretary of State W. Averell Harriman replied to my letter at some length. His reply was inserted in the Congressional Record by me on August 13 and can be found on page 16274. This morning I have answered the letter from Assistant Secretary Harriman and under unanimous consent I am having my answer printed in the Congressional Record, as follows:

Congress of the United States,
House of Representatives,
Washington D.C., August 23, 1962.

The Honorable W. Averell Harriman,
Assistant Secretary of State, Department of State, Washington, D.C.

My Dear Mr. Harriman: Thank you for your letter of August 10 responding to certain questions I had raised about the Lao peace treaty.

In candor, I must state that your letter has heightened the fears which led me to write to Secretary Rusk in the first place. I agree with the perceptive reporter Richard Starnes that the administration's justification of the agreement of July 23 on Laos is "another fable * * * added to the dangerous mythology that is the foundation for much of what passes for American policy in southeast Asia." I think that Mr. Starnes is right in saying, "To believe the Communist world means to keep the peace in a neutral Laos, one must first believe Communist policy has undergone a sharp and total reversal since the disgraceful rout of the United States-backed royal Lao Army at Nam Tha in May. This was the final disaster for the West in Laos, the ultimate proof of the bankruptcy of our policy, and it was a Communist victory as decisive as Dien Bien Phu."

Your letter assures me that "the Communists have agreed to respect the sovereignty, independence, unity, neutrality, and territorial integrity of Laos." I find this flat assurance incredible in one who had direct personal experience with the Communists at Yalta. Have we not learned from this experience and many others since World War II that promises of this type made by the Communists are valueless?

The declaration and protocol on neutrality in Laos establishes a troika composed of Communist Poland, neutralist India, and Canada to supervise the execution of the agreements. When the Soviet Union proposed the establishment of a troika to handle the duties of the Secretary General of the United Nations, President Kennedy quite properly said: "To install a triumvirate in the United Nations administrative offices would replace order with chaos, action with paralysis, and confidence with gross confusion." It seems to me that the same results, against which the President warned, can be expected from the installation of a triumvirate to supervise the execution of the Geneva agreements.

Further, the troika which is responsible for supervising the execution of the declaration and protocol is the same one which failed in the performance of a similar responsibility with respect to the Geneva agreement of 1954. If this three-member International Control Commission had done its job after 1954, there would have been no Communist aggression in Laos or Vietnam—and no need for new agreements in 1962.

You write that the "general rule (applying to the work of the International Control Commission) * * * is that decisions of the Commission are made by majority vote." But article 14 of the protocol clearly states that "decisions of the Commission on questions relating to violations of articles 2, 3, 4, and 6 of this protocol or of the cease-fire referred to in article 9, conclusions on major questions sent to the Co-Chairman and all recommendations by the Commission shall be adopted unanimously." The articles of the protocol specified in this sentence cover the entire range of the authority granted to the International Control Commission—the withdrawal of foreign troops from Laos, the prohibition of the introduction of more foreign troops and of arms, and the maintenance of a cease-fire in Laos.

It is true that the Commission may by majority vote undertake investigations, but article 15 of the protocol clearly declares, "The conclusions and recommendations of the Commission resulting from investigations shall be adopted unanimously."

Consequently, I cannot accept your statement that the general rule is that the Commission will act by majority vote. On the contrary, the general rule is that the Commission can act only by unanimous vote, including the vote of Communist Poland.

In fact, the veto is stitched into every part of the fabric of the incredible Geneva agreements. It is given to Communist Poland as a member of the International Control Commission. It is given to Prince Souphanouvong, the Communist representative in the troika which rules Laos, without whose concurrence the Control Commission cannot exercise any of its functions.

I am hardly reassured by your statement that a vote on the part of one of the members of the International Control Commission is not final since the 14 signatory nations can "consider measures to be taken to ensure observance of the agreements, regardless of the decisions or recommendations of the Commission itself." I find it hard to believe that the Soviet Union, Communist China, North Vietnam, Poland—and all signatories of the agreements—can be expected to take corrective action when a violation of the agreements by the Communists occurs. Indeed, press reports indicate that the agreements have already been violated by the movement of Communist forces from Laos into South Vietnam. Yesterday noon the deadline on agreeing to exit routes for foreign troops to get out of Laos expired. Already the treaty will be violated.

The negotiations at Geneva were an unbroken retreat by the United States from positions which our President, our Secretary of State, and our Government had taken over the past 12 months. President Kennedy in March 1961 said that he would not permit Communist aggression to succeed in Laos. Secretary Rusk said that he would not sit down to negotiate in Geneva until there was an effective cease-fire in Laos. Mr. Rusk said the Lao control body "should not be paralyzed by a vote." You yourself sought to include in the protocol a provision requiring the integration of the three armies in Laos. This was not included. You sought to include a provision prohibiting reprisals against the Lao who fought against the Communists at the urging of the United States. This was not included. The fate which these Lao allies of ours now face can be judged from the reports that the recently freed American prisoners give of their treatment by Communist captors.

The disappointment which our Nation experienced at Geneva is understandable. But when responsible spokesmen for our Nation return from Geneva to tell us that this defeat is really a victory, to assert that peace has thereby been made more secure, to profess confidence that the Communist aggressors will keep their promises, their behavior is so like that of Neville Chamberlain at the time of Munich that it should send cold chills down the spine of all whose memories go back to the 1930's.

Prime Minister Chamberlain said of Hitler at the time of Munich "* * * here was a man who could be relied on when he had given his word." The Washington Post of July 26, 1962, reported "W. Averell Harriman, former Ambassador to Moscow, says he trusts Soviet Premier Nikita S. Khrushchev to keep his word in carrying out the Geneva agreement guaranteeing the independence of Laos."

Every effort is made by me to support our foreign policy on a bipartisan basis. To ask me or the members of my party to support your actions regarding Laos which were directly opposite to the pronouncements of our President and our Secretary of State is most difficult to understand.

With best wishes and kindest personal regards, I am,

Sincerely yours,

Melvin R. Laird,
Member of Congress.

CONGRESSIONAL INVESTIGATION

Mr. ARENDS. Mr. Speaker, I ask unanimous consent that the gentleman from Missouri [Mr. Curtis] may extend his remarks at this point in the Record and include extraneous matter.

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

Mr. CURTIS of Missouri. Mr. Speaker, I am inserting into the Record two editorials from the St. Louis Post-Dispatch and one from the St. Louis Globe-Democrat commenting upon the investigation being conducted by a subcommittee of the other body into the Federal mineral stockpiling program.

The issues raised by the three editorials with some conflict of viewpoint are of serious concern to the entire Congress and to the citizens of our country. Regrettably under the rule of comity between the two Houses of the Congress, a rule which for other important values is sound, I cannot comment in the Congressional Record to the extent deserved on the actions of the subcommittee and the members of this subcommittee.

I can commend the editors of the St. Louis Post-Dispatch, however, for the objective manner in which they have presented the issues involved to their readers. All too often the public commentators on the Washington, D.C., scene further becloud the issues by personifying them into good guys and bad guys, instead of clarifying them.

The kind of objective commenting, and questioning, contained in the two Post-Dispatch editorials is exemplary and will do much to further the cause of public understanding from whence comes intelligent public discussion and debate. It is out of this kind of public exchange of views that we are most likely to come up with intelligent answers to the public policy we should be following in respect to important issues of the day.

The Post-Dispatch editorials would have been improved had they pointed out the difference in the problem confronting a proposed Secretary of Treasury divesting himself of his security holdings to reinvest them in neutral investments, that is, in investments which would be as little influenced by the decisions he would be required to make as a public official as possible, and other potential officeholders. The Secretary of Treasury cannot transfer his investments into either Government bonds or bank liquidities; these kind of investments are by no means neutral as far as his official duties are concerned. The best that a Secretary of Treasury can do is to freeze his investments, that is, to neither buy nor sell during his tenure of office, or turn them over to an independent trustee to invest and reinvest.

I believe the St. Louis Globe-Democrat editorial in its discussion loses sight of the fact that much testimony has been adduced by the subcommittee which tended to degrade the former Secretary of Treasury, which had been made public. In 1957 I was pleased to see, and was of some assistance in bringing about the reform in the House rules relating to testimony adduced before a House committee which tended to degrade a person. The new House rules provide that such testimony must be taken in executive session and can only be made public upon the vote of the committee and even then the person involved has certain rights of presenting his side of the story before anything is made public.

The American Civil Liberties Union earlier this year—see my insert in the daily Congressional Record, August 8, pages A6059–A6061—commented upon the actions of the FCC in the Kroker Baking case in pursuing an investigation in Indianapolis, in public. The American Civil Liberties Union pointed out that the FCC, and this principle applies to congressional committees, was in effect utilizing the powers of a grand jury without any of the civil rights safeguards that have grown up over the centuries to temper the great powers of grand jury investigation with the rights of individuals against unfair public degradation.

Unfortunately, the congressional powers to investigate in our most recent years have been brought to the public conscience almost exclusively as they were being exercised in investigating alleged un-American activities. Those who were most active in attacking the congressional powers to investigate sought to confine the public's attention to the issue of Communist infiltration. The criticism of these people apart from much unfairness was gravely unbalanced because of this concentration. Congressional investigations of alleged national crime, alleged national labor racketeering, alleged national improper pricing of drugs and in other fields were in violation of the same principles allegedly violated by the committees investigating Communist infiltration. The organized group of critics of the HUAC failed completely to relate their criticism in this context.

The emotionalism flowed in great waves in two opposing directions. The emotionalism of those who were concentrating upon the rights of individuals was in some respects surpassed by the emotionalism of those who were concentrating upon the dangers of communism infiltration. The excesses that flowed from both groups served as momentum to increase the emotional reactions of the other.

Those who seek to handle the important and basic power of congressional investigation with proper regard for the equally important and basic rights of the individual citizen have been all but swamped in the turbulence which has ensued in the wake of the meeting of these two huge conflicting waves of emotion.

When we top all of this difficulty with the efforts of those who are trying to gain partisan political advantage out of this or that investigation it becomes a thing of wonder that any objectivity at all remains in present day congressional investigation. Yet it does.

Furthermore, the need for congressional investigations if representative government in a constitutional system of balanced powers is to function with any degree of efficiency, is so great that we cannot abandon the process because of the seemingly overwhelming difficulties. Instead we must redouble our efforts to establish the kind of procedures which will protect it from the attacks of emotionalism and permit it to fulfill its functions.

Perhaps it would be well that the two basic investigation committees of the House and Senate, the Government Operations Committees, be under the control of the political party not in control of the executive department, regardless of which party controls the House or the Senate. Interestingly enough, the people have provided for this kind of balance 8 out of the last 16 post-World War II years by electing Congresses controlled by the party not in the control of the executive, the 80th, 84th, 85th, and 86th Congresses. There is great likelihood that half of the 88th Congress to be elected this coming November will carry out this principle.

For legislative reasons it may not be good for the political control to be split in the executive and legislative branches but for investigatory reasons it might very well be the best thing that can happen.

The editorials follow:

[From the St. Louis Post-Dispatch, Aug. 17, 1962]

The Humphrey Case

After full allowance has been made for partisanship and a certain degree of unfair innuendo in the Senate stockpiling investigation, one comes down to the core question: Was it right for Secretary of the Treasury George M. Humphrey in the Eisenhower administration to retain his dominant stock ownership in a company doing business with the Government?

We do not think it was right.

We think Mr. Humphrey should have disposed of his Hanna stock exactly as Secretary of Defense Charles E. Wilson disposed of his General Motors stock, and Secretary McNamara of his Ford stock. It is shocking that the Senate in 1953 applied one rule to Mr. Wilson and another to Mr. Humphrey. It is equally so that Mr. Humphrey did not see then, and still does not see today, that despite some superficial differences his case and Mr. Wilson's were essentially identical.

Mr. Wilson had to sell his General Motors stock because as Secretary of Defense he would be approving Government contracts with General Motors. True, Mr. Humphrey as Secretary of the Treasury was not a contracting officer. But he was a member of the Defense Mobilization Board, which laid down the broad stockpiling policies that controlled Hanna's nickel operations; and his pervasive influence extended throughout the administration.

How could he sit through the uproar over Mr. Wilson's stock without ever suspecting that perhaps he ought to follow Mr. Wilson's example? Why did not the basic identity of the cases occur to anybody in the Eisenhower administration, or to anybody in the 1953 Senate, particularly Senator BYRD, who led the fight on Mr. Wilson but placidly acquiesced in Mr. Humphrey's profiting from transactions with an administration he came close to controlling?

It is of no significance that Mr. Humphrey's Hanna investment, worth $7,738,000 in 1953, had appreciated in value by $5,756,000, or 75 percent, by 1961. Almost all stocks were appreciating in that period. In fact, if Mr. Humphrey in 1953 had invested $7,738,000 in the industrial stocks comprised in the Dow Jones average, his gain over the same period would have been 125 percent, or $9,672,500.

The Symington committee was far off base in trying to make a scandal on this point. Nor has it proved that the nickel deal turned out to be a bad one for the Government. It is difficult for the layman to thread the maze of corporate accounting closely enough to decide that Hanna's profits were in fact excessive, as the committee tried to show. If they were, the major responsibility lies with the Truman administration which negotiated the deal well before Mr. Humphrey became a Cabinet officer.

But the essential point is not whether Mr. Humphrey made much or little out of nickel. The essential point is that a powerful Cabinet officer ought not to retain holdings in a company dealing with the Government he so largely influences. Admittedly this principle makes difficulties for wealthy businessmen who enter Government service; perhaps some regular procedure needs to be worked out whereby such men can serve without undergoing undue financial sacrifice. But the principle is sound and ought to be maintained, in all administrations and evenhandedly for all officials.

[From the St. Louis Post-Dispatch, Aug. 19, 1962]

Two Questions on Hanna

The political content of the Senate stockpiling investigation went up several degrees when Senator SYMINGTON petulantly adjourned the hearings without permitting former Secretary of the Treasury Humphrey to complete his testimony.

Senator SYMINGTON's excuse was that Mr. Humphrey in press statements outside the hearings, had "impugned the motives" of the investigation. Mr. Humphrey did. He charged it had a political motive. But Mr. Humphrey has a right to this opinion, and he has a right to testify fully in his own defense. By cutting him short, Senator SYMINGTON raised doubts about the fairness of the inquiry.

Inasmuch as Mr. Humphrey had questioned information already disclosed, the Senator said, the adjournment was for the purpose of seeking all the facts. But why had not all the facts been previously determined by staff investigation, and why object to letting Mr. Humphrey question or present any facts he wished to?

There are two main questions about the Hanna nickel contract which call for clear answers. One is whether Mr. Humphrey was right in retaining a dominant stock interest in the Hanna company while he was a powerful cabinet officer in the Government which was Hanna's customer. We think he was clearly wrong. He should have disposed of his Hanna holdings just as Secretary of Defense Wilson disposed of his General Motors stock and Secretary McNamara of his Ford stock.

The other question is whether Hanna gained exorbitant profits from selling nickel to the Government and from acquiring a smelter at less than cost. Richmond C. Coburn, committee counsel, made the strongest case for excessive earnings when he brought out that Hanna's nickel division earned gross profits of 57 percent on sales to the Government while its other divisions, selling to private customers, earned 10 and 13 percent on sales.

Corporate accounting, however, is a statistical jungle where the conclusion to be drawn depends heavily upon what figures are selected for attention. The same committee witnesses who charged excessive profits also gave the impression that Mr. Humphrey's personal gain from the rise in value of his Hanna stock was excessive—whereas in fact Hanna stock values in the fifties went up much less than most stock values.

What is needed for a judgment on the nickel deal is a comparative showing that will indicate whether Hanna obtained unusually favorable terms not available to other Government contractors.

We are all in favor of Senator SYMINGTON's stern resolve to seek "all the facts," including who it was in the Truman administration who pressed the Hanna contract to completion, and who it was who laid down the stockpiling policies out of which the contract grew. But the progress of the inquiry so far reinforces the judgment that while congressional investigations generate a great deal of heat and sometimes result in convictions without a trial, they are not the best instrument for bringing out the truth. Senator SYMINGTON would have won more confidence in this particular inquiry if he had marshaled "all the facts" to which his staff has access to begin with, instead of breaking off Mr. Humphrey's testimony to seek them.

[From the St. Louis Globe-Democrat, Aug. 18–19, 1962]

Mr. Humphrey and the Right To Know

The right of the Senate, or of the House of Representatives, to inquire into the affairs of Government and into matters pertaining to the Nation has never been seriously questioned.

George M. Humphrey, former Secretary of the Treasury and one of the ablest men ever to serve in the Government, came pretty close to questioning that right in his cavalier treatment of Senator SYMINGTON's Stockpile Subcommittee.

On Thursday and again Friday, Mr. Humphrey acted, as one newspaper reporter put it, "as if he were lecturing the Senate on the art of thinking big."

Time and again, the former Secretary parried questions as to the profits of his various companies, the propriety of a company in which a Cabinet member is a large stockholder having a substantial contract with the Government, and questions as to whether the Nation was oversupplied with nickel, as all being quite irrelevant and beneath his dignity to respond.

This, of course, just plain isn't right.

When he stated that he dared Senator SYMINGTON to adjourn the hearing, he was completely out of order. The Senator replied in the only manner in which he could, by adjourning it.

This unfortunate performance by the Eisenhower Cabinet officer still leaves many of the questions unanswered. There seems little doubt, however—out of the haze of charge and countercharge—that the Hanna Co., of which Mr. Humphrey was chief executive officer, profited handsomely on some of its operations with the Government.

Mr. Humphrey pointed out that he did not do as well on some investments as if he had invested similar sums of money in stocks earning the national rate of return.

On the other hand, the Hanna Co. profited considerably by purchasing a smelting plant constructed largely through Government funds for $1,722,000, even though the Government had some $22 million invested in the facility.

Though it doesn't make it right, this is not greatly different from countless other similar transactions.

Senator SYMINGTON, as chairman of several subcommittees, has never been a headline seeker and has sought to do a conscientious job of gaining necessary information for the Senate and for the Government.

We think he has pursued that policy in the current testimony, nor do we think that the stockpile hearings are in any way an off-set to the Billie Sol Estes mushrooming scandals.

It is regrettable that Mr. Humphrey assumed, incorrectly, the role of martyr and insisted on giving partial, or incomplete, answers, thus frustrating, at least for the time being, the Senate's unquestioned right to know.

DEFENSIVE ARMS FOR ISRAEL

The SPEAKER. Under previous order of the House, the gentleman from New York [Mr. HALPERN] is recognized for 20 minutes.

Mr. HALPERN. Mr. Speaker, it is with a sad heart that I have heard the words of the President, expressed to his press conference last Wednesday, indicating an attitude contrary to the intent of an amendment to the Foreign Assistance Authorization Act, that voiced the sense of Congress on an important principle. This attitude emerged even before we have received the foreign assistance appropriations bill and in the face of the fact that the amendment was unanimously approved by this body and incorporated into the act signed by the President himself.

The amendment to which I refer is found in section 101 of the act. It is one I had the privilege of offering on the floor of this House and it was identical with Senator KEATING's amendment accepted in the Senate. It expresses the sense of Congress that in the administration of these funds great attention and consideration should be given to those countries which share the view of the United States on the world crisis and which do not, as a result of U.S. assistance, divert their own economic resources to military or propaganda efforts, supported by the Soviet Union or Communist China, and directed against the United States or against other countries receiving aid under this act.

A news reporter asked the President at his press conference last week if he thought a country receiving aid from us had a moral right to engage in business deals for military purposes with the Communist bloc countries. The President replied that he did not think it was a moral issue and went on to justify American assistance to nations that use their own resources to buy Soviet munitions.

Mr. Speaker, the amendment offered a clear guideline expressing the sense of the Congress on the matter stated. Now, the question comes up whether the White House is to implement this will of the American people as unanimously expressed by their representatives in this Congress. Or is the administration to turn its back on this important principle?

I cannot understand why we should increase assistance and loans, for instance, to Egypt. It is no secret that Egypt is using its own resources to pay Soviet military technicians and instructors and to purchase jet bombers, jet fighters, tanks, and even submarines. Egyptian military training programs are now inextricably linked to camps and bases behind the Iron Curtain.

Instead of promoting human welfare and peaceful development, the Egyptian regime is building up an arsenal of Soviet weapons in the Near East. I do not see why the American taxpayer should finance, however indirectly, such expansion of the Soviet military supply network. Have we forgotten Nasser of Egypt is a friend, supporter, and admirer of Cuba's Castro who is acquiring similar Soviet equipment? Indeed, press reports describe how Egyptian and Cuban soldiers are both being trained in military and air bases in Soviet bloc countries and even in Russia itself.

Mr. Speaker, the State of Israel is a democratic nation far more closely identified with America than Egypt. Witness the pro-Soviet votes of Egypt at the United Nations and the pro-American votes of Israel. Yet, not only are we assisting Egypt to build up a Soviet-equipped and Soviet-trained aggressive military force but we have denied Israel the right to purchase balancing arms from us for her own self-defense because Nasser might be annoyed.

Mr. Speaker, Israel is the only anti-Communist nation on earth that is threatened by Soviet-equipped forces and which has turned to us pleading for the right to purchase balancing arms to use against Mig's and Soviet jet bombers and gotten no favorable response.

I recently have asked the President to prepare an explanation on the whole perplexing question of why we ignore Israel's military needs while subsidizing Egypt's buildup of late-model Soviet jets, tanks, submarines, and so forth.

Mr. Speaker, under unanimous consent, I include my communication to the President at this point in the RECORD:

AUGUST 21, 1962.

The Honorable JOHN F. KENNEDY,
The White House,
Washington, D.C.

DEAR MR. PRESIDENT: I am seeking, through this communication which I respectfully address to you, clarification of the current thinking of the executive department on an issue in which you in the past have indicated personal interest and concern.

As you will recall, you wrote the Honorable Herbert H. Lehman on November 2, 1960, stating that if an arms race cannot be avoided involving the Arab States and Israel, "then at the very least, we should not condone any imbalance between the powers. For imbalance also leads to war."

Mr. President, since you wrote those words a dangerous imbalance has developed. The most sophisticated weapons of the Soviet arsenals, in significant quantities, have been provided by the Soviet Union to Egypt's Nasser. Mr. Nasser has openly threatened to "Algerianize" the Palestine issue, made bellicose displays of military rocketry, and bragged that Israel has nothing to match his new Mig-21 jet fighters and TU-16 Soviet jet bombers.

At tremendous expense, Israel has been forced to seek whatever arms it can obtain from France, in an attempt to maintain a semblance of balance. But Soviet weapons of ultramodern design, at bargain rates, are cynically poured into Egypt by the Soviet merchants of death. Israel's French sources are inadequate because Russia is giving Egypt its very latest equipment.

The only response of the United States has apparently been to provide American arms to the Arab States other than those supplied by Russia. Israel has been put at a grave disadvantage.

The Soviet bloc has clearly put its arsenals to work on the side of Nasser. Indeed, the entire Egyptian military establishment appears geared to the Soviet Red army, Red fleet, and Red air force for training, equipment, spare parts, and so forth. The imbalance between Israel and the Arabs has reached a dangerous point where Nasser is tempted to consider reckless adventures.

We are seemingly ignoring our commitments, stated by yourself and in the platforms of both parties.

The Egyptians are diverting their economic credits and resources not to raise living standards but to raise rockets of destruction and to finance the flow of Soviet weapons. As you know, Mr. President, the Congress recently expressed itself through adoption of the so-called Keating-Halpern amendment to the Mutual Security Act this session. This amendment established a principle that we should concentrate on aiding those nations that do not divert their own assets to the Soviet arms supply system.

We are gravely concerned by Castro's new Soviet military jets and equipment. How can we justify to the taxpayer the loans and grants to Castro's good friend, Nasser, that enable Egypt to divert resources to get his country more deeply involved with the Soviet military supply system?

It comes to my attention, Mr. President, that Israel is the only anti-Communist nation on earth, threatened by Soviet-equipped forces, which has turned to us pleading for the right to purchase balancing arms and gotten no favorable response.

I would like to respectfully inquire, Mr. President, as to the current view of the executive department on the whole perplexing question of why we ignore Israel's military needs while indirectly subsidizing Egypt's purchase of late-model Soviet jets, tanks, submarines, and so forth.

I understand that we have become neutral to a friend, Israel, but friendly to a "neutral" Egypt. Israel has been denied the right to buy any American arms of real military importance and cannot even get authorization, apparently, to buy purely defensive antiaircraft weapons systems to defend herself from Nasser's Soviet jet bombers.

Would we similarly ignore the defense needs of South American nations threatened by Castro's Soviet military equipment?

In order that I may be constructively informed, especially since the foreign assistance appropriations bill will soon come before the House, I ask your early response to this inquiry.

With all good wishes and my warm regard.

Very sincerely,

SEYMOUR HALPERN.

Mr. Speaker, Mr. Nasser of Egypt has bragged that his budget for military purposes is being vastly increased. The American taxpayer is to finance his domestic needs while Egyptian assets are released to pay for Russian munitions. Mr. Nasser said, "Why this budget? Because we are preparing. We are strengthening our air force, army, and navy."

Against whom is Nasser preparing this Soviet-equipped military force? Certainly not against the Soviet Union. He has openly stated that Israel is the intended victim.

Mr. Speaker, Mr. Milton Friedman is a White House correspondent highly respected in Washington as an objective journalist. I feel that some of the points raised in Mr. Friedman's recent syndicated column are worthy of our consideration. He perceptively presents an evaluation, in depth, of this issue. Under unanimous consent, I include Mr. Friedman's column:

UNITED STATES WON'T AID ANTI-COMMUNIST ISRAEL

(By Milton Friedman)

The administration is finding it increasingly difficult to explain why it still refuses to provide any significant defensive arms to an anti-Communist nation, Israel, threatened by the rockets, missiles and jets of a Soviet-armed neutral, Nasser's Egypt.

This issue is clearly destined for a crisis in coming months. Israel, it seems, is the only anti-Communist nation in the world experiencing such difficulty in obtaining American help to defend itself against Soviet-equipped and Soviet-trained enemies.

The United States provides military equipment to Jordan, Lebanon, and other Arab States. Russia supplies the rest of the Arabs. But if America helped arm Israel, the State Department says, it would constitute an arms race. The race is already on, with one side running unrestrained.

Any Latin American democracy can easily get American equipment by merely citing its fears of Cuba. Yet Castro's forces have fewer Soviet jet bombers and fighters than Egypt. There are also more Soviet bloc military technicians and instructors in Egypt and more Egyptian officers being trained in the Soviet Union.

Nor has Castro been able to test-fire military rockets like Nasser has done.

Israel has been getting some equipment from France at tremendous expense. However, Soviet weapons of such ultramodern designs are pouring into Egypt that French sources are inadequate.

State Department officials are praising the new Nasser for his alleged devotion to peace and progress. They ignore his open threats to "Algerianize" the Israel dispute, his bellicose display of military rocketry, his supersonic Soviet TU-16 jets and so forth. All this our officials view as merely propaganda show for domestic public opinion.

Accordingly, the State Department has recommended increased aid and loans to Nasser and the continued denial of any really important military equipment to Israel.

Even though Soviet technicians are working in the Egyptian military establishment, the State Department failed to object when West Germany shipped sensitive electronic and guidance equipment for the Egyptian rockets. The Germans and Russians are apparently divided by no Berlin walls in Egypt, working happily together on rockets to kill Israelis.

If West Germany shipped strategic rocket components to Cuba, Washington would be in an uproar. But the New Fronter has seemingly adopted the same evasive line as the previous frontiers—the United States is not the traditional source of defense arms for Israel. Only 2 years ago, both political parties made the "traditional" campaign pledges to safeguard Israel's security.

Apologists will tell you that Washington is still mindful of the Tripartite Declaration of 1950 and would consider action, probably through the United Nations, if Israel were attacked. The trouble is that the Soviet Union veto would forestall any effective U.N. remedy. Also, rocket and jet warfare is measured by hours; Israel's fate could be sealed in one tragic day.

A moral question has been raised: Should America stand by unconcerned, while the Soviet bloc arms a "neutral" with space age weapons against a pro-Western democracy?

The emotions of Congress were voiced in the Keating-Halpern amendment to the new Foreign Assistance Act. This amendment is noncompulsory and serves mainly to apprise the executive department of the sentiments of Congress and the American people. It called on the President to restrict aid to nations, like Egypt, which use their own resources to buy Soviet arms.

State Department sources have already termed the amendment "vague" and "unrealistic." They said it would be ignored to avoid offending Nasser. In their view, it was adopted only as a sop for Jewish votes.

The administration has failed entirely to explain its concept of a "new" Nasser when the entire military establishment of Egypt is geared to the Soviet army, fleet and air force for training, equipment, spare parts, and so forth. Egyptian forces have reached the point where they are entirely dependent on a Soviet service and supply and technical manuals originating in Moscow.

President Kennedy has apparently been so preoccupied with the American Medical Association he has lost sight of that other AMA, the Arabian Missile Association.

LEAVE OF ABSENCE

By unanimous consent leave of absence was granted to:

Mr. MACDONALD (at the request of Mr. ALBERT), for today, on account of official business.

Mr. CUNNINGHAM (at the request of Mr. HALLECK), for Monday, August 29, on account of official business.

Mr. O'BRIEN of Illinois (at the request of Mr. LIBONATI), indefinitely, on account of illness.

Mr. McDOWELL (at the request of Mr. ALBERT), for today and tomorrow, on account of official business.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

Mr. RODINO (at the request of Mr. ALBERT), for 30 minutes, tomorrow, August 28, 1962, and to revise and extend his remarks and include extraneous matter.

Mr. NIX (at the request of Mr. ALBERT), for 10 minutes, today, and to revise and extend his remarks and include extraneous matter.

Mr. BRAY (at the request of Mr. ARENDS), for 30 minutes, on August 30, 1962.

Mr. LINDSAY (at the request of Mr. ARENDS), for 1 hour on Wednesday, August 29, 1962.

Mr. HALPERN (at the request of Mr. ARENDS), for 20 minutes, today.

Mr. HALPERN (at the request of Mr. ARENDS), for 30 minutes, on Tuesday, August 28, 1962.

EXTENSION OF REMARKS

By unanimous consent, permission to extend remarks in the CONGRESSIONAL RECORD, or to revise and extend remarks, was granted to:

Mr. ALGER.

(The following Members (at the request of Mr. ALBERT) and to include extraneous matter:)

Mr. MULTER.

Mr. SMITH of Iowa and to include tables.

Mr. THOMPSON of New Jersey.

Mr. DIGGS.

Mr. RAINS.

(The following Members (at the request of Mr. LATTA) and to include extraneous matter:)

Mr. VAN ZANDT.

Mr. LINDSAY.

SENATE BILLS, JOINT RESOLUTION, AND CONCURRENT RESOLUTIONS REFERRED

Bills, a joint resolution, and concurrent resolutions of the Senate of the following titles were taken from the Speaker's table and, under the rule, referred as follows:

S. 703. An act to validate the homestead entries of Leo F. Reeves; to the Committee on Interior and Insular Affairs.

S. 1552. An act to amend and supplement the laws with respect to the manufacture and distribution of drugs, and for other purposes; to the Committee on Interstate and Foreign Commerce.

S. 2421. An act to provide for retrocession of legislative jurisdiction over U.S. Naval Supply Depot Clearfield, Ogden, Utah; to the Committee on Armed Services.

S. 2950. An act for the relief of Dwijendra Kumar Misra; to the Committee on the Judiciary.

S. 2962. An act for the relief of Byung Yong Cho (Alan Cho Gardner) and Moonee Choi (Charlie Gardner); to the Committee on the Judiciary.

S. 3085. An act for the relief of Paul Huygelen and Luba A. Huygelen; to the Committee on the Judiciary.

S. 3221. An act to provide for the exchange of certain lands in Puerto Rico; to the Committee on Armed Services.

S. 3265. An act for the relief of Despina Anastos (Psyhopeda); to the Committee on the Judiciary.

S. 3275. An act for the relief of Anna Sciamanna Misticoni; to the Committee on the Judiciary.

S. 3318. An act to provide medical care for certain Coast and Geodetic Survey retired ships' officers and crew members and their dependents, and for other purposes; to the Committee on Merchant Marine and Fisheries.

S. 3319. An act to extend to certain employees on the Trust Territory of the Pacific Islands the benefits of the Federal Employees' Compensation Act; to the Committee on Education and Labor.

S. 3390. An act for the relief of Naife Kahl; to the Committee on the Judiciary.

S. 3517. An act to authorize the Secretary of Commerce to establish and carry out a program to promote the flow of domestically produced lumber in commerce; to the Committee on Agriculture.

S. 3628. An act to amend title 10, United States Code, to authorize the appointment of citizens or nationals of the United States from American Samoa, Guam, or the Virgin Islands to the U.S. Military Academy, the U.S. Naval Academy, and the U.S. Air Force Academy; to the Committee on Armed Services.

S.J. Res. 217. Joint resolution making the 17th day in September of each year a legal holiday to be known as Constitution Day; to the Committee on the Judiciary.

S. Con. Res. 84. Concurrent resolution expressing the sense of Congress that arrangements be made for viewing within the United States of certain films prepared by the U.S. Information Agency; to the Committee on Foreign Affairs.

S. Con. Res. 87. Concurrent resolution authorizing the printing of additional copies of the hearings entitled "Military Cold War Education and Speech Review Policies" and the report thereon; to the Committee on House Administration.

ENROLLED BILLS SIGNED

Mr. BURLESON, from the Committee on House Administration, reported that that committee had examined and found truly enrolled bills of the House of the following titles, which were thereupon signed by the Speaker:

H.R. 1458. An act for the relief of Lee Dock On;

H.R. 2446. An act to provide that hydraulic brake fluid sold or shipped in commerce for use in motor vehicles shall meet certain specifications prescribed by the Secretary of Commerce;

H.R. 5604. An act to amend the acts of May 21, 1926, and January 25, 1927, relating to the construction of certain bridges across the Delaware River, so as to authorize the use of certain funds acquired by the owners of such bridges for purposes not directly related to the maintenance and operation of such bridges and their approaches;

H.R. 6984. An act to provide for a method of payment of indirect costs of research and development contracted by the Federal Government at universities, colleges, and other educational institutions;

H.R. 7736. An act to amend the act of May 13, 1960 (Private Law 86–286);

H.R. 8730. An act for the relief of Sister Mary Alphonsa (Elena Bruno) and Sister Mary Attilia Filipa Todaro);

H.R. 9915. An act for the relief of Umberto Brezza;

H.R. 10263. An act to authorize the Secretary of the Air Force to adjust the legislative jurisdiction exercised by the United States over lands within Eglin Air Force Base, Fla.;

H.R. 10825. An act to repeal the act of August 4, 1959 (73 Stat. 280);

H.R. 11040. An act to provide for the establishment, ownership, operation, and regulation of a commercial communications satellite system, and for other purposes;

H.R. 11251. An act to authorize the Secretary of the Army to relinquish to the State of New Jersey jurisdiction over any lands within the Fort Hancock Military Reservation;

H.R. 11310. An act to amend section 3515 of the Revised Statutes to eliminate tin in the alloy of the 1-cent piece;

H.R. 11721. An act to authorize the payment of the balance of awards for war damage compensation made by the Philippine War Damage Commission under the terms of the Philippine Rehabilitation Act of April 30, 1946, and to authorize the appropriation of $73 million for that purpose; and

H.R. 12081. An act to authorize the Secretary of the Army to convey certain land and easement interests at Hunter-Liggett Military Reservation for construction of the San Antonio Dam and Reservoir project in exchange for other property.

SENATE ENROLLED BILLS SIGNED

The SPEAKER announced his signature to enrolled bills of the Senate of the following titles:

S. 538. An act to amend section 205 of the Federal Property and Administrative Services Act of 1949 to empower certain officers and employees of the General Services Administration to administer oaths to any person;

S. 981. An act to extend certain authority of the Secretary of the Interior exercised through the Geological Survey of the Department of the Interior, to areas outside the national domain;

S. 1208. An act to amend Public Law 86–506, 86th Congress (74 Stat. 199), approved June 1, 1960;

S. 2008. An act to amend the Act of September 16, 1959 (73 Stat. 561. 43 U.S.C. 615a), relating to the construction, operation, and maintenance of the Spokane Valley project;

S. 2399. An act to provide for the establishment of the Frederick Douglass home as a part of the park system in the National Capital, and for other purposes;

S. 2916. An act to change the names of the Edison Home National Historic Site and the Edison Laboratory National Monument, to authorize the acceptance of donations, and for other purposes;

S. 2973. An act to revise the boundaries of Capulin Mountain National Monument, New Mexico, to authorize acquisition of lands therein, and for other purposes;

S. 3112. An act to add certain lands to the Pike National Forest in Colorado and the Carson National Forest and the Santa Fe National Forest in New Mexico, and for other purposes; and

S. 3174. An act to provide for the division of the tribal assets of the Ponca Tribe of Native Americans of Nebraska among the members of the tribe, and for other purposes.

BILLS PRESENTED TO THE PRESIDENT

Mr. BURLESON, from the Committee on House Administration, reported that that committee did on August 23, 1962, present to the President, for his approval, bills of the House of the following titles:

H.R. 3728. An act to amend chapter 11 of title 38, United States Code, to authorize special consideration for certain disabled veterans suffering blindness or bilateral kidney involvement;

H.R. 8564. An act to amend the Federal Employees's Group Life Insurance Act of 1954 to provide for escheat of amounts of insurance to the insurance fund under such act in the absence of any claim for payment, and for other purposes;

H.R. 10351. An act to amend title 28, United States Code, with respect to fees of U.S. marshals, and for other purposes;

H.R. 11523. An act to authorize the employment without compensation from the Government of readers for blind Government employees, and for other purposes; and

H.R. 12355. An act to amend the law relating to the final disposition of the property of the Choctaw Tribe.

ADJOURNMENT

Mr. ALBERT. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 7 o'clock and 6 minutes p.m.) the House adjourned until tomorrow, Tuesday, August 28, 1962, at 12 o'clock noon.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

2450. A letter from the Secretary of the Army, transmitting reports of the number of officers on duty with Headquarters, Department of the Army and the Army General Staff on June 30, 1962, pursuant to section 3031(c) of title 10, United States Code; to the Committee on Armed Services.

2451. A letter from the Chairman, Federal Home Loan Bank Board, transmitting a draft of a proposed bill entitled "A bill to amend the Home Owners' Loan Act of 1933, as amended, and the Federal Home Loan Bank Act, as amended"; to the Committee on Banking and Currency.

2452. A letter from the Deputy Administrator, Federal Aviation Agency, relative to the proposed program of airport development for the fiscal year next ensuing, pursuant to section 4 of the Federal Airport Act, as amended on September 20, 1961; to the Committee on Interstate and Foreign Commerce.

2453. A letter from the Secretary, Department of Health, Education, and Welfare, transmitting a draft of a proposed bill entitled "A bill to authorize mortgage insurance and loans to help finance the cost of constructing and equipping facilities for the group practice of medicine or dentistry"; to the Committee on Interstate and Foreign Commerce.

2454. A letter from the Administrator, General Services Administration, transmitting a report on tort claims paid by General Services Administration during fiscal year 1962, pursuant to title 28, section 2673, of the United States Code; to the Committee on the Judiciary.

2445. A letter from the Administrator, General Services Administration, transmitting a draft of a proposed bill entitled "A bill to amend further section 11 of the Federal Register Act, as amended"; to the Committee on the Judiciary.

2456. A letter from the Secretary of the Army, transmitting a letter from the Chief of Engineers, Department of the Army, dated June 6, 1962, submitting a report, together with accompanying papers and an illustration on the Great Lakes Harbors study-second interim report on Cleveland Harbor, Ohio, requested by resolutions of the Committees on Public Works, U.S. Senate and House of Representatives, adopted May 18, 1956, and June 27, 1956 (H. Doc. No. 527); to the Committee on Public Works and ordered to be printed with one illustration.

2457. A letter from the Secretary of the Army transmitting a letter from the Chief of Engineers, Department of the Army, dated June 7, 1962, submitting a report, together with accompanying papers and an illustration, on a review of the reports on, and a survey of, the Pensacola Harbor, Fla., requested by resolutions of the subcommittee on Rivers and Harbors and the Committee on Public Works, House of Representatives, adopted November 20, 1945 and June 3, 1959, and authorized by the River and Harbor Act, approved March 2, 1945 (H. Doc. No. 528); to the Committee on Public Works and ordered to be printed with one illustration.

2458. A letter from the Secretary of the Army transmitting a letter from the Chief of Engineers, Department of the Army, dated June 5, 1962, submitting a report, together with accompanying papers and an illustration, on a review of the reports on the Port Sutton and Ybor Channel, Tampa Harbor, Fla., requested by resolutions of the Committees on Public Works, U.S. Senate and House of Representatives, adopted November 18, 1958, January 5, 1959, and April 15, 1959 (H. Doc. No. 529); to the Committee on Public Works and ordered to be printed with one illustration.

2459. A letter from the Secretary of the Army transmitting a letter from the Chief of Engineers, Department of the Army, dated July 16, 1962, submitting a report, together with accompanying papers and an illustration on a review of the reports on the Narraguagus River, Maine, requested by a resolution of the Committee on Public Works, House of Representatives, adopted June 27, 1956 (H. Doc. No. 530); to the Committee on Public Works and ordered to be printed with one illustration.

2460. A letter from the Secretary of the Army transmitting a letter from the Chief of Engineers, Department of the Army, dated July 6, 1962, submitting a report, together with accompanying papers and an illustration on a review of the report on the Cow Creek, Kans., requested by a resolution of the Committee on Public Works, House of Representatives, adopted June 3, 1959 (H. Doc. No. 531); to the Committee on Public Works and ordered to be printed with one illustration.

2461. A letter from the Secretary of the Army transmitting a letter from the Chief of Engineers, Department of the Army, dated July 19, 1962, submitting a report, together with accompanying papers and an illustration on an interim report on the Dana Point Harbor, Calif., authorized by the River and Harbor Act, approved March 2, 1945 (H. Doc. No. 532); to the Committee on Public Works and ordered to be printed with one illustration.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. THOMPSON of New Jersey: Joint Committee on the Disposition of Executive Papers. House Report No. 2267. Report on the disposition of certain papers of sundry executive departments. Ordered to be printed.

Mr. HARRIS: Committee on Interstate and Foreign Commerce. H.R. 12201. A bill to clarify certain provisions of part IV of the Interstate Commerce Act and to place transactions involving unifications or acquisitions of control of freight forwarders under the provisions of section 5 of the act; with amendment (Rept. No. 2268). Referred to the Committee of the Whole House on the State of the Union.

Mr. OLSEN: Committee on Post Office and Civil Service. H.R. 2079. A bill to amend the Classification Act of 1949 to authorize the establishment of hazardous duty pay in certain cases; with amendment (Rept. No. 2269). Referred to the Committee of the Whole House on the State of the Union.

Mr. ICHORD of Missouri: Committee on Post Office and Civil Service. H.R. 10936. A bill to permit the Postmaster General to extend contract mail routes up to 100 miles during the contract term; without amendment (Rept. No. 2270). Referred to the Committee of the Whole House on the State of the Union.

Mr. ICHORD of Missouri: Committee on Post Office and Civil Service. H.R. 11951. A bill to provide for the transportation of mail by aircraft upon star routes within the Commonwealth of Puerto Rico; without amendment (Rept. No. 2271). Referred to the Committee of the Whole House on the State of the Union.

Mr. BONNER: Committee on Merchant Marine and Fisheries. H.R. 11587. A bill to amend the Merchant Marine Act, 1936, in order to provide for the reimbursement of certain vessel construction expenses; without amendment (Rept. No. 2272). Referred to the Committee of the Whole House on the State of the Union.

Mr. MACK: Committee on Interstate and Foreign Commerce. Report on world newsprint supply-demand; without amendment (Rept. No. 2273). Referred to the Committee of the Whole House on the State of the Union.

PUBLIC BILLS AND RESOLUTIONS

Under clause 4 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. BATES:

H.R. 12974. A bill to authorize the Secretary of the Interior to acquire and add certain lands to the Salem Maritime National Historic Site in Massachusetts, and for other purposes; to the Committee on Interior and Insular Affairs.

By Mr. BROYHILL:

H.R. 12975. A bill to amend the act entitled "An act to provide for a mutual-aid plan for fire protection by and for the District of Columbia and certain adjacent communities in Maryland and Virginia, and for other purposes"; to the Committee on the District of Columbia.

By Mr. GONZALEZ:

H.R. 12976. A bill to amend the Internal Revenue Code of 1954 to repeal the manufacturers excise tax on musical instruments; to the Committee on Ways and Means.

By Mr. ROUSSELOT:

H.R. 12977. A bill to abolish the Arms Control and Disarmament Agency and transfer its functions to the National Security Agency; to the Committee on Foreign Affairs.

By Mr. SCRANTON:

H.R. 12978. A bill to amend title I of the Housing Act of 1949 with respect to eligibility for capital grants thereunder in certain hardship cases; to the Committee on Banking and Currency.

By Mr. THOMPSON of New Jersey:

H.R. 12979. A bill to provide for the production and distribution of educational and training films for use by deaf persons, and for other purposes; to the Committee on Education and Labor.

By Mr. DURNO:

H.R. 12980. A bill authorizing the Administrator of General Services to convey certain property of the United States to the city of Roseburg, Oreg.; to the Committee on Government Operations.

By Mr. HALPERN:

H.R. 12981. A bill to establish a Domestic Peace Corps; to the Committee on Education and Labor.

By Mr. NORBLAD:

H.R. 12982. A bill to provide for the waiver of a condition on certain land in Clatsop County, Oreg., so as to permit its use as a public park; to the Committee on Merchant Marine and Fisheries.

By Mr. ARENDS:

H.J. Res. 860. Joint resolution making the 17th Day of September in each year a legal holiday to be known as "Constitution Day"; to the Committee on the Judiciary.

By Mr. MATTHEWS:

H.J. Res. 861. Joint resolution proposing an amendment to the Constitution of the United States reserving to each State the exclusive power to apportion membership of its legislature; to the Committee on the Judiciary.

By Mr. WIDNALL:

H.J. Res. 862. Joint resolution requiring a public hearing before any theater in the District of Columbia which is suitable, and has been used, for the presentation of live drama, ballet, or opera productions, may be demolished; to the Committee on the District of Columbia.

By Mr. WRIGHT:

H.J. Res. 863. Joint resolution authorizing the President of the United States to designate the period from November 26, 1962, through December 2, 1962, as National Cultural Center Week; to the Committee on the Judiciary.

By Mr. FRIEDEL:

H. Res. 770. Resolution authorizing additional employees for the offices of the Doorkeeper and Postmaster of the House of Representatives; to the Committee on House Administration.

MEMORIALS

Under clause 4 of rule XXII,

The SPEAKER presented a memorial of the Legislature of the State of Florida, memorializing the President and the Congress of the United States relative to requesting an amendment to the Constitution relating to the apportionment and reapportionment of the membership of State legislatures to the several States and to spell out that State action in this field is not subject to review by the Federal courts, which was referred to the Committee on the Judiciary.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. BARRY:

H.R. 12983. A bill for the relief of Diza Grad; to the Committee on the Judiciary.

By Mr. BROYHILL:

H.R. 12984. A bill for the relief of Victor O. McNabb; to the Committee on the Judiciary.

By Mr. DOOLEY:

H.R. 12985. A bill for the relief of Loreto Testa; to the Committee on the Judiciary.

By Mr. FOGARTY:

H.R. 12986. A bill for the relief of Carmine Antonio Cambio; to the Committee on the Judiciary.

H.R. 12987. A bill for the relief of Irene Golato and Clorinda Golato; to the Committee on the Judiciary.

By Mr. HALEY:

H.R. 12988. A bill for the relief of Douglas K. Warner; to the Committee on the Judiciary.

By Mr. HUDDLESTON:

H.R. 12989. A bill to authorize the Commissioners of the District of Columbia to sell a right-of-way across a portion of the District Training School grounds at Laurel, Md., and for other purposes; to the Committee on the District of Columbia.

By Mr. LOSER:

H.R. 12990. A bill for the relief of Karolina Rado; to the Committee on the Judiciary.

By Mr. O'HARA of Michigan:

H.R. 12991. A bill for the relief of Sister M. Augustina (Teresa Cattaneo), Sister M. Francesca (Rina Tagliaferri), Sister Maria Silvia (Natalina Da Dalt), and Sister Maria Angela (Rosa Colombo); to the Committee on the Judiciary.

H.R. 12992. A bill for the relief of Brother Antonio Testori; to the Committee on the Judiciary.

By Mr. O'NEILL:

H.R. 12993. A bill for the relief of Ioannis Liberopoulos; to the Committee on the Judiciary.

By Mr. ROBERTS of Alabama:

H.R. 12994. A bill providing for the extension of Patent No. 2,439,502, issued April 13, 1948, relating to an automatic fire alarm system; to the Committee on the Judiciary.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

404. By the SPEAKER: Petition of J. W. Tibbs, Jr., and others, Atlanta, Ga., petitioning consideration of their resolution with reference to protecting the rightful interests of small, independent retailers by working for, and voting for, the quality stabilization bill; to the Committee on Interstate and Foreign Commerce.

405. Also, petition of Eva Northrup, secretary, the Hopi Tribe, Oraibi, Ariz., relative to authorizing the Secretary of the Interior to prescribe and promulgate regulations, to secure for the Hopi Tribe the right to take eagles in its traditional territories, and secure adequate protection for its outlying, established shrines for the placing of sacred prayer feather offerings, both within and without the Navajo and Hopi Reservations; to the Committee on Merchant Marine and Fisheries.

SENATE

Monday, August 27, 1962

The Senate met at 10 o'clock a.m., and was called to order by the President pro tempore.

Rev. Charles H. Mercer, minister, Centenary Methodist Church, Smithfield, N.C., offered the following prayer:

O God, our help in ages past, we thank Thee for our rich heritage, and ask for strength of body, mind, and soul to use our inheritance to Thy glory and the good of mankind.

Thou hast made Thy people to be persons, not puppets; Thou hast made us for a purpose. Thou hast made us strong; now direct our strength. Help us, lest in our plenty we neglect those in need. Give us wisdom, that even the good about us may not blind us to that which is better.

This day, O Father, send Thy blessings upon all Members of this body. Give them wisdom greater in dimension than the tremendous problems with which they are confronted. Grant them the understanding that all truth has been revealed to no one man save Thy Son, but that Thou hast revealed some truth to each man. To these of whom so much is expected, may much be given.

Blest be the tie that binds this group of public servants together in devotion to Thee and in service to their country and all people throughout the world. Grant these things, O merciful Father, we ask through Jesus Christ, our Lord. Amen.

THE JOURNAL

On request of Mr. Mansfield, and by unanimous consent, the reading of the Journal of the proceedings of Saturday, August 25, 1962, was dispensed with.

MESSAGES FROM THE PRESIDENT—APPROVAL OF BILLS

Messages in writing from the President of the United States were communicated to the Senate by Mr. Ratchford, one of his secretaries, and he announced that on August 24, 1962, the President had approved and signed the following acts:

S. 1918. An act to extend benefits of the Policemen and Firemen's Retirement and Disability Act Amendments of 1957 to widows and surviving children of former members of the Metropolitan Police force, the Fire Department of the District of Columbia, the U.S. Park Police force, the White House Police force, or the U.S. Secret Service Division, who were retired or who died in the service of any such organization prior to the effective date of such amendments;

S. 2020. An act to amend part IV of subtitle C of title 10, United States Code, to authorize the Secretary of the Navy to develop the South Barrow gasfield, Naval Petroleum Reserve No. 4, for the purpose of making gas available for sale to the native village of Barrow and to other non-Federal communities and installations, and for other purposes; and

S. 3428. An act relating to the appointment of judges to the municipal court for the District of Columbia, the municipal court of appeals for the District of Columbia, and the juvenile court of the District of Columbia.

REPORT ON WEATHER MODIFICATION—MESSAGE FROM THE PRESIDENT (H. DOC. NO. 534)

The PRESIDENT pro tempore laid before the Senate the following message from the President of the United States, which, with the accompanying report, was referred to the Committee on Commerce:

To the Congress of the United States:

I transmit herewith for the consideration of the Congress the Third Annual Report on Weather Modification (for fiscal year 1961) as submitted by the Director of the National Science Foundation.

John F. Kennedy.

The White House, *August 27, 1962.*

EXECUTIVE MESSAGES REFERRED

As in executive session,

The PRESIDENT pro tempore laid before the Senate messages from the President of the United States submitting sundry nominations, which were referred to the appropriate committees.

(For nominations this day received, see the end of Senate proceedings.)

ORDER TO DISPENSE WITH CALL OF CALENDAR

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the call of the calendar be dispensed with.

The PRESIDENT pro tempore. Without objection, it is so ordered.

LIMITATION OF DEBATE DURING MORNING HOUR

On request of Mr. Mansfield, and by unanimous consent, statements during the morning hour were ordered limited to 3 minutes.

COMMITTEE MEETINGS DURING SENATE SESSION

On request of Mr. Mansfield, and by unanimous consent, the following committees or subcommittees were authorized to meet during the session of the Senate today:

The Committee on the Judiciary.

The Rivers and Harbors Subcommittee of the Committee on Public Works.

The Indian Affairs Subcommittee of the Committee on Interior and Insular Affairs.

ADDITIONAL PROTOCOL TO TREATY OF EXTRADITION OF JANUARY 13, 1961, WITH UNITED STATES OF BRAZIL—REMOVAL OF INJUNCTION OF SECRECY

Mr. MANSFIELD. Mr. President, the President of the United States transmitted to the Senate today Executive F, 87th Congress, 2d session, an additional protocol to the treaty of extradition of January 13, 1961, between the United States of America and the United States of Brazil, signed at Rio de Janeiro on June 18, 1962. As in executive session, I ask unanimous consent that the injunction of secrecy be removed from the protocol, that the protocol and message from the President be referred to the Committee on Foreign Relations, and that the President's message be printed in the Record.

The PRESIDENT pro tempore. Without objection, it is so ordered.

The President's message is as follows:

To the Senate of the United States:

With a view to receiving the advice and consent of the Senate to ratification, I transmit herewith an additional protocol to the treaty of extradition of January 13, 1961, between the United States of America and the United States of Brazil, which additional protocol was signed at Rio de Janeiro on June 18, 1962.

I transmit also, for the information of the Senate, the report by the Secretary of State with respect to the additional protocol.

John F. Kennedy.

The White House, *August 27, 1962.*

Mr. DIRKSEN. Mr. President, I suggest the absence of a quorum.

The PRESIDENT pro tempore. The clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDENT pro tempore. Without objection, it is so ordered.

EXECUTIVE COMMUNICATIONS, ETC.

The PRESIDENT pro tempore laid before the Senate the following letters, which were referred as indicated:

Amendment of Home Owners' Loan Act of 1933, and Federal Home Loan Bank Act

A letter from the Chairman, Federal Home Loan Bank Board, Washington, D.C., transmitting a draft of proposed legislation to amend the Home Owners' Loan Act of 1933, as amended, and the Federal Home Loan Bank Act, as amended (with accompanying papers); to the Committee on Banking and Currency.

Report on Proposed Program of Airport Development

A letter from the Deputy Administrator, Federal Aviation Agency, Washington, D.C., reporting, pursuant to law, that it is not advisable to make public by January 1, 1963, the proposed program of airport development for fiscal year 1963 and that under the circumstances the Agency proposes to announce its program about June 30, 1963; to the Committee on Commerce.

Amendment of Section 11 of Federal Register Act

A letter from the Administrator, General Services Administration, Washington, D.C., transmitting a draft of proposed legislation to amend further section 11 of the Federal Register Act, as amended (with an accompanying paper); to the Committee on Government Operations.

Report on Deferment of 1962 Repayment Installment Due From Pershing County Water Conservation District, Humboldt Project, Nevada

A letter from the Assistant Secretary of the Interior, reporting, pursuant to law, his determination relating to the deferment of the 1962 repayment installment due from the Pershing County Water Conservation District, Humboldt project, Nevada; to the Committee on Interior and Insular Affairs.

Mortgage Insurance and Loans To Help Finance Cost of Facilities for Group Practice of Medicine or Dentistry

A letter from the Secretary of Health, Education, and Welfare, transmitting a draft of proposed legislation to authorize mortgage insurance and loans to help finance the cost of constructing and equipping facilities for the group practice of medicine or dentistry (with an accompanying paper); to the Committee on Labor and Public Welfare.

PETITION

The PRESIDENT pro tempore laid before the Senate a resolution adopted by the Junior Chamber of the Virgin Islands, of St. Thomas, V.I., favoring more self-government for the Virgin Islands, principally in the form of an elected Governor and voting representation in Congress, which was referred to the Committee on Interior and Insular Affairs.

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. MAGNUSON, from the Committee on Appropriations, with amendments:

H.R. 12711. An act making appropriations for sundry independent executive bureaus, boards, commissions, corporations, agencies, and offices for the fiscal year ending June 30, 1963, and for other purposes (Rept. No. 1923).

By Mr. MONRONEY, from the Committee on Commerce, with an amendment:

S. 2815. A bill to amend the act of September 7, 1957, relating to aircraft loan guarantees (Rept. No. 1924).

By Mr. FULBRIGHT, from the Committee on Foreign Relations, with an amendment:

H.R. 11880. An act to amend the Foreign Service Buildings Act, 1926, to authorize additional appropriations, and for other purposes (Rept. No. 1925).

ATTENDANCE AT MEETING OF THE COMMONWEALTH PARLIAMENTARY ASSOCIATION—REPORT OF A COMMITTEE (S. REPT. NO. 1926)

Mr. FULBRIGHT, from the Committee on Foreign Relations, reported an original resolution (S. Res. 379) accepting an invitation to attend the next general meeting of the Commonwealth Parliamentary Association, to be held in Lagos, Nigeria, and submitted a report thereon, which was ordered to be printed, and the resolution, under the rule, was referred to the Committee on Rules and Administration, as follows:

Resolved, That the Vice President is authorized to appoint four Members of the Senate as a delegation to attend the next general meeting of the Commonwealth Parliamentary Association, to be held in Lagos, Nigeria, at the invitation of the Nigerian Branch of the Association, and to designate the chairman of said delegation.

Sec. 2. The expenses of the delegation including staff members designated by the chairman to assist said delegation shall not exceed $15,000 and shall be paid from the contingent fund of the Senate upon vouchers approved by the chairman.

BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. METCALF (for himself and Mr. Mansfield):

S. 3678. A bill to ratify certain conveyances of land on the Crow Indian Reservation; to the Committee on Interior and Insular Affairs.

(See the remarks of Mr. Metcalf when he introduced the above bill, which appear under a separate heading.)

By Mr. FULBRIGHT (by request):

S. 3679. A bill authorizing an appropriation to enable the United States to extend an invitation to the Food and Agriculture Organization of the United Nations to hold a World Food Congress in the United States in 1963; to the Committee on Foreign Relations.

(See the remarks of Mr. Fulbright when he introduced the above bill, which appear under a separate heading.)

RESOLUTION

ATTENDANCE AT MEETING OF THE COMMONWEALTH PARLIAMENTARY ASSOCIATION

Mr. FULBRIGHT, from the Committee on Foreign Relations, reported an original resolution (S. Res. 379) accepting an invitation to attend the next general meeting of the Commonwealth Parliamentary Association, to be held in Lagos, Nigeria, which was referred to the Committee on Rules and Administration.

(See the above resolution printed in full when reported by Mr. Fulbright, which appears under a separate heading.)

RATIFICATION OF CERTAIN CONVEYANCES OF LAND ON THE CROW INDIAN RESERVATION

Mr. METCALF. Mr. President, on behalf of myself and my colleague, the senior Senator from Montana [Mr. Mansfield], I introduce, for appropriate reference, a bill to ratify certain conveyances of land on the Crow Indian Reservation. I ask unanimous consent that the bill, together with a letter from the Assistant Secretary of the Interior, requesting the proposed legislation, be printed in the Record.

The PRESIDENT pro tempore. The bill will be received and appropriately referred; and, without objection, the bill and letter will be printed in the Record.

The bill (S. 3678) to ratify certain conveyances of land on the Crow Indian Reservation, introduced by Mr. Metcalf (for himself and Mr. Mansfield), was received, read twice by its title, referred to the Committee on Interior and Insular Affairs, and ordered to be printed, in the Record, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That all conveyances made prior to October 18, 1957, in violation of the acreage limitations contained in the first paragraph of section 2 of the Act of June 4, 1920 (41 Stat. 751), as amended by the Act of June 8, 1940 (54 Stat. 252), are hereby validated, ratified, and confirmed insofar as such acreage limitations are concerned, but the right to challenge such conveyances for any other cause recognized by law, and the right to obtain access and ways of necessity pursuant to State law, shall not be affected by this Act: *Provided,* That no conveyance ratified, confirmed, or validated by this Act shall be construed to convey to the original grantee of any allottee, his heirs or assigns, any mineral rights in the lands to which this Act applies, which minerals shall continue to be governed by Public Law 86-283.

The letter presented by Mr. Metcalf is as follows:

August 20, 1962.

Hon. Lyndon B. Johnson,
President of the Senate,
Washington, D.C.

Dear Mr. President: There is enclosed a draft of a proposed bill "to ratify certain conveyances of land on the Crow Indian Reservation."

We recommend that the proposed bill be referred to the appropriate committee for consideration, and we recommend that it be enacted.

The bill ratifies all conveyances of land made prior to October 18, 1957, that were in violation of the acreage limitations contained in the first paragraph of section 2 of the act of June 4, 1920 (41 Stat. 751), relating to the Crow Reservation. The paragraph reads as follows:

"Sec. 2. No conveyance of land by any Crow Indian shall be authorized or approved by the Secretary of the Interior to any person, company, or corporation who owns at least six hundred and forty acres of agricultural or one thousand two hundred and eighty acres of grazing land within the present boundaries of the Crow Indian Reservation, nor to any person who, with the land to be acquired by such conveyance, would become the owner of more than one thousand two hundred and eighty acres of agricultural or one thousand nine hundred and twenty acres of grazing land within said reservation. Any conveyance by any such Indian made either directly or indirectly to any such person, company, or corporation of any land within said reservation as the same now exists, whether held by trust patent or by patent in fee shall be void and the grantee accepting the same shall be guilty of a misdemeanor and be punished by a fine of not more than $5,000 or imprisonment not more than six months or by both such fine and imprisonment."

This paragraph was amended by the act of June 8, 1940 (54 Stat. 252), to permit the Secretary, under certain circumstances, to approve sales of allotted and inherited land to members of the Crow Tribe without regard to the acreage limitations.

It is clear that numerous violations have occurred. Some of the violations occurred in connection with sales over which this Department had control, and some occurred in connection with sales over which we had no control—that is, sales in cases where the Department issued a fee patent to the Indian and the Indian sold his land without governmental supervision.

The House Subcommittee on Indian Affairs held field hearings on this subject on October 18 and 19, 1957.

The facts as we know them can be summarized as follows:

1. The number of violations is not known. Private sales by Indians who have received fee patents are outside the area of this Department's responsibility. In order to determine the number of violations it would be necessary to check each sale made by an Indian or by the Department on behalf of an Indian. The check would need to include the acreage then owned by the purchaser, and an examination of any resale transaction to determine whether the purchaser was acting as an agent for someone else.

2. Between 1920 and 1930 our records show three supervised sales by the Bureau of Indian Affairs. In each instance the bidder furnished affidavits that a purchase by them would not result in a violation of the statutory limitations.

3. Between 1931 and 1940 our records do not show any supervised sales. This was a period when the policy was not to sell any Indian land except in cases of distress or emergency.

4. In 1941 the Assistant Commissioner of Indian Affairs advised the superintendent of the Crow Reservation that any further purchases by the Miller Land & Livestock Co. would be in violation of the act, indicating a continued alertness with respect to the act.

5. In 1942 two supervised sales were made. No affidavits were required and no check was made regarding the statutory limitations.

6. Between 1946 and 1955 there were 21 supervised sales (517 tracts), and no check was made of the statutory limitations. The area director at that time stated that he was informed by the Washington office that the statutory limitations were not operative. The Chief of the Branch of Realty in Washington could not recall giving that advice. There is no satisfactory explanation of the failure to enforce the statutory limitations.

7. The hearings of the House Subcommittee on Indian Affairs in 1957 contained conflicting testimony on the question of whether there was local knowledge of the statutory limitations during the period after 1930.

8. In 1955 when the Commissioner of Indian Affairs first learned of the problem he issued instructions to stop all future supervised sales without first taking affirmative action to assure compliance with the statutory limitations. He also cautioned all persons buying Crow lands in private sales, and all title insurance companies involved, to check carefully for possible violations of the law.

9. Whether the supervised sales referred to above resulted in a violation of the statute cannot be determined without a detailed check of the county records.

10. This Department asked the Department of Justice to institute both criminal and civil actions against persons who have violated the act. The Department of Justice advised us that no criminal prosecutions would be warranted for possible violations occurring before the fall of 1955 when the Commissioner of Indian Affairs suspended all sales of Crow lands, and that civil actions to set aside conveyances in violation of the act would be considered upon the submission of a full factual report for each case. On April 6, 1960, we referred to the Department of Justice the facts relating to three sales that appeared to be in violation of the statute. We recommended that appropriate action be instituted to set aside the conveyances. Since that time the matter has been under consideration in the Department of Justice. On April 6, 1962, we were informally advised by the Justice Department that the matter has not yet been referred to the U.S. attorney but that it still remains under study.

11. The Crow Tribe asked for the enactment of legislation ratifying these titles by a resolution dated April 14, 1956. The tribe later withdrew its request and opposed the enactment of legislation of that kind. That is its present position.

After considering all of the circumstances, we are of the opinion that legislative action is the most practical and desirable method of clearing the land titles. It is not easy to assess the blame for the present situation. Clearly, the Department is partially to blame because of its failure to give notice of the statutory limitations when making sales after 1940. We are also convinced that some of the purchasers and title examiners either knew of the statutory limitations or were negligent in not checking. We are also convinced, however, that some of the defective titles are now in the hands of innocent purchasers. In view of the fact that the Indian seller in each case was paid for the land, and there is no evidence that any Indian has been prejudiced by the statutory violations, it would be equitable to ratify the titles by legislation in order to clear up the unsatisfactory situation that exists now.

Although our draft bill does not contain a provision to this effect, Congress may wish to consider the advisability of a repeal of the statutory acreage limitations in question. Any limitation of the market tends to decrease the price that an Indian owner can obtain for his land and deprives him of fair market value. If an Indian allotment is surrounded by a large ranch that rancher may be the best or only prospect for purchasing the land at its fair value.

S. 332 and H.R. 2381 were introduced in the 85th Congress to deal with this situation. The Senate bill passed the Senate, but was not reported in the House.

S. 55 and H.R. 439 were introduced in the 86th Congress and neither was reported by committee.

The Bureau of the Budget has advised that there is no objection to the presentation of this draft bill from the standpoint of the administration's program.

Sincerely yours,

JOHN A. CARVER, Jr.,
Assistant Secretary of the Interior.

WORLD FOOD CONGRESS IN THE UNITED STATES IN 1963

Mr. FULBRIGHT. Mr. President, by request, I introduce for appropriate reference a bill authorizing an appropriation to enable the United States to extend an invitation to the Food and Agriculture Organization of the United Nations to hold a World Food Congress in the United States in 1963.

The proposed legislation has been requested by the Secretary of State and I am introducing it in order that there may be a specific bill to which Members of the Senate and the public may direct their attention and comments.

I reserve my right to support or oppose this bill, as well as any suggested amendments to it, when the matter is considered by the Committee on Foreign Relations.

I ask unanimous consent that the bill may be printed in the RECORD at this point, together with the letter from the Secretary of State, dated August 22, 1962, in regard to it.

The PRESIDENT pro tempore. The bill will be received and appropriately referred; and, without objection, the bill and letter will be printed in the RECORD.

The bill (S. 3679) authorizing an appropriation to enable the United States to extend an invitation to the Food and Agriculture Organization of the United Nations to hold a World Food Congress in the United States in 1963, introduced by Mr. FULBRIGHT, by request, was received, read twice by its title, referred to the Committee on Foreign Relations, and ordered to be printed in the RECORD, as follows:

Whereas the President, in giving his full endorsement and support of the United States Government's food-for-peace-program and for the freedom-from-hunger campaign of the Food and Agriculture Organization of the United Nations, recognized the necessity for emphasizing the willingness of the United States Government to share its food abundances and agricultural knowledge; and

Whereas the Food and Agriculture Organization of the United Nations pursuant to a resolution of the Tenth FAO Conference authorized the Director-General to make preparations for a World Food Congress in 1963 to mark the midpoint of the five-year worldwide freedom-from-hunger campaign and the 20th anniversary of the Hot Springs Conference, which resulted in the establishment of the FAO; and

Whereas the freedom-from-hunger campaign in the United States is sponsored by the American Freedom from Hunger Foundation, Incorporated, and by the American Food for Peace Council through its Freedom-From-Hunger Committee; and

Whereas the U.S. food for peace program and the FAO's freedom-from-hunger campaign are both directed toward the promotion of international cooperation and goodwill through the alleviation of hunger and malnutrition; and

Whereas the Congress will bring together a wide cross section of participants in these activities, review the progress of the campaign, focus attention on current and future problems involved in providing adequate food to meet the needs of the world's rapidly expanding population, and consider and recommend measures and policies necessary for this purpose; and

Whereas it is particularly fitting that the United States of America should cooperate with the FAO to convene a World Food Congress to further the programs of both the food for peace program and the freedom-from-hunger campaign; and

Whereas the United States of America as the inviting Government is expected to provide the conference facilities and to pay certain expenses not borne by the FAO: Therefore

Be it enacted by the Senate and the House of Representatives of the United States of America in Congress assembled, That there is authorized to be appropriated to the Department of State, out of any money in the Treasury not otherwise appropriated, a sum not to exceed $300,000 for the purpose of defraying the expenses incident to organizing and holding the World Food Congress in Washington, D.C. Funds appropriated pursuant to this authorization shall be available for advance contribution or reimbursement to the Food and Agriculture Organization of the United Nations for certain costs incurred by the organization in holding the World Food Congress in Washington and shall be available for expenses incurred by the Department of State, on behalf of the United States as host government, including personal services without regard to civil service and classification laws; employment of aliens; printing and binding, without regard to section 11 of the act of March 1, 1919 (44 U.S.C. 11); travel expenses; rent of quarters by contract or otherwise; hire of passenger motor vehicles; and official functions and courtesies.

SEC. 2. The Secretary of State is authorized to accept and use contributions of funds, property, services and facilities for the purpose of organizing and holding the World Food Congress in Washington, D.C.

The letter presented by Mr. FULBRIGHT is as follows:

DEPARTMENT OF STATE,
Washington, August 22, 1962.

DEAR MR. VICE PRESIDENT: I submit herewith a proposed bill which would enable the United States to cooperate with the Food and Agriculture Organization (FAO) of the United Nations in convening a World Food Congress in Washington, D.C., in June 1963; and which further provides for an appropriation authorization to the Department of State for expenses incident to organizing and holding the Congress in the Department's conference facilities.

The World Food Congress is being organized in accordance with Resolution No. 13-59 of the 10th session of the FAO Conference which authorized the Director General of FAO, as part of the freedom-from-hunger campaign, to make preparations for a World Food Congress in 1963. This will coincide with the celebration of the 20th anniversary of the Hot Springs (Va.) Conference which led to the creation of FAO as one of the new international agencies to be charged with the task of helping achieve the "four freedoms." The Congress will focus attention on current and future problems in nutrition, food supply and distribution; and recommend international cooperative measures for the combating of hunger and malnutrition. It will endeavor to assess and state the current and future food and nutritional needs for the world as a whole and for specific regions; examine and determine the measures necessary to meet these needs; invite and stimulate the cooperation of the governments and peoples of the countries of the world in achieving this goal; and generally recommend multilateral action toward this end. The Congress, which will fall midway in the FAO's 5-year worldwide freedom from hunger campaign, should afford a suitable forum and opportunity to bring together diversified opinions on these subjects, so that future action to solve the problems of hunger and malnutrition may be made more effective and lasting.

The President, in giving his full endorsement and support of the U.S. Government's food-for-peace program and for the freedom-from-hunger campaign of the FAO, recognized the necessity for a World Food Congress to emphasize the willingness of the U.S. Government to share its food abundance and agricultural knowledge. The U.S. food-for-peace program and the FAO's freedom-from-hunger campaign are both directed toward the promotion of international cooperation and good will through the alleviation of hunger and malnutrition. It is hoped that the Congress will be able to give favorable consideration to this request during the present session.

A similar communication is being sent to the Speaker of the House.

Sincerely yours,

DEAN RUSK.

Enclosure: Proposed draft legislation.

REVENUE ACT OF 1962—AMENDMENTS

Mr. PROXMIRE submitted an amendment, intended to be proposed by him, to the bill (H.R. 10650) to amend the Internal Revenue Code of 1954 to provide a credit for investment in certain depreciable property, to eliminate certain defects and inequities, and for other purposes, which was ordered to lie on the table and to be printed.

Mr. GORE submitted amendments, intended to be proposed by him, to House bill 10650, supra, which were ordered to lie on the table and to be printed.

Mr. GORE (for himself and Mr. DOUGLAS) submitted amendments, intended to be proposed by them, jointly, to the House bill 10650, supra, which were ordered to lie on the table and to be printed.

Mr. SPARKMAN submitted amendments, intended to be proposed by him, to House bill 10650, supra, which were ordered to lie on the table and to be printed.

Mr. CANNON. Mr. President, I send to the desk an amendment which I intend to offer to H.R. 10650, the Internal Revenue Act of 1962. The purpose of my amendment is to permit an additional exemption for a taxpayer with a dependent child who is a student above the secondary level at an educational institution.

The PRESIDENT pro tempore. The amendment will be received, printed, and will lie on the table.

NOTICE OF HEARINGS ON NATIONAL BANK BILLS

Mr. ROBERTSON. Mr. President, the Banking and Currency Committee has scheduled a hearing on H.R. 8874, the bank service corporation bill, this coming Thursday, August 30, at 10 a.m., in room 5302, New Senate Office Building. I wish to announce that the committee will also receive testimony at the same time and place on H.R. 7796, a bill to amend certain lending limitations on real estate and construction loans applicable to national banks, which was passed by the House on August 6, 1962; on H.R. 12577, a bill to place authority over the trust powers of national banks in the Comptroller of the Currency; and on H.R. 12899, a bill to amend the statutes relating to branch banks upon conversion, consolidation, or merger. The latter two bills were passed by the House today.

All persons who wish to appear and testify on H.R. 7796, H.R. 12577, or H.R. 12899 are requested to notify Mr. Matthew Hale, chief of staff, Senate Committee on Banking and Currency, room 5300, New Senate Office Building, telephone Capitol 4-3121, extension 3931.

PROPOSED EXPENDITURE OF FUNDS FOR AQUARIUM IN DISTRICT OF COLUMBIA

Mr. PROXMIRE. Mr. President, last year the House authorized a $20 million aquarium in the District of Columbia. Now there is on the Senate Calendar a bill, H.R. 8181, to authorize the appropriation of $10 million for the aquarium. In my view, providing $10 or $20 million for such a proposal would be an unconscionable misuse of public funds at the present time.

Washington does not need an aquarium. Washington does need a stronger slum-clearance program and more adequate youth-employment opportunities, coupled with a frontal attack on juvenile delinquency.

The Nation does not need this aquarium, either. The Nation does need a balanced budget, and increased efforts to retrain those displaced by technological change. It needs an adequate medical program for the elderly. It needs better educational facilities. It needs increased efforts to aid our migrant workers.

The Nation needs many things—including less spending and lower taxes—more than an aquarium to house our fish.

The American people work hard to earn the money they pay in taxes. They expect—and they have a right to expect it—that we who are entrusted with the spending of this money will exercise care and judgment and some degree of restraint in allocating their hard-earned dollars.

Today we are faced with monetary problems of a magnitude never before equaled in the economic life of this Nation. The decision on whether to cut taxes and the necessity for spending gigantic and ever-mounting sums on our space effort and on our defenses are only a few of the staggering financial problems we face

To suggest the spending of $20 million for a fish aquarium in the face of these gruelling financial pressures is inhumane.

The Senate committee report states that witnesses appeared to express opposition to expenditure of large funds for this aquarium at a time when there is such great need for improvements to public schools—but the committee approved it nonetheless. The Bureau of the Budget stated that it believes that at the present time "there may be higher priority needs for the funds essential to this project"—pages 12, 13, 14, Senate committee report.

The House committee report states that "the committee is aware of the importance of the living creatures of the sea." But, Mr. President, what about the importance of the living creatures who are the disfranchised citizens of this city?

U.S. ECONOMY STILL SUPREME IN WORLD

Mr. PROXMIRE. Mr. President, yesterday the distinguished columnist J. A. Livingston discussed our economy in comparison with European economies. This morning, on the editorial page of the Washington Post, there is a cartoon depicting the Common Market economy of Europe as a man well muscled and glowing with vim and vigor. Below it is a cartoon of the American economy, a man pictured as flabby and bedraggled and discouraged and sick.

Unfortunately, this view has achieved a great deal of currency in America, and I think it just is not fair or accurate. Unfortunately, also, it is the basis for much of what is in the tax bill which confronts the Senate at this time.

Mr. Livingston, in his fine article, discusses this question and points out that all things considered our rate of growth in this country has been very good in comparison with that of European countries, not only from 1938 up to date, but also from the time of reconstruction after World War II to date.

It is interesting, too, that free economies which have grown less rapidly than our own are economies that have investment credit provisions. Secretary Dillon told us there are only three countries that have investment credit laws. Two of them are the United Kingdom and Belgium, both of which happen to be among the only three countries in Europe that have grown less rapidly than the United States of America since 1948. The other country which has investment credit, the Netherlands, has grown less rapidly than any other country except for those two and the United States. If we are to judge the investment credit on the basis of results, we should reject it.

In addition to this, the very fine article by Mr. Livingston points out that, in the overall sweep of the past 25 years, and not considering merely the period since reconstruction after World War II, the United States shows a far better growth than the European economies; and by far better, I mean two or three times better.

I ask unanimous consent that the column by J. A. Livingston be printed at this point in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

MYRDAL CALLS UNITED STATES STAGNANT ECONOMY

(By J. A. Livingston)

Statistics don't always lie, but half stated, they are apt to mislead.

Thus John F. Kennedy keeps lamenting about the slow rate of economic growth. He did it as a candidate during the presidential campaign. He does it now as President.

We've been losing about $30 billion a year in output because of underutilized manpower and plant capacity, he says. Our rate of growth has been inadequate—only about 3 percent a year.

And now Gunnar Myrdal describes ours as a stagnant economy. If enough people say it, too many people will believe it.

Myrdal is an internationally-known Swedish economist whose book, "The American Dilemma," intensively analyzed the Negro problem in the United States. It was published in 1944. Subsequently, Myrdal served in the Swedish Commission for Europe in Geneva.

In a recent interview in the New York Times, Myrdal set 5 percent to 6 percent a year as a desirable growth rate for the United States.

To achieve this, he prescribed a "practical economic package": a massive increase in public expenditures on schools and slums; an agreement by labor to demand no wage increases for a year and a half; tax cuts for persons in the lower and middle-income brackets; and an agreement by private industry to invest, coupled with a big cut in taxes to spur such investments. This is an easy order from someone outside the United States.

SLUGGISHNESS OVERRATED

Unquestionably, in the postwar period, the economic growth of this country has lagged behind that of many Western European countries. For this, there are explanations:

1. Our factories and industrial organizations were not destroyed. Our postwar takeoff was from a much higher level, relatively, to what it was prewar.

2. We did not have as much reconstruction and rehabilitation to do, requiring vast capital outlays.

3. We, ourselves, contributed greatly to the development of Western Europe and Japan through direct grants, loans, and economic and technical assistance which speeded their growth vis-a-vis ours.

4. As the foremost industrial nation in the world, we were pacesetters. Others could copy and emulate. We had to innovate. French, Italian, and Western German manufacturers had examples of successful U.S. consumer products—refrigerators, washing machines, etc.—which opened up an entire new world of convenience to oversea housewives.

Those economic influences cannot be mentioned too often—nor laughed off. They cause these statistics: Here's the record of percentage increases in production since 1948:

Gain, 1948–62:	*Percent*
United Kingdom	52
Belgium-Lux	56
Sweden	60
United States	68
Netherlands	135
Norway	138
France	152
Italy	200
West Germany	354
Japan	950

Source: United Nations and International Monetary Fund.

SWEDEN IS BEHIND UNITED STATES

The above figures suggest that Dr. Myrdal ought not to cast stones too carelessly. Sweden ranks just below the United States. And in the longer run gains—since 1938—the United States ranks very high indeed:

Gain, 1938–62:	*Percent*
United Kingdom	68
Belgium-Lux	77
Sweden	129
West Germany	142
France	169
Netherlands	169
Norway	195
Italy	205
United States	271
Japan	295

Source: Same as above.

By no means is this proof that we're growing as fast as we ought to. But it does show that we're not laps behind in the progress parade.

The way you put statistics together—the date you choose for measurement—often controls the result. And 1938 was a letdown year in the United States. It raises subsequent gains slightly. But it was the earliest year for which I could get acceptable data for all the countries.

Recent dissatisfaction with U.S. growth is traceable to the slowing down in the rate of recovery this year and the slump in stock prices. But recent indicators have turned favorable. Auto sales are strong, durable goods orders rose sharply in July, and the rate of business failures—which was prophetic in 1956—has dropped markedly. Prosperity isn't ready for last rites.

Imperfect the statistics are. Yet, looking at them, we can justifiably ask, Are these gains stagnancy?

DROP IN ENGINEERING ENROLLMENTS BIG THREAT TO U.S. SECURITY

Mr. PROXMIRE. Mr. President, in the Wall Street Journal of today is an article on the front page entitled "Government, Profession Seek Reasons for Drop in Student Enrollments," which pertains to a very, very serious economic, scientific, and military problem which faces us in the fall-off of students matriculating in engineering in colleges.

The article points out that fewer young people entering college are deciding to major in engineering than 5 years ago, and the proportion is dropping steadily; furthermore, that fewer are graduating than graduated before. Last year, some 35,000 American students graduated in engineering, whereas in the Soviet Union last year 120,000 students graduated in engineering.

Mr. President, this is why I introduced an amendment to the space authorization bill calling for a scientific manpower study to determine whether or not our extravagance may result in headlong waste for our limited and crucial scientific manpower.

The PRESIDENT pro tempore. The time of the Senator has expired.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senator from Wisconsin may have 2 additional minutes.

The PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. PROXMIRE. I thank the Senator.

This article by Mr. Edmund K. Faltermayer discusses this most serious problem for our Nation, for our defense, for our science, and for our educational future.

I ask unanimous consent that the study made by Mr. Faltermayer be printed in the RECORD at this point.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

GOVERNMENT, PROFESSION SEEK REASONS FOR DROP IN STUDENT ENROLLMENTS

(By Edmund K. Faltermayer)

Why are fewer young Americans studying engineering?

It is a simple fact that over the last 4 years engineering enrollments at U.S. colleges and universities have fallen off sharply. The reason, however, is not so clear. In recent months several Federal agencies and professional societies have begun studies aimed at finding the explanation.

With industry now spending an average of $2,000 to recruit each engineer, the decline obviously isn't due to an oversupply of these technologists. Today a college graduate with a B.S. in electrical engineering, the most popular engineering curriculum, can command a starting salary of $7,000 a year in industry, according to the College Placement Council, of Bethlehem, Pa., an organization that tabulates data on job offers to college seniors. This is about $1,400 a year more than a graduate in business administration can fetch, and the spread has been widening in recent years. The rewards are nearly as great in other fields of engineering. What's more, the younger generation has been exposed to a steady barrage of publicity about the need for more engineers in the space age and has heard the many ominous warnings of a shortage of graduates in this field in the years just ahead. The publicity seems to have failed dismally. Students are staying away from engineering in droves.

FRESHMAN ENROLLMENTS FALL

Because engineering is a field of study that normally must be chosen before or at the time a student enters college—indeed, it frequently dictates the choice of college—freshman engineering enrollments point up most dramatically the declining interest in the subject. In the fall of 1957, engineering attracted about 79,000 freshmen, highest since 1946, when campuses were crowded with veterans But by autumn of 1961, the number had dropped steadily to just under 68,000.

Only about half of these freshmen survive to get a B.S. degree; consequently, the output of engineers has been far smaller than the freshman figures and has shown a parallel decline. In the spring of 1958, 38,134 seniors got engineering degrees. Three years later the number had shrunk to 35,860 and it probably was even smaller last June. Educators expect a continued decline at least through 1965.

This slowdown is the more significant because it has occurred during the 4 years following Russia's first sputnik and at a time when the United States is putting increasing emphasis on its space program. Even more disheartening is a comparison of this falloff with total college enrollments which were soaring by 27 percent in this period.

"Everybody's mystified by the decline in enrollments," says Carl Frey, executive secretary of the Engineering Manpower Commission. The Engineering Manpower Commission, set up in 1951 by the various professional societies that form the engineers joint council, is one of the principal organizations trying to awaken young Americans' interest in engineering.

Many observers figure that if more students aren't attracted to engineering, a serious shortage will occur before the end of the 1960's. An Engineering Manpower Commission survey of 517 companies and Government agencies which employ 200,000 of the country's 900,000 professional engineers indicates these employers will need 45 percent more engineers in 1971 than they employed in 1961. With Government and industry research and development work running over $15 billion a year in the United States and tripling every 8 years, the overall demand for technologists is certain to rise sharply.

PRESIDENT SEEKS REMEDIES

The Government, worried about the possible shortage and about reports that the Soviet Union is now graduating 120,000 bachelor degree engineers a year, also is taking steps to stimulate interest in the field. President Kennedy recently ordered his Science Advisory Committee to report "as quickly as possible" on "specific measures that can be taken within and without the Government" to assure the United States an adequate supply of both engineers and scientists.

The National Academy of Sciences, also at the request of the White House, has been surveying the utilization of the Nation's existing scientific and technical manpower, including engineers, and the National Science Foundation is making a new study of future needs. Simultaneously, professional groups such as the Engineering Manpower Commission are initiating studies to find out why the United States is turning out fewer engineers.

Although findings won't be available for several months, talks with college students and deans of engineering colleges disclose a number of possible explanations, ranging from the increasing difficulty of the curriculum to the lack of a clear-cut conception by young people as to what engineering is.

A POOR SELLING JOB?

One often-heard explanation—that potential engineering students are being enticed into basic curriculums because the latter now have more glamour—isn't borne out by the figures. True, junior year enrollments in science and mathematics rose from 48,000 in the 1957–58 academic year to about 59,000 3 years later. But most of the rise was in mathematics and in the biological sciences. Enrollments in the engineering-related physical sciences such as physics and chemistry increased only insignificantly, from 19,080 to 19,852. In the basic sciences, the junior year begins the work in a student's major field of study.

Most educators attach more validity to another explanation for the declining engineering enrollments. These educators believe the engineering profession has done a poor job of selling itself as a creative field of endeavor. "A lot of people think of engineering as sitting in a drafting room with 300 other people," says John McManus, assistant dean of Cornell University's engineering school.

Actually, engineers say, most of the development work on currently ballyhooed "scientific" triumphs has been done by engineers. One example engineers like to cite is the recently launched Telstar communications satellite, the brainchild not of scientists but of John R. Pierce, an engineer with Bell Telephone Laboratories. In general, scientists explore the reasons why things happen in nature, with the usefulness of their findings only a secondary consideration, engineers visualize and work out how the findings can be adapted to benefit society.

If present-day engineering is exciting and creative, the message evidently isn't getting back to high school students. One reason is that the standard high school curriculum includes courses in the basic sciences but not in engineering as such. Contact with a brilliant high school physics teacher, say, may inspire a teenager to major in physics in college, but there are no engineering teachers around to inspire him. Clubs such as the fast-growing Junior Engineering Technical Society have been set up to enable high school students to become acquainted with an engineering laboratory, usually after school hours, but so far these clubs haven't produced any flood of engineering applications at colleges and universities.

Some students are avoiding engineering because they are skeptical about reports of a shortage of engineers. Even the recent Engineering Manpower Commission survey which forecasts a shortage during the late 1960's finds that companies today are within 1.1 percent of their requirements. The memory of widespread layoffs of engineers in the aircraft industry during the immediate presputnik period also is still fresh. These layoffs "had a great psychological effect on students here," says J. R. Whinnery, dean of the University of California's College of Engineering.

WORK OFTEN IS ROUTINE

Even now, with engineers again greatly in demand, it's no secret that many of them are shunted into noncreative work or "stockpiled" by companies that use their pool of engineers as a talking point in getting military contracts. In the aircraft and parts industry, a recent report by the engineers joint council charged, "huge numbers" of engineers "are performing routine equipment engineering of the most tedious formalism." Information about this apparently gets back to high school students.

"You could make a case that we aren't making efficient use of the engineers we have," concedes Eric A. Walker, president of Pennsylvania State University and current president of the engineers joint council. Unlike some educators, Mr. Walker believes the United States could get by with only 40,000 new engineers a year if a high percentage went on to get doctorates and if engineers were used solely for creative work by industry.

Today, Mr. Walker says, many engineers are doing work that just as easily could be done by technicians, semiprofessionals who need only 2 years of college and often less. For example, young engineers usually spend from 2 to 4 years doing drafting work; frequently, this involves only the incorporation of minor changes into the drawings of airplane wings or radio receivers or whatever. This type of drudgery, professional engineers contend, could easily be done by technicians.

However, technicians are in extremely short supply, Mr. Walker says. Currently, the United States turns out only 16,000 a year, or half as many as the number of engineers. Actually, according to Mr. Walker, there should be two technicians for each engineer in order to get the maximum use out of the engineer.

A CHANCE TO GET OUT

If the use of engineers to do minor, noncreative chores is a problem that bothers educators, it apparently has had a widespread demoralizing effect on engineers, particularly in their first years out of school. A 1950 graduate of Massachusetts Institute of Technology, recalling his first experiences in industry in a recent letter to a magazine published by MIT alumni, says he "became convinced any high school graduate could do the drafting that was expected of me." Adds this engineer: "After a number of years of drudgery, I seized upon a chance to leave the engineering profession. I doubt seriously if I ever would return."

Engineers say that many younger members of their profession have developed the habit of switching jobs every 2 years or so to escape the tedium of the same noncreative work day after day. A young engineer with an aircraft company near New York City believes he is one of the few engineers who have succeeded in breaking out of this rut without changing jobs. The engineer, in his mid-twenties, has been with his present group of 25 men for 5 years. He has become top man simply because he has been there longer than anyone else.

This engineer's experience raises another point. He now finds himself graduated to what is largely a management job, supervising the work of others but doing little engineering himself. Says he: "I'm considering going to Harvard Business School. After all, I'm not really doing any engineering now and the only avenue for advancement is management." Many other engineers, discouraged for one reason or another, go into management or sales.

In view of all this, it isn't surprising that many engineers think they have lost status. A 1961 survey by Opinion Research Corp., of Princeton, N.J., showed that only one-fourth of the engineers questioned believe they are getting the recognition they deserve. An awareness of this is spurring many engineering students to get master's degrees or doctorates. The Nation's output of engineers with advanced degrees has been rising even though the number of bachelor-degree graduates has been declining because a larger percentage of the B.S. degree-holders are going on to graduate work.

"If you walk into an aircraft company with just a B.S. degree," says a University of Connecticut graduate, "you're nothing but a cog in a huge machine." This engineer recently left his job in industry to return to school for a master's degree.

A TOUGH CURRICULUM

Another deterrent to students considering engineering is the traditional "grind" of the undergraduate curriculum. At Penn State, for instance, a student needs 156 credit hours to get a B.S. in engineering, compared with only 126 needed for a B.S. in business administration. Some schools—Cornell, for one—spread their undergraduate engineering curriculum over 5 years instead of trying to cram it into 4.

But credit hours don't tell the full story. Even where credits are the same for liberal arts and engineering courses, the engineering courses often entail longer hours. Generally, an undergraduate engineering major at the University of Connecticut can figure on two afternoon laboratory sessions a week during most of his 4 years. Lab sessions normally are 3 hours long. By contrast, a business administration major can get away with only two one-semester science courses during his entire 4 years—and some of these have no lab sessions.

In addition, a young man with no particular zest for study would not be encouraged into engineering by a listing of the subjects he would encounter. In his freshman and sophomore years, he would get heavy doses of mathematics, chemistry, and physics. Specifically, the second-semester freshman mathematics course at the University of Connecticut is described by the university's catalog as the study of "the definite integral and applications, plane analytic geometry, transcendental functions, formal integration." In his junior year, an electrical engineering student would move into such subjects as electric and magnetic fields, electrical engineering principles, fluid mechanics, advanced mathematics for engineers and engineering thermodynamics.

Also discouraging to would-be engineering students is the high "attrition rate" among engineering students. On average, 60 percent of those who start college in the United States wind up with a bachelor's degree of some sort. In engineering, however, fewer than 50 percent of the starting freshmen make it out to a B.S. degree. The rest flunk out, get discouraged and transfer to easier courses, or quit school altogether.

THE 1962 GIRL SCOUT ROUNDUP AT BUTTON BAY, VT.

Mr. AIKEN. Mr. President, I ask unanimous consent that I may have 6 minutes to make a statement on the recent Girl Scout roundup at Button Bay, Vt. I need about 6, or possibly 7 minutes.

The PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. AIKEN. Mr. President, in the latter part of July over 10,000 senior Girl Scouts and their leaders swarmed into Vermont for their third triennial roundup and promptly found a place deep in the hearts of all Vermonters.

They came from far and near; they came from all over the world—in fact, they came from all 50 States and from 21 foreign countries. They came with picturesque gear, with musical instruments, with accents, with friendliness, and with gaiety.

The 1962 roundup at Button Bay, Vt., is now a thing of the past, but its echoes will remain with us for a long time.

Ten thousand senior Girl Scouts and their leaders settling down for 2 weeks on the shores of Lake Champlain and setting up a great tent city approximately a mile square—systematically, orderly, and laid out with gay colored tents, bright emblems, and a waving avenue of 109 flags, young people living and working together in complete understanding.

Before the curtain is brought down on the 1962 roundup, a lot of people ought to be commended publicly for their part in this successful undertaking.

In 1959, when a representative of the national Girl Scout organization visited several sites in Vermont, at the invitation of Governor Stafford and met with Perry H. Merrill, our commissioner of forests and parks, some people had doubts as to the ability of a State the size of Vermont to take on a project of this magnitude. However, when Button Bay State Park was finally selected, everyone buckled down to the job ahead.

The State of Vermont agreed to provide by lease about 250 additional acres of land, a water system which would supply one-half million gallons of water per day and build and maintain the road systems within the campsite area, as well as to improve the approach roads.

The Vermont delegation in Congress introduced legislation to authorize the use of Defense Department manpower, equipment, and supplies for this great undertaking.

Governor Keyser, of Vermont, recommended and received from the Vermont Legislature $186,000 for additional expenses to be incurred in connection with the roundup and designated the deputy commissioner of forests and parks, Mr. Robert B. Williams, to coordinate the work of the several State departments with the Girl Scout authorities.

The Central Vermont Railway, the Delaware & Hudson, and the Vermont Transit people sat down together early in 1960 and started work on the intricate details of transportation and handling of baggage.

As this work progressed, other carriers came into the picture and pitched in to help—the Marcel Motor Express, the Pullman Co., the Canadian National Railway, not to mention the originating carriers and many others.

And it is interesting to note that before it was all over more than 6,000 Girl Scouts and 10,000 pieces of baggage in 12 special trains and 24 special baggage cars moved in and out through Essex Junction.

The Delaware & Hudson at Port Henry, N.Y., across the lake, moved approximately the same number, while the remainder moved by private car and chartered bus.

The Girl Scout organization not only put in a great deal of time and effort, but money as well, and constructed an amphitheater which would seat about 12,000 people.

The Vermont Development Department established several liaison tourist information booths to make hotel arrangements for visitors—and during the 2 weeks of the roundup 72,000 people visited the campsite.

The Vermont Department of Public Safety, under the direction of Commissioner William Baumann, furnished 44 men and the U.S. Immigration Service 7 men who policed the area, together with 135 military police of the U.S. Army. Security was extremely tight and the girls were well protected at all times.

It was the job of the Vermont Department of Health, under Dr. Robert Aiken, to check supplies of water and food and to watch out for any contagious diseases, of which there were none.

Although an Army field hospital was set up and a helicopter stood ready to fly any casualties to nearby hospitals, there were no accidents and only a half dozen cases of illnesses.

The U.S. customs people handled their part expeditiously and courteously.

The Vermont Dairy Council erected a modern dairy stable and milkroom where several breeds of cattle were quartered and where during the roundup 39,000 half pints of milk were distributed free of charge.

In addition to the milk distributed free, the girls consumed during their stay 133,191 quarts of milk, 6,784 quarts of ice cream, 1,584 quarts of sherbet, 1,056 packages of ice cream rolls, and 6,438 pounds of butter.

If the Nation would consume dairy products at this rate we would find ourselves with a very acute shortage of milk production in this country.

The Associated Industries of Vermont erected a large tent and exhibited manufactured products from about 30 of Vermont's larger industries.

The Maple Sugar Makers Association erected a real operating sugar house, and a release received at my office advises that the Girl Scouts bought 30,000 boxes of Vermont maple sugar candy, and sent home to 50 States and foreign countries 3,000 cans of pure Vermont maple sirup. What is more, they spooned out and ate 1,800 boxes of a maple-blend cream.

Volunteer fire companies of surrounding towns of Addison County gave complete fire protection, these men contributing many hours in order that the site might have full protection.

Amateur radio operators assisted the girls in sending messages back home and in contacting trains and buses.

The telephone and electric companies did an excellent job in furnishing unlimited service.

The honor inmates of the Vermont State Prison did fine work in site layout and cleanup.

Credit must also go to the people in the vicinity of the roundup for their cooperation and to the people of Essex Junction for their hospitality to the Girl Scouts at the incoming trains.

The news services, State and National, did an outstanding job of reporting. The Burlington Free Press devoted many pages each day to the roundup, and published a special issue of 36 pages which I am sure was a souvenir treasured by each of the girls.

A heartwarming sight for me was the hundreds of volunteer men and women, and commuter girl scouts and their leaders, in and out of Vermont, who gave so generously of their time and enthusiasm and traveled great distances to be of help.

To Miss Margaret Chapman, director of the senior Girl Scout roundup, to Mrs. Charles U. Culmer, president of the Girl Scouts, and to Commissioner Perry Merrill, of Vermont, goes much of the credit for the tedious organizational preparations and for the success of the 1962 Girl Scout senior roundup itself. Without their dedication and patience and hard work this success story could not have been written.

Vermonters were really sorry to see the thousands of fine girls and their capable leaders leave the State.

We trust they will always remember Vermont with the same fond memories that we will have for them.

Mr. President, I ask unanimous consent to have printed in the RECORD in connection with my remarks a short editorial which appeared in the Burlington Free Press of July 31, 1962.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

FAREWELL; AND COME AGAIN SOON

The 1962 senior Girl Scout roundup is over. More than 10,000 Girl Scouts and adult leaders have left Button Bay State Park for their homes throughout the Nation and the world. We will miss them.

The roundup was an unprecedented success. The girls, the thousands of visitors, all those groups which pitched in and provided support, and all Vermonters have benefited from this great encampment.

Fond memories of Vermont will be retained for years in thousands of communities around the world. In less than 2 weeks Button Bay became a second home for thousands of young people, and these young people became our friends.

The roundup has meant a great deal to Vermonters. It has cemented our faith in the basic goodness of people, it has broadened our understanding of human organization and service, and it has brought the world to our doorstep in more ways than one.

Vermonters did themselves proud in making the Girl Scouts and their visitors feel at home. Vermont hospitality never was better demonstrated than during the past 2 weeks.

The Vermont Department of Forests and Parks and its commissioner, Perry H. Merrill, did an outstanding job. So did the U.S. 1st Army which provided essential military support. So did all those other groups and individuals who worked countless hours to make the roundup a singular success.

Each of these groups and individuals deserve a salute for "a job well done."

And to each of the Girl Scouts, their leaders, associates, and visitors, we say with warm sincerity: "Farewell; and come again soon."

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senator from Vermont may be granted an additional minute.

The PRESIDING OFFICER (Mr. GORE in the chair). Is there objection to the request by the Senator from Montana? The Chair hears none, and it is so ordered.

Mr. MANSFIELD. Mr. President, I wish to compliment the distinguished senior Senator from Vermont for the concise, heartwarming report he has given of the convention held by the girl Scouts of the world in his State. What he has reported is really too good to be true, but it is true because it happened.

Mr. AIKEN. I saw it.

Mr. MANSFIELD. It could not happen in any other place but Vermont. I congratulate the Senator and the people of his State for doing such a magnificent job of taking care of these girls. If I correctly recall what the Senator said, there were only two cases of appendicitis and two cases of asthma during the entire convention, and the group numbered in the neighborhood of 10,800 girls.

Mr. AIKEN. About that number, yes.

I thank the Senator from Montana. I might add that when we learned the girl Scouts of America had actually accepted our invitation to have their roundup in Vermont—the roundup which occurs every 3 years—some people had qualms for fear we might not be able to handle an event of this magnitude.

The State already owned some 200 or 300 acres in the park, and it leased and acquired about as much more so that the camp city could be established on the shores of Lake Champlain.

It was my good fortune to visit the site near the end of the roundup. I will say it was one of the most inspiring sights one could see.

The girls brought their own tents from all over the world, with their own symbols on the tents. They brought articles which were peculiar to their own States or countries. There was wholesale swapping going on.

I visited with girls from many of the States and from different parts of the world. It was really one of the most inspiring occasions I have ever seen. Certainly it did much to give us confidence in the future.

Mr. MANSFIELD. Mr. President, it could happen only in Vermont. I am delighted. I am also happy to note that the Senator has inserted in the RECORD a worthwhile editorial from the Burlington Free Press.

Mr. AIKEN. I thank the Senator.

FACT VERSUS FANTASY ABOUT KNOWLES DAM AND RESERVOIR, MONT.

Mr. METCALF. Mr. President, the Montana Power Co. has recently prepared and distributed a leaflet purporting to show that the proposed Knowles multipurpose project on the Flathead River is economically unsound. The material in the leaflet is so grossly misleading and erroneous as to warrant comment.

The Montana Power Co.'s pamphlet states:

> WASTEFUL KNOWLES DAM IS EXPENSIVE PROJECT
>
> It would cost $258,500,000 to build this 256,000-kilowatt power project.
>
> The Montana Power Co. proposes to build a 240,000-kilowatt development at the two Buffalo Rapids sites for only $42 million.
>
> Would you pay six times as much money for practically the same amount of power?

Comment: Mr. President, the question uses the words "practically the same amount of power" in a way to be grossly misleading. The statement omits consideration that the total cost of Knowles includes investments to attain water resource benefits other than power, omits evaluation of power and energy developed at downstream projects by Knowles storage, and omits comparison of the salable energy contributed by the two projects. The amount of energy that would be added to the system by Knowles and Buffalo Rapids development are nowhere near practically the same. If the Buffalo Rapids development had been completed by the Montana Power Co. and existed today, it could annually add 1,250 million kilowatt-hours of net salable energy to the system at a cost of 4.74 mills per kilowatt-hour, not including profit. If the Knowles project had been completed by the Federal Government and existed today, it could add 7,570 million kilowatt-hours of net salable energy at a cost of 1.16 mills per kilowatt-hour.

If other projects, including Canadian storage, were added to the system before these, then the nature and amount of additional power needed would be modified and the quantities of salable energy and the costs per unit of such energy would change, but in no case would these changes favor the Buffalo Rapids development. Comparison of the two projects under system conditions is shown in the tabulation below. This is the most conservative analysis that can be made for a storage project such as Knowles. It is based on anticipated 1985 development and power demand conditions and assumes, under conditions without Canadian storage, the addition to the existing system of all projects recommended by the division engineer in the major water plan with storage of 22,500,000 acre-feet. Under conditions with Canadian storage it assumes the addition of all projects in the modified major water plan as recommended by the Chief of Engineers with storage of 35,100,000 acre-feet. Knowles and other storage projects under these system conditions are conservatively credited with proportionate amounts of the total power added by all elements included in this block of storage.

I ask unanimous consent that a table showing a comparison in cost in mills per kilowatt-hour between Knowles and the Buffalo Rapids dams be inserted at this point in my remarks.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Comparative cost data—Energy cost (system analysis)

Item	Knowles (2½ percent Federal financing)	Buffalo Rapids (6 percent private financing)
Without Canadian storage:		
Annual cost including transmission	$8,762,000	$5,936,000
Average annual energy (kilowatt-hours)	2,785,680,000	1,031,050,000
Cost per kilowatt-hour (mills)	3.15	[1] 5.76
With Canadian storage:		
Annual cost including transmission	$10,401,000	$5,936,000
Average annual energy (kilowatt-hours)	1,944,700,000	1,031,050,000
Cost per kilowatt-hour (mills)	5.35	[1] 5.76

[1] Cost only, including taxes, but not including profit or dividends to stockholders.

Mr. METCALF. Mr. President, the difference in their energy-producing capability is a reflection of the basic difference in their concept of use of the natural resource involved. The Buffalo Rapids development would be a single-purpose, run-of-the-river project, developing 169 feet of head in the river. It could operate at full capacity during periods of high flow but would have to waste excess water since no provision would be made to save this water for use in periods of low flow. The project would benefit by releases of stored water from Hungry Horse Reservoir and Flathead Lake. Knowles would be a multipurpose project developing 234 feet of head in the river for power and providing substantial storage capacity for needed flood control as well. It could operate at capacity in periods of high flows and save 3,080,000 acre-feet of water for later use to generate energy in low flow periods. This stored water generates additional energy at Knowles but that is not all. It also adds energy at the 13 existing and several potential hydroelectric projects downstream from Knowles during the critical low flow period each year. Thus, the Knowles project is planned to provide for multiple use of water which would be unused or wasted by the Buffalo Rapids development. This multiple use feature accounts for a large percentage of the Knowles total capacity creditable to the Knowles project. The power company continues in its brochure:

> NO OTHER FEDERAL POWER COSTS THIS MUCH MONEY
>
> On cost per kilowatt, Knowles leads all Federal projects in the Columbia Basin:

Knowles	$1,010
Albeni Falls	748
Hungry Horse	372
John Day	318
Bonneville Dam	169
Grand Coulee	103

> No other Federal project on the Columbia River approaches the extravagance of Knowles.

Mr. President, the figures in the table shown in this part of the leaflet are meaningless. They are arrived at by taking total project cost and dividing that cost by the at-site installed capacity expressed in kilowatts. As stated above, the comparison implied by the figures completely omits consideration of other water resource benefits achieved and the large amounts of power and energy developed downstream by the storage projects. These considerations are essential in any national comparison of project values. Also, the cost comparisons in the leaflet give no consideration to the materially differing price levels or changes in the cost of construction during the 35- to 40-year span of time represented. The company compounds its errors by continuing, in its discredited pamphlet, with the allegation:

> WASTEFUL KNOWLES WOULD LOSE $11,002,000 A YEAR
>
> On a profit-and-loss basis, Knowles would lose $11,002,000 a year on its operations.
>
> This means a total loss of $550,100,000 over a 50-year period. This burden on the taxpayers, plus the loss of $138,600,000 in tax revenues which would be paid by the Buffalo Rapids developments, adds up to a $688,700,000 tax bit on you.

Mr. President, the method of computing the so-called tax bite is erroneous and will be examined briefly before the validity of the figures are considered. The method of computation shows again the duplicity with which the leaflet was prepared. For example, power values based on basic system rates for the Federal power system in the Pacific Northwest are erroneously compared in the leaflet with the specific costs of adding the Knowles project to that system. Power values based on average system rates can properly be compared only with average system costs. For a further example of this duplicity, the alleged $11,002,000 annual loss includes an amount of $980,000 for taxes foregone. This is shown as a cost in the so-called profit-and-loss statement in the leaflet. Actually it is not a cost. It is an amount used in the corps' economic analyses of the project to represent the taxes that would have been paid had an alternative project been constructed by non-Federal public financing. The alleged loss of $2,772,000 taxes which it is claimed would be paid by Montana Power is not properly additive to a figure already including an amount for tax loss. The validity of the figures can be argued, but in no event would a rational profit-or-loss analysis of the project include both the sum of taxes foregone and taxes to be paid by Buffalo Rapids. The pamphlet continues:

> WASTEFUL KNOWLES IS POOREST PROJECT RECOMMENDED
>
> The Corps of Engineers' letter of March 31, 1961, admits that Knowles is the poorest of all projects recommended for authorisation in the Columbia River Basin.

Mr. President, this is a misstatement of fact. The corps, in the paper referred to, simply presented objective appraisals of a number of water resources developments proposed for the Columbia River Basin. A table included in that paper showed that Knowles, when added after Canadian storage, would have a benefit-cost ratio of 1.08 based on benefits that would exceed costs by $895,000 annually. Data in the table showed that other proposed projects would have benefit-cost ratios as high as 2.28 to 1 and benefits that exceeded costs by as little as $25,000 annually. It does not follow that such appraisals indicate any one of the projects to be better or poorer than any other project. In the leaflet a comparison among a number of economically sound projects is used insidiously to make one project look poor. If this reasoning were sound, it would follow all of the proposed projects in the table are poor except the best one as determined by some arbitrary standard. Under these conditions each of the projects, if recommended individually, could escape the poor category.

The leaflet continues the discussion of "Wasteful Knowles Is the Poorest Project Recommended," as follows:

> However, the Corps of Engineers' study is based on hypothetical benefits and hypothetical costs. What you want to know—and what Congress wants to know—is whether Knowles will operate at a profit or a loss. Here is the answer:

Profit-and-loss statement

Revenues:	
Power sales [1]	$2,232,000
Flood control benefits [2]	447,000
Recreation [3]	58,000
Total revenues	2,737,000
Costs:	
Interest, amortization [4]	12,034,000
Replacements [3]	163,000
Operation and maintenance [3]	535,000
Taxes foregone [3]	980,000
Recreation expense [3]	27,000
Total costs	13,739,000

[1] Knowles would produce 1,814,000,000 kilowatt-hours of energy or 1,730,560,000 kilowatt-hours after losses of 4.6 percent. This energy would be marketed by Bonneville Power Administration which has average revenue of 2.36 mills per kilowatt-hour, less transmission costs of 1.06 mills per kilowatt-hour, or net average revenue of 1.29 mills per killowatt-hour. Thus 1,730,556,000 kilowatt-hours × 1.29 mills = $2,232,000.

[2] Corps of Engineers estimate, after Canadian storage is added to system.

[3] Corps of Engineers estimates.

[4] Based on interest rate of 4 percent, which is rate Government must pay for money it borrows.

> This means an annual loss of $11,002,000, or $550,100,000 over a 50-year period. You, as a taxpayer, will have to help make up that loss.

Comment: Mr. President, the Congress requires that projects be designed so that total benefits exceed total costs and so that power revenues be sufficient to repay power costs including amortization with interest. The purpose of Federal development of power is not to make a profit but to provide a source of low cost power to encourage industrial development in the area and promote the well-being of the people. To that end the Federal Government has provided an extensive hydroelectric power generating, marketing, and distribution system in the Pacific Northwest. The recent phenomenal economic growth of the area coincides with the development of this system starting with Grand Coulee and Bonneville in the depression years. The power from all the Federal projects in the area is marketed and distributed by the Bonneville Power Administration.

The system has 12 operating hydroelectric projects. The unit cost of producing energy at these projects varies from about 0.8 mills per kilowatt-hour for baseload projects such as Bonneville to 5.0 mills per kilowatt-hour for peaking projects such as Lookout Point. Projects and facilities to meet both the sustained baseloads and the short duration peakloads are required for a well-balanced electric power system. For revenue purposes the entire system must be treated, whether Federal or privately owned, as a unit. This is the only practical and fair way to do it. It would be prohibitively complex and expensive to tailor each customer's rate to reflect the actual cost of the energy used. The BPA postage stamp rate exceeds the unit cost of production at a number of projects in the system and is lower than the cost at others. The power to be generated at Knowles would be absorbed in the BPA system and marketed at established system rates. By law, the BPA rates must be set so that power revenues will pay all power costs.

A proper financial accounting for Knowles would include only part of the project costs chargeable to power. These costs would be offset in their entirety by revenue credits equal to costs. A true profit-and-loss statement for the project would show that the Government would bear no loss, neither would it make any profit. The loss of $11,020,000 a year as reported in the leaflet would be impossible under established procedures for appraising Federal projects prior to congressional authorization for construction and again appraising them prior to allocation of funds for construction.

The Federal consideration of benefits that will accrue to power, flood control, and other purposes, compared with total project costs, is entirely without consideration of profits which is the private utility consideration. This comparison of benefits and costs determines whether a Federal project is justified and is made by established and uniform procedures for all Federal projects. These procedures are designed to assure optimum use of the Nation's resources consistent with the need for their development and the availability of funds. The procedures are devoid of the ordinary consideration of profit which are paramount in private utility considerations as evidenced by the Montana Power Co.'s leaflet. In the application of the Federal procedures the measure of power benefits is by a regionwide value based on determinations of the Federal Power Commission, taking into account the cost of alternative steampower. This is generally conceded to be the valid alternative for the region and is recognized as such by Montana Power Co., as indicated by a statement in its 1961 annual report that the company is considering steam as an alternative to the Buffalo development.

Power benefits determined in this manner, together with the flood control and recreation benefits, make up the total project benefits. These are then compared with the costs, on an annual basis, to derive a benefit-to-cost ratio as evidence of project justification. Montana Power Co., in the profit-and-loss statement in its leaflet has used an interest rate of 4 percent in its determination of Knowles costs. In keeping with Federal agency practice an interest rate of 2½ percent was used in the Federal analysis of the Knowles project based on determinations made by the Secretary of the Treasury as to prevailing average rates on outstanding long-term Government obligations.

On the basis of the interest rates established on this basis and a realistic period of economic life, the benefit-cost analysis of the Knowles project, considered as a part of the recommended Columbia River system, including Canadian storage, is as follows:

Annual benefits:	
Power	$11,639,000
Flood control	466,000
Recreation	58,000
Total	12,163,000
Annual costs:	
Interest and amortization	7,299,000
Operation, maintenance, and replacements	807,000
Taxes forgone	1,017,000
Total	9,123,000

Benefit-cost ratio, 1.3.

Mr. President, this represents justification of the project over a 100-year period. Based also on a 50-year period, the project is fully justified with a benefit-cost ratio of 1.08, demonstrating it to be a worthwhile and desirable additional element of the major water plan for the Columbia River Basin. Looking further into the company's pamphlet, we find the following assertion:

WASTEFUL KNOWLES THREATENS FUTURE WATER RIGHTS

> The Bureau of Reclamation, which would build and operate Knowles, takes the position that construction of such a project constitutes an appropriation of practically all surplus waters in the river involved. It has taken this position in the case of the Canyon Ferry project on the Missouri River.
>
> This position of the Government threatens all future water rights on the Flathead River and its tributaries if Knowles is built.
>
> Knowles has no irrigation benefits. Instead, it is a detriment because it floods out valuable cropland already under irrigation.

Mr. President, according to the Bureau of Reclamation, a position similar to that taken by the Government in the case of Canyon Ferry would not constitute a threat to all future water rights on the Flathead River if Knowles is built. Prior to construction of Canyon Ferry, there was no free or unappropriated water in the Missouri River above Canyon Ferry, except during the spring runoff. The Canyon Ferry project, as constructed by the Bureau, was designed to make use of the spring runoff not previously appropriated, to make water available to upstream irrigators as well as for downstream multiple uses. Rather than threatening or destroying water rights, this project, by storing floodflows, made possible the use of the water on a year-round basis.

The Knowles project has no irrigation benefits credited to it at this time—neither has it any navigation or water supply benefits credited to it in the corps' report. However, the increased low water flows attainable from the water stored in Knowles no doubt will result, in the future, in such benefits for the people of Montana as well as downstream. Such benefits can never accrue to the Buffalo Rapids projects which will produce only power for the Montana Power Co. However, the company still presses for its own run-of-the-river alternatives. The pamphlet states:

WASTEFUL KNOWLES FLOODS OUT TWO GOOD PROJECTS

> Construction of Knowles would flood out the Buffalo Rapids No. 2 and Buffalo Rapids No. 4 projects which the Montana Power Co. proposes to build. The company has applied to the Federal Power Commission for a 50-year license on these sites.
>
> Buffalo Rapids would be developed for $175 per kilowatt, will produce practically the same amount of power as Knowles and will produce tax revenues, not tax losses.
>
> Development of Buffalo Rapids will mean $2,772,000 a year in tax revenues for Federal, State, and local governments—a total of $138,600,000 over the 50-year period of the license.

Mr. President, the Buffalo Rapids development and the Knowles project are alternatives so the construction of only one of them is feasible. The Knowles project would use the full potential of the natural resource; the Buffalo Rapids development would use only a portion of that potential and would block permanently the full use of the remainder of that potential. It has already been shown that Buffalo Rapids does not produce "practically the same amount of power as Knowles."

The Northwest Utilities Group, composed of most of the electric utility companies of the Northwest, estimates that within 10 years the load requirement in the Pacific Northwest will exceed the amount of electric energy that could be generated if all the available hydroelectric sites were developed to full potential. The hydro capacity lost by underdevelopment at any site, therefore, will have to be replaced by steam capacity if the economy is to continue to grow.

The Montana Power Co. states that the taxes it would pay on the Buffalo development would mean revenues of $2,772,000 a year to Federal, State, and local governments. Taxpayments made by the company are, of course, collected from its customers as a charge in the overall power bills. The tax figures quoted in the leaflet and the construction cost of the Buffalo Rapids project may be accepted as essential elements of cost which will be passed on to the power consumer in his bills for the energy he uses. Other significant charges are included in the consumer's bill. The 1961 report to the stockholder by the Montana Power Co. shows that their revenue dollar is divided as follows:

	Percent
Operating expenses, including interest payments	39
Taxes	35
Dividends to stockholder	19
Surplus available for reinvestment	7
Total	100

What the customer really wants to know is how much the electrical energy will actually cost him. The more it costs, the less he will use. For comparison, data for calendar year 1960 have been extracted from Federal Power Commission reports on residential or domestic power sales. I ask unanimous consent that the following table be printed at this point in my remarks.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Utility	Number of customers	Kilowatt-hour sales (1,000 kilowatt-hours)	Revenue (thousands)	Average sales per customer (kilowatt-hours)	Average revenue per kilowatt-hour (cents)
Montana Power Co.	128,435	520,827	$12,295	4,060	2.36
Washington Water Power Co.	128,459	1,163,142	15,202	9,050	1.31
Pacific Power & Light Co.	233,617	1,868,779	25,759	8,000	1.38
Portland General Electric Co.	224,570	2,182,633	24,718	9,730	1.13
Puget Sound Power & Light Co.	199,346	1,790,549	21,060	8,980	1.18
City of Seattle	208,294	1,902,276	18,357	9,130	.97

Mr. METCALF. Mr. President, the leaflet contains no evidence that development of the Buffalo Rapids project by the Montana Power Co. would result in reducing the company's revenue per kilowatt-hour to bring it more nearly in line with revenues to other power companies in the Pacific Northwest. The company pamphlet continues:

FISH AND WILDLIFE WOULD SUFFER FROM KNOWLES

> Knowles project would be detrimental to western Montana's rich wildlife and fish and game resources.
>
> It would destroy the National Bison Range at Moiese.
>
> It would flood out feeding grounds and nesting areas of pheasants and migratory birds.
>
> It would flood out winter range and calving grounds of deer and elk.

Mr. President, the reservoir will flood out part of the National Bison Range and other big game lands and waterfowl and pheasant habitat. As mitigation measures, the project plans provide for acquisition of 10,000 acres to replace the bison and big game range, 5,000 acres for pheasant habitat, and 3,000 acres for waterfowl breeding and nesting. All measures necessary to prevent damage or loss to the fish and wildlife resources are included in the project plan and no objection to the project has been made by the Secretary of Interior, and the head of the U.S. Fish and Wildlife Service. Many conservation groups are actively supporting Knowles.

The pamphlet goes on to say:

KNOWLES REMOVES 59,000 ACRES OF LAND FROM USE

Nine thousand acres of irrigated cropland flooded out.

One thousand two hundred and eighty-four people displaced, forced to move.

National Bison Range at Moiese destroyed.

And then includes the following table:

	Knowles	Buffalo Rapids
Acres of land involved	59,314	8,875
Acres of irrigated land flooded	9,000	100
Buildings destroyed	[1] 527	3
People displaced	1,284	12
Miles of railroad line flooded	35	0
Miles of highways and roads flooded	115	7
Miles of utility lines, pipelines flooded	158	8
Cost of relocations	$107,610,000	$310,000

[1] Does not include buildings on bison range or at Indian agency.

Mr. President, the Knowles plan and cost estimate include all necessary relocations of roads, railroads, and utilities to provide facilities and services equal or better than those now existing. Individuals whose property has to be acquired will be paid fair market value by the Government, plus an amount to be applied toward moving costs. Large multiple purpose projects such as the proposed Knowles project, in many cases, have significant social impact, on people directly affected, that cannot be fully compensated in monetary terms. However, from the standpoint of the industrial development of the region and the economic well-being of all peoples of the Pacific Northwest, the overall beneficial impact of the Knowles project will transcend the local social impacts and should further recompense those that may directly suffer impairment of their social welfare.

WHO IS WINNING THE CRIME WAR?

Mr. LONG of Missouri. Mr. President, there is possibly no other subject of more interest to the American people than our Government's constant effort to reduce crime.

Early this month, Senator Thomas J. Dodd delivered a most enlightening address on the subject, "Who Is Winning the Crime War?" before the American Bar Association convention in San Francisco, Calif.

Mr. President, I ask unanimous consent that Senator Dodd's address be printed at this point in the Record.

There being no objection, the address was ordered to be printed in the Record, as follows:

Who Is Winning the Crime War?

(Remarks of Senator Thomas J. Dodd, before the American Bar Association convention, San Francisco, Calif., August 8, 1962)

The question before our panel today is a rather provocative one: "Who is winning the crime war?"

I suppose that if we based our answer upon what we see in the newspapers every day—the killings, the robberies, the assaults, the embezzlements—we would instinctively answer that the criminals seem to be winning the crime war.

Even from a more studied point of view, if we watch the year-to-year increases in crime statistics, the increasing organization and sophistication of criminal activities, we are tempted to say that society is fighting a losing battle against crime.

Yet, taking the long view, comparing the crime picture of one generation with another, or of one era of our history with another, we can find some basis for optimism.

Let us recall, for instance, the post-Civil War period, as illustrated by this passage from the book "The Growth of the American Republic," by Morison and Commager:

"The Navy Department sold business to contractors. The Department of the Interior was working hand in glove with land speculators. The Treasury Department farmed out uncollected taxes to one J. D. Sanborn, who promptly proceeded to hijack some $425,000 out of railroad companies and other corporations, one-half of which he took for himself. Corruption was by no means confined to the National Government. It could be found in State and municipal governments, in business and finance and transportation, and even in the professions. There was everywhere a breakdown of old moral standards, and to many it seemed that integrity had departed from public life."

And I need not remind you of the Boss Tweeds of that era, and of the powerful and violent gangs that absolutely defied police authority in such cities as New York, Chicago, and, of course, San Francisco. In those same days the Nation's Capital, Washington, D.C., had nearly 500 brothels and within sight of the White House 136 gambling houses were going full blast. But all have gone into history, along with the Tenderloin and the Barbary Coast.

Even within the lifetimes of some of us here today there has been much improvement in law and order. We no longer have the kidnapings of the 1930's. We no longer have criminal groups whose exploits in sheer malevolence match those of the Karpis and Dillinger gangs. And we have no more "Pretty Boy" Floyds.

There is statistical evidence of improvement. In 1930 there were approximately 10,500 homicides, and although the general population of the United States has increased by some 60 million in the meantime, we had last year fewer homicides, about 8,600. We have therefore more than held our own against the worst of all possible crimes.

Our success so far in fighting crime can even be translated into such terms as the number of persons in prison. Although there has been a long-term improvement in law enforcement methods and increases in the rate of successful prosecutions, a dwindling proportion of our population are serving prison terms. In 1939 there were 138 prisoners serving sentences for every 100,000 citizens. Last year the rate was 122.

We may say also that the social and economic conditions in our country have steadily improved, and this improvement has reduced at least some of the causes of crime. Despite the fact that the increase in juvenile delinquency is perhaps the most discouraging aspect of the crime picture, we can obtain satisfaction out of the fact that an incomparably larger proportion of our young people are being educated than ever before. Two-thirds of our young people finish high school today, compared to one-third earlier in our century. Thirty-five percent of our college-age persons are attending college, in comparison to 5 percent a half century ago.

The economic standards of our people have vastly improved, and the relationship between crime and poverty is less direct than it once was. Also, although some still live in economic hardship, the advances in our social welfare services make it unnecessary for any to turn to crime.

The very proliferation of new crime statutes in this country—making crimes out of socially undesirable acts that were once tolerated—suggests that we are setting higher and higher standards of conduct which we expect each other to observe.

There is, therefore, some room for optimism that we are winning more of the battles against crime than we are losing, but the results are not decisive. We still have more crime than any other nation with which we can make apt comparisons. We still have a great, perhaps an unparalleled, potential for an increase in crime.

Nor can we be content merely to continue the fight against crime on the same scale as we have in the past. Our society is rapidly growing more complex, and so is the problem of crime. The solution will be equally complex. It cannot be achieved, as some propose, merely by passing more laws or by making our laws more severe. We already have more laws and more severe penalties than any other nation in the civilized world. Our future efforts must inevitably take several different forms to meet the many-faceted nature of our crime problem.

The great progress we have made in some fields of crime control is now threatened by the appalling growth of juvenile delinquency. One of my concerns as chairman of the Senate Subcommittee To Investigate Juvenile Delinquency is to pinpoint the reason why the proportion of children coming before the juvenile courts of this Nation is rising much faster than the proportion of children in our general population.

Next year it is estimated that almost a million young American boys and girls will appear in our Nation's courts to face charges. Many of them unfortunately will become the future criminals of America.

During the extended hearings we held, we found no one who knows all the reasons why children get into trouble. But we do know that commonly our delinquents come from homes which are disorganized through divorce, alcoholism, mental illness, and grinding poverty and discrimination.

The elimination of slums is not the panacea for delinquency that it is often claimed to be, but too many delinquents grow up in neighborhoods that are vice-ridden, crowded, filthy, and thoroughly lacking in character-building influences. And too many delinquents are found in the ranks of the thousands of children who drop out of school every year, unequipped to obtain employment in our technological age and destined to roam the streets.

Yet one of the gravest aspects of the juvenile delinquency spiral is the rapid growth in what I call "white-collar delinquents," that is, young people from socially and economically well-to-do families who are turning to crime and other forms of antisocial behavior. These young people have had all the advantages that American life can offer, and if there is in their lives a frustration, a feeling of emptiness, an absence of basic values, a resentment against society, then we must begin to ask ourselves if there is not something fundamentally wrong with society.

These problems have grown sufficiently grave that last year the Congress, on the recommendation of our committee, passed a bill providing $10 million annually to find some means of minimizing them. Through grants-in-aid the program seeks to find ways of improving the social influences of the family, the neighborhood, and the school upon our children. Some of the money will also be used to develop treatment techniques for redirecting children who have gone so far along the path of delinquency that they must be institutionalized.

This program of course is only exploratory and is not intended of itself to meet the entire problem of delinquency. It is hoped that through the grants-in-aid the States and municipalities will be encouraged to establish their own programs of delinquency prevention, using perhaps the information and experience that will be gained through the new program.

The Federal Government cannot alone be expected to resolve the problem of delinquency. The problem has different characteristics in New York City than it does in New Orleans, different characteristics in the District of Columbia than in Minneapolis. The States and cities can more readily than the Federal Government adapts their own programs to their own problems.

But the Federal Government can help. One of the most practical proposals in reducing delinquency, and one worthy of your support, is the bill now pending in the Congress which would establish a Youth Conservation Corps. This program would give the school dropouts another chance to get the education and vocational training that they will need to find semiskilled or skilled employment. The idea of course came from the Civilian Conservation Corps of depression days, which kept so many young people busy at constructive tasks and assisted them in avoiding the demoralization of unemployment and the temptations of the streets.

I urge you also to support, as I do, another recent bill which would establish a Peace Corps at home, to work with the potential delinquents of our communities. It perhaps does not have the romantic appeal of the present Peace Corps, which sends technicians to work with the people of undeveloped nations. But it at least represents the spirit of selfless dedication with which the problem of juvenile crime must be approached.

On a national level we need a recognition of the problem that in some respects cannot be translated adequately into mere legislation. Too much of the television fare that our children consume is violent and sexually suggestive. Frankly, I was amazed at the callousness some of the television producers displayed at the exhaustive hearings our committee conducted last winter on this subject. Teachers, psychiatrists, police officers, penologists all testified that so much crime and horror was not only trash but character destroying as well. I think the hearings have had some effect but we need to go further.

I understand from my old friend, Jim Bennett, that this section, under the leadership of Mr. Arthur Freund of St. Louis, was the first to undertake to arouse lawyers to the impact that this screen violence had on the administration of criminal justice. I urge you to continue to fight and to raise your voice in protest against the way some of these courtroom dramas depict the lawyer.

And take a look at how the movie producers are trying to meet the competition of the television people by turning out a succession of films with "sick" themes and heavy overtones of sexuality. In the same pattern, the magazine racks of our drugstores are arrayed with nauseating offerings, the sick, the "mad," and the frankly sexual, slanted chiefly to an adolescent readership.

We have sought to protect the bodies of our young people by passing the most severe laws in the world to deter the racketeers and peddlers who would sell them drugs and marihuana. But we have done little to protect the minds of these young people from being defiled by those who purvey violence, misconduct, and social degeneracy.

Further, if we are to make progress in this crime war, we must achieve some measure of sanity in our national policy concerning firearms. Last year firearms were used to commit 13 percent of the aggravated assaults, and 53 percent of the murders. And in 54,000 robberies and nearly 900 bank robberies, firearms were wielded to intimidate the victims. Out of some 18,000 suicides, half were accomplished by means of firearms. It seems obvious that large numbers of firearms are falling into the hands of persons who should be considered too dangererous, too unstable, or too mentally ill to be trusted with them.

Only a handful of jurisdictions have ordinances and laws intended to insure that only responsible citizens may possess firearms. Our criminals can evade these ordinances and laws only too easily by traveling into the next city, the next county, or the next State where weapons can be bought with no questions asked. All that a juvenile delinquent has to do to get a gun is to order one by mail, enclosing the requisite $10 or $15 purchase price. The coupon that he fills out indicating his age is taken at face value.

I plan to introduce, in time for consideration by the next Congress, a bill which is intended to discourage the traffic in firearms involving teenagers. It will amend the Federal Firearms Act to prohibit shipping firearms interstate to persons under 18 years. For facility in enforcement it will place the burden of proof as to the age of the recipient upon the common carrier who delivers the firearms. In order to bring about a higher level of responsibility in firearms transactions the bill will also increase the dealers' license fees and place an age limit of 21 on eligibility to own Federal firearms licenses.

The proposal will not interfere with the right of our citizens to possess firearms. It has only the modest objective of making it more difficult for potential juvenile delinquents to obtain these weapons. I do not think that any responsible citizen would seriously oppose that objective.

I think too that the bench and bar of every community ought to do all they can to help improve our police services. Too many police departments are faced with an incidence of crime that is beyond their resources to cope with. Although many cities have as many as four officers per 1,000 citizens, and some smaller cities an even more favorable ratio, the national average is only 1.9 officers per 1,000 citizens. And last year the average salary for patrolmen in the United States was not much in excess of $5,000, and in some communities far less. In too many communities, moreover, the budget of the police department makes it impossible to give the new police officer the training he should have before he takes over a beat. Our understaffed, underpaid, undertrained police departments are doing relatively well, on the whole, but they could do a better job of keeping crime under control if they received more adequate support.

Another way to help win the crime war is to find an efficient method for selecting better qualified judges to deal with the unending parade of offenders through our courtrooms. In most other occupations of our complex society we require specialized training and experience for persons who are given high responsibilities. But few judges bring to the bench much training or background in the criminal law; most of them are chosen from among those lawyers who have achieved competence in civil or corporate law. Our judges by and large must learn through painful experience how to distinguish the differences between one criminal and another that are so significant in formulating a fitting disposition. Court philosophies and practice in criminal cases vary widely from one judge to another, and the result fails to inspire the respect of the criminal population and oftentimes even confuses the ordinary citizen.

I know you are intimately familiar with the problems inherent in present methods for choosing and retaining able judges, and I would leave the panel to decide whether we should go into the matter further here.

There are of course many other steps that need to be taken if we are to make substantial progress in our drive against crime. Before hearing from my collaborators here this morning as to their own suggestions, I wish to emphasize a deep conviction that I have about our national character.

Earlier in my remarks I contrasted the apparent improvement in the crime picture of today as compared with a century ago.

For almost 2 centuries we in this country have been conducting an experiment, an experiment of the utmost significance for the future of mankind. The heart of this experiment is the belief that men can best solve their temporal and spiritual problems, that men can best develop their talents and their character through the exercise of freedom.

In the realm of temporal and material progress, we have a thousand proofs that freedom has worked and that it has satisfied the fondest expectations of the pioneers who founded this Nation. But the determining factor in the success or failure of this vast experiment is whether a free society is the most conducive to the solving of the moral and the ethical problems of man, as well as the material problems.

We believe, we must believe, that the free institutions which have helped to make our people materially strong will also best help them to become ethically strong.

The slow but perceptible improvement in the crime picture indicates that our American civilization, still relatively new, still rough, still half-formed, is working out the problem of crime; that it is slowly moving toward higher standards in business, in government, in the care of the unfortunate, and in many other fields.

I think, therefore, that we are winning the crime war, or perhaps more correctly, that we will win it. And by winning it we will prove that the same freedom of inquiry, the same freedom of opportunity which makes a man a better artist, a better scientist, a better producer, a better citizen, will also make him a better man.

Our task is to find the thousand ways to help forward this progress toward the more elevated and humane society which I am sure is the destiny of our country.

UNIVERSITY OF ARKANSAS CHOIR

Mr. FULBRIGHT. Mr. President, the University of Arkansas has, during the past several years, developed one of the best departments of fine arts in this country. Its buildings were designed by the great architect, Edward Durrell Stone, a native of Fayetteville, Ark., and it has attracted some of the finest musicians, painters, and architects to its faculty.

As evidence of the quality of this school, on August 25, at Arezzo, Italy, the Schola Cantorum of the University of Arkansas won the first prize in the 40-voice mixed choir category. The first prize was 300,000 lire. This is the first time in history an American group has won this event. The President of Italy, Antonio Segni, and the Prime Minister, Amintore Fanfani, are to present the awards.

Said one observer:

> There is no question about it, they sing flawlessly. They're outstanding.

I am very proud of this achievement and all America should appreciate the fine impression these young musicians have made in the land where good music is so deeply appreciated.

I regret that we have not had an opportunity to hear them in Washington.

I ask unanimous consent to have printed in the RECORD at this point as part of my remarks an article entitled, "Arkansas Choir Hailed in Italy," published in the Washington Evening Star of August 26, 1962.

There being no objection, the article was ordered to be printed in the Record, as follows:

Arkansas Choir Hailed in Italy

Arezzo, Italy, August 25.—A group of young singers from Arkansas has scored a big hit in this land famed for its singing.

Judges at the Guido d'Arezzo International Polyphonic Competition awarded first prize to the University of Arkansas Schola Cantorum last night in the 40-voice mixed choirs category of the contest.

It was the first time an American group had ever won the event.

The Arkansas vocalists will get their 300,000 lire ($480) prize Sunday night. Italian President Antonio Segni, and Premier Amintore Fanfani are to present the awards.

"There's no question about it, they sing flawlessly," said one observer. "They're outstanding."

LAW SCHOOL RESEARCH

Mr. FULBRIGHT. Mr. President, as the Committee on Foreign Relations investigation into the nondiplomatic activities of representatives of foreign governments progresses, we are becoming aware of the variety of legal problems that arise with any effort by the Federal Government to apply surveillance and sanctions in this field.

Unanswered constitutional questions as well as differences in legal interpretation surround the Foreign Agents Registration Act of 1938, the pertinent law now on the statute books. This act requires those firms and individuals hired to work on behalf of foreign governments to register, disclose in detail their activities, and label all political propaganda which they cause to be disseminated.

It is already clear that this act—drawn up 24 years ago—does not adequately meet some of the new foreign agent techniques discovered during these first months of our inquiry.

Normally, an investigating committee facing broad and significant legal problems would assign one or more qualified lawyers to the questions.

We have decided to try a different course. Our demands are great—greater we believe than can be satisfied by a single lawyer or small team of lawyers. There have been few cases brought to judicial decision under the Foreign Agents Registration Act. There have been no cases at all brought under the act's labeling provisions and, since 1945, none have been brought under the act's full disclosure requirements. Therefore, satisfactory answers to questions that we and others have raised really call for imaginative and thorough legal research—the type of activity carried on anew each year on every law school campus in the United States.

In many areas of law school activity—publications such as law reviews, specialized student and graduate research bureaus, advanced seminars and even regular course work—legal research plays an important and active part. Scholars and practicing lawyers alike recognize the work done on such projects in law schools around the country is generally of high quality and oftentimes outstanding.

What the Committee on Foreign Relations would like to do is suggest a direction for this great legal research capacity—in effect request law schools throughout the Nation, their professors and students alike, to devote a part of their energy to the study of one law, the Foreign Agents Registration Act, and the problems that surround it. They will satisfy their normal scholastic requirements and at the same time, through their study, participate in the development of pending legislation. The committee would gratefully receive the results of such work.

The opportunities and areas for study are many. The problems posed by constitutional differences—if any exist—between the lobbyists for domestic interests and those representing foreign interests, along with the registration and disclosure demands that can be placed on either is one example. First amendment questions directed at labeling provisions need to be thoroughly studied. The adequacy of the act in the light of known foreign agent activities should be analyzed. If it is found lacking, suggested amendments or a new law could be drafted and proposed.

In these endeavors, and any others that apply to our problems, the committee and its staff would offer all assistance possible.

Traditionally, law schools have played an important part in the interpretation of our laws, particularly through law review articles, notes, and comments. I know that on occasion such articles are suggested by individual lawyers or groups of lawyers desirous of having a point of law clarified for their own purposes. We have found no precedent, however, for a congressional request for such a study, particularly of the wide-ranging character that we now propose.

Participation in government at this postcollege level is on the increase and, I strongly believe, should be encouraged. The various intern programs with graduate students working a full year on Capitol Hill as legislative aides have proved successful. The summer intern program for college students reached a high point this year with support coming directly from the White House.

Our request is, we believe, a logical extension of this process and if successful, we hope that other committees and perhaps other branches of government may find similar projects to be handled in this fashion in other areas of college and university endeavor.

ON U.S. GOALS

Mr. WILEY. Mr. President, last week, I introduced Senate Joint Resolution 219, to establish a permanent Council on U.S. Goals. I am happy to announce that Senator Hugh Scott, of Pennsylvania, has joined in cosponsoring the resolution.

I ask unanimous consent to have printed in the Record the following items: First, a copy of the resolution itself; and second, excerpts of an address prepared for delivery over Wisconsin radio stations, relating to the purpose of this resolution.

There being no objection, the resolution and excerpts were ordered to be printed in the Record, as follows:

S. J. Res. 219

Joint resolution to establish a permanent National Council on United States Goals

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That

FINDINGS AND PURPOSES

Section 1. The Congress finds that in the nuclear space age this Nation faces, among other challenges, a broader and more complex challenge than ever before. A dynamic and fanatical ideology, communism, challenges our way of life, its ideals, and, indeed, freedom itself wherever it exists. To meet this challenge, to preserve and strengthen our free way of life, to defeat the Communist goal of global conquest, and to ultimately achieve and establish peace in the world, a greater mobilization of common purpose must be achieved by all our citizens. It is the purpose of this joint resolution to establish a high-level council on national goals to assist in achieving this mobilization of common purpose by formulating national goals designed to meet the crucial challenges of the day, and to enhance understanding by all citizens of the part which they as individuals can play in the realization of such goals.

ESTABLISHMENT OF THE COUNCIL

Sec. 2. There is hereby established a permanent council to be known as the National Council on United States Goals (hereinafter referred to as the "Council").

MEMBERSHIP OF THE COUNCIL

Sec. 3. (a) The Council shall be composed of twelve members to be appointed by the President, by and with the advice and consent of the Senate. Persons appointed to the Council shall be private citizens of outstanding qualifications. Not more than six members of the Council shall at any time be members of the same political party.

(b) Terms of office of members of the Council shall be two years, except that the terms of office of six of the twelve members first appointed to the Council shall expire, as designated by the President, at the end of one year. Any member appointed to fill a vacancy on the Council occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of such term.

(c) The President shall annually designate one of the members of the Council as Chairman and one as Vice Chairman. The Vice Chairman shall act as Chairman in case of the absence or disability of the Chairman. A majority of the members of the Council in office shall constitute a quorum, but the Council may function notwithstanding vacancies.

DUTIES

Sec. 4. (a) The Council shall conduct continuing studies with a view to—

(1) evaluating the nature and scope of national challenges;

(2) formulating and recommending national goals to meet such challenges;

(3) recommending alternative methods or ways by which such goals may be achieved; and

(4) developing citizen awareness of the implications of such challenges, the importance of such goals, and the manner in which citizens, acting individually or in groups, can assist in the realization of such goals.

(b) The Council shall submit to the President and to the Congress an annual report concerning its activities under this joint resolution. Such report shall be filed on or before January 15 of each year, and shall include such findings and recommendations as the Council is prepared to make as a result of its studies. The findings and recommendations of the Council which are included in any such report shall be made public promptly after the submission thereof to the President and the Congress.

POWERS

SEC. 5. (a) The Council may, in carrying out this joint resolution, sit and act at such times and places, hold such hearings, take such testimony, administer such oaths, procure such printing and binding, and make such expenditures as the Council deems advisable. Any member of the Council may administer oaths or affirmations to witnesses appearing before the Council.

(b) The Council shall have the power to appoint and fix the compensation of such personnel as it deems advisable, in accordance with the provisions of the civil service laws and the Classification Act of 1949, as amended. The Council may also procure, without regard to the civil service laws and the Classification Act of 1949, as amended, temporary and intermittent services to the same extent as is authorized for the departments by section 15 of the Act of August 2, 1946 (60 Stat. 810), but at rates not to exceed $50 per diem for individuals.

(c) The Council is authorized to secure directly from any executive department, bureau, agency, board, commission, office, independent establishment, or instrumentality of the Federal Government information, suggestions, estimates, and statistics for the purposes of this joint resolution; and each such department, bureau, agency, board, commission, office, establishment, or instrumentality is authorized and directed to furnish such information, suggestions, estimates, and statistics directly to the Council, upon request made by the Chairman or Vice Chairman.

COMPENSATION OF MEMBERS

SEC. 6. Members of the Council shall receive $75 per diem when engaged in the performance of duties vested in the Council. In addition members of the Council shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in the performance of the duties vested in the Council.

EXPENSES

SEC. 7. There are hereby authorized to be appropriated such sums as may be necessary to carry out this joint resolution.

EXCERPTS FROM STATEMENT BY SENATOR WILEY

This week I introduced in the Senate, Senate Joint Resolution 219, to establish a permanent Council on U.S. Goals.

The Council, compromising the best brains in the country, would, if established, provide for yearly: Evaluations of national challenges; crystallization of goals; proposals for alternative ways of reaching such goals; recommendations for ways in which citizens, and citizen-organizations, as well as Uncle Sam, may contribute to more speedily reaching such goals.

Unfortunately, the Nation has too widely accepted the idea that, by being born in this country, a citizen automatically becomes instilled with a knowledge and understanding of the principles, ideals, and working processes of our way of life.

Realistically, this is not true.

The establishment of a National Council on U.S. Goals would, I believe, help to crystallize and mobilize national effort for attaining ever-greater goals for the future.

However, this is not enough.

For the space age we need a renewal of a sense of citizen-and-national purpose: of a love-for-country spirit of our forefathers; of Patrick Henry's "Give me liberty or give me death"; of Nathan Hale's "I only regret that I have but one life to give for my country."

How can this be done? The national effort could well include—

1. The establishment of the National Council on U.S. Goals—as proposed in my resolution—to annually crystallize and make recommendations for attaining greater progress for the future.
2. Greater effort by civic, veterans, farm, business and professional, women's and other organizations, to promote patriotism.
3. The public information media—including television, radio or publications—also have a responsibility for promoting further understanding of goals essential for progress and security.
4. Adult education, too, should offer greater opportunities for citizens to become educated on national-scope policies and programs.
5. Our school systems, too, can and should provide required studies on U.S. purposes, programs, and policies.

Currently, there is considerable interest in teaching communism in U.S. schools.

Ideologically, our Nation is in a life-and-death struggle with antifreedom communism. Naturally, we need to know the enemy. Nevertheless, I believe that: the teaching of communism in U.S. schools should not be done unless there is a proportionate effort toward educating students on the ideas and principles of our free way of life.

A renewal of this nationalistic spirit would, I believe, serve as a spur to greatness, a key to faster progress, a challenge to our citizens, and an open door of greater opportunity for all of us to serve ourselves and our country.

NEEDED: A SIMPLIFIED HANDBOOK ON FARM LAWS

Mr. WILEY. Mr. President, I recently requested the Secretary of Agriculture to prepare a simplified handbook on farm laws and programs. The purpose would be to better enable farmers to know of, understand, and be able to participate in existing farm programs.

In response to my suggestion the Department has replied that—while recognizing this as a worthy project—it would, nevertheless, require a considerable amount of effort for the Department to accomplish this goal.

If the Department, itself, has difficulty in presenting the requirements, scope, and objectives of farm programs, the farmers themselves face even greater difficulties. I am therefore again recommending the preparation of a simplified handbook on farm laws and programs.

I ask unanimous consent to have printed in the RECORD the following two items relating to this matter: First, the response to my suggestion from Administrative Assistant Secretary Joseph M. Robertson; and second, excerpts of an address over Wisconsin radio stations.

There being no objection, the letter and excerpts were ordered to be printed in the RECORD, as follows:

DEPARTMENT OF AGRICULTURE,
Washington, D.C., August 21, 1962.

HON. ALEXANDER WILEY,
U.S. Senate,
Washington, D.C.

DEAR SENATOR WILEY: We shall, of course, be glad to give consideration to the suggestion in your August 14 letter for a simplified "Handbook of Farm Laws and Programs."

This would be a very worthwhile project, but we must tell you frankly that it would have to be more than a minor project to accomplish the purposes suggested. We have attempted to meet the most pressing need for information on farm laws through publication and revision from time to time of pieces like the attached bulletin "Price Programs," and the attached "Abridged List of Federal Laws Applicable to Agriculture." We plan to publish a revised edition of the first one of these within the next year, and we will consider seriously the usefulness of revising the second one also.

To help in program participation, our practice has been to use simplified explanatory circulars and fliers to help limited audiences of farmers and others learn how programs under legislation can aid them. This holds cost to minimum levels. In this way we have overcome the major drawback of revising a large publication summarizing all laws and programs when new legislation is enacted or changed from session to session of the Congress. Also, in this way we overcome the problem, merging into actual waste, of using a large publication to cover many different and limited audiences, very few of which would be interested in or affected by the whole publication.

As you suggest, though, we will give this consideration to develop whatever possibilities there may be for improvement reaching toward your proposal.

Thank you for bringing this to our attention.

Sincerely yours,
JOSEPH M. ROBERTSON,
Administrative Assistant Secretary.

EXCERPTS FROM STATEMENT BY SENATOR WILEY

Over the years the Nation has adopted a system of laws relating to agriculture. These relate to price supports for dairy and other farm commodities; production, consumption, utilization; conservation, management and utilization of our soil, water, forestry, and other resources; and other purposes.

Unfortunately, the programs too often become so wrapped up in redtape—and buried in bureaucratic doubletalk—that it prevents farmers from participating in such programs. For this reason, I suggested the preparation of a simplified handbook of farm laws and programs to provide a summary of existing laws and programs, a clear definition of their purposes, illustrations of how these can effectively help the farmer, and simplified ways for participating in such programs.

The Department of Agriculture, in response to my suggestion, recognizes the need for such a handbook. Realistically, however, the situation has become so complex, so complicated, that even for bureaucrats the job of understanding and simplifying farm laws would be extremely difficult.

Replying to my recommendation, USDA Administrative Assistant Joseph M. Roberson said: "This would be a very worthwhile project; but we must tell you frankly that it would have to be more than a minor project to accomplish the purposes suggested."

Now, let's face it. If the Department, itself, would have difficulty in preparing a simplified, understandable handbook on farm laws, how can farmers—thousands of miles away from Washington—be expected to know of, understand, and meet eligibility requirements for participating in existing programs?

True, the Department has published separate bulletins on major features of the farm program. However, a simplified handbook of overall farm laws and programs would help to provide for a greater, more effective, use of such programs on which administrative costs continue, and serve as a useful guide for reviews, revision, and, as necessary, repeal of existing—or adoption of new—programs to improve the economic outlook in agriculture.

I am, therefore, renewing my request to the Secretary of Agriculture. This would, I believe, be extremely useful to farmers, county agents, conservationists, State and Federal Departments of Agriculture, and others interested in agriculture, as well as to Congress.

"FREEDOM'S CHALLENGE" OF KIWANIS INTERNATIONAL

Mr. WILEY. Mr. President, I am pleased indeed to be able to ask unanimous consent to have printed in the RECORD the "Freedom's Challenge" of the Kiwanis International.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

FULFILL FREEDOM'S CHALLENGE

(Key Club International 1962–63 theme and objectives)

(Democratic freedom has failed in some countries because people have slept. Tyranny degrades both those who exercise it and those who allow it. Recognizing that freedom can be kept only by vigilance, use, and practice and that it is time to reassert the principles of our freedom, Key Club International sends forth its call to "fulfill freedoms challenge.")

1. STRENGTHEN SPIRITUAL GROWTH

Sponsor go-to-church campaigns in the schools.

Attend places of worship as a Key Club group.

Invite religious advisers to speak before Key Club or school assembly.

Stress church attendance within your school.

Take a friend to church if he does not attend church regularly.

Distribute "prayer before meal" cards in school cafeteria and local restaurants.

Promote Brotherhood Week.

2. PRESERVE COMMON HERITAGE AND IDEALS

Participate in and promote the CQ program.

Provide expanded programs of citizenship for all youth.

Promote Americanism versus communism courses in our schools.

Plan a patriotism assembly in the school.

Plan a renewed practice of teaching the principles of patriotism and national purpose in the home, school, and community.

Sponsor school campus beautification project.

Sponsor mock elections and educational sessions in conjunction with local, State, and National elections.

3. PUT DEMOCRACY ON THE OFFENSIVE

Sponsor projects to create interest in State, province, and national governmental problems and activities.

Support Radio Free Europe and Voice of America.

Sponsor "I Speak for Democracy" contests in your school.

Review the Constitution and its meaning.

Sponsor a foreign exchange student.

Encourage courses in international relations, world trade, and world problems.

Participate in Kiwanis-sponsored United States-Canada Goodwill Week.

4. INSPIRE INTELLIGENT LEADERSHIP

Participate in radio and TV programs exemplifying the aims and objectives of Key Club.

Support a "get-out-the-vote" campaign before elections.

Obtain and use better reading program material.

Encourage all to seek the best in whatever they do.

Exemplify that self-sacrifice goes hand in hand with being a good leader.

Build additional Key Clubs in communities not now reached by Key Club International.

Promote and encourage such programs as the National Conference on Citizenship.

5. SEEK SOUND ADVICE

Start a workshop where the school leaders can hear and question prominent citizens of the community.

Go to your parents for advice.

Sponsor teacher appreciation programs.

Have a parents appreciation banquet.

Strive for closer Key Club-Kiwanis relations and invite Kiwanians to speak at meetings.

Form a committee to discuss school problems with faculty.

Confide in your religious adviser and school teachers whenever necessary.

6. STRESS HIGHER MORAL STANDARDS

Urge a voluntary youth ban on pornographic literature and questionable films.

Have the courage to propose and defend in public what is right.

Influence student body to discourage profanity.

Discuss the problems of venereal disease and drinking among today's youth.

Support a juvenile decency program.

Sponsor school assembly on moral improvement.

Show continued appreciation for parents, teachers, clergymen, and others who sacrifice for youth.

7. PROMOTE MENTAL AND PHYSICAL FITNESS

Urge adoption of physical fitness programs in all schools.

Participate in athletics.

Follow a schedule of home study.

Accept the premise that the ability to protect is better than the need for protection.

Exercise daily.

Encourage good reading and use of libraries.

Sponsor a program on teen-age health problems.

8. RETAIN THE GOOD; REJECT THE INFERIOR

Strive to publicize juvenile decency instead of juvenile delinquency.

Strive until personal achievement equals personal capabilities.

Hold a banquet for school leaders.

Honor good public figures; renounce those who are dishonest.

Strive to be the first in whatever you attempt.

Never be satisfied with second best.

Publicize high standards of living among fellow students.

Accept responsibility with your head high, face challenges with your head straight, and thank God with your head bowed.

FEDERAL RANGE APPRAISAL

Mr. MORSE. Mr. President, in late 1960 I urged the Secretary of Agriculture and Secretary of Interior to conduct a comprehensive appraisal of our Federal rangelands. The need for this had been demonstrated to me by my own knowledge of our rangeland but even more by my discussions with many conservation-minded ranchers in Oregon.

About the same time the junior Senator from Montana [Mr. METCALF] who was then a Member of the House, approached me about this subject and I joined with him and some 40 Members of the House and Senate in again urging the Secretaries to undertake such an appraisal.

I regret that both Secretary Benson and Secretary Seaton were reluctant on this point but I am pleased that Secretary Freeman and Secretary Udall were not reluctant.

Our colleague, the Senator from Montana, presented the case before the Committee on Appropriations last year and that committee directed that this trial study be made. This was handled in cooperation with the two Departments.

The other day the Senator from Montana presented a resolution urging the printing of these reports as a Senate document. I expressed the hope that the Committee on Rules would act favorably on this suggestion.

At this time I would like to place in the RECORD a copy of the letter of transmittal signed by Secretary Freeman and Secretary Udall which went to Senator HAYDEN, copies of which were furnished to the Senator from New Mexico, the Senator from Montana, and myself.

Also, I wish to express my warm appreciation for the excellent study that has been made. It forms a basis for moving ahead vigorously both in the appraisal in our long-term rangeland needs and the implementation of range improvement programs such as the one voted upon by the Senate a few weeks ago. This appropriation will start the Bureau of Land Management on a comprehensive range development program in four key areas in the West where the range has badly deteriorated. This great soil conservation measure has been approved by the conferees when the Interior appropriation bill was taken up in conference. They, too, are deserving of our appreciation.

Mr. President, I also ask unanimous consent that a resolution by the Pacific Northwest Conservation Council on the Bureau of Land Management Range Rehabilitation Program be included at this point in the RECORD.

There being no objection, the resolutions were ordered to be printed in the RECORD, as follows:

RESOLUTION 7

Resolved by the Pacific Northwest Conservation Council in annual convention this 6th day of May 1962, in Coeur d'Alene, Idaho, That the Secretary of the Interior and the Bureau of Land Management are to be commended for their creation of the Vale project in Oregon which will serve as a pilot demonstration area for rehabilitation of badly depleted rangelands; be it further

Resolved, That Congress be urged to appropriate the necessary funds to fully carry out the project, and copies of this resolution to be forwarded to Secretary of the Interior; Director, Bureau of Land Management; Senate Interior and Insular Affairs Committee; Senate Appropriations Committee for Public Lands; House Interior and Insular Affairs Committee; House Appropriations Committee for Public Lands; and Northwest Congressional Delegation.

RESOLUTION 8

Whereas a bill has been introduced in the House of Representatives (H.R. 9882) to amend the Migratory Bird Treaty Act to prohibit hunting of the mourning dove; and

Whereas the mourning dove provides excellent upland bird hunting and good eating to thousands of sportsmen in the Northwest; and

Whereas the mourning dove multiplies rapidly, producing up to six hatches in 1 year with the population controlled by natural causes and relatively unaffected by hunting pressure: Now, therefore, be it

Resolved by the Pacific Northwest Conservation Council in annual convention this 6th day of May 1962, in Coeur d'Alene, Idaho, That the council is opposed to H.R. 9882 as it is not a conservation measure and completely unsupported by scientific research; and be it further

Resolved, That the copies of this resolution be sent to members of congressional delegations from the member States with the request that they use every effort to kill this bill.

CLOTURE

Mr. MORSE. Mr. President, already America is beginning to awaken to the shocking giveaway of the peoples interest in their billions of dollars' investment in satellite development perpetrated on the Nation by the Democratic and Republican leadership of the Congress, and the White House. The August 25 issue of the Nation magazine contains an enlightening and sound article entitled "Cloture."

I ask unanimous consent to have it printed at this point in the Congressional Record.

There being no objection, the article was ordered to be printed in the Record, as follows:

Cloture

The effort of a handful of liberal Senators, led by Wayne Morse, to filibuster the communications satellite bill to death in the current session of Congress has failed. After 35 years of unbridled debate, the Senate invoked cloture by a vote of 63 to 27. The bill was and is a bad one, and only those who make a fetish of private enterprise will rejoice. For the losers, there is the consolation of Milton's lines: "That strife was not inglorious—Though the event was dire." Nor was the strife useless. Millions of Americans who would never have heard of the communications satellite measure now know something of its terms; the odium of "giveaway" will stick to it as long as it remains on the statute books; it will be administered with due caution by both the private beneficiaries and Government officials, and it will be harder to do the same thing next time. There will be a next time and more than one, for with Government research at a $12 billion annual level the temptation to feed at the public trough will not grow less.

Much has been made of the supposed inconsistency of the liberals who tried to talk the bill to defeat. They are the very men who object when southerners filibuster against civil rights; therefore, the argument runs, they should have said their say and sat down. But there is no inconsistency between objecting to a legislative procedure in principle and employing that procedure for ends in which one believes as long as it remains in force. The question here at issue is not cloture, but the giveaway of public property; any Senator who feels strongly enough about what he legally regards as a public wrong is entitled to do what he legally can to thwart those who are perpetrating it. That was what the liberals did. The Senate had an equal right to stop them by a two-thirds majority, and it did that. The giveaway supporters could not win in any other way.

Some hopeful observers suggest that it may be easier to pass civil rights legislation after this assertion of the Senate's right to limit debate. That is unlikely. The senior southern Members of the Senate will stand against the emancipation of the Negro to the end of time and most of them voted against cloture, calculating quite accurately that there were enough Republicans and a variety of Democrats to carry the motion.

DIPLOMATIC COURTESIES IN BERLIN

Mr. KEATING. Mr. President, the latest Soviet action in abolishing the office of the Soviet Commandant of Troops in East Berlin is one more step in the long Communist effort to make the position of the Western Powers untenable. Unfortunately, present indications are that the United States is going to react in the same manner that it has reacted to other Soviet moves—by a strong, but proper, note of diplomatic protest. There has been no hint, to date, that retaliatory action in any form is contemplated. Once again we are just going to protest.

Mr. President, while the Russians move inexorably toward their aggressive and imperialistic aims, the Western Powers are still walking tiptoe down diplomatic garden paths. For example, Mr. President, I hold in my hand a letter from the Secretary of Defense. I feel sure the letter will come as a considerable surprise to the Members of the Senate. The letter confirms the fact that the United States is supporting the Czechoslovakian military mission in West Berlin, and, in addition, states that PX privileges are extended to all of the Communist missions in West Berlin, including the Polish, the Czechoslovak, and the Yugoslav missions, who thus are able to purchase at bargain prices all American appliances, gadgets, clothing, food, and other articles available in these PX's.

This is done, according to the Department of Defense—and I quote from its letter—"as a diplomatic courtesy."

Mr. President, it is no wonder that the Communists continue to press in Berlin. It is difficult for them to take us very seriously when we continue to turn the other cheek diplomatically to their progressively more belligerent moves. The time has come to make very clear to all Communists—Russian, East Germans, Poles, Czechoslovaks, and Yugoslavs—that the Western Powers are in Berlin and will remain in Berlin as a matter of right, and that in the face of continued Russian violation of the agreements the Western Powers are under no obligation to maintain any so-called diplomatic courtesies.

Mr. President, this situation is but another example of the "business as usual" attitude with Communists or anyone else, which our Government is maintaining despite mounting Communist pressure. The time has come to face facts squarely, to put an end to unnecessary diplomatic courtesies, and to make unmistakably clear to the Soviet Union, by actions as well as by words, that the Western Powers will remain in West Berlin as a matter of right, and will not recognize East German authority in that area.

The time has come for us to make clear that we are going to make some assertions, ourselves; and I suggest that one would be to withhold post exchange privileges from the Communist military missions serving in West Berlin—privileges which are not even extended to American civilians who are there. It is about time that we make some moves and demands of our own there, rather than constantly simply make mild protests about the things the Communists do to us in West Berlin.

THE WIN POLICY IN THE COLD WAR

Mr. THURMOND. Mr. President, on August 13, 1962, Secretary of State Dean Rusk made an address before the Veterans of Foreign Wars Convention in which he stated that the United States does have a win policy in the cold war. On August 20 I made some comments on his talk in my weekly newsletter. This newsletter has generated three editorials in South Carolina newspapers. These editorials are from the News and Courier of Charleston, S.C., dated August 21 entitled "Still a No-Win Policy"; the State of Columbia, S.C., dated August 22 entitled "Thurmond Forced It"; and the Columbia Record of Columbia, S.C., dated August 24 entitled "Berliner Victim of No-Win Policy."

I have also had called to my attention, Mr. President, comments as printed in a publication by C. F. Childs & Co., dated August 20, 1962, an editorial from the Evening Star of August 15, and a column by William S. White, which was printed in the Evening Star of the same date entitled "We Take a Cold War Win Policy." These comments are based directly on Mr. Rusk's speech which was printed in the Congressional Record during the week of August 13 by Congressman Walter Judd.

I ask unanimous consent, Mr. President, that my newsletter, the four editorials, the column and the comments by C. F. Childs & Co., be printed at this point in my remarks.

There being no objection, the articles, editorial, and newsletter were ordered to be printed in the Record, as follows:

The Frosting and the Cake

August 20, 1962.

After absorbing a barrage of criticism from Capitol Hill, from some portions of the press, and from a rising tide of grassroots American concern, the State Department has now officially proclaimed a "win" policy in the cold war. In an address before the stanchly patriotic Veterans of Foreign Wars Convention, on August 13, Secretary of State Rusk said: "This goal of ours * * * and the Communist goal are incompatible. This global struggle will continue until freedom prevails. It goes without saying that our purpose is to win * * * our objective is a victory for all mankind."

This speech by the Secretary was intended as a response to my original labeling of our foreign policy as being predicated on a no-win strategy. In defining no-win, I stated that "this does not mean that it is our policy to lose. It means that we dare not try to win, for fear we may lose."

This no-win charge was made by me as a result of a detailed study of items, such as the words victory and win which were censored from speeches of defense leaders, together with past U.S. cold war actions of retreat and reaction, and also a study of guidelines drawn up by U.S. policy planners. For instance, I pointed out to the Senate on

March 8 that our foreign policy has been based on the false assumption that the Communists would evolve into peaceful Socialist states if we employed only the cold war implements of aid and information.

Under Secretary of State Ball affirmed this theory of reliance on the evolution or mellowing of the Communist societies under questioning in the censorship hearings. Following this, the Chicago Tribune carried two exclusive stories by Willard Edwards exposing the now-famous Rostow policy papers. Mr. Edwards pointed out that these proposed foreign policy guidelines rely on the mellowing idea as the answer to our cold war problems. Senate Minority Leader DIRKSEN and others on Capitol Hill immediately pounced on the Rostow papers, expressing amazement at Mr. Rostow's ideas.

Before Mr. Ball's affirmation of the mellowing theory, he had sent to the censorship hearings an explanation of censored items. The foremost explanation was his definition of the term victory as having a "militaristic and aggressive ring less suited than the substituted phrase to describing our national objectives." He added that it left "no room for accommodation." After coming under considerable fire he later called the explanation "inartistic and fatuous."

With criticism continuing to mount, the President, the Secretary of State and other high officials began denying that we had a no-win policy. They refused, however, to say that it was our intention to win the cold war. Finally, a Republican-oriented reporter, Roscoe Drummond of the banned New York Herald-Tribune, suggested a way out of their embarrassing dilemma. He said why not go ahead and speak of victory and drop the battle over semantics.

Mr. Rusk's VFW speech gave the tipoff that Mr. Drummond's advice was well taken. Courageously he faced up to using the terms victory and win with reference to the cold war. Columnist William S. White hailed the move as being "legitimate—and also overdue." He added that "never before had any top figure of the administration, outside the military, been willing to say simply and clearly that to win was our purpose and resolve."

Though the words victory and win have now been used by the Secretary, there appears to be no change in the substance of the policies which underlies the name of the policies, whether they be called win or no-win. I commend the Secretary for facing up to his error in censoring these valiant words which had always been the watchword of America in previous times of national peril. I will be the first to congratulate the Secretary when he reverses his field on coalition governments and accommodations with and concessions to the Communists. He has prepared an appealing frosting for his cake. Now he needs to bake a new cake to go with the frosting.

Sincerely,

STROM THURMOND.

[From the News and Courier, Charleston, S.C., Aug. 21, 1962]

STILL A NO-WIN POLICY

Secretary of State Dean Rusk's promise that the Kennedy administration intends to win the struggle against Communist imperialism, voiced in a speech August 13 to a convention in Minneapolis of the Veterans of Foreign Wars, testifies to the impact on American public opinion of Senator STROM THURMOND's charges of a no-win policy.

The Secretary's speech in effect was a response—and an attempt to counteract—Senator THURMOND's achievement in alerting the people to the State Department's defeatist attitude.

Mr. Rusk, who has noted the rising tide of grassroots concern over appeasement, is eager to dispel the notion that the Kennedy administration is soft on communism. Yet as Senator THURMOND said in reply to Mr. Rusk, promises made in one speech do not constitute reversal of administration policy.

"I will be the first to congratulate the Secretary," said the Senator, "when he reverses his field on coalition governments and accommodations with, and concessions to, the Communists."

Senator THURMOND also could have noted that Mr. Rusk's statement that "our purpose is to win" was conditioned.

"Our objective," said Mr. Rusk, "is a victory for all mankind."

But Mr. Rusk was not sworn into office as general secretary of the United Nations. He is an official of the U.S. Government. As such, his duty is to the American people, not to the peoples of every nation.

It is distressing to find the U.S. Secretary of State talking in terms of one-world, do-gooders instead of terms of national security.

To be sure, what is good for America is good for the civilized world. But the first task of American public officials is to preserve the liberty and strength of the United States. Concern for any other country is secondary.

"Victory for all mankind" is a phrase devoid of logical content. It is meaningless.

The American people do not put up with burdensome taxation and with military service for their sons in order to help the Russians, Chinese, or Indians obtain a victory. If Mr. Rusk wants to engage in missionary tasks, he should enter the mission field. But the Secretary of State should be utterly and completely devoted to the task of defending one set of interests—those of the United States of America.

The language in which Mr. Rusk speaks indicates that he cannot think wholly in American terms. Perhaps he regards such terms as parochial and outdated. Whatever the reason, his choice of words clearly shows that he has not yet accepted the goal of victory of American interests in an era when the United States itself, not an imaginary one world, is threatened by Communist aggression.

[From the State, Columbia, S.C., Aug. 22, 1962]

THURMOND FORCED IT

Senator STROM THURMOND, who more than a year ago accused the State Department of following a no-win policy, says it lately has been using the words "victory" and "win" but pursues the same policies.

Senator THURMOND's campaign drew the wrath of liberals and ultraliberals throughout the land. At first, even many relatively conservative men and newspapers were skeptical of his charges.

Facts, figures, old speeches, and other odds and ends produced by Senator THURMOND and sympathetic colleagues convinced many of the once skeptical people that real substance lay behind the accusations. Actions by the administration itself also validated many of THURMOND's claims.

That the Senator's charges have now forced the administration spokesmen to use words like "victory" represents one triumph. Now Americans must back him in his efforts to force a change in policies—from appeasing attitudes to firmness and positive action—if the Nation is to survive as a great world power.

[From the Columbia Record, Aug. 24, 1962]

BERLINER VICTIM OF NO-WIN POLICY

An 18-year-old East Berliner sought the freedom of the West last weekend and lost his life. He was shot off the infamous wall and lay groaning for nearly an hour only 200 yards from Checkpoint Charlie, the main U.S. command post.

Subsequently, infuriated West Berliners booed Americans, fought their own police, and stoned Soviet cars. Their anger was understandable. With justification, they asked why the American soldiers didn't help the dying young man.

The answer was given by an Associated Press dispatch from Berlin the day after the killing:

American authorities feared a new incident that might have had dangerous cold war repercussions.

Fear. Fear of escalation of a simple incident along a wall. Only a man's life.

Across the ocean, simultaneously, Senator STROM THURMOND, of South Carolina, was repeating his charge that the State Department—despite the use of the word "victory" and "win"—still was pursuing a "no-win policy."

What better illustration of Senator THURMOND's allegations could be found than the demonstration of fear as a young man, seeking freedom, lay dying—with no American to come to his aid?

"Though the words 'victory' and 'win' have now been used by Secretary Rusk," said Senator THURMOND, "there appears to be no change in the substance of the policies which underlies the name of the policies, whether they be called win or no-win. I commend the Secretary for facing up to his error in censoring these valiant words which had always been the watchword of America in previous times of national peril. I will be the first to congratulate the Secretary when he reverses his field on coalition governments and accommodations with and concessions to and Communists. He has prepared an appealing frosting for his cake. Now he needs to bake a new cake to go with the frosting."

But neither the President nor the State Department appears prepared to bake the new cake.

Quite recently, Stewart Alsop's delineation of Mr. Kennedy's goals in foreign relations left no doubt that there the President still clings to the hope that he can persuade international communism to "live and let live." Mr. Kennedy's insistent dedication to retaining "choices" in individual international entanglements foretells a continuance of accommodations.

Secretary Rusk, following the President's lead, has said that "when we are able to find common interests which the free world and the Communist bloc share we must be prepared to talk and negotiate about ways of acting together to fulfill these interests—even if they are narrow. By this slow process we may move toward a dampening of such crises as Berlin, a continuation of our exchange programs with the U.S.S.R., and new ventures of common advantage, as in Antarctica, public health and outer space."

Wistful hope of this sort is not nearly so dangerous, however, as the dreadful fear of thermonuclear war which pervades administrative thought.

Exemplary is Under Secretary of State George W. Ball's frank admission that the struggle between the free world and international communism conditions much of what the State Department does. "The knowledge that this struggle, now characterized by the cold war, may flame into hot wars in remote corners of the globe and that those hot wars may escalate into thermonuclear holocausts is a kind of brooding omnipresence over all of our affairs."

Herein is the key to what Senator THURMOND has called the no-win policy. Although we now seem to be not afraid to speak of victory or winning, we are willing to concede or retreat to avoid escalating.

The Soviets are, thus, left completely free to escalate any situation anywhere in the world. The United States, thus, will always be on the defensive—fearful of a thermonuclear war.

Under Secretary Ball declared that the State Department sought to avoid creation of trying situations. "We attempt to anticipate and, where possible, prevent the development of situations which can result in a direct confrontation of the great powers—a confrontation that can readily lead to the escalation of force and a major war."

Hence, we agree with the Soviet Union on a troika arrangement for Laos, which dooms the southeast Asian nation to Communist-domination. Its fate awaits only the word of Khrushchev.

Hence, we also pressure our Dutch allies to surrender West New Guinea to Indonesia while the Dutch were being invaded.

Hence, we are willing to submit Moise Tshombe and his independence-seeking people of Katanga to the will of a disturbed Central Government of the Congo.

Hence, we allow a German teenager to bleed to death within the sight of American troops, who could have gone to his rescue. He was a victim of our no-win policy.

Previously the President had summoned Gen. Lucius Clay home because his instantaneous reaction policy to Russian pressures in Berlin might, in the judgment of the State Department, have escalated individual situations.

Only the Russians can escalate.

How right Senator THURMOND was in his first criticism. How right he is today.

[From C. F. Childs & Co. Publication, Aug. 20, 1962]

WHAT'S NEW?

In what was described as a major policy speech last week, Secretary of State Dean Rusk struck back at those who have charged the State Department particularly and the the administration in general with pursuing a no-win policy in our struggle against worldwide communism. Actually, we do indeed intend to win, he declared firmly, and surely this ought to reassure and comfort all of us.

"And as my colleagues and I go about our business we have at our backs a formidable array of military strength under the command of a resolute President. This strength together with that of our many allies is capable of defending the vital interests of the free world."

Three things are in question here. We do have the formidable military strength (or at least we hope so); what is lacking is the will to use it. A second question is how many allies we have still, and the third is what is meant by "vital" interests. We seem completely capable of redefining "vital" on short notice. For instance, in our persistent efforts to persuade the Russians to a nuclear test-ban treaty, we once considered 180 monitoring stations vital; now we think 80 will be enough. The Russians still think any is too many. In Berlin we once insisted on the untrammeled right to freedom of movement throughout the city; now we have no real objection to the existence of a dividing wall, provided that at intervals we can send a jeep through it for a brief and perilous display of the flag. There are grave suspicions that the Berlin crisis is heating up for another explosion this autumn.

In Laos we congratulate ourselves—and exchange congratulations and felicitations with Nikita Khrushchev—on establishment of a neutralist-coalition government despite the dismal record of preceding achievements of this sort. Mr. Khrushchev seemed especially pleased, in fact, which should be a sufficient warning to our side. Recent news reports say our military are pulling out of the country, in accordance with the agreement, but the Reds have not yet moved.

Another example of the manner of our winning is that of the settlement imposed in West New Guinea. For months this has been described as a "dispute" over the territory which for 134 years had been administered competently and well by the Dutch, and to which Sukarno of Indonesia had laid claim without any excuse whatever except that of a desire for aggrandizement. The dispute was settled, under pressure by the State Department of the United States. The Dutch have agreed to move out and let Sukarno have what his threats of aggression have won for him. The part of the State Department in it cannot be questioned. Many months ago, when the dispute arose—that is, when Sukarno first declared he wanted and would have West New Guinea—our Government warned the Dutch Government not to attempt to reinforce its defenses there through channels subject to our control.

This was a naked surrender to force and the threatened use of force, by a signatory to the U.N. Charter. Yet it was hailed as a famous victory, with toasts and congratulations all around for U Thant and the other negotiators.

The Premier of the Netherlands hardly can be blamed for a certain bitterness of feeling. The reason for his country's capitulation, he said, was that Holland "could not count on the support of its allies, and for that reason we had to sign."

Even the New York Times' ordinarily mild-mannered Arthur Krock was moved to write with some warmth.

"To those who feel that the threat of an aggressor to go to war is sufficient cause for the United States to abandon this historic policy (i.e., refusal to abet or to recognize successful aggression), and even assist him to gain his objective, this justification by the Government of its courses in the Dutch-Indonesian dispute will be sufficient. But the longer this reasoning controls the foreign policy of the United States, the weaker will be its influence in preserving the peace of the world which is the proclaimed goal of all its international activities. And the oftener the United States brings pressure on its friends and allies to surrender to such aggression as Sukarno's, the feebler will be the alliances with free world nations that are the foundations of U.S. security."

After a few more such famous victories for U.S. foreign policy as that in Indonesia, Mr. Rusk as well as his fellow citizens may be brought to wonder just how many allies we really can count on in a pinch.

ROBERT VAN CLEAVE.

[From the Evening Star, Aug. 15, 1962]

VICTORY AND MR. RUSK

In his Minneapolis address to the Veterans of Foreign Wars, Secretary of State Dean Rusk has effectively addressed himself to all those rather numerous critics—such as Senators GOLDWATER and THURMOND—who have been accusing the Kennedy administration (and not without some justification) of being numbed by a no-win psychology in dealing with the Kremlin in the cold war. The accusation, according to the Secretary is completely unjustified. As he has put it:

"We have a simple but transcendent goal. It is, in President Kennedy's words, "a peaceful world community of free and independent states, free to choose their own future and their own system, so long as it does not threaten the freedom of others."

"This goal of ours * * * and the Communist goal are incompatible. This global struggle will continue until freedom prevails. It goes without saying that our purpose is to win.

"One hears now and then that we have a no-win purpose or politics. That is simply not so. Of course we intend to win. And we are going to win. Our objectives is a victory for all mankind."

At this point, one might legitimately josh and twit Mr. Rusk. After all, in the recent past (extending over many months), censors in the State Department have not permitted admirals, generals, and other high officers of our armed services to speak as bluntly, or as well, as he himself has just spoken. The word "victory," for example, the very word stressed by the Secretary in his impressive Minneapolis address, has been excised repeatedly by his underlings from numerous speeches of some of our topmost military leaders.

Why? Well, according to an explanation submitted by the State Department last May to a Senate investigating committee, " 'victory' has a militaristic and aggressive ring" and it is therefore unsuitable because it "implies an 'all-or-nothing' approach leaving no room for accommodation." So Mr. Rusk's use of the word (he should be wryly amused) ought to be sending tremors of excitement, if not dismay, into every nook and cranny of the department's division (if it really exists) of "associate secretaries in charge of watering down the speeches of higher-ups."

Considerations of this sort, however, should not be allowed to obscure the meaning of Mr. Rusk's excellent Minneapolis address. For the address makes clear (and the Kremlin would do well to comprehend it) that the United States is not going to surrender its vital interests in Berlin or anywhere else. Nikita Khrushchev and his coconspirators are making a monumental and potentially ghastly mistake if they think otherwise.

[From the Evening Star, Aug. 15, 1962]

WE TAKE A COLD WAR WIN POLICY

(By William S. White)

The United States, after a year and a half of the Kennedy administration, has now specifically and unapologetically proclaimed a win policy in the cold war.

This, Secretary of State Dean Rusk, a combat veteran of infantry, has done in a speech before the Veterans of Foreign Wars in Minneapolis. In the domestic sense and also in its relationship to our future negotiations with the Soviet Union, it is the most important he ever delivered.

For 18 months there has been an almost constant overtone of criticism from Republicans and others that this country was committing itself to something short of victory to a no-win line.

For these same 18 months the State Department, itself, has been swept by undertones of debate between those who cried for caution and those who wanted a plain, hard declaration saying that we meant to do more than merely to coexist and survive. The hard liners have at last won the long dialog.

In this passage in Mr. Rusk's speech in Minneapolis there lies the heart of their victory:

"We have a simple but transcendent goal. It is, in President Kennedy's words, 'a peaceful world community of free and independent states, free to choose their own future and their own system, so long as it does not threaten the freedom of others.'

"This goal of ours—and of most of the nations of the world—and the Communist goal are incompatible. This global struggle will continue until freedom prevails. It goes without saying that our purpose is to win.

"One hears now and then that we have a no-win purpose or policies. That is simply not so. Of course we intend to win. And we are going to win. Our objective is a victory for all mankind."

FIRST BY TOP CIVILIAN OFFICIAL

Never before had any top figure of the administration, outside the military, been willing to say simply and clearly that to win was our purpose and our resolve.

Those insisting on describing our aims in terms softer than the term "win" had long had their way on roughly these arguments: That to speak baldly of "winning" would be to imply that we meant to go to nuclear war, to alarm our allies and to present ourselves in a falsely truculent position. So elevated an official as Under Secretary of State George Ball put substantially these arguments before Congress itself.

CONFUSED BY SOPHISTICATION

These men were not truly "soft on communism." They were, however, somewhat confused by their own sophistication. Too, they were tempted to an excessive stubbornness by the mere fact that some—but by no means all—of those who were denouncing "no-win" were rightwingers, such as Senator Barry Goldwater, of Arizona, and Strom Thurmond, of South Carolina. To some New Frontier types, of course, no rightwinger can possibly be right about anything at all.

All the same, let fairness be heard now that the argument is over and rightly and reasonably won. It is fair to say that the defenders of the short-of-victory slogan were really anxious to win the cold war. But it is equally fair to say that their critics—not excluding Senators Goldwater and Thurmond—served a very good purpose here.

There was always plenty of reason not to permit military men themselves to cry up "win" as a policy. For, coming from them, such a statement could be read with some approach to rational interpretation as a recommendation for war.

But for the highest diplomatic figure of this country to proclaim "win" is entirely legitimate—and also overdue. It serves to notify the increasingly belligerent Russians—or any unduly timid ally—that we really do mean business. And it serves to enlarge what is already the happily high degree of bipartisan unity in this country on the one really vital thing—the cold war.

REVENUE ACT OF 1962

Mr. MANSFIELD obtained the floor.

Mr. PROXMIRE. Madam President, will the Senator from Montana yield to me? I should like to ask him a question.

The PRESIDING OFFICER (Mrs. Neuberger in the chair). Does the Senator from Montana yield?

Mr. MANSFIELD. Yes.

Mr. PROXMIRE. Madam President, in this morning's Wall Street Journal is an article on page 3 relating to the tax bill. I should like to read a portion of it to the Senator from Montana, the majority leader, and ask him if it is true.

The article states:

> Senate Democratic leaders plan to employ harsh parliamentary tactics against liberal efforts to restore some of President Kennedy's recommendations to the Senate Finance Committee's version of the tax-revision bill.

The article further says:

> In an attempt to complete Senate action on the measure before the Labor Day weekend, the Democratic leadership—acting with the tacit acquiescence of the administration—will try to table, or kill, most, if not all of the Kennedy proposals being offered by liberal Democratic Senators as amendments to the bill. Because a tabling motion is not debatable, this tactic tends to accelerate action by the slow-moving Senate. Debate on the measure began Saturday afternoon and will continue today.

The question by the Senator from Wisconsin is: Has there been any plan, or has there been any agreement, that the leadership would move to cut off debate on the amendments?

This Senator feels very strongly, as he indicated by his discussion of the bill on Saturday last, that this is a tremendously important bill which goes right to the heart of our whole economic system.

I think it is a bill which will require very protracted and detailed debate. I think it would be most unfortunate if the Senate, which is known as the greatest deliberative body in the world, should decide to cut off debate, and particularly debate on amendments designed to restore the proposals of the administration originally made with respect to the tax bill.

Mr. MANSFIELD. No; no agreement has been made. I do not know anything about the story to which the Senator refers, which he states is carried in the Wall Street Journal.

However, so far as the leadership is concerned, it would not foreclose the use of tabling motions on occasion. It is within the rules of the Senate to use them. It has not been decided what procedure we shall follow.

I wish to state, so long as the Senator has raised the question, that he has written me a letter to the effect that he would object to any unanimous-consent request seeking to limit debate on this bill. If that is the case, and if there will be no limitation, then of course the leadership will feel free at any time to move to table motions or amendments.

Mr. PROXMIRE. Madam President, will the Senator yield for a minute?

Mr. MANSFIELD. If I may continue, I have not had any conversations with anybody in the administration about this. I do not intend to. What will be done on this side will be done on my own responsibility.

Mr. PROXMIRE. I say to the Senator that there is absolutely no intention on the part of this Senator, or on the part of any Senator of whom I know, to prevent a final vote on the bill. We all want a vote on the bill, one way or the other, up or down. This is the reason why this Senator chose Saturday afternoon to make his long speech. In that way I did not delay the bill 1 minute.

On the other hand, I do feel, in all fairness, there should be as much time as possible for a thorough and complete debate on each of these very, very important amendments. If the consideration of the bill does take a week, or even more than a week, it seems to me it would be a week very well spent.

Mr. MANSFIELD. I assure the Senator that if tabling motions are offered they will be offered only after there is a reasonable amount of debate on the amendments being offered.

Mr. PROXMIRE. I hope that we can get together on a reasonable period, so that there will be an opportunity for thorough discussion, particularly in view of the fact that there is absolutely no intent to return the bill to the committee or to delay the bill for weeks or to set off the vote until 1963. The intention is only to make sure that there is ample time for all views to be discussed. Members on the other side of the aisle feel fully as strongly as Members on this side of the aisle in respect to the bill.

Mr. GORE. Madam President, will the Senator from Montana yield?

Mr. MANSFIELD. I yield.

Mr. GORE. I should like respectfully to suggest to the able and distinguished majority leader that if the time arrives when no other Senator seeks recognition to speak on an amendment, a motion to table would be unnecessary because then the Senate could at that time vote on the merits of the amendment. It would seem to me that a vote directly upon acceptance or rejection of the amendment would be far preferable to a tabling motion.

I recognize that there are circumstances under which the majority leader would feel justified in resorting to a motion to lay on the table. I am also confident that he recognizes it is the most severe legislative restriction within the rule book. I would hope that he would lean over backward to permit votes on amendments up or down on the merits rather than on motions to table.

I offer that only as a friendly suggestion, and as a Member of the Senate who loves this arm of the Government and likes to see it proceed to consider measures on the basis of substance and merit.

Mr. MANSFIELD. I thank the Senator.

Mr. WILLIAMS of Delaware. Madam President, will the Senator yield?

Mr. MANSFIELD. I yield.

Mr. WILLIAMS of Delaware. I wish to join others in suggesting that there be no effort to railroad the bill through by tabling amendments without giving those offering such amendments an opportunity to get a vote on the merits of their amendments. I know of no disposition on the part of any Senator to delay consideration of the bill, if the leadership wants it scheduled. However, as the leadership knows, several amendments will be offered. Personally, I think the administration is making a great mistake to schedule the bill at the present time because we have in our committee the bill to extend the Reciprocal Trade Act. I think that that is one of the most important bills now awaiting the consideration of the Senate. I regret to see it being bypassed.

Mr. MANSFIELD. Madam President, the administration is not scheduling the tax proposal at the present time. It is being scheduled by the majority leader because it has been cleared by both the Finance Committee and the Policy Committee. It should take its turn on the calendar. There is nothing much else we could turn to. But I wish to make very clear that it is not being done at the suggestion or the desire of the administration. It is a move which has been made solely as the responsibility of the Democratic leader.

Mr. WILLIAMS of Delaware. I appreciate the fact that the majority leader is taking the responsibility for it. But I am still not unmindful of the fact that some time ago representatives of the administration, I understand, contacted the chairman of the committee. He can speak for himself; but I do know that I was contacted with the strong suggestion that the trade bill be given top priority. There was a request and assurance that there would be no consideration of the tax bill until after the trade bill was reported.

Mr. MANSFIELD. That is news to me. I was not contacted in that way. I know of no such happening. I do not doubt the Senator's word. I am sure that what he has stated did happen, but so far as I am concerned, no one approached me about it.

Mr. WILLIAMS of Delaware. I was given that assurance, and the first indication I had that the bills would be scheduled otherwise was a newspaper report that as a result of a meeting at the White House the tax bill would be scheduled earlier, thus giving it priority over the trade bill.

This action may well jeopardize the enactment of the trade bill at this session.

The White House report was the basis of my statement that the administration was a party to the rescheduling of these bills.

I have supported the reciprocal trade program in the past, and I have every reason to think that I would support it again this year. However, it is an important measure and one which will require several days of work in executive session in our committee. I would have liked to have seen us get the trade bill before the Senate—at least on the calendar—before Labor Day in order that it could have been given prompt consideration. However, as the majority leader knows, with the tax bill before the Senate, those of us who are on the Finance Committee will now be required to be on the floor of the Senate, which means that there can be no further serious consideration in the Finance Committee of the trade bill until after the tax bill is disposed of. We cannot be in both places. For that reason only I make this statement.

Mr. MANSFIELD. I am not aware of any statement issued by the White House as to when the tax bill would be taken up. I can state, however, that there was a meeting of the Democratic policy committee on last Tuesday. That was the first time the committee had an opportunity to consider the tax bill on the calendar. It was reported by the policy committee, I believe, unanimously. After the policy committee meeting was concluded, I informed the press that it was my intention to take up the tax bill after certain other bills were out of the way. I did so because there was not much else on the calendar to which we could refer.

As far as meetings are concerned, I offer to the distinguished chairman of the Finance Committee, the senior Senator from Virginia [Mr. BYRD], the use of the leadership office, room P-34, right outside the Senate Chamber, for any meetings he desires to hold on any subject, including the trade bill, during the course of the consideration of the tax bill.

Mr. WILLIAMS of Delaware. I appreciate that. The majority leader has always been most cooperative, and I wish to cooperate. But one cannot be in the office of the majority leader, room P. 34, working on the trade bill and at the same time be on the floor of the Senate, following the debate on the tax bill.

Mr. MANSFIELD. That is true, but if there is an opportunity, the committee could go in there and use the room.

Mr. WILLIAMS of Delaware. I suggest that during the period the tax bill is under consideration there can be no further consideration of the trade bill. I am sure that the administration recognizes that. The members of the Finance Committee cannot be present on the floor of the Senate and keep informed as to what is going on here and at the same time doing their duty as members of any committee meeting in executive session.

Mr. MANSFIELD. That is a matter which the committee itself must consider.

Mr. KERR. Madam President, will the Senator yield?

Mr. MANSFIELD. I yield.

Mr. KERR. I should like to ask the Senator from Delaware if he knows by what authority he can say there would be no further consideration in the Finance Committee of the trade bill so long as the tax bill is pending on the floor of the Senate?

Mr. WILLIAMS of Delaware. Madam President, will the Senator from Montana yield?

Mr. MANSFIELD. I yield.

Mr. WILLIAMS of Delaware. I am speaking only from a practical standpoint. The Finance Committee does have permission to continue its meetings. I agreed to that permission in the Senate at the time it was requested, and I recognize that if the Finance Committee, with its 17 members, insisted on meeting, they could get a quorum, even though some of us were following the tax bill on the floor of the Senate; but I do not think they will take advantage of any of us in that manner. I only say that I, as one member of the committee, would regret very much to have a procedure adopted by which meetings of the Finance Committee would be held simultaneously with consideration of the tax bill in the Senate, thereby depriving some members of the committee of an opportunity to do their work on that bill. I hope there will not be such steamroller tactics threatened or recommended by the administration at this time. This is not a national convention.

Mr. KERR. Madam President, will the Senator yield?

Mr. MANSFIELD. I yield.

Mr. KERR. The Senator from Oklahoma is one who believes that the Finance Committee has the capacity to continue to give consideration to the trade bill while the tax bill is under consideration on the floor of the Senate. The Senator from Oklahoma would not agree to the conclusion that the Finance Committee did not have greater capacity than that. The Finance Committee began consideration of the tax bill on April 2. It has been the subject of as many hearings as any bill that I can recall ever being considered by the committee. I hope there is room on the desk of each Senator for all the volumes of hearings the committee produced on that subject. The committee considered the bill for weeks. I do not know of many provisions in the bill that have the unanimous approval of all members of the committee. Every provision in the bill was thoroughly discussed, debated, negotiated, and explored before conclusions were reached. The committee reported the bill. The Senator from Oklahoma is aware that many members of the committee are going to give the Senate an opportunity to sit in on the deliberations on various features of the bill which may be both educational and at times inspirational.

No one is more certain than the Senator from Oklahoma that the Senate can, if it so chooses, proceed with the orderly consideration of the tax bill, and that the Finance Committee, with its tremendously able leadership and the magnificent mental qualification of the ranking Republican member and the devotion of all of its members on both sides of the aisle, can proceed with its deliberations, especially in view of the courteous offer of the majority leader that the committee may use an office immediately off the floor for its deliberations while we go through whatever may occur on the floor, and each Senator will reserve the right, and probably use it, to describe his views in connection with the deliberations and actions by the Senate on the tax bill.

Mr. CURTIS. Madam President, will the Senator yield?

Mr. MANSFIELD. I yield.

Mr. CURTIS. Whatever is decided by the leadership, I certainly will willingly comply with. I wish to point out one of the problems of having the Senate Committee on Finance meet at the same time the tax bill is being considered on the floor. The Senator from Oklahoma can only be in one or the other of two places. That will mean that one of the places, either in the committee room or in the Senate Chamber, will be deprived of the services of the Senator from Oklahoma. With his unusual charm he can persuade in the most eloquent manner. He has a keen mind and he can reach back in history for important incidents and recite them. He knows the Internal Revenue Code thoroughly. He has had wide business experience. I merely wish to say that should we decide to operate in two places at the same time, that meeting which is deprived of the presence of the distinguished Senator from Oklahoma probably will be able to get along without him, but not nearly as well as if he were present.

Mr. KERR. Madam President, I did not know that CURTIS was of such highly concentrated Irish origin. The only thing this reminds me of, along with the green color of the volumes of the hearings, is that what he has said is the greatest blarney to which I have ever been subjected.

Were the Senator from Oklahoma able to encompass in the limited mental dimensions that he has the great knowledge and background and experience the Senator from Nebraska ascribes to him, along with that of his own limited understanding, he might approach the stature described so entertainingly and charmingly by the Senator from Nebraska.

Mr. WILLIAMS of Delaware. Madam President, will the Senator from Montana yield?

Mr. MANSFIELD. I yield.

Mr. WILLIAMS of Delaware. I enjoyed the compliments being exchanged by the Senator from Nebraska and the Senator from Oklahoma, but being practical let us recognize what is happening. As the majority leader knows, we are having difficulty getting a quorum in the committee even now. The record will show that I have tried to cooperate in getting a quorum for committee meetings. On Friday last the Finance Committee sat for a full hour between 10 and 11 waiting for a quorum to develop, but we had to adjourn at 11 o'clock because a quorum could not be obtained. The chairman was present and I was present but we would not get a quorum, and the meeting had to adjourn.

The Finance Committee meeting scheduled for today had to adjourn again because a quorum could not be obtained. That meeting had been scheduled for 10 o'clock this morning. It was canceled. Why? The members of the Finance Committee had to be on the floor of the Senate. That is the kind of problem that will confront us.

There are many sections of this proposed tax bill which are highly controversial, as the Senator from Oklahoma has said. Many sections of the bill will require the full attendance of members of the committee on the floor of the Senate to discuss them. They should be on the floor of the Senate when various amendments are being proposed. I do not see how we can possibly be in both places at the same time. I am pointing all this out from a very practical standpoint. I have no intention of trying to obstruct the consideration of either bill, but it may well happen that we will not get much done on the trade bill in committee until after the tax bill has been disposed of on the floor of the Senate.

That is the practical situation which has developed in our committee.

We have a system of operation in the Committee on Finance—and no one has suggested that we change it—that if some of the members of the committee are not present we take tentative action only on proposals. These actions can later be reconsidered by any member who was not present. That means that anyone of the members may reopen a question that had been tentatively decided by perhaps nine members of the committee. The result will be that under these circumstances, with the tax bill being considered on the floor and the committee trying to meet on the trade bill, actually nothing will be accomplished on the trade bill.

The administration is well aware of that fact, and unless they are now scuttling the trade bill I cannot understand why they agreed to set it aside.

I keep hearing a persistent rumor—I cannot conceive of its being true—that the administration is jockeying the trade bill into the position where they can settle for a 1-year extension of the Reciprocal Trade Act and then blame that decision on the Congress. I hope there is no substance to that rumor.

Mr. MANSFIELD. It is not true. The Senator has been mentioning that rumor several times. He mentioned it several times during the past week. He mentioned it on the radio, I understand, in an interview with the Senator from New York [Mr. KEATING] yesterday. There is absolutely nothing to it. The most foolish thing we could do would be to extend the Reciprocal Trade Act, since we would be legislating on nothing, because there is nothing to extend.

As far as we are concerned, we intend to take up the trade bill once it is reported from committee, and we intend to stay with it until it is disposed of one way or another. It will not be set aside. The Senator knows that that is the way things will be done.

Mr. WILLIAMS of Delaware. Madam President, I am glad to have that assurance. I assure the Senator from Montana that I did not start that rumor. It appeared in the newspaper several times last week. It has been a persistent rumor, and the action being taken here today lends credibility to it. We are now proceeding in a manner which may well jockey us into that kind of position.

Mr. MANSFIELD. No. The tax bill is on the calendar. I address an inquiry to the Senator from Virginia, the distinguished chairman of the Finance Committee. Is it not true that it is the intention of the committee to consider fully the trade bill and to report it to the Senate and to have it disposed of on the floor of the Senate?

Mr. BYRD of Virginia. Yes; the Senator is correct. I wish to make a statement on that point.

As chairman of the Committee on Finance I will expedite in every possible way the completion of the committee's work on the trade bill. We have already had the hearings on the bill. Now it is a question of voting in committee on provisions in the bill.

The chairman of the Finance Committee has always insisted, and will continue to insist, that a quorum be present. If a member of the committee has a proxy and leaves it, that would be counted for purposes of a quorum, of course. Without a quorum being present, we should not vote on these vital matters, because the trade bill, in my judgment, is one of the most important bills that has been presented to the Senate during my service in the Senate.

While we will expedite the consideration of the trade bill in every way possible, we must bear in mind that the time has come to vote on the bill in committee, not to hold hearings. The hearings have been held. It would be rather against my desires, as the chairman of the committee, to be absent from the floor of the Senate while the tax bill is under consideration.

The chairman called a meeting of the Finance Committee for 10 o'clock this morning. He did not know at the time he set the meeting that the Senate would convene at 10 o'clock. That meeting of the committee had to be called off, as a result of the Senate's meeting at 10.

I wish to say to my friend, my beloved leader—and I say with all sincerity that he is one of the finest leaders, and most able and considerate, that I have ever served with in the Senate—that I will do everything possible in handling the two bills, but I cannot do the impossible. A person cannot be in two places at the same time, as must be obvious to everyone. We will do all we can, and the chairman of the committee will use his office off the floor to do everything he can.

The hearings on the tax bill cover about 12 volumes of testimony, containing 4,934 pages. The hearings lasted, off and on, for nearly 4 months. We heard 200 witnesses. As passed by the House, this has been one of the most controversial tax bills ever to come to the Committee on Finance.

It has been the policy of the committee during all my time—and I served on it under Senator Harrison, under Senator Millikin, and under Senator George—to have full and complete hearings on vital matters referred to the committee. This policy was carried out in this case to the extent that we have nearly 5,000 pages of testimony on the bill. The committee held some hearings in the afternoon, as well as in the morning. I believe we have covered the ground. I have brought in individual views, to which I will refer.

I wish to say that I favor the bill as the committee reported it with the exception of the part that I deal with in my individual views. This is the first time during my service on the committee that I have ever submitted individual views taking exception to provisions in a committee bill. With the exception of the so-called investment credit section, I think there are many good features in the bill. In my opinion, it is a far better bill than the one which came from the House.

AMERICANS OF JAPANESE DESCENT DESERVE BETTER TREATMENT FROM INTERNAL REVENUE

Mr. CARROLL. Madam President, I pleased today to add my support to the amendment to the Revenue Act of 1962 as proposed by the distinguished Senator from California [Mr. KUCHEL].

This amendment will, I hope, receive the approval of the Senate when it takes up the tax bill this week. The interests of fairplay and humanity demand that action be taken now, by the Congress, to prevent the perpetration of yet another grievous injustice to American citizens of Japanese descent.

We all know of the great hardship and personal losses suffered by the Japanese-Americans as a result of their forced evacuation from the west coast at the beginning of World War II.

It is a source of lasting embarrassment to our Nation that these brave and loyal citizens should have received such treatment at the hands of the American Government; 110,000 were evacuated from the west coast, 23,000 of these went on to fight for their country, and many died for their country. The record in battle of the courageous and respected Japanese-Americans in World War II should be a source of pride to all Americans, especially when we recall that while these men were fighting, their families were forced to live in restricted prison-like compounds.

In 1948, our Nation, in the Japanese-American Evacuation Claims Act, provided for compensation payments to be made to these citizens for the property losses which they sustained during their internment.

This compensation can only be token; for there is no way of compensating for the humiliation and unhappiness which the forced evacuation caused.

Now I am informed that the Internal Revenue Service has ruled that payments under this act—payments for loss of property because of Government action—shall be treated as income for the purposes of taxation.

This is obviously unfair.

This is the Government adding insult to injury. This is the Government taking back, in the form of taxes, money which the Congress has determined is due in simple justice to our Japanese-American citizens.

For this reason, I am pleased to join the Senator from California in urging adoption of this amendment.

This provides that these payments shall not be considered as taxable income by the Internal Revenue Service.

I hope the Senate will promptly approve this.

A most thoughtful editorial, endorsing this proposal, was recently printed in the Denver Post. It sums up well the merits of the amendment. I ask unanimous consent to have it printed in the Record at this point.

There being no objection, the editorial was ordered to be printed in the Record, as follows:

How To Fail at Justice Without Trying

One of the dark chapters of American democracy, which almost everyone would like to forget, refuses to stay closed. The regrettable mass evacuation of Japanese Americans from the west coast 20 years ago is back in the news again because of the understandable but misguided zeal of the Internal Revenue Service.

To understand what this is all about, it is necessary to review history briefly. Early in 1942, more than 2 months after the Japanese attack on Pearl Harbor, the Nation began to hear demands that resident Japanese-Americans be interned because they posed a danger to national security.

Immediately after Pearl Harbor the Federal Bureau of Investigation rounded up all persons it considered dangerous. The FBI felt the situation was well in hand, but this did not deter the zealots. Politicians took up the cry. Nearly 6 months after Pearl Harbor the Army ordered everyone of Japanese descent removed from the western portions of Washington, Oregon and California as a military necessity.

Approximately 110,000 men, women, and children were evacuated into inland camps, one of which was in Colorado, another in Wyoming. Two-thirds of the evacuees were American citizens. They were charged with nothing other than the "crime" of being born of Japanese lineage. They were never given a hearing.

It is to the everlasting credit of the evacuees that they cooperated with the program as their contribution to the war effort. Many enlisted in the Armed Forces and served with distinction, even while their families were still detained. Under the Government's relocation program others took farm jobs in the Rocky Mountain West, or moved to the Midwest and East and worked in war industries.

The economic loss suffered by the Japanese-Americans as a result of the evacuation was estimated by Federal Reserve bank officials at $400 million.

Ten years ago, Congress voted to compensate the evacuees for their losses. Patrick Hillings, Congressman from California, at the time, said the awards were voted "because it seemed the only honorable thing to do for these people who had already suffered so much."

Approximately $36 million was paid out under the program—less than 10 inflated, postwar cents for each prewar dollar.

Congress, unfortunately, neglected to specify that these awards were to be considered Federal bounty and not taxable. Recently the Internal Revenue Service, hewing to the letter of the law, instituted proceedings to tax these awards as income.

This week Senator Thomas H. Kuchel, of California, the Republican whip, introduced legislation to exempt compensation for evacuation losses from Federal income taxes.

The claims program, Kuchel pointed out, was the effort of "an embarrassed Nation to right the grievous wrong done to tens of thousands of our fellow citizens of Japanese extraction."

Kuchel's measure clarifies the original intent of Congress. It deserves approval forthwith. It is regrettable that the issue of taxing the Federal awards has come up at all.

Mr. MANSFIELD. Madam President, is there further morning business? I make the inquiry because the chairman of the committee is waiting to make his opening statement on the tax bill.

The PRESIDING OFFICER. Is there further morning business? If not, morning business is closed.

ORDER FOR ADJOURNMENT UNTIL 10 A.M. TOMORROW

Mr. YOUNG of North Dakota. Madam President, I should like to inquire of the distinguished majority leader how long we may expect the Senate to remain in session this evening.

Mr. MANSFIELD. I would estimate the Senate would be in session until 9 or 10 o'clock tonight. We will assemble early every day from now on in an attempt to expedite the business of the Senate.

Madam President, I ask unanimous consent that when the Senate concludes its deliberations this evening it stand in adjournment to meet at 10 o'clock tomorrow morning.

The PRESIDING OFFICER. Without objection it is so ordered.

REVENUE ACT OF 1962

Mr. MANSFIELD. Madam President, I ask unanimous consent that the unfinished business be laid before the Senate and made the pending business.

Without objection, the Senate resumed the consideration of the bill (H.R. 10650) to amend the Internal Revenue Code of 1954 to provide a credit for investment in certain depreciable property, to eliminate certain defects and inequities, and for other purposes.

PRIVILEGE OF THE FLOOR

Mr. BYRD of Virginia. Madam President, I ask unanimous consent that Miss Grace Gunn and Mr. James Symons, of the staff of the Joint Committee on Internal Revenue Taxation, be granted the privilege of the floor during the consideration of the tax bill.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. MANSFIELD. Madam President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

[No. 220 Leg.]

Aiken
Allott
Beall
Bottum
Burdick
Bush
Byrd, Va.
Byrd, W. Va.
Cannon
Carroll
Case
Chavez
Church
Clark
Cooper
Curtis
Dirksen
Dodd
Douglas
Eastland
Ellender
Ervin
Fong
Fulbright
Gore
Gruening
Hart
Hartke
Hayden
Hickenlooper
Hickey
Hill
Holland
Humphrey
Jackson
Johnston
Jordan, N.C.
Keating
Kefauver
Kerr
Kuchel
Lausche
Long, Mo.
Long, Hawaii
Magnuson
Mansfield
McCarthy
McClellan
McGee
McNamara
Metcalf
Monroney
Morse
Moss
Mundt
Muskie
Neuberger
Pastore
Pell
Prouty
Proxmire
Randolph
Robertson
Russell
Saltonstall
Scott
Smathers
Smith, Maine
Sparkman
Talmadge
Thurmond
Wiley
Williams, Del.
Yarborough
Young, N. Dak.
Young, Ohio

Mr. HUMPHREY. I announce that the Senator from Alaska [Mr. Bartlett], the Senator from Nevada [Mr. Bible], the Senator from California [Mr. Engle], the Senator from Louisiana [Mr. Long], the Senator from Massachusetts [Mr. Smith], the Senator from Mississippi [Mr. Stennis], and the Senator from New Jersey [Mr. Williams] are absent on official business.

I further announce that the Senator from New Mexico [Mr. Anderson], and the Senator from Missouri [Mr. Symington] are necessarily absent.

Mr. KUCHEL. I announce that the Senator from Utah [Mr. Bennett], the Senator from Delaware [Mr. Boggs], the Senator from Maryland [Mr. Butler], the Senator from Indiana [Mr. Capehart], the Senators from Kansas [Mr. Carlson and Mr. Pearson], the Senators from New Hampshire [Mr. Cotton and Mr. Murphy], the Senator from Arizona [Mr. Goldwater], the Senator from New York [Mr. Javits], the Senator from Idaho [Mr. Jordan], the Senator from Iowa [Mr. Miller], the Senator from Kentucky [Mr. Morton], and the Senator from Texas [Mr. Tower] are necessarily absent.

The Senator from Nebraska [Mr. Hruska] is absent on official business.

The PRESIDING OFFICER. A quorum is present.

Mr. BYRD of Virginia. Madam President, the bill H.R. 10650 is the most comprehensive measure to come before the Congress since the 1954 provision of the Internal Revenue Code. Senators will observe on their desks the volumes of testimony taken by the committee. I believe there are 12 volumes of the record, containing nearly 5,000 pages of testimony given by more than 200 witnesses, indicating opposition to many sections of the bill and also the importance of it.

The bill contains a number of provisions which would close loopholes. I wish that more were closed. Those provisions I favor.

But, unfortunately, the bill also contains a provision which would open up one of the largest loopholes that has ever been written into law, to my knowledge. I refer to investment credit. I am opposed to the investment credit because it is discriminatory and because its value and need as a stimulant to so-called economic growth are both questionable and doubtful, and because it would substantially increase the budget deficit.

If we should allow the proposed investment credit on the purchase of machinery and equipment, it would naturally follow that we must later allow it for buildings, because it is not sensible to think that businessmen would put new machinery into antiquated buildings.

Again, it would undoubtedly be very much more favorable to big business than to small business because big business more often is operating at a profit. There would be no benefit in the proposed tax credit unless one did make a profit. The credit might be carried forward under the bill, or something like that, but one must have a profit and establish a tax in order to deduct from it the proposed tax credit.

Since the bill passed the House, the administration has issued regulations under which depreciation deductions are substantially increased. That I favor. That will be stimulant to investment in machinery and new plants. The regulation, which I believe was issued on July 11, is estimated to lose $1,500 million of tax revenue. The investment credit would reduce the revenue by $1,200 million, making a total of $2,700 million for the same general plan of benefits, all of which, as it now appears to me, would probably be added to the public debt.

For the first time in my 30 years of membership on the Senate Finance Committee I have found it necessary to present a minority statement on a bill reported by the committee. The committee adopted the investment credit provisions by a vote of 10 to 7. In the minority views I was joined by the Senator from Tennessee [Mr. GORE], the Senator from Delaware [Mr. WILLIAMS], and the Senator from Nebraska [Mr. CURTIS]. By reason of that I have submitted individual views I felt it was appropriate for me to request the very able ranking Democratic member of the Senate Finance Committee, the Senator from Oklahoma [Mr. KERR], to report the bill to the Senate, which he has done.

Madam President, I commend the distinguished Senator from Wisconsin [Mr. PROXMIRE], who is a cosponsor of an amendment that would eliminate the so-called investment credit provisions from the pending bill.

I commend the Senator from Wisconsin for the presentation which he made on Saturday in behalf of the amendment and against the investment credit provisions. His analysis of the situation was accurate. It was exhaustive and able, and his arguments were forceful. His position is correct. I am pleased to be associated with him in that effort. The Senate and the public is indebted to him for stating the opposition to the investment credit provisions so clearly and so fully.

The Senator from Wisconsin [Mr. PROXMIRE] appeared before the Senate Committee on Finance in opposition to the investment credit and made an extremely able argument.

Madam President, I wish to read my minority views which, as I said, I signed with great reluctance, breaking a policy of mine for 30 years.

The minority views are as follows:

> We oppose section 2 of the 1962 revenue bill (H.R. 10650) which would give a 7-percent tax credit to segments of business for investment in new machinery and equipment.
>
> Our opposition to this section of the bill is based on firm convictions after full consideration of views expressed by competent witnesses in exhaustive hearings, and those expressed in voluminous correspondence from the general public.
>
> We have given closest possible study to statements in behalf of the administration's recommendations made before the Senate Finance Committee which, in some respects, are at variance with provisions now in the section.
>
> Before adopting the "investment credit" (sec. 2) provisions as reported, the Senate must consider the fact that the Internal Revenue Service on July 11, 1962, substantially revised its regulations to accelerate regular depreciation.

Which, as I have said, would cost the Treasury $1,500 million.

> Our position—

That is, the signers of the minority views—

> is in accord with views of a vast number of citizens, including those representing industry, business, labor, and agriculture throughout the Nation, who have testified and counseled for rejection of the provisions of section 2.
>
> Hearings on the pending bill were held over a period of 4 months, and a substantial portion of the testimony taken was directed to section 2. Generally, our conclusions may be summarized, but the detail must be considered, too.
>
> In summary, we oppose "investment credit" as it would be provided by section 2 for numerous reasons including the facts that—
>
> (1) It would be a subsidy in the nature of a windfall to be given to businesses which comply with a Government policy.

As I have stated, the big business, which most often makes a profit, would get more benefits than the smaller business.

I continue to state the minority views:

> (2) It would be discriminatory in its application among various businesses, even among those similar in kind.
>
> (3) Its value and its need as a stimulant to so-called economic growth are both questionable and doubtful.
>
> (4) Its continuing cost would be heavy and it would increase the Federal deficit in the current fiscal year.

I will repeat what I said in the beginning. If we provide an investment credit for the installation of machinery, it naturally follows that we shall have to provide an investment credit for buildings, because if buildings were antiquated, it is not likely that a businessman with judgment would install new machinery in an old building.

I continue to read from the report:

> WOULD INCREASE DEFICIT
>
> There was a Federal deficit of $6.3 billion in fiscal year 1962 which ended June 30. There will be another deficit in the current fiscal year which started July 1. The "investment credit" provisions in H.R. 10650 would increase the 1963 deficit by $630 million (net).
>
> The staff of the Joint Committee on Internal Revenue Taxation, using officially budgeted expenditures, estimates that—
>
> (1) The Federal deficit in the current fiscal year 1963 will be more than $3.9 billion, excluding the effect of this bill.

In my judgment, this estimate is too low, because the shock that has occurred in the stock market will unquestionably reduce income in this fiscal year, and thereby reduce the receipts from taxes on income.

Second, the Federal deficit would be increased by a total of more than $1 billion if H.R. 10650 as passed by the House of Representatives were enacted.

Third, the Federal deficit estimate would have to be increased by a total of $630 million net if the bill as reported by the Senate Finance Committee were enacted, with the investment credit provision.

If H.R. 10650, in either the House or the Senate committee version, were enacted, a substantial portion of the estimated increase in the Federal deficit would be directly attributable to the effect of the investment credit provision alone. The Joint Committee staff estimates that under the House-passed version of the investment credit provision, revenue in fiscal year 1963 would be reduced by $1.3 billion; and under the Senate committee version of the investment credit provision, revenue in fiscal year 1963 would be reduced by $650 million gross.

If the investment credit provisions of section 2 remain in the bill and the measure is enacted, they will become permanent in the law. For this reason it is appropriate for the Senate to examine the long-range budgetary effects.

When this is done, the enormousness of the revenue loss becomes even more clear, and the budgetary effect becomes even more significant. Extending application of the investment credit provisions over an 11-year period, from 1962 to 1972, the Joint Committee staff finds that business tax liabilities would be reduced during that period by $21 billion under the House-passed version; and business tax liabilities would be reduced in that period by $15.6 billion under the Senate committee version.

I may say that the Senate committee amended the tax credit provision so that the revenue loss would be less than under the House bill.

Revenue loss resulting from application of the new depreciation guidelines made effective by the Treasury Department on July 11, 1962, would be in addition to the revenue loss resulting from the investment credit provisions in the bill if they were enacted.

The Treasury has estimated that in the first year of operation the recent revisions in Internal Revenue Service rules on depreciation will result in a reduction in business tax liabilities of $1.5 billion. Estimates for subsequent years have not been made.

Let us see what is wrong in principle with the investment credit provision.

The investment credit proposed in section 2 of the pending bill is wrong in principle. It would be discriminatory in its application. It would do harm to our tax structure. It is a new gimmick, and will add nothing. It would not achieve so-called growth in investment. It it is not needed under existing conditions.

Under terms of the bill, those complying with the investment credit provisions would be entitled to a tax credit which could be offset directly against income tax liability. Coupled with depreciation, investment credit would return to the investor more than he paid for the asset.

I mean by that that under the depreciation laws a person is permitted to deduct only the cost of the article, whatever it may be—machinery or anything else. Under the bill, as amended by the Committee on Finance, there would be an additional reduction because it is a credit, and not a deduction. Income tax is generally estimated at 52 percent. So that instead of being a deduction, the person who would acquire this machinery, and so forth, would get a tax credit of more than the actual cost.

Mr. GORE. Madam President, will the Senator yield?

Mr. BYRD of Virginia. I yield.

Mr. GORE. Did not the senior Senator from Virginia, like the junior Senator from Tennessee, though feeling that the recent revision of the depreciation schedule may have been overly generous, lend his support to this new approach to depreciation?

Mr. BYRD of Virginia. Yes, I did. I thought that was the proper way to approach it. That would hold the figure down to 100 percent, as the Senator knows, but under this provision the investment credit would in effect provide depreciation in excess of 100 percent.

Mr. GORE. As the Senator knows, the depreciation schedule now in effect is so generous that a businessman can write off a new automobile entirely in 3 years.

Mr. BYRD of Virginia. The Senator is correct.

Mr. GORE. Like the Senator from Virginia, I thought that the regulations on depreciation needed attention, and have needed it for some time. I felt that if the new regulations are not sufficiently generous, the Treasury Department has authority from the committee and Congress to be more generous than the regulations that have been issued. Is that correct?

Mr. BYRD of Virginia. The Senator from Tennessee is correct.

Mr. GORE. Is it not reasonable to assume that the Treasury Department, in revising the depreciation schedule, was as generous as it felt justified in issuing the new regulations?

Mr. BYRD of Virginia. I agree with the Senator from Tennessee.

Mr. GORE. I would like to ask the Senator, if that be true, what justification is there now for piling on top of that perhaps another $1½ billion of so-called investment credit?

Mr. BYRD of Virginia. There is no justification for it. For that reason I joined the Senator from Tennessee in signing individual views. One of the things the Senate should understand as to this particular class of people is that they would get the investment credit to provide depreciation of more than 100 percent, not 100 percent, in accordance with the regular schedule. Is that correct?

Mr. GORE. That is correct. I should like to ask the Senator if it is not true that under the bill before the Senate and under the majority report interstate gas pipelines receive a 7-percent investment credit.

Mr. BYRD of Virginia. That is correct. Slot machines would receive it, too. Anything that is bought in the way of equipment would receive it. One could use slot machines for gambling and get the credit.

Mr. GORE. I am not sure that all Members of the Senate realize to what extent effective legal meaning is given to the provisions of a tax law that is proposed by the majority report, which accompanies such a bill. I am sure the Senator will attest to the legal application of a Senate committee report with reference to its intention.

Mr. BYRD of Virginia. It does have great legal effect in the courts.

Mr. GORE. Madam President, will the Senator yield further?

Mr. BYRD of Virginia. I yield.

Mr. GORE. I should like to read from page 155 of the report:

> Specific examples of qualifying property which normally would be used as an integral part of one of the specific activities are blast furnaces, oil and gas pipelines, and railroad tracks and signals. Fences will qualify as section 38 property where used as an integral part of a specified activity as, for example, where used in connection with the raising of livestock.

Now I turn to page 14 of the report:

> Public utility property is taken into account as qualified investment at three-sevenths of the amount otherwise allowable.

The Senator had previously stated that utilities which are under regulation receive not 7 percent, but 3 percent.

Mr. BYRD of Virginia. That is correct.

Mr. GORE. But as I read paragraph 4 on page 14, it will be seen that apparently the report makes an exception for gas pipelines.

Mr. BYRD of Virginia. From what page was the Senator reading?

Mr. GORE. From page 14.

Mr. BYRD of Virginia. I have been a Member of the Senate for a long time, but I have never seen on Senators' desks so many documents pertaining to one bill.

Mr. GORE. I should like to read the fourth paragraph, on page 14:

> Public utility property is taken into account as qualified investment at three-sevenths of the amount otherwise allowable. Thus, in the case of 4- or 5-year public utility property, one-seventh of the investment is taken into account; in the case of 6- or 7-year property, two-sevenths of the investment is taken into account; in the case of property with a life of 8 years or more, three-sevenths is taken into account. This means that in the case of public utility property with an expected useful life of 8 years or more, in effect a 3-percent credit is allowed. Public utility property for this purpose means property used predominantly in an electrical energy, water or sewage disposal business, a local gas distribution business, a telephone business, or a domestic telegraph business, but only if the rates involved in all of these cases are subject to regulation by a governmental agency or commission.

I am advised by technicians that gas pipelines will receive 7 percent. Does the Senator confirm that understanding?

Mr. BYRD of Virginia. I think the Senator from Tennessee is correct. That means, actually, more than 100 percent of its cost because under existing law and Internal Revenue Service regulations the cost of plant, machinery, and equipment generally may be depreciated 100 percent over a specified period.

Under existing law and Internal Revenue Service regulations the cost of plant, machinery, and equipment generally may be depreciated 100 percent over specified periods; and depreciation has been accelerated under the new rules now in force.

The regulation issued by the Internal Revenue Service on July 11 made the largest increase in the depreciation allowance at one time that I have known in my service in the Senate.

Under the current administration proposal and House bill provisions "investment credit" for new machinery and equipment would be in addition to 100-percent depreciation. Under the Senate committee version of the bill the "investment credit" would be in addition to 93-percent depreciation.

The administration proposed an 8-percent investment credit (with public utilities excluded) on new machinery and equipment in addition to 100 percent depreciation. The effect of this would be to give investors generally 116 percent of what they paid for the asset.

The House bill generally would give a 7-percent investment credit for new machinery and equipment, with a 3-percent credit for public utilities, in addition to 100-percent depreciation. This would allow investors up to 114 percent of what they paid for the asset.

The Senate committee bill generally would give a 7-percent investment credit for new machinery and equipment, with 3 percent for public utilities, in addition to 93 and 97 percent depreciation, respectively. This would allow investors up to 107 percent of what they paid for the asset.

Evidence given in hearings on this bill clearly shows that investment credit is both wrong in principle and unnecessary. Numerous witnesses, including those representing four major segments of the economy, opposed the principle involved.

In view of the testimony in the published record on this proposal, it is difficult to understand the persistence of the investment credit advocates. Leaders of industry, business, labor, and agriculture all have appeared before the Senate Finance Committee to oppose it.

Stanley H. Ruttenberg, research director, AFL–CIO, urged the committee to "delete this provision from the bill," because those he represented thought:

> It is a multibillion dollar windfall that will not really contribute anything to our

> national goals and will not relieve our balance-of-payment problems as it is claimed.

Walter Slowinski, appearing in behalf of the U.S. Chamber of Commerce, with respect to the investment credit provisions, said:

> The chamber again recommends against the adoption of this novel and untried preferential tax credit subsidy for business. It is also unnecessarily complex, and it will be difficult to administer.

Harold H. Scaff, chairman, tax committee, National Association of Manufacturers, said:

> Investment credit would simply provide reduction in effective tax rates for taxpayers who use their income and other funds as the Government thinks is best for the economy at a particular time.
>
> There has been a tendency to promote and discuss the investment tax credit apart from the price which it would exact in terms of other changes in the tax law. Even without the exaction of such a price, we would oppose the credit for the reasons set forth in the appendix attached hereto. Very simply, we believe that tax reductions should be afforded by direct means. We would take this position even if, in our opinion, all of the other provisions of H.R. 10650 constituted sound tax policy.

Charles B. Shuman, president, American Farm Bureau Federation, took the position that—

> These provisions are both unsound and likely to have a number of undesirable effects. It would be far better to liberalize the treatment of depreciation and work toward a general reduction in income tax rates.
>
> The proposed investment credit is a selective form of tax relief—in reality a subsidy. * * * The result would be to give some taxpayers a competitive advantage at the expense of others.

Although the Farmers Union did not send a representative to testify directly before the Finance Committee, a communication signed by James G. Patton, president, National Farmers Union, published in the CONGRESSIONAL RECORD of March 29, 1962, page 5417, said:

> Urge your influence to delete provision giving huge private corporations operating at less than full capacity over $1½ billion and private electrical power monopoly over $100 million in tax subsidies which would result in the flight of capital overseas and further aggravate the dollar crisis.

The investment credit proposal would be discriminatory in obvious respects. It would discriminate against companies which were recently modernized, against poorer companies, and against companies needing new buildings with or without new machinery and equipment.

The very fact that the investment credit would give special tax reductions only to companies able and willing to invest in new machinery and equipment means that those who, for any reason, were unable to make such investments would be subjected to discrimination. Struggling small companies unable to provide investment funds which would enable them to qualify under this proposal would not be eligible to receive the credit; but their very prosperous competitors would reap a windfall from the Federal Government, through this special tax treatment.

None of the proposals in the Senate committee's version of the bill or in the House version of the bill would give investment credit for new buildings or structural components. But it is difficult to imagine that such companies would install expensive, modern machinery and equipment in old, outmoded buildings. Madam President, I predict that if the proposed tax credit is given for new equipment and machinery, it will necessarily follow that we shall have to include new buildings, because no businessman with commonsense would install a considerable amount of new machinery in an antiquated building. So if, as would necessarily follow, we would also have to include an allowance for the new buildings, the total cost would be enormous.

Plans for new facilities contemplated by advocates of the credit are formulated far in advance. Many of those who would benefit from the proposal would have developed their improvements without the incentive of investment credit. These businessmen do not decide all of a sudden to spend $100 or $500 million or any other considerable amount on such developments. Instead, their plans are made long in advance. In such cases, the credit would be of questionable value as a stimulant to economic growth.

On the other hand, the proposal offers neither incentive nor immediate means of expansion for companies which are hard pressed for capital. If the administration and the Congress desire to give aid to the corporations, it would be far better to do so by means of a reduction in the corporate tax in an amount which would develop a loss equivalent to that which would be experienced from the proposed investment credit, because an across-the-board reduction in the corporation tax would apply to all corporations, in accordance with their profits.

A recent McGraw-Hill survey developed the consensus that this investment credit proposal would increase 1962 investments by only about $300 million, or 1 percent. This raises the question of the effectiveness of section 2 as a stimulant for increased investment. Of course, the loss would come in later years, inasmuch as this proposal would be a permanent part of the tax system.

Witnesses before the Finance Committee also raised the question as to the effectiveness of investment credit in this respect. For example, Augustus W. Kelley, representing the Proprietary Association, said:

> The theory of the tax incentive in our opinion is based on the false premise that business investments are motivated substantially by tax considerations. In our industry, and we believe it is typical of others, the decision whether or not to invest in new machinery and equipment is based primarily on pure business consideration. Simply stated, we are not going to spend $1 just because the Government gives us 7 cents.

In other words, a company which installed new machinery and expanded its plant would have to be certain that it would find a market for what it produced.

Otis H. Ellis, speaking for the National Jobbers Council, said:

> This tax credit will not be enough to induce a single jobber to buy one item more than what he would otherwise have purchased.

The McGraw-Hill survey, previously referred to, indicates that without the investment credit business investments in plant and equipment this year may be expected to reach some $38 billion. This would be $1 billion more than the previous record set in 1957.

If $38 billion is spent in new plant and equipment this year, it will exceed such investments of last year by $3.5 billion or 11 percent; and the same survey finds reason to expect continuing high level of investment for the period of 1963–65—provided businessmen have confidence in the future of business and provided they think they can sell what they produce.

Madam President, at this point let me state that what the businessmen of the country need is confidence—confidence that the dollar will not be devalued, confidence that those in Washington will not take sides against business, but that will adopt in regard to business substantially the same policy they have adopted in regard to labor, and confidence that the budget will be balanced.

Madam President, I have talked so often about the importance of balancing the budget that I know Senators are tired of hearing me refer to it. But it is true that in this connection we could do nothing better than balance the budget. It has been balanced only 5 times in more than 30 years. When I came to the Senate, in 1933, the national debt was less than $20 billion; today the national debt exceeds $300 billion; and there is no prospect that the budget will be balanced in the near future. In view of our past and present spending programs and our constantly increasing national debt—which now has reached staggering proportions—it is obvious that if this trend is continued, the time will come when we shall have gone too far. We cannot continue to be the policemen of the free world and the banker of the free world and the Santa Claus of the free world indefinitely. Other nations have tried that in a smaller way, and all of them have met with disaster.

Those of us who have signed these minority views believe that the sound way to achieve a reduction in taxes is first to eliminate unnecessary Federal expenditures, as a means of putting the Nation on a sound financial basis.

Madam President, it is bad enough to have such very large deficits; but when we consider the operations of the Government and when we see the unbelievable amounts of waste and extravagance which exist in practically every activity on the part of the Government, we realize that they make the situation even worse, because we are creating deficits by means of expenditures which do not bring in much return.

Madam President, consider the Federal payrolls. When I first came to the Senate—and I hope I may be pardoned for referring to the situation which existed some years ago, but I think it is pertinent to refer to it here—there were 500,000 Federal employees. Today, there are more than 2½ million. Mr. Hodges, the Secretary of Commerce, said in effect before a House committee that substantial savings could be made in his Department if he could get rid of the deadwood. But, on the contrary, instead of reducing the personnel in the Department of Commerce, for the month of June, 1,600 new employees were added; and in the month of June there was an increase by 35,000 in the employment in the entire Federal Government—the largest increase in any month in 10 years except for the temporary employment of 1960 census takers.

Madam President, we do not believe that tax reductions should be discriminatory by favoring some taxpayers over others in the manner inherent in the "investment credit" proposal or otherwise.

We believe that revisions in the Federal revenue structure should not create new discriminatory and artificial distinctions among taxpayers such as this proposal would establish in the law.

We believe our attention should be directed toward reducing rather than increasing such inequities.

Madam President, these minority views are signed by myself, as chairman of the committee, and by the distinguished Senator from Tennessee [Mr. Gore], the distinguished Senator from Delaware [Mr. Williams], and the distinguished Senator from Nebraska [Mr. Curtis].

Mr. PROXMIRE. Madam President, will the Senator from Virginia yield?

Mr. BYRD of Virginia. I yield.

Mr. PROXMIRE. I wish to say that I am very proud to have been present today to hear the distinguished chairman of the Finance Committee make his very significant and historic speech. I believe this is the first time in some 30 years that the distinguished Senator from Virginia has filed minority views.

Mr. BYRD of Virginia. That is correct.

Mr. PROXMIRE. He feels so deeply about this issue, and he believes the present tax proposal is so unconscionable and so unprincipled and so adverse to the Nation's interests, because it would "bust" the budget so drastically, that he decided it was necessary to file minority views; is that correct?

Mr. BYRD of Virginia. That is correct.

Mr. PROXMIRE. Let me say that I was tremendously impressed by what the Senator from Virginia said, and also by what the Senator from Tennessee [Mr. Gore] said in connection with the point he brought up.

The Senator from Virginia very generously referred to the speech I made on Saturday, when I spoke for 4½ hours on this subject.

A few minutes ago the Senator from Tennessee referred to the situation in regard to the pipelines. In that situation, other utilities are allowed a 3-percent deduction, but the gas pipelines are allowed a 7-percent deduction; is that correct?

Mr. BYRD of Virginia. That is true.

Mr. PROXMIRE. The oil industry already is being treated in such a favorable tax way that it is the privileged sweetheart of the Government. For example, the oil industry is receiving a 27½-percent depletion allowance, and also is receiving one for expensing credit for drilling costs, and also is receiving other substantial advantages.

Mr. BYRD of Virginia. Yes.

Mr. PROXMIRE. The minority views of the Senator from Virginia are simply irrefutable. I cannot think of a single substantial argument in favor of the proposed investment credit.

I would add only one thing. The argument has been advanced for adoption of investment credit that it is necessary to make us more competitive with economies overseas. Which countries have investment credit? The United Kingdom, Belgium, and the Netherlands. The United Kingdom is the only industrialized country that has grown less rapidly that we have in the past 10 years, except for Belgium and Sweden; and the Netherlands has grown less rapidly than any other industrialized country in Europe except for the United Kingdom, Belgium, and Sweden. So it seems, on the basis of the facts, that is not a significant argument for the need for investment credit. Is that correct?

Mr. BYRD of Virginia. The Senator is absolutely correct. The Finance Committee went fully into that question with respect to competition and conditions in other countries. The Senator has correctly stated the situation.

Mr. PROXMIRE. I thank the Senator.

Mr. GORE. Madam President, will the Senator yield?

Mr. BYRD of Virginia. I yield to the Senator from Tennessee.

Mr. GORE. I wish to compliment in the highest of terms the distinguished senior Senator from Virginia, chairman of the Finance Committee. I have some knowledge and opinion about the degree of reluctance with which the chairman of the committee filed these minority views. I know it has been only through the promptings of his conscientious convictions that he has done so; but in doing so, in my view, he has performed a signal service. I am honored and pleased to be associated with him in an attempt to strike from the bill this provision, which seems to me to stand bare of justification.

Mr. BYRD of Virginia. I thank the Senator.

Mr. WILLIAMS of Delaware. Madam President, will the Senator yield?

Mr. BYRD of Virginia. I yield to the Senator from Delaware.

Mr. WILLIAMS of Delaware. I wish to join my colleagues in complimenting the chairman of the committee upon his analysis of the pending bill. I was proud to join the Senator from Virginia in his minority views and in the effort to strike from the bill the section which would allow the 7-percent investment credit. This is the proposal which allows a taxpayer in effect to depreciate a piece of machinery for 114 percent of its cost.

The Senator from Wisconsin pointed out that one of the administration's arguments in behalf of this 7-percent investment credit was that it would enable American industry to compete with the European Common Market. That is an excuse—not a reason. The Senator knows that as the bill came from the House it included a provision for a 7-percent investment credit for racehorses and bulls. Now, how would that increase the productivity of American industry or better enable it to compete with the European Common Market?

That provision was stricken in the Finance Committee, but the bill as it came from the Senate committee still allows this special investment credit under which taxpayers could recover 107 percent of their investment for slot machines, pinsetters, equipment at the racetrack, and many other types of equipment. What have these items got to do with increasing the productive capacity of this country?

I agree fully with what the chairman of the committee has said, that there are many ways this $1.2 billion tax reduction could have been arrived at by making the benefits more equitably available to all taxpayers. For instance, the corporate tax could have been reduced so that all taxpayers would benefit. Under this bill the benefits would go only for certain types of machinery. As the chairman knows, the benefits do not go to new buildings. What good is new machinery if there is no building to put it in?

If the depreciation schedules are going to be changed they should be changed within the framework of existing law at a time when we have the money to finance such a tax reduction without borrowing the money. Any liberalization of our depreciation allowances should be made within the framework of existing law so all taxpayers can compute it without the necessity of hiring a Harvard economist to interpret the provisions of the bill.

Mr. CURTIS. Madam President, will the Senator yield?

Mr. KERR. Madam President, a point of order. The Senator from Delaware rose to ask the Senator from Virginia a question. The Senator from Virginia agreed to answer it. The Senator from Oklahoma would like to hear the Senator's answer.

Mr. BYRD of Virginia. Madam President, I agree with the Senator from Delaware.

Mr. KERR. On what?

Mr. BYRD of Virginia. On the question.

Mr. KERR. On the question. All right.

Mr. BYRD of Virginia. I yield to the Senator from Nebraska.

Mr. CURTIS. Madam President, I commend the chairman for the excellent work he has done, not only now, but throughout the years. The minority views drafted by the chairman, in which others of us have joined, point out that if this provision remains in the bill there will be a total net loss in revenue of $630 million.

Is it not true that the same provision in the House bill would result in a loss of revenue much greater?

Mr. BYRD of Virginia. That is true.

Mr. CURTIS. In excess of $1 billion—to be exact, $1.2 billion. If we had acceded to the original suggestion of the Treasury it would be substantially more than that.

I wish to point out that it is very important that the provision be stricken from the bill. I urge that the amendment of the distinguished chairman of the committee to do so, be carried out, because if it remains in the bill, when we are through with the conference, in the give-and-take that arises as a matter of necessity in conference, we are going to have, not a $630 million net deficit, but very likely one of several hundred millions more.

Is that not correct?

Mr. BYRD of Virginia. The Senator is correct.

Madam President, I yield to the distinguished Senator from Oklahoma [Mr. KERR], who I have requested to take charge of the bill on the floor of the Senate because of the fact that I have signed the minority views.

The PRESIDING OFFICER. The Senator from Oklahoma.

Mr. KERR. Madam President, first, I ask unanimous consent that all committee amendments be adopted and that the bill as thus amended be considered as original text for the purpose of further amendment to the bill.

Mr. GORE. Madam President, I object.

The PRESIDING OFFICER. Objection is heard.

Mr. KERR. Madam President, I thank the distinguished Senator from Tennessee for showing his hand. There are many amendments in this bill, and his tactic demonstrates that he is interested purely and solely in delay, because this would change the parliamentary procedure whereby the bill would be considered. The Senator from Oklahoma does not object to that. He believes his physical endurance is equal to that of the Senator from Tennessee, although he does not know that his mental capacity is anywhere in the same orbit as the Senator from Tennessee feels his is. The Senator from Oklahoma will be glad to stand on the floor of the Senate and handle the bill in accordance with the necessary procedure, if the Senator from Tennessee still objects. The Senator from Oklahoma hopes, however, the Senator from Tennessee may reconsider and withdraw the objection.

Mr. GORE. Madam President, will the Senator yield?

Mr. KERR. I yield.

Mr. GORE. I have no dilatory motives in mind in objecting to the request. I understand that such an obnoxious amendment as H.R. 10 may be offered——

Mr. KERR. I did not ask that to be considered. I ask that the committee amendments be adopted and that the bill as thus amended be considered as original text for the purpose of further amendment to the bill. That is the ordinary procedure on every other bill that the committee brings to the floor, and is usually followed so that there may be orderly procedure. I am sure that three-fourths of the committee amendments will be acceptable to the Senator from Tennessee. Yet, under the procedure we shall have to follow if his objection is continued, we shall have to take up each committee amendment separately, as I understand the parliamentary procedure, and consider it.

Mr. GORE. Madam President, will the Senator yield?

Mr. KERR. I yield.

Mr. GORE. Nearly all of the amendments adopted by the Senate Finance Committee made the bill worse instead of better. The Senator has no right to indulge in the presumption that I would agree to most of the amendments; as a matter of fact, I am opposed to most of the amendments adopted by the Senate Finance Committee. Therefore, I shall insist upon my objection, in order to preserve my parliamentary rights to vote on those amendments.

Mr. KERR. Very well. If the Senator insists, he insists.

Mr. CURTIS. Madam President, will the distinguished Senator yield at that point?

Mr. KERR. I yield.

Mr. CURTIS. What bill is before the Senate? Is it the House bill?

Mr. KERR. The committee bill, H.R. 10650 as amended by the Senate committee, is before the Senate.

Mr. CURTIS. If I correctly understood the unanimous-consent request made by the distinguished senior Senator from Oklahoma, to which an objection was made, my query is, Do we start out with the House bill before us?

Mr. KERR. As I understand the parliamentary procedure, in view of the objection by the Senator from Tennessee—and I will ask the Parliamentarian to advise the Presiding Officer to correct me if I am in error—under the parliamentary procedure the committee bill is before the Senate. The committee amendments will have precedence. The first procedure would be to go through the bill and to vote on the amendments as they appear in the bill.

The PRESIDING OFFICER. The Senator is correct. The House bill is before the Senate, and the committee amendments will be considered one at a time.

Mr. KERR. And the amendments will have precedence. Until they are acted upon, as some might seek to amend them when they are before the Senate, our procedure will be to go through the bill and to act on all the amendments put into the bill by the committee before other amendments, other than an amendment to a committee amendment, would be in order.

The PRESIDING OFFICER. The Senator is correct.

Mr. GORE. Madam President, will the Senator yield for a parliamentary inquiry?

Mr. CURTIS. Then if a committee amendment should fail, we would revert back to the House position on that particular amendment?

Mr. KERR. Insofar as the matter before the Senate is concerned, the Senator is correct.

Mr. WILLIAMS of Delaware. Madam President, will the Senator yield?

Mr. KERR. I yield.

Mr. WILLIAMS of Delaware. I have no objection to the unanimous-consent request which the Senator from Oklahoma has made. This is the customary procedure. As I understand it, in the absence of such an agreement the motion which the Senator from Virginia and some others of us will make to strike from the bill those sections dealing with investment credit would not be in order until after the Senate had gone through the tedious process of acting on each individual amendment in the bill.

Mr. KERR. I think that is correct. Therefore, I repeat what I said, that the action by the Senator from Tennessee can be generated from one purpose only, and that is a dilatory purpose.

Mr. GORE. Madam President, will the Senator yield?

Mr. KERR. For a question.

Mr. GORE. By what right does the senior Senator from Oklahoma attribute to the junior Senator from Tennessee a motive of which he, the senior Senator from Oklahoma, has no knowledge?

Mr. KERR. The Senator from Oklahoma makes the statement, first, on the basis of the right of freedom of expression on the Senate floor; and, second, on the basis of the evidence before the Senator from Oklahoma and the expression of an honest opinion.

There is no possible way for the Senator from Tennessee to prevent the consideration by the Senate of the committee amendments; and he knows, being the experienced parliamentarian he is and one of the most able authorities in the Senate on the rules of the Senate, that the committee amendments will have priority; and he knows that his objection and the failure of the Senate to agree to the request by the Senator from Oklahoma—a procedure which has been followed, so far as I know, in respect to 99 out of 100 bills brought before the Senate by committee—means that the Senate now will have to go through this bill of 392 pages and consider separately each amendment put in the bill by the committee. Then, following that, we shall have the usual procedure of Senators seeking to offer further amendments to the bill.

Madam President, if that is not dilatory, if that is not calculated to cause and to secure delay, then the Senator from Oklahoma is unable to read the evidence plainly before him which results from the action of the Senator from Tennessee.

Mr. GORE. Madam President, will the Senator yield?

Mr. KERR. For a question.

Mr. GORE. I take it the Senator feels that he is entitled to express his personal opinion, which he has now done?

Mr. KERR. Madam President, I do not yield for that, unless it is a question.

Mr. GORE. That is a question. I take it that the Senator feels justified in expressing his personal opinion as to the motives of the junior Senator from Tennessee. Is that correct?

Mr. KERR. That is correct.

Mr. GORE. Does that not in fact constitute a change from the Senator's previous statement, in which he made a flatfooted statement, and did not qualify it as being a matter of his opinion?

Mr. KERR. Well, the Senator may find a distinction there, but it is one without a difference.

Mr. GORE. Madam President, will the Senator yield for a question?

Mr. KERR. Yes.

Mr. GORE. Is not the matter before the Senate——

Mr. KERR. H.R. 10650.

Mr. GORE. Is there not a constitutional requirement that revenue measures shall originate in the House of Representatives?

Mr. KERR. The Senator is familiar with that provision of the Constitution, the same as is the Senator from Oklahoma.

Mr. GORE. If the Senator will permit me to preface my next question with an expression of gratitude for his generous references to my limited knowledge of the rules of the Senate, I will thank the Senator. Then I wish to say to him that I am well aware of the parliamentary rights of every Member of the Senate.

Amendments have been proposed to the bill by a majority of the Senate Finance Committee which would wreck the bill of a Democratic President. I expect to oppose the adoption of some of those amendments, and I want the right to do so without having them summarily acted upon here by a unanimous-consent operation.

Mr. KERR. I say to the Senator from Tennessee—and he knows it as well as I—that the action requested by the Senator from Oklahoma, if agreed to, would not impair a single right or privilege that the Senator from Tennessee has in that regard. He would still have the right under the unanimous-consent agreement to offer any amendment to the bill which he now has the right to offer. The Senator knows that.

Mr. BUSH. Madam President, will the Senator yield for a question?

Mr. KERR. I yield.

Mr. BUSH. If we follow the pattern suggested by the Senator from Oklahoma, we would start consideration of the bill as though it had no amendments, would we not?

Mr. KERR. The bill will be considered an original text, and it would be subject to and open for amendment by any Senator.

Mr. BUSH. And even the committee amendments would be open to amendments, as though they were not amendments but were a part of the original bill, would they not?

Mr. KERR. The Senator is entirely correct.

Mr. BUSH. That is what the Senator from Oklahoma wants?

Mr. KERR. That is what I asked unanimous consent to obtain.

Mr. BUSH. I would think that would be the orderly way to proceed. I do not know how we can get at the bill unless we do it that way.

Mr. KERR. We will get at it. We will be in that posture many legislature hours, and perhaps days later than now. As I say, my physical endurance, I hope and the Lord be willing, is equal to that of the Senator from Tennessee. Therefore, I promise him faithfully that we will arrive at that point.

Madam President, I shall address myself briefly to some of the statements which have been made on the floor before I move into the presentation of my statement on the bill.

First, I wish to say that no man in the Senate has higher esteem or greater respect for the chairman of the committee than does the Senator from Oklahoma. I have never served with a man in the Senate who had higher ideals, greater patriotism, more rugged devotion to our way of life, our Constitution, and our country, than the great Senator from Virginia [Mr. BYRD]. One of the joys of the Senator from Oklahoma in his service in the Senate has been serving with the Senator from Virginia.

It is interesting to know that while the distinguished Senator from Tennessee [Mr. GORE] has joined in the separate views with reference to the investment credit provisions in the bill, the record of the deliberations, discussions, debate, and votes on the bill will disclose that the chairman of the committee and the Senator from Oklahoma were together 15 times as often as the Senator from Tennessee joined the great chairman in support of decisions on the bill. I will leave it to the record of what is done on the bill as to who thinks most of the judgment and the ability of the Senator from Virginia [Mr. BYRD] with reference to the bill—the Senator from Oklahoma or the Senator from Tennessee.

The statement was made that the bill would increase the deficit. That question is debatable. I remind Senators that as the bill came to the Finance Committee and as it would have come to the floor of the Senate had the Senator from Oklahoma prevailed in his position on the bill, it would have created a net credit of revenue and no deficit. The action of the committee in deleting from the bill the withholding tax is the justification for statements by anyone who addresses himself to the bill on the basis that it would create a deficit. That is the only reason why a deficit would be created if one were created.

However, in that regard, I should say that in opposition to the withholding provision, our distinguished chairman offered an amendment that would change the present law and regulations with reference to the reporting of interest and dividends paid by payors to payees in our country. I remind my great friend from Virginia that in offering that amendment he told the committee that in his judgment, together with existing law with reference to the handling of income tax returns in the more efficient manner that has been set up for their handling, his amendment with reference to the requirement of those returns would be as productive of additional revenue as would the withholding tax.

After the withholding provision had been taken from the bill by action of the committee, the Senator from Oklahoma joined the chairman in sponsorship of the reporting amendment. In the opinion of the Senator from Oklahoma, this aided in adding to its effectiveness whereby, in the judgment of the Senator from Oklahoma, it well may be that the result of the proposed legislation, including the reporting amendment, will be to produce as much revenue, or nearly so, as the withholding tax would have produced. In that event the bill would produce a net gain and not a deficit.

The distinguished chairman, with much vigorous and enthusiastic support from other Senators, complained of the investment credit provisions in the bill on the basis that it applied to new equipment in old buildings, but would not apply to the building. I think perhaps most of the teeth were pulled from that criticism by the next statement of our distinguished and beloved chairman when he said that if it did apply to both buildings and the equipment contained in them or to be placed in them, he would be even more critical of the bill than he is without the investment credit being applicable to the buildings.

He made the statement that the investment credit provisions are more favorable to big business than to small business. I cannot agree with my great friend in that regard. It will be my purpose to state, to document, and to prove in the course of the debate that the investment credit provisions in the bill would be more beneficial and more favorable to small business than to big business, relatively and proportionately and that the provisions of the bill are especially favorable to agriculture.

It has been urged that increased and more accelerated depreciation be provided as an incentive to greater development in lieu of the investment credit. Yet the fact remains that acceleration of depreciation could not be more favorable to small business than to big business. It could not be more favorable to agriculture than to industry generally because depreciation provisions are a deduction from income, not a credit against tax. A deduction from income will help the small farmer subject to a 20-percent tax rate or the small corporation subject to a 30-percent rate less than the larger corporation subject to a 52-percent rate of tax.

But the investment credit provision in the bill, since it is a credit directly against tax, will give the small farmer or small corporation the same dollar reduction in tax as the larger corporation, assuming the same investment is made by each.

My good friend the Senator from Tennessee [Mr. GORE] had a good deal to say about the specific examples referred to at page 155 of the Senate committee report. The specific examples of qualifying property which would normally be used as an integral part of one of the specified activities include blast furnaces, oil and gas pipelines, railroad tracks, and signals. Had he gone on, he would have read that fences would qualify as section 38 property where used as an integral part of a specified activity, as, for example, where used in connection with the raising of livestock.

He made some especially critical remarks about that, by reason of the fact that the oil and gas industry would be the beneficiary. I must make two statements about that point. The language in the bill as it has come from the Finance Committee to the Senate is identical with the language in the bill as it came from the House to the Finance Committee. The Senator from Tennessee was present during the deliberations of the Finance Committee, I presume, as regularly as any other member of the committee. Not once did he raise his voice in opposition to that provision in the bill. He offered many amendments to the bill, but not to that section.

With reference to that section, I say to the Senator from Tennessee that the benefits would go to the consumers, not the gas pipelines. If the Senator from Tennessee were aware of the facts in the case, the rules and regulations of the Federal Power Commission, and the applicable law, he would have known that. The interstate gas pipeline carriers are a regulated utility, and, under the operations of the Federal Power Commission, any saving effected by them reduces their rate base.

It results directly in benefit to the consumer, not to the regulated utility which is an interstate gas carrier. The same is true with reference, in a measure, to oil pipelines. They are common carriers. Any benefits they receive in the long practice is passed on to the consumers.

Mr. GORE. Madam President, will the Senator yield?

Mr. KERR. I will yield in a moment. My friend from Virginia referred to page 347 of the report, to the findings of the joint committee staff, reading:

> Business tax liabilities would be reduced during that period—

The years 1962–72—

> by $21 billion under the House-passed version; and business tax liabilities would be reduced during that period by $15.6 billion under the Senate committee version.

Then my good friend from Virginia says that such a tax reduction would be ineffective. How could such a tax reduction, as an incentive to the expansion of business industrial facilities be insignificant?

All who oppose the bill have hailed the action of the Treasury and the Internal Revenue Service in increasing the depreciation for a tax chargeoff of depreciable items, talking about how beneficial the savings to the taxpayers of more than a billion dollars a year would be and how it would stimulate and augment the expansion and modernization of our industrial workshop, its efficiency, its productivity, and its effectiveness.

It presents a strange paradox to the Senator from Oklahoma that the reduction of taxable income by $1,250 million a year would be a great stimulant to industry in improving efficiency, by its machinery and its industrial workshop, but that a tax credit of $1,250 million a year would be ineffective as a stimulant. The cold facts are that the benefits to the taxpayer of a tax credit of $1,250 million is worth at least twice as much to the taxpayer as an increase in the amount that the depreciation chargeoff in the same amount could possibly be.

I now yield to the Senator from Tennessee for a question, if he has one.

Mr. GORE. I have two questions.

Mr. KERR. I will yield to him for one question at a time. It will be discretionary entirely with respect to each one whether I will yield.

Mr. GORE. In view of the statement of the distinguished and able senior Senator from Oklahoma, with respect to the regulation of gas and oil pipelines as utilities, how does he justify an investment credit of 7 percent to gas and oil pipepines and only 3 percent to an electric utility?

Mr. KERR. Well, I will say to my good friend from Tennessee that if the Senator from Oklahoma had had his way, the investment credit for all utilities would have been set at 7 percent. However the Senator from Tennessee, while he was opposed to any investment credit, never at one time offered an amendment, in the considerations or deliberations by the Finance Committee, that the tax credit as between utilities and nonutilities be equalized, or that the tax credit in the bill of 7 percent for interstate gas pipeline carriers, which are regulated utilities, be changed to the 3 percent tax credit of electrical utilities, or that the one available to electric utilities be made equal to that of interstate gas pipeline carrier utilities. The Senator from Oklahoma would have made the 7 percent applicable to all of them. The Senator from Tennessee would have made it applicable to none of them. Therefore, the Senator from Oklahoma says that he is very glad to have been able to bring to the Senate as much of the administration's proposal with reference to the investment credit as he did. In order that the record may be crystal clear, on this point, however, the Senator from Oklahoma makes the statement that the administration did not ask for the application of the investment credit to regulated utilities.

Mr. GORE. Madam President, will the Senator yield?

Mr. KERR. For a question.

Mr. GORE. Being aware, as the Senator from Oklahoma is aware, that the junior Senator from Tennessee offered several amendments, as has already been attested to by the senior Senator from Oklahoma, but without having had too much luck with his amendments in the Committee on Finance, would not the junior Senator from Tennessee be clearly within his rights as a Senator to appeal to the Senate as a whole for the correction of errors and mistakes not only in the bill but in the majority report, which gives legislative intent with respect to the bill?

Mr. KERR. The Senator from Tennessee is clearly within his rights. The Senator from Oklahoma respects him as much as he respects any other Member. Like the Senator from Oklahoma, he is within his rights to do that. Although the Senator from Tennessee felt one provision of the House bill was abhorrent to him, he did not get around to offering an amendment. The Senator from Oklahoma does not know whether that was because he was weary of welldoing, or whether he decided to wait until he had a larger forum in which to give expression to his great thoughts and language, by bringing them up on the floor of the Senate.

Mr. GORE. In either event, my friend from Oklahoma will, I am sure, be happy to afford the Senator from Tennessee that opportunity.

Mr. KERR. Oh, the Senator from Oklahoma will have a lot of fun with the Senator from Tennessee.

I have great affection for the Senator from Tennessee. He and I have a great deal in common, including bull—that is, Angus bulls and Angus cattle. The Senator from Tennessee has been very close to the Senator from Oklahoma in many ways, both on and off the Senate floor. He loves him and respects him, and once in a while agrees with him. When I do agree with him, I find it a source of great pleasure. I remind my good friend from Virginia, the chairman of the committee, that he and I will be together on the bill at least 15 times for each time the Senator from Tennessee will be.

Madam President, the pending bill, H.R. 10650, represents a major revision and reform of our Federal tax system. It has been under consideration by Congress since April 20, 1961, when the President sent up his tax message. It was under consideration by the other body for almost 1 year.

Your committee began hearings on this bill on April 2, 1962, and has been working on it almost constantly since that time. As indicated in the committee report, we heard testimony on the bill for 29 days. The testimony fills 12 volumes—nearly 5,000 printed pages. In addition, the Committee on Finance has considered this bill in executive session over a period of many weeks.

This has not been an easy bill. The further we discuss it, the more apparent that will become. It contains important legislation in many areas. The bill as passed by the House covered 21 separate areas, and the bill with the committee's amendments covers 27. Several of the members of the committee filed individual, additional dissenting, supplemental, or minority views on one or more provisions. Probably none of us would have phrased all of the provisions of the bill exactly as they have been phrased. First, the other body and then your committee has had to work out compromises on many of the provisions. But, Madam President, it is a tribute to our legislative system and to the Senate and the Finance Committee that differences have been resolved, decisions have been reached and this constructive bill is now before us for consideration and action.

This process is inevitable on any major tax bill. The bill of necessity must be a compromise of conflicting views. It must take account of the views of the administration; the views of the other body; and the views of the Finance Committee and the Senate. Under the leadership of our great chairman and in large part due to his continuing and patient effort, the committee has done a fine job. The very fact that some members of the committee believe the bill goes too far while others believe that it does not go far enough is an indication that the bill in fact goes down the middle of the road. Thus, we have retained the investment credit which is so necessary to our economic growth. At the same time the Long amendment—which I shall explain somewhat later—provides that to the extent taxpayers receive an investment credit with respect to property, they must reduce their depreciation basis by the amount of the credit.

That is a complete answer to the claim that the bill gives a taxpayer more than 100 cents back for every dollar of investment he makes. In the first place, a taxpayer depreciates 100 percent of the value of his investment. His investment in the property is 93 percent. He depreciates 100 percent of this amount. Depreciation is not given on any part of the tax credit. It is a reduction of income subject to tax. A taxpayer can get his credit on 7 cents of a dollar. On this he gets no depreciation. This is treated as if it were an investment made by someone else. His depreciable base will be reduced by the amount of the tax credit. As a result he can depreciate only 93 percent of the cost of a property. In this the taxpayer and the Government are treated as jointly purchasing the property. This is the result of an amendment adopted by the committee. It provides that whatever the amount of the tax credit a taxpayer gets with reference to the investment in an item, the depreciation base is reduced by this amount. Thus if he gets a 7-percent tax credit, his depreciation base is reduced from $1 to 93 cents, and the depreciation, then, which he charges off from taxable income is 93 cents on the dollar, not to 100 cents on the dollar.

In the area of taxation of foreign income, the bill is a compromise of conflicting views. The President asked us to end tax deferral for foreign subsidiaries and there are those on our committee who believe we should have done this. That was not the conclusion, however, of either the House or your committee. We recognized the principle that income earned in foreign countries by Americans through foreign subsidiaries should be treated in the same manner as income earned by the nationals of those countries—so long as the earnings remain abroad. However, many abuse situations have been called to the attention of your committee where, through the use of tax-haven devices, taxes are being avoided through the diversion of income to companies incorporated outside of the countries where normal operations are being carried on. These tax-haven abuse situations are corrected by your committee's bill even though tax deferral for foreign operations in general is continued. Numerous other tax loopholes which exist in the foreign area are also plugged by this bill.

In other areas as well, the committee's bill works out compromises where there are different points of view. In the taxation of mutual savings banks, and savings and loan associations, your committee's bill, while not going as far as the administration asked, nevertheless, raises $180 to $205 million of additional revenue. In the tax treatment of mutual fire and casualty insurance companies your committee and the House have found a compromise that recognizes the real differences among the various kinds of companies in the industry.

In dealing with the problem of underreporting of dividends and interest, the committee also has found at least a partial answer which is a more moderate approach than withholding. We recognize that between four and five billion dollars of dividend and interest income presently is escaping taxation. However, instead of providing a withholding system which involves burdens for both the payors and the many people who owe little or no taxes, the committee has followed the course of requiring full information reporting to both the Government and the recipients on all dividend and interest payments of $10 or more. While I personally counseled the committee to follow the course of withholding, I realize that the more moderate provision in the bill will go far to correct the underreporting of dividends and interest.

I shall refer to this again, and often, Madam President, because to the extent it does what its principal author indicated his judgment was that it would do, it not only would eliminate any deficit by reason of the bill, it will provide a surplus by reason of the bill.

In dealing with entertainment expenditures also, the committee has adopted a balanced approach which neither prevents the deduction of legitimate entertainment expenses nor permits the continuation of the abuse situations which have been called to your committee's attention.

I believe that the bill makes a substantial improvement in our tax structure and will lay to rest many of the tax problems which have been plaguing us for many years. At the same time this bill will, through the investment credit, provide a necessary stimulant to our economic growth.

The revenue impact of the bill is difficult to determine. Because of the nature of many of its provisions, adequate statistical information is not available. This probably accounts for the fact that the revenue estimates furnished the committee vary more than is usually the case. The estimates of the staff of the Joint Committee are that the bill on a full year's basis will result in a revenue loss of $555 million.

The estimate made by the Joint Committee is that on a 1-year basis the bill will result in a revenue loss of $555 million. The comparable estimate of the Treasury Department is that the bill will result in a loss of $210 million. However, neither of these estimates takes into account the stimulative effect of the bill on investments and the level of economic activity, nor does either of them take into account the extent to which the reporting substitute will recover taxes not now being paid on unreported interest and dividends.

The Joint Committee staff has made no estimate on this basis but the Treasury Department has estimated that the stimulative effect will reduce the revenue loss under the bill to $15 million—a negligible loss for a bill of the magnitude of H.R. 10650. If the estimates of the revenue that will be collected because of the Byrd dividend and interest reporting amendment are valid and prove to be justified, the bill will actually result in increased revenue to the Treasury. In other words, under these provisions the additional revenue collected under the provisions of this bill will exceed the amount of the revenue lost to the Treasury under the provisions of the bill.

Mr. President, at this point I ask unanimous consent to have printed in the RECORD three tables showing the revenue estimates prepared by the staff of the Joint Committee and the Treasury Department for your committee. In addition to the full-year revenue effect, these tables also show the revenue effect anticipated in the fiscal year 1963. The revenue loss in this case is greater than will be the eventual impact of the bill because the loophole closing provisions do not become effective immediately.

The PRESIDING OFFICER (Mr. METCALF in the chair). Is there objection?

There being no objection, the tables were ordered to be printed in the RECORD, as follows:

TABLE 1.—*Estimated full-year revenue effect on H.R. 10650* [1] *as passed by the House and as amended by the Senate Committee on Finance*

[Millions of dollars]

	As passed by the House	As amended by the Committee on Finance
Investment tax credit	−1,395	−1,340
Withholding on dividends and interest	+350	
Reporting of dividend and interest payments		+275
Mutual banks and savings and loan associations	[2] +170	[2] +180
Entertainment, etc., expenses	+125	+85
Capital gains on depreciable property	+110	+105
Mutual fire and casualty companies	[3] +25	[3] +25
Cooperatives	+30	+30
Foreign items:		
Controlled foreign corporations	+50	+50
Gross-up of dividends	+25	+15
All other foreign items	+25	+25
Other (secs. 21-26 of Senate Finance Committee bill)		−5
Total	−285	−555

[1] At levels of income and investment estimated for the calendar year 1962, without taking into account effect of provisions on the economy; estimates are rounded to nearest $5,000,000.

[2] The level of income for these thrift institutions in 1962 has been revised upward since the preparation of the revenue estimates for the House bill.

[3] Revenue gain which would result if this provision were in effect for 1962 and had been in effect for the 5 preceding years, so that amounts added to the protection against loss account in the first year and not offset by losses would be brought into taxable income in 1962.

Source: Staff of the Joint Committee on Internal Revenue Taxation.

TABLE 2.—*Estimated revenue effect of H.R. 10650 for the fiscal year 1963 as passed by the House and as amended by the Senate Committee on Finance*

[Millions of dollars]

	As passed by the House [1]	As amended by the Committee on Finance [1]
Investment tax credit	−1,340	−650
Withholding on dividends and interest	+170	
Reporting of dividend and interest payments		0
Mutual banks and savings and loan associations	+10	+10
Entertainment, etc., expenses	+60	(+2)
Capital gains on depreciable property	0	0
Mutual fire and casualty companies	0	0
Cooperatives	0	0
Foreign items:		
Controlled foreign corporations	0	0
Gross-up of dividends	0	0
All other foreign items	+10	+10
Other (secs. 21-286 of Senate Finance Committee bill)		([2])
Total	−1,090	−630

[1] Estimates are rounded to nearest $5,000,000.

[2] Less than $2,500,000.

Source: Staff of the Joint Committee on Internal Revenue Taxation.

TABLE 3.—*Estimated revenue effect of H.R. 10650 as amended by the Senate Finance Committee*

[In millions of dollars]

	As passed by House of Representatives				As amended by Senate Finance Committee			
	Full year		Fiscal year 1963		Full year		Fiscal year 1963	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Investment tax credit [1]	−1,105	−555	−1,040	−525	−1,020	−580	−520	−235
Capital gains on depreciable property	+100	+50			+100	+50		
Withholding on dividends and interest	+780	+520	+245	+235	[2] +240	[2] +155		
Expense accounts	+125	+80	+65	+40	+60	+40	+30	+20
Mutual savings banks and savings and loan associations	+200	+135			+205	+140		
Mutual fire and casualty companies	+40	+25			+35	+20		
Cooperatives	+35	+25			+35	+25		
Foreign items:								
Controlled foreign corporations	+85	+65			+85	+65		
Gross-up of dividends	+35	+35			+25	+25		
All other foreign items	+30	+30	+5	+5	+30	+30	+5	+5
Miscellaneous provisions					−5	−5	−0	−0
Total	+325	+430	−725	−245	−210	−15	−485	−210

[1] At levels of income and investment estimated for 1962; modified from published estimates because of current results of the Commerce-SEC survey of planned capital expenditures. In estimating the net revenue cost of the investment credit, its favorable effects on the level of investment were computed from statistical relationships in the past years between investment and gradual changes in the cost of capital goods (profitability) and cash flow. This procedure thus does not take into account the especially favorable impact on businessmen's decisions to invest on the sudden major improvements in these factors resulting from the enactment of the credit. Taking this into account should produce more favorable effects than those shown in the table.

[2] Estimated gain from increased compliance because of reporting requirements.

INVESTMENT CREDIT

Mr. KERR. Mr. President, the bill provides an investment credit against taxes of 7 percent of "qualified investment." In the case of property with an expected life of 4 to 8 years, the investment taken into account for purposes of the credit is one-third of the cost in the case of assets with a life of 4 to 6 years, two-thirds of the cost for assets with a life of 6 to 8 years, and 100 percent of the cost for assets with a useful life of 8 years or more. In the case of most public utilities, a 3-percent investment credit is allowed instead of the 7-percent credit generally available. The lower credit in this case is provided because of the belief that a portion of the investment credit in the case of these public utilities would, if the full credit were allowed, be reflected in price reductions rather than the additional investment sought by the bill and because investment by public utilities is frequently governed by their legal obligation to serve the public.

The types of property which are included in qualified investment and which therefore are eligible for the investment credit include most depreciable tangible personal property, such as machinery and equipment—whether owned by an industrial, agricultural, mining, or any other business and whether owned by individuals or corporations. Certain real property—such as blast furnaces—apart from buildings or structural components, is also eligible for the credit.

Generally, property eligible for the credit must be new property acquired or constructed since June 30, 1962. However, in the interest of aiding small business, the bill also makes the investment credit available with respect to purchases, after that date, of up to $50,000 per year in used property.

The credit can offset dollar-for-dollar tax liabilities up to $25,000. In addition, the credit may offset 25 percent of tax liabilities above $25,000. The amount of any credit which cannot be used in this manner is available as a carryback to the 3 prior years—but not before a credit is available—and then as a carry forward to the 5 succeeding years.

The bill also provides a "recapture" rule if property is disposed of within less than its estimated useful life, but only where this is less than 8 years. This recapture rule prevents taxpayers from obtaining a windfall by overestimating the useful lives of their assets.

Your committee has also added two amendments to the investment credit. One of these provides that the depreciation base is to be reduced by the amount of the credit. Thus, if a taxpayer purchases a $100 asset and is eligible for a $7 credit, he may then depreciate $93 rather than $100. This modification recognizes the fact that the taxpayer received a tax reduction of $7 on account of the investment, and therefore should be permitted to depreciate only his actual net cost.

Your committee has also added an amendment, sponsored by the Senator from Virginia [Mr. BYRD] to provide that where property is lost by fire, theft, or other casualty, and where insurance proceeds are used to purchase other similar property, the investment credit is not to be available for such a repurchase. This denies an investment credit in cases in which the taxpayer is not himself really contributing new funds for investment purposes.

The investment credit section of this bill is the most important tax proposal to be considered by this body since the adoption of the Revenue Code of 1954. The changes it will make in our tax laws are both fundamental and far reaching.

Our tax treatment of investment has remained unchanged since 1954. In that time the role of leader of the free world has imposed on the United States a heavy burden for defense and development. One result of that burden is a deficit in our balance of payments. The most effective way to reduce and eventually eliminate that deficit—and the gold drain that it causes—is to expand our exports.

But a second development since 1954 makes expanding our trade surplus a greater task than it might at first appear. In that time—and, Mr. President, later I shall document this point in more detail—the other industrial nations, with few exceptions, have enjoyed a period of growth, development, and modernization of productive capacity unequaled in recent history. If our producers are to compete effectively against these nations—not only in world markets but even in our own markets here at home—they must marshal all their resources. We believe that the trade bill will assure that the products of American enterprise can enter these markets and compete on fair terms. But this is not enough; once there, these products must be able to compete effectively.

Our economic experience at home since 1954 is equally significant. In those years the United States watched the rapid and virtually uninterrupted postwar expansion of prosperity abroad, and suffered two recessions at home. During that time capital investment in Western Europe was growing at an annual rate of 5 percent, in West Germany at better than 7 percent, and in Japan at better than 10 percent. Our own rate was close to 3 percent, and for part of that period even dropped considerably below that. Even during recovery periods the U.S. economy seemed unable to achieve the momentum required for sustained prosperity, and unemployment has remained high. This stubborn persistence of unemployment marked each of the two recoveries in this period, and each time the problem has been more serious. Our economy has shown a tendency to pause and to slacken in pace far below full employment, far below our real potential. There is general agreement that more rapid growth is needed, and the only question is how to achieve it.

Expanded exports and faster growth are goals we can and will achieve, but they require more than faith in our system, more than faith in our ability to compete. They require a significantly higher rate of private investment in this country in more efficient productive equipment.

If the United States is going to compete effectively, greater productivity is needed and lower units costs are required, in order to keep prices down and quality up.

This means more modern machinery, which can only be provided through greater investment.

Higher investment is also important in stepping up our long-term rate of economic growth. Almost without exception, other industrial nations with a higher proportion of output devoted to domestic investment have achieved higher growth rates. The correlation is a striking one—as investment rises, growth accelerates. The two nations which have expanded most rapidly in recent years—Germany and Japan—have devoted a proportion of output to investment almost double our own, and have grown almost twice as fast. There is nothing mystical about this. Greater investment means higher productivity, more effective utilization of industrial potential, new products, better technology, and greater efficiency all along the line—efficiency that pays off in domestic as well as foreign markets, efficiency that pays off in jobs as well as output.

Greater investment will also pay off immediately in some significant short-term effects. The purchase of new equipment stimulates capital goods and allied industries, and will also have an effect on maintaining, rejuvenating, or expanding marginal operations which require high investment to remain competitive. Clearly, the recent lag in economic expansion we have seen was in good part the result of a lower level of capital investment than had been expected.

Last month the Treasury completed a sweeping reform of rules and procedures regarding tax treatment of depreciable equipment. This reform will result in tax savings to American producers of an estimated $1.5 billion in the first year. It is a strong, long overdue stimulus to greater investment. It is, however, not enough. The Treasury went as far as it legally could under existing authority. What it did was to bring tax depreciation policy up to date with the modern pace of technological change and obsolescence.

It remains for the Congress to provide the further change in tax policy which will put our manufacturers on an even footing with their foreign competition with respect to the tax treatment of new investment. That is what the investment credit is designed to do.

The investment credit will stimulate investment in several ways. First, it will reduce the net cost of purchasing new equipment. This lower cost has the effect of increasing the rate of return after taxes from such equipment. It will also increase the cash flow, making available more funds to finance expansion and modernization. This will be particularly effective in stimulating greater investment by smaller firms, with limited borrowing capacity. Finally, by reducing the period of risk—the time it takes to recover the cost of new equipment—it will act as a further stimulus. Increased cash flow, reduction in risk, and higher profitability will all work toward lower existing barriers to higher investment levels, and help raise investment levels to the point where they can compare favorably not only to our previous levels—in proportion to total output—but also to current levels in other developed nations.

At first there was considerable opposition to the credit. Some businessmen opposed it because they did not initially understand its provisions and because they feared it was intended as a substitute for depreciation reform. Now the credit, and its benefits to business and the country as a whole, are more widely understood.

There was the principal source of objection, Mr. President. As Members of the Senate know, since the announcement by the Treasury of its new depreciation formula, there has been a great surge of support from across the length and breadth of this Nation, from the industrial community, for the enactment of the investment credit provision, and it has been more widely understood to be for the benefit of the country as a whole.

Despite the continuing preference of some businessmen for accelerated depreciation, the fact is that the credit provides the best investment stimulus available, and accelerated depreciation provides significantly less stimulation per dollar of tax loss to the Government.

Considerable misunderstanding of the investment credit remains, however, and this misunderstanding is responsible for some of the opposition to it.

Some opponents maintain that the Treasury depreciation reform makes the investment credit unnecessary. That simply is not correct. In first-year cost recovery which reflects the period of risk—the depreciation revision does not bring our manufacturers even halfway toward closing the gap with their European competitors. First-year cost recovery is now only 13 percent in American industry, and depreciation revision brings it only up to 17 percent, while our nine major industrial competitors average 29 percent. The investment credit, however, would not only close that gap, but even give American industry a slight edge over the average of the other nine nations. The investment credit concept is widely accepted abroad, is already in use by the United Kingdom, Belgium, and the Netherlands, and other nations use comparable measures.

Other opponents claim that the revenue loss from the credit would be better spent in a reduction of tax rates, either for individual or corporate taxpayers, or both. The credit will reduce business taxes by more than a billion dollars the first year, but the stimulative effect of a direct tax cut of that amount would be minor compared to the cumulative stimulus of the credit.

Some feel that, as long as businessmen prefer accelerated depreciation, why not give them what they want? This argument overlooks the fact that even the mildest sort of accelerated depreciation—increasing declining balance depreciation from the present 200 to 250 percent—would cost nearly as much as the credit initially, and considerably more as time went on.

Most important, this alternative would produce only a fraction of the stimulative effect—in my judgment, less than 40 percent of the effect from the 7-percent credit in the proposal before the Senate.

Some opponents of the credit claim that it is merely a subsidy for business, that it will provide a windfall gain for investment which would have been made anyway. But this is a misunderstanding of the credit.

It is not a subsidy; it is a tax reduction.

The Senator from Oklahoma has been here nearly 14 years. This is the first time he has ever seen or heard the accusation made that a tax reduction constitutes a subsidy. The provisions of this legislation, Mr. President, constitute a tax reduction, and by no stretch of the imagination can a tax reduction be made synonymous with a subsidy. Such is not the case, and the repeated statement of it does not make it so.

The tax credit gives no money to anyone. It merely permits one to retain a part of his own earnings which he is not now permitted to retain. Any tax reduction is selective to some extent; yet I have not heard a rate cut referred to as a subsidy. Men argue, "Give us an overall corporate tax reduction instead of investment credit."

If an investment credit, available to both corporations and individuals is a subsidy, then a tax reduction to all taxpayers is a subsidy. In this case how would it be possible to fashion any tax reduction for corporations only that would not be a subsidy, and a discriminatory subsidy at that?

The tax investment credit provision before the Senate would be available to all taxpayers; farmers, individuals, partnerships, as well as corporations. It would be equally effective as applied to each and every one of them.

How can men of broad knowledge and understanding say, "Such a tax reduction, available to all taxpayers, is a subsidy. Let us abhor it. Let us repudiate it. Let us spurn it and give a tax reduction to one group only, to corporate taxpayers"?

It is true that the benefit of the investment credit will be limited to those who make investments. But even an income tax rate cut benefits those who have income and not those with no income. Moreover, any form of accelerated depreciation selects for benefit those who acquire new assets in much the same manner as the investment credit. There is no way to provide for the overriding national need for additional investment without giving those who make the needed investments some incentive and even some advantage over those who do nothing in this respect.

A survey of 6,000 executives by the Research Institute of America—a private firm—showed 65 percent in favor of the investment credit. Many associations and leading executives in the textile, machinery, coal and steel industries, railroads, and chemicals and others have publicly endorsed the investment credit provision of the bill.

FOREIGN PROVISIONS

Twelve out of the twenty-seven sections of this bill deal with foreign income or estate matters. This is a part of our tax law which is in many ways out of touch with present economic and political realities and in which many flagrant abuses and loopholes exist.

Opportunities for tax abuse in the foreign income area have received much publicity in the last few years. The proper objective of the foreign income tax provisions also is a much debated and much disputed point. The administration has requested that we end deferral of U.S. tax for U.S.-controlled foreign corporations. This bill does not adopt this principle nor achieve this objective. Instead, the foreign income provisions of the bill are aimed at a much more limited objective, which should be acceptable to all—an ending of tax haven abuses or an ending of attempts to avoid U.S. or foreign taxes by the use of artificial corporate devices or selection of countries for incorporation for tax, rather than business, purposes. The House bill had the same objective of ending tax haven abuses, but testimony before the committee showed that in practice it would have imposed U.S. tax on the undistributed earnings of operating businesses. For that reason the committee has carefully screened out of the House provisions those features which would have interfered with legitimate foreign operations of American controlled corporations. I believe Senators will find most thoughtful businessmen who have foreign operations and who have studied the revised bill will agree that the committee's action achieves this objective.

The chief foreign income provision is section 12 which is aimed at the abuse of tax haven foreign subsidiaries. Section 12 reaches abuse situations such as are involved in U.S.-owned insurance companies which operate overseas solely for the purpose of tax avoidance—a purpose which is demonstrated by the fact that such companies insure or reinsure against risks on the lives and health of U.S. individuals and loss on property located in this country. Usually these companies are incorporated in the Bahamas or some other country having either no, or a very low, income tax.

Another common example of what we cover is the tax haven holding company—many times a mere "paper" company—which exists mainly for the purpose of receiving income which it has done nothing to earn and which prevents that income from coming home to the United States where it will help our balance of payments, produce tax revenues, and be available for investment in the United States. These are covered by taxing all investment-type income where this and other tax haven income represents 30 percent or more of the foreign corporation's income. Even then, however, dividend and interest income from a related corporation in a less developed country is not taxed to the U.S. shareholders when this income is reinvested in a less-developed country.

Another example of income taxed to U.S. shareholders under the bill is income of a tax haven trading company, such as the Swiss corporation which often serves as merely an address for sales made in every country in Europe except Switzerland. The ability to syphon off profits from Common Market operations into Switzerland or some other low-tax-rate country in many cases makes it more advantageous to manufacture in European countries, such as Germany and France, than to export from the United States to those countries.

The bill reaches this tax haven trading income by taxing to U.S. shareholders' income of a controlled foreign corporation deriving income from sales outside of the country in which it is incorporated if the products involved were either purchased from or sold to a related corporation. Income from services performed for related persons outside of the country in which the controlled foreign company is incorporated also is taxed in a similar fashion.

So far I have described to Senators how the committee's bill reaches tax haven income. However, let me make it very clear that this legislation does not affect legitimate operations overseas. So, if an American corporation organizes a foreign subsidiary in France, for example, to manufacture goods in that country and to sell those goods directly in any country in the world, the income produced by the manufacture and sale of goods by the corporation in France is not to be taxed under this bill. Thus, we have been careful not to cover foreign subsidiaries engaged in actual mining or manufacturing, no matter where they sell their products, because these subsidiary corporations are in an entirely different class from the tax haven companies looking for a tax shelter.

There are those who do not understand these foreign provisions and believe they will hurt our legitimate operations abroad. I want to show Senators why this is not true.

As I previously indicated, we have provided a rule to the effect that unless a company has more than 30 percent tax haven income it will not be affected.

We have also developed a provision to the effect that an oversea organization which makes a minimum distribution to its U.S. parent will not be covered by the new section 12. Only those foreign operations which pay low foreign taxes and make substantial distributions to the United States—the true tax haven type of situation—will be unable to utilize this minimum distribution alternative and will still come under the new tax haven legislation. This minimum distribution alternative insures that we only reach the abuses in the foreign income area.

Further, we have developed a provision which frees from section 12 certain foreign companies that export U.S. products abroad. These companies by so doing make a contribution to our domestic economy and balance of payments and we have given them a stimulus in this bill to continue to do this. What would otherwise be the tax haven income of these companies is not taxed if it is reasonable relative to the sales made—that is, does not exceed 11½ times export promotion expenses or 10 percent of gross receipts—and if this income is invested in the export trade business.

Mr. GORE. Mr. President, will the Senator yield?

Mr. KERR. I yield for a question.

Mr. GORE. In the light of the Senator's successful business experience, does he not think that 10 percent of gross is a remarkably large amount on which to give tax deduction or deferral?

Mr. KERR. It is "whichever is lesser," I say to the Senator, and not "whichever is greater." The 10 percent would not come into effect unless it were less than 1½ times export promotion expenses.

The Senator from Oklahoma thinks that is not only a very effective protective feature but that taken together with others, would provide a very effective stimulant to a continuation of the effort of American productive companies to export products to foreign countries through foreign subsidiaries, which would promote jobs at home, bring back dollars to our country, improve our balance of payment, and encourage in every way the competitive position of our own industrial workshop in the markets of the world.

Mr. GORE. Mr. President, will the Senator yield for a question?

Mr. KERR. I yield.

Mr. GORE. Would not 1½ times export promotion expenses, assuming that the export promotion expenses are based upon the cost of the product that is being exported, amount to a 50-percent profit?

Mr. KERR. Not at all.

Mr. GORE. One and one-half times is 150 percent, is it not?

Mr. KERR. Times export promotion expenses. These are certain specified expenses listed in the bill. They do not include the cost of the product. In addition, the exemption does not apply unless the money thus made is invested in a further effort by the foreign corporation to promote the sales of American-produced products and commodities abroad.

Mr. GORE. Mr. President, will the Senator yield further?

Mr. KERR. I yield.

Mr. GORE. Does that not also include credits extended?

Mr. KERR. Only promotion expenses in connection with credits, not the credits themselves.

Mr. GORE. How does the Senator justify that?

Mr. KERR. The Senator happens to be somewhat familiar with the way business is promoted and carried on. The fact that there is more than $50 billion of consumer credit in our country, in the form of installment payments by American consumers, is evidence of the fact that American productive facilities think that the promotion of credit in connection with the sale of its products stimulates its business. The Senator from Oklahoma thinks that the promotion expenses in connection with extending credit to foreign consumers would be small.

Mr. GORE. Mr. President, will the Senator yield?

Mr. KERR. For a question.

Mr. GORE. Would that not apply to the products of a factory situated abroad, employing exclusively foreign workers, but owned by a subsidiary of an American corporation, adding to the capital wealth exclusively of the foreign country?

Mr. KERR. The Senator's question illustrates a statement which the Senator from Oklahoma made awhile ago. If men knew more about the bill, they would oppose it less. This export trade corporation provision of the bill applies only to the sale of goods produced in this country and sold through a foreign subsidiary. It was put in the bill to promote the export of American products produced by American industry, made by American workers, and would bring back to these shores American dollars, which would benefit our balance of payments, and increase the stability, value, and reliability of the dollar.

It would provide a stimulus for the production in America of goods to move into the channels of trade in world commerce. It is calculated to stimulate industrial growth, expansion, and increase the available jobs at home. A company that sets up a foreign subsidiary for the purpose of the sale of those American-produced products which does increase our industrial output, our taxable income, and jobs at home, an incentive is provided in the bill whereby such companies may sell and be encouraged to distribute more widely their products in the markets of the world, which are constantly expanding. If we are going to be able to compete with industrialists in other nations who have far greater tax concessions than the ones we now have and the ones proposed in the bill, we must improve the economic environment in which our industrial workshop lives, expands, and has its profitable existence. It is the purpose of the bill, and of that provision of the bill specifically, to provide that stimulant, that encouragement, and that improvement.

Also taxed to U.S. shareholders is income earned abroad which is brought back, other than in the form of a dividend, and invested in the United States. There are, of course, appropriate exceptions for assets located here which nevertheless are used in the foreign business.

Section 12 should end the tax haven abuse and, therefore, is an important loophole-closing section. On the other hand, section 12, as amended by the committee, does not interfere with those foreign operations—particularly the export of U.S. products—which are clearly in our national interest.

There is nothing in the bill that interferes with investment abroad which is made for sound economic reasons. As I mentioned before, the President asked us to impose U.S. tax on the profits of all foreign subsidiaries of U.S. companies. Neither we nor the other body felt that this was necessary in order to achieve the President's major purposes. I am convinced that under this bill we do accomplish those major purposes but without interfering in any way with the normal nontax haven foreign subsidiary abroad—such as ones engaged in manufacturing.

What purposes have we achieved? In the first place, we have eliminated special tax advantages that exist under the use of tax haven subsidiaries. It will no longer be possible to flout our tax laws by simply setting up an address company, say in Panama, to sell goods in Europe which did not originate in Panama, which never in fact were in Panama, and which had nothing to do with Panama. The elimination of such gross abuses is something that we owe to the millions of taxpayers who must pay their normal tax burdens and who cannot, or will not, take advantage of this kind of loophole.

In addition to eliminating these special tax advantages, this bill is beneficial in that it will stop the drain on our investment which is artificially induced by the low tax rates it is possible to obtain through the use of tax haven subsidiaries. On the other hand, as I have already indicated, this bill does not interfere with sound business investments abroad which do not make use of tax haven subsidiaries.

In addition to clearing up the tax haven abuse, this bill also would clear up a multitude of other loopholes in the foreign area. Section 9 of the bill contains the so-called gross-up amendment. This correction in the method of taxing dividends received by American companies from their subsidiaries is long overdue. Existing law results in double counting and has the effect of reducing in an erratic manner the proper U.S. tax that should be imposed on dividends that are repatriated. The problem arises because a credit is allowed for most of the foreign income taxes paid on a given amount of income, yet these same foreign income taxes are not included in the dividend income subject to U.S. tax. Your committee has, however, retained present law with respect to dividends from operations in less developed countries. Because of our interest in encouraging investment in these areas—which is reflected in various sections of the bill, including section 12—we have not applied gross-up in these cases.

Closely related to "gross up" is section 15, which will provide that when stock in a foreign subsidiary is sold or exchanged ordinary income tax will be payable to the extent of the earnings and profits which have been until that point untaxed by the United States. The tax "gimmick" of using a foreign subsidiary to conduct business operations, paying no dividends, and then collapsing it so that all of the profits come home with only the payment of a capital gains tax must be corrected. However, your committee has modified this provision so that individuals will not be taxed on past accumulations or more heavily than if their stock were held by domestic corporations.

Section 5 of the bill insures that a full tax will be paid when distributions are made in kind by foreign subsidiaries.

American individuals living abroad have also been given unwarranted advantages under our existing tax laws. Publicity in this respect has been directed toward movie stars and other entertainers who in many cases have avoided the payment of any U.S. tax. They are not the only ones, however, who have taken advantage of the present provisions. The committee's bill corrects this situation by limiting the exclusion for income earned abroad by American residents of foreign countries to $20,000 for the first 3 years of residence abroad and $35,000 thereafter. No longer will people like movie stars who have benefited from being Americans be able to avoid paying their U.S. tax liabilities. Nevertheless, certain fringe benefits these persons have enjoyed will only gradually be included in their tax base over a 4-year period.

That is, under the pending bill on these fringe benefits we have sought to correct the situation that exists with respect to a tax loophole by phasing it out. Thus the employees of American business institutions and industry abroad, who may have been induced to go there by reason of the tax provisions of our country heretofore, will not feel immediately the full impact of the bill. This provision will go into effect over a 4-year period.

Also, section 18 requires that foreign real estate now be included in the gross estate of Americans. Tens of millions of dollars have been invested in real estate in places like Bermuda and the Bahamas because upon the owner's death this real property would not be included in the tax base upon which his inheritance tax is computed.

Other provisions will stop the artificial tax advantages now accruing to foreign investment companies—largely Canadian companies—owned by Americans, and foreign trusts set up by Americans to avoid U.S. tax.

Another provision will remove the artificial incentive provided by the foreign tax credit to transfer short-term funds abroad. Still another provision will require the payment of a full U.S. tax where patents are transferred abroad. Finally, we have strengthened the information provisions so we will be in a better position to be sure that all tax liabilities due are being paid with respect to foreign income.

DIVIDENDS AND INTEREST

One of the measures in the House bill designed to decrease tax evasion was a provision for withholding on dividends, interest, and patronage dividends.

The seriousness of this evasion is indicated by the fact that the Treasury Department estimates that somewhere between $4 and $5 billion of dividend and interest income currently is not reported on tax returns. As a result, the Treasury estimates that close to a billion dollars of revenue is lost each year.

The House bill would have met this problem by providing 20 percent withholding for most interest, dividend, and patronage dividend payments.

Your committee has studied at length the system provided by the House bill for withholding, and also has considered numerous possible modifications of the House withholding provision. The committee was convinced from this study that the provision in the House bill, no matter how modified, was either too complicated or involved substantial hardship for significant groups of taxpayers or both.

That was the conclusion of a majority of the committee. It was not unanimous.

While recognizing the shortcomings of a withholding system, the Finance Committee strongly endorsed the principle that measures must be taken to insure that everyone pays the income taxes for which he is liable. It is recognized that the underreporting of dividends and interest is a serious problem and that a means of correction must be found. For this reason this bill provides an improved reporting system for interest, dividends, and patronage dividends.

This bill requires dividend, interest, and patronage dividend payments of $10 or more per person per year to be reported to the Internal Revenue Service on annual information returns. By regulation, reporting of amounts of over $10 a year is already required in the case of dividend payments but generally the returns are made on a quarterly basis. Interest payments, however, are reported only where they amout to $600 or more per person. In addition to the reports to the Internal Revenue Service under the Byrd amendment the bill provides that dividend and interest payers must send an annual statement to the persons receiving these dividends and interest payments indicating the total amount of dividend or interest payments they paid such persons during the year. Failure to report these payments to the Government or to send the required statements to the taxpayer will involve a civil penalty of $10 for each statement or return the payer fails to file but the maximum penalty per payer will be $25,000.

That is, the payee will get an information return sent to him by the Internal Revenue Service, to remind him of the fact that the Internal Revenue Service now has specific information as to the amount of money the payee receives.

The committee believes that this expanded reporting system complements the legislation passed last year which requires each person to supply the dividend or interest payer with his social security or tax account number. The combination of these measures will enable the Internal Revenue Service through its planned expansion of automatic data processing ultimately to check all dividend and interest payments of more than $10 per year per person. The reporting system, when the information returns are matched with tax returns, should also show any tax due above the first bracket, and in this respect, it will be more effective than a withholding system alone.

The Senator from Oklahoma will have a great deal of pleasure in listening, over the course of the next few years, to the complaints of those who objected to the withholding provision and were successful in substituting therefor the reporting amendment. Those who complained about the withholding amendment on the basis of what it would cost the payors may find that it will cost them more to do this reporting than it would have cost them to do the withholding.

However, such is the course of the history of legislation. I have seen other examples where men have been caught in the bear trap they fashioned for others. That will be the situation with respect to the payers who contributed to the defeat of the withholding provision in the bill.

The committee believes that because of the hardships and complications involved in a withholding system for dividends and interest, the expanded use of a reporting system should first be given a fair test. If after this reporting system has been given a fair trial, should an appreciable dividend and interest gap still remain, a withholding system at that time can be reconsidered by Congress.

IMPROVEMENTS IN TAX STRUCTURE

In addition to the investment credit, foreign income, and dividends and interest reporting, your committee's bill also contains a series of provisions designed to close loopholes and improve the equity of our tax structure. Although some of these provisions are relatively technical in nature, they are exceedingly important to an improved tax structure. Their enactment will accomplish a substantial improvement in our tax law. Most of these provisions are concerned with problems which have been plaguing us since 1950 and 1951. Some of them have been troubling us for even longer periods of time.

In large part these provisions concern the tax treatment of specialized types of institutions such as cooperatives, mutual savings banks, and savings and loan associations, and mutual fire and casualty insurance companies. For one reason or another these institutions have not in the past been carrying their fair share of the tax burden. This bill removes at least substantial portions of these inequalities.

In addition, your committee's bill deals with the abuse situations which have arisen in connection with entertainment expenditures and with the gain on the disposition of depreciable property. The bill also places expenditures for appearances with respect to legislation on an even footing with similar expenditures with respect to appearances before executive agencies or the courts.

COOPERATIVES

In 1951 Congress passed legislation which generally was thought to insure that earnings of cooperatives would be currently taxable either to the cooperative or to the patrons. However, the courts in the Long Poultry Farm and B. A. Carpenter cases have held that noncash allocations of patronage dividends generally are not currently taxable to the patron although they are currently deductible to the cooperative.

The bill carries out the intent of the 1951 legislation. The House bill, which your committee has modified only slightly, provides that cooperatives need not take into their income, patronage dividends paid in money or so-called qualified allocations. A deduction for nonqualified allocations is provided the cooperative when these allocations are redeemed in cash.

For the patron, the bill provides that patronage dividends paid in cash or qualified allocations are to be included in his income in the year the allocation is made. In the case of nonqualified allocations the inclusion in his income is to occur when the paper is redeemed. Of course, this is true only of amounts which arise from business activity. As under present law, amounts attributable to purchases of personal living expense items are treated as bargain purchases and are not taxable to the patron.

Qualified allocations are those patronage dividends paid in scrip, stock, or as allocations on the books of the cooperative where the patron had the opportunity to receive the amount in cash for a 90-day period or where he has given his consent to treating the allocation as an amount paid to him which he reinvested in the cooperative. Under the bill, consent may be given by the patron in writing or by being a member of a cooperative in which the bylaws require all members of the cooperative to take the allocations into account. In addition, your committee has amended the House bill to provide that consent may be made by the cashing and endorsement of a patronage dividend check. In this case the cashing and endorsement of the check itself represents the consent on the part of the patron.

Since the House bill applied the provision on withholding to patronage dividends, as well as dividends and interest, the House bill in effect required that at least 20 percent of all patronage dividends be paid in what was the equivalent of cash. The patron could use this 20 percent directly, either by taking it as a credit against tax liability or by obtaining a refund from the Government. The committee bill contains no provision for withholding. However, it was thought desirable that the principle in the House bill be maintained, namely, that the cooperative pay out to the patron in cash at least enough to cover his tax liability on the patronage dividend at the 20 percent first bracket rate. For that reason the committee bill requires that at least 20 percent of all patronage dividends be paid to the patron in cash if the cooperative is to exclude any amount from its tax base for qualified allocations.

MUTUAL THRIFT INSTITUTIONS

In 1951 Congress also provided that mutual savings banks, savings and loan associations, and similar organizations were to be subject to the regular corporate income tax but that these institutions were to be allowed a special deduction for additions to bad debt reserves. The 1951 legislation provided that these special deductions could equal the entire taxable income of the institution for the year, or equal an amount which would bring the institution's total reserves and surpluses up to 12 percent of its deposits. The effect of this legislation was that these organizations have paid almost no tax since 1951. During the entire decade 1952–62 all mutual savings banks and savings and loan associations paid total Federal income taxes of less than $70 million, while retaining $5½ billion in additions to reserves, surpluses, and undivided profits.

Mr. LAUSCHE. Mr. President, will the Senator yield?

Mr. KERR. I yield.

Mr. LAUSCHE. Would the Senator mind repeating those figures, stating the period covered, the amount of taxes paid, and the amount the institutions were allowed to retain?

Mr. KERR. During the entire decade 1952–62, all mutual savings banks and savings and loan associations paid total Federal income taxes of less than $70 million, while retaining $5½ billion in addition to reserves, surpluses, and undivided profits.

Mr. LAUSCHE. That would be about $7 million a year paid by all mutual thrift institutions?

Mr. KERR. All savings banks and all savings and loan associations.

Mr. LAUSCHE. That is a very small amount, is it not?

Mr. KERR. Very small.

Mr. LAUSCHE. It is practically nothing.

Mr. KERR. Almost.

Mr. LAUSCHE. I thank the Senator from Oklahoma.

Mr. KERR. I appreciate the Senator's question.

The House bill amends the existing law applicable to these thrift institutions by providing that they may add to reserves for bad debt each year whichever of the following is the greatest:

First, 60 percent of taxable income for the year; second, an amount sufficient to bring the balance of their reserve for losses on qualifying real property loans to 3 percent of these loans plus a reasonable addition for reserves for losses on other loans; or third, any greater reserve that the institution can show is reasonable in view of its loss experience.

The committee has retained this basic provision but has placed additional restrictions on these reserve deductions. It is provided, for example, that even though the taxpayer uses the first alternative; namely, 60 percent of taxable income, in determining its deduction, nevertheless the reserve on qualified real property loans may not be built up to a level in excess of 6 percent of these loans. Also, it has added a proviso to make sure that no institution may obtain a greater deduction than under present law. In the case of stock savings and loan associations, your committee has also provided that the deduction is to be 50 percent instead of 60 percent of taxable income.

The committee bill also provides a new definition of domestic building and loan associations which in general provides that 63 percent of their assets must be invested in loans for one-to-four-family residential units, 72 percent must be in residential real property, and 90 percent must be in real property loans. Certain exceptions to these rules are provided for cash and Government obligations. Other restrictions also are provided.

CASUALTY INSURANCE COMPANIES

Stock fire and casualty insurance companies have long been taxed at ordinary corporate income tax rates on both investment income and underwriting income. Mutual fire and casualty insurance companies, on the other hand, have not been taxed on their underwriting income. The bill provides that these mutual insurance companies are to pay tax not only on investment income but on their underwriting income as well. However, recognizing that these companies have no paid-in capital as a cushion against losses, the bill permits mutual companies to build up a special tax-free reserve to be used to offset these losses. The amount which can be set aside in this manner generally is equal to 1 percent of their incurred losses, plus 25 percent of their underwriting gains. However, most of this is to be a reserve only for a limited period of time. Thus, all of the remaining additions to reserves for any year which were attributable to 1 percent of incurred losses and one-half of the portion attributable to 25 percent of underwriting income, after 5 years, if still remaining, will be withdrawn from the account and included in taxable income.

Basically your committee has accepted the House version of this provision. However, it has eliminated a discrimination against dividend-paying mutual insurance companies by providing that losses attributable to their dividends may be offset first against investment income, rather than being used to offset amounts in the special protection against loss account. This will accord them in substance the same treatment available under the House bill for a company which deviates from standard insurance rates rather than paying dividends to policyholders.

The committee has also eased the tax treatment for small insurance companies by raising the total exemption of existing law from $75,000 to $150,000 of total receipts. Also, it has raised from $300,000 to $600,000 of total receipts the level at which underwriting gain will initially become taxable. Other modifications are made for mutual insurance companies specializing in windstorm, hail, or flood insurance and for reciprocal underwriters and interinsurers.

SALES OF DEPRECIABLE PROPERTY

Under present law a taxpayer may write off the cost or other basis of depreciable property over the period of the useful life of the assets in his hands. These depreciation deductions are allowed as a deduction against ordinary income. If these depreciation deductions reduce the basis for the asset faster than the decline of its actual value, then there will be a gain on the asset if it is sold. Under present law this gain is taxed as capital gain, even though the depreciation deductions had reduced ordinary income. As a result, the taxpayer who has taken depreciation at a rate faster than the actual decline in value of the property has in reality converted ordinary income into capital gain.

H.R. 10650 meets this problem by treating as ordinary income any gain on the sale or other disposition of depreciable property, but only to the extent of the depreciation deductions taken since 1961. This ordinary income treatment applies to depreciable personal property and to certain other depreciable tangible property, but does not include buildings or structural components.

Your committee has made very little change in this provision. This provision is not only of importance as a means of plugging a serious loophole in present law, but also is of major significance in connection with the recent depreciation liberalization announced by the Treasury Department. Under the new guideline schedules, taxpayers generally will be permitted to depreciate assets faster than has previously been the case. As a result, additional ordinary income could be converted into a capital gain on the sale of these assets, if it were not for this provision.

ENTERTAINMENT EXPENSES

Among the more publicized and troublesome problems with which this bill is concerned is that of the deduction for entertainment expenses. Your committee believes that its version of this provision provides a balanced approach which eliminates abuse situations, without interfering with legitimate entertainment expense deductions. Your committee's bill provides that if entertainment expenses are to be deductible, they must be directly related to, or associated with, the active conduct of a trade or business. In the case of facilities such as yachts and hunting lodges and club dues, a further restriction provides, in effect, that the facilities must be used more than 50 percent for the furtherance of the taxpayer's trade or business. This provision, unlike the House bill, would permit the deduction of expenses to generate business goodwill where it is shown that these expenses are directly related or associated with a trade or business. The committee report gives an extensive listing of the types of expenses which your committee intends should not be deductible under this provision.

Your committee's amendments also restrict the deduction of travel expenses on combined business and vacation trips. If the travel is for a period longer than 1 week, or more than 25 percent of the total time away from home is spent for personal purposes, only the portion of the travel expenses allocable to the business will be deductible. Of course, in order for any portion of the travel expenses to be deductible in the first place, as under present law, the trip would have to be primarily for business purposes.

LEGISLATIVE APPEARANCES

Although not explicitly provided for in the statute, court decisions in the Cammarano and Straus cases have interpreted long-existing Treasury regulations as denying a deduction for expenses incurred in making appearances, submitting material, or communicating with respect to legislative matters.

The House version of the bill would modify these court interpretations of existing law, in order to permit deductions for expenses relating to appearance before, presentation of statements to, or communications sent to a legislative body, committee, or individual legislator at any level of government if the expenses are otherwise ordinary and necessary business expenses. In addition, a similar deduction is provided for the portion of dues paid to an organization which are used for similar legislative expenses, to the extent they are related to the businesses of the members. Your committee also has added an amendment providing that expenses of communicating information with respect to legislation between the taxpayer and its employees or stockholders also are to be deductible, where the matter is of direct business concern to the taxpayer. This provision does not permit the deduction of expenses incurred in attempts to influence the general public, or large groups of the public, through advertising or other campaigns, nor does it permit the deduction of expenses associated with political campaigns.

Your committee sees no reason why legitimate expenses incurred for appearances before legislative bodies or legislators should not be deductible while similar appearance before executive officials with respect to administrative matters, or before courts with respect to judicial matters, are deductible. Your committee believes that the legislative branch of the Government in this respect should be placed on the same footing as the other two coordinate branches of Government.

It is also believed that it is desirable that taxpayers having information bearing on the impact of present or proposed legislation which affect their trades or businesses not be discouraged in making this information available to the responsible legislators. This information is essential to a proper evaluation on the part of the legislators of the impact on businesses of present or proposed legislation.

The deduction for legislative expenses is limited to cases in which expenses are related to the trade or business of the taxpayer, since only these expenses are pertinent to the determination of true taxable income of a business. In this respect, it might be noted that this is the same distinction presently made in the case of appearances before executive or judicial bodies.

Mr. LAUSCHE. Mr. President, will the Senator from Oklahoma yield for a question?

The PRESIDING OFFICER (Mr. HICKEY in the chair). Does the Senator from Oklahoma yield to the Senator from Ohio?

Mr. KERR. I yield.

Mr. LAUSCHE. Has the committee dealt at all with the problem—which has been under discussion for several years—of allowing business enterprises to deduct, as business expenses, funds spent in payment of newspaper advertisements dealing with national issues and policies pending in the Congress? This is a deduction for which business enterprises have argued to a considerable extent.

Mr. KERR. The committee went into that question at length, and during extensive periods of time. I believe that every approach which could be devised by men of ingenuity and resourcefulness was made in presenting that matter to the committee. Each approach made was discussed at great length, and was turned down by the committee as regularly as it was offered.

Mr. LAUSCHE. What the Senator from Oklahoma has just now described is as far as the committee went in allowing such a deduction for funds spent in acquainting legislatures and their members with current political and economic problems.

Mr. KERR. And also by a taxpaying corporation in explaining those matters to its own stockholders and its own employees.

Mr. LAUSCHE. I thank the Senator from Oklahoma very much.

Mr. KERR. But the general run of expenditures to influence legislation by advertisements in news media or other means of communication was discussed at great length, and the committee decided that it could not justify the allowance of deductions for the cost of such expenditures.

Mr. PROXMIRE. Mr. President, will the Senator yield?

The PRESIDING OFFICER (Mr. BURDICK in the chair). Does the Senator from Oklahoma yield to the Senator from Wisconsin?

Mr. KERR. I yield for a question.

Mr. PROXMIRE. Did I correctly understand the Senator to say that agriculture would benefit from the investment credit provisions of the bill to the same extent that industry would benefit, or to a greater extent?

Mr. KERR. That was the statement made by the Senator from Oklahoma.

Mr. PROXMIRE. Will the Senator from Oklahoma explain to the Senator from Wisconsin how agriculture could benefit very greatly, in view of the fact that 85 percent of the farmers of our country have a net income of less than $3,000, and two-thirds have a net income of less than $1,000, a year, and therefore the overwhelming number of them pay no Federal income tax?

Mr. KERR. The Senator is aware of the fact that the net income of our farmers from farm sources equaled $12 billion in 1961 and although many of the farmers of Oklahoma do not make enough to be required to pay Federal income taxes, there are certain farmers in Oklahoma, who, like some farmers in the State of Wisconsin, are in the happy situation of making enough money to pay income taxes. Certainly, neither individuals nor businesses would benefit by a tax credit if they owed no tax, but this bill has in it a provision with reference to investment credit that a credit earned at any time after June 30, 1962, is subject to a 3-year carryback and a 5-year carry forward.

I know it is the hope of the Senator from Wisconsin and of the Senator from Oklahoma that the environment in which our farmers live, breathe, and have their being and their economic existence will be improved to the point where they will be making an income sufficient to be subject to Federal taxation; and when that happy environment materializes, as I fully believe it will, they will have the benefits of this bill to look forward to.

Mr. PROXMIRE. Is it not true that 85 percent of the farmers, who pay no income taxes, but pay heavy property taxes and other taxes, would receive no benefits under the bill unless at some time in the future their income should increase sufficiently to require them to pay an income tax?

Mr. KERR. The Senator from Oklahoma is not aware of the percentage of our farmers who do not pay income taxes; and in answering the Senator neither affirms nor denies the figure of 85 percent, but repeats the answer to the Senator from Wisconsin, that neither a corporation nor an individual would receive an immediate benefit from this bill unless he had a taxable income.

Mr. PROXMIRE. I refer the Senator to the U.S. Treasury Department, Internal Revenue Service statistics of income, which I hold in my hand. I ask the Senator from Oklahoma if the argument that we need the investment credit to put us on an even footing with foreign competition, and that there is evidence that the United States is not competing abroad——

Mr. KERR. I did not say that.

Mr. PROXMIRE. Is not competing effectively abroad.

Mr. KERR. I did not say that. I said our producers are at a disadvantage taxwise as compared with our foreign competitors.

Mr. PROXMIRE. Would the Senator from Oklahoma question the argument that the three countries that have investment credit; namely, the United Kingdom, Belgium, and the Netherlands, have demonstrated a record of slower industrial growth, and therefore the investment credit is not an effective device for promoting growth, in view of the fact that two of the three industrialized countries have had a poorer growth record than the United States; to wit, Belgium and the United Kingdom, and that the country which has the poorest of any except those and Sweden in Europe is the Netherlands?

Mr. KERR. The Senator from Wisconsin refers to the general situation and asks the Senator from Oklahoma whether or not a certain cause produced it. One thing that has resulted in the slowing down in growth of the United Kingdom—that is, Great Britain—and the Netherlands has been the loss of their colonies, and I believe that is true also of Belgium.

Many things could have produced the slowdown which the Senator has referred to, other than the corporate tax rate.

The Senator from Oklahoma has some association with and relation to and knowledge of American industry. The Senator from Oklahoma knows that any tax reduction would have an impact upon American taxpayers and American industry. The Senator from Oklahoma knows that as of today, a manufacturer in the United States has the least beneficial tax treatment by his Government of any manufacturer in any of the countries in the Common Market, or of Western Europe or Japan.

The Senator from Oklahoma is of the opinion that in our trade program, as provided for in the bill that will be before us—and I am sure that it will be passed in some form—if American industry is to compete both at home against imports from competitors with more advantageous tax treatment and more advantageous labor costs, and compete against those same competitors in the world market, the environment of American manufacturing and industrial entities must be improved. We are not going to reduce the wages of our workers. The wages of our workers are going to be increased. The only way we can hold our own in this new world that this Nation has helped to create, and in which this Nation is coming of age, is to arm American industry with the economic and industrial weapons comparable to those in the hands of our competitors in other industrial nations; and the investment credit provided in the bill is such a weapon.

It is not the complete answer. The increase in the depreciation formula is another. But each of these two weapons will be effective once in the hands of American industrial units, as they seek not only to exist in this new era of international competition—not only to survive, but to improve their relative and competitive positions.

Mr. AIKEN. Mr. President, will the Senator yield?

Mr. KERR. I yield to the Senator from Vermont.

Mr. AIKEN. I may add to what the Senator from Oklahoma has said that it is not tax incentives alone which make it difficult for us to compete with Western Europe, but tax incentives with the rapid writeoff granted by Common Market governments are an incentive for plants located there to have at all times up-to-date machinery, which enables them to produce at less cost. I believe one of the countries referred to permits the writeoff of new equipment in 3 years, and others do it in 5 years. One of the purposes of such a law is to enable the plants to have the most modern and up-to-date machinery.

If they have that, of course, they have an advantage in equipment alone over American industry.

Many of our own industries which have established plants in Western Europe have done so not merely because of a tax incentive. There is also a difference in labor cost, which I believe is something like one-third. There is also a difference in shipping costs to various markets of the world, which costs are only about half as much as the costs to ship from American ports.

There are many advantages which can be obtained in Western Europe that do not obtain here. The principal one, I think, is the fact that the plant always can have the most modern, up-to-date machinery.

Mr. KERR. The Senator from Vermont is so eminently correct that it is impossible for the Senator from Oklahoma to understand how any objective thinker could fail to recognize the validity and effectiveness of the statement and argument made by the Senator from Vermont.

One of the things which has been going on which adversely affects our economy is the export of dollars, of American capital, for the construction of productive facilities in countries of Western Europe—for the export, thereby, of jobs from American workshops to the countries of Western Europe; for the export of income generated, which would result not only in local jobs but also in local taxes in the industrial centers of our country.

I remind Senators—and especially the Senator from Wisconsin—not only has there been the migration of industry from certain parts of our country to other parts, in search of a more encouraging tax environment and of a more encouraging labor cost environment, but also that the greatest migration of industry has been from these shores to other countries in search of a more favorable economic environment, a more favorable tax environment, and a more favorable labor cost environment.

What is the result? Income which would otherwise be taxable in our States and by our Federal Government is taxable in foreign countries. Community building activities, which we need in our own States, go to foreign countries.

We need them in the State of Oklahoma, Mr. President, and in the State of Vermont. Perhaps the State of Wisconsin does not need any further industrialization. Perhaps the State of Wisconsin would prefer an environment which would continue to spur and to stimulate American industry to go to other shores for its expansion. But the Senator from Oklahoma wants to encourage the domestic environment, in the hope that Oklahoma may secure a child's part of that increase in industrial output.

I shall not be a party to a deliberate effort to further stimulate the migration of American industry to foreign countries to find an environment of favorable tax treatment and to find an environment of a continuing lower labor cost. It shall be my purpose to help any effort by anyone to bring about an environment whereby American industry will be encouraged and stimulated to grow and to expand on these shores, not only that we may compete more effectively in the domestic markets but also that we may be able more effectively to compete in the markets of the world.

Mr. PROXMIRE and Mr. CURTIS addressed the Chair.

Mr. KERR. Let me yield one more time to my great friend from Wisconsin, and then I will yield to the Senator from Nebraska.

Mr. PROXMIRE. If the Senator will yield, I have a series of questions I should like to ask. Of course, the Senator has the floor, and I shall take whatever time the Senator permits.

I should like to ask the Senator how he explains the fact that we do not have an unfavorable balance of trade but have a highly favorable balance of trade. The favorable balance of trade in the first half of 1962, seasonally adjusted to annual basis, is $4.8 billion.

Even if we should leave out of consideration foreign aid and military spending, the commercial favorable balance of trade is $2.2 billion, which means that other nations have an unfavorable balance of trade vis-a-vis us to that extent. In other words, we are winning. We are competing far more effectively abroad than other nations. The statistics prove it.

Mr. KERR. I say to the Senator from Wisconsin that his figures are erroneous and his conclusions inaccurate.

Mr. PROXMIRE. I call the Senator's attention to the statistics from the Department of Commerce.

Mr. KERR. Let me answer the Senator's question.

Mr. PROXMIRE. The Senator challenged my figures. I am giving the source. Does the Senator want the facts, or not?

Mr. KERR. If I did I would not go to the Senator from Wisconsin for them.

Mr. PROXMIRE. I ask the Senator to go to the U.S. Department of Commerce for them. That is my source.

Mr. KERR. The Senator from Oklahoma will take his pitcher to whatever well he chooses.

Mr. PROXMIRE. I am sure he will.

Mr. KERR. Yes.

The balance of trade, overall, that is when one gives effect to items such as foreign aid, military expenditures, and investments of American financial institutions abroad is a deficit.

Mr. PROXMIRE. The Senator is completely wrong.

Mr. KERR. Not a credit position.

Mr. PROXMIRE. The facts contradict the Senator completely.

Mr. KERR. I say to the Senator, "I will finish my speech, and then you finish yours."

We know that we have been losing gold at the rate of up to $3½ billion a year. The only reason for that is that there have been more dollars going out than have been coming back in. So the net position has been a deficit.

In 1960 I believe the deficit was $3.3 billion. In 1961, it was $1.8 billion plus some million. It is hoped that this year it will not exceed $1.5 billion.

It is true, Mr. President, that, on the strict limitation of commercial exports versus commercial imports, we have seen a favorable balance, but not enough of one to overcome the overall deficit.

The Senator from Oklahoma would like to see an environment which would enable us to achieve an overall favorable position. The adverse or contrary could be fatal.

Since 1952 our gold reserves have been reduced from $23½ billion to a little above $16 billion. In 1952 the total foreign claims which could be validated against the $23½ billion gold reserves were less than $7 billion. Today, with reference to the little more than $16 billion, there are in excess of $19 billion of valid foreign claims, which could be implemented against our gold reserves.

That is in spite of the fact that our law requires a 25-percent gold reserve against our currency outstanding and our Federal Reserve deposits, which requires some $12 billion gold reserves. So above our requirements under our law, for gold backing of our own currency and our own Federal Reserve deposits, there is a net residue or surplus of some $4 billion, against which there are more than $19 billion of foreign claims which could be validly exercised.

In 1952 we had in excess of $16 billion over and above the foreign claims, which left us enough for our requirements back of our currency, our Federal Reserve deposit, and a very substantial additional amount. So how can men say that our position with reference to our balance of payments has resulted in a surplus or now results in a surplus? Heaven knows that if it is possible for us to improve our export position with reference to our import position, it is incumbent upon us and highly necessary that we do so. Who can take comfort from the knowledge that there may be a $1½ billion or a $2 billion or a $2½ billion favorable balance in one of the items that make up the difference between the dollars that we export and the dollars that we import, when there are 2, 3, 4, or 5 other avenues of export against our dollars with reference to which there is no counterbalance and no countercredit?

It is a situation of opening one eye just a little and looking out to a small fragment of the panorama of the economic facts of life which this Nation, as the leader of the free world, must look at in its entirety and must approach from a comprehensive point of view, taking into account all the features that go to make up the net position of our country from the standpoint of the import and export of dollars, and the resulting effect upon our balance of payments.

Mr. CURTIS. Mr. President, will the Senator yield?

Mr. KERR. I yield.

Mr. CURTIS. I thank the distinguished Senator. The distinguished Senator has referred to the establishment by American companies of factories, sales companies, and other operating companies abroad. I believe that a careful perusal of the voluminous testimony before the committee will show that it was the contention of all witnesses from industry that the establishment of plants abroad increased exports from the United States to the foreign countries. As a general rule, those plants were established to reach a market in a foreign country that we could not reach here. Sometimes a trade barrier would make it necessary for a plant to be overseas. Sometimes the local country would insist that the subsidiary be domiciled there, and that certain local citizens have a part in it. But as a result of the establishment of foreign subsidiaries, there flow from our country machines, repairs, replacements, raw materials, designs, patents, and other items that contribute to the export of goods from the United States abroad. That operation improves our dollar balance and our gold balance.

There is another section in the bill to which the distinguished Senator from Oklahoma has not yet addressed himself, which would result in placing an American foreign subsidiary operating in a foreign country on a different tax basis than the companies of other foreign countries having subsidiaries there. The overall effect of the bill would be not to enhance our trade and improve our dollar and gold balance, but the result would be the contrary.

I hope that before the bill goes to conference section 12 thereof will be stricken, notwithstanding the fact that the section was improved by the amendments of the Senator from Oklahoma.

Mr. KERR. Mr. President, I appreciate the remarks of the Senator from Nebraska. I agree in part. I disagree with him in part, I disagree with his conclusion. I cannot agree that the effort of the Congress should be to step up the export of American industrial capacity and American jobs. I agree that much of it has been going on. There has been an irresistible magnet in many of the countries of Western Europe that has drawn our investment dollar to the extent of more than $2.5 billion a year in the building of productive facilities in Western Europe. A certain part of it will continue no matter how much we improve the environment of industry at home. But that fact should not discourage men from improving the environment here as much as possible.

Mr. CURTIS. With that I agree.

Mr. KERR. That fact should not prevent us from taking any appropriate measure that we can which would slow down the migration either of investment dollars in industry, in jobs, or in American industries, and step up production at home. The situation that the Senator has described, rather than being an argument against the proposed investment credit, is the basis of the argument of the Senator from Oklahoma for the investment credit.

Mr. AIKEN. Mr. President, will the Senator yield?

Mr. KERR. I yield.

Mr. AIKEN. I should like to point out another method which the United States has used to persuade industries to leave our country and locate in other parts of the world. That is through the system of insuring such industries against loss due to expropriation, or the inconvertibility of currency. We started that program with a $500 million authorization. Two years ago we discovered that 80 percent of that $500 million of insurance had been taken out by firms establishing plants or branches in Western Europe, and only 20 percent of it in the rest of the world. Congress amended the law to stop encouraging businesses to leave the United States and go to Western Europe. But the fact remains that we have continued to increase the authorization for insurance until I believe it is now $1½ billion. In other words, we have not only failed to give incentives for industries to remain in our country, but also we have actually paid them to move out by giving them advantages which they could not secure in the United States.

Mr. KERR. The Senator is correct.

Mr. President, I remind Senators that a number of years ago there was a so-called dollar gap. Exports from our country were so much greater than the imports into our country that we accumulated a very high percentage of the total amount of gold in the free world. Our Government started deliberately to do certain things. First, it began to try to close the so-called dollar gap.

Second, to promote industrial developments in Western Europe, to help it lift itself from the position to which it had been thrust by the war. That effort was successful. However, we continue to apply the cure long after the patient has completely recovered and is even stronger and more vigorous than the doctor.

There are those now who, it seems, want us to continue to administer the cure although the patient no longer needs it, although the incentive that we have provided for the expansion of foreign industry should be provided for greater expansion at home, although the dollar gap long since has been closed; and instead of foreign countries having a dollar deficit, we have had a dollar deficit, a dollar deficit that runs into tens of billions of dollars, which has resulted in the exhaustion of our free gold reserves uncommitted and unaffected by foreign claims. The time has long since been here when our efforts should be to provide a greater stimulant for more efficient productive capacities in our own industrial workshop, in order that we might close the opposite situation and what existed when we had a dollar gap, and which is now upon us in the form of a dollar deficit.

I congratulate the President of the United States upon the vigorous measures he has inaugurated to close this gap. I congratulate former President Eisenhower and his Secretary of the Treasury, Bob Anderson, in the efforts they made—I thought, too late, and all admit now it was too late—in the last 15 months of the Eisenhower administration, to move in an effort to close the deficit that had been created as a result of the impetus of our efforts that had been made to close the dollar gap.

When President Kennedy came into office the situation was so serious that more vigorous efforts were required. Be it said to his credit that he has inaugurated vast efforts. He inaugurated them in the manner of expenditures of our armed services abroad, and has inaugurated them in the matter of moving much farther than the previous administration had in requiring that loans made by our banking institutions to American business for investment in foreign countries be spent to a large degree in this country.

He did it by moving more vigorously in the direction of using our dollar economic aid in a manner that resulted in a higher and higher percentage of it being spent in the United States.

However, with all of these measures and others, even in 1962 we will have a deficit in our balance of payments of in excess of a billion dollars. I believe that at the year's end a balance may well be achieved. But the mere achieving of a balance, when the situation is one of such a serious lack of the adequacy of gold reserves to meet our requirements with reference to our currency and our Federal Reserve deposits to meet the legitimate demands of foreign central banks who have dollar claims against us, is not enough. We must move more vigorously. The ways our administration has devised to do that, in addition to the measures to bring about a balance, is the improvement of the efficiency and productivity of our industrial workshop.

They have done it through the revision and more favorable provisions of the depreciation formula applicable. They are seeking to do it by encouraging and obtaining enactment of the pending legislation which will give greater incentive for industry to expand on these shores—in Ohio, Florida, Illinois, Tennessee, Wisconsin, Oklahoma, Nebraska, Oregon, and North Dakota, and every other State of the Union—rather than having a situation continue in which every element of the environment is such as to be a magnet drawing more and more industrial expansion of American industry with American dollars into the more favorable environment is such as to be a magnet drawing and other industrial workshops around the world.

Mr. LAUSCHE. Mr. President, will the Senator yield?

Mr. KERR. I yield.

Mr. LAUSCHE. My question goes to another subject. It deals with section 18, the inclusion of foreign real property in the base for real estate tax purposes. The Senator from Oklahoma has been on his feet for some time. In order to give him a little rest, I will read from a letter which has been written by an Ohio citizen to the Secretary of the Treasury, dealing with this subject.

Mr. KERR. Not real estate taxes; it is the estate taxes.

Mr. LAUSCHE. That is correct, yes. This Ohio citizen suggests a correction. He contends that the correction which he suggests is completely consistent with the philosophy of the provisions of section 12 of the Senate bill, which exempts income invested in less developed countries until a profit is returned to the United States. He further contends that his suggestion is supported by section 15 of the Senate bill, which retains capital gains treatment on the sale of stock of parent corporations operating in less developed countries. Then he goes on to say that with his holdings in the Virgin Islands, the treatment is different. He says:

> All profits from Virgin Islands real estate sold by U.S. citizens already is fully subject to immediate U.S. taxes. Capital, however, which has been coaxed slowly from U.S. citizens into Virgin Islands real estate, in reliance on the integrity of the organic act, based on the 44-year-old Danish treaty, cannot be liquidated rapidly to provide funds for estate taxes. The market is small. Such real estate investment effectively is frozen over a period of years. To abruptly subject this frozen real estate investment to the excess Federal or estate taxes would impose the highest estate tax rate, and this would be payable out of the residual liquid portion of the estate.

I merely put the question for the purpose of information. The House has made the effective date of this provision later than the date the Senate bill sets.

Mr. KERR. I recall that the effective date in the House bill was July 1, 1964, and that the effective date in the Senate bill is January 1, 1963.

Mr. LAUSCHE. That is correct. May I ask what the answer is to this constituent's argument, who says he invested his money in Virgin Islands real estate under the assumption that the treaty between Denmark and the United States with respect to the Virgin Islands protected him against the sudden requirement to pay an estate tax, instead of waiting to sell the property at a time when it could be sold at what would reflect its true value?

Mr. KERR. I know of no treaty obligation between the United States Government and Denmark on this matter. In the opinion of the Senator from Oklahoma, if there is an area in which an investment in real estate, which real estate is not now subject to estate taxes under our law in the case of the death of the owner, should be made subject to it, it is investments in the Virgin Islands. The Virgin Islands belong to the United States. I can see no more justification for a citizen from Oklahoma being permitted to invest $1 million or $2 million in the Virgin Islands, which is a possession of the United States and a part of the United States, and having that investment not subject to an estate tax upon his death, than there is to permit him to invest his money in real estate in any other of the 49 States, and upon his death the real estate not be subject to estate taxes.

Mr. LAUSCHE. I agree to that proposition.

Mr. KERR. If the Senator from Ohio were to visit the Virgin Islands, he would find that real estate is very expensive there; that the value of rental business property along the main street of the capital of the Virgin Islands is higher than it is on Fifth Avenue in New York. One reason is that the Virgin Islands have been a tax haven.

Another reason has been that Americans have gone there—and have been induced to go there—to bid up the values of the real property, because when they do, and when they die, the property, although owned by American citizens in an area under the American flag, is not subject to estate taxes.

There might be a basis for arguing that January 1, 1963, is a date so soon, in view of the delay with reference to the bill, that it should be moved forward. I can well recognize the validity of an argument by an American landowner, although a tax will not be imposed until he dies, life being so uncertain for any of us, that the effective date, in view of the delay in the consideration of the bill, might be moved forward.

Mr. LAUSCHE. That is, moved——

Mr. KERR. Moved beyond January 1, 1963, the date provided in the House bill. I could well understand such a person's position if that were his argument. But I cannot understand why the ownership of land in the Virgin Islands should put an American citizen in a more favorable position with respect to the inheritance tax upon his death than he would be in if he had invested the same amount of money in real estate in the Bahamas or in Panama.

Mr. LAUSCHE. I agree, except that it is argued that the treaty which the Virgin Islands had with Denmark has some impact.

If the Senator knows, was there any discussion, recorded in the transcript of hearings, relating to the Danish treaty?

Mr. KERR. The last language in the bill—the very last sentence in the bill, on page 392—as it passed the House and was reported by the Committee on Finance, provides:

> No provision of this Act shall apply in any case where its application would be contrary to any treaty obligation of the United States.

Mr. LAUSCHE. As I understand from a statement by the committee staff representative, the transcript of the hearings discloses no discussion of a treaty allegedly guaranteeing certain rights to American investors in the Virgin Islands.

Mr. KERR. The treaty between the Virgin Islands and Denmark before the United States obtained the Virgin Islands?

Mr. LAUSCHE. Yes.

Mr. KERR. So far as I know, there was none affecting this provision. However, the committee specifically honored any treaty obligation of the U.S. Government.

Mr. LAUSCHE. By the last section?

Mr. KERR. By the last language in the bill.

Mr. LAUSCHE. Near the middle of page 117 of the report, it is stated:

> The President in his tax program recommended that this exemption be eliminated on the grounds that in recent years this has been a subject of abuse.

I assume that that is what the Senator has in mind concerning the abuses perpetrated in owning real estate in foreign countries for the purpose of escaping the payment of taxes.

Mr. KERR. For the purpose of escaping the estate tax.

Mr. LAUSCHE. Yes.

Mr. KERR. The Senator is correct.

Mr. President, I have explained briefly the more significant provisions of the bill. A full explanation of the other provisions in this bill appears to me to be unnecessary at this time. In addition, the committee report before the Senate contains an explanation of each of the provisions in the bill. I am sure that as the debate progresses I will want to delve more deeply into various provisions and I, of course, will be glad to answer any questions to the extent of my information and my physical endurance. I am also attaching to my statement a summary of the bill as amended by the committee which, Mr. President, I ask to have made a part of the RECORD at the end of my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 1.)

Mr. KERR. Mr. President, in conclusion, let me say, Mr. President, that this legislation represents a major step in the revision of our tax structure. It provides a significant stimulus for investments in order to achieve needed economic growth and to help our balance of payments. It wipes out tax haven and other abuse situations in the foreign area and removes serious inequities and loopholes in our domestic tax structure. This tax measure is a necessary initial step in any revision of our tax structure, and I urge all Senators to support its passage.

EXHIBIT 1

SUMMARY OF BILL AS ORDERED REPORTED BY THE SENATE COMMITTEE ON FINANCE

SECTION 1. SHORT TITLE, ETC.

The act is to be cited as the "Revenue Act of 1962."

SECTION 2. INVESTMENT CREDIT

The bill provides a credit against tax liability with respect to investments in certain types of property. It generally is 7 percent (3 percent in the case of certain public utilities) of investments in new tangible personal property (except livestock) and depreciable real property, except buildings and structural components of buildings, used in manufacturing, production, extraction, transportation, communications, and certain other services. No credit is allowed for property with a useful life of less than 4 years, nor generally for replacements (to the extent of insurance proceeds) of property destroyed by fire or other casualty or stolen. For property with a life of 4 to 6 years, one-third of the investment is taken into account; for property of 6 to 8 years, two-thirds is taken into account; and for property with longer lives, the full amount of the investment is taken into account. Purchases of used property, up to $50,000 worth, also are eligible for the credit. The credit may offset tax liability in full up to $25,000, but above that point the credit may not reduce tax liability by more than 25 percent. Any unused credit may be carried back for 3 years (not before June 30, 1962) or forward for 5 years and used in those years to the extent there is sufficient tax liability under the applicable limitation.

The basis of the property (for depreciation or gain or loss on sale) is reduced by the amount of the investment credit, whether or not it can be immediately used to reduce taxes, with appropriate later adjustments if all the credit is not ultimately used. A "recapture rule" is also provided to recover the tax reduction previously allowed as a credit, to the extent property is disposed of in less than its estimated useful life.

This provision is effective for taxable years ending after June 30, 1962, but only with respect to property acquired or to the extent constructed, reconstructed, or erected after that date.

SECTION 3. APPEARANCE WITH RESPECT TO LEGISLATION

A deduction is provided for costs relating to appearances before, presentation of statements to, or communications sent to a legislative body, a legislative committee, or individual legislator (Federal, State, or local), if the expenses are otherwise ordinary and necessary business expenses. A deduction also is allowed for the portion of dues paid to an organization which are used for similar legislative expenses to the extent they are related to the businesses of its members. In addition, the expense of communication of information with respect to legislation between the taxpayer and the organization of which he is a member, and between a taxpayer and its employees and stockholders, is deductible if the matter is of direct interest to the members or taxpayers. This provision does not permit the deduction of expenses incurred for attempts to influence the general public, or segments of the public (by advertising or otherwise), or for expenses concerned with political campaigns. This provision applies to taxable years beginning after December 31, 1962.

SECTION 4. ENTERTAINMENT AND TRAVEL EXPENSES

Deductible expenses for entertainment, amusement, or recreation generally are limited to those directly related to the active conduct of a trade or business, or to those associated with the active conduct of a trade or business. In the case of facilities, a further restriction is imposed to the effect that the facility must be used more than 50 percent for the furtherance of the taxpayer's trade or business (if any depreciation, rent, maintenance, etc., is to be deductible). Club dues are treated the same as facilities. This bill (unlike the House bill) will permit expenses to generate business goodwill to be deductible where a clear business purpose for the expense is established.

A second feature of the provision limits the deduction for business gifts to $25 per year per individual recipient. In applying the $25 limitation, however, advertising gifts costing less than $4 bearing the taxpayer's name are not to be taken into account and signs, display racks, or other promotional material used on the business premises of the recipient also are not to be taken into account. Another exception to the $25 limitation involves items of tangible personal property which cost not more than $100 awarded to an employee by reason of length of service or for safety achievement.

A third feature requires an allocation of travel expenses in certain cases where the travel involves both business and personal purposes. If the travel is for a period longer than 1 week, allocation must be made in all cases where the portion of the time away from home which is for personal purposes exceeds 25 percent of the total time away from home and only the amount allocated to business will be deductible.

In a fourth feature of the provision, rules are set forth providing that the deduction of entertainment or travel expenses will be denied unless they are substantiated (by adequate records) as to the amount, time and place, and the business relationship to the taxpayer of the persons involved.

A fifth feature provides that in the case of traveling expenses, deduction will be allowed for amounts expended for meals and lodging other than amounts which are lavish or extravagant under the circumstances.

This provision applies to taxable years ending after December 31, 1962, for periods after that date.

SECTION 5. DISTRIBUTIONS IN KIND BY A FOREIGN CORPORATION

Distributions in kind from foreign corporations to domestic corporations are treated as having a value equal to the fair market value of the property distributed (and not the adjusted basis of this property in the hands of the distributing corporation where this is lower). The foreign tax credit applicable with respect to such distributions is to be computed by reference to the fair market value of the property. This applies to distributions made after December 31, 1962.

SECTION 6. MUTUAL SAVINGS BANKS, ETC.

Mutual savings banks, domestic building and loan associations, and cooperative banks are allowed under present law to add all of their income to bad debt reserves until reserves (including surplus reserves) reach 12 percent of deposits. In lieu of this, under the bill, these institutions (other than domestic building and loan associations having capital stock outstanding) are to be permitted deductions for additions to bad debt reserves generally of up to 60 percent of their taxable income (before this deduction) or, if larger, an amount bringing their reserves up to 3 percent of improved real property loans, plus a reasonable addition for other loans. (Existing reserves in excess of this amount generally are disregarded.) The bill also provides that the reserves may be accumulated in excess of 3 percent of these loans if the taxpayer's experience shows this is required. In the case of domestic building and loan associations with capital stock outstanding the 60-percent rule described above is not to apply; instead such associations are to be permitted to deduct up to 50 percent of such taxable income. Small new domestic building and loan associations are provided a special additional deduction which is to apply only in their first 10 years of operation. These companies are to be permitted to set aside up to 5 percent of their improved real property loans (which do not total more than $4 million) rather than 3 percent. Limitations are provided on the overall amounts which may be accumulated in bad debt reserves. The first limitation provides that under the 60-percent alternative (or the 50-percent alternative in the case of stock associations) amounts may not be accumulated after the reserve reaches 6 percent of improved real property loans. The second limitation provides that no deductible additions may be made to bad debt reserves if the total amount accumulated in all reserves equals 12 percent of deposits.

Under the bill, in the case of stock savings and loan associations, distributions to shareholders will be considered as paid first out of already tax-paid funds and, only when these are exhausted, out of reserve funds on which a tax has to be paid by the association at the time of distribution. Also, under the bill, a domestic building and loan association is defined as one which is insured under the National Housing Act or subject to State or Federal supervision, but only if substantially all of its business consists of accepting savings and investing the proceeds as follows: At least 90 percent of the assets must consist of cash, Government obligations, loans secured by an interest in real property, and loans for the improvement of real property, or share account loans; at least 80 percent of the 90 percent must consist of cash, Government obligations, and loans secured by an interest in real property which is or will become residential real property; and at least 70 percent of the 90 percent must consist of cash, Government obligations, and loans secured by an interest in real property which is or will become residential real property containing one- to four-family units. No part of its investments may be in private corporate stock. In addition, the exemption of Federal savings and loan associations from certain excise taxes is repealed.

Generally, these provisions are effective for taxable years ending after December 31, 1962. The excise tax changes are effective as of December 31, 1962.

SECTION 7. DISTRIBUTIONS BY FOREIGN TRUSTS

Distributions by foreign trusts which are attributable to contributions made by U.S. grantors (or added by U.S. transferors) are to be taxed to any U.S. beneficiaries in substantially the same manner as if the beneficiaries had received this income directly in the year earned rather than later when the distribution is made. However, the additional tax is payable at the time of the actual distribution. For those preferring not to make the calculations required under this "exact method" of taxation, an averaging device is provided. This applies to distributions (accumulated after the effective date of the 1954 Code) made after the date of enactment of the bill.

SECTION 8. MUTUAL FIRE AND CASUALTY INSURANCE COMPANIES

Mutual fire and casualty insurance companies are to be taxed on their "total" income less a deduction for additions to a reserve for protection against losses equal to one-fourth of their underwriting gains plus 1 percent of their insurance claims. After a 5-year interval, the 1 percent set-aside with respect to insurance claims and one-half of the amount attributable to underwriting gains is brought back into the taxable income to the extent not already offset by losses. The remainder, to the extent not offset by losses, will remain in the loss reserve but no amount may be added to this reserve which would build it up to a level of more than 10 percent of the current year's premiums. The bill provides uniform treatment for losses of mutual companies regardless of whether they operate on a deviated-premium basis or on a dividend-paying basis. Concentrated risk companies (those having 40 percent or more of their premium income from windstorm, hail, flood, and so forth, risks, arising in one State or within 200 miles of any point selected by the taxpayer) may set aside an additional amount of underwriting income in the protection-against-loss account, and with respect to this additional amount the 10-percent limitation will not apply but the 5-year limitation will apply.

Companies whose total receipts do not exceed $150,000 are to be exempt from tax, and companies with total receipts of between $150,000 and $600,000 are to be taxed only on their investment income. For those with gross receipts above $600,000, a special deduction of $6,000 is provided which decreases as gross receipts rise and disappears at a level of gross receipts of $1,200,000.

Factory mutual companies are to be taxed like stock companies without the special protection against loss reserve referred to above. However, in computing their underwriting profits they will be permitted to determine their premium income on the basis of "absorbed" premium deposits (i.e., in general, excluding the portion of the deposit returnable to the person insured). The amount so determined is then increased by 2 percent. Mutual flood insurance companies are to be taxed in the same manner as factory mutual insurance companies. Under a special transitional loss rule, mutual companies which incurred underwriting losses in 5 out of the 6 years preceding 1963 are permitted to carry such losses over and deduct them over a 5-year period. Reciprocal underwriters and interinsurers are in effect permitted to combine the underwriting income of their corporate attorney in fact with their own for most purposes.

These provisions apply to taxable years beginning after December 31, 1962.

SECTION 9. DOMESTIC CORPORATIONS RECEIVING DIVIDENDS FROM FOREIGN CORPORATIONS

Under present law when the income of a foreign subsidiary is distributed to a domestic parent corporation only the income of the subsidiary remaining after tax is treated as a dividend and a foreign tax credit is allowed the parent corporation for that part of the foreign taxes paid by the subsidiary attributable to this income. Under the bill, except in the case of dividends received directly or indirectly from less developed country corporations, the amount included in the tax base of the domestic corporation, if it elects the foreign tax credit, is to be not only the dividend itself but also the tax paid by the foreign corporation as well.

A less developed country corporation generally is a corporation, engaging in a trade or business, which derives 80 percent or more of its gross income from such a country; and has 80 percent or more of its assets (in general) located in such a country. It also includes companies holding 10 percent or more of the stock of the less developed country corporations described, if 80 percent of their income is derived from less developed countries and 80 percent of their assets are either located in less developed countries or are stock or securities of less developed country corporations. It further includes shipping and air transport companies deriving 80 percent of their gross income from ships or aircraft registered under (but not necessarily incorporated under) the laws of a less developed country and having 80 percent or more of their assets in such a business. Where there are two levels of foreign corporations the status of the top-level corporation determines whether or not the gross-up applies.

Also, where a foreign corporation is eligible for the 85-percent intercorporate-dividends-received deduction with respect to income earned in the United States, the 15 percent of this income for which no deduction is allowed is not to be treated as foreign source income for purposes of the foreign tax credit. The subsection of present law making the foreign tax credit available for royalty income received from wholly owned subsidiaries in certain cases is repealed.

These amendments become fully effective for distributions received by domestic corporations after December 31, 1964. In the case of distributions received by domestic corporations before 1965 but in taxable years after December 31, 1962, the new rules are to apply in the case of distributions made out of profits of a foreign corporation accumulated in taxable years beginning after December 31, 1962.

SECTION 10. SEPARATE LIMITATION ON FOREIGN TAX CREDIT FOR CERTAIN INTEREST INCOME

Your committee's amendments provide that the limitation on the foreign tax credit is to be computed separately with respect to certain types of interest income. Also, the "per country" limitation must be used for this special interest income, whether the "per country" or "overall" limitation is used for other income. The separate computation is required for interest income other than interest derived: (1) From the active conduct of a trade or business, (2) from the conduct of a banking, financing, or similar business, or (3) from a corporation in which the taxpayer has at least a 10-percent stock interest. This is intended to prevent a domestic corporation receiving income from operations abroad which are taxed at a level above the U.S. level of taxation from offsetting these "excess" foreign taxes against interest income, also earned abroad, which is taxed at less than the U.S. level of taxation.

SECTION 11. EARNED INCOME FROM SOURCES OUTSIDE THE UNITED STATES

Under existing law, individuals who are present in a foreign country or countries for 17 out of 18 months may exclude from their U.S. tax base up to $20,000 per year of income earned abroad. If they are bona fide residents of a foreign country there is no ceiling on this exclusion. In the case of these bona fide foreign residents, a ceiling is to be provided of $20,000 for the first 3 years they are abroad and $35,000 thereafter. If an individual makes a statement to a foreign country that he is not a resident and the foreign country grants him tax exemption, the statement is to be conclusive evidence that he is not a bona fide resident of that country for purposes of the U.S. exclusion. Under the provision, contributions made by employers for employee benefits under qualified pension plans with respect to future employment are to be taxable to the employee when he receives these amounts after retirement. Generally these provisions are effective with respect to taxable years ending after December 31, 1962. However, noncash fringe benefits received in 1963 are not to be taken into account in applying the limitation to bona fide residents. In 1964 one-third of the value of such benefits is to be taken into account, in 1965 two-thirds of the value of such benefits is to be taken into account, and thereafter the full value of such benefits is to be taken into account.

SECTION 12. CONTROLLED FOREIGN CORPORATIONS

In the case of controlled foreign corporations, where more than 50 percent of the stock is owned by U.S. shareholders who own 10 percent or more of the stock in these corporations, such shareholders are to report for tax purposes the undistributed earnings of these corporations to the extent they represent (a) income from insuring or reinsuring U.S. risks; (b) increases in earnings invested in U.S. property (generally not related to foreign business); (c) passive types of income; (d) income from purchases from or sales to related "persons" where the goods are produced or grown and the property is sold for use outside of the country of incorporation of the foreign corporation involved; (e) income from services performed for related persons outside of the country of incorporation of the foreign corporation. The last three of these categories comprise what is known as foreign base company income. In these latter three cases, the combination of the three types of income must equal 30 percent of total income before it is taken into account. Where this combined income equals more than 70 percent of the total, then all income is attributed to the shareholders. However, reductions in the income taxed to shareholders are allowed in the case of dividends, interest and gains from sales if these are received from less developed country corporations, to the extent that these earnings are reinvested in less developed country corporations. Exclusions from categories (c), (d), and (e) above are also provided for shipping income and for income from corporations which (as established to the satisfaction of the Treasury) are not availed of to reduce taxes. Undistributed earnings which are taxed to the U.S. shareholders under any of the above provisions may subsequently be actually distributed to U.S. shareholders without further payment of tax.

The bill also provides a series of relief measures from the above provisions. First, individual shareholders may elect to have the undistributed income which is to be taxed to them treated as if they, the recipients, were domestic corporations (subject to a maximum tax rate of 52 percent and eligible for the foreign tax credit).

Second, if certain minimum amounts of income are distributed (which vary in accordance with foreign effective tax rates) the section on controlled foreign corporations is not to apply. The distributions are as follows:

Effective foreign tax rate:	*Minimum distribution (percent)*
Under 10 percent	90
10 percent up to 20 percent	80
20 percent up to 30 percent	70
30 percent up to 40 percent	60
40 percent up to 42 percent	50
42 percent up to 44 percent	38
44 percent up to 46 percent	26
46 percent up to 47 percent	14
Over 47 percent	0

For the purpose of computing the above distribution schedule each controlled foreign corporation can be treated separately, each chain of controlled foreign corporations may be treated as a unit, all controlled foreign corporations may be treated as a unit, or all controlled foreign corporations other than less developed country corporations may be treated as a unit. Foreign branches of U.S. corporations also may be taken into account if the third category above is used.

Third, certain export trade income of export trade corporations will not be taxable to U.S. shareholders in the case of foreign base company income, i.e., the last three of the five categories of income listed above. An export trade corporation is a controlled foreign corporation deriving 90 percent of its income from sources outside the United States and 75 percent of its income from "export trade income." Export trade income is the income derived from the sale to an unrelated person for use outside the United States of property produced, grown, or extracted in the United States, as well as certain other income related to such sales. The bill provides that the income of a controlled foreign corporation which is taxable to U.S. stockholders (except insofar as it relates to insurance of U.S. risks) is not to include the export trade income of one of these corporations to the extent this export trade income does not exceed 1½ times the export promotion expenses or 10 percent of gross receipts, whichever is lesser. However, for this treatment to apply, the earnings involved must be invested in the export trade business.

SECTION 13. ORDINARY INCOME ON CERTAIN GAINS FROM DEPRECIABLE PROPERTY

In the case of tangible personal property (other than livestock) and depreciable real property, other than buildings and structural components, used in manufacturing, production, extraction, transportation, communications, and certain other services, when such property is sold or exchanged at a gain during a taxable year beginning after December 31, 1962, this gain, to the extent of depreciation attributable to periods after December 31, 1961, is to be treated as ordinary income for tax purposes (instead of capital gain). In the case of dispositions of property during a taxable year beginning after December 31, 1962, other than by sale or exchange, this same treatment is to apply except that the amount of the presumed gain is to be determined by the excess of the fair market value of the property at the time of its disposition over its then adjusted basis.

This treatment is to apply in the case of most dispositions of property whether or not gain is otherwise recognized. The treatment described above does not apply, however, in the case of gifts, although in the case of charitable contributions the amount of the charitable contribution deduction which may be taken is reduced by the amount which would be treated as ordinary income if this provision were applicable. Other exceptions are provided for property transferred at death, for transfers where no gain is recognized and the basis of the property is carried over to the transferor, and for transfers in like kind exchanges and involuntary conversions to the extent no gain is recognized. In the case of partnership, distribution to partners or sales of partnership interests are taxed to the partners to the extent of the underlying depreciable property in much the same way as if the depreciable property had been sold directly.

The bill also provides that in computing the basis on which depreciation may be taken salvage value may be ignored up to an amount equal to 10 percent of the cost or other basis of the property. Also, under the bill taxpayers are permitted to elect to change their method of depreciation with respect to property coming within the scope of this provision from any declining balance, or sum-of-the-years digit method to a straight-line method.

This provision applies to taxable years beginning after December 31, 1962.

SECTION 14. FOREIGN INVESTMENT COMPANIES

When stock in foreign investment companies is sold, the gain realized by the U.S. shareholders is to be ordinary income (instead of capital gain) to the extent of the taxpayer's share of the earnings and profits of the corporation accumulated in taxable years beginning after December 31, 1962, and during the period in which he held the stock. In the case of stock in a foreign investment company acquired from a decedent, the basis of the stock is not to be increased at the date of death to the extent of the amount which would have been taxed as ordinary income to the decedent had he sold the stock before death. A deduction for estate tax attributable to this amount will be allowed, however, upon subsequent sale of this stock by the heir or legatee.

The companies and shareholders can avoid the treatment described above if the companies distribute 90 percent or more of their taxable income, other than capital gains, designate in a written notice to the shareholders each year (to be mailed to them within 45 days after the close of the taxable year) their ratable share of the capital gains of the corporation and provide such other information as the Treasury requires to enforce this provision. The shareholders, however, must also report as capital gains their share of the capital gains of the corporation, whether the gains are distributed or not. Where these provisions are complied with, the shareholders are permitted to take a foreign tax credit for foreign taxes paid by the company. Under the bill a foreign investment company is permitted to reincorporate (in a tax-free reorganization) as a domestic regulated investment company if it does so before January 1, 1964.

These provisions apply with respect to taxable years beginning after December 31, 1962.

SECTION 15. GAIN FROM SALES OR EXCHANGES OF STOCK IN FOREIGN CORPORATIONS

Where there is a redemption of stock in a controlled foreign corporation or a controlled foreign corporation is liquidated, or where stock in such a corporation is sold, then any gain to the extent it represents earnings and profits of the corporation accumulated in taxable years beginning after December 31, 1962, is to be taxed to 10 percent or more U.S. shareholders as ordinary income. If the shareholder is a corporation, it is allowed a foreign tax credit for taxes paid to foreign countries in the same manner as in the case of any other dividend.

If the shareholder is an individual, his tax is to be no greater than the smaller of two ceilings. The first ceiling provides that the individual's tax is to be no greater than if the foreign corporation had been a domestic corporation paying the regular 52-percent U.S. tax (offset by any foreign tax credits allowable) which then made a liquidating distribution of the balance to the U.S. shareholder and this balance was subject to capital gains tax. In other words, this ceiling would provide a U.S. tax of 52 percent, against which foreign tax credits could be taken, and on the balance (not over 48 percent of the total) a capital gains tax of not over 25 percent would be paid. Thus, the aggregate maximum tax in this case would be 64 percent (52 percent plus 25 percent of 48 percent). The second ceiling is the amount of tax which would have resulted had the earnings and profits been distributed to the shareholder in the years they were earned. The section also provides that earnings and profits are not to include profits on sales made during a liquidation if the corporation could have qualified for tax-free sales on liquidation if it had been a domestic corporation. The section does not apply to stock of a less developed country corporation which had been held for 10 years at the time of its sale. These provisions apply with respect to sales or exchanges occurring after December 31, 1962.

SECTION 16. SALES AND EXCHANGES OF PATENTS, ETC., TO CERTAIN FOREIGN CORPORATIONS

The committee amendments provide that gain from the sale or exchange after December 31, 1962, of a patent invention, model or design, copyright, secret formula or process, or other similar property, to a foreign corporation by a U.S. person (corporation, individual, etc.) who controls the foreign corporation is to be treated as ordinary income rather than as a capital gain. This provision is not to apply in the case of a patent, etc., transferred to a foreign corporation in exchange for stock or as a contribution to capital if it is established to the satisfaction of the Treasury that the principal purpose of the transfer is to enable the foreign corporation to use the patent, etc., in its own manufacturing operations. This is to apply to taxable years beginning after December 31, 1962.

SECTION 17. TAX TREATMENT OF COOPERATIVES AND PATRONS

Cooperatives are to receive a deduction for patronage dividends paid to their patrons in cash, or by allocations if the patron has the option to redeem the notices of allocation in cash not later than 90 days after they are issued or if he consents to this income being treated as constructively received by him and then reinvested in the cooperative. In either case, under the bill, 20 percent of the value of a patronage dividend which includes qualified allocations must be in the form of cash. The patron, either a member or nonmember, may give his consent individually in writing, or, a patron who is a member may also consent by retaining membership in a cooperative after it adopts a bylaw requiring consent by all members and gives written notice of this bylaw to all members. Under a third method, consent may be given by the endorsing and cashing of a qualified check for the 20-percent amount referred to above. If the check for the 20-percent amount is endorsed and cashed by 90 days after the date for filing the tax return the patronage dividend of which the check is part will be deductible by the cooperative with respect to the year in which the patronage occurred. In the case of allocations which do not qualify, the cooperative will initially be taxed on this type of patronage dividends. However, when such a patronage dividend is redeemed, the cooperative will receive a deduction (or refund of tax) at that time. In the case of allocations which do not qualify, the cooperative will initially be taxed on this type of patronage dividends. However, when such a patronage dividend is redeemed, the cooperative will receive a deduction (or refund of tax) at that time.

Where consent is given, or where the option to receive cash was available, the patron will be required to include the patronage dividends which arise from business activity as taxable income. The patron will also be required to take into account nonqualifying patronage dividends when they are redeemed (assuming they arise from business activity).

In addition, all cooperatives (rather than merely tax-exempt cooperatives as under present law) are given until 8½ months after the end of the year in which patronage occurs to allocate amounts to the accounts of their patrons and in most cases are also given this same period of time for the filing of their own income tax returns. These provisions apply to taxable years of cooperatives beginning after December 31, 1962, and with respect to amounts received by patrons attributable to years of the cooperatives to which the new law applies. The new provisions will not, however, apply to future redemptions of patronage dividends declared when the old law was applicable.

SECTION 18. INCLUSION OF FOREIGN REAL PROPERTY IN GROSS ESTATE

Real property located outside of the United States, in the case of citizens or residents of the United States, is to be included in their tax base for purposes of the Federal estate tax imposed at the time of their death. This provision will be fully effective for decedents dying on or after January 1, 1963. For those dying after the date of enactment of this bill, and before January 1, 1963, real property located outside of the United States will be included in their gross estate only if acquired on or after February 1, 1962.

SECTION 19. REPORTING OF INTEREST, DIVIDEND, AND PATRONAGE DIVIDEND PAYMENTS

The bill provides, in lieu of withholding, for the reporting of most interest, dividend, and patronage dividend payments of $10 or more per year. These reports must be made to the Government on an annual basis and also to each dividend or interest recipient on an annual basis. The bill provides civil penalties of $10 for each statement not sent to the Government unless it is shown that the failure is due to reasonable cause. The aggregate penalty in this case is not to exceed $25,000. Similarly, a civil penalty of $10 per statement is provided for failure, other than with reasonable cause, to send the statements to the interest or dividend recipients. Here, too, the maximum penalty is $25,000. These penalties are in addition to criminal penalties in existing law.

SECTION 20. INFORMATION WITH RESPECT TO FOREIGN ENTITIES

A number of changes are made in the annual information return which domestic corporations presently are required to file with respect to their subsidiaries or foreign corporations which they control. The changes are: This return is to be filed not only by corporations but by others as well who control foreign corporations; "control" is defined more broadly by adding some of the constructive ownership rules; information must be provided not only with respect to subsidiaries of foreign corporations but also for other foreign corporations which are further down the chain of ownership; and additional information may be required which is similar or related in nature to that already specified. A ceiling has been placed on the penalty applicable under present law, to provide that the reduction in the foreign tax credit of a corporation, which would occur for noncompliance with the reporting requirements, may not exceed the income of the foreign corporation with respect to which the failure occurs or $10,000, whichever is greater.

Present law also requires U.S. citizens or residents who are officers or directors of a foreign corporation within 60 days of its organization or reorganization and also 5-percent shareholders who have this status within 60 days of the organization or reorganization to supply certain information to the Treasury Department with respect to the corporation. This same information is also to be required of U.S. citizens or residents who at some later time become officers, directors, or shareholders with an interest of 5 percent or more. However, in the case of U.S. officers or directors of a foreign corporation, this reporting requirement is to apply only if 5 percent or more of the value of the stock is owned by a U.S. person and the only information these officers or directors are to be required to furnish is the names and addresses of these 5-percent shareholders. Information is not to be required under this provision unless so provided by regulations in effect 90 days before the filing of the information return is required. A penalty provision also is provided.

Generally, these additional information requirements become effective as of January 1, 1963.

SECTION 21. CLEARING OF LAND

In the case of farmers, expenditures incurred during any taxable year in the clearing of land (which would otherwise be chargeable to capital account) may be deducted to the extent of $5,000 or 25 percent of the taxable income from farming for that year, whichever is the lesser.

SECTION 22. CERTAIN CHARITABLE CONTRIBUTIONS

Where an individual is entitled to (in effect) spread his income over the years to which it is attributable for purposes of determining his tax, he may elect to apply the limitation on charitable contributions (20 percent or 30 percent, whichever is applicable) before the income is spread, and then spread only the income remaining after the charitable deduction.

SECTION 23. SECTION 1371(C)

The effective date of section 1371(c) (relating to husband and wife in community property States) is made effective with respect to taxable years beginning after December 31, 1957, and elections by small business corporations to have their income taxed directly to their shareholders are to be validated if the shareholders so consent within 1 year after the date of enactment of this act.

SECTION 24. LOSSES BY CERTAIN STREET RAILWAY COMPANIES

Net operating losses incurred in 1953 and 1954 by a street railway company in converting from streetcar to bus service, which were not absorbed within the normal 3-year carryback and 5-year carryforward period, are to be treated as a net operating loss occurring in 1959. This will permit these unused losses to be absorbed over the years 1960 through 1964.

SECTION 25. EXEMPTION FOR PENSION TRUST

The union-negotiated pension plan of Local Union No. 435 of the International Hod Carriers' Building and Common Laborers' Union of America is to be treated as a qualified, tax-exempt trust for the period beginning May 1, 1960, and ending April 20, 1961, if it is shown to the satisfaction of the Secretary of the Treasury that the trust was not operated during this period in a manner which would jeopardize the interests of its beneficiaries. This will permit employers to deduct contributions made to this trust in this period.

SECTION 26. CONTINUATION OF PARTNERSHIP YEAR IN CERTAIN CASES

Your committee's amendments modify the 1939 Code to provide that where one partner dies, in a partnership consisting of two members, the partnership year for the surviving partner is not to close prior to the time the partnership year would have closed if neither partner had died. This provision is to apply only if the surviving partner so elects within 1 year after the date of enactment of this provision. This amendment applies to taxable years of a partnership beginning after December 31, 1946, to which the 1939 Internal Revenue Code applies.

SECTION 27. TREATIES

No provision of this bill is to apply in any case where its application would be contrary to any treaty obligation of the United States.

Mr. KERR. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator from Oklahoma will state it.

Mr. KERR. First, however, if the distinguished junior Senator from Tennessee [Mr. Gore] is in the Chamber——

Mr. PROXMIRE. The Senator from Tennessee will return to the Chamber in a few minutes.

Mr. KERR. Mr. President, I shall repeat my request for unanimous consent that the committee amendments be agreed to en bloc; and that the bill as thus amended be considered as original text for the purpose of further amendments. However, on the assumption that the request will be objected to, I address this parliamentary inquiry to the Chair: What will be the parliamentary procedure with reference to the consideration of the bill as affected by the committee amendments?

The PRESIDING OFFICER. If the unanimous-consent request is objected to, the order of business before the Senate will be the first amendment that has been proposed by the committee.

Mr. KERR. The first committee amendment?

The PRESIDING OFFICER. That is correct.

Mr. KERR. Mr. President, in view of that fact, and the fact that I have been on the floor about 4 hours, I shall yield the floor at this time.

I say to the distinguished Senator from Wisconsin that I shall be in the Chamber repeatedly and shall be happy, from time to time, to answer any questions he may have to the extent of my ability.

Mr. PROXMIRE. Mr. President, I have a series of questions to address to the Senator from Oklahoma. I will appreciate it if he will yield to me later in the day.

The PRESIDING OFFICER. The first committee amendment will be stated.

The Legislative Clerk. On page 8, line 2, after the word "Code" and the period, it is proposed to strike out "Whenever" and insert "Except as otherwise expressly provided, whenever".

Mr. DOUGLAS. Mr. President——

The PRESIDING OFFICER (Mr. Pell in the chair). The Senator from Illinois is recognized.

SUPPORT FOR PRESIDENT'S TAX PROPOSALS

Mr. DOUGLAS. Mr. President, legislative decisions on important matters are not primarily made inside the walls of this Chamber. Such decisions are instead largely made by public opinion outside this Chamber; they are made by public opinion acting on the information primarily furnished to the public by the press.

Over the weekend I began to think that insofar as the struggle over this tax bill is concerned, I was living in a world of Alice in Wonderland—a world in which the stated issues and problems were exactly contrary to the issues really at stake. At times it seems like George Orwell's "1984" with its doublespeak and its contradictory slogans such as "War is peace," and so forth.

The junior Senator from Tennessee [Mr. Gore] and I have been closely associated with this tax bill ever since it came from the House of Representatives and ever since the Senate Finance Committee began its hearings in April. We attended the committee hearings, and we worked in the executive sessions of the committee. In the main, we fought for the original program of the President of the United States.

We saw amendment after amendment submitted which largely would gut the recommendations made by the President. In our minority views, the Senator from Tennessee and I urge—in the main—that the substantial features of the President's original program be returned to the bill and be enacted into law. We intend to fight on the floor of the Senate for those principles.

Therefore, it was quite proper, I believe, for the Senator from Tennessee to object to the request of the Senator from Oklahoma [Mr. Kerr] that the committee amendments be agreed to en bloc, for many of the committee amendments would help to wreck the President's original program. Certainly the committee should be required to justify every eviscerating amendment which it proposes.

Mr. President, those are the facts, and I think they will become evident to the country.

PRESS REPORTS MISLEADING

This morning I read in the lead article in the Washington Post—an article which I believe also was printed in the New York Herald Tribune—a statement:

> A powerful array of liberal and conservative Senators are lined up to battle today against the administration-sponsored tax revision bill.

(See exhibit 1.)

Mr. DOUGLAS. In an editorial published on Saturday the Washington Post bemoans "the obstructive course of action to which Senators Douglas and Gore appeared to be committed."

(See exhibit 2.)

Mr. DOUGLAS. Mr. President, our course is described by the Washington Post as "an obstructive course of action" because we want to put the President's program into effect.

FUNNY THING HAPPENED ON MY WAY TO THE SENATE

Mr. President, a funny thing happened this noon, when I was on my way to the Senate. As I came into the Capitol, a reporter gave me a tearsheet from the Wall Street Journal of today. I think the Senator from Wisconsin has already made some reference to it. It reads, in part:

> "Liberal Tax Bill Amendments Face Defeat in Senate."

Listen to this, Mr. President—

> "Democratic Chiefs To Fight Bid To Restore Proposal That President Had Urged."

In the body of the article which follows those headlines, we find the following:

> Senate Democratic leaders plan to employ harsh parliamentary tactics against liberal efforts to restore some of President Kennedy's recommendations to the Senate Finance Committee's version of the tax-revision bill.

(See exhibit 3.)

Mr. DOUGLAS. Mr. President, the Wall Street Journal, with its usual accuracy, is correct in stating that we are trying to restore the original recommendations of the President; and I hope the Washington Post and the New York Herald Tribune will take note of that fact. When the Senator from Oklahoma [Mr. KERR] moves the adoption of gutting amendment after gutting amendment, in an effort to eviscerate the President's tax-revision plan, it will be made abundantly clear that we who are objecting to those proposals are, in the main—and I emphasize the words "in the main"—trying to defend the program of the President of the United States.

FAVOR ADMINISTRATION TAX BILL

On Saturday, the Washington Post took the Senator from Tennessee [Mr. GORE] and me to task, because it said we had joined forces with the Senator from Virginia [Mr. BYRD] in opposing the administration's tax bill, and said this would shock "even the most cynical of political observers."

Mr. President, I hold the Senator from Virginia in high personal esteem. But I suppose the record of the rollcall votes in the Senate in the 14 years that I have been serving here will indicate that in connection with approximately 95 percent of the controverted bills, we have been on opposite sides.

I do not know whether the Senator from Virginia is opposing the administration's tax bill; but certainly the Senator from Tennessee [Mr. GORE] and I are not opposing the administration's tax bill. We are in favor of the administration's tax bill—the original tax bill; and we are against those who would try to destroy it.

I make no apologies for being in agreement with the Senator from Virginia [Mr. BYRD] in regard to the present form of the investment-credit plan. I should like to state the matter the other way; I should like to say that I am greatly pleased that the Senator from Virginia [Mr. BYRD] agrees with the Senator from Tennessee [Mr. GORE] and me in opposing the investment-credit plan in its present form, because the present form of the investment-credit plan is very different from its original form, as I shall demonstrate as I proceed.

I believe we should consider these issues on the basis of their merits, not on the basis of a listing of those who favor them and those who oppose them.

The Senator from Virginia [Mr. BYRD] has always—even when I differed most vigorously with him—treated me with perfect courtesy and kindness; treatment which I have not always received from other quarters; and I wish to pay tribute to him and thank him for the gentility with which he has behaved toward those whose views have differed from his.

I am glad to welcome the Senator from Virginia [Mr. BYRD] to the ranks of those of us who oppose the present form of the investment-credit plan. I am not at all ashamed to be seen going down the street with him on this issue.

We may differ on the issues involved, but as long as he is on the right side on this issue, I will keep in step with him—for a limited period of time. [Laughter.] And I hope that our associations together, fighting this iniquitous investment credit, will gradually lead to a tempering of his own opinions so that he will walk with the Senator from Tennessee and the Senator from Illinois for a longer period of time. We do not expect him to become a fellow traveler of ours, but we hope that he will be at least a limited pedestrian associate. [Laughter.]

TAX REFORM—ORIGINAL PURPOSE

Mr. President, one of the tricks of semantics is to alter the terms of reference and to call different things by the same words. We liberals are making our fight to return to the main features of the President's original tax bill. That original bill included not only business stimulation, but tax reform. Those two features were contained in the tax message of the President to the Congress last year. They were embodied in the original administration tax proposals to the House of Representatives last year.

But now notice what my good friends in the Washington Post say this morning.

(See exhibit 4.)

Mr. DOUGLAS. They refer to this bill not as the tax reform bill but as "the investment credit bill," and they are trying to pretend that the present form of the investment credit bill is the form which the President originally advocated, whereas it is not at all, of course.

So, Mr. President, let there be no confusion among the members of the press who sit on high in judgment upon us. Let there be no confusion about this matter. The Senator from Tennessee, the Senator from Illinois, and those who think similarly with us are fighting the proadministration fight; and I hope that for once the Wall Street Journal is not accurate in its prediction that the "Senate Democratic leaders," in its words, "plan to employ harsh parliamentary tactics against liberal efforts to restore some of President Kennedy's recommendations."

By the very astute parliamentary maneuver of the junior Senator from Tennessee [Mr. GORE], the initiative has been thrown upon the Senator from Oklahoma [Mr. KERR]. It will not be the liberal group which will be proposing amendments to the bill which can be falsely called the administration's bill——

Mr. GORE. Crippling amendments.

Mr. DOUGLAS. Crippling amendments; weakening amendments. No; it will have to be the Senator from Oklahoma who will defend why he is offering crippling amendments to the administration's program though he sits in the chair of the floor leader of the Democratic Party.

Mr. President, I ask unanimous consent that the articles and editorials which I have referred to be printed in the RECORD at the conclusion of my remarks.

The PRESIDING OFFICER. Without objection it is so ordered.

Mr. CURTIS. Mr. President, will the Senator yield for a question?

Mr. DOUGLAS. I yield for a question.

Mr. CURTIS. Can the distinguished Senator tell us whether or not the administration is supporting the provision now in the bill, or in the committee amendments, for the investment credit?

Mr. DOUGLAS. I think it is.

Mr. CURTIS. It is.

Mr. DOUGLAS. I think it is supporting the present form of the investment credit, but I do not think it would object if we returned to the original form.

Mr. CURTIS. Well, it was worse.

Mr. DOUGLAS. No; it was much better, and I shall develop that as I go along.

When the administration proposed this bill a year and a half ago, it was intended to close a few of the loopholes which disgrace our tax system—most conspicuous of which, of course, is the 27½-percent depletion allowance on gas and oil, which is the particular pet of the Senator from Oklahoma—and which cause grave injustices and irregularities in the application of our tax laws. The total amount of revenue which would have been saved to the Treasury, and hence to the people, was, by the terms of the President's original proposal, approximately $2.3 billion.

We have prepared a summary table which shows the President's original proposals, together with what happened to them in the House, together with what happened to them in the Senate Finance Committee. Here is a record so that we can see who did the dirty work at the crossroads.

I ask unanimous consent that this summary of the evolution, or devolution, or degeneration, of the President's tax bill be printed in the RECORD at this point in my remarks.

There being no objection, the table was ordered to be printed in the RECORD.

Table I.—*Evolution of the Revenue Act of 1962—with pertinent revenue estimates*[1]

LOOPHOLE CLOSERS

President's proposals of Apr. 20, 1960	Revenue gain	House bill	Revenue gain	Revenue decrease compared to President's proposal	Finance Committee bill	Revenue gain	Revenue decrease compared to House bill	Revenue decrease compared to President's proposal
	Millions		*Millions*	*Millions*		*Millions*	*Millions*	*Millions*
Sec. 4. Expense accounts: Provides that the cost of business entertainment, including club dues, and the maintenance of entertainment facilities (such as yachts and hunting lodges) be disallowed in full as a tax deduction. Restrictions should also be imposed on the amount to be deducted as business gifts, on travel expenses for vacations that are combined with business travel, and on excessive personal living expenses incurred on business travel away from home.	$250	Under the House bill expenditures for entertainment activities must be directly related to the active conduct of the taxpayer's trade or business and those for entertainment facilities such as yachts must meet an additional test of being primarily in furtherance of the trade or business. Deduction was denied for business gifts in excess of $25, a standard of "reasonableness" was added to the provisions dealing with traveling expenses, and a good rule requiring substantiation of expenditures was adopted.	$125	$125	The Finance Committee added to the directly related test of the House bill a liberalizing test permitting the deduction of entertainment expenditures if they are directly "associated with" the taxpayer's trade or business. In addition, the committee's report is very weak and confusing—quite unlike the report of the House Ways and Means Committee which provided some meaningful guidelines that made the House provision workable and effective.	$60	$65	$190
Sec. 6. Mutual savings banks: The existing bad debt reserve formula of 12 percent of deposits, which has resulted in virtual tax exemption, would be reviewed to assure "nondiscriminatory treatment." The Treasury Department report of July 1961 suggested alternative methods of taxation to produce revenue of between $150 and $416 million, at 1963 levels of income, depending upon alternative selected.	150-416	Provided a bad debt reserve deduction of 3 percent of the increase in real estate mortgage loans or, alternatively, a deduction of 60 percent of retained earnings. Technical provisions changed definition of "domestic building and loan association," prevented capital stock savings and loan associations from distributing to stockholders pre-1952 tax-free surplus, removed certain exemptions from excise taxes, and applied realistic rules for computing bad debts resulting from mortgage foreclosures.	200	----------	In the case of capital stock savings and loan associations, the special deduction of 60 percent of earnings was reduced to 50 percent to produce additional revenue of about $5 million annually. Other changes modified definition of domestic building and loan association, broadened repeal of excise tax exemptions, imposed ceilings on amount of reserves, and took into account tax-free surplus accumulated prior to 1952 to the extent necessary to place all institutions on an equal basis.	205	+5	----------
Sec. 8. Mutual insurance companies: Provided for the elimination of the special provisions of existing law which are applicable only to mutual fire and casualty insurance companies, so as to tax such companies on total income in essentially the same manner as stock fire and casualty insurance companies.	50	Provided a modified total income approach which permits a portion of underwriting income to be set aside tax free in a special reserve for protection against losses. Also, provided special rules for concentrated risk companies, reciprocals, factory mutuals, mutual marine companies, and certain small mutuals.	40	10	Changed the order in which losses are to be charged to the special protection against loss reserve. Other changes liberalized the provisions of the House bill relating to concentrated risk companies, reciprocals and certain small mutuals, and provided a special rule for taxing mutal flood insurance companies.	35	5	15
Sec. 13. Gain on depreciable property: Gain on sale of depreciable property, both real and personal, should be treated as ordinary income to extent of prior depreciation.	200	Removed real estate from application of provision.	100	100	Same as House bill.	100	0	100
Sec. 17. Cooperatives: Provide that all earnings of a cooperative arising from business activities are taxable to either the cooperative or its patrons. The patrons (and not the cooperative) would pay the tax on patronage distributions in money or noncash allocations meeting certain conditions. The cooperative would be taxable on earnings which are not returned to the patrons.	35	The Ways and Means Committee made several refinements in the bill, none of which affected the revenue estimate. The primary change requires the patron to consent to paying the tax on noncash distributions before he is taxable and the cooperative receives a deduction.	35	0	The Senate Finance Committee made 2 changes in the House bill, none of which affects the revenue estimate. One would require the cooperative to distribute at least 20 percent of its patronage dividends in cash in order to escape tax—this replaces the 20-percent withholding that would have been required under the House bill. The other change prescribes an alternative method for a patron to consent to paying tax on noncash distributions.	35	0	
Sec. 10. Withholding: Provide for withholding of 20 percent from interest, dividends, and patronage dividends.	[2]880	The Ways and Means Committee made several important refinements in the bill, but none of them affected the revenue estimate. The most important changes were the inclusion of exemptions for nontaxable persons and the extension of the quarterly refund procedures to taxable individuals who are subject to overwithholding.	Same	----------	The Senate Finance Committee deleted the withholding plan and substituted an expanded information reporting plan under which all dividend, interest, or patronage dividend payments of $10 or more a year must be reported to the Government, with a copy of the information given to the payee.	[1]275	605	605
FOREIGN INCOME								
Sec. 12. Controlled foreign corporations: Provide for the elimination of deferral of U.S. tax of foreign subsidiaries.	230	The House bill would eliminate deferral with respect to certain tax haven profits, earnings not reinvested in an existing business in a developed area or in an active business in a less developed area and earnings reinvested in the United States in such a way as to constitute a constructive dividend. However, tax haven profits which were invested in less developed areas would not be covered.	85	145	The Senate Finance Committee restricted its approach to the elimination of deferral for tax haven profits and those earnings invested in the United States. It improved the taxation of tax haven profits by (*a*) including certain service income and branch sales profits, (*b*) excluding the profits of certain active businesses from the definition of tax haven profits, and (*c*) eliminating the "pour over" of developed-area tax haven profits into less developed countries. The committee also added 2 important exceptions for (*a*) the earnings of certain export trade corporations and (*b*) the earnings of certain foreign sudsidiaries or groups of foreign subsidiaries which distributed specified minimum percentages of their after-tax earnings.	85	0	145

See footnotes at end of table.

Table I.—*Evolution of the Revenue Act of 1962—with pertinent revenue estimates*[1]—Continued

LOOPHOLE CLOSERS

President's proposals of Apr. 20, 1960	Revenue gain	House bill	Revenue gain	Revenue decrease compared to President's proposal	Finance Committee bill	Revenue gain	Revenue decrease compared to House bill	Revenue decrease compared to President's proposal
FOREIGN INCOME—continued	*Millions*		*Millions*	*Millions*		*Millions*	*Millions*	*Millions*
Sec. 9. Gross-up: Provide for gross-up of dividends received by U.S. companies from their foreign subsidiaries so as to correct the inadequacy of the existing foreign tax credit formula under which the combined U.S. and foreign tax may be substantially lower than 52 percent. Under existing law, the disparity between 52 percent and the actual combined rate varies with the actual foreign taxes paid, being highest at 26 percent and gradually diminishing as the foreign tax drops below or rises above 26 percent.	$35	With the exception of a 2-year grace period for previously accumulated earnings, the Ways and Means Committee adopted the President's recommendation.	$35	0	The Senate Finance Committee adopted the proposal only with respect to dividends received from operations in developed areas. The existing formula would continue to apply for dividends paid from less developed country earnings.	$25	$10	$10
Secs. 5, 7, 10, 11, 14, 15, 16, 18, 20, and 27. All other foreign items: (For convenience, section references refer to section numbers in the Senate Finance Committee bill.) (1) Eliminate the tax-free nature of certain distributions by foreign trusts to U.S. beneficiaries (sec. 7). (2) Eliminate the exclusion of income for U.S. citizens residing in developed areas of the world and reduce it to $20,000 annually for those residing in less developed areas (sec. 11). (3) Eliminate the tax benefits now obtained by U.S. citizens through investments in foreign investment companies (sec. 14). (4) Eliminate the present exclusion of foreign real property from the gross estate of decedents subject to U.S. tax (sec. 18). (5) Improve the information now required regarding U.S.-owned foreign corporations (sec. 20). [No recommendations similar to sec. 5, 10, 15, 16, or 27.]	50	The Ways and Means Committee generally adopted the proposals regarding foreign trusts, foreign investment companies, foreign real estate and improved information requirements. As to the earned income exclusion, the committee provided that U.S. citizens residing abroad could annually exclude $20,000 for the first 3 years of foreign residence and $35,000 thereafter, without distinction between developed and less developed areas. The committee added provisions increasing the taxation of distributions in kind from foreign corporations (sec. 5), gain on the sale or exchange of stock in foreign corporations (sec. 15) and a provision regarding the relationship between the bill and existing tax treaties (sec. 27).	30	$20	The Senate Finance Committee, at the recommendation of the Treasury, added a provision providing for a special computation of the foreign tax credit with respect to certain interest income designed to halt certain flows of capital abroad which are induced by the existing foreign tax credit mechanism (sec. 10) and also added a provision providing for the taxation of gain from the sale of certain patents and other intangible rights to foreign subsidiaries as ordinary income where such gain would otherwise be taxable as capital gain under existing law (sec. 16).	30	0	20
Repeal of dividends received credit and exclusion. Repeal of provision excluding first $50 of dividends and allowing a credit of 4 percent on dividends in excess of $50.	450	Not included in bill.	0	450	Not included in bill.	0	0	45
LOOPHOLE OPENERS								
Sec. 2. Investment credit: Investment in new real and personal depreciable property having a useful life of 6 years or more qualified for a credit of 15 percent to the extent the new investment exceeded current depreciation allowances. A 6-percent credit was allowable on new investment between 50 and 100 percent of current depreciation allowances, with a minimum credit of 10 percent on the first $5,000 of new investment. The credit was not to affect the depreciable cost of the property. Residential property, property used outside the United States, and property used by public utilities (other than transportation) were ineligible. The credit deductible in any one year was limited to 30 percent of tax liability, but the excess could be carried forward for 5 years. The proposed effective date was Jan. 1, 1961.	*Billions* $1.7	The House approved the tax credit plan, but made the following changes: (1) Eliminated the "excess approach" in favor of a 7-percent flat across-the-board credit; (2) Excluded all buildings and certain other real property, but made personal property of hotels and motels eligible; (3) Permitted $50,000 of used property to qualify; (4) Eliminated any limitation on the use of the credit on the taxpayer's first $25,000 of tax liability; adopted a 25-percent limitation on the tax liability above $25,000; (5) Approved a 3-percent credit for public utilities; (6) Dropped the useful life requirement to 4 years, but scaled down the benefits of the credit for assets with lives between 4 and 8 years; (7) Moved the effective date up to Jan. 1, 1962.	*Billions* [1]$1.395	*Millions* $305	The Senate Finance Committee modified the House bill in the following manner: (1) Required that the credit be subtracted from the taxpayer's cost of the property before permitting the taxpayer to compute his depreciation allowance. (2) Disallowed a credit upon the investment of insurance proceeds, and upon the purchase of livestock. (3) Approved a 3-year carryback of unused credits, in addition to the 5-year carryover. (4) Moved the effective date up to July 1, 1962.	*Billions* [1]$1.340	*Millions* $55	*Millions* $300
Sec. 3. Lobbying expenditures: The President did not recommend that a deduction be allowed for lobbying expenditures and the Treasury Department is opposed to the allowance of any deductions in this area.	--------	The House bill permits business taxpayers to deduct the following lobbying expenditures: the cost of appearing before and communicating with committees of Federal, State, or local legislative bodies, contacting individual legislators, transmitting legislative information between a taxpayer and an organization of which he is a member, and the portion of the dues paid by a member attributable to the carrying on of such activities by the organization.	(3)	--------	The Finance Committee expanded the House provision to cover the cost of sending lobbying material to employees and stockholders.	--------	(3)	--------

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[1] All estimates in this table are those of the Treasury except for the investment credit as passed by the House and as passed by the Senate Finance Committee, and the revenue figures for reporting of dividends and interest, where the Joint Committee on Internal Revenue Taxation's figures are used.

[2] $670 million based on 1959 data, $780 million based on 1960 data, $880 million for 1963, based on trends from previous years.

[3] No estimates available.

ORIGINAL BILL PROVIDED REVENUE GAIN

Mr. DOUGLAS. Mr. President, the President of the United States advanced these proposals for tax reform, but to "sweeten" them and to make them more acceptable to those who had been avoiding the just payment of taxes on income which they had received in the past, he also offered a tax adjustment consisting of a generous tax credit on most forms of net business investment in depreciable property. It was estimated that, on an annual basis, this would lose $1.7 billion in revenue.

The original plans of the administration thus provided for an overall annual increase in revenues of about $600 million. But it is probably fair to conclude that, knowing the tendency for tax reform proposals to be whittled away, and indeed to evaporate, as they move through Congress, the administration really would have been satisfied if the loophole closing and the investment credit finally offset each other so that there would have been little or no revenue gain or loss. The basic original aim of the bill was, therefore, first, to effect minor and, it was believed, the less controversial changes in the field of tax reform, and, second, to balance this with an approximately equal reduction in the taxes paid by business and industry. This latter was framed in such a way that it was hoped it would stimulate new investment and the modernization of machinery and equipment.

BILL DISFIGURED BY CONGRESS

In the long-drawn-out process of nearly a year and a half during which this bill has moved slowly through the other body and through the Finance Committee, it has been disfigured almost beyond recognition, and I think it can fairly be said to have been wrecked.

The proposal to repeal the 1954 dividend credit of 4 percent and the exclusion of $50 of dividends which would have reclaimed $450 million a year for the Treasury and the people was thrown overboard early.

The main feature on the loophole closing side, namely, the withholding at the source on dividends and interest income paid by institutions, was eliminated by a lopsided vote in our committee—I believe a vote of 12 to 5—and the Senator from Illinois is proud of the fact that he was one of the 5 who voted against the elimination of this withholding method of collecting taxes.

Mr. GORE. Mr. President, will the Senator yield?

Mr. DOUGLAS. Yes, I am glad to yield.

Mr. GORE. Is not the parliamentary situation now such that the withholding provision is in the bill now before the Senate, and the vote on the subject, if the Senate has a vote on the subject, will be on a motion to strike it from the bill?

Mr. DOUGLAS. That is correct, and I will watch that performance with great interest, and it will be interesting to see who votes for the President of the United States and who votes against the President of the United States. The Senator from Tennessee and the Senator from Illinois will be on the side of the President.

In this connection, it is also interesting to observe that when the President gave out his statement at the White House last week, the one feature of the tax bill which he emphasized was his desire to retain in the tax bill the withholding provision on dividends and interest.

Mr. GORE. Mr. President, will the Senator yield?

Mr. DOUGLAS. It will be interesting to see if some of those in charge of this bill rise in open revolt against the proposal of the President. If they can do it in the name of carrying out the President's program, as they are now trying to do, I can only say that Harry Houdini will have had worthy successors.

Mr. GORE. Mr. President, will the Senator yield?

Mr. DOUGLAS. I am glad to yield.

Mr. GORE. In addition to being curious as to whether that will be done, will not the Senator be anxious to note exactly which of our colleagues will move to strike from the bill the one provision which the President has recommended so strongly?

Mr. DOUGLAS. I will certainly watch that with interest. And I will watch the subsequent rollcall with interest.

A TORNADO OF MAIL

Now, Mr. President, I should like to give a more ample discussion of this withholding feature later. It is estimated that this elimination would lose about $900 million in revenues from taxes which are owed but not paid in its first full year of operation.

This elimination, which would ultimately cost the people of the United States almost $1 billion a year, was done at the behest of the most powerful organized mail campaign I suppose I have seen in the 14 years I have served in the Senate. This step was taken by the committee to the accompaniment of a tornado of mail stimulated by the building and loan associations, the banks, and the mutual savings institutions.

I personally received no less than 75,000 letters from my constituents demanding that the withholding provision be eliminated from the bill. While I know it may sound self-righteous—and I believe some of my friends have accused me of being excessively self-righteous—I wish to say that if I can withstand 75,000 letters I think others can do the same.

GRAVE MISCONCEPTION

These letters portrayed gross misconceptions of what the withholding method really was. From one-third to one-half of the correspondents wrote that it was a new tax, to be imposed on dividends and interest, which did not now exist. Why, of course, it is not that. Dividends and interest are income exactly as wages, salaries, and rents are income. They are subject to the income tax laws of the country now, exactly as wages and salaries are subject to the income tax laws of the country. They are income and are equally taxable with wages and salaries.

NOT A NEW TAX

The very fact that so many wrote that this was a new tax which they did not now have to pay was rather strong presumptive evidence that many of these people have not been paying taxes on dividends and interest in the past. If they had been paying taxes on dividends and interest, they would have known it was not a new tax, but was merely a better method of collecting an existing tax.

Incidentally, it would merely use the same method which has been applied for 20 years to wages and salaries. We have had a withholding tax on wages and salaries ever since 1942. When that was put into effect, there was a hullabaloo about it. It was said to be unfair. It was said to be administratively impossible to operate. But it was put into effect, nevertheless. We have operated under that law for 20 years. The percentage of evasion of the tax, as I shall show, is very slight, only about 3 percent. There are very few complaints about it. Refunds which are made are made quickly with a minimum of administrative trouble.

I personally thought that the fairness of applying the same methods to dividends and interest which we apply to wages and salaries would so commend itself to the Nation, to the Senate, and to the Finance Committee that there would be no question about its adoption. But, no, it was eliminated from the bill by the Finance Committee by an overwhelming vote. It will be very interesting to see if those who claim to speak in the name of the administration now propose its formal elimination by action of the Senate itself.

NOT A TAX ON CAPITAL BUT ON INCOME

A great many of the correspondents also charged that the withholding method was a tax on capital; that if a man had $1,000 invested in a building and loan association, the basic tax of 20 percent would be paid on the $1,000, and that he would have to pay $200. This, of course, is a ludicrous misunderstanding. The tax is upon income, and not upon capital. If we assume a 4-percent return, the income from $1,000 of capital investment would be $40, and the 20-percent tax would be one-fifth of that $40, or $8. But a very large proportion of the correspondents thought the tax would be $200.

As we shall see, the administrative difficulties were grossly exaggerated.

BILL FURTHER EMASCULATED

That, I think, was the greatest sin which the Finance Committee committed, but the committee committed other legislative sins as well, and they will have to stand up before the bar of the judgment of the Senate and of public opinion and justify these other legislative crimes which they committed.

For example, under heavy battering from American corporations doing business abroad, the proposed levies based on the earnings of their foreign subsidiaries were progressively softened, although there were some not satisfied even with that, who proposed to eliminate even the emasculated version still remaining.

I may say, also, as a further example, the administration originally proposed that the present provisions as interpreted by the Supreme Court in the case of Cammarano et al. against United States as respects lobbying, should be continued. The House weakened these provisions. The Senate Finance Committee went them one better. So, as a result, there has been recommended a great weakening of the lobbying tax deduction provisions, which would play directly into the hands of big business and result in the ordinary taxpayer financing a large portion of the lobbying activities of the big corporations of the country.

Indeed, the savings and loan campaign against the withholding provision would, under the terms of the lobbying proposal, be largely financed by the American taxpayers.

There was also a weakening of the expense account provisions. In the original form, the expense account provisions were quite good. Those were weakened in the House. They were still further weakened by the Senate committee.

I will defy even the most careful lexicographer, or dictionary expert, to tell what the committee means by the expense account provisions it recommends. It is a formula for confusion. Once I nearly said "for deception," but I thought better of that. I will say it is a formula for confusion.

Mr. PROXMIRE. Mr. President, will the Senator yield in respect to the lobbying provision?

Mr. DOUGLAS. Yes; I am glad to yield.

Mr. PROXMIRE. Is it true that the bill, as it came to the Senate from the committee, would provide that businesses could subtract, as an expense of doing business, the cost of lobbying Members of Congress, members of State legislatures, and members of city councils?

LOBBYING EXPENSES TAX DEDUCTIBLE

Mr. DOUGLAS. That is correct. And they could also get others to lobby them directly and make that tax free.

Mr. PROXMIRE. Suppose there were a situation in which a proposed gambling law was before the Congress, or before a city council, and suppose this proposed law would make it easier for the gambling syndicate to operate, in that it would increase profits. It would be possible, then, for them to subtract that item as an expense of doing business. How about the opposition?

Mr. DOUGLAS. The Senator has mentioned a very important point. Under the bill those who have a direct and appreciable business interest in the decision of a legislative body can lobby that body, have their expenses deducted, and under the Senate amendment they could organize campaigns among their stockholders and members. All of that kind of activity would be a business expense.

But if a member of a church who objected to the gambling provision of a law, feeling that it went against public morals, lobbied against that provision, he would not have the benefit of such a tax deduction, because it could not be said that he had a direct business interest. In other words, the general interest of the citizen and taxpayer, and the general and diffused interest of the consumer would have no deduction supplied to them when lobbying is engaged in in their behalf.

Mr. PROXMIRE. Would the expenses of the League of Women Voters, which certainly is divorced from any pecuniary or financial interest, and whose position on issues is based upon very careful study, analysis, and understanding of what would best serve the public interest, be deductible in any way?

Mr. DOUGLAS. They would not. As I understand, contributions to the League of Women Voters are not tax exempt now. The lobbyist appearing to give testimony in support of the program of the League of Women Voters could not deduct his expenses.

Mr. PROXMIRE. On the basis of the Senator's experience in both the city council of Chicago and in the Senate, and also his broad knowledge of Government in our country, does the Senator feel that the special financial interests are being so consistently defeated by the advocates of the public interest and are suffering so because of the great power of the League of Women Voters, the Civil Liberties Union, and the other pro bono publico groups, that they need that kind of protection in order to provide for their opportunity to defend themselves?

Mr. DOUGLAS. Of course not. One of the gravest weaknesses in modern democracy is the fact that the so-called special and concentrated private interests, in the form of the producing groups, are powerfully organized and can bring to bear great pressures on legislative bodies, whereas the diffused general interest of consumers and small taxpayers is relatively little represented. The obstacles are great to start with because any particular act or bill does not mean much to the individual consumer or taxpayer.

GAS BILL GOOD EXAMPLE

Let us consider the gas bill which Senator KERR sponsored. To the gas and oil industry that bill meant $600 million a year. But to the 30 million householders who use gas to cook and heat it meant on the average only $20 a year. Very few people will become sufficiently interested in the subject, study it, and then be able to afford to come to Washington to lobby against it when only $20 a year for each is involved. As a result, the powerful interests of the producing groups are strong and vigorous. The diffused general interest groups are weak.

I sometimes think an analogy is what happened to the Incas of Peru and the Indians of Mexico. The Aztecs and the other Indian tribes outnumbered Cortez and his men 1,000 to 1. But the Indians were divided. They were relatively uninterested. Cortez had firearms, armor, and horses. He overthrew an empire.

The same thing happened in Peru. Time after time in our city councils, State legislatures, and the Congress of the United States, the same thing tends to happen.

There is already a great disparity in strength. The protective devices which James Madison thought were embodied in the Constitution of the United States, and which he developed in the 10th paper of the Federalist, and with respect to which he relied upon conflicting economic interests to offset each other—are what Mr. Galbraith calls the theory of "countervailing power"—no longer operate very fully because we are now getting cross lobbying, for example, on the part of the National Association of Manufacturers, the American Farm Bureau, and the American Medical Association. All those great groups support each other. The result is a terrific combination against which it is very difficult to stand up and fight successfully.

The lobbying provision in the tax bill would still further intensify that imbalance. I think that is the word. It would make possible a deduction from the tax bills of the wealthy for lobbying expenses, which would be paid for by Uncle Sam, while the weak, general consumer or small taxpayer would have no protection.

In my opinion, the lobbying provision started by the House and completed by the Finance Committee is one of the most inequitable in the bill. The provision appears early in the bill. There will be a yea-and-nay vote on it when the Senator from Oklahoma proposes, as I suppose he will propose, that it be included. We shall then see who is for the big vested interests, the special interests, and selfish interests, and who is for the people.

Mr. PROXMIRE. Is it the conclusion of the Senator from Illinois that at present a most serious weakness in American democracy is the pressure of organized financial interests that use the organized pressure to get special interest legislation at the expense of the public interest?

Mr. DOUGLAS. The Senator is completely correct.

Mr. PROXMIRE. The proposal would aggravate that situation.

Mr. DOUGLAS. That is correct.

Mr. PROXMIRE. Is it not true that the section of the bill about which we are speaking has never been recommended by the Kennedy administration or by the Department of the Treasury?

Mr. DOUGLAS. It has been opposed by the Treasury Department.

Mr. PROXMIRE. They have opposed it. They do not want it. They think it is wrong.

Mr. DOUGLAS. The proposal has been opposed by the administration. In the Cammarano case the Supreme Court in a unanimous opinion handed down by Justice Harlan, with no dissenting opinion that I can find, held that the tax system should be neutral so far as lobbying is concerned. The Court held that tax credits should not be given either to those who had a direct business interest or to those who oppose the direct business interest and fight for the general interest. It is the Cammarano verdict which the Senate Finance Committee, and to some degree the House Ways and Means Committee, are now seeking to reverse.

Mr. PROXMIRE. In the interest of our friends across the aisle, is it not true that the Eisenhower administration also opposed that particular provision?

Mr. DOUGLAS. I think that is true.

Mr. PROXMIRE. That is the understanding of the Senator from Wisconsin. Is it not also true that one of the reasons that provision got through the House of Representatives was that it was a new section of the bill on which the House Ways and Means Committee held no hearings. With the kind of closed rule the House had on the bill, there seems to have been a violation of the rules, and if there had been an objection, it would have been possible to block consideration of the tax bill on that basis.

Mr. DOUGLAS. That is my understanding of the parliamentary procedure. There was no testimony on this provision. The House Ways and Means Committee, as I understand, inserted it at the last minute. They asked for a closed rule, which meant that the only motion that could be made, except on final passage, was a motion to recommit, which means that it is necessary to take the bill as a whole or defeat the bill. I am very frank to say that I believe the bill would have been defeated in the House had not some of us gone to certain Members who wanted to oppose the bill in the House and said to them, "We hope you do not defeat the bill in the House. Let it come to the Senate. We hope that we can take this and other features out of the bill on the floor of the Senate." That was not trying to obstruct the bill, as certain writers charge, but trying to help the bill become law.

Mr. PROXMIRE. Therefore we have a provision in the bill which would serve the interests of special vested financial interests. There is no question that it would weaken the already comparatively feeble strength of those who argue for the public interest. It is opposed by the Kennedy administration, and was opposed by the Eisenhower administration, and only got in this bill because of a parliamentary evasion.

Mr. DOUGLAS. That is correct.

Mr. PROXMIRE. I thank the Senator.

THE DEDUCTION FOR CERTAIN LOBBYING EXPENSES OF TAXPAYERS WITH BUSINESS INCOME

Mr. DOUGLAS. Mr. President, section 3 would permit the deduction of certain lobbying expenses by taxpayers with business income. This would depart from a salutary principle which has been part of the income tax law since World War I. It would provide unwarranted tax reduction where it is least needed for reasons which are specious. It would introduce novel distinctions into the tax law, producing new requirements difficult for the Internal Revenue Service to administer. The specific language in which the deduction is cast contains ambiguities which will create continuing uncertainty as to its exact meaning, and, most important, the relationship of this provision to the whole process by which our citizens seek to influence the enactment of legislation at all levels of government was not adequately considered. Section 3 should be deleted from the bill.

Under existing law the costs of efforts to influence legislation are not deductible, a rule applicable to all taxpayers. Whatever the motive for a citizen's efforts to influence legislation, he now bears the whole cost of that effort himself. No part of the expense can be passed on to the Federal Government through an income tax deduction. In the constant competition for legislative favor and results at National, State, and local levels, the Federal Treasury stands neutral—and properly so.

Section 3 would change all that. It would amend section 162 of the Internal Revenue Code of 1954, the section creating the general authority for deduction of the ordinary and necessary expenses of business operation. Section 3 would add a new subsection specifically authorizing deduction of lobbying expenses in certain categories by taxpayers with business income. Only those taxpayers with business income would receive any benefit. All others would still be subject to the existing rule of no tax benefits for lobbying, a result which follows necessarily from incorporation of the amendment in section 162 and one which is specifically spelled out by the House committee report.

SPECIFIC EXAMPLES

Some specific typical examples will bring this into sharper focus. Suppose a measure is being considered, as many have been, involving a proposed change in the standards or testing procedures for food, drugs, or cosmetics. The costs of presenting the views of drug manufacturers and distributors would be deductible. The cost of presentations on behalf of consumers or of disinterested professional or technical advisers would not be. Or suppose that a State legislature is debating a measure designed to decrease stream pollution. Manufacturers who would be adversely affected by its enactment could deduct the cost of opposition. Members of the public interested in pure water for drinking or for recreational uses would have to finance their support of the measure entirely from their own pockets. Or, at the local level, a business owner of a piece of real estate could seek advantageous amendment of the local zoning ordinance deducting the cost of his presentation before the local city council. The owners of nearby residences would not receive this help from the Federal Treasury in preparing the exhibits and briefs necessary for effective opposition.

These are discriminations impossible to justify. Can anyone seriously contend that consideration of legislative proposals affecting business taxpayers is seriously handicapped by absence or weakness of expression of business viewpoints? Is there any evidence that business taxpayers, individually or collectively, are now deterred from expressing themselves on these subjects by the present rule of tax neutrality which permits no deduction for lobbying expenses? To ask these questions is to answer them. Of all viewpoints on legislative proposals, those of business are consistently the most ably represented before the Congress and before State and local legislative bodies. Why then should the cost of lobbying activities of taxpayers with business income be singled out for this preferential tax reduction? No adequate reason has been given.

Any discrimination at all among citizens in the exercise of their constitutional right to petition their representatives is patently undesirable. Discrimination by preferential tax deduction is magnified as the amounts spent for these purposes increase. Modern efforts to influence legislation cover a wide range of techniques, some of which are very costly. One can send a letter to his Senator for 4 cents. However, to stimulate tens of thousands to do so requires the expenditure of large amounts running sometimes into the hundreds of thousands, even millions, of dollars. But all this is well known. It has been thoroughly documented many times.

LARGE SUMS INVOLVED

The application of section 3 would not be confined to nominal amounts. It would permit the deduction of some very large sums. In addition to provision for deduction of the costs involved in direct contacts with legislators—personal calls and visits, appearances before committees or statements filed with them—the cost of efforts to influence legislation indirectly are also made deductible in some instances. The costs of communications to organization members and to shareholders and employees have all been blanketed in.

When section 3 is applied to today's scene, we find that it will authorize giant corporations to deduct the cost of communicating the views of management officials to hundreds of thousands, even millions, of shareholders and employees, for the purpose of influencing them with respect to current controversial legislative proposals. To use a painfully familiar example, section 3 would authorize deduction of the cost of campaigns designed to produce a flood of letters opposing withholding on dividend income.

Under existing law these sums are not properly deductible—and never have been. To permit deduction now would shift a very large proportion of these heavy costs to the Federal Treasury, a disguised subsidy for which there would be no justification.

The effects of such subsidized efforts to influence legislation indirectly would not be confined to the recipient members, shareholders, and employees. The views expressed and their source would frequently come to the attention of families and friends of the recipients, thereby broadening the scope of the influence subsidized by the Federal Treasury. Of course, the benefits of section 3 as they would apply to these broadcast efforts to influence legislation can only benefit very large organizations. Small business taxpayers, as well as nonbusiness taxpayers, would have little or no use for it and could well suffer from its use where their interests on legislative matters are opposed to those who could take advantage of it.

LIMITATIONS ILLUSORY

True, not all lobbying costs of business taxpayers would be made deductible by section 3. The bill purports to create limitations which will restrict the kind of expenses for which a deduction can be claimed. Thus, to qualify for the deduction, the legislative proposal must be of "direct interest" to the taxpayer. In addition, specific provisions deny deductions for political campaign expenses or for efforts "to influence the general public, or segments thereof." However, a close inspection raises genuine doubt as to the precise meaning and application of these restrictions. They may, in fact, prove largely illusory.

Thus, one might ask, What subjects are not of "direct interest" to a large corporation? Any measure involving a tax or a change in the regulation of business or the marketing of securities or foreign trade or the terms of employment or labor relations or the monetary system will have some impact on every substantial business enterprise. Is it intended that the cost of testimony or statements or communications to shareholders or employees on this entire range of subjects is to be deductible? Similarly, can the prohibition against deductions for political campaign purposes be really effective? Granted that the cost of a folder urging shareholders to vote for Jim Darkwater will not be deductible, what of the cost of a folder urging a position on the principal issue dividing Darkwater from his opponent Bob Cleanriver? Can issues and the candidates be separated so easily? It is doubtful. Section 3 thus could make slightly veiled political contributions deductible. The benefit would not be universal though. To return for a moment to the anti-water-pollution measure used as an example before, suppose Darkwater is against it and Cleanriver is for it. The former's supporters could deduct the cost of their literature discussing the antipollution measure—and thus their support of Darkwater—supporters of Cleanriver could not.

Obviously, congressional memories are very short. For at least a century Senators and Representatives have regularly inveighed, individually and collectively, against lobbyists and their activities. The need for substantial disclosure by lobbyists, particularly in financial respects, has long been recognized. When a person or organization becomes a lobbyist, he is required to register as such and thereafter to report quarterly his expenditures for these purposes. In spite of these safeguards, every few years some lobbyists become so bold and their overreaching so bad that a special inquiry is required. A prime example was the creation in the 84th Congress of the Senate Special Committee To Investigate Political Activities, Lobbying, and Campaign Contributions. Its report states graphically the kinds of abuses which occur and the large sums of money available to be spent on efforts to influence legislation. Sugar quota bills attract lobbyists like flies and, like flies, their activities are not widely admired. The Senate Foreign Relations Committee is currently beginning an investigation of another group of lobbyists, an inquiry which has grown in large part out of concern for their lucrative financial arrangements. Nor are problems with lobbyists confined to Washington. Their influence on State legislators and their sometimes questionable methods in State capitols is notorious.

CYNICAL PROVISION

When projected against all this experience, section 3's proposed financial bonanza for one group of lobbyists and their employers seems ironic in the extreme, if not downright cynical.

There is no challenge here to lobbying per se. It is unquestionably legitimate. A constitutionally protected right of our citizens, it often supplies useful information and reactions on pending legislation. However, it would be foolish to exalt it unduly for these reasons. At best, lobbying is a mixed blessing for it is almost always exclusively concerned with self-interest rather than the broad public interest. Fortunately, section 3 presents only a narrow problem; namely, whether or not the lobbying done by one segment of our society—taxpayers with business income—should be entitled to support from the Federal Treasury.

A number of arguments are made in favor of this measure. Some of them have a surface plausibility, but on close analysis none of them holds water. The issue is actually a simple one. We begin with a longstanding rule that all taxpayers, business and nonbusiness, who seek to influence the work of legislative bodies, National, State, or local, pay their own expenses in full without assistance from the Federal tax system. This neutral posture of the tax law is a healthy one and should be defended and strengthened. Legislation affects all our citizens. It is entirely suitable that all who seek to influence that legislation, directly or indirectly, should be treated alike. The expenses of all should be on the same footing as far as the Treasury of the United States is concerned. The only issue here is whether or not to depart from this principle of neutrality and equality. Plainly, the case for such a change has not been and cannot be proved.

Mr. PROXMIRE. Mr. President, will the Senator yield for one more observation?

Mr. DOUGLAS. Certainly.

Mr. PROXMIRE. On page 23 of the committee report the following language occurs:

> Your committee's amendment provides, in addition to the categories specified in the House bill, for the deduction of expenses incurred by a taxpayer in carrying on a trade or business if the expenses are in direct connection with the communication of information between the taxpayer and employees or stockholders with respect to legislation, or proposed legislation, of direct interest to the taxpayer.

In other words, the Finance Committee, in addition to all other things, has provided that a corporation can lobby its employees and stockholders in its interest, and therefore considerably aggravates and increases the power of a special interest to get the kind of legislation it wants to achieve.

Mr. DOUGLAS. Yes. For example we know that the pressure against the withholding feature of this bill was carried out by building and loan associations, and if the lobbying provisions were now law they could have made Uncle Sam pay 52 percent of the cost of lobbying against the bill—52 percent of the cost which they had in circularizing their members, depositors, copartners, or what have you.

Similarly in the Du Pont bill, which the Senator from Tennessee and I opposed at the opening of this session, if the lobbying provisions were in effect the Du Pont Co. could get a refund of expenses incurred in circularizing their stockholders and their employees, in making ex parte statements to them, and in getting them, in turn, to write to the legislators.

There are tremendous possibilities of evil and excessive pressure which these two measures open up; namely, the House amendment permitting the underwriting of direct lobbying, not only by officers, but also of others, of legislative bodies; and the Senate Finance Committee amendment permitting circularization of stockholders and members and depositors, and the like.

Mr. GORE. Mr. President, will the Senator yield?

Mr. DOUGLAS. Yes, I am glad to yield.

Mr. GORE. Does not it go much further, in fact, than the Senator has described? Does not it include research and travel expense items and contacts—whatever that means—not only of congressional committees and Members of Congress, but also of State legislatures, municipal councils, and county governments; indeed, does not this provide for a tax deduction of nationwide lobbying organizations on a permanent basis, from the local level to the national level?

Mr. DOUGLAS. The Senator is correct. Not only does it help finance lobbying and circularization, but, also as he says, the staff work which lies behind it, such as research and legal services and public relations works.

Mr. GORE. And retainer fees.

Mr. DOUGLAS. Yes.

Mr. GORE. Public relations fees.

Mr. DOUGLAS. Yes.

Mr. GORE. Lawyers' fees, accountants' fees, statisticians' fees.

Mr. DOUGLAS. And fees of Washington representatives.

Mr. GORE. Oh, yes.

Mr. DOUGLAS. And of representatives in Springfield and Madison and Albany and Nashville. Also the context with which all of this takes place.

Mr. GORE. With which they succeeded in the Du Pont bill and in the withholding provision of the pending bill in thoroughly misleading the American people.

Mr. DOUGLAS. That is correct.

Mr. GORE. Will the Senator yield for one further question?

Mr. DOUGLAS. Yes; gladly.

Mr. GORE. Is it the Senator's purpose, first, to oppose the adoption of the amendment approved by the Senate Committee on Finance, which makes it worse——

Mr. DOUGLAS. I hope that if the leadership is not able to get it through and if we defeat it, we will then move to strike out the House provision.

EXPENSE ACCOUNT PROVISIONS

The second way in which this bill was gutted was in the matters dealing with expense accounts and entertainment.

THE PROBLEM

That is one of the grossest abuses in American business—the yachts, the hunting lodges, the dinners at the 21 Club, the $65 tickets to "My Fair Lady," the champagne suppers, the elaborate gifts for which Uncle Sam is the unseen host, picking up to 52 percent of the check, but never getting any credit for being the host.

President Kennedy described this tax giveaway of the deductible expense account as a matter of national concern. He proposed a very liberal limitation. He proposed, for instance, that one could take people out to lunch provided one did not pay more than $5 or $7 for the lunch. He would have allowed $10 for a dinner, which would seem to be enough for anyone except Diamond Jim Brady. He proposed that when individuals traveled they get twice the allowance that a Government civil servant is allowed, which is now $15 a day; he would allow them $30. On the whole it was a very liberal proposal.

The House took out this restriction and wrote in some language which, so far as the bill is concerned, is rather elliptical, but which is defined in the report, which is said to have the binding force of legislation.

Mr. GORE. Mr. President, will the Senator yield?

Mr. DOUGLAS. I yield.

Mr. GORE. With respect to the President's recommendation of a limit of $30 per day for expenses while in traveling status, perhaps the Senator would be interested to know that the junior Senator from Tennessee last week accepted an assignment to be one of the U.S. delegates to the United Nations General Assembly, which begins about the 18th of September and runs until some time near Christmas. Upon accepting the assignment the junior Senator from Tennessee, being a prudent man, reasonably, inquired what provision existed for the defrayment of expenses. The junior Senator from Tennessee was advised that he would be provided with a hotel room and $9 per diem.

Mr. DOUGLAS. And that was to pay for three meals plus taxi fares, plus tips. Is that correct?

Mr. GORE. Whatever else went along.

Mr. DOUGLAS. The Senator from Tennessee is a frugal man; there would not be very much else that would go along.

Mr. GORE. Not on $9.

Mr. DOUGLAS. But the President is willing to let the business groups have $30 a day. The House, after careful consideration—I should not say "careful," but rather after long consideration—adopted a provision which, although falling short of the President's recommendations, would go a long way toward a fairer set of rules. It would permit deduction for entertainment more closely related to the conduct of business but would cut out deductions for many of the highly personal expenditures permitted under present law when the taxpayer can make a showing of some connection between the entertainment and the taxpayer's trade or business.

The allowance of deductions for such essentially personal entertainment has brought the integrity of the entire revenue system into disrepute. The expense account deduction has been a breeding ground for fraud and misrepresentation. It has encouraged disrespect for honest self-compliance with the tax laws among those not in a position to claim such deductions, but who have watched other satisfy their personal amusement tastes at the taxpayers' expense.

What has the Committee on Finance done with the House bill? It has simply pulled the teeth from the proposal, leaving it merely with a dangling tongue—a tongue which is certain to confuse taxpayer and Government official alike as to what it is trying to say. Certainly the vague and almost meaningless standard adopted by the committee will do very little, if anything, to change the style of operation of those who have been living high on their expense accounts at the cost of their fellow citizens.

Mr. GORE. Mr. President, will the Senator from Illinois yield?

Mr. DOUGLAS. I yield.

Mr. GORE. If the Senator will refer to the bill, I shall call his attention to the first amendment which, under the rules of the Senate, will be considered, the item involving expense account abuses. The amendment appears on page 41. Three seemingly innocent little words have been added on page 41, and the same three seemingly innocent little words have been added twice on page 42. Does the Senator find the Senate amendment?

Mr. DOUGLAS. I do.

Mr. GORE. The Senator will notice the words which the Committee on Finance approved as an amendment:

> or associated with.

That amendment appears on line 18, page 41.

Mr. DOUGLAS. Yes. The expense must not only be "directly related to the active conduct of the taxpayer's trade or business," as provided in the House language, but also may be only "associated with" the conduct of the business.

Mr. GORE. Mr. President, will the Senator further yield?

Mr. DOUGLAS. I yield.

Mr. GORE. Will not Senators who wish to understand the legal meaning of the words "or associated with" find it necessary to turn to the majority report?

Mr. DOUGLAS. Absolutely. What do we find there?

Mr. GORE. I was about to ask the Senator from Illinois.

FORMULA FOR CONFUSION

Mr. DOUGLAS. We find a formula for confusion. To the degree that it is restrictive, it outlaws things that are already outlawed, but does not outlaw anything that is not now outlawed. In my judgment, you can still have expensive dinners at the 21 Club or Antoine's; for which the taxpayers will pay 52 percent; you can still have the $45 dinner and the $20 lunch; you can still have football tickets for the Rose Bowl or the other bowls; you can have prize fight tickets; you can have tickets to the Kentucky Derby and other races. And Uncle Sam will help foot the bill.

Mr. GORE. The Senator does not mean me, does he?

Mr. DOUGLAS. No, no, no; I refer to those who go in on the expense accounts. I used the word "you" in a plural sense. It was not the equivalent of the German "sie" or the French "vous."

Mr. GORE. Is it not, in fact, very difficult to find any item of personal expense disallowed by the amendment which is deductible under present law?

Mr. DOUGLAS. Personal expense. That's correct.

Mr. GORE. Personal expense deductible under the present law, which would not be deductible under the terms of the majority report as it interprets the words "or associated with"?

Mr. DOUGLAS. I think it outlaws what is already outlawed. It takes a highly virtuous stand against call girls. I do not know whether they are outlawed, but deductions for their employment are outlawed. That is specific. I am not certain that that practice has always been followed in the past; but I wish to pay a compliment to the Senator from Oklahoma and the majority report for this highly virtuous affirmation.

Mr. GORE. Expenses for call girls, if any businessmen have indulged in such on expense accounts, are not deductible under present law, though.

Mr. DOUGLAS. No; they certainly are not. It is possible that at times they have been covered up in general expense items.

Mr. GORE. Why was this strawwoman set up in the majority report?

Mr. DOUGLAS To give a similitude of virtue which did not exist.

Mr. GORE. If the Senate wishes to come to grips with this problem, when the committee amendment is called up to add the words "or associated with," on page 41, the Senate will want to vote against the adoption of those words.

Mr. DOUGLAS. That is correct. I hope the Senator from Tennessee will blast that amendment from Cape Hatteras to Lubeck, Maine.

TAX DEDUCTIONS FOR PERSONAL EXPENSES

The basic problem is whether this country can continue to afford to permit a small group of taxpayers to take tax deductions for highly personal items such as nightclub hopping, fancy yachts, and swanky country clubs while the great majority of their fellow taxpayers cannot take such deductions. From a practical point of view the concern of the Nation is not only the basic unfairness of this situation—in itself a vital consideration—but it is also the effect that this legally created unfairness has upon those who are discriminated against. It makes them resentful of the law which permits such a situation to exist and encourages them toward laxness in discharging their full tax obligations.

It is quite natural for a customer's wife to feel, "Why should I help keep that fellow on the gravy train—paying for his fancy yacht and swanky country club?" An expansion of this type of thinking could eventually destroy our tax system, the keystone of which is its voluntary character. We rely on each taxpayer to be his own tax assessor. The essential honesty of our citizens and, most important in this context, their respect for our tax laws, has enabled this system of voluntary self-assessment to function most effectively. However, like all good things, the system must be nurtured and protected.

Expense account abuses have become a real threat to the continued effectiveness of our self-assessing system. Much taxpayer distaste has already been voiced against this unwarranted privilege. The danger signals are loud and clear. In his testimony before the House Ways and Means Committee and the Senate Finance Committee, the Secretary of the Treasury documented the situation in great detail with numerous case studies and many samples of editorial comment from all over the country.

Mr. President, I ask unanimous consent to have printed at the conclusion of my statement the Secretary's exhibit which includes a list of some of the deductions claimed and largely received for entertainment and related expenses.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 5.)

Mr. DOUGLAS. Mr. President, let us examine a few of these.

A corporation engaged in manufacturing was allowed to deduct $991,665 in 1959 for yachts, club dues, shipboard conventions, hunting and fishing trips, and parties.

A taxpayer engaged in the insurance business was allowed to deduct $97,500 for meals, lodging, transportation, entertainment, tickets, books, gifts, and so forth. The amount covered entertainment at vacation resorts, $6,000 for an apartment, and over $30,000 for food, beverage, and other entertainment.

A manufacturer was allowed to deduct over $34,000 spent on liquor, football tickets, parties, and a speedboat. The expenses for liquor totaled $13,750.

A family-held ship repair corporation was allowed to deduct $23,758 for a Christmas dinner and party. Uncle Sam paid half the cost of that Christmas party.

An enterprising banker effectively combined sentiment with business when he deducted, as present law permitted, a substantial part of the cost of his debutante daughter's coming-out party on the ground that some of the guests had business connections with him.

In another case, the taxpayer was allowed $115,000 for entertainment and gifts. His expenses included $7,500 spent at a resort hotel; $5,400 for food, liquor, and cigars for his office and farm; and $8,700 in cash to officers of his closely held corporation for entertainment.

A beverage manufacturer claimed and was allowed $10,903 for entertaining customers at the Kentucky Derby.

Huge sums are allowed to business taxpayers in connection with maintenance and operation of yachts and other fancy boats. One manufacturer was allowed to deduct $253,000 for the expense of his yacht. Another was permitted to deduct $112,000 for such expenses—as well as an additional amount of $362,000 for a ranch-hunting lodge, nightclub, and other similar expenses. A company in the business of selling fuel was allowed $93,000 as deductions for a yacht, a fuel products company was allowed $23,000 and an auto dealer was allowed yacht expenses of $22,000.

A cake and cookie bakery was allowed $66,000 for a yacht on which to entertain supermarket and chainstore buyers and branch managers. Despite its rather sad undercurrents, both from the viewpoint of the tax system as well as otherwise, one of the most interesting cases is that in which a mortuary business—vulgarly known as an undertaking establishment—was allowed $26,495 for yacht expenses in entertaining visiting morticians, clergymen, and for meetings of employees. In other words, the persons running the mortuary business were in the business of shipping bodies; and they wanted to maintain friendly relationships with the recipients of the bodies, and also wished to maintain friendly relationships with the clergymen, so they could get business from them, and also with the other prospective customers of their mortuary business. One can imagine the ghoulish feeling when a prospective customer was invited on board the mortician's yacht. The expense in that connection was a perfectly legitimate business-deductible expense, according to our tax laws—and allowed by the tax laws, so the mortician could build up goodwill, so that those he entertained would in gratitude let that mortician bury them.

OTHER CASES

These cases could be multiplied by the thousands. Similar large expenditures are constantly being made on hunting and fishing lodges, on elaborate beach resort homes, on exotic island retreats, on extended hunting trips, including plush safaris to far off Africa and India. The first case cited was that of a dairyman who took his family with him on an elaborate safari to Africa, where he had movies taken of the trip. Thereafter, the entire expense of the safari was allowed to be charged or deducted as a business expense, on the theory that the showing of the movies he took on the trip would enable him to sell more milk.

Indeed, just about every kind of human activity in the nature of fun and frolic is being well subsidized on behalf of a privileged few by the average taxpayer who does not happen to be engaged in a trade or business so as to enable him to join in this Government-supported high life. Is it any wonder, then, that such strong taxpayer resentment has developed against the expense account privilege. Clarence Randall, former chairman of the board of one of America's largest steel companies, the Inland Steel Co., has vividly expressed this taxpayer resentment. Let me say that I suppose he is one of the most conservative men in America. He was chosen by the steel industry to oppose the action taken by President Truman against that industry; and I am sure that all of us remember the vitriolic denunication Mr. Randall applied to President Truman. I think it can certainly be said that Mr. Randall is a dues-paying, card-carrying, conservative Republican. But what does he say? I think his article appeared in the Atlantic Monthly; and in it he is quoted as saying:

> Gone are the days when a salesman occasionally wined and dined his favorite customer, or perhaps gave a small theater party. Nowaday, when the deal gets big enough, the company yacht weighs anchor and moves into position, the company plane takes off for a duckblind in Arkansas, or the best hotel in Miami throws open its door to expectant dealers for a week of continuous circus.
>
> The distaff side is cut in, too, on both sides of the deal. How the ladies love it. With jet travel what it is, those who were getting a little tired of White Sulphur may now hope to look in on Capri or the Riviera.
>
> The unseen partner in all this largesse, of course, the man who rides the afterdeck of the company yacht, copilots the duck hunter's plane, sits by while the caviar is spooned out and the crepes suzettes are sizzling, the man who splits the check at the nightspot and hands the big bill to the headwaiter, is none other than Uncle Sam.
>
> But who are the silent underwriters of this frenetic spending? You and I, the general taxpayers. It is we who make up to the U.S. Treasury the revenue lost through expense-account deductions.

Mr. President, an important point to be derived from the foregoing is that all of the expenditures described were deductible under the broad standard of present law which permits the deduction of "all the ordinary and necessary business expenses" of the taxpayer. The fact that there is a business relationship, actual or even only hoped for, between the parties does not prevent them from enjoying the fancy resort living, the cruise on the expensive yacht, or the fancy nightclub. The law does not deny to clergymen and those who will shortly shuffle off this mortal coil the pleasure of being entertained on board the undertaker's yacht at Fort Lauderdale.

ROUND ROBIN RECIPROCITY

Mr. President, suppose company A sells its product to company B. If a sales executive of company A invites his close friend, an executive of company B, to join him for a cruise on his yacht, who can say that the executive of A did not intend to promote the business relationship between the two companies? The fact is that in the usual case the businessman's friends are his business customers or prospects. Under the test of present law, so long as this business connection exists between entertainer and entertained, the parties can enjoy tax deductible vacations in Bermuda, cruises on yachts, and evenings in luxury nightclubs on a tax deductible basis. This can be done on a reciprocal arrangement of "you entertain me and I'll entertain you," with the Treasury paying half the bill for each. In fact, the Treasury discovered that one club to which businessmen belonged required, as a qualification of membership, that each member give a party, once a year, to all the others, with the result that A would give a party for B, C, D, E, F, G, H, I, J, K, L, M, N—and all the way down to Z; and then B would take up the party-giving burden and would similarly entertain all the other members of the club; and subsequently C and D and all the others would do likewise; and eventually all of them would receive tax deductions. In short, they would have a continuous round of hilarious high living, with Uncle Sam, the unseen host, picking up half the checks.

Business does not have to be discussed nor need the entertainment follow or precede business discussion. The taxpayer need not even be present at the entertainment. Because of absence of restrictions, taxpayers are encouraged to ask, Why should not I deduct my personal pleasures and entertainment, if everyone else can? Because of this, the expense account problem has grown to its present unmanageable proportions.

HOUSE SOLUTION TO THE PROBLEM

The test adopted by the House of Representatives is that the expense of an entertainment activity will not be deductible unless "directly related to the active conduct of the taxpayer's trade or business." Where an expense connected with a facility such as a yacht or a hunting lodge is involved, the taxpayer must also show that the facility "was used primarily for the furtherance of the taxpayer's trade or business." On its face, this standard seems almost as broad as present law and would appear to present many of the same problems.

However, in its report the House Ways and Means Committee has explained its test in a way which provides a number of tangible, practical, and meaningful guidelines: The report states that under its test the taxpayer—

> Will have to show more than a general expectation of deriving some income at some indefinite future time from the making of the entertainment-type expenditure; however, he will not be required to show that income actualy resulted from each and every expenditure for which a deduction is claimed.
>
> If the expenditure is for entertainment which occurs under circumstances where there is little or no possibility of conducting business affairs or carrying on negotiations or discussions relating thereto, the expenditure will generally be considered not to have been directly related to the active conduct of business. Thus, the absence of the taxpayer or his representative from the entertainment activity ordinarily indicates that the entertainment was not directly related to the conduct of the taxpayer's trade or business. Similarly, if the group of persons entertained is large or the distractions substantial, the cost of the entertainment will not be deductible, in the absence of a clear showing of a direct relationship to the active conduct of the trade or business.

This clear statement of legislative intent coupled with the statutory language provides a workable and reasonable solution to the difficult expense account problem and should go a long way toward reducing the abuses outlined above. However, critics of the House proposal attacked this crucial committee report statement on the ground that it had no support in the statute.

In view of the broad language of the statute, requiring explanatory implementation to make it useful, this contention is baseless. The true reason for the complaint is the fact that the statute as interpreted by the Ways and Means Committee report has some real teeth in it.

Even so, we are not asking that the business community adopt Spartan standards. The House bill, which we hope will be restored, recognized the general custom of business entertaining at meals in restaurants. It specifically permits the deduction of entertainment presently allowable through furnishing food and drink in restaurants and hotels in an atmosphere conductive to business discussion. No business need be discussed. It thus leaves undisturbed the most significant portion of goodwill entertainment conducted in this country. It strikes only at the high, wide, and fancy living and indulgence in personal pleasures which all taxpayers ought to pay for themselves without Government subsidy.

FINANCE COMMITTEE SOLUTION—FORMULA FOR DECEPTION

The only change in the pertinent House statutory language made by the Finance Committee is, as has been stated by the Senator from Tennessee, the addition of the words "or associated with." Thus, a taxpayer can deduct an entertainment expenditure which is only "associated" with the active conduct of his trade or business, as well as one which is directly related thereto. Since this statutory language is quite similar to that of the House bill—equally broad, in any event—one would reasonably expect again to find a helpful explanation as to what the committee intended to accomplish by its additional phrase "or associated with."

Unfortunately, such is not the case. Unlike the clear, concise, and workable guidelines set forth in the House report the Finance Committee report is a mass of vague, disconnected statements and examples which are destined to spawn controversies so numerous and intense as to make the highly unsatisfactory expense account picture of today seem most pleasant. In addition, the Senate report attempts to paint a picture of virtue and righteousness, but even a casual glance beneath the surface reveals that the virtuous exterior is more illusion than reality. For example, the report states:

> Nothing in your committee's bill is to be construed as allowing a deduction for any expense which is against public policy or which violates the public conscience. Deducting an expense incurred for such purpose under the guise of generating "business goodwill" will not be condoned and under your committee's amendment is not deductible. Thus, the cost of liquor purchased for the entertainment of customers and the promotion of goodwill (which under existing law has been held deductible) will be disallowed if the serving of liquor violates the public morals of the community as expressed in local law—

Very few local laws forbid the consumption of liquor. I think there are only two States in the Union where the sale of liquor is forbidden, but I am not sure that its consumption is forbidden in any State.

> Another example of expenses for immoral purposes which have been claimed on tax returns under existing law involves expenditures to provide "call girls" for the purpose of entertaining clients. Under your committee's amendment no deduction whatsoever is to be allowed for expenditures of this nature. In no legitimate sense are they "directly related to or associated with the active conduct" of a trade or business.

COMMITTEE ACTION NO MORAL BROOM

The foregoing suggests that the committee's action will serve as a moral broom to disallow expenditures where liquor is illegal under local law, and where "call girls" are utilized as "business" entertainment. However, expenditures such as these, which violate clearly defined lines of public policy, are not deductible under present law. See *Smith*, 33 T.C. 861 (1960); *R. E. L. Finley*, 27 T.C. 406 (1956); *U.S.* v. *Winters*, 261 F. 2d 675 (1958). What then will be accomplished under the committee's language? Is it not clear that this is simply a smokescreen thrown up to suggest that abuses are being remedied whereas in actuality little, if anything, is being accomplished beyond present law?

The Finance Committee report stresses the desirability and wholesomeness of "goodwill" entertainment. It states:

> Goodwill has long been recognized as a legitimate objective of business entertaining and where the purpose of the expense and its clear relation to a business is firmly established, the expense ordinarily will continue to be deductible.

The report further states:

> To eliminate the harshness resulting from the House report, amendment of the language of the House bill is necessary. * * * This new language will permit deduction of expenses for entertainment, amusement, or recreation incurred for the creation or main-

> tenance of business goodwill without regard to whether a particular exception applies. However, this new language will apply only if the taxpayer demonstrates a clear business purpose and shows a reasonable expectation of deriving some income or other benefit to his business as a result of the expenditure. If he meets this test, the expenditure will be considered to be associated with the active conduct of his trade or business; otherwise, the expense will be disallowed under your committee's amendment.

GOODWILL ALLOWED

A close analysis of these statements makes it eminently clear that expenditures for goodwill have been given preferred status. In these references to "goodwill," the committee has presented our sophisticated expense account society with a blueprint for continued high living at Government expense. These statements are a readymade formula for deception which will leave the Internal Revenue Service with an impossible enforcement task, for, in effect, almost all entertainment expenditures, both for the creation and maintenance of business goodwill are declared to be henceforth deductible. In stating that the taxpayer must demonstrate a clear business purpose and show a reasonable expectation of deriving some income or other benefit to his business from the making of the entertainment expenditure, the committee report has added nothing to the requirements of present law. The taxpayer must meet precisely the same test today, but, as hundreds of cases illustrate, such vague and generalized requirements present are so easy to meet as to be practically meaningless.

Furthermore, although the committee report makes numerous references to goodwill, it gives no indication as to what is encompassed by this term. Nowhere is goodwill defined. How does a businessman go about creating goodwill—whatever goodwill is? It seems clear that the sky is the limit. If a businessman—in his judgment—thinks a big yacht may be helpful in developing some customers, does not this committee report language put the official congressional stamp of approval on his deduction of these substantial costs of maintaining and operating such a "business" asset? Is not a revenue agent foreclosed from effectively examining into the matter?

In the light of all the foregoing statements respecting goodwill, very little is salvaged from the following comment—particularly in view of the illustration given as to what is meant by "vague goodwill."

> Where goodwill generated by the expense is vague or where the possibility of the expenditure resulting in the production of income is remote, no deduction will be permitted. For instance, under present law a taxpayer may deduct expenses of entertaining buyers and others associated with his trade or business even though at the time he does the entertaining he already has more business than he can handle. Under your committee's amendment, however, no deduction will be allowed because, with a large backlog of unfilled orders, such entertainment ordinarily cannot be regarded as being associated with efforts to produce income.

This narrow "exception" to the basic theme of the Finance Committee report that all goodwill entertainment is deductible is scant evidence of tightening up present law. Rare indeed is the case where the taxpayer has such a backlog of unfilled orders that his entertainment activities cannot be regarded as being associated with efforts to produce income. It is interesting to note that even in such an extreme case the report hedges the consequences by providing that "ordinarily" the deduction will not be allowed. Moreover, there is a good possibility that entertainment expenditures in such a unique case are not deductible under present law because they are in the nature of capital expenditures. Cf. *James Schulz* (16 T.C. 901). Here again the committee has done nothing more than set up a strawman—to give the illusion that a cutback on existing law is being effected. In reality nothing has been accomplished—except that perhaps another arena for conflict has been created.

The harshness of which the report speaks is that the House provision, as explained by the Ways and Means Committee's report, has some effect and will disallow some entertainment expenditures which are deductible under present law. Presumably that is the purpose of this legislation. However, one must struggle hard to tell which of the above-described cases would be denied deduction under the Finance Committee report. How much, if anything, would be disallowed to the corporation which spent and deducted almost $1 million in 1 year for yachts, club dues, shipboard conventions, hunting and fishing trips, and parties? Does not a corporation make such expenditures to develop goodwill? We have already seen that goodwill expenditures are clearly deductible under the Finance Committee report. How about the banker who deducted a substantial part of the cost of his daughter's coming-out party as a business expense? Was he not also developing customer goodwill? Certainly the Government is not, under the Finance Committee report, free to disallow expenses regardless of the form of entertainment the taxpayer may adopt to develop goodwill. Similarly, in all the other cases set forth above, the taxpayer would appear to be able to continue to deduct all entertainment expenditures.

"RED HERRING"

One further "red herring" in the Finance Committee report should be mentioned. The report states that no deduction will be allowed for entertainment expenses "which under the circumstances in which they are incurred are lavish or extravagant." Here again no standards or guidelines are furnished. What is lavish or extravagant under the circumstances? If the circumstances involve a taxpayer accustomed to entertaining in an elaborate and expensive style, can they be held to be lavish under the circumstances? When does a yacht become an extravagant expenditure? When it is 60 feet in length? One hundred feet in length? When it has more than one mast? Would these criteria vary with the income—or expected income—of the taxpayer? Would a resident of Miami Beach, Fla., be entitled to a bigger and more expensive yacht than a resident of Providence, R.I.? Would a beach home with eight rooms be a lavish facility? What about one with 30 rooms? Would a corporate president be entitled to drink champagne whereas a proprietor of a corner grocery store be restricted to ordinary corn liquor?

Is it not abundantly clear that the so-called test produced by the Finance Committee, superimposed upon the unsatisfactory test of present law, will simply compound existing difficulties? The litigation and controversy which would follow adoption of such meaningless language would even make the present situation seem a happy one. The result would be a real mess. And to what avail? In this posture of things, it seems quite proper to ask: What is wrong with the proposal adopted by the House of Representatives? It is obviously far superior to the Finance Committee's product. We urge the Senate to endorse at least the House provision and again, as it did in 1960, produce a really significant legislative measure to deal with expense account abuses.

When the committee proposes to loosen the House provisions, I hope the amendments will be voted down. Then I hope we can then proceed to the consideration of the original proposals of the President of the United States fixing quantitative limits upon the amounts that can be tax free. We do not object to these expenditures but we think those who enjoy them should pay for them and that Uncle Sam should not be called upon to be the silent host.

TAXATION OF FOREIGN OPERATIONS

Mr. President, I had intended to discuss the question of foreign operations, but the Senator from Tennessee [Mr. GORE] has devoted himself to this subject and to the provisions of the bill relating to foreign operations.

For this reason I am going to ask unanimous consent that the statements which I have prepared on foreign operations be printed in the RECORD at this point in my remarks.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

FOREIGN OPERATIONS

I. GENERAL STATEMENT

Except for withholding on dividend and interest income, which was defeated outright, no major aspect of the President's recommendations for tax reform contained in his message to the Congress on April 20, 1961, suffered so badly at the hands of the Finance Committee as did those recommendations relating to the taxation of income and profits earned abroad by U.S. persons.

President Kennedy recommended that American corporations, as well as individual U.S. taxpayers who are "shareholders of closely held" foreign corporations, be taxed each year "on their current share of the undistributed profits" of foreign corporations in which they hold stock and which are "organized in economically advanced countries." At the same time, the President recommended "elimination of the tax haven device anywhere in the world."

The Ways and Means Committee and the House of Representatives moved resolutely, if not altogether perfectly, in the direction indicated by the President.

The Finance Committee, on the other hand, in executive session, by rollcall vote, refused even to consider the President's major recommendations in this area. Instead, the committee proceeded to adopt a watered down tax haven aproach to this problem, and then, amendment by amendment, moved further to weaken even that wholly inadequate approach—this, despite the fact that the Secretary of the Treasury had agreed, in testimony before the committee, that anything short of removal of the deferral privilege, whereby U.S. taxation of profits earned abroad may be indefinitely postponed, would be but "piddling" with the problem.

Though the committee has done a fairly creditable job in reviewing and acting on many provisions in the foreign area contained in the House-passed bill, it has materially weakened the grossup provision, section 9, and section 11, which deals with earned income from sources outside the United States. These provisions badly need strengthening. By far the most important provisions, however, are contained in section 12 dealing with controlled foreign corporations. It is here the Senate must surely act if this bill is to come even close to implementing the President's recommendations.

II. TAXATION AND CAPITAL FLOWS

One of the most startling economic phenomena of the past 5 years is the large-scale movement of American capital abroad. Though some of the economic activity represented by this movement may be desirable and may serve to increase exports, much of it directly and materially weakens the base of our economy. Some of this capital is drawn abroad for legitimate economic reasons. Much of it, far too much, is stimulated to move abroad because of faulty U.S. tax provisions.

Several reasons exist, of course, for this unprecedented movement of capital abroad. International barriers of all sorts are being broken down. Convertibility of currency exists in large measure. Electronic communications insure effective control of economic activities anywhere in the world from one central office. The movement of persons and goods has been speeded up and cheapened to a point where distance makes very little difference. American economic style and business organization have made American know-how welcome in most countries. American free world leadership has lent prestige to all things American.

In view of these facts—facts which we may not want to alter, even if we could—it is most inappropriate to set up additional artificial stimuli to the movement of American capital abroad, particularly into activities and in amounts which are contrary to the national interest. Existing law relating to the taxation of economic activities carried out by American interests in foreign countries constitutes just such an artificial stimulus to the movement of capital abroad into areas and activities which pose dangers to the domestic economy and make more difficult a solution of the balance-of-payments problem.

As our tax laws now stand, they constitute a positive subsidy to the movement of American capital abroad. There are numerous ways in which the taxation of profits from foreign operations can be reduced to the extent that it may be more profitable to expend American capital and American know-how in building up the economy of West Germany rather than the economy of West Virginia, or south Italy rather than South Carolina.

The existence of this unhappy circumstance is given implicit verification by virtue of the fact that this bill, in 11 of its 27 sections, deals with the taxation of foreign operations of U.S. taxpayers, both individual and corporate. Unfortunately, having recognized the existence of certain problems, the bill proceeds toward correction of these problems in a most timid and half-hearted manner.

Our tax laws regarding foreign operations are hopelessly out of date. For the most part they stem from rules laid down when the income tax was developed prior to the First World War. Developments in communications, transportation, and even in international politics and political organization have made some of these laws obsolete.

In theory, the United States taxes its citizens wherever they are and from whatever source their income is derived. Although this would seem to preclude the use of the tax laws as a subsidy to draw economic activity abroad, in practice we have nullified theory to a great extent by, first, allowing American interests to operate abroad in subsidiary form without the imposition of any U.S. taxation whatsoever on the profits from those operations until those profits are remitted—often in a form which can take a capital gains rate or no rate at all—and, second, by providing for a credit for foreign income taxes paid against ultimate U.S. taxes on income earned abroad.

It is now well past the time when we should have examined our basic concepts and tax laws in the light of current political and economic realities. It is well past the time when we should have given serious consideration to the need for continuing, through domestic tax law, the subsidization of the strengthening of the economies of the countries of Western Europe, Japan, Canada, and other countries which are, at least for the moment, our political allies and friends, but which are now, and in the foreseeable future will continue to be, our fierce economic competitors.

In reexamining our tax laws relating to foreign economic activities, there are three considerations which must, in the light of today's conditions, be kept in mind. These are (1) equity, always important to any tax system but doubly so in a voluntary system such as ours, (2) domestic economic health, particularly in these times of persistently high unemployment, and (3) the balance of payments.

III. TAX EQUITY

Equity in taxation is a subject to which lipservice is paid from time to time. Everyone claims to be in favor of equity, but many define equity in strange and tortured ways. Generally speaking, if a dollar earned by a particular type of taxpayer in any economic activity, in any geographical area, pays the same tax as another dollar earned under other circumstances by similar types of taxpayers we can say that tax equity has been achieved.

Of course, from time to time preferences are given to certain types of operations, certain areas, and certain organizations, but when this is done it should be done consciously, and deliberately, in the full knowledge of what is being done, and with the accomplishment of definite objectives in mind. When a subsidy is voted—and a subsidy can be awarded a taxpayer by giving him a tax preference just as surely as it can be awarded by way of a cash payment—it should be voted to accomplish a proper national or social goal, not done accidentally, or as a private giveaway.

For example, there is no question that the average homeowner receives better tax treatment than the average renter of living quarters. But the Congress has deliberately provided this because it is considered socially desirable to foster homeownership.

In certain other instances tax advantages are given inadvertently, or because of reasons which are no longer valid. Certain of our laws dealing with the taxation of the profits and income earned abroad by American taxpayers, both corporate and individual, directly and through technically foreign subsidiaries, fall in each of these two categories.

Business decisions today are often made on the basis of tax consequences. Many decisions as to what operations should be moved abroad are made on the basis of tax consequences. Many foreign operations are set up in order to avoid taxes, in a virtual maze of interlocking and overlapping organizations, confusing to customers and operators alike. This is hardly in keeping with concepts of equity or even good business management.

The best way to achieve tax equity, particularly in the field, is to seek tax neutrality, that is, to seek to have tax laws such that economic decisions are made on the basis of economic criteria, not on tax consequences. Unfortunately, the bill reported by the Finance Committee, although it recognizes the existence of inequity does little to deal with it effectively. Under terms of this bill, operations carried on abroad will still receive favored tax treatment as compared with the same type of operation carried on here at home.

IV. DOMESTIC ECONOMIC HEALTH

It has been clearly recognized by government at all levels—Federal, State, and local—as well as by foreign governments, that taxation and tax differentials influence economic decisions. For that reason, we have seen some of our State and local government units offer various types of tax concessions when negotiating with industries to relocate. Some foreign governments have made concessions, including allowing new concerns to operate tax free for a specified number of years. The results of this type of stimulus can be clearly seen in Puerto Rico.

When the United States arbitrarily and unilaterally gives tax concessions to domestic industry, provided that industry will move abroad, the results are certainly foreseeable—and we are seeing them now. The end result is the weakening of our economy. But for some reason, many seem to feel that loss of capital and productive facilities is good for the United States, although bad for other countries.

The tax stimulus to the movement of productive facilities abroad is a subject which has been widely discussed for some years. For example, a study made by the American Management Association in 1960, and reported in Business Week for December 31, 1960, showed that, "because of tax differentials, the reinvestment of foreign earnings over a 3-year period can provide 'roughly double the rate of profit accumulation for reinvestment that is possible under domestic tax schedules.' "

With 52 percent domestic corporate tax rate, and with tax-haven countries having rates running down almost to zero in some instances on sales, service, and holding company income originating in third countries, the temptation to move facilities abroad, accumulate profits for reinvestment for a period of years, and only then begin to repatriate dividends on which an inadequate U.S. tax would finally be paid, could hardly be resisted. In fact it has not been resisted and we have seen a rapid acceleration of the buildup of American direct investment abroad during the past 5 years.

Our total private investment abroad now exceeds $50 billion, and is increasing at the rate of about $5 billion per year. In the field of direct investment, and particularly with reference to tax-haven devices it is noteworthy that, according to some authorities, two-thirds of our tax-haven companies have been established within the past 5 years.

The movement of productive facilities abroad has already reached serious proportions, but even more alarming is the increasing tempo of this movement. The loss of jobs, the loss of productive facilities needed for defense and other purposes, cannot be taken lightly. It is altogether too easy for a manufacturer, when he is faced with a labor problem or with extensive replacement of machinery, to pull up stakes and move a large part of his production to a foreign country.

In this country, contrary to the practice everywhere else in the world, the direct regulation of the outflow of capital and productive facilities has always been resisted. Such direct regulation may be necessary if we are to reach a real solution. But at the very least, we must not directly and positively encourage such an outflow by giving tax concessions to those who operate abroad and thereby build up the economies of foreign countries while tearing down our own. At the very least, we should remove the tax incentive which now exists to go abroad.

There will be, even with the enactment of the tightest possible tax provisions, a continuing flow of direct investment capital and productive facilities abroad in response to economic stimuli. This will not be interfered with by this, or any other similar bill. There will also be a continuation of the outflow of other forms of capital—portfolio and short term. These latter outflows have been troublesome during the past few years and require direct and specific regulation. This bill touches only direct investment, and touches that ever so tenderly.

Criticism has been leveled at those who wish to remove the tax incentive to take American industry and productive facilities abroad. It has been alleged that this is a new type of protectionism—a new type of isolationism.

This criticism is unwarranted, and represents the most blatant type of reverse doublethink. There is no thought, insofar as this legislation is concerned, of doing anything more than removing a positive stimulus and subsidy for American plants to be moved abroad. Of course, it may well be that this is not enough. It may be that tax neutrality may not be sufficient to slow to a tolerable rate this widespread movement of capital abroad.

Those who believe in freer trade, and who support in general the President's recommendations for legislation to improve our reciprocal trade system which has served us so well for the past 28 years, certainly cannot legitimately be accused of economic isolationism merely because they wish to achieve tax neutrality, and terminate a hurtful subsidy.

The most cruel competition which an American producer can be forced to undergo is competition from American-type goods with well-known American brand names, produced abroad by American-owned subsidiaries which have achieved rapid growth because of the ability to dodge U.S. taxes and plow back practically all earnings, with these products distributed throughout this country through a well-established chain of wholesale and retail outlets. With a further lowering of tariffs contemplated by the trade bill now before the Finance Committee, it is certainly most inequitable to continue to give these foreign but American-owned producers, continued tax advantages when they are competing directly with U.S. production, either in American or in foreign markets.

V. BALANCE OF PAYMENTS

It has become so fashionable to discuss any problem in terms of its effect on the balance of payments that one might properly look with suspicion on some arguments which attempt to tie balance-of-payments considerations to any possible subject matter. This has been much overdone. In the case of legislation directly affecting the flow of capital funds abroad, however, balance-of-payments considerations are certainly pertinent.

The balance-of-payments problem has been with us for some years, but has been recognized as being acute by the general public and most Government officials for only about 3 years. Prior to that time, many still talked of the dollar gap and of means of increasing the flow of capital abroad.

Although the balance-of-payments problem seems likely to be brought under control within the near future—and it must be brought under control within the next 2 or 3 years if we are to be able to avoid the use of rather drastic control methods—the problem is still acute and must be attacked from all quarters. This includes, but is not limited to, a close examination of investments made abroad by U.S. taxpayers. Those sections of the bill dealing with the taxation of profits gained from activities carried on abroad by American taxpayers will affect the balance of payments specifically and directly.

There are three principal types of capital outflows which are of concern in the balance-of-payments picture. Only one, that is, direct investment outflows, will be affected by the provisions of this bill. The other two, portfolio investment and short-term flows, will be little affected and must probably be dealt with in ways other than tax changes. The simplest way to deal with all three, of course, is by some system of direct licensing of capital outflows. Since we have traditionally resisted this type of regulation, however, we must be doubly sure that our tax laws are not weighted in the wrong direction. This bill does not go far enough in that regard. It does not subject income and profits earned abroad to as heavy an income tax as income and profits earned in the United States. But it does move, though haltingly and timidly, in the right direction.

There can be no question as to the effect of capital outflows on the balance of payments in the short run. There can be, of course, some question as to the long-range effects of capital outflows, particularly direct investment flows.

As to the long-range effect of direct investment outflows, the effect on the balance of payments may eventually be positive. But, with an acute situation which must be corrected within 2 or 3 years, it is not advisable to wait for a period of years, perhaps as long as 12 to 15 years according to Treasury Department analyses, for current direct foreign investment to assist in correcting the present imbalance.

Bearing in mind that direct foreign investment is accelerating, and that the net overall balance-of-payments deficit this years is expected to be in the neighborhood of $1.5 billion, an alteration of investment flows in the order of a few hundred million dollars would be significant.

Reliable estimates indicate that the complete removal of the deferral privilege would, by slowing down direct investment outflows and by speeding up repatriation of earnings, decrease the balance-of-payments deficit by about $400 million annually. This bill, of course, would not be nearly so beneficial. In its present form it would be of little assistance. A good, tight, tax haven bill would assist in the balance of payments in the order of $200 to $300 million.

VI. SPECIFIC PROVISIONS

The best and indeed the only sure way to achieve substantial equity, guard against the untoward weakening of American industry and assist in the solution of the balance-of-payments problem through taxation is to tax American taxpayers annually on income and profits earned anywhere in the world. This would restore neutrality as to taxation, allowing economic forces to play their proper role in economic decisions relating to investment choices at home or abroad. This would insure that the corporation which helps to build up a depressed area in the United States would be treated as fairly by the Federal Government as the corporation which builds up the economy of Western Europe. The most important section of the subject bill dealing with foreign operations has, however, been drawn up on the theory that the partial elimination of tax-haven advantages is sufficient.

There is no question that the complete elimination of tax-haven operations would help materially. It is through the combination of a sales subsidiary, a service subsidiary, and a holding company located in a tax-haven country, Switzerland, for example, that the U.S.-owned manufacturing company in Germany—or other relatively high tax foreign country—is able to reduce its German tax to a rate well below the stated rate of 51 percent. If tax havens are made less profitable from a tax standpoint, the manufacturing operations which support them will have to be justified on economic grounds, not on grounds of tax avoidance, whether the taxes avoided are United States or foreign.

The Finance Committee, by approving even these imperfect provisions, does recognize that certain changes in existing law should be made.

1. It is recognized that numerous abuses exist in the operation of certain types of corporations organized in certain low-tax countries. While this tax haven problem is recognized, it is not completely corrected.

2. It is recognized that many individual U.S. citizens are living abroad for the purpose, or with the result, of escaping proper U.S. taxation. But the provisions of the bill are sufficient to deal with the problem. It will still be highly profitable, under the terms of this bill, for a U.S. citizen to live abroad and thereby avoid paying his fair share of the cost of U.S. and free world defense and essential Government services.

3. It is recognized that there are numerous abuses in setting up foreign trusts for the purpose of escaping U.S. taxation.

4. It is recognized that there have been abuses in the liquidation of foreign corporations, with the result that accumulated ordinary income is being brought into the country in a form which allows it to be taxed at the low capital gains rate, if at all.

5. It is recognized that the U.S. estate tax has been avoided by some through the device of investing in foreign real estate, even in contemplation of death.

6. It is recognized that the law as now written allows both a partial credit and a deduction for foreign income and related taxes. For some reason, presumably because it is recognized that tax reductions do act as subsidies to draw capital investment abroad, the committee allows this double benefit to be continued in less developed countries.

7. It is recognized that present law does not require sufficiently stringent reporting of foreign economic activities of American interests.

In order for the bill to be really meaningful in correcting the imperfections in existing law which have been recognized, however, certain minimum changes must be made.

1. Section 12—Controlled foreign corporations

(a) This entire section, embodying as it does the tax haven approach, ought to be deleted and have substituted therefor the complete removal of the deferral privilege. Language to accomplish this objective exists in amendment 6-19-62—A to H.R. 10650, previously offered.

(b) The tax haven approach, if sufficiently rigorous, does represent a step forward. Should the Senate decide to proceed with this approach, this section should be amended in at least the following ways:

1. The de minimus rule should be restored to 20 percent.

2. The exception for export trade income of "Export Trade Corporations" should be deleted.

3. The exception for dividend and interest income from less developed countries, together with profits realized from the sale of investments in less developed countries, should be deleted.

2. Section 9—The gross-up

This provision should be made applicable to income from subsidiary corporations operating anywhere in the world, as provided by the House-passed bill. There is no equity in allowing both a deduction and a partial credit for income taxes paid to certain countries. The operation of existing law in this area is capricious and even perverse, and is not a suitable vehicle for a subsidy, should it be felt that a subsidy is needed or desirable.

3. Section 11—Income earned abroad

There is no equity in allowing individual U.S. citizens living abroad, either temporarily or on a more permanent bona fide basis, to pay less taxes than citizens and residents here at home. All benefit from services rendered by both the U.S. Government and the government of their host countries. All should contribute toward the cost of U.S. and free world protection. It is particularly inappropriate to allow a phasing-in of taxes on fringe benefits.

WITHHOLDING OF BASIC TAX ON DIVIDENDS AND INTEREST

Mr. **DOUGLAS**. Mr. President, I come now to the worst legislative crime committed by the Finance Committee, namely the deletion of the withholding provision on dividends and interest.

In striking out of the tax bill the plan for withholding the basic tax on dividend and interest payments, the committee is, in effect, indicating that it condones the intolerable gap in the payment of taxes on dividends and interest, in many cases the result of outright and willful evasion. The Secretary of the Treasury estimates that in 1963 the gap between the dividends and interest that should be included on tax returns, and those that actually are, will exceed $3.7 billion.

In my own judgment, it is probably nearer $4 billion. The truth of the matter is that close to $4 billion paid out in dividends and interest is not reported by the recipients, and therefore no taxes are paid upon it, even though it is received. Part of this is unconscious avoidance; part of it is conscious evasion.

REVENUE LOSS OVER $1 BILLION

The Government will lose in revenue almost $1.1 billion in 1963—$440 million of taxes owed on dividends and $650 million of taxes owed on interest.

Withholding would collect about $880 million of this $1.1 billion. Withholding combined with the other collection and enforcement procedures available to the Internal Revenue Service would close nearly the entire gap. Without withholding, and with the automatic data processing system which has been so much heralded, less than a fourth of the gap can be closed, or not more than $250 million can be collected, but even this cannot be accomplished until the Internal Revenue Service's new automatic data processing system becomes fully operational in 1967.

As I mentioned earlier in my address, in 1942 Congress put into effect the withholding plan on wages and salaries.

LITTLE WAGE EVASION OR AVOIDANCE

This has been in operation for 20 years. Only 3 percent of the taxes due on wages go unpaid. On the other hand, in 1960 more than 11 percent of the dividends which should have been reported on the tax returns of individuals were not so reported. The situation is even more intolerable in regard to interest. Slightly more than one-third—to be precise, 34 percent—of interest paid out was not reported as income. No taxes were paid upon that percentage.

WHY DOUBLE STANDARD

Why should we have this double standard, Mr. President? Withholding at the source occurs on wages and salaries, the recipients of which have much lower incomes than the average recipient of dividends and interest. In regard to wages and salaries there is virtually no tax evasion. Those in the low income group pays their taxes, as they should, of course. But as a result of the failure to withhold taxes on dividends and interest, a goodly proportion of those in the upper income group do not pay their taxes.

Who are these people who do not pay their taxes on interest and dividends? The Internal Revenue Bureau made a study of 6,000 to 8,000 cases. They found that about 70 percent of the nonreported dividends were received by individuals having more than $10,000 of income. In respect to nonreported interest, only 30 percent of it was received by people having less than $5,000 income a year, and approximately 30 percent was received by those who had more than $10,000 a year income.

I ask again, Mr. President, if a withholding system is appropriate for those who are in the lower income group, the wage earners, to make sure that they pay their taxes, what possible excuse can there be for not applying it to help collect the taxes on dividends and interest from the many individuals with higher incomes who escape those taxes today?

Mr. President, I ask unanimous consent that two tables prepared by the Secretary of the Treasury may be printed in the RECORD at this point.

There being no objection, the tables were ordered to be printed in the RECORD, as follows:

TABLE 1.—*Number of individual income tax returns with dividends and amount of dividends in 1959*

[Dollars in thousands]

Adjusted gross income	Number of returns with dividends [1]	Dividends on returns [1]	All returns	Adjusted gross income, all returns	Number of returns with dividends as a percent of all returns	Dividends on returns as a percent of adjusted gross income
Taxable returns:						
Under $5	1,142,168	$675,392	23,415,117	$71,434,488	4.9	0.9
$5 to $10	2,008,754	1,253,645	19,305,707	133,012,206	10.4	.9
$10 to $20	1,369,308	1,731,510	3,909,998	49,701,599	35.0	3.5
$20 to $50	518,881	2,219,331	723,682	20,846,984	71.7	10.6
$50 to $100	101,520	1,416,317	114,711	7,549,453	88.5	18.8
$100 to $200	20,492	845,098	21,940	2,844,906	93.4	29.7
$200 to $500	4,598	508,843	4,776	1,361,923	96.3	37.4
$500 to $1,000	700	190,677	717	478,154	97.6	39.9
$1,000 and over	261	263,463	265	545,633	98.5	48.3
Nontaxable returns	781,696	610,118	12,774,384	17,319,633	6.1	3.5
Total	5,948,378	9,714,394	60,271,297	305,094,979	9.9	3.2

[1] Covers domestic and foreign dividends before dividend exclusions. Does not include data for form 1040A returns which do not specify the amount of dividends received.

Source: Treasury Department, Office of Tax Analysis.

TABLE 2.—*Number of individual income tax returns with interest and amount of interest in 1959*

Adjusted gross income class	Number of returns with interest	Interest on returns (thousands)	Average amount of interest	All returns	Adjusted gross income (thousands)	Number of returns with interest as a percent of all returns	Interest as percent of adjusted gross income
Taxable returns	7,829,849	$3,754,177	$479	$47,496,913	$287,775,346	16.5	1.3
Under $5	2,076,348	732,695	353	23,415,117	71,434,488	8.9	1.0
$5 to $10	3,502,941	1,145,505	327	19,305,707	133,012,206	18.1	.9
$10 to $20	1,643,381	857,445	522	3,909,998	49,701,599	42.0	1.7
$20 to $50	491,763	631,422	1,284	723,682	20,846,984	68.0	3.0
$50 to $100	91,923	243,484	2,649	114,711	7,549,453	80.1	3.2
$100 to $200	18,472	90,428	4,895	21,940	2,844,906	84.2	3.2
$200 to $500	4,142	36,469	8,805	4,776	1,361,923	86.7	2.7
$500 to $1,000	647	10,193	15,754	717	478,154	90.2	2.1
$1,000 and over	232	6,536	28,172	265	545,633	87.5	1.2
Nontaxable returns	1,443,845	641,241	444	12,774,384	17,319,633	11.3	3.7
Total	9,273,694	4,395,418	474	60,271,297	305,094,979	15.4	1.4

Source: Office of the Secretary of the Treasury, Office of Tax Analysis.

Mr. DOUGLAS. Mr. President, I wish to discuss each of these tables a little.

In 1959 there were 60.3 million individual income tax returns filed in this country. Only 7.8 million of the taxable returns included any interest. In other words in only 13 percent of the income returns listed any interest.

The figures I am giving will be quoted to the nearest 100,000.

There were 2.1 million returns in which interest was reported which had under $5,000 of income, or 3½ percent of the total number of taxpayers. The interest which they received was only 1 percent of the total income received by the entire group of those below $5,000. They received approximately 17 percent of the total amount of interest paid out.

There were about 650,000 returns with incomes of over $20,000 a year on which interest was reported. These comprised only 1 percent of the total number of tax returns, but they received about 55 percent of the interest reported.

The table indicates that the recipients of interest in the main belong to the upper income brackets and not to the lower income brackets. Everyone knows this to be a fact.

DIVIDENDS RECEIVED BY UPPER INCOME GROUPS

The situation is even more marked in respect to dividends. Only 6 million returns showed the receipt of any dividends, out of the 60.3 million returns which were filed. A little less than 10 percent of the returns, therefore, showed any dividends received.

Those returns with total gross incomes of under $5,000 were 1,142,000 in number or not quite 2 percent of the entire number of returns, and the dividends which were reported received were less than 1 percent of the total income received by those whose returns showed incomes of less than $5,000.

If we include those returns with incomes from $5,000 to $10,000, we would get a total of only 3.1 million or 3.2 million out of the 60.3 million returns, or about 5 percent of the total. In other words, only 5 percent of the income recipients were in the $5,000 to $10,000 class and at the same time received dividends, and the dividends which they received were only 20 percent, roughly, of the total dividends paid out.

EIGHTY PERCENT OF DIVIDENDS GO TO THOSE WITH INCOMES OF $10,000 OR MORE

To put it the other way—and this is the important point—80 percent of the dividends went to those who filed returns with incomes of more than $10,000.

I remember that the Secretary of the Treasury under the administration of Mr. Eisenhower, Mr. Humphrey, stated that the recipients of dividends and interest are now no more wealthy than anyone else, that wealth had been so democratized in this country that those who owned stock were like everyone else. That is not true.

I wish to present another very interesting fact. Those with taxable returns of over $1 million a year got 48 percent of their income from dividends.

NOT WIDOWS AND ORPHANS WHO GET LARGE DIVIDENDS

So, Mr. President, the failure to require withholding applies to those in the upper income brackets of society, in the main, and not to those in the lower or middle income brackets. It is not the widows and the orphans who get these sums, in whose name the piteous appeals are made that there should be no withholding of the taxes they owe. Instead, it is the recipients of large incomes who in the main are involved.

I wish to say also that I am well aware that in a large percentage of the cases the failure to pay taxes on dividends and interest is not intentional, but is rather a result of the fact that the interest paid on savings bank accounts and the dividends or interest or whatever one might call it paid by the building and loan associations are more or less automatically added to the capital and to the account of the individual, and are not drawn out by the individual into a separate checking or savings account.

The recipient often does not spend those amounts for current consumptive purposes. Therefore it is quite possible that he—or she—would not regard them as income. They are income nevertheless, because they go to increase the capital holdings of the individual. What he does is tacitly to acquiesce in their reinvestment. In those cases I certainly do not charge any conscious fraud.

But when we get up into the upper income brackets and find the reception of large amounts of dividends which are not reported and upon which taxes are not paid, and large amounts of interest which are received but not declared, then we get into a more dubious field. Whether that is evasion, avoidance, or downright fraud, the fact remains that those are sums owed by individuals to the Treasury, and their failure to pay those amounts increases the burden upon the honest taxpayers who pay every cent they owe.

I therefore hope that when the committee moves to strike the withholding provisions from the House bill, the Senate will show its sense of fairness by rejecting the amendment.

SUPPORT PRESIDENT ON WITHHOLDING

I wish again to emphasize that that is the one point the President of the United States emphasized last week in his statement to the press and to the Nation. He said he wanted the withholding provisions retained. God grant that this body may have courage enough to stand up for the payment of these taxes against the powerful forces of the building and loan associations, and the mutual savings banks, and God grant that the leadership of the Democratic Party may stand fast behind the President and not try to strike that provision from the bill.

AUTOMATIC DATA PROCESSING NO SUBSTITUTE

It is said that since we provide for the automatic data processing of the payment of dividends and interest, that will remove the necessity for withholding. Let me point out that the Commissioner of Internal Revenue, Mr. Mortimer Caplin, an extremely able, high-minded, and conscientious man—the man who actually does the job of collecting our taxes—has carefully studied both the withholding plan and the expanded information-reporting program and has concluded that information reporting, even when coupled with the Service's new automatic data-processing system, cannot be an alternative to withholding. This is because an ADP information return system in itself will not collect one penny in taxes.

All it can do is to identify possible discrepancies between the amounts received by the individual and the amounts declared by the individual. But it does not collect the taxes on any difference. That will have to be done through the ordinary collection and enforcement procedures available to the Internal Revenue Service.

The figures tell the story themselves. If we use the estimate for 1959 of the gap in the reporting of taxes on dividends and interest at $850 million, withholding alone would recover $650 million at a cost of approximately $19 million. The remaining $200 million could be recovered in large part by the ADP system, combined with a reasonable enforcement effort for an estimated additional cost of $29 million. In other words, the entire gap could be closed through a combination of withholding and enforcement for a cost of only $48 million.

To close the entire gap without withholding would be physically impossible and economically unfeasible. It would mean contacting 12 million people for the purpose of checking discrepancies in their dividend-and-interest reporting turned up by ADP. This is three times as many people as the Service contacts today in its total enforcement program. It would cost $400 million to collect the $850 million by this method, more than eight times the cost if withholding were used.

Even if we were to collect all of the $650 million, the dollar equivalent to the results under withholding, it would cost $200 million to collect this amount, or more than 10 times what it would cost under withholding. In addition, the Internal Revenue Service's present enforcement staff, which through its activities collects about $3.5 billion annually, would almost have to be doubled to collect the additional $650 million. The resulting imbalance in enforcement effort is one of that cannot be reconciled with any sound concept of tax administration.

To look at the matter realistically, and within the concept of a sensible and effective use of equipment and enforcement manpower, based on 1959 data, the information-reporting system adopted by the committee can be expected to recover only $200 million.

These figures, which were compiled by the Commissioner and his staff after careful study of the matter, conclusively prove that the information-reporting system adopted by this committee is not a substitute for withholding.

Even apart from its complete ineffectiveness as a tool for closing the more than $1 billion gap in the reporting of taxes on dividends and interest, the information-reporting plan adopted by the committee is at best a clumsy and burdensome substitute for the relatively simple withholding plan adopted by the House. Under withholding, a payer of dividends or interest would merely be required to deduct a flat 20 percent from its payments to persons who have not filed exemption certificates and then make one lump-sum payment to the Government each quarter. The payers will not have to make out individual withholding receipts for each recipient nor will they be required to submit any detailed records to the Government.

MORE REDTAPE IN REPORTING PROVISIONS

The Senator from Virginia [Mr. BYRD], who is opposed to the withholding system, and to whom the alleged alliance between the Senator from Illinois and the chairman of our committee does not extend on that point, but who has a rugged sense of individual honesty and integrity, insisted that if we did not adopt the withholding system, we should impose a thorough reporting system. He insisted that all dividends and interest in excess of $10 each quarter be reported to the Government and to the individual recipient.

Under that plan let us see what would happen. At the end of the year each payer would be required to add up all the dividend or interest payments it has made to a person during the year and, if they equal or exceed $10 in the aggregate, make out an information return showing the name and address of that person and how much was paid to him during the year. Then this information must be filed with the Government and a copy given to the recipient. This means that the payer must make a reasonable effort to obtain the current address and account numbers for each of its depositors or stockholders. Translated into numbers, payers of dividends and interest will be required to complete and file with the Government 100 million pieces of paper each year and then distribute an additional 100 million copies to their depositors or stockholders.

The savings and loan industry has admitted that this information reporting plan will involve heavier administrative costs for them than withholding. They got themselves into their present fix. Their witnesses testified that we should not have withholding but instead automatic data processing. The Senator from Virginia [Mr. BYRD] with his strict sense of integrity, insisted that this be done. It will be done if the committee has its way, although I suspect that efforts will be made to weaken this position along the line.

MORE PAPERWORK THAN WITHHOLDING

If it is done, the banks and the savings and loan institutions will have to do infinitely more paperwork than they would have been compelled to go through under the withholding plan. Already some of them are beginning to understand the situation. The Senator from Oklahoma spoke of a beartrap. I wish to compliment him on a very witty speech he made about me last week, when he said that one should beware of praying for something because sometimes he gets what he prays for. I thought that was a good joke on me and I compliment the Senator on his wit. We can say that the same thing applies to savings and loan associations and to the banks. They asked for automatic processing rather than withholding. The Senator from Virginia said, "All right, you will take it." They got it. Now the beartrap has closed on them and the Senator from Oklahoma may well quote to them, "Be careful what you pray for. You may get it."

Mr. KERR. Mr. President, will the Senator yield?

Mr. DOUGLAS. I yield.

Mr. KERR. When they wake up and realize what has come about, they may feel like the fellow who had a bone in his throat and thought he had a nice mesh of fish.

Mr. DOUGLAS. I am glad the Senator admits it. This was one of the few occasions when the Senator from Oklahoma and the Senator from Illinois voted together. I wish to compliment the Senator for opposing the elimination of the withholding provision. There were not many of us. The Senator from Oklahoma was one of them. This will be one of the things which he will be able to plead before St. Peter.

Now I should like to discuss—and I will try not to take too much time—the administrative provisions of the withholding system, because there has been a great deal of misrepresentation and distortion.

SIMPLE PLAN TO ADMINISTER

Basically, the plan is very simple. The institution which pays interest, dividends, or patronage dividends would be required to deduct a flat 20 percent from these payments and remit the total amount to the Government once a quarter. The plan includes several relief provisions which would insure that individuals and other taxpayers who owe little or no tax on their dividend and interest income will not be unduly harmed by withholding. These three basic objections have been made to the plan: it would hurt many people with low incomes who depend on their dividend and interest income for living expenses; it would result in a maze of paperwork and confusion for the taxpayer; and it would impose heavy burdens on the paying institutions. We have already pointed out that withholding would be far less burdensome to the payers than the new information reporting plan. The other two objections are equally groundless.

WITHHOLDING WOULD NOT HURT LOW-INCOME INDIVIDUALS

There have been repeated accusations that withholding will unfairly deprive low-income people of funds which they need to meet their living expenses. This is just not true.

CHILDREN AND LOW-INCOME GROUPS EXEMPT

In the first place, we have shown that there are very few of those in the low income brackets who get dividends, and not a great many who get interest. Those with such low incomes that they do not owe any taxes could completely avoid withholding in almost every case merely by filing simple exemption certificates with the paying institutions. Children under 18 would be exempt from withholding regardless of their tax status. There can be no hardship for these people, since withholding will not even apply.

QUARTERLY REFUNDS

It is true that there would be some people who, although they owe some tax, would be subject to overwithholding. These people, however, can obtain quarterly refunds of the overwithheld tax merely by filing a simple refund claim.

I should like to point out that in the case of wages and salaries, the wage and salary worker can get a refund only once a year. The withholding plan for dividends and interest would provide a refund once a quarter. It would give those who receive dividends and interest a refund once a quarter.

Furthermore, it has been found that 37 million recipients of wages and salaries ask for refunds. Those refunds are completed within 3 or 4 weeks, which is a most extraordinary performance by the Internal Revenue Service. They get their money back within a month. This is done on a volume of 37 million claims. I wish to make that clear. The average return is $142. Under the withholding plan for dividends and interest, only about one-fifth as many refunds will have to be made.

Under such a withholding plan as is now in effect for wages and salaries, 14.3 percent of the taxes collected by wage withholding must be refunded; the comparable figure for dividend and interest withholding would be only 5.5 percent, and most of this will be returned quarterly.

MOST ELDERLY EXEMPT

A great many crocodile tears have been shed about the elderly, how they will be heavily penalized under the withholding plan. I do not believe that we fully realize the exemptions which are now given for tax purposes for those over the age of 65.

DOUBLE PERSONAL EXEMPTION

The ordinary exemption is $600 per person. It is double for those over 65 years of age. The husband would get an exemption of $1,200, and his wife, if over 65, would get an exemption of $1,200. The total exemption, therefore, would be $2,400.

RETIREMENT INCOME CREDIT

Then, in addition, there is a little known tax credit exemption for retirement income. This is not known by the average person. When we found out about it in the Finance Committee it came with a good deal of surprise to many of us. A person over the age of 65 can get a $240 tax credit, which is the equivalent of a $1,200 deduction, on amounts received from dividends and interest, rents, royalties, and pensions. The wife would get it for any such amounts received in her name. Assuming, then, that they both get the $240 tax credit, or the equivalent of a deduction of $1,200 each, thus, added to the double exemption of $2,400, would make the first $4,800 of income totally tax exempt.

ELDERLY COUPLE NEEDS $5,300 IN INTEREST OR $6,100 IN DIVIDENDS TO BE TAXABLE

In addition to this, there is the 10 percent standard deduction. This means that those who receive $5,300 from interest, will pay no taxes at all, and would therefore be exempt from withholding. Those who receive $6,100 from dividends would, in addition to these three deductions, get a dividend credit of 4 percent under existing law, which would mean that their income would have to be $6,100 before they would be liable to pay a single dollar in taxes. Therefore, those who receive less than these sums would have no withholding applied to them at all.

NO WITHHOLDING ON ELDERLY EXCEPT FOR THOSE WITH LARGE INCOMES

Let us see how much capital they would have to have to get these incomes. If a couple received the maximum social security benefit of $2,178 and also interest income of $3,200 a year, the $3,200 of interest at 4 percent would represent a savings account of about $80,000. In other words, those receiving the maximum social security benefit and having $80,000 in savings at 4 percent would not be liable for a single cent in income taxes; therefore, there would be no withholding in their case.

If they received dividends, then their amount would be even greater. Of course, if they do not have any social security and get the $5,100 at 4 percent, that would be roughly $125,000. The $6,100 at a dividend rate of 4 percent would be over $150,000. So they would not exactly be paupers. Neither widows nor orphans nor old people would be injured by withholding. It is clear that hardship to low income individuals and the aged cannot be used as an excuse for abandoning withholding. There is just no such hardship. Furthermore, withholding would be a simple and efficient means for an individual to pay his taxes on dividends and interest.

NO MAZE OF CONFUSION

It has been claimed that withholding will result in a maze of confusion for the American taxpayers. For the great majority of taxpayers, the only burden caused by withholding would be two additional computations on the tax return—those involved in a simple schedule. In addition to entering the amount of his dividends and interest on the return as at present, the taxpayer would, as a result of withholding, be required to divide this amount by 4, and then add these two amounts together to determine the amount of his dividends and interest to be reported as income and the amount of credit he would be permitted for the withheld tax. This is the extent of the "maze of confusion" for the taxpayer.

For many taxpayers, withholding would actually reduce their paperwork by eliminating the necessity for filing quarterly estimated tax returns.

Those who raise this objection completely ignore the fact that most Americans already operate under a much more complicated withholding system on their wages, with no maze of confusion. It is ignoring reality to say that they will not be able to adapt to the much simpler system for withholding on dividends and interest.

Mr. KEFAUVER. Mr. President, will the Senator from Illinois yield?

Mr. DOUGLAS. I yield.

Mr. KEFAUVER. I have appreciated that part of the Senator's learned address which I have heard. As to withholding, was not the same scare raised about the same type of withholding of the tax on wages in 1940?

Mr. DOUGLAS. I was not then a Member of Congress, being otherwise occupied; but from reading the CONGRESSIONAL RECORD, I know that is true.

Mr. KEFAUVER. I had the privilege of being a Member of Congress. I remember that all the same points were raised, with even more force and vehemence at that time, about the withholding of taxes on salaries, than has been raised about the withholding of taxes on dividends and interest. I have the feeling that with the very liberal amendments which have been suggested, the people would find it even less onerous than they have found the withholding of taxes on salaries to be, and that system has worked out quite well, as we all know.

Mr. DOUGLAS. I thank the Senator from Tennessee. That is exactly my opinion.

ONLY TAX EVADERS AND AVOIDERS WILL BE HURT

Who will be hurt? The people who will be hurt are those who fail to pay the taxes due on their dividend and interest income. They should not obtain exemption by denying to the rest of the community the taxes which they owe.

Perhaps one reason behind the campaign against withholding is that the savings institutions of the Nation get an automatic snowballing of capital from the interest or dividends which they credit to the accounts of the individuals, which are never checked out into the demand deposits of the individual, and which automatically are added to capital. To the degree that taxes are not paid upon those accounts—and I think they must run into many, many millions of dollars a year—they increase the capital assets of the institutions and enable those assets to snowball much more rapidly by thus using money really owed to the community. In other words, the savings institutions are getting a large degree of their growth on the taxes avoided and evaded by their members.

Mr. President, I ask unanimous consent that a question and answer sheet which I have prepared on withholding contained in a previous Senate speech be printed at the end of my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 6.)

INVESTMENT CREDIT

Mr. DOUGLAS. Mr. President, I had intended to discuss the question of the investment credit at some length, but the Senator from Wisconsin [Mr. PROXMIRE] delivered one of the most extraordinary and learned speeches on any tax subject that has ever been delivered in the Senate on the question of the investment credit. I was not privileged to hear all of that speech, but I read it yesterday with close attention, and no fairer, more concise, and yet more accurate, description of the present proposal has ever been given.

Anyone who studies the Proxmire speech of Saturday can only be driven to the conclusion that this is a field which needs to be covered much more carefully than the committee has done.

So I am going to ask unanimous consent that the statements which I have prepared on the investment credit be printed in the RECORD at this point in my remarks. I urge every Member of the Senate and every member of the press to read the great speech of the Senator from Wisconsin.

The PRESIDING OFFICER. Without objection the statements were ordered to be printed in the RECORD, as follows:

THE INVESTMENT CREDIT—THE OPENING OF ANOTHER LOOPHOLE

WHAT THE INVESTMENT CREDIT IS

1. The bill in its present form provides a tax credit of 7 percent on amounts invested in new tangible depreciable property, other than buildings, which is subject to a depreciation life of more than 8 years. There are certain limitations which can be briefly stated: (a) If the life of the property is less than 4 years, no credit will be granted; (b) if the life is from 4 to 6 years, only one-third of the credit (2⅓ percent) will be granted; (c) if the life is from 6 to 8 years, then two-thirds of the credit (4⅔ percent) will be granted. The credit for used property is limited to the first $50,000 of investment.

2. The bill also provides a 3-percent credit for regulated private utilities such as telephone and domestic telegraph, gas and electric companies.

3. The investment credit can be offset dollar for dollar against taxes owed up to $25,000 but above that amount may not reduce tax liability by more than 25 percent.

4. The Long amendment adopted by the Finance Committee slightly reduces the effect of these tax credits in later years by providing that the basic cost of the asset shall not exceed the value of the asset minus the investment credit. Thus, depreciation is limited to 93 percent of the original cost of the asset (97 percent for utilities).

The Department of Commerce estimates that the production of durable equipment in 1961 amounted to $25.5 billion. A 7-percent reduction in this would amount to $1¾ billion annually. This would be reduced in practice by the lower rate for the private utilities, the exceptions listed above, and the Long amendment.

It is probably safe to estimate the initial loss of revenue from this feature of the bill at somewhere between $1.1 billion to $1.4

billion. We personally believe it will amount to not far from $1.3 billion.

This measure is advocated by the majority as a means of stimulating industry to improve its plant and machinery, reduce its costs, and by stimulating investment to expand employment and reduce unemployment.

Here it should be noted that the tax credit originally proposed by the administration was on net additional investment, or the amount invested in industry over and above that allowed for depreciation. There would have been strong grounds for supporting such a proposal or one which would have given the credit to increases in investment over the average for a previous 3- or 5-year period. But during its consideration by the House Ways and Means Committee, this proposal was vulgarized almost beyond recognition. Instead of being a bonus for net additional investment or for increased investment, it was transformed into a credit for all investment (aside from buildings) or what may be termed gross investment. Thus, if a company invests less than the physical depreciation of its machinery and equipment, it will still get a 7-percent credit, or a 14-percent tax deduction on this gross investment. To repeat, an actual decrease in investment as compared with the years prior to July 1, 1962, will be rewarded.

WOULD THE INVESTMENT CREDIT APPRECIABLY STIMULATE INVESTMENT?

In other words, by giving the rewards on average gross investment rather than on marginal net investment any possible stimulus to added investment is greatly reduced and in our judgment is very slight indeed. We are confirmed in this opinion by the results of the McGraw-Hill survey in the spring of 1962. The question asked by McGraw-Hill was as follows:

"If the administration's program of tax incentives for investment were enacted, how much would this increase your capital expenditures in 1962?"

In reply to this, business as a whole indicated that it would raise its 1962 plans by only about 1 percent, or about $300 million. Nine out of every ten companies which replied stated that they would not use such a program in 1962.

Since the bonus under the proposed investment credit will amount to about $1.1 to $1.4 billion, this would mean that, out of every dollar which the Government will lose in taxes, less than 30 cents will find its way into increased investment in American industry. This is a very high price to pay for a little stimulus.

The National Industrial Conference Board made a special survey in late March and early April 1962 of the 1,000 largest manufacturing corporations in the United States to determine what effect the 7-percent investment credit would have upon their capital investment. While the influence of the credit on the plans of the companies varied somewhat from industry to industry, the results were that only 8 percent of those responding said they would revise their capital spending for the balance of 1962 if the credit were enacted by mid-1962. Seventeen percent of the reporting companies said they would increase their investments in 1963 if the credit were enacted by the end of the current session of Congress. But the prospective change in the dollar volume of capital spending in 1963 as a result of the credit would be as small as 1 percent.

As the report of the survey states:

"Overall, * * * the increase in 1963 outlays expected on account of the investment tax credit may be small in relation to its potential. In more than half of the industries covered, moreover, the imputed difference was less than 1 percent."[1]

There are already more than adequate funds available for investment on the part of corporations which they are refusing to use for this purpose. Thus the July 1962 Survey of Current Business, issued by the Department of Commerce (p. 24), shows that in 1961 American corporations had acquired $43.1 billion of corporate funds[2] but invested only $31.3 billion in equipment and inventories.[3] In this one year, therefore, they piled up nearly $12 billion in liquid assets. There were also very large accumulations of liquid assets in preceding years, amounting to about $5 billion in 1960 and an equal amount in 1959.[4] If business conditions did not cause American corporations to invest these huge sums in past years, there is little prospect that the extra bonus of $1.3 billion will be translated into investment. What is more likely to happen is that the overwhelming proportion will also pass into the cash reserves and swell them still further. There would seem to be little prospect that the investment credit will have any real stimulative effect. It will increase the power and wealth of the already powerful and wealthy.

We should also realize that a very large percentage of plant and equipment now lies idle and unutilized primarily because there is not adequate demand for the goods which could be produced at the prices charged.

The McGraw-Hill index of plant utilization is now at approximately 85 percent. Even though the 15 percent which now lies idle is partially composed of a "standby" reserve or is markedly obsolete, it is still true that the percentage of plant utilized is 5 or 6 percent short of what would be used under full employment. Can it be maintained that, if good machinery and equipment is thus allowed to lie idle because of a shortage in effective demand relative to prices, a bonus on investment would stimulate a still further increase in machinery and equipment? For would not this still further increase the already high percentage of idle equipment?

In addition, it should be realized that, while the purpose of the investment credit is to stimulate economic growth and to help business to compete more effectively in foreign markets, it would in fact be given all the way across the board without regard to the quality or social need for the investment. Thus, the credit would be available for such investments as a new ski-lift at Sun Valley or in Vermont, an escalator in a department store, new farm machinery to spread fertilizer on lands which are already overproducing, klieg lights in a burlesque house, and martini-mixing machines in a bar. Other investments of an even more questionable nature would receive the bonus.

It is hard to see how this increases our efficiency as compared with other countries or whether this serves meaningful economic growth.

The 3-percent credit which is to go to utilities would be completely wasted and is wholly unnecessary.

The rate of return of the private utilities is regulated by both State and Federal bodies. If regulation is properly carried out, then any favorable tax consequences of the credit would be offset by reductions in the rates charged to consumers.

If not properly carried out, it would be an outright gift to the private utilities, for it would merely increase their rate of return above that set by the regulatory bodies.

In addition, the 3-percent credit for utilities has nothing to do with other stated purposes of the credit, namely to help modernize industry or to make it more competitive in world markets.

WHO HAS BEEN GETTING THE TAX CUTS?

Let us also note the way in which tax benefits and reductions have been made during these last 8 years. In 1954, accelerated depreciation, with the double declining balance and the sum of the digits methods, was authorized by Congress. This amounted to an initial loss of revenue to the Government of at least $2 billion a year. This went to the industrial corporations and to the industrialists. At the same time the $50 dividend exclusion and the 4-percent credit were passed in 1954 which gave $400 million a year more to the owners of common stocks. This summer the Treasury has issued a new Bulletin F, permitting machinery and equipment to be depreciated much more rapidly. It is estimated that this will reduce business taxes by approximately $1.5 billion a year. All of these taken together come to just short of $4 billion a year.

Now we have this provision for the investment credit which will give the investors in machinery and equipment at least another $1.3 billion annually. Thus, in 8 years we have decreased the annual tax burden on industry by over $5 billion a year. This, of course, goes to the upper income groups in society who own the overwhelming proportion of the stock of American corporations.

During this period the low- and middle-income groups have received virtually nothing in the way of tax cuts. It is about time that the United Statese was less partial in its distribution of favors. This is true both on economic and ethical grounds.

INVESTMENT CREDIT A FORM OF THE TRICKLE-DOWN THEORY

The basic way in which investment is stimulated and the economy moved forward is not by granting incentives for increased capital expenditures at a time when the existing plant and equipment is not fully used, but by increasing the demand for the products which the existing plant and equipment can produce which, in turn, will stimulate investment. In other words, the investment credit proposed is really a form of the trickle-down theory of economics which has largely been shown to be ineffective in the past. We believe instead in the theory that purchasing power should be built from the bottom up.

INVESTMENT CREDIT OPENS UP ANOTHER LOOPHOLE

Finally, the investment credit would open up more tax loopholes and would be quickly extended to other fields.

As nearly as possible a proper tax system should be neutral in the way it treats both income and expenditures. If we could have an absolutely just tax system it would probably make no distinctions as to the amount of tax to be paid on income or deductions for expenditures, no matter where the funds were derived or for what they were spent. It is the failure to carry out this principle which has so eroded our present tax system and which has made it so unjust.

For example, income from a wage or salary, in general, is taxed at the full rate, but income from oil, or from stock options, or from the cutting of timber, or from dividends, or from gains on the stock market, or from the sale of real property, among others, is taxed at lower rates and has special privileges not afforded to income from a wage or salary.

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[1] The Business Record, National Industrial Conference Board, August 1962, p. 19.

[2] Made up as follows (in billions of dollars): Retained profits, $7.3; depreciation, $24.8; sale of stocks, $4.5; sale of bonds, $5.1.

[3] Made up of $29.6 billion in plant and equipment and $1.8 billion in inventories.

[4] John K. Landrum seems to come to the same general conclusion, although with somewhat smaller increases in liquid funds. See his Corporate Profits and Cash Flow supplement to testimony before Joint Economic Committee, Aug. 10, 1962, p. 1.

On the expenditure side, money spent for entertainment expenses, for business expense accounts, including yachts, club dues, and so forth, are deductible from taxable income, while the expenses of an ordinary person driving to and from work, or the payment of rent, or expenditures for the recreation or education of one's children are not deductible. These privileges for deductions and allowances go almost entirely to the strong, the powerful, and the well-to-do, and favor high-income groups and unearned income as opposed to low income groups and earned income.

The main purpose of tax reform is to try to modify or to do away with some of these inequities and privileges in the tax laws.

What the investment credit does is to say that for social purposes we should give a special tax privilege for funds used to buy most kinds of depreciable property. At least as good a case can be made that society would be as wise to allow deductions for money spent for the education of children, for a future pension, or for preventive medicine rather than for capital investment.

Every legislator is pressed almost daily by some constituent or interest group to vote for a tax reduction for their particular interest. Once we start on this road it is almost impossible to stop. For this reason alone it is very unwise to give a special deduction for funds which are spent in this particular way; namely, for capital investment. It would be equally unwise to give deductions for most of these other proposals.

If the 7-percent tax credit is allowed on machinery and equipment, it will be only a short time before it will be granted on plant and buildings, and this will amount to another revenue loss of not far from $1.5 billion. Indeed, proposals to this effect have already been made. Residential construction would not be left behind for long and this would take another $1.5 billion away from our revenue. It would also be inevitable that the principle of H.R. 10 would find its way into enactment, and moneys devoted to purchasing voluntary retirement plans would be exempted from taxation. So would expenditures to educate children in college.

The final result would be that only income spent for current consumption would be taxed. This would be a kind of sales tax which would be highly regressive in nature and would weigh proportionately far more heavily upon those with lower or middle incomes than upon those with large resources. State and local taxation is already highly regressive. This is only made bearable by the fact that Federal taxation is progressive and hence introduces a kind of rough proportionality over the range of most incomes. To make Federal taxation also regressive or less progressive would in our opinion be grossly unjust. And yet that is precisely the end result toward which the opening of these loopholes would tend. We cannot acquiesce in these tendencies, however well intentioned they may be.

NOT ORIGINAL CREDIT

Mr. DOUGLAS. The present investment credit differs very markedly from the original investment credit proposed by President Kennedy and the administration. The original proposal was for a 15 percent investment credit on amounts invested in excess of depreciation charges, plus 6 percent on amounts invested between 50 percent of depreciation and 100 percent of depreciation.

Let me illustrate what that proposal was. Suppose a company invested $150,000 and that its depreciation charges were $100,000. The original proposal would have provided to this company an investment credit of 15 percent on the $50,000, excess of the actual investment over the $100,000 of depreciation, or $7,500, and 6 percent on the difference between the 50-percent depreciation and the 100-percent depreciation, or $3,000. So the total investment credit would have been $10,500.

ORIGINAL CREDIT ON NET INVESTMENT

The emphasis throughout was placed upon net investment—investment in excess of depreciation. It was designed to stimulate net investment, or what perhaps could be called, in economic terms, a form of marginal investment. I think it would have been still better if the investment credit had been paid on the increase in the amount of investment over the average for a preceding period of years. That would have been truly a stimulation of additional or marginal investment.

Mr. GORE. Mr. President, will the Senator yield?

Mr. DOUGLAS. I yield.

Mr. GORE. Is it not true that under either the provisions of the original investment credit proposal or the suggestion which the able Senator has just now made, a specific treatment would be provided? Either of the provisions would be designed strictly for the encouragement of investment in improved plant and production facilities?

Mr. DOUGLAS. Exactly so.

Mr. GORE. Over and beyond the normal depreciation allowance therefor?

Mr. DOUGLAS. That is correct.

Mr. GORE. But as the provision now comes to the Senate, it is available to anyone for almost any purpose—slot machines or elevators in downtown garages. Can the Senator think of any particular facility that would not qualify?

Mr. DOUGLAS. The credit would be pretty broadly granted. Quantitatively, the present provision is for a 7-percent investment credit on what can be termed gross investment in machinery and equipment—the credit is for gross investments even though they are less than the depreciation, and even though the investment is less than it has been in preceding years.

Mr. LAUSCHE. Mr. President, will the Senator from Illinois yield?

Mr. DOUGLAS. I am glad to yield.

Mr. LAUSCHE. Does the right to obtain the credit have any relationship in this bill to the depreciation fund which has been established?

Mr. DOUGLAS. None at all.

Mr. LAUSCHE. In other words, the depreciation allowance would be granted, regardless of that?

Mr. DOUGLAS. That is correct.

Mr. LAUSCHE. And I assume it would be granted in anticipation that it would be used to replace obsolete and worn out equipment; is that true?

Mr. DOUGLAS. That is correct.

Mr. LAUSCHE. But this credit would be made available on the basis of the amounts which normally would have been reinvested out of the depreciation account, as well as out of the new investments induced because of the credit?

Mr. DOUGLAS. That is absolutely correct.

Mr. President, let us consider a firm with $100,000 of depreciation. If it invested only $50,000 it would be allowed a credit of 7 percent of that amount, or $3,500, even though it failed by 50 percent to meet the actual depreciation charges. If last year it invested $75,000 and this year reduced that investment to $50,000, it would get its 7 percent of the $50,000. In other words, it would get a 7-percent credit of its gross investment, not net investment, not increased investment, but total investment, regardless of whether it was made—as in most cases it would have been—whether the credit was in the law or not.

CORPORATIONS HAVE AMPLE INVESTMENT FUNDS

I believe it should be noted—as the Senator from Wisconsin [Mr. PROXMIRE] pointed out in his very able speech on Saturday—that the cash and liquid funds of U.S. corporations are "running out of their ears." The July 1962 Survey of Current Business shows, on page 24, that in 1961, American corporations had acquired $43.1 billion of corporate funds but invested only $31.3 billion in equipment and inventories. In this one year, therefore, they piled up nearly $12 billion in liquid assets. There were also very large accumulations of liquid assets in preceding years, amounting to about $5 billion in 1960 and an equal amount in 1959. If business conditions did not cause American corporations to invest these huge sums in past years, there is little prospect that the extra bonus of $1.3 billion—which this investment credit would give—will be translated into investment. What is more likely to happen is that the overwhelming proportion will also pass into the cash reserves and swell them still further. There would seem to be little prospect that the investment credit will have any real stimulative effect. It will increase the power and wealth of the already powerful and wealthy.

As I think the chairman of the committee once said, there would be a big subsidy to big business. I want to applaud the chairman of the committee for making that statement.

We should also realize, as the Senator from Wisconsin [Mr. PROXMIRE] pointed out, that a very large percentage of plant and equipment now lies idle and unutilized primarily because there is not adequate demand for the goods which could be produced at the prices charged.

The McGraw-Hill index of plant utilization is now at approximately 85 percent—meaning that 15 or 16 percent now lies idle. Even though the 15 percent which now lies idle is partially composed of a standby reserve or is markedly obsolete, it is still true that the percentage of plant utilized is 5 or 6 percent short of what would be used under full employment. Can it be maintained that, if good machinery and equipment is thus allowed to lie idle because of a shortage in effective demand relative to prices, a bonus on investment would stimulate a still further increase in machinery and equipment? For would not this still further increase the already high percentage of idle equipment?

In addition, it should be realized that, while the purpose of the investment credit is to stimulate economic growth and to help business to compete more effectively in foreign markets, it would in fact be given all the way across the board without regard to the quality or social need for the investment. Thus, the credit would be available for such investments as a new ski-lift at Sun Valley or in Vermont, an escalator in a department store, new farm machinery to spread fertilizer on lands which are already overproducing, klieg lights in a burlesque house, and martini-mixing machines in a bar. Other investments of an even more questionable nature would receive the bonus. Indeed, there might be investments in depreciable equipment in places of even more questionable reputation—in houses which are not homes; and they would receive the bonus.

It is hard to see how this increases our efficiency as compared with other countries or whether this serves meaningful economic growth.

WHO HAS BEEN GETTING THE TAX CUTS?

Let us also note the way in which tax benefits and reductions have been made during these last 8 years. In 1954, accelerated depreciation, with the double declining balance and the sum of the digits methods, was authorized by Congress. This amounted to an initial loss of revenue to the Government of at least $2 billion a year.

Although this may be made up later by the individual investments, there is an ultimate net loss to the Treasury, because of the fact that the initial loss never is made up subsequently. During these early years there is a postponement or forgiveness.

This $2 billion a year—and I believe that is a modest figure to use in that connection—went to the industrial corporations and to the industrialists. At the same time the $50 dividend exclusion and the 4-percent credit were passed in 1954 which gave $400 million a year more to the owners of common stocks. This summer the Treasury has issued a new Bulletin F, permitting machinery and equipment to be depreciated much more rapidly. It is estimated that this will reduce business taxes by approximately $1.5 billion a year. All of these taken together come to just short of $4 billion a year.

Let me say, in connection with the revision of Bulletin F, that I do not object to it, because I think the previous allowance given for obsolete machinery and equipment did not sufficiently take care of actual obsolescence, and therefore it is proper to have the allowance made sufficient to take care of obsolescence. But I understand that the Senator from Oklahoma claimed, earlier today, that because one approves of that revision of Bulletin F, one must also approve of the proposed investment credit. However, I disagree, for certainly those are two entirely different things.

Now we have this provision for the investment credit which will give the investors in machinery and equipment at least another $1.3 billion annually. Thus, in 8 years we have decreased the annual tax burden on industry by over $5 billion a year. This, of course, goes to the upper-income groups in society who own the overwhelming proportion of the stock of American corporations.

During this period the low- and middle-income groups have received virtually nothing in the way of tax cuts. It is about time that the United States was less partial in its distribution of favors. This is true both on economic and ethical grounds.

INVESTMENT CREDIT A FORM OF THE TRICKLE-DOWN THEORY

Mr. President, in my judgment, the basic way in which investment is stimulated and the economy moved forward is not by granting incentives for increased capital expenditures at a time when the existing plant and equipment is not fully used, but by increasing the demand for the products which the existing plant and equipment can produce which, in turn, will stimulate investment. In other words, the investment credit proposed is really a form of the trickle-down theory of economics which has largely been shown to be ineffective in the past. I would have expected this theory to be advanced from the other side of the aisle, because from the time of Hamilton, the Republican Party has believed in giving wealth and power to those who already have wealth and power, on the theory that they know what is best for mankind, and also that the favors they will receive will be passed down. But the historical principles of the Democratic Party from Jackson on have been to build up purchasing power from the bottom, on the theory that if the great mass of Americans are made prosperous, whether they be wageworkers, salaried employees, small businessmen, farmers, or professional men, the rest of society becomes prosperous because there is an effective demand for goods, and there will be a stimulation in demand, investment, production, invention, and the rest.

BELIEVE IN SHARING THE BURDENS

This was not only the theory of Jackson; it was the theory of William J. Bryan when he remade the Democratic Party. That tradition was carried on by Woodrow Wilson, Franklin Roosevelt, and Harry Truman. I would dislike to see it abandoned now by the congressional leaders of the Democratic Party. We do not favor class antagonism. As the Senator from Louisiana said the other day, we are not wealth sharers; we do not believe in sharing the wealth; but we believe in sharing the burdens and we believe that the burdens should be shared in some proportion to ability to pay. We believe that purchasing power should, in the main, be built from the bottom up.

There is one final point on which I wish to speak.

Mr. PROXMIRE. Mr. President, before the Senator leaves that subject, will he yield briefly?

Mr. DOUGLAS. I yield.

Mr. PROXMIRE. In addition to the opposition to the investment credit on the very firm ground to which the Senator has referred as the trickle-down theory, is it not also true that there is opposition to the investment credit on the part of highly conservative people of very high integrity, on the ground that this is an unconscionable subsidy or giveaway because it provides for depreciation in excess of 100 percent, which is in violation of sound tax principles, and the only other such exception in our tax laws is in regard to mineral depletion?

Mr. DOUGLAS. That is true. Many conservatives of great integrity, such as the distinguished Senator from Virginia, object to the plan on the ground that they regard it as an unconscionable subsidy. The Senator from Louisiana [Mr. LONG] persuaded the Finance Committee to adopt an amendment which somewhat mitigated the effect when he provided that the 7 percent could not be taken in depreciation, or, in other words, that the basis be reduced to 93 percent.

Mr. PROXMIRE. That is, depreciation would be 107 percent, instead of 114 percent.

Mr. DOUGLAS. I think the Long amendment would permit no more than 107 percent.

Mr. PROXMIRE. The conclusion of the Senator from Wisconsin—and I have gone over this question very carefully with a number of economists—is that unless the Long amendment should be extended to 86 percent—in other words, the base should have to be reduced, not to 93 percent, but to 86 percent, there would still be a depreciation in excess of 100 percent.

Mr. DOUGLAS. I believe that the Senator from Wisconsin is correct.

Mr. PROXMIRE. I would like to ask the Senator one other question—because I think this point was not adequately developed by the Senator from Wisconsin when he spoke on this subject the other day—and that is with regard to the justification for investment credit for utilities.

Mr. DOUGLAS. I am pleased the Senator from Wisconsin has mentioned that. There is a 3-percent investment credit for most utilities, though, interestingly enough, the report, on page 155, points out that gas pipelines are to get 7 percent. I think the Senator from Tennessee, earlier in the afternoon, got the Senator from Oklahoma to admit that.

NO JUSTIFICATION FOR UTILITIES

What justification can there be for investment credit to private utilities regulated by public regulatory bodies? The public regulatory bodies have to allow a rate which will not only meet operating expenses, but also a rate of return on capital investment sufficient to induce adequate investment. It is very rare that a return of less than 7½ percent is allowed on the rate basis. In other words, there is already a guaranteed return to the electrical companies, telephone, gas, and pipeline utilities. Three of these are to be given an additional 3 percent and the gas pipelines are to get 7 percent. Trust the big gas operators to get in with all four feet in the trough.

It is said that this subsidy could be recovered later by reducing rates. That would be somewhat difficult to bring about. There are 51 different regulatory bodies in this country. We all know that the regulatory bodies, in a large percentage of cases, are controlled by the groups which they are supposed to regulate. It is very dubious whether there would be a reduction in rates comparable to the subsidy granted, and this would, therefore, largely be a windfall. It will probably mean more than $200 million a year to the private utilities of the Nation. This is indeed an unjustifiable giveaway.

A.T. & T. DOES NOT WANT IT

Let it be said about one of the great utilities, the American Telephone & Telegraph Co., that it does not want the subsidy. I heard the two Senators from Tennessee make a very eloquent analysis of how A.T. & T. would profit from the satellite communications system which Congress established. I started on the fence in that discussion. My mind was not made up. As the discussion went on, I became convinced however that they were correct. I am very proud that I stayed with them and walked the last mile, even though it was to defeat and apparent disaster.

But we should give the A.T. & T. its due. They stand to invest next year over $2½ billion on their planned investments which they worked out long before this proposal was made, and they stand to collect about $75 million in subsidies if this provision goes through. But the leaders of A.T. & T. had the courage and public spirit to come before our Finance Committee and say they did not want the money, that they would feel ashamed in taking the money, that it was not necessary for them to make the investment they were going to make. So they deserve much credit, and when they are arraigned before St. Peter, and perhaps the two Senators from Tennessee are the prosecuting attorneys, in mitigation of the sentence which St. Peter might pass upon them, they can plead the fact that, on the question of investment credit, they stood up like public-spirited men and said they did not want the subsidy.

Mr. GORE. Mr. President, will the Senator yield?

Mr. DOUGLAS. I yield.

Mr. GORE. In any prospective or possible fanciful proceeding before St. Peter, the Senator from Tennessee would like to be a defender.

Mr. DOUGLAS. Probably we shall all be defendants.

Finally, Mr. President, we talk a great deal about closing loopholes. The President started with a very modest plan to close a few of the loopholes. Most of them are still open.

LOOPHOLES REMAIN

The lobbying loophole has been widened. The loophole of the 4-percent dividend credit is to be continued. The loophole on depreciable real estate is not to be closed. The loophole on noncollection of taxes on dividends and interest is still to remain. The expense account loopholes still largely remain. A lobbying loophole has been opened up.

Most of the great loopholes are to continue. But the investment credit will add another loophole. It will not only be a loophole, but also it will be a direct inducement for other loopholes.

Mr. President, as nearly as possible a proper tax system should be neutral in the way it treats both income and expenditures. If we could have an absolutely just tax system it would probably make no distinctions as to the amount of tax to be paid on income or deductions for expenditures, no matter where the funds were derived or for what they were spent. It is the failure to carry out this principle which has so eroded our present tax system and which has made it so unjust, against which the present Assistant Secretary of the Treasury, Mr. Stanley Surrey, has been the most scholarly and the most authoritative crusader as a private student.

For example, income from a wage or salary, in general, is taxed at the full rate, but income from oil, or from stock options, or from the cutting of timber, or from dividends, or from gains on the stock market, or from the sale of real property, among others, is taxed at lower rates and has special privileges not afforded to income from a wage or salary.

On the expenditure side, money spent for entertainment expenses, for business expense accounts, including yachts, club dues, and so forth, are deductible from taxable income, while the expenses of an ordinary person driving to and from work, or the payment of rent, or expenditures for the recreation or education of one's children are not deductible. These privileges for deductions and allowances go almost entirely to the strong, the powerful, and the well-to-do, and favor high-income groups and unearned income as opposed to low-income groups and earned income.

The main purpose of tax reform is to try to modify or to do away with some of these inequities and privileges in the tax laws.

What the investment credit does is to say that for social purposes we should give a special tax privilege for funds used to buy most kinds of depreciable property. At least as good a case can be made that society would be as wise to allow deductions for money spent for the education of children, for a future pension, or for preventive medicine rather than for capital investment.

Every legislator is pressed almost daily by some constituent or interest group to vote for a tax deduction for their particular interest. Once we start on this road it is almost impossible to stop. For this reason alone it is very unwise to give a special deduction for funds which are spent in this particular way; namely, for capital investment. It would be equally unwise to give deductions for most of these other proposals.

OTHER LOOPHOLES PROPOSED

Mr. President, the other day I wrote this:

> If the 7-percent tax credit is allowed on machinery and equipment, it will be only a short time before it will be granted on plant and buildings.

Since then I am told an amendment has been proposed to extend the credit to plant and buildings. This would mean another $20 or $25 billion a year, and would result in the further tax loss of $1.5 billion.

If this credit is to be granted on machinery and equipment, it is argued, why not on buildings? Are they not as much a part of capital as is machinery?

If this were to be done, factories, shops, and barns would soon follow, and it would be only a little time before it would be proposed for residential construction. That would take more hundreds of millions of dollars from our tax revenues.

H.R. 10 IN OFFING

Furthermore, we have already seen the proposed reintroduction of the Keogh bill, otherwise known as H.R. 10, which would give deductions for payments of sums into voluntary retirement funds by self-employed persons. This might be called the doctors' and lawyers' amendment.

This was all set to go through the Senate last year, during the month of September. It had been reported by the Finance Committee. The Treasury Department did not oppose it at that time. The way was greased.

The junior Senator from Tennessee and the Senator from Illinois served notice that if it were proposed they would give it thorough discussion. I suppose, had we done so, that would have been called a filibuster by the proponents, and the steamroller would have been put into action, but so long as we had enough strength we would have resisted that procedure. Since there was great pressure for adjournment, it was decided not to bring up H.R. 10. It has since resided in what Grover Cleveland would call innocuous desuetude ever since.

Only a few days ago the distinguished minority leader [Mr. DIRKSEN] issued a press release saying that he was going to revive it, although I am told he made a statement some years ago that H.R. 10 would plow a tremendous hole in our revenue system and would ultimately lose $3⅓ billion in revenue.

That issue is coming up, and those who favor a 7-percent investment credit cannot logically deny to the lawyers and doctors an exemption for amounts contributed to voluntary pension funds, although we have seen that there is quite a liberal tax exemption for pensions later.

And if H.R. 10 goes into effect similar exemptions will be proposed for the purchase of other voluntary plans, for laying up sums of money to send children to college, and for accumulating funds for medical expenses.

The final result would be that only income spent for current consumption would be taxed. This would be a kind of sales tax which would be highly regressive in nature and would weigh proportionately far more heavily upon those with lower or middle incomes than upon those with large resources. State and local taxation is already highly regressive. This is only made bearable by the fact that Federal taxation is progressive and hence introduces a kind of rough proportionality over the range of most incomes. To make Federal taxation also regressive or less progressive would in our opinion be grossly unjust. And yet that is precisely the end result toward which the opening of these loopholes would tend. We cannot acquiesce in these tendencies, however well intentioned they may be.

PANDORA'S BOX

Pandora's box, already partly open, will be wide open, and all the evils of exemption will flood forth upon the Senate floor. It will require the ingenuity and oratory of the Senator from Oklahoma, having opened the door for tax favors for investment in machinery and equipment, to bar the door for private pension plans, for education and all the rest.

If anyone can take an illogical position and get away with it, it is my good friend from Oklahoma. Logical consistency has never restrained him, and I am sure it will not restrain him now. If he gets the 7-percent investment credit and the eloquent Senator from across the aisle proposes H.R. 10, or the Keogh bill, this will add to the amusement and gaiety of the Senate and of the Nation as the Senator from Oklahoma strives to distinguish between the two. I am sure that in his characteristic fashion, like Houdini, he will escape from the logical irons which will encircle him, but it will be an extraordinary exercise in lockbreaking when he does.

I think he did it a couple of years ago. I think the Senator from Oklahoma has been on both sides of H.R. 10. I remember that at one time he made a point of order against a ruling I made. I happened to be the Presiding Officer at the time. His appeal killed H.R. 10.

Then upon occasion I think he supported H.R. 10. I understand that this year he will oppose H.R. 10.

Mr. KERR. Mr. President, will the Senator yield?

Mr. DOUGLAS. I am glad to yield for a question but not for a speech, because I cannot speak as well as does the Senator. I will yield for a question.

Mr. KERR. If the Senator illustrates by setting forth an occasion on which he and I were on both sides of H.R. 10——

Mr. DOUGLAS. No, I was not on the opposite side. I made a parliamentary ruling.

Mr. KERR. Then we are on opposite sides now. By reason of the position that the Senator from Oklahoma took on that occasion and then reversed himself, would it not necessarily follow that the Senator from Illinois likewise reversed himself, since we are still on opposite sides of the question?

Mr. DOUGLAS. No; I happened to be in the chair, and though I was opposed to H.R. 10——

Mr. KERR. I thought the action was premeditated.

Mr. DOUGLAS. I ruled that the motion of the sponsors of H.R. 10 was in order. The Senator from Oklahoma appealed from the ruling of the Chair, and my parliamentary ruling was reversed. I voted to uphold the appeal from the Chair.

Mr. KERR. I beg the Senator's pardon. I believe the Senator voted against upholding the appeal.

Mr. DOUGLAS. That is right. I voted for my own ruling.

Mr. KERR. I can understand that. I compliment the Senator on his consistency.

Mr. DOUGLAS. Exactly. Now the Senator is accusing me of being self-righteous again.

Mr. KERR. Oh, not again—still.

Mr. DOUGLAS. When I am in the chair, I do not rule according to what I have done. I rule according to what I think are the equities in the parliamentary law of the case. I try to adhere to what I consider to be right—to my own hurt, if that be necessary—but I do not take advantage of parliamentary subterfuge to achieve my own purpose.

Mr. KERR. Mr. President, will the Senator yield?

Mr. DOUGLAS. I will yield for a question, but not for a speech, because I am no match for the Senator in verbal quickness.

Mr. KERR. Is the Senator taking the position that he was any more accurate in the ruling he made than the Senator from Oklahoma was in the appeal from the ruling of the Chair, in view of the fact that the Senator from Oklahoma did not agree with the ruling which the Senator made?

Mr. DOUGLAS. I do not wish to be led into digression with regard to bygone days. I merely wish to say that the Senator from Oklahoma has been on all sides of H.R. 10, just as my good friend, the minority leader, has been on all sides of H.R. 10. I think he is now about to make the full reversal—a revolving-door type of movement—and having made the revolution two or three times, he is about to come around again.

Mr. KERR. Mr. President, will the Senator yield for a question?

Mr. DOUGLAS. The Senator may ask a question, but not make a speech.

Mr. KERR. If the Senator from Illinois states that the Senator from Oklahoma was opposed to him before when a parliamentary situation was proposed to him, and he is now opposed to the Senator from Oklahoma on a legislative situation, if they were on opposite sides then and on opposite sides now, has not the Senator from Illinois made as complete a revolution?

Mr. DOUGLAS. No. I intend to vote against the Keogh bill, or H.R. 10. If the Senator from Oklahoma opposes H.R. 10, I will support him. I shall support not only the Senator from Virginia [Mr. BYRD] when he is right, but also the Senator from Oklahoma [Mr. KERR] when he is right.

Mr. KERR. Praise God.

Mr. DOUGLAS. It does not happen very often. Once in a while the Senator from Oklahoma is right.

Mr. KERR. A new day has dawned.

CONCLUSION

Mr. DOUGLAS. Mr. President, on balance, the bill as reported by the Finance Committee is a poor one. Although there are worthwhile sections in the bill these are hardly sufficient to outweigh those sections which are, either in whole or in part, faulty.

As we have already pointed out, many of the President's major recommendations have been ignored or watered down. The committee has chosen to strike the withholding provision, which was passed by the other body. It has failed to include in the bill such obviously needed reforms as the repeal of the dividend credit and exclusion as recommended by the President. In almost every instance, expense accounts and foreign operations, for example, where the committee did approve a section or provision recommended by the President and adopted by the House, that provision has been materially weakened.

As if the emasculation of many of the President's major recommendations were not enough, the Finance Committee has added, by way of afterthought, several rather petty addenda to the bill. Sections 21 through 26 really have no place in this bill. Some of these additions are really private bills masquerading as general legislation, while others are of such minor consequence that they have far too little stature to warrant their consideration in this bill when so many more important subjects are being left to a later, more general, tax reform bill.

The Senate must now proceed to a painstaking examination of each provision contained in the bill.

Thank the Lord, the junior Senator from Tennessee [Mr. GORE] refused to give unanimous consent to have the amendments of the committee agreed to en bloc. They will now have to be considered individually. The burden of proof will pass from those of us who are trying to defend the President's program to those who are trying to defeat the President's program. The issues at stake can then be shown in their real light.

Possibly the press may wake up as to who is defending the President and who is opposing the President. I hope that the Wall Street Journal is not correct in its prophecy of this morning that the Democratic leadership will move "with harsh parliamentary tactics against liberal efforts to restore some of President Kennedy's recommendations to the Senate Finance Committee version of the tax bill."

Mr. MANSFIELD. Mr. President, will the Senator yield?

Mr. DOUGLAS. I yield.

Mr. MANSFIELD. That statement was read this morning by the Senator from Wisconsin. I stated at the time that I had not seen the story and that the allegations contained in it were not true. I had not discussed the subject with the Senator from Minnesota [Mr. HUMPHREY], whose name was mentioned, or with the Senator from Florida [Mr. SMATHERS], with whom I would discuss it along with the Senator from Minnesota. I do not know what the source of the story was. I can only say that the story is untrue. No agreement was made. No procedure was agreed to.

I did see a staff reporter of the Wall Street Journal about 1 o'clock on Saturday, at which time he asked me what procedure would be followed in connection with the bill. My answer was that I did not know.

Mr. DOUGLAS. I thank the Senator from Montana. I am greatly reassured by his statement. I think it is excellent.

Now I appeal to the leadership of the Democratic Party in the Senate to help us restore the President's original proposal and get a Kennedy tax bill through the Senate.

Mr. President, I yield the floor.

Exhibit 1

[From the Washington Post, Aug. 27, 1962]

Coalition Opens Fight on Tax Bill—Liberals Get Help of Conservatives To Revamp Plan

(By Andrew J. Glass)

A powerful array of liberal and conservative Senators are lined up to battle today against the administration-sponsored tax-revision bill.

Although acting from different motives, the two groups have a common aim: To scuttle President Kennedy's tax legislation unless their views prevail.

In opposition on the left are such liberal stalwarts as Senators Paul H. Douglas, Democrat, of Illinois, Albert Gore, Democrat, of Tennessee, Eugene McCarthy, Democrat, of Minnesota, and William Proxmire, Democrat, of Wisconsin.

Joining them from the other side of the political spectrum are such figures as Senator Harry F. Byrd, Democrat, of Virginia, chairman of the Senate Finance Committee, and Senator John J. Williams, Republican, of Delaware, the ranking GOP member on the finance group.

The liberals are primarily upset by the billion-dollar business investment credit provision. From their standpoint, this is a giveaway from an administration that already has been overly kind to business while being repaid with abuse.

These Senators are also out to put the toughly written administration expense account clause in the Senate version of the bill and enact the House-passed 20 percent withholding on dividends and interest.

For differing reasons, the conservative camp is also unhappy over the 7½ percent investment credit to business. As the Senate tax bill now reads, it will cost the Treasury upward of $750 million a year in lost revenue, they maintain.

Adamantly opposed to budgetary deficits, the faction led by Byrd feels the investment credit must go if the measure is to retain its "fiscal responsibility."

This double-barreled attack is sure to pose new problems for Senate Majority Leader Mike Mansfield (Democrat, of Montana). His timetable now calls for at least a full week on the complex 390-page tax measure.

So far, Mansfield has declined to state the leadership's position on a host of amendments to the tax bill being offered from both the left and the right.

His strategy is to try to fashion a behind-the-scenes compromise that will lead to passage of the Kennedy measure with its loophole-closing provisions, at least, intact.

On the rest of it, including the key investment credit provision, predictions were, at best, hazardous. But it looked like the investment credit, which has the support of Robert S. Kerr (Democrat, of Oklahoma), would make it and the withholding attempt would fail.

"The President proposes, the Congress disposes," Senator Mansfield said, indicating that the leadership would be playing its cards carefully right up to the actual voting.

Exhibit 2

[From the Washington Post, Aug. 25, 1962]

A Very Happy Union

It has often been observed that politics makes strange bedfellows, but even the most cynical observers must be somewhat astonished by the decision of Senators Douglas and Gore to join forces with Senator Harry F. Byrd in opposing the administration's tax bill and especially by Senator Douglas' characterization of this strange coalition as "a very happy union which promises increased strength as we move along."

As supporters of the administration's original tax proposals, we share the Senators' dissatisfaction with the emasculated creature that was hatched by the Finance Committee. It is true that the investment-credit plan has been "vulgarized almost beyond recognition" and that it is now more a credit for gross, rather than net, new investment. And we agree that information returns are not a substitute for the dividend-interest withholding provisions which the Senate Finance Committee eliminated in a cowardly abrogation of its duty to strengthen the enforcement of existing tax laws. Nor are we happy with the toothless provisions of the House and Senate bills which deal with expense accounts and lobbying expenditures.

But none of these shortcomings seems to justify the obstructive course of action to which Senators Douglas and Gore appear to be committed. The investment credit provisions will stimulate economic activity after personal income taxes are cut, and however weak the loophole-closing provisions are, they constitute steps in the right direction.

Tax reform in a representative democracy can proceed only at snail's pace. And progress will be even slower if its liberal supporters insist upon tossing the baby out with the bath water.

Exhibit 3

[From the Wall Street Journal, Aug. 27, 1962]

Liberal Tax Bill Amendments Face Defeat in Senate—Democratic Chiefs To Fight Bid To Restore Proposals That President Had Urged—Debate Will Resume Today

Washington.—Senate Democratic leaders plan to employ harsh parliamentary tactics against liberal efforts to restore some of President Kennedy's recommendations to the Senate Finance Committee's version of the tax revision bill.

In an attempt to complete Senate action on the measure before the Labor Day weekend, the Democratic leadership—acting with the tacit acquiescence of the administration—will try to table, or kill, most, if not all of the Kennedy proposals being offered by liberal Democratic Senators as amendments to the bill. Because a tabling motion is not debatable, this tactic tends to accelerate action by the slow-moving Senate. Debate on the measure began Saturday afternoon and will continue today.

The seemingly incongruous spectacle of Mr. Kennedy's chief Senate lieutenants using a parliamentary buzz saw to cut down the President's tax proposals stems from a realistic appraisal of the Senate situation by Majority Leader Mansfield, Democrat, of Montana; Assistant Majority Leader Humphrey, Democrat, of Minnesota, and Senator Kerr, Democrat, of Oklahoma, floor manager of the bill.

They believe the Finance Committee version of the bill is the most the administration can hope for in the Senate, even though it resembles the original Kennedy tax program far less than the measure passed by the House last March. In fact, the final version of the bill most likely to emerge from a Senate-House conference is expected to be along the lines of the Finance Committee measure.

MOVE TO SAVE TAX CREDIT

Rather than expend their energy during this week's Senate debate in a time-consuming and fruitless drive to adopt such Kennedy proposals as the House-passed plan for 20 percent tax withholding on dividends and interest income, Senators Mansfield and Humphrey want to concentrate on saving the one big administration provision that survived in the Finance Committee. This is a tax credit that would permit businessmen to reduce their taxpayments by as much as 7 percent of the cost of newly purchased equipment.

The Democratic leaders probably will be able to kill all the liberal-sponsored amendments without much trouble and retain the investment credit with a bit more difficulty. What really worries them is a last-ditch effort to attach to the tax bill a long-stalled measure that would permit self-employed persons to claim tax deductions for their contributions to pension funds. It is entirely conceivable the Democratic leaders will fail in an attempt to table this Treasury-opposed measure, cosponsored by Representative Keogh, Democrat, of New York, and Senator Smathers, Democrat, of Florida.

Apart from the fight over the Keogh-Smathers bill, the effort to rewrite the Finance Committee's tax revision bill on the Senate floor will be spearheaded by Senators Douglas, Democrat, of Illinois, and Gore, Democrat, of Tennessee, the Finance Committee's two most liberal members.

In an unusual alliance, they will join Chairman Harry Byrd, Democrat, of Virginia, of the Finance Committee to try to strip the investment credit from the bill. Conservative Byrd agrees with Liberals Gore and Douglas that the tax relief scheme is a windfall for certain businessmen. But the Democratic leaders, with some Republican help, including probable support from Minority Leader Dirksen, Republican, of Illinois, believe they can keep the investment credit in the bill with some 10 votes to spare.

LIBERALS HAVE FOUR MAIN GOALS

Aside from their monetary alliance with Senator Byrd to fight the investment credit, Senators Douglas and Gore will be occupied mainly with trying to restore some of Mr. Kennedy's original recommendations. These will be their four major efforts:

Restoration of the dividend and interest withholding scheme. Under Senator Byrd's leadership, the Finance Committee adopted an alternative plan that would require financial institutions and corporations to report to both the taxpayer and the Government their dividend or interest payments of $10 or more to one person in 1 year.

Adoption of Mr. Kennedy's original proposal that income by U.S.-owned foreign subsidiaries be subject to U.S. taxation in the year it which it is earned; taxation of such income currently is deferred until it is returned to this country in the form of dividends to the parent corporation. Both the House and the Senate committee adopted less sweeping plans, intended primarily to subject to immediate taxation the income of what the Treasury calls "tax haven" operations—nonmanufacturing subsidiaries located in low-tax countries for the purpose of avoiding immediate taxation in the United States.

Restoration of the House-passed provision imposing relatively tight restrictions on tax deductions for business entertainment intended to generate good will among customers and clients. The Senate committee bill would permit considerable leeway in claiming entertainment costs as tax deduction as long as the costs are associated with the taxpayer's trade or business.

And elimination of an administration-opposed provision, contained in both the House and Senate committee bills, permitting businessmen to claim tax deductions for a wide variety of lobbying expenses.

Because the dividend and interest withholding provision has been so stoutly advocated by the administration and was championed by Mr. Kennedy as recently as his news conference last week, Senator Mansfield is somewhat reluctant to use the tabling procedure against it. The tabling motion in this case might be offered by Senator Byrd rather than a member of the leadership.

In any event, the leadership is anxious to avoid a rollcall vote on withholding. Because the proposal is certain to be killed on the Senate floor, the Democratic leaders see no reason why their party's Senators should be forced to go on record regarding such a politically unpopular scheme in an election year.

But the leadership probably will feel no qualms in moving to table the rest of the Douglas-Gore proposals or the scores of other amendments that have been drafted.

Since his election as majority leader 19 months ago, Senator MANSFIELD has made increasing use of the tabling motion. Its advantages are twofold. It chokes off debate without the often difficult negotiations needed to obtain a unanimous agreement for some kind of debate limitation. And it tends to obscure the issue on a politically touchy matter: A Senator voting to table the withholding plan can argue he isn't actually voting against the proposal. In parliamentary terms, a motion to lay an amendment on the table is a procedural step that has the effect of preventing a vote on the substance of the amendment—a delicate distinction some Senators cite when it comes to explaining their votes.

But the tabling motion is so abrupt a maneuver it sometimes ruffles the feathers of the Senator it is used against. Consequently, extensive use of the tabling motion this week might widen the breach in the Senate between the Democratic leadership and the liberal bloc that was opened during the vain filibuster against the communications satellite bill.

The Treasury's position amid this intraparty bickering in the Senate is an ambiguous and embarrassed one.

Treasury officials privately agree with the Senate leadership's appraisal that the Finance Committee bill cannot be significantly changed on the Senate floor. Moreover, they are eager to win passage of any bill that contains the investment credit for business.

But these same officials are loath to discourage the liberal efforts to promote Mr. Kennedy's original recommendations. Treasury Secretary Dillon informed Senator GORE recently the administration would do nothing to oppose his fight on the Senate floor.

The one area where the Treasury, the Senate leadership and the liberals can find common cause without qualification is in opposition to the Keogh-Smathers bill giving tax relief to self-employed persons. But so many other Senators have given their doctor and lawyer constituents commitments of support for the House-passed bill that even this united front may not be able to stop the measure.

DIRKSEN UPSETS APPLECART

Democratic leaders hope Senators pledged to support the Keogh-Smathers bill will find their way free to table its introduction as an amendment to the tax revision bill, on the ground it should be considered separately. But this tactic is by no means foolproof. Nor is it certain that the Keogh-Smathers proposal, if adopted by the Senate, could be eliminated from the final version of the bill by the Senate-House conference.

Actually, Senator SMATHERS, who often opposes the administration, although a member of the leadership team by virtue of his post as Democratic caucus secretary, had almost decided not to offer his bill as an amendment to the tax-revision measure. But Senator DIRKSEN upset the applecart last week with his surprise announcement he would propose the measure as a tax-bill amendment if nobody else did. Now, there is speculation Senator SMATHERS may try to beat the Republican leader to the punch.

If this effort fails, the future for the Keogh-Smathers bill isn't bright. Senator MANSFIELD probably would delay bringing up the measure, approved last year by both the House and the Senate Finance Committees, for Senate debate until the closing days of the session. Then even the threat of a liberal filibuster might be enough to kill the bill, as it did in 1960. And if the bill did manage to win final congressional passage as a separate measure, it might be cut down by a Presidential veto.

EXHIBIT 4

[From the Washington Post, Aug. 27, 1962]

SIX IMPORTANT BILLS

President Kennedy is urging the enactment of six measures which would promote long-term economic growth and strengthen our educational and social security systems. We have given our endorsement to each of these measures, the present status of which is as follows:

1. The Trade Expansion Act: This bill would encourage the expansion of international trade by granting the President authority to negotiate for the reduction of tariff barriers. It has passed the House and stands a good chance of enactment by the Senate notwithstanding the efforts of protectionist forces to weaken it through crippling amendments.

2. Investment credit: The investment credit provision of the Revenue Act of 1962 as passed by the House would stimulate investment by permitting businesses to reduce their taxes by as much as 7 percent of the cost of newly purchased equipment. A somewhat weaker version of this provision has been approved by the Senate Finance Committee as part of a tax bill that will face a hard fight on both the floor of the Senate and in the conference committee.

3. Youth employment opportunity: This legislation would establish a Conservation Corps to provide employment in our national parks and forests for youths who have left school before finishing and a program of part-time public service work for those who remain at home. The Senate passed a bill embodying similar provisions 3 years ago and is expected to approve the current legislation. Unfortunatetly the House version is bottled up in Representative HOWARD SMITH's Rules Committee.

4. Public works acceleration: The Senate has passed a bill providing $750 million to be used immediately for public works and urban renewal projects and an additional $750 million which is to be expended under standby authority when the rate of unemployment exceeds a critical level. A House version of the bill provides $900 million for immediate use and a coordinator charged with setting up a reserve "shelf" of public works. Democratic leaders in the House now believe that they have a sufficient number of votes to carry this measure next week.

5. Federal backstop to unemployment compensation: This legislation would extend for 1 year the emergency program, which expired at the end of June, for assisting those persons who have exhausted their unemployment benefits. Chairman WILBUR MILLS of the Ways and Means Committee has begun hearings, and it is believed that his committee will recommend an extension. But the measure is expected to meet strong opposition in the Senate Finance Committee.

6. Federal aid to higher education: Measures which would provide Federal assistance to public and private institutions of higher learning were passed by large majorities in both Houses, but final action has been delayed by a deadlocked conference committee. At issue is the constitutionality of grants which the House bill would authorize for church-affiliated institutions.

All of these measures command widespread public support, and yet only the trade bill seems to be assured of passage at this time. What is required is more resolute action on the part of the majority leadership in the Congress and stronger voices from the grassroots.

EXHIBIT 5

EXPENSES FOR TRAVEL, ENTERTAINMENT, AND BUSINESS GIFTS

(Analysis of some court decisions and administrative cases allowing deductions of entertainment and related expenses)

INTRODUCTION

Collected here are summaries of judicial decisions and administrative cases which illustrate the type of expenditures for entertainment and related items which are allowed as business deductions under present law.

Recently the National Office of the Internal Revenue Service requested district offices to submit cases involving expenditures for parties, business gifts, yachts, hunting lodges and similar items which would illustrate how a relatively slight business element is sufficient to require a revenue agent to allow the deduction of an essentially personal type of expenditure under present law. The cases collected here are typical of expenditures for entertainment which are claimed and allowed in a large number of cases.

These cases show that stricter enforcement procedures cannot solve the problem. Stricter enforcement can only require more detailed documentation of amounts expended and the purpose of the expenditure. But, as these exhibits show, this documentation already exists in a large number of these cases. And where the documentation exists, the present law requires that the entertainment expenses be fully allowed. When existing law allows the cost of a safari to Africa, undertaken by a hunting enthusiast and his wife, to be deducted on the ground that it provides advertising for dairy milk, one cannot expect revenue agents to successfully question the business necessity for duck hunting or nightclubbing with business associates.

Excerpts from the reports of two revenue agents, submitted in connection with this study, highlight the situation under existing law. One revenue agent reports that:

"The president and one vice president (of the taxpayer corporation) are father, and son. The father and son own memberships in the ——— Club, ——— Country Club, and various supper clubs. The corporation pays all dues and entertainment expenses. It is, however, believed that the entertainment involves friends, and that the officers are in turn entertained by the same people whom they entertain when they pay the bill. Each member of the club is supposed to give a party once each year for the others.

"It has proven impossible to prove such entertainment and parties as personal expense because the officers can always point to some of the parties who were supposedly instrumental in their having obtained some (business).

"One thing is ever present with this taxpayer. A trip to Las Vegas, Nev.; Havana Cuba; or some other place has always been opportune to attend some New Year's Day bowl game or other affair, yet the trip was to see some concern about selling."

Another revenue agent states:

"The president of the corporation is a gun collector and hunting enthusiast. Each year he goes on a hunting trip to Wyoming in the company plane or car (with four hunting companions).

"The four hunting companions were from * * * firms who may be instrumental in the award of contracts * * * and are hunting enthusiasts themselves as well as friends of the president.

"It has further come to the attention of the examiner that officers' salaries are held to a minimum * * *, but the expenses of the above nature are paid in behalf of the officer. It should be added that all events of the trip and associations of the companions are carefully documented and reported to the firm to avoid possible trouble in connection with the deduction.

"Under present law there has been found no basis for disallowance of the expense."

Administrative cases No. 1 through No. 41 were submitted as part 3 of the entertainment expense study presented to the House Ways and Means Committee last year. Cases No. 42 through No. 60 further illustrate the basic expense account problem. These cases are samples from subsequent audits. In cases No. 42 through No. 54 substantially the entire amount claimed as a deduction was allowed. Cases No. 55 through No. 60 are examples of a great number of cases where a substantial portion of the deduction claimed is disallowed because the expenses are purely personal with no business connection but the remainder is allowed because a slight business connection is shown. Of course, to the extent that cases of this kind are not examined by a revenue agent, the entire amount claimed, including the purely personal part, is effectively deducted.

Analysis of court cases involving deductions for entertainment and related expenses

Case No.	Type of business	Type of expense	Amount			Summary of facts
			Claimed by taxpayer	Allowed by Commissioner	Allowed by court	
1	Dairy	Safari to Africa	$16,818	$1,200	$16,443	In 1950, the taxpayer, a closely held corporation engaged in the business of processing and distributing milk and milk products, paid the expenses for an African hunting safari for its principal shareholder-president and his wife. The president was an experienced hunter. The trip, which included stays at London, Paris, and Rome, lasted approximately 6 months. Taxpayer received publicity as the sponsor of the trip, both in the newspapers and by the exhibition of motion pictures and hunting trophies. The Tax Court concluded that the taxpayer's primary intent was to publicize the business and was not to benefit the officer and his wife. The court allowed the deduction of expenses in full by the taxpayer. (*Sanitary Farms Dairy, Inc.*, 25 T.C. 463 (1955).)
2	Brewing company	Cabin cruiser	10,481	6,785	10,481	Cabin cruiser expense incurred during the years 1949 and 1950. President of company testified that the cruiser was used solely to hold sales meetings and to entertain customers and distributors; that it was especially necessary to own a cruiser because company's plant was located in a slum area where it was not feasible to conduct sales meetings or to meet with customers and distributors; that there was a constant need to generate goodwill. "Customarily on weekends they took a group of distributors or take out people or large dealers fishing down to the islands if the weather permitted." The Tax Court allowed the deduction in full. (*Cleveland-Sandusky Brewing Corp.*, 30 T.C. 539 (1958).)
3	Diversified manufacturing.	Redecorating principal officer's residence.	10,000	None	(1)	Taxpayer corporation reimbursed its principal shareholder-officer for a portion of the cost of refurbishing the 1st floor of his residence. Taxpayer deducted this reimbursement, contending that this residence was used for entertaining its customers and thus served its business purposes. The jury was instructed that there was nothing wrong with the use of a private residence for a business purpose if it was ordinary and necessary. The court said that the question for the jury was whether a business advantage was expected and whether it was realized.
		Swimming pool adjacent to residence.	6,600	1,650	----------	Taxpayer also claimed depreciation on a swimming pool constructed on land which it owned. The pool was adjacent to the shareholder-officer's residence and could be entered only from that residence. The jury was instructed to find for the taxpayer if it was satisfied that, as taxpayer contended, the pool was purchased for business use and in anticipation of benefits to the business. (*Doughboy Industries, Inc.* v. *United States*, 4 A.F.T.R. 2d 5021 (W.D. Wis. 1959).)
4	Manufacturer of witch hazel.	Yacht	10,949	None	9,780	The taxpayer, an individual engaged in manufacturing witch hazel, purchased a yacht for the entertainment of customers and potential customers. The yacht was used to encourage such persons to visit taxpayer's plant. Although the Commissioner disallowed the expenses as personal, they were for the most part allowed by the Board of Tax Appeals because of the business relationship which the taxpayer had established. (*E. E. Dickinson*, 8 B.T.A. 722 (1927).)
5	Horse racing secretary and handicapper.	Yacht and entertainment.	2,000	None	2,000	Taxpayer, an individual engaged in the occupation of scheduling and making other arrangements for horse races and handicapping horses, entertained racing officials, track owners, horsemen and turf writers by arranging dinners and theater parties and providing recreation aboard his yacht. The court found that taxpayer's business was highly competitive. The expenses for entertainment claimed as a deduction by taxpayer were held to be expended for the purpose of promoting taxpayer's business. Taxpayer's effort to maintain friendly relations with those entertained was viewed as essential to his continued success. The deductions claimed were allowed in full. (*Charles J. McLennan*, T.C. Memo. Op. Docket No. 4757 (June 25, 1945), ¶ 45, 217 P-H T.C. Memo.)
6	Manufacturing paints and related products.	Cabin cruiser	28,039	2,000	21,029	Taxpayers were general partners engaged in the business of manufacturing, buying, and selling paints and related products. They claimed a deduction for fiscal years 1952–53 for the operating expenses and depreciation of a boat. The boat was principally used for entertaining financiers, suppliers, and other persons with whom the partnership had business dealings. It was also used for testing work in connection with marine paints and for the personal pleasure of the taxpayers and their families. The court allowed 75 percent of the boat expense as a business deduction. *Greenberg* v. *Riddell*, 4 A.F.T.R. 2d 5040 (S. D. Cal. 1959).
7	Automobile dealer	do	992	0	310	Taxpayer was 1 of 2 partners in a partnership selling used cars at retail. The partnership maintained a cabin cruiser which was used partly for business purposes and partly for personal recreation. The Tax Court stated: "An expense of this nature, where reasonably related to the operation of the business, may be deducted as an ordinary and necessary expense. * * * Except for generalities, the criteria upon which the petitioner's basis for determining whether they were business or personal expenses were not disclosed in his testimony." Nevertheless, with respect to taxable year 1949, the court allowed about ⅓ of the claimed expense. (*Charles M. Kilborn*, 29 T.C. 102 (1957).)
8	Solicits and writes insurance.	Vacation camp	1,833	None	1,629	Taxpayer, an individual engaged in the general insurance business, owned a vacation cottage which was used partly for family vacation and partly to entertain customers and prospective customers. Taxpayer frequently held stag parties for businessmen on weekends. Recreation took the form of boating, eating, drinking, and playing poker. The cottage was on a lake and boating facilities were maintained by the taxpayer. The property was sold in 1944 at a loss. Taxpayer claimed a deduction for 75 percent of the loss and 75 percent of the depreciation for that year. The Tax Court found that the property was used ⅗ of the time in taxpayer's business and allowed ⅗ of the loss and depreciation as a business expense deduction. (*Walter O. Kraft*, T.C. Memo, Op. Doc. No. 14975 (June 22, 1949), ¶ 49, 159 P-H TC Memo.)
9	Actor	Entertainment	1,687	None	1,687	Taxpayer, a professional actor, incurred expenses for theater tickets, luncheons, suppers, and other entertainment which he provided to a variety of individuals for purposes of publicity and public relations and to enable him to secure theatrical engagements more easily. The Board of Tax Appeals sustained the Commissioner's disallowance but was reversed on appeal. The circuit court noted that this entertainment tended to promote the taxpayer's popularity and thereby to increase his income from acting; the expenses were therefore held to be ordinary and necessary. The court said "As the word 'necessary' is used here, we think it means 'appropriate' and 'helpful.'" (*Blackmer* v. *Commissioner*, 70 F. 2d 255 (2d Cir. 1934).)

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[1] Jury verdict in favor of taxpayer for 95 percent of refunds claimed.

Summary analysis of tax cases involving deductions for entertainment and related expenses

Case No.	Type of business	Type of expense	Amount		Tax year or period	Summary of facts
			Claimed	Allowed		
1	Manufacturer	Hunting lodge	$61,146 71,206 55,065	$61,146 71,206 55,065	1956 1957 1958	Closely held corporate taxpayer maintains a luxurious hunting lodge which had a 1958 tax basis of over $230,000 and is constantly maintained by caretaker and wife. Streams stocked with trout, small game raised by farmers for purpose of stocking, and large deer population. Log maintained showing names and dates representatives of customers are entertained. Lodge also used for entertainment of key personnel of taxpayer. Log indicates use by 500 to 600 persons annually.
2	do	Maintenance of resort facilities on subtropical island. Airplane expense Airplane depreciation	353,713 90,666 20,439	269,666 90,666 15,277	Sept. 30, 1957	Taxpayer, a domestic manufacturing corporation, owns luxurious facilities on a subtropical island. The principal use of the property is for entertainment of executives and key personnel of customer firms. Fishing cruisers are maintained and air transportation furnished guests. The chairman of the board, who is the controlling stockholder, and other officers and key employees accompanied by their families spent considerable time at island. Adjustment was made for amounts considered personal expenses of these officers and employees.
3	Supplier	Yacht Ranch-hunting lodges Nightclub expenses Other entertainment	---------- ---------- ---------- ----------	111,804 116,440 126,249 119,647	1953–54 1953–59 1954–59 1953–59	Taxpayer's stock is owned by 2 individuals. Yacht was used by company for fishing parties for customers and company personnel. Yacht expenses shown are only for 1953 and 1954; it is estimated that operating expenses, exclusive of depreciation, are $75,000 per year. Ranch properties are leased by taxpayer from stockholder and from others and are used by customers for hunting and fishing. Nightclub expense was paid by company to a club owned by stockholder to cover charges made by company executives and sales personnel ($23,000 of this amount was charged at club by stockholder). Parties are held at club during Christmas season and cost of each party ranges from $8,000 to $14,000. Each year the company finances a hunting trip to Canada for executive personnel and customers and minimum cost is $5,000 to $6,000 for a party of 8 to 12 men. Corporate expenditures which were not allowed as a deduction included over $20,000 paid for addition to personal residence of stockholder and over $9,000 for vacation trips to Europe and Africa by stockholder and family. Item of "other entertainment" represents reimbursement for travel and entertainment by stockholder.
4	Insurance	Meals Lodging Transportation Food and beverage for entertainment Tickets Conventions Apartment Gifts Other Auto	25,000 20,000 30,000 30,000 2,000 1,000 6,000 10,500 3,000 10,000		1957	Individual taxpayer travels widely while visiting insurance agency offices. At each office the taxpayer entertains office personnel lavishly for the apparent purpose of establishing good management-employee relations. Taxpayer also lavishly entertains management personnel at Florida vacation resorts. The disallowance of $40,000 of expense was based on either lack of substantiation or claim stated in wrong year; it was not based on failure to establish a business relationship for the expense.
			137,500	97,500		
5	Food products	Hunting trip	12,211 14,325	12,211 14,325	1951 1952	The trip was given considerable coverage by the newspapers. Films of the trip were exploited successfully in connection with taxpayer's business. The deduction was allowed based on decision of the Tax Court on a similar issue.
6	Supplier	Gifts Entertainment	10,521 9,304 5,941 51,259 44,230 23,898	10,521 9,304 5,941 38,444 33,172 17,924	1953 1954 1955 1953 1954 1955	President of closely held corporate taxpayer traveled extensively with officers of a customer to various plants, conventions, and on the "horse show circuit." On these occasions he entertained officials of customer at cocktail parties, dinners, etc. Taxpayer contended that it was essential to maintain close personal relations with officers and employees of its customer. It was taxpayer's policy to give gifts to key employees of customer. Entertainment expense of $44,230 for 1954 is typical and was expended as follows: Local hotels and clubs $7,500 Out-of-town hotels and clubs 14,000 Cash to officers, entertainment 8,700 Transportation 1,000 Food, liquor, cigars for office and farm 5,400 Florida hotel expense 7,500 Most of the expenditures were made by the president of taxpayer.
7	Sales of steel equipment	Farm resort golf party	20,000 5,000	20,000 5,000	1958 1958	Corporate taxpayer expended $20,000 to maintain a large plantation and farm type residence in a resort area for entertainment of top echelon executives of various large customers of the taxpayer. The expenditure of $5,000 was for a golf party for executives of various customers of the taxpayer. This same situation existed in prior years and was accepted.
8	Mortuary business	Yacht Cottage expense and entertainment. Personal residence and entertainment.	11,455 11,096 12,776 4,424 12,271 14,686 10,762	8,591 8,322 9,582 2,875 7,362 8,811 6,457	1955 1956 1957 1955 1955 1956 1957	Yacht owned by this closely held corporation was used to entertain visiting morticians, clergymen, and for meetings of employees. Taxpayer prepares and ships bodies to other areas for burial. Personal residence of principal shareholder has an office and residence is used for business meetings and entertainment of business guests.
9	Ship repair	Christmas party	23,758	23,758	1956	Taxpayer is a closely held family corporation. During the Christmas season of 1956 the corporation gave a dinner at a large hotel, which was attended by customers of the firm and business acquaintances of the corporate executives. The cost of the affair was allowed as deduction on the ground that the purpose for the expenditure was to create goodwill and to enhance the repute of the corporation.
10	Beverage manufacturer	Kentucky derby	10,903	10,903	Apr. 30, 1958	Customers and their wives are entertained by derby parties such as breakfasts and luncheons, etc.; by furnishing box seats and tickets for the derby; and entertainment at the derby.
11	Textile manufacture	Plantation resort	34,258 31,950 29,022 32,924	22,839 21,300 14,511 16,462	Sept. 3, 1955 Sept. 1, 1956 Aug. 31, 1957 Aug. 30, 1958	The corporation leased a plantation from a stockholder of the corporation for an annual rental of $1. The stated purpose of the lease was to provide the corporation with a place to entertain customers and business associates. Although it appeared that some business purpose was served by the rental of the plantation it was determined a portion of the expenditures to be personal to the stockholder. The disallowed portions of the deductions were taxed to the stockholder.
12	Food products	Guesthouse in resort area.	13,500 14,300	13,500 14,300	Feb. 28, 1959 Feb. 28, 1960	Taxpayer corporation is located on west coast and most of its sales are made through brokers from the eastern United States and Europe. While they are out on the west coast, the brokers expect the sellers to provide them a place to stay and taxpayer established that the purchase of the guesthouses was for this purpose. The taxpayer also established that the facilities were used by its sales representatives for making sales.
13	Coal and iron mining	Cottage in Canada	11,983 10,509	11,983 10,504	1959 1960	Cottage on bay in Canada was used to entertain people connected with ingot steel industry. 87 persons were entertained in 1960.

Summary analysis of tax cases involving deductions for entertainment and related expenses—Continued

Case No.	Type of business	Type of expense	Amount		Tax year or period	Summary of facts
			Claimed	Allowed		
14	Steel products	Residence, Miami Beach.	$33,206	$28,706	Apr. 30, 1956	The taxpayer, which is located in the Midwest, asserted that lavish entertainment is essential in obtaining business and it established a Miami residence for this purpose. The 2 principal officers and their wives are usually present at the residence when entertaining customers. Deductions allowed include depreciation on residence, food, liquor, boat expense, and salaries of service employees and entertainment. Disallowance was made for amounts deemed to be personal expense.
15	Hosiery mill	Beach house and boat	25,367 32,713	25,367 32,713	1957 1958	Expense of beach house and boat maintained by corporate taxpayer to entertain business guests was allowed in full.
16	Mineral products	Summer home and residence.	40,256 42,858 36,696	20,128 21,429 18,348	1956 1957 1958	Closely held corporate taxpayer located in Midwest maintains a summer home in Maine and a residence in midwestern city. Principal stockholder and wife spend 2½ months each summer at the Maine home and entertain high officials (and wives) of customers. The property in Midwest is used to entertain visiting buyers and is used occasionally by president of company and his wife.
17	Roadbuilding equipment.	Club expense Liquor Season football tickets Convention expenses	6,700 13,750 2,004 4,250	6,700 13,750 2,004 4,250	1959 and 1960 1959 and 1960 1959 and 1960 1959 and 1960	These expenses are incurred primarily by the top 3 officers of the company. In general, the club expenses are for lunches, dinners, parties, and convention expense on behalf of customers. The liquor is purchased for the bar in the office and is kept for customers who drop in. Expense for conventions are for various groups who have their conventions in the taxpayer's home city; however, a good share is for conventions that the officers attend in resort cities.
		Convention	1,400	1,400	1959	Expenses for tractor demonstration attended by corporate taxpayer's principal officer-shareholder and his wife. A purported business reason for the wife's travel was established based on allowance of expenses for similar travel in the past.
		Travel to construction job of one of taxpayer's customers.	2,600	2,600	1960	Such shareholder and his wife traveled to Alaska with customer and wife. Expense of wife was allowed based on representation that customer would not go without his wife and his wife would not go without such shareholder's wife.
		Speedboat	1,410	1,410	1959-60	Speedboat was used exclusively at officer-shareholder's personal cottage, yet a log was kept which showed that the boat was used solely for the pleasure and convenience of customers of the taxpayer corporation.
		Party	675	675	1960	Christmas party given by such officer-shareholder cost $850. It was claimed that most of guests were business customers or potential customers. Accordingly $675 of the $850 was claimed and allowed as a business expense of taxpayer.
		Las Vegas vacation	1,500	1,500	1960	Officer-shareholder and wife accompanied customer and wife to Las Vegas for 12-day vacation. Taxpayer paid the expenses for the 4 individuals. Officer-shareholder asserted that he would not have made the trip except for business purposes and that his wife's presence was required by the customer and his wife.
18	Manufacturer of equipment.	Lease of hunting lodge	[1] 75,000	[1] 75,000	1956 1957 1958	Taxpayer leases a hunting lodge and duck hunting preserve for a minimum rental of $1,800 per month. It is engaged in manufacture of equipment and has its products distributed by several firms located throughout the United States. Customers of each firm are entertained at the hunting preserve. A log is maintained and it disclosed no personal use by stockholders. Taxpayer shares expenses of lodge with 2 other taxpayers. The total expenditure claimed for this lodge by the 3 taxpayers for the years 1953–59 is $666,000 and it appears that most of this expense was allowed.
19	Manufacturer	Yacht	272,640	253,035	Feb. 28, 1954 Feb. 28, 1955 Feb. 28, 1956	Taxpayer, in addition to other large entertainment expenses, maintained a yacht primarily for the purpose of entertaining dealers who sell taxpayer's products. The disallowed portion of the expenses was for the estimated personal use by taxpayer's officers.
20	Automobile dealer	do	290 6,204 7,401 10,761	0 0 7,401 10,761	1946 1947 1948 1949	Corporation purchased yacht for purpose of providing free rides to customers upon purchase of an automobile. Log maintained indicated passengers were customers. No boat trips were made unless the principal stockholder was aboard. This case was settled by stipulation while in a docketed state in Tax Court.
21	Cake and cookie bakery	do	18,000 22,000 26,000	18,000 22,000 26,000	1957 1958 1959	Taxpayer sells cakes and cookies to grocery stores. The yacht was used exclusively to entertain supermarket and chainstore buyers and branch managers on deep-sea-fishing trips for promotion purposes.
22	Shoe manufacturer	do	20,907	16,943	(2)	Purpose of expenditure was stated to be the use of the boat to demonstrate to customers a non-skid-sole sneaker made by taxpayer. Used at various Atlantic and gulf coast ports.
23	Automobile dealer	Yacht expense	(2)	22,692	1956	The taxpayer maintained a guest list record which disclosed that the yacht was used for entertainment of old customers, officials of an automobile manufacturer, automobile dealers, and prospective customers.
24	Oil and refining corporation.	Hunting trip Fishing trip	1,240 3,855	1,240 3,855	1958 1959	Elk hunting trip for party of 6. Fishing trip to Canada for party of 11. These trip expenses were incurred to entertain officers and managers of various oil and pipeline companies from which taxpayer acquired its crude oil.
25	Auto dealer	Airplane	20,000	20,000	1958	Used for entertainment, travel, advertising. Records support claimed deduction for depreciation and maintenance of airplane used in entertaining customers and prospective customers.
26	Metals manufacturer	Yacht expense	7,999	5,500	1957	Boat was acquired in order to create a more intimate relationship between this corporation, through its officers, and its sources of supply. The amount allowed represented the portion spent which related to business purposes.
27	Sale of fuel	Hotels, restaurants, boat club, parties, gifts, etc.	60,000	40,000	1958	The amounts claimed included expense-paid vacations for officials and employees of customers at resort cities in Florida. The taxpayer contended that such entertainment served to maintain and increase its sales volume.
28	do	Yacht	34,189 24,063 34,787	34,189 24,063 34,787	Sept. 30, 1957 Sept. 30, 1958 Sept. 30, 1959	The yacht, which was acquired by the corporate taxpayer in 1954 at a cost of $80,314, is used for sales promotion purposes. Customers and prospective customers are frequently entertained on it. When used for nonbusiness purposes, either by taxpayer's officers or by other persons, a rental charge of $250 per day is made, which is credited to the yacht expense account.
29	Food products	Yacht and resort residence.	26,031	23,491	Oct. 31, 1958	Corporate taxpayer is owned by 2 individuals, is located in a Midwestern State and maintains a residence in Miami, Fla. The taxpayer established that the Florida residence is maintained for the use of personnel of customers and prospective customers and must be staffed and available for use all through the year. The taxpayer contended that the Florida residence and yacht were used to great advantage with suppliers, who expedited delivery schedules, and were helpful also in persuading larger packers to place orders. A sufficient business element was considered to be present and the deduction was allowed under present law.
30	Consultant to manufacturer.	Duck hunting club	4,211	4,211	1957	Individual taxpayer served as consultant to manufacturing company with annual compensation of $25,000. Expense was incurred for entertaining customers of company at a duck hunting club owned by taxpayer.
31	Lawyer	Yacht	6,475	6,475	1958	The taxpayer is engaged in the litigation of claims as a specialist. In 1950 he acquired a cabin cruiser. The cost of the maintenance and operation of this boat in 1958 amounted to $6,975. Of this amount the taxpayer claimed and was allowed $6,475 as an ordinary and necessary business expense on a showing that the boat was used primarily for entertaining clients and business executives for the purpose of establishing professional contacts.

[1] Approximate. [2] Not available.

Summary analysis of tax cases involving deductions for entertainment and related expenses—Continued

Case No.	Type of business	Type of expense	Amount		Tax year or period	Summary of facts
			Claimed	Allowed		
32	Exclusive sales representative.	Entertainment Yacht	$55,000 13,710	$53,645 8,710	1959 1959	Corporate taxpayer, a manufacturer's sales representative, leased the yacht in 1959 for $1,000 per month from a partnership consisting of 2 individuals who are officers of taxpayer. Partnership was formed in 1959 and acquired yacht in April of that year. Corporation rents the yacht back to the partnership for 2 months each year at a monthly rental of $1,250. Yacht expense and entertainment expense are incurred to maintain good will with customers of the taxpayer.
33	Processing cloth	Residence Entertainment Hotel suite Gifts Football tickets	21,183 32,015 7,200 3,300 1,246	8,472 23,101 3,600 3,300 1,246	1955, 1956, 1957 1955, 1956, 1957 1955, 1956, 1957 1955, 1956, 1957 1955, 1956, 1957	It was determined that 40 percent of the amount paid by the corporate taxpayer to its president-shareholder was to reimburse him for entertaining business guests of the corporate taxpayer and thus was allowable. No guest register was maintained but taxpayer was able to establish that customers were entertained at the president's residence. Disallowances were based in part on lack of substantiation and in part on failure to relate some expenses to a business purpose. The expense of a hotel suite maintained by the taxpayer was allocated between business and nonbusiness use. Gifts and football tickets for taxpayer's customers were allowed in full.
34	Wholesaler	Promotion Football tickets Food and beverages	49,329 31,963 124,600	(3) -------- --------	1957, 1958, 1959 1957, 1958, 1959 1957, 1958, 1959	Taxpayer corporation is a wholesale supplier primarily serving utilities, contractors, and local governments. The expenses claimed are for the alleged purpose of increasing taxpayer's sales. Those expenses which are related to business or potential business with local governments will be disallowed as contrary to public policy.
35	Buying and selling of corporations.	Resport residence and luxury apartment.	$21,399 16,478	$8,559 6,591	1956 1957	The corporate taxpayer's business is that of buying and selling corporations. The taxpayer seeks bargain purchases of controlling stock in other corporations. The taxpayer claims the purpose of maintaining the resort residence is to have a place available for business conferences. The resort residence has facilities for boating, fishing, and entertainment. The agent concluded that the personal convenience, pleasure, and health of the chairman of the board of the taxpayer is the principal reason for maintaining the residence and the apartment. However, the evidence did indicate that there was some entertainment expense incurred for business purposes and a portion of the expense was therefore allowed.
36	Manufacturer	Yacht expenses	13,795 32,527 34,404	13,795 32,527 34,404	Apr. 30, 1955 Apr. 30, 1956 Apr. 30, 1957	Corporate taxpayer, located in northeastern State acquired the yacht in 1954 and used it during the summer predominantly for the recreation of employees. During the winter it is moved to Florida and is used to entertain various business associates, distributors, suppliers, etc., visiting there on vacation.
37	Selling and servicing new and used cars.	Yacht	8,337 17,641 15,282 10,474	5,796 12,530 10,270 6,946	1955 1956 1957 1958	Corporate taxpayer claimed 100 percent of the depreciation and expenses incurred in operating a yacht. Log records maintained were not complete. Many affidavits were submitted by customers which stated that they were guests on the boat and that they received a "sales pitch" while aboard. The taxpayer's president took the boat to Florida each year for a personal vacation which lasted about 3 months. On several of these trips the president was accompanied by a business associate and many vacationing business associates were entertained. Expenses were allowed for portion deemed attributable to business.
38	Shipbuilding	Yachts	292,627 354,258 285,617 201,450	211,204 293,330 247,671 176,046	1955 1956 1957 1958	Corporation owns several yachts. One of the yachts was primarily experimental. The others were used primarily for entertaining customers and prospective customers.
39	Oil and gas	Lodge and boat expense.	23,219	19,737	1956–59	The individual taxpayers are located in a midwestern city. The lodge and boats were used to entertain investors from New York whom taxpayers sought to interest in development of oil and gas properties. Taxpayers also entertained local representatives of oil companies and drillers to encourage their participation in development of oil and gas properties.
40	Construction of roads	Pleasure resort	77,697	53,000	1959 and 1960	The taxpayer corporation is engaged in heavy construction and sale of construction supplies. Its customers are Federal, State and local governments, other contractors, and the general public. The taxpayer acquired a resort estate which is maintained and serviced at a cost approximating $40,000 per year. The estate has facilities for hunting, boating, and fishing. The purpose of maintaining the estate is to create good will among the various people with whom the taxpayer has business dealings and is specifically used when it is attempting to negotiate or secure a contract. The disallowance of a portion of the expense covers preferential dividends and expenses which are contrary to public policy.
41	Transformer manufacturer.	Entertainment at private clubhouse.	127,067	127,067	Sept. 30, 1959	These deductions consist of depreciation, wages, and other expenditures made in connection with the taxpayer corporation's private clubhouse which is used for the entertainment of customers and prospective customers.
42	Automobile dealer	Boat	5,681 6,421	4,545 5,136	1957 1958	Taxpayer owned a boat which was used principally to entertain customers. Taxpayer's records established that most of the persons entertained on the boat subsequently purchased automobiles from the taxpayer. Also, it was established that taxpayer's president regularly lived on the boat. A portion of the claimed expenses was disallowed as personal and taxed as income to the president.
43	Manufacturers' representative.	Yacht	1,956	1,956	1956	Taxpayer's yacht log showed that a majority of the dozen trips out of port was to participate in races. Most of the business entertainment was conducted while the boat was in port. The amount claimed and allowed was 50 percent of the operating expenses and depreciation.
44	Manufacturer	Boat	3,257 3,985 2,154	3,257 3,985 2,154	1958 1959 1960	The boat was purchased in 1958 and sold in 1960. It was used to entertain customers and prospective customers 9 times in 1958, 13 times in 1959, and 6 times in 1960. Deductions included expenses for gas, oil, and entertainment, and depreciation.
45	General contractor	Yacht	2,212	2,212	1959	Taxpayer's yacht was used to entertain customers on fishing trips. Taxpayer maintained a log of the trips made and the persons on board.
46	Banker	Country club entertainment.	3,000	3,000	1960	Taxpayer held a debut for his daughter. Approximately ¼ of the guests had business connections with the taxpayer. Deduction claimed and allowed was approximately 25 percent of the cost of the debut.
47	Manufacturers of automobile accessories.	Yachts, club dues and related expenses, shipboard conventions, hunting and fishing trips, parties.	993,565	991,665	1959	Taxpayer corporation did not maintain a separate travel and entertainment account. Additional yacht expenses and airplane expenses were also spread among various accounts. The only expense disallowed was the purchase price of 1 share of stock in a country club. All other expenses were allowed because taxpayer maintained detailed records, fully documenting all expenses.
48	Physician	Travel to Europe	1,182	1,182	1960	Taxpayer spent 6 of 22 days in Europe attending a medical congress at which he delivered a paper and presided at one of the meetings. Taxpayer was accompanied by his wife and 2 children. The expenses attributable to taxpayer were allowed as a deduction because he was improving his specialized professional skills.
49	Territorial sales manager for insurance company.	Entertainment; football games; fishing expeditions; theaters.	2,802 1,967	2,802 1,967	1959 1960	Taxpayer sells insurance for several companies. He entertains present and past customers, as well as prospective customers, contending that it is not feasible to stop entertaining once a person has been sold a policy. Taxpayer entertained about 25 times in 1960 but fewer than 30 different individuals were entertained.

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[3] Under examination.

***Summary analysis of tax cases involving deductions for entertainment and related expenses*—Continued**

Case No.	Type of business	Type of expense	Amount		Tax year or period	Summary of facts
			Claimed	Allowed		
50	Whisky distillers	Yacht	$49, 641	$43, 325	1959	Taxpayer corporation purchased and outfitted a yacht. A log and guest register were maintained to show the extent to which the yacht was used to entertain customers and others having some connection with the taxpayer's business.
		Tickets	600	600		
		Club dues	975	975		
		Conventions	15, 000	15, 000		
		Gifts	7, 280	5, 284		
		Other petty cash	14, 323	7, 000		
51	Sales of medical equipment.	Yacht	3, 949	3, 949	1960	Taxpayer corporation was allowed its entire operating expenses for a yacht because the yacht log disclosed date of each trip, passengers' names on each trip, and their business association to taxpayer. All expenses fully documented and no trips of a nonbusiness nature were found.
52	Manufacturer	do	75, 290	72, 070	1953	Taxpayer corporation purchased a yacht to entertain visiting officials of other companies and for rental to its officers below operating costs. The Service charged a portion of the difference to the taxpayer's president as a dividend. Also taxpayer leased from its president his personal residence and automobile to provide food and lodging to its guests when the president was away.
			114, 600	106, 032	1954	
			82, 751	74, 933	1955	
		Residence	9, 600	9, 600	1953	
53	Manufacturer	Tickets for sporting events, etc.	3, 000	3, 000	1959 and 1960	Most of the expenses claimed were allowed, based on proof by the taxpayer they were connected with his business.
		Convention, Bermuda, etc.	12, 000	11, 150	1959 and 1960	
		Gifts	2, 000	2, 000	1959 and 1960	
		Resort fishing expenses	15, 700	10, 600	1959	
			10, 000	7, 200	1960	
		Club dues	8, 000	6, 150	1959 and 1960	
54	Petroleum production, refining and marketing.	Resort property, yachts, apartment, and entertainment.	104, 422	100, 577	1957	Taxpayer company maintained several resort area facilities including several yachts for business conferences, and entertainment. Taxpayer also maintained an apartment used by company employees and representatives. In addition, taxpayer incurred costs for various conventions and club dues to a number of dinner clubs, country clubs, etc., for business purposes. The expense disallowed was a nondeductible capital expenditure.
55	Dairy	Resorts, racing events, clubs, tickets, parties, gifts, yachts, etc.	90, 000	60, 000	1957	The taxpayer, a closely held corporation, deducted amounts for sales promotion expenses, including home phone bills, hotel bills for wives of shareholders, resort trips for families of shareholders, racing tickets, etc. The officers engaged in large-scale entertaining and kept few detailed records. 3 of the officers charged the costs of 17 clubs to the corporation in addition to the costs of 3 yachts, 1 of which was owned by an officer. The taxpayer maintained that the boats were used for business purposes but no logs were kept to establish this use. Some officers had 2 company automobiles in their personal possession. Adjustments were proposed for lack of substantiation, considering the presumptively personal nature of the expenses.
			102, 900	65, 000	1958	
			106, 100	68, 000	1959	
			104, 400	64, 000	1960	
56	Petroleum	Trip to Europe	12, 614	None	1959	Taxpayer toured Europe with his wife to set up a refinery and secure oil leases. No business was actually transacted. Taxpayer claimed deductions for the hotel expenses of himself, his wife, and his daughter as the basis of discussing oil business or other family business matters. Included in the expenses claimed were purchases of clothes, theater tickets, drugs, candy, barber and beauty shop treatments, etc. Other deductions claimed were air transportation for his wife and daughter; expenses incurred in the management of his daughter's trust and investments; country club charges incurred by taxpayer and his family allegedly in connection with discussions of business; expenses for the importation of cigars, some of which were given to business associates; expenses for entertainment and meals at night clubs and restaurants during which proposed oil deals were discussed; automobile expenses, many of which were incurred by taxpayer's wife and daughters; and gift expenses, including various and sundry items of small value which the taxpayer himself distributed to employees on special occasions. Taxpayer alleges that all activity outside his home is business motivated, such as seeking investments, discussing oil deals, and looking after his income-producing properties. Disallowances were based upon the revenue agents determination that the claimed deductions had been made for purely personal items to the extent of the disallowed amounts.
		Hotel expense	15, 950	6, 500		
		Air transportation	5, 812	2, 500		
		Country clubs	4, 146	2, 300		
		Cigars	840	400		
		Night clubs and restaurants.	4, 500	3, 800		
		Car expense	7, 500	6, 500		
		Gifts	2, 000	1, 800		
57	Independent oil operator.	Lodging	952	690	1959	Taxpayer's business depends on the ability to acquire bargain properties through his contacts in the oil industry. Taxpayer claimed sums for travel, liquor, hunting and fishing facilities, and club dues. Of these sums expended, taxpayer allocated a portion to business and a portion to personal, based upon his personal opinions. Disallowances were based upon the revenue agent's determination that a greater portion of the claimed expenditures were properly allocable to personal rather than business purposes.
		Automobile	3, 468	....		
		Food and beverage for entertaining.	5, 128	3, 211		
		Airplane	350	327		
		Club dues	1, 200	750		
		Fishing camp	4, 395	2, 744		
		Liquor	1, 086	558		
		Miscellaneous	828	250		
			17, 407	8, 530		
		Lodging	516	647	1960	
		Automobile	3, 646	2, 000		
		Food and beverage for entertaining.	5, 920	3, 680		
		Airplane	792	685		
		Club dues	1, 200	750		
		Fishing camp	4, 109	2, 562		
		Liquor	1, 473	640		
		Miscellaneous	160	100		
			18, 116	11, 064		
58	Petroleum sales	Promotion	7, 326	3, 663	1958	Taxpayer is a closely held corporation. Taxpayer acquired riding horses which he entered in various shows. Taxpayer's name was listed on the programs, and was displayed on horse trailers and equipment carriers. Taxpayer's return included deductions for board, room, and training of the horses and riding lessons for its president's daughter, who rode them in the shows. Taxpayer's return also included nominal winnings of the horses. Taxpayer claimed the expenses were business connected, but half of them were disallowed. The cost of the horses was treated as a dividend to the president.
59	Physician	Entertainment	2, 605	1, 564	1958	The taxpayer maintained an office in his home. He built an addition to his residence including a recreation hall, barbecue area, and swimming pool, allegedly to promote his practice. No records were maintained to show the business use of these facilities. Expenses were disallowed for the personal use of the facilities by the taxpayer's spouse and social acquaintances.
			2, 385	1, 400	1959	
			2, 648	1, 596	1960	
60	Manufacturer	Resorts, conventions, clubs, tickets, gifts, etc.	23, 200	3, 700	1958	Taxpayer's expenditures appeared to be largely personal in nature. He was able to establish a business connection only for the amounts allowed.
			24, 700	4, 100	1959	
			23, 100	4, 000	1960	

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Expenses for Travel, Entertainment, and Business Gifts

(Compilation of current comments in newspapers and periodicals relating to expense accounts and business gifts)

FOREWORD

In recent years, the millions of taxpayers who are not so fortunate as to have an expense account and who, incidentally, are the bulwark of our tax system, have been reading and hearing more and more of expense account abuses. Collected here are excerpts from articles published in magazines, trade journals, and newspapers, which illustrate the public's growing concern with this problem.

The portrait presented by these articles is that of a privileged class which has become known as the expense account society—a society made up of individuals who, because of the liberality of our tax laws, practically live on expense accounts. According to many of these commentators, there are very few of the necessities of life, such as meals and lodging, or even of the luxuries, such as vacations at fancy resorts, club memberships, and cruises, that such taxpayers cannot somehow deduct on tax returns as business expenses. These articles describe people who can "charge" almost everything to the company; the type of taxpayer who, when questioned about his return, would say "I have no personal life—all I do is for the company."

EXPENSE ACCOUNTS

"The Myth of the Magic Expense Account," Clarence B. Randall, Dun's Review, August 1960, pages 39–41:

"Certain it is that entertaining by business in this country is now itself big business. Some companies are more widely known for their parties than they are for their products. The occasions for business entertainment range all the way from two for lunch in the executive dining room to several thousand in the ballroom for the big hotel, with name bands, and orchids flown in from Hawaii for the ladies.

"Gone are the days when a salesman occasionally wined and dined his favorite customer, or perhaps gave a small theater party. Nowadays, when the deal gets big enough, the company yacht weighs anchor and moves into position, the company plane takes off for a duck blind in Arkansas, or the best hotel in Miami throws open its doors to expectant dealers for a week of continuous circus.

"The distaff side is cut in, too, on both sides of the deal. How the ladies love it. With jet travel what it is, those who were getting a little tired of White Sulphur may now hope to look in on Capri or the Riviera.

"The unseen partner in all this largesse, of course, the man who rides the afterdeck of the company yacht, copilots the duck hunters' plane, sits by while the caviar is spooned out and the crepes suzettes are sizzling, the man who splits the check at the nightspot and hands the big bill to the headwaiter, is none other than Uncle Sam. Lights would go dim along the Strip in Las Vegas and chorus girls would be unemployed from New York to Los Angeles if it were not for that great modern invention, the tax deduction.

"But who are the silent underwriters of this frenetic spending? You and I, the general taxpayers. It is we who make up to the U.S. Treasury the revenue lost through expense account deductions.

"This orgiastic abuse of the expense account is by no means universal, or even in a broad sense characteristic of our business community today. It is, however, a spectacular and alarming trend participated in by enough companies and individuals to put all of us upon caution for the good reputation of businessmen as a class.

"So far, expense-account entertainment is held somewhat in check by two factors.

"First of all, the best companies—those who value the good opinion of thoughtful people—reject it. They behave with dignity and self-restraint in relationships with their customers.

"Secondly—and this is altogether discreditable—in some of those companies that practice excesses, the president himself has no part in it. He just passes the word to the general auditor not to bear down. And the dirty work is delegated to the younger men.

"It is disturbing that business does not put its own house in order while there is still time, that it does not speak out boldly against expense account abuses. The whole purpose of a trade association, or of any nationwide industrial organization, is to provide a collective voice on matters of mutual concern. The trouble is that we use that voice steadily against others, but seldom turn it inward toward ourselves.

"If we cannot correct these things ourselves, we can hardly protest if Government steps in to do it for us.

"But beyond these moral overtones, and the damage currently being done to the good name of business in the eyes of the general public, comes a practical question. Do these practices, in fact, pay off? There would seem to be serious reason to doubt whether lavish display and heavyhanded entertaining are really worth the cost, whether in the long run they actually sell the merchandise.

"On the law of chances, there are probably as many men who will be offended, even insulted, by overexpenditure to win their favors as there are those who will be impressed.

"Sometimes the use of entertainment and gifts reaches the point where it crosses the line of proper customer relationships altogether and becomes commercial bribery. A set of golf clubs at Christmas to the third assistant purchasing agent, or a carton of cigarettes with a $100 bill tucked inside, is completely venal. Business purchased by such means has too precarious a base to be enduring.

"In the long run, the product must sell itself. It takes on no added value from exposure to neon lights, nor is it likely that its special virtues can be explained more clearly at 2 in the morning than at 2 in the afternoon. If it is insufficient in quality or uncertain in delivery, no amount of entertaining can long conceal those basic deficiencies.

"Objective students of the current business scene must view this phenomenon of the reckless use of expense-account money with considerable dismay. They would be hard to convince that extravagant parties make a significant contribution to the Nation. Party or no party, the commodity to be sold remains the same, having no greater utility for the buyer afterward than before, and no greater profit potential for the seller. To say these things, however, is something of a waste of breath, for those on the lunatic fringe of industry who commit the excesses are not given to taking serious thought for the welfare of the economy or for the preservation of the private enterprise system in the midst of the great world struggle in which we are engaged.

"They seldom pause to speculate on what image of the American free economy their conduct creates in the minds of men from the new countries who come to study our way of life. From Pakistan to Nigeria, from Ecuador to Indonesia, the battle is on between socialism and free enterprise. Which will be the basis for developing untapped industrial strength? We are the models upon whom men who wish to preserve private initiative in their economics base their hopes.

"We cannot be too careful in what we teach them. They imitate the bad as readily as they do the good, and they may easily attribute our success to the wrong causes." (Reprinted by permission from Dun's Review and Modern Industry, August 1960. Copyright, 1960, Dun & Bradstreet Publications Corp.)

"Expense Account Caviar," Lucius Beebe, San Francisco Chronicle, March 20, 1961, page 36:

"If the new administration in Washington would like to come by a program of readjustment which would evoke rousing cheers from all but a very small segment of the American people, it could hit upon nothing more felicitous than the often promised but never yet actually inaugurated crackdown on executive expense account.

"The expense account society that has been brought into existence by the past attitude of the Treasury toward this aspect of the national business structure is not only one that costs the Federal Government a good deal of money—how much let Sylvia Porter tell you—but is a much resented affront to a great many people who are themselves unable to swell it in expensive resorts, restaurants and foreign travel tax free and out of various corporate pockets on the slim excuse that they are doing company business.

"There are precious few Americans of private means who can or will patronize restaurants where the luncheon tab for the chef's suggestion can come to $45 for two, but such plush premises as the Four Seasons in New York are jammed to the reservation desks with expense account patrons paying $200 for dinner for five.

"This is the aspect of expense-account civilization that is most distasteful to people of ordinary means and prudent ways with money, even if they have it in ample abundance. Probably corporate expense accounts are the greatest single inflationary agency in the entire national economy, in addition to which well-upholstered jerks preempting the best of everything in restaurants, theaters, nightclubs and airplanes are a damned poor advertisement for big business. They make more enemies among a class of people naturally sympathetic to corporate vastness than all the radical agitators and Socialists put together.

"An abatement of the expense-account society could win the Government wild plaudits from a great many taxpayers who, by indirection, are tired of picking up the tab every time some crumbbum with an executive title, who couldn't treat a friend to a Coke on his own money, decides he wants a week in New York with a suite at the St. Regis and ringside tables at El Morocco every evening."

" 'Life at Uncle Sam's Expense,' the Economist, April 4, 1959, pages 234, 237:

"The maximum tax that an American could be charged by the Federal Government on his income this year would be 87 percent, but few are so rich and so ingenious as to be caught in that top bracket. The minimum he could pay depends less on the actual income he receives than on his deftness in charging items off against the expense account allowed him by his employer (who then deducts it from the cost of doing business) or in seeking his own loopholes in the tax laws and ordering his life so as to take advantage of them. Many people do both. Living on an expense account is a recognized technique, loopholes in the law are many.

"The man who dines only at the best restaurants, and takes his clients to see only the most popular plays might, were he paying the full bill himself, persuade his wife to cook supper and then take his guests around the corner to the cinema. But the privilege of writing these gestures off, either on the company's expense account or from his own taxable income, makes a different man of him. He becomes a free spender, bigger than life size, and headwaiters bow, while the bill is ultimately delivered to Uncle Sam.

"The effect is felt by more than the individual taxpayer. Critics charge that the interaction of expense account habits and income tax rules distorts the price system and weakens the moral fiber of the country. The evidence offered includes such trends as the climbing prices of beefsteaks and theater tickets, the seagoing convention, and the recently disclosed business interest in ladies whose telephone numbers can be bought.

"The annual convention is, of course, no novelty. For years these holiday jaunts, masked as educational meetings and therefore properly chargeable to the costs of doing business, have helped to support big resort hotels with convenient golf courses. This year however, the Furness Bermuda Line reports that 26 percent of its cruise bookings in 1959, as compared with 18 percent in 1958, will be convention business. The growing popularity of holding conventions at sea is said to be due to the fact that more members attend educational meetings on board ship just because there are no golf courses attached.

"The Ohio State University School of Journalism recently questioned 600 presidents of big industrial, insurance, commercial, and banking firms on their tax-deductible Christmas giving; under promise of anonymity nearly a quarter of them responded and, with considerable acrimony, some of them described the custom bluntly as 'blackmail' which they could neither approve nor escape. In their world, such gifts ranged from trinkets to Cadillacs, and on to the loan of a yacht, liquored, fueled, and girled. Thus far there is no evidence of a concerted move to end even the most flamboyant of these practices; indeed, no reliable study exists to tell the whole story or to clear the reputation of the business firms which keep free of purple fringes."

"High on the Hog," editorial, the Nation, December 17, 1960, page 467:

"Business entertainment no longer gets business, Mr. Auchincloss, lawyer-novelist, pointed out, since everyone 'is perfectly aware that his host is passing the bill onto Uncle Sam in the form of a business deduction.' 'The vice of the system is not in its attempted bribery,' said Mr. Auchincloss, 'but in the privilege of a few to dine and wine at the expense of the taxpayer.' He proposed that Congress disallow the cost of entertainment as a business expense.

"The racket has reached such proportions that in some cases it is scarcely necessary for a business executive to earn a salary—he can live like a millionaire on his expense account."

"There's No Business Like Lunch Business," William K. Zinsser, New York Times magazine, March 20, 1960, page 60:

"With expense accounts, many have found they can eat well—and make money at it.

"What the country really needs is more restaurants, for that is where much of the Nation's business is transacted. The 'business lunch,' that lavish exercise in spending the boss' money, has fastened such a grip on our cities that to lunch with someone for pleasure is almost indecent.

"Many, in fact, rely on these daily banquets to tide them over the next 24 hours. By careful planning, week after week, a man can literally eat himself into solvency. 'If he eats on the expense account every day, he saves about $6. That's $30 a week, or $1,500 a year, tax free—the equivalent of several thousand dollars more in salary. Of course, if the man puts in an expense account when actually he went out alone and had a hot dog, he can make $12 a day.'

"This form of chicanery is so common that many a company bookkeeper has been startled to see that two employees took the same client to different restaurants for lunch the same day. Influential columnists believe that they are listed on four or five expense accounts every noon.

"Presidents of companies do not, on the whole, eat business lunches. But in all lower strata, business lunches are almost routine. One elderly ad man, asked how frequently he ate on his or somebody else's expense account, looked amazed at the naivete of the question. 'Why, I haven't paid for my lunch,' he said, 'in 31 years.'"

"Expense Accounts," Richard Gehman, Cosmopolitan, March 1957, pages 44–47:

"Today we live in what has been called the Era of the Expense Account. Ever since World War II, the expense account has been playing an increasingly important part in our lives and our economy.

"The extent to which the expense account has influenced the economy is indicated by the fact that multimillion-dollar businesses have been founded and now exist almost solely by virtue of the expense account. The increased traffic in restaurants and in liquor, unusual foods, jewelry, flowers, leather goods, books and other luxury items is directly traceable to the new American habit of blithely charging off nearly everything in sight to expenses.

"Food, drink and expensive gifts are not the only items that turn up regularly on expense accounts. Some men also feel justified in putting down upkeep of their homes, entertainment in their homes, clothes for their wives, and services provided for business associates—services such as furnishing chartered planes or railroad cars, limousines and chauffeurs, or supplying private secretaries complete with typewriters and dictating machines.

"Giving expense accounts to its salesmen and executives has three distinct advantages for a corporation.

"First, it saves money. Most larger companies now pay a 52-percent corporate tax. When a salesman spends a dollar in attempting to cajole a customer into buying the company's product, it actually costs the company only 48 cents.

"Second, it enables the company to reward or remunerate its employees without making them subject to further personal income taxes.

"Third, it enables the company to get more work out of its employees. The man who has no expense account works a given number of hours each day; his evenings are free. The man who is expected to entertain clients and prospects usually does it after business hours.

"But the expense account economy does not work exclusively to the benefit of the large corporation. The small businessman may benefit from the structure of the tax laws, too. By incorporating himself, even the man with a modest income can live on a scale comparable to that of a maharajah * * * and, in general, enjoy himself at the Government's expense.

"Actually, the expense account has created a new upper class—a group of men who, while paying themselves relatively small salaries, actually can live as though their incomes equaled those of oil barons.

" 'Expense account spending first reached a peak during World War II,' says a Pennsylvania manufacturer * * * 'in my opinion, it's helped contribute to inflation, by jacking up prices far out of reason.'

"Under the expense account economy, human behavior is sometimes subjected to severe stress.

" 'I've known of several cases in which an expense account at the office caused trouble in the home,' says an advertising agency executive. He points out that a young man who takes clients to the Colony, Le Pavillon, and other high-priced restaurants for lunch, merrily charging the $35-for-two tabs to his company, leads a schizophrenic existence.

"Unless the young man's moral fiber is stronger than most men's, he is bound to react unfavorably. So is his wife; at lunch, munching a cheese sandwich, she cannot be blamed for thinking bitterly of her husband, at that moment eating pheasant in Twenty-One. She is bound to be jealous; she is bound to demand to be taken along on his expense account sprees.

"The expense account may cause other domestic difficulties * * * the husband and wife may actually find themselves living on a higher standard than they can afford.

"Many people who operate on expense accounts augment their incomes by falsifying. It is not uncommon for a man, signing a tab in a restaurant where he is known, to put down an amount double the size of the check and take the remainder of the money for himself.

"We're meeting in Siam, bring the wife," Eugene D. Fleming, Cosmopolitan, May 1960, page 60:

"Ever see a business meeting on a tropical beach? Or a million-dollar contract signed at a cocktail party? Or a salesman's wife taking part in company policy? Conventions in exotic places are the newest travel bonanza. Best of all, the cost is tax deductible.

"Day in and night out during 1960, from the Roosevelt Hotel in Cedar Rapids, Iowa, to the sunbaked villas of the Italian Riviera; at millionaire playgrounds in the Caribbean, such as Laurence Rockefeller's elegant Dorado Beach Hotel; on board luxury cruise ships; and at world-famed spas like French Lick, Ind., whose two golf courses and three pools make thinking less fatiguing, some 16 million Americans from every walk of life—salesmen, executives, horticulturists, railway surgeons—will be discussing common problems, making valuable contacts, closing multimillion-dollar deals—and drinking like the well was going dry.

"Ten million of these travelers are freely associated joiners who attend over 20,000 get-togethers, ranging from that of the American Medical Association to the Concatenated Order of Hoo-Hoo, a national lumberman's fraternity. In addition, 6 million businessmen fly hither and yon to sop up corporate wisdom (among other things) at over 60,000 company conventions. These steadfast pursuers of conclaves spend well over a billion dollars on convention-going travel alone.

"Convention travel, it seems, knows no bounds. * * * Delegates would certainly rather spend a week in Paris than in Chicago, the reasoning goes. The traveltime is only a difference of hours, and just as tax deductible, so why not meet there? Bring your wife, of course. She'll love it."

"An Unknown Side of Resource Allocation, the Invisible Hand of Tax Exemption," Norman B. Ture, Challenge, November 1960, pages 8–10:

"The tax treatment of expense accounts is about the most thorny problem in the income tax. The typical situation which causes so much furor involves a company's sales representative who spends lavishly in an effort to secure or retain a customer. Caribbean cruises, theater tickets, a season's box at sporting events, expensive gifts, are a few examples. For a company's executives, there may be country club memberships, use of the company's cars, hunting lodges, perhaps even a home—all at the company's expense.

"Entertainment expenses which show up on the expense account often include those incurred on behalf of the employee's wife and the spouse of the prospective customer. Exciting journeys with gun and camera through what used to be darkest Africa show up on the company's tax return as sales expenses. The cost of the boss' honeymoon has been known to appear in the same way.

"To the extent that these expenses are allowed as deductions, the Government—therefore, all of us—pays the bill for the goods and services provided for the employee, his sales prospects and others loaded into his expense account. Those on the receiving end do not include the value of these goods and services in their taxable income.

"The company, in other words, is allowed a deduction for a cost of producing income, but the recipients of these expenditures do not report them as income. This creates an anomaly. Though what is cost to one economic entity (in this case the company) must be income to some other (in this case the recipient), this is not always so from the point of view of the Federal income tax.

"Why not just disallow all such deductions? If this were done, clearly this type of sales promotion would cost the company considerably more. With the present corporation income tax rate of 52 percent, every deductible dollar on an expense account costs the company only 48 cents. Remove the deduction and the cost shoots up—a dollar of expense is then a full dollar of cost.

"Where should the line be drawn? The statute's 'ordinary and necessary' rule for deductions is not much help in many cases. What is ordinary in one line of business is frequently extraordinary in another. In fact, the courts interpret 'ordinary' to mean not unique in the business community—rather than customary in a particular business. On this basis, it is hard to conceive of an expense which could not qualify as ordinary.

"If 'ordinary' won't do as a criterion for deductibility, what about 'necessary'? Necessity might seem to be an easier test to apply. But how should one distinguish between the legitimacy of an expense and the necessity for it?

"The African safari, for example, had a legitimate business purpose; it did indeed contribute to sales promotion, or so it was ruled. Was it necessary, however? Most of us would answer, unhesitatingly, that it was not. But what kind of objective criteria are we to use in deciding that the expense of this trip was not as necessary as an equal expenditure on some other activity which produced the same effect on sales?

"Because of these difficulties in applying the vague language of the Internal Revenue Code, this kind of sales promotion effort meets with extremely liberal tax treatment. This situation encourages the allocation of a greater volume of resources to lavish sales promotion methods than would otherwise occur. Moreover, this result was not contemplated when the Internal Revenue Code was framed.

"The frivolous—and well-publicized—activities for which tax deductions are claimed, offends Congressmen and Senators just as greatly as novelists and TV scenario writers. The apparent disinclination to amend the tax law in this area, however, does not imply approval of its results. It is rather, evidence of the difficulties in making a change which will conform with legitimate business requirements."

"I'll Just Sign, Those Big-Figure Expense Accounts," Newsweek, May 20, 1957, pages 87–92:

"While U.S. prosperity rests on a solid base of production and sales, its facade is brightened considerably by a host of 'deductibles'—the appurtenances, from first-class fares to crepes suzette, that many employees can rarely afford on their own incomes but can enjoy when traveling on an expense account.

"Nothing on the U.S. business scene has provoked more elbow digs and thigh slapping than the expense account, including racy bits about traveling salesmen who are among its chief devotees.

"More people are spending more money on the company cuff than at any other time, at a rate that would astound 'swindle-sheet' artists of a decade ago.

"Some 80 percent of luncheons served at top Manhattan restaurants like '21,' Le Pavilion, and Chambord are expensed. On the Florida Gold Coast, expense accounts are the backbone of the winter economy. Without expense accounts, big yacht basins like Fort Lauderdale's Bahia Mar might be almost deserted."

"The Conventions—Work, Hard Play," Business Week, May 16, 1959, pages 176–182:

"Last week some 200 members and guests of the Magazine Publishers Association spent 3 days luxuriating at the Greenbrier, posh resort hotel at White Sulphur Springs, W. Va. (pictures).

"What drew them was MPA's 40th annual spring meeting—plus the golf, tennis, swimming, fine food, and secluded luxury that ever since the war have been luring an increasing share of conventioneering Americans to the resort hotels.

"The American penchant for conventions—increasingly bearing the more elegant label of "conferences"—has reached its de luxe flowering in these rural spas that once were the exclusive domain of wealthy families and dowagers who are moving over for the growing number of expense-account guests.

"When the resort hotels—safely secluded from the hurly-burly of the metropolitan areas—got into the convention business they introduced a new note. The flamboyance and commercialism of many of the older shows was replaced by a few days of luxurious living, spiced with refined business contacts and high-level formal programs. Business deals, to be sure, are sometimes started or even concluded, but such trafficking is frowned on except in private, friendly conversation.

"This special type of resort hotel convention is the elite one * * * And the gatherings are kept smallish both by the limits of the hotel's facilities and the fact that they draw mostly from higher, bigger-expense-account echelons of business.

"The magazine publishers' confab at the Greenbrier last week was thoroughly typical of the resort hotel convention. The MPA devoted the first day to committee reports and pressing industry problems. In the evening, special committees met.

"For the rest of the time, it was half work, half play.

"The talks—serious, sometimes valuable and interesting—serve as a psychic payoff for the enjoyment of the other half of the meeting—the hard play in the afternoon. This conscience factor helps account for the remarkably high attendance at formal meetings."

"Visit to the World of Expense Accounts," Russell Lynes, New York Times magazine, February 24, 1957, page 17:

"The expense account—its wry pleasures, its hangovers, its bonanzas and its abuses—has become one of the uneasy national jokes of our time.

"Since not all of us can sink oil wells and have a benign Government smile on our profits and bemoan our losses, we find ways of charging our appetite for luxury to 'the company,' which, in the final analysis, is charging it to our neighbors' tax bills.

"A system of rewards is obviously essential to the successful operation of the capitalist system. The trouble, if it is a trouble, is that the rewards that are represented by the private use of the company plane, the company car and the company shooting lodge do not seem like rewards for performance; they seem to a great many people like special privilege, and that, in a very real sense, is what they are meant to look like.

"The tax structure seems to create one ethic for certain businessmen whose services are greatly in demand by corporations and another for the rest of us.

"Seen from a distance, the group portrait of expense-account society presents a rather curious picture. To a great many people it inevitably looks, and will continue to look, like the society of kept men."

"Expense Account Scandal" U.S. News & World Report, January 25, 1960, pages 50–54 (copyright 1960):

"An expense-account scandal—$1.5 billion in size—is starting now to get special attention from this country's tax collectors.

"The scandal grows out of the use of business-expense accounts to evade taxes by hiding taxable income. Income that should be taxed, but is not taxed, is estimated at $1.5 billion or more a year. Tax loss is reported to exceed $700 million a year.

"One of the partners in an accounting firm comments: 'I don't think the Internal Revenue Service is exaggerating the extent of the expense-account scandal. There isn't any doubt that the total of money being taken as tax deductions is enormous.'

"Phony branch offices. A growing practice, tax men say, is for a small firm to maintain an unused office as a 'front' in a resort area. This gives executives an excuse to deduct travel expenses for visits ostensibly made to the branch office. Actually, these visits can be a cloak for personal vacation trips."

BUSINESS GIFTS

Printers' Ink, September 2, 1960, pages 44–45:

"During World War II the sharp rise in the regular corporate income tax rate, capped off for a time by an excess-profits tax, had brought industry's generosity, largely at Uncle Sam's expense, to an all-time high.

"Now a reaction, quiet, but all pervasive, has set in. The regular tax rate is still high, and our Treasury still picks up most of the tab for corporate gifts, but there is a difference. The change in attitude and practice is really a product of the times. * * *

"Two effects have been noticed. One is the decision by some companies that they will not permit their employees to accept any gifts at all or, in some cases, any gifts of more than nominal value. Some businesses have stopped giving gifts to customers. In other instances, some former gift givers have replaced their largesse to individuals with donations to charity in the name of business friends.

"Corporate gift giving is conducted on a scale estimated to have grown from $200 million in 1950 to almost a billion dollars this year, with the average cost per gift now about $7.

"What the corporate gift buyer must do now is try to find a middle defensible ground between the lush gift that has caused so much public eyebrow raising and the gift with so little intrinsic value that it would stir up more ill will than good will in the mind of the recipients."

Spirits, October 1960, pages 13, 40:

"Over $1 billion, or about 10 percent of all expenditures for alcoholic beverages in the United States, may come out of the corporate treasury.

"As for gift buying, the every-man-for-himself land of estimate has to be entered once more. Sales Management, the magazine of marketing, which surveyed 900 American industrial companies in spring-summer, 1960, about their giftgiving proclivities, put it succinctly when it said: 'In the absence of exact reporting, marketers must guesstimate the national gift-incentive volume.' Esquire puts it at $2.5 billion. (The people over at Fortune set the entire market at $2.2 billion.) 'The Business Goodwill Advisory Council is more cautious,' the SM report continued, 'almost $300 million, not counting liquor and purchases at retail stores.' The international news magazine for sales and marketing executives, has stated that 'Today corporate gift giving adds up to a $300-million industry at Christmas time.' 'Industrial and commercial buying apparently fell off to some extent primarily because of the payola scandals that rocked the Nation.'

"It is clear that there is a reaction to business entertainment, if only through a few voices.

"It is also clear that there is an 'expense-account audience' that helps pay the distiller's bills to the tune of hundreds of millions of dollars each year."

The Reporter, December 25, 1958, pages 20, 21:

"During a year-long study recently completed by the School of Journalism at Ohio State University, the presidents of the country's 500 largest industries, 50 major merchandise, 50 big insurance companies, and 50 biggest banks were polled.

"Nearly a quarter of them replied. They spoke their minds in the bluntest of blunt language. They used words like 'blackmail' and 'sucker' and 'shakedown.' They told of gifts ranging from trinkets to Cadillacs to $280,000 in cash to 'the loan of a yacht—liquored, fueled, and girled.'

"Nearly half of the big industrialists say their companies give to customers, suppliers, prospects, public officials, newspaper people, and others. Yet 7 out of 10 don't like the idea. (Six of ten flatly disapprove, 1 out of 10 has serious misgivings.)

"Why this difference between what companies do and what their presidents believe in? Very simple: money. Nine out of ten say they give 'for business benefit' or to 'meet competition.' The 10th gives as a gesture of good will.

" 'What is the most expensive gift—which you personally know about—that any company has given to gain a benefit?' the company presidents were asked. Examples of their replies:

"Midwestern appliance dealer: 'A trip to Jamaica.'

"Oil refiner: 'Fifteen shares of stock, cost $3,500.'

"Heavy equipment manufacturer: 'Cadillac to get shipping contract.'

"Ore producer: 'Boat trips and other gifts, $4,000 to $5,000.'

"Life insurance man: 'Trip to Europe.'

"Ore refiner: 'Furnace for a brandnew house.'

"Mentioned most often were hi-fis, television sets, automobiles (with Cadillacs far outnumbering other makes), cases of whisky, fancy luggage, trips, hotel accommodations, and lavish entertainment."

Fortune, editorial note, October 1959, page 108: "And does the business gift really express the spirit of Christmas? Since everybody knows it is written off as a business expense, its qualification as a token of affection or esteem would seem to be highly dubious. In any case the practice is a nuisance, and can turn out to be a source of embarrassment to both sides."

Business Record, November 1959, pages 503–508:

"Giving Christmas gifts to customers and other business friends is a practice that most of the 291 manufacturing firms participating in this month's survey of business practices strongly oppose in principle. Typical is the attitude of one construction materials producer who regards 'the giving of Christmas gifts for business purposes as a most unhealthy practice, which in its worst form borders on bribery, and in its lesser form is a useless business expense.'

"Even more outspoken in his disapproval is one company president who states that 'the giving of Christmas gifts on the part of business is becoming a racket, and we shall do everything we can to discourage it.'

"To the extent that business gifts 'are intended to influence the placement of an order, they are a source of embarrassment to the recipient,' according to respondents.

"A small minority of the firms surveyed maintain that there is nothing inherently wrong with the practice of Christmas business gifts.

"Another group of companies, while agreeing with the sentiment of business Christmas remembrances, replies that 'our Christmas greetings to customers are very well expressed through the medium of a Christmas card.'

"While most responding companies would prefer not to participate in giving or receiving business Christmas gifts, almost half do send out gifts at Christmas time. Considerations of precedence and competition are most often cited by respondents to explain their continuation of Christmas giving."

Sales Management, September 10, 1959:

"How 448 companies spent their gift dollars:

	Percent
"Up to $2	4.4
$2.01 to $5	11.0
$5.01 to $10	62.3
$10.01 to $20	7.6
$20.01 to $50	5.5
. More than $50	9.2

"When does a gift become a bribe?

"Sales Management's eighth annual survey put this question to 758 executives and 385 respondents set down a dollar dividing line. Below that mark, they believe, business gifts are friendly remembrances. Above it lies extravagance and bribery.

"The 385 specific amounts and number of mentions divided into: $5–$10—28; $5–49; $10—113; $10–$15—18."

American Lumberman, November 24, 1958, pages 62, 80:

"Cash to contractor's favorite charity is replacing loot to individual builders. Dealers give new views on holiday gift problem.

"Who killed Santa Claus?

"That is a question that some contractors may be asking themselves next month. More and more dealers say they are getting awfully tired of the insidious seasonal shakedown commonly known as the Christmas gift.

"A coast-to-coast check of dealers by American Lumberman indicates that many dealers are gradually calling a halt to promiscuous gifts to contractors at the holiday season.

"Adverse dealer comments on gift giving ranged from 'a necessary evil' and 'parasitic expense' to 'vicious cycle, which should be brought to a stop.'

"Most dealers admitted that they go along with the idea of gift giving simply because it is expected. Other dealers feel more strongly.

"Eliminating gifts to contractors wouldn't hurt their business a bit, several dealers predicted, admitting that once started, gift giving is a hard practice to stop."

Purchasing magazine, December 1957, pages 75, 76, 77, 328:

"A total of 75.6 percent of the P.A.'s (purchasing agents) and 76 percent of the sales managers would 'like to see gift giving eliminated entirely'.

"The fact is gifts are a waste of money in many cases. Although half the sales managers surveyed said they bought gifts for their customers, less than 20 percent of them believed sales and earnings would be hurt if they cut out the practice. In other words, over half the companies that give gifts to customers don't do it on an economic basis.

"Just about everyone in sales and purchasing agrees that a really big gift—particularly cash—is, in effect a bribe."

Business Week, November 28, 1959, pages 161, 162:

"This is the time of year when the question of giving Christmas gifts to business associates often crops up.

"It's always been a ticklish problem, but made doubly so this year because of the current scandals concerning 'payola' and business bribes in general. For in making a Christmas gift, the question is often raised whether the gift isn't really made for services rendered or anticipated.

"That's one reason quite a few business executives don't accept such presents and a growing number of businessmen simply don't give business Christmas gifts."

Time, December 1, 1958, page 74:

"Hardly anyone anywhere celebrates Christmas more impressively—or does retailers more good—than the U.S. businessman. * * * The list has grown so long that today the Santas-in-pinstripes spend something like $1 billion on yuletide cheer: $300 million for liquor, the rest for a stockingful of loot ranging from $2.50 puddings to $2,500 pianos. The giving is not necessarily due to an excess of Christmas spirit; businessmen simply think they must. * * * 'Giving business Christmas presents is like drinking at lunch. Nobody wants to, but everyone's scared not to.' Now at last, the tide is turning. The company Christmas present, like the office party, is on its way down.

"Companies have found that the present produces some king-sized headaches. Some companies spend $100,000 or more on gifts alone each Christmas."

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EXHIBIT VI.—GAIN ON SALE OF DEPRECIABLE REAL ESTATE

A. "Excessive Tax Allowances on Depreciable Real Estate and Recommended Remedial Action."

B. "Examples of Cases in Which Real Estate Was Sold After Depreciation Allowances Had Substantially Exceeded Actual Decline in Value."

C. "Example of Relationship Between Depreciation and Nontaxable Cash Flow in a Typical Projection."

D. "Analysis of Real Estate Corporation Prospectuses."

E. "Projections of Cash Flow and Taxable Income by Noncorporate Real Estate Syndicates Based on Actual Prospectuses."

EXHIBIT 6

[From the CONGRESSIONAL RECORD, MAY 21, 1962]

PROPOSED WITHHOLDING ON TAXES OWED ON DIVIDENDS AND INTEREST INCOME

(Excerpts from speech of Hon. PAUL H. DOUGLAS, of Illinois, in the Senate of the United States, Monday, May 21, 1962)

Mr. DOUGLAS. Mr. President, last week I reported that I had received approximately 50,000 communications from my State in opposition to the method of collecting the income taxes already owed on dividends and interest by withholding a basic 20 percent at the source. I report today that the deluge of mail still continues.

I believe the vast proportion of the people who write these letters are misinformed about the nature of the problem and misinformed about the degree of difficulty which they would experience. So once again I take the opportunity of speaking about this subject not merely to the Senate, but also to the country through the medium of the CONGRESSIONAL RECORD.

AMOUNTS AVOIDED OR EVADED ARE HUGE

I do not believe the people generally realize the amount of money which is lost to the Treasury by reason of the failure of those who receive dividends and interest income fully to report the amounts which they receive. As we all know, there is a withholding tax imposed on wages and salaries, and the percentage of avoidance and evasion on the income because of the method of collection is very small indeed.

The Treasury has now issued revised estimates, taking account of all criticisms, with respect to the gap between the dividends and interest paid and the amounts which are reported by the recipients on their income tax returns.

For the year 1959 the gap is reported at $3.8 billion. The amount of taxes owed on the amount paid in dividends and interest, either evaded or avoided, is estimated at $880 million. The amount which it is estimated withholding would have collected is $700 million.

The estimate for 1960, which I hinted at in my statement of last week and which has now been confirmed, is that the gap between dividends and interest paid and the amounts reported on income tax returns came to $4.4 billion; and that the amount of taxes owed, either evaded or avoided, came to $1,040 million. The estimated amount which withholding would have collected is $830 million.

ONE BILLION, ONE HUNDRED MILLION DOLLARS WILL BE LOST IN 1963

It is now estimated that for the year 1963 the gap will amount to between $4.9 billion and $5.2 billion; that the amount of taxes which will be owed and either evaded or avoided, will come to $1,150 million; and that withholding would collect $910 million.

These are enormous sums. Because such large amounts are owed but not paid and because the tax is evaded or avoided, the burden upon those who pay their taxes becomes correspondingly heavier. I am frank to say that unless we close this great loophole or sluicehole any reduction in taxes sought by other portions of the tax bill really cannot be appreciable in amount. If withholding on taxes owed on dividends and interest income is killed, there will not be very much to share among other claimants for reduced taxation.

It will be virtually impossible then for the investment credit tax to go through. I am not very keen about that provision.

But even if we were not to have investment credit, we could not get any other reductions in the form of a decrease in the corporate tax, a decrease in the tax on small business, or a decrease in the excise taxes. So the very center of the tax bill is the question of withholding.

The Treasury's estimate that $1.1 billion in taxes already owed on income from dividends and interest in the calendar year 1963 will be evaded or avoided represents a scandalous situation.

WITHHOLDING IS TEST OF CONCERN FOR FISCAL SOUNDNESS

I am absolutely amazed that many of the same individuals and same groups who are constantly criticizing the size of our national debt, who are demanding that the budget be balanced, and who appeal for fiscal soundness are fighting this proposal.

The $1.1 billion in taxes avoided and the $900 million in taxes per year which withholding would collect may be small potatoes to them but it is a big amount to me.

The test of their real concern about fiscal soundness will come when we vote in the Finance Committee or on the floor of the Senate on the withholding provision.

COMMON MISCONCEPTIONS

I should like to emphasize that the Treasury's proposal to withhold the taxes already owed on dividends and interest income at the source is very simple.

Although these may seem somewhat repetitious, I wish to repeat again answers to some of the major misconceptions. Among these major misunderstandings are the following:

First. It is not a new tax. I emphasize that point again. Although from one-third to one-half of the people who write me think it is a new tax, it is not a new tax. It is merely a better method of collecting an existing tax. The taxes are now owed but $1.1 billion is escaping taxation.

Second. That it would hurt the widows, the orphans, the low-income groups, and the old folks.

Those under 18 would be exempt. Those who owe no tax would be exempt. Those who are overwithheld against—and this would be a very small relative number—could get quarterly refunds. This is a privilege which is four times better than that given to the 37 million wage and salaried people who are overwithheld against and must wait until the end of the year for their refunds.

Third. That it is a tax on the individuals' savings or principal rather than a tax on the interest or dividend.

This is not true. On a savings account of $100 with interest at 4 percent, the amount withheld would be 80 cents. That is 20 percent of $4. It would not be $20, as much of the information put out by the savings institutions have led people to believe.

Fourth. That it would cost too much to administer.

This is not true. It would cost the Treasury between 2 and 3 percent of the amount collected. It would cost the paying institutions about 30 cents per $100 withheld, or three-tenths of 1 percent.

Fifth. That the Treasury's automatic data processing system—ADP—would be an adequate substitute for withholding. This is not true. In the first place ADP would not go in effect fully until 1967. Between now and then some $4 billion in taxes owed would be lost. After that about $700 million a year would be lost, for ADP would collect, at best, only $200 to $250 million of the $900 million which would be collected by withholding.

Finally, ADP would merely provide information to the Treasury. It would not collect taxes. The paying institutions would have to provide the names, addresses, and amounts for 250 million payments. This would be much more paperwork for the institutions than would be required by withholding.

Of the 250 million reporting slips, the Treasury estimates that there would be about 15 million discrepancies when these were matched against the individual taxpayers accounts.

AUTOMATIC DATA PROCESSING NO SUBSTITUTE

Agents would then have to collect the amounts and check out the discrepancies. This would require an increase in the number of existing agents by about 70 percent.

Because of these facts, automatic data processing would cost more, recover less, and require more paperwork than would the very simple method of withholding proposed in the Treasury's bill.

There has been so much misinformation about the proposal to withhold at the source on dividends and interest that with the help of my administrative assistant, Mr. Shuman, I have prepared a question and answer sheet on this subject.

This answers in detail some of the major misunderstandings about withholding.

Mr. President, as I have prepared a sort of catechism on withholding, I shall ask myself a series of questions and then answer them.

WITHHOLDING ON DIVIDENDS AND INTEREST AT THE SOURCE—IS IT A NEW TAX?

Question. Is this a new tax?

Answer. No. Taxes are already owed on income from dividends and interest. It is merely a better method of collection.

Question. Why do we need withholding?

Answer. Because so many people are not paying the taxes they owe on interest and dividend income.

Question. How much is this?

Answer. The Treasury calculations show that the gap between dividends and interest paid out in the United States and the amounts which appear on income tax returns was about $3.8 billion in 1959, and is estimated at $4.4 billion for 1960 and between $4.9 and $5.2 billion in 1963.

Question. What is wrong about this?

Answer. This is tax evasion or avoidance. People who actually pay their taxes have higher taxes than they would have if those who evade or avoid them paid their taxes.

Question. How much revenue does the Treasury lose because of this?

Answer. In 1959 they lost about $880 million. In 1960, over $1.0 billion. For 1963 the estimate is $1.15 billion.

Question. Would withholding on dividends and interest at the source help?

Answer. Yes, it would. It would collect 80 percent or more of the taxes now evaded or avoided. In fact, the Treasury has furnished me with the following information about this.

Mr. President, I ask unanimous consent that a brief table, the substance of which I have already given, be printed at this point in the RECORD.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Year	Gap between dividends and interest paid and amounts reported on income tax returns	Amount of taxes owed on these amounts which are evaded or avoided	Amount which withholding would collect
	Billions	*Billions*	*Millions*
1959	$3.8	$0.880	$700
1960	4.4	1.040	830
1963 (estimate)	4.0-5.2	1.150	910

EXEMPTION CERTIFICATE, WIDOWS, ORPHANS, OLD FOLKS, LOW-INCOME GROUPS

Mr. DOUGLAS. Mr. President, the next question: Would this system penalize the widows, orphans, the old folks, and low-income groups?

Answer. No. The proposal would provide exemptions from withholding for these groups if they owed no tax.

Question. How would it work for children?

Answer. Any child under 18 would be exempt from withholding merely by certifying to the paying institution that the child was under 18.

Question: What about those other 18?

Answer. Any person over 18 who "reasonably expects" to have no tax liability would also become exempt merely by filing a statement with the paying institution to that effect.

Question. Does this include those over 65?

Answer. Of course. Anyone over 18—including those over 65—could get an exemption if he owed no tax.

Question. How would one file the exemption certificate?

Answer. He files it with the paying institution—the bank, the savings and loan or building association, or the company paying dividends.

Question. What will the form say?

Answer. It will be an affidavit on which the person merely says that he "reasonably expects" not to be liable for taxes on these amounts.

Question. Will the exemption be permanent?

Answer. The Treasury is recommending that it be made permanent so that the individual need not file again in the second or third year. Of course, if his tax status changes and he becomes taxable, he could no longer claim exemption.

SPECIAL TAX PROVISIONS FOR OLD PEOPLE

Question. Do not older people now have a number of tax privileges in the law which mean that they have to have considerably more income than those under 65 before they owe any tax at all?

Answer. That is correct, and this means that virtually all the low-income older people would be exempt entirely from withholding.

Question. What are these provisions now in the law which reduce the taxes of older people?

Answer. There are many of them.

Question. Would you be specific?

Answer. Yes. First of all, when one reaches age 65, the $600 exemption per person is doubled. Thus, a couple both over 65 would receive four $600 exemptions instead of two, and their total exemption on this score alone would be $2,400 instead of $1,200.

Question. Do they still receive the standard 10-percent deduction?

Answer. Yes, they do. They can subtract 10 percent of their adjusted gross income or a larger amount if they itemize their deductions.

Question. What about pensions and retirement income?

Answer. As you know, social security payments and railroad retirement payments are already tax exempt. In addition there is a retirement income credit for other retirement income.

Question. What does this include?

Answer. It includes income from other pension, interest, dividends, rent, and royalties.

Question. How much is the retirement income credit?

Answer. It amounts to 20 percent of retirement income up to $240 in taxes per person.

Question. Is this a deduction or a credit against the actual tax owed?

Answer. This is a tax credit. If an individual's taxes were $240 he could then apply the retirement income credit against this amount and he would owe no taxes at all.

Question. Does this apply to both man and wife?

Answer. Yes, it does, provided the wife's income is from these sources.

Question. This could mean a double credit or a total of $480?

Answer. That is correct and this is equal to a deduction of another $2,400.

Question. What about other tax credits or deductions allowed in the law? Do the older people also get to take advantage of these?

Answer. They certainly do. In the case of dividends received, there is an initial deduction or exclusion of $100 per couple—$50 apiece—from gross income. Then there is a 4-percent tax credit of 4 percent of the dividends—up to a total of 4 percent of taxable income.

Question. Then a retired couple over 65 with all their income from dividends and interest would need a sizable income before they were taxable at all?

Note this, Mr. President.

Answer. Yes. They could get $6,100 in dividends or $5,333 in interest before they owed any tax whatsoever.

Question. Then withholding would not affect very many old people?

Answer. Not at all. Most of them would be exempt.

Question. How many would be exempt?

Answer. Approximately 75 to 80 percent.

Question. What proof do you have for making that statement?

Answer. Treasury figures show that of the approximately 15 million persons aged 65 or over in this country only a little over 3 million are subject or liable for any Federal income tax.

WHAT ABOUT MEDICAL EXPENSE DEDUCTIONS

Question. When one is over 65, cannot medical expenses be deducted from one's income?

Answer. Yes. The medical expenses can be itemized. The 3-percent limitation which applies to those under 65 does not apply here.

Question. What is the 3-percent limitation for those under 65?

Answer. They can only deduct medical expenses if they exceed 3 percent of the taxpayer's adjusted gross income, and they can deduct only those expenses which exceed this 3 percent.

Question. What is the rule then, for those over 65?

Answer. If either the taxpayer or his spouse is over 65, the 3-percent limitation does not apply. He can deduct the medical expenses for himself and for his spouse and his father and mother, including, of course, the amounts paid for medical insurance.

Question. Is there an upper limit to these medical deductions?

Answer. Yes. It amounts to $5,000 for a single taxpayer and $10,000 for those filing joint returns or returns as head of a household.

Question. What if they are disabled?

Answer. The limit is raised. If one person is 65 or over and disabled, the upper limit is $15,000. If both are 65 and over and disabled, the upper limit is doubled and would be $30,000.

These medical expenses, if incurred, are in addition to all the other deductions which I have mentioned.

Question. Who is considered to be disabled?

Answer. Under the law anyone is considered to be disabled for tax purposes if he is unable to engage in substantial gainful activity because of a mental or physical impairment.

Question. What proportion of the medical expenses of the aged are deducted?

Answer. In the latest year for which the figures were analyzed, about 90 percent of the medical expenses of those over 65 who itemized their deductions were deducted.

Question. How does this compare with those under 65?

Answer. Only about 65 percent of the medical expenses were deducted by those taxpayers under 65 who itemized their deductions.

COST OF ANTIWITHHOLDING CAMPAIGN

Question. Are not some of the savings institutions fighting this withholding provision very hard?

Answer. Yes. I have received about 50,000 letters and cards in a 3- or 4-week period opposing it.

These protests are still pouring in.

Question. Is this an inspired campaign?

Answer. It certainly is. Many letters say the savings institution told them to write. Other include the letter or literature the savings institutions have sent out to them. Some say they have received four or five letters from institutions urging them to write to me. I have collected many examples of full-page ads opposing withholding.

Question: Is not this campaign costly to the savings institutions?

Answer. Of course, it is. It takes a 4-cent stamp for each letter to hundreds of members of the institutions. In my judgment it is costing some of these institutions more than the administrative cost of withholding would be for 3 or 4 years in the future.

Question. Are the letters you have received well informed?

Answer. No. From one-third to one-half of those who give a reason for their opposition to withholding believe this is a new tax.

Question. This would tend to show that many of these people probably do not now pay the taxes they owe if they think this is a new tax?

Answer. That is correct. In itself it shows why we need to withhold at the source on these amounts.

I do not know of any stronger argument, really, than that so large a proportion of the protestants on this issue think it is not taxed, which is in itself a confession that they have not paid the tax in the past.

Question. Is there other misinformation in these letters?

Answer. Yes. Many have been misled to think it will hurt the old people, or the children, or the orphans, or the widows, or the low-income groups, all of whom would be exempt if they owed no tax.

Mr. President, it is extraordinary how widow and orphans always appear in these piteous appeals, as do the low-income groups, all of whom would be exempt if they paid no tax.

Question. Do some think the 20-percent tax is 20 percent of the savings instead of merely 20 percent of the interest on their savings?

Answer. Yes. As you know, the tax already owed and which would be collected is only 20 percent of the interest or dividend paid, not 20 percent of the principal.

That is the third time that I have said this, but it is necessary to say it over and over and over again.

Question. Can you give an example?

Answer. Yes. If a person has $100 in a savings account and receives interest at 4 percent, he would receive $4 interest. The withholding would be only 20 percent of the $4 or 80 cents, not 20 percent of $100 or $20.

FARFETCHED EXAMPLES

Question. Some of the examples that have been used about how people might suffer from withholding are pretty farfetched?

Answer. Yes. We have been told over and over again how a retired couple, both over 65, receiving $5,000 a year in income from dividends, would be overwithheld against.

Question. Is this true?

Answer. No. As I pointed out, a married couple, both over age 65, receiving their total income from dividends would have to receive about $6,100 before they were subject to any tax. They would be exempt.

Question. A couple with $5,000 in dividends a year would not exactly be paupers in any event, would they?

Answer. No. With a 4-percent return they would have an investment of about $125,000. I doubt that anyone with investments of that amount would be harmed by withholding even if he were not exempt.

They tend to be exempt if they are married.

Question. But in this case, withholding would not even apply to them?

Answer. That is correct. They would not even come under the withholding provisions.

WAGE AND SALARY WITHHOLDING

Question. How would withholding on dividends and interest compare with withholding on wages and salaries?

Answer. Some 60 million people are now withheld against on their wages and salaries.

Question. How many would be withheld against on dividends and interest?

Answer. The Treasury estimates about 22 million people.

Question. Are many wage and salaried people overwithheld against?

Answer. Yes. About 37 million or over 60 percent of the total are overwithheld against.

Question. How many would be overwithheld against under dividend and interest withholding?

Answer. About 2 million altogether, or 10 percent compared with 60 percent under wage and salary withholding.

Question. What proportion of these would have large amounts overwithheld?

Answer. Only about 1 million of the 2 million who were overwithheld against under dividend and interest withholding would have more than $10 of overwithholding per year, and they could receive quarterly refunds. That is $2.50 a quarter, or a monthly amount of 83⅓ cents.

QUARTERLY REFUNDS

Question. Could they get refunds?

Answer. Yes; they could, and they could get them quarterly.

Question. How?

Answer. Those who are overwithheld against in the amount of $10 or more per year could apply in the first quarter for a refund to the district internal revenue office.

Question. Where would they get the refund forms?

Answer. The Treasury plans to distribute these as widely as possible. They plan to make them available at the offices of the Internal Revenue Service, at post offices, at banks, and at savings and loan, and other savings institutions.

Question. How long would it take for them to get their money?

Answer. About 3 to 4 weeks. That is the time required for the 37 million cases of overwithholding for wage and salaries.

Question. What about the other quarters?

Answer. In the second and third quarters the Treasury would send the individual the form. It would be automatic and he would not forget to apply.

Question. What about the fourth quarter?

Answer. If he had money coming back he merely would file his yearly income tax return as soon after January 1 as he wanted to and would get a check in 3 to 4 weeks.

Question. Would this continue in the following year?

Answer. The Treasury is proposing that the refund procedure be the same in the following years. The exemption certificates would be permanent.

Question. Do wage and salaried people get a quarterly refund?

Answer. No, they do not. They get it only once a year.

Question. Then the procedure for refunds for dividend and interest is better than for those on wages and salaries?

Answer. Four times better. Perhaps I should say four times easier. They would get preferential treatment.

Question. If the wage and salaried person is subject to withholding, why should it not apply to income from dividends and interest?

Answer. There is no just reason why the taxes now owed on dividend and interest income should not be subject to withholding just as the basic tax on income from wages and salaries is withheld.

Question. In fact, doesn't this make it easier rather than more difficult for the honest taxpayer?

Answer. Yes. Often people spend their income when they receive it and then have to borrow money to pay their taxes at the end of the year. The pay-as-you-go principle is certainly more convenient for most people. It would be more convenient on dividends and interest than on wages and salaries.

FARMER'S REFUNDS

Question. Do not farmers who buy gasoline and pay the Federal tax get a refund?

Answer. They do, if they use the gasoline and oil in their tractors or other farm machinery.

Question. How many of these refunds are there a year?

Answer. About 1 million.

Question: Have these people been inconvenienced or have they complained about this procedure?

Answer. Not to my knowledge. They get it quickly and have made no or few complaints.

Question. The number of refunds under dividend and interest withholding would be about the same number, would it not?

Answer. Yes. And after it was in effect, there would be few complaints about it.

Question. And what about the 37 million people who get refunds from wage and salary withholding?

Answer. They have certainly not complained to any extent. I do not believe I have received a single letter this entire year from anyone who has complained about this.

ADMINISTRATIVE COST SMALL

Question. Would it not cost more to collect the $900 million by withholding than it would be worth?

Answer. No. The Treasury estimates it would cost about $20 million to collect the $900 million or between 2 and 3 percent of the amount collected.

Question. But would it not cost the banks and savings institutions too much to withhold?

Answer. No. The best estimates, which were given by private bankers in our hearings, were that it would cost the savings institutions about 30 cents for each $100 of taxes withheld, and the taxes paid, of course, are only one-fifth of the amount of income received, or about three-tenths of 1 percent after the system was in effect.

MIGHT COST LESS THAN PRESENT EDUCATIONAL CAMPAIGN

Question. Some of the savings institutions say that their present system of informing their members that they actually owe taxes on dividends and interest is enough. They say that the present educational campaign will collect much of the $1.1 billion which will be lost.

Answer. Well, this campaign has been going on for some time and the results have been nil. In fact, the gap between the amount of dividends and interest paid out in the United States and the amount reported on income tax returns has been growing rather than decreasing.

Question. If we had withholding this cost would be cut out?

Answer. Yes; it would. And even if institutions felt they should inform their members about how much they withheld—and that is not required by law—this would cost no more than the present ineffective educational campaign.

PROCEDURE FOR PAYING INSTITUTION SIMPLE

Question. Would not withholding mean a lot of extra work for the paying institution?

Answer. No.

Question. Why?

Answer. In the first place the saving institution would merely send 20 percent of the total amounts of dividends and interest withheld to the Treasury.

Question. Would they not have to list each person by name, address, and the amount withheld?

Answer. No. No names. No addresses. No individual amounts. If a company paid out $100,000 in dividends, it would merely send a check for 20 percent to the Treasury.

Question. What about posting the interest to the account of the individual saver? Would that not be troublesome?

Answer. No. The savings institutions would merely credit the saver's account with 80 percent of the interest earned.

Question. So if a person earned $1 merely credit his account with 80 cents? Is that correct?

Answer. Yes; there would only be one posting, as there is now one posting—and this is done by machine.

Question. The cost to the institution would be small?

Answer. Yes. About 30 cents for each $100 of taxes withheld even if they performed other services in connection with the withholding.

SIMPLE GROSS UP PROCEDURE FOR TAXPAYER

Question. Would the paying institution have to send a notice to the individual giving the amount it withheld?

Answer. No. They might do this as a service but they would not be required to do it.

Question. Why not?

Answer. Because on the yearly income tax form there would be a new space which would make it possible for the taxpayer to compute the amount withheld without actually receiving a notice from the paying institution.

Question. How would this work?

Answer. Let us take an example of a person who earned $100 of interest from a bank. The bank, of course, would credit his account in the amount of $80.

Question. Is he now required to report the income he receives from dividends and interest?

Answer. Yes.

Question. Then would it be a new requirement that he list such income on his tax return?

Answer. No. He is required by law to do it now.

Question. How would he do it under withholding?

Answer. First he would enter $80 in the appropriate space on the tax return. On the next line he would take 25 percent or one-quarter of the $80. This would be $20, or the amount withheld.

Question. You mean he—the taxpayer—could compute the amount withheld without actually being told the amount by the bank?

Answer. Yes. Merely by taking 25 percent of the amount he received from the bank he would find out the amount withheld. That is, 20 percent of the total amount of dividends and would equal 25 percent of the 80 percent distributed to the individual.

Question. Then he would know the amount received—$80—and the amount withheld—$20?

Answer. Yes.

Question. What would he do next?

Answer. He would include the $100 in the amount of income he received in that year along with the other income he had from salary, wages, et cetera.

Question. Would he get credit for the $20 withheld?

Answer. Yes. He would enter the $20 in the space already provided on the tax form for the amounts withheld from his wage, salary, interest, dividends, et cetera.

Question. What would this new space on his income tax return look like?

Answer. In the example I have given it would look like this:

Line 1. Enter amount received from dividends and interest	$80
Line 2. Take 25 percent or one-quarter of amount on line 1	20
Line 3. Add lines 1 and 2, total	100

Question. That seems simple enough.

Answer. It is simple and would make it unnecessary for the paying institutions to provide any information in addition to that they now provide.

WHY AUTOMATIC DATA PROCESSING WOULD BE NO SUBSTITUTE FOR WITHHOLDING

Question. Would not the new automatic data processing system of the Treasury be an adequate substitute for withholding?

Answer. No it would certainly not be.

Question. Why not?

Answer. In the first place, it will not come into effect fully until 1967. Even then it would collect only about $200 to $250 million of the $900 million which withholding would collect.

Question. Would this $900 million per year be lost to the Treasury in the meantime?

Answer. Yes; much of it would be. In fact, between now and 1967 the Treasury would lose about $4 billion in revenues which are owed if we relied on automatic data processing as a substitute for withholding.

Question. Would automatic data processing simplify procedures for the savings institutions?

Answer. No; not in the area of dividend and interest payments.

Question. Why not?

Answer. The savings institutions would have to report the amounts paid by them to their members, which they would not have to do under withholding.

Question. How much paperwork would be involved?

Answer. The institutions would send about 250 million different reporting slips to the Treasury each year with names, addresses, account numbers, and the amounts withheld.

Question. What would the Treasury do with them?

Answer. The Treasury would then have to match them against each and every taxpayer's account.

Question. What would this show?

Answer. It would give about 15 million discrepancies which the Treasury agents would have to check out.

Question. Then automatic data processing would give information to the Treasury, but it would not collect the taxes?

Answer. Right.

Question. Would the Treasury need new agents to collect the amounts owed?

Answer. It most certainly would. It would need to increase its agents by about 70 percent, just to do this job alone—or a total—to collect as much as under withholding—of about 13,000 new agents. Mr. President, we can imagine the resentment which would be created when all those new agents began to call on the people, to make the collections.

Question. Would not the reporting requirements for savings institutions be greater if automatic data processing were used, instead of withholding?

Answer. Certainly. The paperwork would be many times as great for the paying institution.

Question. Would not Congress have to provide money for the new agents?

Answer. It certainly would; and in the past the Congress has been very reluctant to add anything like the number of new agents the Treasury has said it needed.

WITHHOLDING IS TEST OF TAX REFORM

Mr. President, this is one of the most important issues now before the Senate and the country. I hope Senators and the press and the public will inform themselves on the real situation. This is really the Rubicon. If we do not cross this Rubicon, we shall not collect much added revenue; we shall have very little to distribute in the form of decreased taxes; and any hope for a more comprehensive tax reform and loophole closing bill for next year will go down the drain.

How can we plug the other loopholes if we cannot put into effect a system which merely will mean that those who already owe taxes will pay them? This is the easiest of all methods.

PASSAGE OF THE POLL TAX RESOLUTION IN THE HOUSE OF REPRESENTATIVES—TRIBUTE TO SENATOR HOLLAND

Mr. MANSFIELD. Mr. President, it is my understanding that this afternoon, the House of Representatives, by an overwhelming vote—far more than required—passed the resolution calling for a constitutional amendment to abolish the poll tax in the United States. I take this occasion to express my gratitude and thanks to the distinguished Senator from Florida [Mr. HOLLAND], who began the crusade, if I may call it that, 13 or 14 years ago to abolish the poll tax by constitutional amendment. It was a long, hard, and bitter fight. It caused much difficulty, personally and otherwise. But I should like on this occasion to congratulate him for his obstinacy, his determination, and the fact that after 13 or 14 years, at long last, the resolution has passed both Houses; and now the results rest with the States.

THE RAILROAD MERGER PROBLEM

Mr. KEFAUVER. Mr. President, there is presently moving across our land one of the broadest and boldest attempts at economic concentration in the history of our Nation. I refer to the railroad merger proposals which are pending, or soon to be presented, before the Interstate Commerce Commission for approval. Already more than 73 percent of the Nation's rail assets are involved in these proceedings. Encouraged by a law which has no real, definitive merger guidelines or criteria, and further encouraged by a regulatory body which up to this time refuses to make any overall investigation or establish any basic standards for approval, the mergers are being pushed rapidly along, first in one direction, then in another, depending upon where the financial alliances can best be obtained. The result has been a hodgepodge of irresponsible planning, resulting in the abandonment of basic concepts of competition and antimonopoly, and leading to a possible serious shrinkage of our rail plant at a time when our country needs to grow and defend its world position at all cost.

The Subcommittee on Antitrust and Monopoly of which I am chairman has recently completed some 9 days of hearings in connection with this pending rail merger problem, and particularly with respect to the merits of S. 3097, which I introduced in the Senate April 3, 1962. This legislation which was cosponsored by 13 Senators, including the majority leader and the majority whip, would defer until 1964 any approval by the Interstate Commerce Commission of those major rail mergers which would result in a substantial lessening of rail competition or a tendency toward monopoly, excepting those mergers involving bankrupt railroads, or where such transactions were necessary and essential to the maintenance of adequate railroad transportation facilities. Also excepted was any railroad with assets under $200 million.

The bill is designed to give Congress and the Interstate Commerce Commission the opportunity to consider antimonopoly standards as permanent rail merger safeguards—not now guaranteed by the law—and to review the whole merger problem with a view to developing additional public interest criteria which must be met before this vast reorganization of our rail transportation network is allowed to proceed.

THE INADEQUACY OF OUR APPROACH TO BIG RAIL MERGERS

Mr. President, the testimony, exhibits, and other materials obtained in these hearings before the subcommittee have convinced me that our present approach with respect to these vast consolidations in the rail industry, both in law, and by administrative procedure, is wholly inadequate to assure the American people that a healthy, balanced, competitive rail network will result. The bulk of the railroad industry now appears determined to combine and consolidate its major trunkline systems with the announced intention of reducing trackage, diminishing schedules, eliminating terminals and other facilities, laying off workers, and most important, destroying to the greatest extent possible competitive rail operations in most of the productive areas of the United States. The hearings have amply demonstrated that neither the Interstate Commerce Commission, nor the administration, is presently equipped to cope with this great transportation problem, and that if these large trunkline mergers are allowed to go forward, without a general investigation and analysis of their long-range impact on our competitive business society and upon our economic growth, we may be making a very grave and irreversible error. In short, these presently proposed mergers may well be the first long step toward a single or double railroad system for this country, controlled by private investment and regulated by a regulatory body which may become subservient to such private interests. With this first step, we may be crossing the threshold of private, competitive enterprise, and entering the domain of private government. Certainly, this is a transition for which no Member of this body would want the responsibility.

From 1920 to 1940, there were sensible plans proposed for merged rail systems based among other things on the preservation of competition and the creation of economic balance. The Interstate Commerce Commission was given the authority to approve mergers in conformity with these plans and to give to the railroads immunity from the antitrust laws. The railroad community had every opportunity to cooperate with the Commission in working out an orderly consolidation program during these years, but instead it frustrated the Commission's work, declined to submit any substantial mergers for approval and took extraordinary advantage of a loophole in the Interstate Commerce Act allowing railroads to combine through stock control, leases and other arrangements without having to conform to any plans or to obtain the Commission's approval. Many of the larger eastern and western systems which exist today were developed through the use of these holding company devices under this loophole in the 1920 act.

There were, of course, some practical obstacles to effecting a plan for a railroad network, including the lack of power in the Commission to compel or enforce mergers after determining that the proposed alinement was in harmony with the Commission's plan. Nevertheless, the essential point, Mr. President, is that during this great, growing period of our American economic life, the railroads could have developed themselves into strong, healthy, and competitive private systems under the imprimatur of the Interstate Commerce Commission and with the blessing of Congress and much of the competitive imbalances and financial and operational deficiencies which exist today in the railroad industry could have been eliminated. The law was adequate, and the experts were sufficient, to effectuate a soundly conceived revamping of our rail plant in accordance with public interest standards, if the railroads and their financial backers had cooperated in this venture.

When the holding company loophole was eliminated in 1933, the railroad industry pushed for a transportation merger policy which would not only relieve the Commission of responsibility for effecting, or suggesting, an orderly consolidation plan, but would leave in the Commission only the bare power to accept or reject voluntary proposed rail mergers on a case-by-case basis in accordance with certain very general and weak public interest criteria. This policy was enacted into law in the Transportation Act of 1940 and it is the present policy under which this vast proposed railway reorganization will be processed today. Noticeably absent from this policy were the fundamental prerequisites that rail competition should be preserved and that monopolistic combinations should not be created in this industry. Absent, too, were adequate standards and safeguards relating to the protection of areas and communities, the promotion of economic growth, the effect on our national defense, and the preservation of necessary lines and facilities. In addition, the effect of increased economic power through rail mergers upon other modes of transportation was something not specifically contemplated by this act.

However, despite this lack of definitive legislative intent, with respect to the positive role to be played by the Interstate Commerce Commission in rail mergers, the Commission, when faced with this rash of huge consolidations over the past 2 years, should have initiated its own general merger investigation, formulated general, regulative policy in this direction, and established some guides so that the carriers would not go to the expense of thousands, and perhaps millions, of dollars and man-hours of work presenting cases only to be rejected. According to Commissioner William H. Tucker, the Commission in section 17(3) of the Interstate Commerce Act (49 U.S.C. 17(3)) has the power to coordinate merger proposals by regions, to make independent investigations and pilot studies secondary to such merger proceedings, and to create special professional task forces to explore all the public interest factors involved in these merger proposals. In addition, Commissioner Tucker says that the Commission has the power to formulate rail merger policy and guide merger considerations.

Instead of meeting the rail merger issue, the Interstate Commerce Commission has refused to make overall investigations, has continued to consider each merger proposal on a piecemeal basis, has introduced its economic experts only in extreme cases, and has declined to seek from the Congress any additional legislation or direction which would assure it of greater participation in these merger plans being presented by the rail industry. In fact, before the Senate Antitrust and Monopoly Subcommittee, Chairman Rupert L. Murphy urged that the Congress not depart from the voluntary case-by-case approach.

THE BREAKDOWN IN THE VOLUNTARY, PIECEMEAL METHOD OF MERGER APPROVAL—THE PENNSYLVANIA-CENTRAL MERGER

Mr. President, the testimony before the Senate Antitrust and Monopoly Subcommittee clearly demonstrated that the piecemeal, unguided, hands-off procedure of the Commission in meeting this giant reorganization of the rail industry is seriously breaking down. An extraordinary example of such breakdown lies in the eastern merger situation. There, according to the subcommittee hearings, two major applications—the B. & O.-C. & O. proposal and the N. & W.-Nickel Plate-Wabash proposal—are continuing to be processed separately and unrelated to other merger proposals, but are nevertheless conditioned upon the approval of a recently proposed merger between the New York Central and Pennsylvania railroads. Although the B. & O.-C. & O. and the N. & W.-Nickel Plate-Wabash plans might each be beneficial to the public interest, standing alone, and completely separate and distinct from any controls or influences by either the New York Central or the Pennsylvania, the people may not be entitled to these new systems unless the giant Pennsylvania-New York Central merger—which could well not be in the public interest—is permitted to go forward by the Commission.

This is the industry's package for the East. It involves every eastern road, large or small, in one way or another. In effect, the industry is saying to the Interstate Commerce Commission—buy the Pennsy-Central combination, involving a massive concentration of assets and financial power, and an equally massive shrinking of our eastern rail plant, or there will not be any eastern rail mergers in the public interest. That is essentially what the chairman of the board of the Pennsylvania told the Antitrust and Monopoly Subcommittee at the hearings on July 3. The testimony, in part, went as follows:

> Mr. SYMES. * * * But one thing for sure, we won't get any merger if we are going to try hold the one over here for the one back here, and I say it is this simple. If the C. & O.-B. & O. is approved, that is going to help the Nickel Plate case, and if that is approved, it is going to help our case, going to go right around the circle.
>
> Mr. TURNER. That is right. * * * If you don't take the Pennsylvania-Central, you don't get the other mergers. Isn't it just about that simple?
>
> Mr. SYMES. I think that is probably right, and that is the way it should be.
>
> Mr. TURNER. Now, the ICC——
>
> Mr. SYMES. I am gambling that that is what it is going to be.
>
> Mr. TURNER. The ICC is entrusted with the public interest. It has to decide these mergers in the public interest. It now has before it three mergers, some of which may be perfectly good in the public interest, but it has no alternative but to buy the package or nothing at all. Isn't that a fact?
>
> Mr. SYMES. It is the fact, and it is up to the ICC to decide.

Now, Mr. President, this proposed Pennsylvania-New York Central merger, which began its presentation last week before the Interstate Commerce Commission, has many shortcomings. Competent experts testified before the Antitrust and Monopoly Subcommittee that this combination of properties would result in $5.4 billions in assets, exceeded in the United States only by General Motors, American Telephone & Telegraph, Standard Oil of New Jersey, four insurance companies and three banks. They stated that this vast aggregation of properties and employees would result in some 51 percent of the assets, 50 percent of the trackage, 52 percent of the operating revenues, 75 percent of the revenue passenger-miles and almost 53 percent of all the railroad employees among the railroads in the eastern area served by the combination. In addition, they testified that this exceedingly large railroad company would have 47 percent of the carloads originated and 50 percent of the carloads terminated in the area, as well as 48 percent of the boxcars, 52 percent of the gondola cars and 47 percent of all types of freight cars owned.

Among the eastern roads, this gigantic corporation, with some $1.6 billion in operating revenues, would be about twice the size of the next proposed system—B. & O.-C. & O.—and about three times as large as the third proposed system—N. & W.-NKP-Wabash. In addition, it would be some 2½ times larger than the proposed Northern Pacific-Great Northern-Burlington combination, over twice as large as the Southern Pacific, almost three times as large as the Atchison, Topeka & Santa Fe, over three times larger than the Union Pacific, three times larger than the proposed Atlantic Coast Line-Seaboard combine and some five times larger than the Southern Railway, with which roads it will interchange substantial traffic.

Witnesses before the Senate Antitrust and Monopoly Subcommittee testified that the above described indicia of size of this giant consolidation of railroad properties implies excessive power. Such power can be exercised in markets for railroad supplies. It could give the company a tremendous bargaining advantage relative to freight traffic. It would give the combine a dominant position in the determination of rates, not only with respect to the eastern area where it would appear to have monopoly control, but with respect to rates in other sections of the country. Such combination would have inordinate power over important decisions in the Association of American Railroads with respect to rail transportation policy. In particular, it would become a formidable force and would enjoy a particular advantage in its dealings with the Interstate Commerce Commission and with other branches of Federal and State governments to the detriment of other carriers and other modes of transportation.

Dr. William N. Leonard, professor of economics at Hofstra College, an expert on rail merger history and planning and one who is quite familiar with the merger situation in the east testified that the tremendous size and dominating position of this Pennsylvania-New York Central combination clearly stands out on analysis of the facts. According to this merger historian, "neither Professor Ripley—who was one of the draftsmen of the plan under the 1920 Transportation Act—nor the Interstate Commerce Commission in its tentative plan or final plan, nor the eastern carriers in their four-system plan of 1932, nor any responsible party up to this time ever suggested putting the New York Central and the Pennsylvania together in a single system." Indeed, said Professor Leonard, "the power of the Pennsylvania New York Central system, if approved, would extend well beyond the boundaries of the eastern district and because of its monopoly of rail traffic in the east they would be able to bargain with eastern and southern roads on the routing of traffic and division of rates."

Kent T. Healy, T. Dewitt Cuyler professor of transportation, Yale University, one of the knowledgeable and recognized railroad experts in the United States today, testified that the Pennsy-Central amalgamation was "a share of power, the questioning of the proper use of which may well lead to a demand for nationalization rather than to allow it to be properly exercised."

He stated that the position of this merged company with respect to freight-car ownership would give it a tremendous bargaining advantage relative to freight traffic, especially in times of tight car supply. He went on to state that the creation of such a large firm would greatly increase the possible damage to the economy by strike stoppage on its line, that financial hazards would be increased by having large blocks of securities subject to the performance of such a vast single company, and that there were inevitable bureaucratic tendencies that would come with this great size and dispersion which would lead to greater diseconomies and efficiencies of operation. In particular, Professor Healy presented to the subcommittee a formidable study of railroad costs which indicated that the New York Central and the Pennsylvania because of their present size were suffering substantial diseconomies and that any increase in their plant would not only compound these diseconomies but would have to be offset by greater and more severe diminution of their rail plants in order to get any substantial savings.

William P. Kennedy, president of the Brotherhood of Railroad Trainmen, with many years of experience and knowledge in the operation field of railroading, testified that this merger would give the new combination unlimited power because "it would absorb a great percentage, and in my opinion a greater percentage of business that they do not now control; and that it would be of the good business that would go through these gateways—St. Louis, Peoria, and Chicago—and it would mean that they would weaken the smaller railroads."

Mr. President, it is incredible that these other eastern alliances, and perhaps those in other parts of the country, should be allowed to proceed, fettered by financial interrelationships and conditioned upon approvals or disapprovals of such questionable mergers as that of the Pennsylvania-New York Central. This problem could be relieved by more Government planning, and the establishment of guidelines, not only to assure soundly conceived and competitively balanced systems, but also to protect the number of smaller roads from being forced into alinements which they do not prefer but have little choice in opposing. It is my feeling that the Commission should order an immediate stay of all pending merger cases, until the Pennsylvania-Central case is decided. The Pennsy-Central merger would appear to be a precedent for just about every merger in process. It would appear to have an impact which will be felt around the circuit of our national rail plant. Certainly these lesser consolidations should await the verdict with respect to this very questionable transaction.

OTHER RAIL MERGERS

Another spartan example of the failure of the present voluntary approach to railroad mergers lies in the developments which are taking place in the Southwest. There the Southern Pacific has applied for control of the Western Pacific. Similarly the Santa Fe has opposed the Southern Pacific's application and in turn has asked for permission to acquire control of that connecting carrier. The case has had its hearings and briefs are in, and the examiner's decision is expected momentarily.

However, the Southern Pacific has recently announced negotiations and intentions for possible merger with the Chicago, Rock Island & Pacific. Such a proposed merger would create a vast rail system which would give the Southern Pacific an advantageous competitive position with the Santa Fe on a through line from Los Angeles to Chicago. Until this new proposed merger is presented and processed before the Interstate Commerce Commission, it would seem illogical, if not dangerous, to reach a full decision on the Southern Pacific and Western Pacific matter, especially where, in that case, the Department of Justice has opposed any acquisition of the Western Pacific, and the Santa Fe has claimed that serious anticompetitive and monopoly effects would be created by such acquisition in favor of the Southern Pacific.

In the meantime, there may be other mergers brewing in the Southwest and these should be allowed to develop before any enlarging of the Southern Pacific takes place. Again, such a situation demands a deferral of merger decisions for a substantial period of time until both the Interstate Commerce Commission and the many roads involved determine which way they are going and whether such directions will be acceptable in the public interest.

Similar problems of helter-skelter merger negotiations and plans are still in changing stages in the Northwest, in the Middle West and in New England. Each of these mergers or acquisitions proposed appear to be directly related to most of the big mergers which are being processed at the present time.

New England, for example, has talked about a merger between the New Haven and the Pennsylvania but the Pennsylvania has shunned that proposal.

The Delaware & Hudson is proposing a possible union with the Norfolk & Western, and there have been some merger negotiations between the Erie and Norfolk & Western, with the thought of bringing a new competitive line into the New England area. But there are no assurances with respect to any of these propositions and, as in the case of the B. & O.-C. & O. and Norfolk & Western mergers, the inclusion of these roads in the final lineup of the smaller and weaker carriers most probably will depend upon a favorable Pennsylvania-Central verdict.

It seems to me to be crucial that we halt this piecemeal process with respect to present pending merger applications and that the Interstate Commerce Commission initiate some kind of investigation and study of what it may consider satisfactory alliances based upon full protection against monopolization and the absolute protection of the smaller and weaker railroads. This type of protection would run to the benefit of the railroads themselves because as we have seen, one big merger puts other roads in panic, causing them to cast wildly about for partners which they may not want, or which will result for them in combinations out of balance and not in the public interest. Things are undoubtedly moving much too fast at this point to allow for any sober analyses. The Interstate Commerce Commission must realize that because of present events, it cannot rely entirely on its judicial role, but must enter the field of at least limited planning.

It is time that the ICC took the initiative to give the railroads some idea as to what mergers would be acceptable before they spend millions of dollars in presenting these cases on a piecemeal basis before the Commission. It would seem to me, Mr. President, that knowing these huge applications have gone through the rigors of judicial presentation resulting in the expense of large sums for legal fees, economic data and testimony, it would take an extremely strong and courageous Interstate Commerce Commission to turn down their applications. Thus, the present plans before the Commission today may already be foregone conclusions, and our efforts to bring order out of chaos may well be academic unless the rail merger moratorium bill is passed in this Congress, and the administration, the Interstate Commerce Commission, and the Congress move into this problem with some direction and vigorous analysis immediately.

THE PRESENT INABILITY OF THE APPROPRIATE ADMINISTRATIVE AGENCIES TO COPE WITH THIS MERGER PROBLEM

The magnitude of the proposed rail mergers, and the area of this country which would be affected if they are allowed to proceed, places a heavy responsibility upon those agencies which process and test these applications in the public interest. Mergers of the size of the Northern Pacific-Great Northern-Burlington, and of the Pennsylvania-Central involve the sealing off of considerable territory from effective, alternative rail service, the loss of thousands of jobs, the shrinking of rail facilities, and the creation of strong economic controls in the hands of a few interests. Thus, these merger decisions will have broad economic and social impact. They will set the pattern for the future of transportation in the United States. They will become precedents for additional concentration. These mergers, if allowed, will become irrevocable—there will be no opportunity to return the companies to the status quo, in order to perfect a better plan, or to correct errors of judgment.

Because the right judgment, and the right plan, is of such vital importance to the American people, it has been assumed that the Interstate Commerce Commission which has the plenary authority to approve rail mergers, and the Department of Justice and Department of Commerce, which presently have assumed the role of developing the record and suggesting special public interest criteria with respect to these cases before the Commission, are adequately equipped to process and analyze all facets of these merger proposals. The hearings before the Antitrust and Monopoly Subcommittee, however, raised serious questions as to whether these agencies were at this time prepared to carry out their responsibilities adequately.

The Commission presently decides each merger and control application strictly on the basis of the record made in each separate proceeding. It relies entirely on the parties to test the sufficiency, and veracity of the applicants' cases and to present all the public interest aspects involved. The Commission does not go behind the case record and make its own independent determination based upon the expertise of its own personnel, or the economic knowledge of experts, unless such is brought into the record by a party. It acts, in essence, as a court of law, and refuses to exercise any planning function.

The hearings before the Subcommittee on Antitrust and Monopoly disclosed that reliance upon a record of this type of adversary proceeding is not satisfactory for a proper decision with respect to the public interest. In the Baltimore & Ohio-Chesapeake & Ohio and Norfolk & Western-Nickel Plate-Wabash cases in the East, merger opponents with the funds and legal talent capable of challenging the applicant's conditions withdrew from those cases without having made any substantial record in opposition. Their withdrawal was occasioned by their entering into various settlement agreements with the applicants, by working out merger proposals of their own or by obtaining assurances that they will be included in the merged company if the transaction is permitted. Even railway labor opposition has in some instances been stilled through the obtaining of special concessions.

The Commission called its Bureau of Inquiry into the Norfolk & Western case to avert the tragedy of a one-sided and insufficient record, and the testimony of Commission experts called by the Bureau to testify put that case squarely in perspective. The question is presented as to why the Interstate Commerce Commission has not injected its Bureau of Inquiry into every major merger case to develop the record for the communities which stand to be hurt, to represent the individual shippers which do not have the funds to present their cases, to analyze and test by cross-examination the prima facie cases of the applicants and to analyze and present the Bureau's own independent opinion with respect to the basic public interest criteria which the law requires to be satisfied. It is significant that the Bureau was recently ordered to participate in the Pennsylvania-Central merger proceeding.

A staff study published by the Bureau of Transport Economics and Statistics of the Interstate Commerce Commission entitled "Railroad Consolidations in the Public Interest—A Preliminary Examination," March 1962, has analyzed past applications of public interest criteria and has indicated that substantial modifications or additions to the methods of testing major merger cases should be developed before the Commission can best determine effectively which rail mergers are in the public interest. This staff study coming out at a time when substantial numbers of merger hearings had terminated or were about to terminate, indicates that the "usefulness of the additional modified criteria suggested cannot be determined without further economic research." It goes on to say that a "planned sequel" to this important staff study will "explore the susceptibility of these criteria to measurement" and attempt to develop a "procedure for improvement and economic analysis of public interest factors which the Commission and its staff could utilize in rail merger and control proceedings." Whether this staff study which was prepared by the Commission's own transportation economists under the general direction of the Bureau of Transport and Economics' chief of the section of research, and approved by the Director of that Bureau, is an official expression of the Interstate Commerce Commission itself is not essentially important here. The point is that competent economic analysts are telling the Interstate Commerce Commission that it does not presently have sufficient criteria, data, and methodology required for public interest measurements, that further economic research is necessary and that additional time is necessary before these important improvements in the process of determining mergers can be implemented. It is incredible that, in the face of these admissions of present inability on the part of the Commission for merger determination, the Chairman of the Interstate Commerce Commission came before the Subcommittee on Antitrust and Monopoly and opposed a limited moratorium on decisions for a period of 18 months, during which time it could reorganize and improve its procedures for testing railway mergers.

Further information brought out at the hearings has indicated that the Commission has made no studies, to date, concerning the density of rail traffic along major rail routes and between major rail points within any area or region of the country which could be used to determine how basically competitive railroads were among each other, and to what degree the areas could support continued competition between such rail lines. In addition, it appeared that there were no studies or statistics to show the extent to which substitute competition, such as trucks or water carriers, actually compete with the railroads for the transportation of various groups of commodities along such major routes and between such major points. The Commission has, of course, obtained general statistics concerning truck, water carrier and pipeline traffic, but it was without the adequate information upon which it could make a satisfactory determination as to the specific intermodal competition faced by each of the major class I railroads along its routes.

It was also brought out that there have been no general investigations into the question of what interests control and influence the various class I carriers, either through voting stock or through creditor relationships, except as may be brought out by parties to the individual cases. Thus, it would appear that at a time when there is an attempt to concentrate vast holdings of railroad wealth, the Commission has no records and no detailed facts as to what financial controls are being exerted and developed, and has no specific knowledge of the actual influence over the policy of the railroads by insurance companies, commercial banks, investment banks and other financial institutions, except as may be brought out in the individual cases.

In April of this year the President appointed a special Interagency Group to undertake two very vital tasks: First, after proper consultation with interested parties, to formulate general administrative policies on mergers in each segment of the transportation industry, and second, to assist the Department of Justice in developing a Government position on each merger application for presentation before the regulatory agency.

This Interagency Group consists of the Under Secretary of Commerce for Transportation as Chairman, the Assistant Attorney General in charge of the Antitrust Division of the Department of Justice, an Assistant Secretary of Labor and a member of the Council of Economic Advisers. In his transportation message, President Kennedy indicated that the Group would examine "each pending merger in transportation on the basis of the following criteria and others that they may develop, first, effective competition should be maintained among alternative forms of transportation, and, where traffic volume permits between competing forms in the same mode of transportation; second, the goals of economic, efficient, and adequate service to the public—and reduction in any public subsidy—should be secured by the realization of general economies; third, affected workers should be given the assistance to make any necessary adjustments caused by the merger."

The formation of such a task force as this appeared to be a commendable beginning to a full understanding of the merger problem. The fact that the Chief of the Antitrust Division was to be a part of this Group certainly indicated to me the concern which the President must have had in connection with the anticompetitive and monopolistic aspects of railroad mergers. However, at a time when a number of major merger cases have been completed and cases are being determined or have been determined by examiners, this Interagency Group has yet to be heard from. In fact, in his testimony before the Subcommittee on Antitrust and Monopoly, the Chairman of the Group, Clarence D. Martin, admitted that members had met only twice since the Group was formed in April; that the meetings were devoted substantially to procedural and organizational matters and that railroads were only part of the general discussions and considerations involved in the meetings.

Testimony from Judge Lee Loevinger, the Assistant Attorney General in charge of the Antitrust Division, indicated that no conclusions of policy had been agreed upon which would be helpful to the problem of effecting new criteria in this rail merger field.

The Department of Justice, which apparently will be the agency making the presentation for the administration in connection with these merger proceedings, has a heavy responsibility of developing a record not only with respect to the monopolistic effects of these mergers, but concerning their effects on communities and areas of the country, on the national defense, and with respect to economic growth. It is a responsibility that demands extensive staff work, a number of lawyers, and a conscientious day-to-day analysis of each record as it develops.

However, Judge Loevinger appearing before the Antitrust and Monopoly Subcommittee admitted that the Antitrust Division had already spread itself thin in the allocation of assignments and that he had only about a half dozen lawyers and no transportation economists working on all transportation merger cases. In addition, he added, that he had real problems in obtaining technical assistance because of the per diem limitations on consultants.

At the present hearings being conducted with respect to the New York Central-Pennsylvania merger, it appears that the Department has only one attorney in appearance and has been able to obtain an outside transportation consultant on a limited basis. In that proceeding it also appears that, except for a particular New England situation, there is virtually no opposition to the merger except for the opposition provided by labor counsel and their economists. Because the issue concerning labor is of a special nature, this opposition cannot be expected to develop the full case concerning the anticompetitive and monopolistic effects of the merger and other general effects on the public interest. Thus, the prime responsibility for developing a full record in the Pennsylvania case and for assuring that such a record will not collapse without adequate challenge, as did the record in the Norfolk & Western proceedings, lies with the Department of Justice and the Bureau of Inquiry. It is a heavy responsibility and a difficult one for these agencies.

Here again, it is a situation where time and the opportunity for further investigation which could be afforded by S. 3097 would be very helpful to the Department and to the Bureau of Inquiry in making an adequate and perceptive analysis of the real impact that this giant Pennsylvania-Central merger will have, not only on the eastern area of the United States, but with respect to the entire national rail network.

CONCLUSION

Mr. President, the railroad industry seems determined to combine and consolidate its large trunkline properties for the purpose of shrinking our national rail plant. Such consolidations as are presently being proposed to the Interstate Commerce Commission for approval can only result in an increased concentration of economic power in the hands of a very few roads. The Pennsylvania-New York Central merger and its position as a determinant for many other mergers in the East and elsewhere clearly demonstrates the inadequacy of the voluntary case-by-case approach to rail mergers.

It is unfortunate that the Pennsy-Central merger has been allowed to proceed to the hearing state. Because of its staggering size and its implications it must certainly give the Commission great cause for concern. I am informed that the Pennsylvania and New York Central roads have set up a special propaganda organization directed to "informing the public on issues concerning their proposed merger." It is called the Penn-Central Merger Information Committee, and it has already distributed a number of brochures to thousands of people commenting upon matters which have yet to be presented to the Commission. An article published in the Wall Street Journal of August 17, 1962, indicates that the the companies sent their executives to 39 cities to "describe their case for the merger to the city officials, businessmen and the press." This article goes on to state—and I do not doubt in the slightest that this is a substantially correct statement—that "the cost to the two carriers' campaigns last April had reached $2 million for study, fees, and the like."

It also says that the two merger applicants have hired a large New York public relations firm to develop opinion leaders around the country to help campaign in favor of the merger. In addition, these two applicants have been adequately supported by huge public relations programs carried on by the Association of American Railroads, the Eastern Railroads Presidents' Conference, and other associations which have expended substantial sums of money for the past 4 years to educate the American public that the railroad industry is on the verge of bankruptcy and that merger and railroad plant contraction is one of the major ways out of this frightening condition.

Somewhere amid the complexities of this railroad industry reorganization with the Commission treating each case on a judicial, isolated basis, and with the two largest American railroads carrying on a "trial by public relations firms" around the country, we have lost sight of a basic concept—that rail mergers must be in the public interest—not in the interest of private investors, not in the interest of monopolists seeking greater economic control, and not in the interest of diminishing the country's rail service in the hope of obtaining shortrun profits.

It may be that Government planning, to some extent, and the establishment of more definite and more restrictive guidelines is necessary to assure the right kind of balanced systems in the transportation industry. The bill, which I and a number of other Senators have introduced, S. 3097, is directed to protecting some basic concepts of competition and antimonopoly for a period of time during which Congress can look into the recent happenings in the railroad industry and give the Interstate Commerce Commission adequate directions for handling the merger movement. The helter-skelter method of processing these mergers, the inadequate presentation of the effects of such combinations on local and regional areas, on economic growth, and with respect to the national defense, with not even the slightest attempt at planning by the Commission, is a danger to the future of American transportation.

Congress needs time to consider these issues, and such time can be obtained by the enactment of S. 3097.

BUSINESS COUNCIL FOR INTERNATIONAL UNDERSTANDING

Mr. HUMPHREY. Mr. President, the Business Council for International Understanding, a nonprofit, nongovernmental organization, founded in 1958 for the purpose of extending to the international operations of industry the same principles of education and community relations it has applied so effectively at home, has recently made a major contribution to the economic development of our neighbor to the south, the Dominican Republic.

As we all know, the economy of this new democratic state was in serious disarray following the overthrow of the 31-year-old Trujillo dictatorship. The operations of some 87 industrial enterprises, formerly owned and operated by the Trujillo clan, had come almost to a halt due to the fact that most trained managerial personnel had fled the country when the regime fell. Clearly expert guidance was needed.

The Business Council for International Understanding came to the rescue. With the endorsements of the Department of State, the Agency for International Development, and the Dominican Government, the council arranged to loan the services of 14 top level industrial specialists to the Dominican Republic to make detailed analyses of operating problems arising in factories and processing plants formerly owned by the Trujillos and now operated by the Dominican Council of State. Their recommendations, which are now being considered by the Government, were of both a short- and long-term nature. All costs of the undertaking were defrayed by the cooperating U.S. firms or by the business council.

Mr. President, I am pleased to hear of such enlightened contributions by American business leaders to help the people of other nations help themselves to progress. These efforts are in harmony with our foreign policy; they foster international cooperation and understanding; they demonstrate to the world that the American people are sincerely interested in helping other people, not only with money but with the technical skills and know-how we have acquired over the years. I hope that the Business Council for International Understanding continues its fine work in the years to come, and that other groups will make similar contributions to international cooperation and progress.

Mr. President, I ask unanimous consent to have printed at this point in the Record a statement describing the plans and purposes of the council's program in the Dominican Republic.

There being no objection, the statement was ordered to be printed in the Record, as follows:

JOINT PRESS CONFERENCE OF THE EMBASSY OF THE DOMINICAN REPUBLIC AND BUSINESS COUNCIL FOR INTERNATIONAL UNDERSTANDING—MAYFLOWER HOTEL, 12:45 P.M.—PRESS LUNCHEON, WEDNESDAY, AUGUST 8, 1962

A unique operation carried out by U.S. private enterprise, supporting the purpose of the Alliance for Progress, has been successfully launched in the Dominican Republic. Development in this undertaking were outlined by Dominican Ambassador Andres A. Freites, Fred C. Foy, chairman of the policy board of the Business Council for International Understanding, and Ambassador Teodoro Moscoso, U.S. Coordinator of the Alliance for Progress, at a press conference in the Mayflower Hotel in Washington today.

Planned and executed through the nonprofit Business Council for International Understanding (BCIU), the project involved lending the services of 14 top level U.S. industry specialists to make detailed analyses of the operating problems in factories and processing plants now controlled by the Dominican Council of State.

The reports of these visiting specialists have been furnished to the council of state, through BCIU. These reports include not only recommendations for immediate improvements in operating practices, many of which have already been put into effect, but also long-range plans for each company.

All costs of the undertaking were defrayed by the U.S. firms participating, or by BCIU. The Dominican Republic was asked to provide only ground transportation within the country, plus the service of interpreters when needed. Full endorsement of the plan was obtained in advance from appropriate officials of the State Department and of the Agency for International Development (AID), as well as from Dominican authorities.

The project had its origin almost 7 months ago, when a team of businessmen visited the Dominican Republic to examine the possibilities of collaborating usefully in the joint effort to construct a free democratic society there, on the ruins of a 31-year dictatorship.

Those who made the survey trip are Thomas Carter, assistant vice president, Chase Manhattan Bank; Joseph Kelleher, regional director, J. Walter Thompson, Inc.; Carl G. Morrison, assistant to the president, Esso-Standard Oil, Inc., S.A.; Samuel F. Pryor, vice president, Pan American World Airways; George M. Walker, executive vice president, Koppers Co., Inc.; Robert Overbeck, Aluminum Co. of America; and John Habberton, managing director, BCIU.

Following a week-long tour which took them to various regions of the Republic, this group concluded that there was a very specific assistance role that could be performed by U.S. business. George Walker, of Koppers, returned to Santo Domingo to develop a detailed plan. He observed that problems in many of the 87 industrial and commercial enterprises taken over by the Council of State from the shattered Trujillo dynasty were fast assuming critical proportions.

All these plants and firms had formerly been owned, wholly or in part, by the late dictator, his relatives, and/or a few close associates. Those persons, together with their handpicked managerial and administrative personnel, either fled the country or went underground after the old regime collapsed.

Replacements for these top and middle management posts were simply not available, since no Dominican outside Trujillo's immediate circle had been permitted to acquire such experience. Lawyers, doctors, public accountants, pharmacists—men whose only credentials were known personal integrity and prodemocratic sentiments—had been assigned to run the expropriated industries.

Walker, after consulting with Fred C. Foy, board chairman of Koppers Co., Inc., and BCIU policy board chairman, proposed to Dr. Donald Reid Cabral, Second Vice President of the Dominican Council of State, that BCIU seek the cooperation of U.S. industry to provide expert consultants who would analyze and report on a certain number of the most trouble-ridden enterprises. The offer was accepted promptly and enthusiastically.

On March 19, last, at a BCIU policy board meeting held in Washington, D.C., this plan was unanimously approved as a disinterested service in the hemispheric interest. The Department of State and the Agency for International Development (AID) gave their full endorsement. U.S. Ambassador John Bartlow Martin and AID officials in the Dominican Republic, who cooperated fully with the undertaking, have since been furnished progress reports at frequent intervals.

The industries selected by the Council of State as most in need of such assistance produce the following commodities: sugar, flour, chocolate, cement, paper, glass, paint, textiles, sisal (hemp) cordage and sacks, and bagasse (sugarcane pulp) wallboard. The U.S. companies which made the studies are, respectively: Pepsi-Cola, General Mills, General Foods, Kaiser-Permanente, Kimberly-Clark, Owens-Illinois, Ball Glass, Glidden Paint, Koppers, Plymouth Cordage, and W.R. Grace.

The first specialists arrived in Santo Domingo on March 26. Between then and now, the senior U.S. industrial executives have devoted to the task from a week to a month each, depending on the nature of the problems in the individual plants. That figure does not include time spent by Mr. Walker, who has been in the Dominican Republic during the past 5 months as coordinator of the project. In addition, technical personnel from the U.S. companies have assisted Dominican management to implement recommendations made by the senior executives.

The specialists' detailed reports on findings include appraisals of operating practices, analyses of economic factors, recommendations for immediate improvement of techniques, and long-term suggestions for eventual transfer of these properties to the Dominican private sector. Authorities to whom the reports were presented promptly put into effect many of the proposed modifications or remedies, with demonstrable results in increased efficiency and product improvement.

In addition to the 10 operations originally selected by the Council of State for inspection, BCIU was subsequently asked to examine the Dominican Government's arms and munitions factory, to explore the possibilities of converting certain equipment and facilities there to the production of tools or consumer goods.

NEW UNITED STATES-UNITED KINGDOM NUCLEAR TEST BAN PROPOSAL

Mr. HUMPHREY. Mr. President, I ask unanimous consent to have printed in the Record an announcement by the

President of the United States concerning the proposal which the United States made this morning at the 18-nation disarmament conference at Geneva.

There being no objection, the announcement was ordered to be printed in the RECORD, as follows:

Joint Statement of the President of the United States and the Prime Minister of the United Kingdom

A guaranteed end to all nuclear testing in all environments is a fundamental objective of the free world. We are deeply convinced that the achievement of this objective would serve our best national interests and the national interests of all the nations of the world.

In recent weeks the United States and the United Kingdom have renewed their efforts at the Geneva Disarmament Conference to reach this goal. Based on the latest scientific findings of our research program, we have put forward proposals in the strong hope of obtaining prompt agreement on this crucial issue.

As a further step in the direction of this long-sought-after goal, the United States and the United Kingdom have instructed their representatives at Geneva to present today to the 18-Nation Disarmament Committee a draft treaty containing proposals for an end to all nuclear testing in all environments as well as an alternative draft treaty providing for an end to nuclear testing in the atmosphere, underwater, and in outer space. We both believe the arrangements we have outlined in these documents for insuring compliance with the terms of the agreement—whether comprehensive or limited—are sound and reasonable providing, as they do, the necessary guarantees for our own security and the security of all nations which might become parties to either agreement. We wish to make clear the strong preference of the United States and the United Kingdom for prompt action on the first of them; namely, the comprehensive treaty. However, we are also prepared to conclude an early agreement on the basis of the second document, that covering a more limited field, if this represents the widest area of agreement possible at this time.

Unlike a ban on testing in all environments, including underground, a treaty banning tests in the atmosphere, underwater, and in outer space can be effectively verified without onsite inspections. Such a treaty would result in a definite downward turn in the arms race as it is represented by testing to develop weapons technology. It would make it easier to prevent the spread of nuclear weapons to countries not now possessing them. It would free mankind from the dangers and fear of radioactive fallout. Furthermore, agreement on such a treaty might be a first step toward an agreement banning testing in all environments.

The United States and the United Kingdom cannot emphasize too strongly the urgency we attach to the problem of ending all nuclear testing once and for all. For the safety and security of all of us, this deadly competition must be halted and we, again, urge the Soviet Government to join with us in meaningful action to make this necessity a reality.

Mr. HUMPHREY. Mr. President, the joint statement by the President of the United States and the Prime Minister of the United Kingdom is one which ought to be studied carefully by every American and by every student of international diplomacy. It signals an important development in the foreign policy of the United States. It means that the United States has taken a new initiative in the peace race to further our own security and promote international harmony.

Mr. President, a comprehensive nuclear test ban treaty—one which will permanently ban all nuclear weapons test in all environments—is in the interests of the security of the United States and of world peace. For almost 4 years and under two administrations, the United States has been patiently negotiating for such a treaty.

Such a treaty is urgently needed. It would be an important first step in bringing the arms race under control. It would be the foundation for the establishment of the confidence which will be necessary if other more far-reaching disarmament measures are to be concluded and faithfully carried out. It would serve to restrict and inhibit other counries from producing their own nuclear weapons. Finally, it would end the harmful radioactive fallout which has been produced by nuclear testing.

Mr. President, I call to the attention of the Members of the Senate an article published yesterday in the New York Times. The article was written by Donald Janson, and the headline is: "Minnesota Acts on Iodine in Milk—Pasture Plan Aims at Drop in Radioactive Content."

The dispatch came from Minneapolis, Minn. In the article is stated and set forth in considerable detail what I have been attempting to inform the Senate from time to time in regard to the threat to health which now is being found in the accumulations of iodine 131, which tends to accumulate in milk, and has the effect of bringing about a cancerous condition of the thyroid in children.

I ask unanimous consent to have the entire article published in the New York Times printed in the RECORD at the conclusion of my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 1.)

Mr. HUMPHREY. Mr. President, to achieve a workable comprehensive test ban, the United States has recently made a number of proposals on verification, in order to break the deadlock which has gripped the test-ban negotiations, and, in particular, to solve the problem of detecting, locating, and identifying underground nuclear weapons tests. Each of the proposals which the United States has made over the years has been designed to insure that verification is adequate to protect the parties to a treaty from the risks of possible violations. Those verification proposals have been based upon an intensive study by the United States of each aspect of the issues which have been major stumbling blocks in the path of achieving the verification necessary to provide the parties with adequate assurance against treaty violations.

Mr. President, again I remind my colleagues that this has been a thoroughly bipartisan endeavor. It was undertaken during the 8 years of the Eisenhower administration, and it has been undertaken during the 2 years of the Kennedy administration. In fact, the first efforts toward nuclear weapons control occurred during the administration of President Truman, under the so-called Baruch proposals which were advanced by our Government at the United Nations. So this is nothing new. This proposal has been advanced regularly, from time to time, by the United States; but over the years it has continually been rejected by the Soviets.

U.S. representatives at Geneva have consistently pointed out that the keystone to any comprehensive nuclear test-ban agreement is the provision for onsite inspections. For that reason, the draft comprehensive treaty, which has been tabled at Geneva, provides for onsite inspection of unidentified seismic events on the basis of procedures laid down in the proposed treaty. Under its terms, the chief executive officer of the International Scientific Commission would indicate which events had been located and remained unidentified after the application of certain criteria. The area which might be inspected in connection with any unidentified event would also be designated in the treaty. Inspection would take place under a quota arrangement—an agreed number per year if the events met the treaty requirement for eligibility for onsite inspection—with the events to be inspected in the Soviet Union to be selected jointly by the United States and the United Kingdom, and the events to be inspected in the United Kingdom and the United States to be selected by the Soviet Union. Events in other states would also follow a quota arrangement. The inspections would be carried out by teams organized so as to prevent nationals from any state from inspecting events in its own territory. States would assume an obligation to facilitate and cooperate in any onsite inspection undertaken under the proposed treaty.

I have indicated what the essential requirements of the United States are for a comprehensive treaty. But it takes more than proposals by one side to conduct a meaningful negotiation. Negotiations, by their very nature, must be joint efforts. The adamant stand of the Soviet Union in refusing to accept obligatory onsite inspections has put a roadblock in the part of obtaining a comprehensive treaty banning nuclear-weapons tests. As a result, the negotiations for a comprehensive ban are stalled in dead center.

It is in the interests of the United States, however, to reach the widest possible area of agreement banning nuclear weapons tests and to enter into a treaty banning nuclear weapons tests in environments in which the treaty could be verified without the necessity of establishing an internationally supervised verification system, including onsite inspection. It is for this reason that I believe it is in the interests of the United States, while it continues to negotiate urgently for a comprehensive treaty, to offer at the same time to agree to a treaty banning nuclear weapons tests in the atmosphere, in outer space and under water.

Mr. President, as we know, this proposal was made today by our Government, in cooperation with the United Kingdom. It is a proposal which I and other Senators have repeatedly advanced during recent years. It is a reasonable, a safe, a sensible, and a workable proposal.

As I have said, Mr. President, this is not the first time that the United States, with overwhelming public support, has offered to conclude such a treaty. Neither this administration nor the last has wanted persistent disagreements over the detection and identification of underground nuclear blasts to prevent a ban on tests which are easily detectable without onsite inspections. A treaty outlawing all but underground nuclear tests could and would halt the steady accumulation of harmful radioactive substances in the human environment. It would provide a base camp from which the last obstacles in the way of a comprehensive nuclear test ban could ultimately be scaled.

That is why I have been among a group of Senators who have consistently urged a limited test ban—that is, a ban on explosions in the atmosphere, underwater, and in outer space—as long as there was no progress at Geneva toward a total ban or toward meaningful disarmament. When speaking in the Senate on July 25, I asked that the U.S. delegation at Geneva pursue this goal with utmost energy and diligence—in other words, pursue the goal of a limited test-ban agreement covering the atmosphere, outer space, and underwater.

The need for a partial test ban took on urgent proportions last week when dairy farmers in my State of Minnesota removed their cows from pasture, because of the mounting accumulation of radioactive iodine 131 in local milk supplies. I cited this fact in a letter to the Director of the Arms Control and Disarmament Agency, in which I repeated my earlier call for a permanent halt on nuclear tests in the atmosphere.

I may add that the same conditions have been found in lesser degree in other areas in the United States. The same Congress that is deeply concerned about the possible harmful effects of new drugs should be as greatly concerned about the possibilities of serious damage to health and, indeed, to life because of radioactive fallout. In fact, there is much evidence that the harm done by radioactive fallout may be even greater than the harm done by drugs. Actually, the side effects coming from new drugs may come only after a number of years, and in some cases only in 1 case out of 10,000 or 1 case out of 50,000. Yet, in passing the drug bill, Congress insisted that tests and inspections should be stepped up—and properly so; and some Members of Congress even insisted that manufacturers be licensed.

So, Mr. President, this Senator raises his voice in a fervent, sincere, and urgent plea that in order to protect the health and safety—and, indeed, the very lives—of our people and of people's everywhere, there be a ban on nuclear tests in the atmosphere, inasmuch as such tests can so greatly contaminate the atmosphere that death on the installment plan or chronic illnesses by stages can be caused.

No one can disprove that fact. The threat of radioactive fallout is a living threat that can claim lives as surely as drugs that are improperly tested and as surely as traffic accidents themselves.

My correspondence with Mr. Foster has already been placed in the RECORD together with ample commentary and background information. Needless to say, I am gratified that the U.S. Government, with the backing and advice of the Arms Control and Disarmament Agency, has taken the initiative at Geneva to halt the deadly poisoning of the atmosphere through radioactive fallout. We have lived up to the highest traditions of honor in our society.

The treaty offered by the United States today represents positive security gains to the United States and all other signatory powers. Although the initial reaction of the Soviet Union is characteristically negative, I hope that upon sober reflection the Kremlin will take the following considerations to heart:

First, such a treaty would result in a definite downward turn in the arms race as it is represented by testing to develop weapons technology. Such restrictions would, of course, be applicable to the United States, but they would also be applicable to the Soviet Union, and, in the last analysis, they would be in the security interests of both countries, because an arms race, spiraling unchecked to ever greater heights, decreases the security of both countries.

It is about time that we started to understand that an unchecked, uncontrolled arms race offers no security. What it offers is a mountain of tension, mounting costs, and increases the possibility of accidental war and obliteration from the face of the earth, unless we are exceedingly fortunate and careful.

Probably even more important would be the inhibiting effects of such a limited treaty on the weapons development programs of those countries that are about to enter the nuclear arms race. Almost all areas of weapons technology would be made more difficult for them if those nations were to become parties to a treaty that prohibited their testing in the atmosphere. In some very significant areas, particularly the large yield, efficient warheads for strategic use with aircraft or rockets, development would probably be precluded.

Finally, of course, a treaty that prohibits testing in the atmosphere and the oceans would end the radioactive pollution of those media. Such argument has taken place on the extent to which radioactive fallout represents a danger to people now alive, as well as future generations. We do know that at the very least fallout is undesirable. We also know that if the testing continues, and at an accelerated pace, fallout will increase, especially if more countries are testing.

This is of vital concern to Americans everywhere, and, as I have indicated, to at least one group in my State, the dairy farmers, and more particularly to the people who use the products, and, of greatest importance, to the young to whom milk is so important.

An end to radioactive fallout is therefore a significant byproduct of a treaty banning nuclear tests in the atmosphere, in outer space, and underwater.

The essential factors of the treaty banning tests in the atmosphere, in outer space, and underwater are as follows:

First. An obligation on the part of the parties to prohibit and prevent nuclear weapons test explosions any place under their jurisdiction or control in or above the atmosphere, in territorial waters or high seas, or in any other environment if such explosion causes radioactive debris to be present outside the territorial limits of the state under whose jurisdiction or control such explosion is conducted.

Second. In addition to prohibiting nuclear weapons test explosions in the atmosphere, in outer space, and underwater, the parties to the treaty would agree to refrain from participating in or encouraging the prohibited nuclear weapons test explosions by any other state.

Third. The parties would be allowed to conduct explosions for peaceful purposes in environments otherwise prescribed by the treaty with the unanimous consent of the United States, United Kingdom, and U.S.S.R. or under conditions to be defined and laid down in the treaty.

Fourth. A party would have a right to withdraw if the treaty had been violated by another party, if a state not a party to the treaty had tested nuclear weapons and this was deemed to be a threat to the party's national security, or if nuclear weapons tests occurred either in violation of the treaty or which jeopardized the withdrawing party's national security, and it is not possible to identify the state responsible.

This last provision, the right to withdraw if the other side has violated, is the key to the limited test ban. We now know that national means—that is, national testing facilities—are adequate to detect a clandestine test in the atmosphere, in outer space, and underwater. The ability to detect such a test by national means, coupled with the ability to withdraw from the treaty when a test is detected, gives a treaty dealing with tests in the atmosphere, in outer space, and underwater the same degree of verification as the system of control posts and onsite inspections provides for a comprehensive ban.

In fact, I think it gives a greater degree of verification, and therefore a greater certainty as to the protection of our national security.

The United States is proposing and is prepared to negotiate on a comprehensive test ban, if the Soviet Union is prepared to accept an internationally supervised control system, including onsite inspections. If the Soviet Union will not accept this principle, the United States is ready to negotiate a ban limited to those nuclear weapons tests that can be detected and identified by national detection systems. This is what we mean by banning tests in the atmosphere.

This fact puts the United States in an excellent position to resist the proposal which usually accompanies a partial ban on tests, that there be a moratorium on tests in the excluded environments, or, in other words, underground tests.

Such a proposal, of course, goes contrary to the basis on which a partial ban is proposed. The reason why the United States is prepared to offer a ban limited to nuclear weapons tests in the atmosphere, in outer space, and underwater, is because the Soviet position on onsite inspection makes it impossible to agree to a workable comprehensive test ban. The United States cannot agree, of course, to make agreement on this limited test ban contingent upon action with respect to underground tests. This would merely revive the issue which has so far made it impossible to agree to a comprehensive test ban.

There is no need to elaborate on the unhappy experience of the United States under the moratorium on testing which began in the fall of 1958, and which ended when the Soviet Union resumed testing in the fall of 1961. It is necessary to point out that the opposition of the United States to an uninspected, uncontrolled moratorium goes deeper than a desire to avoid a second such experience. This opposition is founded in the basic position of the United States on the nature of the verification required for a disarmament measure. The United States has made it quite clear at Geneva that even when the establishment of a detection system composed of a number of internationally supervised control posts, obligatory onsite inspections are still necessary to give the parties to a comprehensive test ban treaty the assurances to which they are entitled that the treaty is not being violated by clandestine, secret, underground testing.

An uninspected, uncontrolled moratorium on underground tests stands on no better footing than a comprehensive treaty without an adequate verification system to deal with the problem of clandestine underground tests. Both fall short of providing reasonable assurance that the other parties are living up to the agreed understanding. The willingness of the United States to accept either a comprehensive or a limited test ban treaty, depending upon the extent of inspection and control which the Soviets will accept, puts the United States in an excellent position to resist any pressures for an uninspected, uncontrolled moratorium on underground tests.

In considering either a comprehensive test ban, or one limited to nuclear weapons tests in the atmosphere, in outer space or underwater, consideration must be given to the effective date of such an agreement. This consideration must be given in the light of the fact that the Soviet Union is now engaging in a series of atmospheric tests. It has been suggested by various delegations at the Geneva Conference that the problem of which country has the last test series might be solved by agreeing upon a date in the future at which time nuclear tests would stop. The United States, on its part, has responded to this suggestion by leaving open in the two draft treaties which it has tabled today the question of the effective date. In other words, we are prepared to negotiate that item.

Clearly the United States, as well as other states which might become parties to these treaties, cannot guarantee that all of their respective constitutional requirements and processes will have been complied with by a specific date. It would seem possible, however, as the negotiations proceed and as we learn more about what the current Soviet series is producing in the way of results, and when it is expected to end, to aim at some target date in the future for a cutoff of testing, whether in all environments or in the atmosphere, in outer space and underwater.

The President of the United States was quite right today in pointing out one central fact about setting such a date: Both sides are going to be watching the other closely as they approach any cutoff date and neither will wish to cut off its tests unless it is assured that it is not giving the other state a substantial military advantage. This warning of the President reminds us of the hard fact that there is bound to be this concern over a cutoff date; but this should not, and the President did not propose that it should, distract us from the idea of working toward an agreed cutoff date as an essential part of any negotiation.

The position of the United States on the banning of nuclear weapons tests is reasonable and forthcoming. We wish to ban all tests under a treaty with effective international verification, including onsite inspection. The United States is prepared at any time to accept such a treaty if the Soviet Union accepts a verification system which is related to the degree of risk involved and therefore adequate for a comprehensive ban. The United States will spare no efforts in continuing to work for such a ban.

As I said, Mr. President, we seek to make progress in slowing down the arms race. We seek to protect the health and well-being of humanity. We offer in good faith today the limited test ban treaty to which, as I said earlier, the Soviet representative on first glance and first notice said "No."

I hope and pray that the officials of the Soviet Government will take another look at the problem. If they continue their obstinacy, if they continue to resist and reject such a reasonable, workable, effective, safe, and secure proposal, it can only be assumed that the Soviet Union has no regard whatsoever for the desire of mankind to live in a world of peace.

This would leave us no alternative other than to continue our massive weapons buildup. It would leave us no alternative other than to take care of every area of our defense as best we can.

Mr. President, it is the considered judgment of the President of the United States and of those who are his advisers on national security that it is in the interest of world peace, in the interest of our national security, and in the interest of humanity that the weapons race should be slowed down and, above all, that nuclear testing in the atmosphere should be stopped and prohibited, and that there should be a workable agreement to guarantee that such is the case.

Again I commend the President for his leadership. I am proud that the U.S. representatives at Geneva have offered this sensible and reasonable proposal.

I hope the world will stand in judgment of the Soviet representatives if the Soviets continue their negative philosophy of rejecting these constructive proposals.

We still offer the Soviet Union the hand of understanding and of cooperation in the banning of tests in the atmosphere, if they will but see fit to do so. If they do not, then let the world know that the United States has walked the extra mile and has done all any honorable nation can do.

Mr. President, I ask unanimous consent to place in the RECORD today's United States-United Kingdom proposal for a "Draft Treaty Banning Nuclear Weapon Tests in Atmosphere, Outer Space, and Underwater," as well as the text of a "Draft Treaty Banning Nuclear Weapon Tests in All Environments."

There being no objection the drafts were ordered to be printed in the RECORD, as follows:

DRAFT TREATY BANNING NUCLEAR WEAPON TESTS IN ATMOSPHERE, OUTER SPACE AND UNDERWATER

AUGUST 27, 1962.

PREAMBLE

The Governments of the Union of Soviet Socialist Republics, the United Kingdom of Great Britain and Northern Ireland, and the United States of America, hereinafter referred to as the Original Parties,

Desirous of bringing about the permanent discontinuance of all nuclear weapon test explosions and determine to continue negotiations to this end,

Confident that immediate discontinuance of nuclear weapon test explosions in the atmosphere, in outer space, and in the oceans will facilitate progress toward the early agreement providing for the permanent and verified discontinuance of nuclear weapon test explosions in all evironments,

Have agreed as follows:

ARTICLE I—OBLIGATIONS

1. Each of the Parties to this Treaty undertakes to prohibit and prevent the carrying out of any nuclear weapon test explosion at any place under its jurisdiction or control:

(a) in the atmosphere, above the atmosphere, or in territorial or high seas; or

(b) in any other environment if such explosion causes radioactive debris to be present outside the territorial limits of the State under whose jurisdiction or control such explosion is conducted.

2. Each of the Parties to this Treaty undertakes furthermore to refrain from causing, encouraging, or in any way participating in, the carrying out of any nuclear weapon test explosion anywhere which would take place in any of the environments described, or have the effect proscribed, in paragraph 1 of this Article.

ARTICLE II—EXPLOSIONS FOR PEACEFUL PURPOSES

The explosion of any nuclear device for peaceful purposes which would take place in any of the environments described, or would have the effect proscribed, in paragraph 1 of Article I may be conducted only: (1) if unanimously agreed to by the Original Parties; or (2) if carried out in accordance with an Annex hereto, which Annex shall constitute an integral part of this Treaty.

ARTICLE III—WITHDRAWAL

1. If any Party to this Treaty determines

(a) that any other Party has not fulfilled its obligations under this Treaty,

(b) that nuclear explosions have been conducted by a State not a Party to this Treaty under circumstances which might jeopardize the determining Party's national security, or

(c) that nuclear explosions have occurred under circumstances in which it is not possible to identify the State conducting the explosions and that such explosions, if conducted by a Party to this Treaty, would violate the Treaty, or, if not conducted by a Party, might jeopardize the determining Party's national security,

it may submit to the Depositary Government a request for the convening of a conference to which all the Parties to this Treaty shall be invited, and the Depositary Government shall convene such a conference as soon after its receipt of the request as may be practicable. The request for the determining Party to the Depositary Government shall be accompanied by a statement of the evidence on which the determination was based.

2. The conference shall, taking into account the statement of evidence provided by the determining Party and any other relevant information, examine the facts and assess the significance of the situation.

3. After the conclusion of the conference or after the expiration of a period of 60 days from the date of the receipt of the request for the conference by the Depositary Government, whichever is the earlier, any Party to this Treaty may, if it deems withdrawal from the Treaty necessary for its national security, give notice of such withdrawal to the Depositary Government. Such withdrawal shall take effect on the date specified in the notice, which shall in no event be earlier than 60 days from receipt of the notice of the Depositary Government. The notice shall be accompanied by a detailed statement of the reasons for the withdrawal.

ARTICLE IV—AMENDMENTS

1. Any Party may propose amendments to this Treaty. The text of any proposed amendments shall be submitted to the Depositary Government which shall circulate it to all Parties. Thereafter, if requested to do so by one-third or more of the Parties, the Depositary Government shall convene a conference, to which it shall invite all Parties, to consider such amendment.

2. Any amendment to this Treaty or its Annex must be approved by a vote of two-thirds of the Parties, including all of the "Original Parties." It shall enter into force for all Parties upon the deposit of ratifications by two-thirds of the Parties to this Treaty, including ratification by the Original Parties.

ARTICLE V—SIGNATURE, RATIFICATION, ACCESSION, ENTRY INTO FORCE, AND REGISTRATION

1. This Treaty shall be open until ——— to all States for signature. Any State which does not sign this Treaty may accede to it at any time.

2. This Treaty shall be subject to ratification by signatory States. Instruments of ratification and instruments of accession shall be deposited with the Government of ———, which is hereby designated the Depositary Government.

3. This Treaty shall enter into force on ——— for States which have deposited instruments of ratification or accession on or before that date, provided that the ratifications deposited include those of the Original Parties. If ratifications by all three Original Parties are not deposited on or before ———, this Treaty shall enter into force on the date on which ratifications by all of them have been deposited.

4. Instruments of ratification or accession deposited subsequent to the entry into force of this Treaty shall become binding on the date of deposit.

5. The Depositary Government shall promptly inform all signatory and acceding States of the date of each signature, the date of deposit of each ratification of and accession to this Treaty, the date of its entry into force, and the date of receipt of any requests for conferences or notices of withdrawals.

6. This Treaty shall be registered by the Depositary Government pursuant to Article 102 of the Charter of the United Nations.

ARTICLE VI—AUTHENTIC TEXTS

This Treaty, of which the English and Russian texts are equally authentic, shall be deposited in the archives of the Depositary Government. Duly certified copies of this Treaty shall be transmitted by the Depositary Government to the Governments of the signatory and acceding States.

In witness whereof the undersigned, duly authorized, have signed this Treaty.

Done at ———, this ——— day of ———, one thousand nine hundred and sixty-two.

DRAFT TREATY BANNING NUCLEAR WEAPON TESTS IN ALL ENVIRONMENTS

AUGUST 27, 1962.

PREAMBLE

The Government of the Union of Soviet Socialist Republics, the United Kingdom of Great Britain and Northern Ireland, and the United States of America,

Desirous of ending permanently all nuclear weapon test explosions,

Have agreed as follows:

ARTICLE I—OBLIGATIONS TO DISCONTINUE

Each of the Parties to this Treaty undertakes, subject to the provisions of this Treaty:

(a) to prohibit and prevent the carrying out of nuclear weapon test explosions at any place under its jurisdiction or control; and

(b) to refrain from causing, encouraging, or in any way participating in, the carrying out of nuclear weapon test explosions anywhere.

ARTICLE II—ESTABLISHMENT OF THE INTERNATIONAL SCIENTIFIC COMMISSION

1. The carrying out of the obligations assumed in Articles I and IX of this Treaty shall be verified by an International Scientific Commission, hereinafter referred to as the "Commission." The Commission shall include an International Staff, hereinafter referred to as the "Staff," and a Verification System, hereinafter referred to as the "System."

2. Each of the Parties undertakes to cooperate promptly and fully in the establishment and effective organization of the Commission. Each of the Parties also undertakes to cooperate promptly and fully in carrying out the measures of verification set forth in this Treaty and in any agreements which the Parties may conclude with the Commission.

ARTICLE III—FUNCTIONS OF THE INTERNATIONAL SCIENTIFIC COMMISSION

1. The Commission shall have general responsibility for the collection of data on, and the reporting of, all events which could be suspected of being nuclear weapon test explosions, and for making positive identification of the nature and origin of such events wherever possible.

2. The Commission shall maintain supervision of all elements of the System in order to ensure that such elements function in an integrated manner. For this purpose the Commission shall establish and monitor adherence to standards for the operation, calibration and coordination of all elements of the System.

3. The Commission may consult with the Parties concerning the nature of any unidentified event which could be suspected of being a nuclear weapon test explosion and, on the basis of available data, may issue to all Parties a report concerning the nature and origin of any event reported to it by the Staff.

4. The Commission, by majority vote including the concurring votes of the permanent members, shall approve the total amount of its annual budget.

5. The Commission shall arrange for observers to be permanently stationed at, and to make periodic visits to, elements of the System in order to ensure that established procedures for the rapid, coordinated and reliable collection of data are being followed.

6. The Commission may enter into an agreement with any State or authority to aid in carrying out the provisions of this Treaty.

7. The Commission shall establish such laboratories and other facilities as it deems necessary for the carrying out of the tasks assigned to it under this Treaty.

8. The Commission, by majority vote including the concurring votes of the permanent members, shall appoint an Executive Officer to assist it in carrying out its functions.

9. The Commission shall conduct, and shall facilitate the participation of members of the Staff in, programs of basic scientific research to improve the capability of the Commission to perform its functions under the present Treaty and to ensure the use of the most efficient and up-to-date methods of verification of the obligations undertaken by the Parties to this Treaty.

10. The permanent members of the Commission shall arrange for a conference of Parties to the Treaty to be held when, in the opinion of the permanent members, a sufficient number of States have become Parties to it, in order to hold the elections referred to in paragraph 1b of Article IV. Such conference shall be held, in any event, when ——— number of States, including the permanent members, have become Parties.

11. Approximately every three years thereafter, the Commission shall invite the Parties to a conference in order to hold subsequent elections to the Commission.

12. The Commission may arrange for a conference, at any time it deems appropriate, in order to discuss matters pertaining to the Treaty.

ARTICLE IV—ORGANIZATION AND PROCEDURES OF THE INTERNATIONAL SCIENTIFIC COMMISSION

1. The Commission shall be composed of 15 members. They shall be selected as follows:

(a) The Union of Soviet Socialist Republics, the United Kingdom of Great Britain and Northern Ireland, and the United States of America shall be permanent members.

(b) Twelve other members shall be elected by majority vote of the Parties present and voting in the conference described in paragraphs 10 and 11 of Article III, of which—

(i) three shall be from among Parties nominated by the Union of Soviet Socialist Republics;

(ii) two shall be from among Parties nominated jointly by the United Kingdom and the United States;

(iii) seven shall be from among Parties nominated jointly by the permanent members of the Commission on as wide a geographical basis as possible.

(c) To the extent that any nominations called for in paragraph 1b. of this Article are not made, the Parties to the Treaty shall elect, at the conferences described in paragraphs 10 and 11 of Article III, the remaining members of the Commission from among all of the Parties.

2. The members elected to the first Commission shall serve for three years from their election. Regular elections shall be held triennially thereafter, and those members elected to the Commission shall serve until replaced or reelected at the next triennial election.

3. Each member of the Commission shall have one vote. All decisions, unless otherwise specified in this Treaty, shall be taken by a simple majority of the members present and voting.

4. Any Party to the Treaty which is not a member of the Commission may participate, without vote, in the discussion of any question brought before the Commission when-

ever the latter considers that the interests of that Party are specially affected.

5. The Commission shall meet at such times as it may determine, or within twenty-four hours at the request of any member.

6. The permanent members shall carry out the functions of the Commission until it has been established pursuant to paragraph 1 of this Article. In doing so, the permanent members shall act by unanimous agreement. They shall cooperate in encouraging other States to become Parties and they shall take prompt action to nominate Parties, as provided in paragraph 1(b) of this Article, for the purpose of ensuring selection of membership in the Commission at the earliest possible date.

7. The headquarters of the Commission shall be located at ———.

ARTICLE V—FUNCTIONS OF THE INTERNATIONAL STAFF

1. The Staff shall assist the Commission in carrying out its functions.

2. The Staff shall supervise the collection of data by all elements of the System and shall provide the observers who are to be stationed at and make visits to elements of the System for the purposes specified in paragraph 5 of Article III.

3. The Staff shall provide the personnel for the manning of such international elements of the System as may be established by the Commission.

4. The Staff shall analyze data collected by the System in accordance with such standards as are set forth in this Treaty and as may be set forth by the Commission, and shall forward to the Commission reports on all such data. Such data and reports shall be available for the inspection of any Party upon request.

5. The System shall, in accordance with procedures and standards prescribed by the Commission, collect and report to the Staff, within 24 hours after detection of any event which could be suspected of being a nuclear weapon test explosion, all data received relating to the detection, location and identification of the event. Thereafter, additional data, if any, relating to the event shall be reported to the Staff as it becomes available.

6. The Staff shall provide technical instruction for personnel operating elements of the System.

ARTICLE VI—ORGANIZATION OF THE INTERNATIONAL STAFF

1. The Executive Officer shall be responsible to the Commission and, under its supervision, shall carry out its policy directives. His appointment shall extend for a period of four years. The Executive Officer shall be subject to removal from office by the Commission if as a result of failure on his part to comply with the directives of the Commission or for any other reason, the Commission decides that it no longer has confidence in him. Any such decision, and the exercise of the power of removal, shall require the concurring votes of 11 members of the Commission.

2. Subject to regulations approved by the Commission the Executive Officer shall recruit, organize and oversee the functioning of the staff.

3. The Staff shall include such qualified scientific, technical and other personnel as may be required to fulfill its functions, and paramount consideration shall be given to obtaining officials of the highest standards, efficiency, technical competence and integrity. Subject to this principle, the Executive Officer shall also give consideration to the selection of personnel who are nationals of States which have participated in, or intend to participate in, the establishment of elements of the System.

4. The Executive Officer shall also be guided by the considerations that the permanent Staff shall be kept to the minimum necessary to perform its assigned tasks and that personnel should be obtained on as wide a geographical basis as possible.

5. In the performance of their duties, the Executive Officer and the Staff shall not seek or receive instructions from any government or from other authority external to the Commission. Each Party undertakes to respect the exclusively international character of the responsibilities of the Executive Officer and the Staff and not to seek to influence them in the discharge of their responsibilities.

ARTICLE VII—ORGANIZATION OF THE VERIFICATION SYSTEM

1. The System shall consist of the integrated elements described in the Annex on Verification, together with such additions as the Commission deems desirable. It shall be designed to ensure the rapid and reliable collection and reporting of data. It shall include the following classes of stations:

(a) Stations to be constructed at sites listed in the Verification Annex. Each such station shall be maintained and manned, in accordance with specifications established by the Commission, by nationals of the State in whose territory such station is located. The construction of and equipment for each such station shall be paid for by the Commission and the personnel for such station shall be trained by the Commission. All Parties in whose territories such stations are located agree to accept observers at such stations for the purposes specified in paragraph 5 of Article III.

(b) Existing stations to be provided, maintained and manned by individual Parties as requested by and in agreement with the Commission.

(c) Stations to be constructed, maintained and manned by the Commission in agreement with individual Parties if the Commission deems such stations desirable.

(d) Such detection instruments in outer space, in the atmosphere, and on and beneath the surface of the earth (including the waters thereof) as the Commission may deem desirable. These may be provided, maintained and manned by the Commission or by particular Parties, as the Commission may determine.

2. The Parties to this Treaty agree to cooperate in the establishment (including the provision of suitable sites), operation, expansion, calibration and standardization of all elements of the System and in providing the Commission with such assistance, equipment or data as may be useful to the Commission in performing its functions,

3. The Parties to this Treaty agree to ensure that within six months from the entry into force of this Treaty, all existing stations referred to in paragraph 1b. of this Article will commence operation in accordance with the provisions of this Treaty. They also agree to ensure that within twelve months the stations referred to in paragraph 1a. of this Article will be constructed and commence operation in accordance with such provisions.

4. In accordance with standards set forth by the Commission, stations referred to in paragraph 1a. of this Article shall maintain continuous operation of such equipment as the Commission deems desirable for each station including the following: apparatus for the collection of radioactive debris and for the recording of fluorescence of the upper atmosphere, visible light, cosmic noise absorption, telluric currents, resonance scattering of sunlight, acoustic waves, seismic waves and electromagnetic signals. Stations on islands or near the shorelines of oceans shall, in addition, maintain continuous operation of apparatus for the recording of hydroacoustic waves as deemed desirable by the Commission. Stations abroad ships shall include and continuously operate equipment for the recording of hydroacoustic waves, fluorescence of the upper atmosphere and visible light as deemed desirable by the Commission.

ARTICLE VIII—ON SITE INSPECTION

1. The Executive Officer shall certify immediately by public notice at the Headquarters of the Staff whenever he determines that a seismic event has been located pursuant to paragraph 2 of this Article and not eliminated from consideration pursuant to paragraph 3. The Executive Officer shall make every effort to make this certification within 72 hours after the location of the event.

2. A seismic event shall be considered located when seismic signals, whose frequencies, amplitudes, durations, and velocities are consistent with those of waves from earthquakes or explosions, are recorded at a sufficient number of stations to establish the approximate time and position of the event. This requires at least four clearly measurable arrival times of indentifiable phases which are mutually consistent to within plus or minus three seconds. These four mutually consistent arrival times must include P-wave arrival times at three different detection stations.

3. A located seismic event shall not be suspected of being a nuclear weapon test explosion if it fulfills one or more of the following criteria:

(a) Its depth of focus is established as below sixty kilometers;

(b) Its epicentral location is established in the deep ocean, and the event is unaccompanied by a hydroacoustical signal consistent with the seismic epicenter and origin time;

(c) It is established to be a foreshock or aftershock of a seismic event of at least magnitude 6 which has clearly been identified as an earthquake by the criteria in subparagraphs a and b of this paragraph. For this purpose a foreshock must occur as part of a sequence of earthquakes less than 48 hours before the main shock, and an aftershock must occur as part of a sequence of earthquakes less than a week after the main shock, and their epicenters must have been located within ten kilometers of the epicenter of the main shock.

4. Data provided by stations in territory under the jurisdiction or control of a State in which the event may be located may not be used to render it ineligible for inspection but may be used to assist in establishing its eligibility for inspection.

5. When a seismic event has been certified pursuant to paragraph 1 of this Article, the Executive Officer shall designate an area lying within the circumference of a circle, the radius of which is ——— kilometers, and the center of which is the location of the epicenter of that event.

6. On-site inspection of areas designated by the Executive Officer pursuant to paragraph 5 of this Article shall be carried out pursuant to this Article:

(a) on territory under the jurisdiction or control of the United States or the United Kingdom, if requested by the Soviet Union;

(b) on territory under the jurisdiction or control of the Soviet Union, if requested by the United States or the United Kingdom;

(c) on territory under the jurisdiction or control of any other Party, if directed by the Commission.

7. Any Party having jurisdiction or control over territory on which an on-site inspection is requested or directed pursuant to paragraph 6 of this Article shall make the necessary arrangements to facilitate the prompt on-site inspection of the area designated pursuant to paragraph 5 of this Article.

8. The maximum number of inspections which may be requested in territory under the jurisdiction or control of a permanent member of the Commission shall be ——— in each annual period. The maximum number of inpections which may be directed in

territory under the jurisdiction or control of a Party not a permanent member of the Commission shall be three in each annual period, or such higher number as the Commission, after consultation with the Party, may determine by a two-thirds majority of those present and voting.

9. For territory under the jurisdiction or control of permanent members of the Commission, not more than ——— percent of the annual number of inspections provided for in paragraph 8 of this Article shall be carried out each year in the aseismic area of that territory described in the Annex of Verification.

10. The on-site inspections, when requested or directed in accordance with paragraph 6 of this Article, shall be carried out by teams organized by the Executive Officer. In forming the teams, the Executive Officer shall ensure the adequate representation of scientific and technical skills and shall avoid composition which would result in inspection of territory under the jurisdiction or control of a State by any nationals of that State. The leader of a team shall be appointed by the Executive Officer from among its members.

11. Each of the Parties undertakes to give inspection groups, despatched pursuant to this Article, immediate and undisputed access to the area in which an on-site inspection is to be conducted, to refrain from interference with any operation of an inspection group and to give such groups the assistance they may require in the performance of their mission.

ARTICLE IX—EXPLOSIONS FOR PEACEFUL PURPOSES

The explosion of any nuclear device for peaceful purposes may be conducted only: (1) if unanimously agreed to by the Original Parties; or (2) if carried out in accordance with an Annex hereto.

ARTICLE X—RELATIONSHIPS WITH OTHER INTERNATIONAL ORGANIZATIONS

1. The Commission is authorized to enter into agreements establishing appropriate relationships between the Commission and the United Nations or any of its specialized agencies.

2. The Commission may make appropriate arrangements for the Commission, Staff and System to become a part of, or to enter into an appropriate relationship with, an international disarmament organization, or any international organization which may in the future be established among any of the Parties to this Treaty to supervise disarmament or related measures.

ARTICLE XI—PERIODIC REVIEW

1. One year after the coming into force of this Treaty, and annually thereafter, the Commission shall review the Treaty and the operations of the Staff and System in order to:

(a) Evaluate their effectiveness for verifying compliance with the obligations undertaken in Articles I and IX;

(b) Recommend any improvements in the System which the Commission deems desirable, particularly with respect to the identification of nuclear explosions;

(c) Recommend any changes in the quotas of onsite inspections which the Commission deems desirable.

2. The Commission shall:

(a) Communicate the results of such review to all Parties of this Treaty;

(b) Consider any improvements proposed by any Party to this Treaty and decide upon the adoption of those which do not require amendments to this Treaty; and

(c) Vote upon any amendments to this Treaty proposed by any Party as a result of such review in accordance with the provisions of Article XVI.

ARTICLE XII—FINANCE

1. The annual budget shall be drawn up by the Executive Officer of the Staff and approved by the Commission in accordance with paragraph 4 of Article III.

2. Parties to this Treaty shall contribute to the expenses of the annual budget in accordance with the following scale:

(a) ——— percent contributed by the permanent members as follows:

(i) —— percent of the annual budget by the Union of Soviet Socialist Republics.

(ii) —— percent of the annual budget by the United Kingdom of Great Britain and Northern Ireland.

(iii) —— percent of the annual budget by the United States of America.

(b) —— percent contributed by the remaining members of the Commission in equal shares.

ARTICLE XIII—WITHDRAWAL

1. If any Party to this Treaty determines—

(a) that the obligations contained in Articles I or IX of this Treaty have not been fulfilled,

(b) that any other obligations under the Treaty, including those relating to arrangements for on-site inspections, have not been fulfilled and that such non-fulfillment might jeopardize the determining Party's national security.

(c) that nuclear explosions have been conducted by a State not a Party to this Treaty under circumstances which might jeopardize the determining Party's national security, or

(d) that nuclear explosions have occurred under circumstances in which it is not possible to identify the State conducting the explosions and that such explosions, if conducted by a Party to this Treaty, would violate the Treaty or, if not conducted by a Party, might jeopardize the determining Party's national security,

it may submit to the Depositary Government a request for the convening of a conference to which all the Parties to this Treaty shall be invited, and the Depositary Government shall convene such a conference as soon after its receipt of the request as may be practicable. The request from the determining Party to the Depositary Government shall be accompanied by a statement of the evidence on which the determination was based.

2. The conference shall, taking into account the statement of evidence provided by the determining Party and any other relevant information, examine the facts and assess the significance of the situation.

3. After the conclusion of the conference or after the expiration of a period of 60 days from the date of the receipt of the request for the conference by the Depositary Government, whichever is the earlier, any Party to this Treaty, may, if it deems withdrawal from the Treaty necessary for its national security, give notice of withdrawal to the Depositary Government. Such withdrawal shall take effect on the date specified in the notice, which shall in no event be earlier than 60 days from receipt of the notice by the Depositary Government. The notice shall be accompanied by a detailed statement of the reasons for the withdrawal.

ARTICLE XIV—PRIVILEGES AND IMMUNITIES

The privileges and immunities which the Commission, the Staff, and the representatives of Parties shall be granted by the Parties, and the legal capacity which the Commission shall enjoy in the territory of each of the Parties, shall be set forth in Annex ——— of this Treaty.

ARTICLE XV—SIGNATURE, RATIFICATION, ACCESSION, ENTRY INTO FORCE AND REGISTRATION

1. This Treaty shall be open until ——— to all States for signature. Any State which does not sign this Treaty may accede to it at any time.

2. This Treaty shall be subject to ratification by signatory States. Instruments of ratification and instruments of accession shall be deposited with the Government of ———, which is hereby designated the Depositary Government.

3. This Treaty shall enter into force on ——— for States which have deposited instruments of ratification or accession on or before that date, provided that the ratifications desposited include those of the Soviet Union, the United Kingdom and the United States. If ratifications by all three of the States specified in the preceding sentence are not deposited on or before———, this Treaty shall enter into force on the date on which ratifications by all of them have been deposited.

4. Instruments of ratification or accession deposited subsequent to the entry into force of this Treaty shall become binding on the date of deposit.

5. The Depositary Government shall promptly inform all signatory and acceding States of the date of each signature, the date of deposit of each ratification of and accession to this Treaty, the date of its entry into force, and the date of receipt of any requests for conferences, or any notices of withdrawal pursuant to Article XIII.

6. This Treaty shall be registered by the Depositary Government pursuant to Article 102 of the Charter of the United Nations.

ARTICLE XVI—AMENDMENTS

Any amendment to this Treaty must be approved by a vote of two-thirds of the Commission including the concurring votes of the permanent members, and shall enter into force for all Parties upon the deposit of ratifications by two-thirds of the Parties, including ratification by the permanent members of the Commission.

ARTICLE XVII—ANNEXES

The Annexes to the present Treaty constitute an integral part thereof, and any signature, ratification of, or accession to this Treaty shall apply to both the Treaty and the Annexes. The phrase "this Treaty" shall include all annexes hereto.

ARTICLE XVIII—AUTHENTIC TEXTS

This Treaty, done in the English and Russian languages, each version being equally authentic, shall be deposited in the archives of the Depositary Government, which shall transmit certified copies thereof to the Governments of the signatory and acceding States.

In witness whereof the undersigned, duly authorized, have signed this Treaty.

Done at ———, this ——— day of ———, one thousand nine hundred and sixty-two.

Mr. GORE. Mr. President, will the Senator yield?

Mr. HUMPHREY. I yield to the Senator from Tennessee.

Mr. GORE. I have listened with great interest to the very able speech by the distinguished senior Senator from Minnesota. In my opinion, the most recent proposal by President Kennedy on nuclear weapons tests is the most feasible and reasonable proposal which has been made on this delicate but vexatious question.

As the Senator from Minnesota has pointed out, the Soviet Union has demonstrated beyond peradventure that it will not accept on-site inspection within the Soviet Union. It may be that the nature of Soviet closed society is such that it is impossible politically, from an internal standpoint, to accept on-site inspection.

That I do not know. It may be that for some other reason they are unwilling to accept inspection. Whether they wish to continue such underground tests I do not know.

At any rate, as the Senator has said, President Kennedy has demonstrated beyond any doubt which any person in the world could reasonably entertain his sincerity and his honesty in regard to the attaining of an agreement to bring to an end the contamination of the world's atmosphere. It happens that in the last proposal the President is proposing an agreement which deals with the medium in which the tests have the greatest meaning as to weapons development and also the medium from which the hazard from fallout is the greatest.

So, though this last step would not be the total and comprehensive ban, it would perhaps go four-fifths of the way. It would be a very significant step.

I am pleased that the President has made this proposal, though I cannot express any expectation as to what the Soviets will do. I think humanity the world over, including the Russian citizens, would be benefited if they should accept the proposal.

I thank the Senator for his able address.

Mr. HUMPHREY. I thank the distinguished Senator from Tennessee for his remarks.

The Senator from Tennessee [Mr. GORE] was one of the first in the Congress who recommended and advocated that our efforts in this field of nuclear weapons test prohibition be centered upon what is now called the limited test ban; namely, the limitation of tests and the banning of tests in the atmosphere, under water, and in space.

The Senator from Tennessee was an adviser to the American delegation at Geneva in the year 1958, if my memory is correct. After having been there for some weeks he returned to the United States. While he was on his return trip it was my good fortune to meet with him very briefly in Paris. I was on my way to serve in that post as adviser to our delegation after the Senator from Tennessee had left.

The Senator at that time informed me that it was his view that the Soviets would not agree to a general, overall, comprehensive test ban treaty including underground tests. He also indicated to me, which was proved to be very true later on, that there were certain limitations to our capacity to detect certain underground tests.

Therefore it might be well that we would hesitate on that particular matter. In substance, the Senator reported to the then President of the United States, Mr. Eisenhower, and the Secretary of State, Mr. Dulles, that we should take the initiative on the limited test ban. He has been a firm and stanch advocate of it. Time after time on this floor I have joined him in making that recommendation. I am sure that both of us today feel that the proposal which has been advanced so completely in every one of its details is a worthy proposal because, as the Senator has said, it affects primarily the area in which new weapons can be developed. In other words, the environment of the atmosphere, outer space, or under water is where new weapon technology can be most fully developed, as compared with underground testing. That type of treaty would surely slow down the contamination of the atmosphere.

I wish to join with the Senator in commending the President again for his initiative.

I repeat that if there is one iota of sincerity in the leadership of the Soviet Union to slow down the arms race, this is the opportunity that they have to accept this constructive proposal. Let those of us in this body say as loudly as we can that the proposal is not only in the interest of the United States and our people, but also it is in the interest of the Soviet Union and the people of Russia, because they, too, are in the northern belt, so to speak, in which radioactive fallout is the heaviest. It surely is in the interest of all humanity.

I think the proposal will demonstrate once again to the world that this country, while strong, unafraid, and the most powerful nation on the face of the earth, is ready to walk the path of peace, if there is any willingness on the part of any nation to join us, because negotiations, if they are to be meaningful, must be between more than one party. They must be between at least two parties. In the present instance there are 18 nations represented there designated by the United Nations to try to find some way to slow down the arms race and in particular the nuclear arms race. I hope and pray that it will be possible. It is to the credit of our country that we have taken the initiative.

Mr. GORE. I wish to thank the Senator for his generous reference. It has been a pleasure to work with the distinguished chairman of the Subcommittee on Disarmament. His contributions have been great and frequent.

I should like to add one further thought. It may well be that events and technology of our time have passed a bit beyond underground tests. At least they do not now loom as importantly as they did 2 or 3 years ago.

Mr. HUMPHREY. I thank the Senator. He is so right.

EXHIBIT 1

MINNESOTA ACTS ON IODINE IN MILK

(By Donald Janson)

MINNEAPOLIS, August 23.—Minnesota's farmers kept dairy cows out of the pasture today. It was the start of the first statewide program in the United States to reduce the amount of radioactive iodine 131 that nuclear testing puts into milk.

In sufficient quantities iodine 131 can cause thyroid cancer, particularly in children. All iodine tends to concentrate in the thyroid glands in the neck.

The Minnesota programs calls for shifting milk cows from pasture to dry hay and other feed that has been aged at least 21 days. Iodine 131 decays rapidly enough to lose its radiation punch in this length of time.

Levels of iodine 131 in milk here are not at danger levels. The new program is precautionary. State officials do not want to take a chance on any sharp rise in radioactivity levels as a result of Soviet testing that was resumed this month.

According to the Federal Radiation Council an iodine 131 level in excess of 100 micromicrocuries a liter of milk a day is the peril point.

The effects of the Soviet series have not been measured yet. However, when the Soviet Union conducted its previous series last fall iodine 131 levels here jumped. Fallout attributed to U.S. tests in the Southwest also accumulates here.

Last week the iodine 131 count at eight sampling stations in Minnesota averaged 46 micromicrocuries, at times ranging up to 100. Last month the level was about the same, at times measuring slightly over 100 at some stations.

FORTY PERCENT OF FARMERS TAKE PART

Although no complete tabulation has been made yet, indications today were that about 40 percent of the State's dairy farmers already were participating in the voluntary program to remove cows from pasture.

More are signing up. Duane Wilson, Minnesota's commissioner of agriculture, said that most producer groups and processors in the State would participate to some degree.

Herman Birdsall, controller of the Twin City Milk Producers Association, representing 2,575 farmers who supply fluid milk to the Minneapolis-St. Paul area, said that about half of those in his association might comply.

Those who do will be paid a premium to compensate for increased costs of feed, labor, and fencing. The association has passed the cost of this premium on to dairies, and some dairies have passed it on to retailers. An expected retail price increase of a cent a quart for milk, however, did not go into effect today at most stores here.

Dr. Warren R. Lawson, chief of the radiation section of the Minnesota Department of Health, said that 80 percent participation by farmers would be necessary to keep iodine 131 levels below guidelines established by the Federal Radiation Council "if we get any large amount of Russian fallout."

INTAKE NEAR PERIL POINT

The Council puts the danger level at 36,500 micromicrocuries a year, an average of 100 a day. The Federal testing station here showed that residents of the Twin Cities who drank a quart of milk a day would have accumulated 33,000 in the 11 months ended August 1.

To check the effectiveness of the aged-feed program, the Minnesota Department of Agriculture is beginning a daily collection of milk samples from both participants and nonparticipants. The samples will be analyzed by the State department of health.

In case of danger, the unprotected milk would be held off the market or blended with the "clean" milk to reduce its iodine 131 content to a harmless level.

The program will continue until further notice. This probably will be late October, when cows in this area are normally taken off pasture and put in barns for the winter.

Standby programs such as Minnesota's are being considered in other States. So is another approach—to divert to such manufactured dairy products as butter and cheese the milk from any area within a State that is hard hit by fallout.

Iodine 131 loses much of its radioactivity by the time butter and cheese reach the consumer.

REVENUE ACT OF 1962

The Senate resumed the consideration of the bill (H.R. 10650) to amend the Internal Revenue Code of 1954 to provide a credit for investment in certain depreciable property, to eliminate certain defects and inequities, and for other purposes.

Mr. PROXMIRE. Mr. President, earlier today I engaged in a colloquy with the Senator from Oklahoma [Mr. KERR], the Senator in charge of the bill. At that time I made clear that I wished to ask further questions of the Senator in charge of the bill. It was my understanding that the distinguished Senator from Oklahoma said in his prepared statement that he would be happy to answer questions of any Senator. I have been present in the chamber all afternoon waiting to do that. A few minutes ago, before the distinguished Senator left the floor, I told him that I wished he would remain so I could ask him questions. He said he would not be able to answer questions tonight. I said I would ask them tomorrow.

He said, "We may get around to that tomorrow."

I wish to make clear that I feel very strongly that questions should be answered on the bill, because I think it will be very hard to justify some of the provisions in the bill.

There is no Senator—and I feel emphatic about this—in the Senate who is better able to justify the bill than is the Senator from Oklahoma. If he cannot justify it, I think nobody can justify it. But since I cannot interrogate the Senator from Oklahoma tonight, I should like to reinforce the point I was seeking to make when I questioned him before. I should like to read the colloquy between myself and the Senator from Oklahoma, and then put the facts from the survey of current business of the U.S. Department of Commerce into the RECORD to support my position. I quote now from a colloquy that took place at about 1:30 o'clock this afternoon:

> I should like to ask the Senator how he explains the fact that we do not have an unfavorable balance of trade but have a highly favorable balance of trade. The favorable balance of trade in the first half of 1962, seasonally adjusted to an annual basis, is $4.8 billion.
>
> Even if we should leave out of consideration foreign aid and military spending, the commercial favorable balance of trade is $2.2 billion, which means that other nations have an unfavorable balance of trade vis-a-vis us to that extent. In other words, we are winning. We are competing far more effectively abroad than other nations. The statistics prove it.
>
> Mr. KERR. I say to the Senator from Wisconsin that his figures are erroneous and his conclusions inaccurate.
>
> Mr. PROXMIRE. I call the Senator's attention to the statistics from the Department of Commerce.
>
> Mr. KERR. Let me answer the Senator's question.
>
> Mr. PROXMIRE. The Senator challenged my figures. I am giving the source. Does the Senator want the facts, or not?
>
> Mr. KERR. If I did I would not go to the Senator from Wisconsin for them.
>
> Mr. PROXMIRE. I ask the Senator to go to the U.S. Department of Commerce for them. That is my source.
>
> Mr. KERR. The Senator from Oklahoma will take his pitcher to whatever well he chooses.
>
> Mr. PROXMIRE. I am sure he will.
>
> Mr. KERR. Yes. The balance of trade, overall, that is when one gives effect to items such as foreign aid, military expenditures, investments of American financial institutions abroad, is a deficit.
>
> Mr. PROXMIRE. The Senator is completely wrong.
>
> Mr. KERR. Not a credit position.
>
> Mr. PROXMIRE. The facts contradict the Senator completely.
>
> Mr. KERR. I say to the Senator, "I will finish my speech, and then you finish yours."

Mr. President, I wish to finish my speech by putting into the RECORD the facts. First, I ask unanimous consent that a table, the source of which is the U.S. Department of Commerce Survey of Current Business entitled "U.S. Balance of Payments, 1958 to 1962" be printed at this point in the RECORD.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

U.S. balance of payments, 1958–62

[In billions of dollars]

	1958–60 average	1961		1962, 1st half [1]
		Full year	2d half [1]	
Commercial exports	17.4	17.7	17.8	18.1
Government aid-financed exports [2]		2.2	2.4	2.6
Imports	−14.3	−14.5	−15.5	−15.9
Surplus on trade	3.1	5.4	4.7	4.8
Services rendered	7.0	7.7	7.8	8.2
Services received [3]	−5.9	−6.3	−6.5	6.5
Surplus on services	1.1	1.4	1.3	1.7
Surplus on trade and services	4.2	6.8	6.0	+6.5
Military outlays [4]	−2.9	−2.5	−2.4	−2.0
Economic grants	−1.6	−1.9	−4.0	−3.2
Loans [5]	−.8	−.9		
Total Government outlays	−5.3	−5.3	−6.4	−5.2
Private long-term capital:				
Inflow	.3	.6	.1	.3
Outflow	−2.4	−2.5	−2.8	−2.5
Net	−2.1	−1.9	−2.7	−2.2
Total Government outlays and private long-term capital	−7.4	−7.2	−9.1	−7.4
Basic deficit	3.2	.4	3.0	.9
Private short-term capital:				
Recorded outflow	−.6	−1.5	−1.2	−.8
Errors and omissions	.1	−.6	−.4	.5
Net	−.5	−2.1	−1.6	−.3
Overall deficit	3.7	2.5	4.6	1.2

[1] Seasonally adjusted, raised to annual rate.

[2] Excluding shipments under military aid programs.

[3] Including private remittances and Government pensions.

[4] Net of sales of military equipment.

[5] Net of repayments.

NOTE.—Details may not add to totals because of rounding.

Source: U.S. Department of Commerce, Survey of Current Business. Figures for the 1st half of 1962 are educated guesses based on preliminary and incomplete data.

Mr. PROXMIRE. Mr. President, I wish to point out that what the table shows is that we have a commercial export surplus, that is, a favorable balance of trade of $2.2 billion. If we add to that our favorable balance from services rendered, that is, the excess of services rendered as compared with services received, we have an additional favorable balance of $1.7 billion, for a total commercial surplus or favorable balance of $3.9 billion.

The Senator from Oklahoma [Mr. KERR], in the colloquy, used the following phrase:

> With reference to the purchases of borrowers from American-supported financial institutions there is a deficit.

What he was referring to, of course, is that our capital in loans goes abroad, and if we allow for that, the Senator from Oklahoma said, there is a deficit total overall in the commercial account.

Well, the fact is that the Senator from Oklahoma is completely wrong on that point. The facts show that even if we assume that every single penny we loan abroad is expended in our country and results in exports, we still would have a net favorable balance of trade after all the American capital is assumed to be spent in this country, which it is not; but giving him the full length and breadth of his assumption, we still would have a favorable balance of $1.4 billion, because our net long-term capital outflow is $2.2 billion. Our short-term capital outflow net is $300 million, for a total of $2.5 billion. If we subtract that $2.5 billion from the $3.9 billion, we find that we have not an unfavorable, but a total, overall, commercial favorable balance of $1.4 billion. So that the hard, cold, stubborn fact that won't go away is that by the test of the market in world trade we are in fact competing successfully.

Mr. President, I think it is extremely important to recognize that—because unfortunately the fallacious idea has gotten abroad in our country that our economy cannot compete with nations overseas. The facts, when examined carefully, show that we are competing very effectively. We are not losing. As I said, we are winning. We are winning in trade throughout the world.

We are selling more abroad than our rivals are, on any basis of comparison. We are competing very well. What I wish to emphasize is that we are competing well without benefit of the investment credit.

Furthermore, when we take into account the fact that the President of the United States and the Secretary of the Treasury very wisely provided for vast improvement in our depreciation schedule, to the extent of $1½ billion, which is substantially more than the investment credit would amount to, we can see that the competitive position of American industry has already this year been even further improved.

I wish to question the distinguished Senator from Oklahoma tomorrow. I believe that—not from the standpoint of courtesy, which is not important—but from the standpoint of the merits of this controversial and complex bill, certain questions which are pertinent to the bill should be answered by the Senator in charge of the bill, who is as capable as any Senator of answering the questions. For those reasons the answers should be given before we proceed further with the consideration of the bill.

Mr. HUMPHREY. Mr. President, will the Senator yield?

Mr. PROXMIRE. I yield.

Mr. HUMPHREY. Mr. President, what is the pending question?

The PRESIDING OFFICER. The question is on agreeing to the committee amendment on page 8, line 2.

Mr. PROXMIRE. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. HUMPHREY. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. HUMPHREY. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. HUMPHREY. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

COMMITTEE MEETINGS DURING SENATE SESSION TOMORROW

Mr. HUMPHREY. Mr. President, I ask unanimous consent that the Committee on the Judiciary may be permitted to meet during the session of the Senate tomorrow.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

On request of Mr. Humphrey, and by unanimous consent, the Committee on Commerce was authorized to meet during the session of the Senate tomorrow.

REVENUE ACT OF 1962

The Senate resumed the consideration of the bill (H.R. 10650) to amend the Internal Revenue Code of 1954 to provide a credit for investment in certain depreciable property, to eliminate certain defects and inequities, and for other purposes.

Mr. HUMPHREY. Mr. President, so that the Senate may be informed, a discussion has taken place between the Senator in charge of the bill, the Senator from Oklahoma [Mr. Kerr], and the chairman of the committee, the Senator from Virginia [Mr. Byrd], the Senator from Tennessee [Mr. Gore], the Senator from Wisconsin [Mr. Proxmire], and other Senators relating to the procedure which it is hoped will be followed tomorrow. That procedure will be as follows:

Senators who are deeply interested in the amendments to the bill will examine each of the committee amendments and separate from them those which are controversial in terms of the need of extra debate. The other committee amendments, those which are not of a controversial nature, will be offered and will be agreed to en bloc, so that the bill will stand as new text or as a new bill with the exception of those amendments which will be excluded from the understanding as of tomorrow.

Mr. GORE. Mr. President, will the Senator from Minnesota yield?

Mr. HUMPHREY. I yield.

Mr GORE. The bill contains about 175 committee amendments. Most of them are minor. It is the consensus, as the Senator from Minnesota has correctly stated, that with the exception of six or eight amendments it will be possible to agree to the remaining amendments en bloc. And between now and the time when the Senate meets tomorrow, I and other Senators will go through this 400-page bill and will try to develop with the chairman of the committee, the Senator from Virginia [Mr. Byrd], the Senator from Oklahoma [Mr. Kerr], and other Senators an agreement along this line.

Mr. PROXMIRE. Mr. President, will the Senator from Minnesota yield for a parliamentary inquiry?

Mr. HUMPHREY. I yield for that purpose.

Mr. PROXMIRE. I should like to ask the Presiding Officer whether it would be in order to accept some of the committee amendments and thus amend the bill, with the understanding that the bill would then be considered as original text, subject to further amendment. Is that parliamentarily possible, and would that be acceptable?

The PRESIDING OFFICER (Mr. Hickey in the chair). The Chair understands that the proposal made by the acting majority leader is just such as the Senator from Wisconsin has outlined, and the Chair understands that the proposal is that that be ordered by unanimous consent.

Mr. PROXMIRE. I thank the Chair.

Mr. HUMPHREY. Mr. President, that is the purpose of the suggestion to which the Senator from Tennessee and I addressed ourselves—namely, that the Senate would agree to these amendments en bloc—with the major controversial amendments excluded. Then we would have, for all practical purposes, a new text; and the remaining amendments could be considered in connection with it, as amendments to that new text.

The PRESIDING OFFICER. That is in accordance with the understanding of the Chair.

Mr. HUMPHREY. Mr. President, I thank all Senators for their cooperation.

Mr. DIRKSEN. Mr. President, if the Senator from Minnesota will yield, I should like to suggest that I hope the amendments in the print will be listed and identified in such a way that will be easy for Senators to understand them, so there will not be any difficulty or objection to amendments because of any misunderstanding by Senators as to exactly what the amendments are. So I think a list should be made.

Mr. GORE. I will work with the chairman of the committee, the Senator from Virginia [Mr. Byrd], the Senator from Oklahoma [Mr. Kerr], the Senator from Minnesota [Mr. Proxmire], the Senator from Illinois [Mr. Douglas], the Senator from Delaware [Mr. Williams], and other Senators, so that if an agreement is reached—and I am sure one will be—we shall prepare a list by means of which Senators can be guided.

Mr. DIRKSEN. And also a list of the major amendments on which separate action is sought.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Bartlett, one of its reading clerks, announced that the House had passed, without amendment, the joint resolution (S.J. Res. 29) proposing an amendment to the Constitution of the United States relating to the qualifications of electors.

The message also announced that the House had agreed to the amendment of the Senate to the bill (H.R. 11040) to provide for the establishment, ownership, operation, and regulation of a commercial communications satellite system, and for other purposes.

ADJOURNMENT UNTIL 10 A.M. TOMORROW

Mr. HUMPHREY. Mr. President, I move that the Senate do now adjourn, in accordance with the order previously entered, until tomorrow, at 10 a.m.

The motion was agreed to; and (at 7 o'clock and 2 minutes p.m.) the Senate adjourned, under the order previously entered, until tomorrow, Tuesday, August 28, 1962, at 10 a.m.

NOMINATIONS

Executive nominations received by the Senate August 27, 1962:

U.S. COAST GUARD ACADEMY

The following-named person to be a member of the permanent commissioned teaching staff of the U.S. Coast Guard Academy with the permanent grade of lieutenant in the U.S. Coast Guard.

Roderick M. White.

IN THE ARMY

The following-named officer for promotion in the Regular Army of the United States, under the provisions of title 10, United States Code, sections 3284 and 3299:

To be major, Army Medical Specialist Corps

Jaakkola, Irma L., M10095.

The following-named officers for promotion in the Regular Army of the United States, under the provisions of title 10, United States Code, sections 3284 and 3298:

To be first lieutenants

Ferrari, Robert G., O89691.
Haight, Barrett S., O87152.

The following-named person for appointment in the Regular Army by transfer, in the grade specified, under the provisions of title 10, United States Code, sections 3283, 3284, 3285, 3286, 3287, 3288, and 3290:

To be first lieutenant, Medical Service Corps

Proe, John D. (infantry) O86664.

The following-named persons for appointment in the Regular Army of the United States, in the grades specified, under the provisions of title 10, United States Code, sections 3283, 3284, 3285, 3286, 3287, and 3288:

To be captains

Alderman, Nathaniel, Jr., O4021310.
Anderson, John H., O2207390.
Cook, Duncan S., O4034383.
Fite, Richard A., O967710.
Harris, Charles M., O2097057.
Harris, Herbert D., O4009384.

Horta-Merly, Juan, O4028565.
Jones, Albert F. P., O1926754.
McCurdy, Jasper M., O1925652.
Mendes, Benjamin J., Jr., O4038937.
O'Grady, Eugene J., O985238.
Rutkowski, Joseph F., O1936070.
Sutton, Larry L., O2265250.
Wagner, Richard J., O4059391.
Whipple, Ward J., O978530.

To be first lieutenants

Andre, David H., O5203830.
Bernard, Richard A., O5206643.
Campbell, Kenneth H., O5308214.
Clarke, Robert G., O5400448.
Clemons, Damon L., O5403602.
Dick, Laurin L., O5405128.
Durham, James A., O4084860.
Griffiths, Allyn C., Jr., O5206207.
Grim, Richard A., O5305259.
Hines, Frank E., O5305879.
Ivey, Charles E., O5507803.
Langer, Joseph A., Jr., O5301530.
McNamara, Michael J., O5000374.
McReynolds, Samuel O., O5401449.
Moldaschel, William A., O5509278.
Nock, Jean A., Jr., O4069492.
Perry, Robert P., O5001462.
Ray, Thomas L., Jr., O5305215.
Roberts, Hollis L., O5200011.
Robinson, Charles W., O5300124.
Rogers, Hugh K., Jr., O5303149.
Simpson, Robert B., O4063208.
Spence, Ray L., O4049502.
Townsend, Robert F., O4052876.
Walsh, Thomas A., Jr., O5508433.

To be second lieutenants

Andrews, Raymond G., O5306383.
Bolton, Peter A., O5000752.
Conte, Richard E., O5005624.
Gillette, Samuel G., O5307460.
Grant, Lawrence M., Jr., O5309625.
Griffey, Joseph P., O5208840.
Haas, Steven L., O5309324.
Hamby, Larry B., O5213244.
Harvell, Kenneth E., O5403651.
Hunt, John W., O5309815.
Junod, Joseph J., O5209857.
Karsteter, Robert B., O5401701.
King, Stanley L., Jr., O5006123.
Kinkade, David R., O5705363.
Michie, Richard L., O5512018.
Mylks, Herbert W., O5210908.
Paquette, Edward H., O5308913.
Paradowski, Charles E., O5403166.
Peters, Shelton V., O5404237.
Rogers, Martin M., O5510511.
Vinci, Frank, Jr., O5211469.
Wharton, Gerald M., O5211184.
Willms, Walter R., O5412312.
Wolfarth, William M., Jr., O5310259.

The following-named persons for appointment in the Regular Army of the United States, in the grades and corps specified, under the provisions of title 10, United States Code, sections 3283, 3284, 3285, 3286, 3287, 3288, 3289, 3290, 3291, 3293, 3294, and 3311:

To be captains, Chaplain

Floyd, William R., O2003168.
Johnson, Kermit D., O2274589.

To be captains, Dental Corps

Auzins, Janis, Jr., O5500647.
Call, Robert I., O2211948.
Kennemer, Thomas O., Jr., O4062586.
Urick, Howard B., O2295634.

To be captains, Medical Corps

Hernandez-Fragoso, Ignacio, O5213679.
Hinckley, Robert F., O4046342.
Hughes, Charles R., O5312888.
Jackson, John K., Jr., O1880831.
Molina y Vedia, Marcel, O2309691.
Pappas, Michael T., O5213024.
Park, Robert C., O2291916.
Shroyer, Joseph M., O2309863.

To be captain, Medical Service Corps

Barnett, Lacy C., O1878565.

To be captain, Veterinary Corps

Keel, James E., O2295309.

To be first lieutenants, Army Nurse Corps

Christ, Nancy M., N2304803.
Glor, Beverly A. K., N2303633.

To be first lieutenants, Chaplain

Blunt, Kenneth L., O5500455.
Hyde, Patrick H., O5407755.
Kieschnick, Alton R., O5501028.

To be first lieutenants, Dental Corps

Gary, Ralph R., O5003455.
Hirsch, Edward H., O5004867.
Hirsch, Herbert I., O5206837.
Rodenburg, Carl E., O5012677.

To be first lieutenants, Medical Corps

Burton, Thomas H., O2305101.
Cooper, Edgar L., O2300670.
Hutchison, William A., O2305187.
Levy, Morris S., O2300692.

To be first lieutenant, Women's Army Corps

Lipner, Lois, L5004360.

To be second lieutenants, Army Nurse Corps

Garfall, Gloria M., N2304927.
Irvine, Leona R., N5407064.
Rolle, Agnes O., N5407457.

To be second lieutenant, Medical Service Corps

Anderson, Charles H., O4070138.

To be second lieutenants, Women's Army Corps

Bradford, Loyce A., L2304804.
Frisk, Helen E., L2304921.

The following-named distinguished military students for appointment in the Medical Service Corps, Regular Army of the United States, in the grade of second lieutenant, under the provisions of title 10, United States Code, sections 3283, 3284, 3285, 3286, 3287, 3288, and 3290:

Katsuyoshi, Charles M.
Kreuter, Robert H., Jr.
Zimmerman, Harry R.

The following-named distinguished military students for appointment in the Regular Army of the United States in the grade of second lieutenant, under the provisions of title 10, United States Code, sections 3283, 3284, 3285, 3286, 3287, and 3288:

Adams, Paul G.
Brazil, Daniel S.
Burns, Frank L.
Carlson, John P.
Caver, Troy V.
Cooper, Fredrick C.
Crume, Thomas E.
Edwards, William W.
Fivian, James A.
Florreich, James H.
Frost, Leonard D., Jr.
Goodfellow, Michael P.
Hagedorn, Ronald S.
Hill, Thomas F.
Hunter, Paul C.
Lindsay, Larry A.
McBroom, Billy W.
McKay, Donald M., Jr.
McTernan, Bernard
Machus, Robert J.
Memec, Carl J.
Pinion, Richard A.
Sakamoto, Shiori
Simpson, Benjamin E.
Simpson, Patrick J.
Smith, Hubert G.
Stenning, Simon A. J.
Taylor, John V., Jr., O5516869.
Tinberg, Larry R.

EXTENSIONS OF REMARKS

No Added Publicity for Nazis

EXTENSION OF REMARKS
OF
HON. ABRAHAM J. MULTER
OF NEW YORK
IN THE HOUSE OF REPRESENTATIVES
Monday, August 27, 1962

Mr. MULTER. Mr. Speaker, I commend to the attention of our colleagues the following letter addressed to the Jewish Press of Brooklyn, N.Y., by the Attorney General of the United States. The letter appeared in the August 17, 1962, edition of the Press:

OFFICE OF THE ATTORNEY GENERAL,
Washington, D.C.

THE JEWISH PRESS,
Brooklyn, N.Y.

DEAR EDITOR: I read your thoughtful and provocative open letter to me in the July 20 edition of the Jewish Press with great interest.

This administration, and I personally, strongly concur in your view that the odious Nazi doctrine of racial and religious hatred has no place in this country. The American Nazi Party represents only a few distorted individuals and is an anathema to almost every other citizen.

The Department of Justice is fully aware of the activities of the Rockwell group and will act promptly if any Federal law is violated. Local authorities are vigilant for infractions of their laws and ordinances.

Consideration has been given to placing the American Nazi Party on the list of subversive organizations, but proceedings have not been initiated for a number of reasons.

The primary function of the list is to alert Government agencies to the danger of hiring people who belong to subversive organizations. Designation as a subversive organization carries no sanction and does not curtail the activities of the group so designated.

Extensive public hearings are required before an organization can be placed on the list. These hearings would give the Nazi Party widespread publicity and a forum in which to expound their primary objectives.

The fact that the Nazi Party is not on the list in no way constitutes approval or grants them any status as a worthwhile organization. Nor does its absence from the list mean that any unlawful activity will be tolerated.

In the final analysis, the most effective antidote to the poison of nazism is the patriotism and good sense of the American people. We shall be alert to the dangers of nazism, but I am sure that you share my confidence that our fellow countrymen will never allow the ravings of hatred which the Nazis preach, to flourish.

Sincerely,

ROBERT KENNEDY,
Attorney General.

Public Works Legislation

EXTENSION OF REMARKS
OF
HON. ALBERT RAINS
OF ALABAMA
IN THE HOUSE OF REPRESENTATIVES
Monday, August 27, 1962

Mr. RAINS. Mr. Speaker, the emergency public works employment bill, H.R. 10113, will come before the House tomorrow. The extremely high level of unemployment which has persisted for the past 5 years threatens to become chronic unless we take action to curb this trend and to strengthen the economy generally. This bill is designed to do exactly that through Federal assistance for public works construction. Not only will this bill provide an immediate increase in the number of jobs available, but it will also create many urgently needed local public works. Nearly every community in the country has a backlog of water and sewer projects, public buildings, streets, sidewalks, and the like, for which there is an urgent need. Nowhere is this need greater than in places which have suffered most seriously from unemployment. These hard-hit areas need not only the jobs which would be created but they need to add to their public investment in order to encourage their long-term growth through the development of industry. The Area Redevelopment Act enacted last year provided some assistance for these public works, but restricted it to projects which could tie in to an identifiable source of additional employment, such as a factory.

As a result, many of these depressed communities who have applied for assistance have found that their applications were sharply cut back or turned down altogether because they were designed to serve the whole community. Even though these projects may not tie in with a specific source of employment, I think everyone will agree that adequate water and sewer facilities, for example, are essential to the economic growth and development of a community. Under the Public Works Employment Act, however, aid could be given to these worthwhile projects in the form of 50-percent grants.

Mr. Speaker, I am including at the end of my remarks a list of 60 projects for which application was made under the Area Redevelopment Act but which were either cut to the bone or rejected outright. All of these projects are in areas eligible for assistance under the public works bill and appear to qualify for the 50-percent grants. In addition to these, of course, there are a great many other projects greatly needed in eligible areas for which application was never made when the restrictive terms of the Area Redevelopment Act were explained so that this list is only a few of the projects that might qualify. However, it is an indication of the backlog that does exist.

The list of projects follows:

Project

Place	Type	Amount
Alabama:		
Myrtlewood	Water system including pumps, filtration, tanks lines.	$101,430
Jasper	Community hospital	200,000
Glen Allen	Water system	45,000
Alaska: Fairbanks	120-bed hospital	5,150,000
Arkansas:		
Batesville	Extension and improvement, city water system.	355,000
Monticello	Extension and improvement of water and sewer system.	469,500
Morrilton	Improvement of sewer system and access road to industrial site.	281,060
Waldron	Storage reservoir, treatment plant, and distribution lines.	650,000
Augusta	Treatment plant and extension of water, sewer, and gas lines.	195,000
Florida: Blountstown	Improvement and extension of water and sewerage facilities.	451,207
Georgia:		
Dawson	Sewerage treatment plant and distribution system.	930,234
Wadley	Water system and improvements to sewer system, fire hall, storm drainage.	375,000
Leesburg	Improvement of water and sewer system.	131,000
Wrightsville	Water and sewer system	134,000
Clarksville	Sewerage treatment system	290,600
Lavonia	Improvement of water and sewerage treatment facilities.	655,500
Warrenton	Sewer and gas line, access road	99,314
Idaho: St. Maries	Relocation of a section of city waterline.	18,909
Indiana:		
Bloomfield	Repair and extend present sewage system.	516,000
Jasonville	Extend and repair sanitary disposal system.	702,450
Perry County	Watershed project	164,000
Louisiana: Leonville	Municipal water system	77,000
Maine: Saco	Heavy duty roadway (construction)	37,000
Massachusetts: Lowell	Facilities for industrial park (road, water, and sewer).	187,500
Michigan: Manistee	New water supply and improvements.	700,000
Mississippi:		
Bay Springs	Extension of sewer facilities	123,000
Walnut	Improvement of water and sewer system.	190,000
Nevada: Lincoln County	Road to atomic test site	131,400
New York: Auburn	Construction of water and sewer lines; removal of railroad tracks.	$50,000
North Carolina: Polkton	New water system	63,107
Ohio: South Point	Sewage system	590,000
Oklahoma: McCurtain County.	Waterworks	350,415
Pennsylvania:		
Shamokin	Development of industrial park	164,000
Brownsville	Construction of hospital	2,850,000
Newell	Water supply system	250,000
Uniontown	Construction of hospital	1,316,667
Mountaintop	Preparation of plant sites	600,000
Borough of North East	Improvements and new construction, water system.	2,760,000
Butler County	Industrial park	49,538
Addison and Henry Clay Townships.	Construction of roads	1,689,675
Charleroi	Development of industrial park	89,152
Pottsville	do	400,000
South Carolina:		
Blaney	Constructive municipal water system.	150,000
Lancaster	Purchase and improvement, water and sewer system.	1,700,000
Loris	Expanding and improving water and sewer facilities.	549,610
Tennessee:		
Tazewell	Water system	321,000
LaFollette	do	563,000
Tennessee Ridge	Water and sewer	440,000
Tazewell	Sewer system	803,000
Monterey	Water and sewer system	905,000
Utah: Emery County	Water system	389,756
Virginia:		
Coeburn	Water and sewer	631,995
Big Stone Gap	do	1,350,000
Wise	Water extension	38,000
West Virginia:		
Morgantown	Construction of vocational training center.	1,048,232
Cowen-Camden-on-Gauley, Webster Springs.	Sewage systems	1,051,712
Logan County Planning Commission.	Sewage systems for 6 communities	(1)
Whitesville	Medical clinic	123,000
Hepzibah	Water system	132,000
Wisconsin: Ashland	Water, sewer facilities to service industrial park.	90,000

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[1] Not specified.

Republic of Chad Second Independence Anniversary

EXTENSION OF REMARKS

OF

HON. CHARLES C. DIGGS, JR.

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Monday, August 27, 1962

Mr. DIGGS. Mr. Speaker, it is a pleasure to note the just concluded second anniversary on August 11 of the independence of a Republic of Chad. The progress of this important central African country during its 2 years of independent sovereignty is of great interest and satisfaction not only to me but to many Americans of all political persuasions, religions, and national origins.

Developing as we have from a colonial status and looking back on our own position as a newly developing nation, the United States has special pride in saluting the people of Chad on this significant occasion. At the time the United States established its own nationhood, we too faced many problems. We were young and inexperienced in the operation of our own Government. Our national resources although bountiful were undeveloped. We lacked the capital to make the improvements so badly needed.

Like Chad, however, we had in bountiful measure the desire and ability to build a nation in which all people would have the right of education, the right of employment, and the right to live in human dignity. Like the people of Chad, the people of the United States take pride in their country and in their Government. Nation building, as we all well know, is a process which is never ending. It is a process which calls for the continued support of every citizen of the country.

As an important nation in the free world, Chad has several advantages as it begins this third year of independence. Not the least of these is the fact that its independence was won by negotiation without bitter bloodshed. Good relations between Chad and the former colonial government of the French are an asset to Chad as it builds its future.

A second advantage is the fact that Chad over the years has acquired a good beginning in the development of roads and communications, and above all possesses a cadre of leadership, alert, intelligent, and capable of dealing with domestic and international affairs.

On this occasion of the second anniversary of the independence of Chad, I am pleased to express the genuine friendship of America for the people of Chad, and to express our best wishes for their continuing development in freedom and peace.

Western Electric Co. Public Affairs Program

EXTENSION OF REMARKS

OF

HON. JOHN V. LINDSAY

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Monday, August 27, 1962

Mr. LINDSAY. Mr. Speaker, I commend to the attention of my colleagues and the citizens of this country, the public affairs program of the Western Electric Co.

The obligations of citizenship today are becoming ever more complex. There is a tendency to respond to this situation by ignoring it, a tendency that is intolerable when this Nation's responsibilities extend throughout the wide world and even into outer space. In view of this situation, efforts to improve the caliber of citizenship are especially welcome.

Many businesses, aware that their employees have not been meeting their full responsibilities as citizens, have inaugurated programs in recent years to encourage a reversal of this trend. Among these is the Western Electric Co., which recently published a booklet describing its public affairs program. I should like to cite a portion of this booklet which has come to my attention. It says that Western Electric "feels that when increasingly numbers of people become increasingly interested in and concerned about government, the quality of government will be increasingly improved and there will be better government at all levels." And by better government, the company means government that is more strongly representative of all of the people governed, government that is benefited by the active, informed participation of the greatest number of its citizens:

> The ultimate advantage the company envisions extends to everyone. For the company's part, it feels that better government at all levels also means a better climate in which to do the work of business. Considering the size of government and the multitude of factors that affects its decisions, the influence of Western Electric people alone may be a small one. But it is the accumulation of small influences that finally directs the course of government.

According to this booklet, Western Electric hopes to see its employees—indeed, it urges them—"to join in the task of shaping policy and conducting the crucial business of self-rule for which the concept of democracy makes every man an instrument."

A concept of citizenship such as this is applicable to every citizen of the United States. It would be to the Nation's advantage if more of our citizens could be exposed to an educational program, such as Western Electric's democracy-in-action course, which teaches the rudiments of political processes, as well as its informational program, which is embodied in objective profiles of the meaningful but complex problems of our times.

Programs such as this merit the support and gratitude of all of us.

Legislative Questionnaire, 1962

EXTENSION OF REMARKS

OF

HON. FRANK THOMPSON, JR.

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

Monday, August 27, 1962

Mr. THOMPSON of New Jersey. Mr. Speaker, early in July I mailed out nearly 55,000 questionnaires to residents of the Fourth Congressional District of New Jersey in order to get a sampling of opinion on the major issues facing Congress this year. More than 10,000 people, nearly 20 percent of those who received my questionnaire, filled it in and returned it, and I am informed by experts in the field that this is an extraordinarily high response.

This high rate of return and the fact that a great many of those who responded took the time to write personal comments on the issues presented, as well as on other leading issues, is strong indication that the voters of the Fourth District are well abreast of current events. I was sincerely impressed with the thoughtfulness of the comments and the seriousness with which people approached the task of expressing their opinions to their Representative in Congress.

While the tabulated answers speak for themselves, a few comments are in order. More people expressed an opinion on health insurance for the aged than on any other question, confirming President Kennedy's belief that this will be a major issue in the 1962 election. The question that fewest people expressed an opinion on had to do with appropriations for the U.S. Arms Control and Disarmament Agency. In my view this is a reflection of the fact that the agency is a new one and its activities have not received a great deal of publicity. In a future newsletter I will discuss the purpose and operations of the agency.

On several questions the responses were quite decisive. An overwhelming majority of people favored continuation of the Peace Corps, favored the Federal Communications Commission taking steps to raise the quality of commercial TV programs, approved of President Kennedy's decision to resume nuclear tests, and opposed admission of Red China to the United Nations. On the question of Federal aid to education, a strong majority favored financial assistance to the States for school construction, but by almost the same percentages a majority opposed aid for teachers' salaries.

The questions that I presented to the Fourth District residents were phrased in the terms of the specific legislation before the Congress, and every effort was made to present the issues in as objective a manner as possible. I wish to express my thanks to all those who helped in this project by letting me know their opinions, and I hope the results will be of interest to all.

The final tabulation follows:

LEGISLATIVE QUESTIONNAIRE, 1962

1. Do you favor or oppose the plan for the United States to buy up $100 million of United Nations bonds to help pay for United Nations special operations in the Congo, for the Middle East, and elsewhere? Favor, 47 percent; oppose, 43 percent; no opinion, 10 percent.

2. Do you favor or oppose a program of health insurance for the aged paid by a 25-cents-per-week increase in social security deductions? Favor, 55 percent; oppose 41 percent; no opinion, 4 percent.

3. Did you approve or disapprove of the actions taken by President Kennedy when several large steel companies recently announced an increase in prices? Approve, 54 percent; disapprove, 41 percent; no opinion, 5 percent.

4. Do you favor or oppose—

A. Federal financial aid to the States for public school construction?

Favor, 58 percent; oppose, 37 percent; no opinion, 5 percent.

B. Federal financial aid to the States for teachers' salaries? Favor, 38 percent; oppose, 54 percent; no opinion, 8 percent.

5. Do you favor or oppose a Secretary of Urban Affairs and Housing being added to the President's Cabinet? Favor, 37 percent; oppose, 46 percent; no opinion, 17 percent.

6. Did you approve or disapprove of President Kennedy's decision to resume nuclear tests in the atmosphere? Approve, 76 percent; disapprove, 18 percent; no opinion, 6 percent.

7. Do you favor or oppose increasing appropriations for the U.S. Arms Control and Disarmament Agency? Favor, 45 percent; oppose, 30 percent; no opinion, 25 percent.

8. Do you favor or oppose continuation of the Peace Corps? Favor, 71 percent; oppose 17 percent; no opinion, 12 percent.

9. Should Congress create a Federal Advisory Council on the Arts to make recommendations to the President and Congress? Yes, 49 percent; no, 27 percent; no opinion, 24 percent.

10. Do you favor or oppose the Federal Communications Commission taking steps to raise the quality of commercial television programs? Favor 73 percent; oppose 20 percent; no opinion, 7 percent.

11. Would you approve or disapprove of the Federal Government helping to pay for the construction of fallout shelters? Approve, 27 percent; disapprove, 62 percent; no opinion 11 percent.

12. Do you favor or oppose the admission of Communist China to the United Nations? Favor, 18 percent; oppose, 74 percent; no opinion, 8 percent.

13. Do you favor or oppose giving the President broader authority to negotiate the reduction of tariffs between the United States and the European Common Market? Favor,

58 percent; oppose, 33 percent; no opinion, 9 percent.

14. Would you approve or disapprove of Federal aid to industries which suffer from increased competition from imports as a result of tariff agreements with the European Common Market? Approve, 35 percent; disapprove, 51 percent; no opinion, 14 percent.

15. Do you favor or oppose the continuation of our foreign aid program? Favor, 56 percent; oppose, 35 percent; no opinion, 9 percent.

16. Do you favor or oppose giving the President discretionary authority to combat a recession by lowering taxes and increasing public workers programs? Favor, 63 percent; oppose, 32 percent; no opinion, 5 percent.

17. In general, do you believe that Congress should give greater support to President Kennedy's legislative program? Favor, 49 percent; oppose, 33 percent; no opinion, 18 percent.

18. Do you consider yourself a: Democrat, 32 percent; Republican, 33 percent; Independent, 35 percent.

The U.S. Position in World Affairs

EXTENSION OF REMARKS

OF

HON. JAMES E. VAN ZANDT

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Monday, August 27, 1962

Mr. VAN ZANDT. Mr. Speaker, on Monday I had the privilege of addressing the 17th annual convention of the National Society of Public Accountants at the Sheraton Hotel in Philadelphia, Pa. At the request of the society, the subject of my address was "The U.S. Position in World Affairs." Under leave to extend my remarks I am including the text of that address:

THE U.S. POSITION IN WORLD AFFAIRS

(Address by Representative JAMES E. VAN ZANDT, Member of Congress, 20th District of Pennsylvania, before the 17th National Convention of the Public Accountants, Sheraton Hotel, Philadelphia, Pa., Monday, Aug. 20, 1962, 7:30 p.m.)

The subject I have been asked to speak to you about tonight is "The U.S. Position in World Affairs."

Every American is aware of our country's great variety of activities in a thousand spots around the globe.

The newspapers, radio, and television keep us informed daily of American activities in Laos, South Vietnam, Geneva, the United Nations—revolutions in Latin America, riots in Palestine, or propaganda from Moscow.

Yes we are deeply interested in what is going on around the world—because we are deeply involved.

This involvement is partly by choice and partly by circumstance.

The circumstances of World War II left only two great powers—the United States and the Soviet Union.

Japan and Germany were defeated and occupied.

Other European powers were drained and exhausted by the long bitter years of war.

As the United States brought its boys home, the hard realities of this new two-power world soon became evident.

Unless the United States exercised strength—either militarily or economically—as in the case of the Marshall plan the Soviet Union would capture by force and subversion every free country whose affairs it could entangle.

The United States chose to take up vigorously the task that historic circumstance had thrust upon us.

We became leader of the free world in the struggle to maintain independence against the threat of Soviet Russian imperialism.

Of all the roles which our country plays in the world today—this one is the most worthy.

I could speak to you today about our position as a firm and loyal supporter of the United Nations.

I could speak to you about our position of builder of the underdeveloped areas—about our foreign aid program—and our Alliance for Progress.

I could speak to you about our evolving position as a partner in trade with the new Europe—a Europe saved from Communist chaos by its own determination and hard work—aided by the resources the American taxpayer provided by our Marshall plan.

I could speak of these and many other positions of the United States in world affairs today.

But I want to talk about one aspect of our position of leadership of the free world, the very core of strength of our leadership position—our military strength.

We know from bitter experience that communism will not hesitate to use the force of arms in pursuit of its imperial ambitions.

We also know that freemen, armed with a knowledge of Soviet tactics as well as with the machines of war, will not lose their freedom easily.

Since the core of free world strength is the military power of the U.S. Armed Forces, and since Khrushchev has been making so many claims lately about the size and strength of the Soviet strategic forces, I would like to take this opportunity to point out the relative balance of military power between the United States and the Soviet Union.

There are two reasons for my selection of this specific subject to speak about on this occasion.

First, I have firsthand knowledge of it and, second, during the month of July Mr. Khrushchev and other Russians did some boasting that needs a straight answer.

My knowledge of the subject comes from my Navy experience in the two World Wars, and the Korean conflict.

Also from the fact that I am currently a member of the House Committee on Armed Services and the Joint Committee on Atomic Energy.

I think during the course of my remarks that I will be able to show up Mr. Khrushchev's boasts for what they are.

I think I shall also be able to clear up some possible question in your minds about such things as the missile gap.

It is important in this age of the possibility of nuclear catastrophe—for every citizen to be aware of the realities of the military situation.

This is another reason I thought it important to clear up any confusion created by last month's Soviet exaggerations.

I believe it is useful to share our thinking with our stanch allies—such as our friends from Canada who are here with us at this gathering.

They share equally in the dangers of defending our freedoms.

For that reason, they ought to share equally in our evaluation of the actual military balance of power today.

Let me begin by comparing the strategic striking forces of the United States and the Soviet Union.

At present we have about 85 operational ICBM's to a reported Soviet 50–75.

In addition the United States has 128 Polaris missiles on 8 operational submarines.

We have over 600 B–52's, almost 100 B–58's, and about 1,000 B–47's with round trip refueling capabilities.

Against this the Russians have only 150 intercontinental bombers and about 400 to 800 one-way-only medium bombers.

This is all that the Russians have that poses a direct threat to the United States and Canada.

We have, however, in addition to all these missiles and bombers about 100 MRBM's in Europe.

We also have about 300 carrier-based and 1,000 land-based tactical aircraft designed and stationed so that they could carry nuclear weapons into Russia.

Thus, considering only the United States and the Soviet Union, we have an enormously overwhelming advantage in strategic nuclear striking power.

To partially offset this advantage the Soviets have their huge well-equipped land army and about 400 MRBM's stationed in Eastern Europe with which to threaten our NATO allies.

The advantage in missiles and bombers is decidedly on the side of the United States and is growing rapidly.

Furthermore, we and our NATO allies are building up our conventional forces in Europe—so that we can conduct a successful local defense without using destructive nuclear weapons to do it.

Therefore, without ignoring the dangers of the fantastically destructive weapons of today, there is no need for us to be more afraid of the Russians than they are of us.

We can be confident that our vigorous defense program is keeping us ahead of the Reds.

But what about the missile gap? Did it ever exist?

Yes it did exist on paper but fortunately it never materialized in fact.

The missile gap was a prediction, let us remember, based on intelligence estimates.

These estimates showed that the Russians were building a fleet of ICBM's.

The estimates were arrived at based on the amount of steel alloy and the number of specialists and so forth required to build one of these missiles.

In addition, the estimates were based on the total amount of steel alloy and the number of specialists that the Russians had.

Then also the experts calculated how many missiles the Russians were capable of building over the next few years.

Compared to the number of missiles that the United States had planned to build over those same years, the Russians could have had in the early 1960's a lead of as much as 3 to 2.

This was the so-called missile gap.

The main reason it never materialized was that Russia never built anywhere near the number of missiles that were estimated.

Her failure to do so was due perhaps to agricultural or other internal problems which kept her defense spending down.

At any rate, we speeded up our program, and when the new intelligence information came in that the Russians had not built all their missiles—the so-called missile gap disappeared.

In fact, the United States assumed a small but growing lead in the missile field.

The same thing had happened in the early 1950's with the bomber gap and it was resolved in the same fashion.

It was worthwhile to take these alleged gaps seriously.

You can imagine the dangerous situation which could have arisen, if we had not taken them seriously, and the Russians had built to their limit.

At the present time it is reported we have a safe lead in both these categories.

That fact is a satisfying feeling for all Americans.

Now there are two specific Russian rumors that I would like to try to counter.

On July 17, Premier Khrushchev in an interview with some American editors repeated his earlier claims that Russia had an anti-ICBM missile.

He boasted that the Soviet missile could "hit a fly in space."

Our Department of Defense and other space scientists are positive, however, that the first successful intercept of an ICBM by an antimissile missile took place 3 days later.

It was on July 20, over Kwajalein Island in the Pacific, a U.S. Army Nike-Zeus missile intercepted an Atlas ICBM.

So here is an anti-missile-missile gap that Mr. Khrushchev is trying to create in the minds of the world.

The facts do not back him up.

Another Russian boast that took place last month was in connection with the Soviet Navy day celebration held in Leningrad on July 29.

There, Russian Admiral Baikov said that the Soviet Navy now had Polaris-type submarines that could go under the pole just like the U.S. version.

Later, in the military newspaper Red Star, the Soviet Polaris-type striking force was called the "shock force" of the Red navy.

Now this may well be, but if the Russians have Polaris-type submarines that can go under the pole, they must not be able to make it up the Neva River to Leningrad.

They did not show up with all the other Red navy vessels at the navy day celebration.

And only a few weeks before the Red Star called the Polaris-type submarine fleet the "shock force" of the Red navy, reports came out that the Soviet Union had just conducted its first successful underwater missile launch.

No wonder none of these subs showed up at Leningrad.

If these submarines advanced from the experimental stage to a "shock force" stage in the matter of a few weeks, those subs must have been cruising under the pole or somewhere with no time to celebrate navy day.

What all these exaggerations show, I think, is a desperate attempt by the Soviets to keep up the false image of Russian military supremacy.

This exaggerated supremacy claimed the attention of a worried world under the influence of such things as the "bomber gap" and the missile gap.

Now that time has shown each of these gaps to be nonexistent, the world realizes that the United States is still way ahead of the Russians militarily.

For one thing, the Soviet economy cannot stand the defense expenditures needed to surpass the U.S. effort.

And for the world to know this most certainly upsets the Soviet leaders.

In the face of all this Soviet bluffing and the lack of facts in the false gap stories America faces a problem at home.

Some of our fellow citizens claim that the United States is behind in everything.

They say we have become a second-rate power.

They are alarmists and prophets of defeatism.

They talk about Russia's expanding economy—and now they throw in Germany, France, and Japan.

What they do not say or do not know is that the Russian expansion is based on the period between 1948 and 1953, when the Soviet was recovering from the effects of the German invasion.

It was a recovery from a nearly mortal blow, and not normal, healthy economic expansion.

Much the same may be said for most European countries.

We know that Russia has not expanded agricultural production.

We know she is short of automobiles and such durables as refrigerators, washing machines, and many other items.

The United States has never failed to meet production goals in either war or peace from either its farms or factories.

These achievements should be the pride and glory of every single American.

One of the great unsolved military problems facing this country is that of organizing and equipping the NATO shield forces.

We must be able to fight and to win a local resistance war without destroying the homeland of the ally, which we are defending.

This means in simple terms that if we use tactical nuclear weapons to stop a possible Russian thrust into Europe, they would use them, too, and soon there would be nothing left to defend.

That is why our policy is now directed toward increasing the strength of the conventionally armed defense forces there.

If the Communists tried to invade Western Europe and we had the number of regular divisions there that we are now building up to, a stout defense could be made without the use of highly destructive nuclear weapons.

Our policy is now directed toward keeping those weapons always on hand—always ready to use if our regular defense forces cannot hold—while at the same time increasing their capability to do so.

If the Regular Forces cannot hold—and we must use nuclear weapons to do it—the dimension of the war will be radically altered, for the initiation of the use of nuclear weapons is more than just an increase in firepower.

It is a firm and solemn demonstration to the enemy that the object which we are defending is of extremely high value to us.

And his persistence in trying to gain it has raised the risks to him to a high and dangerous level.

The problem today, however, is that the conventional forces in NATO are still in the process of building up to a high enough level.

What we want is a choice of whether or not to use nuclear weapons, not a necessity to do so.

This position of choice between alternatives is a position of strength.

But the problem of tactical nuclear weapons in NATO is more complex than this.

Basic decisions will have to be made within the next year or two about the strategy under which NATO forces will use these weapons.

And based on this strategy, additional problems will have to be solved.

Our allies are demanding a greater share in the decisions about when, where, how, or if to use nuclear weapons.

After all, if we use them, they will explode in our allies' backyard.

Therefore, they are also asking more command positions in the military branch of NATO, which will have control of these nuclear weapons.

The military problems of NATO are further complicated by the political problems which always arise when two or more independent nations work together.

I would like to leave with you now a few thoughts about perhaps the greatest and most challenging problem which will have to be overcome, if we are to realize our goal of a free and peaceful society of independent nations.

That problem is the mastery of outer space.

The advances in this field in the last 5 years stagger the imagination.

For example the successful orbiting and landing last week of the Russian cosmonauts reveal the great advances made by the Soviet Union in probing outer space.

Frankly these Russian accomplishments reveal military danger which could arise if an alien power could take and maintain control of outer space—while denying its use to the West by antisatellite missiles or other means.

Seriously ladies and gentlemen—we have a lot of work to do in the development of our space program—if we are to forge ahead or even keep abreast of the Soviets.

This is the crux of the vexing problem we face.

If the West wins this space race or at least matches Russia, we will be successful in keeping the Soviet Union from threatening the free world from an invulnerable space haven.

I am certain you will agree that in such an event—we will have taken a long step toward the kind of international society we want.

Our basic problem centers on how to win this cold war without having a thermonuclear war if possible.

For as the greatest of all Chinese military philosophers, Sun Tzu said almost 2,500 years ago 500 B.C., "To fight and conquer in all our battles is not supreme excellence—supreme excellence consists in breaking the enemy's resistance without fighting."

While we are ready today to fight a thermonuclear war we have no wish to do so unless forced to it by the Russians.

The United States with its overwhelming strategic superiority would put an end to Soviet Russia but she in turn would kill many millions of our people and perhaps destroy Western Europe completely.

Such an ending to the cold war would obviously satisfy no one.

Western strategy is to remain militarily strong enough so that the U.S.S.R. will not try an armed takeover in the free parts of the world.

In addition, by economic cooperation and increased world trade, we hope to make the Atlantic alliance a strong and thriving center of well-being and freedom.

Having accomplished this objective, the Soviet alliance system would break down as the captive nations of Eastern Europe are irresistibly attracted to the Western example of free and happy prosperity.

Finally the road to this ideal solution will be neither short nor easy.

There are many problems to be met and overcome and the twists and turns in the road will be many.

Yet with the confidence that the facts of the present military balance give us, and the knowledge that history is on the side of freedom, with God's help, our cause shall prevail.

If it does not prevail, let us make certain it is not due from lack of effort on the part of any one of us.

Washington Report

EXTENSION OF REMARKS

OF

HON. BRUCE ALGER

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Monday, August 27, 1963

Mr. ALGER. Mr. Speaker, under permission to extend my remarks, I would like to include my newsletter of August 25, 1962:

WASHINGTON REPORT: CONGRESSIONAL STAFF WORK

(By Congressman BRUCE ALGER, Fifth District, Texas, special report by Ralph Marlatt, administrative assistant to Congressman BRUCE ALGER)

This week the House is in recess to give the Members an opportunity, as stated by Speaker of the House JOHN MCCORMACK and Majority Leader CARL ALBERT, "to take advantage of this last chance to take a week off before the beginning of the new school term," Congressman ALGER, as did other Members with families, has used the week to spend a vacation with Jill, David, and Steve. In his absence, Congressman ALGER has asked me to report on the activities of the office in dealing with what is termed "case work."

These are the problems in which the people become involved with the Federal Government and turn to their Representative in Congress for assistance in unraveling the redtape and mysteries of dealing with the sprawling bureaucracy which now touches almost every aspect of our daily living. These are the human problems, some routine business matters, some tragic, all important and, under the inspiration of Congressman ALGER, each is dealt with sympathetically, earnestly and as thoroughly as possible. Of course, a Congressman is limited by law and the Constitution as to just how far he can go in handling a case, but in this office every legal and ethical effort is made to insure each constituent a fair and impartial hearing for any problem. All correspondence between the people and the Congressman is confidential, but I don't believe it is betraying any confidences to list just a few of the types of cases handled by Congressman ALGER and his staff in the past few months.

A constituent, traveling abroad, was suddenly taken ill and needed immediate blood transfusions. No blood of his type was available and had to be secured from the United States without delay. A member of his family was prepared to fly the lifesaving blood to him, but lacked a proper passport. We received the plea for help at 7 a.m., on a Sunday morning. All members of the staff immediately went to work and by noon all necessary clearances were made to permit departure. Another Dallas resident had difficulty in obtaining a permit to sail a boat he had just purchased out of a harbor in a Latin American country. He was using the boat in his work and could get no satisfaction either from American authorities or those of the country involved. We took the case up with the State Department and through a series of telephone calls and cablegrams were able to solve the problem. As a result of these efforts Congressman ALGER received a nice letter from the constituent which said, in part, "It was a relief, and gave me renewed confidence that someone in our Federal Government knows what to do and will take the time to do it for someone who is not an important official. Up until contacting you I have been most frustrated in getting anything done and equally discouraged."

Many cases involve young men and women in the service. A Dallas boy was seriously injured in the Far East and his parents were unable to get the details or clearance for one of them to go to him. We contacted the military, found the boy was hurt, but not as seriously as at first feared and made arrangements for his father to be flown to him. A young woman, unable to adjust to military life was upset because she felt she was not being given proper consideration for a discharge. Her parents were worried about her and sought the Congressman's help in expediting the paperwork. The service branch involved was most cooperative in giving every assurance that everything possible was being done for the girl, arrangements were made for the mother to see her in the hospital and within a few days she was discharged and is now happily at home taking up her college career where it was interrupted. A woman suffering a serious illness which left her totally disabled needed assistance in establishing her right to social security benefits. Recently she was awarded compensation with payments retroactive for 18 months which greatly helped her in meeting her hospital and medical expenses.

These are among the more dramatic cases, but there are hundreds involving income tax problems, VA and FHA loans, problems concerned with Government contracts, hardship discharges and transfer for military personnel, invasion of property rights by the Federal Government in areas where public and private lands adjoin, immigration and visa cases (many concerning refugees from Cuba and other Iron Curtain countries), and many other types, all in a nonpolitical category. They are not all solved to the satisfaction of the person who has the problem, but every citizen of Dallas County may be sure that any case presented to Congressman ALGER is given every possible attention. No other Member of Congress works harder for the people he represents, nor cares more deeply about their problems than does Congressman ALGER.

Replies to a Questionnaire

EXTENSION OF REMARKS

OF

HON. NEAL SMITH

OF IOWA

IN THE HOUSE OF REPRESENTATIVES

Monday, August 27, 1962

Mr. SMITH of Iowa. Mr. Speaker, I sent a questionnaire to citizens in central Iowa last winter, and I am gratified and thankful for the great response of thousands who made their opinions and views available.

While those who returned questionnaires would not necessarily be a perfect cross section of the voters of that area, I believe the occupations and addresses listed on the returned questionnaires, when considered as a whole, do indicate that those responding were fairly representative of all the people of that area. While I could almost immediately determine the general opinion on various questions, there were so many thousands of returns that I have only recently been able to tabulate the precise percentages. For the information of those who may be interested, the full question and the tabulation is set forth below:

	Those with an opinion		Percent of total with no opinion
	Percent for	Percent against	
1. Agreements for lower tariffs	85	15	16
2. Continued support of United Nations	85	15	20
3. Continued foreign aid	68	32	19
4. Aid to grade and high schools	54	46	15
5. Aid to increase college classrooms	57	43	19
6. Loans for college students	72	28	27
7. Pensions for World War I veterans	53	47	23
8. Increase disabled veterans' compensation	61	39	26
9. Extend feed grains program:			
Farmers voting	88	12	5
Nonfarmers voting	40	60	39
10. Administration's new farm proposal:			
Farmers voting	50	50	5
Nonfarmers voting	41	59	39
11. Health care for the aged under social security	57	43	10
12. Further civil rights laws	66	34	33
13. Establish Urban Affairs Department	62	38	30
14. Prohibit Federal officials hiring relatives	68	32	17
15. Increase social security benefits	57	43	14
16. Expand recreation areas	72	28	22
17. Continue $700,000,000 medical research program	87	13	18
18. Tax credits for new industrial machinery	59	41	

SENATE

TUESDAY, AUGUST 28, 1962

The Senate met at 10 o'clock a.m., and was called to order by the President pro tempore.

Bishop W. Earl Ledden, Wesley Theological Seminary, Washington, D.C., offered the following prayer:

Almighty God, who didst raise up strong and good men to design and defend this Nation: Grant unto Thy servants in this Chamber the insight, born of dedication to truth and justice, that will enable them this day further to strengthen the moral foundations of our country, and, together with other men of good will throughout all lands, to labor to build a thoroughfare for freedom across the world for the blessing of all kinds and conditions of men and the generations yet to be; through Jesus Christ, our Lord. Amen.

THE JOURNAL

On request of Mr. MANSFIELD, and by unanimous consent, the reading of the Journal of the proceedings of Monday, August 27, 1962, was dispensed with.

MESSAGES FROM THE PRESIDENT—APPROVAL OF BILLS AND JOINT RESOLUTION

Messages in writing from the President of the United States were communicated to the Senate by Mr. Ratchford, one of his secretaries, and he announced that on today, August 28, 1962, the President had approved and signed the following acts and joint resolution:

S. 2179. An act to amend section 9(d)(1) of the Reclamation Project Act of 1939 (53 Stat. 1187; 43 U.S.C. 485), to make additional provision for irrigation blocks, and for other purposes;

S. 2574. An act for the relief of Constantina Caraiscou;

S. 2751. An act for the relief of Susan Gudera, Heinz Hugo Gudera, and Catherine Gudera; and

S.J. Res. 179, Joint resolution authorizing and requesting the President to designate April 21, 1963, as a day for observance of the courage displayed by the uprising in the Warsaw ghetto against the Nazis.

EXECUTIVE MESSAGES REFERRED

As in executive session,

The PRESIDENT pro tempore laid before the Senate messages from the

President of the United States submitting sundry nominations, which were referred to the Committee on Foreign Relations.

(For nominations this day received, see the end of Senate proceedings.)

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Bartlett, one of its reading clerks, announced that the House had passed, without amendment, the following bills of the Senate:

S. 1606. An act to authorize the Federal Power Commission to exempt small hydroelectric projects from certain of the licensing provisions of the Federal Power Act; and

S. 3574. An act to extend the International Wheat Agreement Act of 1949.

ENROLLED BILLS SIGNED

The message also announced that the Speaker had affixed his signature to the following enrolled bills, and they were signed by the President pro tempore:

S. 538. An act to amend section 205 of the Federal Property and Administrative Services Act of 1949 to empower certain officers and employees of the General Services Administration to administer oaths to any person;

S. 981. An act to extend certain authority of the Secretary of the Interior exercised through the Geological Survey of the Department of the Interior, to areas outside the national domain;

S. 1208. An act to amend Public Law 86–506, 86th Congress (74 Stat. 199), approved June 1, 1960;

S. 2008. An act to amend the act of September 16, 1959 (73 Stat. 561; 43 U.S.C. 615a), relating to the construction, operation, and maintenance of the Spokane Valley project;

S. 2399. An act to provide for the establishment of the Frederick Douglass home as a part of the park system in the National Capital, and for other purposes;

S. 2916. An act to change the names of the Edison Home National Historic Site and the Edison Laboratory National Monument, to authorize the acceptance of donations, and for other purposes;

S. 2973. An act to revise the boundaries of Capulin Mountain National Monument, N. Mex., to authorize acquisition of lands therein, and for other purposes;

S. 3112. An act to add certain lands to the Pike National Forest in Colorado and the Carson National Forest and the Santa Fe National Forest in New Mexico, and for other purposes;

S. 3174. An act to provide for the division of the tribal assets of the Ponca Tribe of Native Americans of Nebraska among the members of the tribe, and for other purposes;

H.R. 1458. An act for the relief of Lee Dock On;

H.R. 2446. An act to provide that hydraulic brake fluid sold or shipped in commerce for use in motor vehicles shall meet certain specifications prescribed by the Secretary of Commerce;

H.R. 5604. An act to amend the acts of May 21, 1926, and January 25, 1927, relating to the construction of certain bridges across the Delaware River, so as to authorize the use of certain funds acquired by the owners of such bridges for purposes not directly related to the maintenance and operation of such bridges and their approaches;

H.R. 6984. An act to provide for a method of payment of indirect costs of research and development contracted by the Federal Government at universities, colleges, and other educational institutions;

H.R. 7736. An act to amend the act of May 13, 1960 (Private Law 86–286);

H.R. 8730. An act for the relief of Sister Mary Alphonsa (Elena Bruno) and Sister Mary Attilia Filipa Todaro);

H.R. 9915. An act for the relief of Umberto Brezza;

H.R. 10263. An act to authorize the Secretary of the Air Force to adjust the legislative jurisdiction exercised by the United States over lands within Eglin Air Force Base, Fla.;

H.R. 10825. An act to repeal the act of August 4, 1959 (73 Stat. 280);

H.R. 11040. An act to provide for the establishment, ownership, operation, and regulation of a commercial communications satellite system, and for other purposes;

H.R. 11251. An act to authorize the Secretary of the Army to relinquish to the State of New Jersey jurisdiction over any lands within the Fort Hancock Military Reservation;

H.R. 11310. An act to amend section 3515 of the Revised Statutes to eliminate tin in the alloy of the 1-cent piece;

H.R. 11721. An act to authorize the payment of the balance of awards for war damage compensation made by the Philippine War Damage Commission under the terms of the Philippine Rehabilitation Act of April 30, 1946, and to authorize the appropriation of $73 million for that purpose; and

H.R. 12081. An act to authorize the Secretary of the Army to convey certain land and easement interests at Hunter-Liggett Military Reservation for construction of the San Antonio Dam and Reservoir project in exchange for other property.

LIMITATION OF DEBATE DURING MORNING HOUR

On request of Mr. Mansfield, and by unanimous consent, statements during the morning hour were ordered limited to 3 minutes.

COMMITTEE MEETINGS DURING SENATE SESSION

On request of Mr. Mansfield, and by unanimous consent, the Committee on Interior and Insular Affairs was authorized to meet during the session of the Senate today.

On request of Mr. Mansfield, and by unanimous consent, the Subcommittees on Public Roads and Rivers and Harbors of the Senate Public Works Committee and the Permanent Subcommittee on Investigations of the Senate Government Operations Committee were authorized to meet during the session of the Senate today.

CALL OF THE ROLL

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum.

The PRESIDENT pro tempore. The clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that further proceedings under the quorum call be suspended.

The PRESIDENT pro tempore. Without objection, it is so ordered.

EXECUTIVE COMMUNICATIONS, ETC.

The PRESIDENT pro tempore laid before the Senate the following letters, which were referred as indicated:

Report of Overobligations of Appropriations

A letter from the Administrator of Veterans' Affairs, Veterans' Administration, Washington, D.C., reporting, pursuant to law, on overobligations of appropriations in that Administration; to the Committee on Appropriations.

Report on Officers on Duty With Headquarters, Department of the Army and Army General Staff

A letter from the Secretary of the Army, transmitting, pursuant to law, a report on the number of officers on duty with Headquarters, Department of the Army and the Army General Staff, as of June 30, 1962 (with an accompanying report); to the Committee on Armed Services.

Report of U.S. Information Agency

A letter from the Director, U.S. Information Agency, Washington, D.C., transmitting, pursuant to law, a report of that Agency, for the period January 1 to June 30, 1962 (with an accompanying report); to the Committee on Foreign Relations.

Report on Tort Claims Paid by U.S. Atomic Energy Commission

A letter from the Deputy General Manager, U.S. Atomic Energy Commission, Washington, D.C., transmitting, pursuant to law, a report on tort claims paid by that Commission, covering the period July 1, 1961, to June 30, 1962 (with an accompanying report); to the Committee on the Judiciary.

RESOLUTION OF PLYMOUTH COUNTY (MASS.) DEMOCRATIC LEAGUE

The PRESIDENT pro tempore laid before the Senate a resolution adopted by the Plymouth County Democratic League, at Plymouth, Mass., relating to a berth for the *Mayflower II* in Plymouth Harbor, Mass., which was referred to the Committee on Public Works.

RESOLUTION OF NEW YORK STATE SHERIFFS' ASSOCIATION

Mr. JAVITS. Mr. President, I ask unanimous consent to have printed in the Record a resolution adopted by the New York State Sheriffs' Association, favoring legalized eavesdropping under the statutes of the State of New York.

There being no objection, the resolution was ordered to be printed in the Record, as follows:

Whereas, in the State of New York, eavesdropping by law enforcement officers is permissible under the statutes of this State under certain conditions; and

Whereas doubt has been cast upon the right of New York State law enforcement officers to legally operate under the statutes of this State, by action of the Federal courts; and

Whereas law enforcement officers are seriously impeded when prevented from eavesdropping in compliance with the statutes of this State, which in many cases nullifies their efforts in attempting to combat law violators: Now, therefore, be it

Resolved, That this association again go on record as favoring legalized eavesdropping under the statutes of the State of New York; and be it further

Resolved, That copies of this resolution be sent to U.S. Senator Kenneth B. Keating and Senator Jacob K. Javits as a record of the action taken here today.

Dated: August 9, 1962 at Schroon Lake, N.Y.

New York State Sheriffs' Association.
Robert N. Lilly,
Frank L. Gavel,
Howard A. Harvey,
Robert W. Burns,
John E. Hoy,
Resolutions Committee.

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. SCOTT, from the Committee on the Judiciary, without amendment:

H.J. Res. 783. Joint resolution granting consent of Congress to the State of Delaware and the State of New Jersey to enter into a compact to establish the Delaware River and Bay Authority for the development of the area in both States bordering the Delaware River and Bay (Rept. No. 1927).

By Mr. CARROLL, from the Committee on the Judiciary, without amendment:

S. 453. A bill for the relief of Robert J. Scanlan (Rept. No. 1928).

By Mr. DIRKSEN, from the Committee on the Judiciary, without amendment:

H.R. 11996. An act to amend the act of January 30, 1913, to provide that the American Hospital of Paris shall have perpetual succession (Rept. No. 1930); and

S.J. Res. 211. Joint resolution providing for the establishment of an annual National School Lunch Week (Rept. No. 1929).

By Mr. EASTLAND, from the Committee on the Judiciary, without amendment:

S. 136. A bill for the relief of Dinko Dorcic (Rept. No. 1931);

S. 1848. A bill for the relief of Ivanka Vladimirovna Tindek (Rept. No. 1932);

S. 2684. A bill for the relief of Mr. and Mrs. Juan C. Jacobe, and their four children, Angela Jacobe, Teresita Jacobe, Leo Jacobe, and Ramon Jacobe (Rept. No. 1933);

S. 2687. A bill for the relief of Robert D. Barbee (Rept. No. 1934);

S. 2836. A bill for the relief of Carmelo Rafala (Rept. No. 1935);

S. 2922. A bill for the relief of Raymond Chester Hendon (Rept. No. 1936);

S. 3240. A bill for the relief of Mrs. Lee Ma Chin-Ying (Rept. No. 1937);

S. 3336. A bill for the relief of Lazaro Loyola Arinque, Jr. (Rept. No. 1938);

H.R. 75. An act to amend section 2103 of title 28, United States Code, relating to appeals improvidently taken (Rept. No. 1944);

H.R. 298. An act to provide for the recovery from tortiously liable third persons of the cost of hospital and medical care and treatment furnished by the United States (Rept. No. 1945);

H.R. 1322. An act for the relief of Georges Khoury (Rept. No. 1946);

H.R. 1450. An act for the relief of Maria Odelia Campos (Rept. No. 1947);

H.R. 1463. An act for the relief of Judy Josephine Alcantara (Rept. No. 1948);

H.R. 1678. An act for the relief of Jacques Tawil (Rept. No. 1949);

H.R. 2611. An act for the relief of Charles F. Ward, Jr., and Billy W. Crane, Sr. (Rept. No. 1950);

HR. 3134. An act for the relief of Alvin Bardin (Rept. No. 1951);

H.R. 4628. An act for the relief of Fotios Sakelaropoulos Kaplan (Rept. No. 1952);

H.R. 5317. An act for the relief of Mrs. Sun Yee (also known as Mrs. Tom Goodyou) and her children, Male Har Yee, Shee Bell Yee, and Male Jean Yee (Rept. No. 1953);

H.R. 5393. An act to amend the Bankruptcy Act, as amended (Rept. No. 1954);

H.R. 6649. An act for the relief of C. W. Jones (Rept. No. 1955);

H.R. 7328. An act for the relief of the estate of Louis J. Simpson, deceased (Rept. No. 1956);

H.R. 7437. An act for the relief of Stella Rosa Pagano (Rept. No. 1957);

H.R. 7900. An act for the relief of Lt. (jg.) James B. Stewart (Rept. No. 1958);

H.R. 9589. An act for the relief of Kim Jung Im (Rept. No. 1959);

H.R. 9775. An act for the relief of Nihat Ali Ucuncu (Rept. No. 1961);

H.R. 9834. An act for the relief of Estelle L. Heard (Rept. No. 1960);

H.R. 10195. An act to validate payments of certain special station per diem allowances and certain basic allowances for quarters made in good faith to commissioned officers of the Public Health Service (Rept. No. 1962);

H.R. 10493. An act to amend title 18, United States Code, section 4163, relating to discharge of prisoners (Rept. No. 1963);

H.R. 11017. An act to amend section 4281, title 18, of the United States Code to increase from $30 to $100 the amount of gratuity which may be furnished by the Attorney General to prisoners discharged from imprisonment or released on parole (Rept. No. 1964);

H.R. 11031. An act for the relief of George Wm. Rueff, Inc. (Rept. No. 1965);

H.R. 11122. An act for the relief of Edward J. McManus (Rept. No. 1966);

H.R. 11863. An act for the relief of Vernon J. Wiersma (Rept. No. 1967); and

H.R. 12157. An act to amend the Bankruptcy Act in respect to the salaries of retired referees (Rept. No. 1969).

By Mr. EASTLAND, from the Committee on the Judiciary with an amendment:

S. 972. A bill for the relief of Cristina Franco (Rept. No. 1939);

S. 1263. A bill for the relief of Marie Margaret Arvanetes (Rept. No. 1940);

S. 3419. A bill for the relief of Enrizo Petrucci (Rept. No. 1941);

S. 3490. A bill for the relief of Oh Shin Young (Rept. No. 1942);

H.R. 2125. An act for the relief of Soon Tai Lim (Rept. No. 1970);

H.R. 3125. An act for the relief of Joao de Freitas Ferreira de Vasconcelos (Rept. No. 1971);

H.R. 3719. An act for the relief of Pagona Pascopoulos (Rept. No. 1972);

H.R. 6653. An act for the relief of Maurizio Placidi (Rept. No. 1973); and

H.R. 11914. An act for the relief of Charles Gambino (Rept. No. 1968).

By Mr. EASTLAND, from the Committee on the Judiciary, with amendments:

S. 2753. A bill for the relief of Duk Man Lee and Mal Soon Lee (Rept. No. 1943);

H.R. 1461. An act for the relief of Pedro Bigornia Bandayrel (Rept. No. 1974);

H.R. 3619. An act for the relief of Gennaro Prudente (Rept. No. 1975); and

H.R. 7582. An act for the relief of Dario Tacquechel (Rept. No. 1976).

By Mr. MAGNUSON, from the Committee on Commerce, with amendments:

H.R. 2292. An act to authorize the Secretary of the Treasury to issue certificates of honorable discharge in lieu of certificates of disenrollment to certain persons who served as temporary members of the U.S. Coast Guard Reserve during World War II (Rept. No. 1977).

BILLS AND A JOINT RESOLUTION INTRODUCED

Bills and a joint resolution were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. GOLDWATER (by request):

S. 3680. A bill to amend section 13(g) of the Surplus Property Act of 1944 to prevent the granting of exclusive right to furnish gasoline and oil at airports subject to the provisions of that section; to the Committee on Government Operations.

By Mr. BUTLER:

S. 3681. A bill for the relief of Felicja Riess von Riesenhorst; to the Committee on the Judiciary.

By Mr. BARTLETT:

S. 3682. A bill for the relief of Patrick E. Eagan; to the Committee on the Judiciary.

By Mr. CARROLL:

S. 3683. A bill for the relief of Mrs. Evdoxia Giorgiaki; to the Committee on the Judiciary.

By Mr. DIRKSEN:

S.J. Res. 222. Joint resolution providing for the designation of the period October 1962 through October 1963 as "National Safety Council 50th Anniversary Year"; to the Committee on the Judiciary.

CONCURRENT RESOLUTION

NATIONAL RECOGNITION OF CIRCUS WORLD MUSEUM AT BARABOO, WIS.

Mr. WILEY. Mr. President, I submit, for appropriate reference, a concurrent resolution to grant national recognition to the Circus World Museum at Baraboo, Wis.

The Circus World Museum at Baraboo represents a unique collection of circus showlife, history, and lore, including an unparalleled collection of authentic circus parade wagons, train cars, wardrobes, wood carvings, photographs, posters, and other paraphernalia of circus history; displays of accurate replicas of famous circus attractions and performances by a real trained animal circus; disseminates accurate circus history and includes cataloged and classified library collections of circus show life, history, and lore; and provides a center of national interest in the collection and preservation of significant physical evidence of circus history.

Established by the State Historical Society of Wisconsin, the Circus World Museum then deserves a circus-type "spotlight" in our national culture.

I request unanimous consent to have the text of the concurrent resolution printed at this point in the Record.

The PRESIDENT pro tempore. The concurrent resolution will be received and appropriately referred; and, under the rule, the concurrent resolution will be printed in the Record.

The concurrent resolution (S. Con. Res. 89) was referred to the Committee on the Judiciary, as follows:

Whereas the Circus World Museum has been established at Baraboo, Wisconsin, by the State Historical Society of Wisconsin; and

Whereas the Circus World Museum and the facilities of the State Historical Society of Wisconsin at Madison, Wisconsin, are set up to disseminate accurate circus history and include cataloged and classified library collections of circus show life, history, and lore; and

Whereas the Circus World Museum itself contains an unparalleled collection of authentic circus parade wagons, train cars, wardrobes, woodcarvings, photographs, posters, and other paraphernalia of circus history; and

Whereas there are numerous additional features at the Circus World Museum such as displays of accurate replicas of famous circus attractions, and performances by a real trained animal circus; and

Whereas this prodigious collection and display insures for the Circus World Museum its place as a center of national interest for the collection and preservation of significant physical evidence of circus history: Now, therefore, be it

Resolved by the Senate (the House of Representatives concurring), That the Congress hereby recognizes the Circus World Museum to be an institution deserving of national interest as a fitting and valuable center for the collection and preservation of the memorabilia of circus history.

ESTABLISHMENT OF THE ROGER WILLIAMS NATIONAL MONUMENT—AMENDMENTS

Mr. PASTORE (for himself and Mr. PELL) submitted amendments, intended to be proposed by them, jointly, to the bill (S. 1679) to provide for the establishment of the Roger Williams National Monument, which were referred to the Committee on Interior and Insular Affairs, and ordered to be printed.

ADMITTANCE OF THE VESSEL "CITY OF NEW ORLEANS" TO AMERICAN REGISTRY—AMENDMENTS

Mr. BUTLER submitted amendments, intended to be proposed by him, to the bill (S. 3115) to authorize the admittance of the vessel, *City of New Orleans*, to American registry and to permit the use of such vessel in the coastwise trade, which were ordered to lie on the table and to be printed.

GRANTING OF EASEMENTS IN, OVER, OR UPON CERTAIN REAL PROPERTY UNDER CONTROL OF EXECUTIVE AGENCIES—AMENDMENT

Mr. COOPER. Mr. President, I send to the desk, for myself and the senior Senator from Oklahoma [Mr. KERR], an amendment to H.R. 8355, Calendar No. 1326, and ask that it be printed.

H.R. 8355, authorizing executive agencies to grant easements in, over, or upon real property of the United States, was reported to the Senate by the Public Works Committee on April 27, with a committee amendment to strike out subsection 4(d), page 3, line 18, through line 2, page 4.

The effect of the amendment I have sent to the desk is to restore the substance of the subsection proposed to be stricken by the committee amendment, and to maintain the intent of the bill as passed by the House. My amendment is identical to an amendment now lying on the table, which was offered on May 14 by the late Senator Case of South Dakota, while he was the ranking minority member of the committee.

I understand that when the bill was discussed in committee, it was felt that subsection 4(d) could well be deleted. However, after the bill was reported it was found that without the subsection, the authority granted would include the granting of easements across Forest Service lands, National Park Service lands, and other lands which had not been considered by any of the Senate committees. Therefore, the bill as reported raised new questions, and it has not been acted upon by the Senate.

The amendment previously offered by Senator Case, which I understand was prepared by the Department of the Interior, is somewhat more specific than the language of the House bill, and reflects the comments made by Assistant Secretary of the Interior John A. Carver, Jr., in his letter of May 2 to the chairman of the committee, Senator CHAVEZ.

The House language excludes from the bill public lands "administered by the Forest Service"; the amendment I have offered excludes public lands "reserved or dedicated for national forest purposes" and "lands acquired for national forest purposes." The amendment I have offered also excludes "Indian-owned trust and restricted lands" which, although legal title is in the United States, are not federally owned lands in the normal sense since the beneficial interest is in individual Indians or tribes. The House language excludes lands "within reservations formed from the public domain and other lands permanently or temporarily withdrawn from any or all forms of appropriation provided for in the public land laws"; the amendment I have offered excludes "lands administered or supervised by the Secretary of the Interior in accordance with the act of August 25, 1916, and lands acquired by the United States primarily for fish and wildlife purposes and administered by the Secretary of the Interior."

I have discussed this amendment with the senior Senator from Oklahoma [Mr. KERR], who worked in the committee with Senator Case on this matter, and he joins me in offering it. While this problem was being considered, I had filed objection with the minority calendar committee to passage of H.R. 8355 on the call of the calendar. I wish to announce for the information of interested Senators that I have no objection to the bill if the amendment Senator KERR and I have offered is accepted whenever H.R. 8355 may be called up.

I believe that the Forest Service, the Department of the Interior, and all who are interested in the effects of the bill are agreed that no problem is presented by the restoration of the substance of subsection 4(d). The bill should be enacted, and I hope that it may be called up, amended by including the language I have offered today, and passed.

The PRESIDENT pro tempore. The amendment will be received, printed, and lie on the table.

REVENUE ACT OF 1962—AMENDMENTS

Mr. JAVITS submitted amendments, intended to be proposed by him, to the bill (H.R. 10650) to amend the Internal Revenue Code of 1954 to provide a credit for investment in certain depreciable property, to eliminate certain defects and inequities, and for other purposes, which were ordered to lie on the table and to be printed.

Mr. McCARTHY submitted amendments, intended to be proposed by him, to House bill 10650, supra, which were ordered to lie on the table, and to be printed.

Mr. WILLIAMS of Delaware submitted an amendment, intended to be proposed by him to House bill 10650, supra, which was ordered to lie on the table and to be printed.

AMENDMENT OF PART 2 OF INTERSTATE COMMERCE ACT—CHANGE OF CONFEREE

Mr. SMATHERS. Mr. President, I ask unanimous consent that the Senator from New Jersey [Mr. CASE] be excused as one of the conferees on the part of the Senate with respect to the bill (S. 320) to amend part 2 of the Interstate Commerce Act, and that the Senator from Maryland [Mr. BUTLER] be named in his place. The change is necessary because the Senator from New Jersey is no longer a member of the Committee on Commerce.

The PRESIDENT pro tempore. Without objection, it is so ordered.

NOTICE OF RECEIPT OF NOMINATIONS BY COMMITTEE ON FOREIGN RELATIONS

Mr. FULBRIGHT. Mr. President, as chairman of the Committee on Foreign Relations, I desire to announce that today the Senate received the nominations of the following-named persons to be representatives of the United States of America to the 17th session of the General Assembly of the United Nations: Adlai E. Stevenson, of Illinois; Francis T. P. Plimpton, of New York; Senator Albert A. Gore, of Tennessee; Senator Gordon Allott, of Colorado; and Arthur H. Dean, of New York; and the following-named persons to be alternate representatives of the United States to the 17th session of the General Assembly of the United Nations: Charles W. Yost, of New York; Philip M. Klutznick, of Illinois; Jonathan B. Bingham, of New York; Carl T. Rowan, of Minnesota; and Mrs. Marietta P. Tree, of New York.

In accordance with the committee rule, these pending nominations may not be considered prior to the expiration of 6 days of their receipt in the Senate.

U.S. POLICIES IN MIDDLE EAST

Mr. KEATING. Mr. President, there is widespread concern throughout the country today over the direction being taken by U.S. policies in the Middle East. While Nasser, with German assistance, sets up his own rocket industry, the United States continues to maintain an embargo on arms to Israel. Still worse, U.S. foreign-aid policies seem calculated to appease and woo over the

Arab nations while gradually restricting Israel's share.

The Senate will remember that when we had before us the foreign-aid bill I offered an amendment, which was adopted, which was partially intended to clarify the intent of Congress on this point by making it clear that the Congress did not favor increased aid to countries which appeared simultaneously to be purchasing an arsenal of Soviet arms.

The amendment was accepted with widespread bipartisan support in both the Senate and House.

It is therefore highly disturbing to me, as I am sure it must also be to other Members of Congress, to read that the amendment has been described by Department of State sources as "vague" and "unrealistic" and as essentially only a sop to Jewish voters. That is not the kind of language we like to hear by the State Department, and I am sure it will be resented by Members of Congress. I have, therefore asked the Department of State and AID agencies for an authoritative clarification of their understanding of the amendment and the measures which they plan to take in enforcing it. Legislation passed with the full support of the Congress is not intended to be ignored or mocked by Department of State personnel, and I intend to investigate these reports very carefully.

Mr. President, I ask unanimous consent to include following my remarks in the RECORD the article I have referred to, written by Milton Friedman, which appeared in the August 24 Jewish Ledger.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

CAPITAL SPOTLIGHT

(By Milton Friedman)

WASHINGTON.—The administration is finding it increasingly difficult to explain why it still refuses to provide any significant defensive arms to an anti-Communist nation, Israel, threatened by the rockets, missiles, and jets of a Soviet-armed "neutral"—Nasser's Egypt.

This issue is clearly destined for a crisis in coming months. Israel, it seems, is the only anti-Communist nation in the world experiencing such difficulty in obtaining American help to defend itself against Soviet-equipped and Soviet-trained enemies.

The United States provides military equipment to Jordan, Lebanon, and other Arab States. Russia supplies the rest of the Arabs. But if America helped arm Israel, the State Department says, it would constitute an arms race. The race is already on, with one side running unrestrained.

Any Latin American democracy can easily get American equipment by merely citing fears of Cuba. Yet Castro's forces have fewer Soviet jet bombers and fighters than Egypt. There are also more Soviet bloc military technicians and instructors in Egypt and more Egyptian officers being trained in the Soviet Union.

Nor has Castro been able to test-fire military rockets like Nasser has done.

Israel has been getting some equipment from France at tremendous expense. However, Soviet weapons of such ultramodern design are pouring into Egypt that French sources are inadequate.

State Department officials are praising the "new" Nasser for his alleged devotion to peace and progress. They ignore his open threats to "Algerianize" the Israel dispute, his bellicose display of military rocketry, his supersonic Soviet TU-16 jets and so forth. All this our officials view as merely propaganda show for domestic public opinion.

Accordingly, the State Department has recommended increased aid and loans to Nasser and the continued denial of any really important military equipment to Israel.

Even though Soviet technicians are working in the Egyptian military establishment, the State Department failed to object when West Germany shipped sensitive electronic and guidance equipment for the Egyptian rockets. The Germans and Russians are apparently divided by no Berlin walls in Egypt, working happily together on rockets to kill Israelis.

If West Germany shipped strategic rocket components to Cuba, Washington would be in an uproar. But the New Frontier has seemingly adopted the same evasive line as the previous frontiers. The United States is not the traditional source of defensive arms for Israel. Only 2 years ago, both political parties made the traditional campaign pledges to safeguard Israel's security.

Apologists will tell you that Washington is still mindful of the tripartite declaration of 1950 and would consider action, probably through the United Nations, if Israel were attacked. The trouble is that the Soviet Union veto would forestall any effective U.N. remedy. Also, rocket and jet warfare is measured by hours; Israel's fate could be sealed in 1 tragic day.

A normal question has been raised: Should America stand by unconcerned, while the Soviet bloc arms a neutral with space age weapons against a pro-Western democracy?

The emotions of Congress were voiced in the Keating-Halpern amendment to the new Foreign Assistance Act. This amendment is noncompulsory and serves mainly to apprise the executive department of the sentiments of Congress and the American people. It called on the President to restrict aid to nations, like Egypt, which use their own resources to buy Soviet arms.

State Department sources have already termed the amendment "vague" and "unrealistic." They said it would be ignored to avoid offending Nasser. In their view, it was adopted only as a sop for Jewish voters.

The administration has failed entirely to explain its concept of a "new" Nasser when the entire military establishment of Egypt is geared to the Soviet Red army, Red fleet, and Red air force for training, equipment, spare parts, and so forth.

Egyptian forces have reached the point where they are entirely dependent on a Soviet service of supply and technical manuals originating in Moscow.

AERONAUTICS IN NEW YORK

Mr. KEATING. Mr. President, New York State has a long and honorable role in the field of aeronautics. Many inventors and innovators in the history of aviation development started out from Long Island or Buffalo and put the State on the map aviationwise, when commercial and military aviation was still in its infancy.

We all know, of course, that it was from Roosevelt Field that Charles Lindbergh took off on his epoch-making flight to Paris. But how many people also know that as early as 1914 Long Island was the scene of experiments by the Sperry & Curtiss Co. for an unmanned plane? This device, in effect the first guided missile, was successfully tested near Amityville, Long Island, 25 years or one World War ahead of its time.

Mr. President, no one then said that the climate in New York was unsuitable for work in aviation. New York took the lead then, and it is time for New York to resume its place in the aerospace industry. As many have pointed out, New York has the technical capability to forge ahead if New York firms are given fair treatment and an equal opportunity to compete for defense work.

Mr. President, New York's illustrious role in aerospace development is highlighted in a fascinating article which appeared in the April 1962 issue of New York History. Mr. Preston Bassett, former president of Sperry Gyroscope Co., is the author of this excellent study, and I ask unanimous consent that excerpts be printed in the RECORD following my remarks.

There being no objection, the excerpts from the article were ordered to be printed in the RECORD, as follows:

AERONAUTICS IN NEW YORK STATE

(By Preston R. Bassett[1])

This is the story of aeronautics as seen only from within New York State. One would expect that such a geographical limitation would severely handicap the tale or, at least, cause large gaps in the continuity of such a worldwide development. It is surprising, therefore, to find that when the scattered fragments of local aeronautic lore are brought together a very complete picture of the conquest of the air emerges. It is replete with "firsts," and the continuity from balloons to jets suffers not a break.

So our hypothetical State reporter will cover events from Long Island to Buffalo without ever leaving the boundaries of New York. Let him start at the beginning.

American aeronautics began on September 9, 1830. It was on this date that the first balloon ascension by an American in an American-made balloon took place. It was a New York affair. The place was Castle Garden, that center of attraction on the lower tip of Manhattan. The aeronaut was Charles Ferson Durant, a young and versatile New York boy, only 25 years old. He already had quite a reputation as a scientist and inventor, and he himself had constructed this huge balloon out of silk, doped to make it impervious to gas. It was a calm day and the ascent was a great success as the baloon drifted slowly over New York Harbor and remained in sight of the crowd for over an hour. He landed at Perth Amboy after being in the air 2 hours.

The second famous American balloonist was John Wise of Lancaster, Pa. He was such an enthusiastic aeronaut that he made many flights and had gained much experience before he entered our domain. In 1847, however, he discovered New York and made several ascensions from Utica, Syracuse, Buffalo, and Auburn. His flight from Auburn impressed him especially. For a veteran of a hundred ascensions he becomes quite lyrical. His journal states: "Many, many beautiful and magnificent scenes have I witnessed, but this surpasses all. The vastness of the scene, extending nearly 100 miles each way, beautifully interspersed with lakes; the innumerable villages, many of them glittering with silvery domes—the thousands of variegated grass-plats; the golden tinge of the waving grain fields; the glossy surfaces of the lakes dazzling in the sunbeams so completely absorbed my mind, that when I looked at my watch I found that I had been aloft 1 hour and 10 minutes."

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[1] Mr. Bassett, a trustee of the association and former president of the Sperry Gyroscope Co., has personal knowledge of the recent development of aviation, and owns a notable collection of aeronautic literature. This article is an expansion of his talk on "Aeronautics in New York State," given at Cooperstown on Thursday evening, July 13, 1961, during the association's seminars.

He contributed a chapter about "Aviation in Long Island" to volume II of "Long Island, A History of Two Great Counties, Nassau and Suffolk," edited by Paul Bailey (Lewis Historical Publishing Co., 1949); the chapter was reprinted, with a few changes in a 42-page separate publication (by the Long Island Forum, Amityville, Long Island, November 1950).

For the next few decades ballooning fell back into its only profitable field, that of entertainment, such as spectacular ascents at county fairs. Even in this field, one of the most active centers was in the little New York town of Frankfort, in the Mohawk Valley. Here, Carl E. Myers operated what he called "The Balloon Farm." This chapter, almost lost to history, has a romance all its own.[2] Carl Myers and his wife "Carlotta," undertook any and all phases of ballooning, and handled them all with great competence. They advertised: "Hydrogen-tight Balloons, Buoyant Airships of all sizes built at short notice.—Balloon Farm, Frankfort, N.Y.—The only Aeronautical Institute in America."

Myers had built his first balloon in 1878, and during the 1880's he supplied balloons throughout the United States. In 1891 his business had increased to the point where he built 60 balloons in 60 days. Many new techniques were developed both in production and in operation. One, of which he was most proud, he describes: "My car is a platform of thin layers of cross-laid veneer forming the bottom of a hammock-netting bag supported at its upper rim by a hollow metal ring. This platform serves as an inclined plane or rudder to partly guide the balloon's rise or fall toward any given point, as the aeronaut readily depresses any edge of it by placing his weight upon it. This feature, patented by my wife Carlotta, has been made great use of by her in ascensions outnumbering those of all other aeronauts combined in this country during the past 12 years."

The story of Curtiss and the Aerial Experiment Association has often been told, so the details need not be repeated. On March 8, 1908, their first successful flight was made from the ice of Lake Keuka. The distance covered was 319 feet. By May of the same year they had constructed their second airplane. They named it the *White Wing*. On May 22 Glenn Curtiss flew this airplane a distance of 1,017 feet. They were now making rapid progress. Two months later they had their third airplane ready to fly. It was christened the *June Bug*. On July 4, 1908, Glenn Curtiss flew this airplane for over a mile on a straight measured course. Official witnesses had come up from New York City to see the flight, and an official record of 39 miles an hour was established.

There was now so much interest in the possibilities of flying that a group of enthusiastic young men in New York City, all with plans for building their own machines, organized the New York Aeronautic Society and selected the old deserted Morris Park Race Track in the Bronx as their base of operations. On election day, November 3, 1908, this group courageously put on an "air show," but their enthusiasm far outran their ability to perform. It was reported that 20,000 spectators came to see the show, but most of them climbed through holes in the old race track fence, so "the gate" was not so large as anticipated.

There were at least half a dozen flying machines of various queer types on exhibition, but, as one of the newspapers reported, "none of the apparatuses flew." A Mr. Lesh, however, went up in a glider, towed by an automobile, but a gust of wind upset him and he crashed, breaking his ankle. The day ended with motorcycle races. Aviation was still a most uncertain entertainment.

During the next year, even though there were about 20 airplanes in various stages of construction, the members at the Morris Park Volery decided to pool enough money to buy at least one machine that they could be sure would fly. They didn't have to go far. A committee went up to Hammondsport and called on Glenn Curtiss. Curtiss was so surprised and pleased at the appearance of a bona fide customer for an airplane, that he said he would design and build a new plane for them, and would come down himself to Morris Park to teach them how to fly. Thus was closed the sale of the first civilian plane in America.

In June 1909 the new airplane was delivered, and Curtiss came down to demonstrate it. He made several short flights at the racetrack. The machine was accepted and named *The Gold Bug*, but the Bronx was no place for aviation. It was suggested that they look out on Long Island for a nice flat place. Curtiss and a group of members drove out to Mineola. There they were entranced by the Hempstead Plains, miles of treeless, grass covered, level land. Curtiss picked a large field near the Mineola fair grounds and said: "This is the place."

These were indeed prophetic words, as the Hempstead plains became the center of aviation activities from that day on for the next 30 years. In fact, so much of the history of flight sprang from these plains that Long Island came to be known as the cradle of aviation. Our reporter will not need to travel much for quite a while. He has a ringside seat.

Curtiss was so pleased with this new location that he thought he would try to win the Scientific American prize for a flight of 25 miles. So on the morning of July 7, 1909, Curtiss made the flight. To witness this through the eyes of an old Long Islander, the following story is quoted from the reminiscences of Valentine W. Smith, of Far Rockaway:

"I recollect an early morning in the summer of 1909, before any wind would be likely to arise, Mrs. Smith and I drove to Mineola to see Glenn Curtiss attempt to fly an airplane. This airplane looked like an enlarged box kite. The driver's seat projected out in front and the engine with the propeller, was at the back. It was an ideal morning with no wind stirring, and at sunrise Mr. Curtiss wheeled the machine to the east side of the fair grounds, and went up a little higher than the tree tops, and circled around for half an hour. At the end of that time the airplane fairly collapsed from the excessive strain, but he had remained in the air just long enough to win the prize of $10,000."

Those circus days of aviation, though thrilling, hardly increased the practical use of the airplane; in fact, they were a deterrent. Airplanes were treacherous and unstable, flyers were daredevils trying to earn a living by stunts. The combination was tragic, and by 1913 most of the well-known flyers, including Johnston, Hoxsey, and Beachey, had been killed.

Even the progress of the aviation section of the Signal Corps was surprisingly slow during these years. World War I had started in Europe and still neither our Army nor Congress realized the importance of military aviation. When the United States entered the war on April 6, 1917, almost 3 years after it started, our air force consisted of only 25 qualified pilots, 55 airplanes, and 4 flying schools. One of these schools was at Mineola.

The New York National Guard had organized an aviation unit at this field in 1915. A year later the unit was taken over by Col. Walter Glenn Kilner as a part of the U.S. Army Aviation Section. Under this officer a fine squadron of flyers was trained. When the United States declared war, it was one of the few squadrons which we had ready to go abroad to fight. It included sons of many prominent New York and Long Island families. Among them was Quentin Roosevelt, son of Theodore Roosevelt of Oyster Bay. He was one of the first American-trained pilots to fly over the enemy lines in France. He was shot down on July 14, 1918. Soon after that the name of the Mineola Field was changed to Roosevelt Field in his honor. As Roosevelt Field it has had a remarkable history, both in war and in peace.

During these war years, the Curtiss Airplane Co. outgrew Hammondsport and moved to Buffalo where a large plant was erected. From this plant issued many hundreds of the famous JN training planes, familiarly known as "Jennies," in which all the American flyers were trained.

But Glenn Curtiss, true to his pioneering spirit, was not interested in the production activities of the big Buffalo plant, so he went down to Garden City and set up a small plant where he could carry out experimental projects. There he started on a secret development for the Navy. The plan was to design a large three-engine flying boat capable of flying across the Atlantic Ocean. It was to be made in quantities and was to be a big surprise to the Germans.

In addition to the large flying boat, Curtis was also working on another secret Navy project which involved the smallest airplane yet made. This second project was the "Aerial Torpedo," a weapon conceived by Lawrence Sperry, son of Elmer A. Sperry, founder of the Sperry Gyroscope Co. of Brooklyn. Lawrence and his father had developed a gyroscopic stabilizer for airplanes in 1914, and with it Lawrence had won a prize in France just before World War I started. But in the rough and tumble of wartime flying, which had quickly become a deadly game of tag, a stabilizer was the last thing a pilot wanted.

Instead of abandoning the development, however, it became one of the secret projects of the Navy. It was to be an unmanned airplane, guided only by gyros and carrying a load of high explosives, in place of the aviator. Curtiss built the small plane and Sperry built the gyro controls. At a secret field near Amityville, L.I., Lawrence successfully tested this first guided missile, launching it out over the ocean. It had a range of 80 miles. The armistice came before the project was completed, and it was brought to a close and filed away in the Navy archives, without being made public. To New York, however, goes the credit for the first guided missile in the world, although it was 25 years, or one world war, ahead of its time.

The big Curtiss airplane project had better luck. Although not completed at the time of the armistice, the Navy decided not to stop work on the transatlantic project. So in the spring of 1919 three of the big flying boats were assembled at the Naval Air Station at Rockaway Beach. On May 8th the NC 1, NC 3, and NC 4 took off from Jamaica Bay on the first leg and flew to Newfoundland. Two dropped out because of mechanical troubles, but the NC 4 continued to the Azores, then to Lisbon, and finally to Plymouth, England. Lieutenant Commander Read and his crew had flown a total of 4514 miles, completing the first transatlantic airplane flight from the United States to Europe.

At the end of this same year Raymond Orteig, of New York and Paris, inspired by this accomplishment, offered a prize of $25,000 for the first non-stop flight between New York and Paris. The offer stirred no excitement. The feat was considered impossible, and the offer was soon forgotten. Progress was in other directions. The Post Office Department inaugurated air mail service from New York to Washington, Chicago, and Boston; the first flights were from Belmont Park and from Roosevelt Field.

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[2] Mr. Bassett is at work on an article, to be published in a future issue of New York History, about Mr. and Mrs. Myers and "The Balloon Farm."

New speed and distance records were made every few months. In the early dawn of June 23, 1924, one of the longest days of the year, Lt. Russell Maughan took off from Mitchel Field, Long Island, in a Curtiss pursuit plane which had been built and especially groomed at the Garden City Curtiss plant. He raced the sun across the continent and landed at San Francisco in the late twilight of the same day. The elapsed time was 21 hours and 44 minutes. The flight was known as "the dawn to dusk flight."

In the fall of 1926 Capt. René Fonck, the great French war ace, came to Roosevelt Field with his large biplane and a crew of three. He announced his plan to fly nonstop to Paris in an attempt to win the Orteig prize. On September 15, with a heavy load of gas, the attempt was made. The plane was overloaded. It roared down the runway but could not get off. It crashed at the far end and burst into flames. Captain Fonck and Lieutenant Curtin survived but the other two crew members were killed.

Even though this attempt failed, it called attention to the fact that the nonstop transatlantic flight, though still a gamble, was no longer a fantastic idea. Plans were being made on both sides of the Atlantic. At Roosevelt Field, Comdr. Richard Byrd was preparing his big trimotor airplane, the *America*. He had gathered a competent crew, and his preparations were thorough and painstaking. Clarence Chamberlain was also at Roosevelt Field, experimenting with a new Bellanca airplane owned by Mr. Charles Levine. Chamberlain and Bert Acosta took this airplane up from Roosevelt Field one spring day and flew back and forth over Long Island, for 2 days. When they landed they had established a world's endurance record of 51 hours and 11 minutes. This performance convinced Mr. Levine that his Bellanca could win the Orteig prize, so he had Chamberlain make preparations for the great attempt.

With so much stirring on both sides of the Atlantic, public interest was rising to a high pitch. The month of May 1927 brought real drama, probably the greatest in the history of aviation. On May 7 two Frenchmen, Nungesser and Coli, took off from Paris and started across the ocean. There were days of suspense. No trace of the French flyers was ever found. At Roosevelt Field final preparations were being made by both Byrd and Chamberlain. On May 10, however, there was unexpected news. A young mail pilot by the name of Charles A. Lindbergh was flying eastward from San Diego, Calif., in a new Ryan monoplane named the *Spirit of St. Louis*. Lindbergh stopped at St. Louis overnight so that his sponsors might have a look at his shiny new ship. Then he flew on and landed at Roosevelt Field. He modestly announced that he was going to fly on to Paris.

With no crew or mechanics he quietly checked over his airplane, spent the nights in the nearby Garden City Hotel, and kept in daily, almost hourly, touch with Dr. Kimball, the New York City weatherman. For several days the reports were very bad, but on May 19, even though it was raining hard, Lindbergh learned from Dr. Kimball that the weather over the Atlantic was improving. With no hesitation Lindbergh decided to go, even though Dr. Kimball did not recommend it. He was at the field before daybreak. It was overcast and still raining. The field was soaking wet. The plane was towed to the extreme west end of the field, and at 7:52 a.m. he took off into the gray eastern sky.

Somehow the whole setting of the unknown youngster taking off alone with so much confidence and so little show, where war aces and famous pilots had failed, and where others were still busy with their elaborate preparations, electrified the world. There were hours of charged suspense, and then the news: Lindbergh had landed at Le Bourget Airport after 33 hours and 30 minutes of flying. He was greeted by a huge and wildly enthusiastic crowd.

In the succeeding days he was cheered and feted and written about until even the statesmen of Europe and America considered it a phenomenon. The U.S. Government rose to the occasion when President Coolidge ordered the cruiser U.S.S. *Memphis* to bring the flyer home in triumph. The reverberations of Lindbergh's flight lasted several years and had a tremendous effect in advancing aviation.

Long Island continued to be the springboard from which many other long-range flights started, both over the continent and over the ocean, but nothing sensational occurred for several years. Failures and accidents were all too frequent. The reason became apparent.

The problem of blind flying had to be solved before further progress could be made. More than fair weather flying was necessary for keeping air mail on schedule, or for making long-distance flights reliable. If aviation was to become independent of weather, blind flying techniques would have to be greatly improved.

The problem was being worked on in many parts of the world, but our New York reporter will not need to move, for the solution was achieved by a remarkable piece of teamwork right on Long Island. Harry F. Guggenheim established a project, through the Guggenheim Fund for the Promotion of Aeronautics, to make a thorough study of blind flying and blind landing. Mitchel Field was selected as the place to carry on the experiments, and Lt. James H. Doolittle was put in charge of the project. New instruments had to be developed. Doolittle did not have to go far. There was the Sperry Gyroscope Co. of Brooklyn, the first company in this country to make airplane instruments. There was the Pioneer Instrument Co., of Brooklyn, founded in 1919, which had built up the largest airplane instrument business in the country. There was Paul Kollsman of Elmhurst, Long Island, who knew how to build the most sensitive altimeter. Doolittle worked with all three, and by the summer of 1929 he had a small airplane equipped with a very special set of instruments. Among them were two entirely new instruments: the gyro horizon and directional gyro. These were developed by Elmer A. Sperry, Jr., working closely with Lieutenant Doolittle.

With that set of instruments and his radio direction finder Doolittle was ready to make a new kind of pioneering flight. The plane had a canvass hood which he could draw over the cockpit so that he could see nothing outside, but had to depend entirely on his instruments.

On September 24, 1929, with only a small group of engineers as spectators, Doolittle climbed into his plane, drew the hood over the cockpit, and took off on the first all-blind flight in history. He climbed steadily out of Mitchel Field, made a wide turn, and flew downwind several miles; then he turned toward the field and carefully let down on a long slanting approach, using only his radio direction finder and his flight instruments. It was a long minute both for him and for the observers, as he cautiously felt for the ground as the plane flew over the field at only a few feet elevation. Finally the wheels touched and he rolled to a stop. A new chapter in aviation had been started.

The availability of the new blind instruments soon brought a second wave of spectacular long-distance flights. It started in June 1931 with a white Lockheed airplane named the *Winnie Mae*. Wiley Post, a sturdy pilot from Oklahoma, and Harold Gatty, an experienced navigator from Australia, equipped their plane with the new blind-flying instruments. Their plan was to fly around the world. They took off from Roosevelt Field early in the morning of June 23. For the next week newspapers traced their progress across Europe, Russia, Siberia, Alaska, and back to Roosevelt Field, where they landed at 8:47 p.m. on July 1. They had completed the trip in only 8 days, 15 hours, 51 minutes, and had traveled 15,128 miles. It was a splendid record, and many believed it would hold for some years.

Before the end of that same month, Russell Boardman and John Polando took off from Long Island and flew, nonstop, to Istanbul, Turkey, a distance of 5,011 miles, a new nonstop record. Clyde Pangborn and Hugh Herndon took off on the same day in an attempt to break the record of the *Winnie Mae*. They got as far as Japan where they were arrested for flying over a Japanese fortification.

In June 1933 James Mattern tried to break the Post and Gatty record, but had a forced landing in the wilds of Siberia, and was rescued days later, nearly starved, in the uninhabited country. The biggest surprise of the year 1933 was Wiley Post himself. Not content with his previous exploit, he wanted to try it again, this time alone.

The greatest problem was the element of human endurance. He knew that, at the Sperry Gyroscope Co., in Brooklyn, a new design of an automatic pilot was almost perfected. If he could have that as his copilot, he could do the trick. It was finally arranged, and the first model of the modern automatic gyro pilot was installed on the *Winnie Mae*. After careful tests, Wiley was ready to take off. On the morning of July 15, 1933, he started from Floyd Bennett Field with only a few friends and well-wishers to see him off. He encountered all kinds of weather, but with the automatic pilot as relief, he kept pushing ahead at a terrific pace, with a minimum time spent on the ground to refuel and catch some sleep. Wiley even found that on the stretches where the weather was good, he could take short naps while the automatic pilot kept him steadied on his course. During the evening of July 21, Post's progress on his final dash across the United States from Alaska was broadcast hourly, and thousands drove to Floyd Bennett Field from miles around to witness his arrival. At 1 minute before midnight he landed and rolled to a stop, amid floodlights and police desperately trying to hold back the crowds. As Wiley climbed out, he was greeted with the greatest ovation ever given to a flyer in this country. He had made a new record of 7 days, 18 hours, and 49 minutes.

Then, on December 7, 1941, came Pearl Harbor, and this country was precipitated into World War II. Much had been learned, however, since the First World War. It was now recognized that strong airpower was essential. Less than a month after Pearl Harbor President Roosevelt requested Congress to make appropriations for the production of 185,000 airplanes. It seemed an impossible goal. Production had to start with the best designs available, as there was no time to develop new ones.

New York State was in a most fortunate position to play a vital part in the great effort. The Bell Aircraft Co., of Buffalo, the Grumman Aircraft Engineering Co., of Bethpage, and the Republic Aviation Corp., of Farmingdale, each had just completed the development of a new fighter plane: Grumman for the Navy, Bell and Republic for the Army. All expanded rapidly and went into large production. Their output made history.

The Grumman F4F, better known as the Wildcat, was the mainstay of the Navy, and acquired a worldwide reputation for toughness and high performance. Before the end of the war it was joined by the Hellcat, and the Tiger Cat, both improved models. By the war's end Grumman had produced 17,000 fighter planes of the "cat" family, and they had gained the reputation of being the greatest of Navy fighters.

All in all, New York State played a major part in the national production of fighter planes during the war.

In 1946 all three companies brought out jet fighters to supersede the wartime planes, and the familiar throb of the propellers was soon replaced by the new roar of jets.

By 1947 the aeronautical world was talking about a new obstacle in the path of progress—the sonic barrier. Could a manned airplane fly faster than the speed of sound? An attempt had been made in England, which had ended in disaster. Just at the sonic speed the airplane had shaken itself to pieces, hence the imaginary barrier. Lawrence Bell, president of the Bell Aircraft Co., undertook to build a needle-nosed, rocket-propelled, experimental airplane which would break the sonic barrier. It was called the XS–1. In the fall of 1947 it was taken out to the Mojave Desert, in California, where it was carried aloft strapped under the belly of a big bombing airplane. When cut loose from the bomber, the test pilot, Charles Yeager, turned on his rocket engine and flew the XS–1 faster than the speed of sound. So even the last barrier of aeronautics was broken by a New York product, and this should bring us near the end of our story.

Let our reporter end the story in the busiest place he can find in New York State. In the same year that Yeager flew alone into the region of supersonic speeds, LaGuardia Airport was handling over 3 million air passengers. Over 100,000 of them were transatlantic travelers. The airport was saturated. Fortunately on Jamaica Bay, only 10 miles away, an even greater airport was in the making.

On July 31, 1948, President Truman dedicated Idlewild Airport, which immediately became the terminus of both transatlantic and transcontinental flights. It has grown steadily with the great increase in air travel, and in the last few years has expanded its facilities so that it can handle the traffic of the great jet airliners of all nations, as they arrive from and depart to all parts of the world.

It is here, in the luxurious passenger waiting rooms of the New York International Airport, that our reporter can fittingly end his story. Here thousands of experienced and somewhat blase air travelers from all nations come and go every day with comfort and speed unimagined even by their parents. What a thrill it would be to John Wise to see this vast operation going on only 6 miles from the old Capitoline grounds in Brooklyn, where only 90 years before Donaldson made the first ill-starred attempt to introduce transoceanic air travel.

STRIP MINING RESEARCH

Mr. COOPER. Mr. President, on June 12, the Senate passed the appropriations bill for the Department of the Interior and related agencies. Included was $200,000 for an expanded research program on restoration of strip-mined land in the Appalachian region. I had urged inclusion of this sum before the Appropriations Committee and was glad the committee approved the enlargement of the program begun last year at the Berea, Ky., Forest Research Center, and that the Senate adopted this recommendation.

In conference, the $200,000 for increased strip-mining research was omitted. I do not know the reason for omission of the item, except that the funds were not included in the budget or in the bill as passed by the House. I know also that the budget had been prepared before the President sent his message to Congress urging a program of research and action to prevent despoilment caused by strip-mining practices.

It seems to me that the President's message, the record made in Senate hearings, and Senate approval of additional funds for strip-mining research, provide sound grounds for recommending that this work be included in the budget for next year.

At this time I ask unanimous consent to have an editorial dealing with this subject, which appeared in the Louisville Courier-Journal on August 7, inserted in the Record. It well points out the need for Congress to exercise responsibility in helping to restore natural resources destroyed by strip mining.

There being no objection, the editorial was ordered to be printed in the Record, as follows:

The Nation Gets the Strip Coal, Kentucky the Stripped Land

Kentucky took a low blow last week when a House-Senate conference approved $3,450,000 for coal research but cut out the $200,000 asked by Senator John Cooper for the Strip Mine Research Center at Berea. If Congress can spend dollars to find new uses for coal, it should be able to find pennies to correct the damage done by the mining of it. Otherwise, the Nation gets the coal and Kentucky pays the price in strip-mine damage.

The conference action can be blamed partly on the lopsided hearings held on the subject, hearings so dominated by industry spokesmen as to be immediately suspect. No outstanding critic of strip mining was called. Agronomists, some associated with coal companies, blithely assured committee members that the industry already knows all that is necessary to reclaim strip-mined land, and that the whole thing is not much of a problem.

This is not so. Agronomists with experience only in flat or rolling country such as that of Western Kentucky, Indiana or Illinois, are totally unqualified to deal with the problems involved in mountainside stripping, which constitutes Kentucky's toughest reclamation problem. Very little is known, actually, about the damage done by such strip mining or how to correct it. What few studies have been made show only that a lot of study is needed.

And it is needed now. Thousands of new acres of hillside land are being stripped every year and other thousands covered by spoil-banks of dirt thrown down the mountainside by the strippers in order to reach the coal. Unless ways are found to keep this earth, often highly acid, from washing down into the valleys and the streams below, the damage may be irreparable.

PROGRESS AFTER A SLOW START

The department of conservation, after a somewhat stormy start, is getting good cooperation from most strip operators, and from the Kentucky Conservation Association, an organization created by coal firms to encourage voluntary conservation by mine operators. Some operators are doing more toward reclaiming strip sites than is required in the law, but like the conservation department workers, they are handicapped by not knowing the best procedures in each case.

Assistant Commissioner of Conservation in Charge of Strip Mining Robert Montgomery believes that control of strip-mine damage depends on two factors: (1) efficient control of water on the site, especially the water that runs down the spoilbanks, and (2) prompt and proper planting of the spoilbanks to prevent them from slipping and eroding. Unless water from the bench (the flat surface cleared for access to the coal seam) is handled correctly, it will undermine the spoilbank and force it to slip downhill in mud waves. But it is hard to say whether, on a specific site, it is better to impound water on the bench, tile it across the spoilbank or try to carry it past the spoilbank by ditching along access roads. Similarly, it is hard to know what kind of planting will check surface erosion on the spoilbank and give tree seedlings time to grow. Grasses that flourish on one strip site may fail completely to grow on another site a mile away.

Not that strip-mine experiments and studies are not being made. The department of conservation is carrying on as extensive experimental work as its budget will permit. The Kentucky Conservation Association, in its work with operators, is gathering valuable data from efforts of the individual strip miners. The Interior Department is planning a test reclamation project in eastern Kentucky, and the Tennessee Valley Authority says it is willing to cooperate in such studies. The Berea Strip Mine Research Center also conducts limited studies on its $24,000 annual budget.

WE PAY THE BILL

But none of these has the money or men to carry on the broad and accelerated research program needed. Nor do they have either the means or the responsibility of reclaiming the thousands of acres stripped and left to erode before the present strip-mine control law was passed. As a result, whole areas of barren hillside are being left to erode and wash down into the valleys and streams of eastern Kentucky, to cause poisonous silting and future flooding. Other thousands of acres may contribute to this damage by the failure of strip operators to know when, how and what to do with their strip sites.

Had the Berea Research Center been given the funds requested by Senator Cooper, it might have coordinated the various efforts being made to learn about strip-mine control; it might have standardized reclamation practices and disseminated this vital information to strip operators. It might have undertaken reclamation of the abandoned stripped land in eastern Kentucky. The shortsighted penny-pinching of Congress has instead handed the job, and the cost of the damage, to the taxpayers of Kentucky.

CAN FREEMEN PREVAIL?

Mr. COOPER. Mr. President, at the annual Law Honor Banquet this year, the distinguished dean of the Notre Dame Law School, Dr. Joseph O'Meara, introducing the president of the American Bar Association, had some comments which are so pertinent and appropriate to the times and our duties that I think they would be of interest to other Senators.

Mr. President, I ask unanimous consent to have in the body of the Record Dean O'Meara's remarks.

There being no objection, the remarks were ordered to be printed in the Record, as follows:

Remarks by Dean Joseph O'Meara

At the conclusion of a 2-day conference on "How Freemen Can Prevail," Columnist Edgar Ansel Mowrer declared: "I came here thinking that freemen could prevail, and I go back certain that they can. Unhappily, I am not sure that they will."

Before I finish I will have a brief comment on Mr. Mowrer's grim uncertainty.

The overriding necessity of holding on to sanity precludes belief, perhaps, in a coming nuclear catastrophe. We have to go on about our business; it is imperative that we do so. We cannot forget, though, the words of Lord Acton: "Power tends to expand indefinitely, and will transcend all barriers, abroad and at home, until met by superior forces."

And we would do well to remember the fate of the inhabitants of Hispaniola (now known as Watling's Island or San Salvador) where Columbus first landed in the New World:

"Of the original natives, estimated by a modern ethnologist at 300,000 in number (when the Spaniards arrived in 1492) one-third were killed off between 1494 and 1496. By 1508 an enumeration showed only 60,000 alive. Four years later that number was reduced by two-thirds; and in 1548 Oviedo doubted whether 500 Indians remained. Today the blood of the Tainos only exists mingled with that of the more docile and laborious African Negroes who were imported to do the work that they could not and would not perform.

"The fate of this gentle and almost defenseless people," continues Professor Morrison, "offers a terrible example to Americans who fancy that they will be allowed to live in peace by people overseas who covet what they have."

I do not mean to be a prophet of nuclear doom. There are other ways of overwhelming us than by nuclear assault and the Communists are well aware of it. If we are being told the truth, America is still ahead militarily. On the economic front, however, there are signs that we are losing. Recently Walter Lippmann wrote of "the grinding reality of our declining industrial supremacy." As to this the Nation appears indifferent, perhaps for want of understanding the peril. On the other hand, according to an experienced observer of Soviet affairs, Khrushchev "appears to have great faith in the potentialities of economic power. It is a subject to which he often refers. At the 21st Congress of the Soviet Communist Party, he declared that the international situation would change radically when the Soviet Union becomes the leading industrial power, when the Communist bloc produces more than half the world's industrial output." There is support for this assessment of the situation in a recent address by Mr. Henry Shapiro, for 25 years Moscow bureau chief for United Press International:

"The present generation of [Soviet] leaders—many of them in their forties—have been trained in economics, engineering and industrial management. Their whole careers are based on ability to produce."

This is present-day Russia's grand design for the triumph of communism—to outproduce the West, to surpass us industrially.

How are we responding to the challenge? I referred last year to Admiral Rickover's assertion that "life without effort appears to be our national goal". This is selling out to the enemy for, as the admiral has pointed out, "everything we do either strengthens or weaken the coalition fighting to preserve its right to remain free." The electricians in New York who demanded a 25-hour week and the employers who granted it struck a major blow against freedom. Very likely it will be followed by other and even greater blows. Thus we are told that a campaign is now under way to obtain a 25-hour week for all union members in New York. If that campaign succeeds, the infection will spread across the country, costs and prices will continue to rise, and we will cease to be competitive. We may as well surrender to the Communists and be done with it.

"When the strong man, fully armed, guards his courtyard, his property is undisturbed. But if one stronger than he attacks and overcomes him, he will take away all his weapons that he relied upon and will divide his spoils." Nuclear superiority, if we have it, is not enough; it will not save us if the enemy becomes stronger industrially—and psychologically. After all, why should the Communists take the risk of nuclear war so long as there is good prospect of winning by surpassing us industrially? And they are working to surpass us. As Barbara Ward has pointed out:

"The amount of effort, interest, preparation, and sheer slogging hard work which the Communists tend to put into the task of building their version of world order very greatly exceeds what we are ready to do or the sacrifices we are prepared to make."

"Somehow," says General Hershey, "we've got to get ourselves tough enough to fight for the things we believe in." But the question, I think, is whether we still believe in them. "People need something to believe in," remarked a London dealer in charms and amulets, whose business is said to be prospering. Is this not simply another manifestation of the decay of Western man's belief in the values which made him what he is?

Unless we believe in staying free and therefore in staying strong, we will not have the will to win the cold war. And without the will to win we are already undone.

What is too little understood is that this is a time of crisis. Perhaps the most fateful decision in history is waiting to be made, that is, whether to press on for shorter hours, less work, and greater ease, or, in the words of Colonel Glenn, "to take the dare of the future" and go back to work. If we choose the former alternative we will decay and founder, as the Greeks and Romans did and as the Communists fully expect us to do, leaving the world to them.

In the address he is about to deliver, the distinguished president of the American Bar Association, Mr. John C. Satterfield, will say—and will say truly—that the Communists will bury themselves—if we help them. But will we help them or will we, instead, insist on helping them to bury us? Like Mr. Mowrer, I am not at all sure which it will be.

ORDER OF BUSINESS

Mr. KEATING. Mr. President, if I may have the attention of the majority leader, I have a speech of about 10 minutes which I am prepared to deliver now, but I do not want to interrupt other Senators.

Mr. MANSFIELD. Mr. President, in view of the unusual circumstances, I ask unanimous consent that the Senator from New York, if his colleague [Mr. JAVITS] will agree, may continue for 10 additional minutes.

The PRESIDING OFFICER (Mr. SPARKMAN in the chair). Is there objection? Without objection, it is so ordered.

THE NOMINATION OF IRVING BEN COOPER TO BE A U.S. JUDGE

Mr. KEATING. Mr. President, a special subcommittee of the Senate Committee on the Judiciary recently concluded extensive hearings on the nomination of Judge Irving Ben Cooper to be a judge of the U.S. District Court for the Southern District of New York.

The task of determining whether to support or oppose this nomination is one of the most difficult I have ever faced.

It has always been my position that every reasonable presumption should be indulged in favor of a Presidential appointment. However, there is a difference in reviewing the qualifications of a candidate for an executive post and a candidate for judicial office. In the normal course, department and agency heads do not serve beyond the administration by which they are selected. A Federal judge, on the other hand, serves for life and once confirmed is virtually beyond the reach of either the Chief Executive or the Congress. Our mistakes in such cases are not subject to easy correction and can plague the processes of justice long after the President's term expires and our Senate service is at an end.

For many years, Presidents and Attorneys General of both political parties have established the custom of consulting with the American Bar Association Committee on the Federal Judiciary with regard to prospective nominees. This ABA committee has earned an outstanding reputation for fairness and objectivity. It performs its work in a thorough and completely professional manner, entirely as a public service. I believe wholeheartedly in the function of this ABA committee and would not want to do anything which would undermine its efforts or indicate a lack of confidence in its judgment.

Indeed, at a time when the President has the power to appoint almost one-third of all the members of the Federal judiciary, we can profit greatly from the ABA's investigations and recommendations. The pressures on the President and the limited time and investigative facilities of the Senate make it imperative that the ABA committee be able to function effectively and with the knowledge that it has our full confidence. The ABA committee on the Federal judiciary has an overwhelming burden and it will be difficult for it to maintain the high standards it has established for Federal judges if we discredit its work too readily and view with unjustified suspicion its considered and frank advice.

In this case the judgment of the ABA committee is buttressed by the unfavorable recommendations of the responsible committees of two of the bar associations in the area in which the nominee would serve—the Association of the Bar of the City of New York and the New York County Lawyers Association. These are both outstanding organizations led by some of the most respected lawyers in the Nation. There is no evidence that their opposition to the nominee is based on any personal considerations. On the contrary, it is obvious that they have been motivated entirely by a desire to safeguard our Federal courts and have been extremely conscientious in reviewing the available evidence and information. We owe these associations an expression of deep appreciation for their efforts.

It takes great courage for any active lawyer to appear in opposition to a judicial nominee, particularly a nominee who is already sitting under a recess appointment. The witnesses who have testified in opposition to confirmation have set an excellent example and it would be splendid if we received similar cooperation from members of the bar and the public whenever we were confronted with the difficult questions this case presents. My judgment, after weighing all the evidence, is in no sense a reflection on the veracity or integrity of the men and women who at considerable personal inconvenience have come to Washington to provide us with the benefit of their testimony and opinions. On the contrary, the Committee on the Judiciary should, in my judgment, consider itself very much in their debt.

It is important to note that no one has challenged the character or the integrity of Judge Cooper. While some question has been raised about his experience, this has not been given great emphasis, and it is obvious that the nominee, in fact, has had considerable judicial experience and has participated in many important legal assignments. It is true that most of this experience before his appointment to the district court has been in the field of the criminal law. Appointments to the Federal judiciary have never been limited, however, to lawyers who have had occasion to deal in their practice or other professional work with all of the intricate and varied problems with which a Federal judge may be confronted. The only relevant inquiry in this respect is whether the nominee has exhibited the capacity for understanding and coping with these problems.

In this case, we need not speculate on this question since Chief Judge Ryan, under whom Judge Cooper has been serving for 10 months on the Federal court, has advised the committee that Judge Cooper's work on the court has been excellent. This appraisal has been borne out by a survey conducted by the Judiciary Committee of the New York State Association of Trial Lawyers among all the lawyers who have appeared before Judge Cooper since his appointment to the district court. Not one of these lawyers expressed any criticism of his performance while a substantial number praised his work in very high terms. The bar associations' brief in opposition to confirmation does not press the point of lack of judicial experience, and in my judgment the nominee's past experience and work on the Federal court to date leave no doubt as to his ability to deal competently with the cases which will come before him as a Federal judge.

The main burden of the charge against Judge Cooper is that he lacks judicial temperament. Most of the testimony adverse to the witness has related to incidents during his service on the court of special sessions in New York City.

There is some conflict in the testimony with regard to these incidents and considerable difference between the nominee and the witnesses as to their interpretation. For the most part, however, they are explained on the basis of the incredible pressures and problems confronting any attempt to administer justice in the confused, tumultuous, and sometimes chaotic conditions prevailing in this court. What appear to some witnesses to be signs of arrogance, impatience, and rudeness on the part of Judge Cooper, are considered by others merely as a reflection of a determined attempt to maintain a proper judicial decorum and atmosphere under the most trying circumstances.

It is apparent that Judge Cooper offended many by his actions, but many others, who appeared before him frequently, have testified in the highest terms of his sincerity, of his courtesy, and most important of his success in altering the jungle-like atmosphere which existed before his appointment as chief justice. Obviously, the easy course always is to accept conditions as they are and to avoid clashes with the existing order. Judge Cooper could not tolerate the status quo and this is to his credit. This does not justify any rude outbursts, but it does require that these lapses from propriety be weighed against the judge's passionate desire for improvement. Not a single witness before the committee questioned Judge Cooper's motivations. On the other hand, many witnesses applauded the important contribution he made to the work of his court during his service as chief justice.

No one can fairly disregard the commendations which Judge Cooper has received during his lifetime of public service. The district attorney of New York County during Judge Cooper's 22-year tenure on the court of special sessions was the highly respected Frank S. Hogan. His office appeared in thousands of cases in Judge Cooper's court during this period. In a letter to the Attorney General while Judge Cooper's name was under consideration for the Federal court, District Attorney Hogan stated:

> Judge Cooper has devoted a long and distinguished legal career to public service. It constitutes an outstanding contribution to law enforcement and the administration of justice. * * * My office prosecutes about 25,000 misdemeanor cases in the court of special sessions. We can give testimony with respect to the importance of that court and the outstanding part played by Chief Justice Cooper in raising that tribunal to its present level of efficiency and esteem. This degree of excellence could not have been achieved without the tireless guidance, the sure direction and the superior administrative ability of the chief justice.

Mr. President, the court of special sessions is under the supervision of the appellate division of the supreme court in New York. The presiding justice of the appellate division during most of the period Judge Cooper was chief justice of the court of special sessions was the Honorable David W. Peck, one of the most highly respected members of the New York bench and bar for many decades. In his letter to the Attorney General he stated:

> Certainly Judge Cooper is one of the most conscientious and industrious judges who ever held judicial office. As the head of a busy court with a heavy case load, he kept the court abreast of its work and instilled a fine spirit of cooperation among the judges in meeting the tremendous demands upon the court. No only did Judge Cooper discharge his judicial and administrative duties with distinction, but he gave added attention to the development of auxiliary social services in his court, and maintained a helpful interest in the court system as a whole. His outstanding record is a reflection of great ability, unstinted effort, and tireless devotion to the administration of justice.

The presiding justice of the appellate division during Judge Cooper's last 3 years of service as chief justice of the court of special sessions, and still the presiding justice of this court, is the Honorable Bernard Botein. In his letter to the Attorney General recommending Judge Cooper for the Federal court, Judge Botein stated:

> It has been my good fortune to know Judge Cooper intimately for over 30 years; and I therefore have had a firsthand opportunity to appraise his conduct and qualifications as a practicing lawyer, as a special investigator, and as a judge. In all these areas he displayed outstanding legal ability, impeccable integrity, and a high sense of responsibility for the work to be performed. He has never been content with mere adequacy but has always thrown himself heart and soul into every job he undertook. More recently, in his former capacity as chief justice of the very important court of special sessions, Judge Cooper was a member of the departmental committee of the State judicial conference. This committee establishes policy and standards for the courts functioning in the city of New York. Judge Cooper was a knowledgeable, dedicated, and indefatigable member, who rendered invaluable service. Again, I speak from firsthand knowledge, as I am chairman of the departmental committee for the first department.

There are dozens of similar tributes from judges, lawyers, and others in the record of the committee's hearings, many of which were written without any reference to the pending nomination of Judge Cooper to the district court. He was, for example, repeatedly endorsed for reappointment to the court of special sessions by the Bar Association of the City of New York. In 1951, the association reported him well qualified for elevation to the position of chief justice of this court. In 1956, after he had been serving as chief justice for 5 years, the Association of the Bar of the City of New York recommended him as "outstandingly qualified" for appointment to a full term as chief justice. The New York County Lawyers Association likewise consistently praised Judge Cooper's qualifications. The report of its committee recommending him for elevation to chief justice stated:

> It is the opinion of the committee that Judge Cooper is exceptionally well fitted for appointment as chief justice of the court of special sessions. Such an appointment would transcend political considerations, and be a heartening assurance to the public, to the bench, and to the bar that merit, integrity, legal ability, and devotion to justice are being recognized as the only proper criterion for judicial advancement.

Mr. President, these sentiments were echoed by many witnesses who appeared before or communicated with the committee during its hearings on this nomination. My colleague [Mr. JAVITS], whose interest in the effective administration of justice is second to none, attested to Judge Cooper's "high integrity, devotion to duty, and ability" on the basis of his 25-year acquaintance with the nominee. Representative CELLER, the chairman of the House Committee on the Judiciary, who has known Judge Cooper for over 20 years, spoke eloquently of the nominee's "intelligence, perception, probity, experience, knowledge of the law, determination, forthrightness and humility." Similar praise of the nomination came from such men as Judge DeLuca and Judge Bayes, former chief justices of the court of special sessions, Judges Barshay, Hoffman, and Heller who served with Judge Cooper as associate justices of the court of special sessions, Judges Hecht and Greenbert, judges of the supreme court of New York, Judge Murrah, chief judge of the U.S. Court of Appeals for the 10th Circuit, who worked closely with Judge Cooper as chairman of the Advisory Council on Crime and Delinquency and many other State and Federal judges who had occasion to work with Judge Cooper in this field. In addition, the committee heard firsthand from a number of lawyers who appeared frequently before Judge Cooper such as Mrs. Mary Johnson Lowe, Robert P. Brown, Mrs. Frances E. Bilmes, and Gilbert Ramirez, all of whom had the highest praise for Judge Cooper's conduct and work in dealing with the enormous problems of the court of special sessions.

This testimony does not exonerate Judge Cooper's apparent lack of judicial temperament on a number of occasions. It does not raise any question as to the good faith of the bar associations in challenging his confirmation. It does not undermine in any way the effort of those who appeared against the nominee to contribute to the Committee on the Judiciary's proper performance of its responsibilities.

In any evaluation of a man's career and fitness for public office, however, his accomplishments must be measured against his lapses. Judge Cooper has devoted his life to public service. He has made a brilliant contribution to our understanding of the difficult problems of juvenile delinquency. He labored tirelessly for more than 20 years of his life to improve the procedures for dealing with youthful and other offenders of the Criminal Code. In the course of handling literally tens of thousands of cases over a period of more than 20 years he offended some, but won the unstinting and unqualified praise of many others. If we were dealing with a man who did not possess Judge Cooper's brilliance, or a man without Judge Cooper's record of public service, or a man without Judge Cooper's zealous dedication to duty, or a man whose character, integrity or ability was in question—his offenses against good conduct outlined in the committee's hearings might be fatal. But we cannot deal with a man's shortcomings in a vacuum. We would not be serving the cause of justice or be paying our proper respect to the initiative and determination which are frequently essential to reform and civic progress, if our perspective failed in this case.

The decisive factor in Judge Cooper's favor is the manner in which he has actually performed his duties in the 10 months since his recess appointment to the district court. Chief Judge Ryan, in the letter to the committee to which I have already referred, has advised us that since his recess appointment Judge Cooper has been "most industrious, cooperative and competent" and that the personnel of the court have found him to be "uniformly courteous and considerate." This estimate is confirmed by the survey conducted by the New York Association of Trial Lawyers, to which I have also previously referred, which produced results extremely favorable to the nominee. Not a single witness has contradicted this impressive evidence of Judge Cooper's completely satisfactory service on the Federal court. In the light of the record of these hearings, Judge Cooper was indeed fortunate in having an opportunity to demonstrate his qualifications for Federal judicial service by actually sitting on the Federal bench. To my mind, the evidence that he has passed this test with flying colors must outweigh any lingering doubts about his qualifications.

In conclusion, I would like to emphasize that the Senate has not been called upon in this case to select a nominee for the Federal district court but only to determine whether the nominee chosen by the President should be confirmed. In making this determination, we cannot delegate the difficult and delicate task of weighing all the evidence to any private organization, no matter how highly we esteem its work or weigh its conclusions. The evidence in this case might well have convinced the President that he should have rejected Judge Cooper's candidacy, but it is not sufficient to convince me that the President's decision should be vetoed by the Senate.

While I was not asked to advise with regard to this nomination, it is my judgment on the whole record that the President's nominee merits our consent and I shall vote for Judge Cooper's confirmation in the committee and in the Senate.

Mr. JAVITS. Mr. President, will the Senator yield?

Mr. KEATING. I yield.

Mr. JAVITS. I have heard with the deepest satisfaction the statement made by my colleague from New York. I think he will be the first to attest that I have depended on him. I have known this nominee for a quarter of a century. I have made my views known to the committee. I knew my colleague would look at the question objectively. He obviously has, and with the customary thoroughness and scholarship that is typical of him. My colleague can understand the deep satisfaction and gratification I feel when he makes his statement, and evidences his own objective judgment.

I, too, believe that Judge Cooper's nomination should be confirmed by the Senate. I hope the confirmation will come at the earliest possible date. Certainly it must come during the present session. I hope, too, that my colleague will analyze the record for the whole Senate upon the occasion of the confirmation. I shall endeavor to do the same, adding to it such knowledge as I have personally of Judge Cooper over a quarter of a century.

Judge Cooper has been compared to Ben Lindsay, of Denver, the great judge in juvenile cases, who understood the adolescent mind so well. I agree with my colleague that one can only pay honor to our colleagues at the bar who spend so much time and effort in giving their judgment and in evaluating the evidence. But as is very well known of lawyers, all of us would die for the right of the other to decide objectively, even after all the evidence is in, and no matter how strongly we may feel about a particular side. Our colleagues have evidenced sincerity and diligence in fulfilling their duty. My colleague [Mr. KEATING] has truly said that we must make an objective judgment. He has made it. I am deeply gratified. I, too, have made it.

I shall consider it my duty, as he has considered it his, to lay the facts before the Senate when the question of the confirmation comes before the Senate, as I hope it will.

Mr. President, let us remember that Judge Cooper has been a judge for over 20 years. He is now 60 years of age. I liked so much what my colleague [Mr. KEATING] so clearly said. Certainly we do not wish to administer the coup de grace—the disgrace of denying Senate confirmation—to a man whose career has extended over 20 years of service to the people of the State of New York and, in my view, to the people of the Nation. He is a judge who still demonstrates, as he has in his conduct in the district court, the full plenitude of his powers.

Again I express not only my gratification but my association with my colleague. It has been one of the finest experiences of my life. If I needed any other confirmation, he has given it today.

Mr. KEATING. Mr. President, I thank my colleague very much for his gracious remarks.

LET'S HOPE CASTROISM IS ON THE WAY OUT

Mr. YOUNG of Ohio. Mr. President, let us hope that Castroism in Cuba is on the way out.

The Communist Dictator Fidel Castro is in trouble—deep trouble. Personally I am very glad that this unscrupulous tyrant is in difficulty with freedom-loving people in Cuba and throughout the entire Western Hemisphere. On the other hand, I am deeply sorry for the Cuban people—men, women, and children who were afflicted first with Batista, and now with Castro and his regime.

Evidence of the deep trouble that he is in is the fact that in Cuba, the land of the sugarcane—a land richly endowed by Almighty God—there is a shortage of sugar. Out of desperation, Castro and his Communist cronies have turned to their Russian and Chinese agricultural advisers for help. It seems ludicrous—ridiculous—that Castro, faced by unrest in his troubled country, should ask officials of the Soviet Union and Red China to come to his aid.

The request comes at a time when hundreds of millions of Chinese suffer from malnutrition and face possible starvation, and Khrushchev denounces Soviet officials for the failure of farming projects within the Soviet Union. It is tragic for the Cuban people that Castro in his extremity is leaning on the Soviet Union, where butter sells for $2 a pound, for expert assistance to restore the economy of Cuba.

Further evidence of the weakness of Castro's position is the recently confirmed fact that Soviet-bloc arms shipments to Cuba have markedly increased. Thousands of Russian personnel—ostensibly technicians—have arrived within the last months as well as many Soviet ships laden with military cargo. Are these men and this material being brought in to help train the armed forces of Cuba to crush a possible revolt against Castro's tyranny? In addition, there are recurring statements that Russian and Chinese military personnel in the guise of technicians are being landed in Cuba. If this is so, the situation is fraught with danger to the countries of Central America and the Caribbean as well as to the entire hemisphere.

Mr. President, Fidel Castro's image is badly tarnished throughout Latin America. The appeal of Castroism is steadily being sapped as the true picture of what is happening to the Cuban people becomes better known. Latin Americans can see for themselves that he promised freedom and land reform—promised, in fact, a miracle and produced a mess, promised freedom and imposed a totalitarian dictatorship, proclaimed independence and sold his country out to the Communist tyranny. Each day the signs are increasing that his days are numbered. Apparently the Cuban people in their desperation will take care of him. In the end, Mr. President, it is the people who count in Cuba, and everywhere else.

In the Washington Post of August 24, 1962, the situation is reported in a fine editorial under the caption "Guns to Cuba." I commend this to my colleagues and ask unanimous consent that it be embodied in the RECORD as part of my remarks.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

GUNS TO CUBA

President Kennedy has confirmed reports that Soviet-bloc arms shipments to Cuba have markedly increased. He also noted, in his news conference remarks, that the evidence does not warrant the conclusion that the armaments are aimed at other Caribbean countries. This suggests that Castro needs more weapons to protect himself from his own people, and clearly implies that the regime can no longer trust an increasingly restive militia.

If the Berlin wall represents one form of propaganda defeat for the Soviet Union, the news from Cuba represents another. Prime Minister Castro has succeeded in turning his regime into a leftist caricature of the Batista dictatorship he overthrew. Just as Batista relied on imported arms to keep a rebellious populace under control, Castro needs Soviet weapons to terrorize a hungry and disenchanted people.

At the same time, the Cuban leader has formally abandoned his program of land reform and has announced that henceforth Cuban agriculture will be based on state-owned collective farms. Thus his promises to enact land reforms have proven as empty as his pledges to restore democratic government to Cuba. The Agrarian Reform Law of May 1959, it will be recalled, was once described as the keystone of the Cuban revolution. But farm production has sagged, food shortages developed, and this year the regime was embarrassed by a disastrous sugar harvest. It is estimated that Cuba's trade deficit with the Soviet bloc will total $150 million this year, in part because the island has not shipped enough sugar.

Both items of news should help complete the destruction of the Castro myth in Latin America. Rather than break up big plantations, Castro has wound up by turning the peasantry into a rural proletariat while hunger stalks the cities. One thing is certain. Prime Minister Castro will get better advice on the techniques of repression than on food production from his ubiquitous Russian and Chinese advisers.

Mr. LAUSCHE. Mr. President, continuing, basically, with the thoughts expressed by my colleague about the alleged appearance of military men from Red China and Russia in Cuba, I should like to read into the RECORD significant statements made by Cuba in their bulletin of August 24, "The Cuba Report," issued in Miami. They make the following allegations:

Mariel (north coast of Pinar del Rio Province): In the days included between the 21st and the 26th of July, probably until the 31st, ships carrying from 2,500 to 3,000 men belonging to the Russian and Chinese armies, and heavy military armament and equipment, landed on Cuban soil; their destination being the Guatana, the base of San Julian, and the Los Organos Mountains. Before the unloading of the military armament, the Russians practically seized the town of Mariel, evacuating those that lived near the port.

In the shipment that was unloaded, there were trucks, jeeps, cannons, and other equipment measuring about 4 square meters—hermetically covered by a thick canvas—that were carefully placed over platforms. Later, they unloaded army transports completely closed that appeared to be air conditioned. The troops, dressed in dark green uniforms with white helmets, carrying automatic rifles, machineguns, and knapsacks, were transported in these vehicles.

With great order and military discipline, they followed the road that leads to the north coast of Pinar del Rio. All the garrisons along the coast, composed by Cuban militiamen and rebel army troops, were replaced by the foreigners.

Guatana (near La Coloma, Pinar del Rio Province): About 1,000 Chinese and Russian soldiers are stationed here. There are also 30 cannons that were brought to Guatana from Mariel.

San Julian (central western zone of Pinar del Rio Province): About 400 foreign soldiers are stationed here and not even Maj. Dermino Escalona, military chief of the Province, has been allowed to enter San Julian. In this base there are 35 new cannons that were unloaded in Mariel.

Los Organos Mountains: Near the town of Cabanas, about 200 men, Russian and Chinese, have been seen heading for the mountains.

In the ports of Playuelas and Malas Aguas, in the north coast of Pinar del Rio, as well as in the zone lying between the ports of Santa Lucia and Puerto Esperanza, they have reported over 1,000 Russians and Chinese. In the beach of Rio del Medio, in a place called Topey, also in the north coast of Pinar del Rio, there are over 300 men, Russian and Chinese.

Guanito Garrison (18th km. on the road from Pinar del Rio to Guane): large caliber cannons were taken there. There are also several platoons of Chinese and Russian soldiers.

Havana: 2,000 Russians in civilian clothing landed at the port of Havana on August 7. The ship which brought them entered the harbor on Monday the 6th at 8:15 a.m.

San Antonio de Los Banos (Province of Havana): 500 men were stationed in this base. We have news that they are pilots. During the night hours the Russians and Czechs were seen frequenting the bars and cafes of San Antonio de los Banos. It is known that the majority of the Russian aircraft is kept in subterranean hangers in this base. The neighbors have reported seeing an unidentified model of jet plane that has flown twice over the territory and returned to the base.

Torrens (Province of Havana): An undetermined number of foreign troops are stationed here.

Matanzas: In the Bay of Matanzas landed a contingent whose number could not be determined. These men were transported to the Limonar military training camp.

Casilda (southern coast of Las Villas): The landings took place between the 4th and 9th of August, probably on the 5th. About 2,000 men arrived in Casilda. A few days before the 9th of August, a large foreign ship was reported to have arrived in this port. When the cargo was unloaded it consisted of military equipment and supplies, and a large tank was placed on one side of the dock. Since the night before, Cubans were not allowed in the proximity of the dock.

The route taken by the trucks that transported the men and equipment from Casilda was the road to Trinidad and Sancti-Spiritus and then they followed Central Highway. This was witnessed by the inhabitants of the three towns. The convoy consisted of men on motorcycles, jeeps, trucks, and buses transporting uniformed troops and three ambulances. Ordinary traffic was detoured off these roads.

Nicaro (north coast of Oriente): Sometime between the 10th and 12th of August, 3,000 men landed in Nicaro and were transported to Banes. Since dawn of August 12, no Cubans were allowed near the zone along the coast of Banes. The road leading to Mayari Arriba was closed. This strongly indicates that these troops were concentrated in Mayari Arriba where for some time now our intelligence has been informing us of the existence of secret installations. Before the movement of the troops and all the time it lasted, the electric power was cut off in the entire zone, leaving in darkness all the towns but despite this, the Cubans clearly witnessed the passing of hundreds of enormous trucks loaded with soldiers and followed by heavy military equipment.

Bahia Honda (Pinar del Rio Province): Fifteen or sixteen Soviet ships carrying Russian troops and heavy military equipment arrived in the Port of Bahia Honda, Pinar del Rio Province. It has been confirmed by U.S. officials that a missile base has been installed near this port.

From 4,000 to 5,000 Soviet soldiers, expert specialists in communications, radar, tactical missiles, and anticraft weapons have been stationed in this zone.

The garrison to the east of Bahia Honda has been recently occupied by extracontinental troops, mainly from Russia, Red China, and South Africa.

I do not know whether these charges are true. If they are, we should divest ourselves of the equanimity with which we are facing this problem. The vice chairman of the Senate Foreign Relations Committee [Mr. SPARKMAN] is presiding at this time. I respectfully suggest that the Foreign Relations Committee should call before it appropriate officials of the State Department to learn whether this mass immigration of Chinese and Russian troops into Cuba is true, as alleged in this statement. Moreover, we ought to find out to what extent military equipment is being moved into that land.

I am unwilling to accept the proposition that Castro is asking for these troops and military equipment to quell expected insurrection. I fear that his motives go far beyond Cuba. They go into Haiti, into Jamaica, and, in a measure, to the land that is some 90 miles from Cuba.

BERLIN

Mr. JAVITS. Mr. President, I wish to make some observations on the situation in Berlin, to which I addressed myself within the last 10 days and on other occasions.

Press reports show that this is the fourth time that the United States has invited the Soviet Union to engage in four-power talks on Berlin. If the fate of the previous requests is any precedent—and I am sure it is—this request will again be rejected. We have witnessed riots in the streets of Berlin, earlier this month, between August 13 and August 21, by crowds in West Berlin who were subjected to intolerable provocation by the cruel and brutal killing of two teenagers, under the most barbaric circumstances, who sought to cross the inhuman Berlin wall.

I have raised my voice against allowing U.S. policy and U.S. commitments of such gravity to be brought into operation by action on the streets of Berlin. But I could not agree more with Mayor Willy Brandt when he said:

> Berlin must accuse; Berlin must demand; and an end must be put to inhumanity.

I certainly do not feel there ought to be riots, though I can understand the provocation that brought them on; and sometimes the realism of an intense and vigorous protest is more than justified. The people of West Berlin showed unmistakable nature of their disgust and protest against the intolerable conditions that they are being subjected to by the Communist East German regime and by the troops of the Soviet Union.

I think we are now at the point where we must try to do something about this situation. I begin to depreciate the constant reiteration by our Government of the fact that the only recourse is to ask for four-power talks with the Russians. The Russians obviously do not want to talk right now, and they intend to pursue their unilateral course of placing tremendous pressure upon the allied governments and the people of Berlin.

Under this provocation and under these conditions, I again urge that it is high time for the Allies to develop a new policy for Berlin. By "the Allies" I mean the United States, the United Kingdom, and France. I believe we must take the leadership there. There are many things we can do. It has been suggested, for example, that West Berlin could be incorporated into the German Federal Republic and, without in any way changing the occupation statutes or arrangements, be brought thereby under the protection of the NATO Treaty, as well, with the whole people of West Germany behind it, because they would have to act in order to take Berlin in and make it a state, or land, as it is called there.

It has been suggested that a previous situation, in which West Germany threatened to cut off trade with East Germany, might be successful because East Germany urgently needs the trade for the operation of its factories; or that there might be a controlling of the traffic from East Germany to West Germany over the Autobahn.

It has also been suggested that the United Nations undertake an investigation of the situation in East Berlin and West Berlin, which might be helpful in revealing to the whole world the intolerable conditions which exist in East Berlin. Those are some of the actions which could be taken.

I urge our Government to stop asking the Russians to confer. The Russians have refused, time and again, to confer. To make such a request again would become a matter demeaning to so great a nation and power as our own, much as we want to avoid a conflict—and we do. This apparently is not the way in which to act. We must now consult with our allies in order to determine upon and arrange some new policy in respect to Berlin.

The pressures of the Communists upon the people of West Berlin may one day prove so intolerable to them as to cause an incident which cannot be handled in the way this one obviously was by Mayor Brandt, according to word I had from Gerhardt Schmidt, of the city council. Apparently discipline was successful in defeating the Russian effort to tie up and boycott West Berlin, because that effort was broken by the airlift.

But this situation cannot continue forever. Therefore, I urge upon our Government and the allied governments a new policy, a new approach, which can move unilaterally from us, and in which we can have the initiative, rather than just having the Russians come over, which they obviously do not want to do.

TRUTH-IN-LENDING LEGISLATION

Mr. DOUGLAS. Mr. President, last year I introduced a bill to provide for truth in lending. I was joined in the introduction of that bill by 21 other Members of this body. The bill merely requires that those who lend money or extend credit or who sell on the installment plan should tell the buyer or the borrower the truth about the finance charges which they would have to pay. The truth required would be in two forms: First, the total amount in dollars of the finance charges incident to the transaction; second, what these charges amount to in terms of a true annual rate of interest upon the outstanding unpaid balance. I am very happy to say that the present occupant of the Chair, the distinguished senior Senator from Ohio [Mr. LAUSCHE], is one of the cosponsors of the bill.

Hearings have been held upon the bill, and copies of the testimony have been sent to all members of the Subcommittee on Production and Stabilization of the Banking Committee. It is my intention to call up the bill for action by the subcommittee and, if necessary, by the full committee, in the concluding days of the session, so that we may know precisely where we stand upon the issues.

I am greatly encouraged by an editorial, entitled "Truth-in-Lending Bill May Spur Consumption," published in the Charleston, W. Va., Gazette of August 22, 1962. The Charleston Gazette is the leading newspaper in West Virginia. It heartily endorses the bill, and its editorial is one of the best statements in support of the bill that I have seen. It states:

> In principle, Americans are devoted to the ideal of telling the truth when they do such naughty things as chop down cherry trees. But in practice, they tolerate all kinds of tricky deception when it comes to parting with their hard-earned money.
>
> The best example, of course, is the interest they pay on money borrowed to buy automobiles and other consumer goods. Unless you have a doctorate degree in mathematics, it's almost impossible to figure out the true interest on many consumer loans.

In testimony which the committee received 3 years ago from the Chairman of the Federal Reserve Board, Mr. William McChesney Martin, who is supposed to be the greatest authority on finance in this country, Mr. Martin confessed that he could not make head or tail out of the ordinary credit terms for the purchase of automobiles.

The editorial goes on to support the truth-in-lending bill which has received the blessing of the Kennedy Administration. It correctly points out:

> The bill wouldn't set interest rates, but it would require merchants and lenders to tell their customers exactly where their money is going in simple terms they could understand.

Mr. President, the bill has received the support of a number of outstanding bankers. It has received the support of the savings banks of New York, the credit unions of the country and numerous highly ethical banks.

The PRESIDING OFFICER. The time of the Senator from Illinois has expired.

Mr. MANSFIELD. Mr. President, I yield an additional 3 minutes to the Senator from Illinois.

Mr. DOUGLAS. I appreciate the kindness of the majority leader.

The editorial goes on to say:

> Congress, which so far has done little more than bring happiness to A.T. & T. and the American Medical Association, should show just a little affection for the consumer, too, by passing the truth-in-lending bill. It can't be argued honestly that the bill would raise the national debt or in any other way destroy the foundations of the Republic.
>
> And the bill might very well stimulate our sluggish economy. Fearful of losing business, high interest merchants and lenders might lower their exorbitant charges. Consumers, delighted with the millions they would save in interest payments, might consume even more—creating more jobs in factories and more sales in retail stores. Who knows, such practical results might even make telling the truth respectable again.

Mr. President, I ask unanimous consent that the entire editorial as published in the Charleston, W. Va., Gazette of August 22, 1962, be printed at this point in the RECORD.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

TRUTH-IN-LENDING BILL MAY SPUR CONSUMPTION

In principle, Americans are devoted to the ideal of telling the truth when they do such naughty things as chop down cherry trees. But in practice, they tolerate all kinds of tricky deception when it comes to parting with their hard-earned money.

The best example, of course, is the interest they pay on money borrowed to buy automobiles and other consumer goods. Unless you have a doctorate degree in mathematics, it's almost impossible to figure out the true interest on many consumer loans.

"Is there any reason to wonder why buyers and borrowers are so confused when the term interest can mean simple interest, straight interest, add-on interest, so many dollars-per-year-per-hundred interest, discount interest, or interest quoted in terms of so much per month?" asks Herbert E. Cheever, vice president of the First National Bank in Brookings, S. Dak.

"Not only is there confusion, but the unscrupulous, and those that are seeking very high returns for the use of credit, are taking every advantage of the poor consumer."

What is needed, Cheever explains, is a legal standard of measure for the term interest in the United States. And that's just what would be provided by the truth-in-lending bill before Congress, which was introduced by Senator Paul Douglas, Democrat, of Illinois, and has received the blessing of the Kennedy administration.

The bill wouldn't set interest rates, but it would require merchants and lenders to tell their customers exactly where their money is going in simple terms they could understand. Cash price, down payment, charges for insurance and other items, and the simple annual interest rate would be itemized clearly.

Except for Cheever and a handful of other mavericks who are oldfashioned enough to think it pays to be truthful with their customers, the Douglas bill has terrified the business community.

Its objections, presented to a Senate committee, include: Clerks can't calculate simple annual interest; the female mind could never grasp such simplicity; telling the truth might cause "a serious business lag." Anything but the truth, the witnesses pleaded, undoubtedly regretting that the tale about George Washington and the cherry tree ever swept the Nation's elementary schools.

"They frankly do not think the consumer should know the true rate of interest he is paying," Cheever says. The reason is clear: They fear that if the consumer ever grasps what he pays in interest charges, their gravy train will be derailed.

Congress, which so far has done little more than bring happiness to A.T. & T. and the American Medical Association, should show just a little affection for the consumer, too, by passing the truth-in-lending bill. It can't be argued honestly that the bill would raise the national debt or in any other way destroy the foundations of the Republic.

And the bill might very well stimulate our sluggish economy. Fearful of losing business, high interest merchants and lenders might lower their exorbitant charges. Consumers, delighted with the millions they would save in interest payments, might consume even more—creating more jobs in factories and more sales in retail stores. Who knows—such practical results might even make telling the truth respectable again?

LAWRENCE F. O'BRIEN ON WASHINGTON CONVERSATION

Mr. MANSFIELD. Mr. President, I have had occasion in the past to refer on the floor to the Presidential Assistant for Congressional Liaison, Mr. Lawrence F. O'Brien. His work, as I have noted, has been exceptional in every respect. Indeed, I have seen none finer, in tactfulness, in understanding, and in conscientiousness, in my two decades in Congress.

The CBS telecast "Washington Conversation" of August 26, produced by Michael J. Marlow covers a talk between Paul Niven and Larry O'Brien. This program, Mr. President, reveals Larry O'Brien as we have come to know him, as a man of exceptional character, as a straightforward, candid man, as an unpretentious, down-to-earth American of great human warmth and deep dedication to the people and the ideals of the Nation. I ask unanimous consent, Mr. President, that a transcript of the TV program previously referred to be printed at this point in the Record.

There being no objection, the transcript was ordered to be printed in the Record, as follows:

Lawrence F. O'Brien on Washington Conversation

Announcer. Join us now for a Washington Conversation with one of the top assistants to the President of the United States, Lawrence F. O'Brien.

The CBS television network presents Washington Conversation, an attempt to sketch in some of the details of this man—Lawrence F. O'Brien.

At the magic New Frontier age of 45, O'Brien, a lawyer and former public relations man, is not new to politics. He worked part time for the Democrats in his hometown of Springfield, Mass., when he was 15.

His association with President Kennedy goes back to the days 10 years ago when Congressman Kennedy first ran for the Senate against Henry Cabot Lodge.

Today, a personal biography of this man, who rarely appears on television, an exclusive interview with Lawrence F. O'Brien.

Your host for this informal, unrehearsed Washington Conversation, prerecorded on video tape, is CBS News Correspondent Paul Niven. Mr. Niven.

Mr. Niven. Mr. O'Brien, you more or less grew up in political headquarters in Springfield, Mass., didn't you?

Mr. O'Brien. That is correct, yes.

Mr. Niven. Your father was an organizer or a candidate?

Mr. O'Brien. Well, my father was a State committeeman in Massachusetts at one time, and when I was 14, 15, 16 years of age, I spent a lot of time in campaign headquarters and also this was a subject of conversation over the dining room table all the time, exclusive.

Mr. Niven. Your earliest memories are political.

Mr. O'Brien. I go back perhaps to 8 or 10 years of age, and my memories are almost exclusively political.

Mr. Niven. Senator David I. Walsh, of Massachusetts, was a frequent visitor, wasn't he?

Mr. O'Brien. That is right. The Senator, who was a distinguished Senator, incidentally, was a close friend of my father, and he used to come quite often to my home.

As a matter of fact, I can recall coming home from school with some trepidation, because I knew the Senator would ask me some of my school lessons. He invariably did. And I used to hesitate to get into the house and be placed under the Senator's very careful scrutiny.

Mr. Niven. Did you bone up for his visits in advance?

Mr. O'Brien. Well, no. But I was proud of the family association, and I can recall as a youngster in school telling some of my fellow students and the teacher that we had a very prominent occasional visitor to our home.

Mr. Niven. He phoned the White House once from your home, didn't he?

Mr. O'Brien. You're right—you're right, he did.

I think—you are probably recalling a situation that involved coal.

Mr. Niven. Yes.

Mr. O'Brien. Well, I remember. That is one of my first memories of politics, if you can call this particular anecdote totally political.

But he spent, oh, 15 or 20 minutes trying to contact then President Hoover on the telephone. And he was becoming awfully disturbed, poor connection, difficulty with the operator, and all that sort of thing.

We lived in a big, rambling house, and I could see this thing occurring. The coal truck backed in. And the window, the coal chute was placed—and it was just under the desk that the Senator was sitting at, attempting to get the President on the phone. And just as that connection became clear, and he said, "Mr. President, Dave Walsh on this end," the coal came down the chute, everything broke up, and the Senator wound up slamming the phone on the hook.

Mr. Niven. James Michael Curley was also a frequent visitor, wasn't he?

Mr. O'Brien. Yes, he was. He was a very colorful figure, as you know—former mayor of Boston, former Governor, former Congressman. And he visited our home on many occasions.

Mr. Niven. Did you learn anything from him?

Mr. O'Brien. Well, I remember in those early days, sixteen years of age, being enthralled with Mayor Curley's speaking ability, his great oratory. He was a great story teller, I might add, and an extremely colorful figure. And I used to sit in the corner of the den, with my ears wide open, absorbing all I could. And I remember Mayor Curley vividly. And I certainly did learn a lot about politics just listening to the Mayor.

Mr. Niven. Curley was, of course, a controversial figure.

Mr. O'Brien. Yes, he was.

Mr. Niven. When he was in prison, our now President, then Congressman, refused to sign a petition asking President Truman to pardon him.

Do you think that on the whole Curley was a good or a bad thing for the people of Massachusetts?

Mr. O'Brien. I think at the time, at the time of Curley at his height, he was good for Massachusetts, particularly the city of Boston, because at that time you had the great influx of Irish immigration, and these people needed a focal point, they needed a leader, they had in Curley a leader. And the occasion called for leadership of a colorful nature, strong, two-fisted.

In this day and age, it just wouldn't be the case.

But at that time, under the circumstances, I think that it was a rather natural situation.

Mr. Niven. I have read that in predominantly Protestant and Republican western Massachusetts, your own father encountered a great deal of anti-Irish bigotry; is that true?

Mr. O'Brien. Well, my father and mother, Mr. Niven, were both immigrants from Ireland. And they were very proud to become American citizens. And in those early days, which were before my time, there was a great deal of that. It passed by the time I became a young man. But there were occasions when plants in that vicinity would have signs outside the door saying "No Irish" or "No Catholic need apply." And of course it really resulted in spurring on these immigrants, such as my father and mother, spurring them on in the sense that they wanted to participate in civic and local government affairs. And the Irish, to a great extent, therefore, became interested in politics.

Mr. Niven. And they took over the State of Massachusetts more or less.

Mr. O'Brien. Ultimately, in a political sense, they became powerful in the State, and they remained in that position since that time. Of course, all of that is in the past, and there is no such thing now really in Massachusetts as racial groups.

Mr. Niven. But now the Italians were pushing them and pushing them.

Mr. O'Brien. Yes. But the Italian immigrant went through the same situation, had the same motivations, and has risen to the top, not only in politics, but in the professions and in the business world and in civic leadership. And therefore today in Massachusetts there is little, if any, of the so-called hyphenated political operation. Everyone is American.

Mr. Niven. In many of our States, especially in New York, both parties still deem it necessary every election to have an Irishman, a Jew and an Italian on the ticket. Is this sort of thing disappearing fast?

Mr. O'Brien. Well, it isn't disappearing fast enough, in my view.

I haven't shared that view very strongly. I know that many people in political life feel this is the safe procedure, this is the balanced ticket, as you pointed out. And in Massachusetts, to some extent, it still exists. But not in the important sense that it was once considered to be.

And as I said, frankly, I never shared this view. And I don't think really it adds any political strength, if you will, to either party in the sense of sort of publicly or in a way rather blatantly presenting this kind of a ticket.

Mr. Niven. In 1932 your father deserted his own bloc, so to speak, to support Roosevelt against Al Smith. How did that happen?

Mr. O'Brien. Well, my father had firm convictions. He had been an ardent supporter of Al Smith in 1928. He became totally convinced that the country needed the leadership of Franklin D. Roosevelt. And he ran, incidentally, Mr. Niven, as a Roosevelt pledged delegate. And I think he was defeated about 10 or 12 to 1. It was a devastating defeat.

Mr. Niven. Curley was also defeated, but turned up as a Puerto Rican. Your father didn't go as a Puerto Rican?

Mr. O'Brien. That is right. Interestingly enough, Jimmy Roosevelt, now Congressman from California, was on that same slate, in 1932.

Mr. Niven. Was your father ostracized by many of his friends that year?

Mr. O'Brien. Some of his relatives—I can recall that he had a brother particularly who was awfully disturbed, and I don't think ever really forgave him.

Mr. Niven. You began your own political work, at least part time, at the age of 15. What did you do?

Mr. O'Brien. Well, my father was busily engaged in the campaign that Mayor Curley was running, for Governor. And he thought it would be a fine idea if I would tour the rallies—and there were many more rallies of the neighborhood type in those days than there are today—and give a little talk, sort of a boy orator situation. And I had a 10-minute prepared address, as I recall it. And I did a lot of that touring and stood on platforms and gave this little pep talk. And it pleased my father. I don't know as it pleased the audience, particularly.

Mr. Niven. And did you decide about that time that this was your life?

Mr. O'Brien. I really knew no other life. And as I say, the subject of politics, organizational politics, political candidates, government, was almost the exclusive subject in our household. And at no time did I ever consider any other approach to my future activity than somewhere in the field of politics.

And I may add I am having a problem right now with my 16-year-old son.

Mr. Niven. He wants to go into politics?

Mr. O'Brien. Well, he wants to follow the law with the idea in mind that he will go into politics. And I don't mind telling you I have been trying to sell him on journalism.

Mr. Niven. Does this mean we may have an O'Brien dynasty, concomitant with the Kennedy dynasty?

Mr. O'Brien. Well, I haven't given up hope that perhaps he could play a role such as yours, Mr. Niven, and be a close observer, and enjoy all the elements of this most fascinating area of life, and still perhaps not be totally emeshed in it.

Mr. Niven. Why—why don't you want him to go into politics?

Mr. O'Brien. I suppose it is perhaps the attitude that many fathers have concerning their sons following in their footsteps, so to speak. The grass is a little greener elsewhere.

And since I have been with the President, and particularly since I have been in the White House with him, I have observed that you and your colleagues have a great advantage, have a fascinating area of activity—you report to the American people on what is taking place in our Government daily. And I think that probably is less frustrating, if you will, then my role in the White House.

Mr. Niven. But the President, who himself once tried journalism, has often said that observing was a poor substitute for doing. Don't you feel that way?

Mr. O'Brien. I suppose really I do. But nevertheless, there is one other aspect to this. My son has shown a flair for writing, and I would just like to have him take a long look at it before he makes the ultimate decision.

Mr. Niven. Mr. O'Brien, how did your association with the Kennedy family start, and when?

Mr. O'Brien. Well, back in 1948, Mr. Niven, I was down here in Washington as administrative assistant to then Congressman Foster Furcolo, who was later Governor of Massachusetts, you may recall. I became acquainted with then Congressman Kennedy because we would—both offices would have problems of a mutual nature, involving Massachusetts and New England. And after 2 years down here, I decided I would prefer to go back home to Massachusetts, which I did. And I decided also that perhaps I would like to lead a little more normal life than I had been. But I wasn't home very long when Jack Kennedy contacted me and suggested perhaps I could be helpful in Massachusetts, particularly at that time in western Massachusetts, because he was contemplating running for statewide office. So I was out of politics probably in my mind for a period of 60 to 90 days.

Mr. Niven. Is it true that the first time you were introduced to President Kennedy by Congressman Boland, Mr. Boland told you that Mr. Kennedy would some day be President?

Mr. O'Brien. I believe that is true. Eddie Boland is my Congressman. I am a constituent of his. And I do recall going over to the Springfield Auditorium with Eddie Boland, and we had a cup of coffee at a little later time of the day with Congressman Kennedy. He was addressing a convention in Springfield at that time. And Boland did make that prediction. That is right.

Mr. Niven. When did you first become persuaded that Mr. Kennedy would or could at least become President?

Mr. O'Brien. Immediately following the 1956 convention.

Mr. Niven. You thought his showing there for the vice-presidential contest——

Mr. O'Brien. That is right. I thought his showing in the 1956 convention and the very happy situation that he had not been nominated—the combination of those two circumstances I think brought me to the realization that this man could be President.

Mr. Niven. You are famous for your campaign manuals, in which the current edition is being distributed to Democratic candidates. The first edition came out in six pages in 1952, I believe, didn't it?

Mr. O'Brien. Yes, Mr. Niven. In 1952 the Kennedy-Lodge fight in Massachusetts brought about a lot of discussion. You will recall that Henry Cabot Lodge was the campaign manager, national campaign manager, for Eisenhower. He was also running for reelection to the U.S. Senate.

Jack Kennedy had a safe congressional seat. And he decided then that he would give that seat up and run against Lodge. And the odds were 10 to 1 against victory. In fact, most of the Democratic leaders in Massachusetts, if not all of them, considered it an impossibility.

Well, the net result was it was necessary for Congressman Kennedy to go out into the cities and towns of Massachusetts and organize his own campaign groups. The party organization was paying little or no attention to his candidacy. And these campaign groups were composed exclusively of amateurs.

Now, my role in the campaign was State director of organization. The now Attorney General, Bob Kennedy, was campaign manager.

So it became necessary for us to have a fairly detailed review available to all these loyal, hard-working amateurs, as to procedure. And I can recall that we ultimately came up with, perhaps it was, a six-page mimeographed list of steps that were taken, to be taken during the campaign. And from that, ultimately came the campaign manual that was used in the primary States, in the President's quest for election, and then following nomination at Los Angeles, it was the Citizens for Kennedy and Johnson manual nationally.

Now, as you point out, it is being revived to be used in the 1962 campaign.

Mr. Niven. Did you ever have any doubts in the 1960 campaign about the outcome?

Mr. O'Brien. No serious doubts. I think all of us felt it would be awfully close.

I think most of us were surprised that it was that close. It was a rugged, difficult campaign. But to use the vernacular, at no time did we feel we were out of the ball game. We were definitely in it all the way.

Mr. Niven. What was the toughest challenge you yourself had, either before or after the convention?

Mr. O'Brien. I think following the convention was probably the toughest challenge, because I was designated as director of organization for the Democratic National Committee, and we had little time to gear the Kennedy campaign effort throughout the the country that has been waged not only in the primary States, but many other States, in the forming of Kennedy for President committees—to gear that into the party operation, the established county, State——

Mr. Niven. Without offending the regulars.

Mr. O'Brien. That is right. And time was against us. It was a very brief period. And beyond that, it was difficult, because we had State chairmen and county chairmen for Kennedy throughout the country. And it was necessary then to meld them in with the established county and State leaders. And I think that was probably the most difficult period.

Mr. Niven. Is your present job of securing congressional support for the President's legislative program similar in any way to the task of getting delegates to support him at a convention?

Mr. O'Brien. Well, similar in the sense that you have head counts and rollcalls. But I will say much more difficult over the long haul, Mr. Niven, because I keep recalling, and I do this almost daily—recalling that we had one rollcall at Los Angeles, we spent approximately a year and a half leading up to that one successful rollcall. And in this job it seems as though we have them daily, and they are all in the form of some kind of a crisis.

So I think it ends at that point.

This is a continuing problem, on a day-to-day basis. And it is rare to see the day, or at least the week, that you don't have a serious crisis, legislatively, involving the President's program, that is to be resolved in the Congress.

And, as you know, since we have been here, it has been cliff hanging all the way, from the very first week, when the rules fight was won by five votes, with the beloved Speaker, former Speaker, Sam Rayburn's prestige on the line.

It is difficult.

Mr. Niven. Have you been able to predict accurately in advance the outcome of every important rollcall in these 2 years?

Mr. O'Brien. Well, I think that the staff at the White House, coupled with the staffs of the House and Senate that work in this area, combined, have been very, very close on every single rollcall.

Mr. Niven. You have had no major surprises, then, pleasant or unpleasant.

Mr. O'Brien. Well, we did have a major surprise last year, in the minimum wage, where we felt our minimum wage bill would be enacted by a very close margin, and we lost it by one vote. Fortunately, we were able to come back and in the final analysis we had a better minimum wage bill than we had initially lost. But that was a surprise.

Now, we have had close fights in this session. We have had medical care, as you know. We were pretty accurate in our rollcall, Mr. Niven, and I think that added a little bit to the problem, because for at least 48 hours prior to the rollcall on medical care we were pretty sure exactly what was going to happen, and we were in a position where we seemed not to be able to do anything about it.

Mr. Niven. It has been said that you have a card file of the entire Congress, showing each Member's pet projects, public statements, soft spots, friends, and prejudices.

Is that accurate?

Mr. O'Brien. No, that isn't quite accurate. We do maintain a card file which, of course, is a voting record that would normally be available to anyone. But we add to it intelligence relative to the Member's position in the committee on a given matter, the attitudes he may have expressed back home, for local consumption, on matters that may be helpful to us in the future. We have a fair amount of intelligence along that line that we try to maintain, available to us at a given moment. But it doesn't go beyond that.

We think it is a worthwhile project, and it is an essential project.

We couldn't function with hundreds of Members, in contact with them, without some sort of a file.

Mr. Niven. In a critical battle, how much carrot do you use and how much stick?

Mr. O'Brien. Well, I have been intrigued to read about, on occasion—about strong-arm tactics, projects, patronage, and all that sort of thing.

I can assure you that if we have anything going for us on the Hill, in the sense of a plus factor, from our point of view, it is the attitude of the membership generally, the Democratic membership generally, toward the President.

We have to remember that the President was up there for 14 years and served in both bodies. He is well liked on the Hill.

Mr. Niven. When a Member of Congress goes to the White House and asks for a road or a public works project, in any administration, isn't his support for the administration taken into consideration in deciding whether he gets it?

Mr O'Brien. Well, he is not as apt to come to the White House on a matter such as that as he is apt to go to the appropriate committee chairman of the Congress to discuss it, very frankly.

Mr. Niven. Do you have dealings with Republicans?

Mr. O'Brien. Oh, yes—oh, yes. I have dealings with Mr. Halleck and Mr. Dirksen and other Republican leaders in the Congress. Obviously, I haven't the dealings in depth that I do with the Democratic leaders and the Democratic membership in general.

But certainly I do have dealings with them. And I might add at this point that I, for one, consider the relationship very pleasant.

Mr. Niven. Well, finally, Mr. O'Brien, as a veteran organizer of political campaigns, what do you think is going to happen in November?

Mr. O'Brien. I believe following the President's trip to the West, just a few days ago—and I was fortunate enough to travel with him—I believe now that we can hold our own numerically in the Congress. I believe that we can overcome the historic political situation in America that except for the election of 1934, the incumbent party has always lost strength in off-year elections.

I am confident now that we can hold our position in the Congress, hold the Democratic Party, control the Congress. And if we can achieve that, that will be a real job well done.

Mr Niven. Thank you very much, Mr. O'Brien.

Mr. O'Brien. Thank you, Mr. Niven.

AMERICAN AND RUSSIAN SPORTS RELATIONS

Mr. BEALL. Mr. President, recently the Soviet Union paid a unique tribute to Maryland racing in general and to our famous Washington D.C. International Race in particular when it invited an official of the Laurel Race Course, the home of the International, to spend 2 weeks in Russia as the official guest of that country's Ministry of Agriculture. Never before had the Soviet Union extended such an invitation to an American racing official, and to many people it represented another step in the development of the people-to-people program which is attempting to promote a friendlier climate where political differences exist.

The invitation to visit Russia's race tracks and training farms was issued to Joseph T. Cascarella, executive vice president and secretary of the Laurel Race Course, by Anatoly Dobrynin, the Soviet Ambassador to the United States, who acted in behalf of the Ministry of Agriculture. This action, Mr. President, showed once again how sports and sportsmanship can help break through barriers which separate vast areas of our world.

The fact that a representative of the Laurel racecourse was chosen as the guest was not a matter of chance. In 10 runnings of the Washington, D.C., International at the Laurel track in Maryland, there has been participation by 96 owners from our Nation and Australia, New Zealand, Mexico, Peru, Venezuela, Argentina, Canada, Ireland, France, England, Italy, Sweden, Denmark, Germany, and the Soviet Union. Among the colors displayed at this "Olympics of Racing" have been those of Queen Elizabeth II; Sir Winston Churchill; two Presidents of Ireland, Sean T. O'Kelly and Eamon deValera, and the late Prince Aly Khan. In addition, it was at the Washington, D.C., International that two thoroughbreds from the Soviet Union first participated in a race outside the Iron Curtain.

The New York Times has said:

> The Washington, D.C., International, in its relatively short history, has grown into one of the most important weight-for-age stakes in the world. It ranks with the Prix de L'Arc de Triomphe and the King George VI and Queen Elizabeth Stakes as the championship triple.

The fact that Maryland, through the Washington, D.C., International, holds a significant place on the calendar of world sports events is a tribute to the State's great racing traditions, to the efforts of the management of Laurel and especially to the initiative, foresight and sportsmanship of the track's president, John D. Schapiro.

TWO EXAMPLES OF EXCELLENT FPC ACTION FOR PUBLIC INTEREST

Mr. PROXMIRE. Mr. President, I have long been concerned about the ability of the Federal Power Commission to protect the public and consumer's interest, particularly in the area of oil and gas regulation. The record of this key agency in the past has not been reassuring on this score. Particularly in the period 1954–59 there were significant increases in natural gas prices, which resulted in far higher expenditures by America's 34 million gas consumers.

It is therefore a cause for rejoicing when within a week there occur two major recommendations by the Commission staff which emphatically uphold the public interest. Both are representative of the kind of impartial, watchdog attitude which I firmly believe the FPC should maintain. The two staff briefs concerned the following subjects:

First. Under present Commission policy oil and gas companies are allowed to compute depreciation for income tax purposes in two different ways. If the computation is to be used by the Commission in determining rates, the industry is allowed to use straight-line depreciation methods; but if the computation is to be used for the purpose of actually paying taxes, then the industry is permitted to use a liberalized depreciation. In other words, the industry uses straight-line depreciation methods in figuring taxes for ratemaking, while actually paying lower taxes on the basis of liberalized depreciation. This means, in effect, that oil and gas consumers are compelled to advance capital to the industry through prices that are higher than the cost of production plus a fair return.

Last Monday, August 20, the Commission staff, on its own initiative, presented to the chairman a detailed brief in connection with the Alabama-Tennessee natural gas rate case. In the brief the staff recommended that the Commission reverse its longstanding policy of allowing one tax computation for determining rates and another for actually paying taxes. The staff advocated "that the Commission determine that in the computation of the income tax allowance in the cost of service, such allowance shall be limited to the amount of income taxes actually paid."

This recommendation, if followed by the Commission, will be an important decision in preventing unreasonable gas prices and reducing the cost burden on the consumer. Equally important in my mind is the fact that the staff is evidently taking an active part in determining FPC policies, rather than standing back and letting private interest groups fight these matters out. I ask, Mr. President, that an article from Platt's Oilgram News Service, August 22, explaining the vigilant action and initiative of the staff, be inserted at this point in the Record.

There being no objection, the release was ordered to be printed in the Record, as follows:

FPC Staff Urges Change on Line Depreciation for Rate Purposes

Washington, August 21.—FPC staff has recommended that Commission reverse itself in treatment of liberalized depreciation for purpose of determining rates of gas pipelines.

In brief filed late yesterday, staff recommended that "in the computation of the income-tax allowance in the cost of service such allowance shall be limited to the amount of income taxes actually paid as a result of use by the natural gas company of liberalized depreciation."

Present Commission rules allow pipeline companies to use so-called "normalization" method of computing taxes in rate base.

This allows companies to employ straight-line depreciation methods in computing taxes for FPC while actually paying lower taxes on basis of liberalized depreciation schedules.

Introduction to brief maintained that FPC had previously announced that "it proposed to review and reexamine this issue."

Under these conditions staff assumed "that it is free to present its views herein unfettered by the fact that there presently exists an established Commission practice with respect to the treatment for ratemaking purposes of liberalized depreciation," brief continued.

However, it specified that staff dealt only with issue of future rates and not "with the disposition of the amounts presently recorded as accumulated deferred income taxes.

Actual case before Commission is Alabama-Tennessee Natural Gas rate case, but Commission has permitted intervention by other pipeline companies on assumption that policy on depreciation would come under question (see June 3 Oilgram).

Staff contended that present policy of Commission is in error for three major reasons:

"The use of liberalized depreciation results in a tax saving or reduction and not in tax deferral.

"There is nothing in the legislative history of section 167 that requires the Commission to allow a natural gas company more taxes than actually payable, or that requires the customers of a natural gas company to advance capital to that company.

"There is no similarity of purpose or applicability between accelerated amortization of defense facilities under section 168 of the Internal Revenue Code and liberalized depreciation under section 167 of that code."

Commission staff also discussed "economic impact on the consumer arising from the use of the normalization method (present policy) and the benefits to be derived by the natural gas company and the consumer by the change-over to the flow-through method."

Mr. PROXMIRE. The second action of the Commission staff which I wish to bring to the attention of the Senate occurred last Tuesday, August 21, 1 day after the Alabama-Tennessee brief was filed. I am referring now to the so-called Pemex case. In this action the staff asked the Commission to dismiss applications to build a $225 million natural gas pipeline from Texas through Mexico to southern California.

The staff introduced the motion to dismiss the applications on two grounds:

First—and I am now quoting from the staff brief:

> It is obvious that the proposals contained in the applications, if certificated, would have an immediate inflationary impact of immeasurable proportions upon field prices generally.

Secondly, the staff pointed out that the planned uses of the gas are "inferior uses and are to permitted only on a positive showing that the public interest requires them." In other words, the staff argued that there are better uses—uses having higher priority—for the gas than the use for which the applicants wanted the gas.

In this case, then, the Commission staff was not only representing the consumer in arguing against an unnecessary price rise, but also attempting to prevent the long-range misallocation of our gas resources.

Mr. President, both these examples show the Commission staff actively engaged in upholding the public interest. They are not standing back and letting the case be decided on the narrow issues that may be raised by the adversaries. Rather the staff has conducted its own study and investigation and has made recommendations, supported by evidence and logic. This shows that an active, able staff in an independent agency can go a long way toward providing essential representation of the public interest in regulatory proceedings.

Naturally, the staff needs the support and encouragement of the Commission. I am sure that without the support of the FPC's able chairman, Mr. Joseph Swidler, it would not have been possible for the staff to develop and present these two outstanding briefs. I congratulate Mr. Swidler for his wisdom and foresight in supporting his staff in these endeavors—and I congratulate the staff for their fine work in the two cases I have referred to.

Mr. President, I ask unanimous consent that the article from the August 23, Wall Street Journal be printed at this point in the Record.

There being no objection, the article was ordered to be printed in the Record, as follows:

FPC Attorneys Oppose Gasline Across Mexico

Washington.—Federal Power Commission attorneys asked the FPC to dismiss applications to build a $225 million natural gas pipeline from Texas through Mexico to southern California.

Staff lawyers said it was "pointless" to continue hearings on the proposal because it "flies in the face of two very fundamental policy concepts of the Commission." For one thing, they said, it would have "an immediate inflationary impact of immeasurable proportions" on gas prices. For another, it would "promote inferior uses of a limited supply of natural gas."

The 1,600-mile pipeline ultimately would carry about 380 million cubic feet of natural gas daily from Texas fields for Southern California Edison Co. to use in driving steam-powered electric generators. Edison would buy about 82 percent of the gas from Humble Oil & Refining Co., subsidiary of Standard Oil Co. (New Jersey).

MEXICAN GAS WOULD BE ADDED

From Texas fields, the gas would move to the Mexican border in a $12 million pipeline to be built by Tennessee California Gas Transmission Co., a subsidiary of Tennessee Gas Transmission Co. The gas would be picked up by Petroleos Mexicanos, an agency of the Mexican Government that proposes to build $165 million of pipeline facilities; Mexican-produced gas would be added to the load.

At the California border, California Gas Transmission Co., another Tennessee Gas subsidiary, would take over and distribute the gas to five Edison generating stations through $48 million of pipeline.

An Edison spokesman in Los Angeles said he was "still convinced the pipeline is a very sound project." He said the company wouldn't comment further until the report asking the dismissal had been studied. Humble and Tennessee Gas officials declined to comment on the recommendation.

Hearings on the proposed project began in April, but have been recessed until October 2. The FPC could rule on the staff's dismissal motion before the hearings reconvene. The companies have 10 days to challenge the motion. Commission attorneys said the companies "have presented all of their evidence and it falls short of justifying the proposed project. A failure to dismiss at this juncture will only result in a waste of time and money."

The staff lawyers said the price Edison proposes to pay is 2 to 3½ cents a thousand cubic feet more than the "area price" ceiling of 18 cents a thousand cubic feet the FPC set for the Texas area. To channel a large amount of gas to one consumer at a high price, the lawyers asserted, would "increase demands on a limited supply of gas" and "have the effect of propelling field prices upward."

CONSERVING NATURAL GAS

"In addition to its concern with maintaining stable gas prices," the lawyers stated, "the Commission is equally concerned with conserving natural gas * * * where other fuels are in ample abundance to meet inferior fuel demands of industry generally and of steam-electric plants particularly."

The lawyers said Edison's proposed use of the gas "is far more prolific than in typical boiler fuel cases * * * in its present form, this case very simply involves the transference of tremendous gas reserves from producing fields directly to burner tips for use in the steam generation of electricity. There are to be no complementary benefits to domestic and commercial gas users—because no such users are contemplated to receive service."

The attorneys said "there is no assertion by Edison that oil, as an alternate fuel, is not available in quantities sufficient to satisfy all of its needs" not met by Southern California Gas Co., Southern Counties Gas Co., and Pacific Lighting Gas Supply Co., west coast gas distributors who oppose the project because they claim it will rob them of their principal customer, Edison.

The staff also challenged Edison estimates it could save $173 million over the next 20 years by buying its gas directly from Texas. The FPC attorneys said the company's cost estimates of the Pemex project gas were low and were compared with "unreasonably high estimates" of the cost of gas from existing suppliers.

Edison's savings estimates, the lawyers added, are based also on "the belief that this Commission will permit uncontrolled price increases in the cost of gas in the field. If this be so, they [Edison's estimates] may have a certain validity. However, any prediction of future field prices premised on the assumption this Commission will permit field prices to barrel along at ever higher levels is patently ridiculous."

The attorneys charged, "It is the inflationary forces set in motion by companies like Edison that causes the prices of future acquisitions of gas by others to be at even higher plateaus. When these forces are kept under control, anticipated long-range savings would no longer be a motivation to large industrial companies attempting to obtain and hoard their own supply of natural gas * * * to the detriment of the remainder of the gas-consuming public."

Attacking contentions that the project would promote petroleum exploration in Mexico, the FPC staff commented, "building a pipeline to induce exploration seems to be a reversal of the usual practice of finding commercial deposits of gas or oil and then constructing the pipeline to take the product to market." They asserted that evidence of much petroleum deposits in the path of the pipeline was "quite sketchy. In any event, there is no prognostication that a pipeline passing through Mexico will stimulate the development of gas reserves equivalent to the 2½ trillion cubic feet of Texas-produced gas which Edison proposes to burn in its boilers."

The FPC staff also struck out at assertions that the project would bolster competion in the California fuel market. "Any competition engendered by the Pemex project will be unfair competition," they charged. "The existing gas distribution companies and interstate gas pipelines would simply be outdistanced in the race for industrial customers * * * so eagerly sought by the promoters of Pemex."

The PRESIDING OFFICER. Is there further morning business? If not, morning business is closed.

REVENUE ACT OF 1962

Mr. KERR. Mr. President, I ask that the Chair lay before the Senate the unfinished business.

Without objection, the Senate resumed the consideration of the bill (H.R. 10650) to amend the Internal Revenue Code of 1954 to provide a credit for investment in certain depreciable property, to eliminate certain defects and inequities, and for other purposes.

The PRESIDING OFFICER (Mr. Lausche in the chair). The question is on agreeing to the committee amendment on page 8, in lines 2 and 3.

Mr. KERR. Mr. President, after consultation with the distinguished Senator from Tennessee [Mr. Gore], the Senator from Illinois [Mr. Douglas], the Senator from Delaware [Mr. Williams], and the Senator from Virginia [Mr. Byrd], I should like to propound a unanimous-consent request; namely, that the following amendments—which I shall designate specifically in a moment—are not agreed to by this unanimous-consent request——

Mr. DOUGLAS. Mr. President, will the Senator from Oklahoma yield for a moment?

Mr. KERR. I yield.

Mr. DOUGLAS. The Senator from Oklahoma means the following committee amendments; does he not?

Mr. KERR. That is correct.

Mr. President, I was saying that I wish to propound the following unanimous-consent request: That the following committee amendments are to be considered in succession, following consideration of the amendment to section 2, which is to be offered by the senior Senator from Virginia [Mr. Byrd]; that all other committee amendments are agreed to en bloc and are to be considered as part of the original text of the bill, and subject to further amendment; and that :fter consideration by the Senate of the 11 amendments which I shall now specifically identify—being committee amendments—and after they are acted on by the Senate, the entire bill then shall be considered as part of the original text, and subject to further amendment.

The specific amendments to be excepted from this agreement, as heretofore stated, are as follows:

First. The committee amendment on page 41, in line 18, through page 42, in line 4, and page 42, in line 7, being the expense account amendment.

Second. The committee amendment eliminating entirely section 482 of the bill. This section would have strengthened the allocation formula in section 482 of the code; and the committee amendment is on page 52, line 1, through page 57, in line 22.

Third. The gross-up committee amendment, on page 121, in line 3, through page 127, in line 1.

Fourth. The withholding committee amendment, on page 307, line 9, through page 369, line 19.

Fifth. The clearing land committee amendment, on page 381, line 16, through page 384, line 24.

Sixth. The charitable contributions amendment, on page 385, line 1, through page 386, line 6.

Seventh. The determination of the number of stockholders committee amendment, on page 386, line 7, through page 388, line 10.

Eighth. The committee amendment on the Twin Cities Street Railway, on page 388, line 11, through page 389, line 14.

Ninth. The committee amendment on the pension plan for the Hod Carriers Union, on page 389, line 15, through page 390, line 8.

Tenth. The committee amendment on the surviving partner in a two-man partnership, on page 390, line 9, through page 391, line 21.

Eleventh. The committee amendment on page 305, in lines 23 and 24.

Mr. GORE. Mr. President, will the Senator from Oklahoma yield?

Mr. KERR. I yield.

Mr. GORE. The last six amendments are not major ones, except the very last one, which is the——

Mr. KERR. I think the Senator from Tennessee means the last seven.

Mr. GORE. Yes, except the last one, which has been temporarily requested by the senior Senator from Ohio. They are proposed additions to the bill or so-called riders to the bill——

Mr. KERR. They are not completely related to the other parts of the bill.

Mr. GORE. That is correct. So this proposed agreement will reduce the number of controversial committee amendments to five major subject matters; and, in addition, the agreement will make it in order, before action on any of these exceptions to the en bloc agreement, for the chairman of the committee to offer an amendment to section 2.

Mr. SMATHERS. Mr. President, will the Senator from Oklahoma yield for a question?

Mr. KERR. I yield.

Mr. SMATHERS. The amendment the able chairman of the committee expects to offer deals with the investment credit provision, does it not?

Mr. KERR. That is correct; and it is one of the amendments which, under the proposed unanimous-consent agreement, will become part of the original text of the bill, and subject to further amendment.

Mr. JAVITS. Mr. President, will the Senator from Oklahoma yield for a question?

Mr. KERR. I yield.

Mr. JAVITS. What will be the situation of Senators who wish to amend section 12, relating to controlled foreign corporations?

Mr. KERR. As I understand, any Senator who wishes to have any part of the bill amended will be in a position identically the same as that he would be in either if this unanimous-consent request is agreed to or if it is not agreed to. Ordinarily a unanimous-consent agreement is made in regard to all committee amendments—in other words, that they be agreed to en bloc and considered part of the original text to the bill, and subject to further amendment. But such a unanimous-consent request, when made yesterday, was objected to.

The unanimous-consent agreement now being requested is proposed after consultation with Senators who lodged the objection yesterday.

The result of this unanimous-consent agreement, if entered into, will be that all of the committee amendments, except the 11 committee amendments specifically excepted, will be agreed to en bloc, and of course, will be subject to amendment by any Member, but not until the committee amendments which have not been agreed to and have not, by means of this agreement, been made part of the original text, and subject to amendment, have been acted upon, whereupon, after the action on all the committee amendments is completed, the ones agreed to will be part of the original text; and then the entire bill, as it then will stand, will be subject to amendment, the same as though the request made yesterday had been agreed to.

Mr. JAVITS. In dealing with those 11 amendments, would it be more efficient to complete our action on them before other amendments are offered?

Mr. KERR. That would be in order.

Mr. JAVITS. Perhaps I misunderstood the Senator.

Mr. KERR. Then let me address a parliamentary inquiry to the Chair:

When a committee amendment is not made a part of the original text, is not that amendment open to amendment when the Senate is considering it?

The PRESIDING OFFICER. The answer is in the affirmative.

Mr. JAVITS. Mr. President, a parliamentary inquiry: When amendments are offered to amendments which have not been made part of the original text, are not such amendments therefore limited to amendments in the second degree—which means only one amendment or no substitute?

The PRESIDING OFFICER. As a general rule, amendments in the second degree are always in order.

Mr. JAVITS. And therefore, in the case of amendments which are not incorporated in the bill as part of the original text, there would be the possibility of only one amendment, which would itself be a second-degree amendment?

The PRESIDING OFFICER. One amendment to the amendment.

Mr. JAVITS. Yes.

Let me ask the Senator from Oklahoma whether among the 11 committee amendments enumerated is included the entire committee amendment with regard to controlled foreign corporations—section 12?

Mr. KERR. No, it is not.

Mr JAVITS. So that would be in the original text of the bill, as covered by the unanimous-consent request?

Mr. KERR. Yes.

Mr. JAVITS. Does the proposed agreement also include the savings and loan provision?

Mr. KERR. Yes.

Mr. JAVITS. So that one, too, under this agreement, would be made part of the original text?

Mr. KERR. Yes.

Mr. DOUGLAS. Mr. President, will the Senator from Oklahoma yield for a clarification and explanation of a point?

The PRESIDING OFFICER (Mr. YOUNG of Ohio in the chair). Does the Senator from Oklahoma yield to the Senator from Illinois?

Mr. KERR. I yield.

Mr. DOUGLAS. In the original discussions with the Senator from Oklahoma, it was proposed by the Senator from Tennessee [Mr. GORE] and myself that the lobbying provision would also have to be proposed as a committee amendment. It will be noticed, upon a close reading of the RECORD, that this one is not now included in the exceptions.

Mr. KERR. Yes.

Mr. DOUGLAS. And this has been done with the full agreement of the Senator from Tennessee [Mr. GORE] and myself.

I think perhaps it is appropriate, however, that the RECORD should show why we agreed to this. It will be remembered that the original House bill made no alteration in the law concerning deductions for lobbying. The House Ways and Means Committee, at the last moment, without anyone really knowing what had happened, added a provision which permitted deductions for direct lobbying by business interests which had a business concern in legislation. This legitimatized tax deductions for direct lobbying on the part of officers, employees, and other representatives, and mass representation before not only Congress, but State legislatures, local councils, county bodies, and the like.

The Senate Finance Committee endorsed this provision and went it one better. It also permitted deductions for expenses connected with all communications on legislation between officers of the companies, stockholders, members, and employees, so that a company could circularize its stockholders, employees, and associates against a measure and get them to lobby and charge this as a business lobbying deduction. In other words, it would have permitted as a deduction from taxable income expenses in connection with efforts made by building and loan associations and certain mutual savings banks to strike out the withholding plan, and would legitimatize and have the Treasury pay 52 percent of the expenses of DuPont Co. in connection with efforts in favor of the DuPont tax bill which Congress passed so overwhelmingly in the early part of the year.

Likewise, it would permit the deduction of expenses by A.T. & T. in getting the satellite communications bill through Congress so that Uncle Sam would pick up 52 percent of those costs.

In the opinion of some of us, this is a gross abuse, and we object not only to the Senate amendment, but to the House provision.

Therefore, for technical reasons, in order to have one vote taken instead of two, we have agreed to the committee amendment on this point with the understanding that at an appropriate time I shall offer an amendment to strike both the House and the Senate provisions.

I will say in advance we will not prolong the discussion on this point. I think it could well be concluded, in view of the adequate discussion which we had yesterday in 1½ or 2 hours. On behalf of the Senator from Tennessee, the Senator from Wisconsin, and myself, I am ready to agree to a limitation of 2 hours on this amendment when such a request is made, and I hope no motion to table will be entered against it.

Mr. MANSFIELD. Mr. President, will the Senator yield?

Mr. DOUGLAS. I yield.

Mr. MANSFIELD. I think the Senator is more than fair. If it is agreeable, I would like to give favorable consideration to a limitation of 2 hours on that particular amendment.

Mr. DOUGLAS. It is understood, I hope, that this exclusion of the lobbying provision from the agreement which is now being made does not mean in any degree that those who are opposed to both lobbying amendments have folded their tents and withdrawn from the battle. Quite the contrary, is true; we are going to take the field and do our best. In the meantime, I strongly urge Members of the Senate, of the press, and citizens to read the debate of yesterday on lobbying, because I think these provisions are indefensible.

At present the law is neutral so far as lobbying is concerned. The law does not permit deductions either by special business interests or advocates of the general interest. But this amendment would permit the special interests to take their deductions, but would not permit the individual citizen to get the deduction. It would be difficult for him to do that, anyway; but this is a one-sided furnishing of additional weapons to those who already have nearly all the resources.

I do not think the conscience of the country can long stand these two amendments.

I make this explanation so that we can know exactly where the lines of battle are drawn and what the issues are.

I thank the Senator from Oklahoma for giving me permission to make this statement.

The PRESIDING OFFICER. Is there objection to the unanimous-consent request? The Chair hears none, and it is so ordered.

The amendments agreed to en bloc are as follows:

At the top of page 2, in the table of contents, to strike out:

"Sec. 1. Short title, etc.
  (a) Short title.
  (b) Table of contents.
  (c) Amendment of 1954 code.
"Sec. 2. Credit for investment in certain depreciable property.
  (a) Allowance of credit.
  (b) Rules for computing credit.
  (c) Certain corporate acquisitions.
  (d) Clerical amendments.
  (e) Effective date.
"Sec. 3. Appearances, etc., with respect to legislation.
  (a) In general.
  (b) Effective date.
"Sec. 4. Disallowance of certain entertainment, etc., expenses.
  (a) Denial of deduction.
  (b) Traveling expenses.
  (c) Effective date.
"Sec. 5. Amount of distribution where certain foreign corporations distribute property in kind.
  (a) Amount distributed.
  (b) Basis.
  (c) Dividends received from certain foreign corporations.
  (d) Credit for foreign taxes.
  (e) Effective date.
"Sec. 6. Amendment of section 482.
  (a) In general.
  (b) Clerical amendment.
  (c) Effective date.
"Sec. 7. Distributions of foreign personal holding company income.
  (a) Definition of foreign personal holding company.
  (b) Amount of undistributed income.
  (c) Effective date.
"Sec. 8. Mutual savings banks, etc.
  (a) Reserves for losses on loans.
  (b) Foreclosure on property securing loans.
  (c) Definition of domestic building and loan association.
  (d) Clerical amendments.
  (e) Repeal of exemption from communications and transportion of persons taxes.
  (f) Effective dates.
"Sec. 9. Distributions by foreign trusts.
  (a) Definitions.
  (b) Accumulation distributions of foreign trusts.
  (c) Allocation of accumulation distributions to preceding years.

- (d) Amounts treated as received in prior years.
- (e) Special rules for foreign trusts.
- (f) Information returns with respect to foreign trusts.
- (g) Failure to file information returns.
- (h) United States person defined.
- (i) Technical amendments.
- (j) Effective date.

"Sec. 10. Mutual insurance companies (other than life, marine, and certain fire insurance companies), etc.
- (a) Imposition of tax.
- (b) Taxable investment income.
- (c) Statutory underwriting income or loss.
- (d) Mutual fire insurance companies operating on basis of premium deposits.
- (e) Election of certain mutual companies to be taxed on total income.
- (f) Technical amendments, etc.
- (g) Effective date.

"Sec. 11. Domestic corporations receiving dividends from foreign corporations.
- (a) Entire amount of foreign tax to be taken into account.
- (b) Inclusion in gross income of amount equal to taxes deemed paid.
- (c) Determination of source of dividends received from certain foreign corporations.
- (d) Repeal of section 902(d).
- (e) Technical amendments.
- (f) Effective date.

"Sec. 12. Earned income from sources without the United States.
- (a) Limitation on amount and type of income excluded.
- (b) Computation of employees' contributions.
- (c) Effective date.

"Sec. 13. Controlled foreign corporations.
- (a) In general.
- (b) Technical and clerical amendments.
- (c) Effective date.

"Sec. 14. Gain from dispositions of certain depreciable property.
- (a) In general.
- (b) Change in method of depreciation.
- (c) Salvage value of personal property.
- (d) Special rule for charitable contributions of section 1245 property.
- (e) Technical amendments.
- (f) Effective date.

"Sec. 15. Foreign investment companies.
- (a) Treatment of sale of stock of foreign investment companies.
- (b) Conforming amendments.
- (c) Effective date.

"Sec. 16. Gain from certain sales or exchanges of stock in certain foreign corporations.
- (a) Treatment of gain from the redemption, cancellation, or sale of stock in certain corporations.
- (b) Clerical amendment.
- (c) Effective date.

"Sec. 17. Tax treatment of cooperatives and patrons.
- (a) In general.
- (b) Technical amendments.
- (c) Effective dates.

"Sec. 18. Inclusion of foreign real property in gross estate.
- (a) Amendments to include foreign real property.
- (b) Effective date.

"Sec. 19. Withholding of income tax at source on interest, dividends, and patronage dividends.
- (a) In general.
- (b) Credits against income tax for tax withheld.
- (c) Interest and dividends paid to nonresident aliens, etc.
- (d) Credit for States and tax exempt organizations.
- (e) Other technical amendments.
- (f) Effective dates.

"Sec. 20. Information with respect to certain foreign entities.
- (a) Information to be furnished by individuals, domestic corporations, etc., with respect to certain foreign corporations.
- (b) Information as to organization or reorganization of foreign corporations and as to acquisitions of their stock.
- (c) Civil penalty for failure to file return.
- (d) Technical amendments.
- (e) Effective date.

"Sec. 21. Treaties."

And, in lieu thereof, to insert:

"Sec. 1. Short title, etc.
- (a) Short title.
- (b) Table of Contents.
- (c) Amendment of 1954 code.

"Sec. 2. Credit for investment in certain depreciable property.
- (a) Allowance of credit.
- (b) Rules for computing credit.
- (c) Deduction for unused credit.
- (d) Certain corporate acquisitions.
- (e) Statutes of limitations and interest relating to investment credit carrybacks.
- (f) Technical amendment.
- (g) Clerical amendments.
- (h) Effective date.

"Sec. 3. Appearances etc., with respect to legislation.
- (a) In general.
- (b) Effective date.

"Sec. 4. Disallowance of certain entertainment, etc., expenses.
- (a) Denial of deduction.
- (b) Traveling expenses.
- (c) Effective date.

"Sec. 5. Amount of distribution where certain foreign corporations distribute property in kind.
- (a) Amount distributed.
- (b) Basis.
- (c) Dividends received from certain foreign corporations.
- (d) Effective date.

"Sec. 6. Mutual savings banks, etc.
- (a) Reserves for losses on loans.
- (b) Foreclosure on property securing loans.
- (c) Definition of domestic building and loan association.
- (d) Clerical amendments.
- (e) Repeal of exemption from certain excise taxes.
- (f) Deduction for dividends or interest paid on deposits.
- (g) Effective dates.

"Sec. 7. Distribution by foreign trusts.
- (a) Definitions.
- (b) Accumulation distributions of foreign trusts.
- (c) Allocation of accumulation distributions to preceding years.
- (d) Amounts treated as received in prior years.
- (e) Special rules for foreign trusts.
- (f) Information returns with respect to foreign trusts.
- (g) Failure to file information returns.
- (h) United States person defined.
- (i) Technical amendments.
- (j) Effective date.

"Sec. 8. Mutual insurance companies (other than life, marine, and certain fire and flood insurance companies), etc.
- (a) Imposition of tax.
- (b) Taxable investment income.
- (c) Statutory underwriting income or loss.
- (d) Exemption from tax.
- (e) Mutual fire insurance companies operating on basis of premium deposits.
- (f) Election of certain mutual companies to be taxed on total income.
- (g) Technical amendments, etc.
- (h) Effective date.

"Sec. 9. Domestic corporations receiving dividends from foreign corporations.
- (a) Foreign taxes deemed paid by domestic corporations.
- (b) Inclusion in gross income of amount equal to taxes deemed paid.
- (c) Determination of source of dividends received from certain foreign corporations.
- (d) Technical amendments.
- (e) Effective date.

"Sec. 10. Separate limitation on foreign tax credit with respect to certain interest income.
- (a) Limitation on foreign tax credit.
- (b) Effective date.

"Sec. 11. Earned income from sources without the United States.
- (a) Limitation on amount and type of income excluded.
- (b) Computation of employees' contributions.
- (c) Effective date.

"Sec. 12. Controlled foreign corporations.
- (a) In general.
- (b) Technical and clerical amendments.
- (c) Effective date.

"Sec. 13. Gain from dispositions of certain depreciable property.
- (a) In general.
- (b) Change in method of depreciation.
- (c) Salvage value of personal property.
- (d) Special rule for charitable contributions of section 1245 property.
- (e) Computation of taxable income for purposes of limitation on percentage depletion deduction.
- (f) Technical amendments.
- (g) Effective dates.

"Sec. 14. Foreign investment companies.
- (a) Treatment of sale of stock of foreign investment companies.
- (b) Conforming amendments.
- (c) Effective date.

"Sec. 15. Gain from certain sales or exchanges of stock in certain foreign corporations.
- (a) Treatment of gain from the redemption, cancellation, or sale of stock in certain foreign corporations.
- (b) Clerical amendment.
- (c) Effective date.

"Sec. 16. Sales and exchanges of patents, etc., to certain foreign corporations.

  (a) Treatment of gain as ordinary income.
  (b) Clerical amendment.
  (c) Effective date.
"Sec. 17. Tax treatment of cooperatives and patrons.
  (a) In general.
  (b) Technical amendments.
  (c) Effective dates.
"Sec. 18. Inclusion of foreign real property in gross estate.
  (a) Amendments to include foreign real property.
  (b) Effective date.
"Sec. 19. Reporting of interest, dividend, and patronage dividend payments of $10 or more during a year.
  (a) Returns regarding payment of dividends.
  (b) Returns regarding payment of patronage dividends.
  (c) Returns regarding payment of interest.
  (d) Penalties for failure to file information returns.
  (e) Penalties for failure to furnish statements to persons with respect to whom returns are filed.
  (f) Technical amendments.
  (g) Clerical amendments.
  (h) Effective dates.
"Sec. 20. Information with respect to certain foreign entities.
  (a) Information to be furnished by individuals, domestic corporations, etc., with respect to certain foreign corporations.
  (b) Information as to organization or reorganization of foreign corporations and as to acquisitions of their stock.
  (c) Civil penalty for failure to file return.
  (d) Technical amendments.
  (e) Effective date.
"Sec. 21. Expenditures by farmers for clearing land.
  (a) Allowance of deduction.
  (b) Clerical amendment.
  (c) Effective date.
"Sec. 22. Charitable contributions made from income attributable to several taxable years.
  (a) Treatment for purposes of part I of subchapter Q.
  (b) Effective date.
"Sec. 23. Effective date of section 1371(c) of the Internal Revenue Code of 1954.
  (a) In general.
  (b) Election and consent by corporations; consents by shareholders.
  (c) Tolling of statutes of limitations.
"Sec. 24. Certain losses sustained in converting from street railway to bus operations.
  (a) In general.
  (b) Unused conversion loss defined.
  (c) Treatment of unused conversion loss.
  (d) Regulations.
"Sec. 25. Pension plan of Local Union Numbered 435, International Hod Carriers' Building and Common Laborers' Union of America.
"Sec. 26. Continuation of a partnership year for surviving partner in a two-man partnership when one dies.
  (a) Close of taxable year of two-man partnership when one partner dies.
  (b) Effective date, etc.
"Sec. 27. Treaties."

On page 8, line 2, after the word "Code" and the period, to strike out "Whenever" and insert "Except as otherwise expressly provided, whenever".

In section 2, on page 8, line 12, after the word "section", where it appears the second time, to strike out "40" and insert "39"; on page 11, at the beginning of line 3, to insert "carryback or"; after line 16, to strike out:

"(b) 5-Year Carryover of Unused Credits.—

"(1) Allowance of credit.—If the amount of the credit determined under subsection (a)(1) for any taxable year exceeds the limitation provided by subsection (a)(2) for such taxable year (hereinafter in this subsection referred to as 'unused credit year'), such excess shall be added to the amount allowable as a credit by section 38 for each of the 5 succeeding taxable years to the extent not taken into account for taxable years intervening between the unused credit year and such succeeding taxable year.

"(2) Limitations.—The amount of the unused credit which may be added under paragraph (1) for any succeeding taxable year shall not exceed the amount by which the limitation provided by subsection (a)(2) for such taxable year exceeds the sum of—

"(A) the credit allowable under subsection (a)(1) for such taxable year, and

"(B) the amounts which, by reason of this subsection, are added to the amount allowable for such taxable year and attributable to taxable years preceding the unused credit year."

And, in lieu thereof, to insert:

"(b) Carryback and Carryover of Unused Credits.—

"(1) Allowance of credit.—If the amount of the credit determined under subsection (a)(1) for any taxable year exceeds the limitation provided by subsection (a)(2) for such taxable year (hereinafter in this subsection referred to as 'unused credit year'), such excess shall be—

"(A) an investment credit carryback to each of the 3 taxable years preceding the unused credit year, and

"(B) an investment credit carryover to each of the 5 taxable years following the unused credit year,

and shall be added to the amount allowable as a credit by section 38 for such years, except that such excess may be a carryback only to taxable years ending after June 30, 1962. The entire amount of the unused credit for an unused credit year shall be carried to the earliest of the 8 taxable years to which (by reason of subparagraphs (A) and (B)) such credit may be carried, and then to each of the other 7 taxable years to the extent that, because of the limitation contained in paragraph (2), such unused credit may not be added for a prior taxable year to which such unused credit may be carried.

"(2) Limitation.—The amount of the unused credit which may be added under paragraph (1) for any preceding or succeeding taxable year shall not exceed the amount by which the limitation provided by subsection (a)(2) for such taxable year exceeds the sum of—

"(A) the credit allowable under subsection (a)(1) for such taxable year, and

"(B) the amounts which, by reason of this subsection, are added to the amount allowable for such taxable year and attributable to taxable years preceding the unused credit year.

"(3) Effect of net operating loss carryback.—To the extent that the excess described in paragraph (1) arises by reason of a net operating loss carryback, subparagraph (A) of paragraph (1) shall not apply.

"(4) Taxable years beginning before July 1, 1962.—For purposes of determining the amount of an investment credit carryback that may be added under paragraph (1) for taxable years beginning before July 1, 1962, and ending after June 30, 1962, the amount of the limitation provided by subsection (a)(2) is the amount which bears the same ratio to such limitation as the number of days in such year after June 30, 1962, bears to the total number of days in such year."

On page 16, after line 15, to insert:

"(4) Certain replacement property.—For purposes of paragraph (1), if section 38 property is placed in service by the taxpayer to replace property which was—

"(A) destroyed or damaged by fire, storm, shipwreck, or other casualty, or

"(B) stolen,

the basis of such section 38 property (in the case of new section 38 property), or the cost of such section 38 property (in the case of used section 38 property), which (but for this paragraph) would be taken into account under paragraph (1) shall be reduced by an amount equal to the amount received by the taxpayer as compensation, by insurance or otherwise, for the property so destroyed, damaged, or stolen, or to the adjusted basis of such property, whichever is the lesser. No reduction in basis or cost shall be made under the preceding sentence in any case in which the reduction in qualified investment attributable to the substitution required by section 47(a)(1) with respect to the property so destroyed, damaged, or stolen (determined without regard to section 47(a)(4)) is greater than the reduction described in the preceding sentence."

On page 20, line 13, after "(3)" to strike out "Carryovers" and insert "Carrybacks and Carryovers", and in line 16, after the word "the" to insert "carrybacks and".

On page 20, after line 18, to insert:

"(4) Property destroyed by casualty, etc.— No increase shall be made under paragraph (1) and no adjustment shall be made under paragraph (3) in any case in which—

"(A) any property is disposed of, or otherwise ceases to be section 38 property with respect to the taxpayer, on account of its destruction or damage by fire, storm, shipwreck, or other casualty, or by reason of its theft,

"(B) section 38 property is placed in service by the taxpayer to replace the property described in subparagraph (A), and

"(C) the reduction in basis or cost of such section 38 property described in the first sentence of section 46(c)(4) is greater than the reduction in qualified investment which (but for this paragraph) would be made by reason of the substitution required by paragraph (1) with respect to the property described in subparagraph (A)."

On page 25, after line 9, to insert:

"(6) Livestock.—Livestock shall not be treated as section 38 property."

On page 25, line 16, after the word "after", to strike out "December 31, 1961" and insert "June 30, 1962"; in line 18, after the word "after", to strike out "December 31, 1961" and insert "June 30, 1962"; in line 24, after the word "after", to strike out "December 31, 1961" and insert "June 30, 1962"; on page 26, line 4, after the word "after", to strike out "December 31, 1961" and insert "June 30, 1962"; on page 28, line 4, after the word "of", to insert "(other than by reason of its destruction or damage by fire, storm, shipwreck, or other casualty, or its theft)"; in line 16, after the word "credit" to insert "carrybacks or"; on page 29, line 4, after "section 46 (d))", to strike out "engaged in the business of leasing property" and insert "who is a lessor of property"; in line 25, after the word "property", to insert "If a lessor makes the election provided by this subsection with respect to any property, then, under regulations prescribed by the Secretary or his delegate, subsection (g) shall not apply with respect to such property and the deductions otherwise allowable under section 162 to the lessee for amounts paid to the lessor under the lease shall be adjusted in a manner consistent with the provisions of subsection (g)."; on page 31, after line 16, to insert:

"(g) Adjustments to Basis of Property.—

"(1) In general.—The basis of any section 38 property shall be reduced, for purposes of this subtitle other than this subpart, by an amount equal to 7 percent of the qualified investment as determined under section 46(c) with respect to such property.

"(2) Certain dispositions, etc.—If the tax under this chapter is increased for any taxable year under paragraph (1) or (2) of section 47(a) or an adjustment in carrybacks or carryovers is made under paragraph (3) of such section, the basis of the property described in such paragraph (1) or (2), as the case may be (immediately before the event on account of which such paragraph (1), (2), or (3) applies), shall be increased by an amount equal to the portion of such increase and the portion of such adjustment attributable to such property."

On page 32, at the beginning of line 9, to strike out "(g)" and insert "(h) Cross reference.—"; at the beginning of line 10, to insert:

"(c) Deduction for Unused Credit.—Part VI of subchapter B of chapter 1 (relating to itemized deductions for individuals and corporations) is amended by adding at the end thereof the following new section:

"SEC. 181. DEDUCTION FOR CERTAIN UNUSED INVESTMENT CREDIT

" 'If the amount of the credit determined under section 46(a)(1) for any taxable year exceeds the limitation provided by section 46(a)(2) for such taxable year and if the amount of such excess has not, after the application of section 46(b), been allowed to the taxpayer as a credit under section 38 for any taxable year, then an amount equal to the amount of such excess not so allowed as a credit shall be allowed to the taxpayer as a deduction for the first taxable year following the last taxable year in which such excess could under section 46(b) have been allowed as a credit. If a taxpayer dies or ceases to exist prior to the first taxable year following the last taxable year in which the excess described in the preceding sentence could under section 46(b) have been allowed as a credit, the amount described in the preceding sentence, or the proper portion thereof, shall, under regulations prescribe by the Secretary or his delegate, be allowed to the taxpayer as a deduction for the taxable year in which such death or cessation occurs.' "

On page 33, at the beginning of line 10, to strike out "(c)" and insert "(d)"; after line 22, to insert:

"(e) Statutes of Limitations and Interest Relating to Investment Credit Carrybacks.—

"(1) Assessment and collection.—Section 6501 (relating to limitations on assessment and collection) is amended by redesignating subsection (j) as subsection (k), and inserting after subsection (i) the following new subsection:

" '(j) Investment Credit Carrybacks.—In the case of a deficiency attributable to the application to the taxpayer of an investment credit carryback, such deficiency may be assessed at any time before the expiration of the period within which a deficiency for the taxable year of the unused investment credit which results in such carryback may be assessed.'

"(2) Credit or refund.—Subsection (d) of section 6511 (relating to limitations on credit or refund) is amended by adding after paragraph (3) thereof the following new paragraph:

" '(4) Special period of limitation with respect to investment credit carrybacks.—

" '(A) Period of limitation.—If the claim for credit or refund relates to an overpayment attributable to an investment credit carryback, in lieu of the 3-year period of limitation prescribed in subsection (a), the period shall be that period which ends with the expiration of the 15th day of the 40th month (or 39th month, in the case of a corporation) following the end of the taxable year of the unused investment credit which results in such carryback, or the period prescribed in subsection (c) in respect of such taxable year, whichever expires later. In the case of such a claim, the amount of the credit or refund may exceed the portion of the tax paid within the period provided in subsection (b)(2) or (c), whichever is applicable, to the extent of the amount of the overpayment attributable to such carryback.

" '(B) Applicable rules.—If the allowance of a credit or refund of an overpayment of tax attributable to an investment credit carryback is otherwise prevented by the operation of any law or rule of law other than section 7122, relating to compromises, such credit or refund may be allowed or made, if claim therefor is filed within the period provided in subparagraph (A) of this paragraph. In the case of any such claim for credit or refund, the determination by any court, including the Tax Court, in any proceeding in which the decision of the court has become final, shall not be conclusive with respect to the investment credit, and the effect of such credit, to the extent that such credit is affected by a carryback which was not in issue in such proceeding.'

"(3) Interest on underpayments.—Section 6601(e) (relating to interest on underpayment, nonpayment, or extensions of time for payment, of tax) is amended to read as follows:

" '(e) Income Tax Reduced by Carryback.—

" '(1) Net operating loss carryback.—If the amount of any tax imposed by subtitle A is reduced by reason of a carryback of a net operating loss, such reduction in tax shall not affect the computation of interest under this section for the period ending with the last day of the taxable year in which the net operating loss arises.

" '(2) Investment credit carryback.—If the credit allowed by section 38 for any taxable year is increased by reason of an investment credit carryback, such increase shall not affect the computation of interest under this section for the period ending with the last day of the taxable year in which the investment credit carryback arises.'

"(4) Interest on overpayments.—Section 6611(f) (relating to interest on overpayments) is amended to read as follows:

" '(f) Refund of Income Tax Caused by Carryback.—

" '(1) Net operating loss carryback.—For purposes of subsection (a), if any overpayment of tax imposed by subtitle A results from a carryback of a net operating loss, such overpayment shall be deemed not to have been made prior to the close of the taxable year in which such net operating loss arises.

" '(2) Investment credit carryback.—For purposes of subsection (a), if any overpayment of tax imposed by subtitle A results from an investment credit carryback, such overpayment shall be deemed not to have been made prior to the close of the taxable year in which such investment credit carryback arises.'

"(f) Technical Amendment. — Section 1016(a) (relating to adjustments to basis) is amended—

"(1) by striking out the period at the end of paragraph (18) and inserting in lieu thereof a semicolon; and

"(2) by adding after paragraph (18) the following new paragraph:

" '(19) to the extent provided in section 48(g) in the case of property which is or has been section 38 property (as defined in section 48(a));'."

On page 37, after line 23, to strike out:

"(d) Clerical Amendment.—Part IV of subchapter A of chapter 1 is amended by inserting after the heading and before the table of sections the following:"

On page 38, after line 2, to insert:

"(g) Clerical Amendments.—

"(1) Part IV of subchapter A of chapter 1 is amended by inserting after the heading and before the table of sections the following:"

After line 7, to insert:

"(2) The table of sections for part IV of subchapter A of chapter 1 is amended by striking out

" 'Sec. 38. Overpayments of tax.'

and inserting in lieu thereof

" 'Sec. 38. Investment in certain depreciable property.

" 'Sec. 39. Overpayments of tax.'

"(3) The table of sections for part VI of subchapter B of chapter 1 is amended by adding at the end thereof the following:

" 'Sec. 181. Deduction for certain unused investment credit.' "

At the beginning of line 14, to strike out "(e)" and insert "(h)"; in line 16, after the word "after", to strike out "December 31, 1961" and insert "June 30, 1962".

In section 3, on page 39, line 18, after the word "taxpayer", to strike out "or"; in line 23, after the word "organization", to insert a comma and "or"; after line 23, to insert:

"(C) in direct connection with communication of information between the taxpayer and an employee or stockholder with respect to legislation or proposed legislation of direct interest to the taxpayer,"

On page 43, line 1, after the word "this", to strike out "chapter." and insert "chapter, but such term does not include—

"(A) an item having a cost to the taxpayer not in excess of $4.00 on which the name of the taxpayer is clearly and permanently imprinted and which is one of a number of identical items distributed generally by the taxpayer,

"(B) a sign, display rack, or other promotional material to be used on the business premises of the recipient, or

"(C) an item of tangible personal property having a cost to the taxpayer not in excess of $100 which is awarded to an employee by reason of length of service or for safety achievement."

After line 21, to insert:

"(c) Traveling.—In the case of any individual who is traveling away from home in pursuit of a trade or business or in pursuit of an activity described in section 212, no deduction shall be allowed under section 162 or section 212 for that portion of the expenses of such travel otherwise allowable under such section which, under regulations prescribed by the Secretary or his delegate, is not allocable to such trade or business or to such activity. This subsection shall not apply to the expenses of any travel away from home which does not exceed one week or where the portion of the time away from home which is not attributable to the pursuit of the taxpayer's trade or business or an activity described in section 212 is less than 25 percent of the total time away from home on such travel."

On page 44, at the beginning of line 11, to strike out "(c)" and insert "(d)"; on page 45, at the beginning of line 8, to strike out "(d)" and insert "(e)"; on page 46, line 20, after the word "section", to strike out "(c)" and insert "(d)"; on page 47, after line 7, to strike out:

"(6) Employee and stockholder business meetings.—Expenses directly related to business meetings of employees or stockholders."

And, in lieu thereof, to insert:

"(6) Employee, stockholder, etc., business meetings.—Expenses incurred by a taxpayer which are directly related to business meetings of his employees, stockholders, agents, or directors."

On page 48, at the beginning of line 7, to strike out "(e)" and insert "(f)"; at the beginning of line 13, to strike out "(f)" and insert "(g)"; at the beginning of line 19, to strike out "(g)" and insert "(h)"; on page 49, line 6, after the word "including", to strike out "a reasonable allowance for amounts expended for meals and lodging" and insert "amounts expended for meals and lodging other than amounts which are lavish or extravagant under the circumstances"; at the beginning of line 12, to strike out "June 30, 1962" and insert "December 31, 1962".

In section 5, on page 51, after line 15, to strike out:

"(d) Credit for Foreign Taxes.—Section 902(a) (relating to credit for foreign taxes) is amended by adding at the end thereof the following new sentence: 'For purposes of this subsection and subsection (b), the amount of any distribution in property other than money shall be the amount determined by applying section 301(b)(1)(B)'."

At the beginning of line 22, to strike out "(e)" and insert "(d)".

At the top of page 58, to strike out:

"Sec. 7. Distributions of foreign personal holding company income.

"(a) Definition of Foreign Personal Holding Company.—So much of subsection (a) of section 552 (relating to definition of foreign personal holding company) as precedes paragraph (2) is amended to read as follows:

" '(a) General Rule.—For purposes of this subtitle, the term "foreign personal holding company" for a taxable year beginning after December 31, 1962, means any foreign corporation if—

" '(1) Gross income requirement.—At least 20 percent of its gross income (as defined in section 555(a)) for the taxable year is foreign personal holding company income (as defined in section 553). For purposes of this paragraph, there shall be included in the gross income the amount includible therein as a dividend by reason of the application of section 555(c)(2); and'.

"(b) Amount of Undistributed Income.—Subsection (a) of section 556 (relating to undistributed foreign personal holding company income) is amended to read as follows:

" '(a) Definition.—For purposes of this part—

" '(1) If the foreign personal holding company income of a foreign personal holding company exceeds 80 percent of its gross income, "undistributed foreign personal holding company income" of such company is its taxable income adjusted in the manner provided in subsection (b), minus the dividends paid deduction (as defined in section 561).

" '(2) If the foreign personal holding company income of a foreign personal holding company does not exceed 80 percent of its gross income, the "undistributed foreign personal holding company income" of such company is that amount which bears the same ratio to—

" '(A) its taxable income adjusted in the manner provided in subsection (b), minus the dividends paid deduction (as defined in section 561), as

" '(B) its foreign personal holding company income bears to its gross income.'

"(c) Effective Date.—The amendments made by this section shall apply only in respect of taxable years of foreign corporations beginning after December 31, 1962."

On page 59, at the beginning of line 19, to change the section number from "8" to "6"; on page 60, line 17, after the word "largest", to insert a comma and "but the amount determined under this subparagraph, when added to the amount determined under subparagraph (A), shall in no case be greater than the amount by which 12 percent of the total deposits or withdrawable accounts of depositors of the taxpayer at the close of such year exceeds the sum of its surplus, undivided profits, and reserves at the beginning of such year (taking into account any portion thereof attributable to the period before the first taxable year beginning after December 31, 1951)"; on page 61, line 3, after "(2)", to strike out "60 Percent and insert "Percentage"; after line 5, to strike out:

"(A) an amount equal to 60 percent of the taxable income for such year, over"

And, in lieu thereof, to insert:

"(A) an amount—

"(i) in the case of a taxpayer other than a taxpayer described in clause (ii), equal to 60 percent of the taxable income for such year, or

"(ii) in the case of a domestic building and loan association having capital stock with respect to which any distribution of property (as defined in section 317(a)) is not allowable as a deduction under section 591, equal to 50 percent of the taxable income for such year, over

In line 20, after the word "such", to strike out "year." and insert "year, but the amount determined under this paragraph shall not exceed the amount necessary to increase the balance (as of the close of the taxable year) of the reserve for losses on qualifying real property loans to 6 percent of such loans outstanding at such time."; on page 62, line 6, after "(3)" to strike out "3 percent" and insert "percentage"; in line 11, after the word "loans", to strike out "to 3 percent of such loans outstanding at such time." and insert "to an amount equal to—

"(A) 3 percent of such loans outstanding at such time, plus

"(B) in the case of a taxpayer which is a new company and which does not have capital stock with respect to which distributions of property (as defined in sections 317 (a)) are not allowable as a deduction under section 591, an amount equal to—

"(i) 2 percent of so much of the amount of such loans outstanding at such time as does not exceed $4,000,000, reduced (but not below zero) by

"(ii) the amount, if any, of the balance (as of the close of such taxable year) of the taxpayer's supplemental reserve for losses on loans.

For purposes of subparagraph (B), a taxpayer is a new company for any taxable year only if such taxable year begins not more than 10 years after the first day on which it (or any predecessor) was authorized to do business as an organization described in subsection (a)."

On page 64, line 21, after the word "paragraph", to strike out "(3)" and insert "(3)(A)".

On page 65, after line 10, to insert:

"(5) Certain pre-1952 surplus.—If after the application of paragraph (3), the opening balance of the reserve described in paragraph (2)(B) is less than the amount described in paragraph (3)(B), then, for purposes of this subsection, the term 'pre-1963 reserves' includes so much of the surplus, undivided profits, and bad debt reserves (determined as of December 31, 1962) attributable to the period before the first taxable year beginning after December 31, 1951, as does not exceed the amount by which such opening balance is less than the amount described in paragraph (3)(B). For purposes of the preceding sentence, the surplus, undivided profits, and had debt reserves attributable to the period before the first taxable year beginning after December 31, 1951, shall be reduced by the amount thereof which is attributable to interest which would have been excludable from gross income under section 22(b)(4) of the Internal Revenue Code of 1939 (relating to interest on governmental obligations) or the corresponding provisions of prior laws. Notwithstanding the second sentence of paragraph (1), any amount which, by reason of the application of the first sentence of this paragraph, is allocated to the reserve described in paragraph (2)(B) shall not be treated as a reserve for bad debts for any purpose other than determining the amount referred to in subsection (b)(1)(B), and for such purpose such amount shall be treated as remaining in such reserve."

On page 66, at the beginning of line 14, to strike out "(5)" and insert "(6)"; on page 67, line 10, after the word "section", to strike out "8" and insert "6"; in line 17, after the word "section", to strike out "8" and insert "6"; on page 73, after line 4, to strike out:

"(19) Domestic building and loan association.—The term 'domestic building and loan association' means a domestic building and loan association, a domestic savings and loan association, and a Federal savings and loan association, which—

"(A) is an insured institution (within the meaning of section 401(a) of the National Housing Act (12 U.S.C., sec. 1724 (a)), or

"(B) is subject by law to supervision and examination by State or Federal authority having supervision over such associations,

if substantially all of its business consists of accepting savings and investing the proceeds (i) in loans secured by an interest in real property which is (or, from the proceeds of the loan, will become) residential real property, and (ii) in other loans, to the extent such other loans would be authorized to be made by a Federal savings and loan association under section 5(c) of the Home Owners' Loan Act, as amended (12 U.S.C., sec. 1464(c))."

And, in lieu thereof, to insert:

"(19) Domestic building and loan association.—The term 'domestic building and loan association' means a domestic building and loan association, a domestic savings and loan association, and a Federal savings and loan association—

"(A) which either (i) is an insured institution (within the meaning of section 401(a) of the National Housing Act (12 U.S.C., sec. 1724(a)), or (ii) is subject by law to supervision and examination by State or Federal authority having supervision over such associations;

"(B) substantially all of the business of which consists of acquiring the savings of the public and investing in loans described in subparagraph (C);

"(C) at least 90 percent of the amount of the total assets of which (as of the close of the taxable year) consists of (i) cash, (ii) obligations of the United States or of a State or political subdivision thereof, and stock or obligations of a corporation which is an instrumentality of the United States or of a State or political subdivision thereof, (iii) loans secured by an interest in real property and loans made for the improvement of real property, (iv) loans secured by a deposit or share of a member, and (v) property acquired through the liquidation of defaulted loans described in clause (iii);

"(D) of the assets of which taken into account under subparagraph (C) as assets constituting the 90 percent of total assets—

"(i) at least 80 percent of the amount of such assets consists of assets described in clauses (i) and (ii) of such subparagraph and of loans secured by an interest in real property which is (or, from the proceeds of the loan, will become) residential real property or loans made for the improvement of residential real property; and

"(ii) at least 70 percent of the amount of such assets consists of assets described in clauses (i) and (ii) of such subparagraph and of loans secured by an interest in real property which is (or, from the proceeds of the loan, will become) residential real property containing 4 or fewer family units, or loans made for the improvement of residential real property containing 4 or fewer family units;

"(E) not more than 18 percent of the amount of the total assets of which (as of the close of the taxable year) consists of assets other than those described in clause (i) of subparagraph (D), and not more than 27 percent of the amount of the total assets of which (as of the close of the taxable year) consists of assets other than those described in clause (ii) of subparagraph (D), except that the 18 percent and 27 percent limitations contained in this subparagraph shall be increased by the number, if any, of percentage points (including any fraction of a percentage point) by which 10 percent exceeds the percentage of the total assets consisting of assets described in clauses (i) and (ii) of subparagraph (C); and

"(F) except for property described in subparagraph (C), none of the assets of which consists of stock of any corporation."

On page 76, after line 18, to strike out:

"(c) Repeal of Exemption From Communications and Transportation of Persons Taxes.—Not withstanding any other provision of law, Federal savings and loan associations shall not be exempt as such from the taxes imposed by section 4251 (relating to excise tax on communications) and section 4261 (relating to excise tax on transportation of persons) of the Internal Revenue Code of 1954."

And, in lieu thereof, to insert:

"(e) Repeal of Exemption From Certain Excise Taxes.—

"(1) Amendment to home owners' loan act.—Section 5(h) of the Home Owners' Loan Act, as amended (12 U.S.C. sec. 1464 (h)), is amended to read as follows:

"'(h) Exemption From Discriminatory State and Local Taxation.—No State, county, municipal, or local taxing authority shall impose any tax on such associations or their franchise, capital, reserves, surplus, loans, or income greater than that imposed by such authority on other similar local mutual or cooperative thrift and home financing institutions.'

"(2) Certain documentary stamp taxes.—Section 4382(a)(2) (relating to exemptions from documentary stamp taxes) is amended to read as follows:

"'(2) Domestic building and loan association and mutual ditch or irrigation companies.—Shares or certificates of stock issued by domestic building and loan associations and cooperative banks, to the extent such shares or certificates represent deposits or withdrawable accounts; or shares or certificates of stock and certificates of indebtedness issued by mutual ditch or irrigation companies.'

"(f) Deduction for Dividends or Interest Paid on Deposits.—Section 591 (relating to deduction for dividends paid on deposits) is amended—

"(1) by striking out 'and domestic building and loan associations' and inserting in lieu thereof the following: 'domestic building and loan associations, and other savings institutions chartered and supervised as savings and loan or similar associations under Federal or State law'; and

"(2) by inserting after 'dividends' the following: 'or interest'.

On page 78, at the beginning of line 16, to strike out "(f)" and insert "(g)"; on page 79, after line 3, to insert:

"(3) The amendment made by subsection (c) shall apply to taxable years beginning after the date of the enactment of this Act."

After line 6, to strike out:

"(3) Subsection (c) of this section shall apply—

"(A) in the case of the tax imposed by section 4251 of the Internal Revenue Code of 1954, with respect to amounts paid pursuant to bills rendered after June 30, 1962; and

"(B) in the case of the tax imposed by section 4261 of such Code, with respect to transportation beginning after June 30, 1962."

And, in lieu thereof, to insert:

"(4) Subsection (e) of this section shall become effective on January 1, 1963, except that—

"(A) in the case of the tax imposed by section 4251 of the Internal Revenue Code of 1954, such subsection shall apply only with respect to amounts paid pursuant to bills rendered after December 31, 1962; and

"(B) in the case of the tax imposed by section 4261 of such Code, such subsection shall apply only with respect to transportation beginning after December 31, 1962."

On page 80, at the beginning of line 4, to change the section number from "9" to "7"; in line 22, after "(C)", to strike out "Subsection (a) (3) of this section" and insert "Paragraph (3)"; on page 81, line 7, after the word "Foreign", to strike out "estates and"; on page 81, line 12, after the word "means", to strike out "a foreign trust (as defined in section 7701 (a) (31)) to which money or property has been transferred" and insert "that portion of a foreign trust (as defined in section 7701 (a) (31)) attributable to money or property transferred"; on page 90, line 17, after the word "made", to strike out "in taxable years of trusts beginning".

On page 91, at the beginning of line 1, to change the section number from "10" to "8"; in the heading at the beginning of line 3, to insert "Or Flood"; on page 91, in the heading, in line 12, after the word "Fire", to insert "Or Flood"; on page 92, line 7, after the word "a", to strike out "fire" and insert "fire, flood,"; after line 9, to strike out:

"(1) Normal tax.—A normal tax of 25 percent of the mutual insurance company taxable income, or 50 percent of the amount by which such taxable income exceeds $6,000, whichever is the lesser; plus".

And, in lieu thereof, to insert:

"(1) Normal tax.—

"(A) Taxable years beginning before July 1, 1963.—In the case of taxable years beginning before July 1, 1963, a normal tax of 30 percent of the mutual insurance company taxable income, or 60 percent of the amount by which such taxable income exceeds $6,000, whichever is the lesser;

"(B) Taxable years beginning after June 30, 1963.—In the case of taxable years beginning after June 30, 1963, a normal tax of 25 percent of the mutual insurance company taxable income, or 50 percent of the amount by which such taxable income exceeds $6,000, whichever is the lesser; plus".

On page 94, after line 8, to strike out:

"(A) Normal tax.—A normal tax of 25 percent of the taxable investment income, or 50 percent of the amount by which such taxable income exceeds $3,000, whichever is the lesser; plus".

And, in lieu thereof, to insert:

"(A) Normal tax.—

"(i) Taxable years beginning before July 1, 1963.—In the case of taxable years beginning before July 1, 1963, a normal tax of 30 percent of the taxable investment income, or 60 percent of the amount by which such taxable income exceeds $3,000, whichever is the lesser;

"(ii) Taxable years beginning after June 30, 1963.—In the case of taxable years beginning after June 30, 1963, a normal tax of 25 percent of the taxable investment income, or 50 percent of the amount by which such taxable income exceeds $3,000, whichever is the lesser; plus".

On page 95, line 7, after the word "over", to strike out "$75,000" and insert "$150,000"; in line 8, after the word "than", to strike out "$125,000" and insert "$250,000"; in line 12, after the word "over", to strike out "$75,000" and insert "$150,000"; at the beginning of line 13, to strike out "$125,000" and insert "$250,000"; in line 16, after the word "over", to strike out "$75,000" and insert "$150,000"; in line 17, after the word "to", to strike out "$50,000" and insert "$100,000"; in line 23, after the word "a", to strike out "fire" and insert "fire, flood"; on page 96, in line 5, after the word "of", to strike out "$75,000" and insert "$150,000"; in line 6, after the word "of", to strike out "$300,000" and insert "$600,000"; on page 97, line 7, after the word "a", to strike out "fire" and insert "fire, flood"; after line 11, to insert:

"(f) Special Transitional Underwriting Loss.—

"(1) Companies to which subsection applies.—This subsection shall apply to every mutual insurance company which has been subject to the tax imposed by this section (as in effect before the enactment of this subsection) for the 6 taxable years immediately preceding January 1, 1963, and has incurred an underwriting loss for at least 5 of such 6 taxable years.

"(2) Reduction of mutual insurance company taxable income.—For purposes of this part, the mutual insurance company taxable income for the taxable year with respect to a company described in paragraph (1) shall be the mutual insurance company taxable income for the taxable year (determined without regard to this subsection) reduced by the amount by which—

"(A) the sum of the underwriting losses of such company for the 6 taxable years prior to January 1, 1963, reduced by the underwriting gain for such years, exceeds

"(B) the total amount by which the mutual insurance company taxable income was reduced by reason of this subsection for prior taxable years.

"(3) For purposes of this subsection—

"(A) The term 'underwriting loss' means statutory underwriting loss, computed without any deduction under section 824(a).

"(B) The term 'underwriting gain' means statutory underwriting income, computed without any deduction under section 823(c) or any deduction under section 824(a).

"(4) Years to which subsection applies.—This subsection shall apply with respect to any taxable year beginning after December 31, 1962, and before January 1, 1968, for which the taxpayer is subject to the tax imposed by subsection (a)."

On page 99, at the beginning of line 1, to strike out "(f)" and insert "(g)".

On page 102, in the heading, in line 16, after the word "Than", to strike out "$900,000" and insert "$1,200,000"; in line 23, after the word "exceed", to strike out "$900,000" and insert "$1,200,000"; on page 103, line 2, after the word "exceeds", to strike out "$300,000" and insert "$600,000"; in line 4, after the word "which", to strike out "$900,000" and insert "$1,200,000"; in line 22, after the word "exceeds", to strike out "50" and insert "40"; in line 24, after the word "exceeds", to strike out "50" and insert "40"; on page 104, line 12, after the word "losses", to strike out "arising in any one State" and insert "arising, either in any one State or within 200 miles of any fixed point selected by the taxpayer,"; on page 105, after line 6, to strike out:

"(A) first, an amount equal to the excess of the statutory underwriting loss for the taxable year over the underwriting loss (as defined in paragraph (6)) for the taxable year,".

And, in lieu thereof, to insert:

"(A) first, an amount equal to the excess (if any) of the deduction allowed under subsection (a) for the taxable year over the underwriting gain (within the meaning of subsection (a)(1)) for the taxable year,".

In line 18, after the word "the", to strike out "underwriting loss" and insert "statutory underwriting loss (reduced by the amount referred to in subparagraph (A)"; on page 108, after line 21, to strike out:

"(6) Underwriting loss defined.—For purposes of paragraph (1), the term 'underwriting loss' means the amount by which—

"(A) the deductions which would be taken into account in computing taxable income under section 832 if the taxpayer were subject to the tax imposed by section 831, reduced by the sum of (i) the deductions provided in section 822(c), and (ii) the deduction for dividends to policyholders provided by section 832(c)(11), exceeds

"(B) the amount referred to in section 823(a)(1)(A)."

On page 113, after line 8, to strike out:

"(d) Special rule.—For purposes of computing the deduction provided in section 824(a) and the additions to the account provided by section 824(c) with respect to any reciprocal electing to be subject to the limitation provided in subsection (b), such limitation shall not be taken into account."

And, in lieu thereof, to insert:

"(d) Special rule.—In applying section 824(d)(1)(D), any amount which was added to the protection against loss account by reason of an election under this section shall be treated as having been added by reason of section 824(a)(1)(A)."

On page 114, line 10, after the word "which", to strike out "a reciprocal was allowed a credit" and insert "credit or refund to the reciprocal resulted"; after line 18, to insert:

"(d) Exemption from tax.—Section 501(c)(15) (relating to exemption from tax of certain mutual insurance companies) is amended by striking out '$75,000' and in lieu thereof inserting '$150,000'."

At the beginning of line 23, to strike out "(d)" and insert "(e)"; on page 115, line 11, after the word "fire", to insert "or flood"; on page 117, at the beginning of line 16, to strike out "(e)" and insert "(f)"; on page 118, at the beginning of line 15, to strike out "(f)" and insert "(g)"; on page 119, after line 18, to strike out:

"(4) Clerical amendment.—The table of parts for subchapter L is amended by striking out the portion referring to part II and inserting in lieu thereof the following:

"'Part II. Mutual insurance companies (other than life and certain marine insurance companies and other than fire insurance companies which operate on basis of perpetual policies or premium deposits).'"

And, in lieu thereof, to insert:

"(4) Clerical amendments.—

"(A) The table of parts for subchapter L is amended by striking out the portion referring to part II and inserting in lieu thereof the following:

"'Part II. Mutual insurance companies (other than life and certain marine insurance companies and other than fire or flood insurance companies which operate on basis of perpetual policies or premium deposits).'

"(B) The heading to section 831 is amended to read as follows:

"'Sec. 831. Tax on insurance companies (other than life or mutual), mutual marine insurance companies, and certain mutual fire or flood insurance companies.'

"(C) The table of sections for part III of subchapter L is amended by striking out the portion referring to section 831 and inserting in lieu thereof the following:

"'Sec. 831. Tax on insurance companies (other than life or mutual), mutual marine insurance companies, and certain mutual fire or flood insurance companies.'"

On page 120, at the beginning of line 15, to strike out "(g)" and insert "(h)"; in line 16, after the word "subsection", to strike out "(e)" and insert "(f)"; on page 121, at the beginning of line 1, to change the section number from "11" to "9".

On page 127, line 7, after the word "From" to insert the word "Certain"; in line 14, at the beginning of the line, to strike out "902" and insert "902(a)(1)"; in line 15, after the word "section", strike out "957(a)" and insert "960(a)(1)(C)"; on page 128, after line 12, to strike out:

"(d) Repeal of Section 902(d). Subsection (d) (relating to special rules for certain wholly owned foreign corporations) is hereby repealed."

At the beginning of line 16, to strike out "(e)" and insert "(d)";

In the line after line 19, after the word "from" to insert "certain";

On page 129, line 2, after the word "section", strike out "902" and insert "902(a)(1) or 960(a)(1)(C)";

After line 5, to strike out:

"(4) Section 902 is amended by striking out subsection (c) and inserting in lieu thereof the following:

"'(d) Cross References.—

"'(1) For inclusion in gross income of an amount equal to taxes deemed paid under this section, see section 78.

"'(2) For reduction of credit with respect to dividends paid out of accumulated profits for years for which certain information is not furnished, see section 6038.'"

At the beginning of line 9, to change the subsection letter from "(f)" to "(e)".

On page 130, after line 12, to insert a new section, as follows:

"Sec. 10. Separate limitation on foreign tax credit with respect to certain interest income.

"(a) Limitation on Foreign Tax Credit.—Section 904 (relating to limitations on foreign tax credit) is amended by redesignating subsection (f) as subsection (g) and by inserting after subsection (e) the following new subsection:

"'(f) Application of Section in Case of Certain Interest Income.—

"'(1) In general.—The provisions of subsections (a), (c), (d), and (e) of this section shall be applied separately with respect to—

"'(A) the interest income described in paragraph (2), and

"'(B) income other than the interest income described in paragraph (2).

"'(2) Interest income to which applicable.—For purposes of this subsection, the interest income described in this paragraph is interest other than interest—

"'(A) derived from any transaction which is directly related to the active conduct of a trade or business in a foreign country or a possession of the United States,

"'(B) derived in the conduct of a banking, financing, or similar business, or

"'(C) received from a corporation in which the taxpayer owns at least 10 percent of the voting stock.

"'(3) Overall limitation not to apply.—The limitation provided by subsection (a)(2) shall not apply with respect to the interest income described in paragraph (2). The Secretary or his delegate shall by regulations prescribe the manner of application of subsection (e) with respect to cases in which the limitation provided by subsection (a)(2) applies with respect to income other than the interest income described in paragraph (2).

"'(4) Transitional rules for carrybacks and carryovers.—

"'(A) Carrybacks to years prior to Revenue Act of 1962.—Where, under the provisions of subsection (d), taxes (i) paid or accrued to any foreign country or possession of the United States in any taxable year beginning after the date of the enactment of the Revenue Act of 1962 are deemed (ii) paid or accrued in one or more taxable years beginning on or before the date of enactment of the Revenue Act of 1962, the amount of such taxes deemed paid or accrued shall be determined without regard to the provisions of this subsection. To the extent the taxes paid or accrued to a foreign country or possession of the United States in any taxable year described in clause (i) are not, with the application of the preceding sentence, deemed paid or accerued in any taxable year described in clause (ii), such taxes shall, for purposes of applying subsection (d), be deemed paid or accrued in a taxable year beginning after the date of the enactment of the Revenue Act of 1962, with respect to interest income described in paragraph (2), and with respect to income other than interest income described in paragraph (2), in the same ratios as the amount of such taxes paid or accrued with respect to interest income described in paragraph (2), and the amount of such taxes paid or accrued with respect to income other than interest income described in paragraph (2), respectively, bear to the total amount of such taxes paid or accrued to such foreign country or possession of the United States.

"'(B) Carryovers to years after Revenue Act of 1962.—Where, under the provisions of subsection (d), taxes (i) paid or accrued to any foreign country or possession of the United States in any taxable year beginning on or before the date of the enactment of the Revenue Act of 1962 are deemed (ii) paid or accrued in one or more taxable years beginning after the date of the enactment of the Revenue Act of 1962, the amount of such taxes deemed paid or accrued in any year described in clause (ii) shall, with respect to interest income described in paragraph (2), be an amount which bears the same ratio to the amount of such taxes deemed paid or accrued as the amount of the taxes paid or accrued to such foreign country or possession for such year with respect to interest income described in paragraph (2) bears to the total amount of the taxes paid or accrued to such foreign country or possession for such year; and the amount of such taxes deemed paid or accrued in any year described in clause (ii) with respect to income other than interest income described in paragraph (2) shall be an amount which bears the same ratio to the amount of such taxes deemed paid or accrued for such year as the amount of taxes paid or accrued to such foreign country or possession for such year with respect to income other than interest income described in paragraph (2) bears to the total amount of the taxes paid or accrued to such foreign country or possession for such year.'

"(b) Effective Date.—The amendments made by subsection (a) shall apply with respect to taxable years beginning after the date of the enactment of this Act, but only with respect to interest resulting from transactions consummated after April 2, 1962."

On page 134, at the beginning of line 16, to change the section number from "12" to "11"; on page 138, after line 18, to insert:

"(6) Test of bona fide residence.—A statement by an individual who has earned income from sources within a foreign country to the authorities of that country that he is not a resident of that country, if he is held not subject as a resident of that country to the income tax of that country by its authorities with respect to such earnings, shall be conclusive evidence with respect to such earnings that he is not a bona fide resident of that country for purposes of subsection (a)(1).

"(7) Certain noncash remuneration.—If an individual who qualifies under subsection (a)(1) receives compensation from sources without the United States (except from the United States or any agency thereof) in the form of the right to use property or facilities, the limitation under paragraph (1) applicable with respect to such individual—

"(A) for a taxable year ending in 1963, shall be increased by an amount equal to the amount of such compensation so received during such taxable year;

"(B) for a taxable year ending in 1964, shall be increased by an amount equal to two-thirds of such compensation so received during such taxable year; and

"(C) for a taxable year ending in 1965, shall be increased by an amount equal to one-third of such compensation so received during such taxable year."

On page 141, after line 3, to strike out:

"Sec. 13. Controlled foreign corporations.

"(a) In General.—Part III of subchapter N of chapter 1 (relating to income from sources without the United States) is amended by adding at the end thereof the following new subpart:

" 'Subpart F—Controlled Foreign Corporations.

" 'Sec. 951. Amounts included in gross income of United States persons.
" 'Sec. 952. Subpart F income defined.
" 'Sec. 953. Investment of earnings in nonqualified property.
" 'Sec. 954. Controlled foreign corporations.
" 'Sec. 955. Rules for determining stock ownership.
" 'Sec. 956. Exclusion from gross income of previously taxed earnings and profits.
" 'Sec. 957. Special rules for foreign tax credit.
" 'Sec. 958. Adjustments to basis of stock in controlled foreign corporations and of other property.

" 'Sec. 951. Amounts included in gross income of United States persons.

" '(a) Amounts Included.—

" '(1) In general.—If a foreign corporation is a controlled corporation on any day of a taxable year beginning after December 31, 1962, every United States person (as defined in section 7701(a)(30)) who owns (within the meaning of section 955(a)) stock in such corporation on the last day, in such year, on which such corporation is a controlled foreign corporation shall include in his gross income, for his taxable year in which or with which such taxable year of the corporation ends—

" '(A) his pro rata share (determined under paragraph (2)) of the corporation's subpart F income for such year, and

" '(B) his pro rata share (determined under section 953(a)(2)) of the corporation's increase in earnings invested in nonqualified property for such year (but only to the extent not excluded from gross income under section 956(a)(2)).

" '(2) Pro rata share of subpart F income.—The pro rata share referred to in paragraph (1)(A) in the case of any United States persons is the amount—

" '(A) which would have been distributed with respect to the stock which such person owns (within the meaning of section 955(a)) in such corporation if on the last day, in its taxable year, on which the corporation is a controlled foreign corporation it had distributed pro rata to its shareholders an amount (i) which bears the same ratio to its subpart F income for the taxable year, as (ii) the part of such year during which the corporation is a controlled foreign corporation bears to the entire year, reduced by

" '(B) the amount of any distribution received by any other United States person during such year as a dividend with respect to such stock.

" '(3) Limitation on amount of pro rata share of investment in nonqualified property included in gross income.—For purposes of paragraph (1)(B), the pro rata share of any United States person in the increase of the earnings of a controlled foreign corporation invested in nonqualified property shall not exceed an amount (A) which bears the same ratio to his pro rata share of such increase (as determined under section 953(a)(2)) for the taxable year, as (B) the part of such year during which the corporation is a controlled foreign corporation bears to the entire year.

" '(b) Less Than 10 Percent Ownership.—No person shall be required to include any amount in gross income under subsection (a) unless he can be considered, by applying the rules of ownership of section 955(b), as owning, directly or indirectly, on any day during the taxable year of the corporation on which it was a controlled foreign corporation, 10 percent or more of the total combined voting power of all classes of stock, or of the total value of shares of all classes of stock, of such corporation.

" '(c) Coordination With Election of a Foreign Investment Company To Distribute Income.—A United States person who, for his taxable year, is a qualified shareholder (within the meaning of section 1247(c)) of a foreign investment company with respect to which an election under section 1247 is in effect shall not be required to include in gross income, for such taxable year, subpart F income of such company.

" 'Sec. 952. Subpart F income defined.

" '(a) In General.—

" '(1) Items taken into account.—For purposes of this subpart, the term "subpart F income" means, in the case of any controlled foreign corporation, the sum of—

" '(A) income derived from insurance of United States risks (as determined under subsection (b)),

" '(B) income from United States patents, copyrights, and exclusive formulas and processes (as determined under subsection (c)), and

" '(C) the net foreign base company income (as determined under subsection (d)), except that this subparagraph shall apply only in the case of a controlled foreign corporation in which 5 or fewer United States persons own, by applying the rules of ownership of section 955(b), more than 50 percent of the total combined voting power of all classes of stock entitled to vote.

" '(2) Exclusion of United States income.—Subpart F income does not include any item includible in gross income under this chapter (other than this subpart) as income derived from sources within the United States of a foreign corporation engaged in trade or business in the United States.

" '(3) Not to exceed earnings and profits.—The subpart F income of any controlled foreign corporation for any taxable year shall not exceed the earnings and profits of such corporation for such year.

" '(b) Income From Insurance of United States Risks.—

" '(1) General rule.—If a controlled foreign corporation receives premiums or other consideration in respect of any reinsurance or the issuing of any insurance or annuity contract—

" '(A) in connection with property in, or residents of, the United States, or

" '(B) in connection with property not in, or nonresidents of, the United States as the result of any arrangement whereby another corporation receives a substantially equal amount of premiums or other consideration in respect of any reinsurance or the issuing of any insurance or annuity contract in connection with property in, or residents of, the United States,

then for purposes of subsection (a)(1)(A), the term "income derived from the insurance of United States risks" means that income which (subject to the modifications provided by subparagraphs (A), (B), and (C) of paragraph (2)) would be taxed under subchapter L of this chapter if such corporation were a domestic corporation.

" '(2) Special Rules.—For purposes of paragraph (1)—

" '(A) In the application of part I of subchapter L, life insurance company taxable income is the gain from operations as defined in section 809(b).

" '(B) A corporation which would, if it were a domestic corporation, be taxable under part II of subchapter L shall apply paragraph (1) as if it were taxable under part III of subchapter L.

" '(C) The following provisions of subchapter L shall not apply:

" '(i) Section 809(d)(4) (operations loss deduction).

" '(ii) Section 809(d)(5) (certain nonparticipating contracts).

" '(iii) Section 809(d)(6) (group life, accident, and health insurance).

" '(iv) Section 809(d)(10) (small business deduction).

" '(v) Section 817(b) (gain on property held on December 31, 1958, and certain substituted property acquired after 1958).

" '(vi) Section 832(b)(5) (certain capital losses).

" '(D) "Gross amounts" to the extend provided in section 809(c) (1) and (2), less "increase in certain reserves" as defined in section 809(d)(2), and "premiums earned" as defined in section 832(b)(4) shall be taken into account only to the extent they are in respect to any reinsurance or the issuing of any reinsurance or the issuing of any insurance or annuity contract described in paragraph (1).

" '(E) All items of income (other than those taken into account under subparagraph (D)) and all items of expenses, losses, and deductions shall be properly allocated or apportioned under regulations prescribed by the Secretary or his delegate.

" '(c) Income From United States Patents, Copyrights, and Exclusive Formulas and Processes.—

" '(1) General rule.—For purposes of subsection (a)(1)(B), the term "income from United States patents, copyrights, and exclusive formulas and processes", means the amount of gross rentals, royalties, or other income derived from the license, sublicense, sale, exchange, use, or other means of exploitation of patents, copyrights, and exclusive formulas and processes—

" '(A) substantially developed, created, or produced in the United States, or

" '(B) acquired from any United States person which, directly or indirectly, owns or controls, or is owned or controlled by, or is under common ownership or control with, the controlled foreign corporation,

less the cost and expense allowance defined in paragraph (2).

" '(2) Cost and expense allowance.—An allowance shall be made, in accordance with regulations prescribed by the Secretary or his delegate, for ordinary and necessary expenses incurred by the controlled foreign corporation in the receipt or production of the income described in paragraph (1), including taxes and any amortization or depreciation of the cost to such corporation of such property or rights described in paragraph (1), but not including any production, manufacturing, or similar expenses incurred in the use or other means of exploitation of such property or rights.

" '(3) Determination of income from use.—The income from use or other means of exploitation by the controlled foreign corporation of the property or right described in paragraph (1) shall be the amount which would be obtained as a gross rent, royalty, or other payment in an arm's length transaction with an unrelated person for similar use or exploitation, of the property or right.

" '(d) Net Foreign Base Company Income.—For purposes of subsection (a)(1)(C), the term "net foreign base company income" means—

" '(1) the foreign base company income for the taxable year, determined under subsection (c), reduced by

" '(2) the increase in investment in qualified property in less developed countries for the taxable year, determined under subsection (f).

" '(e) Foreign Base Company Income.—

" '(1) In general.—For purposes of subsection (d)(1), the term "foreign base company income" means the foreign personal holding company income (as defined in section 553) for the taxable year, modified and adjusted as provided in this subsection.

"'(2) Certain sales income included.—The term "foreign base company income" includes foreign base company sales income if, for the taxable year, such income is equal to at least 20 percent of the gross income of the foreign corporation (not including for this purpose other foreign base company income under this subsection). For purposes of this paragraph, the term "foreign base company sales income" means income (whether in the form of profits, commissions, fees, or otherwise) derived in connection with the purchase of personal property from a related person and its sale to any person, or the purchase of personal property from any persons and its sale to a related person, where—

"'(A) the property which is purchased is manufactured, produced, grown, or extracted outside the country under the laws of which the controlled foreign corporation is created or organized, and

"'(B) the property is sold for use, consumption, or disposition outside such foreign country.

For purposes of the preceding sentence, a person is a related person with respect to the controlled foreign corporation if he, directly or indirectly, owns or controls, or is owned or controlled by, or is under common ownership or control with, the controlled foreign corporation.

"'(3) Rents included without regard to 50-percent limitation.—All rents shall be included in foreign base company income without regard to whether or not such rents constitute more than 50 percent of gross income.

"'(4) Insurance and patent income excluded.—The term "foreign base company income" does not include any income derived from insurance of United States risks (as determined under subsection (b)) or income from United States patents, copyrights, and exclusive formulas and processes (as determined under subsection (c)).

"'(5) Income of certain banks and bank-controlled corporations excluded.—The term "foreign base company income" does not include—

"'(A) the income of any corporation described in section 552(b) (relating to exception for banks and exempt corporations), or

"'(B) the income of any foreign corporation if 50 percent or more of the fair market value of its outstanding stock is owned directly or indirectly by a domestic corporation which is either organized under section 25(a) of the Federal Reserve Act (12 U.S.C., secs. 611–631), or has an agreement or understanding with the Board of Governors of the Federal Reserve System under section 25 of the Federal Reserve Act (12 U.S.C., secs. 601–604), if all of the stock (except qualifying shares) of the domestic corporation is owned by a national or State bank which is a member of the Federal Reserve System.

"'(6) Special rule where foreign base company income is less than 20 percent or more than 80 percent of gross income.—For purposes of this subsection—

"'(A) If the foreign base company income (determined without regard to paragraph (7)) is less than 20 percent of gross income, no part of the gross income of the taxable year shall be treated as foreign base company income.

"'(B) If the foreign base company income (determined without regard to paragraph (7)) exceeds 80 percent of gross income, the entire gross income of the taxable year shall be taken into account in determining foreign base company income.

"'(7) Deductions to be taken into account.—The foreign base company income for the taxable year shall be reduced so as to take into account deductions (including taxes) properly allocable to such income.

"'(f) Investment in Qualified Property in Less Developed Countries.—

"'(1) General rule.—For purposes of subsection (d)(2), the increase in investment in qualified property in less developed countries for any taxable year is the amount by which—

"'(A) the aggregate amount of property described in sections 953(b)(2) (C) and (D) and property (including money) which is located outside the United States and is ordinary and necessary for the active conduct of a qualified trade or business described in section 953(b)(3)(A)(ii) held at the close of the taxable year, exceeds

"'(B) the aggregate amount of property described in subparagraph (A) held at the close of the preceding taxable year.

"'(2) Investments after close of year.—Under regulations prescribed by the Secretary or his delegate, a controlled foreign corporation may elect to make the determinations under subparagraphs (A) and (B) of paragraph (1) as of the close of the 75th day after the close of each taxable year.

"'(3) Amount attributable to property.—The amount taken into account under paragraph (1) with respect to any property shall be its adjusted basis, reduced by any liability to which the property is subject.

"'Sec. 953. Investment of earnings in nonqualified property.

"'(a) General Rules.—For purposes of this subpart—

"'(1) Amount of investment. — The amount of earnings of a controlled foreign corporation invested in nonqualified property at the close of any taxable year is the aggregate amount of such property held at the close of the taxable year, to the extent such amount does not exceed the sum of (A) the earnings and profits for the taxable year, and (B) the earnings and profits accumulated for prior taxable years beginning after December 31, 1962.

"'(2) Pro rata share of increase for year.—In the case of any United States person, the pro rata share of the increase for any taxable year in the earnings of a controlled foreign corporation invested in a nonqualified property is the amount determined by subtracting—

"'(A) his pro rata share of the amount determined under paragraph (1) for the close of the preceding taxable year, reduced by amounts paid during the taxable year to which section 956(c)(1) applies, from

"'(B) his pro rata share of the amount determined under paragraph (1) for the close of the taxable year.

"'(3) Amount attributable to property.—The amount taken into account under paragraph (1) or (2) with respect to any property shall be its adjusted basis, reduced by any liability to which the property is subject.

"'(b) Nonqualified Property Defined.—For purposes of this subpart—

"'(1) General rule.—The term "nonqualified property" means any money or other property (tangible or intangible) acquired after December 31, 1962, which is not qualified property.

"'(2) Qualified property. — The term "qualified property" means—

"'(A) Any money or other property which is located in the United States, but only if ordinary and necessary for the active conduct of a qualified trade or business (as determined under paragraph (3)) carried on by the controlled foreign corporation.

"'(B) Property which would qualify under subparagraph (A) except for the fact that it is located in the United States, but only of such property is—

"'(i) obligations of the United States, money, or deposits with persons carrying on the banking business;

"'(ii) property purchased in the United States for export to, or for use in, foreign countries; or

"'(iii) any loan arising in connection with the sale of property if the amount of such loan outstanding at no time during the taxable year exceeds the amount which would be ordinary and necessary to carry on the trade or business of both the lending corporation and the borrowing United States person had the sale been made between unrelated persons.

"'(C) Stock owned by the controlled foreign corporation in another controlled foreign corporation in which it owns at least 10 percent of the voting stock and 10 percent of the value of all classes of stock and in which it together with four or fewer United States persons, owns, directly or indirectly, more than 50 percent of the voting stock (unless under the laws of a less developed country such percentage of ownership is not permitted, in which case such lesser percentage as is permitted); but this subparagraph shall apply only if—

"'(i) substantially all of the property of such other controlled foreign corporation is ordinary and necessary for the active conduct of a trade or business engaged in by it almost wholly within a less developed country or countries, and

"'(ii) such other controlled foreign corporation is created or organized under the laws of one of such countries in which it is so engaged.

"'(D) Any investment which is required because of restrictions imposed by a less developed country, and any investment which, when made, was so required and which would result in substantial losses if withdrawn.

"'(3) Qualified trade or business.—

"'(A) A trade or business is a qualified trade or business if such trade or business (or substantially the same trade or business)—

"'(i) is carried on by the controlled foreign corporation outside the United States and has been so carried on by such corporation, while controlled by substantially the same United States persons since December 31, 1962, or during the 5-year period ending with the close of the preceding taxable year, or

"'(ii) is carried on by the controlled foreign corporation almost wholly within a less developed country or countries.

"'(B) A trade or business which is a qualified trade or business for a corporation in which the controlled foreign corporation owns at least 80 percent of the total combined voting power of all classes of stock entitled to vote and at least 80 percent of the total value of all classes of stock shall be treated as a qualified trade or business for the controlled foreign corporation if such percentage of stock was owned continuously since December 31, 1962, or during the 5-year period ending with the close of the preceding taxable year.

"'(4) Situs of certain property.—Property which is an obligation of, or pledges and guarantees made with respect to obligations of, United States persons shall be considered as property located in the United States.

"'(5) Less developed country defined.—The term "less developed country" means (in respect of any foreign corporation) any foreign country (other than an area within the Sino Soviet bloc) or any possession of the United States, with respect to which on the first day of the taxable year, there is in effect an Executive order by the President of the United States designating such country or possession as an economically less developed country for purposes of this subpart. For purposes of the preceding sentence, an oversea territory, department, province, or possession may be treated as a separate country. No designation shall be made under this paragraph with respect to Australia, Austria, Belgium, Canada, Denmark, France, Germany (Federal Republic), Hong Kong, Italy, Japan, Liechtenstein, Luxembourg, Monaco, Netherlands, New Zealand, Norway, Union of South Africa, San Marino, Sweden, Switzerland, United Kingdom.

"'Sec. 954. Controlled foreign corporations.

"'(a) General Rule.—For purposes of this subpart, the term "controlled foreign corporation" means any foreign corporation of which more than 50 percent of the total combined voting power of all classes of stock entitled to vote is owned, directly or indirectly (within the meaning of section 955 (b)), by United States persons on any day during the taxable year of such foreign corporation.

"'(b) Special Rule for Insurance.—For purposes only of taking into account income described in section 952(a)(1)(A) (relating to income derived from insurance of United States risks), the term "controlled foreign corporation" includes not only a foreign corporation as defined by subsection (a) but also one of which more than 25 percent of the total combined voting power of all classes of stock is owned, directly or indirectly (within the meaning of section 955(b)), by United States persons on any day during the taxable year of such corporation, if the gross amount of premiums or other consideration in respect of reinsurance or the issuing of insurance or annuity contracts in connection with property in, or residents of, the United States, exceeds 75 percent of the gross amount of all premiums or other consideration in respect of all risks.

"'(c) Special Rule for Certain Less Developed Countries.—In the case of any foreign corporation to which section 953(b) (2)(C) applies, the maximum percentage of ownership permitted under the laws of a less developed country shall be considered, in lieu of the more than 50 percent requirement in subsection (a), the percentage required under subsection (a) in order for the corporation to be classified as a controlled foreign corporation.

"'Sec. 955. Rules for determining stock ownership

"'(a) For Purposes of Section 951(a).

"'(1) General rule. For purposes of section 951(a), stock owned means—

"'(A) stock owned directly, and

"'(B) stock owned with the application of paragraph (2).

"'(2) Stock ownership through foreign entities.—For purposes of subparagraph (B) of paragraph (1), stock owned, directly or indirectly, by or for a foreign corporation, foreign partnership, or foreign trust or foreign estate (within the meaning of section 7701(a)(31)) shall be considered as being owned proportionately by its shareholders, partners, or beneficiaries. Stock considered to be owned by a person by reason of the application of the preceding sentence shall, for purposes of applying such sentence, be treated as actually owned by such person.

"'(3) Special rule for mutual insurance companies.—For purposes of applying paragraph (1) in the case of a foreign mutual insurance company, the term "stock" shall include any certificate entitling the holder to voting power in the corporation.

"'(b) Other Provisions. For purposes of sections 951(b), 952(a)(1)(C), and 954, section 318(a) (relating to constructive ownership of stock) shall apply to the extent that the effect is to subject a United States person to the requirement of section 951(a), to treat 5 or fewer United States persons as owning more than 50 percent of all classes of stock entitled to vote of a controlled foreign corporation, or to make a foreign corporation a controlled foreign corporation under section 954, except—

"'(1) In applying paragraph (1)(A) of section 318(a), stock owned by a nonresident alien individual (other than a foreign trust or foreign estate) shall not be considered as owned by a citizen or by a resident alien individual.

"'(2) In applying the first sentence of subparagraphs (A) and (B), and in applying clause (i) of subparagraph (C), of section 318(a)(2)—

"'(A) if a partnership, estate, trust, or corporation owns, directly or indirectly, more than 50 percent of the total combined voting power of all classes of stock entitled to vote of a corporation, it shall be considered as owning all the stock entitled to vote, and

"'(B) if a partnership, estate, trust, or corporation owns, directly or indirectly, more than 50 percent of the total value of shares of all classes of stock of a corporation, it shall be considered as owning the total value of all of the outstanding stock of such corporation. The application of this subparagraph shall not have the effect of increasing voting power of a partner, beneficiary, or shareholder, for purposes of subparagraph (A).

"'(3) Stock owned by a partnership, estate, trust, or corporation, by reason of the application of the second sentence of subparagraphs (A) and (B), and the application of clause (ii) of subparagraph (C), of section 318(a)(2), shall not be considered as owned by such partnership, estate, trust, or corporation, for the purposes of applying the first sentence of subparagraphs (A) and (B), and in applying clause (i) of subparagraph (C), of section 318(a)(2).

"'(4) In applying clause (i) of subparagraph (C) of section 318(a)(2), the 50-percent limitation contained in subparagraph (C) shall not apply.

"'Sec. 956. Exclusion from gross income of previously taxed earnings and profits.

"'(a) Exclusion From Gross Income of United States Persons.—For purposes of this chapter, the earnings and profits for a taxable year of a foreign corporation attributable to amounts which are, or have been, included in the gross income of a United States person under section 951(a) shall not, when—

"'(1) such amounts are distributed to, or

"'(2) such amounts would, but for this subsection, be included under section 951(a) (1)(B) in the gross income of,

such person (or any other United States person who acquires from any person any portion of the interest of such United States person in such foreign corporation, but only to the extent of such portion, and subject to such proof of the identity of such interest as the Secretary or his delegate may by regulations prescribe) directly, or indirectly through a chain of ownership described under section 955(a), be again included in the gross income of such United States person (or of such other United States person).

"'(b) Exclusion From Gross Income of Certain Foreign Subsidiaries.—For purposes of section 951(a), the earnings and profits for a taxable year of a controlled foreign corporation attributable to amounts which are, or have been, included in the gross income of a United States person under section 951(a), shall not, when distributed through a chain of ownership described under section 955(a), be also included in the gross income of another controlled foreign corporation in such chain for purposes of the application of section 951(a) to such other controlled foreign corporation with respect to such United States person (or to any other United States person who acquires from any person any portion of the interest of such United States person in the controlled foreign corporation, but only to the extent of such portion, and subject to such proof of identity of such interest as the Secretary or his delegate may prescribe by regulations).

"'(c) Allocations of Distributions.—For purposes of subsections (a) and (b), section 316(a) shall be applied by applying paragraph (2) thereof, and then paragraph (1) thereof—

"'(1) first to earnings and profits attributable to amounts included in gross income under section 951(a)(1)(B) (or which would have been included except for section 956 (a)(2)),

"'(2) then to earnings and profits attributable to amounts included in gross income under section 951(a)(1)(A) (but reduced by amounts not included under section 951(a) (1)(B) because of the exclusion in section 956(a)(2)), and

"'(3) then to other earnings and profits.

"'(d) Distributions Excluded From Gross Income Not To Be Treated as Dividends.—Except as provided in section 957(a)(3), any distribution excluded from gross income under subsection (a) shall be treated, for purposes of this chapter, as a distribution which is not a dividend.

"'Sec. 957. Special rules for foreign tax credit.

"'(a) Taxes Paid by a Foreign Corporation.—

"'(1) General rule.—For purposes of subpart A of this part, if there is included, under section 951(a), in the gross income of a domestic corporation any amount attributable to earnings and profits—

"'(A) of a foreign corporation at least 10 percent of the voting stock of which is directly owned by such domestic corporation, or

"'(B) of a foreign corporation at least 50 percent of the voting stock of which is directly owned by a foreign corporation at least 10 percent of the voting stock of which is in turn directly owned by such domestic corporation,

then, under regulations prescribed by the Secretary or his delegate, such domestic corporation shall be deemed to have paid the same proportion of the total income, war profits, and excess profits taxes paid (or deemed paid, if, paragraph (4) applies) to a foreign country or possession of the United States for the taxable year which the amount of earnings and profits of such foreign corporation so included in gross income of the domestic corporation bears to the entire amount of the total earnings and profits of such foreign corporation for such taxable year.

"'(2) Taxes previously deemed paid by domestic corporations.—If a domestic corporation receives a distribution from a foreign corporation, any portion of which is excluded from gross income under section 956, the income, war profits, and excess profits taxes paid or deemed paid by such foreign corporation to any foreign country or to any possession of the United States in connection with the earnings and profits of such foreign corporation from which such distribution is made shall not be taken into account for purposes of section 902, to the extent such taxes were deemed paid by such domestic corporation under paragraph (1) for any prior taxable year.

"'(3) Taxes paid by foreign corporation and not previously deemed paid by domestic corporation.—Any portion of a distribution from a foreign corporation received by a domestic corporation which is excluded from gross income under section 956(a) shall be treated by the domestic corporation as a dividend, solely for purposes of taking into account under section 902 any income, war profits, or excess profits taxes paid to any foreign country or to any possession of the United States, on or with respect to the accumulated profits of such foreign corporation from which such distribution is made, which were not deemed paid by the domestic corporation under paragraph (1) for any prior taxable year.

"'(4) Taxes paid by a foreign subsidiary.—If subparagraph (A) of paragraph (1) applies with respect to an amount included in gross income under section 951(a) for a taxable year, then such amount shall be considered a dividend for purpose of the application of section 902(b).

" '(5) Inclusion in gross income.—

"For inclusion in gross income of amount equal to taxes deemed paid under paragraph (1), see section 78.

" '(b) Special Rules for Foreign Tax Credit in Year of Receipt of Previously Taxed Earnings and Profits.—

" '(1) Increase in section 904 limitation.—In the case of any taxpayer who—

" '(A) either (i) chose to have the benefits of subpart A of this part for a taxable year in which he was required under section 951(a) to include in his gross income an amount in respect of a controlled foreign corporation, or (ii) did not pay or accrue for such taxable year any income, war profits or excess profits taxes to any foreign country or to any possession of the United States, and

" '(B) chooses to have the benefits of subpart A of this part for the taxable year in which he receives a distribution or amount which is excluded from gross income under section 956(a) and which is attributable to earnings and profits of the controlled foreign corporation which was included in his gross income for the taxable year referred to in subparagraph (A), and

" '(C) for the taxable year in which such distribution or amount is received, pays, or is deemed to have paid, or accrues income, war profits, or excess profits taxes to a foreign country or to any possession of the United States with respect to such distribution or amount,

the applicable limitation under section 904 for the taxable year in which such distribution or amount is received shall be increased as provided in paragraph (2), but such increase shall not exceed the amount of such taxes paid, or deemed paid, or accrued with respect to such distribution or amount.

" '(2) Amount of increase.—The amount of increase of the applicable limitation under section 904(a) for the taxable year in which the distribution or amount referred to in paragraph (1)(B) is received shall be an amount equal to—

" '(A) the amount by which the applicable limitation under section 904(a) for the taxable year referred to in paragraph (1)(A) was increased by reason of the inclusion in gross income under section 951(a) of the amount in respect of the controlled foreign corporation, reduced by

" '(B) the amount of any income, war profits, and excess profits taxes paid, or deemed paid, or accrued to any foreign country or possession of the United States which were allowable as a credit under section 901 for the taxable year referred to in paragraph (1)(A) and which would not have been allowable but for the inclusion in gross income of the amount described in subparagraph (A).

" '(3) Cases in which taxes not to be allowed as deductions.—In the case of any taxpayer who—

" '(A) chose to have the benefits of subpart A of this part for a taxable year in which he was required under section 951(a) to include in his gross income an amount in respect of a controlled foreign corporation, and

" '(B) does not choose to have the benefits of subpart A of this part for the taxable year in which he receives a distribution or amount which is excluded from gross income under section 956(a) and which is attributable to earnings and profits of the controlled foreign corporation which was included in his gross income for the taxable year referred to in subparagraph (A),

no deduction shall be allowed under section 164 for the taxable year in which such distribution or amount is received for any income, war profits, or excess profits taxes paid or accrued to any foreign country or to any possession of the United States on or with respect to such distribution or amount.

" '(4) Insufficient taxable income.—If an increase in the limitation under this subsection exceeds the tax imposed by this chapter for such year, the amount of such excess shall be deemed an overpayment of tax for such year.

" 'Sec. 958. Adjustments to basis of stock in controlled foreign corporation and of other property.

" '(a) Increase in Basis.—Under regulations prescribed by the Secretary or his delegate, the basis of a United States person's stock in a controlled foreign corporation, and the basis of property of a United States person by reason of which he is considered under section 955(a)(2) as owning stock of a controlled foreign corporation, shall be increased by the amount required to be included in his gross income under section 951(a) with respect to such stock or with respect to such property, as the case may be, but only to the extent to which such amount was included in the gross income of such person.

" '(b) Reduction in Basis.—

" '(1) In general.—Under regulations prescribed by the Secretary or his delegate, the adjusted basis of stock or other property with respect to which a United States person receives an amount which is excluded from gross income under section 956(a) shall be reduced by the amount so excluded.

" '(2) Amount in excess of basis.—To the extent that an amount excluded from gross income under section 956(a) exceeds the adjusted basis of the stock or other property with respect to which it is received, the amount shall be treated as gain from the sale or exchange of property.'

"(b) Technical and Clerical Amendments.—

"(1) Section 551(b) (relating to foreign personal holding company income included in gross income of United States shareholders) is amended by adding at the end thereof the following new sentence: 'The amount included in the gross income of any United States shareholder for any taxable year under the preceding sentence shall be reduced by such shareholder's proportionate share of the undistributed personal holding company income which is included in his gross income under section 951(a)(1)(A) (relating to amounts included in gross income of United States persons) for such taxable year as his pro rata share of the subpart F income of the company.'

"(2) Section 901 (relating to foreign tax credit) is amended by striking out 'section 902' and inserting in lieu thereof 'sections 902 and 957'.

"(3) Section 902(e) is amended to read as follows:

" '(e) Cross References.—

" '(1) For application of subsections (a) and (b) with respect to taxes deemed paid in a prior taxable year by a United States person with respect to a controlled foreign corporation, see section 957.

" '(2) For reduction of credit with respect to dividends paid out of accumulated profits for years for which certain information is not furnished, see section 6038.'

"(4) Section 904(f) is amended to read as follows:

" '(f) Cross References.—

" '(1) For increase of applicable limitation under subsection (a) for taxes paid with respect to amounts received which were included in the gross income of the taxpayer for a prior taxable year as a United States person with respect to a controlled foreign corporation, see section 957(b).

" '(2) For special rule relating to the application of the credit provided by section 901 in the case of affiliated groups which include Western Hemisphere trade corporations for years in which the limitation provided by subsection (a)(2) applies, see section 1503(d).'

"(5) The table of subparts for part III of subchapter N of chapter 1 is amended by adding at the end thereof the following:

" 'Subpart F. Controlled foreign corporations.'

"(6) Section 1016(a) (relating to adjustments to basis) is amended—

"(A) by striking out the period at the end of paragraph (18) and inserting in lieu thereof a semicolon; and

"(B) by adding after paragraph (18) the following new paragraph:

" '(19) to the extent provided in section 958 in the case of stock in controlled foreign corporations (or foreign corporations which were controlled foreign corporations) and of property by reason of which a person is considered as owning such stock."

"(c) Effective Date.—The amendments made by this section shall apply with respect to taxable years of foreign corporations beginning after December 31, 1962, and to taxable years of United States persons within which or with which such taxable years of such foreign corporations end."

And, in lieu thereof, to insert:

"Sec. 12. Controlled foreign corporations.

"(a) In General.—Part III of subchapter N of chapter 1 (relating to income from sources without the United States) is amended by adding at the end thereof the following new subparts:

"Subpart F—Controlled Foreign Corporations.

" 'Sec. 951. Amounts included in gross income of United States shareholders.
" 'Sec. 952. Subpart F income defined.
" 'Sec. 953. Income from insurance of United States risks.
" 'Sec. 954. Foreign base company income.
" 'Sec. 955. Withdrawal of previously excluded subpart F income from qualified investment.
" 'Sec. 956. Investment of earnings in United States property.
" 'Sec. 957. Controlled foreign corporations; United States persons.
" 'Sec. 958. Rules for determining stock ownership.
" 'Sec. 959. Exclusion from gross income of previously taxed earnings and profits.
" 'Sec. 960. Special rules for foreign tax credit.
" 'Sec. 961. Adjustments to basis of stock in controlled foreign corporations and of other property.
" 'Sec. 962. Election by individuals to be subject to tax at corporate rates.
" 'Sec. 963. Receipt of minimum distributions by domestic corporations.
" 'Sec. 964. Miscellaneous provisions.

" 'Sec. 951. Amounts included in gross income of United States shareholders.

" '(a) Amounts Included.—

" '(1) In general.—If a foreign corporation is a controlled foreign corporation for an uninterrupted period of 30 days or more during any taxable year beginning after December 31, 1962, every person who is a United States shareholder (as defined in subsection (b)) of such corporation and who owns (within the meaning of section 958(a)) stock in such corporation on the last day, in such year, on which such corporation is a controlled foreign corporation shall include in his gross income, for his taxable year in which or with which such taxable year of the corporation ends—

" '(A) the sum of—

" '(i) except as provided in section 963, his pro rata share (determined under paragraph

(2)) of the corporation's subpart F income for such year, and

"'(ii) his pro rata share (determined under section 955(a)(3)) of the corporation's previously excluded subpart F income withdrawn from investment in less developed countries for such year; and

"'(B) his pro rata share (determined under section 956(a)(2)) of the corporation's increase in earnings invested in United States property for such year (but only to the extent not excluded from gross income under section 959(a)(2)).

"'(2) Pro rata share of subpart F income.—The pro rata share referred to in paragraph (1)(A)(i) in the case of any United States shareholder is the amount—

"'(A) which would have been distributed with respect to the stock which such shareholder owns (within the meaning of section 958(a)) in such corporation if on the last day, in its taxable year, on which the corporation is a controlled foreign corporation it had distributed pro rata to its shareholders an amount (i) which bears the same ratio to its subpart F income for the taxable year, as (ii) the part of such year during which the corporation is a controlled foreign corporation bears to the entire year, reduced by

"'(B) the amount of distributions received by any other person during such year as a dividend with respect to such stock, but only to the extent of the dividend which would have been received if the distribution by the corporation had been the amount (i) which bears the same ratio to the subpart F income of such corporation for the taxable year, as (ii) the part of such year during which such shareholder did not own (within the meaning of section 958(a)) such stock bears to the entire year.

"'(3) Limitation on pro rata share of previously excluded subpart F income withdrawn from investment.—For purposes of paragraph (1)(A)(ii), the pro rata share of any United States shareholder of the previously excluded subpart F income of a controlled foreign corporation withdrawn from investment in less developed countries shall not exceed an amount (A) which bears the same ratio to his pro rata share of such income withdrawn (as determined under section 955(a)(3)) for the taxable year, as (B) the part of such year during which the corporation is a controlled foreign corporation bears to the entire year.

"'(4) Limitation on pro rata share of investment in United States property.—For purposes of paragraph (1)(B), the pro rata share of any United States shareholder in the increase of the earnings of a controlled foreign corporation invested in United States property shall not exceed an amount (A) which bears the same ratio to his pro rata share of such increase the corporation is a controlled foreign corporation bears to the entire year.

"'(b) United States Shareholder Defined.—For purposes of this subpart, the term "United States shareholder" means, with respect to any foreign corporation, a United States person (as defined in section 957(d)) who owns (within the meaning of section 958(a)), or is considered as owning by applying the rules of ownership of section 958(b), 10 percent or more of the total combined voting power of all classes of stock entitled to vote of such foreign corporation.

"'(c) Coordination With Election of a Foreign Investment Company To Distribute Income.—A United States shareholder who, for his taxable year, is a qualified shareholder (within the meaning of section 1247(c)) of a foreign investment company with respect to which an election under section 1247 is in effect shall not be required to include in gross income, for such taxable year, any amount under subsection (a) with respect to such company.

"'(d) Coordination With Foreign Personal Holding Company Provisions.—A United States shareholder who, for his taxable year, is subject to tax under section 551(b) (relating to foreign personal holding company income included in gross income of United States shareholders) on income of a controlled foreign corporation shall not be required to include in gross income, for such taxable year, any amount under subsection (a) with respect to such company.

"'Sec. 952. Subpart F income defined.

"'(a) In General.—For purposes of this subpart, the term "subpart F income" means, in the case of any controlled foreign corporation, the sum of—

"'(1) the income derived from the insurance of United States risks (as determined under section 953), and

"'(2) the foreign base company income (as determined under section 954).

"'(b) Exclusion of United States Income.—Subpart F income does not include any item includible in gross income under this chapter (other than this subpart) as income derived from sources within the United States of a foreign corporation engaged in trade or business in the United States.

"'(c) Limitation.—For purposes of subsection (a), the subpart F income of any controlled foreign corporation for any taxable year shall not exceed the earnings and profits of such corporation for such year reduced by the amount (if any) by which—

"'(1) an amount equal to—

"'(a) the sum of the deficits in earnings and profits for prior taxable years beginning after December 31, 1962, plus

"'(B) the sum of the deficits in earnings and profits for taxable years beginning after December 31, 1959, and before January 1, 1963 (reduced by the sum of the earnings and profits for such taxable years); exceeds

"'(2) an amount equal to the sum of the earnings and profits for prior taxable years beginning after December 31, 1962, allocated to other earnings and profits under section 959(c)(3).

For purposes of the preceding sentence, any deficit in earnings and profits for any prior taxable year shall be taken into account under paragraph (1) for any taxable year only to the extent it has not been taken into account under such paragraph for any preceding taxable year to reduce earnings and profits of such preceding year.

"'(d) Special Rule in Case of Indirect Ownership.—For purposes of subsection (c), if—

"'(1) a United States shareholder owns (within the meaning of section 958(a)) stock of a foreign corporation, and by reason of such ownership owns (within the meaning of such section) stock of any other foreign corporation, and

"'(2) any of such foreign corporations has a deficit in earnings and profits for the taxable year,

then the earnings and profits for the taxable year of each such foreign corporation which is a controlled foreign corporation shall, with respect to such United States shareholder, be properly reduced to take into account any deficit described in paragraph (2) in such manner as the Secretary or his delegate shall prescribe by regulations.

"'Sec. 953. Income from insurance of United States risks.

"'(a) General Rule.—For purposes of section 952(a)(1), the term "income derived from the insurance of United States risks" means that income which—

"'(1) is attributable to the reinsurance or the issuing of any insurance or annuity contract—

"'(A) in connection with property in, or liability arising out of activity in, or in connection with the lives or health of residents of, the United States, or

"'(B) in connection with risks not included in subparagraph (A) as the result of any arrangement whereby another corporation receives a substantially equal amount of premiums or other consideration in respect to any reinsurance or the issuing of any insurance or annuity contract in connection with property in, or liability arising out of activity in, or in connection with the lives or health of residents of, the United States, and

"'(2) would (subject to the modifications provided by paragraphs (1), (2), and (3) of subsection (b)) be taxed under subchapter L of this chapter if such income were the income of a domestic insurance corporation. This section shall apply only in the case of a controlled foreign corporation which receives, during any taxable year, premiums or other consideration in respect of the reinsurance, and the issuing, of insurance and annuity contracts described in paragraph (1) in excess of 5 percent of the total of premiums and other consideration received during such taxable year in respect of all reinsurance and issuing of insurance and annuity contracts.

"'(b) Special Rules.—For purposes of subsection (a)—

"'(1) In the application of part I of subchapter L, life insurance company taxable income is the gain from operations as defined in section 809(b).

"'(2) A corporation which would, if it were a domestic insurance corporation, be taxable under part II of subchapter L shall apply subsection (a) as if it were taxable under part III of subchapter L.

"'(3) The following provisions of subchapter L shall not apply:

"'(A) Section 809(d)(4) (operations loss deduction).

"'(B) Section 809(d)(5) (certain nonparticipating contracts).

"'(C) Section 809 (d)(6) (group life, accident, and health insurance).

"'(D) Section 809(d)(10) (small business deduction).

"'(E) Section 817(b) (gain on property held on December 31, 1958, and certain substituted property acquired after 1958).

"'(F) Section 832(b)(5) (certain capital losses).

"'(4) The items referred to in—

"'(A) section 809(c)(1) (relating to gross amount of premiums and other considerations),

"'(B) section 809(c)(2) (relating to net decrease in reserves),

"'(C) section 809(d)(2) (relating to net increase in reserves), and

"'(D) section 832(b)(4) (relating to premiums earned on insurance contracts),

shall be taken into account only to the extent they are in respect of any reinsurance or the issuing of any insurance or annuity contract described in subsection (a)(1).

"'(5) All items of income, expenses, losses, and deductions (other than those taken into account under paragraph (4)) shall be properly allocated or apportioned under regulations prescribed by the Secretary or his delegate.

"'Sec. 954. Foreign Base Company Income.

"'(a) Foreign Base Company Income.—For purposes of section 952(a)(2), the term 'foreign base company income' means for any taxable year the sum of—

"'(1) the foreign personal holding company income for the taxable year (determined under subsection (c) and reduced as provided in subsection (b)(5)),

"'(2) the foreign base company sales income for the taxable year (determined under subsection (d) and reduced as provided in subsection (b)(5), and

"'(3 the foreign base company services income for the taxable year (determined under subsection (e) and reduced as provided in subsection (b)(5)).

"'(b) Exclusions and Special Rules.—

"'(1) Exclusion of certain dividends, interest, and gains from qualified investments in less developed countries.—For purposes of subsection (a), foreign base company income does not include—

"'(A) dividends and interest received during the taxable year from investments which at the time of receipt are qualified investments in less developed countries (as defined in section 955(b)), or

"'(B) if the gains from the sale or exchange during the taxable year of investments which at the time of sale or exchange are qualified investments in less developed countries exceed the losses from the sale or exchange during the taxable year of such qualified investments, the amount by which such gains exceed such losses.

The preceding sentence shall apply only to the extent that the sum of the dividends and interest described in subparagraph (A) and the amount described in subparagraph (B) does not exceed the increase for the taxable year in qualified investments in less developed countries of the controlled foreign corporation (as determined under subsection (f)).

"'(2) Exclusion of certain shipping income.—For purposes of subsection (a), foreign base company income does not include income derived from, or in connection with, the use (or hiring or leasing for use) of any aircraft or vessel in foreign commerce, or the performance of services directly related to the use of any such aircraft or vessel.

"'(3) Special rule where foreign base company is less than 30 percent or more than 70 percent of gross income.—For purposes of subsection (a)—

"'(A) If the foreign base company income (determined without regard to paragraphs (1) and (5)) is less than 30 percent of gross income, no part of the gross income of the taxable year shall be treated as foreign base company income.

"'(B) If the foreign base company income (determined without regard to paragraphs (1) and (5)) exceeds 70 percent of gross income, the entire gross income of the taxable year shall, subject to the provisions of paragraphs (1), (2), (4), and (5), be treated as foreign base company income.

"'(4) Exception for foreign corporations not availed of to reduce taxes.—For purposes of subsection (a), foreign base company income does not include any item of income received by a controlled foreign corporation if it is established to the satisfaction of the Secretary or his delegate with respect to such item that the creation or organization of the controlled foreign corporation receiving such item under the laws of the foreign country in which it is incorporated does not have the effect of substantial reduction of income, war profits, or excess profits taxes or similar taxes.

"'(5) Deductions to be taken into account.—For purposes of subsection (a), the foreign personal holding company income, the foreign base company sales income, and the foreign base company services income shall be reduced, under regulations prescribed by the Secretary or his delegate, so as to take into account deductions (including taxes) properly allocable to such income.

"'(c) Foreign Personal Holding Company Income.—

"'(1) In general.—For purposes of subsection (a)(1), the term "foreign personal holding company income" means the foreign personal holding company income (as defined in section 553), modified and adjusted as provided in paragraphs (2), (3), and (4).

"'(2) Rents included without regard to 50 percent limitation.—For purposes of paragraph (1), all rents shall be included in foreign personal holding company income without regard to whether or not such rents constitute 50 percent or more of gross income.

"'(3) Certain income derived in active conduct of trade or business.—For purposes of paragraph (1), foreign personal holding company income does not include—

"'(A) rents and royalties which are derived in the active conduct of a trade or business and which are received from a person other than a related person (within the meaning of subsection (d)(3)), or

"'(B) dividends, interest, and gains from the sale or exchange of stock or securities derived in the conduct of a banking, financing, or similar business, or derived from the investments made by an insurance company of its unearned premiums or reserves ordinary and necessary for the proper conduct of its insurance business, and which are received from a person other than a related person (within the meaning of subsection (d)(3)).

"'(4) Certain income received from related persons.—For purposes of paragraph (1), foreign personal holding company incomes does not include—

"'(A) dividends and interest received from a related person which (i) is organized under the laws of the same foreign country under the laws of which the controlled foreign corporation is created or organized, and (ii) has a substantial part of its assets used in its trade or business located in such same foreign country;

"'(B) interest received in the conduct of a banking, financing or similar business from a related person engaged in the conduct of a banking, financing, or similar business if the businesses of the recipient and the payor are predominantly with persons other than related persons; and

"'(C) rents, royalties, and similar amounts received from a related person for the use of, or the privilege of using, property within the country under the laws of which the controlled foreign corporation is created or organized.

"'(d) Foreign Base Company Sales Income.—

"'(1) In general.—For purposes of subsection (a)(2), the term "foreign base company sales income" means income (whether in the form of profits, commissions, fees, or otherwise) derived in connection with the purchase of personal property from a related person and its sale to any person, the sale of personal property to any person on behalf of a related person, the purchase of personal property from any person and its sale to a related person, or the purchase of personal property from any person on behalf of a related person where—

"'(A) the property which is purchased (or in the case of property sold on behalf of a related person, the property which is sold) is manufactured, produced, grown, or extracted outside the country under the laws of which the controlled foreign corporation is created or organized, and

"'(B) the property is sold for use, consumption, or disposition outside such foreign country, or, in the case of property purchased on behalf of a related person, is purchased for use, consumption, or disposition outside such foreign country.

"'(2) Certain branch income.—For purposes of determining foreign base company sales income in situations in which the carrying on of activities by a controlled foreign corporation through a branch or similar establishment outside the country of incorporation of the controlled foreign corporation has substantially the same effect as if such branch or similar establishment were a wholly owned subsidiary corporation deriving such income, under regulations prescribed by the Secretary or his delegate the income attributable to the carrying on of such activities of such branch or similar establishment shall be treated as income derived by a wholly owned subsidiary of the controlled foreign corporation and shall constitute foreign base company sales income of the controlled foreign corporation.

"'(3) Related person defined.—For purposes of this section, a person is a related person with respect to a controlled foreign corporation, if—

"'(A) such person is an individual, partnership, trust, or estate which controls the controlled foreign corporation;

"'(B) such person is a corporation which controls, or is controlled by, the controlled foreign corporation; or

"'(C) such person is a corporation which is controlled by the same person or persons which control the controlled foreign corporation.

For purpose of the preceding sentence, control means the ownership, directly or indirectly, of stock possessing more than 50 percent of the total combined voting power of all classes of stock entitled to vote. For purposes of this paragraph, the rules for determining ownership of stock prescribed by section 958 shall apply.

"'(e) Foreign Base Company Services Income.—For purposes of subsection (a)(3), the term "foreign base company services income" means income (whether in the form of compensation, commissions, fees, or otherwise) derived in connection with the performance of technical, managerial, engineering, architectural, scientific, skilled, industrial, commercial, or like services which—

"'(1) are performed for or on behalf of any related person (within the meaning of subsection (d)(3)), and

"'(2) are performed outside the country under the laws of which the controlled foreign corporation is created or organized.

The preceding sentence shall not apply to income derived in connection with the performance of services which are directly related to the sale or exchange by the controlled foreign corporation of property manufactured, produced, grown, or extracted by it and which are performed prior to the time of the sale or exchange, or of services directly related to an offer or effort to sell or exchange such property.

"'(f) Increase in Qualified Investments in Less Developed Countries.—For purposes of subsection (b)(1), the increase for any taxable year in qualified investments in less developed countries of any controlled foreign corporation is the amount by which—

"'(1) the qualified investments in less developed countries (as defined in section 955(b)) of the controlled foreign corporation at the close of the taxable year, exceeds

"'(2) the qualified investments in less developed countries (as so defined) of the controlled foreign corporation at the close of the preceding taxable year.

"'Sec. 955. Withdrawal of previously excluded subpart F income from qualified investment.

"'(a) General Rules.—

"'(1) Amount withdrawn.—For purposes of this subpart, the amount of previously excluded subpart F income of any controlled foreign corporation withdrawn from investment in less developed countries for any taxable year is an amount equal to the decrease in the amount of qualified investments in less developed countries of the controlled foreign corporation for such year, but only to the extent that the amount of such decrease does not exceed an amount equal to—

"'(A) the sum of the amounts excluded under section 954(b)(1) from the foreign base company income of such corporation for all prior taxable years, reduced by

"'(B) the sum of the amounts of previously excluded subpart F income withdrawn from investment in less developed countries of such corporation determined under this subsection for all prior taxable years.

"'(2) Decrease in qualified investments.—For purposes of paragraph (1), the amount of the decrease in qualified investments in less developed countries of any controlled foreign corporation for any taxable year is the amount by which—

"'(A) the amount of qualified investments in less developed countries of the controlled foreign corporation at the close of the preceding taxable year, exceeds

"'(B) the amount of qualified investments in less developed countries of the controlled foreign corporation at the close of the taxable year,

to the extent the amount of such decrease does not exceed the sum of the earnings and profits for the taxable year and the earnings and profits accumulated for prior taxable years beginning after December 31, 1962. For purposes of this paragraph, if qualified investments in less developed countries are disposed of by the controlled foreign corporation during the taxable year, the amount of the decrease in qualified investments in less developed countries of such controlled foreign corporation for such year shall be reduced by an amount equal to the amount (if any) by which the losses on such dispositions during such year exceed the gains on such dispositions during such year.

"'(3) Pro rata share of amount withdrawn.—In the case of any United States shareholder, the pro rata share of the amount of previously excluded subpart F income of any controlled foreign corporation withdrawn from investment in less developed countries for any taxable year is his pro rata share of the amount determined under paragraph (1).

"'(b) Qualified Investments in Less Developed Countries.—

"'(1) In general.—For purposes of this subpart, the term "qualified investments in less developed countries" means property which is—

"'(A) stock of a less developed country corporation held by the controlled foreign corporation, but only if the controlled foreign corporation owns 10 percent or more of the total combined voting power of all classes of stock of such less developed country corporation;

"'(B) an obligation of a less developed country corporation held by the controlled foreign corporation, which, at the time of its acquisition by the controlled foreign corporation, has a maturity of 5 years or more, but only if the controlled foreign corporation owns 10 percent or more of the total combined voting power of all classes of stock of such less developed country corporation; or

"'(C) an obligation of a less developed country.

"'(2) Country ceases to be less developed country.—For purposes of this subpart, property which would be a qualified investment in less developed countries, but for the fact that a foreign country has, after the acquisition of such property by the controlled foreign corporation, ceased to be a less developed country, shall be treated as a qualified investment in less developed countries.

"'(3) Investments after close of year.—For purposes of this subpart, a controlled foreign corporation may, under regulations prescribed by the Secretary or his delegate, elect to treat property described in paragraph (1) or (2) which was acquired after the close of the taxable year and on or before the close of the following taxable year, or on or before such day after the close of the following taxable year as such regulations may prescribe, as having been acquired on the last day of the taxable year.

"'(4) Amount attributable to property.—The amount taken into account under this subpart with respect to any property described in paragraph (1) or (2) shall be its adjusted basis, reduced by any liability to which such property is subject.

"'(c) Less Developed Country Corporations.—

"'(1) In general.—For purposes of this subpart, the term "less developed country corporation" means a foreign corporation which is created or organized under the laws of a less developed country and which during the taxable year is engaged in the active conduct of one or more trades or businesses and—

"'(A) 80 percent or more of the gross income of which for the taxable year is derived from sources within less developed countries; and

"'(B) 80 percent or more in value of the assets of which on each day of the taxable year consists of—

"'(i) property used in such trades or businesses and located in less developed countries,

"'(ii) money, and deposits with persons carrying on the banking business,

"'(iii) stock, and obligations which, at the time of their acquistion, have a maturity of 5 years or more, of any other less developed country corporation,

"'(iv) an obligation of a less developed country,

"'(v) an investment which is required because of restrictions imposed by a less developed country, and

"'(vi) property described in section 956 (b)(2).

For purposes of subparagraph (A), the determination as to whether income is derived from sources within less developed countries shall be made under regulations prescribed by the Secretary or his delegate.

"'(2) Shipping companies.—For purposes of this subpart, the term "less developed country corporation" also means a foreign corporation—

"'(A) 80 percent or more of the gross income of which for the taxable year consists of—

"'(i) gross income derived from, or in connection with, the using (or hiring or leasing for use) in foreign commerce of aircraft or vessels registered under the laws of a less developed country, or from, or in connection with, the performance of services directly related to use of such aircraft or vessels, or from the sale or exchange of such aircraft or vessels, and

"'(ii) dividends and interest received from foreign corporations which are less developed country corporations within the meaning of this paragraph and 10 percent or more of the total combined voting power of all classes of stock of which are owned by the foreign corporation, and gain from the sale or exchange of stock or obligations of foreign corporations which are such less developed country corporations, and

"'(B) 80 percent or more of the assets of which on each day of the taxable year consists of (i) assets used, or held for use, for or in connection with the production of income described in subparagraph (A), and (ii) property described in section 956(b)(2).

"'(3) Less developed country defined.—For purposes of this subpart, the term "less developed country" means (in respect of any foreign corporation) any foreign country (other than an area within the Sino-Soviet bloc) or any possession of the United States with respect to which, on the first day of the taxable year, there is in effect an Executive order by the President of the United States designating such country or possession as an economically less developed country for purposes of this subpart. For purposes of the preceding sentence, an overseas territory, department, province, or possession may be treated as a separate country. No designation shall be made under this paragraph with respect to Australia, Austria, Belgium, Canada, Denmark, France, Germany (Federal Republic), Hong Kong, Italy, Japan, Liechtenstein, Luxembourg, Monaco, Netherlands, New Zealand, Norway, Union of South Africa, San Marino, Sweden, Switzerland, United Kingdom. After the President has designated any foreign country or any possession of the United States as an economically less developed country for purposes of this subpart, he shall not terminate such designation (either by issuing an Executive order for that purpose or by issuing an Executive order under the first sentence of this paragraph which has the effect of terminating such designation) unless, at least 30 days prior to such termination, he has notified the Senate and the House of Representatives of his intention to terminate such designation.

"'Sec. 956. Investment of earnings in United States property.

"'(a) General Rules.—For purposes of this subpart—

"'(1) Amount of investment. — The amount of earnings of a controlled foreign corporation invested in United States property at the close of any taxable year is the aggregate amount of such property held, directly or indirectly, by the controlled foreign corporation at the close of the taxable year, to the extent such amount would have constituted a dividend (determined after the application of section 955(a)) if it had been distributed.

"'(2) Pro rata share of increase for year.—In the case of any United States shareholder, the pro rata share of the increase for any taxable year in the earnings of a controlled foreign corporation invested in United States property is the amount determined by subtracting his pro rata share of—

"'(A) the amount determined under paragraph (1) for the close of the preceding taxable year, reduced by amounts paid during such preceding taxable year to which section 959(c)(1) applies, from

"'(B) the amount determined under paragraph (1) for the close of the taxable year.

The determinations under subparagraphs (A) and (B) shall be made on the basis of stock owned (within the meaning of section 958(a)) by such United States shareholder on the last day during the taxable year on which the foreign corporation is a controlled foreign corporation.

"'(3) Amount attributable to property.—The amount taken into account under paragraph (1) or (2) with respect to any property shall be its adjusted basis, reduced by any liability to which the property is subject.

"'(b) United States Property Defined.—

"'(1) In general.—For purposes of subsection (a), the term "United States property" means any property acquired after December 31, 1962, which is—

"'(A) tangible property located in the United States;

"'(B) stock of a domestic corporation;

"'(C) an obligation of a United States person; or

"'(D) any right to the use in the United States of—

"'(i) a patent or copyright,

"'(ii) an invention, model, or design (whether or not patented),

"'(iii) a secret formula or process, or

"'(iv) any other similar property right, which is acquired or developed by the controlled foreign corporation for use in the United States.

"'(2) Exceptions.—For purposes of subsection (a), the term "United States property" does not include—

"'(A) obligations of the United States, money, or deposits with persons carrying on the banking business;

"'(B) property located in the United States which is purchased in the United States for export to, or use in, foreign countries;

"'(C) any obligation of a United States person arising in connection with the sale or processing of property if the amount of such obligation outstanding at no time during the taxable year exceeds the amount which would be ordinary and necessary to carry on the trade or business of both the other party to the sale or processing transaction and the United States person had the sale or processing transaction been made between unrelated persons;

"'(D) any aircraft, railroad rolling stock, vessel, motor vehicle, or container used in the transportation of persons or property in foreign commerce and used predominantly outside the United States;

"'(E) an amount of assets of an insurance company equivalent to the unearned premiums or reserves ordinary and necessary for the proper conduct of its insurance business attributable to contracts which are not contracts described in section 953(a)(1); and

"'(F) an amount of assets of the controlled foreign corporation equal to the earnings and profits accumulated after December 31, 1962, and excluded from subpart F income under section 952(b).

"'(c) Pledges and Guarantees.—For purposes of subsection (a), a controlled foreign corporation shall, under regulations prescribed by the Secretary or his delegate, be considered as holding an obligation of a United States person if such controlled foreign corporation is a pledgor or guarantor of such obligation.

"'Sec. 957. Controlled foreign corporations; United States persons.

"'(a) General Rule.—For purposes of this subpart, the term "controlled foreign corporation" means any foreign corporation of which more than 50 percent of the total combined voting power of all classes of stock entitled to vote is owned (within the meaning of section 958(a)), or is considered as owned by applying the rules of ownership of section 958(b), by United States shareholders on any day during the taxable year of such foreign corporation.

"'(b) Special Rule for Insurance.—For purposes only of taking into account income described in section 953(a) (relating to income derived from insurance of United States risks), the term "controlled foreign corporation" includes not only a foreign corporation as defined by subsection (a) but also one of which more than 25 percent of the total combined voting power of all classes of stock is owned (within the meaning of section 958(a)), or is considered as owned by applying the rules of ownership of section 958(b), by United States shareholders on any day during the taxable year of such corporation, if the gross amount of premiums or other consideration in respect of the reinsurance or the issuing of insurance or annuity contracts described in section 953(a)(1) exceeds 75 percent of the gross amount of all premiums or other consideration in respect of all risks.

"'(c) Corporations Organized in United States Possessions.—For purposes of this subpart, the term "controlled foreign corporation" does not include any corporation created or organized in the Commonwealth of Puerto Rico or a possession of the United States or under the laws of the Commonwealth of Puerto Rico or a possession of the United States if—

"'(1) 80 percent or more of the gross income of such corporation (computed without regard to section 931) for the 3-year period immediately preceding the close of the taxable year (or for such part of such period immediately preceding the close of such taxable year as may be applicable) was derived from sources within the Commonwealth of Puerto Rico or a possession of the United States; and

"'(2) 50 percent or more of the gross income of such corporation (computed without regard to section 931) for such period, or for such part thereof, was derived from the active conduct within the Commonwealth of Puerto Rico or a possession of the United States of any trades or businesses constituting the manufacture or processing of goods, wares, merchandise, or other tangible personal property; the processing of agricultural or horticultural products or commodities (including but not limited to livestock, poultry, or furbearing animals); the catching or taking of any kind of fish or the mining or extraction of natural resources, or any manufacturing or processing of any products or commodities obtained from such activities; or the ownership or operation of hotels.

For purposes of paragraphs (1) and (2), the determination as to whether income was derived from sources within the Commonwealth of Puerto Rico or a possession of the United States and was derived from the active conduct of a described trade or business within the Commonwealth of Puerto Rico or a possession of the United States shall be made under regulations prescribed by the Secretary or his delegate.

"'(d) United States Person.—For purposes of this subpart, the term "United States person" has the meaning assigned to it by section 7701(a)(30) except that—

"'(1) with respect to a corporation organized under the laws of the Commonwealth of Puerto Rico, such term does not include an individual who is a bona fide resident of Puerto Rico, if a dividend received by such individual during the taxable year from such corporation would, for purposes of section 933(1), be treated as income derived from sources within Puerto Rico,

"'(2) with respect to a corporation organized under the laws of the Virgin Islands, such term does not include an individual who is a bona fide resident of the Virgin Islands and whose income tax obligation under this subtitle for the taxable year is satisfied pursuant to section 28(a) of the Revised Organic Act of the Virgin Islands, approved July 22, 1954 (48 U.S.C. 1642), by paying tax on income derived from all sources both within and outside the Virgin Islands into the treasury of the Virgin Islands, and

"'(3) with respect to a corporation organized under the laws of any other possession of the United States, such term does not include an individual who is a bona fide resident of any such other possession and whose income derived from sources within possessions of the United States is not, by reason of section 931(a), includible in gross income under this subtitle for the taxable year.

"'Sec. 958. Rules for determining stock ownership.

"'(a) Direct and Indirect Ownership.—

"'(1) General rule.—For purposes of this subpart (other than sections 955(b)(1) (A) and (B), 955(c)(2) (A) (ii), and 960(a)(1)), stock owned means—

"'(A) stock owned directly, and

"'(B) stock owned with the application of paragraph (2).

"'(2) Stock ownership through foreign entities.—For purposes of subparagraph (B) of paragraph (1), stock owned, directly or indirectly, by or for a foreign corporation, foreign partnership, or foreign trust or foreign estate (within the meaning of section 7701(a)(31)) shall be considered as being owned proportionately by its shareholders, partners, or beneficiaries. Stock considered to be owned by a person by reason of the application of the preceding sentence shall, for purposes of applying such sentence, be treated as actually owned by such person.

"'(3) Special rule for mutual insurance companies.—For purposes of applying paragraph (1) in the case of a foreign mutual insurance company, the term "stock" shall include any certificate entitling the holder to voting power in the corporation.

"'(b) Constructive Ownership.—For purposes of sections 951(b), 954(d)(3), and 957, section 318(a) (relating to constructive ownership of stock) shall apply to the extent that the effect is to treat any United States person as a United States shareholder within the meaning of section 951(b), to treat a person as a related person within the meaning of section 954(d)(3), or to treat a foreign corporation as a controlled foreign corporation under section 957, except that—

"'(1) In applying paragraph (1)(A) of section 318(a), stock owned by a nonresident alien individual (other than a foreign trust or foreign estate) shall not be considered as owned by a citizen or by a resident alien individual.

"'(2) In applying the first sentence of subparagraphs (A) and (B), and in applying clause (i) of subparagraph (C), of section 318(a)(2), if a partnership, estate, trust, or corporation owns, directly or indirectly, more than 50 percent of the total combined voting power of all classes of stock entitled to vote of a corporation, it shall be considered as owning all the stock entitled to vote.

"'(3) Stock owned by a partnership, estate, trust, or corporation, by reason of the application of the second sentence of subparagraphs (A) and (B), and the application of clause (ii) of subparagraph (C), of section 318(a)(2), shall not be considered as owned by such partnership, estate, trust, or corporation, for purposes of applying the first sentence of subparagraphs (A) and (B), and in applying clause (i) of subparagraph (C), of section 318(a)(2).

"'(4) In applying clause (i) of subparagraph (C) of section 318(a)(2), the phrase "10 percent" shall be substituted for the phrase "50 percent" used in subparagraph (C).

"'(5) The second sentence of subparagraphs (A) and (B), and clause (ii) of subparagraph (C), of section 318(a)(2) shall not be applied so as to consider a United States person as owning stock which is owned by a person who is not a United States person.

"'Sec. 959. Exclusion from gross income of previously taxed earnings and profits.

"'(a) Exclusion From Gross Income of United States Persons.—For purposes of this chapter, the earnings and profits for a taxable year of a foreign corporation attributable to amounts which are, or have been, included in the gross income of a United States shareholder under section 951(a) shall not, when—

"'(1) such amounts are distributed to, or

"'(2) such amounts would, but for this subsection, be included under section 951(a)(1)(B) in the gross income of,

such shareholder (or any other United States person who acquires from any person any portion of the interest of such United States shareholder in such foreign corporation, but only to the extent of such portion, and subject to such proof of the identity of such interest as the Secretary or his delegate may by regulations prescribe) directly, or indirectly through a chain of ownership described under section 958(a), be again included in the gross income of such United States shareholder (or of such other United States person).

"'(b) Exclusion From Gross Income of Certain Foreign Subsidiaries.—For purposes of section 951(a), the earnings and profits for a taxable year of a controlled foreign corporation attributable to amounts which are, or have been, included in the gross income of a United States shareholder under section 951(a), shall not, when distributed through a chain of ownership described under section 958(a), be also included in the gross income of another controlled foreign corporation in such chain for purposes of the application of section 951(a) to such other controlled foreign corporation with respect to such United States shareholder (or to any other United States shareholder who acquires from any person any portion of the interest of such United States shareholder in the controlled foreign corporation, but only to the extent of such portion, and subject to such proof of identity of such interest as the Secretary or his delegate may prescribe by regulations).

" '(c) Allocation of Distributions.—For purposes of subsections (a) and (b), section 316(a) shall be applied by applying paragraph (2) thereof, and then paragraph (1) thereof—

" '(1) first to earnings and profits attributable to amounts included in gross income under section 951(a)(1)(B) (or which would have been included except for subsection (a)(2) of this section),

" '(2) then to earnings and profits attributable to amounts included in gross income under section 951(a)(1)(A) (but reduced by amounts not included under section 951(a)(1)(B) because of the exclusion in subsection (a)(2) of this section), and

" '(3) then to other earnings and profits.

" '(d) Distributions Excluded From Gross Income Not To Be Treated as Dividends.—Except as provided in section 960(a)(3), any distribution excluded from gross income under subsection (a) shall be treated, for purposes of this chapter, as a distribution which is not a dividend.

" 'Sec. 960. Special rules for foreign tax credit.

" '(a) Taxes Paid by a Foreign Corporation.—

" '(1) General rule.—For purposes of subpart A of this part, if there is included, under section 951(a), in the gross income of a domestic corporation any amount attributable to earnings and profits—

" '(A) of a foreign corporation at least 10 percent of the voting stock of which is owned by such domestic corporation, or

" '(B) of a foreign corporation at least 50 percent of the voting stock of which is owned by a foreign corporation at least 10 percent of the voting stock of which is in turn owned by such domestic corporation,

then, under regulations prescribed by the Secretary or his delegate, such domestic corporation shall be deemed to have paid the same proportion of the total income, war profits, and excess profits taxes paid (or deemed paid) by such foreign corporation to a foreign country or possession of the United States for the taxable year on or with respect to the earnings and profits of such foreign corporation which the amount of earnings and profits of such foreign corporation so included in gross income of the domestic corporation bears to—

" '(C) if the foreign corporation at least 10 percent of the voting stock of which is owned by such domestic corporation referred to in subparagraph (A) or (B) is not a less developed country corporation (as defined in section 902(d)) for such taxable year, the entire amount of the earnings and profits of such foreign corporation for such taxable year, or

" '(D) if the foreign corporation at least 10 percent of the voting stock of which is owned by such domestic corporation referred to in subparagraph (A) or (B) is a less developed country corporation (as defined in section 902(d)) for such taxable year, the sum of the entire amount of the earnings and profits of such foreign corporation for such taxable year and the total income, war profits, and excess profits taxes paid by such foreign corporation to foreign countries or possessions of the United States for such taxable year.

" '(2) Taxes previously deemed paid by domestic corporation.—If a domestic corporation receives a distribution from a foreign corporation, any portion of which is excluded from gross income under section 959, the income, war profits, and excess profits taxes paid or deemed paid by such foreign corporation to any foreign country or to any possession of the United States in connection with the earnings and profits of such foreign corporation from which such distribution is made shall not be taken into account for purposes of section 902, to the extent such taxes were deemed paid by a domestic corporation under paragraph (1) for any prior taxable year.

" '(3) Taxes paid by foreign corporation and not previously deemed paid by domestic corporation.—Any portion of a distribution from a foreign corporation received by a domestic corporation which is excluded from gross income under section 959(a) shall be treated by the domestic corporation as a dividend, solely for purposes of taking into account under section 902 any income, war profits, or excess profits taxes paid to any foreign country or to any possession of the United States, on or with respect to the accumulated profits of such foreign corporation from which such distribution is made, which were not deemed paid by the domestic corporation under paragraph (1) for any prior taxable year.

" '(b) Special Rules for Foreign Tax Credit in Year of Receipt of Previously Taxed Earnings and Profits.—

" '(1) Increase in section 904 limitation.—In the case of any taxpayer who—

" '(A) either (i) chose to have the benefits of subpart A of this part for a taxable year in which he was required under section 951(a) to include in his gross income an amount in respect of a controlled foreign corporation, or (ii) did not pay or accrue for such taxable year any income, war profits, or excess profits taxes to any foreign country or to any possession of the United States, and

" '(B) chooses to have the benefits of subpart A of this part for the taxable year in which he receives a distribution or amount which is excluded from gross income under section 959(a) and which is attributable to earnings and profits of the controlled foreign corporation which was included in his gross income for the taxable year referred to in subparagraph (A), and

" '(C) for the taxable year in which such distribution or amount is received, pays, or is deemed to have paid, or accrues income, war profits, or excess profits taxes to a foreign country or to any possession of the United States with respect to such distribution or amount,

the applicable limitation under section 904 for the taxable year in which such distribution or amount is received shall be increased as provided in paragraph (2), but such increase shall not exceed the amount of such taxes paid, or deemed paid, or accrued with respect to such distribution or amount.

" '(2) Amount of increase.—The amount of increase of the applicable limitation under section 904(a) for the taxable year in which the distribution or amount referred to in paragraph (1)(B) is received shall be an amount equal to—

" '(A) the amount by which the applicable limitation under section 904(a) for the taxable year referred to in paragraph (1)(A) was increased by reason of the inclusion in gross income under section 951(a) of the amount in respect of the controlled foreign corporation, reduced by

" '(B) the amount of any income, war profits, and excess profits taxes paid, or deemed paid, or accrued to any foreign country or possession of the United States which were allowable as a credit under section 901 for the taxable year referred to in paragraph (1)(A) and which would not have been allowable but for the inclusion in gross income of the amount described in subparagraph (A).

" '(3) Cases in which taxes not to be allowed as deduction.—In the case of any taxpayer who—

" '(A) chose to have the benefits of subpart A of this part for a taxable year in which he was required under section 951(a) to include in his gross income an amount in respect of a controlled foreign corporation, and

" '(B) does not choose to have the benefits of subpart A of this part for the taxable year in which he receives a distribution or amount which is excluded from gross income under section 959(a) and which is attributable to earnings and profits of the controlled foreign corporation which was included in his gross income for the taxable year referred to in subparagraph (A),

no deduction shall be allowed under section 164 for the taxable year in which such distribution or amount is received for any income, war profits, or excess profits taxes paid or accrued to any foreign country or to any possession of the United States on or with respect to such distribution or amount.

" '(4) Insufficient taxable income.—If an increase in the limitation under this subsection exceeds the tax imposed by this chapter for such year, the amount of such excess shall be deemed an overpayment of tax for such year.

" 'Sec. 961. Adjustments to basis of stock in controlled foreign corporation and of other property.

" '(a) Increase in Basis.—Under regulations prescribed by the Secretary or his delegate, the basis of a United States shareholder's stock in a controlled foreign corporation, and the basis of property of a United States shareholder by reason of which he is considered under section 958(a)(2) as owning stock of a controlled foreign corporation, shall be increased by the amount required to be included in his gross income under section 951(a) with respect to such stock or with respect to such property, as the case may be, but only to the extent to which such amount was included in the gross income of such United States shareholder. In the case of a United States shareholder who has made an election under section 962 for the taxable year, the increase in basis provided by this subsection shall not exceed an amount equal to the amount of tax paid under this chapter with respect to the amounts required to be included in his gross income under section 951(a).

" '(b) Reduction in Basis.—

" '(1) In general.—Under regulations prescribed by the Secretary or his delegate, the adjusted basis of stock or other property with respect to which a United States shareholder or a United States person receives an amount which is excluded from gross income under section 959(a) shall be reduced by the amount so excluded. In the case of a United States shareholder who has made an election under section 962 for any prior taxable year, the reduction in basis provided by this paragraph shall not exceed an amount equal to the amount received which is excluded from gross income under section 959(a) after the application of section 962(d).

" '(2) Amount in excess of basis.—To the extent that an amount excluded from gross income under section 959(a) exceeds the adjusted basis of the stock or other property with respect to which it is received, the amount shall be treated as gain from the sale or exchange of property.

" 'Sec. 962. Election by individuals to be subject to tax at corporate rates.

" '(a) General Rule.—Under regulations prescribed by the Secretary or his delegate, in the case of a United States shareholder who is an individual and who elects to have the provisions of this section apply for the taxable year—

"'(1) the tax imposed under this chapter on amounts which are included in his gross income under section 951(a) shall (in lieu of the tax determined under section 1) be an amount equal to the tax which would be imposed under section 11 if such amounts were received by a domestic corporation, and

"'(2) for purposes of applying the provisions of section 960 (relating to foreign tax credit) such amounts shall be treated as if they were received by a domestic corporation.

"'(b) Election.—An election to have the provisions of this section apply for any taxable year shall be made by a United States shareholder at such time and in such manner as the Secretary or his delegate shall prescribe by regulations. An election made for any taxable year may not be revoked except with the consent of the Secretary or his delegate.

"'(c) Surtax Exemption.—For purposes of applying subsection (a)(1), the surtax exemption provided by section 11(c) shall not exceed, in the case of any United States shareholder, an amount which bears the same ratio to $25,000 as the amounts included in his gross income under section 951(a) for the taxable years bears to his pro rata share of the earnings and profits for the taxable year of all controlled foreign corporations with respect to which such United States shareholder includes any amount in gross income under section 951(a).

"'(d) Special Rule for Actual Distributions.—The earnings and profits of a foreign corporation attributable to amounts which were included in the gross income of a United States shareholder under section 951(a) and with respect to which an election under this section applied shall, when such earnings and profits are distributed, notwithstanding the provisions of section 959(a)(1), be included in gross income to the extent that such earnings and profits so distributed exceed the amount of tax paid under this chapter on the amounts to which such election applied.

"'Sec. 963. Receipt of minimum distributions by domestic corporations.

"'(a) General Rule.—In the case of a United States shareholder which is a domestic corporation and which consents to all the regulations prescribed by the Secretary or his delegate under this section prior to the last day prescribed by law for filing its return of the tax imposed by this chapter for the taxable year, no amount shall be included in gross income under section 951(a)(1)(A)(i) for the taxable year with respect to the subpart F income of a controlled foreign corporation, if—

"'(1) in the case of a controlled foreign corporation described in subsection (c)(1), the United States shareholder receives a minimum distribution of the earnings and profits for the taxable year of such controlled foreign corporation;

"'(2) in the case of controlled foreign corporations described in subsection (c)(2), the United States shareholder receives a minimum distribution with respect to the consolidated earnings and profits for the taxable year of all such controlled foreign corporations; or

"'(3) in the case of controlled foreign corporations described in subsection (c)(3), the United States shareholder receives a minimum distribution of the consolidated earnings and profits for the taxable year of all such controlled foreign corporations.

"'(b) Minimum Distributions.—For purposes of this section, a minimum distribution with respect to the earnings and profits for the taxable year of any controlled foreign corporation or corporations shall, in the case of any United States shareholder, be its pro rata share of an amount determined in accordance with the following table:

"'If the effective foreign tax rate is (percentage):	The required minimum distribution of earnings and profits is (percentage):
Under 10	90
10 or over but less than 20	80
20 or over but less than 30	70
30 or over but less than 40	60
40 or over but less than 42	50
42 or over but less than 44	38
44 or over but less than 46	26
46 or over but not more than 47	14
Over 47	0

"'(c) Amounts to Which Section Applies.—

"'(1) Foreign subsidiaries.—Subsection (a)(1) shall apply to amounts which (but for the provisions of this section) would be included in the gross income of the United States shareholder under section 951(a)(1)(A)(i) by reason of its ownership, within the meaning of section 958(a)(1)(A), of stock of a controlled foreign corporation.

"'(2) Chain of controlled foreign corporations.—Subsection (a)(2) shall apply to amounts which (but for the provisions of this section) would be included in the gross income of the United States shareholder under section 951(a)(1)(A)(i)—

"'(A) by reason of its ownership, within the meaning of section 958(a)(1)(A), of stock of a controlled foreign corporation, and

"'(B) to the extent that the United States shareholder so elects, by reason of its ownership, within the meaning of section 958(a)(2), of stock of any other controlled foreign corporation (on account of its ownership of the stock described in subparagraph (A) or of stock described in this subparagraph), but only if there is taken into account the earnings and profits of such foreign corporation, whether or not a controlled foreign corporation, by reason of which the United States shareholder owns, within the meaning of section 958(a)(2), stock of such controlled foreign corporation.

"'(3) All controlled foreign corporations.—Except as provided in paragraph (4), subsection (a)(3) shall apply to amounts which (but for the provisions of this section) would be included in the gross income of the United States shareholder under section 951(a)(1)(A)(i)—

"'(A) by reason of its ownership, within the meaning of section 958(a)(1)(A), of stock of all controlled foreign corporations in which it owns stock within the meaning of such section, and

"'(B) by reason of its ownership, within the meaning of section 958(a)(2), of stock of all controlled foreign corporations in which it owns stock within the meaning of such section, but only if there is taken into account the earnings and profits of each foreign corporation, whether or not a controlled foreign corporation, by reason of which the United States shareholder owns, within the meaning of section 958(a), stock of any of such controlled foreign corporations.

"'(4) Exceptions and special rules.—

"'(A) Less developed country corporations.—If the United States shareholder so elects, subsection (a)(3) and paragraph (3) of this subsection shall not apply to amounts which would be included in the gross income of such shareholder under section 951(a)(1)(A)(i) by reason of its ownership, within the meaning of section 958(a), of stock of controlled foreign corporations which are less developed country corporations (as defined in section 955(c)). This subparagraph shall not apply with respect to a less developed country corporation if, by reason of the ownership of the stock of such corporation, the United States shareholder owns, within the meaning of section 958(a)(2), stock of any other controlled foreign corporation which is not a less developed country corporation. Except as provided in the preceding sentence, an election under this subparagraph may be made only with respect to all controlled foreign corporations which are less developed country corporations and with respect to which the domestic corporation making the election is a United States shareholder.

"'(B) Foreign branches.—In applying subsection (a)(3) and paragraph (3) of this subsection, if a United States shareholder so elects, all branches maintained by such shareholder in foreign countries, the Commonwealth of Puerto Rico, or possessions of the United States shall, under regulations prescribed by the Secretary or his delegate, be treated as wholly owned subsidiary corporations of such shareholder organized under the laws of such foreign countries, the Commonwealth of Puerto Rico, or possessions of the United States, as the case may be. Each branch so treated shall, for purposes of this section, be considered to have distributed to the United States shareholder all of its earnings and profits for the taxable year. This subparagraph shall not apply to a branch maintained by a United States shareholder in the Commonwealth of Puerto Rico or a possession of the United States unless—

"'(i) such branch would be a controlled foreign corporation (as defined in section 957) if it were incorporated under the laws of the Commonwealth of Puerto Rico or the possession of the United States, as the case may be, and

"'(ii) the gross income of the United States shareholder for the taxable year includes income derived from sources within the Commonwealth of Puerto Rico and possessions of the United States.

"'(C) Blocked foreign income.—If a United States shareholder so elects, the provisions of subsection (a)(3) and of paragraph (3) of this subsection shall not apply with respect to any foreign corporation, if it is established to the satisfaction of the Secretary or his delegate that the earnings and profits of such foreign corporation could not have been distributed to United States shareholders who own (within the meaning of section 958(a)) stock of such foreign corporation because of currency or other restrictions or limitations imposed under the laws of any foreign country.

"'(d) Effective Foreign Tax Rate.—For purposes of this section, the term "effective foreign tax rate" means—

"'(1) with respect to a single controlled foreign corporation, the percentage which—

"'(A) the income, war profits, or excess profits taxes paid or accrued to foreign countries or possessions of the United States by the controlled foreign corporation for the taxable year on or with respect to its earnings and profits for the taxable year, is of

"'(B) the sum of (i) the earnings and profits of the controlled foreign corporation described in subparagraph (A) and (ii) the taxes described in subparagraph (A); and

"'(2) with respect to two or more foreign corporations, the percentage which—

"'(A) the total income, war profits, or excess profits taxes paid or accrued to foreign countries or possessions of the United States by such foreign corporations for the taxable year on or with respect to the total earnings and profits of such foreign corporations for the taxable year, is of

"'(B) the sum of (i) the total earnings and profits of such foreign corporations described in subparagraph (A) and (ii) the taxes described in subparagraph (A).

For purposes of the preceding sentence, in the case of any United States shareholder, the computation of the effective foreign tax rate applicable with respect to any controlled foreign corporation or corporations shall be made without regard to distributions made by such controlled foreign corporation or corporations to such United States shareholder.

"'(e) Special Rules.—

"'(1) Year from which distributions are made.—For purposes of this section, the second sentence of section 902(c)(1) shall apply in determining from the earnings and profits of what year distributions are made by any foreign corporation, except that the Secretary or his delegate may by regulations provide a period in excess of 60 days in lieu of the 60-day period prescribed in such section.

"'(2) Insufficient distributions.—If—

"'(A) a United States shareholder, in making its return of the tax imposed by this chapter for any taxable year, applies the provisions of this section with respect to any controlled foreign corporation,

"'(B) it is subsequently determined that this section did not apply with respect to such controlled foreign corporation for such taxable year due to the failure of the United States shareholder to receive a minimum distribution with respect to such controlled foreign corporation, and

"'(C) such failure is due to reasonable cause, then a subsequent distribution made with respect to such controlled foreign corporation may, if made at a time and in a manner prescribed by the Secretary or his delegate by regulations, be treated, for purposes of this chapter, as having been made for, and received in, the taxable year of the United States shareholder for which such shareholder applied the provisions of this section.

"'(3) Affiliated groups of corporations.—An affiliated group of corporations which is eligible to make a consolidated return under section 1501 for the taxable year, may, if it so elects, be treated as a single United States shareholder for purposes of applying this section for the taxable year.

"'(f) Regulations.—The Secretary or his delegate shall prescribe such regulations as he may deem necessary to carry out the provisions of this section, including regulations for the determination of the amount of foreign tax credit in the case of distributions with respect to the earnings and profits of two or more foreign corporations.

"'Sec. 964. Miscellaneous provisions.

"'(a) Earnings and Profits.—For purposes of this subpart, the earnings and profits of any foreign corporation, and the deficit in earnings and profits of any foreign corporation, for any taxable year shall be determined according to rules substantially similar to those applicable to domestic corporations, under regulations prescribed by the Secretary or his delegate.

"'(b) Blocked Foreign Income.—Under regulations prescribed by the Secretary or his delegate, no part of the earnings and profits of a controlled foreign corporation for any taxable year shall be included in earnings and profits for purposes of sections 952, 955, and 956, if it is established to the satisfaction of the Secretary or his delegate that such part could not have been distributed by the controlled foreign corporation to United States shareholders who own (within the meaning of section 958(a)) stock of such controlled foreign corporation because of currency or other restrictions or limitations imposed under the laws of any foreign country.

"'(c) Records and Accounts of United States Shareholders.—

"'(1) Records and accounts to be maintained.—The Secretary or his delegate may by regulations require each person who is, or has been, a United States shareholder of a controlled foreign corporation to maintain such records and accounts as may be prescribed by such regulations as necessary to carry out the provisions of this subpart and subpart G.

"'(2) Two or more persons required to maintain or furnish the same records and accounts with respect to the same foreign corporation.—Where, but for this paragraph, two or more United States persons would be required to maintain or furnish the same records and accounts as may by regulations be required under paragraph (1) with respect to the same controlled foreign corporation for the same period, the Secretary or his delegate may by regulations provide that the maintenance or furnishing of such records and accounts by only one such person shall satisfy the requirements of paragraph (1) for such other persons.

"'Subpart G—Export Trade Corporations

"'Sec. 970. Reduction of subpart F income of export trade corporations.

"'Sec. 971. Definitions.

"'Sec. 972. Consolidation of group of export trade corporations.

"'Sec. 970. Reduction of subpart F income of export trade corporations.

"'(a) Export Trade Income Constituting Foreign Base Company Income.—

"'(1) In general.—In the case of a controlled foreign corporation (as defined in section 957) which for the taxable year is an export trade corporation, the subpart F income (determined without regard to this subpart) of such corporation for such year shall be reduced by an amount equal to so much of the export trade income (as defined in section 971(b)) of such corporation for such year as constitutes foreign base company income (as defined in section 954), but only to the extent that such amount does not exceed whichever of the following amounts is the lesser:

"'(A) an amount equal to 1½ times so much of the export promotion expenses (as defined in section 971(d)) of such corporation for such year as is properly allocable to the export trade income which constitutes foreign base company income of such corporation for such year, or

"'(B) an amount equal to 10 percent of so much of the gross receipts for such year (or, in the case of gross receipts arising from commissions, fees, or other compensation for its services, so much of the gross amount upon the basis of which such commissions, fees, or other compensation is computed) accruing to such export trade corporation from the sale, installation, operation, maintenance, or use of property in respect of which such corporation derives export trade income as is properly allocable to the export trade income which constitutes foreign base company income of such corporation for such year.

The allocations with respect to export trade income which constitutes foreign base company income under subparagraphs (A) and (B) shall be made under regulations prescribed by the Secretary or his delegate.

"'(2) Overall limitation.—The reduction under paragraph (1) for any taxable year shall not exceed an amount which bears the same ratio to the increase in the investments in export trade assets (as defined in section 971(c)) of such corporation for such year as the export trade income which constitutes foreign base company income of such corporation for such year bears to the entire export trade income of such corporation for such year.

"'(b) Inclusion of Certain Previously Excluded Amounts.—Each United States shareholder of a controlled foreign corporation which for any prior taxable year was an export trade corporation shall include in his gross income under section 951(a)(1)(A)(ii), as an amount to which section 955 (relating to withdrawal of previously excluded subpart F income from qualified investment) applies, his pro rata share of the amount of decrease in the investments in export trade assets of such corporation for such year, but only to the extent that his pro rata share of such amount does not exceed an amount equal to—

"'(1) his pro rata share of the sum of (A) the amounts by which the subpart F income of such corporation was reduced for all prior taxable years under subsection (a), and (B) the amounts not included in subpart F income (determined without regard to this subpart) for all prior taxable years by reason of the application of section 972, reduced by

"'(2) the sum of the amounts which were included in his gross income under section 951(a)(1)(A)(ii) under the provisions of this subsection for all prior taxable years.

"'(c) Investments in Export Trade Assets.—

"'(1) Amount of investments.—For purposes of this section, the amount taken into account with respect to any export trade asset shall be its adjusted basis, reduced by any liability to which the asset is subject.

"'(2) Increase in investments in export trade assets.—For purposes of subsection (a), the amount of increase in investments in export trade assets of any controlled foreign corporation for any taxable year is the amount by which—

"'(A) the amount of such investments at the close of the taxable year, exceeds

"'(B) the amount of such investments at the close of the preceding taxable year.

"'(3) Decrease in investments in export trade assets.—For purposes of subsection (b), the amount of decrease in investments in export trade assets of any controlled foreign corporation for any taxable year is the amount by which—

"'(A) the amount of such investments at the close of the preceding taxable year (reduced by an amount equal to the amount of net loss sustained during the taxable year with respect to export trade assets), exceeds

"'(B) the amount of such investments at the close of the taxable year.

"'(4) Special rule.—A United States shareholder of an export trade corporation may, under regulations prescribed by the Secretary or his delegate, make the determinations under paragraphs (2) and (3) as of the close of the 75th day after the close of the years referred to in such paragraphs in lieu of on the last day of such years. An election under this paragraph made with respect to any taxable year shall apply to such year and to all succeeding taxable years unless the Secretary or his delegate consents to the revocation of such election.

"'Sec. 971. Definitions.

"'(a) Export Trade Corporation.—For purposes of this subpart, the term 'export trade corporation' means—

"'(1) In general.—A controlled foreign corporation (as defined in section 957) which satisfies the following conditions:

"'(A) 90 percent or more of the gross income of such corporation for the 3-year period immediately preceding the close of the taxable year (or such part of such period subsequent to the effective date of this subpart during which the corporation was in existence) was derived from sources without the United States, and

"'(B) 75 percent or more of the gross income of such corporation for such period constituted gross income in respect of which such corporation derived export trade income.

"'(2) Special rule.—If 50 percent or more of the gross income of a controlled foreign corporation in the period specified in subsection (a)(1)(A) is gross income in respect of which such corporation derived export trade income in respect of agricultural products grown in the United States, it may qualify as an export trade corporation although it does not meet the requirements of subsection (a)(1)(B).

"'(b) Export Trade Income.—For the purposes of this subpart, the term "export trade income" means net income from—

"'(1) the sale to an unrelated person for use, consumption, or disposition outside the United States of export property (as defined in subsection (e)), or from commissions, fees, compensation, or other income from the performance of commercial, industrial, financial, technical, scientific, managerial, engineering, architectural, skilled, or other services in respect of such sales or in respect of the installation or maintenance of such export property;

"'(2) commissions, fees, compensation, or other income from commercial, industrial, financial, technical, scientific, managerial, engineering, architectural, skilled, or other services performed in connection with the use by an unrelated person outside the United States of patents copyrights, secret processes and formulas, goodwill, trademarks, trade brands, franchises, and other like property acquired or developed and owned by the manufacturer, producer, grower, or extractor of export property in respect of which the export trade corporation earns export trade income under paragraph (1);

"'(3) commissions, fees, rentals, or other compensation or income attributable to the use of export property by an unrelated person or attributable to the use of export property in the rendition of technical, scientific, or engineering services to an unrelated person; and

"'(4) interest from export trade assets described in subsection (c)(4).

For purposes of paragraph (3), if a controlled foreign corporation receives income from an unrelated person attributable to the use of export property in the rendition of services to such unrelated person together with income attributable to the rendition of other services to such unrelated person, including personal services, the amount of such aggregate income which shall be considered to be attributable to the use of the export property shall (if such amount cannot be established by reference to transactions between unrelated persons) be that part of such aggregate income which the cost of the export property consumed in the rendition of such services (including a reasonable allowance for depreciation) bears to the total costs and expenses attributable to such aggregate income.

"'(c) Export Trade Assets.—For purposes of this subpart, the term "export trade assets" means—

"'(1) working capital reasonably necessary for the production of export trade income,

"'(2) inventory of export property held for use, consumption, or disposition outside the United States,

"'(3) facilities located outside the United States for the storage, handling, transportation, packaging, or servicing of export property, and

"'(4) evidences of indebtedness executed by persons, other than related persons, in connection with payment for purchases of export property for use, consumption, or disposition outside the United States, or in connection with the payment for services described in subsections (b) (2) and (3).

"'(d) Export Promotion Expenses.—For purposes of this subpart, the term "export promotion expenses" means the following expenses paid or incurred in the receipt or production of export trade income—

"'(1) a reasonable allowance for salaries or other compensation for personal services actually rendered for such purpose,

"'(2) rentals or other payments for the use of property actually used for such purpose,

"'(3) a reasonable allowance for the exhaustion, wear and tear, or obsolescence of property actually used for such purpose, and

"'(4) any other ordinary and necessary expenses of the corporation to the extent reasonably allocable to the receipt or production of export trade income.

No expense incurred within the United States shall be treated as an export promotion expense within the meaning of the preceding sentence, unless at least 90 percent of each category of expenses described in such sentence is incurred outside the United States.

"'(e) Export Property.—For purposes of this subpart, the term "export property" means any property or any interest in property manufactured, produced, grown, or extracted in the United States.

"'(f) Unrelated Person.—For purposes of this subpart, the term "unrelated person" means a person other than a related person as defined in section 954(d)(3).

"'Sec. 972. Consolidation of group of export trade corporations.

"'For purposes of this subpart and subpart F of this part, a United States shareholder of a controlled foreign corporation which is an export trade corporation may, under regulations prescribed by the Secretary or his delegate, treat as a single controlled foreign corporation—

"'(1) such controlled foreign corporation,

"'(2) all controlled foreign corporations which are export trade corporations and 80 percent or more of the total combined voting power of all classes of stock entitled to vote of which is owned by such controlled foreign corporation; and

"'(3) all controlled foreign corporations which are export trade corporations and 80 percent or more of the total combined voting power of all classes of stock entitled to vote of which is owned by controlled foreign corporations described in paragraph (2).'

"(b) Technical and Clerical Amendments.—

"(1) Section 901 (relating to foreign tax credit) is amended by striking out 'section 902' and inserting in lieu thereof 'sections 902 and 960'.

"(2) Section 904(g) (as redesignated by section 10(a) of this Act) is amended to read as follows:

"'(g) Cross References.—

"'(1) For increase of applicable limitation under subsection (a) for taxes paid with respect to amounts received which were included in the gross income of the taxpayer for a prior taxable year as a United States shareholder with respect to a controlled foreign corporation, see section 960(b).

"'(2) For special rule relating to the application of the credit provided by section 901 in the case of affiliated groups which include Western Hemisphere trade corporations for years in which the limitation provided by subsection (a)(2) applies, see section 1503(d).'

"(3) The table of subparts for part III of subchapter N of chapter 1 is amended by adding at the end thereof the following:

"'Subpart F. Controlled foreign corporations.

"'Subpart G. Export trade corporations.'

"(4) Section 1016(a) (relating to adjustments to basis) is amended by adding after paragraph (19) (as added by section 2(f) of this Act) the following new pargaraph:

"'(20) to the extent provided in section 961 in the case of stock in controlled foreign corporations (or foreign corporations which were controlled foreign corporations) and of property by reason of which a person is considered as owning such stock.'

"(c) Effective Date.—The amendments made by this section shall apply with respect to taxable years of foreign corporations beginning after December 31, 1962, and to taxable years of United States shareholders within which or with which such taxable years of such foreign corporations end."

On page 246, line 1, to change the section number from "14" to "13".

On page 246, line 13, after the word "of" where it occurs the first time, to strike out "after the date of the enactment of the Revenue Act of 1962" and insert "during a taxable year beginning after December 31, 1962".

On page 247, line 4, after the word "adjustments", to strike out "for taxable years beginning" and insert "attributable to periods"; in line 13, after the word "any" to strike out "taxable year" and insert "period", in line 15, after the word "such", to strike out "taxable year" and insert "period".

On page 251, line 18, after the word "may", to strike out "within such period after the date of the enactment of the Revenue Act of 1962" and insert "on or before the last day prescribed by law (including extensions thereof) for filing his return for his first taxable year beginning after December 31, 1962".

At the top of page 254, to insert:

"(e) Computation of Taxable Income for Purposes of Limitation on Percentage Depletion Deduction.—Section 613(a) (relating to percentage depletion) is amended by inserting after the second sentence thereof the following new sentence: 'For purposes of the preceding sentence, the allowable deductions taken into account with respect to expenses of mining in computing the taxable income from the property shall be decreased by an amount equal to so much of any gain which (1) is treated under section 1245 (relating to gain from disposition of certain depreciable property) as gain from the sale or exchange of property which is neither a capital asset nor property described in section 1231, and (2) is properly allocable to the property.' "

On page 254, at the beginning of line 15, to strike out "(e)" and insert "(f)"; on page 256, after line 23, to strike out:

"(f) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 1961, and ending after the date of the enactment of this Act."

And, in lieu thereof, to insert:

"(g) Effective Dates.—The amendments made by this section (other than the amendments made by subsection (c)) shall apply to taxable years beginning after December 31, 1962. The amendments made by subsection (c) shall apply to taxable years beginning after December 31, 1961, and ending after the date of the enactment of this Act."

On page 257, at the beginning of line 9, to change the section number from "15" to "14"; in line 15, after the word "section", where it appears the second time, to strike out "14" and insert "13"; in line 21, after the word "exchange", to insert "(or a distribution which, under section 302 or 331, is treated as an exchange of stock)"; on page 258, after line 14, to strike out:

"(B) excluding such earnings and profits which were taxed to such taxpayer under section 951 or under section 551."

And, in lieu thereof, to insert:

"(B) excluding such earnings and profits attributable to any amount previously included in the gross income of such taxpayer under section 951 (but only to the extent the inclusion of such amount did not result in an exclusion of any other amount from gross income under section 959)."

On page 259, line 14, after the word "corporation" to insert "which, for any taxable year beginning after December 31, 1962, is—".

In line 24, after the word "Act", to insert "as limited by paragraphs (2) through (10) (except paragraph (6)(C) and paragraphs (12) through (15) of section 3(c) of such Act)", and on page 260, line 6, after the word "section" to strike out "955" and insert "958".

On page 261, line 16, after the word "the" where it occurs the second time, to strike out "accumulated earnings and profits of such company" and insert "earnings and profits of such company accumulated after December 31, 1962".

On page 262, line 10, after the word "Foreign", to strike out "Investment" and insert "Investment Companies"; after line 16, to insert:

"(g) Nonapplication of Section 367 in Certain Cases.—Section 367 shall not apply in respect of a foreign investment company described in paragraph (1) of subsection (b) which is a party to a reorganization in which all of its properties are acquired before January 1, 1964, by a domestic corporation which is a regulated investment company under section 851 for its first taxable year ending after the reorganization, but only if such foreign investment company made the election described in section 1247 with respect to its taxable years beginning after December 31, 1962."

On page 263, line 3, to change the letter "(g)" to "(h)".

On page 263, line 20, after the word "of" where it occurs the first time, to strike out "30" and insert "45"; in line 23, after the word "capital", to strike out "gains" and insert "gain", and on page 264, line 1, after the word "capital" to strike out "losses" and insert "loss of the taxable year".

On page 264, line 14, after the word "of" to strike out "capital gains over losses" and insert "the net long-term capital gains over the net short-term capital loss".

On page 265, line 10, after the word "of" to strike ou "capital gains over losses" and insert "the net long-term capital gains over the net short-term capital loss".

On page 266, line 9, after the word "person", to insert "(as defined in section 7701 (a)(30))".

At the top of page 267, to strike out:

"(d) Adjustments.—Under regulations prescribed by the Secretary or his delegate, proper adjustment shall be made—

"(1) in the earnings and profits of the electing foreign investment company, and

"(2) the adjusted basis of stock of such company held by qualified shareholders,

to reflect the inclusion in gross income by such shareholders of undistributed capital gains."

And in lieu thereof, to insert:

"(d) Treatment of Distributed and Undistributed Capital Gains by a Qualified Shareholder.—Every qualified shareholder of a foreign investment company for any taxable year of such company with respect to which an election pursuant to subsection (a) is in effect shall include, in computing his long-term capital gains—

"(1) for his taxable year in which received, his pro rata share of the distributed portion of the excess of the net long-term capital gain over the net short-term capital loss for such taxable year of such company, and

"(2) for his taxable year in which or with which the taxable year of such company ends, his pro rata share of the undistributed portion of the excess of the net long-term capital gain over the net short-term capital loss for such taxable year of such company.

"(e) Adjustments.—Under regulations prescribed by the Secretary or his delegate, proper adjustment shall be made—

"(1) in the earnings and profits of the electing foreign investment company and a qualified shareholder's ratable share thereof, and

"(2) in the adjusted basis of stock of such company held by such shareholder,

to reflect such shareholder's inclusion in gross income of undistributed capital gains.

"(f) Election by Foreign Investment Company With Respect to Foreign Tax Credit.—A foreign investment company with respect to which an election pursuant to subsection (a) is in effect and more than 50 percent of the value (as defined in section 851(c)(4)) of whose total assets at the close of the taxable year consists of stock or securities in foreign corporations may, for such taxable year, elect the application of this subsection with respect to income, war profits, and excess profits taxes described in section 901(b)(1) which are paid by the foreign investment company during such taxable year to foreign countries and possessions of the United States. If such election is made—

"(1) the foreign investment company—

"(A) shall compute its taxable income, for purposes of subsection (a)(1)(A), without any deductions for income, war profits, or excess profits taxes paid to foreign countries or possessions of the United States, and

"(B) shall treat the amount of such taxes, for purposes of subsection (a)(1)(A), as distributed to its shareholders;

"(2) each qualified shareholder of such foreign investment company—

"(A) shall include in gross income and treat as paid by him his proportionate share of such taxes, and

"(B) shall treat, for purposes of applying subpart A of part III of subchapter N, his proportionate share of such taxes as having been paid to the country in which the foreign investment company is incorporated, and

"(C) shall treat as gross income from sources within the country in which the foreign investment company is incorporated, for purposes of applying subpart A of part III of subchapter N, the sum of his proportionate share of such taxes and any dividend paid to him by such foreign investment company.

"(g) Notice to Shareholders.—The amounts to be treated by qualified shareholders, for purposes of subsection (f)(2), as their proportionate share of the taxes described in subsection (f)(1)(A) paid by a foreign investment company shall not exceed the amounts so designated by the foreign investment company in a written notice mailed to its shareholders not later than 45 days after the close of its taxable year.

"(h) Manner of Making Election and Notifying Shareholders.—The election provided in subsection (f) and the notice to shareholders required by subsection (g) shall be made in such manner as the Secretary or his delegate may prescribe by regulations."

On page 270, at the beginning of line 13, to change the letter from "(e)" to "(1)".

On page 271, in the language following line 2, after the word "company" to insert the word "stock".

On page 271, line 21, after the word "of" where it occurs the first time, to strike out "paragraphs (1) and (2)" and insert "paragraph (1)".

On page 274, at the beginning of line 3, to change the section number from "16" to "15"; in line 11, after the word "section", where it appears the first time, to strike out "15" and insert "14"; after line 11, to strike out:

"Sec. 1248. Gain From Certain Sales or Exchanges of Stock in Certain Foreign Corporations.

"(a) Redemptions and Liquidations.—If a foreign corporation redeems its stock in an exchange to which section 302(a) applies, or if a foreign corporation cancels its stock in a complete or partial liquidation in an exchange to which section 331 applies, then the gain of a United States person (as defined in section 7701(a)(30)) from the exchange of such stock shall be included in the gross income of such person as a dividend, to the extent of such person's proportionate share of the earnings and profits of the foreign corporation accumulated after February 28, 1913.

. "(b) Sales and Other Exchanges.—If a United States person (as defined in section 7701(a)(30)) sells or exchanges stock in a foreign corporation, then the gain recognized on the sale or exchange of such stock shall be considered as gain from the sale or exchange of property which is not a capital asset, to the extent of such person's proportionate share of the earnings and profits of the foreign corporation accumulated during the period the stock sold or exchanged was held by such person.

"(c) Limitations.—

"(1) Controlled foreign corporations.—Subsections (a) and (b) shall apply only if the foreign corporation the stock of which is sold or exchanged (A) is a controlled foreign corporation (as defined in section 954) at the time of the sale or exchange, or (B) was such a controlled foreign corporation at any time during the 5-year period ending on the date of the sale or exchange.

"(2) 10 percent ownership.—Subsections (a) and (b) shall apply only to a United States person who can be considered, by applying the rules of constructive ownership of section 955(b), as being the owner, directly or indirectly, of 10 percent or more of the total combined voting power of all classes of stock entitled to vote of the foreign corporation at the time of the sale or exchange, or at any time during the 5-year period ending on the date of the sale or exchange.

"(3) Elimination from earning and profits of amounts included in gross income under section 951.—In determining the amount to be considered a dividend under subsection (a), or as gain from the sale or exchange of property which is not a capital asset under subsection (b), the United States person's proportionate share of earnings and profits of the foreign corporation shall be reduced by the amount previously included in the gross income of such person under section 951, with respect to the stock sold or exchanged, but only to the extent such amount did not result in an exclusion from gross income under section 956.

"(4) Redemptions to pay death taxes.—Subsections (a) and (b) shall not apply to distributions to which section 303 (relating to distributions in redemption of stock to pay death taxes) applies.

"(5) Additional consideration in certain reorganizations.—Subsection (b) shall not apply to gain recognized on exchanges to which section 356 (relating to receipt of additional consideration in certain reorganizations) applies.

"(6) Treatment of amounts which are ordinary income, etc., under other provisions.—Subsections (a) and (b) shall not apply with respect to any amount to the extent that such amount is, under any other provision of this title, treated as—

"(A) a dividend,

"(B) gain from the sale of an asset which is not a capital asset, or

"(C) gain from the sale of an asset held for not more than 6 months.

"(d) Taxpayer to establish earnings and profits.—Unless the taxpayer establishes the amount of the earnings and profits of the foreign corporation to be taken into account under subsections (a) and (b), all gain from the sale or exchange shall be considered a dividend under subsection (a), or as gain from the sale or exchange of property which is not a capital asset under subsection (b), whichever applies."

And, in lieu thereof, to insert:

"Sec. 1248. Gain From Certain Sales or Exchanges of Stock in Certain Foreign Corporations.

"(a) General Rule.—If—

"(1) a United States person sells or exchanges stock in a foreign corporation, or if a United States person receives a distribution from a foreign corporation which, under section 302 or 331, is treated as an exchange of stock, and

"(2) such person owns, within the meaning of section 958(a), or is considered as owning by applying the rules of ownership of section 958(b), 10 percent or more of the total combined voting power of all classes of stock entitled to vote of such foreign corporation at any time during the 5-year period ending on the date of the sale or exchange when such foreign corporation was a controlled foreign corporation (as defined in section 957),

then the gain recognized on the sale or exchange of such stock shall be included in the gross income of such person as a dividend, to the extent of the earnings and profits of the foreign corporation attributable (under regulations prescribed by the Secretary or his delegate) to such stock which were accumulated in taxable years of such foreign corporation beginning after December 31, 1962, and during the period or periods the stock sold or exchanged was held by such person while such foreign corporation was a controlled foreign corporation.

"(b) Limitation on Tax Applicable to Individuals.—

"(1) In general.—In the case of an individual, the tax attributable to an amount included in gross income as a dividend under subsection (a) shall not be greater than the tax described in paragraph (2) or in paragraph (3), whichever is lesser.

"(2) Domestic corporation limitation.—If the stock sold or exchanged is a capital asset (within the meaning of section 1221) and has been held for more than 6 months, a tax equal to the sum of—

"(A) a pro rata share of the excess of—

"(i) the taxes that would have been paid by the foreign corporation with respect to its income had it been taxed under this chapter as a domestic corporation (but without allowance for deduction of, or credit for, taxes described in clause (ii)), for the period or periods the stock sold or exchanged was held by the United States person in taxable years beginning after December 31, 1962, while the foreign corporation was a controlled foreign corporation, adjusted for distributions and amounts previously included in gross income of a United States shareholder under section 951, over

"(ii) the income, war profits, or excess profits taxes paid by the foreign corporation with respect to such income; and

"(B) an amount equal to a tax that would result by including in gross income the amount described in subsection (a), reduced by the excess of the taxes described in paragraph (A)(i) over the taxes described in paragraph (A)(ii), as gain from the sale or exchange of a capital asset held for more than 6 months.

"(3) Annual distribution limitation.—A tax equal to the aggregate of the taxes which would have been attributable to the amount described in subsection (a) had it been included in the gross income of the individual as a dividend in the year or years in which earned by the foreign corporation, adjusted for losses and distributions as provided by regulations prescribed by the Secretary or his delegate.

"(c) Special Rules.—For purposes of this section, the following amounts shall be excluded, with respect to any United States person, from the earnings and profits of a foreign corporation:

"(1) Amounts included in gross income under section 951.—Earnings and profits of the foreign corporation attributable to any amount previously included in the gross income of such person under section 951, with respect to the stock sold or exchanged, but only to the extend the inclusion of such amount did not result in an exclusion of an amount from gross income under section 959.

"(2) Gain realized from the sale or exchange of property in pursuance of a plan of complete liquidation.—If a foreign corporation adopts a plan of complete liquidation in a taxable year of a foreign corporation beginning after December 31, 1962, and if section 337(a) would apply if such foreign corporation were a domestic corporation, earnings and profits of the foreign corporation attributable (under regulations prescribed by the Secretary or his delegate) to any net gain from the sale or exchange of property.

"(3) Less developed country corporations.—Earnings and profits accumulated by a foreign corporation while it was a less developed country corporation (as defined in section 955(c)), if—

"(A) the foreign corporation qualified as a less developed country corporation for all taxable years of such corporation beginning after December 31, 1962, for which the country under the laws of which the foreign corporation was created or organized (or, in the case of a less developed country corporation within the meaning of section 955(c)(2), for which the country under the laws of which the aircraft or vessels described therein were registered) was designated a less developed country under section 955(c)(3); and

"(B) the stock sold or exchanged was owned for a continuous period of at least 10 years, ending with the date of the sale or exchange, by the United States person who sold or exchanged such stock.

In the case of stock sold or exchanged by a corporation, if United States persons who are individuals, estates, or trusts (each of whom owned within the meaning of section 958(a), or were considered as owning by applying the rules of ownership of section 958(b), 10 percent or more of the total combined voting power of all classes of stock entitled to vote of such corporation) owned, or were considered as owning, at any time during the 10-year period referred to in subparagraph (B) more than 50 percent of the total combined voting power of all classes of stock entitled to vote of such corporation, this paragraph shall apply only if such United States persons owned, or were considered as owning, at all times during the remainder of such 10-year period more than 50 percent of the total combined voting power of all classes of stock entitled to vote of such corporation. For purposes of this paragraph, stock owned by a United States person who is an individual, estate, or trust which was acquired by reason of the death of the predecessor in interest of such United States person shall be considered as owned by such United States person during the period such stock was owned by such predecessor in interest, and during the period such stock was owned by any other predecessor in interest if between such United States person and such other predecessor in interest there was no transfer other than by reason of the death of an individual.

"(4) United states income.—Any item includible in gross income of the foreign corporation under this chapter as income derived from sources within the United States of a foreign corporation engaged in trade or business in the United States.

"(5) Amounts included in gross income under section 1247.—If the United States person whose stock is sold or exchanged was a qualified shareholder (as defined in section 1247(c)) of a foreign corporation which was a foreign investment company (as described in section 1246(b)(1), the earnings and profits of the foreign corporation for taxable years in which such person was a qualified shareholder.

"(d) Exceptions.—This section shall not apply to—

"(1) distributions to which section 303 (relating to distributions in redemption of stock to pay death taxes) applies;

"(2) gain realized on exchanges to which section 356 (relating to receipt of additional consideration in certain reorganizations) applies; or

"(3) any amount to the extent that such amount is, under any other provision of this title, treated as—

"(A) a dividend,

"(B) gain from the sale of an asset which is not a capital asset, or

"(C) gain from the sale of an asset held for not more than 6 months.

"(e) Taxpayer To Establish Earnings and Profits.—Unless the taxpayer establishes the amount of the earnings and profits of the foreign corporation to be taken into account under subsection (a), all gain from the sale or exchange shall be considered a dividend under subsection (a), and unless the taxpayer establishes the amount of foreign taxes to be taken into account under subsection (b) (2), the limitation of such subsection shall not apply."

On page 284, line 21, after the word "after", to strike out "the date of the enactment of this Act" and insert "December 31, 1962".

At the top of page 285, to insert a new section, as follows:

"Sec. 16. Sales and Exchanges of Patents, Etc., to Certain Foreign Corporations.

"(a) Treatment of Gain as Ordinary Income.—Part IV of subchapter P of chapter 1 (relating to special rules for determining capital gains and losses) is amended by adding after section 1248 (as added by section 15 of this Act) the following new section:

"'Sec. 1249. Gain From Certain Sales or Exchanges of Patents, Etc., to Foreign Corporations.

"'(a) General Rule.—Except as provided in subsection (c), gain from the sale or exchange after December 31, 1962, of a patent, an invention, model or design (whether or not patented), a copyright, a secret formula or process, or any other similar property right to any foreign corporation by any United States person (as defined in section 7701(a)(30)) which controls such foreign corporation shall, if such gain would (but for the provisions of this subsection) be gain from the sale or exchange of a capital asset or of property described in section 1231, be considered as gain from the sale or exchange of property which is neither a capital asset nor property described in section 1231.

"'(b) Control.—For purposes of subsection (a), control means, with respect to any foreign corporation, the ownership, directly or indirectly, of stock possessing more than 50 percent of the total combined voting power of all classes of stock entitled to vote. For purposes of this subsection, the rules for determining ownership of stock prescribed by section 958 shall apply.

"'(c) Exception.—This section shall not apply to gain realized from the sale or exchange for stock or contribution to capital of property described in subsection (a) where it is established to the satisfaction of the Secretary or his delegate that the principal purpose of the transfer is to enable the foreign corporation to use such property in its own manufacturing operations.'

"(b) Clerical Amendment.—The table of sections for such part IV is amended by adding at the end thereof the following:

"Sec. 1249. Gain from certain sales or exchanges of patents, etc., for foreign corporations."

"(c) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 1962."

In section 17, on page 290, at the beginning of line 10, to insert "For purposes of subsections (b)(1) and (c)(2)(A), a qualified check issued during the payment period shall be treated as an amount paid in money during such period if endorsed and cashed on or before the 90th day after the close of such period."; on page 297 after line 7, to insert "Such term does not include any written notice of allocation which is paid as part of a patronage dividend or as part of a payment described in section 1382(c)(2)(A), unless 20 percent or more of the amount of such patronage dividend, or such payment, is paid in money or by qualified check."; in line 18, after the word "writing", to strike out "or"; on page 298, line 2, after the word "such", to strike out "bylaw." and insert "bylaw, or

"(C) if neither subparagraph (A) nor (B) applies, endorsing and cashing a qualified check, paid as a part of the patronage dividend or payment of which such written notice of allocation is also a part, on or before the 90th day after the close of the payment period for the taxable year of the organization for which such patronage dividend or payment is paid."

At the top of page 300, to insert :

"(4) QUALIFIED CHECK.—For purposes of this subchapter, the term 'qualified check' means only a check (or other instrument which is redeemable in money) which is paid as a part of a patronage dividend, or as a part of a payment described in section 1382(c)(2)(A), to a distributee who has not given consent as provided in paragraph (2)(A) or (B) with respect to such patronage dividend or payment, and on which there is clearly imprinted a statement that the endorsement and cashing of the check (or other instrument) constitutes the consent of the payee to include in his gross income, as provided in the Federal income tax laws, the stated dollar amount of the written notice of allocation which is a part of the patronage dividend or payment of which such qualified check is also a part. Such term does not include any check (or other instrument) which is paid as part of a patronage dividend or payment which does not include a written notice of allocation (other than a written notice of allocation described in paragraph (1)(A))."

On page 300, line 24, after "(c)", to insert "or a qualified check which is not cashed on or before the 90th day after the close of the payment period for the taxable year for which the distribution of which it is a part is paid"; on page 301, after line 18, to strike out:

"(3) Section 6044 (relating to returns regarding patronage dividends) is amended to read as follows:

"'SEC. 6044. RETURNS REGARDING PATRONAGE DIVIDENDS.

"'Any organization to which part I of subchapter T of chapter 1 (relating to tax treatment of cooperatives) applies which pays amounts described in section 1382(b), or (in the case of an organization described in section 1381(a)(1)) amounts described in section 1382(c)(2), shall, when required by regulations of the Secretary or his delegate, make a return showing

"'(1) the name and address of each patron to whom it has made such payments during the calendar year; and

"'(2) the amount of such payments to each patron.'"

On page 302, at the beginning of line 8, to strike out "(4)" and insert "(3)"; on page 303, at the beginning of line 4, to strike out "(5)" and insert "(4)"; at the beginning of line 6, to strike out "(6)" and insert "(5)".

In section 20, on page 373, line 5, after the word "and", to strike out "957" and insert "960"; at the beginning of line 21, to strike out "subsection" and insert "paragraph"; after line 24, to insert:

"(2) LIMITATION.—The amount of the reduction under paragraph (1) for each failure to furnish information with respect to a foreign corporation required under subsection (a)(1) shall not exceed whichever of the following amounts is the greater:

"(A) $10,000, or

"(B) the income of the foreign corporation for its annual accounting period with respect to which the failure occurs."

On page 374, at the beginning of line 9, to strike out "(2)" and insert "(3)"; in line 22, after the word "section", to strike out "956" and insert "960"; on page 376, line 2, after the word "apply", to strike out "except that clause (i) of section 318(a)(2)(C) shall be applied without regard to the 50 percent limitation contained in such section." and insert "except that—

"(A) the second sentence of subparagraphs (A) and (B), and clause (ii) of subparagraph (C), of section 318(a)(2) shall not be applied so as to consider a United States person as owning stock which is owned by a person who is not a United States person, and

"(B) in applying clause (i) of subparagraph (C) of section 318(a)(2), the phrase '10 percent' shall be substituted for the phrase '50 percent' used in subparagraph (C)."

On page 377, line 10, after the word "is", to strike out "an officer or director of a foreign corporation on January 1, 1963" and insert "on January 1, 1963, an officer or director of a foreign corporation, 5 percent or more in value of the stock of which is owned by a United States person,"; on page 378, line 10, after the word "laws", to insert a comma and "except that in the case of persons described only in subsection (a)(1) the information required shall be limited to the names and addresses of persons described in subsection (a)(2)"; in line 15, after "(a)", to strike out "(2) and (3)"; on page 379, after line 5, to insert:

"(e) LIMITATION.—No information shall be required to be furnished under this section with respect to any foreign corporation unless such information was required to be furnished under regulations which, on the date on which the United States citizen, resident, or person becomes liable to file a return required under subsection (a)—

"(1) if such liability arises on or after January 1, 1963, and before March 1, 1963, have been in effect since January 1, 1963 (but only if such regulations were prescribed before December 1, 1962), or

"(2) if such liability arises on or after March 1, 1963, have been in effect for at least 90 days."

On page 379, at the beginning of line 18, to strike out "(e)" and insert "(f)"; in the second line of the material after line 18, after the word "sections", to strike out "6678" and insert "6679"; on page 380, line 3, after the word "adding", to strike out "at the end thereof" and insert "after section 6678 (as added by section 19(e) of this Act)"; at the beginning of line 6, to change the section number from "6678" to "6679"; on page 381, at the beginning of the line after line 9, to change the section number from "6678" to "6679".

On page 391, at the beginning of line 22 to change the section number from "21" to "27"; after line 22, to strike out:

"Section 7852(d) of the Internal Revenue Code of 1954 (relating to treaty obligations) shall not apply in respect of any amendment made by this Act."

And, in lieu thereof, to insert:

"No provision of this Act shall apply in any case where its application would be contrary to any treaty obligation of the United States."

Mr. KERR. Mr. President, yesterday I occupied the floor for about 4 hours, some considerable part of the time devoted to answering questions from the distinguished Senator from Wisconsin. Later in the day, as I went by his chair, he asked me if I would again yield. I explained to him that some degree of physical fatigue had set in and I did not want to again take the floor, but that I would be happy to do so today. I now have the floor, Mr. President, and I am happy to yield to the Senator from Wisconsin for a question.

Mr. PROXMIRE. I thank the Senator for yielding.

I want to ask the Senator from Oklahoma how he can maintain that we need investment credit for the purpose of increasing the modernization of American equipment and machinery in view of the fact that the McGraw-Hill survey shows we are going to have this year the biggest investment in plant and equipment in the history of our country. They expect, on the basis of their survey, which has been very accurate in the past, for it to be even bigger in 1963, 1964, and 1965. Furthermore, they say that 70 percent of this investment is going to be in modernization. So without the investment credit, and even without the new depreciation provisions, we are going to have the greatest improvement in the modernization of our plant we have ever had in our history, and the expectation is that plant is going to be automated even more rapidly in the next 3 or 4 years.

Since the most authoritative evidence is that industry is going to break all records in modernization, how can the Senator from Oklahoma maintain that we need investment credit for the purpose of increasing the modernization of American equipment and machinery?

Mr. KERR. Mr. President, the position of the Senator from Oklahoma is this: America has come of age in a new world, a world we have helped create, of which we are a part, and of which, with reference to the free nations of the world, we are the leaders. We are confronted with the reality of a revived, resurgent, vital, dynamic, expanding industrial workshop in Western Europe, which, as of today, in countries with a population equal to our own, is united in an economic union, which union is in the process of negotiating with the United Kingdom to become a part of it. The Senator from Oklahoma is hopeful that those negotiations will be successful, and that the United Kingdom will become a part of the Common Market. The Senator from Oklahoma entertains this wish because he believes it will be to the advantage of the United States of America for that to be accomplished.

The Senator from Oklahoma believes that this economic union in Western Europe, especially if and when the United Kingdom becomes a part of it, will be a third world power, with an industrial, population, and resource strength superior to that of Russia and with an industrial potential superior to that of both Russia and China. The Senator from Oklahoma believes it will be a great barrier—and I believe one of the two invincible barriers—against Communist aggression and world domination either by Communist Russia or Communist China or both.

Yet, great as are those advantages, the competitive position between the United States of America and that great industrial workshop in Western Europe will be something which will be fought out over a period of years, during which the fiercest industrial competition which has ever taken place in this world will occur.

It is the hope of the Senator from Oklahoma that the United States will emerge, shall I say, triumphant in that great competitive and economic struggle. If it is to do so, the rate of growth we have had, the rate of growth we now have, and the rate of growth we foresee under the present environment of our industrial complex, in the opinion of the Senator from Oklahoma, will not be adequate in the elements of encouragement and stimulant which it contains to permit and to bring about that desired growth in our own industrial workshop which will enable us to hold our own in that tremendously fierce and enduring competition.

The Senator from Oklahoma does not believe that we should wait until that competition has reached the point that it is evident that the great industrial workshop emerging in Europe, the overall rate of growth of which is at this time much higher than our own, to take those actions which will insure the opportunity for the certainty that America's industrial growth will be maintained at a rate that will never permit our position industrially and competitively, both for the domestic market within this country and for the world market in the channels of trade and commerce of the free world, to be jeopardized.

Therefore, the Senator from Oklahoma thinks that a stitch in time will save nine, that action in time will insure the achievement of this objective, for which I know the Senator from Wisconsin devoutly hopes.

If there is disagreement between the Senator from Wisconsin and the Senator from Oklahoma, it is not as to the objective to be achieved but is as to whether this provision is either necessary or helpful to the achieving of that objective. The Senator from Oklahoma thinks it is. The Senator from Wisconsin thinks it is not. I have full respect for the Senator's position and for his ability to make it clear. I simply do not agree with it.

Mr. PROXMIRE. Is it not true that with the changes in the depreciation schedule which the Treasury Department has now provided, any firm can depreciate any piece of equipment or machinery as rapidly as it wishes, and in the future for the first time will have an opportunity to write it off against taxes; provided only that it can show it actually does depreciate and actually does use up the equipment that rapidly? So although the new depreciation schedule which has gone into effect has not had an effect yet at stimulating the American economy, it would seem to be just about as far as one could go without providing an extraordinary, excessive advantage for manufacturers.

Mr. KERR. The first question the Senator asked the Senator from Oklahoma would answer in the affirmative. Since the Senator then qualified his question, the Senator from Oklahoma will have to answer in the negative.

The fact about the business is, Mr. President, even giving effect to the new depreciation guidelines, the representative tax life, with reference to a comparison between the United States and the nations of Europe, would be roughly as follows: in Belgium 8 years, in Canada 10 years, in France 10 years, in West Germany 10 years, in Italy 10 years, in the Netherlands 10 years, in Sweden 5 years, in the United States 12 years, in Japan 16 years, and in the United Kingdom 27 years.

Giving effect to the new guidelines in the last order, to which the Senator has referred, the depreciation allowance in the first year would be as follows: in Belgium 22½ percent, in Canada 30 percent, in France 25 percent, in West Germany 20 percent, in Italy 25 percent, in Japan 43.4 percent, in The Netherlands 26.2 percent, in Sweden 30 percent, and in the United Kingdom 39 percent.

The average for all those foreign countries is a 29-percent depreciation deduction, initial investment allowance, the first year. That is an average of 29 percent. In the United States, after giving effect to the new depreciation guidelines, the percentage is 16.7 percent.

Mr. DOUGLAS. Mr. President, will the Senator yield?

Mr. KERR. That compares to the overall average which I have just stated, as to which I read the details, of 29 percent in the nine foreign countries which are competitive to us.

Mr. DOUGLAS. Mr. President, will the Senator yield?

Mr. PROXMIRE. Mr. President——

Mr. KERR. I should be delighted to yield to my friend from Illinois, but the Senator from Wisconsin, after the Senator from Oklahoma talked to him yesterday and explained to him he was not exhausted, but tired, and would be glad to yield to him this morning, took the floor of the Senate and expressed regret over the fact that the Senator from Oklahoma had seen fit to leave the Chamber and not permit himself to be interrogated by the Senator from Wisconsin.

Mr. DOUGLAS. I understand and withdraw my request.

Mr. KERR. I say to my friend from Illinois, after I have fully satisfied the Senator from Wisconsin I shall have no higher pleasure than to yield to the Senator from Illinois for such questions as he wishes to ask.

Mr. DOUGLAS. It is always a great pleasure to engage in colloquy with the Senator from Oklahoma. I think his implicit reproof to me is correct. I shall not try to inject myself in this discussion.

Mr. PROXMIRE. Mr. President, I wish to make it clear that the Senator from Wisconsin merely stated exactly what happened. The Senator from Oklahoma said he preferred to be interrogated this morning. I put that in the RECORD. I thought that was a perfectly reasonable request. I said I would regret it very much if there were not an opportunity to interrogate the Senator from Oklahoma, who is in charge of the consideration of the bill, before the Senate takes action.

Mr. KERR. I would not miss it for the world.

Mr. PROXMIRE. So the Senator from Oklahoma and the Senator from Wisconsin agree on this.

Now, to get back to the Senator's answer, I merely wish to point out to the Senator from Oklahoma that whereas there may be in the difference in depreciation opportunities to which the Senator adverts, it is very interesting to note that the countries which can charge off the largest amount of their equipment in the first year—and the United Kingdom is a conspicuous example—have been growing more slowly than others.

The investment credit has not helped them. They have been doing worse not better than countries that have no investment credit. Sweden can charge off the life of assets in an average of 5 years; Belgium 8 years. Those countries have been growing more slowly than has the United States, not more rapidly. So the empirical evidence shows——

Mr. KERR. With reference to Sweden, we know that it is a Socialist country in which, so far as we know, all or much of the industry is owned by the Government. It is a Socialist government. The Senator from Oklahoma believes that any Socialist government will slow down the industrial development within it. That is inherent in socialism. This country, with even more shackles around it than it has now, will outgrow any Socialist country in the world.

The United Kingdom has had a slower rate of growth. I cannot imagine more trouble than the United Kingdom has had economically in the past 15 years. As I read my history, late in the 19th century there was a great celebration in England. It was the 50th anniversary of the great Queen. People came from around the world and joined in a tribute to the great Queen and to the mighty empire over which she reigned.

England was the predominant military power in the world. It was said that the sun never set upon her dominions and her possessions. England was the predominant financial power in the world. England was the predominant industrial power in the world. Her mighty fleet which ruled the waves made it possible for countless thousands of boats and ships to ply the seven seas, bringing from her colonies around the world raw materials which were fed into the maw of her industrial machines, out of which poured the mighty production which gave her a predominant position industrially and financially, and supported her in achieving her predominant military position in the world.

While that celebration was underway, a citizen of England was a resident in our country. I know he must have been thrilled by the great celebration going on in his native land and by the tribute being paid to the great queen upon her 50th anniversary. But he looked down the years and saw that the day would come when his mother country would be stripped of her colonies and when the foundation for the mighty position she occupied would no longer exist. Rudyard Kipling then penned the immortal words of the "Recessional":

God of our fathers, known of old,
Lord of our far-flung battle line
Beneath whose awful hand we hold
Dominion over palm and pine,
Lord God of Hosts, be with us yet,
Lest we forget, lest we forget!

He said:

> The tumult and the shouting dies,
> The captains and the kings depart,
> Still stands Thine ancient sacrifice,
> An humble and a contrite heart.
> Lord God of Hosts, be with us yet,
> Lest we forget—lest we forget!

Today I honor England, equal with the honor I pay any nation on this earth, other than the proud and mighty Nation under the western stars, beneath the flag of Old Glory.

But England no longer rules the waves. Her financial institutions are no longer the dominant power in finance. Her industrial workshop no longer causes the channels of trade and commerce to tremble or stand in awe and respect. The star that was then in its zenith above the United Kingdom and shone with such brilliance upon the magnificent celebration of the 50th anniversary of the great Queen has long since left its zenith and started its inexorable descent down the western horizon.

It is my hope that it will never set, because she has a proud and glorious history and record. But her colonies have been stripped from her. She has had the fight of her life to survive. Be it said to her credit, her courage has never failed or dimmed. The ingenuity and resourcefulness of her people have never been impaired.

But she is competing today with our Nation. Today the star of America is in the zenith, and our light shines far above the seven seas and the channels of trade and commerce around the world. It is well, because we now bear the burden of world leadership of the free world. Ours is the dominant industrial workshop on the earth. We are the center of financial strength and power in our world. We are the proud possessors of mighty fleets in the air, on the ocean, and under the waters of the ocean that make the world livable here and in other free areas.

How can the distinguished Senator from Wisconsin seek to impose upon us shackles that would hold our progress to the rate of advance yet to be made by the brave and gallant nation yonder on that island, after the sources of her wealth, her power, and her strength have been stripped from her? There is no basis of comparison, nor could we possibly endure the thought of shackling ourselves to a position in which we could march forward at no greater pace of progress than England is able to maintain.

Mr. PROXMIRE. Mr. President, will the Senator yield?

Mr. KERR. I yield. I was about to describe conditions in both Belgium and Holland.

Mr. PROXMIRE. Mr. President, I do not like to puncture the Senator's magnificent oratorical balloon——

Mr. KERR. Have at it.

Mr. PROXMIRE. I will have at it.

Mr. KERR. I ask no quarter and give none.

Mr. PROXMIRE. The Senator has made an attack on the investment credit in trying to defend it, that demolishes his own position. The fact is that England was rising. England was reaching the zenith before she had the investment credit and before she had the advantages of quick depreciation. Since she adopted that method of subsidy—this particular method of tax advantage for manufacturers—she has gone down, as the Senator has so eloquently described. Whenever we raise this point—whether it be in relation to Belgium, the Netherlands, England, or Sweden—there is always an alibi. It is said that this country or that country is a Socialist country, or that it has lost its colonies.

They have had one kind of problem or another. The fact remains that they adopted investment credit, and they have not grown as rapidly as we have.

Mr. KERR. The decline started before they adopted the measure. They adopted the measure in an effort to hold the decline as they started up the hill with some degree of success. The Senator's observations on history are not supported by the record. However, I yield for a question, not a speech.

Mr. PROXMIRE. Is it the Senator's position that although we are winning the trade competition, although we have a new depreciation schedule, we must follow the same kind of tax privilege and tax advantage that our world competitors do, no matter how unjustifiable and discriminatory they may be? I ask the Senator if this is not the same old story that we have encountered in our experience in our own States, the argument that we must adopt whatever regressive form of taxation a nearby State has adopted if we are to permit our manufacturers, in Oklahoma or in Wisconsin, to compete successfully? Is it not the same old discredited argument that we have to have a tax system, no matter how regressive it may be, in order to put our industry on the same basis? Finally, I wish to ask the Senator——

Mr. KERR. I wish the Senator would ask these questions one at a time. The Senator has already asked three. I will try to answer two of them. First, as of now, certainly, we are not winning the trade war. The Senator has been quoting figures on the floor about our advantage with reference to imports and exports, totally ignoring many of the elements of the picture relating to export dollars in contrast to the dollars we import.

The Senator has used various figures about how much more we sell than we buy. He took offense yesterday because I did not accept the figures of the Department of Commerce in this connection. About 2 years ago the distinguished chairman of our committee became suspicious of the figures that were being given to the committee with reference to how much this country was exporting and how much it was importing. Witnesses came before our committee and told us:

> The figures of the Department of Commerce show that we have a $4 billion favorable trade balance.

The distinguished senior Senator from Virginia said:

> Let us analyze these statements. How much of this supposedly $4 billion trade balance is due to the agricultural and other products we export after we give them away?

Mr. PROXMIRE. Mr. President——

Mr. KERR. Let me answer the Senator's question. He can stand up as long as I can.

Mr. PROXMIRE. The Senator has asked a rhetorical question. I wish to answer it.

Mr. KERR. The Senator from Virginia asked that question of the witness. The witness said, "I do not know."

The Senator from Virginia said, "Go and get the answer."

The witness came back and disclosed that about $2 billion to $2½ billion of that supposedly advantageous or favorable trade balance was by reason of what we had given away.

Mr. ROBERTSON. Mr. President, will the Senator yield?

Mr. KERR. I yield.

Mr. ROBERTSON. On grains?

Mr. KERR. Yes.

Mr. ROBERTSON. Six billion nine hundred million dollars, for soft currency, which is equal to a giveaway.

Mr. KERR. Yes. That has been included in the figures of the Commerce Department, representing to the American people what our favorable balance was in connection with trade and commerce. Because of the fight made by the Finance Committee, under the able leadership of its distinguished chairman, the Commerce Department began using a different basis for the figures that it publishes.

However, even as of now, when they issue their monthly figures on what our exports and imports are, they include in the exports what we give away.

Finally, when they get down to the things that go out for dollars, as contrasted with the imports that come in and are paid for in dollars, they give the figures in their quarterly reports. But even in those reports they include our agricultural exports, which are sold at the world market. Cotton, for example, is sold at 8½ cents a pound less than American textile mills pay for it. Feed grains are sold at a greatly reduced price.

Mr. ROBERTSON. Mr. President, will the Senator yield?

Mr. KERR. I yield.

Mr. ROBERTSON. On wheat, our export subsidy is 65 cents a bushel.

Mr. KERR. On wheat, it is 65 cents a bushel. Yet the dollar we receive from the sale of agricultural products at giveaway prices are included in the Commerce Department's reports with reference to our trade balance, imports and exports. If we strip from that statement the billions of dollars of agricultural exports that we send out, for which we receive some dollars, but which are sold at from 25 percent to 35 percent below the domestic market, we find emerging an entirely different picture.

As of now, the Department of Commerce says we have a favorable trade balance, I believe, running at the rate of $2 billion for 1962. The Senator from Oklahoma has not had time to go beneath the surface, as the Senator from Virginia has so often done in asking questions at Finance Committee hearings, and as the distinguished junior Senator from Virginia [Mr. ROBERTSON] has indicated in connection with the prices that we get for these exports, even though they pay us a part of their value in dollars.

Therefore, the Senator from Oklahoma does not regard as valid in this debate, and in determining the position of the American industrial workshop relative to that in Western Europe, the figures of the Department of Commerce. They are not an accurate presentation of the actual picture.

When we finally strip the issue down to what this country buys and sells, we see that what we buy we pay for at 100 cents on the dollar, and Senators will find that instead of having a rosy picture of a big balance in favor of our country, we have a sad picture, an anemic picture, one which can be corrected only by a vast increase in the efficiency in the economy of our industrial workshop and its productivity.

As I said yesterday, aside from whatever the relationship may be, if we continue to give away our products or sell them at 50 cents on the dollar, we can keep a certain number of dollars coming into this country. However, there are Senators who think the day will come when either by choice or necessity we shall abandon that process. In the meantime it is the hope of the Senator from Oklahoma that we will develop a situation which will enable us to survive and maintain the convertibility of the dollar which we now maintain, without being forced into international fiscal bankruptcy, as I related it yesterday with respect to the decline in our gold reserve and the increase of the claims against it.

With reference to the last question of the Senator from Wisconsin, about this being the same as the contest between the various States——

Mr. PROXMIRE. Before the Senator gets to that, does he wish to yield for one further question?

Mr. KERR. I am simply answering the Senator's questions one at a time. I will finish answering the last one.

Mr. PROXMIRE. The Senator just finished saying he had finished.

Mr. KERR. No; I said:

> Now, with reference to the last question of the Senator.

Mr. PROXMIRE. That is correct. I simply wanted to ask a further question with respect to the question the Senator just answered, if he will permit. Does the Senator deny that the Department of Commerce shows that we have a surplus in trade of $4.8 billion in the first half of 1962?

Mr. KERR. Yes; I deny that it shows that.

Mr. PROXMIRE. I have the figures right here.

Mr. KERR. If the Senator will look at them, they show that we are going at that rate for the year.

Mr. PROXMIRE. That is correct.

Mr. KERR. That was not what the Senator asked.

Mr. PROXMIRE. Seasonally adjusted.

Mr. KERR. That was not in the Senator's question.

Mr. PROXMIRE. On an annual basis.

Mr. KERR. That was not in the Senator's question.

Mr. PROXMIRE. If we take out Government aid of exports, we take $2.6 billion from that balance.

Mr. KERR. No; we have an annual rate of that.

Mr. PROXMIRE. An annual rate of that.

Mr. KERR. The Senator ought to read what the rate is.

Mr. PROXMIRE. If we add in the services rendered surplus, of $1.7 billion; we have an annual favorable trade in the commercial area alone, leaving out the Government giveaway of $3.9 billion. If we subtract from that the $2.5 billion, which is all we have loaned abroad, capital long and short term from our private institutions, we have a surplus of $1.5 billion, even assuming that all we have loaned abroad has come back and has been spent here and has benefited our export business.

I submit that on this basis, in the first half of 1962, we are winning; we are doing a better job in trade than other nations throughout the world.

Mr. KERR. Surely; but in that annual rate of $1.5 billion is included $1.1 billion of agricultural products we are selling.

Mr. PROXMIRE. Government aid or financed exports.

Mr. KERR. That is not Government aid exports. The Senator ought to know what he is looking at. The Senator from Oklahoma does not admit its authenticity. What it says does not include sales of agricultural products that we make for dollars, not loaned, which are sold at from 25 to 40 percent discount. Did not the Senator know that?

Mr. PROXMIRE. The position of the Senator from Wisconsin is that this is included in the figures here; and this is not commercial export; it is Government-financed aid export.

Mr. KERR. No, they are not Government financed at all. We sell those products for cash, but we sell them at a discount.

Mr. PROXMIRE. They are Government sales, though. They are Government export.

Mr. KERR. That is Government aid.

Mr. PROXMIRE. It is Government export. The figure is for Government export.

Mr. KERR. The Senator said it was Government aid export.

Mr. PROXMIRE. Well, it is not commercial export.

Mr. YOUNG of North Dakota. Most of our exports of wheat are for dollars. It is private trade in itself, but is subsidized by the Government. There is a separate subsidy. It is export trade but not for the Government.

Mr. KERR. It is not included in that figure. What they actually get was included in that figure of the Department of Commerce.

So if we strip it all down bare, naked, we have a deficit. Any time we want to give this "stuff" away, we can do so.

I wrote a book 3 or 4 years ago. I found out that it was not too great a success in selling. But it was the easiest thing to give away that I ever saw. The same is true of our agricultural products.

The Senator from Oklahoma said that we have built an industry and a workshop that will bring things into the channels of trade and commerce and world competition and will produce an adequate inflow of dollars to offset what goes out for the stuff we buy; what goes out for what our tourists spend overseas; for what goes out that we spend in other countries in connection with our armed services; for what goes out in the form of loans of dollars that do not have to be spent here. Why treat a patient until he can stand up for an hour a day but never will get any better than that?

I used to know a doctor, a very dear friend of mine. He said, "Do you understand my concept of treating illness?"

I said, "Yes, you treat your patients so that they will neither die nor ever get well."

That is the kind of prescription the Senator from Wisconsin is offering. He wants to give an economic prescription that will let American industry barely get up off its knees, but never be able to stand erect and take its rightful place in the economic battles of this great new world in which we have come of age, and which we helped to create.

Mr. PASTORE. Mr. President, will the Senator from Oklahoma yield for a question?

Mr. KERR. I am delighted to yield.

Mr. PASTORE. Is the Senator from Oklahoma saying categorically that insofar as the balance of trade being in our favor is concerned, it is merely a fiction?

Mr. KERR. The Senator from Oklahoma tried to explain very carefully what he was saying.

Mr. PASTORE. I am very much interested in the subject; I am not being critical at all.

Mr. KERR. I know the Senator is not being critical.

Mr. PASTORE. I am not trying to be impertinent. The Senator's view is very optimistic. He believes that the balance of trade is in our favor. The point has been made that some things are being sold at a discount, which are being included in what they are actually selling, and that is balancing the trade to our favor. But that is only a fiction, and not a truth.

Mr. KERR. If the Senator from Wisconsin [Mr. PROXMIRE] can understand these figures, he is far better than the Senator from Oklahoma.

The actual situation is this: I said that aside from Government aid exports and Government financing, the balances are now in our favor to the tune of $1,500 million or $1,200 million a year.

Mr. PROXMIRE. They are in our favor to the extent of $3.9 billion a year even if we include the export of American capital, and even if we assume that it is all spent here.

Mr. KERR. The Department of Commerce advised me last night that aside from what we were giving away, we had a favorable balance of about $2 billion, at the annual rate, for this year. But included in that amount are the dollars we receive for the agricultural products we sell at a discount.

I have been trying all morning to get from the Department of Agriculture the exact figures with respect to our total exports of agricultural products at a discount. I have not been able to get that information, but I expect to receive it during the day and shall place it in the RECORD. I am of the opinion that it exceeds the $2 billion, which, according to the estimates I received from the Department of Commerce, is our favorable trade balance for this year, including the dollars we receive for the agricultural products we sell at a discount.

Mr. PASTORE. Then the Senator says we are selling our agricultural commodities at a discount. Does he mean that foreign consumers are able to buy those commodities at cheaper prices than the prices which American consumers pay?

Mr. KERR. I say that a foreign textile mill can buy American cotton——

Mr. PASTORE. I know about cotton.

Mr. KERR. At 8½ cents a pound under what domestic textile mills pay.

Mr. PASTORE. I realize that.

Mr. KERR. Foreign users are buying our wheat for about 65 cents a bushel below the domestic price.

Mr. PASTORE. In other words, American commodities are being sold abroad at a price cheaper than the price the American consumer has to pay for them?

Mr. KERR. That is correct.

Mr. PASTORE. I am familiar with the cotton situation, because that case is pending before a Government agency. It is one in which we and the declining textile industry in this country are deeply interested. Up until now, a decision has not been forthcoming.

There is very little for us in the United States to brag about, when we are boasting about what we are selling abroad, when what we are selling there is being sold to foreign consumers at a cheaper price than the price at which it is being sold to American consumers. Certainly we have very little to brag about in that situation, and it gives no pleasure to me.

Mr. KERR. I understand; and that is what the Senator said when he said he did not believe we needed an economic doctor which would prescribe for us the kind of medicine that would barely keep us alive, but never would permit us to become as strong and as powerful as we can become with the proper economic environment.

Mr. PROXMIRE. Does the Senator from Oklahoma deny that the McGraw-Hill survey and the National Industrial Conference survey and the Wall Street Journal survey all show—after interrogating businesses all over the country—that they consider that the investment credit will have little or no effect on the investments they make; and according to the survey made by the National Industrial Conference Board, such additional investments would be made only in the amount of approximately $300 million, but at a cost of $1 billion in Federal revenue?

Mr. KERR. I say to the Senator from Wisconsin that my confidence in myself is such that I think I know more about the economics of the American industrial establishment than do the editors of McGraw-Hill or the Wall Street Journal—and what was the other one the Senator from Wisconsin named?

Mr. PROXMIRE. I say to the Senator——

Mr. KERR. The Senator from Wisconsin named three papers. What were they?

Mr. PROXMIRE. It was a survey of the top executives of each of these companies. They were asked what effect the proposed investment credit would have on their companies. The Wall Street Journal asked 68 of the leading business executives in the country. Only one said he would change his policy in regard to industrial plant and equipment. The National Industrial Conference Board asked 1,000. The Senator from Oklahoma is a very successful businessman; but he is only one, and I doubt that he knows more than 1,000 people—although that is possible.

Mr. KERR. I say to the Senator from Wisconsin that I do not know what McGraw-Hill said. I am like the young fellow that a well-known poet wrote about. This young fellow was trying to get a girl to marry him, but she was not satisfied with the economic situation he could offer her, and she was trying to encourage him to exert greater effort than he was capable of.

She said she wished he could be like Ben Franklin.

She said 'at Ben Franklin was awfully poor,
  But full of ambition an' brains;
An' studied philosophy all his hull life,
  An' see what he got for his pains!

He brought electricity out of the sky,
  With a kite an' a bottle an' key,
An' we're owing him more'n anyone else
  For all the bright lights 'at we see.

Jane Jones she honestly said it was so!
Mebbe he did—
I dunno!
O'course what's allers been hinderin' me
Is not havin' any kite, lightnin', er key.

I do not know what McGraw-Hill said. But I know what the economic facts of life are, and I know what industrial executives in this country have told me. I know what the railroad industry has said; I know what the textile industry has said; I know what the chemical industry has said; I know what the coal industry has said; and I know what the shoe industry has said.

Mr. PROXMIRE. They want a windfall.

Mr. KERR. They say, "We need this additional incentive to enable us to build facilities to quickly and effectively compete for the domestic market and in the world market."

The Senator from Wisconsin can call it a windfall if he likes; it is immaterial to the Senator from Oklahoma. I simply do not agree with him.

I think it is a constructive piece of tax legislation which, in conjunction with the revision of the depletion formula recently announced, will arm the industrial workshop in this country with the economic weapons to enable it to survive and to prosper. Mere survival, Mr. President, is inadequate.

Mr. PROXMIRE. These hundreds of exeutives were asked the question: If the administration's program of tax incentives for investment purposes were enacted, how much would it cause them to increase their capital expenditures in 1962?

In reply, business as a whole indicated that it would raise its 1962 plans by only about 1 percent or about $300 million. Nine out of every ten companies which replied stated that they would not use such a program. That was exactly the same answer that the National Industrial Conference Board got, and it was exactly the same answer that the Wall Street Journal got.

Although the Senator from Oklahoma is one of the most successful businessmen in the country, I submit that these people, who have the responsibility of determining the capital investment plans of their own companies, understand their companies' plans even better than does the Senator from Oklahoma.

Mr. KERR. I think I understand them better than the Senator from Wisconsin does.

Mr. PROXMIRE. I am sure the Senator is endowed with ample self-confidence.

Mr. KERR. And the plans for 1962 were not made in the middle of 1962 or in the spring of 1962. The plans of these companies for their expansion in 1962 were made in 1960 or in 1961.

Mr. PROXMIRE. May I say to the Senator——

Mr. KERR. Just a minute. If any one of us is going to make a speech in my time, it is myself. I will answer the Senator's questions, but I will not yield any further for speeches.

As for the question the Senator from Wisconsin referred to, I do not know when they were asked it. But this investment credit was not then a reality. There are some conservative businessmen in this country who do not respond to that which is not in existence. They knew there was certain opposition to this investment credit last year. They knew there was strong opposition to it this year. Why would they respond to a stimulant which had not been provided at that time?

Mr. PROXMIRE. That was not the question——

Mr. KERR. The Senator from Wisconsin can speculate all he wants to. But the evidence the Senator from Oklahoma has is that industry—if and when this credit becomes the law and becomes available to industry—will respond. That is my conviction. The Senator from Wisconsin may have a different one. If he does, I am happy to have him tell the Senate so; but I am going to ask him to do it in his own time, not in my time.

(At this point Mr. PELL took the chair as Presiding Officer.)

Mr. PROXMIRE. Does the Senator from Oklahoma deny that the great business organizations and associations of the country came before the Finance Committee and opposed this windfall which business would thus receive?

Mr. KERR. Yes, I deny that——

Mr. PROXMIRE. Does the Senator from Oklahoma deny that they came before the committee?

Mr. KERR. No, I do not deny that they came before us.

Mr. PROXMIRE. Or that they opposed the investment credit?

Mr. KERR. I admit that some of them opposed it. But I deny that any of them opposed it as a windfall or that it is a windfall. When the Senator from Wisconsin includes the word "windfall" in his question, I answer in the negative.

Mr. PROXMIRE. But the Senator from Oklahoma does not deny that they opposed it?

Mr. KERR. There were some who opposed it, and they are as shortsighted as the Senator from Wisconsin.

Mr. PROXMIRE. Does the Senator from Oklahoma dispute that this investment credit would "sock" the budget for a $1 billion or $1.4 billion tax cut which the responsible business organizations oppose?

Mr. KERR. Well, Mr. President, that is a question of interpretation. The Government spends a couple of billion dollars a year in the development of water and soil resources. If one were so shortsighted as to look at only the budget for that year, he would consider that the budget had been "socked" for $2 billion. But if he would look at what that $2 billion expenditure would do, if he would look at vast areas in this country whose economies have been built up, following this kind of investment, and if he would see the tremendous inflow of taxes which comes to the Government from economies thus encouraged and thus provide a foundation for coming into existence and growing and expanding, he would have a concept of the situation similar to that which the Senator from Oklahoma has of this investment credit.

It is true that for the first full year the Treasury would lose in excess of $1 billion current revenue. But, Mr. President, that will not be a loss. That will be an investment by this Government in a stronger base for growth and progress and greater prosperity. And on that foundation will develop a stronger economy. From that investment will come greater returns; and I hope I have the ability to look beyond the immediate moment, and to see what is out yonder that will come from so constructive a move as I regard this investment credit.

Mr. PROXMIRE. Then is the Senator from Oklahoma making the usual argument that if Government taxes are cut and reduced—although, according to the responsible businessmen, the stimulation of business which will result will be far less than the amount of the tax cut—the Government will, somehow, get back more than the amount of the tax cut? If so, why not eliminate or reduce all taxes, balance the budget and retire the national debt?

Mr. KERR. If the Senator has the intelligence I think he has, he understood what I said; and if he did not, he can read it in the Record, and he does not need to put an interpretation on it that was not given by the Senator from Oklahoma. The Senator from Oklahoma made a very clear statement that he believes this to be a sound Government policy whereby the Treasury would receive $1¼ billion less the first year, but thereby promote a greater growth, and a foundation for increased prosperity and increased tax revenue which in the long run will bring in far more for the economy than it would presently lose in revenue. That is what the Senator from Oklahoma believes. The Senator will not argue about it, but if the Senator from Wisconsin wants to ask another question, the Senator from Oklahoma will answer it.

Mr. PROXMIRE. I want to understand what the Senator said. So the Treasury will raise revenues by losing taxes?

Mr. KERR. The Senator heard what I said.

Mr. PROXMIRE. Is the Senator aware of the fact that the oil industry will get get favored treatment because gas pipelines get a 7-percent investment credit, although I understand they are utilities regulated by the Federal Power Commission. Why the favoritism for the oil industry?

Mr. KERR. That shows the ignorance of the Senator from Wisconsin.

Mr. PROXMIRE. It is in the report.

Mr. KERR. The oil industry does not own any gas pipelines. They run from it as they would run from the plague. They got rid of them when the Supreme Court held that independent producers were utilities when they held gas pipelines. The oil companies do not own any interstate gas pipelines, because if they did they would become regulated utilities.

The 7 percent the Senator is talking about has nothing to do with oil companies. His reference to gas pipelines instead is concerned with interstate gas transporters, who are public utilities, and who are under the regulation of the Federal Power Commission, which has without exception compelled the interstate gas pipeline carriers to pass on to the consumers any savings that they get by such a situation as a tax credit.

Mr. PROXMIRE. Would the Senator deny that the Phillips Co. puts gas into the pipelines and therefore would benefit from this kind of arrangement?

Mr. KERR. I guess the Senator from Wisconsin is an authority in the Phillips Petroleum Co. The Senator from Oklahoma is not, but he would make this little suggestion to the Senator from Wisconsin: If he would really like to know whether the Phillips Petroleum Co. is in interstate gas pipelines or not, he can find out from them. I would wager him a Coca-Cola that they do not own a foot of interstate gas pipeline.

Mr. PROXMIRE. But the fact is that the pipelines are regulated by the Federal Power Commission.

Mr. KERR. But they are not owned by the oil companies.

Mr. PROXMIRE. But they are regulated public utilities.

Mr. KERR. That is what I said.

Mr. PROXMIRE. Yet they get a 7-percent credit.

Mr. KERR. Not on interstate gas pipelines. They do not own them.

Mr. PROXMIRE. The pipelines, according to the committee report on page 155——

Mr. KERR. The Senator ought to read what is in the bill. Maybe he would know what he is talking about.

Mr. PROXMIRE. One has to read the report to find the interpretation of the bill. I read the bill.

Mr. KERR. The Senator ought to read one of them. There is not anything in the report that is not in the bill.

Mr. PROXMIRE. On page 155 of the report, next to the last sentence on the page reads:

> Specific examples of qualifying property which normally would be used as an integral part of one of the specified activities are blast furnaces, oil and gas pipelines, and railroad tracks and signals.

This is the paragraph which refers to the 7-percent credit—oil and gas pipelines.

Mr. KERR. But the Senator did not say oil and gas pipelines. He asked me about gas pipelines.

Mr. PROXMIRE. Well——

Mr. KERR. Well.

Mr. PROXMIRE. Gas pipelines. Then I wish to discuss oil pipelines——

Mr. KERR. If the Senator knows anything about it, I will be glad to discuss it; if not, I will be glad to enlighten him.

Mr. PROXMIRE. I asked how the Senator justified the fact that gas and oil pipelines——

Mr. KERR. No. The Senator asked if the oil industry was not getting a windfall out of the 7-percent credit on gas pipelines. I said they are not because they do not own any.

Mr. PROXMIRE. Will not the gas pipelines get a windfall?

Mr. KERR. The gas pipelines will not, because any reduction they get they pass on to the consumers under the regulations of the Federal Power Commission. The consumers in Wisconsin will get the windfall.

Mr. PROXMIRE. Why do they not get the same treatment as any other utility that is regulated?

Mr. KERR. If the Senator from Wisconsin would look into it, he would find that gas interstate pipelines are regulated by the Federal Power Commission in Washington. He would find further that private utilities are regulated within the State where located.

Mr. PROXMIRE. I know that.

Mr. KERR. The Senator does not know that?

Mr. PROXMIRE. I do know that.

Mr. KERR. If the Senator does know that, he knows that the regulatory bodies in the States do not necessarily follow the same guidelines or formula of regulation that are followed by the Federal Power Commission, that the regulatory practices of the Federal Power Commission are not binding on State commissions, and that the regulatory practices of the State commissions are not binding on the Federal Power Commission.

Mr. PROXMIRE. Then why should not the gas pipelines get the same 3-percent investment credit that other regulated utilities get instead of a further preferential 7 percent?

Mr. KERR. In the first place, oil pipelines are not under the Federal Power Commission.

Mr. PROXMIRE. I know.

Mr. KERR. The Senator asked me a question, and I told him. I informed him, because I told him something he did not know, and I am happy to do that.

Mr. PROXMIRE. I thank the Senator from Oklahoma.

Mr. DOUGLAS. Mr. President, does the Senator from Oklahoma feel he has sufficient strength to answer a few questions which the Senator from Illinois would like to ask?

Mr. KERR. I will risk it.

Mr. DOUGLAS. Is the Senator from Oklahoma aware of the fact that the 7-percent credit is to be paid on all investment even though that investment is less than the actual depreciation upon the machinery and equipment?

Mr. KERR. I do not understand the question.

Mr. DOUGLAS. Suppose a company has a $100,000 of depreciation but invests only $70,000. Will it not receive a 7-percent credit on the $70,000, or $4,900 as a direct credit against its taxes, despite the fact that it is not actually physically meeting its depreciation costs?

Mr. KERR. If I understand the bill——

Mr. DOUGLAS. If the Senator knows the answer, I would appreciate his giving it to me.

Mr. KERR. If I understand it, I will give it.

Mr. DOUGLAS. Good.

Mr. KERR. And that will be in line with what the Senator from Oklahoma has always done.

Mr. DOUGLAS. That is correct.

Mr. KERR. If I understand the bill, it gives anyone making an investment in certain depreciable property a credit up to, but not exceeding, 7 percent against taxes, but there are very distinct limitations on the amount of credit that the taxpayer gets.

Mr. DOUGLAS. Now would the Senator answer my question, namely, is the Senator aware of the fact——

Mr. KERR. Will the Senator refer to the provision in the bill that he is asking about?

Mr. DOUGLAS. I am referring to the 7-percent credit.

Mr. KERR. Will he point it out in the bill?

Mr. DOUGLAS. The bill contains some 300 pages.

Mr. KERR. This part does not cover 300 pages.

Mr. DOUGLAS. The Senator from Oklahoma can give a direct answer to this question. There are various interlocked points in the bill. Is the Senator from Oklahoma aware of the fact that this 7-percent credit is to be given for all investment even though that investment is less than the actual depreciation upon the machinery and equipment? In other words, is the Senator aware that this tax credit is to be given for gross investment, and not net investment over and above depreciation?

Mr. KERR. It is on the gross investment the taxpayer makes in those items with reference to which the tax credit is applicable.

Mr. DOUGLAS. That is right.

Mr. KERR. That is correct.

Mr. DOUGLAS. That is correct; even though the gross investment were less than the depreciation.

Mr. KERR. That is correct.

Mr. DOUGLAS. I thank the Senator from Oklahoma. Is the Senator aware that this 7-percent credit would be given even though there were a decrease in the investment made, compared with previous years?

Mr. KERR. That is correct, but it would be applicable only to new investment.

Mr. DOUGLAS. That is correct. Now, is the Senator aware that this would be a very great difference from the original investment credit proposed by the administration and the Treasury Department, which was to be a 15-percent credit on net investment over and above 100 percent depreciation, plus a 6-percent allowance on the amount between 50 and 100 percent.

Mr. KERR. I would say this: I am not entirely familiar with all of the details of the original request by the administration. I am sure it is a matter of record. If the Senator wants to put it in the RECORD, he may do so.

I will say also that the Treasury Department has made it quite apparent that it is very much in favor of the passage of the bill with the investment credit provision which is to be provided.

Mr. DOUGLAS. I may say to my good friend, I had experts make an analysis of the progress of this bill.

Mr. KERR. Mr. President, I do not yield for a reading of the progress of the bill.

Mr. DOUGLAS. Would the Senator be willing to turn to pages 17764 and 17765 of the RECORD for yesterday, which lies on his desk? This is a question, as to whether the Senator would be willing to turn to those pages.

Mr. KERR. I am not willing to turn to them and to have the Senator from Illinois read to me. If the Senator wishes to read to the Senate——

Mr. DOUGLAS. I do not want to read. I want to ask a question.

Mr. KERR. If the Senator has a question, let us hear it.

Mr. DOUGLAS. Will the Senator tell me—as shown on page 17765—whether the original bill did not provide for a 15 percent credit on net investment over and above depreciation?

Mr. KERR. I rather think it did.

Mr. DOUGLAS. Yes.

Mr. KERR. I do not have to read what the Senator has there to know about it.

Mr. DOUGLAS. Fine. At first the Senator said he did not know about it.

Mr. KERR. I did not know what the question was.

Mr. DOUGLAS. I am glad he now does.

Mr. KERR. The Senator finally got around to asking a question.

Mr. DOUGLAS. Is the Senator aware that as this bill has gone through Congress it has been changed vitally from the original proposal by the administration?

Mr. KERR. There has been substantial change.

Mr. DOUGLAS. That is correct.

Mr. KERR. That was done by the Ways and Means Committee of the House and by the House of Representatives.

Mr. DOUGLAS. That is correct.

Mr. KERR. And by the Finance Committee of the Senate.

Mr. DOUGLAS. Is the Senator aware of the fact that——

Mr. KERR. Does the Senator from Illinois hold the Senator from Oklahoma responsible for that?

Mr. DOUGLAS. No.

Mr. KERR. I thank the Senator.

Mr. DOUGLAS. I merely wished to know whether the Senator was aware of it, that is all.

Is the Senator from Oklahoma aware of the fact that even though a business should reduce its investment from that of previous years it would still get a 7-percent tax credit on the investment which it made?

Mr. KERR. I believe I answered that question.

Mr. DOUGLAS. How did the Senator answer it?

Mr. KERR. If the Senator does not know he can read the RECORD tomorrow.

Mr. DOUGLAS. Does the Senator know how he answered it?

Mr. KERR. Yes; I know how I answered it.

Mr. DOUGLAS. How did the Senator answer it?

Mr. KERR. I answered it as I gave it.

Mr. DOUGLAS. Does the Senator——

Mr. KERR. And in that regard, with reference to the position of the Treasury Department, I will read to the Senator from the report of the Committee on Finance, at page 10:

> The Secretary of the Treasury in his appearance before your committee stated:
>
> "The central element in the bill is the tax credit for investment in depreciable machinery and equipment."
>
> At another point he said, with respect to the investment credit:
>
> "This matter has top priority in the agenda for tax reform. As chief financial officer of the Nation, I do not lightly regard tax abatements on the scale proposed here. I urge this legislation because it will make a real addition to growth consistent with the principles of a free economy; because it will provide substantial help in alleviating our balance-of-payments problem, both by substantially increasing the relative attractiveness of domestic as compared with foreign investment and by helping to improve the competitive position of American industry in markets at home and abroad; and because, far from adding to the forces responsible for alternative recessions and recoveries, it will be of major assistance in strengthening our present recovery and enabling us to attain a higher rate of growth and sustained full employment. Early action will resolve uncertainty or hesitancy and begin at once a strong and lasting incentive for modernization of the productive facilities of our national economy."

Mr. DOUGLAS. Now, may I say, I admire——

Mr. KERR. I will say to the Senator from Illinois that that is the position of the Senator from Oklahoma.

Mr. DOUGLAS. I understand. Now will the Senator answer my question?

Mr. KERR. If the Senator from Illinois does not like this bill, he is at perfect liberty to offer any amendment he wishes to offer. If he favors the original administration proposal, he can offer it as a substitute for the provision recommended. If he is against this provision, he can fight it. But the Secretary of the Treasury in that statement made clear the position of the administration, and that is the position of the Senator from Oklahoma.

Mr. DOUGLAS. I admire the voice of the Senator from Oklahoma.

Mr. KERR. I thank the Senator.

Mr. DOUGLAS. And his stentorian presence. But now would the Senator from Oklahoma answer my question? Does the Senator realize that even though a firm should decrease its investment, it would still get the 7-percent credit on the gross investment which it would make?

Mr. KERR. Yes. I told the Senator that twice. I told the Senator that it was only with reference to the investment it made after the effective date of the bill, and not only if the firm makes a lesser investment, but also if it makes a greater investment.

Mr. DOUGLAS. Then how can it be said that this would stimulate investment, when it would reward a firm for making a lesser investment?

Mr. KERR. Well, I will say this to the Senator from Illinois: There are none so blind as those who refuse to see. It just might be, I say to the distinguished Senator, that without this provision, instead of making a lesser investment, the taxpayer might not make any investment. Had that ever occurred to the Senator as being possible?

Mr. DOUGLAS. It has never occurred in the past for American industry as a whole.

Mr. KERR. Oh, now——

Mr. DOUGLAS. American industry has made huge investments.

Mr. KERR. Who is the Senator to say what has never occurred in the minds of industrial investors since 1789?

Mr. DOUGLAS. I did not say that; it is always the Senator from Oklahoma who makes those judgments.

Mr. KERR. The Senator just made one, and I challenged it.

Mr. DOUGLAS. Is the Senator aware of the fact that there have been enormous investments in machinery and equipment by American industry in the past without the 7 percent credit?

Mr. KERR. Yes.

Mr. DOUGLAS. And that even though there were no increase in the investment, the firms would get the 7-percent credit in the future, under the proposal.

Mr. KERR. For the fourth time, the answer is "Yes."

Mr. DOUGLAS. Yes.

Mr. KERR. Yes.

Mr. DOUGLAS. And that in these cases it will amount to a complete windfall?

Mr. KERR. The answer to that is "No."

Mr. DOUGLAS. A windfall of hundreds of millions of dollars for investments that would have been made anyway, in the absence of the provision.

Mr. KERR. That is an argument, not a question.

Mr. DOUGLAS. Is the Senator aware of that fact?

Mr. KERR. I am aware.

Mr. DOUGLAS. Good. Is the Senator aware of that fact?

Mr. KERR. I am aware.

The answer to the Senator's question about it being a windfall is "No."

Regardless of how much information I give to my friend, I am compelled to observe that he is not always aware.

Mr. DOUGLAS. I am sure that the Senator from Oklahoma feels that, but I have the feeling that the Senator from Illinois may be aware of more things than the Senator from Oklahoma sometime is willing to give him credit for.

Mr. KERR. Then our self-adoration is probably on a par.

Mr. DOUGLAS. I would not like to think that was so.

Mr. KERR. I would not like to think it was not.

Mr. DOUGLAS. Will the Senator from Oklahoma come back to the point? Is the Senator aware of the fact that even though a firm made no increase in investment, even though there were a decrease——

Mr. KERR. One at a time.

Mr. DOUGLAS. Is the Senator aware of the fact that even though a firm made no increase in its investment the firm or the corporation would receive the 7-percent investment credit?

Mr. KERR. I have answered that in the affirmative four times. Now I am glad the Senator has asked it the fifth time, because I am going to qualify the answer.

Mr. DOUGLAS. Oh?

Mr. KERR. Because the 7 percent is not always the applicable figure.

Mr. DOUGLAS. That is the rough figure.

Mr. KERR. That is not always the accurate figure or the applicable figure.

The Senator from Oklahoma is aware that although a taxpayer might make no greater investment after the bill is enacted, and although an investor might make a smaller investment than he had previously made, before the effectiveness of the law, he still would get the applicable tax credit with reference to the investment he made. Now, that is the fifth time I have answered the question for the Senator.

Mr. DOUGLAS. That is fine.

Mr. KERR. If he were aware, it seems that it should break through his consciousness that I had answered it.

Mr. DOUGLAS. The Senator tried not to answer the question a number of times.

Mr. KERR. No. The Senator did not ask that question. He came over here with a bunch of insertions that he made, to which I did not pay any attention when he made them, and I have not paid any more attention to them today.

Mr. DOUGLAS. I want to know how the Senator can maintain that the proposal would be a stimulant to investment in cases in which the firm actually invests less than it did before, or would not invest the amount of the depreciation, or cases in which there is a net capital loss.

Mr. KERR. The Senator answered that question awhile ago when he told the Senator from Illinois that it was entirely possible that, without the stimulant, the firm might not make any investment.

Mr. DOUGLAS. What I have said is true of industry as a whole.

Mr. KERR. That is true of the situation to which the Senator from Oklahoma referred.

Mr. DOUGLAS. In industry as a whole about $27 billion annually has been invested without the 7-percent credit.

Mr. KERR. The bill applies to individual taxpayers on the basis of the position of the taxpayer with reference to the law.

Mr. DOUGLAS. Does not the Senator think that in order to reach a small group of margin-of-decision firms, vast subsidies would be paid to firms which would make such investments anyway?

Mr. KERR. Will the Senator repeat his question?

Mr. DOUGLAS. Does not the Senator feel that in order to affect a few firms on the margin of decision, the 7-percent investment credit would be applied across the board to all firms, most of which would make investments anyway. Therefore would not the proposal constitute a bonus or windfall?

Mr. KERR. The Senator from Oklahoma does not any more agree that that is the way in which the bill would work than that the revised formula of depreciation would work that way. The Senator from Oklahoma thinks that both would stimulate increased investment by American investors, especially in our industrial workshop. He thinks that is an objective devoutly to be hoped for.

Mr. DOUGLAS. Is the Senator from Oklahoma aware of the fact that last year the resources of American corporations increased by approximately $43 billion, which came from depreciation funds?

Mr. KERR. From what?

Mr. DOUGLAS. And from profits, the sale of stocks, and the sale of bonds. The physical investment in industry during that time amounted, however, to only about $31 billion; so the cash assets of corporations increased by approximately $12 billion in a year. The corporations did not invest those cash balances in industry, and put them intact into Government bonds and securities. If they had those amounts of cash, why did they not invest them? Does the Senator think the added $1,300 million yearly tax credit this bill provides would be put into investment, or would it increase the cash resources of corporations whose cash resources are already overflowing, and which would not invest in industry because they do not think there is sufficient effective consumer demand?

Mr. KERR. If the Senator from Illinois would confine himself to asking questions instead of making speeches, we could get along better. But if that is the way he wants to operate, it is all right.

Mr. DOUGLAS. I have been following a worthy example.

Mr. KERR. The Senator from Oklahoma does not know the exact figures with reference to the matters mentioned by the Senator from Illinois, but he does not dispute them. But as American industries did have $12 billion in liquidating assets last year which they did not invest in increasing their efficiency and their productive capacity, it might well be because there was not adequate stimulant or encouragement for them to do so. If firms have adequate stimulant and encouragement, the Senator from Oklahoma contemplates the expenditure of portions of that amount, or perhaps all of it, by those companies to improve their competitive position and efficiency of operation, rather than investing the money in Government bonds. If the situation which the Senator from Illinois describes exists, it is an argument in favor of the proposed legislation rather than against it.

Mr. COOPER. Mr. President, will the Senator yield?

Mr. KERR. I yield to the Senator from Kentucky.

Mr. COOPER. I intervene with some reluctance in this joust between giants, but I believe the Senator from Illinois asked whether the Senator from Oklahoma was aware of the fact that if a company actually reduced its investment in plant——

Mr. KERR. No, he did not say that. He assumed that a company might make a smaller investment this year than last year. He assumed that it might make a smaller investment than it had planned.

Mr. COOPER. If that state of facts existed, the credit would be available. Also companies might invest the same amount that they invested last year. Is it the conception of the chairman of the committee that, looking at the total of investments all over the country, regardless of the fact that one company might not invest as much as it did last year, or might even reduce its plans to invest this year, or might invest the same amount, the total investment of all companies would be increased throughout the country? Is that the argument of the Senator from Oklahoma?

Mr. KERR. That is the position, belief, and conviction of the Senator from Oklahoma.

Mr. COOPER. All of that, of course, must be based upon assumption. I know the Senator has developed the point before, but there must be some basic assumptions which leave the Senator and the committee——

Mr. KERR. A majority of the committee.

Mr. COOPER. Yes.

Mr. KERR. It was a divided committee on that provision.

Mr. COOPER. I understand. The point that I understand the Senator is making is that in the totality of investment made by all taxpayers, whatever changes might be made in some cases that would lower investment by a specific taxpayer or even keep the level the same as it was last year, the investment would be increased. The Senator's argument is that in considering the investments of companies all over the country, the Senator believes that the credit would increase the total of investments.

Mr. KERR. There is not the slightest question of doubt in the mind of the Senator from Oklahoma that what he has said is correct. The tax credit would be a stimulant to all industry. It would be a stimulant to marginal industries. It would be a stimulant to industries that have a larger cash flow than they have an investment program.

One of the amazing facts of our economy is that the spread between capital investment and cash flow is increasing and has been for some months—that is, the amount of cash flow available for investors is larger than the amount being invested.

Mr. DOUGLAS. It would increase the cash flow by diminishing the tax.

Mr. KERR. The Senator from Oklahoma thinks that the best possible way to reverse the trend and bring about a situation in which industry would increase its capital expenditures in more efficient facilities and more efficient capacities is to provide the proposed stimulant, because, as of now, in the judgment of the Senator from Oklahoma, companies do not have adequate encouragement to cause them to make the investment in a capital expenditure program that is required to enable us to achieve a position as a national industrial workshop equal to or superior to any other in the world.

Mr. DOUGLAS. Even though they receive that 7 percent on investments which they would make anyway?

Mr. KERR. Even though they receive that 7 percent on investments that they would make anyway.

Mr. DOUGLAS. Which would mean around $27 billion.

Mr. KERR. Just as they get depreciation on investments that they would make anyway.

Mr. DOUGLAS. The depreciation is on investments which they made in the past.

Mr. KERR. And make this year, and that they would make anyway. Just as we would reduce the base on income that a person would get anyway. Just as we would say, "Let us reduce the corporate rate." We would reduce it on income they would have anyway. The Senator from Oklahoma does not think it is any crime for the Government to improve the economic environment of the American taxpayer.

Mr. DOUGLAS. Does the Senator——

Mr. KERR. Just a moment. The Senator from Oklahoma thinks that the power to tax is the power to destroy. The Senator from Oklahoma thinks the responsibility of government in fashioning its tax structure is one whereby it should do so on a basis that will be the most conducive to expansion and increase in efficiency and increase in productivity. Therefore, the Senator from Oklahoma favors what he believes to be a constructive measure.

Mr. DOUGLAS. Does the Senator from Oklahoma have a high opinion of the business judgment of the leaders of the American Telephone & Telegraph Co.?

Mr. KERR. I would rather not indulge in personalities, except as between me and the Senator from Illinois.

Mr. DOUGLAS. Does the Senator from Oklahoma have the same high opinion of the ability of the managers of A.T. & T. that the Senator from Illinois has?

Mr. KERR. The Senator from Oklahoma declines to indulge in personalities with respect to any industrial unit.

Mr. DOUGLAS. Is the Senator from Oklahoma aware of the fact that the representatives of A.T. & T. came before the committee and said that although they would get at least $75 million of the investment credit, they thought it was immoral and they thought it was wrong and that it would not increase investments in the slightest, and that they urged the Senate to turn down this measure? Is the Senator aware of that fact?

Mr. KERR. No; he is not aware of that fact.

Mr. DOUGLAS. The Senator reads the RECORD, I am sure.

Mr. KERR. The Senator from Oklahoma denies it. The Senator from Oklahoma stood on this floor for 6 weeks, during which time he heard the Senator from Illinois describe A.T. & T. as a giant monoply seeking to crush all competition.

Mr. DOUGLAS. No, no. I must rise to a point of personal privilege.

Mr. KERR. The Senator from Oklahoma is astounded to find that A.T. & T. officials have a new champion, upholding them for their high morality and their great judgment.

Mr. DOUGLAS. I rise to a point of personal privilege.

Mr. KERR. It seems to me that he would rather fashion facts to meet his argument instead of fitting his argument to the facts.

Mr. DOUGLAS. Since the Senator has quoted the Senator from Illinois, I would suggest that if he will examine the RECORD he will find that the only part I took in the debate on satellite communications was to ask certain questions of the Senators from Tennessee and, I believe, the Senator from Louisiana [Mr. LONG], for a very brief period. I was on the fence until I became convinced by the arguments of the two Senators from Tennessee and the Senator from Oregon [Mr. MORSE] and the Senator from Louisiana [Mr. LONG]. However, I do want to say——

Mr. KERR. Just a moment. I have the floor. I want to say that when the Senator got off the fence he surely did so as vigorously as anybody I ever saw get off a fence. I remember hearing him say he joined these greater fighters in their battle for righteousness.

Mr. DOUGLAS. At the end; that is right; that is correct.

Mr. KERR. I have never seen a man do so with greater zeal and more vigor and, I must say, with what appeared to be more enthusiasm and agreement than I have ever seen any man display.

Mr. DOUGLAS. In all this I made no reflection upon the officials of the A.T. & T. I make no reflection on the motives of the Senator from Oklahoma, with whom I have clashed for 12 long years.

Mr. KERR. For 14 years.

Mr. DOUGLAS. I believe it began in 1950, when he tried to jam the gas bill through.

Mr. KERR. And did.

Mr. DOUGLAS. And did; and we were saved by the veto of a President. Then the Senator tried to get at the Federal Power Commission.

Mr. KERR. I was not saved by the veto. The Senator from Illinois was.

Mr. DOUGLAS. I was saved by the veto; exactly so. Thank God we had a President in Harry Truman who vetoed that bill. Now if we may depart from history and come to the present——

Mr. KERR. Let us never depart from history, because even the present is history in the making.

Mr. DOUGLAS. Very good. Is not the Senator aware of the fact that officials of the A.T. & T. testified against the investment credit and said it was a windfall, and that even though it would give them $75 to $100 million, they were opposed and did not favor it? I appeal to the chairman to say if they did not so testify.

Mr. KERR. The Senator need not appeal to the chairman. If the Senator were to ask me the question whether I am aware of the fact that a, one, a single, representative of A.T. & T. appeared before the committee and opposed this feature of the bill, the answer is "yes."

Mr. DOUGLAS. I am glad the Senator admits it. He has retreated.

Mr. KERR. Not at all. I answered no to the Senator's question before because he put statements into the mouths of officials of A.T. & T. and asked me if I did not know that they had said so and so. I said I did not know it.

Mr. DOUGLAS. Did they not state——

Mr. KERR. No.

Mr. DOUGLAS. The Senator does not know what I am asking.

Mr. KERR. He did. They did not.

Mr. DOUGLAS. I mean the man who appeared before the committee. Did he not represent A.T. & T.?

Mr. KERR. Yes; but the Senator said "they." "He" is singular not plural.

Mr. DOUGLAS. In other words, you imply he was not the representative of A.T. & T., although they sent him here. In other words, the medieval philosophers who calculated how many angels could dance on the point of a pin, have a successor in the Senator from Oklahoma.

Mr. KERR. When the Senator from Illinois knows not what else to say he refers to some memory he has of the classics or poetry, in which he takes refuge. I hope he may be happy.

Mr. DOUGLAS. I asked a specific question. I shall document it this afternoon. Did not a representative of A.T. & T. testify against the bill?

Mr. KERR. Stop right there.

Mr. DOUGLAS. No; I will not stop. Did he not——

Mr. KERR. I will yield no further. If the Senator asks whether a representative appeared in opposition to this provision, the answer is "Yes."

Mr. DOUGLAS. May I ask the next question?

Mr. KERR. This is the first time the Senator from Illinois has asked the Senator from Oklahoma if a representative appeared.

Mr. DOUGLAS. Was he not the representative of A.T. & T.?

Mr. KERR. He was the one, so far as I know, who came before the committee, but he was still singular.

Mr. DOUGLAS. Did he not say that A.T. & T. did not want the $75 million?

Mr. KERR. I told the Senator he appeared in opposition to the bill. I do not know what he said. It is in the record. If the Senator wants to spend the afternoon reading it, he may do so.

Mr. DOUGLAS. We will find it.

Mr. KERR. The Senator from Oklahoma does not let an A.T. & T. representative make up his mind. He tries to make up his own mind.

Mr. DOUGLAS. The Senator would give them $75 million even though they do not want it.

Mr. KERR. I want the Senator from Illinois to make up his mind too.

Mr. DOUGLAS. I try to.

Mr. KERR. The Senator from Illinois says he said it and, therefore, I should accept it. I am not persuaded to do something because someone has said it. I make up my own mind.

Mr. DOUGLAS. There is a good deal of contrasuggestion there.

Mr. KERR. Contra what?

Mr. DOUGLAS. Suggestion.

Mr. KERR. I misunderstood the last part of the Senator's statement.

Mr. DOUGLAS. The Senator from Oklahoma is not as unfamiliar with the English language as he pretends to be.

Mr. KERR. I did not say I was unfamiliar with it. I merely did not hear what the Senator said. I was sure it could not be what I thought the Senator said. I got the "contra" part, and the rest was not clear.

Mr. DOUGLAS. We will meet again at Philippi.

Mr. KERR. I hope we will meet in Washington before that.

Mr. LAUSCHE. Mr. President, will the Senator yield?

Mr. KERR. I yield.

Mr. LAUSCHE. In the minority views, filed by the Senator from Virginia [Mr. BYRD] and other Senators, it is stated that the U.S. Chamber of Commerce, the National Manufacturers Association, the AFL–CIO, the American Farm Bureau Federation, and the Farmers Union are opposed to the bill through testimony or letters. I should like to know if that is the fact.

Mr. KERR. I must say to my good friend from Ohio that my regard for the veracity and accuracy of the chairman of this committee is such that I would endorse the factual attributes of any statement that he made.

The Senator from Ohio need never ask me if a statement made by that great man is accurate.

Mr. LAUSCHE. It delights me to hear the Senator from Oklahoma make that statement, because I hold him in that same high esteem. I do not mean to imply that their positions ought to be determinative.

Mr. KERR. I never knew the Senator from Ohio to let anyone else prescribe his position; and certainly the Senator from Oklahoma does not.

Mr. LAUSCHE. Neither do I intend to. However, it is a consideration that must be given in trying to evaluate the relative arguments made on the subject.

Mr. KERR. The Senator from Ohio may be influenced by such considerations as he desires and believes are justified. That is a right which every Senator has, a right which I would not take away from him if I could, and could not if I would.

Mr. LAUSCHE. I may say that while the discussions have grown a bit sharp and hot, they have been very informative to those who have been listening, and at times very entertaining.

Mr. KERR. Oh, they have been informative even to those who have participated.

Mr. LAUSCHE. I thank the Senator.

Mr. KERR. Mr. President, I yield the floor.

Mr. GORE. Mr. President, will the Senator from Oklahoma yield?

Mr. KERR. Oh, with pleasure; for a question.

Mr. GORE. In connection with the liquidity position of the U.S. corporations——

Mr. KERR. Would the Senator from Tennessee use language I can understand?

Would a page bring me a dictionary? I should like to answer the Senator's question, but I should like to have him use the English language with which I am familiar.

Mr. GORE. Very well. In reference to the cash position——

Mr. KERR. Oh, I know what that is.

Mr. GORE. I daresay better than any other Member of the Senate.

Mr. KERR. No, but well enough.

Mr. GORE. Is the Senator from Oklahoma aware that U.S. corporations in the year 1961 increased or bettered their cash position by approximately $12 billion?

Mr. KERR. The Senator from Oklahoma will not need the dictionary now. The Senator from Tennessee has stated his question in language I can understand.

The Senator from Oklahoma, in answer to a question by the Senator from Illinois [Mr. DOUGLAS], said that he had not been aware that that was the fact, but that if the Senator from Illinois stated it as a fact, the Senator from Oklahoma would accept it as a fact; and the Senator from Oklahoma certainly has equal respect for the Senator from Tennessee. So the Senator from Tennessee may proceed with his questions on the assumption that the Senator from Oklahoma has taken his word and the word of the Senator from Illinois to the effect that that is the fact.

Mr. GORE. Would the Senator from Oklahoma permit me to give him those particular facts?

Mr. KERR. I thought the Senator had already given them to me. He gave the figure $12 billion in his question.

Mr. GORE. I wish to elucidate.

Mr. KERR. If the Senator wishes to elucidate, why does he not wait until I take my seat? If he wishes to ask me a question, why does he not ask me a question?

Mr. GORE. I should like very much to give the Senator the benefit——

Mr. KERR. Do not go beyond that. Did they have less or more than that?

Mr. GORE. In 1961, corporations acquired $43,100 million of corporate funds, but invested only $31,300 million in plant, equipment, and increased inventory.

Mr. KERR. The Senator has weakened his position, because that does not leave a net of $12 billion.

Mr. GORE. I deducted $31 billion from $43 billion.

Mr. KERR. But the Senator gave the figures as $43.1 billion and $31.3 billion.

Mr. GORE. The Senator from Oklahoma is correct; the difference is $11.8 billion.

Mr. KERR. If we are to insist on accuracy, let us indulge it.

Mr. GORE. I was not attempting to split hairs; I was trying to round off a figure.

Mr. KERR. Two hundred million dollars would be quite a sizable hair.

Mr. GORE. I was trying to round the figure in general terms.

American corporations were $12 billion better off in their cash and liquid assets position at the end of 1961 than at the beginning of 1961.

I should like to read to the Senator from Oklahoma what Mr. McElroy, a leading businessman and former Secretary of Defense, said.

Mr. KERR. The Senator from Oklahoma is not interested in what Mr. McElroy said. If the Senator from Tennessee has a question, I will yield to him to ask it. If he wishes to ask it, I will answer it. If he does not, I will take my seat.

Mr. GORE. Would the Senator from Oklahoma be willing to express his agreement or disagreement with a——

Mr. KERR. No; I told the Senator from Illinois [Mr. DOUGLAS] I did not wish to indulge in personalities. The Senator from Tennessee can have a position without putting it in someone else's words.

Mr. GORE. Is the Senator from Oklahoma aware that this leading businessman stated to the Committee on Ways and Means——

Mr. KERR. The Senator from Oklahoma is not interested in what a leading businessman said to the Committee on Ways and Means. If the Senator from Tennessee has a question, I will yield for it; if he does not, I will yield the floor.

Mr. GORE. I have a question.

Mr. KERR. Let us have it.

Mr. GORE. How does the Senator maintain that U.S. corporations, which have steadily increased and bettered their cash position, in a way yet undefined will be encouraged to spend vast amounts of money in improved plant and facility because they are given a little tax subsidy that would but further increase their cash position?

Mr. KERR. I am glad the Senator asked a question and brought in the last phrase, "a little." The way this discussion has been taking place for some time, the Senator from Oklahoma thought the Senator from Tennessee thought it was an awfully big one.

I believe the Senator from Tennessee was in the Chamber when the Senator from Illinois asked the identical question. I shall give the Senator from Tennessee the identical answer.

Mr. GORE. I was not in the Chamber when the question was asked.

Mr. KERR. Then I shall give the identical answer anyway.

Mr. GORE. Good.

Mr. KERR. The Senator from Oklahoma, in answer to that question from the Senator from Illinois, said this: If it is a fact that American business corporations increased their liquid assets in 1961 by approximately $12 billion and kept them liquid, rather than investing them in improved or more efficient machinery and facilities, in the judgment of the Senator from Oklahoma it was because they did not think they could do so and make a greater profit than they could get by using that cash to invest in Government bonds or some other low-yield securities.

The Senator from Oklahoma thinks it is the business of Government, if possible, to improve the environment in which these industries operate, so that they will be encouraged to invest their money in improved plant and facilities, in more efficient facilities, because that is the objective we seek first by the Treasury's new depreciation formula, and second by the tax credit.

What the Senator from Tennessee has stated as the basis for his question would indicate that the expansion of American industry had slowed down; that its cash flow exceeded its investments and the expenditures to improve productivity, efficiency, and competitive position. The Senator from Oklahoma thinks they should be encouraged to spend their money to improve their productivity, their efficiency, and their competitive position, rather than to hoard it or to invest it in Government bonds.

The Senator from Tennessee will remember the parable of the talents, in which the master had three servants, to one of whom he gave five talents, to another of whom he gave two talents, and to the third, one talent, and then he departed on a journey.

When he returned, he got a report. The first servant said, "You gave me five talents. I used them. Here are the five talents you gave me and five in addition." That servant was appropriately rewarded.

The second servant said, "You gave me two talents. Here are the two, and another two besides, which I have acquired by using the two you gave me." And that servant was appropriately commended and rewarded.

Then the servant to whom the master had given one talent came in and said, "I knew you were a hard taskmaster; that you gathered where you had not sown. I was afraid. So I took the talent and buried it; I hoarded it." That servant was discharged as an unfaithful servant.

I think this Government in handling the development of the tax environment of our industry should arrange it so that industry does not want to hoard its liquid assets, except what is necessary to maintain a safe reserve. I think the Government should provide a tax structure which will encourage industry to do that which the servant who had the five talents and the servant who had the two talents did—namely, go out and use them to increase what they had, for the benefit of themselves and for the benefit of their masters.

I do not believe we should maintain an environment which will make business want to hoard its assets and bring about the situation which the Senator from Tennessee and the Senator from Illinois have described.

Mr. GORE. But the amendment the Senator from Oklahoma supports would increase the amount hoarded.

Mr. KERR. No; the Senator from Tennessee is very much mistaken. He knows so little about the response of industry to a stimulant. When we increase the profitability of investment, make it possible for businesses to acquire more productive facilities at less cost, we stimulate them to improve their equipment, to increase their efficiency, and to expand their productivity.

Mr. GORE. I agree——

Mr. KERR. Well, that is where I stand on this amendment and on this bill.

Mr. GORE. The great stimulus for investment lies in the hope of a profit from that investment, not in the hope of a tax subsidy, not in the hope of a gimmick, such as this, to increase the board of the particular segments of industry that are in a position to take advantage of it.

If we increase the demand in this country for consumer goods, if we stimulate the economy to provide full employment, thereby developing a climate in which industries can make investments with the hope and the confidence and the expectation of earning profits, rather a tax subsidy, then the economy will be stimulated a thousand times more than it would be by a device such as this one. I am glad the Senator from Oklahoma has put his finger on a fundamental economic fact.

Mr. KERR. Well, if I did, I was not aware of it; and I do not think the Senator from Tennessee would be any more aware of it.

I interpret the result of this amendment differently from the way my good friend, the Senator from Tennessee, does. I think if we reduce the cost of productive machinery, we encourage the taxpayers to build it. I think if we make the tax environment more profitable for a taxpayer, he may respond by making a greater effort. As I said yesterday, I do not regard this amendment as a subsidy. I do not regard a reduction in tax as a subsidy. I do not regard——

Mr. GORE. The Senator from Oklahoma called this just what it is.

Mr. KERR. I did not interrupt the Senator from Tennessee when he asked questions or made a speech.

Mr. GORE. Very well; go ahead.

Mr. KERR. I do not regard any tax reduction as a subsidy. First of all, I think the Government should reduce its taxes whenever it can operate at less expense and thereby make it possible to reduce taxes. I think the Government should reduce its taxes whenever it is justified in believing that by so doing it will bring about a more dynamic economy. If I did not, I would not have helped to bring about the elimination of the excess-profits tax. We had that tax during World War II and during the Korean war; but as soon as we reached the point where we could remove that awful burden from the back of our industry, we did so.

I believe that with the enactment of this tax investment credit, encouragement will be given to American industry to expand, to be able to compete more effectively for the markets at home and abroad. And I say to the Senator from Tennessee that if it does, more jobs will be provided.

I do not want the Government to have to provide jobs. I want full employment just as much as the Senator from Tennessee or any other Senator does. But I want it in a free economy. I want it on the basis of employment by free, private competitive enterprise. I want it on the basis of having our Government make it possible to encourage the expansion of industry. Thereby, more jobs will be created. Thereby, our industry will be able to compete more effectively for the domestic market. Thereby, more jobs will be provided. Thereby, our industry will find it possible to compete more effectively in the markets of the world. Thereby, more jobs can be created and employment can be increased; and perhaps we shall then reach—on the basis of a free, competitive enterprise economy—the happy objective of full employment.

Mr. GORE. Mr. President, will the Senator from Oklahoma yield?

Mr. KERR. I yield for a question.

Mr. GORE. Will the Senator from Oklahoma yield for a comment?

Mr. KERR. No. If the Senator from Tennessee wishes to make a comment, I shall sit down.

Mr. MORSE. Mr. President, I am going to raise a point of order. I do not like to raise a point of order against two such dear friends as the Senators who now are occupying the floor; but I wish to raise the point of order that there must be no failure to follow the rule that a Senator who has the floor can yield only for a question.

The PRESIDING OFFICER (Mr. BURDICK in the chair). Such a point of order will be sustained. A Senator who has the floor can yield only a question.

Mr. GORE. Mr. President, will the Senator from Oklahoma yield for a question?

Mr. KERR. I yield for a question.

Mr. GORE. In making the reference, as the distinguished Senator from Oklahoma did, to the need for increasing production facilities, did the Senator from Oklahoma have clearly in mind that the problem with which we are plagued now is the existence of idle production facilities? Did he have clearly in mind that what the country needs is sufficient stimulation of the economy to put to use the production facilities we already have, and thereby increase the possibility of improvement and expansion of those production facilities?

Mr. KERR. I think we shall put our present production facilities into full use or into fuller use and more efficient productive facilities into fuller use if industry in this country has production facilities which will enable it to compete more effectively for the domestic market and for the world market.

I know there is idle industrial capacity. I also know that there are billions of dollars of imports of commodities produced by industrial facilities in other countries, owned by nationals of those countries and owned to some extent by Americans who have gone to those countries to build productive facilities. I know that that migration of industry has brought about the situation whereby we have idle machines in this country. And I want to stop that migration of American industries to other shores and other countries. I want to bring about a condition whereby the idle machines we have, augmented by more efficient ones than can be built, will enable American industries to compete more effectively for our domestic market and for the world market. And I think this amendment is the way to do it.

I recognize the right of the Senator from Tennessee to disagree. I am not offended by that disagreement. I do not think it is a reflection on the Senator from Tennessee that I do not agree with him, nor do I think it a reflection on me that the Senator from Tennessee does not agree with me. There is that difference of opinion between us. It is a clear-cut and simple one, but a distinct one; and that is all there is to this.

Mr. GORE. Mr. President, will the Senator from Oklahoma yield for a question?

Mr. KERR. Yes.

Mr. GORE. A moment ago, when the Senator from Oklahoma referred to tax reduction, was he aware that in the opinion of the junior Senator from Tennessee he was accurately characterizing the so-called investment credit? I think it is nothing more than a thinly veiled tax reduction for the segments of industry which can take advantage of the so-called investment credit.

Mr. KERR. I was not aware that the Senator from Tennessee believed it was a tax reduction, because I have heard the Senator from Tennessee refer to it as a "subsidy"; and I have heard the Senator from Tennessee refer to it today as a "subsidy."

I am glad to know that the Senator from Tennessee acknowledges that it is a tax reduction. That is what the Senator from Oklahoma believes it to be, but the Senator from Oklahoma knows that under the provisions of the bill it is available only to those taxpayers who comply with this provision and spend certain sums of money on their plant facilities and depreciable property, and the Senator from Oklahoma thinks if they are going to spend it, they are going to spend it on more modern and efficient plant facilities and equipment.

Mr. GORE. Does the Senator know that as the result of a survey conducted by McGraw-Hill on a large number of industrial establishments the report was made that if the investment credit provision were enacted, an increase of only 1 percent in planned investment in plant facilities would be made as a result?

Mr. KERR. The Senator from Tennessee has addressed to the Senator from Oklahoma nearly the same question that the Senator from Wisconsin asked, but the Senator from Wisconsin said the McGraw-Hill survey stated it found that the investment credit would bring an increase of only 1 percent in 1962. It may be that the Senator from Tennessee refers to a different McGraw-Hill survey. I do not know. It may be that if the Senator from Tennessee is referring to the same one referred to by the Senator from Wisconsin, it was with reference to the year 1962.

Mr. GORE. I believe the Senator from Oklahoma in quoting the junior Senator from Wisconsin has quoted him more accurately than the Senator from Tennessee stated. If I said 1963——

Mr. KERR. The Senator did not say 1963. He left it open. He asked me if I was aware of the fact that McGraw-Hill said that enactment of this law would bring about only an increase of 1 percent in investment by American industry.

Mr. GORE. This year.

Mr. KERR. Ah now, I took the word of the Senator from Wisconsin for that. I take the word of the Senator from Tennessee for it. I answered the question of the Senator from Wisconsin. I answer the Senator from Tennessee the same way, that investment credit was talked about all last year, and has been talked about all this year. I know, and I think the Senator from Tennessee does, that business does not respond to a stimulant that is talked about but does not exist. How could American business sometime in 1962 respond to a stimulant not yet in existence and with reference to which they do not know whether it will come into existence or not?

The Senator from Oklahoma answered the Senator from Wisconsin by saying that plans for expansion for 1962 by American industry were made in 1960 and 1961; and certainly to go around now asking, "How much are you going to do this year in connection with this proposal?" would fail to bring about an accurate response or an accurate picture of the long-term effect of this legislation.

Mr. GORE. Will the Senator yield for a question?

Mr. KERR. Yes.

Mr. GORE. Then why, I ask the Senator, does he give it to them this year?

Mr. KERR. I say this, Mr. President——

Mr. GORE. The Senator has just explained here in detail——

Mr. KERR. The Senator asked me a question. Why does he not let me answer? The Senator from Oregon [Mr.

MORSE] will make a point of order if the Senator does not let me answer the question.

Mr. GORE. Very well.

Mr. KERR. This bill was introduced last year in the House. They wrestled with it for nearly as long as Jacob wrestled with the angel, and left it probably in the same impaired condition. I do not know. I know that the Senate Finance Committee was wrestling with it all of this year. It came from the House with an effective date of January 1, 1962. It was the amendment of the Senator from Oklahoma, after he had wrestled with the Senator from Tennessee for months, and saw it could not possibly become effective until after the midpart of the year, that made it effective after the middle of 1962. I say if the Senator continues his wrestling until the year is over and we do not enact it until next year, the Senator from Oklahoma will be in favor of starting it in 1963. There must be an effective date if we are to have an effective piece of legislation.

The Senator from Tennessee and other Senators could wrestle and wrestle and wrestle here throughout the spring, and the summer, and the fall, and even until the foliage is in sere and yellow leaf, before we could enact legislation; but to do so we must have an effective date. The Senator from Tennessee is not trying to change the effective date; he is trying to destroy the provision. He is trying to eliminate it.

Mr. GORE. Correct.

Mr. KERR. If he fails in that effort, I hope he will not be too unhappy if those who prevail fix an effective date.

Mr. GORE. Then the Senator maintains that even though it will not, and by the rules of business which he knows so well would not and could not——

Mr. MORSE. Mr. President, I raise the point of order that the Senator from Tennessee is out of order.

Mr. GORE. I am stating a question.

Mr. KERR. I think the Senator has the right to make a point of order. I have asked the Senator from Tennessee to ask questions. I would like to have the Chair make a ruling.

The PRESIDING OFFICER. The Senator from Oklahoma has the floor and he may yield only for a question.

Mr. GORE. Does the Senator yield for a question?

Mr. KERR. I yield for a question.

Mr. GORE. Well, the Senator maintains, does he not——

Mr. KERR. Well, the Senator maintains. I will answer that part of the question, and I hope successfully.

Mr. GORE. The Senator's maintenance against all logic——

Mr. KERR. Oh, I want to say I know the Senator from Tennessee had none, pointing at himself. I did not think he would talk about it on this floor. I do not claim——

The PRESIDING OFFICER. The Senator can yield only for a question.

Mr. KERR. Well, I do not have to yield to myself for a question. I yield to myself for an observation.

I want to say, sir, I do not attempt to deny logic to the Senator from Tennessee, nor can I concede or agree with the inference or statement that he alone possesses it.

Mr. GORE. Now will the Senator yield for a question?

Mr. KERR. Yes.

Mr. GORE. In maintaining that even though the investment credit could not, and under the laws and practices of economics and business would not, result in any substantial increase in investment either in 1962 or 1963, does he not go straight into the face of a statement to the contrary, that this is not a tax reduction in the nature of a windfall?

Mr. KERR. The answer to the Senator's question, is "No." The Senator from Oklahoma believes that even if the effect of this bill were to be limited to 1 percent or less this year——

Mr. GORE. Will the Senator——

Mr. KERR. He will not.

Mr. GORE. Will the Senator let me correct that statement?

Mr. KERR. No. If the Senator asked a question, I want to answer it. I do not want the Senator to get into the clutches of a point of order. [Laughter.]

The Senator from Oklahoma acknowledged the statement of the Senator from Tennessee that McGraw-Hill indicated a fact, not that the Senator from Oklahoma agreed to it, and answered his question on the assumption that it was correct. He did not thereby state it was correct, or maintain it was correct. The review or survey, which the Senator finally admitted when the Senator from Oklahoma corrected him, was with reference to the year 1962, not with reference to the year 1963.

The Senator from Oklahoma maintains that this cannot be effective until it is enacted; that if and when it is enacted it will have an effect immediately, and more so each year thereafter. Therefore, the Senator from Oklahoma says that in his judgment the effect would be far greater in 1963 than in 1962, and that it would be greater in 1964 than in 1963. That is the belief and the conviction of the Senator from Oklahoma. It is not binding on the Senator from Tennessee. I am aware of the fact that it is persuasive with the Senator.

Mr. GORE. Is the Senator aware that the survey by the National Industrial Conference Board of 1,000 leading industrial establishments showed an anticipated increase in outlay of only 1 percent for 1963?

Mr. KERR. No. The Senator from Oklahoma is not aware of that. What outfit was that?

Mr. GORE. The National Industrial Conference Board.

Mr. KERR. Mr. President, I suppose the Senator from Oklahoma will have to live out his life in his unenlightened condition. I do not have the benefit of the surveys of these organizations to which the Senator from Tennessee refers, nor am I bound by them. I must say to the Presiding Officer and to the Senators present that I have struggled and managed to get along pretty well thus far without being sustained by their surveys, advice, and counsel, or their prescription for my Senatorial action and behavior.

I am glad to know the source of those of the Senator from Tennessee. But I was not aware of them. Believe me, I was not. I hope the Senator will not hold it against me.

Mr. GORE. Would the Senator be affected in his opinion by additional facts which could be brought to bear upon this subject, or is he fixed in his opinion?

Mr. KERR. I am pretty well fixed in my opinion, but, I must say, no more so than is the Senator from Tennessee.

I would hope I would never become either impervious to or unconscious or allergic to fact.

I wish to say that I have been amazed at the absence of them on the part of many people.

Mr. GORE. Did the Senator hear, in the testimony before the Senate Finance Committee, the president of American Electric Power Co., Inc., say that a 7-percent tax credit would mean for his company, with respect to plans already made and which would be carried out whether the bill is passed or not, a 30-percent reduction in that company's taxes?

Mr. KERR. The Senator from Oklahoma heard the testimony of Mr. Donald Cook of the American Electric Power Co., Inc. I did know he was the president of it. I will take the Senator's word for that.

What greatly impressed the Senator from Oklahoma about the testimony of Mr. Cook was that he said that the enactment of the law would bring about a great stimulation of construction and expansion of productive facilities by his corporation, and that it would pass on to its customers every penny of benefit it got out of the application of the tax credit.

Therefore, if the Senator is making his position on the basis of the testimony of Mr. Cook of the American Electric Power Co., Inc., he will have to abandon his statement that this would constitute a windfall, because that distinguished gentleman said two things. First, he said that this would cause his company to increase the development of its facilities, to speed up the expansion of construction and development, and to make services available to more people at an earlier date. Second, he said it would result in passing on to the consumers every dollar saved by reason of the operation of the law.

If that is true—and I have no reason to doubt it—it would not be a windfall to the corporation but it would be a benefit to the economy of the area in which the corporation operates and to every consumer it serves.

Mr. GORE. The Senator would not mind, would he, if the junior Senator from Tennessee took with a grain of salt the prospective benefits to American consumers from the investment credit provision?

Mr. KERR. The Senator from Oklahoma does not care what the Senator from Tennessee takes with his intellectual diet. The Senator would say not to take too much, because the Senator from Oklahoma remembers what happened to the wife and daughter of a certain Biblical character who took too much salt.

Mr. GORE. Mr. President, will the Senator yield for one final question?

Mr. KERR. The Senator would yield for a question even if it were not a final question, to his good friend from Tennessee.

Mr. GORE. If it be true, as Mr. Donald Cook testified, that a 7-percent investment tax credit for American Electric Power Co., Inc., would result in a 30-percent reduction in taxes, what, in the informed and enlightened opinion of the distinguished senior Senator from Oklahoma, would a 7-percent tax credit for gas and oil pipelines mean by way of tax reduction for gas and oil pipelines?

Mr. KERR. The Senator from Oklahoma does not have the answer to that question. As he has so definitely made clear on this floor, they are entirely different in operation.

The Senator from Tennessee is aware of the fact that interstate pipelines owned by interstate carriers are subject to the regulatory control of the Federal Power Commission, whose record has demonstrated clearly that it compels these interstate carriers to pass on to their consumers all the savings that they make.

With reference to the testimony of the distinguished Mr. Cook, of American Electric Power Co., Inc., I regret the last observation the Senator from Tennessee made about him. The Senator from Oklahoma was a country lawyer for many years, and one of the first things he learned about the practice of law was that a lawyer could not impeach the testimony of his own witness nor question the veracity of his own witness. I am sorry that the Senator from Tennessee did that with reference to the statement by the distinguished Mr. Cook, whereby he sought to establish a fact by him in one regard and then made the statement that he took with a grain of salt—which I would interpret to mean a good deal of doubt—the other statements by the witness whose testimony he himself brought into the discussion.

Mr. GORE. Mr. President, will the Senator yield for the next final question?

Mr. KERR. Ah, Mr. President, I knew that would not be the last question. I yield for a question.

Mr. GORE. And this will be the last question. If the gas and oil pipelines and electric utilities are going to pass on to the consumers the benefits they receive under the bill, how, then, will those utilities be stimulated to invest more money?

Mr. KERR. Well, I remember, Mr. President, when Mr. Cook was before the committee he made the statement that this credit would result in expanded construction by his corporation, increased service to his consumer customers, and an increase in the base of the industrial development of the area he served. He said it would make that possible and at the same time would make it possible for him to pass on to his consumers the savings which came to him by reason of the application of the credit.

Now, if the Senator from Tennessee does not believe it, or does not understand it as it was so ably given to him by Mr. Cook, who was speaking with reference to his own company and his own operation, I doubt if the Senator from Oklahoma would have the ability to explain it to the Senator from Tennessee in such a way as to make it more easily understood.

But even though I did make it so crystal clear that the Senator from Tennessee understood and believed it, there is great doubt in my mind that he would vote for that provision in the bill.

THE BILLIE SOL ESTES CASE—ATTACKS UPON UNDER SECRETARY OF AGRICULTURE CHARLES S. MURPHY

Mr. MORSE. Mr. President, for some time past I have read in the newspapers, by way of trial by newspaper, criticisms, innuendoes, and attacks upon the Under Secretary of Agriculture Charles S. Murphy relative to the Billie Sol Estes case.

I wish to say at the very outset of the statement I am about to make that I do not know what the facts are in connection with the Billie Sol Estes case with respect to any relationships that anyone in the Department of Agriculture may have had with him, including the Under Secretary of Agriculture, Charles S. Murphy.

I share the point of view that the evidence is pretty clear that Billie Sol Estes has polluted the stream of good government, that he has performed a great disservice to himself, to his family, and to any government officials, who may have unfortunately come under his corrupt influence.

When I have great confidence in a man, based upon years of friendship with him and an opportunity to observe him in many official relationships during my years in the Senate, I do not walk out on him and run for cover when he is subjected to trial by newspaper. For me the test of friendship, in part, arises when a friend is under attack. One should then make known what he knows about that friend.

This does not mean that when one makes known what he knows about a friend, he therefore underwrites anything about which he does not know. Nor does it mean that any proof or solid evidence which may be developed ought be ignored.

But I wish to say, as I make my comments about the Under Secretary of Agriculture today, that all my experiences with Mr. Murphy over the years have led me to believe that I have been dealing with a fine Christian gentleman of great integrity, of dedication to the public service, and of complete honesty in carrying out the obligations of whatever Government post he has held.

In the capacity of a character witness this afternoon on the floor of the Senate, I wish to make that statement about the Under Secretary of Agriculture, Charles S. Murphy. I am glad that at long last he will have an opportunity to testify in person today before an appropriate Senate committee which is looking into the Billie Sol Estes case.

But I think Mr. Murphy is due from those who have been closely associated with him in various official relationships the statement that I now make. I believe that Charles S. Murphy is an honest man of great integrity. He has served his country in post after post in a dedicated fashion. It may very well be that by negligence or oversight he has made some mistake, although I doubt it. But I shall follow where the facts lead in that respect, as I seek to follow where the facts lead in respect to all issues which come before me in the Senate.

I know Charles S. Murphy. I know the great services he rendered the people of our country and this Government during the war. I know of his services under the Truman administration.

When I saw in newspapers the many innuendoes and snide attacks upon him which would be best characterized as smear tactics that are commonplace in American journalism, I proceeded to make such inquiry as I could in regard to Charles S. Murphy. I satisfied myself that unless there is some evidence of which I have not been made aware, Charles S. Murphy has been victimized in recent weeks. I do not stand by in silence when I feel that a wrong may be done to a friend.

Mr. President, I wrote a letter to a group of mutual friends of Mr. Murphy. I shall read a copy of that letter:

> Under Secretary of Agriculture Charles S. Murphy is a longtime personal friend of mine. His record of dedicated honest public service has been outstanding. However, I am concerned about the impression which may have been created as a result of his name being drawn into the discussion of the Billie Sol Estes case.
>
> Therefore, I shall appreciate it if you will send me very promptly for public use on the floor of the Senate, if it becomes necessary for me to make a speech in his defense, your evaluation of him and his service as Under Secretary of Agriculture.
>
> With kind personal regards,
>
> Sincerely yours,
>
> WAYNE MORSE.

For the next few minutes I propose to discuss some of the replies which I received to my letter. First, I should like to put into the RECORD some biographical material in regard to Mr. Murphy as an individual and in his capacity as a public servant.

CHARLES S. MURPHY

Charles S. Murphy is the No. 2 man in the administration of the Department of Agriculture, and has a general supervisory function for all its activities and agencies. These agencies include the Agricultural Stabilization and Conservation Service and 15 others.

In addition to the general supervisory functions, he has been assigned special responsibilities.

He has direct supervision of the Foreign Agricultural Service. This includes responsibility for the Department's activities in maintaining and expanding sales of U.S. agricultural commodities in foreign markets as well as administration of a major part of the food-for-peace program under Public Law 480.

Mr. Murphy is chairman of the Budget Committee of the Department of Agriculture and President of the Commodity Credit Corporation.

He has been assigned special responsibility for supervising the commodity programs of the Department. This includes fixing support prices and acreage allotments for tobacco, rice, peanuts, cotton, wheat, feed

> grains, and other commodities. It also includes policies relating to management and disposition of Government stocks of agricultural commodities, and the purchase and distribution of commodities for the school lunch program as well as the direct distribution program for providing foods to needy persons.
>
> Under Secretary Murphy coordinates and reviews the Department's staff work on major legislative proposals and reviews all departmental reports on legislation, of which there are about 800 each year.
>
> He is a member, and usually acts as chairman, of the Program Review Board of the Department and also supervises its extensive civil defense activities.
>
> He reviews all marketing orders and marketing order amendments before they are issued. There are several hundred of these each year.
>
> Mr. Murphy is the Department's representative on the Trade Policy Committee, which is the Cabinet committee responsible for making recommendations to the President on foreign trade matters.
>
> He serves as Acting Secretary in the absence of the Secretary of Agriculture.
>
> Mr. Murphy is a former special counsel to President Harry S. Truman. He also is a former assistant legislative counsel to the Senate, and in this position specialized in drafting agricultural legislation.
>
> Since 1953 he has practiced law in Washington, D.C. His residence is Annapolis, Md.
>
> Mr. Murphy was born August 20, 1909, in Wallace, N.C., where he attended public schools. He received an A.B. degree from Duke University at Durham, N.C., in 1931 and an LL.B. in 1934. He worked his way through school as a laborer and clerk in the post office. He was admitted to the North Carolina bar in 1934.
>
> In 1934 he became a law assistant in the Office of the U.S. Senate Legislative Counsel, serving in this post for 2 years. For the next 11 years he was assistant legislative counsel to the Senate.
>
> His duties were to help Senators and senatorial committees draft bills and committee reports, and to advise them on legal matters.

Many of us who served in the Senate during the tenure of Charles Murphy as legislative counsel know what an able lawyer he is and know what a dedicated servant he is to the public weal. I am sure many in the Senate share my very high appraisal of this fine man.

> As a specialist in agricultural legislation he helped draft the Agricultural Adjustment Act of 1938, prepared committee reports on agriculture, and assisted in the drafting of other important farm bills.
>
> In 1947 he became administrative assistant to President Truman. In 1950 he was advanced to the position of special counsel to the President, where he acted as the principal staff assistant on legislation—including farm legislation.
>
> Since 1953 Mr. Murphy has practiced law as a member of the Washington, D.C., firm of Morison Murphy, Clapp & Abrams. He was admitted to the Supreme Court bar in 1944 and to the District of Columbia bar in 1947. From 1957 to 1960 he was counsel to the Democratic National Advisory Council.

Mr. BURDICK. Mr. President, will the Senator yield?

Mr. MORSE. I yield.

Mr. BURDICK. I wish to say that I, too, have known Charlie Murphy since the days of the Truman administration. I have know him as an able lawyer and able administrator, and as a man of unimpeachable integrity. I am happy this afternoon to associate myself with the remarks of the Senator from Oregon.

Mr. MORSE. I thank the Senator from North Dakota very much. The Senator comes from a great agricultural State. He is one of the great leaders in the Senate and in the solution of agricultural problems. He is familiar with the agricultural record of Charles Murphy. I am not surprised, but I am certainly pleased to know that he shares my evaluation of Mr. Murphy.

During the 1960 national campaign he was an adviser to Senator LYNDON B. JOHNSON, now Vice President.

Mr. Murphy operates a 750-acre farm—with tobacco as the principal crop—near Durham, N.C., with a brother, R. B. Murphy, who lives on the farm and manages it.

The Under Secretary is a member of the American Bar Association, the North Carolina Bar Association, the Federal Bar Association, and the District of Columbia Bar Association. From 1956 to 1958 he was president of the National Capital Democratic Club. He also belongs to the Order of Coif, which is the honorary scholastic fraternity of the legal profession in standard law schools of the country; Delta Sigma Phi; Pi Gamma Mu; and Omicron Delta Kappa.

Mr. Murphy married Kate Chestney Graham, of Durham, N.C., in 1931. They have three children. One daughter, Courtenay, is married to Whitney Slater and lives in Arlington, Va. Westbrook, their 20-year-old son, is a junior at Duke University. Another daughter, Betty, 12, lives at home. She attends Annapolis Junior High School.

Mr. President, in the last few months there has been considerable comment in the press concerning Mr. Murphy. On August 24 he issued the following statement in regard to some of these press stories. I quote that statement, as follows:

> In the past few days, there has been considerable comment in the press concerning my part in the handling of the business of the Department of Agriculture relating to the affairs of Billie Sol Estes, now under investigation by the Senate Committee on Government Operations. On July 3, 1962, I requested an opportunity to appear and testify before the committee on this matter. I am sure that opportunity will be accorded to me in time, and that principles of fairness and justice will preclude any conclusions or judgments until I have had that opportunity.
>
> All of the matters which I dealt with concerning Estes came to me in the normal course of my duties as Under Secretary of Agriculture. I dealt with all of them strictly on the merits as I saw them. No pressures or improper influences had any effect on my decisions. When this case came to my attention in the fall of 1961, it was extremely complex and difficult under the legal and administrative law principles involved. It was handled by me solely with the twofold objective of protecting the interest of the Government and affording fair and equitable consideration to the rights of private citizens. It is the essence of free, democratic government that the rights of every citizen be protected.
>
> I believe the record shows that, notwithstanding the difficulties, we did succeed in accomplishing our objective of fully protecting the interest of the Government while giving due consideration to the rights to which all citizens are entitled.

Mr. President, as I said, I do not purport to know what may have transpired in the Department of Agriculture, in any office, including Mr. Murphy's, or in any other, with regard to the Billie Sol Estes case. However, I certainly would not be able to live with my conscience seeing a friend of mine under the type of attack which Mr. Murphy has been subjected to in the recent past, if I remained silent for any reason, including the possibility that speaking out in defense of a friend might ultimately result in some kind of reflection upon me, because he might conceivably be found guilty of some sort of negligence.

I speak today, when public opinion eyes will be focused on Mr. Murphy as he testifies before the Senate committee, because, in my judgment, a friend stands up for a friend when he is satisfied that his association with that friend justifies the kind of high opinion and esteem that I have for the integrity of Mr. Murphy. I am glad that others share my point of view concerning the character and integrity and the devoted public service of Mr. Murphy.

Yesterday I had a rather long long-distance telephone conversation with one of the great Americans of our history, a former President of the United States, the incomparable Harry S. Truman. We talked about Mr. Murphy. I paraphrase him, but accurately, when I say that ex-President Truman authorized me to say on the floor of the Senate this afternoon that he knows Charles Murphy to be an honest man through and through. That, of course, is typical Truman language. He went on to discuss the great services that Charles Murphy rendered to him in his White House appointment capacity when he was President of the United States. He left no room for doubt in my conversation with him yesterday of his complete confidence in the honesty, integrity, and character of Charles S. Murphy.

One of the letters that I wrote—they were identical in composition and I have already read it into the RECORD—was one addressed to Mr. Herschel D. Newsom, master of the National Grange. I have the following reply from him:

> Hon. WAYNE L. MORSE,
> *U.S. Senate:*
>
> We are happy to know that you intend to express in the Senate your confidence in Under Secretary of Agriculture Charles S. Murphy. Counsel of National Grange and I have known Charlie Murphy for many years both in and out of public office as an able, sincere, and conscientious lawyer and administrator of unimpeachable integrity. We believe that he is serving our farmers and all of our people well and faithfully as Under Secretary of Agriculture and that you are to be commended for bringing this fact to the attention of the Senate.
>
> HERSCHEL D. NEWSOM,
> *Master of the National Grange.*

Mr. President, I received a reply from Alexander Nunn, of the Progressive Farmer, which reads as follows:

> I have worked rather closely with Charles Murphy for the last 2 years. I have found him completely honest, fairminded, and alert—a thoroughly dedicated public servant. He has an invaluable background of experience combined with good judgment.

He inspires confidence and teamwork. We cannot afford to lose him from Agriculture.

Alexander Nunn,
Executive Editor, Progressive Farmer.

Mr. President, I also have another communication from Alexander Nunn, executive editor of the Progressive Farmer. The letter is dated August 27, 1962, and is a copy of a letter which he wrote to a colleague in the Senate. However, Mr. Nunn authorized me to read the contents of the letter. I shall not read the name of the colleague unless at a later hour he authorizes the use of his name.

Mr. ERVIN. Mr. President, will the Senator from Oregon yield?

Mr. MORSE. I yield.

Mr. ERVIN. I do not know whether the Senator is referring to me or not. This morning I received a letter from Mr. Harry B. Caldwell, of my State of North Carolina, concerning Charlie Murphy. I do not know whether I am the Senator to whom the Senator from Oregon has referred.

Mr. MORSE. Not in this letter. I do have a copy of the letter to which the Senator from North Carolina refers. I was about to refer to the other letter, but without using the Senator's name.

Mr. ERVIN. If the Senator from Oregon is referring to me, he is at perfect liberty to use my name.

Mr. MORSE. I would expect that courtesy from the Senator from North Carolina. But in my position, I am certain the Senator from North Carolina would do exactly what I am doing now. I shall not use the name of our colleague without his permission. I am merely trying to get views into the Record.

Mr. ERVIN. I received a letter from Mr. Caldwell this morning. He has done outstanding work for agriculture in North Carolina. He told me he was sending a copy of his letter to me to the Senator from Oregon.

Mr. MORSE. I appreciate the Senator's statement.

In his letter to our colleague, whose name I shall not mention, Mr. Nunn wrote as follows:

For several months now I have been greatly concerned about what might happen to the Department of Agriculture as a result of all of the publicity that has been given to the Billie Sol Estes case. I have been concerned about the public's reaction to all of the publicity from every possible source but I have also been quite sure that there were those who would seek to take advantage of the situation and thus to injure the Department and farm programs in any way they possibly could. I am still strongly of that mind. The letter attached, which was sent to the White House some weeks ago by our senior editors, covers the broad points that I would stress today if I were writing to anyone else.

I think I have said to you personally that in my judgment we have the best team in the Department that we have had in my lifetime to serve not only the South but our entire Nation. As you know, I have worked rather closely with most of the keymen in the Department since President Kennedy was inaugurated early in 1961. It was also my privilege to be associated with several of the men who later became team members in the Department at an even earlier period. In my judgment, the men whom Secretary Freeman has as his chief associates are experienced, widely informed, and thoroughly dedicated individuals. I believe that they are seeking to do the best possible job for the farmers of America and for the Nation from day to day. They are public servants in the best sense of that phrase.

At some appropriate time I hope that you may see fit to speak a strongly favorable word for the Secretary and his team.

Sincerely yours,

Alec
Alexander Nunn.

Mr. MORSE. Mr. President, I ask unanimous consent to have printed at this point of the Record the text of the letter to which Mr. Nunn referred, which was addressed to the White House under date of July 23, 1962, and is signed by the president and editor in chief, the executive editor, and the editors of the Progressive Farmer.

There being no objection, the letter was ordered to be printed in the Record, as follows:

The Progressive Farmer,
Birmingham, Ala., July 23, 1692.

The President,
The White House,
Washington, D.C.

Dear Mr. President: For months now we have watched with concern and growing alarm the attacks on the U.S. Department of Agriculture, Secretary Freeman, and his staff. Some of the opposition we have recognized as the ordinary maneuvering of "outs" against any administration; some has without doubt been an expression of either honest differences of opinion or of misunderstanding. But we are convinced that much of it is a vicious, deliberate, and carefully organized attack that would not stop if every USDA decision were perfect. It would go on under any other Secretary who seeks to improve the economic lot of working farmers and their bargaining power in the highest interest of the Nation's future and for the benefit of all our people.

Fundamentally, we think it is nothing less than an unwillingness to face up to the needs of agriculture and of the Nation today and, even worse, it appears to be a willingness to pursue policies that could be extremely dangerous to both. We want you to know therefore how Progressive Farmer's editors feel.

We believe that Secretary Freeman and his associates are doing more than any other USDA team in our lifetime to fight skillfully and effectively the battles of working farmers. We can say that and still add that we have not agreed with all the decisions that have been made. We think that no other team could have done a better job of improving agriculture's public relations. The team has been outstandingly aware that we must meet the conditions of today and plan for the future—not live in the past. We have a USDA team that seeks to take the full advantage of our unprecedented farm skill and know-how to improve the lot of farm people to the great gain of our entire Nation and to further the hope of world peace. If that is not the kind of USDA team we want, do we really want to protect our future? Secretary Freeman has shown a dynamic quality of leadership that we so badly need; he challenges and inspires his associates. He and his team justify your enthusiastic and continued support.

The Progressive Farmer itself will seek to continue to use its full resources to inform and to keep up to date its 1,400,000 rural subscriber families from Delaware to New Mexico. We have also determined during a weeklong policy conference just closed to fight still harder for fair, intelligent, and foresighted national farm policies.

Very truly yours,

Eugene Butler, President and Editor in chief; Alexander Nunn, Executive Editor; Joe A. Elliott, T. P. Head, Ed Wilborn, C. G. Scruggs, and O. B. Copeland, Editors.

Mr. MORSE. Mr. President, this morning I received a letter from Mr. Caldwell, of North Carolina, enclosing a copy of a letter to the Senator from North Carolina [Mr. Ervin] who has just authorized me to refer to the fact that Mr. Nunn enclosed in the letter to me the copy of the letter which he sent to the Senator from North Carolina. The letter to me, dated August 27, reads as follows:

Greensboro, N.C., *August 27, 1962.*

Hon. Wayne Morse,
U.S. Senate,
Senate Office Building,
Washington, D.C.

Dear Senator Morse: Your letter dated August 22, 1962, has been received. I am pleased to enclose copy of a letter written by me to Senator Sam J. Ervin, Jr., which sets forth my feelings about the attacks against the farm programs, Secretary Freeman, and Under Secretary Murphy. It is my feeling that these assaults, many of which were launched soon after their appointment, are a part of a well-planned scheme to destroy public support for effective farm programs.

It has been my privilege to confer with Mr. Murphy on numerous occasions since he was named to fill this important position. He has good judgment, is a tireless worker, and a man of ability. I have been impressed by his patience and by his efforts to get full and accurate information in performing the duties assigned.

I regard Mr. Murphy as a capable and dedicated public servant.

Sincerely,

Harry B. Caldwell.

The letter to the Senator from North Carolina reads as follows:

August 27, 1962.

Hon. Sam J. Ervin, Jr.,
U.S. Senate,
Senate Office Building,
Washington, D.C.

Dear Sam: I have been concerned, as you know, for some time by the repeated attacks on the U.S. Department of Agriculture, Secretary Freeman, Under Secretary Murphy, and members of the staffs. These attacks are creating a false image of the Department, its outstanding service to the Nation and jeopardizing public support for essential farm programs. Some of this criticism undoubtedly stems from individuals who oppose realistic farm programs and the vigorous efforts made by this team to secure measures that will cut Government costs and at the same time increase the income of farmers.

I have been privileged to participate in numerous conferences with these men and I have been impressed with their painstaking efforts to get the facts before reaching a final judgment on any important matter coming before them for a decision.

I have heard many individuals from both political parties who likewise have had opportunities to work with them commend them for the manner in which they are discharging their responsibilities. This does not mean that agreement on every decision was reached, but it does reflect the confidence of these individuals in the men themselves.

Public confidence in programs essential to agriculture and the Nation would be strengthened if you and others in a similar position would make some public statements in support of the programs and the accomplishments of the U.S. Department of Agriculture under the leadership of this team.

With kindest personal regards, I am

Cordially,

HARRY B. CALDWELL.

Mr. President, I have also received a letter, in answer to my letter of August 22, from Clyde T. Ellis, general manager of the National Rural Electric Cooperative Association, dated August 27, 1962. The letter reads as follows:

AUGUST 27, 1962.

Senator WAYNE MORSE,
Old Senate Office Building,
Washington, D.C.

DEAR SENATOR MORSE: This is in response to your inquiry of August 22 concerning my evaluation of Charles S. Murphy as a public servant.

I have known Charlie Murphy personally for many years, since he was an assistant to President Truman. I have known and worked with him since he has been Under Secretary of Agriculture. In my opinion, Charlie Murphy is a man of unquestionable integrity, of great ability, and of complete dedication to the public interest.

I know nothing of the facts involved in the recent newspaper stories, but if Mr. Murphy made a mistake—and don't we all make them?—I am sure in my own mind it was an honest one.

The American farmer is in serious trouble. Mr. Murphy is one of his ablest and most devoted friends. In my opinion, it would be a sad day for the farmers if anything should interfere with Murphy's continuous efforts in their behalf.

Sincerely,

CLYDE T. ELLIS,
General Manager.

Mr. President, I wrote to the chairman of the Committee on Agriculture and Forestry, whose dedication to and honesty in government, in my judgment, is not surpassed by that of any other Member of the Senate. He is one of our great Senators. He knows and understands the problems in the Department of Agriculture. Under date of August 22, I wrote to him the same letter I wrote to the others. Under date of August 24, I received the following reply from Senator ELLENDER:

U.S. SENATE,
COMMITTEE ON AGRICULTURE
AND FORESTRY,
August 24, 1962.

Hon. WAYNE MORSE,
U.S. Senate,
Washington, D.C.

DEAR WAYNE: I have your letter of the 22d, and I too am sorry that the name of Mr. Charles S. Murphy has been mentioned in the Billie Sol Estes case.

Be that as it may, I have known Charlie Murphy for over a quarter of a century, and in my dealings with him I have always found him to be an able and conscientious public servant. Since his appointment as Under Secretary of Agriculture, I have had occasion to contact him very often, and in all instances he has proven himself fair and most cooperative. So far as I know, his conduct has been beyond reproach.

With kindest personal regards and best wishes, I am,

Sincerely,

ALLEN J. ELLENDER,
U.S. Senator.

I also wrote to the Secretary of Agriculture, because I have taken it for granted—and I am sure I have been justified in doing so—that if the Secretary of Agriculture or if the President of the United States or if any of Mr. Murphy's superiors had the slightest reason to believe that Mr. Murphy as Under Secretary of Agriculture was guilty of any conduct which in any way interfered with the proper performance of his duties in that office, they would long before this have taken action in regard to it.

I received the following reply from the Secretary of Agriculture:

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, August 27, 1962.

Hon. WAYNE MORSE,
U.S. Senate.

DEAR WAYNE: I welcome the opportunity to respond to your request of August 22 for my evaluation of Charles S. Murphy and his services as Under Secretary of Agriculture. His outstanding record of ability and integrity in the public service was the reason why I urged him to accept the position he now holds. In that position he has demonstrated a capacity for work, a devotion to duty, and a dedication to the public interest that merit the respect and gratitude of the people of this Nation.

Ever since his appointment I have relied upon the Under Secretary to perform the multitude of duties required by that office and to carry out responsibilities far more numerous, complicated, and difficult than constitute a normal load for any Government official. Mr. Murphy has effectively carried out these responsibilities with utmost integrity and steadfast devotion to duty.

His able and skillful management and operation of the commodity programs of this Department, his handling of numerous administrative problems, his leadership in planning and programing, and his performance of the many other functions that have been assigned to him constitute a service the value and importance of which is far too little recognized. His effectiveness in developing excellent relationships with other executive agencies and the legislative branch of Government has been of immeasurable value.

I share your confidence in Charles S. Murphy, and I believe that all who know him and who are familiar with his work deeply appreciate his high ability and complete integrity as well as his consistent concern for American principles of justice and fairplay and the best interest of the Nation.

Sincerely yours,

ORVILLE L. FREEMAN.

Mr. President, I have also received a reply to my letter from the president of the National Farmers Union, Mr. James Patton. It reads as follows:

NATIONAL FARMERS UNION,
Denver, Colo., August 25, 1962.

Hon. WAYNE MORSE,
U.S. Senate,
Washington, D.C.

DEAR SENATOR MORSE: I am deeply concerned about the grossly erroneous and completely unfair innuendoes concerning Charles S. Murphy, the Under Secretary of Agriculture, which have been emanating recently from the hearings of the Senate Committee on Government Operations of the Billie Sol Estes affair.

It seems more than a happenstance that public attention is being focused by these hearings upon Mr. Murphy. This appears to have resulted from allowing a witness to express his own farfetched inferences, opinions and deductions drawn from his own fabrications of hearsay in its most obnoxious form. No court of law in this Nation would admit or consider the hearsay statements of Tom Miller relating to Mr. Murphy and no court in the free world would have permitted the expression of Miller's deductions or inferences based upon such hearsay of his own manufacture. Yet, this hearsay and these inferences are the sole foundation used by some for an attack upon the reputation of one of the finest and most competent public servants this country has ever known.

Mr. Murphy's personal integrity in public life or otherwise is beyond question. His intelligence and judgment has been brought to bear on questions of great importance to this Nation with resulting great value. His loyalty, in every sense of that term, including devotion to the administrative duties assigned him, is unimpeachable. His capabilities and superior judgment are a model to all public employees. To now hold out such a fine American citizen to public scorn for several weeks without affording him an opportunity to make a statement in his own behalf violates every sound tenet of our American ethical code. I am particularly shocked that the committee has permitted wide circulation of unfounded innuendoes and accusations before it has given Mr. Murphy the opportunity to speak.

I realize that you are not a member of this committee but because of your well-known hatred of injustice and unfair attack, I am respectfully calling upon you to speak out at the appropriate time in support of this fine public servant. It has always been difficult to recruit persons of the caliber of Charles Murphy for public service for these posts of high responsibility. Such public use of "information" developed in these proceedings only makes the job of running this Government more difficult.

Everyone I talk to is as incensed as I, but have a sense of futility about what they can do to rectify this gross wrong. We look to you and other like-minded Senators to speak our deep-felt opposition to the obviously unwarranted personal attack on Charles S. Murphy.

Best regards,

JAMES G. PATTON.

WAYNE, I am very happy that you are speaking out.

Mr. ERVIN. Mr. President, I must go to a committee meeting. I wonder whether the Senator from Oregon may be permitted to yield to me for a brief statement, without losing his right to the floor.

Mr. MORSE. Mr. President, under these circumstances I am delighted to yield.

The PRESIDING OFFICER (Mr. HICKEY in the chair). Without objection it is so ordered.

Mr. ERVIN. I am a member of the subcommittee which has been conducting the investigation, and I have listened to all the testimony. I see nothing in the testimony for which Mr. Murphy can be justly criticized, unless love of fair play and due process of law has departed from the hearts of the American people.

The criticism being leveled against Mr. Murphy is based fundamentally on the fact that he held in abeyance the cancellation of the 1961 cotton allotments which had been transferred to certain land in Texas formerly owned by Billie Sol Estes, on the request of Billie Sol Estes and his attorney that before final action was taken, they be given an opportunity to present their side of the case, and to show, if they could, that the transactions were bona fide. Therefore, what was done by Mr. Murphy in that connection was, in my judgment as a lawyer, consistent with the highest traditions of American respect for fair play and the giving of a man an opportunity to be heard before he is condemned.

In other words, Mr. Murphy's action was required by what we call due process of law, which Daniel Webster so well said, in the Dartmouth College case, is a law which proceeds upon inquiry, and renders judgment only after notice and an opportunity for a hearing. That is what Mr. Murphy did.

The criticism of him is largely based upon events which transpired after Mr. Murphy took his action.

The whole thing reminds me of a play in which one of the leading parts was that of a French doctor. He was called out of his bed at a very late hour at night, to officiate at the delivery of a baby. He missed his sleep, and he returned home after breakfast. His wife was commiserating with him over his loss of sleep and his loss of the opportunity to have his breakfast; and she asked him, "Was the delivery a hard delivery?"

He replied, "Yes; it was most difficult."

She expressed her compassionate concern over the difficulties he had encountered.

But the doctor replied, "Well, it was worth all the trouble, because the baby I have just delivered is Victor Hugo, who is destined to be a great writer of France."

The criticism in this case is based on Mr. Murphy's alleged lack of prophetic powers in connection with events which would occur in the future.

I wish to commend the Senator from Oregon for what he has said in Mr. Murphy's behalf. I have been privileged to know Mr. Murphy, who is a native of my State, for many years. I do not know of any human being who possesses a higher degree of integrity than does he.

Mr. MORSE. Mr. President, I thank the Senator from North Carolina for his great testimonial—for it can properly be so characterized. It has come from a Member of the Senate who probably is in the best position to say what he has said, because not only does he know Mr. Murphy as one of the two North Carolina Senators, and not only has he had many associations with Mr. Murphy in North Carolina relationships, but, in addition, the Senator from North Carolina is a former justice of the North Carolina Supreme Court, and he knows what due process is, and he is familiar with the requirements of fair procedure. Not only has he expressed his personal opinion in regard to the character and the dedicated public service of Mr. Murphy, but the Senator from North Carolina has also given here on the floor of the Senate an unanswerable legal opinion, in my judgment, because what he has said as a member of the committee itself is that Mr. Murphy has insisted upon a fair hearing and has insisted upon the application of the principles of due process in connection with the consideration of the Billie Sol Estes case, as he would in connection with the consideration of any other case.

It all adds up to the fact that we simply must insist that all the facts are before us before any judgment is rendered. This is the very essence of judicial process in this country. If those who render decisions did not insist on that kind of implementation in the administration of justice, then, Mr. President, you and I would not have any legal rights, because whenever those in positions of decision do not carry out, as the Senator from North Carolina [Mr. Ervin] has so clearly implied and stated here this afternoon, the guarantees of due process, then we are rightless people. We have lost the rights so cherished and precious to freemen.

I want to thank the Senator from North Carolina [Mr. Ervin] from the very bottom of my heart for doing what any of us who know him would expect him to do—to have the courage to stand up here this afternoon to bespeak his keen concern over what has been said about Mr. Murphy and his relations to Billie Sol Estes.

I yield now to the Senator from Minnesota [Mr. Humphrey] with the same understanding that I do not lose my right to the floor.

Mr. HUMPHREY. Mr. President, first, I wish to commend the Senator from North Carolina for what I consider to be one of the most profound statements with respect to due process and justice under law that I have heard in this body. I think the Record should note that two of our most experienced legal minds in the Senate have taken the position that Mr. Murphy has acted within what we call due process of law and administrative procedures in the actions that are now under investigation.

I also wish to say that I have known Mr. Murphy for a number of years as a friend, as a Government official, and as a lawyer. His record is without blemish. He has demonstrated through years of public service a faithfulness to public duty which should commend him to anyone.

There is a tendency these days in American public life to make a judgment before the evidence is in. As the Senator from Oregon and the Senator from North Carolina have pointed out, Mr. Murphy has not had a chance to defend himself against charges and counter charges, many of which contradict themselves, leaving Mr. Murphy as the sort of fall guy, or as they say in the vernacular, holding the bag.

I only hope, before a judgment is rendered, one who has given so many years to public life, and has taken on so many responsibilities in two administrations, will have a chance to be heard and show his record, word, and performance.

Every one of us has called upon administrative officers to review cases for constituents. Do not forget that. I cannot help but express a note of concern that administrative officers who are asked, at the request of Senators or Representatives, to do something, may later be accused of having given a special privilege or favor, when there was no such desire on the part of either the Member of Congress or the administrative officer. I have had citizens from my State come to my office. I do not have a chance to give them a political blood test, or run them through a test of morals and character. If they come in as responsible citizens so far as I know, and ask me to do something for them that seems to be within the spirit and intent of the law, I pick up the telephone, call up the apropriate officer, and ask, in my name as a Senator of the United States, if something can be done. If those officers do not give us at least a friendly response, we are the first to criticize them. If they look into the question and try to ascertain whether or not something can be done, and later on we find the constituents were unworthy or were crooks or were violating the law at least in spirit, we point at the administrative officer.

I think we ought to recognize that we all share the burdens and responsibilities of government, and it is not fair to single out a man, before he has been heard, for any unfair condemnation or treatment.

I make this statement after hearing two Senators speak for Mr. Murphy. I did not know his name was going to be mentioned. I have been disturbed over the fact that his name has been mentioned in the press, and he has not been given a chance to reply. Perhaps he now will be given a chance.

I express my respect to the able Senator from Oregon for his willingness to speak out in this matter, and to the Senator from North Carolina, who is a member of the committee that heard some of the evidence. The Senator from North Carolina is a jurist second to none, and as a lawyer he has a sense of fair play. Their testimony means much to me, and I know it will to Mr. Murphy.

Mr. MORSE. I thank the Senator very much for the statement he has made. I expected it of him. I appreciate it. I am sure it has greatly strengthened the record I am seeking to make here this afternoon.

Mr. President, I have two more letters I wish to read, and then will yield the floor. I express my appreciation to the Senator from Nevada [Mr. Cannon] and the Senator from Virginia [Mr. Byrd] for their cooperation in making it possible for me to make this statement.

The next letter is one also in reply to my letter of August 22. It is dated August 27, 1962, and reads as follows:

National Council of Farmer Cooperatives,
Washington, D.C., August 27, 1962.

Hon. Wayne Morse,
U.S. Senate,
Washington, D.C.

Dear Senator Morse: I have discussed your letter of August 22 with leaders in our organization who feel that we should heed Mr. Murphy's own appeal that no conclusions be drawn with respect to his official action in the Estes case until he has been heard.

I feel this is a wise admonition and one which is in line with our mutual friend's being willing to let the facts speak for themselves.

Kindest personal regards.

Sincerely,

Homer L. Brinkley,
Executive Vice President.

My last letter, one I received from Claude R. Wickard, former Administrator of REA, and recognized as one of the great agricultural leaders of our time and our century, reads as follows:

Dear Senator: As a member of President Kennedy's National Agricultural Advisory Commission, I have been in a good position

> to observe the outstanding public service of the Honorable Charles S. Murphy in his position as Under Secretary of Agriculture. He is performing the duties of this office with efficiency, effectiveness, courtesy, and in keeping with the highest ethics.
>
> His service is exactly the kind to be expected from a man of great ability, a deep sense of responsibility of public office, and the highest integrity.
>
> In acknowledgment of your own honorable record of public service and with very best wishes, I am,
>
> Most sincerely yours,
>
> CLAUDE R. WICKARD.

I took these few moments today to make this statement in behalf of Mr. Murphy out of my sincere friendship for him, as I said at the beginning, my personal knowledge of his record in many official capacities, and my satisfaction of his dedication to the public interest. I did it because, finding a friend in whom I had the confidence that I have in Mr. Murphy, under the type of public attack being made, I could do no less.

I want to say, as I close, I will sleep better tonight with my conscience than I would have if I had hesitated or failed to speak out when a friend is under attack.

Mr. SPARKMAN and Mr. CARROLL addressed the Chair.

Mr. MORSE. I yield first to the Senator from Alabama. Then I will yield to the Senator from Colorado.

Mr. SPARKMAN. I commend the Senator from Oregon for speaking as he has. I have followed the press reports from time to time. I often wondered when Charlie Murphy was going to be given an opportunity to answer these charges.

I have known Charlie Murphy for a great many years. I have known him to be a man of ability, a man dedicated to whatever work he undertakes.

I understand the Senator has put some letters into the RECORD.

Mr. MORSE. May I interrupt the Senator a moment? The Senator was not in the Chamber, and I said that I was going to put in the RECORD a copy of a letter which was sent to a colleague of mine, but because I had not had an opportunity to talk to that colleague I was omitting his name from the RECORD. I am ahead of the Senator, I think. I believe he is about to refer to the letter. The letter is in the RECORD, but the Senator's name was not used in connection with it, because I would not deal with my colleagues in that way.

Mr. SPARKMAN. I was going to ask the Senator to permit that letter to go into the RECORD, because it is a fine letter. I am not sure the Senator identified the writer.

Mr. MORSE. Yes, I identified the writer. I think the letter ought to be in the RECORD now, offered by the Senator from Alabama, himself. My previous reading of it, I believe, should stand, because I made certain comments at the time I read it, but I would appreciate it very much if the Senator would insert the letter in the RECORD at this point.

Mr. SPARKMAN. The letter to me was from Alexander Nunn, who is the executive editor of the Progressive Farmer. The Progressive Farmer is one of the leading farm publications. It is one of the best farm publications in the entire United States.

Mr. Nunn, who is a friend of mine, a citizen of my State, has written a very strong letter to me. I presume that is the letter the Senator put in the RECORD.

Mr. MORSE. Yes.

Mr. SPARKMAN. Did the Senator put in the RECORD a copy of the letter which the editor of the Progressive Farmer wrote to the President?

Mr. MORSE. Yes. I put that letter in, too.

Mr. SPARKMAN. I am glad the Senator did.

I should like to read one sentence, for I think it is significant.

> We believe that Secretary Freeman and his associates are doing more than any other USDA team in our lifetime to fight skillfully and effectively the battles of working farmers.

The letter is signed by the entire editorial board of the Progressive Farmer.

Mr. MORSE. I thank the Senator from Alabama very much. I appreciate his statement. I hope he will understand why I did not use his name heretofore, since I did not have his permission to do so.

Mr. SPARKMAN. That is very fine. I am glad the Senator put the letters in the RECORD.

Mr. CARROLL. Mr. President, will the Senator yield?

Mr. MORSE. Mr. President, I yield to the Senator from Colorado with the understanding that I shall not lose my right to the floor by so doing, although I will seek to give up the floor as soon as I can.

Mr. CARROLL. Mr. President, I rise also to commend the able Senator from Oregon. I have not heard his full presentation about Charles Murphy, but I assume he has been discussing the background of Charles Murphy. I believe he, years ago, was a legislative draftsman for the U.S. Senate.

Mr. MORSE. He was assistant general counsel in our legislative drafting service.

Mr. CARROLL. That was my impression. Some 10 years ago I first knew Charles Murphy intimately, when he was a special counsel for President Truman. I can say without hesitation or equivocation that I have never met a more conscientious public servant. He was a quiet and studious scholar, on the legislative side of the President. He was not, as we used to say in those days, on the political side of the White House, rather he was on the counseling side, the legislative drafting side. He was a quiet, unassuming, intelligent man, a dedicated public servant of excellent character and integrity.

I, too, have wondered, as I have read the articles in the newspapers, when Charles Murphy would be given an opportunity to be heard, to present his side of the case. I am happy to be able to say that as I walked through the corridors toward the Senate Chamber today I accidentally met the chairman of the permanent Subcommittee on Investigations [Mr. MCCLELLAN] and I asked, "When is Charles Murphy going to be given an opportunity to testify?" He said, "This afternoon. There is one other witness to appear before him, and Charles Murphy will be second." I have forgotten the name of the first witness.

Mr. MORSE. I have pointed that out.

Mr. CARROLL. I am happy that the Senator from Oregon has done so.

I wish to associate myself with the Senator's remarks. I think this is the time to speak. When we find men we know to be dedicated public servants, we should try to help lay the foundation; to help pave the way for a fair hearing, so that they may present their testimony fully. They should not be prejudged, but should be given a fair opportunity to present their side of the matter.

I join with the Senator from Oregon in this presentation, which he has made in his usual courageous fashion.

Mr. MORSE. I thank the Senator from Colorado very much. He states my case more eloquently than I can myself.

Mr. President, I yield the floor.

REVENUE ACT OF 1962

The Senate resumed the consideration of the bill (H.R. 10650) to amend the Internal Revenue Code of 1954 to provide a credit for investment in certain depreciable property, to eliminate certain defects and inequities, and for other purposes.

Mr. BYRD of Virginia. Mr. President, it is the understanding of the Senator from Virginia that it is in order to offer an amendment to the pending bill to strike the investment tax credit provision, and that such an amendment will be the pending question. I offer the amendment on behalf of myself and other Senators.

The PRESIDING OFFICER (Mr. HICKEY in the chair). The amendment will be stated for the information of the Senate.

The LEGISLATIVE CLERK. On page 8, beginning with line 8, it is proposed to strike out all through line 16 on page 38.

Mr. BYRD of Virginia. Mr. President, I have already discussed this amendment at length. I will make a very brief additional statement.

I wish to state again that I am opposed to the investment credit because it is discriminatory, because its value and its need as a stimulant to the so-called economic growth are both questionable and doubtful, and because it would substantially increase the budget deficit.

Since the bill passed the House, the administration has issued regulations substantially expediting depreciation deductions. This, it is estimated, will lose $1.5 billion of tax revenue. The investment credit would reduce the revenue by $1.2 billion, thus making a total of $2.7 billion, all of which, as it now appears, probably would be added to the public debt.

For the first time in my nearly 30 years of membership on the Senate Committee on Finance, I have found it necessary to present individual views on a bill reported by the committee. In those individual views I was joined by the Senator from Tennessee [Mr. GORE], the Senator from Delaware [Mr. WILLIAMS], and the Senator from Nebraska [Mr. CURTIS].

Mr. SALTONSTALL. Mr. President, will the Senator yield for a question?

Mr. BYRD of Virginia. I yield.

Mr. SALTONSTALL. The Senator used the word "discriminatory." Could the Senator go into that a little more fully? I have in mind particularly the question in regard to a firm, let us say, which needed to enlarge its building a little further to improve its facilities, which, as I understand it, would not be given any benefit, although a firm which had the bricks and mortar but needed a new machine would get benefit of the provision, even though the two firms might be competing against each other.

Mr. BYRD of Virginia. The Senator from Massachusetts is correct to a certain extent. This provision would not apply to buildings. It would apply only to equipment and machinery. It would be discriminatory in the sense that some companies would install machinery and other companies, perhaps, would not. That would make it discriminatory.

It would be discriminatory in another respect. That is, if no profits were made by a company, then the company could not take the tax credit. In my judgment, it would be to the advantage of the big companies, of the wealthy companies, which usually have a profit on which to take the tax credit. The struggling, smaller companies might not have a profit. In that event, they would not get one cent from the investment tax credit provision.

Mr. SALTONSTALL. Then the Senator's opposition to this business incentive, so-called, is because he feels it would not be fair, because it would bring about a great reduction in the revenues of the Government, and because in his opinion it would not bring a business incentive.

Mr. BYRD of Virginia. That covers one of the objections. Another objection is that it is another "gadget" to be added to our tax laws.

The Senator from Virginia thinks that the best encouragement is provided by the regular depreciation base as it now exists. This is better than going into another method—a tax credit—which, as the Senator from Massachusetts knows, is entirely different from a tax deduction through depreciation.

I think what the businessmen desire, so far as I can ascertain their desire—incidentally, practically all of the big business organizations opposed this tax credit provision—is liberalization of the regular depreciation schedule and then, if possible, a reduction of the corporation income tax rate. They do not wish for us to go into a new field which would be applicable, I would say, only to a minority of corporations.

Mr. SALTONSTALL. And the new provision, if put into force, would be very difficult to administer fairly, because of the various questions involved, as to what would come within the provision and what would not.

Mr. BYRD of Virginia. I think that is correct, although it is confined to machinery and equipment. For example, slot machines and gambling devices would come under that provision. After going into the question very thoroughly, I did something which, as I have said, I have never done in 30 years. I thought the proposal was so important, since it would lead into another field, that with three other members of the Senate Finance Committee I brought in minority views against the position of the committee. The investment credit provision was adopted in the committee by a vote of 10 to 7.

Mr. SALTONSTALL. As the Senator brought out, the proposal might be discriminatory. It would not be fair, because it would not give everyone the same treatment.

Mr. BYRD of Virginia. The provision would not apply equally. My dear friend the Senator from Oklahoma [Mr. KERR], said that the provision was not a subsidy. I say that it would be a subsidy because one would obtain a certain benefit for doing a certain thing. It would be just as much a subsidy as payments to farmers for not planting. Businessmen would be required to do a certain thing in order to get the special benefit, whether it is called subsidy or something else. I do not think that is the right course.

Furthermore, if the provision were applied to machinery and equipment, I think it would have to apply also to buildings, because it is not logical that a businessman or a corporation should put new machinery into an antiquated building. If the provision were applied to buildings, it would add another $500 million to $800 million to the deficit.

Mr. SALTONSTALL. From our point of view in Massachusetts, the provision would seem to me not to be fair. I hope I am correct. Many of our buildings are old. Many of our buildings would have to be remodeled in order to be useful for the installation of new machinery. If I read the amendment correctly, the provision would not help those industries at all.

Mr. BYRD of Virginia. It would not help the company in reference to the building at all.

Mr. SALTONSTALL. I thank the Senator.

Mr. GORE. Mr. President, will the Senator yield?

Mr. BYRD of Virginia. I yield.

Mr. GORE. The Senator has referred to the proposal as a new "gimmick" in a tax law. I think that is a point that has not been sufficiently emphasized. Does not the proposal in fact provide a credit directly against, not taxable income, but against taxes owed?

Mr. BYRD of Virginia. It would be a credit against taxes owed. In other words, it would not be a deduction. It would be a tax credit. After a corporation or a businessman ascertained what he owed, he would receive a credit against his tax. It would be entirely different from the deduction under the regular system of depreciation.

Mr. GORE. That is why the Senator calls the proposal a gimmick. It is not an ordinary provision by which taxable income is determined.

Mr. BYRD of Virginia. As the Senator from Tennesee brought out when I first presented the question in the minority views, under the House bill it would result in giving a 114-percent deduction. This is because the investment credit is taken on income taxed at a rate of up to 52 percent. It would amount to twice as much as a regular expense deduction.

Mr. GORE. In other words, the provision would give to those fortunate enough to take advantage of it a deduction of more than 100 percent of the amounts contained herein.

Mr. BYRD of Virginia. The Senator is correct.

Mr. GORE. Was there not ample testimony before our committee that the cash position of American corporations was unusually good—in fact, better than at any other time in our history?

Mr. BYRD of Virginia. I think it was. The Senator from Tennessee brought out the fact that the U.S. Chamber of Commerce, the National Association of Manufacturers, the American Farm Bureau, and the Farmers Union were among the opponents of the measure. The AFL-CIO representative made one of the most masterly presentations against the proposal of all the witnesses who appeared.

Mr. GORE. If there is a need for more production facilities—and the cash position of American business is now the best in history—how can we assume that if by the proposed tax reduction, tax subsidy, tax benefit, windfall, or whatever we wish to call it, we should improve their cash positions, the result would be a vast amount of investment in plant?

Mr. BYRD of Virginia. I do not think we can. I do not think that will be the deciding factor. If a company receives 7-percent credit to put in new machinery a businessman would be very unwise to make that controlling point. He must have need for the machinery. If he has need for it, he can put it in and take off in his tax return the regular depreciation, which has now been substantially expedited.

Mr. GORE. Is it not the fact that the recent liberalization in the depreciation schedules made depreciation as rapid as anyone could realistically advocate?

Mr. BYRD of Virginia. I think so. We shall lose $1,500 million in 1 year. The amount will probably increase as the years go by.

Mr. GORE. In order to summarize, I ask the Senator if we have a great deal of idle plant capacity and unused production facilities now, if there is ample cash reserves in American business to build whatever new plant and facilities economic conditions will justify, and if the depreciation schedules have been revised within the past few weeks so as to be as generous as anyone has ever advocated, so far as I know, what justification is there to pile on top of the generous depreciation and cash reserves the proposed $1,300 million windfall to those in a position to take advantage of it?

Mr. BYRD of Virginia. I do not see any justification for it. The Senator from Tennessee and I have frequently discussed the point. The action we took in bringing in minority views was not taken without due study. I repeat that it was the first time in 30 years that I have submitted minority views.

What disturbs me is that the big giants of the industry, that always have a profit, could take the tax credit. But the struggling young industries which are trying to compete with the giants frequently do not make a profit, and therefore they could not deduct the credit. It would be a dead loss for such companies.

Mr. GORE. What justification is there for providing a 7-percent tax credit to gas and oil pipeline utilities that are regulated and that are assured by the regulations of a reasonable return on investment?

Mr. BYRD of Virginia. I do not see any justification.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Maurer, one of its reading clerks, announced that the House had passed the bill (S. 3327) to make certain federally impacted areas eligible for assistance under the public facility loan program, with amendments, in which it requested the concurrence of the Senate.

The message also announced that the House had passed the following bills and joint resolution, in which it requested the concurrence of the Senate:

H.R. 11099. An act to amend the Public Health Service Act to provide for the establishment of an Institute of Child Health and Human Development, and for other purposes;

H.R. 12577. An act to place authority over the trust powers of national banks in the Comptroller of the Currency;

H.R. 12628. An act to provide additional funds under section 202(a)(4) of the Housing Act of 1959, and to amend title V of the Housing Act of 1949, in order to provide low and moderate cost housing, both urban and rural, for the elderly;

H.R. 12899. An act to amend section 5155 of the Revised Statutes relating to bank branches which may be retained upon conversion or consolidation or merger; and

H.J. Res. 864. Joint resolution making continuing appropriations for the fiscal year 1963, and for other purposes.

HOUSE BILLS AND JOINT RESOLUTION REFERRED

The following bills and joint resolution were severally read twice by their titles and referred, as indicated:

H.R. 11099. An act to amend the Public Health Service Act to provide for the establishment of an Institute of Child Health and Human Development, and for other purposes; to the Committee on Labor and Public Welfare.

H.R. 12577. An act to place authority over the trust powers of national banks in the Comptroller of the Currency;

H.R. 12628. An act to provide additional funds under section 202(a)(4) of the Housing Act of 1959, and to amend title V of the Housing Act of 1949, in order to provide low and moderate cost housing, both urban and rural, for the elderly;

H.R. 12899. An act to amend section 5155 of the Revised Statutes relating to bank branches which may be retained upon conversion or consolidation or merger; to the Committee on Banking and Currency.

H.J. Res. 864. Joint resolution making continuing appropriations for the fiscal year 1963, and for other purposes; to the Committee on Appropriations.

Subsequently, Mr. HAYDEN, from the Committee on Appropriations, reported favorably, without amendment, the above joint resolution, and submitted a report (No. 1978) thereon, which report was ordered to be printed, and the joint resolution placed on the calendar.

THE NEED FOR A CENSUS OF ENGINEERS AND SCIENTISTS

Mr. CANNON. Mr. President, several times during the past few months I have addressed the Members of this body on a subject that I consider to be of critical importance to the national security—the continuing shortage of scientists and engineers.

Recently available statistics on the enrollment and graduation of engineering students in our colleges and universities have not only borne out the seriousness of this problem, they have shown that the situation is continuing to worsen.

For example, recent studies made by the Engineering Manpower Commission estimated that the proportion of engineering students among incoming freshmen—which has been steadily dropping—would continue to drop, probably below 7 percent. Data now available from the Office of Education show the actual figure to be 6.6 percent.

In absolute figures, the number of freshmen enrolled in engineering in 1961 stood at almost the same number that enrolled in 1960, roughly 67,500. The number of engineers graduating in 1961 was 36,000, compared with 42,000 in 1951.

To me it seems nothing less than to be courting national disaster if we continue to let this trend go on without taking some steps to rectify the situation.

This same problem also appears to greatly concern President Kennedy and some time ago at his press conference, he dutifully stated the situation, much as I have just done, and assigned several Government agencies the task of investigating the problem and making recommendations concerning its solution.

It was at his news conference of last January 19; and this is what the President said:

> One of the most critical problems facing the Nation is the inadequacy of the supply of scientific and technical manpower.

And he went on:

> Because of the seriousness of this problem for the long-range future of the United States, I have asked my Science Advisory Committee, in cooperation with the Federal Council for Science and Technology, to review available studies and other pertinent information, and to report to me as quickly as possible on the specific measures that can be taken within and without the Government to develop the necessary well-qualified scientists and engineers and technicians. * * * In undertaking this task the Committee will draw on the advice and assistance of individuals and agencies, including the National Academy of Sciences, which will shortly begin at my request a new study of scientific and technical manpower utilization.

Yet, 6 months later, after this precise directive from the President himself, virtually nothing concrete has been done. The most the Federal Council of Science and Technology can point to is a vague reference to a committee.

The "new study of scientific technical manpower utilization," supposedly being undertaken by the National Academy of Sciences, is equally lost in the bureaucratic mire.

If one investigates further, he runs into a veritable thicket of studies, projections, reports, and assessments—all of which add up to little more than a series of endless dialogs between well-meaning but ineffectual individuals and groups who have been talking this way to one another for 10 years or more.

But this is no time to indulge in unproductive recriminations. There is much too important a matter at stake. The essential question is: Why has nothing been done? Why is our scientific and technical manpower problem stuck on dead center, despite urgent pleas from the President himself?

One reason, I would like to suggest, is that no one seems to know where to start. Statistics in this field have become sterile and meaningless. Projections of future engineering graduates by the Bureau of Labor Statistics, for example, are based on a questionable study that is already 10 years old. Vitally important information such as the number of technicians in industry compared to the number of engineers, can only be guessed at. We do not even know the number of full-time students enrolled at the technical institutes in the United States.

Once we emerge from the academic halls, the available information becomes even more meager. It seems almost unbelievable that we can know our reserves of a raw material such as plutonium or iron ore down to a gnat's hair, but when it comes to another of our most precious resources—our priceless engineering and scientific talent—we have only the foggiest notion as to where these people are or what they are doing.

The nearest thing we have to an evaluation of our scientific and technical personnel is the register which the law requires the National Science Foundation to maintain. However, this register is admittedly incomplete and underfunded and depends for its information on gleanings from the records of the various technical societies. As a starting point for any realistic appraisal of our engineering and scientific talent it is obviously insufficient. Even though some progress has been made by the register recently, the efforts do not represent the kind of inventory that we ought to have.

As long ago as May of 1959 this so-called register was sharply criticized by the House Committee on Science and Astronautics. Typical of the comments voiced at that time was the criticism of William A. Douglass, president of Careers, Inc., who said:

> I don't see how this Nation can properly assess its most key manpower resources if it is to rely on the scanty information presently available to it.

The Committee on Science and Astronautics of the House said in a report issued September 11, 1959:

> The Register of Scientists and Technicians is too incomplete, too far behind time, and places too little emphasis on practical expe-

> rience to be of broad value. It has been alleged that the manpower studies themselves, based on incomplete information, cannot provide adequate data for either current purposes or as a means of anticipating national scientific needs.

Over 2 years ago the National Science Foundation gave a grant to the Engineers Joint Council to restudy the national register in the light of the new need for more detailed and factual national engineering manpower information. A special committee of the Engineers Joint Council was formed to carry out the study. In summary this was the conclusion of that study:

First. That a national register of engineers was impossible to maintain in a useful up-to-date form and was not recommended.

Second. That a register might be beneficial as a source of information concerning the characteristics of the members of the engineering profession; and

Third. That great value could be gained from a comprehensive survey which would accurately reveal the characteristics of the engineering profession as it exists today.

Yet, here we are, 2 years after the publications of these recommendations, and still nothing has been done.

Mr. President, how are we going to come to grips with our acute shortage of scientists and engineers; how are we going to move in answer to the President's plea to do something about this critical situation, unless we know how many active scientists and engineers we have now and what they are doing?

In other words, how can we attack the problem of technical manpower shortages until we know in exact detail the profile of our present situation? How can we plan for the future without a clear picture of engineering and science manpower as it exists today?

In order to do this we must know four things:

First. Who are the existing engineers and scientists,

Second. Where are they,

Third. What are they doing now, and

Fourth. What are their skills?

Only after we have acquired this sort of information can we begin to know what needs to be done to increase our supply of technical manpower.

Since I began my series of speeches on space manpower problems I have received scores of letters from individual engineers and the engineering industry. I have been particularly impressed with the number of qualified people who have advised me that altogether too many engineers of great capability are working on administrative and sales problems.

It is not for me to go into detail as to exactly how such a survey or inventory should be carried out. Some suggestions, already moldy with age but still currently significant, were put forward as long ago as 1957 by the Bureau of Applied Social Research of Columbia University in a document entitled "The Engineer in American Society—A Proposal for a Program of Inquiry."

I would, however, like to make a few general statements which I believe should be applied to any survey or inventory which we may make.

In the first place, I feel that with our advancing technology, the distinction between scientists and engineers is diminishing. An inventory must provide us with a complete picture of the entire area of technical manpower.

Second. The survey should be aimed not only at discovering the keys to increasing our output of new technical personnel, but also toward increasing the effectiveness through retraining and other methods of our present scientific and engineering population.

Third. The survey should not become mesmerized with the accumulation of raw figures for their own sake. We must keep in mind that it is the characteristics of our technical manpower force that will be most useful to us.

Fourth. We must shuck off the old habits of thought which have in the past inhibited effective planning of comprehensive surveys of our technical manpower. The survey managers must proceed with an open and inquiring mind, coupled with a new and dynamic approach to the problem.

Fifth. The survey should not be confused with a register that would be useful in times of national emergency. This is an emergency, but the type of information we need is a far cry from the old roster concept for mobilization that is a hangover from World War II.

In short, therefore, I would like to propose that the Government—as the first step toward providing the President with the answer to the vital and urgent questions which he propounded at his press conference of January 19, 1962—undertake to make a one-time survey or census aimed at analyzing and uncovering the characteristics and makeup of our scientific and engineering manpower resource.

I would like to suggest that one of the extra dividends of a survey would be to show us which employers are currently engaged in the stockpiling of engineers and scientists. As a member of the special Armed Services Subcommittee studying the subject of excessive stockpiling of raw materials, I have been shocked by the disclosures made thus far. But I am also disturbed by excessive stockpiling of an even more vital resource—our scientific and technical personnel.

In my opinion too many employers engage in a subtle—and sometimes not-so-subtle—attempt to prevent the free movement of engineers into jobs where they are most needed. Instead, companies hoard their technical personnel against the day when they will need them for some Government contract as yet not awarded.

As a matter of fact, our defense procurement system encourages this practice, since one of the criteria for the awarding of a contract is the existence of an engineering force-in-being at the company plant. While I realize that technical competence is an important consideration in the awarding of a contract, I do not believe that this criterion should be seized upon by employers to hamper the normal free flow of engineers or scientists in our competitive, free-enterprise economy.

After all, with our present short supply of engineers and scientists it is important that they be able to seek out those positions where their talents can be best utilized. Procedures that can legitimately assist in this process of proper distribution of scientific skills play just as vital a role in our economy as any of our other distributive mechanisms. Conversely, any policy, such as stockpiling, that seeks to impede the free movement of manpower, is injurious to the economy and to the efficient use of this most vital manpower resource.

The cooperation of several agencies would be required to accomplish the job, but I believe that primary responsibility and adequate funds and authority should be vested in a single agency. Among those that would obviously have a part to play are the Census Bureau, the National Science Foundation, the Federal Council for Science and Technology, the National Academy of Sciences, the Bureau of Labor Statistics, and the Civil Service Commission. Obviously, too, the assistance of the Engineers Joint Council and all of the various technical societies will be vitally needed.

However, it is my feeling that past efforts have often bogged down because of the vast number of agencies that always seem to be involved at equal levels of authority. The survey which I am suggesting must be an integrated project with ultimate responsibility centering in one of the first three agencies I have named.

The need for, and ultimate purpose of, the survey which I am proposing was most succinctly expressed some time ago by Mr. Robert M. Mahoney, manager of the industrial relations department of the Union Carbide Co. and chairman of the register study of the Engineers Joint Council. Mr. Mahoney said:

> Assuming that the "engineers' register" means a currently maintained complete inventory of the U.S. engineering manpower resources, it would be an administrative monstrosity, costly to maintain. What is needed is a one-shot inventory of our national technical manpower resources, developed through the cooperation of industry, Government, educational institutions, and professional engineering societies.

Last week I spoke on the need to increase our military role in space. If my recommendations are acted upon, and some of them already have been, then the competition for the engineer and the scientist who are already in short supply, will be increased as NASA, private industry, and the military vie against each other for the talents of scientific manpower.

The agencies of the Government which were asked for prompt action by the President, appear to be lost in bureaucratic thought. Let us resolve today to let the clear light of information and knowledge illuminate the dark corners of our critical technical manpower shortage. Once that is done, we will be halfway down the road to solving this most vital national problem.

With the Russian engineering and scientific manpower reservoir reaching three times that of the United States, there is no time to lose.

Mr. PROXMIRE. Mr. President, will the Senator yield?

Mr. CANNON. I am happy to yield.

Mr. PROXMIRE. Once again, I think the Senator from Nevada has performed an extraordinarily useful service to the Senate and to the country by calling attention to a very serious national problem. Did I understand the Senator from Nevada to state that we are not having an increase in the number of students who are entering college and deciding to study engineering commensurate with the increase in college enrollment or with the increase in opportunities in industry?

Mr. CANNON. The Senator from Wisconsin understood the Senator from Nevada to say that the number of entering engineering students in 1961 stood, roughly, at the same figure—almost exactly the same figure—as those who entered in 1960. The number graduated in 1961 was only 36,000 compared with 42,000 10 years earlier—in 1951; in other words, a loss over a 10-year period of 6,000 graduate engineers.

Mr. PROXMIRE. So the situation is absolutely worse, not simply in terms of the increase in population or the increased demand of our highly technological, industrial society. But in absolute terms fewer engineers are graduated now than were graduated 10 years ago?

Mr. CANNON. The Senator is correct, in absolute numbers.

Mr. PROXMIRE. Did the Senator from Nevada give the figures for our great potential adversary, the Soviet Union?

Mr. CANNON. No, I did not give the figures for the Soviet Union, although I gave them in a speech I delivered on this subject some time ago on the Senate floor. I do not recall the exact figure, but the differential is substantial.

Mr. PROXMIRE. It is my understanding from figures I have seen recently—within the last 24 hours—that this year the Soviet Union will graduate approximately 120,000 engineers whose education will be equivalent to that of our engineers; and that our experts who have visited the Soviet Union have indicated that those engineers are of competence equal with our own. Is not that roughly the impression which the Senator from Nevada has?

Mr. CANNON. I think the Senator is correct. The people with whom I have spoken give equal capability or substantially equal capability to the Soviet engineering graduate. Certainly the Soviet Union is graduating many more engineers, in numbers, than are being graduated in the United States at the present time.

Mr. PROXMIRE. It seems to me that what the Senator is asking is very reasonable. First, he says we ought to get the facts. I understood him to say we do not have authoritative statistics to tell us who the engineers are, where they are, what they are doing, or what skills they have. Is that correct?

Mr. CANNON. The Senator is absolutely correct.

Mr. PROXMIRE. Until we get those statistics, it will be impossible for us to evaluate our military problem or our economic problem relative to the Soviet Union and relative to the tremendous demand on our economy and our defense.

Mr. CANNON. The Senator is correct. I stated earlier that this is one of the areas which the President emphasized was critical. He asked that something be done to correct the condition. Yet, 6 months later practically nothing has been done by the agencies charged with these responsibilities.

Mr. PROXMIRE. I am chairman of the Subcommittee on Statistics of the Joint Economic Committee. I shall do everything I possibly can in the light of the excellent speech which the Senator from Nevada has delivered to the Senate this afternoon. I shall try to get from the Government agencies exactly the kind of statistics which he has been asking for. I shall try to ascertain the cost of such a program, how long it would take to get the information, and what difficulties are involved. I think it is absolutely imperative that at the very minimum we have the kind of information to which the Senator is referring.

Did I correctly understand the Senator from Nevada to say that employers are actually stockpiling scientists and engineers?

Mr. CANNON. Yes; the Senator is correct. There is now a requirement in connection with bidding on Government contracts that the bidder have in-house capability; therefore, in some instances there is a stockpiling of engineering and scientific personnel in order to enable a bidder to have a chance to secure a particular contract. As a result, some companies, I am reliably informed, have actually more engineers on hand than they need at the present time, but are reluctant to let them go because they would not then be in a position to compete.

I am also advised by many persons who have written to me on the subject that engineers are actually diverted to other types of work in a company, simply to keep their talents available. So they are being used on administrative and other types of work. That really is not a fair utilization of their capabilities.

Mr. PROXMIRE. So, because of Government policy, the fact is that the very short supply of scientists and engineers is being misdirected and misused and, in a sense, squandered at a time when we need them very much to provide the know-how in order to compete with the Soviet Union in space and military achievements.

Mr. CANNON. The Senator is correct. It is an extremely difficult problem. I agree that it is important for a company to have some technical capability if it is to compete for some of the extremely difficult work for which the Government is seeking bids today, particularly in the defense procurement system. Obviously, industry must have a capability, either in being or a capability readily achievable, if it is to compete and be successful in the performance of contracts.

Mr. PROXMIRE. Can the Senator think of any ingredient in military strength, or in the strength necessary to our economy, which is more vital today than engineering and scientific talent? Is it not true that we can produce all the steel; we can produce all the economic productive wherewithal we need; we have money, we have vast natural resources; but that our apparent, most decisive, and important need is trained scientific manpower?

Mr. CANNON. The Senator is correct. It is necessary to have a suitable incentive to get manpower into the beginning of the pipeline, whereas in connection with the products such as the Senator has described—steel and similar products—it is merely a matter of determining that something is wanted and we are willing to pay for it; then the pipeline speeds up.

But in the manpower area there is an entirely different problem. There is a long pipeline, but there must be an incentive. We have a much different type of productivity, insofar as manpower is concerned, than Russia has, for example. We do not have the right to tell our people that we want *x* number of scientists and engineers, and that a certain number of them must enter this field, and that they will have no alternative other than to go to Siberia. So we have to provide suitable incentives, in order to get them into the pipeline voluntarily, of their own free will.

Mr. PROXMIRE. So whether we or the Russians are the first to reach the moon, or whether—as the Senator from Nevada pointed out so well in his speech of a few days ago—we achieve supremacy in the military applications of space, will depend, not so much on whether we can produce the needed aluminum, steel, or other ingredients, or on whether we have the resources or the money, but on whether we shall have the know-how, the scientific knowledge. Is that not correct?

Mr. CANNON. That is absolutely true.

Mr. PROXMIRE. Is it not also true that on this score the Soviet Union is moving ahead three or four times as rapidly as we are, although their economy is less than half as productive as ours?

Mr. CANNON. That is entirely correct.

Mr. PROXMIRE. Let me say that I was most impressed with the argument the Senator made, in the course of his excellent speech, about having the United States do the best it can in regard to the military applications of space. Is it not true that those of us who are anxious to have our country be the first with a man-to-the-moon project have been most concerned when word has come to us that NASA is going to need 13,000 more scientists in the next few years? If we are to go ahead as rapidly as is desired, we may have to take scientific experts from essential industry and from vital defense work, and even from graduate studies in education, in order to use them to help us achieve this particular supremacy in space.

Mr. CANNON. There is no question but that the competition for these people is extremely great, because we do not have enough to fill our requirements at the present time. Therefore, we have to explore the various possibilities to which I have referred.

One of them is to make use of personnel who are not now being utilized in the jobs for which they have been trained. Another is that we may already have people with technical training who can profitably undergo retraining or upgrading, without requiring the long time spent in the pipeline between graduation from high school and graduation from college. Many of those who today have such technical ability may be able to upgrade themselves; and I am happy to point out that NASA has undertaken such a program. I think it is a very good one. But I think we must first see where we stand, instead of just going off in all directions.

Therefore, I think this survey and study would constitute a really important tool to help us decide what our actual posture is, where we can obtain these people, how we can increase the pipeline supply, and how we can best utilize them.

Mr. PROXMIRE. The Senator from Nevada could not be more correct. That is why I submitted to the NASA authorization bill the Proxmire amendment to provide for a scientific manpower study by a presidentially appointed Commission. Certainly one is needed; and until we establish these priorities, this situation constitutes our great danger and our Achilles' heel.

I thank the Senator from Nevada very much for his excellent statement.

Mr. CANNON. I thank the Senator from Wisconsin.

Mr. YARBOROUGH. Mr. President, will the Senator from Nevada yield?

Mr. CANNON. I yield to the Senator from Texas.

Mr. YARBOROUGH. I wish to join in congratulating the Senator from Nevada for his contribution to our consideration of the important subject we have been discussing.

I wish to say that as a member of the Veterans' Affairs Subcommittee, I realize the necessity for the kind of study the Senator from Nevada has mentioned. I also wish to state that is one of the reasons why those of us who have coauthored the GI Bill of Rights have been pushing so hard for its passage and enactment, because experience has shown that among the GI's who go to college, the percentage who engage in scientific studies is greater than the percentage among other groups, because many of the GI's worked with engineering or science while they were in the service. Therefore, when they enter college, many of them engage in scientific or engineering studies—and in a higher percentage than is true of any other comparable group of college students.

In connection with these studies, has the Senator from Nevada studied the shortage of medical doctors, and have his studies encompassed the field of medicine?

Mr. CANNON. No. This is the third of a series of talks I have made on this subject; and they have been specifically related to the fields of engineering and science. They do not relate to the medical field.

Mr. YARBOROUGH. Mr. President, again I wish to commend the Senator from Nevada.

I should like to say that medicine is another field in which we are lagging behind in training. Four years ago our medical schools graduated, annually, 7,000 medical doctors; but in the same year the Russian Soviets graduated 16,000—more than double our number. Of those 16,000 14,000 were for domestic use; but 2,000 were trained in the languages, the mores, the customs, and the religions of the underdeveloped countries, and were pledged in advance to practice medicine in those countries, and to live with the people there, and to live in whatever type of housing the people there are accustomed to live in. Such doctors have a proclivity, as do our people, to live in good housing, both when overseas and at home. But they were required to pledge in advance that when they went overseas they would live in the type of housing that the people of those countries are accustomed to live in.

Furthermore, in that year our country had to license 1,700 doctors who had come from abroad—in addition to the 1,600 graduates of American medical schools who were licensed in that year. The licensing of those doctors from abroad was necessary in order to make up the doctor shortage we faced. So I wish to point out that a lag also exists in the field of education in medical science.

Certainly I shall support the Senator's efforts to have a survey made of our educational and scientific needs, including the need for more doctors. In that connection, determination should be made of the number available at home and the number we can spare for service in other parts of the world where improved medical care is so greatly needed.

I congratulate the Senator from Nevada for his leadership in this field and for the very informative speeches he has been making on this subject.

Mr. CANNON. I thank the Senator from Texas.

Mr. President, I yield the floor.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Maurer, one of its reading clerks, announced that the House had agreed to the amendment of the Senate to the bill (H.R. 10743) to amend title 38, United States Code, to provide increases in rates of disability compensation, and for other purposes, with an amendment, in which it requested the concurrence of the Senate.

The message also announced that the House had agreed to the amendment of the Senate to each of the following bills of the House:

H.R. 1388. An act for the relief of Tai Ja Lim; and

H.R. 11257. An act to amend section 815, article 15, of title 10, United States Code, relating to nonjudicial punishment, and for other purposes.

The message further announced that the House had severally agreed to the amendments of the Senate to the following bills and joint resolution of the House:

H.R. 5532. An act to amend the Armed Services Procurement Act of 1947;

H.R. 10431. An act to revise, codify, and enact title 37 of the United States Code, entitled "Pay and Allowances of the Uniformed Services";

H.R. 10432. An act to amend title 39, United States Code, to codify certain recent public laws relating to the postal service and to improve the Code;

H.R. 10433. An act to amend title 10, United States Code, to codify recent military laws, and to improve the Code;

H.R. 10931. An act to revise and codify the general and permanent laws relating to and in force in the Canal Zone and to enact the Canal Zone Code, and for other purposes; and

H.J. Res. 677. Joint resolution relating to the admission of certain adopted children.

ENROLLED BILLS AND JOINT RESOLUTION SIGNED

The message also announced that the Speaker had affixed his signature to the following enrolled bills and joint resolution, and they were signed by the President pro tempore:

S. 1606. An act to authorize the Federal Power Commission to exempt small hydroelectric projects from certain of the licensing provisions of the Federal Power Act;

S. 3574. An act to extend the International Wheat Agreement Act of 1949;

S.J. Res. 29. Joint resolution proposing an amendment to the Constitution of the United States relating to the qualifications of electors;

H.R. 3801. An act to authorize the Secretary of the Army and the Secretary of Agriculture to make joint investigations and surveys of watershed areas for flood prevention or the conservation, development, utilization, and disposal of water, and for flood control and allied purposes, and to prepare joint reports on such investigations, and surveys for submission to the Congress, and for other purposes; and

H.R. 7638. An act for the relief of Kim Hyung In Comstock.

APPLICATION OF CERTAIN LAWS TO AMERICAN SAMOA—CONFERENCE REPORT

Mr. HUMPHREY. Mr. President, on behalf of the Senator from Washington [Mr. JACKSON], I submit a report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 10062) to extend the application of certain laws to American Samoa. I ask unanimous consent for the present consideration of the report.

The PRESIDING OFFICER. The report will be read, for the information of the Senate.

The legislative clerk read the report.

(For conference report, see House proceedings of August 30, 1962, p. 18253, CONGRESSIONAL RECORD.)

The PRESIDING OFFICER. Is there objection to the present consideration of the report?

There being no objection, the Senate proceeded to consider the report.

Mr. HUMPHREY. Mr. President, as passed by the House, H.R. 10062 authorized the Governor of American

Samoa to request Federal departments, corporations, or agencies to extend, without reimbursement, scientific and technical assistance to promote the welfare of the territory. The bill also authorized the extension, upon application by the Governor, of several public laws applicable in other U.S. territories to Samoa. They are the National School Lunch Act, the Vocational Education Act, the Library Services Act, and the Public Health Service Act.

The Senate passed the bill in a somewhat different form. The principal difference in the Senate version was that the request for technical assistance would be made by the Secretary of the Interior, rather than by the Governor of American Samoa; and the programs extended through the various laws I have just mentioned would become effective upon enactment of the bill.

The House conferees and the Senate conferees have agreed that authority to request technical assistance from other departments shall rest with the Secretary of the Interior, instead of the Governor of Samoa. It has also been agreed that benefits from the School Lunch Act and the other acts included in the bill shall not become effective except upon request of the Secretary of the Interior made to the Secretary of Agriculture and to the Secretary of Health, Education, and Welfare.

I present this report on behalf of the distinguished junior Senator from Washington [Mr. JACKSON].

The PRESIDING OFFICER. The question is on agreeing to the report.

The report was agreed to.

ELIGIBILITY OF CERTAIN FEDERALLY IMPACTED AREAS FOR ASSISTANCE UNDER PUBLIC FACILITY LOAN PROGRAM

Mr. SPARKMAN. Mr. President, I request that the Chair lay before the Senate amendments of the House of Representatives to S. 3327.

The PRESIDING OFFICER laid before the Senate the amendments of the House of Representatives to the bill (S. 3327) to make certain federally impacted areas eligible for assistance under the public facility loan program, which were, to strike all after the enacting clause and insert:

> That paragraph (4) of section 202(b) of the Housing Amendments of 1955 is amended by inserting immediately after "Act" the following: ", or in the case of a community in or near which is located a research or development installation of the National Aeronautics and Space Administration".

And to amend the title so as to read:

> An Act to make eligible for assistance under the public facility loan program certain areas where research or development installations of the National Aeronautics and Space Administration are located.

Mr. SPARKMAN. Mr. President, I move that the Senate concur in the House amendments.

The motion was agreed to.

REVENUE ACT OF 1962

The Senate resumed the consideration of the bill (H.R. 10650) to amend the Internal Revenue Code of 1954 to provide a credit for investment in certain depreciable property, to eliminate certain defects and inequities, and for other purposes.

INVESTMENT CREDIT

Mr. SMATHERS. Mr. President, the most important measure contained in the tax bill now before the Senate is the proposal to allow a 7-percent credit against taxes on investment in machinery and equipment.

This proposal has been criticized by those who, in my judgment, should most support it.

It has been called a bonanza for business, a tax giveaway, a theoretical scheme that will not work in practice, and a shotgun approach in an area where sharpshooting is called for, or precisely the opposite, a rifle shot where a scatter gun is needed.

These criticisms do not stand up under close examination of the facts, because the investment credit is none of these things.

I believe it is an important part of the effort to stimulate our economy, to provide more jobs, to end the balance-of-payments deficits and the gold drain, and to give our Nation the means, in the years ahead, to meet head on whatever foreign challenges and domestic requirements we may have to face.

I do not have to tell the Senate of our need for a faster rate of economic growth. We all know that more than 4 million people are out of work in the United States today. We all know that millions of jobs must be created for those people, millions more for the new workers coming into the labor force in this decade, and still more millions to provide for the older workers whose skills are made obsolete by advancing technology.

The only way to get these jobs is by a more rapid rate of growth, for only through economic expansion can our industry operate at a level to sustain full employment under such conditions.

We all know that in recent years our growth rate has been lagging, and we have been outstripped in speed of economic expansion by the industrial nations of Western Europe, by Japan, and even by the Soviet Union.

We all know where this losing race will lead if we continue to be satisfied with an economy operating at slow speed. Every year of delay, every year when we do not act to speed our growth at least to keep pace, not only with our allies, but with other nations far less friendly, brings us closer to the point where our vaunted economic superiority could become a thing of the past. What would happen if that were allowed to occur no one cares to contemplate. We must not and, I am confident, we will not allow it to occur.

One of the most effective measures we have in stimulating growth is the investment credit. It will add momentum to our current recovery by stimulating the capital goods and allied industries, with multiplying effects throughout the economy. It will reach into every nook and cranny of our industrial economy to stimulate modernization of our productive facilities, increasing national productivity, and broadening our industrial base. Greater productivity means greater output, more sales at home and abroad, development of new products, new markets, and more jobs.

The credit will increase our level of productive investment, and this is directly related to our rate of economic growth. During the 1950's, West Germany's proportion of investment in machinery and equipment—as a percentage of gross national product—was roughly twice that of the United States, and her annual rate of economic growth was also twice that of the United States. I will not burden Senators with statistics, since I believe they all have seen them, but I will say that the other industrial nations of Europe which have had more rapid growth than we, have devoted a larger portion of their resources to such investment, and had higher rates of growth.

This is true of almost every single nation in Western Europe—the United Kingdom is the major exception—and of Japan as well.

Even more startling, if we take statistics and examine them more closely, we find that those with the highest investment had the most rapid growth.

The correlation between investment and growth rates in this regard is so nearly perfect as to startle even those familiar with the general trend.

I mentioned that the investment credit will help to increase our sales abroad. This is the second major reason it is needed. It is no secret that those same nations which have been growing so proudly have also been exporting at a very high rate, with the result that they have been piling up surpluses in their balances of international payments.

Our own country, meantime, has been running a persistent balance-of-payments deficit—a deficit which, in the last 4 years, has totaled well over $13 billion, and included drains on our gold stocks during that time totaling almost $6 billion. Though we do have a substantial trade surplus, the overall deficit is continuing and the gold drain is continuing.

Our gold stocks now are lower than they have been at any time in more than two decades. They are dropping all the time. The only effective way to stem the gold flow is to eliminate the continuing deficit in our financial relations with other nations. The only way to do that—short of abandoning our national commitments for the defense and development of the free world—is to expand our export surplus, to sell more goods abroad.

The aim of President Kennedy's trade program is to allow us to negotiate mutual tariff reduction with the Common Market and other nations, to assure that our goods can maintain access to vital export markets abroad. But it is not enough to maintain access to these markets. Our goods must be competitive and our producers must be able to outsell foreign producers, both in export markets and here at home.

The higher level of domestic investment which Japan and the industrial nations of Europe have been maintaining has resulted in more rapid modernization of their productive equipment than of ours. This has led to higher productivity, greater efficiency, and lower unit costs added to their initial advantage of lower wage costs.

The consequence has been increasingly aggressive competition. As a result, their share of world markets has been increasing, while ours has been decreasing.

Certainly, we are selling more abroad than they. We are selling more all the time, but their share of the markets has been growing faster than ours. Consequently, our relative competitive position has been declining—at the very time when it is more important than ever for us to increase our share of world markets.

If we were able to increase our exports only 10 to 15 percent without a commensurate rise in imports, we would be able to wipe out our payments deficit and stop pouring more and more dollars—and gold—into European central banks. This is the second major reason for the investment credit. Not only will it stimulate growth, but also it will help assure that our goods are priced competitively. Thus it will be a significant stimulus to export sales and a significant barrier against undue inroads into our domestic markets by imports. This is the most promising avenue for improvement in our international economic position.

Finally, the investment credit, by increasing productive efficiency and thereby lowering costs, provides a strong antidote to any inflationary pressure which may arise again in the future.

The investment credit, then, is basic to our entire economic health, international and domestic. It will help to provide more jobs. It will promote price stability and lessen the possibility of inflation. It will speed our rate of economic growth. It will help in the continuing struggle to balance our international accounts and protect our vital gold reserves. In short, it will serve to move us forward on the road to reaching all of our national economic goals.

Against this background, what have been the criticisms of the investment credit?

It has been pictured as a costly subsidy or windfall to business—a giveaway, which is discriminatory in its application to different industries and different companies.

It has been pictured as a poor incentive, which just will not work as a stimulus, an incentive that is not necessary in view of the recently completed reform of depreciation guidelines.

It is also pictured as a costly, wasteful measure which just will not do what it was designed to do, and even if it did, would be superfluous.

Let us examine those charges one by one. The facts refute them.

Is the investment credit a business windfall? No, it is not a business windfall. In order to benefit from the credit, business must invest in equipment and machinery. The amount of benefit increases directly with the amount of investment. It is not a windfall, but a specific economic stimulus for investment which will not be received unless investment has, in fact, been made. Neither will it be expensive. The $1 billion expected cost in the first year, according to estimates, may be fully recovered in revenue as a result of the added push to economic expansion in the first year after enactment. As time goes by, the ramifying consequences of a higher investment level will spread throughout the economy, more than compensating for the future costs of the credit.

Is it a giveaway to business—a reward for businessmen who follow Government policy?

No. It is a soundly conceived economic proposal aimed at making sure that business has the funds it needs to finance modernization.

As such, the credit will clearly achieve its objective of encouraging higher rates of business investment. To suggest otherwise—to argue that the credit will not, in fact, work—is to assert that American businessmen are totally irrational.

The credit will work because it will mean cash in hand for business—cash which will find its way back into still further new investment.

The credit will work because it will improve the profitability of investment.

The credit will work because it will shorten the period over which business will recover the cost of investment, and shorten commensurately, the period over which investment capital is risked.

What do the opponents of the credit believe businessmen consider when they are making investment decisions? Do they not ask themselves whether they have the money? Whether the expenditure promises an adequate return? Whether there is a good chance that they will be able to recover the cost of the outlay in a reasonable period of time?

These are, of course, exactly the questions they ask. Enactment of the investment credit will increase the possibility of affirmative answers in a significant number of cases. This is precisely what is meant when supporters of the credit say it will stimulate investment: that enactment of the credit will mean more affirmative investment decisions.

Critics of the credit claim that the credit will be a windfall to those who would have gone ahead anyhow with capital improvements. Even for these firms, however, the additional stimulus of the credit will tend to increase such spending beyond the level which otherwise would have been the limit.

The aim of the credit is to tip the scales in favor of investment in the marginal cases; situations in which the investment decision would have been "no" rather than "yes" but for the faster cost recovery and higher profitability that the credit will make possible.

It is these marginal decisions which may make or break our American growth and our fundamental economic strength in the years ahead. Our competitors in Europe and elsewhere have learned this lesson.

Nearly all of them provide some form of direct stimulus to investment similar to the one now proposed here.

One further point deserves to be made concerning the windfall aspect of giving the credit to those who have already made investments since midyear—or who would be making them, credit or no, in the years ahead.

Is it not true that the credit will provide such businesses, as well as those whose decisions were marginal and thus directly influenced by the credit, with the funds on hand for future investment which might otherwise not have been undertaken?

Another charge made against the credit is that it is discriminatory, favoring one industry against another and one company over another.

In a certain sense this is true—and it is also appropriate.

The benefits of the credit will, in fact, be larger for those industries and those companies which invest the most. But this is as it should be because the credit is intended both to stimulate and to help finance more rapid modernization and expansion. It should therefore go where the most modernizing and expanding is being done. That is where it will go.

While a variety of alternative plans for stimulation of investment have been put forth, in recent months, in one quarter or another, the investment credit, upon analysis, emerges clearly as the most attractive and sensible possible choice.

Some have suggested that the credit is overly generous—frosting on the cake when the Treasury has already taken steps to increase the flow of internally generated business funds for investment by shortening the lives of depreciable equipment from those previously set forth in Internal Revenue's Bulletin F.

If, however, we have a need—and we surely do—to make the tax treatment of investment in this country comparable to that given investment abroad, depreciation revision is not enough.

We need to make investment incentives here as great, at least, as the average available abroad for two reasons.

First, we need to spur modernization in this country for the health and growth of the American economy and to assure that we have efficient businesses producing at competitive prices. This point I have already touched upon. But there is another reason—also related to both domestic and international economic considerations.

If American businessmen find they can get a faster, more profitable return on their investment in other nations, they are going to invest in other nations.

Such investment overseas, induced in no small measure by our relatively unfavorable tax treatment of investment in this country, hurts the American economy in every way.

It means the export of jobs, along with capital and factories, thus adding to our unemployment problem, impairing our economic health and stunting our economic growth.

In addition, the export of capital hurts our balance of payments directly and the fact that American capital is being used to finance the production of goods for sale and use overseas cuts into the potential volume of exports from this country, thus indirectly also worsening our balance of payments.

Enactment of the investment credit will reduce the relative tax advantage for investment overseas because the credit—and this point should be understood clearly—will apply only and solely to investment in the United States. This is one of the reasons why it is preferable, as a tax inducement for investment, to various forms of accelerated depreciation which, in certain circumstances, can apply to investment in foreign countries.

There are other reasons, also, for preferring the credit to accelerated depreciation. I have studied them with care because, I was myself, at one time, an advocate of further acceleration of depreciation. The principal reason is just this: The credit gives more stimulation to investment per dollar of tax revenue lost to the Government than would a similar loss to the Government in the form of accelerated depreciation.

The credit, as opposed to higher depreciation writeoffs, is also relatively more favorable to small corporations, in the 30-percent tax bracket, and to unincorporated businesses whose tax rate is less than 52 percent.

A depreciation deduction of 14 percent would be roughly comparable to the 7-percent credit for a corporation in the 52-percent bracket. But a 14-percent deduction would save a small corporation only $42 in taxes on a $1,000 investment, as compared with $70 under the credit.

It is worth noting, in passing, that there are other features of the pending legislation which have also been tailored with the requirements of small businesses in mind.

One is the permissible use of the credit, subject to a $50,000 annual limitation, on purchases of used equipment, which is typically bought by the small firm which cannot afford brandnew equipment. Another is the provision extending the credit to leased equipment.

I hope that the facts I have mentioned convince Senators, as they convince me, that we urgently need the credit in the United States today, to spur growth, to provide more jobs, to lessen our international balance-of-payments deficit and to protect our gold reserves.

The credit is no hasty improvisation, but a carefully thought-out policy designed to use our tax law selectively as an economic stimulus tailored to our present and future needs.

The investment credit is based on an understanding of business methods and practice. It is vitally necessary—together with the revision of depreciation guidelines—if our producers are to have tax treatment comparable to that of their foreign competitors.

Depreciation revision alone does not do the job. In the fierce competition for foreign markets that has already begun, it will not be enough to be almost competitive. A price that is almost low enough to meet competition is still too high. The efforts made to lower it, unless they include measures complete enough to do the job, remain only token efforts, and this is no time for token efforts.

American business needs the additional margin of competitive potential which the investment credit promises. Without it, our producers will be laboring under a severe handicap as they attempt to maintain a major place in the rapidly evolving new world of trade. With it, they will have room to use their drive, creativity, business enterprise, and plain know-how to keep the United States for many years to come in its present position as the major trading nation and the major industrial nation of the entire world.

Mr. JAVITS. Mr. President, will the Senator yield?

Mr. SMATHERS. I am happy to yield to my friend the able Senator from New York.

Mr. JAVITS. I shall vote against the motion to strike out the proposed equipment tax credit. I have given the subject a great deal of thought, as has my dear friend and colleague from Florida. As the Senator knows, I have had many years of experience with industry and business, both on the legal and the management sides. It is my view that though business is not now very enthusiastic about the credit, the reason for its lack of enthusiasm convinces me that the provision should remain in the bill. Its lack of enthusiasm is attributable to the idea of business that the proposal would become a very uncertain quantity since it is incorporated in a tax bill, and therefore would be subject to the winds of politics. I think its usefulness will be so validated and it will have such a material effect upon the rate of acquisition of new equipment as to imbed itself into tax law very firmly, because it is constructive.

The American industrial plant is undermachined and becoming rapidly very much out of date; and I know my colleague, as he stated, feels the same way. Not only am I in favor of the proposed investment credit, but also I think our formula for depreciation must be revised much more along the German and Swedish models than along our own. We have nothing to lose. The proposal is indispensable to our effort in the cold war to have the American industrial machine occupy the position it occupied after World War I and World War II.

It should lead the world. Anything we can do to bring that about will strengthen our country and materially strengthen its economy.

Productivity is the basis of the economy. We can always find ways and means to deal with the problems of people if there is available money that is worth something in terms of tangible production upon which to build social solutions to social problems. But if we do not have the basic production, we are really in trouble. That is the danger that we run.

So I am very much pleased with the committee report. I know that the vote was close. I know that there is a great deal of opposition to the proposal. I am pleased that the committee left in the bill the proposed equipment tax credit. I know that business is not enthusiastic about it, but I think business is wrong. I think business will be enthusiastic about it once it begins to use the credit and sees how useful it really is, especially—and this is the paramount consideration, in my view—since it would be useful in the national interest. I am very glad that my colleague has made that declaration. I have given the subject a great deal of thought. It has been one of the issues in the bill that has worried me most. For the reasons I have stated, I have come to the conclusion that the provision should be supported, and not rejected.

Mr. SMATHERS. I thank the able Senator from New York for that expression. The fact that he has had great experience in business, which I venture to say is equal to that of any Senator on either side of the aisle, should strengthen in great measure the opinions of those who support the investment credit provision. I entirely agree with the Senator in his statement that at least at the outset the business community was not enthusiastic about it. Primarily for the reason which he described, business felt that the proposal was something of a rather temporary nature. Businessmen did not know how long the provision would remain in the law. They were a little uncertain about its future.

However, in recent weeks, as we have discussed the proposed investment credit provision in the committee and elsewhere, and as the business community itself discussed it, I have found that many businessmen who first came to me expressing great doubt about it have now become convinced of its worth and its desirability. In some instances, those who had previously asked me to vote against it have now in effect made a 180-degree turn, recognizing that the provision could serve a very useful purpose in modernizing their equipment in the productive machinery of our Nation. So I thank the Senator for his comments. I greatly appreciate them.

Mr. SPARKMAN. Mr. President, will the Senator yield to me?

Mr. SMATHERS. I am happy to yield to the distinguished Senator from Alabama.

Mr. SPARKMAN. I have given a great deal of thought to the proposal, not only during the pendency of the bill, but prior thereto. It happens that the Senator from Florida [Mr. SMATHERS], the Senator from New York [Mr. JAVITS], and I are all members of the Small Business Committee. Senators will recall that approximately 4 or 5 years ago we unanimously recommended not exactly a provision such as the one proposed, but a measure which I believe had something to do with the proposal being included in the bill. We were interested in small business, but we could not legislate for small business as a class. So we introduced a bill proposing that any business which plowed back into itself a part of its earnings would be able to deduct for tax purposes such amount of reimbursement, not to exceed 20 percent of its earnings, or $30,000, whichever was the lesser. We introduced the bill at that session of the Congress and in a succeeding session of Congress.

In the early part of last year the staff members of the Small Business Committee talked with representatives of the Treasury Department in an effort to gain approval of the plan now before the Senate.

They finally said, "We cannot go along with that, but we can go along with this investment credit of 8 percent"—I believe it was originally. I certainly agree with the statement that this can be an incentive for replacing wornout or certainly badly depreciated property. I am no expert in these matters, but I am rather of the opinion that one of the troubles from which the steel industry is suffering today is the need for new equipment. In fact, I believe Mr. Blough said as much, at the time we were asked to help them replace old equipment so that they could compete with foreign production of steel.

I know that the textile industry, or certain segments of it, have for a long time been plagued with the need for replacing equipment. I do not say that this is the perfect solution, but certainly I believe that it ought to provide a tremendous incentive to business to keep up to date, and thereby maintain productivity and thereby be able to compete on the world market.

Mr. JAVITS. Mr. President, will the Senator yield further?

Mr. SMATHERS. I yield.

Mr. JAVITS. The Senator from Alabama, who so ably heads the Select Committee on Small Business, has had a great deal to do with this matter, and certainly he is entitled to all the credit that is entailed in connection with it, because he was first in the field.

I should like to say, on the question of imports, that, interestingly enough, this provision in the pending bill ties in with the trade bill, because we can take the attitude that we will go along—I am drawing on my memory now—with the situation, according to the estimates, that 40 percent of American machinery and equipment is out of date, considering modern means, when person after person and some of our own colleagues in the Senate come back from Europe and say they have seen a rolling mill or a textile mill or a shoe factory which out-automates anything that we have here. However, I am in favor of meeting that competition by replacing obsolete equipment, and not by meeting it with protective devices.

All of this is directly in point to this particular issue. Unless we are willing to do this in order to encourage that kind of ability, we will go to the other kind, which is protectionism, which will certainly materially weaken the posture of this country in respect of the cold war.

Mr. SMATHERS. Mr. President, I thank the Senator from New York and the Senator from Alabama for their comments. I am very much interested in their comments. I know that when, under the able leadership of the Senator from Alabama, and with the cooperation of the Senator from New York, we devised what we thought was an original concept to keep the economy moving, it is the same concept, as the Senator from Alabama has pointed out, which has developed into this investment credit provision in the pending bill.

Mr. SPARKMAN. There may be some misunderstanding about it. Of course there is a limit on the amount of the investment credit, I believe.

Mr. SMATHERS. Yes; there is a tax limit. The tax credit may offset tax liability in full up to $25,000, but above that point the credit may not reduce tax liability by more than 25 percent, in any one taxable year. However, any unused credit may be carried back for 3 years or forward for 5 years.

Mr. SPARKMAN. How much is it?

Mr. SMATHERS. There is no specific dollar limitation on the investment credit. However, there is a specific dollar limitation in the case of purchasers of used property. The limitation here is $50,000. The 7 percent is applied to this $50,000.

Mr. SPARKMAN. That is another provision.

Mr. SMATHERS. The limit there is $50,000. This, of course, would be a great stimulant to small business.

Mr. SPARKMAN. I believe $25,000 is the limit.

Mr. PROXMIRE. There is no limit. The limit of $25,000 would be provided by the Proxmire amendment. A.T. & T., for example, would get $75 million.

Mr. SPARKMAN. An official of the Treasury told me it was $25,000.

Mr. PROXMIRE. Twenty-five percent of the income over $25,000. A.T. & T. would get $75 million. There is really no limit.

Mr. SMATHERS. There is no specific dollar limit on the investment credit because what we are trying to do is to stimulate the economy by encouraging business to rid itself of obsolete machinery and equipment. The bigger the order for machinery in a textile mill or in a shoe mill or by A.T. & T., the more jobs will be created, and the more money will be circulated. The fact that there is no limit does not make it undesirable. I believe it makes it even more desirable.

Mr. PASTORE. Mr. President, will the Senator yield?

Mr. SMATHERS. I yield.

Mr. PASTORE. I could not agree with the Senator from Florida more.

Mr. JAVITS. Mr. President, will the Senator yield?

Mr. SMATHERS. I yield to the Senator from New York.

Mr. JAVITS. I believe the Senator from Florida has put his finger on something that is critically important. We have the concept of absolutes in the way of money without realizing that we are in big business, and that the very size of our whole effort must be proportioned to what we do about it; $75 million in absolute terms is a great deal of money, but not in terms of a $500 billion economy; and when we compare it with the thousand-billion-dollar production in the Atlantic community, which is the production we are talking about, it is mighty small. The American people, in my opinion, are not frightened by the fact that they earn an annual average of $6,000 or $7,000 or $8,000 and that we are talking about $100 million or $1 billion. They have enough wisdom to realize that it is necessary to deal with that kind of economy to give them the security of both jobs and peace that they send us here to create for them in the best way we can.

Mr. SMATHERS. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. SMATHERS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. WILLIAMS of Delaware. Mr. President, I am a cosponsor of the amendment offered by the Senator from Virginia [Mr. BYRD] to strike from the bill that section which would provide the 7-percent investment credit. If the investment credit provision is allowed to stand in the bill it will represent a tax reduction of approximately one-quarter billion dollars for American industry. It represents a tax reduction of a quarter of a billion dollars at a time when the only manner in which we can finance it is by a further increase of the national debt and by borrowing the money because we are already operating at a deficit.

I, as much as any other Member of the Senate, look forward to the time when we can cut taxes. However, we should not cut income taxes for corporations or individuals on borrowed money. The Senator from Florida and those who have engaged in colloquy with him state that the proposal would put this money into the spending stream and would thereby help our economy. I am very much surprised to find the Kennedy administration now advocating the trickle-down theory, that they favor a tax reduction for some of the major corporations of this country in the hope that a little of this money will trickle down and help the employees and stockholders and the economy in general. If we are going to give a tax reduction to employees and we want to put money into their hands, let us do it with a bona fide tax reduction and reduce taxes for all taxpayers. Let us not pass a tax reduction on to corporations and then say we hope some of it will trickle down to the workingman and to the people in the lower tax brackets.

Much has been said in the last several years about the trickle-down theory. I am surprised now to see it embraced so ardently by the Kennedy administration and by some in this country who have heretofore denounced it.

Mr. JAVITS. Mr. President, will the Senator from Delaware yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. JAVITS. I think we want to have the issue clear as between us. I shall not support this proposal on the trickle-down theory, because I agree with the Senator about that. I think it is a very expensive way to spend tax money. But I certainly would appreciate having the views of the Senator on the more fundamental question, to me, of remachining American industrial plants and giving inducements for that purpose.

I am aware of the Senator's extraordinarily fine leadership in respect to depreciation. I pay him all honor for that. I think that is a very potent factor in what we are trying to accomplish. Nevertheless, I feel that the 7-percent tax credit must be discussed in these terms. The Senator has a right to his views as to the trickle-down theory, and I think he has made a legitimate point about the administration.

I was only explaining the view of one Senator on his side of the aisle as to why I would favor this proposal, because I feel that even though there is a little improvement in depreciation, and I would willingly join with the Senator from Delaware, who has shown extraordinary leadership in getting more of a depreciation system for equipment, a system more along the European line, which is designed to encourage business to remachine, I still feel that with this opportunity available, it is so important in terms of re-equipping American industry that, to me, it outweighs any other consideration. I shall take that position.

I agree with the Senator from Delaware that the system should not be justified, and I do not think it could be justified, on the trickle-down theory, because that is a very expensive way to spend tax money.

Mr. WILLIAMS of Delaware. I only repeat the argument that has been made that this benefit would accrue to the workingman and other taxpayers. The only way that could happen would be to accept the trickle-down theory.

I agree with the Senator from New York that our present depreciation schedules are outmoded. I was a strong supporter of the administration's recent action in revising schedule F and have been advocating this revision for the past several years.

I would even go further and modify the existing depreciation schedules under our existing laws if we had the money. I made this suggestion in committee and discussed with the Treasury Department my view that a more appropriate method of helping American industry at this time, rather than starting a complicated 7-percent tax credit, would be to liberalize the depletion rates in the framework of our existing law. Why not just change the existing depreciation schedule. For instance, I suggested that rather than doubling the depreciation on a declining balance method, we change to 2½ times. This would allow all taxpayers to write off their investments on a more rapid basis. But it would keep this change confined to the basic principle which has always been a part of our tax structure; namely, that we would never, under any circumstances, allow an individual taxpayer to write off more than 100 percent of the original cost of the item.

One of the basic objections to this current proposal is that with the 7-percent investment credit a taxpayer can claim as depreciation 114 percent of the cost. There is no argument about that. That is the mechanics of the proposal.

In addition, it is very complicated. The staff has prepared an explanation of this investment credit as it was reported out of committee. The Treasury proposal has been changed two or three times. When the President first proposed the investment credit, I asked the staff of the Joint Committee on Internal Revenue Taxation to prepare a report as soon as possible to show taxpayers how the investment credit would work; it required five pages. The formula in the pending bill is just as complicated. The only taxpayers who will use this complicated method will be the corporations which are large enough to keep their tax returns continuously open and which have a group of tax experts on their regular payrolls to figure taxes at all times. If a taxpayer claims this credit and then sells the piece of equipment 6 years later he will have to go back and recompute his tax returns and open them for those 6 years because he can keep but one-third of the tax credit.

If he sells the equipment within 4 years he will lose all of the tax credit and will have to recompute his return accordingly.

The average small taxpayer who does not employ an accountant on his payroll 12 months a year will not reopen his tax returns voluntarily for this claim. This proposal is even too complicated for a Harvard professor to understand.

Mr. PROXMIRE. Mr. President, will the Senator from Delaware yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. PROXMIRE. I should like to ask a question on the point so ably raised by the Senator from New York. Is it not true that the McGraw-Hill survey asked hundreds of businessmen whether they would use the tax credit, apropos the Senator's argument with respect to remachining and bringing up to date their equipment; and is it not true that the overwhelming majority said, "No"; and that the conclusion was that this proposal would have a very slight effect upon increasing modernization of equipment—about 1½ percent?

Mr. WILLIAMS of Delaware. Yes; small companies would pass it by almost entirely because they do not understand the complications of getting the credit.

Mr. PROXMIRE. Is it not also true that the National Industrial Conference made a similar survey and asked a thousand businessmen whether in 1962 they would use the proposed tax credit?

Mr. WILLIAMS of Delaware. That is true. Any provision which is so complicated that it requires the experts of the committee to devote 5 pages to an explanation of it is too complicated for the average taxpayer and is of no benefit to him.

Mr. PROXMIRE. Is it not also true that McGraw-Hill found that in the coming year the plans of business are to spend more on investment in plant and equipment than ever before in history—more than $1 billion more—and that 30 percent of that will be for modernization, without the investment credit?

Mr. WILLIAMS of Delaware. That is correct. I would support a liberalization of the present depreciation schedule, but I would want it done within the framework of the existing law so that every taxpayer, whether he be a farmer in Nebraska, Delaware, or Wisconsin, or a small businessman in any State, could compute his own tax return and know what he was paying. Why propose something so complicated that no one can understand it?

Mr. Walter A. Slowinski, speaking in behalf of the Chamber of Commerce of the United States, told the committee:

> The chamber again recommends against the adoption of this novel and untried preferential tax credit subsidy for business. It is also unnecessarily complex, and it will be difficult to administer.

Mr. AIKEN. Mr. President, will the Senator from Delaware yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. AIKEN. Under this proposal, could an American business concern get credits for modernizing or reequipping a plant which it owned in another country?

Mr. WILLIAMS of Delaware. It is my understanding that it could if the machinery is bought in this country. If it were a subsidiary, I see no reason why that could not be done.

Mr. AIKEN. Suppose an American company decided to modernize its plant in this country, but purchased outside the United States the equipment for modernizing the plant. Would that company then be entitled to the credit?

Mr. WILLIAMS of Delaware. I see nothing in the bill to prevent it.

Mr. AIKEN. We know that most American manufacturers now have plants in other countries. If they were retooling, would they get credits regardless of whether they purchased the tools in the United States or bought them abroad?

Mr. WILLIAMS of Delaware. I have checked with the staff, and the answer is: Yes, they would get the credit, regardless of whether the tools were bought in this country or abroad.

Mr. AIKEN. Will the Senator consult with the staff member in regard to refitting plants owned in another country by another concern?

I realize that most of the plants in other countries are already modernized. But if they wished to install new equipment, would this credit be allowed if they used American equipment to modernize plants overseas?

Mr. WILLIAMS of Delaware. I am advised that if the equipment were purchased overseas and were used in plants in the United States, the 7-percent credit would still be allowed. If the equipment were purchased abroad and were used abroad the 7-percent credit would not be allowed.

Mr. AIKEN. But suppose a plant abroad was refitted with equipment purchased in the United States: Would the credit then be allowed?

Mr. WILLIAMS of Delaware. I am advised by the staff that it would not.

Mr. AIKEN. Then there would be no incentive to use American machine tools, regardless of whether a plant in the United States or a plant overseas was being refitted.

Mr. GORE. Mr. President, on the question of agreeing to this amendment, I ask for a rollcall vote.

Mr. WILLIAMS of Delaware. Mr. President, I join in the request for the yeas and nays.

Mr. SMATHERS. What amendment is this?

Mr. WILLIAMS of Delaware. The Byrd-Williams amendment.

The PRESIDING OFFICER (Mr. BURDICK in the chair). Is there a sufficient second?

The yeas and nays were ordered.

Mr. KEATING. Mr. President, will the Senator from Delaware yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. KEATING. Does the amendment involve discrimination between companies—for example, between a company which has already modernized its plant and one which modernizes it after this law goes into effect? Would a company which has already modernized its plant be able to obtain the benefit of this investment credit? It would not be able to, would it?

Mr. WILLIAMS of Delaware. That is correct; a plant which does its modernizing before the effective date of the bill would not obtain any credit.

Mr. KEATING. What is the effective date of the bill?

Mr. WILLIAMS of Delaware. As the bill came from the committee the date was July 1, 1962.

Mr. KEATING. So modernizing completed prior to July 1 of this year would get no credit of this sort?

Mr. WILLIAMS of Delaware. That is correct. On the other hand, if the earnings during these years were not such as to enable them to claim the investment credit they could not use any of it.

Mr. KEATING. How long is the bill to continue in effect?

Mr. WILLIAMS of Delaware. Presumably indefinitely.

Mr. KEATING. That is the point I was about to make. If this credit fails, there is no guarantee that it will be repealed.

Mr. WILLIAMS of Delaware. No; no termination date is provided.

Mr. KEATING. But once enacted, it never would be terminated, would the Senator agree?

Mr. WILLIAMS of Delaware. I venture to say that it would soon be recognized for what it is; namely, an unwarranted windfall or subsidy, too complex in nature. Therefore it may well be repealed. Such a step could delay the long overdue correction of our depreciation rates.

I believe that if we are to do anything to change the depreciation formula we should do it in a way which will be understandable to the taxpayers, and we should also apply it to the construction of new buildings. But as the amendment now stands it does not apply to the construction of new buildings. But what good would new machinery be if it were installed in an old, obsolescent building? Unless this provision is applied across the board I do not believe we shall be accomplishing anything of any significant importance. But regardless of that weakness, a tax loss of $1 billion or $1.5 billion annually would be caused.

While this 7-percent investment credit as recommended by the Kennedy administration does not apply to building it does apply to racehorses and bulls. I am even advised that this tax credit would apply to the purchase price of alligators and snakes when purchased in the course of a business. Who says the New Frontier does not have ideas?

Mr. KEATING. Is it the experience of the Senator from Delaware that once tax loopholes—which is what I believe this amendment is—are established in the law, it is extremely difficult to get them taken out of the law?

Mr. WILLIAMS of Delaware. Yes. Furthermore, the Chamber of Commerce of the United States recognized this point as it opposed this credit. That organization certainly represents American industry, and one might think it would favor an amendment which would result in a tax reduction of $1 billion or $1.5 billion to American business. However, the Chamber of Commerce of the United States opposes the provision and calls it a subsidy. It says it does not want American business to be accused of getting such a subsidy. They recognize that subsidies are bound to be accompanied by greater government control of business.

Mr. KEATING. Mr. President, I thank the Senator from Delaware very much for the points he has made and the information he has provided.

I think the tax credit is essentially a gimmick. It would add a new provision to our tax code; and if it did not work, it never would be repealed. Over the years, it could be a multibillion-dollar blunder. There is no such thing as a temporary tax or a temporary tax credit.

Mr. President, in the last year I have received a grand total of six letters favoring the investment credit. This shows something of the enthusiasm with which it has been greeted by taxpayers. I would much prefer to see real rate reform, which would help little people as well as big, before we take a step like this.

The investment credit before us is an unproven experiment few people want, and that will cost over a billion dollars. It is part of a tax reform bill which will add substantially to our budget deficit at a time when, although the President promised a balanced budget, the fiscal 1963 budget is deep in the red.

This credit may be good; I am not saying it is necessarily bad. But I doubt very much that it is good enough to warrant a $1 billion increase in the national debt.

One final word: Depreciation is a tried and practical way to stimulate investment. I support the steps which have been taken to liberalize depreciation treatment. This is an established method. I think we should stick by it. If we need further depreciation reforms—either through legislation or through administrative action—let us do it. This would be far better than taking a gamble on a new tax gimmick which may not work, which will be with us forever, and which will cost the taxpayers of the Nation—big and little—at least a billion dollars a year.

Mr. WILLIAMS of Delaware. Mr. President, Mr. Harold Scaff, chairman of the tax committee of the National Association of Manufacturers, opposed this tax credit; he said:

> Investment credit would simply provide reduction in effective tax rates for taxpayers who use their income and other funds as the Government thinks is best for the economy at a particular time.
>
> There has been a tendency to promote and discuss the investment tax credit apart from the price which it would exact in terms of other changes in the tax law. Even without the exaction of such a price, we would oppose the credit for the reasons set forth in the appendix attached hereto. Very simply, we believe that tax reductions should be afforded by direct means. We would take this position even if, in our opinion, all of the other provisions of H.R. 10650 constituted sound tax policy.

Mr. MILLER. Mr. President, will the Senator from Delaware yield to me?

Mr. WILLIAMS of Delaware. I yield.

Mr. MILLER. The Senator from Delaware knows there is a great deal of talk about making cuts in the tax rates, next year. Suppose next year Congress decides to cut the corporation and the individual tax rates. Is it the opinion of the Senator from Delaware that the investment credit would remain on the statute books, notwithstanding such further cuts?

Mr. WILLIAMS of Delaware. Presumably so. But I am sure that if this investment credit is enacted it will be taken into consideration when a decision is made on the question of whether to reduce the corporate tax rates. One cannot get around the fact that this is a tax cut of $1.25 billion or $1.5 billion for the benefit of American industry. A comparable reduction is not given to any other type of taxpayer—although it would go to all partnerships and individuals who purchase new equipment.

This provision will not accelerate the modernization of American industry. This is just a windfall on a discriminatory basis.

Suppose two competitive companies each invest $10 million in new equipment during 1962. One purchases its equipment in June and the other purchases its equipment in July. One company will get a $700,000 tax credit or windfall; the other company will get nothing.

Mr. MILLER. But if this amendment is enacted into law and remains on the statute books, and if next year a further reduction is made in the corporate tax rates, the result will be to compound the tax relief for one particular group in the American economy. In short, if next year a 3-percent tax-rate reduction is made across the board, taxpayers who were able to take advantage of this provision would have, in total, a 5-percent tax reduction—which would frustrate the congressional intent.

Mr. WILLIAMS of Delaware. Yes. Furthermore, if the intention is to have such tax relief why is it proposed that it be confined to machinery but not applied to new buildings? If the principle is sound why not have it apply across the board to everyone?

I think this amendment is only an entering wedge for the beginning of subsidies for the benefit of certain segments of American industry.

Mr. MILLER. Is it the understanding of the Senator from Delaware that the proponents of the amendment advocate it on the ground of the need for growth in our economy?

Mr. WILLIAMS of Delaware. Yes; they claim they want to increase the productive capacity of the American economy so that it will be better able to compete with the European Common Market. But if we accept that as a reason then I ask by what line of reasoning did the administration recommend that the investment credit apply to the purchase of racehorses, with the result that one who purchased a $100,000 racehorse would automatically receive a tax credit of $7,000—in other words, a tax reduction of $7,000. Just how would that enable the American economy better to compete with the European Common Market? Under the livestock provision bulls and even alligators are included.

Mr. MILLER. Along the same line, I was distressed to discover that the proposed tax credit would apply to the purchase of racehorses, but would not apply to the purchase of breeding livestock. I can see a greater relationship to growth of the economy by having the amendment apply to the purchase of breeding livestock than I can to having it apply to the purchase of racehorses.

Mr. WILLIAMS of Delaware. It did apply to both the purchase of racehorses and the purchase of bulls. But as the bill is before us the special tax reduction which would have been allowed those who purchase these bulls and racehorses has been stricken out. That provision was stricken out in the Senate committee. But as the bill now stands this investment credit would be allowed to those who purchase slot machines and all other types of gambling devices, barroom equipment, and all types of equipment used at racetracks. On the other hand, if a farmer in Iowa needed a new barn he would not be eligible for the tax credit. This administration considers racehorses, bulls, and gambling devices more essential than barns and warehouses or a new manufacturing plant.

Buildings necessary to house the equipment of a manufacturer would not be covered. On the other hand, if a man wished to start a gambling joint in one of the States in which gambling is legal all the equipment for the gambling joint would be covered by the special tax reduction on the premise that it would help our economy compete better with the European Common Market.

Mr. MILLER. Mr. President, I realize the validity of the point the Senator from Delaware is making, and I understand that he has pointed out that the proponents of this amendment anticipate that it will help the growth of our economy. But, as I recall, earlier today the Senator from Illinois pointed out that there may be a situation in which a taxpayer may invest in new equipment, but the investment may not even be equal to the amount of depreciation taken on his tax return; and in such a case it could well be that a corporation which had $200,000 of taxable income last year or this year might have only $150,000 of taxable income when it took advantage of the investment credit based on the $200,000 of taxable income in the previous year. In other words, the corporation might have gone backward, insofar as its income was concerned; but it still would reap the benefits of this tax provision, based on its income in the previous year.

Mr. WILLIAMS of Delaware. That is correct.

The representative of one of the largest corporations in the United States testified when he was before our committee in opposition to such a provision. He said it would be an unjustified subsidy and emphasized that his company is not asking for it. He pointed out that his company would benefit from it to the extent of approximately $75 million, but he stated that his company would not spend one additional dime on construction even if it were allowed the $75 million. I admire this company for its complete frankness, but if this Congress had no more sense than to pass that proposal, I am sure that their stockholders will insist that they take it.

Mr. MILLER. Mr. President, I note that the Senator from Illinois is on the floor. I wonder if the Senator from Delaware will yield to me so that I may ask a question of him which applies to the last question?

Mr. WILLIAMS of Delaware. I yield.

Mr. MILLER. I understood the Senator from Illinois to point out earlier today that a taxpayer might invest in equipment a certain sum of money and get the tax benefit under this provision notwithstanding the fact that the investment might be less than the combined depreciation deduction on his taxable income.

Mr. DOUGLAS. That is correct.

Mr. MILLER. Does the Senator from Illinois not recognize that if that happens we may have a situation where the taxpayer's taxable income has actually gone backward instead of grown, which is the purpose, as I understand, of this provision?

Mr. DOUGLAS. That is possible.

Mr. MILLER. If that is so, the Senator pointed out that the way the investment credit was originally proposed did not have that defect in it. Am I correct?

Mr. DOUGLAS. That is correct. The original proposal was for 15 percent investment credit on all sums invested in excess of depreciation and a 6-percent credit on the amounts invested between 50 percent of depreciation and 100 percent of depreciation, but nothing whatsoever if less than 50 percent of depreciation was provided.

This proposal provides 7 percent across the board for 10 percent of depreciation, 20 percent of depreciation, 50 percent of depreciation, or 80 percent of depreciation; and the bill has been transformed from one which aims to stimulate investment into one which rewards gross investment, not net investment, whether or not it meets depreciation charges.

Mr. MILLER. So the purpose of this provision, which is to stimulate growth, can well be frustrated under circumstances where the taxpayer has actually gone backward instead of grown?

Mr. DOUGLAS. That is correct. He will have grown with it.

Mr. WILLIAMS of Delaware. If the new machinery is merely to replace old machinery, he still gets credit, whether it is for expansion or not.

Much has been said about the fact that this provision would benefit the small businessman, a point to which I take exception. As I said before, not only is it too complicated, but under existing tax law there is a provision, not affected by this measure, whereby the small businessman can write off 20 percent up to $10,000 for any one year, and that 20 percent is in addition to the normal depreciation schedules. For example, if a piece of equipment has a 10-year life, he can write off 20 percent of it the first year and in addition claim another full 20-percent depreciation.

So we already have within the framework of existing law provisions which extend benefits to the small businessman, benefits which far exceed the benefits provided under the 7-percent investment credit proposal.

I ask unanimous consent that provisions of section 176, paragraphs (a) and (b), be printed at this point in the RECORD.

There being no objection, the section was ordered to be printed in the RECORD, as follows:

SEC. 179. ADDITIONAL FIRST-YEAR DEPRECIATION ALLOWANCE FOR SMALL BUSINESS.

(a) General rule: In the case of section 179 property, the term "reasonable allowance" as used in section 167(a) may, at the election of the taxpayer, include an allowance, for the first taxable year for which a deduction is allowable under section 167 to the taxpayer with respect to such property, of 20 percent of the cost of such property.

(b) Dollar limitation: If in any one taxable year the cost of section 179 property with respect to which the taxpayer may elect an allowance under subsection (a) for such taxable year exceeds $10,000, then subsection (a) shall apply with respect to those items selected by the taxpayer, but only to the extent of an aggregate cost of $10,000. In the case of a husband and wife who file a joint return under section 6013 for the taxable year, the limitation under the preceding sentence shall be $20,000 in lieu of $10,000.

Mr. WILLIAMS of Delaware. As I explained earlier, I have asked the staff of the committee to compile an explanation for the use of the taxpayer of the investment credit provision of H.R. 10650 as amended by the Senate Finance Committee.

If this is going to be the law, I think the taxpayers ought to be able to understand how it was intended to operate. It took the staff 5 pages to explain how a taxpayer can take advantage of this 7-percent credit if it is passed in the form now before the Senate.

I ask unanimous consent that the explanation be printed at this point in the RECORD.

There being no objection, the explanation was ordered to be printed in the RECORD, as follows:

EXPLANATION OF THE INVESTMENT CREDIT PROVISION OF H.R. 10650 AS AMENDED BY THE SENATE FINANCE COMMITTEE

The bill provides a credit which may be offset directly against income tax. Usually, this is 7 percent of "qualified investment." Investment which is eligible for the 7-percent investment credit is referred to in the bill as "qualified investment." Qualified investment includes both new property and up to $50,000 used property. Property qualifies for the investment credit in the year it is placed in service by the taxpayer.

The percentage of investment which the taxpayer can take into account as qualified investment varies with the expected useful life of the property in his business. No part of the investment with a life of less than 4 years is taken into account, property with a life of 4 years up to 6 years is taken into account at one-third of the amount of investment made, property with a life of 6 to 8 years is taken into account on the basis of two-thirds of the investment made, and property with a longer life is taken into account at the full amount of the investment.

Public utility property is taken into account as qualified investment at three-sevenths of the cost of the property. As a result, in the case of 4- or 5-year public utility property one-seventh of the investment is taken into account; in the case of 6- or 7-year property, two-thirds is taken into account; and in the case of property with a life of 8 years or more, three-sevenths is taken into account.

Qualified investment is reduced in the case of property which is a replacement for other property destroyed or damaged by fire, storm, shipwreck, or other casualty or storm, where this property was insured. The amount treated as qualified investment in the case of the replacement property is reduced by the amount of the insurance or by the cost of the replacement property, whichever is the lesser.

The property taken into account as qualified investment must be purchased or otherwise acquired after June 30, 1962.

Used property also is eligible for the credit if purchased after June 30, 1962, but the amount which may be taken into account is limited to a maximum of $50,000 a year.

In the case of husband and wife filing separate returns, the used property with respect to each is limited to a maximum of $25,000, unless one of the two has not purchased any qualifying used property in which case the other is entitled to the full $50,000.

The tax credit may not exceed tax liability up to a level of $25,000 and may not exceed 25 percent of tax liability above this amount. Any tax credit which may not be used in this fashion can be carried back 3 years and forwarded 5 years and used as if it were a credit for that year or years.

The bill provides a special recapture rule. If property is disposed of before the end of its estimated useful life in the hands of the taxpayer and this period is less than 8 years, then the amount of the credit which may be taken is reduced in such a manner as if the estimated useful life of the property had initially been correctly estimated. However, this adjustment is made in the current year rather than in the prior year.

The bill provides that the cost or other basis of the property is to be reduced by 7 percent of the qualified investment. This reduction is for purposes both of depreciation to be taken subsequently and also in case the property is subsequently sold. If because of limitations the full amount of the credit cannot be taken—this can arise either because the property is sold and the credit is reduced or because the carryover and carryback do not permit the full use of the credit—then the taxpayer is allowed a special deduction from income equal to the amount by which the basis of his property was reduced but for which no credit was taken.

Only what is called section 38 property is treated as qualified investment under the bill. Most tangible personal property qualifies. Except for buildings and structural components, real property which is used in manufacturing, production or extraction or in furnishing transportation, communications, electrical energy, gas, water, or sewage disposal services also qualified. This is also true of real property other than buildings and structural components used for research or storage facilities in the case of any of the categories mentioned above.

There are, however, certain categories of property which are excluded from the definition of qualifying investment. These exclusions include:

(1) Most property used primarily for lodging.

(2) Most property used by tax-exempt organizations.

(3) Property used by governmental units.

(4) Most property used predominately outside of the United States.

(5) Livestock.

The bill also provides that a lessor may elect to treat investment as if made by the lessee rather than the lessor. If the lessor makes this election, the lessee is treated as if he had acquired the property himself. The useful life of the property in his hands, however, is the useful life in the hands of the lessor.

Special categories of taxpayers have their investment credit reduced on the grounds that they for one reason or another are not fully taxable. This includes mutual savings banks, savings and loan associations, regulated investment companies, cooperatives, and small business corporations treated in a manner similar to partnerships.

Mr. BUSH. Mr. President, I have a few comments to make about the bill. I am opposed to this amendment because I believe it is discriminatory. Take company A, for instance, which has gone ahead and improved its plant and modernized its equipment and completed this process, so that during the next 4 or 5 years it will not have to do further modernization. It would get no benefit whatsoever under this investment credit provision.

On the other hand, company B, which may be a less well managed company, a company which may be a larger or smaller company than company A, but has not been so farsighted, will get all of the benefit, for whatever it is worth, under the amendment.

I think, therefore, this is a discriminatory amendment. It discriminates against the efficient in favor of the inefficient. It discriminates against the forward looking, aggressive, adventurous business organization, and, conversely, it discriminates in favor of one that may be considerably less so. Therefore, on the ground of its discriminatory nature, I believe the investment tax credit should be deleted from the bill.

Secondly, I do not believe in selective tax treatment. I think, generally speaking, all taxpayers within groups, within industries, within any category, should be treated alike. Both large businesses and small businesses should be treated alike.

I also observe that there is no enthusiasm for this investment tax credit, so far as I have been able to find, among American businesses. This fact was admitted on the Senate floor this afternoon. My able and distinguished colleague from New York said that, although he finds little support for this tax credit, he thinks in due course it will be appreciated.

If I know anything about American businessmen, they are well able to determine for themselves what is likely to be beneficial to them, what is likely to induce them to go ahead and expand; and I do not think it needs interpretation from those who are not active in business management.

So I say if we are going to do something to stimulate activity in American business by way of expansion, extension of plant, and modernization, let us do it right. Let us do it in the way that the established leaders of business, the students who have gained their knowledge from experience, feel is apt to provide the necessary stimulation.

What does the business community think will stimulate expansion? I would say, offhand, two things. As my able and distinguished colleague from Delaware said a few moments ago, an increased depreciation allowance would have an effect. What has already been offered by the Treasury will no doubt have that effect to some extent; but I believe most American businessmen, if they had a chance, would vote, by a large majority, to increase depreciation allowances still further so as to take advantage, if you will, of the additional $1,200 million that this tax credit provision will take out of the Treasury. By putting into effect further depreciation allowances, there would really be a stimulating effect, and there would also be the advantage of treating all alike.

This would give everybody an equal opportunity, the small businessman as well as the large businessman. I believe this is the way taxes should work. They should not be discriminatory.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator yield?

Mr. BUSH. I yield to the Senator from Delaware.

Mr. WILLIAMS of Delaware. The Senator may be interested to know that I do not recall a single witness who appeared before the Senate Finance Committee during all of the lengthy hearings held who did not endorse the principle of a liberalization of the existing depreciation allowance as being far preferable to the investment credit.

Mr. BUSH. I thank the Senator for that observation. That being the case, I do not see why we should fly in the face of that kind of competent information merely because the administration has sent to the Congress this new idea to stimulate production or to stimulate business expansion of plant, and presumably to increase job opportunities.

I agree with the Senator from Delaware. My feeling is that this could be much more effectively done by a further liberalization of the depreciation allowances.

Secondly, what would be of equal value, or what would perhaps stimulate an even greater confidence in business, so that business might proceed to modernize and expand plant, would be a general revision of the income tax structure. I understand this problem is under consideration by the administration, by the House Committee on Ways and Means, and perhaps even by our own Committee on Finance. It is expected that in 1963 the Senate will consider a tax reform bill.

My fear is that, by passage of this kind of "gimmick" and this kind of tax bill, there will be an interference with and an inhibition against the possibilities of enacting the kind of tax reform bill we should enact, which is long overdue.

I fear that the hodgepodge bill, which probably will result from Senate action, will interfere with accomplishing real tax revision in 1963.

I also venture to express the fear now that when we have finished our consideration of this bill and of the amendments which may be attached to it, it will be the biggest hodgepodge bill passed in my memory.

Where does the Tax Foundation stand in connection with this? I have not been informed that they have taken a favorable view of it at all. I have tried to find a word of testimony in favor of it from the highly expert organization known as the Tax Foundation in New York.

Where does the Committee for Economic Development, which is regarded to be an authority in matters of this kind, stand?

What does the National Association of Manufacturers have to say? This is the great industrial organization representing the manufacturers of this country. I understand that they are opposed to the investment tax credit.

I understand the Chamber of Commerce of the United States is opposed to it.

I understand that the American Federation of Labor and the CIO likewise are opposed to it.

All of these people have an interest in the expansion of American business, of American plant. They are interested in American economic growth. No one of these people is in favor of this provision. In fact, it appears that all of them are opposed to the investment tax credit scheme.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator yield?

Mr. BUSH. I yield to the Senator from Delaware.

Mr. WILLIAMS of Delaware. The Senator is correct. Not only are those organizations opposed to it, and vigorously opposed as the Senator has stated, but Mr. Charles B. Shuman, president of the American Farm Bureau Federation, likewise opposed it as being of no benefit to the American farmer or to the small businessman.

In fact, I have never seen a proposal on which there was such a unanimity of opinion in opposition. Several people said, "Surely; if Congress passes the bill we will take the money which is to be passed out, but it is an unwarranted subsidy." That phrase was repeated over and over again.

Mr. BUSH. I thank the Senator for his observation. I must say that over the years, I think, the American Farm Bureau Federation has taken very sound positions in respect to matters of this kind, affecting the economic life and the economic growth of the country.

If one talks to representatives of most companies privately, they say, "We are going ahead with our expansion program. We would be happy, perhaps, to get this windfall. If it is coming, we will take it. As a matter of fact, we will go ahead with our plans whether it is passed or not."

My final point is that I doubt very much whether it will offer any stimulation or create any new expansion of plant, which would not take place without an investment tax credit.

Mr. President, I have studied the hearings on the bill and the minority views, as well as the majority report. I am convinced that we would be far better off if we knocked the tax credit provision out of the bill.

CRATER-LONG LAKES DIVISION OF SNETTISHAM PROJECT, ALASKA

Mr. HICKEY. Mr. President, I ask unanimous consent that the unfinished business be temporarily laid aside, and that the Senate proceed to the immediate consideration of Calendar No. 1744, S. 594.

The PRESIDING OFFICER. The bill will be stated by title for the information of the Senate.

The LEGISLATIVE CLERK. A bill (S. 594) to authorize the construction, operation, and maintenance of the Crater-Long Lakes Division of the Snettisham project, Alaska.

The PRESIDING OFFICER. Is there objection to the request by the Senator from Wyoming?

Without objection, the unfinished business will be temporarily laid aside and the Senate will proceed to consider the bill.

The Senate proceeded to consider the bill (S. 594) to authorize the construction, operation, and maintenance of the Crater-Long Lakes Division of the Snettisham project, Alaska.

Mr. HICKEY. Mr. President, this bill would authorize the construction, operation, and maintenance of the Crater-Long Lakes Division of the Snettisham project in Alaska. Favorable reports on this proposal have been received from the executive agencies involved. The Senate Interior and Insular Affairs Committee has reported the bill favorably. However, because of an agreement entered into between the Secretary of the Army and the Secretary of the Interior relating to the construction of projects in Alaska by the Corps of Engineers rather than the Bureau of Reclamation, the Senate Committee on Interior and Insular Affairs recommended that the bill be re-referred to the Senate Committee on Public Works.

Mr. President, I move that S. 594 be referred to the Senate Committee on Public Works.

Mr. DOUGLAS. Mr. President, will the Senator yield for a question?

Mr. HICKEY. I yield.

Mr. DOUGLAS. I notice the two Senators from Alaska [Mr. BARTLETT and Mr. GRUENING] are not in the Chamber. I should like to ask if this proposal is satisfactory to them.

Mr. HICKEY. It is my understanding, I reply to the Senator from Illinois, since the report was given to me, that it is satisfactory and the action is being requested at the request of the Senator from Alaska [Mr. GRUENING].

Mr. DOUGLAS. Can the leadership assure me on this point?

Mr. SMATHERS. Mr. President, will the Senator yield so that I might ask the Senator a question?

Mr. HICKEY. I yield.

Mr. SMATHERS. I am curious as to whether the able Senator from Wyoming has cleared this with our majority leader.

Mr. HICKEY. When I was in the chair as Presiding Officer, the clerk from the committee was talking to the Senator from Montana [Mr. MANSFIELD], and he brought this bill up, handed it to me, and asked me if I would make the request. I presume it has been cleared.

Mr. SMATHERS. I wonder if the able Senator would mind postponing his request for about 15 minutes, until we can check this out?

Mr. HICKEY. Very well.

REVENUE ACT OF 1962

The Senate resumed the consideration of the bill (H.R. 10650) to amend the Internal Revenue Code of 1954 to provide a credit for investment in certain depreciable property, to eliminate certain defects and inequities, and for other purposes.

Mr. DOUGLAS. Mr. President, the opponents of the investment credit windfall are ready to vote now. I hope very much that there will be no further delays, and that we can proceed to a vote.

Mr. KERR. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

Mr. MILLER. Mr. President, I wonder if the Senator from Oklahoma will withhold his suggestion of the absence of a quorum, so that the Senator from Iowa may say a few words.

Mr. KERR. Mr. President, I withdraw the suggestion for the time being.

Mr. MILLER. Mr. President, I have noted a lot of confusion about this investment tax credit. First, I wish to point out that it is not to be tax reform, so far as depreciation is concerned. It has nothing whatsoever to do with depreciation. What it will be is a tax cut.

A person would figure up his tax bill, and then take a part of the tax bill off if he qualified under the provision. It would amount to a 7 percent portion of the total cost of new equipment or new assets for manufacturing purposes or farm purposes, with certain limitations.

In other words, if a person bought something new this year, after the effective date of the act, the language would apply, and it would apply to the extent of 7 percent. In the case of some small businessess, purchases could be made up to $50,000 worth of used equipment. Many of the small businesses cannot afford new equipment, but have obsolete equipment and could upgrade their equipment by buying some good used equipment.

The equipment must have a useful life of at least 4 years. I ought to point out that the 7 percent credit is not a definite thing by any means. It is a graduated proposition. If a taxpayer buys something and hangs onto it for over 4 years, he would receive only one-third of the credit. If he should hang onto it for over 6 years, he would receive two-thirds of the credit. If he should keep it for over 8 years, he would then—and only then—get the full credit, although actually he would get a tax cut in the year in which the asset was put into service. Then later on, if he disposes of it in less than 4 years, he would get no credit. He would have to refund the entire credit to the Government. Or if he disposed of it in less than 8 years, he would have to refund a portion of the credit.

To be fair about the proposal, there is something to be said about the inducement that the measure offers to invest in permanent type investments. In other words, the one-third-two-thirds proposition is designed to avoid a tax credit for someone who is merely going to take a quick tax deal and stay in the equipment for about 2 or 3 years and then get out and possibly sell it at a profit. The proposal is designed to encourage people to invest in assets that will have at least a life of 4 years, and preferably an 8-year life.

What is the reason for the proposed investment tax credit? I quote from the statement of the Secretary of the Treasury before the Senate Finance Committee. He summed up the policy very well. He said—

> It will stimulate investment in modernization and expansion of our industrial capacity, contribute to economic growths, and substantially increase the competiveness of American products abroad. We must increase our efficiency and our productivity to meet the competition of other nations which are already providing tax incentives for their businesses. In recent years, we have devoted less than 6 percent of our gross national product in investing in this productive capital, only one-half of the amount that West Germany has been devoting, only 60 percent of the combined average of the European nations that form the Common Market. And we must have a more satisfactory rate of capital formation.

Mr. President, with the Secretary's statement of the existing situation and the need for improvement I agree 100 percent. But I certainly disagree 100 percent with his proposed solution. I think we ought to make clear, first, that this is one of the unusual times when we find normally opposite groups going hand in hand together to oppose a piece of legislation. As has already been pointed out, the National Association of Manufacturers, on the one hand, and the American Federation of Labor and the Congress of Industrial Organizations on the other, normally opposed on legislation, are very much together on the proposal.

But it seems to me, getting at the merits of the proposal, the worst feature of it is that it would be highly discriminatory. A businessman who in prior years had been keeping his plant up by putting in new equipment and modernizing his plant might have a competitor down the road who had not been doing so at all. All of a sudden the competitor would find that he could have a nice juicy tax credit. Who would pay for it? The one who would pay for it is the fellow who had been doing the job of modernizing down through the years.

I suggest another case. Assume a corporation has been making a good profit but has been putting some of its profit aside for investment in good plant and good machinery, instead of paying all of its profit out as dividends. Another competitive corporation has been literally milking all the profits out in the form of dividends and its plant has become obsolete. The second corporation in effect would receive a tax windfall under the proposal.

In fact, the tax investment credit would almost put a premium on past inefficiency. I certainly hope that the pending motion will prevail.

Mr. CURTIS. Mr. President, will the Senator yield?

Mr. MILLER. I yield.

Mr. CURTIS. What about the situation in which the taxpayer some time prior to the effective date of the proposal had already expanded or improved his plant and was carrying a debt load for it. Would he receive any tax credit?

Mr. MILLER. He would receive nothing at all. No effort has been made by the proponents of the legislation to make it retroactive and give some tax benefit to a taxpayer in that position.

Mr. CURTIS. The proposal applies not only to plant renewal and improvement but also to plant expansion, so far as machinery is concerned.

Mr. MILLER. That is correct.

Mr. CURTIS. Suppose the taxpayer is engaged in business in an area in which the prudent thing to do would be not to expand. If he followed that prudent course, he would not receive any tax deduction.

Mr. MILLER. That is correct.

Mr. CURTIS. How about the taxpayer that would expand anyway? He might get a windfall out of the proposal. Is that true?

Mr. MILLER. That is correct.

Mr. CURTIS. In the payment of that windfall, would the economy be spurred to any more construction or any more jobs by reason of the passage of the proposal?

Mr. MILLER. The Senator has already anticipated my answer as "no," because he has pointed out the situation in which the expansion would take place regardless of the provision.

Mr. CURTIS. Will the distinguished Senator in a few words, in layman's language, tell us the difference between a depreciation allowance or deduction and a tax credit?

Mr. MILLER. The depreciation allowance is a deduction which is used in arriving at the amount of taxable income. To the taxable income tax rates are applied. On the other hand, the investment credit is a cut in the tax bill that has been arrived at after applying the tax rates to the net taxable income.

Mr. CURTIS. In other words, it would reduce the amount of the tax owed.

Mr. MILLER. That is correct.

Mr. CURTIS. On the net profit.

Mr. MILLER. That is correct. That is why I wish to reemphasize that there is absolutely no relationship whatsoever between the investment credit and depreciation.

Mr. CURTIS. One more question. I do not wish to delay the Senate. What is the practical difference between allowing a taxpayer a tax credit and having the taxpayer pay his full taxes and then receive a subsidy check back from the Treasury? There is no difference, is there?

Mr. MILLER. In the first place, one can have a check back from the Treasury in this situation in which he has had a tax. But he may have depreciation which he must take even thought he does not.

Mr. CURTIS. I am not speaking about depreciation. In the proposed incentive credit, mathematically it would amount to the situation of a taxpayer paying the full amount of his tax and then receiving back from the Treasury a check for the amount of the credit.

Mr. MILLER. Yes. The Senator is absolutely correct.

Mr. CURTIS. I thank the Senator.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator yield for a question?

Mr. MILLER. I yield to the Senator from Delaware for a question.

Mr. WILLIAMS of Delaware. We have before our committee the so-called trade act. Under that proposal the President would be given authority to cut the tariffs of certain industries up to 50 percent and, in some instances, 100 percent. In return for that he is supposed to obtain concessions from the European Common Market and other countries with which we could increase our exports. It is recognized that the proposal would cause some industries to suffer. Some industries would greatly benefit. The industries which would suffer would naturally have no reason for expansion—in fact, they would be faced with all they could do to hold their own, and may even be on the way out.

Under the proposed tax investment credit as contained in the bill, the tax credit would go to those industries which would benefit most from the trade program, and those which would be penalized by it would be penalized even more under this provision of the bill, because they would have no way of taking advantage of the tax reduction.

Mr. MILLER. We would add insult to injury. The Senator has pointed out another very important area of discrimination which this provision would permit.

Mr. KERR. Mr. President, I suggest the absence of a quorum.

Mr. HICKEY. Mr. President, will the Senator withhold that suggestion for a moment?

Mr. KERR. I withhold it.

CRATER-LONG LAKES DIVISION OF SNETTISHAM PROJECT, ALASKA

Mr. HICKEY. Mr. President, I ask unanimous consent that the Senate temporarily lay aside the pending business and proceed to the consideration of Calendar No. 1744, S. 594.

The PRESIDING OFFICER. The clerk will state the bill by title.

The Legislative Clerk. A bill (S. 594) to authorize the construction, operation, and maintenance of the Crater-Long Lakes division of the Snettisham project, Alaska.

The PRESIDING OFFICER. Is there objection to the request?

There being no objection, the Senate proceeded to consider the bill.

Mr. HICKEY. Mr. President, I move that the bill (S. 594) be referred to the Committtee on Public Works. This is in line with the request of the Senators from Alaska and the Committee on Interior and Insular Affairs. It has been cleared on both sides.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Wyoming.

The motion was agreed to.

AMENDMENT OF TITLE 38, UNITED STATES CODE, TO PROVIDE INCREASES IN RATES OF DISABILITY COMPENSATION

Mr. MANSFIELD. Mr. President, I ask that the Chair lay before the Senate the amendment of the House to the amendment of the Senate to H.R. 10743. This procedure is satisfactory to all concerned, and I ask that it be approved.

The PRESIDING OFFICER (Mr. Lausche in the chair) laid before the Senate the amendment of the House of Representatives to the amendment of the Senate to the bill (H.R. 10743) to amend title 38, United States Code, to provide increases in rates of disability compensation, and for other purposes, which was, to strike out the language proposed to be inserted by the Senate amendment and insert in lieu thereof the following: "the first calendar month which begins after the date of enactment of this Act, but no payments shall be made by reason of this Act for any period before such effective date. The increased rate of compensation payable to any veteran entitled thereto on such first day shall be further increased, for such month only, in an amount equal to three times the monthly increase provided for such veteran by the amendments made by this Act."

Mr. JAVITS. Mr. President, is this the veterans' disability compensation bill?

Mr. MANSFIELD. It is.

Mr. DIRKSEN. Mr. President, the Senate approved an amendment I offered to make payment beginning July 1. The Veterans' Administration will do that; but under the House amendment, by using a different procedure, about $500,000 in administrative expenses can be saved. In that action, we full concur, because the intent and purpose of the bill will be carried out.

Mr. JAVITS. Mr. President, will the Senator from Illinois yield?

Mr. DIRKSEN. I yield.

Mr. JAVITS. The Senator from Illinois, in his own quiet way, acting with celerity, deprives us of an opportunity to comment upon the importance of the amendment. We in New York have much experience with disabled veterans. I have an office in New York which deals almost primarily with that subject. I had the privilege of addressing the Disabled American Veterans at their convention about a week ago. I can testify to the Senator from Illinois personally that he will have earned, by this amendment, and with the concurrence of the distinguished majority leader, I know, the profound gratitude of the veterans concerned. It is a bipartisan effort, long overdue, and most gratifying, but it should be said that the Senator from Illinois moved so quickly that no other Senator had an opportunity to say so.

Mr. DIRKSEN. I thank the Senator from New York.

Mr. LONG of Louisiana. Mr. President, I believe, as the Senator from Illinois has suggested, that the House amendment carries out what the Senator from Illinois had attempted to do. I had two amendments at the desk, one to make the effective date June 1, and one to make the effective date August 1. I hoped one would be agreed to, and the Senate agreed to the amendment offered by the Senator from Illinois, making the effective date July 1. The amendment which comes to us from the House carries out the same intent. It makes a technical change so that checks may be received by veterans at an earlier date. It will also save a large amount in administrative expense.

Mr. MANSFIELD. Mr. President, when the Senator from New York used the word "celerity," he was understating the case. I think "lightning" would be a better description of the action.

Not only do I compliment and commend the distinguished minority leader for his action; I also thank the distinguished Senator from Louisiana [Mr. Long] for the cooperation and accommodation which he accorded the leadership on both sides of the aisle in helping to bring up the bill and in helping, in part, to bring about something in the way of a retroactive provision. Both the Senator from Louisiana and the Senator from Illinois have performed a great work.

The PRESIDING OFFICER. Without objection, the amendment of the House to the amendment of the Senate is concurred in.

ORDER FOR ADJOURNMENT UNTIL 10 A.M. TOMORROW

Mr. MANSFIELD. Mr. President, I ask unanimous consent that when the business for today has been concluded, the Senate adjourn until 10 o'clock tomorrow morning.

The PRESIDING OFFICER. Without objection, it is so ordered.

REVENUE ACT OF 1962

The Senate resumed the consideration of the bill (H.R. 10650) to amend the Internal Revenue Code of 1954 to provide a credit for investment in certain depreciable property, to eliminate certain defects and inequities, and for other purposes.

Mr. DOUGLAS. Mr. President, the opponents of the giveaway of the $1,300 million annual giveaway, in the form of the investment credit, are ready to vote. Let us have no more delays. The yeas and nays have been ordered. Let us proceed to vote.

Mr. KERR. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. KERR. Does the Senate decide when it votes, or does the Senator from Illinois decide when it votes?

The PRESIDING OFFICER. The Senate decides the question.

Mr. MANSFIELD. I ask unanimous consent that the Senate vote in 2 minutes.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. MANSFIELD. Mr. President, I should like to read a part of a letter which I have received from the Secretary of the Treasury.

Mr. SMATHERS. Mr. President, may I ask the majority leader whether he intends that we have a quorum call before we vote?

Mr. MANSFIELD. Not necessarily.

The letter from the Secretary of the Treasury is dated August 27, 1962, and it is addressed to me. In part, it reads as follows:

> The central element of the President's recommendations was the need for an incentive for investment in machinery and equipment that would stimulate a higher rate of economic growth and better enable our industry to compete in markets at home and abroad. The investment credit contained in this bill will operate as a powerful stimulus to investment. In combination with the Treasury's recent administrative reform of depreciation, the credit will, at long last, give to American business tax treatment on new investment in machinery and equipment approaching that of its chief competitors in Western Europe, Canada, and Japan. Its adoption will constitute a major advance toward our national goals of greater economic growth and the increased productive efficiency and competitiveness necessary to a solution of our balance-of-payments problem.

I yield back the remainder of my time.

Mr. WILLIAMS of Delaware. Mr. President, I ask unanimous consent that there may be printed at this point in the Record the statements in opposition to this provision as made by the AFL–CIO, the National Association of Manufacturers, the American Farm Bureau Federation, and the Farmers Union as shown at pages 348 and 349 of the committee report.

There being no objection, the statements were ordered to be printed in the Record, as follows:

> Stanley H. Ruttenberg, research director, AFL–CIO, urged the committee to "delete this provision from the bill," because those he represented thought:
>
> "It is a multi-billion-dollar windfall that will not really contribute anything to our national goals and will not relieve our balance-of-payments problems as it is claimed."
>
> Walter Slowinski, appearing in behalf of the U.S. Chamber of Commerce, with respect to the "investment credit" provisions, said:
>
> "The chamber again recommends against the adoption of this novel and untried preferential tax credit subsidy for business. It is also unnecessarily complex, and it will be difficult to administer."
>
> Harold H. Scaff, chairman, Tax Committee, National Association of Manufacturers, said "investment credit would simply provide reduction in effective tax rates for taxpayers who use their income and other funds as the Government thinks is best for the economy at a particular time."
>
> "There has been a tendency to promote and discuss the investment tax credit apart from the price which it would exact in terms of other changes in the tax law. Even without the exaction of such a price, we would oppose the credit for the reasons set forth in the appendix attached hereto. Very simply, we believe that tax reductions should be afforded by direct means. We would take

this position even if, in our opinion, all of the other provisions of H.R. 10650 constituted sound tax policy."

Charles B. Shuman, president, American Farm Bureau Federation, took the position that "these provisions are both unsound and likely to have a number of undesirable effects. It would be far better to liberalize the treatment of depreciation and work toward a general reduction in income tax rates."

"The proposed investment credit is a selective form of tax relief—in reality a subsidy. * * * The result would be to give some taxpayers a competitive advantage at the expense of others."

Although the Farmers Union did not send a representative to testify directly before the Finance Committee, a communication signed by James G. Patton, president, National Farmers Union, published in the Congressional Record of March 29, 1962 (p. 5417), said:

"Urge your influence to delete provision giving huge private corporations operating at less than full capacity over $1½ billion and private electrical power monopoly over $100 million in tax subsidies which would result in the flight of capital overseas and further aggravate the dollar crisis."

Mr. COTTON. Mr. President, after careful consideration and a great deal of soul searching, I have decided to cast my vote in favor of the investment credit provisions of section 2 of the pending tax bill, H.R. 10650. This is the central item in the bill and it allows a 7-percent credit against tax for most taxpayers for their purchases of machinery, equipment, and certain other property.

The fundamental purposes of the provision, as the President and the Secretary of the Treasury have repeatedly emphasized, are to stimulate our economy, to help American industry compete more effectively for markets at home and abroad, and to help alleviate our serious balance-of-payments problem.

I cannot escape the feeling that the section is not the best or fairest approach to those problems. It is discriminatory and costly. But it is also the studied recommendation of the President at a time when the Nation is faced with a sluggish, listless economy. Furthermore, we are faced, in the closing weeks of this session, with only the choice of saying yes or no. It is too late to start anew with the long process of drafting new proposals in this complex field.

To reject the provision means doing nothing. It means ignoring the state of the economy, and turning down the remedy sought by the President. If we accept the provision we have at least made an effort to do something beneficial for the economy, and an effort to help get the country moving again.

Therefore, I shall vote for the provision of section 2 as recommended by a majority of the committee.

Mr. KERR. Mr. President, I suggest the absence of a quorum. I have suggested it three times, and three times I have yielded for other purposes. I now suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. GORE. Mr. President, in view of the agreement, I ask unanimous consent that further proceedings under the call be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The question is on agreeing to the amendment offered by the Senator from Virginia [Mr. Byrd] and other Senators, to strike all of section 2, as amended, beginning at line 8 page 8, down to and including line 16 of page 38. The yeas and nays have been ordered, the clerk will call the roll.

The legislative clerk called the roll.

Mr. MANSFIELD (after having voted in the negative). Mr. President, on this vote I have a live pair with the Senator from Ohio [Mr. Lausche]. If he were present and voting, he would vote "yea." If I were at liberty to vote, I would vote "nay." I therefore withdraw my vote.

Mr. HUMPHREY. I announce that the Senator from Nevada [Mr. Bible], the Senator from Michigan [Mr. Hart], the Senator from Ohio [Mr. Lausche], the Senator from Wyoming [Mr. McGee], and the Senator from Massachusetts [Mr. Smith] are absent on official business.

I further announce that the Senator from New Mexico [Mr. Anderson], the Senator from Alaska [Mr. Gruening], the Senator from Missouri [Mr. Long], and the Senator from Missouri [Mr. Symington] are necessarily absent.

On this vote, the Senator from Alaska [Mr. Gruening] is paired with the Senator from Missouri [Mr. Symington].

If present and voting, the Senator from Alaska would vote "yea," and the Senator from Missouri would vote "nay."

I further announce that, if present and voting, the Senator from Missouri [Mr. Long], and the Senator from Massachusetts [Mr. Smith] would each vote "nay."

On this vote, the Senator from Montana [Mr. Mansfield] is paired with the Senator from Ohio [Mr. Lausche]. If present and voting, the Senator, from Montana would vote "nay," and the Senator from Ohio would vote "yea."

Mr. KUCHEL. I announce that the Senator from South Dakota [Mr. Bottum], the Senator from Indiana [Mr. Capehart], the Senators from Kansas [Mr. Carlson and Mr. Pearson], the Senator from Idaho [Mr. Jordan], the Senator from New Hampshire [Mr. Murphy], and the Senator from Texas [Mr. Tower] are necessarily absent.

The Senator from Wisconsin [Mr. Wiley] is detained on official business.

If present and voting, the Senator from Indiana [Mr. Capehart], the Senator from Idaho [Mr. Jordan], the Senator from New Hampshire [Mr. Murphy], and the Senator from Kansas [Mr. Pearson] would each vote "nay."

On this vote, the Senator from Texas [Mr. Tower] is paired with the Senator from Kansas [Mr. Carlson]. If present and voting, the Senator from Texas would vote "yea," and the Senator from Kansas would vote "nay."

The result was announced—yeas 30, nays 52, as follows:

[No. 221 Leg.]

YEAS—30

Aiken
Allott
Bartlett
Boggs
Burdick
Bush
Byrd, Va.
Cannon
Chavez
Curtis
Douglas
Goldwater
Gore
Hickenlooper
Hruska
Keating
Kefauver
McNamara
Miller
Morse
Neuberger
Prouty
Proxmire
Robertson
Russell
Saltonstall
Stennis
Thurmond
Williams, Del.
Yarborough

NAYS—52

Beall
Bennett
Butler
Byrd, W. Va.
Carroll
Case
Church
Clark
Cooper
Cotton
Dirksen
Dodd
Eastland
Ellender
Engle
Ervin
Fong
Fulbright
Hartke
Hayden
Hickey
Hill
Holland
Humphrey
Jackson
Javits
Johnston
Jordan, N.C.
Kerr
Kuchel
Long, Hawaii
Long, La.
Magnuson
McCarthy
McClellan
Metcalf
Monroney
Morton
Moss
Mundt
Muskie
Pastore
Pell
Randolph
Scott
Smathers
Smith, Maine
Sparkman
Talmadge
Williams, N.J.
Young, N. Dak.
Young, Ohio

NOT VOTING—18

Anderson
Bible
Bottum
Capehart
Carlson
Gruening
Hart
Jordan, Idaho
Lausche
Long, Mo.
Mansfield
McGee
Murphy
Pearson
Smith, Mass.
Symington
Tower
Wiley

So the amendment offered by Mr. Byrd of Virginia, for himself and other Senators, was rejected.

Mr. KERR. Mr. President, I move that the vote by which the amendment was rejected be reconsidered.

Mr. HUMPHREY. Mr. President, I move that the motion to reconsider be laid on the table.

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. Pursuant to the agreement, the clerk will state the first committee amendment passed over.

The Chief Clerk. On page 41, in line 18, and on page 42, in lines 4 and 7, after the words "related to" it is proposed to insert the words "or associated with."

Mr. GORE. Mr. President——

Mr. HUMPHREY. Mr. President, will the Senator from Tennessee yield to me, so that I may make an inquiry?

Mr. GORE. I yield.

Mr. HUMPHREY. I wish to inquire whether the Senator from Tennessee hopes the Senate will vote tonight on this amendment. I ask this question so that we may have some information for the guidance of Senators.

Mr. GORE. I do not anticipate that the vote on the amendment will be taken tonight.

Never before did so much money hang on so few words. That is what this amendment involves. I expect to discuss the amendment, not in a dilatory way, but at some length. The amendment goes to the very heart of the expense account abuse. If the Senate wishes to leave the abuses of expense accounts as they are and permit them to go even further, and permit them to become worse, the Senate will adopt the committee amendment. But this is such a serious question that I expect to discuss it at some length. This concerns one of the scandals of our country. One of the slogans that has become a symbol of cheating is "it is deductible."

So I expect to speak at considerable length against the amendment. I do not mean to say that I shall speak for a day or two——

Mr. HUMPHREY. I understand.

Mr. GORE. I am not threatening; but I do not think we shall soon reach a vote on the amendment.

Mr. HUMPHREY. I wish to make clear that the Senator from Tennessee has not been dilatory. He has been most cooperative.

Mr. GORE. I thank the Senator from Minnesota.

Mr. HUMPHREY. But several Senators have asked the majority leader or me about the schedule.

I believe the amendment should be debated, and I have no intention of indicating to the contrary.

Mr. GORE. In my judgment in this case the Senator from Tennessee and the Senators associated with him are representing the administration; and that point should be made crystal clear before the debate on the amendment is concluded.

Mr. SMATHERS. Mr. President, will the Senator from Tennessee yield?

The PRESIDING OFFICER (Mr. PELL in the chair). Does the Senator from Tennessee yield to the Senator from Florida?

Mr. GORE. I yield.

Mr. SMATHERS. That is just the opposite from the position of the Senator from Tennessee and the Senators associated with him on the amendment which was voted on a few minutes ago.

Mr. GORE. That is debatable. The provision now in the bill with respect to investment credit bears but little resemblance to what the President requested.

Mr. SMATHERS. The President originally requested 15 percent. It was later, I believe, reduced to 11 percent, and then 7 percent. So I do not think the Senator can take the view that he was on the President's side when he opposed investment credit.

Mr. GORE. I am not sure the junior Senator from Florida misunderstands it as much as his statement might lead one to conclude.

Mr. KERR. Mr. President, will the Senator yield?

Mr. GORE. In just a moment.

I think the Senator from Florida understands that the provision recommended by the President was 15 percent of net investment, intended as a reward for concerns which invested in plant and facilities over and beyond their depreciation allowance. What we have now is a tax reduction for almost everybody who buys a depreciable item.

Mr. KERR. Mr. President, will the Senator yield?

Mr. GORE. I yield to the Senator from Oklahoma.

Mr. KERR. The Senator from Tennessee is aware of the fact that the last thing the majority leader read into the RECORD was a letter from the Secretary of the Treasury, Mr. Dillon, in which he specifically stated that, speaking for the administration, he favored the tax credit provision before the Senate and urged that it be approved; is he not?

Mr. GORE. I heard the letter read, and I challenge the Senator from Oklahoma to obtain a similar letter recommending approval of wide-open expense accounts.

Mr. KERR. The Senator from Oklahoma was not talking about that——

Mr. GORE. I challenge the Senator——

Mr. KERR. The Senator from Tennessee would like to run from the corner into which he has been maneuvered. If he wants to escape, I always believe in giving the Senator the opportunity to escape.

Mr. GORE. I am willing to have the Senator from Oklahoma call Secretary Dillon and see if he can get a letter approving this amendment.

Mr. KERR. If the Senator from Oklahoma does so, will the Senator from Tennessee vote for it?

Mr. GORE. No; I would not vote for it. There are many reasons which influence me otherwise. These three little words sound innocent enough, "in association with"——

Mr. KERR. I would like to correct the Senator.

Mr. GORE. "Or associated with."

Mr. KERR. "Or associated with."

Mr. GORE. My friend is correct. He can be correct in the little things and wrong in the big things more often than any other man I know.

Mr. KERR. I thank the Senator, because to that degree I am ahead of him.

Mr. GORE. This raises a question. Since he and I have been in disagreement so often of late, I do not know how the Senator could claim to be too far ahead if he uses contrary positions as a measure.

Mr. KERR. Mr. President, will the Senator yield?

Mr. GORE. I yield.

Mr. KERR. If we were in disagreement all the time, would not that have to prove that the Senator from Oklahoma thought he was correct in his statement?

Mr. GORE. It is not all the time. There is a measure left for the Senator from Oklahoma to have an edge in error on the junior Senator from Tennessee.

Mr. KERR. At the end.

Mr. GORE. I am willing to concede that the edge may get thin between friends.

Mr. President, I started to say that these three words sound innocent enough, but when I read the committee report, which gives the committee's legislative intent, and therefore the legal effect and meaning of the three little words, I am unable to determine any item of personal expense that is now deductible under the scandalous practices that prevail today which would not be deductible under this amendment as interpreted by the committee report. As the meaning of these three words is interpreted by the report, this is a formula for tax cheating.

Mr. LONG of Louisiana. Mr. President, will the Senator yield?

Mr. GORE. I yield.

Mr. LONG of Louisiana. Where does the Senator get the idea that a clearly deductible item is tax cheating? It seems to me that if the law says one owes something, he owes it; and if he does not pay, he is cheating. But if something is deductible under law, and intended to be so, I cannot see where the Senator gets the idea that a person is cheating if he takes a deduction he is entitled to take in his income tax accounting.

Mr. GORE. The Senator would maintain then, I take it, that there is no cheating under practices which now, unfortunately, prevail?

Mr. LONG of Louisiana. The Senator from Tennessee may have a different point of view from that of the Senator from Louisiana, but it is my theory that if one takes a deduction which is permitted under law, he is not cheating. If he attempts to take one that is not permitted, if he falsifies, if he misrepresents a fact, if he does something the law never intended that he could do, he is cheating; but if he has the right to deduct something—and I am talking about this amendment—such as the expense of taking to lunch or dinner someone he is trying to do business with, if it is clearly intended that the cost of entertaining someone a person is trying to do business with, or hoping to do business with, is a deductible item, and the law intends that a person may be permitted to take such deduction, how does that become cheating?

So far as this Senator is concerned, I hope the Senator from Tennessee is not trying to contend that someone is cheating if he takes a deduction which the law intended to permit him to take.

Mr. GORE. I take it, then, that the junior Senator from Louisiana would maintain that no cheating is involved in the scandalous practices which now prevail, and which were cited by the President of the United States and the Secretary of the Treasury in messages to the Congress and in testimony before committees of both Houses of Congress? Do I correctly understand the Senator to maintain that there is no cheating involved in present practices?

Mr. LONG of Louisiana. May I answer in my own words?

Mr. GORE. Certainly.

Mr. LONG of Louisiana. My answer is that I have not even seen an example of what the Senator is referring to, though I can guess what it may be.

My answer is that if the person, for example, took a man and his wife to dinner, in the hope of doing some business, or entertained them at a theater, not being in the theater business himself—a practice which might be expected of one in his business or, as Secretary Dillon said, to be expected in a particular business, even though he did not recommend being able to deduct the expense—if the court said that the man could deduct the expense, and the legislative history in the Congress permitted that deduction, in my judgment that would not be cheating.

If a man wrote down on an expense account somewhere a claim that he had entertained somebody he had never entertained, I would regard that as cheating. But this Senator does not think that someone is cheating when he merely takes a deduction or engages in a course of conduct which the law permits.

If the Senator wants the conduct outlawed, Congress could outlaw it, but I do not proceed on the assumption that a man violates tax law if the Congress never passes a law to tax him.

Mr. GORE. I think the Senator makes himself clear. He splits a legal hair and says that if a man can get by with it under present law that is not cheating. He does not say that it is morally right. He does not say that it is not tax avoidance. As I understand the Senator, he says that under the law it is not cheating.

Let me read to the Senator what the President of the United States said about it:

> In recent years widespread abuses have developed through the use of the expense account. Too many firms and individuals have devised means of deducting too many personal living expenses as business expenses, thereby charging a large part of their cost to the Federal Government. Indeed, expense account living has become a byword in the American scene.
>
> This is a matter of national concern, affecting not only our public revenues, our sense of fairness, and our respect for the tax system, but our moral and business practices as well. This widespread distortion of our business and social structure is largely a creature of the tax system, and the time has come when our tax laws should cease their encouragement of luxury spending as a charge on the Federal Treasury. The slogan—"It's deductible"—should pass from our scene.
>
> Tighter enforcement of present legislation will not suffice. Even though in some instances entertainment and related expenses have an association with the needs of business, they nevertheless confer substantial tax-free personal benefits to the recipients. In other cases, deductions are obtained by disguising personal expenses as business outlays.

Mr. President, I digress a moment from reading the President's message to point out that another form of the word "associated" which the committee proposes to insert into the bill is contained in the sentence I have read from the Presidential message. I read it again:

> Even though in some instances entertainment and related expenses have an association with the needs of business, they nevertheless confer substantial tax-free personal benefits to the recipients. In other cases, deductions are obtained by disguising personal expenses as business outlays.

Mr. CLARK. Mr. President, will the Senator yield for a question?

Mr. GORE. I will yield in a moment. I digress again from reading the President's message.

As the President has said, when a citizen disguises personal expenses as business outlays, I say to my friend from Louisiana that that is cheating.

I yield to the Senator from Pennsylvania.

Mr. CLARK. Mr. President, I would dislike to see the debate involve a question of semantics. I should like to ask the Senator a question in that regard.

I see no particular need to let the argument depend upon whether under present practices tax cheating is going on at a great rate. Does not the Senator agree with me that the committee amendment would require no substantial change in current expense account procedures?

Mr. GORE. When one reads the committee report carefully—it must have been devised by a shrewd tax lawyer from Philadelphia——

Mr. CLARK. I thank my friend for the implied rebuke.

Mr. GORE. I did not mean it as a rebuke. I was referring to the traditional competence of a Philadelphia lawyer.

Mr. CLARK. I thank my friend for his explanation.

Mr. GORE. When one reads the majority report of the committee, the authorship of which to me is unknown, one can only conclude, it seems to me, that the adoption of the amendment, with the legislative intent given by the majority report, would make the situation worse instead of better, because it would place legislative approval upon a whole line of unfortunate decisions and practices which help to constitute the pattern of abuse which the President has so accurately described.

Mr. CLARK. Mr. President, will the Senator yield further?

Mr. GORE. I yield.

Mr. CLARK. The Senator has been a member of this body far longer than I have. This is my sixth session. I have followed the Senator's lead on the question of expense account deductions ever since I became a Senator. The Senator attacked certain practices even before I became a Member of this body.

I had the privilege of being the author of an amendment—we called it the "anti-swindle-sheet amendment"—which passed the Senate on one occasion. It was promptly "kicked out" in conference by conferees who had voted against it in the Senate.

I wonder if the Senator would agree with me that under present law, which I gather would be made even worse under the committee amendment, open, notorious, scandalous, unethical and morally wrong practices are rampant in America today in connection with expense account deductions from income taxes.

Mr. GORE. I adopt the words used by the Senator from Pennsylvania. I have read from the message of the President of the United States equally strong words. He said, "deductions are obtained by disguising personal expenses as business outlays."

Mr. CLARK. Mr. President, will the Senator yield further?

Mr. GORE. I yield.

Mr. CLARK. The Senator will recall the famous case of the Pennsylvania couple who operated a dairy business in Erie, Pa. They took a safari to Africa, by way of London, Paris, and Rome. They ran up bills of more than $20,000. When they came back to America, they were allowed by the Tax Court of the United States to deduct those bills for a personal and private safari to Africa as a proper business expense deduction, and the deduction was held to be in accordance with the present law.

Mr. GORE. I remember that case. It is one of the many unfortunate decisions which have helped to create such a pattern of tax avoidance, tax abuse, and tax cheating under present law.

Mr. CLARK. Mr. President, will the Senator yield?

Mr. GORE. I yield.

Mr. CLARK. Does the Senator recall further the notorious case of a very lovely and able motion-picture actress who, some years ago, was held entitled to deduct as a business expense a gift of very expensive jewelry to her makeup assistant and to her director on the ground that she had to make the gift in order to keep up with the Joneses in Hollywood, and that was held to be a proper business expense. The name of the lovely lady was Olivia DeHavilland, in case my friend needs assistance to his memory.

Mr. GORE. My memory of the loveliness of the lady prevents my remembering anything bad about her.

Mr. CLARK. I thank my friend. Since I love her as much as he, we should not be permitted to refer to the subject further on the floor of the Senate.

Will the Senator yield further?

Mr. GORE. I yield.

Mr. CLARK. Would the Senator not agree with me that as a result of present interpretation by the courts that expense deductions of hundreds of millions of dollars of tax revenue, which in accordance with any elementary system of justice and equity should be paid into the Treasury of the United States, are being lost, with the result that other taxpayers who do not live the same kind of life, who do not go on safaris to Africa, who do not engage in making expensive gifts of jewelry to people associated with them in business, who do not have private yachts, who do not have private hunting lodges, who do not go to the Stork Club and New York theaters with Uncle Sam paying 52 cents of every dollar of the money that is spent there, must themselves pay far higher taxes than otherwise would be the case?

Mr. GORE. I fully agree. The President has made that point very clearly.

Mr. LONG of Louisiana. Mr. President, will the Senator yield while he is talking about the safari?

Mr. GORE. Not now.

Mr. LONG of Louisiana. The Senator is very wise.

Mr. GORE. I shall finish reading the President's message, and then I shall be glad to yield. Continuing to read the President's statement:

> But under present law, it is extremely difficult to separate out and disallow such pseudobusiness expenditures. New legislation is needed to deal with the problem.
>
> I therefore recommend that the cost of such business entertainment and the maintenance of entertainment facilities (such as yachts and hunting lodges) be disallowed in full as a tax deduction and that restrictions be imposed on the deductibility of business gifts, expenses of business trips combined with vacations, and excessive personal living expenses incurred on business travel away from home.
>
> I feel confident that these measures will be welcomed by the American people.

I digress to say that I am sure the President was referring to the kind of people described by the senior Senator from Pennsylvania, the great bulk of our people who are not beneficiaries of unlimited expense accounts, who pay their taxes through withholding from their wages and their salaries, and who must dip in their pockets and pinch their pennies to pay their tax.

Mr. CLARK. Mr. President, will the Senator yield for a final question?

Mr. GORE. I yield.

Mr. CLARK. I should like to make very clear to the Senate, through the

Record, that the luxury spending which the Senator from Tennessee and I have been discussing, and which the President of the United States has condemned, has resulted in the Government of the United States paying 52 cents on every dollar of business expense deduction claimed by a corporation on its personal income tax, and even more on the expense account of a wealthy individual who is in an income tax bracket higher than 52 percent when he takes those deductions on his own income tax. Am I correct?

Mr. GORE. The Senator is correct. But I am not sure that the dollars and cents involved constitute the most serious danger from a perpetuation of that practice. The President refers to the moral values. I read again what he said:

> This is a matter of national concern, affecting not only our public revenues, our sense of fairness, and our respect for the tax system, but our moral and business practices as well.

Mr. President, when a scandalous practice of expense account abuses of our tax laws threatens to undermine the moral fiber of our country and threatens to disrupt the tax system, which is based primarily upon voluntary compliance, I say that it is a serious matter indeed. In opposing the amendment, I am confident that I am representing the wishes of the "American people" to whom the President referred.

Mr. CLARK. And also the wishes of the President of the United States. Is that not correct?

Mr. GORE. I fully believe so.

Mr. MANSFIELD. Mr. President, will the Senator yield?

Mr. GORE. I yield.

Mr. MANSFIELD. The Senator indicated sometime earlier today that there would not be a vote on the amendment tonight.

Mr. GORE. I expressed an opinion.

Mr. MANSFIELD. The Senator expressed that opinion.

Mr. GORE. Yes.

Mr. MANSFIELD. Would the Senator be amenable to considering a vote sometime tomorrow, say, at 11 o'clock or thereabouts?

Mr. GORE. I must say to the distinguished majority leader that, as he knows, I have tried to cooperate. I wanted these issues to be brought fully before the Senate. I wanted the Senate Finance Committee, which is responsible for the amendment and for the majority report, to carry the burden of persuading the Senate to agree to the amendment, which would subvert the recommendation of the administration on curtailing abuses of expense accounts.

In order to cooperate with the Senator, we agreed earlier to adopt en bloc about 165 amendments, I believe.

Mr. MANSFIELD. That is correct.

Mr. GORE. One vote has already been taken. So far as I am personally concerned, I see no reason why we could not have a vote sometime tomorrow. But in all fairness to a number of Senators who have indicated their interest in the question and their willingness to oppose the amendment, I do not wish, at this late hour, when so many Senators are absent, to enter into a unanimous-consent agreement. So I suggest that the Senator let the request go over until tomorrow. It may then be possible to reach some agreement. There is no intent on my part to be dilatory in reaching a vote on the question. I want the amendment to be fully discussed. I wish to be sure that every Senator understands the interpretation placed upon those three words by the majority report. That will require some time, not only for myself but for other Senators.

Mr. MANSFIELD. Does the Senator have in mind any particular hour at this time, or would he prefer to let it go over until tomorrow?

Mr. GORE. I would prefer to let it go until tomorrow, because I assume the junior Senator from Florida will wish to speak, and the junior Senator from Louisiana has already indicated his concern. I know of several Senators who wish to speak against the amendment.

Mr. SMATHERS. So far as the junior Senator from Florida is concerned, I can be relatively brief. I believe that nearly every Senator has already made up his mind as to how he will vote on this particular amendment. I know that the able Senator from Tennessee will make an excellent record in support of his position. I have no doubt that those of us who will speak for the Committee on Finance will be able to make a pretty good record also in a short time. I do not operate under any illusion that what we say, or even what the able Senator from Tennessee may say, will change a great many votes. So far as I am concerned, I am perfectly agreeable to enter into some reasonable unanimous-consent agreement.

Mr. GORE. I do not compliment myself by thinking that what I am about to say will change many votes. I do believe that what is said in the majority report is going to change a large number of votes.

Mr. SMATHERS. I am delighted that the Senator from Tennessee should think so. I am sure the Senator thought the same of the amendment that has just been rejected.

Mr. GORE. I did not expect to win that fight, but I do expect to win this one.

Mr. SMATHERS. The Senator has been in the Senate long enough to know that if we were to ask Senators who are now present, they could tell us how they expect to vote on the amendment.

Mr. GORE. I know how the Senator from Florida is going to vote. He happens to be from Miami.

Mr. SMATHERS. That is correct—Miami, Fla.

Mr. GORE. I know that there is great concern in Florida about yachts in the harbors and all the ocean-front hotel suites that are held in the name of great corporations. I know that expense account living is important to the junior Senator from Florida.

Mr. SMATHERS. If the Senator wanted to be fair, all that he has been talking about, the yachts, and all that, unless they are primarily used for business activity, they are eliminated and are not allowable deductions. That is what we intended to do.

Mr. GORE. Let me read the President's statement, and I will let the Senator tell me what this amendment does. Let me read what the President of the United States said.

Mr. SMATHERS. I heard what he said.

Mr. GORE. The President said:

> Too many firms and individuals have devised means of deducting too many personal living expenses as business expenses.

I am talking about the taxpayer who disguises expenditures for his own personal benefit as business outlays, in order to obtain a deduction, and use his expense account to get a deduction on taxes of the company which he serves. That is what I am talking about.

Mr. SMATHERS. I am with the Senator on that. We want to stop it. The Senator is exactly right.

Mr. GORE. I am talking this kind of deduction.

Mr. SMATHERS. We want to get at that problem too.

Mr. GORE. The majority report does not indicate that.

Mr. KERR. Will the Senator yield for a question? Is there any possibility of agreeing in the next few minutes on a unanimous-consent agreement on a time certain tomorrow around noon to vote on the amendment?

Mr. GORE. I have already indicated that I could not enter into such an agreement. I assure the Senator, as I have already assured the majority leader, that I have no dilatory tactics in mind. I expect to show unmistakably what the majority report intends these words to mean. Fortunately we do not have to listen to speeches about what these words mean. The majority report has told us what the words mean and what they are intended to mean. They mean that no substantial loophole on expense account abuses will be closed. They mean that in many respects the situation will be made worse than it is now.

Mr. DIRKSEN. If the Senator will yield, and addressing myself to the majority leader, I wonder if we could concur in a unanimous-consent request to reach an understanding that there will be no vote on this amendment tonight.

Mr. MANSFIELD. I do not believe we need any unanimous-consent agreement for that. That appears to be the fact.

Mr. DIRKSEN. I think, however——

Mr. GORE. I am agreeable.

Mr. DIRKSEN. It would be safe for Senators to go to dinner or go home or to fill engagements, if there were such an understanding.

Mr. GORE. I have a dinner engagement at 7:30, which I should like to keep.

Mr. SMATHERS. If no attempt is made to deduct the expense.

Mr. DIRKSEN. I have no engagement. I should like to be able to assure Senators on this side of the aisle that it would be safe for them to go home.

Mr. GORE. So far as I am concerned, the Senator can give that assurance. I should like to leave around 8 o'clock.

Mr. DIRKSEN. So would I.

Mr. MANSFIELD. The Senator has given me his assurance that he would not engage in dilatory tactics or delaying tactics.

Mr. GORE. Unless H.R. 10 is offered as an amendment to the bill.

Mr. MANSFIELD. I know the Senator to be an honorable man. I hope that the unanimous-consent request will be given serious consideration tomorrow when we convene.

Mr. GORE. I am sure it will be. So far as I am concerned, I hope a vote on this amendment can be reached tomorrow.

Mr. MANSFIELD. Tomorrow is a long day. I hope that at a reasonable hour we shall be able to reach such an agreement. There are other amendments to be considered in addition to the committee amendments which remain to be considered, which have been set apart from those that have been agreed to. Other amendments have been submitted.

Mr. GORE. If in some way all copies of the majority report could be burned, we could then let the Senators who support the amendment tell us what it means. Unfortunately what they say cannot be heard because what is written speaks so loud.

Mr. SMATHERS. After the Senator from Tennessee has disposed of the Senator from Illinois, I should like to ask the Senator, in all fairness to read one paragraph——

Mr. DIRKSEN. May I address myself to the majority leader, with the consent of the Senator from Florida and the Senator from Tennessee? May we assume that there will be no vote tonight?

Mr. MANSFIELD. We have no choice.

Mr. GORE. Let me first read to the Senator what the President said. I know the President is a warm friend of the junior Senator from Florida.

Mr. SMATHERS. He is that.

Mr. GORE. I know the Senator will want to hear what the President of the United States said about these practices, which the junior Senator from Florida is defending.

Mr. SMATHERS. I have read it. The Senator is unfair in saying that I am defending practices that are illegal or immoral. I know he does not mean to say that.

Mr. GORE. I mean——

Mr. SMATHERS. I do not believe it is fair for the Senator to make that kind of imputation.

Mr. GORE. I say without qualification that a Senator who supports this amendment, after having read the majority report, supports a continuation of the situation which the President has described.

Mr. SMATHERS. I do not worry about myself, but I highly resent the Senator from Tennessee saying it about the Senator from Virginia [Mr. BYRD], or about the Senator from Utah [Mr. BENNETT], one of the pillars of the Morman Church. I also highly resent his saying it about the Senator from Louisiana [Mr. LONG], whose character is above reproach.

Mr. GORE. Let us see what I have said.

Mr. SMATHERS. The reputations of these men are above reproach.

Mr. GORE. I do not yield further until I have stated my position.

I said this, and I say it again: In my considered opinion a Senator who supports the adoption of this amendment, with the interpretation of its meaning in the report, votes to continue practices which the President of the United States has described in the message which I have been reading.

Mr. SMATHERS. Mr. President, will the Senator yield for a question?

Mr. GORE. I yield.

Mr. SMATHERS. Does not the Senator really mean to say that no one except the Senator from Tennessee has interpreted the language of the report in that way. If all of us interpreted the report in that way we would not be for it, any more than the junior Senator from Tennessee is for it now. It is merely a question of the meaning of the English language.

Mr. GORE. Would the Senator from Florida like me to tell what I know about the report?

Mr. SMATHERS. Probably the Senator from Tennessee ought to do that. Perhaps he has a duty to tell everything.

Mr. GORE. Suppose the junior Senator from Florida proceeds to tell what he knows about it?

Mr. SMATHERS. All I know about it is what I read. I know where it came from.

Mr. GORE. Where did it come from?

Mr. SMATHERS. It came as a result of the joint efforts of the Treasury of the United States and the staff of our committee. That is precisely where it came from. We asked them to do what they could to resolve the matter so that abuses in this area could effectively be eliminated.

Mr. GORE. That covers a great deal.

Mr. SMATHERS. I do not know who was better able to prepare this kind of language than the staff. Such language does not presume that every businessman is a cheat and a crook.

Mr. GORE. Does the Senator from Florida wish to reveal his part in it?

Mr. SMATHERS. Yes; I shall be delighted to reveal my part. I asked the members of the staff if they would prepare language that would make some sense; and language that did not presume every businessman, no matter where he was or where he resided, to be a crook or a cheat. That is what I asked them to prepare. They did so. We had the assistance of a representative from the Treasury Department. The Treasury, of course, would like to tighten up the language much more than it is in the bill.

Mr. GORE. I thought the Senator told us a few moments ago that the Treasury drafted the language.

Mr. SMATHERS. At my request, to provide some language which would be reasonable with respect to the business community, and recognizing that some members of the business community, at least, were decent, honorable, fine people, and that legitimate deductions for legitimate business purposes were not the great evil which the Senator from Tennessee says they are.

I agree that the inclusion of personal expenses as business deductions ought to be stopped.

Mr. GORE. Mr. President, I do not yield further just now. The Senator from Florida has made his position reasonably plain, and I concede that he has every right and duty to fulfill his duty to represent his State as he sees fit. I fully accord to him the right to select his position and to exercise what influence he feels it proper to exercise upon a draft of a report or any other action of a committee on which he serves, or upon any other action of the U.S. Senate.

The Senator from Florida has said that the junior Senator from Tennessee is the only one who places this kind of interpretation upon the report.

Mr. SMATHERS. I am in error. I retract that statement. I know there are others, but they are not a majority of the Committee on Finance.

Mr. GORE. I thank the Senator from Florida for that concession. I am sure there are many more Senators who agree with me.

Mr. President, I shall finish reading the President's message on this subject:

> I feel confident that these measures will be welcomed by the American people. I am also confident that business firms, now forced to emulate the expense account favors of their competitors, however unsound or uneconomical such practices may be, will welcome the removal of this pressure. These measures will strengthen both our tax structure and the moral fiber of our society. These provisions should be effective as of January 1, 1962, and are estimated to increase Treasury receipts by at least $250 million per year.

I ask unanimous consent to have printed at this point in the RECORD a statement by Mr. Clarence Randall, which is contained in the committee report on page 408.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

> Gone are the days when a salesman occasionally wined and dined his favorite customer, or perhaps gave a small theater party. Nowadays, when the deal gets big enough, the company yacht weighs anchor and moves into position, the company plane takes off for a duckblind in Arkansas, or the best hotel in Miami throws open its doors to expectant dealers for a week of continuous circus.
>
> The distaff side is cut in, too, on both sides of the deal. How the ladies love it. With jet travel what it is, those who were getting a little tired of White Sulphur may now hope to look in on Capri or the Riviera.
>
> The unseen partner in all this largesse, of course, the man who rides the afterdeck of the company yacht, copilots the duck hunters' plane, sits by while the caviar is spooned out and the crepes suzette are sizzling, the man who splits the check at the nightspot and hands the big bill to the headwaiter, is none other than Uncle Sam.

Mr. GORE. Mr. President, the House of Representatives substantially agreed with the President's recommendation, although the House bill does not contain provisions as strong as the President recommended. But the House language plus the report of the House Ways and Means Committee will result in a great improvement in this situation, which the President says threatens the moral fiber or our country.

After long and careful consideration, the House voted for a provision, which, although falling short of the President's recommendations, would go a long way toward establishing a fairer set of rules.

It would permit deductions for entertainment more closely related to the conduct of business, but would cut out deductions for many of the highly personal expenditures permitted under present law when the taxpayer can make a showing of some connection between the entertainment and the taxpayer's trade or business.

The allowance of deductions for such essentially personal entertainment has brought the integrity of the entire revenue system into disrepute. The expense account deduction has been a breeding ground for fraud and misrepresentation. It has encouraged disrespect for honest self-compliance with the tax laws among those not in a position to claim such deductions, but who have watched others satisfy their personal taste for amusement at the taxpayers' expense.

What has the Senate Finance Committee done with the House version of the bill? It has simply pulled the teeth from the proposal, leaving it merely with a dangling tongue—a tongue which is certain to confuse taxpayer and government official alike as to what it is trying to say. Certainly the vague and almost meaningless standard adopted by the committee will do very little, if anything, to change the style of operation of those who have been living high on their expense accounts at the cost of their fellow citizens.

THE PROBLEM

The basic problem is whether this country can continue to afford to permit a small group of taxpayers to take tax deductions for highly personal items such as nightclub hopping, fancy yachts and swanky country clubs, while the great majority of their fellow taxpayers cannot take such deductions. From a practical point of view the concern of the Nation is not only the basic unfairness of this situation—in itself a vital consideration—but also the effect that this legally created unfairness has upon those who are discriminated against. It makes them resentful of the law which permits such a situation to exist, and encourages them toward laxness in discharging their full tax obligations. It is quite natural to feel: "Why should I help keep that fellow on the gravy train—paying for his fancy yacht and swanky country club?" An expansion of this type of thinking could eventually destroy our tax system, the keystone of which is its voluntary character. We rely on each taxpayer to be his own tax assessor. The essential honesty of our citizens and, most important in this context, their respect for our tax laws have enabled this system of voluntary self-assessment to function most effectively. However, like all good things, the system must be nurtured and protected.

Expense-account abuses have become a real threat to the continued effectiveness of our self-assessing system. Much taxpayer distaste has already been voiced against this unwarranted privilege. The danger signals are loud and clear. In his testimony before the House Ways and Means Committee and the Senate Finance Committee, the Secretary of the Treasury documented the situation in great detail, with numerous case studies and many samples of editorial comment from all over the country.

Here are a few of them: A corporation engaged in manufacturing was allowed to deduct $991,665 in 1959 for yachts, club dues, shipboard conventions, hunting and fishing trips, and parties. A taxpayer engaged in the insurance business was allowed to deduct $97,500 for meals, lodging, transportation, entertainment, books, gifts, and so forth. The amount deducted covered $6,000 for an apartment and more than $30,000 for food, beverages, and other entertainment.

Mr. DOUGLAS. Mr. President, will the Senator from Tennessee yield?

The PRESIDING OFFICER (Mr. LAUSCHE in the chair). Does the Senator from Tennessee yield to the Senator from Illinois?

Mr. GORE. I yield.

Mr. DOUGLAS. And Uncle Sam picked up 52 percent of the check in those cases; is not that true?

Mr. GORE. I take it that was true. Certainly it would be true if the expenses were paid by a corporation which had a tax rate of 52 percent.

But that is not the worst thing. That citizen had all of it paid by the corporation whose expense account he was abusing, or by the Federal Government which was permitting the deduction under a faulty tax law.

Mr. DOUGLAS. In other words, due to the fact that great corporations are controlled by their management—who generally own only a small proportion of the stock, but nevertheless, through the use of proxies, control the corporations—the management can charge these bills to the corporation, but are able to get back 52 percent, by means of the tax deduction.

Mr. GORE. And the small stockholders have very little voice in the operation of the corporation.

The combination of a corporate insider and the use of expense accounts has erected in our midst a small coterie of a privileged few who, because of their abuses, threaten—according to the President—the very moral fiber of our society.

Mr. LONG of Louisiana. Mr. President, will the Senator from Tennessee yield?

Mr. GORE. I yield.

Mr. LONG of Louisiana. The Senator from Tennessee has undertaken to give examples. The first example given today by the Senator from Pennsylvania had to do with a safari in Africa.

Mr. GORE. Yes, it was cited by the Senator from Pennsylvania.

Mr. LONG of Louisiana. Does the Senator from Tennessee know that that safari in Africa involved that person's successful attempt to claim the cost of the safari as an advertising expense, and thus he was able to obtain a deduction? It had nothing to do with entertainment expense.

Mr. GORE. It had to do with personal pleasure—a safari in Africa, and also a trip in Europe. The man was drawing an expense account for his personal pleasure, and the bills were paid for him, and a deduction was given on the tax return of the concern by which he was employed.

Mr. LONG of Louisiana. Is the Senator from Tennessee familiar with the fact——

Mr. GORE. I am not very familiar with that case.

Mr. LONG of Louisiana. Is the Senator familiar with the fact that it had nothing to do with the case the Senator from Tennessee is making, because that claim was made for a deduction as an advertising expense. He claimed that the safari helped his advertising. He brought back from Africa numerous animal heads and animal hides, and all that was good advertising for his business; and he successfully claimed that deduction as an advertising expense.

Mr. GORE. But I respectfully suggest that that is covered by the description given by the President—in other words, a practice by which a personal expense is disguised as a business expense. I am not attempting to state the details of that case, and I do not wish to make a particular point of it, the senior Senator from Pennsylvania cited it. I recall having read about it. I heard about it. I think it involved the abuse of an expense account. I think it clothed personal expenses, as the President has said, with a business function.

Mr. LONG of Louisiana. It has nothing to do with improper entertainment allowance, as the Senator knows.

Mr. GORE. I did not say it was entertainment. There is something more involved than entertainment.

Mr. DOUGLAS. Mr. President, will the Senator yield?

The PRESIDING OFFICER (Mr. METCALF in the chair). Does the Senator from Tennessee yield?

Mr. GORE. I yield.

Mr. DOUGLAS. If my good friend from Louisiana quarrels with illustration No. 1, the safari to Africa submitted by the Secretary of the Treasury, what would he say to some 59 other cases which the Secretary of the Treasury submitted in volume 1 of the Senate hearings, some of which are being quoted by the Senator from Tennessee?

Mr. LONG of Louisiana. I shall be glad to discuss them if they are brought up, but the first one has nothing to do with the case. The Senator from Illinois loves to play on it and suggest it is an improper use of entertainment expense. That case involved an advertising expense. So far as I am concerned, I would be glad to outlaw advertising expenses as deductible items.

Mr. GORE. There is much more involved in this issue than merely entertainment. There is much more involved than taking someone to a restaurant in New Orleans, or Nashville, Tenn., or the 21 Club in New York. There is much more involved than entertainment. I think many other abuses are involved.

Mr. LONG of Louisiana. I hope before the Senator gets through he recognizes that this particular language in the bill has nothing to do with the safari in Africa. It is not involved.

Mr. GORE. I will come to that.

Mr. DOUGLAS. Mr. President, will the Senator yield?

Mr. GORE. I yield to the Senator from Illinois.

Mr. DOUGLAS. May I take case No. 48?

Mr. GORE. I will cite something more than entertainment. A manufacturer was allowed to deduct $34,000 for football and theater parties, a speedboat, and so forth.

Mr. DOUGLAS. Let me take case No. 48, on page 318, of part 1 of the hearings of the Senate committee, the case of a physician who claimed and was allowed an expense item of $1,182 for travel to Europe, where he spent 6 of the 22 days in Europe attending a medical congress at which he delivered a paper and presided at one of the meetings. The taxpayer was accompanied by his wife and two children.

Mr. GORE. This is not entertainment.

Mr. DOUGLAS. No; this is expense.

Mr. GORE. Personal expense.

Mr. DOUGLAS. That is right. They were allowed as a deduction because he was improving his specialized professional skills.

Mr. SMATHERS. Mr. President, will the Senator yield? I am sure the Senator wants to be completely fair. In the report of the majority of the Finance Committee we specifically mentioned the kind of things that should be eliminated. We talk about the safari case on page 28 of the report. We want to overrule that decision. We agree that it is bad. We also say, so far as taking one's wife on a trip is concerned, that the expense for that is to be disallowed. These are obviously abuses and should have been done away with a long time ago.

Mr. GORE. If the Senator will let me discuss the majority report——

Mr. SMATHERS. This is a part of it.

Mr. GORE. I know. The Senator has also cited the majority report as saying that it is not desired to permit the allowance of expense for call girls.

Mr. SMATHERS. I hope the Senator does not object if the majority wants to eliminate that.

Mr. GORE. I do not make the point or make the objection. The point really is, Why is it cited? That item is not deductible under present law.

Mr. LONG of Louisiana. Mr. President, will the Senator show me where under present law he has that nailed down? I said I made one mistake in offering my "prudent man" expense account amendment. Instead of saying "a prudent man," I should have said "a prudish man."

Mr. GORE. A prudish man?

Mr. LONG of Louisiana. A prude; deduct what a prudish man would under the circumstances. Perhaps that would be more agreeable.

Mr. GORE. I heard the Senator make a somewhat similar statement a day or two ago. He said he made a mistake by not providing what "a pious man" would do.

Mr. LONG of Louisiana. It is the same idea.

Mr. GORE. I think there is a little difference between pious and prudish.

The Senator will recall that he offered that "prudent man" amendment, and when the committee took a hard look at the meaning of the amendment, it voted it out and then adopted the words "or associated with," which seemed reasonably harmless. But by the time the committee's report was written, it took on a meaning that is just as bad as the "prudent man" amendment was.

Mr. DOUGLAS. Mr. President, will the Senator yield?

Mr. GORE. I yield.

Mr. DOUGLAS. In other words, after the abominable "prudent man" provision was thrown out the front door, it was brought in through the back door?

Mr. GORE. Through the committee report.

Mr. DOUGLAS. Yes.

Mr. GORE. The Senator has raised a question about the majority report. I do not wish to be understood as charging that any member of the committee wrote this report. The report, however, must speak for itself. Fortunately, the Senate can know what the report says.

It is printed. Senators can examine it. A copy of it is on every Senator's desk. The report is adroitly drafted. It is drafted as if it followed a mathematical formula. A strawman, or in one case a strawwoman, is set up in order that the report can knock it down; and then we get the real meat and meaning of what is intended. I shall demonstrate it. This is a cleverly done report, and it subverts the whole effort to close the loophole of expense account abuses. I shall prove that even to the junior Senator from Florida.

Mr. SMATHERS. I will wait in great anticipation.

Mr. DOUGLAS. I hold in my hand something like 10 pounds of hearings. I believe that the Senator from Tennessee and I were present at almost every session of the hearings. The first volume consists of evidence produced by the Treasury. Here is the report. We have been debating the bill for 3 days. The attendance in the Chamber has not been so good. Has the Senator seen any Senator pick up a copy of volume I and go through it? Or has the Senator seen any Senator pick up a copy of the report and go through it?

Mr. GORE. How many pages is it?

Mr. DOUGLAS. Four hundred and twenty-five pages.

Mr. GORE. No; I have not. It is very difficult reading. But with respect to the pending amendment, I discovered enough to show to the Senate that the adoption of these simple, innocent little words "or associated with," as an amendment, with the interpretation given as the legislative intent of that amendment, will mean continuing the abuses which the President has complained of.

Mr. SMATHERS. Mr. President, will the Senator yield for a question?

Mr. GORE. I yield. The Senator is very generous. I know of his keen interest in this subject. I yield to the Senator from Florida.

Mr. SMATHERS. I have no more keen interest in this subject than in any other part of the tax bill. I recognize, however, that a great many legitimate businessmen and legitimate businesses have followed the practice of taking legitimate business deductions. I do not wish to imply that they are cheats or crooks, or that they are acting improperly.

Mr. GORE. I agree absolutely.

Mr. SMATHERS. I further recognize that many musicians, restaurants, and hotels make conventions their business and thereby contribute to the welfare of the economy of the States in which they are located. I do not wish to see them put out of business when they are conducting legitimate businesses.

I rose to ask the Senator a question. I think it would be very helpful in the discussion of this particular amendment if the Senators who are opposed to the amendment which was adopted by the Finance Committee would stop ranting and raving about the safari, about taking wives on trips, and all that sort of thing.

Mr. GORE. Now——

Mr. SMATHERS. Let me finish.

Mr. GORE. I do not wish to be described as ranting and raving.

Mr. SMATHERS. Under the committee report those evils would be eliminated.

Mr. GORE. Mr. President, I decline to yield further.

Mr. SMATHERS. The committee attempted to eliminate them.

Mr. DOUGLAS. What about the mortician in Florida who invited prospective customers to go out on a yacht and charged off $23,000, claiming an expense in order to get business?

Mr. SMATHERS. He ought to be ashamed of himself.

Mr. DOUGLAS. He got his $23,000.

Mr. GORE. Mr. President, I decline to yield further.

Mr. SMATHERS. Mr. President, will the Senator yield further?

Mr. GORE. I yield for the very eloquent remarks which I know my friend from Florida is about to make.

Mr. SMATHERS. Does not the Senator agree that it is not quite cricket, if I may borrow that word, to make a big argument, talking about a straw man and about alleged abuses and evils, and to connote thereby that the Finance Committee is in favor of these things, when the Finance Committee has already sought to eliminate them? We have provided language in the report specifically about those things.

Mr. DOUGLAS. What about the yachts at Fort Lauderdale?

Mr. SMATHERS. And the yachts at Fort Lauderdale, too, unless the costs can be proved to be primarily business expenses. All of that will have to stop.

Mr. GORE. Mr. President, who has the floor?

The PRESIDING OFFICER. The Senator from Tennessee has the floor.

Mr. GORE. I should like to use it to ask the junior Senator from Florida a question. I know it would be a violation of the rules for a Senator who has the floor to interrogate another Senator.

Mr. SMATHERS. I am happy to answer.

The PRESIDING OFFICER. Without objection, the Senator from Tennessee may ask the Senator from Florida a question.

Mr. GORE. I should like to ask the junior Senator from Florida a question as to the meaning of the pending amendment, as interpreted by the majority report.

If a businessman took his customers to the Kentucky Derby, could he deduct the cost of entertaining them under the terms of the amendment and the committee report?

Mr. SMATHERS. I do not believe he could, and I do not think that was the intention.

Mr. GORE. The committee report so provides.

Mr. SMATHERS. I would be interested in knowing where it so states.

Mr. GORE. If the Senator will let me proceed, I will come to that.

Mr. SMATHERS. If the trip was a part of a vacation, the deduction would not be permitted.

I have been told that if a man goes to the Kentucky Derby, if that is a part of a vacation he may not deduct that expense. At no time could a person deduct the expense of taking his wife.

If a man went to the Kentucky Derby as a part of a particular business, that would be different. The Senator from Tennessee is in the cattle business. There may be someone who may be in the race horse business.

Mr. GORE. Do not use me as an example.

Mr. SMATHERS. I thought that was a pretty good illustration, because we are talking about horses. The Senator is very knowledgable about the cattle business.

In any event, if a person who goes to the Kentucky Derby could prove the trip was in connection with his business, the expense would be deductible if directly related to the business. The taxpayer would have the burden of proving it. His own self-serving statement would not be sufficient to prove it.

Mr. GORE. All he would have to prove would be that it was "associated with" his business.

Mr. SMATHERS. What I want to know is what the language really means.

Mr. GORE. Mr. President, I ask unanimous consent that I may propound another question to the junior Senator from Florida.

Mr. SMATHERS. I agree to the unanimous consent request. I am sure there is no objection.

Mr. GORE. Very well.

If a businessman used his 100-foot yacht to entertain potential clients, would a single penny be nondeductible under the Finance Committee report?

Mr. SMATHERS. Would it be nondeductible?

Mr. GORE. I hope the Senator will give an answer.

Mr. SMATHERS. With respect to yachts, the yachts, the hunting lodges, and all such things are called "facilities."

If the facility is primarily used in connection with the man's business—and he would have to establish that—he could deduct the portion of the expense which he could show as being directly related to his business.

Mr. GORE. "Or associated with."

Mr. SMATHERS. "Or associated with."

Mr. GORE. "Or associated with."

Mr. SMATHERS. The "or associated with" actually comes in the entertainment area.

Mr. LONG of Louisiana. Mr. President, will the Senator permit me to comment on the question of the yacht? I think I understand it.

Mr. GORE. I will permit the Senator to do so.

Mr. LONG of Louisiana. I will state my understanding of the provision.

The proposal would tighten up very severely on yachts, swimming pools, hunting lodges, and anything like that. It would work in the following manner:

First, a person could not deduct 5 cents of expense unless he could meet the primary test. The test would be the proof that the yacht, the swimming pool, or the hunting lodge was used primarily to entertain business guests. If it were used 51 percent for personal use, a person could not deduct 5 cents. That is point No. 1.

Point No. 2: I hope the Senator will hear this——

Mr. GORE. I am listening.

Mr. LONG of Louisiana. Point No. 1 is that a person must meet the primary test, which is proof that the facility is primarily for business entertainment. That is point 1.

Mr. GORE. Wait just a minute.

There is some conflict. The junior Senator from Florida [Mr. SMATHERS] said that the provision did not apply to facilities. Now the Senator from Louisiana says that it would.

Mr. LONG of Louisiana. I believe the RECORD will show that there is no conflict between the two answers.

Mr. GORE. The RECORD will show that there is a conflict. Perhaps we should resolve it now. Does the Senator from Florida say that the provision would or would not apply to facilities?

Mr. SMATHERS. It would apply. I was mistaken.

Mr. GORE. The Senator told us a few minutes ago that it would not.

Mr. SMATHERS. I was mistaken.

Mr. GORE. Again my friend from Florida is getting incorrect information about the report.

Mr. LONG of Louisiana. I believe I understand the point. In my judgment the provision is too strict. In the committee I voted that it was too strict. Let me show the Senator how it would operate. First, to deduct the first 5 cents for a swimming pool, yacht, hunting lodge, or some other facility, a taxpayer must prove that it is used primarily for business purposes. In other words, if he entertains business interests 40 percent of the time in the yacht or hunting lodge, he cannot deduct any part of the expense. Before he can deduct any part of the expense, he must first meet the primary test. Only after he meets the primary test does he get the opportunity to prove what percentage of the time the facility was used to entertain business guests.

If he could prove he entertained business guests, let us say, 52 percent of the time, he could deduct 52 percent of the cost of the facility. To do so he must have records to prove who the business guests were and prove the percentage of time that the facility was used to entertain those particular business guests. I objected to that provision because I feel that a person who has a boat and can prove that he had business guests on it 25 percent of the time, should be able to deduct 25 percent of the cost of the boat. He cannot do so. He could not deduct a nickel of the expense under the bill as it is drawn.

Mr. GORE. I am aware that the junior Senator from Louisiana, my dear friend and colleague whom I admire and respect, was the author of the "prudent man" amendment. I do not know how far my friend would go in that regard. I would not venture to say. But he has just told us that the provision does not go far enough.

Mr. LONG of Louisiana. I guarantee one thing I would do that the Senator from Tennessee would not do, and something that the bill would not provide. I would certainly let a businessman who asks a customer to go to dinner with him, hoping to get his business, but who would not go unless his wife were invited, deduct the expense of the meal for the taxpayer and his wife and the customer and his wife, if it was a legitimate entertainment effort to try to obtain the business of that particular customer. The bill provides that a taxpayer may only deduct the cost of a businessman's meal and that of his wife. I think that is too strict.

Mr. DOUGLAS. Mr. President, will the Senator yield?

Mr. GORE. I yield to the Senator from Illinois.

Mr. DOUGLAS. The Senator from Louisiana has touched on an interesting point which demonstrates the principle involved. To demonstrate further the principle involved, a businessman invited a customer to go with him to Alaska so that in the fjords of Alaska they could discuss technical questions—although they could have discussed them as well at home. The customer invited said, "I cannot go without my wife." So the customer's wife was invited, but she said, "I cannot go unless there is another woman in the party; namely, the wife of the host."

So they took the wife of the host. The expenses of all four people were charged to the Government, being deducted from the businessman's income tax.

Mr. GORE. I wish to ask the Senators from Louisiana and Florida——

Mr. LONG of Louisiana. I would like to respond to that statement.

Mr. GORE. No; I wish to ask the question myself. I wish to ask either the junior Senator from Florida [Mr. SMATHERS] or the junior Senator from Louisiana [Mr. LONG] what language in the bill or the committee report would disallow deductions for hunting lodges.

Mr. LONG of Louisiana. I do not have the information at my fingertips, but the language about facilities establishes the test I have described.

Mr. GORE. What language would disallow a deduction for yachts, country clubs, theater tickets, prizefights, and nightclubs?

Mr. LONG of Louisiana. Does the Senator mean in the bill?

Mr. GORE. I am asking the Senator from Louisiana what language in the bill or in the report would disallow such a deduction.

Mr. LONG of Louisiana. First, I should like to answer the question the Senator would not permit me to answer about the trip to Alaska.

Mr. GORE. I should like some answers to my present question.

Mr. LONG of Louisiana. I shall be glad to answer the Senator's questions, but I should like to reply to that example stated by the Senator from Illinois.

Mr. GORE. I have six questions. I shall give the Senator time to speak on that subject.

Mr. LONG of Louisiana. Will the Senator let me answer the first proposition before I answer his question?

Mr. GORE. I yield.

Mr. LONG of Louisiana. With reference to the trip to Alaska, I ask the Senator to look at page 30 of the report. Under the same circumstances under which a deduction had previously been allowed, it would be ruled that the wife is not essential. The wife is not directly related to the business and the transportation of the taxpayer, so the expense of the taxpayer's wife and the wife of the other man would both be disallowed.

Mr. SMATHERS. Mr. President, will the Senator yield?

Mr. GORE. I yield.

Mr. SMATHERS. Specific reference is made on page 29 of the report to the very trip about which the Senator from Illinois spoke. I said that that was the kind of thing which should never be permitted again. That is illustration B, I believe.

Mr. LONG of Louisiana. There was previously a reference to Olivia De Haviland buying expensive jewelry for her domestic help. Under the bill she would be permitted to buy $25 of jewelry for one maid and $25 for the other maid, and that would be all she could buy and all for which she could claim a deduction.

Mr. GORE. Let us consider the hunting lodge. Show me language bearing on such expense.

Mr. LONG of Louisiana. I direct the Senator's attention to the section on facilities in the committee report.

Mr. GORE. The Senator intends to say that the expense would be only partly allowed?

Mr. LONG of Louisiana. No.

Mr. SMATHERS. The Senator is mistaken.

Mr. GORE. The primary use tests must be met, and then the use of facilities is deductible. When the phrase is added "or associated with," it is broadened to a very great extent. That is the answer, I am sure.

Mr. LONG of Louisiana. If the Senator is satisfied that he has answered the question the way I would, there is no point in my answering further. Frankly, I do not think he has. On page 30 of the report the Senator will find in the last paragraph, "Disallowance of expenses for entertainment facilities." The whole burden of the section that follows is that the cost of a yacht, a hunting lodge, or a swimming pool is not deductible, unless one can prove that it was used primarily for business entertainment.

Mr. GORE. Mr. President, that is what I said. I said that my friend would give me the answer that it was deductible only in part. But he has now supplied that answer. If it is primarily used as he has described it, the answer is "Yes."

Mr. LONG of Louisiana. I do not think the Senator understood what I said. I should like to try to explain it again. What that language means is that if one had a swimming pool at his home and his family, his children, and the neighborhood children used it more than 50 percent of the time, he could not deduct 5 cents for the swimming pool.

Mr. GORE. We left the swimming pool.

Mr. LONG of Louisiana. The same thing would apply with respect to a yacht or hunting lodge.

Mr. GORE. I read from the report at the top of page 31:

> Under the bill, no deduction is to be allowed with respect to expenses relating to facilities unless the taxpayer establishes (1) that the facility was used primarily for the furtherance of his trade or business and (2) that the expenditure was directly related to the active conduct of his trade or business, or that it was associated with the active conduct of his trade or business.

Mr. President, I submit that when we read this report we read first the most favorable interpretation, and that the best face is put upon the interpretation in the first paragraph. When we read the second and third paragraphs we find the real meaning. I say advisedly, as a lawyer of limited training, as a student of tax law and tax legislation, that I have serious doubt that anyone can cite one personal expense that would be deductible under present law that would not be deductible under the interpretation which the majority report gives to this amendment. There is one little improvement in the bill, and that is the first stipulation on page 31, which states that the "facility was used primarily for the furtherance of his trade or business." The word "primarily" leaves a good deal of room for interpretation. Just how long would a man have to use a yacht, and how much would he have to use it for the entertainment of his prospective customers in order to say that it was primarily used in connection with his business? Would it be 50 percent, or less than 50 percent, or more than 50 percent?

Then we take up items Nos. 1 and 2. When we include in "primary use," uses which are merely "associated with," the business, we ask what that means. What is the legal meaning of "associated with"?

Then we have an interpretation that becomes quite loose, indeed. Nevertheless, in my opinion, the small improvement which I have cited—I think fairly—is more than offset by the adoption of the amendment, with the majority report, which gives legislative affirmation and condonement to many of the abuses and practices which constitute the unfortunate pattern of tax avoidance and expense account abuse.

Mr. LONG of Louisiana. Mr. President, will the Senator yield?

Mr. GORE. I yield.

Mr. LONG of Louisiana. I hope before the debate is over the Senator will realize that those of us who are on the committee felt that we should eliminate the abuses, but leave what we felt were legitimate deductions. On page 35 the Senator will note the requirement that the "taxpayer's statements be corroborated," and that this requirement "will insure that no deduction is allowed solely on the basis of his own unsupported, self-serving testimony."

As it stands now, a man who has a yacht can contend that he uses it for business purposes, without listing the names of people and dates and places and hours those people were on his yacht. He can settle with the income tax people on the basis that he states the yacht was used 60 percent for business and 40 percent for his family. Under the bill that we have written we make it clear that he must have actual proof that certain people were entertained, show the times when the people were aboard his yacht, and that he was either doing business with them or had a reason or basis for thinking that he would be able to do business with them.

Mr. GORE. That is true under present law.

Mr. LONG of Louisiana. Oh, no. That is not true under present law. The Senator is mistaken.

Mr. GORE. I believe I stand corrected on the Cohan rule relating to keeping records.

Mr. LONG of Louisiana. Furthermore, if he wants to deduct for a yacht he must establish by records that it was used more than 50 percent of the time for business entertainment or business purposes.

Mr. GORE. But what is meant by "associated with"? Can the Senator give a definition of that term?

Mr. LONG of Louisiana. It relates to situations in which a man hopes to do business with someone or has a reasonable basis for believing that he will do business with someone.

Mr. GORE. Will the senior Senator from Illinois give us the quotation about hope?

Mr. DOUGLAS. It is faith. According to the Bible, faith is the substance of things hoped for, the evidence of things not seen.

Mr. GORE. I thank the Senator.

Mr. LONG of Louisiana. I hope that the Senator will see this point.

Mr. GORE. I will not argue with the Bible.

Mr. SMATHERS. I have a little evidence which can be seen.

Mr. GORE. I am not sure that we can see all the "associations" that are going to be deductible.

Mr. SMATHERS. I would like to read certain language to the Senator, because I know he wants to understand this particular section, as all of us do. I refer to page 28 with reference to these expenses not being vague. The report states:

> It will not be sufficient that the entertainment expense is vaguely or remotely connected with a business motive; it must be demonstrated that the predominant purpose of the expense is to further the trade or business of the taxpayer.

That language is in the report.

Mr. GORE. One may have a wonderful purpose. But then there come the theater tickets and prize fight tickets and nightclub entertainment and hunting lodges and yachts and liquor and parties and all those things that become deductible under this committee report.

Mr. DOUGLAS. Mr. President, will the Senator yield?

Mr. GORE. I yield.

Mr. DOUGLAS. It can be claimed that at rare intervals and in lucid moments there will be attempts to sell products and attempts at mentioning the products. In other words, a little business can be scattered over a great amount of costly entertainment, and the citizens will pick up 52 percent of the check.

Mr. GORE. The man who is riding the expense account is a privileged character whom the President of the United States has described as one who disguises personal expense with business associations.

Mr. DOUGLAS. Is it not true that there has been a great deal of interest in suburban living, with many executives living in the suburbs. I am sure the Senator has seen reports on domestic discord which has arisen when the husband rides the expense account and the wife sits at home and eats hamburgers.

Mr. GORE. I have heard neighborhood rumors. I do not know how much substance there is to these rumors.

Mr. DOUGLAS. Is it not to be expected that if the husband is living at the Ritz Carlton or in Miami and is cruising in a yacht and paying $10 for lunches, or is eating expensive dinners at Antoines in New Orleans, and the poor wife is at home eating a humble sandwich, she becomes discontented and domestic discord increases——

Mr. GORE. And she feels neglected.

Mr. DOUGLAS. She feels neglected; therefore, in order that the business executive may function more efficiently he must take his wife along and dish out the gravy to her, also.

Mr. GORE. I wish to give a few more examples.

A family-held ship repair corporation was allowed to deduct $23,758 for a Christmas dinner and party.

An enterprising banker effectively combined sentiment with business when he deducted, as present law permits, a substantial part of the cost of his debutante daughter's coming-out party on the ground that some of the guests had business connections with him.

The committee amendment would add: "or associated with."

In another case, the taxpayer was allowed $115,000 for entertainment and gifts.

His expenses included $7,500 spent at a resort hotel; $5,400 for food, liquor, and cigars for his office and farm; and $8,700 in cash to officers of his closely held corporation for entertainment.

A beverage manufacturer claimed and was allowed $10,903 for entertaining customers at the Kentucky Derby.

Huge sums are allowed to business taxpayers in connection with maintenance and operation of yachts and other fancy boats. One manufacturer was allowed to deduct $253,000 for the expense of his yacht. Another was permitted to deduct $112,000 for such expenses—as well as an additional amount of $362,000 for a ranch-hunting lodge, a nightclub, and other similar expenses. A company in the business of selling fuel was allowed $93,000 as deductions for a yacht, a fuel products company was allowed $23,000 and an auto dealer was allowed yacht expenses of $22,000.

A cake and cookie bakery was allowed $66,000 for a yacht on which to entertain supermarket and chainstore buyers and branch managers. Despite its rather sad undercurrents, both from the viewpoint of the tax system as well as otherwise, one of the most interesting cases is that in which a mortuary business was allowed $26,495 for yacht expenses to entertain visiting morticians, clergymen, and for meetings of employees.

These cases could be multiplied by the thousands. Similar large expenditures are constantly being made on hunting and fishing lodges, on elaborate beach resort homes, on exotic island retreats, on extended hunting trips, including plush safaris to far off Africa and India. Indeed, just about every kind of human activity in the nature of fun and frolic is being well subsidized on behalf of a privileged few by the average taxpayer who does not happen to be engaged in a trade or business so as to enable him to join in this Government-supported high life. Is it any wonder, then, that such strong taxpayer resentment has developed against the expense account privilege.

The important point to be derived is that all of the expenditures described were deductible under the broad standard of present law which permits the deductions of "all the ordinary and necessary business expenses" of the taxpayer. The fact that there is a business relationship, actual or even only hoped for, between the parties does not prevent them from enjoying the fancy resort living, the cruise on the expensive yacht, or the fancy nightclub.

Suppose company A sells its product to company B. If a sales executive of company A invites his close friend, an executive of company B, to join him for a cruise on his yacht, who can say that the executive of A did not intend to promote the business relationship between the two companies. The fact is that in the usual case the businessman's friends are his business customers or prospects. Under the text of present law, so long as this business connection exists between entertainer and entertained, the parties can enjoy tax deductible vacations in Bermuda, cruises on yachts and evenings in luxury nightclubs on a tax deductible basis. This can be done on a reciprocal arrangement of "you entertain me and I'll entertain you," with the Treasury paying half the bill for each, and the individuals paying none of each. Business does not have to be discussed nor need the entertainment follow or precede business discussion. The taxpayer need not even be present at the entertainment. Because of absence of restrictions, taxpayers are encouraged to ask "Why should not I deduct my personal pleasures and entertainment, if everyone else can?" Because of this the expense account problem has grown to its present unmanageable proportions.

Mr. DOUGLAS. Mr. President, would the Senator develop that point a little further? It is sometimes said that legislation is based on the proposition: "You scratch my back, and I will scratch yours." But is not this a practice of: "You entertain me, and I will entertain you"? Is it not a situation of one executive saying, "You take me to lunch, you take me to dinner, you take me to the club, we will talk a little bit about business in between the acts or in between the courses, then next week I will take you"? Is this not an illustration of a group of executives who got together and formed a club with the proviso that each would entertain the rest once a year; and it was all done in the name of business? In other words, "You scratch my back, and I will scratch yours. I will feed your stomach; you feed my stomach."

Mr. GORE. Once a year, and we will pass it around.

Mr. DOUGLAS. Pass it around.

Mr. GORE. Thereby, they become members of this privileged social group in our society which——

Mr. DOUGLAS. Which share the luxuries.

Mr. GORE. That, Mr. President, disguises their personal expenses by cloaking them in a business association.

Mr. SMATHERS. Mr. President, will the Senator from Tennessee yield?

Mr. GORE. I wish to be certain that my scintillating friend from Illinois has finished.

Mr. DOUGLAS. I have finished.

Mr. SMATHERS. I thought that what the Senator from Illinois said was scintillating, and I agree with him.

Mr. GORE. Does the Senator wish to keep it up?

Mr. SMATHERS. On the contrary. All the Senator has to do is start reading the report.

Mr. GORE. I shall do that.

Mr. SMATHERS. Because on page 36 we discuss that subject:

> However, under this exception, it will not be possible to deduct luncheon expenses of a so-called reciprocity luncheon group under which a group of businessmen frequently lunch together and alternate in paying the check (and claiming it as a business expense deduction). This practice is not connected with a trade or business, but is a personal or social expenditure which is not deductible under existing law.

Mr. GORE. On what page is that?

Mr. SMATHERS. Page 36 of the report.

Mr. GORE. Just a little further——

Mr. SMATHERS. It is not right to continue to talk about an old bag of bones. I do not believe it is quite fair for the Senator to continue to talk about going to Bermuda. We have eliminated the part about reciprocity lunches. We do not approve of these things any more than does the Senator from Tennessee. What must be remembered is that the bill we are now seeking to pass will tighten up the law immeasurably. That is what we hope to do.

Mr. GORE. I wish to speak a little about page 36, which the Senator from Florida has cited. I ask the Senator to read it carefully again. I hope the senior Senator from Illinois [Mr. DOUGLAS] and the junior Senator from Louisiana [Mr. LONG] will follow this. What I am about to read is under the heading, "Exceptions Where Disallowance Provisions Will Not Apply."

Mr. DOUGLAS. That is correct.

Mr. SMATHERS. Read the language:

> However, under this exception——

Mr. GORE. The Senator from Florida does not have the floor.

Mr. SMATHERS. The Senator ought to read all the language.

Mr. GORE. The Senator from Florida is giving his interpretation. I wish to read what the report actually states. On page 36, paragraph 6, the heading is as follows: "Exceptions Where Disallowance Provisions Will Not Apply." I emphasize the word "Not." I read:

> (b) expenses for food and beverages (and facilities used in connection with them) furnished on the business premises of the taxpayer primarily for his employees. This is intended to exclude from the disallowance provision such facilities as a company cafeteria or an executives' dining room. This exception would continue to apply even though guests are occasionally served in the cafeteria or dining room.

The club which the Senator from Illinois was talking about might meet a few times a year in the executives' dining room; and this language specifically provides that the disallowance will not apply. So the Senator from Florida has selected an unfortunate provision of the report from his own point of view.

Mr. SMATHERS. The particular language that the Senator has just read is a part of the amendment which I understand the Senator actually favors. In other words, it is in the House language. This is the same as the House language; so what the Senator is now using is his own amendment.

Mr. GORE. No, Mr. President. The report from which I have read is the Senate committee report.

Mr. SMATHERS. But on that point it is the same as the House version of the bill.

Mr. GORE. Oh, no; I beg the Senator's pardon. The words are "associated with"; and the amendment before the Senate, to which this report applies, uses the words "or associated with".

HOUSE SOLUTION TO THE PROBLEM

The test adopted by the House of Representatives is that the expense of an entertainment activity will not be deductible unless "directly related to the active conduct of the taxpayer's trade or business." Where an expense connected with a facility such as a yacht or a hunting lodge is involved, the taxpayer must also show that the facility "was used primarily for the furtherance of the taxpayer's trade or business." On its face, this standard seems almost as broad as present law and would appear to present many of the same problems.

However, in its report the House Ways and Means Committee has explained its test in a way which provides a number of tangible, practical, and meaningful guidelines: The report states:

> The taxpayer will have to show more than a general expectation of deriving some income at some indefinite future time from the making of the entertainment-type expenditure; however, he will not be required to show that income actually resulted from each and every expenditure for which a deduction is claimed.
>
> If the expenditure is for entertainment which occurs under circumstances where there is little or no possibility of conducting business affairs or carrying on negotiations or discussions relating thereto, the expenditure will generally be considered not to have been directly related to the active conduct of business. Thus, the absence of the taxpayer or his representative from the entertainment was not directly related to the conduct of the taxpayer's trade or business. Similarly, if the group of persons entertained is large or the distractions substantial, the cost of the entertainment will not be deductible, in the absence of a clear showing of a direct relationship to the active conduct of the trade or business.

This clear statement of legislative intent by the Ways and Means Committee of the House of Representatives, coupled with the statutory language, provides a partial solution to the difficult expense-account problem, and should go a long way toward reducing the abuses outlined above. However, critics of the House proposal attacked this crucial committee report statement on the ground that it had no support in the statute.

In view of the broad language of the statute, requiring explanatory implementation to make it useful, this contention is baseless. The true reason for the complaint is the fact that the bill as interpreted by the Ways and Means Committee report would have some real teeth in it.

It seems to me, however, that it would be the better part of wisdom to enact the original proposal of the President. I have prepared an amendment which would do this. Its language is clear, simple, and plain.

FINANCE COMMITTEE SOLUTION—FORMULA FOR CONFUSION

Mr. President, at this time I should like to address myself to the Finance Committee's solution — the pending amendment and the majority report, which I call a formula for confusion.

The only change in the pertinent House statutory language made by the Senate Finance Committee is the addition of the words "or associated with." Thus, a taxpayer could deduct an entertainment expenditure which was only "associated" with the active conduct of his trade or business, as well as one which was directly related thereto. Since this statutory language is quite similar to that of the House version of the bill, one would reasonably expect again to find a helpful explanation as to what the committee intended to accomplish by its additional phrase "or associated with."

Unfortunately, such is not the case. Unlike the clear, concise, and workable guidelines set forth in the House Ways and Means Committee report, the Senate Finance Committee report is a mass of vague, disconnected statements and examples which are destined to spawn controversies more numerous and intense than those which occur with such disturbing frequency under present law.

Mr. LONG of Louisiana. Mr. President, will the Senator from Tennessee yield?

Mr. GORE. Not just now, Mr. President. I am discussing in a very carefully prepared manner the majority committee report which both the junior Senator from Florida and the junior Senator from Louisiana have asked me to discuss. So if the Senator from Louisiana will defer for a few moments, then I shall be happy to yield.

Mr. President, although the Senate committee report attempts to paint a picture of virtue and righteousness, even a casual glance beneath the surface reveals that the virtuous exterior is more illusion than reality. For example, the report states:

> Nothing in your committee's bill is to be construed as allowing a deduction for any expense which is against public policy or which violates the public conscience. Deducting an expense incurred for such purpose under the guise of generating "business goodwill" will not be condoned and under your committee's amendment is not deductible. Thus, the cost of liquor purchased for the entertainment of customers and the promotion of goodwill (which under existing law has been held deductible) will be disallowed if the serving of liquor violates the public morals of the community as expressed in local law.

Mr. President, I should like to read that again, for additional emphasis. The Senate committee report states:

> Thus, the cost of liquor purchased for the entertainment of customers and the promotion of goodwill (which under existing law has been held deductible) will be disallowed if the serving of liquor violates the public morals of the community as expressed in local law.

Mr. DOUGLAS. Mr. President, will the Senator from Tennessee yield?

Mr. GORE. If the Senator from Illinois will permit me to continue, I shall appreciate it. A moment ago I declined to yield to the Senator from Louisiana. But I shall be glad to yield in just a moment.

Mr. DOUGLAS. Very well.

Mr. GORE. Mr. President, I continue to read from the Senate committee report:

> Another example of expenses for immoral purposes which have been claimed on tax returns under existing law involves expenditures to provide call girls for the purpose of entertaining clients. Under your committee's amendment no deduction whatsoever is to be allowed for expenditures of this nature. In no legitimate sense are they "directly related to or associated with the active conduct" of a trade or business.

The foregoing suggests that the committee's action will serve as a moral broom to disallow expenditures where liquor is illegal under local law, and where call girls are utilized as business entertainment. However, expenditures such as these, which violate clearly defined lines of public policy, are not deductible under present law. See *Smith*, 33 T.C. 861 (1960); *R. E. L. Finley*, 27 T.C. 406 (1956); *U.S.* v. *Winters*, 261 F. 2d 675 (1958). What, then, will be accomplished under the committee's language? Is it not clear that this is simply a smokescreen thrown up to suggest that abuses are being remedied, whereas in actuality little, if anything, is being accomplished beyond present law?

Mr. LONG of Louisiana. Mr. President, at this point will the Senator from Tennessee yield?

Mr. GORE. Not just now. I am dealing in a careful way with the Senate committee report, and also am showing that it claims to do something which it does not do.

Mr. President, the Senate Finance Committee report stresses the desirability and wholesomeness of goodwill entertainment. It states:

> Good will has long been recognized as a legitimate objective of business entertaining and where the purpose of the expense and its clear relation to a business is firmly established, the expense ordinarily will continue to be deductible.

Mr. President, I wish to read that again. The Senate Finance Committee report states:

> Good will has long been recognized as a legitimate objective of business entertaining and where the purpose of the expense and its clear relation to a business is firmly established, the expense ordinarily will continue to be deductible.

The report further states:

> To eliminate the harshness resulting from the House report—

I digress to say that I recognize nothing harsh about the House report. In fact, I thought the House of Representatives dealt rather gingerly with the subject. I would have much preferred to see the House and the Senate adopt the recommendation of the President and the Secretary of the Treasury to stop this expense account tax abuse. I think the House bill, and particularly the committee report, does a fairly good job, but I recognize nothing harsh about it. I did not think, as I said, that it was strong enough.

I return to the quotation:

> To eliminate the harshness resulting from the House report, amendment of the language of the House bill is necessary.

I digress. The advocates of this amendment may claim that the purpose of it is to stop certain abuses. I have just read the report. Why is it said that it is necessary to amend the House language?

> To eliminate the harshness resulting from the House report, amendment of the language of the House bill is necessary.

What language did the committee adopt? Three innocent little words, "or associated with." And what do these words mean? I read now from the report:

> This new language will permit deductions of expenses for entertainment, amusement, or recreation incurred for the creation or maintenance of business good will with regard to whether a particular exception applies.
>
> However, this new language will apply only if the taxpayer demonstrates a clear business purpose and shows a reasonable expectation of deriving some income or other benefit to his business as a result of the expenditure. If he meets this test, the expenditure will be considered to be associated with——

Let me repeat, "associated with."

Let me repeat, "associated with."

Let it sink in, "associated with."

> If he meets this test, the expenditure will be considered to be associated with the active conduct of his trade or business; otherwise, the expense would be disallowed under your committee's amendment.

Mr. DOUGLAS. Mr. President, will the Senator yield?

Mr. GORE. I yield to the Senator from Illinois.

Mr. DOUGLAS. In other words, under the name of good will, one could invite customers to the Kentucky Derby, pay their expenses, and entertain them, and that would be a deductible expense?

Mr. GORE. Let us read from the report:

> This new language will permit deduction of expenses for entertainment——

Mr. DOUGLAS. The Kentucky Derby is entertainment.

Mr. GORE (continuing):

> or amusement——

Mr. DOUGLAS. It is amusement, too.

Mr. GORE (continuing):

> or recreation.

Mr. DOUGLAS. It is said to be recreation.

Mr. GORE (continuing):

> incurred for the creation or maintenance of business good will.

Mr. DOUGLAS. That is the alleged purpose.

Mr. GORE (continuing):

> Without regard to whether a particular exception applies—

That includes everything, does it not?

Mr. DOUGLAS. It is very broad. It could apply to tickets to prize fights, to build up good will.

Mr. GORE. If that is amusement.

Mr. DOUGLAS. Sixty-five-dollar tickets to see "My Fair Lady."

Mr. GORE. Yes.

Mr. DOUGLAS. Expenses at the 21 Club.

Mr. GORE. If that is amusement.

Mr. DOUGLAS. It is amusement.

Mr. GORE. Or entertainment.

Mr. DOUGLAS. Or for the purpose of building up good will.

Mr. GORE. Is that not wonderful?

Mr. MILLER. Mr. President, if the Senator will yield for a moment, I do not wish to interrupt, but having sat on the other side of the table from some rather sharp-penciled, long-nosed revenue agents, in trying to obtain for my clients a fair share of deductions, I must say that if the Senator from Tennessee were a revenue agent, he would be the most popular revenue agent in the world if he would allow all these deductions willy-nilly.

Mr. GORE. This is not the speech of the junior Senator from Tennessee that I am reading now. I am reading from the majority report. I am reading the legislative intent of the Senate Finance Committee.

Mr. DOUGLAS. And it will be cited by other able attorneys for the corporations that make such charges. If the Senator from Iowa were ever to return to his practice, he would be greatly strengthened by the legislative history which is now being made.

Mr. SMATHERS. Mr. President, I hope the Senator will cease using an example which is not justified, by any stretch of the imagination, in the majority report. We eliminated the trip to Bermuda, but we continue to hear about it. The Senator keeps talking about tickets to "My Fair Lady," dinner at Antoine's, and so forth.

Mr. GORE. I said in the beginning, Mr. President, that such language was not in the speech of the Senator; it is in the majority report. I am reading to the Senate what the committee says is the legislative intent of the three innocent little words, "or associated with." What do I read here?

If the taxpayer meets any of this test—if he meets the test to which I just referred—what will be the result?

The expenditure will be considered to be "associated with his business."

Mr. DOUGLAS. The luncheons at Antoine's would still be a business expense.

Mr. GORE. Or the suites on the waterfront at Miami, or the yachts in the harbor, or the prize fights. That is what it says.

Mr. DOUGLAS. And the caviar, dipped out at the "21" Club, the champagne cocktails before dinner, and the champagne after dinner.

Mr. GORE. If it is amusement.

Mr. DOUGLAS. Or recreation.

Mr. GORE. Or entertainment.

Mr. DOUGLAS. For good will.

Mr. GORE. A close analysis of these statements makes it eminently clear that expenditures for good will have been given preferred status.

In these references to good will the committee has presented our sophisticated expense account society with a blueprint for continued high living at Government expense and at corporate expense.

Mr. LONG of Louisiana. Who says that? Is that the Senator, or someone else?

Mr. GORE. I say that.

Mr. LONG of Louisiana. I thank the Senator.

Mr. GORE. I say that. If the Senator would like to have me read what he said when he signed the majority report, I shall be glad to read it again.

Mr. LONG of Louisiana. The Senator may suit himself.

Mr. SMATHERS. If the Senator would read it all, and in context, it would be better.

Mr. GORE. Mr. President, I read to the Senator the reference to "call girls."

Mr. SMATHERS. I said to read it all.

Mr. GORE. I read to the Senator about the "call girls." I read about the local laws against drinking liquor.

Mr. DOUGLAS. Are there any local laws against drinking liquor? I do not know of any.

Mr. GORE. There are in Carthage, Tenn.

Mr. SMATHERS. I asked the Senator to read it all, and the Senator said he had read about the "call girls." I would like to have him read all of the report, and in context.

Mr. GORE. Why did the Senator set up this straw girl?

Mr. SMATHERS. The committee wanted to get rid of the problem once and for all. We think we did. The Senator can read into the language all kinds of twists, paragraph by paragraph, out of context.

Mr. GORE. If my friend thinks he is going to get rid of that kind of recreation permanently, I fear he has another thought coming.

Mr. MILLER. Mr. President——

Mr. GORE. What I should like to do is to prevent such things from being tax deductible.

Mr. MILLER. Mr. President——

Mr. SMATHERS. So would we.

Mr. MILLER. Mr. President, may we have order?

The PRESIDING OFFICER. Men of good will, will be in order.

Mr. GORE. In a spirit of good will, Mr. President, I shall continue.

These statements in the majority report constitute a formula which would leave the Internal Revenue Service with an impossible enforcement task, for, in effect, almost all entertainment expenditures, both for the creation and maintenance of business good will, are declared to be henceforth deductible.

In stating that the taxpayer must demonstrate a clear business purpose and show a reasonable expectation of deriving some income—it does not say how much, but only some income or other benefit—and it does not say what kind—to his business from the making of the entertainment expenditure, the committee report would add nothing to the requirement of present law.

The taxpayer must meet precisely the same tests today, and it is under those tests that widespread abuses have arisen. As hundreds of cases illustrate, such vague and generalized requirements at present are so easy to meet as to be practically meaningless.

Mr. CURTIS. Mr. President, will the distinguished Senator yield for a question.

Mr. GORE. I yield.

Mr. CURTIS. I think the distinguished Senator from Tennessee realizes that I did not support the bill in the committee. I voted against it.

Mr. GORE. So did I.

Mr. CURTIS. I need some information. The estimate of the Treasury Department as to the effect on revenue, found on pages 9 and 10 of the report, is that the section on expense accounts would pick up $60 million in added revenue in a full year, and $40 million net.

Mr. GORE. Compared to the President's estimate, and the estimate by the Secretary of the Treasury, that we ought to pick up a minimum of $250 million.

Mr. CURTIS. What is the position of the distinguished Senator from Tennessee? Does the Senator favor the existing law, or something in lieu of the committee language?

Mr. GORE. First, I oppose the committee amendment which is now pending, which would add to the House-approved bill the words "or associated with."

I particularly oppose the addition of the amendment because the committee report states that the language of the House bill must be changed in order to eliminate the harshness resulting from the House report. As I said earlier, I did not think that the House action or the House report contained any harshness. It dealt a good deal less vigorously with this gnawing and cancerous problem than the President and the Secretary of the Treasury recommended.

The House did a fairly good job.

The Senate committee report, which neither the Senator nor I signed, states that to relieve the alleged harshness the "amendment of the language of the House bill is necessary."

When the committee added that language, it then proceeded to say what it would permit. I am against permitting the kinds of deductions which the report says the amendment would permit.

Mr. CURTIS. Is it not true that the bill as reported by the majority of the committee would represent a tightening of existing law?

Mr. GORE. By the Senate committee?

Mr. CURTIS. According to the decision by the Treasury Department it would be, because it is said that it would increase the revenues by $60 million a year gross or $40 million a year net. If the present law were to be changed in such a manner as to collect more revenue there would have to be a tightening of the present law.

Mr. GORE. I have readily accepted that, with respect to facilities, the primary use test constitutes some improvement. I do not believe, overall, that the amendment and the interpretation of it would constitute an improvement.

Mr. CURTIS. Then the Treasury Department must be incorrect in its estimate, because we could not liberalize the language and also collect more revenue.

Mr. GORE. I think one must consider the problem as involving something more than revenue. There are moral, political, and ethical values involved, some of which are not measureable by a dollars and cents figure.

To answer the Senator further as to my position, I would much prefer to have the request by the President and the Secrteary of the Treasury written into law. I think the President and the Secretary of the Treasury did a magnificent job in analyzing and dramatizing this cancerous problem. I think they proposed measures for its solution which would have been effective and would have eliminated the abuses.

Mr. CURTIS. Why is the present law not effective?

Mr. GORE. I would prefer to see that recommendation adopted. However, that is not what is before the Senate. There is before the Senate the House-passed bill, which would do a fair job.

But the Senate committee has found it necessary to adopt an amendment. Why? "To eliminate the harshness resulting from the House report."

Let me say to my distinguished friend, the Senator from Nebraska [Mr. CURTIS] that the committee proposes to delineate—to spell out specifically—what the language would permit. What language is the committee talking about? Those three innocent words—"or associated with." What would be permitted? I hope the Senator is following me.

Mr. CURTIS. I am.

Mr. GORE. Deduction of expenses for entertainment, amusement or recreation incurred for the creation or maintenance of business and goodwill, without regard to whether a particular situation applies. However, this new language would apply only if the taxpayer demonstrated a clear business purpose and showed a reasonable expectation of deriving some income or other benefit to his business as a result of the expenditure. If he meets that test, the expenditure would be considered to be associated with the active conduct of his trade or business. Otherwise, the expense would be disallowed under the committee's amendment.

Mr. DOUGLAS. On page 26 of the committee report the following language appears:

> The new language will permit deduction of expenses for entertainment, amusement or recreation incurred for the creation or maintenance of business good will without regard to whether a particular exception applies.

It is that which I am opposing. I fully believe that the administration, with all of its vigor, is opposed to the pending committee amendment. I hope that will be made clear by tomorrow.

Mr. President, on page 27 the committee went on to say:

> Entertaining guests at nightclubs, country clubs, theaters, football games, and prize fights, and on hunting, fishing, vacation, and similar trips are examples of activities that constitute "entertainment, amusement, and recreation."

Mr. GORE. I had not reached that point. I appreciate the Senator's calling that to my attention. It has been said that certain things would not be allowed. For example, we were told that vacation trips would not be allowed. I will not say what we were told. The record will speak for itself.

I read again:

> Entertaining guests at nightclubs, country clubs, theaters, football games and prize fights, and on hunting, fishing, vacation, and similar trips are examples of activities that constitute——

What?

Mr. DOUGLAS. Entertainment.

Mr. GORE. Amusement.

Mr. DOUGLAS. And recreation.

Mr. GORE. To create good will.

Mr. CURTIS. Mr. President, will the Senator yield?

Mr. GORE. I yield.

Mr. CURTIS. Why are unreasonable deductions allowed at the present time? The code provides—

> Shall be allowed as deduction all the ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business.

Why is it that the Treasury allows unjustifiable expense items?

Mr. GORE. I would not like to be diverted in that manner. It is a known fact that under present law widespread abuses occur. The President of the United States has told the Congress that the abuse cannot be corrected without amendment of the law. So I would not wish to discuss with my distinguished friend why, under present law, the abuses have occurred and cannot be stopped under present law.

I wish to discuss the committee amendment which would perpetuate many of the abuses.

I say to my friend from Nebraska that what I am about to read is what the committee report says the three little words "or associated with" mean:

> In addition, "entertaining" includes any business expense incurred in the furnishing of food and beverages, a hotel suite, a vacation cottage, or an automobile, either to a customer (present or potential) or to any member of such a customer's family—

We have been told that it would not include the wives.

A wife is a member of a family. It would include the wife of a present customer or the wife of a potential customer.

Mr. CURTIS. Is the Senator reading from the House report or the Senate report?

Mr. GORE. I am reading the majority report of the Senate Finance Committee.

Mr. CURTIS. Is that not the same as the House bill, which the Senator supports?

Mr. GORE. No; it is not. I shall tell the Senator why. I shall go back. The Senator will notice that I started reading an interpretation of the word "entertaining." This is the legislative intent.

Mr. CURTIS. The Senator has said that he is reading from the Senate report. The same language is contained in the House report, which the Senator supports.

Mr. GORE. I am reading the interpretation contained in the Senate committee report of the language of the bill as amended by the pending amendment.

Mr. CURTIS. The points the Senator has enumerated are taken from the House report.

Mr. GORE. If the Senator will let me give him some information, I shall try to do so. I am reading now from the majority committee report.

Perhaps I should read the whole paragraph. Before I do so, I should like to say that it relates to the interpretation which I have previously read of the language contained in the committee amendment—"or associated with," which would permit deductions for entertainment, amusement, or recreation. Now I am reading the paragraph which gives the interpretation of the meaning of the word "entertain."

> Entertaining guests at nightclubs, country clubs, theaters, football games, and prizefights, and on hunting, fishing, vacation, and similar trips are examples of activities that constitute "entertainment, amusement, and recreation." In addition, "entertainment" includes any business expense incurred in the furnishing of food and beverages, a hotel suite, a vacation cottage, or an automobile either to a customer (present or potential) or to any member of such a customer's family. If deduction is claimed for any expense for "entertainment, amusement, or recreation" the facts and circumstances of each particular case will determine the extent to which the expenses will be disallowed.

How much more explicit could a committee report be?

After that good, sound beginning, we have the real meat and meaning of the words "or associated with."

Furthermore, though the committee report makes numerous references to good will, it gives no indication as to what is encompassed by this term. Nowhere is good will defined. How does a businessman go about creating good will?

Mr. DOUGLAS. Mr. President, will the Senator yield?

Mr. GORE. I yield.

Mr. DOUGLAS. The Senator must remember that in the French Revolution, when one of the Girondists was led to the guillotine, she exclaimed, "O liberty, liberty, what crimes have been committed in thy name."

Can we not now say, "Good will, good will, what crimes the Senate Finance Committee has committed in thy name"?

Mr. GORE. What is good will? It seems clear that the sky is the limit. If a businessman thinks a big yacht may be helpful in developing some customers, does not this committee report language put the official congressional stamp of approval on his deduction of these substantial costs of maintaining such a "business" asset?

Mr. DOUGLAS. Mr. President, will the Senator yield?

Mr. GORE. I yield.

Mr. DOUGLAS. Because it will create recreation.

Mr. GORE. And entertainment.

Mr. DOUGLAS. And amusement.

Mr. GORE. And maintain good will.

Mr. DOUGLAS. Or create good will.

Mr. GORE. Is not a revenue agent foreclosed from effectively examining into the matter?

In the light of all the foregoing statements respecting good will, very little is salvaged from the following comment—particularly in view of the illustration given as to what is meant by "vague good will."

Where good will generated by the expense is vague or where the possibility of the expenditure resulting in the production of income is remote, no deduction will be permitted. For instance, under present law a taxpayer may deduct expenses of entertaining buyers and others associated with his trade or business even though at the time he does the entertaining he already has more business than he can handle. Under your committee's amendment, however, no deduction will be allowed because, with a large backlog of unfilled orders, such entertainment ordinarily cannot be regarded as being associated with efforts to produce income.

This narrow exception to the basic theme of the Finance Committee report that all good will entertainment is deductible is scant evidence of tightening up present law. Rare indeed is the case where the taxpayer has such a backlog of unfilled orders that his entertainment activities cannot be regarded as being associated with efforts to produce income. It is interesting to note that even in such an extreme case the report hedges the consequences by providing that "ordinarily" the deduction will not be allowed. Moreover, there is a good possibility that entertainment expenditures in such a unique case are not deductible under present law because they are in the nature of capital expenditures—Cf. James Schulz, 16 T.C. 401.

Here again the committee has done nothing more than set up a strawman—to give the illusion that a cutback on existing law is being effected. In reality nothing has been accomplished—except that perhaps another arena for conflict has been created.

The "harshness" of which the report speaks is that the House provision, as explained by the Ways and Means Committee's report, has some effect and will disallow some entertainment expenditures which are deductible under present law. Presumably that is the purpose of this legislation. However, one must struggle hard to tell which of the above-described cases would be denied deduction under the Finance Committee report. How much, if anything, would be disallowed to the corporation which spent and deducted almost $1 million in 1 year for yachts, club dues, shipboard conventions, hunting and fishing trips, and parties? Does not a corporation make such expenditures to develop good will? We have already seen that good-will expenditures are clearly deductible under the Finance Committee report. How about the banker who deducted a substantial part of the cost of his daughter's coming-out party as a business expense? Was he not also developing customer good will? Certainly the Government is not, under the Finance Committee report, free to disallow expenses regardless of the form of entertainment the taxpayer may adopt to develop good will. Similarly, in all the other cases set forth above, the taxpayer would appear to be able to continue to deduct all entertainment expenditures.

Under the Finance Committee report, do yachting expenses continue to be deductible? If not, then the report should clearly so state. Does the cost of maintaining hunting lodges for entertainment continue to be deductible? If not, then the committee report should so state. Is the cost of wining and dining at nightclubs deductible? If not, the committee report should clarify the situation. Do tickets at $30 apiece for musical comedies continue to be deductible? If not, the committee report should so indicate or provide some standard or guideline by which the answers to these questions can be determined by the taxpayers and revenue agents who will be left floundering in their attempts to know what the rules are.

One further "red herring" in the Finance Committee report should be mentioned. The report states that no deduction will be allowed for entertainment expenses "which under the circumstances in which they are incurred are lavish or extravagant." Here again no standards or guidelines are furnished. What is lavish or extravagant under the circumstances? If the circumstances involve a taxpayer accustomed to entertaining in an elaborate and expensive style, can they be held to be "lavish" under the circumstances? When does a yacht become an extravagant expenditure? When it is 60 feet in length? One hundred feet in length? Would these criteria vary with the income—or expected income—of the taxpayer? Would a resident of Miami Beach, Fla., be entitled to a bigger and more expensive yacht than a resident of Providence, R.I.? Would a beach home with eight rooms be a lavish facility? What about one with 30 rooms? Would a corporate president be entitled to drink champagne whereas a vice president could have only a whisky highball and a proprietor of a country grocery store only ordinary corn liquor?

Is it not abundantly clear that the so-called test produced by the Finance Committee, superimposed upon the unsatisfactory test of present law, will simply compound existing difficulties? The litigation and controversy which would follow adoption of such meaningless language would even make the present situation seem a happy one. The result would be a real mess. And to what avail?

It seems clear that a change in existing law is necessary. Court decisions and administrative actions over the years have punched so many holes in the feeble wall of resistance to abuse which the statute now constitutes that a completely new structure is warranted.

It seems to me that the President's original proposal is a sound one. It ought to be enacted.

The Senate in 1960 did take a significant step in this regard. I hope it will do so again now.

Mr. DOUGLAS. Mr. President, will the Senator yield?

Mr. GORE. I yield.

Mr. DOUGLAS. I congratulate the Senator from Tennessee on his very able speech, particularly on the way he has leveled in on pages 26 and 27 of the committee report, which clearly indicates that everything in the field of amusement, recreation and entertainment has been opened up, if it can be claimed that it creates good will. Has the Senator ever heard of a firm that has had too much business?

Mr. GORE. No. I thank the Senator from Illinois.

I believe that if those who read the CONGRESSIONAL RECORD will carefully peruse the detailed analysis which I have given of the majority report they will see why I felt justified in saying earlier, and why I feel justified now in saying, in conclusion, that if a Senator, who reads and understands the report and the amendment, votes to approve it he will vote to continue the widespread abuses of which the President and so many citizens have complained.

Mr. DOUGLAS. The country owes a great debt of gratitude to the Senator from Tennessee. I hope his words will have effect in the vote which is expected to come tomorrow. I am sure they will furnish material for students of this subject and for the general public in years to come. Even if we should be beaten by the bipartisan alliance tomorrow, we hope we will win in the future.

Mr. LONG of Louisiana. Mr. President, only a few days ago the junior Senator from Louisiana was engaged in a hard fight to the bitter end side by side with the junior Senator from Tennessee, on the subject of the space satellite. In that instance, both of us were opposed to the administration's position.

I now find that we must choose sides and to start all over again, because of our difference of opinion with respect to the pending measure. This difference of opinion does not diminish my admiration or high regard for the Senator from Tennessee. We just see things differently this time.

I find myself somewhat at a disadvantage to explain what I am about to say, because in some respects one would think that the background of the junior Senator from Louisiana would mean that he would choose the opposite position to the one he has chosen. One might think that in view of the politics that was occasioned by my family tradition. I was inspired by the example of my father, who was the author of the share the wealth plan. He had a theme song that went:

Every man a king.
Every man a king.
For you can be a millionaire.
But there is something belonging to others;
There's enough for each one to share.

As one who strongly admires and adores his father, I always want to go the extra mile and generally I try to agree with him on his share-the-wealth plan. However, nothing he ever suggested, so far as a person who hoped to earn money is concerned, was ever so extreme as the present income tax law of the United States. For example, my father, the late Huey Long, who was once a Member of this body, never conceived of a tax of 84 percent or 90 percent on personal income, the tax which a person pays today on the present tax base. Yet, in his day, he was the foremost advocate of a very high graduated income tax.

When a person is taxed at a rate of 90 percent—and for persons who are successful and are earning a substantial income, it does not require too much income to get into that bracket nowadays—he ought to be permitted every legitimate deduction which his business requires. That is my attitude.

When Secretary Dillon appeared before the Committee on Finance, he was testifying for a position which seemed to be totally impractical. The Secretary had previously testified for the position that a businessman, even one who had very great responsibilities, should not be permitted to spend more than $4 or, at most, $7 a day for business meals or for entertainment expenses.

He was testifying for a position that a person should not be permitted to spend more than $30 a day for meals and lodging. That was the position he had recommended before the House committee, which he was not successful in bringing to the Senate. But that was basically the administration's starting point.

In my judgment, this is a completely impractical proposal. It will not work. It amounts to taxing people for necessary expenses in their business. It seems to me that necessary business expenses should be permitted. A person should not be denied the ordinary deduction which would be expected of a person in his position.

When the Secretary discussed some of these instances, I asked him if he did not understand that there would be a difference between what would be expected of a lawyer in my home town of Baton Rouge and a lawyer practicing in New York City. If a prominent businessman called on a lawyer practicing in Baton Rouge, the entertainment expected might be a dinner at a nice restaurant or at a country club. On the other hand, if he were to appear in New York City, and the client were a substantial person, under the existing rule that client would expect the lawyer, if he were doing business in a major degree, to get tickets to a Broadway show for himself and perhaps his wife, also.

Secretary Dillon said quite frankly before the committee that in his firm, which was not a law firm, but a brokerage or investment firm, it was standard procedure—they did it as their everyday way of doing business—to obtain theater tickets for some of their better customers. It appeared to me that he had been testifying more for the position of some of his assistants, who had perhaps never known what it was to entertain graciously in their lives, rather than for the position of one who understands what the needs of a businessman, particularly those in substantial positions, might be.

There is nothing in the bill which would give the businessman any deduction to which he is not already entitled. The bill is strictly a one-way street, so far as the entertainment sections are concerned. Compared with existing law, the businessman does not gain in any respect; he loses in every respect.

It is very well for one Member of this body to talk about how completely wide open the loophole for the entertainment expense allowance might be. If you talk to some of the businessmen whom you respect in your community, let them tell how rough the revenue agents can be under existing law in denying them the right to take deductions which they feel would be fairly and properly deductible.

As an example, a business friend in my hometown had a small yacht. He took the president of the State University for a trip on his yacht. My friend was the chairman of the board of the State university. He was told by the revenue agents that he could not deduct that expense because he could not show them what business he expected to get at the university merely because he took the president of the university and his family for a ride on the yacht. My friend thought that position was an outrage, and he did the best he could to defend his position.

I know of many cases, as the Senator from Iowa [Mr. MILLER] has suggested, in which businessmen, in good conscience and good judgment, felt they were entitled to such deductions because they thought it was expected of them to entertain, and they considered the entertainment to be a necessary expense of doing business. Yet such expenses have been disallowed many times.

In my judgment, the committee report goes too far. The item in which I have been most interested involves merely permitting a man to entertain a business associate at dinner without having to twist his arm for the business the whole time. I do not know how it appeals to others, but as one who has been entertained by someone who has hoped to do business with me, and as one who entertained himself, it does not seem gracious to me only to entertain a person in such a situation that he can be badgered for a contract the whole time the person is trying to eat his meal.

It would often be better to entertain graciously without talking about business at dinner or lunch, and then, on a subsequent occasion, to talk about business. That would seem logical in many cases.

I have fought to try to preserve that right. If a substantial businessman comes to town, seeking to sell to somebody or seeking to do business with him, or if a lawyer entertains the head of a large corporation, hoping that that might lead to his firm being retained to represent that corporation, it seems to me that the expense of entertaining that man and his wife should be deductible, not only for the business client and his wife, but for the lawyer and his wife. Yet the committee report undertakes to say that the only expense that can be deducted is the expense of two dinners, one for the man and one for the client, but nothing for their wives. The Senator from Tennessee would make the amount totally nondeductible if the person did not take the client to a place which was conducive to talking business.

If those people went to a country club or a nightclub, it would be held that that was not conducive to doing business. It would be necessary to show that it was a good place to get a hammer-hold on the person to make him sign a contract; otherwise, the expense would not be deductible. To me, that does not appear to make much sense. Yet the committee report tightens up to the extent that one-half the deduction would be allowed for entertaining the client and his wife.

The matter of good will has been discussed, and discussed elaborately. The Senator from Tennessee [Mr. GORE] and the Senator from Illinois [Mr. DOUGLAS] discussed the definition of "entertainment." They did not go on to say what else was necessary in order to get an entertainment allowance. But entertainment includes good will and various and sundry other things.

Mr. DOUGLAS. We were not giving our own interpretations; we were quoting from page 27 of the committee report, which reads:

> Entertaining guests at nightclubs, country clubs, theaters, football games, and prize fights, and on hunting, fishing, vacation, and similar trips are examples of activities that constitute "entertainment, amusement, and recreation."

Mr. LONG of Louisiana. Yes; and the exact language is in the House report. So far as defining "entertainment" is concerned, there is no real difference whatever between the House and Senate language. We are talking about what must be proved in order to get a deduction under the amendment. The difference is what must be proved in order to obtain a deduction for entertainment. Under the Senate language, it would be necessary to show that there was more than a general expectation of doing business.

In other words, one could entertain for purposes of good will, but he would have to show more than just a general, vague notion of getting good will. He would have to show that there was more than a remote possibility of getting business. In fact, the Senate committee report states on page 28, in the third paragraph:

> It will not be sufficient that the entertainment expense is vaguely or remotely connected with a business motive; it must be demonstrated that the predominant purpose of the expense is to further the trade or business of the taxpayer.

So in order to obtain a deduction as an entertainment expense for any of these, it would have to be proved that there was more than a general expectation of obtaining business, and that the entertainment had as its predominant purpose the obtaining of business.

Mr. CURTIS. Mr. President, will the Senator from Louisiana yield?

Mr. LONG of Louisiana. I yield.

Mr. CURTIS. After the attack which has been made on the committee, I think it well to bring out, in this regard, all these references. The committee report also states, on page 30:

> No deduction will be allowed under this provision for any "entertainment, amusement, or recreation" expenses which under the circumstances in which they are incurred are lavish or extravagant. This will be so even where a direct business purpose is firmly established.

And at another point the committee corrects the rule, and requires that everyone substantiate his expenses with bookkeeping. The committee has tightened the present law to the tune of some $40 or $60 million.

Mr. LONG of Louisiana. This is more than a matter of tightening existing law to the tune of $40 or $60 million a year. The estimate made by our committee staff—and many times the estimates of our committee staff have been proved to be more accurate than those of the Treasury—is that this involves tightening the existing law by $85 million, and it will knock out many allowances heretofore made. As I have said, in my judgment we are being too tough on the taxpayers.

When the Senator says no lavish entertainment will be permitted, he realizes that this would leave the Treasury's agents the right to adopt their own standards and definition of "lavish", and the taxpayer would have to reveal to the Treasury agent the information on which the Treasury agent would make the determination as to whether the expense was lavish. I certainly hope someone has talked about taking people to dinner at Antoine's—which is not as expensive as some people think—or taking people to dinner at Club 21, which I have heard is just about as expensive. Someone might determine that that was lavish, but I hope it will not be determined as being lavish. I think that a person who makes one or two trips a year to New York could very well entertain at Club 21.

Mr. DOUGLAS. Or at the Four Seasons?

Mr. LONG of Louisiana. I have never paid a bill there, so I do not know whether it would be considered lavish.

Mr. DOUGLAS. In the stratosphere.

Mr. CURTIS. Mr. President, I wish to concur in the commendation of the estimate made by the Joint Committee. It has demonstrated by its estimates that they are carefully made. However, I shall not go into that now.

I was addressing myself to what the Senator from Tennessee contended was the position taken by the committee. My concern is not as to what restaurant some person may choose to go to. I rise to defend the integrity of the majority of the committee. They have brought in a proposal which limits the deductions and increases the revenue. However, I believe that many of the utterances made on this floor would not give that impression to the listening public or the reading public.

I thank the distinguished Senator from Louisiana for permitting me to add that much of what I hope will be a clarification of the RECORD.

Mr. LONG of Louisiana. I thank the Senator from Nebraska.

From the statements made here, one would gain the impression that the taxpayer would be gaining something which he does not now have. But this is purely a one-way street, and the taxpayer will lose.

Frankly, it seems to me that one of these days the taxpayer should win once in a while, rather than lose all the time. Losing all the time seems to be the way this part of the bill would work.

Many references have been made to so-called horrible examples of what the bill would allow. For example, a safari to Africa was referred to. However, the cost of the safari was deducted as an advertising expense. But on page 28 the language spells out that that could not even be taken as an advertising expense.

Mr. President, I ask unanimous consent to have printed at this point in the RECORD an excerpt from page 28 of the committee report and also an excerpt from page 30, dealing with claimed deductions for activities of this type which would not be permitted.

There being no objection, the excerpts from the report were ordered to be printed in the RECORD, as follows:

> An objective standard also will overrule arguments such as the one which prevailed in *Sanitary Farms Dairy, Inc.* (25 TC 463 (1955)) that a particular item was incurred, not for entertainment, but for advertising purposes. That case involved a big-game safari to Africa. The taxpayer argued successfully before the Tax Court that the expense of the hunt (including costs of making motion pictures which were later shown to customers and potential customers) were incurred solely for advertising purposes. Under the bill, if the activity typically is considered to be entertainment, amusement, or recreation, it will be so treated under this provision regardless of whether the activity can also be described in some other category

> of deductible items. This will be so even where the expense relates to the taxpayer alone.
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> * * * *
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> Expenses for entertainment, amusement, and recreation should be identified by the taxpayer on his return and treated under the new rules of this bill. It will not be appropriate to include these expense items in other categories of business deductions, where their character will not be apparent, such as advertising, public relations, cost of goods sold, reimbursed expenses, etc. Failure to substantiate the claimed entertainment expenses by adequate records or other sufficient evidence may result in complete disallowance of the deduction.

Mr. LONG of Louisiana. Mr. President, much has been said about yachts, vacation cabins, hunting lodges, and so forth. Once again I say that in my judgment the bill is too strong, if anything. In order to be able to take any of these deductions, a person will have to maintain records as to when and where and who were present and for what purpose. That has not been necessary in the past. Records are one of the chief things the Treasury wishes to have in connection with claims for such allowances.

The language is:

> The requirement that the taxpayer's statement be corroborated will insure that no deduction is allowed solely on the basis of his own unsupported, self-serving testimony.

But one who listened to what was said earlier this evening about this matter would have gained the impression that just the opposite was the case. However, of course, that is not true.

One of the examples which was given was that of a movie star—Olivia de Havilland—who deducted the expense of jewelry given to her servants. Under this bill she would be allowed to deduct a gift of $25 to one and a gift of $25 to the other, but no more.

Let us return to my statement about yachts, hunting lodges, and swimming pools, about which much has been said. As the situation is today, the taxpayer is able to negotiate with the Treasury—without proof, without records to prove it—a deduction of a certain percentage of his expenses for any one of those items. If the Treasury will not allow the taxpayer the entire expense of operating his boat, the Treasury will allow him perhaps 50 percent of it, without requiring him to produce records to prove it.

But under the Treasury's language here, the taxpayer would have to show that this facility—whether a yacht or a hunting lodge or a swimming pool, or whatever it was—was used primarily—which means more than 50 percent—for business entertainment; and he would have to have records to prove it; and the records would be subject to attack on the basis that he would have to show that there was more than just a general expectation of creating some goodwill.

In addition, when the taxpayer had met the primary test—when he had shown that the facility was not used primarily by his family or his friends for social entertainment, then he would have to allocate as between the business use and the personal and family uses; he would have to establish the percentage of the facility which was used for business purposes and business entertainment. In doing that, I suppose he would not be able to deduct for the entertainment of the wives, because the committee report is so tough on the wives that it seems that the tax would have to be paid if the man's wife were invited there.

So this is a very great strengthening—in my judgment, too much of a tightening—of the existing situation.

It seems to this Senator that if a man had a yacht and used it 30 percent of the time for entertaining business guests, and he could show it was used in pursuit of sales and business activities when these people were on the boat, he ought to be able to deduct 30 percent of the cost; but, under the bill, he would not be able to deduct 5 cents. That is the extent to which it has been tightened.

I do not think we should go beyond that point and be as severe as the House report—and I do not think the House committee intended to be that severe, when the Treasury Department wrote the report. That is why I insisted that the Treasury should not write the Finance Committee report, but that the staff should.

Let me read what our reaction to the House report was. I read from page 26 of the Senate committee report:

> The report of the Committee on Ways and Means made it clear that the House bill was not designed to disallow completely deductions for entertainment, amusement, or recreation expenses, but rather it was intended to eliminate abuses. Under the general rule, no deduction would be allowed for any such expenses except to the extent that such expenses are directly related to the active conduct of a trade or business. Despite the clear language of the House bill and the stated intent of the provision, considerable uncertainty and confusion as to the actual effect of the House draft has been created by the interpretation given this language in the House committee report.
>
> It in effect interprets the proposed statutory language to disallow a deduction for any expense for entertainment, amusement, or recreation unless the expense is described in one of a series of specific exceptions to the general rule. Where the expense is covered by an exception, the rules of existing law would continue to govern the deductibility of the expense.

In other words, under the interpretation which the House committee report gave to the language, the bill provided a complete disallowance of any entertainment expense unless one could come under a specific exception.

The fact is that the exceptions were unreasonable and far too strict, and the committee felt that one should be permitted a certain amount of reasonable deductions where he could make a very clear showing that he had a purpose of generating business by the entertainment he gave.

I shall discuss this matter in greater detail tomorrow. I did not want to let the CONGRESSIONAL RECORD close for today without responding to some of the statements which I thought were extreme with regard to the action taken by the committee. Again, I say, in my judgment, the committee was too severe, and I feel other deductions should have been permitted.

Mr. SMATHERS. Mr. President, I shall be very brief. The hour is growing late. However, in the few remarks I shall make, I shall show that we have seen demonstrated a good deal of the difficulty in drafting legislation, when a group of Senators on one side do not think we are tough enough, and a group of Senators on the other side are of the opinion that we are too tough. So it falls, as it usually does, on the majority—in this case the majority of the Finance Committee—to finally arrive at some position which they feel answers in some measure the criticisms of those who wanted to be tougher and those who wanted us to be not quite so tough.

I cannot help but agree with the basic views which have been expressed by the Senator from Louisiana. I believe, under our system as we see it operating today in the business community, legitimate business expenses are an integral and necessary part of doing business.

The other day I had a visit from a very successful businessman who claimed that it took him 5 years to get the best client he had, a client that, as he said, his wife and children live upon, so to speak, whose children were educated by him, because he got his main business from him. He tried entertaining him at lunch. That did not do any good. He tried entertaining him at golf. That did not do any good.

Finally, he found that the man had a weakness for reading books, so he bought some books and gave them to him. That made an impression on the client, and this businessman got his business.

This is a part of our business life. There are those who would like to eliminate it. If the day ever comes when taxes can be reduced from 91 percent to 35 or 40 percent, we can reduce corporate taxes, the day may arrive when we can do away with the so-called business expense deductions; but with the high taxes that we have now, and the manner in which our business community has grown up, we must permit honest businessmen to make business deductions.

Regrettably, there are some Senators who, in their zeal to close loopholes, have apparently been willing to go so far that they want, in effect, to burn down the barn in order to get a few rats. There is no question that there have been some abuses of the expense account provisions. I have not found anybody on the committee, I have not found anybody in the Senate, who approves of taking people to Bermuda, putting them in some cottage down there, and charging off the expense of sending them down and keeping them there as a business expense. I have not found any member of the Finance Committee, or any other Senator, who approves of hunting trips to Alaska, safaris to Africa, or the use of yachts as that practice has been abused. Yet these are the examples which are pointed to, with respect to the bill as it came from the Finance Committee, and it is made to look as though the Senator from Louisiana, the Senator from Nebraska, and the Senator from Virginia, as well as other Members, are in favor of this sort of thing. Of course we are not. What we are trying to do is arrive at some balanced program which will eliminate abuses and still recognize the legitimate expenses of legitimate businessmen.

This is what we have done. This is the best way we could do it. Necessarily, we do not have all the brains. We do not have the judgment of a Solomon. But we have done the best we can in the only way we can arrive at legislation. That is by taking something from one side and something from the other side and trying to arrive at something that is reasonable and fair.

There is no question that what we have arrived at is a tightening up of the measure, and the proof of it is that the Treasury says it will bring in $60 million more than is being brought in at the present time. If it were, as was indicated earlier this evening by the Senator from Tennessee and his very able colleague the Senator from Illinois, in fact, a loosening provision, or if our amendment were a loosening provision, obviously the Treasury would not gain an additional $60 million. So it must be a tightening provision.

I cannot help but believe that if Senators will read the report in its entirety they will arrive at the same conclusion which the majority of the Senate Finance Committee arrived at—that this is a tightening provision, that it will eliminate abuses, but at the same time permit legitimate businessmen to continue to enjoy legitimate business expense deductions.

I do not believe it is possible for the Senate Finance Committee or any legislative committee to write provisions for all conditions which might arise, which some Senators on the other side would like to do. That cannot be done. The best we can do is give our impressions, and this is what we have endeavored to do in the committee report.

Mr. President, I ask unanimous consent that an excerpt from the committee report dealing with section IV, "Disallowance of Certain Entertainment, Etc., Expenses," explaining the particular section and the legislation pertaining to it may be printed in the RECORD at this point.

There being no objection, the excerpt was ordered to be printed in the RECORD, as follows:

IV. DISALLOWANCE OF CERTAIN ENTERTAINMENT, ETC., EXPENSES

(Sec. 4 of the bill and sec. 274 of the code)

A. Reasons for provision

The Treasury brought to the attention of Congress that widespread abuses have developed through the use of the expense account. In his tax message to the Congress last year, the President stated his conviction that entertainment and related expenses, even though having a connection with the needs of business, confer substantial tax-free personal benefits on the recipients, and that in many instances deductions are obtained by disguising personal expenses as business expenses. He recommended that the cost of such business entertainment and the maintenance of entertainment facilities be disallowed in full as a tax deduction and that restrictions be imposed on the deductibility of business gifts and travel expenses.

Much of the abuse described by the President can be traced to the broad judicial and administrative interpretation given to the term "ordinary and necessary" which has resulted in many entertainment expenses being allowed as deductions where their connection with a trade or business is quite remote. Under present law, where a business purpose, however slight, exists, then the entertainment expenses generally are fully deductible if they are "ordinary and necessary" business expenses.

After careful consideration of the proposal, your committee has concluded that deductions for entertainment and traveling expenses and business gifts should be restricted to prevent abuses. The committee agrees that this abuse of the tax law should not be condoned, but on the other hand it does not believe that complete disallowance as recommended by the President is the proper solution to the problem. Rather, your committee is convinced that expenses incurred for valid business purposes should not be discouraged since such expenses serve to increase business income, which in turn produces additional tax revenues for the Treasury. If valid business expenses were to be disallowed as a deduction (particularly expenses associated with selling functions), there might be a substantial loss of revenue where business transactions are discouraged, or where they fail to be consummated. Moreover, the entertainment industry employs large numbers of service personnel, most of whom are unskilled workers who would find it difficult to obtain new employment in other fields if the disallowance of entertainment expenses created considerable unemployment in the entertainment industry. In such cases, taxes now paid by these workers would be lost to the Treasury.

B. Comparison of committee amendment with House provision

The House bill provides rules which in general would: (1) Disallow a deduction with respect to entertainment activities, except to the extent that the expense is directly related to the active conduct of a trade or business; (2) disallow a deduction with respect to entertainment facilities, unless the facility is used primarily for the furtherance of the taxpayer's trade or business and the expense is directly related to the active conduct of the trade or business; (3) abolish the Cohan rule by requiring the taxpayer to substantiate, by adequate records or by sufficient evidence corroborating his own statement, all expenditures for entertainment and related facilities, and for travel and gifts; and (4) limit the deduction for gifts to $25 per year per recipient.

Your committee's bill to a considerable degree retains the basic structure of the House bill. However, the effect of the principal provision (the disallowing of a deduction for certain entertainment expenses) has been modified to permit the deduction of expenses for goodwill where a close association is established between the expense and the active conduct of a trade or business.

The report of the Committee on Ways and Means made it clear that the House bill was not designed to disallow completely deductions for entertainment, amusement or recreation expenses, but rather it was intended to eliminate abuses. Under the general rule, no deduction would be allowed for any such expenses except to the extent that such expenses are directly related to the active conduct of a trade or business. Despite the clear language of the House bill and the stated intent of the provision, considerable uncertainty and confusion as to the actual effect of the House draft has been created by the interpretation given this language in the House committee report. It in effect interprets the proposed statutory language to disallow a deduction for any expense for entertainment, amusement, or recreation unless the expense is described in one of a series of specific exceptions to the general rule. Where the expense is covered by an exception, the rules of existing law would continue to govern the deductibility of the expense.

To eliminate the harshness resulting from the House report, amendment of the language of the House bill is necessary. Despite amendment of the House bill your committee has made certain that entertainment expense abuses are eliminated. By your committee's amendment an alternative rule is added to the House bill under which expenses for entertainment, amusement, or recreation (with respect to both activities and facilities) also will be deductible to the extent that such expenses are associated with the active conduct of a trade or business. This new language will permit deduction of expenses for entertainment, amusement, or recreation incurred for the creation or maintenance of business goodwill without regard to whether a particular exception applies. However, this new language will apply only if the taxpayer demonstrates a clear business purpose and shows a reasonable expectation of deriving some income or other benefit to his business as a result of the expenditure. If he meets this test, the expenditure will be considered to be associated with the active conduct of his trade or business; otherwise, the expense will be disallowed under your committee's amendment.

With respect to disallowance of a deduction for gifts in excess of $25, your committee has adopted the rule of the House bill but has modified the definition of "gift" for purposes of applying the limitation. Under the modified definition: (*a*) certain specialty advertising gifts, (*b*) advertising material for use in connection with the recipient's business, and (*c*) certain awards to employees costing not more than $100, will not be taken into account in determining whether the $25 limitation has been exceeded.

The requirements of the House bill regarding substantiation of claimed deductions for entertainment, amusement, or recreation expenses, gifts, and traveling expenses, have been approved without change.

The provision of the House bill which provided that expenses for meals and lodging included in the term "traveling expenses" were to be deductible only if "reasonable" has been clarified to assure that "traveling expenses" are not to include expenses for meals and lodging which are lavish or extravagant. In addition, your committee has added to the House-passed bill a new rule for the allocation of traveling expenses where the trip involves both business and pleasure. Under this rule, which would eliminate abuses involving tax deduction for vacation trips, if the trip is for more than 1 week and the personal portion of the travel time is in excess of 25 percent of the total time away from home, the traveling expenses (including meals and lodging) must be allocated between business and pleasure and only the portion allocated to business will be deductible.

As amended by your committee, the provisions of this section of the bill are to apply to taxable years ending after December 31, 1962, but only with respect to expenditures incurred after that date.

C. General explanation of provision

Your committee's bill adds a new provision to the code (sec. 274), which disallows, in whole, or in part, certain expenses which would be fully deductible under present law. The requirements imposed by this bill are in addition to the requirements for deductibility imposed by other provisions of existing law, which must be met by the taxpayer before this new provision becomes operative. Hence, if an expenditure is claimed as a business expense deduction under section 162, the taxpayer must first establish that it constitutes an ordinary and necessary expense incurred in carrying on a trade or business, before the new provisions of this bill become applicable.

Since the only purpose of this section is to disallow deductions, it will not make deductible any expense which is disallowed under the "ordinary and necessary" test of present law. Moreover, this section does not affect the question of the includibility or excludibility of an item in income of any individual. The rules presently applicable under present law will continue to govern in this respect.

1. Disallowance of expenses for entertainment activities: The first part of the provision provides that no deduction is to be allowed for any expense with respect to an activity which is of a type generally considered to constitute entertainment, amusement, or recreation, except to the extent that the taxpayer establishes that the expense was directly related to the active conduct of his trade or business or that the expense was associated with the active conduct of his trade or business. Certain exceptions to this rule are provided, however, for expenses not required to meet the new tests. They are discussed in No. 6 below.

Entertaining guests at nightclubs, country clubs, theaters, football games, and prizefights, and on hunting, fishing, vacation, and similar trips are examples of activities that constitute "entertainment, amusement, and recreation." In addition, "entertainment" includes any business expense incurred in the furnishing of food and beverages, a hotel suite, a vacation cottage, or an automobile either to a customer (present or potential) or to any member of such a customer's family. If deduction is claimed for any expense for "entertainment, amusement, or recreation" the facts and circumstances of each particular case will determine the extent to which the expenses will be disallowed.

The trade or business of the taxpayer will determine whether an activity is of a type generally considered to constitute entertainment, amusement, or recreation. For example, with respect to a taxpayer who is a professional hunter, a hunting trip would not generally be considered a recreation-type activity. On the other hand, with respect to a taxpayer whose trade or business consists of selling machine tools or manufacturing clothing, a hunting trip generally would be considered a recreation-type activity. Similarly, attending a theatrical performance would generally be considered an entertainment-type activity, but in the case of a professional theater critic, attending a theatrical performance would not constitute an entertainment activity.

An objective standard also will overrule arguments such as the one which prevailed in *Sanitary Farms Dairy, Inc.* (25 TC 463 (1955)) that a particular item was incurred, not for entertainment, but for advertising purposes. That case involved a big-game safari to Africa. The taxpayer argued successfully before the Tax Court that the expense of the hunt (including costs of making motion pictures which were later shown to customers and potential customers) were incurred solely for advertising purposes. Under the bill, if the activity typically is considered to be entertainment, amusement, or recreation, it will be so treated under this provision regardless of whether the activity can also be described in some other category of deductible items. This will be so even where the expense relates to the taxpayer alone.

Many entertainment expenses which have a business connection nevertheless will not be deductible. To justify their deduction, a taxpayer must establish that the incurring of the expenses relating to the entertainment activities was directly related to or associated with his effort to obtain new business or to encourage the continuation of an existing business relationship. This means that he must show a greater degree of proximate relation between the expenditure and his trade or business than is required under present law. To illustrate this principle, assume a taxpayer entertains a buyer and the buyer's family at lunch and the theater. Under existing law, he claims a deduction for the entire expense; under your committee's bill no deduction would be allowed for any portion of the expense attributable to the buyer's family since as to them he is unable to show a sufficiently close relationship between the expense and his trade or business.

It will not be sufficient that the entertainment expense is vaguely or remotely connected with a business motive; it must be demonstrated that the predominant purpose of the expense is to further the trade or business of the taxpayer. Where goodwill generated by the expense is vague or where the possibility of the expenditure resulting in the production of income is remote, no deduction will be permitted. For instance, under present law a taxpayer may deduct expenses of entertaining buyers and others associated with his trade or business even though at the time he does the entertaining he already has more business than he can handle. Under your committee's amendment, however, no deduction will be allowed because, with a large backlog of unfilled orders, such entertainment ordinarily cannot be regarded as being associated with efforts to produce income.

Under the bill, although deduction for entertainment expenses is restricted, such expenses will not be disallowed merely because they are incurred for the purpose of generating business goodwill. Goodwill has long been recognized as a legitimate objective of business entertaining and where the purpose of the expense and its clear relationship to a business is firmly established, the expense ordinarily will continue to be deductible. However, nothing in your committee's bill is to be construed as allowing a deduction for any expense which is against public policy or which violates the public conscience. Deducting an expense incurred for such purpose under the guise of generating "business goodwill" will not be condoned and under your committee's amendment is not deductible.

Thus, the cost of liquor purchased for the entertainment of customers and the promotion of goodwill (which under existing law has been held deductible) will be disallowed if the serving of liquor violates the public morals of the community as expressed in local law. Another example of expenses for immoral purposes which have been claimed on tax returns under existing law involves expenditures to provide "call girls" for the purpose of entertaining clients. Under your committee's amendment no deduction whatsoever is to be allowed for expenditures of this nature. In no legitimate sense are they "directly related to or associated with the active conduct" of a trade or business.

On the other hand, the following examples are indicative of circumstances under which entertainment expenses ordinarily will not be disallowed. Where the taxpayer conducts lengthy negotiations with a group of business associates and that evening the group goes to a night club, theater, or sporting event for relaxation, such entertainment expenses are regarded as directly related to the active conduct of business. Moreover, if a group of business associates with whom the taxpayer is conducting business meetings comes from out of town to the taxpayer's place of business to hold substantial business discussions, the entertainment of such business guests prior to the business discussions also is directly related to the conduct of the business. Similarly, if in between business meetings at a convention the taxpayer entertains his business associates attending such meetings, such expenses will be allowable.

Although your committee's bill permits entertainment expenses to continue to be deducted where a business purpose is shown, deduction will be limited to the portion of the expense which is directly related to or associated with business.

Objective standards will be employed to determine the apportionment between the part of the expense which meets either of these tests and the part which does not. Expenses not so related may not be deducted. Under this rule, if a taxpayer entertains a group of 10 individuals, 3 of whom are business prospects and 7 of whom are social guests, deduction will be allowed under the bill only for three-tenths of expenses incurred. Since the taxpayer's motive is not relevant to this determination, it would make no difference that the taxpayer in the above example would not have done the entertaining but for the attendance of the three business-related guests. This rule would disallow deductions for expenses in the following cases which, under existing law, are fully deductible:

A. Officer-shareholder and wife accompanied customer and wife to Las Vegas for 12-day vacation. Taxpayer paid the expenses for the four individuals. Officer-shareholder asserted that he would not have made the trip except for business purposes and that his wife's presence was required by the customer and his wife.

B. Officer-shareholder and his wife traveled to Alaska with customer and wife. Expense of wife was allowed based on representation that customer would not go without his wife and his wife would not go without such shareholder's wife.

C. Expenses for tractor demonstration attended by corporate taxpayer's principal officer-shareholder and his wife. A purported business reason for the wife's travel was established based on allowance of expenses for similar travel in the past.

In example A, no deduction would be allowed under your committee's bill because a vacation trip for a customer and his wife is not "directly related to the active conduct of the taxpayer's trade or business." In example B, deduction would be disallowed for expenses attributable to the taxpayer's wife and the customer's wife. In example C, no deduction would be allowed for expenses attributable to the taxpayer's wife.

D. Customers and their wives are entertained by taxpayer at derby parties such as breakfasts and luncheons, etc.; by furnishing box seats and tickets for the Kentucky Derby; and entertainment at the derby.

Under existing law, the entire amount expended was claimed as a deduction and was allowed. Under your committee's amendment, no deduction is permitted for expenses attributable to customers' wives because their connection with the taxpayer's trade or business is remote.

No deduction will be allowable under this provision for any "entertainment, amusement, or recreation" expenses which under the circumstances in which they are incurred are lavish or extravagant. This will be so even where a direct business purpose is firmly established. The application of this rule can be demonstrated by the following example:

E. The taxpayer, which is located in the Midwest, asserted that lavish entertainment is essential in obtaining business and it established a Miami Beach residence for this purpose. The two principal officers and their wives are usually present at the residence when entertaining customers. Deductions allowed included depreciation on residence, food, liquor, boat expense and salaries of service employees and entertainment. Disallowance was made for amounts deemed to be personal expense.

Under the bill, no deduction would be allowed for any expenses attributable to the wives of either the principal officers or their customers (present or potential), or for any portion of the expenses incurred in example

E which are lavish or extravagant. (The expenses of maintaining the residence are treated as expenses with respect to a facility discussed in No. 2 below.)

Expenses for entertainment, amusement, and recreation should be identified by the taxpayer on his return and treated under the new rules of this bill. It will not be appropriate to include these expense items in other categories of business deductions, where their character will not be apparent, such as advertising, public relations, cost of goods sold, reimbursed expenses, etc. Failure to substantiate the claimed entertainment expenses by adequate records or other sufficient evidence may result in complete disallowance of the deduction.

2. Disallowance of expenses for entertainment facilities: Your committee's bill (sec. 274(a)) also limits the deduction for expenditures incurred with respect to facilities used for entertaining. As in the case of expenses with respect to activities the new rules of this provision apply only if the expenses with respect to facilities qualify under existing law for deduction of business expenses. Moreover, these new rules establish additional tests which must be satisfied (in addition to the "ordinary and necessary" test of present law) in determining whether any deduction is to be allowed for expenses with respect to facilities. Under the bill, no deduction is to be allowed with respect to expenses relating to facilities unless the taxpayer establishes (1) that the facility was used primarily for the furtherance of his trade or business and (2) that the expenditure was directly related to the active conduct of his trade or business, or that it was associated with the active conduct of his trade or business. In no event can the deduction exceed the portion of the expense which is directly related to (or associated with) the active conduct of the taxpayer's trade or business. Certain exceptions to this rule are provided, however, for expenses not required to meet the new tests. They are discussed in No. 6 below.

The term "facility" includes any item of personal or real property owned or rented by the taxpayer, such as a yacht, hunting lodge, fishing camp, swimming pool, tennis court, bowling alley, automobile, airplane, apartment, hotel suite, home in vacation resort, dining room, and cafeteria. In addition to items commonly regarded as expenses "with respect to a facility," such as expenditures for the maintenance, preservation, or protection of the facility, this provision also relates to depreciation and losses realized on certain sales of entertainment facilities.

Under the bill, if a facility is used more than one-half for business entertaining, so that more than one-half of the entertainment expense with respect to such facility would be deductible as a business expense under present law, that portion would continue to be deductible to the extent it meets the test of being directly related to (or associated with) the active conduct of the taxpayer's trade or business. If less than one-half of such entertainment expense would be deductible under present law, no deduction would be allowed. For example, if the taxpayer acquires a fishing camp which he uses almost exclusively for entertaining business guests, deduction of the expenses of the camp will be disallowed only to the extent that it was used for personal or other nonbusiness purposes. On the other hand, if he uses it almost exclusively for personal purposes, but occasionally takes business guests to the camp, no deduction is to be allowed. A further illustration of this rule is as follows:

A. The taxpayer corporation claims the purpose of maintaining a resort residence is to have a place available for business conferences. The resort residence has facilities for boating, fishing, and entertainment. It was established that the personal convenience, pleasure, and health of the chairman of the board of the taxpayer corporation was the principal reason for maintaining the residence. However, the evidence did indicate that there was some entertainment expense incurred for business purposes and a portion of the expense was therefore allowed.

Under the bill no deduction would be allowed in the foregoing example because the facts established that the primary use of the resort residence was not in furtherance of the taxpayer's trade or business.

Under this provision the facility must actually be used in furtherance of the taxpayer's trade or business; it is not sufficient that the facility is merely available for business use. And where the facility is one which is likely to serve the personal purposes of the taxpayer, it will be presumed that the facility was primarily used by the taxpayer for his personal purposes. To justify a deduction under such circumstances the taxpayer will have to clearly establish that the primary use of the facility was not for his personal purposes but was directly related to or associated with the active conduct of his trade or business. The following example illustrates the operation of this rule:

B. Closely held corporate taxpayer located in Midwest maintains a summer home in Maine. Principal stockholder and wife spend 2½ months each summer at the Maine home and entertain high officials (and wives) of customers.

Under existing law the taxpayer in this case established that the summer home was used partly for business entertainment and was permitted to deduct a portion of the expenses attributable to the summer home. Under the bill, however, because the personal purposes of the principal stockholder are served by use of the corporation's summer home, it will be presumed that his personal purposes were primarily served by such use.

These rules will prevent tax abuses involving the use of luxury facilities for entertainment, amusement, or recreational purposes. Under these rules a taxpayer who lives in a luxurious apartment and who presently deducts a portion of its rent on the ground that the apartment is used for occasional entertaining of business guests (and thus has a business purpose), no longer will be able to deduct any portion of the rent because the principal purpose of the apartment is personal, rather than business. Moreover, a swimming pool constructed at the taxpayer's residence may not be charged off for tax purposes as an ordinary and necessary business expense because such a facility is presumed to be used primarily for personal, family, or living purposes unless the taxpayer can establish by a preponderance of the evidence that it was used principally in connection with his trade or business.

As in the case of activities described above, no deduction will be permitted for lavish or extravagant expenses incurred with respect to facilities. This means that luxurious resort facilities maintained for the purpose of entertaining will no longer be fully deductible. This rule is illustrated as follows:

C. Taxpayer, a domestic manufacturing corporation, owns luxurious facilities on a subtropical island. The principal use of the property is for entertainment of executives and key personnel of customer firms. Fishing cruisers are maintained and air transportation furnished guests. The chairman of the board, who is the controlling stockholder, and other officers and key employees accompanied by their families spent considerable time at the island.

Under existing law the entire amount expended for maintenance of the resort and the airplanes (other than adjustments for amounts considered personal expenses of officers and employees) is deductible. Under the bill no deduction would be allowed for any expense which under the circumstances is either lavish or extravagant. Moreover, no deduction will be allowed with respect to expenses attributable to a member of the customer's (present or potential) family but the family's use of the facility will be considered in determining whether the use of the facility is primarily for personal purposes. In addition, as indicated in the portion of this report describing the deductibility of expenses for entertainment activities, expenses for vacations for customers may not be deducted. Where the expenses with respect to the facility are for "vacations," they will be disallowed under your committee's bill.

Club dues and fees paid to any social, athletic or sporting club or organization are treated by the bill as an expense with respect to a facility used for entertainment and therefore will not be deductible where the primary use of the club facilities is personal. If membership entitles the member's entire family to use the facilities of the club, their use as well as his will be considered in determining whether business use of the club exceeds personal use. Where the primary use of the club facilities is in furtherance of a trade or business the cost of the club dues or fees will be deductible to the extent of the use directly related to (or associated with) the active conduct of business.

Thus, if membership in a club costs $100 per year and the club is used for such clear business purposes three-fourths of the time, $75 will be deductible. As in the case of other facilities, it is the actual use of the club which establishes the deductibility of the club dues, not its availability for use, and not the taxpayer's principal purpose for joining the club. However, this does not mean that out-of-pocket business entertainment expenses incurred at a club will not be deductible where the required relationship between the entertainment and the taxpayer's trade or business is shown to exist. Such expenses will be deductible under the rules applicable to entertainment activities without regard to the tax treatment of club dues.

Club dues for this purpose do not include dues or fees paid for membership in such civic organizations as Kiwanis, Lions Club, Rotary, Civitan, and similar groups because these organizations are not social, athletic or sporting clubs. Similarly, professional associations such as bar associations and medical associations are not considered social, athletic, or sporting clubs. Deductibility of these dues will not be affected by the new rules of this bill, but will continue to be governed by the rules of existing law.

3. Business gifts: Under the bill, deduction for business gifts will be disallowed to the extent that the total gifts during the year exceed $25 with respect to any person. Where gifts are made to the wife of a man who has a business contact with the donor, these gifts are considered as made indirectly to the husband (for purposes of the limitation).

However, your committee has modified the definition of "gift" contained in the House provision so that items of a clear advertising nature which cost $4 or less will not be required to be taken into account in applying the $25 limitation. The purpose of this modification is to assure that businessmen who advertise their products or services by means of gifts of small value, commonly described as specialty advertising, may continue to do so without being burdened with the maintenance of detailed records of the amount of specialty advertising used with respect to each business prospect. This exception which includes such items as pens, desk sets, and plastic bags and cases, will apply only if the donor's name is clearly and permanently imprinted on the article.

Another modification of the definition of "gift" involves items such as signs, display racks, or other promotional material donated to a retailer by a producer or wholesaler for use on the business premises of the retailer. This material, generally referred to as point-of-purchase advertising, is not a gift; it is simply a form of advertising used right in the store to aid in the marketing process. As in the case of specialty advertising referred to in the preceding paragraph, this exception for point-of-purchase promotional devices used in normal business operations will eliminate the necessity of manufacturers or wholesalers (who donate the promotional material to retailers) maintaining detailed records and accumulating costs of promotional material with respect to each donee.

The third modification of the definition of "gift" excludes items of tangible personal property which have a cost to the taxpayer of $100 or less if the item is awarded to employees by reason of length of service or for safety achievement. It is a common practice of many employers to give such items as pins or watches to employees upon their completion of a specified number of years of satisfactory employment or in recognition of some safety achievement. Your committee felt that gifts for these purposes which serve to strengthen the relationship between business and its employees should not be discouraged by the tax law. This exception will permit the practice to continue under the rules of existing law.

There is the possibility of overlapping application of the entertainment expense and gift provisions in this new section. An item which might be held to be a gift might also be held to be an entertainment expense. For example, tickets to a theater might fall in either category. Since different rules will apply depending upon the category in which the expense item falls, specific regulatory authority is given to the Secretary of the Treasury or his delegate to prescribe, in cases where both provisions would otherwise apply, which provision is to govern. Thus, a "gift" of theater tickets probably would be classified as coming under the entertainment provision, while a book probably would be classified as coming under the gift provision.

4. Allocation of traveling expenses: Your committee has added to the House bill a provision which will require taxpayers to allocate traveling expenses (including meals and lodging) between the portion of a trip which is for a business purpose and the portion which is for pleasure. This new rule will eliminate, in many cases, the "but for" rule of existing law under which a taxpayer is permitted to deduct his entire traveling expenses (even where a substantial portion of the time away from home is for purely personal purposes) if he is able to establish that the primary purpose of the trip was connected with a trade or business. This amendment will eliminate abuses whereby taxpayers often arrange vacations to coincide with a business trip so that they thereby, in effect, obtain a deduction for the vacation travel. However, to insure that this new rule will not impose unreasonable burdens on taxpayers to allocate trips between business and personal purposes where the duration of travel is only for a short period, your committee has provided that the allocation rule is not to apply where the period the taxpayer is away from home does not exceed 1 week, or where the time spent on the personal portion of the trip is less than 25 percent of the entire period the taxpayer is away from home on the trip. Where no allocation is required to be made, deduction of traveling expenses will continue to be governed by the primary purpose test of existing law.

5. Disallowance of expenditures not substantiated: Under the bill, taxpayers will be required to substantiate their entertainment and related expenses, their traveling expenses and gift expenses. The bill provides that the taxpayer must substantiate by adequate records or by other sufficient evidence corroborating his own statement: the amount of such expense or other item; the time and place of the travel, entertainment, amusement, recreation, or use of the facility, or the date and description of the gift; the business purpose of the expense; and the business relationship to the taxpayer of the person entertained, using the facility, or receiving the gift.

This provision is intended to overrule, with respect to such expenses the so-called Cohan rule. In the case of *Cohan* v. *Commissioner*, 39 F. 2d 540 (C.A. 2d, 1930), it was held that where the evidence indicated that a taxpayer had incurred deductible expenses but their exact amount could not be determined, the court must make "as close an approximation as it can" rather than disallow the deduction entirely. Under your committee's bill, the entertainment, etc., expenses in such a case would be disallowed entirely.

The requirement that the taxpayer's statements be corroborated will insure that no deduction is allowed solely on the basis of his own unsupported, self-serving testimony. However, the degree of corroboration required to support a claimed deduction will vary as respects the business relationship and purpose, the time and place, and the amount of the expense. Thus, oral testimony of the taxpayer together with circumstantial evidence available, may be considered "sufficient evidence" for the purpose of establishing the business purpose required under the new provision. However, oral testimony of the taxpayer plus more specific evidence would be required to be "sufficient evidence" as to the amount of an expense.

Generally, the substantiation requirements of the bill contemplate more detailed recordkeeping than is common today in business expenses diaries. However, a clear, contemporaneously kept diary or account book containing information with respect to the date, amount, nature and business purpose of the expense may constitute an adequate record under this provision. Moreover, expenditures merely incidental to entertainment, travel, etc. (such as taxicab fares, tips, and similar payments) will be deductible if they are substantiated by such a diary, account book, or similar record.

The following example illustrates the operation of the requirements of this provision: Taxpayer establishes that he traveled from California to New York on business. He should retain receipts for his transportation and hotel expenses while in New York. However, expenses incidental to that trip such as taxicab fare, tips, business luncheons, etc. could be substantiated by entries in a diary.

Your committee does not intend by this substantiation requirement to deny a taxpayer deductions for entertainment, etc., expenses where he has no records, if it can be shown that the failure to produce substantiating records was due to circumstances beyond his control, such as destruction of his records by fire or flood. In such a case, the taxpayer will be permitted to reconstruct the business entertainment, travel, or gift expenses incurred by him in the taxable year.

Under the bill, the Secretary or his delegate may, by regulation, prescribe certain situations in which the substantiation requirements will not be applied. For example, it may be provided that substantiation will not be required for traveling expenses, where such expenses (including the cost of meals and lodging) do not exceed prescribed minimum amounts. This will be of special benefit to employees whose per diem allowance while traveling is within limits established by the Secretary under this provision. Thus, if regulations are issued under which substantiation will not be required for traveling or entertainment expenses where per diem allowances do not exceed 125 percent of per diem allowed a Government employee in the same locality, it would be sufficient evidence for purposes of the substantiation rule to establish only the amount of the allowance and the fact that the business travel occurred.

6. Exceptions where disallowance provisions will not apply: The bill contains nine exceptions to the general disallowance provision described above under heading 1 or 2. Where an expense falls within one of the enumerated exceptions, the item will continue to be deductible to the same extent as allowed by existing law. However, the new substantiation requirements (discussed under heading 5) will have to be satisfied with respect to any such expense. The exceptions are as follows:

(a) Expenses for food and beverages furnished under circumstances which are of a type generally considered to be conducive to a business discussion. The question as to whether the circumstances are conducive to a business discussion are to be tested by such standards as: First, the surroundings in which the meal or beverage was furnished; second, the taxpayer's trade or business or income-producing activity; and third, the relationship to such trade, business, or activity of the persons to whom the food and beverages were furnished. Under this exception, the general custom of entertaining business guests at meals in restaurants and hotels would not be disallowed if they meet the ordinary and necessary test of existing law. This should leave undisturbed the most significant portion of goodwill entertainment conducted in this country. However, under this exception, it will not be possible to deduct luncheon expenses of a so-called reciprocity luncheon group under which a group of businessmen frequently lunch together and alternate in paying the check (and claiming it as a business expense deduction). This practice is not connected with a trade or business but is a personal or social expenditure which is not deductible under existing law.

(b) Expenses for food and beverages (and facilities used in connection with them) furnished on the business premises of the taxpayer primarily for his employees. This is intended to exclude from the disallowance provision such facilities as a company cafeteria or an executives' dining room. This exception would continue to apply even though guests are occasionally served in the cafeteria or dining room.

(c) Goods, services, and facilities to the extent that the entertainment, amusement, or recreation (or use of the facility) is treated on the taxpayer's return with respect to the recipient of the entertainment as compensation paid to an employee and from which income tax is withheld. For example, if the taxpayer permitted an employee to use a yacht for a vacation and treated the expenses for its use as compensation paid to the employee for purposes of the withholding tax and for purposes of the taxpayer's tax return, maintenance and crew costs attributable to such use would be deductible in full because of this exception. On the other hand, where a yacht was used exclusively for business entertaining the salaries paid to the captain and crew, even though they were treated as compensation and withheld on, would not come within this exception because they are not the recipients of the entertainment. Rather, the deductibility of the salaries would be determined under the general rule of the provision as an expense with respect to an entertainment-type facility.

(d) Expenses paid or incurred by the taxpayer where he pays or incurs the expenses for his employer or a client, customer, etc., and where he is reimbursed by the employer or client, etc. This is designed to prevent the double disallowance of a single expenditure, once to the employee or practitioner, etc., and a second time to the employer or client, etc. This provision will not apply, however, in the case of an employee where the employer treats the amount paid to him as compensation. It also will not apply in the case of a practitioner, etc., unless he accounts to the client, etc., for the expenses incurred. The accounting must represent sufficient substantiation to meet the tests set out under heading No. 5. Thus, if a lawyer enters into a fee arrangement under which his client agrees to reimburse him for expenses (including entertainment expenses) the exception will not apply unless he accounts to his client sufficiently to enable the client to substantiate the expenses as required by the bill.

(e) Expenses incurred for recreation, social, or similar activities (including facilities) primarily for the benefit of employees. The employees referred to in this case are those, other than officers, shareholders, or highly compensated employees. An individual would be considered a shareholder only if he (taking into account holdings of members of his family) holds an interest in the corporation of 10 percent or more. This category is intended to pertain to the usual employee fringe benefit programs, such as expenses of operating a company swimming pool or baseball diamond, as well as the expenses of the annual company picnic or Christmas office party.

(f) Expenses directly related to business meetings of the taxpayer's employees, stockholders, agents, or directors. While this category will apply to business meetings where some social activities are provided, it is not intended to apply to gatherings which are primarily for social purposes rather than for the transaction of the employer's or company's business.

(g) Expenses directly related and necessary to attendance at a business meeting of an organization, such as a trade association, chamber of commerce, real-estate board, etc., described in section 501(c)(6) of the code.

(h) Expenses for goods, services, and facilities made available to the general public by the taxpayer. This pertains to expenses for the entertainment of the general public by means of television, radio, newspapers, and the like. It also permits deductions for expenses for parks, etc., maintained by companies where the general public may attend. Expenses of distributing samples to the general public would also come within this exception.

(i) Expenses for goods or services (including the use of facilities) which are sold by the taxpayer in a bona fide transaction for an adequate and full consideration in money or money's worth. This exception is designed to insure that a taxpayer who sells entertainment to others will be allowed to deduct expenses of producing that entertainment. Thus salaries paid to employees of nightclubs and amounts paid to performers other than employees will continue to be deductible by the operator. Moreover, since this type of expense is not considered to be "entertainment" the detailed substantiation requirements prescribed in this bill will not apply.

7. Interest, taxes, casualty losses: The restrictions provided by the bill are not to apply with respect to items which are deductible under specific provisions of law which apply both to business and nonbusiness taxpayers. Thus, deduction for interest paid on a loan to acquire an entertainment facility or property taxes paid with respect to it would continue to be allowed as a deduction, whether or not the entertainment facilities meet the tests of the new provision.

8. Treatment of entertainment-type facilities: Under the bill, if deductions with respect to entertainment-type facilities are disallowed, the disallowed portion is to be treated as an asset which is used for personal, living, and family purposes, rather than as an asset used in the trade or business. Under this provision the basis of such an entertainment-type facility will be adjusted for purposes of computing depreciation deductions and determining gain or loss on the sale of such facility in the same manner as other property (for example, a residence) which is regarded as used partly for business and partly for personal purposes. Thus, if a taxpayer has a yacht which is used three-fourths for direct business entertainment purposes, and he ordinarily would be entitled to $1,000 for depreciation with respect to the yacht (if it were used entirely for business), $250 of this amount would be disallowed as a depreciation deduction and would be included as a part of the basis of an asset not used in the taxpayer's business.

9. Meals and lodging while in travel status: The bill, as amended by your committee makes clear that the deduction provided for traveling expenses by section 162(a)(2) of present law is not to include expenses for meals and lodging which are lavish or extravagant under the circumstances.

10. Effective date: The amendments made by this provision are to apply with respect to taxable years ending after December 31, 1962, but only in respect of periods after that date.

COMMITTEE MEETING DURING SENATE SESSION TOMORROW

Mr. SMATHERS. Mr. President, I ask unanimous consent that the Housing Subcommittee of the Committee on Banking and Currency may be authorized to meet during the session of the Senate tomorrow.

The PRESIDING OFFICER. Without objection, it is so ordered.

ENROLLED BILLS PRESENTED

The Secretary of the Senate reported that on today, August 28, 1962, he presented to the President of the United States the following enrolled bills:

S. 538. An act to amend section 205 of the Federal Property and Administrative Services Act of 1949 to empower certain officers and employees of the General Services Administration to administer oaths to any person;

S. 981. An act to extend certain authority of the Secretary of the Interior exercised through the Geological Survey of the Department of the Interior, to areas outside the national domain;

S. 1208. An act to amend Public Law 86-506, 86th Congress (74 Stat. 199), approved June 1, 1960;

S. 2008. An act to amend the act of September 16, 1959 (73 Stat. 561, 43 U.S.C. 615a), relating to the construction, operation, and maintenance of the Spokane Valley project;

S. 2399. An act to provide for the establishment of the Frederick Douglass home as a part of the park system in the National Capital, and for other purposes;

S. 2916. An act to change the names of the Edison Home National Historic Site and the Edison Laboratory National Monument, to authorize the acceptance of donations, and for other purposes;

S. 2973. An act to revise the boundaries of Capulin Mountain National Monument, N. Mex., to authorize acquisition of lands therein, and for other purposes;

S. 3112. An act to add certain lands to the Pike National Forest in Colorado and the Carson National Forest and the Santa Fe National Forest in New Mexico, and for other purposes; and

S. 3174. An act to provide for the division of the tribal assets of the Ponca Tribe of Native Americans of Nebraska among the members of the tribe, and for other purposes.

ADJOURNMENT UNTIL 10 A.M. TOMORROW

Mr. SMATHERS. Mr. President, under the order previously entered, I move that the Senate adjourn until tomorrow morning at 10 o'clock.

The motion was agreed to; and (at 8 o'clock and 20 minutes p.m.) the Senate adjourned, pursuant to the previous order, until tomorrow, Wednesday, August 29, 1962, at 10 o'clock a.m.

NOMINATIONS

Executive nominations received by the Senate August 28, 1962:

UNITED NATIONS

The following-named persons to be representatives of the United States of America to the 17th session of the General Assembly of the United Nations:

Adlai E. Stevenson, of Illinois.

Francis T. P. Plimpton, of New York.

The following-named persons to be representatives of the United States of America to the 17th session of the General Assembly of the United Nations, to serve no longer than December 31, 1962:

Albert A. Gore, U.S. Senator from the State of Tennessee.

Gordon Allott, U.S. Senator from the State of Colorado.

Arthur H. Dean, of New York.

The following-named persons to be alternate representatives of the United States of America to the 17th session of the General Assembly of the United Nations:

Charles W. Yost, of New York.

Philip M. Klutznick, of Illinois.

Jonathan B. Bingham, of New York.

The following-named persons to be alternate representatives of the United States of America to the 17th session of the General Assembly of the United Nations, to serve no longer than December 31, 1962:

Carl T. Rowan, of Minnesota.

Mrs. Marietta P. Tree, of New York.

HOUSE OF REPRESENTATIVES

TUESDAY, AUGUST 28, 1962

The House met at 12 o'clock noon.

The Chaplain, Rev. Bernard Braskamp, D.D., offered the following prayer:

Nehemiah 2: 20: *The God of heaven will prosper us; therefore we His servants will rise and build.*

Eternal and ever-blessed God, as we now assemble for prayer, wilt Thou intensify and deepen our religious life.

May we declare by our character and conduct that we believe in the sanctity of its covenants and commissions, its obligations and promises.

Help us to lay hold of the eternal truth that if we are ever to build a finer social order then its foundation must be spiritual.

Grant that we may approach every hard task with resolution and determination, never just content to do our bit but our very best, with all our strength of mind and heart.

We earnestly beseech Thee that we may enjoy our work in spite of its many difficulties and frustrations.

Inspire us to sincerely believe that if the civilization of our day and generation is not what it ought to be and can be, then we must strive to make it so.

Hear us in the name of the Prince of Peace. Amen.

THE JOURNAL

The Journal of the proceedings of yesterday was read and approved.

MAKING CONTINUING APPROPRIATIONS FOR THE FISCAL YEAR 1963, AND FOR OTHER PURPOSES

Mr. CANNON. Mr. Speaker, I ask unanimous consent for the immediate consideration of House Joint Resolution 864, making continuing appropriations for the fiscal year 1963, and for other purposes, and that it be considered in the House as in the Committee of the Whole.

The Clerk read the resolution, as follows:

> *Resolved by the Senate and House of Representatives of the United States of America in Congress assembled*, That the joint resolution of July 31, 1962 (Public Law 87-564), is hereby amended by striking out "August 31, 1962" and inserting in lieu thereof "September 30, 1962".

The SPEAKER. Is there objection to the request of the gentleman from Missouri?

Mr. GROSS. Mr. Speaker, reserving the right to object, this is the third continuing resolution, is it not?

Mr. CANNON. That is correct. We had one for July, and one for August; and this is for September. It is identical with the two preceding resolutions.

We had hoped to complete the work of the session and be through by this time. We trust that we will complete it within the next 30 days and we hope that this is the last continuing resolution it will be necessary to bring before the House.

Mr. GROSS. This means the departments and agencies cannot spend more than was appropriated in last year's appropriation bills, is that correct?

Mr. CANNON. That is true.

Mr. GROSS. Mr. Speaker, I wonder if this would not be a good way to operate for a while; simply adopt extending resolutions and forget about any further appropriations. At least that would hold them to what they spent last year instead of giving them increased appropriations all the time.

Mr. CANNON. This is identical with the two preceding resolutions. In each instance it provides the lowest amount that can be provided to keep the Government running until the regular bills are finally enacted.

Mr. GROSS. Does not the gentleman think this would be a good way to stop the increase in appropriation bills, by extending resolutions from year to year until we get the budget in balance and restore some fiscal sanity to this Government?

Mr. CANNON. We merely defer the day of judgment.

The SPEAKER. Is there objection to the request of the gentleman from Missouri?

There was no objection.

The SPEAKER. The question is on the joint resolution.

The joint resolution was agreed to.

A motion to reconsider was laid on the table.

RESIGNATIONS FROM COMMITTEES

The SPEAKER laid before the House the following resignation from a committee:

> AUGUST 28, 1962.
>
> Hon. JOHN W. MCCORMACK,
> *Speaker of the House,*
> *House of Representatives,*
>
> DEAR MR. SPEAKER: I hereby tender my resignation from the Committee on Appropriations.
>
> Sincerely yours,
>
> FRED MARSHALL,
> *Member of Congress.*

The SPEAKER. Without objection, the resignation will be accepted.

There was no objection.

The SPEAKER laid before the House the following resignation from a committee:

> Hon. JOHN MCCORMACK,
> *Speaker of House of Representatives,*
> *Washington, D.C.*
>
> DEAR MR. SPEAKER: I hereby submit my resignation from the Committee on Education and Labor.
>
> Respectfully yours,
>
> NEAL SMITH.

The SPEAKER. Without objection, the resignation will be accepted.

There was no objection.

ELECTION TO COMMITTEE

Mr. MILLS. Mr. Speaker, I offer a resolution and ask for its immediate consideration.

The Clerk read as follows:

> HOUSE RESOLUTION 771
>
> *Resolved*, That NEAL SMITH, of Iowa, be, and he is hereby, elected a member of the standing Committee of the House of Representatives on Appropriations.

The resolution was agreed to.

A motion to reconsider was laid on the table.

INCREASES IN RATES OF DISABILITY COMPENSATION

Mr. TEAGUE of Texas. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the bill (H.R. 10743) to amend title 38, United States Code, to provide increases in rates of disability compensation, and for other purposes, with a Senate amendment thereto, and consider the Senate amendment.

The Clerk read the title of the bill.

The Clerk read the Senate amendment, as follows:

> Page 4, strike out lines 7, 8, and 9 and insert "July 1962, and payments shall be made accordingly, regardless of the date this Act becomes law."

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. TEAGUE of Texas. Mr. Speaker, I move that the House concur in the Senate amendment to the bill H.R. 10743, with an amendment.

The Clerk read as follows:

> Mr. TEAGUE of Texas moves that the House concur in the amendment of the Senate, with an amendment to strike out the language proposed to be inserted by the Senate amendment and insert in lieu thereof the following: "the first calendar month which begins after the date of enactment of this Act, but no payments shall be made by reason of this Act for any period before such effective date. The increased rate of compensation payable to any veteran entitled thereto on such first day shall be further increased, for such month only, in an amount equal to three times the monthly increase provided for such veteran by the amendments made by this Act."

The SPEAKER. The question is on the motion offered by the gentleman from Texas.

The motion was agreed to.

A motion to reconsider was laid on the table.

Mr. TEAGUE of Texas. Mr. Speaker, the amendment which I proposed would provide the same results as that sought to be accomplished by the Senate, without the administrative problems inherent in the amendment approved by the other body. I am advised by the Veterans' Administration that the amendment which I have offered would make the proposal much simpler from an administrative standpoint, and at the same time provide, if the bill is enacted into law after September 1, that the rates for practically all persons on the rolls would be the same as if they had received this increase on July 1, 1962. The amendment would preclude the manual examination of as many as 100,000 files on the part of the Veterans' Administration to determine whether or not individual veterans whose disability ratings had been terminated, increased or decreased since July 1, 1962, were eligible for the increase and if so in what amount. I hope this amendment will be acceptable to all concerned, since it is consistent with the action taken in the other body, and that this greatly merited bill may at last be enacted into law.

In order to clarify the situation, the Members should understand that when the Senate passed the compensation bill last Thursday, August 23, an amendment was adopted which made it effective July 1, 1962. Specifically, the amendment struck out lines 7, 8, and 9 on page 4, and inserted the following: "July 1962, and payments shall be made accordingly, regardless of the date this act becomes law."

While all would agree that the bill should be effective from at least July 1, 1962, the question was whether or not this would involve an administrative burden for the Veterans' Administration and delay payment of the increase. I, therefore, addressed a letter to the Administrator of Veterans' Affairs on this subject raising the question of administrative cost and whether or not the amendment as approved by the other body would unduly delay the prompt payment of the increased rates of compensation. I have received a letter from the Administrator, the pertinent portion of which is the concluding paragraph, which reads as follows:

> In summary, it would be possible for us to administer the law with a July 1 effective date. However, from an administrative standpoint it would be simpler to have any retroactive feature applicable only to those on the rolls as of the date the law is signed. This would mean a lump-sum payment to

those on the rolls when the law takes effect without making adjustments for changes in status occurring between July 1 and the effective date.

Under unanimous consent, I include as part of my remarks the text of my letter to the Administrator and his reply dated August 28:

AUGUST 27, 1962.

Mr. JOHN S. GLEASON, Jr.,
Administrator of Veterans' Affairs,
Veterans' Administration,
Washington, D.C.

DEAR MR. GLEASON: When H.R. 10743 was considered in the Senate a few days ago, the bill was amended by deleting lines 7, 8, and 9 on page 4 and adding the following: "July 1962, and payments shall be made accordingly, regardless of the date this Act becomes law."

It is my understanding that this method of making compensation increases retroactive to the first day of July 1962 will impose a serious administrative burden on Veterans' Administration, particularly in those amended award cases which have been added, removed, raised or lowered since July 1, 1962. Attached is a copy of the proposed amendment to H.R. 10743. This has been coordinated with the Veterans' Administration. It is my understanding that adoption of this amendment would greatly simplify the administration of the July 1 effective date.

If clarification of the effective date, along the lines of the amendment prepared by Veterans' Administration, is made, it will be necessary that the House concur with the Senate amendment, with an amendment and send H.R. 10743 back to the Senate for final approval. Since this is a matter which relates to administrative problems and cost of the Veterans' Administration, will you please furnish a recommendation as to the course of action which, in your opinion, should be followed. I hope this matter can be disposed of Tuesday, August 28. Therefore, I would appreciate receiving a reply by 11 a.m. on that date. Your cooperation will be appreciated.

Sincerely yours,

OLIN E. TEAGUE,
Chairman.

AUGUST 28, 1962.

The Honorable OLIN E. TEAGUE,
Chairman, House Veterans' Affairs Committee, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to your inquiry concerning the problems VA would encounter should H.R. 10743 be enacted into law with a July 1 effective date.

The Chief Benefits Director has advised me that since the introduction of legislation for the compensation rate increase, we have been planning to effect the future rate increases through computer processing at Hines, Ill. We developed and tested a plan which would have permitted the increases to be made automatically at Hines, and thereby achieve machine accuracy in the making of these adjustments at a substantial saving in personnel cost. The introduction of the retroactive aspect of the rate increase to July 1, 1962, presents programing and computer processing problems which were not contemplated initially and which will result in added complications. This is occasioned by the fact that new computer instructions would have to be developed to reflect properly the changes made in all accounts after July 1, 1962. On the other hand, a retroactive payment to those on the rolls as of the effective date could be accomplished with little difficulty.

However, even with the July 1 effective date, we could process without difficulty about 95 percent of the accounts. This would mean that the balance, between 60,000 and 100,000, would require manual handling. In these cases the regular monthly increase would take effect promptly, but the retroactive payment would be deferred until the file is reviewed and the correct amount determined. We would anticipate that these retroactive payments could be made by the end of 1962. The additional cost would be in the range of $200,000, although we would not contemplate adding any personnel.

In summary, it would be possible for us to administer the law with a July 1 effective date. However, from an administrative standpoint it would be simpler to have any retroactive feature applicable only to those on the rolls as of the date the law is signed. This would mean a lump-sum payment to those on the rolls when the law takes effect without making adjustments for changes in status occurring between July 1 and the effective date.

Sincerely,

J. S. GLEASON, Jr.,
Administrator.

The substantative—benefit—part of the bill is in exactly the same form as passed by the House originally on April 2, 1962.

This bill provides increases in the rates of service-connected disability compensation to reflect the changes which have occurred in the cost of living since the last compensation increase in 1957 as well as to more adequately compensate the seriously disabled veterans. In other words, it would increase the monthly rates payable to veterans of all wars and peacetime service who have a service-connected disability rated between 10 and 100 percent or who are entitled to receive compensation at one of the higher statutory award rates, which presently run to a maximum of $450 or as much as $600 monthly if the veteran is entitled to the $450 rate, needs regular aid and attendance and is not being cared for in a Veterans' Administration hospital.

The effect of the bill is shown by the table which follows:

Degree and paragraph	Wartime cases	Current wartime rates	Wartime rates, H.R. 10743 as passed House Apr. 2 and Senate Aug. 23, 1962	H.R. 10743, percent increase over current wartime rates	Peacetime cases	Current peacetime rates	Peacetime rates, H.R. 10743 as passed House Apr. 2 and Senate Aug. 23, 1962	H.R. 10743, percent increase over current peacetime rates	Cost of H.R. 10743 as passed House Apr. 2 and Senate Aug. 23, 1962
10(a)	761,000	$19	$20	5.3	53,700	$15	$16	6.7	$9,776,000
20(b)	281,900	36	38	5.6	16,900	29	30	3.4	6,969,000
30(c)	251,700	55	58	5.5	17,500	44	46	4.6	9,481,000
40(d)	153,800	73	77	5.5	7,600	58	62	6.9	7,747,000
50(e)	102,100	100	107	7.0	5,700	80	86	7.5	8,986,000
60(f)	79,500	120	128	6.7	4,600	96	102	6.3	7,963,000
70(g)	40,500	140	149	6.4	2,400	112	119	6.3	4,576,000
80(h)	25,300	160	170	6.3	1,100	128	136	6.3	3,142,000
90(i)	7,400	179	191	6.7	200	143	153	7.0	1,090,000
100(j)	74,700	225	250	11.1	10,400	180	200	11.1	24,906,000
(l)	3,390	309	340	10.0	330	247	272	10.1	1,360,000
(m)	2,370	359	390	8.6	270	287	312	8.7	963,000
(n)	390	401	440	9.7	30	321	352	9.7	104,000
(o)	150	450	525	16.7	60	360	420	16.7	178,000
(p)	2,570	450	525	16.7	210	360	420	16.7	2,464,000
(o)+(r)	4,240	150(+450)	200(+525)	20.8	800	120(+360)	160(+420)	20.8	7,320,000
(s)	3,430	265	290	9.4	500	212	232	9.4	1,149,000
Total	1,794,440				122,300				98,264,000

PARAGRAPH NOTES

(k) Anatomical loss, or loss of use of a creative organ, or 1 foot, or 1 hand, or both buttocks, or blindness of 1 eye, having only light perception, rates (a) to (j) increased monthly by $47 additional to basic compensation paid monthly for veteran with these disabilities. (This $47 rate unchanged.)

Anatomical loss, or loss of use of a creative organ, or 1 foot, or 1 hand, or both buttocks, or blindness of 1 eye, having only light perception, in addition to requirement for any rates in (l) to (n), rate increased monthly for each loss or loss of use by $47 additional to basic compensation paid monthly for veteran with these disabilities (this $47 rate unchanged.)

(l) Anatomical loss, or loss of use of both hands, or both feet, or 1 hand and 1 foot, or blind both eyes with 5/200 visual acuity or less, or is permanently bedridden or so helpless as to be in need of regular aid and attendance, monthly compensation.

(m) Anatomical loss, or loss of use of 2 extremities at a level, or with complications, preventing natural elbow or knee action with prosthesis in place or has suffered blindness in both eyes having only light perception, or has suffered blindness in both eyes, rendering him so helpless as to be in need of regular aid and attendance, monthly compensation.

(n) Anatomical loss of 2 extremities so near shoulder or hip as to prevent use of prosthetic appliance, or suffered anatomical loss of both eyes, monthly compensation.

(o) Suffered disability under conditions which would entitle him to 2 or more rates in (l) to (n), no condition being considered twice, or suffered total deafness in combination with total blindness with 5/200 visual acuity or less, monthly compensation.

(p) In event disabled person's service-incurred disabilities exceed requirements for any of rates prescribed, Administrator, in his discretion, may allow next higher rate, or intermediate rate, but in no event in excess of $450.

(q) Minimum rate for arrested tuberculosis. (This $67 monthly rate is unchanged.)

(r) If entitled to compensation under (o), or the maximum rate under (p), and in need of regular aid and attendance, while not hospitalized at Government expense, additional monthly aid and attendance allowance.

(s) If totally disabled and (1) has additional disability independently rated at 60 percent or more, or, (2) is permanently housebound.

Section 2 of the bill provides that veterans who are receiving the statutory award of $450 and also additional compensation of $150 while not in a hospital, will have their compensation continued until the first day of the second month which begins after they are hospitalized. Inasmuch as it costs the Veterans' Administration approximately $25 a day to hospitalize each patient in a general, medical, and surgical hospital, and more for those veterans who are in the paraplegic class, it is obvious that the payment of this additional compensation, in lieu of furnishing hospital care, is, in effect, a saving to the Government. It seems reasonable to the committee and also good medical practice to permit these badly disabled service-connected cases to report to a hospital whenever they are in need of care without suffering a financial loss. Even at these rather liberal rates, many paralyzed veterans experience difficulty in making ends meet, since some require 24-hour care in their home and must pay out sizable amounts to individuals employed to take care of them.

Section 2 of the bill had its origin in H.R. 3350. This latter bill, as originally introduced, provided that this allowance would be discontinued, first, on admission for hospitalization if at that time the prognosis of his case indicated it was likely he would be hospitalized for 60 days or more; or, second, the first day of the third calendar month following the month of admission in all other cases. This section, as passed, provides that it will only be discontinued from the first day of the second calendar month which begins after the day of his admission. If the veteran leaves the hospital against medical advice and is thereafter readmitted, the allowance during this period of hospitalization shall be discontinued from the date of such readmission for so long as that hospitalization continues. The Paralyzed Veterans Association has been very much interested in this section of the bill. There would be no great cost, administrative or otherwise, as a result of the enactment of this section.

Section 3 of the bill increases the presumptive period for multiple sclerosis from 3 to 7 years.

The first-year cost of the first section of this bill is $98,264,000. No cost estimate is possible on the section liberalizing treatment for veterans receiving additional compensation while they are not in a Veterans' Administration hospital. No estimate of cost can be provided on section 2 or 3, but they are not believed to be large.

The history of service-connected compensation in the 87th Congress is an interesting and lengthy one, and I am glad that it appears now to be nearing an end, for I hope that the other body will be able to readily concur in this amendment which has just been adopted and that the bill may be sent to the White House without further delay. I appreciate the cooperation I have received on this subject from members of the Committee on Veterans' Affairs, Members of the House on both sides of the aisle, Members of the other body, and representatives of the veterans' organizations.

HISTORY OF COMPENSATION LEGISLATION IN 87TH CONGRESS

H.R. 879 was passed by the House on June 5, 1961, under suspension of the rules. There was no opposition to this proposal. The bill was developed through consultations with the President, and the President agreed to recommend a cost-of-living increase in service-connected compensation. The bill as reported by the committee provided a minimum cost-of-living increase to all categories, with increased amounts to the high disability groups. The bill passed on June 5, 1961, by the House had a first-year additional cost of $87,933,144. It provided an overall 9.2-percent average increase, as shown below in the table.

Degree and paragraph	Cases, wartime	Cases, peacetime	Current wartime rate	H.R. 879 as passed House June 5, 1961	Percent of increase, H.R. 879 as passed House, over current rate	Current peacetime rate	H.R. 879 as passed House, peacetime rate	Total costs, H.R. 879 as passed House
10(a)	752,739	47,724	$19	$20	5.3	$15	$16	$9,605,556
20(b)	285,824	14,410	36	38	5.6	29	30	7,082,096
30(c)	271,120	16,985	55	58	5.5	44	46	10,143,960
40(d)	157,980	6,866	73	77	5.5	58	62	7,913,040
50(e)	105,202	4,885	100	106	6.0	80	85	7,867,644
60(f)	82,416	4,090	120	127	5.8	96	102	7,217,424
70(g)	41,203	2,180	140	148	5.7	112	118	4,112,448
80(h)	25,261	1,010	160	169	5.6	128	135	2,813,028
90(i)	7,122	190	179	190	6.1	143	152	960,624
100(j)	74,987	9,626	225	245	8.9	180	196	19,845,072
(l)	2,775	292	309	335	8.4	247	268	939,384
(m)	2,094	295	359	385	7.2	287	308	727,668
(n)	377	16	401	435	8.5	321	348	159,000
(o)	142	45	450	500	11.1	360	400	106,800
(p)	2,194	160						1,393,200
(o)+(r)	3,085	705	150(600)	200(700)	16.7	480	560	4,378,800
(s)	10,600	900	265	285	7.5	212	228	2,716,800
Total								87,933,144

PARAGRAPH NOTES

(k) Anatomical loss, or loss of use of a creative organ, or 1 foot, or 1 hand, or both buttocks, or blindness of 1 eye, having only light perception, rates (a) to (j) increased monthly by ($47 additional to basic compensation paid monthly for veteran with these disabilities; this $47 rate unchanged).

Anatomical loss, or loss of use of a creative organ, or 1 foot, or 1 hand, or both buttocks, or blindness of 1 eye, having only light perception, in addition to requirement for any of rates in (l) to (n), rate increased monthly for each loss or loss of use by ($47 additional to basic compensation paid monthly for veteran with these disabilities; this $47 rate unchanged).

(l) Anatomical loss, or loss of use of both hands, or both feet, or 1 hand, and 1 foot, or blind both eyes with 5/200 visual acuity or less, or is permanently bedridden or so helpless as to be in need of regular aid and attendance, monthly compensation.

(m) Anatomical loss, or loss of use of 2 extremities at a level, or with complications, preventing natural elbow or knee action with prosthesis in place or has suffered blindness in both eyes, having only light perception, or has suffered blindness in both eyes, rendering him so helpless as to be in need of regular aid and attendance, monthly compensation.

(n) Anatomical loss of 2 extremities so near shoulder or hip as to prevent the use of prosthetic appliance, or suffered anatomical loss of both eyes, monthly compensation.

(o) Suffered disability under conditions which would entitle him to 2 or more rates in (l) to (n), no condition being considered twice, or suffered total deafness in combination with total blindness with 5/200 visual acuity or less, monthly compensation.

(p) In event disabled person's service-incurred disabilities exceed requirements for any of rates prescribed, Administrator, in his discretion, may allow next higher rate, or intermediate rate, but in no event in excess of $450.

(q) Minimum rate for arrested tuberculosis. (This $67 monthly rate is unchanged.)

(r) If entitled to compensation under (o), or the maximum rate under (p), and in need of regular aid and attendance, while not hospitalized at Government expense, additional monthly aid and attendance allowance.

(s) If totally disabled and (1) has additional disability independently rated at 60 per centum or more, or, (2) is permanently housebound.

On July 17, 1961, it was taken up by the Senate. The Senate Finance Committee held no hearings; however, it did hear statements by the Veterans' Administration and the Bureau of the Budget in a closed door session. After considering the bill briefly, the Senate Finance Committee cut the increases of the House bill for the 10-, 20-, and 30-percent groups in half which effected a savings of approximately $12 million, eliminated the 7-year presumption for multiple sclerosis, added the national service life insurance reopening amendment advocated by the junior Senator from Louisiana, and ordered the bill reported. The cuts in compensation made by the Senate Finance Committee affected 1,300,000 veterans with service-connected disabilities.

On September 1, 1961, the Senate passed H.R. 856, which had been reported on August 9 by the Senate Committee on Finance without hearings. This bill, which is identical to H.R. 11045, passed by the House in the 86th Congress, and which in its original form was supported by the Veterans' Administration, provides for a modified life plan of insurance for World War II veterans who maintained their insurance on a term basis. In reporting the bill, the Committee on Finance included as an amendment the provisions of H.R. 879, as passed by the House and described above, and also added to it the so-called insurance rider to permit reopening of the national service life insurance program. In the debate in the Senate on September 1, motion was made to remove the "insurance rider" from the bill. This motion failed by a record vote of 50 to 18.

On September 6, 1961, the House passed, under suspension of the rules, S. 2051, which had to do with the War Orphans' Educational Assistance Act and, as an amendment, there was added the provisions of H.R. 879, the compensation increase bill, in the form in which it passed the House originally on June 5.

On September 14, 1961, the Senate passed H.R. 3587 providing outpatient care for Indian war veterans and added as an amendment the provisions of S. 2051 without the provisions of H.R. 879—in other words, without the service-connected compensation increase.

On September 22, 1961, the House concurred in the Senate amendments to H.R. 3587, thus sending it to the White House where it was signed on October 4, 1961, and is now Public Law 87-337. As enacted, it related only to outpatient care for Indian war veterans and provides an extension of time for certain war orphans in the Philippines to initiate courses of training. No compensation matter was included.

The bills H.R. 856 and H.R. 879 are now lying on the Speaker's table. The bill, S. 2051, is on the Vice President's desk and in its present form has the provisions of H.R. 879, as passed by the House.

H.R. 10743 was reported by the Committee on Veterans' Affairs, unanimously, on March 19, 1962, and the rates provided are as shown previously. It was passed by the House on April 2, 1962, by unanimous vote.

On August 3, 1962, the Senate Committee on Finance reported H.R. 10743 without amendment and on August 23, the Senate passed the bill with no change except the amendment previously described.

PAY AND ALLOWANCES OF THE UNIFORMED SERVICES

Mr. WILLIS. Mr. Speaker, by direction of the Committee on the Judiciary, I ask unanimous consent to take from the Speaker's desk the bill (H.R. 10431) to revise, codify, and enact title 37 of the United States Code, entitled "Pay and Allowances of the Uniformed Services," with Senate amendments thereto, and concur in the Senate amendments.

The Clerk read the title of the bill.

The Clerk read the Senate amendments, as follows:

Page 14, line 11, strike out "him" and insert "the director".

Page 26, line 25, strike out "pay," and insert "pay".

Page 26, line 26, strike out "subsistence," and insert "subsistence".

Page 26, line 27, strike out ", as provided by" and insert "of".

Page 27, line 2, strike out "Commuted rations" and insert "The allowance".

Page 28, in the table in the column entitled "Pay grade" in the entry entitled "E-4 (7 or more years' service" strike out "209" and insert "205".

Page 28, in the table in the column entitled "Pay grade" in the entry entitled "E-4 (less than 7 years' service" strike out "209" and insert "205".

Page 55, line 30, strike out "subsection" and insert "section".

Page 71, line 17, after "1962." insert "Laws enacted after January 9, 1962, that are inconsistent with this Act shall supersede it to the extent of the inconsistency".

The SPEAKER. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

The Senate amendments were concurred in.

A motion to reconsider was laid on the table.

POSTAL SERVICE

Mr. WILLIS. Mr. Speaker, by direction of the Committee on the Judiciary, I ask unanimous consent to take from the Speaker's table the bill (H.R. 10432) to amend title 39, United States Code, to codify certain recent public laws relating to the postal service and to improve the Code, with Senate amendments thereto, and concur in the Senate amendments.

The Clerk read the title of the bill.

The Clerk read the Senate amendments, as follows:

Page 2, after the line following line 21, insert:

"SEC. 2A. Subsection (a)(1) of section 2308 is amended by deleting 'section 4167' in item (E) and inserting in lieu thereof 'section 4168'."

Page 11, line 23, after "1962." insert "Laws enacted after January 9, 1962, that are inconsistent with this Act shall supersede it to the extent of the inconsistency."

The SPEAKER. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

The Senate amendments were concurred in.

A motion to reconsider was laid on the table.

CODIFYING RECENT MILITARY LAWS

Mr. WILLIS. Mr. Speaker, by direction of the Committee on the Judiciary, I ask unanimous consent to take from the Speaker's table the bill (H.R. 10433) to amend title 10, United States Code, to codify recent military laws, and to improve the Code, with Senate amendments thereto, and concur in the Senate amendments.

The Clerk read the title of the bill.

The Clerk read the Senate amendments, as follows:

Page 2, line 14, strike out "months'" and insert "month's".

Page 5, line 6, after "analysis" insert ", relating to the participation of members of the armed forces in international sports,".

Page 5, strike out lines 14 to 24, inclusive, and "1039. Appointment of warrant officer to commissioned grade."

Page 6, line 1, strike out "107" and insert "106".

Page 6, line 24, strike out "108" and insert "107".

Page 6, line 24, strike out "Section" and insert "Sections".

Page 8, strike out lines 5 to 10, inclusive, and insert: "A member of an armed force may not be required to sign a statement relating to the origin, incurrence, or aggravation of a disease or injury that he has. Any such statement against his interests, signed by a member, is invalid."

Page 8, line 16, strike out "109" and insert "108".

Page 9, line 1, strike out "110" and insert "109".

Page 9, line 4, strike out "111" and insert "110".

Page 9, line 14, strike out "kind" and insert "kin".

Page 11, line 7, strike out "affairs" and insert "Affairs".

Page 11, line 12, strike out "112" and insert "111".

Page 12, line 6, strike out "supplied.';" and insert "supplied.'"

Page 12, lines 11 and 12, strike out "the Army, Navy, Marine Corps, or Air Force" and insert "an armed force".

Page 12, in the second line following line 21, strike out "department.'" and insert "department."

Page 13, line 1, strike out "113" and insert "112".

Page 13, line 3, strike out "wherever it appears" and insert "in the catchline and wherever it appears in the text".

Page 15, line 14, strike out "114" and insert "113".

Page 15, lines 17 and 18, strike out "Department of Army, Navy, or Air Force" and insert "armed forces".

Page 16, lines 3, 4, and 5, strike out "of a military department, or a member of the Army, Navy, Marine Corps, or Air Force, as the case may be," and insert ", or a member, of an armed force".

Page 17, line 3, after "States" insert "; international agreements".

Page 17, strike out lines 16 and 17 and insert "employee, or a member, of an armed force."

Page 18, in the second line following line 14 strike out "Department of Army, Navy, or Air Force" and insert "armed forces".

Page 78, in the fifth line following line 14, after "States" insert "; international agreements".

Page 18, line 15, strike out "115" and insert "114".

Page 18, line 20, strike out "116" and insert "115".

Page 19, line 1, strike out "117" and insert "116".

Page 19, line 3, strike out "4023." and insert "4023; and".

Page 19, line 5, strike out "118" and insert "117".

Page 19, line 11, strike out "119" and insert "118".

Page 19, line 15, strike out "120" and insert "119".

Page 19, line 17, strike out "4748." and insert "4748; and".

Page 19, line 19, strike out "121" and insert "120".

Page 19, line 21, strike out "122" and insert "121".

Page 20, line 11, strike out "123" and insert "122".

Page 20, line 15, strike out "124" and insert "123".

Page 21, line 1, strike out "125" and insert "124".

Page 21, line 4, strike out "126" and insert "125".

Page 21, line 21, strike out "127" and insert "126".

Page 21, line 23, strike out "128" and insert "127".

Page 22, line 3, strike out "129" and insert "128".

Page 22, line 7, strike out "130" and insert "129".

Page 22, immediately preceding line 11, insert:

"SEC. 130. Section 674(a) of title 10, United States Code is amended to read as follows:

"'(a) Units and members in the Standby Reserve may be ordered to active duty (other than for training) only as provided in section 672 of this title.'"

Page 22, immediately preceding line 11, insert:

"SEC. 131. Section 2276(b) of title 10, United States Code, is amended to read as follows:

"'(b) Any committee of Congress may inspect audits and reports of inspection made under subsection (a).'"

Page 24, line 22, strike out "committees" and insert "Committees".

Page 25, lines 3 and 4 strike out "Marine Corps, or Air Force" and insert "Air Force, or Marine Corps".

Page 25, line 7, strike out "States;" and insert "States."

Page 25, line 8, strike out " 'If" and insert "If".

Page 25, line 14, strike out "40-day" and insert "forty-day".

Page 26, line 1, strike out "Marine Corps," and insert "Air Force,".

Page 26, line 2, strike out "Air Force" and insert "Marine Corps".

Page 26, line 3, strike out "of" where it appears the second time and insert "or".

Page 26, line 15, strike out "that is performed by" and insert "common to".

Page 29, line 16, strike out "ten" and insert "10".

Page 30, line 25, after "Unless" insert "specifically".

Page 31, line 10, strike out "ten" and insert "10".

Page 31, strike out all after line 24 over to and including line 9 on page 32 and insert:

"(b) The Director performs such duties relating to research and engineering as the Secretary of Defense may prescribe, including—

"(1) being the principal adviser to the Secretary on scientific and technical matters;

"(2) supervising all research and engineering activities in the Department of Defense; and

"(3) directing, controlling, assigning, and reassigning research and engineering activities that the Secretary considers need centralized management."

Page 35, line 2, strike out "prescribe.'" and insert "prescribe."

Page 35, after line 2, insert:

"(c) The General Counsel shall receive compensation at the rate prescribed by law for assistant secretaries of executive departments."

Page 36, line 8, strike out "departments.'; and" and insert "departments."".

Page 37, line 19, after "Defense" insert ", or by or on behalf of personnel of any department or organization,".

Page 39, line 8, strike out "ten" and insert "10".

Page 39, line 23, strike out "working-capital funds" and insert "working capital".

Page 41, line 5, strike out "A purchaser" and insert "The requisitioning agency".

Page 42, line 4, strike out "An annual report" and insert "Reports annually".

Page 44, line 11, strike out "1782(c)" and insert "2392(d)".

Page 44, in the fourth line following line 13, strike out " '2206." and insert " "2206."

Page 44, line 17, strike out " '(a) Subject" and insert " 'Subject".

Page 45, line 12, strike out "Defense." and insert "Defense.'"

Page 45, strike out all after line 12 over to and including line 3 on page 46.

Page 49, line 5, strike out "activities'." and insert "activities, headquarters, forces, bases, installations, activities, and functions under the control or supervision of the Secretary of the Navy.'"

Page 53, line 2, strike out "106" and insert "108".

Page 53, line 15, strike out "304" and insert "108".

Page 54, in the first part of the table entitled "A. STATUTES AT LARGE" in the column entitled "Date", strike out "1950" and insert "1951".

Page 54, in the second part of the table entitled "A. STATUTES AT LARGE" strike out

"1958—Feb. 12	85-325	7 (1st par.)	72	13,
Aug. 6	85-599	3 (a), (b), 5(b), 9(a) (less last sentence of § 203 (b) (1)), (b).	72	514-516, 518, 520, 621."

and insert:

"1958—Aug. 6	85-599	3 (a), (b), 5(b), 9(a) (less last sentence of § 203(b)(1))	72	514-516, 518, 521."

Page 54, after the table entitled "A. STATUTES AT LARGE" insert:

"B. SECTION OF TITLE 14, UNITED STATES CODE

"Section 471a."

Page 54, after the table entitled "A. STATUTES AT LARGE" strike out "B. REORGANIZATION PLAN" and insert "C. REORGANIZATION PLAN".

Page 54, in the table entitled "B. REORGANIZATION PLAN" in the column entitled "Section" strike out "(1st sentence)".

Page 54, after the tables, insert:

"SEC. 308. The analysis of chapter 13 of title 14, United States Code, is amended by striking out the following item:

"'471a. Motor vehicles; transportation on permanent change of station.'"

The SPEAKER. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

The Senate amendments were concurred in.

A motion to reconsider was laid on the table.

CANAL ZONE

Mr. WILLIS. Mr. Speaker, by direction of the Committee on the Judiciary, I ask unanimous consent to take from the Speaker's table the bill (H.R. 10931) to revise and codify the general and permanent laws relating to and in force in the Canal Zone and to enact the Canal Zone Code, and for other purposes, with Senate amendments thereto, and concur in the Senate amendments.

The Clerk read the title of the bill.

The Clerk read the Senate amendments, as follows:

Page 3, line 27, strike out "No" and insert: "A".

Page 25, line 35, after "States" insert "; including but not limited to, positions (a) involving security of property; (b) involving access to defense information not releasable to foreign nationals; or (c) requiring the use of United States citizens to insure continuity and capability of operation and administration of activities in the Canal Zone by the United States Government".

Page 29, line 24, strike out "this Code,".

Page 53, line 16, strike out "admeasures" and insert "admeasurers".

Page 83, line 18, strike out "prsecribed" and insert "prescribed".

Page 90, strike out line 5.

Page 129, line 6, strike out "gift" and insert "gift."

Page 212, line 9, strike out "leasst" and insert "least".

Page 238, line 31, strike out "not" and insert "now".

Page 475, line 21, strike out "applica" and insert "applica-".

Page 517, line 38, strike out "(1)" and insert "(a)".

Page 518, line 13, strike out "(2)" and insert "(b)".

Page 556, line 27, strike out "mean" and insert "means".

Page 614, strike out line 11.

Page 629, line 42, strike out "both" and insert "both."

The SPEAKER. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

The Senate amendments were concurred in.

A motion to reconsider was laid on the table.

ARMED SERVICES PROCUREMENT ACT OF 1947

Mr. VINSON. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the bill (H.R. 5532) to amend the Armed Services Procurement Act of 1947, with Senate amendments thereto and concur in the Senate amendments.

The Clerk read the title of the bill.

The Clerk read the Senate amendments, as follows:

Strike out all after the enacting clause and insert "That title 10 of the United States Code is hereby amended as follows:

"(a) Subsection 2304(a) is amended to read as follows:

"'(a) Purchases of and contracts for property or services covered by this chapter shall be made by formal advertising in all cases in which the use of such method is feasible and practicable under the existing conditions and circumstances. If use of such method is not feasible and practicable, the head of an agency, subject to the requirements for determinations and findings in section 2310, may negotiate such a purchase or contract, if—'.

"(b) Subsection 2304(a)(14) is amended to read as follows:

"'(14) the purchase or contract is for technical or special property that he determines to require a substantial initial investment or an extended period of preparation for manufacture, and for which he determines that formal advertising would be likely to result in additional cost to the Government by reason of duplication of investment or would result in duplication of necessary preparation which would unduly delay the procurement of the property;'.

"(c) Section 2304 is amended by adding a new subsection as follows:

"'(g) In all negotiated procurements in excess of $2,500 in which rates or prices are not fixed by law or regulation and in which time of delivery will permit, proposals shall be solicited from the maximum number of qualified sources consistent with the nature and requirements of the supplies or services to be procured, and written or oral discussions shall be conducted with all responsible offerors who submit proposals within a competitive range, price, and other factors considered: *Provided, however,* That the requirements of this subsection with respect to written or oral discussions need not be applied to procurements in implementation of authorized set-aside programs or to procurements where it can be clearly demonstrated from the existence of adequate competition or accurate prior cost experience with the product, that acceptance of an initial proposal without discussion would result in fair and reasonable prices and where the request for proposals notifies all offerors of the possibility that award may be made without discussion.'

"(d) The second sentence of subsection 2306(a) is amended by substituting '(f)' for '(e)'.

"(e) Section 2306 is amended by adding a new subsection as follows:

"'(f) A prime contractor or any subcontractor shall be required to submit cost or pricing data under the circumstances listed below, and shall be required to certify that, to the best of his knowledge and belief, the cost or pricing data he submitted was accurate, complete and current—

"'(1) Prior to the award of any negotiated prime contract under this title where the price is expected to exceed $100,000;

"'(2) Prior to the pricing of any contract change or modification for which the price adjustment is expected to exceed $100,000, or such lesser amount as may be prescribed by the head of the agency;

"'(3) Prior to the award of a subcontract at any tier, where the prime contractor and each higher tier subcontractor have been required to furnish such a certificate, if the price of such subcontractor is expected to exceed $100,000; or

"'(4) Prior to the pricing of any contract change or modification to a subcontract covered by (3) above, for which the price adjustment is expected to exceed $100,000, or such lesser amount as may be prescribed by the head of the agency.

"'Any prime contract or change or modification thereto under which such certificate is required shall contain a provision that the price to the Government, including profit or fee, shall be adjusted to exclude any significant sums by which it may be determined by the head of the agency that such price was increased because the contractor or any subcontractor required to furnish such a certificate, furnished cost or pricing data which, as of a date agreed upon between the parties (which date shall be as close to the date of agreement on the negotiated price as is practicable), was inaccurate, incomplete, or noncurrent: *Provided*, That the requirements of this subsection need not be applied to contracts or subcontracts where the price negotiated is based on adequate price competition, established catalog or market prices of commercial items sold in substantial quantities to the general public, prices set by law or regulation or, in exceptional cases where the head of the agency determines that the requirements of this subsection may be waived and states in writing his reasons for such determination.'

"(f) The first sentence of subsection 2310(b) is amended to read as follows:

"'Each determination or decision under clauses (11)-(16) of section 2304(a), section 2306(c), or section 2307(c) of this title and a decision to negotiate contracts under clauses (2), (7), (8), (10), (12), or for property or supplies under clause (11) of section 2304(a), shall be based on a written finding by the person making the determination or decision, which finding shall set out facts and circumstances that (1) are clearly illustrative of the conditions described in clauses (11)-(16) of section 2304(a), (2) clearly indicate why the type of contract selected under section 2306(c) is likely to be less costly than any other type or that it is impracticable to obtain property or services of the kind or quality required except under such a contract, (3) clearly indicate why advance payments under section 2307(c) would be in the public interest, or (4) clearly and convincingly establish with respect to the use of clauses (2), (7), (8), (10), (12), and for property or supplies under clause (11) of section 2304(a), that formal advertising would not have been feasible and practicable.'

"(g) Section 2311 is amended to read as follows:

"'2311. Delegation

"'The head of an agency may delegate, subject to his direction, to any other officer or official of that agency, any power under this chapter except the power to make determinations and decisions under clauses (11)-(16) of section 2304(a) of this title. However, the power to make a determination or decision under section 2304(a)(11) of this title may be delegated to any other officer or official of that agency who is responsible for procurement, and only for contracts requiring the expenditure of not more than $100,000.'

"(h) The amendments made by this Act shall take effect on the first day of the third calendar month which begins after the date of enactment of this Act."

Amend the title so as to read: "An Act to amend chapter 137, of title 10, United States Code, relating to procurement."

The SPEAKER. Is there objection to the request of the gentleman from Georgia?

There was no objection.

The Senate amendments were concurred in.

A motion to reconsider was laid on the table.

Mr. VINSON. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the Record.

The SPEAKER. Is there objection to the request of the gentleman from Georgia?

There was no objection.

Mr. VINSON. Mr. Speaker, on August 23 the Senate passed H.R. 5532 to amend the Armed Services Procurement Act with amendments which I will discuss.

The Committee on Armed Services accepts the Senate amendments.

Mr. Speaker, legislation of this character has passed the House three times, but this is the first time that it has been passed in the Senate.

We debated H.R. 5532 in the House on June 7.

I testified before the Senate Committee on Armed Services on July 19. The gentleman from Louisiana [Mr. Hébert] likewise presented his views to that committee.

The gentleman from Louisiana [Mr. Hébert] and I are in full accord with the bill as amended.

I would point out to the House what the Senate amendments are. The Senate was reluctant to revoke the Korean National Emergency Proclamation of 1950, upon which authorizations for procurement depended, notably the set-aside programs for small business, labor surplus, and distressed areas.

The House bill, while it revoked and terminated the emergency proclamation, nevertheless preserved and legalized these programs. In my discussion with the Senate Committee on Armed Services, there was some apprehension about the effect of an abrupt termination at this time of the emergency proclamation.

I cannot object that the House bill has been amended in this respect because the purposes of the House in revoking the emergency have long since been served.

We of course want to preserve the set-aside programs as they are administered now. But I would remind the House that the revocation of the emergency as first proposed in 1957 was to require the Department of Defense to conduct its negotiations in accordance with the provisions of the Armed Services Procurement Act of 1947. When this subject was first taken up in 1956, it was found that 94 percent of procurement was by negotiation, and that all of that procurement was done under authority of the emergency proclamation of 1950 without the restrictions and beyond the limitations contained in the Procurement Act to regulate and control negotiated purchasing.

Effective from the close of our hearings in 1957 and almost concurrently with the passage of this provision in our earlier bill in the 85th Congress, the Department of Defense ceased to use the emergency provisions of section 2304(a)(1), and since then conducted its business under the act, excepting of course, for the set-aside program which depend for their legality on this proclamation. The decision of the Senate on this matter, for my part, is a practical one. The purpose of the clause in the House bill is already being accomplished.

The Senate amendment deleting this particular repeal merely continues set-asides as they are now being administered. Since the Department of Defense is observing the law in other respects, we have no urgent reason for insisting on the termination of the Korean national emergency authority, merely for the sake of terminating it.

The other provisions of the bill, which were explained to the House, when the bill was passed on June 7, have been adopted. As the gentleman from Louisiana [Mr. Hébert] and I explained to the House, most of these provisions were administrative or directory in nature, imposing certain additional requirements on actions taken when negotiations were conducted. The Senate has adopted all those requirements.

But the Senate, and the gentleman from Louisiana [Mr. Hébert] and I heartily agree with them, has broadened the coverage of the House bill on cost contracts.

The bill, as passed by the House, related to what I called on the floor a provision for truth in negotiating on the incentive-bonus contracts.

The Senate not only agreed to that House provision, but in the course of our hearing before the committee, the Senate extended the coverage to requiring a statement certified to be true, by any contractor on all his actual known costs at the time of negotiating any cost-type contract or subcontract. So the bill as amended covers not only the incentive-bonus contract, but all other types of cost contracts and subcontracts which depend upon accurate cost data for determining the profit or the fee to be paid.

The gentleman from Louisiana [Mr. Hébert] offered and the House adopted a floor amendment to H.R. 5532 which would have authorized the Comptroller General to review determinations and decisions in negotiated purchases made under the provisions of section 2304(a), subsections 11 through 16. By the provisions of section 2310, these decisions are now final.

I supported the gentleman from Louisiana's [Mr. Hébert] amendment here, the House adopted it, and I urged its adoption by the Senate Committee on

Armed Services. But it was not agreed to by the Senate. I would have preferred to see it in the bill as it comes here today. But the Senate committee members expressed concern over the possibility of interference with the executive authority by transferring some of this authority to another branch of the Government. So it was not accepted.

But we have taken giant steps in getting agreement on limitations for negotiated bidding and on the restrictions on cost contracts.

In summary, this bill does four important things:

First, it requires more purchasing by formal advertised bidding;

Second, it requires clearer written justification when certain negotiating authority is used;

Third, it will require and produce more competition on negotiated purchasing; and

Fourth, it will safeguard the Government against inflated cost estimates on negotiated costs contracts.

ADMISSION OF CERTAIN ADOPTED CHILDREN

Mr. WALTER. Mr. Speaker, by direction of the Committee on the Judiciary, I ask unanimous consent to take from the Speaker's table the joint resolution (H.J. Res. 677) relating to the admission of certain adopted children, with Senate amendments thereto, and concur in the Senate amendments.

The Clerk read the title of the joint resolution.

The Clerk read the Senate amendments, as follows:

Strike out all after the resolving clause and insert "That, in the administration of the Immigration and Nationality Act, the following named aliens may be classified as eligible orphans within the meaning of section 101(b)(1)(F) of the said Act, and a petition may be filed in behalf of each alien named in this Act pursuant to section 205(b) of the Immigration and Nationality Act by the petitioner or petitioners specified in each case subject to all the conditions in that section relating to eligible orphans:

"Anne Kapsalis, formerly Anna Mastoraki; Mr. and Mrs. John E. Kapsales, petitioners.

"Kazimiera Przyborowska; Mr. and Mrs. Anton Hartmann, petitioners.

"Marie Antonina (Gutowicz) Olsenwik; Mr. and Mrs. Joseph Olsenwik, petitioners.

"Kook Nam Whang; Mr. and Mrs. Cornie L. Van Zee, petitioners.

"Wlodzimierz Miska; Mr. and Mrs. Jan K. Miska, petitioners.

"Wanda Miska; Mr. and Mrs. Jan K. Miska, petitioners.

"Ja Han Hong; Mr. and Mrs. Edward A. Ruestow, petitioners.

"Bogumil Getris; Mr. and Mrs. Alex Getris, petitioners.

"Tadeusz Romuald Czyz; Mr. and Mrs. Walter Czyz, petitioners.

"Cynthia Ann Foutris, formerly Cynthia Ann Fili; Mr. and Mrs. James Foutris, petitioners.

"Gaetanina Paola Angelone; Giuseppe Marinucci, petitioner.

"Adele Anna Teresa Angelone; Giuseppe Marinucci, petitioner.

"John Andrew Nichols; Mr. and Mrs. Nick A. Nichols, petitioners.

"Anna Sophia Nichols; Mr. and Mrs. Nick A. Nichols, petitioners.

"Manuel Calvete Pereira; Mr. and Mrs. Richard Roeder, petitioners.

"Urszula Kosior; John Kosior, petitioner.

"Teresita Fernandez; Mr. and Mrs. Felecisimo C. Fernandez, petitioners.

"Apolonio Fernandez; Mr. and Mrs. Felecisimo C. Fernandez, petitioners.

"Franciszek Kopec; Mr. and Mrs. Joseph Kopec, petitioners.

"Wladystaw Kopec; Mr. and Mrs. Joseph Kopec, petitioners.

"Theresa Godino; Mr. and Mrs. Frank Godino, petitioners.

"Vladimir Tsvetanov Trifonov; Mr. and Mrs. Sam Triffin, petitioners.

"Teresa Mikucki; Mr. and Mrs. Jan Mikucki, petitioners.

"Cecylia Orszula Pulit; Mr. and Mrs. Edward C. Pulit, petitioners.

"Krystyna Pietrzycki; Mr. and Mrs. John Pietrzycki, petitioners.

"Ignacy Pietrzycki; Mr and Mrs. Joseph Pietrzycki, petitioners.

"Wojcieh Antoni Drogoszewski; Mr. and Mrs. Antoni Drogoszewski, petitioners.

"Jan Kazimierz Lewandowski; Mr. and Mrs. Chester Lewandowski, petitioners.

"Stanislaw Jozef Scislowski; Joseph Scislowski, petitioner.

"Filomena Darmi, formerly Coccia; Mr. and Mrs. Dominic Darmi, petitioners.

"Despina McCrain, formerly Despina Doxis; Mr. and Mrs. William J. McCrain, petitioners.

"Vassilire McCrain, formerly Vassilire Doxis; Mr. and Mrs. William J. McCrain, petitioners.

"Jean Mary Haynes; Mr. and Mrs. Robert E. Haynes, petitioners.

"Michalina Adela Chudziak; Mr. and Mrs. Michael Chudziak, petitioners.

"Joseph Mikulich; Sebastian F. Mikulich, petitioner.

"Hyun Poot Dol (Paul Adrian Tucek); Mr. and Mrs. Charles Stanford Tucek, petitioners.

"David Gabat Domligan; Mr. and Mrs. Jose Domligan, petitioners.

"Apolonia Rudzinski; Mr. and Mrs. Anton Rudzinski, petitioners.

"Barbara Kolodziejczyk; Mr. and Mrs. Tadeusz Kolodziejczyk, petitioners.

"Augustyna Trzuskot; Mr. and Mrs. Joseph Trzuskot, petitioners.

"Urzsula Barbara Kolodziej; Mr. and Mrs. Joseph Kolodziej, petitioners.

"Sung Ae Kim; Mr. and Mrs. James Mericle, petitioners.

"Anna Carbone Masiello; Mr. and Mrs. Nicola Masiello, petitioners.

"Katsutoshi Fujii; Mr. and Mrs. Carl Stephen, petitioners.

"Rosina Carpanzano; Mr. and Mrs. Michele Gentile, petitioners.

"Jan (Krysztopa) Michniewicz; Mr. and Mrs. Antoni Michniewicz, petitioners.

"Yoshiko (Kuba) Hudson; Mr. and Mrs. Eddie F. Hudson, petitioners.

"Graziella Pasquale; Mr. and Mrs. Anthony Pasquale, petitioners.

"Katherine Ann Pervetich; Mr. and Mrs. Anthony Pervetich, petitioners.

"Carmine Antonio Cambio; Mrs. Gennaro Cambio, petitioner.

"Evangelia Nicholas Giameos; Mr. and Mrs. Nick S. Giameos, petitioners."

Amend the title so as to read: "Joint resolution relating to the admission of certain alien children."

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania.

Mr. POFF. Mr. Speaker, reserving the right to object, and I shall not object, may I inquire of the distinguished gentleman from Pennsylvania if this is the resolution designed to facilitate the entry of alien children adopted by U.S. citizens?

Mr. WALTER. Mr. Speaker, House Joint Resolution 677, as passed by the House on April 17, 1962, included 36 beneficiaries, all of whom are alien children adopted by citizens of the United States or coming to the United States for such adoption. The cases included in House Joint Resolution 677 were the subjects of 30 private bills as follows:

H.R. 3478, by Mr. BRADEMAS.
H.R. 5384, by Mr. OSMERS.
H.R. 6465, by Mr. WIDNALL.
H.R. 6507, by Mr. ANDERSEN of Minnesota.
H.R. 6934, by Mr. GALLAGHER.
H.R. 6997, by Mr. PUCINSKI.
H.R. 7163, by Mr. DEROUNIAN.
H.R. 7368, by Mr. KLUCZYNSKI.
H.R. 7552, by Mr. RAY.
H.R. 7778, by Mr. FINNEGAN.
H.R. 7816, by Mr. CLARK.
H.R. 7817, by Mr. CLARK.
H.R. 7845, by Mr. ALGER.
H.R. 8001, by Mr. PILLION.
H.R. 8019, by Mr. CONTE.
H.R. 8054, by Mr. BALDWIN.
H.R. 8091, by Mr. THOMPSON of New Jersey.
H.R. 8192, by Mr. ADDONIZIO.
H.R. 8299, by Mr. ROOSEVELT.
H.R. 8301, by Mr. VANIK.
H.R. 8420, by Mr. HOLLAND.
H.R. 8477, by Mr. BALDWIN.
H.R. 8548, by Mr. FEIGHAN.
H.R. 8575, by Mr. DINGELL.
H.R. 8908, by Mr. KLUCZYNSKI.
H.R. 8909, by Mr. LIBONATI.
H.R. 8972, by Mr. OSTERTAG.
H.R. 9177, by Mr. FINO.
H.R. 9260, by Mr. DONOHUE.
H.R. 9713, by Mr. HOLLAND.

Following the adoption of House Joint Resolution 677 by the House, 14 additional bills were examined by the Committee on the Judiciary and found to fall in the category of the above-cited legislation. The committee has recommended to the Committee on the Judiciary of the Senate that the respective cases be included as an amendment to House Joint Resolution 677 as follows:

H.R. 6603, by Mr. RHODES of Arizona.
H.R. 8703, by Mr. INOUYE.
H.R. 9595, by Mr. KLUCZYNSKI.
H.R. 9601, by Mr. PIKE.
H.R. 9633, by Mr. LESINSKI.
H.R. 9634, by Mr. LESINSKI.
H.R. 9674, by Mr. KING of California.
H.R. 9711, by Mr. FINO.
H.R. 9716, by Mr. YOUNGER.
H.R. 9773, by Mr. DOOLEY.
H.R. 9836, by Mr. ANDERSON of Illinois.
H.R. 9908, by Mr. BRAY.
H.R. 10025, by Mr. DANIELS.
H.R. 10463, by Mr. GUBSER.

The Senate agreed to the amendment and further amended House Joint Resolution 677 by including three cases falling in the same category covered by three bills of the Senate, namely:

S. 2282, by Senator PASTORE.
S. 2375, by Senator BIBLE.
S. 3365, by Senator SCOTT.

Administrative remedy was found in two cases covered by House Joint Resolution 677, as originally passed by the House and the two cases were deleted by the Senate—H.R. 6934, by Mr. GALLAGHER, and H.R. 8477, by Mr. BALDWIN.

Thus, House Joint Resolution 677, as now considered by the House, comprises the beneficiaries of 42 private bills of the House and 3 bills of the Senate.

Mr. POFF. Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

The Senate amendments were concurred in.

A motion to reconsider was laid on the table.

TAI JA LIM

Mr. WALTER. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the bill (H.R. 1388) for the relief of Tai Ja Lim, with a Senate amendment thereto, and concur in the Senate amendment.

The Clerk read the title of the bill.

The Clerk read the Senate amendment as follows:

> Strike out all after the enacting clause and insert: "That, in the administration of the Immigration and Nationality Act, Tai Ja Lim may be classified as an eligible orphan within the meaning of section 101(b)(1)(F), and a petition may be filed in behalf of the said Tai Ja Lim by John Yung Rhee, a United States citizen, pursuant to section 205(b) of the Immigration and Nationality Act subject to all the conditions in that section relating to eligible orphans."

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

The Senate amendment was concurred in.

A motion to reconsider was laid on the table.

SUBCOMMITTEE NO. 1 OF THE COMMITTEE ON THE JUDICIARY

Mr. WALTER. Mr. Speaker, I ask unanimous consent that Subcommittee No. 1 of the Committee on the Judiciary may sit during general debate on Wednesday, August 29, and on Thursday, August 30.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

MOVEMENT OF GOLD FROM FORT KNOX

Mrs. ST. GEORGE. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentlewoman from New York?

There was no objection.

Mrs. ST. GEORGE. Mr. Speaker, we sometimes have to go far afield to find out things about ourselves. The other day an article was called to my attention from the Daily Telegraph and Morning Post of London, Monday, August 20, 1962, which reads as follows:

> £178 MILLION IN GOLD MOVED FROM FORT KNOX
>
> NEW YORK.
>
> Gold bars valued at £178 million—

Which in our money is about $500 million—

> have been moved by 33 lorries during the last 3 weeks from the U.S. depository at Fort Knox, Ky., to an undisclosed destination. Police escorted the lorries.
>
> Each lorry carried gold weighing 33,000 pounds. It was one of the most secret and highly planned transport operations carried out in the United States.
>
> A Fort Knox spokesman refused to comment today. But it is believed the movement may be connected with foreign drain on the gold stocks which declined $682 million (£243,575 million) up to July 25, according to the Federal Reserve Board.
>
> LOADED INTO TRAIN
>
> Maj. Russell McDaniel, Kentucky police chief, said his men met the lorries at an Army post and escorted them to Jeffersonville, where Indiana police took over. The gold was loaded into a train for a secret destination.
>
> "The caravan traveled every other day at 50 miles an hour without a stop," he added. "If one lorry had had an accident the gold might have spilled out."

It might be well for some committee of the Congress to investigate this movement of over $500 million in gold.

PROPOSED HONORARY CITIZENSHIP FOR SIR WINSTON CHURCHILL

Mrs. BOLTON. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentlewoman from Ohio?

There was no objection.

Mrs. BOLTON. Mr. Speaker, I am introducing today a joint resolution to confer honorary U.S. citizenship upon Sir Winston Churchill. This was first suggested in an article by Miss Kay Halle of Cleveland and Washington which appeared in the Cleveland Plain Dealer of July 23. Miss Halle is a longtime friend of the Churchill family. I applaud her suggestion and very much hope the Congress will follow through by unanimously passing my joint resolution.

Very few individuals in history have made an imprint on their times as Winston Churchill has on the 20th century. The entire world is aware of his leadership, both in his native land and in the struggle of the free world against nazism, fascism, and communism. He is one of the honored few whose names themselves speak for their achievements—as a writer, a historian, an author.

As the son of an American mother and an English father, Winston Churchill, more than any other, truly epitomizes the union between the two great English-speaking peoples. His courage and devotion to the cause of freedom and human dignity have served to challenge and inspire our Nation to victory in war and to achievement in peace. The gift of honorary citizenship of the United States of America is one honor, one token of rare esteem and love which is within this Nation's power to bestow, and which is worthy of Winston Churchill's place in history. Surely there is no more fitting demonstration of the respect and gratitude which we hold for this champion of mankind than the gift of citizenship—the most highly prized possession of every patriotic American.

It is my hope that prompt action will be taken on the joint resolution which I am proposing to bestow this honor on this great man.

CALL OF THE HOUSE

Mr. BROWN. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

Mr. ALBERT. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 205]

Alger
Andersen, Minn.
Baring
Bass, N.H.
Blitch
Bolling
Boykin
Brewster
Celler
Curtis, Mass.
Davis, Tenn.
Dawson
Donohue
Dooley
Ellsworth
Evins
Farbstein
Fogarty
Forrester
Frazier
Garland
Granahan
Gray
Hall
Harrison, Va.
Hébert
Henderson
Hoffman, Mich.
Ichord, Mo.
Kearns
Kilburn
Kowalski
McDowell
McMillan
McSween
McVey
Macdonald
Merrow
Morris
Morrison
Moulder
Norrell
O'Brien, Ill.
Pilcher
Powell
Rivers, Alaska
St. Germain
Santangelo
Saund
Scherer
Shelley
Spence
Steed
Thompson, La.
Weaver

The SPEAKER. Three hundred and seventy-five Members have answered to their names, a quorum.

By unanimous consent further proceedings under the call were dispensed with.

PUBLIC WORKS COORDINATION AND ACCELERATION ACT

Mr. DELANEY. Mr. Speaker, by direction of the Committee on Rules I call up the resolution (H. Res. 755) and ask for its immediate consideration.

The Clerk read the resolution, as follows:

> *Resolved*, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 10113) to establish an Office of Public Works Coordination and Acceleration; to authorize the preparation of a plan for acceleration of public works when necessary to avoid serious nationwide unemployment levels; and for other purposes, and all points of order against said bill are hereby waived. After general debate, which shall be confined to the bill, and shall continue not to exceed four hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Public Works, the bill shall be read for amendment under the five-minute rule. It shall be in order to consider without the intervention of any point of order the substitute amendment recommended by the Committee on Public Works now in the bill and such substitute for the purpose of amendment shall be considered under the five-minute rule as an original bill. At the conclusion of such consideration the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and any member may demand a separate vote in

the House on any of the amendments adopted in the Committee of the Whole to the bill or committee substitute. The previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit with or without instructions. After the passage of the bill H.R. 10113, it shall be in order in the House to take from the Speaker's table the bill S. 2965 and to move to strike out all after the enacting clause of said Senate bill and to insert in lieu thereof the provisions contained in H.R. 10113 as passed by the House.

Mr. DELANEY. Mr. Speaker, I yield 30 minutes of my time to the gentleman from Ohio [Mr. Brown]; and at this time I yield myself such time as I may consume.

Mr. Speaker, this resolution makes in order the consideration of the bill (H.R. 10113), the public works acceleration bill.

Mr. Speaker, unemployment has been a problem in this country continuously for the past 5 years. At no time during that period has unemployment dropped below 5 percent of the labor force and in 1958 and in 1960 the Nation suffered from recession. Over the past year the economy as a whole has shown gains but not at the rate or to the extent that we would all like to see. We still have 4 million jobless men and women and there is serious concern whether or not the current recovery will bring us all the way back to prosperity. In many communities unemployment is far more severe than the national average creating serious suffering for the people who live there and acting as a drag on the entire economy.

The President has urged the Congress to take favorable action on this public works bill as a vital part of our efforts to revitalize business activity. This bill is designed to combat unemployment through the creation of urgently needed Federal, State, and local public works.

The bill would authorize the appropriation of $900 million of which one-third would be reserved for small towns and rural areas. Let me emphasize that there is no backdoor financing in this bill. These funds could be authorized for Federal construction or for 50 percent matching grants to State and local governments for eligible projects. Federal projects which can be built or accelerated under this bill are limited to those which have been specifically authorized by the Congress. For example, Federal projects could be small watersheds, river and harbor and flood control projects, public buildings, soil conservation, reforestation, and construction in national parks, and so forth.

A wide range of State and local projects could be aided under the bill provided that they meet an essential public need. Schools, however, are not eligible for aid under the bill. Examples of local projects which could receive this system include water and sewer systems, public and private nonprofit hospitals, streets, public buildings, and so forth.

There are three important restrictions imposed by the bill on any project which receives aid. First, the bill requires that it "meet an essential need" thus ruling out any project of a luxury nature. Second, the bill requires that any project to be aided must be one that can be started promptly, so the funds will be put to use quickly to bring prompt relief to the unemployed. Third, the project must be one in which a substantial portion can be constructed within 12 months. This requirement both assures that the aid to the unemployed will be given in the very near future and at the same time it rules out disproportionately large undertakings.

Mr. Speaker, the entire country will benefit from the incomes created by this bill and from the construction materials to be used. However, to assure that the first impact will be in those places which are suffering most seriously from high unemployment, the bill requires that a project must be located in an area designated as eligible under the Area Redevelopment Act or 1 of the 122 places which have suffered from unemployment of 6 percent or more in 9 of the past 12 months. Under the Area Redevelopment Act, 149 large and small industrial labor markets are eligible along with 767 rural counties and 50 Indian reservations. A complete list of eligible areas has been published by the committee in several places—the committee report, a special committee print of the highlights of the bill and in the Congressional Record.

Mr. Speaker, the bill as reported by the committee includes a provision which would create a new office, that of Public Works Coordination and Acceleration, designed to serve an informational and advisory function. I am informed that the committee intends to offer an amendment eliminating this provision so I will not go into it now.

Mr. Speaker, this legislation was carefully considered in 2 full weeks of hearings and has been widely discussed since then. I am sure most Members are familiar with the contents of the bill and the need for favorable action. I urge all my colleagues to support this legislation.

Mr. BROWN. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker and Members of the House, as my very able colleague on the Rules Committee, the gentleman from New York [Mr. Delaney], has explained, this resolution makes in order the consideration of H.R. 10113 under an open rule and 4 hours of general debate, with all points of order waived, and with the right to substitute the Senate bill. This is a measure which provides for the appropriation and expenditure, without too many restrictions, of some $900 million in what is termed to be public works acceleration, by the President as he may determine, in his own wisdom, is necessary for the purpose of helping depressed areas, or to be of assistance in areas having 6 percent or more of unemployment for at least 9 out of the last 12 months. In other words, this measure, while broad in its scope, is not entirely general, because there are many sections of our country which could not possibly benefit under it, and could not obtain any assistance for public works projects unless they met the criteria set up in the bill, unless the areas affected were depressed, or unless there were heavy surplus labor areas for a period of at least 9 months.

Mr. Speaker, this bill is an unusual measure, not only granting the President great and broad powers which have never been enjoyed by any President in all history as far as controlling public works and community facilities expenditures are concerned, a bill which bypasses Congress to a great extent and in my opinion would eventually greatly injure, if not completely wreck the long-established procedure of the Congress in handling public works projects whereby, first of all, the Corps of Army Engineers, as you know, must pass upon the feasibility and the cost of a project; the project must be approved by the Bureau of the Budget; it must clear the House Committee on Public Works—the legislative committee—it must be approved by the Secretary of the Army also; it must be approved by the House itself, and it must then be approved by the Senate Public Works Committee and by the Senate, itself. Then, in the last analysis, it must be approved by the President.

Instead, this bill would substitute a new method, to some extent, at least, for that which time has proven so good throughout the entire history of this country. That is the system we now use for the establishment of individual public works authorizations and public works appropriations, cleared by the Congress of the United States. The Congress itself would have little or nothing to say about how the $900 million contained in this bill might be expended.

Mr. Speaker, as justification for this legislation it is claimed we must be ready to meet any sort of a national emergency as far as unemployment is concerned; that we must have these funds available for the use of the President in order to stave off some fearsome depression or recession that someone sees in the future, perhaps.

It might be of interest to note just what antidepression funds are already available, what has already been done by this Congress to help depressed areas in this country, to help these areas where we have unemployment to a greater degree than any of us want, of course, and where a real problem is created by such unemployment; where we already have established funds for community facilities and for public works. Let us look at the record for a moment, if you please, to see what is already available, ready to be used, by the Federal Government to give employment in these areas if such becomes necessary, to meet the difficulties which may arise from a recession or a depression.

Let us see what we have here. On August 14, a little less than 2 weeks ago, the Secretary of Commerce authorized the immediate release to the various States of the Union of some $1,994,104,000 in additional obligational authority under the Federal aid highway program for the fiscal year 1963. That is for this year, if you please. This release of funds was made a year in advance, and is in addition to the regular quarterly release of $948,840,000 for the Federal aid highway construction program which will be made in the year of 1963. Which means what? It means that in the 10 months ahead, there will be pumped into our national economy, between now and June 30 next, an additional $1,994,104,000 on highway construction alone, above that amount already provided for by the Congress.

Let us go further and see what else is available. As of August 20, just about a week ago, the Veterans' Administration had available at its disposal, by act of Congress, if you please—now we are being told we are not meeting our obligations—$450 million for the Veterans' Administration direct loan program. For some strange reason, in the months that have gone by, these funds were held up; the veterans were not able to get the housing loans which Congress had provided for them.

Let us go a little further and see what other moneys we have. By act of this Congress, the Community Facilities Administration—that is, for public facilities—has available now $447,400,000 that can be expended to meet any threat of depression, or to give employment where such may be necessary.

The urban renewal program: We have heard a lot about that. What has Congress done about it? There are still available right now Federal funds for urban renewal in the amount of $1,173 million. Voted by whom? Not by the President, not distributed to him, but voted by the Congress of the United States and available right now in case of need.

The Maritime Administration has available, under the shipbuilding program, $64 million, believe it or not, voted by the Congress. And that means jobs, of course, if the shipbuilding program is pushed along.

The Area Redevelopment Administration—that is for public facilities grants and loans programs—has $66 million available right now, or as of August 20. Voted by whom? By the Congress of the United States.

The Farmers Home Administration has available in its housing program, the loan program which was discussed here yesterday for a short time, the tidy sum of $302 million. Yet we are told in connection with this bill how necessary it is to go out into the rural districts to help unemployment and to meet a sad situation, with all this money available; and who voted it? The Congress of the United States.

I grow just a little sad of hearing the story of how the Chief Executive, I do not care who he may be or to what political party he may belong, that it is the President that must serve the people, that he must be given extraordinary power and authority, more and more power, if you please, to decide what ought to be done with the people's money because the people's lawmakers, their elected Representatives in Congress, have failed to meet their obligations. Of course, the record proves that such charges are not true, and that we do not need this $900 million in funds to be placed upon the shelf to be used as the President may see fit, wherever he may desire under this criteria, at any time he may decide, not needed, not necessary, because the Congress has done its duty, the Congress has provided the huge funds that are now under his control, or the control of those he has appointed to public office who are responsible to him as the Chief Executive. There is $2,502,400,000 already available to use for the very same purposes we are told the $900 million carried in this bill would be used for, and therefore it is not necessary for us to vote for this measure in order to meet these public needs and requirements.

Now, let us stop and reason with each other for a moment. Let us think, if you will. Not a penny of this $900 million has been included in the Federal budget, as have these other sums I have mentioned to you which have already been appropriated and authorized by the Congress. What does that mean? It means if this legislation is enacted into law we will be increasing the deficit in our budget for the year 1963 by another $900 million. This means, of course, that if we have a tax cut, as the President has proposed, we will have a budget deficit in 1963 of anywhere from $8 to $12 billion.

Oh, yes. Under this legislation the President is free to use his own judgment. This new agency to be set up to represent the President, this new bureaucratic official responsible to no one but the President, not elected by the people whose money he spends, can decide whether he wants to spend these funds on some project that is of a national type and character, or whether he wants to spend it in some small village of 300 or 400 population where some local council has decided they would like to have this or that. There is no restriction, no requirement that any of these projects have to be approved by the Congress. They can be spread all over the landscape.

There is one other thing I would like to say. We have heard a great deal about the omnibus public works authorization bill. We have always had one every year. That is the way we have previously operated, that is the way Congress has functioned, since its very inception.

Now, I do not know why, but I will wager that we have none this year. I do not know the reason, but I am satisfied, being this close to adjournment, together with the fact that the Committee on Public Works of the House has not been able to hold hearings to pass upon the many projects submitted to it, there will be no omnibus public works bill this year. Of course, under the provisions of this bill, in most of the counties, areas, and projects in the United States in which many of the Members of Congress are interested can get no benefit whatsoever unless there is a general public works authorization bill enacted into law. It has been said and suggested here, and I believe there is a willingness on the part of some of the sponsors of this measure, that certain amendments be written into the bill to make it more palatable. So I suggest, before you make up your minds, that you want to vote for this measure, you read the rather substantial minority report filed with the bill which I think you will find of interest, and perhaps you may even wish to talk with some of the majority members of the committee who signed the majority report and decide in your own minds as to whether or not this bill should be drastically amended, or whether, as so many of us believe, it should be laid up on the shelf, for consideration at some future date a long, long time from now.

Mr. DELANEY. Mr. Speaker, I yield 10 minutes to the gentleman from Virginia [Mr. SMITH].

Mr. SMITH of Virginia. Mr. Speaker, I rise in opposition to this rule and to the bill which it makes in order for consideration. I think the bill is unnecessary and that it should not be brought up at this time for the reasons which I hope to be able to outline to you as briefly as I can.

As to what the bill does, it provides for authorization of $900 million. And by the way, the other body's similar bill provides for $1.5 billion for emergency public works. We are supposed to be in a great emergency—and the economy of this country is supposed to be tottering on the brink. And that notwithstanding the fact that every indication from financial sources shows that the country's economy is improving and that we are on the uprise. It begins to look as if this Congress before it gets through may talk the country into a depression. Certainly if we have no consideration for financial responsibility, we could well accomplish that result.

This bill sets up a public works coordination and acceleration agency. That is about one-half of the content of the bill. It sets up a new agency to administer this emergency—so-called—program. But the agency is permanent, mind you.

Mr. DELANEY. Mr. Speaker, will the gentleman yield?

Mr. SMITH of Virginia. I yield.

Mr. DELANEY. It is my understanding that the committee will offer an amendment striking out that section.

Mr. SMITH of Virginia. I do not know anything about that, but I would imagine with this piece of legislation the committee would be inclined to sweeten it up all they could in order to get it by; and I think that is a very desirable thing to do, but the balance of the bill relates to so-called public works. By public works is meant a general authorization for any type of public works. I say type, not specific projects as we do when Congress legislates, such as municipal facilities that have been authorized, depressed areas and so forth.

This whole bill is tied to depressed areas and areas that have had unusually high unemployment for a period of 9 months. There are two areas there. Congress will not have anything to do with where this money goes. This really should be called an amendment to the depressed areas bill which we passed in the last Congress. All that would have been required had we wanted to give them another $900 million would have been a simple amendment to that bill, because the whole thing is tied to the authorization in the depressed areas bill.

Let us see what we have made available and what is not available for public works. I will not read the figures in detail, but here is what we have. We have a backlog of things that have been authorized or appropriated for this year, and also including the unexpended balances $8 billion—$8 billion. That is about twice what the total budget was when I first came to Congress—already available for public works throughout this country. Then you remember the bill we passed here about a week or 10 days ago, specifically the annual appropriation bill for public works in the amount of $4,613,807,900. I will not go into the details of the unexpended balances.

I want to talk a little about the budgetary situation, because it is very important right now, particularly when you are going to be confronted, as most of you will when you come back here with a proposal to reduce taxes next year. This 87th Congress has made two remarkable records. Record No. 1 is that you will this year exceed in your appropriations $100 billion, a record that has never been attained at any time in the history of this country except in time of war. Your budget is going to run over $100 billion. And you have attained another record, you have managed to increase the indebtedness of this country by raising the debt limit to over $300 billion, another record never attained by any other Congress except in time of war. So with a budget of $100 billion and a debt of over $300 billion we are proposing this what might be termed boondoggle in miscellaneous types of public works, to the tune of $900 million.

This budget is something that is pretty hard to get along with and understand because it is a big volume. But there is a striking fact that when it was published the latest completed fiscal year was 1961, and it shows on page 35 of the condensed budget that in 1961 we expended $81 billion, and it also shows that the budget request for 1963 is $99,303 million. Add to that, if you will, the increases that Congress has made in some of the appropriation bills, then add the $900 million that is proposed in this bill in the House and $1½ billion proposed in the Senate, and you have a prospective expenditure of over $100 billion in this fiscal year.

Do you know what that means in terms of percentage? Between the 1961 and 1963 budgets you will have increased the expenditures of this Congress from $81 billion to over $100 billion. That means an increase of 25 percent in your expenditures. That is extraordinary. That is another record that has never been accomplished by any other Congress in time of peace.

A lot of people will say, Well, we have such great war expenditures. They say that is due to the Department of Defense. Well, the gentleman from Texas, Mr. MAHON, who is chairman of the Subcommittee on Appropriations handling the Department of Defense appropriation bill, made a very impressive speech on that subject when he brought that bill up here for consideration. He compared the increases in certain areas between 1956 and the present time.

The **SPEAKER** pro tempore. The time of the gentleman from Virginia has expired.

Mr. **DELANEY**. Mr. Speaker, I yield the gentleman 5 additional minutes.

Mr. **SMITH** of Virginia. Mr. Speaker, I want to quote what the gentleman from Texas [Mr. MAHON] said. He knows, he has the figures, he obtained them from the proper sources.

> During the year 1954 we spent a certain amount for defense and we spent a certain amount for nondefense purposes. During the following years through fiscal year 1961, the last fiscal year to be concluded, defense spending increased by 1 percent. Nondefense spending during this 1954–61 period increased by 65 percent.
>
> If you extend this period through fiscal year 1962, from 1954 through 1962, which will conclude on June 30 of this year, the increase in defense spending over 1954, according to the current budget estimates, is 9 percent and the increase in nondefense spending is 85 percent.
>
> If you project this through fiscal year 1963, which will begin on July 1, 1962, you will find again, according to the budget estimates, that through that period the increase in defense spending will be 12 percent above 1954 and nondefense spending will be 94 percent above nondefense spending in 1954.
>
> In other words, the Government has held, since the Korean war, a rather even level of spending in defense. It has been edging up and down a little, but relatively it has been even, especially prior to about a year ago. But nondefense spending has gone up precipitously so that at the end of the fiscal year 1963 it will be 94 percent, according to the estimates, above 1954.

In other words, domestic expenditures increased by 65 percent or more than double, while defense expenditures increased by only 1 percent.

What is this agency known as the Area Redevelopment?

What sort of public works program is that? I had three or four of their announcements of approved projects that I wanted to tell you about involving projects recently authorized and which will be authorized under this bill.

Now, remember that one of them is related to a project down in some place in Texas where they are going to promote a project for building an inn for tourists, costing $250,000 in order to increase employment in that area. There is one project which provides for making a survey in West Virginia to determine the recreational facilities that could be created by an expenditure of $8 million in public funds.

Permit me to say before my time expires that the old bill for distressed areas provided grants of 30 percent. This bill has a little gimmick in it, it can be found on page 17 of the bill, hidden away down at the bottom of the page, which provides that these grants may be increased to 50 percent of the total. Therefore, the Federal Treasury is going to be saddled with 50 percent of what is to be expended under this new phase of area redevelopment.

Mr. Speaker, I noticed down in my own State that they are going to make a laboratory experiment and have granted some $20,000 to $30,000 to a college to go down on the Eastern Shore of Virginia and take two counties and determine what is the matter with their economy. I think we would all be amazed—I know we would—if we knew just what these projects are and how the taxpayers' money is being expended.

Mr. Speaker, then we have the question of what are we going to do about reducing taxes. Now, if we vote this $900 million, or $1.5 billion in the Senate bill, for this type of indefinite, uncertain, irrelevant, immaterial, and probably totally worthless sort of a program, how are we going to reduce taxes next January? We are going to be called upon to do just that. The President has already notified us that we will be called upon for a general overhaul of the tax system, and everyone knows that these taxes need reducing because our economy is suffering as a result of inordinately high taxation upon our people. How are you going to justify it? Just remember this: I know most of you must have read it. The Gallup Poll within the last 2 weeks submitted to the people a question of whether they wanted to vote a tax reduction without a reduction in domestic expenditures—put the question plumb up to the people—and do you know how they voted? Seventy-three percent of the people who were questioned said they did not want any tax reduction unless it was accompanied by a reduction in domestic expenditures, which would seem to indicate that perhaps they have more commonsense in the country than we have here in the city of Washington.

Mrs. **ST. GEORGE**. Mr. Speaker, I yield the balance of the time to the gentleman from Kansas [Mr. AVERY].

Mr. **AVERY**. Mr. Speaker, I want to be associated with the position just stated by the chairman of the Committees on Rules, the gentleman from Virginia [Mr. SMITH], and the position just previously taken by the ranking minority member on the Rules Committee, the gentleman from Ohio [Mr. BROWN].

Mr. Speaker, this bill came out of the Rules Committee by a vote of eight to six, one member being absent. So I think one could conclude offhand that this is a packed proposition and otherwise this measure would have met a very logical and a very quiet rejection in the House Committee on Rules.

First, Mr. Speaker, permit me to say this: I do not think the Republicans are taking the position that the mechanics of the bill or the separate provisions of this bill should be significantly changed. I think the point of disagreement here today is the make-work philosophy that is contained in this bill and whether or not there is justification for considering such a bill under the economic conditions that prevail today. I think this bill should be a little embarassing for my Democratic colleagues. It would seem to me that this is pretty much a testimonial to the failure of the economic philosophy of the New Frontier.

Now, is not that a logical conclusion? The New Frontier has had the policymaking responsibility for 2 years. There were far-reaching and dramatic statements made about getting America moving again during the campaign of 1960. Of course, the country assumed that meant to get it moving forward again. We did not ask for a clarification at that time but it was assumed that that meant to get the country moving forward. After 2 years of experimentation we are back here today playing back, if you please, one of the old records that was first cut back in the depression days of the New Deal. This is just a PWA bill with a new title that gives it the complexion of the New Frontier.

Was the PWA particularly successful? Did it do for the country all the things was claimed for it? Did it restore prosperity to the country? Did it eliminate unemployment? The answer is very simple: No, it did not. Had it done all those things I think there may have been a record established that would be a precedent for reaching back to restore some of these emergency measures in this year of 1962.

Let us just look at the figures for just a minute. Do you know what the rate of unemployment was when Franklin Delano Roosevelt was inaugurated in 1933? I doubt that anybody has thought about that for a long time. It was 22.8 percent of unemployment. Do you know what it was in 1938 after 6 years of New Deal frustration and just before we embarked on our war economy? It was still 19 percent.

What else did we do in that 6 years' time? We doubled the public debt. It was just about $19 billion when the New Deal arrived on the scene one day in March in 1933 and by 1938 it had just been doubled. It was about $38 billion. And what did we get for it? The impressive figure of reduction of unemployment by a total of 4 percent. It hardly seems to me that that record is impressive enough to justify even serious consideration of this bill here today.

Mr. BENNETT of Michigan. Mr. Speaker, will the gentleman yield?

Mr. AVERY. I yield to the gentleman from Michigan.

Mr. BENNETT of Michigan. In my district in Michigan we have in some areas as many as 25 percent of our working force unemployed.

Mr. AVERY. Today?

Mr. BENNETT of Michigan. As of now. That is as many as were unemployed during the great depression of the thirties.

Mr. AVERY. That is right.

Mr. BENNETT of Michigan. Most of that is due to the free trade policies that Congress has enacted and which have been on the books for the last 15 or 20 years. They put our domestic iron mining industry out of business. That is, their policies did. They put the lumber manufacturing people out of business. They had seriously injured the chemical industry in my district; the charcoal industry, the plywood industry.

Can the gentleman tell me what we are supposed to do in that kind of situation? We are out of business because of laws that Congress passed that permit imports from other countries to come in and ruin us.

Mr. Speaker, I know the gentleman is fair about this. I would like to know if he has an answer to it. I do not know what the answer is unless it is a program such as this. I am not sure that this program is going to help my district. I have no way of knowing. But I do know this. This Congress, just a few weeks ago, passed a bill which admittedly is going to put more industries out of business, and which admittedly is going to put many thousands or maybe even millions of workmen out of their jobs.

What is the answer to that? We are going to do all of these things in the name of our foreign policy and put our own people out of business. Then do you not believe that whether you call it relief or boondoggling or WPA the communities that have been hurt, these businesses that have been closed down, and the people that are out of jobs, should be given consideration?

Mr. AVERY. Of course I do, but I do not think I should be held responsible for the foreign policy or the economic policy or the trade policy of this administration. I would prefer the gentleman to direct that inquiry to those who will speak for the administration when we get into general debate.

Mr. YATES. Mr. Speaker, will the gentleman yield?

Mr. AVERY. It is with deep regret I must decline to yield to my good friend from Illinois. I know he would not intend to trespass upon my speech.

Mr. YATES. Of course not.

Mr. AVERY. I might say to the gentleman from Michigan, if he will bear with me, that this will not benefit Michigan, either.

I want to go rapidly to two points. The first one was touched upon by the gentleman from Virginia. That was this. I feel that we are considering this bill this afternoon just as we considered the farm bill a month or two ago. At first, the leadership could not bring the farm bill to the floor because they did not have the votes to pass it. Obviously the farmers did not want it and obviously there was reluctance on the part of Congress to pass it in view of this opposition. When they did get it to the floor, eight or nine amendments were offered by the committee designed to get the bill passed. The Members recall what happened to that bill when a compromise to the bill was proposed on the floor of the House in order to get enough votes to pass it. It went down to defeat.

Here we are today. I have not been officially advised there would be such an amendment, but I did read in the Wall Street Journal this morning that there would be an amendment that would eliminate the coordinator, and then there would further be an amendment that would definitely preclude utilization of funds in this bill for Federal aid to school construction. We were assured in the Rules Committee that there is language in this bill that would prevent it from becoming a vehicle for Federal aid to education, but it did not specifically prohibit it. Again, my only source of information on that is the Wall Street Journal, but it stated without reservation that there would be an amendment so that funds in this bill could not be used to circumvent the will of the House for Federal aid to education.

Mr. DELANEY. If there were anything in here for school construction, if that were the case, I would be opposed to it.

Mr. AVERY. I think the gentleman would agree he can find nothing in the bill that would preclude the use of these funds for school construction.

Mr. DELANEY. There is nothing in the bill that I can find in any way about school construction. It is specifically to the contrary.

Mr. BLATNIK. Mr. Speaker, would the gentleman yield?

Mr. AVERY. I yield to the gentleman from Minnesota, who is the author and certainly the foremost authority on the bill as it came to the Rules Committee.

Mr. BLATNIK. After the attack on the bill——

Mr. AVERY. The gentleman is not rejecting his authorship of it?

Mr. BLATNIK. Not at all; but getting on this aid to education, it never was the attempt to aid education here. It stated it specifically and precisely in the committee report. Because of the legislation from another committee, which we know is due to a legal technicality, there is no question about it. But to satisfy the gentleman from Kansas we shall spell it out in plain language and put it in the bill that it is not to be used for aid to schools.

Mr. AVERY. I thank the gentleman for his clarification of the proposed amendment but I would not want his remarks to be construed as meaning that with the inclusion of that amendment the gentleman from Kansas now addressing the House will vote for the bill, because the gentleman from Kansas has a few other reservations as well.

But I must hasten, because I know my time is just about gone. I want to use the remainder of my time to relate an incident to you. This incident relates purely to politics, but I think it spells out a lesson. I would ask the gentleman from Michigan [Mr. BENNETT] to hear me on this particular incident, because I think it answers his question. The administrator for the public works program for Kansas from the year 1934 to 1938 was a personal friend of mine, a very close friend of mine—obviously a Democrat. He told me this story. As the campaign for the Presidency moved into high gear in 1936 it became apparent to every practical political observer that Franklin Delano Roosevelt was going to be reelected for his second term. It became so very obvious, I assume, to the National Democratic Chairman that it got to be kind of a challenge as to just how far this could go. He first thought of the State of Kansas, because the Republican nominee that year, of course, was the then Governor of Kansas, Alf M. Landon. So this became a special mission or a special objective, if you please, of the National Democratic Chairman to carry Kansas for Franklin Delano Roosevelt in that historic election. He called my friend in Kansas and said "Just what can we do from Washington or from the National Democratic Committee to help us carry Kansas for President Roosevelt?" My friend said "That is going to be kind of tough. Alf Landon has made a good Governor, he is a pretty popular fellow out here, and I do not see how we can do this, but give me 10 days and I will report back." He called back in 10 days to the National

Democratic Chairman and said "I can just find one way that offers a possibility for carrying Kansas for Roosevelt. We have two public works projects that we have been trying to get approved out here since 1934. We have been turned down time after time after time. In my opinion, if we can get a clearance on those two projects right away and get these men to work not later than October 1, we can carry Kansas for Roosevelt." Almost overnight those two projects were approved. The men did go to work even before October 1, and Roosevelt did carry Kansas over Kansas' own native son.

I sort of anticipated the symbol of pleasure in way of applause from my Democratic colleagues. In fact, if you had not responded thusly, you would have spoiled the rest of my speech.

There has been frequent reference made to the possible political intervention, persuasion, and coercion by such a program as contained in the bill. Now, the position of the coordinator is to be stricken from the bill.

The SPEAKER. The time of the gentleman from Kansas has expired.

Mr. DELANEY. Mr. Speaker, the gentleman from Kansas is doing so well, I will be glad to yield him 2 additional minutes.

The SPEAKER. The gentleman from Kansas is recognized.

Mr. AVERY. Mr. Speaker, I will have to ask my good friends on the left side of the aisle not to interrupt any more, as my time is limited.

As I was saying, the position of the coordinator is to be eliminated from the bill. The authority is to be given directly to the President so he can determine which one of the four or five existing Federal agencies that administer the Federal aid programs should designate the areas and the projects that could be eligible recipients under this bill. You are in the majority now. I suppose you want to play games with this. But some day it might be on the other foot. Some day we might be looking the other way, and if I can read signs across the country, that might be sooner than you think. If you want to set a precedent for political boondoggling, go ahead and pass the bill. If you want to consider it on its merits on the questions of economic justification and budget capability, the bill should be defeated here this afternoon.

Mr. DELANEY. Mr. Speaker, I now yield 3 minutes to the gentleman from Mississippi [Mr. COLMER].

Mr. COLMER. Mr. Speaker, I ask unanimous consent to speak out of order.

The SPEAKER. Is there objection to the request of the gentleman from Mississippi?

There was no objection.

Mr. COLMER. Mr. Speaker, on August 23 I introduced House Joint Resolution 859 authorizing the President to issue a proclamation declaring Sir Winston Churchill to be an honorary citizen of the United States of America. Today I have introduced a slightly revised copy of that resolution.

The resolution is as follows:

H.J. RES. 859

Joint resolution authorizing the President of the United States to issue a proclamation declaring Sir Winston Churchill to be an honorary citizen of the United States of America

Whereas Sir Winston Churchill has occupied a prominent world position of leadership, both in his native land and in the struggle of the free world against nazism, fascism, and communism; and

Whereas this great leader also has earned for himself a position of prominence among the literary giants of the English-speaking world as a writer, a historian, and an orator; and

Whereas, being the son of an American mother and an English father, Sir Winston Churchill, more than any other, truly epitomizes the union between the two great English-speaking peoples; and

Whereas it is fitting that the Congress of the United States, on behalf of the grateful American people, expresses its high appreciation of the outstanding contribution this great statesman has made to the cause of freedom; and

Whereas it is also appropriate that this honor be bestowed as a means of furthering our Nation's hopes of an Atlantic union as proposed by the President on the Fourth of July 1962: Now, therefore, be it

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the President of the United States is hereby authorized and directed to issue a proclamation declaring Sir Winston Churchill to be an honorary citizen of the United States of America.

SEC. 2. The Clerk of the House is instructed to transmit a copy of this joint resolution to Sir Winston Churchill.

Mr. Speaker, one or more similar resolutions have been introduced in the Senate. I can think of no more appropriate manner in which the United States could express its appreciation of this great world figure than by the passage of this resolution, with the resultant proclamation of the President implementing it. I feel very strongly that Mr. Churchill shares that thought. Many of us here remember that momentous day when he addressed a joint session of the Congress. He prefaced his speech with the statement that he was at least half an American citizen because his mother was American born. He took great pride in this fact.

Mr. Speaker, I shall not attempt to gild the lily. Nothing that I can say would add luster to the career of this great man. I can only say that in my thinking, he was unquestionably the greatest actor to appear on the stage of the tragedy of World War II. Who can gainsay that had it not been for this great soldier and statesman, the British Empire would not have fallen prey to Hitler; and the war would have been lost because of the destruction of this base for the movement of American soldiers and munitions of warfare.

Mr. Speaker, the highlight of the life of this humble Member of Congress was the privilege of being the dinner guest of Sir Winston Churchill in 1945, while I had the honor of serving as chairman of the Special Committee on Postwar Economic Policy and Planning. For 3 hours I was the beneficiary of his wisdom and entertainment, and I hope, Mr. Speaker, that I may be pardoned for again pointing out here that this great man was most emphatic in this declaration of a firm policy in dealing with the Russians.

Mr. Speaker, I hope that this resolution will speedily pass both bodies and that this historian, warrior, statesman, and the greatest world leader of his time, may be accorded the status of an honorary citizen of the United States of America.

Mr. DELANEY. Mr. Speaker, I yield the balance of my time to the gentleman from California [Mr. ROOSEVELT].

Mr. ROOSEVELT. Mr. Speaker, my good friend from Kansas, I am sure, will forgive me for being a little political, but I do want to make two points. First, he referred to the packing of the Rules Committee and said that while there was nothing in this bill from the point of view of its structure that should keep it from coming before the House, but that it never would have come before the House if we had not packed the Rules Committee. I hope he does not really mean that, because I am sure the members of the Rules Committee would not like it. This is a fundamental matter and very basic. Certainly the Rules Committee would not want to deny the Members of this House the opportunity to debate this kind of measure. But more important than that, he went on to talk about the New Deal, and that happens to be something I know a little bit about. You see, the facts are that he did not tell you that when the New Deal came into power we had had 12 years of Republican administration. It took a few years to get the ball rolling, to get the country started again. We did it by looking after people with bills like the PWA and the WPA, which saw to it that human beings were taken care of. That is why the Democratic Party kept getting elected year after year after that.

And also, this new administration has come in after 8 years of a Republican administration, and it may take us a couple of years to get the country started again. But let me say the differences between the Republican and the Democratic Parties are being shown right here, for one of the ways to get the country started is to get people back to work, give them the opportunity and the dignity of a job, so that they may have pride in their country as they had pride in the New Deal then.

So I will have to say, while I do not want to be political about this, and I will defend the bill as being sound in every way, I believe in 1936 the State of Kansas did vote Democratic. Perhaps the gentleman might find if he is strong enough in his line of attack on this bill, we might get a few Democrats from Kansas in 1962.

Mr. AVERY. Mr. Speaker, will the gentleman yield?

Mr. ROOSEVELT. I yield to the gentleman from Kansas.

Mr. AVERY. I thank the gentleman from California for yielding.

First, I would like to ask a question. He said after 12 years of Republican excellent supervision of the country——

Mr. ROOSEVELT. No; I did not say that.

Mr. AVERY. I guess it is only implied from 12 years of Republican administrations. He said it did take a little while to get the country rolling again. When did it get rolling again before World War II? The gentleman heard my figures that unemployment was the same, even lower in 1938 than in 1936. When did the country get rolling?

Mr. YATES. Mr. Speaker, will the gentleman yield?

Mr. ROOSEVELT. I yield to the gentleman from Illinois.

Mr. YATES. Will not the gentleman point out to the gentleman from Kansas that when the Republicans took office in 1952 the unemployment rate was 2.9, and when the Republicans left office in 1960 the unemployment rate was 5.6.

Mr. ROOSEVELT. The gentleman has pointed it out very well.

Now, I am going to answer the gentleman's question. If he will look back into history, he will find the unemployment rate went steadily down. He will try to tell me, of course, it had not gone down far enough in the 6 or 8 years he was talking about. Well, came the time when our country was tested as never before, when we had to go to work to defend ourselves against nazism, against totalitarianism, threatening the peace and the survival of the world. Then, only because we had put into effect, with the Democratic administration of those days, the kinds of things that took care of people on the farms the gentleman knows well about, the kinds of things that built public works that needed to be built in our country; and, more important than that, the things that made people believe in their country. So the country was going again by the time World War II came about. We won that war, and would not have won it except for the measures that the New Deal put into effect at that time.

Mr. AVERY. Mr. Speaker, I think this debate this afternoon is stimulating to both sides of the aisle, and I think it carries a message to every citizen taxpayer in the United States.

First, let me address myself to the comment made by my very good friend, the gentleman from Illinois [Mr. Yates]. Of course, the record shows that the rate of unemployment in 1952 was approximately 3 percent. This unemployment prevailed despite the fact that American boys were engaged in a war in Korea that we apparently could not win. In other words, during a quasi-wartime economy in the Truman administration, unemployment was still 3 percent. This wartime economy followed immediately a period of an expanding economy that had been restricted for 5 long years because of a concentrated war effort to win World War II. I think it is an appropriate question to ask the American people: Can we tolerate a 5½-percent unemployment ratio in time of peace, or is any segment of our economy really better off under a wartime emergency with an only slightly lower unemployment ratio?

And there is still another point, Mr. Speaker, that I think the House should consider this afternoon. My friend, the gentleman from California [Mr. Roosevelt] said that this bill reflects the differences between the Republican and Democratic Parties, "for one of the ways to get the country started is to get people back to work, give them the opportunity and the dignity of a job, so that they may have pride in their country as they had pride in the New Deal then."

I think this is a most important statement, and I want to agree with it entirely and point out a further distinction. This bill does demonstrate the fundamental difference between the two great parties. The Republican Party believes the best way to get people back to work is to restore the confidence of the business community in order that the free enterprise system may develop to the fullest extent, thereby providing job opportunities for those who are seeking work. The Democratic Party appears to be obsessed with the philosophy that the most expedient way to provide jobs is to further impose restrictions upon the free enterprise system, impose a burdensome tax, and have employment provided by the Federal Government. For the worker, for the taxpayer, and for every citizen, the choice is simple—whether or not his employment will stem from a freedom of choice under the free enterprise system, or whether it should be a job that is artificially designed by the Government for a purpose that is not always productive.

Therefore, Mr. Speaker, I heartily concur that this bill, more dramatically than any other we have had in this session of Congress, demonstrates the difference in the economic philosophy in the two parties.

Mr. DELANEY. Mr. Speaker, I move the previous question.

The previous question was ordered.

The SPEAKER. The question is on the resolution.

The resolution was agreed to.

PERMISSION TO FILE REPORTS

Mr. DELANEY. Mr. Speaker, I ask unanimous consent that the Committee on Rules may have until midnight tonight to file certain privileged reports.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

PUBLIC WORKS COORDINATION AND ACCELERATION ACT

Mr. BLATNIK. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 10113), to establish an Office of Public Works Coordination and Acceleration; to authorize the preparation of a plan for acceleration of public works when necessary to avoid serious nationwide unemployment levels; and for other purposes.

The motion was agreed to.

Accordingly, the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill H.R. 10113, with Mr. Keogh in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

The CHAIRMAN. Under the rule, the gentleman from Minnesota [Mr. Blatnik] will be recognized for 2 hours, and the gentleman from New Jersey [Mr. Auchincloss] will be recognized for 2 hours.

The Chair recognizes the gentleman from Minnesota [Mr. Blatnik].

Mr. BLATNIK. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, the bill before us today, H.R. 10113, is a very clear bill, simple in structure, but important in function. It is also a very easily understood bill. What the bill proposes is essentially this: It authorizes $900 million to do exactly what its title calls for—to accelerate public works projects and programs already authorized by the Congress.

Mr. Chairman, I would like to say just a word or two on the economics of the proposal and why it is necessary to accelerate public works in certain areas.

We are today considering probably the most important piece of legislation to the unemployed men and women of this Nation, debated so far in the 87th Congress. This measure will give every Member of the Congress an opportunity to demonstrate his willingness to take constructive measures to help the unemployed, particularly those in the distressed urban and rural areas throughout the land; areas of our country which for a number of years have been experiencing acute economic distress as a result of technological change, depletion of resources and other factors—over 1,000 pockets of distressed areas bypassed by the general economic recovery following the severe recessions of 1958 and 1960 to 1961. The public works acceleration bill is desperately needed to help relieve some of their economic problems—now.

Why do we need to spend this $900 million at this time for public works in our distressed areas? First of all, this move is in accord with the dictates of the Unemployment Act of 1946 which states that it is the continuing responsibility of the Federal Government to use all practicable means, consistent with other essential considerations of national policy, to promote maximum employment, production and purchasing power; also, it is the declared intent of the Congress, as stated in the Area Redevelopment Act, Public Law 87-27, that it is in the best interests of this Nation to help overcome the problem of persistent unemployment and underemployment that some of our communities have been experiencing for it causes severe hardship to many individuals and their families and is detrimental to the national welfare, and also wastes vital human resources. More importantly, the Area Redevelopment Act states that new employment opportunities should be created by taking measures to redevelop these areas in their own right rather than by merely transferring jobs from one area of the United States to another. I am sure the Members of the Congress will agree that providing work which brings about a long-term benefit to the community through the construction of much needed community facilities is one of the best ways to achieve this objective. In this way communities in these urban and rural distressed areas would become more attractive, through the improved public facilities, to prospective industries wishing to locate there, as well as providing employment immediately and directly to the unemployed, many of whom have been without creative work for several years.

The necessity for this legislation is as great now as was the need for the Area Redevelopment Act when passed and before. The Area Redevelopment Act is a long-term program of redevelopment, designed to find permanent solutions to economic ills. Money was appropriated for this program less than a year ago, and it is only now beginning to gather momentum. The process of permanent redevelopment, of course, takes time; heavy unemployment remains while this fight against stagnation goes on. Unemployment has been above the 5-percent level continually for the past 5 years and there is nothing in recent statistics of business reports that indicates a rapid return to employment. In fact, the present economic slack threatens to pull the entire economy into another recession unless something is done to spur consumer purchasing power and to stimulate business.

The extent of the unemployment problems in the distressed areas of this Nation can be clearly demonstrated by the following data: These areas have a population of 34.3 million people and a labor force of 13.1 million—of whom more than 1.3 million are unemployed. When rural underemployment is translated into unemployment, this adds 200,000 more to the jobless figure. In other words, these areas have 19 percent of the labor force—but they have more than one-third of the unemployment in the country.

The average unemployment in these redevelopment areas is in excess of 10 percent—twice the national average. In some of these areas—including communities in my district—the joblessness runs as high as 25 to 35 percent of the work force.

The public works acceleration bill is desperately needed to relieve some of the unemployment in these redevelopment areas and in the areas of substantial labor surplus. We as a moral people, both out of compassion and in the interest of our economic vitality, must take constructive measures to combat the stagnation and unemployment in the areas as defined in H.R. 10113. It is clear that the wisest means and most constructive means toward these ends is to construct essentially needed public facilities which help the long-term development of these communities by enhancing their attractiveness at the same time jobs are provided immediately and directly to those unemployed who have suffered for so long. Unlike unemployment compensation and welfare payments, public works are an investment and not a cost. They enhance the capital value of our communities and Nation and provide beneficial services for many years to come.

H.R. 10113, the public works acceleration bill, is designed to make a direct attack on high unemployment and at the same time help to provide a wide range of necessary Federal and local public works.

The Committee on Public Works held 10 days of public hearings in late March and early April and took testimony from 40 witnesses and received statements for the record from a number of others. The committee met in executive session on May 16 and voted to report the amended bill which we are considering today.

The bill as reported would authorize the appropriation of $900 million to accelerate and undertake Federal, State and local public works in redevelopment areas as designated under the Area Redevelopment Act and areas which have had an unemployment rate of at least 6 percent for 9 of the 12 most consecutive months. The fact sheets which you all have before you indicate which areas would qualify for assistance and provide a brief summary of the principal provisions of the bill.

Let me emphasize at this point that all the funds authorized under the bill are for appropriations, and that there is definitely no back-door financing. It was also the judgment of your committee that proposal for standby authority requires more discussion; the bill which we are considering today, therefore, has no standby provisions in it either. The intent to label this measure as a standby program is clearly to distort the truth. The measure is a straight authorization for appropriations to be used immediately for acceleration of existing Federal or Federal-aid programs, and nothing else.

The bill as reported will authorize the appropriation of $900 million to accelerate and initiate construction of Federal, State and local government public works. In order for a Federal project to be eligible, it would have to be one which had been authorized by the Congress in other legislation. Eligible State and local projects would be limited to those for which Federal assistance has already been authorized under other laws. This would include programs such as the Hill-Burton program, the water pollution control program, and the Federal Aviation Agency airport grant-in-aid program. In addition, this bill amends the Community Facilities Act, section 202 of the housing amendments of 1955, to provide for up to 50 percent grants with a cost of construction of projects now eligible for loan assistance under that program. Schools, however, are excluded.

Examples of Federal direct projects which could be accelerated or initiated under this program, having already received authorization from the Congress are those under the jurisdiction of the Corps of Engineers, Forest Service, Soil Conservation Service, or any other Federal agencies authorized to undertake public works projects. There are a great number of useful things that can be accelerated or initiated by the Federal Government, in areas covered by this act.

For example, the Corps of Engineers could accelerate projects which meet the criteria laid down by the bill under a specific authorization provided by the House Committee on Public Works or under the small rivers and harbors authorization which allows construction of projects costing under $400,000 without specific authorization by the House Committee on Public Works. There is a great deal of useful work that could be done by the Forest Service of the Department of Agriculture which would enhance the capital value of our national forests and provide more facilities for our mushrooming tourist population. Visitors are far in excess of what current accommodations are capable of caring for.

The Forest Service has a great deal of reforestation and other work which has to be done which will help provide for the future timber needs of this country. Work of this nature is not only essential to assure that we have adequate supplies of lumber resources, but is also very useful in combating unemployment because of the high ratio of man-hours of work that are provided per every unit of dollar expenditure. In addition to reforestation work, the Forest Service has many forest roads and trails which are in need of repair or which should be constructed, campsites which have to be built or renovated, tree nurseries, as well as other work designed to make our national forests more attractive to our citizens and more productive. Much of the same kind of work could be undertaken by the Park Service of the Department of the Interior. These are just some examples of the kinds of useful public works which could be accelerated or initiated by Federal agencies in the areas eligible under this bill—providing useful, long-term capital improvements and useful employment to the men and women in our distressed areas.

Eligible State and local projects would be limited to those for which Federal assistance has already been authorized under other laws. For example, water and sewer systems, public buildings and hospitals, streets, sidewalks, and other community facilities could be aided by Federal grants covering up to 50 percent of the cost. Schools, again let me emphasize, however, would not be eligible. There is a tremendous backlog of community facilities such as those I have just mentioned throughout the land and particularly in our distressed areas where construction of essential public facilities has not kept the pace with needs because of awaiting public revenue. Since this Nation through the Area Redevelopment Act has committed itself to redevelopment of these distressed areas in their own right, I am sure all will agree the most prudent means for providing work for the unemployed in these areas is through the construction of badly needed public facilities which will make these stagnating communities more attractive, and thereby assist in their long-range development.

The bill contains a number of important restrictions on eligible projects. Luxury projects would be ruled out by the requirement that the facility to be aided must, in terms of the committee bill, "meet an essential public need." To assure a prompt impact on employment, an eligible project must be one which can be started quickly and on which most of the work can be done within 1 year. Finally, to assure that the grants will produce a net increase in employment, the aid could be given only to projects which would not otherwise be started at present.

One of the special advantages of public works expenditures is the fact that they can be directed to areas of greatest need. While the benefits would be felt throughout the economy, through the purchase of construction materials and the additional incomes and economic stimulus, the committee felt that the direct aid should be channeled to those communities with the most severe unemployment problems. To be eligible under the committee bill the project would have to be located in one of the 149 industrial labor market areas eligible under the Area Redevelopment Act or one of the 767 rural redevelopment areas, or 50 Indian reservations eligible under that act, or one of the 122 communities which have suffered substantial unemployment for most of the past year. A complete list of these eligible areas is included in the committee report.

To assure that rural areas receive their fair share of the assistance under the bill, one-third of the $900 million authorized for appropriation would be reserved for small towns and rural areas.

A second and entirely separate provision of the bill would establish an office of Public Works Coordination and Acceleration. The basic purpose of this office would be to provide to the Congress and the President information concerning public works backlogs, current construction, and planning for future needs. It would serve as an advisory and informational function and would not direct or administer programs, nor would it have jurisdiction over the program operations of any department or agency. This provision is aimed at the long-run need for more orderly and efficient planning to meet our public works needs. Because of some confusion over this provision, the committee has agreed to drop it, and take it up at a later time.

That completes my summary of the bill which is explained in greater detail in the committee report before you. Let me say that the need for this bill is greater now than it was when the committee held its hearings. I again emphasize that there is no standby provision in the bill; all the funds are for appropriation now to meet the immediate problem of economic slack and high unemployment.

Noone claims that this bill will solve the entire problem of unemployment. However, the $900 million would directly create an estimated 150,000 jobs at the construction site and in the factories and mills which produce construction materials, and at least an equal number in other parts of the economy through the multiplier effects of the additional income created as it is spent and respent. This will make an important contribution to employment, while at the same time adding to the Nation's wealth by the construction of needed public works.

In this connection, it is important to keep in mind that the failure to take direct action on unemployment involves a heavy cost. The heaviest cost of all, of course, is borne by the unemployed and their families, but the country as a whole bears the cost of lost production, running into billions of dollars, and all of us bear the higher costs of necessary public expenditures. This year Federal payments for unemployment compensation will total $4 billion and over the past 4 years unemployment compensation has cost over $14 billion. This is a direct measure of the waste which idle manpower involves and a cost which must be met in cash. Obviously, it would be far better to enact a program which could provide useful jobs and useful end products.

Another measure of the cost of unemployment is the impact on the Federal budget. Those of us who are concerned about Federal deficits should unite behind this bill as an effective means of combating Federal red ink. The only reason the Federal Government is operating at a deficit today is because of economic slack. We are all familiar with the fact that the greatest peacetime deficit in our history—$12 billion—came as a result of the 1958 recession. In its analysis, the highly respected Committee on Economic Development estimated that $9 billion of that total was due to reduced Federal receipts as a result of the recession. The rest came from increased unemployment payments and other expenditures which were stepped up to stimulate business activity.

We are directing this acceleration at what are sometimes called the hard core unemployment pockets, those areas where unemployment has been a persistent and chronic problem for quite some time, in spite of the general overall growth and development of the national economy.

Our case is this: That the unemployed in these hard-core pockets have to subsist somehow and are subsisting. But they are now either receiving unemployment compensation or State, county, or local welfare support, or relief. We merely propose to use some of this money which governmental agencies, employers, and our economy as a whole are spending for relief and apply it in order to give men and women in need of jobs—bona fide jobs, to thoroughly and fully justified projects, so that when the money is expended we will have a facility that not only brightens up a given area or community, but offers a service or function to that particular community, as well as enhancing that community's chances for long-term development improving its ability to attract small industries or new businesses. Some Members have tried to say that there are those of us who are trying to point out that the economy is faltering. This is not true. The economy is improving and growing as the facts that have been brought forth indicate. We added $50 billion to our gross national products in the last 18 or 19 months of this present administration. But it is an undeniable fact that there are still over 4 million people, men and women, without work, and over 1 million of these—25 percent of them—have not had employment, or have been unemployed for a period longer than 15 weeks, and many of these for a period of months.

There was a statement made here, I am sure it was not deliberate, in connection with the acute human distress and demoralization of the early thirties when this great country was economically prostrate. I know that my good friend from Kansas—knowing him as I do with the respect and warm personal feeling I have for him—did not mean to treat that situation as lightly as he did. I want to point out to him that there exists today a similar situation in many areas of this great and glorious country of ours. I can take you to my district, for years the largest iron ore producer in the world, which can be reached in 6 hours of flying time, an area that literally has reverted to conditions experienced a quarter of a century ago because the unemployment rate there is as distressful and as acute as that experienced back in 1936 and 1938.

Mr. BENNETT of Michigan. Mr. Chairman, will the gentleman yield?

Mr. BLATNIK. I yield to the gentleman.

Mr. BENNETT of Michigan. I would like to give my vote in support of this bill. On the other hand, I would like to have some assurance from the distinguished gentleman, who is the author of the bill, concerning the charges that have been made that this would be a political boondoggle and just those areas served by Democratic Members of Congress would be assisted. I happen to represent an area similar to that represented by the gentleman, where the iron ore business is prostrate because of our free trade policies. We are out of business. Twenty-five percent of our people are out of work. Can the gentleman give me any assurance that if this bill passes my district will receive some assistance under it, and in what respect?

Mr. BLATNIK. The gentleman's district will receive assistance—and important assistance. But before I get into that, if the gentleman will permit me, I should like to complete what I have to say on the need and then I shall answer his question whether or not this is a political boondoggle and tell him how it will be of aid to him and his district.

Let us not think for a minute that the need does not exist. Four million is a conservative figure of those who had jobs and are now without employment, in some cases running into months and in other cases into years. The youngsters who have never had any employment are a good example of where a great deal of understatement exists. Eight hundred thousand of them are not able to find jobs. The situation is so hopeless and so futile that most are not even listed as seeking a job. In many of our distressed areas, several hundreds of them, unemployment averages 10 percent, or twice the national average. Unemployment, in my hard-core unemployment pocket runs from a low of 17 percent up to 34 percent; would you believe it? I was present at a meeting 2 weeks ago attended by 900 iron ore miners—300 had been unemployed for over 18 months: practically all of them married men, with 3 or 4 or 5 children, and most of them veterans of the last war, all trying desperately to maintain family and home. Most had exhausted their unemployment compensation and many were on relief. I have not seen as much despair because of this economic futility since I was working back in the thirties. This is a country that is able to help and that should help needy people throughout the world. We authorized $4.5 billion in foreign aid a month or two ago. We are also meeting the challenge by Russia in space technology. But, on the domestic scene we might be overlooking a dictum of cardinal importance—that there is nothing more demoralizing than the situation when a human being with a family around him comes to the conclusion that this society neither wants him nor needs him and cannot use the talents he has to offer.

We want to put some of these unemployed people to work. Instead of using the money to pay for unemployment relief, we would like to build something in which a community can take pride, which provides fine public facilities and public services and that for years to come will add to the welfare of the country.

To answer the question, Can this be a political boondoggle? No. 1, this bill creates no new agency. It creates no new program. This bill merely authorizes money to be given above that which we have already authorized and appropriated to existing programs. The general categories of programs are two: Those that are completely Federal, such as the Corps of Engineers, the Forest Service, Reclamation, and so forth; and those which involve Federal aid to municipalities either in terms of loans or grants for municipal facilities and many other projects.

Where would this money be applied to provide the shot in the arm needed? Precisely in those pockets of unemployment that need it most. The criteria are also clearly spelled out. The money must go through the pipelines and channels of existing programs already authorized by Congress—the responsibility has already been spelled out by an act of Congress, and the criteria are spelled out by the act of Congress. We merely accelerate these programs in the distressed areas.

Why do we do that? No. 1, a community that is well off has a good chance to borrow money and build a public facility. A community that is fairly well off will even take advantage of a 30-percent grant to build a sewage disposal plant. But there are communities needing a disposal plant, eligible for the project, and having 30 percent of the money, but unable to accept it because they cannot raise the 70 percent, since unemployment is too high, and results in a loss of revenue to pay for it. That is why we have increased the grant limitation under this program to 50 percent.

Mr. BENNETT of Michigan. Mr. Chairman, will the gentleman yield?

Mr. BLATNIK. I yield.

Mr. BENNETT of Michigan. Will there be in the areas the gentleman just mentioned those where municipalities are so distressed that the city commissioners or the board of supervisors of the county are in such financial straits that they cannot raise any matching funds to go ahead with the public works projects? What happens to an area like that? I have some of those areas in my district, and I think the gentleman has some in his, and I am sure there are other areas where municipalities cannot match the Federal funds. They cannot match anything. What does this bill do in that kind of situation?

Mr. BLATNIK. I agree that some communities will have some difficulty in raising their 50 percent, but most will not. I would like to have made it more liberal, but we are right up against the wall. This is a rockbottom minimum grant offer with a clear-cut program under which the criteria for eligibility are clearly spelled out.

Mr. BENNETT of Michigan. The gentlemen said that those projects had been approved. For example, Federal projects had been authorized. Take the U.S. Forest Service, for example. They have a 10-year program for building roads and trails and for tree planting and whatnot. Now, a State or municipality would not be obliged to match money to be spent on that kind of thing.

Mr. BLATNIK. Of course not. That is a Federal program. All this money is a Federal program. A municipality under no present program matches Federal funds for forest roads, reforestation, and trails. Such projects could be accelerated under the provision in the bill providing for acceleration of direct Federal program.

Mr. BENNETT of Michigan. The matching that you are talking about is for a local courthouse or a local public building?

Mr. BLATNIK. It is for everything except schools. For example, hospitals, libraries, a village hall, or a city hall, or a police station could be built. It is also for such work as replacing broken-up sidewalks and streets and for replacement of obsolete water systems and sewer systems and the extension of these systems.

Mr. BENNETT of Michigan. The gentleman can assure us, if this legislation is passed, that these areas such as mine and areas around the country will be assisted under this program to the full extent?

Mr. BLATNIK. They definitely will be, and I say this publicly for the public record. Of course, they have to meet the criteria that are given and clearly spelled out.

One, the areas must be eligible for Area Redevelopment Act assistance—urban or rural. Those areas have been established by an act of Congress. Also eligible are labor surplus areas, which have had 6 percent unemployed for at least 9 out of the past 12 months. This designation has its origin in an act of Congress and is determined under law by the Department of Labor. The administrator, under this bill, cannot flaunt the regulations of existing programs; for example, the Hill-Burton program or the area redevelopment program, or those of other programs.

Besides, these projects must do these four things which are clearly spelled out in the bill.

First, it is not enough just to approve the project in an area where there is unemployment, but that project must be susceptible to initiation or acceleration within a reasonably short period of time so that it can give an economic boost now, when it is needed.

Second, it must meet an essential public need.

Third, a substantial portion of it should be completed in 12 months. That means at least half or more than half so that we do not get into a long-term, large project which might take years and years to complete, perhaps long after the need for this program has passed.

Fourth, it must contribute significantly to the reduction of local unemployment.

The gentleman from Virginia—and, of course, I have great respect for the gentleman—mentioned something about area redevelopment and inns and motels. I am puzzled, because the gentleman knows, since he is far more experienced and learned in matters of legislation, that this is a public-works bill. How can money be loaned or given under a public-works bill for the building of a motel or an inn? I do not know why this completely irrelevant and extraneous example was used on the floor of the House by a very responsible member of one of the most important committees. It is clearly spelled out that these are public works in areas where unemployment is high and where there is an essential need and so forth.

Mr. BENNETT of Michigan. The gentleman mentioned the area redevelopment program.

Mr. BLATNIK. This has nothing to do with the area redevelopment program except that it operates in the same area where there is a need for the construction of public facilities not directly tied to the construction of a plant.

Mr. BENNETT of Michigan. I would like to ask the gentleman this question. The fact is that the Area Redevelopment has been tremendously slow getting these projects underway. I just want to ask the gentleman, if this program is approved, whether we are going to have to go through all of the administrative procedures as they did under the Area Redevelopment Act and the Labor Department and the Department of Health, Education, and Welfare.

Mr. BLATNIK. The key thing in this bill is that it provides millions for employment to put men to work on bona fide projects that provide a useful service and facilities that are badly needed.

This, of course, raises the question: Can we afford it? It brings into question the fiscal responsibility of the Government and our deficit.

If you will look at the committee report, page 21, at the bottom of the page is a list of the unemployment compensation funds spent in the last 10 years, 1952 to 1962, a 10-year period. During the recession of 1957 to 1958, when the Eisenhower administration was in power, the 1958 figure was $4,200 million. In 1959 it was $2,800 million. In 1960 it was $3 billion-plus, and in 1961 it was $4,300 million, or a total of $14,500 million for unemployment compensation alone in 4 years. You must, of course, add onto that the many additional nonproductive expenditures involved, authorized and appropriated liberal funds for care and relief of dependent children and other like programs; then you must add on the State relief, municipal relief, county relief. One of the six counties in my district spent $12 million for relief alone last year; $1 million a month. Had a program such as envisioned in this bill been in effect there would have been $12 million available to match the Federal grant for public works, and the result would have been the employment of 1,500 to 2,000 men for all of last year. Better than that, we would have had something to show for it—an area made more attractive for people to live in, and more attractive for industry to come to.

In 1957 and 1958 we on our side and you on your side passed an area redevelopment bill, but twice in the 5-year period such bills were vetoed, yet in the 1957–58 fiscal year we ended up with a $12 billion deficit, the largest peacetime deficit in the history of our country.

The money under this program will provide employment and facilities. It will be spent locally. In addition, when a dollar is spent for relief few lasting benefits accrue to the community, but when it is spent on public works and facilities, when something is built, it means additional employment to make concrete, cinder blocks, glass, steel rods, brick, and the money keeps on providing employment in collateral industries. The consumer buys from the businessman, the businessman from the wholesaler, and the wholesaler from the manufacturers. Some of this money may move up to Milwaukee or some other manufacturing city. The benefits will be widespread.

Mr. GROSS. Mr. Chairman, will the gentleman yield?

Mr. BLATNIK. I yield.

Mr. GROSS. Is there any provision that this vast quantity of material must be manufactured in this country and not imported? Is there anything in the bill to keep the money from being spent for imported iron or steel?

Mr. BLATNIK. Not any more limitations or restrictions than Congress has in the general law.

Mr. SCRANTON. Mr. Chairman, will the gentleman yield?

Mr. BLATNIK. I yield.

Mr. SCRANTON. Is it true that in this bill there can be no funds used for any project which does not have a 50-percent contribution by the State or on a local basis?

Mr. BLATNIK. Will you please restate that?

Mr. SCRANTON. Is it true that in this bill there is no provision for funds or for projects unless 50 percent of the funds come from State or local sources?

Mr. BLATNIK. Yes, that is true. The amount of the Federal grant cannot exceed 50 percent. That does not mean it has to be 50 percent, though in most cases it will be. But at least 50 percent will have to be raised from local sources by State aid or in any other manner, except for Federal projects which are 100 percent. Under many programs the grant portion already exceeds 50 percent, and there the community would have less to match.

Very few of the municipalities that really need help cannot take advantage of this because of the 50-percent limitation. That is why the Senate had a 90 percent limitation. The unemployed need help. A little analogy is in order to demonstrate why this bill should be passed even though every single community cannot take advantage of the assistance. If only 8 out of 10 men can be rescued from a fire, is the fact that all cannot be helped grounds for incinerating all 10? Of course not; we can help a great number of communities, and must move ahead to do so, even though a few cannot be helped.

Mr. EDMONDSON. Mr. Chairman, will the gentleman yield?

Mr. BLATNIK. I yield to the gentleman from Oklahoma.

Mr. EDMONDSON. I would like to commend the gentleman from making one of the most reasonable and persuasive arguments that I have ever heard, and I would like to add one further bit of information in response to the question addressed by the gentleman from Pennsylvania [Mr. Scranton]. I think the chairman in responding to that question responded entirely correctly as to projects that are locally originated, in the case of a sewage control project or a water supply project or something of that type, but I think the bill also carries with it the authority to accelerate certain Federal projects that are congressionally authorized, projects for flood control purposes, for reforestation, and other projects of that type in which you would not have any set formula as to what the local participation would be.

Mr. BLATNIK. That is correct.

Mr. SCRANTON. Mr. Chairman, will the gentleman yield?

Mr. BLATNIK. I yield to the gentleman from Pennsylvania.

Mr. SCRANTON. May I say that my understanding is the same as that of the gentleman from Oklahoma. But I would like to find out if there is any limitation in this bill as to the amount of money for Federal projects that would be more than 50 percent paid for by the Federal Government? Are there any limitations?

Mr. EDMONDSON. I am unaware that is set out in the bill. I think it would be limited by the fact that your applications for participation and assistance on the local level are probably going to be voluminous and there probably will be very little that will be available for the strictly Federal-type project.

Mr. SCRANTON. If the gentleman will yield further, this is the very point about which the gentleman from Michigan [Mr. Bennett] and I and other Congressmen who represent these areas of substantial unemployment are concerned. We are very well aware that most of these areas are unable to afford 50 percent or even less of the necessary funds. What we want to know is what, therefore, is available almost immediately in the way of projects that would help those areas, if they cannot come up with 50 percent or even less in the way of local funds.

Mr. EDMONDSON. If the gentleman from Minnesota [Mr. Blatnik] will yield further——

Mr. BLATNIK. I yield to the gentleman from Oklahoma.

Mr. EDMONDSON. The gentleman is well aware, I am sure, that the communities receiving assistance under the Area Redevelopment Act are able to obtain not only grants, but also where they have financing problems are able to obtain loans for the balances that are needed to finance these projects. So the amount of Federal assistance would include the lending power which is presently in the Housing and Home Finance Agency, supplementing the grant authority which has been conferred upon the Government under this particular piece of legislation.

Mr. SCRANTON. If the gentleman will yield further, this I think is the very point which the gentleman from Michigan [Mr. Bennett], was trying to make. So far in the establishment of the Area Redevelopment Administration there have been relatively few of such loans and grants made for such areas as the ones to which I refer. These loans and grants are not speedily obtained.

Mr. BLATNIK. Yes; the gentleman is correct. I think I overlooked stating something to the gentleman from Michigan [Mr. Bennett] during our colloquy. In the area redevelopment program there is a provision for some grants and loans for community facilities. But the restrictions are so tight that a community would only be eligible for this grant or loan, or a combination of both, for a community facility if it can prove it is needed to service a private industrial development—they almost have to have a contract saying if they get money to expand, for instance, a water supply system, they will get an industry there which will employ a certain number of people. It has to be tied to an industry, which we do not do in this case. Therefore, that is why it is a slow process.

Mr. SCRANTON. Will the gentleman yield further?

Mr. BLATNIK. I yield to the gentleman from Pennsylvania.

Mr. SCRANTON. Again I repeat my question: Is there any way of ascertaining from the bill what proportion of it might be used for such Federal projects as the gentleman from Oklahoma [Mr. Edmondson] refers to? There is no provision identified in the bill which delineates this at all. Perhaps the gentleman is correct in stating that there would be such an overwhelming demand on a 50–50 basis that there would be very few, if any, purely Federal-type projects coming forth. This makes it all the more difficult for the areas that really need these projects. They have not the money for their share, 50 percent or even less.

Mr. BLATNIK. All agencies operating would report what type of projects they could undertake in the case of areas where unemployment is severe—areas of substantial labor surplus and the Area Revelopment areas. As the gentleman knows, some of the larger communities, especially, have better engineering assistance and better engineered programs underway which might tend to use up available money before any rural or smaller communities can get underway. That is why we reserve one-third of the funds for rural areas, so they will not be consumed by larger municipalities which have applied faster, due to better engineering services and better programing services. But it still reserves that amount to be given to these people who do not have the facilities of the larger communities, such as those to which I have earlier referred.

Mr. SCRANTON. If the gentleman will yield further, is the gentleman's opinion similar to that of the gentleman from Oklahoma [Mr. EDMONDSON], that the gentleman believes an overwhelming percentage of this $900 million will be used by local projects on the 50-50 or something more basis and not for the type of Federal projects to which reference has been made?

Mr. BLATNIK. It will be primarily community facilities.

Mr. SCRANTON. This makes it very difficult for the areas that need it most because they do not have this money.

Mr. BLATNIK. Mr. Chairman, experience under the water pollution control program indicates that, if needed, some means for raising the money can be found. Getting back to fiscal responsibility, we are going to spend the money. The only decision we will make here today or tomorrow is whether or not a portion of these moneys will be used to put the unemployed to work—to build something or to construct something. If we want to keep on with the unemployment compensation and relief programs, we can do that too, and continue to have these millions of people sitting at home, when they could be doing constructive work. We could put about 1 million people, at least, to work. This bill, Mr. Chairman, is a forthright bill. There is no back-door spending involved. The criteria are clearly spelled out by us. It needs an appropriation, and a year from now these agencies will all be appearing before the Committee on Appropriations of the House of Representatives and other committees. They will be held accountable. When they are making their budget requests or requests for further programing, they can be asked, "What did you do with the money?" We will then have a full report and a record of performance on this program, good or bad. I think it is going to be good. Where it can be enlarged, it can be so if in our wisdom the circumstances and the economic needs are such that it can be, or it can be streamlined or cut down. But the Congress has complete control of this program.

Mr. Chairman, I say this is a clean bill. It is a conscientious bill; it is a needed and important bill. The communities of the Congress will have control of this program. There will be no boondoggling or slush funds under this bill. If there is, we will surely know about it, and a lot of us on this side as well as the Members on the other side of the aisle will certainly make a big fuss about it. I have every confidence that this bill is going to work.

Mr. JONES of Alabama. Mr. Chairman, will the gentleman yield?

Mr. BLATNIK. I yield to the gentleman from Alabama.

Mr. JONES of Alabama. Like my colleague from Oklahoma, I want to congratulate the gentleman from Minnesota, the author of this bill and an individual who clearly understands the importance of public works and their value for a program such as is contemplated in H.R. 10113. I do not know of any bill that has been reported out of the Public Works Committee since I have been a member that has been as carefully or as skillfully drawn as this bill. I know the situation is as the gentleman from Minnesota has stated, that it will protect the integrity of the Congress and will place every safeguard in it to see that there is wise and prudent use made in the expenditure of these funds for necessary public works in depressed areas, that will mean so much to the future economy of this country; and also provide the greatly wanted public facilities that have been going begging for these many years since the commencement of hostilities in World War II. I think it is a wholesome proposal and one that we can all join in and support to get this country's unemployed working again. Again, I congratulate the gentleman.

Mr. BLATNIK. Mr. Chairman, I thank my dear friend and able colleague, one of the most respected and best informed men in the whole field of public works. As chairman of the Subcommittee on Public Buildings he knows the problem as it relates to the entire country. I appreciate those comments, coming from one whose judgment I so highly esteem and whom I have always held in the highest regard.

Mr. MacGREGOR. Mr. Chairman, will the gentleman yield?

Mr. BLATNIK. I yield to the gentleman.

Mr. MacGREGOR. Mr. Chairman, the gentleman from Minnesota has referred to one of the counties in his district, St. Louis County. Other Members of this body, even though they do not come from the State of Minnesota may be somewhat familiar with the situation in that county and with the serious unemployment problem which the gentleman has mentioned in St. Louis County and other counties in northeastern Minnesota.

In that connection and as an example, perhaps for other parts of the country, I wonder if the gentleman could give us some examples of projects which he feels St. Louis County and other parts of Minnesota's Eighth Congressional District might participate in if this bill should become law. Specifically I should like to ask concerning certain of the communities on the Iron Range in Minnesota, northwest of Duluth. Will the gentleman give us some idea specifically of projects which the chairman believes would be in operation, let us say next year, if this bill should become law?

Mr. BLATNIK. I could run them off from memory, town by town and project by project. I shall give the gentleman a few illustrations. Let us take my home town of Chisholm, which has a population of about 8,000. It needs an entirely new water system, a new source of water. They have been desperately working with some State funds in an effort to try to locate wells, and they have completed that survey. They also need a large extension of their sewer system. In my hometown unemployment averages about 22 to 24 percent.

In Hibbing, Minn., unemployment is about 20 percent plus, or 4 times the national average. Hibbing desperately needs to expand its sewage treatment plant which is quite old. They need to improve their water system, and they need virtually a whole new system of gaslines for their municipally owned gas system. They are trying to attract new industry and in order to induce new industry to come there, they have to replace that system.

Another municipality has no jail. The jail was condemned by the State health authorities. I shall not name the town. It is a fine little town, on Minnesota's Iron Range; it could take advantage of this program.

A recent survey by the Iron Range Resources and Rehabilitation Commission showed that 35 communities had projects which could be undertaken. Some communities did not have funds available; but a good number did, and with assistance in financing their portion, a good number more could participate.

Mr. MacGREGOR. How would the municipalities in order to get the 50-percent matching funds for the projects raise that money?

Mr. BLATNIK. In the case of the sewage and water works they could raise it by bonds. They are consulting specialists in that field now. They are also discussing how they can borrow to get community facilities. They can borrow or sell securities for about 20 or 30 percent of their share, leaving 20 to 25 percent. They can raise that amount of money and take advantage of this 50-percent grant.

Mr. MacGREGOR. Would the gentleman agree, as the gentleman from Pennsylvania pointed out, that the very severely depressed areas that have difficulty in raising funds are going to have continuing difficulty if this becomes law in raising the money?

Mr. BLATNIK. This 50 percent is a very arbitrary limitation. But it will assist a great number in need of help. If they qualify in every respect except they cannot raise the other 50 percent, there are a number of ways in which they might be able to raise the money. Again, experience under existing programs indicates that when necessary, most communities can find the means to match the grants—grants are a great stimulus to public works construction.

Mr. MacGREGOR. I thank the gentleman for pointing out that areas that are in need will not benefit under this.

Mr. BLATNIK. The gentleman knows I did not say that; those are his remarks. Many of Minnesota's communities will benefit even though this is a modest bill.

Mr. JENNINGS. Mr. Chairman, will the gentleman yield?

Mr. BLATNIK. I yield to the gentleman from Virginia.

Mr. JENNINGS. Why was the 50-percent limitation placed in the bill in this body? Why was it not brought to this body similar to the one in the other body?

Mr. BLATNIK. I point out to the gentleman from Virginia that we were attempting to arrive at a reasonable compromise with our colleagues across the aisle.

Mr. JENNINGS. What the gentleman is saying is that the people who are worried about the 50 percent are the ones responsible for having this bill?

Mr. BLATNIK. Yes. I will be glad to support an amendment raising it.

Mr. JENNINGS. Is there anything under the rule to prevent the gentlemen who are opposed to the 50 percent from offering an amendment to strike that section out and accept the provision placed in the bill by the other body?

Mr. BLATNIK. No.

Mr. JENNINGS. They can put in something that these so-called bleeding hearts passed?

Mr. BLATNIK. The point is very well taken. The philosophy of some of those over there is something like saying you give them help but you would give them nothing.

Mr. VAN ZANDT. Mr. Chairman, will the gentleman yield?

Mr. BLATNIK. I yield to the gentleman from Pennsylvania.

Mr. VAN ZANDT. Is there any language in the bill that would limit the amount of money that goes to an individual State?

Mr. BLATNIK. Yes, 10 percent.

Mr. VAN ZANDT. Would it be possible to finance the Lake Erie and Ohio Canal with this money?

Mr. BLATNIK. I cannot answer that offhand. What is the amount of the project?

Mr. VAN ZANDT. The amount of the project I do not think has yet been established. There has been a lot of talk about it.

Mr. BLATNIK. If it is a navigation project it would come under the Corps of Engineers. Under existing authority we now have, people can move into a project and get it underway, if it is under $400,000, without specific authorization by the Congress.

Mr. VAN ZANDT. Do I understand the gentleman then to say that it is possible to finance the Lake Erie and Ohio Canal, which is a navigational project, out of the $900 million provided in this bill?

Mr. BLATNIK. It might be possible.

Mr. VAN ZANDT. If the expenditure was under $400,000.

Mr. BLATNIK. That is right.

Mr. JONES of Alabama. Mr. Chairman, will the gentleman yield?

Mr. BLATNIK. I yield.

Mr. JONES of Alabama. I call the gentleman's attention to the language on page 16 commencing at line 3 and going through line 7, which establishes the time of construction of these small projects that heretofore have been authorized as flood control, river and harbor, or watershed projects? Under the terms of this bill, with reference to these large projects that could not be completed within a short period of time, it is expected that the 12-month limitation would be respected.

Mr. VAN ZANDT. In the event that later the Ohio Canal was authorized by a bill yet to be approved by this House, then, with that authorization, it would be possible to finance the project without having to come back to the Congress and go through the Committee on Appropriations?

Mr. JONES of Alabama. No. You would have to have it authorized by the Congress, and then it would be eligible, but it would have to go through the appropriation process that you have at the present time.

Mr. VAN ZANDT. I thank the gentleman.

Mr. BLATNIK. Mr. Chairman, let me make this point clear. With reference to the Coordinator of Public Works, I, the original author and sponsor for years of that Office, agreed personally to drop the Coordinator of Public Works. I did not do it because I did not believe in the program. In the first place, the Coordinator provision does not do anything more than President Eisenhower did for 8 years when by administrative action he created his own public works advisory group. He had this for 8 years. The present administration is going to do the same and have a Coordinator of Public Works to gather information. Some have referred to it as a new agency. It is not a new agency. Some have talked about some super czar and so on, and because of this confusion it was dropped for the time being to give Members an opportunity to think it over and study it and become better informed. We hope that in some future session—I hope next year—we can make a more effective explanation of what this program will do. This is why we dropped it at this time. We did not drop it to gimmick up any bill, as someone remarked about a farm bill. It is the only amendment and we make a clear explanation of why we want to drop it. There are no apologies for it. A second amendment is not necessary. Some still do not believe the legal language—which is complicated sometimes—but the report explains that this aid does not go to schools. There are those who have some doubts about it, but there is no question in my mind and there is no question in the mind of any member of the committee. It is spelled out clearly in the report, and there is one sentence put in that none of this aid shall go to schools. That was to satisfy those few objectors on that score.

Mr. AUCHINCLOSS. Mr. Chairman, I yield myself 15 minutes.

Mr. Chairman, it is with a good deal of deference and a certain amount of temerity that I follow the able gentleman from Minnesota who has just spoken. He has this bill at his fingertips. He ought to have it. He wrote it. He is responsible for it. He explained various items in the bill today, which I had not heard before.

Mr. Chairman, I know my colleagues share my concern over the unemployment that exists throughout the Nation and all of us would like to find a real workable solution to the problem. Of course if the business leaders of our great country had confidence in the future there would be no concern about the unemployment problem and we would not be discussing this clumsy and thoroughly political attempt to provide work for the idle. While doubt and uncertainty exist, however, those who employ men and women are naturally cautious and unemployment is bound to exist. This bill, H.R. 10113, however, is not the answer to the problem, because it will not result in the creation of jobs for any substantial number of persons now unemployed who need and want to work. Indeed, the ineffectual remedy it provides may be far worse for the country than the ailment it aims to cure.

There are seven main objectionable features of this bill, which are discussed in detail in the minority views in the committee report signed by 13 members of the Committee on Public Works. I will discuss only one of the objectionable provisions of H.R. 10113, and my colleagues will discuss the other bad features of the bill.

Sections 3 through 8 of the bill establish a new Federal agency, to be named "The Office of Public Works Coordination and Acceleration" and authorizes and directs the performance of its specified function by a Director of that agency. It provides that the Director and Deputy Director are to be appointed by the President, with the advice and consent of the Senate. The Director will receive $20,000 per annum, which is the same salary as an assistant Cabinet officer, and the Deputy Director will receive $18,500. The Director is authorized to make such rules and regulations as he wishes, to establish advisory committees as he may deem necessary, and to appoint unestimated numbers of other officials and employees for this new agency. Herewith will be established a new Federal bureaucracy which could easily be greater than any Government bureaucracy now in existence.

The Director is directed to encourage the coordination of planning policies for construction of all public works, and for this purpose he is required to review information collected from each department, instrumentality and agency of the Federal Government and of State and local governments as well to determine—

First. What public works projects have been or are in the process of being planned for construction.

Second. What public works projects are required to meet national, regional, and economic development.

Third. What the present policies are of the various departments, agencies, and instrumentalities of the Federal Government, as well as State and local governments, with respect to planning public works; and

Fourth. To what extent the policies of each such department, agency, and instrumentality of the Federal Government and the State and local governments should be coordinated with an overall policy with respect to public works planning and construction and methods for such coordination.

Fifth. He shall submit a report from to time to the President and Congress.

May I emphasize the fact that this authority of the Director applies to the planning and construction of all Federal and federally assisted public works programs and projects, both civil and military, and is not in any way restricted to the acceleration of a public works program to relieve unemployment.

It can readily be conceived that the Director, armed with the authority contained in this bill, could take over the policymaking now exercised by existing Federal agencies and could either directly or indirectly control the development of all Federal and Federal-aid public works programs and the selection and scheduling of specific projects for planning and construction.

Conflict and confusion will reign supreme when the policies of all Federal, State, and local agencies that now administer public works are forced to fit into an "overall" policy mold. And, if the Director is successful in imposing his will upon the policies, plans, and decisions of other Federal agencies and State and local governments, which appears inevitable, he will become an all-powerful political pork-barrel czar. He will be able to control all public works projects in which any Federal moneys are involved, from the construction of huge multipurpose dams and reservoirs throughout the Nation to the erection of a single lamppost in a city street. It seems incredible, but that is what this bill provides. Should this bill become law, the role of the Congress in initiating and providing funds for public works will be reduced to little more than a rubberstamping approval of such projects and programs that the Director may submit, because he can effectively insulate the Congress from the views and recommendations of the Government agencies which now actually administer public works.

There is widespread opposition to the creation of this new Federal agency. The administration is strongly opposed to it as is evidenced by opinions submitted to the committee by a number of representatives of the Federal Government.

I quote some of them as follows. First, the Department of the Interior:

> Thus, we feel that there would be a partial duplication of the functions to be performed by the Administrator, Coordinator, or Director with those already being performed by the various governmental agencies, including the Department of the Interior. It is difficult to determine from this bill how those functions will be coordinated with those of other agencies having similar responsibilities for public works construction.

Again I quote from the report of the General Services Administration:

> We believe that the establishment of an Office of Public Works Coordination and Acceleration as contemplated by H.R. 10113 is neither necessary nor desirable in connection with the planning, coordination, and administration of a public works acceleration program. It is felt that such planning, coordination, and administration can best be handled through those existing agencies which now have program authority and which presently are engaged in public works or other programs on behalf of the President.

Once more I quote from the report of the Department of Health, Education, and Welfare:

> We are in full accord with the general objectives of this bill. We do not believe, however, that the attainment of these goals requires the establishment of a new Government agency. The planning and coordination that is necessary to assure the initiation or acceleration of the most useful projects, when the economic situation requires such action, can best be done by the agencies which currently have program authority, with central leadership furnished through the agencies that now coordinate public works and other programs on behalf of the President.

And again from the testimony of Mr. Alan L. Dean, Deputy Administrator for Administration, Federal Aviation Agency, who said:

> Our major objection to H.R. 10113 is that it would create an additional Government agency. I don't by such a statement, mean to imply that creation of additional Government agencies is necessarily in itself bad. However, we believe that additional Government agencies should be established only upon a finding of clear and sufficient need in this case. * * * We believe that acceleration can best be carried out by those agencies which are presently engaged in coordinating public works and other programs on behalf of the President.

A bill, having the similar purpose to relieve unemployment as this bill, which was passed by the other body, contains no provision for the Office of Public Works Coordination and Acceleration.

The Congress working with existing Government agencies can maintain as they have in the past, an inventory of the status of all public works programs and projects; keep the President and the Congress informed on the unemployment situation; and make recommendations for regular public works programs and for the acceleration of programs to combat recessions. There is absolutely no need to create a new super-Federal agency to duplicate these functions. Furthermore, H.R. 10113 provides no procedures or authority for the implementation of such a plan of so-called coordination when it is finally prepared. Even the $900 million authorized to be appropriated by this bill will be administered and expended with no regard for such a plan.

As the debate on this measure progresses, we of the minority party will point out in detail, supported by facts and figures, that it is unnecessary legislation; that it will not achieve its objective; that it concentrates excessive power in the President, and that it definitely undermines the authority and responsibilities of the Congress. Furthermore, the creation of a new department in the executive branch is wasteful and extravagant and not in the interests of the economy of our country. The bill should be defeated.

Mr. Chairman, I reserve the balance of my time.

Mr. Chairman, I yield 30 minutes to the gentleman from Florida [Mr. Cramer].

Mr. CONTE. Mr. Chairman, I make the point of order that a quorum is not present.

The CHAIRMAN. The Chair will count. [After counting.] Seventy-seven Members are present, not a quorum.

The Clerk will call the roll.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 206]

Andersen, Minn.
Anfuso
Baring
Barrett
Bass, N.H.
Blitch
Bolling
Bonner
Buckley
Celler
Curtis, Mass.
Diggs
Donohue
Ellsworth
Evins
Fascell
Fogarty
Frazier
Garland
Granahan
Green, Oreg.
Hall
Hébert
Henderson
Hoffman, Mich.
Inouye
Kearns
Kilburn
Kornegay
McDowell
McMillan
McSween
Macdonald
Mailliard
Merrow
Morris
Morrison
Moulder
O'Brien, Ill.
Pilcher
Powell
Santangelo
Saund
Scherer
Seely-Brown
Shelley
Spence
Stratton
Willis

Accordingly, the Committee rose; and the Speaker having resumed the chair, Mr. Keogh, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee having had under consideration the bill H.R. 10113, and finding itself without a quorum, he had directed the roll to be called, when 382 Members responded to their names, a quorum, and he submitted herewith the names of the absentees to be spread upon the Journal.

The Committee resumed its sitting.

The CHAIRMAN. The gentleman from Florida [Mr. Cramer] is recognized for 30 minutes.

Mr. STAFFORD. Mr. Chairman, will the gentleman yield?

Mr. CRAMER. I yield to the gentleman from Vermont.

Mr. STAFFORD. I intend to vote against the Public Works Acceleration Act because, in my estimation, it is a political boondoggle of the worst type.

It will not help materially the unemployed of our country.

It represents further uncalled for and reckless deficit spending.

It establishes more bureaucracy in the Federal Government and gives unprecedented powers to the executive which belong to the Congress.

Just recently, the President of the United States told the people of this country in a personal address that we were not now in or headed for a recession. I believe him. Yet, such legislation as this can only be defended in the event of a serious upheaval in the economy. And passage of this bill by the Congress can only result in shaking the public confidence to such an extent that more of our workers could be put out of jobs.

The addition of nearly a billion dollars to the already horrendous national debt is unjustified under these circumstances. Such reckless economics is inflationary, and our working people will pay for it through higher prices.

There is presently available to the administration more than $2½ billion which could be used to create more jobs. Yet, it ignores these funds and asks for a political slush fund, which wasn't included in the budget presented to this Congress.

The establishment of further bureaucratic positions to administer these funds and the abdication by Congress of its responsibility to approve specific appropriations for specific projects is unwarranted and dangerous.

Our workers in Vermont, and other Northern States, should be aware that this bill is a further political sop to States which for years have been trying to steal industries and jobs away from our area. Under the provisions of the House bill, the results cannot help but benefit these States to the greatest degree.

It is interesting to note, for instance, that in the committee report on this bill, the majority party lists 1,064 areas in the United States which would be eligible for assistance under the act and not one Vermont area was listed.

Even should a Vermont area be eligible, however, the chances of receiving any assistance of real value are so slim and the fundamental arguments against this legislation are so preponderant, I could still not support it.

It will not help our workers. Another billion dollars of red ink should not be spilled on our taxpayers. And I am opposed to abdicating the responsibilities which the people of Vermont sent me to Washington to carry out.

Mr. CLANCY. Mr. Chairman, will the gentleman yield?

Mr. CRAMER. I yield to the gentleman from Ohio.

Mr. CLANCY. Mr. Chairman, I rise in opposition to H.R. 10113, an unnecessary, injudicious bill which, in my opinion, would be totally ineffective in attaining the ends allegedly sought.

First, and most important, the appropriation of $900 million is unnecessary because there are billions of unexpended dollars available to the administration under previous congressional authorization that can be effectively expended in unemployment areas. Why should the President ask Congress for additional funds to accelerate construction of public works when the administration has failed to use the vast sums available to it which could afford some direct and substantial relief for unemployment? The proponents of this bill have not adequately answered this vital question.

Second. The bill is injudicious because it gives the President blanket authorization to select the programs and projects to be constructed and to determine what amount of money is to be appropriated for each project. I cannot support legislation which would delegate powers to the President which are constitutionally and traditionally a function of the legislative branch. This bill would enable the President to completely bypass the standard appropriation process. How can we in good conscience abdicate our responsibilities and further erode the traditional system of checks and balances so indispensable to insuring separation of the powers of government? The concentration of power in the executive branch has already reached frightening proportions. It is imperative that we not make a grave situation hopeless by voting for this bill.

Third. Because of the required time lag before actual construction can begin on public works programs this bill will not provide the jobs so many of our citizens desperately need now. Further, great numbers of our unemployed are unskilled workers who will not benefit from any job opportunities that may be created by such projects. This bill would not significantly, if at all, alleviate the serious unemployment problem facing this country. Moreover, I believe that expansion of employment opportunities should come from the private sector of the economy. And certainly a program which would result in further deficit financing by the Government will not stimulate and encourage growth by private enterprise. It is clear that H.R. 10113 would further increase deficit financing for no portion of the $900 million authorized to be appropriated is contained in the budget.

Another undesirable feature of this bill, one which cannot be overstressed, is the unnecessary creation of a Federal agency which would in large part duplicate functions that can best be handled by existing agencies. In addition, under the provisions of this measure the Director of the new Office of Public Works Coordination and Acceleration could exert almost unfettered control over public works policies, including the power to influence local decisions. It would be dangerous indeed to concentrate so much power in the hands of one man.

There is absolutely no justification for passing H.R. 10113. It has no merit whatsoever. The measure is obviously politically conceived and would serve no end but to enhance the status of the party in power. The unemployed would still be jobless, but the bill's objective will have been achieved. Some voters will be blinded by this illusory method of combating unemployment.

I strongly urge that this bill be defeated.

Mr. CRAMER. Mr. Chairman, I doubt if I will use the 30 minutes allotted, unless there are questions of which I may be capable of answering. But there are some points that I think are important at this time and this stage of debate which ought to be discussed in opposition to this bill.

Mr. Chairman, I have had the privilege of serving on the Public Works Committee now for 8 years, and in my opinion this is the worst bill that has ever been voted out of our committee. It gives to the President of the United States or the executive branch of the Government—and I would oppose it be it either President Kennedy or President Eisenhower—it gives to the President and the executive branch of the Government greater power, in a more unlimited fashion, beyond any precedent, than any bill that I can remember for some time. I say it is without precedent. Some people will argue "What do you mean it is without precedent, because when President Eisenhower was in the Presidency in 1958 the Republicans and the Congress gave to the President a requested $400 million for highway acceleration programs, and some other specific antirecession programs were enacted." But this is the difference, and this is an important difference because this involves the constitutional powers and prerogatives of the Congress of the United States. I happen to believe in the Constitution of the United States of America. I happen to believe that I was elected to this legislative body to perform a legislative function. I do not believe I was elected to delegate those functions and powers to the President or anyone elese. That is exactly what is being done in this bill in unprecedented fashion. The President is being given a $900 million blank check—that is, the executive branch of the Government—a $900 million blank check to spend on any type of local public works projects deemed necessary by the local community, which means anything including ski slides, swimming pools, golf courses, all of which, as a matter of fact, have been testified to by some of the leading public officials in this Nation, including the Governor of the great State of Michigan, the mayor of the great city of Chicago, suggesting that these were projects which they wanted to spend this money and they needed it and they had to have it. The Governor of the State of Michigan said he had to have $689 million of the total in order to take care of public works, local and State projects, needed in the State of Michigan. You know how much would be available in the State of Michigan out of this total program if it got the total 10 percent maximum to which it would be entitled under the bill? Some $60 million. Do you know how many unemployed people could be employed a year in Michigan at the rate of $30 million annually, this being about a 2-year program, as far as putting it into effect is concerned? About 12,000 people. A drop in the bucket.

Did you hear that figure? That is in the evidence—12,000 people. I suggest to the gentleman from Michigan [Mr. BENNETT], because he asked the question, and rightly so, "Is this going to help unemployment in my locality where there is a serious problem?" And the answer in my opinion is, "No." You cannot do it with $900 million, $300 million of which goes to paragraph 5(b) rural redevelopment program areas in the first place, leaving $600 million, which would mean a maximum of $60 million for the entire State, to be spent over a 2-year period. And I repeat that means 12,000 employees a year. And, according to the testimony of Mr. Meany, it means the entire bill, if it takes 2 years to spend the money, which is estimated it will take, that 125,000 employees will result from this bill per year. That is 0.03 percent of the present 4 million unemployment figure. It is sheer demagoguery and inconscionably misleads the many unemployed to suggest this bill will cure their problems.

Do you know what it would cost to bring this unemployment down to 4 percent, or to reduce it by 1 million employees? If this is the answer—that is, public works pump-priming, WPA projects, leaf-raking projects—do you know how much money it would take to employ 1 million people under this forumla? At least $4 billion. This is not the answer to the problem. There is a much more acceptable, a much more proper answer, and it does not involve an improper delegation by Congress of power to anyone. I think the best example of it has already been mentioned, the $1,994,000,000 that was released just recently by the Bureau of Public Roads for highway accelleration under a presently authorized and financed program and made available to the States for obligation this year.

For instance, to the State of Pennsylvania, if I correctly remember the figures, it meant about $146 million more to be obligated right now. And it is in a program that has been proven a good program. It is not a leaf-raking type, swimming-pool, ski-slide type program that I am convinced, if the taxpayers of this country fully realized that we were sitting here today deliberating whether we were going to put 50 percent of their money into this type project would rise up in righteous protest against.

Some people say, What are you talking about? Are you trying to mislead us? This is the testimony before the committee. Here is what the Area Redevelopment Agency is doing with regard to these types of projects as reported by the Department of Commerce itself as of Monday, July 30, 1962. You do not have to take my word for it; here it is. The gentleman from Minnesota admitted that this is the area in which the money is to be spent.

Here is the case of Ironwood, Mich.: Gogebic Range Ski Club, to build a ski resort, a $250,000 loan, $150,000 grant.

Pendleton County, W. Va.: To operate a tourist and recreation center, $1,477,000 grant, for a State-operated tourist and recreation center.

Here is another one: University of Colorado, to study tourist areas across the Nation; statistical profiles on urban industrial areas.

Park City, Utah; $2,500 to study proposed ski facility.

We are not talking through our hats. This is all a matter of evidence before our committee. As a matter of fact, Mr. Stoddard, representing the Interior Department, said this was what he was going to spend this money for, if this money, $900 million, were made available to him.

Here is the description. This is his testimony as it appears on page 159 of the hearings:

> The Department of the Interior administers 181 million acres of Federal land on which livestock are grazed under permit. Large acreages need improvements that will conserve soil and moisture and increase forage production. Such improvements involve: 32 million acres needing brush control; 12 million acres needing to be seeded; 16 million acres needing weed-control treatments; over half a million water development and water control structures should be constructed; more than a thousand miles of fencing is needed.

That is right. That sounds like a return to WPA to me.

I mentioned what Governor Swainson suggested. He spoke about school construction.

On page 108 the Community Facilities Administration lists present loans for advance planning. Here is a list of the projects. In the State of Alabama, in the advance planning money, $57,000, for school construction planning estimated cost, $1.3 million. The definition in the bill is that any "federally financed" program can now be eligible.

I understand amendments are going to be offered to strike out schools. So far as I am concerned, that is just an admission about how ill advised and poorly drafted this bill was.

This leads to how this bill before us came into being. The administration wanted a $2 billion standby authority. The minute our hearings started they wanted $600 million more immediately. The hearings were held, and lo and behold, after they were over with, and we were not consulted on the makeup of the bill on our side of the aisle, a bill was presented to the committee, rubber-stamped by the majority, brought up on one morning and passed the same morning, and in that bill was not $600 million for public works programs but, lo and behold, it was $900 million. We on the minority asked what was the justification for $300 million additional, and it is obvious, when you read the report, with this list of communities involved as rural redevelopment, the reason it was included was that it covered practically the waterfront, whether there was need or not, in order to get enough people in the rural area, which is not judged on the basis of "unemployment" under the law, it is judged on the basis of "underemployment," on whether the people in one rural area make as much as people make that do not have comparable living conditions or comparable cost of living in some other area. So the $300 million was added without any discussion, without any hearings, without any request from any department of the executive branch of the Government. The $300 million for rural area redevelopment was added for the obvious purpose of including enough areas, even though not unemployment areas, to try to get the bill passed by including enough congressional districts.

The distinguished chairman of our subcommittee, the gentleman from Minnesota [Mr. BLATNIK], said this bill makes 50 percent Federal grants available. He is unhappy about it; it should be more he says. The bill introduced in February 1962 by the gentleman from Minnesota [Mr. BLATNIK] carried exactly the same provision, 50 percent. But I say to the gentleman, and I brought this up in committee and no one was willing to do anything about it—the fact that there is a restriction in this bill now that will keep any community that is hard up for cash from building anything under this program. I challenge the gentleman to refute that statement.

I will repeat—that there is a provision in this bill which would prevent any community that has a financial need—and that is supposed to be the excuse for it, that they cannot raise enough money and therefore they have to have this grant money—there is a provision in this bill which will prevent any community that has a need and that does not have matching funds for doing the job, and I pointed it out in the committee hearings but to no avail.

Here is the provision. It appears on page 19 in section 10. Now listen to this. This has to do with chronic unemployment areas that they have claimed, those areas where the bond issue money is all gone and where they have claimed the communities cannot borrow or put up their own money to match what this bill provides for or what is presently available.

Here is what the committee wrote in this bill. The philosophy is good, but it is not going to help unemployment areas and underfinanced municipalities and counties and States. Here is what it says. It says:

> No part of any allocation made by the President under this act shall be made available during any fiscal year—

Now listen to this. You have to realize that these local communities—and I am sure you do realize this—in most of the States many of them operate on a biennial basis. They meet once every other year. They cannot juggle their budgets every 6 months. The States have to live by what the legislature does. The municipalities do budget on an annual basis. How are they going to juggle figures as required by this provision?

To read further, it says:

> No part of any allocation made by the President under this act shall be made available during any fiscal year to any State or local government for any public works project—

This is a condition—

> unless the proposed or planned total expenditure (exclusive of Federal funds) of such State or local government during such fiscal year for all its capital improvement projects is—

What?—

> is increased—

Now, the total expenditures of the city have to be increased—

> by an amount approximately equal to the non-Federal funds required to be made available for such public works project.

I listened to the appeal of the distinguished gentleman from Minnesota that this is going to help all these communities that do not have enough funds available. I say that this condition requires that the State or local community match that 50 percent with a 50 percent increased total public works construction amount, not that they were going to spend on this project anyway, but 50 percent in new accelerated previously unprogramed and unfinanced projects. Does the gentleman dispute that?

Mr. BLATNIK. Yes; I certainly do dispute that.

Mr. CRAMER. Then the gentleman does not read the language correctly, because that is what it says.

Mr. BLATNIK. Not only do I read the language correctly but I know this situation because it applies precisely in my own hometown. What it means simply is this. When a municipality has scheduled a public works program at a certain level and to insure additional employment, we ask them to increase their amount to match the Federal funds.

Mr. CRAMER. That is to increase the amount of local expenditures, in other words?

Mr. BLATNIK. Would my colleague let me finish?

Mr. CRAMER. But you said the funds are not available.

Mr. BLATNIK. You challenged me. Will you yield to me to answer?

Mr. CRAMER. I yield to the gentleman further; yes.

Mr. BLATNIK. Let me give an example. What this does—No. 1—it prevents a municipality that has scheduled a certain level of expenditures for public improvements from utilizing Federal funds and from saying "Oh, goody, goody. We will just take this 50-percent grant and make a saving on the other and use it for some other purpose." For example, let us say we have $100,000 in a capital improvements fund; $100,000 is not sufficient to take care of the $600,000 improvement in the water system which we want to undertake. But with the 50-percent Federal grant we can get this 50-percent Federal grant, use our $100,000 which is now lying idle and issue revenue bonds which are not covered by the bonded limitation for the rest and undertake an additional capital improvement work—in short, a new water system—and thus give more employment and work above and beyond that which was scheduled for this current year. So it works perfectly simply, the main purpose being to protect the Federal Government so that Federal funds would not be used as a substitute for municipal funds, and it is not one bit as complicated as you are trying to make it out to be.

Mr. CRAMER. This is an interesting example but there is not any question that the condition is that local bodies have got to put up more money and advance new programs in order to get Federal Government matching funds. Now, if you required an increase in the total municipal or State expenditure by that amount additional, if they do not have the money where is it going to come from? This sounds like Mr. Heller's economic philosophy: It is fine to be a deficit spender on the theory that the country gets more money out of an increased amount of the total gross national product that they claim results from this deficit spending pump priming. It just does not make sense. This proposed increased expenditure on the part of local communities amounts to a requirement that they must increase their total local public works expenditures by the amount of the Federal expenditures—and some unique situations as suggested in this colloquy might exist—but not very often.

Mr. COLLIER. Mr. Chairman, will the gentleman yield?

Mr. CRAMER. I yield.

Mr. COLLIER. During the course of the hearings was it established that any entity that might participate in this program has a greater indebtedness per capita than the Federal Government presently has?

Mr. CRAMER. Will you repeat that?

Mr. COLLIER. I wondered if during the course of the hearings anyone established the fact that any community or any area that would participate in this program presently has a greater indebtedness per capita than the Federal Government.

Do they have greater indebtedness per capita than the Federal Government?

Mr. CRAMER. Not per capita; no.

Mr. COLLIER. That is the point I am trying to make.

Mr. CRAMER. The indebtedness of the Federal Government per capita is greater. In other words, the Federal Government is supposed to bail out local communities who are not in as bad shape as the Federal Government is in regard to deficit financing.

Let me make sure it is understood what this bill does. I started to point out that this gives the executive branch a blank check. This also cuts across all jurisdictions of all committees. I wish some of the Members who serve on other authorizing and appropriating committees would take heed of this. This is a rewriting of every public works construction authorizing bill presently in existence. It is a rewriting of policy making available 50 percent Federal grants no matter what the present Federal grants are on a percentage basis. It cuts across the jurisdiction of all of these committees. Let me give you some examples here.

There is no question but what it cuts across subject matter under the jurisdiction of the Banking and Currency Committee. Housing and Home Finance Agency: Urban planning assistance loans and grants, urban renewal loans and grants, low-rent public housing loans and grants, housing for the elderly loans, student nurses and interns housing loans. College housing, advances for planning of all kinds of State and local public works which, of course, would be now available for 50-percent grants. Loans for construction of all kinds of State and local public works and facilities.

Grants for construction of general hospitals, mental hospitals, tuberculosis hospitals, chronic disease hospitals, public health centers, diagnostic and treatment centers, rehabilitation facilities, nursing homes, and nurses training facilities.

All of these programs would be available for this public works program by writing in this obligating authority without consulting the other committees and regardless of appropriation committee action—because under the bill a blanket request for $900 million would be made to the Appropriations Committee not on a line item or project by project basis as is required in executive justification today. This bill applies to navigation, flood control, and related purposes projects. This changes the established formulas for Federal participation. This bill gives the President or the executive branch unlimited powers in these projects. There are $3 billion of projects presently on the deferred list for rivers and harbors and flood control; the executive under the bill can take any portion of any or all of them off the deferred list if it wants to regardless of the merits and without coming to Congress. If the executive wants $900 million in grant funds the Appropriations Committee does not have to have any further justification under the terms of the bill other than a lump sum of discretionary funds. All they have to assert is that it is pursuant to the terms of this legislation.

It cuts across the Farmers Home Administration, Department of Agriculture in loans for small watershed projects. The Rural Electrification Administration, Department of Agriculture, loans for rural electrification systems. The Federal Aviation Agency, grants for airport construction, and so forth. We are rewriting all of the authorizing legislation that has come before the Congress, which is unprecedented. In every other instance the Congress has considered through proper committees whatever increased authorizations may be justified for whatever purpose for what programs and under what ground rules. This bill does not do that.

Mr. CURTIS of Missouri. Mr. Chairman, will the gentleman yield?

Mr. CRAMER. I yield to the gentleman from Missouri.

Mr. CURTIS of Missouri. I was very much interested in the development of the limitation and the communities having to put up additional money, and in the gentleman's colloquy with the chairman of the committee.

I recall when the Committee on Ways and Means went into the financing of a highway program, the argument for the 90–10 formula was that the States could not put up any more than that. It was argued that if we did not have it at 90–10—I did not buy that myself, but that was the argument—the program would not go ahead.

Is that what the gentleman is saying on this 50-percent formula, that in areas that are already having difficulties, and I can see the point, they would not even have the money to increase what they are already doing, is that correct?

Mr. CRAMER. That is correct. That is what the language of the bill says, and I do not think there is any question about that.

It says: "for all its capital improvement projects is increased by an amount approximately equal to the non-Federal funds required to be made available for such public works project."

Mr. CURTIS of Missouri. I think the gentleman is exactly right. All of us on the Committee on Ways and Means that went through this 90–10 formula are aware of that argument. I want to commend the gentleman for bringing that home.

Mr. CRAMER. I want to refer to one or two other points. This is further deficit spending. There is not any question about it. It was not in the budget. This will further "bust" the budget by some $900 million this year. This is a new program for $900 million more of appropriations this year with an anticipated $4 to $5 billion deficit in 1963 already—and $4.3 billion deficit in 1962—and a national debt at $300 billion.

It has been stated by the President it is not necessary to have a tax cut this year because unemployment is not as bad as it was. You cannot have your cake and eat it, too. Unemployment is either bad or it is not.

Of course there are some critical areas of unemployment. But the record shows that in the last 6 months unemployment has decreased from 4.5 million to 4 million people, which is a substantial decrease. If we were to try to vote such a reduction by public works pump priming as testified to by Mr. Meany, to the effect that a million dollars will provide 250 jobs, and if we are going to provide the remedy through more money, it would take over $2 billion to decrease unemployment by 500,000. It appears this is not the approach. This figure by Meany also assumes every project you go into is going to result in new employment. But that does not happen. Your contractors often simply work their present employees overtime, and that is exactly what will happen in this program—they will work the employees overtime. This was proven in the Highway Acceleration Act of 1958.

Let us come to another matter, the question of what other programs are available. I recognize that many areas have critical unemployment problems. The answer to me is obvious. The answer is to accelerate some of the $2.5 billion proven programs for which funds have already been appropriated. Let us take the area redevelopment, for instance, a lot of harpoons have been thrown into area redevelopment because it requires a community to do something for itself in order to qualify. What is wrong with that? A community has to plan for a permanent effort to cure unemployment in the area redevelopment program by trying to find new industries and relocations. What is wrong with that? Other approaches such as this bill are strictly temporary things that are not going to do the job at all. That is what is wrong with this bill—a short shot on a limited basis having a minimum effect but advertised as an answer to all unemployment.

They claim this bill is going to do so much for so many communities with 50 percent Federal matching funds. What are the major features under area redevelopment? It says:

> No limit is set on a percentage of aggregate project cost that may be loaned by ARA for public facilities.

That is, if you have a balanced program, if you are looking for a permanent solution to unemployment:

> The funds which can be practically obtained from loans and from other Federal sources, and (2) the amount necessary to insure completion of the project.

So the Federal participation under ARA does not have a 50-percent limit. It is not limited under the present existing law. Under community facilities, a program already in effect, 100-percent loans for 40 years are already available.

There are $2.5 million of proven authorized programs, there is the Veterans' Administration direct loan program, $450 million; community facilities, $447 million; urban renewal, $1.1 billion; Maritime Administration, $64 million; ARA, $66 million, and there has been such a need for that that they have not even spent that money yet. Then there is the Farmers Home Administration, and this does not include the sum of $6 billion, which is already authorized for rivers and harbors and flood control public works projects, already authorized properly on their merit by the Congress.

So, the way to get something done to really aid unemployment is what was done in the highway program with the $2.9 billion recently approved for accelerated obligations which the President and the executive and the Bureau of Public Roads incidentally could easily have said to the States, "Give first priority to communities that have employment problems when you let these new contracts."

Mr. Chairman, how interested is the administration in unemployment? Not even interested enough in providing this $3 billion to suggest that it should be made available, and that is three times the amount of money made available in this bill; that it should be used in unemployed areas. That is the interest which the administration has in unemployment.

Mr. TEAGUE of California. Mr. Chairman, will the gentleman yield?

Mr. CRAMER. I yield to the gentleman from California.

Mr. TEAGUE of California. Mr. Chairman, I would like to state to the gentlman from Florida [Mr. CRAMER], although I understand, of course, that he had nothing to do with it, that I was shocked in going through this green sheet put out by the Committee on Public Works to find Oxnard, Calif., listed as a city of substantial unemployment and qualifying as an eligible city for relief under this bill.

Mr. Chairman, Oxnard, Calif., is in my district, about 40 miles from where I live. If there is any city in the whole United States that should not be qualified for such relief as an area of substantial unemployment, is in Oxnard, Calif. I see the gentlemen from California [Mr. DOYLE and Mr. ROOSEVELT] sitting across the way. They are very familiar with this area. It is close and nearby. I think they will agree that it is surrounded by three major military bases, has a very booming harbor with two more under construction, industry is moving in rapidly, and it has grown from 30,000 to 50,000 population. Why in the world was it singled out? I do not know. I would appreciate it if someone on the other side would enlighten me.

Mr. CRAMER. I am sure I could not tell the gentleman. I do not know on what basis it is so declared. It is listed under the ARA distressed areas.

Mr. TEAGUE of California. If the gentleman will yield further, it is stated that it is an area of substantial unemployment. I have never heard of that situation from the newspapers or the chamber of commerce or an individual or anyone else.

Mr. CRAMER. Perhaps someone on the majority side can answer that question. They have a list of them.

Mr. TEAGUE of California. If the gentleman will yield further, I might consider offering an amendment to the bill later on to eliminate Oxnard, Calif., from this dishonor—that it is being selected for this special help, because the city does not consider itself to be distressed at all.

Mr. CRAMER. I am glad that someone representing an area that is supposed to be distressed is letting the House know that the local area is not interested in this bill and that such area should not have been on the list in the first place. Again, it shows the mistake of the Public Works Committee in trying to make available grant money across the board in all these programs when the Public Works Committee is not qualified to make such decision in areas outside our jurisdiction such as redevelopment, housing, and other areas, as the gentleman mentioned.

Mr. McCULLOCH. Mr. Chairman, will the gentleman yield?

Mr. CRAMER. I yield to the gentleman from Ohio.

Mr. McCULLOCH. I wish to compliment the gentleman from Florida [Mr. CRAMER], on his able, persuasive, startling presentation of this proposal. Of course, it is known that the expenditure of 10 times this amount of money in the thirties did not end unemployment. I cannot help but remind the committee that since January 1961 there have been 150,000 new people added to the civilian payroll of this country, with no apparent reduction in decreased unemployment. I just want to say that the hard-working, frugal, budget-balancing-minded people of Ohio are going to be amazed when they hear the facts concerning this proposal, and I am sure that I know what they are going to do when they learn those facts. It will be our intention to present them even in greater detail than presented by the able gentleman from Florida, who not only has done such a great job on this committee but on the House Committee on the Judiciary as well.

Mr. CRAMER. I thank the gentleman very much.

Mr. GRAY. Mr. Chairman, will the gentleman yield?

Mr. CRAMER. I shall be glad to yield to the gentleman from Illinois.

Mr. GRAY. With reference to this matter of Oxnard, Calif., I quote the Department of Labor Statistics which shows that it has had 6 percent or more of the employable labor force unemployed 9 months out of the past 12 months. I believe that if the gentleman from California [Mr. TEAGUE] would call some of the 6 percent or more unemployed, the gentleman would find they would like to have some assistance. These figures came from the U.S. Department of Labor.

Mr. CRAMER. If I had to choose between the Labor Department figures and those of the gentleman from California [Mr. TEAGUE] in whose district this town is located, I would take those of the gentleman from California. Anyway, if Oxnard has a serious problem I am sure the gentleman from California [Mr. TEAGUE] would be aware of it. Also it shows that Oxnard is not asking for this Federal handout but Congress is trying to force it on this community. I think it also shows the error of the Public Works Committee in trying to make available 50 percent grant money for all kinds of local public works projects in areas where there is not any real unemployment or any real need; as a matter of fact, where there is no real demand on the part of the local communities for this money. I have not had any local areas come to me and say, "I think you ought to put 50 percent Federal grant money into ski slides and swimming pools." Of course, coming from Florida, I would not have requests concerning the former; but swimming pools and golf courses and fire stations, for those things, our local communities do not expect and are not demanding Federal money. We want to make these decisions ourselves. I think there is the rub. Is the local community going to make that decision or is the Federal Government going to make it and tell the local community, "We think this is necessary and we think that is necessary" under the terms of the bill. The local community should make the decision, and if it does, then you are going to be in a position, as the mayor of Chicago suggested he has already decided where the Federal Government is going to be building swimming pools and golf courses, building public parks, with 50 percent Federal matching money. And if the Congress accepts the Senate version of the bill, the taxpayers are going to pay 50 percent grants and 50 percent loans—or 100 percent financing for such necessities.

The gentleman from Minnesota I think let the cat out of the bag when he said that he would even accept an amendment adding more than 50 percent grants, which means that obviously he is going to be overanxious in the conference, if this bill should pass, to accept the Senate version of 50 percent Federal grants and 50 percent Federal loans for such projects.

Mr. JOELSON. Mr. Chairman, will the gentleman yield?

Mr. CRAMER. I yield.

Mr. JOELSON. The gentleman was critical of the Area Redevelopment Administration in the matter of loans for swimming pools and ski clubs, and the like. The purpose of this Administration is to create jobs. The gentleman comes from Florida, and is he not aware of the fact that the recreation and tourist industry creates jobs? This is just not something that is frivolous, but is for the purpose of creating jobs in this very sizable industry.

Mr. CRAMER. But the bill is not related to a program as is ARA for creating long-range jobs through industrial development and provides for such swimming pool and golf course financing when not related to well-rounded community industry attraction. So far as your golf courses are concerned, and your swimming pools, there is not a community in the State of Florida that is asking or expecting 50 percent Federal money for such projects—and I'm sure the taxpayers of Florida do not want Federal money spent for such projects—and such construction planning controlled in Washington.

Mr. JOELSON. We are not talking about 50 percent Federal money; we are talking about the money in the area redevelopment program.

Mr. CRAMER. The gentleman is talking about the V(b) ARA rural underemployed areas, of which there are a number in Florida, and I guarantee you that they are not asking for any 50 percent Federal matching money for swimming pools and golf courses—no such requests have come to my attention.

This bill authorizes the President to convert any kind of a Federal assistance program, under existing law, into a 50-percent Federal grant program.

A careful and objective analysis of this bill can result in only one conclusion and that is that the bill, if enacted into law, will not provide any appreciable increase in employment and that it is highly objectionable because of the needless increase in government spending, requiring deficit financing, and the unprecedented delegation of congressional powers to the President to select and allocate funds for projects and programs, and to establish new Federal grant programs without limitation. Needless to say, once such new Federal grant programs have been commenced under authority of this bill, great pressure will be exerted upon the Congress to continue and enlarge such programs in future years.

This bill simply provides a $900 million political slush fund for the President and is a vehicle for the Federal Government to inject itself further into State and local community life, which will add to the ever increasing cost of the Federal Government in doing what can be accomplished better at the State and local levels.

At the time of hearings on this bill, in March and April of this year, the national unemployment was reported to be 4,543,000 persons. During the past 6 months unemployment has dropped to 4,018,000 for an increase in employment of 525,000 persons, which is more than four times the employment that could result from expenditure of the $900 million authorized by this bill. Furthermore, the President recently announced that he had decided against asking for a reduction in taxes this year because the employment situation had materially improved. Much more can be accomplished, in bringing unemployment down to the acceptable level of 4 percent by creating a favorable atmosphere for expansion of the private sector of the economy than by creating new Government spending programs. What is needed to restore confidence is an immediate stop to new Government spending, accompanied by a thorough revision of the tax structure to encourage capital investment, to promote expansion and modernization, and to offer much needed relief to the ordinary taxpayer. With the cost of living having reached an all-time high in each of the last 5 months, the American people are far more concerned about the economic squeeze they face today than about the New Frontier's social experiments, which invariably involve more Government spending to be paid for by the taxpayers.

We all share a grave concern over the seriousness of continuing unemployment, and an effective solution must be found, but this bill is not the answer; it would merely compound the present serious economic plight of the country.

Mr. GRAY. Mr. Chairman, I yield such time as he may require to the gentleman from Massachusetts [Mr. LANE].

Mr. LANE. Mr. Chairman, the rate of unemployment in the United States has been disturbingly high for the past 5 years. A number of areas are affected by chronic unemployment considerably higher than the national average.

After two Presidential vetoes—in 1958 and 1960—the Area Redevelopment Act was finally signed into law last year. However, this is a basic long-term effort to rehabilitate the economies of these areas, and it cannot produce the immediate aid that is needed. An accelerated program of public works is the most effective method to do the job until longer-range programs are able to put more people back to work, and to build the foundation for future progress.

There is a substantial backlog of both Federal and local projects fully planned which can be started quickly, and this form of aid can be directed to those areas where unemployment is serious and persistent.

Out of hundreds of projects in the various States planned or being planned in areas eligible for aid under H.R. 10113, I note that in my area in Massachusetts, Lawrence-Haverhill, Lowell, and Dracut would benefit. The city of Lowell would benefit by the construction of a fire alarm building, and sidewalks, at an estimated cost of $179,600. The town of Dracut would be helped in putting some of the unemployed to work by the construction of a water project and three sewer projects, totaling $1,588,280. In the Lawrence-Haverhill area, local public works projects will be considered under the terms of this bill. In addition, the demand generated for materials and equipment used in this construction, will spread its effects throughout the economy.

Up to the present, there has been no coordinated program of public works construction to meet essential needs that would at the same time come to the aid of distressed areas. The Area Redevelopment Act provides us with the formula for determining those areas deserving of priority assistance. Whereas the ARA is concerned with long-range remedies, the Public Works Coordination and Acceleration Act will provide immediate help, with encouragement for those projects which can be started promptly and the bulk of the employment created by these civil capital improvements will occur within 12 months after the project is started.

Each local project, as distinguished from a purely Federal project, must meet an essential public need, such as water and sewer works, public buildings, local streets, and sidewalks, hospitals, et cetera.

The bill authorizes the appropriation of not more than $900 million to accelerate construction activity and employment both on direct Federal projects which have previously been authorized by Congress, and on local public works construction by matching Federal grants. In most cases, grants can cover up to 50 percent of the cost.

The unemployed are presently excluded from the productive activity and the earning power necessary for their own needs, and for the growth of our economy. We seek permanent remedies for this problem. But, until they are designed and applied successfully, we cannot permit the unemployed to drift into dependence upon charity, and into personal frustration and discouragement.

The bill would create an Office of Public Works Coordination and Acceleration, the basic purpose of which would be to provide essential information to the Congress and the President concerning public works backlogs, current construction, and planning for future needs. No Government agency has this responsibility at the present time, to insure the most effective allocation of resources.

The proposed office would also be charged with encouraging State and local governmental agencies to develop orderly capital improvement programs.

Wars, hot and cold, have delayed the construction of public works. To close that gap and simultaneously ease the unemployment problem are the twin objectives of H.R. 10113. Both are necessary, in combination with other measures, to realize the full growth potential of our economy.

Mr. GRAY. Mr. Chairman, I yield 10 minutes to the distinguished gentleman from Alabama [Mr. RAINS].

Mr. RAINS. Mr. Chairman, I would like to speak briefly in support of the public works employment bill. I am very glad that the House will have an opportunity to cast a clear-cut vote on the question of unemployment. This bill represents the main opportunity we will have this session to make a record on unemployment and answer the question of whether or not we are willing to do anything about it. A vote for this bill is a vote to put the unemployed back to work and to stimulate our lagging economy. A vote against the bill would be a vote to ignore the plight of the unemployed and the danger that the country may slip into another recession. We must not let the discussion of details and side issues obscure the fact that a vote against this bill would be a vote to turn our backs on the 4 million jobless men and women.

I am particularly pleased that the committee set aside $300 million for rural areas. Many rural areas in the South have not known prosperity since the twenties. They suffer from chronic unemployment and low incomes. In spite of their great need, however, rural areas are handicapped in taking advantage of programs such as this bill would establish because they are not set up to act quickly when the opportunity for aid is offered. This reservation of funds will assure that ample assistance will be available to meet the needs of depressed rural areas.

At the same time, there are many industrialized communities in the South which will benefit equally under the bill. We have had our share of problems in recent years as a result of the 1958 and 1960 recessions and the inadequate recovery periods that followed.

Mr. Chairman, my years of experience in the field of housing and community development have convinced me that there is a great need for additional Federal assistance in the field of community facilities. Already we have adopted the "grant" approach to meet a number of urgent problems, particularly those affecting the larger cities. The principal example is the urban renewal program where the Federal Government pays two-thirds, and in some cases three-fourths, of the cost of slum clearance. In my judgment the need for public works, such as sewer and water facilities, often represents just as serious a need as the need for outright grant assistance. This, coupled with the ominous persistence of intolerably high unemployment, completely convinces me of the wisdom of this bill. At the beginning of this year, it was apparent that there was reason for concern over the future economic course. While the economy was working on an uptrend, a careful look at the basic economic factors showed that this was no reason for assurance that this recovery would be any more successful than those of other recent years. Economic experts are agreed that investment plays a key role in determining the level of business activity. A careful study of the purpose for investment and the factors involving the ability and willingness of the business community and of Government to step up investment indicated serious doubts whether or not investment would rise far enough or rapidly enough to bring the economy all the way back to full prosperity. In early March of this year I introduced a bill, the Community Facility Act of 1962, which was designed to spur employment through Federal grants for needed local public improvements. I take great pride in the fact that this bill, the discussions about it, and the support for it helped to clarify the situation and contributed to the formulation of the bill now before the House.

The Public Works Employment Act we are now considering is based on the fact that public works have special advantages as a means of stimulating the economy.

First, this approach makes it possible to spend the dollars where they are needed most in areas of highest unemployment while the entire Nation is benefitted indirectly, through the demand for construction materials and equipment and through the spending and respending of the incomes generated by the first impact in those areas with the largest number of jobless men and women.

Second, it should be pointed out that, in spite of the gains in other fields of employment, the number of those now employed in contract construction is still below the year-ago level. In this case let me note that the housing starts which rose rapidly last spring from the extremely low winter levels have now dropped back during the past 2 months on a seasonally adjusted basis. Industry experts expect this reduced rate to persist in the months ahead. Third, the assistance provided by this bill will result in construction of many vitally needed local public works projects which will make our communities better places in which to live, add to our national wealth, and encourage economic growth in the future. Unfortunately, public investment has been a kind of stepchild in our economy in the past two decades. At the end of the 1930's, the special aids to public works construction combined with our reduced rate of population growth left us with a relatively inadequate level of community facilities. Under the pressures of World War II and postwar material shortages, local public works very often were shoved aside for a later time. Then, under the necessary restrictions of the Korean war period, community facilities again were delayed. Since then, recurring periods of tight money—which is generally recognized to have its greatest impact on the flow of home mortgage money and borrowing by local governments—have served to impede our efforts to achieve an adequate level of public investment. Throughout this period, local government has been under tremendous pressure to meet the needs of our rapidly rising population and the high standards of public service which our people demand.

The impact of this bill on public works construction will be felt quickly in view of this tremendous backlog of needed projects. On August 23 I inserted in the RECORD a table showing the hundreds of projects which have been fully planned or are being planned under the section 702 program of advances for public works planning. This actually is only a small part of the many projects which would be eligible for aid under this bill, but it is a clear indication of the fact that the assistance provided under this bill can be put to work promptly.

When this bill becomes law, as I am confident it will, and the funds are appropriated, an eligible community can apply for a grant to cover 50 percent of the cost of the needed public project. The balance will normally be raised through the sale of the community's tax-exempt securities to private investors. If it cannot obtain a reasonable interest rate and terms in the private market, then it can turn to the Community Facilities Administration and make application under the public facility loan program. Any project eligible for a grant under the pending bill is specifically made eligible for a public facility loan if necessary. These loans carry an interest rate of 3¾ percent; except that in the case of an area eligible for aid under the Area Redevelopment Act, the interest rate is 3½ percent. Taken together, this assistance means that these backlog projects and others in which the planning period is brief can be started in a very short time.

Mr. Chairman, when the Congress passed the Area Redevelopment Act last year, it gave recognition to the fact that there are many places with basic economic problems which suffer from high unemployment even when the country as a whole is well off. That program was never intended as a shot-in-the-arm for these communities. It is a basic, long-range undertaking and, before any aid can be extended, the Area Redevelopment Act requires the development of an overall economic plan. This requirement immediately imposes considerable delay. Meanwhile the unemployed are still idle and this bill is urgently needed to put them back to work right now. At the same time, this aid will result in the construction of many much-needed Federal, State, and local public works. These communities, because of the same economic problems that result in their high rate of unemployment, have particular difficulty in financing necessary community facilities. The 50-percent grants provided by this bill coupled with the loans available under the community facility loan program to help finance the balance will give an immediate stimulus to employment in eligible areas and, in fact, throughout the country; and will help to make these communities better places in which to live and thereby enhance their prospects for economic recovery in the long run.

Mr. Chairman, the House this year passed a $4½ billion foreign aid bill. Much of that money will go for just the same kind of project that would be aided by this bill. It certainly seems to me that our constituents would be well warranted in taking us to task if we fail to support the bill now before us which would do for our fellow Americans what the foreign aid program does for those in other countries.

I want to answer some of the questions which have been raised in connection with this bill. In the first place: Why do we need to spend this $900 million? Unemployment has been above the 5-percent level continually for the past 5 years, and there is nothing in recent statistics or business reports that indicates a rapid return to full employment. That is first.

The next question so often asked of me is: Where would these public works projects be located? To assure that the program will have its first and greatest impact in areas where unemployment is most serious, aided projects would have to be located in one of the cities or counties eligible under the Area Redevelopment Act or in one of the 122 other communities which have suffered from high unemployment, 6 percent or more, for most of the past year. Altogether this comes to a little over 1,000 eligible places which are listed in the committee report.

How many jobs will be created under the bill? At least 150,000 new jobs would be created in onsite construction employment and in the factories and mills which produce construction material. The bill would create additional income by providing jobs for people who are now barely getting by on unemployment compensation or welfare payments. It is difficult for me to understand how we can continue to vote for unemployment compensation, which most of us do, then vote against a bill to get a man off that unemployment compensation and put him to work in a job that helps to build business and help the county, State, and Nation. As the incomes generated are spent and respent, at least 150,000 additional jobs would be created through the country, making a total of at least 300,000 jobs that this bill by conservative figures would actually put to work.

What kinds of Federal projects would this bill undertake? Only those Federal projects specifically authorized by the Congress and which meet the other requirements in the bill could be built. These could be small watershed, river and harbor, and flood control projects, public buildings, soil conservation, reforestation, water and sewer, and all the community facilities. The claim has been made—without foundation—that luxury items such as golf courses, swimming pools, and ski slopes could be aided under the bill. This is not true. The bill states that any project helped must "meet an essential public need." It is rather difficult for me to understand how you can talk of skiing being essential.

As I listened to the speeches that have been made here, I wondered if it had suddenly become dangerous to trust the President of the United States with all of the powers that we have always entrusted to whoever was the President. In all the years since I have been here, I cannot remember when the Congress ever said whether a Hill-Burton hospital would be built in St. Petersburg, Fla., or in the State of Alabama, or what low rent housing or urban renewal projects should be undertaken. The fact is that these responsibilities are left to the executive branch. I vigorously object to the wild charge that we are giving the man who is entrusted with the high office of the President of the United States some kind of imaginary "slush" fund. That claim was never made when Mr. Eisenhower was in office, and I do not think it is fair to make such charges now.

What kind of aid would be available for State and local public works? The bill authorizes Federal grants to cover 50 percent of the cost of local public works. The question was asked where a town that lacked financial resources would get the other 50 percent. I can name you plenty of small towns in Pennsylvania, Alabama, West Virginia, Florida, and all over the country that cannot float a revenue bond on reasonable terms. They do not have the financial standing that is necessary in order to do that. Under this bill, if a community cannot raise its share from its own resources or private lenders, it can borrow that 50 percent from the Community Facilities Administration. There is over $400 million in the public facility loan fund to meet this need.

How large would these projects be? The bill limits projects to small and medium sized projects through the requirement that most of the employment must be created in the first 12 months. This rules out any large undertakings such as dams.

What kind of local public works would be aided? Any local community facility for which the Federal loan or grant aid is authorized under existing law, except schools are eligible. For example, a grant could be used to help finance a water system or sewer lines, public building construction, sidewalks, and so forth.

What is the difference between this bill and the public facility grant provision in the ARA—Area Redevelopment Act? The aid for public facilities under ARA is strictly limited to those projects which are directly related to the creation of new permanent employment, such as a factory. The aid in this bill could be used for the whole range of public works, except for schools, as a matter of fact; and I want to touch briefly on that because those loans will be repaid, $2,500 million.

I have a letter from one of my distinguished colleagues that pointed out that there is $2.5 billion authorized but not yet used under existing programs. Let me point out that the $1 billion for urban renewal is for long-term contract commitments that cannot do anything for immediate employment. Let me point out also that the $500 million for Veterans Administration loans is confined to rural areas, and that two-thirds of that is used in buying buildings already built, and does not create new employment.

Let me point out also that the community facilities loan program is designed to meet our most urgent public facility needs; it is not designed to combat unemployment and the interest rate charged is too high for many communities which suffer from high and chronic unemployment.

Finally, Mr. Chairman, I want to answer the charge that the economy has not improved under the present administration.

When the Kennedy administration took over, the country was in the midst of a recession. Gross national product was only $500 billion, exactly the same level where it had been a year earlier. Since then, we have added more than $50 billion to the level of production measured by GNP, a gain of 10 percent.

When the new administration took over, nearly 7 percent of the labor force was out of work and the trend was upward. We have succeeded in reversing that trend, bringing the figure down to 5.3 percent.

At the beginning of 1961, corporate profits were running at a $40 billion annual rate and they were falling rapidly. By the beginning of this year, we had added $10 billion to corporate profits—fully one-fourth—and they are rising.

At the beginning of 1961, business was investing in new plant and equipment at an annual rate of $34 billion. Today the rate is up to $38 billion, a gain of over 10 percent. Proud as we are of these accomplishments, we are not complacent or satisfied. While the economy is rising, it is not rising fast enough, nor is there assurance that it will return to full prosperity in the immediate future. After the 1958 recession, recovery was brief and incomplete and we suffered another business slump. We must not let that happen again.

QUESTIONS AND ANSWERS PERTAINING TO THE PUBLIC WORKS EMPLOYMENT ACT (H.R. 10113)

Question: What would H.R. 10113 authorize?

Answer: The bill authorizes the appropriation of $900 million to expand employment through the construction of Federal, State, and local public works.

Question: Why do we need to spend this $900 million?

Answer: Unemployment has been above the 5-percent level continually for the past 5 years and there is nothing in recent statistics or business reports that indicates a rapid return to full employment.

Question: Where would these public works projects be located?

Answer: To assure that the program will have its first and greatest impact in areas where unemployment is most serious, aided projects would have to be located in one of the cities or counties eligible under the Area Redevelopment Act or in one of the 122 other communities which have suffered from high unemployment—6 percent or more—for most of the past year. Altogether this comes to a little over 1,000 eligible places which are listed in the committee report.

Question: Will these eligible areas be the only ones to benefit by the bill?

Answer: Certainly not. The program will stimulate the entire economy through the purchase of construction materials and will have a multiplier effect as the incomes created are spent and respent.

Question: How many jobs would be created under the bill?

Answer: At least 150,000 jobs would be created in onsite construction employment and in the factories and mills which produce construction material. As the incomes generated are spent and respent, at least 150,000 additional jobs would be created through the country, making a total of at least 300,000. .

Question: What kinds of Federal projects could be undertaken under the bill?

Answer: Only those Federal projects specifically authorized by the Congress and which meet the other requirements in H.R. 10113 could be built. These could be small watershed, river and harbor and flood control projects, public buildings, soil conservation, reforestation, construction in national parks and so forth.

Question: What kind of aid would be available for State and local public works?

Answer: The bill authorizes Federal grants to cover 50 percent of the cost of State and local projects.

Question: How would the community put up its share of the cost?

Answer: Where a community is unable to sell its securities to private investors at reasonable interest rates, it can borrow from the Community Facilities Administration. This agency has approximately $400 million available for this purpose.

Question: How large could these projects be?

Answer: The bill limits projects to small- and medium-sized ones through the requirement that most of the employment must be created within the first 12 months. This rules out any disproportionately large undertaking, such as dams.

Question: Could a community get these grants for something which is merely a luxury, like a swimming pool?

Answer: That would be impossible under the bill which states that any project aided must meet an essential need.

Question: How quickly could this program get underway?

Answer: Many projects could be started almost immediately and it is expected that most of the aid would be committed in a matter of months. Unlike some public works programs in the past, this aid would not be used for very large projects which have a long leadtime. There are a tremendous number of projects which would be eligible that are already fully planned and could be undertaken quickly if this aid were available. A list of over 500 projects in eligible areas, on which planning is completed but construction not yet started, or which are now being planned, was printed in the CONGRESSIONAL RECORD of August 23, 1963, just as an indication of the backlog which exists.

Question: What kind of local public works could be aided?

Answer: Any local community facility for which Federal loan or grant aid is authorized under existing law, except schools which are not eligible. For example, the grants could be used to help finance water and sewer lines, public buildings, streets and sidewalks, and so forth.

Question: Is this another depressed areas bill?

Answer: No, many areas not eligible under the Area Redevelopment Act are eligible under this bill. In addition, there is a clear difference in purpose and in the assistance provided. The Area Redevelopment Act is a basic long-term effort to cure fundamental economic problems and requires comprehensive planning as a first step. That law was never intended as a shot in the arm for employment. The public works bill is designed to meet the immediate problem of high unemployment in both depressed areas and other areas of high unemployment, and at the same time build useful community facilities which will make these communities better places in which to live and help their long-term growth. This bill will also stimulate the entire economy and create jobs throughout the Nation.

Question: What is the difference between this bill and the public facility grant provision in the Area Redevelopment Act?

Answer: The aid for public facilities under the Area Redevelopment Act is strictly limited to those projects which are directly related to the creation of new permanent employment, such as a factory. The aid in this bill could be used for the whole range of public works—except schools—which are justified on their own merit.

Question: Will not this $900 million increase the Federal deficit?

Answer: The principal threat to a balanced budget is the danger of a recession. The largest peacetime deficit in our history—$12 billion—came as a result of the 1958 recession. About three-fourths of that resulted from the loss of revenue and most of the rest came from increased expenditures such as temporary unemployment compensation. The economic stimulation that this bill would give would increase Federal revenues. Also, it should be kept in mind that we are currently spending $4 billion a year for unemployment compensation.

Question: Why would this bill authorize matching grants for projects now eligible only for loans?

Answer: Loan assistance may be adequate to meet ordinary community facility needs, but the present circumstances of high unemployment and uncertain economic outlook call for a more direct and effective aid.

Question: Could not the President use the $2.5 billion of unobligated funds under existing programs, such as urban renewal, VA, home loans, farm home loans, and community facilities, so that this bill would not be needed?

Answer: None of these programs would provide the right aid at the right places to meet the present problem of unemployment. Half of that total is for the urban renewal program and urban renewal is necessarily a long and time-consuming undertaking. Moreover, the first object of urban renewal expenditures is the acquisition of land and existing structures, and this does not create employment. The highly successful community facility program authorizes only loans and carries an interest rate of approximately 3¾ percent which simply is not enough aid to stimulate enough additional construction promptly. The home loans for rural areas under the Farmers Home Administration and Veterans' Administration cover many areas which, while lacking sources of private mortgage money, are not necessarily those in which unemployment is serious. Moreover, two-thirds of the VA loans are made to purchase existing homes and thus generate no employment. In contrast, H.R. 10113 is carefully designed to stimulate construction promptly and in areas of greatest need.

Mr. AUCHINCLOSS. Mr. Chairman, I yield 2 minutes to the gentleman from Washington [Mr. PELLY].

Mr. PELLY. Mr. Chairman, I have asked for these 2 minutes in order to call attention to the RECORD of yesterday. When the distinguished gentleman from Alabama who just left the well of the House was discussing the senior citizens housing bill when it was considered yesterday, I directed a question to him. I asked if there was back-door spending in that bill, and I certainly understood him to say "No." However, when I read the RECORD this morning I found he had corrected his answer and indicated instead that there was some back-door spending in the bill. I know that of course the gentleman was not trying to misinform me. He simply changed his answer and by the same token I want to change the comment I made following his statement. I want to withdraw the comment I made that I was glad that there was no back-door spending in the bill. There was, and I am sorry, because I am against the back-door method of financing programs.

Mr. RAINS. I misunderstood. I want to give you the correct answer. I discovered it this morning also. I was thinking about new programs. The gentleman asked me if they were recommending back-door spending, which they were not. There was a continuation of one that had been going on for almost as long as we have been here, and there was a small amount of usual Treasury financing in it, but in the item I was discussing there was not. I apologize to the gentleman.

Mr. PELLY. No apology is necessary. I know, of course, the gentleman was not deliberately misinforming me. I want to retract my expression in the RECORD to the effect that I was happy about all provisions of the bill. I regret there was back-door spending and that there was increased borrowing authority which bypasses the procedure of annual scrutiny of a program by the Appropriations Committees.

Mr. RAINS. We had only continued the borrowing authority.

Mr. PELLY. But you increased it by $50 million, as I understand.

Mr. RAINS. I understood the gentleman to be talking about the new program. I apologize to the gentleman. I did not intend to mislead him.

Mr. PELLY. I want to assure the gentleman that I know he was making a statement the way he understood my question. Properly he corrected his answer. I want to correct my part of it too. The legislative branch loses control over finances where an agency of Government can borrow from the Treasury. I intend to oppose this device whenever it is included in legislation.

Mr. AUCHINCLOSS. Mr. Chairman, I yield 10 minutes to the gentleman from California [Mr. BALDWIN].

Mr. BALDWIN. Mr. Chairman, it seems to me that we have an obligation, each of us, representing the people of our congressional districts, to be certain that any determination we make here at this time is actually from a fiscal standpoint in their best interests. All of our people are interested in the way we use the funds which we take from them in the form of taxes.

At the beginning of this year, the original budget submitted for the fiscal year 1963 was very narrowly in balance by about $453 million. About 3 months ago the Joint Committee on Internal Revenue Taxation, a committee set up by the House and Senate, estimated we would have a deficit of $3.8 billion for the fiscal year 1963.

Since that time the Treasury Department has made a determination to put into effect a speedup appropriation schedule which, according to the best estimates, will increase our already existing deficit for 1963 by an additional $1½ billion.

The President, a week ago last Monday night, made an announcement in his TV talk that he would recommend to the Congress, on January 1, a tax cut effective as of that time. That means the tax cut will be in effect for one-half of the fiscal year 1963. The exact details of the tax cut have not been announced, but from estimates available this would run to about $6 billion a year. For half of the fiscal year 1963, that would mean an additional reduction in revenues of $3 billion. Therefore, if we take the estimate of the Joint Committee on Internal Revenue Taxation, and a deficit of $3.8 billion is added to an additional deficit of $3.5 billion, due to the accelerated schedule, and add to that a reduction in revenue as the result of a proposed tax cut, we have a total deficit of $8.3 billion for the fiscal year 1963, and that is without considering the impact of the bill now before us.

This bill was not considered by the administration at the time the budget was submitted to us in January; therefore, no funds were in the bill submitted to us in January for this purpose. If we pass this bill authorizing $900 million of unbudgeted funds, whatever portion of that is spent in the fiscal year 1963 will be added to an estimated budget deficit of $8.3 billion.

Now, is it not proper for us as custodians of the tax funds to determine whether already existing funds made available to the administration by Congress have been utilized. It was evident that as of the time of the hearings on this bill that had not occurred, because 2 weeks ago the Department of Commerce made a public announcement that they were releasing 1 year in advance $1.9 billion of highway funds which otherwise were not anticipated to be released this year.

The Department of Commerce testified on that bill back in the latter part of March or April. Therefore, this one act of the Department of Commerce in releasing $1.9 billion 2 weeks ago in contractual authority for highways is going to pump into our economy twice as much funds as the total amount contemplated by this bill.

Now, the figures are shown, State by State, in the announcement made by the Department of Commerce. The State that would receive the largest single sum, according to the Department's figures, is the State of Pennsylvania. The State of Pennsylvania alone under this advanced highway allocation received $149,149,000, and every other one of the 50 States of the Union share in this figure. This would indicate one source that the administration witnesses had not contemplated when they testified for this bill. But there are other sources. There are six of those other sources listed in the minority report that was submitted in connection with this bill. The first of them was the Veterans' Administration direct home loan program. Available last year and this year was the total of $700 million in the Veterans' direct home loan program alone. Up to the present time only $250 million has been committed under this fund. This is available and could be utilized. Those are applications unhandled in the Veterans' Administration.

I would like to read a couple of brief quotes from the hearings on the second supplemental appropriation bill for fiscal year 1962. The hearings on this bill were held back in March and April. These are some questions which were asked of the Veterans' Administration representatives. I shall quote now from page 219:

> Mr. BOLAND. How about the charge that you are holding up $300 million in the veterans' housing program? What is the answer to that assertion?

The answer was given by Mr. Brownstein, of the Veterans' Administration:

> We decided on conducting a study, and we deferred drawing additional funds during the balance of the current fiscal year.

The next question asked by Mr. BOLAND was this:

> With respect to the applications for direct loans to veterans, what is the picture? Are some of the veterans who are looking for direct loans out of this program being hurt because of the activity of the Veterans' Administration?

The answer was as follows:

> We have about 37,000 on the waiting list for direct loans.

Mr. BOLAND asked another question:

> Did you come to this decision in view of the effect upon the President's budget?

The answer was:

> We were asked to look at all areas of our program activities to see where it might be able to effect some savings. Now we are working in this program, along with others. We did determine that it could be done here and that properly it should be done here.

Mr. Chairman, this clearly indicates that the Veterans' Administration withheld funds for which they had applications. They had 37,000 applications on file, and they are still withholding such funds; $450 million is unobligated at the present time.

Mr. Chairman, the point has been made by a preceding speaker that a considerable portion of the Veterans' Administration direct home loan requests are to purchase buildings that already exist. That may be true. But even if one-fourth of it were for new construction this would be 10,000 homes to be built across the country. In addition, many of those who get loans to acquire additional houses, relieve funds by the seller of the house which the seller, in turn, utilizes in some cases to buy or build new houses. Therefore this would be a tremendous stimulus to the economy and if the administration wants $900 million for the purpose of alleviating unemployment, is it not fair that we ask the administration first that it utilize the funds we have made available to them which they have not yet used?

Mr. Chairman, in the Farmers Home Administration housing loan program, which applied principally to rural areas and small towns, we authorized last year $430 million. Only $128 million has been obligated to date, leaving $302 million unobligated. Permit me to quote from the discussion yesterday in the CONGRESSIONAL RECORD when the gentleman from Mississippi [Mr. WHITTEN] raised this question. He said, and I quote from page 17684 of the CONGRESSIONAL RECORD, as follows:

> However, since the Farmers Home Administration went into the rural housing program, as against requiring that it be strictly farm housing, the demand has been so great that at the present time there has been a freeze order by the Bureau of the Budget on the use of those funds, accounting for all of the pressure that Members have been receiving from applicants and people back home, including the State Farmers Home Offices because at present there is a freeze order on allocating those funds. But they are in existence, and it will take only a release by the Bureau of the Budget to make them available.

Mr. Chairman, it seems strange to me that when the administration has put a freeze order—and it was brought out in the debate yesterday and brought out in the testimony before the Committee on Appropriations in its second supplemental hearings—on the allocation of funds that the Congress made available to those agencies last year, it seems strange to me that at the same time the same administration is coming to the Congress and asking for $900 million of additional funds when it has not used funds in those two programs. Those are just two. There are other programs; the Community Facilities Administration, public facilities loan program; we authorized $650 million last year, and only $202.6 million was obligated as of last week, with $447 million still unobligated.

Urban renewal; we authorized $2 billion last year, and as of last week only $827 million was obligated, with $1.173 billion unobligated.

There is the Maritime Administration, for shipbuilding. I am particularly familiar with this because many of us from the coastal areas have had letters from practically every ship construction union in those areas pleading with the Maritime Administration to release the funds. Congress last year appropriated, together with carryover funds, a total of $153 million for ship construction. The Maritime Administration released only $89 million, leaving $64 million untouched, that the maritime ship construction unions all over the coastal areas pleaded with the Maritime Administration all last year to release. Democrats and Republicans alike from the San Francisco Bay area contacted the Maritime Administration to try to get these moneys released.

In the Area Redevelopment Administration, public facilities grants and loans were authorized in the depressed areas bill last year; $90 million for public facilities grants and loans. As of last week only $24 million was obligated and $66 million is not yet committed.

These six programs alone involve $2.5 billion of uncommitted funds at the present time. It certainly seems to me that we should say properly to the administration, "We have given you funds that would stimulate construction, funds that would stimulate employment." The testimony was given earlier that $900 million would produce 125,000 direct jobs and that many more indirect. What about the $2.5 billion already available and not yet used? Is it not proper for us, as custodians of the taxpayers' funds to first ask the administration to make maximum utilization of these funds before coming to us for additional funds?

It is frequently said in court that you do not come into court with clean hands unless you first prove that you have done everything possible to do justice. Here we have agencies that have not done everything possible to make available the funds that we authorized last year at the request of the administration. Those funds have not yet been used.

Mr. Chairman, one further point, and that is the question of the transfer of authority from the Congress to the President. The point has been made by the preceding speaker that in his opinion this bill provides no change from what has been done in the past. But that is not the case. He pointed to the Hill-Burton program. We do not select specific hospitals, he said; no, we do not. But we appropriate funds for that specific program, the Hill-Burton program.

He pointed out with respect to the housing program that we do not select specific public housing projects. No, we do not, but we authorize a specific sum of money for the housing program. We have never up to the present time given the administration a pool that could be allocated to the housing program, to the Hill-Burton program, to community facilities, to veterans' home loans, to the Park Service, to Corps of Engineers' projects, to Bureau of Reclamation projects. We have never given such a blanket authority as that, a complete looseness and transfer of funds from one program to the other without any further control on our part.

Mr. BENNETT of Michigan. Mr. Chairman, will the gentleman yield?

Mr. BALDWIN. I yield to the gentleman.

Mr. BENNETT of Michigan. Mr. Chairman, I know the gentleman is interested in districts like mine—there are a number of them throughout the country—where we are having a serious depression and have had one for several years. It is worse now than it was a year ago, and it was worse a year ago than it was 2 years ago. We are out of business, as I said this morning, primarily because of a free trade policy that Congress has put on the books. It has been on there for 15 or 20 years. We have extended it recently to a point where we admittedly now are going to put additional businesses and industries out of business and throw perhaps millions of people—God knows how many, nobody seems to have the figures—out of jobs. What is the answer to it? I know the gentleman is against this bill. Maybe this bill is not the answer to the problem in my district or in similar districts, but my people are out of work and many of them have their unemployment benefits exhausted. They are out of jobs solely and simply because of the free trade program enacted by Congress. And it is going to be worse. The few industries we have left are going to be emasculated once this broad, unlimited power that the President is given under this recent bill takes effect.

Mr. BALDWIN. If I may answer the gentleman's question, I voted, as I think most of the other Members on the floor voted, for that provision of the bill which was on the floor, the Trade Expansion Act, which made available for the first time funds to be utilized for any industry or any men that were thrown out of work by way of the act, funds for additional compensation and retraining. I also voted earlier this year for over $400 million for a separate retraining bill. It seems to me those are the provisions that are going to make an effort to attack the problem the gentleman mentions, which would be any additional displacement under the trade program.

Mr. BENNETT of Michigan. Does not the gentleman agree that is a welfare-type program?

Mr. BALDWIN. I do not think a retraining program is a welfare-type program; no.

Mr. BENNETT of Michigan. The relief that is going to be given to industry that is going to be emasculated and put out of business is a welfare program as well as the unemployment program for workers.

Mr. BALDWIN. The retraining program in my opinion is not a welfare-type program.

Mr. BENNETT of Michigan. Retraining is just one feature.

Mr. BALDWIN. We authorized $400 million for retraining in a separate bill earlier this year, plus the provision in the trade bill. Those are specifically designed for the areas the gentleman mentions.

Mr. BENNETT of Michigan. The retraining program is a wonderful thing. It is a wonderful thing to be able to give a person a 3 months, 6 months, or a year's course in some trade. But where are you going to put him to work after you train him? That is the answer nobody seems to have. You are going to have more people out of jobs and put more industry out of business, so you are retraining people and spending $400 million, as the gentleman says, to retrain them for what? To go to Europe or China, to work where we are spending this money?

Mr. BALDWIN. It seems to me the gentleman is arguing the merits of the trade bill. I do not think this is the day that will be decided in this bill.

Mr. BENNETT of Michigan. The trade bill has a lot to do with this bill, in my opinion.

Mr. BALDWIN. I understand that. I will say that the Congress last year gave the administration authority in the so-called depressed areas bill, the redevelopment bill, to do certain things. When we had our hearings on the bill, the Governor of the State of Michigan said there were innumerable applications before the authority and not a single one had been approved in that time for grants or loans. But that is not the fault of the Congress. I think we should ask the administration to make maximum use of these funds before they ask for more.

Mr. BENNETT of Michigan. I agree that the redevelopment plan has not worked out expeditiously or as the authors of the bill thought it would, although I gave the bill my vote thinking it would be of some help. But it seems to me somewhere along the line the Congress has a responsibility to these people and the businesses that have been put on the rocks because of these laws that have been passed down here in favor of foreign people.

Mr. GRAY. Mr. Chairman, I yield such time as he may require to the gentleman from Pennsylvania [Mr. RHODES].

Mr. RHODES of Pennsylvania. Mr. Chairman, I rise to support H.R. 10113, the Public Works Coordination and Acceleration Act of 1962.

As part of a comprehensive economic program, this legislation should go a long way in fighting unemployment in the Nation's depressed areas through the construction of needed public facilities.

Despite the recent upturn in the economy, unemployment still remains far above tolerable levels. Four million Americans are now looking for jobs and cannot find them. Of this number, 1.5 million have been without work for 15 weeks or more and 700,000 have not had employment for more than 27 weeks. A good many of these people live in the Nation's depressed areas where the conditions and effects of the great depression linger on.

In the State of Pennsylvania there are almost 50 such areas of economic distress. To cite just one example, the two counties that have been added to my former congressional district are among those hardest hit by unemployment in the entire Nation. In Schuylkill County 10.6 percent of the working force is unemployed. In Northumberland County 7.1 percent are jobless. In these two counties and hundreds like them throughout the Nation, millions of Americans live without hope for their families, without confidence in the future, without faith in their public officials and government.

Passage of this emergency public works acceleration bill will help the people of the anthracite regions reduce unemployment and also attract new industry.

This bill should induce a prompt expansion of employment in those areas suffering from the most serious economic problems—areas such as the coal regions of Northumberland and Schuylkill Counties. It will do so by authorizing an appropriation of $900 million from which the President can make 50-percent grants for a wide range of community facilities.

These grants can be used to help finance water and sewer facilities, public buildings, streets, and sidewalks, and practically any other public works—except schools—which meet an essential public need.

The coal regions of Schuylkill and Northumberland Counties are badly in need of such projects. The Schuylkill County Planning Commission, in its initial overall economic development plan for the county, stated that probably the greatest physical need of the entire redevelopment is due to the lack of public sewers, water facilities, and roads, both to serve community needs in general and to meet requirements for industrial development.

In fact, the commission's report stated that the main impediment to the physical development of Schuylkill County's industrial parks is the lack of adequate public facilities.

Such needed facilities would be eligible for assistance under this public works acceleration bill.

Seven communities in Schuylkill County have already applied for Federal assistance in planning for sewer systems. The communities of Pine Grove, Tamaqua, Orwigsburg, Port Carbon, Cressona, Ashland, and St. Clair, have each applied for planning assistance for sewer systems, the total estimated construction cost of which will be $4,614,889. These projects may be eligible for 50 percent assistance under the public works bill. If all of them are so eligible, the cost of construction borne by the communities will be reduced to $2,307,445.50.

More important than the physical facilities that will be built are the men who will be given work under the program. Every penny spent for public works will be money put directly into the income stream. This means that those put to work on these projects will have money to spend in the community for retail goods and services. This will have a good "multiplier effect" which should provide a real shot in the arm to the economies of the coal regions. This will also mean fewer men on relief or drawing unemployment compensation.

Passage of the bill will be very gratifying personally. I introduced a similar bill last year, while Senator JOSEPH CLARK authored and managed through the Senate a comparable piece of legislation. We have been fighting for such legislation for a long time. This bill is an important part of President Kennedy's economic recovery program.

While much has been done and is being done by this Congress and the Kennedy administration to alleviate these conditions of unemployment, much remains to be done. To be sure, the Area Redevelopment Administration, the manpower development and training program, and the Federal Housing Administration are all doing their part. But these are basically long-range programs whose full effects will not be felt for a number of years. What is needed now—and what this bill attempts to do—is to create some short-term measure to provide job opportunities for the unemployed while our long-term programs can mature and become effective.

This bill, which will unleash $900 million of Federal moneys for the construction of public works and facilities, would make a prompt and substantial addition to employment and incomes not only in our depressed areas, but in the Nation as a whole. Combined with matching funds from State and local governments, the total construction spending generated in the coming year under this legislation would amount to approximately $1.5 billion. Over 150,000 new jobs would be directly created with about one-half in the communities where projects are undertaken and the other half in areas which will supply the cement, lumber, equipment, and other construction materials.

In addition to this, as the $1.5 billion is paid out, it will be spent and respent giving it a multiplier effect which will add several billions of dollars to the total national income. This additional income and spending will provide markets for a greater output and greater employment throughout the country. It will give our businessmen the assurance that they will have a growing market and that moneys put into new plant and equipment will be well spent.

There are those, Mr. Speaker, who will label this and all public works legislation as "wasteful spending." But what is more wasteful than the waste of idle men, idle machines, and idle brainpower? The overall cost to the Nation in terms of production lost by excessive unemployment in recent years runs to untold billions upon billions of dollars.

In 1961 unemployment averaged 6.7 percent of the labor force. If that rate could have been lowered to 4 percent, our gross national product would have been over $560 billion instead of the $521 billion actually realized. This represents a gain of almost $40 billion. For the decade of the 1950's as a whole, the Council of Economic Advisers has estimated that the total loss of national production from underutilization of our resources exceeded $175 billion—almost $1,000 of goods and services for every American citizen.

In addition to this, unemployment means heavy expenses for unemployment compensation payments. Over the past 10 years, $24 billion has been paid out to jobless families who needed and deserved this income, but who, along with the Nation, would have benefited more if employment had been available.

Unemployment also means lost tax revenues which are essential to keep the Nation on a sound fiscal basis. The record clearly indicates that the Federal budget can be balanced or a surplus achieved only at high levels of employment. It should not be forgotten that the largest peacetime deficits were experienced in years when unemployment was highest. The additional jobs created by this bill and the stimulation of the economy which will result from it will increase revenues at all levels of government—Federal, State, and local.

I am confident a public works program in these areas of unemployment will make for a stronger and healthier America. For the long-term unemployed, job opportunities created under this bill would mean better food for the dining room table. It would mean better clothes for wife and family. In some cases it would mean that a worker and his family could look beyond the needs of the day and think of future plans and opportunities.

In addition to this, the projects completed under this program will not only restore dignity and worth to the individual but create real wealth in new capital plant and equipment.

The last massive public works program was undertaken during the early years of the New Deal. Any objective study of that program stands as a tribute to its soundness and benefit to the entire economy. In the first 4 months of that program, 40,000 schools were built or improved, 12 million feet of sewer pipe were laid, 469 airports were built, 529 were improved, 255,000 miles of road were built or improved, and 3,700 playgrounds and athletic fields were built or improved. What fair and just person can refer to such accomplishments as "pork" or wasteful spending?

Since that last major effort to put our jobless back to work and care for the Nation's public needs, there have been two major wars, four economic recessions, and the staggering costs of peacetime defense. For years, pressing public needs have taken a back seat to more important defense and private charges. Because of this, there is a widespread shortage of classrooms, hospitals, clinics, public buildings, parks, and recreational areas.

The problem of unemployment is not a sectional one but a national one. It is not a political or partisan problem, but a bipartisan one. No civilized nation can complacently sit by while millions of its fellow citizens lack the opportunities and means to earn their fare.

Certainly, no one believes that one public works program by itself will solve the Nation's unemployment. It will, however, provide needed short-term relief. It will help to rebuild and revitalize our cities and municipalities. It will help to fill the gap until the administration's long-range programs to increase our rate of economic growth can mature and have their full effect.

Mr. GRAY. Mr. Chairman, I yield such time as he may require to the gentleman from Pennsylvania [Mr. Toll].

Mr. TOLL. Mr. Chairman, our country has long been faced with two major problems: The unemployment rate and the inability of local governments to keep abreast of the ever-increasing demand for public works and the services they provide. The bill presently before us would be a major step toward the solution of both of these problems. The proposed program will have greatest effect and impact in areas where unemployment is most serious, bringing immediate relief to those areas. At least 300,000 new jobs would be created by the new construction provided for under this measure, a substantial boost would be given to the economy throughout the country and tax revenues on both national and local levels would increase. Furthermore, vitally needed public works projects to provide better and more efficient services could be initiated immediately. For example, funds would be used to aid in construction of water and sewer lines, public buildings, streets and sidewalks.

Under the provisions of this measure, the great city of Philadelphia would be immeasurably aided. In fact, any urban area today which suffers from underemployment and is in need of necessary public works would reap great advantage from this legislation. Not only is employment stimulated and these additional jobs create a demand for new goods and services, but the countless suppliers in construction and related fields would find their business position vastly improved. Public works projects immediately inject new life into the economic stream of any area, with resulting benefits to both merchants and workers as well as the economy as a whole.

Our votes today for this bill would promote the improvement of business activity and employment as speedily as possible, while contributing to build the foundation for future progress. I strongly urge the Members to support H.R. 10113 to enable our economy to move forward, to provide necessary public works and employment, and to increase nationwide prosperity.

Mr. GRAY. Mr. Chairman, I yield 10 minutes to the distinguished gentleman from Oklahoma [Mr. Edmondson].

Mr. EDMONDSON. Mr. Chairman, I think that of all of the works of this session of the 87th Congress this is perhaps the most important and the most significant for more than 1,000 communities and counties across this Nation. The gentleman from Michigan [Mr. Bennett] put his finger squarely on the central point just a few minutes ago in the question he directed to the gentleman from California when he pointed out that this program is aimed directly at the unemployment problem. It is a program aimed directly at providing jobs where the unemployed people are located. With all respect to my good friend from California, who ran off a long list of programs on which we have money available today, only one of those he mentioned, area redevelopment, is a program which is pointed and directed by the Congress at the place where the unemployment exists. All the rest of them are just as likely to create activity and construction in places where you have employment at an adequate level today. But this program by its very terms and by the conditions imposed under it must concentrate its impact in the areas where the men are out of jobs. That is an absolute imperative of this program. It is a direction and a control placed in it by Congress that makes this piece of legislation the most important piece of legislation we will act on in this session for the more than a thousand communities in the Nation where unemployment is a pressing problem.

If you really want to go on record with a vote to do something constructive and definite for the unemployed of America, this is the bill where you have the opportunity to cast that vote. This is your major opportunity and perhaps the only opportunity you will have in this session to do something direct and constructive in that area.

When I was in law school in Oklahoma more than 20 years ago the elderly dean of the law school, who has since passed on, told us that one central thing every lawyer ought to remember is that good law does not blow hot one minute and cold the next, and he said that a good lawyer should not blow hot one minute and cold the next when he is trying to argue points in a case. But if I ever heard a blow-hot, blow-cold argument on the floor of this House it was made a few minutes ago by a member of our committee whose ability as a lawyer has been unquestioned during the time he has served here, the gentleman from Florida [Mr. Cramer]. Let me give you perhaps the best illustration I have ever seen on this floor of blowing hot blowing cold on an argument to the House of Representatives. The gentleman from Florida says the first big objection he has to this bill is that it is the biggest blank check ever given to a President—$900 million; we are handing him that as a blank check. Then almost in the same breath he says, but the money that is authorized here is not enough to help unemployment in the United States.

The check is too big in one breath, and in the next minute the check is not big enough to help meet the problem that we have in this country.

He says he objects to it—this is argument No. 3—because the Presidential power is practically unlimited, there is absolutely too much power vested in the President in this bill. Then he turns around a breath or two later and says this bill is too restrictive to make performance possible for many communities in this country.

Then he refers to section 10 on page 19 in one breath and says the President's power is too great. One breath later he says the power is not great enough.

To continue this blow hot-blow cold business a little further he objects to this bill, because it allows the Executive to invade the prerogatives of Congress. Then he complains because the bill sets forth particular areas of eligibility and objects to it on the theory that congressional committees are just not competent to determine what areas should be in this program. In one breath our friend from Florida wept over the loss of congressional prerogative in this bill, but in practically the next breath he questions the competency of a committee of Congress to legislate on matters such as this.

This is typical, to my way of thinking, of the arguments that have been advanced on the other side against this bill. In one breath we do not have enough money to meet the problem; in the next breath we have far too much. In one breath there is not enough expenditure to make any impression and in the next breath the expenditure is way beyond reason. But of all the arguments so far advanced against this bill the unfairest one is the charge in the minority report, repeated on the floor by my good friend the gentleman from Kansas [Mr. Avery], that this is a bill which plays politics, and it permits the President to play politics. I think the language of the minority report is that it permits Presidential purchase of political support and Presidential payment of political obligations. This has already been answered very adequately by the gentleman from Alabama that Presidents, constitutionally, historically, and legally, have always had this kind of power. But how has this administration wielded the power that it has had in this field? I think the Kennedy administration record in this area is as fair as the record of any administration in this century, and you can look at the bills that have been passed by this Congress under the authorship of our good friends on the Republican side of the House, under the authorship of our friends on the Democratic side of the House, and you will find administration support fairly distributed among the projects that have merit.

We reviewed, after this argument was made a little bit ago, the 204 projects that are now pending before the Public Works Committee waiting for action by the Public Works Committee, which have been reported favorably by this administration. Mr. Chairman, of the 204 projects, 103 favorably affect districts with Republican representation; 103 out of 204 projects favorably recommended by the Budget Bureau and by the departments of this administration favorably affect Republican districts in this House.

Who are some of the Republicans enjoying this kind of political preferment, if you please, if this is what they say it is? They include such stout supporters of the Kennedy administration program as the minority leader, the minority whip, the national chairman of the Republican committee, the keynoter at the Republican Convention in 1960—yes—and the gentleman from Florida [Mr. CRAMER], not once, not twice, but three times in projects favorably reported by this administration. Yet they have the unmitigated audacity to come on the floor of the House and say that this is a politically minded administration that is playing politics with projects of this kind.

Mr. Chairman, the record is clear, and I think it reflects credit upon the administration in this area. They have been calling the shots as they see them, they have been reporting these projects on their respective merits, and they will continue to do so under this program when we have enacted it into law.

This is not just a regional program, it is not a program for a few parts of the country. The record shows in the list of communities that are eligible 32 States and Puerto Rico are eligible for section 5(a) assistance under this program. Forty-four States, plus American Samoa and the Commonwealth of Guam, Puerto Rico, and the Virgin Islands are eligible under section 5(b). In the substantial unemployment areas you will find 41 major areas in 19 States, and 91 smaller areas in 33 States of the Union. Practically every State in the Union stands to benefit from this program, practically every State in the Union has unemployment problems that will be helped by it.

I submit to you we do a good thing for the country, and certainly we do a good thing for the unemployed of the country, when we enact this bill, as I am confident this House will.

Mr. AUCHINCLOSS. Mr. Chairman, I yield such time as he may desire to the gentleman from Wisconsin [Mr. BYRNES].

Mr. BYRNES of Wisconsin. Mr. Chairman, I think most Members have by now seen the Secretary of Agriculture's latest offering, "Packet for the Bride."

It is an attractive brochure, with a picture of a demure bride in pink on the cover, and containing 10 agricultural publications and a letter of congratulations from the Secretary of Agriculture.

It is, I suppose, the first in a series. First, "Packet for the Bride," then "Gadgets for the Groom," followed by "Incidentals for Infants," and topped off, I imagine, by "Miscellany for Mothers-in-Law," all of them designed, written, printed, gathered, packaged, stuffed, sealed, and mailed at taxpayers' expense.

"Packet for the Bride" is entirely in character with this administration. It is typical of the way voters are compartmentalized, propagandized, and subsidized by the New Frontier. It is entirely in keeping, for example, with the bill now before us.

But, this is no "Packet for the Bride."

This is a "Bundle for Bailey," a $900 million package that can be justified on only one count—that it will win votes—either here in Congress, by methods known to you all, or among the voters, by offering carefully selected areas something for nothing.

The debate has shown that this bill is nothing more than an irresponsible spending bill containing an almost unprecedented grant of legislative power to the Executive.

I love brides, Mr. Chairman—I even married one—but I do not think we should insult them with "Packets for the Bride."

I love voters, too, Mr. Chairman, but I do not think we should insult them with this "Bundle for Bailey."

If we are going to package things, I would suggest a different kind, something like "Savings for Taxpayers," and the best way I know to begin is to send this bill back from where it came with a resounding defeat.

Mr. AUCHINCLOSS. Mr. Chairman, I yield such time as he may desire to the gentleman from New Jersey [Mr. WALLHAUSER].

Mr. WALLHAUSER. Mr. Chairman, while the stated purpose, to reduce unemployment, of H.R. 10113 is praiseworthy, the method taken to do so under this legislation is so unrealistic as to make its defeat necessary in the public interest.

It proposes to give the President a blank check up to $900 million to accelerate the construction of public works. It contemplates the appointment of a coordinator, who might more properly be called a czar, to administer the program.

The whole history of public works spending shows that it is not effective because it takes too long to start and produces too few jobs.

The President has huge sums of money at his disposal now—$2.5 billion unobligated—and it would make more sense, it seems to me, to proceed expeditiously with already authorized programs.

Beyond the fact that the amount of $900 million is unbudgeted, and would therefore increase the already heavy anticipated deficit, this bill would eliminate congressional control over certain appropriations and would result in a massive transfer of power from the Congress to the President.

If the taxpayers of this country are to receive a tax cut in 1963 as a stimulant to the economy, as promised by the President, this legislation is completely unnecessary. It would result in more, rather than less, spending, which should accompany a tax reduction and would certainly be a boondoggle.

Mr. AUCHINCLOSS. Mr. Chairman, I yield 15 minutes to the gentleman from Iowa [Mr. SCHWENGEL].

Mr. SCHWENGEL. Mr. Chairman, I come before this Committee to testify as strongly as I can against what I call one of the most poorly written bills I have ever seen presented to our committee. I believe also it is inadequate, it is unsound; and, in view of the testimony that we have already heard, I believe if facts have any weight, we will defeat it. I think the Republican Members who have taken the podium here and pled the case have already stated all that needs to be stated. So I shall not reiterate or dwell at length on anything they have said.

Before proceeding further I want to say that I have considered it an honor and privilege to serve on the Public Works Committee of the House. It is one of the most important committees of the House. In the 8 years it has been my honor to serve on that committee, we have brought out some very significant and some very worthwhile legislation. Most of it is doing the country good, much more good than this bill could possibly do.

I find it hard to take issue with some of my friends on the other side, whom I respect so highly, but I must as strongly as I can save them from what I believe to be their own mistakes. From some of their arguments we get the idea that the Republicans are not interested in public works, that we are not interested in relieving the unemployment problem that is critical, and it has got more critical under the administration, mainly because business lacks confidence in the present administration, and also because the public is losing confidence for various reasons.

I have said, and I believe sincerely, that most of this bill does not make sense.

It does not save dollars. It wastes dollars. It will not get the country moving again. But the country can get moving again if this administration or someone else get its foot off the projects that have been authorized and passed by this Congress and signed by the President. Those projects have been called to the attention of the members of the committee very effectively by the speakers who have preceded me.

Mr. Chairman, in the brief time that I have I should like to stress a little bit a point that was made by a preceding speaker relative to the 196 projects I thought—the previous speaker says 204 projects—that are before our committee awaiting our action for authorization and then to be brought to the floor of the House. I am glad to note that this is a bipartisan attempt and, perhaps the fact that there are probably more projects that reflect favorably on Republican districts than there are on Democratic districts may explain why we have not had a chance to act on this bill yet. I felt that this was an important point so last week, I had placed in the RECORD a list of the 196 projects awaiting our action before this committee, projects which I think will not be acted on by this administration, based upon the way things now look.

Mr. Chairman, I want to call the attention of the members of the committee to the fact that this does involve projects in 43 States. In the State of Arizona we have three. I think the record should show—and I hope the members of the committee will bear with me while I read these into the RECORD—a list of the breakdown:

Arkansas has 3, California 17, Connecticut 4, Florida 13, Georgia 4, Idaho 3, Illinois 14, Indiana 1, Iowa 4—and I might say none of these are in the First Congressional District of Iowa, which I have the honor to represent—Kansas 4, Kentucky 2, Louisiana 5, Maine 5, Maryland 1, Massachusetts 7, Michigan 9, Minnesota 4, Mississippi 2, Missouri 5, Nebraska 1, New Hampshire 2, New Mexico 2, New York 8, North Carolina 6, Ohio 10, Oklahoma 5, Oregon 3, Pennsylvania 5, Rhode Island 3, Texas 15, Virginia 4, Washington 6, West Virginia 3, Wisconsin 5, Wyoming 1, and Puerto Rico has 1

Mr. Chairman, there are a number of other projects that are in the mill and on their way in which many Members of Congress have a great interest. Because this involves the expenditure of some $4 billion, at least, I think it is high time we got action on this bill first before we take up a crazy proposal like the one that is pending before us at this time.

Mr. Chairman, may I reiterate what some of my colleagues have said, by reminding the Members of the Committee again of the fact that this bill will not accomplish its stated purpose, and that is to provide immediate work for a substantial number of unemployed and underemployed persons.

Mr. JENSEN. Mr. Chairman, will the gentleman yield?

Mr. SCHWENGEL. I would be very glad to yield to the gentleman from Iowa.

Mr. JENSEN. Mr. Chairman, I have been listening with great interest to the gentleman's opposition to this bill. I wish to compliment the gentleman on the position which the gentleman is taking, which is simply, as I understand it, this: If we in this Congress are sincere in our attempt and desire to put people to work, we could take up a number of those projects which the gentleman has mentioned and which are already authorized, and which have been heard by the gentleman's committee at quite some length and which have been approved by the committee, and appropriate for a number of those worthy projects which cover many States and many districts.

Mr. SCHWENGEL. Yes.

Mr. JENSEN. Certainly that would be the proper way to legislate and it would not be a deviation from our regular procedure of legislative action. I should hope, if this bill is defeated, the committee would consider some of these projects that are greatly needed, many of them flood control projects, where life and property are at stake and where many people could be employed.

Mr. SCHWENGEL. The gentleman raises a very valid point. I think he is absolutely right. It is my hope now that we will not wait on this bill but prepare forthrightly to hear testimony in our committee on these, that I find out now are 204 resolutions for us to act on, that make a lot more sense than the provisions of this bill.

I mentioned the fact that this will not take care of the stated purpose. We have had testimony from both sides. Mr. Meany testified before our committee that this would employ some 250,000 people at most. On cross-examination we finally got him to admit that it would actually take care of only about 125,000 people, if the entire amount were spent. This is just a drop in the bucket. It is less than 3 percent of the total of unemployed and proves, I believe, the unsoundness of this approach to the solution of the problem.

I have received some letters from labor leaders from my district. I am one of the Republicans who gets a great deal of labor support in my district. I am not ashamed of that support; I am proud of that support, because we have good, sound, decent labor in our district and in the State of Iowa. So I called some of them about this and I said to the person I was talking to, "You sent me this letter and asked me to support this bill." Then I asked him a few questions about it, and I found out that he did not know anything about it. I made some observations about it, that he had not known about. And I referred to Mr. Meany's testimony. And do you know what he said? He said, "You are in Washington to represent us, so you use your better judgment."

So I will say to those Members who get these letters, remember that they are prompted by someone. It ought to be perfectly obvious that this is entirely inadequate and it is unsound. It is not the right approach. We ought to use the regular procedure the Congress has adopted and that the gentleman from Iowa who spoke just a minute ago, referred to. He has been very generous in the matter of public works projects, and helpful to them whenever the cost-benefit ratios were in line, and where it made fiscal sense. I think it would make a lot more sense for us to follow the regular procedure and to get moving on the projects that have already been approved, and which would do a lot more to relieve the problem of unemployment. I think you would be doing a lot more for the unemployment problem going this route than you can going the route that is suggested in outline in this new, revolutionary and unnecessary plan.

Mr. Chairman, I would like to call attention now to some testimony that was placed before our committee by a distinguished and a respected member of a previous administration. I should like to remind the Committee that public works construction has never been effective in achieving anticyclical results during an economic recession.

Public works programs take so long to get going that they generally do not provide much additional employment until recovery is well underway. Experience has shown that public works projects of any size require a considerable period of time for the making of surveys, economic and engineering studies, preparation of plans and specifications, acquisition of land, and the advertising for bids, all of which must be accomplished before contracts can be awarded and actual construction commenced.

Even additional time may be required for the commencement of Federal-aid projects by States and local governments, for it is necessary to establish criteria for Federal grants, receive requests for assistance, determine which projects are to be assisted, and assure that the State or local government has adequate funds to pay its share of the cost of the project.

Depending on the size, type, and existing status of projects, there may be a lapse of from several months to 2 or more years between the time that a project is financed and work is actually commenced, and the creation of new jobs will be deferred accordingly.

The only partially successful antirecession public works construction program undertaken during the postwar recessions was the expenditure of $400 million for Federal-aid highway construction authorized by the Federal-Aid Highway Act of 1958.

This act, which was approved on April 16, 1958, required contracts to be awarded prior to December 1, 1958, for completion of projects by December 1, 1959. Many of the highway improvements undertaken under this authority consisted of work which did not require extensive engineering or acquisition of rights-of-way, such as resurfacing of highways and widening of shoulders. However, even in carrying out this simple program, an average of 4 months elapsed between the time that projects were programed and contracts awarded for construction.

On January 13, 1961, Maurice H. Stans, Director of the Bureau of the Budget, transmitted to the President a staff report entitled, "Federal Fiscal Behavior During the Recession of 1957–58." In this report Mr. Stans reviewed the fiscal policies in effect and the fiscal actions taken in the 1958 recession and the results obtained therefrom.

I believe all the Members of the House ought to read this report in detail. You will find it really very helpful as you consider propositions like this.

Among the major findings of the report are that the fiscal actions of the

Government which gave the biggest boost to the economy in 1958 were the built-in stabilizers, such as automatic decreases in income tax revenues and automatic increases in unemployment benefits; whereas, many of the deliberate countercyclical actions including some of the largest in terms of expenditures, made a small contribution in relation to their budget cost or were poorly timed.

Mr. Chairman, as I pointed out earlier, the unemployment relief that would come from this would affect less than 3 percent of the persons now unemployed.

The hope that it holds out would result in dismay, disillusionment, and despair and would prove again that this type of an approach is a wrong approach.

Further, it is my feeling that what we need is better public policy emanating from this administration rather than more public projects.

The bringing of business to Washington where we already have more business than we can attend to does not make sense. The abrogation of congressional responsibilities and the furthering of executive control makes us emulate a frontier that is not new and this is entirely inconsistent with the very interesting and I might say magnificent observation by an American statesman when he said "Ask not what your country can do for you but ask what you can do for your country." This is a salutary admonition; it needs to be lived and practiced and not just said. Its application will lead us to other and better answers to the problem.

Mr. WAGGONNER. Mr. Chairman, I ask unanimous consent that the gentleman from New Jersey [Mr. Gallagher] may extend his remarks at this point in the Record.

The CHAIRMAN. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

Mr. GALLAGHER. Mr. Chairman, one of the pledges of this administration and of those who support it is to achieve full employment. I believe that the bill presently before the House, the public works acceleration bill, will take us another step toward realizing that goal and I urge my colleagues to give it their support.

The purpose of the public works acceleration bill is to stimulate employment in areas where a high rate of unemployment exists. The bill authorizes the appropriation of $900 million to expand employment through the construction of Federal, State, and local public works. Public works projects eligible for Federal grants under the bill will have to be started almost immediately after the bill becomes law. Only those projects which will help reduce local unemployment and which can be substantially completed within 12 months after they receive aid will be eligible for assistance.

The bill provides Federal grants of up to 50 percent of cost to help finance such public works projects as water and sewer lines, public buildings, streets and sidewalks, and so forth. No aid will be given for luxury projects such as swimming pools. Only those projects which fill an essential public need will be eligible.

The Public Works Committee estimates that a total of 300,000 jobs would be created throughout the country as a result of this act.

Mr. Chairman, Jersey City, N.J., which forms part of the 13th Congressional District and which I have the privilege of representing in the Congress, is eligible for assistance under the terms of this act. It is an area of high unemployment where a skilled labor force is ready and waiting to make an important contribution to the economic strength and security of our country.

I would hope that anywhere from 500 to 1,000 jobs will be created in my district as a result of the projects begun there as a result of this act. Although officials in Jersey City and in the Federal agencies administering this act will have to make the final determination, such projects as the Hudson County administration building and the Jersey City hall would be eligible for assistance under the bill.

Mr. Chairman, at a time when an intolerably high rate of unemployment exists in this country and when full production and employment is of vital concern for our economic strength, we should take all reasonable steps to increase employment and production. This bill is a reasonable and helpful bill and I urge my colleagues to join me in voting for its passage.

Mr. WEAVER. Mr. Chairman, I ask unanimous consent to extend my remarks at this point in the Record and include extraneous matter.

The CHAIRMAN. Is there objection to the request of the gentleman from Nebraska?

There was no objection.

Mr. WEAVER. Mr. Chairman, it has long been my firmly held conviction that if our Nation is to continue to grow economically so as to meet the needs of our physical, or population growth, we must work now to begin developing our total natural resources. Only with this sort of program can we hope to have that kind of substantial economic growth which will withstand the test of time and the erosion of the business cycle ups and downs.

I have held this belief all of my life. I have acted on this conviction steadfastly throughout my career. I have worked for this sort of program both in and out of the Congress. I have worked with those in the executive branch, through two administrations, in an effort to help develop this kind of program.

Along this line, on April 7 of this year I went to the White House with representatives of the National Rivers and Harbors Congress of which organization I serve as chairman of its projects committee. We conferred at some length with Mr. Henry M. Wilson, Administrative Assistant to the President and his top adviser on resource development. At that time I pointed out to him that in the Corps of Engineers alone there is a backlog of active projects totaling 217, with a total Federal participation value of nearly $4 billion. These projects have all been authorized by the Congress but none of them had at that time come under construction and it did not appear likely that any would come under construction during the current or next fiscal year.

In three States alone, Washington, Arkansas, and Montana, there is a Corps of Engineers backlog big enough to use up every cent contemplated for authorization in the bill now before us. There is a backlog of more than $900 million in those three States.

The list as supplied to me by the Corps of Engineers follows:

Corps of Engineers, Civil Works

Construction, general authorized projects not yet under construction (active projects only), fiscal year 1963

State	Number of projects	Amount
Alabama	11	$264,488,000
Alaska	5	18,605,000
Arizona	5	19,510,000
Arkansas	11	374,211,000
California	25	243,189,000
Colorado	1	21,000,000
Connecticut	12	30,937,000
Florida	5	161,120,000
Hawaii	4	22,436,000
Idaho	3	6,016,000
Illinois	21	149,828,000
Indiana	7	171,989,000
Iowa	4	73,795,000
Kansas	8	105,846,000
Kentucky	6	90,160,000
Louisiana	1	264,000
Maryland	1	780,000
Massachusetts	13	11,897,000
Michigan	8	41,786,000
Minnesota	3	7,170,000
Mississippi	2	27,736,000
Missouri	3	149,030,000
Montana	2	329,246,000
Nebraska	3	3,042,000
Nevada	2	14,028,000
New Jersey	11	43,211,000
New Mexico	2	65,100,000
New York	17	84,872,000
Ohio	11	106,073,000
Oklahoma	4	194,700,000
Oregon	15	79,152,000
Pennsylvania	7	130,898,000
Rhode Island	4	3,249,000
South Dakota	2	7,305,000
Tennessee	2	69,550,000
Texas	11	70,095,000
Utah	2	7,635,000
Vermont	4	14,170,000
Virginia	2	4,935,000
Washington	14	305,976,000
West Virginia	1	13,500,000
Wisconsin	4	9,211,000
Total	217	3,966,547,000

Mr. Chairman, this is an indication of the national need. These projects are all fiscally sound. They would not have been authorized by the Congress were they not sound and economically feasible. Since authorization they have been reclassified by the corps in its efforts to remain current. These projects are a bare minimum need and do not include literally hundreds of other projects which the corps does not consider in the active list.

Even if we were to achieve the kind of program we need for complete utilization of our natural resources, even with this basis, there would in the future be minor readjustments of our economy. But, Mr. Chairman, these readjustments would remain minor, and we would never again in this country find ourselves facing the grim and dismal days of depression.

To determine the truth of this, one need only travel in the Western United States. There the economy is dynamic and growing. Although much of the Nation is reeling from the shock of recession, the local economic picture is bright.

The kind of resource development program which has made this possible could and should be applied to the rest of the Nation. We must develop on a sound, orderly and speedy basis those resources which are essential to this kind of growth—the water and the power, the highways and other facilities. And while we are about it we must not overlook or neglect the resources which will help our citizens to grow physically and mentally. There is a great and ever-growing need for recreational facilities. The potential is there; it must be developed. This kind of program would help in that development.

All of this must be done with logic and in an orderly fashion. We must not lose sight of our goal—resource development—and not subordinate this goal to some shorter term benefit which may accrue. Although the origins of the current proposal were rooted in recession and this was brought to us as an antirecession measure, the Public Works Committee of the House has whittled this away. It has become a resource development bill rather than a temporary or emergency antirecession measure.

To me, the essential objection to the original proposal was its short-term aspect. I felt that a basically rational approach—that of long-term, orderly development—was being cast aside for short-term benefits which might or might not help solve a temporary economic problem. I did not and do not feel that the Congress should abandon the ultimate objective merely to provide short-term benefits to limited areas of the country.

Mr. Chairman, I have long supported sound and orderly resource development. It has been my lifelong tenet that this makes economic sense. Every dollar invested now is simply that—an investment—in our future. This investment will return high dividends to the people of the United States and will flow back fourfold or fivefold. It is an investment, too, for the Treasury of the United States. The returns will come in the form of a broader economic base, a broader source of revenue to the Treasury.

There is an additional factor involved in this type of investment which I feel should be touched upon at least briefly.

With the techniques of modern warfare, it is not beyond the realm of possibility—as horrible as that might be—that a potential enemy could launch a devastating attack on our heavily populated coastal regions. It is not beyond concept that there could be a forced mass migration from these areas into the heartland of America so that the American heart could continue to beat.

In this awful eventuality America must be prepared to feed this moving population—and the ultimate goal of all resource development is food.

As to the coordination feature of the present bill, this is by no means new to the people of the Midwestern United States. Nearly a generation ago this concept was accepted when the great Pick-Sloan plan was approved for the Missouri River Basin. That was and is a coordinated program for basinwide development. Its principle is being applied here to a nationwide development.

This conviction of mine is not new. I have held these beliefs for many years. During the 8 years I have been in the Congress I have consistently voted these convictions. There has been no change, no deviation.

Back in 1959 when a similar need faced us, during the time when the previous administration was in office, the issue was brought before the House on two occasions. Twice that year the President vetoed a public works appropriation bill. On September 2 and again on the 10th of that month I was counted among my colleagues who voted to override the Presidential veto.

Such decisions are never taken lightly. There were several considerations which were taken into account.

The administration at that time was requesting additional money for more surveys, more investigations and more reports, and at the same time was refusing money to launch projects which had already been authorized and which were vitally needed throughout the country. The program then seemed to be inquire and investigate but postpone action.

A somewhat similar situation exists today. There are some 200 or more projects which have been authorized and which should be constructed. We should be starting this job now—not delaying it. This work must be started if, in the future, our natural resources are to be an asset and not a liability.

It is for these reasons and because of my own deep and long-held convictions that I shall support the bill presently before the House.

Mr. Chairman, for the information of my colleagues who may be interested, I have a list compiled by the Corps of Engineers of those projects which have been authorized but not built, and are still considered by the Corps to be on their "active" list. The compilation by States follows:

SCHEDULE A

Corps of Engineers, civil works, construction, general authorized projects not yet under construction (active projects only), fiscal year 1963

[Amounts in thousands of dollars]

ALABAMA	
Navigation projects, channels and harbors	
Alabama River channel improvement, Clark, Monroe, and Baldwin Counties	1,700
Mobile Harbor, Mobile County, 40-foot channel and turning basin	3,056
Completed work	3,544
Locks and dams	
Claiborne lock and dam, Alabama River, Clark and Monroe Counties	20,200
Montgomery to Gadsden-Coosa River channel, 6 locks	132,300
Corps of Engineers, civil works, etc.—Con.	
[Amounts in thousands of dollars]	
ALABAMA	
Flood control projects, local protection	
Montgomery, Montgomery County, Alabama River, concrete wall and levee	1,432
Jones Bluff lock and dam, Alabama River, Autauga, and Lowndes Counties, lock, dam, and power facilities	52,600
Millers Ferry lock and dam, Alabama River, Wilcox County lock, dam, and power facilities	53,200
Total, Alabama	264,488
ALASKA	
Navigation projects, channels and harbors	
Anchorage Harbor deepwater harbor, 1958 act:	
Dredging	410
Dredging and jetties	4,770
Sitka Harbor small-boat harbors:	
Crescent Bay Basin	910
Forest service basin	65
Flood control projects, local protection	
Fairbanks, Chena River, levee diversion channel	11,400
Skagway, Skagway River, dikes and breakwater	1,050
Total Alaska	18,605
ARIZONA	
Flood control projects, local protection	
Gila and Salt Rivers, Maricopa County, levee and floodway, 1960 act	3,380
Tucson diversion channel, Pima County, Gila River Basin channel improvement	4,830
Reservoirs	
Alamo Reservoir, Mojave and Yuma Counties, Bill Williams River, Colorado River Basin, concrete dam	11,300
Total, Arizona	19,510
ARKANSAS	
Locks and dams	
Arkansas River and tributaries, Arkansas and Oklahoma:	
Navigation locks and dams	449,000
Snagging and plant	11,300
Ouachita and Black Rivers, Ark. and La.; Polk, Union, Ashley, Bradley, Calhoun, and Ouachita Counties, Ark.; Catahoula, Concordia, Caldwell, Ouachita, Union, and Morehouse Parishes, La.; 9-foot channel and locks and dams, 1960 act	45,500
Ozark lock and dam, Crawford, Franklin, and Sebastian Counties, Ark.; river basin navigation lock, earth fill, and concrete dam with provision for future power	36,300
Flood control projects, local protection	
Holla Bend Bottom, Pope County, Arkansas River levee and drainage facilities	370
Maniece Bayou, upstream extension, Lafayette County, channel improvement and drainage, 1960 act	673
McKinney Bayou, Ark. and Tex., upstream extension, Miller County, channel improvement levee and drainage facilities, 1960 act	351

Corps of Engineers, civil works, etc.—Con.

[Amounts in thousands of dollars]

ARKANSAS	
Flood control projects, local protection	
Village Creek, White River, and Mayberry Levee Districts plan I, Jackson, Lawrence, and Randolph Counties, channel improvements, pumping plant, 1960 act	353
Reservoirs	
De Queen Reservoir, Rolling Fork, Sevier County, earth and rock filled dam with uncontrolled spillway	9,510
Dierks Reservoir, Saline River, Howard and Sevier Counties, earth and rock filled dam with uncontrolled spillway	8,530
Gillham Reservoir, Cossatot River, Howard and Polk Counties, earth and rock filled dam with uncontrolled spillway	13,400
Total, Arkansas	575,287
CALIFORNIA	
Navigation projects, channels and harbors	
Los Angeles and Long Beach Harbors, Los Angeles County:	
35-foot depth in east basin	468
Reimbursement portion completed work	498
35-foot depth in west basin, 1960 act	1,790
Monterey Harbor, Monterey County breakwater and extension of existing breakwater, 1960 act	4,690
Newport Bay Harbor, Orange County, dredging	1,015
Noyo River and Harbor, Mendocino County, 10-foot channel and mooring basin, 1960 act	446
Redwood City Harbor, San Mateo County, channel extension and second turning basin	650
Sacramento River, Yolo and Solano Counties, shallow draft channel, Sacramento to Chico Landing	460
Completed work	397
San Diego Harbor, area M, San Diego County, dredging	437
San Francisco Harbor and Bay, San Francisco, Alameda, Marin, Contra Costa, and San Mateo Counties, construct drift removal plant	1,080
Beach erosion control projects	
Carpinteria to Point Mugu, Ventura County, groins	72
Doheny Beach State Park, Orange County, protective beach and groin, 1960 act	258
Humboldt Bay, Ruhne Point, Humboldt County, groin and seawall, Ruhne spit	58
Point Mugu to San Pedro, breakwater, Los Angeles County, groins, dredging	4,760
Santa Cruz County, seawalls, groins	770
Surfside, Anaheim, Bay Harbor, Orange County, sand feeder beach	179
Flood control projects, local protection	
Bear Creek, San Joaquin County, levee and channel improvement vicinity of Lockeford	2,790
Sacramento River, bank protection, north central California, within limits of existing levee system, bank erosion control works and setback levees, 1960 act	15,100
Sacramento River, Chico landing to Red Bluff, channel improvement and levees	1,990
Tahchevah Creek, Riverside County, detention reservoir, outlet channel, and conduit, 1960 act	1,110
Walnut Creek Basin, Contra Costa County, channel improvement and levees, 1960 act	20,800
Reservoirs	
Merced River, reservoirs, Mariposa County, to be planned and constructed by local interests, 1960 act	12,000
Mokelumne River, reservoirs, Amador and Calaveras Counties, to be planned and constructed by local interests, 1960 act	11,031
New Melones Reservoir, Stanislaus River, Calaveras County, for flood control, irrigation, water conservation, concrete dam, cost is for project with power not yet authorized	88,000
Oroville Reservoir, Feather River, Butte County, for multiple purposes, to be planned and constructed by local interests, concrete dam	66,375
Tuolumne River, reservoirs, exclusive of Cherry Valley Reservoir, Tuolumne County, for multiple purposes, to be planned and constructed by local interests	3,170
West Fork Reservoir, San Bernardino County, Mojave River Basin, concrete gravity dam, 1960 act	3,690
Total, California	243,189
COLORADO	
Flood control projects, reservoirs	
Trinidad Reservoir, Las Animas County, Purgatoire River, Colo., earthfill dam	21,000
Total, Colorado	21,000
CONNECTICUT	
Navigation projects, channels and harbors	
Bridgeport Harbor, Fairfield County:	
Channels and breakwater, 1958 act:	
Black Rock Harbor	510
Johnsons River	58
Connecticut River below Hartford, Middlesex and New London Counties North Cove at Old Saybrook	674
Milford Harbor, New Haven County, East Basin dredge to 8 feet, 1902 act	76
Beach erosion control projects	
Cummings Park, Stamford and Fairfield Counties, jetty and sandfill	28
Greenwich Point, Greenwich and Fairfield Counties, sandfill	81
Flood control projects, local protection	
Stamford and Fairfield Counties, hurricane barrier dike and floodwall and pumping plant, 1960 act	3,080
Reservoirs	
Black Rock Reservoir, Litchfield County, Naugatuck River, earth-fill dam, 1960 act	3,550
Colebrook River Reservoir, Litchfield County, Farmington River, earth and rock-fill dam, 1960 act	11,300
Hancock Brook Reservoir, Litchfield County, Naugatuck River, rock-fill dam, 1960 act	2,520
Hop Brook Reservoir, New Haven County Naugatuck River, earth-fill dam, 1960 act	2,600
Northfield Brook Reservoir, Litchfield County, Naugatuck River, earth-fill dam, 1960 act	1,620
Sucker Brook Reservoir, Litchfield County, Farmington River, earth-fill dam, 1960 act	780
West Thompson Reservoir, Windham County, Quinebaug River, earth-fill dam, 1960 act	4,060
Total, Connecticut	30,937
FLORIDA	
Navigation projects, channels and harbors	
Apalachicola River, Franklin, Liberty, Gadsden, Jackson, Calhoun, Gulf Counties	3,500
Completed work	1,257
Bakers Haulover inlet, Dade County Miami, Reconstruct Jetties and 11- and 8-foot channels and anchorage basin, 1960 act	263
Miami Harbor, Dade County:	
Channel widening, Miami River	187
Enlarge existing channel and turning basin and dredge new turning basin, 1960 act	4,050
Palm Beach Harbor, Palm Beach County, 35-foot entrance channel 33-foot inner channel, and turning basin, 1960 act	5,120
Locks and dams	
Cross Florida barge canal, Putnam, Marion, and Levy Counties	168,000
Total, Florida	181,120
HAWAII	
Navigation projects, channels and harbors	
Hilo Harbor, island of Hawaii breakwaters and dikes	21,200
Beach erosion control projects	
Hanapepe Bay, island of Kauai, seawall	29
Waimfa Beach, island of Kauai, seawall	9
Flood control projects, local protection	
Wailoa Stream, island of Hawaii channel improvement	1,200
Total, Hawaii	22,438
IDAHO	
Flood control projects, local protection	
Columbia River, local protection, Idaho, Montana, Oregon, and Washington:	
Boise Valley, Boise River, Canyon and Ada Counties, levees revetment and channel improvement	1,110
Heise-Roberts extension, Snake River, Madison and Jefferson Counties, channel improvement, levee, and bank protection	1,740
Weiser River, Washington and Adams Counties, channel improvement, levees and bank protection	595

Corps of Engineers, civil works, etc.—Con.

[Amounts in thousands of dollars]

IDAHO

Multiple-purpose projects including power

Bruces Eddy Reservoir, Clearwater County, North Fork, Clearwater River, cost for planning only, construction not authorized	2,571
Total, Idaho	6,016

ILLINOIS

Navigation projects, channels and harbors

Calumet Harbor and River, Ill. and Ind., Cook County, Ill., and Lake County, Ind., breakwater closure and 28-foot approach channel	1,170

Lock and dams

Illinois waterway:	
New locks and dams at Peoria and La Grange, 300-foot-wide channel below Lockport, mooring piers and dredging, north central, Illinois	1,420
Completed work	9,280
Calumet-Sag Channel, Cook County, Ill., and Lake County, Ind., parts II and III	60,200
Mississippi River between the Missouri River, Minneapolis, Minn., Illinois, Iowa, Minnesota, Missouri, Wisconsin: 9-foot channel, locks, dams, and dredging	19,479
Completed work	153,961

Beach erosion control projects

Chicago, Cook County, piers, groins, bulkheads, and beach replenishment	1,320
Lake Bluff, Lake County, groins, beach replenishment	23
Lake Forest, Lake County, groins	19
Winnetka, Cook County, groins	10

Flood control projects, local protection

Bonpas Creek Channel, Edwards and Wabash Counties, channel improvement	667
Campbells Island, Rock Island County Mississippi River levee and pumping plant	512
England Pond Levee, Lawrence County, levee and embankment enlargement	742
Henderson County Drainage District No. 1, Mississippi River levee improvement	1,260
Henderson County Drainage District No. 2, Mississippi River levee improvement	930
Henderson River, Henderson County, Cedar Creek improvement unit channel work	930
Indian Grave Drainage District, Adams County, Mississippi River levee improvement	5,700
Levee unit 2, Little Wabash River, Wayne County, earth levee and bridge alterations	1,840
Levee units 3 and 4, Wabash River, White County, Ill., Posey County, Ind., earth levee	8,890
Little Calumet River, Cook County, Ill., channel enlargement	751
Lower Rock River levees, Rock Island, Whiteside, Henry Counties, levee work, 1958 act	8,530
New Harmony Bridge, Ill. and Ind., White County, Ill., and Posey County, Inc., bank protection	365
Completed work	298
Rochester and McClearys Bluff levee, Wabash County, earth levee setback and enlargement	1,140

Corps of Engineers, civil works, etc.—Con.

[Amounts in thousands of dollars]

ILLINOIS

Flood control projects, local protection

Sny Island and levee drainage district, Pike, Adams, and Calhoun Counties, Mississippi River levee improvement	8,900
South Quincy Drainage and Levee District, Adams County, Mississippi River levee improvement	1,160
Tri Pond Lee, Crawford County, earth levee setback	1,210

Reservoirs

Shelbyville Reservoir, Shelby, Moultrie and Coles Counties, earth dam	20,900
Total, Illinois	149,828

Indiana navigation projects, channels and harbors

Indiana Harbor Lake County:	
Deepen outer and inner harbor and widen and deepen Lake George branch	198
Completed work	445
Breakwater dredging and widen and deepen main channel and Calumet River branch	1,124
Completed work	1,216

Locks and dams

Newburgh locks and dam, Indiana and Kentucky, Ohio River, Warwick County, Ind., Henderson County, Ky	58,400
Uniontown locks and dam, Indiana and Kentucky, Ohio River, Posey County, Ind., and Union County, Ky., two locks and dam	59,200

Flood control projects, local protection

Brevoort levee, Knox County, levee enlargement pump plant, and railroad modification	1,194
Completed work	1,236
Island levee, Indiana and Illinois Sullivan County, Ind., and Crawford County, Ill., levee enlargement	1,720
Levee unit 5, Wabash River, Posey and Gibson Counties, levee and bridge alterations	11,300
Levee unit 17, Wabash River, Gibson County, levee and drainage structures	853

Reservoirs

Brookville Reservoir, Franklin and Union Counties, earth dam	21,800
Huntington Reservoir, Huntington County, earth dam	16,200
Total, Indiana	171,989

IOWA

Flood control projects, local protection

Des Moines, Polk County, Des Moines and Raccoon River levees and floodwalls	975

Reservoirs

Coralville Reservoir, Johnson County, Mehaffey Highway Bridge, 1960 act	1,320
Rathbun Reservoir, Appanoose County, earth dam	22,000
Saylorville Reservoir, Polk, Dallas, and Boone Counties, Des Moines River, earth dam and remedial works	49,500
Total, Iowa	73,795

Corps of Engineers, civil works, etc.—Con.

[Amounts in thousands of dollars]

KANSAS

Flood control projects, local protection

Lawrence, Douglas County levees	3,520
Marysville, Marshall County, levees	756
Osawatomie, Miami County, levees	1,170

Reservoirs

Garnett Reservoir, Anderson County, earth dam	18,800
Hillsdale Reservoir, Miami County, earth dam	10,200
Marion Reservoir Grand Neosho River, Marion County, earth-fill dam with concrete spillway	11,700
Melvern Reservoir, Osage County, earth dam	21,700
Perry Reservoir, Jefferson County, earth dam	38,000
Total, Kansas	105,846

KENTUCKY

Flood control projects, local protection

Corbin, Lynn, Camp Creek, Whitley, Knox, and Laurel Counties, Laurel River channel improvement, 1960 act	720

Reservoirs

Cave Run Reservoir, Bath, Rowan, Morgan, Menifee Counties, earth dam	18,900
Grayson Dam and Reservoir, Carter and Elliott Counties, Little Sandy River, dam and reservoir	14,000
Green River Reservoir, Green, Taylor, and Adair Counties, concrete dam	9,540

Multiple-purposes projects including power

Bonneville Reservoir, Owsley, and Clay Counties, multiple purpose with power earth dam	23,500
Laurel River Reservoir, Laurel and Whitley Counties, multiple purpose with power rock fill dam, 1960 act	23,500
Total, Kentucky	90,160

LOUISIANA

Flood control projects, local protection

East Point levees, Red River Parish levees, 1960 act	264
Total, Louisiana	264

MARYLAND

Navigation projects, channels and harbors

Pocomoke River, Somerset County, 11-foot channel and dike	780
Total, Maryland	780

MASSACHUSETTS

Navigation project, channels and harbors

Provincetown Harbor Barnstable County, breakwater	2,105

Beach erosion control projects

Brant Rock, Plymouth County, beach replacement and raise jetty, 1960 act	55
Lynn-Nahant Beach, Essex County, beach replenishment and stone mound	220

Corps of Engineers, civil works, etc.—Con.

[Amounts in thousands of dollars]

MASSACHUSETTS

Beach erosion control projects

North Scituate, Plymouth County, beach replacement, 1960 act	59
Plymouth town beach, Plymouth County, beach replacement, groins, and seawall, 1960 act	43
Provincetown beach, Barnstable County, beach replacement, groins and seawall, 1960 act	108
Revere beach, Suffolk County, beach replenishment	261
Completed work	78
Thumpertown beach, Barnstable County, beach replacement and construct groin, 1960 act	24
Town Neck beach, Barnstable County, beach replacement and raise existing jetty	74
Wessagussett beach, Norfolk County, widen beach and construct groins and walls, 1960 act	116
Winthrop beach, Suffolk County, beach replenishment, seawall and groins	38
Completed work	181B

Flood control projects, local protection

Chicopee Falls, Hampden County, Chicopee River, channel improvement levees and floodwalls, 1960 act	1,880
Three Rivers, Hampden County, Chicopee River, channel improvement and removal of existing dam and powerhouse, 1960 act	1,270
Westfield, Hampden County, Westfield River, levees, floodwalls, and pumping plants, 1960 act	3,264

Reservoirs

Conant Brook Dam and Reservoir, Hampden County, Chicopee River, earth and rock-fill dam, 1960 act	2,080
Total, Massachusetts	11,597

MICHIGAN

Navigation projects, channels and harbors

Detroit River:	
Channel north of Belle Isle, Wayne County	380
Enlarge Trenton Channel to 21 feet, Wayne County	2,730
Menominee Harbor, Menominee County 26-foot and 24-foot channels, enlarge turning basin, 1960 act	807
Point Lookout Harbor, Arenac County, breakwaters and dredging	1,660

Beach erosion control project

St. Joseph shore, Berrien County	389

Flood control projects, local protection

Kalamazoo, Kalamazoo River, channel improvement	7,120
Lansing, Grand River, Inghan County, channel improvement	12,500
Saginaw River, Saginaw, Genesee and Shiawassee Counties, protective works	16,200
Total, Michigan	41,786

MINNESOTA

Navigation projects, channels and harbors

Duluth-Superior Harbor, St. Louis County, Minn., and Douglas County, Wis.: Inner harbor, 27-foot and 23-foot channels, 1960 act	2,690

Corps of Engineers, civil works, etc.—Con.

[Amounts in thousands of dollars]

MINNESOTA

Flood control projects, local protection

Mankato and North Mankato, Blue Earth County, Minnesota River channel, levees, and floodwalls	2,390
Winona, Winona County, Mississippi River levees	2,090
Total, Minnesota	7,170

MISSISSIPPI

Flood control projects, local protection

Jackson and East Jackson, Pearl River and tributaries, Hines and Rankin Counties, Jackson, Miss., levees, channel improvement and pumping plants, 1960 act	3,636
Tombigbee River and tributaries, northeast Mississippi and northwest Alabama, snagging and clearing channel enlargement	24,100
Total, Mississippi	27,736

MISSOURI

Flood control, local protection

South River Drainage District, Marion County, Mississippi and South Rivers levee improvement	2,030

Reservoirs

Kaysinger Bluff Reservoir, Benton County, earth dam	104,000

Multiple purpose projects including power

Stockton Reservoir, Cedar County, multiple purpose with power earth dam	43,000
Total, Missouri	149,030

MONTANA

Flood control projects, local protection

Clark Fork at Missoula, Missoula County, levees, floodwalls, and drainage facilities	244

Multiple purpose projects including power

Libby Reservoir, Kootenai River, Lincoln County, multiple purpose with power concrete dam	325,000
Total, Montana	325,244

NEBRASKA

Flood control projects, local protection

Pierce, Pierce County, levee and channel improvement	288
Shell Creek and tributaries, Colfax, Plate, and Madison Counties, levee and channel improvement	2,540
Westpoint, Cuming County, levee, 1950 act	214
Total, Nebraska	3,042

NEVADA

Flood control projects, local protection

Gleason Creek, White Pine County, small reservoir near Keystone, 1960 act	558
Las Vegas Wash and tributaries, Clark County, northwest side of Lake Meade Diversion Levee, detension basin channel improvement, 1960 act	13,500
Total, Nevada	14,058

Corps of Engineers, civil works, etc.—Con.

[Amounts in thousands of dollars]

NEW JERSEY

Navigation projects, channels and harbors

Delaware River, Philadelphia to sea, Philadelphia County, Pa., and Camden County, N.J., anchorages at Reedy Point, Deepwater Point, and enlarging Marcus Hook and Mantua Creek anchorages	28,100

Beach erosion control projects

Asbury Park to Manasquan, Monmouth County, beach replenishment	3,670
Barnegat Light, Ocean County, revetments, groins, and beach restoration, 1960 act	130
Cape May City, Cape May County, beach restoration and groins, 1960 act	663
Long Beach Island, Ocean County, groins and beach restoration, 1960 act	1,896
North Wildwood, Cape May County, beach restoration, 1960 act	80
Ocean City, Cape May County, beach restoration and extension of groins, 1960 act	1,147
Point Pleasant Beach to Seaside Park, Monmouth and Ocean Counties, beach replenishment	1,710
Sea Bright to Ocean Township, Monmouth County, groins and beach replenishment	5,400
Stone Harbor, Cape May County, beach restoration, 1960 act	206
Ventnor, Margate, and Long Port, Atlantic County, beach restoration, 1960 act	209
Total, New Jersey	43,211

NEW MEXICO

Flood control projects, reservoirs

Cochit Reservoir, Sandoval County, 50 miles above Albuquerque on the Rio Grande, earth-fill dam, 1960 act	48,400
Galisteo Reservoir, Santa Fe County, on Galisteo Creek 4 miles above its confluence with the Rio Grande, earth-fill dam, 1960 act	16,700
Total, New Mexico	65,100

NEW YORK

Navigation projects, channels and harbors

Buffalo Harbor, Erie County, extension of south breakwater and deepen outer harbor, 1935 act	686
Completed work	2,974
East Chester Creek, Bronx and Westchester Counties, 10-foot channel and check dam	725
Lake Montauk Harbor, Suffolk County, 12-foot channel basin and jetties	650
Moriches Inlet, Suffolk County, jetties and 6- and 10-foot channel, 1960 act	3,355
Oswego Harbor, Oswego County, deepen west outer harbor to 22-feet, 1940 act	2,057
Completed work	913
Shinnecock Inlet, Suffolk County, jetties and 6- and 10-feet channel, 1960 act	3,551

Beach erosion control projects

Fair Haven Beach State Park, Cayuga County, groins, jetties, beach replenishment	148
Hamlin Beach State Park, Monroe County, groins and beach replenishment	520

Corps of Engineers, civil works, etc.—Con.

[Amounts in thousands of dollars]

NEW YORK

Flood control projects, local protection

Fire Island Inlet to Montauk Point, Suffolk County, beach replenishment, drainage structure, and groins, 1960 act	19,700
Ithaca, Cayuga Inlet, Tioga County, channels and levees, 1960 act	4,360
Lackawanna Smokes Creek, Erie County, channel rectification, 1960 act	2,330
Lake Chautauqua and Chadakoin River, Chautauqua County, channel improvement, diversion channel, and outlet works	6,270
Nichols, North Branch Susquehanna River, Tioga County, levees	1,110
Rome, Mohawk River, Oneida County, levees	400
South Amsterdam, Mohawk River, Montgomery County, levees	1,760

Reservoirs

Davenport Center Reservoir, Delaware County, Charlotte Creek, earth dam	10,700
Genegantslet Reservoir, Chenango County, Genegantslet Creek, earth dam	7,380
South Plymouth Reservoir, Chenango County, Canasawacta Creek, earth dam	7,570
West Oneonta Reservoir, Otsego County, Otego Creek, earth dam	11,600
Total, New York	84,872

OHIO

Navigation projects, channels and harbors

Cleveland Harbor: bridge replacements, widening Cuyahoga and Old River, and deepening channel in east basin and outer harbor, 1958 act	17,900
Conneaut Harbor, Ashtabula County:	
Channels, breakwaters, and deepen outer harbor to 20 feet, 1917 act	887
Completed work	97
Channels, breakwaters, and deepen outer harbor to 25 feet, 1935 act	1,548
Completed work	2,192
Fairport Harbor, Lake County, 27–29-foot channels and turning basin, 1960 act	3,030

Locks and dams

Hannibal locks and dam, Ohio River, Monroe and Belmont Counties, Ohio, and Welzel, Marshall, and Ohio Counties, W. Va., locks and nonnavigable dam	56,700
Racine locks and dam, Ohio and W. Va	76,800
Willow Island lock and dam, Ohio and W. Va	66,400

Flood control projects, local protection

Reno Beach-Howard Farms, Lucas County, construct levees	728

Reservoirs

Big Darby Creek Reservoir, Franklin County, earth dam	24,500
Caesar Creek Reservoir, Warren and Clinton Counties, earth dam	8,580
Deer Creek Reservoir, Pickaway County, concrete dam	16,200
East Fork Reservoir, Clermont County, earth dam	13,000
Paint Creek Reservoir, Highland and Ross Counties, concrete dam	19,800
Total, Ohio	306,073

Corps of Engineers, civil works, etc.—Con.

[Amounts in thousands of dollars]

OKLAHOMA

Locks and dams

Webbers Falls lock and dam, Muskogee and Wagoner Counties, Arkansas River, basin earth-fill dam with concrete spillway, navigation lock and provisions for future power	60,400

Flood control projects, reservoirs

Lukfata Reservoir, Glover Creek, McCurtain County, earth and rock filled dam with uncontrolled spillway	12,100
Pine Creek Reservoir, Little River, McCurtain and Pushmataha Counties, earth-filled dam with controlled spillway	21,200

Multiple purpose projects, including power

Short Mountain lock and dam, Sequoyah, Leelore, Haskell, and Muskogee Counties, Arkansas River Basin, earth-fill dam with concrete spillway, power facilities, and navigation lock	101,000
Total, Oklahoma	194,700

OREGON

Navigation projects, channels and harbors

Columbia River at the mouth, Clatsop County, Oreg., and Pacific County, Wash., 48-foot channel and jetty	8,331
Completed work	2,519
Columbia slough, Multnomah County, 10-foot channel and basin	1,290
Coos and Millicoma Rivers, Coos County, 5-foot channel	546
Siuslaw River and Bar, Lane County, entrance channel, jetties, 1958 act	2,020
Willamette River above Portland and Yamhill River, Clackamas, Marion, Linn, Benton, Polk and Yamhill Counties, 6-foot channel, Oregon City to Santiam River, 5-foot to Albany, 2½-foot to Cornvallis	2,420
Yaquina Bay and Harbor, Lincoln County, channel improvement and jetties, 1958 act	23,600

Locks and dams

Willamette River at Willamette Falls, Clackamas County, single lift lock and guard lock	10,900

Flood control projects, local protection

Columbia River local protection, Idaho, Montana, Oregon, and Washington: John Day River, Grant and Wheeler Counties, channel improvement and levees	405
Lower Columbia River, improvement to existing works, Oregon and Washington:	
Clatskanie Drainage District, Columbia County, levee strengthening	177
Peninsula Drainage District No. 1, Multnomah County, levee strengthening	1,310
Scappoose Drainage District, Columbia County, levee strengthening	909
Pilot Rock Birch Creek, Umatilla County, levees and channel improvement	349
Willamette River Basin, channel improvement and major drainage:	
Bear Creek, Lane County	285
Shelton Ditch, Marion County	1,800
West Muddy and Marys River, Benton County	2,960

Corps of Engineers, civil works, etc.—Con.

[Amounts in thousands of dollars]

OREGON

Reservoirs

Blue River Reservoir, Lane County, Blue River, earth dam	21,800
Total, Oregon	79,152

PENNSYLVANIA

Navigation projects, channels and harbors

Erie Harbor, Erie County, deepen approach channel to easterly docks, 1935 act	45
Completed work	525B

Locks and dams

Dam 4, Monongahela River, Washington and Westmoreland Counties, gated crest nonnavigable dam	10,000

Flood control projects, local protection

Elkland, North Branch, Susquehanna River, Tioga County, levees	1,670
Latrobe Westmoreland County, channel enlargement and realinement, 1960 act	2,983
Tyrone, Blair County, Little Juniata River, levees	11,100

Reservoirs

Blanchard Reservoir, Centre County, Bald Eagle Creek, earth dam	22,900
Cowanesque Reservoir, North Branch, Susquehanna River, Tioga County, earth dams	26,600
Tioga-Hammond Reservoir, North Branch, Susquehanna River, Tioga County, earth dams	53,600
Total, Pennsylvania	130,898

RHODE ISLAND

Beach erosion control projects

Matunuck Beach, Washington County, beach restoration, sand fence, and groins, 1960 act	99
Misquamicut Beach, Washington County, sand fences and beach restoration, 1960 act	20
Narragansett Pier, Washington County, beach replenishment and groins	120

Flood control projects, local protection

Lower Woonsocket, Providence County, Blackstone River, basin channel improvement below South Main Street Bridge, 1960 act	3,010
Total, Rhode Island	3,249

SOUTH DAKOTA

Flood control projects, local protection

Belle Fourche, Redwater River and Hay Creek, Butte County, levees, channel, 1960 act	375
Vermillion River, Clay County, levee	6,930
Total, South Dakota	7,305

TENNESSEE

Multiple purpose, including power

Cordell Hull Dam, Carthage, Cumberland River, Smith, Jackson, and Clay Counties, multiple purpose with power, concrete and earth dam	39,900

Corps of Engineers, civil works, etc.—Con.

[Amounts in thousands of dollars]

TENNESSEE	
Multiple purpose, including power	
J. Percy Priest, Davidson, Rutherford, Wilson Counties, multiple purpose with power, concrete and earth dam	29,650
Total, Tennessee	69,550
TEXAS	
Navigation projects, channels and harbors	
Brazos Island Harbor, Cameron County, widen upper channel, enlarge fishing harbor and extend north jetty channel improvement, 1960 act	4,540
Galveston harbor and channel, Galveston County:	
36- and 38-foot channel	1,324
Completed work	176
40- and 42-foot outer bar and jetty channel	2,840
Houston ship channel, Harris County: deepening channel to 40 feet and turning basin, 1958 act, phase II	9,790
Port Aransas-Corpus Christi waterway, Nueces County:	
Deepening existing project to 40 and 42 feet	5,400
40-foot channel extension from Tule Lake to Viola and including turning basin, phase II	282
Texas City channel, Galveston County:	
Turning basin extension, 34 and 36 feet	495
40-foot channel and barge canal, 1960 act	1,680
Flood control projects, local protection	
Big Fossil Creek, Tarrant County, easterly outskirts of Fort Worth, channel work	1,970
Blieders Creek Reservoir, New Braunfels, Comal County, earth dam and reservoir for local protection	1,230
Eastland, Eastland County, Leon River, channel improvement	325
Fort Worth floodway, upstream extension; Tarrant County, levee and channel work, 1960 act	2,369
Reservoirs	
Bardwell Reservoir, Ellis County, Waxahachie Creek, earth dam	9,120
Gonzales Reservoir, Gonzales County, San Marcos River, earth dam	20,800
Multiple-purpose projects including power	
Denison Reservoir, Lake Texoma, Grayson and Cook Counties, Tex., and Marshall, Johnson and Love Counties, Okla., additional power unit installation, unit No. 3	7,930
Total, Texas	70,095
UTAH	
Flood control project, local protection	
Little Dell Reservoir, Salt Lake County, Jordan River, 8,000 acre-foot reservoir for flood control and water supply, 1960 act	6,850
Weber River, Davis, Morgan, and Weber Counties, from town of Morgan to city of Ogden, channel improvement and levees	785
Total, Utah	7,635
VERMONT	
Flood control projects, local protection	
Rutland, Rutland County, Otter Creek, channel improvement	3,770
Waterbury, Washington County, Winooski River, channel improvement	4,600
Reservoirs	
Island Reservoir, Windham and Windsor Counties, Connecticut River Basin, earth dam	4,900
Victory reservoir, Essex County, Connecticut River Basin, earth dam	1,900
Total, Vermont	15,170
VIRGINIA	
Navigation projects, channels and harbors	
Hull Creek, Northumberland County, 6-foot channel and jetties	335
Flood control projects, reservoirs	
North Fork of Pound Reservoir, Wise County, on North Fork of Pound River, rock fill dam	4,600
Total, Virginia	4,935
WASHINGTON	
Navigation projects, channels and harbors	
Port Townsend, Jefferson County, breakwater and mooring basin	750
Flood control projects, local protection	
Columbia River local protection, Idaho, Montana, Oregon, and Washington: Palouse River, Whitman County, levees and channel improvement	720
Dayton, Touchet River, Columbia County, levees, bank protection and channel improvement	309
Lower Columbia River, improvement to existing work, Oregon and Washington:	
Cowlitz County consolidated diking district, No. 2, Cowlitz County, levee strengthening	1,420
Cowlitz County diking district No. 15, Cowlitz County, levee strengthening	239
Wahkiakum County consolidated diking district No. 1, Wahkiakum County, levee strengthening	1,390
Wahkiakum County diking district No. 4, Wahkiakum County, levee strengthening	422
Lower Columbia River, levees at new locations:	
Kalama River, south area, Cowlitz County, levees	902
Vancouver, lake area, Clark County, levees	4,140
Washougal area, Clark County, levees	1,660
Pullman, Palouse River, Whitman County, channel improvement with levees, floodwalls, and revetment	2,100
Sammamish River, King County, channel improvement, levees	1,924
Multiple-purpose projects including power	
Little Goose lock and dam, Snake River, Whitman, Columbia, and Garfield Counties, dam, reservoir, and relocation of roads and railroads	144,000
Lower Granite lock and dam, Snake River, Garfield, Whitman, and Asotin Counties, dam, reservoir, and relocation of roads and railroads	147,000
Total, Washington	306,976
WEST VIRGINIA	
Flood controls projects, reservoirs	
East Lynn Reservoir, Wayne County, earth dam	13,500
Total, West Virginia	13,500
WISCONSIN	
Channels and harbors	
Saxon Harbor, Iron County, breakwaters, pier removal, and dredging	535
Beach erosion control projects	
Manitowoc County, stone revetment	63
Flood control projects, local protection	
Eau Galle River, Spring Valley, Pierce County, reservoir and channel improvement	8,250
Odanah, Ashland County and Bad River, moving village and levee	363
Total, Wisconsin	9,211

Active schedule A grand total, all projects, $3,966,547.

Mrs. DWYER. Mr. Chairman, I ask unanimous consent to extend my remarks at this point in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentlewoman from New Jersey?

There was no objection.

Mrs. DWYER. Mr. Chairman, in this period of continuing high levels of unemployment and underemployment, I would support any legislation which promised to provide an effective means of meeting these serious problems, of stimulating economic expansion, the growth of industry and commerce, and of helping people find the jobs they need.

Unfortunately, the pending legislation, the public works acceleration bill, will not in my judgment help accomplish these objectives. On the contrary, it would tend to disrupt the orderly and effective programing of pulbic works projects by existing agencies of the Federal Government by creating a parallel Government organization which could only duplicate work which is already being done.

On the basis of our experience with postwar economic recessions, most economists seem to agree that large-scale emergency public works programs do not contribute significantly to the desired recovery, especially over a relatively short period of time. Income tax reductions and the provision of extended unemployment compensation have a much more immediate and salutary effect on the economy.

Consequently, if the President is correct in taking the position that the present state of the national economy does not justify an immediate tax cut, then it is difficult to understand how one can justify proposing an even more uncertain and questionable remedy, that of public works acceleration. On the other hand, the President has proposed an extensive revision of the tax laws, including a tax cut, for early next year with the objective in mind, among others, of encouraging an expansion of business activity. If the tax cuts to be proposed are the right kind, they should be substantially more effective than the pending bill in putting people to work in 1963.

Even if one accepts the premise that the acceleration of public works projects would have a beneficial effect on the economy, the present bill would not be necessary. It would, in fact, not only be superfluous but would actually delay the beginning of work on the projects. By establishing a new agency in the public works field, the bill would require the duplication of programing and other administrative activities and would cause a further delay in the time it would take to organize the agency. Moreover, the bill provides that the funds it would authorize would still have to be appropriated and could be spent only on projects already authorized by Congress or covered by existing Federal programs. The quickest way to obtain the desired impact on the economy—again, assuming the merit of such a program—would be to request supplemental appropriations from Congress for such existing agencies as the Corps of Engineers, the Bureau of Reclamation, the Bureau of Public Roads, the Department of Health, Education, and Welfare, the Housing and Home Finance Agency and others which have public works responsibilities and which operate public works programs.

A careful reading of the bill and the committee report, however, raises the question whether proponents of the bill, in their anxiety to increase public spending, are not in fact threatening a serious dislocation of the fundamental basis of Federal grant and loan programs. Over the years, Congress has carefully devised specific formulas under which grant and/or loan assistance is made available to State and local public bodies for a variety of special public purposes. Each formula is related to a particular purpose and a particular set of economic circumstances. Some provide for loans, some for combinations of loans and grants, some for grants at varying levels below 50 percent of the project cost. For purposes of public works acceleration, however, this system would be scrapped, and eligible projects could be financed under the bill with 50 percent Federal grants, regardless of the original formula or limitation of the particular program.

In effect, then, for every Federal-aid program now in existence, of a public works nature, which provides for loans or for grants of less than 50 percent of the total cost of the project, a brand-new Federal-grant program would be created. The new program would function side by side with the old one, competing for applications from interested communities, and creating all kinds of new and disturbing problems.

Who, for instance, would determine which community, in the face of limited funds, would get a 50 percent Federal grant and which would get a repayable loan, even though the projects were the same and each was located in an eligible area? Certainly, the criteria in the bill do not appear to be adequate enough to support an objective decision, and in the absence of such criteria the way is opened for discrimination and political favoritism.

Again, might not this bill simply substitute Federal funds for State and local funds—just as cheap money drives out dear money—without substantially increasing the total investment in public facilities? Obviously, if a community heeds and is planning to build a sewage treatment plant and is located in an eligible area, it will first seek to obtain the 50 percent grant authorized by this bill instead of the 30 percent grant for which it would be eligible under the existing Federal Water Pollution Act. Yet, would this 20 percent Federal bonus be sufficient to persuade a community to go ahead with such a public works project when it was unwilling to do so previously? I suspect that most communities which are in a position to avail themselves of the proposed Federal grants would also undertake the same projects under existing, though less liberal, Federal programs. Ironically, the communities which are hardest hit by long-term unemployment—for which such public works assistance is most needed—are least able to benefit from this bill because they are least able to raise the necessary matching funds.

In any event, Mr. Chairman, whatever we may think of the merits of this bill, we should view it before we vote in the perspective of the funds already made available by the Federal Government for similar public works projects. Just this month, the Secretary of Commerce released nearly $2 billion to the States in extra Federal-aid highway construction funds for use in the present fiscal year, 1 year in advance. This is in addition to the regular quarterly releases of nearly $1 billion in highway funds throughout fiscal 1963.

Furthermore, the Administration has available to it, as of last week, over $2.5 billion of previously authorized funds which it has not yet spent or obligated under a number of housing and public facilities programs—more than two-and-a-half times the amount it is now seeking on an emergency basis.

Under the circumstances, Mr. Chairman, I do not believe Congress would be justified in passing this bill.

Mr. CURTIS of Missouri. Mr. Chairman, I ask unanimous consent to extend my remarks at this point in the Record and include extraneous matter.

The CHAIRMAN. Is there objection to the request of the gentleman from Missouri?

There was no objection.

Mr. CURTIS of Missouri. Mr. Chairman, I take the floor primarily to commend the Republicans on the Public Works Committee for the scholarly and thoughtful minority views they wrote to accompany H.R. 10113, the Public Works Coordination and Acceleration Act now being debated.

There is little that can be added or need be added to these minority views. The facts and logic establish beyond any reasonable question that this is poorly conceived and designed legislation. Under unanimous-consent request which I obtained in the House I am setting forth these minority views at the end of these remarks so that they will be available to anyone reading the record of this debate.

I do want to point up one important economic factor in respect to unemployment figures which have been referred to in meaningless generalities throughout the debate by those seeking to justify this poor piece of legislation. What I point up is a matter which the present administration might well take some pride in.

The crucial unemployment statistic as far as the welfare of individual human beings is concerned is the weekly average of unemployment insurance exhaustions. It is also a very meaningful statistic in measuring the trend of a recession or a recovery.

On page 110 of the Economic Indicators, August 1962, prepared for the Joint Economic Committee by the President's Council of Economic Advisers, are the statistics on unemployment insurance programs. Incidentally, it is stated just under the heading, "Insured unemployment averaged 1.7 million in July, about 1 million less than in July 1961."

Column 6 lists weekly average insured employment exhaustions:

[In thousands]

1957	23
1958	50
1959	33
1960	31
1961	46
1961:	
June	53
July	50
August	44
September	38
October	35
November	34
December	35
1962:	
January	39
February	39
March	39
April	39
May	33
June	30
July	29

From this statistic we can see that the exhaustions are now reaching recovery figures and have definitely left the recession figures in the forties and fifties. It is a shame that the New Frontier has such little faith in our great private enterprise system and feels that it must continue to tinker with it.

MINORITY VIEWS ON H.R. 10113

We are opposed to the enactment of H.R. 10113 for the following reasons:

1. The bill will not accomplish its stated purpose to provide immediate work for a substantial number of unemployed and underemployed persons.

2. The Congress should not authorize the appropriation of additional funds to construct public works for the purpose of creating jobs when unobligated balances of

existing appropriations, in the billions of dollars, are available for other programs which produce employment and which are not being used by the administration.

3. A new Federal agency, called the Office of Public Works Coordination and Acceleration, would be created, which agency would serve no useful purpose that could not be better performed by existing agencies, and which may seriously encroach upon and even supersede the authority of existing Federal departments and agencies, including, among others, the Departments of Defense, Agriculture, Commerce, Interior, and Health, Education, and Welfare, the Housing and Home Finance Agency, and General Services Administration, and which may emasculate the Congress in its traditional role of determining what public works programs and projects shall be undertaken by the Federal Government and the policies relative thereto.

4. Expenditure of the $900 million authorized to be appropriated by the bill will necessitate deficit financing and will contribute to the necessity for increasing the public debt ceiling.

5. The Federal share of the cost of public works projects of State and local governments, to be paid from funds authorized to be appropriated by the bill, would increase to 50 percent when the Congress has determined under existing law that the Federal contribution is to be less than 50 percent.

6. Public works projects of municipalities, counties, and any other political subdivisions and instrumentalities of States which, under existing law are eligible for interest-bearing loans from the Community Facilities Administration will, under H.R. 10113, be eligible for Federal grants, from funds authorized to be appropriated by the bill, for 50 percent of the cost of such projects, even though the Congress may never have authorized Federal grants-in-aid for projects of the types undertaken. Also, other public works which under existing law are eligible only for Federal loans or for grants for planning or studies may be eligible under this bill for Federal grants for construction.

7. This bill would delegate to the President the power and authority of the Congress to authorize new Federal grant-in-aid programs and projects, and, through this new all-inclusive civil and military Federal and local public works blanket authorization, to select the Federal and federally assisted programs and projects to be constructed, and to determine the amounts of money to be appropriated therefor.

AN ACCELERATED PUBLIC WORKS PROGRAM WILL NOT PROVIDE NEEDED IMMEDIATE EMPLOYMENT

Public works construction has never been effective in achieving anticyclical results during an economic recession. Public works programs take so long to get going that they generally do not provide much additional employment until recovery is well underway. Public works projects of any size require a considerable period of time for the making of surveys, economic and engineering studies, preparation of plans and specifications, acquisition of land, and the advertising for bids, all of which must be accomplished before contracts can be awarded and actual construction commenced. Even additional time may be required for the commencement of Federal-aid projects by States and local governments, for it is necessary to establish criteria for Federal grants, receive requests for assistance, determine which projects are to be assisted, and assure that the State or local government has adequate funds to pay its share of the cost of the project. Depending on the size, type, and existing status of projects, there may be an elapse of from several months to 2 or more years between the time that a project is financed and work actually commenced, and the creation of new jobs will be deferred accordingly.

The only partially successful antirecession public works construction program undertaken during the postwar recessions was the expenditure of $400 million for Federal-aid highway construction authorized by the Federal-Aid Highway Act of 1958. This act, which was approved on April 16, 1958, required contracts to be awarded prior to December 1, 1958, for completion of projects by December 1, 1959. Many of the highway improvements undertaken under this authority consisted of work which did not require extensive engineering or acquisition of rights-of-way, such as resurfacing of highways and widening of shoulders. However, even in carrying out this simple program, an average of 4 months elapsed between the time that projects were programed and contracts awarded for construction.

On January 13, 1961, Maurice H. Stans, Director of the Bureau of the Budget, transmitted to the President a staff report entitled "Federal Fiscal Behavior During the Recession of 1957–58." In this report Mr. Stans reviewed the fiscal policies in effect and the fiscal actions taken in the 1958 recession and the results obtained therefrom. Among the major findings of the report are that the fiscal actions of the Government which gave the biggest boost to the economy in 1958 were the built-in stabilizers, such as automatic decreases in income tax revenues and automatic increases in unemployment benefits; whereas, many of the deliberate countercyclical actions including some of the largest in terms of expenditures, made a small contribution in relation to their budget cost or were poorly timed. Even though the 1958 antirecession highway construction program has been referred to frequently as a possible exception to the unsatisfactory role of public works in creating jobs to combat a recession, this report points out that that antirecession highway construction program entailed high Federal expenditures for the amount of immediate employment created. A study of this report should convince anyone of the folly of relying upon the acceleration of public works to provide immediate work for the unemployed.

Most public works will not provide many jobs for persons who are presently unemployed. Much of the cost of projects goes into the purchase of materials and equipment and for the employment of professional and skilled persons who are not among the large group of unemployed.

Not only are public works projects, by their very nature, slow to start, but once started they cannot be readily stopped. According to the administration, we are now supposed to be in a period of recovery, with employment constantly improving according to the latest figures. The Department of Labor has reported that during March, April, and May of this year unemployment declined from 4,543,000 to 3,719,000 persons. This is an increase of 824,000 jobs, which is more than 6 times the number of jobs that may be created by expenditure of the $900 million authorized by this bill. If the peak impact of the public works construction program under H.R. 10113 comes during a period of recovery, rather than during the preceding recession, it can create problems greater than those it was designed to remedy by contributing substantially to inflation.

It should be pointed out that the funds authorized to be appropriated by H.R. 10113 will be available only for projects which can be initiated or accelerated within a reasonably short period of time and which can be substantially completed within 12 months thereafter. Thus, Federal assistance under this bill will be limited principally to small projects, which may be much lower in priority of needs and public benefits than other public works projects that are larger in size and would require more time to complete. Furthermore, such smaller projects are seldom found in large metropolitan areas where the need is greatest for the creation of employment opportunities.

To meet the requirement for substantial completion of construction within 1 year, most projects will have to be completed during a single construction season. In many northern areas of the country the construction season extends generally from May through October. This means that by the time this bill is enacted into law, if such be the case, and the necessary engineering, land acquisition, and other necessary work is accomplished preliminary to the awarding of contracts for the construction of projects, little, if any, construction work can actually get underway in these sections of the country before the spring of 1963 and no immediate employment will result.

There is also built into the language of H.R. 10113 another obstacle to the early undertaking of projects by many communities. Section 10 of the bill provides that no funds authorized to be appropriated shall be made available to any State or local government unless the proposed or planned total expenditures of such State or local government during the fiscal year for all its capital improvement projects is increased by an amount approximately equal to the non-Federal funds required to be made available for such public works projects. The purpose of this provision is meritorious in that it is designed to increase public works construction by preventing States and local governments from merely transferring funds from public works now planned to other projects to be financed under H.R. 10113, particularly if the Federal share of the cost of the H.R. 10113 project is greater. However, this provision may make it impossible for many communities to receive grants under this bill. State and local government budgets are generally approved annually or biennially, and revenues to finance such budgets are provided by legislative assemblies which may meet only for short or biennial sessions. In many instances it may be impossible for States and local governments to make changes in their budgets and to provide necessary additional financing so as to become eligible for grants under this bill.

It is appropriate to examine the anticipated results which might be obtained by the most optimum expenditure of the $900 million authorized by this bill. It is unlikely that any expenditures could be made during the remaining months of this fiscal year. Based upon the President's estimate of expenditure rates which would result from the $600 million immediate public works construction program he recommended to the Congress, it is assumed that the expenditure of Federal funds resulting from the early enactment of H.R. 10113, and the immediately subsequent appropriation of the $900 million authorized, would be approximately $500 million in fiscal year 1963, and $400 million in fiscal year 1964. According to the most optimistic testimony of Mr. George Meany, president of the AFL–CIO, when he appeared before the Committee on Public Works in support of this bill, each $1 million of construction expenditures will create about 100 onsite and offsite jobs and about 150 other jobs in consumer industries and in wholesale and retail trades for a period of 1 year, or a total of approximately 250 jobs for 1 year. Applying these figures to the estimated expenditures of the Federal funds authorized by this bill, approximately 50,000 onsite and offsite jobs and 75,000 additional jobs in consumer industries and wholesale and retail trades, or a total of 125,000 jobs, would be created during the peak fiscal year of 1963 and would continue through most of fiscal year 1964. When viewed in light of the national unemployment of 3,719,000 persons in May 1962, it is obvious that this bill will merely scratch the surface in providing work for the millions of persons now unemployed. In fact, the 125,000 persons who may receive employment for a period of a little less than 2 years as a result of the expenditure of this $900 million is only about 3 percent of the total unemployed. There is no assurance that even this small increase in employment will result. If the financing provided by this bill is merely substituted for State and local financing for projects which would be constructed anyway, there will be no increase in employment. And this is a real likelihood, for State and local government financing of public facilities has continued to set new records, with sales of new issues of State and municipal bonds increasing from $4.4 billion in 1952 to over $8.3 billion in 1961.

The Congress, and the people, should not be misled into believing that this bill will provide any appreciable solution to the serious unemployment problem in this country. It is true that some jobs will be created, but they will be too little in number and too late in time to be of material help to those who are so desperately in need of employment now. Enactment of this bill will accomplish nothing more than to create the false impression that something of real significance is being done to relieve unemployment—and that is not the case.

AVAILABLE FUNDS HAVE NOT BEEN USED

It is incongruous for the President to ask the Congress to give him such vast new authority and to authorize additional funds to accelerate construction of public works when the administration has deliberately avoided obligating funds already appropriated by the Congress for other programs which could produce far more employment than that which will result from expenditure of the $900 million authorized by this bill.

There are presently billions of dollars of obligational authority available to the President, the expenditure of which would greatly stimulate the economy and substantially relieve unemployment. However, for reasons known only to the administration, it has withheld, deferred, or substantially limited the obligation of funds for many programs. At the hearings on this bill, particular reference was made to the following unobligated balances of specific appropriations which are available to the administration for programs that could afford direct and substantial relief for unemployment, but which the administration has not used.

	Available for obligation during fiscal 1962	Amounts obligated at time of hearing or estimated to be obligated by end of fiscal 1962	Unobligated balance
Veterans' Administration direct loans	$500	$200	$300
Loans for public facilities, Community Facilities Administration	650	150	500
Urban renewal	2,000	600	1,400
Maritime Administration, for shipbuilding	153	89	64
Area Redevelopment Act, for grants and loans for construction of public facilities	90	1	89
Farmers Home Administration, housing loan program	[1] 430	95	335
Total	3,823	1,135	2,688

[1] Available for obligation during fiscal years 1962 through 1965.

NOTE.—Figures are rounded to nearest million dollars.

We fail to see any reason to give the President authority to expend an additional $900 million for public works, in any way that he sees fit, when there is now available more than $2½ billion for the above six programs which the administration has failed to use and which could produce jobs in the construction of homes, other buildings, ships, and public works, more quickly and in greater number than would result from expenditure of the $900 million authorized by this bill.

CREATION OF A NEW FEDERAL AGENCY

H.R. 10113 will establish a new Federal agency to be called the Office of Public Works Coordination and Acceleration and to be administered by a Director of Public Works Coordination and Acceleration. The Director and a Deputy Director are to be appointed by the President, by and with the advice and consent of the Senate. The Director will receive $20,000 per annum, which is the salary of an assistant Cabinet officer, and the Deputy Director will receive $18,500. There will also be an unestimated number of other officials and employees for this new agency.

The Director is directed by the language of the bill to encourage the coordination of planning policies for construction of public works and for this purpose he is required to review information collected from each department, instrumentality, and agency of the Federal Government and of State and local governments having authority to construct public works, and to determine—

(1) What public works projects have been or are in the process of being planned for construction;

(2) What public works projects are required to meet national, regional, and community growth and economic development;

(3) What are the present policies of the various departments, agencies, and instrumentalities with respect to planning public works; and

(4) The extent to which the policies of each such department, agency, and instrumentality should be coordinated with an overall policy with respect to public works planning and construction, and methods for such coordination.

This direction to and authority of the Director applies, as do the spending provisions of the bill, to the planning and construction of all Federal and Federal-aid public works projects, both civil and military, and is not in any way restricted to the acceleration of public works to relieve unemployment.

The view was expressed by some members of the committee that it was not intended that the Director should be authorized to establish policy which construction agencies would have to follow in regard to the planning and construction of public works projects. However, the language contained in the bill must be assumed to mean what it says and, if this language has any purpose at all, it would clearly appear to vest great authority and control in the Director of this new Office over all Federal and Federal-aid public works, which cannot be taken away by some statement to the contrary in the report of the committee on this bill.

An aggressive and ambitious Director of the Office of Public Works Coordination and Acceleration, armed with the authority contained in this bill, would quickly take over much of the policymaking now exercised by existing Federal agencies and would either directly or indirectly control the development of all Federal and Federal-aid public works programs and the selection and scheduling of specific projects for planning and construction. In practice, he will control the public works activities of the Department of Defense (including the Corps of Engineers), Agriculture, Interior, Commerce, and Health, Education, and Welfare, the Housing and Home Finance Agency, General Services Administration, and all other departments and agencies now administering public works programs.

In our opinion, it is unnecessary and certainly unwise to replace the experienced judgment of agencies now charged with the responsibility of administering public works programs by that of a single political appointee.

We fear that by the establishment of such a new agency, which would undoubtedly exercise controlling influence over all Federal public works projects and State and local Federal-aid programs and projects, the Congress will create a political pork-barrel czar which may turn on its creator like a Frankenstein monster. Not only is there real danger that the authority, policies, and decisions of other Federal agencies may become subservient to the wishes of the Director of this new agency, but, to the extent that this occurs, the Congress will be denied fully objective recommendations and reports of agencies now charged with the responsibility of administering public works programs. Thus, the Congress may be denied information and recommendations upon which to base its considerations for the establishment of new public works programs and for the authorization of and appropriation of funds for specific projects. In fact, to the extent that this new office insulates the Congress from the agencies which actually administer public works programs, the Members and committees of Congress and their staffs will be rendered impotent in carrying out the traditional role of the Congress to determine what public works projects should be undertaken by the Federal Government and what policies and criteria should apply.

We are not in favor of creating a czar over public works to set policies. And he will be setting policies which have been the responsibility of the Congress for years.

The administration is strongly opposed to the creation of this new Federal agency and, as pointed out in departmental reports on the bill and by administration witnesses who testified before the committee, the Office of Public Works Coordination and Acceleration would duplicate functions now performed by other governmental agencies and the establishment of such a new agency is neither necessary nor desirable, for planning, coordination, and administration can best be handled through existing agencies which now have program authority and which are presently engaged in public works or other programs on behalf of the President.

The following are excerpts of typical comments of departmental reports on H.R. 10113 and H.R. 10318, with respect to the creation of this new Federal agency:

Department of the Interior

"While there is considerable merit in the intent of these bills, we do not feel that the means proposed are necessary or desirable at this time. Public works programs now in progress are, in our opinion, being carried out satisfactorily. Necessary steps are now being taken by numerous agencies to provide needed coordination and long-range planning of contemplated public works programs.

"Thus, we feel that there would be a partial duplication of the functions to be performed by the Administrator, Coordinator, or Director with those already being performed by the various governmental agencies, including the Department of the Interior. It is difficult to determine from these bills how those functions will be coordinated with those of other agencies having similar responsibilities for public works construction.

General Services Administration

"We believe that the establishment of an Office of Public Works Coordination and Acceleration as contemplated by H.R. 10113 is neither necessary nor desirable in connection with the planning, coordination, and administration of a public works acceleration program. It is felt that such planning, coordination, and administration can best be handled through those existing agencies which now have program authority and which presently are engaged in public works or other programs on behalf of the President."

Department of Health, Education, and Welfare

"We are in full accord with the general objectives of both bills. We also believe that a useful purpose would be served if, as proposed by H.R. 10113, there were maintained an up-to-date inventory of current and prospective public works construction projects, and that increased attention were accorded problems of coordination in this field. We do not believe, however, that the attainment of these goals requires the establishment of a new Government agency. The planning and coordination that is necessary to assure the initiation or acceleration of the most useful projects, when the economic situation requires such action, can best be done by the agencies which currently have program authority, with central leadership furnished through the agencies that now coordinate public works and other programs on behalf of the President."

Administration witnesses who appeared before the committee on both H.R. 10113 and H.R. 10318 expressed opposition to the creation of an Office of Public Works Coordination and Acceleration.

Mr. Alan L. Dean, Deputy Administrator for Administration, Federal Aviation Agency, said:

"As between the two bills, our major objection to H.R. 10113 is that it would create an additional Government agency. I don't, by such a statement, mean to imply that creation of additional Government agencies is necessarily in itself bad. However, we believe that additional Government agencies should be established only upon a finding of clear and sufficient need in this case.

"H.R. 10318 would permit existing agencies to conduct all planning, administration, and coordination and thereby eliminate the need for a special public works coordinating agency. We believe that acceleration can best be carried out by those agencies which are presently engaged in coordinating public works and other programs on behalf of the President."

Mr. David E. Bell, Director of the Bureau of the Budget, testified in some detail before the committee as to how existing Federal agencies can carry out the planning, administration, and coordination of public works programs without necessity of creating a new agency. In this regard, he said:

"It would be our expectation that the proposed capital improvements acceleration could be carried out with a minimum of new administrative machinery. We would anticipate that:

"The Council of Economic Advisers, in line with its regular duties, would:

"(a) Keep the President informed on the unemployment situation;

"(b) Make recommendations to him on when to invoke the standby acceleration authority and when to terminate it; and

"(c) Make recommendations on the volume and general types of public works to be undertaken or accelerated.

"The Bureau of the Budget, as part of its normal responsibilities, would:

"(a) Collect from all Federal agencies advance plans for the succeeding 5-year period, covering all Federal and federally aided public works, and prepare summaries of these plans;

"(b) Keep the Council of Economic Advisers and the President advised on the status of the inventory of eligible public works and the readiness of plans for public works construction authorized under the proposed standby bill;

"(c) When either the immediate or the standby authority becomes effective, advise the President on the administration and financing of the programs.

"The Housing and Home Finance Agency, in line with its statutory duty to provide Federal assistance both for comprehensive planning and for advances to finance preparation of plans for specific State and local projects, would:

"(a) Expand its advance planning assistance and conduct periodic surveys in order to make sure that an adequate backlog of eligible State and local public works is ready for use in event of a recession;

"(b) When either the immediate or the standby authority becomes effective, make grants and loans for State and local public works directly or through other Federal agencies, to finance projects or programs not already eligible for Federal grants.

"Each Federal Agency having direct responsibility for public works and for Federal aid to State and local construction would:

"(a) Continue and, if necessary accelerate preparation of advance plans so that new projects will be available for initiation when funds are made available under the standby authority;

"(b) If now authorized to provide financial assistance to States and local governments, continue to encourage and assist them in advance planning and to obtain reports of the status of such advance plans;

"(c) Submit information on Federal and federally aided public works to the Bureau of the Budget for central compilation and analysis;

"(d) When either the immediate or the standby authority becomes effective, make recommendations for initiation or acceleration of eligible projects and programs, including grants, administered by it; and

"(e) When the funds have been allocated to the agencies, make the contracts, grants, etc., necessary to carry out the decisions.

"Finally, it would be desirable, in our opinion, when either the legislation authorizing immediate acceleration of capital improvements becomes effective, or the President under the standby authority proclaims a capital improvements acceleration period, to supplement the existing administrative organization in one respect. While existing agencies would continue to be responsible, as indicated above, for the planning and administration of the various programs, the President would wish to designate a single individual to assure prompt and effective execution of the total program. Under the President's present thinking, he would wish to assign this responsibility to a member of the Cabinet, but he has not yet finally decided the matter."

Existing agencies can maintain an inventory of the status of all Federal and Federal-aid public works programs and projects, keep the President and the Congress informed on the unemployment situation, and make recommendations for regular public works programs and for the acceleration of programs to combat recessions, if the latter is deemed desirable. In fact, much of this is being done now as part of the regular duties of the Council of Economic Advisers, the Bureau of the Budget, and agencies administering public works programs. There is absolutely no need to create a new super-Federal agency to duplicate these functions.

One of the arguments that has been advanced in support of the establishment of this new agency is that it will be required to prepare and keep current at all times a public works plan which shall have as its basic purpose the acceleration of the construction of public works necessary to increase employment and to stabilize the economy when required to offset declines in economic activity, and such a plan is provided for in this bill. Again, there is no need to create a public works czar for this purpose. Such a plan can be prepared and maintained by existing agencies as a part of their regular duties. Furthermore, H.R. 10113 provides no procedures or authority for implementation of such a plan when it is prepared. Even the $900 million authorized to be appropriated by this bill will be expended without any regard to such a plan.

FURTHER INCREASE IN DEFICIT FINANCING

One of the most urgent problems facing this country today is to put the national economy back on a sound basis, which will promote full employment. This Nation has been on a deficit financing basis for 25 of the past 31 years. In fiscal year 1961 there was a $4 billion deficit. This year it appears there will be a $7 to $10 billion deficit, and there is every indication that a deficit of from $3 to $5 billion will exist next year.

No portion of the $900 million authorized to be appropriated by H.R. 10113 is contained in the budget, and expenditures resulting from this authorization will further increase the Government's deficit financing and will contribute to subsequent requirements to further raise the public debt ceiling above its present level of $300 billion, which within the past few days, the President has requested the Congress to raise to $308 billion.

Continuing deficit financing has resulted in a gradual increase in the general price level which in turn has produced a continuing decline in the value of the dollar. Since 1939 the dollar has gone down from 100 cents to 46.1 cents, as of March of this year. The decline in purchasing power further accentuates the unbalance between consumption of goods and services and the productive capacity of the Nation, which contributes to unemployment. There is no evidence to indicate that this long-term trend will come to an early end, and H.R. 10113 would further promote this trend.

It is important to recognize the adverse characteristics of inflation on economic growth and job creation. With inflation, the annually available capital, whether derived from profits or depreciation reserves, is not able to buy the same facilities or finance the same number of jobs. The persistence of unemployment in the United States in the recent years is not due to inadequate Government spending, but rather to inadequate private investment. It is the expectation of profit which causes people to invest money and create job opportunities. Unless people have a reasonable expectation of making a profit, there will be no expansion of employment in the private sector of the economy. It is essential to find ways and means to encourage growth in the private sector; the key elements of which are incentives and sound money. Business confidence is not enhanced by the Federal Government's inability to balance the budget, even when the economy is operating at the highest level on record. The crucial need for jobs is defeated by concentrating our attention on Government activities which produce inflation and reduce the capacity of the private sector to grow and produce jobs. Under these conditions, deficit spending, including that which will result from enactment of this bill, is not likely to increase employment; in fact, it may have just the opposite effect.

INCREASED PRESIDENTIAL POWER

Section 9 of H.R. 10113 gives to the President the power and authority, which he has requested, to allocate funds authorized by the act in such amounts as he determines to heads of departments, agencies, and instrumentalities of the Federal Government of his choosing, for the initiation and acceleration of public works projects which the President or the heads of such governmental agencies may select. By the enactment of this bill the Congress would give the President unprecedented blanket authority to use appropriated funds in such amounts as he may determine for programs and projects of such types and at such locations as he may select. It is a far-reaching and dangerous precedent for the Congress to so abrogate its traditional and constitutional responsibilities to designate programs and projects for which authorizations are to be increased, to select projects to be constructed, and to determine the amounts of Federal funds to be appropriated therefor.

Under the provisions of this bill, the President is authorized to use the funds provided in the bill for the construction of any Federal public works projects, civil and military, which have been authorized by the Congress and any public works projects of States and local governments for which Federal financial assistance is authorized under other provisions of law. In prior precedents, even to offset the recession in 1958, the Congress increased specific programs by specific amounts, rather than delegating such power to the President.

Under this broad delegation of authority, the President can construct any public works project which is authorized by the Congress irrespective of how long ago the authorization may have been given and even though the Congress, subsequently, may not have seen fit to appropriate money for its undertaking. For example, this bill would empower the President to construct a navigation or flood control project, including dams, locks, canals, and power transmission facilities which may have been authorized by the Congress 30 years ago, but in which the Congress has subsequently lost interest and which has not been sufficiently justified before the Committee on Appropriations to secure the appropriation of funds to undertake its construction. Thus, the President could completely bypass the appropriation process and construct projects which, even though they have been authorized, would not be financed if reviewed and studied by the Congress in the discharge of its constitutional responsibilities to appropriate funds.

In addition to this usurpation of the authority of the Committee on Appropriations and the Congress as a whole, the Congress would also delegate to the President, in effect, the authority to both authorize and to appropriate funds for projects of States and local communities which have never been authorized by the Congress. The division of powers between the executive, legislative, and judicial branches is fundamental to our constitutional system of Government, and no President should be delegated powers which are essentially that of the Congress, as would be done by enactment of this bill.

UNLIMITED AREAS IN WHICH PROJECTS WILL BE ELIGIBLE FOR FEDERAL GRANTS

Even though the bill purports to limit the areas in which the President may authorize the initiation and acceleration of public works projects, the limitation is more illusory than real. So-called eligible areas are those (1) which the Secretary of Labor designates each month as having been areas of substantial unemployment for at least 9 of the preceding 12 months and (2) which are designated by the Secretary of Commerce under subsections (a) and (b) of section 5 of the Area Redevelopment Act as "redevelopment areas."

The bill provides that the criteria to be used by the Secretary of Labor in determining areas of substantial unemployment shall be the criteria established in section 6.3 of title 29 of the Code of Federal Regulations as in effect May 1, 1962, which principal criteria is that unemployment is 6 or more percent of the total labor force.

Thus, any area which has had 6-percent unemployment for 9 of the preceding 12 months can be declared an area of substantial unemployment and be eligible for grants of Federal funds under this bill. During the first 3 months of calendar year 1961 this condition was met for the entire United States on the basis of national unemployment percentage. Presumably, the entire United States could have been declared an area of substantial unemployment.

There are 882 areas and 50 Indian reservations which have been designated as redevelopment areas and 132 areas which have been designated for 9 of the last 12 months as areas of substantial unemployment, making a total of 1,064 areas in which grants of Federal funds would now be eligible if this bill is enacted into law. For all practical purposes the entire United States is, or probably can be blanked by the designation of such areas, which will afford the President complete freedom in selecting the projects which he wishes to be the recipient of Federal grants.

PRESIDENTIAL CREATION OF NEW FEDERAL AID PROGRAMS

The President is authorized by section 9 of the bill to initiate and accelerate public works projects of States and local governments for which Federal "financial assistance" is authorized by other provisions of law, and for the construction of which funds authorized to be appropriated by the bill may be used to pay 50 percent of the cost, notwithstanding any existing provision of law requiring Federal contribution to be less than 50 percent. The broad and general term "financial assistance" is not defined in the bill and seems to apply to any project for which financial assistance of any kind is authorized under existing law. Thus, projects for which the Congress has authorized only loans, or has authorized grants or advances of Federal funds merely for planning or for making surveys and studies would, by enactment of this legislation, appear to become eligible for construction grants up to 50 percent of the cost of such projects.

Under section 11 of H.R. 10113, the Administrator of the Housing and Home Finance Agency is specifically authorized to make grants from the funds authorized to be appropriated by the bill to any municipality, community, or any other political subdivision or instrumentality of a State, to pay 50 percent of the cost of constructing any public works or facilities which are eligible under existing law for an interest-bearing loan from the Community Facilities Administration. So as to make this grant provision applicable to projects which now would not even be eligible for a loan, section 11 of this bill would also amend section 202 of the Housing Amendments of 1955, so as to make the existing limitation on loans being available only to municipalities or subdivisions having a population of less than 50,000 (or 150,000 in the case of a community situated in an area designated as a depressed area under section 4 of the Redevelopment Act) inapplicable to grants under H.R. 10113.

By these provisions, the Congress would authorize the President, through the allocation of funds to the Administrator of the Housing and Home Finance Agency to, in effect, both authorize and appropriate funds for Federal grant-in-aid programs which the Congress has never heretofore authorized, and for which moneys have never heretofore been appropriated. Any public works or facilities which a municipality, community, or subdivision or instrumentality of a State is authorized or permitted under State law to construct, would be eligible for a 50-percent grant under H.R. 10113. The only limitation that has been placed upon the types of projects eligible for loans by the Community Facilities Administration has been to administratively exclude school construction. However, even this exclusion could be eliminated by the Administrator of the Housing and Home Finance Agency at any time with respect to loans under existing law, and it may never be made applicable to grants under H.R. 10113. In any event, any school construction which is now provided Federal assistance under other provisions of law would be eligible for grants under this bill.

Under H.R. 10113 the President could commence Federal grant-in-aid programs for the construction of city halls, police stations, jails, fire stations, public parks, recreation centers, swimming pools, ski lifts, tramways, golf courses, mass transit facilities, public parking, fish hatcheries, zoos, public buildings, museums, and any other type of public facility which the municipality or State subdivision or instrumentality may construct under State law. It is obivous that this is a backdoor community facilities bill. A number of State and local officials testified before the committee of their desires to construct such projects with funds to be authorized by this bill.

H.R. 10113 authorizes the President to commence all such new Federal grant-in-aid programs, if he desires to do so, without the Congress having ever made any determination as to the desirability or need for establishing such programs and without ever having previously authorized the making of grants therefor.

In one fell swoop, by enactment of this bill, the Congress will authorize the President to establish many new Federal grant-in-aid programs, limited only by the ingenuity and imagination of State and local officials and Federal bureaucrats, all of which will be done without benefit of the searching scrutiny which Congress has traditionally given to the commencement of new Federal grant-in-aid programs when considered on their individual merits. Of course, the $900 million authorized to be appropriated by this bill would be a limiting factor, initially, on the size of these new Federal-aid programs; however, once established, great pressures would be brought to bear upon the Congress to continue them.

The Congress has a constitutional duty and a responsibility to the people of this country to carefully study the need and the justification for any new Federal grant-in-aid program before it is authorized. If such new programs are to be established, the Congress should carefully consider the amounts of money to be made available for each such program, and the percentage of the costs of individual projects which should be paid from Federal funds, as well as the establishment of criteria for such projects. The Congress would be abandoning its duty and its responsibility to the people if it should delegate this power of determination, which is the Congress alone, to the President. It is incredible for the President to ask the Congress to give him such unlimited powers, and it is fantastic for the Congress to consider doing so.

INCREASED FEDERAL COST OF PROJECTS

Not only would H.R. 10113 authorize Federal grants to pay 50 percent of the cost of public works projects of municipalities and subdivisions and instrumentalities of the States for which no Federal grants are now authorized by existing law, but with respect to any presently authorized Federal grant-in-aid program for which the Federal contribution to the cost of projects is less than 50 percent under existing law, the Federal share would be increased to 50 percent under this bill.

To illustrate how this would work, consider as an example a sewage treatment plant to be constructed by a municipality at a cost of $30 million. Under the Federal Water Pollution Act this project could be eligible for a Federal grant not to exceed 30 percent of the estimated cost of the project, or $600,000, whichever is the smaller. Under existing law this project could be eligible for a Federal grant of $600,000; however, under H.R. 10113, this project could be eligible for a grant of 50 percent of the cost, or $15 million.

The extent of the Federal interest in various kinds of public works and the extent of the Federal responsibility for payment of part of the costs of particular programs and projects have been carefully considered by the Congress over a period of many years, and it would be the height of foolishness and irresponsible action for Congress to enact this bill to summarily set aside these established formulas for Federal participation.

SOME OTHER SOLUTION MUST BE FOUND

The increased public works spending authorized by H.R. 10113 is not going to solve the unemployment problem; in fact, it is not even an effective first-aid treatment. Sooner or later—and we hope it is sooner—the Congress and the administration are going to have to face up to the real causes of our ever-worsening economic situation and take action to get to the heart of the problem for its ultimate solution.

When productive capacity so far outdistances consumption of goods and services, as is the case in the United States today, critical unemployment inevitably results. The reason for this unbalance between productive capacity and consumption is not because of the lack of desire for the products of our capacity. In fact, economists generally agree that the desire for goods and services far exceeds the productive capacity of the Nation. This desire is unsatisfied and our productive capacity is not consumed because of the inability of people to buy. If consumption and productive capacity are brought into balance, for all practical purposes unemployment will be eliminated. Obviously the answer is not to decrease productive capacity to bring it into balance with consumption; on the contrary, productive capacity should be ever increased, by improved technology, automation, and an improved business climate, so as to produce more goods cheaper for the benefit of all people, and thereby promote a continuing increase in our standard of living and permit this country to become more competitive in the world markets.

These goals can only be obtained by increasing consumption. Not only would the unsatisfied desire for goods and services be met, but as consumption increases jobs are created and unemployment declines. Furthermore, as consumption increases, the growing market demand would stimulate additional capital investment which, in turn, would create more jobs and further increase consumption of goods and services.

CONCLUSION

In our opinion this bill is ineffective to provide immediate employment, and over a period of 2 years, or more, at best it will create jobs for only about 3 percent of the persons now unemployed. Whereas, this bill purports to offer hope for the millions now unemployed, in reality, it will only bring more disillusionment and despair when its inadequacies become known. Enactment of this bill is entirely too high a price to pay, both in dollars and in the unwise delegation of congressional powers to the President, in return for the few temporary jobs which will be created too late to be of any immediate assistance to those who now desperately need work, want to work, and cannot find employment.

The real end result of this bill is to give the President a book of blank checks with authority to draw $900 million from the Treasury of the United States and to use such amounts thereof as he decides for the construction of projects he selects in localities of his choosing. Under the authority of this bill the President can approve or withhold funds for projects in such a manner as to coerce Members of Congress to support his New Frontier program, or to buy political support for favored candidates for public office, or to pay political obligations.

When the people of this country learn what this bill does and does not do, they will strongly resent the political contrivance to give the President a political slush fund to be paid for by the taxpayers.

We are gravely concerned over the seriousness of the continuing unemployment problem and urge that the Congress take immediate action to find a real and effective solution to this problem rather than to enact this abortive legislation.

Thomas Jefferson warned against traveling the road down which the present administration is taking this country, when he said:

> "I place economy among the first and most important virtues, and public debt as the greatest of dangers to be feared. To preserve our independence, we must not let our rulers load us with perpetual debt. We must make our choice between economy and liberty, or profusion and servitude. If we run into such debts, we must be taxed into our meat and drink, in our necessities and our comforts, in our labors and in our amusements. If we can prevent the Government from wasting the labors of the people, under the pretense of caring for them, they will be happy."

James C. Auchincloss, Gordon H. Scherer, William C. Cramer, John F. Baldwin, Fred Schwengel, Edwin B. Dooley, Howard W. Robison, Perkins Bass, Walter L. McVey, Carleton J. King, James Harvey, John C. Kunkel, Louise G. Reece.

Mr. FLYNT. Mr. Chairman, I ask unanimous consent to extend my remarks at this point in the Record.

The CHAIRMAN. Is there objection to the request of the gentleman from Georgia?

There was no objection.

Mr. FLYNT. Mr. Chairman, when the bill is read for amendment at the appropriate time I intend to offer an amendment to section 9, on page 16.

The amendment which I propose to offer is as follows:

> On page 16, line 17, strike out the period after the word "areas", insert a semicolon and the word "and", and add a new paragraph as follows:
>
> "(3) any other area which the governing official or governing body thereof certifies to the Secretary of Commerce is an area of substantial unemployment."

The purpose of this amendment is to permit the filing of applications by cities and counties which in good faith believe themselves to qualify as an area of substantial unemployment. Under the terms of my amendment the burden of establishing such eligibility would be upon the applicant.

The adoption of this amendment would not of itself authorize a grant to an ineligible area because eligibility would have to be established. It would, however, permit the filing and processing of applications submitted in behalf of areas where the governing official or governing body certifies that such area is an area of substantial unemployment and the area concerned could be authorized to receive a grant under the provisions of this act if it were determined to be eligible during the period intervening between the filing of the application and the time the decision upon the application is made.

I hope that the floor managers of the bill will agree to the amendment and that it will be adopted in the Committee of the Whole.

Mr. GROSS. Mr. Chairman, I make the point of order that a quorum is not present.

The CHAIRMAN. The Chair will count.

Mr. BLATNIK. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. Keogh, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee having had under consideration the bill (H.R. 10113) to establish an Office of Public Works Coordination and Acceleration, to authorize the preparation of a plan for acceleration of public works when necessary to avoid serious nationwide unemployment levels, and for other purposes, had come to no resolution thereon.

NONJUDICIAL PUNISHMENT

Mr. RIVERS of South Carolina. Mr. Speaker, by direction of the Committee on Armed Services, I ask unanimous consent to take from the Speaker's table the bill (H.R. 11257) to amend section 815 (article 15) of title 10, United States Code, relating to nonjudicial punishment, and for other purposes, with a Senate amendment thereto, and concur in the Senate amendment.

The Clerk read the title of the bill.

The Clerk read the Senate amendment as follows:

In the Senate of the United States,
August 25, 1962.

Resolved, That the bill from the House of Representatives (H.R. 11257) entitled "An Act to amend section 815 (article 15) of title 10, United States Code, relating to nonjudicial punishment, and for other purposes" do pass with the following amendment: On page 2, line 6, after "demand." insert: "However, except in the case of a member attached to or embarked in a vessel, punishment may not be imposed upon any member of the Armed Forces under this article if the member has, before the imposition of such punishment, demanded trial by court-martial in lieu of such punishment."

The SPEAKER. Is there objection to the request of the gentleman from South Carolina?

There was no objection.

The Senate amendment was concurred in.

A motion to reconsider was laid on the table.

TO COMPEL PRODUCTION OF DOCUMENTARY EVIDENCE

Mr. ROGERS of Colorado submitted a conference report and statement on the bill (S. 167) to authorize the Attorney General to compel the production of documentary evidence required in civil investigations for the enforcement of the antitrust laws, and for other purposes.

VIRGIN ISLANDS NATIONAL PARK BOUNDARIES

Mr. ASPINALL. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD and include extraneous matter.

The **SPEAKER.** Is there objection to the request of the gentleman from Colorado?

There was no objection.

Mr. ASPINALL. Mr. Speaker, yesterday because of the mixup in procedures, those wishing to speak on S. 2429 were unable to get their statements into the RECORD while the bill was being considered. It is my feeling that if the legislation could have been considered under a more temperate atmosphere, that the action on the bill might have been favorable. It is for this reason, Mr. Speaker, that I have asked that the statements of myself, of Mr. RUTHERFORD, chairman of the Subcommittee on National Parks, and of Mr. SAYLOR, ranking minority member, be placed in the body of the RECORD so that the membership may really understand what is involved in the legislation.

Mr. Speaker, S. 2429 concerns the Virgin Islands National Park. This park was established in 1956 pursuant to an act of Congress of that year. Its authorized boundaries include about 9,500 acres or two-thirds of the island of St. John. The total population of the island, according to the 1960 census, is 925, most of whom live outside the park boundaries. About 6,200 of the 9,500 acres within the boundaries have been donated to the United States by Mr. Laurance S. Rockefeller and his associates who acquired them at a cost of over $4 million.

Althought it is small in comparison with many of our great national parks in the West, the Virgin Islands National Park is one of the gems of the national park system. The lush tropical vegetation which typifies the island of Saint John, the coral reefs which surround it, the 1,200-foot mountains which dominate its landscape, the many remains of forts and plantation homes which remind us that it was a flourishing community in in the 18th century, and the petroglyphs which remain from a still earlier period when it was the home of Arawak and Carib Indians—all these, taken together, make it unique among our national conservation and recreation areas.

The time has come, Mr. Speaker, to round out the Federal holdings in this little national park. As the figures I have already given indicate, there are about 3,300 acres within the authorized boundaries that remain to be acquired. The Committee on Interior and Insular Affairs has been advised that some of the remaining owners are unwilling to sell at what is considered a reasonable price. It would, of course, be unfair to expect continued donations in this situation. Hence the amendment to the basic 1956 Act which S. 2429 proposes will do two things. It will remove the provision which forbids land acquisition except by donation or with donated funds, and it will vest the National Park Service here, as is the usual case in our national park system, with powers of condemnation. The latter is necessary in order to improve the negotiating position of the Government and will, we hope, have this effect even though it may never be used.

The Park Service estimates that the 3,300 acres that remain to be acquired will cost about $2,500,000, or an average of a little less than $760 per acre. An amendment to the bill which the committee recommends provides, however, that not more than $1,250,000 is authorized to be appropriated for this purpose. The remainder, it is expected, will be donated to the Government. In fact, the committee has been informed that $500,000 is already on hand for this purpose. I hope the House will concur in my and the committee's estimate of the great value to the Nation of these philanthropies and of the reasonableness of the Government's taking over a share of the burden from here on out.

The second purpose of S. 2429 is to add to the park two areas of submerged land plus a few small cays and rock islands off the coast of Saint John. One area on the north shore includes 4,100 acres, the other on the south shore includes 1,550 acres. The Advisory Board on National Parks, Historic Sites, Buildings, and Monuments has recommended that areas such as these be included in the park.

These additions will cost little or nothing, since the United States already owns the submerged land. In a bill passed by the House a few months ago—H.R. 4860 by Congressman O'BRIEN of New York—under which the submerged lands adjacent to the Virgin Islands, Guam, and American Samoa will be transferred to the jurisdiction of the governments of those territories, we specifically authorized the President to reserve such areas as these from the transfer.

The inclusion of these 5,650 acres is desirable for several reasons. They include important and beautiful coral formations which deserve to be protected from depredation by souvenir hunters and commercial interests. They are also an important habitat of tropical fish, spiney lobsters, and mollusks that attract, but need protection from, spear fishermen, tourists and others. Finally, the National Park Service has plans for the development of underwater trails for visitors which will add greatly to the attractiveness of the park.

Mr. Speaker, these two purposes of S. 2429 deserve the support of the House. I recommend that the bill be enacted.

VIRGIN ISLANDS NATIONAL PARK BOUNDARIES

Mr. ASPINALL. Mr. Speaker, I ask unanimous consent that the gentleman from Texas [Mr. RUTHERFORD] may extend his remarks at this point in the RECORD and include extraneous matter.

The **SPEAKER.** Is there objection to the request of the gentleman from Colorado?

There was no objection.

Mr. RUTHERFORD. Mr. Speaker, I regret that circumstances on Monday did not permit a full examination of the merits of S. 2429, a bill to revise the boundaries of the Virgin Islands National Park, and that the House had before it, at the time it voted, a completely one-sided appraisal of the bill. I think a further explanation is in order so that Members may see what this bill is all about.

Section 1 of the bill makes a part of the Virgin Islands National Park two areas, mostly submerged land, which lie off the shores of the island of Saint John. They are to be included within the park boundaries in order, in the language of the bill, "to preserve for the benefit of the public significant coral gardens, marine life, and seascapes in the vicinity" of the park.

It has been our usual practice, in connection with the national seashore program, to include offshore areas. This has been done at Cape Hatteras, N.C.; Cape Cod, Mass.; and Point Reyes, Calif. Why it was not done at the time the Virgin Islands Park was created, in 1956, I do not know and our records do not show. Perhaps it was not thought of. Be that as it may, enactment of S. 2429 would correct this defect in the original law and make the Virgin Islands Park still more of an attraction to visitors than it already is. One of the important results would be to put under the protection of the National Park Service law the coral, spiney lobsters, tropical fish, and other flora and fauna with which these two areas abound and thus to fulfill the prime objectives of any national park—"to conserve the scenery and the natural and historic objects therein and to provide for the enjoyment of the same in such manner and by such means as will leave them unimpaired for the enjoyment of future generations."

The two areas of which I speak include 5,650 acres. All of the land, except possibly for a few rock islands, is already owned by the United States. Enactment of section 1 will thus cost the United States nothing. The bill should pass if for no other reason than those I have just set out.

Section 2 deals with the subject of land acquisition in the Virgin Islands National Park. When the park was authorized in 1956, the law provided that its lands could be acquired only by donation. Sixty-two hundred acres have already been donated to the Government, but there are still 3,300 acres within the authorized boundaries that need to be acquired. The estimated cost of doing so is $2,500,000, but funds will be available on a matching basis to procure these lands and the cost to the Treasury will, therefore, be half this amount.

This authority is needed because of the fact that the owners of the remaining lands, or some of them, are asking exorbitant prices for their lands which those who have been acquiring and donating them to the Government up to this time ought not to be asked to pay. The National Park Service, fortunately, does not often have to resort to condemnation, but the bare existence of authority to condemn will be an important factor in keeping prices within reason. In this case there are good grounds for making available to the Secretary of the Interior the same authority that he has generally with respect to the national park system.

Like everyone else I wish that the original expectation that all of the lands to be acquired would be donated to the United States could be fulfilled. This is not to be, and the fact that it is not to be cannot be blamed on anyone. The fact is that Mr. Laurance S. Rockefeller, the donor of the 6,200 acres that are now in the park, has been extremely generous. We would, in my judgment, be derelict if we did not show some sense of obligation on our part and reciprocate at least to the extent that S. 2429 contemplates we will.

Section 3 is designed to assure those who have customarily used the water areas and the rock islands that are being included in the park that their practices will not be disturbed as long as they conform to reasonable regulations designed to preserve the natural conditions that exist there. In order to avoid any implication that the Virgin Islanders are being given privileges which other Americans do not have, the committee adopted an amendment striking out the words "by residents of the Virgin Islands."

Finally, the amendment to section 4 sets a limit on the amount of money authorized to be appropriated for land acquisition purposes. This amendment replaces other language which would have given open-ended appropriating authority.

Mr. Speaker, I think this sufficiently outlines the contents of S. 2429 and indicates the reasons therefor. I hope that the unfortunate action of the House on Monday, whereby, even though a majority of those voting favored the bill, it was defeated because it did not receive a two-thirds majority, will be corrected.

VIRGIN ISLANDS NATIONAL PARK BOUNDARIES

Mr. ASPINALL. Mr. Speaker, I ask unanimous consent that the gentleman from Pennsylvania [Mr. Saylor] may extend his remarks at this point in the Record and include extraneous matter.

The SPEAKER. Is there objection to the request of the gentleman from Colorado?

There was no objection.

Mr. SAYLOR. Mr. Speaker, yesterday the House of Representatives refused to suspend the rules and pass S. 2429, an act to revise the boundaries of the Virgin Islands National Park, St. John. V.I., and for other purposes.

The gentleman from Washington [Mr. Westland] made some statements that need clarification, for I am sure he had no intention of misleading the Members of the House.

The bill describes in detail two new areas that are to be included in the Virgin Islands National Park—the North Offshore Area of 4,100 acres and the South Offshore Area containing approximately 1,550 acres.

The bill also authorizes the Secretary of the Interior to acquire within the boundaries of the Virgin Islands National Park as established by the act of August 2, 1956, lands, waters, and interests therein by purchase, donation, with donated funds, or by condemnation or exchange. At present, such acquisition may only be by donation.

Mr. Laurance S. Rockefeller, through his own personal efforts and funds, has acquired all of the land—over 6,000 acres—that is now included within the boundaries of the park and has donated $500,000 to be used to match Federal appropriations for acquisition of additional land. Passage of S. 2429 will make it possible to put this donation to work.

I was a Member of the House and of the Committee on Interior and Insular Affairs when the act setting up the Virgin Islands National Park went through in 1956. I have searched my memory and I have searched the record, and I am satisfied that it was not contemplated that the Virgin Islands National Park would be created entirely on donated land, that there would never be any appropriated funds made available for this purpose. True, we did not authorize acquisition at that time except by donation, but it cannot be said that we ruled out appropriations forever.

I also take issue with statements that the land will be better used if it is broken up into small tracts for homesites. There were very few people living on it in 1956 and there are fewer still today. I do not doubt that many of us would like to buy a slice of this land and live in a Caribbean paradise for the rest of our lives. I would. But the same sort of person might like to buy a piece of Yosemite, or Cape Hatteras, or Yellowstone and we would never think of letting him do so. Why the Virgin Islands? I do not know the reason behind it, but I do know that it is totally inconsistent with what we in this House have done twice within recent months when we passed the Cape Cod and Point Reyes bills.

Mr. Speaker, I hope that Members who were influenced by the arguments presented yesterday will think the matter over and come to a better conclusion the next time they vote on it.

FREEDOM FROM WAR—THE U.S. PROGRAM FOR GENERAL AND COMPLETE DISARMAMENT IN A PEACEFUL WORLD

Mr. WHITENER. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the Record.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

Mr. WHITENER. Mr. Speaker, it has been said that the American people are the best informed citizens of any nation in the world. Through our newspapers, periodicals, radio and television stations our people have the means of keeping informed on all the vital issues affecting our national welfare.

In addition to private channels of information, the American people have access to a tremendous number of publications and visual aids furnished by the Federal Government. The Government Printing Office is constantly turning out a large volume of publications for various agencies and departments of the Government on every conceivable subject.

The Federal Government has a tremendous responsibility of guaranteeing that the American people receive accurate information in publications issued at the taxpayers' expense. During my service in the Congress I have noted several publications which I felt did not fulfill this responsibility of keeping our people accurately informed.

It was my privilege some time ago to read State Department publication 7277, entitled "Freedom From War, the U.S. Program for General and Complete Disarmament in a Peaceful World." I feel, Mr. Speaker, that this booklet has given a distorted picture of the disarmament policy of the United States. One would gather from reading the pamphlet that our Nation is committed to a program of disarmament which would leave our Nation at the mercy of the Communist aggressors. I have been assured by the Department of State, of course, that such is not the case.

Nevertheless, the loose manner in which the booklet has been written has led many of our people to believe that the United States is about to surrender its sovereignty and deliver our Armed Forces to the control of the United Nations. It has also enabled the opponents of peaceful disarmament to use the booklet to further their arguments in opposition to the United Nations. Others have found the booklet useful for partisan politics.

Mr. Speaker, it is not hard to understand, after reading State Department publication 7277, why the American people are confused as to our disarmament program. The generalized, idealistic, distorted statements made in the publication can only serve to further confuse our people on a subject about which there is already too much confusion.

I recommend, Mr. Speaker, that the State Department take steps to immediately withdraw publication 7277 from circulation and initiate action to have the booklet revised to reflect that the disarmament policy of the United States is not designed to surrender our national sovereignty and interfere with the ability of our Armed Forces to protect our country.

TARIFF ACT OF 1930—NOW HURTS RUBBER FOOTWEAR INDUSTRY

Mr. LANE. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. LANE. Mr. Speaker, American manufacturers of rubber footwear are suffering from the competition of imports that exploit an outdated provision of the Tariff Act of 1930.

Unchanged since then, that act provides that "boots, shoes, or other footwear, wholly or in chief value of india rubber" are dutiable at the rate of 12½ percent ad valorem. The duty is assessed on the American selling price. The catch is in that limitation—"india rubber."

In the past 32 years, synthetic rubber and plastics have extensively replaced india rubber in the manufacture of such footwear.

The Bureau of Customs, adhering to the strict letter—but not the practical reality—of the Tariff Act, has ruled that, under the similitude provisions, footwear largely manufactured from synthetic rubber or plastics shall not be assessed on the American selling price. This loophole permits imports to undersell these American products here in our home market.

The Tariff Commission, in its report of June 29, 1962, drastically amended the description of waterproof footwear, holding the application of the American selling price to footwear having over 50 percent of its rubber portion composed of natural rubber. The Commission's action was forced by the rigid ruling of the Bureau of Customs.

The Commission recognized the injustice of this interpretation but implied that its hands were tied, and that it was not in a position to provide a remedy:

> Footwear of natural rubber or synthetic rubber, or combinations thereof, are not commercially distinguishable and should receive like treatment for value purposes. In view of the significant trade involved, and the fact that the Commission's present study is primarily a classification revision and consolidation, any correction of this valuation anomaly is a matter for legislative consideration.

When the Tariff Act of 1930 was drafted, natural—india—rubber was the only raw basic material available for use in this type of footwear. Subsequently, synthetic rubber and synthetic plastics were developed and they are now standard materials, along with natural rubber, in the manufacture of these products. The domestic industry produces footwear made with natural rubber, synthetic rubber, and plastics. Foreign manufacturers are importing into the United States similar footwear made of similar materials.

But, by taking advantage of the obsolete definition in the Tariff Act, and by manufacturing for import into the United States, footwear composed of less than 50 percent by weight of natural rubber, they evade assessments based on the American selling price.

Foreign manufacturers are profiting by the neglect of Congress in modernizing the archaic definition, and are undermining the competitive position of our own manufacturers.

To correct this deteriorating situation, I have introduced a bill to redefine the term "india rubber" as used in the footwear provision of 1537(b) of the Tariff Act of 1930, revised, to cover natural rubber, synthetic rubber, and plastics.

THE STATE DEPARTMENT

Mr. SCHADEBERG. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the Record and include extraneous matter.

The SPEAKER. Is there objection to the request of the gentleman from Wisconsin?

There was no objection.

Mr. SCHADEBERG. Mr. Speaker, I should like to quote from Kipling:

> If you can stand to hear the truth you've spoken
> Twisted by knaves to make a trap for fools.

Mr. Speaker, I want to call the attention of the House to an article in the Foreign Service Journal of August 1962 which makes a personal attack on Frank Kluckhohn, who wrote an article on the need for changes in the State Department in the January Reader's Digest. The article asserts that Mr. Kluckhohn dealt in motives and personalities and attacks him for a singular public disservice. Although the Journal, supervised by Mr. Charles E. Bohlen, as president of the Foreign Service Association, attacks Mr. Kluckhohn by name, the truth is that Mr. Kluckhohn did not mention the name of a single person in citing cases to illustrate points.

I am sure that Mr. Kluckhohn can bear hearing the truth he has spoken twisted, but I think it well that Congress, the Foreign Service, and the country have the truth. Under unanimous consent, I include an excerpt from the Foreign Service Journal and the Reader's Digest article in the Record, and hope the Department of State will send a copy to every officer in the Foreign Service, abroad and at home:

[From the Foreign Service Journal, August 1962]

THE TROUBLE WITH STATE

Frank Kluckhohn's article in the January Reader's Digest, while presumably well intentioned, constituted a singular public disservice since its focus was primarily on motives and personalities, and where it examined issues at all, it did so inaccurately and superficially. The disservice was compounded, since Mr. Kluckhohn, by simply pointing with alarm at those people in the State Department, in effect removed his readers from a position of responsibility and a sense of engagement in the foreign affairs process; he merely contributed further easement to what should, on the contrary, be an increasingly active public conscience about international affairs.

IS THE STATE DEPARTMENT FAILING US IN THE COLD WAR?

(By Frank L. Kluckhohn)

While Americans watch, the driving engine of Communist aggression rolls relentlessly on, dealing us psychological and political defeats in every corner of the world from Laos to Cuba to Berlin. And as our record of cold war losses mounts, people ask: What's wrong? What has happened to the experts who shape and carry out our foreign policy? Why are not we fighting back effectively?

I believe I know the answer. As one who has spent many years amid State Department activities, I am convinced that our diplomatic bureaucracy is itself in large measure responsible for the setbacks this Nation has suffered. Time and again State has demonstrated (1) unwillingness to face the reality of an enemy bent on our destruction, (2) inability to compete.

Our Foreign Service officers are essentially gracious, well-intentioned men, but too many are professional pussyfooters who, in the tradition of watchful waiting, let matters slide while hoping for Khrushchev to begin observing the Golden Rule. They dilute and defeat our power and prestige across the world. Their presence does a disservice to the many others at State who have served their country valiantly and who are eager to prosecute the cold war effectively. Scores of these latter men are frustrated, often sick at heart, because they are unable to make any headway under our Foreign Service system.

There is perhaps no more devastating illustration of the State Department's inability to cope with Communist intrusions than Cuba. Consider some of the events that set the stage for the final tragedy, the abortive invasion of last spring.

By April 1959, 3 months after Fidel Castro took power, intelligence reports from the CIA, Pentagon representatives and the FBI all pointed to a Communist takeover in Cuba. Robert C. Hill, then our Ambassador to Mexico, knew that Moscow agents were already shuttling back and forth between the Soviet embassies of Mexico City and Havana. He tried to warn Washington, he told the Senate Internal Security Subcommittee later, that failure to take action would mean "a solid Communist bastion on the doorstep of the United States." But his reports—as well as those of the CIA, FBI and the Pentagon—failed to break through the bureaucracy and reach the decisionmakers. Department analysts downgraded the Red threat and took a go-easy view.

Hill knew that firsthand reports on Cuba often were not carefully read by higher-ups at State or the White House; instead, these men perused intelligence summaries prepared by faceless State analysts—summaries which, Hill says, were often prejudiced. One of these State briefs, No. 179 dated July 24, 1959, as circulated to our embassies around the world, was so transparently sympathetic to Castro that Hill complained bitterly to Washington. Only 3 months later did he receive a bland letter admitting that the report had been prepared by a junior officer and "perhaps should have been more carefully scrutinized."

Desperate to get word through to the top about danger in Cuba, Hill jumped at an opportunity to brief Dr. Milton Eisenhower, the President's brother, who was on a goodwill visit to Mexico in August 1959. The encounter took place in an Air Force C-47 flying Dr. Eisenhower to Mazatlán. Seated on a curved divan in the middle of the plane were Dr. Eisenhower, Hill and Raymond Leddy—our Embassy's secretary for political affairs in Mexico City, graduate of the FBI and a seasoned Cuban and intelligence expert. Also present was the State Department officer in charge of Caribbean-Mexican affairs.

From the start, this latter official opposed the briefing. "Each time that communism was mentioned, and its control of the situation in Cuba, it was discounted by this man," Hill testified before the Senate Internal Security Subcommittee.

As Leddy tried to make his presentation, the State man kept breaking in to insist that Castro was an idealist whom he knew personally, and that there was no evidence in the State Department's files to confirm Leddy's point of view. Annoyed at the interruptions, Hill turned to the man and said, "I do not recall asking you to be in on this conversation. Dr. Eisenhower has agreed to listen to a man of integrity and experience in Latin America. What Mr. Leddy is discussing comes from the joint intelligence report of June regarding Communist infiltration in Cuba."

The man persisted: "There is no evidence of Communist infiltration in Cuba." At this point, an air attaché who had joined the conversation became so incensed that he accused the man of being "either a damn fool or a Communist."

By then tempers were so short that Dr. Eisenhower refused to hear more. He never saw the report. And thus, high in the air over Mexico, Hill's last effort to reach the White House with a warning about Cuba came to a dismal end.

In Costa Rica, U.S. Ambassador Whiting Willauer from January 1959 through July 1960 wrote 11 letters to the State Department sounding the alarm about communism entrenching itself in Cuba. The FBI also funneled information to State concerning the Communist connections and associations of Fidel and Raúl Castro. These reports, too, failed to get through the lower levels of the bureaucracy. When the subject arose in conversation one day between J. Edgar Hoover and the then Secretary of State, Christian Herter, the latter said he had never seen any such material. The next day Hoover received a phone call from Herter. "I have now read some of those reports," said Herter. "I did not realize that the situation was so serious."

In December 1960, Herter called Willauer back from Costa Rica to become a special assistant. His assignment: To take a hard look at tentative invasion plans of the Cuban refugees, then undergoing consideration at CIA. Willauer relates that he made an intensive study and finally concluded that, to insure success, we would have to back up the invasion with U.S. power.

The Kennedy administration, when it came into office in January 1961, asked Willauer to continue in his assignment. Now, however, he found himself strangely cut off from his CIA contact. For 30 days Willauer tried to tell Under Secretary of State Chester Bowles that he was being removed from the picture. "I'm awfully busy. I will see you later," said Bowles, but he never did. Willauer says he was never able to pass along his conclusions. Thus his painstaking effort went for nothing, while less knowledgeable practitioners at State and the White House scuttled the plan to use effective U.S. force if needed. And so the Cuban invasion was doomed in advance.

Why does the State Department operate in this manner? How does our Foreign Service mold men who so mishandle the cold war?

There are now 23,000 persons on State's payroll, the controlling group being the 3,628 Foreign Service officers. Typically, a young FSO steps into the Department direct from college. For 6 to 8 years he stamps visas or does routine embassy chores while being shifted around the world. Even as he accumulates seniority and begins to assume responsibilities, he rarely has to make an individual decision. Whatever reports he turns out are initialed and OK'ed by so many persons that he doesn't have to worry about being blamed personally if things fail to go right. In fact, his basic technique for advancement in the bureaucratic morass comes to consist of avoiding the displeasure of his immediate superior, or identification with any controversial action, even when the avoidance may mean ignoring a problem that could build up to a disaster.

After 20 years he has learned the fine art of diplomacy, but he may have scant ability to make fundamental judgments and the necessary fast, hard decisions. Yet he's now considered an expert in foreign affairs, and is likely to be praised when in time of crisis he pontificates about the great shifts and the aspirations of masses that made these problems so inevitable. Such mere observers of the sweep of history, who seldom act but only react, have no place on the political firing line; they are, in fact, the cause of many of our cold-war woes.

Whether or not the diplomat becomes skilled at anticipating Communist moves or combating Red riots, he does become expert at self-advancement in the bureaucracy. Here are some points in the unwritten code for getting along in the Service which have contributed to so many of our present difficulties:

Rule 1: Don't rock the boat.

In December 1960 the Soviet Union brazenly sent cargo planes to deliver military supplies to Communist forces in Laos. Head-on action to counter the Soviets was called for. But, fearful of upsetting India and other nations regarded as neutrals, our diplomats bucked plans to give the pro-Western Lao forces any means to stop the airlift—even so little as an antiaircraft bazooka. And so the chance to keep Laos from becoming riddled with Red guerrillas faded away, and Soviet intrusion continues.

Caution dominates in the arena of words, as well as of action. In 1953, a specialist on Red brainwashing of American prisoners of war in Korea was brought to the White House to help prepare a speech for Dr. Charles Mayo, then one of our representatives at the United Nations. When the address was ready, a high-ranking Foreign Service officer showed up with a policy paper in hand and said to forget the project because it was "too strident—foreign countries wouldn't be interested." In answer, the Presidential adviser threw the State policy paper in the wastebasket.

"You can't do that" the man from State exclaimed. "You've got to go through channels."

Fortunately, the White House man was not inclined to be pushed around, and so in November 1953 a rapt U.N. audience heard Dr. Mayo deliver the speech. It was one of our few outstanding propaganda successes. The Russians were forced to stop their false accusations that the United States had resorted to germ warfare in Korea, for every time they mentioned the subject, listeners were reminded of how the evidence was obtained: through the chilling process of brainwashing captured U.S. soldiers.

President Eisenhower was never able to carry out some of his plans because they were bucked at the State Department. "We're out to fight communism," one White House official said to me, "but what stops us cold is the marshmallow curtain that falls down at State whenever you try to carry out a determined, aggressive program against the Communists."

Rule 2: Avoid making any decision for which you may be held personally accountable.

A week before Vice President Nixon arrived in Venezuela during his 1958 Latin American trip, our Embassy there cabled that the Vice President might not get essential protection unless we complied with a Venezuelan demand to return two political exiles. Precious days went by as, up and down the line, our officials dodged making the hard decision of what to do about the exiles.

They were still dodging when Nixon arrived in Caracas—and came within a hairbreadth of being torn apart by a mob. Only then was an official of the Venezuelan Embassy in Washington bluntly told that U.S. paratroopers at that time in flight from Fort Benning would go right on into Caracas at once unless his Government rallied to Nixon's aid. A phone was put in his hands, and within 20 minutes protective tanks pulled up around our Embassy in the Venezuelan capital, where Nixon had found momentary shelter. The whole affair was a serious psychological defeat for the United States, as well as a narrow escape for our Vice President—and it need never have happened. But it's easy for State to dodge decisions, or even to buck White House orders, so long as action, or inaction, cannot be traced to one person.

"No one ever puts his name on a document," says William Pawley, who during his 5½ years with the Department served first as an Ambassador and later as Special Assistant to the Secretary of State. "I made a point of trying to find out who makes policy, and it's a very difficult thing."

The new African nation of Guinea, after it broke away from France in 1958, turned to our State Department for support. Months passed while the experts hesitated, each one seeking a plan that everybody could okay. Meanwhile, a handful of our own desperate officials stood by in Conakry, helplessly watching Iron Curtain technicians walk in and take over.[1]

Rule 3: Cover up your colleagues' mistakes or incompetence.

A key diplomat at our Embassy in Mexico was carrying on an open affair with the wife of a European ambassador. It became such a scandal that our national reputation was dragged through the mud. The culprit was not dismissed, however; he was merely given a 2-week suspension and then promoted to a higher post at another embassy in Latin America.

One of our officials in Washington was carrying secret papers in his car when he collided, while drunk, with a telephone pole. The Department admitted to the press that he had violated security regulations by failing to safeguard this classified material. But was his career set back as a result of such negligence? No. Since the incident, he has rapidly moved up to become one of the most important men at State and today is an influential shaper of our Berlin policies.

A specialist in Soviet affairs with a self-confessed weakness for talking about his work admitted that he had been giving our secret information. Yet, at the very time he was under investigation, his protective superiors gave him an outstanding efficiency rating, and today he still holds his sensitive job.

One reason such action continues is that the deliberations of those panels that screen Foreign Service officers for promotion are zealously kept secret. Several years ago when a new Assistant Secretary of State charged with personnel supervision tried to obtain information about the proceedings of these panels, he was curtly informed that "nobody can see these files—not even the Secretary of State."

It is clear that one root of our cold-war failures is the timidity and evasiveness characteristic of our State Department bureaucracy. There are other causes—specific philosophies that have come to infect the shapers of policy at State.

Among some of our foremost diplomats, for instance, concession has been elevated to the rank of policy. Instead of carefully, accurately calculating the risks of nuclear war, they yield to the nuclear shakes and use it as an excuse for avoiding anti-Communist action. They fall back from plans for assisting rebellion behind the Iron Curtain, even while Soviet agents coolly plot outbreaks inside free nations. Thus we pass up countless chances to call Kremlin bluffs.

Most recent evidence: the Berlin wall. At first only a few strands of barbed wire, it could easily have been pushed down by our tanks, which had every legal right to roll in and protect points of access along the Berlin border. But over the course of days the wire became a wall, and our best chance to show the world that we could not be pushed around vanished.

Other ideas are seized upon by State policy shapers as an excuse to sidestep or put off anti-Communist action:

1. The evolutionary theory—State's hope that satellite nations will, in time, map their own non-Communist courses, independent of Moscow. This concept even holds that Russia herself will change course. State became so enchanted with this latter corollary that in 1956, just before the Hungarian

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[1] See "How the Soviets Stole a March on Us in Africa," the Reader's Digest, November 1960.

revolt, when Gen. Maxwell Taylor (then U.S. Army Chief of Staff) tried to write an article saying that "there is no reason to believe that communism will change its habits and permanently renounce aggression as an instrument of policy," it was blocked by State. Our Foreign Service didn't want these words "stressed," because "it is generally recognized that the Communists for the present have renounced aggression as an instrument of policy" and therefore Taylor's claim was "not only undesirable but inaccurate."

2. The accommodation theory—the notion that by some magic we can reach a safe agreement with the Communists, despite their record of treachery and torn-up treaties. Listen to Robert D. Murphy, former Undersecretary of State for Political Affairs, a veteran of 43 years in diplomacy and one of the most respected men ever to serve at State: "For some strange reason there are those in places of influence who seem to convince themselves that a deal is possible; that an understanding could be reached if we just find the right formula. The thought that a massive package deal is possible is a fake, a delusion, and a snare."

3. The reduce tensions theory—the idea that we can get along with the Reds by suppressing information that would be "provocative." Last winter State was alerted that one member of a Polish exchange mission about to visit the United States was a known espionage agent. Career men dealing with European affairs talked the Secretary of State into letting him enter, on the ground that to do otherwise would disturb our relations with Poland. This in the face of strong opposition from the Justice Department.

These fuzzy ideas show up in, among other places, the activity of State's censors. Lt. Gen. Arthur Trudeau, the Army's Chief of Research and Development, who is also an intelligence expert, wanted to say in a speech that nothing less than "sacrifice, understanding and change" will permit us to "emerge victorious." The State Department, which reads every proposed Pentagon speech touching on foreign policy, struck out "emerge victorious" and substituted "achieve our goal." The censor crossed out another Trudeau passage which said that "coexistence is not a choice, it is a fatal disease."

In another speech General Trudeau warned that we could "go down in the ignominy of defeat" or "remain the champions in this vicious race." The censors wrote on the margin of the draft: "This might well be tempered, since it largely rules out any chance of an evolution of the Soviet system."

How, then, does State think it best to pursue the cold war? Our diplomats' favorite weapon against communism is the idea that we can, indiscriminately, sway nations away from communism with foreign aid; that we must continue dishing out billions to so-called neutrals who consistently support Moscow; that we must even assist Iron Curtain countries such as Poland, which reciprocates by partially mobilizing its armed forces to bolster the Soviets in Berlin.

Yet perhaps the greatest error of our stategists at State lies in letting ourselves be pushed around at the United Nations. We are blackmailed into allowing a Kremlin puppet, Outer Mongolia, to become a member of the U.N. Worse, our State Department gave its blessing last September to an attempt by U.N. troops to take over Katanga, the anti-Communist province of the Congo—in an effort to set up a central coalition government strongly influenced by Antoine Gizenga, a Communist trained in Czechoslovakia. This despite the fact that the Soviet publication New Times proclaimed the coalition a complete triumph for the pro-Soviet side.

Declared Senator Thomas J. Dodd of Connecticut: "This is still another in a long list of instances where our policy has been misguided by the nameless subordinates at desk positions who prepare analyses and position papers. I believe that the time has come for a critical review of this entire situation. Those responsible for briefing us into disaster after disaster should be dismissed or transferred to nonpolicy-making posts where their penchant for wrongheadedness can do no harm."

Add to this the recently released report from Senator Henry M. Jackson, of Washington, chairman of a special subcommittee set up by the Senate 2 years ago to assess our cold-war machinery. Said Senator Jackson, "No task is more urgent than improving the effectiveness of the Department of State."

If we are to meet and repel the forces of communism, if we are to start winning the cold war instead of just watching it, we must shake up the system at the State Department and bring about some real reforms—now.

AMENDING SMALL RECLAMATION PROJECTS ACT OF 1956

Mr. KING of Utah. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the Record.

The SPEAKER. Is there objection to the request of the gentleman from Utah?

There was no objection.

Mr. KING of Utah. Mr. Speaker, today I have introduced a bill to amend the Small Reclamation Projects Act of 1956 in the light of 6 years' experience since its passage and to extend the authorization to keep this part of the reclamation program. Since the act was passed in 1956 and amended in 1957, applications for 22 separate projects have been approved by the Interior Department and sent to Congress. Loans on these projects are estimated at a little over $57 million. Applications for seven more projects and two applications for adjustments in the project proposals have been filed, raising the total to about $75 million. The applications represent 9 out of the 18 States in which this program is authorized.

To date, the program has been highly successful and it is evident that it is a desirable supplement to the reclamation program. Experience has also shown that some changes are needed to make the program more generally applicable and to bring it more nearly into line with related programs.

The first amendment will boost the ceiling on the Federal funds that can be provided for such projects from an undetermined amount of less than $5 million, to $7,500,000. The present act requires the subtraction of a local contribution from the $5 million limitation in a manner that causes the maximum loan to vary with local conditions.

This has produced some confusion and inequities. This proposed amendment also increases the maximum loan to meet the increases which have occurred in construction costs since the program began.

The second amendment which I offer redefines the amount of detail to be included in the application for a loan. The present act might be construed to require information that is unnecessary and incompatible with the scope and relative simplicity of these smaller projects. This does not contemplate an applicable change from the type of application now being required by the Secretary but is intended as reassurance to some organizations now fearful of requirements that might be imposed.

The third amendment is a clarification. At present the requirement for a local contribution is related to construction cost. It has been found that differences of opinion exist as to what items constitute costs of construction, and what might properly constitute other project development costs. Therefore, it is proposed to relate this contribution to the total cost of the project.

The fourth amendment will amend subsection (d) of section 4 to enable the committees of the Congress to reduce the 60-day waiting period for a specific project by resolution. In several cases, the 60-day wait has delayed the projects by nearly a year, because funds could not be released until a new session of Congress opened.

This amendment also would release those projects estimated to cost no more than $250,000 from this requirement. Approval by the Secretary of the Interior would constitute the final action. This would reduce the time it takes to clear applications and secure funds by at least 3 months and possibly up to a year. It would also reduce the time, work, and expense necessary for the preparation of loan applications in some instances, because inspection and field review of the plans by specialists could be substituted for some of the detail now required in the written reports. If the processing time and the expense of report preparation were cut, this program would be utilized for more smaller projects.

Funds could be budgeted for these smaller projects soon after approval by the Secretary or in advance of approval so that construction could be started promptly. Such rapid action is often desirable under emergency conditions or on smaller rehabilitation and betterment work to permit construction to be accomplished when needed, and without disrupting normal irrigation operations.

Moreover, the proposed amendment would put a limit of $2,500,000 per year on the smaller projects that could be launched with congressional review. Should additional projects be proposed, they would have to be sent to Congress for consideration as at present or deferred until the following year.

The Soil Conservation Service and the Corps of Engineers have authority to proceed on the smaller projects without congressional review. In fact, the $250,000 and $2,500,000 limits are the same as those now in effect for the SCS program and smaller than those for the Corps of Engineers program.

The fifth and sixth amendments will adjust the wording of subsections (a) and (b) of section 5 to clarify the intent. As now worded, they might be construed as requiring an organization to accept a grant or to accept a lower loan because a grant might have been justified. A requirement that an unwanted grant must be made would be unreasonable. It also would be incompatible with section 5(d) of the act which provides authority for operation by the United States or for repayment of the grant in the event of noncompliance with regulations for the project operation. The seventh amendment would change the interest formula to bring it into line with other related programs. Under the present Small Reclamation Projects Act, the interest rate which projects must pay is considerably higher than the rate on any other type of Federal water resource projects. The interest rate now required on small reclamation projects has varied from 3 to 4⅛ percent and now is 3¾ percent, whereas under the Water Supply Act, which is applicable to practically all other water resource projects, the interest rate is about 2⅝ percent, and is quite steady from year to year. Projects under the Soil Conservation Service have a similar rate.

The bill proposes a new section 8 which would permit the Secretary to advance, to the local organization, up to half of the funds required for planning its small project. Experience has shown that for a lack of funds, some organizations have been delayed and others have been unable to complete their applications while others have skimped on their planning. To some extent, this has been a factor in the failure of other States to participate. If financial assistance were available for planning, applications probably would have been received from more than half of the States. The amendment also contains a provision to allow repayment to other Federal agencies in the event that they had made planning funds available as loans. This will consolidate the obligations.

The new section 9 amends the present section 8 by naming the Fish and Wildlife Coordination Act in place of the reference to it by date and statute number. That act has been amended since the original Small Project Act was passed and might be amended in the future, so that the general title reference is preferable.

Except for the section number, section 10 is the same as the old section 9.

Section 11 amends the original section 10 to increase the limit on the authorization for this program. At present, appropriations are authorized up to $100 million. The proposed wording would, in effect, authorize appropriations up to $200 million of outstanding loans. If the limit were reached, loans could continue to be made at the rate at which past loans were repaid. The amendment also recognizes the fact that contracts or agreements will be required to carry out the provisions of section 8 to provide planning funds.

Sections 12 and 13 are unchanged from the original sections 11 and 12, except for the number.

The most significant changes are those which would increase the limitation on Federal funds in the form of loans and grants for each project, change the interest formula, authorize financial assistance on planning, and increase the overall program authorization.

HOUSE RESOLUTION 211 AND THE 1962 CAPTIVE NATIONS WEEK IN FREE CHINA

Mr. WAGGONNER. Mr. Speaker, I ask unanimous consent that the gentleman from Pennsylvania [Mr. FLOOD] may extend his remarks at this point in the record and include extraneous material.

The SPEAKER. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

Mr. FLOOD. Mr. Speaker, the highly successful 1962 Captive Nations Week observances in this country pointed out one very important fact, namely the huge popular demand for a Special House Committee on the Captive Nations. From Boston to Los Angeles, from Seattle to Miami, the major theme of a special committee was repeated over and over again. As the original sponsor of this proposal, I am greatly encouraged by this popular demand; and I once again call upon the Rules Committee to act on House Resolution 211 before this Congress adjourns.

I have never had any doubt about the passage of this resolution in the House. The forces that have come into play to bottle up the resolution in the Rules Committee, going so far as to prevent even a decisive vote on the measure within that body, would have very little influence on its outcome in the House. In many sections of this country this situation is well understood. The various maneuvers that have been employed to prevent the measure from coming to the floor of the House are also well recognized.

Unless we are really fearful of Moscow's reactions to this, we still have time in this Congress to establish a Special House Committee on Captive Nations. The impact of such constructive action would doubtlessly be worldwide. Even organizations in free China have shown a deep interest in this proposal. After all, mainland China is the largest captive nation; and the work of a special committee would naturally concentrate on this member of the captive world. Thus, not only our people, but also many other peoples in the free world have a stake in the leadership or lack of leadership that we show in this vital area.

Mr. Speaker, to prove the extent to which our Congress has moved the minds of people by passing the Captive Nations Week Resolution in 1959 and to indicate the great service we can perform today by establishing a Special House Committee on the Captive Nations, I should like to append to my remarks the following illustrative data: First, the President's 1962 Captive Nations Week proclamation; second, the text of a telegram by the people of Taipei to President Kennedy; third, the program of Captive Nations Week in the Republic of China; fourth, a free Chinese memorandum on the 1962 week; fifth, an informative article written by Dr. Lev E. Dobriansky of Georgetown University for the spring issue of the Ukrainian Quarterly under the title "China's Battleline of Freedom"; sixth, a free Chinese declaration on the captive nations; seventh, the astute address by Mr. Ku Cheng-kang, president of the China Chapter of the Asian Peoples' Anti-Communist League; and eighth, the July 20, 1962, China News report on the talk by the Philippine Ambassador Narciso Ramos, the July 20 item in the China Post on President Chiang Kai-shek's call for action, and the July 21 China Post report on Mr. Ku's address—all dealing with the captive nations:

CAPTIVE NATIONS WEEK, 1962

(Proclamation by the President of the United States of America)

Whereas by a joint resolution approved July 17, 1959, the Congress has authorized and requested the President of the United States of America to issue a proclamation designating the third week in July 1959 as Captive Nations Week, and to issue a similar proclamation each year until such time as freedom and independence shall have been achieved for all the captive nations of the world; and

Whereas there exist many historical and cultural ties between these nations and the American people; and

Whereas the principles of self-government and freedom are universal ideals and the common heritage of mankind;

Now, therefore, I, John F. Kennedy, President of the United States of America, do hereby designate the week beginning July 15, 1962, as Captive Nations Week. I invite the people of the United States of America to observe this week with appropriate ceremonies and activities and I urge them to give renewed devotion to the just aspirations of all people for national independence and human liberty.

In witness whereof, I have hereunto set my hand and caused the seal of the United States of America to be affixed.

Done at the city of Washington this 13th day of July in the year of our Lord 1962, and of the independence of the United States of America the 187th.

JOHN F. KENNEDY.

By the President:

DEAN RUSK,
Secretary of State.

TELEGRAM FROM THE CHAIRMAN OF THE MASS MEETING IN SUPPORT OF THE PEOPLE OF CAPTIVE NATIONS FOR FREEDOM, ADDRESSED TO PRESIDENT JOHN F. KENNEDY OF THE UNITED STATES OF AMERICA

DEAR PRESIDENT KENNEDY: On the occasion of the Captive Nations Week being observed in your country, the people of all walks of life in the Republic of China, who have gathered today in Taipei to attend a grand rally expressing sympathy and support for the enslaved people behind the Iron Curtain, wish to convey to Your Excellency as well as to the American people and Congress their profound respect for and warm response to this significant and inspiring movement.

At a time when the entire Chinese mainland is suffering from a famine never known in human history, when hundreds of thousands of starving Chinese people have fled recently from Canton to Hong Kong and Macao in quest of freedom, when a struggle for freedom and against slavery is gaining momentum behind the Iron Curtain, and when the Chinese Communist regime is concentrating its armed forces in China's coastal Provinces for an invasion of Quemoy and Matsu to tide over its daily, deepening internal crisis, the free people of the Republic of China are hoping that Your Excellency, as leader of the free world, would continue to promote and enlighten the basis spirit of the Captive Nations Week by giving more practical and effective support to the enslaved people now struggling for freedom and against slavery on the Chinese mainland.

This, we believe, conforms to the lofty ideal of the Captive Nations Week that is dedicated to the deliverance of enslaved people. This, we hold, will end the Asian crisis. It is self-evident that an early emancipation of the enslaved people on the Chinese mainland from the Communist rule will also bring closer to the day of freedom and independence for all enslaved peoples and countries behind the Iron Curtain.

Respectfully yours,

Ku Chemg-kang,

Chairman, Mass Meeting in Taipei To Support the Peoples of Captive Nations for Freedom.

Program of Activities Undertaken by the People of the Republic of China in Response to the U.S.-Sponsored Captive Nations Week Movement

SUNDAY, JULY 15

1. Appearance of editorials on the Captive Nations Week movement in the newspapers; intensified news report on the movement during the week-long period.

2. Broadcasts of special programs and news of observance activities to people at home and abroad as well as in areas behind the Iron Curtain by all broadcasting stations.

3. Chairman Ku Cheng-kang, Committee of Civic Organizations of Republic of China in support of Struggle for Freedom behind the Iron Curtain, making an announcement in response to the U.S.-sponsored Captive Nations Week Movement.

4. Postmark bearing slogans on all mails for a period of 1 week.

5. Slide show of slogans in cinemas for 1 week beginning from July 15, and observance of 1 minute's silence in memory of victims under Communist enslavement and persecution during the first performance in the evening.

6. Catholics in Taipei precinct holding mass for the peoples of the captive nations.

7. Prayers by various local Christian churches.

8. Publication of a special pamphlet on Captive Nations Week in English and Chinese editions.

9. Flowing in main streets of red cloth banners bearing slogans.

10. Broadcasts of speeches by leaders from all walks of life and anti-Communist leaders from abroad, beamed for captive peoples behind the Iron Curtain.

MONDAY, JULY 16

1. Forums by civic organizations.

2. Catholics in Hsingchu precinct holding mass for the captive peoples.

3. Christian churches in Hsingchu hold prayer meetings for the captive peoples.

4. Broadcasts of special programs and news of observance activities to people at home and abroad as well as in areas behind the Iron Curtain by all broadcasting stations.

TUESDAY, JULY 17

1. Forums in Kaohsiung by civic organizations.

2. Anti-Communist refugees from the Chinese mainland sending messages of appeals to U.S. President Kennedy, U.N. Secretary General and the International Red Cross for extending helps to Chinese refugees in Hong Kong and Macao.

3. Broadcasts of special programs and news of observance activities to people at home and abroad as well as in areas behind the Iron Curtain by all broadcasting stations.

4. Buddhist temples hold prayer meetings for the repose of souls of those who died under Communist slavery and persecution.

5. Catholics in Taichung holding mass for the captive peoples.

6. Christian churches in Taichung hold prayer meetings for the captive peoples.

WEDNESDAY, JULY 18

1. Forums in Taichung by civic organizations.

2. Broadcasts of special programs and news of observance activities to people at home and abroad as well as in areas behind the Iron Curtain by all broadcasting stations.

3. Catholics in Chiayi holding mass for the captive peoples.

4. Christian churches in Chiayi hold prayer meetings for the captive peoples.

THURSDAY, JULY 19

1. Forum by anti-Communist refugees.

2. Forum in Keelung by civic organizations.

3. Broadcast of special programs and news of observance activities to people at home and abroad as well as in areas behind the Iron Curtain by all broadcasting stations.

4. Catholics in Tainan holding mass for the captive peoples.

5. Christian churches in Chiayi hold prayer meetings for the captive peoples.

FRIDAY, JULY 20

1. Rally in response to U.S.-sponsored Captive Nations Week movement at the Armed Forces Officers' Club in Taipei at 9 a.m.

2. Catholics in Haulien holding mass for the captive peoples.

3. Christian churches in Haulien hold prayer meetings for the captive peoples.

4. Mosques conducting religious services to observe the occasion.

5. Broadcasts of special programs and news of observance activities to people at home and abroad as well as in areas behind the Iron Curtain by all broadcasting stations.

SATURDAY, JULY 21

1. Forum in Tainan by civic organizations.

2. Evening party for the occasion at the new park in Taipei.

3. Catholics in Kaohsiung holding mass for the captive peoples.

4. Christian churches in Kaohsiung hold prayer meetings for the captive peoples.

5. Broadcasts of special programs and news of observance activities to people at home and abroad as well as in areas behind the Iron Curtain by all broadcasting stations.

Memorandum on the Response to the Captive Nations Week Movement in the United States of America in 1962

Immediately after World War II, the international Communists captured Lithuania, Estonia, Latvia, Armenia, Azerbaijan, Ukraine, Byelorussia, Georgia, Poland, Czechoslovakia, Bulgaria, Romania, Albania, Hungary, East Germany, Yugoslavia, the Chinese mainland, North Korea and North Vietnam, by political infiltration, subversion, military threat, and armed conquest. Now they are communizing Cuba. Thus, nearly one billion people have been made captive under the tyrannical rule of the Communists.

However, these captive peoples who have never abandoned their desire for freedom and survival, are carrying on incessantly anti-Communist struggles, such as the East German people's uprising in 1953, the Polish workers' revolt in 1956, the Hungarian revolution in October 1956, and the widespread anti-Communist movements launched during the past years on the Chinese mainland and in North Korea and North Vietnam, including the Tibet uprising in 1959. The ever-increasing number of East German escapees from East Berlin to West Berlin during the past 2 years and the recent mass exodus of Chinese refugees to Hong Kong and Macao from the famine-stricken Chinese mainland not only serve to prove that the Communist rules behind the Iron Curtain are on the brink of collapse, but also demonstrate the captive peoples' deep hatred for the tyrannical Communist rule and their aspirant desire to regain their freedom.

To express their sympathetic concern and to provide moral support to the captive peoples, the people of the United States have sponsored a "Captive Nations Week" of which a resolution has been adopted by both the Senate and the House of Representatives of the U.S. Congress. Also, ex-President Eisenhower while proclaiming the Captive Nations Week in 1959, designated the third week of July of every succeeding year as the Captive Nations Week whereby to manifest to the Communist-enslaved nations and peoples their support and concern. On the occasion of the Captive Nations Week in 1961, U.S. President Kennedy also issued a statement, urging the American people to undertake various commemorative activities to express their sympathy and support to the captive peoples. In order to actively promote this movement, the American people has established the National Captive Nations Committee. Since 1959, people throughout the United States have undertaken numerous activities every year in observance of this occasion.

With an effort to respond to this very meaningful American-sponsored movement, the Committee of Civic Organizations of Republic of China in Support of Struggle for Freedom Behind the Iron Curtain and the China Chapter of the Asian Peoples' Anti-Communist League have established a close contact with the National Captive Nations Committee in the U.S.A. On July 16 through 23, last year, the two organizations have joined hands with people from all walks of life in the Republic of China in undertaking various responsive activities and have achieved very good effects, to which much significance has been attached by the American people. All related documentary materials have been put in the U.S. Congressional Record. On January 23 this year when a mass rally was held in observance of the eighth anniversary of Anti-Communist Freedom Day to commemorate the restoration of freedom to 22,000 and more Chinese and Korean ex-POW's of the Korean war, Dr. Lev E. Dobriansky, chairman of the National Captive Nations Committee in the U.S.A., was invited to the gathering as a guest speaker. On the following day, January 24, an international forum in support of the captive people in their struggle for freedom was held, wherein concrete measures were adopted for more coordinated actions. At this moment when the Communist bloc is stepping up its aggression against the free world, of which Asia bears the brunt, when crop failures are prevalent throughout the Communist areas and when escapees are on the increase from behind the Iron Curtain in Asia, particularly from the Chinese mainland to Hong Kong and Macao, our APACL member-units should give enthusiastic response to this Captive Nations Week movement, so as to accelerate the liberation of the captive peoples.

China's Battleline of Freedom

(By Lev E. Dobriansky)

"Seeing is believing" may be a timeworn expression, but it certainly applies to the status, conditions and development of the Republic of China. Of course, the expression has its limitations. In any situation, regardless of its character, visual observation is not enough. Some background, some theory with preconceptions and perspective are necessary for a deeper perception and understanding of the object or situation. However, given all this, when one reflects on the egregious fictions spawned about free China, then seeing is truly believing.

After an intensive trip to Taiwan, this writer is more than ever convinced that a Red China lobby is feverishly at work in this country. The blatant discrepancies between the objective realities of free China and the fictitious notions circulating here cannot be adequately accounted for on any other basis. In too many respects the contrast is one of day and night. It appears that countless innocent and unsuspecting Americans are being fed misinformation and misconceptions which help to udermine not only China's battleline of freedom but also, indirectly, the security interests of our own Nation.

The writer himself was not free of certain misleading preconceptions, particularly as concerns the island of Kinmen or Quemoy. Admittedly, he is not a so-called expert on the Far East. But considering the general record of such expert opinion in this country, it is perhaps advantageous not to be classified in this manner. There are many solid Far Eastern experts in the United States who share some of the observations presented here but, for some reason or other, they have not been as influential as those who would neatly fit into the operations of the Red China lobby.

A REPORT ON FREE CHINA

My observations here are simply in the nature of a report on free China. As I saw it and analyzed it, free China deserves far more study and investigation by the American people than has generally been the case. The emphasis of this study should be placed on present developments rather than on past history. Whatever may have been the motivations behind the recent release of State Department papers on China, much of these deal with past history. Although they provide an undeniable background to the present, they cannot adequately offer an understanding of the significant changes which have overtaken the Republic of China in this past decade. On the basis of these papers we can expect the Red China lobby and its associates to rehash many of the old criticisms and accusations that in the past were directed against General Chiang Kai-shek and the Kuomintang. But if we are to live in the present and realistically view things as they are, an intensive and sympathetic study of free China and its remarkable accomplishments is indispensable to our own strategic interest.

The arguments of those opposed to free China or the Kuomintang are well known. We have heard them for over 20 years in this country. They will be analyzed here in systematic order. Prior to his trip the writer sought to obtain also the broadest range of favorable observations so that these, too, could be subjected to critical examination. Among the many he met and consulted with, Ambassador Dr. Tingfu F. Tsiang and Senator Hiram Fong of Hawaii presented excellent, objective perspective regarding the position and goals of free China. The intellectual bearing and poise of Ambassador Tsiang are most impressive. The Republic has every reason to be proud of the scholarly type of representation he casts here, and, needless to say, his record in the United Nations is one of the most outstanding, particularly as concerns Soviet Russian colonialism and imperialism.

As many informed Americans know, Senator Fong played an instrumental role with his numerous addresses in 1961, opposing the admission of Red China into the U.N. While Ambassador Stevenson was spreading the myth of inevitability on this subject and Chester Bowles was unrealistically advocating a two-China policy, the Senator was in the forefront, upholding a position of integrity and loyalty for the United States. Senator Fong has both, a keen interest in and an intimate knowledge of free China. His broad observations on the remarkable economic development of this free world outpost squared completely with what the writer witnessed. In an interview in Honolulu, I felt that Senator Fong deserved great credit for the service he performed in 1961 in successfully stemming the tide on Red China's admission into the U.N.[1] Certainly the free people of Taiwan expressed their profound gratitude for it.

A NATION OF SHEEP?

A "nation of sheep" is how one critic recently characterized the Chinese. Such ill-founded characterizations may make for commercialized literary appeal, but they hardly contribute to our understanding of any people. If the sturdy segment of the Chinese nation inhabiting Taiwan is made up of sheep, then we should by all means begin to breed such sheep here in the United States.

On arrival at Sungshan Airport in Taipei, I formed my first impressions which were repeatedly confirmed throughout my visit. Greeted by a welcoming party led by the versatile and eloquent Mr. Ku Cheng-kang, the Secretary of the National Assembly, I was introduced to many civilian leaders and members of the press. Their decorum, their questions, their general behavior suggested at the very start a depth of critical intellectual inquiry, a vigorous concern about the cold war in relation to both, Peiping and Moscow, and a wholesome anxiety concerning ways and means to win this war.

During the initial press conference I laid special stress on the necessity for the preservation and intensification of the free world's anti-Communist spirit which both Moscow and Peiping are attempting to weaken.[2] At the basis of this spirit is, of course, the rational recognition of the twin imperialist forces at work in the vast Eurasian land mass. The questions raised by the correspondents were most stimulating and indicated a deep comprehension of the multiple politico-economic problems posed by the Red Russo-Chinese cold war operations. It was my privilege also to make my first broadcast to the Chinese mainland at this time. The message emphasized my hopes for an early liberation of the captive Chinese on the mainland.

The Grand Hotel, at which I stayed for several days, cannot escape mention. It is one of the most beautiful structures in all of Asia. Situated on a hill overlooking Taipei, the provisional capital of free China, it truly symbolizes the rich cultural background of China and the art and beauty of its people. Taste, grace, individuality, and a spiritual resourcefulness are resplendently displayed in its architecture and sculptural evidences. In these serene surroundings my first impressions were further deepened that day. A young representative of the Chinese educational radio program visited with me to record an interview. The interview dealt with a broad array of subjects pertaining to the cold war and U.S. foreign policy. Later in the evening of the first day a young and quite affable journalist from the Great China Evening News called for a similar interview. In all of this, what struck me deeply was the youthfulness and expert resourcefulness of these independent and official interviewers, characteristics which I later found to be quite generalized in every other sphere of free Chinese society.

According to some American mythmakers, Taiwan is supposed to be an island of old and aging men and women, a hotbed of policemen, and a tyrannical dictatorship in constant conflict with the Taiwanese and the aborigines. Wherever he toured, this writer brought these and other matters up. He also looked for himself to ascertain the validity or untruth of these conceptions. Naturally the elements in each of these conceptions were and are present, but whether they appear in the forms cast by these conceptions is the point at issue. And with some background anyone having the advantages granted this writer would be able to detect the relevancy and pertinence of these general notions to the real circumstances of Taiwan Province.

My travels up and down Taiwan and over on Quemoy have convinced me of one powerful truth; namely, the extent to which we Americans lend ourselves to fictitious beliefs built upon many a chasm separating reality and subjective conception. Whether at Yangmingsan or Sun Moon Lake, whether at the Taiwan National University or at a Chinese opera, whether at the Historical Art Museum or in the battlefront town of Kinmen City, the opportunity to mix freely, to exchange views critically, and to observe closely was ever present. I seized every such opportunity.

Considering the above myths on age and the like, just imagine how you would have reacted to the following facts. On the subject of age, over 40 percent of the population falls into the 14 years and under category. In government, business, education, and the military, young men and women occupy some of the most influential positions. As to policemen, the ratio on Taiwan per thousand of population is less than that prevailing in our large cities and towns. Where in several of our cities it is about 1.3 for every thousand, there it is less than 1. As to the presence of a dictatorship and some constant conflict with the Taiwanese and the aborigines, these allegations are also of distorted value and usually uttered without fair perspective. A nation at war, a nation with customs and traditions different from ours could scarcely be expected to have the same institutional patterns of government and the like as ours—this aside from the pertinent question about the value of such imputed conformity. But more of this below.

FREE CHINA'S "ELAN VITAL"

The permeating and driving force in the free Chinese society is unquestionably the burning desire and hope for the liberation of the Chinese mainland. Unless one is blind or plainly insensitive, this force cannot but be felt in all its suffusiveness in every sphere of day-to-day existence on Taiwan. It is inseparably bound with the "elan vital" of free China's total orientation and activity, namely its vigorous and realistic anticommunism. On this battleline of freedom, just a few miles from the camp of the enemy, it is understandable why the depth and scope of this spirit far exceed what one witnesses here. The realities of captivity and alien domination are closer to home. Yet this obviously is no excuse for our intellectual blindness, despite the span of the Pacific.

It is not possible to describe here all the events which have impressed me with this fundamental truth, but a few salient ones should be mentioned. The annual Freedom Day observance held on January 23 throughout Taiwan province is an outstanding one. Thousands congregate in all cities and towns to rededicate themselves to the objectives of driving the alien rule out of Peiping and thus also contributing heavily to the expansion of world freedom. As one of speakers in the capital city of Taipei, I said with all sincerity and feeling that "in a real sense this Freedom Day is a day of observance by all lovers and fighters for freedom, no matter where they are."[3]

Talks with students and scholars at the National Taiwan University and at centers in other cities pointed up the same powerful and vigorous spirit of anticommunism. My survey of the remarkable work of the China Broadcasting Company confirmed it, and at a luncheon with Chinese ex-POW's the subject was all-consuming. I was a guest of honor at the opening ceremony of the basketball tournament for the Freedom Cup, and there, too, the overall theme was the same. It was heard and felt throughout a full day meeting with leaders of all civilian organizations in Taipei following Freedom Day. And the enthusiastic response of these leaders to my talk on efforts in this country to establish a Special House Committee on Captive Nations was most satisfying.[4]

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[1] "Fong Role in Keeping Peking From U.N. Hailed," Honolulu Star-Bulletin, Hawaii, Feb. 2, 1962.

[2] Chinese Post, Jan. 21, 1962.

[3] "Support to All Enslaved Peoples Is Pledged at Freedom Day Rally Here," *China Post*, Jan. 24, 1962.

Events of this kind can be multiplied in sphere after sphere to substantiate the observation made here. My hours-long talk with our astute Ambassador Everett F. Drumright, who filled me in on many essential matters, provided me with additional insights into this basic force of liberationist thought and feeling in Taiwan. As I stated publicly later, "the people of the United States can well be proud of our Ambassador in Taipei." He knows the language, he knows the people, and he possesses a background on the Orient that is well nigh unsurpassable. It was evident to me that Ambassador Drumright was slated soon for reassignment. However, should Adm. Alan G. Kirk be assigned as our new Ambassador to the Republic of China, I have no doubt that the spirit of liberation among the energetic people of free China will be sympathetically understood. It was not without good reason that Admiral Kirk served as the head of the American Committee of Liberation and later was the chief of the old Psychological Strategy Board.

PARLIAMENTARY GOVERNMENT IN FREE CHINA

To understand with perspective and fairness the Government's position in free China, one must bear in mind certain hard facts of political life on this Asiatic front of world freedom. The first and all-dominant fact is that the liberation of the mainland is the prime objective of the Republic of China. Although far too many still fail to comprehend this basic spiritual axiom of free Chinese existence, it is, indeed, the Republic's raison d'être as well as an agency of political power for the interests of the free world. Those who would attempt to pollute or undermine this sustaining faith, whether in the name of "democracy" or simple anti-President Chiang bias, are either blindly or clearly working in the interests of imperial Red totalitarianism.

For many obvious reasons comparisons with the Federal Republic of Germany will not do. Politically, culturally and geographically the cases are not parallel. Though both possibilities are of crucial importance to the expansion of freedom, the defeat of Peiping has far greater immediate consequences for the collapse of Moscow's empire than does the liberation of East Germany. Moreover, Bonn's liberationist spirit appears to be steadily sapped by Anglo-American quasi-appeasement. This, happily enough, is not the case in Taipei. Thus, for good reason the Free Chinese Government cannot tolerate any political activity which would cause this mainspring of freedom to stagnate. The case of Lei Chen and the development of a distractive "Taiwanese Party" fall into this category.

Over and above this indispensable requisite of loyalty and adherence, there is considerable democratic expression and criticism in the Republic of China. If one talks unintelligently about an imitation of American democratic institutions, then my sole reply is "Where else in the world will you find this, assuming that this is at all desirable or possible?" Corruption? Sure there are instances of corrupt dealings there as here or anywhere else. Corruption found under the Truman and Eisenhower administrations did not blacken the entire administration. Reports of alleged deals in the provincial government were readily given while I was there, and it was not unusual to hear from students, workers and others criticisms directed at the Government.

The opportunity of talking at length with Government leaders and representatives and also members of opposing political parties (Democratic Socialist Party and the Young China Party) furnishes real insights into the liberal and democratic inclinations of free Chinese society. The writer had this opportunity in abundance. His conversations with President Hwang of the Legislative Yuan, the President and members of the Control Yuan, the Speaker of the Provincial Assembly, the mayors of Taipei, Taichung, Tainan and Kaochsiung Cities and many others were forthright and frank. The one indelible impression he left with was that there are genuine political counterparts of our elected representatives. Our political battles have nothing over theirs, and their psychology and behavior are parallel to ours. After all, many of them are graduates of American universities. Significant, too, is the fact that many are natives of Taiwan Province.

Again, in this necessarily qualified democratic environment—qualified solely by the requisite of mainland China's liberation which logically cannot brook the divisionism implied by the notion of a Republic of Taiwan—the penchant for critical inquiry and learning on the part of student groups augurs well for the future of China. It was my privilege to address them and others on a variety of subjects. In Taichung City I lectured on "Free China's Increasing Recognition of the Captive Non-Russian Nations in the U. S. S. R."; in Tainan, the subject was "Moscow and Peiping's Reactions to the Captive Nations Week Resolution"; and in Koahsiung, an address was given on "Significant Parallels in the Tragedies and Plights of Captive Europe and Captive China." In all three cases the response of the students and others was stimulating and challenging. With constructive intent they consistently sought the relationship of the factors and forces brought out in these subjects to the fundamental liberation policy of their own Government.

The myths of corruption and undemocratic government in free China must be ceaselessly attacked in this country. Their circulation is both unjust and detrimental to the most powerful ally we have in Asia. Seeing, again, is believing—seeing their government in action, seeing their independent papers at work, seeing their remarkable broadcast activities, seeing their educational institutions and the expanding reservoir of free Chinese culture. The chasm between our myths and their realities is tremendous—indeed, incredible. The truth is that free China is a showcase of democracy in Asia.

THE SUPPOSED ECONOMIC DRAG

When we turn to the economic sector, the foolishness of our myths becomes quite evident. I couldn't have emphasized this more over Radio KGU in Hawaii and the Georgetown University Forum. While too many have come to believe that the Republic of China constitutes an economic drag for us, reality shows a phenomenal economic development with decreasing relative dependence on the United States. In the last 10 years over a billion dollars have been given in economic aid to free China, but in the past 4 years the rapid economic strides made by the Republic at a per annum increase of 8 percent render the average $100 million per year of aid smaller in significance.

No important economic project or development was overlooked by me. My visits and inquiries covered the Shihmen Reservoir, the Taoyuan Exhibition of Land Reform Achievements, several random farms outside Taipei, the Taiwan Aluminum Co. and the Taiwan Petroleum Refinery Co. in Kaohsiung, as well as briefings at the Provincial Government. A 5-hour conference with highly informed members of the sixth section of the Kuomintang afforded me information about economic conditions on the mainland which I doubt are available to our own governmental agencies. On the basis of all these observations and data I am impressed by two stalwart facts: (1) The agricultural development and reforms of free China make it truly a model for all Asian, African, and some Middle East countries; and (2) the free Chinese economy is by sheer qualitative contrast a powerful cold war weapon against Peiping.

Here, too, it is amazing to contrast economic realities with the myths spread in this country. Although there is considerable room for the further development of entrepreneurialism, the "sheep" have shown enormous initiative and resourcefulness in private risk taking. Industrial production has grown by about three times what it was in 1953. Agriculture has increased by 50 percent, though rising consumption has converted Taiwan into a net importer of rice. More meat and rice are eaten here than in other parts of Asia. The gross product of free China stands over a billion U.S. dollars for a population of about 11 million. The population growth rate is around 3.5 percent. There are some 800,000 farmers who under the land-to-tiller program own their own farms. Agricultural representatives from other parts of Asia and Africa come to Taiwan to learn from the shining example built here.

There is unquestionably much room for expansion and improvement in industry, commerce and trade. Private investment is being steadily encouraged and tourism should attract considerable capital. The present third 4-year plan (1961–64) entails new capital investment of $1.1 billion (U.S.). Much rationalization is needed in the marketing of industrial products. But considering these and other needs, the fact is that the economy of free China is flourishing. What in time will be of concern to all is its rapidly expanding population. Where can it go? The only sensible answer is the mainland. The motive force behind the rapid economic development is the eventual liberation of the mainland. As shown before, this objective is also free China's reason for existing and prospering. Thus the economic, the demographic and the political merge into a massive force for freedom. And the force is properly and sanely oriented toward liberation.

FREE CHINA'S LIBERATION POLICY

In a solid sense the Republic of China must continue to exist not only to liberate the mainland but also to liberate the United States from its recurring psychoses of apathy and appeasement toward Russian and Chinese totalitarian imperialism. I made this point in a lecture on "The Free World's Inescapable Policy of Emancipation" presented in Government Hall in Taipei.[5] Conferring with leaders of civic Chinese organizations, I was deeply moved by the logic and practical commonsense of their position on liberation. In both, a lecture on "The Liberation Policy of the United States" and an exchange of views on the Republic's policy, I couldn't help but fully agree with Chairman Ku Cheng-kang and China's members in the Asian Peoples' Anti-Communist League as to the utter vagueness of present U.S. policy and the fact "that only a policy of liberation could avert a third world war."[6]

Difficult as it is for me to make these admissions, the truth is that they are founded on fact. Some of them I made on a half hour USIS broadcast and to this day I wonder how much of it was approved.[7] This first concerns the understanding and knowledge of Free China's leaders in regard to the policy of liberation. Having had much to do with this policy here, I can frankly state that they have a keener appreciation of it than many of our own leaders, particularly those who naively believe you can do business with Khrushchev. You may explain this in terms of their close proximity to the problem. Whatever the cause, the fact remains as given. Should a mass eruption take place on the mainland, involving both the military and the civilian population, President Chiang would have his opportunity to exercise in full this sane policy.[8] The question is whether he would allow a likely U.S. policy drag make this a foregone opportunity. In the writer's judgment, as he publicly expressed it in Taipei, the Republic should do everything presently possible to incite such an eruption.

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[4] "Every Road Leads to Freedom," *China News*, Jan. 25, 1962.

[5] "A Sound Policy Toward the Enslaved Nations," Mainland China, Feb. 1, 1962.

[6] "China Call for Global Freedom Crusade," China News, Jan. 24, 1962.

A second point of admission is that free Chinese leaders have a far more enlightened understanding of the Soviet Union and the many captive non-Russian nations within it than most of ours. This was clearly indicated to me in a half-hour meeting with President Chiang Kai-shek whose health, vigor, and mental alertness plainly contradict other mythical stories circulated here.[9] Certainly nowhere did I encounter the absurdities committed by Secretary of State Rusk, for whom Ukraine, Georgia, and Armenia are "traditional parts of the Soviet Union."[10] With respect to the captive non-Russian nations I stated there what recently I stressed here: "The lack of an imaginative, positive, and winning policy continues to be our blight."[11] In a lecture given at their Armed Forces Staff College on the basic subject, "The Fiction of the Monolithic Military Power of the U.S.S.R.," I examined the important of the non-Russian nations and found a most receptive understanding on the part of the audience. In fact, it far surpassed my experiences in this country. An earlier article translated into Chinese may have contributed to this.[12]

These and other fundamental differences between their understanding and ours go a long way to account for the easy myths disseminated in this country. My visit to Kinmen and luncheon with General Wang were enough to establish the fictions discussed by our presidential aspirants in 1960. If Kinmen and Matsu are militarily dispensable, then we might as well throw in Taiwan, Okinawa, and Hawaii. The military fortress of Kinmen is vitally important to the defense of Taiwan, to the defense of free Asia, and to the liberation of the mainland. Though it may seem farfetched to some, in terms of the liberation policy it is vital also to Laos and Vietnam where free Chinese forces may yet be employed.[13]

After my visit the pattern of a campaign developed in several free world quarters for the shipment of U.S. surplus food to mainland China where, despite the blind statements of General Montgomery, famine, starvation, and resistance are rife. This proposal must be opposed in favor of a food-for-liberation campaign, starting with the donation of food by the people of the Republic of China. This is only one of a number of concrete things that could be done to further liberation and freedom. In sharp contrast to the views of some, this writer emphasizes again that the Republic of China is our strongest ally in Asia.[14] To appreciate this, one should begin to pierce the myths with the empirical test of seeing is believing.

Declaration of the Mass Meeting in Support of the People of Captive Nations for Freedom

Behind the Iron Curtain in Europe and Asia there are more than 800 million people enslaved by the Communist regimes. Outside the Iron Curtain, the people of free nations are facing the threat of Communist aggression that tries in every possible way to conquer the free world.

Yet because of the Communist despotic rule that runs counter to human nature, and because of agricultural failure that not only causes economic recession and social chaos but also threatens the rule of Communist regimes, the disintegration of the entire international Communist movement has now become an inevitable trend of history.

The movement of the Captive Nations Week, set in motion by the people and Government of the United States with the enthusiastic response and warm support of all free nations in the last 3 years, has brought sympathy and concern to the enslaved peoples' struggle for freedom and independence. To them this is a tremendous encouragement.

As a result of this encouragement, the enslaved peoples' determination to fight for freedom and against starvation is gaining momentum at a tempo quickened with each passing day. A convincing proof of this is the steady increase in the number of freedom seekers who have revolted against the Communist regimes and have deserted the Communist rule in the last year. The continual flow of the Iron Curtain people to West Berlin and the recent mass exodus of starving Chinese people to Hong Kong and Macao are another living proof.

Irrespective of the building up along the East Berlin border of walls by the Communist-ruled East Germany, and regardless of the reinforcement of Chinese Communist patrols along the Hong Kong border, the undaunted willpower of the enslaved people to break through the Iron Curtain in quest of freedom and survival is irresistible. It will one day flare up into an anti-Communist revolutionary conflagration and bring about the collapse of the Iron Curtain.

Nevertheless, much to be regretted is the fact that some free nations are still following a policy of appeasement and compromise toward the disintegrating Communist regimes at a time when the Iron Curtain is falling apart. This policy of appeasement and compromise is manifested clearly in the recent convocation of the Laos Conference in Geneva, and in the establishment of a coalition government in this Asian country.

Today, when the Captive Nations Week is being observed in the United States and in other free nations, we consider it necessary and imperative to voice some opinions of our own:

1. We are of the conviction that to establish a closer tie of unity among the free nations and to adopt an unwavering policy toward the Communist countries is an effective way to thwart Communist aggression and expansion. To this end, the free nations must get rid of their policy of appeasement and compromise, stand firm for the defense of Berlin, give effective aid to South Vietnam and Thailand, maintain freedom and independence in Laos, and frustrate the Chinese Communist military intimidation and political blackmail.

2. We are of the opinion that the lofty ideal of the Captive Nations Week cannot be achieved merely by expressing sympathy and concern for the enslaved people. They need something more substantial than sympathy and concern. Only positive assistance and concrete action can help the enslaved people regain their freedom. Only these can avoid a repetition of the tragic failure of the Hungarian revolution and the Tibetan uprising.

3. We want to point out that the Iron Curtain in Europe and Asia is crumbling down, that the time is near at hand for the free world to tear down the Iron Curtain which makes a mockery of human freedom and dignity. All free nations, especially the United States that has been hailed as leader of the free world, must not let this favorable opportunity slip by. Both the enslaved people struggling for freedom behind the Iron Curtain and the free people fighting for emancipation of the enslaved people outside the Iron Curtain are in need of support and assistance to translate into reality the lofty ideal of the Captive Nations Week.

To all free nations the world over, the people of the Republic of China want to repeat once again that our sacred duty is none other than to regain our mainland and to emancipate our enslaved compatriots from the Communist rule. We must consummate this sacred duty of ours.

Meanwhile, we are ready at all times to cooperate with the United States and all free nations in a common struggle for regaining the freedom and independence of the enslaved people behind the Iron Curtain both in Europe and Asia.

Text of a Speech Delivered by Mr. Ku Cheng-kang, President of the China Chapter, APACL, at the Mass Meeting To Give Support and Aid to the Peoples of the Captive Nations in Their Struggle for Freedom

Ladies and gentlemen, we, the people of the Republic of China, are giving our response to the Captive Nations Week movement sponsored by the United States at the time when international Communists are intensifying their aggressive designs in an effort to achieve world conquest and when the enslaved peoples shut behind the Iron Curtain in Europe and Asia are struggling for their freedom and survival. It is indeed a source of great encouragement to see the sympathy shown and support given by the United States to the captive nations and their peoples. On the other hand, we cannot but be conscious of the magnitude of our responsibility for those captive nations and their peoples whose demand for deliverance has become more urgent than ever.

"Freedom and slavery can never exist side by side." "Freedom will ultimately triumph over slavery." These are the basic convictions of all those who love and strive for freedom. "To tear down the Iron Curtain is a sure guarantee for the protection of the free world" and "to restore the freedom of the enslaved peoples is the most effective measure to protect the peoples who are still free." These are the ways to strive for freedom which have been pointed out before. We are confident that these convictions and ways to strive for freedom are the direction which not only serves as a guide to our current struggle but also is a historic rule in the struggle for freedom by mankind.

On the basis of this recognition and in the light of the requirements of the present objective situation, we hold the view that, to realize the ennobling goals of the Captive Nations Week movement, it behooves the free world to adopt a firmer anti-Communist policy and to map out more effective ways and means in the fight against communism. Take the current crisis in Asia for an example. To force Laos to form a coalition government and to send the refugees back to the Chinese mainland from Hong Kong are the biggest mistakes made by the free world. The recent mobilization on the mainland and concentration of Communist troops opposite Kinmen and Matsu have made the situation at the Taiwan Straits very tense. The Communist Hsin Hua News Agency broadcasted that the concentration of Communist troops along coastal areas opposite Taiwan was aimed at defending against the counter offensive by the Government forces. An analysis of Communist intrigue, however, reveals that the recent mobilization by the puppet regime is designed to achieve the following purposes:

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[7] Interview on Free China, U.S. Information Service, Jan. 24, 1962.

[8] "Professor Dobriansky Has Great Confidence in Free China's Recovery of Mainland," China Post, Jan. 31, 1962.

[9] "Dobriansky Visits Free China," Foreign Service Courier, Georgetown University, March 1962, p. 12.

[10] Author's criticism on Rusk's fiction, Buffalo Courier-Express, Apr. 1, 1962.

[11] "Captive Nations Policy Cleavages Are Detailed," World, Apr. 17, 1962, Washington, D.C., p. 12.

[12] "The Adjustment of Several Fundamental Concepts Concerning Anticommunism and Resisting Soviet Russia," Modern Politics, Dec. 20, 1960.

[13] "Free Nations Called Upon To Fight Reds in Laos, Vietnam," China Post, Jan. 22, 1962.

[14] "Report on Free China," Georgetown University Forum, Feb. 25, 1962; "Peter Tang Scores His Fatherland," Newsdom, Hong Kong, Mar. 24, 1962.

1. To test President Kennedy's determination to defend Kinmen and Matsu and to give support to the counterattack against the mainland by the Chinese Government and at the same time, to invade offshore islands at a propitious moment.

2. To create a tense atmosphere at the Taiwan Straits so as to revive the demand to give up both Kinmen and Matsu by international appeasers whose minds are dominated by fear of war or to manufacture world public opinion against the recovery of the mainland by the Chinese Government.

3. To divert the attention of the people under Communist domination from the dismal situation at home through military mobilization and thereby to put to an end the mass exodus of hungry refugees from the mainland which reached its climax in April.

4. To pave the way for further expansion in southeast Asia by means of "shouting in the east and hitting at the west" tactics and by pretending to make an invasion against Kinmen and Matsu. From the above analysis, it is clear that Communist military mobilization is at once defensive and offensive in nature. They apply political blackmail and military aggression simultaneously. The strategic goal is to conquer the whole region of Asia. For this reason, the most urgent thing facing the Asian nations and their peoples is how to checkmate further Communist expansion and how to deliver the enslaved people from the yoke of Communist rule.

First of all, we have to point out that the Chinese Communists are the source of all troubles in Asia. They pose a threat to the freedom of mankind. The serious famine, economic exhaustion, and social disorder on the mainland have deprived the Communists of their power of control and their rule has come to the brink of collapse. We should recover the mainland and deliver millions upon millions of our suffering compatriots at an early date. Khrushchev clamored at Rumania on July 2 that, should the Republic of China launch counterattack against the mainland, it would be countered by the combined forces of the Communist bloc.

Threat such as this by Khrushchev is nothing new to us. However, we have to warn the Kremlin chieftain that, should the Soviet Union have the audacity to stage a nuclear war, she would be the first one to be destroyed, and that, should she involve herself in the national war on the Chinese mainland, she would be doomed to failure. We are confident that the destruction of the puppet Communist regime in Peiping would deprive Soviet Russia of her main cat's-paw. It would never lead to global war. On the contrary, it is the way to avert it.

Next, we have also to point out that the chief cause for the current crisis in Asia is due to the fact that the anti-Communist nations in Asia have not yet united themselves into a single entity. For this reason, they cannot take joint action in the struggle against the Communist bloc with their collective efforts, thus giving the Communists the chance either to beat or to nibble at and conquer them individually. True that there is a collective security organization in the shape of SEATO in Asia. But this organization has its prenatal and postnatal drawbacks. The deterioration of the situation in southeast Asia is a proof that this organization is incapable of checkmating Communist aggression. Its failure to do the task it is supposed to do tells us that the salvation of Asian crisis lies in the unity of all anti-Communist nations in Asia.

Therefore, all Asian peoples should urge their own governments to set up an anti-Communist alliance of all nations in Asia at an early date. This alliance will be responsible for mapping out the common political and military tactics, so as to deal a crushing blow to Communist aggression with their combined efforts. It is all the more necessary for the anti-Communist nations in the Pacific region to unite themselves so that this collective organization can be turned into an anti-Communist alliance of all nations in Asia and the western Pacific region in their common effort in the struggle to eradicate the Red peril in Asia.

Finally, we have to point out that the United States as the leader of the free world cannot absolve herself from a share of responsibility for the serious situation in Asia today. While admiring the courage of the United States in taking up the leadership in the worldwide anti-Communist struggle against communism, we regret to say that, so far as her leadership in the fight against communism in Asia is concerned, she has failed to grasp the key to the solution of the Asian problem and lacked an overall and positive policy. In her struggle against communism in this area, she has been always on the defensive. Just because of this, the Communist influence in Asia has become more rampant with every passing day. In view of this fact, we have to call upon the United States to make an overall revision of her anti-Communist policy in Asia by turning her passive role to a positive one. She should first of all promote the establishment of the anti-Communist alliance of all anti-Communist nations in Asia. More particularly, she should give positive support to the anti-Communist revolutionary movements behind the Iron Curtain, so that the anti-Communist force outside of the Iron Curtain can be brought into the Iron Curtain. Only thus can the freedom of the enslaved peoples be regained at an early date.

Ladies and gentlemen, economic and political crisis with which the nations of the Communist bloc have been confronted explain that communism is not an ideology which meets the requirements of the mankind. It further proves that the Communist revolutionary movement has been at its low ebb and is on the point of complete failure. Now is the time for the whole free world to unite itself to deliver the enslaved peoples from the clutches of Communist tyranny. Now is also the time for the Chinese Government and its people to rise up in carrying out their sacred mission to recover the mainland and to rescue the mainland people under the yoke of Communist rule. Time is favorable to our enemy. It is hoped that the free world, with special reference to the United States as its leader, will hold firm the chance and redouble its efforts, thus hastening the day to achieve independence and freedom of the captive nations and their peoples and thereby accomplishing the sacred mission of the Captive Nations Week movement.

[From the China News, Aug. 20, 1962]

RAMOS: TO HELP CAPTIVE PEOPLES RESTORE FREEDOM

Philippine Ambassador Narciso Ramos today called on the United States to take the initiative in helping the Communist captive nations restore their freedom.

Speaking at a mass meeting in support of the captive nations this morning, the Ambassador said the Khrushchevs and Mao Tse-tungs of today are "more sinister" than the Hitlers and Mussolinis of yesterday.

The Communist dictators, he pointed out, are menacing "our lives, our fortunes, and our very freedom." The peril, he said, is "more deadly than any with which mankind has ever been confronted."

Noting the sufferings of the Communist enslaved peoples and the recent refugee exodus from the mainland, the dean of the diplomatic corps declared: "It is not enough that we mobilize to help these refugees. We must first resolve to hasten the hour of deliverance of those left behind the Iron Curtain.

"We must find means to strengthen their morale so that they may be prepared to strike the necessary blow for freedom when the opportune moment arises. And the free world must be ready to come to their assistance when they rise in revolt against their oppressors."

Ramos called on the West to coordinate their efforts to help the captive nations recover their freedom. But, he added, "If success is to be achieved, the United States of America, as the leader of the free world, must take the initiative with bold and imaginative measures. I believe the other free nations will follow suit."

[From the China Post, Aug. 20, 1962]

CHIANG URGES PEOPLE ON MAINLAND START ANTISTARVATION UPRISING

President Chiang Kai-shek yesterday called on the Chinese people on the China mainland to stage an antistarvation uprising against the Red Peiping regime when it is suffering from an internal crisis.

In a message read to "the assembly supporting the people of the captive nations by the people of the Republic of China," the national leader urged the mainland people to do so "in coordination with anti-Communist forces in the free territories to overthrow the Communist regime, remove the cause of disaster in Asia, destroy communism and give mankind a new chance to lead a life of freedom and peace."

"During the past year, as the Communist rule assumed increasingly tyrannical proportions, our mainland compatriots have staged one uprising after another," the President said.

"Last March, Liu Chen-sze bravely came over in a Mig–15. In recent months, thousands upon thousands of refugees have tried to flee the mainland for freedom.

"All these facts are a prelude to the outbreak of large-scale anti-Communist movements and the total collapse of the Peiping regime."

He said the "inhuman methods" the Reds employed to repress the captive peoples had caused "countless human tragedies."

"Today," he said, "the people in the Chinese mainland are hovering on the verge of death. Their desire for deliverance is clearly seen in reports of refugees who fled the mainland."

The assembly, presided over by Ku Cheng-kang, chairman of the Free China Relief Association, was attended by many Chinese civic leaders and foreign diplomats.

KU URGES UNITED STATES TO ADOPT MORE POSITIVE ANTI-COMMUNIST POLICY IN FAR EAST—ENSLAVED PEOPLES MUST BE LIBERATED: RAMOS

Ku Cheng-keng, president of the China Chapter of the Asian Peoples' Anti-Communist League, yesterday urged the United States to give "positive support to the anti-Communist revolutionary movements behind the Iron Curtain."

At a mass meeting in support of captive nations and peoples in their struggle for freedom, Ku said that the people of free China want to call upon the United States to make an overall revision of her anti-Communist policy in Asia by turning her passive role into a positive one.

"She should first of all promote the establishment of the anti-Communist alliance of all anti-Communist nations in Asia," Ku pointed out. He added: "More particularly, she should give positive support to the anti-Communist revolutionary movements behind the Iron Curtain, so that the anti-Communist force outside the Iron Curtain can be brought into the Iron Curtain."

Only thus can the freedom of the enslaved peoples be regained at an early date, Ku said.

PASSIVE POLICY

Ku also criticized the United States for her passive policy in Asia. "We regret to say that, so far as her leadership in the fight against communism in Asia is concerned, she has failed to grasp the key to the solution of the Asian problem and lacked an overall and positive policy," he added.

The APACL China Chapter president is the first civic leader in China who has openly criticized the United States-Asia policy. He pointed out: "In her struggle against communism in this area, she has been always on the defensive. Just because of this, the Communist influence in Asia has become more rampant with every passing day."

The meeting, which was held at 9 a.m., was attended by over 1,000 notables and civic leaders including Philippine Ambassador to China, Narciso Ramos, president of the Legislative Yuan Huang Kuo-shu, and so forth.

Ambassador Ramos said at the meeting that it is not enough for free nations to mobilize to help refugees. "We must first resolve to hasten the hour of deliverance of those left behind the Iron Curtain," he pointed out.

"We must find means to strengthen their morale so that they may be prepared to strike the necessary blow for freedom when the opportune moment arises. And the free world must be ready to come to their assistance when they rise in revolt against their oppressors," the Philippine envoy said.

GREATER RESOLVE

Ramos, who is dean of the diplomatic corps in Taipei, said that he feels there should be a greater resolve on the part of the democracies of the West to coordinate their efforts to help the captive nations recover their freedom. "If success is to be achieved, the United States of America, as the leader of the free world, must take the initiative with bold and imaginative measures. I believe the other free nations will follow suit," he pointed out.

A three-point announcement was also made at the mass meeting in which democratic nations throughout the world are called up to change their compromise policy to a positive one.

"We regard one of the best ways to cope with Communist aggression," the announcement said, "to be the strengthening of free world solidarity." It added: "We have to stand firm in safeguarding Berlin, helping Vietnam and Thailand, insuring the freedom and independence of Laos and shattering any Communist attempts to start a war of invasion in the Taiwan Straits."

The announcement also pointed out that the free nations should replace their sympathy with peoples of captive nations with full support and translate their sympathy in action.

"Now is the high time for the free world to destroy the Iron Curtain because part of it has been opened," the announcement added.

NEW YORK TIMES AND OIL DEPLETION

Mr. WAGGONNER. Mr. Speaker, I ask unanimous consent that the gentleman from Texas [Mr. Gonzalez] may extend his remarks at this point in the Record and include extraneous material.

The SPEAKER. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

Mr. GONZALEZ. Mr. Speaker, I would like to call to the attention of the Members articles that appeared in the New York Times on July 7 and July 8.

In response to these articles, Mr. Fred W. Shield, of San Antonio, prepared the following remarks which he mailed to the editor.

Under permission to extend my remarks, I include the statement and article at this point:

The attached column by James Reston of the New York Times is an example of the latest epidemic of articles by some Washington columnists who have taken it on themselves to needle the administration and Congress into getting rid of percentage depletion during the next go-round on taxes.

Through tongue-in-cheek satire, employing ridiculous and spurious analogies, they are trying to pump up "depletion" as a touchy political issue. To simplify the issue, their strategy is to build up percentage depletion as a special largess for (1) the personal benefit of Senator Robert Kerr, of Oklahoma, and (2) Texas.

As the leading oil-producing State, Texas does, of course, have a large stake in legislation affecting the economics of oil and gas, but the cunning antidepletion propagandists conveniently overlook the fact that operations in other oil-producing States account for about two-thirds of the total deductions granted for depletion in this country. The simple image of Texas greed which they try to create would be complicated, of course, by naming other States whose economy would be adversely affected, such as Louisiana, California, Oklahoma, New Mexico, Wyoming, Kansas, Illinois, North Dakota, Mississippi, Colorado, Arkansas, Montana, Alaska, etc.

The unfunny truth is that the economic reaction to abolition of percentage depletion will be nationwide, affecting hundreds of thousands of investors in American oil companies who have scarcely, if ever, heard of Senator Kerr and who have only a vague idea about Texas.

These irresponsible needlers would want no responsibility to the consumer who would probably have to pay considerably more for petroleum products if depletion were destroyed. Should the economic function performed by percentage depletion be replaced by increased gasoline prices, it is estimated that the consumer would have to pay something like 5 cents a gallon more for his motor fuel.

The fact that Senator Kerr has substantial oil interests (as other Senators have agricultural, banking, manufacturing, or other interests) is not proper grounds for indictment of this essential tax provision. It is doubtful that impairment of the percentage depletion rates would be nearly so harmful to Senator Kerr's personal fortunes as it would to an Odessa roughneck whose job was wiped out by reduced drilling and exploration.

It is significant that none of the columnists treating, from time to time, on depletion ever seem to have a constructive idea as to how the search for oil and gas should be stimulated without percentage depletion. When only about 3 out of every 100 rank wildcat wells turn out to be successful producers, it is obvious that there must be some incentive to invest capital in this search. Even then, however, depletion provides only about $1 out of every $4 which are expended in the development of production.

Fatuous writers may be regaling each other and even some important members of our Government with their cleverness in poking fun at Senator Kerr and Texas, but here is something that is hard to laugh off:

Applied to current annual oil production in Texas the depletion factor would be equivalent to the amount of money needed to drill about 7,000 wells. This would involve something like $340 million worth of drilling, $55 million of pipe and other well equipment (which is made in places like Pittsburgh, Chicago, and other non-Texas locales), and some $153 million in cementing and other services. Involved in this much industry activity would be about $95 million in annual payrolls, or some 20,000 jobs.

At current rates of discovery, this number of wells would be needed to locate about 470 million barrels of reserves, roughly a half year's production in Texas.

Furthermore, industry economists estimate that the abolition of percentage depletion as currently calculated could actually cause a loss of revenue to all levels of government that would run into the hundreds of millions of dollars. This is, of course, contrary to claims that cutting depletion would enrich the Federal Treasury. Industry studies show that the production of a barrel of crude oil generates approximately $2 in taxes at various government jurisdictions. Less production would be the certain result of reduced oil reserves, which would be the inevitable consequence of less drilling.

Some of the Washington writers are trying to be funny with depletion today, but their purpose is serious and if they are successful in their aims, the results will be tragic.

Responsible people advocating tax cuts do so with the motive of stimulating the economy. It would be foolish to seriously cripple one of the most important industries in the country and throw thousands out of work by tampering with percentage depletion.

Development of this country's oil reserves just happens to be more vital to the United States, its standard of living, and military security, than jokes at the expense of Texas or Senator Kerr.

[From the New York Times, July 8, 1962]

Fiery Run, Va.: Do You Feel Depleted? See Secretary Dillon

(By James Reston)

Fiery Run, Va., July 7.—Secretary of the Treasury Dillon, who is not yet seasonally adjusted to the summer, has been working away in Washington on a new tax law, and is going around asking for suggestions about how to close the biggest tax loopholes.

Actually, there are only three ways to get rid of the biggest loophole of all—the 27½-percent deduction for depletion and depreciation of oil and gas wells.

The first is to get rid of Texas, which may be difficult. The second is to shoot Senator Robert Kerr, of Oklahoma, which is illegal. And the third is to apply the principle of tax deduction for depletion to all natural resources.

Part 1 of section 611 of title 26 of the Internal Revenue Code deals with "natural resources" and is based on the idea that if you have a natural resource which is used up or "depleted" with the passage of time, you are entitled to a tax deduction.

DILLON'S MISTAKE

Mr. Dillon's mistake has been in trying to persuade Texas and Senator KERR to give up this bonanza. They want to be paid for the oil they sell and paid again for not still having what they have sold. What Mr. Dillon could do, however, is to apply the depletion principle across the board.

Take pretty girls. Nobody would deny, certainly not Senator KERR, that they are a "natural resource." Also, feminine beauty, like oil, is a wasting asset. Nothing depletes a gal more than having a flock of kids, yet the present law does not apply to her.

This is clearly an injustice. Section 611 of the Internal Revenue Code says: "There shall be allowed as a deduction in computing taxable income a reasonable allowance for depletion and for depreciation * * * according to the peculiar conditions in each case."

Admittedly, it might be difficult to calculate the value of depleted beauty, especially since there would indeed be "peculiar conditions in each case." Some women, for example, depreciate fast and would therefore be entitled to a quick writeoff or depreciation allowance.

WHAT ABOUT PRIZEFIGHTERS?

Also, if oil wells are entitled to a depletion allowance, what about prizefighters? Nothing depletes a man quicker than a hard punch in the nose. It takes longer to bring in a good heavyweight than a good oil well, and the supply of natural prizefighters is short.

Thus, the American prizefighter is at a disadvantage. He has no protection, like glass and carpet manufacturers, from foreign competition. Ingemar Johansson, the Swedish meteor, has a tax haven in Switzerland and got out of this country with more dubious foreign aid funds than Chiang Kai-shek. But the poor American pug is stuck. He blooms and fades like the morning-glory, and while section 611 of the tax code protects the operating mineral interest of lead and zinc—the Senate majority leader, MIKE MANSFIELD, comes from a lead and zinc State—nobody protects the operating mineral interest of bone and gristle.

Novelists are another American natural resource with a high depletion rate. They deplete themselves gathering enough experience to write a novel, and then deplete themselves further in the writing. The Treasury Department recognized this fact for General Eisenhower when they let him consider his memoirs as a life work and write them off as a capital gain. But most novelists shoot their whole story in a single volume and usually end up without either capital or gain.

Secretary Dillon ought to put these points to Senator KERR. He cannot remove the depletion allowance in the tax structure without removing Senator KERR, who has almost as many oil wells in and around Oklahoma as he has votes. But the Secretary might be able to appeal to the Senator's sense of humor, if not to his sense of justice.

If this cannot be done, Mr. Dillon is in trouble. For he cannot recommend a general tax cut without tax reform, and he cannot get a fair tax reform without doing something about the biggest tax loophole of the lot.

In fact, the oil and gas depletion allowance has become the symbol of tax inequality, and Senator KERR the personification of the problem. His political influence is not depleted but enhanced with the passing of time, so Mr. Dillon has to find a new approach, no matter how silly.

MR. HALABY'S VISIT TO SAN ANTONIO

Mr. WAGGONNER. Mr. Speaker, I ask unanimous consent that the gentleman from Texas [Mr. GONZALEZ] may extend his remarks at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

Mr. GONZALEZ. Mr. Speaker, Yesterday I brought to the attention of the House the newspaper report of Federal Aviation Agency Administrator Mr. Najeeb Halaby's visit to San Antonio in May of this year. This was the occasion when Mr. Halaby sought to dismiss any question about the advisability of moving the San Antonio air route traffic control center to Houston by attacking me rather than dealing with the subject under question.

In an effort to show that I am not alone in taking exception to Mr. Halaby's ad hominem approach to this problem, I bring to the attention of the House the editorial comment of San Antonio's three leading news editors on this same incident.

On May 22, 1962, the San Antonio Light made editorial comment under the heading, "Halaby Goofs," saying:

> Najeeb Halaby, Administrator of the Federal Aviation Agency, may have done San Antonio a good turn by forgetting his manners and his responsibilities when he arrived at the airport.
>
> Mr. Halaby's rudeness to the mayor and the president of the chamber of commerce was a rebuff to the entire population of Bexar County.
>
> These officials were seeking to protect the welfare of the whole community in protesting the proposal to move the air traffic control center from San Antonio to Houston.
>
> The FAA Administrator's display of bureaucracy in its worst form was a reflection on the Democratic administration and will not sit well in Washington.
>
> This means that the facts which Mr. Halaby seems so reluctant to disclose are likely to be brought out in the open and scrutinized carefully.
>
> Representative HENRY GONZALEZ reports that the General Accounting Office has agreed to make an investigation.
>
> We are entitled to know whether the closing of control centers in San Antonio and New Orleans, and the creation of a new center in Houston, is justified on the grounds of safety, efficiency and economy.
>
> So far as San Antonio is concerned, the proposal is surprising, to say the least, because of the large volume of Air Force traffic that must be dovetailed with commercial flights.
>
> Representative GONZALEZ asked 12 questions in a letter to the FAA, but received no reply.
>
> Mr. Halaby must answer now, if the FAA is to retain the confidence of the public. The safety of thousands of passengers is involved.

The same day, the San Antonio News made editorial comment under the heading, "Mr. Halaby's Economy and His Tantrums," saying:

> FAA Administrator Najeeb Halaby may have abundant reasons for moving the air traffic control center from here to Houston. But he needs to detail it to the people because this is public business, a point the man seems to have overlooked.
>
> We are for economy.
>
> We are for safety.
>
> We are also for accountability. Mr. Halaby should find it simple enough to explain what the savings will be—if any. He should find it easy enough to explain why a new location would give us greater efficiency and safety—if it will.
>
> It is known that the FAA set its plans some 3 months before any news of it leaked out and Congressman GONZALEZ raised an alarm. An official in the FAA agency said, in a private conversation at that time, the move was set and "nothing can be done to stop it."
>
> Mr. Halaby's plan of operation apparently was to slip the change through without anyone knowing anything about it. That was a foolish plan. It was also impossible to do. He should know by now that citizens are interested in what happens with their agencies and officers and funds. They are entitled to know any and all details of public business and the bureaucrat who declines to take the public into his confidence is making a big mistake.
>
> People in this old cowtown are proud of their part in the development of aviation in America and some of us think we know a thing or two about it.
>
> Furthermore, we do not admit that any public official is above reproach nor immune from being asked to make reports on the public's business.

The San Antonio Express has editorialized twice on the disputed matters with FAA and most recently on August 1, 1962, ran its comments under the heading, "Battle With FAA in Second Round" and added:

> Congressman HENRY B. GONZALEZ is a persistent man. He has opened round two of his battle against the bureaucrats in the case of the Federal Aviation Agency. Round one came last spring when FAA Administrator Najeeb Halaby announced that the air traffic control center here was going to be moved to Houston.
>
> Congressman GONZALEZ is now undertaking to document his objections to that move before the House of Representatives. As a freshman Member and against the opposition of Houston Congressman ALBERT THOMAS, Mr. GONZALEZ has his work cut out for him. Congressman THOMAS, in addition to being from Houston, is chairman of the Appropriations Subcommittee, where funds for the move would be considered.
>
> Mr. GONZALEZ is dead right in his approach. He insists that the economy of the move be demonstrated and that the technological desirability of the move be documented. In that stand he surely has the unqualified support of Bexar County and he deserves the support of every taxpaying citizen of these United States.
>
> The FAA center was moved into spanking new quarters here only 2 years ago. The FAA control system was installed under the direction of former FAA Director Elwood Quesada, an Air Force general who grew up with aviation and air safety.
>
> There is no charge that the local center is obsolete. The Halaby version is that he can effect economy by combining two centers (San Antonio and New Orleans) into one at Houston. That version has not been documented.
>
> The Congress should look to the overall good of the Nation. It should insist upon sound programs based upon sound planning. We think Mr. Halaby's proposal lacks these elements and we support Congressman GONZALEZ' attempts to demonstrate that this is so.

JUDGE MICHAEL DE CIANTIS

Mr. WAGGONNER. Mr. Speaker, I ask unanimous consent that the gentleman from Rhode Island [Mr. ST. GERMAIN] may extend his remarks at this point in the RECORD and include extraneous material.

The SPEAKER. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

Mr. ST. GERMAIN. Mr. Speaker, juvenile delinquency is one of the most prominent and compelling problems facing our Nation today.

Many opinions have been advanced as possible solutions to this difficulty and many approaches have been tried with varying degrees of success.

One of the most practical suggestions made to date was recently put forth by one of Rhode Island's most distinguished and learned jurists, Judge Michael De Ciantis of the Rhode Island Family Court. Judge De Ciantis is firmly convinced that the delinquency problem is one that must be handled by the community as a whole, working through a coordinated program that should be short on redtape but far reaching in effectiveness.

To help solve the problem in my State, Judge De Ciantis proposes an integrated board comprised of representatives of the schools, the churches, the medical profession, the field of social work, the legal profession, and other interested agencies and citizens' groups.

An excellent editorial explaining the judge's proposal and commenting on the need for it appeared in the Italian Echo, an outstanding Rhode Island newspaper, of August 17, 1962.

Under unanimous consent, I include it in the Record at this point:

The Problem of Delinquency

The problem of delinquency in our community, like that in practically every State in the Union, continues to be one of the more baffling and aggravating social problems of our day. In spite of dedicated efforts by numerous agencies, social welfare and youth organizations, and law enforcement groups, we appear to be making little headway in curbing the harmful tendencies in our youth. Many of our national leaders in various fields, including President Kennedy, recognize the seriousness of the problem. They realize full well that the future well-being and safety of our Nation depends on the proper attitudes and behavior of our youth. They also must realize that, unless there is a united and logical assault on it, we cannot hope for the desired solution to the problem.

All too often, unfortunately, many of us are prone to throw up our hands in surrender and helplessly confess that we cannot do a thing to solve the problems that face our children. While we shout vociferously that something must be done—and quickly—to bring these delinquents into line, we are eager to hand the responsibility of accomplishing this to others. We are too busy to be bothered about what our children are doing, or with whom they are consorting. Instead of taking an active interest in the activities of our children we shy away from them and trust someone will be interested enough to fight the battle.

The recommendation of Family Court Judge Michael De Ciantis, that the problem of juvenile delinquency be attacked by a civic organization, with a statewide application, is one which merits serious consideration. He is absolutely correct, we feel, in his implication that the problem is one for the entire community to handle, working together as a unit. Until there is this consciousness that the problem cannot be delegated to one or another, we shall be continually plagued by it.

No one can deny that the most important element in this problem of delinquency is the family setting and background. Parents cannot escape their responsibility in the proper education and rearing of their children. They cannot evade the fact that, while there are numerous social and welfare agencies to assist them, they must be most vitally interested in bringing about the desired behaviors in their children. Since all too often, this family responsibility is lacking, then those who work closely with the family must be brought into the picture.

Existing community services on the private, local and State level, the judge wisely proposes, should be brought together on an integrated board to discuss any proposed methods of meeting the problem. This board should consist of representatives of the various agencies which work with youth and the family. It should include the school people, for as Judge De Ciantis implies, there is a distinct correlation between school failure and juvenile misbehavior. It should include: attorneys who are intimately aware of family problems; doctors, who minister to their physical needs; church people, who minister to their religious needs; and youth workers, who understand the attitudes and problems of youth. It must, in short, be comprehensive in scope to include all those whose work is with youth.

We hope that recommendations of Judge De Ciantis are put into practice quickly. We hope that this board will propose a program to meet the restless energies of our teenagers, who appear to have too much time on their hands with little to challenge them. This board must cut a lot of the redtape that usually surrounds boards of this type. They must be ready to tackle the problem quickly, efficiently and effectively. We are confident that, if this be done, this problem of juvenile delinquency can be curbed to satisfaction of both the youth involved and society as a whole.

SENATOR SCOTT DISCUSSES NEED FOR MINORITY STAFFING

Mr. HALLECK. Mr. Speaker, I ask unanimous consent that the gentlemen from Iowa [Mr. Schwengel] may extend his remarks at this point in the Record.

The SPEAKER. Is there objection to the request of the gentleman from Indiana?

There was no objection.

Mr. SCHWENGEL. Mr. Speaker, last week I picked up at the Press Gallery a truly remarkable statement prepared by Senator Hugh Scott, of Pennsylvania, on the subject of the need for more adequate Republican minority staffing. Senator Scott, one of the most respected Republicans in the Senate and in the Nation, is ideally equipped to discuss this matter because he has served with distinction as the national chairman of the Republican Party as well as being a Member of this body for many years and now being a Member of the other body. It was typical of Senator Scott that he spent over 8 weeks carefully preparing his case and consulting with distinguished Republican political scientists from MIT, Pennsylvania colleges, and others whom he knew. Also because of wide contacts in the Republican Party, Senator Scott was able to tap the thinking of leading Republican men and women throughout the Nation as well as elected Republican officials on the State county, and local level as well as in Washington. It was well worth waiting for Senator Scott's speech because the product was so sound in scholarship and practical in procedure. I hope that every Republican Member of the House will carefully study this "keynote speech" which Senator Scott and his Republican associates throughout our country have prepared.

In this body I have discussed staffing with a like-minded group of Members of this body on three occasions—March 28, 1962, page 4925; April 4, 1962, page 5481; and April 11, 1962, page 5875. Action on my Resolution 570 by the Rules Committee is long overdue. However, I am very encouraged, as are other distinguished Members of this body who are dedicated to strengthening the Republican Party, notably my respected friend and colleague, Tom Curtis, of St. Louis, Mo., and others, that this Republican effort move forward. Senator Scott is a very practical man. His years of service to Pennsylvania, the country at large, and the Republican Party are well known. His constructive suggestions merit support and good direction on the part of those of us who want to find constructive answers to legitimate problems. Mr. Speaker, I join with two former Members of this body now serving in the other body—Senators Jacob K. Javits and Kenneth B. Keating, of New York, in urging implementation of Senator Scott's remarks. I feel somewhat like Senator Javits who had to leave an Appropriations Committee hearing to run to the floor of the Senate in order to arrive in time to be able to speak in support of Senator Scott's Republican staffing statement. Only men who care as do my associates and I will get as exercised about this whole problem. The time for action draws ever more close. I hope, Mr. Speaker, that the carefully thought through and positively worded thoughts of Hugh Scott, of Pennsylvania, will be noted and acted upon by Congress.

AGRICULTURE AT THE CROSSROADS

Mr. WAGGONNER. Mr. Speaker, I ask unanimous consent that the gentleman from Wisconsin [Mr. Johnson] may extend his remarks at this point in the Record and include extraneous matter and tables.

The SPEAKER. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

Mr. JOHNSON of Wisconsin. Mr. Speaker, in testifying before the House Agriculture Committee today, Secretary of Agriculture Orville Freeman presented a fine statement which outlines very clearly the crucial choice that is facing agriculture at the present time. He was discussing the Committee for Economic Development's adaptive program for agriculture, which proposes to dispose of the farm problem over a 5-

year period by ending all agricultural adjustment and price support programs and moving 2 million farmers off the farm and into the cities—already plagued by unemployment.

As Secretary Freeman pointed out, the very fact that the CED proposal has been made emphasizes that American agriculture is at the crossroads. The choice we face is between a sound program for managed abundance or the eventual abandonment of all farm programs.

During the past month, my colleagues and I on the House Agriculture Committee have been hearing some amazing testimony from CED witnesses on their amazing proposal to plow under 2 million of our American farmers. Those of us who have worked for many years on the complex farm situation have had a number of very basic questions to ask the CED witnesses about their proposal.

Since industry and our cities are already troubled by unemployment, where would the 2 million displaced farmers find jobs? In this connection, it is enlightening to note that the increase in unemployment during the 1950's is almost identical in number to the farmers forced off their farms in those years. Would not this mass migration from rural areas spell disaster for Main Street businessmen and the eventual disappearance of our small towns? Would such a program result in a decrease in farm surpluses, or would it simply mean that the remaining farmers would enlarge their farms and their scale of operation in order to make ends meet in the face of the lower farm prices which would be the inevitable result of the discontinuance of all farm programs? Would not such a proposal mark the end of our American tradition of the family-type farm and usher in a system of vertical integration and contract farming, where our farmers would be relegated to the position of hired hands instead of owner managers, as they are now?

Mr. Speaker, the CED witnesses, representing the 200 industrialists and big businessmen who make up the Committee of Economic Development, could not or would not answer these questions. But Secretary Freeman did. He drew a complete, concise, and frightening picture of the plight of American agriculture if the CED proposal were put into effect. His statement is "must" reading for everyone who is interested in economic and social justice for the American family farmer—who has given to this Nation the most efficient and productive agriculture the world has ever seen.

An important point which cannot be overlooked in any serious discussion of the future of American agriculture is the fact that our family farms have supplied many of our governmental, civic and business leaders through the years. The youth raised on a farm or in a rural community learns early the value of diligent labor, responsibility and thrift. Whatever vocation he chooses, these traits stand him in good stead. The Nation will be poorer indeed if we lose the valuable training ground for leaders which is the family farm.

Under leave to extend my remarks, I would like to have Secretary Freeman's statement printed at this point in the Record:

Statement of the Secretary of Agriculture, Orville L. Freeman, on Farm Policy Proposals of the Committee for Economic Development Before the House Committee on Agriculture

Agriculture is at the crossroads today. I therefore welcome the opportunity to express to this committee the utmost importance—to the American farmer, to the small towns, and small businesses in our rural areas, to the overall economy, and to the well-being of the entire Nation—of recognizing that we must make some tough decisions, and the importance of making the right choice.

The choice we face is between a sound program for managed abundance or the eventual abandonment of all farm programs. The choice, in other words, is between a program embodying the basic principles, though not necessarily all of the details, of the administration's program for agriculture in the 1960's, on the one hand, and, on the other, an end to farm support programs, with some kind of transitional measures such as those proposed by the CED to cushion the shock—to relieve the pain as sedatives are used to alleviate deathbed suffering.

The administration has presented a food and agriculture program for the 1960's that would bring about a sound program of managed abundance. The CED now has performed a real service by presenting a carefully prepared program depiciting the alternate choice of abandonment of farm programs and return to the so-called free market.

In the long run, there is no other basic choice. It is true that temporary measures can be considered and continued. But temporary measures and piecemeal compromises merely postpone the day of decision, and become more unsatisfactory and more costly with each passing year.

It is my best judgment that each delay, each compromise, each attempt to further postpone the choice that we must eventually face, pushes us in the direction of the abandonment of all farm programs and the disastrous consequences that would result.

Therefore, I look at the CED presentation of its 5-year "adaptive" program to end farm programs as a welcome opportunity to study and evaluate its implications and to compare them with the goals set forth in the administration program. Our study of the CED plan indicates how disastrous its consequences would be. While the exact nature and degree of those consequences would vary depending on how well the plan would actually succeed, the following could be expected:

1. A reduction in farm income per farm by an amount ranging from a minimum of 25 percent (a level of $2,500 income per farm) to perhaps as much as 80 percent at the end of 5 years (to $700 per farm). Last year under the administration program, realized net farm income was increased by over $1 billion and per farm income rose 13 percent to the highest on record ($3,360 income per farm).

2. An alteration of the basic character of American agriculture by forces that threaten the extinction of the family farm system.

3. A drastic decline for thousands of small towns, and small business and all economic enterprise in those towns, all over rural America, with resulting disastrous effects on such basic services as education and welfare.

4. A serious burden to the rest of the economy that would result from the forced acceleration of the outmigration from agriculture of millions of farmers—with the attendant transfer of problems of poverty from rural areas to the cities.

5. A waste of natural resources arising out of unwise use of land, instead of the kind of program for the best use of our resources of trees, soil, and water that is contemplated by the administration program.

I should like to discuss in more detail each one of these most probable consequences. But first I would like to review certain basic characteristics of the CED plan.

The CED is in agreement with the administration's position in three respects. Both recognize that farm incomes are too low. Both seek reduced Government costs. Both recognize the need for balance in agricultural production.

The administration proposes Government assistance to gear production to the amount that can be used, with price and income stabilization at fair levels.

The CED proposes an agriculture with no price or income protection, and a forced draft of people out of agriculture impelled by the hardship resulting from a sudden drop of prices to the free-market level.

True, CED proposes to cushion the shock of transition to the free market by a variety of temporary income-protection payments and temporary acreage diversion programs which would come to an end after 5 years. During this period, the transfer of some 2 million farmers to other occupations is an integral part of the CED proposal.

We should note also that the cost to the Government of the CED proposed program in the beginning period would be high—probably higher than Government expenditures on price and income support operations in recent years. By the end of 5 years, the CED report does contemplate substantially lower Government costs, although carrying charges on commodity inventories would remain, since the plan includes no provision for reduction of these inventories. But again, the administration program is also directed toward reduction of Government costs, and would reduce price-support expenditures sharply in 5 years.

While both the CED and administration programs share the key objective of reducing costs, under the CED proposal agricultural would end up with far less total income and substantially less income per farm.

I should like to turn now to the results that could be expected from the CED program to solve the farm problem by doubling the expected exodus from farming, pushing it up to 2 million in the next 5 years, and by the ending of support programs.

But first it is necessary to correct a basic error in the assumptions of the CED program which enables it to project unreasonably favored farm income results. CED assumes that the free market price of corn would be $1 per bushel in the mid-1960's. There are many studies (which CED quotes) which indicate that prices would be about one-fourth lower than that. At the end of the transition period, there would be no acreage diversion programs to hold back the productive capacity of feed grains, there would be heavier feeding of wheat, and there would still be heavy stocks of feed grains available. Under these conditions the equilibrium level for corn would probably be between 70 and 80 cents rather than $1 assumed by CED. By accepting this error, the CED avoids having to face the problem of the excessive production of meat and milk that would inevitably result.

1. FARM INCOME CONSEQUENCES

Of most concern to the farmers is the prospective effect on farm income. Our estimates show that, instead of improving the incomes of farmers, the CED plan would reduce the farm income per farm sharply and disastrously, by some 25 percent in the event that the plan should succeed in forcing

2 million farmers off their farms in 5 years but could result in a drop of up to 80 percent in the event this accelerated outmigration would not be achieved and farmers would leave the farm only at a rate that would total 1 million in 5 years.

The CED hopes for "improving the profits of agriculture" are based on the prospects for dividing a smaller total farm income among fewer farmers. The potential effect on farm income, therefore, would depend on (a) how many farmers were left, (b) how productive the remaining farmers would be, and (c) the income that would result from the level of prices that would prevail at that level of production.

I shall present here, first, our best estimates as to the farm income levels that would result 5 years hence if the CED plan should be successful in moving 2 million farmers out of agriculture. Let me emphasize that we do not believe that such a rate of migration—double the rate of recent years—is either likely or desirable, considering the present softness of the labor market. But, putting this aside for the moment, where might the 2 million farmworkers come from and what levels of income might result for those remaining in agriculture?

We need to keep in mind that it makes a considerable difference from which group of farms the reduction in workers is accomplished. The highly commercial farm group—farms with value of sales of $5,000 and over—represent 39 percent of all farms and account for 87 percent of all products moving to market.

The middle group—value of sales of $2,500 to $5,000—represent 17 percent in number and account for less than 8 percent of farm sales.

The lowest group—value of sales under $2,500—represent 44 percent of all farms but account for only 5 percent of total farm sales.

The average farmworker in the highly commercial farm group produces more than twice as much as the average farmworker in the middle group and more than five times as much as the average worker in the lowest group. It is clear that if the reduction in farmworkers is accomplished largely in the least productive groups, there would be little impact on farm output and no relief from farm surpluses.

Considering historical trends, it seems likely that if 2 million workers could be removed from agriculture over the next 5 years, the impact would be heaviest on the smaller farms. Specifically, this involves the group of farms in the $2,500–$5,000 value of sales class which for all practical purposes would disappear. It also would reduce very substantially the number of farms and workers in the "under $2,500 sales class," although there would still remain a hard core of part-time farmers who continue to derive part of their living from farming and part from outside jobs. The economic class representing sales of $5,000 and over would also be affected. Here there would be fewer farms and workers as well, with those remaining concentrating in the larger economic classes (sales of $10,000 and over). Thus, the reduction in workers would likely come about equally from each of the three economic classes, about 650,000 from each. The number of farms would be reduced from 3.8 million in 1961 to 2.1 million in 1966. The CED presumption that 1.2 million farmworkers would come from the upper economic group appears to be so completely unrealistic that it does not provide any reasonable basis for an estimate of the effect on farm income that would result. The most favorable assumption that we can make is that the plan might succeed in getting 2 million out of farming, about one-third of which would come from each of the three groups.

But even such a large reduction in the farm working force and in the number of farms would not cut farm output. Farm technology moves ahead, and the substitution of capital for labor would be accelerated. The more than 50 million acres that in 1961 were in the conservation reserve or idle under the feed grain program would be back in production. Even with fewer workers and an agriculture reconstructed according to the CED plan, farm output in 1966 would likely be at least 4- or 5-percent larger than in 1961. Considering that our total population would increase about 8 percent, and thus perhaps slightly faster than farm output, the level of farm prices in the free market in 1966 might not be as low as the CED target prices (about 25-percent below 1961), but still some 15- to 20-percent below 1961.

TABLE 1.—*Total net farm income would drop 60 percent under CED plan to move 2,000,000 workers out of agriculture*

[In billions of dollars]

Source	1961 actual	1966 projected	Change
Cash receipts from farm marketings	35.2	30.2	−5.0
Government payments to farmers	1.5		−1.5
Value of food and housing from farm	3.2	2.0	−1.2
Realized gross farm income	39.9	32.2	−7.7
Less production expenses [1]	27.1	27.0	−0.1
Realized net farm income [2]	12.8	5.2	−7.6

[1] There is no allowance in production expenses for return on investment of farm capital.
[2] Total return to farm operators for their capital, labor, and management.

TABLE 2.—*Per farm income in 1961*

Economic class (value of sales)	Number of farms	Number of farmworkers	Estimated average income per farm			
			Cash receipts plus Government payments	Gross farm income	All production expenses [1]	Realized net farm income [2]
	Thousands	*Thousands*				
$5,000 and over	1,550	3,140	$21,000	$22,000	$15,700	$6,300
$2,500 to $4,999	560	670	3,900	4,600	2,300	2,300
Under $2,500	1,700	1,650	1,200	1,900	800	1,100
All classes	3,810	5,460	9,637	10,473	7,113	3,360

[1] There is no allowance in production expenses for return on investment of farm capital.
[2] Total return to farm operators for their capital, labor, and management.

TABLE 3.—*Per farm income would drop 25 percent under the CED proposal* [1]

Economic class (value of sales)	Number of farms	Number of farmworkers	Projected average income per farm			
			Cash receipts	Gross farm income	All production expenses [2]	Realized net farm income [3]
	Thousands	*Thousands*				
$5,000 and over	1,100	2,500	$27,000	$28,000	$24,000	$4,000
$2,500 to $4,999	(4)	(4)				
Under $2,500	1,000	1,000	1,200	1,900	1,050	850
All classes	2,100	3,500	14,400	15,300	12,800	2,500

[1] Farm output up 4 to 5 percent from 1961; prices received by farmers down 15 to 20 percent from 1961; number of farmworkers reduced a total of 2,000,000 from 1961 with reduction of about 650,000 in each economic class.
[2] There is no allowance in production expenses for return on investment of farm capital.
[3] Total return to farm operators for their capital, labor, and management.
[4] Only a very few would remain in this class.

Starting with the 1961 farm income situation as a base, table 1 projects the changes that might occur after 5 years of the CED plan to move 2 million workers out of agriculture.

All categories of gross farm income would show sharp reductions totaling over 7½ billions. Cash receipts from farm marketings would be down because of lower prices. Government payments to farmers would cease. The contribution of food and housing furnished by the farm would be enjoyed by fewer farmers.

But total farm production expenses would not be significantly changed. Feed and livestock purchased would cost less but most other expenses would continue to rise, particularly taxes on real estate, interest charges on farm indebtedness, costs of maintaining and operating equipment, and expenditures for fertilizer. Thus, total realized net farm income would decline from $12.8 billion in 1961 to a little above $5 billion in 1966, a drop of close to 60 percent.

Tables 2 and 3 contrast the per farm income situation before and after CED. Although the number of farms would be reduced by more than 40 percent, the average realized net income per farm would decline from $3,360 in 1961 to $2,500 in 1966, a reduction of about 25 percent. But we should note especially that the reduction for the larger commercial farms—those selling $5,000 and more—is even greater, some 35 percent.

Certainly, the recent level of farm income while showing improvement, is not high. The figure of $12.8 billion realized net farm income in 1961 represents the total return to farm operators for their capital, labor, and management. If an allowance is made for farm invested capital (at 4¾ percent), the return to all farm labor and management in 1961 comes to 99 cents per hour. Although this is a substantial increase from the 83 cents in 1960, it is still less than the minimum wage and far below the average earnings of workers in other segments of the economy.

For 1966, with a level of $5.2 billion farm income, if we were against to make the same allowance for farm invested capital as for 1961, there would be little, if any, return for farm labor and management. To find a comparable situation, we would have to go back some 30 years to the great depression, when the return to all farm labor and management was only about 10 cents per hour.

But farmers would sustain heavy capital losses as well as drastic declines in income under the CED plan. In agriculture today, some $175 billion are invested in productive assets, of which a large part represents farm land. The decline in farm income would undoubtedly set off a sharp drop in land values. The farmer would see the value of his investment in his farm eroding rapidly. To get out of agriculture, he would have to sustain a tremendous financial loss. There would probably be little left to start life anew elsewhere.

The impact of the decline in farm investment values would be felt beyond agriculture. Banks, insurance companies, and other financial institutions which supply large amounts of credit to farmers would find the security of their advances impaired and their financial condition weakened. They might again, as in the early 1930's, find a substantial number of farms in their possession.

The above income results, as I pointed out, would occur only under the most favorable conditions we can expect. But, in evaluating the farm income consequences of the CED plan, we should face up to the real prospect that the exodus from farming over the next 5 years may not achieve the rate prescribed by CED. Most likely the reduction in workers over the next 5 years would be $1 million rather than $2 million, and not much different than the rate prevailing in recent years. Under free market conditions, there would be a further acceleration in farm output—which would outstrip the growth in population.

It is difficult to picture what might be the end result of such a drastic worsening of the farm products supply situation in the "free market." But if only 1 million workers were removed from agriculture instead of 2 million, and if output climbed 15 to 20 percent, the level of farm prices would be forced below the CED target levels, perhaps to 40-percent below the 1961 level. Again in comparison with 1961 farm income:

	Billions
Cash receipts down	$8.8
Government payments to farmers down	1.5
Value of food and housing to somewhat fewer farmers down	.4
Gross farm income down	10.7

Without considering any probable increase in farm production expenses which would likely accompany larger farm output, this leaves only some $2 billion of total net farm income to be shared by about 3 million farmers—an average of $700 at most as compared with the $3,360 per farm in 1961. This could well happen as the consequence of the return to the "free market" under the CED plan. This is nearly an 80-percent drop in income in 5 years. It would be harsh, sharp and irreversible. Our form of agriculture, of which we are justly proud, would be destroyed and no one knows what might emerge from the chaos.

2. THE THREAT TO THE FAMILY FARM SYSTEM

The CED 5-year plan to end farm programs threatens to alter the basic character of American agriculture. The most probable effect on farm income has been noted. Farmers would be left to deal with business firms in other sectors of the economy having monopolistic control over their markets. The result would be a disorganized agriculture where farmers would be exploited by the large firms with whom they dealt in selling their products and buying farm supplies. Even the most efficient family farm would find it difficult to survive this type of economic pressure, and the control of agricultural resources would become increasingly concentrated into the hand of firms outside agriculture.

We already have illustrations of how vertical integration and contract farming take away from the farmer some or all of his managerial independence—even, in some instances, relegating him to little more than a piecework laborer's role. In the broiler industry, for example, the independent farmer cannot compete with the integrated industry because he cannot gain access to improved breeds and strains of poultry stock, he cannot secure financing on equal terms, he cannot keep up with the rate of technological and managerial advance where research information is available only through private channels controlled by the integrators, or where access to markets is controlled by the integrators.

The real threat to the independent family farm is not, in most cases, the giant factory-scale corporation-owned farm employing labor in large crews. Rather, it is through the imposition of a pattern of controls of centralized private authority over the existing family-farming pattern. It is a threat which would impose the domination of a few giant corporations over the farmer's independence as manager and entrepreneur. It is a pattern, the outlines of which are already clear, by which the farmer might remain on the farm, but would take orders from large business enterprise or a specialized management service in respect to what he should plant, when to plant it, how to grow it, from whom to borrow, and how much interest to pay, and to whom and when to sell.

Thus laissez faire could result, in agriculture as it has in other areas, in the development of a system of pricing as well as production that would be administered by a powerful few.

This is the threat to the American family farm—an institution that has given to this Nation the most efficient and productive agriculture the world has ever seen. It has provided consumers with the best food bargain the world has even known.

3. THE THREAT TO SMALL TOWNS, SMALL BUSINESS, AND RURAL AMERICA

The loss of farm purchasing power would bring rapid decay in the rural communities which are built on the foundation of our agricultural industry. Farmers would have $6½ billion less to spend. This would be felt not only in the rural communities where farmers trade but also in the large industrial centers producing the products farmers need for farm production and for a living. The impact would be substantially heavier in the Great Plains, where agricultural income is a substantial part of the total income.

A forced acceleration of this outmigration would have very serious consequences on rural America. The businessmen on Main Street would suffer acutely. All of those in rural towns and villages who provide both professional and public services would likewise suffer. Rural America would be irreparably changed, with its communities crippled, and its institutions damaged.

The CED plan to force human resources out of agriculture takes little account of the basic human factors involved. Their program for special vocational training and education in rural areas is one we can all support. But if this is intended to ease the transition of farmers out of farming, the fact that over two-thirds of the farmers who sell less than $10,000 worth of farm products annually are over 45 years old must be accounted for. These farmers are at an age where vocational training and placement cannot help very much in getting nonfarm jobs in today's competitive market. They are at a time of life where roots are deep in their home communities.

This is in sharp contrast with the administration's program to attack rural poverty by a rural areas development program designed to maximize total economic opportunities in rural areas.

Where the CED program, by its massive shift of labor out of agriculture, would shift a share of the problem of rural poverty from rural to urban areas, and even threaten the very existence of many towns and villages, the administration program would seek to maintain the optimum population in rural areas, to create new enterprises, better community facilities, and better educational and job opportunities.

4. EFFECT ON THE REST OF THE ECONOMY

The entire national economy would feel the effects of the CED program. It has been estimated that for each person producing farm products, it takes more than one person in other industries to supply the farm machinery, fertilizer, transportation, etc., the farmer requires for production. There would be $6½ billion less of farm cash purchasing power. We have seen the impact of the increase in farm income last year in breathing new life into the communities and industries which serve agriculture. The CED program would reverse this process.

Urban America would also feel the definite effects of the additional load of displaced farmers seeking jobs in our cities. This serious burden of adjustment would critically handicap the rest of the economy. Prospects for rate of economic growth sufficient to achieve satisfactory employment levels under normal conditions could be thrown out of balance by this additional load.

5. USE OF LAND RESOURCES

The CED program ignores a basic philosophy of the administration program which emphasizes the wise use of resources. The CED proposes no plan for using our land for recreation or conservation—to provide facilities and services of which there is real scarcity and need. Rather, the CED plan leads to waste and misuse of our natural resources. It would lead to more land being used to produce farm products than is needed. It would ignore the growing demand for recreation, wildlife, and open space in our increasingly urban nation.

Inevitably then, we must come to the conclusion that the CED program cannot accomplish what it sets out to do. It cannot avoid drastic reductions in farm income, even for those that would be left in agriculture, and the pervasive effects of that decline in farm purchasing power on the community at large. It would alter the whole structure of our family-oriented agriculture which has contributed so much to our Nation's economic growth and social progress. It means decay for many of our rural communities. It makes it more difficult for the urban worker looking for a job. It is a long step back away from developing a sensible land use program. It would in fact be a disaster. But it is a good example of the consequences to our agriculture and to our Nation if, at this important crossroads, we should take the wrong turn—the CED road to the "free market."

ADDITIONAL PROGRAM FOR AUGUST 29

Mr. ALBERT. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

Mr. ALBERT. Mr. Speaker, I take this time to advise that on tomorrow the distinguished gentleman from California [Mr. HOLIFIELD] will ask unanimous consent to send to conference H.R. 11974, which is the conference report on the atomic energy authorization bill. I would like further to advise the Members that a preferential motion to instruct conferees will probably be made at that time.

11 O'CLOCK HOUR OF MEETING ON AUGUST 29

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet at 11 o'clock tomorrow.

Mr. GROSS. Mr. Speaker, reserving the right to object, why do we come in at 11 o'clock tomorrow? Can the gentleman tell me?

Mr. HALLECK. Mr. Speaker, will the gentleman yield?

Mr. GROSS. I yield.

Mr. HALLECK. It just so happens that there are a number of Members on our side who have some engagements tomorrow evening they would like to keep. Since there is no heavy burden of committee business, just as a matter of convenience we thought it might serve the purpose of all concerned if we could meet at 11 o'clock tomorrow.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

CONSENT CALENDAR TO BE CALLED ON TUESDAY, SEPTEMBER 4

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that business in order under the Consent Calendar rule may be transferred from Monday next until Tuesday next.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

THE LATE HONORABLE JOE L. SMITH

Mr. STAGGERS. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from West Virginia?

There was no objection.

Mr. STAGGERS. Mr. Speaker, I join with my West Virginia colleagues and other Members of Congress who recall the years that the late former Congressman Joe L. Smith, Sr., added his stature, leadership, and wisdom to the formation and success of legislation in this historical Chamber.

Although his membership in Congress was prior to my coming to Congress I, nevertheless, knew him well and had great admiration for his leadership and warm personality. His friendship has enriched my life; which friendship is now being continued by his well-known sons.

As a Member of Congress, Joe L. Smith achieved an outstanding record, serving the State of West Virginia and this Nation with enduring works, always alert to the needs of future generations.

Mr. Joe L. began his career of service to the State of West Virginia as a printer's devil and through diligence and perseverence advanced to his distinction by becoming the editor and publisher of the Register, Beckley, W. Va.

After 20 years in the newspaper business, which he did not entirely desert, he devoted his time to many other interests which included president of the Beckley National Bank, a position he held until his death.

In his early political career he served as mayor of Beckley and later as State senator from the Seventh District. He came to Congress in 1929 and served eight terms.

He married Christine Carlson of Annapolis, Md., in 1914, who survives him along with two sons—Joe L. Smith, Jr., Beckley radio station owner, and State commerce commissioner, Hulett C. Smith.

It is indeed with sincere admiration that I review this great man's record. It is with deepest understanding that I extend heartfelt sympathy to Mrs. Joe L. Smith, Sr., and her distinguished sons.

THE ROLE OF THE PRESIDENT AND OF THE HOUSE IN FOREIGN AFFAIRS

The SPEAKER. Under the previous order of the House the gentleman from Ohio [Mr. BOW] is recognized for 60 minutes.

Mr. BOW. Mr. Speaker, I ask unanimous consent to revise and extend my remarks and include extraneous matter.

The SPEAKER. Is there objection to the request of the gentleman from Ohio?

There was no objection.

Mr. BOW. Mr. Speaker, during the recent debate in the House of Representatives on the authorizing of some $4.6 billion in foreign aid, the gentleman from Minnesota [Mr. JUDD] made the following statement regarding the role of the President in foreign affairs:

> We have only one President at a time, and our Constitution puts direction of our foreign relations in his hands. It seems to me we would run the danger of injuring our own interests if we should take such drastic action as to allow no escape clause or discretion for the President of the United States to use in the exercise of the responsibility with which he is charged by the Constitution in the field of foreign relations (CONGRESSIONAL RECORD, July 11, p. 13153).

The point of issue was the striking of an amendment authorizing President Kennedy to give financial assistance to Communist Yugoslavia and Poland when he deemed such an act in the "vital interest" of U.S. security. Certain Members of Congress—on both sides of the aisle—questioned whether Congress constitutionally could give the President such power. I asked specifically if Congress were abdicating its constitutional prerogatives in the matter, since under the Constitution Congress alone appropriates the public money and prescribes the terms and conditions under which the funds may be expended. To this point Mr. JUDD replied:

> The gentleman from Ohio [Mr. Bow] has stated that Congress has the power under the Constitution to say what the moneys it appropriates may or may not be used for. There is no question about that. Nobody disputes its power or right to refuse to provide money to support the foreign policy of our country or to support our Armed Forces, or even to pay our own salaries. But under the Constitution, it is not our function to command the Armed Forces * * * the President is the representative of the American people in the conduct of our foreign affairs—within such guidelines as the Congress may establish (CONGRESSIONAL RECORD, July 12, 1962, p. 13410).

Was the gentleman correct in speaking of Presidential discretion as a "responsibility with which he is charged by the Constitution in the field of foreign relations"? Is it true that in the matter of distributing public money "our Constitution puts direction of—such—foreign relations in his hands"? What are the Presidential powers in foreign affairs? Indeed, is the matter of aid to Marshal Tito's Communist regime one to be handled only by Presidential discretion?

HOW THE FOUNDING FATHERS FELT

It is clear that many of the men who assembled in Philadelphia in 1787 to frame a constitution for the newly independent colonies favored an executive with limited powers. Madison notes in his journal of Friday, June 1, 1787 that one of the delegates, Mr. Sherman, echoed the feelings of others present when he said that he considered the executive office as nothing more than an institution for carrying into effect the will of the legislature. Sherman went so far as to say that the executive ought to be appointed by the legislature and accountable to that body since Congress would be the depository of the supreme will of the society. Sherman considered the legislators as the best judges of the business which ought to be done by the executive department. Madison notes that another delegate, Mr. Wilson of Pennsylvania, considered the execution of the laws and the appointing of officers the only strictly executive functions.

These comments proved typical of the sentiment evoked by Charles Pinckney's preliminary plan for executive powers introduced before the delegates only 3 days before, on Tuesday, May 29:

> He shall receive public ministers from foreign nations; and may correspond with the executives of the different States. He shall have power to grant pardons and reprieves except in impeachments. He shall be Commander in Chief of the Army and Navy of the United States and of the militia of the several States.

Opinion was so divided and strong over the powers of the executive branch that the Convention resolved on July 23, 1787, to refer to a committee the drafting of a report of the powers of the executive conformable to the major resolutions already passed by the Convention. The committee, composed of Nathaniel Gorham, of Massachusetts; James Wilson, of

Pennsylvania; Edmund Randolph, of Virginia; John Rutledge, of South Carolina; and Oliver Ellsworth, of Connecticut; was thus justified to enumerate a more complete definition of the powers of the future President. The only powers thus far conferred by the Convention had been the veto, appointment—but not of judges—and the execution of laws. Madison's original idea had been to leave the unenumerated powers to the will of the legislature as expressed through legislative enactments. Now the committee faced a question of enormous importance: Shall control of the military and foreign relations be left with one executive? Should the powers be enumerated?

Of the 12 listed powers of the executive only the 10th in the draft of the proposal which Randolph drew up was connected with foreign relations: "receiving ambassadors." Up to this point, the Convention, as far as the records show, gave the subject of international affairs no attention. The only recorded reference to this area of potential executive action had been in the provisions of a sketch Alexander Hamilton had drawn up whereby treaties would be made and ambassador named by the executive with the advice and consent of the Senate.

One member of the committee, Ellsworth, was decidedly for a strong, independent head of government. Rutledge and Randolph favored a weak Chief of State. Randolph regarded foreign affairs essentially as a matter to be decided by the legislature as a body or by the Senate alone.

Randolph's original proposals were amended so that the committee later gave the power "to be Commander in Chief of the land and naval power of the Union and of the Militia of the Several States." Changes were also made in the direction of making the Senate the sole organ of foreign affairs. Finally, Wilson drew on Randolph's amended draft, Charles Pinckney's plan of May 29, and certain provisions of the New York constitution to draft a final plan of executive powers. No other powers relating to foreign affairs were added. The chief feature of the Wilson plan was the independent possession by the executive department of its powers by direct grant of the people. Unfortunately, there is no indication or evidence in the records whether Wilson intended the enumerated powers to be an exhaustive description of that general executive power which the President held as the executor of the Nation's laws. The construction of many State constitutions of the time already realized the importance of unenumerated executive power for more responsive, flexible leadership.

On August 20, 1787, Gouverneur Morris, of Pennsylvania, and Charles Pinckney submitted a plan before the delegates for the complete constitutional organization of the executive department of the National Government. There were to be five departments of the executive branch, each headed by a secretary. Together with the Chief Justice they were to be a council of state to assist the President in conducting public affairs. This plan confirms the fact that the delegates generally regarded the President as a sort of chief administrator. This belief is reinforced by the fact that the duties of these heads of department were enumerated, the secretary of each department responsible to the President. The Secretary of Foreign Affairs had for his functions: "to correspond with all foreign ministers, prepare plans for treaties, and consider such as may be transmitted from abroad, and generally to attend to the interests of the United States in their connection with foreign powers."

Those duties for which the subordinate secretaries became responsible became an integral part of the Presidential power. The recognition that the President, although granted little real power—except as Commander in Chief—in the Constitution in the field of foreign affairs, was generally taken by the Founding Fathers as the single constitutional representative of the people in this area can be seen in the terms of the Foreign Department bill; the sole purpose of the Foreign Department was to carry out the will of the President. Only the Treasury Department was created solely to carry out the acts of Congress. As one political scientist has put it:

> Where by the terms of the Constitution, the National Government is vested with control over a certain sphere of action, that portion of the field's is the President's which is executive in character. Thus the Constitution makes the National Government the sole organ in foreign affairs. Since many powers are not enumerated, they are the President's as of constitutional right, being of an executive character (Charles Thatch, "The Creation of the Presidency, 1775–89," Baltimore, 1922).

Today the President undoubtedly acts more arbitrarily and independently than the framers of the Constitution ever intended him to act. Custom, law, court decisions, and the practice of foreign nations have placed the President in a prominent position in the formation and execution of foreign policy. Certainly secrecy, unity of operation, continuity, and access to information are characteristics of his office. These necessary elements are peculiar to the President. Congress, by nature, possess none of them. It was felt by one of the most articulate delegates at the Convention that even the Senate could not properly deal with international relations:

> To have entrusted the power of making treaties to the Senate alone, would have been to relinquish the benefits of the constitutional agency of the President in the conduct of foreign relations (Alexander Hamilton, "The Federalist," LXXV).

This same intellectual forcefully explained the few enumerated powers directly granted to the President in the Constitution by describing the important implications of a broad interpretation of executive power:

> The enumeration (of executive powers in the Constitution) ought therefore to be considered as intended merely to specify the principal articles in the definition of executive power, having the rest to flow from the general grant of that power, interpreted in conformity with other parts of the Constitution, and with the principles of free government.
>
> The general doctrine of our Constitution, then, is that the executive power of the Nation is rested in the President, subject only to the exceptions and qualifications which are expressed in the instrument. (Alexander Hamilton in the Philadelphia Gazette, June 29, 1793.)

Jefferson himself referred to the transaction of business with foreign nations as "executive altogether" and John Marshall declared in the House of Representatives on March 7, 1800, that "the President is the sole organ of the Nation in its external relations, and its sole representative with foreign nations." The Senate itself early enough recognized that all powers claimed by the President in the field of foreign affairs not specifically named in the Constitution must nevertheless be considered as emanating from the Constitution:

> The President is the constitutional representative of the United States with regard to foreign nations. For his conduct he is responsible to the Constitution. (S. Doc. No. 231, 56th Cong., 2d sess.)

Thus aside from the chief provisions of the Constitution relating to foreign affairs—

> The President shall be Commander in Chief of the Army and Navy of the United States * * *. He shall have power, by and with the advice and consent of the Senate, to make treaties, provided two-thirds of the Senators present concur * * * appoint ambassadors, other public ministers and consuls * * * receive ambassadors and other public ministers—

Presidential power in this area has grown chiefly from necessity and the demands of executive leadership in a field requiring secrecy and unity of command.

But the nature of foreign affairs and the characteristics of the executive office which fit the President to the task are merely one side of the coin. On the other side is the rightful role of Congress in foreign relations, and in a rather ironic sense, the part played by the Appropriations Committee. Congress and the President were bound to cross swords early over the financial support of foreign policy flowing from the executive office, and interestingly, even though Congress historically has followed Presidential recommendations for appropriations for crucial policies, the House of Representatives has made clear its rightful, constitutional position with reference to money matters. When a bill was introduced into the House for appropriations for the Jay Treaty during Washington's administration, opposition developed and the view was quickly advanced that the House really was free to grant or withhold the required funds on its own view of the merits of the treaty. A majority of the House sanctioned this position, even though the appropriations were finally granted. But to the authorization was attached the following resolution:

> When a treaty stipulates regulations on any of the subjects submitted by the Constitution to the power of Congress, it must depend, for its execution, as to such stipulations, on a law or laws to be passed by Congress. And it is the constitutional right and duty of the House of Representatives, in all such cases, to deliberate on the expediency

> or inexpediency of carrying such treaty into effect, and to determine and act thereon, as, in their judgment, may be most conducive to the public good.

In the matter of the Jay Treaty, the House was not constitutionally bound to appropriate the necessary funds. In voting the money to carry out the treaty, however, the House certainly was exercising its part of the "whole legislative power" and had, accordingly, its right to exercise its full constitutional discretion in the matter.—Noted by Edward S. Corbin in "The President's Control of Foreign Relations," Cambridge, 1917.

If the Jay Treaty established congressional opinion regarding the appropriation of money, it also fixed the Presidential prerogative of wide discretion in foreign affairs. When the House of Representatives asked George Washington to lay before it the instructions, correspondence, and documents relating to the treaty he said:

> The nature of foreign negotiations requires caution, and their success must often depend on secrecy, and even when brought to a conclusion, a full disclosure of all the measures, demands, or eventual concessions which may have been proposed or contemplated would be extremely impolitic, for this might have a pernicious influence on future negotiations or produce immediate inconveniences, perhaps danger and mischief, in relation to other powers.

Thus at the same time both congressional rights with respect to appropriations and the Presidential power of single command in foreign affairs was fixed. Even the modern notion of foreign policy decisions in the vital interests of U.S. security find precedent in the first important foreign policy legislation in his country: the Embargo Act of 1794 authorized the President to lay the embargo "whenever, in his opinion, the public safety shall so require," and "to continue or revoke the same whenever he shall think proper." By the more recent lend-lease proposal, action could have been taken when the President deemed it "in the interest of national defence," and the benefits of the statute were extended to "the government of any country whose defence the President—deemed—vital to the defence of the United States."

We now see that the volatile question of wide discretionary powers available to the President is one founded on precedents set by the first Executive of the United States, agreed to by both Houses of the National Legislature, and followed up by later Presidents and Congresses. Perhaps the wording of an 1860 court decision defines even today the peculiar position which the President occupies:

> As the Executive head of the Nation, the President is made the only legitimate organ of the General Government to open or carry on correspondence or negotiations with foreign nations in matters concerning the interests of the country or of its citizens (*Durand* v. *Holland*, 8 Fed. Cas. No. 4186).

The Supreme Court in 1936 officially awarded to the President legal claim in the exercising of discretionary powers as sole organ of the Federal Government in the field of foreign affairs. In the important Curtiss-Wright case, the Court recognized this power as exclusive and plenary—a power in international relations which "does not require as a basis for its exercise an act of Congress."

The decision in the Curtiss-Wright case sustained the constitutionality of a joint resolution of Congress of 1934 authorizing the President to forbid the sale of arms to the participants in the Chaco dispute between Bolivia and Paraguay "if the President finds that the prohibition may contribute to the reestablishment of peace between those countries."

The Curtiss-Wright Export Co. was charged with having violated the resolution by selling machineguns to Bolivia. A demurrer to indictment was filed on the ground that the resolution was unconstitutional, as it amounted to an unconstitutional delegation of legislative power to the President. The demurrer was sustained in a district court but was reversed in the Supreme Court.

Justice Sutherland in his opinion for the Court seemed in effect to withdraw virtually all constitutional limitation upon the scope of congressional delegation of power to the President to act in the field of international relations. Sutherland's reasoning in the case rested on what he named as the difference between the powers of the Federal Government with respect to foreign and external affairs and those having to do with internal or domestic affairs. The difference, according to Sutherland related both to origin and nature. He wrote as follows:

> The very delicate, plenary, and exclusive power of the President as the sole organ of the Federal Government in the field of international relations—a power which does not require as a basis for its exercise an act of Congress, but which, of course, like every other governmental power, must be exercised in subordination to the applicable provisions of the Constitution. It is quite apparent that if, in the maintenance of our international relations embarrassment is to be avoided and success for our aims achieved, congressional legislation which is to be made effective through negotiation and inquiry within the international field must often accord to the President a degree of discretion and freedom from statutory restriction which would not be admissible were domestic affairs alone involved * * * he, not Congress, has the better opportunity of knowing the conditions which prevail in foreign countries. He has the confidential sources of information. He has his agents in the form of diplomatic, consular, and other officials. Secrecy in respect of information gathered by them may be highly necessary and the premature disclosure of it productive of harmful results. * * * Powers of external sovereignty of the Federal Government, including the power to declare war and conclude peace, to make treaties and maintain diplomatic relations, are not dependent on affirmative grants of the Constitution.

I will cite additional references at the conclusion of these remarks.

APPROPRIATIONS

It has long been recognized by Presidents, Members of Congress, and political scientists that the appropriating of public money often has a far greater impact on the formation of foreign policy than the substantive decisions coming from the White House. The House is at liberty to insert provisos or instructions in appropriations bills which have the effect of determining or modifying policy. Of course, Congress may withhold funds altogether and thus completely cancel an executive policy. To the extent that funds are withheld or the terms and conditions set for the expenditure of Treasury money, Congress may prescribe its own policy. But this is as it should be. According to the Constitution, article I, section 9, clause 7:

> No money shall be drawn from the Treasury but in consequence of appropriations made by law; and a regular statement and account of the receipts and expenditure of public money shall be published from time to time.

That Congress may check the desire of the President to give Communist Yugoslavia further financial assistance is clearly drawn from the provisions of the Constitution. Indeed, perhaps Mr. Kennedy should possess wide discretion in the matter of deciding what is in the vital interest of national security. The wisdom of possessing such power apparently goes unchallenged. But in the matter of spending public money Congress alone may declare for what purpose the funds may be used, the terms of expenditure, and the conditions under which the taxpayers' dollars may be sent overseas. The Constitution grants this power directly. An important court decision of 1945 confirms Congress unique position. During the Second World War certain subcontractors sought action in the courts for a declaratory judgment that the Renegotiation Act (50 U.S.C.A. App. sec. 1191) was unconstitutional and therefore did not authorize the War Department to recapture alleged excessive profits. The court said the action presented no justiciable controversy because Congress, in making an appropriation, has the power not only to designate the purpose of an appropriation, but also the conditions under which an executive department of the Government could expend the appropriation.

> The purpose of appropriations, and terms and conditions under which they are made, is a matter solely in the hands of Congress, and it is the explicit duty of the executive branch to comply therewith, and any attempt by the judicial branch to interfere therewith would be a plain invasion of the constitutional powers of Congress. (*Spaulding* v. *Douglass Aircraft Co.*, D.C. Cal., 60 F. Supp. 985).

I will append further references regarding legal interpretations of the appropriating power at the conclusion of my remarks.

To return to the statements of Representative JUDD, we may now say that the gentleman was incorrect when he said the Constitution itself puts direction of our foreign affairs in the hands of the President. Mr. Kennedy is not charged specifically by the Constitution to wield broad discretionary power in dealing with foreign countries. The position of the President has evolved as a result of the recognition that the administration and conduct of foreign affairs was executive by nature and that the executive department of the Government dealing in international relations should be subject to the will of the President.

Now Mr. JUDD was correct when he said that Congress may establish the guidelines for conducting foreign relations, specifically with regard to authorizing public money earmarked for the foreign aid program. Perhaps Mr. Judd did not realize that he left himself open to attack on this point, for while he argued that Congress should allow the President a free hand in determining what was in the interests of our security, he presented the argument in terms of the appropriating power of the House. And Mr. Judd admitted in the same breath "that Congress has the power under the Constitution to say what the moneys it appropriates may or may not be used for." To speak of Presidential discretion in the conduct of relations with Communist Yugoslavia is one thing; to speak of financial assistance to a Communist regime drawn from the taxes of the American people under the guise of Presidential discretion is quite another matter, especially so since an appropriation is nothing more than the legislative authorization prescribed by the Constitution that money may be paid out of the Treasury. And all legislative powers shall be vested in a Congress of the United States.

Perhaps Herbert Hoover has stated the question well. In an address in West Branch, Iowa, on his 80th birthday, August 10, 1954, he said:

> The real issue is whether the President can commit the American people to foreign nations without the specific consent of the elected Representatives of the people.

Mr. Speaker, I am indebted to Dale E. Hoak, a senior student at the College of Wooster, Wooster, Ohio, for much of the research that has gone into these remarks. Mr. Hoak served as an intern on my staff during the summer months, and I enjoyed thoroughly the association with this bright young student of history and political science.

In addition to the references I have given during my remarks, I include additional decisions and facts on each of the separate topics I have covered. They are as follows:

DELEGATION OF LEGISLATIVE POWER

In general: "The Congress manifestly is not permitted to abidicate, or to transfer to others, the essential legislative functions with which it is thus vested. Undoubtedly legislation must often be adapted to complex conditions involving a host of details with which the National Legislature cannot deal directly. The Constitution has never been regarded as denying to the Congress the necessary resources of flexibility and practicality, which will enable it to perform its function in laying down policies and establising standards, while leaving to selected instrumentalities the making of subordinate rules within prescribed limits and the determination of facts to which the policy declared by the legislation is to apply."—*Panama Refining Co.* v. *Ryan,* 293 U.S. 388 (1935).

Legislative action laying down an intelligible principle to which a person or body is to conform does not constitute a forbidden delegation of power.—*Hampton & Co.* v. *United States,* 276 U.S. 394 (1928).

Congress may also, in enacting legislation, provide either that its operation shall be suspended or that it shall go into effect, upon the occurrence of certain events, the existence of which shall be ascertained and declared by administrative officers.—*Hampton & Co.* v. *United States.*

DELEGATION OF LEGISLATIVE POWER TO EXECUTIVE OFFICERS AND AGENCIES

Generally, "the field of Congress involves all and many varieties of legislative action, and Congress has found it frequently necessary to use officers of the executive branch, within defined limits, to secure the exact effect intended by its acts of legislation, by vesting discretion in such officers to make public regulations in interpreting a statute and directing the details of its execution."—*Hampton & Co.* v. *United States.*

"That the legislative power of Congress cannot be delegated, is, of course, clear. But Congress may declare its will, and after fixing a primary standard, devolved upon administrative officers the 'power to fill up the details' by prescribing administrative rules and regulations."—*United States* v. *Shreveport Grain & El. Co.,* 287 U.S. 77 (1932).

"The true distinction, therefore, is between the power to make the law, which necessarily involves a discretion as to what it shall be, and conferring an authority or discretion as to its execution, to be exercised under and in pursuance of the law."—Judge Ranney, in Cincinnati, *W. & Z. R. Co.* v. *Commissioners of Clinton County,* 1 Ohio State 77 (1852), cited with approval in *Marshall Field & Co.* v. *Clark,* 143 U.S. 649 (1892).

The power which may thus be delegated to administrative officers, is strictly limited to administrative regulations, and does not extend to regulations actually subverting or modifying the terms of an act of Congress.—*Morril* v. *Jones,* 106 U.S. 466 (1883); *United States* v. *Antikamnia Co.,* 231 U.S. 654 (1914).

DELEGATION OF POWERS TO THE PRESIDENT

In deciding whether Congress has abdicated its essential legislative functions and delegated them to the Executive, and in determining whether the grant of power amounts to "unfettered discretion" or actually lays down an intelligible standard, due regard must be had as to the nature of the power granted. If it relates solely to internal or domestic affairs, an act may be challenged as constituting an unlawful delegation of legislative power while similar language used in an act relating to external or foreign affairs may be upheld. In the realm of foreign affairs the President possesses a delicate, plenary, and exclusive power as the sole organ of the Federal Government in the field of international relations, a power which does not require as a basis for its exercise an act of Congress. The President, rather than Congress, has the better opportunity of knowing the conditions which prevail in foreign countries. These considerations disclose the unwisdom of requiring Congress to lay down narrowly definite standards by which the President is to be governed in the field of international relations. Broad discretion may be vested in the President in determining whether the enforcement of an embargo or neutrality statute will have a beneficial effect upon the reestablishment of peace, in deciding whether he shall invoke its provisions, in determining when it shall cease to operate, or in prescribing limitations and exceptions to its enforcement—*United States* v. *Curtiss-Wright Export Corp.,* 229 U.S. 304 (1936).

In view of the delicacy of foreign relations and of the power peculiar to the President in this regard, Congressional legislation which is to be made effective in the international field must often accord to him a degree of discretion and freedom which would not be admissible were domestic affairs alone involved—*United States* v. *Curtiss-Wright Export Corp.*

POWER OF CONGRESS REGARDING APPROPRIATIONS

The absolute control of the moneys of the United States is in Congress, and Congress is responsible for its exercise of this great power only to the people. This clause is a mere limitation and restriction (art. I, sec. 9, cl. 7) upon the executive officers of the Treasury Department, and does not prevent Congress, the lawmaking power, from involving the Government in liabilities to pay money to any extent, nor from indicating the class of persons who shall not be paid out of the general appropriations, but shall come to Congress for relief.—Hart's case, 16 Ct. Cl. 495 (1880), affirmed *Hart* v. *U.S.,* 118 U.S. 62 (1886).

Having power under section 8 of article I to lay and collect taxes, duties, imposts, and excises, to pay the debts of the United States, it follows that Congress has power when the money is raised to appropriate it to the same object.—*United States* v. *Realty Co.,* 163 U.S. 427 (1896).

The necessary implications from the terms of the grant (the power to appropriate) is that the public funds may be appropriated "to provide for the general welfare of the United States." These words cannot be meaningless, else they would not have been used. The conclusion must be that they were intended to limit and define the granted power to raise and expend money.

Since the foundation of the Nation, sharp differences have arisen as to the true interpretation of the phrase. Madison asserted that it amounted to no more than a reference to the other powers enumerated in the other clauses (subsequent clauses) of the same section; that, as the United States is a Government of limited and enumerated powers, the grant of power to tax and spend for the general national welfare must be confined to the enumerated legislative fields committed to the Congress. Hamilton, on the other hand, maintained that the clause confers a separate power distinct from those later enumerated, is not restricted in meaning by the grant of them and Congress consequently has a substantive power to tax and to appropriate, limited only by the requirement that it shall be exercised to provide for the general welfare of the United States. Mr. Justice Story in his commentaries, espouses the Hamiltonian position. It results that the power of Congress to authorize expenditure of public money for public purposes is not limited by the direct grants of legislative power found in the Constitution—*United States* v. *Butler,* 297 U.S. 1 (1936).

Congress may recognize and pay a claim of an equitable, moral, or honorable nature and whether the facts are such as to authorize relief is for Congress alone to determine, and where Congress directs a specific sum to be paid to a certain person, neither the Secretary of the Treasury nor any court has discretion to determine whether the person is entitled to receive it.—*United States* v. *Price,* 116 U.S. 43 (1885); *U.S.* v. *Realty Co.; Allen* v. *Smith,* 173 U.S. 389 (1899).

FACTS ON YUGOSLAVIA

1. Since the inception of our foreign aid program we have been pouring financial assistance into the country of Yugoslavia at the rate of $415,000 per day. Our total bill to Tito's Communist regime has been $2,279 million in the last 15 years. Similarly, since the Poznan riots in Poland in 1956 our aid to that Communist country has totaled more than $1 billion. For a number of years our military assistance program operated at the rate of $100 million per annum in Poland. Yugoslavia has received $800 million in military assistance since 1949 from the United States.

2. The following table gives the value of U.S. imports and exports in trade with Yugoslavia:

	Millions
Exports:	
1948	$8
1961	153
Imports:	
1948	5
1961	40

Yugoslav imports by area of origin (values in millions of dollars):

U.S.S.R.:	
1956	70.5
1961	32.0
United States:	
1956	129.2
1961	181.2

On May 23, 1962, the Soviet Union announced that it will buy Yugoslav ships. The steel for these ships will be made in mills built by American tax money.

In the last 2 years Yugoslavia has supported the Soviet Union in the United Nations 44 times, the United States, 6 times.

Tito endorsed suppression of the Hungarian revolution.

As an independent, Tito has led a drive among the neutrals in Asia and Africa for anti-Western feeling. At the Belgrade Conference in August 1960 resolution after resolution was voted against the West.

Yugoslavia is spending hundreds of millions of dollars in its own foreign aid program in Asia and Africa. In effect we have been underwriting anti-Western neutralism in India, Burma, and Indonesia.

In the recent May Day parade in Yugoslavia, Soviet tanks were seen in the procession. Tito now is negotiating for planes from Khrushchev.

Tito has denounced the Balkan Alliance.

Tito's so-called economic liberalisms went out the window. From the New York Times of May 7: "Citing too much liberalism and too little control as causes of the trouble, Tito said under his leadership the Communist Party again is assuming the leading role. Declared Tito, 'Some will say the Communists have taken everything in their hands again, but we know what has to be done and what the people want.'"

THE 18-NATION DISARMAMENT CONFERENCE

The SPEAKER. Under the previous order of the House the gentleman from New Jersey [Mr. RODINO] is recognized for 30 minutes.

Mr. RODINO. Mr. Speaker, at the 18-Nation Disarmament Conference in Geneva the United States yesterday formally submitted two draft treaties on the cessation of nuclear weapons tests. One draft treaty would be a comprehensive ban on all nuclear tests in all environments and the other would prohibit nuclear tests in the atmosphere, outer space, and underwater. This I believe is a significant event in the history of our disarmament and test ban negotiations. I have just returned from Geneva where for the past week I have been attending the 18-Nation Disarmament Conference.

As one of the sponsors of the legislation which created the U.S. Arms Control and Disarmament Agency I have had a continuing interest in the activities of the Agency over the past year and in the conduct of the negotiations at Geneva by our delegation, ably led by Ambassador Arthur H. Dean. Therefore, on the occasion of my return from Geneva I would like to give my colleagues in the Congress the benefit of some of my thinking on U.S. disarmament policy. These opinions are based primarily on my recent experiences at sessions of the Conference, meetings of our delegation staff, and numerous conversations with Ambassador Dean, other members of the U.S. delegation, and members of the delegations of the other nations represented at the Conference.

First, I would like to make my own position clear. The U.S. Government must never let the fact that we are negotiating with the Soviets obscure the fact that our Soviet colleagues at the conference table are at the same time our adversaries in the cold war. On many occasions since the end of World War II this cold war has been prevented from turning hot only by the deterrent to overt aggression which this Nation possesses in its strategic nuclear armaments. Moreover, in the conduct of the cold war the Communists have not hesitated to use any means to achieve their objectives short of large scale aggression which might provoke a nuclear response. This had included such well-known tactics as indirect aggression and subversion, the use of "volunteers" and support for "wars of national liberation." Therefore, I believe that we must keep our guard up against all types of Communist aggression, direct or indirect, and we must negotiate with the Soviet Union and its Warsaw Pact allies from a position of strength.

But in these circumstances of the cold war, the question also arises, why negotiate at all? Are we not merely whistling in the dark in Geneva?

On the basis of my experience at Geneva, I am convinced that our delegation there is engaged in a serious and sincere endeavor to negotiate with the Soviet Union and the other Warsaw Pact powers with a view to reaching agreements on a number of meaningful arms control and disarmament measures. The proposals put forward by Ambassador Dean have first received the careful consideration and approval of the U.S. Arms Control and Disarmament Agency, Department of State, Department of Defense, Atomic Energy Commission, and other interested agencies and persons within the executive branch, and finally the President himself. In addition, proper consultation has occurred between the executive branch and appropriate committees of the Congress. I am sure that every major proposal our delegation has tabled at the Geneva Disarmament Conference has been presented with the idea that it would be in the interest of the United States to have it accepted. Therefore, Ambassador Dean and the U.S. delegation are engaged in much more than a propaganda exercise at Geneva. It is a sincere effort to halt the arms race.

Secondly, all our disarmament proposals contain the safeguards necessary to assure the United States and its allies in the free world that if we are to agree to stop nuclear tests or reduce our armaments the other side will in like manner carry out its obligations. One of the basic principles of our negotiations at Geneva is that all measures of disarmament must be carried out under effective international inspection and control. I can also assure you that every member of our negotiating team in Geneva is acutely aware of the national security interests of the United States. Another of the basic negotiating principles is that the carrying out of any disarmament measure must not affect adversely the security of any nation. Both these principles are embodied in the joint statement of agreed principles agreed to by Mr. McCloy for the United States and Mr. Zorin for the Soviet Union. This statement forms the agreed basis of our negotiations in the 18-Nation Disarmament Committee.

But the question remains—what positive value do these negotiations have? More broadly it might be asked, why should we have a disarmament policy at all?

I think there are several reasons why it is important and indeed essential that we continue in our efforts to reach agreement with the Soviet Union both on a broad plan for disarmament and on work-limited measures.

First, it is in our national interest to do so. I do not believe that the almost $54 billion which this Congress has been asked to appropriate for the fiscal year 1963 will give any of us the feeling that we are secure. As President Kennedy rightly stated before the General Assembly of the United Nations on September 25, 1961 "in a spiraling arms race a nation's security may well be shrinking even as its arms increase."

It seems to me that what could contribute to our national security in a very meaningful sense would be a halt to the arms race and a consequent lessening of international tension. For in the present stage of technological development the weapons themselves are a source of tension.

I do not believe that the $5.6 billion which will be spent next year on research and development of new and improved weapons systems will decrease our anxiety about what will happen if some of these weapons are ever used. Turning the upward spiral of the arms race downward is exactly what our disarmament policy is designed to accomplish, and this is the objective of our negotiations at Geneva.

Secondly, I believe that the negotiations are not only in our national interest, but also are directly in our international interests. As leader of the free world, the United States could not avoid bearing a major share of the responsibility for the global devastation that would result from a general conflict between ourselves and the Soviet Union. Moreover, the overall foreign policy goal of the United States has been succinctly stated as "a free, secure and peaceful world of independent States adhering to common standards of justice and international conduct and subjecting the use of force to the rule of law."

Therefore, it is essential, in the interests of the entire free world that we continue to negotiate at Geneva, and it is likewise essential that we negotiate from a sound and strong position. On the basis of my experience at Geneva, I am happy to report that this is what we are doing.

I also feel that there is a degree of urgency in our negotiations. Neither East nor West has an unlimited amount of time. The arms race between the United States and the Soviet Union is on the verge of extending itself into outer space. At the same time the danger that nuclear weapons will be obtained by a substantial number of nations not now possessing them is increasing every year. With every new member that joins the nuclear club the danger that a local conflict will escalate into a general nuclear war increases. Similarly, the danger that war will occur by accident, miscalculation or failure of communications increases as nuclear weapons fall into the hands of politically less responsible governments.

It is against the background of an arms race, pushing into outer space and spreading among many nations that the United States and its allies should negotiate with the Soviet Union and its allies.

The overall objective of our disarmament policy is "general and complete disarmament in a peaceful world." The phrase "in a peaceful world" is not without significance in this context. I have been informed by a member of our delegation at Geneva that the Soviet Union has opposed the use of the phrase "in a peaceful world" in connection with "general and complete disarmament." But this phrase, which is stoutly insisted upon by the United States, symbolizes one of the basic premises of our disarmament policy. This principle is that the United States will not agree to reduce armaments unless effective alternative ways to safeguard its legitimate interests are provided. As national armaments are scaled down effective means for the peaceful settlement of international disputes and for the bringing about of necessary change in a peaceful world must be built up. In short, we must be assured that a disarmed world will be a peaceful world.

It is obvious to all of us that this ultimate objective of general and complete disarmament in a peaceful world is still out of sight over the horizon.

But I believe that it is important that we continue to negotiate toward this ultimate objective. The U.S. position is soundly based on the "Outline of Basic Provisions of a Treaty on General and Complete Disarmament in a Peaceful World," which was submitted by Ambassador Dean to the Disarmament Committee on April 18, 1962. This document contains the most detailed and comprehensive set of disarmament proposals ever developed by any nation. It has been characterized by President Kennedy as a "blueprint for the peace race."

The U.S. position on general disarmament has been skillfully presented and elaborated at the Conference by Ambassador Dean and the U.S. delegation. At the same time the position of the Soviet Union has been subjected to critical analysis. The result has been that the eight new members of the committee which were chosen to represent geographical areas not included in the NATO or the Warsaw Pact have become convinced of the reasonableness and sincerity of our balanced across-the-board and safeguarded approach to the reduction of armaments.

The opportunity provided by the Conference for carrying on a continuous debate has also worked to our advantage. The usefulness of polemics and propaganda have become negligible. In these circumstances Ambassador Dean has been able to gradually draw the Soviet Union into a discussion in considerable detail of many of the issues at the heart of the disarmament problem. This discussion in depth will, I believe, bear fruit, perhaps not immediately, but in the future. It has given the United States a better understanding of both the military strategy and the foreign policy objectives of the Soviet Union. It has also provided an opportunity to probe for partial measures of arms control and disarmament on which agreement in the near future may be possible.

In addition to negotiating toward comprehensive disarmament, there are also a number of more limited objectives on which, I believe, the United States can and should continue to seek agreement with the Soviet bloc. Any of these limited measures are capable of implementation either now or in the near future. This would, I believe, contribute both to turning down the arms spiral and to decreasing international tensions.

First, is stopping nuclear weapons tests. One of the meetings of the Conference which I attended while at Geneva was devoted exclusively to a discussion of this question. Feeling is high among all the nations at the Conference that agreement is closer on a nuclear test ban treaty than any other measure. The delegations of the eight new members of the committee have stated for the record that the cessation of nuclear tests would be a welcome and important first step to agreement on wider disarmament measures.

When I was at Geneva the new proposals of the United States for a comprehensive treaty which would prohibit all nuclear tests in all environments had just been presented. I have personally discussed these proposals and the scientific data upon which they are based with Ambassador Dean and Mr. Adrian Fisher, Deputy Director of the Arms Control and Disarmament Agency, who was also in Geneva at the time of my visit.

I believe that the present U.S. position on a comprehensive treaty which would ban underground nuclear tests as well as those in other environments is soundly based on the evaluation of scientific data. These proposals are based on two principles: First, the necessity of obligatory onsite inspections in order to determine whether an unidentified seismic event is an earthquake or an underground nuclear explosion; and second, the necessity of a system of nationally manned but internationally supervised control posts which would provide a detection capability consonant with our national security requirements.

These new proposals are sound conclusions drawn from the new scientific data that has resulted from the Project VELA, the U.S. program on detection and identification of underground nuclear explosions. If our new proposal for a comprehensive treaty banning nuclear tests did in fact jeopardize our national security as some have charged, I am sure that I would not have heard the Soviet delegate, Deputy Foreign Minister Kuznetsov, so promptly reject the principle of obligatory onsite inspection as "espionage."

Since my return, as I have said earlier, the United States has submitted the text of a comprehensive treaty in draft form, banning all nuclear tests, and also proposed a treaty banning nuclear tests in the atmosphere, underwater, and outer space. These are the environments in which we can detect all significant Soviet tests on the basis of our presently existing national system of detection and identification.

The reasons for our proposing such an atmospheric ban are, I believe, sound. Our policy still favors halting all nuclear tests in all environments, subject to effective international control. But at the same time it would be in the interests of the United States to conclude a nuclear cease-fire on those types of tests which can be detected and identified with existing national means. We in the United States have only recently been given fresh evidence of the dangers of fallout. When our farmers are prevented from using their own pastures to feed their own livestock, the time has long since arrived to stop polluting the atmosphere.

Other constructive steps toward bringing the arms race under control can, I believe, be taken in the area of preventing the further spread of nuclear weapons to nations not now having them and also in the area of reduction of the risk of war by accident, miscalculation, or failure of communications. The United States and the Soviet Union share a common interest in preventing the transfer of nuclear weapons to states which do not at present have them. All nations have an interest in the avoidance of war being caused by accident or miscalculation or simply a failure of communication.

The 18-Nation Disarmament Committee provides a good forum for discussion of these subjects. Both measures to present the further spread of nuclear weapons and measures to reduce the risk of accidental war are presently on the agenda of the Committee of the Whole of the Conference. Because of the substantial area of common interest which the United States shares with the Soviet Union in both these areas, I believe that concrete progress is possible in the near future. Therefore, I hope and urge that our Government continue in its efforts to reach agreement with the Soviet Union on both these important subjects.

United States disarmament policy touches some of the most sensitive issues of both our national security and our foreign policy. I have stated my conviction that effectively verified disarmament measures will increase our national security.

Disarmament will also assist, and may be essential to, the achievement of a peaceful world of free and independent states. Finally, I believe that a representative democracy such as the United States is much better equipped than the closed society of the Soviet Union to compete for the minds of men when force is no longer available as a means of projecting national power.

INCREASING DANGER OF RADIOACTIVE FALLOUT DEMANDS IMMEDIATE FEDERAL ACTION

The SPEAKER. Under the previous order of the House the gentleman from New York [Mr. HALPERN] is recognized for 30 minutes.

Mr. HALPERN. Mr. Speaker, it has been just a little less than a year since the Soviet Union resumed nuclear testing—ending a 3-year moratorium. Since that time, our own country has been forced to follow suit and we now see an exchange and counterexchange of nuclear blasts, each "bigger and better" than the last.

Is it any wonder that there is dawning in all of us a sickening, frightening fear of the menace of radiation? How much more of this can we take?

We have heard much in past months about the dangers of radioactive fallout, about the contamination of milk and the consequent dangers to our young people. We have learned a glossary of fear—words such as "maximum permissible" or "radiation protection guide" or "strontium 90" or "iodine 131." We have learned of "rems"—the measurement of the biological effects of radiation. We hear of other terms and realize how thoroughly uninformed we are. This glossary is so complicated and confusing that one of the pressing needs is a full-scale clarification of scientific terms. Here is a specific function of public information that should have been fulfilled long before this. I point to it as a typical example of the neglect of the present system to keep the public fully informed of the facts and of the need for a complete revamping of the present structure.

Suddenly it has occurred to many of us that no one really knows just exactly what constitutes a hazardous condition. We are not sure that what may be a "maximum permissible dose" for any one year might not reap irreparable harm if continued over a period of years.

In recent years evidence has been accumulating which casts doubt on the assumption it is possible to determine a safe dose—if by safe dose one means a dose which, even used as a protection standard for a large population, will produce no harm in any individual. The deeper one goes into the problems of establishing permissible levels in a given set of circumstances, and of applying them in normal and emergency situations, the more difficult it is to emerge with clear, direct, and generally applicable standards.

However, some tested reliable standard is desperately needed to determine at what level of concentration of fallout consideration should be given to protective countermeasures to protect the health of our people.

Mr. Speaker, we have been getting little if any cooperation from the Government sources who are responsible for this. Perhaps the fault is lack of clear-cut responsibility. Perhaps the fault is general abhorrence and avoidance of the problem, thereby causing a critical lack of responsibility on all levels. The people of this country have a right—indeed, a real necessity—to be told the truth about the dangers of radioactivity.

Of course, the ultimate answer is total nuclear disarmament. This, without question, should be our No. 1 goal. Commendably, in September of last year, this Congress in its wisdom set up the Disarmament Agency. As one of the original sponsors of this legislation, I have watched with close attention the progress being made. I realize that we cannot expect miracles in the short space of 10 or 11 months and I believe that the Agency is now properly oriented and will take great strides toward accomplishing the miracle of disarmament. The increase in the Agency's funds granted by Congress is encouraging. Its recent accelerated activities are heartening.

We hope and pray for the sake of mankind that agreements can be speedily reached, but we are now impaled on a two-horned dilemma that must be resolved. First, we cannot sit back and wait for the Soviets to relax their position and as long as agreements cannot be reached we are faced with the tragic problem of keeping pace or even surpassing the Communists.

And, meanwhile, we are facing an increasingly crucial problem regarding nuclear fallout. It becomes even more serious and frightening because we are unsure exactly what we face—exactly what the effects of this increased radioactivity will be on future generations.

Mr. Speaker, as one example of the critical problem of fallout, let us consider the contamination of milk by strontium 90 or radioactive iodine. Milk is a major dietary element and the principal source of dietary calcium for the most susceptible population group, infants and children. In this connection, I am pleased that the Public Health Service is undertaking extensive research at Beltsville, Md., with a view to solving the problem of decontamination of milk.

In New York at the Brooklyn Polytechnic Institute I have learned Dr. Harry P. Gregor has recently also successfully perfected a method of decontamination. These are hopeful advances and should be encouraged and expanded through broad Federal programs of aid to spur public and private research efforts.

The Public Health Service announced on May 24, 1962, that field reports received from its radiation surveillance networks showed that increased amounts of radioactive iodine appeared in pasteurized milk samples from a number of States located mostly in the midcontinent of the United States. In several major cities, exposure to radioactivity has built up to a point near the so-called permissible level under current radiation guides. Unfortunately, however, radiation does not fall in averages, either geographical averages or time averages. As a matter of fact in a 2-day period last year during nuclear testing in Nevada, a thunderstorm struck Troy, N.Y., dumping radioactive fallout which almost reached the danger level.

The problem of contamination in no way should be construed as an indication that the public should stop drinking milk, but it does indicate that there is an urgent need for the Federal Government to increase research in this most important matter to find more specific answers to the question of what is a "maximum permissible dose" so that countermeasures may be taken to adequately protect our population.

In testimony before the Joint Congressional Atomic Energy Subcommittee on June 7, 1962, Dr. Russell H. Morgan, professor of radiology and radiological science at Johns Hopkins University, warned that nuclear tests in the atmosphere might require the United States to remove contaminated milk from children's diets. Dr. Morgan, who also is Chairman of the Public Health Service's National Advisory Committee on Radiation, was particularly concerned about iodine 131, a shortlived radioactive isotope produced by nuclear explosions.

At this point, Mr. Speaker, I wish to insert the remarks of Dr. Lytt I. Gardner, professor of pediatrics, State University of New York, Upstate Medical Center, Syracuse. Dr. Gardner is also president-elect of the Society of Pediatric Research. I believe the doctor points out all too well the dangers of fallacious thinking and reporting:

> In my opinion the April 1962 report of the academy's committee on environmental hazards entitled "Hazards of Radioactive Fallout" convey a complacency concerning the dangers of radioactive fallout which is unwarranted by the facts. The committee's report states that: "The present level of 131 concentration in foods, liquids, and atmosphere is also well below the levels at which alerting of the population is required by governmental standards which are very conservative." This statement is misleading, since the half-life of 131 is only 8 days, and the report was written in January 1962, long after the Russian tests in the fall of 1961. One would not therefore expect increased environmental 131 on January 22–23, 1962. Furthermore, the very nature of the 131 hazard requires that plans for prophylactic measures be made in advance of a given test series.
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> The academy committee's report also states that: "The present strontium 90 content of milk is less than that which is believed to be capable of inducing recognizable deleterious effects in infant, child, or adult during average lifetimes." This statement suggests that there is a threshold for the harmful effects of radiation. The Federal Radiation Council has rejected the threshold concept, stating in their report No. 1, May 1960: "Any radiation exposure of the population involves some risk, the magnitude of which increases with the exposure."
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> Perhaps the most disappointing part of the academy committee's report is the section on genetic effects, which states: "The very careful and exhaustive studies carried out by the Atomic Bomb Casualty Commission on the populations of Hiroshima and Nagasaki in Japan have thus far failed to detect any genetic effects which could be attributed to radiation exposure from the bomb explosions." This statement is in direct disagreement with a report supported by the ABCC (Schull and Neel, Science 126: 343, 1958): "An analysis of new data concerning the sex of children born to the survivors of the atomic bombings of Hiroshima and Nagasaki, together with a reanalysis of the data previously presented by Neel and Schull, reveals significant changes in the sex ratio of these children, changes in the direction to be expected if exposure had resulted in the induction of sex-linked lethal mutations."

> From previous experimental results with mutations produced by irradiation, this is about the only observable genetic effect that would be expected in the first generation children born of adults exposed to radiation from the bomb explosion. Indeed, since most mutations are recessives and therefore not easily detected, one would predict that the full genetic effects of radiation from Hiroshima-Nagasaki would not become noticeable for several generations. Eventually inbreeding would produce individuals homozygous for the radiation-produced recessive traits and thus clinically visible genetic disease would uncover itself.
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> A new test series is nearly upon us. It is to be hoped that the pediatricians of America can offer positive informed programs of action to the families under their care. Oral, nonradioactive iodide was used to reduce the thyroid uptake of iodine 131 in St. Louis children during the fall, 1961 Russian tests. This seems to be a reasonable approach, with a sound chemical rationale. In the summer of 1961 the strontium 90 content of infant diets was three times greater in New York than in California. Attempts urgently need to be made to provide supplies of low strontium 90 milk for use by pregnant women, babies, and adolescents, since new bone is being laid down in these groups. Present supplies of dried and canned milk offer a temporary answer, but for the future, if testing continues, some way of reducing strontium 90 intake must be found.

Mr. Speaker, the problem is obvious—and critical. Dr. Morgan's testimony also yielded the information that iodine 131 tends to concentrate in the thyroid gland of milk drinkers and may induce cancer in children after a lapse of years if absorbed into the body in sufficient quantity. Subsequent newspaper reports in the Washington Post said that a panel of experts doubted that radioactive iodine in present fallout causes cancer, but they pointed out that at high-dose levels, the thyroids of infants and children may be somewhat more susceptible to cancer-causing radiation than the thyroids of adults. And, again, we have the probem of determining just exactly what is high-level dosage.

Because of these potentially fearful consequences, there are several countermeasures under consideration, including the placing of all young children as well as pregnant and nursing mothers, on evaporated or powdered dry skim milk diets. Because it takes 2 months for processed milk to reach the consumer, almost all the original harmful radioactive iodine should have disappeared.

Other countermeasures that should be studied are removal of iodine 131 from milk, feeding cows on uncontaminated feed and medical administration of stable iodine.

For thyroid exposure the maximum safe annual dose should not exceed 1.5 rem for an individual and the average should not exceed 0.5 rem a year, according to competent authority. Last fall, during and following the intensive Soviet test series, there was an abrupt rise in the level of iodine 131 in milk. The Public Health Service estimates that between last September and January the average radiation dose of 0.16 rem was received by children in this country.

Unfortunately, although radioactivity in milk is a matter which warrants prime concern and calls for prompt effective action, the Federal Radiation Council has not yet developed a policy on the applicability of its guides to fallout or on when countermeasures should be invoked.

The New York Times, also on June 10, 1962, reported that "after 2 years of off-and-on consideration, the Council has yet to work out a policy for countermeasures against accidental release of radiation from a peaceful atomic operation."

The Times report went on to state that even if a policy were set on when countermeasures should be invoked, it is still not clear who would order the steps and who would see that they are carried out. Substantiating this contention was the testimony of Surgeon General Luther L. Terry before the Joint Congressional Atomic Energy subcommittee who said he was not sure what legal authority was possessed by the Public Health Service to carry out any countermeasure against fallout contamination.

As indicated by Dr. Terry, the expectation is that the Public Health Service would provide advice and that the actual countermeasures would be carried out by the State health agencies. Presumably the Food and Drug Administration would have authority to deal with radioactive contaminated milk traveling across State lines. But this leaves unsettled who would have the responsibility for ordering countermeasures. As Dr. Morgan testified:

> It has not been clearly established who in Government is responsible for the initiation of countermeasures when they are needed. It is important that responsibility for countermeasure application be well defined. If one is well prepared to face a radiocontamination incident, regardless of causes, public concern over the hazards of ionizing radiation may be expected to diminish substantially.

The Surgeon General's testimony points up the woeful gap in coordination and direction in one of the most vital areas of national responsibility.

Mr. Speaker, this Congress is in effect largely responsible for this shocking lack of coordination and direction. We have the ultimate control over these agencies and I believe that we should—we must—see to it that steps are taken to specifically define authority and strategy in such event.

We would be appalled if we were to learn that the Joint Chiefs of Staff do not know who is responsible for the various segments of national defense. We should be similarly appalled to learn of the lack of direction and authority in our protective measures against fallout.

Since we as a nation spend more than $50 billion annually for defense, it would seem reasonable that we should be doing everything in our power to find the means to protect the citizens of the Nation from the hazards of radioactive fallout.

Mr. Speaker, there is no question but that the entire spectrum of this problem must be reappraised and that bold and visionary Federal programs must be initiated. In addition, there are several existing programs which could be immediately utilized—including research, the opening of certain Federal programs to include steps taken to prevent contamination, and such. I salute, for example, the amendment added by the distinguished Senator from Wisconsin, WILLIAM E. PROXMIRE, to the farm bill. Under the Senator's amendment, the livestock feed program for drought and similarly distressed areas would be made available in cases of fallout. I believe this is a constructive and sensible approach. I also feel that this provision should be considered by Congress as a separate bill, such as I am offering, rather than involving it in the complexities of the omnibus farm bill.

The problem of radioactive fallout is clearly a Federal responsibility. It calls for bold national leadership by both Congress and the Executive and for immediate action to provide all of our people with the facts they desperately need and the tools with which to defend themselves. It calls for a broad program of Federal aid, of effective coordination and direction and greatly expanded research.

Mr. Speaker, this is perhaps the most important duty we owe to our people and to the future of mankind. We cannot afford to delay any longer.

LEAVE OF ABSENCE

By unanimous consent leave of absence was granted to:

Mr. INOUYE, for an indefinite period of time, on account of official business in Hawaii.

Mr. MACDONALD (at the request of Mr. HULL), until further notice, on account of illness in family.

EXTENSION OF REMARKS

By unanimous consent, permission to extend remarks in the CONGRESSIONAL RECORD, or to revise and extend remarks, was granted to:

Mr. DORN and to include extraneous matter.

Mr. TEAGUE of Texas (at the request of Mr. ALBERT) and to include extraneous matter in connection with the action taken on the bill H.R. 10743.

Mr. MARTIN of Massachusetts.

Mr. PHILBIN.

Mr. HOLIFIELD and to include extraneous matter.

Mr. COHELAN.

(The following Members (at the request of Mr. WAGGONNER) and to include extraneous matter:)

Mr. THOMAS.

Mrs. BLITCH.

Mr. KITCHIN.

Mr. RIVERS of South Carolina and include extraneous matter, notwithstanding it exceeds the limit and is estimated by the Public Printer to cost $202.50.

ENROLLED BILLS SIGNED

Mr. BURLESON, from the Committee on House Administration, reported that that committee had examined and found truly enrolled bills of the House of the following titles, which were thereupon signed by the Speaker:

H.R. 3801. An act to authorize the Secretary of the Army and the Secretary of Agriculture to make joint investigations and surveys of watershed areas for flood prevention or the conservation, development, utilization, and disposal of water, and for flood control and allied purposes, and to prepare joint reports on such investigations and surveys for submission to the Congress, and for other purposes; and

H.R. 7638. An act for the relief of Kim Hyung In Comstock.

SENATE ENROLLED BILLS AND JOINT RESOLUTION SIGNED

The SPEAKER announced his signature to enrolled bills and a joint resolution of the Senate of the following titles:

S. 1606. An act to authorize the Federal Power Commission to exempt small hydroelectric projects from certain of the licensing provisions of the Federal Power Act;

S. 3574. An act to extend the International Wheat Agreement Act of 1949; and

S.J. Res. 29. Joint resolution proposing an amendment to the Constitution of the United States relating to the qualifications of electors.

BILLS PRESENTED TO THE PRESIDENT

Mr. BURLESON, from the Committee on House Administration, reported that that committee did on this day present to the President, for his approval, bills of the House of the following titles:

H.R. 1458. An act for the relief of Lee Duck On;

H.R. 2446. An act to provide that hydraulic brake fluid sold or shipped in commerce for use in motor vehicles shall meet certain specifications prescribed by the Secretary of Commerce;

H.R. 5604. An act to amend the acts of May 21, 1926, and January 25, 1927, relating to the construction of certain bridges across the Delaware River, so as to authorize the use of certain funds acquired by the owners of such bridges for purposes not directly related to the maintenance and operation of such bridges and their approaches;

H.R. 6984. An act to provide for a method of payment of indirect costs of research and development contracted by the Federal Government at universities, colleges, and other educational institutions;

H.R. 7736. An act to amend the act of May 13, 1960 (Private Law 86–286);

H.R. 8730. An act for the relief of Sister Mary Alphonsa (Elena Bruno) and Sister Mary Attilia (Filipa Todaro);

H.R. 9915. An act for the relief of Umberto Brezza;

H.R. 10263. An act to authorize the Secretary of the Air Force to adjust the legislative jurisdiction exercised by the United States over lands within Eglin Air Force Base, Fla.;

H.R. 10825. An act to repeal the act of August 4, 1959 (73 Stat. 280);

H.R. 11040. An act to provide for the establishment, ownership, operation, and regulation of a commercial communications satellite system, and for other purposes;

H.R. 11251. An act to authorize the Secretary of the Army to relinquish to the State of New Jersey jurisdiction over any lands within the Fort Hancock Military Reservation;

H.R. 11310. An act to amend section 3515 of the Revised Statutes to eliminate tin in the alloy of the 1-cent piece;

H.R. 11721. An act to authorize the payment of the balance of awards for war damage compensation made by the Philippine War Damage Commission under the terms of the Philippine Rehabilitation Act of April 30, 1946, and to authorize the appropriation of $73 million for that purpose; and

H.R. 12081. An act to authorize the Secretary of the Army to convey certain land and easement interests at Hunter-Liggett Military Reservation for construction of the San Antonio Dam and Reservoir project in exchange for other property;

ADJOURNMENT

Mr. WAGGONNER. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 5 o'clock and 25 minutes p.m.), under its previous order, the House adjourned until tomorrow, Wednesday, August 29, 1962, at 11 o'clock a.m.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

2462. A letter from the Administrator, Veterans' Administration, relative to reporting seven violations of overobligations or overexpenditures of amounts permitted by agency regulations, pursuant to section 3679 of the Revised Statutes, as amended (31 U.S.C. 665(i)(2); to the Committee on Appropriations.

2463. A letter from the General Counsel, Department of Defense, transmitting a draft of a proposed bill entitled "A bill to exempt certain Reserve officers of the Army or Air Force from the dual compensation restrictions of the Economy Act of June 30, 1962, as amended"; to the Committee on Armed Services.

2464. A letter from the Director, U.S. Information Agency, transmitting the U.S. Information Agency's 18th Semiannual Report for the period January 1 to June 30, 1962, pursuant to Public Law 402, 80th Congress; to the Committee on Foreign Affairs.

2465. A letter from the Deputy General Manager, U.S. Atomic Energy Commission, transmitting the Annual Report of the U.S. Atomic Energy Commission concerning claims paid under the Federal Tort Claims Act for the period July 1, 1961 to June 30, 1962, pursuant to section 2673, title 28, United States Code; to the Committee on the Judiciary.

2466. A communication from the President of the United States, transmitting proposed supplemental appropriations for the fiscal year 1963 in the amount of $73,560,000 for the Foreign Claims Settlement Commission (H. Doc. No. 535); to the Committee on Appropriations and ordered to be printed.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. HARRIS: Committee on Interstate and Foreign Commerce. A report pertaining to a study of mutual funds; without amendment (Rept. No. 2274). Referred to the Committee of the Whole House on the State of the Union.

Mr. FORRESTER: Committee on the Judiciary. House Joint Resolution 730. Joint resolution to authorize the President to proclaim May 15 of each year as Peace Officers Memorial Day and the calendar week of each year during which such May 15 occurs as Police Week; without amendment (Rept. No. 2275). Referred to the House Calendar.

Mr. FORRESTER: Committee on the Judiciary. H.R. 12451. A bill to authorize reimbursement to appropriations of the U.S. Secret Service of moneys expended for the purchase of counterfeits; without amendment (Rept. No. 2276). Referred to the Committee of the Whole House on the State of the Union.

Mr. FORRESTER: Committee on the Judiciary. Senate Joint Resolution 60. Joint resolution to establish the sesquicentennial commission for the celebration of the Battle of New Orleans, to authorize the Secretary of the Interior to acquire certain property within Chalmette National Historical Park, and for other purposes; with amendment (Rept. No. 2277). Referred to the Committee of the Whole House on the State of the Union.

Mr. SMITH of Virginia: Committee on Rules. House Resolution 743. Resolution to authorize the Committee on Un-American Activities to conduct an investigation and study of the society known as the Nation of Islam (also known as the Black Muslims); with amendment (Rept. No. 2282). Referred to the House Calendar.

Mr. SMITH of Virginia: Committee on Rules. House Resolution 772. Resolution providing that H.R. 12391 shall be taken from the Speaker's table and sent to conference; without amendment (Rept. No. 2283). Referred to the House Calendar.

Mr. PHILBIN: Committee on Armed Services. S. 2421. An act to provide for retrocession of legislative jurisdiction over U.S. Naval Supply Depot Clearfield, Ogden, Utah; without amendment (Rept. No. 2290). Referred to the Committee of the Whole House on the State of the Union.

Mr. CELLER: Committee of conference. S. 167. An act to authorize the Attorney General to compel the production of documentary evidence required in civil investigations for the enforcement of the antitrust laws, and for other purposes (Rept. No. 2291). Ordered to be printed.

Mr. RIVERS of South Carolina: Committee on Armed Services. S. 3221. An act to provide for the exchange of certain lands in Puerto Rico; without amendment (Rept. No. 2292). Referred to the Committee of the Whole House on the State of the Union.

Mr. STRATTON: Committee on Armed Services. S. 3628. An act to amend title 10, United States Code, to authorize the appointment of citizens or nationals of the United States from American Samoa, Guam, or the Virgin Islands to the U.S. Military Academy, the U.S. Naval Academy, and the U.S. Air Force Academy; without amendment (Rept. No. 2293). Referred to the Committee of the Whole House on the State of the Union.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. LANE: Committee on the Judiciary. H.R. 4034. A bill for the relief of Lt. Comdr. David V. Kyrklund; with amendment (Rept. No. 2278). Referred to the Committee of the Whole House.

Mr. LANE: Committee on the Judiciary. H.R. 10199. A bill for the relief of Lester A. Kocher; without amendment (Rept. No. 2279). Referred to the Committee of the Whole House.

Mr. MACGREGOR: Committee on the Judiciary. H.R. 12313. A bill for the relief of Jane Froman, Gypsy Markoff, and Jean Rosen; with amendment (Rept. No. 2280). Referred to the Committee of the Whole House.

Mr. LANE: Committee on the Judiciary. H.R. 11059. A bill relating to the effective date of the qualification of Bricklayers Local 45 (Buffalo, N.Y.) pension fund as a qualified trust under section 401(a) of the Internal Revenue Code of 1954; without amendment (Rept. No. 2281). Referred to the Committee of the Whole House.

Mr. WALTER: Committee on the Judiciary. S. 3026. An act for the relief of Jeno Nagy; with amendment (Rept. No. 2284). Referred to the Committee of the Whole House.

Mr. WALTER: Committee on the Judiciary. H.R. 9578. A bill for the relief of Annie Yasuko Bower; without amendment (Rept. No. 2285). Referred to the Committee of the Whole House.

Mr. MOORE: Committee on the Judiciary. H.R. 10605. A bill for the relief of Joan Rosa Orr; with amendment (Rept. No. 2286). Referred to the Committee of the Whole House.

Mr. POFF: Committee on the Judiciary. H.R. 2806. A bill for the relief of Vagharshag O. Danielian; with amendment (Rept. No. 2287). Referred to the Committee of the Whole House.

Mr. CHELF: Committee on the Judiciary. H.R. 10881. A bill for the relief of Maj. Singh Sunga; without amendment (Rept. No. 2288). Referred to the Committee of the Whole House.

Mr. PHILBIN: Committee on Armed Services. S. 1108. An act authorizing the conveyance of certain property in the city of San Diego to the regents of the University of California; without amendment (Rept. No. 2289). Referred to the Committee of the Whole House.

PUBLIC BILLS AND RESOLUTIONS

Under clause 4 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. FLOOD:

H.R. 12995. A bill to incorporate the Navy Mothers' Clubs of America; to the Committee on the Judiciary.

By Mr. HALPERN:

H.R. 12996. A bill to establish a National Advisory Commission on Interstate Crime; to the Committee on the Judiciary.

By Mrs. HANSEN:

H.R. 12997. A bill to exclude cargo which is lumber from conference agreements under the Shipping Act, 1916, and from certain tariff filing requirements under such act; to to the Committee on Merchant Marine and Fisheries.

By Mr. KING of Utah:

H.R. 12998. A bill to amend the Small Reclamation Projects Act of 1956; to the Committee on Interior and Insular Affairs.

By Mr. MOELLER:

H.R. 12999. A bill to designate the Belleville locks and dam on the Ohio River near Belleville, W. Va., as the Reedsville-Belleville locks and dam; to the Committee on Public Works.

By Mr. PRICE:

H.R. 13000. A bill to provide assistance to certain States bordering the Mississippi River in the construction of the Great River Road; to the Committee on Public Works.

By Mr. COLLIER:

H.R. 13001. A bill to provide for the establishment of a permanent commission on aircraft noise abatement problems; to the Committee on Interstate and Foreign Commerce.

By Mr. SHEPPARD:

H.R. 13002. A bill to amend the act of August 9, 1955, for the purpose of including the Fort Mojave Indian Reservation among reservations excepted from the 25-year lease limitations; to the Committee on Interior and Insular Affairs.

By Mr. CANNON:

H.J. Res. 864. Joint resolution making continuing appropriations for the fiscal year 1963, and for other purposes; to the Committee on Appropriations.

By Mr. KEARNS:

H.J. Res. 865. Joint resolution requiring a public hearing before any theater in the District of Columbia which is suitable, and has been used, for the presentation of live drama, ballet, or opera productions, may be demolished; to the Committee on the District of Columbia.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. BAILEY:

H.R. 13003. A bill for the relief of Mrs. Anka Mesic; to the Committee on the Judiciary.

By Mr. KYL:

H.R. 13004. A bill for the relief of Georgios V. Christakos (Hristakos); to the Committee on the Judiciary.

By Mr. ROBERTS of Alabama:

H.R. 13005. A bill for the relief of Joannis Dounis; to the Committee on the Judiciary.

By Mrs. ST. GEORGE:

H.R. 13006. A bill for the relief of Demir Alp Barker, Mufide Barker, Ali Halim Barker and Zubeyde Nermin Barker; to the Committee on the Judiciary.

By Mrs. BOLTON:

H.J. Res. 866. Joint resolution declaring Sir Winston Churchill to be an honorary citizen of the United States of America; to the Committee on the Judiciary.

By Mr. COLMER:

H.J. Res. 867. Joint resolution authorizing the President of the United States to issue a proclamation declaring Sir Winston Churchill to be an honorary citizen of the United States of America; to the Committee on the Judiciary.

PETITIONS, ETC.

Under clause 1 of rule XXII,

406. The SPEAKER presented a petition of Mrs. Wolcott Paige Hayes, vice president, La Jolla Republican Women's Club Federation, La Jolla, Calif., petitioning consideration of their resolution with reference to emphatically protesting the recent action of the President of the United States in allowing the bestowal of the Legion of Merit on Gen. Minoru Genda in Tokyo, Japan, by Gen. Lyman Lemnitzer, Chairman of the Joint Chiefs of Staff, which was referred to the Committee on Armed Services.

EXTENSIONS OF REMARKS

American Wool Month Observance

EXTENSION OF REMARKS

OF

HON. JOSEPH W. MARTIN, JR.

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

Tuesday, August 28, 1962

Mr. MARTIN of Massachusetts. Mr. Speaker, American Wool Month will be observed in September, a month which is the forerunner of colder weather and the winter season, and when the thoughts of our people are directed to wearing apparel which is appropriate to the colder months. This is inevitably associated with wool products and wool manufacturing.

This observance serves to remind us that wool processing is among the oldest of American industries, even predating the Revolution. Sheep were included among the necessities brought to the New World by its first settlers.

It is well known that American-made woolen fabrics are truly prestige quality products and that the industry plays an important and an essential role in the Nation's economy.

As a Representative of New England, I have a special interest in the success, the prosperity, and the survival of this great American industry. More than 50 percent of all woolens and worsteds made in the United States are manufactured in New England. The textile industry ranks first in the region's manufacturing industries, employing about 200,000 workers, and it is vital to the economy of New England that this employment be maintained or expanded.

The present volume of business in the domestic industry does not mean that its operations are profitable. Prices are driven down by the intense competition of low-wage countries abroad.

The new duty rate of 38 percent ad valorem instituted last year is not an effective control over excessive imports. Moreover, it applies only to woven cloths and does not include wool tops, yarn, knit goods, and apparel.

The industry seeks relief through mandatory quotas on imports. This is urgent and essential if this great industry is to survive and provide needed jobs for thousands of people. I hope the administration will act promptly to control these massive imports which threaten to ruin the American wool industry.

It needs protection to survive. It should be given promptly and effectively.

A Statement to the People of the Eighth Congressional District of Georgia

EXTENSION OF REMARKS

OF

HON. IRIS FAIRCLOTH BLITCH

OF GEORGIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, August 28, 1962

Mrs. BLITCH. Mr. Speaker, following is a statement released by me today to my constituents in the Eighth Congressional District of Georgia:

It had not been my intention, nor do I propose to do so now, to inject myself into the primary election of September 12 in which a candidate will be elected to succeed me as the Representative to the United

States Congress from the Eighth District of Georgia.

However, a situation of which I have just become aware has arisen, and I feel it imperative that I make it known to the people of the Eighth District. To fail to do so would be contrary to the straightforwardness with which I have always conducted the affairs of our district.

I have felt, and I have so stated many times, that the people should be free to make their choice for Representative without my interference in anyway. I also made this crystal clear to the members of my staff and all of them abided by my instructions except one. This person asked for leave of absence so that he could actively campaign for a certain candidate in order to insure himself of a job. I refused his request, stating that I did not blame him for wanting to try to get a job, but to be completely fair to the other candidates and most especially to the taxpayers, it would be necessary for him to resign.

After several months he did resign and I accepted his resignation. A few days after he resigned copies of correspondence with the candidate he is helping came into my possession. I was shocked to learn that he had been using his knowledge of my friendships with many people and also knowledge of my office to the political benefit of the candidate he had chosen to work for while he was still employed by me. This in spite of the fact that he had gone out of his way to assure me that he had done absolutely nothing except to discuss with the candidate the fact that he would get a job if he decided to help him.

I require many things of the people who work for me but, above all else, I require loyalty. And I give loyalty in return. Needless to say, I am shocked and grieved to learn that this employee has betrayed my trust. I am doubly hurt by the fact that the taxpayers have also been betrayed for it is they who have paid his salary.

I still do not attempt to tell the people how to vote for a Representative in Congress but because of the above-stated circumstances, I feel that I must tell you that nobody speaks for me, just as no one has ever spoken for me since you entrusted me with the highest office it is in your power as a group to give. I consider your trust in me to be sacred, and I deeply regret that even one member of my staff could betray you.

A Statement of Position on Senate Joint Resolution 29 and H.R. 11040

EXTENSION OF REMARKS

OF

HON. A. PAUL KITCHIN

OF NORTH CAROLINA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, August 28, 1962

Mr. KITCHIN. Mr. Speaker, on yesterday, August 27, 1962, when Senate Joint Resolution 29, "qualifications of electors" amendment to the Constitution, was brought on the floor for consideration, I was necessarily absent in my district and could not attend the House session. Mr. Speaker, if I could have possibly been here on yesterday when the vote was taken on this constitutional amendment, I would have voted "no." My vote in the negative would have been based not only upon my belief that those States who now require a poll tax as one of the qualifications to vote in a general election should retain that prerogative, but I would also have objected on the basis of approving an amendment to the Constitution of the United States under a suspension of the rules which only allows 20 minutes debate on each side of the issue.

Mr. Speaker, my great State of North Carolina has long since eliminated the poll tax requirement for citizens to exercise their vote and if I had been in the State legislature when this matter was considered, I would have voted to do away with the poll tax requirement as a qualification to vote in North Carolina. I would still desire to see the States that now have such a requirement to eliminate it on their own volition. I do not feel it is the prerogative of the Federal Government to dictate to the four or five States their constitutional right to establish voter qualifications.

Mr. Speaker, I offer this statement for the RECORD to show the position that I would have taken had it been possible for me to have been present when the vote was taken on Senate Joint Resolution 29.

Mr. Speaker, in connection with H.R. 11040, on the Communications Satellite Act of 1962, had I been present and voting my vote would have been in the affirmative in concurring in the Senate amendments and passing it.

Oveta Culp Hobby

EXTENSION OF REMARKS

OF

HON. ALBERT THOMAS

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Tuesday, August 28, 1962

Mr. THOMAS. Mr. Speaker, following are the remarks which appeared in the spring 1951 issue of Dixie Business magazine. I am taking the liberty of adding to the remarks of that publication. The last two paragraphs are my own.

OVETA CULP HOBBY

Oveta Culp Hobby is America's foremost woman.

She and Gov. W. P. Hobby, who was named in 1950 to the South's Hall of Fame for the Living, make up the outstanding husband and wife newspaper publishing team and the Hobbys of Texas have distinguished themselves in various fields of service even more than publishing the great Houston Post.

First woman to serve as president (1949) and chairman (1950) of the Southern Newspaper Publishers Association; only woman appointed by Gen. Dwight D. Eisenhower to the National Policy Board of the American Assembly; wartime head of the WAC's with rank of colonel of the Army; she has been awarded the Distinguished Service Medal and Philippine Military Merit Medal and accorded honors without number.

She was parliamentarian, Texas House of Representatives (1925–31); and on the Houston Post has been research editor (1931–32); book editor (1933–36); assistant editor (1936–38), and is now director and executive vice president.

It would take many pages to list all the organizations and movements she has been a leader in—press, cancer, community chest, education, government, safety, National Conference of Christians and Jews, American Heart, savings bonds.

She is the author of "Mr. Chairman" (parliamentary law textbook) and conducts a syndicate column by that title.

She is the only woman eligible to change the title of the "Man of the South" to "Woman of the South" in whatever years she should get the most votes.

Mr. Speaker, Mrs. Hobby was appointed Federal Security Administrator on January 21, 1953. This agency became the Department of Health, Education, and Welfare on April 11, 1953. She was the first Administrator and the first woman to become a Cabinet officer of our Government. She resigned July 31, 1955.

Health, Education, and Welfare is a tremendously large and important Department. At the time Mrs. Hobby was Administrator, the Department had about 44,500 employees. The administration of this Department is considered, not only one of the most important but one of the most difficult positions in the entire Government. She did a magnificent job of administration. The Department has many agencies which are separate and distinct from each other—and, of course, their separateness adds to the administrative problems of the office—such as the Office of Education, Public Health Service, Social Security Administration, Office of Vocational Rehabilitation, Food and Drug Administration, and several hospitals and universities.

Application of Radiation Protection Standards

EXTENSION OF REMARKS

OF

HON. CHET HOLIFIELD

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, August 28, 1962

Mr. HOLIFIELD. Mr. Speaker, in June of this year, hearings were held before the Subcommittee on Research, Development, and Radiation of the Joint Committee on Atomic Energy on the subject of "Radiation Standards, Including Fallout." There hearings were part of the Joint Committee's continuing effort to bring objective professional knowledge to bear on this important subject.

In the process of conducting these hearings, and in our later evaluation of the extensive materials which were developed, several major questions remained unclarified which are summarized as follows: First. Are the radiation protection guides established by the Federal Radiation Council applicable to fallout from nuclear weapons tests, especially the resulting incidence of iodine 131 levels; and second, what agency or agencies of the Government have the responsibility and authority for invoking countermeasures in the event that certain radionuclides reach undesirable levels?

To clarify these matters, Representative MELVIN PRICE, chairman of the

Subcommittee on Research, Development, and Radiation, and I wrote to the Chairman of the Federal Radiation Council to obtain further information. The reply from the Federal Radiation Council has been recently received and I believe that it does indicate some progress in clarifying these issues.

For the information of the public, which is vitally interested in this problem, the Joint Committee on Atomic Energy recently issued a press release incorporating this exchange of correspondence. I am inserting in the Record at this point a copy of the Joint Committee release with the attached correspondence.

Exchange of Letters Concerning Application of Radiation Protection Standards Between Joint Committee and Federal Radiation Council Released by Joint Committee on Atomic Energy

An exchange of letters between the Joint Committee on Atomic Energy and the Federal Radiation Council on major unresolved questions concerning the applications of radiation protection standards were released today by Congressman Chet Holifield, chairman of the Joint Committee on Atomic Energy, and Congressman Melvin Price, chairman, Subcommittee on Research, Development, and Radiation.

Following testimony by Surgeon General Luther Terry at the Joint Committee hearings on "Radiation Standards, Including Fallout," held June 4–7, 1962, the Joint Committee requested the Federal Radiation Council to clarify its position on the criteria being used to determine when undesirable levels of radioactive debris from fallout were reached. This important question was posed by the Joint Committee as early as its 1959 hearings on "Fallout From Nuclear Weapons Tests."

On June 18, 1962, Chairman Holifield and Congressman Price wrote to Chairman Ribicoff of the Federal Radiation Council requesting information concerning (1) the role of the FRC's radiation protection guides (RPG), particularly in relation to iodine 131; and (2) what Federal agencies were responsible for invoking protective countermeasures in the event radiation levels became unduly high. The need for resolving these matters was indicated as "increased by the recent resumption of atmospheric nuclear tests by the Soviet Union and the United States."

The first question in the letter of June 18 was concerned with whether the numerical values in the radiation protection guides establish the sole or principal criteria for evaluating undesirable levels of radiation from fallout. Secondly, if so, are these numerical values sufficient to indicate when and what action is appropriate to protect public health? Thirdly, if not, is further or supplementary criteria needed and whose responsibility is it to develop and implement such criteria? An additional request was made in the Joint Committee letter of June 18, concerning the views of the FRC on the current status of legal authority and responsibility for invoking countermeasures or taking any other action should radioactivity from fallout reach undesirable levels.

On August 16, 1962, Congressmen Holifield and Price sent a letter to the FRC to further supplement the letter of June 18, 1962. The letter stated in part:

"The urgency of this review is pointed up by the recent resumption of atmospheric nuclear testing by the Soviet Union and reports of sharp increases in radioiodine levels in Nevada and Utah from U.S. tests. The latter situation, as you know, caused local public health officials in Utah to invoke plans for the diversion of fresh milk into forms carrying lower levels of radioactivity.

"We do not imply that the current levels of radioactivity have reached a danger point. Indeed, we are satisfied that they are apparently within the current acceptable limits of the radiation protection guides. However, we are not convinced that these guides presently apply to fallout, nor that they should apply to fallout as presently set forth.

* * * * *

"Thus, there is a necessity to clarify the meaning of the radiation protection guides in order that they may be understood by the public and by those officials of the Government who will have the responsibility for invoking countermeasures in the event radioactivity levels reach undesirable proportions."

The Federal Radiation Council, under the chairmanship of Chairman Celebrezze, replied by letter dated August 17, 1962. The letter pointed out the differences between fallout and other sources of radiation which the radiation protection guides were developed to control, stating:

"As applied to fallout, the guides can be used as an indication of when there is a need for detailed evaluation of possible exposure hazards and a need to consider whether any protective action should be taken under all the relevant circumstances.

"But once we are alerted to the need to consider protective action, the guides do not tell us when to act or what to do. These judgments require careful consideration of local conditions and the impact of available health protection measures. The Council believes that individual fallout situations require individual evaluation before a specific action is taken."

As a summary with respect to the guides, the Council stated: "The guides are not intended to be a dividing line between safety and danger. We have assumed that there is some slight risk to health from any level of radiation exposure, however low, even at or below the low levels set by the guides. At the same time we do not believe there is any risk of a major health hazard until exposure levels are many times above the guide levels. For example, this is borne out in relation to iodine 131 by the report to the Federal Radiation Council of the National Academy of Sciences, 'Pathological Effects of Thyroid Irradiation,' July 1962."

As to responsibilities for invoking protective measures, the Council stated: "Within the Federal Government, authority now exists under the Federal Food, Drug, and Cosmetic Act to control the shipment of adulterated food in interstate commerce. By definition, foodstuffs containing excessive radioactivity would be adulterated. States have the authority to control intrastate distribution or sale of adulterated foods, which would include foodstuffs containing excessive amounts of radioactivity. State food and drug laws vary widely in their scope and adequacy with respect to the problem of radioactivity in foods. The Public Health Service has the general responsibility to recommend appropriate health protection measures to States and local authorities and to the general public."

Congressmen Holifield and Price stated that the Joint Committee would study the FRC letter to determine whether the answers were adequate, but indicated: "We seem to be making some progress in clarifying this important subject."

Copies of the exchange of correspondence are attached.

Attachments: (1) Copy of letter June 18, 1962, from JCAE to Chairman, Federal Radiation Council, with attachment copy of letter January 16, 1962, from Congressman Holifield to the President; (2) copy of letter August 16, 1962, from JCAE to Jones, HEW; (3) copy of letter August 17, 1962, from Chairman, FRC, to JCAE.

Congress of the United States,
Joint Committee on Atomic Energy,
June 18, 1962.

Hon. Abraham Ribicoff,
Chairman, Federal Radiation Council,
Washington, D.C.

Dear Mr. Chairman: In reviewing the record of our recent hearings on "Radiation Standards, Including Fallout," there are apparently a number of unresolved questions, which had also been left open after our 1960 hearings on "Radiation Protection Criteria and Standards." The need for resolving these matters is increased by the recent resumption of atmospheric nuclear tests by the Soviet Union and the United States.

Our first question concerns the relation between the radiation protection guides (RPG) promulgated by the Federal Radiation Council and the incidence of radioactive fallout as a result of nuclear weapons testing.

At the 1960 hearings, Dr. Chadwick, then secretary of the FRC, was asked by Mr. Holifield whether the new radiation protection guides applied to "problems which may develop in relation to fallout." His response was: "Sir, as indicated in the testimony, special problems would require special consideration by the Council."

When requested by the committee to further clarify this matter, the Federal Radiation Council commented as follows: "The Council is aware that the numerical values of the radiation protection guides and radioactivity guides may also be interpreted to apply to normal peacetime situations in contrast to 'normal peacetime operations.' When used in this way, the guides may be considered to define environmental levels consistent with normal peacetime situations based on the levels of environmental radioactivity regardless of its source. In this sense, the graded series of ranges related to the intake of radioactive materials provided in Report No. 2 may be taken to indicate the general conditions under which special consideration must be given and possible corrective actions considered."

The testimony on this point at our recent hearings continued to be clouded. The testimony of Dr. Russell Morgan implied that countermeasures should be ordered when radiation doses reached, or showed signs of reaching, the levels prescribed in the radiation protection guides. The thrust of the recent National Advisory Committee on Radiation (NACOR) report is to the same effect.

Surgeon General Terry's statement, in releasing the NACOR report, was as follows: "If daily intakes are above this level (range II of the radiation protection guide) and into range III and are likely to persist, then exceeding the radiation protection guide becomes a distinct possibility, and in such circumstances countermeasures are to be considered."

It is thus the implication of the Surgeon General's statement, the NACOR report, and Dr. Morgan's testimony, that the FRC's radiation protection guides may be applicable in determining when unacceptable concentrations of radioactive nuclides from fallout have been reached.

On the other hand, we have seen plain evidence from the introduction to Report No. 1 of the Federal Radiation Council that, "Only peacetime uses of radiation which might affect the exposure of the civilian population are considered at this time." Report No. 2 repeated the statement contained in Report No. 1 that, "The guides recommended herein are appropriate for normal peacetime operations."

Furthermore, the guides have been repeatedly described as consistent with, and based on, the same evidence as NCRP levels and recommendations, which are universally acknowledged to be based on nonmilitary activities.

Moreover, testimony at our hearings, particularly that of Dr. Gordon M. Dunning of AEC, emphasized that the radiation protection guides are based on a balancing of risk against benefit in the context of peacetime operations and that to use them in deciding when to invoke countermeasures against fallout is an "improper use of those guides." Dr. Dunning emphasized that the questions of the applicability of the guides to fallout "should be clarified at once before there is further confusion and before there may be an ill-advised action taken by some regulatory body."

We deem it of utmost importance to have your response to the following questions:

1. Are the numerical values of the radiation protection guides established by the Federal Radiation Council the sole or principal criteria now used in evaluating when undesirable levels of radioactive nuclides from fallout have been reached?

2. If so, is this use of the present numerical values of the guides sufficient to indicate when and what action is appropriate to protect public health?

3. If not, is the development of further or supplementary criteria needed; and if so, is it the responsibility of the Federal Radiation Council or of the Public Health Service or others to develop and implement such criteria?

You are undoubtedly aware that the chairman of the Joint Committee, in a letter to the President dated January 16, 1962, suggested that the FRC should review the possible effect of fallout from proposed U.S. testing. We, of course, do not necessarily believe that the FRC guides should constitute the criteria if they were not so intended. However, we do believe that all significant additions of radioactivity to the environment including fallout should be reviewed by the FRC and evaluated against appropriate standards.

The other important matter left open after our hearings is, where does the legal responsibility and authority lie for invoking countermeasures?

During the testimony of the Surgeon General, he was asked the following question by the committee staff: "Does the Public Health Service have the legal authority to initiate such countermeasures as banning the sale of fresh milk and requiring special processes to decontaminate foodstuffs?"

His reply was: "We certainly have the responsibility for the surveillance and for making the recommendations. I am not absolutely certain just exactly where our legal authority is or how far our legal authority extends."

It was noted in the hearings that the actual implementation of countermeasures would have to be accomplished by State health authorities, but no indication was given as to whether the States have the necessary authority and means of administration to accomplish the countermeasures.

We believe it is extremely important that this matter be clarified, in order to alleviate public concern over the hazards of ionizing radiation and to minimize the possibility of uncoordinated and ill-advised actions being taken should certain radionuclides reach undesirable levels in the environment.

We wish, therefore, to request your views on the current status of legal authority and responsibility for invoking countermeasures or taking any other action, including any recommendations you may have in this regard.

Because we regard these matters as being of considerable importance and urgency, we would request your consideration at the earliest possible date. To that end we would like to suggest that our respective staffs should meet together on June 21 or June 22 to explore these problems further.

Your cooperation is appreciated.

Sincerely yours,

Melvin Price,
Chairman, Subcommittee on Research, Development and Radiation.
Chet Holifield, *Chairman.*

Congress of the United States,
Joint Committee on Atomic Energy,
August 16, 1962.

Mr. Boisfeuillet Jones,
Special Assistant to the Secretary (Health and Medical Affairs), Department of Health, Education, and Welfare, Washington, D.C.

Dear Mr. Jones: This is with further reference to our letter of June 18, 1962, to Secretary Ribicoff concerning the need for a reevaluation of the radiation protection guides established by the Federal Radiation Council and a further examination of the administrative means and legal authority for invoking countermeasures.

The urgency of this review is pointed up by the recent resumption of atmospheric nuclear testing by the Soviet Union and reports of sharp increases in radioiodine levels in Nevada and Utah from U.S. tests. The latter situation, as you know, caused local public health officials in Utah to invoke plans for the diversion of fresh milk into forms carrying lower levels of radioactivity. Recent newspaper reports state that this action by the Utah officials "came as a complete surprise to the U.S. Public Health Service" and was not coordinated with appropriate Federal officials.

You will recall that in our letter of June 18 that we stated: "We believe that it is extremely important that this matter be clarified, in order to alleviate public concern over the hazards of ionizing radiation and to minimize the possibility of uncoordinated and ill-advised actions being taken should certain radionuclides reach undesirable levels in the environment."

The recent evens in Utah demonstrate the very real importance of our earlier admonition. Moreover, in view of the resumption of Soviet atmospheric testing, we believe that incidents such as this may likely occur in the future in widely scattered portions of the United States. It is therefore important that the Federal Radiation Council proceed without delay with the consideration called for in our letter of June 18.

We do not imply that the current levels of radioactivity have reached a danger point. Indeed, we are satisfied that they are apparently within the current acceptable limits of the radiation protection guides. However, we are not convinced that these guides presently apply to fallout, nor that they should apply to fallout as presently set forth. We are heartened by the recent panel report of the National Academy of Sciences which indicates that no case of thyroid cancer ascribable to radioactive iodine has been found in man.

Thus, there is a necessity to clarify the meaning of the radiation protection guides in order that they may be understood by the public and by those officials of the Government who will have the responsibility for invoking countermeasures in the event radioactivity levels reach undesirable proportions. We do not want to see another cranberry emergency develop as a result of Government inertia or ill-timed action. Moreover, the authority under which these public officials act must have a clear legal basis, and efficient administrative machinery must be available to assure that any action taken will be prompt and well considered.

We hope that these matters will receive your prompt attention.

Sincerely yours,

Chet Holifield,
Chairman.
Melvin Price,
Chairman, Subcommittee on Research, Development and Radiation.

Federal Radiation Council,
Executive Office Building,
Washington, D.C., August 17, 1962.

Hon. Chet Holifield,
Chairman, Joint Committee on Atomic Energy, Congress of the United States, Washington, D.C.
Hon. Melvin Price,
Chairman, Subcommittee on Research, Development and Radiation.

Dear Mr. Chairmen: Your letter of June 18, 1962, points out that following the recent hearings of the Subcommittee on Research, Development, and Radiation of the Joint Committee on Atomic Energy, there were unresolved questions concerning the application of radiation protection standards. Following the questions are comments of the Council.

No. 1. Are the numerical values of the radiation protection guides established by the Federal Radiation Council the sole or principal criteria now used in evaluating when undesirable levels of radioactive nuclides from fallout have been reached?

No. 2. If so, is this use of the present numerical values of the guides sufficient to indicate when and what action is appropriate to protect public health?

Comments on first two questions: No, the guides are not the sole criteria used in evaluating the significance of fallout.

Since there has been widespread misunderstanding concerning these guides, it may be useful to explain how they were developed and how they are to be used.

As you know, to be prudent we assume that there is always some slight risk to health from any level of radiation exposure however low. Hence, setting basic radiation protection guidance involves a balancing between the requirements of total health protection (which, ideally, would tolerate no exposure) and the promotion of the use of radiation and atomic energy to achieve worthwhile benefits (which may involve exposure). With this principle in mind, the guides were originally developed for application as guidelines for the protection of radiation workers and the general public against exposures which might result during "normal peacetime operations" in connection with the industrial use of ionizing radiation. In this connection, as noted in Chairman Ribicoff's letter of June 1 to you transmitting "Comments on the major unresolved questions concerning the Federal Radiation Council" the term "normal peacetime operations" referred specifically to the peaceful applications of nuclear technology where the primary control is placed on the design and use of the source. Since the numerical values in the guides were designed for the regulation of a continuing industry, they were of necessity set so low that the upper limit of range II can be considered to fall well within levels of exposure acceptable for a lifetime. Furthermore, to provide the maximum margin of safety, the upper limits of range II were related to the lowest possible level at which it was believed that nuclear industrial technology could be developed.

It is necessary to watch the buildup of exposure levels as radiation exposures occur. A 1-year cumulative total has been recommended for this purpose. Obviously, this 1-year span is an arbitrary measure, and no special significance should be attached to the precise cumulative exposure at the end of a 365-day period. Far more relevant are the sources of the exposure, their frequency and their likelihood of continuing.

The guides are not intended to be a dividing line between safety and danger in actual radiation situations. Nor are they intended to set a line at which protective action should be taken or to indicate what kind of action should be taken. Some actions might in some circumstances be appropriate at levels below the guides. Other actions might be completely inappropriate and even harmful except at levels many times above the guide levels.

While the guides were not specifically designed for fallout situations, they have some relevance for the assessment of fallout conditions. There is, of course, an essential difference between environmental radioactivity resulting from a long-term or permanent industrial operation and that related to intermittent production from individual weapons tests or series of weapons tests. With the former, it is predictable that introduction of radioisotopes into the environment will persist at a known rate throughout the life of the source. On the other hand, weapons tests are likely to be sporadic in nature and the radioactivity produced will rise at the time of testing and decline at varying rates for different isotopes after conclusion of a test or series of tests. While "normal peacetime operations," for which the guides were recommended as appropriate, imply that environmental radioactivity will persist at a predetermined level throughout the human lifetime, that from fallout is likely to be extremely variable.

As applied to fallout, the guides can be used as an indication of when there is a need for detailed evaluation of possible exposure hazards and a need to consider whether any protective action should be taken under all the relevant circumstances.

But once we are alerted to the need to consider protective action, the guides do not tell us when to act or what to do. These judgments require careful consideration of local conditions and the impact of available health protection measures. The Council believes that individual fallout situations require individual evaluation before specific action is taken. Such an evaluation must involve a careful examination of the source and magnitude and duration of the probable exposure levels as well as a careful evaluation of the health significance of these probable exposures, and national security considerations are inevitably involved. The judgment as to when to take action and what kind of action to take to decrease exposure levels involves consideration of all of these factors. The guides have some relevance for making this judgment, but they do not and were never intended to provide the sole basis for deciding how and when to act. It must be kept in mind that radiation exposures anywhere near the guides involve risks so slight that countermeasures which themselves involve any slight hazard may have a net adverse rather than favorable effect on the public wellbeing.

In summary then, the guides are not intended to be a dividing line between safety and danger. We have assumed that there is some slight risk to health from any level of radiation exposure, however low, even at or below the low levels set by the guides. At the same time we do not believe there is any risk of a major health hazard until exposure levels are many times above the guide levels. For example, this is borne out in relation to iodine 131 by the report to the Federal Radiation Council of the National Academy of Sciences, "Pathological Effects of Thyroid Irradiation," July 1962.

No. 3: If not is the development of further or supplementary criteria needed and if so is it the responsibility of the Federal Radiation Council or the Public Health Service or others to develop and implement such criteria?

Comment: There is a continuing need for the devolpment of guidance in this field. In accordance with Public Law 86-373, "The Council shall advise the President with respect to radiation matters, directly or indirectly affecting health, including guidance for all Federal agencies in the formulation of radiation standards and in the establishment and execution of programs of cooperation with States." The appropriate Federal agencies will develop specific modes of action in accordance with such guidance.

Your letter of June 18 mentioned another important matter left open after the hearings, that of the legal responsibility and authority for invoking countermeasures.

Within the Federal Government, authority now exists under the Federal Food, Drug, and Cosmetic Act to control the shipment of adulterated food in interstate commerce. By definition, foodstuffs containing excessive radioactivity would be adulterated.

States have the authority to control intrastate distribution or sale of adulterated foods, which would include foodstuffs containing excessive amounts of radioactivity. State food and drug laws vary widely in their scope and adequacy with respect to the problem of radioactivity in foods. The Public Health Service has the general responsibility to recommend appropriate health protection measures to States and local authorities and to the general public.

In closing, on behalf of the Council, I should like to acknowledge the Joint Committee's responsible efforts to delineate problems relating to fallout requiring further study and clarification, and in promoting more widespread public understanding of the issues involved.

Sincerely yours,

ANTHONY J. CELEBREZZE,
Chairman.

Dollar Gap Must Be Cut

EXTENSION OF REMARKS
OF

HON. PHILIP J. PHILBIN

OF MASSACHUSETTS
IN THE HOUSE OF REPRESENTATIVES
Tuesday, August 28, 1962

Mr. PHILBIN. Mr. Speaker, there are a few reflections and views concerning the dollar gap that Congress, as well as the executive department, would be well advised to have in mind these days.

First, the basic reason for the gap is that we have been, and are, spending much more money abroad than we are earning abroad. As a consequence, having piled up over a period of years huge claims against our diminishing gold stocks, the impressive disbalance in our accounts hangs over our heads like the sword of Damocles.

The able, economic writer, Sylvia Porter, recently set forth some statistics in one of her columns that would seem worth repeating.

Last year, for example, we sold more than $19.9 billion of goods to foreign buyers, bought back over $14.5 billion. That gave us a fat merchandise export surplus of almost $5.4 billion.

In the same period, U.S. residents received as income on foreign investments over $3.6 billion, while foreigners received an income on investments here of $871 million, which gave us another substantial favorable balance in our payments accounts.

U.S. residents spent for tourism, transportation, and insurance abroad over $4.7 billion, while for similar services here, foreigners spent almost $4.4 billion, resulting in an unfavorable balance of about $400 million.

So far, so good, we can agree; but there is another side to the story. We spent abroad for military expenditures over $2.9 billion, while our military receipts here were only $406 million for this particular item, representing an unfavorable balance of more than $2.5 billion.

Our net private investments abroad—ranging from an extension of credits to other areas for purchase of foreign physical properties—came to more than $3.9 billion, while net private investments here in the United States came to $577 million, thus showing another unfavorable balance of $3.4 billion.

In addition, there is a very large sum of $2.1 billion which the U.S. Government transferred to foreign countries for economic aid and defense support aid, for which we got nothing in direct return although, of course, most of us are satisfied that a large part of this amount represents security insurance, so to speak, and vital strengthening of our free world allies.

There is another item of $954 million, which our Government invested abroad, not in outright gifts, but in loans—direct loans to the governments themselves, loans through the Export-Import Bank, subscriptions to the Inter-American Development Bank. All repayments on these loans were subtracted, so it is a net unfavorable balance of $954 million.

Another item was the $634 million which private U.S. sources sent to foreigners—money orders sent by Americans to relatives abroad, the so-called errors and omissions category coming to an impressive minus total of $616 million.

The principal point of the above figures is that when added up, the credits come to almost $28.9 billion for 1961, whereas the debits leave a deficit of nearly $2.5 billion.

Miss Porter is of the opinion that at this particular time—and I take it that she means after the huge sums we have sent overseas since World War II—the other nations of the free world could take over a much bigger share of the $5 billion burden we are carrying for military defense and economic aid.

She suggests that we might hike our earnings from tourism spending within the United States by a major amount and increase our income by exports of goods far beyond where it is, although it is not clear how this can be done.

The situation outlined would appear to add up to some conclusions which I have previously presented to the House concerning the dollar gap.

The two principal areas by which we can eliminate, or further reduce, the gap is to cut the fat out of foreign aid spending without, of course, impairing the essential purposes of foreign defenses and aid, and stepping up our export-import ratio.

At this time, I will not repeat my previous analysis of this ratio, but I would like once again to stress the fact that we cannot increase interest rates for the sake solely of keeping foreign capital here in this country, and we cannot tolerate augmenting imports without jeopardizing the integrity and strength of our own great, free, economic productive machine and inducing dangerous industrial depression and extensive unemployment in the country.

Admittedly, these are tough and complex questions to solve. Yet we must find the answers without further delay, if we are to avoid further serious impairment of the value of the dollar, lower social standards, and rising unemployment here.

Clearly, this is a job for tough-minded economists and realistic financiers, who will not allow purely altruistic values, however commendable, to impair practical judgments as to what is best for the United States.

The dollar gap does not stand by itself as an individual question. It is tied in inextricably with other political, economic, social problems—international and domestic—in a puzzling package that will continue to challenge and endanger our economic situation at home and abroad, unless we come up with early answers putting these components in a better, more practical perspective.

New Efforts To Achieve a Meaningful Test Ban Treaty

EXTENSION OF REMARKS

OF

HON. JEFFERY COHELAN

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, August 28, 1962

Mr. COHELAN. Mr. Speaker, in still another attempt to achieve a meaningful nuclear test ban treaty the United States and Great Britain have made a significant new proposal to the Geneva Disarmament Conference.

In their joint communique President Kennedy and Prime Minister Macmillan stated that:

> The United States and the United Kingdom cannot emphasize too strongly the urgency we attach to the problem of ending all nuclear tests once and for all. For the safety and security of all of us, this deadly competition must be halted and we, again, urge the Soviet Government to join with us in meaningful action to make this necessity a reality.

Mr. Speaker, I commend this statement and an excellent editorial which appeared in this morning's New York Times to our colleagues for their most serious attention and consideration:

STATEMENT BY PRESIDENT KENNEDY AND PRIME MINISTER MACMILLAN, AUGUST 27, 1962

A guaranteed end to all nuclear testing in all environments is a fundamental objective of the free world. We are deeply convinced that the achievement of this objective would serve our best national interests and the national interests of all the nations of the world.

In recent weeks the United States and the United Kingdom have renewed their efforts at the Geneva Disarmament Conference to reach this goal. Based on the latest scientific findings of our research program, we have put forward proposals in the strong hope of obtaining prompt agreement on this crucial issue.

As a further step in the direction of this long-sought-after goal, the United States and the United Kingdom have instructed their representatives at Geneva to present today at the 18 Nation Disarmament Committee a draft treaty containing proposals for an end to all nuclear testing in all environments as well as an alternative draft treaty providing for an end to nuclear testing in the atmosphere, underwater, and in outer space. We both believe the arrangements we have outlined in these documents for insuring compliance with the terms of the agreement—whether comprehensive or limited—are sound and reasonable providing, as they do, the necessary guarantees for our own security and the security of all nations which might become parties to either agreement. We wish to make clear the strong preference of the United States and the United Kingdom for prompt action on the first of them, namely, the comprehensive treaty. However, we are also prepared to conclude an early agreement on the basis of the second document, that covering a more limited field, if this represents the widest area of agreement possible at this time.

Unlike a ban on testing in all environments, including underground, a treaty banning tests in the atmosphere, underwater, and in outer space can be effectively verified without onsite inspections. Such a treaty would result in a definite downward turn in the arms race as it is represented by testing to develop weapons technology. It would make it easier to prevent the spread of nuclear weapons to countries not now possessing them. It would free mankind from the dangers and fear of radioactive fallout. Furthermore, agreement on such a treaty might be a first step toward an agreement banning testing in all environments.

The United States and the United Kingdom cannot emphasize too strongly the urgency we attach to the problem of ending all nuclear testing once and for all. For the safety and security of all of us, this deadly competition must be halted and we, again, urge the Soviet Government to join with us in meaningful action to make this necessity a reality.

A LIMITED TEST BAN

With the inexorable clock of history ticking away toward the moment when the atomic arms race may get wholly beyond control, the United States and Britain are making another serious attempt to persuade Soviet Russia to join them in a nuclear test ban. To this end, they have submitted to the Geneva disarmament conference two alternative draft treaties.

The first and preferable one calls for a total test ban under international control, including on-site inspection. But since Moscow flatly rejects as espionage onsite inspections by foreigners, the British and Americans are proposing an alternate treaty which Ambassador Dean rightly calls "far-reaching and epochal." This treaty would ban all nuclear weapons tests in the atmosphere, under water and in outer space—these are the ones that cause lethal fallout—and it would do so without onsite inspection or any international verification machinery.

This second draft treaty is an expansion of President Eisenhower's proposal in 1959 to ban atmospheric tests up to 30 miles altitude and the Kennedy-Macmillan proposal of last year to ban all atmosphere tests without additional controls. In that respect it goes even further than such proposals as the one recently made by Italy, which involved an international monitoring system, including onsite inspection by invitation. How far it really goes is shown by the fact that it drops the previous American demand for inspection of test preparations and it shelves misgivings that the new detection methods may still be unreliable for small atmospheric tests.

However, President Kennedy and Prime Minister Macmillan are confident that the latest scientific findings indicate that tests in the atmosphere, under water and in outer space can now be effectively verified without onsite inspections. It may be assumed that they base their conclusion on the results of the armada by secret American surveillance satellites going by such names as Midas, Samos, Satellite Inspector, and Vela.

The limited test ban, even if little more than another moratorium terminable on 60 days' notice, is clearly the best hope under present circumstances. It is all the more urgent because Communist China is believed ready for tests within months. The sincerity of Russian professions against nuclear testing can be judged, for all the world to see, by the Soviet Union's reaction to these latest United States-British proposals which make a major step toward the elimination of nuclear testing with its deadly fallout. If the rest of the world gets behind the Anglo-American proposals, the U.S.S.R. may yet be persuaded to soften its hostility toward the draft treaties. The future of mankind could well be at stake.

Anniversary Messages: U.S. Naval Dental Corps

EXTENSION OF REMARKS

OF

HON. L. MENDEL RIVERS

OF SOUTH CAROLINA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, August 28, 1962

Mr. RIVERS of South Carolina. Mr. Speaker, congratulatory messages was the order of the day when the U.S. Navy Dental Corps marked its 50th anniversary on August 22.

From the corpsmen on up to Rear Adm. C. W. Schantz, the officers and men of the Dental Corps richly deserve these tributes.

Even the President took time out of his grueling schedule to wire his greetings to the Corps. In the Medical News Letter, several of these glowing accolades were published, along with an interesting and detailed history of the Corps and the accomplishments of its dedicated personnel.

Under leave to extend my remarks in the RECORD, I hereby insert the newsletter so that all America may read of the outstanding work of this medical division:

ANNIVERSARY MESSAGES—U.S. NAVAL DENTAL CORPS

THE PRESIDENT
OF THE UNITED STATES,
Washington, D.C., March 28, 1962.

Rear Adm. C. W. SCHANTZ, U.S. Navy,
Assistant Chief of the Bureau of Medicine and Surgery (Dentistry), and Chief, Dental Division, Department of the Navy, Washington, D.C.:

I am happy to extend my greetings and congratulations to Admiral Schantz and the officers and men of the Dental Division of the Bureau of Medicine and Surgery on the 50th anniversary of the U.S. Naval Dental Corps.

The corps performs an important function in maintaining the health of the U.S. Navy and Marine Corps, and I am glad to have this opportunity to send the U.S. Naval Dental Corps my warm congratulations and best wishes for the tasks which still lie ahead of you.

John F. Kennedy.

The Secretary of Defense,
Washington.

To: The U.S. Naval Dental Corps, 1962.

Hearty congratulations on your 50th anniversary. Your half century of service has been a record of professional competence, praiseworthy accomplishments, and devotion to duty. Your corps has made remarkable progress in the field of dentistry.

We are proud to have your corps as an important member of the team that helps to maintain the overall health of Armed Forces of the United States. My best wishes for your continued success.

Robert S. McNamara.

The Secretary of the Navy,
Washington.

It is a sincere pleasure for me to extend warmest greetings to the U.S. Naval Dental Corps on the occasion of its 50th anniversary.

Your mission is vital to the maintenance of the overall health of the Navy and Marine Corps. The complexities of the modern defense machine demand a physical fitness unknown during the founding period of your fine corps. Yours is a direct contribution to this effort.

In addition, you exert a lasting influence upon the health of millions of our young men and women who serve their country in the U.S. Navy and Marine Corps. This influence carries over into the civil populace as these individuals return to their homes and families, thus adding to the overall health potential of our Nation.

May the U.S. Naval Dental Corps, through pursuit of its vigorous programs of education and research, continue in its prominent position of leadership in the dental profession throughout the civilized world.

Fred Karth.

Chief of Naval Operations.

It is a sincere pleasure to extend warm and hearty congratulations to the U.S. Naval Dental Corps on the occasion of the 50th anniversary of its founding. Your contributions to the overall health of officers and men of the Navy and Marine Corps are without question a vital factor in the successful completion of our many and varied duties.

The many requirements placed upon these who man our ships, aircraft, shore stations, and Marine units make it necessary that all personnel concerned attain the highest possible degree of physical fitness. Your outstanding efficiency, technical achievements, and superb leadership today are a major part of our program of keeping people fit and will be of even greater value in the days to come.

George W. Anderson,
Admiral, U.S. Navy.

Headquarters, U.S. Marine Corps,
Office of the Commandant,
Washington, D.C.

Rear Adm. Curtis W. Schantz, D.C.,
Assistant Chief, Bureau of Medicine and Surgery, Chief, Dental Division, Department of the Navy, Washington, D.C.

Dear Admiral Schantz: It is a genuine pleasure to extend heartiest congratulations and best wishes from the U.S. Marine Corps to you, and to all the members of the Navy Dental Corps, on the 50th anniversary of your splendid organization.

Since its founding on August 22, 1912, the Navy Dental Corps has established a fine record of devotion to duty and high professional competence. We Marines hold all of you in high esteem.

Warmest personal regards and every good wish for the continued success of the Navy Dental Corps.

Sincerely,

David M. Shoup,
General, U.S. Marine Corps,
Commandant of the Marine Corps.

The Surgeon General of the Navy.

It is my pleasure to extend sincere congratulations to the Navy Dental Corps on the occasion of its 50th anniversary.

Throughout these years dental care for Navy and Marine Corps personnel has kept pace with the tremendous advances in dental techniques and materials. Significant contributions by Navy dental officers have been made in the broad areas of dental caries, oral pathology, and high-speed techniques. Both residency training and postgraduate level education have been vigorously conducted to improve and increase clinical capability. Dental officers have increased their proficiency in general anesthesia prior to assignment to sea duty and thereby give invaluable support to the medical officer during surgical procedures.

As spokesman for the other corps of the medical department I am privileged to publicly acclaim your importance as a component of the medical team. Working together we can truly accomplish our mission of protecting the health and physical fitness of the serviceman.

E. C. Kenney,
Rear Admiral, Medical Corps,
U.S. Navy.

Department of the Navy,
Bureau of Medicine and Surgery,
Washington, D.C.

To: Members of the U.S. Naval Dental Corps and Reserve components.

On the occasion of the 50th anniversary of the founding of the U.S. Naval Dental Corps, I offer a warm and cordial greeting to all those whose unceasing efforts have been directed toward the building of the professional reputation enjoyed by us today.

It is a time for us to reflect upon our past achievements; it is also a time for us to plan for even greater accomplishments ahead. Progress is never static. Many of those who have gone before us set their sights on goals that were often beyond the horizon; they, however, possessed the fortitude to chart a forthright course, often through stormy seas, to secure the fulfillment of their vision. It is this spirit that has been the driving force behind the leadership of the U.S. Naval Dental Corps.

Our heritage, therefore, demands that we, the members of the Dental Corps of 1962, accomplish our everyday tasks and surmount our everyday problems in a manner that will be a source of pride to those who will celebrate our centennial, 50 years hence. This will often demand personal sacrifices, not without some misgivings, but our deeds pervade our future. I, therefore, proudly extend to all members of the U.S. Naval Dental Corps, past and present, Regular and Reserve and to all those who work with us, a well done and sincere anniversary wishes.

C. W. Schantz,
Rear Admiral, Dental Corps, U.S. Navy, Assistant Chief of the Bureau of Medicine and Surgery (Dentistry), and Chief, Dental Division.

American Dental Association,
Chicago, Ill.

Rear Adm. Curtiss W. Schantz,
Assistant Chief for Dentistry, and Chief, Dental Division, Department of the Navy, Bureau of Medicine and Surgery, Washington, D.C.

Dear Admiral Schantz: It is my pleasure to extend to all officers of the Navy Dental Corps, Active, Reserve, and retired, the heartfelt congratulations of the members of the American Dental Association on the occasion of the corps' golden anniversary.

The officers of the Navy Dental Corps, through their extraordinary devotion to the improvement of the dental health of Navy personnel and their intimate concern for the stability of the corps as an essential and autonomous arm of the Navy health team, have earned the unstinting admiration of the entire dental profession.

On behalf of the more than 98,000 members of the American Dental Association, I am privileged to extend all good wishes for continued success and good sailing to all members of the Navy Dental Corps.

Cordially,

John R. Abel, D.D.S.,
President.

The U.S. Naval Dental Corps

(Rear Adm. C. W. Schantz, Dental Corps, U.S. Navy, Assistant Chief, Bureau of Medicine and Surgery (Dentistry), and Chief, Dental Division)

Fifty years have passed since President Taft, on August 22, 1912, signed a bill passed by Congress authorizing the appointment of "not more than 30 acting assistant dental surgeons to be a part of the Medical Department of the U.S. Navy." Although the event marked the establishment of the U.S. Naval Dental Corps, its roots may be traced backward for well over 100 years. For it was in 1844 that Dr. Edward Maynard, a dentist in Washington, D.C., first advocated a Dental Corps for the U.S. Army and for the U.S. Navy. Numerous letters substantiate his efforts. During the years that intervened, many additional attempts were made to provide regular dental care in the U.S. Navy.

There were, however, dentists and dental apprentices in the U.S. Navy before the establishment of a Dental Corps. Thomas O. Walton, D.D.S., graduate of the Baltimore College of Dental Surgery in 1856, was the first graduate dentist to serve as an officer in the Navy. Appointed as an Acting Assistant Surgeon, he served in the Medical Department of the U.S. Naval Academy from April 22, 1873 to June 30, 1879. The following year he was appointed as a civilian contract dentist and in that capacity provided dental care for the midshipmen until 1899. In November of 1899, Dr. Richard Grady succeeded Dr. Walton at the Naval Academy as a contract dentist. Dr. Grady was later commissioned in the U.S. Naval Dental Corps following its establishment.

Elsewhere, when available, dental care was accomplished by limited numbers of hospital stewards, with varying amounts of training in dentistry, who were enlisted in the Navy. In 1903, Navy Surg. Gen. P. M. Rixey stated that "this arrangement * * * is not satisfactory to the Bureau and is neither just to the men nor pleasing to the dental profession." In 1904, Edward E. Harris, D.D.S., became the first graduate dentist to enlist in the Navy as a hospital steward performing dental treatment exclusively. Remaining in the service, he was commissioned in the Dental Corps after its establishment. Others followed Dr. Harris in a similar capacity.

Granted the authority by Congress to establish a Dental Corps, the Secretary of the Navy appointed Emory A. Bryant, D.D.S., and William N. Cogan, D.D.S., to form the corps. Dr. Bryant was a practicing dentist in Washington, D.C.; Dr. Cogan resigned as dean of Georgetown University Dental School to accept his appointment. The first examining board for the selection of dental officers to serve in the U.S. Navy met in November-December 1912 in Washington, D.C. It was comprised of the following members: Lt. Cmdr. Richmond C. Holcomb, Marine Corps, U.S. Navy, president; Acting Assistant Dental Surgeon Emory A. Bryant; Acting Assistant Dental Surgeon William N. Cogan; William F. Murdy, hospital steward, clerk.

William F. Murdy was graduated later from dental school and entered the Dental Corps in 1918. The following candidates who were successful before the first examining board were appointed in January 1913: Dr. Harry E. Harvey, Dr. James L. Brown, Dr. Eugene H. Tennent, and Dr. Joseph A. Mahoney. In April of 1913, the first officers were appointed to the Naval Dental Reserve Corps as follows: Dr. Williams Donnally, Washington, D.C., Dr. Vines Edmunds Turner, Raleigh, N.C., and Dr. George C. Kusel, Swarthmore, Pa. The foregoing appointees also constituted the first board for the selection of officers of the Navy Dental Reserve Corps.

On March 5, 1913, Acting Assistant Dental Surgeon H. E. Harvey reported to the U.S.S. *Solace* as the first dental officer ordered to a ship. On April 27, 1913, Acting Assistant Dental Surgeon James L. Brown was ordered to the U.S. Naval Station, Guam, as the first dental officer to serve at an oversea base. On August 4, 1913, Acting Assistant Dental Surgeon Lucian C. Williams, the first dental officer ordered to Marine Corps duty reported to Parris Island, S.C. Thus, were the beginnings of recognized dental care in the U.S. Navy.

It should be noted that dental officers appointed under the act of 1912 were not commissioned, although the act made provision for commissioning "at the end of 3 years." The early appointees held the relative rank of lieutenant (junior grade) and wore the insignia of such rank. The Reorganization Act of August 29, 1916, granted dental surgeons the rank, pay, and allowances of lieutenants (junior grade). It provided further for advancement to the ranks of lieutenant and lieutenant commander.

A young and inexperienced organization, the Dental Corps faced the specter of war in less than 5 years after its establishment. Records indicate that 35 officers were on active duty April 6, 1917, the date marking the entrance of the United States into World War I; a peak of 500 officers was reached before the war ended. In spite of its youth, the Dental Corps, nevertheless, had its heroes in World War I. Two of its members were decorated with the Nation's highest award, the Medal of Honor: Lt. (jg.) Weeden E. Osborne, Dental Corps, U.S. Navy, the first naval officer to meet death in the land fighting overseas, "in helping to carry the wounded to a place of safety" and Lt. (jg.) Alexander G. Lyle, Dental Corps, U.S. Navy, "for extraordinary heroism and devotion to duty."

Following World War II, the Dental Corps entered a period of consolidation. Although dental officers had served previously in the Bureau of Medicine and Surgery, it was in 1922 that a Dental Division was established to "care for the technical needs of the corps." In 1923, a dental school was created as a Division of the U.S. Naval Medical School. The latter event marked the embarkation upon a course that has greatly influenced the professional excellence of the corps through the years. Notwithstanding the fact that dental officers were granted the pay and allowances of the ranks of commander and captain in 1918, it was not until 1926 that the ranks were authorized. Although 14 officers were selected for the rank of commander the same year, it was not until 1937 that dental officers were promoted to the rank of captain. In 1942 the rank of rear admiral was authorized, Capt. Alexander G. Lyle, Dental Corps, U.S. Navy, being the first dental officer to be so honored.

The economic crisis that faced the United States in the thirties was reflected in the U.S. Naval Dental Corps. In 1932, the Naval Dental School was closed when budgetary limitations caused retrenchments. Further, six officers who held temporary appointments were assigned temporary duty with the U.S. Army in 1933 for service with the Civilian Conservation Corps. In 1936, the U.S. Naval Dental School was reopened, this time as a part of the Naval Medical Center, Washington, D.C. Significantly, Comdr. John V. McAlpin, Dental Corps, U.S. Navy, was ordered as dental officer in command, the first dental officer to be so titled.

In the early 1940's, for the second time since the establishment of the Dental Corps, war clouds loomed on the horizon. The corps expanded to the extent that 759 officers were on active duty at 347 dental facilities on December 7, 1941—the morning of the attack on Pearl Harbor. The peak of World War II saw 7,026 dental officers on duty at 1,545 installations, the largest of which was Great Lakes, Ill., with 459 officers. Of significance during World War II, the U.S. Naval Dental School was commissioned as a part of the National Naval Medical Center in 1942; the first woman dentist in the Armed Forces, Lt. Sara G. Krout, Dental Corps, W–V (S) U.S. Naval Reserve, reported to Great Lakes in 1944; and an effort gained momentum for increased self-administration for the Dental Corps. The latter was climaxed in December 1945 with the approval of the bill, Public Law 284, "To provide more efficient dental care for the personnel of the U.S. Navy."

But there was another side to the Dental Corps in World War II. At all operations, dental officers and dental technicians carried out regular duties, assisted in the sick bays and operating rooms, administered supportive therapy, gave anesthetics, and aided in identifying the dead. In that major conflict it may be said that few engagements took place without the active participation of the dental officer serving with his unit. Proportionately, each contributed his share in all the heroic efforts of each campaign. The following list of awards is some measure of their accomplishments:

Silver Star Medal	12
Legion of Merit	3
Navy and Marine Corps Medal	3
Bronze Star Medal	27
Commendation Ribbon	48

The following officers made the supreme sacrifice for their country in that conflict:

KILLED IN ACTION

Lt. Comdr. Hugh R. Alexander, Dental Corps, U.S. Navy, December 7, 1941, U.S.S. *Oklahoma*, Pearl Harbor.

Lt. Edward A. Baumbach, Dental Corps, U.S. Naval Reserve, November 13, 1942, U.S.S. *Juneau*, Guadalcanal.

Lt. Thomas P. Capps, Dental Corps, U.S. Naval Reserve, November 24, 1943, U.S.S. *Liscombe Bay*, Tarawa.

Lt. James S. Gate, Dental Corps, U.S. Naval Reserve, July 25, 1944, 4th Marine Division, Tinian.

Lt. Comdr. Thomas E. Crowley, Dental Corps, U.S. Navy, December 7, 1941, U.S.S. *Arizona*, Pearl Harbor.

Lt. Stanley E. Ekstrom, Dental Corps, U.S. Naval Reserve, October 24, 1944, U.S.S. *Birmingham*, Philippine Islands.

Lt. Gilbert F. Gorsuch, Dental Corps, U.S. Navy, November 12, 1942, U.S.S. *Erie*, Atlantic.

Lt. Comdr. Earl O. Henry, Dental Corps, U.S. Naval Reserve, July 30, 1945, U.S.S. *Indianapolis*, Philippine Islands.

Lt. Charles W. Holly, Jr., Dental Corps, U.S. Navy, March 1, 1942, U.S.S. *Langley*, Indian Ocean.

Lt Comdr. Farrell W. Keith, Dental Corps, U.S. Naval Reserve, March 1, 1942, U.S.S. *Houston*, Java Sea.

Lt. (jg.) Stephen M. Lehman, Dental Corps, U.S. Naval Reserve, July 4, 1944, 4th Marine Division, Saipan.

Lt. (jg.) Thomas R. McIntyre, Dental Corps, U.S. Naval Reserve, October 30, 1944, U.S.S. *Franklin*, Okinawa.

Lt. Edward J. O'Reilly, Dental Corps, U.S. Navy, August 24, 1942, U.S.S. *Astoria*, Solomons.

Lt. (jg.) Carol W. Peterman, Jr., Dental Corps, U.S. Naval Reserve, July 8, 1944, LST–384, France.

Lt. Robert W. Seegar, Dental Corps, U.S. Naval Reserve, May 1, 1945, U.S.S. *Terror*, Okinawa.

Lt. Comdr. Laurice A. Tatum, Dental Corps, U.S. Naval Reserve, September 15, 1942, U.S.S. *Wasp*, Guadalcanal.

Comdr. Wadsworth C. Trojakowski, Dental Corps, U.S. Navy, May 8, 1942, U.S.S. *Lexington*, Coral Sea.

Lt. Miller C. Wonn, Dental Corps, U.S. Naval Reserve. February 21, 1945, U.S.S. *Bismarck Sea*, Iwo Jima.

DIED AS PRISONERS OF WAR

Lt. Comdr. James A. Connell, Dental Corps, U.S. Navy, May 6, 1942, Navy Yard, Cavite, Philippine Islands.

Lt. (jg.) Robert G. Herthneck, Dental Corps, U.S. Navy, May 6, 1942, Navy Yard, Cavite, Philippine Islands.

Lt. Henry C. Knight, Dental Corps, U.S. Navy, May 6, 1942, 4th Marine Regiment, Philippine Islands.

Lt. Alfred F. White, Dental Corps, U.S. Navy, May 6, 1942, U.S.S. *Canopus*, Philippine Islands.

Following demobilization, the dental corps faced its problems—the implementation of Public Law 284, officer retainment and career attractiveness, a broadening educational program, opportunities for dental research, assignment of dentists trained in the Navy V–12 program to the Army and Air Force, and others. In 1946, the U.S. Naval Dental Clinic, Brooklyn, N.Y., was established as the first of 11 such dental installations under the command of a dental officer and under the management control of the Bureau of Medicine and Surgery. The outbreak of the Korean incident in June of 1950 found the dental corps with 1,003 officers on duty and the need for another buildup. The latter was given impetus by passage of the doctors draft law which established priorities for service based on previous military service and training. During the peak, over 1,900 dental officers assisted by 4,700 dental technicians carried on operations at 480 facilities. Frontline dentistry with the marines in Korea was performed either in trucks converted to mobile dental units or in quonset huts.

Ever alert for progressive change, a program was originated in April 1955 that eventually would convert most dental operating units in the Navy to higher speeds. The initial conversions were to belt-driven handpieces and later to turbines. The Dental Corps is proud of its part in the high-speed revolution, inasmuch as the air turbine and ultrasonic vibration instruments developed at the U.S. Naval Dental School played important roles in the radical changes in dental instrumentation during this period. Pioneer models of both instruments are on display at the Smithsonian Institution, U.S. National Museum, Washington, D.C.

As the U.S. Navy entered the nuclear and space age, the Dental Corps was challenged with new problems. The complexities of the new Navy made it imperative that the health of its men be brought to higher levels of perfection to eliminate "every possible cause for impairment of the sense of coordination." Accordingly, new Navy dental research programs were directed toward closed environment and cold weather studies. The former were to better prepare Navy men for trips into outer space, and trips of prolonged periods beneath the seas in nuclear powered submarines. The cold weather studies were in support of the various Navy programs in the Polar regions. A sequel to the latter was the founding of the Antarctic Dental Society by four members of the U.S. Naval Dental Corps in December 1956. In the same year, the Dependents Medical Care (Medicare) Act became effective. It was of major import in that it made 130,000 dependents at oversea bases and remote areas eligible for routine dental care without authority for compensatory increases in dental personnel. The Dental Corps, however, accepted it in stride.

During the fifties, significant developments in broadening the Dental Corps' education program included: production of a casualty care training manikin, "Mr. Disaster"; publication of a "Color Atlas of Oral Pathology;" and creation of an extension training program covering dental clinic administration, in addition to a series of professional subjects. Another major highlight in the history of the U.S. Naval Dental Corps was marked with the commissioning of the nuclear powered U.S.S. *Long Beach* in September 1961, and in November of the same year, the U.S.S. *Enterprise*. In this manner, dental treatment in the U.S. Navy under nuclear power was initiated as a routine procedure.

Thus, after 50 years of steady progress, the U.S. Naval Dental Corps as an integral component of the Medical Department of the U.S. Navy reflects with due humility upon its previous accomplishments, and passes its heritage as a challenge to the future to maintain its worldwide leadership in the profession of dentistry.

Remarks of Hon. Willliam M. Tuck, of Virginia, at Sayler's Creek Battlefield Park

EXTENSION OF REMARKS

OF

HON. W. J. BRYAN DORN

OF SOUTH CAROLINA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, August 28, 1962

Mr. DORN. Mr. Speaker, our distinguished and esteemed colleague, the Honorable William M. Tuck, former Governor of Virginia, made an eloquent and exceptionally well received address at the Sayler's Creek Battlefield Park, Va., on August 19.

It was a manifestation of the highest esteem when Governor Tuck was selected to address the huge gathering. Governor Tuck has dedicated a lifetime of devoted service to his great State of Virginia and to the Nation. As a member of the Civil War Centennial Commission, he made a great contribution to the proper commemoration of the gallantry and courage of the soldiers both North and South. In the following splendid address, Governor Tuck paid tribute to the fortitude and loyalty of the southern soldier as he faced the inevitable.

I commend to our colleagues and to the country Governor Tuck's outstanding address:

EXCERPTS OF REMARKS MADE BY REPRESENTATIVE WILLIAM M. TUCK, OF VIRGINIA, AT SAYLER'S CREEK BATTLEFIELD PARK, SUNDAY, AUGUST 19, 1962

Mr. Chairman, ladies, and gentlemen, I am indeed grateful to my friend and colleague, the Honorable Watkins M. Abbitt, for the gracious and generous introduction which he has given me. I have known Watt Abbitt for many years. I have been closely associated with him in the public life of Virginia for the last 20 years and our associations have been particularly close during the past 10 years as Representatives of adjoining districts in the U.S. Congress. While I am much older than he in years, he is my senior in service at Washington and I lean and rely heavily upon him for counsel and advice in respect to the great problems which confront our Commonwealth and our country. Watt Abbitt is endowed with sterling qualities of character. He is able and energetic. His heart is attuned to the highest public good. He is devoted to the interest of the people of his district and State. He is a firm adherent to the principles which have made our State and Nation great, and it is a tribute to him which he richly merits and deserves to be renominated and reelected to another term in the Congress without opposition either in the Democratic primary or in the general election.

I would at this time also like to commend the citizens of Amelia, Nottoway, and Prince Edward for their cooperation with our State department of conservation and economic development in the establishment of this shrine and in this expression of appreciation of the improvements made by the agencies of the State and local governments. Likewise, I commend the citizens of this section of the State and the various committees for their leadership in rededicating these premises and these surroundings to the gallant men who fought here on that dark sixth day of April 1865.

I am proud to be associated with you on this occasion for I recall that I was a member of the Senate of Virginia in 1934 when former Senator Robert K. Brock, of Prince Edward, introduced the resolution to establish this park and to appropriate the sum of $1,500 to assist in acquiring the property. While still a member of the senate, during the session of 1940, I was glad to join with him and the late distinguished senator from Hanover, the Honorable Henry T. Wickham, in sponsoring a bill appropriating $25,000 for the purchase of additional lands. Senator Brock respects and loves history and appreciates the values that a knowledge of history brings to our citizenship and he has thus wrought well for his section and for his State.

Sayler's Creek Battlefield Park is a State park and is the only State-owned battlefield park in Virginia, and is one of only a few such in the entire United States. This is worthy of comment and notice on this occasion because of the growing spirit of our American people in turning to Washington for financial help and appropriations from a sadly depleted if not indeed exhausted Federal Treasury.

It is a distinct privilege for me to join with you on this occasion because of my love for the Confederacy and for the principles for which it stood and for which our forefathers contended on the field of battle. I am glad to be able to say that both of my grandfathers were Confederate soldiers, and one of them, whose identical name I am proud to bear, commanded and led his company in Pickett's immortal charge at Gettysburg on July 3, 1863.

It is incumbent upon us, the living, to pass on to future generations the story of the Confederacy, to commemorate the battlefields, to decorate and make them as interesting and attractive as we can so that the people, not only of our State, but of the Nation, may come and worship at these shrines and thus enhance and exalt the spirit of patriotism which lingers in the breast of every true American.

The 6th day of April 1865, was a bleak date in the annals of the Army of Northern Virginia. Only a few months back, the bugles of fate had blown taps across the heart of the South. A great many did not hear it, or, if hearing, disbelieved the sound. But in the mud that marked this very spot then, in the sounds of the very realistic artillery, in the bark of the infantry rifles and the spatter of the cavalry pistols, a great many knew that the end could scarcely be delayed beyond the summer that was coming.

But still they stood fast, enough of them, certainly, to hold the thin lines.

Just 4 days prior to that April 6, Lee's lines at Petersburg broke. A less enterprising general, bowing to obvious odds, might have surrendered then. But not the South's leader who on two occasions had taken the Stars and Bars into the land of the enemy and brought it back a symbol for future generations. Lee put his army in motion from Petersburg, heading toward the south and west, hoping to reach Gen. Joseph E. Johnston, still fighting in North Carolina, or at least to gain the protection of the mountains.

On April 5 his troops converged on Amelia Court House, expecting there to find rations, but the rations were missing—they had been captured—and the enemy was threatening. Seven miles to the southwest at Jetersville, Sheridan's cavalry and Griffin's corps were in position to block his retreat. A little farther away were the corps of Humphreys and Wright, all adding up to too much strength for Lee to contest. His only hope was speed, to move his hungry troops faster than the Federals could move, to take them to the southwest toward Rice Station, where he might get supplies from Lynchburg, by way of Farmville, on the Southside Railroad.

But speed could not come from an army that was starving. There had not been much food in the lines at Petersburg. There was none along the roads of southside Virginia over which he had to march. Speed could not come from horses that were too weak to struggle, nor from men who were so weak and tired that many of them dropped helplessly along the wayside.

But Lee, the soldier, hoping to regain the day that had been lost at Amelia, pushed on. He put his sagging troops on the road that night of April 5, directing them due west 12 miles or so toward Rice after which they would head for Farmville, where other supplies should be waiting. It was a slow stumble over crowded roads, where confusion ruled and panic easily was spread. And where human beings, weakened by lack of food and lack of rest, were subject to error.

In the van marched Lee's workhorse, one of his most trusted officers, Gen. James Longstreet. Next came General Anderson and then Gen. Richard Stoddord Ewell. In between them were wagons, long lines of them, awkward carriers slowing the men on foot, and sometimes needing their shoulders to escape from mudholes that had become too much for the weakened horses. The rearguard was under command of Gen. John B. Gordon, another officer as veteran as any of those in front of him.

Lee had nothing to cheer him, save the association of those valiant warriors, and there was certainly no cheer in the note that was found in the shoe of one of two spies captured along the roadside after passing Amelia. It was dated that day at Jetersville by General Grant, and it directed Union General Ord to move at 8 o'clock next morning and to take position from which he could watch the roads between Burkeville and Farmville. "I am strongly of the opinion," wrote Grant, "that Lee will leave Amelia tonight to go south." This message brought the first certain information Lee had that Ord's troops, from the north side of the James, the most distant Federal units, were on his heels.

The note was brought to Lee while he stood at a broken bridge over Flat Creek, just after dining at "Selma," the home of Richard Anderson, 2 miles from Amelia Springs.

Lee realized that speed remained his only tactical weapon. The army must continue throughout the night and on into the day, with only such brief rest as was imperative. But beyond Deatonsville, 5 miles west of

Amelia Springs, all of his troops and all of his vehicles must use the same road. Moreover, another road ran parallel, offering a route from which the Federals could make dashes against his wagon trains.

Longstreet and Lee reached Rice in the forenoon of the 6th. Farmville was 8½ miles away by rail, 7 by the old highway. Awaiting them there was news that 600 to 700 Union cavalrymen had passed up the road toward Farmville.

This was bad news, for it indicated forces had been sent to burn the bridges over the Appomattox. Lee knew he was passing through poor ground for a retreat. The country on either side of the Appomattox, as we know, was rolling and cut by smaller streams. Particularly dangerous was the ground on the approach to Rice, over which still must pass the center and rear guard of his column—Anderson and Ewell and Gordon and the long line of wagons. Over nearly the whole of this landscape grew dark pine woods, broken by scattered plantations and a few small farms—the perfect stage for a military tragedy.

Behind him the divisions still to come up were toiling over the bad roads that led down to the two forks of Sayler's Creek. Continuously in this advance the infantry had to move out and form line of battle to repulse Union cavalry attacks. The energy of the Federals seemed exhaustless. Driven off, they soon galloped back along different roads, heckling, taunting, waiting for the kill.

Immediately behind Ewell and Anderson and ahead of Gordon and the rearguard moved a wagon train. Around eleven o'clock in the morning the attacks on this train came so frequently that Ewell and Anderson ordered their troops to the side of the road to let the wagons move farther toward the head of the column. But the division in advance of Anderson was not notified of this halt, and it kept moving, opening a gap in the line. This gave the Federals an advantage. They dashed in and blocked the road.

Anderson advanced to drive off the enemy, and Ewell went back to turn the wagons to the right along a road that lead to a less exposed lower crossing of Saylers Creek. But Ewell failed to notify Gordon of this change of routes, and Gordon followed the wagons as had been planned, leaving Ewell's rear unprotected.

Here was human failure, failure not characteristic of the Army of Northern Virginia. We must assume the answer—that it was lack of food and loss of sleep.

As soon as the action in front and the diversion of wagons caused Anderson and Ewell and Gordon to become separated, the Federals prepared for attack. It came, and the Confederates fought back. Ewell's troops, about 3,000 clerks and Richmond howitzers and other defenders of smoldering Richmond, including the naval contingent from the James River, fought bravely and madly. The Federals recoiled. At the peak of the fighting, Col. Stapleton Crutchfield, commander of the heavy artillery on hand, fell dead. His body was found lying here on the side of the creek with a bullet through the head.

But the Federals came back, and they came back in greater numbers—Sheridan, Custer, Devin, Crook, Wheaton, Seymour, Getty, Gregg, Humphreys, Wright, and others, all with strong forces. Ewell's and Anderson's commands, with the exception of Wise's brigade and Bushrod Johnson's division, were captured. The command led by Custis Lee, the son of the great southern chieftain, was enveloped, and he surrendered. Ewell was trapped and taken prisoner, but Anderson managed to escape.

Prominent officers on both sides fell. Among the Confederates were Brig. Gen. James Dearing, Col. Reuben B. Boston, and Maj. James W. Thomson. The Federals lost Brig. Gen. Theodore Read, leader of the infantry, and Col. Francis Washburn, commander of the cavalry.

The fighting was so fierce that Anderson quickly lost 1,500 in killed, wounded, and captured. As one Confederate reported, "Everywhere you looked there was a Yankee standing with gun raised and shouting, 'Surrender.' "

After knocking out Anderson and Ewell, the Federals concentrated on Gordon. About 6 o'clock in the evening they struck him heavily in front and on both flanks.

"They struck my command," Gordon reported, "while we were endeavoring to push the ponderous wagon trains through the bog, out of which the starved teams were unable to drag them. Many of the wagons, loaded with ammunition, mired so deep in the mud that they had to be abandoned. It was necessary to charge and force back the Union lines in order to rescue my men."

Gordon's exhausted soldiers broke, got across the creek as best they could and formed again, after a fashion, in the darkness on the west bank.

The total Confederate losses for the day were between 7,000 and 8,000 men, leaving Lee only 15,000 to fight off an army of 80,000 well-fed and well-armed Federals. Percentagewise it was the greatest loss of any battle in the war.

Off on a hill west of the scene of the fighting around Saylers Creek, Lee sat on his horse and looked down on a disaster that was in full view. Teamsters hurried past with their teams and dangling traces—no wagons. Troops retreated without guns, many without hats, a harmless mob. Pressing against them were the massive columns of the enemy.

The immortal Lee straightened in his saddle and exclaimed as if talking to himself: "My God, has the army dissolved?"

Lee still hoped to outmarch the enemy, to cross the Appomattox and burn the bridges behind him, after which his troops would be allowed some much needed rest. When he had reached Rice that morning and learned that several hundred Federals were moving toward Farmville and the bridges across the Appomattox, he sent General Rosser's cavalry to head them off. Near High Bridge, the two forces met, and in the ensuing fighting the Union troops were driven back and nearly 800 of them captured.

Night brought no relief. Scattered commands were gathered in the darkness, and the march was continued. The weather was chilly—snow fell the next day at Burkeville—and this added to the suffering of men who could scarcely drag one leg past the other.

The Confederates got across the Appomattox and set the bridges afire behind them. But the Federals were too close in pursuit. They extinguished the flames before the bridges were badly damaged and dashed across on the heels of Lee's men.

The first of the Southerners to reach Farmville found rations awaiting them in cars standing on the tracks. But before these could be widely distributed, the enemy was pushing in, and the trains were hurriedly sent off in the direction of Lynchburg, in the hope that they might be stopped again at some convenient point on the track that paralleled the road along which the army must renew its retreat.

For the first few miles past Farmville, the road ran northward. Lee's men pushed on. One of their artillerists described the scene:

"Horses and mules dead or dying in the mud. * * * The constant marching and fighting without sleep or food are rapidly thinning the ranks of this grand old army. Men who have stood by their flags since the beginning of the war fall out of their ranks and are captured, simply because it is beyond their power of physical endurance to go any farther."

But some of the men preserved their sense of humor. A famished, ragged North Carolinian was surrounded by Union cavalrymen "Surrender, surrender," they shouted "We've got you."

"Yes," said the North Carolinian, dropping his gun, "you got me, and a hell of git you got."

There is a burning meaning in this soldier's cynical answer. For the man, clothing, and remnants of sinew meant nothing to the point of despisement. He was in the lines—still in the lines responding to some powerful imperatives. Nothing was left of him but the spirit. There is no application of the word "defeat" to such a spirit. The nameless man and the thousands of Confederates about him were precisely as the Greeks at Thermopylae, where the simple inscription says, "Stranger, go tell it in Sparta that we lie here in obedience to her commands."

The meaning shouts down the years and through all the havoc of battle to all men today. People, the lesson tells us, may be killed in the flash and their causes trampled but, paradoxically and wondrously, a triumph is unloosed. It is the triumph of the human spirit which builds from episode to episode, for the elevation of man in his slow and troubled evolution.

The national destiny had run its course. The fates had shown favoritism to the side with the most battalions. But no magic in command of the fates can put iron in the hearts of men, nor drive them willingly beyond endurance and far beyond all bounds of hope to defeat which to them was not defeat at all because their spirits never died.

Lee's army marched on. In a matter of hours the end would come for one of the greatest armies in history, the Army of Northern Virginia, led by a general who even in retreat could show a defiance that kept off an enemy more than five times as numerous as his own army. It had fought its last battle, the last battle fought in Virginia—the battle of Sayler's Creek.

For the southerners who comprised this army's ranks at Appomattox, their dreadful journey's end was at hand. It is engaging, if agonizing, to reflect on what the average Confederate soldier thought of it all in the last few days. But one thing seems certain: He could foresee no possibility of reward and no acclaim at all for what he had endured because a hard fact of life is that no one loves a loser—certainly not in the hour of his losing.

But in the long still grasp of history we know that bravery, fidelity and obedience to the commands of conscience and principle are indestructible. Such examples pile up and down the course of human experience, and fix the standards for human behavior. There, indeed stands the foundation upon which the greatness of our country is based. Few may behave like the Greeks at Thermopylae, or like the tired, muddy men who marched over this spot 97 years ago. But the ideal is left, and there is their own eternal reward. It brings us to the great and arresting soul cry that comes down to us through the ages from the lips of the great Apostle Paul: "I have fought the good fight. I have finished the course. I have kept the faith."

The muddy men who passed over Sayler's Creek moved with no swagger or pose or sense of destiny. And they did not seem to think that they were brave at all; they seemed merely to reason that they were doing what was right and so went about it with no self-consciousness.

Those men who got away from here had no time for soul searching. They crossed the Appomattox River like men stumbling backward. A strange shadow shape of an army it was, the greatness of heart enduring and pounding in the last agonies of life, but with the stare of death in its eyes.

With the lowering of the battle flags at Appomattox went many of the rights, not only of the South, but of the North as well. The sovereignty of the States trembled, at the last cannon blast here and 3 days later at Appomattox, but the principle still lives and patriotic men everywhere, North and South, East and West, are still proclaiming the doctrine of States rights and demanding a resumption of the powers expressly reserved by and guaranteed to the States by our Federal Constitution. Millions of men and women everywhere are beginning to see that an all-powerful Federal Government—destructive of the States and the localities—means nothing but unprecedented regimentation. They realize that unless this centralization of power in Washington is stopped, that our State and local governments will be destroyed and become nothing more than the hollow shells of a lost liberty. These millions of people are ready and willing to struggle today against the forces of totalitarianism. They recognize it is not a sectional fight between the North and South, but a fight for the preservation of the liberties and the freedoms and the principles of government established on the soil of Virginia and enshrined in our Virginia bill of rights.

We realize that we must fight today by peaceful methods just as valiantly as our forefathers fought in the Revolution and our grandfathers fought in the cause of the Confederacy. The fate of the entire free world rests on the outcome of our struggle.

The Federal encroachments upon the rights and the powers of the States and the localities have become startling and alarming. For a while the movement was so stealthy and creeping that it was intangible and invisible to the average citizen, but today these encroachments are open and bold and brazen and are moving at a fantastic pace.

Here in this land of the free and home of the brave, the representatives chosen by the people are being bypassed and thwarted not only by Executive and administrative edicts, but by orders and decrees of the Federal courts as well. Departments and agencies of the Federal Government are writing much of the legislation by making rules and regulations having the force and the effect of law. The Federal Government, principally through the Department of Justice, the very agency charged with the responsibility for enforcing the Federal laws, is usurping the police powers of the State and local governments and is hindering and thwarting the local governments in their efforts to suppress public mischief and to promote peace and harmony as is illustrated by actions in Albany, Ga., and in other southern localities. The people are subjected to propaganda by the ever-growing agencies of the Federal Government, payment for same being made from money extracted from the pained pockets of the taxpayers, to glorify the welfare state and to brainwash the very people upon whom these burdens of government rest.

The American citizen is being subjected to a barrage of false and spurious doctrine. The people are being led into a socialistic pit of no return by promises of a utopian life of ease guaranteed by the Federal Government. We are called upon and commanded to support a Federal horde of national and international spenders.

They have little or no respect for the rights of American citizens and are nothing more than wastrels and squanderers of the peoples' money and are by such means undertaking to undermine the moral fiber and character of American citizenship. We must resist with all our might the one-worlders, the deluded do-gooders, the conformists and the national and international brainwashers and spenders.

But we can find encouragement from the fact that there is evidence of a real awakening of the spirit of patriotism and independence in this country.

Virginia and the Southland leads the Nation in defense of constitutional government. We are on the verge and the threshold of a great awakening in the South, and I believe in the Nation, to the dangers of the various isms which threaten to envelop us. In scores of southern communities, thousands of citizens led by our junior chambers of commerce, our Farm Bureau organizations, and other patriotic groups are busy educating themselves regarding the flagitious forces operating within our shores. They are engaged in programs and seminars designed to give them factual information regarding the activities of the extreme leftists in the United States. This is a remarkable enterprise that has no precedent in the history of the country. For the first time entire communities, not simply a handful of individuals, are gaining sophisticated understanding of the methods of operation employed by these destroyers of our Government and American way of life. It is an imperious task of the conservatives in every community of this country to keep vital patriotic issues alive. Every alert citizen holds an obligation to his community and his country to be zealous and to stress the crises America faces and the need for building up the fires of righteous indignation against any program that is destined to damage our country, or constitutes a sell-out of this great Republic. Informed and determined citizens will emphasize the dangers which we face and take steps to repulse those who would enslave us by destruction of the principles of government which have guided the destiny of this Nation through its long and glorious history.

As we stand here today in the presence of so many resolute and unwaivering citizens of Prince Edward, we can discern echoes of counsel and encouragement from that valiant and sturdy citizenship. God bless old Prince Edward. She is populated by people of stamina who are willing to sacrifice and endure hardship in order to preserve their liberties and the right to educate and train their own children.

I commend and I applaud the people of Prince Edward for the leadership which they have established and which has guided them with courage, calmness, and dignity through the trials and tribulations of the last 10 years. Prince Edward is dealing with a force with which there is no compromise short of complete surrender and submission to the destruction of everything we hold dear. Virginians will never consent to the reformation of our State and local governments to conform to the horrible mess which we daily witness in Washington.

As long as this dear old picturesque southside Virginia county is guided by the patriotic and intelligent leadership which has guided them for at least the past 10 years, I pledge to them my full and complete cooperation and support in every appropriate manner to promote the peace, the tranquillity, and the happiness and rights of her people.

HOUSE OF REPRESENTATIVES

WEDNESDAY, AUGUST 29, 1962

The House met at 11 o'clock a.m.

The Chaplain, Rev. Bernard Braskamp, D.D., offered the following prayer:

Daniel 9: 3: *I set my face unto the Lord God, to seek by prayer and supplications.*

Almighty God, when we inspect and examine our soul, in these moments of prayer and meditation, we find that the poverty of our spiritual life is appalling.

It seems as if a blight of palsy has fallen upon our spirit and we are not seeing life in its true perspective.

We humbly confess that when we are courageous enough to call ourselves to account we feel that our despair and defeat are due largely to our preoccupation with things that are merely material.

Inspire us to give life a more spiritual frontage lest we lose the meaning of our nearby tasks and responsibilities and suffer loss alike in peace and in power.

Help us daily to cultivate the prayer life and give us such a clear vision that we shall be enabled to discharge our duties intelligently and forcefully.

To Thy name we ascribe all the glory. Amen.

THE JOURNAL

The Journal of the proceedings of yesterday, August 28, 1962, was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate by Mr. McGown, one of its clerks, announced that the Senate agrees to the amendments of the House to a bill of the Senate of the following title:

S. 3327. An act to make certain federally impacted areas eligible for assistance under the public facility loan program.

The message also announced that the Senate agrees to the amendment of the House to the amendment of the Senate to a bill of the House of the following title:

H.R. 10743. An act to amend title 38, United States Code, to provide increases in rates of disability compensation, and for other purposes.

The message also announced that the Senate agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (H.R. 10062) entitled "An act to extend the application of certain laws to American Samoa."

The message also announced that Mr. BUTLER had been appointed a conferee on the bill (S. 320) entitled "An act to amend the provisions contained in part II of the Interstate Commerce Act concerning registration of State certificates whereby a common carrier by motor vehicle may engage in interstate and foreign commerce within a State" in place of Mr. CASE of New Jersey, excused.

CALL OF THE HOUSE

Mr. GROSS. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

Mr. ALBERT. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 207]

Andersen, Minn.
Ashley
Baring
Barry
Bass, N.H.
Blitch
Bonner
Boykin
Celler
Coad
Curtis, Mass.
Davis, Tenn.
Donohue
Evins
Frazier
Garland
Gray
Green, Oreg.
Harding
Harrison, Va.
Harsha
Hébert
Hoffman, Mich.
Horan
Kilburn
Landrum
McMillan
McSween
McVey
Merrow
Morrison
Moulder
Norrell
O'Brien, Ill.
Pilcher
Powell
St. Germain
Saund
Scherer
Seely-Brown
Steed
Tabor
Thompson, La.
Weaver
Williams

The SPEAKER. On this rollcall 388 Members have answered to their names, a quorum.

By unanimous consent, further proceedings under the call were dispensed with.

REMOVING CERTAIN RESTRICTIONS ON REAL PROPERTY CONVEYED TO THE TERRITORY OF HAWAII BY THE UNITED STATES

Mr. PRICE. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the bill (H.R. 7278) to amend the act of June 5, 1952, so as to remove certain restrictions on the real property conveyed to the Territory of Hawaii by the United States under authority of such act, with Senate amendments thereto, and concur in the Senate amendments.

The Clerk read the title of the bill.

The Clerk read the Senate amendments, as follows:

Page 2, after line 10, insert:

"SEC. 2. Such Act is further amended by adding at the end thereof a new section, as follows:

" 'SEC. 3. In order that the State of Hawaii may convey good and clear title to any parcel of land conveyed by it under the exchange authority prescribed in clause (a) of section 2 of this Act, the Secretary of the Navy is authorized to relinquish to the State of Hawaii any right, title, and interest of the United States in and to such parcel free of any conditions set forth in section 2 on condition that the State of Hawaii agree, with respect to any lands received by such State in exchange for such parcel, to convey to the United States rights and interests substantially equal to those held by the United States in the lands originally conveyed by it to such State (then a Territory) under this Act, and such other rights and interests as the Secretary may deem necessary in the public interest.' "

Page 2, line 11, strike out "2" and insert "3".

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

The Senate amendments were concurred in.

A motion to reconsider was laid on the table.

PUBLIC WORKS COORDINATION AND ACCELERATION ACT

Mr. BLATNIK. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill (H.R. 10113) to establish an Office of Public Works Coordination and Acceleration; to authorize the preparation of a plan for acceleration of public works when necessary to avoid serious nationwide unemployment levels; and for other purposes.

The motion was agreed to.

Accordingly, the House resolved itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill (H.R. 10113) with Mr. KEOGH in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. When the Committee rose on yesterday the gentleman from Minnesota [Mr. BLATNIK] had 50 minutes remaining, and the gentleman from New Jersey [Mr. AUCHINCLOSS] had 32 minutes remaining.

The Chair recognizes the gentleman from Minnesota [Mr. BLATNIK].

Mr. BLATNIK. Mr. Chairman, I yield 1 minute to the gentleman from Louisiana [Mr. PASSMAN].

Mr. PASSMAN. Mr. Chairman, I ask unanimous consent to speak out of order.

The CHAIRMAN. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

Mr. PASSMAN. Mr. Chairman, circumstances over which I have no control make it advisable for me to inform the Members of the House that the leadership has now assigned September 19 as the date that the foreign-aid appropriations bill for fiscal 1963 will reach the floor for consideration.

Our committee is prepared to come to the floor at an earlier date, but primary election contests and other considerations have influenced the decision made by the leadership with regard to the action on this measure.

May I say to the House, however, that the Members need not fear that any damage will be done as a result of this delay in the 101 nations of the world where we have an aid program going, starting, or planned. The fact of the matter is, if the Congress should adjourn sine die without even passing a foreign-aid appropriations bill sufficient funds are on hand, from prior years' appropriations, to operate this worldwide program at the present rate of expenditures, full steam ahead, for 25 painful and expensive months for the overburdened U.S. taxpayers.

A recapitulation of the funds already available to the program, without the new appropriation, will be mailed by me for the personal attention of every Member of this House not later than Friday of this week.

Mr. BLATNIK. Mr. Chairman, I yield 5 minutes to the gentleman from Ohio [Mr. COOK].

Mr. COOK. Mr. Chairman, I rise today in support of H.R. 10113, and in support of that pending legislation I would like to say a few words this morning in behalf of the many unemployed workers of this Nation and of the 11th Congressional District of Ohio which I have the honor to represent here in the House of Representatives.

Mr. Chairman, we recently had the opportunity to visit our respective congressional districts for a period of approximately 10 days while they were catching up on business in the other body. During this period of time I had the opportunity to travel throughout the 11th Congressional District of Ohio visiting many of the cities and villages, as well as the rural areas of that congressional district. I found that many of the men and their families are considerably upset by the fact that the Congress of the United States has seen fit over the years to appropriate literally billions of dollars to help other nations of the world. We have talked about new depreciation schedules and tax relief for business. We have passed many pieces of legislation of benefit to nearly every segment of our society. But the question that these people raise is, What is the Congress of the United States doing about the 4-million-plus unemployed in this great land of ours? True, we have passed legislation such as the area redevelopment legislation, and we have passed other bits of legislation designed to assist people who find themselves in this unfortunate situation. But the question is, what are we doing to try to put them back to work; what are we doing to make it unnecessary for them to be the recipients of unemployment compensation or welfare from the State or county in which they live?

Up until this time this has been a hard question to answer because, frankly, we have not done as much as we should during the past several years to correct this important national problem. I say to you that not only in my district but throughout the entire country many of these people have been unemployed for long periods of time. In my district alone at the present time approximately 11,000 have been unemployed for such a period of time that they have exhausted their unemployment compensation. They are available for any kind of work but are having great difficulty in finding it.

This brings us to the bill before us today, a bill which authorizes an expenditure of $900 million to accelerate certain public works programs in these redevelopment and labor surplus areas which are so prevalent in congressional districts such as mine, in an effort to assist those who have been out of work for such long periods of time to get back on the job, to earn a wage that they are able to take home to support their wives and children. So the test we face here in the House on this vote is in reality whether we are willing, in view of the economic circumstances throughout the country at this time, in view of the large number of unemployed and the large number of those who have been unemployed for such a lengthy period of time, to authorize an expenditure of $900 million to try to put some of these people back to work. It is going to be hard to explain to the people who are out of work in our respective districts, if we are willing to expend billions for foreign aid, if we are willing to consider legislation and administrative action to help business, if we are willing even to consider an increase in pay for Federal Government employees, why we refuse to consider favorably legislation which will have the effect of creating hundreds of thousands of jobs, that will give these unemployed workers a chance to get back on the payroll, to get off the relief rolls, and get off the unemployment compensation rolls and once again become an active part of our economy.

Mr. AUCHINCLOSS. Mr. Chairman, I yield 5 minutes to the gentleman from Ohio [Mr. Ayres].

Mr. AYRES. Mr. Chairman, I, too, share the concern of my colleague, the gentleman from Ohio [Mr. Cook], whose district adjoins mine, for those who are unemployed. The congressional district that I represent is not entitled to direct loans for veterans from the Veterans' Administration, but having been a member of the housing subcommittee and now the ranking member of the Veterans' Affairs Committee I have followed this program very closely for 11½ years.

Last April 3, I received a letter from Mr. C. J. Haggerty, who is the president of the Building and Construction Trades Department of the AFL–CIO. This is his letter:

> Dear Congressman Ayres: I want to thank you for your letter of March 19, concerning the freeze on the direct loan program of the Veterans' Administration.
>
> This action of the Veterans' Administration is especially serious at this time when the Commerce Department has just announced that homebuilding declined for the fourth month in a row. Significantly the report states "Relatively little stimulation in the construction of new homes is coming from the 1961 Housing Act."
>
> Officials from the Veterans' Administration claim that this action is only temporary and that they can still use the $300 million not yet released in some other fiscal year until 1967.
>
> I agree with you that with over 30,000 veterans' housing loan applications on file and with VA housing starts running at a rate of only about 7,000 a month, with unemployment in construction in February at 19.8 percent rate, this is the time to stimulate, not retard, housing activity.
>
> We think your request for a congressional hearing on this matter will go a long way toward convincing the administration that a reappraisal of the Veterans' Administration decision should be made quickly.
>
> Sincerely yours,
>
> C. J. Haggerty,
> *President.*

What happened? If there is one committee in this House that is not political it is the Veterans' Affairs Committee. We called the Veterans' Administration officials before the committee. I should like you to listen to some of the testimony that Mr. Driver gave to the committee in attempting to justify their action, at the request of the President, to refuse to grant the millions of dollars this Congress had authorized and appropriated for the veterans to get direct loans:

> Mr. Ayres. Now, Mr. Driver, going back to some of the testimony you gave here 3 or 4 years ago, defending the direct loan program and stating that you could use more money, let me ask you this. If the President had not issued his statement on October 26, 1961, you would have stopped taking applications?
>
> Mr. Driver. Stopped sending out from the waiting list?
>
> Mr. Ayres. Would you have stopped sending out?
>
> Mr. Driver. We haven't stopped that. I don't want to belabor the point. What we are not doing is sending out notices to veterans on the list and saying, "We have money for your loan."
>
> Mr. Ayres. Would you have gone to the Treasury and drawn more money if the President had not issued his orders?
>
> Mr. Driver. Some.
>
> Mr. Ayres. How much?
>
> Mr. Driver. It is difficult to say.
>
> Mr. Ayres. Would you have drawn it out to eliminate the waiting list?
>
> Mr. Driver. No, sir; by no means, not this year. I don't know that we are going to eliminate the waiting list with the money available. This waiting list gets longer and longer as the hours go by, especially putting out money.

How much was involved? Nearly $400 million.

The gentleman from Ohio [Mr. McCulloch] called me last November and said:

> I am getting many requests from veterans in my district who say that the Director is telling them they were not able to get the money to give the veteran a loan.

I received requests from gentlemen on both sides of the aisle. And the chairman of this subcommittee was not a Republican. It was the gentleman from Missouri [Mr. Randall], who I must say did a wonderful job pinpointing the fact that the Veterans' Administration admitted they had the money, nearly $400 million, but they said we are not going to give it to you. Bear in mind this was just last April. But to show you there is no politics in the Veterans' Committee, our chairman, the gentleman from Texas [Mr. Teague], after the hearings introduced House Concurrent Resolution 472 on April 19, 1962. This resolution reads as follows:

> Whereas Public Law 87–84 was enacted among other purposes to liquidate the large waiting list of veterans residing in small towns and rural areas who had applied for direct loans for housing; and
>
> Whereas substantial amounts of money were authorized for this purpose, totaling $700,000,000 through June 30, 1962; and
>
> Whereas the Veterans' Administration has not seen fit to implement this law fully by requesting the full amounts authorized for the direct loan program; and
>
> Whereas such inaction has resulted in the creation of a waiting list for direct loans in excess of forty-three thousand: Now, therefore, be it
>
> *Resolved by the House of Representatives (the Senate concurring)*, That it is the sense of the Congress that the failure of the Administrator of Veterans' Affairs to request in full the amounts authorized to be advanced under section 1823(a) of title 38, United States Code, by the Secretary of the Treasury for making of direct loans under section 1811 of such title 38 is inconsistent with the intent of the Congress in the enactment of Public Law 87–84, and the Administrator should, as promptly as possible, request the advancement of the full amount authorized.

That is to release the $700 million—immediately. What happened? There was no action taken. Those of you today who represent rural areas where a veteran can get a direct loan—just try to get him one.

Mr. McCULLOCH. Mr. Chairman, will the gentleman yield?

Mr. AYRES. I yield to my colleague from Ohio.

Mr. McCULLOCH. How many applications are pending in the Cincinnati area at this time, if the gentleman knows?

Mr. AYRES. Yes. I have these figures for our home State, I will say to my colleague from Ohio. In Cincinnati at the present time there are 961 veterans whose applications have been approved. The administrator there says he will be glad to issue the loans if Washington would let him have the money.

Mr. McCULLOCH. Which means that from $8 million to $10 million in construction money has been held up all these months, beginning as long ago as last October?

Mr. AYRES. That is correct. And as the resolution states, $700 million has been available in the last year. And there is nearly $450 million available right now. I happen to be fairly familiar with the construction industry. There is not anything, next to the manufacture of automobiles, that gives the economy a boost as much as homebuilding. Now I am beginning to wonder if they are holding this money up because they cannot determine where the veteran happens to live who wants to build a home—it might be in some district where it would not be advantageous to those who are making the decisions. I trust you will vote down this $900 million when they are sitting on nearly $500 million at the present time which would boost this economy a lot more than this legislation would.

Mr. CRAMER. Mr. Chairman, will the gentleman yield?

Mr. AYRES. I yield.

Mr. CRAMER. There was added at the last minute in our committee deliberations without any hearings in this $900 million, $300 million for title 5(b) rural areas under area redevelopment, with no effort, as I said on the floor yesterday, to try to get information from a number of those areas in the committee, in my opinion, without any hearings and with no recommendation from the administration. Does not the gentleman feel that if this problem of unemployment in rural areas is to be met, the best way to do it, because it results in more employment and puts more people to work immediately, would be to release the $450 million available in veterans' direct home loans and let home construction go forward and so employ more people for every dollar spent than any other type of industry and which could be made available to every one of the unemployment areas if the administration wants to put it in? That is what I meant when I said that there are other tools available which would accomplish the result more effectively than this bill does.

Mr. AYRES. The gentleman is absolutely right. And bear this in mind, it not only helps the economy where the home is being built, but when it comes to the bathtub that is made of steel or iron, it might even help out Hibbing, Minn., where they might sell more ore, and Pittsburgh might sell a little more steel and help other areas of the country, because the products that go into homes come from all over the United States.

The CHAIRMAN. The time of the gentleman from Ohio has expired.

Mr. BLATNIK. Mr. Chairman, I yield 5 minutes to the gentleman from Texas [Mr. PATMAN].

Mr. PATMAN. Mr. Chairman, the favorable and unpurposeful efforts which the Government of these great United States has made to manage its affairs, I fear, are beginning to present a sad and disheartening spectacle to the world and to ourselves.

Here we are, a country which is the alleged leader of the free world, and, whether we like it or not, the outstanding example in the eyes of the world of how a democratic, capitalistic society performs. We are an example that most of the world looks to for comparisons and contrast with the socialistic and communistic countries and the totalitarian countries.

Yet, for all of our alleged know-how and our great productive capacity, we cannot seem to agree on ways to put our more than 4 million unemployed workers back to work, to put to use our idle productive capacity and our tremendous surpluses of raw materials. We continue to live in poverty despite our alleged great wealth and our idle productive potential. Millions of families are unable to keep their children in school and the children are dropping out of school to search for menial jobs and roaming the streets, notwithstanding the fact that we all know that the trends in our country leave no room for the manual worker and our continued advance in the field of science and technology in modern industrial organizations calls for educated, trained, and healthy citizens.

What kind of sense does it make when we read in the newspapers about underground space stations and living quarters on the moon tomorrow? And we also read of these petty controversies in the Congress and the administration and elsewhere suggesting that we cannot manage our affairs of today to work sufficiently well to do the things we already know how to do.

What kind of performance is this? Two percent of our productive capacity idle. More than 5 percent of our labor force—people actively looking for jobs—totally without jobs. If you count the underemployed resulting from only part time jobs, 6.6 percent of the labor force is unemployed; and if you count also the fact that since labor skill unemployment has long been with us and the number counted in the labor force has not grown for more than a year, you find between 7 and 8 percent of our real labor force unemployed.

Why is this? Different people hold different theories. And different parts of the Government are pursuing different policies depending upon their theories.

The administration is following generally expansionary policies or at least recommending moderately expansionary policies to the Congress while the Federal Reserve System continues to pursue as it has for many years a highly restrictive and deflationary policy.

We live in a money economy and a money economy cannot grow at a much more rapid pace than its supply of money grows. But for reasons best known to themselves the monetary authorities have long been restricting the growth in our supply of money which means also the Nation's supply of credit. At the end of 1953, for example, the Nation's money supply equaled 36 percent of the gross national product of that year. Today the money supply is down to only 26 percent of the gross national product, and all indications are that the Federal Reserve authorities intend to reduce it even further. This has meant a constantly rising trend in unemployment and a constantly rising trend of idle productive capacity. It is a policy which should be changed. There is nothing fundamentally wrong with our private free enterprise system as I see it. It is a completely workable system, one in which the desire for income, jobs, and profits tends quite naturally to bring about full employment and full utilization of productive resources and a constant increase in both the volume and efficiency of productive resources. But monetary policy is something that the President cannot do anything about, or at least he apparently feels that he cannot do anything about it, and I must be frank to say that I do not think that this Congress would be any more willing to enact the legislation that is needed in this field than it has been willing to enact the legislation which is needed in other realms of the economy.

There is still another general and basic problem. There is now considerable evidence to support the view that within the framework of present monetary policies the present level of taxes is too high in relation to the present volume of Government spending, large though that volume be. There is considerable evidence that our money economy is adversely affected, by the fact that tax rates begin to take out substantially more money than is spent by the Government at high levels of employment. But there is not agreement, or anything approaching agreement, as I see it, on what the proper solution to this problem is. Many people think that the proper solution is to make tax reductions which would encourage consumption and encourage employment and the use of the productive capacity we already have. On the other hand, the Treasury seems to be recommending tax changes which would change the income distribution in favor of the high income classes and in favor of the corporations and thus stimulate more savings. In any case it is obvious that neither the administration nor the Congress is now prepared to act on a general tax revision.

So what can we do? Should we let people remain idle and in need, or shall we take at least this very moderate and inadequate step for a $900 million public works program to put people to work building facilities that are badly needed in the local communities?

Obviously this is a very moderate and a very inadequate bill. The President originally recommended, I believe, a $2 billion public works measure, and this was only one part of a package with many other small measures intended to cope with the problem. Those other parts of the package have not been enacted and the public works bill has now been cut down to only $900 million. Surely we can agree on and accept this small step.

Mr. AUCHINCLOSS. Mr. Chairman, I yield such time as he may require to the gentleman from New York [Mr. ROBISON].

Mr. ROBISON. Mr. Chairman, I rise in opposition to H.R. 10133, the so-called Public Works Coordination and Acceleration Act. My reasons for doing so are well summed up in a rather surprising editorial that appeared in the Washington Post last March 29. This proposal—said the Post—had "the earmarks of economic ineffectiveness and political mischief."

Since then, the amount proposed to be spent on such political mischief has been increased, but the probable economic ineffectiveness of what the Post also then referred to as "a new WPA, with priority on getting out the money and only secondary regard for what is produced by it," remains the same.

This legislation has had an interesting history. It began life as the so-called Standby Capital Improvements Act, a concept which along with the temporary tax-reducing authority the President requested last spring would—in the President's words—"constitute a new and powerful arsenal of weapons to combat the recessions which periodically sap the vitality of our economy."

However, on the day that we began hearings on that idea which—to my mind—may have had some merit to it, signals were switched by the White House which then suggested an amendment authorizing an immediate $600 million additional public works construction program for—again in the President's words—"those sections of our country which have failed to share fully in the economic gains of the recovery from the recession of 1960 to 1961."

It would seem, today, that there are many such sections of the country—at least as the same are defined in order to determine the eligibility for benefits under H.R. 10133. All told, there are some 149 large and small industrial labor market areas, 767 rural areas, and 50 Indian reservations that are so eligible by virtue of their comparable eligibility for the glacially slow benefits that were supposed to be theirs under the Area Redevelopment Act, plus an additional 122 communities—including the Elmira area in my own congressional district—which have suffered from substantial unemployment for the better part of the past year. All of these are supposed to share in the President's bounty under H.R. 10133 but, even though the ante has been raised from $600 million to $900 million, it is obvious that the relief proffered hereunder will have to be spread so thin as to be mostly a sham and a delusion.

Mr. Chairman, what we have been offered here today is nothing more than a revival of the old WPA program of 30 years ago. Considering the notable lack of success that such an approach had a generation ago, it is surprising that the inventive and supposedly expert minds that surround our President were unable to come up with anything better than this New Deal retread.

What can hope to be accomplished? Well, when George Meany of the AFL-CIO testified before us on the original proposal, he said a $600 million program would produce, at best, 225,000 temporary jobs—that is both onsite and offsite jobs. With close to 4 million still unemployed, it is obvious that a good deal more even than $900 million is needed if any real national benefit is to be realized.

Even so, this bill is—predictably—being presented as a compassionate measure. Anyone who opposes it, for whatever reason, is automatically tagged as being oblivious to the distress of the unemployed and as unwilling to do something about that distress which would, at the same time, to quote the majority report "build a foundation for future progress" by the Nation.

Of course, but—one might ask—what has this compassionate administration been doing on its own these past several months since it dawned upon it that this particular recovery was going to be the shortest-lived recovery in our history?

The answer to that is a great big nothing. Oh, of course, there has been a good deal of talk—talk about a possible tax cut, but that has been now ruled out; talk about how the economy was going to be stimulated by the President's tax bill, if it ever got out of the other body; talk about how, if that tax bill should somehow fail, there was always the bright promise of a tax-reform package the administration would unveil sometime after election day so as not to dim the luster thereof by such mundane things as politics, and, of course, talk about how the Trade Expansion Act, with all its hoped-for promise, would automatically provide us with new markets for our products—talk which ignored the hard fact that, even with that legislation, we will have to work hard for and deserve to have such new markets.

And, yes, there was talk about possibly extending unemployment insurance benefits once again with Federal assistance and now even that has been ruled out, though there is still talk of reviving another of those old New Deal programs—this time the Civilian Conservation Corps, though now under a new and much fancier name.

And we have had more of that same talk all yesterday afternoon, and we will have some more today, I suppose, and still more after that while an attempt is made—if this bill passes—to reach an agreement with the other body on the differences between this bill and the comparable measure it passed way back in May.

This talk has gone on since we began those hearings on that original proposal on last March 26— 5 months ago; it has been going on since we filed the report on this bill last June 2.

And, if the economy has been getting any stronger in the meantime, it is difficult to see exactly where.

What, if anything, can we and should we do about stimulating that economy? Well, if the lessons of history mean anything at all, we ought to be able to recognize the fact that, when the well is leaking—as the economic well is, today—pump priming of this sort only wastes further water.

Quite obviously, we are in the midst of something other than a cyclical sort of a recession. Instead, we are caught up in a technological revolution that presents not only a global challenge but a global opportunity. The tools and the ingredients for accepting that challenge, and for grasping that opportunity, are inherent in the vital, driving force that is the free enterprise system, but yet a force that has been operating under the damper of governmental control and confiscatory taxation for all too long.

All that is missing—for a great and urgently needed forward movement on the part of this Nation—is a willingness on the part of Government to lift those twin restraints, and a restoration of its own faith and confidence in the underlying strength of that force. An indication of the need for such confidence—the lack of which cannot help but be mirrored by private industry—can be gained by reference to the fact that, a few short months ago, industry had planned to spend this year some $37.2 billion—billion, that is, as compared to $900 million under this bill—on new plant and equipment. It is now doubtful that any such expenditure will be made—for which this administration must share some blame—and the tragedy of this is all the more evident when it is realized that the countless jobs that would have been thereby created would have been permanent in nature.

Leaving all that to one side, is there still anything that recommends this frankly stopgap measure to us?

Is, despite all these other considerations, H.R. 10133 a necessary, emergency action that Congress must now take, on its own, in an almost total vacuum of other, more responsible action on the part of the administration?

The answers to both such questions are "No." In fact, as has been so ably demonstrated by the gentleman from California [Mr. BALDWIN], there are close to $2.5 billion worth of noes to those questions. It is not necessary for me to repeat that information here, today, but I must say that the administration must also shoulder the responsibility for whatever has been the economic effect of its slowdown if not downright freezing of construction funds under other, going Federal programs of one kind or another.

Perhaps not all of those programs would have lent themselves to the same objectives now attributed to H.R. 10133, but many of them would and, with a properly selective administrative effort, could have been channeled into areas of economic distress. The only apparent reason why the administration did not make such an effort is that it must have preferred the political weapon that H.R. 10133 would be in its hands; especially since, under it, all the various ground rules which Congress, in its wisdom, prescribed for those existing programs would have been thrown out the window. It would seem obvious that those ground rules could only have restricted the administration in its political mischief, as the Post put it.

Bad as that may be, we finally were also told on yesterday that the last vestige of the original concept of a shelf of authorized and approved public works projects on which planning was to be kept well advanced for its use as an antirecession weapon was to be wiped out of this bill. As I mentioned earlier, such an idea, properly worked out, could have had considerable value. Whether it would so work out or not, we evidently will not know, and I suspect that there are others who share my disappointment in this further evidence of a lack of acceptance of the responsibilities of leadership by this administration.

Mr. Chairman, as that Post editorial also said, this administration should have been able to think of something better than this bill now before us. I wholly agree, and I hope it is resoundingly rejected.

Mr. AUCHINCLOSS. Mr. Chairman, I yield such time as he may desire to the gentleman from Michigan [Mr. HARVEY].

Mr. HARVEY of Michigan. Mr. Chairman, there are many reasons for opposing H.R. 10113. They are well expressed in the minority views starting on page 44 of the committee report. Historically, it has been recognized that one of the difficulties with this sort of program is that it does not provide the needed employment until recovery is underway. Another difficulty which became apparent in the thirties was that digging irrigation ditches and construction work generally did not put many unemployed steelworkers nor idle manufacturing employees back to work. Furthermore, I do not see how we can possibly justify this program when the administration has deliberately avoided obligating funds, which have been appropriated by Congress for other purposes, which funds could produce much more genuine employment than the expenditure of the money here involved.

In addition to these reasons, I would like to call the attention of my colleagues to some other reasons why this bill should be defeated.

First. Dr. Heller himself, in response to questioning during the hearings, conceded the inflation that has taken place, and I quote from page 41 where he said:

> If you look at the price indexes for the whole postwar period you will find that the price index for construction has probably risen faster than the average, rather than slower than the average. I would grant that point.

More public works will not, in my opinion, improve this problem, but if they continue after recovery, as has always been the case, they will only serve to make matters worse.

Second. I point out that there is a tremendous duplication of effort here. I feel sorry for some of our mayors today, for certainly they must be confused. Suppose, for example, a mayor of a city in a redevelopment area were to come to Washington today seeking money to build a waste treatment plant. Where should he go? He can go to Mr. Hodges' Commerce Department, which administers the Area Redevelopment Administration, and get 100 percent of the waste treatment plant, or he can go to the Department of Health, Education, and Welfare and get 30 percent of the waste treatment plant under the water pollution bill we recently passed, or he can go to the Housing and Home Finance Agency and borrow whatever he needs from them. Now, under this bill he can go to President Kennedy as well. In my judgment, this approaches the point of being ridiculous, and this bill will only add to the present confusion.

Third. Cities are having no trouble today financing public works projects on their own, even though they are in a redevelopment area. Witness Cushman McGee, representing the Investment Bankers of America, gave a detailed report before the committee making this point clear, and he finally concluded on page 351 as follows:

> Frankly, I do not know of any single case in the United States where an investment dealer has condemned any municipality as being of unfavorable credit standing because of being classified on the Federal list as being in a redevelopment area.

Mr. Chairman, for all of these reasons this bill should be defeated. I might also mention that during the hearings the Washington Post concluded about this program of public works that—

> A program of this sort has the earmarks of economic ineffectiveness and political mischief.

And then said:

> Almost 30 years after the invention of that institution (WPA), the administration should be able to think of something better.

I wholeheartedly agree.

Mr. AUCHINCLOSS. Mr. Chairman, I yield such time as he may desire to the gentleman from Washington [Mr. PELLY].

Mr. PELLY. Mr. Chairman, in expressing strong opposition to H.R. 10113, the $900 million public works acceleration bill, I would like to set forth my reasons for urging the defeat of this legislation.

Mr. Chairman, if I were a member of the majority party, feeling as I do, I would certainly follow the dictates of conscience and vote against this legislation.

By the same token, Mr. Chairman, feeling as I do, if my own party were in control and was seeking enactment of such a measure I would likewise vote against this legislation.

During the debate on the rule which made this bill in order for consideration by the House, my good friend from Kansas [Mr. AVERY], speaking as a Republican, warned Democrats that this bill might help them politically now but later it could work against them when the Republicans come into power.

Mr. Chairman, the implications of such a statement could be that minority opposition is based on partisan political objections.

Let me hasten to say, Mr. Chairman, that I am not trying to read any meaning into my friend's words. Rather, I want to clearly and positively state a so-called boondoggle bill should be opposed because it is poor legislation and not because it might be used for or against the partisan interest of one or the other political party.

This bill is bad legislation. As previous speakers have pointed out, it is not needed because already there are almost $8 billion of projects authorized and properly approved on a case-by-case basis by Congress. These latter projects have been properly screened and approved as to individual merit by the Bureau of the Budget and Congress.

But for the Congress to abdicate its constitutional responsibility and delegate its powers to the President, as this bill would do, is wrong. This $900 million is not in the budget. There is no justification for it. Already the President has plenty of standby spending authority. All this does is set up a huge standby slush fund for political use to win votes and elect friends.

On August 14, 1962, the Secretary of Commerce authorized release to the States of $1.9 billion additional obligational authority under the Federal-aid highway program. In addition the administration already has more than $2.5 billion of funds available under previous congressional authorizations. If it comes to pump priming these are sufficient.

The other day the President proposed a tax cut effective January 1, 1963. Thereby in fiscal 1963 there would be not the $3.8 billion deficit estimated previously but with a $3 billion tax cut the amount of the deficit would be almost double that. Now with this proposed public works acceleration bill the prospect is for an $8 billion deficit in fiscal 1963.

This is on top of the peacetime record of the 87th Congress referred to by the gentleman from Virginia [Mr. SMITH]. He cited that for the first time except in war Federal expenditures this year will exceed $100 billion—a 25-percent increase over last year. He cited that for the first time except in war the national debt has exceeded $300 billion.

Mr. Chairman, the issue, however, is more important even than one of fiscal responsibility. It is even more one of Congress completely abdicating power, the power to approve specific appropriations for specific projects.

I oppose giving the executive branch unilateral authority, without consulting Congress, to allocate funds to any project or program, including public housing projects. It is one-man rule and not in accordance with the Constitution.

This is a dangerous precedent and as I said at the start quite unnecessary.

The far-reaching adverse effects of such legislation and such pork-barrel procedures should never be granted. It represents more centralization of government as against the power of local decision and control. I am unalterably opposed to this bill. It must be defeated.

Mr. AUCHINCLOSS. Mr. Chairman, I yield such time as he may desire to the gentleman from Missouri [Mr. HALL].

Mr. HALL. Mr. Chairman, I oppose H.R. 10113, and I think it is a further demonstration how far down the road we have gone toward one-party autocracy when it is possible for this kind of legislation to reach the floor of the House. This bill bypasses the normal appropriation process and permits one man to dole out public works projects according to where he thinks they should go and without any concurrence or approval by the Congress.

Whatever gives Congressmen the wild notion that the executive branch would play politics with the $900 million authorized to be spent by him in this bill? The simple fact is that this is exactly what he did with the $50 million authorized under the Department of Agriculture food stamp pilot program, which contains the same kind of authority which we have under consideration today in the standby public works bill. In addition we are reneging on additional legislative responsibilities which are constitutionally ours alone.

In fact, the food stamp pilot program served as a testing ground for the standby public works bill. It showed the Chief Executive how much he could "get by with," and how far he could play politics with public funds.

And, Mr. Chairman, he found out he could do quite well. Of the 26 congressional districts selected for participation in the food stamp program, 25 are represented by Democrats. One would think that all of the needy unemployed people in the United States live in congressional districts represented by Democrats. Not just ordinary, everyday, run-of-the-mill Democrats mind you. But the chairmen of some of our most powerful committees, and in fact, the majority leader himself.

Democrat districts were selected which are not even classified as depressed areas, while Republican districts including one with the highest unemployment rate in the United States were turned down—in fact ignored. Yet this is the same authority which the administration now seeks today. Today food stamps. Tomorrow, public works projects. Who knows what the day after tomorrow?

And let me assure my colleagues on the other side of the aisle, lest they lick their chops over the expectation of handouts from their leader, that he is going to be quite selective over whom he bestows these projects. "How did you vote on foreign aid? How do you stand on government medicine? What is your attitude on the farm bill?" These are going to be some of the political considerations that go into the selection of public works projects; and I might add that the answers to these questions will play a far more important part than the degree of unemployment, or whether your district is classified as depressed or not.

Is it any wonder that the Members on this side of the aisle along with the disenchanted on the other side are opposing the kind of authority which the administration seeks today? It is like the Ozarks fisherman who was amazed at the struggling of a fish he caught. "What you squirming for, little fish?" he asked. "I ain't going to do nothing but gut you."

Mr. Chairman, I for one, do not propose for the district I represent in southwest Missouri to be gutted. We have a regular authorization and appropriation process whereby the Congress considers public works projects, holds hearings, considers budgetary limitations, and then makes decisions. The success of this approach was demonstrated only 2 weeks ago today when we passed the public works appropriation bill.

Furthermore, let me point out that Senate Report No. 1908, published August 22, 1962, by the Senate Committee on Agriculture Appropriations, has recommended that the executive authority now permitted in the handling of the food stamp program be scuttled and that we revert to the normal legislative process. The report states that beginning in fiscal year 1964 "the program cost of the food stamp plan also be justified and appropriated for in the regular manner."

Mr. Chairman, I suggest that the same recommendation is applicable to the bill before the House today, and that the Members refuse to grant this additional power grab to the executive branch.

It is poor practice, it establishes a bad tradition and precept, and is poor legislation. I trust our discerning colleagues will exercise their judgment and vote it down.

Mr. **AUCHINCLOSS**. Mr. Chairman, I yield such time as he may desire to the gentleman from New York [Mr. RIEHLMAN].

Mr. **RIEHLMAN**. Mr. Chairman, this bill is noble in its intent, that of putting the unemployed back to work, but, I fear, seriously misguided in its approach.

Stripped to its barest essentials, it represents a make-work program in the finest tradition of the WPA.

There are several reasons why I believe this is unsound legislation. This bill would not achieve its stated purpose, that of providing immediate work for a substantial number of unemployed. Public works construction has never been effective in achieving desired results during an economic recession. There is a normal period of from several months to 2 or more years between the time a project is financed and the work is actually begun.

The Bureau of the Budget has reviewed governmental activity during the recession of 1958 and reports that the deliberate antirecession actions, such as this would be, while including some of the largest items in terms of expenditures, actually made an extremely small contribution in relation to their budget cost or were poorly timed.

This appears to be borne out by the testimony in support of this bill. Even the most optimistic predictions indicate that it would create a maximum of 125,000 jobs which would last 2 years at the very outside. With unemployment resting at 4 million it can readily be seen that this bill would not begin to scratch the surface. Yet it is represented as a major effort to overcome the present problem of unemployment. I am afraid this is little more than a cruel hoax. Its expenditure of $900 million—which would have to be added to the national debt—would be too high, and its impact on unemployment would be too little and, as has traditionally been the case, too late.

In addition, this bill would establish another Federal agency, a new level of bureaucracy which would coordinate and accelerate public works programs. To put it as nicely as I know how, such an agency is totally unnecessary.

The bill would affect only those areas of the country which have been officially designated as economically depressed. It is not aimed at solving their long-range unemployment problems. It is at most a temporary palliative which will have provided a very small percentage of the unemployed with limited job opportunities and, in a day and age when we need to establish national spending priorities as never before, will have resulted in the construction of such vital items as local streets and sidewalks.

Another important reason for my personal opposition to this bill is that it further surrenders congressional control of the Nation's purse strings. It gives the President unprecedented blanket authority to use appropriated funds in such amounts as he may determine for programs and projects of such types and at such locations as he may select. This bill may not have much potential for benefiting the economy, but its political potential is undeniable.

Furthermore, it must be noted that the Department of Commerce has just released nearly $2 billion additional obligational authority to the States under the Federal-aid highway program for the current fiscal year. This is in addition to the regular highway funds for this year and will pump a substantial sum into the Nation's economy. We also know that there are $2.5 billion of funds available to the administration under previous congressional authorizations which could be utilized to bolster the economy.

Frankly, Mr. Chairman, it seems incredible to me that a bill of this kind is even being considered at this point in time when the failure of Federal make-work projects has been amply demonstrated and when one of the major deterrents to a much needed tax cut is the prospect of a $9 or $10 billion deficit this year on top of a $7 billion deficit last year. By continuing this type of irresponsible activity, we are only prolonging the day when we will come to grips with our really deep-seated economic problems.

What our economy needs more than anything else is a dose of fiscal responsibility in Government accompanied by a thorough revision of the tax structure to encourage capital investment, to promote growth and modernization of business and to offer needed relief to the individual taxpayer.

Mr. **AUCHINCLOSS**. Mr. Chairman, I yield 5 minutes to the gentleman from Michigan [Mr. BENNETT].

Mr. **BENNETT** of Michigan. Mr. Chairman, if the title of this legislation were changed to read: "The Foreign and Domestic Public Works Act, 1962," there would be little doubt about its passage in the House of Representatives. The word "foreign" in any legislation that comes before this body gives it a bipartisan flavor that attracts Members on both sides of the aisle who feel very strong obligations to commit our Treasury and our taxpayers to countries across the seas. So I suggest to my friend from Minnesota if he has any doubt about this bill passing today, he merely offer an amendment to change the title, calling it the Foreign and Domestic Public Works Act, 1962, and increase the amount to $1,800 million, so that $900 million may be spent overseas and $900 million may be had by our own people. He will thereby assure its passage.

Mr. **BLATNIK**. Mr. Chairman, will the gentleman yield?

Mr. **BENNETT** of Michigan. I yield to the gentleman from Minnesota.

Mr. **BLATNIK**. Is the gentleman suggesting that his side of the aisle that is overwhelmingly opposed to this measure would be enticed or induced to support this bill if we added the word "foreign"? If he could convince us that we could get support from that side, I would certainly support the gentleman's amendment.

Mr. **BENNETT** of Michigan. I have not suggested which side of the aisle would be most attracted. I must say that the votes that have been cast here on foreign aid programs are pretty well equal on both sides of the aisle. A strong minority, which, fortunately, is increasing year by year but is still a minority, is opposed to this kind of continued abuse to the American taxpayer.

I was asked a question yesterday, What is the relationship between the pending bill and the reciprocal trade agreements program? Those are two separate bills.

Let me briefly tell you, if my colleagues will reflect for a few moments about the effects of our foreign aid program upon our own citizens.

Mr. Chairman, this bill has been referred to as a "boondoggle." The money we have spent on foreign aid programs has been "bamboozle" money, I would call it. It has been wastefully spent for the most part, almost always uneconomically spent, and in many cases fraudulently spent. But still we go on and on appropriating money and spending it for foreign aid programs. We are giving it to dishonest and corrupt politicians all over the face of the globe and justify it on the ground that somehow or other it is going to help keep world peace. It has been wishful thinking.

Mr. Chairman, permit me to get to the point as to how I connect these programs with the pending bill. This foreign aid program of ours has been used to build factories—manufacturing plants—in practically every country in the world. As a result of it they have modern, up-to-date manufacturing plants because they have had American money, whether it has been under the point 4 program, whether it has been money from the International Bank or the Export-Import Bank, or from any of a dozen lending or, more accurately, giving agencies of this Government. So, the Japanese today have manufacturing plants that are not antiquated as compared to ours. In fact, the Japanese have many manufacturing plants today with assembly lines and productive capacity that equal or exceed our own. They have got the machinery, they have got the plants, and they have gotten most of it with our money.

Mr. Chairman, on top of that the Japanese pay their workers a substantially lower wage rate than our people are paid. What has been the result? They produce as effectively, they produce as efficiently as we do, and they put their goods on our shores duty free and undersell the goods that are manufactured by our workers in our industries. Thus our workers and industries are put out of business. That is what has happened to the domestic iron mining industry, which is a most important industry in this country, and of which a substantial part lies in my congressional district. There is also a substantial segment of this industry in the congressional district represented by the gentleman from Minnesota [Mr. BLATNIK].

Mr. Chairman, I would like to call attention to the effects of this disastrous type of competition that we have had resulting from the giving of our own money to foreign countries that has caused so much unemployment in our own country.

The CHAIRMAN. The time of the gentleman from Michigan has expired.

Mr. AUCHINCLOSS. Mr. Chairman, I yield the gentleman 1 additional minute.

Mr. BENNETT of Michigan. Would the gentleman from Minnesota [Mr. BLATNIK] yield me additional time?

Mr. BLATNIK. I yield the gentleman 2 additional minutes.

Mr. BENNETT of Michigan. Mr. Chairman, a substantial part of the unemployment we have today is caused by our free trade program, and I do not mean the free trade program that was brought in here by the Committee on Ways and Means and passed a few weeks ago. I am not talking about that program at all. It is the present program that has put hundreds of thousands of American workers out of their jobs and put hundreds of plants either out of business or caused them to substantially reduce their operating capacities. You will know it if you will make a survey of your own districts.

So I ask the Members of the House to look around in their own congressional districts and see for themselves the inroads that this insidious foreign trade policy has made upon the workers and upon the industries in their own territories. They will have no difficulty finding a direct connection between our large and persistent unemployment and the reciprocal trade legislation, which in large measure is responsible for our troubles.

Mr. Chairman, the House of Representatives in recent weeks has sought to multiply our unemployment difficulties by enacting a trade bill which completely abrogates the power of Congress to regulate foreign trade. It gives the President of the United States arbitrary authority to reduce tariffs in his sole discretion without the consent of Congress or anyone else. It is a delegation of more power to the President of the United States in time of peace than has ever been heretofore granted to any President in the entire history of our country. This excessive grant of power gives him a stranglehold over the entire economic life of our Nation.

Many of those who supported that vast delegation of authority to the President are the very ones who are complaining that this public works bill authorizing the expenditure of $900 million is an excessive grant of authority to the President. By comparison, this latter bill is peanuts.

Mr. Chairman, the principal difference between the recent trade bill passed by the House and the pending legislation is that the trade bill will bring about additional unemployment. The pending public works bill will provide additional employment. The trade bill will create additional jobs for people in foreign countries. The pending bill will create jobs for American citizens. I do not contend, Mr. Chairman, that the enactment of this public works bill is the cure-all for our problems. I recognize that its effect will be temporary. The real and only cure for the curse of a large part of our continued and persistent unemployment is the enactment of realistic and effective tariff and quota regulations which will at least give the American producer and the American workingman an even chance with the foreign producer and the foreign worker. Is it unfair to ask for this consideration?

The CHAIRMAN. The time of the gentleman from Michigan [Mr. BENNETT] has again expired.

Mr. BLATNIK. Mr. Chairman, I yield 5 minutes to the gentleman from West Virginia [Mr. BAILEY].

Mr. BAILEY. Mr. Chairman, I rise in support of H.R. 10113.

I consider this bill as one of the most important measures in our fight to reduce unemployment. It will contribute more to the economic rehabilitation of the areas of chronic unemployment than any other single piece of legislation we have had before us during the 87th Congress.

We lose much of the effectiveness of both the ARA and community facilities acts if we fail to approve of this bill.

If this bill is enacted, and fully implemented, it will enable many communities in West Virginia to speed up construction of vital community facilities. The projects I have in mind are not "boondoggles," as our Republican opposition would like to have us believe.

The types of projects that are immediately eligible for matching grants in my areas of West Virginia are all of great value. Most of them are for modern sewage or water systems, vital to the health and welfare of the local community. They are also vital to the health and welfare of communities in Pennsylvania, Kentucky, Ohio, Indiana, Illinois, Missouri, Tennessee, Arkansas, Mississippi, and Louisiana. These projects will reduce some of the pollution which the Mississippi eventually carries into the Gulf of Mexico. The folks living along the lower Ohio and Mississippi certainly would not think of as a boondoggle any project which reduced the pollution flowing past their front doors.

Of prime importance, however, are completion of sewer and water projects, which will make individual communities more attractive for economic development.

The help of ARA in this aspect will be more effective with these worthwhile community improvements. Our manpower retraining program will be more meaningful if jobs become available at home for the new skills that will be developed.

This is a vital bill; a bill that will provide a capital investment in America that will pay dividends for years to come.

I would be remiss in my duty to the ideals of our Nation if I failed to take exception to the 25-minute tirade of the gentleman from Florida [Mr. CRAMER] when he played the role of hatchetman on H.R. 10113.

I am sure the members of the Committee will not be misled. It is generally known that a large number of his constituents are coupon-clipping bondholders many of them from my State of West Virginia. After they had bled our State dry, they then moved to his State, a taxpayer's haven, to avoid paying taxes. They would be expected to send an "economic royalist" to Congress.

Mr. CRAMER. Mr. Chairman, will the gentleman yield?

Mr. BAILEY. Mr. Chairman, I decline to yield. I tried three times yesterday to get the gentleman to yield to me, and he declined.

Mr. CRAMER. Mr. Chairman, perhaps I should ask that the words be taken down. He cannot castigate the people in my district without my having something to say about it.

The CHAIRMAN. Does the gentleman from Florida ask that the words be taken down?

Mr. CRAMER. I will again ask the gentleman if he will yield to me for 1 minute.

Mr. BAILEY. I said I would not yield. He has time over there.

The CHAIRMAN. It is obvious that the gentleman from West Virginia declines to yield.

Has the gentleman from Florida demanded that any words be taken down, and if so, will he state the words?

Mr. AUCHINCLOSS. Mr. Chairman, I yield 1 minute to the gentleman from Florida [Mr. CRAMER].

Mr. CRAMER. Mr. Chairman, I have approached this legislation from what I believed was an impartial attitude and made my statement on the basis of what the bill does or does not do. I have not injected politics into this matter and certainly have not tried to belittle any Member or his district or the people of his district. I do not think the debate should sink to such levels as that. The characterization of me as an "economic royalist" is amusing although, I am sure not so intended. I can only interpret it to mean a loyal adherent to strict economy—or a believer in the principle that every man should be the royal or ruling or determining factor in his own economic destiny if it is intended to apply to my beliefs.

I say to the gentleman from West Virginia that the people of my district are proud of the fact that they clip coupons. They have had the intestinal fortitude and they are good and frugal enough Americans to be able to save their money and invest it and provide for themselves when they retire. What is wrong with that, I say to the gentleman from West Virginia? How else would private enterprise, how else would enterprise in the great State of West Virginia, or any other State get along if it were not for these people who saved their money and invested it in private enterprise through the stock market, and thus provided jobs for the millions of Americans who work in this Nation? How else would taxes be collected to pay for the many programs to help employment such as area development, which I supported, and manpower retraining, which I supported, as well as the $4.8 billion public works appropriation bill already passed, which I supported, as well as the biennial public works authorization bill which I have been trying to get our committee to consider this year to the extent of $5 billion in sound projects, which I would support if brought out? So I think this debate ought to be on the level of the merits, not attacks on a Member or his district or his people back home.

I am glad the gentleman had something to say about the people of my district being frugal. There are however 100,000 of them out of 455,000 on social security. If you call them rich, I would not agree with you. But they are good, frugal Americans and they are not asking for handouts or Federal Government grants to projects that are traditionally local with the Federal control that results.

Mr. EDMONDSON. Mr. Chairman, I yield 8 minutes to the gentleman from Illinois [Mr. GRAY].

Mr. GRAY. Mr. Chairman, as we come to the close of the debate on this most important bill, I think the question is whether or not we are willing to help the 4 million-plus unemployed in America. We have had a lot of extraneous issues injected into this debate. I think it all boils down to the simple question, Are we going to give Americans who need help the most a little hope. Yes, a decent chance to earn a decent living?

I would say in all seriousness to my friends who are in opposition to this bill that I think if they will listen to this poem I am going to recite they will rise up today and aid us in passing this bill. Listen to these words:

I once had a neighbor who built a wall,
A wall unfriendly, grim and tall;
But I felt this neighbor could not be bad,
Perhaps the man was timid, or even sad.

So I built a tower by his wall so grim,
Then I looked down and smiled on him.
This timid man's heart was noble and great—
He broke the wall and built a gate.

Would it not be wonderful if all of us today would tear down this wall around our hearts and our districts and build a gate and open up this gate saying to those who are out of work, "Yes, we want to help you. We are going to give you a chance to earn a livelihood for yourselves and your families." I believe if we would do that today there would no question but that this bill would pass without a rollcall vote and instead, by unanimous action of the House.

The argument is advanced here that this is going to throw the budget out of balance. Where is the money coming from, we have heard time and again. Let me tell you where it is coming from. You are paying the cost of this program today. Let me give you my own State of Illinois as an example. Get this, if you will, please. Illinois is spending over $300 million for relief and related welfare programs. One-third of the entire cost of this bill will be paid by the State of Illinois this year in relief and welfare programs. The Illinois Legislature had to call a special session for this year and raise the sales tax to almost 4 cents on the dollar, and we are still going to be about $100 million short. Where is this money to come from? Much of it is going to come from matching funds from the Federal Government, which means this Congress will have to appropriate for the State of Illinois alone between $100 million and $150 million for relief and welfare programs for 1 year. I say to you today this is not a question of unbalancing the budget. This is a question of balancing the human budget. And I am surprised that so many people will stand here asking about where the money is coming from, when you are paying it today in funds that are not returnable.

The new Area Redevelopment Administration is doing a good job with the complicated law they have to administer and the amount of funds with which they have to work. I am holding before me a chart that will illustrate beyond a doubt, what ARA and Government assistance can and is doing for an area. Carbondale, Ill., was fortunate enough to get the Technical Tape Corp., of New Rochelle, N.Y., to open a plant expansion. With a $455,000 loan we will bring approximately 600 to 1,000 new jobs into this area with annual payrolls of $4,333,000. In addition, for a $455,000 Government loan we will bring back to the Federal Government $226,800 in yearly income taxes. We will save the Government $343,000 in unemployment insurance. The welfare savings will amount to $96,000 a year, and rent to the community will amount to $30,000. Which means that for a $455,000 loan that is going to be paid back with interest the first year we get back $600,000 and some odd to the Federal Government and bring in $4 million in payrolls every year.

This is a planned expansion. It does not exist today. This one vehicle of a little Government aid has been an incentive. It is planned to expand an existing industry and bring new jobs. So I say to you if we can pass this bill today and provide the $900 million, we will give many incentives to these small communities where there is unemployment and make these areas more attractive to industry and bring back untold dollars into the Federal Treasury. So this is not a handout. This is not a dole. It is a program that is going to help every American. There is no such thing as putting money into one district and hardly anything in another. To give you an example, my district has lost 80,000 people since World War II by the census. Where have they gone? They have gone to Carlsbad, N. Mex., to New York City, Detroit, Chicago, and other places. When an unemployed person goes into your district he is competing with you or your workers and if he is not fortunate enough to get a job, that unemployed person is going to be on your relief rolls and surely get a handout in your district. So this is not an area matter. This is not a district matter. This is a matter that affects every person in every district.

I have one other point in closing. I cannot help getting a little partisan here, because in the 1960 campaign Mr. Nixon came to my district and Mr. GOODELL, the gentleman from New York. I do not see him on the floor, but he came into my district in what was known as the so-called truth squad. You remember they followed Mr. Kennedy around and they were supposed to tell the truth and were telling what the Republicans were going to do if they were elected and what the President was going to do. They said to my people—30,000 unemployed—they said give us a Republican Congress, give us a Republican President, and we will see that all of your unemployed get back to work. But oh, what a change today. Oh, what a contrast there is today, when you find all of the Republicans standing here saying no, we do not want to help you people. No—we do not want to give you the aid we promised you and you need.

I am reminded of the famous Elvis Presley phonograph record entitled on one side: "Oh, I Want You, I Need You, I Love You." Just before election they play this song. Oh, but after the campaign is over and we get constructive legislation on the floor such as this bill, they come down, turn the record over, and play the other side entitled: "I'll See You Later, Alligator," because we never see them from one election to the other.

So, in closing, please repent, keep your promises and above all help those who are unable to stand here and tell you how very much they need your help. Thank you.

Mr. EDMONDSON. Mr. Chairman, I yield such time as he may require to the gentleman from Alabama [Mr. JONES].

Mr. JONES of Alabama. Mr. Chairman, I want to speak briefly in support of the public works employment bill, H.R. 10113, now before the House. This bill deserves the support of everyone who is concerned over the plight of our 4 million jobless men and women, and who wants the American economy—the wealthiest and most productive economic system the world has ever known—to return quickly to full capacity operations. It equally deserves the support of all those who want to encourage the development of towns and cities of every size and our rural areas as well, and who want to encourage the development of our great natural resources.

I have followed this bill very closely from the time it was introduced. The Committee on Public Works, of which I am proud to be a member, held extensive hearings for 2 full weeks and heard every shade of opinion on this and related proposals. I have discussed it with many people and attended every one of the meetings before the Rules Committee when this bill was considered. I am convinced that this bill reported out by our committee is a well-designed piece of legislation which will effectively help to provide jobs for the unemployed through the construction of urgently needed Federal, State, and local public works.

Mr. Chairman, in spite of the charges that have been made against this bill, I would like to point out that actually it is a relatively modest proposal. However, I believe it is fully adequate to meet the immediate problem facing us this year. Next year the Congress will have an opportunity to study the economic situation and determine whether or not additional steps need to be taken.

Mr. Chairman, I would like to point out that the public works proposals advanced by the President would have cost $2.6 billion altogether. The bill which has passed the Senate authorizes $1.5 billion. The bill now before us authorizes the appropriation of $900 million. I believe that our committee pared away every provision about which there could be any question and has produced a truly sound piece of legislation. Let me point out that there are no standby or backdoor financing provisions in this bill.

The funds provided by this bill can be used to start or accelerate Federal projects which have been specifically authorized by the Congress. They can also be used for 50-percent grants to State and local governments to start or accelerate any local public works for which Federal aid is now authorized except for schools, which are not eligible. Thus, these grants can be used to get half of the cost of local water and sewer projects, hospitals, public buildings, streets and sidewalks, and the like.

To assure that the first impact will occur in places where unemployment is most severe, a project must be located in an area designated under the Area Redevelopment Act or one which has had 6 or more months of unemployment for 9 of the last 12 months. Under this provision, many areas in my own State of Alabama will be eligible for aid. Three-fifths of our counties and the cities of Anniston, Birmingham, Gadsden, Jasper, Mobile, Selma, and Talladega will benefit directly by the jobs this bill will create and the community facilities that can be built with this assistance.

The entire Nation, of course, will benefit from this bill through the additional incomes it will generate and the demand it will create for lumber, iron pipe, bricks and cement, and other building materials. I urge all of my colleagues to support this bill.

Mr. AUCHINCLOSS. Mr. Chairman, I yield 10 minutes to the gentleman from Michigan [Mr. Knox].

Mr. KNOX. Mr. Chairman, I take this time to make some inquiries of the gentleman from Alabama [Mr. Rains], and refer to an extension of his remarks which appears in the Record of August 23. The gentleman from Alabama stated in his remarks that this bill is designed to provide a prompt expansion of employment in those areas suffering from the most serious economic problems. It would do this by authorizing the appropriation of $900 million to build Federal projects which had been authorized by the Congress and to make 50 percent grants for a wide range of local community facilities. The gentleman from Alabama then continued his statement by saying:

> In my judgment it is safe to assume that the overwhelming majority of these projects would be fully eligible and I insert the list in the Record.

My question, Mr. Rains, is what criteria was used in setting up the tabulation of different projects for the different areas of the Nation?

Mr. RAINS. The list that I included in the Record, in my judgment, without examining the specific details of each particular project would meet the criteria set forth in this bill, would be eligible under the criteria set forth in this bill.

Mr. KNOX. It appears to me that there are many areas more greatly depressed that have submitted projects that have been approved but which projects are not included in the list.

Mr. RAINS. If the gentleman will refer to my remarks further he will see that I said there were many other projects that would be eligible. I did not mean this to be an all-inclusive list by any manner of means; in fact, I think I said that there were more than a thousand localities that would likely be claimed as depressed areas, and so forth, would likely be eligible for projects under this bill. I did not mean to give the impression that this list which I secured was all-inclusive.

Mr. KNOX. Of course, the list has a heading: "Program of Advances for Public Works Planning. Projects Planned or Being Planned in Areas Eligible for Aid Under H.R. 10113, June 30, 1962."

Mr. RAINS. Those are the ones, as I understand, that are now planned, that are now ready to go ahead with, that are located in areas which would be eligible under this bill. That does not mean to say that those that are not planned, that could be planned in the immediate future, would not be eligible. I think it is true that the plan of this bill is that it must act fast, and that we should be ready to go within 12 months. I do not think there is any doubt about that. This list is just an indication of the backlog of local public works which have been planned or are being planned and on which they would be ready to go ahead promptly.

Mr. KNOX. The fact remains I have two areas in my district that filed their applications in 1958, they have been approved but they are not included in the list.

Mr. RAINS. May I inquire of the gentleman if they filed their applications for advanced public works planning.

Mr. KNOX. That is correct. It came under the Community Facilities Act.

Mr. RAINS. Would the gentleman give me the names of the places I will be delighted to check.

Mr. KNOX. Yes. One is the city of Escanaba, Mich., and the other is Sault Ste. Marie, Mich.

Mr. RAINS. Will the gentleman inform me what the projects were, what they were applying for, whether sewer and so forth?

Mr. KNOX. Street improvements, construction of bridges across a power canal sewerage and sewage treatment plants, dockage facilities, public buildings and parks and other small items relative to public improvements.

Mr. RAINS. Is the gentleman's area listed by the Labor Department as being a so-called depressed area?

Mr. KNOX. My entire district of 16 counties has been listed as available for area redevelopment assistance; but, peculiarly, and for some reason or another, there has been no project approved in the area. I have one that came back that was from the county of Charlevoix, in which the ARA said they are now eligible but they have to submit a completely new plan, and if they do not do so in 12 months they will not be eligible. What is going to be done to assist the people as the Congress intended it was going to do?

Mr. RAINS. I agree with the gentleman. I may say to the gentleman that while I do not have all the information, if I may have his permission I will be delighted to see if I can check on it a little bit, and if he would like me to I will give whatever information I can obtain about specific situations and see if this bill would fit in.

Mr. KNOX. It is discouraging when you find you have a so-called depressed area under the ARA philosophy. Every county in my congressional district is listed as a depressed area, and it is entitled to participate under ARA. Yet you do not find one project in the 16 counties in the listings which have been set forth in the Record as of August 23.

Mr. RAINS. I call the gentleman's attention to the bottom of my statement inserted in the Record, where I said:

> Mr. Speaker, the projects planned under the 702 program represent only a small part of the great number of facilities which could be aided under this bill, but it is clear evidence that there is a backlog of projects which will make it possible to create employment quickly.

I did not mean by that to say that was an exclusive list. I will be glad to check on it, and if I can find any information, I will give it to the gentleman. I did not mean to be understood that these were to be the only projects to be considered.

Mr. KNOX. I thank the gentleman. I must say I certainly sympathize with the great concern of my colleague from the adjoining district to mine in Michigan [Mr. Bennett]. He brought out some important information relative to what Congress has been doing as far as foreign aid is concerned. I have consistently voted against the foreign aid programs that have been approved by the Congress. The appropriation of large amounts of American dollars that have been voted by the Congress to aid so-called foreign countries in the economic field rubs the wrong way when we find this money, some $5 billion, is going to be sent over to foreign countries and there is not too much, if anything, that is being done over here, except what the Congress has already done; and as my colleague from California [Mr. Baldwin] said, there are some $2½ billion of appropriated funds that are unexpended, plus the fact that my colleague from Ohio [Mr. Ayres] brought out that there was some $430 million in the Veterans' Administration that has not been released.

So this could be pumped into the economy of the areas that are in a depressed status.

Mr. CRAMER. Mr. Chairman, will the gentleman yield?

Mr. KNOX. I yield to the gentleman from Florida.

Mr. CRAMER. The gentleman's question touches upon exactly the point that we have been attempting to make, and that is that we are devotedly concerned about unemployment too, and if the administration would go forward with the presently available $2.5 billion highway program already authorized and appropriated for, and in addition to that the $2.9 billion which has been approved for additional highway construction and for which such funds could be used in unemployment areas, it would do very much more good. Also this would be done under programs presently approved and which are proven programs. This would do more good than what is being proposed in this bill.

If the gentleman will yield further, may I just make one additional observation?

Mr. KNOX. Let me comment just a moment insofar as the highway program is concerned. Naturally, that will go into certain areas as far as the Interstate System is concerned, but there are a tremendous number of areas in my State and especially in my congressional district where the Interstate System does not in any manner inject itself. I feel constrained to vote for this legislation in an endeavor to bring about new employment for the people in the depression areas of northern Michigan.

Mr. CRAMER. If the gentleman will yield further, I am glad the gentleman brought it up, because the $2.9 billion was for all types of highway programs, not only interstate, but the ABC as well—primary, secondary, rural, and urban. So there are obviously highways in your area which would be benefited if the administration wanted this money directed to them. May I point out to the gentleman one additional fact: It is very interesting—and the gentleman from Alabama [Mr. Rains] discussed it—to note this interesting list which was placed in the Record on August 23 of advance planning money under the community facilities program. It is very interesting to compare that list with the list put in the record of our hearings. As of December 31, 1961, all advanced planning projects—and note it eliminated reference to all schools, although schools are contained in this list—it is even more interesting to note that in the State of Utah there are specifically excluded projects at Provo, Utah, for a sports arena, a pool, and at Provo there is also a project for golf course improvement. I think it is interesting to note that those projects which are eligible under this bill unquestionably were eliminated in the discussion of the gentleman of projects available.

Mr. EDMONDSON. Mr. Chairman, I yield such time as he may consume to the gentleman from Ohio [Mr. Moeller].

Mr. MOELLER. Mr. Chairman, I would like to add my voice in support of H.R. 10113, the public works acceleration bill. For the people of my district, as well as a good many districts throughout the country, this bill is one of the most important on the House Calendar this session.

Like 34 of the 88 counties in Ohio—including 11 of the 23 congressional districts—the 7 counties, of 8, in my district whose unemployment problem is great, need this kind of forward-looking legislation.

In the past year and a half we have seen what is practically the first real concerted attempt on the part of the Government to make a contribution to the economic betterment of the so-called depressed areas of the United States.

The problem of high, structural, or chronic unemployment is one that has defied the experts in this country since the end of World War II. The countries of Western Europe have maintained a high rate of economic growth, have attacked the problems left in the wake of automation and technological change, and have virtually eliminated their problem of chronic unemployment—and in so doing have proven conclusively that it is not necessary to tolerate 3, 4, 5, or 6 percent unemployment in a modern industrial economy.

The United States has been slow to take action to attack our shameful unemployment problem. But within the last 18 months and with the inspired leadership of the Kennedy administration, we have enacted the Area Redevelopment Act to deal with long-term growth, and start the areas of the country which, so far, have not shared in the economic progress of the rest of the Nation, on the road to a brighter economic future—but with emphasis on long-term industrial development.

The second major economic development measure enacted during the last 18 months was the Manpower Development and Training Act, which within the next 3 years should retrain nearly a million workers in the United States for jobs to replace the ones they lost through the inevitable process of technological change.

This public works acceleration bill, to me, is the third part of a three-part package of economic development measures enacted by the Congress to alleviate the hardship of unemployment and start the economy on a more vigorous drive to include these depressed areas in the mainstream of the economic life of America once again.

The public works bill will really do three jobs: It will act as a major stimulant to the economy of the over 1,000 areas of the Nation where unemployment is over 6 percent; it will directly put people to work at constructive jobs; and, perhaps most important of all, it will help provide the long-term public facility investment so vital to attract and hold private industry that, in turn, will assure a permanent improvement in the local economy.

This is certainly no revival of the leaf-raking boondoggles of the 1930's, but would, rather, be a positive antirecession measure of tremendous benefit to nearly every community and city in 7 of the 8 counties in my district—where unemployment ranges from 9 to 17 percent of the work force.

By providing up to 50-percent grants to speed construction of such vitally needed capital improvements as water and sewer systems, water storage dams, hospitals, city and county buildings, local streets and sidewalks, recreation and reclamation projects, sealing of abandoned coal mines to prevent further acid pollution of rivers and streams, et cetera, this bill will spell the difference between parts of the Nation like the 10th Congressional District of Ohio moving out into the mainstream of our economic life, taking a full part in the economic progress of America, or continuing to slip into the economic shoals and tolerate the shameful unemployment rates of the past.

The public works acceleration bill, in short, represents a golden opportunity for my district to start life again—and make for itself and its children a better future and a better way of life.

I cannot urge the Members of this body too strongly to join me in supporting this forward-looking and progressive measure.

Mr. EDMONDSON. Mr. Chairman, I yield such time as he may consume to the gentleman from New Jersey [Mr. Daniels].

Mr. DANIELS. Mr. Chairman, I rise in support of this bill.

Mr. Chairman, unemployment in our country has been intolerably high for the past 5 years. Millions of our fellow citizens have been forced to remain idle not because of laziness, as some would have us believe, but because of automation, foreign competition, relocation of industry, shifts in market demands, and other economic changes. It seems evident that certain legislation is necessary if the benefits of these economic changes are not to become the burdens of increased widespread unemployment. H.R. 10113, the Public Works Coordination and Acceleration Act, is one such piece of legislation.

This bill now before the House will create an Office of Public Works Coordination and Acceleration, the purpose of which is to provide essential information to the Congress and the Chief Executive concerning public work backlogs, current construction, and planning for future needs. The proposed Office will present periodically, but at least once a year, to the Congress and the President a report on public needs of the Nation, along with suggestions on the alternative ways in which these requirements can be expeditiously and economically met. At present no Government agency has this responsibility. The need for such an office is obvious, for without accurate information the problem of unemployment can never be conquered.

In addition to the establishment of an Office of Public Works Coordination and Acceleration, H.R. 10113 authorizes an appropriation of $900 million to accelerate the construction of public works, thereby overcoming the present problem of unemployment. The President is authorized to use these funds to accelerate construction activity and employment both on direct Federal projects which have previously been authorized by the Congress and on local public works construction by matching Federal grants. A provision of the bill assures that this aid will be used for projects which would not otherwise be undertaken. It also requires that any project aided must be one which can be started promptly and the bulk of the employment created by this project will occur within 12 months after the project is started. This means that the benefits of the bill will be felt quickly, that the effects will not persist beyond the period when the economy needs this aid, and that disproportionately large projects will be ruled out.

Projects eligible for assistance under this act must be located in an area eligible for economic assistance under sections 5(a) and (b) of the Area Redevelopment Act or in a community which has suffered 6 percent or more unemployment for 9 out of the past 12 months. Jersey City, an important part of my district—the 14th District of New Jersey—is one of the 41 major areas throughout the United States which fall into the second category.

I know firsthand that the unemployed citizens of Jersey City—and unfortunately they are many—will greatly benefit from the passage of this legislation. And let me add that Jersey City and New Jersey will also benefit from the passage of this bill, for not only will men be employed, but they will be employed on such necessary projects as water and sewer systems, local streets and street repair, public buildings—except schools—and public and nonprofit hospital construction. Furthermore, the entire economy will be stimulated as construction materials are purchased and as newly created incomes are spent and respent. Let me again emphasize that the unemployed are not lazy people. Nothing could be further from the truth. I know personally several unemployed citizens of Jersey City, and more industrious people do not exist. The factors which caused their unemployment were all out of their control.

But it is not just New Jersey which is going to benefit from the passage of this bill. Every citizen is going to benefit from it, for every citizen benefits when his neighbor works, when roads, buildings, sewerage and pollutions plants, and so forth, are constructed, and money is spent.

For these reasons I urge that my colleagues join with the majority of Americans by supporting H.R. 10113.

Mr. EDMONDSON. Mr. Chairman, I yield such time as he may consume to the gentleman from Pennsylvania [Mr. Moorhead].

Mr. MOORHEAD of Pennsylvania. Mr. Chairman, I have asked for this time in order to direct a technical question about this legislation to the distinguished gentleman from Minnesota [Mr. Blatnik], the author of the legislation, the chairman of the subcommittee:

In the city of Pittsburgh there is an unused bridge which is blocking the development of Point Park in the Golden Triangle of Pittsburgh. If it otherwise meets the test for eligibility under this legislation, would a project for the demolition of this bridge be eligible for assistance under this legislation?

Mr. BLATNIK. If the gentleman will yield, may I ask the gentleman—and it is a very pertinent question—who owns the bridge, the city, or is it a State bridge?

Mr. MOORHEAD of Pennsylvania. It is not a State bridge. I believe it is a county bridge.

Mr. BLATNIK. If it is a county bridge or a municipal bridge and meets the eligibility requirements, it would definitely be eligible for assistance under this act.

Mr. AUCHINCLOSS. Mr. Chairman, I yield such time as he may require to the gentleman from Pennsylvania [Mr. Fenton].

Mr. FENTON. Mr. Chairman, I ask unanimous consent to extend my remarks at this point in the Record.

The CHAIRMAN. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

Mr. FENTON. Mr. Chairman, yesterday I listened to the debate on H.R. 10113 through its entirety and have also read in the Congressional Record this morning some of the insertions that were added under unanimous consent.

Coming from the 12th Congressional District of Pennsylvania, Schuylkill and Northumberland Counties, an area that has one of the highest unemployment problems in the country, I am naturally interested in what H.R. 10113 proposes to do.

As most of you well know I was the original sponsor of the Area Redevelopment Act under the Eisenhower administration and believe I know something of the problems which the Area Redevelopment Act is supposed to remedy.

For your information the total number of applications approved since the passage of the Area Redevelopment Act in Pennsylvania as of yesterday are 12 loans and 7 grants in the amount of $3,771,338; 17 loans and 13 grants applied for and which have not been approved to date are in the amount of $14,109,638.

In my congressional district there were eight applications for loans in the amount of $917,473. Approved were five loans and one grant in the total amount of $286,110. One loan and grant have not yet been approved in the amount of $631,343. Of course, these are Area Redevelopment Act funds only. I might add that this is not much for a chronic distressed area. There are several reasons for this apparent slowness in my opinion.

Now as for this, H.R. 10113, I sincerely hope it will do all the fine things that the proponents say it will do—we were hopeful that the Area Redevelopment Act would also do a good job.

The Congress has certainly not been stingy with appropriations where there is still an unobligated and unused balance of over $2½ billion for projects already authorized.

We were told yesterday that any local community that is unable to put up 50 percent for a project, that they could receive assistance from the Community Facilities Administration—particularly such local projects as sewers, water, sidewalks, and I hope sewage disposal plants. The State of Pennsylvania has a pure-stream law under which distressed local communities are hard pressed to establish sewage disposal plants to comply with that act. Many communities in my district are in such a predicament and they are trying to do something about it. They have already asked for planning assistance. If this bill means anything, let them act in those areas in my district and just not make promises. Do not let it become a political gimmick.

In my opinion the Bureau of Reclamation and the Corps of Engineers have received a great deal of attention and have received enormous appropriations for projects beyond the comprehension and imagination of the people in areas such as mine and yet they will be able under this bill to qualify for projects already authorized if they can complete such projects within the year after this bill becomes law. I fail to see where this will give more employment because those projects are usually constructed by contract and any additional money given them may accelerate the work but I feel sure will not increase the employment.

This leads me to a point that I believe is very important if the proponents of this bill mean what they say—that is, where a local project is accepted that the contractor should come from the local community involved, and certainly the workers on that project should be local workmen—unemployed workers. I say this because most of the new post offices constructed in my district in the past 5 or 6 years have been by contractors outside my district who brought in their own employees. In very few instances have local people been hired. I sincerely hope that those in charge of this program employ those whom the bill intends.

Mr. AUCHINCLOSS. Mr. Chairman, I yield 2 minutes to the gentleman from New York [Mr. Becker].

Mr. BECKER. Mr. Chairman, I might possibly vote for this bill and other important legislation that comes before this body provided you had the intestinal fortitude to bring in with it a tax plan to pay for it. We are talking about a bill today, "demagoging," if I may use that term, that is supposed to aid people who are unemployed today. But all you are doing is asking that the children 50 years from now pay for it. In good conscience I cannot do that. I say, bring in a bill, but have the fortitude to bring in with it a tax plan to pay for it.

A couple of weeks ago we authorized $4.8 billion in foreign aid. I said at that time that there was not one dime in the Treasury to pay out that money. You are going to have to borrow every dime of it at 4 percent, to give it away all over the world. I did not vote for that. Bring in a tax plan for this $900 million today and I would consider it, but I shall not agree to put it on the backs of the children of unborn generations to do something you want to do today. Let us do what we should do now. Let us observe those things that made this country great, one of which is to pay our way as we go, and not put off paying for it 100 or 200 years from now. Our national debt ceiling today is $308 billion. We pay $10 billion of interest on this national debt. Who is going to pay for this? You and I? Nobody in this House even remotely will live to see the day, or even my children or grandchildren. I could not vote for this bill in the way in which it is offered here. I could not vote for the foreign aid bill. I cannot vote for these plans for the simple reason that if I did, my conscience would not permit me to sleep, if I voted for something to put the debt on the backs of these yet unborn children. Bring in a plan to pay for this today, but not to have it paid for by future generations.

Mr. AUCHINCLOSS. Mr. Chairman, I yield 2 minutes to the gentleman from Texas [Mr. Alger].

Mr. ALGER. Mr. Chairman, I would like to join my colleagues who wrote the minority views on this bill. I want to limit my comments at this time directly to one particular area of State rights where State and local laws would be violated under this proposed legislation, to find out once again how many of my colleagues who plead from the well of this House on civil rights are really interested in States rights.

I refer to the Davis-Bacon Act which gives to one man in the United States the sole power to set wages and working conditions on highways, buildings, and public works regardless of local laws and the local economy. And this will apply almost entirely to the $900 million slush fund, if that is what it is—and it looks like it. There is no judicial review for any worker, for any contractor, for any American citizen, under which he can go to court to appeal from the arbitrary ruling of the Labor Secretary, who is the judge, the prosecutor, and the jury in setting wages.

This violates State and local laws and therefore I am opposed to the use of the Davis-Bacon law, which, as you well know, is expanding in two areas: It is expanding in its coverage of more and more projects, wherever there is Federal money involved, and that includes all of this, I judge; and also it is being expanded by the Committee on Education and Labor every so often in the terms of its coverage. And from this arbitrary expansion and arbitrary setting of wages you get no recourse to the courts of the United States.

I say it is wrong and I simply warn my colleagues, many of them from my part of the country, from the South, that that is the situation in this bill and I hope that they will take that into account when they vote on this bill.

Mr. AUCHINCLOSS. Mr. Chairman, I yield 1 minute to the gentleman from Iowa [Mr. Schwengel].

Mr. SCHWENGEL. Mr. Chairman, I had time yesterday to talk on this bill and I think I made it very clear at that time that I was in opposition to the bill. I have listened to the entire debate here. I was especially interested in the pleading by the gentleman from Illinois, who has real problems in his district. He used poetry. I like poetry, but I do not like to have people abuse poetry, and I do not like to have people accuse people with poetry unjustly.

I want to point out to the House and the gentleman from Illinois that if we pass this bill, and if we pass a bill that has four times as much money involved as this has, it still will not solve all the problems he was talking about.

Mr. GRAY. Mr. Chairman, will the gentleman yield?

Mr. SCHWENGEL. I will not yield at this point.

It was pointed out that this bill will provide 250,000 jobs. What about the 3,800,000 other people that this will not help?

Mr. BLATNIK. Mr. Chairman, I yield such time as he may desire to the gentleman from New Jersey [Mr. Joelson].

Mr. JOELSON. Mr. Chairman, in considering this legislation we should bear in mind that this year without dissent we have appropriated $48 billion for defense—48 times $1,000 million for defense. And we should remind ourselves about what we are defending. We are defending a way of life which is motivated by the fact that we care about what happens to our fellow man.

Why should we spend $48 billion for the military, and refuse a tiny fraction of that amount to create jobs, to build hospitals, to build community facilities, and to give all Americans their fair share of our way of life?

If because of military expenses, we refuse to make those expenditures which will safeguard our way of life at home, Mr. Khrushchev will win an important skirmish without having fired a shot.

I also point out that this year we will spend more than $900 million to get to the moon. Where is our sense of values when we will spend this type of money for moon trips while turning our backs on the unfortunate people here on earth.

If we have to trim expenditures, let us not do so at the expense of those who are in the worst shape.

Mr. SILER. Mr. Chairman, with considerable regret I have concluded that this public works acceleration bill is a hoax and a delusion that is designed entirely as a political tool for the purpose of keeping the Kennedys in power and their cohorts in charge of our country's affairs for an indefinite future lying ahead.

On August 24, I sent the following telegram to President Kennedy, but so far I have received no reply whatever to my message. My telegram was as follows:

> August 24, 1962.
>
> The President,
> *The White House, Washington, D.C.:*
>
> Knowing of the unemployment in my congressional district, I would gladly vote for the public works acceleration bill next week provided it were made a nonpolitical measure in such a way as to insure that my district would not be discriminated against because of its political complexion. But it is well known that the food stamp plan has already been put into effect in 25 Democratic districts to only 1 Republican district. This cannot be fair or honest or American. In my depressed area I heretofore asked that the plan be set up for Harlan County in my own district months ago but the administration has been as silent and inactive as the Sphinx of Egypt toward this call for humanitarian consideration. We can only judge the future by the past and I will certainly not vote for a measure that promises to penalize a great patriotic part of the country because most of its people are Republican. A bill which lends itself to this kind of political maneuvering is worse than taxation without representation which was something our forefathers called tyranny.

Now if President Kennedy and this bill would only leave the allocation of funds and the administration of those funds entirely up to a bipartisan commission of four persons, two Democrats and two Republicans, and if the President would, even at this late hour, see that the food stamp plan mentioned in the above telegram is placed in about as many Republican districts as Democratic districts, then I would support this bill as stanchly as Atlas supported the world. But under the circumstances as they are at present and in view of the strict partisanship already witnessed within this administration, I cannot vote for a measure that will be political, punitive, perilous, and perfidious toward our national welfare and I hope it will be defeated for the ultimate good of our country.

Mr. STRATTON. Mr. Chairman, I rise in support of the legislation. My district of New York State, as well as many other parts of our State, have long suffered from heavy and persistent unemployment. Since I first came to Congress I have fought persistently for legislation to break the back of this unemployment problem and to put our New Yorkers back to work. I was proud to have been one of the cosponsors of the Area Redevelopment Act, which is one of the legislative landmarks of this administration and which was designed to help our communities attract new jobs. Unfortunately in my State of New York the administration of this forward-looking piece of Kennedy legislation, entrusted to the local State administration, has not measured up to its full potentialities because of the fact that State authorities have deliberately attempted to sabotage implementation of the act for narrow partisan political reasons.

Thus the unemployment persists. In fact, of the eight redevelopment or major unemployment areas within New York State listed on page 24 of the committee report five are within my present congressional district or the district into which I have been redistricted.

The redevelopment bill was always a long-range bill. No one ever pretended it would end unemployment overnight. It takes time to attract new industries into an area and then nurse them to full-capacity production. Clearly, this is the lasting and long-range solution. But we cannot allow our people to sit idly by while this long process is being carried out.

So the present bill provides a very necessary adjunct to the earlier measure. It will stimulate employment almost at once. It will help those people and those communities that need help the most. It will give the economy a most desired shot in the arm. That is why I am for the bill, and why I know we need it so desperately in New York.

I am a bit amused, Mr. Chairman, by the opposition being expressed by some of our friends on the other side of the political aisle today. In my home city of Schenectady and in New York State generally the Republican leadership has always urged this kind of standby public works program as a desirable answer to the challenge of unemployment, though to be sure they have talked more about it than they have acted. Yet now when President Kennedy comes forward with precisely the same idea, and one that is so very much needed in New York, the leadership on the other side of the aisle is almost unanimously opposed. I am sure the people of New York will not welcome this callous willingness to play partisan politics with their economic welfare.

Mr. Chairman, I desire to make one point that applies to an important part of my congressional district. The bill before us here today provides that the President shall be authorized, with the funds included in this bill, to go ahead with those public works projects already authorized by Congress but for which funds have never been appropriated. The list of these projects appears on page 17954 of the RECORD for August 28. The projects for New York State include two so-called dry reservoir dams which were authorized a quarter century ago but which have never been built because the funds for them have over the years been withheld by the Appropriations Committee, in response to requests from Members representing the areas affected by these two dams. These are the Davenport Center Reservoir on the Charlotte Creek in Delaware County, and the West Oneonta Reservoir on the Otsego Creek in Otsego County.

Now one might at first get the impression that under the provisions of H.R. 10113 it would be possible for the President of the United States to override the objections of the people of our district and construct these dams. I would certainly not favor any bill which would foist that kind of result action on the people of any district.

However, Mr. Chairman, I have conferred with the distinguished chairman of the subcommittee handling the bill, the gentleman from Minnesota [Mr. BLATNIK], and he has assured me that the provisions of H.R. 10113 will not undermine the ability of the people of my district to make their will known in Washington. He has assured me that under the bill the President, in using the added authority afforded to him, cannot impose on a community a public works project which may once long ago have been authorized by Congress, but which today the people of the area are overwhelmingly opposed to. The gentleman has pointed out to me that under the provisions of subsection (f) (5) of section 9 of the bill, which appears on page 18 of the bill, no project can be undertaken by the President when the project in question is "inconsistent with locally approved comprehensive plans for the jurisdiction affected, wherever such plans exist." Since both the Davenport Reservoir and the West Oneonta Reservoir are clearly inconsistent with local plans, they cannot be constructed under the provisions of H.R. 10113, I will say to my colleagues.

With that one point nailed down clearly, Mr. Chairman, I am delighted to support a bill which will provide desirable and beneficial public works projects to relieve current unemployment problems in such areas as Amsterdam, Gloversville, Schenectady, Oneonta, and Auburn. I hope the legislation will be adopted.

Mr. LANGEN. Mr. Chairman, we have before us a measure, like so many others I have observed this year, that does nothing that existing programs cannot do, offers nothing that existing programs do not already offer, and succeeds merely in increasing the cost of Government at a time when deficits already threaten the country with bankruptcy.

We have listened attentively to the arguments in favor of this emergency public works bill. We certainly can sympathize with the unemployed, the depressed areas of our country, the plight of people who depend on a thriving economy in their immediate areas. But this legislation is so fraught with problems that it cannot possibly accomplish the Utopian aims of its proponents.

I have been particularly interested in facts and figures that have been presented during these discussions. One of the conclusions we must come to at this moment is that existing programs to assist depressed areas and other regions where economic trouble exists are not being utilized to the fullest and are not accomplishing the grandiose results for which they were intended. How, then, can such a program as we now have before us hope to accomplish the same means by merely throwing additional taxpayer moneys around the country at the political discretion of a President?

It has been pointed out that the Veterans' Administration direct home loan program had $700 million available last year and this year, but only $250 million has been committed under this fund. In the Farmers Home Administration housing loan program, which applied principally to rural areas and small towns, $430 million was authorized, but only $128 million has been obligated to date. We authorized $650 million last year for the Community Facilities Administration's public facilities loan program, but only $202.6 million was obligated as of last week. We authorized $2 billion last year for urban renewal, but only $827 million was obligated as of last week. The depressed areas bill of last year authorized $90 million for public facilities grants and loans under the Area Redevelopment Administration, but as of last week only $24 million was obligated.

It adds up to well over $2 billion of authorized funds that are available right now to create new jobs, help depressed areas, and assist those in need. Instead, we are asked to approve $900 million for a program that well could interfere with the existing programs.

I believe it is the responsibility of this Congress to make sure existing funds are spent and utilized before appropriating additional moneys for a program that admittedly would work in the same fields. We simply cannot afford it. I do not believe the taxpayers of this country want us to spend their money unless it is actually needed. And I do not believe the people want these funds put in the hands of one man, to use as only he sees fit. It seems to me that such a further concentration of power in the Executive could well be used as a political tool rather than as a help for our people.

We will never have a country that can maintain full employment until we have an economy that can sustain it. This bill can serve but one purpose, to move our Nation further into debt without measurably altering the problems it was intended to solve.

Mr. KEARNS. Mr. Chairman, I rise in support of H.R. 10113, the Public Works Coordination and Acceleration Act, because the program of advances for public works planning contains authorized projects planned, or being planned, in areas eligible for aid.

The 24th Congressional District of Pennsylvania, which I have represented for 16 years, would be eligible for $24,015,540. Of this total, Erie County would be eligible for $20,843,141, Crawford County would be eligible for $2,563,399, and Mercer County would be eligible for $609,000.

This bill is designed to provide a prompt expansion of employment in those areas suffering from the most serious economic problems. It would do this by authorizing the appropriation of $900 million to build Federal projects which have been authorized by the Congress and to make 50-percent grants for a wide range of local community facilities. These grants could be used to help finance water and sewer facilities, public buildings, streets and sidewalks, and in fact practically any local construction project except schools provided that the project, in the language of the bill, "meets an essential public need."

In the 24th Congressional District of Pennsylvania the individual projects eligible for aid under H.R. 10113 are as follows:

City	County	Type project	Estimated total cost
Erie	Erie	Auditorium	$3,650,000
Do	do	Harbor facilities	842,000
Do	do	do	8,584,000
Do	do	Road	1,996,200
Harborcreek Township	do	Water	2,199,386
Waterford	do	Sewer	571,555
Conneaut Lake	Crawford	do	2,480,000
Millcreek	Erie	do	3,000,000
Hempfield Township	Mercer	do	609,000
Saegertown	Crawford	do	83,399
Total			24,015,540

Erie County	$20,843,141
Crawford County	2,563,399
Mercer County	609,000
Total	24,015,540

As a Republican, I am supporting this administration bill because I believe it will help to combat chronic unemployment in the 24th Congressional District.

I am confident that the President, with whom I served in the House, can be relied upon to fulfill his obligations to the 24th District of Pennsylvania.

Mr. ELLIOTT. Mr. Chairman, this bill is aimed at helping to check unemployment in the country and provide for the construction of needed public works at the same time.

This bill supplements and adds to the aims and objectives of the Area Redevelopment Act of 1961. Redevelopment areas, both city and rural, are eligible for the assistance provided by this bill.

I want to congratulate the gentleman from Minnesota [Mr. BLATNIK] for bringing this bill to the floor of the House. The gentleman from Minnesota [Mr. BLATNIK] knows about unemployment. He and I both represent areas where unemployment is heavy. We know what it is to see people hungry, and we know the marks that unemployment and its consequent hunger leave upon the individual who suffers them. I hope this bill will pass.

This bill, added to the Area Redevelopment Act and the Community Facilities Act, will do a lot of good.

I am one of those who feel that Government should put up a vigorous battle against unemployment and its handmaidens of hunger and want. Unemployment is an economic cancer, and I sometimes think that its consequences are as deadly as the physical cancer. Just as we set up national institutes of health, it might be well that we establish national institutes to fight the economic sickness of unemployment.

If we had had a program 10 years ago like the one envisioned by the bill before us and like the ARA, perhaps unemployment in our country might have been stopped long before it reached the proportions it has reached today.

I hope the bill passes. My own congressional district is working diligently to break the bonds of unemployment and loose the shackles of starvation. It will welcome this bill. It will be able to use its provisions for the benefit of the people of the district.

Mr. LINDSAY. Mr. Chairman, we are confronted today with the latest example of administration showmanship—the public works coordination and acceleration bill—which I fear has more political and public relations in it than solid substance and proportion.

The ostensible purpose of this legislation is to authorize an appropriation of $900 million to accelerate the construction of public works to overcome the present problem of unemployment.

We are told that this bill will change the face of America—that it will revitalize our lagging economy—that it will renew the onward moving course of American prosperity.

We are told that this bill will rejuvenate the spirit of this country—that it will stimulate consumption, improve the Nation's investment climate.

In glowing hosannas we will be told how this bill will quicken the tempo of life on the farm and in the factory—that it will increase the national wealth—that it will restore the economic lifeblood of our Nation.

We will be told all this and more by administration forces as they hit the campaign trail this fall. But what they will not tell us is how the committee report can refer to this legislation as making "a substantial contribution toward reducing our present high level of unemployment" when in reality it will affect no more than 3 percent of the total unemployed of the Nation—a maximum of 125,000 jobs at colossal cost that has no relation to the impact. In fact, most of the cost of projects will go into the purchasing of materials and equipment and for the employment of professional and skilled persons who are not among the large group of unemployed.

Nor will we be told of the extent to which this bill authorizes the use of taxpayers' money to construct swimming pools, ski slides, golf ranges and other nonpriority items in certain congressional districts. I know how partial this administration is to swimming pools, but that is no excuse for this kind of political pork at the expense of $900 million of the taxpayers' money. I continue to feel that Federal grant-in-aid programs financed out of the general revenues—incidentally, the $900 million in this bill is unbudgeted—should be pinpointed according to priorities.

We are told that this bill will provide a "quick shot in the arm" for the national economy. This is difficult to believe. By the time the bill is enacted, land is acquired, engineering plans are carried out, contracts awarded and construction work begun, it will be well into 1963, if not later. Under these circumstances, why should Congress authorize the appropriation of additional funds for public works when there is at this moment on the books, ready for spending, $2.6 billion of unobligated funds, which are not being used by the administration? In veterans' housing loans alone there are $300 million worth of frozen applications. In urban renewal there are $1.4 billion in unobligated funds which Congress has authorized.

Beyond this, should the President have blanket authority to select any locality of his choosing to grace with a new project—in many instances projects which have been authorized many years ago, but for which funds may have never been appropriated?

Would it be too much to expect that the President might use the acceleration funds to buy support for Democratic candidates?

The fact that this bill is a sham does not mean that the public works programs of this Nation should not be better coordinated.

A strong case can be made for a meaningful public works program to expand employment opportunities and lead to a rise in national purchasing power. Experts have long pointed out that Federal, State, and local governments must invest at least $25 billion a year for the next decade to meet the minimum needs in this critical area. The fact remains that our expenditure for public works are way short of that figure. Yesterday it was made clear in debate on this bill that in order to reduce unemployment to 4 percent of the total working force, or to reduce it by 1 million people under the formula provided in the bill, it would cost at least $4 billion.

Mr. Chairman, during the New Deal we had an example of a massive public works program which during its 8-year history employed more than 8 million persons on 1,500,000 individual projects at a cost of approximately $11 billion. The WPA has left its imprint on the American landscape in notable ways. Its constructive achievements were numerous. Yet, it was also inefficient, extravagant, wasteful, and in the end became politically corrupt. Even its most ardent admirers claim that it was not massive enough to bring us out of the depression, while many still believe that it should have never been initiated in the first place.

Viewed in comparison with the WPA, the program which would be initiated and accelerated under this bill is a shameful delusion. It would hold out the hope of unemployment relief for many, but once its inadequacies are apparent it will foster a climate of dissatisfaction and despair.

There will be no check on the programs which will be undertaken under this bill. It will afford a disproportionate amount of discretion to the President for what can only be classed as purely political purposes. This bill will do little for large metropolitan areas where the need is greatest for the creation of employment opportunities and where individuals are more deeply affected by the population and technological upheavals, economic and social change, automation, and other tumultuous alterations in our national life.

There will be the usual fanfare about this bill, the usual rhetoric about moving the country ahead; the customary attempt to create a false impression that something of genuine significance is being done. Legislation by symbolic gesture may fool the unwary, but the Congress of the United States has no business being a party to it. Enactment of this legislation will never fulfill the grandiose claims of its supporters. It will give excessive power to the President and is fiscally irresponsible. There is nothing new or bold about it. In fact it is a very old and tired political device containing more than the usual amount of fat political pork. The bill should be voted down.

Mr. FISHER. Mr. Chairman, I shall vote against the pending bill which would authorize the expenditure of $900 million by the President during the next year, for loans and grants-in-aid to the various States and communities where it would be spent.

This is a blankcheck proposal and is a WPA-type measure. The money can be used for a multitude of purposes, with Uncle Sam paying for up to 75 percent of the cost.

The committee which reported the bill gave as its purpose the following:

> The purpose of H.R. 10113, as reported, is (1) to establish the Office of Public Works Coordination and Acceleration to meet the long-range need of public works planning,

and (2) to authorize an appropriation of $900 million to accelerate the construction of public works to overcome the present problem of unemployment.

Since the purpose is to achieve a long-range objective, we can assume that the $900 million authorization is but the beginning of a new depression-type outlay of Federal funds which will probably go on for years. I can hardly think of a single project of this nature that was proposed as a temporary thing which did not continue for years.

From reading the committee report it appears that Mr. George Meany, president of the AFL–CIO, testified that each $1 million of construction expenditures will create about 100 onsite, offsite jobs and about 150 other jobs in consumer industries and in wholesale and retail trades for a period of 1 year, or a total of approximately 250 jobs for 1 year. Thus, some 50,000 onsite and offsite jobs and 75,000 additional jobs in consumer industries and wholesale and retail trades, or a total of 125,000 jobs, would be created during the peak fiscal year of 1963 and would continue during most of fiscal year 1964. As of last May there were 3,719,000 persons unemployed. This represents between 4 and 5 percent of the labor force. Thus, the new jobs this bill can be expected to create will only scratch the surface in attempting to solve the alleged unemployment problem in this country.

Mr. Chairman, the Congress recently raised the ceiling on the national debt. We had a large deficit last year, and we are due to have another deficit this year, of probably $6 to $8 billion.

This bill will add to that deficit. This welfare measure is but one of many this Congress has approved this year or is now being asked to approve. There is admittedly no national emergency to justify this type of expenditure. It is high time the Congress think in terms of reducing rather than increasing the cost of Government.

This measure may properly be described as the granddaddy of all boondoggles. It is in my judgment bad legislation, unnecessary and wholly unjustified. And it should be defeated.

Mr. BLATNIK. I have no further requests for time, Mr. Chairman.

The CHAIRMAN. All time has expired.

Pursuant to the rule, the Clerk will now read the committee amendment printed in the bill as an original bill for the purpose of amendment.

The Clerk read as follows:

That this Act may be cited as the "Public Works Acceleration Act".

Sec. 2. (a) The Congress finds that (1) certain communities and areas in the Nation are presently burdened by substantial unemployment and underemployment and have failed to share fully in the economic gains of the recovery from the recession of 1960–1961 and (2) action by the Federal Government is necessary, both to provide immediate useful work for the unemployed and underemployed in these communities and to help these communities, through improvement of their facilities, to become more conducive to industrial development and better places in which to live and work. The Nation has a backlog of needed public projects, and an acceleration of these projects now will not only increase employment at a time when jobs are urgently required but will also meet longstanding public needs, improve community services, and enhance the health and welfare of citizens of the Nation.

(b) The Congress further finds that Federal assistance to stimulate public works investment in order to increase employment opportunities is most urgently needed in those areas, both urban and rural, which qualify as redevelopment areas because they suffer from persistent and chronic unemployment and economic underdevelopment, as well as in other areas which have suffered from substantial unemployment for a period of at least twelve months.

(c) It is the further purpose of this Act to provide the necessary machinery to keep the President and the Congress informed on the status of public works construction and planning, to encourage local governmental agencies to develop orderly capital improvement programs, so that if it becomes necessary to take action to stimulate the economy by inaugurating a program of needed capital improvements when unemployment indicators reveal the beginning of a recessional pattern in the economy, necessary plans on which to base such action will be available.

Sec. 3. There is hereby established the Office of Public Works Coordination and Acceleration (hereinafter referred to as the "Office"). The Office shall be administered by a Director of Public Works Coordination and Acceleration (hereinafter referred to as the "Director"). There shall be a Deputy Director. The Director and the Deputy Director shall be appointed by the President by and with the advice and consent of the Senate. The Director shall receive compensation at the rate of $20,000 per annum, and the Deputy Director at the rate of $18,500 per annum.

Sec. 4. The Director shall encourage the coordination of planning policies for the construction of public works in the United States, and for this purpose shall—

(1) collect all necessary information from the head of each department, instrumentality, and agency of the Federal Government, and of State and local governments, having authority to construct public works;

(2) review such information and determine—

(A) what public works projects have been or are in the process of being planned for construction,

(B) what public works projects are required to meet national, regional, and community growth and economic development,

(C) what are the present policies of the various departments, agencies, and instrumentalities with respect to planning public works, and

(D) the extent to which the policies of each such department, agency, and instrumentality should be coordinated with an overall policy with respect to public works planning and construction, and methods for such coordination.

(3) report from time to time as he deems necessary but not less often than once each year to the President and Congress—

(A) all public works which are in the process of being constructed, those which have been or are being planned, and those which should be planned,

(B) the public works plan which he has prepared under section 8 of this Act,

(C) any other recommendations with respect to planning and coordination of public works.

Sec. 5. The Director shall, to the fullest extent possible, cooperate with all departments, agencies, and instrumentalities of State and local governments to insure the greatest possible planning and coordination of public works projects at all levels of government.

Sec. 6. The Director is authorized to make such rules and regulations as may be necessary to carry out his duties under this Act.

Sec. 7. (a) The Director is authorized to establish such advisory committees and to consult with such persons and organizations as he may deem necessary to carry out his duties under this Act.

(b) The Director shall, in carrying out his duties under this Act, utilize to the fullest extent possible the services, facilities, and information of all departments, agencies, and instrumentalities of Government as well as private agencies in order to avoid duplication of effort and expense, and all the departments, agencies, and instrumentalities of the Federal Government shall provide the Director with such services, facilities, and information as he may determine necessary to carry out his duties under this Act on a nonreimbursable basis.

Sec. 8. (a) The Director is authorized and directed to prepare and to keep current at all times a public works plan which shall have as its basic purpose the acceleration of the construction of public works necessary to increase employment and to stabilize the economy when required to offset declines in economic activity.

(b) The public works plan authorized by subsection (a) of this section—

(1) shall provide for the acceleration of those Federal public works projects which have been authorized by Congress.

(2) shall provide for the acceleration of those public works projects of States and local governments for which Federal financial assistance is authorized under other provisions of law.

(3) shall give priority to those public works projects which can—

(A) be initiated or accelerated within a reasonably short period of time;

(B) meet essential public need;

(C) contribute significantly to the reduction of unemployment.

Sec. 9. (a) For the purposes of this section the term "eligible area" means—

(1) those areas which the Secretary of Labor designates each month as having been areas of substantial unemployment for at least nine of the preceding twelve months; and

(2) those areas which are designated by the Secretary of Commerce under subsections (a) and (b) of section 5 of the Area Redevelopment Act as "redevelopment areas".

(b) The President is authorized to initiate and accelerate in eligible areas those Federal public works projects which have been authorized by Congress, and those public works projects of States and local governments for which Federal financial assistance is authorized under provisions of law other than this Act, by allocating funds appropriated to carry out this section—

(1) to the heads of the departments, agencies, and instrumentalities of the Federal Government responsible for the construction of Federal public works projects, and

(2) to the heads of the departments, agencies, and instrumentalities of the Federal Government responsible for the administration of laws authorizing Federal financial assistance to public works projects of States and local governments.

(c) All grants-in-aid made from allocations made by the President under this section shall be made by the head of the department, agency, or instrumentality of the Federal Government administering the law authorizing such grants, and, except as otherwise provided in this subsection, shall be made in accordance with all of the provisions of such law except (1) provisions requiring allocation of funds among the States, and (2) limitations upon the total amount of such grants for any period. Notwithstanding any provision of such law requiring the Federal contribution to be less than 50 per centum of the cost of a project, grants-in-aid may be made under authority of this section which bring the total of all Federal contributions to such project up to 50 per centum of the cost of such project.

(d) There is hereby authorized to be appropriated not to exceed $900,000,000 to be allocated by the President in accordance with subsection (b) of this section, except that not less than $300,000,000 shall be allocated for public works projects in areas designated by the Secretary of Commerce as redevelopment areas under subsection (b) of section 5 of the Area Redevelopment Act.

(e) The President shall prescribe rules, regulations, and procedures to carry out this section which will assure that adequate consideration is given to the relative needs of eligible areas. In prescribing such rules, regulations, and procedures the President shall consider among other relevant factors (1) the severity of the rates of unemployment in the eligible areas and the duration of such unemployment and (2) the income levels of families and the extent of underemployment in eligible areas.

(f) Funds allocated by the President under this section shall be available only for projects—

(1) which can be initiated or accelerated within a reasonably short period of time;

(2) which will meet an essential public need;

(3) a substantial portion of which can be completed within 12 months after initiation or acceleration;

(4) which will contribute significantly to the reduction of local unemployment;

(5) which are not inconsistent with locally approved comprehensive plans for the jurisdiction affected, wherever such plans exist.

(g) Not more than 10 per centum of all amounts allocated by the President under this section shall be made available for public works projects within any one State.

(h) The criteria to be used by the Secretary of Labor in determining areas of substantial unemployment for the purposes of paragraph (1) of subsection (a) of this section shall be the criteria established in section 6.3 of title 29 of the Code of Federal Regulations as in effect May 1, 1962.

Sec. 10. No part of any allocation made by the President under this Act shall be made available during any fiscal year to any State or local government for any public works project, unless the proposed or planned total expenditure (exclusive of Federal funds) of such State or local government during such fiscal year for all its capital improvement projects is increased by an amount approximately equal to the non-Federal funds required to be made available for such public works project.

Sec. 11. (a) Paragraph (4) of subsection (b) of section 202 of the Housing Amendments of 1955 is amended by adding at the end thereof the following new sentence: "This paragraph shall not apply to any financial assistance to be extended under subsection (a) of this section for the purpose of financing any project for public works or facilities to be initiated or accelerated as the result of a grant-in-aid from an allocation made by the President under section 9 of the Public Works Acceleration Act."

(b) Section 202 of the Housing Amendments of 1955 is amended by adding at the end thereof the following new subsection:

"(e) The Administrator is authorized to make a grant-in-aid from any allocation made for such purpose by the President under section 9 of the Public Works Acceleration Act to any public entity described in clause (1) of subsection (a) of this section of not to exceed 50 per centum of the cost of construction of any project for public works or facilities, if such project would be eligible (without regard to the restrictions and limitations of subsections (b) and (c) of this section) for financial assistance under clause (1) of subsection (a) of this section in accordance with the rules and regulations of the Administrator (as in effect on the date of enactment of this subsection) relating to the types of public works and facilities to which such assistance may be extended."

Sec. 12. Section 702 of the Housing Act of 1954 is amended by adding at the end thereof the following new subsection:

"(g) Notwithstanding any other provision of this section, no advance made under this section for the planning of any public works project shall be required to be repaid if construction of such project is initiated as a result of a grant-in-aid made from an allocation made by the President under the Public Works Acceleration Act."

Mr. BLATNIK (interrupting the reading of the amendment). Mr. Chairman, I ask unanimous consent that the committee amendment be considered as read and open to amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from Minnesota?

There was no objection.

Mr. WRIGHT. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. Wright: On page 12, strike out line 11 and all that follows down through and including line 7 on page 16, and renumber the following sections accordingly.

Mr. WRIGHT. Mr. Chairman, this amendment eliminates in its entirety every reference to the creation of an Office of Public Works Coordination and Acceleration, and renumbers the following sections accordingly.

This has been one of the more controversial features, discussed at some length in the minority report. I do not believe that the creation of an Office of Public Works Coordination and Acceleration would be an evil thing, as some Members said in expressing their apprehensions. I do believe, however, it would be an unnecessary thing.

Certainly wherever possible the Congress has the duty and the responsibility to avoid the creation of any unnecessary bureaus, boards, offices, commissions, or agencies. Therefore, since this has become a matter of considerable controversy, and since it seems plausible to assume that the purposes of the legislation can be carried out satisfactorily by existing agencies, I believe we can well dispense with the provision creating this new office staffed by a director and a deputy director, and such technical personnel as they might employ. So long as there is no critical need to create any additional bureaucracy, then we should not do it.

Let us test the program under the presently existing machinery of Government. Under the bill, the responsibility of determining exactly which projects best meet the criteria of eligibility is left in the hands of the individual agencies now administering those programs as previously approved by Congress. Then the determination of exactly what moneys approved under this bill will be allocated to exactly which of those agencies reposes in the hands of the President. It seems, therefore entirely, probable that the purposes of the bill can be carried out well and effectively without the creation of an additional Office of Public Works Coordination and Acceleration. If experience should determine and prove that it is not being carried out effectively in the absence of the creation of such an office, then in a future Congress we can consider the wisdom of creating the office.

Therefore, Mr. Chairman, I ask the support of Members both of the majority and of the minority for this amendment which removes the creation of that new office from the provisions of the bill.

Mr. CRAMER. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, and members of the committee, this is a very interesting bill-rewriting procedure, but let me at the outset say—let no one be misled. This amendment does not help the bill. It does not involve the major issues discussed. As a matter of fact, I hardly discussed the question of coordinator because I knew this amendment was coming. It was pretty heatedly discussed in committee. The Republicans insisted on knocking it out. The majority members insisted on keeping it in. I am glad to see they are at least accepting one recommendation by the minority.

If you let this bill go back to committee and really clean it up, maybe you will get a good bill. I am going to make a motion to recommit that so send it back to committee. This is proof positive that that is exactly what should be done. Just look at what the amendment does. It cuts out 50 percent of this bill pagewise. It cuts out 50 percent of the bill according to the length of the bill and according to the discussion of it in the committee report. Look at it. Look at how many pages are devoted to convincing the Members of this legislative body that it is absolutely imperative on the merits to have this coordinator. What does that do to the rest of the report? There is just about as much merit to the arguments of the majority on the rest of the report as there is on the first half of the report which they are now willing to throw into the ashcan with this amendment.

Look at the pages they devote to the discussion of the necessity, the absolute necessity, in order to help unemployment, to have a coordinator and officer, a new bureau, a new agency in order to try to meet this problem. It starts on page 4 and goes on 5, 6, 7, 8, 9, 10, 11, 12, 13, 14 pages discussing public works coordinator. Do you see what is being done? Sweetnesses are being applied. There is going to be another amendment offered to strike out schools. The majority in the report argue, "Oh, no, schools are not included." We said they were. The majority said they were not. Now they are going to strike it out and the argument is going to be—we do not think they were in in the first place but they are going to strike them out. Any question of them being in, any question about other projects being in, I am trying to indicate, are being treated the same—with an effort to cover up the fact that they are included—such as ski slides as well as swimming pools, golf courses, which I do not think the people of this great Nation would ever want Members of the Congress to vote 50 percent of the taxpayers' money to finance. Yet, it is being done in this bill.

The remainder of the bill—the balance of the bill left will include that. So I say to you the bill is equally bad with this amendment as without it, so far as I am concerned. The motion to recommit should be passed so that we can take this bill back to the committee, and this is proof positive that the bill should go back to the committee. If they are willing to knock out 50 percent of it, it should go back to the committee. Let us reconsider the rest of the bill which is equally bad.

This $900 million boondoggle bill is still just as it was on the basis of giving the President and the executive branch unprecedented powers, the power to spend money on any public works and with a 50-percent grant authority. There is not any question about that. That delegation of authority remains in the bill; so do the other objectionable features.

This amendment has nothing to do with the spending of the $900 million; that is still in the bill. This amendment has nothing to do with the $300 million added at the last minute without being requested by the executive branch. I want to ask the majority now: Are you going to strike that out? That was not recommended by the President of the United States. The coordinator was not recommended by the President of the United States. You are knocking out the latter; now, are you going to knock out the former, the $300 million?

I will tell you what the strategy is—the same as it was on the agriculture bill. You want to get anything you possibly can left in this bill, so it can go to conference and accept the Senate version of $1,500 million—$750 million for public works now and $750 million standby authority; then our committee which has worked it out will go to conference and they will accept the 50-percent grant money and the Senate provision of 50-percent loan money for all these projects, and the taxpayers will be financing these swimming pools, ski slides, and golf courses to the tune of 100 percent.

Mr. GROSS. Mr. Chairman, I have a preferential motion at the desk.

The Clerk read as follows:

> Mr. Gross moves that the Committee do now rise and report the bill to the House with the recommendation that the enacting clause be stricken out.

Mr. GROSS. Mr. Chairman, I am very much interested in this amendment, I will say to the gentleman from Texas [Mr. Wright], but I do not quite understand the reason for it. Why at this late date do you strike this out?

Mr. WRIGHT. Mr. Chairman, will the gentleman yield?

Mr. GROSS. Yes; I certainly do.

Mr. WRIGHT. The reason I offered that amendment to strike it out is the same reason I would have for offering any amendment to any bill; that is, to improve it, by separating two distinct proposals.

Mr. GROSS. But you had a lot of discussion about this provision of the bill in the committee which would establish a Coordinator at $20,000 a year and a Deputy at $18,500, did you not?

Mr. WRIGHT. We did.

Mr. GROSS. You had a lot of discussion and you put it in, but now you want to cut it out in order to sweeten the bill, put a little sugar coating on it?

Mr. BLATNIK. Mr. Chairman, will the gentleman yield?

Mr. GROSS. Certainly.

Mr. BLATNIK. The gentleman from Texas is perfectly capable of answering the question, but I appreciate his yielding to me. I am the author of this provision. The purpose of putting that provision in the bill was merely to make statutory a practice which had been engaged in for some years under the previous administration by Executive order. We thought it would make for more orderly administration, through the coordination of information of public works programs at all levels of government, which would then be submitted to the Congress to help them make policy with regard to public works programs and planning.

Mr. GROSS. I understand that. Then, why at this late date do you strike it out?

Mr. BLATNIK. When the bill was brought to the floor there was what I thought was a very comprehensive and thorough explanation of the purpose of the Coordinator, but there emanated from the gentleman's side of the aisle a great deal of misinformation on this office which had been recommended by two Hoover Commissions, the Cooke Commission, and the Committee on Government Organization in the Eisenhower administration. By deleting this office from this bill we will have an opportunity to give this much needed proposal more specialized attention.

Mr. GROSS. Just a minute. Apparently I am not going to get an answer. I do not yield further. Apparently I am not going to get an answer as to why at this late date you seek to take out something that you said was so important when this bill was approved in committee; notwithstanding the fact you had before you the bill passed by the Senate containing no such provision. You now move to strike it out at this late date, yet you will not say why. I will say it for you. This is an attempt to sugarcoat the bill.

Mr. BLATNIK. It is not any attempt to sugar-coat the bill. It has very little to do with the program itself.

Mr. GROSS. You were perfectly willing a short time ago in committee to build up the Federal bureaucracy with a Coordinator and an Assistant Deputy Coordinator at fancy salaries, and all of the staff that goes with them. You did not even conform to the public law which requires the executive branch of Government to inform the Congress how many additional personnel will be required and an estimate of the cost. There is nothing in the report to indicate that you conformed to the public law.

Mr. BLATNIK. That is an important provision. There is a lot of confusion about it.

Mr. GROSS. Then why did you not stay with it?

Mr. BLATNIK. I do want to stay with it because it is important, and I am coming back with this provision the first opportunity I will have. I must stress that the coordinator would be an arm of the Congress to bring greater coordination to public works which we, as Members of the Congress watch over.

Mr. GROSS. I have no doubt about that. There is the answer from the gentleman from Minnesota. Just take the bill today, hook, line, and sinker, and we will be back next year at the first opportunity to build up a bureaucracy which the gentleman from Texas [Mr. Wright], says is not necessary. Just a moment ago he said, "We do not want to build up a bureaucracy." Now the gentleman from Minnesota [Mr. Blatnik], says, just give us an opportunity and we will build up this bureaucracy as fast as we can. Meantime, he wants us to swallow this bill today, take the bait, hook, line, sinker, and all.

Mr. Chairman, I for one refuse to be beguiled by any such procedure. The record is clear that the amendment to strike out the establishment of a new office of coordinator and deputy coordinator, with all the expense entailed thereby, is for the purpose of attracting votes for the remainder of the bill. I want no part of it.

Mr. EDMONDSON. Mr. Chairman, I rise in opposition to the preferential motion.

Mr. Chairman, there are some of us on the committee who have a very good reason for supporting the amendment that has been offered by the gentleman from Texas that has not yet been explained to the gentleman from Iowa. I think he is entitled to know what some of us think with regard to this amendment, and what we hope will turn out to be the case.

My own personal hope is that the adoption of this amendment will make it possible for the Senate to take the bill as we pass it, approve the House version of the bill, and send it on to the President, so we can get this program implemented as soon as possible. That is my own personal view, my personal reason, as a member of this committee, for supporting this particular amendment. The coordinator provision did not appear in the Senate version. It is pretty obvious the Senate did not want it, it is pretty obvious our friends on the other side of the aisle did not want it. So by striking it from the bill we improve the chances considerably of getting the Senate to take our version of the bill as we pass it, and let it be sent on to the President in that fashion.

I think the chances for that happening are pretty good.

The CHAIRMAN. The question is on the preferential motion offered by the gentleman from Iowa [Mr. Gross].

The motion was rejected.

Mr. BLATNIK. Mr. Chairman, speaking for myself and for the membership of the committee on this side of the aisle, we accept the amendment offered by the gentleman from Texas.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Texas [Mr. Wright].

The amendment was agreed to.

Mr. MEADER. Mr. Chairman, I move to strike the last word.

Mr. Chairman, I listened with interest a few moments ago to the remarks of the gentleman from Illinois, which he commenced by reciting a poem.

I looked at his chart, and as I recall the figure, with an area redevelopment loan of $475,000, the gentleman pointed out that there was going to be a payroll of over $4 million.

Reference is made to taxes of something over $200,000, reduction in unemployment benefits of $343,000, welfare savings of $96,000, and rent to the community of $30,000.

Mr. Chairman, I gathered that there was something like $600,000 a year that was going to be developed from this $475,000 loan. I gathered that the gentleman's argument was that this $900 million public works program was not a dole, was not a grant, it was not a raid on the Treasury, but actually it was a profitmaking undertaking. If that is the case—the $900 million ought to be stricken and we ought to put in its place $9 billion or $90 billion and make enough money to pay off the public debt.

Mr. BLATNIK. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. BLATNIK: On page 19, line 11, insert "(a)" immediately after "SEC. 4.", and on page 19, after line 19 insert the following:

"(b) No part of any allocation made by the President under this Act shall be made available for any planning or construction, directly or indirectly, of any school or other educational facility."

Mr. BLATNIK. Mr. Chairman, I shall not need the 5 minutes allotted to me on this amendment. This is merely a technical or clarifying amendment. It never was the intention of the bill or of the committee to include schools in this accelerated public works legislation. I refer the Members and call their attention to the committee report—the top paragraph on page 3, where there is stated the following, and I quote:

> A wide range of local public works is eligible for this assistance such as water and sewer works, public buildings, local streets and sidewalks, hospitals, etc. Schools, however, are not eligible.

Mr. CRAMER. Mr. Chairman, I move to strike out the last word.

Mr. GROSS. Mr. Chairman, will the gentleman yield?

Mr. CRAMER. I yield to the gentleman from Iowa.

Mr. GROSS. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. GROSS. Could we have someone remove the debris from the House Chamber?

Mr. CRAMER. Mr. Chairman and members of the committee, this again is a very interesting procedure and, again, I think it clearly indicates why this bill should be sent back to the committee. It was stated even in the report that this does not apply to schools. There is not any question but what it does. Now we have an amendment that knocks it out. How confused a situation could be presented to this legislative body by an authorizing Committee on Public Works, or any other committee, than this? It shows conclusively that the sponsors of the bill do not know what is in it. Not knowing what is in it, they want to knock out something which we say is in it; they say it is not in it—and make sure they will knock it out.

Mr. BLATNIK. Mr. Chairman, will the gentleman yield?

Mr. CRAMER. I yield to the gentleman from Minnesota.

Mr. BLATNIK. I am sorry that the gentleman from Florida has inferred that the author of the bill or the committee members do not know what is in the bill. I say categorically that the bill as now written prohibits aid for the construction or improvement of schools. I regret that the gentleman has to be that personal to state categorically that the author of the bill, the chairman, does not know what is in the bill. We made it clear and there should be no question about it.

Mr. CRAMER. I will answer the gentleman by stating this: There appears in our hearings at page 108 thereof a table containing advanced loans, community facilities, a list of projects, and that list includes one school right after presently "federally financed" the other including the Union College District, San Lorenzo Valley Unified School District, and many others. These are presently available for public financing, but not under this amendment.

Here is the interesting situation. Here is what is left—and I am reading from that same list of what is going to be left for Federal matching funds after taking schools out. You are going to take educational facilities out. This amendment is so broad that it includes federally impacted area educational construction money. That is out. So, when the Federal Government causes impaction in an area, and it is an unemployment area, you are not going to get any money, although this is a program this House has approved and Congress has traditionally approved. But that is out. Does that make sense to you? Do you see why it has to go back to the committee?

College dormitories, which this House and Congress has approved and the administration has asked for; that is out. It is in other programs, but it is out of this program. So you have a situation where federally impacted area schools, college dormitories, faculty housing, service facilities such as dining rooms and colleges, presently under other programs and included for Federal matching funds, under this amendment money would not be available for those purposes. What will? What will remain available under this bill for Federal matching funds? Here is the same list again. And this is the list of the administration, it is not my list. This is the list prepared by the administration.

Here is Mamau, La., two swimming pools, $103,090. That is the estimated cost. The planning cost is $1,522.

Here is another one, Provo, Utah, a sports arena pool; planning money is $45,900 and construction cost is $975,900.

Do you know what is left in this bill? On the last page of this bill there is a provision that no advance made under this section for the planning of any public works project shall be required to be repaid.

In other words, it amends the community facilities bill to that effect; the Public Works Committee amended the community facilities bill, over which supposedly we have no jurisdiction, to provide that the Utah community does not have to pay back the $50,000 loaned to them already for swimming pools, if this money is used for construction. So, for Provo, Utah, golf course improvements, they have planning money of $11,900. They are not going to have to pay that back. And the remaining portion, a quarter of a million dollars is the cost of the project. Under the version of this bill $125,000 will represent taxpayers' money in grants.

Then if they accept the Senate version in conference—and I am confident that is what is going to happen if this bill goes to conference instead of going back to the committee, where it belongs, the result is going to be that $125,000 of grant money for the swimming pool and the golf course at Provo, Utah, will not have to be paid back.

There are other examples. And 50 percent more of it will be in the form of a loan. And that I say is clearly why this bill should be sent back to the committee on a motion to recommit.

Mr. EDMONDSON. Mr. Chairman, I rise in support of the amendment.

Mr. Chairman, I listened with as sharp an ear as possible to the gentleman from Florida [Mr. CRAMER] to try to figure out whether he supports this amendment or whether he opposes this amendment. It had been my understanding that he was unsympathetic to Federal aid to education, to Federal aid to school buildings.

Mr. CRAMER. Mr. Chairman, will the gentleman yield?

Mr. EDMONDSON. No; I shall follow the Cramer rule and yield when I have completed my remarks.

Mr. CRAMER. But the gentleman is incorrect in trying to give the impression I have not given my position because I favor a properly drawn amendment eliminating any new school construction program and oppose Federal aid to school construction which results in any Federal control.

Mr. EDMONDSON. Mr. Chairman, from his remarks today it is very difficult to tell whether he wants to strike this language from the bill, which we are now proposing, or whether he wants to support the amendment. I submit to you that there are a great many of us who will support this amendment who would like to have aid to schools included in the bill. Once again I think we are trying to be practical about the desirability of getting legislation at the earliest possible date to help the unemployed and the resistance to the idea of aid to schools is such, both in this body and in the other body, that we enhance considerably the chances for expedition of this legislation by putting this language in the bill.

That is the principal purpose we have in connection with it. I think anybody who examines carefully the list of projects that would be built under this program knows and understands the fact that these illustrations that have been pointed out by the gentleman from Florida of things like ski slides and swimming pools are the exceptions rather than the rule in what the communities are seeking to have done under this program. After all, the mayors, county commissioners, and other local officials that present these projects have to retain public support back in their home bailiwicks, and have to be reasonable about what they request, and they are going to base most of their requests upon essential needs.

When you run down this list of submissions from most of the communities, you find the great majority of the projects that are mentioned are projects like sewers, water supply, refuse disposal, the remodeling of a juvenile court building, the improving and renovation of a general hospital and infirmary, programs that definitely have overriding public quality and character to them and that do have definite justification from a needs standpoint. You have to turn through the pages a good deal to find illustrations such as those cited by the gentleman from Florida.

In my own area, where we have several counties that qualify under this program, the counties that have drawn up overall economic development plans practically all have included some schoolbuildings in them. I know they will be disappointed by the fact that this program does not include aid to schools, but virtually every one of them has listed some type of essential water supply, water pollution control, sewage disposal, or other improvement for the area. These are the types of program that will be most immediately helped and are most widely needed under the program. I urge that the Members not be misled by the few instances that are cited by the opposition in regard to this legislation. In order to expedite this bill we should adopt the amendment that has been offered by the gentleman from Minnesota. I hope and trust it will receive wide support on both sides of the aisle.

Mr. O'KONSKI. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, this is the first time I have taken the floor on this bill. I have already sent for my absentee ballot in the November election so I am prepared to stay here for the duration. In case I do not happen to take the floor again, I want to wish you all a Merry Christmas and Happy New Year.

I enjoyed the remarks of my distinguished colleague from Florida on this matter of frills in public works. However, I think we ought to be consistent about it. We ridicule the building of swimming pools, ski slides, and things of that nature by the people back home. But I think and pray we Members of Congress ought to be consistent about it. We certainly should not deny others what we furnish ourselves. Not with my vote but by the majority who outnumber me.

We have the hundred-year hundred-million-dollar pyramid going up over here called the Third House Office Building. We are going to have a nice, fancy, expensive swimming pool there for Members of Congress. We are going to have massage tables, and masseurs, for Members of Congress, all at the taxpayers expense. We are going to have volleyball courts, tennis courts, every frill we possibly can have in that hundred-million-dollar institution over there.

In fact the gentleman from Florida will not have to go to his home State because he can get a suntan artificial or natural with massage and all right in a Federal building. I want to say, to be fair, that he has always opposed the use of taxpayers money for that purpose. But he and I are outvoted on these matters. If we want to ridicule any of the communities back home that want to build a swimming pool or tennis court, judge ourselves first, because the taxpayers are paying for those frills that will be in that $100-million hundred-year pyramid over yonder in the Third House Office Building which I feel we have no need for.

Mr. BENNETT of Michigan. Mr. Chairman, will the gentleman yield?

Mr. O'KONSKI. I yield.

Mr. BENNETT of Michigan. Can the gentleman tell us how many swimming pools, tennis courts, and ski slides have been built all over the face of the globe with foreign-aid funds?

Mr. O'KONSKI. My friend from Michigan has always been a stalwart in opposing for foreign nations what we deny our own people. If only the majority voted as he has we wouldn't need this bill. But you are right if we would amend the title of this bill to "Foreign Public Works" you would have practically no opposition except from the gentleman from Iowa [Mr. GROSS], myself, the gentleman from Michigan [Mr. BENNETT], the gentleman from Pennsylvania [Mr. SAYLOR], and a handful of others.

Mr. SAYLOR. Mr. Chairman, will the gentleman yield?

Mr. O'KONSKI. To my friend from Pennsylvania, anytime.

Mr. SAYLOR. What you say is so true it hurts.

Mr. O'KONSKI. Mr. Chairman, since this is the first time I have had the floor on this bill, I ask unanimous consent to speak for an additional 5 minutes.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

Mr. O'KONSKI. Listen, ladies and gentlemen of the House, in the last 16 years in this Congress you have been passing billions for foreign public works. Many of these same people get up here and shout to the high heavens that we are going to bankrupt the country if we pass this bill for our own people. In the last few years this Congress has appropriated $576 million for public works and buildings in the District of Columbia—in this little mud hole that we have over here—$576 million in this area. It is almost unbelievable. And these people who voted for this complain about $900 million to be expended all over the United States of America, with 50 States in the Union. How silly can we be? And that includes the 100-year pyramid known as the Third House Office Building. This does not include, for example, special buildings for the Atomic Energy Commission or for the National Space Agency and the Bureau of Standards and so forth. You add them all up and you are pretty close to a billion dollars that we are spending here on this little speck on the map. One billion dollars in public works is being spent in this 5-mile square area. How, in good conscience, can any reasonable person deny a similar amount for the whole Nation? All we are asking is that you spend all over America what you spend in this 5-mile area.

Now, to come to what the gentleman from Michigan [Mr. BENNETT] mentioned. In my area in the last 5 years every time you pick up a newspaper you read that such and such a mine is closed—300 men out of work. You pick the newspaper up the next day and you read another mine closed—500 men out of work. And I could go on. And while that is going on what has Congress done? Listen to this—just in the last 2 years the Congress of the United States of America has passed foreign aid programs where $30 million of our money went to develop mines in Liberia and $13 million and $6 million to develop a mine in South America; $6 million more to develop another mine in Liberia; $6 million more to develop another mine in Chile. Yes, we gave $150 million just a few months ago to build an iron and steel production plant in Turkey. That is all taxpayers' money. Then another $12 million to Chile. And listen to this one. We are asking the local communities here to put up 50 percent of the money. It is too bad that you do not live in Mexico, because here is what you would get there. In 1962, just recently, $43 million of our money was loaned to a private mining company in Mexico and the private mining individuals only put up a measly $4 million. Yes, these people in Mexico got $43 million from the Government of the United States of America. That is less than 10 percent. While those mines are being developed, one after another up in northern Wisconsin, Michigan, and Minnesota closes.

We have a vein of taconite in Wisconsin that could supply all of the iron ore for the entire world for the next 20 years. Yet, we cannot get a dime of Federal money, or private money, to develop it, and to mine it because our Government is financing mining operations in Venezuela and Chile and Liberia and in Canada. Did you know that in the area represented by the gentleman from Michigan [Mr. BENNETT] and myself, and Congressman BLATNIK, in Minnesota—did you know that the iron ore miners and the iron ore deposits of that area won two world wars for us? As a matter of fact, not very long ago that area produced 80 percent of all iron ore used in the world. Today we are not even producing half of the iron ore consumed in the United States of America. Over 40 million tons are being imported this year from Canada, from Venezuela, from Liberia, and from Chile, while 6,000 miners in the Great Lakes area are running out of their unemployment compensation checks. All these miners are asking is for a little help. They rightfully say "You, the Congress, have taken away our jobs that we had with your foreign aid handouts so please give us some temporary public works jobs until we can get readjusted."

Give us a little help so we can build a decent city hall, so that we can build a decent gymnasium for our children.

I am sorry to see this amendment in here where you are going to exclude schools. I think it is a tragedy that we are excluding schools. Why, here in Washington, D.C., which has the highest income per capita in the United States of America, you have a bill pending or that is coming up in a few days under which you are going to designate Washington, D.C., as an impacted area and give them taxpayers' money—money from my people who are unemployed—to build schools, because this is an impacted area and these wealthy people cannot afford to build schools. What a pity. You are going to allow the richest city in the Nation to qualify for impacted area aid. And here you are taking money away from these people who are unemployed in Wisconsin, Michigan, and Minnesota with which to do it. They are men who have worked in the mines for 30 years. They are now 50 years old. Nobody wants them; there is nothing else they can do while they readjust other than get some job from the city or county on public works. It is that or relief. But that is the main trouble when any bill that comes up that helps our own people. If this were a foreign aid bill there would be no trouble. But because it is a bill for America you want to eliminate here and eliminate there. You want to cut it here and you want to cut it there, you always have to put in restrictions, you always have to put in limitations so that when you get through with a bill for America there is little of anything that can be accomplished with it.

Whenever Congress finally comes in to do something for the people of America, something that will do some good for the people of this country, we have to make compromise after compromise. You put on restrictions, you put on qualifications and in the end you have so little left you can hardly accomplish but little with it.

I for one regret to see this amendment here to cut out schools for there is one of the greatest areas in which we could put people to work. There are many communities in the 14 counties in my district planning to build schools. That would put people to work immediately and would be of some real value to the only thing the people in my area have left, the education of their children. It would be one of the greatest things that could be accomplished if we included school construction.

But I know the cry that is raised when you talk about Federal aid to education. Those in rich impacted areas hold out their hands and cry, "Give it to us, give it to us, but not to the needy." I hope this bill is passed. It is a bill for our own people. It is one of the very few bills we get in a session that aims at helping our own people.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Minnesota.

The amendment was agreed to.

Mr. GROSS. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I listened with interest to my friend, the gentleman from Wisconsin [Mr. O'Konski], including his statement with reference to the District of Columbia and the high rate of income—I believe he said the highest per capita income of any city in the United States.

Mr. O'KONSKI. In the world.

Mr. GROSS. In the world, the gentleman adds; yet I notice that $18 million of relief funds in the last 5 years were paid out to people in the District of Columbia who were ineligible; that unemployment is rife in the District of Columbia—this little world of make-believe that Members of Congress reside in for too many months out of the year, I will add. All this despite a vast construction program in the District, which means that this proposal is not the answer to unemployment. What is being done in this legislation is the erection of another roost in the chickenhouse so the chickens for the misdeeds of Congress can come home to roost, not only with respect to foreign aid but with respect to free trade. When I think of free trade, I think of my friend from Louisiana [Mr. Boggs], who is always in the front row for free trade, always defending appropriations for foreign aid, all of these programs to get rid of the taxpayers' money someplace else.

Yesterday someone spoke about the loans we have made.

Mr. BOGGS. Mr. Chairman, will the gentleman yield?

Mr. GROSS. I yield to the gentleman from Louisiana.

Mr. BOGGS. I gather that the gentleman is against the trade program, he is against the aid program. Is the gentleman for this domestic program?

Mr. GROSS. I am for virtue, I will say to the gentleman.

Someone spoke about the lack of defaults on loans made under these various programs. If you are going to finance this program with 50 percent direct Federal funds, then go to the Community Facilities Act for the other 50 percent, I do not see how you can have default of loans. And if there were defaults how would you take from a community a building, swimming pool, ski slide, or sewer system? Maybe the loans will be handled the way this Government handled the Japanese loan, I will say to the gentleman from Wisconsin, from whence so many of imports are coming under the free trade program of the gentleman from Louisiana.

What did we do with Japan? We lent them some $1,890 million after the war to get their factories going again. We sent machinery, we sent technicians to teach them how to run modern machinery. Then their products commenced to come back to us. So only a few months ago we settled this debt of $1,890 million, for how much? For some $470 million or $480 million.

A condition of the settlement was that $25 million of that money would go for cultural and educational exchange, and the rest of the $470 or $480 million would be used, practically all of it, for the development throughout Asia of markets for the Japanese. Apparently not a cockeyed dime will come back to the U.S. Treasury to retire any part of the debt that was saddled upon the taxpayers of this country to provide this loan.

Go to Europe today and you will find modern shipyards with better equipment that the United States has to produce ships. We will get a bill here one of these days to provide another subsidy for the modernization of the shipyards of this country so that they can build ships in competition with foreign yards. Down the drain by virtue of the Free Trade Acts, by virtue of no tariffs, and by virtue of foreign aid—down the drain go the jobs of American workmen and the plants of American industry. Then you come in as of today and erect another roost in the chickenhouse, saddling upon the taxpayers of this country and the busted U.S. Treasury the cost of paying for this sort of thing.

In what kind of world of make-believe do we live? In what kind of world of contradiction do we live? When are we going to stop this business?

Mr. SCRANTON. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. Scranton: On page 17, strike out the sentence beginning in line 17 and insert the following: "Notwithstanding any provision of such law requiring the Federal contribution to the State or local government involved to be less than a fixed portion of the cost of a project, grants-in-aid may be made under authority of this section which bring the total of all Federal contributions to such project up to 50 per centum of the cost of such project, or up to 75 per centum of the cost of such project if the State or local government does not have economic and financial capacity to assume all of the additional financial obligations required."

Mr. SCRANTON. Mr. Chairman, the object of this amendment I think is extremely clear. Yesterday in the argument on the floor of the House a matter was brought up with respect to this bill by the gentleman from Michigan [Mr. Bennett], and commented upon by the gentleman from Minnesota [Mr. MacGregor], by myself, and also by the gentleman from Virginia [Mr. Jennings], as well as the author of this bill, the gentleman from Minnesota [Mr. Blatnik].

Mr. Chairman, those of us who come from the areas that are intended to be helped by this bill would like it to really help them. There are no areas in the United States which have suffered longer from substantial and persistent unemployment than the areas which are supposed to be helped most by this bill, primarily those in Kentucky, southern Illinois, West Virginia, Pennsylvania, and the other States that have suffered intensely from unemployment.

Mr. Chairman, as many of us pointed out yesterday, though, if this bill is administered as it is supposed to be many of these areas will be helped because they need it in order to make themselves competitive with the balance of the Nation, nevertheless, many areas which have suffered longest from this problem are incapable of providing the 50 percent of funds necessary to take advantage of this bill. Therefore this amendment is proposed in order to allow those specific areas, particularly those which have suffered so long, to provide only 25 percent rather than 50 percent of the money. This does not eliminate their participation entirely.

Mr. Chairman, may I make one thing extremely clear? This does not change the total amount of Federal money contained in this bill whatsoever. It is very clear that the $900 million is going to be used, if the bill is passed. But what the amendment does is to make it possible for those areas that need it the most to participate in it to the fullest extent possible.

Mr. VAN ZANDT. Mr. Chairman, will the gentleman yield?

Mr. SCRANTON. I would be glad to yield to the gentleman from Pennsylvania.

Mr. VAN ZANDT. The bill provides that only 10 percent of the amount authorized could go to any one State?

Mr. SCRANTON. That is correct.

Mr. VAN ZANDT. It does not alter in any way the 10 percent limitation?

Mr. SCRANTON. Not in the least.

Mr. VAN ZANDT. Is it not true that you are speaking about what are sometimes called ghost towns, and such ghost towns have been trying for years to rehabilitate their economy, only to find themselves having borrowed to the legal limits and without resources from which taxes are paid? Through this type of program of Federal assistance many of these communities will be economically strengthened, and their efforts to eliminate much of their chronic employment furthered considerably. I am pleased to support the gentleman's amendment.

Mr. SCRANTON. Yes. I thank the gentleman.

Mr. Chairman, I would add one more point: Many of these areas which have had this substantial and persistent unemployment for a long time have already expended millions of dollars locally to obtain industry and jobs for people, but they need, in order to be competitive with the balance of the Nation, such things as sewers, good water supplies, and other municipal facilities. Without such they cannot be competitive with those areas that are better off economically.

Mr. CLARK. Mr. Chairman, will the gentleman yield?

Mr. SCRANTON. I yield to the gentleman from Pennsylvania.

Mr. CLARK. I want to compliment the gentleman. We have discussed this on this side of the aisle, and for the information of all present we are very happy to go along, I am sure, with this amendment. It has been discussed on this side. I want to compliment the gentleman and I think I can say that we are happy at this time to go along and cosponsor this amendment.

Mr. SCRANTON. I thank the gentleman.

Mr. BENNETT of Michigan. Mr. Chairman, I ask unanimous consent that the gentleman from Pennsylvania [Mr. Scranton] may proceed for an additional 5 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. BENNETT of Michigan. Mr. Chairman, will the gentleman yield?

Mr. SCRANTON. I yield to the gentleman from Michigan.

Mr. BENNETT of Michigan. Mr. Chairman, I should like to associate myself with the gentleman in his amendment and say I hope it will be adopted. It seems to me that the merit this amendment has lies in the fact that many of the areas most injured by long and persistent unemployment, and which need the help most, are the very areas that are not able to provide 50 percent matching funds. There are some municipalities in my district that could not provide 25 percent or 10 percent. And I suppose there are areas like that in other parts of the country. But at least the gentleman's amendment will, I think, make it possible for many of the distressed areas which otherwise would be completely excluded to derive some assistance and some benefit from this bill. I hope the amendment is adopted.

Mr. FULTON. Mr. Chairman, will the gentleman yield?

Mr. SCRANTON. I yield to the gentleman from Pennsylvania.

Mr. FULTON. Mr. Chairman, I want to compliment the gentleman from Pennsylvania [Mr. Scranton] on his excellent statement and join with him in his amendment to help the most distressed and most depressed areas. I favor it strongly. May I point out that the gentleman has taken a position here which will help the people most in need of it in many of these fine communities which have suffered for years.

Mr. SCRANTON. I thank the gentleman. That is, indeed, the purpose of it, to help those areas which need it most. I think it will help the bill greatly to do just that.

Mr. BALDWIN. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I realize that the gentleman from Pennsylvania [Mr. Scranton] is very sincere in the amendment he has offered. I have listened to the reasons for offering the amendment. But those of us who feel that the bill, even as it came to the floor from the committee, involved too large a transfer of power from the Congress to the President, should be deeply concerned about this amendment. The basic sentence to which this amendment has been offered is the sentence that proposes a major transfer of power from the Congress to the President. It says:

> Notwithstanding any provision of such law requiring the Federal contribution to be less than 50 per centum of the cost of a project, grants-in-aid may be made under authority of this section which bring the total of all Federal contributions to such project up to 50 per centum of the cost of such project.

The point I make is that the bill as it came from the committee gave the executive branch the power to waive all provisions that this Congress in its wisdom included in previous laws governing specific phases of activity of the Federal Government; for example, in the water pollution control program this House in its wisdom provided for a Federal contribution up to 30 percent but in no case more than $800,000. The bill as it came to the committee gave the President the right to waive all the past judgment of this Congress and eliminate that requirement up to 50 percent. Now the amendment would give the executive branch of the Government a greater power to waive all the limitations that this Congress in its wisdom has put in that program or any other program up to 75 percent. And this would be true whether it is public housing, whether it happens to be community facilities which are in the form of loans, whether it happens to be water pollution control plants, or whatever it may be. Therefore, all those in this House who already are concerned about this particular provision of the bill and the transfer of power which it takes away from the Congress and gives to the executive branch, to waive all limitations that this Congress in its judgment has placed in previous laws governing specific phases of activity, should be opposed to this proposal to liberalize this provision even further and to transfer a greater power to the executive branch to waive all laws that we have in the past prescribed.

Mr. CRAMER. Mr. Chairman, will the gentleman yield?

Mr. BALDWIN. I yield to the gentleman from Florida.

Mr. CRAMER. The effect of this amendment would be just the reverse of what was intended. It will cover too little area and too few people. That is one of the problems. It does not help more than 125,000 people, 3 percent of the unemployed. Therefore it will not do the job. Therefore, if this amendment passes, even fewer projects will gobble up 75 percent, whereas it is now limited to 50 percent. That means fewer, not more, projects are going to have more money. Therefore, it is going to go in the opposite direction of helping more communities that need help.

Mr. BALDWIN. I think that is right.

Mr. CRAMER. With reference to the provision of section 10 that requires them to increase their total public works by an amount equal to the non-Federal funds, this 75-percent increase in Federal funds will mean instead of there having to be a 50-percent total public works increase in any community, there will be only a 25-percent increase in public works activity in that community. Therefore, the effectiveness of the bill in the form of new jobs is being cut down 50 percent. Is that not correct?

Mr. BALDWIN. I think that is absolutely correct.

Mr. SAYLOR. Mr. Chairman, I move to strike out the requisite number of words.

Mr. Chairman, I wish it were my good fortune to represent one of those districts that does not need assistance. I might then be able to look at these matters and say that it would affect only a very few people and therefore you should not do it. But coming from a district which the Secretary of Labor says is the only class F district, with more unemployment percentagewise than any other district in the continental United States, it seems to me it comes with poor grace for Members of this House to say that they are not going to do anything in the way of public works to try to help areas such as mine, and this country of ours.

What has happened? The gentleman from Wisconsin [Mr. O'KONSKI] gave you the answer. If this were a foreign aid bill, you would have people on both sides of the aisle standing up and saying we have to do this for other people. The Good Book says that charity begins at home, and he who does not take care of his own is worse than an infidel. Certainly if we are going to do anything, let us try to help the areas in this country that need it more than anything else.

The amendment offered by the gentleman from Pennsylvania [Mr. SCRANTON] will offer help to areas in southern Illinois, Kentucky, West Virginia, and Pennsylvania, the ones really distressed and in dire need. Let us adopt this amendment. Maybe it will help only 3 percent of the unemployed, but a small percentage is better than nothing.

Mr. MADDEN. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I was very much interested in the statement made by various Members regarding the particular districts this bill is going to affect. My district is a great industrial district. I was home last week. About 25 percent of construction crafts and steelworkers in my district are idle or working part time. Unskilled laborers are unemployed or working part time. Orval Kincaid, subdistrict director of U.S. Steelworks, gave me these figures. In the Gary steel mills out of approximately 18,000 workers, 4,000 are unemployed. Of the remaining 14,000 steelworkers approximately 7,000 are working part time. In other words only 11,000 steelworkers out of 18,000 are fully employed.

Inland Steel and Youngstown Steel Co., located in East Chicago, Ind., are in about the same economic condition.

I have not heard any mention made on the floor regarding the people who are working part time. They say, "Well, there are 4 million people idle" or there are 5 million people idle." That is just a drop in the bucket when you think of the heads of families, the wage earners in this country's industrial areas who are working part time. Many are working only 3 days a week. How is the man who is the head of a family going to buy anything except shelter, clothing, and food on 3 days' work a week? That man and his family are taken out of the market completely as far as purchasing automobiles, televisions and refrigerators, and dozens of other products necessary for home comforts?

Mr. Chairman, I think this bill calling for $900 million to build public works, municipal facilities, highways, and so forth, is one of the cheapest investments we can make. My congressional district, for example, is not considered as a distressed area. Of course, as a matter of fact, it is a distressed area, although it may not be taken into consideration as a distressed area under this legislation. But there are numerous workers and people in factories who are working part time. Those workers who are heads of families are very much discontented because they cannot buy anything except food, shelter, and clothing. They cannot send their children to colleges and universities and provide them with some of our economic abundance.

I am not interested in whether this bill says that the First District of Indiana is going to directly benefit or not. It will benefit. The First Congressional District of Indiana will benefit if this bill is enacted into law, and I will tell you how. Because these areas that will be benefited are going to build some factories; they are going to build some sewage disposal plants and they are going to build municipal facilities and highways and numerous other necessary projects. All this expansion will require steel; require lumber, require brick; require cement and hundreds of kindred products. When that happens in all these other districts, the steel mills in Gary and Hammond and East Chicago and Pittsburgh and Los Angeles and Birmingham will immediately feel the effects of that construction and production. Millions of families will benefit throughout the whole country regardless of which particular congressional district it is going to affect directly.

Let me say to you Members from the rural areas that your areas will be benefited because millions of families throughout the entire Nation will be buying farm products that they would not otherwise be buying.

This is one of the greatest pieces of legislation to be enacted in this session of Congress. It will instill into the minds of the people of this country that the free enterprise system can bring prosperity in this great country of ours and also give help to millions of families that need help.

I remember in 1930, 1931, 1932, 1933, and 1934 when the Communist agitators were rampant in the Calumet region of Indiana, they did not have very much trouble getting membership for communism. Unemployment was infesting the cities of America. Heads of families were standing in soup lines waiting to get something to eat. They were waiting in line in front of banks to withdraw their savings before they closed their doors. Those are conditions that breed communism. That is why you must realize that the money that is being appropriated or authorized in this bill is not money that is dropped into a rathole. This $900 million will start projects and construction across the country that will help to soothe the minds of millions of discontented and unemployed people and millions of families in this country who need this help and who need it today.

Furthermore, this legislation is going to bring in additional taxes. The $900 million in this bill will bring people into employment to draw paychecks. They will pay taxes. Goods and products will be produced, and the manufacturers will pay taxes. A great deal of this money will come back into the Treasury of the United States.

I hope and trust that this legislation will pass on the floor of the House today by a great majority, because God knows the country needs it.

Mr. CORBETT. Mr. Chairman, I rise in support of the amendment.

Mr. Chairman, I will only use part of the time, but I want to get the minds of the members of the committee back on this important amendment.

This amendment should be supported by anyone who supports the bill, because obviously if you can justify this bill on the ground that people need legitimate employment, then it follows that in those communities which have been hardest hit and cannot afford to pay 50 percent of a project, we give them something additional in order that they can be helped.

What the bill presently is saying is that those communities that are not badly hit will get the aid, but those that are suffering the most will be deprived of getting the help. It is like saying to a person who is a little sick that he can have a doctor, but the person who is real sick cannot have anything.

Mr. EDMONDSON. Mr. Chairman, will the gentleman yield?

Mr. CORBETT. I yield.

Mr. EDMONDSON. The gentleman is making a very persuasive argument that the Scranton amendment be accepted.

Mr. CORBETT. I think the gentleman recognizes that some people who are against this bill are against this amendment, and it is for the identical reason. I say that if you are for the bill and want to help the people who have been hardest hit and are in the greatest distress then you should support the amendment.

Mr. HECHLER. Mr. Chairman, will the gentleman yield?

Mr. CORBETT. I yield.

Mr. HECHLER. I think this is a fine amendment. I hope it receives a lot of support.

Mr. CORBETT. I thank the gentleman and yield back the balance of my time.

Mr. DENT. Mr. Chairman, I offer a substitute for the Scranton amendment.

The Clerk read as follows:

Amendment offered by Mr. DENT as a substitute for the amendment offered by Mr. SCRANTON: On page 17, immediately below line 22, insert the following:

"(d) If the President determines that an eligible area suffering unusual economic stress (because of a sustained extremely severe rate of unemployment or an extremely low level of family income and severe underemployment) does not have economic and financial capacity to assume all of the additional financial obligations required for any Federal public works project, or public works project of States and local governments for which financial assistance is authorized under provisions of law other than this Act, then such Federal public works project shall be initiated and accelerated, or financial assistance provided, pursuant to this section, without regard to any provision of law limiting the amount of such assistance to a fixed portion of the costs involved, or requiring local participation in such Federal public works project, except to the extent that the President determines, after surveying the resources available, that such eligible area

has economic and financial capacity to assume such additional financial obligations."

And reletter the following subsections accordingly.

Mr. DENT. Mr. Chairman, I say that the sponsor of the amendment for which I am now offering a substitute is honest in his efforts to help the districts that he talked about. I know also that the other gentlemen from Pennsylvania who rose to the occasion to support the amendment offered by the gentleman from Pennsylvania [Mr. SCRANTON] were also of the opinion that they were putting themselves in the position of aiding Pennsylvania communities. But you just are not aiding them a bit, because the effort that has to be made by the local community is now only 20 to 25 percent of the total cost of the project. Under Pennsylvania law the State of Pennsylvania accepts one-quarter or more of the cost of a project with 50 percent coming out of the Federal Government. The local community then must raise the additional 25 percent. The Scranton amendment does not do a single thing for the local community that he wants to help and not because he does not want to help them, but I do not think he is aware of the situation in Pennsylvania. I have in mind a particular community that right now is trying to get a project and has for 2 years, a community which has an unemployment figure of 17½ percent. It cannot possibly raise money to meet its share of the costs. It is a flood situation which has made the area unattractive to industry which might be brought into the community. Therefore the community has no prospects of increasing its income or of meeting the requirement under State law. There is a State law limiting the amount of bonded indebtedness a community may incur. They have reached that limit and therefore cannot borrow on municipal bonds. They reached that limit a long time ago.

Pennsylvania law provides that a local community must raise 25 percent and that the State government would add to the amount needed to qualify under the Federal program. My substitute will eliminate this requirement under circumstances where proof is given, proof positive, that the local community cannot borrow the money, because of the economic conditions relative to its depressed situation, and where it cannot meet its obligation. Every project in Pennsylvania will receive absolutely no help under the Scranton amendment simply because it will receive only 25 percent.

Mr. SCRANTON. Mr. Chairman, will the gentleman yield?

Mr. DENT. I yield to the gentleman from Pennsylvania.

Mr. SCRANTON. There is nothing in my amendment which precludes the State of Pennsylvania from assuming the 25 percent of the funds. It could say to the local community, You have to pay the 25 percent or under my amendment, the Federal and State governments together could provide the whole 100 percent.

Mr. DENT. Before my time runs out, let me stop the gentleman. There is nothing in my amendment that allows the State of Pennsylvania to get out from under paying its share, because the local community can prove itself to be a depressed area, but the State of Pennsylvania as a whole cannot. I have a qualifying factor in this amendment where the conditions of the depression must be met by the local community only; therefore, the aid which we are hoping to give can only be given by acceptance of this substitute. The language of the gentleman's amendment precludes what we are trying to do.

Mr. SCRANTON. No. Under my amendment, the State of Pennsylvania can assume the 25 percent, and the Federal Government 75 percent.

Mr. DENT. Who will pay the 25 percent?

Mr. SCRANTON. The local community does not have to pay any share at all if they are in that kind of condition.

Mr. DENT. Your amendment would allow every community to sluff off its responsibility, which is exactly what has been said here, regardless of need. I am putting in a stipulation which must be met by dire need in the local community and not on a State level. You are giving the State 75 rebate percent of all projects whether it proves need or not. The State of Pennsylvania cannot pay the 25 percent now required.

Mr. ICHORD of Missouri. Mr. Chairman, will the gentleman yield?

Mr. DENT. I yield to the gentleman from Missouri.

Mr. ICHORD of Missouri. There are other depressed areas, other than the State of Pennsylvania. How will the amendment offered by the gentleman from Pennsylvania apply to the other States?

Mr. DENT. They will receive consideration after examination as to their ability to pay whatever their share may be.

Mr. ICHORD of Missouri. I just want to make it clear that the Congress is not legislating for the State of Pennsylvania alone.

Mr. DENT. I understand that. I am trying to say the method that is employed in most of the States of the Union, it is Federal, State, and local participation. Under the amendment offered by the gentleman from Pennsylvania [Mr. SCRANTON], much as I would like to see it do so, it will not help the situation in Pennsylvania.

The CHAIRMAN. The time of the gentleman from Pennsylvania has expired.

(By unanimous consent (at the request of Mr. FULTON), Mr. DENT was allowed to proceed for 3 additional minutes.)

Mr. FULTON. Mr. Chairman, will the gentleman yield?

Mr. DENT. I yield to the gentleman from Pennsylvania.

Mr. FULTON. Actually, what the gentleman from Pennsylvania [Mr. DENT] is doing by his amendment, and what the gentleman from Pennsylvania [Mr. SCRANTON] is doing by his amendment, is aiming to take care of more distressed communities that cannot afford the provisions of the present bill with a 50-percent requirement of community participation. Therefore, both gentlemen are going in the same direction. The question is, in connection with these amendments, whether the State of Pennsylvania can pick up 25 percent of the cost of the project, in addition to 50-percent Federal participation. I believe that the State of Pennsylvania or any State can well pay the 25 percent. Or if it is not the local community that can pay, the county can pick up that portion of the cost or any other State subdivision can pay this cost. I do not think we Members from Pennsylvania should disagree with each other as to method when the policy proposed is so helpful to our more distressed communities. We Members should unite and try to get some sort of compromise for these communities that are the low-level communities and have run out of money. I would ask the gentleman from Pennsylvania [Mr. DENT] to look at the situation and see if we cannot join in the compromise. After all, the Scranton amendment is a compromise as between the Senate 90-percent position and the House bill provision 50 percent of local community participation.

Mr. DENT. The State law provides 25 percent. Therefore, the State has to amend its laws to be able to pick up the 100 percent.

That is the only thing you would be able to do and help a local community.

Mr. FULTON. The point is this: Pennsylvania or any other State——

Mr. DENT. That is right. I speak of our State because I happen to know it.

Mr. FULTON. If the gentleman will yield further, any State should really be called on to put up a little of the money because many of us fail to see the necessity to have the proposed local projects financed 100 percent by Federal money. There is where the distinction lies—simply between the 25-percent increase in Federal participation under the Scranton amendment and the extra 50 percent increase under the gentleman from Pennsylvania, Mr. DENT's amendment which would cause the Federal Government to pay 100 percent of the cost of local public works projects. My point is why not have the State of Pennsylvania and the other States put up some part of the cost? Twenty-five percent in my opinion is fair under the Scranton amendment. Why do not we Members from Pennsylvania get together on this proposal insofar as Pennsylvania is concerned?

Mr. DENT. Would the gentleman from Pennsylvania [Mr. SCRANTON] allow himself to be interrogated a minute? I would like to ask a question of the gentleman.

Mr. SCRANTON. If the gentleman will yield, yes; go ahead.

Mr. DENT. Under the gentleman's amendment the gentleman says up to 75 percent of the cost of the project would be furnished, if the State or local government does not have adequate financial capability. In the State of Pennsylvania, particularly your State, the State now does pick up the 25 percent plus the Federal 50 percent. How can the local governments qualify for the 25 percent?

Mr. SCRANTON. If the gentleman will yield further, under my proposed amendment there is a determination by the administration of the Federal Government as to whether the State or local community can take care of 50 percent. If they can, they do. If they do not, then they are allowed to give out of the Federal Government 75 percent. Under the State law of Pennsylvania it is possible for the State to take up the other 25 percent. If not, the legislature can change the law to do so. I would be delighted, sir, to go along with your substitute to my amendment if I thought the House would pass it. There is a very strong feeling in the House of Representatives that there should be local participation on a State or local level in every one of these projects.

Mr. DENT. It cannot be more than 25 percent under the amendment.

Mr. BLATNIK. Mr. Chairman, I rise in opposition to the substitute amendment, and ask for a vote on the substitute amendment.

Mr. ICHORD of Missouri. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I rise in favor of the substitute amendment offered by the gentleman from Pennsylvania [Mr. Dent] and against the amendment offered by the gentleman from Pennsylvania [Mr. Scranton], for the reason that I believe that the gentleman from Pennsylvania [Mr. Scranton] has forgotten that there are other depressed areas in these United States of America other than the State of Pennsylvania.

Mr. Chairman, I also rise in favor of the bill as one who voted against foreign aid, and who voted for all killing amendments as well as against the bill, who voted against the extension of the debt limit ceiling, as well as one who voted with the gentleman from Iowa against the trade bill. I think the Congress shall rue the day that it passed the trade bill just a few weeks ago.

Mr. Chairman, I would like to make just a few remarks on the adjective "consistent." I commend the gentlemany from Iowa [Mr. Gross]. I think he has adopted a consistent position in being against this bill. I think that the gentleman from Iowa is consistently consistent. I think that the gentleman from Wisconsin is still consistent in his position, because he voted against the foreign aid bill. He is what I would call pragmatically consistent. But it will be an inconsistent position indeed of the gentleman who votes for foreign aid—the foreign aid giveaway—which has given away $106 billion since the conclusion of World War II and which has built highways in South America for example which are in and end in nowhere and which, in my opinion, have only served the purpose of making the rich richer and the poor poorer and who, today, votes against the bill under consideration—I repeat it will be an inconsistent position indeed for the man who voted for the foreign aid bill! and votes against this domestic aid bill.

Mr. SCRANTON. Mr. Chairman, will the gentleman yield?

Mr. ICHORD of Missouri. I yield to the gentleman from Pennsylvania.

Mr. SCRANTON. Mr. Chairman, I think I should point out, in view of the gentleman's comment about me, that I was interested in only one State, that I made very clear the reason for this amendment was to take care of those areas which have been consistently depressed for some time; and I mentioned many States other than Pennsylvania in which there are such areas. My amendment will help them all.

Mr. ICHORD of Missouri. Let me advise the gentleman from Pennsylvania that he had to resort to talking about raising money, 25 percent, on the State level which would keep the local unit from having to raise the money. But there are other States that have depressed areas, that do not have the ability, the means or the law to raise the 25 percent. And that is why I support the position of the gentleman from Pennsylvania [Mr. Dent].

Mr. SCRANTON. Mr. Chairman, will the gentleman yield further?

Mr. ICHORD of Missouri. I yield.

Mr. SCRANTON. I have already stated that I would be delighted to support the amendment offered by the gentleman from Pennsylvania [Mr. Dent] if the House would agree to it.

Mr. BLATNIK. Mr. Chairman, I move that all debate on the substitute amendment and the original amendment conclude in 5 minutes.

The CHAIRMAN. The question is on the motion.

The motion was agreed to.

The CHAIRMAN. The Chair recognizes the gentleman from Pennsylvania [Mr. Fulton].

Mr. FULTON. Mr. Chairman, the question in the amendment of the gentleman from Pennsylvania [Mr. Scranton] and the amendment of the gentleman from Pennsylvania [Mr. Dent] is whether we shall make a special allowance for communities that have had long time unemployment and have been for a long time in a depressed area status and are not able to finance their own projects with a 50-percent contribution. I believe these amendments intend to make the bill a better bill.

Mr. CLARK. Mr. Chairman, will the gentleman yield?

Mr. FULTON. I will be glad to yield.

Mr. CLARK. I should like the gentleman to understand that I am for the Clark-Scranton amendment right down the line.

Mr. FULTON. I congratulate the gentleman and I hope we can obtain passage of the amendment with him on a bipartisan basis. The question before the House is, Shall we have a provision in this bill that will make possible financing all projects by a Federal contribution alone, or must we require that there be local or county or State contributions? I believe the advisable compromise is the Scranton amendment which requires local or State contribution.

I do not want to give up the local participation requirement. Even for communities that are having a hard time, I believe they would wish to stand on their own feet and help themselves to the extent they can. That is where the Scranton amendment has the greater weight than the amendment of the gentleman from Pennsylvania [Mr. Dent].

I would ask the House to vote for the Scranton amendment as a successful compromise between the 50-percent provision of the House bill and the 90-percent position of the Senate bill in this regard. I am very glad to support the purposes of each amendment, but I do think the Dent amendment goes too far in governmental practice, to place the entire cost on the Federal Government of local projects.

Mr. ICHORD of Missouri. Mr. Chairman, will the gentleman yield?

Mr. FULTON. I yield.

Mr. ICHORD of Missouri. What about the position of the gentleman from Oklahoma and the gentleman from Missouri, where we have no authority to raise the 25 percent on the State level?

Mr. FULTON. The State legislatures can quickly remedy that condition, in any States that want to participate in the proposed Scranton provisions to help the poorer and more distressed communities.

I would say this to you. This bill should not be passed as a solely Federal program. It should be a program in which the local communities participate. We should retain the position that the local communities are not just given a 100-percent Federal WPA-type grant. There is the requirement that they see that the tax money is well spent, and the best way to obtain this assurance is to require local participation, so the local taxpayers will watch the financing and determine the necessity for the projects. Under the Dent amendment it looks to me as if it takes away local responsibility, so I favor strongly the Scranton amendment approach as retaining local responsibility as well as helping the most distressed communities.

The CHAIRMAN. The Chair recognizes the gentleman from Florida [Mr. Cramer].

Mr. CRAMER. Mr. Chairman, we have gone full round and made this a truly, or, as it is being proposed, a 100-percent Federal participation or grant WPA program. The chairman of the subcommittee agreed to the 75-percent amendment, which I opposed. He has not agreed to the 100-percent amendment. He has gone to 75 percent. For what reason does he not agree to the 100 percent?

This is a bad bill. These amendments prove it is a bad bill. The effect of these amendments being offered by the proponents I do not think are fully known and considered by the proponents, because actually the effect of either one of these amendments, the 75- or the 100-percent amendment, will mean no increase in authorization, it will as a matter of fact result in half as many communities getting money. Only 50 percent of the communities will qualify for the money because 100 percent will be available. It means further that unless the authorization is increased it is obviously going to take away 50 percent of the communities.

The concept of this whole bill was that 50 percent would be provided by the communities and 50 percent by the Federal Government. The result would be $900 million for the unemployed in additional work or $1.8 billion total including 50 percent local matching. That is a fact. We are now traveling in the opposite direction. The amendment that eliminates the schools leaves in ski slides. It takes out school construction but also takes out participation in projects where the Government is already participating, such as college dormitories and other facilities. That has been striken.

So I say this amendment shows unequivocally that the only thing to do if this is not to be a fiasco is to send this bill back to the committee on a motion to recommit. Otherwise far more harm will result than under the original bill.

The CHAIRMAN. All time has expired.

The question is on the substitute amendment offered by the gentleman from Pennsylvania [Mr. DENT] to the amendment offered by the gentleman from Pennsylvnaia [Mr. SCRANTON].

The question was taken; and on a division (demanded by Mr. FULTON) there were—ayes 10, noes 121.

So the substitute amendment was rejected.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Pennsylvania, Mr. SCRANTON.

The question was taken; and on a division (demanded by Mr. DENT) there were—ayes 122, noes 70.

So the amendment was agreed to.

Mr. FLYNT. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. FLYNT: Page 16, line 17, strike out the period after the word "areas", insert a semicolon and the word "and", and add a new paragraph as follows:

"(3) any other area which the governing official or governing body thereof certifies to the Secretary of Commerce is an area of substantial unemployment."

Mr. FLYNT. Mr. Chairman, this amendment has been discussed at some length with the chairman of the subcommittee and with the committee counsel. Its purpose is to resolve disagreements when a bona fide disagreement exists between a local community and the Bureau of Labor Statistics. For example, in the Fourth District of Georgia there are four counties and one city in that district which are classified as areas of substantial unemployment. In two instances, one in the eastern part of the district and one in the western part of the district, a county presently classified as an area of substantial unemployment has substantially the same ratio of unemployment, according to the figures of the Bureau of Labor Statistics, as an adjoining county. Yet one is classified as an area of substantial unemployment while the other is not so classified. In view of the fact that in at least one of these counties the differential is caused by what we refer to as seasonal employment in the food processing industry, there is a hardship worked on the county which has more unemployment than another county adjacent to it which has a classification as an area of substantial unemployment.

The purpose of this amendment is to permit the filing of applications by cities and counties which in good faith believe themselves to qualify as an area of substantial unemployment. Under the terms of my amendment the burden of establishing such eligibility would be upon the applicant.

The adoption of this amendment would not of itself authorize a grant to an ineligible area because eligibility would have to be established. It would, however, permit the filing and processing of applications submitted in behalf of areas where the governing official or governing body certifies that such area is an area of substantial unemployment and the area concerned could be authorized to receive a grant under the provisions of this act if it were determined to be eligible during the period intervening between the filing of the application and the time the decision upon the application is made.

Mr. BLATNIK. Mr. Chairman, will the gentleman yield?

Mr. FLYNT. I yield to the gentleman from Minnesota, the chairman of the subcommittee.

Mr. BLATNIK. The gentleman from Georgia raises a very pertinent and important point. I discussed it with the gentleman from Georgia and several members of the Committee on our side. We were most sympathetic with the problem which he has in mind and which he is trying at least to correct with this amendment. However, the amendment does cause complications and some contradictions. There would be conflict of jurisdiction between the Secretary of Labor and the Secretary of Commerce over the question of surplus labor areas.

So I would ask our colleagues to vote down the amendment but state that we have a full realization of the importance of the problem.

The preliminary report shows there is a fair amount of administrative discretion in these areas contiguous to an area already designated as an area of redevelopment in the matter of labor surplus. We hope this matter of administrative discretion can be followed up to correct the inequities the gentleman from Georgia brings up.

The CHAIRMAN. The time of the gentleman from Georgia has expired.

Mr. ICHORD of Missouri. Mr. Chairman, I ask unanimous consent that the gentleman from Georgia [Mr. FLYNT] may proceed for 5 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Missouri?

There was no objection.

Mr. RAINS. Mr. Chairman, will the gentleman yield?

Mr. FLYNT. I gladly yield to the gentleman from Alabama.

Mr. RAINS. Following up the statement of the Chairman of the Committee, the area redevelopment legislation which, as the distinguished gentleman from Georgia knows, has been the cause of a great many complaints, and it strikes me as rather odd, for instance, with the city split by State line, one side of the city may be eligible and the other side not. Also I know in my home State an instance where a county line splits a certain city in two parts; one side is eligible, the other side is not.

I will say to the gentleman that I think that part of the area redevelopment arrangement should be changed and that it should be considered in regions instead of by county lines.

I do not mean to tell my distinguished friend from Georgia that I know I can correct it, but I will say this, he has pointed out something that I think ought to be done, and we are going to do our best in the committee to correct it.

Mr. FLYNT. I thank the gentleman from Alabama and the gentleman from Minnesota. But in reply to what the gentleman from Minnesota said, I will say that the problem to which he refers is more imaginary than real, for the reason that the language of the amendment which the gentleman from Georgia has offered would not mean necessarily—as a matter of fact, it could not mean—that an ineligible area could receive a grant.

Mr. HARRIS. Mr. Chairman, will the gentleman yield?

Mr. FLYNT. I yield to the gentleman from Arkansas.

Mr. HARRIS. I want to commend the gentleman for bringing this question up. When the area redevelopment program was being debated on the floor of the House, I had some questions of members of the committee about it. Since this question was brought up here, and the gentleman from Alabama [Mr. RAINS] responded, I can specifically mention Texarkana and Miller County, Ark. Texarkana is a divided city—Texarkana, Ark., and Texarkana, Tex. But under the administrative procedure Bowie County is included as eligible under the ARA program. Miller County is not. We had this question up with the administration, and we have it up now. I think the Congress should take whatever action is necessary. You cannot tell me that there is a difference in the economic conditions that exist in Bowie County, Tex., and Miller County, Ark., or Texarkana, Ark., and Texarkana, Tex. It is a gross discrimination, and I insist now, as I have in the past stated, the situation ought to be corrected.

Mr. FLYNT. I thank the gentleman for his remarks. I believe the amendment which I have offered will correct the inequity the gentleman from Arkansas has described.

Mr. EDMONDSON. Mr. Chairman, will the gentleman yield?

Mr. FLYNT. I yield to the gentleman from Oklahoma.

Mr. EDMONDSON. I want to join the chairman of the subcommittee in assuring the gentleman from Georgia that if we do not get through administrative channels the flexibility and the recognition of local conditions, seasonal employment, such as the gentleman is talking about, which they have the authority to do if they use commonsense and discretion, if we do not get that from them under this program, I would join the gentleman in pressing for the exact amendment he is proposing. But I think it can be met administratively if they want to do it.

Mr. FLYNT. I thank the gentleman. I am convinced of the gentleman's sincerity, but I will say, Mr. Chairman, if we want to accomplish that which the gentleman from Minnesota and the gentleman from Oklahoma both concede should be done, the most effective way to do it is by writing appropriate language into this legislation.

Mr. TEAGUE of California. Mr. Chairman, will the gentleman yield?

Mr. FLYNT. I yield to the gentleman from California.

Mr. TEAGUE of California. Does the gentleman from Georgia have any knowledge as to how up to date these figures are as put out by the Department of Labor Statistics? I made a statement about Oxnard, Calif., and the wire services said my district was classified as depressed and rather large unemployment. I received a telephone call from the leading newspaper of Oxnard that this was news to them; they did not know they had so much unemployment.

Mr. FLYNT. The gentleman has given an excellent example. In reply to the question, I will say that under the law, as I understand it, the Secretary of Labor, through the Bureau of Labor Statistics is required to keep this information up to date, month by month. I think the gentleman will agree with me that there are delays, which are no fault of the Congress, but which may be the fault of the agency within the executive branch, in this instance the Bureau of Labor Statistics, which did not comply with the law that they keep them up to date from month to month. I think the gentleman has made a good contribution to this, and I thank him for his observation.

Mr. Chairman, I ask for the adoption of this amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Georgia [Mr. Flynt].

The amendment was rejected.

Mr. CLARK. Mr. Chairman, I move to strike out the requisite number of words.

Mr. Chairman, this bill strikes directly at our trouble, unemployment. Many of the bills passed in the last few years have not dealt directly with the unemployment problem. That is exactly what this one does. What has caused unemployment? The average worker today is producing five times what he produced 20 years ago. In 1958 if we had no unemployment compensation we would have had a bigger depression than we had in the early thirties. Unemployment compensation put into the hands of the unemployed money, not to hoard or bank but to spend. Today we need to start many projects especially where we do not have defense plants to take up the slack of the unemployed. This is the way to do it. People today want to earn their money. This is the decent and also the American way to handle this problem of the unemployed. Start these projects that are needed in areas of unemployment and get America going full speed ahead. This public works acceleration bill has special advantages over the tax cut that the distinguished gentleman from California spoke about yesterday, particularly with regard to depressed areas.

First. The expenditures can be directed to areas of greatest need, and at the same time the benefits will be felt throughout the whole economy through the purchase of construction and other materials needed in the projects; the areas of chronic unemployment will be especially helped through the additional incomes and by countering their economic stagnation.

Second. Also, a public works program creates employment directly and immediately. Under a tax relief, jobs are created only in response to the additional spending of the taxpayer who is left with a little more disposable income. Though such a measure might be effective for stimulating general economic activity, it will not provide relief to our depressed areas as quickly; these depressed areas contain most of our unemployed, and more important, they have almost all of the long-term unemployed and the hidden unemployment. In June of this year, 1 million persons had been unemployed 15 weeks or more; about 600,000 of these long-term unemployed had been looking for work for over 6 months.

Question: Would not this public works program necessitate a deficit?

Actually, it is the continued slack with 4½ million men and women unemployed which is creating the Federal deficit and is, at the same time, creating the need for this bill to put people back to work. Our greatest peacetime deficit, $12 billion, came as a result of the 1958 recession, and three-fourths of that deficit resulted from loss of Federal revenues.

Also, in the fiscal year 1961 we spent over $4 billion in unemployment compensation. The cost of unemployment is high, whether we measure it in terms of human misery or in the dollars and cents terms of lost production and increased Government outlays for relief payments. Essential as they are, unemployment compensation and welfare payments are costs, rather than investments such as this bill would provide.

A total of $24 billion has been paid out in the last decade for unemployment compensation alone. As you can readily see, the cost of doing nothing is much greater than the cost of our taking strong affirmative action to put the unemployed to work.

Question: Would not this public works acceleration bill be inflationary?

The answer to that question is a strong "No." Because this bill is aimed directly at providing jobs for those now unemployed, it cannot be said to be in any sense inflationary. I recognize that if demand were stimulated at a time when the economy were operating at full capacity, it would increase the competition for workers and productive capacity already employed, and the result might be to bid up prices. The unemployment statistics and steel operating capacity statistics clearly demonstrate that this is not the case today, and that it will not be in the immediate future. This bill will take up some of the slack in our economy, bringing idle plant and labor back into productive use without affecting the price level.

Question: How would this bill work?

The bill as reported would authorize the appropriation of $900 million to accelerate construction of Federal, State, and local government public works. Eligible State and local projects would be limited to those for which Federal assistance has already been authorized under other laws. Under this bill, for example, water and sewer systems, public buildings and hospitals, streets and sidewalks, et cetera, could be aided by Federal grants covering up to 50 percent of the cost. Schools, however, would not be eligible. Luxury projects are ruled out by the requirement that the facility aided must meet an essential public need. There is not any back-door financing in this bill; all the funds authorized must be appropriated by the Appropriations Committee. To say so is to clearly distort the truth. This is a U.S. public works bill, not a foreign aid public works bill. Let us now have bipartisan support on this bill and pass it today with an overwhelming majority.

Mr. ALBERT. Mr. Chairman, I move to strike out the last word.

The CHAIRMAN. The gentleman from Oklahoma [Mr. Albert] is recognized for 5 minutes.

Mr. EDMONDSON. Mr. Chairman, will the gentleman yield?

Mr. ALBERT. I yield to the gentleman from Oklahoma.

Mr. EDMONDSON. Mr. Chairman, I ask unanimous consent that the gentleman from Oklahoma [Mr. Albert] may proceed for an additional 5 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

Mr. ALBERT. Mr. Chairman, I regard this bill as one of the most important bills to be considered by this session of the 87th Congress. The Committee on Public Works which has brought this bill to us, has done a very splendid job; the high quality of the debate and cogent explanations of this measure demonstrated this fact beyond any question.

Mr. Chairman, I say that this bill is one of the most important legislative measures to come before the House during this session because it involves American communities suffering economic distress and because it involves American people living in these areas. This bill is of major and vital importance because it is designed to spur the economies of these distressed areas and to give their people opportunities for useful work. This is truly an American proposal to help our own communities and our own citizens. In my opinion it offers the opportunity for jobs as against public relief, for hope as against despair, for dignity as against humiliating idleness.

Mr. Chairman, the charge has been made that this is a political measure. This charge in my opinion is unfounded.

It seems to me that the problems of people who are unemployed through no fault of their own, of communities whose economic conditions are a blight on the overall economy, are problems that are within the proper legislative jurisdiction of the Congress of the United States.

Mr. Chairman, I have the highest regard for every Member of this House. I certainly have nothing but a high regard for those who disagree with me on this matter. I respect and hold in high esteem every Member of the minority and every Member of the minority on this committee. But, Mr. Chairman, I was a little surprised that some of these Members would attach their signatures to language which contains what I believe to be the unfounded and inaccurate charge that the public works employment bill would give the President of the United States a $900 million blank check to use for political purposes.

Mr. Chairman, I shall quote from the report beginning at the bottom of page 58, the conclusions of the minority:

> The real end result of this bill is to give the President a book of blank checks with authority to draw $900 million from the Treasury of the United States and to use such amounts thereof as he decides for the construction of projects he selects in localities of his choosing. Under the authority of this bill the President can approve or withhold funds for projects in such a manner as to coerce Members of Congress to support his New Frontier program.

Mr. Chairman, that is not only an unprecedented and scathing charge with respect to the man who has been elected as President of all the people, but it seems to me that it is a charge against the good faith of the committee—the great Public Works Committee that has brought this bill to the floor—a committee that has approved projects under Democratic leadership and under Republican leadership in almost every Congressional district in the United States.

Mr. Chairman, I cannot believe that my friends across the aisle were serious when they wrote this. I cannot really believe that they would actually impugn the motives of the man elected to the highest office in our country. On many occasions during the Eisenhower administration, a Democratic Congress authorized tremendous sums to be made available to the President of the United States for unspecified projects. Under our housing programs we authorized billions of dollars for urban renewal, college housing loans, community facilities loans, low-cost public housing and other programs, leaving it to the Executive to determine which projects would be approved and which would be cut back or rejected.

In 1959, a Democratic-controlled Congress gave President Eisenhower $650 million for urban renewal grants alone. There were no strings attached and we did not even undertake to dictate to the administration which projects would be approved for these two-thirds grants.

Mr. Chairman, the charge made in this minority report is particularly unfounded since all funds authorized by this bill are subject to the usual appropriations process. The President will have to come back to the Committee on Appropriations and to the Congress to obtain the necessary funds. Moreover, any Federal project to be aided has to be one which has been specifically authorized by the Congress. In the case of State and local projects aid is confined to those types of projects for which Federal assistance has already been authorized by the Congress.

Mr. Chairman, I go back to my original statement. This charge of politics simply obscures the real issue and import of this legislation. The question here is whether or not we are willing to do something to help 4 million unemployed Americans and stimulate American business activity generally.

This bill was carefully drawn by a great committee to create employment through the construction of urgently needed projects in areas suffering most seriously from unemployment.

I am sure that whether Members favor this bill or not, the overwhelming majority of the Members of this House on both sides of the aisle, agree that this is the motive and intent of this legislation.

Mr. Chairman, the issue is clear. A vote for this bill is a vote to provide useful jobs for American people who are out of work. The bill gives American citizens who are now unemployed, now unable to do for their families that which every father and mother hopes to do, the opportunity to share in the prosperity which most of our citizens enjoy.

Mr. Chairman, I sincerely urge the adoption of this bill.

Mr. ST. GERMAIN. Mr. Chairman, I ask unanimous consent to extend my remarks at this point in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Rhode Island?

There was no objection.

Mr. ST. GERMAIN. Mr. Chairman, this bill authorizes the appropriation of $900 million to be used for the construction of public works projects to help solve the problem of unemployment in labor surplus areas throughout the Nation while at the same time building useful community facilities that will add to the long-term growth of our cities and towns. The bill will stimulate the economy because of the purchase of construction materials for the projects and it will have a multiple effect as the money on the material is respent on other items. The forecast shows that at least 150,000 persons will be added to the employment roles as a result of the enactment of this legislation and an additional 150,000 persons will be employed because of the resultant respending of the amounts used for the purchase of the construction materials and the multiple effects of any increase in employment and national income.

A further provision of the bill establishes the Office of Public Works Coordination and Acceleration which will provide the Congress and the President with essential information regarding the backlog of public works projects and the status of construction in addition to providing aid for the planning of the future needs of the Nation. This will encourage the local agencies to develop orderly capital improvement projects with the economies that result from planning and careful consideration of the needs of the community. This Office will act as a clearinghouse for ideas and a center for the coordination of efforts for the improvement of public facilities for our local areas.

The program provided in this legislation will not be a slipshod amalgamation of all types of projects, costing varying sums of money with a variety of effects on the nationwide level of employment. There are provisions in the bill that assure that the aid will be used for projects that would not otherwise be undertaken so that there will be a positive increase in the employment level of the area in which the project is to be undertaken and in the level of employment for the Nation. The bill requires that the projects must be such that the bulk of the employment will be felt within a 12-month period. Under the program, the Federal Government can provide up to 50 percent of the total cost of the public works project. The Federal contribution can be a combination of acceleration funds and funds such as those under the Federal Water Pollution Control Act.

Rhode Island will be directly affected by the enactment of this legislation. In order to be eligible under the provisions of the acceleration program, the local areas must be classed as a redevelopment area under the Area Redevelopment Act. The Providence-Pawtucket area has been so designated and is eligible for grants-in-aid under the new program. This means, in effect, that almost every community in the State can apply for funds to accelerate its essential public works projects when this legislation is enacted into law.

As of the present time, there are four Rhode Island communities that have completed their plans and await the authorization of funds in order to start the construction. Two cities, Woonsocket and East Providence, have completed their preliminary plans and await the funds to do the rest of the planning and begin the project at an early date. The funds under the acceleration program can be used for the construction of sewer and water systems, the construction of public buildings, and the building and modernization of nonprofit hospitals and correctional institutions.

The enactment of this legislation should prove of great benefit to the State of Rhode Island. Not only will there be construction of needed public facilities but an increase in the employment picture for the State. The increase in demand for the products of our plants and industries will also be a stimulant for the entire economic level of the State. I do not mean to imply that it will be a full solution but it will prove to be of great benefit to our situation and aid in the already developing plans to boost the economic status of the State of Rhode Island.

Mr. BARRY. Mr. Chairman, because this bill cannot achieve its alleged objective, although from the point of view of the White House it is more politically desirable than legislatively prudent, I shall vote against it.

This bill purports to solve, or at least to appreciably dent, the unemployment problem. However, in testimony before the Public Works Committee which unearthed the facts only about 125,000 people could be employed for 2 years if the bill passed. This represents a scant 3 percent of the almost 4 million people unemployed as of May.

Figures listed in the committee's report further reveal that $2,688 million of unobligated funds have not been used by the administration, so to add $900 million more of unobligated funds would be an extravagance, especially when we are facing a $7 to $10 billion deficit for fiscal 1962. For this to come at a time when our national debt has exceeded the $300 billion mark is wasteful pork-barreling. Foolish spending must cease and Congress should take the initiative.

The bill would create a czar of public works in a new agency, who would have the authority to subvert and distort defined lines of programs, already in operation, thus contributing more havoc to an already confused administration. This new agency could wield vast power by controlling projects now under the Area Redevelopment Agency, Corps of Engineers, and Bureau of Reclamation to name only a few. Of even greater importance, this czar would have the power, now reserved to Congress, to review item by item, specific appropriations for public works projects. To abdicate this authority to an all-powerful executive would reduce Congress to a rubberstamp.

In the final analysis, Mr. Chairman, this bill provides a very powerful political weapon in the hands of the executive branch. Since past behavior is indicative of future action, it will almost certainly be used as the proverbial carrot in attempts to swing reluctant Members to the administration's point of view. In the past year we felt the pressures of such lobbying, therefore, it would, in my opinion, be most unwise to increase these opportunities for the Executive to carry the big stick.

This is poor legislation and it should be defeated.

The CHAIRMAN. The question is on the committee amendment, as amended.

The committee amendment, as amended, was agreed to.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly, the Committee rose; and the Speaker having resumed the chair, Mr. KEOGH, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee having had under consideration the bill (H.R. 10113) to establish an Office of Public Works Coordination and Acceleration; to authorize the preparation of a plan for acceleration of public works when necessary to avoid serious nationwide unemployment levels; and for other purposes, pursuant to House Resolution 755, he reported the bill back to the House with an amendment adopted by the Committee of the Whole.

The SPEAKER. Under the rule, the previous question is ordered.

The question is on agreeing to the amendment.

The amendment was agreed to.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

Mr. CRAMER. Mr. Speaker, I offer a motion to recommit.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. CRAMER. I am, Mr. Speaker.

The SPEAKER. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. CRAMER moves to recommit the bill H.R. 10113 to the House Committee on Public Works.

The SPEAKER. Without objection, the previous question is ordered.

There was no objection.

The SPEAKER. The question is on the motion to recommit.

Mr. CRAMER. On that, Mr. Speaker, I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 192, nays 221, not voting 22, as follows:

[Roll No. 208]

YEAS—192

Abbitt
Abernethy
Adair
Alexander
Alger
Anderson, Ill.
Arends
Ashbrook
Ashmore
Auchincloss
Avery
Ayres
Baker
Baldwin
Barry
Bates
Battin
Becker
Beckworth
Beermann
Belcher
Bell
Berry
Betts
Bolton
Bow
Bromwell
Broomfield
Brown
Broyhill
Bruce
Burleson
Byrnes, Wis.
Cahill
Casey
Cederberg
Chamberlain
Chenoweth
Chiperfield
Church
Clancy
Collier
Colmer
Conte
Cramer
Cunningham
Curtin
Curtis, Mass.
Curtis, Mo.
Dague
Davis, James C.
Derounian
Derwinski
Devine
Dole
Dominick
Dooley
Dorn
Dowdy
Downing
Durno
Dwyer
Ellsworth
Findley
Fisher
Ford
Frelinghuysen
Garland
Gary
Gathings
Glenn
Goodell
Goodling
Griffin
Gross
Gubser
Haley
Hall
Halleck
Hardy
Harrison, Wyo.
Harsha
Harvey, Ind.
Harvey, Mich.
Herlong
Hiestand
Hoeven
Hoffman, Ill.
Horan
Hosmer
Hull
Jarman
Jensen
Johansen
Jonas
Jones, Mo.
Judd
Keith
Kilgore
King, N.Y.
Kitchin
Kunkel
Kyl
Laird
Langen
Lankford
Latta
Lennon
Lindsay
Lipscomb
McCulloch
McDonough
McIntire
McVey
MacGregor
Mahon
Mailliard
Martin, Mass.
Martin, Nebr.
Mason
Matthews
May
Meader
Michel
Miller, N.Y.
Milliken
Minshall
Moorehead, Ohio
Morse
Mosher
Murray
Nelsen
Norblad
Nygaard
Osmers
Ostertag
Passman
Pelly
Pillion
Pirnie
Poage
Poff
Quie
Ray
Reece
Reifel
Rhodes, Ariz.
Riehlman
Riley
Robison
Rogers, Fla.
Rogers, Tex.
Roudebush
Rousselot
Rutherford
St. George
Schadeberg
Schenck
Schneebeli
Schweiker
Schwengel
Scott
Short
Shriver
Sibal
Sikes
Siler
Smith, Calif.
Smith, Va.
Springer
Stafford
Taber
Teague, Calif.
Thomson, Wis.
Tollefson
Tuck
Udall, Morris K.
Utt
Van Pelt
Waggonner
Wallhauser
Weis
Westland
Wharton
Whitener
Whitten
Widnall
Williams
Wilson, Calif.
Wilson, Ind.
Winstead
Younger

NAYS—221

Addabbo
Albert
Alford
Andrews
Anfuso
Ashley
Aspinall
Bailey
Barrett
Bass, Tenn.
Bennett, Fla.
Bennett, Mich.
Blatnik
Boggs
Boland
Bolling
Bonner
Brademas
Bray
Breeding
Brewster
Brooks, Tex.
Buckley
Burke, Ky.
Burke, Mass.
Byrne, Pa.
Cannon
Carey
Celler
Chelf
Clark
Cohelan
Cook
Cooley
Corbett
Corman
Daddario
Daniels
Davis, John W.
Dawson
Delaney
Dent
Denton
Diggs
Dingell
Doyle
Dulski
Edmondson
Elliott
Everett
Fallon
Farbstein
Fascell
Feighan
Fenton
Finnegan
Fino
Flood
Flynt
Fogarty
Forrester
Fountain
Friedel
Fulton
Gallagher
Garmatz
Gavin
Giaimo
Gilbert
Gonzalez
Granahan
Grant
Gray
Green, Oreg.
Green, Pa.
Griffiths
Hagan, Ga.
Hagen, Calif.
Halpern
Hansen
Harding
Harris
Hays
Healey
Hechler
Hemphill
Henderson
Holifield
Holland
Huddleston
Ichord, Mo.
Inouye
Jennings
Joelson
Johnson, Calif.
Johnson, Md.
Johnson, Wis.
Jones, Ala.
Karsten
Karth
Kastenmeier
Kearns
Kee
Kelly
Keogh
King, Calif.
King, Utah
Kirwan
Kluczynski
Knox
Kornegay
Kowalski
Landrum
Lane
Lesinski
Libonati
Loser
McDowell
McFall
McSween
Macdonald
Mack
Madden
Magnuson
Marshall
Mathias
Miller, Clem
Miller, George P.
Mills
Moeller
Monagan
Montoya
Moore
Moorhead, Pa.
Morgan
Morris
Morrison
Moss
Moulder
Multer
Murphy
Natcher
Nedzi
Nix
Norrell
O'Brien, N.Y.
O'Hara, Ill.
O'Hara, Mich.
O'Konski
Olsen
O'Neill
Patman
Perkins
Peterson
Pfost
Philbin
Pike
Price
Pucinski
Purcell
Rains
Randall
Reuss
Rhodes, Pa.
Rivers, Alaska
Rivers, S.C.
Roberts, Ala.
Roberts, Tex.
Rodino
Rogers, Colo.
Rooney
Roosevelt
Rosenthal
Rostenkowski
Roush
Ryan, Mich.
Ryan, N.Y.
St. Germain
Santangelo
Saylor
Scranton
Selden
Shelley
Sheppard
Shipley
Sisk
Slack
Smith, Iowa
Smith, Miss.
Spence
Staggers
Steed
Stephens
Stratton
Stubblefield
Sullivan
Taylor
Teague, Tex.
Thomas
Thompson, La.
Thompson, N.J.
Thompson, Tex.
Thornberry
Toll
Trimble
Tupper
Ullman
Vanik
Van Zandt
Vinson
Walter
Watts
Weaver
Whalley
Wickersham
Willis
Wright
Yates
Young
Zablocki
Zelenko

NOT VOTING—22

Andersen, Minn.
Baring
Bass, N.H.
Blitch
Boykin
Coad
Davis, Tenn.
Donohue
Evins
Frazier
Harrison, Va.
Hébert
Hoffman, Mich.
Kilburn
McMillan
Merrow
O'Brien, Ill.
Pilcher
Powell
Saund
Scherer
Seely-Brown

So the motion to recommit was rejected.

The Clerk announced the following pairs:

On this vote:

Mr. Kilburn for, with Mr. Evins against.

Mr. Scherer for, with Mr. Baring against.

Mr. Hoffman of Michigan for, with Mr. Powell against.

Mr. Bass of New Hampshire for, with Mr. Boykin against.

Mr. Andersen of Minnesota for, with Mr. Donohue against.

Mr. Seely-Brown for, with Mr. Hébert against.

Mr. Harrison of Virginia for, with Mr. O'Brien of Illinois against.

The result of the vote was announced as above recorded.

The SPEAKER. The question is on passage of the bill.

The bill was passed.

A motion to reconsider was laid on the table.

Mr. BLATNIK. Mr. Speaker, pursuant to House Resolution 755, I move to take from the Speaker's table the bill (S. 2965) to provide standby authority to accelerate public works programs of the Federal Government and State and local public bodies, strike out all after the enacting clause, and insert in lieu thereof the provisions of H.R. 10113 as passed by the House.

The Clerk read the title of the Senate bill.

The SPEAKER. The Clerk will report the amendment.

The Clerk read as follows:

Strike out all after the enacting clause of S. 2965 and insert in lieu thereof the provisions contained in H.R. 10113 as passed by the House, as follows: "That this Act may be cited as the 'Public Works Acceleration Act'.

"SEC. 2. (a) The Congress finds that (1) certain communities and areas in the Nation are presently burdened by substantial unemployment and underemployment and have failed to share fully in the economic gains of the recovery from the recession of 1960–1961 and (2) action by the Federal Government is necessary, both to provide immediate useful work for the unemployed and underemployed in these communities and to help these communities, through improvement of their facilities, to become more conducive to industrial development and better places in which to live and work. The Nation has a backlog of needed public projects, and an acceleration of these projects now will not only increase employment at a time when jobs are urgently required but will also meet longstanding public needs, improve community services, and enhance the health and welfare of citizens of the Nation.

"(b) The Congress further finds that Federal assistance to stimulate public works investment in order to increase employment opportunities is most urgently needed in those areas, both urban and rural, which qualify as redevelopment areas because they suffer from persistent and chronic unemployment and economic underdevelopment, as well as in other areas which have suffered from substantial unemployment for a period of at least twelve months.

"SEC. 3. (a) For the purposes of this section the term 'eligible area' means—

"(1) those areas which the Secretary of Labor designates each month as having been areas of substantial unemployment for at least nine of the preceding twelve months; and

"(2) those areas which are designated by the Secretary of Commerce under subsections (a) and (b) of section 5 of the Area Redevelopment Act as 'redevelopment areas'.

"(b) The President is authorized to initiate and accelerate in eligible areas those Federal public works projects which have been authorized by Congress, and those public works projects of States and local governments for which Federal financial assistance is authorized under provisions of law other than this Act, by allocating funds appropriated to carry out this section—

"(1) to the heads of the departments, agencies, and instrumentalities of the Federal Government responsible for the construction of Federal public works projects, and

"(2) to the heads of the departments, agencies, and instrumentalities of the Federal Government responsible for the administration of laws authorizing Federal financial assistance to public works projects of States and local governments.

"(c) All grants-in-aid made from allocations made by the President under this section shall be made by the head of the department, agency, or instrumentality of the Federal Government administering the law authorizing such grants, and, except as otherwise provided in this subsection, shall be made in accordance with all of the provisions of such law except (1) provisions requiring allocation of funds among the States, and (2) limitations upon the total amount of such grants for any period. Notwithstanding any provision of such law requiring the Federal contribution to the State or local government involved to be less than a fixed portion of the cost of a project, grants-in-aid may be made under authority of this section which bring the total of all Federal contributions to such project up to 50 per centum of the cost of such project, or up to 75 per centum of the cost of such project if the State or local government does not have economic and financial capacity to assume all of the additional financial obligations required.

"(d) There is hereby authorized to be appropriated not to exceed $900,000,000 to be allocated by the President in accordance with subsection (b) of this section, except that not less than $300,000,000 shall be allocated for public works projects in areas designated by the Secretary of Commerce as redevelopment areas under subsection (b) of section 5 of the Area Redevelopment Act.

"(e) The President shall prescribe rules, regulations, and procedures to carry out this section which will assure that adequate consideration is given to the relative needs of eligible areas. In prescribing such rules, regulations, and procedures the President shall consider among other relevant factors (1) the severity of the rates of unemployment in the eligible areas and the duration of such unemployment and (2) the income levels of families and the extent of underemployment in eligible areas.

"(f) Funds allocated by the President under this section shall be available only for projects—

"(1) which can be initiated or accelerated within a reasonably short period of time;

"(2) which will meet an essential public need;

"(3) a substantial portion of which can be completed within 12 months after initiation or acceleration;

"(4) which will contribute significantly to the reduction of local unemployment;

"(5) which are not inconsistent with locally approved comprehensive plans for the jurisdiction affected, wherever such plans exist.

"(g) Not more than 10 per centum of all amounts allocated by the President under this section shall be made available for public works projects within any one State.

"(h) The criteria to be used by the Secretary of Labor in determining areas of substantial unemployment for the purposes of paragraph (1) of subsection (a) of this section shall be the criteria established in section 6.3 of title 29 of the Code of Federal Regulations as in effect May 1, 1962.

"SEC. 4. (a) No part of any allocation made by the President under this Act shall be made available during any fiscal year to any State or local government for any public works project, unless the proposed or planned total expenditure (exclusive of Federal funds) of such State or local government during such fiscal year for all its capital improvement projects is increased by an amount approximately equal to the non-Federal funds required to be made available for such public works project.

"(b) No part of any allocation made by the President under this Act shall be made available for any planning or construction, directly or indirectly, of any school or other educational facility.

"SEC. 5. (a) Paragraph (4) of subsection (b) of section 202 of the Housing Amendments of 1955 is amended by adding at the end thereof of the following new sentence: 'This paragraph shall not apply to any financial assistance to be extended under subsection (a) of this section for the purpose of financing any project for public works or facilities to be initiated or accelerated as the result of a grant-in-aid from an allocation made by the President under section 9 of of the Public Works Acceleration Act.'

"(b) Section 202 of the Housing Amendments of 1955 is amended by adding at the end thereof the following new subsection:

"'(e) The Administrator is authorized to make a grant-in-aid from any allocation made for such purpose by the President under section 9 of the Public Works Acceleration Act to any public entity described in clause (1) of subsection (a) of this section of not to exceed 50 per centum of the cost of construction of any project for public works or facilities, if such project would be eligible (without regard to the restrictions and limitations of subsections (b) and (c) of this section) for financial assistance under clause (1) of subsection (a) of this section in accordance with the rules and regulations of the Administrator (as in effect on the date of enactment of this subsection) relating to the types of public works and facilities to which such assistance may be extended.'

"SEC. 6. Section 702 of the Housing Act of 1954 is amended by adding at the end thereof the following new subsection:

"'(g) Notwithstanding any other provision of this section, no advance made under this section for the planning of any public works project shall be required to be repaid if construction of such project is initiated as a result of a grant-in-aid made from an allocation made by the President under the Public Works Acceleration Act.'"

The amendment was agreed to.

The bill was ordered to be read a third time, was read the third time, and passed.

The title was amended so as to read: "An Act to provide authority to accelerate public works programs by the Federal Government and State and local bodies."

A motion to reconsider was laid on the table.

A similar House bill (H.R. 10113) was laid on the table.

GENERAL LEAVE TO EXTEND

Mr. BLATNIK. Mr. Speaker, I ask unanimous consent that all Members have 5 legislative days in which to extend their remarks on the bill just passed.

The SPEAKER. Is there objection to the request of the gentleman from Minnesota?

There was no objection.

PRESENTATION OF ALEXANDER HAMILTON AWARD TO HARRY J. ANSLINGER, FORMER FEDERAL NARCOTICS COMMISSIONER

Mr. GARY. Mr. Speaker, I ask unanimous consent to address the House for

1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Virginia?

There was no objection.

Mr. GARY. Mr. Speaker, tomorrow at noon at the main Treasury Building our former Federal Narcotics Commissioner, Mr. Harry J. Anslinger, will be given the Treasury Department's highest honor when he is presented with the Alexander Hamilton Award. I call this recognition of Mr. Anslinger's fine work to your attention with a deep feeling of gratification and a great deal of comfort because there is every indication that the outstanding work of this most important Bureau will continue under the guidance of his able and experienced successor.

Mr. Anslinger, who provided outstanding leadership for the Bureau from its establishment in 1930, has retired as Commissioner, at the age of 70, and has been succeeded by his former deputy, Mr. Henry L. Giordano, who is 48 and another vigorous enforcer of the narcotics laws.

The narcotics peddlers, who have ruined the lives of so many with their despicable and insidious dealings, saw an arch enemy step down at Mr. Anslinger's retirement, but they have been afforded no comfort by the promotion to Commissioner of his protege, Mr. Giordano, who has been with the Bureau since 1941 and therefore has more than 20 years of enforcement experience.

Time magazine, in its issue of July 20, 1962, quoted Commissioner Giordano as saying, in support of his predecessor's policies, "We are in favor of increased rehabilitation and always have been. But that does not mean we have to be any easier on the pushers."

As chairman of the Appropriations Subcommittee which takes first action in the House on the budget requirements of the Bureau of Narcotics and as one who has heard and been deeply stirred by the terrifying effects narcotics have had upon people's lives, I wish to assert that I have been in absolute accord with Mr. Anslinger's policy of vigorous enforcement of the narcotic laws. I sympathize with the addicts, but there is no place on this earth for a pusher. He is a menace to society and should be dealt with accordingly.

To hear that the fight against these merchants of evil will continue in the same unrelenting fashion is good news to those of us who have admired the effective work of the Bureau through the years with a modest outlay of funds.

We all know of Mr. Anslinger's fine work as Commissioner. Since 1930, when the Bureau was born his leadership has been instrumental in the reduction of drug addiction in this country by at least two-thirds. Around the world he has succeeded in bringing about international agreements which have restricted the illegal marketing of narcotics. In my judgment he was one of the ablest and most dedicated public servants in the Federal Government.

In 1954, Dr. Theodore G. Klumpp, chairman of the medical services section of the Hoover Commission engaged in studying a reorganization of the Federal Government, called Commissioner Anslinger "the greatest single bulwark against the spread of drug addiction throughout the entire world." I concur in that opinion.

Commissioner Giordano takes over with almost a lifetime of experience in the field. A native of San Francisco he earned a degree in pharmacy at the University of California in 1934 and was a practicing registered pharmacist until 1941 when he joined the Bureau of Narcotics as an agent. His advancement in the Bureau was steady and solid and he became Deputy Commissioner in 1958.

Since then he has been a member of the United States delegation to the 14th Session of the United Nations Commission on Narcotic Drugs at Geneva in 1959 and in 1961 he was the alternate U.S. Representative to the United Nations Conference for the Adoption of a Single Convention on Narcotic Drugs at New York.

The Bureau, it appears, is still in good hands. For that reason we can take even greater delight in noting the recognition being given Mr. Anslinger tomorrow for a job well done in a never ending battle against a nefarious enemy that constantly threatens the health and welfare of our Nation.

PERSONAL EXPLANATION

Mr. COLLIER. Mr. Speaker, on August 28 I was faced with unforeseen transportation problems and was not able to return in time to attend the session on that day. Had I been present I would have voted "yea" on three rollcalls, 202, 203, and 204.

ATOMIC ENERGY COMMISSION

Mr. HOLIFIELD. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H.R. 11974) to authorize appropriations for the Atomic Energy Commission in accordance with section 261 of the Atomic Energy Act of 1954, as amended, and for other purposes, with a Senate amendment thereto, disagree to the Senate amendment, and agree to the conference requested by the Senate.

The SPEAKER. Is there objection to the request of the gentleman from California?

Mr. VAN ZANDT. Reserving the right to object, Mr. Speaker, as I understand, if this unanimous-consent request is agreed to, I will have the right then to offer a preferential motion to instruct the House conferees to insist on the House position?

The SPEAKER. The gentleman may make such a motion.

Mr. VAN ZANDT. I withdraw my reservation of the right to object, Mr. Speaker.

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. VAN ZANDT. Mr. Speaker, I offer a motion.

The Clerk read as follows:

> Mr. VAN ZANDT moves that the managers on the part of the House at the conference on the disagreeing votes of the two Houses on the bill, H.R. 11974, be instructed not to agree to section 112 concerning authorization of electrical generating facilities for the new production reactor, Hanford, Wash., as contained in the Senate amendment.

The SPEAKER. The gentleman from Pennsylvania is recognized for 1 hour.

Mr. VAN ZANDT. Mr. Speaker, I will yield half my time, 30 minutes, to the gentleman from California [Mr. HOLIFIELD], the distinguished chairman of the Joint Committee on Atomic Energy.

I would like to express my appreciation to my colleague, the chairman of the Joint Committee, for the manner in which he has kept me informed of his plans, and the scheduling of the debate on this matter. Although we have not been able to agree on the question of electrical generating facilities for the Hanford New Production Reactor, I am happy to say that we have agreed on most of the many important matters which have been brought before the Joint Committee on Atomic Energy during our years of service together on that committee, and we have always remained good friends.

I do not wish to take the time of the House unnecessarily before voting again on this issue, but let me briefly recall the history of the votes already taken by this House on the issue of electrical generating facilities for the Hanford New Production Reactor.

Last year, on July 13, 1961, the record shows that the House, by a teller vote of 176 to 140, eliminated from the AEC authorization bill a project authorizing $95 million for an 800,000 electrical kilowatt powerplant at the Hanford New Production Reactor.

On July 18, 1961, the Senate restored the Hanford project to the AEC authorization bill. When the bill was returned to the House on August 8, 1961, I offered a motion instructing the House conferees not to agree to the Senate action. This was similar to the motion which I have offered today. After debate, a motion to table my motion was defeated by a rollcall vote of 235 to 164. Then my motion was adopted by another rollcall vote of 235 to 164. On both votes, the majority was 71 to reject the Hanford project.

Then, on September 13, 1961, the House considered the conference report, which contained the so-called Hanford compromise to authorize a $58 million, 400,000-kilowatt station. Again, after debate, the House, by a rollcall vote of 251 to 155, and again upon my motion, rejected the conference report. The majority this time was 94 against the Hanford project.

One would have thought that the Hanford project was dead. But no, the proponents came back to Washington again in 1962, seeking contracts and leases from the Federal agencies, the Bonneville Power Administration, and the Atomic Energy Commission. The proponents of the Hanford measure sought to avoid the Congress in 1962 and to obtain the powerplant without congressional authorization. But, in a courageous decision, the Comptroller General ruled that the AEC contracts and leases would be illegal if not specifically authorized by the Congress.

It is true that the proposal this year is in a different form, but as the Members of this House had already recognized, the issues are essentially the same.

The 1962 version of the Hanford project was debated in the House on July 17 of this year. After careful consideration, the House rejected the Hanford proposal and adopted instead a substitute amendment offered by me which provided that the Atomic Energy Commission was not authorized to proceed with arrangements for electrical generating facilities at the Hanford NPR. The votes taken by the House on this issue this year, on July 17, 1962, were 160 to 134, by teller vote, and a rollcall vote of 232 to 163 in favor of my substitute amendment rejecting the project. Thus, the proposal has been rejected already this year by a majority of 69 votes here in the House.

We have, therefore, a history of rejection of this proposal by the House of Representatives: Four times last year and again this year, by a majority of 69, less than 2 months ago.

It is not my intention to take up the time of this body debating the Hanford issue because all that can be said about it has already been said, here on the floor of the House. I will only briefly recapitulate some of the key points which have persuaded the Members of this body before, and which I trust will do so again.

Last year I listed for the House 10 compelling reasons why the Hanford NPR electrical generating facilities should be rejected. Some of these were as follows:

First. This project would not advance nuclear power technology.

Second. It is not needed to meet the power requirements of the Pacific Northwest.

Third. It would be used to attract industry from other regions.

Fourth. It would also be used to justify the construction of transmission lines leading to a gigantic Federal electric power grid.

Fifth. It would constitute a precedent for the further encroachment of Government in private business.

In addition, during the debate this year, additional points were made by me and others concerning the 1962 version of the Hanford project.

First, the basic issues are the same as last year.

Second, the proposed scheme of contracts and leases between AEC, Bonneville Power Administration and Washington Public Power Supply System—WPPSS—has serious defects. There is a provision for possible termination under which the costs would be passed to the Federal taxpayer. In addition, Bonneville can take over the generating facilities at any time by paying the unamortized balance, which means simply that the door is open for outright Federal ownership of both the reactor and the generating facilities. Moreover, the marketing agreement of the Bonneville Power Administration will be the security for the tax-free revenue bonds that the public power group will issue to finance the generating facilities.

Third, the Bonneville Power Administration is the real party in interest. The WPPSS is only a dummy corporation which assumes no risks and serves merely as a paper corporation to hide the Federal sponsorship of this project.

Fourth, the capacity of the Bonneville Power Administration to assume these risks is doubtful. In effect this scheme could be used as a device for permitting Bonneville to enter the steam generating field.

Finally, the generation of commercial power from this Government-owned reactor would create a dangerous precedent.

During the debate this year I pointed out the sorry record of cost increases of this reactor. Included in the authorization bill this year was an additional $95 million for cost increases of the Hanford NPR. If this reactor had been authorized as a single purpose reactor, it could have been constructed at an estimated $120 million, and already be producing plutonium for national defense. Because public power proponents desired to make the reactor convertible and to produce electricity, the costs have increased to $195 million. We could have saved the taxpayers $75 million and improved our national defense by earlier plutonium production if the issue of electrical generating facilities had never been raised.

Mr. Speaker, who are the proponents of these electrical generating facilities? As every House Member knows, we have been besieged by frequent communiques and rebuked by criticism from Mr. Alex Radin and Mr. Clyde Ellis, the champions of public power.

Finally, I wish to say a few words to my colleagues from the coal-producing States. I urge you to stand firm in opposing the generation of electrical power from the Hanford NPR, which could be a precedent for large Government-owned atomic power reactors. Here is what the Coal Producers Association of Washington had to say of the Hanford project and the effect it would have on the industry in that region:

> Contrary to the statements made by its proponents, development of the Hanford dual reactor at this time would sound the death knell of the coal industry in Kittitas County.

These are the arguments which have persuaded the House in the past to reject this proposition, and these same arguments should persuade the House to stand firm in its determination. My motion will instruct the Managers on the part of the House not to agree to the Senate amendment.

From a parliamentary point of view, this situation is much the same as last year when the House rejected the Hanford proposal and refused to accept the Senate amendment. Last year, to clarify the parliamentary situation, I quoted from Cannon's Precedents, volume 8, page 709, section 3209, which refers "to an unwritten rule of conference that the House proposing an amendment on which agreement cannot be secured must recede or accept responsibility for failure of the bill."

If the House stands firm in resisting the Senate amendment, as I feel sure it will again, the Senate must recede or the responsibility for failure of the bill will therefore rest on the Senate.

Mr. Speaker, I urge my colleagues to vote as they have before on six occasions, to reject electrical generating facilities at the Hanford NPR, and to support my motion to instruct the conferees not to accept the Senate amendment.

Mr. DENT. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

Mr. DENT. Mr. Speaker, who among us has not, at least occasionally, been fretful at the extending length of this slow-moving session? For anyone who is becoming increasingly disturbed by present prospects—or lack of prospects for adjournment, I should like to pose this question:

When would Members of this body and of the Senate be able to return to their home constituencies if each legislative proposal were taken up, discussed, debated, and voted a total of five times?

There is another question for the membership to contemplate:

How many times is Congress expected to act upon each issue?

I do not know how my colleagues here today feel about the item before us, but I personally find the whole matter repelling. The Senate's insistence in trying to impose its will upon the House would seem to lack respect and to defy protocol.

Mr. Speaker, three times last year the House of Representatives rejected the proposal to build electric generating facilities at the Hanford plutonium reactor. Last month, after adequate discussion, we turned back the attempt to provide for construction of Hanford through the new approach. I do not know how many times the Senate expects us to act on each such matter, but I am confident that the relationship between the two bodies could be maintained at a much higher level if our friends on the other side of the Capitol would discontinue volleying this bill back to us. It is wasting our time, it is wasting their time.

Mr. Speaker, during the many months that Congress has been subjected to the constant demands for a generating plant at Hanford, the United States coal industry has become the target of progressingly more criticism from proponents of the project. I think it is about time to get the record straight on one matter. Residents of coal states are not the mendicants who appeared last year on Capitol Hill with hand-in-hand, then—having been turned down in their supplication—returned in 1962 with a request for Congress to sign a promissory note to assume whatever obligations could not be met in the operation of a project that no sensible businessman would sponsor or condone. Yet our coal States have been the targets of severe criticism as a consequence of our position in opposition to the subsidization and that is the proper designation for

Hanford in both forms that it has been presented to the subsidization of competition.

I ask you to remember that we who represent coal, in addition to protecting our economy in this case, are also safeguarding the useless expenditure of the taxes of all citizens regardless of where they may live.

A writer has said that humility is not a weak and timid quality; it must be carefully distinguished from a groveling spirit. There is such a thing as an honest pride and self-respect.

People in numerous areas of Pennsylvania have for a long period been forced to suffer the ignominy that comes with unemployment. The spirit has still not been extinguished, and we can come before Congress with head high because it is not we who are seeking this gratuity. Attack us for our position, if you will, but please do not misrepresent our case.

Mr. Speaker, I suggest that we instruct our conferees to knock Hanford out of the atomic energy authorization bill. Then let us get on with the many important issues that are yet to be decided before we go home.

Mr. HOLIFIELD. Mr. Speaker, I yield 3 minutes to the gentleman from Illinois, [Mr. Price].

Mr. PRICE. Mr. Speaker, I oppose the motion of the gentleman from Pennsylvania because I am against the disruption of the orderly process of government and against waste. This, simply stated, is the substance of my position.

The process of the conference is the only method by which the two bodies can resolve their differences. What chance is there for even reasonable discussion if our conferees are bound by strictly limiting instructions before they ever sit down at the conference table? The answer is of course that there is no opportunity for discussion or compromise. A vote for this motion is simply a vote to roadblock the traditional legislative process. It is, moreover, to some extent an insult to the other body to instruct conferees prior to the first conference.

I do not advocate that the House simply accede to the demands of the other body, but there is an area for compromise and compromise is critical.

The Congress in 1958 authorized a convertible reactor at Hanford, Wash. When completed in 1965, this reactor will have cost the taxpayers almost $200 million. The construction of the reactor is not at issue. It is already under construction.

When the reactor commences operation it will produce plutonium which is vitally needed for our national defense.

At the same time it will produce millions of pounds of byproduct steam. Now let me emphasize one thing. No matter what this Congress does, the NPR will produce steam in enormous quantities. No action of the Congress can stop this scientific process.

The critical question then is: Shall we use this steam to provide vitally needed electricity for the Pacific Northwest or shall we throw it away?

Last year the Joint Committee came before this body with a proposal for Federal construction and operation of these generating facilities. Many arguments were offered against this project and, as you know, it was defeated. I have no intention of resurrecting that proposal, but at the same time, it would be tragic to me if the arguments that were used to kill this project last year are successful this year.

I ask you to keep in mind that not one single dollar of Federal money will be required under this year's proposal for the construction of the Hanford electric plant. Without cost and without risk to the Federal Government there is every chance that the U.S. Treasury could recover up to $125 million or more from the sale of otherwise wasted steam from the NPR.

If any Member of the House has any doubts about any risk to the Federal Government under the terms of the Senate amendment, then I urge that he give our conferees the latitude to negotiate for absolutely iron clad arrangements which will guarantee the absence of any risk to the Federal Government.

I urge that you not reject this proposal because of any lingering doubt as to the Federal risk involved in the project. This can be worked out in conference, provided our conferees are free to negotiate in good faith.

A vote against this motion will permit good faith negotiations between the two great bodies and will prevent the unconscionable waste of a valuable national resource.

Mr. HOLIFIELD. Mr. Speaker, I yield 2 minutes to the gentleman from Washington [Mr. Westland].

Mr. WESTLAND. Mr. Speaker, I think this legislation has been debated at sufficient length so that there is probably very little I can add to what has already been said. However, I would like to bring out this point: The House has just seen fit to vote $900 million for public works throughout the country. Now all we are asking is that the House of Representatives give us in the State of Washington permission to spend $130 million on public works that will not cost the Treasury a single dime and which, in fact, if this dual purpose usage of the reactor continues, will return $31 million to the Treasury within a period of 10 years. If it continues for 24 years it will return $125 million to the Treasury. Some may say that there is no guarantee that we are going to continue producing plutonium. That is true. There is no guarantee. The one thing that could happen would be that we entered into a disarmament agreement with the Soviets. That is the chance. I ask the Members of the House how much of a chance they think that represents. I for one think that it is very little.

Mr. Speaker, I would hope that the House of Representatives would give us the opportunity to use an energy that is being wasted, that is being dumped into the river, and turn it into money that will be brought back to the Treasury of the United States.

Mr. Speaker, I yield back the balance of my time.

Mr. HOLIFIELD. Mr. Speaker, I yield 2 minutes to the gentleman from Massachusetts [Mr. Bates].

Mr. BATES. Mr. Speaker, a year ago I was against this project because it would cost the Federal Government, the taxpayers of this country, some $95 million. It was my thought and the thought of Members of this House at that time that the people of the great Northwest ought to pay for their own power bills, just as we do in the Northeast and the South and other parts of the country. So we told them to go back home and come up with a proposition under which they would pay the bill rather than have it borne by the taxpayers as a whole. And that is precisely what they did. Our Joint Committee on Atomic Energy on both sides of the aisle, in the House and in the Senate, with the exception of a single vote, approved this project this year, with the latest change.

I believe it is a good project. It offers the opportunity to recoup millions of dollars to the Treasury of the United States. This power is being wasted at the moment. We should try to use this power and at the same time improve the financial position of the country. I am for the Hanford reactor as it is in this bill today. I do not go along with the proposition to instruct the conferees to strike it from the bill.

Mr. PRICE. Mr. Speaker, I yield 2 minutes to the gentlewoman from Washington [Mrs. May].

Mrs. MAY. Mr. Speaker, I rise in opposition to the motion by the gentleman from Pennsylvania to instruct the conferees, because the facts of this issue clearly show that a vote for Hanford 1962 is a vote for economy and a vote for the betterment of the entire Nation.

If the gentleman's motion is approved by this body we will be saying, in effect, that the design features of the convertible reactor must be wasted and, further, that the byproduct of heat sufficient to produce 800,000 kilowatts of electric power must forever be wasted. The value of this wasted power, Mr. Speaker, is in the tens of millions of dollars annually.

I am convinced that because of the seeming complexities of this issue that many of the opponents of Hanford 1962 may have based their position on unfounded fears that somehow this project way out in the Far West State of Washington would hurt the economy of Pennsylvania and other eastern coal-producing States, or that this is a public versus private power issue, or that it would take industry away from some other part of the country, or that the Federal Government would end up financing the deal.

I assure the Members of the House that none of these arguments contain a grain of fact.

First, let me say that no one has shown that this project can conceivably hurt the coal industry in the East, in the Midwest, or, for that matter, in the Far West. I am sure my colleagues who are so obviously concerned about the coal industry will be pleased to know that plans are going forward at this very moment in the State of Washington to construct a coal-fired steamplant for the production of electricity. The electricity from this steamplant and from the Hanford reactor is needed in the Pacific Northwest. We need the electric energy from both of these projects. The coal-fired steamplant will be built and operated whether the Hanford proposal goes through or not. The coal-fired steamplant proposal, I am glad to say, will be of material benefit to employment in the Roslyn-Cle Elum area of my State.

Further, Mr. Speaker, I wonder how many Members of this body are aware that the Atomic Energy Commission at Hanford is the best customer the Washington State coal industry has. Only this week the Atomic Energy Commission contracted with the Northern Pacific Railway Co., operator of the Roslyn coal mine, to purchase 156,000 tons of coal for the next year. This amounts to more than one-third of the entire output of the Roslyn mine. May I point out also that this coal is used for the purpose of heating the buildings at Hanford, buildings which must continue to be heated by coal if the Hanford reactor project is approved.

This is not a public versus private power fight. Half of the electrical energy from Hanford 1962 will go to private utilities. Not one single private utility group in the Pacific Northwest has taken an official position against Hanford 1962, and if the project is approved, the private utilities are expected to take full advantage of it because it will offer them long-term contracts not now available at existing Bonneville rates. This is something they have long desired.

Now, to the argument that this project would somehow take industry away from some other part of the Nation. Can any Member stand up and state that his district or his State has lost an industry to the State of Washington? I think not. The fact of the matter is that the industries that are already located in the State of Washington and the West, together with all electric power consumers, are going to need the electrical energy from this project, because of their anticipated increased use of electrical energy. A firm power supply from both Hanford and the coal-fired steamplant as Roslyn will be a firm power supply that is needed by the people already located in the Far West. We in the West will have a critical power shortage otherwise.

Now, Mr. Speaker, some of our colleagues have expressed a feeling that somehow the Federal Government might still end up with some financial responsibility in this local agency's proposition. In the debate on the Hanford issue several weeks ago, full assurance was given that the Federal Government would have no financial responsibility. However, if the House this afternoon will allow our conferees to go to conference uninstructed, I believe any remaining doubts can easily be taken care of in conference. I say this because the House conferees can be expected to insist that assurances of non-Federal expenditures are written clearly into the bill. This will make it crystal clear that there will be no Federal risk involved.

Hanford 1962 is not a threat to the eastern coal industry, it is not a fight between public an private utilities, it is not an REA issue, it is not a TVA issue, it is not a Federal subsidy, it is not a $93 million Federal appropriation like Hanford 1961.

Hanford 1962 is an economy measure for the Nation. The 25 million Federal dollars already spent to make the reactor convertible can be returned to the Federal Treasury several times over. No Federal funds will be spent—not one dime. The Federal Government will not be involved or obligated in any way whatsoever. This is local enterprise.

Most importantly, I cannot justify tossing $25 million down the drain and another $125 million after that. This is an economy vote and it deserves the support of the House of Representatives at this time when our Federal deficit is skyrocketing out of proportion. This economy will strengthen our Nation at a time when we must be strong.

Mr. HARRIS. Mr. Speaker, will the gentlewoman yield?

Mrs. MAY. I yield to the gentleman from Arkansas.

Mr. HARRIS. It occurs to me that this motion is premature. I, like some others, voted against this project last year and indicated my position against it the other day, although I was not here for the vote. It seems to me we should let the conferees operate under the legislative procedures, under the rules of the House in conference. That would be the best way to work this out. I am inclined to go along with what the gentlewoman has said and oppose this motion. I think it is completely out of order and contrary to regular legislative procedures.

Mrs. MAY. Mr. Speaker, I thank the gentleman. Just one or two more words, Mr. Speaker. I believe we do understand the Hanford project in this House now. I know surely there were a number of Members in this House, and for very good reasons, who did not understand what we were asking for in the 1962 proposal. So I urge the Members to vote "no" on this preferential motion to instruct the conferees.

Mr. NELSEN. Mr. Speaker, will the the gentlewoman yield?

Mrs. MAY. I yield to the gentleman.

Mr. NELSEN. Mr. Speaker, I am interested in some information. It is my understanding that the Federal Power Commission has indicated that this project is not a feasible project. My concern relates to the deficits that have been reported.

The SPEAKER. The time of the gentlewoman from Washington has expired.

Mr. VAN ZANDT. Mr. Speaker, I yield the lady 1 minute.

Mr. NELSEN. The reports that I have, 1958 to 1962, indicate a deficit of the Bonneville Power Administration going from $2 million to $14 million. The reason I ask the question regarding feasibility is because of the fact that if the power cost is driven up, the Bonneville Authority picks up the tab, and if it is not a feasible project, that deficit of $14 million naturally would increase. What are the latest estimates by the Power Commission as to the cost of power by the Hanford reactor if it is built?

Mrs. MAY. I should point out to the gentleman that there have been very favorable feasibility reports and very recent ones in favor of this proposal. Naturally, I believe it is quite obvious that Washington Public Power Supply System would not go ahead with negotiations if the net result would be such as the gentleman has indicated. I think the Bonneville loss to which the gentleman has referred is a very good argument in favor of the Hanford project in that this has been loss surplus power that would be firmed up with the building of generating facilities by our local agencies.

Mr. NELSEN. Mr. Speaker, I thank the very persuasive lady.

Mr. HOLIFIELD. Mr. Speaker, I yield myself such time as I may require.

Mr. Speaker, we are faced with a most unusual motion by the gentleman from Pennsylvania. We are faced with a motion that says to the House, "Tie the hands of your conferees before going into conference with the Senate." I say this does violence to the democratic, bicameral legislative process. This House does not have the right to impose its sovereign will on the Senate and the Senate does not have the right to impose its will on the House. If we tie the hands of our conferees and they tie the hands of their conferees before going into conference, there could be no adjustment of differences on the legislation passed by the two bodies.

Mr. VAN ZANDT. Mr. Speaker, will the gentleman yield?

Mr. HOLIFIELD. I regret that I cannot yield because of the shortness of time.

I am aware of the action of this House on previous occasions. I am aware of the responsibility of the conferees of the Joint Committee on Atomic Energy on the House side will have when they go into the conference. I will request the Speaker, and of course it is his prerogative, to appoint the three top men on the Democratic side and the two top men on the Republican side. I will follow the rule of seniority strictly on this matter.

I will not go into conference to surrender the position of the House nor to accept the position completely of the Senate. I will go into the conference for the purpose of finding some kind of common meeting ground on which we can meet and bring back to each legislative body the result of that conference, and then let you work your will upon the results of the conference.

I think it is an affront to a Member of the House who is asked to serve on a conference committee to tie his hands and tell him to go to the conferees of the other body and say to them, "You take what we did or you get nothing." I think it would be an affront on their part to say the same thing to us. As long as we have a bicameral legislature let it function. You will have a chance to pass on the bill after it comes from conference and you can vote "no" on any conference agreement that is made. But I ask you to uphold the process of a bicameral legislature and preserve the dignity of the conferees whom you send to conference. I guarantee you that we will bring back to a vote the issue which is involved in this matter.

I did not bring in the matter involved in the Hanford situation. That was brought in by the gentleman from Pennsylvania [Mr. Van Zandt]. The bill originally reported out of committee was silent on the subject. Mr. Van Zandt brought the question into play, not the gentleman now speaking.

Mr. SMITH of Virginia. Mr. Speaker, will the gentleman yield?

Mr. HOLIFIELD. I yield to the gentleman from Virginia, as I have agreed to.

Mr. SMITH of Virginia. A good many of us, and I am one of them, heretofore voted against the Hanford project. We want to be informed as to just what the responsibilities of the Government are on this proposition that is now being considered and will be considered in conference. Does the Government assume any obligation? Will it finance this thing in any way; or will there be any future obligation upon the Federal Government on this proposed project, is it to be a purely private industry proposition where the private power companies or whoever buys the power will pay the Government merely for the steam?

Mr. HOLIFIELD. I will try to answer the gentleman. This is a complicated question, but I am going to try to answer it honestly, simply, and directly. This reactor will produce steam which results from the making of plutonium. We have four other reactors at this time that have sold waste steam—one is in the gentleman's State of Pennsylvania in Shippingport, which is selling waste steam. This is not a new problem. The State-chartered public power bodies of the State of Washington will bond themselves for the generating facilities to convert this steam, which they will buy from the Federal Government, into electricity. It is estimated that they will buy $3 million the first 7 years, $31 million the first 10 years, $65 million the first 15 years, and if it operates on a dual-purpose basis for 24 years, they will pay the Government $125 million for this waste steam.

The bonds of the public power bodies which will be sold in the State of Washington will bear the full cost of the generating plant. There will be no expense to the Government. It does not call for $1 of appropriations on the part of the Government in order to sell this steam. We are going to have the steam, anyway. The electric power produced from the steam will be turned into the Bonneville system. The Bonneville system will distribute this through their distribution system. If there is any deficit at any time in the future—and I do not think there will be—but if there is, it will go into the rates of the Bonneville system. It will be paid for by the people of Washington who buy electric power.

Now, one very important thing, also, in this matter is that we are making this power available on a 50-50 basis to private electric utility companies and public utilities at the same price for the same term of years on a nondiscriminating basis.

Mr. SMITH of Virginia. Who pays for the plant? Who pays for the thing that has to be constructed?

Mr. HOLIFIELD. The public power bodies in the State of Washington will bond themselves for $130 million to pay for the generating plant. The reactor will be built, anyway, and it will be built at Government expense, just the same as the Shippingport reactor, the Hallam, Nebr., reactor, and the Santa Susanna, Calif., reactor, and all the other reactors that have been built where they have sold the waste steam to privately owned utilities. In this case we are selling 50 percent to privately owned utilities and 50 percent to publicly owned utilities.

Mr. SMITH of Virginia. Then, does the Government agency, namely, the Bonneville Power Administration, pay for the plant?

Mr. HOLIFIELD. No. They do not have to pay one penny. The State public power bodies pay for the plant.

Mr. SMITH of Virginia. But that is not the Bonneville Power Administration?

Mr. HOLIFIELD. That is no obligation on the Bonneville Power Administration.

Mr. SMITH of Virginia. I thank the gentleman.

Mr. HERLONG. Mr. Speaker, will the gentleman yield?

Mr. HOLIFIELD. I yield.

Mr. HERLONG. It is possible for the Bonneville powerplant to take over the obligations and the operation of this once it has been set up under the plan proposed?

Mr. HOLIFIELD. Not without action of the Congress, and if they do take it over, it becomes an obligation of the rate payers in that area and does not become an obligation of the Congress.

Mr. PILLION. Mr. Speaker, will the gentleman yield?

Mr. HOLIFIELD. Mr. Speaker, may I inquire how much time I have used?

The SPEAKER. The gentleman has consumed 8½ minutes.

Mr. HOLIFIELD. I regret I have no more time available except for one obligation on the Republican side.

Mr. VAN ZANDT. Mr. Speaker, I yield myself 2 minutes.

Mr. Speaker, first I would like to correct my friend from California when he said a moment ago that the gentleman from Pennsylvania injected the Hanford amendment or item into the discussion, an item which finally was written into the bill. I think that the gentleman from California will recall that the gentleman from Colorado [Mr. Aspinall] offered a motion that would have authorized the Hanford project, and my amendment was a substitute.

Mr. HOLIFIELD. I will say to the gentleman, if he will yield, that he informed me that he was going to offer his amendment, and in order to protect the integrity of the amendment I had to have one offered from my side. The gentleman then offered a substitute.

Mr. VAN ZANDT. I just want the Record to stand corrected.

I would now like to address myself, Mr. Speaker, to the distinguished gentleman from Virginia [Mr. Smith], and I would like to read for his benefit a portion of the statement I made earlier this afternoon. I said:

> Second, the proposed scheme of contracts and leases between AEC, Bonneville Power Administration, and Washington Public Power Supply System (WPPSS) has serious defects. There is a provision for possible termination under which the costs would be passed to the Federal taxpayer. In addition, Bonneville can take over the generating facilities at any time by paying the unamortized balance, which means simply that the door is open for outright Federal ownership of both the reactor and the generating facilities. Moreover, the marketing agreement of the Bonneville Power Administration will be the security for the tax-free revenue bonds that the public power group will issue to finance the generating facilities.

I think that will answer the question of the gentleman from Virginia.

Mr. MORRIS. Mr. Speaker, will the gentleman yield?

Mr. VAN ZANDT. I yield.

Mr. MORRIS. Does the gentleman from Pennsylvania maintain that the Bonneville Power Administration can take over the operation and maintenance of this project without further congressional action?

Mr. VAN ZANDT. No, I do not; but if the Bonneville Power Administration has to take it over we will then face that same type of problem that you face now; a future Congress will have to provide the necessary authority and appropriate the necessary money.

Mr. Speaker, I yield 5 minutes to the gentleman from Iowa [Mr. Jensen].

Mr. JENSEN. Mr. Speaker, I remember well, as do most Members of this House, that during the last session a similar bill was brought to the floor of the House through a front door and was badly defeated. During this session it was brought to the House through the side door and again it was defeated; in fact, the House has defeated this proposal six times.

Mr. Speaker, I believe the reason the House has acted as it has is the simple fact that here we have two agencies of Government, AEC and BPA, and an electric power group associated in this proposed undertaking of entering into said contract, should this public power group, which is to float these bonds, default, Uncle Sam would be obligated to pick up the tab. Let no one tell you differently.

For this Congress to initiate such an undertaking where two agencies of Government—and I care not what they be—are permitted to enter into such a contract where the Congress will have little or no jurisdiction to determine just what shall take place after such contracts are signed is, I say, embarking on dangerous ground.

Make no mistake about it, this kind of legislation would open the door for other agencies of Government to enter into contracts irrespective of congressional authorization.

This type of a contract is entirely foreign to our way of legislating for the American people.

And may I point out that on numerous occasions this House has instructed its conferees.

Mr. HOLIFIELD. Mr. Speaker, I yield 2 minutes to the gentleman from Washington [Mr. Magnuson].

Mr. MAGNUSON. Mr. Speaker, of course, I believe very thoroughly in the merits of the Hanford project in my

State. I know it is a good proposition for the Federal Government. It is going to bring in revenue in contrast with spending revenue. There is no risk to the Federal Government or to the Federal taxpayers.

I am going to do exactly what the gentleman advised that nobody do, and repeat what our chairman, the gentleman from California said, that it is not customary to tie the hands of the conferees before they go to conference. For the gentleman from Iowa to say we do it constantly indicates that he is the one who is desperate. Of course, when it comes back to the House, if we disagree with the conference report, we give them instructions. I do not remember one instance in the last 10 years where we have instructed our conferees before they went to conference. I ask you not to do violence to the normal method of settling differences between the House and Senate.

Mr. VAN ZANDT. Mr. Speaker, will the gentleman yield?

Mr. MAGNUSON. I yield to the gentleman from Pennsylvania.

Mr. VAN ZANDT. Was the gentleman here last year when we instructed the conferees?

Mr. MAGNUSON. I was here, certainly, but I do not recall instructing the conferees.

Mr. VAN ZANDT. I just want to keep the record straight.

Mr. MAGNUSON. At least such procedure is a great rarity.

Mr. ABBITT. Mr. Speaker, will the gentleman yield?

Mr. MAGNUSON. I yield to the gentleman from Virginia.

Mr. ABBITT. Is it not a fact that assuming we defeat the motion today, the conferees will come back to this body and we will have an opportunity to vote on the conference report?

Mr. MAGNUSON. The gentleman from Virginia is right. The conferees come back to the House and whatever they come back here with this body has a chance to consider. That is the time to make the final decision, not today. This is a procedural matter. The House should not tie the hands of the conferees and put them in a straitjacket before they ever meet in conference.

Mr. HOLIFIELD. Mr. Speaker, I yield 8 minutes to the gentleman from California [Mr. HOSMER].

Mr. HOSMER. Mr. Speaker, some of the Members of the House have heard me say, or have seen a communication from me to the effect that only the "name is the same." The mention by the gentleman from Pennsylvania of our having voted five or six times on this project previously brings that to mind.

Mr. Speaker, last year we did vote on one project that was pretty bad, in my opinion. I fought it very hard. It was a proposition to take $95 million out of the U.S. Treasury and have the Federal Government go out to Hanford, Wash., and build a Federal power plant, take all the risks, get nothing essentially in return but the privilege of turning this power over to the Bonneville Power Administration. That was a ridiculous type of project, and that was the project that a majority of us voted against several times last year. We kicked it out. It is dead. It is gone. It is buried. It is ended. Everyone knows that.

Mr. Speaker, what happens this year? We have before us a proposal that is exactly the thing that those of us who have conservative thoughts in mind, those of us who have thoughts in mind about obtaining revenue for the Federal Treasury, those of us who have thoughts about doing these things without involving the Federal Government in the risk, we have that kind of project, and it is what we want and that is what we are voting on this year. Only the name, Hanford Project, is the same.

Mr. Speaker, this is, in fact, an arrangement whereby, as has been said, the local people put up the money. Half of the people who are mixed up in the project out there are local private utilities and half of them are local public utilities. Now, not only have they offered to pay Uncle Sam up to $125 million to take this heat away and use it for something useful instead of blowing it into the air or dumping it into the river—not only that, but they have entered into arrangements whereby what the gentleman from Minnesota [Mr. NELSEN] worries about, is going to be alleviated. The deficit of the Bonneville Power Administration, he worries about, could be ended if BPA had more firm power to sell. Bonneville's hydro facilities now produce a body of unfirm power that cannot be sold at anything except dump rates. By taking that dump hydro power and combining it with this power to be generated from the waste heat of Hanford by the local people out there, we pick up not 800,000 kilowatts of firm power which is the generating capacity proposed by the local people, but a total of 900,000 kilowatts, because by exchanging these two sources of power, the power from the waste heat of Hanford and the dump power from Bonneville's hydroelectric system, we gain through public utility economics an extra 100,000 kilowatts at Bonneville. So Bonneville is going to have an extra 100,000 kilowatts of firm power to sell. This, in fact, is one of the finest arrangements that I have seen to get money into the U.S. Treasury, to avoid wasting a national asset, and at the same time provide electric power in an area where it is needed.

Now, Mr. Speaker, I know that some of the Members voted against this arrangement when it came up last July 17 in connection with those amendments. But, after all, it came up under the 5-minute rule. Nuclear energy is a can of worms, anyway, and I am convinced myself that many felt that this was the same old deal of last year when, in fact, it is an entirely different deal. It is the non-Federal deal you wanted in the first place. What does one do in a case like that where one is on record by his vote? Does one switch one's vote or does one keep making the same mistake? Well, I think so far as my constituents are concerned I resolved the problem, because I did switch. I switched this year when I saw that this was a proper deal for the Government. I think the people at home with whom I have talked about it feel happy that I had the courage to do so. I certainly know that explaining why I switched is certainly a lot easier to explain than why I would otherwise vote to kill a proposition to get up to $125 million into the U.S. Treasury. My constituents would ask me, "HOSMER, why in the world did you vote to keep this money out of the Treasury? I am paying taxes. Help me, don't hurt me." To be fair and candid, there is a small amount of risk in this arrangement. There is a risk in anything we do. We cannot gain without incurring some risk, but the risks we incur here are so minor in relation to the possible gains that their magnitude is infinitesimal. The only real risks incurred here are, first, that we may enter into some kind of a total disarmament arrangement with the U.S.S.R. and the rest of the countries and then have to close the whole plant down. It is slight, indeed.

The other risk is one of technology. Last year I argued the technology of this thing was no good. And I argued that it was no good in relation to what the proponents of last year's project were trying to sell. They said that it would make us look good in the eyes of the world to have this vast technological advance. But it was not a vast technological advance and the argument was no good as to that. Nonetheless for the plain purpose of getting energy from waste heat, the technology is good enough. Since last year we have had 12 additional months' experience with generating turbines using this quality and temperature steam. We now have more confidence than we had before that it is going to work.

Additionally, there is going to be an extra heat withdrawal loop put into the reactor by the local people out there. This extra loop that they are going to put in—the local people are putting up $25 million for it—is going to improve the quality of the steam, the temperature of the steam, and the quantity of the steam.

In other words, we have made over the last 12 months considerable technological advancements which now make this proposition even more of a certainty. This is not a back-door deal at all, as the gentleman from Iowa [Mr. JENSEN] told you. This is a front-door deal. I only wish that they had given it a different name, so that we would not have had all this confusion. Hanford, 1962 and Hanford, 1961 are different as day and night, only the name is the same.

Mr. VAN ZANDT. Mr. Speaker, will the gentleman yield?

Mr. HOSMER. I yield, briefly.

Mr. VAN ZANDT. Does the gentleman agree that testimony before the joint congressional committee on the subject of cost of the additional loop very definitely revealed that they have no experience whatsoever with it, and that the $25 million cost factor is entirely an estimate?

Mr. HOSMER. I do not agree in any way, shape or form with what the gentleman says. The $25 million figure, of course, is an estimate; but it is about as close an estimate as anybody can make, because it is the identical hardware that is already going into the reactor. It is just an additional piece of hardware of the same type. The cost figure is based on experience and with that experience a degree of accuracy in estimation is obtainable that is much better than in most cases.

Mr. HOLIFIELD. Mr. Speaker, will the gentleman yield?

Mr. HOSMER. I yield.

Mr. HOLIFIELD. As a matter of fact, the $25 million which will go into the reactor is furnished by the public power bodies in Washington out there and it does not cost the Government a dime. They are paying for this. If the figure is $30 or $35 million, they will have to pay for it because they are the ones putting up the money. They are granting to the AEC all of this $25 or $35 million that they put into the reactor to improve their steam position.

Mr. HOSMER. The gentleman is entirely correct.

Mr. Speaker, before closing, I want to comment on one other inference that was made during the previous debate, and that is that this would be a precedent for Bonneville or some other Government power agency getting into steam generation plants irrespective of congressional authority. The precedent, in fact, would be just the opposite, because even with this type of arrangement here, they had to come before Congress. Certainly, if they want to get into some steam generating activity out there, there is no doubt that they would have to come to the Congress. This is the precedent for doing it.

Mr. VAN ZANDT. Mr. Speaker, I yield such time as he may desire to the gentleman from Pennsylvania [Mr. Saylor].

Mr. SAYLOR. Mr. Speaker, it is indeed unfortunate that the Senate continues its obstinacy with respect to the proposal to build a powerplant at Hanford. I am hopeful that, in answer to the Senate challenge, the House will give the motion to instruct conferees an even greater majority than the amendment to strike the project received on July 17.

Certainly there has been enough debate on the technicalities of the issue. The fact that the proposed powerplant would be unfeasible, uneconomic, and unnecessary was proved conclusively last year; then on July 17 we indicated our vehement opposition to the 1962 model featuring the contractual arrangement with AEC, BPA, and WPPSS.

The House conscientiously considered all the pros and cons of the case before adopting its position last month. Despite this careful and conscientious decision, however, there has been some unwarranted criticism directed at Members of Congress and others who oppose Hanford. Some editorials have charged self-serving activity among Members who seek to protect their constituencies and all taxpayers from the Hanford project. An editorial in a Washington newspaper sought to censure my colleague, the gentleman from Pennsylvania [Mr. Dent], for his part in the House action.

The distinguished gentleman from Pennsylvania is perfectly capable of defending himself against attacks of this nature, yet in fairness I want to commend him for his refusal to back up under tactics of this kind. Both he and our colleague from the eastern part of Pennsylvania [Mr. Walter], having come to the conclusion that Hanford would not be good for our State or for the country as a whole, have expounded their views to the elucidation of the full membership. The effectiveness of this bipartisan cooperation was most evident on July 17, and I am confident that the same answer will be sent to the Senate conferees today.

Mr. VAN ZANDT. Mr. Speaker, I yield such time as he may desire to the gentleman from Washington [Mr. Tollefson].

Mr. TOLLEFSON. Mr. President, I want to associate myself with the statement of the gentleman from California [Mr. Hosmer]. I think the House ought to reject the pending motion and permit the conferees to go to conference without having their hands tied.

Mr. HOLIFIELD. Mr. Speaker, I ask unanimous consent that all Members may be permitted to extend their remarks at this point in the Record on the pending bill.

The **SPEAKER** pro tempore (Mr. Boggs). Is there objection to the request of the gentleman from California?

There was no objection.

Mrs. GREEN of Oregon. Mr. Speaker, I wish to express my opposition to any attempt to instruct House Members designated conferees for H.R. 11974, the atomic energy authorization bill. I think it an unwise procedure to follow. I hope the motion will be defeated.

I also at the same time, Mr. Speaker, wish to once again express support for provisions in any final conference report on the measure that will authorize construction of electricity generating facilities at the Hanford plutonium reactor.

I have taken this position both on and off the floor on numerous occasions, Mr. Speaker. Today, in support of this view, I want to cite the observations of James K. Carr, Under Secretary of the Interior Department, on this matter.

Mr. Carr recently spoke out in my congressional district on the topic of hydroelectric power. Now waste steam at Hanford, Mr. Speaker, please bear in mind, can be utilized for thousands of kilowatts of power, if only Congress would permit conversion facilities to be built.

Mr. Carr, to my mind, put it quite well, in supporting such a plan. He said:

> This country cannot allow the kind of waste we are permitting to go on at Hanford. * * * This thing is ridiculous. It is like putting another Grand Coulee across the Columbia [River] and then deciding not to put any generating units in it because of a public versus private power disagreement.

I fully agree with Mr. Carr. And may I add, Mr. Speaker, it is particularly tragic not to agree on plans to utilize steam from the Hanford reactors for production of electricity because both public and private power agencies seek long-term firm power arrangements.

The advent of hydroelectric power in the Pacific Northwest has brought on a truly regional industrial revolution which has produced jobs and wide economic prosperity to the area and, by indirection, to the Nation as a whole.

Mr. Speaker, this is the last chance of the session for the 87th Congress to bury unnecessarily competitive economic and regional interests and approve a sound plan that will benefit a substantial section of the United States.

Mr. ULLMAN. Mr. Speaker, I urge my colleagues to reject this motion to bind the hands of the conferees.

It is unthinkable that this Nation would deny the development of the byproduct steam generated at the Hanford project. With local capital standing by to do the job and to reimburse the Treasury for its wasted steam, it would be the height of folly to take a course of action today that would preclude such development.

I urge my friends in the House to reject the motion of the gentleman from Pennsylvania.

Mr. HOLIFIELD. Mr. Speaker, I have no desire to use the balance of my time. I will just say this: Let the House proceed in a normal way, send its conferees to conference with open hands, and let them bring back the results to the House for final disposition.

The **SPEAKER** pro tempore. The question is on the motion offered by the gentleman from Pennsylvania [Mr. Van Zandt].

The question was taken; and on a division (demanded by Mr. Van Zandt) there were—ayes 25, noes 113.

Mr. VAN ZANDT. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The **SPEAKER** pro tempore. The Chair will count. One hundred and ninety-four Members are present, not a quorum.

The Doorkeeper will close the doors, the Sergeant at Arms will notify absent Members, and the Clerk will call the roll.

The question was taken; and there were—yeas 148, nays 246, not voting 41, as follows:

[Roll No. 209]

YEAS—148

Adair
Alexander
Alger
Anderson, Ill.
Arends
Ashbrook
Ashmore
Avery
Bailey
Barrett
Battin
Becker
Beermann
Belcher
Betts
Bolton
Bow
Boykin
Bray
Brewster
Bromwell
Brown
Broyhill
Bruce
Byrne, Pa.
Byrnes, Wis.
Chamberlain
Church
Clancy
Clark
Collier
Colmer
Conte
Corbett
Cramer
Curtin
Dague
Davis, James C.
Dent
Denton
Derounian
Derwinski
Devine
Dole
Dulski
Ellsworth
Fallon
Fascell
Fenton
Flood
Ford
Fulton
Gary
Gathings
Gavin
Glenn
Goodling
Gray
Green, Pa.
Griffin
Griffiths
Gross
Hall
Halleck
Harrison, Wyo.
Harsha
Harvey, Ind.
Harvey, Mich.
Hays
Hoeven
Huddleston
Jarman
Jensen
Johansen
Jonas
Kearns
Kee
Keith
King, N.Y.
Kitchin
Knox
Kornegay
Kunkel
Kyl
Latta
Lennon
Lesinski
Libonati
McCulloch
Martin, Mass.
Martin, Nebr.
Mathias
Meader
Miller, N.Y.
Milliken
Minshall
Moeller
Moore
Moorehead, Ohio
Moorhead, Pa.
Morgan
Morse
Natcher

Nix
O'Brien, N.Y.
O'Neill
Osmers
Ostertag
Patman
Perkins
Peterson
Pillion
Poff
Ray
Rhodes, Pa.
Rogers, Fla.
Roudebush
Saylor
Schadeberg
Schenck
Schneebeli
Schweiker
Schwengel
Scott
Scranton
Selden
Shipley
Shriver
Sibal
Siler
Slack
Springer
Staggers
Taber
Taylor
Thomson, Wis.
Toll
Tuck
Utt
Van Pelt
Van Zandt
Waggonner
Walter
Whalley
Whitener
Wilson, Calif.
Wilson, Ind.
Younger

NAYS—246

Abbitt
Abernethy
Addabbo
Albert
Alford
Andrews
Ashley
Aspinall
Auchincloss
Ayres
Baker
Baldwin
Barry
Bass, Tenn.
Bates
Beckworth
Bell
Bennett, Fla.
Bennett, Mich.
Berry
Blatnik
Boggs
Boland
Bolling
Bonner
Brademas
Breeding
Brooks, Tex.
Broomfield
Burke, Ky.
Burke, Mass.
Burleson
Cahill
Cannon
Carey
Casey
Chelf
Chenoweth
Chiperfield
Coad
Cohelan
Cook
Cooley
Corman
Cunningham
Curtis, Mo.
Daddario
Daniels
Davis, John W.
Delaney
Diggs
Dingell
Dominick
Dorn
Dowdy
Downing
Doyle
Durno
Dwyer
Edmondson
Elliott
Everett
Farbstein
Feighan
Findley
Finnegan
Fino
Fisher
Flynt
Fogarty
Forrester
Fountain
Frelinghuysen
Friedel
Gallagher
Garland
Garmatz
Giaimo
Gilbert
Gonzales
Goodell
Granahan
Grant
Green, Oreg.
Gubser
Hagan, Ga.
Hagen, Calif.
Haley
Halpern
Hansen
Harding
Hardy
Harris
Healey
Hechler
Hemphill
Herlong
Hiestand
Holifield
Holland
Horan
Hosmer
Hull
Ichord, Mo.
Jennings
Joelson
Johnson, Calif.
Johnson, Wis.
Jones, Ala.
Jones, Mo.
Judd
Karsten
Karth
Kastenmeier
Kelly
Keogh
Kilgore
King, Calif.
King, Utah
Kirwan
Kluczynski
Kowalski
Laird
Landrum
Lane
Langen
Lankford
Lindsay
Lipscomb
Loser
McDonough
McDowell
McFall
McIntire
Macdonald
MacGregor
Mack
Madden
Magnuson
Mahon
Mailliard
Marshall
Matthews
May
Michel
Miller, Clem
Miller,
  George P.
Mills
Monagan
Montoya
Morris
Morrison
Mosher
Moss
Moulder
Multer
Murphy
Murray
Nedzi
Nelsen
Norblad
Norrell
Nygaard
O'Hara, Ill.
O'Hara, Mich.
O'Konski
Olsen
Pelly
Pfost
Philbin
Pike
Pirnie
Poage
Price
Pucinski
Purcell
Quie
Randall
Reece
Reifel
Reuss
Rhodes, Ariz.
Riehlman
Rivers, Alaska
Rivers, S.C.
Roberts, Ala.
Roberts, Tex.
Robison
Rodino
Rogers, Colo.
Rogers, Tex.
Rooney
Roosevelt
Rosenthal
Rostenkowski
Roush
Rutherford
Ryan, Mich.
Ryan, N.Y.
St. George
St. Germain
Santangelo
Shelley
Sheppard
Short
Sikes
Sisk
Smith, Calif.
Smith, Iowa
Smith, Miss.
Smith, Va.
Spence
Stafford
Steed
Stephens
Stratton
Stubblefield
Sullivan
Teague, Calif.
Teague, Tex.
Thomas
Thompson, N.J.
Thornberry
Tollefson
Trimble
Tupper
Udall, Morris K.
Ullman
Vanik
Vinson
Wallhauser
Watts
Weaver
Weis
Westland
Wharton
Whitten
Wickersham
Widnall
Williams
Willis
Winstead
Wright
Young
Zablocki
Zelenko

NOT VOTING—41

Andersen,
  Minn.
Anfuso
Baring
Bass, N.H.
Blitch
Buckley
Cederberg
Celler
Curtis, Mass.
Davis, Tenn.
Dawson
Donohue
Dooley
Evins
Frazier
Harrison, Va.
Hébert
Henderson
Hoffman, Ill.
Hoffman, Mich.
Inouye
Johnson, Md.
Kilburn
McMillan
McSween
McVey
Mason
Merrow
O'Brien, Ill.
Passman
Pilcher
Powell
Rains
Riley
Rousselot
Saund
Scherer
Seely-Brown
Thompson, La.
Thompson, Tex.
Yates

So the motion was rejected.

The Clerk announced the following pairs:

Mr. Evins with Mr. Andersen of Minnesota.
Mr. Yates with Mr. Dooley.
Mr. Davis of Tennessee with Mr. Seely-Brown.
Mr. Thompson of Texas with Mr. McVey.
Mr. Harrison of Virginia with Mr. Hoffman of Illinois.
Mr. Inouye with Mr. Bass of New Hampshire.
Mr. O'Brien of Illinois with Mr. Rousselot.
Mr. Donohue with Mr. Cederberg.
Mr. Hébert with Mr. Scherer.
Mr. Rains with Mr. Mason.
Mr. Celler with Mr. Curtis of Massachusetts.
Mrs. Riley with Mr. Kilburn.
Mr. Powell with Mr. Hoffman of Michigan.

Mr. **GARY**, Mr. **KITCHIN**, and Mr. **SCHADEBERG** changed their vote from "nay" to "yea."

Mrs. **NORRELL** changed her vote from "yea" to "nay."

The result of the vote was announced as above recorded.

The doors were opened.

The Speaker appointed the following conferees: Messrs. HOLIFIELD, PRICE, ASPINALL, VAN ZANDT, and HOSMER.

FURTHER MESSAGE FROM THE SENATE

A further message from the Senate by Mr. McGown, one of its clerks, announced that the Senate had passed without amendment a joint resolution of the House of the following title:

H.J. Res. 864. Joint resolution making continuing appropriations for the fiscal year 1963, and for other purposes.

The message also announced that the Senate disagrees to the amendments of the House to the bill (S. 901) entitled "An act to advance the marine sciences, to establish a comprehensive 10-year program of oceanographic research and surveys, to promote commerce and navigation, to secure the national defense, to expand ocean, coastal, and Great Lakes resources, to authorize the construction of research and survey ships and laboratory facilities, to expedite oceanographic instrumentation, to assure systematic studies of effects of radioactive materials in marine environments, to enhance the public health and general welfare, and for other purposes", requests a conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. SMATHERS, Mr. ENGLE, Mr. BARTLETT, Mr. BUTLER, and Mr. KEATING to be the conferees on the part of the Senate.

LEGISLATIVE PROGRAM FOR BALANCE OF THIS WEEK

Mr. **HALLECK**. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The **SPEAKER**. Is there objection to the request of the gentleman from Indiana?

There was no objection.

Mr. **HALLECK**. Mr. Speaker, may I inquire of the majority leader as to the program for the balance of the day and the balance of the week, if he can tell us at this time?

Mr. **ALBERT**. If the gentleman will yield, this completes the legislative program for today.

Tomorrow it is intended to bring up the rule sending the agricultural bill to conference; to be followed by H.R. 12712, a bill relating to agriculture experiment station research facilities—1 hour debate.

Also tomorrow we hope we will be able to program certain miscellaneous bills from the Committee on the District of Columbia, the numbers of some of which have already been printed in the RECORD, and also resolutions from the Committee on House Administration.

Would the gentleman yield for a unanimous-consent request?

Mr. **HALLECK**. I yield.

DISTRICT OF COLUMBIA BILLS TO BE CALLED ON THURSDAY, AUGUST 30

Mr. **ALBERT**. Mr. Speaker, I ask unanimous consent that it may be in order to call up District bills tomorrow.

The **SPEAKER**. Is there objection to the request of the gentleman from Oklahoma?

Mr. **HALLECK**. Mr. Speaker, reserving the right to object, and I shall not object, I had discussed the matter of calling these bills tomorrow with our ranking members on the Committee on the District of Columbia, and they inform me they have no objection to considering them tomorrow.

Therefore, Mr. Speaker, I withdraw my reservation of objection.

Mr. **GROSS**. Mr. Speaker, further reserving the right to object, would these be the bills which failed of consideration on Monday or would there be additions thereto; and, if so, what would be those additions?

Mr. **ALBERT**. These are the only bills I know anything about; that is, the four bills that were listed in the RECORD for last Monday.

Mr. **GROSS**. And there are no additions thereto?

Mr. **ALBERT**. There are no additions that I know of.

Mr. **GROSS**. Mr. Speaker, I withdraw my reservation of objection.

The **SPEAKER**. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

Mr. **ALBERT**. Mr. Speaker, I would like to advise the House that the chairman of the Committee on Ways and Means, the gentleman from Arkansas [Mr. MILLS], previously announced and there were previously printed in the RECORD certain bills which he hopes to bring up under unanimous consent request. And there are also certain bills to be brought in from the Committee on House Administration.

Mr. HALLECK. I wonder if the gentleman can give us any information as to whether or not we might possibly meet on Friday without too heavy a schedule and then adjourn over until Tuesday next in view of the fact that next Monday is Labor Day.

Mr. ALBERT. We hope to do that. We have no legislative business for Friday, but it will be necessary to meet on Friday if we are to adjourn over until Tuesday. It was with that in mind that unanimous consent was obtained to call the Consent Calendar on Tuesday instead of on Monday.

Mr. HALLECK. I thank the gentleman.

Mr. GROSS. Is the schedule of bills from the Committee on House Administration available?

Mr. ALBERT. I am not able to answer the gentleman, but the gentleman from Ohio, a member of the committee, Mr. HAYS, is present and can give the information requested.

Mr. HAYS. As far as I know, there is one bill concerning an appropriation for the select committee to investigate unfair practices in elections. There are about five printing resolutions, as I recall, and one bill concerning a collection of Braille documents for musicians in the Library of Congress. And I think that is the extent of it.

Mr. GROSS. I thank the gentleman.

Mr. HALLECK. Mr. Speaker, it is my understanding, and I might suggest to the distinguished Majority Leader, that next week there are primaries on both Tuesday and Thursday. I am wondering if perhaps tomorrow the Majority Leader, for the convenience of the Members, might give us some information as to the legislative program for next week. I think it would be very helpful for everybody if we could have that information.

Mr. ALBERT. I hope to be able to announce the program for next week on tomorrow.

Mr. HALLECK. I thank the gentleman.

HON. ARTHUR J. GOLDBERG

Mr. ALBERT. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The **SPEAKER.** Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

Mr. ALBERT. Mr. Speaker, I take this time because I have just learned that upon the retirement of Mr. Justice Felix Frankfurter, who for many years has served with great distinction on the Supreme Court, the President has announced that he will appoint, to succeed Mr. Justice Frankfurter, our distinguished Secretary of Labor, the Honorable Arthur J. Goldberg.

Mr. Speaker, I think this appointment to succeed a great member of the Court will meet with universal acclaim across the country. It has been my privilege since Mr. Goldberg became a member of President Kennedy's Cabinet to know him and to work with him on various pieces of legislation and on other matters. Mr. Goldberg has the rare quality of having both common and uncommon sense. I congratulate the President and the country upon this appointment.

Mr. BOGGS. Mr. Speaker, will the gentleman yield?

Mr. ALBERT. I yield.

Mr. BOGGS. I should like to concur in the statement of our majority leader. Mr. Goldberg has worked very closely with the Members of this body, and he has made many friends and is universally respected.

I congratulate him and wish him well.

SPECIAL ORDER RESCINDED

Mr. LINDSAY. Mr. Speaker, I ask unanimous consent that the special order I had for today may be rescinded.

The **SPEAKER.** Is there objection to the request of the gentleman from New York?

There was no objection.

CONFLICTING POSITIONS ON THE MASS TRANSPORTATION ACT OF 1962

Mr. DERWINSKI. Mr. Speaker, I ask unanimous consent to address the House for 1 minute, to revise and extend my remarks, and to include extraneous matter.

The **SPEAKER.** Is there objection to the request of the gentleman from Illinois?

There was no objection.

Mr. DERWINSKI. Mr. Speaker, on Monday of this week, August 27, a letter signed by Mr. Frederick J. Johnson, president of the American Transit Association, was inserted in the Appendix of the CONGRESSIONAL RECORD by one of my colleagues.

This insertion in the CONGRESSIONAL RECORD is obviously intended to give the impression that the local privately owned transportation industry is overwhelmingly in support of the proposed Mass Transportation Act of 1962—H.R. 11158. This is not true, of course.

Mr. Johnson, of the American Transit Association, gives only a part of the real picture by the statistics he used in his letter. For one thing, there are approximately 1,100 local transportation companies in the United States, which means the American Transit Association membership of 250 does not represent the numerical majority. Also, there are about 70 municipally owned transit organizations in the United States. Of these, 20 are members of Mr. Johnson's organization. He does not make clear in what cities these 20 are located. However, for the record, I would like to point out that most of the municipally owned systems are located in the larger cities of the country where the greatest number of transit riders are located. And it is in these cities where the financial problems of the systems are the most acute.

Inserted in the CONGRESSIONAL RECORD, for the benefit of my colleagues, is an editorial from the magazine Metropolitan Transportation which pays tribute to Mr. Paul Dittmar, formerly president of the Suburban Safe Way Lines in Chicago, telling of his opposition to the American Transit Association's position.

The editorial is a clear indication of what some of the more important members of the privately owned local transportation industry think about a subsidy program to local transportation. In this editorial, Mr. Dittmar's ideas on some of the causes of local transportation problems are quoted. Because the American Transit Association took the position it did, Mr. Dittmar resigned from its membership. His reasons for doing so are brought out in this editorial. One significant fact, also, is that he is a past president of the American Transit Association.

The editorial follows:

[From Metropolitan Transportation, February 1962]

A MAN OF CONVICTION AND COURAGE

We have always admired Paul Dittmar.

Few can equal his record as a bus operator. He started his South Suburban Safe Way Lines in 1927 with eight used Reos and today he has nearly 100 big GM's covering suburban routes throughout the southern segment of the Chicago metropolitan area. In each of the 35 years his company has shown a profit.

None can match his contribution to the industry. His "transit pars" concept was, in our estimation, the most important single contribution to industry thinking in the last quarter of a century.

And certainly no man in the industry has been more honest, forthright, and provocative in all that he has said and done than Paul Dittmar. Whether the question was "big government" or "outside car card advertising," Paul always said exactly what he thought. And when the industry honored him by naming him president of the American Transit Association, Paul's always well-controlled ego didn't budge a bit.

But we never admired Paul more than we did on January 12, when, on his 70th birthday, he was honored at a luncheon by some of his employees. When tears roll down the cheeks of employees, when you can feel the sincerity of their testimonial statement, you realize that here is a man who has had a profound effect on every life he has touched.

Paul stepped up last month to chairman of the board, turning over the presidential reins to capable Bob Thompson. On January 30 Paul sailed for Europe—for a 2-month vacation. But before he left he fired a salvo which showed he is not softening at 70.

To the American Transit Association he sent this telegram, "This company hereby resigns from membership * * * and requests return of dues pro rata for balance of year," giving his reasons for so doing in a letter:

"Today, in protest to the socialistic action of the American Transit Association in adopting a program to obtain Federal aid for transit, I caused my company to resign its membership.

"I cannot support the ATA in any effort attempting to obtain money for transit from or through the Federal Treasury. In my opinion it would be immoral to do so.

"The Federal Government gets its funds by coercion from people who live, work and are taxed in all parts of the Nation. To force people in Blue Bump, Miss., to pay, in their taxes, for the failures of transit to break even or make a profit in Chicago, Milwaukee, Los Angeles, New York or elsewhere, I think is immoral—'legalized robbery' is the expression most used. In my opinion, there is no reason for transit to operate at less than some profit; no reason for it to ask the city for subsidy; many reasons for not asking the State for funds; and many more reasons for not asking Uncle Sam for money.

"I know of no city of over 500,000 in which a sensible and satisfactory transit service could not be reasonably profitable. The fault is usually with the city and its traffic and parking handling, the operator and his inefficiency, or both. But, so many in our industry think mostly of operating vehicles (the more the better), of going into the display advertising business (to make their vehicles hideous, even to make their newly designed vehicles look like circus wagons), of getting easy subsidy money (to cover their own failures or to make life easy) all instead of thinking and working to serve satisfactorily, economically and efficiently, their passengers. The passenger has almost been forgotten. Certainly, the taxpayer has.

"And, I can't swallow the excuse that we are running to Uncle Sam because the aldermen, the commissioners, the legislators, the mayor or the Governor won't give us what we want. If they won't, it may be because we don't deserve it. If we do deserve it, we should fight for it and sell the public on our right to it. And if we still don't get it and can do no more, we have failed and should quit. We have no right to go to Uncle Sam to support our failures."

We still admire Paul Dittmar—more than ever. While we may disagree with what he says (we frequently have—in memorable battles carried out in the pages of this magazine), we have great admiration for his thinking and his courage in saying what he thinks.

We wish you well, Paul.

MEASURES FOR PRESERVING COMPETITION

The **SPEAKER**. Under the previous order of the House the gentleman from California [Mr. ROOSEVELT] is recognized for 10 minutes.

Mr. **ROOSEVELT**. Mr. Speaker, I ask unanimous consent to revise and extend my remarks and to include extraneous matter.

The **SPEAKER**. Is there objection to the request of the gentleman from California?

There was no objection.

Mr **ROOSEVELT**. Mr. Speaker, the National Congress of Petroleum Retailers has just had their 16th annual convention in Roanoke, Va. This association represents 90 percent of the Nation's organized service station operators and some of its officers and members have from time to time appeared as witnesses before Subcommittee No. 5 of the House Select Committee on Small Business, of which I have the honor of being chairman.

The Honorable Everette MacIntyre, who was formerly general counsel to the House Select Committee on Small Business and who is now one of the Commissioners of the Federal Trade Commission, delivered what I consider a most outstanding and informative address at the National Council of Petroleum Retailers convention. He outlined and explained the various highly technical antitrust and trade regulation statutes, as well as the new rulemaking procedure of the Commission with such clarity that I think it would serve a most useful purpose to have it included in the CONGRESSIONAL RECORD and thereby make it available to the many persons who are vitally concerned with these important laws. Commissioner MacIntyre's address is as follows:

It is pleasing to visit and talk with you on this the occasion of the 16th annual session of the National Congress of Petroleum Retailers, Inc. Your annual sessions are interesting and important. They provide a forum where your representatives and others express ideas and suggestions regarding the problems faced in the effort to maintain a free and competitive enterprise system in this country. For example, yesterday you had scheduled on your program for this, your 16th annual session, Hon TOM STEED, Democrat, of Oklahoma, for an address. He is chairman of a subcommittee of the House Small Business Committee. As such, he has shown himself to be a strong supporter of Hon. WRIGHT PATMAN, Democrat, of Texas, chairman of that committee. When either of those gentlemen address you, you know that a champion of small business has been before you. Also, you know that you have heard from one who understands and can discuss with you in a useful way the problems faced by small business.

It is most inspiring to visit and talk with you on this occasion. Your leaders are persons who are dedicated to the effort of maintaining a free and fair competitive enterprise system in this country. Some of us in Washington are aware that they are lonely in that situation. That is true because while many proclaim the virtues of competition, few are willing to dedicate themselves completely to its cause. In fighting for the cause of free and fair competition the leaders of your organization have stood out as targets of those who oppose our public policy for competitive enterprises.

The service stations operated by members of your organization are meeting places where representatives of the suppliers meet customers and representatives of customers. Therefore, the service stations have become points where opposing economic forces not only converge but their impact is felt. The manner and effectiveness with which the service stations are able to and do deal with these opposing forces is quite important, not only to the station operators but to the public.

Likewise, the Federal Trade Commission is a meeting place where the forces of the laws against unfair acts and practices, the administration of those laws, and the acts and practices against which they are directed meet. The manner in which the Federal Trade Commission deals with these opposing forces is quite important to you and all other members of the public. It is through the Commission's discharge of its responsibilities in this respect that it applies measures for preserving competition.

Before I conclude my statement to you today it is my intention to discuss some plans recently approved by the Commission for applying some new measures for preserving competition.

Heretofore the Commission has largely depended upon utilization of the case-by-case approach for preserving competition. Recently the Commission, as I shall explain later, approved a procedure through which it is hoped all action by the Commission in its effort to preserve competition will not be through individual cases, singling out individual firms or persons, but instead will be action against practices on an industrywide basis where practices challenged are widespread in particular industries.

Long ago it was learned that we would never be able to train enough doctors to treat and cure all prospective cases of typhoid unless preventive measures were taken. Therefore, preventive measures were taken to purify the drinking water and thereby reduce the number of typhoid cases. Through such preventive measures we have had wonderful results. Occasionally, we do have typhoid cases. Of course they must be dealt with as cases. Likewise, we will find it necessary to deal with certain anticompetitive problems and parties in individual cases.

Moreover, we are on the threshhold of being compelled not only to acknowledge but to afford recognition to the facts of life that certain anticompetitive situations are so thoroughly entrenched that they are completely immunized from the application of our antimonopoly laws. This is a serious matter. Our greatest hope is that our measures for preserving competition will prove effective from further entrenchment and immunization. The alternative is startling—it is Government regulation and control.

Although there is no longer any serious debate concerning our national commitment to the compulsions of competition as the basic method for preserving and expanding the strength of our economy, there is scarcely any item in our national program for implementing this commitment that is not the subject of continuing controversy.

This is not simply to state that differences of opinion can always be found concerning any Government program that will affect different segments of the economy in different ways. The gap between our virtually unanimous commitment to competition as a standard for the structure and performance of the economy and our divided counsel on methods for preserving competition is the direct result of deeprooted questions at the heart of the concept of competition itself. What does this mean?

The concept of competition embodies the conviction that the highest standard of continuing achievement for the economy can be reached only if we maintain the conditions for continuing productivity by the greatest possible number of individual competitors. And this cannot be brought about, we believe, through detailed regulation of the daily activities of those responsible for directing individual firms. Indeed, the very process of competition may at times erode opportunities for competition while at the same time overly detailed regulation of competition may suppress incentives to competition more surely than an absence of regulation.

I. THE LAW

The Members of Congress responsible for passage of the Sherman Act in 1890 foresaw this dilemma. They therefore framed our original antitrust statute in broad terms, leaving future applications to future enforcement action by the Department of Justice. At the core of this action lay congressional appreciation of the fact that competition, like truth or justice, is not something that can be measured on a simple scale. Indeed, the forms that competition may take are so varied that there is danger that measures designed to preserve competition may in fact sterilize it.

This is the basic problem with which our laws and enforcement procedures have grappled over the years, and it is this problem that we continue to face today. Let us look briefly at the ways in which the laws have been developed.

The Sherman Act

The Sherman Act outlaws every contract, combination, or conspiracy in restraint of trade or commerce; it also outlaws monopolizing, attempts to monopolize, and combinations or conspiracies to monopolize trade or commerce. More specifically, under section 1 of the act, agreements to fix prices, allocate markets, or exclude suppliers or customers are prohibited. Left open, however, for court decision, on a case basis, are questions of what constitutes appropriate economic evidence of agreements where direct evidence is lacking. Section 2 of the act prohibits excessive control of a market by an individual company, as well as predatory practices by one or more companies, aimed at such control. Left open for court decision, in individual cases, are questions of how market control is determined, what market shares indicate danger points, and what types of public constraint should be applied when the structure of a market is such that a small group of companies, rather than a single company, exercises effective market control.

Although the prohibitions of the Sherman Act have proved in recent years to have great strength and breadth, they proved in their earliest years to be so general that their applications had to be tested over and over in the light of a court-enunciated rule of reason. The slow progress of this method of enforcement, however, soon generated pressure for new laws embodying more definite provisions.

The Federal Trade Commission and Clayton Acts

The Federal Trade Commission Act, passed in 1914, provided for the establishment of the Commission as a continuing body of experts committed to developing and understanding of competitive problems in industry settings. This body was empowered to prevent unfair methods of competition in commerce before Sherman Act violation could result and to this end was set up as an independent agency free of the direct control of the Executive.

The Clayton Act, also passed in 1914, was, like the Federal Trade Commission Act, designed to supplement the Sherman Act, but was aimed at specific practices which Congress believed would, if left unchecked, violate the Sherman Act. Exclusive dealing contracts were prohibited where they might substantially lessen competition or tend to monopoly in any line of commerce. Left open, however, were questions concerning the conditions under which such contracts would endanger competition. Price discrimination was also prohibited where it might substantially lessen competition or tend to monopoly in any line of commerce, with questions concerning the conditions under which these consequences might result left open for resolution by the courts. The Clayton Act also prohibited acquisitions of corporate stock which might substantially lessen competition between the buying and selling company or might restrain commerce in any section or community or might tend to create a monopoly in any line of commerce. As with the other sections of the law, Congress left open questions concerning what was meant by a substantial lessening of competition and the courts soon raised further questions by holding that the act applied only if there had been competition between the acquiring and acquired company and if an acquisition of stock had not been followed by an acquisition of assets.

Despite the fact that the Federal Trade Commission Act and the Clayton Act had been designed to strengthen the Sherman Act, their wording turned out to be so broad that their potential applications became uncertain while their actual applications became so narrow that related practices were left untouched. These two sets of problems began to be apparent in the early 1920's, but the relative prosperity of the economy, combined with a slowly developing body of Commission and Court decisions, obscured its full meaning. By the 1930's, however, the advancing depression gave powerful impetus to those who had already begun to seek amendments to the law.

The Robinson-Patman Act

The Robinson-Patman Act was intended by its sponsors to prevent mass buyers, such as A. & P., from exerting pressure on suppliers to obtain price concessions not available to their smaller less-integrated rivals. It was, therefore, designed primarily to preserve the bargaining status of small independent buyers vis-a-vis their large and vertically integrated competitors as well as to preserve the bargaining status of small sellers who did not wish to, or could not, grant the price concessions exacted by the chains. Like the earlier laws, however, this one also was open to court interpretation on a detailed basis.

After the Robinson-Patman Act

In 1939, with the depression receding, President Roosevelt set up the Temporary National Economic Committee—TNEC—to study the growth and causes of concentration and to make proposals for maintaining competition in the increasingly complex economic environment of that day. The advent of World War II, however, prevented serious consideration of the committee's many proposals, and after the war new problems began to emerge as the economy expanded and major companies began to move into more integrated and diversified activities.

During that period, court decisions under the Sherman Act, the Federal Trade Commission Act, and the Clayton Act were giving the enforcement agencies tools for challenging monopoly power of the type disclosed in the Alcoa case, basing point pricing of the type disclosed in the Cement case, price discrimination of the type presented in Corn Products and Staley, exclusive dealing contracts of the type presented in Standard Stations, and related practices. But, while the law was becoming increasingly more competent to deal with monopoly, pricing, and exclusive dealing, it was becoming increasingly helpless with respect to acquisitions and mergers. In 1950, Congress sought to remedy this deficiency through the Celler-Kefauver amendment to the Clayton Act which prohibits acquisitions of stock or assets where the acquisition may result in a substantial lessening of competition or a tendency to monopoly in any line of commerce in any section of the country. And, in Du Pont (General Motors), Crown-Zellerbach, and Brown Shoe, the Supreme Court has taken a strong stand with respect to both horizontal and vertical acquisitions which may substantially lessen competition.

II. ADMINISTRATION OF THE LAW

Introduction

Even with the wide range of tools available to the Antitrust Division of the Department of Justice and to the Federal Trade Commission through the enactment of the various antitrust and trade regulatory laws, it became apparent by 1960 that administrative techniques not therefore used in the application of those laws would have to be utilized, if we are to experience any reasonable degree of success in the effectuation of our public policy for maintaining a free and competitive enterprise system.

With the rapid growth of the economy, it was becoming increasingly evident that new methods had to be found for probing trade practices on an industrywide basis and for dealing with them promptly, equitably, and effectively. Therefore, the Commission has begun to develop new procedures for expediting its case process.

The first of the new procedures went into effect almost a year ago. Under them, a company against which a complaint is about to issue receives a proposed order at the same time it is served with a complaint. The company has 10 days within which to notify the Commission whether it will accept the order in substantially the form proposed. If it does, the case ends there. If the order is not accepted, Federal Trade Commission hearings go forward. But, once hearings begin, they now proceed to a conclusion without the lengthy recesses that formerly marked many of the Commission's cases. Indeed, hearings may now be recessed only with the sanction of the Commission itself.

At the time when the Commission announced this set of procedures, it was, however, already evident that additional methods for expediting the Commission's business might become necessary. When I took office in the fall of 1961, I said that I would like to see the Commission explore its rulemaking powers to determine whether it could, after hearings, issue authoritative statements concerning industrywide practices which violated the law. Now, barely a year later, a new Commission trade regulation rules procedure embodying these proposals has gone into effect. I plan to take the remainder of my time this morning to talk to you about this new procedure and to outline the challenges we see ahead.

The Federal Trade Commission's trade regulation rules

I have already noted that our statutes prohibit a broad range of activities which we believe can have destructive effects upon competition. The requirements of the laws could, however, be more readily understood and followed if the Federal Trade Commission stood ready to redefine, through appropriate and binding rules, the applications of the laws in particular economic situations. Such administrative interpretations would, in effect, express the experience and judgment of the Commission based on facts of which it had knowledge derived from studies, reports, investigations, hearings, and other proceedings. Rules of this kind could indeed be designed to keep business informed on an industrywide basis of its rights and obligations under the laws we administer.

Under the Commission's new procedures that went into effect in June of this year, trade regulation rules proceedings may be initiated by the Commission upon its own motion or upon outside request. Interested parties will have an opportunity to present written data, views, and arguments. After consideration of all relevant matters of fact, law, policy, and discretion, including relevant matters presented by interested parties, the Commission will formulate tentative rules, together with a concise general statement of their basis and purpose. Tentative rules will be published in the Federal Register and will in turn be the subject of Federal Trade Commission hearings at which the views of interested parties may be presented. If the hearings develop a need for a rule, it will be issued by the Commission and will apply to specific unfair methods of competition by designated classes of companies in a designated industry or market.

Once a rule has been issued, it will, from the Commission's point of view, become the standard for compliance with the law, although a company affected may petition for withdrawal of the rule, for changes, or for suspension in an individual case.

A company engaging in a practice prohibited by rule would, after investigation, find itself the subject of a Commission complaint. At the subsequent hearing, the Commission's staff would have to present proof that the company had engaged in the banned method of competition, but it would not have to present evidence that the practice itself was an unfair method of competition. The respondent company would have two defenses available in such a case: It could show that it had not engaged in the practice or that the rule should not apply in its case, but it could not challenge the validity of the rule as such.

We recognize that formulation of the trade regulation rules will require the Commission's staff to focus its existing skills in the preparation and analysis of industry information. Indeed, trade regulations rulemaking will require a combination of economic and legal facts that will identify unfair methods of competition without providing a framework for suppression of novel forms of competition.

The trade regulation rules will supplement the Commission's trade practice conference work on the one hand and its advisory opinions on the other. Like trade practice conference rules, the trade regulation rules will apply to all members of an industry; but unlike these rules, they will focus sharply on the facts of competition rather than on the vocabulary of the law. Like the advisory opinions, the trade regulation rules will put companies on notice concerning specific practices against which the Commission would be likely to proceed; but unlike the advisory opinions, trade regulation rules will apply not to an individual company, but to all similar companies in an industry covered by a rule.

III. THE PROBLEMS BEFORE US

We at the Commission recognize that we have fashioned a novel approach to rulemaking by an administrative agency. We recognize also that we must begin to develop the concrete meaning of our procedures through the rules we formulate. We do not know at this time what questions will come before us first, nor have we established general criteria for the rules we will adopt and those we will avoid. We do know, however, that initially each set of rules will stand on its own, since we intend to hold independent hearings to explore the applicability of each proposed rule to a definite method of competition in an individual industry setting.

It is anticipated that formulation of rules prohibiting false and misleading advertising claims can go forward relatively expeditiously, since notice of the facts that would constitute evidence of violation can be made a part of a rule itself. It is, however, anticipated that other methods of unfair competition will present more thorny rulemaking problems that will engage the attention of the Commission for years to come.

No one can, of course, foresee all the questions of policy or program that will come before us in formulating such rules; it is, however, possible to suggest some of the problems the Commission will have to consider in working out the scope and limits of its new program.

First, although each rule will be designed to focus on a specific method of competition in a particular industry, no rule can reach beyond the existing statutory powers of the Commission. We believe, however, that analysis of each practice in each market setting will enable us to state the circumstances under which a particular method of competition may become an unfair method of competition and to pinpoint a rule that will define the law with precision as it applies to that practice in that setting.

Second, our procedures do not require that rules be formulated exclusively in the negative or in the affirmative. Although rules prohibiting given practices have been envisaged in our preliminary discussions, we are not precluded from exploring rules which would require particular practices, where the law implicitly makes such requirements.

Third, we are aware that we will frequently encounter a particular practice which presses hard upon suppliers, competitors, or customers of those engaging in this practice, but that we may be in doubt as to whether the practice is characteristic of active competition or is a method of suppressing competition. But this is a problem with which the Commission has always had to deal and we believe that, through hearings designed to give full weight to industry facts, we will be able to make the required distinctions and to deal equitably with those whose competitive lives will be governed by our rules.

Fourth, and perhaps ultimately the most pressing question before us, will concern the scope of our power to classify companies and to limit the application of a rule to particular classes of otherwise similar companies.

We believe, for example, that we have the power to establish rules applicable to purchases or sales of particular products in the United States or in specific parts of the country; our statutory responsibility would, however, appear also to require us to narrow the application of a rule when the competitive consequences of a practice may vary with the type of company that engages in it.

To take an extreme, and for the sake of simplicity a purely hypothetical, example. Suppose that industry A is made up of retailers who sell a range of loosely related products throughout the United States. Some retailers are directly integrated with large wholesaling or manufacturing operations; some are loosely organized to perform related buying or advertising functions; some are affiliated with large enterprises in unrelated or only peripherally related fields; many, although a declining number, are independents—a few large independents and many smaller ones. Assume that in certain areas several of the largest integrated, multiunit companies have been acquiring independents and that opportunities for the remaining independents to purchase from nonintegrated suppliers who are not also their competitors have been decreasing. It may be possible for the Commission, after examining the relevant facts, to issue a rule prohibiting integrated, multiunit companies that have already made one acquisition of a retailer of the type in question in a given area from making other acquisitions of the same type in the same area. Such a rule would apply only to specified companies operating in defined markets and would leave other companies free to make similar acquisitions—subject only to possible challenge under Clayton 7 procedures and not under the rule as such.

Or to take another hypothetical example. Suppose that in industry B, competition is primarily regional because the industry's products incur heavy transportation costs. Suppose that in a given region, relatively isolated from outside shipments, three producers manufacture a given range of products and four or five others manufacture limited portions of the range. Let us assume further that the largest manufacturer accounts for approximately 60 percent of the market; the second accounts for approximately 11 percent; and the third, for approximately 9 percent—with the remainder of the market split among other regional mills and inshipments from outside the area. Let us suppose finally that the situation in other regions is similar, although the percents of markets involved may differ. In this situation, it might be possible for the Commission, after study of the facts, to formulate a rule that would prohibit companies accounting for, say, 50 percent or more of sales of the specified products in defined regions from acquiring other companies accounting for, say, 5 percent or more of the sales of the same products in the same regions.

Or, as a third example, let us suppose that in industry C the largest suppliers grant rebates for cumulative purchases of $1 million a year or more by any one purchaser. Assume also that there are few purchasers who qualify for such rebates and that the rebates cannot be justified on the basis of costs or any of the other justifications provided by the Robinson-Patman Act. Here again, after consideration of the facts, it might be possible for the Commission to formulate a rule prohibiting such rebates.

Let me emphasize that these examples are purely speculative; that they are not designed to identify any set of companies or markets; and that rules will not be issued on a mass-production basis. Indeed, the Commission will at all times be mindful that each rule must be formulated on the basis of facts that accurately portray individual industry and market conditions.

IV. THE FUTURE

The Commission can be expected to explore its new rulemaking procedures with due deliberation as it seeks to give industrywide coherence to laws that have previously been administered through individual cases. In the process, it will at all times be seeking for a balance within which it can strengthen the framework for fair and vigorous competition without sacrificing one to the other. By giving careful consideration to the economic characteristics of each industry for which rules are proposed and by taking responsible cognizance of the differing positions of different companies within these industries, the Commission expects to be able to formulate rules that can be applied equitably in specific market settings.

In going forward with its rulemaking program, the Commission knows that it must rely both on its staff and on industry for proposals as to the industries and markets to which it should turn its attention, for facts upon which a particular rule should be based, for analysis of the expected consequences of proposed rules, and for suggestions as to when rules need to be modified or withdrawn.

Through our new rules, as well as through our more traditional procedures, we intend, under our mandate from Congress, to maintain and preserve the greatest possible number and variety of competitive opportunities in every field, not only because the principles of competition require this, but because the future of democracy is bound up with our steadfastness in maintaining a climate for vigorous experimentation in every line of commerce that contributes to the growth of our economy.

V. CONCLUSION

We have discussed a number of measures which have been taken to preserve competition. These are measures which have been taken by the Government through the enactment and administration of laws. These actions by the Government have pinpointed areas in our economy where competition has been injured severely as a result of conduct contrary to our antimonopoly public policy. What the Government has done and can be expected to do will not result in clearing up all of these trouble spots. Businessmen concerned about measures to maintain competition also must act. Frequently it is said that more than 90 percent of businessmen desire to play square and support our public policy for maintaining competition. It is to that large segment of business an appeal has been made and is continuing to be made for help in the enforcement of our public policy for preserving competition. In this effort all must become more than vocal partners. Effective action on the part of all partners—government, business, and the public—is needed.

AMERICAN AID AND THE COMMUNIST TYRANTS IN POLAND—THEY ARE INCOMPATIBLE

The SPEAKER. Under the previous order of the House, the gentleman from Ohio [Mr. FEIGHAN] is recognized for 5 minutes.

Mr. FEIGHAN. Mr. Speaker, since the debate in the House on the question of extending U.S. assistance in any form to Poland there has been mounting evidence that the Communist regime in Poland is tightening its grip on the Polish people and intensifying its campaign of religious persecution. Just a few weeks ago we heard much about the Communist regime in Poland and other Communist occupied countries mellowing—meaning that they were moving in the direction of less terror and more opportunity for the people to exercise freedom of choice and expression. Advocates of continuing U.S. aid to Communist Poland justify their position on those hopes, together with the hope that the people of Poland would regain some measure of independence from the despotic Russian system which was imposed upon them in the years immediately following World War II.

There is a growing body of evidence which demonstrates beyond any doubt that the Warsaw regime is not influenced in the slightest by assistance granted it by the United States. That regime at this very moment is turning the screws of despotism tighter on the people of Poland. The closing of church schools and orphanages in Poland began in 1961 when a so-called school reform scheme was announced by the Warsaw regime. That scheme was nothing more than a part of the basic tactic used by the Communist regime to gradually enroach upon the religious liberties and cultural traditions of the Polish people. Of 450 orphanages operated by the Catholic Church, only 30 are left today. Schools operated by the church in Poland have been put out of business by this tactic of gradualism. The great Catholic University of Lublin has been put against the wall by the state through a system of confiscatory taxes under which the university must become an ideological organ of the Communist Party or cease operations.

Mr. Speaker, that is not all. The Communist regime has stepped up the attack on the clergy of Poland, including physical beatings of priests. That regime has trumped up criminal charges against active members of the church and has confiscated additional church properties and functions. Atheistic propaganda has been increased at an alarming rate. The state police now exercise the power to halt all church gatherings. From this it should be clear that the so-called "mellowing" process in Poland was a figment of misguided imagination.

The Tablet, a Catholic weekly of the Diocese of Brooklyn, N.Y., under date of August 18, 1962, carried a timely article under the heading, "Sisters Carried Bodily From Three Polish Convents." I commend this article to the careful reading of all who believe that our foreign aid program should not be used to keep in power terroristic regimes which violate the human rights of the people over whom they rule.

Under unanimous consent I insert this article in the RECORD, as follows:

SISTERS CARRIED BODILY FROM THREE POLISH CONVENTS—PRIMATE HITS STEPPED-UP RED CAMPAIGN AGAINST CHURCH

WARSAW.—Polish Communist authorities were accused here by Stefan Cardinal Wyszynski, primate of Poland, of violating the country's constitution by evicting nuns from three convents and nurseries.

The primate's protest against the closing of the three convents was contained in a pastoral read throughout the Warsaw Archdiocese at Sunday masses.

CHILDREN EVICTED

Describing the incidents, Cardinal Wyszynski told his flock that militiamen had entered church premises illegally and turned out nuns and children from nurseries in Otwock and Wawer, towns near Warsaw.

In addition, he said, "Sisters of the Holy Sacrament were thrown out of their own house" in downtown Warsaw, where they had "lived and cared for orphans since 1917."

Cardinal Wyszynski said the evictions violated the law and article 70 of the constitution guaranteeing freedom of worship.

The prelate said the church tried without success to intervene with the proper authorities.

TO TAKE OVER ALL SCHOOLS

Meanwhile, a spokesman for the Government's Office of Religious Cults said all schools and orphanages run by Catholic religious orders will be taken over by the Education Ministry within a year.

The takeover will be carried out under a law enacted last year prohibiting nuns and monks from teaching school, the spokesman said. Orphanages, he added, are being placed in the hands of so-called patriotic priests.

Asked to comment on the pastoral, the spokesman denied that brutality was used in the evictions. He said officials had strict instructions to be gentle, but that there had been cases when nuns barricaded their doors and force had to be used.

NUNS BARRICADED DOOR

Citing an example of where force was used to evict nuns, the spokesman referred to an incident in Mlociny, 5 miles north of Warsaw, where nuns barricaded the door, rang bells and shouted to the people for help.

"Members of religious orders were never thrown out on the street," he declared, saying they had been taken to houses of religious communities where, he claimed, there was "room to spare."

Other reports from nongovernmental sources said nuns and monks had been made literally homeless and that in some sections, members of religious orders have been offering themselves as domestic servants and laborers.

TRYING TO MOBILIZE NATION

The latest issue of "Argumenty," organ of the Polish Atheist Societies, carried a two-page attack on Cardinal Wyszynski, saying the primate was trying to mobilize the Polish nation to carry out his personal political and religious ambitions.

The cardinal, the publication said, sees himself as a great missionary whose major task is to restore Poland to her prewar role of the vanguard of Catholicism in Eastern Europe.

"Wyszynski goes even further," "Argumenty" stated. "He thinks that when he does that, he will be able to convert our eastern neighbors (U.S.S.R.) to Catholicism."

The Brooklyn Tablet, under date of August 18, 1962, carried another significant article, London datelined, which charges that the confiscatory tax drive of the Warsaw regime against the church in Poland is directed by the Kremlin. According to this article, the new outrages against religion in Poland have been ordered by Moscow and the same pattern of operation would soon spread to all the other captive nations.

Under unanimous consent I also insert this article in the RECORD, as follows:

TAX DRIVE AGAINST CHURCH HELD DIRECTED BY KREMLIN

LONDON.—Eviction of Catholic priests and nuns from church property in Poland, often following Government demands for exhorbitant taxes, has occurred frequently in recent months, an expert on the Communist bloc country disclosed here.

The London source said there have been reports circulating in Poland that the policy of eviction had been ordered by Moscow.

A Polish Communist official, the source said, has been known to admit that the policy was Kremlin directed and to have stated it would soon spread to all Iron Curtain countries.

First reports of a new campaign to curb the activities of Catholic priests and religious institutions came early this summer when it became known that there were isolated cases of tax pressure of parish priests and church institutions.

Now, the London traveler reported, religious orders, parishes, dioceses, and other Catholic bodies and organizations throughout Poland have already received or are about to receive exhorbitant tax demands on church property.

TWENTY-FIVE-THOUSAND-DOLLAR TAX BILL

A typical incident of how the Government uses the new policy, he said, was seen in the eviction of nuns from the Convent of the Sacred Heart of Jesus in Cracow.

First, he said, the Sisters received a property tax bill of about $25,000. When the nuns complained about it, they were told by an official that it had deliberately been made high to make certain it would not be paid.

After repeated Government demands for the levy, authorities seized the convent and evicted the nuns. This was the pattern of other evictions of priests and religious, the source said.

In the Cracow incident, it was reported, the city's population learned of the intended seizure and gathered in force to protect the Sisters. However, the people were unable to prevent the eviction when truckloads of militia arrived and the crowds were dispersed by firehoses.

The nuns were then carried bodily to the trucks and all movable property and furniture in the convent hauled away. The convent's mother superior locked herself in a room, reports said, only to have the door smashed by militia. She and other members of the order were carted by truck to the outskirts of Cracow where they were told to fend for themselves.

The London source said churches in Poland are overcrowded on Sundays. In the country, roadside shrines are decorated daily with fresh flowers and peasants continue to greet one another with the age-old expression, "Praised be Christ." The source also recounted an incident which was reported to have occurred in Lodz, an industrial city in central Poland, during a Communist street rally. In the midst of the demonstration, a priest appeared carrying holy communion for a sick man. Immediately, one of the men carrying a Communist banner dropped to his knees and blessed himself as Poles have for centuries when encountering a priest attending the sick.

THE HONORABLE NAJEEB E. HALABY

The SPEAKER. Under the previous order of the House the gentleman from Mississippi [Mr. WILLIAMS] is recognized for 15 minutes.

Mr. WILLIAMS. Mr. Speaker, in the 16 years I have been in the Congress I have been accused of many things, but there is one thing I have never been accused of, and that is wearing the mantle of the New Frontier. The majority leader a few moments ago announced one of the appointments that has just been made by the President which, in spite of what the gentleman from Oklahoma had to say, I am sure, will be quite controversial.

I have at times been rather critical of some of the appointments which have been made by this administration. However, in fairness, I take this time today to pay tribute to one of the finest, most dedicated, outstanding public servants it has ever been my privilege to know since I have been in Congress. I have reference to the distinguished Administrator of the Federal Aviation Agency, Mr. Najeeb Halaby.

Mr. Speaker, recent events have once again brought to our attention a complex matter which has been of serious concern to all Members of the Congress for many years. I refer to safety in the air. A few weeks ago there was a crash landing at Knoxville, Tenn., of an airplane which carried 71 persons aboard, including our colleagues, Mr. DAVIS, of Tennessee, and Mr. ALFORD, of Arkansas. Fortunately, all escaped serious injury.

Earlier this year, a jet flying over Iowa was destroyed by a bomb, and a French jet crashed in Paris killing a large number of citizens from Atlanta, Ga. These tragedies magnified and dramatized the problems of air safety.

The Subcommittee on Transportation and Aeronautics of the House Commerce Committee keeps in constant touch with the many factors involved in safe air transportation. As chairman of this subcommittee, I share the concern of all Members of Congress over the need for insuring that our skies are as safe as can be humanly made possible. The committee works closely with the responsible officials in the executive branch to achieve this goal.

Constructive suggestions are important as we pursue our duty to enhance public safety. Unfortunately, in recent weeks, the House has been the forum for a continuing personal attack on a distinguished and able public servant. This personal attack is not contributing to air safety.

While the outstanding record of the Administrator of the Federal Aviation Agency, Najeeb E. Halaby, speaks for itself, perhaps a review of his record at this point would be in order.

As chairman of the Subcommittee on Transportation and Aeronautics, I have had an opportunity to observe the quality and quantity of Mr. Halaby's work. Mr. Halaby is consecrated to the task of improving our air transportation system and making it dependable and safe so it can be utilized and enjoyed by all interested in flying. His is a necessary but thankless job because he must regulate scheduled carriers and private aircraft.

Mr. Halaby brought to the job as Federal Aviation Agency Administrator a wide background of experience and personal accomplishment. He is a pilot, a lawyer, a businessman, and a financier. Since World War II, he has served the people of the United States in the Department of State, the North Atlantic Treaty Organization, the Economic Cooperation Administration, and the Department of Defense. In addition, he served as Vice Chairman of the White House Aviation Facilities Study Group which recommended the creation of the Federal Aviation Agency.

At the time of his appointment as FAA Administrator, he was successfully engaged in private business.

In 18 months since his appointment, Mr. Halaby has introduced into the FAA many of the management principles that marked his success in private enterprise.

First, he brought a detached, objective viewpoint to the study of this Agency's needs. Even though he has a broad aviation background, he has consistently sought the competent advice of career FAA employees as well as outside experts.

Moreover, Mr. Halaby has recognized the role of Congress and, consequently, has conscientiously consulted at every step with the appropriate committees. Administering an Agency as large and as technically oriented as the FAA is, I think we will all agree, a demanding job.

I have seen one of Mr. Halaby's hangar flying sessions in my own State of Mississippi—in Brookhaven—and I can tell you gentlemen that it is an inspiring and very effective way for a man charged with great responsibility to gain and maintain a proper perspective on himself and the effectiveness of his administration.

Maintaining contact with the public in other ways, Mr. Halaby has set up public advisory boards to help him keep oriented on the manifold operations of FAA and, as members of the press will attest, he has frequently made himself available to them.

These, Mr. Speaker, are direct and refreshing approaches to the administration of a governmental agency, and ones which hardly sustain gratuitous charges of covertness and secrecy.

But, above and beyond these important and effective innovations, Mr. Halaby has done something that might well be emulated throughout the Federal establishment—he has instituted a true economy campaign to reverse the sometimes steamroller trend toward bigger and bigger governmental agencies.

The agency he took over in March of 1961 had an authorized strength of 42,500 people and a budget of $690 million, and I understand the FAA then had a 5-year plan calling for 57,000 people and an annual budget of more than $1 billion.

In his first FAA 5-year plan, Mr. Halaby eliminated 4,000 positions and almost $200 million.

I think the program of air route traffic control center consolidations is a good example. A proposed program was drafted by FAA career technicians suggesting the consolidation of a number of FAA air traffic centers. I am convinced that Mr. Halaby evaluated this program strictly on the basis of technical, economic, and safety factors. He found that a reduction in the number of such centers from 29 to 21 would actually increase the safety of the flying public, result in increased efficiency of operation, and would also save the U.S. taxpayer more than $100 million over the next 16 years.

Was this program secretly implemented? No. The Director of the Budget and the appropriate congressional committees were advised, Senators and Representatives were informed directly, and the Government Accounting Office confirmed the program's soundness.

So I can say to you categorically that the Federal Aviation Agency today is being administered by an outstanding public servant who has brought to his administration very valuable insights, perspectives, and management principles that are speeding us toward an era when the system of controlling the American airspace is equal to our long-held capability.

Mr. Speaker, I am deeply disturbed by continuing assaults on the entire air transportation system and the highly erroneous public impression these assaults might create. Air travel is not without problems but it is safe if any movement in this fast-moving, complex world is safe.

This attack on air transportation raises the question whether the public is being assured a proper level of safety in the air or whether, in fact, today's air travelers are unwittingly participating in a game of Russian roulette. It also raises questions about the operation of FAA itself.

What are the facts concerning air safety? Is the true size of the problem being willfully concealed from the public? Is the Federal Aviation Agency doing the job given it by the Congress—to assure safety in the air? My constituents would like to know the answers to these questions, as I am sure yours would. So I believe a review of the situation is in order.

At the outset let me set the problem in its proper statistical perspective. The crash of a giant jet, possibly carrying more than a hundred persons, is a spectacular and dismaying event, likely to remain fresh in our minds for a long time, whereas the death toll that is daily being taken on our highways tends to go unnoticed, if only because of its constancy.

But there is no question that airline passengers are a good deal safer in the air than they would be if they were driving on the highway.

Based on the number of fatal accidents per 100 million passenger miles, the record for the U.S. airlines for the 5-year period 1956 to 1960 was 0.6, compared to 2.4 for the highways. However, new turnpikes are producing much better safety records than the old highway system and, according to Jerome Lederer, head of the Flight Safety Foundation:

> It may soon be as safe to drive on turnpikes as it is to fly the airlines.

This does not mean that the safety record of our domestic carriers is something we can be complacent about and, as I would like to make clear, a tremendous amount of work is being done to improve that record.

But it should be kept in mind that the airlines form but a small part of the total American air fleet, and that any discussion of air safety must take into consideration all segments of American aviation.

As a matter of fact, general aviation aircraft form by far the majority of the American fleet. General aviation includes all civil flying except that performed by the airlines. It includes business aviation, commercial flying, instructional flying, and personal flying. The current estimate of general aviation aircraft is 81,000 and the number is growing rapidly.

This compares with some 2,150 air carriers and roughly 23,000 military aircraft. General aviation aircraft in 1960 made an estimated 11.6 million flights, compared to 4 million flights by the scheduled air carriers and 5.6 million flights by the military services.

Here we have three different segments of aviation, each with aircraft and methods suitable to their own missions, but often highly different one from the other. These airplanes have different missions, different performances—from hover in the case of helicopters to mach 2—and they all use the same airspace.

To help eliminate the hazard of mixing this traffic—some flying on instrument flight rules, some flying visually on a see-and-be-seen basis, and each type of aircraft with its own performance characteristics—FAA in June of 1958 initiated what is known as positive control along three transcontinental airways between 17,000 and 22,000 feet. In positive control areas, all aircraft fly under air traffic control clearance and are under radar surveillance. Use of radar and the prohibition of unidentified aircraft in positive control areas permits FAA controllers to make more efficient use of the airspace involved.

Then, in October of 1960, FAA launched Project Pathfinder, which placed a 110,000-square-mile area of airspace in the Chicago-Indianapolis area under positive control as a test of the effectiveness of full separation service to all aircraft in a specified area, both on and off the airways.

The positive control airspace in the Chicago-Indianapolis area is between 24,000 and 60,000 feet, where some of the busiest jet routes in the country are located.

Project Pathfinder proved successful, and in March of this year was extended at the same altitudes to include the Detroit-Cleveland-Buffalo FAA long-range radar complex. It now covers 226,000 square miles of airspace. FAA hopes to expand this positive area control but that depends on the funds we make available to the Agency.

Within both these areas, each pilot must be instrument qualified and must operate under IFR, regardless of the weather. His airplane must be equipped for IFR operation and have a two-way radio for communication with ground controllers.

The airplane also must have a coded radar beacon to identify it on radarscopes in air route traffic control centers.

All these facts are important to a proper understanding of air safety, but there is one other consideration that is overriding, and that is an appreciation of the enormous growth that has taken place in American aviation and the effect this has had on our method of controlling air traffic.

It is a great tribute to the Congress to recognize the role it played subsequent to the Grand Canyon tragedy in June 1956 in bringing about the creation of the Federal Aviation Agency and giving it the resources as well as the responsibility to improve air safety.

The Honorable OREN HARRIS, of Arkansas, chairman of the Committee on Interstate and Foreign Commerce, at the time of hearings precipitated by that accident, had this to say:

> The recent midair collisions have made it abundantly clear to all that action is needed now without delay. We cannot let air safety procedures drift along in a state of confusion and neglect until aviation is in the state that our highway traffic now finds itself in, our streets and highways strewn with dead and injured, victims of negligence and carelessness.

While Congress can take satisfaction for its role in creating the FAA and equipping it adequately for the job it was assigned to do, it must also share part of the responsibility for the neglect of our airways from the end of World War II until Grand Canyon.

Let me cite a few examples. In fiscal 1951, $16 million was spent on new airways facilities. As little as this seemed, the budget for establishing new airways facilities in 1952—as the jet transport was arriving on the world scene—was cut to $8.3 million. This dropped in fiscal 1953 to $7.1 million; in fiscal 1954 to $6.9 million, and in fiscal 1955 finally rose to $12.8 million.

These expenditures were totally inadequate to the needs of the growing air age. In fact, they were declining as aviation activity was rapidly increasing. For example, total flying in the United States during the 1950–55 period rose from 18 million to 24 million hours.

Despite this clear, urgent need, requests of the executive branch were inadequate and unavailing until the FAA was created.

With hindsight we can see clearly that the stage was being set for Grand Canyon and other air disasters yet to come. When in 1956 we finally awoke to the realities of this neglect and its cumulative effect on the safety of everyone flying, we began, modestly at first, to repair the damage.

Many things began to happen, including the establishment of the Airways Modernization Board and, later, FAA itself. But let us move ahead to the appointment of Najeeb Halaby in March of 1961. By then the FAA had been in existence for 27 months and many steps had been taken by the first FAA Administrator, Gen. Elwood Quesada, to close the gap between the need and the reality.

But the simple fact is, and any aviation expert will bear this out, that after a decade of neglect, it was impossible to bring about such a miracle overnight.

Or as Halaby put it in a press conference in April of this year:

> Now I recall rather vividly when being appointed by the President pointing out that there were perils as well as prospects in this business and the perils I was referring to were that each day then and now there are near misses in the air, due to a mixture of visual flight rules and instrument flight rules traffic, due to human errors, due to the stress and confusion and complexity of our present network, which has grown, piece of equipment by piece of equipment over the last several years that money has been available.

One of Mr. Halaby's first acts after taking office was to respond to the President's requests for two special studies. One of these defined the Nation's goals in aviation over the next decade. This was called Project Horizon.

The second special study was of the problems of airspace utilization. This was called Project Beacon and to carry it out Mr. Halaby appointed a task force of outstanding American citizens with long and distinguished careers in aviation.

The Beacon task force examined every aspect of airspace utilization, and it had this to say about the adequacy of the present air traffic control system:

> We were very pleased to find the system being expertly operated by a highly skilled organization.

But the group found, as had Members of Congress, General Quesada, Mr. Halaby, and others, that improvements in the timeworn air traffic control system were badly needed. Historically, improvements had been made as funds and manpower—always inadequate—were made available. The Beacon report task force noted that there was no evidence of a single, comprehensive plan to achieve a truly modern air traffic system which could cope with America's rapidly growing air traffic needs.

It predicted that the general aviation fleet will grow to 105,000 airplanes by 1970, and that general aviation flying will account for 65 percent of total annual flying hours.

By 1970, according to the Beacon report, the scheduled air carriers will have nearly doubled their 30 billion revenue passenger miles of 1960 to an estimated 57 billion. By contrast, the number of military aircraft is expected to decline by approximately one-fourth and military flying hours are expected to decline from 10 to 7 million in the decade ending in 1970, due primarily to the rapid development of missiles.

Overall, the total inventory of aircraft based in the United States is expected to increase from 103,000 aircraft in 1960 to 124,000 in 1970. The same report expects general aviation and air carrier flying hours to increase almost 80 percent while military flying will decrease by 36 percent, resulting in a net increase of 44 percent in total flying in 1970 over 1960.

The report stressed the point that controlled traffic—that is, air traffic controlled from the ground by FAA facilities such as towers or en route traffic control centers—will increase about 300 percent in the same period. The additional load that this will place on the Federal airways in the future is obvious.

Mr. Halaby established a group of experts within FAA, a system design team, who were detached from all other duties and given the task of recommending how to put the Beacon report findings into effect.

The Beacon group was appointed in the same month that Najeeb Halaby took office—March of 1961. It delivered its report in October. After reviewing that report, President Kennedy in November directed Mr. Halaby to "begin at once to carry out those recommendations of the report which you believe will move the airways program forward rapidly and efficiently."

The system design team set to work implementing Beacon report recommendations. The team's report—a 758-page document titled "Design for the National Airspace Utilization System"—is now being coordinated through appropriate agencies of the Federal Government.

When this process is completed by the end of this summer, FAA's National Aviation Facilities Experimental Center near Atlantic City, N.J., will go into high gear in turning Beacon recommendations into laboratory models of new and modified hardware. At the same time, new techniques, methods, and procedures will also be wrung out.

According to the implementation timetable, the basic Beacon research and development work recommended by the team should be completed by early 1964. After that, it will take 5 years of evolutionary implementation for the Beacon report recommendations to become a full reality.

This is a long-range program which will for the first time provide an airspace utilization system capable of meeting the increasingly varied demands of aviation both now and for the foreseeable future. It will be a flexible system which adapts with changes in aviation because the system design will be regularly reviewed and updated.

The system, for example, will be equally capable of handling a long-range supersonic transport plane moving at perhaps three times the speed of sound at an altitude of 60,000 feet and a short-haul helicopter traveling at low speed and low level from perhaps Washington to New York.

This system also will provide the air traffic controller with urgently needed assistance. Although the Beacon report said that the present system is being "expertly operated by a highly skilled organization," the fact remains that the average controller is under an increasingly heavy burden.

The aim of the Beacon design team was to transfer many mechanical aspects of his duties to machines and leave him free to exercise his trained judgment.

This will be done through extensive use of computers and new techniques of information acquisition and display. The emphasis of this system, however, is not on automatic computers—the air traffic controller, less burdened, will remain the key element in the system.

The Project Beacon task force also evaluated various research and development projects launched by the previous administration and then in progress at FAA's National Aviation Facilities Experimental Center.

One example is what is known as DPC—for data processing central. DPC was a computer-centered, largely automated air traffic system. The emphasis in this system fell on advanced computer capabilities more than on the traditional air controller-pilot relationship built around radio and radar communications.

As the prototype for a complete new control system, DPC encountered many difficulties. It is a fact of life in the research and development business that the good ideas do not all work out as planned. At any rate, the Beacon team urged that the future control system be reoriented to make the controller—rather than DPC automatic computer systems—the key element.

DPC did, however, achieve several things. It developed a tremendous amount of basic knowledge about the application of computer technology to the problems of air traffic. Under the DPC program, FAA undertook the most extensive study ever made of all facets of air traffic, including en route and terminal flight operations, data acquisition, processing and display, weather, navigation, and communications facilities and services, airport activities, and such human factors in the system as the workloads of control tower and air control technicians. These are what might be considered very real but intangible products of the DPC program.

In addition, hardware and techniques developed or studied within the framework of DPC's programing were found adaptable to the Beacon system. For example, the Beacon report noted:

> Much of the development work in the data processing central project will be directly applicable to our recommended system. In particular, work on radar displays and terminal area flow control and sequencing will be extremely valuable.

The total cost of the DPC program was some $50 million. A fraction of this amount actually went into the computer hardware itself. The rest bought the vast quantity of data, materiel, and experience upon which the Beacon system is being built.

But $50 million is a lot of money and it may be that the cost exceeded the benefits. This is the way with research and development.

But if the system envisioned by the Beacon report will take 5 years, it does not mean interim steps cannot be taken. The FAA has been busy on a number of short-term projects.

Among these are a new and expanded terminal radar service to handle the mixing of aircraft operating under VFR and IFR rules, which has been initiated as a voluntary program at the Atlanta Airport traffic control tower. This may be expanded to other high activity terminal locations later.

Participating pilots will receive radar separation, radar vectoring, and, if landing at Atlanta Airport, sequencing service for landing. The service follows a major Beacon recommendation for the separation of controlled and uncontrolled aircraft around airport terminals.

Another recent development of far-reaching significance has been agreement on joint use by FAA and the Department of Defense of three carefully selected U.S. Air Force SAGE direction centers for conducting air traffic control and air defense operations. The centers are at Great Falls, Mont., and Minot and Grand Forks, N. Dak. Use of these SAGE centers will help FAA serve an area that had not been adequately covered by existing FAA radar without duplicating existing Government facilities and equipment.

A third short-term project of immediate utility has been introduction of a pilot-to-forecaster weather service. This was inaugurated by FAA a year ago on a test basis and has proven highly popular with all classes of pilots. It is presently operational at Washington, D.C., and Kansas City and a third unit will be introduced shortly at Los Angeles.

These units enable airborne pilots encountering unexpected weather conditions to call a certain frequency and speak directly to a qualified meteorologist about weather conditions in his area. The lives of several pilots may have been saved by this service already.

Backing up such improvements in the existing air traffic system, as well as the longer-term Beacon approach, is continuing work in the field of air traffic simulation. At FAA's Atlantic City, N.J., test center, what amount to real life air traffic situations are set up and run in simulation laboratories. Pilots sit at control consoles in a large room and fly their aircraft according to scripts supplied to them. Their planes appear on radar presentations in a dummy air traffic control center next door. Up to 60 planes can be flown in a single simulated problem.

The simulators, busy day after day through the year, test-run air traffic control problems and procedures, check out proposed techniques and route structures. Requests come into FAA from throughout the Nation and the world for air traffic control simulator services. Using one of its three simulators, FAA has helped establish safe flight traffic patterns from Berlin to San Diego to Alaska.

As a matter of fact, there is a traffic problem at the simulators themselves now. They are booked solid with problems and requirements for the next 2 years.

Meanwhile, as improvements to the air traffic system are being introduced, extensive nuts-and-bolts research and development work is being carried out by FAA.

In one very promising program, FAA is developing arresting gear equipment for aircraft up to and including fully loaded modern jet liners. The arresting gear concept traces, of course, to Navy carrier operations. During recent years, such equipment has been installed at an increasing number of Air Force and Navy land bases as a safety device in operation of modern jet fighters.

FAA's aim is development of equipment to halt airliners that weigh about six times as much as military jet fighters. This equipment must be capable of smooth operation, rather than the familiar abrupt landing stops of aircraft carrier flying.

The Agency also is engaged in research and development work on a number of other projects, involving such equipment as runway and approach lighting and electronic landing systems. The visual approach slope indicator light system now being installed at airports is a good example of the work produced at Atlantic City.

Another very important research and development project is aimed at developing airborne hardware to aid in the prevention of midair collisions. The fact is, effective air traffic control is probably the best insurance against midair collisions.

But an electronic safety device to help prevent such accidents would add a significant safety factor. Throughout the world, government and industry efforts have been expended to this end for many years.

FAA in recent years has been conducting a program with a whole family of industrial contractors to develop two types of equipment. First is a computer-based, sophisticated collision avoidance system to detect aircraft, evaluate the collision threat, and determine the collision-evading maneuver to be executed by human or automatic pilot.

Second is the less complex pilot warning instrument to alert a pilot to aircraft at the same altitude and provide bearing and range information. In this case, the pilot would decide on his own what evasive action to take.

A collateral effort toward lessening the danger of midair collisions has seen extensive work with high visibility paints, lights, and other devices to make aircraft easier to pick out against a broad variety of backgrounds and in differing conditions of visibility.

This program is likely to bring forth new accident prevention lighting standards for airplanes. It has already brought major advances in the development of conspicuous paints.

In a recent session for hundreds of aviation experts here in Washington FAA held a 2-day symposium on the problem of midair collisions and what is being done about them. This successful attempt to call the attention of industry and the public to the problem of midair collision is in curious contrast to the charge that FAA is suppressing information in this area.

How great is the danger? Statistics for the calendar year 1961 show that there were 21 midair collisions reported to FAA, compared with 24 such accidents in 1960. There have been seven so far in 1962. There were no midair collisions in 1961 or 1962 involving airliners. Midair collisions in 1961 took a total of 21 lives, and in 1962, 16 lives have been lost so far.

Two of these accidents in 1961 involved military aircraft; all the others were general aviation aircraft. The same figures apply to the accidents so far in 1962—two of them involving military aircraft and the rest involving general aviation planes.

In all, midair collisions for the past several years have averaged less than six-tenths of 1 percent of all U.S. civil aviation accidents.

The number of midair incidents reported to FAA in fiscal 1962 was 549. Each one was investigated by FAA field inspectors. Seventy percent of them were evaluated as "no hazard." It was found that many pilots were submitting near-miss reports when, in fact, no near-miss had taken place as defined by civil air regulations.

Analysis of reports showed that air traffic controlled errors accounted for 9 percent of the near-misses. By comparison, in 15 percent of the cases pilots were not taking advantage of available radar assistance.

In most cases, it appears that most of the near-miss incidents occurred when one aircraft was operating under instrument flight rules and the other under visual flight rules. This type of IFR-VFR intermixing would be largely eliminated under the Project Beacon recommendations.

Establishment of the extent of the near-miss problem depends ultimately on the reports of the pilots directly involved.

FAA officials felt, however, that some pilots might be failing to report near-miss incidents for fear that action might be taken against them for infractions of civil air regulations. The Agency therefore contracted with the nonprofit Flight Safety Foundation to undertake Project SCAN, an independent study of airborne incidents in which pilots could make anonymous reports. This must be the secret report you have heard about. FAA is underwriting it.

That program began in July of 1961 and was completed at the end of this past June. Interim reports have been furnished to FAA, and a final report will be submitted by the end of this month.

An important distinction should be made between FAA's own statistics on such incidents, which require full and complete reporting on the part of both pilots, and SCAN figures, which cannot be followed up and corroborated.

The difference between the two might be compared to the legal distinction between hearsay and eyewitness testimony. I think it can be expected that SCAN statistics, unqualified as they are, will prove higher than FAA's own statistics, and this is consistent with the reason that FAA undertook the study in the first place. But it seems clear that these figures ought to be viewed as indicative, rather than definitive.

Mr. Speaker, the subject of aviation today is, as you all know, a complex one. But it is clear that there is involved in flying a substantially smaller risk, indeed, than there is in driving your car. This risk is one which most of us accept as a normal one. Yet none of us would agree that this level of safety is one with which we are satisfied.

The question then becomes, What is being done to improve air safety? My investigations have shown that the Federal Aviation Agency—charged as it is with assuring the safety of the flying public—is doing a great deal to hasten us toward a national airspace utilization system which avails itself of the scientific, engineering, and technological genius so long abundant in this country but inadequately used for this purpose in the past.

The FAA is not alone in this effort. All phases of aviation are devoted to improving safety, and their goal is nothing short of a perfect record. While they may fall short of perfection, I think they have the promise of coming very close. And I think their efforts and accomplishments should instill confidence here and throughout the Nation in the safety and efficiency of our American aviation system.

Mr. HARRIS. Mr. Speaker, will the gentleman yield?

Mr. WILLIAMS. I yield to the gentleman from Arkansas.

Mr. HARRIS. Mr. Speaker, I would like to join the gentleman in tribute and what I believe to be appropriate comments in reference to the public service and record of the Administrator of the Federal Aviation Agency, Mr. Halaby.

Of course we know that an agency of this kind, with more than 30,000 employees, directing this part of the transportation of the country, has a tremendous job in many fields. He has the responsibility of organizing the program and helping to carry out the policies which the Congress has determined. In the administration of it he has various fields that are necessary in order for the aviation industry to operate from the time they go on board, and even before, until they are in the air, and those employees who are responsible for it, not only those in the cockpit but those of equal importance who sit in the tower and direct the traffic, as well as many other important responsibilities that go with the very, very important position of this kind for the people of the United States.

In my judgment, after observing the administration of this tremendous Agency by Mr. Halaby, he is highly capable, he has shown a disposition to be fair, and tries to give consideration to the numerous problems that arise.

He tries to be judicial in his determinations. And I think he deserves the accolade that is being given him by the distinguished gentleman from Mississippi this afternoon.

May I say further that the Congress has had brought to its attention the many developments in research and development and of scientists, and those involved in transportation problems over the last several years. This Congress revised completely what was the Civil Aeronautics Act in 1958 and is now the Federal Aviation Agency, as the gentleman from Mississippi so well knows, because he participated in the revision of this necessary program.

It so happened that due to the fact we have progressed in the field, it has become necessary through some tragic accidents that were brought to the attention of the American people to consider the safety problem which becomes paramount in this program. The Congress has authorized and appropriated many hundreds of millions of dollars in order to provide safety for the American people.

Mr. Speaker, these scientific developments brought new devices, and the employees of this great Agency had to effectuate this operation.

Mr. Speaker, we recognize that with the jet age it is also necessary for still newer devices to be installed. I know the Federal Aviation Agency with its technicians and dedicated people are endeavoring to put into effect the kind of devices that are necessary to guarantee or to assure the greatest possible safety.

I do not want to see anyone—any Member of Congress or anyone else—because he might have some interest in a particular selfish problem in a locality, even if it is in my own district—in the Fourth District of Arkansas—or my hometown, or the hometown of the gentleman now occupying the well of the House, or any other community, take a position that their given problem is paramount and is more important than the overall problem affecting the people of the United States.

Mr. Speaker, I do know that in effectuating the new programs of the utilization to the fullest extent of radar it becomes necessary to revise these programs. I hope that there is no one who will take the position that these new effective instruments cannot be fully developed and utilized for the benefit of the American people.

Mr. Speaker, I want to compliment our Administrator in his efforts in revising the nationwide programs in order to bring about the fullest utilization of such devices that have been developed and which will guarantee the safety of the lives of the American people. I think the American public is entitled to demand that kind of administration which I feel this man is giving.

We all make mistakes. It is human to err. I am sure he has made some mistakes, but I am impressed with his sincerity and honest efforts to serve in this tremendous capacity. I think he is generally doing a good job with a very difficult task.

Mr. WILLIAMS. I thank my colleague for his contribution.

Mr. HIESTAND. Mr. Speaker, will the gentleman yield?

Mr. WILLIAMS. I am happy to yield to the gentleman from California.

Mr. HIESTAND. Mr. Speaker, I would like to join with the gentleman from Mississippi in his commendation of the distinguished and proven successful record of the Administrator of the Federal Aviation Agency, Mr. Halaby. It so happens that I was close enough to some of the decisions of his predecessor to appreciate the scope, the size, and the seriousness of the job. I have seen a number of decisions—most difficult decisions—that Mr. Halaby has had to make. I commend him for every one of them of which I have any knowledge, and I am happy to join especially with the distinguished gentleman from Mississippi [Mr. Williams] in this commendation.

Mr. WILLIAMS. I thank the gentleman. Since the gentleman mentioned Mr. Halaby's predecessor, General Quesada, permit me to say that in my opinion we have been most fortunate in the appointments that have been made by our Presidents to this Agency. Thus far there have been two Agency heads, General Quesada, and following him, Mr. Halaby. In my opinion both of these gentlemen were of the highest type public servants.

Mr. BEERMANN. Mr. Speaker, will the gentleman yield?

Mr. WILLIAMS. I am glad to yield to the gentleman from Nebraska.

Mr. BEERMANN. Mr. Speaker, I too would like to commend the gentleman from Mississippi for taking this time in exploring this subject in which I have been interested for some time and saying some things that need to be said.

Mr. Speaker, all the employees whom I have met around the country in formerly the CAA and now the FAA—I feel that they are dedicated public servants and are doing their job even under some conditions that are rather difficult. For instance, one can fly to the airport in Chicago or any other large city, and sometimes I wonder as I have talked back and forth to the tower, how they can keep their balance and their sense and keep this traffic moving. There is a tremendous responsibility which is placed upon these people in the towers. Of course, there are many other people who have similar responsibilities. I think the employees of the airlines deserve the same credit. For instance, last week I was taking off on a trip from Baltimore and the instruments on the hydraulic system of the jet were not working. They replaced them. The system still did not work. So, 2 hours later we took off because the pilot and the crew on the ship, as well as the ground crew, took precaution to see that the passengers would get to their destination properly.

Mr. Speaker, I think this points up, as a licensed pilot, a fact which I would like to say: I would like to say that I appreciate people of the experience such as that possessed by Administrator Halaby. It points up the wisdom in the proper people being appointed to positions of administration who have had the experience and know what to do.

Mr. Speaker, I thank the gentleman from Mississippi for yielding to me at this time.

Mr. WILLIAMS. I thank the gentleman. Like the gentleman, I have been an active pilot for some 21 years and I can say without fear of successful contradiction that the services rendered to the aviation community by the flight service stations, the tower personnel and other personnel of the Federal Aviation Agency are of the very highest quality. I have heard many, many compliments and very few criticisms by pilots of the way the Federal Aviation Agency is being administered.

Mr. PUCINSKI. Mr. Speaker, will the gentleman yield?

Mr. WILLIAMS. I yield to the gentleman from Illinois.

Mr. PUCINSKI. Mr. Speaker, I would like to join the gentleman in the well, Mr. Williams, in paying tribute to the excellent job that our FAA Administrator, Mr. Halaby, is doing. I would like to congratulate the gentleman from Mississippi on taking this time to call attention to the fine work Mr. Halaby is doing. I think we here in Congress are extremely fortunate in having on the committee that works with the FAA as closely as it does, the Committee on Interstate and Foreign Commerce, men like the gentleman from Mississippi, Mr. Williams, a pilot himself, who understands the problems of the aviation industry, and who has done such a great job in trying to chart a course for the FAA through the legislative process, and the gentleman from Arkansas [Mr. Harris] who spoke a moment ago, the chairman of the committee. Both these men have done a tremendously impressive job in behalf not only of the American people but of the aviation industry itself, which is so very important to us.

I am proud to be able to share this time with him.

The SPEAKER pro tempore (Mr. Libonati). The time of the gentleman from Mississippi [Mr. Williams] has expired.

Mr. PUCINSKI. Mr. Speaker, I ask unanimous consent that the gentleman from Mississippi [Mr. Williams] may proceed for 5 additional minutes.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Illinois?

There was no objection.

Mr. PUCINSKI. Mr. Speaker, we are fortunate to have men of Mr. Halaby's character and ability at the head of this very important agency. The jet age has indeed brought vastly new problems to many communities of America, including my own congressional district which lies in the shadow of O'Hare Field, where we have 1,100 flights daily in and out.

I have discussed the problems which jet operations have created for the people of my district with Mr. Halaby at great length, and I can honestly say that I have seldom found in Government a man who is more sincere in wanting to resolve these problems. But, as the chairman of this committee so appropriately stated, he does that without in any way jeopardizing the safety standards of aviation. I think Mr. Halaby has certainly conveyed to the American people the depth of his sincerity in trying to deal with these problems, and we may all be proud, as Americans, irrespective of our political affiliations, of having a man like Mr. Halaby in this office, willing to accept this tremendously difficult job, who is trying to run this Agency in a manner that will be a credit to the Government and to the American people.

So I join the gentleman from Mississippi [Mr. Williams] in congratulating Mr. Halaby on the outstanding job he is doing.

Mr. WILLIAMS. I thank my good friend from Illinois who is also a licensed and active pilot and who has many times given evidence of his tremendous interest in air safety and in the air transportation system.

Mr. JARMAN. Mr. Speaker, will the gentleman yield?

Mr. WILLIAMS. I yield to the gentleman from Oklahoma.

Mr. JARMAN. Mr. Speaker, I have listened carefully to the remarks of the gentleman from Mississippi [Mr. Williams] and I would like to associate myself with his tribute to Najeeb E. Halaby. For several years I have served on the Subcommittee on Transportation and Aeronautics of the Interstate and Foreign Commerce Committee. In that capacity I have had an opportunity to observe Mr. Halaby's work as Administrator of the Federal Aviation Agency.

It is my considered judgment that Mr. Halaby is an able, dedicated public official. Our Nation is fortunate to have a man of Mr. Halaby's talents leave private business interests to shoulder the heavy and demanding responsibilities of his present position. Mr. Halaby is making a real contribution to the tremendously important task of improving our air transportation system. I welcome this opportunity to pay him tribute.

PERSONAL ANNOUNCEMENT

Mr. BERRY. Mr. Speaker, I ask unanimous consent that the gentleman from Nebraska [Mr. Cunningham] may extend his remarks at this point in the Record and include extraneous matter.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from South Dakota?

There was no objection.

Mr. CUNNINGHAM. Mr. Speaker, I received unanimous consent to be absent from the House on Monday, August 27, because of official business in my district. I was, therefore, not recorded on three rollcall votes on that date. Had I been present I would have voted "yea" on each of the following bills: Rollcall No. 202, Senate Joint Resolution 29 proposing an amendment to the U.S. Constitution outlawing payment of poll or other tax as qualification for voting in Federal elections; rollcall No. 203, House Resolution 769, providing for concurring in Senate amendments to H.R. 11040, to provide for the establishment, ownership, operation, and regulation of a communications satellite system, and rollcall No. 204, H.R. 12628, to provide additional funds under section 202(a)(4) of the Housing Act of 1959, to amend title V of the Housing Act of 1949, to provide low and moderate cost housing, both urban and rural, for the elderly. Although I was paired on these bills I did want the Record to show that I fully support the three legislative bills listed above.

PRIEST WAGES WAR ON MIGRANTS' POVERTY

Mr. BERRY. Mr. Speaker, I ask unanimous consent that the gentleman from Illinois [Mr. Derwinski] may extend his remarks at this point in the Record and include extraneous matter.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from South Dakota?

There was no objection.

Mr. DERWINSKI. Mr. Speaker, we are naturally preoccupied with the effects of Government programs and we run the danger of forgetting that individuals, charities, and church groups can effectively meet their obligations and problems at the local level. One of the matters which has concerned the Congress and administrative agencies but which cannot be effectively resolved is the correction of conditions facing migrant farmworkers in many parts of the country. On Sunday, August 19, 1962, the Chicago Tribune published a story depicting the efforts of the Reverend Fidel Rodriguez to meet the problems facing children of migrant workers in the Chicago Heights area of my district.

I feel that the story is an outstanding example of true Christian charity and is a good lesson in the imaginative leadership and local responsibility that is needed in this field. I insert the article at this point.

PRIEST WAGES WAR ON MIGRANTS' POVERTY

While lawmakers debate about the living conditions that Spanish-speaking migrant workers face in this country the Reverend Fidel Rodriguez, priest at St. Casimir's Church, 283 East 14th Street, Chicago Heights, is waging his own quiet war against those conditions.

He and his staff are attacking the lack of training and education that have barred the workers and their families from economic and social advantages enjoyed by the rest of the U.S. citizens.

For 4 years now, a 4-week summer program has been offered free of charge to the children of Spanish-speaking families. The program, carried out in the classrooms of St. Joseph School, 267 East 15th Street, Chicago Heights, serves children who are permanent area residents and others who migrate annually from southern Texas.

FIGHTS AGAINST POVERTY

Father Rodriguez, director of the summer school, is a quiet man with hints of gray in his hair. He is a veteran fighter against the poverty that comes from deficient education.

He came to Chicago from Spain 11 years ago to teach in St. Rita High School, 6310 South Claremont Avenue, and was disturbed by the conditions in which many Americans of Puerto Rican and Mexican descent were living.

"I saw many Spanish-speaking people," he said, "who were not being taken care of, although they needed care. I felt called to help them."

STARTED AT HOLY NAME

Once permission was granted him, Father Rodriguez began a program at Holy Name Cathedral, 730 North Wabash Avenue, for social and religious education of the Spanish-speaking community in the area. He spent 18 months there, moving afterwards to St. Jarlath's Church, 1725 Jackson Boulevard, where he began a similar program.

When he came to St. Casimir's Church, it was the same story. The local fieldworkers, most of them Mexican-Amercans, had little hope of finding jobs good enough to support adequate living conditions. They had no training to offer.

Living in poor housing on the edge of the community, they kept largely to themselves, and escaped the attention of most local persons.

The first help for these people came when services were begun in Spanish at St. Casimir's Church, so the workers and their families would have a home parish. Classes for adults, dealing with social and political problems, were also begun. Their purpose: to incorporate the families into the community.

NUNS GAVE HELPING HANDS

Then the summer school was begun. It was held in St. Joseph School, and staffed by Franciscan nuns from St. Joseph's parish, seminarians, and local volunteers.

The program was designed to strike hard at classroom difficulties for Spanish-speaking children, almost all of whom spoke English well, but many of whom were behind their peers in reading ability.

Once such students fall behind, Father Rodriguez explained, their natural intelligence is handicapped and they find it increasingly hard to master assignments. This situation causes many children to drop out of school, either because they lost interest, or because they feel disgraced in a class with younger children.

INTERRUPTIONS HARM READING

The reading problem is caused by lack of reading material in the home, and interruptions in the school year when many of the children migrate to and from Texas.

If the children leave school, they become another generation of workers who must seek jobs that require little training—and offer little in return, Father Rodriguez said.

Summer school pupils are also learning the rules of health—from two white mice. Pixie eats a well-balanced diet and jumps impishly around in the cage. Dixie is fed soft drinks and cookies, and lies quietly, looking sad.

THEY ALL PITCH IN

Each noon, after the 3-hour schoolday has ended, several of the children man brooms and dry mops, to leave everything as clean as it was when they came that morning.

"If we can teach them good English and the American way of life, we have accomplished our purpose," said Father Rodriguez.

The summer school, run without a budget allotment from the parish, is paid in part by Caballeros Guadalupanos and Damas Guadalupanas, social groups for Spanish-speaking men and women in the parish. The remainder is taken from parish fund-raising projects and Catholic charities.

FEDERAL AVIATION AGENCY

Mr. HARRIS. Mr. Speaker, I ask unanimous consent that the gentleman from Texas [Mr. Gonzalez] may extend his remarks at this point in the Record and include extraneous matter.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

Mr. GONZALEZ. Mr. Speaker, in the Washington Post this week there was carried a rather lengthy review of Mr. Paul Jacobs' book "Dead Horse and the Featherbird," published by the Center for the Study of Democratic Institutions. The report on this book was interesting, for it appears to be an interesting and controversial book. You will recall that the book deals with a description of some of the conflicts and problems that plague our society as a result of some of our technological advances.

In discussing the details of some of these controversies, Mr. Jacobs makes the statement that it has been difficult getting at the truth of some of the controversy centered in airline industries because the position adopted by airplane manufacturers, airlines, and unions are biased by economics, and those taken by the FAA, CAB, and other Government agencies by politics.

This statement interested me, of course, for I have felt in these recent weeks as though I might be one alone in having the temerity to suggest that some of the decisions of the Federal Aviation Agency were dictated by political considerations rather than technical requirements. It is a comfort to know that someone besides myself has inquired into these matters and has found evidence of political motivations resting behind the facade of technological jargon erected by FAA Administrator Najeeb Halaby to obscure some of his decisions.

It happens that there is some evidence available that suggests something less than a fine impartiality of mind when it comes to making decisions affecting our airlines, their employees, and the suppliers of their manufactured equipment. I think Mr. Jacobs is quite correct on this and I may have some materials bearing on this which he has not seen. For instance, very serious questions exist as to why Mr. Halaby on February 21 of this year gave approval to a certain international airline for use of Doppler Radar Cockpit Navigation over certain North Atlantic routes. The Doppler radar device is a piece of navigational equipment into which various data concerning speeds, wind direction, and so forth can be fed and which then is supposed to provide the pilot his precise track over the ground or sea and compute his exact ground speed.

It is an elaborate and ambitious piece of equipment produced by one of our large manufacturing corporations. The only trouble with it is that it simply has not lived up to its billing. It cannot provide the reliable service that an FAA study and inspecting team claim for it. Before Mr. Halaby issued his authorization to this airline to permit its pilots to use this device it was tested in actual operations and apparently the results satisfied Mr. Halaby even though it did not then and does not now satisfy the navigators of these airplanes. And from the evidence I have seen I am inclined to agree with the navigators that the situation leaves much to be desired.

I have seen the excerpts from the logs of scores of transatlantic flights showing the breakdown or malfunction of this equipment. I have seen the in-route charts of flights guided by Doppler that showed these passenger-loaded planes veered as much as 240 miles off course. One study of 120 flights of this airline in a given period showed that 25 percent of these made errors of over 40 miles off course. These are not inconsequential deviations. They mean that a pilot approaching our coastline is quite frequently lost and must await some ground fix or signal to find out where he is. I am told that it is not unusual for one of these wayward airplanes to be met by fighter interceptor planes simply because it had approached our coast as an unidentified aircraft cruising in some unscheduled air corridor. This is a costly form of air route traffic control to have the Defense Command bringing in lost planes. And it is the navigator's belief that these cases could be avoided if Doppler were used as a navigator's aid along with other instruments rather than a pilot's instrument, as Mr. Halaby has decreed. And Mr. Halaby's decree on this is reaffirmed as recently as the first of this month following new and urgent appeals from the navigators to modify his ruling. The navigators involved here have raised serious charges that the present arrangement is a threat to safety to all North Atlantic carriers that is being imposed through the FAA. These navigators, through the Airline Navigators Association, have already written the President that they advised Mr. Halaby and the FBI of some of the close fraternal relationships that they felt existed between FAA agents and inspectors and the officials of this particular airline. They cited the cases of meal receipts and hotel rooms for FAA employees paid by the airline in Paris. This kind of expense account chiseling may be considered by some as petty graft at worst but I suggest, Mr. Speaker, that if the FAA inspectors mentioned by the Airline Navigators Association were also the ones to make the field check on trial runs of the Doppler equipment, we may have a clue as to why Mr. Halaby has made a decision that the navigators consider unwise, unworkable, and unsafe.

Mr. Halaby, however, has defended his decision in this, as he does in other matters. And I can testify that he is a vigorous defender of what he decides. He has dismissed the complaints of the navigators, saying they are only "incidents."

It appears to me that the situation calls for more than this. I do not believe that a transatlantic passenger of this airline can take any comfort from having the pilot approach our country over Bangor, Maine, when all the time he thought he was over Montreal, Canada. And it is surely not soothing, under the circumstances, to look out the window and see a fully armed fighter plane buzzing your flight to see if you are a friend or enemy.

LEWIS AND CLARK HIGHWAY

Mr. HARRIS. Mr. Speaker, I ask unanimous consent that the gentleman from Montana [Mr. Olsen] may extend his remarks at this point in the Record and include extraneous matter.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

Mr. OLSEN. Mr. Speaker, on August 19, 1962, occurred an event climaxing 157 years of history and tradition in the great Northwest: the magnificent Lewis and Clark Highway, spanning a long section of the Rocky Mountains, was officially opened.

Mr. Albert J. Partoll, of Missoula, Mont., the noted Indian historian, pausing to reflect on the historic import of this occasion, sent me the following moving summation of the significance of this event and the feelings it inspired in him and countless other northwestern Americans:

> One hundred and fifty-seven years ago those daring and self-reliant explorers, Lewis and Clark, took this route to the Pacific coast in 1805, and returned over it in 1806. They were trailblazers for a greater America, and a greater future. They were men of adventure backed by President Thomas Jefferson, a man of great vision with faith in America's future. Many events have taken place since Lewis and Clark covered this route, partly afoot and partly horseback. Possibly their fondest dreams did not encompass the realities of the future, when a national highway would span this section of the Rocky Mountains. Yet during those intervening years the frontier yielded to progress, after a series of pioneering ventures including the fur trade, explorations for gold and other minerals, lumbering, agriculture, and other pursuits.
>
> Today as we set our sights on a New Frontier of expanding progress for modern America, a great dream is materializing due to the interest and efforts on the part of western U.S. Senators and Congressmen, and the Governors of the States of Montana and Idaho. These men are in a sense trailblazers also, for their combined efforts have helped make possible this newest of modern highways across the Rockies. This highway belongs to all Americans, it is a part of their stake in the future.
>
> It is fitting that acknowledgment be made to the memory of Lewis and Clark and to their pioneering successors, and to the people of the West for their foresight in sustaining their interest in planning such a highway. We of Montana are proud of our share in this feat which marks the dawn of a greater future for the tomorrow of the Rocky Mountain West.

I concur in Mr. Partoll's pride and enthusiam on the occasion of this great achievement, and am confident that this newest contribution of the Northwest to American national life will play a vital role in the progress of our country in the coming years.

FAIR TAX SYSTEM

The SPEAKER pro tempore (Mr. Libonati). Under previous order of the House, the gentleman from New York [Mr. Halpern] is recognized for 5 minutes.

Mr. HALPERN. Mr. Speaker, one of the cardinal principles of a fair tax system is that similarly situated individuals should be taxed similarly. Yet there are a number of features of our Federal income tax laws that discriminate in favor of some groups over others. Perhaps no other feature of the tax is as widely divergent in its application as the method of taxing annuities and pensions. As a consequence, serious discrimination results.

Various proposals have been advanced to mitigate this discrimination. During this Congress, I have introduced H.R. 6504 which is a sensible and simple approach to the problem. While it admittedly does not provide complete similarity in the treatment of all different sources of retirement income it goes far toward removing the present unjustifiable inequities. This bill amends section 72 of the Internal Revenue Code which provides for an additional exemption of $3,000 from income tax for amounts received as annuities, pensions, or other retirement benefits.

I would like to illustrate the variations in the taxability of annuities received under various programs. This will demonstrate clearly the seriousness of the problem and the need for corrective legislation.

The millions of individuals who receive social security benefits are completely tax exempt on this retirement income. Moreover, the hundreds of thousands of individuals receiving benefits under the railroad retirement program are free from tax on their benefits. In contrast to this, recipients of other retirement programs, such as the civil service program, are only partially tax-exempt. In pension programs where the employer makes the contributions on behalf of the employe the annuity payments are fully taxed. This variation in the methods of taxing retirement income is clearly discriminatory and certainly is far removed from any principle of equity.

On numerous occasions the Treasury Department has recognized the need for a more uniform method of taxation of retirement income. Although they have suggested a complete study of pension taxation, they have been slow in coming forth with any actual set of recommendations. Thus, pending time that a set of rules is proposed and properly evaluated by the Congress, we should proceed toward an immediate solution ourselves. An important step in this direction would be the adoption of my bill, H.R. 6504.

A more equitable tax system is not the only beneficial effect that will be derived from enactment of my bill. The bill gives recognition to the usually declining economic position of the retiree.

When an individual retires, he not only faces a difficult psychological readjustment. He must adjust to a substantially reduced income. With living costs what they are today and the gradual decline in the value of the dollar, the average person has considerable difficulty in building up even a small nest egg to provide reserve funds during his later years of life. To make matters worse, even though savings are usually low, some costs such as medical expenses rise and occur with greater frequency.

Thus, faced with reduced income and larger outlays, an individual can ill afford a further reduction in his income by having to pay taxes on a small pension. As a result, many workers who approach the retirement age cannot see their way clear to retire. They will often work beyond the normal retirement age and thus be deprived of a few years free from the rigors and anxieties of a full-time job. That is why I do not think it is fair that retired individuals be required to pay income tax on a small modest retirement income.

Mr. Speaker, I am today making another appeal to the Ways and Means Committee to hold hearings on this bill and afford an opportunity for all sides to be heard and for Congress to be afforded the chances to act on it. I have pointed out to our distinguished colleague, the gentleman from Arkansas [Mr. Mills], that an exemption of the first $3,000 a year is not asking too much. Actually, all it does is ask that all retirees be given the same liberal exemption that is already provided to social security and railroad retirement annuitants. No one can argue against this type of justice. That is why equity demands that we take favorable action on H.R. 6504, which allows an exemption of $3,000, received as annuities, pensions, and other retirement benefits. I fervently urge the Members of this House to join in this effort to correct this obvious inequity and to give this much deserved, long-overdue consideration to America's retirees.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

Mr. Roosevelt, for 10 minutes, today, and to revise and extend his remarks and include extraneous matter.

Mr. Feighan, for 5 minutes today, and to revise and extend his remarks and include extraneous matter.

Mr. Williams, for 15 minutes, today.

Mr. Ryan of New York, for 15 minutes, tomorrow, and to revise and extend his remarks and include extraneous matter.

Mr. Lindsay, for 60 minutes, on Tuesday, September 4.

Mr. Halpern (at the request of Mr. Berry), for 5 minutes, today, and to revise and extend his remarks and include extraneous matter.

Mr. Gubser (at the request of Mr. Berry), for 30 minutes, on August 30.

Mr. Berry, for 1 hour, on Tuesday, September 4.

Mr. O'Hara of Michigan (at the request of Mr. Harris), for 15 minutes, today, and to revise and extend his remarks and include extraneous matter.

Mr. George P. Miller (at the request of Mr. Harris), for 30 minutes, on Thursday, September 6.

EXTENSION OF REMARKS

By unanimous consent, permission to extend remarks in the Congressional Record, or to revise and extend remarks, was granted to:

(The following Members (at the request of Mr. Harris) and to include extraneous matter:)

Mr. Celler.

Mr. Randall.

ENROLLED BILLS SIGNED

Mr. BURLESON, from the Committee on House Administration, reported that that committee had examined and found truly enrolled bills and a joint resolution of the House of the following titles, which were thereupon signed by the Speaker:

H.J. Res. 677. Joint resolution relating to the admission of certain alien children;

H.R. 1388. An act for the relief of Tai Ja Lim;

H.R. 5532. An act to amend chapter 137, of title 10, United States Code, relating to procurement;

H.R. 10432. An act to amend title 39, United States Code, to codify certain recent public laws relating to the postal service and to improve the code; and

H.R. 10743. An act to amend title 38, United States Code, to provide increases in rates of disability compensation, and for other purposes.

SENATE ENROLLED BILL SIGNED

The SPEAKER announced his signature to an enrolled bill of the Senate of the following title:

S. 3327. An act to make eligible for assistance under the public facility loan program certain areas where research or development installations of the National Aeronautics and Space Administration are located.

ADJOURNMENT

Mr. HARRIS. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 5 o'clock and 18 minutes p.m.), the House adjourned until tomorrow, Thursday, August 30, 1962, at 12 o'clock noon.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

2467. A letter from the Comptroller General of the United States, transmitting a report on the review of determination of needs by the Ordnance Supply Office (OSO), Mechanicsburg, Pa., Department of the Navy, for major spare components for repair of missiles at guided missile service units (GMSUs); to the Committee on Government Operations.

2468. A letter from the Assistant Secretary of the Interior, relative to a proposed concession permit with Mrs. Viola H. Montgomery, which will authorize her to operate a lunchroom and to sell certain items to the public at Muir Woods National Monument, Calif., pursuant to 70 Stat. 543; to the Committee on Interior and Insular Affairs.

2469. A letter from the Chairman, U.S. Tariff Commission, transmitting a report of the Tariff Commission's investigation concerning beryllium which the Commission made pursuant to Senate Resolution 206, 87th Congress; to the Committee on Ways and Means.

2470. A letter from the Secretary of the Army, transmitting a draft of a proposed bill entitled "A bill to amend title 10, United States Code, to authorize the award of the Medal of Honor, the Distinguished Service Cross, the Navy Cross, the Air Force Cross, and the Silver Star, and for other purposes"; to the Committee on Armed Services.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. JAMES C. DAVIS: Committee on Post Office and Civil Service. H.R. 10539. A bill to amend the Federal Employees Health Benefits Act of 1959 to provide additional choice of health benefits plans, and for other purposes; without amendment (Rept. No. 2294). Referred to the Committee of the Whole House on the State of the Union.

Mr. JAMES C. DAVIS: Committee on Post Office and Civil Service. H.R. 3258. A bill to allow credit under the Civil Service Retirement Act to certain Federal employees for service in Federal-State cooperative programs in a State, and for other purposes; with amendment (Rept. No. 2295). Referred to the Committee of the Whole House on the State of the Union.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. FEIGHAN: Committee on the Judiciary. H.R. 1598. A bill for the relief of Michael Dedetsinas; with amendment (Rept. No. 2296). Referred to the Committee of the Whole House.

Mr. POFF. Committee on the Judiciary. H.R. 1691. A bill for the relief of Elaine Veronica Clarke; with amendment (Rept. No. 2297). Referred to the Committee of the Whole House.

Mr. CHELF: Committee on the Judiciary. H.R. 9472. A bill for the relief of Janina Tekla Gruszkos; without amendment (Rept.

No. 2298). Referred to the Committee of the Whole House.

Mr. WALTER: Committee on the Judiciary. H.R. 12907. A bill for the relief of Dr. Mehmet Vecihi Kalayciolglu; with amendment (Rept. No. 2299). Referred to the Committee of the Whole House.

Mr. FEIGHAN: Committee on the Judiciary. H.R. 9893. A bill for the relief of Tadeusz Sochacki; with amendment (Rept. No. 2300). Referred to the Committee of the Whole House.

Mr. CHELF: Committee on the Judiciary. H.R. 12402. A bill for the relief of Concetta Maria, Rosetta, and Tomasino Manigiaracina; with amendment (Rept. No. 2301). Referred to the Committee of the Whole House.

Mr. MOORE: Committee on the Judiciary. H.R. 1362. A bill for the relief of Calogera Virone Messina; with amendment (Rept. No. 2302). Referred to the Committee of the Whole House.

PUBLIC BILLS AND RESOLUTIONS

Under clause 4 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. CELLER:

H.R. 13007. A bill to amend further section 11 of the Federal Register Act, as amended; to the Committee on the Judiciary.

By Mr. LATTA (by request):

H.R. 13008. A bill to change the name of the Perry's Victory and International Peace Memorial National Monument, to provide for the acquisition of certain lands, and for other purposes; to the Committee on Interior and Insular Affairs.

By Mr. NORBLAD:

H.R. 13009. A bill to amend the Commodity Credit Corporation Charter Act to give a priority to grain storage facilities of States and their political subdivisions; to the Committee on Banking and Currency.

By Mr. O'KONSKI:

H.R. 13010. A bill to provide for donation to farmers and stockmen of feed for livestock in areas in which the effects of radiation denies them their usual sources of feed; to the Committee on Agriculture.

By Mr. WILSON of California:

H.R. 13011. A bill to amend title II of the Social Security Act to liberalize the retirement test through increasing the amount of earnings permitted without full deductions from benefits thereunder; to the Committee on Ways and Means.

H.R. 13012. A bill to amend the Internal Revenue Code of 1954 to provide that amounts received as certain awards under the Japanese-American Evacuation Claims Act of 1948, as amended, shall not be included in gross income; to the Committee on Ways and Means.

By Mr. FLOOD:

H.J. Res. 868. Joint resolution to create a regional agency by intergovernmental compact for the planning, conservation, utilization, development, management, and control of the water and related natural resources of the Susquehanna River Basin, for the improvement of navigation, reduction of flood damage, reduction and control of surface subsidence, regulation of water quality, control of pollution, development of water supply, hydroelectric energy, fish and wildlife habitat, and public recreational facilities, and other purposes, and defining the functions, powers, and duties of such agency; to the Committee on the Judiciary.

By Mr. MACK:

H.J. Res. 869. Joint resolution providing that February 12, 1965, shall be a legal holiday; to the Committee on the Judiciary.

By Mr. FRIEDEL:

H. Res. 773. Resolution authorizing the employment of additional personnel for the offices of the Doorkeeper and Postmaster of the House of Representatives; to the Committee on House Administration.

By Mr. LANE:

H. Res. 774. Resolution providing for sending the bill (H.R. 7561) for the relief of certain counties, cities, and other political subdivisions of the State of California, together with accompanying papers, to the Court of Claims; to the Committee on the Judiciary.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. BARRETT:

H.R. 13013. A bill for the relief of Elfriede Unterholzer Sharble; to the Committee on the Judiciary.

By Mr. GUBSER:

H.R. 13014. A bill for the relief of Capt. Leon M. Gervin; to the Committee on the Judiciary.

By Mr. JOHNSON of Maryland:

H.R. 13015. A bill for the relief of Edward Benedict Adams; to the Committee on the Judiciary.

By Mr. KING of Utah:

H.R. 13016. A bill for the relief of Ivan Andrew Therkildsen; to the Committee on the Judiciary.

By Mr. MOELLER:

H.R. 13017. A bill for the relief of Antonia Hernandez-Rico; to the Committee on the Judiciary.

By Mr. MOORE:

H.R. 13018. A bill for the relief of Jaime E. Lazaro; to the Committee on the Judiciary.

H.R. 13019. A bill for the relief of Lydia Lazaro; to the Committee on the Judiciary.

By Mr. RIVERS of South Carolina:

H.R. 13020. A bill for the relief of Rebecca K. Clayton; to the Committee on the Judiciary.

By Mr. RYAN of New York:

H.R. 13021. A bill for the relief of Peter G. Corbett; to the Committee on the Judiciary.

By Mrs. WEIS:

H.R. 13022. A bill for the relief of Sheu Chwan Shaiou; to the Committee on the Judiciary.

SENATE

Wednesday, August 29, 1962

The Senate met at 10 o'clock a.m., and was called to order by the President pro tempore.

The Chaplain, Rev. Frederick Brown Harris, D.D., offered the following prayer:

Our Father, God, again with the miracle of dawn has come the gift of a new day. With contrition for past failures, may no vain regrets keep us from seizing the challenge of each new day as we hear the angel of the morning declare—

> Each night I burn the records of the day—
> each sunrise every soul is born again.

And so through sleep and darkness safely brought, restored to life and power and thought, we would each face this fresh chance with the glorious consciousness, "I am with Thee."

Even in the heat and burden of daylight's tasks and of evening weariness, let not our strength fail nor our vision fade.

In the midst of all that besets us, make us patient and considerate of one another in the fret and jar of human contacts, remembering that even in the glare of public gaze, each fights a hard battle and walks a lonely way.

We ask it in the name of the One who in a dark garden trod the winepress alone. Amen.

THE JOURNAL

On request of Mr. Mansfield, and by unanimous consent, the reading of the Journal of the proceedings of Tuesday, August 28, 1962, was dispensed with.

MESSAGE FROM THE PRESIDENT

A message in writing from the President of the United States submitting a nomination was communicated to the Senate by Mr. Miller, one of his secretaries.

EXECUTIVE MESSAGE REFERRED

As in executive session,

The PRESIDENT pro tempore laid before the Senate a message from the President of the United States submitting the nomination of Abba P. Schwartz, of Maryland, to be Administrator, Bureau of Security and Consular Affairs, Department of State, which was referred to the Committee on Foreign Relations.

LIMITATION OF DEBATE DURING MORNING HOUR

On request of Mr. Mansfield, and by unanimous consent, statements during the morning hour were ordered limited to 3 minutes.

COMMITTEE MEETINGS DURING SENATE SESSION

On the request of Mr. Mansfield, and by unanimous consent, the Special Subcommittee on Arts, of the Committee on Labor and Public Welfare; and the Permanent Subcommittee on Investigations, of the Committee on Government Operations, were authorized to meet during the session of the Senate today.

EXECUTIVE COMMUNICATIONS, ETC.

The PRESIDENT pro tempore laid before the Senate the following letters, which were referred as indicated:

Amendment of Title 10, United States Code, Relating to Award of the Medal of Honor, Distinguished Service Cross, Navy Cross, Air Force Cross, and Silver Star

A letter from the Secretary of the Army, transmitting a draft of proposed legislation to amend title 10, United States Code, to authorize the award of the Medal of Honor, the Distinguished Service Cross, the Navy Cross, the Air Force Cross, and the Silver Star, and for other purposes (with accompanying papers); to the Committee on Armed Services.

Exemption of Certain Reserve Officers From Dual Compensation Restrictions

A letter from the General Counsel of the Department of Defense, transmitting a draft of proposed legislation to exempt certain reserve officers of the Army or Air Force from the dual compensation restrictions of the Economy Act of June 30, 1932, as amended (with accompanying papers); to the Committee on Armed Services.

Report on Tariff Commission Investigation Relating to Beryllium

A letter from the Chairman, U.S. Tariff Commission, Washington, D.C., transmitting, pursuant to law, a report of that Commission's investigation concerning beryllium (with an accompanying report); to the Committee on Finance.

Report on Review of Determination of Needs for Major Spare Components for Repair of Missiles Service Units, Department of the Navy

A letter from the Comptroller General of the United States, transmitting, pursuant to law, a confidential report on the review of determination of needs for major spare components for repair of missiles service units, Department of the Navy (with an accompanying report); to the Committee on Government Operations.

Proposed Concession Permit at Muir Woods National Monument, Calif.

A letter from the Assistant Secretary of the Interior, transmitting, pursuant to law, a proposed concession permit at Muir Woods National Monument, Calif. (with accompanying papers); to the Committee on Interior and Insular Affairs.

Report on Tort Claims Paid by General Services Administration

A letter from the Administrator, General Services Administration, Washington, D.C., transmitting, pursuant to law, a report on tort claims paid by that Administration, during fiscal year 1962 (with an accompanying report); to the Committee on the Judiciary.

PETITION

The PRESIDENT pro tempore laid before the Senate a letter in the nature of a petition signed by Ohio Bell, of Chicago, Ill., relating to the receipt by the Senate of his petition for a redress of grievances, mailed by him on July 17, 1962, which was referred to the Committee on the Judiciary.

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. JACKSON, from the Committee on Armed Services, with an amendment:

H.R. 11217. An act to amend section 6112 of title 10, United States Code (Rept. No. 1979).

By Mr. EASTLAND, from the Committee on the Judiciary, with amendments:

H.R. 8038. An act to amend section 491 of title 18, United States Code, prohibiting certain acts involving the use of tokens, slugs, disks, devices, papers, or other things which are similar in size and shape to the lawful coins or other currency of the United States (Rept. No. 1981).

By Mr. DIRKSEN, from the Committee on the Judiciary, without amendment:

S.J. Res. 222. Joint resolution providing for the designation of the period October 1962 through October 1963 as "National Safety Council 50th Anniversary Year" (Rept. No. 1980).

By Mr. PASTORE, from the Committee on Commerce, with an amendment:

S. 3646. A bill to amend the Communications Act of 1934, as amended, relative to merger of domestic telegraph carriers (Rept. No. 1982).

REPORT ON DISPOSITION OF EXECUTIVE PAPERS

Mr. JOHNSTON, from the Joint Select Committee on the Disposition of Papers in the Executive Departments, to which was referred for examination and recommendation a list of records transmitted to the Senate by the Archivist of the United States, dated August 14, 1962, that appeared to have no permanent value or historical interest, submitted a report thereon, pursuant to law.

BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. SMATHERS:

S. 3684. A bill for the relief of Doyle A. Ballou; to the Committee on the Judiciary.

By Mr. BENNETT:

S. 3685. A bill to amend the act approved July 14, 1960, 74 Stat. 526, as amended, relating to the establishment of a register of names in the Department of Commerce of certain motor vehicle drivers; to the Committee on Commerce.

(See the remarks of Mr. Bennett when he introduced the above bill, which appear under a separate heading.)

AMENDMENT OF NATIONAL DRIVER REGISTER SERVICE ACT

Mr. BENNETT. Mr. President, I introduce, for appropriate reference, a bill to amend the act approved July 14, 1960, 74 Stat. 526, as amended, relating to the establishment of a register of names in the Department of Commerce of certain motor vehicle drivers. I ask unanimous consent that a statement, prepared by me, relating to the bill be printed in the Record.

The PRESIDENT pro tempore. The bill will be received and appropriately referred, and, without objection, the statement will be printed in the Record.

The bill (S. 3685) to amend the act approved July 14, 1960, 74 Stat. 526, as amended, relating to the establishment of a register of names in the Department of Commerce of certain motor vehicle drivers, introduced by Mr. Bennett, was received, read twice by its title, and referred to the Committee on Commerce.

The statement presented by Mr. Bennett is as follows:

Statement by Senator Bennett

Over a year of experience with the National Driver Register Service program has illustrated to State and Federal officials that this new effort for problem driver control is thoroughly effective, and that the States can increasingly better their driver license record systems by utilizing the driver record information accumulated in the Driver Register Service. The progress of the program is indicated by the fact that only 4 nonparticipating States remain. Already over 200,000 problem drivers have been registered in the Driver Register file, and over 12,000 reports have been sent to the several States. However, the Driver Register can accept revocation reports only on drivers who have lost their driving privileges due to drunken driving or involvement in a fatal accident.

Among State and Federal officials a question is now being asked: "Why limit the information in the Driver Register file to merely to drunk driving and fatality information?" State officials who are concerned with locating their problem drivers want information on all other types of revocations and suspensions of driving privileges, in addition to the drunk driving and fatality categories. It is basic that since the program has proved effective, such additional information should be made available to inquiring State officials. It is not in the best interests of State driver improvement programs, or the National Driver Register Service, to be unable to report matters such as suspensions of driving privileges necessitated by physical or mental incompetency. Also, many drivers lose their driving privileges on account of courses of conduct involving repeated, habitual violations of the traffic laws. These drivers are often considered by law enforcement personnel as being more dangerous than the drunken driver, because they have become involved in a pattern of dangerous driving, rather than a single isolated violation of a traffic law.

During the first year of this program, Federal Driver Register officials have become acutely aware of the feeling on the part of State officials that the determination as to which driver should or should not be registered in the National Driver Register file is an exclusive State matter. The State official, in all cases, is the one who must take the action, and has custody of the basic source documents having to do with revocations and suspensions. Consequently, he feels strongly that any amendment to the National Driver Register Service law should be one which leaves to the appropriate State official the decision as to who should be registered in the Driver Register file.

Many State officials seem to believe that the ideal situation would be a law which would enable State officials to report all revocations or suspensions which should come to the attention of all other State officials who have to do with the involved motorist. For example, if an individual applies for a driver license in the State of Texas and is denied driving privileges by Texas because officials there discover that he is a serious epileptic case, such a driver should be registered in the Driver Register file. If he is not so registered, he can all too easily obtain driving privileges in another State by failing to disclose his chronic physical condition. The same reasoning applies to the driver who has lost his driving privileges in one State because of repeated violations of the traffic laws. This type of action should also be one which is not readily evaded by the simple device of moving across a State line.

The basic idea of driver improvement programs in the States is to collect all available relevant and appropriate information concerning drivers, so that State officials may be enabled to bring corrective action to bear upon problem drivers. Without sufficient information on a national basis to do this, any expectation of maximum results cannot be realistic.

The basic concept of the driver register law, and this proposed amendment, is in accord both in letter and spirit with Article IV, Section I, of the Constitution:

> "Full faith and credit shall be given in each State to the public acts, records, and judicial proceedings of every other State. And the Congress may by general laws precribe the manner in which such acts, records and proceedings shall be proved, and and the effect thereof."

The specific wording of any amendment to the driver register law increasing its scope will make a great difference to the success of the National Driver Register Service program in the future. The driver register program is a service to State traffic safety officials, and as such it should provide the type of service to State officials which they themselves determine they want and need. This bill effectively does this job in a simple, uncomplicated manner.

The laws of the several States concerning revocations and suspensions of driving privileges vary considerably. In view of this widespread variance, the more specific an amendment to the driver register law is, the more troublesome it becomes to administer it effectively and uniformly throughout the Nation. The language in the bill proposed is general and uncomplicated. In effect the bill says "it is a matter for the determination of State traffic safety officials to report to the National Driver Register those revocations, suspensions, cancellations, and denials of driving privileges which the acting State officials believe to be serious enough to deserve national attention." What better way could the National Driver Register fulfill its service mission to the States?

REVENUE ACT OF 1962—AMENDMENTS

Mr. MORTON submitted an amendment, intended to be proposed by him to the bill (H.R. 10650) to amend the Internal Revenue Code of 1954 to provide a credit for investment in certain depreciable property, to eliminate certain defects and inequities, and for other purposes, which was ordered to lie on the table and to be printed.

Mr. HARTKE submitted amendments, intended to be proposed by him, to House bill 10650, supra, which were ordered to lie on the table and to be printed.

Mr. PROXMIRE submitted amendments, intended to be proposed by him, to House bill 10650, supra, which were ordered to lie on the table and to be printed.

Mr. BEALL (for himself, Mr. LAUSCHE, and Mr. JAVITS) submitted an amendment, intended to be proposed by them, jointly, to House bill 10650, supra, which was ordered to lie on the table and to be printed.

Mr. LAUSCHE submitted an amendment, intended to be proposed by him, to House bill 10650, supra, which was ordered to lie on the table and to be printed.

TRADE EXPANSION ACT OF 1962—AMENDMENTS

Mr. SMATHERS submitted amendments, intended to be proposed by him, to the bill (H.R. 11970) to promote the general welfare, foreign policy, and security of the United States through international trade agreements and through adjustment assistance to domestic industry, agriculture, and labor, and for other purposes, which were referred to the Committee on Finance and ordered to be printed.

NOTICE OF RECEIPT OF A NOMINATION BY COMMITTEE ON FOREIGN RELATIONS

Mr. FULBRIGHT. Mr. President, as chairman of the Committee on Foreign Relations, I desire to announce that today the Senate received the nomination of Abba P. Schwartz, of Maryland, to be Administrator, Bureau of Security and Consular Affairs, Department of State.

In accordance with the committee rule, this pending nomination may not be considered prior to the expiration of 6 days of its receipt in the Senate.

ADDRESSES, EDITORIALS, ARTICLES, ETC., PRINTED IN THE RECORD

On request, and by unanimous consent, addresses, editorials, articles, etc., were ordered to be printed in the RECORD, as follows:

By Mrs. NEUBERGER:

Articles entitled "Consumer Council in White House," "Consumer Voices' Dismal History," "Status of Aid for Consumers," "Pilot Program for Consumers," and "How Can Council Aid Consumers?" written by Sylvia Porter and published recently.

TRIBUTE TO SENATOR METCALF

Mr. MANSFIELD. Mr. President, in the August 24 edition of the Helena (Mont.) Independent Record, there appeared an editorial entitled "To the Left of Kennedy." The editorial comments on the vote that my friend and colleague, Senator METCALF, cast on the question of the passage of the communications satellite bill. Unfortunately, the editorial is based upon a mistake; and in fairness to both the paper and to Senator METCALF, I wish to make these few remarks.

I quote from the editorial published in the Helena (Mont.) Independent Record:

> ### TO THE LEFT OF KENNEDY
>
> Montana's Senator LEE METCALF has joined those who are to the left of Kennedy.
>
> When the vote came on the all-important Telstar bill, the subject of the previous filibuster, METCALF did not actually vote but it was announced that he was paired against the bill.
>
> This meant that if he had been present he would have voted against it.

Further on, the editorial states:

> Then the same group—

Referring to the majority of the Senate—

> had to unite to take control in the Senate when the Democratic majority flubbed, and passed President Kennedy's bill for him.
>
> To do this they had to override the liberals to the left of Kennedy for the second time and it was then that they found Senator METCALF paired so that he was affiliated with the radicals.

Mr. President, first let me say that I know of no radicals in the Senate; but there are some liberals, and they are entitled to their views.

It will be noted that the editorial states:

> It was announced that he—

Senator METCALF—

> was paired against the bill.

And the editorial continues:

> This meant that if he had been present he would have voted against it.

This, of course, is not the case, Mr. President, as I am sure Senators will remember, and as the CONGRESSIONAL RECORD of August 17, at page 16926, clearly shows. Senator METCALF was not only present at the time when the vote was taken, but he voted "yea," before announcing that he had a pair with the junior Senator from Alaska [Mr. GRUENING], and therefore was required to withhold his vote.

In giving this pair to Senator GRUENING, who, I believe, had been called out of the city prior to the vote on the question of the passage of the bill, Senator METCALF was merely demonstrating once again his quiet courtesy and gentlemanly willingness to accommodate a fellow Member of the Senate. His support of the President's satellite bill was determined and unhesitating from start to finish of the debate, as is shown by his vote in favor of the motion to invoke cloture and by each and every vote that he cast on the measure.

But, Mr. President, I think this may be a proper time to pay a brief tribute to my colleague. I wish to say that throughout his service as a Member of this body, he has, in my opinion, acquitted himself in every way in accordance with the highest traditions of the Senate.

I know of no Senator who has applied himself more sincerely to careful study and independent consideration of the issues we face than has he. I know of no Senator who is more concerned with the thoughts and the destiny of the people he represents than is the junior Senator from Montana. I believe no Senator is more devoted to his country or to the Senate than is my colleague, Senator METCALF.

In short, Mr. President, I know of no man with whom I would rather serve in this body than with my fellow colleague, my confident, and my friend, LEE METCALF.

I am proud that I have the opportunity to represent in this body the same people who chose him for their U.S. Senator.

KERR-MILLS—CLAIMS AND REALITY

Mrs. NEUBERGER. Mr. President, in a recent address, the Governor of Oregon expressed great satisfaction with the program of medical assistance to the aged enacted in Oregon under the auspices of the Kerr-Mills Act. Other Oregonians have written to me in recent months commending the Kerr-Mills program. One declares that the Kerr-Mills program is "adequate" to the needs of our elder citizens. Another, that "it is cheaper than social security"; still another, that the Kerr-Mills Act "avoids waste of tax money," and that under Kerr-Mills no one "is taxed to pay other people's hospital bills." These letters have prompted me to take a careful second look at Kerr-Mills and to measure its achievements against the claims of its advocates.

The Kerr-Mills Act was passed nearly 2 years ago. Its principal aim was to stimulate the creation of a new category of public assistance—medical assistance for the aged—MAA. Under Kerr-Mills, each State can establish a program of medical assistance to the aged with the costs to be borne partially by grants of Federal funds. The State MAA programs were to be designed to aid those who might have sufficient financial resources to meet their ordinary living expenses but not the expanding costs of medical services.

Each State had to decide whether it could afford to bear its portion of a medical assistance program. Once the decision to establish such a program had been made, the State then had to set eligibility requirements, conditions, and benefits consonant with its financial resources. Only 24 States have thus far been willing and able to establish MAA programs. To the 7 million elderly citizens living in the remaining 26 States, the claims made for the Kerr-Mills Act are a cruel mockery.

Yet even in those States which have an active MAA program, the achievements have fallen drastically short of the claims.

I. THE ADEQUACY OF COVERAGE UNDER KERR-MILLS

During the Senate debate on the Kerr-Mills Act, the senior Senator from Oklahoma [Senator Kerr] acknowledged that an estimated 10 million of the Nation's 17 million aged would need medical care which they could not afford. Yet in March of this year, after 18 months' experience with Kerr-Mills, only 88,000 elderly persons received medical assistance under Kerr-Mills—only one-half of 1 percent of the Nation's aged. The State of Oregon has an aged population of 191,000, yet in the month of May, the last month for which figures are available, only 372 elderly Oregonians received medical assistance under Kerr-Mills—a bare two-tenths of 1 percent of Oregon's aged.

Why are so few helped? The answers are not hard to find. To be eligible for MAA a single person in Oregon can receive no more than $1,500 income a year—$28.87 a week; a couple may receive $2,000—$38.47 a week. These requirements are so stringent that even persons receiving no income other than the highest social security payments are ineligible for MAA. Moreover, persons with liquid assets of more than $1,500—single or $2,000—couple—are not eligible.

Ironically, persons with no liquid assets whatsoever are similarly ineligible. Oregon requires that the recipient of MAA benefits pay the first $50 of physician's fees and $7.50 a day for each of the first 10 days of hospitalization. Unless these deductible payments are first paid, the patient is entitled to no benefits under MAA.

Moreover, these requirements are rigidly enforced. A single man or woman with an income of $1,501 would be entitled to no benefits whatsoever, though an applicant with an annual income of $1,499 could receive the full benefits provided.

Nor are the benefits provided by the MAA programs remotely adequate to the needs of the aged. For example, the State of Oregon limits hospitalization payments to 14 days in any one year. Yet, more than 50 percent of the aged who are hospitalized require more than 2 weeks' hospitalization.

Many aged persons are intimidated by the complexity of the eligiblity requirement; others are confused as to the benefits available. Many are loathe to submit to the means test, the basic requirement for eligibility under the public assistance approach. After a lifetime of independence and thrift, submitting to the humiliation of need is a painful experience, particularly during the period of emotional stress frequently accompanying serious illness.

II. KERR-MILLS AS A VOLUNTARY, FAIR PROGRAM

There's nothing voluntary about medical assistance under Kerr-Mills. The mass programs are financed entirely through taxation. Indeed, the financing of Kerr-Mills programs through taxation results in the most inequitable sort of tax burden. Four States alone—California, Massachusetts, New York, and Michigan—have thus far consumed nearly 90 percent of the Federal funds expended under Kerr-Mills. For example, medical payments under the Kerr-Mills program in the State of Massachusetts during May of this year averaged over $6 per aged inhabitant, while the Oregon Kerr-Mills program expended only 44 cents per aged inhabitant. Yet Oregon citizens are taxed by the Federal Government at the same rate as Massachusetts taxpayers.

III. KERR-MILLS AS "CHEAPER THAN SOCIAL SECURITY"

A glaring weakness of the Kerr-Mills programs has been the extraordinary costs of administration. Of course, no program involving full investigation of the recipient's financial resources can be cheap. For example, for every dollar of the taxpayer's money spent for older people in Oregon's MAA program, 82 cents went to pay for the redtape inherent in a limited program involving a means test.

IV. FREEDOM OF CHOICE UNDER KERR-MILLS

The Kerr-Mills Act does not assure the recipient of medical care freedom to choose either hospital, nursing home, doctor, or pharmacy. The State is free to designate treatment in public or other county facilities by staff physicians.

In Oregon the State has established a rigid schedule of fees to be paid the physician for specified medical services. Ironically, the President's medicare proposal had no provisions for the payment of doctors' fees, but only for the payment of hospital expenses. Yet the AMA favors Kerr-Mills and labels the President's proposals socialized medicine. What could be more socialized than the setting of fees?

CONCLUSION

Reluctantly, then, even the most objective observer is forced to conclude that the Kerr-Mills Act is miserly in design and inadequate in execution. For the aged of 26 States Kerr-Mills has done nothing; in 20 of the remaining 24, next to nothing. In 4 of the wealthier States Kerr-Mills has provided some substantial benefits—at the expense of the taxpayers of all 50 States.

CALL OF THE ROLL

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum.

The PRESIDENT pro tempore. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

[No. 222 Leg.]

Allott
Bartlett
Bennett
Boggs
Burdick
Bush
Chavez
Cotton
Dirksen
Gore
Hayden
Hill
Hruska
Jordan, Idaho
Keating
Mansfield
McGee
Miller
Monroney
Morton
Neuberger
Prouty
Russell
Scott
Smathers
Talmadge
Williams, Del.
Young, Ohio

Mr. HUMPHREY. I announce that the Senator from Nevada [Mr. Bible] is absent on official business.

I further announce that the Senator from New Mexico [Mr. Anderson], the Senator from Alaska [Mr. Gruening], and the Senator from Missouri [Mr. Symington] are necessarily absent.

Mr. KUCHEL. I announce that the Senator from Maryland [Mr. Butler], the Senator from New Hampshire [Mr. Murphy], the Senator from Kansas [Mr. Pearson] and the Senator from Wisconsin [Mr. Wiley] are necessarily absent.

The PRESIDING OFFICER (Mrs. Neuberger in the chair). A quorum is not present.

Mr. SMATHERS. Madam President, I move that the Sergeant at Arms be directed to request the attendance of absent Senators.

The motion was agreed to.

The PRESIDING OFFICER. The Sergeant at Arms will execute the order of the Senate.

After a little delay, Mr. Aiken, Mr. Beall, Mr. Bottum, Mr. Byrd of Virginia, Mr. Byrd of West Virginia, Mr. Cannon, Mr. Capehart, Mr. Carlson, Mr. Carroll, Mr. Case, Mr. Church, Mr. Clark, Mr. Cooper, Mr. Curtis, Mr. Dodd, Mr. Douglas, Mr. Eastland, Mr. Ellender, Mr. Engle, Mr. Ervin, Mr. Fong, Mr. Fulbright, Mr. Goldwater, Mr. Hart, Mr. Hartke, Mr. Hickenlooper, Mr. Hickey, Mr. Holland, Mr. Humphrey, Mr. Jackson, Mr. Javits, Mr. Johnston, Mr. Jordan of North Carolina, Mr. Kefauver, Mr. Kerr, Mr. Kuchel, Mr. Lausche, Mr. Long of Missouri, Mr. Long of Hawaii, Mr. Long of Louisiana, Mr. Magnuson, Mr. McCarthy, Mr. McClellan, Mr. McNamara, Mr. Metcalf, Mr. Morse, Mr. Moss, Mr. Mundt, Mr. Muskie, Mr. Pastore, Mr. Pell, Mr. Proxmire, Mr. Randolph, Mr. Robertson, Mr. Saltonstall, Mr. Smith of Massachusetts, Mrs. Smith of Maine, Mr. Sparkman, Mr. Stennis, Mr. Talmadge, Mr. Thurmond, Mr. Williams of New Jersey, Mr. Yarborough, and Mr. Young of North Dakota, entered the Chamber and answered to their names.

The PRESIDING OFFICER. A quorum is present.

CONTINUING APPROPRIATIONS, 1963

Mr. HAYDEN. Madam President, I send to the desk a joint resolution (H.J. Res. 864), which states—

> *Resolved by the Senate and House of Representatives of the United States of America in Congress assembled,* That the joint resolution of July 31, 1962 (Public Law 87-564), is hereby amended by striking out "August 31, 1962" and inserting in lieu thereof "September 30, 1962".

And ask for immediate consideration of the joint resolution.

The PRESIDING OFFICER. The joint resolution will be stated by title.

The Legislative Clerk. A joint resolution (H.J. Res. 864) making continuing appropriations for the fiscal year 1963, and for other purposes.

The **PRESIDING OFFICER**. Is there objection to the present consideration of the resolution?

Mr. **WILLIAMS** of Delaware. Madam President, reserving the right to object, I realize the situation with which we are confronted. We shall go along with the proposed extension, but we have an amendment on the legislative appropriation bill which would stop the junk mail privileges of Members of Congress. Yet if we would pass the continuing joint resolution, we would continue that junk mail privilege. I am wondering if it is not about time to stop it. I was wondering if the chairman of the committee would go along with a proviso that would eliminate the use of any of the appropriated funds for the financing of the junk mail privilege. This is the most important time, on the eve of an election, in which the privilege would be used. Why should we let junk mail be circulated by Members of Congress on the eve of an election?

Mr. **HAYDEN**. I know, but if the joint resolution is not passed, no one in any branch of the Government where appropriation bills have not been signed into law can be paid next month. Passage is absolutely necessary.

Mr. **WILLIAMS** of Delaware. The joint resolution could be passed in 2 seconds if the Senator would add the proposed provision.

Mr. **HAYDEN**. What the Senator from Delaware has in mind is a separate matter which does not bear on the joint resolution.

Mr. **PASTORE**. Madam President, will the Senator yield?

Mr. **HAYDEN**. I yield.

Mr. **PASTORE**. I am chairman of the subcommittee which has to do with the legislative appropriation bill in which the proposed provision concerning the matter that disturbs the Senator from Delaware has been inserted. We have scheduled a conference for tomorrow morning. I think the Senator ought to know that. I realize that the point has nothing to do with the joint resolution, but the matter is set for discussion tomorrow morning.

Mr. **HAYDEN**. The proposal should not be attached to the joint resolution.

Mr. **WILLIAMS** of Delaware. Perhaps it should not, but may we momentarily pass the question? I shall discuss it with the Senator.

The **PRESIDING OFFICER**. Does the Senator from Delaware object to the present consideration of the joint resolution?

Mr. **WILLIAMS** of Delaware. At this time I object.

Mr. **KEATING**. Madam President, are we still in the morning hour?

The **PRESIDING OFFICER**. We are in the morning hour.

Mr. **HAYDEN**. Madam President, I move that the Senate proceed to the consideration of the joint resolution (H.J. Res. 864) making continuing appropriations for the fiscal year 1963, and for other purposes.

The **PRESIDING OFFICER**. The joint resolution will be stated by title.

The **LEGISLATIVE CLERK**. A joint resolution (H.J. Res. 864) making continuing appropriations for the fiscal year 1963, and for other purposes.

The **PRESIDING OFFICER**. The question is on agreeing to the motion of the Senator from Arizona.

The motion was agreed to.

The **PRESIDING OFFICER**. The joint resolution is open to amendment.

Mr. **WILLIAMS** of Delaware. Madam President, I suggest the absence of a quorum. I shall prepare an amendment.

The **PRESIDING OFFICER**. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. **MANSFIELD**. Madam President, I ask unanimous consent that the order for the quorum call be rescinded.

The **PRESIDING OFFICER**. Without objection, it is so ordered.

Mr. **HAYDEN**. Madam President, I withdraw my motion.

The **PRESIDING OFFICER**. The motion has been withdrawn.

Mr. **SMATHERS**. Madam President, are we still in the morning hour?

The **PRESIDING OFFICER**. Morning business is in order.

WHY APPROPRIATE TAXPAYERS' MONEY FOR CIVIL DEFENSE BOONDOGGLE?

Mr. **YOUNG** of Ohio. Madam President, I was shocked to learn that the Senate Appropriations Committee has recommended an appropriation of $194 million for civil defense purposes in the independent offices appropriations bill. This is over twice the amount included in the bill passed by the House of Representatives.

If amendments that I intend to propose to the bill are not adopted, I shall ask for a yea-and-nay vote on the final passage of the bill and shall vote against its passage.

The administration had originally requested over $695 million for civil defense functions for fiscal year 1963. Our colleagues in the other body wisely reduced this figure to $84 million. Our Appropriations Committee has seen fit to recommend $194 million.

Madam President, the bulk of this increase of $110 million is $83,800,000 for fallout shelters. Instead of continuing to waste taxpayers' money on this project, the House allowed $10 million only, for research to develop measures and plans for civil defense.

Madam President, in my view all appropriations for civil defense purposes over and above those needed for proper educational and research functions are a waste of taxpayers' money.

I especially object to any funds for Federal construction of fallout shelters. Last summer we hurriedly appropriated $208 million for fallout shelters. No American is any safer as a result of that expenditure. Furthermore, it in no way deterred the aggressive intentions and acts of the Russian and Red Chinese dictators. Although the international situation is no less critical, the hysteria and fear of last summer seem to have subsided. The then preoccupation with fallout shelters is now history. Sanity seems to have returned.

For all practical purposes, today we are back where we started a year ago except that more taxpayers' money has been wasted, and the number of civil defense jobholders feeding at the public trough has increased. Americans generally realize that civil defense as it has been conducted in the past will be of little or no use in a nuclear war. Few people did anything about home shelters. Those who did are left with useless holes in the ground or, if they were lucky, with a cold-storage room in the basement or a rumpus room for their children.

Of necessity most shelters would have to be built in cities where the bulk of our population is located. Yet, it is precisely in the cities that they would offer the least protection from the blast and fire of a nuclear attack. Those favoring such a program have testified that in order to be at all effective it would require an eventual expenditure of anywhere from $50 to $200 billion of taxpayers' money. Even then, extensive advances being made in rocket and nuclear technology will make any shelter program obsolete before it is half completed. There is also the possibility of more deadly types of warfare—chemical and biological warfare. Certainly, were an aggressor to unleash the horror of a thermonuclear war, he would probably not hesitate about using other methods equally as terrifying.

Unless we are prepared to embark on such a vast gamble, it seems futile to me to waste hundreds of millions of taxpayers' dollars—in this case $110 million—on schemes which are, in reality, nothing more than expensive doses of psychological pablum for a frightened and bewildered public. For 13 years civil defense officials have simply been deluding the public into thinking that something real was being done, that there is some measure of security in a nuclear war. We cannot close our eyes and refuse to realize the consequences of such a disaster.

The Senate committee has also recommended an increase of $26 million to continue established civil defense programs, other than those for fallout shelters. Included is a $5 million increase of matching grants to the States for administrative expenses.

In reality much of these additional funds will end up in the pockets of political wardheelers in city halls and county courthouses across the land. It was our hope that when the boondoggling Office of Civil and Defense Mobilization was abolished and its functions transferred to the Department of Defense, such muddled thinking and planning would go with it. Apparently, this has not happened. At local and State levels the same political hacks are still riding the civil defense gravy train. If our Nation's mayors and Governors seriously believe that this program is urgent, why have not these boondogglers been replaced with men of stature and competence?

All of us can be proud of the thousands of patriotic Americans who, as volunteers, gave their time and effort often at greak risk to themselves in times of flood, fire, and other natural disasters. These Americans have helped, and always will continue to help, their neighbors regardless of the doubtful leadership of paid civil defense officials safe behind desks.

Americans are fed up with the silly schemes of civil defense planners. They are tired of talk of fallout shelters and evacuation. They are disgusted with schemes to provide identification bracelets for teenagers to exchange; of millions of contradictory pamphlets; of highly publicized bomb shelter proposals; of policemen loafing on civil defense duties, waiting for a bomb to drop, while many of our city streets are unsafe after dark.

Madam President, it is better for us to face the fact that no modern society can survive all-out nuclear war, than to delude ourselves by inadequate efforts to try to assure the survival of some individuals. All agree that we live in a grim period of international anarchy. However, we must not allow this to cloud our judgment regarding defense of civilians. We should not embark on expensive schemes that will prove of no real value in event of war.

It is my fervent hope that the Senate will reduce the amount recommended by the Appropriations Committee for civil defense purposes at least to the point where it does not exceed that allowed by the House of Representatives. To that end, I serve notice that I intend to offer amendments on the floor when this bill comes before us for debate and vote.

If the appropriation for the shelter program for civil defense still remains in the independent offices appropriation bill, the bill should be defeated, and I intend to vote against it.

THE SELF-EMPLOYED INDIVIDUALS RETIREMENT ACT—H.R. 10

Mr. HAYDEN. Madam President, the Members of the 77th Congress, in 1942, recognized the need for legislation which would give impetus to the corporations to provide their employees with an additional measure of security in their years of reduced income. That this legislation was successful cannot be denied because today 23 million Americans are covered by private pension plans. An additional 8 million people, including every Member of Congress, is the beneficiary of a public plan.

The 1942 action of the Congress failed, however, to include among those who could participate in private pension plans the millions of Americans who are engaged in earning their livelihood as self-employed individuals rather than as employees. This omission in the tax laws means that self-employed persons are prohibited by law from participating in tax deferred retirement plans although they can set up such plans for their employees.

This admitted tax inequity which has existed for the past 20 years, while not intended to discriminate against the self-employed, has done just that. As far back as 1951 a bill was introduced to correct this admitted inequity. This bill, H.R. 10, has been pending on the calendar of the Senate since last September. It is of great interest to my constituents in the small business, professional, and farm ranks. Our senior citizens continue to make up an increasing percentage of the population of this country. Few bills have been given the time and consideration that this bill has received during the past 11 years.

I ask the Senator from Montana, the majority leader, whether favorable consideration will be given to the adoption of H.R. 10, as it was passed by the House of Representatives, as an amendment to the pending bill, H.R. 10650.

Mr. MANSFIELD. Madam President, in response to the question raised by the distinguished senior Senator from Arizona, it is my understanding that the distinguished minority leader, the Senator from Illinois [Mr. DIRKSEN] has announced that he will offer H.R. 10 as an amendment to the pending tax bill. If that is done, it is my intention to move to table H.R. 10 after there has been a reasonable amount of debate, and I have so informed the Senator from Illinois.

However, as I have indicated to other Members who are interested in this proposal, it is my intention to call up H.R. 10 later in the session if it is not attached to the tax bill, so that it can be debated, discussed, and considered on the merits of the proposition itself.

As the Senator knows, he and the Senator from Florida [Mr. SMATHERS] were instrumental in having the bill reported by the Senate Democratic policy committee, but the committee at the same time left it to the discretion of the Senator from Montana, in his capacity as majority leader, as to when it would be taken up. I have stated the situation to the best of my ability. To recapitulate, it is my intention to move to table H.R. 10 if it is offered as an amendment to the tax bill, and if the motion to table is successful, to call up H.R. 10 later in the session.

Mr. HAYDEN. I am glad to know that the Senate will have an opportunity to consider H.R. 10 before the adjournment of this session of Congress.

Mr. MANSFIELD. It will.

"WHY TAX RATES 'BRAKE' RECOVERY"—ARTICLE BY SYLVIA PORTER

Mr. BUSH. Madam President, when I read Sylvia Porter's column in yesterday's Evening Star, I was reminded of the song from "South Pacific" entitled "There's Nothing Like a Dame." There is much truth in that title, and I found confirmation of it in Miss Porter's article last evening. She goes straight to the point on the subject of taxation, and spells out the real trouble with our Federal tax system. She concludes that there is virtually unanimous agreement among liberals and conservatives concerning the "depressing" effects of our tax rates.

I believe Miss Porter's conclusions make sense. They point up the futility of the so-called incentive investment tax credit feature of the pending tax bill.

If it is incentive and growth that we really want, I agree with Sylvia Porter that we will find it in revising the income tax rates, taking our cue and learning our lesson from those we have so proudly helped to recover in Europe.

Cut income taxes and broaden the tax base to include Federal taxes on production or sales, as suggested by Kenneth Galbraith in his book entitled, "The Affluent Society."

I urge Senators to read Sylvia Porter's article which was published in yesterday's Evening Star.

Madam President, I ask unanimous consent that the article be printed at this point in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

WHY TAX RATES "BRAKE" RECOVERY

(By Sylvia Porter)

"Why is it that our tax system is now getting so much blame for being a drag on our economy?" asked the intelligent woman across the dinner table the other evening. "I listened to President Kennedy's TV address on taxes, heard him condemn our high rates, promise tax cuts in 1963, and refer to how much faster the Common Market countries are growing than we are. But I've not heard a simple explanation of why the system is a drag and how our tax rates compare with those of Europe."

These are pertinent observations. So here goes with my attempt at a "simple explanation."

No other Federal Government takes so big a bite out of the paychecks of workers and the profits of businessmen as our does—and this includes Communist Russia and the socialistic and totalitarian nations of Europe and South America. None hampers employment and production with such confiscatory tax rates as the United States.

In this country, for instance, 86 percent of the Government's take comes from taxes on paychecks, profits, estates, or gifts. In Communist Russia, in complete contrast, only 15 percent comes from taxes on incomes and the 85 percent balance comes from direct taxes on Soviet citizens when they buy food, clothing, shelter, etc. In the prospering Common Market nation of West Germany, only 22 percent of the central government's collections comes from income and capital taxes; the rest is raised from sales, excise taxes, customs duties. In the prospering Common Market nation of Italy, the income-capital tax bite is only 26 percent. The closest to the United States in relying so heavily on income and profits taxes is New Zealand, which collects 65 percent from these sources.

EXPANSION PENALIZED

No other Federal Government in the world penalizes individuals or businessmen with extraordinary abilities and ambitions to the extent that our tax structure does. Our top tax rate of 91 percent on individual incomes is confiscatory, can't possibly be justified on financial grounds for, few individuals who qualify for this bracket permit themselves to get into it. A personal income tax rate which reaches 50 percent on as low as $16,000 of taxable income is distinctly discouraging to individual risk taking. As for the 52-percent tax rate on corporations, the evidence is overwhelming that this has retarded American industry's ability to reinvest earnings in job-creating activities.

RECOVERY STRANGLED

No other Federal Government has held to an oppressive tax structure as long as we have—with the possible exception of Great Britain, another nation turning in a sluggish performance. Every other nation which slapped on steep taxes during World War II has long since reformed them—which is what President Kennedy was referring to when he mentioned in his TV address that "by lightening tax burdens," the Common Market countries have achieved "full employment and an economic growth rate twice ours,"

No other Federal Government has accepted four recessions since the end of World War II without its leaders getting down to work and saying flatly our tax structure is at least partially responsible and reform is overdue. There is no doubt that our tax rates helped to strangle the 1959 recovery—for they bit so quickly and substantially into rising incomes and profits that the advance didn't have a chance to survive. Tax reduction-reform was bypassed in 1960, though, bypassed again in 1961, and now it's dead for 1962. Meanwhile, as Mr. Kennedy pointed out, during the past 15 months of economic expansion, Federal taxes have siphoned out $5 billion more from the economy than increased Federal spending has poured into the business stream. This is a measure of the way our high rates tend to brake a recovery almost automatically as it proceeds. In the first half of calendar 1963, when Federal tax collections will be at their peak, the brake will be on in earnest—and if we don't get the tax reductions pledged for this period, the economic consequences for us could be dismal.

Much of this was hidden in the earlier postwar years, when the enormous pent-up demands of the whole free world kept the United States heading strongly upward. Now, in this new competitive era the realities have become clear, and, significantly, agreement on the depressing effects of our tax rates is virtually unanimous among informed economists and financiers—liberal and conservative, Republican and Democratic.

COMMUNIST EXPANSION IN LATIN AMERICA

Mr. SMATHERS. Madam President, this morning's Washington Post contains an article entitled "Castro's Strength; Skillful as Dictator," written by Roscoe Drummond. In essence, the article details what has been and is a very sad story concerning what has happened in Cuba. Mr. Drummond makes the point that Fidel Castro himself and his army are growing stronger, while the economy of Cuba and the forces of freedom in Cuba are apparently growing weaker. Mr. Drummond quotes a statement of Salvador de Madariaga, a European liberal, who has visited Latin America and who contends that Cuba ought to be liberated by the Organization of American States. These are the words of Salvador de Madariaga:

> The argument that Castro had better be left alone and given enough rope to hang himself is worthless. The experience of other nations fallen into the unscrupulous hands of the Communist Party allows of no such optimism. Time could only make Cuba an impregnable base for communism to spread all over Latin America.
>
> The Latin American governments who shilly-shally over it are only preparing the rope with which they will be hanged. Castro must go soon.

That particular expression is one with which I have long agreed. I cannot help believing that the situation in Cuba will not get better merely by hoping it will get better. I cannot help believing that the time has long since past when the Organization of American States should itself set up a police force, comprised of the countries of Central America and South America. They should invoke the provisions of the Treaty of 1947, and even the provisions which have to do with Communist infiltration in this hemisphere, contained in the treaty of 1961, signed at Punta del Este.

I cannot help believing that after that has been done, and after the organization of a police force has been begun, the U.S. Government and other governments should then recognize a Cuban Government in exile. I have been recommending such a procedure for about 2 years, but without any success whatever, I regret to say. However, it seems to me that that is the only logical way for us who make great protestations about our faith in freedom and our willingness to fight for freedom can legally and properly give aid to the forces of freedom which seek to overthrow Castro in Cuba. We have done this previously in our history. It seems to me the time is long overdue when we should do it with respect to Cuba. The longer we delay such a decision, the worse the condition will become.

There is no question that Cuba is being used today as the fountainhead for propaganda throughout Central and South America, just as is reported by Mr. Drummond, who has recently made a trip through South America.

While it is true that the image of Castro himself may have become dimmed, or may have become tarnished to some extent, nevertheless the forces of communism and the machinery of communism grow ever stronger, not only in Cuba, but throughout Central and South America, as well. After Castro has gone, there will still be the problem of getting rid of communism in Cuba and attacking communism all over Central and South America.

I urge that the United States begin to think seriously about providing some leadership in this field.

Madam President, I ask unanimous consent that the article by Mr. Drummond be printed at this point in the Record.

There being no objection, the article was ordered to be printed in the Record, as follows:

Skillful as Dictator

(By Roscoe Drummond)

Port-of-Spain, Trinidad.—Nowhere in Latin America have I encountered any support for the wishful thinking in Washington that Castro is going to die on the vine or that Cuban dictatorship will soon fall from its inner weaknesses.

The prevailing view in the Latin American capitals I have visited is that while conditions in Cuba are getting steadily worse, the Castro regime itself is becoming steadily more entrenched.

One South American newspaper correspondent, who had spent considerable time in Cuba and left only recently, put it this way: "Fidel Castro is proving himself totally incompetent to manage the affairs of his nation but extraordinarily skillful in managing the apparatus of a police state."

This raises a question of acute importance to policymakers in Washington who are rather counting on waking up some morning and finding that Castro has disappeared in the dust.

The question is whether any Communist police state, holding all the weapons of terror and repression in its own hands, can ever be overthrown by a popular uprising armed with little more than sticks and stones?

There is no doubt that conditions are deteriorating inside Cuba. There is clearly developing an angry, resentful, frustrated, and humiliated people who, while still passionately supporting the Castro revolution, are heartsick over what Castro has done to the revolution.

The evidence is mounting that there is hunger and undernourishment. Cuba used to produce food for export and now cannot supply the needs of its own population. Private farmers have no incentive to increase their crops, and the peasants on the state collective farms are wondering when they are going to receive their land as promised by Castro. They still can't quite realize that Castro's Communist state has taken over both the land and the peasants to work it.

The situation is so out of hand that you have the upside down condition of farmers appealing to the cities to send them food.

Economic aid from the Soviet Union and Red China is failing to live up to promises—even as Fidel has failed to live up to his promises. Castro is finding the Communist-bloc assistance—except arms—is not only doled out very carefully but is also costly. Cuba's slim reserves of foreign currency are steadily being drained away, largely because Cuba no longer has the exports it can sell to the hard-currency countries.

But Latin American sources on the continent are convinced that Castro is steadily tightening his grip on the Cuban state and on the Cuban people—with so much Soviet help that he is both ally and captive.

Castro's armed forces seem to be all that he needs—and more—to prevail over any opposition that might develop. The Soviet Union is stepping up its shipments of arms and thousands of "technicians." Castro has recruited the forces in ample volume. There is every reason to assume that the army is loyal to Castro's bidding. While the regime has been unable to feed his people properly, it has taken care to see that its troops are a favored class. This means that the Castro army is massively armed, well fed, and heavily disciplined for its duty—to keep the dictatorship in control at all costs.

A distinguished European liberal who has recently visited Latin America contends that Cuba ought to be liberated by the Organization of American States. These are the words of Salvador de Madariaga:

"The argument that Castro had better be left alone and given enough rope to hang himself is a worthless. The experience of other nations fallen into the unscrupulous hands of the Communist Party allows of no such optimism. Time could only make of Cuba an impregnable base for communism to spread all over Latin America. The Latin American governments who shilly-shally over it are only preparing the rope with which they will be hanged. Castro must go soon."

But wishful hoping will not free the Cuban people. Castro will fall—only if he is pushed.

COMPETITIVE BIDDING WINS ONE FOR A CHANGE

Mr. PROXMIRE. Madam President, recently the Senate passed an excellent bill, which has been generally overlooked, and which was reported by the Committee on Armed Services. The bill related to military procurement. The distinguished senior Senator from Georgia [Mr. Russell] deserves credit for his successful leadership on this bill. It was strongly opposed by the Department of Defense.

The bill directs the Pentagon to rely on formal advertising and open competitive bidding whenever feasible. It also would require a contractor to certify, on all negotiated contracts of more than $100,000, that cost estimates are accurate, complete, and current. The bill would permit the Department of Defense to adjust a contract's profit formula if the cost estimates later proved unjustifiably high.

Furthermore, the Pentagon would be required, when awarding a negotiated contract, to conduct written or oral discussions over price with the contractor.

Madam President, I have been pressing for a long time for increased Government reliance on competitive bidding. Less than $1 in $6 of Pentagon procurement is secured in this most economical way. I think the action taken by the Committee on Armed Services, under the leadership of the distinguished Senator from Georgia [Mr. RUSSELL], deserves the highest commendation. The bill is now in conference, and the additions made by the Senate which I have described may not survive.

I express the fervent hope that the Senate provisions will survive and that the bill will become law, because there is no question in my mind that such a procedure as provided in the bill can substantially reduce the cost of operations of the Department of Defense and the burden of Government spending in the first place; in the second place, the bill will give small business a much greater opportunity to compete, because small business always does better when there is full competition for Government procurement.

POSITION ON VOTE

Mr. HOLLAND. Madam President, the senior Senator from Florida was not present and was not recorded on the vote on the minority leader's motion to adjourn on August 13, reported on page 16409 of the CONGRESSIONAL RECORD as "No. 159 Leg." To place myself on record on that vote, I hereby state that if I had been present and voting, I would have voted "yea."

MONTANA—THE BIG SKY COUNTRY

Mr. MANSFIELD. Madam President, as the population centers of this Nation expand, more and more Americans are looking for exciting new places in which to spend their leisure. Larger numbers than ever before are visiting Montana. And they are discovering what Montanans have known for years—that the Treasure State's combination of natural beauty, clean air, friendly people, and opportunities to "get away from it all" is the greatest tonic in the world for the ills of hectic living and metropolitan congestion.

The latest visitor to sing the praises of Montana as a vacation spot is John F. McLeod, travel editor of the Daily News of Washington, D.C. Mr. McLeod recently made a 1,500-mile tour through the State as a guest of the Pacific Northwest Travel Association. The sights which caught his eye were the scenic wonders of Glacier National Park, the restored frontier town of Virginia City and the picturesque Red Lodge-Cooke City entrance to Yellowstone National Park. His descriptions of these areas are both vivid and faithful. He was so impressed with the advantages to be offered by a stay in the West that he urged President and Mrs. Kennedy to consider that area when planning their future vacations.

Madam President, I ask unanimous consent that the articles written by Mr. McLeod be printed in the RECORD.

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

[From the Washington Daily News, Aug. 7, 1962]

MELODRAMA IS A MONTANA TOWN

(By John F. McLeod)

VIRGINIA CITY, MONT.—This is the swingingest ghost town you ever saw—or heard.

In the days when it was a booming gold mining center, the main swing event was a mass hanging of "road agents" by vigilantes. (You can still see the rafter which served as a gallows.)

The real swinging thing here now, though, is what is probably the most fantastic collection of coin-operated musical instruments assembled.

And a reconstructed Main Street, so realistic Virginia City is with some justification called the "Williamsburg of the West."

ONE MAN'S WORK

State Senator Charles Bovey is the man mainly responsible. It's said his own home could no longer contain his fantastic collection of Americana.

Senator Bovey's dozens of music-making machines, housed both here and in the nearby "motel city" of Nevada City, are no ordinary juke boxes. Operated by perforated discs somewhat like a player piano, they play violins, organs—even a whole band complete with drums and cymbal.

The "pure food" whisky sign published here is a special delight of photographers but the shops along the plank sidewalk contain a lot of other nostalgic items.

In the tobacco shop, a brand of plug tobacco is illustrated by a Lillian Russellish type beauty about to be kissed by her bemustached beau, who one assumes is chewing the "champagne-flavored plug tobacco" the sign advertises.

Virginia City incidentally will observe its 100th anniversary in a big way next year. It was on May 26, 1863, that six prospectors "struck it rich" in nearby Alder Gulch Creek.

FINANCED WAR

It's said that so much gold was taken out of the Gulch during the next 2 years that it saved the Nation during the Civil War. It provided the gold to equip and pay the Union armies.

Yet many of the miners were Southerners. In fact, they were such Confederate sympathizers they originally named the town "Varina" after Jefferson Davis' wife. It was said a judge, more Northern in his sympathies, scratched out the Varina on official papers and substituted Virginia, saying "That's Southern enough."

Estimates on the amount of gold taken from the Gulch over the years range from $40 to $400 million. Dredgings crews were still working over Gulch gravel deposits as late as 1937.

You can see now, if you like, a monument to the first six prospectors at the gold discovery site, but that isn't the reason thousands of tourists going to or from Yellowstone Park go out of their way a bit to see Virginia City.

MELODRAMA

The Virginia City Opera House gives nightly performances alone worth the trip. We have just seen "The Barber of Fleet Street," in which the barber's victims wind up as meat pies. The stage ovens were so realistic one of our party said it all reminded him of Paris' Grand Guignol.

There are also a full quota of saloons at which you can partake of "pure food" and other beverages.

The most unusual—in fact, perhaps the most unusual saloon in the world—is that operated by Bob Gohn, a descendant of one of the original six prospectors.

The unusual thing is that Mr. Gohn is blind. Completely blind and has been for 42 years since he was blinded by a mine explosion.

Yet Mr. Gohn operates his combined bar and general store completely by himself. Only help is a girl who dusts and cleans each morning.

I watched him serve shot after shot of whisky, even stir a martini, without spilling a drop.

[From the Washington Daily News, Aug. 14, 1962]

SMOKEY BEAR VERSUS YOGI BEAR

(By John F. McLeod)

YELLOWSTONE NATIONAL PARK.—When you mention the cartoon character Yogi Bear, or his habitat, "Jellystone Park," you arouse what appears to be no reaction whatever from National Park Service personnel.

Look a little closer, however, and you'll notice a thin sheet of glaze descending over what were previously clear, alert, even sparkling eyes.

"In Interior Department," one summer temporary employee (he felt he could speak freely) told me, "we just don't talk about Yogi. We don't even like to talk about bears."

(If you know the TV cartoon, you'll know that Yogi is a rather bumbling but lovable bear who is frequently thwarted by efficient, but not so lovable, National Park Service rangers.)

This injury is compounded perhaps by the fact that Agriculture Department's National Forest Service has clutched to its bosom as a symbol, it's friend, Smokey the Bear.

And let's face it, National Park Service and National Forest Service are rivals at the same feeding trough.

To the general public, the Forest Service men are building up a quite positive image as friend to the bears.

Whereas National Park Service—dare we say it?—is increasingly appearing as antibear.

Secretary Freeman's multiuse plan for the forests may not be too well understood, but breathes there a youngster who doesn't know the Forest Service is fighting forest fires so Smokey and his friends don't get burned up?

Secretary Udall and his sidekick, Connie Wirth, are probably just as concerned about fires and much more concerned about bears but they're still stuck with Yogi.

All over the national parks now you'll see signs and warnings: "Do not feed the bears."

What's the reaction of the kids to this one?

"But poor Yogi will go hungry."

Rivalry between the Park Service and the Forest Service, however, is obviously not a bad thing for the visitor to the West these days.

All the publicity (and money) the Park Service has obtained from its Mission 66 program has stimulated the Forest Service into a big improvement program, too.

We were especially impressed by 2 huge dolomite boulders formed into a memorial to the 28 killed in the Gallatin National Forest earthquake of August 17, 1959. And we don't believe the Park Service could have done a better job at verbal and graphic interpretation.

Another recent job which should get Forest Service a lot of pats on the back is a lookout it built along a spiny ridge overlooking a Custer National Forest canyon on the Cooke City-Red Lodge Highway. Here, as one lady said, even the view from the restroom is spectacular.

[From the Washington Post, Aug. 14, 1962]

Yellowstone Bears' Union Crack

Mammoth Hot Springs, Wyo.—Jim Graff, who issues public pronouncements for the Yellowstone Park Co., concessionaires, asked the Washington Daily News' travel editor if he, too, had seen the critter approaching the road.

"The coyote?" I asked.

"Watch him," said Jim, "he's panhandling." Then Jim issued this pronouncement:

"The coyotes have just broken one of the world's strongest unions—the black bears' former monopoly on begging along Yellowstone Park roads."

As park rangers have cracked down on the bears, moving the more uninhibited panhandlers back into primitive areas, coyotes have moved in to take their place. It does add something new, however. Until recently tourists had seldom seen usually shy coyotes at such close range.

[From the Washington Daily News, Aug. 21, 1962]

Jackie, Please Come Home

(By John P. McLeod)

Glacier National Park, Mont.—The folks in the travel business out this way aren't too happy about the fact President Kennedy always takes his vacations in New England or Florida.

And they are even less happy that Mrs. Kennedy and Caroline—and a great many of the other Kennedys—seem to prefer Europe.

It's a truism of travel that tourists play a sort of game of follow the leader. There's a certain amount of snob appeal involved.

That's why the thousands of Westerners who are dependent upon vacation travel wince when they see pictures these days of the First Lady and her daughter living it up in Italy. (A "nonpolitical" quickie solo trip West by the President doesn't really count.)

IT'S A GOOD YEAR

Westerners aren't complaining about business this year. The World's Fair has resulted in a real bonanza for all attractions on the main transcontinental routes leading to Seattle.

As of August 1, for instance, the head count at Glacier Park was up 32 percent above the same time last year.

It's the dropoff next year the Westerners are worried about.

We can't think of anything that would do Mr. Kennedy's popularity in the West more good than for him to spend a several weeks' vacation with his family in the Rocky Mountain area, particularly if Mrs. Kennedy and Caroline seem to enjoy Western horses and ponies as much as they do their Virginia mounts.

And we think it would be strange indeed, if the Kennedys didn't enjoy the great open spaces of the West as much as other Americans.

Glacier Park during July and August certainly is as near a paradise as America can offer.

We spent several hours at Logan Pass, the high point on the spectacular Going-to-the-Sun Highway which crosses the park from east to west. There were cars from every State.

EXULTATION

The thing you notice on the faces of almost all tourists after they park their cars and stretch their legs here is not just happiness but almost exultation as they look over the great snow-capped peaks about them. These are their mountains and their park.

There is also a friendliness of the tourists to each other which seems to result from their sharing of the beauty of a common heritage.

After crossing the Continental Divide, we twisted and turned down the mountains stopping frequently to enjoy the views of glaciers, waterfalls and mountain meadows —until we reached what is surely one of the most beautiful of mountain lakes anywhere, the park's Lake McDonald.

There we stayed the night at the unpretentious but spic and span Village Inn motel right at the lake's edge. Surely no other lake in the world has such clear luminous entrancing brilliance.

There—as you do so easily in the West—we struck up a conversation with our neighbors, a retired couple from Schenectady, N.Y., who had been to the fair. They were stretched out in deck chairs on the little motel patio, looking at the lake and mountains, relaxing with their shoes off.

"Wouldn't you just like to stay here forever?" the lady said.

[From the Washington Daily News, Aug. 21, 1962]

Montana Must

Glacier National Park, Mont.—One item of equipment every tourist should bring with him to the high mountain country of the West is a pair of binoculars.

One-upmanship here consists mostly of how many Rocky Mountain goats or bighorn sheep or golden eagles you claim to have seen.

And the fact is you really need the binoculars to see them—and they are a thrill to see.

[From the Washington Daily News, Aug. 28, 1962]

Montana Montage: Starring a Highway

(By John F. McLeod)

Red Lodge, Mont.—A lot of folk around here wonder whether most of the AAA Auto Club travel counselors aren't a lot of timid old maids.

The Red Lodge-Cooke City Highway (U.S. 212), also sometimes called the "Top of the World Road," is by far the most dramatic of the five ways you can drive into Yellowstone National Park.

In fact, the group of travel writers with whom I made the drive all agreed they had never made a more spectacular trip in an auto than the one which took us over 10,800-foot-high Beartooth Pass.

Yet, I am told, thousands of travelers through the West miss this magnificent experience—perhaps the most magnificent of all on our 2-week tour—because the AAA girls who recommended routings, warn trip-planners to avoid the road.

The road is only open from June until the first heavy snows in September, and it is a succession of switchbacks, but I was told there has not been a single fatal accident on the highway since it was opened in 1933.

I have driven on mountain highways in almost every section of the United States, and through the German, Swiss, and Italian Alps, but nowhere have I seen such a succession of beautiful alpine lakes and meadows, of pinnacles and precipices.

Cooke City, a historic mining town near the park entrance, is an outfitting center for pack trips going into the Beartooth Mountain Wilderness of the Custer National Forest. We encountered a half-dozen strings of dudes on horseback (quick-stepping donkeys carry the gear) on a brief Jeep ride to an abandoned mine at Daisy Pass.

Here we followed by only a day a bulldozer which had cleared snow off the trail. And here we saw a sight which even astounded our native guides:

A flock of seven tremendous bighorn sheep grazed on a mountainside, separated from us only by a small snowfield.

One girl in our party, Latryl Layton of the Fort Worth (Tex.) Press, a Scripps-Howard newspaper, was so anxious to get a picture that she started scurrying across the snow. She slipped, fell and slid, bumpy-bump down the snowfield but emerged smiling from a field of yellow glacier lilies.

We think Washingtonians would particularly like to spend a night at the other end of the highway, here at Red Lodge.

One of the most beautiful mountain streams I have ever seen is roaring and rushing down from the mountains right beside my motel. It's name: Rock Creek.

As I prepare to board the Northern Pacific's North Coast Limited for home, I've jotted down some random Montana impressions which add up to quite a montage of memories:

The ideal time to approach Glacier National Park from the east is just before sunset, when its jagged upthrust is backlighted by the setting sun.

The miles and miles of cherry orchards along Flathead Lake (claimed to be the largest U.S. natural lake west of Superior) and the delicious taste of the bing cherries, as you munch them in the car driving along.

The continuing battle going on at the Hardin, Mont., site of Custer's last stand, among Battle of Little Big Horn buffs. (Some argue General Custer was a great hero, others a bumbling bum.)

The luck of two young honeymooners, Rod and Jackie Anderson, who landed a job as managers for the summer of the Flying Cloud Ranch, so remotely located in Beaverhead National Forest it has few guests.

The incomparable taste of trout you have caught yourself (our group caught the limit both in the Wise River at the Flying Cloud Ranch and in Yellowstone Lake's Eagle Bay).

The sensation of being caught in a thunder and hail (as big as mothballs) storm while on horseback in a remote canyon 10 miles from your stable.

The fact accommodations are easier to get at both Yellowstone and Glacier Park lodges on weekends (both parks are a 2-day drive from most major population centers).

The oft-repeated question Mel Smith, superintendent of Lewis and Clark Caverns, gets from tourists: "How much cave is left undiscovered?"

The most enthusiastic (in a nice way) chamber of commerce secretary we have ever met, Donald F. Wilson, and his favorite Montana quotation (from a John Steinback "Holiday" article):

"Montana seems to me to be what a small boy would think Texas is like from hearing Texans. * * *"

[From the Washington Daily News, Aug. 28, 1962]

Dining High

Billings, Mont.—The Vegas Cafe here tries to entice fairbound visitors with this sign: "Dine here 2,600 feet above the Space Needle."

A SECOND LOOK AT AFRICA

Mr. MONRONEY. Madam President, an unusually perceptive on-the-spot study of the U.S. activities in several African nations by an able American writer who grew up there has come to my attention. Clarke M. Thomas, son of missionary parents who served in Sierra Leone has taken a second look at Africa after 25 years and has written about it for the Oklahoma City Times in Oklahoma City, Okla., where he is an editorial writer.

Mr. Thomas came away with the feeling that Africa will be "a long row to hoe" for the United States, but that it will be tough for the Communists, too. The two trends that impressed him most were evidence that the tide in unfriendly countries like Ghana and Guinea is beginning to turn our way, mostly because of Russian "goofs," and the great increase in the number of Americans on the scene in countries that 25 years ago knew only missionaries. He makes special mention of the Peace Corps, of which he heard good reports.

On the subject of the value American Negroes in African posts, Mr. Thomas found far more evidence on the positive than the negative side. He quoted one African, who urged, "Send us your best men, white or black," and an American Negro from Oklahoma, who reported, "I have been accepted here as any other American."

I ask unanimous consent to have printed in the Record the first three articles Mr. Thomas wrote for the Daily Oklahoman after his return. Later, I will bring others to the Senate's attention.

There being no objection, the articles were ordered to be printed in the Record, as follows:

[From the Daily Oklahoman, Aug. 5, 1962]

SOONER FINDS RED TIDE RUNNING OUT IN WEST AFRICA

(By Clarke Thomas)

In West Africa in 1962 two trends impress an American visitor:

1. The evidence that the tide in such unfriendly countries as Ghana and Guinea is beginning to turn our way.

2. The great increase in "the American presence"—the number of Americans on the scene.

Perhaps the two are related. I found our cause well served by my countrymen on the scene, with the United States particularly popular in the two pro-West lands I visited.

But in candor I would have to say that any changes for the better in two neutralist countries I visited have come mostly because of Russian "goofs." They simply have not been able to make of Ghana and Guinea the showcases for communism they had hoped for.

A British businessman in Ghana remarked to me, "We're beginning to find the Russians aren't 10 feet tall. Not out here."

He added reflectively, "Maybe we were lucky, after all, that the Russians poured technicians into this country. The Ghanaians found out some things that didn't jibe with the rosy picture they'd had of the Communists:

"First, they learned the Russians are white. Second, they demand air-conditioned houses, running water, and servants just as the imperialists do. Third, they are cliquish and don't mingle with Europeans, let alone Africans."

But what has hurt the Communists the most is that they haven't been able to live up to their vaunted efficiency in getting things done (which is supposed to excuse their harsh and undemocratic methods).

Take Guinea. In 1958 the Communists rushed in to fill the gap when the French angrily pulled out everything—technicians, records, even telephones—when Guinea turned down De Gaulle's referendum and decided to be completely independent.

Millions of rubles in "credits" were advanced and hundreds of technicians swarmed in. But gradually the Guinean Government began to realize little was coming of the many Communist surveys, which were being financed by the "credits" which eventually would have to be repaid in full by Guinea.

In addition Guinea found itself paying the bill for these examples of Red efficiency:

Snowplows shipped to the airport in tropical Conakry. Road graders with Siberian-type stoves inside. Electronic equipment and cement left uncovered and caught in the first rainy-season downpours. "Big Brother" loudspeakers installed all over the capital of Conakry, but which rusted out within a month.

Both Guinea and Ghana got stuck with Russian airplanes sold them to establish air routes to Moscow. But it soon became obvious that no one wanted to travel to Moscow, and the planes sit embarrassingly unused at the respective airports.

In Ghana Russian crews were included in the bargain. With nothing to do, these fliers spend their days at the beach, except for an occasional flight to Moscow to service the planes. And all at Ghana's expense.

But when Ghana's President Nkrumah tried to trade the planes for deep sea fishing trawlers he could use, the Communist answer in effect was: "Nothing doing. An agreement is an agreement, isn't it?"

This doesn't mean that these nations are ready to fall into our laps. Their newspapers and radio stations churn out anti-West guff with monotonous regularity. Nkrumah and Guinea's President Touré remain bush league dictators, with people reluctant to talk except out in the open or under the cover of a loud air conditioner.

But many of the Americans, Europeans, and Africans with whom I talked in those countries and elsewhere in Africa described the same "hunch" that the tide has begun to turn against Communist hopes of establishing Cuba-style footholds there.

A second noticeable trend, particularly to an American returning to West Africa after a long absence, was the number of Americans around. This was a far cry from a quarter century ago when about the only Americans there were missionaries.

Now there are U.S. governmental personnel, American businessmen, and representatives of private foundations and agencies.

Most of these countries as colonies didn't even have a U.S. consulate, let alone an embassy. The establishment of embassies has brought in several Americans plus a U.S. Information Agency branch, with library, cultural program, news releases, and other efforts to explain the United States and its policies.

We have in each country an AID program (the successor to the old point 4 technical aid). This means many technicians in such fields as agriculture, education, and public health.

There was a Peace Corps contingent in each country I visited except Guinea. Are they liked? Yes, because in these particular countries all Peace Corpsmen are teachers, an item in short supply and greatly welcomed.

In Nigeria at Nsukka in the eastern region Michigan State University has a contract to establish a land-grant type college.

American businessmen are beginning to come into West Africa, particularly Nigeria. That nation of 35 million has stable, friendly policies which are making it West Africa's prime spot for investment.

A final category of Americans you'll see are from foundations and private philanthropies.

The Rockefeller Brothers Foundation, for example, the past 5 years in Nigeria and Ghana has been compiling statistics and information that might be helpful to prospective industry and private investment from abroad. The Ford Foundation has been making economic surveys, too.

CARE has just launched an imaginative hot-lunch program in the elementary schools in Sierra Leone. Using U.S. food surpluses, CARE will make sure that every schoolchild in that country gets at least one hot, well-balanced meal a day.

[From the Daily Oklahoman, Aug. 6, 1962]

MARJORIE MICHELMORE CASE IS DEAD IN NIGERIA

(By Clarke Thomas)

"The Majorie Michelmore postcard case is a dead issue in Nigeria," said an Oklahoman who had a lot to do with that famous Peace Corps flareup.

He is Brent K. Ashabranner, assistant director of our Peace Corps program in Nigeria, and a native of Shawnee.

Ashabranner was acting director of the Peace Corps contingent in that West African country Miss Michelmore wrote the famous postcard expressing dismay at living conditions in Nigeria. The card somehow showed up in the hands of students at the University College of Ibadan and ballooned in the world press.

While the former Oklahoman was in New York for a conference at the time of the incident, he had his hands full when he flew back to smooth things over.

Now, months later, the redheaded former student and faculty member at Oklahoma State University declares: "The incident has not hurt the work of the Peace Corps in Nigeria. In fact, it may have done some good because it made our volunteers a bit more aware of their responsibilities overseas.

"Sure, they'd been told about these, but this affair really brought it home to them. It gave them a renewed determination to know the Nigerians better."

Ashabranner said the "postcard" affair also served as a catalyst to make the Negerians want to tell visitors more about their country and its good qualities.

Though born in Shawnee, Ashabranner took his schooling at El Reno and Bristow. His father, Dudley Ashabranner, was a pharmacist.

He obtained a B.S. in secondary education at Oklahoma State University and a master's degree in English there. Later he taught in the Oklahoma State University English department.

Ashabranner also is a writer. His latest novel is "The Choctaw Code," written with Russell Davis.

He is married to the former Martha White, of Roswell, N. Mex., also an Oklahoma State University graduate. They have two daughters, Melissa, 11, and Jennifer, 9, both born in Stillwater.

Ashabranner broke into oversea work with the Oklahoma State University team in Ethiopia from 1955–57. He worked with linguists writing textbooks in English and Amharic.

He joined the International Cooperation Administration (ICA) to work in Libya from 1957–59. Selected by ICA for special training, he studied at Boston University and traveled in five different West African countries.

ICA sent him to Nigeria in 1960. He switched over to the Peace Corps last year.

The Peace Corps contingent in Nigeria totals 107, all teachers. A fair percentage previously taught, but many came straight from university work. Of these, 79 are in secondary schools scattered around a country as big as Texas and Oklahoma combined, teaching many subjects, but mostly English, science, and mathematics.

Another 24 are junior faculty members at the new University of Nigeria at Nsukka in the eastern region, where Michigan State University holds the contract to develop an institution on the American land-grant college plan. The other four are agriculture teachers.

I have been asked frequently since returning from my West African trip what the reaction to the Peace Corps is over there.

My answer is that from all I could gather it is quite good—for a simple reason.

In the countries I visited which have a Peace Corps program, all of our volunteers are teachers. And in West Africa where there is a great thirst for education, coupled with a shortage of teachers, nothing is so welcome.

I did not see many Peace Corps volunteers because most of them are teaching schools in the "bush."

In fact, the Corps prefer to teach in the back country, rather than in the coastal cities with their creature comforts, apparently because the "bush" is more what they expected when they signed up.

Most of the volunteers are from the eastern part of the United States, an imbalance the Corps is anxious to correct. I rather imagine that is one reason why a Peace Corps training program was established at the University of Oklahoma, in hopes of attracting more young people from this region.

A Ghana Government official told me the Peace Corps volunteers were making a good name for themselves because they participated in the sports and festivities of the village, rode in the "mammy lorries" (the trucks which are the major transportation in Ghana), and represented a fresh, young American outlook which Ghanaians found intriguing.

As to the situation in Nigeria, Ashabranner affirmed, "We haven't lost a single volunteer, although some are living under very remote conditions. But they were prepared for it, and it is no shock to them."

(NOTE.—Miss Michelmore was not lost to the program, although she was transferred back to Washington, D.C.)

"In fact, in most places they have found the housing better than they had anticipated. Because they usually go to a school where faculty housing exists—that is the Nigerian system—they have not had to live in mud huts," Ashabranner said.

The former Oklahoman said the volunteers tell him "they are learning and benefiting. They are making some Nigerian friendships and want more."

At the end of our interview, I asked whether there had even been a ruling put out against postcards.

Ashabranner laughed, "As a matter of fact, no." The fact that he could laugh about what once was an international incident which threatened the entire program shows how far the Peace Corps feels it has come.

[From the Daily Oklahoman, Aug. 7, 1962]

FORMER OKLAHOMAN DISCUSSES THE U.S. NEGRO IN AFRICA

(By Clarke Thomas)

In recent months there have been articles in at least two national magazines raising questions about whether American Negroes help or hurt our cause overseas.

This was a question I asked discreetly of Americans, both white and Negro, of Britishers, and, above all, of Africans during my recent trip to West Africa.

One of the best answers came from a former Oklahoman, Sam Fuhr, assistant chief education officer in the Nigeria program of the U.S. Agency for International Development (AID).

But, first, let me tell you of my interview with Fuhr. I came upon him quite by accident, having asked AID officials in Lagos, Nigeria, who might be a good person to interview on our educational efforts there. I was directed to Fuhr, and only in the process of interviewing him did I learn he was an Oklahoman.

It turned out that he was born in Oklahoma City, in the area adjacent to the Twin Hills golf course. Schooled at Muskogee, he received his degree at Langston University in 1939.

He taught at Rosenwald High School at Henryetta, Hennessey Dunbar, and Okmulgee Dunbar, before becoming in 1948 an area supervisor of the institutional on-the-farm training program under the Veterans Administration. Fuhr recalls he worked under Bonnie Nicholson and J. B. Perky.

In 1951 Fuhr went to Oklahoma State University and received his master's degree in agricultural education and commenced work on his doctorate. He joined the International Cooperation Administration (forerunner of AID) in 1953 and was sent to Iran (Persia).

Fuhr spent another year back at Oklahoma State University before going to Nigeria in April 1961.

His parents, Mr. and Mrs. A. H. Fuhr, live in Muskogee; his wife's mother, Mrs. Fannie Sams, at Taft. The two Fuhr children, Sandra and William, are students at Langston University.

Fuhr said he has found his education post in Nigeria most interesting because that West African country is changing its orientation on education.

"In the past there was a straight academic emphasis," Fuhr said, "but now the Nigerians realize that if they are to pull themselves up by their bootstraps, their education must be more functional."

Thus the American approach is being followed increasingly, in contrast to the British classical curriculum of the past.

"There's no doubt about the Nigerian interest in education. The Government now is putting more than 30 percent of its gross national product into education. Some wonder whether it is putting too much in, at the expense of other activities which would return the investment quicker.

"But education has come to be considered the open door to employment and there is a lot of pressure on the Nigerian Government to have universal education," Fuhr explained. "Some of us worry about the danger of educating too many too soon, before there are enough jobs."

I might interject here that one of the most interesting interviews I had in Nigeria was with Alhaji Batatunde Jose, editor of the influential Daily Times. When I asked Jose if he saw any clouds on the rosy future of Nigeria which he had painted me, he leaned back reflectively and replied:

"Yes, one. And that is the numbers of students who have received an elementary education but either don't have the scholastic ability or the money to go on to secondary school. They do not want to take ordinary jobs, yet they are not ready for jobs requiring true educational skills. They are unhappy and disgruntled, and could be a place for radical ideas to take hold."

But back to the question of the effectiveness of Negroes in our agencies and missions overseas—

The general reply I had had to my question was this: "It depends on the person."

Just as some whites have not fitted into the African situation since independence, some American Negroes haven't either. They went out with the wrong attitudes, looked down their noses at Africans, and didn't help their country. But the same could be said of some whites.

But just as there have been many whites who proved worthy representatives for their country, so there is a long roster of Negroes whose service has been invaluable.

In fact a common answer from Africans was summed up in a comment by a Nigerian official that would startle some white Americans: "There's no difference. They are all so American, so unlike us, whether they are white or black. Just a difference in color, but the Negroes are as American to us as the whites."

One young U.S. technician, a Negro, said he felt that initially there might be a quicker rapport between an American Negro and an African. "But upon longer acquaintance, it doesn't make any difference. A white American who has proved himself colorblind will in the long run have just as good a relationship as we will."

Not that there aren't grounds for talk that Africans are prejudiced against American Negroes. A cheerful young Ghanaian official to whom I posed the topic after we had conversed on a wide range of subjects turned serious and commented, "Well, really, you must see that we look down on anyone who has been a slave."

That view quickly raises the hackles of American Negroes as being beside the point. One told me he meets this head on with his Ghanaian audiences by assuring them he prefers the clear conscience of knowing that his forefathers didn't sell fellow Africans into slavery, as the forefathers of his listeners well may have. He added he usually gets a favorable response to this forthright declaration.

But I found far more evidence on the positive side.

Several Africans complained to me that while there were Negroes in the AID missions, there were few in the embassies. Some added in the next breath, "But don't inundate us with Negroes only. Send us your best men, white or black."

A powerful positive argument was the loyalty and admiration which able Negro department heads in U.S. agencies receive from their subordinates, white and colored. It is an interesting commentary on racial attitudes within America that some of these subordinates include whites from the Deep South who work unstintingly under Negro supervisors with whom they presumably would hesitate to eat back home.

The point is that, in a foreign land where the going often is rough for the American cause, any person who can gain ground, whether white or Negro, is highly appreciated by his fellow workers.

I read with great interest an article by one of Nigeria's most widely read newspaper columnists, Theresa Ogumbiyi (for some reason women columnists dominate the field in Nigeria). Entitled "A Welcome to All 'Slaves,' " Miss Ogumbiyi wrote:

"Africans do not dislike Negroes. On the contrary, we have a feeling of kinship and of 'belongingness' with them. To us they are our people lost to us during the wicked slave trade.

"An African, I'm sure, would instinctively approach a Negro for help rather than his white counterpart. Not because he distrusted the latter, but because he felt he would be better understood by the former who was his own 'kind.' * * * Why can't we have more of them?"

But the best summation I heard in West Africa came at the end of my conversation with ex-Oklahoman Sam Fuhr as I broached this subject. His calm, sincere answer:

"I have been accepted here as any other American."

REA FURTHERS AND STRENGTHENS FREE ENTERPRISE

Mr. YARBOROUGH. Madam President, all too often, unfounded and inaccurate charges are hurled at the Rural Electrification Administration, one of the best friends the American rural citizen ever had.

To the rural American, the REA is the equivalent of the firelight that Abraham Lincoln used to read his books. The REA brought electricity to light the way to advancement for a vast and vital part of our population.

The magnificent REA cooperative program was one of the greatest advances in the history of this Nation. It was born in controversy and grew—because of the good it did—despite the jibes and false charges that have always been its burden.

The REA cooperative, free enterprise at its best, has brought light to millions of homes across this great land. The power provided by REA is one of the great sources of strength that brought such tremendous development in agriculture in recent years. It lit the way to progress.

The REA was created under the New Deal of Franklin D. Roosevelt. It grew under the Fair Deal of President Truman. Now, in the vibrant age of the New Frontier, it is far too valuable a part of our Nation to be the target of abuse and unfounded charges.

Our Nation would not be so great today, if the jibes of the critics of progress for mankind had prevailed.

Madam President, in the Wednesday, August 29, edition of the Washington Post, there is a letter to the editor by Norman M. Clapp, Administrator of the Rural Electrification Administration, in Washington, which deals with one of the charges often heard against the REA.

In eloquent and forceful language, Mr. Clapp lays bare the weakness of the phony "Government ownership" label placed on the free enterprise REA. I ask unanimous consent to have printed in the RECORD the letter from Mr. Clapp, captioned "Role of REA."

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

ROLE OF REA

A United Press International story appearing in the August 22 Washington Post, quotes Edison Electric Institute Vice President Edwin Vennard as charging that the Rural Electrification Administration has overstepped its legislative mandate by "promoting Government ownership of the electric power business."

This charge is malicious and unfounded. The rural electric cooperatives which represent the overwhelming majority of REA's borrowers are not a form of "Government ownership," but are local, free independent enterprise. They are owned by specific groups of rural people, not the public or the Government. REA, the Federal agency from which the cooperatives have borrowed money, owns not a single pole, transformer, or mile of line. In a sense, REA is the banker for the rural electric systems and the cooperatives are paying back the money they have borrowed from REA, on time, ahead of time, and with interest. In fact, principal repayments amount to more than a billion dollars, and interest payments more than a half-billion dollars.

The cooperatives may not use REA loan funds to serve any customer who already is receiving central station electric service from another supplier. The consumers now being connected by cooperatives are new consumers in the areas they pioneered and developed—areas that were bypassed as profitless by some of the very companies Mr. Vennard represents.

Mr. Vennard also questions the right of REA borrowers to serve large industries which build in their service areas. There is nothing in the Rural Electrification Act or in the legislative history of that act to prohibit such service, although in point of fact REA borrowers serve few industries which could be described as large.

When REA is forced to make a generation and transmission loan, Mr. Vennard charges secrecy. What he means is that the power companies with which the cooperatives have been attempting to negotiate for wholesale electricity should be apprised of every detail of the cooperatives' alternative plan for obtaining power. Mr. Vennard means that the very power companies which have failed to negotiate in good faith, which have refused to offer reasonable terms to the cooperatives, and which have forced the cooperatives to move ahead—at considerable cost—with their own power supply proposal, should have the right to review and the opopportunity to veto that proposal. This would be an unjustifiable invasion of the cooperative's private business. I repeat, cooperatives are private enterprise.

NORMAN M. CLAPP.

AMERICAN SLOVAK SOCIETY NATIONAL CONVENTION

Mr. SCOTT. Madam President, Pennsylvania has a larger number of Slovak and Slavonic fraternal organizations and societies than any other State. One such outstanding organization is the National Slovak Society which is known as the father of American Slovak fraternalism. The society is given this name because its first meeting inspired numerous other Slovak societies to organize. The first meeting of the National Slovak Society took place in Pittsburgh, in the old northside section known then as Allegheny City. The date was February 16, 1890. The guiding hand behind this event was Peter V. Rovnianek, the well-known leader of the Slovak people in the United States.

The 1890 meeting inspired other Slovak groups. Now, seven decades later, Slovak organizations boast a membership of some 400,000, assets worth over $150 million, many churches, charitable groups, and educational institutions. There are also numerous Slovak newspapers published in the United States. The National Slovak Society continues to be looked upon by the other Slovak organizations with admiration and respect.

Starting on Labor Day of this year, the American Slovak Society will hold its 23d national convention in New York City. My distinguished colleagues, Senators KEATING and JAVITS, have already sent their greetings. I join them now in sending the society my heartiest congratulations.

In order that the great work of this oldest American Slovak organization can be fully appreciated by everyone, I ask unanimous consent that the following article by Mr. John C. Sciranka be inserted in the RECORD. Mr. Sciranka is a well-known American Slovak journalist and himself a member of the convention committee of the society. He represents assembly 19, known as Pannonia, of Passaic, N.J. in the society.

There being no objection, the remarks were ordered to be printed in the RECORD, as follows:

THE NATIONAL SLOVAK SOCIETY AND ITS OUTSTANDING ACCOMPLISHMENTS IN AMERICA

(By John C. Sciranka)

During the week of September 2, 1962, the supreme officers and delegates will assemble at Hotel Statler-Hilton, New York City, N.Y., for the 23d convention of the National Slovak Society, oldest Slovak fraternal organization in America, founded on February 16, 1890, in Pittsburgh, Pa. The society is known as the "father of American Slovak fraternalism." Its founder was Peter V. Rovnianek, well-known intellectual and linguist, who was born on June 27, 1867, in Slovakia, and studied in Budapest and Vienna. He came to the United States in September 1888, and studied at Cleveland Seminary. From there he wrote articles to a Slovak publication in Streator, Ill., the Nova Vlast (New Country), which gave birth to the National Slovak Society.

Prior to the formation of this society, Slovaks had organized various sick benefit societies in several States. For instance in the city of New York the First Slovak Benevolent Society was founded in 1883. In Passaic, N.J., St. Stephen's Society was founded in 1884, and in the same year a St. Stephen's Society was founded in Cleveland, Ohio, and in Bayonne, N.J. In Minneapolis, Minn., the society of SS. Cyril and Methodius was founded in 1888. The historians have registered up to and including 1889, 14 such Slovak societies.

Rovnianek decided to leave the seminary and devote his talent to the American Slovak fraternalism and the enlightenment of his countrymen for which he later paid a heavy price and died practically a pauper, in spite of the fact that he earned the title as the "first Slovak millionaire in America." Rovnianek was an idealist, who wanted to raise his Slovak people to the position of glory, which they lost with the fall of the great Moravian empire 10 centuries ago, which was regained with the establishment of the first Republic of Czechoslovakia on October 28, 1918. Rovnianek started in 1890 to organize the American Slovaks under the banner of "Liberty, Equality, and Fraternity." In 1891 he played a leading role in founding of the first Slovak women's organization, the Zivena, named after the pagan goddess of life and in 1892 he also played a prominent role in the founding of the Slovak Gymnastic Union Sokol. Considering the fact that Sokoldom is observing this year its centennial as an organization of all Slavonic nations for physical fitness training, credit must be given to Rovnianek and also to Gustav Marsal-Petrovsky, a well-known Slovak author, for getting the American Slovaks to form a Sokol organization 70 years ago. We feel proud of this fact, when such emphasis is placed on physical fitness by President Kennedy and our American Government, that the Slovaks gave impetus to this great movement seven decades ago.

But the first American Slovak fraternalists, who assisted Rovnianek in this much-needed undertaking for the social and cultural welfare of the first Slovak emigrants, also deserve mention here. They were: Stephen Oravec of Hazleton, Pa.; Anton S. Ambrose, Plymouth, Pa.; John Miller, Cleveland, Ohio; Rev. Ludvik Novomensky, a Slovak Lutheran minister of Freeland, Pa., and John Rybar, of Braddock, Pa. Their first meeting was held in Walthers Hall, corner of Chestnut and Vinial Streets, North Side, Pittsburgh, Pa. This is also recognized as the first convention.

Rovnianek inspired other leaders, who followed by founding similar Slovak fraternal organizations. He also realized the power of the press and joined John Slovensky and Julius Wolf as editor of the American Slovak Gazette (AmerikánskoSlovenské Noviny), first Slovak newspaper in America, founded in Pittsburgh, Pa., on October 21, 1886 by the two mentioned Slovak teachers. Later he established a first American Slovak daily in Pittsburgh.

Conditions were not as favorable for Rovnianek's idealistic undertakings as they are today. The Slovak people were poor and after a thousand years of oppression in their homeland—Slovakia—there were many illiterates, who had to be educated and taught to appreciate the great opportunities of American democracy. For this purpose Rovnianek with the cooperation of Rev. Stephen Furdek and others founded in 1907 the Slovak League of America and published brochures, books, and almanacs. Then with the aid of Julius Wolf and A. S. Ambrose, who succeeded Rovnianek as president of the N.S.S., he published brochures and articles in English that the American public be informed who the Slovaks are, pointing to the glorious historical past of the Slovak nation, which had its rulers and diplomats dating back to the seventh century. Rovnianek was a brilliant lecturer and gained friends among American civic and cultural leaders. He joined prominent American clubs and gained the confidence of such prominent Americans like U.S. Senator Oliver of Pennsylvania, Uncle Joe Cannon, Speaker of the House, and Presidents Grover Cleveland, William McKinley, Teddy Roosevelt, and William Howard Taft.

It was in 1910 that President Taft received a Slovak delegation in Washington, D.C., and ordered that their just plea of recognition for the question "What is your mother tongue?" be inserted in the census questionnaires. Under Rovnianek's regime, persecuted leaders of Slovakia and other Slavonik countries, fighting for the freedom of their respective nations, were given moral and material help. He likewise had Slovaks represented at various American exhibitions, including the World's Fair in Chicago. Slovak intellectuals were employed by his enterprises and American Slovak students given scholarships to pursue their studies that we might have much-needed leaders in America.

After Rovnianek's resignation in 1900, his successor Anton S. Ambrose, founder of the "Slovak v Amerike" newspaper in Plymouth, Pa., on December 21, 1889, which is still published in Middletown, Pa., continued in his footsteps and Ambrose too was a brilliant speaker and a linguist, with international affiliations. Ambrose dared to challenge even the famous Count Apponyi of Hungary during his lectures in America. Ambrose introduced various modern methods into the organization and his fraternal ritual is still in use. Ambrose was later instrumental in aiding the establishment of the new Republic of Czechoslovakia and lived there, but never gave up his American citizenship. After the occupation of the country by the Nazis, he returned to the United States and died in California.

Albert Mamatey, instructor at Carnegie Tech in Pittsburgh, Pa., who at one time worked for Thomas A. Edison, was the third president, who took office in 1909. Mamatey was a brilliant speaker and gave many lectures before large American audiences and universities. This writer has one of Mamatey's lectures in front of him while writing this article. It was published in "The Journal of Race Development," October 1915, by Clark University, Worcester Mass. Mamatey's lecture in Washington, D.C., on the subject "Securing Interest and Cooperation of Our Foreign Born Citizens" is still quoted by many sociologists.

Mamatey was also president of the Slovak League of America and during his administration the creation of the first Republic of Czechoslovakia was realized. Mamatey was the recognized and most brilliant American Slovak leader for over two decades. He died on December 21, 1923, as honorary consular of the Republic of Czechoslovakia with offices in Pittsburgh.

During the administration of these three presidents, the National Slovak Society grew in membership and stature. It was recognized as the foremost organization of American Slovaks. Leading Americans like President Woodrow Wilson, Secretary of State Robert Lansing, Federal Judge Joseph Buffington and others paid tribute to its leadership. Famous electrical wizard, Dr. Nikola Tesla, was proud to receive honorary membership in the society. Also, the noted scientist, Dr. Michael I. Pupin, professor of Columbia University, was proud to be an honorary member of the organization. Dr. John D. Prince, well-known American statesman and senator of New Jersey, later ambassador in the Balkan countries, aided the organization for the recognition of the Slovak language and it was he, who as a collaborator for the Slavic languages at Columbia University with Dr. Clarence Manning and Dr. Arthur P. Coleman declared that "Slovak is the key to the Slavonic languages."

Dr. Edward A. Steiner, noted professor of Grinnell College, Grinnell, Iowa, born in Slovakia in 1866 and author of some 20 books, including his autobiography "From Alien to Citizen" praised the National Slovak Society in his writings for its aid in developing the Slovak immigrant to become a typical American citizen by choice. Dr. Steiner was proud of his Slovak birth. In a book "Our Foreign Born Citizens and What They Have Done for America" by Anne E. S. Beard and Frederica Beard, Dr. Steiner is compared to Alexander Graham Bell, Dr. Alexis Carrel, Samuel Gompers, Henry Morgenthau, Joseph Pulitzer, Charles P. Steinmetz and other great Americans. Dr. Steiner lived in Pittsburgh, Pa., where he worked in the steel mills and observed the hardships and the rise and progress of the Slovak people. He also lived in Streator, Ill., and Outlook magazine sent him to Russia to interview the famous humanitarian and author, Count Tolstoy, who was also a great admirer of the Slovak people. Dr. Dushan Makovicky, a Slovak was Count Tolstoy's personal physician. Congressman Melvin Price inserted this writer's article about Dr. Steiner in the Congressional Record on July 19, 1956, under the title "Dr. Edward A. Steiner, Friend of the Immigrants." Dr. Steiner died in California on June 30, 1956.

Well-known Father John LaFarge, S.J., professor of Fordham University and distinguished author and lecturer, who labored among the Slovaks of St. Mary's City, Md., mentions the National Slovak Society in his autobiography "The Manner Is Ordinary."

After Mamatey's death, John Krafcik of New York City became president until his death on January 28, 1928. Vice President John Simko of Chicago, Ill., served the remainder of his term. In 1930, George Tomascik, Wilkes-Barre, first American-born Slovak was elected to the presidency. He resigned on March 22, 1934. His term was served out by Vice President Attorney Adam Poliak of Chicago, Ill.

In 1934, Nicholas Kovac of Bridgeport, Conn., became president. Kovac died in office on March 11, 1937. His term of office was served out by John Pankuch until the 1937 convention in Hazelton, Pa., when Vendel S. Platek of Chicago, Ill., was elected president. Platek was reelected at the three succeeding conventions, held in New York, N.Y., Youngstown, Ohio, and Chicago, Ill. Platek resigned the presidency to assume presidency of the 1st Federal Savings and Loan Association of Homestead, Pa., a $50 million institution. He was succeeded by Paul C. Kazimer, who served 3 months and, owing to his other duties, resigned. Kazimer was succeeded by Joseph Saladiak, who served until the Cleveland, Ohio, convention in 1954, when John H. Pankuch, the present supreme president, was elected. John H. Pankuch is a product of American Slovak fraternalism. He was born in Cleveland, Ohio in 1896, served with U.S. Armed Forces during World War I, and lost a son during World War II. He is the only American Slovak to serve in the same office, in which he was preceded by his late father, John Pankuch, well-known publisher, who served as president of the organization.

Gov. Nelson A. Rockefeller, of New York State, in his message to the convention, sent to President John H. Pankuch, states: "The convention of the National Slovak Society is an event to be greeted with wide respect. It affords the privilege of extending a hearty welcome to all delegates from other States.

"Our neighbors of Slovak origin are among our treasured fellow citizens. Their presence among us has added to the material progress and also to the culture of our country."

U.S. Senator Kenneth B. Keating, of New York, in his welcome letter stated: "It is with the deepest sense of pleasure that I extend my warm personal greetings to the officers and members of the National Slovak Society of the U.S.A., on the occasion of your 23d regular convention.

"Since its founding more than 72 years ago, the story of your outstanding organization is a story of humanity and patriotism, and is a true and admirable reflection of the inspiring traditions of the great Slovak people. Those traditions have been nobly exemplified by the actions of your society in making brotherhood a living and meaningful response to the cares and needs and problems of your fellow men. To countless numbers this exemplary concern has brought light where there was darkness, and hope where there was despair. I would cite in particular the splendid work you have accomplished not only in assisting Slovak immigrants to make the difficult adjustment to a new nation and a new way of life, but also in presenting to America the true and shining image of the Slovak spirit and heritage."

And U.S. Senator Jacob K. Javits, of New York, in extending his greetings, stated: "Your society is making an important contribution to the vitality of America. I commend your humanitarian efforts through the years to provide comfort and assistance to Slovak immigrants, helping them integrate with dignity into our heterogenous society. Freedom is the great force in our Nation and in the world today, and few people understand its true meaning more than the Slovak Americans. Americans of Slovak descent have played a significant role in the progress and security of our Nation, and will continue to do so, as long as outstanding fraternal organizations such as the National Slovak Society, maintain their vigor and spirit of brotherhood."

Joseph Rattay, of New Rochelle, N.Y., general chairman of the convention committee, has expressed confidence that this will be the most important convention in the history of the society.

The National Slovak Society during its 72 years of existence has made a splendid record of great achievements and the American Slovaks, numbering over 2 million, salute this "father of American Slovak fraternalism" on this its 23d convention in New York City and wish it further success and Godspeed.

THE CURTIS PUBLISHING CO.

Mr. CAPEHART. Madam President, within the past several days I received a copy of the latest fiscal report of the Curtis Publishing Co., of Philadelphia. Carried in that report is a statement of impressive and important magnitude by the new management which recently assumed control of one of our most eminent and revered publishing firms. In this statement, entitled the "Curtis Commitment," management pledges itself to a dedicated and unswerving endorsement and support of the competitive enterprise system, and the direction of all its facilities and endeavors toward that goal. It is indeed gratifying to know that a great organization such as the Curtis Publishing Co., with its access to millions of our people, is so unwaveringly a part of an economic system which must stand as "one of modern man's greatest achievements." I wholeheartedly commend this statement to my colleagues, and to all Americans, and ask for unanimous consent to insert its full text in the RECORD.

There being no objection, the report was ordered to be printed in the RECORD, as follows:

A COMMITMENT

The Curtis Publishing Co. is committed to the goal of becoming the voice and conscience of the competitive enterprise system, which is the foundation of a progressive economy and a democratic way of life. The editorial weight of the Curtis magazines will be applied unstintingly in this undertaking, and through text and photographic treatment we will present the voice and opinions of leaders of this country, this hemisphere, and the entire Western World in speaking out on this subject.

It is our conviction that the competitive enterprise system represents one of modern man's greatest achievements, and that it provides the framework not only for our economic well-being but also for the preservation of individual rights and the protection of minorities.

The pages of our magazines will provide a forum for all of the voices of the marketplace, including those of labor, business, politics, government, and education, as well as those which speak for social forces and for the family group.

This commitment is pledged without reservation. The American Home, Ladies' Home Journal, and Holiday will reflect this commitment in editorial matter specifically aimed at their respective audiences, but it will be the Saturday Evening Post which will carry most forcefully the banner and the concept of the competitive enterprise system.

This is the Curtis commitment to which this company is now unswervingly dedicated.

SOVIET EXPORTS TO CUBA

Mr. CAPEHART. Madam President, 100 Russian chartered ships carrying cargo and nobody knows what else are on the way to Cuba.

This, Madam President, is not rumor. It is an official announcement from Tass, the official Russian news agency.

The official Russian announcement was published by the New York Herald-Tribune today in an article from Moscow by Mr. David Miller.

So heavy have become the Russian shipments to Cuban ports that foreign ships are being chartered under the hammer and sickle to carry the load.

Tass says this has been going on since 1957, 2 years before the Communist Dictator Castro took over, which may explain what a lot of people wondered about where Castro got his support for the Castro revolution.

How long, Madam President, do we continue to "examine", as President Kennedy has promised, the Soviet intervention in Cuba—the establishment, in fact, of a Communist beachhead 90 miles from American shores?

How long are we going to stand for the flagrant violation of the Monroe Doctrine?

So that the facts may be made a matter of record, I ask unanimous consent to include in my remarks the article by Mr. Miller from Moscow.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

RED FLOW TO CUBA

(By David Miller)

Soviet exports to Cuba have increased so much that foreign ships are now being pressed into service to handle the cargoes, Tass news agency reported last night.

Ships from West Germany, Norway, and Greece are loading in Leningrad. An Italian ship is being loaded at Novorossisk on the Black Sea. A Lebanese ship and a Liberian ship are in Odessa. A West German ship is ready to leave Riga.

The ships, all of 7,000 to 13,000 tons displacement, are under Soviet charter to carry industrial equipment, flour, paper, and fertilizer to Cuba, according to a Tass report from Odessa. The ships will bring back raw Cuban sugar.

In reporting the departure for Cuba yesterday of 5,000 tons of grain and a floating 100-ton dock crane, Tass noted:

"This 6,000-mile-long shipping line is known to Soviet vessels since 1957.

"Hundreds of thousands of tons of Soviet export cargo have been transported to Cuba by sea—metal and grain, automobiles and tractors, building materials, oil and mining equipment.

"A marine ministry official told Tass the volume of Soviet-Cuban maritime shipment this year will be double over last year's."

Tass added:

"In any big port of the U.S.S.R., one will see today ships which are to sail for the Cuban shores * * * some 100 Soviet ships are converging on the ports of Havana, Santiago, and Cienfuegos."

The steamship *Ivan Polzunov* is about to sail from Leningrad with cars, canned food, and geological prospecting equipment.

The diesel vessel *Usolye* will leave Odessa with 5,000 tons of agricultural fertilizer for Cuban agricultural cooperatives.

The 10,000-ton diesel ship *Okhotsk* will leave the Far Eastern port of Nakhodka early next month with timber and rice-harvesting and grain-harvesting combines.

CIVIL RIGHTS LEGISLATION

Mr. CAPEHART. Madam President, today marks the fifth anniversary of the Civil Rights Act of 1957, the first civil rights law enacted by the Congress in more than 80 years previous to that date.

That law, designed to protect the voting rights of American citizens regardless of color, race, religion, or national origin was approved under the Eisenhower Republican administration. Specifically, this act directed the Commission on Civil Rights to investigate allegations in writing under oath or affirmation that certain citizens of the United States are being deprived of their right to vote and to have that vote counted by reason of their color, race, religion, or national origin; to study and collect information concerning legal developments constituting a denial of equal protection of the law under the Constitution; and to appraise the laws and policies of the Federal Government with respect to equal protection of the laws under the Constitution.

This law was followed, under the same administration, by the Civil Rights Act of 1960 which further strengthened the 1957 act by giving power to the courts to name special voting referees when it finds evidence that discrimination against Negroes exists, with the referees, under court's jurisdiction, being able to take appropriate steps to insure that qualified Negroes are able to register and vote. We are witnessing today the results of this law enabling qualified Negro voters to register and vote.

This 1960 strengthening law also provides schooling for children of servicemen whenever desegregation disputes lead to the closing of local schools in addition to providing criminal penalties for interference with court desegregation orders. It further made possible for the Federal Bureau of Investigation to enter cases involving bombings of schools, churches, and synagogues. And finally, it provided that voting records must be preserved for 22 months for possible Federal inspection.

Madam President, we Republicans who took every major action in Civil Rights from the Emancipation Proclamation from the 1860's to the 1960's are happy to welcome the action taken by this administration on the poll tax, the first such civil rights action taken by a Democrat administration.

Madam President, I think it is most fitting for us to commemorate this fifth anniversary of the Civil Rights Act of 1957, for it was the first major step in implementing the inalienable right of all American citizens to vote and take an active part in American political life.

REVENUE ACT OF 1962

The PRESIDING OFFICER. The Chair lays before the Senate the unfinished business.

Without objection, the Senate resumed the consideration of the bill (H.R. 10650) to amend the Internal Revenue Code of 1954 to provide a credit for investment in certain depreciable property, to eliminate certain defects and inequities, and for other purposes.

The PRESIDING OFFICER. The question is on agreeing, en bloc, to the committee amendments on page 41, line 18, and page 42, lines 4 to 10.

Mr. CLARK. Madam President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator from Pennsylvania will state it.

Mr. CLARK. Is this merely a routine request, one which will not make it impossible for me later to oppose the committee amendment to insert the words "or associated with"?

The PRESIDING OFFICER. The Senator is correct.

Mr. CLARK. May I be recognized and then yield for the purpose of having the request repeated?

The PRESIDING OFFICER. The Chair has laid before the Senate the unfinished business and has stated the question. The Senator from Pennsylvania may proceed with his remarks.

Mr. CLARK. I thank the Chair.

My position is consistent with the position I took on June 20, 1960, when my amendment to impose rigorous restrictions on expense account deductions was adopted by the Senate by a vote of 45 to 39.

In opposing the committee amendment now pending, I am taking a less drastic position than the one taken by a majority of the Senate only 2 years ago.

At the outset I should state that my opposition to the pending amendment does not mean that I do not earnestly believe that what we did in 1960, with the help of my good friend, the junior Senator from Louisiana [Mr. Long], we should do again. It merely means that for present purposes I share the views of the Senator from Tennessee [Mr. Gore] and the Senator from Illinois [Mr. Douglas] that the House language is infinitely preferable to the language of the Finance Committee amendment.

Mr. LONG of Louisiana. Madam President, will the Senator from Pennsylvania yield?

Mr. CLARK. I yield.

Mr. LONG of Louisiana. As one who defended the Senator's position in the conference, and voted with him, and actually opposed the conference report, let me say that in my judgment what the Senate has here is far more severe than what we had in conference. This provision would say that if a businessman and his wife entertain a client and his wife at dinner—a client who might be a very major client, and one whose business might be most important to the businessman—he could deduct only the cost of the meal of the client, but not the cost of the meal of the wives.

Our position a year ago was that he could deduct the cost of the meals of all four of them. So our position then was far more generous in this area.

Furthermore, according to the staff estimate, this amendment would bring in an additional $85 million, which is a great deal of money.

Mr. CLARK. The Senator from Louisiana is certainly entitled to his opinion. In the next few minutes I shall endeavor to persuade him—open-minded as he always is—that he is incorrect both in his recollection of what we did in 1960 and in his interpretation of the effect of this committee amendment—although I fear that at the end of my effort, we still may have to disagree.

Mr. LONG of Louisiana. I am no better expert on the amendment than is the Senator from Pennsylvania. He is the best expert of what he had in mind when he offered his amendment. But I think I know more about what the committee meant when we put the amendment in this bill.

Mr. CLARK. Since the Senator from Louisiana has raised the point, let me state, in brief and general terms, what the Senate did in June of 1960, in connection with the business-expense deduction. At that time, by a vote of 45 to 39, we provided that no deduction shall be allowed for any expense paid or incurred for entertainment, except that expenses paid or incurred for food or beverages for the primary purposes of providing an opportunity to advance the trade or business of the taxpayer may be deducted. We also prohibited all gifts exceeding in value $10; and we also prohibited the payment of dues or initiation fees in social or athletic or sporting clubs or organizations. So I submit that the amendment we adopted in 1960 was really more drastic than the House language, which those of us who oppose the committee amendment are presently advocating.

Madam President, I turn now to the three little words in the committee amendment—"or associated with"—just three little words. They are all that the Finance Committee added to the basic expense-account provision contained in the House version of the bill. But what a whale of a difference those three little words make. By using them as a vehicle by means of which to write into its report more lax standards for entertainment deductions from those in the House version of the bill, the Senate Finance Committee would continue to permit, in my opinion, the great bulk of the abuses in the entertainment area which presently exist to continue unabated. By inserting these three little words, the majority of the Senate Finance Committee have very effectively, in my opinion, robbed the House version of the bill of most of its effectiveness. By using this slight statutory modification as an opening wedge, the committee in its report has, in my opinion, destroyed the simple, but effective, rule which the House developed after 18 months of strenuous effort in this very difficult, technical, and troublesome area.

The House version poses as a test for the deduction of entertainment expenses the requirement that the expenses, in addition to meeting the requirements of the present law and with certain stated exceptions, be "directly related to the active conduct of the trade or business."

The report of the House Ways and Means Committee explains that under this test the taxpayer is required to show more than a general expectation of deriving some income at some indefinite future time from the making of the entertainment-type expenditure. The House Committee report states that the bill would not allow a deduction for entertainment expense when there is little or no possibility of conducting business affairs or carrying on discussions relating thereto—such as when the taxpayer is absent from the activity or when the group entertained is large or when substantial distractions exist—for example, at the Kentucky Derby.

These basic guidelines, as laid down by the House, are clear and understandable for the taxpayers and for the revenue agents, alike. In my opinion, they will go a long way toward eliminating the abuses in connection with expense accounts.

I would go further; I would go as far as the Senate went in 1960—as far as the administration originally requested last year. But certainly we can improve the bill immeasurably by rejecting the committee amendment and returning to the House language. Enactment of the House provision would end many unwarranted tax benefits enjoyed by our long-standing and ever-expanding expense-account aristocracy.

Madam President, I have often deplored the fact that it is impossible to reproduce cartoons in the Congressional Record. I have presently pending before the Committee on Rules and Administration a resolution which would lift the face of the Congressional Record, and perhaps would make it more readable, so that, therefore, perhaps it would be of greater influence in the formulation of public opinion across the country. Would it not be a wonderful thing, Madam President, if we could have Herblock's cartoons reproduced in the Congressional Record?

This digression comes to my mind because of a wonderful cartoon I remember seeing in the New Yorker magazine 4 or 5 months ago. It showed two bald-headed, rather portly businessmen sitting in a cocktail bar, sipping martinis; and one said to the other, "Why, the expense-account deduction is just as American as blueberry pie." This is what I fear would be the position to which we would be giving our blessing if we were to accept the committee amendment.

I hold in my hand a cartoon published in June, 1960, in the Washington Post. It shows a rather portly businessman, smoking a rather long cigar, at a cocktail table, and accompanied by a young lady of uncertain appearance. Two empty martini glasses stand on the table. In the background is a palm tree and a beautiful new moon. The gentleman in question is saying to the waiter—whose expression I can only describe as a leer—"Two more glasses of food."

Again, Madam President, I do wish it were possible to have cartoons reproduced in the Congressional Record.

Mr. LONG of Louisiana. Madam President, will the Senator from Pennsylvania yield for a question?

Mr. CLARK. I am happy to yield to my friend, the Senator from Louisiana. I have enjoyed many a good meal in New Orleans, but at my own expense.

Mr. LONG of Louisiana. Will the Senator show me where in this bill that cartoon would be applicable? In other words, will he show me where the committee amendment would permit the man to entertain that lady and deduct that expense?

Mr. CLARK. I shall be happy to do so, but first I would prefer to complete my speech. If the Senator wants to reiterate the question at the conclusion of my speech, I shall be glad to meet him head-on, but I would like to get on with my speech.

Mr. LONG of Louisiana. While he is at it, I would like to have him support his statement that a safari to Africa can be allowed by the committee report, because it cannot be. It is expressly prohibited. I would like to have him show how there can be a business deduction for Olivia DeHaviland's gifts to her household servants. The Senator should not give misleading examples. I know better than that, but the Senator should not use such examples, because this type of thing is forbidden by the law, and the committee amendment expressly prohibits it.

If the Senator will use examples showing that this is allowed, I will debate it with him, but he should not use illustrations on which we have gone along with him in excluding from the bill such deductions.

Mr. CLARK. The Senator is coming perilously close to violating rule XIX, section 4, of the Senate Rules, but I shall not call him on it. If he will do me the courtesy of remaining for the remainder of my speech, I shall be glad to debate it with him.

Madam President, these three little words "or associated with" have injected a new breath of life into this expense account society of specially privileged taxpayers by allowing deductions for entertainment expenditures, such as trips to horseraces and entertainment at nightclubs. Through its committee report language interpreting what expenses are associated with the active conduct of a taxpayer's trade or business, the Finance Committee, in my opinion, has reopened the Pandora's box of expense account living which the House clamped shut by the "directly related" test.

Under the Finance Committee test as explained in the committee's report, it is abundantly clear that the good life, at Government expense, continues virtually unaffected. To illustrate—and now I ask for the attention of my friend from Louisiana—I ask him which of these actual cases described in the detailed and revealing study of entertainment abuses submitted to the Congress by the Secretary of the Treasury, and some of which are discussed in the supplemental views of the Senator from Illinois [Mr. DOUGLAS], would be affected one iota if the Finance Committee amendment is approved.

First, I call to the attention of the Senators from Louisiana and Florida the case of a corporation engaged in manufacturing which was allowed to deduct $991,665 in 1959 for yachts, club dues, shipboard conventions, hunting and fishing trips and parties. Do my friends seriously think that, under the "or associated with" amendment of the Finance Committee, these expenditures, which have already been allowed, would, if repeated, be rejected?

Mr. LONG of Louisiana. Every one of them would be affected.

Mr. CLARK. Every one of them would be affected?

Mr. LONG of Louisiana. By the committee amendment. They would also be affected to the disadvantage of the taxpayer.

Mr. CLARK. The Senator says "affected." That is a big word. Does the Senator mean they would be disallowed?

Mr. LONG of Louisiana. In part. Some in whole; some in part.

Mr. CLARK. The Treasury, of course, disagrees.

Mr. LONG of Louisiana. It does not disagree entirely. It disagrees in part.

Mr. CLARK. Will the Senator explain?

Mr. LONG of Louisiana. Every one of these examples has to meet the primary purpose test and has to be documented by proof on the part of the taxpayer, not his unsupported statement.

Mr. CLARK. The Senator is getting into accounting. I am talking about substantive law.

Mr. LONG of Louisiana. The Senator himself offered an amendment a couple of years ago that put the primary purpose test in there. One has to establish that the primary purpose of the entertainment was to get business. Everyone of those deductions must meet the primary purpose test.

Mr. CLARK. But the primary purpose test applies only to entertainment facilities, and it is, in turn, modified by the "or associated with" test.

Mr. LONG of Louisiana. The words "or associated with" are the cause of the difference between the House and the Senate committee reports; but one must look at the Senate committee report to see what we mean by the words "or associated with." The words "or associated with" carry out the primary purpose test.

Mr. CLARK. Then what is the purpose of the words? Why not strike them out if they are meaningless?

Mr. LONG of Louisiana. The words are here for this reason: The House committee wrote the language "unless the items are directly related to the active conduct of the trade or business."

Mr. CLARK. What is wrong with that?

Mr. LONG of Louisiana. That language would have been satisfactory from the point of view of most of those concerned about this matter if the committee report had included in its meaning the general rule that an item is deductible if it is directly related to the active conduct of the trade or business. Then there follow certain specific exceptions of what are allowed in any event. Those are very limited and restricted exceptions.

It was intended, I believe, by the House when it adopted the language "directly related to"—which, incidentally, has the same meaning as the words "or associated with"—that certain entertainment would be permitted which met the primary purpose test. That is what the language was intended to mean, but when the committee report was reached on the House side, the best we could arrive at was that the taxpayer was not permitted to deduct anything under the general rule. The general rule was so restricted by the House committee report that there was nothing allowed under the general rule but the specific exceptions.

Mr. CLARK. The Senator is entitled to his opinion, but I do not read the House committee report the way he does. If the House committee report does not say what the Senator thinks it says, then it seems to me it more than strengthens our view that we do not need the words "or associated with" and that they should be eliminated.

Mr. LONG of Louisiana. The primary difference in what we are talking about is the manner in which the two committee reports were drafted. One cannot find much to argue about in the difference between the words "directly related to" and "or associated with."

Mr. CLARK. Why is the Senator arguing about them? Why do we not take the House version?

Mr. LONG of Louisiana. Because we prefer the Senate version. We require everybody to meet the primary purpose test. If a taxpayer can show, for example, that he entertained and that the primary purpose of it was to get business, and he can document it and prove it, we prefer that he be able to deduct the expense, even though it might be entertainment at a night club or a country club. We feel that if he can show that the principal purpose was to establish a business relationship, and he has documentation more than his unsupported statement to back it up, and the entertainment was not lavish or extravagant, it should be allowed.

Mr. CLARK. Under the circumstances.

Mr. LONG of Louisiana. Surely, under the circumstances.

Mr. CLARK. That is the joker there—under the circumstances.

Mr. LONG of Louisiana. If I were a New York lawyer and a client who was giving my firm a lot of business, let us say $200,000 a year in fees, showed up in New York with his wife, I would expect to take him to a show, if he and his wife cared to go. Unfortunately, the committee report would not allow me to deduct for the cost of the meal or a ticket for his wife——

Mr. CLARK. Why should it?

Mr. LONG of Louisiana. If one feels it helps him in his business to entertain the man, and that if he does not, his competitor is going to entertain him, that becomes necessary entertainment in my opinion. That may not be the opinion of the Senator from Pennsylvania.

Mr. CLARK. No, not at all. Under the standard for which I contend, the competitor would not be entitled to entertain the customer, either. No one would be provided entertainment, except at his own expense.

I have always paid for my own entertainment. I am sure my friend from Louisiana pays for his own entertainment. Why should anybody else get away with something we do not permit ourselves to get away with?

Mr. LONG of Louisiana. If I entertain someone, directly related to business, I think I am entitled to deduct the expense, and I will deduct it.

Mr. CLARK. Does the Senator undertake to deduct business expenses for liquor and food, in connection with his own salary? I do not.

Mr. GORE. Madam President, will the Senator yield?

Mr. CLARK. I do not wish to take the privilege away from my friend from Louisiana, if he wishes to continue the colloquy.

Mr. LONG of Louisiana. I think I am entitled to a deduction, if I provide a meal for a graduating class from a school in Louisiana which is passing through town.

Mr. CLARK. Surely, but not for champagne, which, under the circumstances, might be considered appropriate.

Mr. LONG of Louisiana. Frankly, I cannot afford champagne for them, so that does not come into the picture.

With regard to facilities, the committee report is drafted to provide that if a yacht is used less than 50 percent for business purposes the person involved cannot deduct 5 cents of the expense. However, if a man has a boat and he uses it more than 50 percent for business purposes, and if he can support that by more than his own assertion, if he can prove it by records and evidence, and can satisfy the people from the Internal Revenue Service—who are hard people to satisfy, as the Senator knows—that it was used more than 50 percent for business purposes, then he should be able to deduct that portion of the expense of the yacht which was used for business purposes. He still would have to pay for the part used for social purposes. That is far more strict than existing law.

Mr. CLARK. I take it, at the end of this colloquy, my friend's answer to my question—which I will restate, "Does the Senator believe that under the committee amendment a corporation engaged in manufacturing would no longer be allowed to deduct $991,665 for yachts, club dues, shipboard conventions, hunting and fishing trips and parties?"—is, "Perhaps so; perhaps not; perhaps in part but certainly not in whole."

Mr. LONG of Louisiana. It might be permitted to deduct some of that cost.

Mr. CLARK. I thank the Senator.

Mr. GORE. Madam President, will the Senator yield?

Mr. CLARK. I am happy to yield to my good friend from Tennessee.

Mr. GORE. Like the senior Senator from Pennsylvania, the junior Senator from Tennessee is perfectly content to have the distinguished junior Senator from Louisiana entertain whatever views he desires with respect to the propriety of expense accounts, their use and the tax deduction therefor. I am sure the Senator from Pennsylvania is not in any way arguing with the right of our friend from Louisiana to entertain the views he holds.

Mr. CLARK. Certainly not, including the right to entertainment. But, of course, the Senator realizes that the net result is that Uncle Sam picks up 52 percent of the check.

Mr. GORE. I think there are two wrongs involved in the expense account abuse, at least. Perhaps there are more than two, but there are two very specific wrongs. One is the fact that the taxpayer is discriminated against. Another is the fact that the stockholders of many of the corporations are being bilked by the abuse of expense accounts by corporate "insiders."

Mr. CLARK. The Senator is quite correct.

Mr. GORE. So two groups of people are suffering severely, the stockholders and the taxpayers.

There is another element to which the President devoted a good deal of attention in his message to the Congress. That relates to the moral fiber of our country, to a sense of fairness in our tax laws and its importance to our society and to the system of taxation we have, which essentially depends upon voluntary compliance.

Mr. CLARK. I share the Senator's view that this is a great moral issue which we are debating today.

Mr. GORE. I am not sure that the third element is not more important than the first two, in the long run.

Mr. CLARK. The Senator may well be correct.

Mr. GORE. Is not the parliamentary situation as follows: The President and the Secretary of the Treasury recommended that the Congress deal vigorously with this abuse and do so in a manner to eliminate it, and the Treasury Department testified at great length in this regard?

Mr. CLARK. Let me interrupt the Senator to say that I am perfectly willing to admit on the floor, for the record, that I have had the assistance of Treasury Department officials in preparing the speech I am now making. They did not write it, but I had their help in its preparation.

Mr. GORE. There are very competent men serving in the Treasury Department.

The House passed a bill, did it not, which was not as stringent, which was not as effective, which was not as rigid, as the President and the Secretary of the Treasury had recommended?

Mr. CLARK. The Senator is correct.

Mr. GORE. Is it not also true that the House Committee on Ways and Means submitted a report on the bill which it reported to the House, and which the House subsequently passed, which states the clear, concise, effective, and understandable legislative intent of the language of the bill?

Mr. CLARK. That is my own strong view. I gather the Senator from Louisiana feels the House Ways and Means Committee did not intend the language in its own report.

Mr. GORE. Is it not true that the Senate Committee on Finance has recommended that an amendment be attached to the bill passed by the House which would weaken the bill and in some respects make it even worse than present law?

Mr. CLARK. The Senator is an able and valuable member of the Senate Committee on Finance and has made a far greater study of this question than I have been able to make, but my own investigation confirms what the Senator has stated.

Mr. LONG of Louisiana. Madam President, will the Senator yield?

Mr. CLARK. I am happy to yield.

Mr. LONG of Louisiana. Will the Senator show me where in the report—which, after all, interprets the language—there is anything which would make the law more favorable to the taxpayer than existing law?

Mr. CLARK. I am not talking about the report. I am talking about the words "or associated with." I am making my whole speech in the endeavor to try to convince the Senator from Louisiana and other Senators that these three little words would destroy a large part of the House bill and its intent, as well as the President's intent.

Mr. LONG of Louisiana. It seems to me in a way ungracious for the President to give the most lavish parties in the history of America and then to come out with the statement that a man should not be able to deduct the cost of the entertainment of a man and his wife for business. The President and the First Lady give parties Cleopatra would have been honored to be invited to attend.

Mr. CLARK. I refuse to yield further in that regard. If the Senator wishes to criticize the President of the United States in extravagant terms on the floor of the Senate, that is his right, but I will be no party to that.

Mr. LONG of Louisiana. Let me say to the Senator that I am not criticizing the President. There is nothing immoral about the parties he is giving. I think they are a credit to America.

Mr. CLARK. What makes the Senator think the President does not pay for them out of his own pocket?

Mr. LONG of Louisiana. For one thing, we give him our own Federal money with which to pay for them. How much do we allow him? I believe it is about $50,000 a year, for which he does not have to account. I voted that he would not have to account for it.

Mr. GORE. Madam President, will the Senator from Pennsylvania yield?

Mr. CLARK. I am happy to yield.

Mr. GORE. Official entertainment by the President of the United States of distinguished foreign visitors, or citizens and officials of our Government or of other governments, is one thing, while abuse of an expense account to disguise personal expenditures with business association, about which the President complained—and those were his words—is an entirely different thing. It is the latter subject with which the pending amendment deals.

Mr. CLARK. In my opinion, the junior Senator from Tennessee has placed his finger on the clear fallacy in the argument of the junior Senator from Louisiana.

Mr. LONG of Louisiana. Madam President, will the Senator yield?

Mr. CLARK. I yield to the Senator from Louisiana.

Mr. LONG of Louisiana. The point I am getting to is that businessmen find it necessary to entertain in their businesses.

Mr. CLARK. Only because of the customs built up under present law.

Mr. LONG of Louisiana. I do not agree with that statement.

Mr. CLARK. Let us agree to disagree and let me get on with my speech.

Mr. LONG of Louisiana. I should like to again ask the Senator the question he has not yet answered. Wherein does the bill before the Senate fail to tighten up on present law? The statement has been made that in some respects it would give the taxpayer a break that he is not getting under present law. Wherein does that statement occur in the bill?

Mr. CLARK. My entire speech is intended to show instance after instance in which improper deductions would be permitted under the committee amendment. I have just given the Senator one instance, and he has refused to give me a categorical answer. He has said, "Maybe yes, maybe no; perhaps; who knows?"

I have about six additional instances in which the expenses would be claimed as a deduction under the committee amendment.

Mr. LONG of Louisiana. Compared to present law?

Mr. CLARK. Yes. All the references in the Finance Committee report to the deductibility of goodwill expenditures may make it easier as a matter of fact for a taxpayer to prove his case under the bill than under present law.

Mr. LONG of Louisiana. I told the Senator that in no instance would a taxpayer get any better break than he gets under present law. I believe if the Senator will look at every one of those cases, he will find that in every instance the taxpayer would be worse off than he would be under present law. What we have sought to do is to eliminate abuses, but we have also sought to leave legitimate and necessary entertainment expenses incurred in the course of business as a deduction for businessmen. I think we should do that.

Mr. GORE. Madam President, will the Senator yield?

Mr. CLARK. In just a moment. The Senator from Louisiana is entitled to his opinion, but the RECORD will show that I completely disagree with his position, and so does the Treasury Department of the United States. The loophole opened by the committee language is far broader than he has indicated.

Mr. GORE. I know the Senator wishes to proceed with his speech——

Mr. CLARK. I am happy to yield.

Mr. GORE. Does not the Senator think that a legislative endorsement, acceptance, and condonement of many α the expense account abuses which would be made possible by the Senate amendment, and particularly with the majority committee report interpretation of the amendment, would do serious and lasting damage to the sense of fairness that the American people have or ought to have and hope to have with respect to our tax system? Does not the Senator think that that would constitute a serious attack upon the moral fiber of our tax law?

Mr. CLARK. I do indeed. I will say to my friend from Tennessee what I have had occasion to say on the floor several times during the last 9 months.

The Senate is losing its hold on the American people. The Senate, by many of the actions which it has taken since January, has tended to bring itself into disrepute with the American people. The Senate is living in a past which is gone. Our rules, procedures, practices, and customs are entirely out of touch with the modern world. I would dislike to think that our morals and ethics are also out of touch with the high standards which a Christian nation should maintain. I very much fear that if we should take the action which is contemplated, we would be subjected justly to criticism for having lowered moral standards.

Madam President, I return to my task of endeavoring to persuade my good friends from Louisiana and Florida that the amendments which they are supporting would indeed open up or perpetuate, as the case may be, glaring loopholes through which wealthy taxpayers and large corporations could obtain business expense deductions which, under normal ethical standards, should not be permitted, and which in effect would deprive the U.S. Treasury of scores of millions of dollars annually which, in my opinion, the Treasury should be permitted to collect.

I turn to my next example, which is that of a taxpayer engaged in the insurance business, who is allowed to deduct $97,500 for meals, lodging, transportation, entertainment, tickets, books, and gifts; the amount covered $6,000 for rental of an apartment, and more than $30,000 for food, beverages, and other entertainment. I ask my friends whether those deductions would not again be approved under the committee amendment, in part at least, perhaps in major part—if those three little words were inserted in the pending measure.

I note no reply, so I go on to the third example, which is that of a manufacturer who was allowed to deduct more than $34,000 spent on liquor, football tickets, parties, and a speedboat. The expense for liquor alone totaled $13,750. I ask again whether that expenditure could not be justified on the ground that it was associated with a legitimate business enterprise.

Again I hear no reply.

Mr. LONG of Louisiana. Madam President, will the Senator yield?

Mr. CLARK. I am happy to yield to my friend from Louisiana. I had hoped that we would make a little legislative history—and that he would remain in the Chamber to do so—to show that all these business deductions would be rejected under the tough bill which he says the committee wrote. I note so far that he has been unwilling to do so.

Mr. LONG of Louisiana. Can the Senator tell me whether that very item would be directly related to the conduct of a trade or business?

Mr. CLARK. I think it would be highly unlikely that an expenditure of $13,750 for liquor alone, unless the man was in the whisky business and was giving out samples of Old Crow, or something, would be directly related.

Mr. LONG of Louisiana. Do I correctly understand the Senator to say that under those circumstances he believes the expenditure would be directly related to the conduct of business?

Mr. CLARK. It would be allowed under present law but disallowed under the House bill. The committee language, if anything, as my friend from Tennessee has said a while ago, would weaken present law.

Mr. LONG of Louisiana. The Senator has made that statement. I am waiting for him to produce the first shred of evidence that would indicate that the present law would be weakened in any respect so far as expense allowances are concerned. The estimate of the Treasury Department is that we would tighten on the present law by $60 million a year. Our estimate and our staff's estimate is that we would tighten the present law by $85 million a year.

But I have yet to see the Department of the Treasury or one of our staff arrive at the conclusion which the Senator from Tennessee and the Senator from Pennsylvania seem willing to accept—that there is a single case in which a taxpayer would get a better break than he does under present law.

Mr. CLARK. The Senator is taking a position which is quite peripheral to my main argument. The Senator from Tennessee is quite competent to defend his own position, with which I tend to agree. What I am trying to persuade my friend from Louisiana and what I am trying to persuade the Senate is that under the proposed committee amendment, the three little words "or associated with," would permit grave expense account abuses which would not be permitted if we went back to the language of the House bill.

The Senator wanted to discuss the $13,000 that some corporation deducted for expenses for liquor. It would be necessary to look at the specific situation involved in every one of these expenditures to determine what portion of the expenditure a corporation would have a right to deduct. The primary burden would be on the taxpayer to fill out that return.

I believe we have pretty well narrowed down the difference of opinion between us. However, let me restate the case. A manufacturer was allowed to deduct more than $34,000 spent for liquor, football tickets, parties, and a speedboat. In the opinion of the Senator from Pennsylvania he should not be entitled to deduct 1 cent for liquor, not 1 cent for football tickets, not 1 cent for parties, and certainly not 1 cent for a speedboat. I believe this narrows the issue between us.

Mr. LONG of Louisiana. I believe we understand what we are talking about. There are some of us—that is, the majority of the committee—who feel that under certain circumstances a businessman should be able to deduct some of these expenses.

Mr. CLARK. I shall now turn to my next example.

Mr. BUSH. Madam President, will the Senator yield?

Mr. CLARK. I yield.

Mr. BUSH. Why would the Treasury permit the deduction of that kind of thing under present law?

Mr. CLARK. It is my understanding that present law permits the deduction of "ordinary and necessary" business expenses, and that court interpretations have stretched that test so far that examples of the type that I have given have been allowed under those court decisions. I do not think they should be allowed; neither does the President of the United States. In each instance the President of the United States has stated that if we accept the language which I recommend it would be impossible to take these deductions in the future. That is my whole point.

Mr. BUSH. I fully agree with the Senator that that type of deduction is absolutely beyond the pale. I cannot understand why existing law would permit such deductions to be taken.

Mr. CLARK. I am not a great tax lawyer, although I did practice a little tax law before I came to the Senate. I do not agree with these court interpretations, but they stand, and the Treasury is bound by them.

Mr. BUSH. Does the Senator say that the examples he is giving are the result of court interpretation?

Mr. CLARK. I must be a little more sophisticated. Many result from Treasury rulings based on court interpretations. Each one did not necessarily represent a court ruling itself. I believe that the most outrageous case of all is the African safari case, with which I am sure my friend from Connecticut is familiar.

Mr. BUSH. I thank the Senator.

Mr. LONG of Louisiana. Madam President, will the Senator yield?

Mr. CLARK. I yield.

Mr. LONG of Louisiana. Does not the Senator know that we have expressly said that African safari type of thing is over with and would no longer be permitted as a deduction?

Mr. CLARK. I hope the Senator is correct.

Mr. LONG of Louisiana. We cited it as an example of the kind of thing we wanted to have prohibited from the standpoint of a deduction being taken for it.

Mr. CLARK. Fine.

Mr. LONG of Louisiana. The Senator admits that at least in that respect the committee is right and the committee did what he wants it to do.

Mr. CLARK. No. The committee report does not prohibit a deduction for a safari. It merely says the safari is not "advertisement"—it is entertainment. If the taxpayer shows it was "associated with" a business purpose, I assume it would still be deductible. The new words "associated with" may open a loophole from which other abuses may spring in the future.

Mr. LONG of Louisiana. The Senator has yet to produce his first shred of evidence that that would be the case, other than the unsupported statement of the Senator from Tennessee.

Mr. CLARK. The Senator's interpretation of the word "evidence" is different from mine. My whole speech is competent and relevant evidence in opposition to the amendment.

Mr. LONG of Louisiana. The Senator has yet to produce his first example in which a person would be paying more taxes under the amendment than he was paying before.

Mr. CLARK. I will not argue further with my friend from Louisiana. I have produced 3 examples. My friend does not agree with me on those examples. I believe we should let the Senate decide whether he is right or I am right.

Mr. SMATHERS. Madam President, will the Senator yield?

Mr. CLARK. I yield.

Mr. SMATHERS. The examples which the Senator from Pennsylvania has cited, and which he apparently obtained from the examples which the Secretary of the Treasury brought to us and put in the record, are examples on which we agree with him.

Mr. CLARK. Some were related there, and some were brought to my attention later.

Mr. SMATHERS. They are pretty bad examples. The unfortunate fact is that under present law the Secretary of the Treasury settled 60 of those 69 examples. He agreed to do that under present law. The Senator from Connecticut [Mr. BUSH] asked how it was possible that this could be done under present law. In the years 1958, 1959, 1960, and 1961, the Treasury Department agreed to these settlements. Then representatives of the Treasury Department came to us and said this ought to be stopped. We agreed. That is what we have attempted to do in the bill. We have tried to see to it that only legitimate business expenses will be allowed.

Mr. CLARK. If the Senator will permit me to continue now, I shall be glad to yield to him later.

I believe that for the benefit of our friend from Connecticut we ought to point out that most of these rulings of the Treasury Department were made in large part during the Eisenhower administration, which took a somewhat different view of the expense account situation than does the Kennedy administration.

Moreover, I believe that in justice to the Treasury Department I should make the statement, to which I suspect my friend from Florida and my friend from Connecticut will agree, that the Treasury Department has in its employ very able, competent, and honest tax lawyers, and that the Department would be highly unlikely to settle such cases out of court, unless the legal opinion from its attorneys was to the effect that the case should not be taken to court, because the Government would lose it.

Mr. SMATHERS. Madam President, I agree with the latter part of the Senator's statement. With respect to the policy that was followed under previous administrations, I believe that most members of the committee believe that the Internal Revenue Service is rather bipartisan in its actions. I have not noticed—and I hope it never occurs—that whether a man is a Democrat or a Republican determines whether he will prosecute a case with vigor; or how he will prosecute an individual case.

The second point the Senator makes is exactly right.

Mr. CLARK. I agree that until one reaches the top of the department the administration of the department is clearly bipartisan, and it clearly attempts honestly to interpret the present law. However, I suggest that it does make some difference who the Secretary of the Treasury is and who the Under Secretary of the Treasury is, and what their background in business or otherwise may have been; and it makes a difference as to how competent and able civil servants at a lower level interpret the law.

Mr. SMATHERS. I would like to leave that point for just a moment and ask the Senator a question. I refer to page 27 of the report:

> Your committee's bill adds a new provision to the code (sec. 274), which disallows, in whole or in part, certain expenses which would be fully deductible under present law. The requirements imposed by this bill are in addition to the requirements for deductibility imposed by other provisions of existing law, which must be met by the taxpayer before this new provision becomes operative.

In other words, what the committee tried to do—and I believe the Senator will agree—was to provide that, as tough as existing law is, by reason of various court decisions, loopholes have opened up. There is no question about that in the minds of the majority members of the committee. We have tried to close them. Whether we have entirely succeeded is a debatable matter. That is what the Senator is debating now.

We are placing additional requirements in the law, to make it more difficult for people to abuse the tax law. We would like the Senator to understand that we are just as much opposed to sin as he is.

Mr. CLARK. The Senator may be even more opposed to sin than I am.

Mr. SMATHERS. Perhaps so. If that were true, it would be a great compliment to me. In any event, I would like the Senator to know that the purposes and intentions of the majority of the committee were good and pure. We did not want to go to the extent of saying that the legitimate businessman, in providing legitimate entertainment which is directly related to his business—as is the case in the House bill, on which we eased up—should not be permitted to deduct such legitimate expenses, if those expenses were directly related to or associated with his business.

Under those circumstances, we think a deduction would be permitted. The Treasury would agree that the proposal is a tightening up measure, because it is said it would bring in $60 million additional; whereas the committee staff, which is usually a better estimator than the Treasury, believes it would bring in $85 million in additional revenue.

Mr. CLARK. I believe the difference of opinion between the Senator from Florida and myself has narrowed down to the fact that he considers legitimate certain things that I think are illegitimate.

Mr. KERR. Madam President, will the Senator yield?

Mr. CLARK. I am happy to yield.

Mr. KERR. The Senator is referring to legislation?

Mr. CLARK. I believe the rule is that we should face the Chair.

Mr. KERR. I did not make an affirmative inquiry of the Senator. I thank him for assuming the responsibility of the Chair.

Mr. CLARK. Madam President, I turn to my next example, which is a case in which a taxpayer was allowed a deduction of $115,000 for entertainment and gifts.

Let me digress to say to the Senator from Louisiana [Mr. LONG] that I am in accord with him that gifts having a value in excess of $25 are eliminated by the

House bill as well as by the Senate bill; but that is not what we are arguing about. Olivia de Havilland would no longer be permitted to deduct the value of her gift above $25, as she was under the previous law. But what we are concerned with are the three little words, "or associated with."

Among the $115,000 expenses which were permitted to be deducted by the particular taxpayer to whom I have referred were $7,500 spent at a resort hotel; $5,400 for food, liquor, and cigars for his office and farm; and $8,700 cash to officers of his closely held corporation for entertainment.

Another case is one of a beverage manufacturer who claimed and was allowed a deduction of $10,963 for entertaining at the Kentucky Derby.

I ask the Senator from Louisiana and the Senator from Florida whether, in their opinion, expenses incurred in entertaining at the Kentucky Derby, or the Army-Navy football game, or the Orange Bowl or Cotton Bowl football games would still be permitted to be deducted under the committee bill. I do not ask them to answer me if they do not believe they should.

Mr. LONG of Louisiana. Yes, if the expenses are directly related to or are associated with the conduct of one's business. I assume that a taxpayer could take one of his better business clients, or a client with whom he had a good reason or a supportable reason to expect he had a reasonable chance of doing business to a football game, or even to the Kentucky Derby, but not on a vacation; that would be out. The Treasury would have to decide whether such a trip was a vacation trip or was a trip for the purpose of entertaining a client, for the primary purpose of obtaining business. If the latter, the taxpayer would be able to deduct the expense of entertaining his friend at the Kentucky Derby.

The committee report spells out the kind of entertainment of clients and their wives for which deductions would not be allowable, so far as the expense of entertaining wives was concerned, because it was felt that the entertainment was not sufficiently related to or associated with the conduct of the business to permit the deduction of the expense for entertaining the wife. Based on the present practice, I should say that the taxpayer would be permitted to deduct about half of what he had been deducting.

Mr. CLARK. I thank the Senator from Louisiana for his candid answer.

Mr. GORE. Madam President, will the Senator from Pennsylvania yield?

Mr. CLARK. I am happy to yield.

Mr. GORE. The distinguished junior Senator from Louisiana has just answered as the RECORD will show. I should like to point out that the committee report gives a very lucid interpretation of the words "or associated with." I invite the Senator's attention to page 26 of the report. I shall begin to read from about the 19th line from the top of the page. What I shall read is the part of the committee's report which describes the meaning of this language:

> By your committee's amendment an alternative rule is added to the House bill under which expenses for entertainment, amusement, or recreation (with respect to both activities and facilities) also will be deductible to the extent that such expenses are associated with the active conduct of a trade or business.

I digress to say that we shall now see a new interpretation in the following sentence:

> This new language will permit deduction of expenses for entertainment, amusement, or recreation incurred for the creation or maintenance of business goodwill——

I digress again to say that later, at another part of the report, we find very amusing and interesting language with respect to "goodwill." But to continue to read:

> This new language will permit deduction of expenses for entertainment, amusement, or recreation incurred for the creation or maintenance of business goodwill without regard to whether a particular exception applies. However, this new language will apply only if the taxpayer demonstrates a clear business purpose and shows a reasonable expectation——

Mr. CLARK. I ask the Senator to continue from there, because I think the next words are really quite critical.

Mr. GORE. I should like to stop, first, and inquire of the Senator from Pennsylvania, who is a learned lawyer, what is a "reasonable expectation"?

Mr. CLARK. As the Senator from Tennessee, who is a learned lawyer himself, knows, we have, in many a jury case, tried to persuade a jury that an individual had or had not exercised a reasonable degree of care when crossing a street. I do not believe we have ever come to any positive legal definition of that word. I should say that the phrase "reasonable expectation" is as wide as all outdoors.

Mr. GORE. It would leave the Internal Revenue Service almost helpless in enforcing the law and eliminating expense account abuses.

Mr. CLARK. Certainly there is no clearly defined standard.

Mr. GORE. But the remainder of the sentence makes it worse.

Mr. CLARK. Much worse.

Mr. GORE. It reads: "and shows a reasonable expectation of deriving some income"——

Mr. CLARK. "Or other benefit."

What does that mean?

Mr. GORE. I raise the question: How much is "some"?

Mr. CLARK. And what is the meaning of "other"?

Mr. GORE. What are "other benefits"? What kind of benefit? A social benefit? A political benefit? Physical recreation?

Mr. CLARK. Perhaps an invitation to attend the Kentucky Derby next year on the expense account of the man whom he took to the Kentucky Derby this year.

Mr. GORE. Perhaps that would be a reasonable expectation of "benefit."

Mr. CLARK. It would certainly be another benefit.

Mr. GORE. Perhaps one could reasonably expect such reciprocity.

Mr. CLARK. It would be courteous to do so.

Mr. GORE. Now I shall read to the Senator the next sentence:

> If he meets this test—

I digress to say that I do not believe it is much of a test.

I really think that is stretching the word "test" beyond anything I have even seen it applied to——

> If he meets this test, the expenditure will be considered to be associated with the active conduct of his trade or business.

I ask the distinguished Senator from Pennsylvania to utilize his imagination, and see whether he can conjure up and can suggest to me some personal recreation, entertainment, enjoyment, or amusement from which I could have a reasonable expectation of getting some income or some other kind of business that would not be deductible under this so-called test.

Mr. CLARK. My imagination fails me utterly, and I am completely incapable of conjuring up such an example.

Mr. GORE. Yet in the face of messages from the President of the United States and in the face of the abuses and scandalous conduct that we know are widespread, the Senate is asked to adopt this amendment with this interpretation of it printed and on the desk of every Senator. Fortunately for the Senate, the legislative intent is spelled out.

I thank the Senator from Pennsylvania for yielding to me.

Mr. CLARK. Madam President, I thank my friend, the Senator from Tennessee, for his helpful interjection.

Mr. LONG of Louisiana. Madam President, will the Senator from Pennsylvania yield?

Mr. CLARK. I am glad to yield to my friend, the Senator from Louisiana.

Mr. LONG of Louisiana. I thank the Senator from Pennsylvania.

I would suggest that the Senator from Pennsylvania and the Senator from Tennessee turn to page 28, paragraph 3, of the committee report, where the following language will be found:

> It will not be sufficient that the entertainment expense is vaguely or remotely connected with a business motive; it must be demonstrated that the predominant purpose of the expense is to further the trade or business of the taxpayer. Where goodwill generated by the expense is vague or where the possibility of the expenditure resulting in the production of income is remote, no deduction will be permitted. For instance, under present law a taxpayer may deduct expenses of entertaining buyers and others associated with his trade or business even though at the time he does the entertaining he already has more business than he can handle. Under your committee's amendment, however, no deduction will be allowed because, with a large backlog of unfilled orders, such entertainment ordinarily cannot be regarded as being associated with efforts to produce income.

Mr. CLARK. "Ordinarily."

Mr. LONG of Louisiana. And elsewhere in the report there is also language which shows that the committee is aware of situations in which people reciprocally entertain one another, and that also is disallowed.

Mr. GORE. Madam President, will the Senator from Pennsylvania yield again to me?

Mr. CLARK. I am glad to yield.

Mr. GORE. Now we have an example—one as to which the authors of the majority report exercise their imagination almost beyond belief; the distinguished junior Senator from Louisiana has just read it. The one example given—the one he has cited—of a situation in which this amendment would not permit a deduction is the fanciful situation in which a businessman has such a large backlog of unfilled orders that "such entertainment cannot ordinarily be regarded as being associated with efforts to produce income."

Incidentally, I do not think such entertainment expenses are deductible even under present law.

I am sure that the distinguished Senator from Pennsylvania, who is a distinguished lawyer, is acquainted with the case of *James Schultz*, 16 Tax Court 401.

Mr. CLARK. I regret to state that I am not as erudite in this subject as is the Senator from Tennessee. The Schultz case has escaped my observation.

Mr. LONG of Louisiana. Will the Senator inform us who won the Schultz case?

Mr. GORE. Since we have this wonderful example of the exercise of a fertile imagination, one example of a deduction which would not be allowed—that of a businessman with such a large backlog of unfilled orders that by no stretch of the imagination could he increase his business or enlarge his plant or produce more income or receive any other benefit to his business from such an expense—and since that is cited as an example of a deduction which would not be permitted, I point out that it would not be permitted under existing law—if such a fanciful situation has any semblance of reality.

Mr. LONG of Louisiana. It was cited as just an example of the purpose here.

Mr. GORE. Can the Senator from Louisiana cite another?

Mr. LONG of Louisiana. The Senator from Tennessee can think of any number of examples.

Mr. GORE. No, I cannot.

Mr. LONG of Louisiana. I believe it covers the case to which the Senator from Tennessee referred—one in regard to which he believes the entertainment would be of benefit to the taxpayer next year.

Incidentally, Mr. Schultz, the little watchmaker, won his case against the Government. But next time he could not win it—not under this committee report. Next time, he will be just another little redskin who has hit the dust.

The Treasury has estimated that by means of this amendment it will collect $60 million that it is not obtaining now from the taxpayers; but our estimate is that it will collect $85 million.

Mr. CLARK. I suggest that not many redskins would hit the dust under the provisions of this committee amendment.

Mr. LONG of Louisiana. $85 million worth of redskins will hit the dust.

Mr. CLARK. Of course the Senator from Louisiana is entitled to place his own interpretation in regard to the redskins—whether they represent Washington in the football arena or elsewhere.

Madam President, to return to my presentation, let me state that each year deductions in the amount of huge sums of money are allowed to taxpayers in connection with the operation and maintenance of yachts and boats.

One manufacturer was allowed to deduct $253,000 for the expenses of a yacht. Another was allowed to deduct $112,000 for such expenses, as well as an additional amount of $362,000 for a ranch, a hunting lodge, a night club, and other similar expenses. A company in the business of selling fuel was allowed $93,000 as a deduction for a yacht. A fuel production company was allowed a deduction of $23,000. An automobile dealer was allowed a deduction for the expenditure of $22,000. A cake and cookie bakery was allowed to deduct $66,000 for a yacht on which to entertain supermarket and chainstore buyers and branch managers.

In one really fascinating case—and, Madam President, I think this is the best one of all; this is really something—a mortician was allowed a deduction of $26,495 for yacht expenses, to entertain visiting undertakers, clergymen, and for meetings of employees.

These are only a few of the thousands of cases in which every form of luxurious living is indulged in by the few, at the expense of the many—the many nonbusiness and small business taxpayers who are not privileged or who on ethical grounds do not choose to deduct the cost of their personal enjoyment, in computing their tax liability.

I ask whether the results of any of the cases I have described would be different under the provisions recommended by the Senate Finance Committee. I have struggled in vain to find in the bill or in the committee's report anything which would assure me that the picture would be changed.

Practically all business expenditures have been blessed by the committee. It would indeed be an unimaginative businessman who could not justify a deduction of such expenses by him, either on the ground that they were for the creation of goodwill or on the ground that they were for the maintenance of goodwill. Neither can I find a specific guideline with teeth in it which tells the taxpayer with clarity that he cannot deduct an item, or tells a revenue agent with directness that he can disallow it.

A mass of generalities is thrown on the world. Everybody is left to flounder in them as best he can.

As the junior Senator from Louisiana said on the floor a few moments ago, this is really stretching the word "test" far beyond the bounds of reasonableness.

Perhaps the supporters of the Finance Committee will point to the language of the committee report that no deduction will be allowed for entertainment expenses "which under the circumstances in which they are incurred are lavish or extravagant."

My friend, the Senator from Louisiana, an able member of the Finance Committee, has already done it.

At first glance, this might appear to be of some help. However, when one tries to apply such a test, he soon finds he is wrestling with a mirage—an unproductive exercise, I add parenthetically; for what is lavish or extravagant under the circumstances? Does the circumstance that one taxpayer is wealthy entitle him to throw a bigger cocktail party than one who is less wealthy? If he lives in New York, can he run up a bigger bill than if he lived in Altoona, or Bethlehem, or Allentown, or any one of the urban communities in my Commonwealth, where businessmen are trying, just as hard, to get and to keep business as are those in New York, or Miami, or New Orleans?

Do we look to the volume of sales of a corporation in making this determination? Can a General Motors dealer take more than a Chevrolet dealer in a middle-sized town? If a business is operating at a loss, does the expense become lavish and extravagant? Must a business in a small town entertain on a more conservative scale than a similar business in a big city? Is this fair? If entertainment, as many in the business community would have us believe, is the highroad to business success, does not the "lavish and extravagant" test freeze the competitive position of the large taxpayer as against the small one, keeping the little fellow down?

Equally as important as these basic considerations of fairness and equity are the practical ones of application by Government officials of the new so-called rules of the taxpayers and their administration.

What standards are to be followed? Is it not apparent from the vagueness of these so-called tests that each revenue agent will, depending upon his personal background of frugality or extravagance, apply his own ethical and moral personal standards, leading quickly to a hopeless lack of uniformity, which no doubt will have to be resolved many years later by the courts?

If these rather gloomy consequences which I have just outlined are not to follow, then is it not incumbent upon the proponents of the Finance Committee measure to state affirmatively, in support of their amendment, more precisely what they mean? Is it not apparent that any rule in this area, to be workable, must utilize some form of dollar limits? For example, if tickets to a musical comedy at $30 apiece are lavish, is it not incumbent upon the committee to indicate at what point they lose their lavish character? Would it be at $20 a ticket, $10 a ticket, or $2 a ticket? Or are $2 tickets only those limited to parimutuel systems at racetracks?

What about football games? Are speculators' tickets on the 50-yard line at the Army-Navy game at Philadelphia out of the question?

The Senator from Illinois [Mr. DOUGLAS], in his dissenting report, raises a number of pertinent questions along this line. I ask unanimous consent that an excerpt from the views of the Senator from Illinois be printed in the RECORD at this point in my remarks.

There being no objection, the excerpt was ordered to be printed in the RECORD, as follows:

> If the circumstances involve a taxpayer accustomed to entertaining in an elaborate and expensive style, can they be held to be "lavish" under the circumstances? When does a yacht become an extravagant expenditure? When it is 60 feet in length? 100 feet in length? Would these criteria vary with the income (or expected income) of the taxpayer? Would a resident of Miami Beach, Fla., be entitled to a bigger and more expensive yacht than a resident of Providence, R.I.? Would a beach home with eight rooms be a lavish facility? What about one with 30 rooms? Would a corporate president be entitled to drink champagne whereas a vice president could have only a whisky highball and a proprietor of a country grocery store only ordinary corn liquor?

Mr. CLARK. What I have said so far might give one the impression that adoption of the House provision would mean that all tax deductions for the pleasant things of life had been taken away. This is very far from the truth, indeed. In seeking to restore the House version, I do not ask that all businessmen should lead a Spartan existence. The House bill still permits continuation of business entertainment in the most important areas where it is the normal, everyday business custom.

First of all, the usual type of entertaining business associates through meals at restaurants and hotels is not disturbed. This would include expenditures for the consumption of alcoholic beverages. I am no prohibitionist, but I think everyone should pay for his own liquor. This expenditure, even though it is used purely to build goodwill, and even though no business is actually discussed, is still deductible. This covers the most significant portion of goodwill entertainment conducted in this country.

This means also, for example, that the costs involved in attending or inviting guests at banquets of business or professional groups are also left undisturbed.

Personally, I would disturb them.

Next, the deductibility of costs associated with business conventions is also largely unaffected. Thus, travel expenses for the purpose of the convention continue to be deductible. Of course, the cost of meals and liquor and lodging at the convention is also deductible. The deductibility of expenses of hospitality rooms—in other words, cocktail suites—to entertain at conventions to build goodwill is specifically continued by the House report, as under present law.

Personally, I would discontinue them.

Is it not clear, when the liberal treatment of wining and dining business associates and the generous rules with respect to conventions are taken into account, that, as the Senator from Illinois [Mr. DOUGLAS] points out, the House provision "strikes only at the high, wide, and fancy living and indulgences in personal pleasures which all taxpayers ought to pay for themselves without Government subsidy"?

I agree with the Senator from Illinois [Mr. DOUGLAS].

Let me point out to many of my business friends in Pennsylvania that the House bill does not affect the restaurant business, but it does curb deductions for items like trips to the Kentucky Derby and after-hours nightclub life.

I am proud to say that the Senate, recognizing the seriousness of the expense account problem and its destructive effect upon the morale of most taxpayers, passed in 1960 a measure I sponsored which was in some respects even more stringent than the one contained in the House bill. The provision which we approved in 1960 would have denied a deduction for all entertainment expenses with one exception—the cost of business meals. In addition, expenses for gifts would have been disallowed, subject to a $10 annual limitation for each recipient and social club dues would have been completely disallowed. However, the conferees quickly kicked this amendment out of the compromise reported back to both bodies. They said they wanted to give the Internal Revenue Service another opportunity to improve the expense account picture by administrative measures.

Therefore, nothing was done.

Now comes the President of the United States to ask us to legislate, because administrative action is inadequate. This is what he said:

> In recent years widespread abuses have developed through the use of the expense account. Too many firms and individuals have devised means of deducting too many personal living expenses as business expenses, thereby charging a large part of their cost to the Federal Government. Indeed, expense account living has become a byword in the American scene.

Then the President sent to Congress language far more stringent than that adopted by the House of Representatives, which in turn was substantially more stringent than what the committee would have us accept in the Senate today.

As evidenced by the provision which it adopted this year, the House has now changed its views and has moved closer to the views of the Senate in 1960. I suggest, Madam President, that it would be sad, indeed, now that the House has come around to our view, if the Senate now were to jettison this major accomplishment and be the body responsible for a great step backward in the development of our tax laws. I urge restoration of the House provisions and accordingly the defeat of the committee amendment.

Madam President, I yield the floor.

The PRESIDING OFFICER. What is the pleasure of the Senate?

Mr. LONG of Louisiana. Madam President, the committee amendment dealing with the deduction of entertainment expenses would relieve somewhat the unreasonably extreme interpretation of the House provision. At the same time the committee amendment drastically would tighten the rules of existing law which, in some cases, may have been abused.

I supported the amendment of the Senator from Pennsylvania several years ago. I supported his amendment on the principle that there were abuses in regard to entertainment allowances and that the laws in respect to such abuses should be tightened. I fought in conference to try to bring back something in that regard.

As one who supported the amendment, it was my feeling that we could not tell exactly how far the amendment would go. I knew there were some abuses, and I felt that the subject deserved some consideration. I was sorry at the time that we could not bring back from conference something to correct the abuses. I was not wedded to any particular version or tightening-up method. I thought some way should be devised to tighten the law with respect to abuses, but I was one of those who, in an effort to tighten the law with respect to abuses, also wished to allow legitimate business expenditures for necessary entertainment expenses in connection with a person's business.

The committee amendment would tighten the rules relating to deductions for entertainment expenses to the tune of $85 million a year. Let me make that point clear. $85 million, or more, in new taxes would be collected each year as a direct result of the committee bill.

I have challenged anyone to show—though I have not heard a response—that there is any instance in which a taxpayer would get any break he is not already getting, insofar as anything which is in existing law is concerned. The taxpayer would have to pay more. Every example cited has been one in which the taxpayer would gain no advantage from the bill. This should quiet the fears of those who state that the committee amendment would do nothing.

The committee amendment would do quite a bit.

It would deny deduction for entertainment, amusement, or recreation expenses which are not "directly related to or associated with the active conduct of a trade or business." Now, let me tell Senators what a taxpayer would have to show to convince a revenue agent that his claimed deduction meets this test. He must show that he had a clear business purpose for making the expenditure. He must show that the "predominant purpose" of the expense was to further his trade or business. But even this would not entitle the taxpayer to a deduction. No, he must show more. He must prove—I repeat, prove—by evidence corroborating his own testimony the business purpose of the expense, the business relationship to the taxpayer of the person entertained, the time and place, and the precise amount expended. Failure to prove any one of these points will cost him not a part of his claimed deduction, but all of it.

This is a marked strengthening of the existing law. But the committee amendment would not stop there.

It would point out in clear, unambiguous terms the types of expenses which may not be deducted under any circumstances. Under the committee amendment, no deductions would be allowed for entertaining a customer's family. That would tighten the existing law.

Under the committee amendment, no deductions would be allowed when the entertainment cannot increase business. That would tighten the existing law.

Under the committee amendment, no deductions would be allowed for expenses for entertainment which is against public policy or which violates public morals. That would add new teeth to the existing law.

Under the committee amendment, no deduction would be allowed for partly social—partly business expenditures. No, only the purely business expenses which are "directly related to or associated with the active conduct of a trade or business" could ever be deducted. That would add new rules to existing law.

Under the committee amendment, no deduction would be allowed for vacations of any sort. That would strengthen existing law.

Under the committee amendment, no deduction would be allowed for expenditures which are either lavish or extravagant under the circumstances. That is to be made clear.

Under the committee amendment, no deduction would be allowed for facilities which are not used primarily for business purposes. Again, new teeth would be added to existing law.

Under the committee amendment, no deduction would be allowed for facilities which are used primarily for business purposes when the taxpayer fails to establish that the expense with respect to the facility is "directly related to or associated with" his trade or business. I have already shown what the taxpayer must go through to establish this fact. This would tighten the existing law.

Under the committee amendment, no deduction would be allowed for facilities used for vacation purposes. This would be an improvement over the existing law.

Under the committee amendment, no deduction would be allowed for club dues when family use exceeds business use. This would tighten existing law.

Under the committee amendment, no deduction would be allowed for hunting safaris to Africa. These are deductible under existing law.

The safari to Africa is one of the six examples I have heard cited over and over again on the Senate floor. No deduction would be allowed for that.

Another of the horrible examples cited was the giving by a movie actress of jewels to one of her servants; $25 could be deducted.

Under the committee amendment, no deduction would be allowed for Bermuda or Las Vegas or Miami Beach vacations. They are deductible under existing law.

Under the committee amendment, no deductions would be allowed for "call girls." They are claimed as deductions under existing law.

We wish to make clear that nothing of that sort is permitted.

Under the committee amendment, no deduction would be allowed for wives who accompany husbands on business trips. Under existing law expenses for wives have been allowed.

Under the committee amendment, no deduction would be allowed for wedding parties, honeymoons, or fancy debuts. Expenses for such purposes were claimed on tax returns under existing law.

Under the committee bill, no deduction for gifts to any person of more than $25 would be allowed. Under existing law, there is no limit. This would tighten existing law.

Madam President, these are merely examples of what the committee amendment does. I submit that what the committee amendment would do is what the House committee sought to do. I quote from the House report:

> The committee agrees that abuses in this or any other area of the tax law should not be tolerated, but it does not believe that complete disallowance of such expenses, as recommended by the President, is the proper solution to the problem.

Yet, the House committee report then proceeded to weave a virtually complete disallowance rule. I quote again from the House report:

> If the expenditure is for entertainment which occurs under circumstances where there is little or no possibility of conducting business affairs or carrying on negotiations or discussions relating thereto, the expenditure will generally be considered not to have been directly related to the active conduct of business. Thus, the absence of the taxpayer or his representative from the entertainment activity ordinarily indicates that the entertainment was not directly related to the conduct of the taxpayer's trade or business.

Madam President, I ask, What entertainment expenses would be allowable under this language?

It was to get away from the harsh, unyielding rule of the House provision that the committee added three words to the House bill. Those three words are, "or associated with".

The addition of those three words, together with the interpretation given them by our committee report, would permit legitimate business entertainment expenses incurred for legitimate business purposes to be deducted if the taxpayer could satisfy the requirements I have already explained.

The addition of these three words together with the interpretation given them by our committee report permits legitimate business entertainment expenses incurred for legitimate business purposes to be deducted if the taxpayer satisfies the requirements I have already explained. At the same time these three words enable us to prevent and eliminate abuses where they occur.

The President has said that business entertainment expenses "confer substantial tax-free personal benefits to the recipients. In other cases," he says "deductions are obtained by disguising personal expenses as business outlays."

Let me read a provision of the Internal Revenue Code which makes it clear that personal expenses are never deductible.

Section 262 of the Internal Revenue Code of 1954 provides as follows:

> Except as otherwise expressly provided in this chapter, no deduction shall be allowed for personal living or family expenses.

Personal expenses which may have been "disguised as business outlays" under existing law, will be disallowed under the committee amendment. This will be so for several reasons.

First, the expense must be shown to be directly related to or associated with the active conduct of a trade or business.

Second, the taxpayer must establish and prove by evidence other than his own testimony the business relationship of the person entertained, the time and place of the entertainment, and the amount expended. In other words he must disclose to the tax collector all the facts and circumstances surrounding the claimed deduction. If it is a disguised personal expense, it will be detected and disallowed. If there is fraud, there may also be criminal penalties. I am convinced the committee amendment stops the types of abuse described by the President.

Now let me say more about "disguised expenses." Under existing law many expenses for entertainment are deducted as "advertising," "cost of goods sold," "selling expenses," "miscellaneous." Under the committee amendment entertainment expenses, if they are to be deductible at all, are to be deductible only as an "entertainment expense" to which the committee bill will apply.

Moreover, as I have demonstrated, no longer can a taxpayer "contend"—as the Senator from Tennessee stated last night—that his yacht was used for business purposes and get a deduction. No. He must show a great deal more. I have already described these other features. In addition, no taxpayer will ever be able to "settle" with the income tax people for any claimed entertainment expense deduction. The "settling rule" is overruled by the committee bill, and no deduction will be allowed for any expense which the taxpayer proves and establishes his right to deduct.

It may be that under the existing law there may be cases of "you entertain me and I will entertain you." That will not be possible under the committee bill.

Reading from page 36 of the report—

> However, under this exception, it will not be possible to deduct luncheon expenses of a so-called reciprocity luncheon group under which a group of businessmen frequently lunch together and alternate in paying the check (and claiming it as a business expense deduction). This practive is not connected with a trade or business but is a personal or social expenditure which is not deductible under existing law.

It has been said a taxpayer must meet precisely the same tests todays as would be provided by the committee bill. This is erroneous; this is wrong. The tests of this bill are in addition to the "ordinary and necessary" rules of existing law. In no case are they in lieu of the present rules. In every case they would add to the current law new tests which also must be met by the taxpayer if his claimed deduction is to be allowed.

Now let me point out the circumstances which would be taken into account in determining whether expenditures are lavish or extravagant. The circumstances are specified in the statute—reading from page 44 of the Senate bill—

> The taxpayer [must] substantiate by adequate records or by sufficient evidence cor-

> roborating his own statement (A) the amount of such expense or other item, (B) the time and place of the travel, entertainment, amusement, recreation, or use of the facility, or the date and description of the gift, (C) the business purpose of the expense or other item, and (D) the business relationship to the taxpayer of persons entertained, using the facility, or receiving the gift.

Add to these the possibility or probability that the entertaining will produce new business and we have the circumstances.

Note that these circumstances have no relation to whether the taxpayer is wealthy; or to where he lives.

Madam President, that would depend upon the circumstances of the particular case. Those who have opposed the provisions of the committee bill have in some cases stated quite explicitly that they would permit no entertainment expenses. As one Member of this body, I know that businessmen do have entertainment expenses. They must be claimed. Otherwise a person would pay an income tax at a higher rate than he should. In some instances the Government already takes 80 to 90 percent of a taxpayer's income. The taxpayer must therefore be permitted to deduct for expenditures which he must make in order to remain in business.

I know of cases in which businessmen have felt that if they could not entertain, they could not compete. Some of them are going to find it necessary to entertain in order to obtain business and attract business away from their competitors, even though they do have to pay taxes on the money spent for entertainment, and regardless of whether it is deductible or not deductible.

The point was made on the floor of the Senate by the Senator from Tennessee that a corporation might be victimized because entertainment might be done at corporate expense. The corporation would be victimized if the corporation's executives did not entertain. The business of that corporation would go to its competitors, so that over a period of time the corporation would lose a great deal of its business.

I have made a statement about the President. I do not reflect on him or his wife. The President of the United States and the First Lady are two of the best entertainers in the entire United States of America. They give the best parties in America. If anyone gives any better parties, I would be curious to know who it is. The President happens to be a very wealthy man. However, I hope that we shall see to it now and forever that even if the President of the United States should happen to be a poor man, he could entertain as his guests visitors to our country, outstanding citizens, foreign diplomats or government officials, on the same general standard that is expected of other nations on this earth.

We provide many millions of dollars for our ambassadors to entertain all over the world. The President tells us that the amount is not adequate. We must try to spread our influence and generate good will in competition with the Soviet bloc and other nations throughout the world, in order to carry out the purposes of our Nation's foreign policy.

If the President recognizes the necessity of such expense and asks for more money for entertaining at our French Embassy and other embassies, and if the President and the First Lady can be among the most gracious entertainers in the world, I believe we should recognize some of the business people in our Nation and allow them a deduction for the expense of entertainment.

Some of the expenses are necessary. Businessmen either entertain and keep their business or competitors entertain over a period of time and take the business away. The expense will remain whether or not we allow it as a tax deduction. But in a nation in which the income tax rate is as high as 90 percent, it seems only fair that a businessman should be entitled to deduct his required and necessary expenditures in order to stay in business or to get business. To allow him less than that, in view of a 90-percent income tax rate for the highest bracket of income, would, in the judgment of this Senator, be extremely unfair.

For that reason I urge that the Senate go along with the committee report. In my judgment the committee went too far. To me it seemed an outrage in some respects. To cite one example: If a taxpayer is trying to do business with a client who is his main source of business, and that man comes to town, he invites the man to dinner. If the taxpayer did not entertain the client over a long period of time, he might lose the business to a competitor who otherwise would seek to entertain the man. If the client should say, "I am sorry, my wife is with me. I cannot go because I do not want to leave my wife in a hotel room," it seems to me that it would be rather unreasonable to refuse the taxpayer the right to deduct the expense of a meal for his principal customer's wife.

Yet the committee would deny him that. It seems to me that is going too far. To go further and to seek to completely disallow necessary entertainment expenses under the restrictive rules the committee would impose seems to me to be most unreasonable and unfair. I hope the Senate will not go beyond what the committee has recommended.

Madam President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. LONG of Louisiana. Madam President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. SMATHERS. Madam President, I feel that the committee amendment which was reported by a substantial majority of the Committee on Finance is essential unless we are to adopt the unreasonable philosophy that legitimate business expenses for legitimate business purposes are to be arbitrarily disallowed as a deduction.

I do not believe, and I do not think most members of the Committee on Finance believe, that businessmen as a whole are crooks. They do not believe that all businessmen are out to beat the Government willfully and deliberately. They do not believe that all businessmen are willful and determined chiselers. They do not believe that all businessmen are endeavoring to evade the responsibility of carrying their fair share of the burden or obligation of paying for the operation of the Government.

On the other hand, most members of the Committee on Finance realize that there are and have been some abuses with respect to expense account deductions in the business community and elsewhere. These are the kinds of abuses which the Committee on Finance has endeavored to stop. While we want to stop the abuses, at the same time we desire, if at all possible, to continue the practice of permitting legitimate businessmen to deduct legitimate business expenses.

Under the House bill as interpreted by the House committee report, virtually no entertainment expense would have been deductible unless it were an expense described in a specific exception to the general rule. In other words, under the House bill, the general rule was a disallowance rule, pure and simple. It provided that all expenses were to be disallowed, but permitted the taxpayer to make a few minor exceptions. It was the feeling of the Committee on Finance that this practice would be too harsh. In an effort to catch the violators of the law, the committee felt that the report which was written by the Treasury in support of the House bill went too far in its purpose to catch the rats and instead burned down the barn. We did not believe the barn should be burned down.

So, unlike the House bill, the committee amendment permits the taxpayer to continue to deduct certain entertainment expenses if he clearly demonstrates a close association between the expenditure and a trade or business or profession.

The majority of the Committee on Finance believe that a closer relationship should be required than that which is required under present law. We believe that is necessary if we are to eliminate the abuses which the Secretary of the Treasury and others have called to our attention.

I am not aware that any member of the Committee on Finance or, for that matter, any other Member of the Senate, condones the type of abuses which Senators who will oppose our amendment will continue to talk about—Bermuda vacations, Alaskan hunts, and safaris to Africa. No one desires or expects that practice to continue.

We do not believe that Senators who oppose our amendment have a first mortgage on virtue. We do not believe that they are the only ones who are against sin. We believe we are just as much against sin and just as much against abuses of the tax law as they are; but we do not go to the length to which they go in contending that the law should not permit legitimate businessmen to take legitimate business deductions.

I do not believe that the only way to prevent abuse is to condemn each and every American taxpayer who finds it appropriate or necessary to resort to business entertainment in order to market his product or service.

We know that various businessmen react differently to competitive pressures. Some cut prices; others provide fringe benefits to buyers, such as more attractive packaging or better servicing; still others advertise more extensively.

Business entertaining is nothing more or less than a form of advertising. However, it is a form of advertising which is particularly suitable to small, new, and struggling businesses, in which personal contact with potential customers or clients may be far more fruitful than a hundred newspaper or magazine advertisements. No one has yet suggested that deductions be allowed for expenses of other forms of advertising.

Last night, and again this morning, the able Senator from Louisiana [Mr. LONG] stated that a legitimate business deduction made it possible for a small businessman to compete with a very rich businessman. If no legitimate business deductions are to be allowed, then, of course, the man who has a big business which earns a great sum of money can entertain and pay for the entertainment himself because he has the money to do so. But the small businessman, who is trying to increase his business and put it into the category of a business can compete only if he has a legitimate expense account.

Legitimate deductions for business entertainment have become an integral part of our way of life. The committee amendment is designed to outlaw the abuse of the entertainment expense deduction.

Let me describe some of the respects in which the committee amendment makes provision for legitimate business entertainment deductions.

Mr. LONG of Louisiana. Madam President, will the Senator from Florida yield?

Mr. SMATHERS. I yield.

Mr. LONG of Louisiana. Before the Senator discusses that point, does he not see some inconsistency in the administration asking us, on the one hand, to provide more money so that our ambassadors to foreign countries may entertain in foreign lands, but, on the other hand, to provide for a complete disallowance of entertainment expense incurred by American businessmen in an effort to improve their business? We are asked to provide more money for ambassadors to entertain, so as to protect and further the interests of the United States in foreign affairs; but we are also asked to withdraw any allowance whatsoever for legitimate business entertainment by American businessmen.

Mr. SMATHERS. I agree with the able Senator from Louisiana. The distinguished Senator from Tennessee [Mr. GORE], a leading opponent of the amendment proposed by the Committee on Finance, believes that further restrictions should be imposed upon deductions of expenses for business entertainment. Still, the administration is asking for more money for ambassadors for entertainment purposes overseas. Evidently it is felt that such entertainment has some benefit, because the taxpayers are asked to pay for it.

If that is true with respect to our oversea operations, I am sure that we should not deny a legitimate businessman in the United States the right to make legitimate business-expense deductions. So I completely agree with the able Senator from Louisiana.

I return to the point in regard to what the amendments and report of the Senate Finance Committee do. We are tightening up—I wish to repeat that again and again—the law, as compared to what it is at the present time. The committee's bill will not permit a deduction for any entertainment expense which is not directly related to or associated with the active conduct of a trade or business.

The Senator from Tennessee makes much of the words "or associated with," and asks where they come from. I am not certain just where they come from, except that I may say that when we said to the staff of the Treasury Department that we did not like the language included by the House, and that we wanted a provision a little less severe than the one in the House version of the bill, and when we asked them what they would suggest, they suggested the words "or associated with." I have a sneaking suspicion that it would be found that the same individual in the Treasury who helped prepare the expense-account message for the President is responsible for those words. I noted last night that the words "or associated with" were used in the President's speech; and the Treasury has supplied us with the same words. So perhaps the same one who helped prepare the President's speech also helped prepare this part of the report; and he is an employee of the Treasury Department of the United States.

Mr. LONG of Louisiana. I believe the President said he recommended a complete disallowance of all these expenses, although some of them were related to or associated with the conduct of the taxpayer's business.

Mr. SMATHERS. Yes; that is correct.

Mr. LONG of Louisiana. The House said it would allow the expenses if they were directly related to the conduct of the business. But after the House passed the bill and it came over to the Senate, we said we did not object to that language, but we thought the report was too tough.

Mr. SMATHERS. The Senator is correct.

Mr. LONG of Lousiana. So we wrote our own report, and included a few words to explain our meaning. We took the rest of the President's language; in addition to the words "directly related to," we took the words "or associated with"—so as to read, "directly related to or associated with the conduct of the trade or business."

Mr. SMATHERS. The Senator's statement is correct.

Mr. LONG of Louisiana. So, in effect, the President implied that it is difficult to justify disallowing entertainment expenses directly related to or associated with the conduct of a trade or business.

Mr. SMATHERS. Yes.

Mr. LONG of Louisiana. In other words, the House adopted half of the President's language, and we took the rest of it.

Mr. SMATHERS. Yes; and I am certain that is where the words came from. They are an effort on our part to stop the gross abuses which have been described in the RECORD and were described by the Secretary of the Treasury when he was before the committee, and yet not to go so far as to prevent legitimate businessmen from taking legitimate business-expense deductions. That is our purpose.

Under this amendment, no deduction will be allowed if the facts in the case indicate that no business could result from the entertainment; and under this amendment no deduction will be allowed for entertainment expenses of a nature which are against the public policy. We read some rather colorful language about things which would not be allowed. The able Senator from Tennessee asked, last night, "Where did the language about these illustrations come from?" We included them because we knew that if we did not, the able Senator from Tennessee and his cohorts would point out such examples, and would do so in such a way that it would seem to appear that we were advocating sin or illegality; and we did not wish to be put in such a position.

Furthermore, when an expense is for entertainment of both business and social guests, there will be no deduction for expenses attributable to the social guests.

Today that is a great area of abuse—situations in which a businessman entertains some of his business friends and also entertains some of his social friends. Under the bill as reported by the committee, the only deduction which such a businessman would be eligible to take would be the costs of entertaining his business friends. He would not be eligible to take a deduction for the costs of entertaining his social guests.

Furthermore, no deduction whatever for any sort of vacation would be allowed. However, under existing law, deductions can be taken for vacations to Bermuda or to Miami Beach, even though during the vacation business was transacted on only 1 or 2 days. Nevertheless, under present law the expenses of the entire vacation can be claimed as a deduction. The Finance Committee says that is going too far; and the bill, as reported to the Senate, would stop that practice.

There will be no deduction for any entertainment expenses which the circumstances indicate are either lavish or extravagant. It will be for those in the Bureau of Internal Revenue to decide what expenses come in that category. But when someone says those in the Bureau of Internal Revenue will suddenly become generous, all I can say, in reply, is that one who takes that position must not have had much experience in recent years with the Bureau of Internal Revenue.

No deduction will be allowed for entertainment expenses relating to facilities, such as yachts—Senators should bear this point in mind, for I am sure that in a minute or so they will hear about the facts, all over again—and no deduction will be allowed for entertainment expenses relating to other facilities, such as hunting lodges or fishing camps, unless it is clearly established that the facility was used primarily for direct business purposes.

Mr. GORE. Mr. President, will the Senator from Florida yield?

The PRESIDING OFFICER (Mr. Metcalf in the chair). Does the Senator from Florida yield to the Senator from Tennessee?

Mr. SMATHERS. I am happy to yield to my able friend from Tennessee.

Mr. GORE. Several references have been made—particularly by the junior Senator from Louisiana [Mr. Long], and also, I think, by the junior Senator from Florida [Mr. Smathers]—or several statements have been made that the report specifically provides that a deduction for the expenses of a safari to Africa, such as the one indulged in by the Sanitary Farms Dairy, Inc., would not be allowed.

But now I find, according to the report, that, in fact, that is not the case. If the Senator from Florida will turn to page 28 of the committee report, and will read the paragraph carefully, he will see that an incorrect interpretation has been given.

I should like to know whether the junior Senator from Florida still insists that the committee report would prevent the deduction of the expenses of a safari to Africa.

Mr. SMATHERS. I do not know of any businessman who could do it; I do not know of any businessman who is in the business of catching lions or alligators or buffaloes. But if there were one who was in the business of catching lions or alligators or buffaloes, and if he were on a safari for that purpose, and if that was his business, I suppose he could deduct those expenses. But I think the total implication is crystal clear—that they cannot be deducted unless the safari is directly related to his business.

Mr. GORE. The Senator is dodging the question.

Mr. SMATHERS. No; I am not. I say that I do not know of any businessman who could do that. Does the Senator from Tennessee know of any businessman in Tennessee who could justify, as a business expense, the expense of going to Africa? I do not know of any who could.

Mr. GORE. Mr. President, the Senator from Florida is a very good lawyer; and he knows that one way to avoid a question is to ask another one. But it has been repeatedly stated that, among the other things that the report would rule out as not deductible, would be the expenses of a safari to Africa, such as was indulged in by one taxpayer. However, I find that the committee report does not say that.

Mr. SMATHERS. The Senator from Tennessee well knows we are making legislative history here.

Mr. GORE. Well, the Senator is trying to make it with this report.

Mr. SMATHERS. Certainly it was the intention of the Finance Committee, and it is the intention of every Senator I know of here on the floor—certainly it is the intention of the Senator from Louisiana, the Senator from Virginia, the Senator from Oklahoma, and the other Senators who are supporting this amendment—to be certan that no businessman can have a vacation on a safari in Africa, when there is no reason that any reasonable man could possibly see to deduct it. We do not want him to be able to, and we think that is what the report says.

Mr. GORE. I will not press the Senator except this one more time. The statement was made on the floor of the Senate last night and today at least six or eight times that the committee report would deny deductibility of the cost of a safari to Africa. Now I ask the Senator, Does his report say that or does it not?

Mr. SMATHERS. It does that in every instance where a man would try to claim that that safari had a relationship to his business, and he could not deduct it otherwise. We do not go so far as the Senator would like to have us go—that, whatever a man's business is, he cannot have any business deductions. That is what the Senator from Tennessee really wants. We do not subscribe to that. We do not believe there are many people who can take a safari or trip to hunt lions, tigers, rhinoceroses, and alligators in Africa, and claim, and show it is a business deduction. We do not think they should have been permitted to claim it before, and we certainly do not think it can be done under the present language.

Mr. GORE. After conferences with the staff, I am sure that neither of my two distinguished friends will any longer insist that the statements they have been making with respect to the celebrated case are factual.

Mr. SMATHERS. On the contrary, we could not accept that statement.

Mr. GORE. Very well.

Mr. SMATHERS. The Senator from Tennessee is entitled to his conclusion.

Mr. GORE. The Senator from Florida does not have to accept it, but I carefully note that he is not still saying it.

Mr. SMATHERS. We are saying what I hope we have been saying, and that is, one cannot take a deduction for a vacation; vacations are totally and completely eliminated as bases for tax deduction.

Mr. GORE. I will challenge the Senator on that a little later.

Mr. SMATHERS. Very well, challenge me a little later. What we are saying is that, unless a man can demonstrate that a safari is directly related to or associated with his business, he obviously cannot take that deduction. We do not believe there are very many business men who can do it.

Mr. GORE. Will the Senator yield further?

Mr. SMATHERS. I yield.

Mr. GORE. The Senator has got to the point. He says "if associated with" the business, it would be deductible. Now I ask him to turn to page 26 of the report. Then we see what the test of "associated with" is. If the Senator will read with me beginning in the middle of the second paragraph:

> This new language will permit deduction of expenses for entertainment, amusement, or recreation incurred for the creation or maintenance of business goodwill without regard to whether a particular exception applies. However, this new language will apply only if the taxpayer demonstrates a clear business purpose and shows a reasonable expectation—

Whatever that is—

> of deriving some income—

However much that is—

> or other benefit—

Whatever that is——

Mr. SMATHERS. Finish the sentence—"to his business."

Mr. GORE (continuing):

> benefit to his business as a result of the expenditure.

Mr. SMATHERS. That is right.

Mr. GORE. So the Senator has said that if a safari to Africa met this test, it would be deductible. Yet the Senate has been told at least six times in previous debate that under no conditions will it be deductible.

Mr. SMATHERS. If the Senator will turn to page 28 of the report, he will see this language:

> It will not be sufficient that the entertainment expense is vaguely or remotely connected with a business motive; it must be demonstrated that the predominant purpose of the expense is to further the trade or business of the taxpayer.

The Senator always tries to prove his case by reading half of the language.

Mr. GORE. I have read the definition of "associated with" and I have read the test prescribed by the majority report. The Senator cannot dodge his own report, bearing his own name, by saying I read a part of it. I read it all.

Mr. SMATHERS. But the Senator did not read what is on the next page:

> It will not be sufficient that the entertainment expense is vaguely or remotely connected with a business motive; it must be demonstrated that the predominant purpose of the expense is to further the trade or business of the taxpayer.

Mr. GORE. Will the Senator go on and read the one highly imaginary example that his report gives? It is laughable.

Mr. SMATHERS. That is a matter of opinion of the Senator from Tennessee. I have not been able to convince the Senator from Tennessee for a long time, and apparently I have no hopes this time.

Mr. LONG of Louisiana. Mr. President, will the Senator yield?

Mr. SMATHERS. I yield.

Mr. LONG of Louisiana. In the Sanitary Farms Dairy case, where a man took a safari to Africa, he did not claim it as an entertainment expense. Even under existing law the man could not deduct the expense as entertainment.

Mr. SMATHERS. That is correct.

Mr. LONG of Louisiana. As the law stands now, if a man takes a vacation and brings a client with him, we have fixed it so he cannot deduct that vacation expense. We say he cannot take it as an advertising expense. He has to claim it as an entertainment deduction, and as an entertainment deduction it was not allowed under existing law and will not be allowed under the proposed law. We say no deduction can be made for anything extravagant.

On page 30 of the report we say:

> In example A, no deduction would be allowed under your committee's bill because a vacation trip for a customer and his wife is not "directly related to the active conduct of the taxpayer's trade or business."

So the point is that the man probably could not have claimed the expense of a safari to begin with as an entertainment expense. He might have claimed it as a vacation. But we outlaw that, knowing that he must claim it as an entertainment expense, which we say cannot be allowed as an advertising expense, where it would have been allowed.

I would have said that, under the facts of the Sanitary Farms Dairy case, the man could not have claimed the expense of the safari to Africa. As the Senator from Florida has said, if his profession had been that of a big game hunter, he might have claimed it, but under the facts of the Sanitary Farms Dairy case, he could not have claimed it.

Mr. SMATHERS. I thank the Senator.

When we write these provisions, we expect that reasonable men will give the language a reasonable interpretation. We do not expect the language to be quartered and stretched to unreasonable conclusions. We expect the Internal Revenue Service to be permitted to collect all the taxes they can, with our help, and we do not expect them to permit a man to go to Africa, at lavish expense, and charge it as a business expense. We do not want them to. That is why we put this language in the report.

There will be no deduction for any expense relating to facilities which are used for vacation purposes.

There will be no deduction for any expenses relating to facilities which are lavish or extravagant.

There will be no deduction for any club dues unless the club is used primarily for business purposes.

In determining whether a facility or a club is used primarily for business purposes, use of the facility by the taxpayer's family, if any, will be counted as nonbusiness use.

Under the bill, although deduction for entertainment expenses is restricted, such expenses will not be disallowed merely because they are incurred for the purpose of generating business good will.

Good will has long been recognized as a legitimate business practice. Thus where the purpose of the expenditure for good will shows a clear relationship to the business, it will and should continue to be deductible.

However, on the other hand, when good will generated by the expense is vague or when the possibility of the expenditure resulting in the production of income is remote, no deduction for this purpose would be permitted under the committee's bill.

Mr. GORE. Mr. President, will the Senator yield?

Mr. SMATHERS. I would prefer to wait until I conclude my remarks, and then I shall be happy to yield.

Mr. GORE. I was very generous in yielding to the Senator last night.

Mr. SMATHERS. The Senator was. He is always generous. I am sorry I even hesitated for a moment. I am delighted to yield to my friend.

Mr. GORE. The Senator has told us again, flatfootedly, that no vacation expense could be deductible. Does the Senator still say that?

Mr. SMATHERS. Yes. We say that certainly the language, as we wrote it, as we intend it, and as we think it would be enforced, provides that there will be no vacation deductible as a business expense.

Mr. GORE. Would that apply to travel expense?

Mr. SMATHERS. It would not apply to travel expense. People may come to Washington, D.C., to see the Senator from Tennessee. They may go to a cattle show or something. If those people are in the cattle business and they take that travel for business purposes they can take the expense as a business deduction, and they should. We are not talking about that.

Mr. GORE. Suppose a taxpayer travels to Miami for a 5-day safari on the beach.

Mr. SMATHERS. I would think he would be pretty intelligent, to start with. I wish it were possible that he could take a deduction. Of course, being objective about it, since I represent not only Miami Beach and Florida but also indirectly the other States, I know we could not permit people to go there solely for a vacation and to deduct the expense as a business expense. If a person goes there for some business reason and can establish that, he could deduct the expense.

Under the bill which was reported and the amendment the committee approved, the person would have to prove it. No longer would the situation be the same as it has been, when the taxpayer could say, "I was there on business." He would have to prove it. If he went there on business, obviously, he would be entitled to take the travel expense as a business expense.

Mr. GORE. If the Senator will turn to page 43 of the bill, I am sure he will see what I mean. I wish to read subsection (c):

> TRAVELING.—In the case of any individual who is traveling away from home in pursuit of a trade or business or in pursuit of an activity described in section 212, no deduction shall be allowed under section 162 or section 212 for that portion of the expenses of such travel otherwise allowable under such section which, under regulations prescribed by the Secretary or his delegate, is not allocable to such trade or business or to such activity.

I ask the Senator to take note of the next sentence. I am sure the Senator can perceive it:

> This subsection shall not apply to the expenses of any travel away from home which does not exceed one week or where the portion of the time away from home which is not attributable to the pursuit of the taxpayer's trade or business or an activity described in section 212 is less than 25 percent of the total time away from home on such travel.

I have pointed out to the Senator another loophole, which he said was not in the bill.

Mr. SMATHERS. I say first to the able Senator from Tennessee that this particular provision, to which he has now made reference, is not one of the provisions to which he has previously objected, or to which he has objected until this very moment. This is one of the provisions now in the law, as I understand, and also in the House bill. It is one of the provisions which the Senator is supporting, because he is supporting the House bill. That is the first point I wish to make.

Mr. GORE. I point out to the Senator that I have not said I am supporting the House bill. I am trying to forestall Senators from making that bill worse. What I wish to offer later are the recommendations by the President and the Secretary of the Treasury to stop the expense account cheating.

Mr. SMATHERS. We are all for that.

Mr. GORE. The amendment pending would make the House bill worse.

Mr. SMATHERS. We want to stop any cheating, too. I will ask the Senator a question. Is the Senator against all deductions for business expense?

Mr. GORE. Of course not.

Mr. SMATHERS. I am glad to hear the Senator say that.

Mr. GORE. Why does the Senator ask such a question?

Mr. SMATHERS. Because it has been my impression, after listening to the Senator for the last couple of days, that he finally had arrived at the position of wishing to allow no expenses as business deductions, legitimate as well as illegitimate. The Senator says that is not the case.

Mr. GORE. It is not.

Mr. SMATHERS. I am happy to hear him say that.

Mr. LONG of Louisiana. Mr. President, will the Senator yield?

Mr. SMATHERS. I am happy to yield.

Mr. LONG of Louisiana. Was not the Senator on the floor when the Senator from Pennsylvania, who is associated with the Senator from Tennessee in this effort, made clear that he wants to cut out all allowances for any entertainment expense whatever?

Mr. GORE. I want to support the President's recommendations, to eliminate the tax deductions for entertainment. That is one way to stop the abuse. The House did not go that far, but the House did a fairly good job, and the Senate committee amendment would wreck the House bill and permit many of the abuses which now exist.

Mr. SMATHERS. I think the Senator now is making clear what we have suspected all along. The Senator from Tennessee does not think that even the House bill is strong enough.

Mr. GORE. Of course not.

Mr. SMATHERS. Neither does the Senator from Pennsylvania.

Mr. GORE. Neither does President Kennedy.

Mr. SMATHERS. The Senator's colleague from Pennsylvania apparently would go so far as to eliminate all business expense deductions. I do not say that with reference to the Senator from Tennessee.

Mr. GORE. If the Senator means he thinks I would like to eliminate tax deductions for entertainment, he is correct. If the Senator means he thinks I would like to eliminate all business deductions, for attending business conventions, for making business trips, for expenses in the pursuit of business, then he is utterly wrong. I cannot conceive by what reason he could have arrived at such a conclusion.

Mr. SMATHERS. Only by what the Senator says. That was the only reason.

Mr. GORE. I have said nothing which would justify such a conclusion.

Mr. LONG of Louisiana. Mr. President, will the Senator yield?

Mr. SMATHERS. I am happy to yield.

Mr. LONG of Louisiana. Does not the Senator recognize that the President has said just about what the Senator from Tennessee is saying; that he understands there is some need for business entertainment, but there have been abuses, so one way to be sure that there is no abuse is to eliminate it all, to cut it all out?

Mr. SMATHERS. It would be much easier that way.

Mr. GORE. But the Senator from Louisiana does not want to cut any of it out.

Mr. LONG of Louisiana. The Senator yielded to me.

Once again what we see is that the program of those who oppose the committee amendment is the program of burning the whole barn down. They are not satisfied with what the House did. They feel that the only way to be sure the rats are out of the barn is to burn down the barn, and then they will know there are no rats in the barn.

Mr. SMATHERS. The Senator is correct.

Mr. LONG of Louisiana. The President recognized that there was a legitimate basis for entertainment expenses, directly related to or associated with the taxpayer's business. But the President recommends that we ought to tell a businessman he cannot entertain, even though the President recognizes, more than anybody else, that our ambassadors have to entertain, and wants the Congress to provide money for it—millions and millions of dollars. Our friend from Tennessee has been voting for that kind of expense, with the money provided by the taxpayers. It is not merely a deduction, but it is an appropriation of money so that our ambassadors can entertain at our expense.

Mr. SMATHERS. Overseas.

Mr. LONG of Louisiana. Yes, overseas. This is entertainment of foreigners at our expense, though some do not wish to permit businessmen to entertain Americans at their own expense and to deduct it as a legitimate expense of doing business.

Mr. SMATHERS. I thank the Senator from Louisiana. I agree with him completely.

Mr. President, these new rules will strengthen existing law and will prevent abuses of the deduction privilege.

No longer will a taxpayer be able to claim deduction for such unrelated expenses as costs of his daughter's social debut or of her wedding reception, about which we have heard a great deal and no doubt will hear a great deal more. We have tried to eliminate all that sort of thing.

No longer will he be able to purchase a yacht, fishing camp or hunting lodge and simply charge its cost off as a deductible expense on the flimsy excuse, "It's for business."

No longer will lush facilities on tropical island paradises to which favored customers and their families may be sent for long winter vacations be deductible.

These are all improvements over the existing law. I cannot emphasize too strongly that existing law is to be modified by this bill only in one direction, and that is that it is to be made tighter.

If an expense is not deductible under existing law, it will never become deductible under this bill. On the other hand, if it is deductible under existing law, this bill will come into operation and may disallow all or a part of the claimed amount.

Mr. President, I repeat that statement. If an expense is not deductible under existing law it will never become deductible under this bill. On the other hand, if it is deductible under existing law, this bill will come into operation and may disallow all or a part of the amount which has been claimed as a business deduction.

The bill not only provides tighter rules for determining what business entertainment expenses may be deductible but also eases substantially the administrative difficulties of making the determination.

The bill requires the taxpayer who claims a deduction for entertainment expenses—or for travel or gift expenses—to clearly establish his right to the deduction by proof other than his own statements which may largely be self-serving. He must claim and prove the amount of the deduction. He must show the circumstances under which the entertainment occurred. He must identify the person entertained and must show the business relationship between that person and a trade or business.

By these requirements, the taxpayer must reveal to the tax collector all the information he needs to make a determination with respect to any claimed entertainment expense.

If the taxpayer fails to establish his proof, then there will be no deduction allowed.

Existing law which permits a partial deduction, even in the absence of substantiating evidence, is overruled by this bill. This eliminates one of the most flagrant abuses of existing law; that is, the fraudulent practice of claiming deduction for more expenses than were actually incurred and maintaining no records. In these cases the taxpayer knows that he will be allowed some deduction and the more he claims the more he will be allowed. The committee bill says that in such cases there will be no deduction whatsoever.

Now let me illustrate the type of entertainment expenses which will be allowed as a deduction under the committee amendment, but which were considered to be "high living" under the House bill. I quote from the committee report:

> Where the taxpayer conducts lengthy negotiations with a group of business associates and that evening the group goes to a nightclub, theater, or sporting event for relaxation, such entertainment expenses are regarded as directly related to the active conduct of business. Moreover, if a group of business associates with whom the taxpayer is conducting business meetings comes from out of town to the taxpayer's place of business to hold substantial business discussions, the entertainment of such business guests prior to the business discussions also is directly related to the conduct of the business. Similarly, if in between business meetings at a convention the taxpayer entertains his business associates attending such meetings, such expenses will be allowable.

Mr. President, I stress and emphasize that the committee bill is designed to prevent abuse. It is not designed as was the House bill, to disallow all deductions.

The committee bill would compel taxpayers to weigh carefully the advantages entertainment may bring to their business when only a portion of the entertainment expense may be deductible.

If the expense is reasonable, the purpose legitimate and the business relationship clearly established and proven, the expense, or a part of it, may be deductible.

On the other hand, those who have been "living high" on expense accounts will find that the costs of their high living have gone up and that the American taxpayers no longer will participate with him in paying the bill.

It is estimated that the full year revenue effect of the committee amendment will bring into the Treasury some $85 million.

The tighter rules in this bill, while preventing abuse, should not discourage business transactions which create the profits upon which our Treasury must rely for income tax receipts.

I believe the committee amendment represents a fair, logical approach to a problem we all feel should be solved.

Mr. GORE. Mr. President, will the Senator yield?

Mr. SMATHERS. I am happy to yield to the Senator from Tennessee.

Mr. GORE. The Senator has made another statement which I challenge. He has said that the businessman must prove something. What was it the Senator said?

Mr. SMATHERS. If the Senator does not remember what I said, I do not know how he can ask me a question about it.

Mr. GORE. I remember the purport of the Senator's statement. The Senator informed the Senate a moment ago that the expense would not be deductible unless a businessman could show a clear business connection. Have I accurately quoted the Senator?

Mr. SMATHERS. The language of the bill is that the businessman must show that the expense actually has some direct relationship to or association with his business.

Mr. GORE. The Senator did not use that word a moment ago.

Mr. SMATHERS. That is the word. I have said over and over—and I repeat it to the Senator now—that that is what we are talking about.

Mr. GORE. Mr. President, will the Senator yield?

Mr. SMATHERS. I am happy to yield, but I wish to point out to the Senator that in Tennessee there is an expression among cattlemen with respect to insects called "nits." Nits get on the cows, and one must go around among the animals and pick the nits off. It is called "nitpicking."

I would appreciate if the Senator would not pick up one or two phrases or sentences in the report out of context and would instead listen to what we are saying we are trying to do. What we intend to do—and what we want to do—is to eliminate the same abuses that the Senator is talking about. He has said he does not wish to destroy the right of a businessman to take legitimate business deductions—even entertainment—in cases in which the businessman can show that the expenses have a direct relationship to or are associated with his business. That is exactly what we are trying to do.

Mr. GORE. Mr. President, will the Senator yield?

Mr. SMATHERS. I yield.

Mr. GORE. Has the Senator ever heard of the parable of the man who thought he saw a mountain but instead saw a gnat in his eyebrow?

Mr. SMATHERS. I have heard the parable.

Mr. GORE. We are talking about three seemingly innocent words. They are not nits. Those words are, "or associated with." That is what the Senator seeks to add to the bill. He has given an interpretation of what those words mean in his report. I should like to read to the Senator how definite it is.

Mr. SMATHERS. How many times has the Senator read that statement and put it into the Record in the past 24 hours?

Mr. GORE. I wish to read it to the Senator.

Mr. SMATHERS. Then I must come back and read the second paragraph below it and knock all that out. So we will be back where we started from. The Senator will make a speech in a minute. He can read it then, and we will read the succeeding paragraph.

Mr. GORE. The succeeding paragraph does not eliminate the paragraph to which I referred.

Mr. SMATHERS. Language appearing on the following page does.

Mr. GORE. Oh, no.

Mr. SMATHERS. The Senator has said that he wishes to eliminate abuses. We do eliminate the abuses. We do not presume that every businessman is a crook. We do not presume that every businessman is seeking willfully and intentionally to beat the Federal Government. We believe that there are legitimate purposes on the part of legitimate businessmen. As the Senator from Louisiana has said, we have as sincere a desire to eliminate abuses as he does. But we do not want to burn down the barn, because we think the barn is valuable.

Mr. GORE. How many strawmen must the Senator set up? How many times must he burn the barn down? Let us talk about the meaning of the three words—"or associated with." That is the loophole that the committee amendment would write into the law—a loophole that would permit continued expense account abuse and provide a tax deduction for it.

Mr. SMATHERS. That is the Senator's opinion. We shall have an opportunity to vote on the question. He did not obtain support for his position in the Finance Committee. I doubt if he will obtain support for it on the floor of the Senate.

Mr. GOLDWATER. Mr. President, I compliment the Committee on Finance for the excellent work they have done on this section. There is no question that there are abuses in this field. I know that there have been abuses over the past, and no doubt they have increased over the past few years. The bill that came from the House of Representatives is very unrealistic, in that it strikes out all deductions. The distinguished Senator from Tennessee [Mr. Gore], in his enthusiasm, would amend the bill with the result that we would have the same language in the Senate bill.

Let us face the fact that it is the graduated income tax, more than anything else, which has caused these abuses. I can remember when I was in business—and these problems no doubt have multiplied since then—in order to get a man to take a higher position than he then held, it was often necessary to meet his demands, which might take the form of an automobile, expense free, or might include membership in a country club, or a carte blanche expense account in restaurants around the country. Such a man would not be interested in stepping out of a $20,000 a year job into a $30,000 a year job, in light of the increased income tax that he would have to pay, resulting in very little substantial increase in actual income.

So, much as businessmen disliked doing these things, they had to resort to deductions in order to get the people they wanted and needed.

I would suggest to the Committee on Finance, when they meet next year on the President's proposal to change the income tax laws, that the graduated income tax might be one item they could examine. However, in the meantime, in order that business might continue and not be hamstrung by the restrictive legislation which the House has suggested and by the restrictive tax laws which are now on the books, the Senate would be very wise to adopt the provision which the Senator from Florida has so ably outlined on the floor of the Senate, and allow business to proceed, even though it must operate under present tax laws.

I again compliment the committee on the fine work it has done. I recognize what the Senator from Tennessee says, that there are excessive abuses in this field. I have decried them continuously. I do not like the situation. However, that is what we are confronted with. I do not like these abuses, but there they are.

No matter how the language is written, some businessmen are going to take advantage of loopholes in the law. It does not make much difference how the law reads, as long as we have on the books the graduated income tax, these loopholes will be taken advantage of—loopholes through which people will be able to crawl.

I again compliment the Senator from Florida.

Mr. GORE. Mr. President, will the Senator from Florida yield so that I may ask a question of the Senator from Arizona?

Mr. SMATHERS. I yield.

Mr. GORE. The Senator from Arizona has said that the House bill would eliminate all deductions for entertainment and business expenses.

Mr. GOLDWATER. I said it was highly restrictive.

Mr. GORE. The Senator used the word "all." However, to clarify the Record, if the Senator will refer to page 45 of the bill and turn to page 36 of the report, he will find that nine specific exceptions are made to the general rule on disallowances. He will find that in both the House bill and in the Senate bill deductions are possible for business meetings, food and beverages for employees, expenses treated as compensation. We turn now to page 46, where we find reimbursed expenses, recreational, et cetera; expenses for employees, and so forth. I shall not read all of them. There are nine exceptions which are contained in both the House bill and in the Senate bill.

It is not about those legitimate deductions for legitimate business purposes that I complain. I complain about the addition of these three little words "or associated with" in the Senate bill, and the interpretation and the legislative intent given them by the committee report, which opens the door so wide as to invite abuse.

Mr. GOLDWATER. I do not agree with the Senator's interpretation of those three words. I do agree with his intent. I wish that he had a better way of getting at it. I do not agree that these three words are a door opening, as he holds them to be.

Mr. GORE. Has the Senator read and studied the majority report?

Mr. GOLDWATER. I have read it. I cannot say that I have studied it. I have had other things to do.

Mr. GORE. I suggest that the Senator, before he reaches a conclusion, study the report. It is the report which provides the legislative intent and thus the legal effect and meaning of these three little words.

Mr. GOLDWATER. I have read the report. I do not agree with the Senator from Tennessee. That is a matter of debate. I am in perfect agreement with what he is trying to do. I have said so repeatedly in the years gone by. I do not believe that the elimination of these three words will do what he hopes will be done. I am in sympathy with what the Senator is trying to do.

Mr. GORE. The Senator is not in sympathy with what I am trying to do if he holds that view.

Mr. GOLDWATER. The Senator can interpret my words in any way he wishes. I disagree with his interpretation. I repeat that I am in sympathy with what he is trying to do.

Mr. SMATHERS. Mr. President, I am grateful to the Senator from Arizona for his comment. Rather than that these three little words are opening the door, we must remember that according to the staff estimate these three little words, in addition to what else we have done, will bring $85 million additional into the Treasury. I do not see how we can say it is a bigger loophole, when we are collecting more money.

I yield the floor.

Mr. GORE. Mr. President, will the Senator yield?

Mr. SMATHERS. I have yielded the floor.

The **PRESIDING OFFICER.** The question is on agreeing, en bloc, to the amendments on page 41, line 18, on page 42, line 4 and line 7.

Mr. GORE. Mr. President, I ask for the yeas and nays.

The yeas and nays were ordered.

The **PRESIDING OFFICER.** The yeas and nays have been ordered, and the clerk will call the roll.

Mr. GORE. Mr. President, the Senate is about to vote upon an extremely important issue.

The **PRESIDING OFFICER.** The Senator from Tennessee will suspend until the Senate is in order.

The Senator from Tennessee may proceed.

Mr. GORE. The Senate is about to vote upon an extremely important issue. Let no one mistake the clarity of the issue. The situation presented is one which has an interesting history. The widespread abuse of expense accounts has developed over a period of years. Many of these abuses have been contested in the courts.

The **PRESIDING OFFICER.** The Senate will be in order.

Mr. BUSH. Mr. President, a parliamentary inquiry.

The **PRESIDING OFFICER.** The Senator will state it.

Mr. BUSH. What is the question before the Senate?

The **PRESIDING OFFICER.** The question is on agreeing, en bloc, to the committee amendments on page 41, line 18, and on page 42, lines 4 and 7.

Mr. GORE. Many of the expense account abuses have been contested by the Government in the courts, but in many of these instances the Government has lost the cases under present law. The abuses have become so widespread that in a state of the Union message, the President of the United States called attention to the abuses in dramatic language.

The President:

> The slogan "It's deductible," should pass from our scene.

The President further said:

> Deductions are obtained by disguising personal expenses as business outlays.

I shall not quote the President's message further. I quote it to this extent only to illustrate that this pattern of abuse, this pattern of tax avoidance, this pattern of disguising personal expenses as business outlays, reached such proportions as to be treated in a state of the Union message by the President of the United States.

Then the Secretary of the Treasury testified before committees of the Congress and submitted scores of examples of unconscionable abuses. He recommended measures to stop such abuses, which the President said affected the country's sense of fairness. I quote one more sentence from the President's message:

> This is a matter of national concern, affecting not only our public revenues, our sense of fairness, and our respect for the tax system, but our moral and business practices, as well.

What has been the response of Congress, the legislative branch of the Government, which is supposed to speak the voice of the people? The action has been slow. But finally the House of Representatives passed a bill, not dealing with this problem as vigorously and effectively as the President and the Treasury Department had requested and recommended; but the bill of the House and the House report on the bill are fairly good. The House bill does not end all the abuses I have cited. The House bill specifically provides nine exceptions to the general rule, and expenditures in accordance with those exceptions, which can be found on page 45 of the bill, are deductible under either the House bill or the Senate committee bill.

The House report undertook to spell out its legislative intent clearly and specifically to prevent loopholes for avoidance. As I have said, I do not think—and it is not only my opinion—that the House bill dealt with this subject with sufficient vigor and effectiveness. That is my opinion not only of the terms of the bill, but of the terms of the report, as well. But that question is not now before us. Later it may be that an amendment will be offered to substitute for the House action the recommendation of the President and the Secretary of the Treasury. But that is not before the Senate now.

What is before the Senate? It is an amendment offered by the Committee on Finance, accompanied by a report of the committee specifying the interpretation and the legislative intent of that amendment. It is that amendment and that report which are the subject at issue at the moment. What is the amendment? It is to add the words "or associated with." What is the legal effect of those wards, and why did the committee approve the amendment? Why is it suggested and offered to the Senate? Fortunately, we need not rely upon anyone's imagination, anyone either for or against the amendment, because the committee has submitted a report which tells us the meaning of these innocent-sounding little words.

If Senators will read briefly with me, I shall set forth the meaning. I turn to page 24 of the committee report, under the heading:

> IV. Disallowance of Certain Entertainment, Etc., Expenses.

I shall not read the prefatory paragraphs but come instead to the last paragraph on page 25, where we really begin to find in the committee report the interpretation of this language:

> Your committee's bill to a considerable degree retains the basic structure of the House bill.

I call the attention of the distinguished chairman of the committee to the language on the bottom of page 25 of the committee report, which is:

> Your committee's bill to a considerable degree retains the basic structure of the House bill.

I shall not interrogate the chairman; I appreciate his attention. But notice that the language does not say that the committee's bill retains the meaning and effect of the House bill; it "retains the basic structure of the House bill."

What is the structure of a bill? I read further:

> However, the effect of the principal provision (the disallowing of a deduction for certain entertainment expenses) has been modified.

Why did the committee modify it? We are told in the report. Senators can read why. A copy of the report is on every Senator's desk. There can be no misunderstanding of the issue upon which we are about to vote. What is the purpose of the three words? I read:

> To permit the deduction of expenses for goodwill where a close association is established between the expense and the active conduct of a trade or business.

Mr. President, a little later I shall illustrate how the definition of those terms reflects an interesting meaning and an untoward meaning and effect.

Now I read—and I ask Senators to follow my reading—from page 26, beginning at the top of the page:

> The report of the Committee on Ways and Means made it clear that the House bill was not designed to disallow completely deductions for entertainment, amusement, or recreation expenses, but rather it was intended to eliminate abuses.

That is correct, and I think that is what the Senate should try to do.

I read further:

> Under the general rule, no deduction would be allowed for any such expenses except to the extent that such expenses are directly related to the active conduct of a trade or business.

Why should they be deductible unless they are in fact directly related to the active conduct of a trade or business?

I read further:

> Despite the clear language of the House bill and the stated intent of the provision, considerable uncertainty and confusion as to the actual effect of the House draft has been created by the interpretation given this language in the House committee report. It in effect interprets the proposed statutory language to disallow a deduction for any expense for entertainment, amusement, or recreation unless the expense is described in one of a series of specific exceptions to the general rule.

Those specific exceptions are liberal and generous. Senators will find them on page 26 of the report or on page 45 of the bill—nine of them. But apparently those who prepared this majority report were not satisfied with that.

I read further:

> Where the expense is covered by an exception, the rules of existing law would continue to govern the deductibility of the expense.

Mr. President, what is wrong with that? Nothing that has been set forth in the paragraph I have read about the House report describes anything harsh. Indeed, it describes a situation which I think permits liberal deductibility—more liberal than I think is justified. Nine specific exceptions are set out, and then there is the general rule.

But listen to the next paragraph of the majority report:

> To eliminate the harshness—

Mr. President, what harshness? What harshness has been described in the House committee report?

Mr. BUSH. Mr. President, will the Senator from Tennessee state the page from which he is reading?

Mr. GORE. I am reading from page 26 of the report. I had completed reading the first paragraph, which describes the report of the House Ways and Means Committee; and I had just begun to read the second paragraph, which I shall now read:

> To eliminate the harshness resulting from the House report, amendment of the language of the House bill is necessary. Despite amendment of the House bill your committee has made certain that entertainment expense abuses are eliminated.

But it does not state how that would be done; it does not give a definition of an abuse.

I continue to read:

> By your committee's amendment an alternative rule is added to the House bill—

Now, Mr. President, we begin to get to the point. Not being satisfied with the generosity of the report of the House Ways and Means Committee, this amendment is offered in an attempt to alleviate what is alleged to be harshness; therefore an alternative is provided:

> By your committee's amendment an alternative rule is added to the House bill under which expenses for entertainment, amusement, or recreation (with respect to both activities and facilities) also will be deductible to the extent that such expenses are associated with the active conduct of a trade or business.

Mr. President, here are the words "associated with," and these words are not difficult for the American people to understand. This is a simple issue. It is an issue between right and wrong. This is an issue about which much will be heard in the future.

What is the meaning of the words "associated with"? The report states that—

> Expenses for entertainment, amusement, or recreation (with respect to both activities and facilities) also will be deductible to the extent that such expenses are associated with the active conduct of a trade or business. This new language will permit deduction of expenses for entertainment, amusement, or recreation incurred for the creation or maintenance of business goodwill without regard to whether a particular exception applies.

What is goodwill, Mr. President? How definite is that? What kind of goodwill? With whom? Where? How? Of what nature? But, the committee report states:

> This new language—

What new language is referred to? The three little words "or associated with." What does the new language mean? We are told here:

> This new language will permit deduction of expenses for entertainment, amusement, or recreation—

What kind of recreation? Athletic? Intellectual? Travel? Therapeutics? No definition is given.

What kind of amusement? What kind of entertainment? But if there is an expense for any of this purpose, however indefinite, it is deductible, if you please, Mr. President, if it is for the purpose of maintaining goodwill—whatever that is.

I continue to quote:

> without regard to whether a particular exception applies. However, this new language will apply only if the taxpayer demonstrates a clear business purpose and shows a reasonable expectation—

What is expectation? What is a reasonable expectation? A reasonable expectation of what?

> of deriving some income—

How much? Where? In what manner? Under what conditions? When? Some income.

I continue to quote:

> or other benefit—

What kind? Social? Financial? Political? Healthful? Cultural? Matrimonial? What benefit? Other benefit.

> to his business as a result of the expenditure.

Mr. President, listen to the following sentence, which refers to this rigid requirement, this language that is offered to relieve the alleged harshness.

What is the next sentence?

> If he meets this test—

Test? Test.

> the expenditure will be considered to be—

What?

> associated with—

"Associated with"—that is the amendment. That is what is pending.

And if a taxpayer, according to this report, makes an expenditure for entertainment, recreation, or amusement, with respect to either activities or facilities, to maintain goodwill, from which he has some reasonable expectation, at some time, somewhere, somehow, of receiving some income, in some amount, in some manner, of some quality, or some other benefit—whatever that is—then it is considered to be "associated with" his trade or business.

Yet the Senate of the United States is asked to vote to approve this amendment with this interpretation on every Senator's desk. Ah, Mr. President, I may be endowed with more than an ordinary share of self-confidence. However that may be, I am confident that if 99 of my colleagues would give me their attention for 20 minutes, this amendment would not be adopted by the Senate.

Unfortunately, it is not my privilege to reach very many of my colleagues by speech, but the issue is joined. I have stated it clearly. The Senate is not required to rely upon my interpretation of the words "associated with." I have just read what the committee report says they mean.

The amendment would open the gate wide. It would provide for a continuation of the pattern of abuse of expense accounts and tax avoidance.

Adoption of this amendment would subvert the effort for tax reform to eliminate this pattern of abuse, avoidance, evasion, and concealment which the President of the United States thought of such proportions as to ask, in a state of the Union message, that the Congress take forthright action to eliminate it.

Mr. President, I do not wish to detain the Senate further. I have stated the issue.

Mr. KEFAUVER. Mr. President, will the Senator yield?

Mr. GORE. Before yielding, I wish to correct one statement that my distinguished colleague, the junior Senator from Florida [Mr. SMATHERS], made. He said that this amendment would increase revenue. As a matter of fact, these three little words are estimated by the Treasury to reduce revenue to the Government, as compared with the House bill, by at least $40 million a year. Mind you, Mr. President, the Secretary of the Treasury estimated that if those abuses were completely eliminated, the revenue to the Government would be increased by $250 million.

I yield to my senior colleague from Tennessee.

Mr. KEFAUVER. I wish to ask my colleague, who has given this problem much study, a question about it. I know the consideration he has given to it.

I had understood that in the state of the Union message and in other messages the President expressed his feeling that the expense account loophole was one of the big gaps which ought to be closed, at least to a considerable extent, and that it was being abused. Does the Senator feel that the three words involved, instead of closing the loophole, would open the gap wider so that there would be more abuse than before, or at least so that there might be more?

Mr. GORE. I cannot say that the three words would open the gap wider than the present law. Even with the words in the bill, the bill would provide one test with respect to facilities which would be of some help. Overall, I believe that the writing of the amendment into law, along with the interpretation which accompanies it, would make the situation worse than present law, because it would give legislative endorsement to and would constitute legislative condonement of widespread abuse, the scandalous avoidance of taxes.

Mr. KEFAUVER. Did I correctly understand that the President, through the Secretary of the Treasury, has opposed the inclusion of these three words, generally on the grounds the Senator has so forcefully set forth in the Senate today?

Mr. GORE. I have read into the RECORD the message of President Kennedy. There is on the desk of each Senator a statement by the Secretary of the Treasury.

I do not have a statement by either with respect to the three words "or associated with," because those have recently been reported and recommended as an amendment by the Senate Finance Committee. Certainly the adoption of the amendment would be 180° contrary to the recommendation by the President and the Secretary of the Treasury.

Mr. KEFAUVER. I think my colleague is to be commended for pointing out the further loophole the three words would make in the tax bill, which has a purpose of closing gaps and also increasing revenue to our Nation. I commend the Senator. I shall certainly vote against the inclusion of the words.

Mr. GORE. I thank my colleague.

Mr. CARROLL. Mr. President, will the Senator yield?

Mr. GORE. I yield.

Mr. CARROLL. I commend the able Senator. I have listened to his speech today. I have read his remarks on this subject. I should like to ask a question or two, if he will permit me to do so.

Mr. GORE. I yield for a question.

Mr. CARROLL. The purpose of the President's message, as I understand it, and of the action taken by the other body, is to strengthen existing law with reference to the subject matter of the Senator's remarks.

Mr. GORE. Without which, the President advised the Congress, the abuses could not be eliminated.

Mr. CARROLL. I further understand that the abuses in a sense arose out of court interpretations. It is not that the court is in favor of the abuses, but the abuses occur because of the looseness of existing law.

I read to the Senator a portion of section 162 of the 1954 Code.

> There shall be allowed as a deduction all the ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business.

That is the wording of the law. The court decisions interpreting that wording have made it nearly impossible for the Treasury Department to draft appropriate legislation to tighten up on what some of us believe to be loopholes, inequitable and unconscionable and not satisfactory to the American public.

The President has spoken. The House of Representatives has spoken in the endeavor to change the basic law. As I understand the remarks by the able Senator from Tennessee, what he seeks to do is do no less than the House of Representatives did when it passed the tax bill some time ago.

Mr. GORE. I seek to defeat an amendment which would wreck the House bill.

Mr. CARROLL. That was my understanding. The House bill really would tighten up the law?

Mr. GORE. To a commendable degree. Not as much as I would prefer, but to commendable degree.

Mr. CARROLL. Do I correctly understand that if we accept the committee amendment, in a sense it would pull the rug out from under that which the House has done?

Mr. GORE. It would wreck the bill so far as correcting expense account abuses is concerned.

Mr. CARROLL. I intend to support the position taken by the able Senator from Tennessee. I am confident other Members of this body who understand the issue will do the same. I join the Senator in saying that if all Senators have a clear comprehension of this issue, they will want to go on record as trying to stop what I consider to be abuses as a result of enormous loopholes in the tax law, which give great benefit and, as I was going to say, comfort to people who would have no right to these sorts of deductions under a fair and equitable tax code.

Mr. GORE. I thank the Senator.

Mr. CARROLL. I thank the able Senator from Tennessee.

Mr. PROXMIRE. Mr. President, will the Senator yield?

Mr. GORE. I yield.

Mr. PROXMIRE. Is it not true that the position taken by the President of the United States in the state of the Union message was for the elimination of the deduction for entertainment expenses and club dues?

Mr. GORE. Completely. That is not the question now before the Senate, though I would like to see it done.

Mr. PROXMIRE. I understand that. Is it not true, therefore, that it is perfectly obvious the administration position, as described by the President in his state of the Union message, is in support of the position of the Senator from Tennessee in opposition to the committee amendment, in view of the fact that the committee amendment would open up this abuse which the President so clearly described in his message?

Mr. GORE. That is correct.

Mr. PROXMIRE. So it is very hard for anyone by any logic to conclude anything other than that the position of the administration is in support of the position so ably, eloquently, and brilliantly taken by the Senator from Tennessee.

Mr. GORE. Well, I concur in the Senator's reference to the administration's position. I must demur from concurring in the Senator's generous remarks with respect to me.

I thank the Senator.

Mr. MORTON. Mr. President, I submit an amendment to the pending bill and ask that it may be printed and lie on the table. I shall speak with respect to it tomorrow.

The PRESIDING OFFICER. The amendment will be received and printed, and will lie on the table.

JAILING OF MINISTERS IN ALBANY, GA.

Mr. JAVITS. Mr. President, I am anxious to allow the Senate to vote, and I shall not detain the Senate, but I have something on my mind which concerns me and which I think ought to concern the country very much. It is the report which appears in this morning's press, which is of course verified, that 75 ministers of religion have been jailed in Albany, Ga. Fourteen pastors, Mr. President, are religious leaders from my own State of New York.

Mr. President, where are we living? I think that is the question which all Americans must answer. Where are we living?

This is not a matter of building a street or a road, or of putting in a sewer, which are local matters. We all understand that.

This is a matter of the Constitution of the United States and the freedom of any American citizen to go into any town or city in the United States and to get the benefit of protection there as a citizen of the United States. That is what this "United States" is all about.

If we are outsiders in Albany, Ga., then everyone in Albany, Ga., is an outsider in New York City, Chicago, and Los Angeles. That may be very uncomfortable. We could dismember our country upon that theory. Yet that is the theory on which the United States apparently, without enough of a vocal protest to make itself heard in Albany, Ga., is allowed to operate.

The situation has become intolerable and beyond anyone's endurance when 75 ministers of religion are arrested on a new theory of defeating the effort to break segregation in Albany, Ga., through mass arrests, which is yet to be passed upon by the courts. I do not think there is any question that it ought to be enjoined as running counter to the Constitution of the United States; nonetheless, it is one thing to be in court and another thing to have the Nation express its conscience. That is what is needed now.

There could be no more eloquent speech of protest against this un-American and inhuman performance than a news report of the bare facts. I beg the Senate's indulgence while I read from the New York Times, a very reliable newspaper, merely the bare facts, nothing else, not embellished in any way:

> Chief of Police Laurie Pritchett charged the demonstrators with congregating on the sidewalk, disorderly conduct, and failing to obey his commands to disperse. They were held in lieu of $200 cash bonds each and jailed here and in nearby Leesburg.

The story continues:

> This afternoon—

> Which was yesterday, the 28th—

> they—

Meaning these clergymen and lay religious leaders—

> marched by twos to the city hall, where Chief Pritchett and 20 patrolmen were waiting.
>
> The demonstrators stood for a while in silence. One policeman remarked to another, "Is everybody bashful? Ain't nobody gonna' say nothing?"
>
> Then the Reverend Norman C. Eddy of East Harlem Protestant Parish in New York asked the Reverend John W. P. Collier of Israel Memorial A.M.E. Church in Newark, N.J., to read from the Scriptures.
>
> "WHATSOEVER A MAN SOWETH"
>
> Mr. Collier chose from the Sixth Chapter of Galatians: "For whatsoever a man soweth, that he shall also reap."
>
> As he finished, Chief Pritchett stepped forward and said, "All right, Reverends, what's your purpose?"
>
> After he had repeated the question several times, Mr. Eddy replied, "our purpose is to offer our prayers to God."
>
> The chief then urged them to return home "in the name of decency."

Mr. President, is that ironic—in the name of decency, to stop appearing.

The article continues:

> Rabbi Richard Israel of the Hillel Foundation at Yale University then stepped forward and read the 114th Psalm from "Prayers for Special Occasions."
>
> He completed the psalm. Chief Prichett moved forward and said, "Again, I'm asking you to disperse. This is the last and only time that this command will be given."
>
> The group stood fast.
>
> "All right," said the chief, "put them in jail."
>
> The demonstrators were herded into a side door of the building in twos and threes and relieved of their Bibles and other possessions.

The story goes on—

> After most of those arrested had been booked, a policeman emerged from the jail wearing a false beard and a skullcap that belonged to Rabbi Israel, and paraded through the first floor offices of the city hall.

Mr. President, consider such a shameful performance in any city or town in the United States of America as the one I have read. I ask all Senators who expressed such high indignation against the Supreme Court's decision on prayer in the public schools to consult their conscience on that one. Where are their voices now? Are they aroused over the fact that ministers of religion are treated like common criminals? Why? Because they dared to stand upon a street, pray, and invoke the blessing of the Deity so that, in their view, even if they are wrong, American citizens may have their fundamental rights.

As a Senator of the United States and a representative of 17 million people, I say that such a situation is absolutely outrageous and disgusting. If our Government does not assert its majesty to put a stop to things like that, very serious doubt will be raised as to the effectiveness and power of the National Government to protect the rights of citizens under the Constitution of the United States anywhere in our country.

Mr. President, the description sounds to me like that of a whisky rebellion. That is how serious I think it is. As the story points out, it is becoming so shameful as to be intolerable in the eyes of all the people of our country. Indeed, I can hardly understand how the Governor of Georgia and the local authorities can themselves endure that kind of performance.

Mr. President, endemic in it, and at the bottom of it, is the fact that the Congress has never given the necessary power to the Attorney General of the United States to start suit in any of those cases. He is sitting around in court waiting to file briefs amicus curiae, not knowing whether the court will or will not allow him to do so, since he has no authority and no power, apparently, to go into court himself and even start a suit in a Federal court in order to deal with a situation which, in my opinion, is making the United States not only look ridiculous in the eyes of the world but look unjust and apparently unable to protect the very basic and fundamental rights of its own citizens—in this case ministers of religion—who are doing what? Seeking to pray upon a public street.

Mr. President, it seems to me that in most cities of our country prayer would be encouraged. There are prayer meetings in many cities. An effort is made to use the streets exactly for that purpose—to encourage the practice of religion among the population. In Albany, Ga., people are being jailed because they have the temerity to do it, though they are ministers of religion.

It seems to me that we do not have to embellish the situation. We only need to read the report. That is more than adequate to demonstrate a situation which, in my view, is becoming intolerable in the eyes of the country and under our Constitution.

Mr. RUSSELL. Mr. President, I just entered the Chamber. I did not hear all the remarks of the Senator from New York. However, I did hear his concluding remarks. I assume that he was engaged in one of his typical political forays into the State of Georgia from the floor of the Senate.

Someone told me that in this morning's issue of the New York Times there was an announcement that some Negro assemblywoman in New York who had been a Democrat, abandoned that party and organized headquarters for the Senator from New York in his bid for reelection. I am sure there is no connection whatever between that announcement and the position of the Senator on the floor of the Senate. I notice that he becomes more and more vehement as we approach November in his denunciation of a situation about which he knows nothing and cares only for the political mileage that might be involved.

It is very easy to denounce people in another section of our country. No one more deeply regrets or has suffered more anguish from the unfortunate events that are occurring in Albany, Ga., than have the people of that community. There is not a better city or a higher class of citizenry to be found anywhere in the United States than in the little city of Albany, Ga. It is one town in which there was never the slightest restriction on the right of colored citizens to go to the polls to vote. It is one town in which colored citizens have operated businesses and accumulated money. Considering some of the other cities in which such a campaign might have been launched to force the policemen of the city to take action, I cannot understand why Albany, Ga., was selected. I have never been able to understand that. But it was. The people there are confronted with this fact and with a very serious condition.

When the President of the United States made his remarks concerning Albany at his press conference, I said that it was unfortunate that he had undertaken to intervene in the situation there, because such intervention would cause many publicity seekers and sensationalists all over the United States to move into Albany.

I do not say that every one of the latest adventurers, or even most of them, are from New York. I do not know whether they are members of the club that has been organized by the Negro assemblywoman for the political benefit of the Senator from New York or not. I assume that perhaps most of them are. But I do not say that every one of them, without exception, would fall into that category. Most all of them are the type of people who have experienced frustrations of one kind or another, who have never seen their names in the press except to read that the Reverend Joe Doaks married this couple or the Reverend Joe Doaks conducted the last exercise at the cemetery.

They went to Albany, Ga., and violated the ordinances of that city. If they had done it, under the same circumstances, in New York City, they would have been arrested. The chief of police asked them four times to move and stop blocking traffic. They did not do so.

The amazing thing to me, Mr. President, is that when we approach election time, those who have shouted from the housetops that these disputes should be settled in the courts and left to the courts for decision, now take a different attitude, and now say that any means justifies the end, and that they will violate any and all laws with which they do not agree.

These people were asked four times to stop blocking traffic and to move on. They refused to do so. They came there to be arrested, and they were arrested. From what I know of the incident I say they should have been arrested. According to press reports, the Senator from New York has sent a telegram to Albany saying that he would be very glad to go down there.

I can understand his position. I can tell the Senator, that if he does go to Albany, Ga., he will be safe. He will be able to walk on the streets of that city, in any section of it, in the daytime or at night, without any fear of violence being committed upon his person.

I dare say the distinguished Senator from New York would not dare to venture into Central Park in New York City after midnight unless he had a large police escort with him. He would not dare go on West 94th Street in New York City after nightfall unless he had a large police escort to protect him.

I feel that I owe some obligation to say a word in behalf of the honest, God-fearing people who have been generous to me in times past, and who are the peers of any people represented by the Senator from New York or by any other Member of the Senate.

About a week ago I saw a picture in a New York newspaper showing five or six policemen, wearing steel helmets, crouching and trying to get behind an automobile to avoid the crockery, bricks, and other materials that were being showered upon them from the upstair floors of a building. Nothing like that occurs in Albany, Ga. When people come down there, even if they happen to be sent there by a New York Senator or anyone else, to try to create a situation of lawless chaos, the police department of that city does its duty and arrests them. But it protects them from any violence.

Therefore, I say the Senator would be much safer in carrying on his campaign by going to Albany, Ga. I again assure him that he could walk the streets of that town day or night, and he would be protected; no one would harm him. On the other hand, there are areas in New York City where he would not dare to go out after dark, because he knows he would be mugged and his life placed in peril.

I realize, of course, it is regrettable that three influential metropolitan newspapers are able to call the tune for the other media of communications in this land. I realize that they distort headlines, to influence fairminded men who do not live in the areas where these incidents take place. The press has tried to use the incidents at Albany, Ga., to heap calumny on a people who deserve better treatment.

I notice that the distinguished Senator from New York does not comment on any of the serious racial incidents that have taken place in New York City. It may be that the white people there have been completely cowed.

I have not heard him raise his voice against incidents which have very recently occurred at Cairo, Ill., where a number of members of the Negro race apparently tried to go to a public place, to which objection was made. I believe they tried to go into a skating rink, or a similar place of amusement which was frequented principally by white people. In the violence and fighting that followed many were injured.

This is the kind of beam in the eye criticism to which we have been subjected for so many years. Many people cannot see anything wrong unless it is reported by biased critics of the South.

From what I have heard of the extremely provoking incidents in Albany, Ga., I can feel nothing but pride in the police department of that city in the exercise of remarkable restraint while discharging their duty to preserve order. When a mob of Negroes gathered in the city on one occasion and hit them with beer cans and rocks and spat on them, the police did not break the skin of one of the members of that mob. They conducted themselves with dignity in enforcing the ordinances of the city, which have not been declared to be invalid by any court. They have done their best to keep out any disorderly element or prevent situations from arising that might lead to violence.

The same newspaper, the New York Times, which carried the news of today, of 75 persons going to Albany, Ga., demanding to be arrested and succeeding in having their demand met—reported that the Ku Klux Klan had asked for a permit to parade through the city of Albany, and that the request was denied. The Klan was told that its members would be arrested if they paraded without permission of the city commission.

Whether or not the television cameras which may have been covering the incidents in Albany, Ga., will show it or not, or the reporters for the wire services and the press, I know that the people of Albany, Ga., have in this situation handled themselves with admirable restraint.

I noticed the other day that in an area not too far from the State of New York, a mass meeting was held. The promoter was quoted as saying that he would have 15,000 telephone calls made to Governor Hughes of New Jersey by the people in that community. He said that he could have 18 million calls made to the White House about the situation in this country. I do not believe he would get all those calls through to the President personally though two or three would probably be put through if the callers identified themselves as being the Reverend Luther King.

However, it amused me when I heard on the radio that morning that one white youth had undertaken to walk around the place where the meeting was being held, and he had written on a board that he had attached to a stick, "White people have rights too." Of course he was immediately arrested and hustled off to jail.

I do not know whether it was because he was accused of some profanation or other heresy, but I note that the distinguished Washington Post, which published the news article in its entirety, did not mention the motto inscribed upon the card. So I suppose they assumed that that was obscene language that should not find its way into the press.

But the people of Albany, Ga., are still so old-fashioned that they think white people have some rights, too. Their officials will continue to enforce the ordinances of the city of Albany which are the law of the land so far as Albany is concerned, because they have not been stricken down by any court. These officials will continue to do so without regard to those who make a complete 90 degree turn-about in 15-minutes from pointing a finger at the South, and saying, "You must do these things relating to your school system, your public systems of all kinds, and indeed your private enterprises, because it is the law of the land. The Supreme Court has so written"; but, at the same time, defending a course of conduct by men who do not feel under the slightest compulsion to obey any law they personally regard as unfair. These men have made this exact statement over the radio and the television, and have repeated it time and again, even though the press has not always carried their statements and some of the more biased commentators have not related these statements because to do so might tarnish the attitude of public opinion they wish to create.

It may be profitable to undertake to have one rule of law for those whom one favors, and another rule of law for those whom one disapproves. That is becoming more popular in this country. It has always been so with demagogues.

But as for me, Mr. President, and as for the people of Albany, Ga., we will endure all of this abuse and calumny in the secure knowledge that it either is largely brought forth for some ulterior political purpose or that it grows out of complete ignorance or malice and prejudice against the white people of the South.

Mr. JAVITS. Mr. President, first, I welcome this debate. I think it is very healthy. The distinguished senior Senator from Georgia is a very eminent Senator. He enjoys great distinction in this body, and he deserves it. But, Mr. President, that does not still me, nor does it disquiet me. I welcome it.

Mr. RUSSELL. I can assure the Senator I thought he would welcome it. Perhaps the Senator from Georgia would have done better to restrain himself.

Mr. JAVITS. Mr. President, I should like to observe the rules. If the Senator from Georgia desires me to yield, I shall yield. But I will not be interrupted except under the rules of the Senate. Does the Senator desire me to yield?

Mr. RUSSELL. No; but I hope the Senator will in the future regard the rule he has just laid down.

Mr. JAVITS. The Senator from New York does not remember any occasion—he may be in error—upon which he interrupted another Senator without asking that Senator to yield. If the Senator from Georgia does not mind my saying so, whatever may be his seniority, I am a Senator from New York. I feel that my rights upon the floor of this Chamber are just as sacred as those of any other Senator, whoever he may be. I shall assert them until the people of my State remove me from this Chamber.

Mr. President, I should like to pay my respects to one myth; and if I do nothing else today, I hope Senators will at least pay attention to this. It is the myth that people like myself are engaged in the civil rights effort because we are seeking to get the Negro vote. I would not deal with that subject in so sophisticated a Chamber on anything but the most realistic grounds. So I propound to Senators and to the country this question: The State of New York has a population of 17 million. It has a Negro population of not more than 1,700,000, or thereabouts. Let us assume that everything I do—because, after all, we lawyers are accustomed to assumptions—is neatly calculated to win their support.

In the State from which the Senator from Georgia comes there is a very large number of Negroes, but there is also a very large number of whites. I should say, drawing on my memory, that the proportion is not less than 3 to 1—not less than that. If the Senator from Georgia espouses, as he does, and very ably, the cause of segregation as being the right kind of social order, then I ask Senators: Who is trying to please a greater proportion of his voters by the position which he adopts? If that be the test of politics, who is playing the most politics? I, in New York, which has a population at least 90 percent whites? Or those Senators who are arguing so devotedly for their cause, which I respect, and I respect their sincerity. I have never questioned it. I have never said it is politics to appeal to 75 percent of their people, according to their own statements, because they say the overwhelming majority of their people are absolutely in favor of these policies. I will let Senators and will let the country judge that.

Now as to the case itself: I am not inveighing against the people of Georgia. I do not inveigh against the people of any State or against any Senator from any State. I have never done so, and I never would. That is demagoguery, and I hope never to be guilty of that. If I am, I do not belong here.

But I am inveighing against the processes of our country which we in Congress create, which are seriously deficient in this respect. If the Senator from Georgia had heard me, he would have heard me say that that was one case on which I am not passing mild judgment on anybody, whether the chief of police or the people of Albany, Ga. Their own consciences will determine that. I have only argued that it is shameful and intolerable that the processes of our country, which we create, are so inadequate that there is no provision to deal with a situation like this, and which, to my eyes, and I think to the eyes of millions of other Americans, seems so very difficult and strange that we cannot resolve it in some better way than by means of arresting 75 persons, most of whom are members of the clergy.

That is all I argue. If I did not make it clear before, I wish to make it clear now. I am talking to Senators in respect to our responsibility. Our job is to see that we have a government of law that is able to come abreast of major problems. I say we are seriously deficient when we let a situation like this go on and on, foster it, and let it become exacerbated, because apparently we do not think the laws have come abreast of it. That is all I argue; nothing else.

The second point is that it is said most of these people come from New York. That is not so. I said when I began that I generally try to give my facts to the Senate, just as does the distinguished Senator from Georgia. Fourteen of those persons came from my State. The rest came from other States. Indeed, five of them, according to the newspaper report, are Georgians. Others are from New Jersey, Connecticut, and other States.

Finally, as to my crying out against segregation or discrimination anywhere else, perhaps the Senator from Georgia has not heard me, but I have always done that in just as vigorous a way. Indeed, I wrote a book about it, entitled "Discrimination—U.S.A." Anyone is welcome to read it. I will welcome any evaluation which will find that I did not lay on with an even hand in the North, South, East, or West, so far as I count at all.

I have made only one point. I make it again. I make it advisedly. I feel that in the section from which I come, as well as in the North, in the Middle West, and the West, the public climate supports efforts to do away with this national scourge of segregation and discrimination, and many laws are on the statute books which are designed to do away with them.

I have been in certain Southern States where, unfortunately, I believe the whole social organization, the whole public climate, the whole body of law are exactly the other way. Indeed, in this very morning's newspaper, I read that the Department of Justice has instituted a suit to declare invalid certain statutes of one of the sovereign States of the South because they are laws which result in segregation exactly to the contrary of what the Department of Justice thinks, and I think and believe the majority of Congress thinks, is the law of the land according to the Constitution of the United States.

Finally, some effort was made to compare this situation with the situation of crime or delinquency upon the streets of New York. Let us remember that the population of New York is 8 million, so we do have a fair proportion of crime and delinquency and difficulty, as does every other great city; as does, I hazard, any great city in the South, whether Atlanta, Birmingham, or one of the other great cities of that region. But we get along pretty well, nonetheless; and I move around New York with the other 8 million in a reasonable degree of security.

But what does that have to do with the case?

As President Eisenhower has said in what I consider a very eloquent statement, the most secure place is the tomb. It is very secure; one cannot possibly be hurt there. But is that the criterion? Is that the answer to injustice or violations of constitutional rights or any other inherent difficulty in the organization of our society? Of course, we know it is not. That is an irrelevant argument. It is nice to invoke it in order to make some kind of case, but I do not think it means anything in this particular respect.

To sum up, Mr. President, let me say that I have always stated, and I now repeat, that I have the highest respect for the sincerity and the good faith of the Senators from the South, and especially the Senator from Georgia [Mr. RUSSELL], under whom I work on a very important committee. If I needed anything to enable me to appraise at the very highest level his integrity and his sincerity, that would be it.

Neither do I challenge the action of the people of Georgia. They are doing what their consciences dictate. I am directing my fire—if you will—at the intolerable situation existing in an American community where something that is happening is most discreditable, it seems to me, to our entire Nation, and reflects on the laws of the United States, under which, in my view, we have not come abreast of the processes which will enable us to deal with this particular subject. It is an opportunity in a most dramatic way—I refer to the incident which recently took place at Albany, Ga.—to demonstrate that thesis.

That is the sum total of my view. I feel very strongly about that. I think the key civil rights measure which we have constantly avoided is one dealing with the power to go into court—the very measure which I think is needed more than any other single measure in this whole field. If we needed a dramatic—indeed, a violent—illustration of that, I think it is this new technique for breaking the drive against segregation, which has been developed in Albany, Ga.—the new technique of mass arrests for violations of a municipal ordinance, which can then be claimed, as my distinguished colleague has stated, as the law of the land and the law for Albany, Ga., until it is upset.

But it seems to me that in the meantime all our legal processes are held up to ridicule, when one realizes that we do not have machinery to protect citizens of the United States—not citizens of Georgia; and the Constitution makes that distinction—and that we do not have the necessary means to cope with a situation which, I say again—I say it unilaterally—is intolerable, and I think it should be intolerable to the country.

Mr. RUSSELL. Mr. President, in the course of my remarks, I omitted to say that the Mayor of the city of Albany, Ga., had met time and again with the Albany members of these demonstrators and had urged them to go into the Federal courts and bring a proceeding, so that the courts could determine if any of these ordinances to which they object were invalid and which were valid, and there determine what the rights of the respective races were. He begged them to go into the courts. But when they refused to do it, and insisted upon a course of lawlessness to enforce their demands, he refused to meet further with them.

Mr. President, heretofore those who have been so active in championing the so-called civil rights movement have spent all their time denouncing those who would not comply with the orders or decisions of the courts. But now they seek to defend those who defy the courts and the law.

Mr. President, I merely wish to say, further, that the Senator from New York indicated that someone tried to keep him from speaking on the floor of the Senate; and he said he had the duty and the right to speak, and that he would speak when he pleased.

Mr. President, no one would defend him more earnestly than I would in the exercise of that right, although I disagreed almost completely with all that he said. But even if I disagreed as to his exercise of that right, I would know better than to attempt to keep the Senator from New York from speaking; I am more aware of my own limitations than is anyone else, and I realize that the entire Senate could not keep the Senator from New York from speaking as often as he sees fit; and I have no complaint to make because of the fact that he sees fit to speak quite often.

Mr. President, I doubt very much that colloquies of this kind serve any very useful purpose. Perhaps I should not have made any statement whatever on this subject. But when I walked into the Chamber and heard some of the remarks the Senator from New York made, I felt that patience as a virtue had been worn completely threadbare, and that in common justice and common decency to the patriotic American citizens of my State I should inveigh against the campaign of misrepresentation to which they have been subjected.

The press that has cried out that everyone should follow the court decisions because they were the law now says, when it comes to the case of Albany, Ga., that almost one-half of the citizens, because they are Negroes, have the right to determine for themselves whether they will obey the law. That is the kind of injustice and the kind of unfairness the people of the South have come to expect. We realize we have not the media of communication to get a true picture of conditions before the American people. But we are human, and we resent such contemptible mistreatment and mistatements and inconsistency in dealing with one section of this country.

Mr. President, we have nothing to apologize for. In the 100 years that have elapsed since Appomattox, when one considers the disadvantages with which the people of the South have had to contend, living for years under Federal bayonets, and always under the threat of the legal processes of the Federal Government and the Department of Justice, whether during Republican administrations or during Democratic administrations, they have come farther from the ashes and have done better with a great problem than have any other people in all of human history.

History does not record, anywhere in its annals, and I defy anyone to bring forth an instance of it—another case where two races so nearly equal in number were so quickly transformed from the relationship of master and slave to the relationship of those who stand equal before the law. And all that development occurred despite those many years when our people were in abject poverty. Even during those periods, the white people of the South taxed themselves, in their poverty, and did more to bring forward the Negro race than has ever been accomplished anywhere else under the canopy of Heaven in the same period of time. That progress has continued. So we have no apologies to make.

We do resent our tormentors and detractors. I suppose that if we were perfect, if we could ever expect to be, we would look upon them with the compassion of the only Man who is said to have possessed perfect compassion, and would say, "Forgive them, for they know not what they do." But we know they do know what they are doing and we know they should be more honest than to twist, misrepresent, and distort our people while closing their eyes to conditions on their own threshold.

Mr. TALMADGE. Mr. President, Albany, Ga., has been much in the news in recent months, and many persons seeking to profit from the situation there have not hesitated to exploit it.

One of the groups leading this exploitation is the Congress of Racial Equality, otherwise known as CORE. This organization conducts classes to train recruits to go out over the Nation to provoke incidents and get themselves arrested.

A few days ago one of its principals announced he was going to Europe to hold a press conference. The only reason I can possibly think of for going that far to hold a press conference is that the individual hoped to be able thereby deliberately to damage the United States of America in the eyes of some areas of the world.

Mr. President, I make the charge that some of the groups fomenting strife in Albany, Ga., are there for the specific purpose of damaging this country in foreign relations. In that regard I think it significant to note that 9 out of the 16 members of CORE's national advisory committee have records of identification or affiliation with subversive organizations or causes.

Of course, Mr. President, those of us who have the honor to represent States of the South in this body have long since ceased to be surprised at Senators from certain areas of the country who make a practice of attempting to discredit our region. It does, however, seem somewhat inconsistent for these same Senators not to express similar concern about conditions in other areas of the country.

Right here in Washington in recent weeks a Congressman's secretary, kneeling in prayer in a church of her faith on Capitol Hill was stabbed 11 times. Yet we heard none of these Senators raise his voice to decry the heinous nature of that crime.

Day after day we read about rapes, murders, and crimes of violence here in the District of Columbia. Yet these self-righteous Senators never raise their voices about the reign of terror in Washington.

It seems to me, the junior Senator from Georgia, Mr. President, that, if these Senators are opposed to crime, this is a very fertile area in which their influence is both needed and wanted.

Let me say, in conclusion, that the arrests made in Albany, Ga., have been for violation of city ordinances, particularly those dealing with regulation of traffic and public parades and demonstrations. As my senior colleague pointed out, those who have been arrested would be arrested in any other city of America for doing what they did.

We have recently seen the Supreme Court of the United States deny the right of prayer to pupils in the public schools of New York.

If the distinguished senior Senator from New York [Mr. JAVITS] is so interested in citizens having the right to pray, it seems to the junior Senator from Georgia that he should be seeking that right for students in his State, rather than advocating its exercise in violation of the law by meddling outsiders in the middle of the public streets of Albany, Ga.

THE 46TH SESSION OF THE INTERNATIONAL LABOR CONFERENCE

Mr. McNAMARA. Mr. President, I recently returned from Geneva, Switzerland, a city often associated in the minds of the American people with East-West tensions and their frustrating international negotiations. Happily, my experience was both constructive and stimulating.

I served as congressional adviser to the American delegation at the 46th session of the International Labor Conference, the principal body of the International Labor Organization. It was a privilege to join in an international effort to better the conditions of work and life. Much has been done by this distinguished organization: much remains to be done. Nearly 50 years ago, when I first became an apprentice at an hourly wage of 9 cents, I was fortunate enough to work an 8-hour day. Millions of workers have not yet reached this condition.

The International Labor Organization is doing practical work for world peace. Its aims are high, therefore its task is long. It would construct a floor under the conditions of life and labor throughout the world by establishing international standards and by direct technical assistance. Adequate conditions of work and living lessen the unrest born of poverty that imperils peace in so many parts of the world today. Every working man, but particularly he who is voiceless, exploited, and unprotected, has a powerful unseen friend in this organization. The United States works within few international organizations that affect the daily lives of so many with such a powerful potential in international affairs. Consider, for example, the newly emerging nations of the world, where working men often are pioneers of political development. It behooves us, as a nation, to cherish, support, and actively participate in ILO activities, which parallel our own efforts and ideals.

The main task of the International Labor Conference is to draft international minimum social and labor standards that are then subject to ratification by member states. It is a strenuous activity. Because it is a constructive and continuing activity it does not, like disaster, catch the public eye. I watched delegates from nearly 100 nations work, teach, and learn in considering practical questions related to social security, vocational training, prohibition of unguarded machinery, and the 40-hour week.

This conference was for me a remarkable demonstration of our kind of democracy at work in an international forum.

I was struck by the basic similarity between its proceedings and those of our own distinguished body. Both reflect the fundamentals of democratic procedure—the expression of individual interest, the conflicts of those interests, and the achievement of consent through rational argument and compromise. It has been said that the case for democracy is that it accepts rational and humane values as ends, and proposes as the means of realizing them the minimum of coercion and the maximum of voluntary assent: that the chief virtue of democracy is that, with all its faults, it still provides the most favorable conditions under which man can maintain his dignity and practice his morality. No words of mine could more accurately describe the activities of the 46th International Labor Conference.

A number of Communist delegates appear in this free market place of ideas. Often they bear proposals designed to destroy it. They will not, indeed they cannot, do so. They are forced to operate within the democratic procedures long and firmly established by the Conference, and approved by the overwhelming majority of member nations. Communist representatives at the Conference work in unnatural surroundings. Free world representatives do not. The natural advantage provided the American delegation by the democratic framework of the Conference was evident in the widespread influence of our delegation among the many non-Communist nations represented there.

Our delegation was, of course, tripartite, made up of representatives from Government, labor, and employer organizations who in turn were backstopped by advisers. I am especially proud of the close and harmonious working relationships established between them. Although each has a primary and legitimate interest to represent, each expressed a constant concern for the overall American position.

Each morning before beginning the long day's work at the Palace of Nations the U.S. delegation sat down together to discuss the work of the ILO and to try, where possible, to arrive at a common policy and strategy. The exchange of ideas and the advice generated at these meetings was invaluable to every member of the group. It increased the individual and overall effectiveness of our delegation. There were not enough hours in the day for the work of the members of our delegation. Our mission, though badly undermanned, made every effort to contact as many as possible of more than 1,000 delegates attending the conference this year.

In the give and take of the working sessions, with their inevitable political overtones, our delegates performed admirably. The able leader of the American delegation, Mr. George L-P Weaver, Assistant Secretary of Labor for International Affairs, actively coordinated the complex American activities and effectively rebutted attacks, some of them personal, made upon him by Soviet bloc countries. I was particularly impressed by the eloquent and intelligent sallies directed by the American worker representatives against the state of enslaved trade unionism of Communist countries. The contribution of the employer representatives proved to be strong and useful. On many issues worker and employer representatives formed a united front within the American delegation.

Change is the law of life. "The dogmas of the quiet past," said Lincoln, "are inadequate to the stormy present. The occasion is piled high with difficulty and we must rise to meet the occasion. As our case is new, so we must think and act anew." The International Labor Organization, born to promote change, is itself on the brink of change. Member nations and the staff of the organization will join together next year to consider the adequacy of ILO programs and the adjustment of the ILO to our rapidly changing, revolutionary world. This could be a momentous occasion in the history of the ILO. Worker, employer, and Government representatives must seriously consider the new complexities in their work arising from the admission of so many newly independent countries. The Organization has become increasingly involved with the problem of how to meet the needs of less developed countries. For representatives of new nations, the ILO is a forum of great prestige. More than that, it is an organization whose interests and activities can meet their most urgent needs. They aspire to greatness but they lack the means to achieve it. The ILO presents an unparalleled opportunity for the delegates from the industrialized nations to instruct while aiding, and for the less developed nations to learn while doing.

Mr. President, I hope that this body, my distinguished colleagues in both Houses of the Congress of the United States, will increasingly support and endorse the efforts of our Government in this immensely practical and useful undertaking. As a practical beginning, I urge the Department of State to review its advisory support for the American delegation with a view to expanding it. Our delegation this year, excellent though it was, was not sufficiently manned to exert the proper amount of influence at the Conference. We need as strong a representation as we can possibly get.

I was proud to work at Geneva with the earnest and distinguished members from the Government, employers and workers groups, who gave of their time and effort so freely and effectively at the International Labor Conference. In their united action and in their independent stands, they provided a practical demonstration of our democracy in action in a forum where it could be seen to the best effect.

CONTINUING APPROPRIATIONS FOR THE FISCAL YEAR 1963, AND FOR OTHER PURPOSES—JOINT RESOLUTION

Mr. HAYDEN. Mr. President, I ask unanimous consent that the unfinished business be temporarily laid aside and that the Senate proceed to the consideration of House Joint Resolution 864.

The PRESIDING OFFICER. The joint resolution will be stated.

The Chief Clerk. A joint resolution (H.J. Res. 864) that the joint resolution of July 31, 1962 (Public Law 87-564), is hereby amended by striking out "August 31, 1962" and inserting in lieu thereof "September 30, 1962."

The PRESIDING OFFICER. The question is on agreeing to the request of the Senator from Arizona.

The request was agreed to; and the Senate proceeded to consider the joint resolution.

Mr. WILLIAMS of Delaware. Mr. President, I have no objection to the consideration of the joint resolution. I objected to its consideration this morning, but since then I have spoken with the conferees on the legislative appropriation bill with respect to the item about which I had inquired, namely, the sending of junk mail by Members of Congress. That item will come before the conference committee tomorrow, and I have been assured that the conferees will consider it. Therefore, I have no objection to the joint resolution.

The PRESIDING OFFICER. The question is on the third reading and passage of the joint resolution.

The joint resolution (H.J. Res. 864) was ordered to a third reading, was read the third time, and passed.

OCEANOGRAPHIC ACT OF 1962

The PRESIDING OFFICER laid before the Senate the amendments of the House of Representatives to the bill (S.901) to advance the marine sciences, to establish a comprehensive 10-year program of oceanographic research and surveys, to promote commerce and navigation, to secure the national defense, to expand ocean, coastal, and Great Lakes resources, to authorize the construction of research and survey ships and laboratory facilities, to expedite oceanographic instrumentation, to assure systematic studies of effects of radioactive materials in marine environments, to enhance the public health and general welfare, and for other purposes, which were, to strike out all after the enacting clause and insert:

That this Act may be cited as the "Oceanographic Act of 1962".

Sec. 2. (a) It is hereby declared to be the policy of the United States to develop and maintain a coordinated, comprehensive and long-range national program in oceanography. In furtherance of this policy the humanitarian and economic welfare of the United States and the national security require that adequate provision be made for continuing, systematic research, studies, and surveys of the ocean and its resources, and of the total marine environment.

It is further declared to be the policy of the United States to implement the national program through the balanced participation and cooperation of all qualified persons, organizations, institutions, agencies, or corporate entities, whether governmental, educational, nonprofit, or industrial.

(b) It is the purpose of this Act to carry out and effectuate the policies declared in subsection (a) of this section.

Sec. 3. (a) The Office of Science and Technology (hereinafter referred to as the "Office") established by Reorganization Plan Numbered 2 of 1962 shall establish a national program of oceanography. In order to insure that the greatest possible progress shall be made in carrying out this national program, the Office shall issue a statement of national goals with respect to oceanography, which shall set forth methods for achieving those goals and the responsibility of the departments, agencies, and instrumentalities of the United States to carry out the national program on an integrated, coordinated basis.

(b) The national program of oceanography established in accordance with subsection (a) of this section may be revised from time to time as the Office determines necessary.

(c) In establishing the national program of oceanography and in revising such program the Office shall consult with all interested departments, agencies, and instrumentalities of the United States, as well as capable non-Federal institutions and industries where appropriate.

Sec. 4. (a) There is hereby established in the Office the position of Assistant Director for oceanography. The Assistant Director shall be appointed by the President, by and with the advice and consent of the Senate, and shall receive compensation at the rate of $19,000 per annum.

(b) The Assistant Director shall perform such duties and exercise such powers in carrying out this Act as the Director of the Office shall prescribe.

Sec. 5. (a) The Director is authorized to appoint an Advisory Committee for Oceanography to consist of seven members.

(b) The Advisory Committee shall meet at the call of the Director. The Advisory Committee shall review the national program of oceanography and revisions thereof and may make recommendations with respect thereto.

Sec. 6. The Director shall report annually during the month of January to the President and the Congress. Such report shall contain the following:

(1) The general status of oceanography.

(2) The status of research, development, studies, and surveys conducted (directly or indirectly) by the United States in furtherance of oceanography, together with application of such research, development, studies, and surveys.

(3) A detailed analysis of the amounts proposed for appropriation by Congress for the ensuing fiscal year for each of the departments, agencies, and instrumentalities of the Government to carry out the purposes of this Act.

(4) Current and future plans and policies of the United States with respect to oceanography.

(5) Requests for such legislation as may be necessary to carry out as rapidly as possible the purposes of this Act.

Sec. 7. As used in this Act the term "oceanography" includes, but is not limited to, the acquisition, assembling, processing, and dissemination of all scientific and technological oceanographic and related environmental data, including, but not limited to, physical, geological, biological, fisheries, hydrographic and coastal survey, meteorological, climatological, and geophysical data.

And to amend the title so as to read: "An Act to provide for a comprehensive, long-range, and coordinated national program in oceanography, and for other purposes."

Mr. MAGNUSON. Mr. President, I move that the Senate disagree to the amendments of the House of Representatives, request a conference thereon with the House of Representatives, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer appointed Mr. Smathers, Mr. Engle, Mr. Bartlett, Mr. Butler, and Mr. Keating conferees on the part of the Senate.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Bartlett, one of its reading clerks, announced that the House had agreed to the amendments of the Senate to the bill (H.R. 7278) to amend the act of June 5, 1952, so as to remove certain restrictions on the real property conveyed to the territory of Hawaii by the United States under authority of such act.

ENROLLED BILLS SIGNED

The message also announced that the Speaker had affixed his signature to the following enrolled bills, and they were signed by the President pro tempore:

S. 3327. An act to make eligible for assistance under the public facility loan program certain areas where research or development installations of the National Aeronautics and Space Administration are located;

H.R. 1388. An act for the relief of Tai Ja Lim;

H.R. 5532. An act to amend chapter 137, of title 10, United States Code, relating to procurement; and

H.R. 10743. An act to amend title 38, United States Code, to provide increases in rates of disability compensation, and for other purposes.

REVENUE ACT OF 1962

The Senate resumed the consideration of the bill (H.R. 10650) to amend the Internal Revenue Code of 1954 to provide a credit for investment in certain depreciable property, to eliminate certain defects and inequities, and for other purposes.

Mr. MANSFIELD. Mr. President, what is the pending business?

The PRESIDING OFFICER (Mr. Hickey in the chair). The question is on agreeing to the committee amendment in section 4, on page 41, line 18, after the word "to", to insert "or associated with"; on page 42, line 4, after the word "to", to insert "or associated with"; in line 7, after the word "to", to insert "or associated with".

The yeas and nays have been ordered on the amendment.

Mr. KERR. Mr. President, I ask unanimous consent that the rollcall, under the yeas and nays ordered on the amendment, start in 7 minutes.

The PRESIDING OFFICER. Is there objection?

Mr. GORE. Mr. President, reserving the right to object——

The PRESIDING OFFICER. Objection is heard by the Senator from Tennessee.

Mr. GORE. Mr. President, reserving the right to object, will the Senator reserve to me, in case I desire to use them, 2 minutes?

Mr. KERR. Mr. President, I make a unanimous-consent request that the vote on the amendment start in 9 minutes, the last 2 of which will be assigned to the Senator from Tennessee [Mr. Gore].

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

Mr. KERR. Mr. President, the motion before the Senate is to insert on pages 41 and 42 the words "or associated with" in three places. Those words were inserted in the House bill by the Senate Finance Committee for a very specific purpose. On page 41 of the bill, beginning in the statement concerning section 274, "Disallowance of Certain Entertainment, Etc., Expenses" are these words:

> No deduction otherwise allowable under this chapter shall be allowed for any item * * *
>
> With respect to an activity which is of a type generally considered to constitute entertainment, amusement, or recreation, unless the taxpayer establishes that the item was directly related to the active conduct of the taxpayer's trade or business.

A little further over in the section, beginning on page 45, is a list of specific exceptions to the application of subsection (a), which I have just read, and those specific exceptions cover most of page 45, page 46, page 47, and down to and through line 6 on page 48.

The House report makes an absolute nullity of the language on page 41, which is a general statement of the activities generally considered to constitute entertainment, amusement, or recreation directly related to the active conduct of the taxpayer's trade or business.

The House report is so strict that it makes a nullity of that part of the bill.

As the Secretary of the Treasury told our committee, he could not think of anything that could be deductible under these conditions other than those things listed in the bill on the pages I have referred to as specific exceptions to the application of the subsection.

The Senator from Tennessee told us a little while ago that the Senate is asked to approve this amendment, which is the insertion of the words "or associated with," and that by so doing we would approve the language in the report.

The choice actually is between the language of the two reports.

The Senator from Oklahoma asked the Treasury Department to provide some words which could be inserted in the bill without changing the meaning of it, so that the strict report on the House bill would be in conference. These were the three words which were provided.

In the writing of the report by the staff of the Senate Finance Committee, it is the opinion of the Senator from Oklahoma that they went too far, but it is also the opinion of the Senator from Oklahoma that the language in the House report does not go far enough.

Therefore, Mr. President, if the language is approved, the subject will be in conference. If the language proposed by the Senate committee is disapproved, then, according to the statement of the Senator from Tennessee [Mr. Gore], we would thereby approve the language of the House bill, in accord with a House committee's very strict report.

I am sure that if Senators would read that report, they would not wish to approve it. Therefore, I urge the Senate not to disagree to the committee amendments, for the very simple reason that the only way we can take to conference a provision which will permit us to agree on a middle ground, between the report of the House committee and the report of the Senate committee, is to keep these three words in the bill and to arrive at an adjustment in conference.

In reality there is no difference, when we note that the item either was directly related to the active conduct of the taxpayer's trade or business or was associated with the active conduct of the taxpayer's trade or business. The meaning of the language is almost identical. The difference is in the two reports.

I assure the Senate that the difference can be adjusted in conference, provided the amendment of the committee is agreed to; and I urge that that be done.

I ask unanimous consent to have printed in the RECORD at this point a statement in respect to this question.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

The original recommendations of the Treasury included the following:

1. Disallowance in full of expenses for business entertainment, such as expenditures for entertaining guests at nightclubs, theaters, country clubs, prizefights, and on hunting and fishing trips.

2. Disallowance of expenditures attributable to a yacht, hunting lodge, fishing camp, resort property, or other facility of a type generally used for pleasure, recreation, entertainment, etc., if primarily used for such purposes. Deduction for company cafeterias and dining rooms on the business premises would not be disallowed. Expenditures for automobiles, airplanes, apartments, and hotel suites would be disallowed to the extent used for pleasure, recreation, entertainment, etc.

3. Disallowance of cost of gifts except where annual cost per recipient does not exceed $10.

4. Disallowance in full of dues or fees of social, athletic, and sporting clubs.

5. Disallowance of expenditures for food and beverages except expenditures for food and beverages furnished to employees on the business premises, expenditures for food and beverages furnished as part of business meetings (but limited to $4 to $7 per day per individual), and expenditures for food and beverages included in travel.

6. Disallowance of expenditures for transportation, meals, and lodging attributable to traveling away from home except for cost of transportation allocable to the business and except for cost of meals and lodging not in excess of $32 per day.

The Treasury estimated that these recommendations would increase revenues by at least $250 million per year.

This reflects the disallowance of some $625 million of expenditures.

On this basis, the Senate Finance Committee provision, which would increase revenues by $85 million, involves the disallowance of some $210 million of expenditures on business travel, gifts, and entertainment.

Mr. JAVITS. Mr. President, will the Senator yield?

Mr. KERR. Mr. President, how much time remains?

The PRESIDING OFFICER. One and one-half minutes.

Mr. KERR. They belong to the Senator from Tennessee.

The PRESIDING OFFICER. That is the share remaining to the Senator from Oklahoma.

Mr. KERR. Then I yield to the Senator from New York.

Mr. JAVITS. I merely wish to tell the Senator that I have inventoried this question with the committee on Federal taxation of the New York State Society of Certified Public Accountants. Their analysis of existing law would, in my view, sustain the Senator's position. I intend to vote that way. If the Senator will allow me, I should like to ask unanimous consent to include my exchange of correspondence in the RECORD.

Mr. KERR. Mr. President, I thank the Senator from New York for his observations, and I make that request.

There being no objection, the correspondence was ordered to be printed in the RECORD, as follows:

JULY 25, 1960.

GENTLEMEN: During the Senate consideration of the Public Debt and Tax Rate Extension Act of 1960, an amendment was adopted which would have prohibited the deduction for tax purposes of most business entertainment expenses. This amendment was stricken out in the conference between the two Houses and there was substituted for it a new section calling for studies by the Joint Committee on Internal Revenue Taxation and the Internal Revenue Service relating to this problem.

During the debate on this provision, I stated to Senator JOSEPH CLARK of Pennsylvania, the sponsor of the original amendment, that I would ask a number of leading public accounting firms in New York about this question, which has become a matter of major concern—it is claimed to be a multimillion-dollar tax loophole. My particular interest lies in the determination of a fair and equitable way of dealing legislatively and administratively with the ordinary deduction as necessary business expense of entertainment, gifts, dues, or initiation fees in nonprofessional organizations and similar items in order to avoid excesses and abuse.

In view of the respected position of your committee in the public accounting field, I would very much appreciate having your views and suggestions on this important economic issue.

Best wishes.

Sincerely,

JACOB K. JAVITS,
U.S. Senator.

OCTOBER 11, 1960.

DEAR SENATOR JAVITS: This is in answer to your letter of July 25, 1960, addressed to the committee on Federal taxation of the New York State Society of Certified Public Accountants, dealing with the deduction for tax purposes of business expenses for entertainment, gifts, dues, or initiation fees in nonprofessional organizations and similar items (all of which are, for purposes of brevity, hereinafter referred to as entertainment expenses). We regret very much our delay in answering, which was attributable to the time required to coordinate the views of our committee on this important question.

In considering the problem of entertainment expenses, one basic concept must be kept clearly in mind. There is no specific provision in the Internal Revenue Code dealing with entertainment expenses beyond that applicable to other business expenses. Such expenses are presently deductible under section 162 of the Code which allows "as a deduction all the ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business." Therefore, under the statute as it exists, only those entertainment expenses which are ordinary and necessary in a taxpayer's business may be deducted. It should also be noted that, in litigated cases, the courts have, generally speaking, applied this principal stringently. They have required the taxpayer to prove that the expenses were incurred, and that such expenses were necessary in the business and had a proximate relationship to the production of income. The portion of particular entertainment expenses applicable to the taxpayer personally has been disallowed.

Where deductions have been based on estimates of expenses, even though of a type which is difficult or impossible to prove exactly, only small portions have been allowed. A case such as the famous African safari deduction which has received so much publicity simply does not represent the treatment generally given by the courts in this area. Incidentally, in fairness to the Tax Court judge who decided that case, an objective scrutiny of the facts indicates that it was a borderline situation. The Internal Revenue Service has acquiesced in the decision but narrowly limited its application.

It is clear, then, that entertainment expenses are deductible only if they meet the same ordinary and necessary tests which apply to all business deductions. If any such expenses are deducted which do not meet the tests, but are nevertheless not detected by the Internal Revenue Service, we do not believe it is proper to state that a tax loophole exists. The problem in such a case is not to be found in the law, but in its enforcement. The same comment can be applied to many other provisions of the Code which are difficult to enforce, such as the deduction for dependents and the taxability of dividends and interest on bank accounts and other sources.

Since the same legislative and judicial tests apply to entertainment expenses as to other business deductions, any legislative limit on the deductibility of such expenses should have some justification. It is not enough to say that a loophole exists. If tax avoidance exists in this area, it is because of the difficulty of enforcement and not because of the statute itself, and such enforcement difficulties are equally applicable to many other tax provisions. It is true that expenses which are contrary to law are not deductible. But other expenses, such as kickbacks by opticians to doctors and administrative expenses of illegal businesses have been held to be deductible by the courts. If an entertainment expense is contrary to law, such as the purchase of liquor in a dry State, it is not deductible under the so-called public policy rule.

It is probable that some elements of what, for want of a better term, we will call public morality has influenced thinking in this area. It is not difficult to be incensed at the thought of a group of businessmen being entertained at a nightclub or taken to the Kentucky Derby on tax-deductible expense accounts. But once again, we submit that the matter is one of enforcement and not a "loophole" in the law itself.

It has been our experience that the large majority of entertainment expense situations which are properly looked on as abuses do not meet the ordinary and necessary tests and should be, and very often are, disallowed on examination.

On the other hand, a great many taxpayers incur perfectly legitimate entertainment expenses which are completely in keeping with ethical standards and are both required by business needs and are modest in proportion to the business involved. We sincerely believe that it would be unfair and unjustified to change the law to the detriment of these taxpayers because of the publicity given to abuses in claiming deductions which are improper under current law. You should be interested in knowing that excessive deductions in this regard by closely held corporations are not only disallowed to the corporation but also taxed to the individual accountable for the expenditures. This double impost, frequently as much and more than 100 percent in total, acts as a substantial deterrent.

In summary, we believe that the present law does not require change. As already interpreted by the courts, it gives the Internal Revenue Service adequate weapons with which to combat excesses and abuses. Any additional statutory limitation would operate unfairly against entertainment expenses which meet the statutory requirements. It would apply tests different from those applicable to all other types of business expenses.

It would be helpful for us to comment briefly on the administrative problems and practices affecting entertainment expenses. There is no doubt that the proper enforcement of the law as we have outlined it creates a great deal of work for the Internal Revenue Service. In addition to the detection of abuses, there are many honest differences of opinion between revenue agents and taxpayers or their representatives as to whether an expense is "ordinary and necessary." The Service's job would, therefore, be made much simpler if the deductibility of entertainment expenses was limited or eliminated completely. Of course, the same statement can be made of all of the other deductions permitted by the Internal Revenue Code. Thus, the necessity of checking on dependent and charitable contribution deductions also imposes a burden on the Service. Nevertheless, if the present statute is proper, as we think it is, the administrative burdens flowing from it are another inevitable function of government in this complicated society of ours. Similar illustrations abound in the tax field. The excess profits tax, for example, was certainly as complicated and burdensome on administrative officials as any other revenue statute we can imagine, yet it was used in both World War II and the Korean war.

As a second example, the entire concept of long-term capital gains is probably responsible for more serious tax litigation than any other problem area, yet it is not contemplated that capital gain taxation be eliminated.

As a matter of actual practice, we know that the Internal Revenue Service is well aware of the abuses in the entertainment expense area, and is constantly striving to make its audit procedures as effective and as far reaching as possible. For the past couple of years, questions about reimbursed expenses have appeared on individual income tax returns, and 1960 tax returns will solicit additional information from employers. On the audit level, revenue agents are constantly being pressed to analyze and seek substantiation of entertainment expense deductions, even to the point where taxpayers with legitimate deductions may consider themselves as being overly harassed. As accountants dealing with this problem continuously, we assure you that the steps being taken by the Service are getting and will continue to get results. Furthermore, by words and action, the Service has indicated that it will continue to improve its practices and procedures until it has eliminated abuses in the deduction of entertainment expenses.

For all of the above reasons, we are of the opinion that the present statute is satisfactory and need not be changed to deal specifically with entertainment expenses, and that the administration of the statute by the Internal Revenue Service is good and getting better all the time.

We appreciate your inviting our views and hope they are of some help to you. If we can be of any further assistance to you in this matter, please do not hesitate to call on us.

Very sincerely,

Committee on Federal
Taxation.
Arthur Dixon.

October 28, 1960.

Dear Mr. Dixon: Thank you for your letter of October 11, 1960, expressing the views of the committee on Federal taxation of the New York State Society of Certified Public Accountants with respect to entertainment and gift deductions.

I have read your comments most carefully, and you may be sure that I appreciate the careful study and consideration that went into them. I believe that the accounting profession is performing an important public service in its continued concern with problems such as these, and I assure you that I too shall continue to follow most carefully the progress of the Internal Revenue Service's enforcements policy.

Best wishes.

Sincerely,

Jacob K. Javits,
U.S. Senator.

Mr. KERR. Mr. President, I yield the floor.

Mr. GORE. Mr. President, this is a remarkable situation. Neither the chairman of the Finance Committee, the distinguished senior Senator from Virginia [Mr. Byrd], nor the Senator in charge of consideration of the bill, the ranking majority member of the committee, the distinguished senior Senator from Oklahoma [Mr. Kerr] has defended the committee report, which gives the legislative intent—the committee's intent—and, therefore, legal effect to the pending amendment. Indeed, the senior Senator from Oklahoma has told the Senate that the Senate committee report goes too far.

That does not resolve the issue. The report is on the desk of each Senator. It gives the meaning of the words "or associated with." This is what we shall vote upon. We are asked to vote to approve the language, and to leave it to the tender mercies of the conference committee to do something, of which we are not sure.

That does not resolve the issue. Senators must vote, when the roll is called, upon the pending amendment with the meaning given to it by the report which is on the desk of each Senator.

Mr. President, the issue is serious. It goes to the heart of the question of whether we wish to move toward the correction of widespread abuses of expense accounts or whether we wish to permit them to continue.

Mr. MILLER. Mr. President, I rise in support of the committee amendment, which adds the phrase "or associated with" to the phrase "directly related to" in describing the kind of entertainment, amusement, or recreation expenses that are deductible. To delete this phrase, as the opponent would do, leaving the deductibility of such expenses governed solely by the test of whether or not they are "directly related to" the trade or business would be far too harsh and would be unnecessary in light of the present state of the tax law.

It is readily apparent to anyone who has had experience in business that there are types of expenses for entertainment, for example, which have no direct relationship to making a sale or obtaining a contract or effecting a transaction, but which have a powerful effect on promotion of good will and obtaining of business out of which additional income will be derived on which taxes will be paid. For example, I know of one small businessman who annually gives a Christmas party for the children of poor families in his community. The good will that this has generated among the people of the community has had a beneficial effect on this taxpayer's business down through the years. In fact, the party has become such an annual event that if he were to discontinue it now, it is possible that his business would fall off.

The standard of "ordinary and necessary" is still applicable to the deductibility of these expenses. Their disallowance by a careful revenue agent means that the taxpayer then has the burden of proving that they are ordinary and necessary. This is a heavy burden. Between it and the legislative history of this amendment as set forth in the report of the Committee on Finance, I do not foresee abuses such as those which we have occasionally read about in the newspapers. Sound enforcement of the tax laws by the Internal Revenue Service, aided by the very strong language contained in the committee's report, is all that is needed. I therefore hope that the Senate will accept this amendment by the committee.

Mr. BUSH. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. BUSH. Will the Presiding Officer clarify the vote which is about to be taken?

The PRESIDING OFFICER. The question is on agreeing en bloc to the committee amendments on page 41, line 18, and page 42, lines 4 and 7. The language is italicized on those pages.

Mr. BUSH. A "yea" vote is a vote for the committee amendments?

The PRESIDING OFFICER. A "yea" vote is a vote for the committee amendments. A "nay" vote is a vote against the committee amendments.

On this question the yeas and nays have been ordered, and the clerk will call the roll.

The Chief Clerk called the roll.

Mr. HUMPHREY. I announce that the Senator from Nevada [Mr. Bible] is absent on official business.

I further announce that the Senator from New Mexico [Mr. Anderson], the Senator from Alaska [Mr. Gruening], and the Senator from Missouri [Mr. Symington] are necessarily absent.

On this vote, the Senator from Alaska [Mr. Gruening] is paired with the Senator from Missouri [Mr. Symington]. If present and voting, the Senator from Alaska would vote "nay," and the Senator from Missouri would vote "yea."

Mr. KUCHEL. I announce that the Senator from Maryland [Mr. Butler], the Senator from New Hampshire [Mr. MURPHY], and the Senator from Wisconsin [Mr. WILEY] are necessarily absent.

If present and voting, the Senator from New Hampshire [Mr. MURPHY] would vote "yea."

The result was announced—yeas 54, nays 39, as follows:

[No. 223 Leg.]

YEAS—54

Aiken
Allott
Beall
Bennett
Bottum
Byrd, Va.
Cannon
Capehart
Carlson
Cotton
Curtis
Dirksen
Dodd
Eastland
Ellender
Ervin
Fong
Fulbright
Goldwater
Hartke
Hayden
Hickenlooper
Hickey
Holland
Hruska
Javits
Jordan, N.C.
Jordan, Idaho
Keating
Kerr
Kuchel
Lausche
Long, Mo.
Long, La.
Magnuson
Mansfield
McCarthy
McClellan
Metcalf
Miller
Mundt
Pearson
Prouty
Randolph
Robertson
Saltonstall
Scott
Smathers
Smith, Mass.
Stennis
Thurmond
Tower
Williams, N.J.
Young, N. Dak.

NAYS—39

Bartlett
Boggs
Burdick
Bush
Byrd, W. Va.
Carroll
Case
Chavez
Church
Clark
Cooper
Douglas
Engle
Gore
Hart
Hill
Humphrey
Jackson
Johnston
Kefauver
Long, Hawaii
McGee
McNamara
Monroney
Morse
Morton
Moss
Muskie
Neuberger
Pastore
Pell
Proxmire
Russell
Smith, Maine
Sparkman
Talmadge
Williams, Del.
Yarborough
Young, Ohio

NOT VOTING—7

Anderson
Bible
Butler
Gruening
Murphy
Symington
Wiley

So the committee amendments on pages 41 and 42 were agreed to, as follows:

In section 4, on page 41, line 18, after the word "to", to insert "or associated with"; on page 42, line 4, after the word "to", to insert "or associated with"; in line 7, after the word "to", to insert "or associated with".

Mr. KERR. Mr. President, I move that the Senate reconsider the vote by which the amendments were agreed to.

Mr. SMATHERS. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. KERR. Mr. President, I now ask unanimous consent that the Senate consider the amendment designated as the sixth amendment, to be followed by the fourth amendment. The sixth amendment is found on page 385, line 1, through line 6 on page 386, and has to do with the treatment of certain charitable contributions for the purposes of part 1.

The amendment designated as the fourth amendment is the withholding amendment. I ask this unanimous consent after having consulted both sides.

Mr. ROBERTSON. Mr. President, reserving the right to object, I could not follow the statement of the numbers of the amendments. I shall speak briefly in support of the committee's action in eliminating the withholding section. Would the unanimous-consent agreement preclude my recognition for a few minutes to discuss that part of the bill?

Mr. KERR. Not at all.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. MANSFIELD. Mr. President, I understand that the unanimous-consent request of the Senator from Oklahoma has been agreed to and that the Senate will consider, first the so-called sixth amendment, and that then the amendment designated "fourth" will be considered. The fourth amendment is the withholding amendment.

The PRESIDING OFFICER. The Senator is correct.

Mr. KERR. Mr. President, I yield to the Senator from Illinois.

LEGISLATIVE PROGRAM

Mr. DIRKSEN. Mr. President, I am not sure how much debate there will be on the withholding amendment. Is it anticipated that there will be a vote on that amendment tonight?

Mr. MANSFIELD. So long as the question has been raised, it is my hope that there will be a vote on the two amendments to which the Senator in charge of the bill has called the attention of the Senate, and other amendments as well. However, that is something which is within the discretion of the Senate as a whole.

ORDER FOR ADJOURNMENT

It is the intention to have the Senate meet at 10 o'clock tomorrow morning.

At this time I ask unanimous consent that when the Senate adjourns tonight—which may be late—it adjourn to meet at 10 o'clock tomorrow morning.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. MANSFIELD. I should like to state further that it is anticipated that the Senate may well be in session on Saturday, because it does not appear at the moment that action on the tax bill will be completed at that time. If the Senate meets on Saturday, it will be to consider the tax bill and the independent offices appropriation bill.

Mr. SMATHERS. Mr. President, if consideration of the tax bill is concluded by Friday night, will it then be the majority leader's intention to bring the Senate back on Saturday to take up the appropriation bill, or may we have Saturday off?

Mr. MANSFIELD. If any carrot is to be held before Members of the Senate, I am not the one who will hold it. If the Senate completes consideration of the bill on Saturday, it will go over until Tuesday. If it does not finish on Friday, it will meet on Saturday. If the Senate meets on Saturday it will go over until Tuesday.

Mr. DIRKSEN. Is that the stick, instead of the carrot?

Mr. MANSFIELD. It is neither a stick nor a carrot.

Mr. MAGNUSON. Mr. President, I wonder if it would be possible to take up the independent offices appropriation bill on Friday night after consideration of the tax bill is concluded?

Mr. MANSFIELD. If it is concluded; otherwise it will be taken up on Saturday.

Mr. MAGNUSON. Does the Senator mean after midnight?

Mr. MANSFIELD. After midnight or before, depending on the circumstances.

Mr. MAGNUSON. The Senator from Washington has a very important engagement in the State of Washington on Saturday, and intended to leave here Saturday morning, whether it be 1 or 3 or 5 or 6 o'clock in the morning. If the Senate could conclude consideration of the tax bill, could the independent offices bill be taken up at that time?

Mr. MANSFIELD. Yes; but again I remind the Senator that his skilled leadership and profound generalship are needed here on the floor of the Senate at this time to put through this very important legislation.

Mr. MAGNUSON. That is what I would call a gold carrot.

REVENUE ACT OF 1962

The Senate resumed the consideration of the bill (H.R. 10650) to amend the Internal Revenue Code of 1954 to provide a credit for investment in certain depreciable property, to eliminate certain defects and inequities, and for other purposes.

Mr. DIRKSEN. Mr. President, will the Senator from Oklahoma yield?

Mr. KERR. I yield to the Senator from Illinois.

Mr. DIRKSEN. Would it be in order to ask for the yeas and nays on both of the amendments to which reference has been made?

Mr. KERR. Before the Senator makes that request, let me say that I am of the opinion that there is grave doubt as to whether the yeas and nays will be asked for on the amendment of the Senator from Utah, which would merely give the donor of a charitable contribution the right to spread the effective period of it for deduction purposes over more than 1 year. I should like to inquire if Senators will ask for the yeas and nays on that amendment.

Mr. DIRKSEN. I withdraw my request at this time. I can ask for the yeas and nays when the withholding amendment is reached.

Mr. KERR. I do not believe the yeas and nays will be asked for. However, my opinion is not binding upon the Senate.

The PRESIDING OFFICER. The committee amendment will be stated.

The CHIEF CLERK. At the top of page 385, it is proposed to insert a new section, as follows:

SEC. 22. CHARITABLE CONTRIBUTIONS MADE FROM INCOME ATTRIBUTABLE TO SEVERAL TAXABLE YEARS.

(a) TREATMENT FOR PURPOSES OF PART I OF SUBCHAPTER Q.—Section 1307 (relating to rules applicable to part I of subchapter Q) is amended by adding at the end thereof the following new subsection:

"(e) ELECTION WITH RESPECT TO CHARITABLE CONTRIBUTIONS.—In the case of an individual who elects (in such manner and at such time as the Secretary or his delegate prescribes by regulations) to have the provisions of this subsection apply, an amount received or accrued to which this part applies shall be reduced, for purposes of computing the tax liability of the taxpayer under this part with respect to the amount so received or accrued, by an amount equal to that portion of (1) the amount of charitable contributions made by the taxpayer during the taxable year in which the amount is so received or accrued which are allowable as a deduction for such year under section 170 (determined without regard to this part), as (2) the amount received or accrued to which this part applies is of the adjusted gross income for the taxable year (determined without regard to this part). In any case in which the taxpayer elects to have the provisions of this subsection apply, no portion of the amount to which this part applies shall, for purposes of computing the limitation on tax under this part, be taken into account for purposes of computing the limitation under section 170(b)(1) for the taxable year in which the amount to which this part applies is received or accrued."

(b) Effective Date.—The amendment made by subsection (a) shall apply with respect to amounts received or accrued in taxable years beginning after December 31, 1961.

Mr. **BENNETT** obtained the floor.

Mr. **KERR**. Mr. President, as I understand, the Senate is ready to adopt the committee amendment.

Mr. **BENNETT**. Mr. President, so far as I am concerned, I do not desire to make a speech. If the Senate is willing to adopt the amendment, I shall be happy to yield the floor.

Mr. **GORE**. Mr. President, will the Senator from Utah yield?

Mr. **BENNETT**. I am happy to yield.

Mr. **GORE**. The reason why I asked that this amendment, together with four others, which are really riders on the bill, be reserved for separate action was that I did not feel that these particular amendments, which do not relate to the subject matter of the bill, should properly be adopted en bloc as committee amendments. But I have no objection to the committee amendment.

Mr. **BENNETT**. Mr. President, so far as I know, there is no objection. Under those circumstances, I am perfectly willing to ask for action on the amendment.

The **PRESIDING OFFICER**. Is the Senator from Utah speaking of the committee amendment?

Mr. **BENNETT**. I refer to the committee amendment which has been reported, or which has been stated by the clerk, to insert a new section at the top of page 385 and continuing on page 386.

The **PRESIDING OFFICER**. The question is on agreeing to the committee amendment on page 385.

The amendment was agreed to.

Mr. **KERR**. Mr. President, I move that the action by which the committee amendment was agreed to be reconsidered.

Mr. **BENNETT**. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. **MANSFIELD**. Mr. President, what is the pending business?

The **PRESIDING OFFICER**. Amendment No. 4 will be stated.

Mr. **KERR**. That is the withholding tax amendment.

Mr. **WILLIAMS** of Delaware. Mr. President, on this amendment I ask for the yeas and nays.

The **PRESIDING OFFICER**. First, the amendment will be stated.

The Chief Clerk. On page 307, after line 8, it is proposed to strike out:

Sec. 19. Withholding of Income Tax at Source on Interest, Dividends, and Patronage Dividends.

(a) In General.—

(1) Amendment of subtitle C.—Subtitle C (relating to employment taxes and collection of income tax at source) is amended by redesignating chapter 25 as chapter 26 and by inserting after chapter 24 the following new chapter:

"CHAPTER 25—COLLECTION OF INCOME TAX AT SOURCE ON INTEREST, DIVIDENDS, AND PATRONAGE DIVIDENDS

"Subchapter A. Interest.
"Subchapter B. Dividends.
"Subchapter C. Patronage dividends.
"Subchapter D. General provisions.

"Subchapter A—Interest

"Sec. 3451. Income tax collected at source on interest.
"Sec. 3452. Interest defined.

"Sec. 3451. Income Tax Collected at Source on Interest.

"(a) Requirement of Witholding.—Except as otherwise provided in this chapter, every person who pays interest shall deduct and withhold on such interest a tax equal to 20 percent of the amount thereof.

"(b) Payee Unknown.—If the withholding agent is unable to determine the person to whom the interest is payable, the tax under this section shall be deducted and withheld at the time payment of the interest would be made if such person were known.

"(c) Cross References.—

"(1) For credit, against income tax of the recipient of the income, of amounts deducted and withheld under this section, see section 39.

"(2) For special rules as to credit or refund of such amounts, see sections 3484, 3485, 3486, 3487, and 3505.

"(3) For exemption from requirement of deducting and withholding on certain interest paid to certain persons, see section 3483.

"Sec. 3452. Interest Defined.

"(a) General Rule.—For purposes of this chapter, the term 'interest' means—

"(1) interest on evidences of indebtedness (including bonds, debentures, notes, and certificates) issued by a corporation with interest coupons or in registered form, and, to the extent provided in regulations prescribed by the Secretary or his delegate, interest on other evidences of indebtedness issued by a corporation of a type offered by corporations to the public;

"(2) interest on deposits with persons carrying on the banking business;

"(3) amounts (whether or not designated as interest) paid by a mutual savings bank, savings and loan association, building and loan association, cooperative bank, homestead association, credit union, or similar organization, in respect of deposits, investment certificates, or withdrawable or repurchasable shares;

"(4) interest on amounts held by an insurance company under an agreement to pay interest thereon;

"(5) interest on deposits with stockbrokers;

"(6) interest on obligations of the United States; and

"(7) in the case of a non-interest-bearing obligation of the United States—

"(A) issued on a discount basis, and

"(B) having a maturity date more than one year from the date of issue,

the amount by which the amount paid on surrender or redemption exceeds the issue price.

"(b) Exceptions.—For purposes of this chapter, the term 'interest' does not include—

"(1) interest on obligations described in section 103(a) (1) or (3) (relating to interest on certain governmental obligations);

"(2) any amount paid by—

"(A) a foreign government or international organization,

"(B) a foreign corporation not engaged in trade or business within the United States,

"(C) a nonresident alien individual not engaged in trade or business within the United States, or

"(D) a partnership not engaged in trade or business within the United States and composed in whole or in part of nonresident aliens;

"(3) interest on deposits with persons carrying on the banking business paid to a person described in paragraph (2) (B), (C), or (D);

"(4) any amount paid by one corporation to another corporation, if both corporations are members of the same affiliated group which filed a consolidated return for the preceding taxable year of the affiliated group;

"(5) interest subject to withholding under subchapter A of chapter 3 (sec. 1441 and following, relating to withholding of tax on nonresident aliens and foreign corporations) by the person paying such interest, or which would be so subject to withholding by such person, but for the fact that it is not treated as income from sources within the United States;

"(6) any amount on which the withholding agent is required to deduct and withhold a tax under section 1451 (relating to tax free covenant bonds), or would be so required but for section 1451(d) (relating to benefit of personal exemptions);

"(7) to the extent provided in regulations prescribed by the Secretary or his delegate, any amount payable with respect to deposits in school savings accounts; and

"(8) any amount described in subsection (a) (2), (3), or (7) paid to a State or a foreign government or international organization (other than any amount described in subsection (a)(3) paid in respect of a transferable certificate or share).

"(c) Exemption for United States.—The Secretary may authorize exemption from the tax imposed by section 3451 for any amount paid by the United States or any wholly owned agency or instrumentality thereof to the United States or any wholly owned agency or instrumentality thereof if the Secretary determines that the imposition of the tax with respect to such amount will cause a burden or expense which can be avoided by granting the tax exemption.

"Subchapter B—Dividends

"Sec. 3461. Income tax collected at source on dividends.
"Sec. 3462. Dividend defined.

"Sec. 3461. Income Tax Collected at Source on Dividends.

"(a) Requirement of Withholding.—Except as otherwise provided in this chapter, every person who pays a dividend shall deduct and withhold on such dividend a tax equal to 20 percent of the amount thereof.

"(b) Payee Unknown.—If the withholding agent is unable to determine the person to whom the dividend is payable, the tax under this section shall be deducted and withheld at the time payment of the dividend would be made if such person were known.

"(c) Amount of Dividend Unknown.—If the withholding agent is unable to determine the portion of a distribution which is a dividend, the tax under this section shall be computed on the entire amount of the distribution.

"(d) Cross References.—

"(1) For credit, against income tax of the recipient of the income, of amounts deducted and withheld under this section, see section 39.

"(2) For special rules as to credit or refund of such amounts, see sections 3484, 3485, 3486, 3487, and 3505.

"(3) For exemption from requirement of deducting and withholding on dividends paid to certain individuals, see section 3483.

"Sec. 3462. Dividend Defined.

"(a) General Rule.—For purposes of this chapter, the term 'dividend' means—

"(1) any distribution by a corporation which is a dividend (as defined in section 316); and

"(2) any payment made by a stockbroker to any person as a substitute for a dividend (as so defined).

"(b) Exceptions.—For purposes of this chapter, the term 'dividend' does not include—

"(1) any amount paid in the stock, or rights to acquire the stock, of the distributing corporation if the distribution is not includible in gross income of the recipient under the provisions of section 305 (relating to distributions of stock and stock rights);

"(2) any distribution to the extent that, under chapter 1—

"(A) the amount thereof is treated by the recipient as an amount received on the sale or exchange of property, or

"(B) gain or loss to the recipient is not recognized;

"(3) any amount which is includible in gross income as a taxable dividend by reason of the provisions of section 302 (relating to redemptions of stock), 306 (relating to dispositions of certain stock), 356 (relating to receipt of additional consideration in connection with certain reorganizations), or 1081(e)(2) (relating to certain distributions pursuant to order of the Securities and Exchange Commission);

"(4) any amount paid by one corporation to another corporation, if both corporations are members of the same affiliated group which filed a consolidated return for the preceding taxable year of the affiliated group;

"(5) an amount which—

"(A) is subject to withholding under subchapter A of chapter 3 (sec. 1441 and following, relating to withholding of tax on nonresident aliens and foreign corporations) by the person paying such amount, or

"(B) would be subject to withholding under such subchapter A by the person paying such amount but for—

"(i) the fact that it is attributable to income from sources outside the United States, or

"(ii) the fact that the payor thereof is excepted from the application of section 1441(a) by the provisions of section 1441(c);

"(6) any amount paid by a foreign corporation not engaged in trade or business within the United States;

"(7) any amount described in section 1373 (relating to undistributed taxable income of electing small business corporations); and

"(8) amounts paid pursuant to the terms of a lease entered into before January 1, 1954, if under such lease the shareholders of the lessor corporation are entitled to such amounts without deduction for any tax which any law of the United States might require to be deducted and withheld on the payment of dividends.

"Subchapter C—Patronage dividends

"Sec. 3471. Income tax collected at source on patronage dividends.

"Sec. 3472. Amounts subject to withholding.

"Sec. 3471. Income Tax Collected at Source on Patronage Dividends.

"(a) Requirement of Withholding.—Except as otherwise provided in this chapter, every cooperative to which part I of subchapter T of chapter 1 applies which pays an amount described in section 3472 shall deduct and withhold on such amount a tax equal to 20 percent of such amount.

"(b) Payee Unknown.—If the withholding agent is unable to determine the person to whom the amount is payable, the tax under this section shall be deducted and withheld at the time payment of the amount would be made if such person were known.

"(c) Cross References.—

"(1) For credit, against income tax of the recipient of the income, of amounts deducted and withheld under this section, see section 39.

"(2) For special rules as to credit or refund of such amounts, see sections 3484, 3485, 3486, 3487, and 3505.

"(3) For exemption from requirement of deducting and withholding on amounts paid to certain individuals, see section 3483.

"Sec. 3472. Amounts Subject to Withholding.

"(a) General Rule.—Except as otherwise provided in this section or section 3483, the amounts subject to deduction and withholding under section 3471 are—

"(1) the amount of any patronage dividend (as defined in section 1388(a)) which is paid in money, qualified written notices of allocation (as defined in section 1388(c)), or other property (except nonqualified written notices of allocation as defined in section 1388(d)), and

"(2) any amount, described in section 1382(c)(2)(A) (relating to certain nonpatronage distributions), which is paid in money, qualified written notices of allocation, or other property (except nonqualified written notices of allocation) by an organization exempt from tax under section 521 (relating to exemption of farmers' cooperatives from tax).

"(b) Exceptions.—The provisions of section 3471 shall not apply to—

"(1) any amount paid by one corporation to another corporation, if both corporations are members of the same affiliated group which filed a consolidated return for the preceding taxable year of the affiliated group;

"(2) an amount which—

"(A) is subject to withholding under subchapter A of chapter 3 (sec. 1441 and following, relating to withholding of tax on nonresident aliens and foreign corporations) by the person paying such amount, or

"(B) would be subject to withholding under such subchapter A by the person paying such amount but for the fact that it is attributable to income from sources outside the United States; and

"(3) any amount paid by a foreign corporation not engaged in trade or business within the United States.

"(c) Exemption for Certain Consumer Cooperatives.—A cooperative which the Secretary or his delegate determines is primarily engaged in selling at retail goods or services of a type that are generally for personal, living, or family use shall, upon application to the Secretary or his delegate, be granted exemption from the tax imposed by section 3471. Application for exemption under this subsection shall be made in accordance with regulations prescribed by the Secretary or his delegate.

"(d) Determination of Amount Paid.—For purposes of this subchapter, in determining amounts paid—

"(1) property (other than a written notice of allocation) shall be taken into account at its fair market value, and

"(2) a qualified written notice of allocation shall be taken into account at its stated dollar amount.

"Subchapter D—General provisions

"Sec. 3481. Liability for return and payment of withheld tax.

"Sec. 3482. Return and payment by United States.

"Sec. 3483. Exemption certificates.

"Sec. 3484. Refund of tax to individuals.

"Sec. 3485. Refund of tax to States, tax exempt organizations, etc.

"Sec. 3486. Refund of tax to corporation.

"Sec. 3487. Credit for tax withheld on corporation.

"Sec. 3488. Obligation sold between interest payment dates.

"Sec. 3489. Presumption.

"Sec. 3490. Definitions.

"Sec. 3481. Liability for Return and Payment of Withheld Tax.

"(a) General Rule.—Every person required to deduct and withhold any tax under this chapter shall, on or before the last day of the first month following the close of each quarter of his taxable year, make a return of the tax required to be deducted and withheld during such quarter and pay the tax to the officer designated in section 6151. The withholding agent shall be liable for the payment of the taxes required to be deducted and withheld under this chapter, and shall not otherwise be liable to any person for the amount of any such payment.

"(b) Tax Paid by Recipient.—If the withholding agent, in violation of the provisions of this chapter, fails to deduct and withhold any tax under this chapter, and thereafter the tax against which such tax may be credited is paid, the tax so required to be deducted and withheld shall not be collected from the withholding agent; but this subsection shall in no case relieve the withholding agent from liability for any penalties or additions to the tax otherwise applicable in respect of such failure to deduct and withhold.

"(c) Cross Reference.—

"For limitation on the use of Government depositaries in the collection of taxes deducted and withheld under this chapter, see the last sentence of section 6302(c).

"Sec. 3482. Return and Payment by United States.

"If the withholding agent is the United States the return of the tax deducted and withheld under this chapter may be made by an officer or employee of the United States having control of the payment of the amount subject to withholding, or appropriately designated for that purpose.

"Sec. 3483. Exemption Certificates.

"(a) General Rules.—

"(1) Individuals under 18.—Any individual may file with any withholding agent an exemption certificate on which he certifies the date of his birth. If such a certificate is filed, all amounts payable by such withholding agent to such individual, on and after the effective date for such certificate and before the beginning of the calendar year during which the certificate indicates that he will attain age 18, shall be exempt from the requirement of deducting and withholding under this chapter.

"(2) Individuals over age 17.—Any individual may file with any withholding agent an exemption certificate in which he certifies—

"(A) that he will have attained age 18 before the close of the calendar year for which such certificate is filed, and

"(B) that he reasonably believes that he will not (after the application of the credits against tax provided by part IV of subchapter A of chapter 1, other than the credits under sections 31 and 39) be liable for the payment of any tax under chapter 1 for each of his taxable years any portion of which is included in the period for which such certificate will be in effect.

If such a certificate is filed, all amounts payable by such withholding agent to such individual during the period such certificate is in effect shall be exempt from the requirement of deducting and withholding under this chapter. Except as may otherwise be provided in regulations prescribed by the Secretary or his delegate, an exemption certificate filed by an individual described in this paragraph shall remain in effect only for the period beginning on the effective date of such certificate and ending at the close of the calendar year in which such period begins.

"(3) Tax exempt organizations.—

"(A) Any organization (other than a cooperative described in section 521) which is exempt from the tax imposed by chapter 1 may file with any withholding agent who pays amounts described in section 3452(a) (2), (3), or (7) an exemption certificate on which it certifies that it is such an organization. If such a certificate is filed, all amounts described in section 3452(a) (2), (3), and (7) payable by such withholding agent to such organization on and after the effective date for such certificate shall (except as provided in subparagraph (B)) be exempt from the requirement of deducting and withholding under this chapter.

"(B) An exemption certificate filed by an organization under subparagraph (A) shall cease to be effective on the thirtieth day after the day on which the withholding agent, with whom such certificate was filed, is notified by either the organization or the Secretary or his delegate that the organization is no longer exempt from the tax imposed by chapter 1. If an organization ceases to be exempt from such tax, it shall, within the time specified in regulations prescribed by the Secretary or his delegate, so notify each withholding agent with whom it has an exemption certificate in effect.

"(b) Exceptions and Special Rules.—

"(1) Certain exceptions.—This section shall not apply to any amount—

"(A) described in section 3452(a)(1) (relating to interest on evidences of indebtedness),

"(B) described in section 3452(a)(3) paid in respect of a transferable certificate or share, or

"(C) described in section 3452(a)(6) (relating to interest on obligations of the United States).

"(2) Series E bonds, etc.—In the case of transactions involving the redemption of one or more obligations described in section 3452(a)(7) (relating to certain obligations of the United States issued on a discount basis), a separate certificate shall be filed with respect to each such transaction.

"(3) Nominees, custodians, and joint ownerships.—Under regulations prescribed by the Secretary or his delegate, the exemption provided by subsection (a) may be extended, in a manner consistent with the other provisions of this section, to—

"(A) amounts (other than amounts described in section 3462(a), relating to dividends) paid through nominees;

"(B) amounts paid to custodians; and

"(C) amounts paid jointly to 2 or more individuals.

"(4) Effective date of certificate.—Any exemption certificate under this section shall take effect on such day as is specified in accordance with regulations prescribed by the Secretary or his delegate.

"(5) Form and contents of certificate and notice.—Any exemption certificate under this section, and any notice under subsection (a)(3)(B), shall be in such form and contain such information as the Secretary or his delegate may by regulations prescribe.

"(c) Cross Reference.—

"For penalty for filing fraudulent certificate, or for failing to provide notice, under this section, see section 7205.

"Sec. 3484. Refund of Tax to Individuals.

"(a) General Rule.—Except as provided in subsection (e), the tax deducted and withheld under this chapter with respect to amounts received by an individual during any quarter (other than the fourth quarter) of his taxable year (together with any tax so deducted and withheld on amounts which were received by him during any prior quarter of such year and with respect to which no allowable claim for refund has been filed under this section) shall, to the extent such tax does not exceed his refund allowance as of the time the claim for refund is filed, be promptly refunded to him as an overpayment of tax. A refund of tax shall be made under this section only if the amount claimed and allowable equals or exceeds $10.

"(b) Refund Allowance.—For purposes of this section, the refund allowance of an individual as of the time the claim for refund is filed is an amount equal to the excess, if any, of—

"(1) an amount equal to 22 percent of—

"(A) the total of the deductions which, on the basis of facts existing at the time the claim for refund is filed, such individual would be allowed for the taxable year under section 151 (relating to deductions for personal exemptions), plus

"(B) in the case of an individual who, at the time the claim for refund is filed, reasonably expects that he will be allowed a credit under section 37 (relating to retirement income) for the taxable year, the amount which, at such time, such individual reasonably expects to be the amount of his retirement income (as defined in section 37(c) and as limited by section 37(d)) for the taxable year, less

"(C) the amounts (other than amounts on which tax is required to be deducted and withheld under this chapter) which, at the time the claim for refund is filed, such individual reasonably expects to be includible in his gross income for the taxable year; over

"(2) the amounts of tax with respect to which an allowable claim for refund has been previously filed under this section during taxable year.

For purposes of paragraph (1)(C), an individual who files more than one claim for refund under this section for any taxable year may use the estimate for the preceding claim for such year unless, at the time he files the claim, he reasonably expects the amounts referred to in paragraph (1)(C) to exceed such prior estimate by more than $100.

"(c) Married Individuals.—For purposes of subsections (a), (b), and (d), married individuals shall be treated as an individual if, at the time the claim for refund is filed, they reasonably expect that they will file a joint return for the taxable year in which such claim is filed.

"(d) Time for Filing Claim.—Not more than one claim may be filed under this section by any individual during any quarter of his taxable year. A refund of tax deducted and withheld on amounts received during a taxable year shall be made under this section only if claim therefor is filed on or before the last day of such taxable year.

"(e) Individuals Not Eligible for Refund.—No claim for refund may be filed under this section by—

"(1) any individual (other than an individual referred to in paragraph (2) or (3)) unless, at the time the claim for refund is filed, he reasonably expects that his gross income for the taxable year will not exceed $5,000;

"(2) any married individual unless, at the time the claim for refund is filed, he reasonably expects that the aggregate gross income of such individual and his spouse for the taxable year will not exceed $10,000;

"(3) a head of a household (as defined in section 1(b)(2)) or a surviving spouse (as defined in section 2(b)) unless, at the time the claim for refund is filed, he reasonably expects that his gross income for the taxable year will not exceed $10,000; or

"(4) any child, unless, at the time the claim for refund is filed, he reasonably expects that no deduction would be allowed for him under section 151(e)(1)(B) for the taxable year of his parent (or parents) beginning with or within the calendar year in which the claim for refund is filed.

"(f) Cross Reference.—

"For credit or refund of amounts not refunded under this section, see section 39.

"Sec. 3485. Refund of Tax to States, Tax-Exempt Organizations, etc.

"(a) General Rule.—In the case of a person which is—

"(1) the United States or a State,

"(2) an organization (other than a cooperative described in section 521) which is exempt from the tax imposed by chapter 1,

"(3) a foreign government or international organization, or

"(4) a foreign central bank of issue,

if the tax deducted and withheld under this chapter with respect to amounts received by such person during any calendar quarter exceeds the credit, if any, claimed by and allowable to such person under section 3505 (relating to credit against employment taxes) for such quarter, the excess (together with any such excess for any prior quarter of the same calendar year with respect to which no refund has been claimed and allowed under this section) shall be promptly refunded or credited to such person as an overpayment of tax. In the case of a person to which paragraph (4) applies, the amount which may be refunded or credited under this section shall not exceed the amount of tax deducted and withheld under section 3451 on interest paid on obligations of the United States which are not held for, or used in connection with, the conduct of commercial banking functions or other commercial activities.

"(b) Cross References.—

"(1) For period of limitation for filing claim under this section, see section 6511.

"(2) For presumed date of payment for purposes of (A) period of limitation, see section 6513(b), and (B) allowance of interest on overpayments, see section 6611(d).

"Sec. 3486. Refund of Tax to Corporation.

"(a) General Rule.—If the tax deducted and withheld under this chapter with respect to amounts received by a corporation (other than a corporation described in section 3485(a)) during any quarter (other than the fourth quarter) of its taxable year exceeds the amount claimed by and allowable to such corporation under section 3487 as a credit against its liability for tax under this chapter for such quarter, the excess (together with any such excess for any prior quarter of the same year with respect to which no refund has been claimed and allowed under this section) shall be promptly refunded or credited to such corporation as an overpayment of tax. A refund of tax shall be made under this section only if claim therefor is filed after the close of the period covered by the claim and on or before the last day of the taxable year.

"(b) Cross Reference.—

"For credit or refund of amounts not refunded under this section, see section 39.

"Sec. 3487. Credit for Tax Withheld on Corporation

"(a) General Rule.—Any tax deducted and withheld under this chapter with respect to amounts received by a corporation (other than a corporation described in section 3485(a)) during a taxable year shall, to the extent not claimed and allowable as a credit or refund to the corporation under section 3486, be allowed, under regulations prescribed by the Secretary or his delegate, as a credit against (but not in excess of) the tax for which such corporation is liable under this chapter in respect of amounts paid by it during such year.

"(b) Dividends and Patronage Dividends Paid During Taxable Year.—For purposes of determining the credit allowable to any corporation under subsection (a), a dividend, or amount subject to withholding under section 3471, paid by it may be considered as having been paid during the taxable year—

"(1) in the case of a personal holding company, if treated as paid during such taxable year under section 563(b), "(2) in the case of a regulated investment company, if treated as paid during such taxable year under section 855(a),

"(3) in the case of a real estate investment trust, if treated as paid during such taxable year under section 858(a), or

"(4) in the case of a cooperative described in section 1381(a), if paid during the payment period (as defined in section 1382(d)) for such taxable year.

"(c) Special Rule for Corporations Which Are Members of an Affiliated Group.—To the extent and subject to such conditions as may be provided in regulations prescribed by the Secretary or his delegate, the tax deducted and withheld under this chapter with respect to amounts received by a corporation which is a member of an affiliated group which filed a consolidated return for the preceding taxable year of the affiliated group may, for purposes of this section, be treated as tax deducted and withheld under this chapter from any corporation which is a member of the same affiliated group.

"Sec. 3488. Obligation Sold Between Interest-Payment Dates

"For purposes of any credit or refund provided in section 3484, 3485, 3486, or 3487, in the case of an obligation which is sold or exchanged between interest-payment dates the amount required to be deducted and withheld on the interest at the end of the interest-payment period shall be treated in the manner provided in section 39(c).

"Sec. 3489. Presumption.

"For purposes of establishing that any person is entitled to a credit or refund of any tax required to be deducted and withheld under this chapter with respect to amounts received by such person, the correct amount of such tax shall, in the absence of evidence to the contrary, be presumed to have been so deducted and withheld.

"Sec. 3490. Definitions.

"For purposes of this chapter—

"(1) Person.—The term 'person' includes the United States, a State, a foreign government, and an international organization.

"(2) State.—The term 'State' includes a State, the District of Columbia, a possession of the United States, any political subdivision of any of the foregoing, and any wholly owned agency or instrumentality of any one or more of the foregoing.

"(3) Foreign government.—The term 'foreign government' includes a foreign government, a political subdivision of a foreign government, and any wholly owned agency or instrumentality of any one or more of the foregoing.

"(4) Nonresident alien.—The term 'nonresident alien individual' includes an alien resident of Puerto Rico."

(2) Clerical amendments, etc.—

(A) The heading for subtitle C is amended to read as follows:

"SUBTITLE C—EMPLOYMENT TAXES AND COLLECTION OF INCOME TAX AT SOURCE"

(B) The table of chapters for subtitle C is amended by striking out the last line and inserting in lieu thereof the following:

"Chapter 25. Collection of income tax at source on interest, dividends, and patronage dividends.

"Chapter 26. General provisions relating to employment taxes and collection of income taxes at source."

(C) The table of subtitles under the heading "Internal Revenue Title" at the beginning of the Internal Revenue Code of 1954 is amended by striking out the third line and inserting in lieu thereof the following:

"Subtitle C. Employment taxes and collection of income tax at source."

(D) The heading for chapter 26 (as redesignated by paragraph (1) of this subsection) is amended to read as follows:

"CHAPTER 26—GENERAL PROVISIONS RELATING TO EMPLOYMENT TAXES AND COLLECTION OF INCOME TAXES AT SOURCE"

(b) Credits Against Income Tax for Tax Withheld.—

(1) Allowance of credit.—Part IV of subchapter A of chapter 1 (relating to credits against tax) is amended by inserting after section 38 (added by section 2 of this Act) the following new section:

"Sec. 39. Tax Withheld on Interest, Dividends, and Patronage Dividends.

"(a) General Rule.—Under regulations prescribed by the Secretary or his delegate, the tax deducted and withheld under chapter 25 (relating to withholding at source on interest, dividends, and patronage dividends) shall be allowed, to the recipient of the amount with respect to which such tax was deducted and withheld, as a credit against the tax imposed by this subtitle for the taxable year in which such amount is received.

"(b) Special Rule for Dependent Children.—If—

"(1) the taxpayer for his taxable year is entitled to a deduction under section 151(e)(1)(B) with respect to a child, and

"(2) such child had, for the calendar year ending with or within the taxpayer's taxable year—

"(A) gross income of less than $600, and

"(B) no wages (as defined in section 3401(a)) with respect to which withholding was required under chapter 24,

then, under regulations prescribed by the Secretary or his delegate, the taxpayer shall be entitled to the credit provided by subsection (a) with respect to amounts received by such child during such calendar year, but only if such child has not filed any claim for credit or refund of any portion of the tax deducted and withheld with respect to such amounts.

"(c) Apportionment of Credit.—For purposes of subsection (a), if an obligation is sold or exchanged between interest payments dates—

(1) so much of the amount required to be deducted and withheld on the interest at the end of the interest-payment period as is properly allocable to that part of such period which ends on the date of the sale or exchange shall be treated as an amount deducted and withheld from the transferor on the date of the sale or exchange, and

"(2) so much of such amount as is properly allocable to that part of such period which begins on the day after the date of the sale or exchange shall be treated as an amount deducted and withheld from the transferee.

"(d) Limitations.—The credit provided by subsection (a) shall not be allowed—

"(1) Refund to individuals.—To any individual with respect to any amount of tax allowed him as a refund under section 3484.

"(2) Credit or refund to States, etc.—To any person with respect to any amount of tax allowable to such person as a credit or refund under section 3485 or as a credit under section 3505.

"(3) Credit or refund to corporations.—To any person with respect to any amount of tax allowed such person as a credit or refund under section 3486 or as a credit under section 3487.

"(4) Certain dependent children.—To any person with respect to any amount of tax which has been claimed and is allowable as a credit to such person's parent by reason of the provisions of subsection (b).

"(5) Nominees, etc.—To any person with respect to any amount of tax allowed such person as a credit under section 1444(b)."

(2) Common trust funds.—Section 584(c) (relating to the income of participants in the fund) is amended by adding at the end thereof the following new paragraph:

"(3) Tax withheld at source on interest, dividends, and patronage dividends.—In any case where tax under chapter 25 is deducted and withheld on any amounts received by a common trust fund, for purposes of any credit or refund provided in section 39 or 3505, or chapter 25, such tax shall, in accordance with regulations prescribed by the Secretary or his delegate, be considered as having been deducted and withheld proportionately from each participant."

(3) Estates and trusts.—Section 642(a) (relating to special rules for credits and deductions in the case of estates and trusts) is amended by adding at the end thereof the following new paragraph:

"(4) Tax withheld at source on interest, dividends, and patronage dividends.—In any case where tax under chapter 25 is deducted and withheld on any amounts received by an estate or trust, for purposes of any credit or refund provided in section 39 or 3505, or chapter 25, such tax shall, in accordance with regulations prescribed by the Secretary or his delegate, be considered as having been deducted and withheld from each beneficiary in an amount which, when added to the amounts paid, credited, or required to be distributed to him, equals the amounts which would have been paid, credited, or required to be distributed to him in in the absence of chapter 25. Any tax under chapter 25 which is deducted and withheld on amounts received by the estate or trust shall be considered as withheld from such estate or trust to the extent it is not considered as withheld from a beneficiary under the provisions of the preceding sentence."

(4) Technical amendments.—

(A) Section 164(b)(1) (relating to deduction denied in the case of certain taxes) is amended by—

(1) striking out the word "and" at the end of subparagraph (B);

(ii) striking out the comma at the end of subparagraph (C) and inserting "; and"; and

(iii) adding after subparagraph (C) the following new subparagraph:

"(D) the tax withheld at source under chapter 25 (relating to collection of income tax at source on interest, dividends, and patronage dividends),".

(B) Section 874(a) (relating to allowance of deductions and credits to nonresident alien individuals) is amended by striking "31 and 32" and inserting in lieu thereof "31, 32, and 39".

(C) Section 1314(c) (relating to inapplicability of part II of subchapter Q of chapter 1 of subtitle A to taxes imposed by subtitle C) is amended by striking "employment taxes" and inserting in lieu thereof "employment taxes and collection of income tax at source".

(D) Section 6211(b)(1) (relating to rules applicable in determination of deficiency) is amended by striking "31" and inserting in lieu thereof "31 or 39".

(E) The table of sections for part IV of subchapter A of chapter 1 is amended by striking out "Sec. 38. Overpayments of tax." and inserting in lieu thereof:

"Sec. 38. Investment in certain depreciable property.

"Sec. 39. Tax withheld on interest, dividends, and patronage dividends.

"Sec. 40. Overpayments of tax."

(c) Interest and Dividends Paid to Nonresident Aliens, etc.—

(1) Withholding rate.—

(A) Section 1441 (relating to withholding of tax on nonresident aliens) is amended by adding at the end thereof the following new subsection:

"(e) Treaties.—In the case of amounts described in section 3452(a) (relating to interest) section 3462(a) (relating to dividends), and section 3472(a) (relating to patronage dividends), the tax required to be deducted and withheld under subsection (a) shall not by reason of the provisions of any treaty be less than 20 percent of such amounts."

(B) Section 1442 (relating to withholding of tax on foreign corporations) is amended by adding at the end thereof the following new sentence: "In the case of amounts described in section 3452(a) (relating to interest), section 3462(a) (relating to dividends), and section 3472(a) (relating to patronage dividends), the tax required to be deducted and withheld under the preceding sentence shall not by reason of the provisions of any treaty be less than 20 percent of such amounts."

(2) Nominees, etc.—Subchapter A of chapter 3 (relating to withholding of tax on nonresident aliens and foreign corporations) is amended by adding at the end thereof the following new section:

"Sec. 1444. Interest and Dividends Paid to Nominees; Credits to Withholding Agents.

"(a) Withholding of Tax by Payor.—Under regulations prescribed by the Secretary or his delegate, every person who pays amounts subject to withholding under chapter 25 and who has been notified by a payee thereof that the payee is a nominee required to deduct and withhold on such amounts under section 1441 or 1442 shall, in lieu of the nominee, deduct and withhold from such amounts paid to the nominee the tax required to be deducted and withheld under section 1441 or 1442, in the same manner as if such amounts were paid by such person directly to the beneficial owner thereof.

"(b) Credits to Wihholding Agents.—In the case of any person who is required to deduct and withhold tax under section 1441 or 1442 in respect of amounts received by him during any calendar year on which tax was deducted and withheld (or, in the case of amounts described in section 39(c)(1), was treated as deducted and withheld) under chapter 25, the taxes so deducted and withheld (or treated as deducted and withheld) under chapter 25 shall, under regulations prescribed by the Secretary or his delegate, be allowed as a credit against (but not in excess of) his liability for the year in respect of the taxes imposed by sections 1441 and 1442."

(3) Clerical amendment.—The table of sections for subchapter A of chapter 3 is amended by adding at the end thereof the following:

"Sec. 1444. Interest and dividends paid to nominees; credits to withholding agents."

(d) Credit for States and Tax Exempt Organizations.—

(1) Allowance of credit.—Chapter 26 (general provisions relating to employment taxes and income tax withheld at source) is amended by adding at the end thereof the following new section:

"Sec. 3505. Special Credit in Case of States or Tax-Exempt Organizations.

"(a) General Rule.—In the case of a person which is a State (as defined in section 3490(2)) or which is an organization (other than a cooperative described in section 521) which is exempt from the tax imposed by chapter 1, the tax deducted and withheld under chapter 25 with respect to amounts received by it during any calendar quarter shall be allowed, under regulations prescribed by the Secretary or his delegate, as a credit against (but not in excess of) such person's liability (after the adjustments, if any, provided for in sections 6205(a) and 6413(a)) for such quarter in respect of the taxes imposed by chapter 21 (Federal Insurance Contributions Act) and by chapter 24 (collection of income tax at source on wages). Such credit shall be allowed only if claim therefor is made, in accordance with such regulations, at the time of the filing of the return with respect to the taxes under chapter 21 and chapter 24 for such quarter.

"(b) Obligations Sold Between Interest-Payment Dates.—For purposes of this section, in the case of an obligation which is sold or exchanged between interest-payment dates, the amount required to be deducted and withheld on the interest at the end of the interest-payment period shall be treated in the manner provided in section 39(c).

"(c) Cross Reference.—

"For refund under chapter 25, see section 3485."

(2) Technical amendments.—

(A) Section 3502 (relating to nondeductibility of taxes in computing taxable income) is amended by adding at the end thereof the following new subsection:

"(c) The tax deducted and withheld under chapter 25 shall not be allowed as a deduction in computing taxable income under subtitle A either to the person deducting and withholding the tax or to the recipient of the amounts subject to withholding."

(B) The table of sections for chapter 26 is amended by adding at the end thereof the following:

"Sec. 3505. Special credit in case of States or tax exempt organizations."

(c) Other Technical Amendments.—

(1) Declaration of estimated income tax by individuals.—Section 6015(a) (relating to declaration of estimated income tax by individuals) is amended by striking out the period at the end of paragraph (2) and inserting in lieu thereof "and amounts on which tax is required to be deducted and withheld under chapter 25.".

(2) Adjustment of tax; underpayment.—

(A) Subsection (a)(1) of section 6205 (relating to special rules relating to assessment of employment taxes) is amended by striking out "or 3402 is paid with respect to any payment of wages or compensation," and inserting in lieu thereof "3402, 3451, 3461, or 3471 is paid with respect to any payment of remuneration, interest, dividends, or other amounts,".

(B) Subsection (b) of such section is amended by striking out "or 3402 is paid or deducted with respect to any payment of wages or compensation" and inserting in lieu thereof "3402, 3451, 3461, or 3471 is paid or deducted with respect to any payment of remuneration, interest, dividends, or other amounts".

(C) The heading for such section is amended to read as follows:

"Sec. 6205. Special Rules Applicable to Certain Taxes Under Subtitle C."

(D) The table of sections for subchapter A of chapter 63 is amended by striking out

"Sec. 6205. Special rules applicable to certain employment taxes."

and inserting in lieu thereof

"Sec. 6205. Special rules applicable to certain taxes under subtitle C."

(3) Use of government depositaries.—Section 6302(c) (relating to use of Government depositaries) is amended by adding at the end thereof the following new sentence: "The Secretary or his delegate shall not require the deposit under this subsection of any tax deducted and withheld under chapter 25 (relating to collection of income tax at source on interest, dividends, and patronage dividends) in a Government depositary before the last day prescribed in section 3481 for payment of the tax."

(4) Excessive withholding.—Section 6401 (b) (relating to excessive withholding) is amended to read as follows:

"(b) Excessive Withholding.—If the amounts allowable as credits under section 31 (relating to credit for tax withheld at source under chapter 24) and section 39 (relating to credit for tax withheld on interest, dividends, and patronage dividends under chapter 25) exceed the taxes imposed by chapter 1 against which such credits are allowable, the amount of such excess shall be considered an overpayment."

(5) Adjustment of tax; overpayment.—

(A) Subsection (a)(1) of section 6413 (relating to special credit and refund rules applicable to certain employment taxes) is amended by striking out "or 3402 is paid with respect to any payment of remuneration," and inserting in lieu thereof "3402, 3451, 3461, or 3471 is paid with respect to any payment of remuneration, interest, dividends, or other amounts,".

(B) Subsection (b) of such section is amended—

(i) By striking from the heading of such subsection the words "of Certain Employment Taxes"; and

(ii) By striking out "or 3402 is paid or deducted with respect to any payment of remuneration" and inserting in lieu thereof "3402, 3451, 3461, or 3471 is paid or deducted with respect to any payment of remuneration, interest, dividends, or other amounts".

(C) The following new subsection is added at the end of such section:

"(c) Cross References.—

"For special refunds or credits of tax withheld on interest, dividends, or patronage dividends under chapter 25, see sections 3484, 3485, 3486, 3487, and 3505."

(D) The heading for such section is amended to read as follows:

"Sec. 6413. Special Rules Applicable to Certain Taxes Under Subtitle C."

(E) The table of sections for subchapter B of chapter 65 is amended by striking out

"Sec. 6413. Special rules applicable to certain employment taxes."

and inserting in lieu thereof

"Sec. 6413. Special rules applicable to certain taxes under subtitle C."

(6) Overpayment not deducted and withheld. Section 6414 (relating to income tax withheld) is amended by striking "chapter 3" and inserting in lieu thereof "chapter 3 or 25".

(7) Time tax considered paid.—Section 6513(b) (relating to time tax considered paid) is amended by adding at the end thereof the following new sentences: "For purposes of section 6511 or 6512, any tax deducted and withheld under chapter 25 which is allowable under section 39, 3484, 3485, or 3486 as a credit against tax or as a refund of an overpayment (or an amount treated as an overpayment) of the tax imposed by chapter 1 shall, in respect of the person entitled to such credit or refund, be deemed to have been paid by him on the last day prescribed for filing the return (determined without regard to any extension of time for filing such return) of tax under chapter 1 for his taxable year in which the amount subject to withholding under chapter 25 is received by him or, if such person has no taxable year, on the fifteenth day of the fifth calendar month following the close of such person's annual accounting period within which such amount is received by him. In the case of an amount allowable as a credit under section 39(b) to the parent of a child, such amount shall, if claimed by the parent, be deemed to have been paid on the last day for filing his return (determined without regard to any extension of time for filing such return) for his taxable year which begins with or within the calendar year in

which amounts subject to withholding under chapter 25 were received by the child."

(8) Failure to pay estimated income tax.—

(A) Individuals.—Subsections (c) and (f) of section 6654 (relating to failure by individual to pay estimated income tax) are amended to read as follows:

"(c) Application of Section in Case of Withheld Taxes.—For purpose of applying this section—

"(1) the estimated tax shall be computed without any reduction for amounts which the individual estimates as his credits under section 31 (relating to tax withheld at source on wages) and section 39 (relating to tax withheld on interest, dividends, and patronage dividends): and

"(2) the amount of the credits allowed under section 31 and 39 for the taxable year shall be deemed a payment of estimated tax, and an equal part of such amount shall be deemed paid on each installment date (determined under section 6153) for such taxable year unless the taxpayer establishes the dates on which all amounts were actually withheld (or in the case of amounts described in section 39(c)(1), were treated as withheld), in which case the amounts so withheld shall be deemed payments of estimated tax on such dates.

"(f) Tax Computed After Application of Credits Against Tax.—For purposes of subsections (b) and (d), the term 'tax' means the tax imposed by chapter 1 reduced by the credits against tax allowed by part IV of subchapter A of chapter 1, other than the credits against tax provided by section 31 (relating to tax withheld on wages) and section 39 (relating to tax withheld on interest, dividends, and patronage dividends)."

(B) Corporations.—Section 6655 (relating to failure by corporation to pay estimated income tax) is amended—

(i) by striking out the period at the end of subsection (e)(2)(B) and inserting in lieu thereof ", other than the credit against tax provided by section 39 (relating to tax withheld on interest, dividends, and patronage dividends)."; and

(ii) by redesignating subsection (f) as subsection (g) and inserting after subsection (e) the following new subsection:

"(f) Application of Section in Case of Tax Withheld on Interest, Dividends, and Patronage.—For purposes of applying this section—

"(1) the estimated tax shall be computed without any reduction for the amount which the corporation estimates as its credit under section 39 (relating to tax withheld on interest, dividends, and patronage dividends); and

"(2) the amount of the credit allowed under section 39 for the taxable year shall be deemed a payment of estimated tax, and an equal part of such amount shall be deemed paid on each installment date (determined under section 6154) for such taxable year, unless the corporation establishes the dates on which all amounts were actually withheld (or in the case of amount described in section 39(c)(1), were treated as withheld), in which case the amounts so withheld shall be deemed payments of estimated tax on such dates."

(9) Penalty for filing fraudulent exemption certificate.—Section 7205 (relating to fraudulent withholding exemption certificate or failure to supply information) is amended by adding the following new sentence at the end thereof: "Any person who willfully files an exemption certificate with any withholding agent under section 3483, on which the certification is known by him to be fraudulent or to be false as to any material matter, or who is required to file a notice under subsection (a)(3)(B) of section 3483 and who willfully fails to provide such notice in the manner, at the time, and showing the information required under such subsection (a)(3)(B), or the regulations prescribed thereunder, shall, in lieu of any penalty otherwise provided, upon conviction thereof, be fined not more than $500, or imprisoned not more than 1 year, or both."

(10) Offenses with respect to collected taxes.—The last sentence of section 7215(b) (relating to offenses with respect to collected taxes) is amended to read as follows: "For purposes of paragraph (2), a lack of funds existing immediately after the payment of wages or amounts subject to withholding under chapter 25 (whether or not created by the payment of such wages or amounts) shall not be considered to be circumstances beyond the control of a person."

(11) Definition of withholding agent.—Section 7701(a)(16) (defining the term "withholding agent") is amended by striking out "or 1461" and inserting in lieu thereof "1461, 3451, 3461, or 3471".

(f) Effective Dates.—

(1) General rule.—Except as provided in paragraph (2), the provisions of this section shall apply in the case of interest and dividends paid on or after January 1, 1963.

(2) Special rules.—

(A) In the case of transferable obligations described in paragraph (1) or (6) of section 3452(a) of the Internal Revenue Code of 1954, the provisions of this section shall apply only to interest paid with respect to interest payment periods commencing on or after January 1, 1963.

(B) The provisions of this section shall apply to amounts described in section 3472 of such Code paid on or after January 1, 1963, with respect to patronage occurring on or after the first day of the first taxable year of the cooperative beginning on or after January 1, 1963.

And, in lieu thereof, to insert:

Sec. 19. Reporting of Interest, Dividend, and Patronage Dividend Payments of $10 or More During a Year.

(a) Returns Regarding Payment of Dividends.—Section 6042 (relating to returns regarding corporate dividends, earnings, and profits) is amended to read as follows:

"Sec. 6042. Returns Regarding Payments of Dividends and Corporate Earnings and Profits.

"(a) Requirement of Reporting.—

"(1) In general.—Every person—

"(A) who makes payments of dividends aggregating $10 or more to any other person during any calendar year, or

"(B) who receives payments of dividends as a nominee and who makes payments aggregating $10 or more during any calendar year to any other person with respect to the dividends so received,

shall make a return according to the forms or regulations prescribed by the Secretary or his delegate, setting forth the aggregate amount of such payments and the name and address of the person to whom paid.

"(2) Returns required by the Secretary.—Every person who makes payments of dividends aggregating less than $10 to any other person during any calendar year shall, when required by the Secretary or his delegate, make a return setting forth the aggregate amount of such payments, and the name and address of the person to whom paid.

"(b) Dividend Defined.—

"(1) General rule.—For purposes of this section, the term 'dividend' means—

"(A) any distribution by a corporation which is a dividend (as defined in section 316); and

"(B) any payment made by a stockbroker to any person as a substitute for a dividend (as so defined).

"(2) Exceptions.—For purposes of this section, the term 'dividend' does not include—

"(A) to the extent provided in regulations prescribed by the Secretary or his delegate, any distribution or payment—

"(i) by a foreign corporation, or

"(ii) to a foreign corporation, a nonresident alien, or a partnership not engaged in trade or business in the United States and composed in whole or in part of nonresident aliens; and

"(B) any amount described in section 1373 (relating to undistributed taxable income of electing small business corporations).

"(3) Special rule.—If the person making any payment described in subsection (a)(1)(A) or (B) is unable to determine the portion of such payment which is a dividend or is paid with respect to a dividend, he shall, for purposes of subsection (a)(1), treat the entire amount of such payment as a dividend or as an amount paid with respect to a dividend.

"(c) Statements To Be Furnished to Persons With Respect to Whom Information Is Furnished.—Every person making a return under subsection (a)(1) shall furnish to each person whose name is set forth in such return a written statement showing—

"(1) the name and address of the person making such return, and

"(2) the aggregate amount of payments to the person as shown on such return.

The written statement required under the preceding sentence shall be furnished to the person on or before January 31 of the year following the calendar year for which the return under subsection (a)(1) was made. No statement shall be required to be furnished to any person under this subsection if the aggregate amount of payments to such person as shown on the return made under subsection (a)(1) is less than $10.

"(d) Statements To Be Furnished by Corporations to Secretary.—Every corporation shall, when required by the Secretary or his delegate—

"(1) furnish to the Secretary or his delegate a statement stating the name and address of each shareholder, and the number of shares owned by each shareholder;

"(2) furnish to the Secretary or his delegate a statement of such facts as will enable him to determine the portion of the earnings and profits of the corporation (including gains, profits, and income not taxed) accumulated during such periods as the Secretary or his delegate may specify, which have been distributed or ordered to be distributed, respectively, to its shareholders during such taxable years as the Secretary or his delegate may specify; and

"(3) furnish to the Secretary or his delegate a statement of its accumulated earnings and profits and the names and addresses of the individuals or shareholders who would be entitled to such accumulated earnings and profits if divided or distributed, and of the amounts that would be payable to each."

(b) Returns Regarding Payment of Patronage Dividends.—Section 6044 (relating to returns regarding patronage dividends) is amended to read as follows:

"Sec. 6044. Returns Regarding Payments of Patronage Dividends.

"(a) Requirement of Reporting.—

"(1) In general.—Except as otherwise provided in this section, every cooperative to which part I of subchapter T of chapter 1 applies, which makes payments of amounts described in subsection (b) aggregating $10 or more to any person during any calendar year, shall make a return according to the forms or regulations prescribed by the Secretary or his delegate, setting forth the aggregate amount of such payments and the name and address of the person to whom paid.

"(2) Returns required by the Secretary.—Every such cooperative which makes payments of amounts described in subsection (b) aggregating less than $10 to any person during any calendar year shall, when required by the Secretary or his delegate, make a return setting forth the aggregate amount of such payments and the name and address of the person to whom paid.

"(b) AMOUNTS SUBJECT TO REPORTING.—

"(1) GENERAL RULE.—Except as otherwise provided in this section, the amounts subject to reporting under subsection (a) are—

"(A) the amount of any patronage dividend (as defined in section 138(a)) which is paid in money, qualified written notices of allocation (as defined in section 1388(c)), or other property (except nonqualified written notices of allocation as defined in section 1388(d)),

"(B) any amount described in section 1382(c)(2)(A) (relating to certain nonpatronage distributions) which is paid in money, qualified written notices of allocation, or other property (except nonqualified written notices of allocation) by an organization exempt from tax under section 521 (relating to exemption of farmers cooperatives from tax), and

"(C) any amount described in section 1382(b)(2) (relating to redemption of nonqualified written notices of allocation) and, in the case of an organization described in section 1381(a)(1), any amount described in section 1382(c)(2)(B) (relating to redemption of nonqualified written notices of allocation paid with respect to earnings derived from sources other than patronage).

"(2) EXCEPTIONS.—The provisions of subsection (a) shall not apply, to the extent provided in regulations prescribed by the Secretary or his delegate, to any payment—

"(A) by a foreign corporation, or

"(B) to a foreign corporation, a nonresident alien, or a partnership not engaged in trade or business in the United States and composed in whole or in part of nonresident aliens.

"(c) EXEMPTION FOR CERTAIN CONSUMER COOPERATIVES.—A cooperative which the Secretary or his delegate determines is primarily engaged in selling at retail goods or services of a type that are generally for personal, living, or family use shall, upon application to the Secretary or his delegate, be granted exemption from the reporting requirements imposed by subsection (a). Application for exemption under this subsection shall be made in accordance with regulations prescribed by the Secretary or his delegate.

"(d) DETERMINATION OF AMOUNT PAID.—For purposes of this section, in determining the amount of any payment—

"(1) property (other than a qualified written notice of allocation) shall be taken into account at its fair market value, and

"(2) a qualified written notice of allocation shall be taken into account at its stated dollar amount.

"(e) STATEMENTS TO BE FURNISHED TO PERSONS WITH RESPECT TO WHOM INFORMATION IS FURNISHED.—Every cooperative making a return under subsection (a)(1) shall furnish to each person whose name is set forth in such return a written statement showing—

"(1) the name and address of the cooperative making such return, and

"(2) the aggregate amount of payments to the person as shown on such return.

The written statement required under the preceding sentence shall be furnished to the person on or before January 31 of the year following the calendar year for which the return under subsection (a)(1) was made. No statement shall be required to be furnished to any person under this subsection if the aggregate amount of payments to such person as shown on the return made under subsection (a)(1) is less than $10."

(c) RETURNS REGARDING PAYMENT OF INTEREST.—Subpart B of part III of subchapter A of chapter 61 (relating to information returns) is amended by adding after section 6047 (as added by section 7(f) of this Act) the following new section:

"SEC. 6048. RETURNS REGARDING PAYMENTS OF INTEREST.

"(a) REQUIREMENT OF REPORTING.—

"(1) IN GENERAL.—Every person—

"(A) who makes payments of interest (as defined in subsection (b)) aggregating $10 or more to any other person during any calendar year, or

"(B) who receives payments of interest as a nominee and who makes payments aggregating $10 or more during any calendar year to any other person with respect to the interest so received.

shall make a return according to the forms or regulations prescribed by the Secretary or his delegate, setting forth the aggregate amount of such payments and the name and address of the person to whom paid.

"(2) RETURNS REQUIRED BY THE SECRETARY.—Every person who makes payments of interest (as defined in subsection (b)) aggregating less than $10 to any other person during any calendar year shall, when required by the Secretary or his delegate, make a return setting forth the aggregate amount of such payments and the name and address of the person to whom paid.

"(3) OTHER RETURNS REQUIRED BY SECRETARY.—Every corporation making payments, regardless of amounts, of interest other than interest as defined in subsection (b) shall, when required by regulations prescribed by the Secretary or his delegate, make a return according to the forms or regulations prescribed by the Secretary or his delegate, setting forth the amount paid and the name and address of the recipient of each such payment.

"(b) INTEREST DEFINED.—

"(1) GENERAL RULE.—For purposes of subsections (a) (1) and (2), the term 'interest' means—

"(A) interest on evidences of indebtedness (including bonds, debentures, notes, and certificates) issued by a corporation in registered form, and, to the extent provided in regulations prescribed by the Secretary or his delegate, interest on other evidences of indebtedness issued by a corporation of a type offered by corporations to the public;

"(B) interest on deposits with persons carrying on the banking business;

"(C) amounts (whether or not designated as interest) paid by a mutual savings bank, savings and loan association, building and loan association, cooperative bank, homestead association, credit union, or similar organization, in respect of deposits, investment certificates, or withdrawable or repurchasable shares;

"(D) interest on amounts held by an insurance company under an agreement to pay interest thereon; and

"(E) interest on deposits with stockbrokers and dealers in securities.

"(2) EXCEPTIONS.—For purposes of subsections (a) (1) and (2), the term 'interest' does not include—

"(A) interest on obligations described in section 103(a) (1) or (3) (relating to interest on certain governmental obligations);

"(B) to the extent provided in regulations prescribed by the Secretary or his delegate, any amount paid by or to a foreign corporation, a nonresident alien, or a partnership not engaged in trade or business in the United States and composed in whole or in part of nonresident aliens; and

"(C) any amount on which the person making payment is required to deduct and withhold a tax under section 1451 (relating to tax-free covenant bonds), or would be so required but for section 1451(d) (relating to benefit of personal exemptions).

"(c) STATEMENTS TO BE FURNISHED TO PERSONS WITH RESPECT TO WHOM INFORMATION IS FURNISHED.—Every person making a return under subsection (a)(1) shall furnish to each person whose name is set forth in such return a written statement showing—

"(1) the name and address of the person making such return, and

"(2) the aggregate amount of payments to the person as shown on such return.

The written statement required under the preceding sentence shall be furnished to the person on or before January 31 of the year following the calendar year for which the return under subsection (a)(1) was made. No statement shall be required to be furnished to any person under this subsection if the aggregate amount of payments to such person as shown on the return made under subsection (a)(1) is less than $10."

(d) PENALTIES FOR FAILURE TO FILE INFORMATION RETURNS.—Section 6652 (relating to failure to file certain information returns) is amended to read as follows:

"SEC. 6652. FAILURE TO FILE CERTAIN INFORMATION RETURNS.

"(a) RETURNS RELATING TO PAYMENTS OF DIVIDENDS, INTEREST, AND PATRONAGE DIVIDENDS.—In the case of each failure to file a statement of the aggregate amount of payments to another person required by section 6042(a)(1) (relating to payments of dividends aggregating $10 or more), section 6044(a)(1) (relating to payments of patronage dividends aggregating $10 or more), or section 6048(a)(1) (relating to payments of interest aggregating $10 or more), on the date prescribed therefor (determined with regard to any extension of time for filing), unless it is shown that such failure is due to reasonable cause and not to willful neglect, there shall be paid (upon notice and demand by the Secretary or his delegate and in the same manner as tax), by the person failing to so file the statement, $10 for each such statement not so filed, but the total amount imposed on the delinquent person for all such failures during any calendar year shall not exceed $25,000.

"(b) OTHER RETURNS.—In the case of each failure to file a statement of a payment to another person required under authority of section 6041 (relating to certain information at source), section 6042(a)(2) (relating to payments of dividends aggregating less than $10), section 6044(a)(2) (relating to payments of patronage dividends aggregating less than $10), section 6048(a)(2) (relating to payments of interest aggregating less than $10), section 6048(a)(3) (relating to other payments of interest by corporations), or section 6051 (d) (relating to information returns with respect to income tax withheld), on the date prescribed therefor (determined with regard to any extension of time for filing), unless it is shown that such failure is due to reasonable cause and not to willful neglect, there shall be paid (upon notice and demand by the Secretary or his delegate and in the same manner as tax) by the person failing to so file the statement, $1 for each such statement not so filed, but the total amount imposed on the delinquent person for all such failures during the calendar year shall not exceed $1,000.

"(c) ALCOHOL AND TOBACCO TAXES.—

"For penalties for failure to file certain information returns with respect to alcohol and tobacco taxes, see generally, subtitle E."

(e) PENALTIES FOR FAILURE TO FURNISH STATEMENTS TO PERSONS WITH RESPECT TO WHOM RETURNS ARE FILED.—Subchapter B of chapter 68 (relating to assessable penalties) is amended by adding after section 6677 (as added by section 7(g) of this Act) the following new section:

"SEC. 6678. FAILURE TO FURNISH CERTAIN STATEMENTS.

"In the case of each failure to furnish a statement under section 6042(c), 6044(e), or section 6048(c) on the date prescribed therefor to a person with respect to whom a return has been made under section 6042 (a)(1), 6044(a)(1), or 6048(a)(1), respectively, unless it is shown that such failure is due to reasonable cause and not to willful neglect, there shall be paid (upon notice and demand by the Secretary or his delegate and in the same manner as tax), by the person failing to so furnish the statement,

$10 for each such statement not so furnished, but the total amount imposed on the delinquent person for all such failures during any calendar year shall not exceed $25,000."

(f) TECHNICAL AMENDMENTS.—Section 6041 (relating to information at source) is amended—

(1) by striking out, in subsection (a) thereof, "(other than payments described in section 6042(1) or section 6045)" and inserting in lieu thereof "(other than payments to which section 6042(a)(1), 6044(a)(1), or 6048(a)(1) applies, and other than payments with respect to which a statement is required under the authority of section 6042(a)(2), 6044(a)(2), 6045, 6048(a)(2), or 6048(a)(3))"; and

(2) by striking out subsection (c) thereof.

(g) CLERICAL AMENDMENTS.—

(1) The table of sections for subpart B of part III of subchapter A of chapter 61 is amended—

(A) by striking out

"Sec. 6042. Returns regarding corporate dividends, earnings, and profits."

and inserting in lieu thereof

"Sec. 6042. Returns regarding payments of dividends and corporate earnings and profits.";

(B) by striking out:

"Sec. 6044. Returns regarding patronage dividends."

and inserting in lieu thereof

"Sec. 6044. Returns regarding payments of patronage dividends.";

and

(C) by adding at the end of such table the following:

"Sec. 6048. Returns regarding payments of interest.".

(2) The table of sections for subchapter B of chapter 68 is amended by adding at the end thereof the following:

"Sec. 6678. Failure to furnish certain statements."

(h) EFFECTIVE DATES.—

(1) DIVIDENDS AND INTEREST.—The amendments made by this section shall apply to payments of dividends and interest made on or after January 1, 1963.

(2) PATRONAGE DIVIDENDS.—The amendments made by this section shall apply to payments of amounts described in section 6044(b) of the Internal Revenue Code of 1954 made on or after January 1, 1963, with respect to patronage occurring on or after the first day of the first taxable year of the cooperative beginning on or after January 1, 1963.

Mr. WILLIAMS of Delaware. Mr. President, on this amendment I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. DOUGLAS. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator from Illinois will state it.

Mr. DOUGLAS. Am I correct in understanding that the yeas and nays have been ordered on the committee action in striking out the provision for the withholding of tax on dividends and interest?

The PRESIDING OFFICER. The yeas and nays have been ordered on the committee amendment which strikes out the withholding tax portion of the bill.

Mr. DOUGLAS. I thank the Chair.

Mr. ROBERTSON. Mr. President, I support the action of the committee in striking out the provision to withhold taxes on income from dividends and interest. I am pleased that the Committee on Finance has stricken this provision from the proposed Revenue Act of 1962. As I indicated to the Senate on May 16 of this year, I oppose the dividend and interest withholding provisions of the original legislation. Accordingly, I support the committee action to delete this feature of the bill.

There is no doubt in my mind, as I remarked last May, that the "extension of withholding to cover interest and dividends would not be advisable at this time." Today, I continue to favor the principle of withholding of income taxes on wages and salaries, just as I did with respect to the tax bill of 1943, of which I was a joint author. That legislation inaugurated the 20-percent witholding plan on wages and salaries that I had previously endorsed. Yet, as I said several months ago, I believe that withholding on interest and dividends at this time is impractical, unnecessary, and unwise.

In my earlier remarks I pointed out:

> The question now at issue is not whether income from dividends and interest is taxable. This income has been taxable for many years. Nor is there any question about the authority of the Internal Revenue Service to collect taxes, whether on income from dividends, interest, salaries, wages, or other sources. Everyone should pay his fair tax share.
>
> The question now before us relates solely to methods of preventing avoidance of tax on income from dividends and interest. In that respect I see no need at this time for withholding as a solution to the problem.

The net effect of the withholding provision, as I indicated before, would "apply across the board to dividend and interest recipients, without regard to their past record for conscientious and accurate income reporting. Admittedly, the proposal is designed solely to catch tax evaders. But its sweeping rules apply with equal force to the most conscientious and meticulously careful taxpayers—and, even much worse, to hit persons of small incomes, those who are not taxpayers."

As a matter of principle, withholding on wages and salaries represents a much different matter from withholding on dividends and interest. I remarked earlier:

> Withholding on wages and salaries consists of deductions from current income derived from gainful employment. Withholding on dividends and interest potentially covers a much wider spectrum of the population, by including recipients who may or may not be gainfully employed. It is one thing to withhold from income derived from rendering current services. It is another thing to withhold income derived as a return on capital saved from the rendering of past services.

In another respect, the proposal to withhold on dividends and interest is not identical to our present withholding system on wages and salaries. I stated previously:

> Wage withholding was a collection technique and a necessary step in placing income tax collections on a current basis. This dividend and interest withholding proposal appears to be designed simply as a weapon to catch nonreporters of taxes, and it would operate by treating every dividend and interest recipient as though he were a tax evader. This is repugnant to the traditions of our income tax as a self-assessing system.

The isolated cases of underreporting or nonreporting, I believe, do not of themselves justify the need for withholding. Instances of fraud and mistake, as I said before, are unfortunately likely to occur no matter what the method of revenue collection may be.

Generally, underreporting or nonreporting of taxable interest and dividend income suggest, as I declared earlier, "the need for more intensive public efforts to inform responsible taxpayers who are not yet completely aware that interest and dividends should be fully reported."

In that respect, I am pleased that the Senate Finance Committee adopted an amendment which I endorsed in my remarks of May 16. This amendment would require payers of dividends, interest, and patronage dividends to report to the Treasury all payments of $10 or more a year.

As I indicated before in recommending such a requirement:

> Another step which I believe worthy of consideration would require designated payers of interest to report to the Treasury all interest payments as low as some minimum amount such as $50 or $10.

That is what I said last May; and now the committee has put that provision into the bill.

I also said:

> This would extend reporting coverage to include substantially all recipients of income from dividends and interest. Dividend payments of $10 or more and interest payments of $600 or more are reported currently to the Treasury. With the computers and office machines now available, I am confident that when the taxpayer account number system goes into effect, all these reports can be assembled and classified readily and simply, and at relatively little expense.

I support, therefore, the committee's amendment as set forth in section 19 of the bill. It would make mandatory all reporting to the Treasury of cash or credited dividend, interest, or patronage dividend payments of $10 or more a year made on or after January 1, 1963; under present law, reporting in some cases is required only at the discretion of the Treasury. The amendment would require a uniform statutory reporting minimum of $10; now, the statutory or administratively determined minimum varies from $10 in the case of most dividend payments to $600 in the case of interest payments. The amendment would also require by statute that annual statements must be submitted to all recipients of such payments of $10 or more a year; under present regulations, reports only of dividends must be made to recipients as well as to the Treasury.

Stepped up reporting of dividends, interest, and patronage dividends should greatly increase the ability of the Treasury to collect all taxes payable on income from these sources. During the first full year that this requirement is operative, the staff of the Joint Committee on Internal Revenue Taxation has estimated that it would result in a $275 million increase in revenue. More conservative estimates, made by the Treasury, are somewhat lower. I believe, however, that once the reporting requirement has been put fully into effect, and once automatic data processing enables information returns and tax returns to be matched readily, the revenue effect of this reporting requirement could be considerably larger.

Steps such as these toward publicizing dividend and interest payments and toward informing the public about its tax liabilities on such payments seem to me to be the proper approach. Withholding, on the contrary, would do just the opposite. As I pointed out several months ago, it would involve "virtually no reporting requirements imposed upon the withholding agents." The impracticality of the proposed withholding plan seems clear. I stated last May:

> Under the plan, persons withholding 20 percent from interest and dividend payments would not be required to give to the recipients of these payments any receipts or notices whatsoever of the amounts withheld from them. Furthermore, the withholding agents would not even be required to report to the Revenue Service the amounts withheld from each individual. Instead, they would merely report to the Government the gross amount withheld from everyone in the aggregate, leaving both the payees and the Revenue Service without a record of the amount withheld from each person.

Since the withholding proposal would not require detailed reports and records, it would tend to encourage fraudulent claims against the Treasury for overwithholding and for improper refund claims. I said last May:

> I do not see anything in the withholding mechanism which would permit a dividend or interest recipient to meet the burden of proof of establishing the amount withheld, if he has a tax dispute in court. Such a system would have no relationship to the wage withholding system, in which the withholding agent is required to furnish both the employee and the Government with a copy of the form W-2 showing the amount of the compensation and the amount of the tax withheld from it.

A further objection to the proposed withholding plan is that not all types of interest payments would be subject to withholding tax. Payments of interest on personal loans and on home mortgages, for example, would be excluded. The confusion arising about what dividend and interest payments had been withheld on, and about what payments had not been withheld on, would undoubtedly be considerable. In many cases, persons entitled to refunds might have a hard time finding out how much they paid or what was due them. The Internal Revenue Service, lacking any detailed information for each withholding transaction, might have equal difficulty in verifying claims for refunds.

In conclusion, Mr. President, I reiterate my opposition to withholding on dividends and interest at this time. I declared on May 16, in summarizing my remarks:

> I am convinced that we need a more comprehensive effort to inform taxpayers of their liabilities under the present tax laws. Such an effort would, I think, result in greatly increased tax collections. The widespread conviction among taxpayers that withholding on interest and dividends would represent a new tax imposed for the first time is, to my way of thinking, clear evidence of the need for giving more information to taxpayers.
>
> It seems to me quite clear that we will collect virtually all of the taxes due on interest and dividends if we can give clear and complete information to the taxpayers. I believe we should make every effort to do this before we engage in a new withholding program on interest and dividends with all the redtape, all the expense, all the refunds, all the trouble, and all the economic disadvantages which this withholding program would involve.

There is no doubt in my mind that everyone should pay his fair tax share. I am in favor of collecting taxes on dividends and interest, as well as on every other sort of income.

But, Mr. President, a provision to impose withholding on dividends and interest at this time seems unworkable, unneeded, and unsound.

Mr. DOUGLAS. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. SMATHERS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

RESIGNATION OF ASSOCIATE JUSTICE FRANKFURTER AND APPOINTMENT OF ARTHUR J. GOLDBERG TO SUPREME COURT OF THE UNITED STATES

Mr. DOUGLAS. Mr. President, a few moments ago the President of the United States announced that Mr. Justice Frankfurter had resigned from the U.S. Supreme Court, and that he was appointing the Secretary of Labor, Hon. Arthur J. Goldberg, to fill the vacancy.

I think this is a magnificent appointment. I have known Mr. Goldberg for 30 years.

He is held in high esteem by all groups in Illinois. He has made a magnificent record as Secretary of Labor. He has shown that not only is he an able and competent lawyer, but that he is impartial in his judgments. I think the Supreme Court has had a most worthy replacement for Mr. Justice Frankfurter.

As the senior Senator from Illinois, as a long time personal friend of Secretary Goldberg, and as an admirer of President Kennedy, I say that this appointment does the administration great credit. I hope and believe that the nomination will be ratified by the Senate, and I predict for Mr. Goldberg a great career on the Supreme Court of the United States.

Mr. PASTORE. Mr. President, will the Senator yield?

Mr. DOUGLAS. I yield.

Mr. PASTORE. I associate myself with the glowing remarks of the Senator from Illinois. They are well deserved. It has been my privilege and honor to have had frequent contacts with Mr. Goldberg. I have always viewed him to be a man of sterling character, integrity, and wisdom. He will be a fine addition to the Court.

I wish for him and his family many years of success and happiness.

Mr. SMATHERS. Mr. President, will the Senator yield?

Mr. DOUGLAS. I yield.

Mr. SMATHERS. I associate myself with the remarks of the Senator from Illinois with respect to the new appointment. It has been my happy privilege to know Secretary Goldberg very well during the past year and a half. I have been greatly impressed with his ability, objectivity, energy, and fairness. I cannot help believing that he will be a fine addition to the Supreme Court, and I congratulate him and his family.

Mr. DOUGLAS. Mr. President, I ask unanimous consent that the Senator from Vermont [Mr. AIKEN] may be recognized for 2 minutes with the understanding that his remarks will appear at the end of my statement.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Illinois? The Chair hears none, and it is so ordered.

Mr. AIKEN. Mr. President, once in a while our country enjoys a real bit of good fortune. In reading the ticker this afternoon I think today is one of our lucky days. I read that President Kennedy has announced his intention to appoint Arthur Goldberg to the Supreme Court to succeed the illustrious Justice Frankfurter, who is retiring.

In my opinion, Arthur Goldberg is one of the most conscientious public servants that our country has had. He is an able lawyer, devoted to his country, and a squareshooter all around. He will make a worthy successor to the great Justice Felix Frankfurter, who has had such a long and meritorious career on our Supreme Court. I know that Arthur Goldberg as a Justice of the Supreme Court will make a record of which we will all be proud.

I wish to take this occasion to extend to Arthur and to his wife Dorothy all the good things of life that they both so richly deserve.

Mr. CARROLL. Mr. President, will the Senator yield?

Mr. HART. Mr. President, will the Senator yield?

Mr. DOUGLAS. Mr. President, I yield to the Senator from Michigan, with the understanding that the remarks of the Senator will follow those of the Senator from Vermont and will be subsequent to my comments.

Mr. AIKEN. I was going to have my remarks segregated somewhat from the discussion on the pending bill.

Mr. CARROLL. Mr. President, will the Senator yield?

Mr. AIKEN. I apologize for using the word "segregated," but I could not think of another one.

Mr. CARROLL. Mr. President, will the Senator yield?

Mr. AIKEN. If I have the floor, I shall yield.

The PRESIDING OFFICER. The Senator from Illinois had yielded to the Senator from Vermont. Has the Senator from Vermont completed his discussion?

Mr. AIKEN. I have completed my statement.

Mr. HART. Mr. President, will the Senator from Illinois yield?

The PRESIDING OFFICER. To whom does the Senator from Illinois yield?

Mr. DOUGLAS. I do not believe the Senator from Vermont has finished his statement.

Mr. AIKEN. I had finished the statement. I had not taken my seat. If I am permitted to yield to the Senator from Colorado [Mr. CARROLL] or the Senator from Michigan [Mr. HART], I shall be glad to do so. Without objection, I will yield to the Senator from Colorado.

The PRESIDING OFFICER. Without objection, the Senator from Vermont yields to the Senator from Colorado.

Mr. CARROLL. Mr. President, I commend the able Senator from Vermont for a very fine statement. I desire to associate myself with his remarks. As a member of the Senate Committee on the Judiciary I listened very carefully to the President's press conference today. Of course, I have the highest regard for Justice Frankfurter, who has served his country long and well in a most distinguished and learned career. I thought the President's selection of Arthur Goldberg was outstanding. I know him personally. I have observed him as a lawyer, as an administrator, as a public servant. He has appeared before the Senate Committee on the Judiciary on several important occasions. I have followed his work as Secretary of Labor. His character, his public service, his ability, his integrity, his knowledge of the Constitution and the history of America commands the respect of the American people. He is a distinguished lawyer. I know he will do the excellent work that we all expect of him on the Supreme Court.

I thank the Senator from Vermont for his very fine remarks.

Mr. HART. Mr. President, whoever has the floor, I wish he would yield to me.

Mr. AIKEN. Without objection, I yield to the Senator from Michigan.

Mr. HART. Mr. President, the Senator from Vermont and the Senator from Colorado quite properly have responded to the announcement made by the President with respect to the appointment of Arthur Goldberg to the Supreme Court. I share the sentiments expressed by both Senators. I have a very deep conviction that as the record of that Court is written in the generations ahead, a very brilliant chapter will analyze the service on that Court by Arthur Goldberg.

Very little can be added to what I thought was the moving expression by the Senator from Vermont. Yet I believe that the resignation of Justice Frankfurter and the appointment of Arthur Goldberg should remind us that controversy is not foreign to the life of the Supreme Court. In recent years we have been inclined to think that for the first time it has become the center of controversy, and that if that is wrong, someone is at fault.

I am not quite old enough to remember vividly when Justice Frankfurter was nominated to the Supreme Court. However, I have read some of the comments that then were made. I remember some of the predictions on the course he would take on the bench. We know now that those predictions were wrong. Labels were applied to him then which are the reverse of the labels that have been applied now.

In making the appointment, the President has been properly guided by the ultimate assumption that the courts shall be available to each and all, and that in filling a vacancy on the Court, the President is not looking for a man who will consider it the duty of the Court to stamp automatically with approval every prior and earlier decision. Certainly that helps to insure justice, but it does not insure justice. Sometimes, with the passage of time, what appeared to be just and right in one generation later proved to be wrong in another generation.

I believe that Arthur Goldberg will be sensitive to both of these aspects of his Court role. As one member of the Judiciary Committee I shall be glad to give the Senator from Colorado [Mr. CARROLL] an opportunity to affirmatively vote for the confirmation of the nomination.

Mr. AIKEN. I wish not only to thank the Senator from Illinois [Mr. DOUGLAS] for yielding the time, and to say that the yielding has been worth while, but also to congratulate him on having such an able and distinguished constituent that the President has seen fit to choose Arthur Goldberg of Illinois to sit on the Supreme Court of the United States.

Mr. DOUGLAS. I thank the Senator from Vermont and the Senator from Michigan. This is one of those rare occasions when it is delightful to be interrupted in one's speech. Earlier this afternoon I had the pleasure of making the announcement that the President had appointed Mr. Goldberg, and expressing to the Senate my great pride in him as an individual, and my great pride in the President of the United States.

Since I am in a yielding and forgiving mood, I will be glad to yield to the Senator from Ohio, who, I believe, wishes to present an amendment. I do so with the understanding that all of these interruptions will be printed at the conclusion of my remarks.

The PRESIDING OFFICER. Without objection it is so ordered.

SUBSIDIZATION OF MASS TRANSPORTATION SYSTEMS

Mr. LAUSCHE. Mr. President, pending on the calendar is a bill which contemplates the authorization of $500 million in grants over a period of 3 years as a subsidization to local governmentally operated mass transportation systems. That bill, while it deals substantially with commerce, was referred to the Banking and Currency Committee for consideration, and not to the Commerce Committee, where it properly belonged.

About a half-hour ago I had a talk with the chairman of the Commerce Committee, the Senator from Washington [Mr. MAGNUSON], telling him that I contemplated, if and when the bill is called up for consideration, moving that the bill be sent to the Commerce Committee for its attention and consideration.

The Senator from Washington—not only today, but also when the bill was sent to the Banking and Currency Committee—agreed with the Senator from Ohio that the bill deals primarily with subjects which are within the jurisdiction of the Commerce Committee.

The bill, as is known by Members of the Senate, contemplates making available $500 million as a subsidy to local governmentally operated transportation systems. The $500 million is a mere drop in the bucket of what the final cost will be if there is to be a subsidization to practically 1,300 privately and governmentally owned systems.

If that whole gamut of operations is to be covered—and in my opinion the ultimate result of the provisions will mean that all of them will have to be subsidized—in my judgment the amount needed will be not $500 million, but probably $12 to $15 billion.

Mr. President, the subject of which I speak is pertinent in connection with the general subject of discussion that has been taking place on the tax bill. It will be more pertinent when the tax bill of next year comes before the Senate. It will be pertinent because it foretells the complications that are to come when we decrease taxes but increase spending. Probably a dozen bills that are contemplated for consideration and that are pending entail expenditures in a sum, when placed face to face with the purpose of reducing taxes, which in the end will be calamitous to our whole system.

I make this statement so that the Senate will know in advance that when the new subsidy bill comes before this body, I shall ask that we abide by the rules and send the bill to the committee which, under the rules, legitimately has jurisdiction of it.

I yield the floor.

REVENUE ACT OF 1962

The Senate resumed the consideration of the bill (H.R. 10650) to amend the Internal Revenue Code of 1954 to provide a credit for investment in certain depreciable property, to eliminate certain defects and inequities, and for other purposes.

Mr. SMATHERS. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. BURDICK in the chair). The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. SMATHERS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The **PRESIDING OFFICER.** Without objection, it is so ordered.

Mr. SMATHERS. Mr. President, I rise in support of the committee amendment to substitute for withholding on dividends and interest a requirement for the reporting of dividend and interest payments.

As a member of the Senate Finance Committee which considered this proposal, and as one who has listened to thousands of words of testimony and received thousands of letters from constituents, I have found few individuals or organizations expressing any sentiment in favor of it.

I recognize, of course, that we must find a way which will enable the Treasury Department to collect all of the tax revenue due from these taxpayers.

Certainly, I would not favor the continuation of the existing situation in which the Treasury Department tells us that there is some $850 million to a billion dollars of tax due in the case of dividends and interest which presently is not being paid.

I agree that we must find a way to insure the payment of tax due on these dividends and interest. I do not believe it has been demonstrated, however, that withholding is the best procedure for assuring the collection of this tax.

Withholding has been presented to us as a simple and effective procedure for collecting the tax due on dividends and interest. The facts, however, do not bear this out. The statutory language included in the House bill which deals with withholding itself covers nearly 50 pages. But this is not the major consideration. The major consideration is the effect of a withholding tax law on the taxpaying public, on the businesses and banks paying dividends and interest to their savers and shareholders, and the administrative burdens imposed on the Internal Revenue Service.

First, let us look at it from the standpoint of the individuals receiving dividend and interest payments. A 20-percent withholding rate, as provided by the House bill, would be very burdensome to many taxpayers. This is indicated by the fact, which is substantiated by the Internal Revenue Service, that the average effective tax rate on adjusted gross income of those paying tax is 13.3 percent. This means, right to begin with, that a withholding rate of 20 percent for the average taxpayers means "overwithholding" to the extent of 6.7 percentage points. This is inevitable in a withholding system which does not take into account personal exemptions, itemized deductions, nor even the standard deduction, the retirement income credit, or the special exemption for the aged.

The House bill itself recognized that a flat 20-percent withholding would be too burdensome, and, therefore, provided an exemption certificate system.

This exemption certificate system, however, was much more limited in its application than is generally understood. It would be available for all individuals under age 18, but for those 18 or over the exemption certificates could be used only by those who are willing to certify before the beginning of the year that they do not expect to have any tax liability—I emphasize the words "any tax liability."

Those who expected to have $1 of tax liability, even though withholding exceeds by many times the amount of that tax liability, nevertheless would not be eligible to file exemption certificates.

Moreover, even those who are eligible to file exemption certificates under the House bill would have to file a separate certificate each year for each separate bank account or shareholding or patronage dividend even though the amount of income involved was only $5 or, for that matter, only 5 cents.

In many cases the Government would be unjustly enriched in these situations because the taxpayers, when the amounts were small, would be likely to neglect to file either the exemption certificates or to claim a refund at the end of the year.

For taxpayers with any tax liability, the quarterly refund was the only procedure provided by the House bill to restore overwithheld amounts before the end of the year.

This still would deprive the taxpayer of the use of his own funds for at least a portion of the year. It also would present him with the nuisance and worry of having to file a quarterly refund claim.

Only one refund claim could be filed by the taxpayer during any quarter. As a result, if he received dividend or interest income from more than one source and this income was paid to him at different times during the quarter, he would have to wait until after the receipt of the last income during the quarter before filing the refund claim—if he hoped to receive a refund with respect to this amount at that time.

As a result, if a taxpayer received income both early and late in the quarter, he would be deprived of the use of 20 percent of at least part of this income received for the entire 3-month period.

In addition, a period of time would elapse after the refund claim was filed before the Government returned the money to the taxpayer.

The Treasury Department has said that this could be done in 3 or 4 weeks. Personally, I would be inclined to doubt whether in practice it would actually be quite this soon. In any case, this can mean that the taxpayer would be deprived of the use of his own funds for a period of up to approximately 4 months. This, of course, could reoccur each quarter with respect to the income received in that quarter. As a result of this, the proposed withholding system would deprive taxpayers of the use of their own funds for living expenses for an average period of up to 4 months, or deprive them of the investment return on the average for up to the same 4-month period.

I should also point out that since for the fourth quarter of the year the regular refund provision would not be available, the taxpayer would have to claim the refund for this quarter on his regular tax return. The delay in this case might be still longer than I have indicated. This would be likely, because it probably would require additional time for the taxpayer to prepare his regular tax return since he would have to wait for his W-2 withholding slip from his employer—which probably would be well along in January—before filing his return.

The worry and concern involved in filing this quarterly refund claim for the small taxpayer can hardly be imagined. Filing an annual tax return is something he has gradually become accustomed to over a long period of time. In any case, the quarterly refund claim would be quite new to him.

On this he would have to list his exemptions and any retirement income credit he expects. Next, he would have to substract any nondividend or noninterest income he received. Then, for what would certainly appear to be an unknown reason to him, he would have to multiply what was left after this subtraction by 22 percent. Next he would have to list any dividend and interest income he received during the quarter, and determine 20 percent of this amount. The result then would be subtracted from the previous computation. While this would be all of the computing the taxpayer would have to do in the first quarter, if there were changes in the subsequent quarters he would have to go through the computations again and take into account, in addition to all that I have already mentioned, the amounts which had been refunded in prior quarters.

Another area of complexity for the taxpayer would be in filing his regular tax return. The complexity here involves the so-called gross-up procedure. This is the procedure whereby the taxpayer would be required to enter on his tax return the net interest or dividends received and then to increase this amount by one-fourth. Taxpayers would have difficulty in understanding why they should report more dividend or interest income than they received.

In addition, the instructions with the tax return would have to have detailed information indicating that some dividends and interest should be grossed up while others should not be.

This would make it necessary to have separate boxes on the tax return for dividends to be grossed up and dividends not to be grossed up, and for interest to be grossed up and for interest not to be grossed up.

Next, the taxpayer would have to figure out into which of the particular boxes he should place the type of interest or dividend income which he received. Interest income received from other individuals, for example, he would enter in the box where no gross-up was to be provided. Similarly, dividend income received from foreign corporations would go in the box where no gross-up was to apply. Moreover, if he erred and got such dividends or interest in the wrong box on his return, there would be a windfall gain for the Government.

I believe it is abundantly clear that the exemption certificate and refund procedure that I have outlined above would be complicated.

These procedures would be sufficiently complicated to the point that those with small accounts would be unlikely to go to the bother of obtaining the necessary information to get their money back when no tax was owed.

It has been estimated that there are 79 million savings accounts in the Nation on which less than $5 would be withheld each year. This is wholly apart from the school savings accounts which would be specifically exempted from the House withholding provision.

It is quite likely that in a large proportion of these cases no tax would be due, but because of the complexity in obtaining an exemption certificate or quarterly refund the taxpayer would fail to get back the withheld amount due him. As a result, the Treasury would obtain a windfall gain and the taxpayers would suffer a windfall loss.

Still another problem presented for the taxpayer by the withholding provisions is the fact that the withholding system would interfere with the taxpayer's choice as to which funds he would accumulate and as to which funds he would use to pay his taxes.

Many individuals have embarked on planned savings programs whereby they intend to accumulate a certain fund of capital for a particular purpose such as retirement, a college education for their children, or for some other special purpose.

To accomplish this purpose they plan to set aside a given amount of money periodically so that at a given time this accumulation will reach a predetermined amount. Included in their calculation is a compounding of the dividend and interest income.

Moreover, some specialized funds are set up in such a manner as to make such an accumulation a permanent feature of their plan.

By withholding on dividends and interest, we would prevent the taxpayer from using his discretion in paying taxes due out of other funds such as current income. In this way, the withholding provision would penalize the saver with a planned saving program.

The scope of the problem for the payors of dividends and interest is indicated by the number of the various types of accounts or stock on which there would be withholding.

Savings and loan associations in 1961 had over 32 million savings accounts. Mutual savings banks had nearly 23 million such accounts. Credit unions have 12 million more. Commercial banks account for 62 million more savings accounts, and postal savings slightly over a million additional. In all, it has been estimated that there are some 130 million savings accounts in the Nation.

In addition, the House provision calls for withholding on policyholder dividends which are left to accumulate with the insurance companies. The House provision also applies to dividends of various corporations. There are 118 million policyholders in insurance companies, a large proportion of which undoubtedly will accumulate policyholder dividends. In the case of corporations generally, there are some 17 million shareholders in the country.

At the present time the relationship between these savers and stockholders and the payors frequently is an impersonal one, and the contact of the payors with these recipients of dividends and interest frequently is handled solely or primarily by the mails.

A withholding tax and the accompanying exemption certificates would force these payors into a much more extensive and elaborate correspondence, or contact with their savers and shareholders to inform them of the withholding tax, to answer their particular questions as to how it works in individual cases, and then to find out whether they wish to file an exemption certificate and to explain to them how this works.

The initial burden for the payors is an exceedingly heavy one, because in reality the payors, in order to keep their customers, must explain to them how the system works, and educate them as to how to claim quarterly refunds or file exemption certificates. This is not solely a one-shot proposition, however, as the exemption certificates, under the House bill, are annual, which will require a renewal of these contacts or correspondence each year.

In addition to this educational problem with interest and dividend recipients, the payors must also classify their savers or stockholders according to the circumstances surrounding their exemption or absence of exemption from withholding.

Since most payors of dividends and interest classify their accounts or stockholders on an alphabetical or numerical basis, this new classification will change almost completely the procedure they use. It will not be limited merely to two categories, those exempt and those not exempt.

The types of accounts will have to be segregated and placed under separate controls and at least include the following categories:

First. Accounts of individuals under 17 for which exemption certificates have been filed. A separate classification is needed in this case since these certificates expire automatically in the calendar year in which the individual reaches the age of 18.

Second. Individuals over 17 for whom temporary exemption certificates have been filed.

Third. Accounts for tax-exempt organizations.

Fourth. School savings accounts, since these are nonsubject to withholding.

Fifth. Accounts of States, municipalities, their agencies and instrumentalities.

Sixth. Accounts of nonresident aliens. As under existing law these accounts may have to be subdivided according to treaty rate in each case.

Seventh. All other accounts.

Additional problems will arise for the payors in their handling of trust accounts. The House withholding provision is silent as to the manner in which these accounts are to be handled thereby, apparently precluding the filing of exemption certificates in their case. Yet the beneficiary in any of these accounts might be a person who would otherwise qualify for the filing of an exemption certificate.

The administration of the proposed system of withholding on dividends and interest would be far from simple for the Internal Revenue Service.

The educational program which will have to be carried on by the payors must also be shared with the employees of the Internal Revenue Service. They, too, will be called upon in thousands of cases to explain why an individual is receiving 20 percent less than the amount expected, should the withholding provision be adopted.

The Internal Revenue Service would also be faced with the necessity of developing a new program for handling the quarterly refunds. It would undoubtedly require an entirely new and distinct unit in the Internal Revenue Service to handle these special refunds.

The Internal Revenue Service would also find its auditing problem considerably increased or else put up with numerous opportunities for tax avoidance. It would be required to follow through on the exemption certificates, in a large number of cases to make sure that the individuals involved really had no tax liability. Not to do so would be an invitation to file these exemption certificates even though tax was due. It would have to carefully check the returns of those who claimed quarterly refunds to make sure that the interest and dividend refunds were actually attributable to dividends or interest received.

Another check would be necessary to make sure that these refunds are properly reported on the final tax returns. A still further check would be necessary to be sure that there is no overlapping of the filing of exemption certificates with the claiming of quarterly refunds.

Frequently the statement is made "We have withholding on salaries and wages, why are dividends and interest recipients so much better that there should not be withholding on them?" There are, however, many differences which make a withholding system much less practical in the case of dividends and interest.

In the case of wage and salary withholding, it is possible to calculate quite closely the actual amount of tax owed by the individual involved. Here it is possible to take into account the number of his exemptions, as well as the 10-percent standard deduction.

On the other hand, the 20-percent withholding for interest and dividends provided by the House bill makes no allowance for exemptions and no allowance for the standard deduction. In the case of dividends received it makes no allowance for the 4-percent credit or the $50 exclusion. In addition, the 20-percent rate itself is substantially over the average effective rate applying to individuals generally.

In the case of wage and salary withholding, the taxpayer normally deals with only one employer, with whom he comes in frequent contact, either directly or with the employer's agent.

In the case of dividends and interest, the recipient may deal with numerous corporations with which he never comes in contact, except through the mails.

Though the wage and salary withholding requires a large and complex collection system, the revenue yield of some $20 billion makes it more practical compared to setting up a similar but more complicated method where the aggregate amount involved would be less than one-twentieth of this amount.

The Finance Committee, for reasons such as those that I have outlined—and there are many others which I presume will be gone into later on in the debate—abandoned the idea of the withholding system and substituted procedures for improved dividend and interest reporting.

The committee amendment requires payors of dividends and interest to report both to the Internal Revenue Service and to the taxpayers receiving dividends and interest from any payor of $10 or more.

At the present time, payors of dividends report this information to the Treasury but most of them do not do so on an annual basis and no copies of this information are required to be sent to the taxpayer although it is understood that some do so on a voluntary basis.

In the case of interest no report is made to the Treasury unless the amount involved exceeds $600 per year per payor.

I am convinced that requiring reporting to the Internal Revenue Service of all dividend and interest payments of $10 or more, coupled with the requirement that this information also be presented to the taxpayer on an annual basis, will result in an immediate substantial increase in collecting the tax due on dividends and interest. In the long run, as the Internal Revenue Service automatic data processing system becomes effective, it should result in the collection of substantially as much as a withholding system.

On that point I should like to add that this morning's issue of the Wall Street Journal contained a story, apparently issued by the Internal Revenue Service, that the Service is rapidly installing and putting into effect the system of numbering accounts. Once the numbered account system is in operation, under the law the Internal Revenue Service would require the information to go out to the recipients of dividends and interest. When that program has been finally completed, which we believe will be within a year or 18 months, we believe the money due and owing to the Government will be paid.

One point should be made abundantly clear, and that is that the average taxpayer is honest and wants to report all income received for tax purposes.

I am not one of those who believe that all the savers and interest receivers and all dividend receivers in my State or, for that matter, any other State are crooks. I believe that in most instances those people would be willing to pay their taxes, but that the truth of the matter is they have not realized that they are supposed to pay a tax on some of their accumulations, particularly in savings accounts, when only $5 or $6 in interest is added in their passbook possibly on a yearly basis. I do not believe those people are willful tax dodgers. I believe that if they knew that they were supposed to pay a tax on their accumulations in most instances they would pay the tax.

I believe that the notification system would bring about this information on the part of the recipients of dividends and interest payments and that they in turn will then make the payments which are due and owing. Certainly with the system of notification and the processing of the numbering system, the IBM machines would be able to pick out very quickly the few persons who have received payments of dividends and interest and who have not reported them on their tax returns. It would be very easy to ascertain who has not paid his tax when we get this system working, and we expect that it will be working within the next year or 18 months.

The main reason why interest and dividends are not reported as income in the majority of cases is because of the fact that the taxpayer did not know this should be done. These individuals are not tax dodgers or tax evaders. If they had known that under our complex tax system they should have reported all interest and dividends received as income they would have done so. With the reporting system, as recommended by the Finance Committee, placed in effect this, in my opinion, will provide an effective means of making sure that all taxpayers report taxable income from whatever source received.

Let me list a few of the reasons why the reporting system will accomplish this objective:

First. In many instances the taxpayer does not know the actual amount of interest paid or credited to his account. Obviously, if the taxpayer does not know how much interest he has received, he cannot be at all accurate in reporting this income on his tax return. In the case of most savers, the dividends or interest which they earn on their account is not paid to them in cash, but rather is credited to their account balance. The only way a saver knows the exact amount of his interest or dividend income is to have this amount credited to his passbook. In the case of a substantial number of savers, passbooks are not presented to the financial institution for such crediting early enough in the year to provide them with this information. By sending form 1099 to these savers, this problem will be overcome and savers will be fully and properly informed as to the amount of dividends and interest credited to their accounts.

Second. Many savers and investors who do receive dividends and interest by check are not accustomed to maintaining accurate records regarding this type of income. Consequently, they may have forgotten the amount they received by the time they file their tax returns. By sending taxpayers form 1099, this problem will be eliminated.

Third. Treasury officials admit that ignorance on the part of the taxpayer that dividend and interest income is subject to Federal income tax has been a major contributing factor to the under-reporting. When corporations send this taxpayer an official income tax form stating the amount which he has received during the previous year and emphasizing the fact that this income is subject to tax and should be included as such in his tax return, this problem will be overcome.

Fourth. The saver or investor who in the past has deliberately failed to report his dividend and interest income no longer will be inclined to do so now that he knows that the Treasury has been notified as to the amount of this type of income that he has received.

The fact that there is a considerably higher percentage of corporate dividends reported on individual income tax returns than interest payments—92 percent versus 73 percent of the payments attributable to taxable individuals—undoubtedly is due to the fact that these individuals know the amount of their corporate dividends and know that the Treasury has been informed. By reducing the level of interest reporting from $600 to $10, it is only logical to assume that reporting of interest income will increase considerably.

It is clear that the installation of automatic data processing equipment, the tax numbering system, and an improved system for dividend and interest reporting can result in the virtual elimination of the loss of revenue resulting from the nonpayment of tax on dividend and interest income.

Let us not abandon these tools which are available and in their place hang the millstone of withholding around the neck of the American taxpayer. On four previous occasions the Senate has defeated this withholding proposal.

In my judgment and the judgment of the majority of the members of the Committee on Finance, and I believe it will be the judgment of the Senate again, this so-called withholding of interest and dividends proposal should be defeated.

Mr. President, I ask unanimous consent to have printed in the RECORD at this point copies of the various complex forms, prepared by the Treasury Department, which would be used if the withholding provision were adopted.

There being no objection, the forms were ordered to be printed in the RECORD.

Exemption certificate, form No. 1

PROPOSED FORM	U.S. Treasury Department—Internal Revenue Service EXEMPTION CERTIFICATE FROM WITHHOLDING ON DIVIDENDS AND INTEREST File with payor named below. (See instructions on reverse side)	1. Identification Number (See instructions) 514-91-2078

2. TO: Name of Dividend or Interest Payor Anytown Bank			3. FROM: Name of person claiming exemption John F. and Mary L. Smith		
Address (number and street) 1412 Main Street			Address (number and street) 1000 Oak Street		
City, town, or post office Anytown	zone 12	State Md.	City, town, or post office Anytown	zone 6	State Md.

4. I certify that I am exempt from the withholding of tax on any interest or dividends that you may pay me on or after ....1/1/62........ (date) for the reason checked below:

(a) ☐ I will be under 18 years of age as of the close of the first calendar year for which this certificate is effective. Date of birth .... (month day year)

(b) ☒ I will be 18 or over as of the close of the first calendar year for which this certificate is effective and reasonably believe that no tax liability will be due for my taxable year in which this certificate goes into effect.

(c) ☐ Tax exempt organization.

Sign here JOHN F. SMITH 11-26-62
(Signature and date)

(If for husband and wife both must sign)

MARY L. SMITH 11-26-62
(Wife's signature and date)

WITHHOLDING ON DIVIDENDS AND INTEREST

The attached forms illustrate how the quarterly refund system would operate for Mr. and Mrs. Jones, a retired couple both over age 65:

The Jones family receives the following income during 1963:

Mr. Jones:	
Dividends from General Motors (paid quarterly)	[1] $800
Social security benefits	1,200
Pension (all taxable)	1,200
Mrs. Jones:	
Dividends from General Electric (paid quarterly)	[1] 400
Joint income:	
Interest on savings account (paid quarterly)	[1] 2,000
Total	5,600

The Joneses expect to itemize deductions for the year and believe that they will have $1,000 of deductions.

As shown on the forms, the Joneses have a refund ceiling for the year of $440 and will receive quarterly refunds of $160, $160, and $120 respectively. They will claim a refund of $56 on their tax return for the year computed as follows:

Dividends and interest (less $100 exclusion)	$3,100
Pensions	1,200
Total	4,300

Less:	
Personal exemptions	$2,400
Itemized deductions	1,000
Total	3,400
Taxable income	900
Tax at 20 percent	180
Less 4 percent dividend credit	36
Balance	144
Credit for tax withheld	200
Refund	56

[1] Gross amount including tax withheld.

First quarter refund claim, form No. 2

PROPOSED FORM

INITIAL CLAIM FOR REFUND OF TAX WITHHELD FROM DIVIDENDS AND INTEREST OF INDIVIDUAL TAXPAYERS
File only one claim in each quarter. (See separate instructions.)

PLEASE PRINT →	1. Name John F. and Mary L. Jones			2. Your Identification Number 514-01-2078
	Address (number and street) 964 Oak Street			3. Wife's Identification Number 141-16-9940
	(City, town, or post office) Anytown	(zone) 6	State Md.	4. Claim covers period: from Jan. 1, 1963 to March 31, 1963

DIVIDENDS AND INTEREST RECEIVED FROM WHICH FEDERAL INCOME TAX WAS WITHHELD DURING PERIOD SHOWN IN ITEM 4

Name of Payor	Amount received after withholding
5. General Motors	$ 160.00
General Electric	80.00
First National Bank	400.00
6. Total	640.00
7. 25% of line 6 above. (Enter here and on line 8, page 2) →	160.00

U.S. Treasury Department—Internal Revenue Service

COMPLETE AND SIGN OTHER SIDE

—FRONT—

Tab Card 7⅜ x 3¼

REFUND COMPUTATION

8. Enter amount shown on line 7, page 1		$ 160.00
9a. Number of exemptions 4, multiplied by $600	2,400.00	
b. Estimated deductions: Standard or itemized	1,000.00	
c. Enter your estimated retirement income (see instructions)		
10. Total of lines 9a, b, and c	3,400.00	
11. Estimated income (except dividends and interest subject to withholding)	1,200.00	
12. Line 10 less line 11	2,200.00	
13. 20 percent of the amount on line 12		440.00
14. Refund claimed. Amount on line 8 or 13, whichever is smaller. (Refund will be made for this quarter only if claim amounts to $10 or more)		$ 160.00

I declare under the penalties of perjury that this claim has been examined by me and to the best of my knowledge and belief is true and correct.

JOHN F. JONES 4-1-63
(Signature and date)

(If joint claim, BOTH HUSBAND AND WIFE must sign)

MARY L. JONES 4-1-63
(Wife's signature and date)

Second quarter refund claim, to be mailed to taxpayer by Internal Revenue Service, form No. 3

Proposed Form

CLAIM FOR REFUND OF TAX WITHHELD FROM DIVIDENDS AND INTEREST
FOR USE IN CLAIMING ADDITIONAL REFUND FOR 3-MONTH PERIOD BEGINNING APR. 1, 1963

PLEASE PRINT	Name • John F. and Mary L. Jones		Claim No. 514-91-2078	A. Estimated refund ceiling for year • 440.00
	Address (number and street) • 964 Oak Street			B. Refunds previously made • 160.00
	City, town, or post office • Anytown	Zone 6	State Md.	C. Balance of estimated refund ceiling • 280.00

To claim your additional refund, please answer the following question and furnish the information required: Has there been any change in your income tax exemptions, estimated deductions, retirement income credit, or an increase of more than $100 in the other income amounts as reported in your original claim?

☐ Yes ☒ No

D. If "No", complete Schedule A on reverse and enter amount from line 3, Schedule A. $160.00
Your refund will be the smaller of Item C or D. Refund will be made for this quarter only if claim amounts to $10 or more.

E. If "Yes", complete Schedules A and B on reverse.

I declare under the penalties of perjury that this claim has been examined by me and to the best of my knowledge and belief is true and correct.

Sign here JOHN F. JONES 7-1-63 .... MARY L. JONES 7-1-63
(Signature and date) (If joint claim, BOTH HUSBAND AND WIFE must sign) (Wife's signature and date)

•Filled out by Internal Revenue Service.

SCHEDULE A.—DIVIDENDS AND INTEREST RECEIVED FROM WHICH FEDERAL INCOME TAX WAS WITHHELD DURING PERIOD COVERED BY THIS CLAIM

	Name of Payor	Amount received after withholding
1.	General Motors $160; General Electric $80 First National Bank	$ 240.00 400.00
2.	Total	640.00
3.	25 percent of line 2	160.00

SCHEDULE B.—REFUND COMPUTATION (Complete only if the question on the face of this form is answered "Yes.")

4a.	Number of exemptions ......, multiplied by $600		
b.	Estimated deductions: Standard or itemized		
c.	Enter your estimated retirement income (see instruction)		
5.	Total of items 4a, b, and c		
6.	Estimated income (except div. and int. subject to withholding)		
7.	Line 5 less line 6		
8.	20 percent of amount on line 7		
9.	Less: Amounts withheld on dividends and interest previously claimed		
10.	Balance of refund ceiling (Line 8 less line 9)		
11.	Refund claimed. Amount on line 3 or 10, whichever is smaller (Refund will be made for this quarter only if claim amounts to $10 or more)		$

Third quarter refund claim, to be mailed to taxpayer by Internal Revenue Service, form No. 3A

Proposed Form

CLAIM FOR REFUND OF TAX WITHHELD FROM DIVIDENDS AND INTEREST
FOR USE IN CLAIMING ADDITIONAL REFUND FOR 3-MONTH PERIOD BEGINNING JULY 1, 1963

PLEASE PRINT	Name • John F. and Mary L. Jones		Claim No. 514-91-2078	A. Estimated refund ceiling for year • $440.00
	Address (number and street) • 964 Oak Street			B. Refunds previously made • $320.00
	City, town, or post office • Anytown	Zone 6	State Md.	C. Balance of estimated refund ceiling • $120.00

To claim your additional refund, please answer the following question and furnish the information required:
Has there been any change in your income tax exemptions, estimated deductions, retirement income credit, or an increase of more than $100 in the other income amounts as reported in your original claim? ☐ Yes ☒ No

D. If "No", complete Schedule A on reverse and enter amount from line 3, Schedule A $160.00
Your refund will be the smaller of Item C or D. Refund will be made for this quarter only if claim amounts to $10 or more.

E. If "Yes", complete Schedules A and B on reverse.

I declare under the penalties of perjury that this claim has been examined by me and to the best of my knowledge and belief is true and correct.

Sign here JOHN F. JONES 10-1-63 MARY L. JONES 10-1-63
(Signature and date) (If joint claim, BOTH HUSBAND AND WIFE must sign) (Wife's signature and date)

•Filled out by Internal Revenue Service.

SCHEDULE A.—DIVIDENDS AND INTEREST RECEIVED FROM WHICH FEDERAL INCOME TAX WAS WITHHELD DURING PERIOD COVERED BY THIS CLAIM

	Name of Payor	Amount received after withholding
1.	General Motors $160; General Electric $80 First National Bank	$ 240.00 400.00
2.	Total	$ 640.00
3.	25 percent of line 2	$ 160.00

SCHEDULE B.—REFUND COMPUTATION (Complete only if the question on the face of this form is answered "Yes.")

4a. Number of exemptions _____, multiplied by $600

b. Estimated deductions: Standard or itemized

c. Enter your estimated retirement income (see instructions)

5. Total of items 4 a, b, and c

6. Estimated income (except dividends and interest subject to withholding)

7. Line 5 less line 6

8. 20 percent of amount on line 7

9. Less: Amounts withheld on dividends and interest previously claimed

10. Balance of refund ceiling (Line 8 less line 9)

11. Refund claimed. Amount on line 3 or 10, whichever is smaller (Refund will be made for this quarter only if claim amounts to $10 or more) $

Annual statement of refunds to be furnished by Internal Revenue Service, form No. 4

Form (Aug. 1961)
U.S. Treasury Department
Internal Revenue Service
Address any inquiry to—
[Internal Revenue Service,
Baltimore 2, Maryland.]

Claim Account No. 514-91-2078

Refunds made this year $440.00

DETACH AND KEEP THIS STUB WITH THE RETAINED COPY OF YOUR INCOME TAX RETURN

Form
(Aug. 1961)

STATEMENT OF REFUNDS MADE ON DIVIDENDS AND INTEREST
REFUND CLAIM ACCOUNT

Refund(s) of income taxes withheld from your dividend and interest in the amount indicated below were made to you during calendar year 1963.
Please attach this statement to your Income Tax Return, Form 1040, and file it with your District Director.

Your claim Account No. 514-91-2078

Refund made this year $440.00

Name
John F. & Mary L. Jones

Address (Number and street)
964 Oak Street

City or town Anytown
Zone 6
State Md.

DO NOT FOLD, STAPLE OR MUTILATE

Mr. SMATHERS. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. SMATHERS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. LAUSCHE. Mr. President, I send to the desk an amendment which would delete section 18 from the pending bill, if and when it finally is included in it.

This amendment would delete section 18 of the bill, relating to inclusion of foreign real property in gross estate and substitutes for it a new provision which requires foreign real property acquired in contemplation of death to be included in the gross estate of a U.S. citizen or resident. The amendment will prevent the avoidance of the U.S. estate tax through the ownership of foreign real property and will do so in a manner which will not raise any constitutional issue. Under the amendment, any acquisition of foreign real property is prima facie deemed to have been made in contemplation of death and this places the burden on the estate to show that it was not so acquired if the U.S. estate tax is to be avoided.

I ask unanimous consent that the amendment may be printed.

The PRESIDING OFFICER. The amendment will be received and printed, and will lie on the table.

SUPPORT WITHHOLDING DIVIDENDS AND INTEREST AT SOURCE

Mr. DOUGLAS. Mr. President, we now move to one of the most important features of the bill—namely, the proposal of the Senate Finance Committee to eliminate the provisions for withholding at the source the tax already owed on dividends and interest, as a basic provision in connection with the income tax. On this question a vote "yea" will be to eliminate the withholding feature for dividends and interest; a vote "nay" will be to uphold the withholding feature for dividends and interest.

Mr. President, last year, when the President submitted his tax program to Congress, he included as one of its integral and most important parts—indeed, as the chief reform proposed—the provision for withholding on dividends and interest. That was embodied in the tax bill submitted by the President to the House of Representatives; and it was approved by the Ways and Means Committee, earlier this year, and was passed by the House.

It was eliminated from the House version of the bill by the Senate Finance Committee, by a vote of 12 to 5. The Senate is now being asked to uphold the committee's amendment, which is directly contrary to the President's recommendation.

A PRESIDENTIAL PROPOSAL

Only last week the President again declared himself on this subject; and the one feature of the tax measure which he singled out for comment was this one. He expressed the hope that Congress might retain the withholding provision. So there is no doubt that the President wants to have withholding of the tax already owed on dividends and interest, just as there now is withholding on wages and salaries.

I had hoped that voices more influential and more eloquent than mine would be raised in support of this proposal of the President. I had hoped that the senatorial leaders of my party might take the floor to defend the President's program. I admit that I have a certain feeling of sickness of heart when I look around this vast Chamber and find only three other Senators present, and find that many Senators who, in my judgment, should be speaking and working for the President are either absent from the floor or are working and speaking against this program.

As I have said, I personally feel somewhat unworthy to take on this burden; and I admit that one has moments of discouragement, particularly after the two defeats which we of the liberal bloc suffered, yesterday and today. Yesterday by a vote of 52 to 30, when the mangled version of the investment-credit provision was inserted in the bill; and only a few minutes ago, by the extraordinary vote of 54 to 39, when in opposition to the President the Senate opened wide the door for the continuation of the abuses in the field of expense accounts.

So the fact that many Members of the Senate have not answered the quorum call and the attitude of the leaders of my party on the floor of the Senate all make me realize that in all probability I am speaking in vain.

The question is whether one should stand up—in opposition to this powerful steamroller—to speak from a back bench in behalf of the President's program, when those who sit in the front benches and the seats of the mighty do not take the field to defend it.

PRESENT WAGE WITHHOLDING 20 YEARS OLD

Mr. President, 20 years ago, almost to the day, the Congress, while in the midst of World War II, imposed a withholding tax on wages and salaries. At that time, great objection was voiced in Congress to that proposal. It was said to be unjust. It was said that it would deprive wage earners and salaried workers of income which they should keep until the end of the year. It was said to be unworkable administratively. It was said to place too great a burden upon employers, who would have to make the deductions. But it was passed; and it has now been the law for 20 years, and it is an integral part of our revenue system. From it are collected many billions of dollars, with comparative success.

WITHHOLDING A CENTURY OLD

Mr. President, the principle of withholding at the source is not a recent one. In 1862, in the midst of the Civil War, Congress passed an income tax, and it remained on the statute books for approximately 10 years. That income tax had as a feature the withholding of the tax on governmental salaries, both civil and military, and also the withholding of the tax on interest and dividends paid by railroads, banks, trust companies, and insurance companies—which were about the only types of corporations in the United States at that time. Thus, for 10 years, withholding at the source was an integral part of that first Federal income tax.

In 1871, under the corruption of the Grant administration, that income tax was repealed. An income tax was later passed in the 1890's, but was declared unconstitutional by the Supreme Court. But a constitutional amendment was ratified by the States in 1912 or 1913, and it permitted the Federal Government to levy an income tax. In 1913 the Federal Government again levied an income tax; and it is upon the foundation of that tax that we have now continued for 49 years.

WITHHOLDING PART OF 1913 INCOME TAX LAW

The basic administrative method in that first pre-World War I income tax was withholding at the source; and it was applied to wages, salaries, dividends, and interest. It was an across-the-board withholding system.

It was built not only on the experience which we had during the Civil War and the post-Civil War years, but it was also built upon the basic principle which had been embodied in the British income tax laws, of withholding at the source. This system has been in effect decade after decade in Great Britain, and it has worked very well.

In 1916, when the income tax law was revised, the withholding feature was eliminated. Then for 26 years wages and salaries and dividends and interest were reported by the recipients and taxes were paid on them by the recipients with no withholding at the source.

WITHHOLDING ON WAGES APPLIED AGAIN IN 1942

But in 1942, as I have said, the Congress of the United States applied withholding to wages and salaries, but did not apply withholding to dividends and interest.

The result has been that for 20 years we have operated under a system of withholding on wages and salaries, but not on dividends and interest.

I do not think it is necessary for me to point out that those who receive wages and salaries have, on the average, lower incomes than those who receive dividends and interest. The average salary of employed workers in manufacturing is a little under $100 a week. There is, however, some unemployment in the country. Therefore, I suppose the average salary received in manufacturing tends to be somewhat less than $5,000 a year. More than half the wage earners receive less than this amount.

So, in the main, it is the lower income groups which have their basic income tax withheld against them, and they can get a refund of the amount withheld in excess of the taxes they owed, but only at the end of the year. For a year they are deprived of the use of the money. I am informed that approximately 60 million wage and salary workers have their income tax withheld in this fashion. This is very interesting, for 37 million of them, or about 60 percent, file claims for refunds at the end of a year. The records show that these refunds are made within 3 to 4 weeks, and that the average amount of the refunds is $142.

There has been very little complaint against this type of withholding during the last 20 years.

Mr. HARTKE. Mr. President, will the Senator yield?

Mr. DOUGLAS. I yield.

Mr. HARTKE. What happens to a wage earner who has had his taxes withheld, and has overpaid his taxes, if he does not make an application for a refund?

Mr. DOUGLAS. As I understand it, he is out of luck.

Mr. HARTKE. This is the story that is being told by people who would have their taxes on interest withheld. They say, "Suppose I do not make an application for refund?" Would they be in any worse position than wage earners who did not make applications?

Mr. DOUGLAS. Not at all. In fact, they would be better off, because as a group their incomes are higher.

In connection with dividends and interest, an automatic refund is provided after the first application.

Mr. HARTKE. So, if the withholding provision were retained, as was provided by the House, is it not a fact that persons who receive their income from dividends and interests would be in a better position than wage earners who worked for a living?

QUARTERLY REFUND

Mr. DOUGLAS. Yes, I am glad the Senator has pointed that out. The House provided for a quarterly refund in the case of dividends and interest, but there is only an annual refund in the case of wages and salaries. The recipients of dividends and interest would get their refunds quarterly, and not yearly. So the period of retention would be less for recipients of dividends and interest than it would be for salaried workers.

Mr. HARTKE. Is it not true that the person who works for a living would be denied the right to use money which was rightfully his during the entire period the Government had the money?

Mr. DOUGLAS. That is correct. That is what now happens.

Mr. HARTKE. That is the same type of approach and argument made against withholding of taxes on dividends and interest.

Mr. DOUGLAS. Yes. It is more severe in the case of wage and salary workers, not only because of the fact that they can only get refunds at the end of the tax year, whereas the recipients of dividends and interest would be able to get them quarterly, but also because, generally, the dividends and interest will be paid quarterly, and the quarterly due periods, under the Internal Revenue Service, would be closely coincident with the periods in which the dividends and interest would be paid to the recipients, so that, in all probability, there would be a loss, not for months, but for probably 3 or 4 weeks at the most.

Mr. HARTKE. And probably, at most, about 30 days.

Mr. DOUGLAS. That is correct. The Internal Revenue Service processes 37 million applications for refunds on wages and salaries, and pays them within 3 to 4 weeks; and there would be only about 2 million applications for refunds on dividends and interest, at the most.

ALMOST NO WAGE EVASION OR AVOIDANCE

Mr. President, let us notice what is the effect upon collections. There is virtually no evasion of income taxes in the case of the recipients of wages and salaries. Ninety-seven percent of the taxes on wages and salaries is collected. Only 3 percent is evaded or avoided.

But see what the difference is in the case of dividends and interest. In the case of dividends and interest approximately 11 percent of the dividends are not reported by the recipients and hence escape payment. In the case of interest, approximately 34 percent of all interest is not declared, and hence payment is avoided. As a result, the Treasury has estimated that for the fiscal year 1960 approximately $4,400 million of dividends and interest which was paid out was not reported. It is estimated that in the next fiscal year of 1963 this will amount to between $4.9 billion and $5.2 billion. In other words, on the combined figures, somewhere between 20 and 25 percent of the dividends and interest is not reported and at present no taxes are paid on it.

Of course, the amount of taxes which is thus evaded is very large. For the current year it is estimated to be $1,100 million. The failure to pay taxes on this amount means either that the rest of us must pay more to make up for those who do not pay at all or the deficit must be increased thus increasing the burden of society.

Mr. CARROLL. Mr. President, will the Senator yield?

Mr. DOUGLAS. I yield.

Mr. CARROLL. I wish to ask the Senator from Illinois a question. It is an important question, and one that has bothered me a great deal. Will the Senator inform me as to whether the people who evade taxes on interest payments have been broken down into groups? Are they small holders or large holders? As to those who evade taxes on dividends, are they large or small holders? What brackets do they fall into?

Mr. DOUGLAS. Of course, we cannot get those figures from the ordinary statistical reports of income because these statistical reports relate to those who pay their taxes.

The Internal Revenue Service, however, made two special studies on a total of approximately 6,000 to 8,000 cases of unreported income and found that 70 percent of the amount of dividends and interest not reported was received by individuals who had more than $10,000 a year of income.

In other words, on the basis of the samples of from 6,000 to 8,000 cases, 70 percent of the taxes which were not paid on dividends was from people having incomes of over $10,000 a year.

So in terms of amounts of evasion and avoidance, it is, in the main, the upper income group, and not the lower income group, which evades and avoids on dividends.

Mr. CARROLL. Mr. President, will the Senator yield further?

Mr. DOUGLAS. I am glad to yield.

Mr. CARROLL. Is there a difference between interest payments and dividends, with reference to the groups, on the breakdown?

Mr. DOUGLAS. We shall try to obtain the information. The Senator is asking a very important question.

Mr. CARROLL. I suggest to the able Senator from Illinois that this is one of the key issues which bothers many Senators.

When I was last home in Colorado I talked with many people who had savings in building and loan associations or in savings banks. Often they were not aware that the payments they received on their accounts were taxable income. They were holders of small accounts. They were not aware of the interest rates. The payments were included in their bank accounts. Often the interest amounted to only a very few dollars a year.

Mr. DOUGLAS. I understand.

Mr. CARROLL. I am very serious about this question. The answer to it will help me determine how I shall vote on this issue.

Would the Senator's proposal reach every little account? Would there be a breakoff point anywhere? Even schoolchildren have a little money in savings accounts. Would the income from their accounts be taxable?

Mr. DOUGLAS. The House bill would exempt juveniles under 18 years of age, and those of any age who are not taxable.

Mr. CARROLL. What was the last group?

Mr. DOUGLAS. Those who are not taxable. That means those whose incomes are less than the amounts which would be exempted.

In this connection I point out that the standard personal exemption is $600 per person for those under the age of 65, which would mean an exemption of $1,200 for a couple under the age of 65. However, there is a double exemption for those who are over the age of 65, so after a couple is over the age of 65 they have a $2,400 exemption.

Then there is a little known but very important retired income tax credit which roughly—and I put it roughly—amounts to the equivalent of a deduction of about $1,200 for each recipient over the age of 65 for income received from dividends, interest, rents, royalties, and pensions. So if there were a husband and wife each receiving $1,200 in these five categories this could be further deducted, and there would be another $2,400 deduction added on top of the first $2,400, making a total deduction of $4,800.

Then the couple could also take the 10-percent standard deduction. All of this means that if a couple received less than $5,300 in interest they would pay no income taxes whatsoever and they would be entirely exempt from withholding.

In addition, as we well know, in 1954 the Congress—I think inadvisedly but nevertheless actually—passed the 4-percent dividend credit and $50 exclusion. So if the holdings of the aged couple were in stocks, they could have an income of $6,100 before they would pay any income tax whatsoever, and everything under that amount would be exempt.

If that couple received, let us say, the full amount of social security, and $3,000 in interest, let us say at 4 percent, that would mean they would have capital holdings of $75,000. That would be exempt. In the case of dividends, at 4 percent to obtain $4,000 they would require capital holdings of approximately $100,000.

The idea that this would pinch the young and the old is wrong. The young would be completely exempt. Very few of those over the age of 65 would have any withholding applied against them.

Mr. CARROLL. I thank the able Senator for his explanation. This is very important, and it has not been as fully presented as it might have been.

Mr. DOUGLAS. I have tried to present this issue time after time on the floor of the Senate. But the country will not listen. The newspapers will not listen. The building and loan associations will not listen.

Mr. CARROLL. The explanation has also been presented on the floor of the other body, as I remember.

Mr. DOUGLAS. The Senator is correct.

Mr. CARROLL. I wish to ask the Senator from Illinois a question in this regard. Does the Senator from Illinois, in his proposal, seek to restore the measure to the state in which it was passed by the House of Representatives?

Mr. DOUGLAS. What I am trying to do is to retain the House provisions. The Finance Committee is trying to knock them out. I am defending the House provisions.

Mr. CARROLL. Mr. President, will the Senator yield further?

Mr. DOUGLAS. I point out that three-fourths of those who are over the age of 65 are now tax exempt.

Mr. CARROLL. Three-fourths of those who are over the age of 65 are now tax exempt?

Mr. DOUGLAS. Yes. Therefore, there would be absolutely no withholding applied to them, because they would not owe any income taxes.

Mr. CARROLL. Does the Senator know what percentage of those under 18 years of age would be subject to withholding?

Mr. DOUGLAS. All of those would be exempt. That is one of the provisions the House put in the bill. The House changed the original proposal of the President. Those under 18 would be exempted from withholding completely.

Mr. CARROLL. If I correctly understand the Senator's explanation, those over 18 years of age would be treated like anyone else, and would have a $600 exemption?

Mr. DOUGLAS. That is correct. It would be $1,200 for a couple, and $600 for each dependent. A man with a wife and three children would get an exemption of $3,000.

Mr. CARROLL. Does that refer to gross income or net income?

Mr. DOUGLAS. That would be a deduction from gross income.

Mr. CARROLL. Do we know what percentage of the people who earn less than $10,000 of gross income a year would be affected by the withholding provision?

Mr. DOUGLAS. We can obtain that information. Eighty percent of all the dividends are received by those whose incomes are more than $10,000 a year. This was shown in a table which I inserted in the RECORD, at page 16712, on Monday in the general speech I made.

Mr. CARROLL. Is that based upon testimony in the committee hearing record on the bill?

Mr. DOUGLAS. It is based on figures computed by the Office of Tax Analysis of the Treasury Department. It is derived, I suppose, from the statistics of income which are published regularly.

Mr. CARROLL. Is the statement the Senator has made supported by the hearings?

Mr. DOUGLAS. There was testimony in the hearings in that regard, and it was not challenged.

Mr. CARROLL. In the hearings before the Senate Finance Committee?

Mr. DOUGLAS. That is correct.

Mr. CARROLL. Will the Senator repeat that? It is a very significant fact.

Mr. DOUGLAS. Those having incomes of under $10,000 a year received only 20 percent of all the dividends. Those having incomes of over $10,000 a year received 80 percent of all the dividends.

Mr. CARROLL. Let us forget about the dividends for a moment and let us direct our attention to interest. What is the story relating to interest?

Mr. DOUGLAS. That can be seen in the table No. 2 which I submitted, on page 16712 of the RECORD. I have not figured that out in any close precision.

Mr. CARROLL. The Senator will not have to do so at this time.

Mr. DOUGLAS. The total amount of interest reported was roughly $4.4 billion. Of that amount, approximately $1.9 billion was received by those whose incomes were under $10,000. That amount would be roughly 40 percent of the interest. That figure means that those whose incomes were over $10,000 received 60 percent of the interest and 80 percent of the dividends.

Mr. CARROLL. That is the point I wish to make. The Senator has given us the breakdown on interest. What was the gross total on dividends?

Mr. DOUGLAS. I have given the figures on dividends.

Mr. CARROLL. I am not speaking about percentages. I have asked for the gross total. The Senator said that the figure on interest was $4.4 billion.

Mr. DOUGLAS. The total of dividends received was $9.7 billion. Of that amount, approximately $1.9 billion went to those receiving less than $10,000 a year, or 20 percent. Therefore, those receiving over $10,000 a year received $7.8 billion in dividends, or approximately 80 percent of all dividends. In other words, those receiving over $10,000 got 80 percent of the dividends and 60 percent of the interest.

Mr. CARROLL. I think this is a very important point. I ask the Senator to give us again the total gross in dividends.

Mr. DOUGLAS. The total amount paid in dividends was $9,714 million, which I treated in round numbers at $9,700 million.

Mr. CARROLL. What was the total gross on interest?

Mr. DOUGLAS. The total gross on interest received was $4,395 million, or in round numbers, $4,400 million. Those whose incomes were under $5,000 received $732 million; those whose incomes were from $5,000 to $10,000, received $1,145 million. The two groups together received $1,877 million, or roughly $1,900 million out of the $4,400 million, or roughly around 40 percent. Those with incomes of more than $10,000 received 60 percent.

Mr. CARROLL. As I understand it, those in the category of taxpayers receiving over $10,000 in income receive——

Mr. DOUGLAS. Eighty percent of the dividends went to those in the category of taxpayers receiving over $10,000.

Mr. CARROLL. In relation to interest, those in the category of taxpayers receiving an income of $10,000 and over received about 60 percent of the interest.

Mr. DOUGLAS. Again I point out that those are not people or returns, but the figures are in terms of dollars.

Mr. CARROLL. I understand.

Mr. DOUGLAS. Sixty percent of the dollar amount of interest goes to those with incomes of over $10,000, and 80 percent of the dividends goes to those with incomes over $10,000.

Mr. CARROLL. That analysis was prepared by whom?

Mr. DOUGLAS. By the Office of Tax Analysis of the Secretary of the Treasury.

Mr. CARROLL. And that analysis is contained within these reports?

Mr. DOUGLAS. I think the one on dividends is. The table on interest was prepared for me personally. I think it appeared in yesterday's RECORD for the first time, but it was supplied by the Treasury.

Mr. CARROLL. With reference to interest, is there any evidence contrary to that which the able Senator has presented?

Mr. DOUGLAS. No. I have great confidence in the Office of Tax Analysis, which has been operated under both the Republican and Democratic administrations. I have never known them to misrepresent facts.

Mr. CARROLL. I thank the able Senator. He has been very helpful to the junior Senator from Colorado.

DOUBLE STANDARD APPLIED

Mr. DOUGLAS. In the main, the major portions of dividends and interest are received by those with incomes of over $10,000 a year. They do not have withholding applied to them. The major portion of wages is received by those who have wages of less than $5,000 a year.

Therefore, there is a system applied to those in the lower income brackets which is not applied to those in the upper income brackets.

It is interesting that those with incomes of over a million dollars get 48 percent of their entire income from dividends. The percentage received from dividends rises as the income rises.

ETHICAL QUESTION AT STAKE

A fundamental and ethical question is involved. A certain system has been applied for 20 years to the lower income groups in the community. During those 20 years the upper income groups in the community have been exempt from this provision. The result has been gross evasion and avoidance of taxation, which in the current year will amount to nearly $5 billion of income not reported, and a loss on taxes of nearly a billion dollars a year.

Mr. HARTKE. Mr. President, will the Senator yield?

Mr. DOUGLAS. I yield.

Mr. HARTKE. The Senator was discussing with the Senator from Colorado the question of the difference in the grades for the amount of income received from dividends and interest. Lest the colloquy be misinterpreted, and it could possibly be misinterpreted—is it true that those people have any special forgiveness of tax if they earn less than $10,000? Does the fact that it is $10,000 make any difference on their tax liability?

Mr. DOUGLAS. It is diminished by the degree of their exemption.

Mr. HARTKE. The point is, if they owe a tax, they owe it, whether it is above or below $10,000.

Mr. DOUGLAS. That is correct. Those with an income of over $10,000 have no more legal exemption from taxes than those who have income of under $10,000.

Mr. HARTKE. The people the Senator is talking about, if they owe taxes, owe them; and the matter we are talking about in connection with this legislation is how to collect taxes that are owed.

Mr. DOUGLAS. The Senator from Indiana is completely correct. I have mentioned on the floor that I have received 75,000 letters from constituents in my own State protesting against the withholding method of collecting taxes on dividends and interest. We analyzed a large sample of those letters, and we found that in one-third to one-half of the cases the writers spoke of withholding as though it were a new tax, as though dividends and interest were not now taxable. Of course, this is a gross misconception.

Dividends and interest are income, just as wages and salaries are income. They are subject to taxation. The extraordinary thing is that from one-third to one-half of the persons who corresponded with me thought that dividends and interest were exempt from taxation. The fact that they thought so was, to me, presumptive evidence that they were not now paying taxes on dividends and interest.

Mr. CARROLL. Mr. President, will the Senator from Illinois yield?

Mr. DOUGLAS. I yield.

Mr. CARROLL. May I ask the Senator from Illinois to repeat the figure that he has mentioned regarding the distribution of dividend payments?

Mr. DOUGLAS. It is that 80 percent of the dollar amount of dividends are received by those having incomes over $10,000.

Mr. CARROLL. We have been talking about the amount of money that is lost to the Government.

Mr. DOUGLAS. That is correct.

Mr. CARROLL. I voted yesterday for the 7-percent tax credit incentive to industry for capital expenditures. I noted that the Senator from Illinois did not join with me in that vote. This credit will increase industrial profits and dividends; I should like to know how the benefits will be apportioned.

Mr. DOUGLAS. I have tried to state that information. I will break it down a little further.

Mr. CARROLL. I do not mean my question to reflect upon any group.

Mr. DOUGLAS. I understand. In terms of dividends, about 7 percent of the dividends are received by those having incomes of less than $5,000; about 13 percent are received by those having incomes of from $5,000 to $10,000; about 80 percent, as I have said, of the dividends are received by those having incomes of more than $10,000.

Mr. CARROLL. Before the Senator leaves dividends and discusses interest, I should like to know whether there is willful evasion.

Mr. DOUGLAS. I shall discuss that subject later.

Mr. CARROLL. There is a tax loss from dividends, is there not?

Mr. DOUGLAS. Yes; 11 percent of the dividends paid out by corporations is not reported by the recipients. There is a gap of that proportion between the amounts which we can trace which are paid out by corporations and the amounts declared by individuals on their income tax returns.

Mr. CARROLL. Is there any estimate as to how much is lost in taxation?

In what categories do the individuals fall?

Mr. DOUGLAS. It is the high income groups, with respect to dividends; so it is hard to tell. But the amount is a very considerable percentage.

Mr. CARROLL. I want to support the principle of paying taxes, because I think an ethical question is involved. I am not for tax evasion. But I wish to ascertain at this time whether it is intended to reach down into the low income groups in order to make up for the money which will be lost due to the 7-percent tax credit?

Mr. DOUGLAS. The difficult point is that since nonpayers do not make returns, there are no returns upon which an estimate can be made with complete accuracy of the precise amounts of taxes, which are avoided or evaded by various income classes. The totals can be estimated.

Mr. CARROLL. Dollars and receipts can be estimated, but not groups. I think the Senator from Illinois understands what I am getting at.

Mr. DOUGLAS. I understand.

Let me discuss the question of who are the evaders and the avoiders, and whether such action is conscious or unconscious. No one quite knows, by income classes, who the evaders and avoiders are in the case of dividends. There is probably a more conscious avoidance in the case of dividends, and it is the more conscious the larger is the amount of interest and dividends received by the individual. However, I do not claim that all such avoidance or evasion is conscious. A very large proportion is not conscious. This largely comes about in the case of people who have only a small amount of money on deposit in savings and loan institutions or savings banks. They have credited to them quarterly an amount of interest. Unless that amount is transferred into a checking account or a separate savings account, it is automatically added to the capital. Therefore, many persons do not think of this as income at all, because they never spend it. But it is income, even if it is added to the capital. But not spending it, and not having it entered into individual checking accounts or separate savings accounts, they tend to disregard it.

Mr. CARROLL. Mr. President, will the Senator further yield?

Mr. DOUGLAS. I yield.

Mr. CARROLL. The Senator from Illinois has explained clearly the situation which I have found in Colorado. Many small taxpayers say they do not consider reporting their interest income. It is not reported; it is not included in their earnings. But legally it is income. Frankly, I do not know what the answer is.

Mr. DOUGLAS. The answer is that unconsciously they have not declared as income amounts which they have received and which have been automatically added to the capital which they already have.

I do not in the slightest accuse such people of bad faith; I simply say they received the income. Such income is taxable, provided it is not exempt under the exemption limits.

Mr. CARROLL. Of course, that is true. The Senator has said that such people do not consider those earnings as income, and thus have never reported it. They are not conscious violators or evaders. Most of the nonreporting is in the field of interest; some of it is in the field of dividends. Some persons have said, "I get only $10 in dividends; I have never paid any attention to reporting it."

My question is, How many such persons exist? We are willing to take the money from those people; but, as the Senator from Illinois says, we do not know, percentagewise, the number of such individuals from whom it is desired to recapture this money. Let us concentrate upon the big evaders if we can.

Mr. DOUGLAS. The two sample studies by the Treasury show that in the case of 6,000 to 8,000 returns, about 70 percent of the nonreported dividends were received by individuals having incomes of more than $10,000. In the nonreported interest group, approximately 30 percent of the interest was received by persons having incomes of less than $5,000; 40 percent by those having incomes between $5,000 and $10,000; 30 percent by those having incomes of more than $10,000. Therefore, in the case of nonreported interest 70 percent was received by persons having incomes above $5,000; in the case of nonreported dividends, 70 percent of the dividends were received by persons having incomes of above $10,000.

Mr. CARROLL. I thank the able Senator from Illinois for his patience in answering this series of questions. These are matters that bother every Member of the Senate who has received letters expressing concern over this withholding proposal from the people at home. Interest has been credited to their accounts and has been compounded year after year, and until now they have not thought of it as income.

Mr. DOUGLAS. That is correct. Let me make another point: Lower income groups, who have bought series E savings bonds, have paid let us say $75 for the bond, which after a period of time may be cashed for $100. When a person sells one of those bonds, he makes $25 in interest. But large numbers of people do not regard that interest as income; they regard it simply as a return of capital and therefore do not declare as income the difference between the price they paid for the bond and the price they received. This has also been a source of avoidance.

Yet I am certain that as to the large proportion of these people, too, the nonpayment of tax is unintentional and unconscious. But I emphasize that whether it is unintentional or unconscious, if the income is taxable, the tax should be paid.

I am not any more in favor of tax evasion by lower income groups than I am in favor of tax evasion by high income groups—although I think we shall see that the major portion of the evasion—as shown by these studies—seems to be in the groups with incomes above $10,000 a year.

Mr. CARROLL. Mr. President, will the Senator from Illinois yield further to me?

Mr. DOUGLAS. I yield.

Mr. CARROLL. I was hopeful that we could establish a breakoff point above the really small amounts, and could get at the large evaders.

Mr. DOUGLAS. That would complicate the matter too much. The Senator from Oklahoma [Mr. KERR] once proposed, I believe, that those with incomes of less than $5,000 should not have anything withheld. But the mechanics of that would be difficult. As a matter of fact, the refunds would be quarterly, and generally would fall at times only a few weeks after the times when interest is paid, because the quarterly payments of the income tax are almost synchronous with the normal quarterly payments of dividends and interest—in other words, April 1, July 1, October 1, and January 1.

Mr. CARROLL. Mr. President, I thank the Senator from Illinois for his statement and for yielding to me, and for his patience.

IMMEDIATE REFUNDS

Mr. DOUGLAS. I thank the Senator from Colorado. He has been patient with me, rather than the other way around.

The Treasury has also declared its willingness to have any person go to a bank, claim a refund, and have the bank make the refund, and then pay the refund to the bank. As a matter of fact, Mr. Roth, of the Franklin National Bank, on Long Island, has offered to do just that.

I have in my hand an advertisement published in the New York Times, the Washington Post, and other newspapers. It reads as follows:

> NOTICE
>
> Additional expanded refund services when withholding of income tax on interest and dividends becomes law.
>
> May 28 Franklin National announced refunds of withholding will be paid direct to its eligible savings depositors: At the bank's teller's windows, in cash, immediately, and without charge.
>
> Now, Franklin National will also make the same refunds of withholding to its eligible depositors on their accounts with other banks, mutual savings banks, and savings and loan associations, and on dividends and interest on their securities as well.
>
> No need to send refund claims to Washington and wait for checks from the Treasury.
>
> If you are not subject to Federal income tax, Franklin National will also arrange for exemption from withholding.
>
> We have 47 branches on Long Island; 2 branches in New York City in 1963; resources over $900 million; member FDIC.
>
> THE FRANKLIN NATIONAL BANK.

Mr. Roth is a most public-spirited banker. Incidentally, I believe his bank is the 24th largest in the country, with assets of close to $1 billion. He is a highly successful banker. He had the courage to come before the committee and defend the proposed withholding. He and Mr. Shirley Tark, of Chicago, and a representative of a Michigan chain of banks, are about the only ones who have had the courage to take that position, and I think they deserve great credit. I honor them.

Mr. CARROLL. Mr. President, if the Senator from Illinois will yield further to me, let me say that a banker in Colorado—he lives in a very small town, and his is a very small bank, with very small accounts—came to me and said, "If you institute withholding, it will cost us about $250 a month to keep the records, and our profits could not stand that."

I am not asking the Senator for an answer——

Mr. DOUGLAS. I can give the Senator an answer to that. All that the bank will have to do will be to deduct one-fifth of the amounts it pays out in dividends and interest to those who do not file exemption certificates. This can be done easily. They do not have to file with the Treasury the list of names, addresses, and amounts from which the 20 percent is deducted. They will not have to inform the individual depositors or shareholders that these amounts have been deducted. The institution will have to carry on only a minimum of reporting.

The Senator from Virginia [Mr. BYRD] will get them into much more trouble by means of his amendment, I can assure the Senator from Colorado.

Mr. CARROLL. Mr. President, if the Senator from Illinois will yield further, he knows that soon it will be September. So probably we shall be here for 2 or 3 weeks longer, and it may be October 1 before the session ends.

Mr. DOUGLAS. I hope not.

Mr. CARROLL. Judging from what I have heard today, that may be the case. I understand that the House of Representatives may not take up the foreign aid bill until September 19.

The Senator from Illinois is my great friend, and I consider him my mentor in most things.

Mr. DOUGLAS. Be careful.

Mr. CARROLL. Will we be able to return home and educate the people of our States in 30 days in regard to a program of this scope?

Mr. DOUGLAS. I doubt it.

Mr. CARROLL. Can we expect the people to understand easily the merits of this proposal?

Mr. DOUGLAS. I doubt it.

Mr. CARROLL. I am glad to have the Senator's comment.

Mr. DOUGLAS. I doubt whether we can do this, because of the publicity which has been issued by the building and loan associations, by the savings banks, and by the banking community in general.

Mr. CARROLL. Mr. President, I think the Senator from Illinois is morally and ethically and legally correct. I wonder that the administration did not give this proposal greater support. Why have we not heard more from the President?

Mr. DOUGLAS. The President made a statement last week.

Mr. CARROLL. I know; and I am for it. But there was no great effort made at the grassroots level. About the only voice I hear is that of the Senator from Illinois.

Mr. DOUGLAS. Telstar does not carry on the earth.

Mr. CARROLL. Certainly these taxation problems are most difficult of solution.

Mr. DOUGLAS. I think it might be well for those who run for election this year to realize that they may seal their death warrants if they voted for withholding. I think that is quite possible.

I do not deserve any special commendation for bravery, because I will not have to run for reelection until 1966. So it cannot be said that I am heroic in what I am doing. The voters will have 4 years either to forget what I did or to become educated about what I did. So I am not going to pin any roses on myself, and I am sure no one else will. I disclaim any heroism.

Mr. CARROLL. Mr. President, will the Senator from Illinois yield again?

Mr. DOUGLAS. I am glad to yield.

Mr. CARROLL. I thank the Senator from Illinois for his patience. He has helped me develop in my mind a course of action. I say that withholding is bound to come—it is just and equitable.

The House provision impressed me and so did the President's position. In the words of a great historian, we are no longer confronted with a theory; we are confronted with a condition.

The able Senator from Illinois has helped me understand that condition, and I thank him for his courtesy and his great patience.

Mr. President, I intend to vote with the able Senator from Illinois in favor of collecting taxes, already existent, on dividends and interest payments by means of a withholding system.

Such a system is not new. It has been in use for 20 years collecting taxes on wages and salaries. It works well. It works fairly. It allows families to budget their tax payments throughout the year.

The extension of this withholding system to dividends and interest payments is natural and is needed. We have heard today of the hundreds of millions of dollars that are lost to the Government through unpaid taxes on dividends and interest payments. It is unjust to the majority of the American people who pay their taxes without complaint to allow this loss to continue.

I will vote, Mr. President, for this withholding proposal because I believe it is just.

We shall be defeated today, I know. This vote will be symbolic; for withholding will come.

The House of Representatives have endorsed the proposal; the President endorses it. The people, when they understand the issue, will support us.

I urge the President, as the only elected official who can speak for all the people, to take this matter to the country.

The people will support us as they always support a proposal that is fair, just, and necessary.

Mr. DOUGLAS. Mr. President, I wish to pose this simple ethical question: Is it not improper to withhold taxes on persons in the lower income groups who receive wages and salaries, and who pay in withholding 97 percent of their taxes, but to refuse to impose withholding on the recipients of dividends and interest, who receive higher incomes, but do not pay taxes on close to 25 percent of the total amount of dividends and interest received? That, I think, is the basic question.

One can talk all he wants to about dividends and interest being received in multiple accounts by individuals or about other false issues, but the fundamental, ethical contradiction will remain.

If we refuse to put in the bill a provision for withholding the tax already owed on dividends and interest, to be consistent we should go the full way and then take off the withholding on wages and salaries. The Senator from Illinois, if he is defeated on this proposal, will introduce an amendment to that effect. Then we shall see whether those who are opposed to withholding on dividends and interest insist on having that same system in effect for wages and salaries.

Mr. President, there is a great deal of money at stake here, somewhere around $1 billion a year. May I point out that the campaign of education which the Eisenhower administration promised in 1958, and which they tried to carry out, has not resulted up to date in any appreciable increase in collections. Thus far moral suasion and persuasion have failed to produce results.

It is true that, under the bill reported by the chairman of the Finance Committee last year, the automatic data processing system was begun, and the account number which one has under social security will be identical with the account number of his income tax return. So we shall now have a unified system. As the amounts of dividends and interest are reported, they will be recorded by the automatic computers under the account numbers of the individuals, and then they can be compared with the amounts the individuals declare as shown by his account number. Therefore, it is said by some persons that it removes the necessity for withholding.

In the first place, I should like to point out that, fully carried out, this means an enormous amount of redtape. As a matter of fact, the automatic data processing system, with the coordination of social security and tax symbols, does not collect a dollar of taxes in itself. It merely gives to the Internal Revenue Service information with which it can go out and try to collect the taxes. The Internal Revenue Service has said that in order for it to collect every dollar in taxes that was due, it would have to double the number of Internal Revenue agents, and that would cost about $200 million in extra money.

AUTOMATIC DATA PROCESSING NO SUBSTITUTE FOR WITHHOLDING

So automatic data processing is no substitute for withholding. As a supplement to withholding, it can be very valuable in getting at those in the upper income brackets whose taxes will be in excess of the basic 20 percent, and whose numbers, therefore, will be more limited, and who can then be followed up by the agents of the Internal Revenue Service.

Mr. President, I want to clarify some of the misconceptions that have been fostered.

Mr. COOPER. Mr. President, will the Senator yield?

Mr. DOUGLAS. I yield.

Mr. COOPER. Perhaps the matters about which I desire to question the Senator are those the Senator wants to clarify.

Mr. DOUGLAS. I could not have a more stimulating experience than to try to reply to the Senator from Kentucky.

Mr. COOPER. I have heard the Senator from Illinois speak on this subject at least twice before. I remember one evening session when he discussed the subject thoroughly and responded to the many arguments that were made against the withholding provision. I do not want to make such a long introduction to my questions, but I will cite my own experience. When this bill passed the House I studied it as best I could, in view of its great length, but I did direct my attention to the withholding provision—if not with the background in economic and fiscal affairs of the Senator from Illinois.

Mr. DOUGLAS. I may say that an expert was once defined as one who is a long way from home, and I do not pretend to be a real expert in this tangled field of fiscal policy and administration.

Mr. COOPER. I could understand the withholding provision clearly. For I knew withholding had been applied to wages and salaries, for years and today, against over 50 million taxpayers, I know this also from personal experience.

Mr. DOUGLAS. We all know about that.

Mr. COOPER. I know that $1 billion in revenues are lost annually; that we have large annual deficits; and yet there is the hope in which I share, that taxes can be cut. Yet in this fiscal situation, some people, whether through inadvertence or purposely, are failing to pay $1 billion annually in taxes, on dividends and interest. It seems to me reasonable that in this situation Congress should provide this way to collect these unpaid taxes. Believing this, I took my position favoring withholding months ago on a television program. As a result, I received 6,000 or 7,000 letters, some of them angry but most of them expressing concern and making inquiries that people have the right to make of me and Members of the Congress. I found from these letters that some persons thought withholding was a new tax, although the tax on dividends and interest has been in effect, substantially, since 1913. Is that correct?

Mr. DOUGLAS. That is correct.

Mr. COOPER. Some of the writers thought it was a capital levy.

Mr. DOUGLAS. A large proportion of my correspondents thought that, too.

Mr. COOPER. They thought it was a capital levy on bank and savings accounts of 20 percent.

Mr. DOUGLAS. That is right, whereas it is only a 20 percent tax upon interest and dividends. If a person has a deposit of $1,000, it is not a tax of 20-percent upon the $1,000, but 20 percent upon the interest. Assuming the interest to be 4 percent, it would be a tax of 20 percent upon $40, or $8.

Mr. COOPER. I understood that. I answered the letters and assured the writers that it was not a new tax, and certainly not a capital levy, and asked them to direct any further questions they had to me. I received several thousand more letters. Nearly every objection to withholding was presented in these letters. The Senator has answered these questions in his speech. But one question came from older people, of small means, and it was troubling: Would the withholding of interest work a hardship upon them by depriving them of the money that they had been accustomed to have and which they needed for housing, rent, food?

The Senator from Illinois has pointed out in his report, along with the Senator from Tennessee, that any overwithholding beyond actual taxes due, on this account would be true only for the first quarter, for application for the refund of any overwithholding could be made then, and any such amount refunded.

Mr. DOUGLAS. The application for the refund would be made in the first quarter of the year, but it would carry over automatically to the other quarters.

Refunds would be made quarterly, probably within 3 or 4 weeks.

Again I wish to emphasize that the quarterly period in which the taxes would be due, under the Internal Revenue Service system, would be approximately the quarterly period in which dividends and interest would be paid out by the institutions.

Mr. COOPER. That is correct.

Mr. DOUGLAS. I think the wording is "approximate synchronization" of the two periods.

Mr. COOPER. The Senator has pointed out that those under the age of 18 would not be subject to withholding on interest or dividends.

Mr. DOUGLAS. That is correct.

Mr. COOPER. Also, persons who did not believe they would incur tax liability could file requests for exemption and would not be subject to withholding.

Mr. DOUGLAS. That is correct.

Mr. COOPER. These exemptions are reasonable and more favorable than to wages and salaries. Am I correct?

Mr. DOUGLAS. The Senator is correct.

Mr. COOPER. It seemed to me, with these exemptions, withholding would deal with people who owe taxes and some people who have not paid the taxes they owe.

Mr. DOUGLAS. That is correct.

Mr. COOPER. I repeat, I think a part of the failure to pay has been due to inadvertence.

Mr. DOUGLAS. That is correct.

Mr. COOPER. And some of it has been purposeful.

I stand where I did months ago. The more I have studied the problem, I have come more strongly to the conclusion that withholding would not work a hardship on small taxpayers, and that in all justice to those who do pay their taxes an effort should be made to collect the taxes not being paid.

There is another question I should like to ask the Senator.

Mr. DOUGLAS. I shall be glad to try to answer.

Mr. COOPER. I have received letters from certain institutions, such as savings banks and others, saying that if the withholding system should be adopted it would cost more than the amount which would be collected. I know that could not be true, but if the Senator has not already put into the RECORD the facts as to the probable cost, I wish he would do so.

Mr. DOUGLAS. The cost to the Government is estimated under withholding to be about $19 million. The reports which the paying institutions would be required to make would be relatively simple. All they would have to do would be to forward to the Government one-fifth of the amount paid out in interest or dividends. That is all. They would not have to list the individuals who received those amounts, or the amounts given to individuals. They would not have to notify the individuals as to the amounts withheld.

The Senator from Virginia [Mr. BYRD] would require them to report to the Government the amounts paid to each individual and to notify the individual of this. I wish to give the Senator from Virginia credit for his proposal, because he offered it very honestly. Under his proposal there would be about 200 million pieces of paper that the institutions would have to send out, plus all the internal computing that would have to be done. This is what the banks and savings institutions asked for, and this is, very properly, what the Senator from Virginia [Mr. BYRD] would give them. His rugged honesty demanded that this be done. The institutions will rue the day when they proposed this method.

Mr. COOPER. In reading the Senator's report, I believe it estimated that the cost of withholding would be about $48 million annually—to collect the $650 to $850 million of unpaid taxes.

Mr. DOUGLAS. I do not think it would cost that much. To collect $650 million of the $850 million without a followup by agents would cost $19 million. To follow up with agents, to get the difference between the $650 million and the $850 million, would cost about $29 million more. These cost figures are based on the 1959 revenue gap figures of the Treasury.

Mr. COOPER. Forty-eight million dollars.

Mr. DOUGLAS. That is correct. The latter group would involve a relatively small number of cases.

Mr. COOPER. I believe the Senator has made the statement that if the reporting system which the committee recommends is adopted it would be necessary to employ hundreds, if not thousands, of additional employees to follow up on the reports, and collect the unpaid taxes.

Mr. DOUGLAS. The collecting force would have to be doubled.

Mr. COOPER. I believe an estimate has been made that it could cost as much as $400 million annually to collect $850 million under the reporting system, as compared to $48 million under withholding.

Mr. DOUGLAS. It would cost vast sums of money.

Mr. COOPER. I made my decision to support withholding, before the great campaign formed against it. I respect the opinion of those who oppose it. I respect those who have written me; for many of them have been quite concerned. I have been worried about letters I have received from older people—many 75, 80, or more. Many of them are people I know, who have been led to believe that this proposal would take from their savings money they need for bare existence. The letters have been difficult to answer, difficult to give assurance that their fears were unfounded. But they are unfounded.

I cannot escape the fact that over a billion dollars of taxes on dividends and interest are unpaid annually and should be collected. The taxes have been payable under the law since 1913. An effort ought to be made to collect them.

I have received letters from some businessmen who object very strongly to withholding. I respect them but I think their position is inconsistent with the position that the Congress should develop on sound fiscal position. They ask that Congress should cut expenditures and I agree. But there is another side to fiscal order. If we are to achieve fiscal balance there must be an honest and full payment of taxes.

Mr. DOUGLAS. I thank the Senator from Kentucky. His statement and his position are in thorough keeping with the nobility of purpose which we have observed in the Senator from Kentucky ever since he first came to the Senate many years ago. I believe he is absolutely correct. The same considerations have been largely those which have led me to the feeling that we should apply withholding across the board.

There is one factor which is sometimes ignored, and we might as well get it out on the table now. I refer to the fact that under the present method there is an automatic snowballing of the interest paid out by savings banks and the amounts paid out by savings and loans institutions to the capital accounts of recipients, and these amounts are then used by the institutions. To the degree that taxes are not paid on those amounts, there is an increase in the capital sum by that amount. In other words, there is a snowballing of existing capital rolling up at the rate of nearly 4 percent a year. If the taxes which are owed upon this are not paid, that means that the size of the annual increment through the snowballing is greater than it would be if the taxes were paid.

Therefore a part of the gross of savings institutions has come from taxes owed to the Government but not paid. We might as well recognize that. Since this is a real world, we also might as well recognize that while it is not the only reason, it is one of the reasons why the savings institutions are opposed to the withholding system. If we had withholding, the money collected by the Government in taxes owed to them would not be available for the automatic addition to capital. To that extent, the growth rate of those institutions would be slowed down.

The heads of some savings institutions tell me that very frankly. The question is, Should those institutions grow at the expense of the Federal Government by reason of receiving money which is really owed to the Federal Government? Should those institutions grow to this degree because of tax evasion or tax avoidance? That is perhaps a better way to put the question. I think if that question is raised, there can be only one answer. No institution has the right to grow on taxes owed but not paid. That is a morally indefensible position to take. If the issue were really known to the American people, I think the conclusion would be very clear.

I prepared a series of questions and answers which was printed at the conclusion of my remarks on Monday, and which I do not wish to insert again in the RECORD. Many of them have been covered. I wish to emphasize again that those over the age of 65 could receive $6,100 in dividends or $5,333 in interest before they owed any tax whatsoever. Hence there would be no withholding for them. Those under 18 would be specifically exempted. All but a small proportion of those over the age of 65 would be exempted. The burden of the evasion or avoidance comes from those with incomes over $10,000 a year.

I hope that Congress will have courage enough to stand behind the President in this matter. I hope I shall not be accused of self-righteousness by saying that I think that the issue is an ethical issue.

Last night before I went to sleep I turned, as I often do, to the Oxford Book of English Verse. I found there the poem of Matthew Arnold entitled "The Last Word." Since the Senator from Oklahoma set us a worthy precedent yesterday in quoting poetry, I hope he will not object, since he is not present, to my quoting better poetry than that which he quoted. It is a poem addressed to the man who takes an unpopular stand. As I remember, the poem starts like this:

> Creep into thy narrow bed,
> Creep, and let no more be said!
> Vain thy onset! all stands fast.
> Thou thyself must break at last.
>
> Let the long contention cease!
> Geese are swans, and swans are geese,
> Let them have it how they will!
> Thou art tired; best be still.
>
> They out-talked thee, hissed thee, tore thee?
> Better men fared thus before thee;
> Fired their ringing shot and passed,
> Hotly charged—and sank at last.

In the late hours last night, being somewhat fatigued by standing beside the Senator from Tennessee all day yesterday, I asked myself, "What is the use of resisting the combined leadership of both parties and the bipartisan political machine which dominates the Senate?" Then I thought of the last verse of that poem. I hope I shall not be accused of mock heroism. I am not up for election until 1966. By that time most voters will have forgotten the issue. Matthew Arnold concluded the poem with the following verse:

> Charge once more, then, and be dumb!
> Let the victors, when they come,
> When the forts of folly fall,
> Find thy body by the wall!

There will probably be political casualties as a result of this vote. I tried to warn some of my friends what was coming and I urged them to get out of town, because there is a good deal of merit to the statement that, "He who fights and runs away will live to fight another day."

But, Mr. President, sometimes we move forward by having issues squarely presented, having the roll called, and getting the issues crystalized. Then even though the steamroller goes over one, and the bodies pile up at the wall, the very piling up of the bodies permits others to scale the wall later.

I am as confident as that I stand here that in the long run withholding will be applied to dividends and interest as it now is applied to wages and salaries. It will inevitably come. But it will come more rapidly if we make the fight now than if we do not make the fight.

Mr. President, I yield the floor.

Mr. HUMPHREY. Mr. President, will the Senator yield before he yields the floor?

Mr. DOUGLAS. I shall be glad to. I yield to the Senator from Minnesota.

Mr. HUMPHREY. I want the Senator to know that he has more allies than he thinks. I believe the issue of withholding on dividends and interest is basic to the integrity of our tax laws. There was an honest disagreement among some of us over a proposal which did not satisfy all of my desires on tax legislation, but which long ago I felt I would support. That was the investment tax credit. I do not think it is the best form of tax legislation. I do not think it is as good as the consumer type of tax relief. I believe it might be of some help.

But the tax bill that was sent here by the administration was supposed to have some balance in it.

Mr. DOUGLAS. That is correct.

Mr. HUMPHREY. It was well understood that the investment tax credit was to be a sort of special tax privilege to American business. There is no doubt about that. It was allegedly designed to promote investment, to improve plant, and to increase efficiency of output. But the dividend and interest withholding provision was the one feature in the tax law that was supposed to bring what I would call morality to the tax law, a sense of fairplay, and bring in revenue.

Mr. DOUGLAS. That is correct.

Mr. HUMPHREY. I watched the development of the proposal relating to withholding of the tax on dividends and interest. Many years ago, when the Senator from Illinois and other Senators were submitting amendments on tax laws, one of the first amendments that was submitted was intended to bring some equity into the tax structure by imposing withholding of the tax on dividends and interest, as it operates on wages and salaries.

Mr. DOUGLAS. That was in 1951, when the Senator from Minnesota and the Senator from Illinois, newly arrived in the Senate, fought for a week on the floor of the Senate to get those provisions into the law.

Mr. HUMPHREY. We were not successful then. There are those who say that the Senator from Illinois and other Senators will not be successful now. I do not believe that is important at this stage. The House of Representatives passed a tax bill including a provision for the withholding of taxes on dividends and interest. I am not an expert on taxation. One cannot be all over the lot, so to speak, and it is therefore necessary for a Senator to rely on certain experts and certain procedures. However, I have long been convinced that if we are to have tax legislation which will tighten certain loopholes, and at the same time give an incentive, which in the real sense are benefits and privileges to a limited group in this country, by way of an investment tax credit, it is necessary to raise revenue through an equitable and honest and honorable procedure called withholding of the tax on dividends and interest.

I have listened to what the Senator from Kentucky said when he engaged in colloquy with the Senator from Illinois, with respect to all the information which has been going out throughout the land, to the effect that certain Senators will be caused a great deal of trouble and heartache.

People write to me to say, "What do you mean by saying that you are going to assess us 20 percent of our income?"

As the Senator from Kentucky has said, some people interpreted the provision correctly. However, most of the letters that I received said, "So you are going to put a new tax on us."

The Senator from Illinois has pointed out that the tax on dividends and interest has been with us since 1913.

Mr. DOUGLAS. Since 1913. And reports have been made by the recipients since 1916.

Mr. HUMPHREY. Yes. Some improvements have been made in the tax law. We have required corporations and others to report dividends to the Internal Revenue Service. I am not familiar with all the details of this particular provision in the bill. However, I have read the provisions very carefully during the days when we had caucuses on this subject. The Senator from Illinois remembers that there were several meetings of Senators in which this particular withholding provision was discussed. I shall support in this area what the President has asked for. I will try to support what the President has sent to us in the form of a tax program as best I can. I voted with the Senator from Illinois, the Senator from Pennsylvania, and other Senators on the expense account provision. The Senator from Tennessee sought to strike that provision from the committee bill, particularly the section that dealt with the "or associated with" language.

Soon we shall have before us the question of deciding upon the lobbying provision. I intend to vote with Senators who are supporting an amendment to strike that provision.

I assure the Senator from Illinois that we are doing the right thing in voting for the withholding of taxes on dividends and interest. I do not believe it would cost any Senator his seat in the Senate. Even if that were the case with respect to the Senator from Minnesota, I am sure the country could get along very well.

Mr. President, it is very difficult for me, when I go home, to face a worker in a factory or a department store and know that that person has income tax payments taken out of his paycheck every week. How long does he have to wait if there is a refund?

Mr. DOUGLAS. A full year.

Mr. HUMPHREY. A full year. Then we are told that we cannot vote to have withheld a tax on dividends and interest. If there were refunds under the bill——

Mr. DOUGLAS. They would come to the payer quarterly.

Mr. HUMPHREY. Every 3 months.

Mr. DOUGLAS. Generally only 3 or 4 weeks after the amount has been paid out.

Mr. HUMPHREY. I commend the Senator from Illinois, and I am proud to be on his side.

Mr. DOUGLAS. The Senator from Minnesota belongs on this side, and generally he is on our side. We welcome him back.

Mr. HUMPHREY. I knew that the Senator would feel that way when I came back. There have been only a few moments in my life when I have strayed from him, and each time it has caused me heartache and sadness.

Mr. CLARK. Mr. President, I commend the Senator from Illinois for the brilliant speech he has made in opposition to the pending amendment. I am also glad to note the fine support he has been given by the junior Senator from Tennessee, and now by the senior Senator from Minnesota.

I am not one of those who believe that bleeding political corpses will be piled up at the wall, and that that will happen to Senators who are up for reelection, because we oppose the committee amendment. I am up for reelection.

In my opinion there is absolutely no justification for striking the withholding provision from the House bill. I have been saying that for the past 6 or 7 months. I have received nearly 60,000 letters from constituents in my State opposing the withholding of the tax on dividends and interest.

I believe I received between 45 and 60 letters supporting the withholding. At least 6 months ago I wrote to my constituents who wrote to me—all 60,000 of them—telling them that I thought they were wrong and that I thought that the withholding of the tax on interest and dividends was a sound tax, wholly justifiable, and not a new tax, but one which had been on the books for a long while.

There are those who say that this proposal would cost me my reelection this fall. I do not believe so. Like the Senator from Illinois, I am not engaged in any mock heroics. I am not particularly proud of the fact that I am swimming upstream. I do not believe that those of us who are fighting a just battle for a decent equalization of the tax will be defeated. There are many times when, as the Senator from Illinois has said, it is a good thing to be licked.

Mr. DOUGLAS. But it should not be a steady diet, such as has been meted out to the liberals in the Senate during this session. Once in a while we want to win.

Mr. CLARK. Perhaps we shall be able to remedy the situation by the votes that will be cast on the first Tuesday after the first Monday in November.

I see in the Chamber the junior Senator from Illinois.

Mr. HUMPHREY. If the Senator from Pennsylvania will yield briefly, we may be able to enter into a unanimous-consent agreement to vote on the pending amendment tonight. We have talked to all Senators who are particularly interested. I have spoken to the Senator from Wisconsin [Mr. PROXMIRE], who had written a letter opposing any unanimous-consent agreement. However, he was more than willing that we should enter into such an agreement on this vital amendment. Will the Senator from Pennsylvania yield for that purpose?

Mr. CLARK. In a moment I shall be happy to do so.

The Senator knows that in my view the rules of the Senate ought to be drastically changed.

Mr. HUMPHREY. Yes.

Mr. CLARK. So that it would not be necessary to legislate by unanimous consent. There have been occasions in the past when I would not have yielded by unanimous consent because it is a good idea to point out to my colleagues in the Senate occasionally that the rules under which we are operating are ridiculous, and that if any Senator wanted to enforce them, the Senate would not be able to transact any business. I say to my friend the Senator from Minnesota, with whom I am almost always in accord, and to my good friend the junior Senator from Illinois [Mr. DIRKSEN], with whom I occasionally find myself in accord, that I shall not be contumacious in this regard, and that if they will yield me 10 minutes so that I can finish these relatively brief remarks, I shall be glad to agree to the unanimous-consent request.

I am glad to yield now so that the Senator may propose the unanimous-consent agreement, with the understanding that I will be yielded 10 minutes to say what I wish to say.

Mr. HUMPHREY. Mr. President, I ask unanimous consent that 20 minutes on a side be allowed on this amendment and that at the conclusion of that time the Senate proceed to vote on the pending committee amendment, the time to be equally divided.

Mr. CLARK. Provided that I have 10 minutes before the unanimous-consent agreement goes into effect.

Mr. DIRKSEN. I shall be glad to yield 10 minutes to the Senator from Pennsylvania now.

Mr. HUMPHREY. That will be made a part of the agreement.

Mr. CLARK. My friends are their usual gracious selves.

The **PRESIDING OFFICER.** Is there objection? The Chair hears none, and it is so ordered.

Mr. DIRKSEN. Mr. President, I now yield the 10 minutes to the Senator from Pennsylvania.

Mr. CLARK. I shall be everlastingly grateful to the Senator.

The President of the United States gave his reasons in support of his tax proposal at his press conference last May 9. Secretary of the Treasury Dillon amplified the President's views in extensive testimony before the appropriate legislative committees. Those views have not changed in substance with respect to the request for a withholding of the tax on dividends and interest.

The views of the Secretary of the Treasury and of the President can be summarized as follows:

First, the withholding of the tax on interest and dividends is necessary to prevent tax dodgers from cheating the Government out of $800 million a year. There is no other feasible way of stopping this widespread tax evasion. The suggestion that by buying five more business machines and making out more forms and sending the forms, as they are now being sent, to a warehouse in Kansas City will collect this tax, falls. If we were to retain an adequate number of additional Internal Revenue agents and their subordinates to make this tax effective without withholding, I think we would come pretty close to adding from 10 to 15 percent to the total number of Government employees, whom some of those who oppose the withholding tax already think are far too many.

My second point is that according to the President and the Secretary of the Treasury—and this is very clear indeed—this would not be a new tax. Dividends and interest have been subject to income tax since 1913. The President's proposal merely provides for collecting this old tax in the same way the same income tax on wages and salaries has been collected for many years: by withholding by the paying corportaion or financial institution.

I have never seen the slightest moral or ethical justification for saying to a person who works for his living, either as a white-collar or blue-collar worker, "We do not trust you. We are going to take your tax out of your wages or your salary before you get it, because we do not think you would pay your tax if we left it to you to do so"; and then to say to someone who does not work for a living, who lives on inherited income or perhaps on savings accumulated during a lifetime of work, "Oh, we trust you. We do not have to withhold tax from you. You are an honest citizen, but the man who works for a living cannot be trusted."

That attitude seems to me to be completely unethical and not morally sustainable.

Mr. CARLSON. Mr. President, will the Senator from Pennsylvania yield?

Mr. CLARK. Does the Senator from Kansas understand that I have only 10 minutes? The Senate is operating under a unanimous-consent agreement. I suggest that the Senator from Kansas ask for time, so that my remarks will not be curtailed.

Mr. CARLSON. I am most pleased, in accordance with a suggestion by the minority leader, to yield further time to the Senator from Pennsylvania.

Mr. CLARK. I thank the Senator from Kansas.

Mr. CARLSON. Does not the distinguished Senator from Pennsylvania believe there is some difference in the case of withholding of the tax on interest and dividends, since there would be no provision for deductions as a result of martial status and no deductions for dependents? Does the Senator really believe there would be withholding of taxes on wages if the withholding was the full 20 percent of the wages?

Mr. CLARK. I am perfectly prepared to have the same withholding provisions applied for dividends and interest as are applied with respect to salaries.

I honor my friend from Kansas. He is a friend of long standing. But I suggest to him that this distinction is a distinction without a difference, and frankly is a bit specious.

Mr. CARLSON. Does not the Senator agree that this proposal has never been considered or brought out in any pending legislation? The proposal is for a 20-percent withholding tax regardless of the amount to be taxed, with no deductions allowed?

Mr. CLARK. I understand; but, again, I do not believe that is a very convincing argument. I am sorry not to agree with the Senator from Kansas.

There will be no appreciable hardship on those who do not legally owe taxes. The procedures for exemption and for refund are more generous to the taxpayer than those which have worked well for years in the case of wages and salaries.

At the time I sent to my constituents the letter from which I have been quoting, I also enclosed a memorandum from the Treasury Department entitled "Withholding on Dividends and Interest—a Necessary and Fair Proposal."

That memorandum points out that most taxpayers pay their income taxes, but that millions of them do not, and that the withholding of taxes on interest and dividend payments is essential as a matter of simple fairness and is necessary to put a stop to widespread tax evasion.

Far from hurting the average taxpayer, withholding would help him by insuring that the Government would collect most of the $800 million in taxes on interest and dividends which are now being evaded each year—lost taxes which must be made up by heavier taxes on honest and conscientious people.

The withholding proposal has been grossly misrepresented and distorted by those who have their own selfish reasons for wishing to see it defeated. They have fostered widespread misunderstanding of the plan and have aroused baseless fears.

In my opinion, at least half, if not at least two-thirds, of the letters I received from my constituents opposing the proposal were based on misinformation which had been furnished them by corporations in which they held securities.

Withholding has been erroneously represented as imposing a hardship on indigent elderly couples. Under the present law, which gives people over 65 a double exemption and also a tax credit on retirement income, an elderly couple could have as much as $5,377 in income each year from social security and interest and be liable to no tax and no withholding at all. If a part of their income were from dividends, the total income could be even higher. To have this income completely free of taxes or withholding, the couple would be receiving the maximum social security benefit of $2,178 and interest income of $3,199. This couple, who would avoid withholding entirely, would need about $80,000 in savings deposits, earning 4 percent, to receive $3,199 in interest. So I suspect there have been many arguments made which simply do not stand the light of day in connection with the proposed legislation.

Mr. President, I ask unanimous consent to have printed at this point in the RECORD the text of my letter to my constituents together with the enclosure furnished to me by the Treasury Department.

There being no objection, the letter and statement were ordered to be printed in the RECORD, as follows:

DEAR FRIEND: Thank you for your communication telling me of your views on President Kennedy's tax reform bill. I regret that I have been so swamped with mail on this proposed legislation that I am forced to use this form reply.

The President gave his reasons in support of his tax proposals at his press conference on May 9. Secretary of the Treasury Dillon amplified the President's views in extensive testimony before the appropriate congressional committees. Their views can be summarized as follows:

1. Withholding of the tax on interest and dividends is necessary to prevent tax dodgers from cheating the Government out of $800 million a year. There is no other feasible way of stopping this widespread tax evasion.

2. This is not a new tax. Dividends and interest have been subject to income tax since 1913. The President's proposal merely provides for collecting this old tax the same way the same income tax on wages and salaries has been collected for many years: by withholding by the paying corporation or financial institution.

3. There will be no appreciable hardship on those who do not legally owe tax. The procedures for exemption and for refund are more generous to the taxpayer than those which have worked well for years in the case of wages and salaries.

4. The burden on the paying institutions is not appreciably more onerous than in the case of wages and salaries. Banks and other financial institutions may well net a profit from the free use of the withheld funds for appreciable periods of time.

5. The other tax loopholes which the bill would close are all unfair favors to special classes of taxpayers who for years have been able to avoid legally their fair share of our national tax bill—thus imposing a heavier burden on those who are not in the special privilege category. Examples are: padded expense accounts, inadequate taxation of foreign income, foreign tax havens, unfair tax preferences to mutual savings banks, mutual insurance companies, and cooperatives.

6. The investment tax credit for new machinery and equipment is necessary to help American industry to retool and thus compete more successfully with the modern industrial plants of Western Europe, Japan and, to some extent, Soviet Russia.

7. It is important that the new revenue from closing tax loopholes should equal or exceed the tax loss from the investment credit. We must keep our fiscal policies sound if we are to avoid a run on the dollar and a disastrous deficit in our foreign trade accounts and balance of payments.

I am confident that if you give careful study to these seven points you will understand why President Kennedy's position is in the national interest. Of course the bill has not yet been reported from the Senate Finance Committee and may contain amendments which you may be sure I shall study carefully.

Sincerely yours,

JOSEPH S. CLARK,
U.S. Senator.

Withholding on Dividends and Interest—A Necessary and Fair Proposal

Most taxpayers pay their income taxes but millions do not. Withholding of taxes on interest and dividend payments is essential as a matter of simple fairness and necessary to put a stop to this widespread tax evasion.

Far from hurting the average taxpayer, withholding will help him by insuring that the Government collects most of the $800 million in taxes on interest and dividends which are now being evaded each year—lost taxes which have to be made up by heavier taxes on honest and conscientious people.

There is no reason why those who receive all or part of their income from interest and dividends should not have their taxes withheld—as wage and salary earners have been for 20 years.

The withholding proposal has been grossly misrepresented and distorted by those who have their own selfish reasons for wishing to see it defeated. They have fostered widespread misunderstanding of the plan and aroused baseless fears.

These misconceptions deserve to be cleared up.

This is not a new tax. Withholding is merely a method of collecting taxes which are owed the Government but—because of ignorance or intentional deceit—are not now being paid. Dividends and interest are income and, as such, have always been subject to income tax.

Withholding will impose no hardship and little inconvenience on taxpayers. People who have such low incomes that they do not owe any taxes can easily prevent withholding by signing a simple form certifying that fact. Those under 18 can be exempted from withholding whether or not they owe any tax.

Elderly couples, widows, and others who may owe a little tax but less than the amount withheld, can get quarterly refunds by filling out a simple refund slip which will be available at banks, post offices, and other places. These refund slips can be filed at any time during a quarter after withholding has taken place. It is not necessary to wait until the end of the quarter. Internal Revenue will mail out quarterly reminders to refund claimants. The refunds will, in most cases, be received within a month—as they are now by the 37 million taxpayers who are overwithheld each year on their wages and salaries. Those who don't wish to bother with quarterly refunds will get them annually by filing their regular tax returns.

Withholding has been erroneously represented as imposing a hardship on indigent elderly couples. Under present law, which gives people over 65 a double exemption and also a tax credit on retirement income, an elderly couple could have as much as $5,377 in income each year from social security and interest and be liable to no tax—and no withholding—at all. If part of their income is from dividends, the total income could be even higher. To have this income, completely free of taxes or withholding, the couple would be receiving the maximum social security benefit of $2,178 and interest income of $3,199. This couple, which would avoid withholding entirely, would need about $80,000 in savings deposits, earning 4 percent to receive $3,199 in interest.

An elderly couple with full social security benefits and $1,000 more than this in interest income—$4,199 a year—would, however, fall into the much discussed overwithheld category. Their savings deposits would have to total about $105,000. The withholding each quarter would be $210—$160 more than necessary. Under the quarterly refund procedure, the couple would never be out of pocket more than $160, which is the first quarter's overwithholding. The quarterly refund from the first quarter would offset the overwithholding in the second and so on indefinitely. This $160 would earn only about $6 for an entire year if left in their savings account at 4 percent.

How can anyone say this is hardship? Such a couple is well-to-do by almost anyone's standards—and there are very few such couples. Most elderly people would not be subject to withholding at all.

The amounts overwithheld generally will not be large. For more than half the people entitled to refunds, the amount overwithheld will be less than $10 per year. The average refund of overwithheld wages and salaries in contrast, is $143—and wage and salary earners can collect their refunds only at the end of the year.

Withholding is necessary. A total of nearly $4 billion in dividends and interest—nearly 20 percent of the total—goes unreported on tax returns each year. Publicity campaigns aimed at increasing voluntary reporting have simply not worked. Internal Revenue has no way of checking many evasions, especially on interest payments, because only the large ones—$600 or more—have to be reported by the payors to the Government.

Withholding will pay for itself many times over. The estimated administrative cost of the withholding system is $19 million per year but $650 million in presently evaded taxes will be collected. Use of withholding to eliminate the many small and frequently unintentional evasions will free Internal Revenue agents to pursue the upper income bracket evasions which account for the difference between the $800 million in tax receipts now being lost and the $650 million withholding will bring in. These well-to-do evaders will, of course, be withheld 20 percent like everyone else—but they owe more than that.

Use of ADP, the suggested alternative to withholding, would cost more to do one-third of the job. Automatic data processing does not collect one penny in taxes. All it does is identify suspected tax evaders, who then have to be located and audited. Following up and auditing all evaders turned up by ADP would be literally impossible—there are 6 million taxpayers who have interest and dividend income and don't report any of it. At least an equal number—maybe more—report some, but not all, of their dividend and interest income. Just following up the biggest evaders, to recover $200 million in taxes, would cost the Government $29 million—half again the price of a withholding system that would collect more than three times that amount. The maximum additional tax that the Internal Revenue Service could collect effectively with ADP and a reasonable enforcement effort is $200 million. And even to accomplish only the $200 million increase in tax receipts would require an increase of over 3,000 in Internal Revenue's enforcement staff—a 55 percent jump in the number of office auditors presently employed and a 10-percent rise in the number of agents. In addition, use of ADP and enforcement personnel followups would require that business organizations make much more detailed and numerous reports to Internal Revenue than they do now—or would have to do under withholding. In addition, there is no ADP system fully in operation as of now—and won't be until 1966.

The system will be simple and convenient for payers of interest and dividends. They will make their payments of withheld taxes to the Government in one lump sum quarterly. They will not be required to keep detailed records of individuals to whom they make dividend and interest payments. In addition, they will be permitted to retain use of the withheld taxes for certain specified periods before they are turned over to the Government—a provision which will help offset the cost of withholding.

Withholding may involve some inconveniences, it is true. But the alternative is clear—continued lawless evasion of $800 million worth of taxes each year on nearly $4 billion of unreported interest and dividend income.

Honest taxpayers will support this proposal in justice to themselves and all others who now pay their full share of taxes.

Mr. CLARK. Mr. President, before I close, I should like to point out what seems to me to be the most outrageous tax chiseling which can be easily done unless there is a withholding of the tax. It has to do with wealthy individuals who own Government coupon bonds in denominations of $1,000 or more. Such an individual can, without fear of ever being caught, take from his safe deposit box once each 6 months his Government coupon bonds, clip the coupons, and take them to his bank, which will promptly cash them. The bondholder can then put the money in his pocket, never deposit it in his checking account, and never account for it in anyway, and he will never be caught. In my opinion, tens, if not hundreds, of millions of dollars of taxes are going down the drain through this one cheating device, day after day, years after year. But we never hear a word about it. All we hear about is the alleged inequity to some poor little citizen and his wife, who are usually living on a pension, and who, it is said, would be deprived of their honorable, just savings by having their savings account interest taxed.

There is a large smokescreen about this particular amendment. I think every Senator should appreciate the fact that when he votes to support the committee amendment, he will be voting to cheat the Government of the United States out of a minimum of $800 million a year.

I yield the floor.

Mr. BYRD of Virginia. Mr. President, the question of withholding the tax on dividends and interest engaged the attention of the committee for many months. Hundreds of pages of testimony were taken. The committee considered every phase of the proposal.

Two votes were taken in the committee. The result of the first vote was 10 to 5 in opposition to the withholding of tax on dividends and interest. The result of the second vote was 11 to 5 in opposition. So by a vote of more than 2 to 1, the members of the Committee on

Finance voted in opposition to the withholding plan.

Mr. President, House bill 10650 as it passed the House required withholding of tax from recipients of dividends and interest. The Senate Finance Committee amended H.R. 10650 by substituting a requirement that information returns be furnished to the Government and to recipients. The substitution was made because of the superiority of this procedure over withholding.

It is superior because it is less onerous on the taxpayer, less burdensome to the payors, avoids much of the administrative difficulties involved in the withholding scheme, will make a greater contribution to voluntary compliance, applies to recipients in all tax brackets, and is a more precise way of doing the job.

On the last point—that the furnishing of information returns is a more precise way of doing the job—the Secretary of the Treasury is in agreement. In answer to a question, raised by a member of the Committee on Ways and Means, as to whether information returns of payors coupled with data processing would not be a more precise way of doing the job, the Secretary, after stating his preference for withholding and after noting that information returns would pose an extra burden on payors, conceded:

> But you are certainly correct. It would be more precise if they did this.

The information return method is less onerous on the taxpayer. Under the withholding method, many individuals, both in the elderly category and among younger people, would have been faced with substantial hardship because of overwithholding. Even those who could have filed exemption certificates were required to state under penalty of perjury that they would expect to owe no tax for the coming year. Many conscientious persons who in fact turn out to owe no tax would feel that they could not sign such a statement before the year even commences; and, therefore, they would be effectively deprived of the use of the exemption certificate. Moreover, under the quarterly refund system of the withholding plan, there would be a delay of at least 3 or 4 weeks before the recipient could receive back the withheld amounts and many recipients would have to wait 3 or 4 months. This would deprive them of the use of their own funds as living expenses or as sources of investment during the interval. Moreover, the quarterly refund system of the withholding plan does not make allowance for the $50 dividend exclusion—$100 on many joint returns—or for the 4 percent dividend credit or for deductions where the taxpayer itemizes. Not only is the information reporting requirement less onerous to the recipient, but it is also a fairer and more just way for him to be treated. Many individuals whose dividends and interest would have been diminished by withholding might fail, through ignorance or otherwise, to file refund claims for overwithheld amounts. In such a case, under the withholding plan, these individuals would have been permanently deprived of their income.

While the exemption certificates and quarterly refunds would not resolve the hardship problems for the shareholder or depositor, they nevertheless would present many compliance problems for the corporate and bank payors of the dividends and interest. Corporations and banks would have to maintain two files of stockholders or depositors. Corporations would also have to be prepared to shift stockholders back and forth between these two files as shares are purchased and sold or as exemption certificates are issued or withdrawn. Moreover, under the withholding plan, special problems would arise when stock is sold just before a dividend date by someone who has filed an exemption certificate to someone who has not, if the stock certificate has not actually been delivered to the corporation before the dividend date. Moreover, in order to use exemption certificates at all, taxpayers would have to forgo the convenience of leaving stock in their brokers' names.

Under the information reporting provisions, banks and corporations have only one simple duty to perform: That is, they must furnish to the Government and to the recipient information regarding the amount of interest or dividends paid to the recipient. Not only is this far less burdensome than the duplicate recordkeeping required by withholding, but it provides a system for which the payers themselves have expressed a decided preference.

There would also have been serious administrative problems for the Internal Revenue Service under withholding, as a result of the use of exemption certificates and quarterly refunds. These could have led to substantial tax evasion. There was no assurance, for example, that only those who "reasonably expect no tax liability" could file exemption certificates. Moreover, these certificates would not have been easy to check, because many of them represent persons not required to file tax returns; so frequently there would be no returns to match them against.

Similarly, since the individual who would file a quarterly refund claim was not then required to submit proof of the receipt of dividend or interest payments, there was ample opportunity for tax evasion and fraud, as well as unintentional mistakes. These required checking in detail and comparison with the amount shown on final returns, if the purpose of the legislation was to be fully accomplished. In fact, it was entirely possible that some taxpayers might file exemption certificates, file quarterly refund claims, and still claim refunds on their final returns at the end of the year, all with respect to the same dividend or interest payment or with respect to no dividend or interest payment at all. While the Internal Revenue Service might have been able to control this form of tax evasion and unintentional errors, it would have required a very large enforcement effort.

Mr. President, the information reporting program approved by the Senate Finance Committee will make a greater contribution toward voluntary compliance than the withholding program would have made. Withholding would take too much money from the multitude of low income taxpayers and too little from the higher income taxpayers. The Treasury has estimated that 29 percent of the unreported interest income is being received by those with incomes under $5,000, and that 42 percent of the unreported interest is being received by those with incomes between $5,000 and $10,000. Thus, 71 percent of the unreported interest goes to those with incomes under $10,000. The Treasury also estimates that 29 percent of the unreported dividends is received by those with incomes under $10,000.

The 20-percent-withholding plan would require the lower income recipients of interest and dividends to file tax-exemption certificates if they are not taxable, and to file for refunds if subject to overwithholding, while at the same time there would be underwithholding on the higher income recipients. Many of those who would be subject to this underwithholding would, by mistake or with malice, assume that having been withheld on, they should pay no more. In the absence of information to the Government and reminders to the taxpayers, how much of this underwithheld tax would be forthcoming? Much less, in my opinion, than under a program where the Government is informed and the taxpayers are reminded that the Government is informed of the amount of interest and dividends these taxpayers had received, and where the taxpayers are reminded that the Government has the means of comparing its information with the taxpayers' tax returns.

The Finance Committee report states that the Treasury estimates that the withholding proposal would produce $780 million of revenue in a full year. It should be noted, however, that only $580 million of this amount is due to application of the 20-percent withholding. The additional $200 million would be realized only—to use the Treasury's words—

> If in addition to withholding there is an improvement in tax compliance by persons subject to individual income tax rates above the 20-percent bracket.

On the other hand, the estimate of revenue to be derived from the information return system is placed at $275 million by the staff of the Joint Committee on Internal Revenue Taxation, and at $240 million by the Treasury, with a negligible allowance in each case for the compliance improvement which would result from the Government's knowing how much dividends and interest the taxpayer had received and the taxpayer's knowing that the Government knew and had the means through automatic data processing and enforcement to do something about it—not only as regards the low-income taxpayer but for all taxpayers.

I believe that the information-return-data-processing-enforcement system will prove a stronger stimulation toward voluntary compliance than withholding of 20 percent of dividends and interest, and will increase the revenue from this source significantly above the estimated amounts.

Particularly is this true in view of the fact that, as the Secretary of the Treasury has stated:

> Much of the nonreporting of interest and dividends is due to inadvertence, forgetfulness, and failure to keep records, particularly by taxpayers who receive a small portion of their incomes from such sources.

If the inadvertent and forgetful are reminded, they will pay; if the willful evader knows that the Government knows and intends to collect, he will be induced to pay.

Thus, the reporting of dividends and interest to the Government by the payors, along with statements to the taxpayers of amounts so reported, will greatly enhance the compliance program of the Internal Revenue Service. Even before the Senate Finance Committee approved this information return system, which will greatly strengthen the compliance program, the Commission of Internal Revenue stated during the appropriation hearings in January:

> As a byproduct of the automatic data processing system * * * we have noted a trend of people just walking into our offices and making voluntary disclosures. * * * They said they have been reading about automatic data processing."

And in March he had this to say of automatic data processing:

> Today we do not see any saving of personnel but we do see a big closing of the revenue gap which Senator Byrd referred to on the floor as a potential $5 billion figure. We think we will collect more money through our increased capability for identifying the sources of error.

For reasons I have given today, and also because the withholding scheme is impracticable and unworkable, as I attempted to demonstrate in my statement to the Senate on May 21, I believe the reporting provision in the Finance Committee bill is the proper solution to the underreporting problem.

Mr. THURMOND. Mr. President, the Senate Finance Committee's action in striking the House-passed provision of H.R. 10650 which would have established a system of withholding 20 percent on interest and dividend payments gives me a great deal of satisfaction. Had this provision been enacted into law, many complications and hardships would have resulted. This particular provision was requested to offset the loss of revenue which is estimated as a result of people who fail to adequately report and pay taxes on interest and dividends. I feel that the provision which the Committee adopted in lieu of the withholding system will adequately protect the interests of the Treasury without necessitating such a great administrative expense as the withholding proposal. This bill provides, in lieu of withholding, for the reporting of most interest, dividend, and patronage dividends of $10 or more per year. These reports must be made to the Government and to the recipients of the payments on an annual basis, and additional civil and criminal provisions are added to those in existence for failure to report unless there is a reasonable cause for that failure.

A system of taxation should be characterized by equitable application and simplicity of administration. The provision which was passed by the House and stricken by the Finance Committee would have been inequitable in its application. In order to achieve equity the administration of necessity would have been overly complicated. Many individuals would have been deprived of a portion of either dividends or interest in the periods of time in which they were sorely needed. To overcome this problem many solutions were advanced, such as quarterly refunds, exemption certificates, credits, and offsets. However, these solutions merely complicated the administration of the provision and would have resulted in increased expenses for the Government.

There has been much controversy over this withholding provision and the volume of mail which I have received has been staggering. The charge has been made that there was a deliberate plan to brand this as a new tax so that opposition to it would be much greater than normal. The mail which I have received reveals that the people understand that they are liable to the Government for taxes on dividends and interest, but do not wish to be deprived of the benefit of these funds when they will incur no tax liability for the year.

In view of the numerous difficulties and hardships which would have been created by the withholding provision, I gladly support the Finance Committee's position in deleting this section of the bill and inserting in lieu thereof a strengthened reporting system.

Mr. KEATING. Mr. President, I shall support the dividend and interest reporting plan proposed by the Senate Finance Committee.

The more people have talked about the administration's withholding proposal, the faster has its support dwindled. It is a true orphan in the world of high finance. Even its parents, the Treasury Department, have apparently turned away from it. Nothing remains for us to do but carry this motion.

This bill and all of the debate on withholding have shown that the objective of greater compliance in paying taxes owed on dividend and interest income can be achieved by far easier and more efficient means than by a giant, burdensome withholding system.

Automated tax processing and the new efforts recommended by the Senate committee to inform taxpayers as to their tax liability make a withholding system unnecessary under present circumstances. The Treasury Department has already ordered new automated equipment to keep records on income received and on revenues owed to the Government. Soon this machinery will enable the Department to isolate interest and dividend payments. I favor using these machines in connection with the committee reporting plan, rather than loading our taxpayers with an impractical withholding system that may fail anyway.

In the case of fairly well-to-do individuals, the withholding of 20 percent of all income from dividends and interest would make little difference. They would undoubtedly owe more than 20 percent in taxes on their dividend and interest income. But, I am worried about people of modest circumstances who would not understand how to file for refunds, people who do not owe any taxes at all, pension funds, trust funds, and tax-exempt charitable foundations. No matter how many exceptions you make, there will always be problems with a bookkeeping system as massive and inexact as that proposed by the administration.

An elderly couple with a limited interest and dividend income and a double deduction would be completely befuddled by a giant withholding system. If they delayed in doing the necessary paperwork to apply for a refund, there is always the chance that they would die and never be able to enjoy income rightfully due to them.

We must take every practical step to catch tax chiselers, but this "shotgun" approach is unfortunate and may not even work. Furthermore, it would hurt many people, especially retired persons and those of modest means who need their income promptly. The administration and the Senator from Illinois in this instance are using a Polaris missile to hunt for rabbits. Their plan would involve mountains of paperwork and in all likelihood would fail.

There are better ways to accomplish the objective here envisioned. The Senate bill is a feasible and logical alternative. With the new devices and equipment available to the Treasury, I am strongly in favor of using these more practical and less burdensome methods to see to it that taxes are paid—to the full extent which they are owed—on all dividend and interest income.

Mr. MILLER subsequently said: Mr. President, I intend to vote for the committee's amendment, which would strike from the bill the Kennedy proposal to withhold tax from interest and dividends. My reasons for opposing the Kennedy proposal and supporting the committee amendment were well outlined in the course of a radio interview carried on various Midwest stations last May, and I ask unanimous consent that the transcript of this interview be printed at this point in the Record.

There being no objection, the transcript was ordered to be printed in the Record, as follows:

RADIO INTERVIEW WITH SENATOR MILLER OF IOWA

Announcer. From the Nation's Capital, we bring you an interview with U.S. Senator Jack Miller, of Iowa. Senator Miller is a tax lawyer by profession. At one time he served as an attorney in the Office of the Chief Counsel, Internal Revenue Service, here in Washington. He has taught tax law, written numerous articles on taxation, and given lectures on various tax subjects throughout the United States. He formerly served as chairman of the Committee on Tax Problems of Farmers of the American Bar Association. The subject of the interview will be the President's proposal to withhold income tax on interest and dividends. Now, let's join the discussion.

Bob Coar. Well, Senator Miller, this is a rather dry subject to some, but I think it would be most interesting to most of our taxpayers, particularly those who depend on small incomes from stocks and bonds and things of that sort, yet don't make a very large profit. I'd like you to tell us, if you would, just what the President's proposal to withhold income tax on interest and dividends amounts to.

Senator Miller. First, Bob, let me point out that this is just one of many proposals in this 224-page monstrosity known as the omnibus tax bill. The President's proposal on this withholding on interest and dividends is that the payor—whether it's a bank or a corporation which pays interest or dividends to a customer during the year—will withhold 20 percent of that as income tax, so that the recipient will receive only 80 percent of the interest and dividends. This is something like the withholding on wages, except that on withholding on wages there is no flat 20 percent of income tax withheld. There may be a very small amount, there may be a much larger amount, depending entirely upon the dependents and the exemption status of the taxpayer. But here it's a flat 20 percent of income tax that is withheld. I might point out that although the President of the United States has said that there have been letters coming into the White House complaining that this is a proposed new tax, I haven't received a single letter like that from the thousands of Iowans who have written to me. This is merely a withholding of the present tax in anticipation of what would be due at the end of the year.

Mr. Coar. Isn't the inference there, Senator Miller, that some of our people aren't quite honest, and that includes a great many of them?

Senator Miller. Well, the President has estimated that there's some $3 billion of interest and dividends that isn't getting on the tax returns and having tax paid on it, and that as a result from $600 to $800 million a year of income tax is being lost to the Federal Treasury. I think, however, that it isn't quite this simple. As a matter of fact, the statements by the President of the United States and by the Secretary of the Treasury constitute an unwarranted indictment against the integrity of the hundreds of thousands and millions of people who receive income from interest and dividends. You see, these people—most of them—are ready, willing and able to pay their income tax that is due, although I'll say there has been increasing resentment lately of the burden of taxes, particularly the burden that has been increasing due to some of these domestic nondefense spending programs of this administration. But the trouble is that many people who receive interest and dividends really don't understand the income tax consequences. Let me give you a few examples. There are hundreds of thousands of people who have savings accounts at banks and savings and loan associations. During the year there is a crediting of interest to those accounts, although the interest is not drawn out. A lot of these people think that until they draw out that interest, they don't have to report it on their income tax returns; whereas the tax law says that if you can pull that interest out of the account, that once it is credited, it's taxable income. Then some corporations pay out dividends, not out of accumulated profits or current earnings but out of capital or out of depreciation reserve, and there is no income tax owing on those dividends. And some dividends include some capital gain income on which only a portion of the income must have tax paid, and there is confusion on that. And then there is much dividend and interest income which is very small, maybe $2 or $3 or $5 or $10. Improper records are kept. This is not reported, not due to fraud but due to inadvertence. Then we have a $50 dividend exclusion. If you as an individual receive $45, you don't even have to pay any tax on that; you list it on your income tax return but then you subtract $50 away from it and you don't have any tax to pay. If you are a married couple and the stock is held in the joint names of the husband and wife, you have a $100 dividend exclusion. There are millions of people who receive only a few dollars in dividend income so there is no tax owing on that. And then, of course, you have millions of small savings accounts in the names of children and older and retired people, and while it's dividend income, many of these people don't even have to file an income tax return. So I don't think it is quite as simple as inferring—as the President and the Secretary of the Treasury have done—that we have millions of tax evaders running around here in the United States. That isn't true at all.

Mr. Coar. A certain amount of money is being missed, but it is most difficult to determine accurately what that amount is, isn't it?

Senator Miller. There is no question but what there is some tax revenue being missed. The point is, I think that this $600 to $800 million of missed revenue is a gross overestimate, and I think that it has been overestimated in an effort to try to force this proposal through the Congress.

Mr. Coar. Well, now couldn't we correct that, Senator Miller, by some change in the method of reporting these payments, or a reduction of our $600 allowance or exemption we get, the things we file normally with Internal Revenue?

Senator Miller. The mere fact that there is missed revenue doesn't automatically lead you to this withholding scheme. As a matter of fact, under the present tax law, information returns have to be filed by people who pay interest or dividends of $600 or more. They have to make out a little information return slip at the end of the year and send in to the Internal Revenue Service. Ordinarily they send a copy to the taxpayer or to the recipient. Now it seems to me that we could expand this information return system and require that the payor of interest or dividends of say $10 or more during the year—or perhaps of any amount—will at the end of the year file an information return with the Internal Revenue Service listing the taxpayer's account number—you know, last year we authorized the use of these account numbers—and send an information copy of that return to the taxpayer. Now I am quite well satisfied that if people receive at the end of the year a statement from the bank or from the corporation saying "Dear Mr. So and So, you receive so much interest or so much interest was credited to your account during the year, or you receive so much in dividends and this amount of the dividends is taxable income"—with a copy of that going to the Internal Revenue Service, we are not going to have very much missed revenue.

Mr. Coar. Now that system that you recommend is a very simple one, considering that they are converting Internal Revenue almost to automation entirely, using computers and so forth, things that will automatically pull out the account number, and they can attach all of this information that you mention to it.

Senator Miller. That's right. However, I want to make it clear that this is not going to happen overnight. Last year we authorized the Internal Revenue Service to equip itself with several of these very expensive and very complex computers which record this information on magnetic tapes and can store on one roll millions of items of information. It is going to take 2 or 3 years for all of these computers to become installed and ready to go. But when they are, the payor of interest or dividends by sending in the account number to the Internal Revenue Service will enable the Internal Revenue Service through these computers to match up all interest or dividends that are attributable to that account number so that they will know exactly how much interest and dividend income a particular taxpayer received.

Mr. Coar. Senator, is there a possibility, for example, of an elderly couple who jointly receive $90 as a small dividend from a piece of stock that they have held for years, having this 20 percent automatically taken out? How are they going to get that back? Will they have to write a letter to Internal Revenue or do they get it back?

Senator Miller. Well, I want to be fair about this. The proposed law provides that people who do not expect to owe any tax can file an exemption certificate with the payor saying that they don't expect to owe any tax and, therefore, the payor does not withhold any tax on them. Also, in the case of individuals under 18 years of age, they can file an exemption certificate. But you can understand how you might estimate that you wouldn't owe any tax and I might estimate that I wouldn't owe any tax but you might be right and I might be wrong, I might owe some tax. And so it's going to be discriminatory between you and me. And then also, just visualize the millions of exemption certificates that are going to have to be filed. And they will have to be updated, and this will mean filing these millions of exemption certificates every year with the banks and the corporations, and having them processed. And when young people become over 18 then they have to file an exemption certificate or have to file a withdrawal of an exemption certificate. This is a horribly complex mechanism for giving people the benefit of not having to have this tax withheld. But I want to be fair about it and point out that there is a provision in here to cover that situation. But in my judgment is is a highly unworkable, complex burden upon the businesses and also upon those people on whom this tax burden would otherwise fall. Now there is another thing that ought to be brought out. If you expect to owe even $1 of income tax, then you can't file an exemption certificate and they are going to withhold 20 percent on your interest or dividend income. They say you can then file a claim for refund and you can do so every quarter during the year. And they say also that you will get your refund quite promptly. But I can also visualize a horrible administrative complexity here because there will be literally millions of these income tax refund claims being filed. It's going to cause a lot of these people who can't really understand how to make out these complicated claims for refund—it is going to cause them to go to the trouble of making them out; it is going to require a lot more Federal employees to process these. So while they do cover it, I think they cover it in a most unsatisfactory, complex way.

Mr. Coar. Is there a possibility, Senator Miller, that the amount of money that is returned might all be eaten up by the administration of this plan, because, as you say, they will have to add probably thousands of employees to handle this tremendous amount of paperwork that is being added?

Senator Miller. Well, I think you can say this—that the amount of income tax that will be lost to the Internal Revenue Service because of the extra expense of businessmen to implement this will probably be substantial; but on the other hand, if there is a lot of revenue that is being missed, the Federal Government expects to have a net take from this. They will lose some tax from the extra expenses that the businessmen will be allowed to deduct. But they expect to catch more revenue by having this withholding. But my point is that I think it is overestimated—this amount of leaking income—and furthermore, they can get it if they will put in a sensible information return system.

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. Smith of Massachusetts in the chair). Does the Senator wish to take the time for the quorum call out of the time remaining on the amendment?

Mr. MANSFIELD. Yes.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MANSFIELD. Mr. President, I yield back all the time on this side.

Mr. DOUGLAS. I yield back all the time on our side.

The PRESIDING OFFICER. All time having been yielded back, the question is on the amendment to strike out section 19 and insert new language. The yeas and nays have been ordered, and the clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. DOUGLAS. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator from Illinois will state it.

Mr. DOUGLAS. Is this a quorum call or a rollcall on a yea-and-nay vote?

The PRESIDING OFFICER. This is a yea-and-nay vote.

The Chief Clerk resumed the call of the roll.

Mr. DOUGLAS. Mr. President, a further parliamentary inquiry.

The PRESIDING OFFICER. The Senator from Illinois will state it.

Mr. DOUGLAS. Will the Chair state the question which is now before the Senate?

The PRESIDING OFFICER. The question is on the committee amendment beginning on page 307, after line 8, extending through page 369.

Mr. DOUGLAS. A further parliamentary inquiry.

The PRESIDING OFFICER. The Senator from Illinois will state it.

Mr. DOUGLAS. Am I correct in my understanding that the committee amendment would eliminate the withholding feature on dividends and interest embodied in the House bill?

The PRESIDING OFFICER. That is correct.

Mr. DOUGLAS. I thank the Presiding Officer.

The PRESIDING OFFICER. And insert new language.

Mr. MANSFIELD. Mr. President, a further parliamentary inquiry.

The PRESIDING OFFICER. The Senator from Montana will state it.

Mr. MANSFIELD. Mr. President, is this amendment carried on page 17836 of the Congressional Record for yesterday, in the first column, as follows: "Fourth. The withholding committee amendment, on page 307, line 9, through page 369, line 19"?

The PRESIDING OFFICER. That is correct.

Mr. MANSFIELD. In other words, this is the withholding amendment?

The PRESIDING OFFICER. Yes.

Mr. DIRKSEN. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator from Illinois will state it.

Mr. DIRKSEN. As I understand the situation, the amendment that is pending is a committee amendment to strike the withholding provision and to insert instead the so-called reporting provision?

The PRESIDING OFFICER. The Senator is correct.

Mr. DIRKSEN. And Senators who are for the amendment to eliminate the withholding provision should vote "yea"?

The PRESIDING OFFICER. That is correct.

Mr. DOUGLAS. Mr. President——

The PRESIDING OFFICER. The Senator from Illinois.

Mr. DOUGLAS. This situation is becoming more complicated by the minute. I had understood that the motion was to strike the withholding provision on dividends and interest included in the House bill, and nothing more.

The PRESIDING OFFICER. No; and to insert new language to take its place, relating to reporting.

Mr. DOUGLAS. To insert new language on reporting?

The PRESIDING OFFICER. Yes.

The clerk will call the roll.

The Chief Clerk called the roll.

Mr. MANSFIELD (after having voted in the negative). Mr. President, on this vote I have a pair with the Senator from Washington [Mr. Magnuson]. If he were present and voting he would vote "yea." If I were at liberty to vote I would vote "nay." Therefore, I withhold my vote.

Mr. HUMPHREY (after having voted in the negative). Mr. President, on this vote I have a pair with the Senator from Missouri [Mr. Symington]. If he were present and voting he would vote "yea." If I were at liberty to vote I would vote "nay." I withhold my vote.

I announce that the Senator from Nevada [Mr. Bible], the Senator from New Mexico [Mr. Chavez], the Senator from Arizona [Mr. Hayden], the Senator from Washington [Mr. Magnuson], and the Senator from Oregon [Mrs. Neuberger] are absent on official business.

I further announce that the Senator from New Mexico [Mr. Anderson], the Senator from Alaska [Mr. Gruening], the Senator from Oregon [Mr. Morse], and the Senator from Missouri [Mr. Symington] are necessarily absent.

On this vote, the Senator from Oregon [Mr. Morse] is paired with the Senator from Alaska [Mr. Gruening]. If present and voting, the Senator from Oregon would vote "nay," and the Senator from Alaska would vote "yea."

On this vote, the Senator from Washington [Mr. Magnuson] is paired with the Senator from Montana [Mr. Mansfield]. If present and voting, the Senator from Washington would vote "yea," and the Senator from Montana would vote "nay."

On this vote, the Senator from Minnesota [Mr. Humphrey] is paired with the Senator from Missouri [Mr. Symington]. If present and voting, the Senator from Minnesota would vote "nay," and the Senator from Missouri would vote "yea."

Mr. KUCHEL. I announce that the Senator from New York [Mr. Javits], the Senator from New Hampshire [Mr. Murphy], and the Senator from Wisconsin [Mr. Wiley] are necessarily absent.

If present and voting, the Senator from New York [Mr. Javits], and the Senator from New Hampshire [Mr. Murphy] would each vote "yea."

The result was announced—yeas 66, nays 20, as follows:

[No. 224 Leg.]

YEAS—66

Aiken
Allott
Beall
Bennett
Boggs
Bottum
Bush
Butler
Byrd, Va.
Byrd, W. Va.
Cannon
Capehart
Carlson
Case
Church
Cotton
Curtis
Dirksen
Eastland
Ellender
Engle
Ervin
Fong
Fulbright
Goldwater
Hickenlooper
Hickey
Hill
Holland
Hruska
Jackson
Johnston
Jordan, N.C.
Jordan, Idaho
Keating
Kuchel
Lausche
Long, Mo.
Long, La.
McCarthy
McClellan
Miller
Monroney
Morton
Mundt
Muskie
Pastore
Pearson
Prouty
Randolph
Robertson
Russell
Saltonstall
Scott
Smathers
Smith, Maine
Sparkman
Stennis
Talmadge
Thurmond
Tower
Williams, N.J.
Williams, Del.
Yarborough
Young, N. Dak.
Young, Ohio

NAYS—20

Bartlett
Burdick
Carroll
Clark
Cooper
Dodd
Douglas
Gore
Hart
Hartke
Kefauver
Kerr
Long, Hawaii
McGee
McNamara
Metcalf
Moss
Pell
Proxmire
Smith, Mass.

NOT VOTING—14

Anderson
Bible
Chavez
Gruening
Hayden
Humphrey
Javits
Magnuson
Mansfield
Morse
Murphy
Neuberger
Symington
Wiley

So the committee amendment on page 307, after line 8, was agreed to.

Mr. BYRD of Virginia. Mr. President, I move to reconsider the vote by which the committee amendment was agreed to.

Mr. MANSFIELD. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. MANSFIELD obtained the floor.

Mr. MANSFIELD. Mr. President, I yield to the Senator from Oklahoma.

Mr. KERR. Mr. President, I ask unanimous consent that I may have a colloquy with the Senator from Illinois [Mr. Douglas] and the Senator from Tennessee [Mr. Gore] to obtain some information in which both I and other Senators will be interested in determining the course for the evening. I should like to have the attention of the Senator from Delaware [Mr. Williams] and the Senator from Virginia [Mr. Byrd].

Under our unanimous-consent agreement, the next amendment to be considered would be the second committee amendment, which would eliminate section 482 entirely from the bill. I should like to ask the Senator from Illinois [Mr. Douglas] and the Senator from Tennessee [Mr. Gore] if they would be agreeable to skipping that amendment and the third amendment and going to the fifth amendment, discussing those in order to see whether or not yea and nay votes would be requested on those amendments.

Mr. DOUGLAS. Mr. President, I should like to oblige my good friend the Senator from Oklahoma, but I hope he will adhere to the sequence laid out. When he does so, I wish to propose an amendment to the committee amendment.

Mr. KERR. We have unanimous consent to proceed with the sequence as set out in the Record. Unless changed by unanimous consent, that will be the procedure.

Mr. DOUGLAS. I must reluctantly object.

Mr. KERR. Then, Mr. President, I ask that the second committee amendment be stated.

The PRESIDING OFFICER. The amendment will be stated.

The Legislative Clerk. At the top of page 52 it is proposed to strike out all down to and including line 22 on page 57, the same being an amendment to section 482.

The committee amendment is, as follows:

At the top of page 52, to strike out:

"Sec. 6. Amendment of Section 482.

"(a) In General.—Section 482 (relating to allocation of income and deductions among taxpayers) is amended by adding at the end thereof the following new subsection:

" '(b) Sales and Purchases Within a Related Group Which Includes a Foreign Organization.—

" '(1) In general. In applying subsection (a) to sales of tangible property within a group of organizations—

" '(A) owned or controlled directly or indirectly by the same interests, and

" '(B) at least one of which is a domestic organization and at least one of which is a foreign organization,

the Secretary or his delegate may allocate the taxable income of the group arising from such sales in the manner set forth in paragraph (2). This subsection shall not apply with respect to any sale of tangible property for which the taxpayer can establish an arm's length price (within the meaning of paragraph (4)).

" '(2) Methods of allocation.—

" '(A) Consideration of certain factors.—Except as provided in subparagraph (B), the allocation referred to in paragraph (1) shall be made by the Secretary or his delegate by taking into consideration that portion of the following factors which is attributable to the United States and that portion thereof which is not attributable to the United States—

" '(i) assets of the group, to the extent used in the production, distribution, and sale of the property,

" '(ii) compensation of officers and employees, to the extent attributable to the production, distribution, and sale of the property, and

" '(iii) advertising, selling, and sales promotion expenses (including technical and servicing expenses), to the extent attributable to the property.

Such method of allocation may also give consideration to other factors, including the special risks (if any) of the market in which the property is sold.

" '(B) Alternative methods.—If the taxpayer establishes to the satisfaction of the Secretary or his delegate that an alternative method of allocation clearly reflects the income of each member of the group with respect to the property referred to in paragraph (1), such alternative method shall be used (in lieu of the method provided in subparagraph (A)).

" '(3) Special rules.—In applying the method of allocation referred to in paragraph (2)(A), the following rules shall be applied:

" '(A) Adjusted basis of assets.—The values to be assigned to the assets referred to in paragraph (2)(A)(i) is their adjusted basis in the hands of the taxpayer or, if such basis is not available in the case of a foreign organization, then their book values, adjusted to approximate their adjusted basis.

" '(B) Includible assets.—The assets referred to in paragraph (2)(A)(i) include real property and tangible personal property (whether owned or leased by a member of the group), but do not include inventory and stock in trade.

" '(4) Arm's length price defined.—For purposes of this subsection, the term "arm's length price" means—

" '(A) the price at which tangible property similar or comparable to the property referred to in paragraph (1) generally is or can be sold in transactions in the same areas involving unrelated persons and made under similar conditions of sale; and

" '(B) if subparagraph (A) does not apply, the price at which tangible property similar or comparable to the property referred to in paragraph (1) is sold in the same or other areas under similar circumstances and in transactions involving unrelated persons, with adjustment for material differences in quantity, marketing conditions (including customs duties and transportation costs), and other relevant factors.

Subparagraph (B) shall apply only if the adjustment referred to therein is properly determinable.

" '(5) Sales commissions.—The Secretary or his delegate shall by regulation prescribe rules for the allocation of commissions arising from sales of tangible property within a group of organizations described in paragraph (1). Such rules shall be consistent with the principles specified in the other paragraphs of this subsection.

" '(6) Grossly inadequate assets, etc., outside United States.—In allocating taxable income under this subsection, no amount shall be allocated to a foreign organization whose assets, personnel, and office and other facilities which are not attributable to the United States are grossly inadequate for its activities outside the United States.

" '(7) Information necessary for consideration of factors.—In the case of any transaction to which paragraph (2)(A) applies, if—

" '(A) the information submitted with respect to the group of organizations is insufficient for the proper application of the method of allocation set forth in the first sentence of such paragraph, and

" '(B) upon request of the Secretary or his delegate, such group fails to furnish such additional information with respect to such transaction as may be reasonably supplied,

the Secretary or his delegate may estimate the taxable income arising from such transaction and may allocate such taxable income among the members of the group or to any single member thereof.

" '(8) Treatment of foreign taxes.—

" '(A) For purposes of this subsection, taxable income shall be determined without regard to any income, war profits, or excess profits taxes paid to any foreign country or to any possession of the United States.

" '(B) Where the application of this subsection results in a decrease in the taxable income of any foreign organization and an increase in the taxable income of any domestic organization, then any of the taxes referred to in subparagraph (A) paid by such foreign organization and attributable to the taxable income so transferred shall be treated for purposes of this chapter—

" '(i) as paid by such domestic organization, and

" '(ii) as not paid by such foreign organization.'

"(b) Clerical Amendment.—Section 482 is amended by striking out 'In any case of two or more organizations' and inserting in lieu thereof the following:

" '(a) General Rule.—In the case of two or more organizations'.

"(c) Effective Date.—The amendments made by this section shall apply with respect to taxable years beginning after December 31, 1962."

Mr. DOUGLAS. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. DOUGLAS. Is that the amendment now before the Senate?

The PRESIDING OFFICER. The Senator is correct.

Mr. DOUGLAS. Mr. President, I send to the desk an amendment to the committee amendment and ask that it be stated, and that I be privileged to explain the amendment.

The PRESIDING OFFICER. The amendment of the Senator from Illinois will be stated.

The Legislative Clerk. The Senator from Illinois proposes on page 57, after line 22, to insert the following new section:

Sec. 20. Repeal of Withholding of Income Tax at Source on Wages.

Effective with respect to wages paid on or after January 1, 1963, chapter 24 (relating to collection of income tax at source on wages) is hereby repealed.

Renumber succeeding sections of the bill.

Mr. DOUGLAS. Mr. President, the Senate has just voted by an overwhelming majority not to apply withholding to dividends and interest. That is obviously the considered judgment of the Senate. If we do so, how can we consistently withhold taxes on wages and salaries? Now that we have stricken the provision for withholding of dividends and interest, in all logic we must strike out withholding on wages and salaries. I ask for the yeas and nays.

Mr. MANSFIELD. Mr. President, I move to lay that amendment on the table.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Montana.

Mr. DOUGLAS. Mr. President, I ask for the yeas and nays on the motion to lay on the table.

The yeas and nays were ordered.

Mr. DOUGLAS. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. DOUGLAS. What is the motion which is now before the Senate?

The PRESIDING OFFICER. The question is on the motion of the Senator from Montana to table the amendment of the Senator from Illinois to the committee amendment.

Mr. DOUGLAS. Then do I correctly understand that Senators, who believe in retaining withholding on wages and salaries even though we do not have withholding on dividends and interest should vote "aye"——

The PRESIDING OFFICER. The Chair informs the Senator that his question is not a proper parliamentary inquiry.

Mr. HOLLAND. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. HOLLAND. Have the yeas and nays been ordered on the motion to lay on the table?

The PRESIDING OFFICER. The yeas and nays have been ordered.

Mr. DIRKSEN. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. DIRKSEN. Mr. President, if we can have absolute quiet for a moment, is it a proper parliamentary inquiry to say that the proposal now before the Senate, if agreed to, would put an end to withholding on all wages in the country?

Mr. DOUGLAS. Mr. President, is that a proper parliamentary inquiry?

The PRESIDING OFFICER. The Chair rules that it is not a proper parliamentary inquiry.

Mr. DIRKSEN. Mr. President, I ask that the amendment be stated for the information of the Senate.

Mr. HUMPHREY. Mr. President, a motion to lay on the table has been made.

Mr. DIRKSEN. I know; but Senators are entitled to know what they are asked to lay on the table.

The PRESIDING OFFICER. The Senator is correct.

Mr. DIRKSEN. I ask that the amendment be repeated to the Senate for the information of the Senate.

The PRESIDING OFFICER. The clerk will state the amendment.

Mr. DIRKSEN. May the clerk read slowly and distinctly?

The LEGISLATIVE CLERK. On page 57, after line 22, it is proposed to insert the following new section:

SEC. 20. REPEAL OF WITHHOLDING OF INCOME TAX AT SOURCE ON WAGES.

Effective with respect to wages paid on or after January 1, 1963, chapter 24 (relating to collection of income tax at source on wages) is hereby repealed.

Renumber succeeding sections of the bill.

Mr. DIRKSEN. Mr. President, I suggest the absence of a quorum.

Mr. HOLLAND. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. Does the Senator from Illinois withhold his suggestion of the absence of a quorum?

Mr. DIRKSEN. I withhold my suggestion.

The PRESIDING OFFICER. The Senator from Florida will state his inquiry.

Mr. HOLLAND. Would it be appropriate to ask, by way of a parliamentary inquiry, whether or not the amendment, if adopted, would put an end to withholding of taxes from the salaries of Members of Congress and the withholding of taxes from the wages of all employees in the Government?

Mr. MANSFIELD. Mr. President, I make the point of order that that is not a proper parliamentary inquiry.

The PRESIDING OFFICER. It is not a parliamentary inquiry.

The yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. HUMPHREY. I announce that the Senator from Nevada [Mr. Bible], the Senator from New Mexico [Mr. Chavez], the Senator from Connecticut [Mr. Dodd], the Senator from Mississippi [Mr. Eastland], the Senator from California [Mr. Engle], the Senator from Arkansas [Mr. Fulbright], the Senator from Alabama [Mr. Hill], the Senator from Tennessee [Mr. Kefauver], the Senator from Washington [Mr. Magnuson], the Senator from Hawaii [Mr. Long], and the Senator from Oregon [Mrs. Neuberger] are absent on official business.

I further announce that the Senator from Oregon [Mr. Morse], the Senator from New Mexico [Mr. Anderson], the Senator from Pennsylvania [Mr. Clark], the Senator from Tennessee [Mr. Gore], the Senator from Alaska [Mr. Gruening], and the Senator from Missouri [Mr. Symington] are necessarily absent.

I further announce that, if present and voting, the Senator from Mississippi [Mr. Eastland], the Senator from California [Mr. Engle], the Senator from Arkansas [Mr. Fulbright], and the Senator from Alabama [Mr. Hill] would each vote "yea."

On this vote, the Senator from Oregon [Mr. Morse] is paired with the Senator from Washington [Mr. Magnuson]. If present and voting, the Senator from Oregon would vote "nay," and the Senator from Washington would vote "yea."

On this vote, the Senator from Pennsylvania [Mr. Clark] is paired with the Senator from Missouri [Mr. Symington]. If present and voting, the Senator from Pennsylvania would vote "nay," and the Senator from Missouri would vote "yea."

Mr. KUCHEL. I announce that the Senator from New York [Mr. Javits], the Senator from New Hampshire [Mr. Murphy], and the Senator from Wisconsin [Mr. Wiley] are necessarily absent.

The Senator from Massachusetts [Mr. Saltonstall] is detained on official business and if present and voting would vote "yea."

On this vote, the Senator from New York [Mr. Javits] is paired with the Senator from New Hampshire [Mr. Murphy]. If present and voting, the Senator from New York would vote "yea," and the Senator from New Hampshire would vote "nay."

The result was announced—yeas 62, nays 17, as follows:

[No. 225 Leg.]

YEAS—62

Aiken
Allott
Beall
Bennett
Boggs
Bottum
Bush
Butler
Byrd, Va.
Byrd, W. Va.
Cannon
Carlson
Case
Church
Cooper
Curtis
Dirksen
Ellender
Ervin
Fong
Hart
Hayden
Hickenlooper
Hickey
Holland
Hruska
Humphrey
Jackson
Johnston
Jordan, N.C.
Keating
Kerr
Kuchel
Long, Mo.
Long, La.
Mansfield
McCarthy
McClellan
McGee
McNamara
Metcalf
Miller
Monroney
Morton
Moss
Mundt
Muskie
Pastore
Pearson
Pell
Prouty
Proxmire
Randolph
Robertson
Smathers
Smith, Mass.
Sparkman
Williams, N.J.
Williams, Del.
Yarborough
Young, N. Dak.
Young, Ohio

NAYS—17

Bartlett
Burdick
Capehart
Carroll
Cotton
Douglas
Goldwater
Hartke
Jordan, Idaho
Lausche
Russell
Scott
Smith, Maine
Stennis
Talmadge
Thurmond
Tower

NOT VOTING—21

Anderson
Bible
Chavez
Clark
Dodd
Eastland
Engle
Fulbright
Gore
Gruening
Hill
Javits
Kefauver
Long, Hawaii
Magnuson
Morse
Murphy
Neuberger
Saltonstall
Symington
Wiley

So the motion to lay on the table Mr. Douglas' amendment to the committee amendment was agreed to.

Mr. KERR. Mr. President, I move that the action whereby the motion to lay on the table was agreed to be reconsidered.

Mr. HUMPHREY. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. KERR. Mr. President, I now ask the distinguished Senator from Tennessee [Mr. Gore] and the distinguished Senator from Illinois [Mr. Douglas] if they have objection to the adoption of the second of the amendments, together with the others, and to their becoming a part of the text, subject to further amendment.

Mr. GORE. Will not the Senator from Oklahoma pass over the second and third amendments, and leave them as they are?

Mr. KERR. We will pass over the second and third amendments.

I now make the same inquiry with reference to the fifth amendment. That is the clearing land committee amendment.

Mr. GORE. I have no objection to passing to the fourth and fifth remaining amendments which are riders to the bill.

Mr. KERR. This is one such amendment.

Mr. GORE. I have no objection.

Mr. KERR. To its becoming a part of the text of the bill?

Mr. GORE. I have no objection to its consideration.

Mr. KERR. Does the Senator believe there will be a request for the yeas and nays on that amendment?

Mr. GORE. I have no intention of making such a request. I cannot speak for other Senators.

Mr. KERR. Mr. President, if it be in order, I should like to ask if other Senators expect to make such a request.

I ask the Senator from Tennessee the same question with reference to the seventh amendment, which relates to the determination of the number of stockholders in small corporations.

Mr. GORE. I make the same response.

Mr. KERR. Mr. President, I ask if other Senators expect to ask for a yea-and-nay vote on that amendment.

The eighth amendment is the amendment with reference to the Twin Cities Railway.

Mr. GORE. I should like to say to the Senator from Oklahoma that I have no intention of making a fight on any of these amendments. They are in the nature of bills for private relief. They have no place in this bill. One such bill was vetoed by President Eisenhower. As amendments, they are now riders on the bill. But there is a limit to the number of fights I feel I can afford to make on the bill, so I simply call this fact to the attention of the Senate and express no further objection to any of these amendments. I think there should be an explanation to the Senate of each amendment.

Mr. KERR. Yes.

Mr. DOUGLAS. Mr. President, I also believe there should be a full explanation of the Twin Cities Railway amendment. I hope the amendment will be explained in full. Like the Senator from Tennessee, I have no present intention of asking for a yea-and-nay vote on that amendment, but I think it ought to be thoroughly explained and that the Senate as a whole should have a chance to pass upon it without giving automatic approval to it without discussion.

Mr. KERR. Mr. President, I ask that we may begin with the 7th amendment and proceed with an explanation, discussion, deliberation, and action on the amendment. In the event it should develop that Senators wish to ask for a yea-and-nay vote on any of them I ask that the one with reference to which the vote is requested go over until tomorrow and that the Senate proceed to consider the 7th, 8th, 9th, 10th, and 11th amendments listed, on the basis that if the Senate wishes to act on them after an explanation, it may be permitted to do so, but that if a controversy arises and a yea-and-nay vote is sought, the particular amendment with reference to which the yea-and-nay vote may be sought go over until tomorrow.

Mr. CARROLL. Mr. President, will the Senator from Oklahoma yield?

Mr. KERR. I yield. I assume the Senator reserves the right to object.

Mr. CARROLL. Yes. I ask unanimous consent that I may be permitted to speak on the Douglas amendment which related to the repeal of the withholding of tax on salaries and wages. It will take me only a minute or two to do so.

Mr. KERR. Could not the Senator do that after the present discussion has been completed?

Mr. CARROLL. I should like to make my statement now. It will take only a minute. I ask unanimous consent that I may do so.

Mr. KERR. Mr. President, I ask unanimous consent that the Senator from Colorado be granted 1 minute.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. CARROLL. The reason why the Senator from Colorado registered his vote against the motion to table was this: When the able Senator from Illinois [Mr. DOUGLAS] offered his amendment, he asked for the yeas and nays. Before he had an opportunity to explain his amendment, a motion to table was made. I object to such a procedure because I believe the able Senator from Illinois had a right to explain to the Senate the purpose of his amendment. If I may draw upon my imagination, I believe the Senator from Illinois sought to demonstrate the difference between the votes of Senators who voted against the withholding of tax on dividends and interest and the votes of Senators who might vote for the withholding of the tax on wages and salaries. I think he had a right to explain his position. He was denied that right; therefore, I voted against the motion to table. I am not against the withholding of taxes on salaries and wages. This has been an important part of our tax statutes for many years.

I think the Senate has not acted in accordance with the democratic process. I do not think it is in the interest of the Senate to deny to any Senator the right to explain his amendment, even for only 2 or 3 minutes; even though it is known that the amendment will be defeated; and even though the Senator who offers the amendment knows it will be defeated, but merely wishes to create an issue to carry to the people of the country.

That is the statement I wished to make at this time. I am not wholly in opposition to the motion of the majority leader. I am not in opposition to the principle of withholding taxes on salaries and wages. That has been a part of the revenue system of the country for 20 years. But I believe the able senior Senator from Illinois had a right to present his amendment. I think the Senate should have had a right to debate this question for a reasonable length of time.

Mr. President, with that observation in the RECORD, I withdraw my objection.

Mr. GORE. Mr. President, reserving the right to object, do I correctly understand the Senator from Oklahoma to request consent that amendments 2 and 3 be passed over?

Mr. KERR. Yes; until tomorrow.

Mr. GORE. Until tomorrow?

Mr. KERR. That is correct.

Mr. GORE. I thank the Senator from Oklahoma. Having spoken for about 2 hours today, I am perfectly willing to have them passed over.

Mr. LAUSCHE. Mr. President, reserving the right to object, let me say that I voted for a definite reason against the motion to lay on the table. In my opinion, ultimately the country would be better off if we created a taxpaying situation in which every citizen would have brought to his mind the exact amount of taxes he was paying. A tax consciousness has been developing among the people of the Nation. I think it has been reflected by the President's recommendation that taxes on the Federal level be reduced, and also by the recommendation of the Governor of California that taxes in California be reduced. If each citizen knew the tremendous burden of taxes which he pays, we would not be spending their money as extravagantly as we are on the floor of the Senate.

Mr. DOUGLAS. Mr. President, reserving the right to object, I should like to make some comments on this question.

Mr. KERR. Does the Senator from Illinois wish to make his comments before the proposed unanimous-consent agreement is entered into?

Mr. DOUGLAS. Yes.

Mr. KERR. Then, Mr. President, I withdraw the request.

Mr. DOUGLAS. Mr. President, I believe the withholding method is an efficient way of collecting taxes, and I believe it should be universal. But it is not universal now. It now applies to wage earners and salary earners, but it does not apply to the recipients of dividends and interest. I and the 19 other Senators who voted with me tried to make it universal, but we were defeated by an overwhelming vote. Having been defeated by that overwhelming vote, it seems to me that it is not consistent to maintain withholding against anyone. A Senator cannot consistently maintain that withholding should be applied to low paid wage earners and salary earners but should not be applied to the higher income recipients of dividends and interest.

My position is that withholding should be applied either to everyone or else not to anyone. I believe that is a basically sound position.

Senators who voted against withholding on dividends and interest, but who voted in favor of withholding on wages and salaries are in a basically inconsistent position; and if they examine their consciences, I believe they will find it very hard to justify taking that position, and I believe they will also find it difficult to justify it to the voters.

Mr. CARROLL. Mr. President, will the Senator from Illinois yield?

Mr. DOUGLAS. I yield.

Mr. CARROLL. Did the Senator from Colorado ever confer with the Senator from Illinois about his amendment?

Mr. DOUGLAS. No.

Mr. CARROLL. The Senator from Illinois did not seriously declare in favor of repealing the withholding taxes on wages and salaries, did he?

Mr. DOUGLAS. I knew I would be defeated on that amendment, just as we were defeated on the proposal to have withholding on dividends and interest. But I thought the amendment would point an interesting moral. I did not confide in a single person, and I am very glad I did not.

Mr. CARROLL. I had no idea that this amendment was coming up. But again I take the position that, whatever the reasons of the Senator from Illinois were, and whatever the motivation of the Senator from Illinois was, he had a right to be heard on his amendment, without being shut off by a motion to table.

Mr. SCOTT. Mr. President——

Mr. CARROLL. I have not finished. The Senator from Illinois has yielded to me.

I am in favor of a motion to table after debate has been exhausted, but I do not like to see a motion to table used as a means of shutting off reasonable, intelligent debate. I am opposed to filibusters and to the long-drawn-out debate procedures which seem to be prevalent in this body. My record shows that.

Whenever a Senator submits an amendment, I think he is entitled to be heard on it, no matter how facetious it might seem.

Mr. DOUGLAS. I assure the Senator that it was not facetious.

Mr. CARROLL. I ask the Senator from Illinois, what his purpose was in submitting the amendment.

Mr. DOUGLAS. The purpose was to inform the people of the United States where Senators stand in this connection.

Mr. MANSFIELD. Mr. President, will the Senator from Illinois yield?

Mr. CARROLL. Mr. President, has not the Senator from Illinois yielded to me? We have not finished our colloquy, have we?

Mr. DOUGLAS. No.

Mr. CARROLL. Let us not——

Mr. HOLLAND. Mr. President, I request the regular order.

Mr. CARROLL. What is the regular order?

Mr. DOUGLAS. Mr. President, who has the floor?

The PRESIDING OFFICER. The Senator from Illinois has the floor.

Mr. DOUGLAS. Mr. President, I shall be glad to yield to the Senator from Colorado for a question.

Mr. CARROLL. I understood the Senator from Illinois to say he had a serious purpose in submitting the amendment——

Mr. HOLLAND. Mr. President, I demand the regular order.

The PRESIDING OFFICER. The Senator from Illinois has the floor, and he can yield only for a question.

Mr. DOUGLAS. I yield to the Senator from Colorado for a question.

Mr. CARROLL. I am putting the question now, if Senators will be patient; I am laying the foundation for the question.

Mr. DOUGLAS. The Senator is laying the predicate of a question as the Senator from Florida often says.

Mr. CARROLL. The Senator from Illinois has had experience in laying the predicate.

Mr. HOLLAND. Mr. President, I demand the regular order.

The PRESIDING OFFICER. The Senator from Illinois has the floor, and he can yield only for a question.

Mr. DOUGLAS. I yield for a question.

Mr. CARROLL. What was the purpose of the Senator from Illinois in submitting the amendment?

Mr. DOUGLAS. My purpose was to find out whether Members of the Senate were consistent or were inconsistent.

Mr. CARROLL. Did the Senator from Illinois have an opportunity to debate his amendment?

Mr. DOUGLAS. I did not.

Mr. CARROLL. I think that answers the question.

Mr. HART. Mr. President, will the Senator from Illinois yield for a question?

Mr. DOUGLAS. I yield for a question.

Mr. HART. Is it not true that the Senator from Illinois said that Senators who voted against withholding on dividends and interest and then voted to lay his amendment on the table are in an inconsistent position?

Mr. DOUGLAS. That is correct.

Mr. HART. Let me ask this question: Having myself voted in favor of withholding on dividends and interest and having voted to lay on the table the amendment of the Senator from Illinois——

Mr. DOUGLAS. The Senator from Michigan is completely consistent; and the Senator from Illinois is also completely consistent, because he wants withholding either to be applied to everyone or, if it cannot be applied to everyone he thinks it should not be applied to anyone. But Senators who voted to put the screws on the working people, but to let the higher income dividend and interest recipients off the hook are inconsistent.

Mr. CARROLL. Mr. President, will the Senator from Illinois yield for a further question?

Mr. DOUGLAS. Yes; but I yield for a question only.

Mr. CARROLL. The question I put is this: Under the motion to lay on the table, did the Senator from Illinois have an opportunity to discuss his amendment?

Mr. DOUGLAS. I did not.

Mr. CARROLL. Therefore the making of the motion to lay on the table prevented the Senator from Illinois discussing his amendment, did it not?

Mr. DOUGLAS. That is correct.

Mr. CARROLL. And, therefore, Senators who voted in favor of the motion to lay on the table were not necessarily in favor of the Senator's amendment, were they?

Mr. DOUGLAS. I am sure of that. I am sure that neither the Senator from South Carolina nor the Senator from Mississippi favored it. But they do not believe in artificially shutting off debate by means of a premature motion to lay on the table. If we are going to give medals for consistency, I am ready to give them medals for consistency—but they should be leather medals, not bronze stars.

Mr. SCOTT. Mr. President, will the Senator from Illinois yield?

Mr. DOUGLAS. I yield.

Mr. SCOTT. I should like to address a question to the Senator from Illinois, in view of the questions of the Senator from Colorado—namely, whether a position on both sides of the question is available to all Senators.

Mr. DOUGLAS. I do not understand the question.

Mr. KERR. Mr. President——

Mr. DOUGLAS. Mr. President, who has the floor?

Mr. KERR. I thought the Senator from Illinois had yielded.

Mr. MANSFIELD. Mr. President, does the Senator from Illinois withdraw his reservation of objection?

Mr. TOWER. Mr. President, will the Senator from Illinois yield for a question?

Mr. DOUGLAS. Certainly.

Mr. TOWER. Will the Senator from Illinois inform me whether the amendment he offered is a part of the program and platform of the John Birch Society?

Mr. DOUGLAS. I do not think so.

The Senator from Texas may be more cognizant of the platform of the John Birch Society than the Senator from Illinois. The Senator from Illinois does not know. I believe the constitution of the John Birch Society is secret. The Senator from Illinois is not an expert in it and does not know what is in it. But if the Senator from Texas says he knows what is in it, I will accept that answer. [Laughter.]

Mr. TOWER. Mr. President, will the Senator yield for a question?

Mr. DOUGLAS. I yield.

Mr. TOWER. The Senator from Texas is not a member of the John Birch Society.

Mr. DOUGLAS. I did not accuse him of being a member.

Mr. TOWER. Nor does he believe in everything that the John Birch Society advocates; but since the Senator from Illinois is making a good case of consistency, I think, in the interest of consistency, since he has expressed approval of one plank of that platform, he should support all of it.

Mr. DOUGLAS. I think the Senator from Texas should have voted for the withholding of the tax at the source on dividends and interest, when I presented my motion, so that along with the withholding on dividends and interest the withholding of taxes would have applied to all recipients universally.

Mr. President, so far as I am concerned, I am ready to yield the floor, unless there are other questions. But the Senator from Texas is still on his feet.

Mr. KERR. Mr. President, I now renew my unanimous-consent request as stated awhile ago.

The PRESIDING OFFICER. Without objection, the second amendment will be temporarily put aside and the request of the Senator from Oklahoma is agreed to. The clerk will read amendment No. 7——

Mr. DIRKSEN. Mr. President, will the Senator yield?

Mr. KERR. I yield.

Mr. DIRKSEN. If I understood the unanimous-consent request correctly, it now means the Senate will proceed to consider No. 7?

Mr. KERR. No. 5.

Mr. DIRKSEN. And then 6?

Mr. KERR. No. Nos. 5, 7, 8, 9, 10. We have already had 6.

Mr. DIRKSEN. There is one more.

Mr. KERR. And No. 11.

Mr. DIRKSEN. It was the intent of the unanimous-consent request that the Senate would proceed to this group of amendments with the understanding that there would be no yea-and-nay votes tonight, but that if a yea-and-nay vote were requested, the vote would go over until tomorrow?

Mr. KERR. It would not be before tomorrow.

The PRESIDING OFFICER. The clerk will read amendment No. 5.

The Legislative Clerk. On page 381——

Mr. DIRKSEN. Mr. President——

The PRESIDING OFFICER. The Senator from Illinois.

Mr. DIRKSEN. I ask the Chair to make a decision with respect to the inquiry.

The PRESIDING OFFICER. The Chair said "without objection." Now the clerk is reading the first amendment.

Mr. DIRKSEN. I asked whether or not it was the understanding of the Senate, under the consent request, that the Senate proceed to this amendment, but in the event there is a request for a yea-and-nay vote, that vote shall go over at least until tomorrow?

The PRESIDING OFFICER. That is the understanding of the Chair.

Mr. HICKENLOOPER. Mr. President, what is the ruling of the Chair?

The PRESIDING OFFICER. That was the understanding of the Chair.

Mr. HICKENLOOPER. Has the unanimous-consent request been granted?

The PRESIDING OFFICER. That has already been granted. The clerk will read amendment No. 5.

The Legislative Clerk. On page 381, in line 16, it is proposed to insert the language down to and including——

Mr. HUMPHREY. Mr. President, will the Chair restore order and permit no further business to be transacted until order is restored?

The PRESIDING OFFICER. Senators will please take their seats.

The Legislative Clerk. On page 381, after line 15 it is proposed to insert a new section, as follows:

Sec. 21. Expenditures by Farmers for Clearing Land.

(a) Allowance of Deduction.—Part VI of subchapter B of chapter 1 (relating to itemized deductions for individuals and corporations) is amended by adding after section 181 (as added by section 2(c) of this Act) the following new section:

"Sec. 182. Expenditures by Farmers for Clearing Land.

"(a) In General.—A taxpayer engaged in the business of farming may elect to treat expenditures which are paid or incurred by him during the taxable year in the clearing of land for the purpose of making such land suitable for use in farming as expenses which are not chargeable to capital account. The expenditures so treated shall be allowed as a deduction.

"(b) Limitation.—The amount deductible under subsection (a) for any taxable year shall not exceed whichever of the following amounts is the lesser:

"(1) $5,000, or

"(2) 25 percent of the taxable income derived from farming during the taxable year. For purposes of paragraph (2), the term 'taxable income derived from farming' means the gross income derived from farming reduced by the deductions allowed by this chapter (other than by this section) which are attributable to the business of farming.

"(c) Definitions.—For purposes of subsection (a)—

"(1) The term 'clearing of land' includes (but is not limited to) the eradication of trees, stumps, and brush, the treatment or moving of earth, and the diversion of streams and watercourses.

"(2) The term 'land suitable for use in farming' means land which as a result of the activities described in paragraph (1) is suitable for use by the taxpayer or his tenant for the production of crops, fruits, or other agricultural products or for the sustenance of livestock.

"(d) Exceptions, etc.—

"(1) Exceptions.—The expenditures to which subsection (a) applies shall not include—

"(A) the purchase, construction, installation, or improvement of structures, appliances, or facilities which are of a character which is subject to the allowance for depreciation provided in section 167, or

"(B) any amount paid or incurred which is allowable as a deduction without regard to this section.

"(2) Certain property used in the clearing of land.—

"(A) Allowance for depreciation.—The expenditures to which subsection (a) applies shall include a reasonable allowance for depreciation with respect to property of the taxpayer which is used in the clearing of land for the purpose of making such land suitable for use in farming and which, if used in a trade or business, would be property subject to the allowance for depreciation provided by section 167.

"(B) Treatment as depreciation deduction.—For purposes of this chapter, any expenditure described in subparagraph (A) shall, to the extent allowed as a deduction under subsection (a), be treated as an amount allowed under section 167 for exhaustion, wear and tear, or obsolescence of the property which is used in the clearing of land.

"(e) Election.—The election under subsection (a) for any taxable year shall be made within the time prescribed by law (including extensions thereof) for filing the return for such taxable year. Such election shall be made in such manner as the Secretary or his delegate may by regulations prescribe. Such election may not be revoked except with the consent of the Secretary or his delegate."

(b) Clerical Amendment.—The table of sections for such part VI is amended by adding at the end thereof the following:

"Sec. 182. Expenditures by farmers for clearing land."

(c) Effective Date.—The amendments made by this section shall apply with respect to taxable years beginning after December 31, 1962.

Mr. KERR. Mr. President, I ask unanimous consent that I may yield to the Senator from Delaware [Mr. Williams] without losing my right to the floor, to explain the amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. WILLIAMS of Delaware. Mr. President, under existing law, expenses incurred in carrying on a trade or business of farming are deductible in determining taxable income. In 1954, Congress amended the statute to include in the deductible category, expenses for soil and water conservation.

This new provision deals with a problem quite similar to that which resulted in the enactment of the soil and water conservation provision. At the present time, expenditures made during the preparatory period in extending a farm may not be deducted since they are not expenses incurred in the business of farming. Examples of expenditures of this nature which, under existing law, must be capitalized are expenditures—including material and labor—incurred in: clearing brush, trees, and stumps, leveling and conditioning land, and straightening creek beds. Because expenditures for these purposes, when incurred in order to make the land suitable for farming—like expenses for soil conservation—are also closely associated with the trade or business of farming, the committee believes that it would be proper to allow their deduction to a limited extent.

This provision permits taxpayers engaged in the business of farming to deduct, in computing their Federal income tax, expenditures incurred by them in clearing land to make it suitable for farming. Activities included in clearing and preparing land to make it suitable for farming include the clearing of brush, trees, stumps, and boulders, the leveling and conditioning of the land, and the diversion of streams.

Under the bill, deduction of expenditures in any taxable year for these purposes may not exceed $5,000, or, if less, 25 percent of the taxpayer's taxable income from farming.

Mr. DOUGLAS. Mr. President, will the Senator yield for a question?

Mr. WILLIAMS of Delaware. Yes.

Mr. DOUGLAS. Has the Senator completed his statement?

Mr. WILLIAMS of Delaware. Yes.

Mr. DOUGLAS. Why should we encourage more acres of land to be put into production when we are attempting to take land out of production? The Senator from Delaware is proposing to bring into production additional acreage when the policy of the United States is to diminish the productive acres.

Mr. WILLIAMS of Delaware. The Senator from Illinois misunderstands the amendment. I have opposed reclamation projects which bring new land into production.

Mr. DOUGLAS. But the Senator is not opposed to bringing new land into production in Delaware.

Mr. WILLIAMS of Delaware. This has nothing to do with that question. It can be done now. Under existing law a taxpayer can buy equipment to use for clearing land and the law allows him to charge off the cost of the equipment. A small operator cannot afford to buy equipment. He is forced to contract for his work and then capitalize this cost in the value of his farm, with the result that it costs him $75 to $100 an acre more than the larger operators to clear the land. This amendment gives to the smaller farmer some of the advantages the larger operator now has.

Mr. DOUGLAS. How is a small farmer defined?

Mr. WILLIAMS of Delaware. By the limitation in this amendment, it provides that it cannot exceed $5,000, or 25 percent of his income from farming, whichever is the lesser.

Mr. DOUGLAS. A year?

Mr. WILLIAMS of Delaware. A year.

Mr. DOUGLAS. Five thousand dollars a year for clearing land? A great deal of land can be cleared for that. Moreover, I think it can be said that this provision will encourage bringing more land into cultivation at the very time when we are trying to decrease the amount of land in cultivation. I think it is completely inconsistent with the position the Senator from Delaware, along with the Senator from Illinois, has taken on reclamation projects, and also inconsistent with his general position on the farm problem.

Mr. KERR. Mr. President, if the Senator will yield for just a moment, I would like to say that the effect of this amendment does not change the right of the farmer to charge off the costs referred to in the amendment if certain events occur. The farmer who clears land and then sells it receives the benefit of this cost through a higher basis for his property. Therefore, the committee amendment in this case only changes the time in which he is permitted to charge these expenses off. If he goes ahead, under existing law, and does what the Senator has referred to, he in effect is permitted to charge it off if he sells the property but not otherwise. This provision would permit the chargeoff in 1 year which now takes longer than 1 year or may never occur.

Mr. WILLIAMS of Delaware. The large operators naturally buy the equipment. Under existing law this is subject to depreciation. They can charge this depreciation against their income other than farming, on any other type of income. This provision is limited to small farmers.

Mr. DOUGLAS. It is not the income to the farmer which is involved. It is the amount spent in the clearing of land.

Mr. WILLIAMS of Delaware. But limited to a percentage of income from farming.

Mr. DOUGLAS. For clearing land.

Mr. WILLIAMS of Delaware. The language would limit it to 25 percent of his farming income or $5,000, whichever is smaller. A farmer with a small amount of farming income would not be able to spend it all on clearing land.

Mr. DOUGLAS. It is not $5,000 of income, but it is a $5,000 allowance for clearing land.

Mr. WILLIAMS of Delaware. Yes, if the farmer wished to spend all of his income that year, I suppose he could spend the full amount on clearing land.

Mr. DOUGLAS. The sum of $5,000 a year would clear a great deal of land. It might clear 100 acres.

Mr. WILLIAMS of Delaware. Mr. President, it costs more than that to clear land; we approved a bill the other day for payments for farmland.

Mr. DOUGLAS. If a farmer cleared 100 acres a year, year after year, followed by year after year, he would not be a small farmer.

Mr. WILLIAMS of Delaware. If the Senator from Illinois has had any experience in this regard, he knows that $5,000 would clear only about 25 acres.

Mr. DOUGLAS. It all depends on the land.

Mr. WILLIAMS of Delaware. No. This would be a fair average.

Mr. DOUGLAS. Yes. Wait just a minute. It all depends on the amount of timber on the land, the toughness of the timber, the amount of stones in the soil, and so on. In the fertile lands of Delaware, which are sandy and which do not have the boulders of Vermont, a bulldozer can operate very quickly. Five thousand dollars would do a lot in Delaware, to increase ultimately the chicken yield.

Mr. WILLIAMS of Delaware. It costs about $175 or $200 an acre to clear land, even in Delaware.

I am surprised that there should be objection to this particular proposal by anyone connected with the administration, especially since Congress passed a bill wherein it was provided that penitentiaries can draw as much as $60,000 a year for not farming, and we have provided for payments to other large farmers for not farming.

This involves a benefit for the small farmers and I submit the amendment on its merits.

Mr. MILLER. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. MILLER. I have two questions to ask the Senator. The first relates to the language used on page 383 of the bill, which refers to "land suitable for use in farming."

The definition is that this "means land which as a result of the activities described in paragraph (1) is suitable for use by the taxpayer or his tenant for the production of crops, fruits, or other agricultural products or for the sustenance of livestock."

The Senator knows that there is a problem in this regard for the Internal Revenue Service with respect to the so-called hobby farmer.

For the purposes of legislative history, I wonder if the Senator would agree that it is the intention of the Congress that when the definition says, "is suitable for use by the taxpayer or his tenant" for this type of production, it means that suitability implies profitability, that there must be a profitable type undertaking, rather than the hobby farming type of activity?

Mr. WILLIAMS of Delaware. Not only is that the intention, but also the amendment was drafted with the specific intention of prohibiting the benefits going to hobby farmers. Before the hobby loss provision applies in the case of a farming operation there must be a loss. Where there is a loss, 25 percent of income from farming is zero. Therefore in such a case there would be no deduction under this provision.

I think both the report and the language properly protect us, as the language was drafted by the legislative counsel and the staff of our committee.

Mr. MILLER. I thank the Senator. My second question relates to the limitation about which the Senator from Illinois was inquiring.

On page 382 the language of the bill is:

> The amount deductible under subsection (a) for any taxable year shall not exceed whichever of the following amounts is the lesser:
>
> (1) $5,000, or
>
> (2) 25 percent of the taxable income derived from farming during the taxable year.

As I read the language, the $5,000 would not necessarily have to come from farming. A doctor, for example, who was not otherwise engaged in the business of farming, except perhaps during a current year he might decide to become engaged in the business of farming, might have a marginal operation but, by reason of clearing land and otherwise preparing it, as I read the language, he could deduct the land preparation expenditures against his medical professional income, up to $5,000.

Mr. WILLIAMS of Delaware. The language provides that the deduction for clearing land may not exceed $5,000 or 25 percent of the income from farming, whichever is smaller.

I think that is adequate limitation on the provision because, no matter where the income which is spent comes from, it may not exceed 25 percent or less of his income from farming.

Mr. DOUGLAS. Mr. President, I suggest the absence of a quorum.

Mr. MILLER. Mr. President, will the Senator withhold his suggestion?

Mr. WILLIAMS of Delaware. Mr. President, I have the floor.

The PRESIDING OFFICER. The Senator from Delaware has the floor.

Mr. WILLIAMS of Delaware. I will yield the floor later. If the Senator wishes to suggest the absence of a quorum at that time.

Mr. MILLER. If the Senator will permit, I should like to pursue this point a moment.

Mr. WILLIAMS of Delaware. I yield to the Senator.

Mr. MILLER. Perhaps my difficulty arises over the way the bill is drafted. I think the Senator from Delaware and I have the same idea as to what we are trying to achieve. I should like to ask the Senator from Delaware whether we could achieve it if the language read as follows, starting with line 12, with the word "Limitation":

> The amount deductible under subsection (a) for any taxable year shall not exceed 25 percent of the taxable income derived from farming during the taxable year, not to exceed $5,000.

If that language were provided, it would confine the deduction to farming income and would avoid the problem which I previously posed.

Mr. WILLIAMS of Delaware. Mr. President, I have great respect for the Senator from Iowa, but, as a layman, I learned long ago that one can never get two lawyers to agree on language. I am neither a lawyer nor a draftsman. We asked the legislative counsel and the committee staff to work out this language in the way to protect it against abuse. I would rather keep the language they have approved. In conference I think we can take care of any problem which might arise, because the language will be in conference. The intent is definitely clear.

Mr. MILLER. Mr. President, I have one more question in regard to intent. Do I correctly understand that the intention is that the $5,000 is to be applied only against farming income?

Mr. WILLIAMS of Delaware. This deduction is limited to a percentage of the taxpayer's income from farming.

Mr. MILLER. As distinguished from income from a medical profession or otherwise?

Mr. WILLIAMS of Delaware. The income must be from farming. Hobby farmers get no benefit from this amendment nor will it help the large promoter.

Mr. AIKEN. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield to the Senator from Vermont.

Mr. AIKEN. From reading the language, it appears to me that regardless of the amount of income the landowner might have from any source, or from all sources, he could not spend more than 25 percent of the taxable income derived from farming during that year.

Mr. WILLIAMS of Delaware. That is correct.

Mr. AIKEN. If the total income were $5,000 from farming, he could not spend more than $1,250.

Mr. WILLIAMS of Delaware. And it certainly would be limited to the point that it could benefit only a very small farmer.

This is not a subsidy program. It would not require expenditure of any public money. It would merely allow a small farmer to compete more favorably with the larger operator. We passed the investment credit for business. I do not see why the small farmers should not be entitled to at least this much consideration.

Mr. AIKEN. It is also true that if the farmer's taxable income were $50,000 from farming, he still could not spend more than $5,000 for clearing land and have it deductible?

Mr. WILLIAMS of Delaware. The Senator is correct.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment on page 381, after line 15.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Bartlett, one of its reading clerks, announced that the House had disagreed to the amendment of the Senate to the bill (H.R. 11974) to authorize appropriations for the Atomic Energy Commission in accordance with section 261 of the Atomic Energy Act of 1954, as amended, and for other purposes; agreed to the conference asked by the Senate on the disagreeing votes of the two Houses thereon, and that Mr. HOLIFIELD, Mr. PRICE, Mr. ASPINALL, Mr. VAN ZANDT, and Mr. HOSMER were appointed managers on the part of the House at the conference.

ENROLLED BILL AND JOINT RESOLUTION SIGNED

The message also announced that the Speaker had affixed his signature to the following enrolled bill and joint resolution, and they were signed by the President pro tempore:

H.R. 10432. An act to amend title 39, United States Code, to codify certain recent public laws relating to the postal service and to improve the Code; and

H.J. Res. 677. Joint resolution relating to the admission of certain alien children.

AUTHORIZATION FOR JUDICIARY COMMITTEE TO MEET DURING SENATE SESSION TOMORROW MORNING

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Judiciary Committee be permitted to meet during the session of the Senate tomorrow morning.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

BYRON B. GENTRY, PASADENA, CALIF., NEW COMMANDER IN CHIEF OF VFW

Mr. KUCHEL. Mr. President, on August 17, the Veterans of Foreign Wars of the United States elected a new commander in chief to lead that great organization of overseas combat veterans for the next year.

The new commander in chief of the Veterans of Foreign Wars is Mr. Byron B. Gentry. Commander Gentry is a distinguished attorney, a long time and natonally known leader in veterans affairs, one who has devoted unselfishly of his time to community activities, a noted author, and I take pride in mentioning also that he is a resident of California and a long-time friend of mine. Commander Gentry is currently the city prosecutor for the city of Pasadena, Calif., a position he has held for the past 10 years.

Mr. Gentry succeeds, as commander in chief of the VFW, Mr. Robert E. Hansen, of South St. Paul, Minn., who, during his tenure as head of the VFW, was well known to Members of the Senate for his helpful contributions in domestic matters, national security, and foreign affairs.

In addition to his professional and organizational achievements, the new head of the VFW has left a memorable record in the history of U.S. sports. He was one of the great linemen at the University of Southern California. While playing for USC, he had the rare distinction of participating in two Rose Bowl games. In 1938, Mr. Gentry was selected as a member of the United Press All-American Professional Team with Pittsburgh. He was a member of the All-American All Stars who toured Japan in 1935.

As Members of the Senate are aware, the Veterans of Foreign Wars of the United States requires that its members have served overseas in combat. The wartime record of Byron Gentry abundantly qualifies him for membership in, and leadership of, such an organization. Commander Gentry enlisted as a private in 1942, and rose through the ranks to captain in 1944. He served as combat intelligence officer of the 161st Tactical Reconnaissance Squadron. He was assigned to Army Air Forces attached to both the 3d and 9th Armies. He served 2 years in the European theater where at various times he was staged in England, France, Luxembourg, Belgium, Holland, and Germany. He was awarded six Battle Stars, Presidential Citation, Belgian Fourragere, and three commendations. He remained in Military Intelligence Reserve until 1954. He is a graduate of Air Intelligence School, Harrisburg, Pa., and British Intelligence School, Highgate, England. As additional duty he defended 150 enlisted men in military courts and lost less than 10 cases. He was the first defense counsel appointed to the general court for black market cases in the Brussels area.

His VFW activities include judge advocate general, 1959–60; the three chair offices on the post level and two terms as post commander; two terms as district commander, and the three chair offices on the department level. He served as commander of the department of California, 1956–57. As a district commander he was a two-time winner of the Distinguished Service Award for district commander. As department commander he was selected as a member of the all-American team and named Department Commander of the Year 1957. He served on the national council of administration, 1957–59. He also served on numerous committees and was president of the 60th National VFW Convention Corp.

As previously mentioned, Commander Gentry has long been active in community service activities. The importance and extent of such contributions to his community is indicated by the following: Member of board of directors, American Gold Star Mothers Home Corp.; member, Los Angeles County Committee for the Aging; board of directors, Pasadena Committee for Employment of the Physically Handicapped; cofounder and two-time president, Pasadena Committee for Education on Alcoholism; cofounder and former president, Pasadena Committee for Narcotics Education.

It is remarkable that in addition to his many professional, veteran, and community activities he has also become a noted writer. Recently a book of his poetry, "Voices of the Airways," was published and has received many favorable reviews. His writing ability is not limited to poetry, as his excellent speech of acceptance of the position of commander in chief of the VFW well demonstrates. Some few years ago, when Mr. Gentry was becoming increasingly active in the VFW, he wrote an essay entitled "The Spirit of the VFW." This has become a noted document among the members of the VFW, because it reflects so clearly, so eloquently, and so accurately the spirit of patriotism and service that motivates that great veteran organization. It was, therefore, highly appropriate that Commander Gentry used his "The Spirit of the VFW" as his remarks on the occasion of his election to the position of commander in chief of the Veterans of Foreign Wars of the United States.

Having had the privilege of enjoying the friendship of Byron Gentry since the days we were fellow students at the University of Southern California, and having observed through the intervening years those qualities which have distinguished him as a lawyer, a community leader, a public servant, an author, and now the national commander in chief of the largest oversea veterans organization in the world, I am confident that the

VFW in particular, and our Nation in general, will benefit as a result of Byron Gentry's service as the head of the VFW.

I am confident that Members of the Senate will join with me in extending to Byron Gentry our sincere congratulations upon his election as commander in chief of the Veterans of Foreign Wars of the United States. Because of the simple beauty of its prose, as well as its meaningful content, I ask unanimous consent to include, at the conclusion of my remarks, "The Spirit of the VFW," by Byron Gentry, a distinguished American, who continues in peace, as in war, to serve his country.

There being no objection, the speech was ordered to be printed in the RECORD, as follows:

THE SPIRIT OF THE VFW

(By Byron B. Gentry, commander in chief, Veterans of Foreign Wars of the United States)

Ideals are like stars—we can see them but we can never touch them. Destroy man's idealism and you destroy his civilization. This Nation was conceived in the idealistic union of human rights; born midst the violent din of battle. Her sire was justice; her mother liberty; her cradle human dignity. She has given her sons and daughters a moral courage as yet unparalleled in the annals of mankind.

The Veterans of Foreign Wars of the United States is also founded upon an ideal. The cross of Malta is the symbol of that ideal—handed down to us through the dust of a thousand years from the knights of St. John. It is the symbol of faith and courage; of the eternal brotherhood of fighting men, serving a just and noble cause.

For nearly two centuries American men and women have gone marching down the long road to physical destruction in order to perpetuate those ideals. They have achieved immortality. Courageous and unflinching, with no single backward glance, they have stood for a brief moment in the shadow of time. They have defied the full fury of the storms which have threatened American idealism. They have cast life itself upon the flaming altar of American salvation.

Some of them traveled alone—in the still void of the night; some in the vast reaches of the ocean; some in the blazing emptiness of the sky; others in the crowded, violent din of the battlefield. But each in turn served but one cause and one people.

We are intensely human, and in humanity there is inevitable frailty, but no people and no nation has contributed more generously to the dignity of man.

We, as members of this great order, are irrevocably dedicated to the welfare and security of America as a free and independent nation; to the perpetuation of her sovereignty in an honorable association with other respectable nations of the world; to an honest and intelligent recognition of the legal and moral rights of our fellows, regardless of their affiliation; to the welfare of their widows and orphans; to an active participation in all worthy community service programs, directed toward the furtherance of true Americanism and the dignified alleviation of the undue burdens of man; to a long-range commitment to our youth, calculated to prepare them realistically for fearless and honest citizenship consistent with the unimpeachable ideals of our fathers, and to attain a man's full stature in an ever changing world; to work toward ultimate peace with honor and self-respect for all peoples of the earth.

The ideal goal of our organization is the honorable realization of a world, a nation, and a day when no man shall ever again be eligible for membership. But in the interim we face reality.

Peace did not come to us in the generation of our fathers. Peace has not come to us in our own generation. Therefore, it is a matter appropriately left to posterity. You and I have been fighting men. We are still fighting men. Ours is a fighting organization.

How then shall we fight?

We shall fight with every weapon at our command to insure this Nation's free and independent future. We shall fight unholy alliances. We shall fight immoral capitulation. We shall fight the intellectual lethargy which has repeatedly brought us to the brink of disaster. We shall fight the unrealistic tendency to waste our economy in a vain attempt to win loyalty and appreciation from a fallen foe. We shall fight international bribery.

We shall fight the threatened destruction of our national obligation to our disabled brothers; to our fallen comrades; to their widows and orphans.

Compensation for service-connected disability is no gratuity. It is a just and equitable attempt to compensate for the loss of physical ability, just as workmen's compensation or accident insurance is such an attempt. It has no relation in fact or theory to one's ability to earn a livelihood. A lawyer may lose his legs and still practice law. A singer may lose his sight and continue to sing. They still are entitled to an equitable compensation for their loss.

In the wars which America has fought we have suffered many casualties. Casualties are a normal incident of war. We will admit that death is inevitably tragic. But the greatest tragedy of war is to the living.

Men die in battle with little time for reflection—with even less for personal regret. The real terror which haunts the soldier's sleepless nights is the return to civilian life, maimed and helpless and unwanted.

Prior to World War II these men were the objects of our doubtful generosity. We enacted legislation which permitted them to beg without a license. We made it possible for them to drag their mangled bodies to our public street corners to sell pencils. We broke their hearts and destroyed their human souls.

We ignored the fact that these objects of our dubious charity were Americans—brave men, independent men, heroic men. It is not enough to pay some intangible and symbolic tribute to their heroism for the purpose of easing our own conscience. They are not concerned with our hollow tributes. Heroism is not unique to an American. It is a normal incident of his birth.

These men do not want tribute. They ask only an opportunity to walk with equal dignity among their fellows. And dignity comes from within.

How did they acquire their physical limitations? How did they lose their arms and legs and eyes? They lost them on the long and bitter roads to Tokyo and Berlin; and more recently to the Yalu River.

They lost them going forward—sometimes flying; sometimes running; sometimes walking; sometimes crawling; and sometimes just standing and stubbornly dying, but always putting behind them an ever-increasing margin of safety between this Nation and its mortal enemies.

They were the flower of American manhood. They were proud men; independent men; strong and courageous men. They were essentially young men. Theirs was no brief flight to glory. Theirs was a long and bitter journey into the unknown. It encompassed months and years of the type of living and dying which proved they could travel a great distance.

They still have a great distance to travel.

Do we now expect these proud and independent and courageous men to accept gracefully a life of uselessness and pity—of meaningless charity? Shall we bar them from a useful occupation; from successful readjustment, as the price of legitimate compensation? These men who were born to ambition—to an indomitable will to surmount all obstacles?

They have proven their absolute loyalty to principle. Their American ideals are untarnished. Their integrity is certain. We shall fight to keep their independence and ambition alive and bright.

We shall fight for their widows and orphans. An innocent child deprived of its father through war has burden enough without adding the insult of economic hardship; without further depriving it of the companionship of its mother; and without depriving the mother of reasonable security and hope.

There will always be those who involve us in wars—some of them perhaps wisely; some of them through sheer folly. We are Americans—proud of our American heritage. We will fight those wars.

But having fought them, we will not be relegated to the status of poor and unwanted relatives; to the darkened closet of shame. We have administered justice. We demand justice in return. We demand justice for our children. We demand justice for our widows. We demand eternal respect for our fallen.

We shall fight for the continued right to educate our children in the American tradition of our fathers; in the fundamentals of true Americanism. We will not tolerate foreign ideology in our schools or in our homes.

We shall fight all alien isms in this land we call our own. We shall search out and destroy any threat to our independent sovereignty—whether it be on some foreign field or at home in our own backyard.

This is our homeland; these are our people; our institutions; our freedoms; our religions; our own inalienable rights. We shall retain them.

We are not militaristic. We are not dictatorial. We are not selfish. But neither are we slothful and craven cowards.

We shall be generous. We shall be tolerant. We shall be kind and even forgiving. But we refuse to be fools.

We shall respect every man's freedom, but we shall not forget that his freedom ends where ours and our country's begins.

This is the spirit of the VFW.

THE NEED TO ENACT THE VETERANS READJUSTMENT ASSISTANCE ACT OF 1961

Mr. BYRD of West Virginia. Mr. President, as a cosponsor of S. 349 which, if enacted, would be known as the Veterans' Readjustment Assistance Act of 1961, I rise to urge Senators to support this important and beneficial piece of legislation. Moreover, passage of this bill is a matter of simple justice to about 46 percent of our young men who have served, and who will serve, in our Armed Forces under past and current draft procedures. The 54 percent of our young men who have not served, and who may not serve, under draft procedures do, in effect, gain a head start in the economic struggle. Thus, it is only fair and just that we assist post-Korean conflict draftees and volunteers, who are veterans of the cold war, in obtaining the same economic benefits which we so justly provided to World War II and Korean war veterans.

In effect, S. 349 can be called the cold war GI bill, for it provides for benefits to some 4¼ million GI's who have served in the Nation's military services from January 31, 1955, the termination date of the Korean GI bill, to July 1, 1963, the date of termination of the present draft law.

The bill spells out these benefits in simple terms. It proposes to provide for the educational readjustment of any veteran of the cold war who has served for longer than 6 months, at a rate of 1½ days of schooling for each day of service, but not to exceed 3 years of schooling. This would include the opportunity for college education, vocational school training, and on-the-job and on-the-farm training.

The Government would make a payment of $110 monthly for a single veteran seeking any of these educational opportunities; and a maximum of $165 a month would be paid to a married veteran with two children.

The bill also provides for guaranteed home and farm loans, and for vocational rehabilitation for disabled veterans.

Viewed in the light of the accomplishments achieved by the two previous GI bills which the Congress enacted—the World War II and the Korean conflict bills—S. 349 is both a wise and needed piece of legislation. The two previous GI bills gave the Nation approximately 450,000 engineers; 180,000 doctors and nurses; 150,000 physicists, chemists, and other scientists; and about 230,000 teachers, as well as countless thousands of technicians and skilled workers. Who can doubt that this achievement in the educational development of brainpower and vocational skills has served our Nation profoundly well in the crisis we have recently faced and still face in the race for space? Who can doubt that passage of S. 349 would serve us equally well in the immediate future in the way of trained brainpower and vocational skills?

Mr. President, passage of S. 349 would enable about 4½ million cold war veterans to become more productive and useful citizens. This is the kind of investment in the future of America which we should make without hesitation.

YOUNG DEMOCRAT LEADER REREGISTERS REPUBLICAN

Mr. MUNDT. Mr. President, the issues confronting the American electorate in every State of the Union when they go to the polls to vote on November 6 are both vital and far reaching in character. They transcend party lines. They are both national and international in character and in portent. They are likely to have an even greater impact upon those who expect to earn their livelihoods and plan their affairs during the seventies and the eighties than they will upon the conditions confronting us during the remainder of the sixties.

Consequently, young Americans who are more devoted to their concepts of freedom and of individual opportunity than they are to partisan party labels or political prejudices are searching their souls and their minds to determine which decision in 1962—a Republican vote or a Democratic vote—will best serve to preserve for them the great American opportunity system which has served their forebears so well. Some of these young Americans with stardust in their eyes and hope in their hearts are from Republican families. Some are from Democratic families. Some live in the progressive two-party States of the North, the West, and the Southwest. Some live in the so-called Old South which is just now seriously beginning to emerge from its post bellum political paralysis so that it can start enjoying the advantages of the great two-party system which is so much a part of the genius and the greatness of America. In every region of the country and in both political parties, however, people are beginning to question their party labels and to reexamine the political mechanisms operating in their areas of the country to determine how effectively and faithfully they serve to protect the people's freedoms and to promote our country's interests.

Mr. President, starting in the middle forties, and continuing intermittently but regularly ever since, I have been advocating the desirability and the necessity of effectuating some type of political realinement in this country so that voters who think and believe alike economically and politically can more easily and effectively vote alike for President—and I would hope for other important elected officials—regardless of where they live geographically or how they are registered politically. During the past 15 to 20 years. I have delivered well over 50 speeches on this theme in the Old South alone and nearly 100 talks altogether throughout the United States—including some in my home State of South Dakota—discussing the problems of political realinement and the even more serious problems which political realinement is designed to obviate.

In addition, Mr. President, I have supported a number of other devices, programs of action, and political mechanisms which move in the direction of eventual political realinement or which work within our existing political party structures to achieve some of the dividends which actual political realinement would bring. Among these are the activities of Americans for Constitutional Action; the Operation Registration meetings through which groups of citizens reregister their political affiliations to bring them closer into harmony with their political convictions; analyses of the unsuitability of such terms as "conservative" and "liberal" to denote accurately the political positions of people and parties in the political lexicon of today; descriptions of the frustration faced by voters today who in voting a straight Democratic or a straight Republican ticket "buy" or "elect" with their votes public officials within their respective parties who frequently disagree more violently with their fellow party members than they do with officials of the other major party; conferences with citizens in both private and political life in many Southern States concerning steps to be taken to help develop a two-party mechanism in what has for far too long been one-party country; and the encouragement of citizens generally to vote for the candidates most nearly reflecting and representing their personal viewpoints rather than for candidates who happen to wear their own political labels, comparatively meaningless though those labels frequently are.

All of the foregoing steps, procedures, mechanisms, and devices I have supported in many ways and in many areas of activity, and many others in addition which move in the same direction of enabling the individual voter to exercise his franchise accurately and effectively in pushing Government closer toward the guidelines which are embraced by the voters themselves rather than by the professional politicians or the party heads who so often rely upon outworn or unworkable political machinery to promote their own interests.

In addition, Mr. President, as a long and effective step in what I believe to be the right direction, I have in several previous Congresses and again in this one, been one of the authors of a proposed constitutional amendment to reform our electoral college system so as to give the individual voter an equitable and effective method of casting his vote for President. Senate Joint Resolution 12, recently approved by the subcommittee of the Senate Committee of the Judiciary and which I hope is about to be approved by the full Committee of the Judiciary, is my current resolution on electoral college reform and as coauthors I am happy to have some of the most effective and important Members of the Senate from both of our political parties.

In last night's Washington Evening Star, Doris Fleeson, in her widely read column, refers to some of these developments, Mr. President, and I quote her relevant portions of her column:

OUTLOOK FOR DEMOCRATIC SETBACK—BELIEF THAT PARTY CAN'T REGAIN LOSSES OF 1960 REPORTED AT MIDWEST PARLEY

(By Doris Fleeson)

A conference of Midwest Democrats last weekend concluded that unless something happens to stir up the rank and file, the party cannot regain the ground it lost in 1960, and may do worse.

President Kennedy's general background and his religion hurt him worse in the Midwest than in the South, and a promising Democratic resurgence was thereby stemmed. In addition, 21 new and mainly midwest Republican conservatives made it to the House, materially strengthening the conservative coalition.

The Midwest is, of course, the old Republican heartland, but the President cannot be indifferent to its trend, especially since Republicans are making inroads in the South.

It is hard to believe, but Democrats are afraid of losing House seats in both South Carolina and Alabama. If Republicans can also beef up their midwest House delegations, the President's considerable legislative troubles will be multiplied.

Everybody in Washington laughed some years ago when Senator MUNDT, of South Dakota, sat down at his political piano and interwove "Dixie" with a corn and wheat tune. Yet this seems to be on its way with Senator GOLDWATER now conducting, even though a reluctance exists to acknowledge it.

Recently the Republican National Committee's southern division showed here a 12-minute documentary sound film titled "New Breed in the South." It is designed to fire up party rallies in the 12 Southern

States, particularly in the 7, South Carolina and Alabama included, where Senate seats are at stake.

The film's big pitch is for the election of conservatives who will vote Republican. Observers quickly noted that the attractive southern Republican officeholders were all white and no mention was made of the race issue.

Asked about this lily-white aspect, the national committee's chief of the southern division replied that committee policy was not to mention "race" in the South.

Many State Republican organizations doubtless will disavow that policy. Democrats cannot afford to minimize the possibility that it may get results which would further tie President Kennedy's hands.

Actually, Mr. President, this year for the first time in American history we have 39 Republican candidates running for the office of U.S. Senator. This is by far a new record and it is even more novel and refreshing that virtually all of these candidates are considered to have at least a chance of election next November. However, my interest in promoting a more realistic approach to our election machinery is not primarily the desire to elect Republican officials. Basically, the burden of my theme for all these years has been to give the average voter a realistic and effective choice when he goes to the polls in the fall elections. I want him to have a realistic opportunity to vote for the candidate who most nearly reflects and represents his personal concept of how Government should be run and the public policies which should prevail. Whether that induces the voters to elect Republican or Democratic candidates is not my major concern. Those eventual results will be determined as they should be by the personalities and the platforms of opposing candidates and the rapport which exists between them and the policies and principles embraced by his majesty the voter who after all could and should govern the destiny of this Republic.

Mr. President, I started out in these remarks to call attention to a letter I received from a young voter out in South Dakota who is a former vice president of a university campus Young Democrat Club. The voter in question has given me permission to quote his letter in the hope it will influence others to think through the issues, break with political prejudice, and sign up as an active member of the party of his choice. This personal decision, is in itself, a reflection and an example of the basic theme that parties should come to mean something important to American voters and that they should be given a choice between two parties and two sets of candidates whose platforms and policies differ from each other so that the individual voter gets an honest and effective choice on election day. Therefore, Mr. President, in keeping with what I had in mind I ask in conclusion unanimous consent of the Senate to have the letter in question printed at this point in the Record as a part of my remarks.

There being no objection, the letter was ordered to be printed in the Record, as follows:

Wakonda, S. Dak.,
June 6, 1962.

Dear Senator Mundt: Let me introduce myself. I am 21, a recent graduate of the University of South Dakota. I am entering the university law school this fall. I have been a Democrat—at one time vice president of the university young Democrats.

Today I registered—Republican—basically because of the examples of medicare, and also of steel, etc.

I just wish to add my letter to the overwhelmingly negative flow of letters with regard to this bill.

I am going to be the member of a profession—true, not the profession fighting for survival at the present time—but the "writing is upon the wall."

I am interested in any materials that you could furnish me with regard to current policies, actions, etc.

It seems to me that I am a member of a group which is necessary to a political party for its survival—how can they hope to keep us in their ranks if it is obvious that our lives are to be predetermined, and our earnings spent before we have even finished professional school?

Yours truly,

Larry Piersol.

Mr. MUNDT. Mr. President, I believe all Senators will agree that the basic issues now confronting all the people of America are the following five; and they will undoubtedly continue to be our fundamental decisions until we have finally decided them to the point where each of us can understand clearly whither America is bound. These are the five as I see them:

First. How big would you like to have the Federal Government become?

Second. How much should the Federal Government cost?

Third. How much should the Federal Government own and operate?

Fourth. How much authority should the Federal Government exercise as a device for influencing our individual lives?

Fifth. How far should the Federal Government go to take us into the functions of the welfare state?

Mr. President, I believe that basically these five issues divide the people of America into two opposing political camps. I continue to believe it is most unfortunate that our party labels do not accurately identify the proponents and the opponents of each point of view.

I am pleased, of course, that by and large most Republicans in the Senate and the House are united in believing that the Federal Government has gone far enough in the direction of spending more money and exercising more power and that by and large the Democrats in the Senate and the House are harnessed together in a team believing that the Federal Government should spend more and should exercise increasing powers. But all of us realize there are important exceptions to the foregoing generalization. Political realinement would reduce if not entirely eliminate such exceptions by enabling candidates to affiliate with other like-minded citizens in a party which consistently opposes or supports the policies in question.

Short of such realinement, however, such actions as that taken by Larry Piersol of Wakonda, S. Dak., in changing his registration from Democratic to Republican can go a long way toward correcting the deceptive weaknesses in our existing political and election structure. If those who believe in a public position or in a political philosophy or in an economic-social-political package moving toward or away from welfare statism and big-brother Government will identify themselves with the political party which in the main exerts the most of its emphasis for or against such programs we can immediately begin to reap many of the practical advantages which formal political realinement and electoral college reform would provide for every American citizen. I respectfully recommend such action therefore to those who read this Record or to those who upon reading it have cause to write or talk to American citizens in general.

AIESEC—A TRIUMPH IN PEOPLE-TO-PEOPLE UNDERSTANDINGS

Mr. MUNDT. Mr. President, when Public Law 402—the so-called Smith-Mundt Act—was enacted by the 80th Congress, it contained as one of its avowed objectives the establishment of international exchanges of cultures and people both by governmental activity and by the privately financed actions of individual citizens and by voluntary organizations. During the intervening years, great progress has been made by both forms of these exchanges.

President Eisenhower gave this program important impetus by supporting it with his advocacy of increased private exchanges in what he termed a "people-to-people program." Many communities of citizens in our American towns and cities have adopted or married communities of similar size in some oversea land and enduring friendships and ripening ties of mutual understanding and international good will have been the consequence. In the academic world, a great many activities are being privately sponsored and supported to provide for gratifying exchanges of students and teachers.

Among the most interesting and effective of the privately supported exchange programs is AIESEC and the purpose of this report to the Congress is to call attention not only to its accomplishments but also to its great potentiality.

Mr. President, the efforts of individual citizens and private groups in the field of international good will and the preservation of peace are becoming well known to us in the United States. I wish to commend to you this special activity not of the citizens of today, but by a group of students—the citizens of tomorrow.

It is my feeling that such acts of social responsibility by our students deserve recognition both because of their merit and because by their success we may feel confident that future generations will have at heart the principles by which we try to live and govern today. I, therefore, commend to you the work and success of the International Association of Business & Economics Students—known as AIESEC—eyesec.

AIESEC rose from the ashes of a war-torn Europe at the time when the seeds of the Common Market were planted. In 1948, business and economics students from France, Germany, Belgium, the Netherlands, Sweden, Norway, and Denmark met in Stockholm and founded the association. These students established as the first article of their constitution, and I quote:

> AIESEC is an independent, nonpolitical, international student organization which has as its purpose, to establish and promote close and friendly relations between members without regard to religion or race.

Mr. President, during the next 10 years the organization spread throughout Europe, the Middle East, and to North America. By providing serious-minded students of business and economics with a chance to apply their theoretical training to a practical situation, it not only promoted person-to-person international understanding but also created a corps of young, internationally trained executive personnel. I might add that this work was not done with the financial support of any governmental agency, but by the students themselves, financing their operations out of their own pockets. It is only recently that national committees of AIESEC have received support from outside sources, and this in general from private enterprise or associations of businessmen.

AIESEC provides working traineeships within the business communities of each country in which it operates. These traineeships are exchanged on a one-for-one basis between member countries. Thus, a student from the United States will be enabled to undergo a traineeship abroad because there is a position open here for a foreign business student.

During the academic year, students at colleges and universities throughout AIESEC's member countries solicit their local business communities for traineeships for foreign students. Then, during the summer vacations, selected students travel to a foreign country to take up the traineeships exchanged at congress. At this time, other students remain behind in their own countries to provide reception and entertainment for the visiting foreign trainees.

Thus, by placing the foreign student within the community, both to live and work, AIESEC provides down-to-earth international relations. Further, each year, seminars and study tours are arranged to acquaint the students with current business and economic topics as well as life in the country which they are visiting. I was privileged to address a group of these students representing some 30 countries who gathered in Washington for a luncheon and some group activities last week. These students were on leave from their traineeships across the country to attend a study tour of our Capital and to learn something of our way of government, particularly its economic cooperation with private business.

AIESEC began in the United States in 1958; that year some 30 students went to Europe and a similar number of Europeans came here. Four years later, AIESEC-United States has grown to exchange 350 students and it has established itself as a student organization of some repute. Corporations such as IBM, Vick Chemical Co., Coty, and the Ford Motor Co. as well as numerous smaller firms have participated in its exchange program. Many of the business associations in this country have also acknowledged AIESEC's activities, among them the people-to-people insurance committee.

Internationally, AIESEC has received recognition from the International Chamber of Commerce, consultative status with UNESCO and ILO, the commendation of the French Minister of Education, the president of the British Board of Trade, Dr. Ludwig Erhard of Germany, and many others.

AIESEC has not limited its activities to the developed areas of Western Europe and North America. In 1960 and 1961, it expanded its operations to Latin America and Africa, respectively. This year it began an extension project to Asia and expects to be operative there by 1963. Currently there are American students with South American firms in Chile, Argentina, Colombia, and Peru. In Africa, students are in Ghana, Sierra Leone, Liberia, and Nigeria, training with such firms as Shell, Ltd., in Ghana, United Africa Co., in Nigeria, and others. An American student, through AIESEC, was responsible for a manpower survey conducted in Liberia last summer. On the other side, a Colombian student from Bogotá is currently with Marken Machine in Keene, N.H. Expected shortly are students from Nigeria and Ghana to train with firms in the New York area—a bank and a shipping line, in particular.

Over 300 colleges and universities are now participating in AIESEC in 38 countries. In the United States, 45 colleges are members of AIESEC. These schools represent every part of our Nation, but all are either business schools or liberal arts colleges with economics departments of high caliber.

AIESEC maintains its national headquarters in New York City, at 51 East 42d Street, room 250, and, in its entire operations has only two full-time staff members—an administrative assistant and an elected president, who serves a 1-year term of office taking a leave of absence from school. It was the current president of AIESEC-United States, Mr. Anthony Jacobus, who provided me with an account of the present activities of AIESEC and its developments. I might mention in passing that AIESEC's international congress will be held in this country next March at Princeton University.

I have been connected with AIESEC as a member of its board of advisers almost since its beginning in the United States and I have never ceased to be surprised and gratified by its progress. Its work is carried out with a very modest budget and for value received per dollar expended it would seem that this is one of our most efficient and effective efforts to create better mutual understanding among the people of the world. I was especially pleased to learn of AIESEC's current work in Africa, Latin America, and now Asia.

Mr. President, this statement can be no more than a brief outline of AIESEC's activities. I have offered it in recognition and tribute to the students whose enlightened efforts at international cooperation and person-to-person diplomacy deserve this support.

When we consider the multibillion-dollar foreign aid program in which this country is engaged, it is highly appropriate that we give due credit to this voluntary organization of students who on a self-raised budget of about $35,000 per year—without Government assistance—are demonstrating that where there is the will there is the way for people, generally, to participate in the important business of creating better mutual understanding among the peoples of the world. AIESEC has indeed become an important weapon in the world's arsenal for perpetuating peace. I hope additional college students in more and more colleges and universities will join this movement and that more and more American business institutions will offer their cooperation in this mutually rewarding exercise in good citizenship and in good will. I am sure those who are interested will be given full details on how they can become affiliated with AIESEC by addressing a letter of inquiry to President Anthony B. Jacobus, room 250, 51 East 42d Street, New York City.

TRANSPORTATION OF COAL THROUGH PIPELINES

Mr. McGEE. Mr. President, several months ago the Commerce Committee heard testimony on a new and dramatic development in the power industry, the transportation of coal through pipelines. Coming from a State which has almost immeasurable coal reserves and which has a coal industry that now suffers for want of markets I was gratified to learn of this new development and have been continuing my efforts to further investigate this method of coal utilization since the hearings this spring.

This interest is shared by the citizens of Wyoming who correctly believe that our State has the potential for vast economic development and industrial growth. A recent editorial in the Riverton, Wyo., Ranger pointed up the potential in the coal pipeline process and I ask unanimous consent that it be printed in the RECORD.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

COAL PIPELINES MAY EVENTUALLY TAP 100-BILLION-TON WYOMING RESERVES

Wyoming coal mining has started to climb back up, because coal-electric power generation plants make it possible to transport "coal by wire." Electric power in abundance is now available over much of the West that heretofore was power hungry.

Another development in the coal industry may be of equal importance. This is the transporting of coal through pipelines. The pioneer coal pipeline companies first move the coal in a 50-50 solution, half water, half finely ground coal.

Although the coal required dewatering at the end, the coal transportation by pipeline was still economical, despite the great investments required.

A more recent refinement in coal pipelines is a process in which a mixture of 60 percent coal and 40 percent water is fed directly into boilers without dewatering treatment.

This development may make coal competitive with other minerals in many areas. Naturally present fuel suppliers and transporters of coal by conventional means are concerned about the impact the coal pipelines will have on their interests.

The development, however, is one that might someday be of benefit to many of the States with great coal reserves. Wyoming has the third largest tonnage of coal, being one of the three States with reserves above 100 billion tons. A resource in such tremendous proportions can't be overlooked.

Coal by pipeline may help slake the almost insatiable energy thirst that the industrialized world has developed.

ENROLLED BILLS PRESENTED

The Secretary of the Senate reported that on today, August 29, 1962, he presented to the President of the United States the following enrolled bills:

S. 1606. An act to authorize the Federal Power Commission to exempt small hydroelectric projects from certain of the licensing provisions of the Federal Power Commission;

S. 3327. An act to make eligible for assistance under the public facility loan program certain areas where research or development installations of the National Aeronautics and Space Administration are located; and

S. 3574. An act to extend the International Wheat Agreement Act of 1949.

ENROLLED JOINT RESOLUTION PRESENTED

The Secretary of the Senate reported that on today, August 29, 1962, he presented to the Administrator of General Services Administration the enrolled joint resolution (S.J. Res. 29) proposing an amendment to the Constitution of the United States relating to the qualifications of electors.

ADJOURNMENT UNTIL 10 A.M. TOMORROW

Mr. MANSFIELD. Mr. President, I move that the Senate stand in adjournment, pursuant to the previous order, until 10 o'clock tomorrow morning.

The motion was agreed to; and (at 8 o'clock and 29 minutes p.m.) the Senate adjourned, pursuant to the previous order, until tomorrow, Thursday, August 30, 1962, at 10 o'clock a.m.

NOMINATION

Executive nomination received by the Senate August 29, 1962:

DEPARTMENT OF STATE

Abba P. Schwartz, of Maryland, to be Administrator, Bureau of Security and Consular Affairs, Department of State.

EXTENSIONS OF REMARKS

President Kennedy Appoints Consumer Advisory Council

EXTENSION OF REMARKS

OF

HON. MAURINE B. NEUBERGER

OF OREGON

IN THE SENATE OF THE UNITED STATES

Wednesday, August 29, 1962

Mrs. NEUBERGER. Mr. President, last month President Kennedy announced the appointment of a 12-member Consumer Advisory Council. For the first time consumers are to have a voice in the White House through the newly organized Advisory Council attached to the President's Council of Economic Advisers. All of us, Mr. President, are consumers, but consumer needs and interests are all too frequently overlooked in the development of Government policies. Earlier this year the President sent a historic consumers message to Congress.

In the Presidential message of March 15, President Kennedy said:

> Consumers, by definition, include us all. They are the largest economic group in the economy, affecting and affected by almost every public and private economic decision. But they are the only important group in the economy who are not effectively organized, whose views are often not heard.
>
> The Federal Government—by nature the highest spokesman for all the people—has a special obligation to be alert to the consumer's needs and to advance the consumer's interests.

The President set forth a consumers' bill of rights. These rights include:

> 1. The right to safety: To be protected against the marketing of goods which are hazardous to health or life.
>
> 2. The right to be informed: To be protected against fraudulent, deceitful, or grossly misleading information, advertising, labeling, or other practices, and to be given the facts he needs to make an informed choice.
>
> 3. The right to choose: To be assured, wherever possible, access to a variety of products and services at competitive prices; and in those industries in which competition is not workable and Government regulation is substituted, an assurance of satisfactory quality and service at fair prices.
>
> 4. The right to be heard: To be assured that consumer interests will receive full and sympathetic consideration in the formulation of Government policy, and fair and expeditious treatment in its administrative tribunals.

While all sorts of special interest groups maintain organizations and representatives here in Washington, the consumer does not have those who can represent his needs and interests. The appointment of the Consumer Advisory Council will fill this gap. The challenges before the Council are immense. Appointed as Chairman of the Consumer Advisory Council is Dr. Helen G. Canoyer, dean of the School of Home Economics of Cornell University since 1953.

Mr. President, one of the distinguished members of the Consumer Advisory Council is Sylvia Porter, the well-known columnist and writer on financial matters. Recently Sylvia Porter wrote a series of articles on the newly appointed Consumer Advisory Council, pointing out the hopes and problems and the challenges which face such a program. I ask unanimous consent to have the five columns by Sylvia Porter dealing with the Consumer Advisory Council printed in the RECORD.

Mr. President, as Sylvia Porter points out:

> The CAC has been born. Now it will begin to earn its right to become a permanent, respected, valuable part of the Federal Government.

The other members of the Consumer Advisory Council besides Dr. Canoyer and Sylvia Porter are:

David Angevine, of Park Forest, Ill., information director of the Cooperative League of America and former editor of Cooperative News Service.

Dr. Persia Campbell, professor and head of Economics Department, Queens College, the City University of New York.

Stephen McKenzie du Brul, Jr., of New York City, a director of the May Department Stores and a partner in Lehman Bros., specializing in retail business financing.

Mrs. John G. Lee, of Farmington, Conn., former president of the League of Women Voters, 1950–58.

Dr. Edward S. Lewis, of New York City, executive director of the Urban League of Greater New York.

Walter F. Mondale, of St. Paul, Minn., attorney general of the State and chairman of the Consumers Protection Committee of the National Association of Attorneys General.

Dr. Richard L. D. Morse, of Manhattan, Kans., head of the department of family economics since 1955 at Kansas State University and past president of the Council on Consumer Information.

Mrs. Helen E. Nelson, of Sacramento, Calif., director of the California Office of Consumer Counsel.

Dr. Caroline Ware, of Vienna, Va., chairman of the Consumer Clearinghouse, 1943–52, and a member of President Kennedy's Commission on the Status of Women.

Dr. Colston E. Warne, of Amherst, Mass., on the faculty of Amherst College and president of the Consumers Union of the U.S.A., Inc.

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

YOUR MONEY'S WORTH: CONSUMER COUNCIL IN WHITE HOUSE

(By Sylvia Porter)

For the first time, consumers are to have a voice in the White House—through the newly organized Consumers' Advisory Council attached to the President's Council of Economic Advisers.

It is a pioneering move, the fulfillment of a pledge made during the 1960 election campaign. While, as was cynically noted in one editorial entitled "A Bone for Consumers," President Kennedy waited a year and a half before naming the Council, this doesn't seem so long against the background of 186 years that the consumer has been waiting for this high level of representation.

It is a Council composed of six men and six women, a mixture of Democrats and Republicans who come from all over the country and whose backgrounds reveal a lifelong dedication to programs to inform the consumer on matters affecting his health, safety, and pocketbook, to safeguard the consumer against fraud and deceit, to advance the consumer's standard of living.

REPORT ON POSSIBILITIES

Helen G. Canoyer, dean of Cornell University's School of Home Economics, is the Council's chairman. I'm one of the members and, in this and the next four columns, I'll report on the Council, its possibilities and pitfalls, and the status of consumer legislation in the United States today.

The Council must write its own rules—ranging from whether a 12-member Council is too big or too small to what should be its relationship with the President and the various agencies of Government. But the Council has its so-called terms of reference and they're certainly broad enough. Here are the three primary functions:

1. The council is "to advise the executive branch of the Government on issues of broad economic policy.

The Council of Economic Advisers has a Business Advisory Committee, a Labor Advisory Committee, both of which it frequently consults on economic issues, and now it has a Consumers Advisory Committee. CEA Chairman Walter W. Heller, says the economic issues could include recommendations ranging from tax cuts to controls over watered hams. In my mind, the consumers' interests in this area would fall into clearly discernible patterns.

For instance, we as consumers surely would be in favor of policies: preserving the buying power of the dollar—meaning we would be against Government or private policies that would stimulate inflation. We as consumers also surely would be in favor of programs spurring economic growth and averting or cushioning recessions.

2. The council is "to advise the executive branch of the Government on governmental programs protecting consumer needs."

This one sounds simple but it could be full of pitfalls, for the fact is there is a widespread feeling that programs in the consumer's interest are automatically antibusiness. It's nonsense but it's so. If this council could help dispel this feeling, in itself this would represent major progress.

RESEARCH MATERIAL

3. The council is "to advise the executive branch of the Government on the flow of consumer research material from the Government to the public."

The need here is great and urgent. There is an immense amount of information within the Government agencies which could be of practical help to consumers—but most people don't know what information is available and most agencies don't know how to get the information to people.

The council has organized; it has a budget, a small staff. The President has told it that he hopes it "will not be ornamental but will be functional." "The show," as Dr. Heller put it, "is on the road."

YOUR MONEY'S WORTH: CONSUMER VOICES' DISMAL HISTORY

(By Sylvia Porter)

The history of efforts to give consumers a voice at the highest level of Government—just as labor has a voice and business has a voice and agriculture has a voice—is "not replete with successful precedents," drily remarked Walter W. Heller, Chairman of the President's Council of Economic Advisers, in his informal greeting to the 12 members of the newly organized Consumers' Advisory Council at their first meeting in the White House recently.

It certainly isn't. In fact, the history is downright dismal—and this adds significance to President Kennedy's appointment of six men and six women to advise the executive on consumer issues.

Here is a brief rundown of past experiments in giving the consumer an independent voice in Washington, put together by Persia Campbell, professor and chairman of the economics department of Queens College in New York, an expert long identified with consumer programs and a member of the new CAC.

NEW DEAL RECALLED

1. In the early 1930's, a New Deal law set up the National Recovery Administration to establish "codes of fair competition" which would help put floors under profits and wages. A Consumers Advisory Board to the NRA was created along with an Industrial Advisory Board and a Labor Advisory Board so all three viewpoints could be heard while the codes were being written. From the start, the CAB ran into trouble. It was hard even to find consumer representatives and when the CAB finally was named in 1933, it consisted mainly of professors and leaders of women's organizations. Moreover, because the consumer group was generally opposed to price-fixing arrangements, the NRA Administrator himself detested it. The CAB died when the NRA was liquidated.

2. Also in the early New Deal days, a Consumers Council was appointed to the Agricultural Adjustment Administration. In the less than a decade of its life, the Consumers Council frequently fought with the administration of which it was a part, for the AAA was trying to raise farm prices and control the flow of such products as milk to the market to stabilize prices. This office was killed in World War II.

3. In 1937, a third experiment took place when a Consumers Council was appointed to the National Bituminous Coal Commission, designed to control coal production and fix prices at the mines. The conflicts of interest were overwhelming. This one was shortlived too.

4. During and for a while after World War II, consumers were represented in the wartime agencies of the Office of Price Administration and the Office of Price Stabilization. These consumer committees, says Dr. Campbell, "identified themselves as consumer representatives, at least with respect to price control and rationing." They died when the agencies were dissolved.

DISMAL RECORD

5. From 1946 to 1952, the President's Council of Economic Advisers conferred from time to time with a National Consumer Advisory Committee which it had appointed. The committee had no influence. It faded away.

Why so dismal a record?

An obvious reason is that most consumers wear two hats and the hat with which they rarely identify themselves is that of the consumer as such. You, as a wage earner, will identify yourself with your union battling for the biggest pay raise possible, or you, as a businessman, will identify yourself with your industry trying for the best price-profit setup possible—but neither of you will identify yourself primarily as a consumer who might suffer from your wage-price-profit policies.

It may be that as a result the consumer just cannot be organized or speak with a powerful voice in this country. But that only makes it more important that he be recognized and represented at the national level.

The CAC has been born against a background of repeated failures. It must, as Mr. Kennedy told the members, "establish its [own] success."

YOUR MONEY'S WORTH: STATUS OF AID FOR CONSUMERS

(By Sylvia Porter)

On March 15 President Kennedy sent an omnibus consumers' protection and interest message to Congress which asked new laws as well as a major strengthening of existing programs for the safety and protection of consumers in the United States.

The message was a catchall. It included many innocuous proposals with which few could quarrel. Who, for instance, is going to be against stepping up enforcement of the mail fraud laws except someone trying to defraud via the mails?

It also included some controversial proposals. For instance, a request for a law that would empower the Federal Trade Commission "to issue temporary cease-and-desist orders against the continuance of unfair competitive practices while cases concerned with permanent relief from such practices are pending before the Commission" was interpreted by many businessmen to mean an accused corporation wouldn't even have a chance to defend itself while the FTC simultaneously acted the roles of investigator, accuser, prosecutor, and judge.

NOT MUCH DONE

Not much significant legislation to safeguard the consumer has been passed by this Congress. That cease-and-desist bill is dead. So is a bill which would require firms planning to merge into a company of "substantial size" to give "reasonable advance notice" to the Justice Department. So are other bills which would greatly increase the authority of the Federal regulatory agencies. Also on the shelf for this year, at least, are the "truth in lending" and the "truth in packaging" bills—bills which need a lot more work before they're in shape for passage.

Nevertheless, a fair number of the actions the President requested in his consumers' protection message has been favorably acted on or will be soon. Here's a sampling on the plus side.

A 25 percent increase in the staff for the Food and Drug Administration, the largest single increase in the agency's history. Probable.

An increased appropriation for pesticide regulation. OK.

A higher appropriation for inspection of meat and poultry. Mr. Kennedy won't get as much money as he's asking but he'll get some more.

An improved system of safety and efficiency of air traffic. The Federal Aviation Administration has put it into effect.

A law to require manufacture of all-channel TV sets to give a wider choice of programs. Passed.

Creation of a Consumers' Advisory Council within the executive branch of Government and appointment of special assistants for consumer affairs in all appropriate Federal agencies. Done this month.

Establishment of a new Office for Highway Safety in the Commerce Department, strengthening of accident prevention work in the Health, Education, and Welfare Department, increased enforcement of safety requirements by the Interstate Commerce Commission. Done or being done.

Strengthening of the insurance program of the Federal Savings & Loan Insurance Corp. Done.

Protection of air travelers from abuses of overbooking. The Civil Aeronautics Board put out new rules in April.

SOME SUCCESS NOTED

Regulation of excessive charges for moving of household goods. The Interstate Commerce Commission issued new rules this month.

Expansion of educational television. Law signed.

Stronger enforcement against interference in radio. Done.

Intensification of action by the Federal Trade Commission against deceptive trade practices and false advertising. Intensification on.

Stronger enforcement of mail fraud statutes. Arrests for mail fraud last year were at a record, convictions were up 35 percent.

Increased staffs for all major Federal regulatory agencies. Mixed results, with some getting the increase, some not.

It's hardly a grandiose, glittering record but it represents some progress. And while the controversial measures got lost in the shuffle, there is a new awareness of consumers' interests which is all to the good.

Your Money's Worth: Pilot Program for Consumers

(By Sylvia Porter)

Early in September, the Government will start an experiment in education of the American consumer in 100 post offices across the country.

In each of these post offices, there will be a display indicating the vast variety of pamphlets which Federal Government departments and agencies have prepared on subjects of practical concern to consumers and which can be bought for a nickel to 45 cents.

Each post office also will have supplies of order blanks listing 72 of the hundreds of publications now available. Each will have supplies of Government Printing Office documentary coupons which may be purchased from postal window clerks to cover the cost of any pamphlet and each also will have supplies of envelopes preaddressed to the "Superintendent of Documents, Government Printing Office, Washington 25, D.C.," in which the order blanks and coupons can be mailed.

NINETY-DAY PROGRAM

The pilot program will go on for 90 days. To gage interest in a reaction to the material available, the experiment will be handled in different ways in the various communities.

This is an experiment, long overdue. If it is pursued properly and aggressively, it could lead to major consumer education programs which could help millions of families to improve the management of their marketbaskets, pocketbooks, health, and safety.

The fact is that the Federal departments and agencies are loaded—and I mean loaded—with material of practical use to everyone. In just about every department and agency, information of indisputable value to the average consumer has been collected and is available in the form of inexpensively priced pamphlets. Hundreds of thousands and perhaps millions of families might benefit if they knew what material the booklets offered and the Government knew how to channel the publications to people.

Illustrative are the 72 representative pamphlets to be placed on sale in the pilot program. "Shopper's Guide to U.S. Grades for Food," 10 cents; "Infant Care," 15 cents; "Headaches, Hope Through Research," 10 cents; "Food Guide for Older Folks," 10 cents; "Removing Stains From Fabrics, Home Methods," 15 cents; "Plumbing Manual," 40 cents; "Fuel Consumption in the Home," 15 cents; "Better Lawns," 15 cents; "Detergents for Home Laundering," 5 cents; "Automotive Antifreezes," 15 cents. There are hundreds more.

JUST BEGINNING

And this is just a beginning. President Kennedy has directed the Federal agencies and departments "to place increased emphasis on preparing and making available pertinent research findings for consumers in clear and usable form." There is a vast accumulation of information on products and services within the Government departments which can be and should be put into language that can be understood by the least informed, least intelligent and least alert consumer—for this is the consumer who most needs the guidance.

There is simply no arguing with Mr. Kennedy's comment in his March 15 consumers' protection message that "The consumer typically cannot know whether drug preparations meet maximum standards of safety, quality and efficacy. He usually does not know how much he pays for consumer credit; whether one prepared food has more nutritional value than another; whether the performance of a product will in fact meet his needs; or whether the large economy size is really a bargain."

This is one area in which the new 12-member Consumers' Advisory Council can be of lasting value. Judging from the statements made by the members at the Council's first meeting, the Council is determined to give the consumer education movement in the United States a greatly needed forward push.

Your Money's Worth: How Can Council Aid Consumers?

(By Sylvia Porter)

The heartbreaking stories of deformed babies born to mothers who took the German-developed drug thalidomide before it was withdrawn from the market dramatizes the importance of protecting consumers from new drugs until they have been thoroughly and objectively tested.

It also underlines the kind of contribution the 12-member Consumers' Advisory Council, recently appointed by President Kennedy could make to health and safety. There is no disputing that while many of the thousands of new drugs are saving countless lives, some also present great hazards to health. Also there is no disputing the need to strengthen existing food, drug, and cosmetic laws and their enforcement. It is in the area of educating the American consumer that the new CAC could make a significant contribution to the Nation.

No doubt you know the tale of thalidomide by now and know that it would have been in wide use in the United States had not Dr. Frances O. Kelsey of the Food and Drug Administration dragged her feet for 19 months on approval of an Ohio drug manufacturer's application to market the drug for general consumption because she was not convinced it was safe. Now the world knows about the sedative's dreadful side effects and although over 1,100 U.S. physicians did distribute samples to their patients, the tragedies in this country are nowhere near the number overseas.

POSSIBILITIES OUTLINED

Besides helping to educate consumers—and lawmakers—on laws to increase the protection and safety of the public in such fields as foods and drugs, what else might the CAC achieve?

Its official functions—advising the executive branch on issues of broad economic policy and programs to protect and inform the consumer—are so broad that they could be meaningless unless translated into specific areas of action. Specifically what?

From Senator Humphrey, Democrat, of Minnesota, comes the plea that the CAC help to give the consumer a voice before congressional committees which must vote funds for the Federal regulatory agencies. Senator Humphrey says, "The only voices we usually hear are those complaining that an agency has been too harsh or unfair in enforcing the law. We need a voice speaking for enforcing the law in the interests of the consumer."

From Helen G. Canoyer, dean of Cornell University's School of Home Economics and chairman of the new CAC, comes the statement that the council can achieve much by directing "attention to consumer education, especially to consumer economics"—and this means "teaching basic economic principles, not just feeding out information on how to take care of clothes or how to read labels."

From Colston E. Warne, economics professor at Amherst College, president of Consumers Union, and another council member, comes the proposal that the CAC should lead a drive for compilation of all the methods of testing consumer goods available the world over.

SAMPLING OFFERED

From Walter F. Mondale, attorney general of Minnesota, and a council member, too, comes the recommendation that the council assist in working on legislation permitting the States "to set up a national clearinghouse of information on racketeers that prey upon consumers" so swindlers can't escape simply by moving from State to State.

It also must make it clear, I think, that whatever it does to further the legitimate interests of the consumer is simultaneously furthering the legitimate interests of business and labor. For this is fundamentally true and the misunderstanding which exists on conflicts is a hangover from an era long since dead.

The CAC has been born. Now it will begin to earn its right to become a permanent, respected, valuable part of the Federal Government.

The 45th Anniversary of the Founding of the 35th Infantry Division of the National Guard

EXTENSION OF REMARKS

OF

HON. WM. J. RANDALL

OF MISSOURI

IN THE HOUSE OF REPRESENTATIVES

Wednesday, August 29, 1962

Mr. RANDALL. Mr. Speaker, on Sunday, August 19, several Members of Congress, including the Honorables Paul C. Jones, of Missouri; W. R. Hull, Jr., of Missouri; Durward G. Hall, of Missouri; Richard Ichord, of Missouri; William H. Avery, of Kansas; and Robert F. Ellsworth, of Kansas, and myself attended the 45th anniversary of the founding of the 35th Infantry Division of the National Guard on the Liberty Memorial Mall at Kansas City, Mo. This division is made up of National Guard units in Missouri and Kansas. The 35th Division was organized on August 25, 1917, at Camp Doniphan, Okla. At that time, 14,282 men of that new 35th Division were from Missouri and 9,781 from Kansas. All were volunteer guardsmen or militia as they have been called since the States first raised troops for the Nation back in 1775.

The principal address of this observation was by Maj. Gen. Charles H. Browne, Jr., commanding general of the 35th Infantry Division, who spoke on the south steps of the Liberty Memorial Mall in Kansas City, Mo., facing officers and soldiers of the 35th Division and their friends. The most illustrious alumnus of the 35th Division and a former officer, former President Harry S. Truman, was unable to attend because of previous commitments, but appropriate mention was made that Mr. Truman is providing space for a permanent 35th Division Memorial Room in the Truman Library at Independence, Mo. It was pointed out by the General that "Captain Harry" of Battery D, 129th Field Artillery, was present and participated in the organization of the 35th Division on August 25, 1917.

Everyone present agreed the ceremony was a very impressive observation of the

founding of the division and also an interesting, pleasant, and most significant afternoon for the officers, men, and friends of the 35th Division, which is the Missouri-Kansas National Guard.

Tribute to Victor L. Anfuso

EXTENSION OF REMARKS
OF
HON. EMANUEL CELLER
OF NEW YORK
IN THE HOUSE OF REPRESENTATIVES
Wednesday, August 29, 1962

Mr. CELLER. Mr. Speaker, I am pleased to place in the Record remarks made at the testimonial dinner given to our esteemed colleague, Victor L. Anfuso, on August 14, 1962, at the Statler Hotel, Washington, D.C., at which dinner I acted as toastmaster. My remarks follow:

We are all happy to pay this tribute of respect to Victor L. Anfuso, who for so many years has served in Congress and served in a truly dedicated spirit.

Victor is a good friend of mine—not a sundial friend, useless when the sun goes down. He has built for himself a good name and a good name is like an acrostic, you read it up or down, left to right, right to left, and it spells goodness. Vic has been the recipient of many honors and deservedly so. These honors have come from princes, potentates, and Presidents.

His record and personality belie what Mark Twain once said, "Imagine there is a Congressman, now imagine an idiot. Forgive me, I repeat myself." Of course, we in Congress have always been the butt of jokes, victims of satire and recipients of abuse, but once let the citizen realize that his rights and privileges have been abused, he rushes to his Congressman for relief. Vic has afforded relief to thousands and because thereof we honor him.

Vic has many facets to his character. He is personable and persevering, amiable and articulate. No one is more resourceful. He can generate more novel ideas than a fiery pinwheel lets off sparks. He manifested brilliance and sparkle as a member of the Committee on Space and Astronautics. He showed excellence as a member of the Merchant Marine and Fisheries Committee.

He will leave our sacred precincts soon to wear the raiment of judicial office. Not so long ago, I was examining a witness at a trial. His name was prefixed with the title, "Colonel." I asked him what the "Colonel" stood for. He sarcastically answered, "'Colonel' is like 'Honorable' in front of your name," and he added, "And it doesn't mean a damn thing." Vic will now have a new prefix—judge. He is going to put a new twist on the meaning of "judge" and above all, he is going to make it mean "worthy." We like him for his becoming boldness and imagination.

He now shrinks from the publicity of congressional life to seek the quietude of the judiciary. I asked him if, as judge, he will use a gravel. "No," he said, "I will use a 50-cent piece. I can rap on the desk for order and when it comes to making a decision, it will come in handy. I will toss it up and decide either head or tail."

Vic is a careful politician. Hence, his success. He was once speaking at a convention of commercial artists. He was asked to name his favorite color and without hesitation he said, "Plaid."

He is a genuine Democrat who has sacrificed much for his party. Rather than enter a bitter internecine primary fight, he has agreed to leave the field and become a judge.

We wish Vic well and Godspeed. We wish him, his dear wife, and children many years of health and happiness.

The White House,
Washington, D.C., August 14, 1962.

Hon. Emanuel Celler,
Chairman, Testimonial Dinner in Honor of Congressman Victor L. Anfuso:

Please express to Victor, his family, and friends, my sincere regret that I cannot be with them this evening. We are all mindful of the distinguished service he has rendered to his district and the Nation in the Congress. His unselfishness has contributed greatly to the Democratic Party and its principles. It is my earnest wish that he will allow me to call upon him in the future so that his broad knowledge and keen understanding of the problems of national government and space will not be lost to the Nation.

Every good wish.

John F. Kennedy.

August 14, 1962.

Hon. Emanuel Celler,
Chairman, Dinner in Tribute to Congressman Victor L. Anfuso, Statler Hilton Hotel, Washington, D.C.:

One of the most loyal and understanding and patriotic men of my acquaintance is Victor Anfuso. We will miss him in Congress, but we believe the Congress loss is the Judiciary's gain. My affection for him and his family is deep. I send my best wishes to him and his many friends.

Lyndon B. Johnson.

Rome,
August 4, 1962.

Dear Mr. Celler: Thank you for the invitation addressed to me to participate in the banquet in honor of Hon. Victor L. Anfuso.

I am very sorry that the distance, my obligations, and the season prevent me from taking advantage of such a pleasant circumstance to return to the United States of America once again.

I wish to ask you, however, to convey to the guest of honor and all illustrious persons invited to the banquet my cordial regards and most vivid wishes for prosperity.

Fanfani.

Text of Speech by William H. McKeon, Chairman, New York Democratic State Committee, at Testimonial Dinner Honoring Representative Victor L. Anfuso, in Statler-Hilton Hotel, Washington, D.C., Tuesday, August 14, 1962

I am happy to be here tonight for two reasons. First, to speak as a personal friend of our guest of honor, and secondly and possibly more important, I am proud to be here as the official spokesman of the entire Democratic Party of the State of New York in this tribute to our good friend, Victor Anfuso.

Over the years, Vic has been a good friend. As a friend, his advice has always been timely and wise. As State chairman, his support has been constant and important.

As you know when Vic first came down here, he was assigned to the Agriculture Committee. Some of his friends ribbed him as the farm boy from Brooklyn, but Vic has established for himself a unique and influential role within the committee as the spokesman for the consumer.

When he was assigned to the Space Committee, he served with such fierce dedication that when I first heard that we had put an astronaut into space, I was sure it was Vic himself. As a matter of fact, if there had been room, I am sure that nothing would have pleased him more.

We are honoring a big man tonight—big of heart, big of spirit, and big of mind. If he were not, instead of sitting here in harmony tonight, we might be witnessing one of the worst political Donnybrooks in our State's recent political history.

For those of you who are not entirely familiar with politics in New York State, let me give you a few facts.

Last year it was necessary to reapportion our State's congressional districts. Nelson Rockefeller was as ruthless as a barracuda in gerrymandering our districts with the result of eliminating several Democratic seats. Naturally, his prime target was Brooklyn, the largest Democratic county in our State.

Vic might have stood on his prerogatives which, as I say, could have led to a bitter primary. He did not. He put party unity first. He stepped aside gracefully in the manner of the big man he is. You may not know that he holds one of the highest honors our church can bestow on a layman. As the chairman of the Democratic Party in New York, I wish tonight I had a similar award to bestow on him for his service to his party.

His fellow townsmen have now called on him to serve in the judiciary. You may be assured that he will be elected and will serve with distinction. I do not think, however, that this will be the climax of Vic's career as a public servant—he has far too much energy for that. Rather, I predict his voice will continue to be heard in the vast councils of our party.

The Kennedy-Johnson administration is losing a loyal and ardent supporter in Vic. This as I said can be laid squarely at the doorstep of Nelson Rockefeller.

I assure you, however, that Victor Anfuso and his colleagues in the House of Representatives, whether they are serving here in Washington or in other important posts in our State and Nation will continue the fight for the programs and the ideals of our great President and his helpmate, Lyndon B. Johnson.

Remarks by Mayor Robert F. Wagner at Dinner in Honor of Representative Victor L. Anfuso

Mr. President, honored guests, ladies and gentlemen, if every man's life is truly a book, then Vic Anfuso's fills a library shelf. This is just another in the series of heroic episodes in Vic Anfuso's career.

I can assure you that the people of New York City are going to keep Victor Anfuso in the public service. He knows it, too. We all know it. For Vic Anfuso, every ending is just another beginning.

Public life has been Congressman Anfuso's vocation and avocation for many years. He was running for office, in a primary, as far back as September 17, 1932. He lost the election, but that day his son, Victor, Junior, was born.

Since that day, Congressman Anfuso has been a consistent winner.

Basically, he is a humanitarian.

As a private citizen, in the early 1930's, he helped organize a Citizens Welfare Association to help the jobless and destitute in Brooklyn. He had also been responsible for the organization of the Italian Board of Guardians in Brooklyn which aids delinquent and troubled children.

Congressman Anfuso's legislative record is a fine one. His activity in 1957 as chairman of a Consumers Study Subcommittee to investigate the high cost of living was characteristic.

One measure which, in my judgment, epitomizes his devotion to public service is his pending bill authorizing the establishment of a National Academy for Public Service Training. I believe sincerely that the establishment of such an academy for public service trainees would help lend to public service—at the municipal, State, National and, indeed, international level—the dignity, honor and importance it deserves. Vic Anfuso is fighting for the establishment of such an academy.

But this isn't Vic Anfuso's most important legislative proposal. It is just a typical one. He has fought for liberalized immigration laws, for public housing, for civil rights, and for a more forthright policy of friendship toward Israel.

Name the good cause, and you can be sure that Victor Anfuso has been for it. Name the constituent who has had a problem and Victor Anfuso has been for him, too, and for the solution of his problem.

Vic is a young man still. His greatest achievements lie ahead of him. He will always be found fighting the good fight—for the party, for Brooklyn, for his city and country. We will be hearing more and more from and about Vic Anfuso in the days, months, and years ahead.

Excerpts of Remarks of Speaker John W. McCormack, Democrat, of Massachusetts, at a Testimonial Dinner in Honor of Representative Victor L. Anfuso, Democrat, of New York, Held in the City of Washington, August 14, 1962

Mr. Chairman, reverend clergy, your excellencies, distinguished guests and particularly our guest of honor, Congressman Anfuso, his charming wife, and his fine family, it is a genuine personal pleasure for me to take part in this testimonial dinner for Congressman Anfuso. The very presence here of so many of you, some from far away—a diverse group united by the common bond of friendship and affection for our guest of honor—bears witness to his nature and the breadth of his friendships.

Our chairman, "Manny" Celler, in introducing Mayor Wagner, remarked that the mayor of New York has the toughest job in the country, next to the Presidency. Now, I wouldn't want to disagree with "Manny," not only because he's the chairman of the House Judiciary Committee, and committee chairmen are important to me in my job, but because he's a very good friend of mine as well. Still, though I wouldn't want to disagree with "Manny," I do think the job of Speaker is a hard one at times. Admittedly, it has its compensations, and one of them—one of the greatest—is the privilege of knowing the many fine men and women who serve in the House over the years. In my years of serving in the House of Representatives, as majority leader and then as Speaker, I have known many Members of Congress; but I can say that Victor Anfuso stands high among them as a public servant and as a man.

By the way, my remarks about Victor Anfuso are not intended to diminish my regard for all the other Representatives of the State of New York whom I see here tonight. I'd like to mention them all. They are a fine group of men—every one. But I hesitate to mention any of them by name for fear of missing some inadvertently.

The other speakers here tonight have talked about Anfuso the Congressman and public servant. I want to talk about Anfuso the man.

Here, we all know, is a man of heart, unselfish, dedicated to helping others, a stanch friend. He has always taken people on their merits. Neither race, creed, color, nor any other externals or accidents of birth mean anything to him.

He has faith. This faith marks the man.

His name happens to be Anfuso. But what matters is not the name but what's in a man's mind. I know a man by his mind. I don't care what his name is. I don't care what his race is, or his color. A man's religion doesn't matter to me. I love my religion and respect all others; I expect other men to love their religions and to respect mine.

Our guest of honor has striven throughout his life for two goals: he has sought positions of influence, and at the same time he has sought unceasingly to help others less fortunate than himself.

We honor this man. We honor his loyal, devoted wife, and his fine children, who are here tonight. His is the kind of family on which America is built. America's foundation is its family life. Without such families, we could not have the country we have today.

It is an old saying of mine, and used to be a saying of Sam Rayburn's (God rest his soul), that many men who serve in the House of Representatives and are then elected to the other body give stability and substance to the other body. Vic Anfuso is such a man. He will bring stability and all his other fine qualities to any service he may undertake. During his terms in Congress, and especially in recent years as a member and subcommittee chairman of the Committee on Science and Astronautics, he has revealed himself not only as a man of heart but as a man of vision and pioneering spirit.

Now Victor has shown himself as a man willing to make a sacrifice for the good of his party. This kind of loyalty, putting aside personal wishes, is appreciated. It would be a fine thing for the Democratic Party if there were more Victor Anfusos. We could use a lot more Victor Anfusos in other States and places throughout this Nation.

"Manny" Celler has said that this is not an ending but a new beginning for Victor. This judgment, I am sure, is right. When Victor puts on the ermine, he will bring to his new responsibilities all the fairness and breadth of sympathies he has shown in Congress; he will temper justice with mercy, and enter a new and honorable period of public service. More than that: I predict that Victor Anfuso will not be long in judicial office before his party will seek him for higher office in an elective capacity. Victor has served his party and his Nation faithfully, and I feel sure that he will continue to do so for many years to come.

Address of Victor L. Anfuso, Jr., at Testimonial Dinner in Honor of Congressman Victor L. Anfuso

Mr. Toastmaster, reverend clergy, distinguished guests, ladies and gentlemen, it is a difficult thing to fashion words to introduce your own father properly. Mayor Wagner has told us that I was introduced by my father some 30 years ago during the course of a political campaign. However, I do believe it took more than campaign oratory to turn that trick. I guess that just serves to prove that it is not how difficult a task is, but rather how pleasurable. And tonight I have a most pleasurable task.

This occasion is not only the time to review the past accomplishments of your guest of honor, but also an opportunity to reminisce with an old friend.

As I looked around the ballroom earlier I noticed many familiar faces, friends of long standing, people who do not make a habit of attending $50-a-plate dinners, much less traveling hundreds of miles to be present.

I am thinking that my father is a lucky man to be surrounded by so many friends at a time when he closes one chapter of his life and prepares to frame another; blessed as he is by a union with a saintly woman and a devoted wife and mother; and privileged to have achieved a position in life which would content the soul of many a man.

However, it is not fairly correct to give all the credit to luck. Rather, I believe, these are the results of qualities he has kindled from within. Truly he has gone out to meet luck more than halfway.

Someone has written that all of us in varying degrees are propelled by two fundamental urges. These are: "I want" and "I want to be." The first includes the basic instinct of self-preservation, food, shelter, the desire for security. The second, "I want to be," encompasses the more expansive part of personality, magnanimity, the desire to better yourself and those about you.

Perhaps this is a great oversimplification. But I think your guest of honor has bottomed his purposeful actions on this latter motivation to an abundant degree. The seeds he has sown throughout his public career are as many stones thrown into a still pool. The ripples, most times without the spotlight of any publicity, have touched the hearts and lives of many people who were never required to show the credentials of a constituent, the Aryan pedigree so long favored by our immigration laws, or even the label of any particular party.

In close observation of a man who has been a great teacher to me, I have never heard him speak ill of another. I have marveled at his capacity to make and keep a friend.

His approach to problems has always been persuasion rather than force—organize and build by motivating others to desire and accomplish certain tasks and goals. As a matter of fact, when I was a young boy I can still remember his effective use of a hairbrush which had a most persuasive effect on me, and by the way did me a great deal of good.

The man who occupies the place of honor tonight shined shoes for a living at the age of 9; placated his mother's lifelong wish that he become a doctor by having her believe he was enrolled in medical school, while in fact he was attending law school. And as the distinguished Ambassador from Italy has indicated, I know he felt highly honored, as an immigrant to this country, to be appointed by President Kennedy as head of the delegation representing the United States to go back to his native land for the centennial anniversary of Italy's birth as a nation.

If I were to attempt to capsulize and isolate that inner spark of animation in your guest of honor, I would venture to say that he is a man who derives sheer comfort and satisfaction in the mere giving; a person, who has felt an inner need to seek positions of influence and, at the same time, a desire to use that influence to aid those, who by circumstance or station in life, cannot help themselves.

As the pages of his life are slowly turned and he continues to the next stop en route, you may expect that he will carry that philosophy with him, best expressed perhaps in the words of Whittier when he wrote:

> "Heaven's gate is not opened to him who comes alone;
> Save another's soul, and thus thou'lt save thine own."

Ladies and gentlemen, it is my extreme privilege to present to you my father, your guest of honor.

Address of Congressman Victor L. Anfuso, Testimonial Dinner, Hotel Statler, Washington D.C., August 14, 1962

Mr. Toastmaster, Mr. Speaker, reverend clergy, your excellencies, my friends all, I can't begin to tell you how much each one of you has honored me tonight by your presence. Some of you have come from as far as California and many of you, of course, from my beloved State of New York.

"Mannie," I'm deeply grateful to you for being a chairman and toastmaster par excellence.

Thank you very much, Mr. Harrison, for your kind presentation. Please assure all of your 1,400 members that I shall always treasure it.

Ambassador Fennoltea, I was indeed happily surprised. I have received many awards from your government. I know this is the highest and I'm deeply grateful. I hope I can continue to play some small part to keep your great country and ours bosom allies.

Ladies and gentlemen I guess all of you can see by now that we have a great New York State chairman in Bill McKeon and a great leader and mayor in Bob Wagner. I am grateful to both of them for their generous remarks.

And, Mr. Speaker, you have always been very kind to me but tonight you outdid yourself.

I think my son made a pretty good speech, too, don't you think? Well, I wanted you to get to know him.

All of you have been mighty good to me, Excellency, an immigrant boy from the south shores of Italy.

I guess I've served on more committees than most Members of Congress. In the 82d Congress I was a member of the House Post Office and Civil Service Committee. In that capacity I visited almost every post office in the State of New York and helped to improve working conditions in them. I suppose I would still be on that committee had I not been a victim of reapportionment in 1952.

Thanks to my very dear friend, Mayor Wagner, I was appointed a judge of the criminal court but I didn't stay long as a judge because my heart was in Congress. As a matter of fact the first time I ran I had to defeat a Democratic Congressman of 18 years experience in Congress: and the second time, I resigned as a judge to engage in another successful primary fight. I returned to the 84th Congress and I was approved for membership on the House Agriculture Committee. I became known as the gentleman farmer from Brooklyn, although my only credentials were that I had a flower pot on my window sill.

It wasn't long, however, when with the cooperation of that esteemed gentleman and chairman of the committee, Harold Cooley, that we formed, for the first time in the history of Congress, a Subcommittee on Consumer Problems of which I became chairman. If I must say so myself, the hearings we conducted and the reports we rendered went a long way in bringing about a better understanding between our farm and city people. As I used to say in speeches before the Congress, the legislative road is not a one way street. If we from the cities help the Congressmen from farm areas in solving their problems, they must come along with us when we appeal to them for better wages, better working conditions and more housing for our congested areas. The response was equally beneficial and I'm proud to say that I have voted for every wise farm bill that has come out of the Committee on Agriculture, without the loss of any part of my constituency. The reason is that I gave my people leadership and service but at the same time I made it clear to them that we cannot live alone—that a Congressman must represent not only his district but the Nation as a whole.

In 1957, again being mindful of the needs of the consumers and farmers in my own State of New York, I conducted hearings throughout the State and we were particularly helpful in stabilizing milk prices.

I enjoyed being the farmer from Brooklyn. We were giving a voice for the first time to the consumers of America. I urged President Eisenhower and later President Kennedy to create the post of a Consumer Council in the executive branch of Government. I looked forward to heading a permanent Consumer Committee in the House of Representatives. President Kennedy finally appointed a Consumers Advisory Council but the Congress has not had a Consumer Committee since I left the House Agriculture Committee in 1958 to become a ranking member of the newly formed Science and Astronautics Committee as well as a member of the House Merchant Marine and Fisheries Committee.

I have served 4 wonderful years on these committees with Chairman Bonner and Miller. My good friend, George P. Miller, of California, who is doing a great job as general chairman of the House Committee on Science and Astronautics, appointed me chairman of the subcommittee on all advance research. I looked forward to spending the rest of my days on this committee and pushing with all my might the space program because I realize that America cannot win this space race or any race by just reacting to what the Russians are doing, or being stimulated into action by a series of shocks—such as the two cosmonauts now circling the earth.

We have lost 4 valuable years, and I am not here to blame anyone for this loss, but thé fact remains that we did waste 4 years in not going ahead with a large booster program. And now you can't make up those years by just keeping pace with the Russians. We have got to double our efforts if we are not to remain second best and leave the world in danger of being destroyed by those who would use the new scientific discoveries for conquest and world domination.

By doubling our efforts I don't necessarily mean spending twice as much as we are now spending in the space effort. Money alone won't do the job for us. What I mean is that we must stop reacting and use the intelligence and knowledge we already possess to carry out projects of our own. It is imperative that we try to land a man on the Moon as soon as possible but let us through advance research also establish a space station from which we can launch our vehicles to carry out space exploration to any corner of the universe, without limiting ourselves to the Moon, Venus or Mars. This would be a far greater achievement than engaging in a mere race to the moon and at the same time this would provide greater security for us.

And now on the peace front, my friends, let me say this. As a result of the various committees of Congress on which I have served, having to do with war and peace, I have come to the inevitable conclusion that there is no profit in war for any nation or people. I, therefore, looked forward to a new project, as an aid to the scientific community, to unite the scientists of the world to form an International Science for Peace organization which would conduct or guide research into great world problems such as famine, drought, pestilence and disease which are the causes of wars and strife among nations. This cannot and never will be done by the United Nations because the United Nations is a political organization and the members of every committee therein are guided by political considerations and national interests. But the scientific world can get together, as it did for the International Geophysical Year, and undertake, for example, the elimination of malaria as a world plague, the stamping out of the locust pestilence, the conservation and scientific distribution of water resources, the evaluation of existing uninhabited areas of the world for their possible sources of foods, the development of methods by which the unending resources of the ocean would be converted into acceptable foodstuffs, the peaceful uses of research in outer space, etc. The free world without delay, should take the leadership in forming such a science for peace organization as it will save billions of dollars and help to create an abundant world, making wars and strife between nations unnecessary.

But again the ugly head of reapportionment threatened to interrupt my services in Congress. After months of soul searching and discussions with my family and friends, I again yielded to the wishes of the leadership of our party and withdrew as a candidate for Congress in order to be of even greater service, I hope, to my country.

My friends, we are living in the most critical period of our Nation which demands the strongest, the most vigorous, the most intelligent kind of leadership. It requires also, an understanding of the rights and aspirations of all peoples of the world. We have that leadership and understanding in President Kennedy. And we who call ourselves Democrats must sacrifice personal ambitions to become soldiers in the ranks and follow his leadership. There is no room for demogogues or prima donna's in the Democratic system of government.

In conclusion, my friends, let me say that this dinner is not just a tribute to me alone. It is also a tribute to my wife, Frances, who has served all of our terms in Congress—going back and forth, to and from New York every single week (not at Government expense, mind you), and in my hour of grave decision and period of torment, my wife read to me this prayer by St. Francis de Sales:

"Do not look forward to what might happen tomorrow, the same Everlasting Father who cares for you today will take care of you tomorrow and every day. Either he will shield you from suffering or he will give you unfailing strength to bear it. Be at peace, then, and put aside all anxious thoughts and imaginations."

I am at peace with myself as I hope all of you will always be.

And now, my friends, would you please rise and toast with me the President of the United States, may he have long years and good health to move this country forward as it has never been moved before, with the help and grace of Almighty God.

DAIS

Abello, His Excellency Emilio, Ambassador of the Philippines.

Albert, Hon. Carl, majority leader, U.S. House of Representatives.

Anderson, Adm. George W., U.S. Navy, Chief of Naval Operations.

Anfuso, Hon. Victor L., guest of honor.

Anfuso, Victor L., Jr.

Anfuso, Mrs. Victor L.

Antonini, Hon. Luigi, chairman, United Italian American Labor Council.

Arango, His Excellency Augusto Guillermo, Ambassador of Panama.

Bailey, Hon. John M., chairman, Democratic National Committee.

Beame, Hon. Abraham D., comptroller, city of New York.

Boggs, Hon. Hale, majority whip, U.S. House of Representatives.

Bonner, Hon. Herbert C., chairman, House Merchant Marine and Fisheries Committee.

Braskamp, Rev. Bernard, D.D., Chaplain, U.S. House of Representatives.

Buckley, Hon. Charles A., chairman, House Committee on Public Works.

Celebrezze, Hon. Anthony J., Secretary of Health, Education, and Welfare.

Celler, Hon. Emanuel, chairman, House Judiciary Committee.

Cogliandro, Charles A.

Cooley, Hon. Harold D., chairman, House Agriculture Committee.

Duke, Hon. Angier Biddle, Chief of Protocol, Department of State.

Eastland, Hon. James O., chairman, Senate Judiciary Committee.

Fenoaltea, His Excellency Sergio, Ambassador of Italy.

Garrigues, His Excellency Don Antonio, Ambassador of Spain.

Goodwin, Hon. Richard W., Deputy Assistant Secretary of State for Inter-American Affairs.

Gurevich, Mrs. Mae, vice chairman, New York Democratic State Committee.

Haley, Andrew G., counsel, American Rocket Society.

Hall, Paul, president, Seafarers International Union.

Harriman, Hon. Averell, Assistant Secretary of State for Far Eastern Affairs.

Harman, His Excellency Avraham, Ambassador of Israel.

Harrison, Hunter C., president, National Capital section, American Rocket Society.

Hartke, Hon. Vance, U.S. Senator.

Jacoby, Hon. Aaron L., cochairman, Kings County Democratic Committee.

Kelly, Hon. Edna F., national committeewoman, New York State.

Kiernan, His Excellency Thomas J., Ambassador of Ireland.

Kirwan, Hon. Michael J., chairman, Democratic Congressional Campaign Committee.

Lynch, Hon. John J., cochairman, Kings County Democratic Committee.

McCormack, Hon. John W., Speaker, U.S. House of Representatives.

McKeon, Hon. William H., chairman, New York Democratic State Committee.

Mansfield, Hon. Mike, majority leader, U.S. Senate.

Mars, His Excellency Dr. Louis, Ambassador of Haiti.

Miller, Hon. George P., chairman, House Science and Astronautics Committee.

O'Connor, Hon. Frank D., district attorney, Queens County, N.Y.

Prigione, Very Rev. Msgr. Gerolamo, apostolic delegation.

Re, Hon. Edward D., Chairman, Foreign Claims Settlement Commission.

Rubel, Hon. John H., Assistant Secretary of Defense.

Sevilla-Sacasa, His Excellency Dr. Guillermo, Ambassador of Nicaragua.

Schriever, Lt. Gen. Bernard A., U.S. Air Force, commander, Air Force Systems.

Screvane, Hon. Paul R., president, Council of the City of New York.

Symington, Hon. Stuart, U.S. Senator.

Wagner, Hon. Robert F., mayor, city of New York.

Waterman, Dr. Alan T., Director, National Science Foundation.

Webb, Hon. James E., Administrator, National Aeronautics and Space Administration.

Wiesner, Hon. Jerome B., Special Assistant to the President.

SENATE

THURSDAY, AUGUST 30, 1962

The Senate met at 10 o'clock a.m., and was called to order by the President pro tempore.

The Chaplain, Rev. Frederick Brown Harris, D.D., offered the following prayer:

God of grace and God of glory, beyond the circle of whose all-embracing love we cannot drift, with all our unworthiness we come for this hallowed period of communion with Thee in the mystery that spirit with spirit may meet.

From the traditions which separate us and write our names in different camps of thought and conviction, we pause for the upward look which makes us one with Thee, Thou Father of us all.

In these times that test men's souls in the fiery judgment of these epochal days, when willful men have turned from Thy light of universal brotherhood, quicken, we pray, every noble impulse, sanctify our best endeavors, and, no matter of what else the ebbing years may rob us, keep our hearts with Thee and our feet in the pathway of Thy will, where alone is our peace and our salvation. Amen.

THE JOURNAL

On request of Mr. SMATHERS, and by unanimous consent, the reading of the Journal of the proceedings of Wednesday, August 29, 1962, was dispensed with.

MESSAGE FROM THE PRESIDENT

A message in writing from the President of the United States submitting a nomination was communicated to the Senate by Mr. Miller, one of his secretaries.

EXECUTIVE MESSAGE REFERRED

As in executive session,

The PRESIDENT pro tempore laid before the Senate a message from the President of the United States submitting the nomination of Walter C. Sauer, of the District of Columbia, to be First Vice President of the Export-Import Bank of Washington, which was referred to the Committee on Banking and Currency.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Maurer, one of its reading clerks, announced that the House had passed the bill (S. 2965) to provide standby authority to accelerate public works programs of the Federal Government and State and local public bodies, with amendments, in which it requested the concurrence of the Senate.

ENROLLED BILLS AND JOINT RESOLUTIONS SIGNED

The message also announced that the Speaker had affixed his signature to the following enrolled bills and joint resolution, and they were signed by the President pro tempore:

H.R. 7278. An act to amend the act of June 5, 1952, so as to remove certain restrictions on the real property conveyed to the Territory of Hawaii by the United States under authority of such act;

H.R. 10431. An act to revise, codify, and enact title 37 of the United States Code, entitled "Pay and Allowances of the Uniformed Services";

H.R. 11257. An act to amend section 815 (article 15) of title 10, United States Code, relating to nonjudicial punishment, and for other purposes; and

H.J. Res. 864. Joint resolution making continuing appropriations for the fiscal year 1963, and for other purposes.

LIMITATION OF DEBATE DURING MORNING HOUR

On request of Mr. SMATHERS, and by unanimous consent, statements during the morning hour were ordered limited to 3 minutes.

COMMITTEE MEETINGS DURING SENATE SESSION

On request of Mr. SMATHERS, and by unanimous consent, the following committees and subcommittees were authorized to meet during the session of the Senate today:

The Committee on Post Office and Civil Service.

The Permanent Investigations Subcommittee of the Committeee on Government Operations.

The Committee on Banking and Currency.

The Committee on Labor and Public Welfare.

COMMITTEE MEETING DURING SESSION OF THE SENATE TOMORROW

Mr. MANSFIELD. Mr. President, on behalf of the Senator from Tennessee [Mr. KEFAUVER], I ask unanimous consent that the Subcommittee on Antitrust and Monopoly may meet during the session of the Senate tomorrow.

The PRESIDENT pro tempore. Without objection, it is so ordered.

REPORT OF FEDERAL BUREAU OF NARCOTICS

The PRESIDENT pro tempore laid before the Senate a letter from the Assistant Secretary of the Treasury, transmitting, pursuant to law, a report of the Federal Bureau of Narcotics, for the calendar year ended December 31, 1961, which, with the accompanying report, was referred to the Committee on Finance.

PETITION

The PRESIDENT pro tempore laid before the Senate a petition signed by Lee Roy Rogers, Jr., and 17 other citizens, praying for the enactment of the quality stabilization bill, which was referred to the Committee on Commerce.

RESOLUTION OF NEW YORK CITY CENTRAL LABOR COUNCIL

Mr. KEATING. Mr. President, the New York City Central Labor Council, AFL-CIO, recently adopted a resolution repudiating attacks being made on the International Ladies Garment Workers Union and extending its full support to the ILGWU.

The ILGWU has enjoyed a reputation for honest and progressive representation of its members throughout its history. I know from personal experience that its officers and members are dynamic and dedicated individuals who have been vigilant in preventing infiltration of this union and the garment industry by racketeers and Communists.

While I do not have personal knowledge of the basis for any charges being made against the ILGWU, I believe that the resolution of the New York City Central Labor Council deserves the attention of every Member of the Senate. I therefore ask unanimous consent that this resolution be printed at this point in the RECORD and appropriately referred.

There being no objection, the resolution was referred to the Committee on Labor and Public Welfare, as follows:

Resolution Adopted by New York City Central Labor Council, AFL–CIO, August 16, 1962

Whereas one of the great international unions of the AFL–CIO, a union that is the pride of the trade union movement in our city and in the country and that reflects credit on our country throughout the world, is under attack today by a subcommittee of the House of Representatives Committee on Education and Labor; and

Whereas the very resolution adopted by this subcommittee gives the impression that it is motivated by political animosity, that it is out to smear this union and thereby to discredit the entire labor movement of this country. For if there is any labor union that has been the pioneer for furthering all that is sound and progressive in labor, that is the International Ladies Garment Workers Union; and

Whereas the terms of the resolution adopted have already prejudged the outcome of the so-called investigation and have accused the union and its leadership for everything that it has fought against—discrimination, dictatorship, violation of the rights of members, and misuse of funds: Now, therefore, be it

Resolved, That the New York City Central Labor Council, AFL–CIO, repudiates and protests this despicable, unwarranted, unfounded attack on the International Ladies Garment Workers Union which reflects unfavorably on the originators of the attack; and be it

Resolved, That the New York City Central Labor Council, AFL–CIO, extends to its ILGWU affiliated locals and to the ILGWU its fullest support and calls upon every local union of the council to do likewise; and be it further

Resolved, That the officers of the New York City Central Labor Council, AFL–CIO, are instructed to send copies of this resolution to the affiliates asking that this resolution be adopted by their organization and that the affiliates' resolutions be returned to the council so that the full support of the New York City labor movement be thus manifested; and be it further

Resolved, That the officers of the New York City Central Labor Council, AFL–CIO, are further instructed to make known the position taken in regard to this unjustified attempt to smear the International Ladies Garment Workers Union; to notify the general press, the labor press, the New York State AFL–CIO, the national AFL–CIO. The officers of the New York City Central Labor Council, AFL–CIO, are finally instructed to so notify the President, the Vice President, the entire Congress of the United States, particularly the members of its subcommittee.

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. BEALL, from the Committee on Armed Services, without amendment:

S. 3613. A bill to provide that participation by members of the National Guard in the reenactment of the Battle of Antietam shall be held and considered to be full-time training duty under section 503 of title 32, United States Code, and for other purposes (Rept. No. 1983).

By Mr. CHURCH, from the Committee on Interior and Insular Affairs, with amendments:

S. 3451. A bill to provide relief for residential occupants of unpatented mining claims upon which valuable improvements have been placed, and for other purposes (Rept. No. 1984).

By Mr. ROBERTSON, from the Committee on Banking and Currency, without amendment:

H.R. 10383. An act to amend the Federal Home Loan Bank Act to give Puerto Rico the same treatment as a State in the election of Federal Home Loan Bank Directors (Rept. No. 1985).

EXECUTIVE REPORTS OF A COMMITTEE

As in executive session,

The following favorable reports of nominations were submitted:

By Mr. JOHNSTON, from the Committee on Post Office and Civil Service: 308 postmaster nominations.

BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. WILLIAMS of Delaware:

S. 3686. A bill to extend and strengthen the Federal air pollution control program; to the Committee on Public Works.

(See the remarks of Mr. Williams of Delaware when he introduced the above bill, which appear under a separate heading.)

By Mr. SPARKMAN (for himself and Mr. Hill):

S. 3687. A bill to provide for certain land acquisition for the establishment of a National Wildlife Refuge as part of the Walter F. George Lock and Dam Project, Chattahoochee River, Georgia and Alabama; to the Committee on Public Works.

EXTENSION AND STRENGTHENING OF FEDERAL AIR POLLUTION CONTROL PROGRAM

Mr. WILLIAMS of Delaware. Mr. President, I introduce, for appropriate reference, a bill to extend and strengthen the Federal air pollution control program.

The bill is similar in many respects to legislation which has been introduced in the House of Representatives but which has not yet been acted upon. I have incorporated into this bill recommendations of the Delaware State Board of Health which, I believe, will give the existing Federal program considerable strength and would improve the State and local programs, rather than hamper them.

The problem of air pollution has long been recognized as a most serious problem in many areas of the Nation, where either natural or manmade causes bring about conditions in the air which are at best obnoxious and at worst a danger to the health and safety of the citizens of the affected area.

Many cities and States now have their own air pollution control programs and these, with the varying degrees of the strength of the laws and the application of them, do help to handle this growing problem.

There are other cases, however, where the origination of the offense may lie in one State and the populated area which is affected is across the State line. Under such conditions it is frequently difficult or impossible for the citizens in the affected area to have the condition remedied.

It is my hope that this bill will greatly assist citizens in such situations and contribute to the health and safety of communities which are so affected.

The PRESIDENT pro tempore. The bill will be received and appropriately referred.

The bill (S. 3686) to extend and strengthen the Federal air pollution control program, introduced by Mr. Williams of Delaware, was received, read twice by its title, and referred to the Committee on Public Works.

REVENUE ACT OF 1962—AMENDMENTS

Mr. CARLSON submitted amendments, intended to be proposed by him, to the bill (H.R. 10650) to amend the Internal Revenue Code of 1954 to provide a credit for investment in certain depreciable property, to eliminate certain defects and inequities, and for other purposes, which were ordered to lie on the table and to be printed.

Mr. PROXMIRE submitted amendments, intended to be proposed by him, to House bill 10650, supra, which were ordered to lie on the table and to be printed.

Mr. MILLER. Mr. President, I send to the desk an amendment to the pending bill, H.R. 10650, and ask unanimous consent that it be printed and lie on the table, and printed in the Record along with a copy of my address on last Monday before the Tax Executives Institute at their 17th annual conference.

The PRESIDENT pro tempore. The amendment will be received, printed, and will lie on the table; and, without objection, the amendment and the address will be printed in the Record.

The amendment is as follows:

Strike all of section 2 of the bill and substitute in lieu thereof the following:

"Sec. 2. Incentive Taxation of Growth Income.

"(a) Reduced Rates on Growth Income.—

"(1) Section 1 of the Internal Revenue Code of 1954 is amended by striking subsection '(d)' and inserting in lieu thereof the following:

" '(d) Tax on Growth Income.—Notwithstanding the rates of tax prescribed above, the tax on growth income shall be reduced by an amount equal to one-half the tax otherwise computed on the basis of such rates. Provided that such reduction shall not exceed the tax for the first immediately preceding full taxable year, and provided further that reductions of less than ten dollars shall not be recognized.

" '(e) Cross Reference.—

" 'For definition of taxable income, see section 63.

" 'For definition of growth income, see section 64.'

"(2) Section 3 of the Internal Revenue Code of 1954 is amended by adding the following at the end thereof: '*Provided*, That the tax on growth income shall be reduced by an amount equal to one-half the tax otherwise computed under the table; but such reduction shall not exceed the tax for the first immediately preceding full taxable year, and reductions of less than $5 shall not be recognized.'

"(3) Section 11 of the Internal Revenue Code of 1954 is amended by changing subparagraph '(d)' to '(e)' and by adding a new subparagraph '(d)' as follows:

" '(d) Tax on Growth Income.—Notwithstanding the rates of tax prescribed above, the tax on growth income shall be reduced by an amount equal to one-half the tax otherwise computed on the basis of such rates: *Provided*, That such reduction shall not exceed the tax for the first immediately preceding full taxable year: *And provided further*, That reductions of less than $15 shall not be recognized.'

"(4) Section 12 of the Internal Revenue Code of 1954 is amended by adding the following subsection:

" '(g) For definition of growth income, see section 64.'

"(b) Tax Reduction Payback.—

"(1) The Internal Revenue Code of 1954 is amended by changing section '5' to '6' and by adding a new section '5' as follows:

" 'Sec. 5. Tax Reduction Payback.

" '(a) The amount of tax reduction attributable to growth income provided for in sections 1 and 3 shall be voided and the reduction shall become a part of the tax due and payable for the following taxable year to the extent prescribed in subparagraph (b).

" '(b) If a taxpayer's combined income from wages and salaries, rents, ordinary dividends, royalties, interest, and business and farming (with adjustments provided in section 64 applicable to the current taxable year) is less than such combined income (with adjustments provided in section 64 applicable to the first immediately preceding taxable year) for the year of tax reduction due to growth income, the tax reduction shall be voided according to the proportion that the decrease bears to the amount of growth income on the basis of which said tax reduction was computed: *Provided*, That said tax reduction shall not be voided to the extent said decrease is attributable to the death of a taxpayer (or his spouse) or to losses due to fire, flood, windstorm, theft, or other casualty, not covered by insurance or otherwise: *Provided further*, That if said following taxable year is a short year due to termination of an estate or trust, such combined income (with adjustments provided in section 64 applicable to the current taxable year) shall be annualized for the purpose of computing said decrease, if any.'

"(2) The Internal Revenue Code of 1954 is further amended by changing section '12' to '13' and by adding a new section '12' as follows:

" 'Sec. 12. Tax Reduction Payback.

" '(a) The amount of tax reduction attributable to growth income provided for in section 11 shall be voided and the reduction shall become a part of the tax due and payable for the following taxable year to the extent prescribed in subparagraph (b).

" '(b) If a corporation's combined income from rents, ordinary dividends, royalties, interest, and business and farming (with adjustments provided in section 64 applicable to the current taxable year) is less than such combined income (with adjustments provided in section 64 applicable to the first immediately preceding taxable year) for the year of tax reduction due to growth income, the tax reduction shall be voided according to the proportion that the decrease bears to the amount of growth income on the basis of which said reduction was computed: *Provided*, That said tax reduction shall not be voided to the extent said decrease is attributable to losses due to fire, flood, windstorm, theft, or other casualty, not covered by insurance or otherwise: *Provided further*, That if said following taxable year is a short year due to liquidation, dissolution, or reorganization, such income (with adjustments provided in section 64 applicable to the current taxable year) shall be annualized for the purpose of computing said decrease, if any.'

"(c) Growth Income Defined.—

"(1) The Internal Revenue Code of 1954 is amended by adding the following new section:

" 'Sec. 64. Growth Income Defined.

" '(a) For purposes of this subtitle, the term "growth income" means the excess of the combined income for the current taxable year from wages and salaries, rents, ordinary dividends, royalties, interest, and business and farming (with adjustments provided below) over such combined income (not less than zero) for the first immediately preceding full taxable year (with adjustments provided below), hereinafter referred to as the "base years."

" '(b) With respect to the current taxable year, strike out the following:

" '(1) Gains and losses from the sale or exchange of capital assets or property treated as capital assets, the capital loss carryover deduction, and net operating loss deduction.

" '(2) Recognized income due to recovery of bad debts, prior taxes, and delinquency amounts, and due to improvements by a lessee.

" '(3) Net income from illegal activities.

" '(4) Lump sum income which the taxpayer may ratably allocate for tax purposes except to the extent of the portion ratably allocable to the current taxable year.

" '(5) Losses from fire, flood, windstorm, theft, or other casualty not covered by insurance or otherwise.

" '(6) Income resulting from a change in method of valuing inventory, method of accounting, or method of depreciation.

" '(7) Dividend income from a corporation in excess of 125 percent of such income received from the corporation in the previous taxable year, or in excess of current earnings of said corporation, whichever excess amount is the greater, where 50 percent or more of the total combined voting power of all classes of stock of said corporation is owned by the taxpayer.

" '(8) In the case of a taxpayer other than a corporation, income from a business or a partnership which represents the continuation of the business of a corporation, 50 percent or more of the total combined voting power of all classes of stock of which is owned by the taxpayer. (This provision shall not apply after the first full taxable year following cessation of such business by the corporation.)

" '(9) In the case of a corporation, income which represents the continuation of the business of another corporation merged or consolidated with the taxpayer or which represents the continuation of the business of another corporation of which 50 percent or more of the total combined voting power of all classes of stock is owned by the corporation. (This provision shall not apply after the first full taxable year following such merger or consolidation or cessation of such business by the other corporation.)

" '(10) In the case of a corporation, the decrease in deductions for charitable contributions (under section 170) below such deductions for the first immediately preceding full taxable year.

" '(11) In the case of estates and trusts, the decrease in deductions for income paid over to beneficiaries below such deductions for the first immediately preceding full taxable year where such payment is discretionary.

" '(c) With respect to the base year, delete the following:

" '(1) Gains and losses from the sale or exchange of capital assets or property treated as capital assets, the capital loss carryover deduction, net operating loss deductions, and the additional first-year depreciation deduction authorized by section 179.

" '(2) Recognized income due to recovery of bad debts, prior taxes, and delinquency amounts, and due to improvements by a lessee.

" '(3) Losses from fire, flood, windstorm, theft, or other casualty not covered by insurance or otherwise.

" '(4) Income resulting from a change in method of valuing inventory, method of accounting, or method of depreciation when such change results from action of the Commissioner.

" '(d) In the case of corporations, the combined income for the base year shall not be less than such income (with the same adjustments) for the taxpayer's calendar or fiscal year 1962 or (if the taxpayer was not in existence or was inactive during such year) the first full taxable year thereafter. Provided that the taxpayer may elect in lieu of such limitation to use the average of such combined income (with the same adjustments) for calendar or fiscal year 1962 and the two immediately preceding full taxable years (or, if the taxpayer was not in existence for such period, the first immediately preceding full taxable year) if active during such period.

" 'In the case of a reorganization, the limitation on the base year of the continuing corporation shall be computed by using the combined income for calendar or fiscal year 1962 of the corporations which are parties to the reorganization; and if the combined income of fiscal or calendar year 1962 and the two immediately preceding taxable years (or first immediately preceding taxable year, as the case may be) is used in lieu of such limitation, the combined income for such period of the corporations which are parties to the reorganization shall be used.

" '(e) Where income or deductions have been arbitrarily shifted from one year to another by a taxpayer for no business purpose other than reduction of taxes arising from the reduced tax rates on growth income, the Commissioner is authorized to make such adjustments as are necessary to protect the revenue.

" '(f) In determining ownership of stock for purposes of this section, actual or constructive ownership (under section 318) shall be taken into account.

" '(g) Where a joint return is filed for the current taxable year and separate returns were filed (either as married or single individuals) for the base year, the base year's income shall include the income (with adjustments specified above) of both returns unless the income on the joint return represents the actual income of only one spouse.'

"(d) Effective Date.—The section added by this amendment shall be effective January 1, 1963. In the case of taxable years ending prior to December 31, 1963, the tax reduction provided for herein shall be reduced according to the proportion that the number of months not falling within the calendar year 1963 bears to twelve."

Amend the title so as to read: "An Act to amend the Internal Revenue Code of 1954 to encourage economic growth by providing for reduced income tax rates on growth income of individuals, estates, trusts, and corporations, to define 'growth income', to eliminate certain defects and inequities, and for other purposes."

The address presented by Mr. Miller is as follows:

Incentive Taxation of Growth Income

(By Hon. Jack R. Miller)

INTRODUCTION

Today there is a long-overdue national concern over the adverse effect our system of income taxation has been having on our capitalistic economic system. As the cost of living moves steadily upward, as the squeeze between prices and costs grow higer, as the competition from foreign lands becomes keener, as our annual rate of economic growth remains stagnant, and as serious unemployment continues to be chronic, the key role of income taxation becomes more evident. Granted that the basic purpose of this taxation is to raise revenue, it is obvious that some of its features can produce byproducts of discouragement or encouragement to economic growth. Unfortunately, discouragement rather than encouragement prevails under the present system.

The need for increased purchasing power and increased capital formation and utilization has prompted a call for tax cuts from the people and assurances of tax cuts from the President. However, despite the theories of some "sophisticated" economists, there seems to be an awareness on the part of the people that tax cuts, without a cutback in spending to make room for them, would not be meaningful; that tax cuts which produce increased Federal deficits and add to the national debt will, sooner or later, result in reduced purchasing power of our money so that any savings or capital resulting from such tax cuts will be diluted, and any increased purchasing power or increased capital formation will be illusory. Worse yet, perhaps, the reduced value of our dollar would add to the seriousness of our declining gold reserves.

Congress in its present makeup is not disposed to cut back spending. The President says there will be no reduction in spending for programs which are essential to the national interest, which only begs the question and makes it clear that the administration will not reduce its spending proposals to Congress.

With such an impasse, we are on dead center; and the situation poses a deadly threat to the future of our Nation. We are desperately in need of a tax change to encourage economic growth.

REQUIREMENTS OF INCENTIVE TAXATION

The word "incentive" has been bandied about a good deal of late. Usually it is associated with tax reduction—either through outright tax rate reduction or through so-called tax reform, or both. It assumes that tax reduction will automatically be followed by economic growth, but there is no guarantee that this will happen. Most of us would probably anticipate an overall growth in our economy if we had tax reduction accompanied by stable purchasing power of our money. However, there would probably be taxpayers who would happily enjoy the tax reduction without seeking to contribute to economic growth. They would accept the reward without earning it.

Let me make it clear that I am in sympathy with the proposal of Congressmen HERLONG and BAKER for a gradual reduction in tax rates. However, it presupposes a stable purchasing power of our money—a condition made impossible while Congress refuses to reduce spending to make room for tax reduction. It also assumes a period of economic growth—an assumption which might not materialize, and if it didn't the consequences could be serious.

What is required is a tax change which will be an incentive, which will not give the reward of tax reduction unless the objective of growth is fulfilled, which will operate without jeopardizing the purchasing power of our money, which contains elements of tax reform and tax rate reduction, and which faces up to the political realities existing in Congress and the administration. I have a plan for such a change, and I call it "Incentive Taxation of Growth Income."

INCENTIVE TAXATION OF GROWTH INCOME

In a nutshell, the plan proposes to tax any increase in adjusted gross income (in the case of individuals) or taxable income (in the case of estates, trusts, and corporations) over the adjusted gross income or taxable income for the preceding year at one-half the rates that would otherwise apply. You might call it an excess profits tax in reverse. This increase represents "growth income," and tax reduction would take effect only with respect to it. The reward of tax reduction would have to be merited.

Examples of Miller plan for incentive taxation of growth income (effective Jan. 1, 1963)

Year	Adjusted gross income	Tax at old rate	Increase in tax over prior year at regular rate	Tax reduction (½ increase)	New tax
Individual, married, 4 children, using optional standard deduction, with adjusted gross income from a salary, wages, profession, or business:					
1962	$10,000	$1,108	(1)	(1)	(1)
1963	15,000	2,304	$1,196	$598	$1,706
1964	20,000	3,740	1,436	718	3,022
Individual, married, 2 children, using optional standard deduction, with adjusted gross income from a salary, wages, profession, or business:					
1962	5,000	420	(1)	(1)	(1)
1963	5,500	510	90	45	465
1964	6,000	600	90	45	555
Corporation, taxable income as shown in 2d column (note first $25,000 taxes at 30 percent; all over $25,000 taxed at 5 percent:					
1962	100,000	46,500	(1)	(1)	(1)
1963	120,000	56,900	10,400	5,200	51,700
1964	140,000	67,300	10,400	5,200	62,100

(1) Change not in effect.

From the Government's standpoint, the Treasury would be assured of the same amount of revenue from the same amount of income as the previous year, so that the tax reduction under this plan would not cause a loss of revenue and a consequent loss in purchasing power of our money. I recognize that Government spending increases in anticipation of increased revenues might have to be curbed, but these should be curbed anyhow—as the administration has learned from the disappearance of its promised balanced budget, which was based on excessive optimism over revenue increases for the current year.

However, I suggest that the prospect of paying tax at only one-half the regular rate on growth income would be a tremendous incentive for taxpayers to increase their productivity. Wasteful or marginal costs, which too often are tolerated because they are "tax deductible," would be reduced or eliminated. Tax reform is built into the plan, because taxpayers would have an incentive (other than that furnished by a revenue agent) to avoid unnecessary or excessive expenditures. Such expenditures would only reduce their growth income and their tax reduction. We could expect real improvement in our rate of economic growth.

GROWTH INCOME DEFINED

The definition of "growth income" must be precise and realistic. It should certainly include business and farming income. With respect to other items of income, either of two approaches may be used. One approach, which is simpler, would be to specify the items. The other approach would be to include all income except certain items which do not have any particular relevance to growth during the current year due to the taxpayer's labor or capital. For example: pensions and annuities, income in respect of a decedent, income from death benefits, compensation from injuries, income from an estate or trust, alimony and separate maintenance benefits, income from the discharge of indebtedness, and the like. Even with these exclusions, however, we would still be faced with situations under which an incentive would be extended to increase income that would be of marginal or questionable significance insofar as labor or capital are concerned, not to mention illegal income, which is nonetheless taxable.

Accordingly, I would propose that in addition to business and farming income, wages and salaries, rents, ordinary dividends, royalties, and interest be specified as the only other type income which can be used in computing growth in adjusted gross income (in the case of individuals) or taxable income (in the case of estates, trusts, and corporations). These items constitute the major sources of income of the vast mapority of taxpayers and are relatively easy to ascertain; and from the standpoint of administration, it is desirable to keep them at a minimum. Moreover, all of them have a clear connection with the utilization of labor or capital in the production of income. Capital gains, including capital dividends, may happen to be realized during the current taxable year, but they usually include growth which has occurred prior to the current taxable year; moreover, they already receive special incentive tax treatment. I would therefore exclude them from the definition of growth income.

ADJUSTMENTS TO BUSINESS INCOME

To have a realistic measurement of growth in business income, certain adjustments should be made. For example, a lump-sum payment received in the taxable year which reflects services rendered over a period of several years cannot reasonably be attributed, in its entirety, to growth during the taxable year. A ratable allocation to the current year under the option available to the taxpayer should be the limit. Income from a change in method of valuing inventory, from a change in method of accounting, or from a change in method of computing depreciation hardly reflects economic growth. Additional income of a corporation resulting from another corporation being merged with it, to the extent of the other corporation's income, certainly does not represent growth of the first corporation's business. Additional income of an individual resulting from the transfer to him (through dissolution) of the business of his corporation would not represent his growth. These items of taxable income should be eliminated in computing growth income.

To be fair, there are other adjustments that should be made to eliminate deductions which are properly allowable for tax purposes but have no essential relationship to growth. Thus net operating loss carryover deductions or capital loss carryover deductions should not be taken into account in determining growth income. It would seem that a loss deduction attributable to fire, flood, windstorm, theft, or other casualty, not covered by insurance or otherwise, should not be permitted to destroy the growth a taxpayer may otherwise have achieved and should also be eliminated.

Another adjustment appears to be desirable in the case of corporations. Contributions to charitable, educational, religious, scientific, and similar activities are becoming increasingly important and are to be encouraged. If a corporation's growth income could be enhanced merely by cutting back its contributions, a longstanding policy of Congress to encourage corporate giving would be frustrated. Accordingly, it appears desirable to provide that growth income of a corporation may not be so achieved.

Business income from illegal activities should be excluded altogether, for I presume this kind of growth is not to be encouraged.

PRIOR YEAR ADJUSTMENTS

Adjustments with respect to the current year are not the only ones required to properly measure growth. Income of the immediately preceding taxable year, which ordinarily would serve as the base for measuring growth, also requires some adjustments. First of all, we must decide whether a base year income of less than zero should be permitted. Although I would admit that coming from a loss of $10,000 in one year to a profit of $10,000 in the following year represents $20,000 in growth, I do not believe it wise to permit growth income to be measured from a loss position, particularly since a taxpayer already has the benefit of a net operating loss carryover or carryback deduction.

Next, we should not measure growth income in the current year from a fictitiously low economic income base. Thus, if income during the preceding year has been lowered for tax purposes by taking into account a net operating loss deduction, a capital loss carryover deduction, a loss deduction arising from fire, flood, windstorm, theft, or other casualty, not covered by insurance or otherwise, or a deduction for the extra first-year depreciation allowed by section 179, these adjustments should be added back.

I am dubious over permitting a lowering of the base year's income by eliminating income arising from a change in method of valuing inventory, change in method of accounting, or change in method of depreciation. Such changes are usually voluntary on the taxpayer's part and often are made with a view to improving his tax position. Accordingly, I would propose that a lowering of the base year's income by eliminating such income be permitted only where the change in method has been forced on the taxpayer by the Government.

Where a joint return is filed for the current taxable year, it would be unrealistic to measure the income reported therein against the income of only one of the spouses for the preceding year if separate returns were filed by them (either as married or single persons) unless the income on the joint return represents the actual income of only one of them. I use the word "actual" to make it clear that community property law will not enter into this calculation.

PREVENTION OF WINDFALLS, WHIPSAWING, AND OTHER UNDESIRABLE RESULTS

In order to prevent windfalls, whipsawing (fluctuating income from one year to another to take undue advantage of the reduced rates on growth income), and other undesirable results, certain provisions are necessary.

The question arises whether a taxpayer who becomes a wage earner, salaried person, or business operator for the first time should be permitted to treat any or all of his first year's income as "growth income." The answer would seem to be "No." Birth of income is not the same as growth in income. A similar answer should apply in the case of the first year of operation of an estate, trust, or corporation. Accordingly, I would define growth income in such a way as to require it to be measured against the first immediately preceding full taxable year, so that at least one full year's experience will be used as a basis for calculating growth. But that first year's experience may represent only part-time or nominal activity. To prevent a windfall by using the income from such a year as a base, I would provide that the tax reduction from the special rates on growth income not be in excess of the amount of tax for the preceding year.

Example: B, a college senior, graduates in midyear and commences full employment, earning $5,000, with regular tax thereon of $813. During the preceding year he worked part-time, earning $1,200 and paying tax of $98. His tax reduction for the current year would be $98—not $357.50 (one-half the difference between $813 and $98).

An individual in control of a corporation (or a corporation in control of another corporation) might seek to obtain growth income by arbitrarily having the controlled corporation declare extraordinary dividends. To prevent this type of abuse, it would seem desirable to limit the amount of dividends that could be counted for this purpose—say to 125 percent of those received from the controlled corporation during the preceding taxable year and, in any event, limit such dividends to the amount of current earnings of the corporation. In ascertaining whether or not a taxpayer is in control of a corporation, constructive ownership of stock under the attribution rules of section 318 should be taken into account.

With the payback provision, which I shall presently discuss, the graduated tax rates applicable to individuals, trusts, and estates do not offer much opportunity for whipsawing. There is, however, some opportunity for whipsawing in the case of corporations. To discourage this, I would propose using as a base year the immediately preceding full taxable year (as in the case of individuals, estates, and trusts), with the limitation that the taxable income for such base year be not less than the taxable income for fiscal or calendar year 1962. If the corporation was not in existence or active during fiscal or calendar year 1962, its first full taxable year would be used for this purpose. However, one can conceive of situations where a corporation's taxable income for fiscal or calendar year 1962 might be abnormally high, leaving little or no incentive to the corporation to seek growth because of the arbitrary selection by Congress of the taxable income of such year as a limitation on the base year. To cover these situations, I would propose that in lieu of fiscal or calendar year 1962, a corporation could elect to use (as a limitation against the taxable income of the base year) the average taxable income of fiscal or calendar 1962 and the two preceding taxable years (or the preceding taxable year, if the corporation was not in existence or active during the 2 years preceding fiscal or calendar 1962).

Example: Corporation X had taxable income as follows: (1960) $75,000; (1961) $100,000; (1962) $200,000; (1963) $100,000; (1964) $150,000. No adjustments were required to taxable income for 1963 and 1964. Obviously there was no growth income for 1963 and no tax reduction. Growth income for 1964 cannot be measured against taxable income of $100,000 for 1963, because 1963 taxable income cannot be less than the $200,000 taxable income for 1962. However, the corporation elects to take the average taxable income for 1960, 1961, and 1962, which is $125,000, as the limitation below which base income for 1962 cannot go. Growth income for 1964 would be $25,000.

Deliberate whipsawing by taxpayers may possibly be attempted notwithstanding the precautionary provisions built into this plan. With a view to discouraging such efforts, it would seem proper to provide that where income or deductions have arbitrarily been shifted from one year to another by a taxpayer for no business purpose other than reduction of taxes arising from the reduced rates on growth income, the Commissioner may make such adjustments as are necessary to protect the revenue. The doctrine of "business purpose" is reasonably well settled by the tax law, regulations, and court decisions, and such a provision should be unwelcome only to those who would seek to frustrate the purpose of this new plan.

TAX REDUCTION PAYBACK

Not only do we wish to encourage growth. We wish to discourage going backward after growth. Such a policy, coupled with a policy against whipsawing, prompts me to recommended what I call a "tax reduction payback" provision. It would require the voiding of a tax reduction based on growth income if, in the following year, the taxpayer's income decreases. The tax reduction would be voided according to the proportion that the decrease bears to the amount of growth income on the basis of which the tax reduction was computed.

Example: Corporation A has taxable income (adjusted) of $100,000 for 1962, $100,000 for 1963, and $100,000 for 1964. It pays $46,500 tax for each year. It has no tax reduction for 1963 and 1964 because there is no growth income. On $200,000 combined income for 1963 and 1964 its combined tax is $93,000.

Corporation B has taxable income (adjusted) of $100,000 for 1962, $150,000 for 1963, and $50,000 for 1964. Its combined income for 1963 and 1964 is $200,000, and its combined tax is $93,000—the same as corporation A, computed as follows:

	1963	1964	Total
Taxable income	$150,000	$50,000	$200,000
Tax	72,500	20,500	93,000
Tax reduction	−13,000		
Tax reduction payback		+13,000	

If, instead of a decrease from taxable income (adjusted) of $150,000 for 1963 to $50,000 for 1964, corporation B dropped only to $125,000, the tax reduction payback would be only $6,500 (one-half of $13,000 tax reduction for 1963 based on the proportion of the decrease of $25,000 in 1964 to the growth income of $50,000 for 1963).

The amount of the tax reduction payback is to become a part of the tax due and payable for the year of the decrease in income. I do not believe it is necessary to require payment of interest inasmuch as the taxpayer will already have lost the use of tax money paid on the higher tax that would have been due for the growth year—even after allowance of the tax reduction.

CONCLUSION

Like any other major plan of tax reform, this one has its weaknesses. I recognize that many taxpayers would not receive any benefit from it. Some are in a declining income position which is beyond their control. Others (including most Members of Congress) are on a stable earnings basis with little liklihood for improvement—although this plan will provide encouragement to make the most of opportunities for improvement. However, similar criticism could be made of other tax reduction provisions in the tax law. For example, faster depreciation methods and rates are meaningless to a taxpayer caught in the same tax bracket with or without them. Percentage depletion is meaningless to a taxpayer to the extent that it exceeds 50 percent of net income. The deduction for medical and hospital expenses means nothing to over half the taxpayers under 65, who either use the optional standard deduction or find such expenses exceeded by 3 percent of their adjusted gross income. Nevertheless these have been enacted because Congress considered that, on balance, they were in the national interest. I might also point out that the investment tax credit which the administration is backing so strongly would result in tax relief to only a comparatively small number of taxpayers.

Incentive taxation of growth income is entirely workable and administratively feasible. It would be simple for most taxpayers to compute their tax reduction because they would have few if any adjustments to make. Corporations and individuals operating a business would, in some cases, find it complicated. However, when we recall how complicated the excess profits tax law was, perhaps we should not be too impatient with a far less complicated proposal which will, unlike the excess profits tax law, reduce taxes.

Incentive taxation of growth income would, I am confident, spur capitalism and the free enterprise system on to victory over communism in the economic competition to which Premier Khrushchev has challenged us.

Mr. LONG of Louisiana. Mr. President, a very interesting idea was proposed by the Senator from Delaware [Mr. Williams] on behalf of himself and three other Senators. He suggested that the top limit of income tax rates might be reduced by cutting the depletion tax on oil and gas. The proposal is that over a period of time depletion allowance on oil and gas would be gradually reduced and the top level of income taxes gradually reduced. The presumption is that oil and gas producers are in the top bracket, which is not always the case at all; some are in the relatively low brackets.

If this proposal were to be considered and adopted, then a general reduction of all depletion allowances should be considered. However, even that would have an impact on a relatively small segment of our economy.

It seems to me that if we were to adopt so novel a proposal to reduce the top rate level of income taxes and thus increase the tax benefits that fall upon various groups, it would be better to adopt some proposal which would apply more generally to a broader tax base. I believe I can offer such a proposal, perhaps even more challenging, one which would reduce the top bracket not to 60 percent, but starting next year to 50 percent at the top level. This would cost the Government $250 million, but the loss could be financed by repealing the dividend credit. The repeal of the dividend credit would save the Government $350 million. We could then cut the top level to 50 percent immediately, at the same time increase Federal revenues by $100 million.

I submit that this would be a much sounder proposal. In general, it would have the effect of providing that those who are large taxpayers would benefit, on the one hand, and would pay, on the other. I think this would have a stimulating effect on the economy and might cause a saving, considering the fact that it would amount to a so much greater reduction in the top income tax levels, from 87 percent to 50 percent, that it would perhaps meet with even greater acclaim across the Nation.

Therefore, I send to the desk my amendment, which I ask to have printed and lie on the table. My proposal would greatly reduce, starting in the next taxable year, the top level of income tax, not to 65 percent or 60 percent, but to 50 percent, and thus provide $100 million for the Government.

At the same time, it would be financed by repealing a proposal that the Senate has never approved. The dividend credit proposal was rejected by the Senate. It has been rejected repeatedly. It has been voted out repeatedly. It has never had the approval of the Senate. It became law only because it came back in a conference report in which the Senate had to take the whole package on a take-it-or-leave-it basis.

I heartily recommend this proposal to Senators. I urge its very devoted consideration.

This amendment reduces the overall limitation on individual income taxes from 87 percent to 50 percent. It does not, however, reduce any of the graduated income tax rates. It simply says that the total amount paid to the Government may not exceed 50 percent of the taxpayer's taxable income. This reduction is estimated to reduce revenues by $250 million.

To provide for money with which to pay for this reduction in the overall individual income tax rate, my amendment also repeals the 4-percent credit against tax for dividends received. This repeal is estimated to increase Federal revenues by $350 million.

Thus the net effect of my amendment is to increase Federal revenues by $100 million.

The reduction in the overall rate and the repeal of the 4-percent dividend credit under my amendment are to apply with respect to taxable years beginning after December 31, 1962.

The PRESIDENT pro tempore. The amendment will be received and printed, and will lie on the table.

DESIGNATION OF LAKE O'NEILL IN STATE OF CALIFORNIA—ADDITIONAL COSPONSOR OF JOINT RESOLUTION

Under authority of the order of the Senate of August 24, 1962, the name of Mr. Anderson was added as an additional cosponsor of the joint resolution (S.J. Res. 221) to designate the lake to be formed by the waters impounded by the San Luis Dam in the State of California as "Lake O'Neill," introduced by Mr. Kuchel on August 24, 1962.

PROMISE OF A FEDERAL APPOINTMENT?

Mr. WILLIAMS of Delaware. Mr. President, I ask unanimous consent to have printed in the body of the Record an editorial entitled "This Is Politics," which was published in the Washington Evening Star on August 27; and I ask to have printed immediately following the editorial, in the Record, section 600 of chapter 29 of title 18 of the United States Code.

There being no objection, the editorial and the section of the code were ordered to be printed in the Record, as follows:

[From the Washington (D.C.) Evening Star, Aug. 27, 1962]

This Is Politics

Time, probably with an assist from Democratic National Chairman Bailey, appears to have assuaged the political wounds and softened the temper of Connecticut's Representative at Large, Frank Kowalski.

Mr. Kowalski, possessing impressive credentials as a graduate of West Point and holder of a master's degree from Massachusetts Institute of Technology, has been energetic and outspoken during his two terms in Congress. Earlier this year he applied these characteristics to an announced bid for the Democratic senatorial nomination and declined to surrender quietly when Mr. Bailey, himself a Connecticut Yankee, made it clear that Abraham Ribicoff, then Secretary of Health, Education, and Welfare, was "the management's" choice. In effect, Mr. Kowalski found out he couldn't "beat City Hall" when the party's State convention not only chose Mr. Ribicoff but denied the Congressman enough votes to force a statewide primary.

Broodingly, Mr. Kowalski then entered into a political flirtation with an independent movement in the Nutmeg State, and until a few days ago, it looked as though he would be a senatorial candidate on a third-party ticket. It is doubtful if either Mr. Kowalski or the independents expected a victory on such basis, but there were estimates that he might well pick up enough votes in November—mostly from normally Democratic ranks—to make the Republican candidate, Representative Seely-Brown, the winner. The Ribicoff-Seely-Brown race, in other words, looks tight, without a relatively strong third candidate mixing up the calculating machines.

This was worrisome to Mr. Ribicoff, to Mr. Bailey and even to others in high Democratic places in Washington. So Mr. Kowalski has now announced that he will not run next November as an independent, or as anything else for that matter. There is speculation, believable enough, that after his term ends in the House next January he may receive a Federal appointment. Any questions?

United States Code

TITLE 18: CRIMES AND CRIMINAL PROCEDURE

Chapter 29—Elections and politicial activities

§ 600. Promise of Employment or Other Benefit for Political Activity.—

Whoever, directly or indirectly, promises any employment, position, work, compensation, or other benefit, provided for or made possible in whole or in part by any Act of Congress, to any person as consideration, favor, or reward for any political activity or for the support of or opposition to any candidate or any political party in any election, shall be fined not more than $1,000 or imprisoned not more than 1 year, or both.

Mr. SMATHERS. Mr. President, I suggest the absence of a quorum.

The PRESIDENT pro tempore. The clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. SMATHERS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDENT pro tempore. Without objection, it is so ordered.

ANTIRELIGIOUS ACTIVITY IN LITHUANIA

Mr. KEATING. Mr. President, all of us should be increasingly concerned about the virulent antireligious activities being undertaken behind the Iron Curtain. I have frequently spoken out about the excesses of anti-Semitism in the Soviet Union. I have warned about the anti-Catholic crusade that is underway in Poland. Recently, new information about intensified religious conflict in Lithuania has come to my attention. Priests are harassed; the clergy are isolated from their congregations; churches are closed; and antireligious propaganda is everywhere apparent.

Mr. President, this type of persecution gives the lie directly to Soviet propaganda about equality of races and religions under Communist rule. The only equality is the equal right to suffer discrimination and abuse for any manifestations of religious devotion. It is time that the truth about Soviet persecutions is laid bare and the hypocrisy of Communist protestations is revealed, for the whole world to see.

Mr. President, I ask unanimous consent to have printed in the RECORD, following my remarks, information on the antireligious campaign in Lithuania. This information has been gathered by the Information Service of the Supreme Committee for Liberation of Lithuania.

FIGHT AGAINST RELIGION IN FULL SWING IN LITHUANIA

While in neighboring Poland the church and the Communist state are enjoying a truce, however uneasy, in Lithuania the regime's fight against religion is becoming more and more intense. In addition to a widespread propaganda campaign, Communist authorities do not hesitate to employ pure police terror.

MOCK TRIAL OF PRIESTS EXPLOITED FOR NEW ATTACKS ON CHURCH

The mock trial of the priests of Klaipeda, accused of currency speculation, is today used to accuse the entire clergy of similar leanings. (For description of mock trial, see previous ELTA bulletins of this year.) The new church in Klaipeda, the construction of which was paid for by donations of the Lithuanian faithful, including those in the United States of America, has been seized by the state. It is noteworthy that Communist propaganda in previous years has been using the construction of the church in Klaipeda as an example of "religious freedom" in Lithuania and the U.S.S.R. Late unconfirmed reports, based on the stories of Lithuanians recently arrived in West Germany, speak of women's demonstrations at the church in Klaipeda.

CHURCH ADMINISTRATION INCAPACITATED, BUT NO "PEACE PRIESTS" AVAILABLE

The Lithuanian "Cult Commissar," Eugenijus Rugienius, seems to have completely taken over church administration into his hands. When the Archbishop of Vilnius and the Apostolic Administrator of Panevezys, Julius Steponavicius, was forcibly removed from his duties, the Holy See appointed Canon Sidlauskas as the Apostolic Administrator of Panevezys. Commissar Rugienius not only forbade Canon Sidlauskas to take his post, but recently had him deported to the town of Merkine.

The above moves indicate that the regime is planning completely to destroy the legal church administration in Lithuania and replace true bishops by "administrators of bishoprics," who would be independent from Rome and obedient to Commissar Rugienius. Yet in these efforts the regime is foiled by the resistance of the clergy and their uncompromising loyalty to the Holy See.

When Commissar Rugienius rejected the appointments to the parishes made by the legal church administration, he began appointing to the vacant posts such priests who seemed to be sympathetic to the regime. But the appointees surprisingly refused to take the regime-indicated posts. Because of this, there are now parishes without parochial priests.

PRIESTS HARASSED AT EVERY STEP

The "Commissar of the Cult" controls all the activity and movements of the priests. No priest can perform his ecclesiastic functions without his permission. There are priests who have been denied such a permission, and they are forbidden to perform their church duties. Any transfer of a priest must be approved by Commissar Rugienius. According to a recently published decree, a priest needs a permission if he wants to go to another parish to perform a religious service. Such a permission is usually granted to only a single priest in a parish.

Until recently, several dozens of priests would attend the most popular religious festivals in Zemaiciu, Kalcarija, and Siluva (on September 8) to render religious services to the crowds of pilgrims. Last year only four priests received permission to go to Siluva. To keep the faithful away, Communist authorities first denied them transportation means and then subjected those who came on foot to a thorough search and registration of documents, ostensibly as a measure against speculators.

ISOLATION OF CLERGY FROM THE FAITHFUL SOUGHT

In order to isolate the faithful from the clergy and to reduce the influence of the latter, the regime is trying methodically to prevent contacts between them. Until now, the contact between the priest and the parishioners was maintained primarily through the traditional Christmas visits, during which the parishioners would present the priest with their annual donation. To prevent these Christmas visits, the priests now must pay very high "Christmas visit taxes." Failure to pay these taxes means prison, and many priests have been compelled to stop their Christmas visits.

Any contact with priests is dangerous for the faithful, who are afraid to visit priests publicly or to receive them at their homes. The priests themselves are reluctant to visit their parishioners for fear of endangering them. Until recently, children of school age would gladly attend church services and assist at the masses. Now any assistance by children at the altar has been forbidden. Priests have already been sentenced for "luring children and teaching them superstition."

REGIME SEES A FORMIDABLE ENEMY IN THE CHURCH

Communist authorities attribute the lack of success of their antireligious propaganda to the tenacity of the priests. "The church and priests have enveloped the people with religious cobwebs throughout long centuries and these cobwebs are difficult to tear," complained Tiesa on January 8, 1962. The magazine Svyturys continues this complaint in its issue No. 2 of this year. "Communism has reached the peak of its success," Svyturys writes, "but the church, although pushed off the moutain's peak, continues its sermons from the valley."

"The sermons from the valley" must be a painful thorn in the regime's eye, because the press is threatening police measures to silence the preachers. What are these "preachers from the valley" accused of? They refuse to recognize the new morals and ethics now flourishing in Lithuania—Communist press asserts. They shed tears from the pulpits about the decline of morals, about such vices as thievery, alcoholism, spreading sexual dissolutness. The clergy is especially concerned with the young generation. Often priests don't even ask whether children and their parents want religion at all. Each spring they concentrate all their forces and use all means to teach catechism to the children. From the pulpits they urge mothers to teach their children catechism at home. Many priests do all they can to alienate young people from the Soviet educational institutions—Communist press complains.

CLOSING OF CHURCHES INTENSIFIED

Churches are being shut down at an increased pace. Some churches were recently closed because there were no more priests to officiate in them. In 1940 the city of Kaunas had 29 churches—today only 9 are left. The only seminary for priests has only 45 theological students, and only seven new ones were admitted. Protestants have no theological seminaries at all. The pattern of the regime's antireligious campaign seems to be obvious—to have the priests die out and then see faith itself die away.

RELIGION REFUSES TO DIE AWAY

Yet the antireligious campaign is not producing the hoped-for results. In a meeting of leading Lithuanian antireligious propagandists earlier this year, one of the leading themes was the continuous force of "religious superstition" which keeps the population away from the "majestic contemporary reality." (Komunistas, No. 4, 1962). The atheistic propagandists also drew the attention to the fact that the church in Lithuania was making efforts to become more modern and was shedding certain antiquated attributes (e.g., fasting). On the other hand, the clergy was appealing to the national sentiments of the believers.

One of the speakers in the meeting asserted that church attendance in Lithuania has dropped 50 percent in recent years. Yet, the same speaker said, church meetings, christenings and funerals have diminished only 10 to 15 percent. All speakers agreed that "religious remnants" still displayed much vitality.

(Sources: Radio Vilnius, Tiesa, Romunistas; Darbininkas, Brooklyn.)

SOVIET OIL OFFENSIVE

Mr. KEATING. Mr. President, for some months I have been very seriously concerned over the increasing Soviet oil exports and the evident Soviet concentration on oil production. Hardly a day goes by without additional proof of the effort that the Soviets are making to penetrate free world markets and thereby ultimately to make the free world dependent on Soviet energy sources.

The only sign of faint government interest in this serious problem is the report which the Interior Department asked the National Petroleum Council to prepare on the "Impact of Soviet Oil Exports on the Free World." This important venture was unfortunately and unnecessarily held up for over a month by a bureaucratic dispute over conflict of interest rules. Now at last, it is back on the track again. I sincerely hope that now every effort will be made to get the report out, for widespread study and comment, at the earliest opportunity.

For, while the U.S. Government has been worrying about so-called conflicts of interest, the Communists are more interested in conflicts of ideologies and economic prowess and their overtures are recorded with alarming frequency.

Mr. President, I ask unanimous consent to include, following my remarks in the Record, an article and an editorial from the Washington Post on Soviet oil offers to Japan, an article from the Marine Engineering/Log Yearbook issue entitled "Oil: Key Weapon in Russia's Trade Drive," which is part of a larger study on Russia's maritime expansion program; and an excerpt from the Sun Oil Co.'s study of world tanker fleets which indicates that three times as much tanker tonnage is now under construction for the U.S.S.R. as for the United States.

There being no objection, the article and editorial were ordered to be printed in the Record, as follows:

[From the Washington Post, Aug. 23, 1962]

Russia Offers To Build Pipeline To Supply Japanese With Oil

Moscow, August 22.—Premier Khrushchev opened a drive for close economic ties with Japan today, offering to build a pipeline to the east to supply Japan with oil if the Japanese would provide the equipment.

The Soviet leader made the offer to a delegation of Japanese businessmen at his Black Sea vacation home and told Japanese newsmen later he hoped Japan would soon become "a country independent of the United States."

The head of the Japanese delegation, Yoshinari Kawai, told Khrushchev, according to the Soviet agency Tass:

"We have come here with the warm desire to conclude deals and begin concrete trade with you. Big contracts have already been signed and we are grateful to you for this."

The Japanese had indicated earlier that they were not especially interested in Soviet oil because they had their own concession in Iran. A pipeline, however, might deliver oil to Japan at prices substantially below costs of their present supply.

In another development, the Soviet Government called today for an expansion of consumer cooperatives, trade outlets which operate independently of state-run stores.

The demand came only 2 weeks after a decree ordered expansion of the cooperative housing program, a program distinct from building projects run outright by the Government.

The wording could indicate the Government believes that consumer cooperatives, which operate primarily in rural areas, can perhaps do a better job of supplying the people than state-run outlets.

The order took the form of a message to a meeting of representatives of cooperatives being held in the Kremlin. It was printed on the front page of Pravda, the Soviet Communist Party newspaper.

"It is necessary to expand in every way the chain of dining halls, tea shops, bakeries, laundries, and repair shops," the order said.

[From the Washington (D.C.) Post, Aug. 23, 1962]

Soviet Oil Challenge

Premier Khrushchev has thrust a devilishly tempting oil pipeline offer before the oil-hungry Japanese. Seconding Mr. Mikoyan's motion of last August, he offered to extend a Soviet pipeline from Irkutsk to the Pacific if Japan would provide the materials to build it. Japan now takes about 3 percent of its oil from the Soviet Union. A pipeline could bring in 10 times as much at prices perhaps 30 percent lower than existing levels. Jogged by the United States and their own apprehensions, the Japanese have reacted warily toward Soviet oil in the past. Whether the country's growing economic restiveness will make it more hospitable to the pipeline proposal remains to be seen.

The proposal is merely the latest gambit in the increasingly aggressive and effective Soviet oil offensive. With politics determining prices and repayment and marketing terms, Russian oil exports have climbed at the rate of 6 billion or more metric tons a year since 1958. They now go to nine Western European countries; in Italy the Western oil position has been particularly undermined. The Soviet Government is also stimulating the oil ambitions of a number of key underdeveloped nations, which regard a national oil capability as a matter of independence and status as well as development. The twin goals of Soviet oil policy, to disrupt if not to displace non-Communist oil operations and to apply political leverage in the neutral world, have gained a measure of success which makes Western oilmen and statesmen shudder at what may come.

The very real and well-documented prospect of economic and political hardship has so far led to much sounding of alarms in the West but to precious little action. Hobbled by Italian objections, the Common Market nations have sat on a proposal to apply voluntary restrictions to Soviet oil imports. Middle Eastern producers have been inclined to pass the brunt of the Soviet challenge to the West. Western producers have made no substantial changes in pricing and other policies to meet their Communist competition.

A forthcoming administration-requested report from the National Petroleum Council promises to spur official activity. But meanwhile, specific suggestions from congressional and industrial quarters on how to arm the United States for imminent oil combat have not been treated with any urgency. Soviet oil indeed represents a stinging nettle to the free world. It must be firmly grasped.

[From the Marine Engineering/Log Yearbook]

Oil: Key Weapon in Russia's Trade Drive

Russia's mounting economic offensive against the West and its continuing buildup of its industrial and military might are being financed to a large degree by its oil exports.

In 1960, Russia displaced Venezuela from second place in world petroleum production. Its 1961 production of 3.3 million barrels per day was exceeded only by the United States 7 million barrels per day. Significantly, Russia's 1961 output was triple its 1953 production.

Even more important, however, is the fact that during the same period, Russian oil exports to the free world increased more than 14 times—35,000 barrels per day in 1953 as against 500,000 barrels per day in 1961. By the end of 1965 these exports are expected to be 750,000 barrels per day. Western oil experts say that this figure may rise to 1 million barrels per day in 1970 when a new major network of pipelines will link landlocked producing fields and refineries with the sea.

Oil being Russia's most marketable commodity, it is understandable why she is engaged in a frenzied tanker-building program, utilizing both Soviet-bloc and free world shipyards. Her experiences in trying to take on the unexpected chore of supplying Cuba's 60,000 barrels per day after Castro's takeover of the Standard Oil refinery certainly pointed out the need to have readily available Soviet tonnage. If this event had occurred in the time of tanker shortages rather than during a time when a tanker surplus existed, the outcome of Castro's arrogance might have been disastrous for the Cuban dictator.

Certainly, with the ambitious expansion Russia has programed for its oil exports a large modern tanker fleet is absolutely essential.

As of January 1, 1962, Russia's seagoing tanker fleet comprised 142 vessels which aggregated 1,501,000 deadweight tons, according to U.S. Navy intelligence. Of these all but 22 were built in the past 10 years.

According to Donald Frendgel of the U.S. Bureau of Mines, Russia plans to have 250 tankers by the end of 1965 totaling 3,200,000 deadweight tons.

Russia achieves important goals with each barrel of oil it exports. Because her oil industry is a state-controlled monopoly, cost and profit factors that determine free world oil prices can be and are ignored by Russia. She will discount the price of her oil to whatever level she needs to achieve political or economic goals.

Over the past 6 years prices of her crude exports to non-Soviet bloc countries has averaged 10 to 20 percent below the prices quoted by free world sources. Her generosity, however, does not extend to Soviet bloc countries. In 1960, her satellites paid prices averaging 48 percent higher than the prices charged for oil shipped to the West.

The benefits Russia derives from its oil exports are many and varied.

In return for her shipments to the free world she obtains either foreign exchange credits or the machinery, materials and equipment needed to accelerate her industrial development and sustain her military machine. Senator Hubert Humphrey, in a recent Senate speech, cited the following examples of strategic industrial equipment obtained by Russia primarily from its oil exports:

From Italy she obtained five complete chemical plants. From Germany she obtained a pipemaking plant, two chemical plants and a pulp and paper mill. From the United Kingdom she obtained several complete plastic plants, and from France she got an automated truck manufacturing plant, a cement factory and two plants for manufacturing prefabricated cement panels.

When one considers the upsurge to the Russian economy and the immediate increase in industrial capacity resulting from deals like those just related, the importance of Russian oil exports are placed in better perspective. What does it matter to Russia that she had to discount the price of her surplus oil by 10 to 20 percent below Western supply sources? Her development is accelerated in rapid giant steps. Her engineers and technicians can occupy themselves with other aspects of Russia's industrial or military buildup.

A side advantage of the reciprocal trade Russia develops with the free world is the dissension that often develops between our country and our Western allies over their shipments of strategic equipment to the Soviet bloc. The affected countries resent our intrusion into their sovereign affairs.

Some of Russia's oil exports are politically motivated rather than by economic thoughts of gains. The best example is the shipment of oil to Cuba. Russia is supplying Cuba with 100 percent of its crude oil.

The so-called neutral nations also are the recipients of attractive price discounts on Russian oil. In these areas, the Russian strategy is to undermine the traditional free world sources which have traditionally served these markets. A case in point is India. A few years ago, Russia offered to supply crude at 10 to 20 percent of free world prices and also accept payment in rupees instead of dollars. The companies with refineries in India refused to process Russian crude. But because of mounting criticism of their position by the Indian Government, they had little recourse but to slash their prices on crude. Nevertheless, Russia still got its foot in the door in that an initial order for 1,500,000 tons of refined products was contracted from Russia.

Turning to other markets, Russia already is making a strong bid for the markets and friendship of the newly emerged African nations. Petroleum, machine tools, foodstuffs and, of course, Russia's well-known technical assistance are being offered.

During the past 5 years, the oil company share declined by over 10 percentage points while nonoil companies gained by over 12 points.

With respect to ownership distribution, there are wide differences among the major fleets of the world as is indicated in the following tabulation which separates the T–2 equivalents of the four leading flags of registry at the end of 1961 into oil company, nonoil company, and Government ownership.

T–2 equivalents

[Percent of total flag]

Flag	Oil company	Nonoil company	Government	Total
United States	39.0	36.4	24.6	100
Liberia	19.7	80.3		100
United Kingdom	51.3	46.1	2.6	100
Norway	1.6	98.4		100

About two-fifths of the American fleet and about one-half of the British fleet were under oil company control while four-fifths of the Liberian fleet and almost the entire Norwegian fleet was owned by nonoil companies. It is also interesting to note that over one-quarter of the U.S. fleet was under Government control while the entire Liberian and Norwegian fleets were owned by private interests.

At the end of 1961, the U.S. privately controlled fleet (U.S. and foreign flags) consisted of 816 vessels equivalent to 1,363 T–2's. Compared with 1 year earlier, the number of ships decreased by 19, but the carrying capacity increased by 54 T–2's, or 4.1 percent. Between 1956 and 1961, the carrying capacity of the U.S. privately controlled fleet rose by 72.7 percent, but as a percent of the world's T–2 equivalents the gain was only from 30.2 to 31.6 percent, or 1.4 percentage points. At the end of 1961, two-thirds of this fleet was registered under foreign flags, whereas at the end of 1956, 54 percent was under foreign flags.

The December 31, 1961 fleet owned by U.S. oil companies was equivalent to 784 T–2's. Of this total, 29 percent was registered under the American flag, while under the registries of Liberia, Panama, and the United Kingdom were 19, 18, and 17 percent respectively. The carrying capacity of American nonoil companies totaled 578.6 T–2 equivalents, almost all of which was registered under the United States and Liberian flags. Between the end of 1956 and the end of 1961, the fleets of U.S. oil companies and their subsidiaries increased at an average annual rate of 7.4 percent, while nonoil company control grew at a significantly higher rate of 19.1 percent per year.

CONSTRUCTION

The tabulation below shows the trend in tankers under construction or on order in the world since December 31, 1956:

Date	Number	Deadweight tons (thousands)
Dec. 31, 1956	879	25,488
Dec. 31, 1957	1,116	37,407
Dec. 31, 1958	803	28,464
Dec. 31, 1959	523	19,746
Dec. 31, 1960	366	15,366
Dec. 31, 1961	352	15,737

It is evident from the table that the number of ships under construction or on order has dropped in every year since the end of 1957; however, the decline in 1961 was very slight (14 tankers). On the other hand, the total deadweight tonnage of these ships increased by 2.4 percent during this most recent year. Even though this gain was slight, it terminated a downward trend in tonnage under construction which began in 1958. The reasons for this recent increase are twofold: First, tonnage delivered during 1961 was the lowest in 5 years. Second, new orders picked up substantially. Still, the end of 1961 level of construction and orders was significantly below the 1959, 1958, 1957, and 1956 levels.

On December 31, 1961, tankers under construction or on order averaged 44,700 deadweight tons above the year's earlier average by 2,700 tons. Since the end of 1956, the average deadweight of tankers being built has increased by 15,200 tons, or 52.4 percent. Tankers, 30,000 deadweight tons and over, accounted for approximately 90 percent of the total tonnage in world shipyards at the end of 1961. The comparable proportion at the end of 1956 was two-thirds. On December 31, 1961, slightly over one-half of the tonnage being built was in tankers, 50,000 tons and over, as compared to only 7 percent at the end of 1956.

For the second consecutive year, Japan was the leading country of construction with 3.2 million tons in its shipyards. Japan was followed by Sweden, the United Kingdom, West Germany, and France in that order. Of these five countries, only Japan and France experienced increases during 1961. On the most recent survey date, U.S. shipyards possessed orders for 11 vessels totaling 449,000 deadweight tons, an increase in number by two but a decline in tonnage by 60,000 tons from 1 year earlier. France and Germany led all other countries with respect to average size of tankers under construction. Japan was third relative to average deadweight, its yards possessing orders for two 130,000- and one 150,000-ton vessels.

The United Kingdom had the most tonnage destined for its registry followed by Norway and Liberia. This order has been the same since the end of 1958. Even though the United Kingdom continued to lead Norway and Liberia, tonnage destined for British owners declined by 800,000 tons during 1961, while tonnage intended for both Norwegian and Liberian owners rose by the same amount. Deadweight tonnage intended for the U.S. flag increased from 396,000 tons at the end of 1960 to 449,000 tons at the end of 1961. However, these 449,000 tons represented less than 3 percent of the total tonnage being built in the world.

An interesting sidelight is the fact that the Russians have ordered a number of tankers to be built in free world shipyards. Approximately 570,000 tons have been placed with Italian and Japanese yards representing 43 percent of the total tonnage destined for the Soviet flag. In previous years, all of the Russian tankers have been built in their own yards or in other Iron Curtain countries. At the end of 1961, 1.3 million tons were intended for the Soviet flag, about triple that destined for the U.S. flag.

TEACHING COMMUNISM IN THE SCHOOLS

Mr. KEATING. Mr. President, for many years I have been concerned about the lack of adequate training and preparation in our schools in the study of communism. How can we hope to defeat our ideological enemy if we do not even have the resources to study communism thoroughly and understand it?

This year there has been an encouraging interest in this important study. A number of States have passed laws requiring or encouraging high schools to offer courses in communism and commendable efforts have been made to prepare textbooks and other study materials. The struggle against apathy and ignorance is far from won, however.

Even though some States have become aware of their responsibilities, on the level of higher education there is still a greet need, and there is even less excuse for that need to be ignored.

A recent study prepared by the Catholic University of America documents the fact that institutions of higher education have not given sufficient attention to Communist studies. Based on a sample study of 83 institutions, the report, prepared under the direction of George F. Donovan, revealed a large number of courses in elementary Russian language, but few advanced courses and few courses on Communist thought, or comparisons between communism and American theory and tradition. This gap should be filled as rapidly as possible.

Mr. President, I ask unanimous consent to have printed in the RECORD following my remarks a brief article summarizing the study which appeared in the New York Catholic News of August 18.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

RESEARCH INDICATES LAG IN STUDY OF COMMUNISM

WASHINGTON.—U.S. higher education does not give enough attention to the study of communism, according to a report prepared at the Catholic University of America here.

The report is based on surveys of 83 institutions of higher learning in 8 States and the District of Columbia; 55 of the institutions are liberal arts colleges, and 37 are church related. Enrollments range from 100 to 20,000.

The report was prepared by nine graduate students in the Catholic University summer session under the direction of George F. Donovan of the university education department.

The study showed that although a surprising number of the institutions offer elementary courses in the Russian language few offer advanced Russian, most do not offer a major or minor in Russian studies, and few courses on Communist education are offered.

The research group recommend that—

More courses dealing with communism be offered on all educational levels, especially in the graduate school.

More courses be given on the philosophy of communism.

A periodic reexamination by institutions of higher education of already existing courses be made.

Interdisciplinary studies including requests for financial aid, be considered.

All graduates, especially prospective teachers, have a fundamental knowledge of communism provided in courses given by qualified teachers.

Additional sources of information on communism be made available for the students through lectures, study clubs, and seminars.

Courses on communism be balanced by an adequate number of courses on the American heritage and tradition.

Also suggested is a reappraisal of the National Defense Education Act with emphasis on social science, humanities, and similar courses in which the Communist danger may be identified.

TAX LEGISLATION FOR SELF-EMPLOYED SHOULD BE APPROVED IMMEDIATELY

Mr. BENNETT. Mr. President, I want to join the distinguished minority leader in support of his amendment which would permit self-employed individuals to establish voluntary pension plans. This legislation is long overdue and should be enacted before Congress adjourns.

For many years, I have been aware of the fact that an unwarranted discrimination against the self-employed exists in our tax laws. Under the existing tax code, corporate employees can contribute part of their earnings to approved pension plans, and income taxes on these funds are deferred until received by an employee after his retirement. However, the self-employed such as farmers, small merchants, and insurance agents, and lawyers, doctors, nurses, and other professional workers who are prohibited by law from incorporating in most States, do not have this tax deferral privilege and must pay the full tax immediately on any portion of their income which they may set aside for retirement purposes. Tax laws should be fair and should apply equally to all groups. Therefore, to correct the present inequity, the right to defer the tax on amounts placed in retirement trust funds should be extended to the self-employed.

SPONSOR OF H.R. 10 AND S. 474

Mr. President, I have in previous Congresses supported legislation similar to H.R. 10. In this Congress, I have sponsored S. 474, which is identical to the Keogh bill. I have worked diligently for the passage of this measure. It was at my request that the distinguished chairman of the Senate Finance Committee held hearings last year on H.R. 10, which resulted in this bill being reported to the Senate on September 13, 1961. Unfortunately, the Democratic leadership has allowed this bill to languish on the calendar for nearly a year.

APPROPRIATE TIME IS NOW

When Senators on this side of the aisle have inquired when H.R. 10 might be called up in the Senate for debate, we have been informed by the leadership that "it will be called up at the appropriate time." Mr. President, timing is always a factor in the consideration of any legislation, but time is running out on us during the current session. Therefore, I submit that there is no more appropriate time for considering H.R. 10 than during the present debate on the administration's tax bill.

I urge my colleagues to support Senator Dirksen's amendment, which incorporates the provisions of H.R. 10 exactly as it was reported by the Senate Finance Committee. The House has already passed this bill, and the Senate should approve this measure immediately so that it can be enacted into law during the current year. I urge the Senate to approve this long overdue tax equality measure for the 19 million self-employed in the Nation.

LEWIS AND CLARK ROUTE

Mr. MILLER. Mr. President, on April 8, an article in the Des Moines Register, followed up by an editorial in the Des Moines Register of April 15, referred to the dream of the beloved late "Ding" Darling to establish a Lewis and Clark National Park along the Missouri River. I ask unanimous consent that those items be printed in the Record.

There being no objection, the article and editorial were ordered to be printed in the Record, as follows:

[From the Des Moines Register, Apr. 8, 1962]

Lewis-Clark Route Urged as U.S. Park

(By Ries Tuttle)

Washington, D.C.—A proposal to make the 2,000-mile route of the famed Lewis and Clark expedition into a recreational ribbon was presented to Federal officials last week by friends of the late Jay N. "Ding" Darling, of Des Moines.

The plan would not include a highway. Rather, public access to the areas would be provided by roads leading from established highways.

The trailway was conceived by Darling, famed Des Moines Register cartoonist and a conservation leader, during the last few years as a dream he hoped to initiate before his death.

NATURAL STATE

It was his desire to memorialize the famous expedition of 1803–06 and at the same time preserve the natural wildlife and recreational advantages of the rivers they traversed for future generations.

Following the course of the Missouri River, over the Rockies to the Snake River, thence down the Columbia River to the Pacific Ocean, the Lewis and Clark trail would be preserved by public ownership of shorelines, except where they pass through cities and industrial developments.

Under Darling's concept, the area involved might extend less than 100 yards from each river's edge. In places where potential recreational and wildlife habitat possibilities exist this might be as wide as a half mile or more.

The project would be for use by the people in hunting, fishing, boating, camping, nature study, and all activities of the out of doors.

SHERRY FISHER

Congressmen and Federal bureaus received the trailway proposal from Sherry R. Fisher of Des Moines, a member of the Iowa Conservation Commission, with whom Darling discussed his ideas on many occasions.

Fisher observed that much of the land that would be involved, from South Dakota to Oregon, already is under public ownership by various agencies of the Federal Government.

Some State lands, such as the oxbows created by stabilizing the Missouri river channel along the Iowa boundary could be utilized.

WHO WOULD PAY?

A nominal tax on pleasure boats, use stickers for automobiles driven into such recreational areas, the Federal tax now collected on gasoline used by boaters, and other sources could pay the cost, officials say.

Secretary of Interior Stewart L. Udall said he was "genuinely excited about the concept of the Lewis and Clark memorial."

"This would be for the people, especially those of future generations who would be able to see and enjoy the expedition route much as Lewis and Clark saw it," said Udall.

"If we don't save these great river shorelines there will be little left for the future."

JENSEN 1,000 PERCENT

Fisher found Representative Ben Jensen, Republican, of Iowa, equally enthusiastic.

"I am for it 1,000 percent and will do everything in my power to further it," said Jensen, who is ranking Republican member of the important House Appropriations Committee and who also is a member of the House Interior Committee.

Representative Neal Smith, Democrat, of Iowa, told Fisher he was very interested in the proposal and was anxious to see comprehensive plans when they have been completed. Representative John Kyl, Republican, of Iowa, also endorsed the plan.

MILLER PROGRAM

Senator Jack Miller, Republican, of Iowa, said it would fit in ideally with his ideas for the acquisition and preservation of shoreline areas along our rivers for public recreation purposes.

These ideas are outlined in a Senate resolution which he cosponsored with Senator Lee Metcalf, Democrat, of Montana.

Fisher said the next step is to prepare a survey, set forth preliminary details and to estimate the cost.

"Most important now is to gain the support of the public, conservation groups, and civic organizations so that it may be developed on a Federal level," said the Des Moines man.

"We already have received hearty enthusiasm from such men as Dr. Ira N. Gabrielson of the Wildlife Management Institute; Tom Kimball, executive director of the National Wildlife Federation; Alden Erskine of Sioux City, president of the Izaak Walton League of America, and many others.

"There is a chance that by setting aside the territory along the Lewis and Clark trail across the continent from St. Louis to Oregon it might work toward the eventual rehabilitation of many of the original habitats and nesting grounds of our migratory waterfowl," Mr. Darling wrote, hopefully.

[From the Des Moines Register, Apr. 15, 1962]

Up the Wide Missouri

Last summer J. N. "Ding" Darling proposed that the Missouri River area between Iowa and Nebraska be made a national park or monument.

The idea was timely. National attention was being focused on the need for additional outdoor recreation in this country and especially on what the Outdoor Recreation Resources Review Commission (which recently made its report to the President and Congress) called today's challenge: "to assure all Americans permanent access to their outdoor heritage."

Attention was being centered on the Missouri River also because of a boundary dispute (still unsettled) between Iowa and Nebraska. Conservationists in the two States were eager to get the boundary determined so that both could proceed with development of recreational areas along the Missouri.

Darling, a great cartoonist and a great conservationist, died in February but his dream of a national park along the Missouri remains alive. Sherry R. Fisher, of Des Moines, a friend of Darling and a member of the Iowa Conservation Commission, recently presented a proposal, based on Ding's idea, to Federal officials in Washington and to Members of the Iowa delegation in Congress.

The proposal has been expanded beyond just a park along the Missouri between Iowa and Nebraska to a "recreational ribbon" along the 2,000-mile route of Lewis and Clark expedition from St. Louis, Mo., to the Pacific Ocean in Oregon.

The plan would be to preserve the trailway for recreational and outdoor activities by public ownership of shorelines of the Missouri, Yellowstone, Snake and Columbia Rivers. The land under public ownership might vary from 100 yards to half mile or so from the rivers, except where they pass through cities and industrial areas.

The proposal calls for providing access roads to the shorelands from existing highways. This would make them available for fishing, hunting, boating, hiking, camping, nature study. These are relatively inexpensive recreational activities for which the demand is increasing rapidly.

The details of the proposed recreational ribbon plan haven't been worked out. However, the proposal has sufficient merit that it deserves national consideration. It is to be hoped that funds will be made available for a survey to determine the feasibility of the plan, the recreational purposes it could serve and how the financing of it might be arranged.

THE PRESIDENT AND THE ECONOMY

Mr. MILLER. Mr. President, I ask unanimous consent that an article by the distinguished columnist David Lawrence, which appeared in the Washington Evening Star of August 15, 1962, and entitled "The President and the Economy," be printed in the Record.

There being no objection, the article was ordered to be printed in the Record, as follows:

The President and the Economy

(By David Lawrence)

President Kennedy said over television and radio on Monday night that he was speaking as the only American official, along with the Vice President, elected "by all of the people in all of the 50 States." But, unfortunately, he spoke as a politician seeking reelection, and he did not tell the people the whole story of the economic plight that confronts them.

Mr. Kennedy said not a word about the cause of the last two recessions and not a word about the news development that happened the same day he spoke which can bring on the next recession—an arbitrary rise in wage costs which could materially reduce, if not wipe out, most corporate profits.

For there appeared on the front pages of many newspapers—on the same morning the President's speech was printed—the most important piece of news that has struck the business world since the 1959 strike in steel. It was announced by the executive council of the AFL–CIO—which comprises some 17 million members—that it had by formal resolution decided to demand a 35-hour workweek and will insist on the same take-home pay as is being received for the 40-hour workweek. Also, any overtime beyond 35 hours would have to be paid for, not just on the basis of 1½ times the hourly rate as at present, but at twice the hourly rate. The President has known for some time about this plan.

Where is American business going to get the money to pay for the strikes that now will ensue or for such a stupendous rise in wage costs? What good can come from the tax reduction in 1963 of a few percentage points promised to American business if there is to be such a rise in wage costs?

Yet Mr. Kennedy speaks confidently of the "economic recovery" from the recent recession. He says:

"Every consumer and businessman in America listening to me tonight knows he can safely spend and invest tomorrow with real confidence in the long-range future of the United States of America."

The President says the economy was sick in January of last year "not only because of the 1960–61 recession, but also because of the recession of 1958."

But the President didn't tell his listeners the fundamental cause of both recessions. The threat of strikes and the actual work stoppages caused inventories to be accumulated abnormally in advance and then brought about unemployment when the demand was filled. Likewise, durable goods industries, faced with higher wage costs, became stagnant. Mr. Kennedy cracked down on steel in April 1962, when it tried to raise its prices to offset wage costs accumulated in the previous 3 years, but he has never done anything to curb the power of the labor unions which force wage costs upward and bring about strikes that disrupt the economy.

Mr. Kennedy denounces those who would oppose his "giveaway" programs and what he calls human welfare legislation, and says that we should not "let the pressures from any special group or area stand in the way of fulfilling our promises in the 1960's." But the biggest pressure group of all goes on wielding its monopolistic power just the same.

The die is cast, therefore, for more and more public spending, which means larger and larger deficits for the Treasury. The President seems to think an improvement in business will offset any loss in revenue from tax cutting. He is convinced that the tax cuts will release money that will create jobs and increase production, but he has failed to qualify his statement with a cautionary note that this cannot happen if inflation is resumed and if prices rise, as they inevitably must, when wage costs are substantially increased. Also, the President says flatly there will be no cut in the level of Federal spending.

The President, implied, moreover, that profits today are near an alltime high. But he neglected to tell his audience that, in the last 12 years, corporate profits have never reached their 1950 peak. Similarly, corporations have been getting in the past couple of years a little over 3 cents' profit out of their sales dollar, as compared with 5.3 cents in 1950. So what's the good of citing statistics about recent increases in the national output if such increases are brought about by deficit spending by the Government itself, and not by reason of the progress of the private enterprise system?

The key to the whole economic situation is the breakdown in the profit picture. For although the national output was increased by $150 billion during the last 7 years, the profits of American business have stood still during that period. This means that the Government has not played a sufficiently constructive part in stimulating the economy or in removing the artificial barriers that impede the growth of the profit system. The Democratic Party, which has controlled Congress the last 7 years, has the major responsibility for the failure to legislate on the labor monopoly.

Mr. Kennedy's address would have been reassuring if he had covered all the bases, and if he had dealt with he labor problem. But being a politician and dependent on labor union votes and campaign contributions, he probably feels he cannot afford to antagonize his political allies. Yet economic recovery of any durable kind is doubtful nowadays because Mr. Kennedy does not venture to speak for all the people or tell them the full story of the economic dangers that really confront them today.

THE EXPENSE ACCOUNT PROVISION

Mr. GORE. Mr. President, I noticed with interest that the press, radio, and television reporters and commentators referred to the vote on expense-account abuse yesterday as a defeat for the administration. I should like to express my perplexity at this situation. It was, in fact, an administration defeat, but a defeat without a fight. I wonder whatever happened to the Irish element of the Kennedy administration? In the President's first state of the Union message, he considered the abuse of expense accounts, and tax deduction therefor, as being of such grave importance that he called upon the Congress in dramatic terms to correct it. But yesterday, when this was at issue in the Senate, the administration lifted not a finger to give me any help at all.

True, 32 Democrats voted in the interest of the American people to stop these abuses. And so did seven Republicans. But I notice from the rollcall that our distinguished majority leader voted against the administration. I find the administration's chosen leader on money and tax matters in the Congress, the senior Senator from Oklahoma [Mr. Kerr], voted against the administration, as did another Member of the Senate Democrat leadership, the junior Senator from Florida, Senator Smathers.

There is ample evidence that if the administration had so much as lifted a finger, it would have won a victory yesterday, instead of suffering a defeat.

The PRESIDENT pro tempore. The time of the Senator has expired.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senator may have 3 additional minutes.

The PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. GORE. I thank my distinguished friend. I have concluded.

FRANKFURTER RETIREMENT AND GOLDBERG APPOINTMENT

Mr. KEFAUVER. Mr. President, yesterday two events were announced which are of great significance to the administration of justice in our country. I refer first to the retirement of Mr. Justice Felix Frankfurter from the U.S. Supreme Court after 23 years of brilliant, dedicated, and distinguished service. The other event is the announcement that the vacancy will be filled by the appointment of Secretary of Labor Arthur Goldberg, a man uniquely well qualified for this position.

I feel certain there has never been a Supreme Court Justice who was missed personally after leaving the Court any more than Mr. Justice Frankfurter will be. I am equally certain that Arthur Goldberg will also become one of our great Justices and, like Justice Frankfurter, will have a great personal impact upon American jurisprudence. The two men have much in common. Justice Frankfurter was born in Vienna and arrived in this country in steerage when he was 12 years old and unable to speak a word of English. He worked his way through Harvard Law School. Secretary Goldberg was born to parents who had emigrated to this country from Russia. His father died when he was 8 and at the age of 12 he was earning money after school as a delivery boy.

Both are brilliant men of great intellectual capacity. Mr. Justice Frankfurter has distinguished himself as a professor, public official, and jurist. As a lawyer, he played a great part in trying to save the lives of Sacco and Vanzetti. His penetrating book on labor injunctions paved the way for the passage of the Norris-La Guardia Act. These are but two of many examples which show the versatility and capacity of this unusual man.

Secretary Goldberg finished high school at the age of 15 and then attended Crane Junior College in the mornings, De Paul University in the afternoon, and worked in a library at night. He led his class at Northwestern University Law School. He has had a brilliant career and many successes in the practice of law and will bring to our highest court not only a keen mind but a balanced judgment which combines commonsense and intellectual ability. His wife is quoted in this morning's Washington Post as saying:

> Arthur has always had a dream and followed his dream.

Mr. President, Arthur Goldberg typifies the best in the American legal profession. His career is already an inspiration to every young man who wants to be a lawyer and influence the course of the law. As Secretary of Labor, he has shown a fine sense of objectivity and concern for the American people as a whole. He has all the qualities for a great judge. He is the fourth member of the Jewish faith to be appointed to the Court. I am confident he is equal to the traditions and high standards of the others—Brandeis, Cardozo and Frankfurter.

Justice Frankfurter was named to the Supreme Court in the same month when I came to Washington as a freshman Congressman in January, 1939. The face of the world and the face of our Nation have seen many changes since and new and powerful forces have come to play. Justice Frankfurter has played a great personal part in all of this. He has been labeled both "liberal" and "conservative," but the truth is that he is a man of independence and impartiality who has called the shots as he saw them. As a result, he has never really been a part of any wing or group but has always stood as an individual being true to his own personal integrity. For this reason, his stature was such that his bust was placed with those of Justices Holmes, Cardozo, and Brandeis and Judge Learned Hand as the only originals in the Library of the Harvard Law School. The great Learned Hand is quoted today in the New York Times as having written to Justice Frankfurter that "it would be impossible for me to think of any other judge whose continuance in his duties I welcome more unreservedly."

It is truly an occasion for regret, Mr. President, that the Court will be sitting without Justice Frankfurter when it reconvenes in October. He is truly one of the giants of our history whose contribution is permanently recorded in his books, his legal opinions, and in the lives of his students. But as President Kennedy told him in replying to his letter of resignation, Justice Frankfurter still has a great deal to tell us. It is gratifying to learn that he will be able to continue to study and write and give us as a nation the benefit of his wisdom.

Mr. President, I ask unanimous consent that there be printed in the RECORD at this point editorials from this morning's New York Times concerning the retirement of Justice Frankfurter and the appointment of Secretary Goldberg along with brief summaries of the career of each, also from the New York Times.

There being no objection, the editorials and summaries were ordered to be printed in the RECORD, as follows:

MR. FRANKFURTER RETIRES

"It would be impossible," said the great Learned Hand a few years ago, "for me to think of any other judge whose continuance in his duties I welcome more unreservedly." He was speaking of Felix Frankfurter, whose retirement as Associate Justice of the Supreme Court of the United States was regretfully announced yesterday by President Kennedy.

It is, in fact, difficult to think of the Supreme Court without Felix Frankfurter, who has served on it with extraordinary vitality, perception, and effectiveness for nearly a quarter of a century. Now almost 80 years old, Justice Frankfurter has felt it necessary to retire for reasons of health. He will be acutely missed, this former law professor with the sharply inquiring eyes, the unquenchable curiosity, boundless energy, and profound devotion to the sanctity of the Court as a cornerstone of American liberty. Assailed in his earlier days as a dangerous radical—his appointment by President Roosevelt aroused a furor from the right—and criticized in his latter days as an encrusted conservative, Felix Frankfurter's own philosophy rejects such labels as irrelevant in the formulation of his judicial opinions.

Justice Frankfurter has been called a man of contradictions, and indeed in many ways he is; but he has been consistent in his belief that the Court is a court and not a legislature. In one of his most famous opinions he wrote: "As judges we are neither Jew nor gentile, neither Catholic nor agnostic. * * * As a member of this Court I am not justified in writing my private notions of policy into the Constitution, no matter how deeply I may cherish them or how mischievous I may deem their disregard."

Justice Frankfurter's view of the role of the Court is, of course, not universally accepted, and many serious students of constitutional law believe it to be too restrictive. But no one would dispute the keenness and vigor of his mind, and, whether or not one agreed with him, no one could fail to appreciate, right up to the last day he sat on the bench, the high intellect and complete integrity that permeated his opinions.

MR. JUSTICE GOLDBERG

The appointment of Arthur J. Goldberg brings to the Supreme Court a strong believer in the necessity for expanding Government activities to meet the complex requirements of our industrial society. His record as Secretary of Labor has demonstrated the astonishing diversity of his talents. He was by all odds the most activist head that the Labor Department ever had; yet he found time to counsel the President on Federal aid for the arts, mental illness, juvenile delinquency, psychological warfare, race relations, African affairs and even a plan to beautify Federal buildings.

Despite fears that his long association with organized labor might make him too pro-union, he stood unflinchingly for the primacy of the national interest in labor-management relations. Indeed, his vigor on this score has been so intense that leaders in both camps have voiced concern lest Government become excessively powerful in the economy.

Perhaps his most difficult adjustment now will be to chain his restless energy to the reflective life of a judge exercising the fateful and timeless responsibilities of the High Court. Undoubtedly the President could have found a legal scholar of greater distinction, but scholarly attainment is not always the measure of a great judge. We must add that we do not like the implication in Mr. Goldberg's appointment to succeed Mr. Frankfurter that some kind of religious "balance" has to be maintained on the Court.

But Mr. Goldberg is possessed of intellect, compassion and a capacity for articulating abstract and abstruse issues in terms of human understanding. If he can add to these qualities the detachment and restraint a jurist must have, he will have vindicated the President's choice.

FRANKFURTER GADFLY TO SOCIETY; GOLDBERG ROSE FROM POVERTY

WASHINGTON, August 29.—Anyone who has fallen under the spell of Felix Frankfurter—and that includes nearly everyone who has met him briefly—knows how difficult it is to capture in words the spirit of his effervescent personality.

Gaiety and seriousness, stern intellectuality and the warmest emotion are likely to mix in the matter of a moment. The constant in his ever-changing moods is the human flame, burning more fiercely and closer to the surface in Justice Frankfurter than in almost any other human being.

"Wherever Frankfurter is there is no boredom," Matthew Josephson wrote in 1940. "As soon as he bounces in—he never walks, he bounces—the talk and the laughter begin, and they never let up."

Archibald MacLeish, who was his student at the Harvard Law School, spoke of "a voice which can crackle under a fool's complacence like dry wood under an empty kettle."

That was written of Mr. Frankfurter the law professor, but it remained true of Mr. Frankfurter the judge. From the bench he penetrated lawyers' foggy understanding of their own cases with sharp questions that sometimes approached the heckling level. Off the bench, he has never suffered cant in any conversation.

WIDE RANGE OF FRIENDS

Many who are close to Justice Frankfurter believe that his qualities as a human being are even greater than those of the judge. They speak of his warmth, his range of friends among the great and small, his phenomenal reading, his intimate acquaintance with the history of this country for the last 50 years.

Mr. Frankfurter played a part in much of that history. His public career began in 1906 as an assistant to Henry L. Stimson, President Theodore Roosevelt's U.S. Attorney in New York. He served other Presidents in many official and semiofficial capacities until Franklin D. Roosevelt named him to the Supreme Court.

In his more than 20 years on the Harvard law faculty he was an extraordinary gadfly to society. He helped many liberal causes, playing perhaps his most prominent part in the attempt to save Sacco and Vanzetti from execution in Massachusetts.

A CONSERVATIVE HERO

His libertarian record made him suspect to conservative interests when he was appointed to the Supreme Court. At his confirmation hearing witnesses denounced his religion (Jewish) and his birth (he emigrated from Austria at age 12.) A Senator asked whether he believed in the doctrines of Karl Marx.

"Senator," Mr. Frankfurter replied, "I do not believe you have ever taken an oath to support the Constitution of the United States with fewer reservations than I have or would now."

The great paradox of Justice Frankfurter's career is that in recent years he has become a conservative hero. This was because he became a dominant voice on the Supreme Court pleading for judicial restraint, caution, and deference to the wishes of Congress and the States.

Many liberals grew disenchanted with Justice Frankfurter and said that he decided too often against the liberal position. But his strong view was that a Justice must disregard his private beliefs in deciding a case.

Once recently on the bench he got the idea that a lawyer arguing a case was appealing to his own personal view of a harsh immigration law.

"Never mind what I think of it," he said sharply. "I think very ill of it."

HIS DISSENT RECALLED

His famous opinion in 1943 dissenting from a decision that children must be excused from saluting the flag if their religion forbids it put his view succinctly.

"One who belongs to the most vilified and persecuted minority in history is not likely to be insensible to the freedoms guaranteed by our Constitution," he wrote, continuing:

"But as judges we are neither Jew nor gentile, neither Catholic nor agnostic. * * * As a member of this Court I am not justified in writing my private notions of policy into the Constitution, no matter how deeply I may cherish them or how mischievous I may deem their disregard."

Although as a judge he spoke of restraint and aloofness, in person Mr. Frankfurter is a man of emotion. He loves romantic music. In conversation, his thoughts and his passions rush out as he grips his listener's elbow to emphasize a point.

"A passionate person," one friend has called him, "who has given up the other passions of his life for this one."

Like his two greatest heroes, Justice Oliver Wendell Holmes and Justice Louis D. Brandeis, Mr. Frankfurter performed much of his service on the Supreme Court at an age when other men might have retired. He will be 80 years old November 15.

He is married to the former Marion Denman of Longmeadow, Mass.

Arthur Joseph Goldberg was working on a labor-management dispute in Chicago, a few miles from his West Side birthplace, when President Kennedy called today to tell him his next assignment was the Supreme Court.

"What are your plans now?" a friend asked the Secretary a short time later.

"My plans are to settle this strike," he replied, as though surprised by the question. "I've got unfinished business to perform as Secretary of Labor."

Mr. Goldberg went to Chicago to try to head off a threatened strike of telegraphers on the Chicago & Northwestern Railway. The odds were, in view of his 19-month record as Secretary of Labor, that a call from the President would find him trying to settle a dispute somewhere.

Mr. Goldberg had presumably alerted his wife Dorothy. She and their son Robert turned on the television set in their Washington home and watched the President make the announcement.

"What an opportunity for him to serve," she exclaimed. "You know he has a judicial temperament if anybody has."

The telephone jingled in the study off the big living room. It was the Secretary calling from Chicago. There was a few minutes of excited, affectionate conversation.

Then, turning to a friend, Mrs. Goldberg remarked that she was just beginning to feel the importance of the event.

"I'm not excited enough," she said. "Isn't that awful? I guess it's because I always believed it was going to happen."

Mr. Goldberg is a gray-haired, medium-sized man with extraordinary mental energy and physical stamina. He was born August 8, 1908, the last of 11 children, 2 of whom were born in Russia and died there before their parents, Joseph and Rebecca Goldberg, left for the United States.

From San Francisco, his port of entry, Joseph Goldberg went to Texas where he worked as a peddler for a year and a half before moving on to Chicago. There he acquired a blind horse and a wagon and started a small business carting fruits and vegetables from the city's markets to hotels.

LAW GRADUATE OF 1929

Arthur remembers riding with his father occasionally and bringing home some half-spoiled fruit and sharing it with neighborhood boys. It was a poor, rough neighborhood where the Jews and the Irish were rock-throwing rivals.

"I used to fetch bricks for my brothers to throw," Mr. Goldberg recalls.

Mr. Goldberg observes the Jewish holidays and the Chicago rabbi who married him and Dorothy Kurgans is a guest at the Goldberg home whenever he comes to Washington.

Mr. Goldberg finished Northwestern University Law School in 1929 at the top of his class. He had already written dozens of briefs for a Chicago law firm. His pay was $20 a week. Later, another law firm employed him to work on mortgage foreclosures—a busy practice in depression days—but Mr. Goldberg did not like the work and opened a law office of his own.

He had taken a course in labor law but had no plans to become a labor lawyer. However, one of his first clients was the Chicago Newspaper Guild. He practiced labor law from then until he was chosen for the Kennedy Cabinet.

On taking office he let it be known immediately that he was not going to follow any traditional pattern. Any big, threatened strike was a challenge and he moved into the middle of it.

"Operator" is a word that has been applied frequently to the Secretary, sometimes admiringly, sometimes not.

"He's never been just an ordinary operator," an admirer commented. "The fact that he isn't inhibited about it adds to his charm, and besides he always operates from an ideological base of genuine interest and concern."

As a lawyer, he was no ordinary practitioner. He used to recall the assertion of the man he is succeeding, Felix Frankfurter, that a good lawyer needs to be, above all, a cultivated man.

Another favorite quotation, from his law school dean, was:

"If you're going to practice law, do it in the grand manner."

As an Associate Justice of the Supreme Court, Mr. Goldberg will have occasion to recall another of his favorite quotations, this one from the Italian historian.

"We cannot be impartial. We can only be intellectually honest * * * aware of our passions and on guard against them. Impartiality is a dream, and honesty a duty."

Mr. Goldberg has two children. His son, Robert, is a senior at Amherst.

His daughter, Barbara, is the wife of Dr. David A. Cramer, a Chicago physician.

SOVIET OIL CHALLENGE

Mr. JAVITS. Mr. President, I have spoken on a number of occasions about the increasingly serious economic challenge presented to the West by the Soviet bloc trade, a challenge which has become increasingly a matter of public record. Typical of the growing awareness of this serious offensive, particularly in regard to oil, is an editorial which appeared in the Washington Post on August 27, 1962. I ask unanimous consent that the editorial be printed in the Record at this point in my remarks.

There being no objection, the editorial was ordered to be printed in the Record, as follows:

Soviet Oil Challenge

Premier Khrushchev has thrust a devilishly tempting oil pipeline offer before the oil-hungry Japanese. Seconding Mr. Mikoyan's motion of last August, he offered to extend a Soviet pipeline from Irkutsk to the Pacific if Japan would provide the materials to build it. Japan now takes about 3 percent of its oil from the Soviet Union. A pipeline could bring in 10 times as much at prices perhaps 30 percent lower than existing levels. Jogged by the United States and their own apprehensions, the Japanese have reacted warily toward Soviet oil in the past. Whether the country's growing economic restiveness will make it more hospitable to the pipeline proposal remains to be seen.

The proposal is merely the latest gambit in the increasingly aggressive and effective "Soviet oil offensive." With politics determining prices and repayment and marketing terms, Russian oil exports have climbed at the rate of 6 million or more metric tons a year since 1958. They now go to nine Western European countries; in Italy the Western oil position has been particularly undermined. The Soviet Government is also stimulating the oil ambitions of a number of key underdeveloped nations, which regard a national oil capability as a matter of independence and status as well as development. The twin goals of Soviet oil policy, to disrupt if not to displace non-Communist oil operations and to apply political leverage in the neutral world, have gained a measure of success which makes Western oil men and statesmen shudder at what may come.

The very real and well-documented prospect of economic and political hardship has so far led to much sounding of alarms in the West but to precious little action. Hobbled by Italian objections, the Common Market nations have sat on a proposal to apply voluntary restrictions to Soviet oil imports. Middle Eastern producers have been inclined to pass the brunt of the Soviet challenge to the West. Western producers have made no substantial changes in pricing and other policies to meet their Communist competition.

A forthcoming administration-requested report from the National Petroleum Council promises to spur official activity. But meanwhile, specific suggestions from congressional and industry quarters on how to arm the United States for imminent oil combat have not been treated with any urgency. Soviet oil indeed represents a stinging nettle to the free world. It must be firmly grasped.

Mr. JAVITS. Mr. President, the editorial notes that "specific suggestions from congressional and industry quarters on how to arm the United States for imminent oil combat have not been treated with any urgency." I have pressed for at least a congressional inquiry into one approach to the Soviet oil offensive through my amendment to section 708 of the Defense Production Act, which would restore to its pre-1955 status the authority of the Attorney General to exempt from the antitrust laws cooperative action in furtherance of the purposes of the Government under the act. The distinguished chairman of the Banking and Currency Committee has opened this question to hearings, which have begun but have not yet been completed. I would hope that the kind of urgency to which the editorial refers would be communicated to the committee by those in industry and Government who are aware of the problem. A concrete opportunity is now being presented for the Congress to consider techniques for dealing with the problem. The national interest cannot afford to let that opportunity pass as it is very likely to do unless greater interest is expressed in these hearings.

Mr. MANSFIELD. Mr. President, is there further morning business?

The PRESIDENT pro tempore. Is there further morning business? If not, morning business is closed.

REVENUE ACT OF 1962

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the unfinished business be laid before the Senate and made the pending business.

The PRESIDENT pro tempore. Is there objection?

There being no objection, the Senate resumed the consideration of the bill (H.R. 10650) to amend the Internal Revenue Code of 1954 to provide a credit for investment in certain depreciable property, to eliminate certain defects and inequities, and for other purposes.

The PRESIDENT pro tempore. The question is on agreeing to the committee amendment No. 5, to insert certain language on page 381, after line 15, through line 24 on page 384, "Sec. 21. Expenditures by Farmers for Clearing Land".

The amendment was agreed to.

Mr. KERR. Mr. President, I move to reconsider the action whereby amendment No. 5 was agreed to.

Mr. WILLIAMS of Delaware. Mr. President, I move to lay that motion on the table.

The PRESIDENT pro tempore. The question is on agreeing to the motion by the Senator from Delaware to lay on the table the motion by the Senator from Oklahoma.

The motion to lay on the table was agreed to.

Mr. KERR. Mr. President, I call up the seventh amendment and ask that it be stated.

The PRESIDENT pro tempore. The amendment will be identified.

The Legislative Clerk. On page 386, after line 6, it is proposed to insert language through line 10, page 388.

Mr. KERR. Mr. President, under existing law certain small business corporations may elect to have income taxed directly to their shareholders, thereby eliminating tax at the corporate level. For such an election to be valid, however, the corporation must have no more than 10 shareholders and each shareholder must give his consent to the election.

Previously a problem existed as to the proper method of determining the number of shareholders of a corporation in community property States or where the stock of a corporation was held jointly by husband and wife. In 1959 Congress removed this problem by specifically providing how the number of shareholders was to be determined where husband and wife resided in community property States or where they held stock jointly. Congress provided in such cases that the spouses would be treated as one shareholder (Public Law 86-376, approved September 23, 1959). This provision was made effective with respect to taxable years of small business corporations beginning after December 31, 1959. However, cases have come to the attention of your committee in which small business corporations were prevented from making (or continuing) an election to have their income of 1958 and 1959 taxed to their shareholders because husbands and wives in community property States or who held stock jointly have each been counted as a separate shareholder for those years. The first year with respect to which such an election could be made was 1958.

The committee does not believe that the rule enacted by Public Law 86-376 for determining the number of shareholders of a small business corporation should be limited to years after 1959, but should apply to all years for which such an election may be made. This will insure the application of the same rules in applying the 10-shareholder limitation for all years in qualifying a small business corporation for such an election. Accordingly, this provision of the bill makes that rule of Public Law 86-376 apply also to years 1958 and 1959.

Thus, this bill provides that with respect to the years 1958 and 1959, in determining the number of shareholders of a small business corporation for purposes of the election provided by subchapter S of the Internal Revenue Code (under which shareholders are taxed directly on the corporate earnings), spouses who hold stock of such a corporation jointly or under the community property laws of a State are to be treated as one shareholder; that is, section 1371(c) of the code will now be applicable to such years.

In order to insure that a small business corporation whose status may be affected by this provision will have an opportunity to qualify for treatment under subchapter S, the bill provides a special 1-year period within which a special election may be made to have the earlier effective date of section 1371(c) apply. For the special election to be valid, however, a corporation must have met the statutory requirements of subchapter S in 1958 and 1959, and must have filed a timely election to be subject to subchapter S for those years. Furthermore, each person who is a shareholder at the time of the special election must give his consent and each person who was a shareholder for any taxable year ending before the year in which the special election is made also must give his consent. Finally, where an election—and the requisite consents—has been made, the statute of limitations for assessing additional tax against the corporation or its shareholders is to remain open, or be opened, for 1 year following the date of the election. Tax assessed or credit or refunds granted within this special period of limitations must relate only to changes resulting directly from the election.

I ask that the amendment be agreed to.

The PRESIDENT pro tempore. The question is on agreeing to the committee amendment No. 7, which is, after line 6, on page 386, to insert "Sec. 23. Effective Date of Section 1371(c) of Internal Revenue Code of 1954".

The amendment was agreed to, as follows:

On page 386, after line 6, to insert a new section, as follows:

"Sec. 23. Effective Date of Section 1371(c) of the Internal Revenue Code of 1954.

"(a) In General.—Subject to the provisions of subsection (b), section 1371(c) of the Internal Revenue Code of 1954 (as added by section 2(a) of the Act entitled 'An Act to amend the Internal Revenue Code of 1954 to provide a personal exemption for children placed for adoption and to clarify certain provisions relating to the election of small business corporations as to taxable status', approved September 23, 1959 (Public Law 86-376)), shall (notwithstanding the provisions of the first sentence of section 2(d) of such Act) also apply to taxable years beginning after December 31, 1957, and before January 1, 1960.

"(b) Election and Consent by Corporations; Consents by Shareholders.—Subsection (a) shall apply with respect to any corporation and its shareholders only if, within one year after the date of the enactment of this Act—

"(1) such corporation (in such manner as the Secretary of the Treasury or his delegate prescribes by regulations) elects to have the provisions of subsection (a) apply and consents to the application of subsection (c); and

"(2) each person who is a shareholder of such corporation on the date on which such corporation makes such election, and each person who was a shareholder of such corporation during any taxable year of such corporation beginning after December 31, 1957, and ending before the date of such election, consents (in such manner and at such time as the Secretary of the Treasury or his delegate prescribes by regulations) to such election and to the application of subsection (c).

"(c) Tolling of Statutes of Limitations.—In any case in which a corporation makes an election under subsection (b)—

"(1) if the assessment of any deficiency against the corporation making such election, or any shareholder of such corporation who consents to such election, for any taxable year is prevented, at any time on or before the expiration of one year after the date of such election, by the operation of any law or rule of law, assessment of such deficiency may, nevertheless, be made, to the extent such deficiency is attributable to the application of subsection (a), at any time on or before the expiration of such one-year period; and

"(2) if credit or refund of any overpayment of tax by the corporation making such election, or any shareholder of such corporation who consents to such election, for any taxable year is prevented, at any time on or before the expiration of one year after the date of such election, by the operation of any law or rule of law, credit or refund of such overpayment may, nevertheless, be allowed or made, to the extent such overpayment is attributable to the application of subsection (a), if claim therefor is filed on or before the expiration of such one-year period."

Mr. KERR. Mr. President, I move to reconsider the action by which the amendment was agreed to.

Mr. WILLIAMS of Delaware. Mr. President, I move to lay that motion on the table.

The PRESIDENT pro tempore. The question is on agreeing to the motion by the Senator from Delaware to lay on the table the motion by the Senator from Oklahoma.

The motion to lay on the table was agreed to.

Mr. KERR. Mr. President, the next amendment is No. 8.

The PRESIDENT pro tempore. The amendment will be identified for the information of the Senate.

The LEGISLATIVE CLERK. On page 388, after line 10, it is proposed to insert language through line 14 on page 389.

Mr. KERR. Mr. President, present law provides that business losses incurred in 1 year can be carried back to the 3 prior years and then, to the extent not absorbed by income in those years, carried forward to the 5 succeeding years after the year in which the losses occurred. For most companies which again earn income such a period is long enough to absorb all of their losses against income.

Rapid transit companies in recent years have had a special problem in connection with the very large losses they have incurred in converting from streetcar to bus operations. Because of the size of these losses, most transit companies have spread their conversion to buses over many years—some over as many as 15 years—so that a sufficient period will be available to absorb the losses against income. However, a situation has come to the attention of the committee in which the conversion from streetcars to buses was completed in an 18-month period. It appears that the conversion was made in such a short period because of fraud on the part of the then existing management. Moreover, evidence is available that the then existing management made this conversion in the 18-month period despite the fact that it was pointed out to them by their financial experts that such losses could not be absorbed within the period of the 5-year carryforward.

After the mismanagement was discovered, the company was reorganized and new officers and a new board of directors elected. However, the conversion from streetcars to buses in the 18-month period could not be undone. As a result of this conversion the company sustained a loss of approximately $10,200,000. At the end of the 5-year carry-forward period about $5,200,000 of this loss remained unused. While the company has recently been making a small profit, it appears that rate increases may have to be requested if this remaining loss cannot be offset against the income of future years.

The committee believes that since ordinary prudent, honest management would have spread the conversion over a number of years, a longer carry forward of the unused loss should be permitted. This is a particularly serious problem because of the present inadequacy of our mass transportation system and the fact that a rapid transit system is involved here. Moreover, in this case it is likely that in the long run it will be the users of the transportation who will suffer if the company is not permitted to utilize the benefit of this loss.

The bill provides that in the case of net operating losses incurred in the calendar years 1953 and 1954, principally as a result of the conversion from streetcar to bus operations, an additional 5 years is to be allowed to offset such losses against income. The bill achieves this result by providing that such losses are to be known as "unused conversion losses" to the extent they still remain unused after the end of the normal 5-year carry-forward period. The bill provides that such an unused conversion loss from these 2 years is to be considered a net operating loss sustained in 1959 and therefore available as a net operating loss carry-forward to the calendar year 1960 and 4 subsequent taxable years.

The treatment described above is to apply only for years in which the taxpayer is engaged in the furnishing or sale of transportation on a local electric railroad, trackless trolley system, or bus system. The rates for the transportation in such cases must have been established or approved by a governmental unit, by a public service or public utility commission or similar body.

In the case brought to the committee's attention there is an unused loss of approximately $5,200,000 from the years 1953 and 1954, and it is estimated, based upon anticipated revenues, that from $2 to $3 million of this loss can be offset against income in the additional 5-year period allowed by this bill.

Mr. President, I ask unanimous consent that we may temporarily lay aside committee amendment No. 8 and consider committee amendment No. 9.

The PRESIDENT pro tempore. Is there objection to the request by the Senator from Oklahoma? The Chair hears none, and it is so ordered.

The committee amendment No. 9 will be identified for the information of the Senate.

The LEGISLATIVE CLERK. On page 389, after line 14, it is proposed to insert the language through line 8 on page 390.

Mr. KERR. Mr. President, I believe the Senator from Delaware has an explanation.

Mr. WILLIAMS of Delaware. Mr. President, under present law, a pension trust is qualified for income tax exemption only if it meets certain requirements relating to coverage of employees and nondiscrimination of contributions or benefits. Where the pension trust is properly qualified, not only is it exempt from Federal taxation with respect to its income, but contributions paid to it by an employer on behalf of his employees are deductible for Federal income tax purposes. Thus, there is considerable incentive for a pension trust to meet the requirements of the Internal Revenue Code and thereby become a qualified trust.

Occasionally, however, it is difficult for a pension trust to achieve qualified status before employer contributions are received by it. This is particularly true in the case of pension plans negotiated under collective-bargaining agreements with many employers both large and small. Often, considerable time is required to obtain sufficient factual data upon which to insure the actuarial soundness of the plan. Sometimes a formality is not properly performed.

In such cases, where the pension plan operates for some period as a nonqualified plan prior to securing qualification under the Internal Revenue Code, any income it may earn during such period is subject to income tax, thereby reducing amounts which would otherwise serve to provide employee benefits under the plan. In addition, employer contributions are not allowed as deductions unless the employee is given immediate vested rights to the contribution.

The committee believes these are rather severe consequences, particularly where failure to meet the conditions of the statute for qualification is due to the fact that, because the plan involved many employers, the arrangements could not be worked quickly although it was the initial intention of both the employers and the unions to meet those conditions. If the pension trust has never been operated in a manner which would jeopardize the interest of its beneficiaries, and if, when completed, the pension plan of which the trust is a part conforms with the Internal Revenue Code and has received the approval of the Internal Revenue Service, your committee believes it is just, under such circumstances, to provide that the pension plan be treated as a qualified trust during the intervening period between its inception and the time it actually qualified for tax exemption.

This section of the bill provides that the pension plan of Local Union No. 435, International Hod Carriers' Building & Common Laborers' Union of America, established pursuant to negotiations between the union and the Building Trades Employers' Association of Rochester, which is a qualified trust under section 401(a) of the Internal Revenue Code, is to be treated as having been a qualified trust and to have been exempt from taxation for the period beginning May 1, 1960, and ending April 20, 1961. For this provision to apply however, it must be shown to the satisfaction of the Secretary of the Treasury or his delegate that the trust has not in the period designated been operated in a manner which would jeopardize the interests of its beneficiaries.

Under the bill not only will the income of the pension plan during the specified period be exempt from tax but also contributions made under the plan within such period by employers generally will be deductible by them in determining their Federal income tax liability.

The amendment has been approved by the Treasury Department. It is the customary amendment similar to that which has been agreed to on previous occasions.

Mr. KEATING. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. KEATING. I wish to express my gratitude to the distinguished Senator from Oklahoma [Mr. Kerr] and the distinguished Senator from Delaware [Mr. Williams] for their assistance in support of this meritorious amendment. It is very much desired by both labor and management, and I am very appreciative of the action taken.

I am indeed grateful for this assistance for the pension plan of Local No. 435 of the International Hod Carriers' Building and Common Laborers' Union of America of Rochester, N.Y. This plan was negotiated between local 435 union and the Building Trades Employers' Association of Rochester to take effect May 1, 1960. However, Treasury approval for a tax deduction was not obtained until April 20, 1961. The purpose of this amendment is to extend the retroactive qualifications under the Internal Revenue Code of 1954 to include the year when there was no approved plan.

The amendment also grants the plan exemption from the tax on its investment income during this prequalification period. It has the endorsement of the Treasury Department.

Mr. President, this amendment is straightforward and there are, as the letter from the Assistant Secretary indicates, ample precedents for it. I am grateful that the Senate Finance Committee has included it in the present bill.

Mr. KERR. Mr. President, I ask for approval of the amendment.

The PRESIDENT pro tempore. The question is on agreeing to the amendment.

The amendment was agreed to, as follows:

On page 389, after line 14, to insert a new section, as follows:

"Sec. 25. Pension Plan of Local Union Numbered 435, International Hod Carriers' Building and Common Laborers' Union of America

"The pension plan of Local Union Numbered 435 of the International Hod Carriers' Building and Common Laborers' Union of America, which was negotiated to take effect May 1, 1960, pursuant to an agreement between such union and the Building Trades Employers Association of Rochester, New York, Incorporated, and which has been held by the Internal Revenue Service to constitute a qualified trust under section 401(a) of the Internal Revenue Code of 1954, and to be exempt from taxation under section 501(a) of such Code, shall be held and considered to have been a qualified trust under such section 401(a), and to have been exempt from taxation under such section 501(a), for the period beginning May 1, 1960, and ending April 20, 1961, but only if it is shown to the satisfaction of the Secretary of the Treasury or his delegate that the trust has not in this period been operated in a manner that would jeopardize the interests of its beneficiaries."

Mr. KERR. Mr. President, I move that the vote by which the amendment was agreed to be reconsidered.

Mr. KEATING. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. KERR. Mr. President, I call up the 10th committee amendment and ask that it be identified.

The PRESIDENT pro tempore. The committee amendment will be identified.

The Legislative Clerk. On page 390, after line 8, it is proposed to insert the proposed language on lines 9 through 21 on page 391.

The PRESIDENT pro tempore. The question is on agreeing to the amendment.

Mr. KERR. Mr. President, I ask unanimous consent to have printed at this point in the Record an explanation of the 10th amendment. So far as I know, there is no objection to the amendment, and I ask for its approval.

There being no objection, the explanation was ordered to be printed in the Record, as follows:

XXVI. Continuation of Partnership Year for Surviving Partner in a Two-Man Partnership Where One Dies

(Sec. 26 of bill and sec. 188 of 1939 code)

The attention of your committee has been called to a case where the partnership provisions of the 1939 code worked a substantial hardship. The case brought to your committee's attention involves a two-man partnership with a partnership year ending on January 31. The 1939 code provides that income or partnerships is to be reported by the partners for tax purposes in their year in which, or with which, the partnership year ends. Thus, income from the partnership year ending on January 31, 1946, for example, would be reported by partners on a calendar year basis in their calendar year 1946. However, where one of the partners dies, for example, before the end of December 1946, the partnership income in that year, which ordinarily would be reported for tax purposes by the partners in 1947, must then be reported by the partners, or their estate, in the calendar year 1946. This can result in a bunching of income, and therefore application of the higher surtax rates, since income of a partner for as long as 23 months may, in this manner, have to be reported in a single year.

At the time of the passage of the 1954 code, the law was changed to provide that the partnership year was not to close upon the death of a partner but instead was to run to its normal conclusion. In this regard the report of your committee on the 1954 code stated as follows:

"Under present law there has been the contention that the death of a partner closes the partnership year and [in] the bunching of more than a year's income in the decedent's last year. Where the partnership and the partners are on different taxable years, this would have the effect of concentrating as much as 23 months' income in the final return of the deceased partner, that is, the income for the partnership year ending within his taxable year and the income for the taxable year closed by the partner's death."

The problem presented in the case called to your committee's attention occurred before the 1954 code provision became applicable. Moreover, here the bunching occurs not only with respect to the deceased partner, but with respect to the surviving partner as well, since a partnership was held to no longer exist upon the death of one of two partners.

The bill adds a provision to the 1939 Internal Revenue Code to provide that the death of a partner in a two-man partnership is not to result in the termination of the partnership, or the closing of the taxable year of the partnership with respect to the surviving partner, prior to the time the partnership year would have closed if neither partner had died nor disposed of his interest. Thus, in the case of a partner dying in 1946 where the partnership year does not end until January 31, 1947, the partnership year would continue to that date and the income for such year would be reported by the surviving partner on his tax return for 1947. This provision is to apply only if the surviving partner so elects within 1 year after the date of enactment of this provision.

This amendment applies to taxable years of a partnership beginning after December 31, 1946, to which the Internal Revenue Code of 1939 applies. Generally the 1939 code applied to partnership taxable year beginning before January 1, 1955. The bill also provides that if refund or credit for an overpayment resulting from the application of this provision is prevented by the operation of any law or rule of law (other than those relating to closing agreements or compromises) the refund or credit of the overpayment may nevertheless be made if the claim is filed within 1 year after the date of enactment of this bill.

Mr. MILLER. Mr. President, before we vote on the amendment, I should like to say that while I recognize the equities the amendment seeks to accomplish, I believe it is not good policy to have special relief-type legislation enacted in the course of consideration of a general tax bill such as we have before us. But I shall not object to the amendment.

Mr. KERR. I thank the Senator from Iowa.

The PRESIDENT pro tempore. The question is on agreeing to the committee amendment.

The committee amendment was agreed to, as follows:

On page 390, after line 8, to insert a new section, as follows:

"Sec. 26. Continuation of a Partnership Year for Surviving Partner in a Two-Man Partnership Where One Dies.

"(a) Close of Taxable Year of Two-Man Partnership When One Partner Dies.—Section 188 of the Internal Revenue Code of 1939 (relating to different taxable years of partner and partnership) is amended—

"(1) by striking out 'If' and inserting in lieu thereof '(a) General Rule.—If'; and

"(2) by adding at the end of such section 188 the following new subsection:

"'(b) Two-Man Partnership.—For the purpose of this chapter, the death of one of the partners of a partnership consisting of two members shall not, if the surviving partner so elects within one year after the date of enactment of this subsection, result in the termination of the partnership or in the closing of the taxable year of the partnership with respect to the surviving partner prior to the time the partnership year would have closed if neither partner had died or disposed of his interest.'

"(b) Effective Date, etc.—The amendments made by subsection (a) shall apply with respect to taxable years of a partnership beginning after December 31, 1946, to which the Internal Revenue Code of 1939 applies. If refund or credit of any overpayment resulting from the application of the amendments made by subsection (a) of this section (including interest, additions to the tax, and additional amounts), is prevented on the date of enactment of this Act, or within one year from such date, by the operation of any law or rule of law (other than section 3760 of the Internal Revenue Code of 1939 or section 7121 of the Internal Revenue Code of 1954, relating to closing agreements, and other than section 3761 of the Internal Revenue Code of 1939 or section 7122 of the Internal Revenue Code of 1954, relating to compromises), such refund or credit of such overpayment may, nevertheless, be made or allowed if claim therefor is filed within one year after the date of the enactment of this Act. No interest shall be allowed or paid on any overpayment resulting from the enactment of this section."

Mr. KERR. Mr. President, I move that the action by which the committee amendment was agreed to be reconsidered.

Mr. WILLIAMS of Delaware. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. KERR. Mr. President, I call up the 11th committee amendment and ask that it be stated.

The PRESIDENT pro tempore. The committee amendment will be stated.

The Legislative Clerk. On page 305, line 23, after the word "before," it is proposed to strike out "July 1, 1964" and insert "January 1, 1963."

The PRESIDENT pro tempore. The question is on agreeing to the committee amendment.

Mr. KERR. Mr. President, with reference to the pending amendment, the Senator from Iowa was going to ask that the date in the bill be moved forward to conform to the date that is in the House bill. I have discussed the question with him. In view of the fact that the House bill provides the date of July 1, 1964, it was suggested that we move it forward to January 1, 1964. However, I see no objection to amending the provision to conform to the date in the House bill, which would be July 1, 1964. Even after the amendment is agreed to by the Senate, it will become original text and be subject to amendment if any Senator wishes to seek to amend it. Therefore I ask unanimous consent that the provision be amended to that extent.

Mr. GORE. Mr. President, reserving the right to object, I do not think that we should permit the date to be moved forward by unanimous consent. The date on the bill should be the effective date of the amendment. The date contained in the provision should be the date of the enactment of the bill, rather than having it moved forward. That is an unjustified privilege that exists under present law. I see no reason for extending it until 1964. If the Senator wishes to move that the amendment be agreed to, he may be able to have the motion agreed to. But I would not wish to sit still and let it go by with unanimous consent, because I am opposed to it. Therefore, I object.

Mr. KERR. Mr. President, I move that the committee amendment be rejected.

The PRESIDING OFFICER (Mr. Pearson in the chair). The question is on agreeing to the amendment.

The amendment was rejected.

Mr. KERR. Mr. President, I move that the vote by which the amendment was rejected be reconsidered.

Mr. HUMPHREY. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. KERR. Mr. President, I ask unanimous consent that the Senate return to the consideration of amendment No. 8.

The PRESIDING OFFICER. The amendment will be identified for the information of the Senate.

The Legislative Clerk. On page 388 it is proposed to insert the language commencing on line 11 down through line 14 on page 389.

Mr. KERR. Mr. President, I have explained the purposes of the amendment. As I understood, the Senator from Illinois was on his way to the Senate Chamber and desired to be present during the consideration of the amendment.

Mr. MANSFIELD. Mr. President, will the Senator yield briefly?

Mr. KERR. I yield.

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum.

The PRESIDENT pro tempore. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. Talmadge in the chair). Without objection, it is so ordered.

NATIONAL DRIVER REGISTER SERVICE

Mr. MANSFIELD. Mr. President, in 1960 Congress established a National Driver Register Service. This proposal established a clearinghouse through which new driver applications might be checked against revocation made for drunken driving or conviction for involvement in a fatal accident. This service is available to each of the 50 States and our territories.

The chief sponsor of this legislation here in the Senate was our distinguished colleague, chairman of the Senate Commerce Committee, the Senator from Washington [Mr. Magnuson]. The senior Senator from Washington recently prepared a progress report on this program for the Hearst Headline Service.

Mr. President, I ask unanimous consent that the article, which was published in the Seattle Post Intelligencer on July 22, be printed at the conclusion of my remarks in the Record.

There being no objection, the article was ordered to be printed in the Record, as follows:

Driver Register Keeps Dangerous Ones Off Roads

(By Senator Warren G. Magnuson, Democrat, of Washington, chairman, Senate Commerce Committee)

Many are alive and drive today because Congress heeded the call of the States for a National Driver Register Service. For the same reason, some now walk or ride with others.

Effect of the driver register service is to provide a central clearinghouse available for each State and territory. They may check new driver applications against revocations made for drunken driving or conviction for involvement in a fatal accident, the only two offenses to bring national listing.

Congress established the new service in midsummer, 1960. Adopted was a measure I had introduced in the Senate, identical with one sponsored in the House. Our law enforcement officials had requested both, as had State and territorial officials concerned with licensing operators of motor vehicles.

The problem, they said, was a lack of interchange of information between States on license revocation for either drunken driving or conviction as an outgrowth of a fatality. Quite often, a person convicted in one State would step to another and obtain a license. Back on the highway he went with barely more than a short court stop.

Iowa provides an example of how our National Driver Register Service has short-circuited this maneuver. Recently an Iowa official advised Wendell Eames, Director, NDRS:

"We have had nine cases in which drivers we have revoked for drunken driving have been revoked by other States. We have subsequently written these States to obtain certified copies of the driving records of the drivers involved. We have received four of these certified copies at the present time and are in the process of taking action against them."

The same official added in his letter to Eames:

"We also use NDRS to check all applications for a new driver's license that have recently moved to Iowa from another State. This, too, has been beneficial. We have had 10 returned with an indication that these drivers have had or are presently under revocation. Seven of these ten were revoked in other States and three were revoked in Iowa. Of the three Iowa revocations, we have filed charges of obtaining a fraudulent license against two of them."

The new service was effective in finding the Washington State driver who knew his Washington license would be revoked, so applied for one in Idaho. Idaho officials asked the national records be searched. They were. Not once, but several times, at different time intervals. The driver didn't get his Idaho license.

Or the South Carolinian who forgot to mention his previous violations when applying for a Texas operator permit. The complete file was in Washington, however,

Within 8 days he was out of the car in Texas, too.

One driver from Kentucky varied the procedure of his first name and omitted his middle initial when applying for a driver's license in Colorado. The national register filled in the blanks and supplied the Kentucky background of offenses to Colorado officials.

Probably the most optimistic, however, was the driver who, with revocations already received in two States—New York and New Jersey—both for drunken driving—applied again in Maryland only to be crossed up by the National Driver Register.

Recently, the Driver Register Service reported that it had in file two reports received from Texas which might refer to the same individual even though he had used considerably different names when convicted of each offense. Receiving this information, Texas officials replied:

"It was determined the two subjects mentioned in your memo were identical. We appreciate the information which you furnished * * * and take this opportunity to express appreciation for the splendid job which you are doing."

This type performance prompted members of the International Association of Chiefs of Police to adopt a resolution urging members to "actively support efforts by their State officials directed toward exploring the possibilities inherent in the operation of the National Driver Register Service."

It is true that many States interchanged information concerning potentially dangerous drivers before the new service was inaugurated within the Bureau of Public Roads, Department of Commerce. However, the interchange was on a regional basis, mainly. To do the job properly, it would have been necessary to send individual inquiries to each of the 50 States and 5 territories.

Now, the same end is achieved by dispatching one inquiry to the National Driver Register Service in Washington, D.C., and awaiting an answer.

The time saved in making an electronic check of the growing files may be just enough to save a life.

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that further proceedings under the quorum call may be dispensed with.

The PRESIDING OFFICER (Mr. BURDICK in the chair). Without objection, it is so ordered.

REVENUE ACT OF 1962

The Senate resumed the consideration of the bill (H.R. 10650) to amend the Internal Revenue Code of 1954 to provide a credit for investment in certain depreciable property, to eliminate certain defects and inequities, and for other purposes.

Mr. KERR. Mr. President, is the committee amendment No. 8 the pending question?

The PRESIDING OFFICER. The Senator is correct.

Mr. KERR. I ask that the amendment may be agreed to.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment No. 8.

Mr. DOUGLAS. Mr. President——

The PRESIDING OFFICER. The Senator from Illinois.

Mr. DOUGLAS. Do I correctly understand that the so-called Twin Cities Rapid Transit Co. amendment is now before the Senate?

The PRESIDING OFFICER. That is one characterization of it.

Mr. DOUGLAS. I did not hear the reply by the Presiding Officer.

The PRESIDING OFFICER. The amendment before the Senate is committee amendment No. 8.

Mr. DOUGLAS. I still cannot hear the Presiding Officer.

The PRESIDING OFFICER. The question before the Senate is on agreeing to committee amendment No. 8.

Mr. DOUGLAS. And what is that, may I ask?

The PRESIDING OFFICER. It relates to the subject to which the Senator referred.

Mr. KERR. Mr. President, if the Senator will turn to the page of the bill, I will show it to him.

Mr. DOUGLAS. Mr. President, I am asking a simple question, which I think can be answered simply.

Would the Presiding Officer kindly inform the Senate whether the amendment is the so-called Twin Cities Rapid Transit Co. amendment.

The PRESIDING OFFICER. That is correct.

Mr. DOUGLAS. I thank the Presiding Officer. We could have found that out much earlier.

Now may I address some questions either to the Senator from Oklahoma or to the Senator from Minnesota?

Mr. KERR. I should like to have the Senator from Minnesota answer the questions.

Mr. DOUGLAS. Mr. President, do I correctly understand that this amendment is designed for the relief of the Twin Cities Rapid Transit Co., of Minneapolis, Minn.?

Mr. McCARTHY. I do not know whether it could be properly described as designed for their relief. It is designed to take into account some rather questionable conduct by officers of the company. Because of mismanagement of the Twin Cities Rapid Transit Co. some years ago, the people who used that transit service, and the whole community, as well as the management, were deprived of the benefits which ordinarily would have gone through that company into the community.

Mr. DOUGLAS. Do I correctly understand that the amendment would permit the Twin Cities Rapid Transit Co. an additional 5-year carryover for the period commencing in 1960, in which to deduct losses as a result of converting from a streetcar to a bus system?

Mr. McCARTHY. That is correct.

Mr. DOUGLAS. Do I correctly understand that the losses were incurred in 1953 and 1954, when the company was managed by officers who were subsequently found guilty of conspiracy to defraud the company?

Mr. McCARTHY. That is correct. I am not sure that all of the officers were found guilty, but at least some people were involved.

Mr. DOUGLAS. As I understand the position of the company, it is that the management converted rapidly from a street railway system to a bus system in order to complete its fraudulent activities quickly, intentionally disregarding the income tax consequences.

Mr. McCARTHY. That is the way in which the action was interpreted. It was a unique operation compared to the record of other companies.

Mr. DOUGLAS. Do I correctly understand that the Internal Revenue Service turned down the claims of this company for relief?

Mr. McCARTHY. I do not know whether they made claims. If they did, I am sure they were turned down.

Mr. DOUGLAS. Was any attempt made to obtain relief from the courts?

Mr. McCARTHY. I do not know that they ever tried to obtain relief. There were actions in court against the officers, but whether the company used the laws relating to internal revenue for relief, I do not know.

Mr. DOUGLAS. Was the case taken before the Tax Court?

Mr. McCARTHY. So far as I know, it was not. I may be mistaken.

Mr. DOUGLAS. Do I correctly understand that a separate bill to this effect was passed in 1961, in the last session of Congress, in the concluding days?

Mr. McCARTHY. It was passed. That is correct. It was passed in the House and approved by the Senate Finance Committee, and then passed in the Senate in the concluding days of the session.

Mr. DOUGLAS. Do I correctly understand that the bill was vetoed by the President of the United States on October 4, 1961?

Mr. McCARTHY. That is correct, yes.

Mr. DOUGLAS. I hold in my hand a copy of the veto message.

Mr. McCARTHY. I have one on my desk.

Mr. DOUGLAS. Would the Senator from Minnesota permit me to read it?

Mr. McCARTHY. I should be glad to. I have read it, of course.

Mr. DOUGLAS. I think it might be of interest to make it a public record.

Mr. President, I ask unanimous consent that I may be permitted to read sections of this veto message.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOUGLAS. Mr. President, I now read from the veto message by the President of October 4, 1961:

> I can see no reason for making an exception to the policy of uniform treatment under the net operating loss carryover provisions of the taxing statutes under these circumstances. First, the extent to which tax considerations governed or would have governed the conversion from street railway to bus operations is necessarily uncertain. Secondly, assuming that the fraudulent conduct of the management of the company made it impossible to deduct all the losses sustained, it would be unfair to shift the consequences of that dereliction to the public through special tax relief. The stockholders of the company were certainly in a better position than the general public to guard against the misconduct of their officials. Thirdly, approval of this legislation is inconsistent with orderly tax administration. It discriminates in the treatment of taxpayers similarly situated and grants relief retroactively.
>
> Although disapproval of this legislation may reduce the ability of the company to postpone or avoid a request for increases in its rates of fare, that fact should not be used to modify the tax system to shift the burden of losses from the taxpayer and the local community to the country as a whole.

Does the Senator from Minnesota agree that the Senator from Illinois has read the veto message accurately?

Mr. McCARTHY. I think the Senator has read it quite accurately; yes.

Mr. DOUGLAS. Now, however, the amendment is being offered as a rider on a general tax bill which the President cannot veto. Therefore, it is being sheltered from Presidential review.

Mr. McCARTHY. There are two things that took place when the veto message was written which have bearing on the discussion. One is the President's transportation message. I should like to read from the message of 1962 in which the President said:

> (4) Income taxes: Another effort to improve equity in taxation is being taken by the Treasury Department, which is reviewing the administrative guidelines now governing depreciation rates in the transportation industry. The objective of this administration will be to give full recognition to current economic forces, including obsolescence, which in their impact upon the lives of depreciable assets may affect quite differently the different modes of transportation and, therefore, their competitive relationships. In addition, I recommend that the Internal Revenue Code be amended to increase from 5 to 7 years the period during which regulated public utilities, including those in transportation, can apply prior year losses to reduce current income for tax purposes.

That, of course, is a message and a recommendation. But it comes pretty much to the point that we are now proposing. The other and perhaps more significant point is that since the veto message was sent to the Congress, the Congress has acted upon the Du Pont bill. The Du Pont bill was approved by the President.

Mr. DOUGLAS. The Senator has referred to a highly iniquitous bill which the Senator from Illinois and the Senator from Tennessee fought on the floor of the Senate. I am not certain how the Senator from Minnesota voted on that issue.

Mr. McCARTHY. So as far as the President is concerned, the objections which might be made to this rather limited Twin City rapid transit bill might have been made also against the Du Pont bill, which he approved. I do not feel that the President's freedom to act on the bill would in any way be restricted by adding the provision to the pending tax bill.

Mr. DOUGLAS. Would not the Senator feel that the better way would be to withdraw the amendment from the general tax bill and present the measure as a separate bill?

Mr. McCARTHY. I think not. The question of time is running against us. The bill was passed last year. It was approved by the Ways and Means Committee of the House.

Mr. DOUGLAS. I should be glad to help the Senator get the bill before the Senate. I do not promise to vote for it. From what I have seen, it is a bad bill. But I would not indulge in any delaying tactics. I believe the House has passed the bill, has it not?

Mr. McCARTHY. Not at the present session.

Mr. DOUGLAS. The House has not taken it up? Yet an effort is being made to blanket it into the general tax bill so that the House will have to take it and the President will have to sign it.

Mr. McCARTHY. The House has already acted on the measure at this session of the Congress in the Ways and Means Committee. It did so last year. It was not at the present session, but in the present Congress.

Mr. DOUGLAS. That action was wiped off the board by the presidential veto.

Mr. McCARTHY. We have the same membership in the House. We have not had an election since them.

Mr. DOUGLAS. The Senators from Minnesota are mighty men, and their persuasive influence extends to both the north and south wings of the Capitol.

Mr. McCARTHY. I hope that is true. I am glad to have the Senator make that statement.

Mr. DOUGLAS. Mr. President, I think we should be very careful about the measure. At present I am compelled to oppose the amendment. It grieves me very much to do so. The two Senators from Minnesota are personal friends of mine, but there is a saying that Caesar's sword in a righteous cause shall spare no one.

Mr. HUMPHREY. What about DOUGLAS' sword?

Mr. DOUGLAS. I must follow what I think is right whether it involves friend or foe.

Mr. HUMPHREY. Mr. President, will my colleague yield?

Mr. McCARTHY. I yield.

Mr. HUMPHREY. I am sure that our friend from Illinois knows that the industry is a regulated utility, and that the rate structure of the utility is determined by the operating profits or losses of that particular public transportation system. If the system operates at a loss, there is only one thing that happens. They go before the Minnesota Railroad and Warehouse Commission and get an increase in rates. So if the mismanagement of this particular transit company is to be left as a heritage upon the stock and capital structure of the transit company, there is only one thing that happens. The Commission raises the rates. The rates are not set by the company. The rates are set by a public body. There is in this particular transit system a continuing pattern of raising of rates, because of the operating difficulties the company had under bad management.

I wish to point out that there are a number of tax precedents in support of the measure. This is not unusual. In 1959 there was an amendment to the Life Insurance Income Tax Act which allowed an 8-year period to new life insurance companies for the carrying forward of operating losses, as distinguished from the normal 5-year period. There was a 1947 amendment, having a retroactive effect, providing specific relief for 7 railroads involved in receivership proceedings.

Mr. DOUGLAS. Mr. President, will the Senator yield?

Mr. McCARTHY. I yield.

Mr. DOUGLAS. I think what the Senator is saying is that since murder has been committed before, it should be permitted in the present case.

Mr. HUMPHREY. Not at all. What the Senator from Minnesota is saying is that since equity was granted before, it should be granted in the present case—not murder, but equity.

Mr. DOUGLAS. Why should the taxpayers of Illinois, Ohio, and Wisconsin pay for the derelictions—and I shall later come to what the derelictions were—of a transit company in Minnesota? It is a shifting of the tax burden.

Mr. HUMPHREY. What the measure amounts to is exactly what the President asked for in his transportation message. It would give a longer carryover period for losses; that is all. It just applies in this particular instance what the President has asked for in his general transportation message.

Mr. DOUGLAS. The President vetoed the proposal last year in a stinging veto.

Mr. HUMPHREY. The Senator is correct.

Mr. DOUGLAS. Why are not the Senators willing to submit the measure to the President as a special bill this year?

Mr. HUMPHREY. May I point out to the Senator that the Department of the Treasury has not registered any objection to the amendment.

Mr. DOUGLAS. The Treasury Department sometimes slips. They certainly slipped on the Du Pont bill.

Mr. HUMPHREY. If the Department slipped, the President slipped also, because the Treasury Department is his responsibility.

Mr. DOUGLAS. We must consider what is right, whether the measure is supported by the Senators from Minnesota and whether it is objected to by the Treasury Department. It is very clear that the President objected to the measure last year. Let it go to him as a separate bill this year and let him decide what he should do.

Mr. HUMPHREY. The Senator from Illinois judges that the bill is wrong, with all due respect——

Mr. DOUGLAS. Is it not true that the transit company of Minneapolis was controlled by elements that were supposed to be allied with the criminal underworld?

Mr. HUMPHREY. There were some elements in it that have been indicted and are serving sentences; that is true.

Mr. DOUGLAS. Were they not allied with what is supposed to be the criminal underworld?

Mr. HUMPHREY. That is the allegation that was made. I am not here to make that statement on the floor of the Senate. That is something for a judge or a court to determine.

Mr. DOUGLAS. Was not that question really decided in the case?

Mr. HUMPHREY. That was previous management; that is not current management.

Mr. DOUGLAS. I know, but the losses were incurred under the former management, and it is relief from those losses which the present company is seeking to obtain by special legislation sponsored by the Senators from Minnesota.

Mr. McCARTHY. I point out to the Senator that losses were incurred by practically every metropolitan transit company that was operating.

Mr. DOUGLAS. Are these specific losses?

Mr. McCARTHY. Not necessarily. They wanted to get in and out as fast as they could.

The Senator expressed concern over the fact that Minnesotans would receive advantages of the provision that people in Illinois, Ohio and Wisconsin would not receive. In the city of Chicago a similar loss was carried over.

Mr. DOUGLAS. I do not know about that. We bought the traction lines in the forties and paid a hundred million dollars for the lines. We converted to buses and paid for the buses out of our own money, and we floated bonds. We have not asked for tax relief. We have received no tax relief.

Mr. McCARTHY. Is the Senator sure that there were no carryovers?

Mr. DOUGLAS. The Senator is asking for 5 additional years.

Mr. McCARTHY. Only because——

Mr. HUMPHREY. I might say that the loss carryover was paid for in part by the people of Minnesota, for the benefit of those people in Chicago. I do not get to Chicago very often.

Mr. DOUGLAS. The Senator is asking for special legislation. I do not believe there was any loss carryover in the case of Chicago.

Mr. HUMPHREY. I do not know of any similar situation in the United States where there was not a carryover. If there is, I want to pin a medal on them.

Mr. LAUSCHE. Mr. President, will the Senator yield?

Mr. McCARTHY. I yield.

Mr. LAUSCHE. We should not tie into a tax bill a measure that gives special relief. I do not believe it is sound for Congress to begin acting on an ad hoc basis in trying to deal with situations that might require a remedy. Two instances have been cited about the granting of some type of special relief. I recall the insurance company issue, and I opposed it. There are a number of weaknesses in this matter. The bill in the Senate was passed in the closing days of our last session. I did not even recall the matter having come up, because Senators will recall that we were grinding out bills, and no one could keep up with what we were doing. The President said it was wrong to do it that way, and he vetoed it. Now it is sought to be wrapped into a package so that the President will not be able to reach this measure.

Mr. DOUGLAS. That is correct.

Mr. LAUSCHE. Perhaps he will want to approve it. If he does, let us submit it to him in a separate bill. If we are to start passing this type of legislation in this type of bill, where will it lead to? I venture to say that in Ohio, if I started combing around, I could find private companies which are confronted with the same type of problem. If this can be done for the Twin Cities Coach Co., of necessity, it has to be done for every individual and every corporation in the United States suffering from similar distress. I will oppose this measure. I believe it ought to come before the Senate in a separate bill.

Mr. DOUGLAS. I can imagine that every Senator could use not only the insurance precedent, which the Senator from Minnesota has used, but also this precedent that we are about to establish. We will then have a whole series of precedents. As a member of the Finance Committee I have looked askance at this practice. I have not always been able to stop it. At times it was because of a feeling of affection for my fellow Senators that I have allowed some of these matters to get on the floor. One man cannot stop many of them. However, in view of the fact that this bill was vetoed by the President, with what seemed to be a very cogent message, I join the Senator from Ohio in feeling that it is a great mistake to put it in a general bill which cannot be vetoed. I say it should be the subject of separate consideration.

Mr. LAUSCHE. The caution that has been exercised is manifested by the fact that there are only two instances in which this has been done.

Mr. McCARTHY. No; we have a whole record of similar situations.

Mr. HUMPHREY. There are more than two. I had a chance to read only two. There are many instances.

Mr. DOUGLAS. Yes; I interrupted the Senator in his reading of the previous instances.

Mr. LAUSCHE. The fact is that in our Government we must have laws which are uniform in operation. When we start to depart from that rule we get into trouble. I would like to help the Senators from Minnesota.

Mr. HUMPHREY. Not help us. I have no interest in the street railway company. I have not even ridden their busline. The people in my city are of the opinion that this type of remedial legislation would be helpful to them. I wish to make it crystal clear that it is special legislation. We know it is. However, it is not unique. Special legislation has been passed here, changing effective dates, and changing certain tax laws, and other matters in which certain Senators are interested.

Mr. McCARTHY. We passed a bill for the Senator from Illinois providing for retroactive relief for a pension fund.

Mr. DOUGLAS. Yes; for a union pension fund.

Mr. KERR. Mr. President, in view of the remarks of the Senator from Ohio, I refer to the 11th amendment. The Senator from Ohio has said that there should be uniform action. For years we had a provision in the law that an American citizen who owned real estate in a foreign country, or outside the United States in certain areas, would not have that property subject to our inheritance tax laws.

The House bill dealing with the subject now before the Senate had a provision in it repealing that special exemption from the general revenue law and from the general law applicable to everyone; and the effective date of the repeal in the House bill was July 1, 1964. The Committee on Finance changed that date and made the repeal of that special privilege under the law for real estate owned by American citizens, so as not to be subject to the inheritance tax laws, January 1, 1963. In other words, we changed the date from the date in the House bill, July 1, 1964, to January 1, 1963. That was objected to by the Senator from Ohio. He would not agree that that law be repealed, which granted special privilege to Americans owning real estate abroad not being subject to the inheritance tax, until we moved the effective date of the repeal of that special privilege back to July 1, 1964. It was done at the request of the Senator from Ohio, and it is now in the bill.

Mr. DOUGLAS. Yes; but——

Mr. KERR. I call attention to this fact to show that the Senator from Ohio is not always fighting for the application of uniform laws with reference to all.

Mr. DOUGLAS. Does the Senator contend that two wrongs make a right?

Mr. KERR. The Senator from Oklahoma does not contend that either is wrong; nor does the Senator impose his conscience upon other Senators who have as much conscience as the Senator from Oklahoma. I want to say to the Senator from Illinois that he is not the only man on the floor with a conscience. I wish to say further that the fact that he does not agree with something does not make it wrong.

Mr. DOUGLAS. Of course not.

Mr. KERR. The Senator from Oklahoma does not know why the Senator from Illinois should say that if on something someone does not agree with him, that that something is wrong.

Mr. DOUGLAS. I say in my judgment it is wrong.

Mr. KERR. I agree that the Sentor's judgment is wrong. I have never agreed more with the Senator.

Mr. DOUGLAS. I said that in my judgment the proposal is wrong.

Mr. KERR. That is not what the Senator said.

Mr. DOUGLAS. Yes, I did.

Mr. KERR. I do not agree with the Senator's judgment.

Mr. LAUSCHE. With regard to the measure that was brought up by the Senator from Oklahoma, at the time the provision in the bill before the Senate came out of committee, citizens came to me and said, "We would be forced probably to sell at a depreciated value the properties which we own in the Virgin Islands."

Mr. KERR. They needed time.

Mr. LAUSCHE. Just a moment. I have listened to the Senator from Oklahoma more than I like to listen to him. I am asking him to listen to me for a moment.

Mr. KERR. I have listened to the Senator from Ohio longer than I like to listen to him. However, he still listens to me.

Mr. LAUSCHE. Will the Senator from Oklahoma please listen to me?

Mr. KERR. The Senator still listens to me.

Mr. LAUSCHE. Mr. President, I am one of a hundred Senators. I have a right to speak, and I should not be burdened with listening to the Senator from Oklahoma talk down Senator after Senator who is expressing his view.

Mr. KERR. The Senator from Oklahoma always expresses his views, and so does the Senator from Ohio.

Mr. LAUSCHE. So does the Senator from Oklahoma. The Senator from Ohio will not be a slave to the Senator from Oklahoma. I have my own mind. I have my own conscience. I will not let the Senator from Oklahoma rule my mind. I need not let the Senator from Oklahoma rule my thoughts.

Mr. KERR. The RECORD shows that the Senator from Ohio asked for——

Mr. MANSFIELD. Mr. President, I ask for the regular order.

Mr. KERR (continuing). A special privilege law.

Mr. LAUSCHE. The Senator from Ohio never asked for special privilege. It is the Senator from Oklahoma who is——

Mr. MANSFIELD. Mr. President, I demand the regular order. Who has the floor?

The PRESIDING OFFICER. The Senator from Illinois has the floor.

Mr. McCARTHY. Mr. President, I think I have the floor.

The PRESIDING OFFICER. The Senator from Minnesota has the floor.

Mr. KERR. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator from Oklahoma will state it.

Mr. KERR. Did the Senator from Minnesota yield to the Senator from Oklahoma?

Mr. McCARTHY. I yielded to the Senator from Oklahoma. I want to hear the Senator from Oklahoma.

Mr. KERR. Mr. President——

Mr. DOUGLAS. Mr. President, did the Senator from Minnesota yield to the Senator from Oklahoma for a speech or for a question?

Mr. McCARTHY. I will yield for a question or a speech.

Mr. KERR. I thank the Senator for yielding for a question. What I wish to say cannot be stated in the form of a question, so I will wait and speak on my own time.

Mr. McCARTHY. I said I would yield for a question or for a speech.

Mr. KERR. The Senator from Montana asked for the regular order.

Mr. DOUGLAS. I will not object.

Mr. KERR. The Senator from Illinois is not the Senator from Montana, either.

Mr. MANSFIELD. I do not object.

Mr. KERR. Mr. President, I ask unanimous consent that the Senator from Minnesota may yield to me for an observation, without losing his right to the floor.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. KERR. The Senator from Oklahoma thinks the Senator from Ohio has as fine a mind and conscience as there is in the membership of this body. The Senator from Oklahoma is satisfied with his own mind and his own conscience. He asks for its approval by no other Senator. He merely called attention to the fact that there is on the statute books of this country a special law for the benefit of American citizens who own real estate abroad. It is a special law which provides that such real estate or its value is not subject to the inheritance tax when the owner dies. I think that is a special law. Everyone is entitled to his own opinion as to whether that is a special law. Either it is or it is not. The Senator from Oklahoma says it is.

In the bill, the House proposes to repeal that section effective July 1, 1964. The Senator from Oklahoma, believing it is a law to give special privilege to American citizens who own real estate abroad, felt that it should be repealed as quickly as possible rather than be repealed effective July 1, 1964. So the Senator from Oklahoma, in the Committee on Finance, sponsored an amendment which would make the repeal effective January 1, 1963. It was unanimously voted into the bill by the Committee on Finance.

That amendment has come to the floor of the Senate. It is 1 of 174 amendments which the committee made. The Senator from Oklahoma asked unanimous consent that all those amendments be agreed to en bloc, considered as a part of the original text, and then be subject to amendment offered by any Senator. That unanimous-consent request was objected to by the Senator from Tennessee [Mr. GORE] and other Senators with respect to 10 amendments. The unanimous-consent request was objected to by the Senator from Ohio [Mr. LAUSCHE] with reference to the amendment which would end on January 1, 1963, instead of July 1, 1964, what the Senator from Oklahoma regards as a special privilege.

The Senator from Ohio [Mr. LAUSCHE] said there were some citizens in his State who had some property abroad and that they needed additional time in which to dispose of it without being penalized by having to put the property on the market for a quick sale before January 1, 1963. The Senator from Oklahoma thought two things about that request: First, there was possibly some merit to it. The bill is coming to a vote in the Senate; and if enacted, it would be much later in 1962 than would have been the case had it been enacted some months earlier. Also, the Senator from Oklahoma, anxious to have the bill acted upon by the Senate, went to the extent of asking the Senate not to agree to that amendment, which means that the bill will be left in such form that it will not repeal what the Senator from Oklahoma regards as a special privilege until July 1, 1964; and he did so at the request of the Senator from Ohio [Mr. LAUSCHE]. That is the cold record.

Mr. MANSFIELD. Mr. President, will the Senator from Minnesota yield?

Mr. KERR. Mr. President, Senators may make up their own minds as to whether the right to own real estate abroad and not have it subject to inheritance tax in the event the owner dies is a special privilege. Any real estate which a citizen owns in this country is reflected in his estate when he dies, and its value is taxed. Senators may make up their own minds whether the right to own real estate in a foreign land and have it escape the inheritance tax is a special privilege. If it is, and if the bill is enacted, that privilege will continue to exist by reason of the request of the Senator from Ohio, until July 1, 1964, instead of expiring January 1, 1963.

Mr. MANSFIELD. Mr. President, will the Senator from Minnesota yield?

Mr. McCARTHY. I yield.

Mr. MANSFIELD. I think there was great merit in the amendment proposed by the Senator from Ohio. Had I been in his shoes, I would have offered the same amendment. At the same time, it was the Senator from Oklahoma who called up the amendment today, and, over opposition orally expressed in the Chamber, was able to persuade a majority of the Senate to approve the amendment. I think that statement also should be in the RECORD.

Mr. KERR. But to comply with the request of the Senator from Ohio, who was not present, I thought I was doing him a special courtesy, a special favor, to take care of it even though he was not on the floor of the Senate, and even though his request was objected to by Senators who were in the Chamber.

Mr. LAUSCHE. The tone and words of the Senator from Oklahoma are completely different now from what they were when he jumped to his feet and started to point shafts at me. If he had spoken in his first presentation of this issue in the tone which he has now used, I would not have responded in the way I did. But he took the floor and made it appear as though I were trying to have something passed which was iniquitous.

Mr. KERR. Why——

Mr. LAUSCHE. Just one moment. In the House, it was determined that real estate owned in foreign countries should be included as a part of the estate of a deceased person immediately, which is not the situation as the law exists today.

The House provided that July 1, 1964, should be the date of the operation. In the Committee on Finance, the date was changed from July 1, 1964, to January 1, 1963; it was moved back 18 months. An Ohio citizen came to me and said, "If a death occurs after this law has gone into effect, we will be forced to divest ourselves of that holding with a speed which will work an injustice." So I spoke with the Senator from Oklahoma and presented the problem of fixing the date as of July 1, 1964.

I came downtown this morning and contemplated taking the date January 1, 1964, as was suggested last night. But I did not ask for any special legislation or any special consideration.

If there is anything that I take pride in it is my purpose not to ask for my State or for anyone any special consideration from the U.S. Congress; and I shall continue to follow that course.

Mr. President, the pending proposal means nothing whatsoever to me. I have no interest in it, except in wanting to assure that justice will be done. If, in the effort to attain that objective, I must be made to appear, on the floor of the Senate, as a base individual, I will not stand for it. Others may subject themselves to that type of attack, but I will not stand for it. I have been in public life for 30 years. I have striven with all my might to protect my reputation. I have not become alined with any group—so I could come on the floor of the Senate or act in the office of mayor or act in the office of Governor as boss of myself.

So, Mr. President, to come here and have what I have striven to build up through the years sought to be destroyed by men with powerful words is more than a Senator should be subjected to; and when I say that, I say it in behalf of other Senators, who likewise have been subjected to treatment of that type.

Mr. MANSFIELD. Mr. President, will the Senator from Minnesota yield?

Mr. McCARTHY. I yield.

Mr. MANSFIELD. Mr. President, no one doubts the honesty or integrity of the Senator from Ohio or his lack of special pleading in the interest of anyone. He is an honorable and a conscientious man, who has proved that fact through the years. So, also, is the Senator from Oklahoma [Mr. KERR].

I point out also that today both the Senators from Minnesota—the senior Senator from Minnesota [Mr. HUMPHREY] and the junior Senator from Minnesota [Mr. MCCARTHY]—have stated that they, likewise, have no personal interest in the issue which is before the Senate for consideration.

Mr. DOUGLAS. I am sure that is true.

Mr. MANSFIELD. Yes; and I, too, am sure of it.

So I hope that any apprehension which may have arisen today will be forgotten, because I am sure there is not the slightest intention to reflect on the honesty or integrity of the Senator from Ohio.

Mr. LAUSCHE. The whole thing is trivial, so far as dollars are concerned. The essential thing is the matter of integrity.

I ask Senators to pardon me for this outburst. But if I did not express my convictions, if when I returned home tonight I had to confess to myself that I had not stood up for the things in which I believe, but had allowed myself to be overrun by a juggernaut, and had not spoken up and protested, I would have to feel that I was a worm. And that I do not propose to do.

Mr. KERR. Mr. President, will the Senator from Minnesota yield?

Mr. McCARTHY. I yield.

Mr. KERR. Mr. President, I did not say there was anything iniquitous in what the Senator from Ohio did or asked. If I had thought there was, I would not have sought to do the favor that I thought I was doing for the Senator from Ohio when I acceded to the request.

Mr. LAUSCHE. It is not a favor to me. Strike it from the bill.

Mr. KERR. That may be done.

I was merely indicating for the RECORD my understanding and my purpose.

I do not think any Senator is a worm.

I have two further things to say, Mr. President: I have not impugned the motives or the character or the senatorial integrity of the Senator from Ohio, and I will not. Neither will I again seek, over opposition nor with others in union, to do a favor for the Senator from Ohio. From here on, he may seek his own.

Mr. DOUGLAS. Mr. President, will the Senator from Minnesota yield?

Mr. McCARTHY. I yield to the Senator from Illinois.

Mr. DOUGLAS. Mr. President, if we may return to the Twin Cities Rapid Transit Co. case, let me ask the Senator from Minnesota whether any Senate committee hearings have been held on this measure.

Mr. McCARTHY. They were held last year.

Mr. DOUGLAS. Were they hearings, or was it considered in executive session?

Mr. McCARTHY. I think it was considered in executive session.

Mr. DOUGLAS. I think that is correct. So there were no general hearings.

Mr. McCARTHY. I think the hearings were held in the House committee.

Mr. DOUGLAS. I think that is correct.

I find that the bill was reported last year from the Senate Finance Committee on September 23; and the Senate adjourned on September 26. So the bill was reported in the concluding days of the session. It came out last year as a special bill. As I remember the situation, I more or less accepted it on the word of the Senator from Minnesota, without question. Perhaps I was derelict in doing so; but the pressure of legislation was very great, and perhaps I was trying to be accommodating to the Senator from Minnesota.

I think that, in general, special legislation at the end of the session is dangerous. But we always have the President to fall back upon. In this case the President, in the exercise of his judgment, vetoed the bill.

This year, however, no attempt is being made to pass the bill over the President's veto; this proposal is not being submitted again as a separate bill. It is being blanketed in a general tax bill, which in all probability the President must sign in order to have enacted into law certain measures of which he approves. So this procedure really means circumventing independent action by the Executive.

I have great respect for the Senator from Minnesota. He is one of the finest Members of the Senate. He has a very fine philosophical attitude. He is a man of high personal integrity. He has a dry wit which is very penetrating and throws much light on issues which otherwise would not be understood. I hope he does not regard my attitude as in any sense personally hostile to him.

But we are legislators for the United States of America. Sometimes we assume the attitude of according accommodation for our friends. Perhaps at times I have not been as vigilant as I should have been. I am aware of the fact that frequently I am criticized—as I was criticized by the Senator from Oklahoma—for being too vigilant and I have been charged with pretending that I know it all—which I certainly do not.

But I think this proposal should be considered on its own merits, and should not be attached as a rider to the general tax bill.

I felt somewhat similarly about the amendment of the Senator from Delaware; and I regret that because I worked very late into the morning and had only a few hours sleep, I was not able to be on the floor when the amendment of the Senator from Delaware came up. I thought I had an agreement with him that there would be no voting until I came on the floor. But I find that the amendment was agreed to. However, I make no complaint about that.

But now I am in the Chamber, and I think I have a duty to raise questions about the amendment.

Why is not the Senator from Minnesota willing to have this proposal considered as a separate bill? I promise that I would not then object to its consideration. I doubt that I would vote for it, but I would not try to delay or impede its consideration in the slightest degree.

Mr. McCARTHY. Mr. President, I appreciate the position of the Senator from Illinois. It is no different from his policy in regard to general legislation. However, this is not the kind of bill that one is happy to carry to the floor of the Senate. One carries it there by necessity and, I think, with justification.

We are not asking for any change in the basic laws regarding transit companies. We are merely requesting special consideration because under very unusual circumstances the transit company in our State and the people who use that service were deprived of the benefits made available to everyone else in the country under the general tax laws of the country. I would be glad to have this proposal presented separately. I am not sure, but I think the veto of the President last year was a mistake. Certainly it seems to me a mistake in light of his transportation message, and in light of the request which was made of the Congress last year when we appropriated something like $50 million to give assistance to transit companies in the cities. There are two or three bills now pending in this general area.

A basic tax provision was laid down for the purpose of helping transit companies change over from streetcars to buses. Because of very unusual circumstances in the Twin Cities, Rapid Transit Co. of Minnesota, they were not able to take advantage of the law, an advantage which was given to everyone else in the country, so far as I know. We are asking for this advantage as a retroactive request. I do not think it is unreasonable. I think it is reasonable in the name of equity and justice. Whereas there may not be an exact precedent for it, many precedents have been established in the same general area.

Mr. DOUGLAS. It seems to me there is a distinction between this case and others. First, there was fraudulent conduct on the part of the management of the company; second, the fraudulent conduct made it impossible to deduct all the losses sustained; third, it is proposed to shift the consequences of the fraudulent conduct to the public by tax relief. It was largely on that basis, according to the President's veto message, that the President vetoed the bill.

From what I know of the case, I should say the President was correct. From what I know of the case, I would vote against the amendment if it were brought up as a separate bill. But I think the Senate should consider it as a separate bill, and not blanket it into a general tax bill, which would immunize it from any possibility of Presidential veto.

Mr. McCARTHY. It was not my intention to do that so that the President could not veto it. I was not the first to make a move to offer what might be called legislation outside the bill, but when I saw the senior Members of the Senate offer proposals so that they could get action in this session of Congress, I decided that time was running out on us. Since time is important, and every year that passes the inequity increases and the difficulty of getting action on it increases, it seemed to me this was the time to act. I believe it would be impossible to obtain separate consideration and separate action on the measure in this session of Congress.

Mr. DOUGLAS. I understand the motives of the Senator from Minnesota. I think he makes a valid point. My own feeling is that too many bills are considered in executive session in the Finance Committee without prior hearings.

The volume of work of the Finance Committee this year has been staggering. The tax bill, the trade bill, veterans' legislation, and the sugar bill were all poured in upon us. The major bills of the session have had to go through the Finance Committee, which does not have subcommittees, and which operates as a committee of the whole.

The Senator from Louisiana and I have felt for some time that there should be subcommittees of the Finance Committee, but this is not the occasion to go into the internal organization of the committee. I think this situation illustrates the disadvantage at which we are placed.

I can understand that once the rush starts, once the senior members of the committee bring up special interest bills, one can hardly be expected to fold his arms, take no action, and allow strategic Members to get on board the gravy train, and not do anything for their own constituents back home. I understand that perfectly.

I want it understood that I am not blaming the Senator from Minnesota in the slightest. It seems an ungracious thing for me to do this. The friendship that exists between Senators would make it much easier to soft-pedal these matters. But this proposal involves approximately $5,800,000. It is a very large sum. Without being self-righteous—and I think the Senator from Minnesota has perhaps at times regarded me as being self-righteous—I feel that we should not blanket this measure into the tax bill.

The special legislation with which we deal in the Senate never raises taxes, and never raises revenue. It is always to give a favor and to lessen taxes for some particular individual. We never remedy injustices in the tax structure that have to do with the general public. What we do is grant relief to pressure groups or certain individuals.

Mr. McCARTHY. There is an unused loss of approximately $5 million, all of which probably could have been transferred to the taxpayers of Illinois, Minnesota, and other taxpayers. The situation developed because of mismanagement and corrupt management. The fact is that probably $2 million to $3 million of the loss can be offset, so whoever is involved in the transit company would have losses of $2 or $3 million anyway.

Mr. DOUGLAS. I do not know the circumstances attending the purchase of the transit system from the undesirable elements which formerly owned it, but when the purchase was made the purchasers should have gone into these matters with their eyes open.

Mr. HUMPHREY. Mr. President, if the Senator will yield, it was not a matter of purchase. What happened was that the managerial body or group that was operating the transit company engaged in fraudulent activities. There are now new directors and new management, but there is not necessarily new ownership.

My interest in this situation was aroused by the fact that some of the most eminent and prominent citizens in our community asked that we consider this case and see if some relief could not be afforded. The present Internal Revenue Code provides that any transit company may convert from a street railway to buses over a period of years, and that losses that are sustained thereby are deductible against income.

Other transit companies have made this change and have taken advantage of the full-time factor under the present Revenue Code. This company did not do so. It did everything in 18 months instead of converting over a period of several years as prudent management would do in order to take full advantage of the present loss carryforward provisions in the law. It was one of the most unhappy, unfortunate situations.

Mr. DOUGLAS. It was not only unhappy and unfortunate, but it was fraudulent and crooked.

Mr. HUMPHREY. It was fraudulent and criminal.

Mr. DOUGLAS. Now the question is, Should the taxpayers be asked to bail out the company? I was interested in hearing the Senator say that the owners are the same now. Having allowed the former management——

Mr. HUMPHREY. I do not know that they are all the same. The majority of the shares of stock of this company are owned by thousands of people. As a matter of fact, the stock is listed on the New York Stock Exchange.

Mr. DOUGLAS. The Senator from Minnesota has again and again criticized the use of widows and orphans——

Mr. HUMPHREY. I do not mean that they own the bulk of the stock, but it is widely held. It is an old company. It has been in existence from the 1890's. It is the same old company.

Mr. DOUGLAS. How much of that was fraudulent?

Mr. HUMPHREY. The fact is that because of the fraudulent management of the company there was a failure to take advantage of $5 million of conversion expense in round figures.

Mr. DOUGLAS. Five million dollars was adjudged to be fraudulent?

Mr. HUMPHREY. I do not know that, Senator.

Mr. McCARTHY. It was not adjudged fraudulent. The fraudulent actions did not bear upon this. It was bad management to convert in 18 months, instead of spreading it over a longer period of time, so that the loss could be carried forward, as other companies carried forward their losses. My understanding is that the loss was not related to the fraudulent management at all. That was incidental and outside, I say to the Senator from Illinois.

Mr. DOUGLAS. I do not wish to delay the proceedings on the bill. I do not wish to carry on the discussion interminably. I merely ask whether the Senators from Minnesota would be willing to withdraw this amendment from the bill and to treat the matter separately.

Mr. McCARTHY. To do that, in effect, would be to say that there would be no action in this Congress, and I would have to refuse.

Mr. DOUGLAS. Then, Mr. President, I think we should have the discussion before the full Senate. Unless I hear a good reason to the contrary, I am going to suggest the absence of a quorum, which I am not quite doing at this moment.

Mr. HUMPHREY. Mr. President, before the Senator does that, I wish to say that there is legislation which is to come before the Senate very shortly, known as the mass transit legislation.

Mr. McCARTHY. The same argument which the Senator makes against this amendment would run against that proposal.

Mr. HUMPHREY. That mass transit legislation would provide grants and loans and financial assistance running into millions and millions of dollars.

Mr. DOUGLAS. It is not special legislation.

Mr. HUMPHREY. It is special legislation for cities which have mass transit systems.

Mr. DOUGLAS. Possibly Minneapolis could come in under that legislation.

Mr. HUMPHREY. That might be true.

Mr. DOUGLAS. I simply object to a $5.8 million grant for operations which were certainly at least partially fraudulent.

Mr. HUMPHREY. I say to the Senator from Illinois that the point is that if this company had been under normal prudent management the tax situation would have been identical to that we propose.

Mr. DOUGLAS. That remains to be demonstrated.

Mr. HUMPHREY. The figures show that there was a $10.2 million conversion loss.

Mr. DOUGLAS. And they allowed $5.2 million.

Mr. HUMPHREY. That was because there was a conversion in only 18 months, instead of taking the full time permitted under the law. The company did not have an opportunity under the law to take care of all the conversion loss.

Mr. DOUGLAS. Was not the conversion period speeded up because the management of the company wanted to loot the company?

Mr. HUMPHREY. Exactly. Exactly. The management of the company is one thing, and the stockholders and the bus riders are another.

Mr. DOUGLAS. But the owners of a company must be responsible for the management of the company. The management does not float in a void. It is elected by the stockholders. If the stockholders neglect their duty and permit a fraudulent management to continue, they are responsible.

Mr. HUMPHREY. Very well. What happens when a president of a bank runs away with the funds of depositors, and is then put in jail?

Mr. DOUGLAS. The bank suffers a loss.

Mr. HUMPHREY. The depositors are insured under a program of the Federal Government. The people of the United States help to pay for that insurance.

When there are programs of public interest, such as those involving the bank structure, when somebody takes the deposits we do not merely say, "Well, it is too bad for the depositors." We provide a program which says, in effect, "Savings up to so much are protected by the Federal Deposit Insurance Corporation."

We would say in this instance that since there were fraudulent practices, a criminal element, which resulted in defrauding the people and defrauding the company, there should be protection. Had the company adopted the practices of other transportation companies and converted gradually the losses of the company could have been charged off against profits in ensuing years.

All we say is that we do not want to have the stockowners and the public penalized because of the fraudulent activities of those who are presently serving prison sentences, when the tax laws could be modified so that there would be no loss either to the company or to the bus riders.

Mr. DOUGLAS. I will say to the Senators that in the absence of general legislation to protect the owners of street railway systems from fraudulent conduct by management, with the information which I now have available, I certainly do not wish to approve special legislation to bail out one company which suffered losses largely because of fraudulent conduct, which company now seeks relief.

Mr. McCARTHY. If the Senator would permit me to make a point in this regard, the company suffered losses not because of the fraudulent actions of the management but because the management was in and out so quickly. If the company had had the most honest management, the conversion losses would have occurred even under the honest management, but the losses could have been carried forward, and advantage taken of the general law with respect to rapid transit systems.

Mr. DOUGLAS. The junior Senator from Minnesota lives in one of the Twin Cities. The senior Senator from Minnesota lives in the other of the Twin Cities, and has been mayor of that city. The Senators are much more acquainted with the local situation than I am. I wish to say, however, it seems to be apparent that part of the speed with which the conversion was accomplished was itself part of the fraud.

Mr. McCARTHY. It was a different kind of fraud.

Mr. DOUGLAS. Now the general taxpayers of the country are being asked to bail out the owners who permitted these fraudulent officers to stay in office. They elected them to office and permitted them to continue for a period of time.

I do not wish to labor this point. I have great respect for the Senators from Minnesota, but I would like to suggest the absence of a quorum, and then we will get a vote on the amendment.

Mr. MILLER. Mr. President, will the Senator from Illinois yield for a question?

Mr. DOUGLAS. The Senator from Minnesota has the floor.

Mr. McCARTHY. Mr. President, I yield the floor.

Mr. MILLER. Mr. President, I should like to ask the Senator from Illinois whether this is about the same as asking Congress to waive the statute of limitations with respect to the filing of a claim for a refund of taxes.

Mr. DOUGLAS. I think that is correct, but in this circumstance it is connected with fraud.

Mr. MILLER. I can visualize, and I am sure the Senator from Illinois can visualize, a situation in respect to which a claim for refund was not filed because of mismanagement. In that situation, it has been my observation, the Congress usually does not waive a statute of limitations by a special act.

Mr. DOUGLAS. Sometimes the Congress does, unfortunately, by special legislation.

Mr. MILLER. If Congress should do that, would it do it under circumstances similar to those of this case?

Mr. DOUGLAS. Congress does that under circumstances in which the Ways and Means Committee of the House and the Finance Committee of the Senate will approve it. Generally, it is without public hearings, as a result of discussion in executive session. Then the provision goes through on the floors of the Houses of Congress, because no one wants to make himself unpopular by standing up and opposing a proposal advanced by an individual Senator.

Mr. MILLER. What the Senator is really saying is that while this has been done in the case of claims for refunds, because of special circumstances, he does not favor the approach in this case.

Mr. DOUGLAS. I do not favor it as a general approach. I certainly do not favor having such a thing blanketed into a general tax bill.

Mr. MILLER. I thank the Senator from Illinois.

Mr. PROXMIRE. Mr. President, will the Senator yield for a question?

Mr. DOUGLAS. Do I have the floor, Mr. President?

The PRESIDING OFFICER. The Senator from Illinois has the floor.

Mr. DOUGLAS. I am glad to yield, though I must say that I am not an expert on this matter. I have been merely questioning the amendment.

Mr. PROXMIRE. Although the Senator may not be an expert on this particular matter, he is an expert on this bill and I should like to ask him a question.

Is the pending amendment a proposal to put into the tax bill a special carryforward opportunity for a particular utility in Minnesota?

Mr. DOUGLAS. Yes; and a carryback opportunity, too, for a prior period of loss.

Mr. PROXMIRE. Would this apply to a particular utility?

Mr. DOUGLAS. Yes.

Mr. PROXMIRE. And not to others?

Mr. DOUGLAS. Yes.

Mr. PROXMIRE. Is that because only a specific year is involved?

Mr. DOUGLAS. Yes.

Mr. PROXMIRE. Would it be special legislation, in the sense that it would involve one particular concern?

Mr. DOUGLAS. That is correct.

Mr. PROXMIRE. Is it also true that, while special legislation of this kind has been passed in previous years, this would be unprecedented, or virtually unprecedented, in that it would be passed as a part of a general taxation bill?

Mr. DOUGLAS. I wish I could reply to that in the affirmative.

Mr. PROXMIRE. I said "virtually unprecedented." It is very rare?

Mr. DOUGLAS. Yes; I think it is relatively rare, but I think it is a practice which is increasingly creeping into legislation.

Mr. PROXMIRE. One of the advantages, from the standpoint of those who propose this amendment, as I understand, is that if it should become a part of the tax bill it would mean it would be impossible for the President of the United States to exercise his constitutional opposition to this particular provision by vetoing it, unless he vetoed the entire tax bill. Is that correct?

Mr. DOUGLAS. That has not been explicitly stated——

Mr. PROXMIRE. No; I do not say that is the intention. I say that would be one of the consequences.

Mr. DOUGLAS. That would be one of the effects, without question. The President could not exercise independent judgment with respect to the provision which he vetoed last year.

Mr. PROXMIRE. The Senator from Wisconsin is also deeply concerned about the implications of that kind of approach. Does it not seem that Senators who happen to have the advantage of being influential with powerful dominant members of the Finance Committee are in a position to obtain special consideration for their States, but those of us who have no such dominant representation or friends on that very important committee cannot obtain such recognition for our States?

Mr. DOUGLAS. There is a little verse that goes—

> The good old rule,
> The simple plan,
> That they shall take
> Who have the power
> And they shall keep
> Who can.

Those who have powerful friends on the Finance Committee, or are friends of powerful members of the Finance Committee, can frequently enjoy a better meal at the public table than those to whom the doors are barred.

Mr. SMATHERS. Mr. President, will the Senator yield?

Mr. DOUGLAS. I yield.

Mr. SMATHERS. I should like to have the Senator from Wisconsin know that any time that he has any problem involving anybody in Wisconsin, he will get just as sympathetic and prompt consideration from me as if the problem arose in my own State. So I do not want him to feel lonely or left out. He has a friend.

Mr. PROXMIRE. I thank the Senator. It is good to know that I have a friend.

Mr. KEFAUVER rose.

Mr. PROXMIRE. Before the Senator yields to the Senator from Tennessee, I should like to ask the Senator from Illinois finally if what I am about to state is a fair summation: First, the proposed provision is one which would favor one particular city or one particular State in the Union.

Mr. DOUGLAS. I would not say a city or a State.

Mr. PROXMIRE. One particular company.

Mr. DOUGLAS. One particular company.

Mr. PROXMIRE. That is correct; the stockholders and customers of that concern.

Mr. DOUGLAS. Not necessarily the customers.

Mr. PROXMIRE. Very well. The stockholders.

Second, it is a provision with respect to which the President has already indicated his position on the merits by vetoing it.

Mr. DOUGLAS. That is correct. He vetoed it last year.

Mr. PROXMIRE. If the measure were attached as a rider to a general tax bill the President would not have such independent opportunity in the future.

Mr. DOUGLAS. That is correct.

Mr. PROXMIRE. Third, the particular method attempted, while it may not be totally unprecedented, seems to be rare and, at least on the basis of the limited experience of the Senator from Wisconsin, who has been a Member of this body for 5 years, it is most unusual and does not seem to be available to Senators who represent other States.

Mr. DOUGLAS. I think it would create a most unfortunate precedent.

Mr. PROXMIRE. I thank the Senator.

Mr. KEFAUVER. Mr. President, will the Senator yield?

Mr. DOUGLAS. I yield.

Mr. KEFAUVER. Unfortunately, I did not hear all the colloquy. What is the difference, if any, between the proposed legislation and the measure that was previously vetoed by the President?

Mr. DOUGLAS. As I understand, they are identical.

Mr. KEFAUVER. I thank the Senator.

Mr. DOUGLAS. Mr. President, I suggest the absence of a quorum.

Mr. KERR. Mr. President, before the Senator does so, the Senator from Oklahoma would like the floor for a moment.

The PRESIDING OFFICER. Does the Senator withhold his request?

Mr. DOUGLAS. Yes. I withhold the request to oblige the Senator from Oklahoma.

The PRESIDING OFFICER. The Senator from Oklahoma is recognized.

Mr. KERR. Mr. President, for the record, I should like to make clear one or two things with reference to the amendment. In the first place, it is a general amendment which would be applicable to any company that might come under the specifications contained in the amendment.

Second, in view of the fact that the utility is regulated, its rates would ordinarily be set so as to enable the company to obtain a fair return on its investment and replace its investment.

It was an unfortunate set of circumstances that brought about the situation in which the streetcar company became involved. The company sustained severe losses due to the corruption of certain of its officers and managers. As I understand, some of those who were guilty were sent to the penitentiary.

The Senator from Oklahoma feels that the real people at interest are the consumers in Minneapolis and St. Paul, Minn. The rates of the street railway company will have to reflect its losses as well as be affected by its earnings. If it is not permitted to recoup its losses, its only alternative is to seek to increase its rates.

The Senator from Oklahoma feels, therefore, that the amendment has equity. Had he not thought so, he would not have favored its adoption in the committee. He would not have favored adoption and passage of the bill last year.

It is true that a similar bill was vetoed by the President of the United States. The President has a right to veto any bill that comes before him. It is also true that the Congress of the United States passed the bill. The Congress passed it because the Congress believed it was equitable. It passed it as it has passed many other pieces of legislation calculated to provide a better environment for transportation companies, both municipal and railway, intrastate and interstate. Many of them are in serious economic difficulties.

The Congress of the United States has probably given more consideration to the enactment of legislation calculated to provide a more favorable economic opportunity or environment for transportation companies than to any other subject upon which we have acted, except agriculture.

We have not done too well, in either field. The Senator from Oklahoma is in favor of legislation that will provide a more favorable economic opportunity for both. He thinks the amendment would do that. While it is a general measure, its application would be limited. If I were to find fault with it, it would not be because it was too broad, but because it was too limited. The Senator from Oklahoma still thinks that the principal beneficiaries of it would be the consumers, those who pay street railway transportation costs in the Twin Cities of Minnesota. He feels that the Senate would be not only justified, but acting in a spirit of equity and justice, if it approved the amendment.

Mr. HUMPHREY. Mr. President, will the Senator yield?

Mr. KERR. I yield.

Mr. HUMPHREY. I wish to correct, if I can, an impression relating to the bill. Under present internal revenue law, had the company had responsible and prudent management, and had converted over a period of years—rather than in 18 months—it could have charged off its conversion losses against future years' profits.

Because of the fraudulent management, and because the management converted in 18 months instead of 5 or 6 or 7 years, as many transit companies have, it was impossible for the company to take advantage of the provisions of the Internal Revenue Code which provide for a deduction of this conversion loss from income.

This bill does not cost the Treasury one dime more than had the company been operating under normal prudent management. It does not add new costs. It merely places the company in the position it would have been in had it had prudent management and converted over a period of years.

I have studied the report of the House Ways and Means Committee on this measure of a year ago, as well as the report of our own Committee on Finance. Even if there had been no fraudulent management, there would be the same problem relating to the conversion loss, because what really happened was a too rapid conversion to make the company eligible under the existing law. Therefore, we are merely asking that the law be modified so as to permit the company to take advantage of the provisions of the Internal Revenue Code, which provisions could have been and should have been applied under normal, prudent management back in the years 1953 and 1954 when the conversion losses were sustained.

This is no drain on the Treasury. As the Senator from Illinois has said, this is a regulated utility. I call to the attention of my colleagues in the Senate that under the constitution of the State of Minnesota, State statutes and judicial decisions, both State and Federal, it is mandatory that shareholder investments are entitled to a reasonable rate of return. Such reasonable rate of return is guaranteed, regardless of Federal income taxes incurred by the company in any amount. Shareholder's return is determined by law as administered by the Minnesota Railway and Warehouse Commission, and is not affected by the passage of this act.

I call attention to the fact that if this legislation is not provided, there is only one thing left for the company to do, and that is to raise its rates, which means that the bus rider, who is also a taxpayer, will pay more. This is the law. The State constitution itself provides that.

All we are asking for is what was indicated a moment ago in the discussion and colloquy. We are asking for an extension of time, as the President has suggested in his own mass transit message of this year; an extension of time for conversion loss privileges. That is all.

I remind Senators that before many months we will have mass transportation problems in city after city. We are trying to take care of one of these problems in our own community. It seems it is a matter of simple equity to support the amendment.

Mr. KERR. Mr. President, as I understand, if the bill is enacted, the loss that can be carried forward is less than $2½ million. I would like to have the Senator from Minnesota correct me if I am not correct.

Mr. HUMPHREY. Yes; it is estimated that the losses the company could avail itself of based on projected future earnings is around $2.5 million.

Mr. KERR. In other words, if it earned it under its present rates, it would have an opportunity to recover approximately $2½ million in losses which it did not recover in the regular 5-year carry-forward period. Is that correct?

Mr. HUMPHREY. Yes; and had it converted gradually over a several-year period it could have recovered even more of its loss. In fact, it could have recovered the full $5,200,000. Time is running out. If we lose this opportunity, to recover approximately $2½ million, and wait another year, the recoverable loss will be lower. As my colleague, who is a member of the Committee on Finance has pointed out, when people ask, why must this be done this year, the answer is that it must be done this year because if we wait another year, the recoverable loss will be even lower, perhaps a million or a million and a half dollars. We have already hurt the people who have made investments, and the people who ride the buses.

Mr. PASTORE. Mr. President, will the Senator yield?

Mr. DOUGLAS. Mr. President, who has the floor?

The PRESIDING OFFICER. The Senator from Oklahoma has the floor.

Mr. KERR. I yield to the Senator from Minnesota.

Mr. DOUGLAS. I thought the rules of the Senate provided that a Senator loses the floor when he sits down.

Mr. KERR. The Senator's point is well taken. The Senator from Oklahoma will remain on his feet.

I ask unanimous consent that I may yield so that the Senator from Rhode Island may ask a question of the Senator from Minnesota.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. PASTORE. I understand that this concession applies to only one company, although it is general in terms.

Mr. HUMPHREY. That is correct.

Mr. PASTORE. I understand that this company has its affairs and charges and profits regulated by some State authority. Is that correct?

Mr. HUMPHREY. Yes; a State constitutional provision also applies, under which the shareholders are guaranteed a certain rate of return. If this conversion loss is not approved now, and the time is extended, the only answer is an increase in rates. We have already had an increase in rates.

Mr. KERR. Mr. President, I yield the floor.

Mr. DOUGLAS. Mr. President, this is a very important matter. It deserves to be discussed before a larger number of Senators than there is on the floor now. A hasty count indicates only 11 or 12 Senators on the floor. I am about to ask for a quorum. I do not intend to tie up the Senate on quorum calls, but I do think we should have a larger attendance. I therefore suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names.

[No. 226 Leg.]

Aiken
Allott
Bartlett
Beall
Bennett
Boggs
Bottum
Burdick
Bush
Butler
Byrd, Va.
Byrd, W. Va.
Cannon
Capehart
Carlson
Carroll
Case
Chavez
Church
Clark
Cooper
Cotton
Curtis
Dirksen
Dodd
Douglas
Eastland
Ellender
Engle
Ervin
Fong
Fulbright
Goldwater
Gore
Hart
Hartke
Hayden
Hickenlooper
Hickey
Hill
Holland
Hruska
Humphrey
Jackson
Javits
Johnston
Jordan, N.C.
Jordan, Idaho
Keating
Kefauver
Kerr
Kuchel
Lausche
Long, Mo.
Long, Hawaii
Long, La.
Magnuson
Mansfield
McCarthy
McClellan
McGee
McNamara
Metcalf
Miller
Monroney
Morse
Morton
Moss
Mundt
Muskie
Neuberger
Pastore
Pearson
Pell
Prouty
Proxmire
Robertson
Russell
Saltonstall
Scott
Smathers
Smith, Mass.
Smith, Maine
Sparkman
Stennis
Talmadge
Thurmond
Tower
Williams, N.J.
Williams, Del.
Yarborough
Young, N. Dak.
Young, Ohio

Mr. HUMPHREY. I announce that the Senator from Nevada [Mr. Bible] is absent on official business.

I further announce that the Senator from New Mexico [Mr. Anderson], the Senator from Alaska [Mr. Gruening], the Senator from Missouri [Mr. Symington], and the Senator from West Virginia [Mr. Randolph] are necessarily absent.

Mr. KUCHEL. I announce that the Senator from New Hampshire [Mr. Murphy] and the Senator from Wisconsin [Mr. Wiley] are necessarily absent.

The PRESIDING OFFICER. A quorum is present.

Mr. DOUGLAS. Mr. President, what is the pending question?

The PRESIDING OFFICER. The pending question is on agreeing to the committee amendment known as No. 8, beginning on page 388, in line 11.

Mr. DOUGLAS. Is it section 24 of the bill?

The PRESIDING OFFICER. Yes, section 24.

Mr. DOUGLAS. Is it the proposed legislation in regard to the Twin Cities Transit Co.?

The PRESIDING OFFICER. That is correct.

Mr. DOUGLAS. Mr. President, on the question of agreeing to this amendment, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

The yeas and nays were ordered.

Mr. DOUGLAS. Mr. President, I am glad there is now a quorum present, or at least that a quorum answered to the rollcall.

I wonder whether we may have an explanation of this proposal. Are its sponsors on the floor?

Mr. DIRKSEN. Mr. President, will the Senator from Illinois yield for a parliamentary inquiry?

Mr. DOUGLAS. I shall be glad to yield for a question.

Mr. DIRKSEN. I wish to direct a parliamentary inquiry to the Chair.

Mr. DOUGLAS. I yield for a parliamentary inquiry, with the understanding that I shall not thereby lose my right to the floor.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DIRKSEN. Mr. President, as I understand, the pending question, on which the yeas and nays have been ordered, is on agreeing to the committee amendment to make certain tax restitution to the street railway system of the Twin Cities of St. Paul and Minneapolis, as a result of the peccadillos or peculations of officers of that company, and because of the fact that in order for it to continue in operation, it would be necessary for it to have a sharp increase in its rates if this proposed tax relief were not afforded.

Mr. DOUGLAS. Mr. President, is that a proper parliamentary inquiry?

Mr. DIRKSEN. Well, Mr. President, it is not, as a matter of fact, as I understand.

Mr. DOUGLAS. Mr. President, is that a proper parliamentary inquiry?

The PRESIDING OFFICER. No, it is not.

Mr. DIRKSEN. It is a matter of general information.

Mr. DOUGLAS. Mr. President, is no sponsor of the amendment ready to rise to defend it?

Mr. DIRKSEN. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. Does the Senator from Illinois yield for that purpose?

Mr. DOUGLAS. No, I do not yield for that purpose. I think the sponsors of the amendment should be allowed a decent period of time in which to come to the floor and explain the amendment.

Mr. KERR. Mr. President, a parliamentary inquiry: What is the pending question?

The PRESIDING OFFICER. The Senator from Illinois has the floor——

Mr. DOUGLAS. Mr. President, I had hoped that the sponsors of this amendment would—now that the yeas and nays have been ordered—explain the amendment. The previous discussion took place before a relatively small number of Senators.

Mr. KERR. Mr. President, if the Senator from Illinois is looking at me, I wish to say that I put an explanation of the amendment in the Record and in the report. The amendment has been explained on the floor of the Senate by the Senator from Oklahoma, by the Senator from Minnesota [Mr. McCarthy], by the Senator from Minnesota [Mr. Humphrey], and by the Senator from Illinois [Mr. Douglas]. Not only has the Senator from Illinois listened to a number of explanations of this amendment, but he has also made an explanation of the amendment, on the floor; and it is in the Record. If he cannot remember it any longer than this, then I see no reason why it should be explained again.

So far as I am concerned, I am willing to have the Senate vote.

Mr. DOUGLAS. Mr. President, who has the floor?

Mr. KERR. You do.

The PRESIDING OFFICER. The Senator from Illinois has the floor.

Mr. DOUGLAS. I thank both the Presiding Officer and the Senator from Oklahoma.

Mr. President, the previous explanation took place when only a few Senators were on the floor. I think at one time I counted six or seven. It was for that reason that I asked for a quorum call.

The Senator from Oklahoma has said there has already been sufficient explanation, because it is in the RECORD. But the RECORD will not be printed or read until tomorrow morning. So the Senator from Oklahoma is really suggesting that the Senate vote without an adequate oral presentation to the Senators now present.

I see a number of very important and very fine Senators on the floor—the great Senator from Texas [Mr. YARBOROUGH], the Senator from Georgia, the Senator from New Mexico, the Senator from South Carolina, the two Senators from Vermont, the Senator from Hawaii, the two Senators from Delaware, the Senator from South Dakota—who were not here when the original discussion took place. I therefore hope we can get an explanation. Then, I want to say, my comments will be brief, and we can proceed to a vote. But I do not think the Senate should be asked to proceed in the absence of an explanation.

Mr. President, I pause. I try to be fair to the proponents of the bill. I am ready to sit down.

Mr. KERR. Nobody is hindering the Senator.

Mr. DOUGLAS. I thank the Senator for his characteristic courtesy.

Mr. KERR. Does the Senator yield the floor?

Mr. DOUGLAS. Mr. President, I am ready to yield the floor, if the proponents of the amendment will take the floor and explain it and defend it.

The PRESIDING OFFICER. The question is on the amendment.

Mr. KERR. Mr. President, as I said a while ago, the proposal has been explained in committee and on the floor, this year and last year. The Senator from Minnesota [Mr. McCARTHY], author of the amendment, is present, and the Senator from Minnesota [Mr. HUMPHREY] is familiar with it. If Senators want to ask them any questions, I am sure they will be glad to answer them. I am sure the Senator from Illinois will want Senators to speak for themselves as to what information they want on the amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment——

Mr. DOUGLAS. Mr. President, are we to put the question without any real explanation of the amendment?

Mr. HUMPHREY. Mr. President, will the Senator yield?

Mr. DOUGLAS. I yield.

Mr. HUMPHREY. I want to do the best I can to accommodate the Senator, but I am not the expert in this field. I see present my distinguished colleague [Mr. McCARTHY], who is on the Finance Committee. We have attempted three or four times to explain the measure. Some Senators were not present at that time.

The simple explanation is that the present Internal Revenue Code provides that any transit company may convert from a street railway to buses over a period of years and losses thereby sustained are deductible against income. Other transit companies, when changing from streetcars to buses, took full advantage of the loss carryover provision in the law by converting over a period of many years. The company sustained a conversion loss of $10.2 million. Due to a combination of fraudulent and poor management, the company did not take advantage of its full conversion offsets under the tax code. It took advantage only of approximately $5 million of such conversion loss.

Under present law, the carryforward time has expired. The pending amendment seeks to extend the time so that the company may take advantage of the remaining conversion losses under the Internal Revenue Code.

Mr. PASTORE. Mr. President, will the Senator yield?

Mr. HUMPHREY. I yield.

Mr. PASTORE. In other words, this is something to which the company would have been entitled if the officers of the company had not been corrupt and if they had not been in jail?

Mr. HUMPHREY. The Senator is correct. I want to make crystal clear that this is a stock company regulated under the laws of the State of Minnesota. The constitution of the State provides that shareholders are entitled to a reasonable return on stock. Therefore, if this type of remedial legislation is not passed, there is only one way in which the shareholders can receive what the State constitution provides; namely, a fair return, and that is by an increase in rates. This amendment does not provide for a single thing the company was not entitled to had there been a gradual conversion. It provides only that this particular company, which converted in 18 months, under, regrettably, most unfortunate and corrupt management, but which is now reorganized and has a new management, and which represents some of the finest citizenry of our State, will be permitted to take advantage of the tax loss to which it was entitled.

Mr. RUSSELL. Mr. President, will the Senator yield?

Mr. HUMPHREY. I yield.

Mr. RUSSELL. How many of the old managers were involved in the peculations?

Mr. HUMPHREY. I could not tell the Senator, but the manager of the company was indicted in the district court and sentenced. Others were involved and sentenced to the penitentiary.

Mr. RUSSELL. Will the Senator inform us as to the length of time?

Mr. HUMPHREY. Several years. I do not want to make it appear that those who defrauded the company ran away with the money involved in this situation.

Mr. RUSSELL. Was any restitution made?

Mr. HUMPHREY. Some restitution was made, yes.

This company is not particularly a profitmaking company, as is true of most transit companies. What we are trying to do is to provide an opportunity, in case this company does make enough money, to use its conversion losses as deductible items against income. It will be very fortunate if the company is able to claim $2 million out of the $5 million, because most transit companies are barely getting by today.

Not only was this measure thoroughly considered by the Ways and Means Committee of the House and the Finance Committee of the Senate, but the Treasury Department has not raised any objection to this particular proposal. Equity is involved here. Of course, these are unusual circumstances, there is no doubt about it, and the unusual circumstances are so unusual that the case went to the district court, and jail sentences were fixed for those who managed the company.

Mr. RUSSELL. Does the Senator remember the amount lost as a result of the peculations, and the amount recovered?

Mr. HUMPHREY. No, I do not. Had there not been fraudulent conduct, had the management been honest, the fact of the matter is that by accomplishing conversion in an 18-month period the company could not possibly have taken advantage of the provisions of the Internal Revenue Code, which provide for 3 years back and 5 years forward. It was bad management. It was fraudulent management. The company would have been entitled to a $10,200,000 conversion loss. We are seeking to extend the carryover provisions of the Internal Revenue Code for a few more years within the spirit of the terms of the President's transportation message so that if the company makes money—I repeat, if the company makes money—it can charge off some of these conversion losses which the Internal Revenue Service has said it can certify against the profit. There is no guarantee that it will be able to do it. It may not make money. It may break even, or lose money, and it may not be able to take advantage of the legislation at all.

This is no windfall. It permits the company, now that it has been reorganized—and it is a public utility regulated by the Railroad and Warehouse Commission of Minnesota—to be able to charge a conversion loss against its profit, as any other company has the right.

Mr. PROXMIRE. Mr. President, will the Senator yield?

Mr. HUMPHREY. I yield.

Mr. PROXMIRE. If this bill passes, will this provision apply to any other company in the country besides the Twin Cities Rapid Transit Co.?

Mr. HUMPHREY. Yes; under similar circumstances it will.

Mr. PROXMIRE. The similar circumstances would mean that the corporation would have had to suffer a net loss between December 31, 1953, and December 31, 1954. If it had it in the following year or the previous year, it would not apply?

Mr. HUMPHREY. That is correct. That is not unusual.

Mr. PROXMIRE. It seems unusual to this Senator that it would have to apply to that particular year, and not to the year before or the year after; it would have had to occur in the same year that it happened to the Twin Cities Rapid Transit Co., and would apply only under those circumstances.

Mr. HUMPHREY. That is correct.

Mr. PROXMIRE. Now I ask the Senator if we would not be establishing the precedent that, if at any time in the future, because of bad management or fraudulent management, a utility should lose money, or should be in a position similar to the one in which this company is, it would be appropriate to come to the Congress and to have a rider put on a general tax bill for the relief of that company, in the form of an additional carryforward provision? That is what is to be done under these circumstances, rather than to introduce the proposal as a bill, because, if introduced as a bill, the President would veto the bill. Is it the position of the Senator from Minnesota that it should be put and can be put on a general tax bill as a rider, so that the President cannot veto it? Is that correct?

Mr. HUMPHREY. I know my colleague wants me to be very frank with him.

Mr. PROXMIRE. Yes.

Mr. HUMPHREY. The truth is that it might be better if we could do this by regular special legislation.

I will say to the Senator, however, that each year we let this problem go by, this particular company and this particular public service loses an opportunity to regain its so-called conversion losses.

In addition, there is the fact that we know we are coming to the end of this session, and we shall have very little opportunity to pass any legislation such as this.

This is not an unusual proposal. I have in my hand a whole series of remedial tax precedents which have been used for railroads, street railways, steamship lines, banks, and insurance companies. This has happened repeatedly.

Mr. PROXMIRE. Not under circumstances of this kind.

Mr. HUMPHREY. Each time there is a separate set of circumstances. Each time remedial legislation is passed it relates to a special set of circumstances.

Mr. PROXMIRE. This is a situation in which the owners now are the same owners, roughly, the street railway had in 1953 and 1954, when the difficulties developed. Is that not correct?

Mr. HUMPHREY. In part, but not completely.

Mr. PROXMIRE. Generally, they are the same owners.

Mr. HUMPHREY. The stock is on the New York Stock Exchange.

Mr. PROXMIRE. Do not the owners of a company, basically and as a matter of principle, have the responsibility for the management of the company? They own the stock. They can vote one management out and vote another management in.

Mr. HUMPHREY. And they did.

Mr. PROXMIRE. Yes, indeed. The Senator is saying that when this happens the Government should step in and provide a "bail-out" operation.

Mr. HUMPHREY. What the Senator from Minnesota is saying is that the management of the company was entitled, according to the Internal Revenue Code, to a $10.2 million conversion loss.

The management of the company was very poor management, working supposedly in the name of the stockholders, and was a fraudulent management, and converted in only 18 months instead of over a period of several years as prudent management would, and thus could take advantage of only slightly more of $5 million of the $10.2 million conversion losses.

That management was fired. That management was prosecuted. That management was imprisoned.

All my colleague, the junior Senator from Minnesota [Mr. McCarthy] did, by offering his proposal, was to say that since the company was entitled, according to the Internal Revenue Code, to $10.2 million of conversion losses had there been proper management we should amend the law to permit an additional period of time for the company to qualify, it it can.

I am before the Senate saying the company cannot qualify for more than a fraction of that amount. They will be lucky to qualify for $2 million.

Mr. PROXMIRE. Why not generalize?

Mr. HUMPHREY. So the Treasury Department has gained a windfall of $3 million. We have helped the other States.

Mr. DOUGLAS. Mr. President, will the Senator yield?

Mr. PROXMIRE. If the Senator will yield for one more question before the Senator from Illinois interrogates him, why not generalize the provision to apply to all circumstances and to all utilities, in the event of such a loss, instead of limiting it to 1 year and in effect to Twin Cities Rapid Transit.

Mr. HUMPHREY. If the Senator will permit me, why does the Senator not offer such an amendment?

Mr. PROXMIRE. I think it would be unconscionable. I think it would be very bad. I think this is a bad proposal.

What we are asked to say, in effect, is, "if you have bad management and if because of this management the company loses money, then, if you have powerful friends in the U.S. Senate on the Finance Committee"——

Mr. HUMPHREY. May I say to the Senator——

Mr. PROXMIRE. Surely this is the case. The Senator knows this is the case.

Mr. HUMPHREY. I say to the Senator——

Mr. PROXMIRE. It is obvious. The Senator from Wisconsin does not have this power. I am sure that I could not possibly persuade the "powers that be" on the Finance Committee to do this. I would not have a chance.

Mr. HUMPHREY. The Senator from Wisconsin has as much power as any Senator in this body. Some people think that he has more power than other Senators in this body.

Mr. PROXMIRE. I am sure that is not true. If a person happens to come from a State which has powerful Senators of this kind, he can then seek to tie riders onto bills, even if the President of the United States says that it is wrong and vetoes it, and says that it should not be done. It would still become law. I say that would be a bad precedent. I think it would be very bad public policy, unless generalized and applied to all equally, and then the proposal would not get enough votes to put in the Senator's hat, if we should generalize this kind of provision, and the Senator knows it.

Mr. HUMPHREY. I say to the Senator that one of the duties of any public body—legislative, judicial, or executive—is to give equity. That is the first duty of government.

Mr. PROXMIRE. I agree. That is why I am opposing this amendment.

Mr. HUMPHREY. What we are attempting to do, stated simply, is to provide in the law an opportunity for the stockowners and for the bus riders to be treated equitably. They were defrauded. They were victims of poor management. They were victims of fraudulent management.

The Congress of the United States has written into the law that railway and street railway systems in converting into bus systems may apply losses thereby incurred against past and future earnings.

This company, because of its then corrupt management, could not take full advantage of this law. Who was hurt? The stockholders were hurt. Who else was hurt? The bus riders were hurt.

Make no mistake about it, the shareholders of this company, under the constitution of the State and the statutes of the State, as well as the judicial decisions pertaining thereto, are entitled to a reasonable return on their investment. If they do not get that reasonable return under the present rates, and if they do not get some relief under tax laws passed for their benefit, the rates will go up.

It is that simple. That is all there is to it. I am not one who ordinarily rides the buses. I do not own a share of stock.

Mr. PROXMIRE. I have never said that. Nobody has challenged the integrity of the Senator from Minnesota.

Mr. HUMPHREY. I understand that. I fully understand that these matters ought to be debated.

The Senator from Illinois said that we ought to have an explanation. I agree with the Senator. This ought to be debated. This is not an easy matter to present, but thousands of people are involved. A community was victimized. Hundreds and thousands of stockholders were victimized. Thousands of bus riders can be victimized, and the Congress of the United States can give them equity.

That is all we are seeking to do. We simply say, "Help us out." We do not ask help for the Senators from Minnesota, but we ask help in regard to a set of circumstances which was unique and different.

If the Senator from Wisconsin presents such a set of circumstances pertaining to the welfare of the people whom he represents, I shall be the first to back him up, and that goes for any other Senator.

Mr. PROXMIRE. Let the bill stand on its own feet, rather than be proposed as a rider.

Mr. HUMPHREY. The bill before the Senate is a tax bill.

Mr. PROXMIRE. Under the present proposal, the constitutional process cannot work itself out.

Mr. HUMPHREY. The bill is a tax bill.

Mr. PROXMIRE. The President vetoed it once.

Mr. AIKEN. Mr. President, may I ask the Senator from Minnesota a question?

Mr. HUMPHREY. I yield.

Mr. AIKEN. When did this infamous skullduggery take place?

Mr. HUMPHREY. The court decision was a recent one. I am not familiar with all the details.

Mr. AIKEN. Has a bill been introduced?

Mr. HUMPHREY. Yes. An identical bill passed Congress last year.

Mr. AIKEN. It passed the House last year?

Mr. HUMPHREY. Yes. It was reported unanimously by the House Ways and Means Committee, after hearings and a report.

Mr. DOUGLAS. If the Senator will pardon me, will the Senator correct that statement? It is my understanding that there were no hearings in the House. The bill was passed after an executive session by the House Ways and Means Committee.

Mr. HUMPHREY. I am sorry.

Mr. DOUGLAS. It was passed after an executive session by the Senate Finance Committee.

Mr. McCARTHY. There was a report.

Mr. HUMPHREY. There was a published report.

Mr. DOUGLAS. But not hearings.

Mr. HUMPHREY. There were no public hearings, but the Treasury Department officials were called in. There was a discussion, and there was testimony taken in executive session. The Senator is correct.

(At this point Mr. YARBOROUGH assumed the chair as Presiding Officer.)

Mr. DOUGLAS. Mr. President, now that the Senator from Minnesota has taken his seat, I wish to say that this matter can be considered in two forms: First, from the standpoint of procedure; and, second, from the standpoint of substance.

So far as the procedure is concerned, the bill, as has been shown by the questioning, was passed by the House without debate last year and without prior hearings by the House Ways and Means Committee. The bill came to the Senate in the concluding days of the session last year. I well remember the pressure under which we were operating in those last hectic days.

The proposal was reported without public hearings as a separate bill by the Senate Finance Committee 5 days before the Congress adjourned. It was passed I believe in those midnight hours when we were trying to get legislation through and when legislation would pass with the speed of light, it being very difficult to trace each individual measure which was being considered.

The bill then went to the President of the United States, and he vetoed it on the 4th of October.

It was quite a detailed veto. He said that the measure was designed "for the relief of one taxpayer, the Twin City Rapid Transit Co., of Minneapolis, Minn." He explained:

> The losses were incurred in 1953 and 1954, when the company was managed by officers who were subsequently found guilty of conspiracy to defraud the company. The position of the company is, in essence, that the management converted rapidly from a street railway to a bus system in order to complete its fraudulent activities quickly, intentionally disregarding the income tax consequences.

In other words, the speed of the conversion was a part of the whole fraudulent process, not separate from the fraudulent process.

The President went on to say:

> I can see no reason for making an exception to the policy of uniform treatment under the net operating loss carryover provisions of the taxing statutes under these circumstances.

The President then went on to give his reasons:

> First, the extent to which tax considerations governed or would have governed the conversion from street railway to bus operations is necessarily uncertain.

The following is extremely important:

> Secondly, assuming that the fraudulent conduct of the management of the company made it impossible to deduct all the losses sustained, it would be unfair to shift the consequences of that dereliction to the public through special tax relief.

Mr. President, I emphasize what the Senator from Minnesota, with his characteristic honesty, has said. They are substantially the same now as they were then.

Continuing to read from the President's veto message:

> The stockholders of the company were certainly in a better position than the general public to guard against the misconduct of their officials. Thirdly, approval of this legislation is inconsistent with orderly tax administration. It discriminates in the treatment of taxpayers similarly situated and grants relief retroactively.

In the final paragraph the President said:

> Although disapproval of this legislation may reduce the ability of the company to postpone or avoid a request for increases in its rates of fare, that fact should not be used to modify the tax system to shift the burden of losses from the taxpayer and the local community to the country as a whole.

The veto message is signed by John F. Kennedy.

The junior Senator from Minnesota, who followed the reading of the veto message, has stated that the reading is accurate and correct.

We find the same bill reemerging as section 24 of the general tax bill. I think it can be described as a rider to the bill. It is special legislation in the very thin disguise of general legislation.

If it were a separate bill, the President would have an opportunity to consider it again. The Senators from Minnesota have said that the administration has changed its position during this time, as evidenced by the President's message on mass transportation and his public sponsorship of the Du Pont bill, which the Senator from Illinois, the Senator from Tennessee, and others opposed, and which at least the junior Senator from Minnesota favored.

I do not know whether the President has changed his mind or not, but at least he should be given an opportunity to pass upon the proposed legislation in a separate bill. If he has changed his mind, and if the Congress wishes to pass the measure and put it up to the President, that is all right with me, although on the basis of my present knowledge I shall vote against such a bill. But I submit that it should be submitted, if it is submitted at all, as a separate bill, and not as part of a general tax measure which the President could not reach. Section 24 would be immunized from a veto. I should like to see the proposal stand on its own merits.

Passing from the procedural features to the substantive features of the measure, I have listened to the argument. It seems to me the bill aims to give to shareholders a guaranteed return, even if the officers run off with the money.

It would make the general taxpayers responsible for the dereliction and fraud of the officers of the company. The Senator from Minnesota used the illustration of a bank president's embezzlement. I suggest that such a loss is made good through a guarantee of the bank deposits. Even in that case, there is no true analogy, because the assessment is upon banks as a whole, and not upon the general taxpayers. This proposal would be an assessment upon the general taxpayers. If the Senator from Minnesota wishes to propose the establishment of a separate fund to protect the officers of companies from the fraud and theft of officials, he can do so. I will not vote for such a measure. I doubt whether the Senator from Minnesota would ever propose it. But if he wishes to do so he can.

But what he is saying is that in cases in which officers have looted a company—and the testimony in the criminal trial indicated that the officers were closely connected with the so-called criminal syndicate—the stockholders should be bailed out.

Mr. PROXMIRE. Mr. President, will the Senator yield on that point?

Mr. DOUGLAS. I am glad to yield.

Mr. PROXMIRE. I understand that the Senator has pointed out that the FDIC analogy is invalid because the FDIC benefit is based upon charges against the benefiting bank's premiums which it pays for its own insurance.

Mr. DOUGLAS. That is correct.

Mr. PROXMIRE. The loss is not an imposition on the public.

Mr. DOUGLAS. The Senator is correct.

Mr. PROXMIRE. To argue that a bank failure is taken care of in that way provides no analogy. There is no comparison between that kind of situation and one in which there is fraud on the part of management.

Mr. DOUGLAS. There is no logical analogy.

Mr. PROXMIRE. There is no logical analogy.

Mr. DOUGLAS. Mr. President, that is the situation. The subject is not a pleasant one for me to discuss. The two Senators from Minnesota have been my long-time personal friends. I campaigned for both of them. I hope that my personal friendship will continue after today. It is not pleasant to rise on the floor of the Senate and make objections, and subject oneself to the barbs of the powerful Senator from Oklahoma [Mr. Kerr]. That is not a pleasant experience. But this is a subject of general importance; and although I am sure the Senators from Minnesota have the worthiest of motives and are merely trying to help an important corporation in their cities, the proposal is really against the public interest. So I very much hope that the provision will be stricken out.

Mr. HUMPHREY. Mr. President, will the Senator yield?

Mr. DOUGLAS. I yield.

Mr. HUMPHREY. The management of that company, by poor management—aside from their fraudulent activities, gave the Treasury of the United States a windfall of more than $5 million, because had the management taken advantage of existing law, there would have been an additional $5 million of conversion losses that could have been applied against the future earnings of the company if the company had earned that much money. All we are saying is that perhaps the Treasury ought not to have that windfall.

Secondly, we are saying that since the President, in his proposed new transit legislation, has recommended a 7-year carryover on losses for conversion purposes in connection with mass transit, we should extend the opportunity of this company. We are further saying that not a single dollar would be lost to the Treasury under the proposal that would not have been lost to the Treasury under the present internal revenue laws had the management of that company acted in a prudent manner. That is all. That is the simple case.

Mr. DOUGLAS. Mr. President, I wish to reply briefly to my good friend. I hope he is my good friend.

Mr. HUMPHREY. I assure my friend from Illinois that in moments like these, when we stand up and voice some honest disagreement, I love him even more.

There is no Senator who is closer to my heart and affection than the Senator from Illinois.

Mr. DOUGLAS. That is mutual and reciprocal. If all the things the Senator from Minnesota has said are true, I should like to ask, why did the President veto the bill last year? The President does not operate in a void. He gets advice not only from the White House staff but also from the Treasury. I would presume that he did it with the advice of the Treasury. If there has been a change of heart on this matter, let the President have a chance to pass upon it in the form of a separate bill.

Mr. McCARTHY. Mr. President, will the Senator yield?

Mr. DOUGLAS. I yield.

Mr. McCARTHY. The Senator knows that the President vetoed the bill on October 4, after Congress had adjourned. I would therefore suggest that after the Congress adjourns the President operates in a partial vacuum.

Mr. DOUGLAS. The Senator knows that the bill was passed in the last hectic moments before we adjourned, when parliamentary dignity tends to be thrown aside, and in the rush to get out all kinds of things go through. The Senator from Illinois for some years, acting in his role of gadfly, which has not made him popular, used to object to these last minute tax bills. I can remember doing that. However, one gets worn out by the strain, particularly when one is subject to the mighty verbal bludgeonings of the Senator from Oklahoma, who then says I pretend to be the only man of conscience in the Senate, which of course is not true.

Mr. AIKEN. Mr. President, will the Senator yield?

Mr. DOUGLAS. I yield.

Mr. AIKEN. I was intrigued by the statement of the senior Senator from Minnesota, when he said that as a result of this embezzlement by the management the Federal Treasury received $5 million which it otherwise would not have received. My question is, how many embezzlements would it take throughout the 50 States of the Union in order to balance the budget?

Mr. DOUGLAS. That is very amusing, and I believe it shows up the faultiness of the claim. I am willing to yield the floor, and I suggest that we proceed to vote. First, may I make a parliamentary inquiry?

The PRESIDING OFFICER. The Senator will state it.

Mr. DOUGLAS. What will a "yea" vote on this measure be?

The PRESIDING OFFICER. A "yea" vote will be to sustain the committee amendment and keep the section in the bill.

Mr. DOUGLAS. And a "nay" vote will be to strike the section from the bill.

The PRESIDING OFFICER. A "nay" vote will strike that section from the bill.

Mr. GORE. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. GORE. Would not a "yea" vote, instead of being a vote to sustain the amendment, be one for the adoption of the amendment?

The PRESIDING OFFICER. It would be to sustain the position of the committee and be for the adoption of the amendment.

Mr. GORE. I thank the Chair.

Mr. DOUGLAS. I do not know whether that ruling is correct but at least it lays down the ground rules. A "yea" vote is a vote for the amendment and for the section, and a "nay" vote is a vote against the section. Is that correct?

The PRESIDING OFFICER. That is correct. The yeas and nays have been ordered, and the clerk will call the roll.

Mr. WILLIAMS of Delaware. Mr. President, our committee gave careful consideration to this proposition. As one member of the committee, I believe it has merit and I believe the amendment should be adopted.

I realize that we are dealing with a particular situation, but I do not know how else we can approach it. I and a majority of the committee believe there is merit to it and that the amendment should be approved. I say that as one who has not had the good fortune of visiting the great city of Minneapolis. I do not know any of the stockholders; nor do I know any of the company officials. I merely say that the amendment has been approved by the committee on the basis of its merits, and I believe the Senate should consider it on the same basis.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment. The yeas and nays have been ordered, and the clerk will call the roll.

The Chief Clerk called the roll.

Mr. HUMPHREY. I announce that the Senator from Nevada [Mr. Bible] and the Senator from Arizona [Mr. Hayden] are absent on official business.

I further announce that the Senator from New Mexico [Mr. Anderson], the Senator from Alaska [Mr. Gruening], the Senator from Missouri [Mr. Symington], and the Senator from West Virginia [Mr. Randolph] are necessarily absent.

I further announce that, if present and voting, the Senator from Missouri [Mr. Symington], the Senator from Nevada [Mr. Bible], the Senator from Arizona [Mr. Hayden], and the Senator from New Mexico [Mr. Anderson] would each vote "yea."

On this vote, the Senator from West Virginia [Mr. Randolph] is paired with the Senator from Alaska [Mr. Gruening]. If present and voting, the Senator from West Virginia would vote "yea," and the Senator from Alaska would vote "nay."

Mr. KUCHEL. I announce that the Senator from New Hampshire [Mr. Murphy], the Senator from Massachusetts [Mr. Saltonstall], and the Senator from Wisconsin [Mr. Wiley] are necessarily absent.

If present and voting, the Senator from New Hampshire [Mr. Murphy] and the Senator from Massachusetts [Mr. Saltonstall] would each vote "yea."

The result was announced—yeas 74, nays 17, as follows:

[No. 227 Leg.]

YEAS—74

Aiken
Allott
Bartlett
Beall
Bennett
Boggs
Bottum
Bush
Butler
Byrd, Va.
Byrd, W. Va.
Cannon
Capehart
Carlson
Carroll
Case
Church
Clark
Cooper
Cotton
Curtis
Dirksen
Eastland
Ellender

Fong
Fulbright
Goldwater
Hart
Hartke
Hickenlooper
Hickey
Hill
Holland
Hruska
Humphrey
Jackson
Javits
Johnston
Jordan, N.C.
Jordan, Idaho
Keating
Kerr
Kuchel
Long, Mo.
Long, Hawaii
Long, La.
Mansfield
McCarthy
McClellan
McGee
McNamara
Metcalf
Monroney
Morton
Moss
Mundt
Muskie
Neuberger
Pastore
Pearson
Pell
Robertson
Scott
Smathers
Smith, Mass.
Smith, Maine
Sparkman
Stennis
Talmadge
Thurmond
Tower
Williams, N.J.
Williams, Del.
Young, N. Dak.

NAYS—17

Burdick
Chavez
Dodd
Douglas
Engle
Ervin
Gore
Kefauver
Lausche
Magnuson
Miller
Morse
Prouty
Proxmire
Russell
Yarborough
Young, Ohio

NOT VOTING—9

Anderson
Bible
Gruening
Hayden
Murphy
Randolph
Saltonstall
Symington
Wiley

So the committee amendment on page 388, after line 10, was agreed to, as follows:

On page 388, after line 10, to insert a new section, as follows:

"SEC. 24. CERTAIN LOSSES SUSTAINED IN CONVERTING FROM STREET RAILWAY TO BUS OPERATIONS.

"(a) IN GENERAL.—If a corporation has a net operating loss for the taxable year ending December 31, 1953, or the taxable year ending December 31, 1954, principally as the result of conversion from street railways to bus operations with respect to part or all of the company's operations, then its unused conversion loss will be subject to the treatment provided in subsection (c).

"(b) UNUSED CONVERSION LOSS DEFINED.—The amount of the unused conversion loss shall be the aggregate of the net operating losses for years described in subsection (a) reduced to the extent that they have been used as net operating loss carryovers or carrybacks to reduce taxable income for any taxable year beginning before January 1, 1960.

"(c) TREATMENT OF UNUSED CONVERSION LOSS.—If a taxpayer has an unused conversion loss, then in determining the amount of the operating loss carryover from the taxable year ending December 31, 1959, to each of the 5 taxable years following such taxable year for purposes of section 172 of the Internal Revenue Code of 1954, such unused conversion loss shall be treated as a net operating loss for the taxable year ending December 31, 1959. This subsection shall apply only for years in which the taxpayer is engaged in the furnishing or sale of transportation (as defined in section 1503(c)(1)(A) of the Internal Revenue Code of 1954).

"(d) REGULATIONS.—The Secretary of the Treasury, or his delegate, may prescribe by regulation such rules as may be necessary to carry out the purposes of this section."

Mr. HUMPHREY. Mr. President, I move that the vote by which the amendment was agreed to be reconsidered.

Mr. SMATHERS. Mr. President, I move that the motion to reconsider be laid on the table.

The PRESIDING OFFICER (Mr. HICKEY in the chair). The question is on agreeing to the motion to lay on the table the motion to reconsider.

The motion to lay on the table was agreed to.

Mr. SMATHERS. Mr. President, under the agreement, I move that the Senate proceed to the consideration of committee amendment numbered two, the second amendment.

The PRESIDING OFFICER. The amendment will be stated.

The LEGISLATIVE CLERK. It is proposed to strike out all of section 6, beginning on page 52, in line 1, and ending on page 57, in line 22.

The PRESIDING OFFICER (Mr. METCALF in the chair). The question is on agreeing to the committee amendment.

AN INSTALLMENT AND A PROMISE ON TAXES

Mr. JAVITS. Mr. President, I shall not detain the Senate very long; but I feel it my duty, in terms of my representation of my State and also in terms of my duty to the country, to set forth for the Senate the situation now existing as it relates to the question of an incentive tax cut or what the President calls a creative tax cut.

Obviously this will be the last tax bill before this Congress; and obviously, also, neither the President nor any appreciable number of Senators will seek this kind of tax cut. So at least we should understand what we are doing and why we are doing it.

I also use this occasion to urge the President to lay before us his creative tax cut, at least in principle, before the session ends, so that the people may know what to count on, in terms of creative tax reform.

I think the mere fact of informing the people of the principles on which the President intends to proceed, when added to what we are doing in this bill, especially as the bill relates to the investment credit amendment now included in the bill, will constitute a most helpful package and, in my opinion, will help to avoid the development of a situation which might deteriorate into a recession.

The Senate this Tuesday put down the second installment on a tax program to get our economy moving again, by voting to retain the investment credit provision of the Revenue Act of 1962. The first installment came from the Treasury Department at the beginning of July, when the revised depreciation schedules for business were finally released. And a promise for the future was made by the President on August 13, when he pledged to present a "creative" tax program to the Congress in 1963.

On the other hand, the President has permitted intra-Democratic dissension to cancel the possibility of an incentive tax cut this year—in spite of the dangers of such inaction.

This summarizes the precarious stand of the Kennedy administration as the unpredictable winds of economic change buffet the Nation. There are still nearly 1 million who have been unemployed for more than 15 weeks, and more than one-half a million who have been out of work for more than 6 months. In addition, 2.7 million are able to take only part-time jobs, because of lack of work. On the other hand, latest reports show that 10 out of 17 of the so-called leading economic indicators pointed upward last month. This was the first time since February—one-half a year—that more of these indicators were up than down. But not all of the 30 which are generally considered are yet available; and even if the rest do follow in the same proportion, we are almost becalmed on the sea which the President would have us sail. Our ship is not trimmed, and its sails are not ready to meet the next strong gust of wind—whatever quarter it may come from.

I believe that we must trim the ship now, lest we be roused suddenly during the next months by a Presidential alarm—a call for a special session of the Congress to act in haste on matters we should be considering now.

I shall not follow the battle cry on economics of this administration, which seemingly goes: "Act on impulse—the country can afford it."

I propose that the following be done: Before this Congress adjourns, the President should submit, at least in broad outline, his "creative" tax program to be enacted in 1963.

Such an act of good faith by the administration could help to restore the economic confidence of many people who find it hard to live on a presentation of a mediocre past economic performance, no matter how brightly dressed up by the President. A promise is not enough. The Nation deserves to know, at least in principle, what it can expect in terms of government action on taxes.

It should be made very clear that there is no hidden-ball trick about tax reform. This is not a game. Let the President give the people the facts on what he and his party plan to do, so that we can weigh his proposals and can decide on their implementation.

Furthermore, the "creative" tax program of which the President spoke cannot be based on short-term economic considerations. This must be the program of the decade; and it is fatuous to argue that plans presented now may have to be changed in the light of economic conditions in January of 1963.

Those who believe that the President is planning to present next year a program of short-term expediency and political compromise on taxes to the Nation do justice neither to the needs of the United States nor to the good faith of our administration.

I have repeatedly advocated an incentive tax program to meet the short-term economic needs. I believe that the President's deferral of an incentive tax cut has subjected our economy to unnecessary risks. There was no need for the ship of state to remain becalmed until next year or to be exposed to heavy damage. We could have gone into next year trim and ready for the basic reforms of our tax system.

The incentive tax program which I put forward would have cost about $5.5 billion annually in revenue—including the $1 billion estimated cost of the investment credit provision on which the Senate acted favorably this week. If one adds to this the estimated $1.5 billion cost of the equipment depreciation schedules announced in July, the total program would represent a $7 billion incentive. The rough outline of this program would call for:

First. Virtual elimination of income taxes for those earning less than $2,000 a year.

Second. Reduction of the tax burden of other lower income and middle income groups, with emphasis on those earning less than $6,000 a year.

Third. Reduction of the maximum tax on top personal income brackets from the present 91 percent to 65 percent.

Fourth. Reduction of the corporate income tax from the present 52 percent to 50 percent.

The first three points, all relating to personal income, would cost an estimated $3,695 million in annual income. In the specific legislative form, of which I have prepared a preliminary draft, this incentive cut of personal income would be accomplished through increasing the personal exemption from $600 to $650, reducing the tax on the first $2,000 of taxable income from 20 percent to 18 percent, recouping a part of this loss on taxable income between $2,000 and $6,000, and eliminating all tax rates above 65 percent. No person's tax would be increased. Even the higher middle-income brackets would derive some benefits; for example, a married man with two children, earning $14,000, with $1,400 in deductions, and filing a joint return, would pay $62 less in taxes than at present; and a married man, with no children, and earning $7,000 a year with $700 in deductions, and filing a joint return, would save $87 in taxes.

The reduction in the corporate income tax from 52 percent to 50 percent would cost an estimated $1 billion in revenues. By placing a statutory base under the $1.5 billion new depreciation schedules—which would cost nothing, but would result in further strengthening of business confidence—and by adding the $1 billion investment credit, an incentive tax cut of $3.5 billion for business would be established.

Thus, in round figures, we would have a $7 billion incentive program, equally shared by business and individuals.

If the President's decision already announced would not make it a futile gesture, I would offer this proposal now as an amendment to the Revenue Act of 1962. It is ready. Distinguished individuals and major organizations, such as the chamber of commerce and the AFL–CIO, have spoken of the need for an immediate tax cut. I do not claim that all of them favor going about it in the same way; but the considered opinion that there is a need for action is very clear.

It is most important to understand that in the hearings before the Joint Economic Committee, of which I am a member, a number of the most distinguished economists in the country, of all shades of opinion and position—liberal, conservative, academic, and business—urged that a tax cut would be extremely advantageous in order to enable the country to move forward in the way President Kennedy has been talking about. So I should like to cite the statements of nine economists who appeared at the recently concluded hearings on the state of the economy held by the Joint Economic Committee:

J. Fred Weston, professor of business economics at the University of California, Los Angeles, testified on August 7:

> The repetition of an abortive business recovery calls for immediate action to alter the impact of the fiscal choke on the economy.

Professor Weston asked for personal and corporate tax cuts.

Otto Eckstein, associate professor of economics, Harvard University, testified on August 9:

> A tax cut would not be a mistake even if the optimists were correct and things turned out just as well as one could reasonably hope for. * * * The prudent action, therefore, is a tax cut.

Joseph A. Pechman, director of economic studies, Brookings Institute, testified on August 9:

> Under the circumstances, tax reduction would be the best and most effective method of providing a strong and immediate stimulus to the economy.

Leon Keyserling, former chairman of the President's Council of Economic Advisors, testified on August 9:

> Dawdling or delaying with respect to tax reduction has no justification in the face of the chronic economic ailment which is now being confirmed rather than alleviated.

Stanley H. Ruttenberg, director of research department, AFL–CIO, testified on August 13:

> The economic situation is today sufficiently serious * * * to justify an immediate emergency short run tax cut.

Alan C. L. Day, professor of economics, London School of Economics, testified on August 13:

> Deliberate policies designed to encourage an expansion of demand are justified now * * * the choice should be for tax cuts.

J. M. Culbertson, professor of economics and commerce, University of Wisconsin, testified on August 14:

> I believe that a moderate tax reduction this year would be a wise policy.

Marriner S. Eccles, former Chairman of the Federal Reserve Board, testified on August 15:

> Speaking of an immediate tax cut, he said, "Why not act now before there is an emergency and in this way prevent a recession from developing."

Daniel B. Suits, professor of economics, University of Michigan, testified on August 6. Professor Suits urged a gradual release of the "tax brake" through a tax reduction of $5 to $10 billion.

Mr. President, those who believe that the President is planning to present a program of short-term expediency and political compromise on taxes to the Nation next year do justice neither to the needs of the United States nor to the good faith of the administration. I believe the President can show that good faith by at least disclosing to us his tax plan now. I strongly urge that he do it.

It has been said in an editorial written on this subject that this should not be done, because perhaps the economy will materially improve, and therefore there will be no need for a creative or incentive tax cut. That is the very point, Mr. President—a creative or incentive tax cut is necessary to have the economy drive forward, which the President said in his campaign he wanted it to do, and not for the purpose of giving the benefit of more money in one's pocket or getting us out of a recession. All of us agree on the need to avoid one, but more important is the need to find a way to bring back into employment those who are unemployed in a number which is unacceptable to the country, and quite properly so, and bring back into utilization the equipment of the American industrial machine which is today underused.

Therefore, I close as follows: It is evident that we will not get an immediate incentive tax cut. It is also evident that it would be fruitless, indeed unwise, to try to attach it to a tax bill which contains other vital provisions such as investment credit.

Therefore, I confine myself to calling on the President to put before us in principle his tax plan for next year. At least in this way the economy can obtain some view of what is ahead and the Congress will then be able to act with the deliberation essential to thoroughgoing reform of our tax system.

A GREAT JUSTICE FOR A GREAT COURT

Mr. YARBOROUGH. Mr. President, in the selection of Arthur Goldberg as an associate justice of the Supreme Court, President John F. Kennedy has called to that high bench one of the keenest craftsmen of the law of our times.

Arthur Goldberg is a lawyer's lawyer, a brilliant legal light who was moved over into the executive field last year in the difficult post of Secretary of Labor, where he has served with ability, distinction, and success.

Mr. President, while Arthur Goldberg has a fine legal mind, it is not attuned to ritualism or rigidity. Rather, he is a 20th century man, broad in his interests and his learning, schooled in the problems of the country and the world, humanitarian in his outlook and his instincts, just in his actions and orders, courteous always in all places to all persons, and esteemed by those who know him.

Mr. President, I commend the President of the United States for his wisdom in selecting Arthur Goldberg for appointment as Associate Justice of the Supreme Court of the United States.

I request unanimous consent that the editorial in the Washington Post of August 30, 1962, under the title "Mr. Justice Goldberg," and an article from the Washington Post of the same date, entitled "World of Goldberg Turns From Strikes to Supreme Court," from page A-26 of that paper, also be printed in the Record at this point in my remarks.

There being no objection, the editorial and article were ordered to be printed in the RECORD, as follows:

MR. JUSTICE GOLDBERG

The most surprising fact about the President's nomination of Secretary of Labor Arthur J. Goldberg to succeed Justice Felix Frankfurter on the Supreme Court of the United States is the willingness of the President to lose Mr. Goldberg as a member of the Cabinet. As head of the Department of Labor, Mr. Goldberg has been a dynamo of enormous usefulness to the President and to the country. Many of his efforts to settle labor-management disputes have been successful. While he has functioned as a champion of labor in the Cabinet, he has done his job with a keen sense of obligation to the country as a whole.

For many years Mr. Goldberg was counsel for the United Steelworkers and the CIO. He came to be recognized as one of the country's ablest lawyers. In 1959 he represented the Steelworkers in their fight against the Taft-Hartley injunction which ended the 116-day steel strike. Though he lost the case, his oral argument before the Supreme Court earned him high respect from its members and a sincere compliment from the Justices for his efforts.

Mr. Goldberg has made a practice of knowing everything about any case with which he has associated himself, and he has an extraordinary capacity to convey his views to others in an impressive way. On the supreme bench it may be taken for granted that he will be one of its most energetic and conscientious members. Mr. Goldberg has also shown a remarkable capacity for adjustment to new situations. When he became Secretary of Labor, for example, he considered his career as a labor lawyer to be closed forever. He addressed himself to his new job with a measure of objectivity that was greatly to his credit. Instead of acting as a partisan of organized labor, he has functioned as a dedicated public servant with a keen interest in the success of industry and Government in general as well as in the welfare of labor.

Another index to his type of public service may be found in his renunciation of a $25,000 steel union pension when he became Secretary of Labor. He did not want anyone to suppose that his judgment might be swayed by a pension in his favor. On the bench we surmise that he will perform in the traditional spirit of objectivity, without any relinquishment of his keen interest in human problems.

From the long-range viewpoint, therefore, the appointment of Mr. Goldberg will doubtless merit high praise. From the short-range view, the loss of his dynamism in the Department of Labor will be keenly regretted. But this is the way of Government. It is especially important that the successor to Justice Frankfurter be a man of great energy, capacity in the law and force of personality, for the retiring Justice has been for many years a powerful influence on American law. We shall devote a later editorial to his notable career on the bench. At the moment it is sufficient to say that if Mr. Goldberg succeeds in following the Frankfurter footsteps, his name will be written large in the future legal annals of the United States.

WORLD OF GOLDBERG TURNS FROM STRIKES TO SUPREME COURT

The world of Arthur Goldberg is about to change dramatically.

Tuesday night, he rushed to Chicago in an effort to head off a strike that would have tied up a major midwestern railroad.

A few weeks ago, he was engaged in a furious fight with the steel industry. At other times in recent months, he has settled a dispute at the Metropolitan Opera, looked for jobs for the unemployed, lobbied for bills before Congress, and operated in complete harmony with the Kennedy administration's conception of what an "operator" is.

Now, if the Senate confirms the President's choice for Justice Frankfurter's seat on the Supreme Court, the term "operator" will have to join others that once described the Secretary of Labor but no longer fits.

LOST LABOR'S LABEL

A man who made his reputation as a lawyer for labor, Goldberg quickly lost the label of labor spokesman when he joined the Kennedy Cabinet 19 months ago. His activities since have apparently won for him the respect of big businessmen, a respect growing more out of acknowledgment of his intellectual abilities and his integrity than from the causes he has espoused.

As a lawyer, Goldberg is proud of his ability, which brought him a summa cum laude when he graduated from Northwestern's Law School in 1930.

He soon developed a reputation as a "lawyer's lawyer," a technician who understands the ins and outs that the law often takes. But he does not like to think of himself as a technician and likes to quote from Justice Frankfurter that a good lawyer must, above all, be a cultivated man.

A BALANCE WHEEL

Not long ago, Goldberg spoke of the law as a "flexible, living instrument * * * a balance wheel, not a brake." Too many lawyers, he added, have become mere servants of their clients.

He frequently recalls that Dean John Henry Wigmore, one of his teachers and one of the well known men in the history of American law, once told him, "if you're going to practice law, do it in the grand manner."

That phrase "grand manner" perhaps best describes the seat on the Court Goldberg has been named to fill. It is a seat that has long been occupied by some of the Nation's deepest thinkers.

Before Justice Frankfurter, the seat was held by Benjamin Cardozo, Oliver Wendell Holmes, and John Chipman Gray, all men who saw the law as a set of principles that surpasses the immediate problems of the day.

Mr. JAVITS. Mr. President, will the Senator yield on the same subject?

Mr. YARBOROUGH. I yield to the Senator from New York.

Mr. JAVITS. I should like to join with the Senator and many other colleagues who have complimented the President on this appointment; and I compliment him, too. I have known Arthur Goldberg for 20 years or more as a distinguished labor lawyer, and I have known him in his work as Secretary of Labor. I worked with him in the settlement of the Metropolitan Opera labor dispute.

He has been a very effective Secretary of Labor, probably one of the best we have had in the history of the Department, in comparison with great Secretaries like our own Jim Mitchell, who I think was also a great Secretary.

I shall vote for the confirmation of Mr. Goldberg's appointment, and I feel certain that the Senate will confirm the nomination, and very promptly. What is more, Arthur Goldberg will be a judge on the U.S. Supreme Court of whom we shall have every reason to be proud. I know his character. He will lay aside any previous representation, any previous ideas he had in advocacy, and he will bring to the bench a pure, clear, and luminous legal mind, anxious only to dedicate itself for all the days of his years to justice under the Constitution of the United States. He will be, in my view, neither liberal nor conservative, any more than Cardozo or Brandeis were liberals or conservatives. He will be a great judge in the great constitutional tradition of our country, with courage, and complete dedication.

I think it is most important, in speaking of Arthur Goldberg, that these facts be emphasized to the country by persons like myself who have had the great privilege of knowing him so well for so long and meeting him, not only as Secretary of Labor and in political life, but as a practicing lawyer for trade unions and other clients. I am delighted to be able to pay this very well-deserved tribute to him.

Mr. YARBOROUGH. I thank the Senator from New York for the information he has offered about Justice Goldberg. I have not had the privilege of knowing Justice Goldberg for as long as the distinguished Senator from New York, but I think I met him 10 years ago in Texas. He has been really one of the most active and successful practitioners in this vast field. I knew him through my association with Mr. Leon Green, one of the most successful law teachers in the country, who was dean of Northwestern University at Chicago when Justice Goldberg was a student there. Mr. Leon Green now lives in Austin, Tex. He started as a young man at the University of Texas, and he has come back now to teach law there. He told me he regarded Justice Goldberg as the prize law student of his career. He is very proud of the record which Justice Goldberg made.

Justice Goldberg has been editor of the Illinois Law Review. It is important that Supreme Court Justices not only know the law, and not only that they know how to apply the law as legal craftsmen, but that they know how to write law, and that they know how to articulate with the pen. Justice Goldberg is articulate with his pen. He not only graduated from the postgraduate school of Northwestern University summa cum laude, but he has written many articles in addition to legal briefs and opinions, and is the author of a book, "AFL-CIO: Labor United."

I think we will see in the years ahead in Justice Goldberg a man who will grace that High Court with increasing confidence in the Court among lawyers and citizens of the United States.

THE MYSTIQUE OF GOLD

Mr. MILLER. Mr. President, in the Thursday, August 29, 1962, issue of the Christian Science Monitor is an excellent article by the distinguished writer, Richard L. Strout, entitled "The Mystique of Gold." The article is highly informative and will be most helpful to readers in understanding the problem of the drain on the gold reserve of the United States, its relationship to the gold reserve backing up our currency, and its relationship to the world monetary market.

I ask unanimous consent that the article be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

THE MYSTIQUE OF GOLD

(By Richard L. Strout)

WASHINGTON.—Foreign rumors about U.S. dollar devaluation persist. Americans can't understand it. Gold outflow from New York declines, but nevertheless continues. The Federal Reserve Board is sensitive: it rejects easy money (low interest rates to stimulate halting recovery) because low interest rates here might cause foreigners to take out more funds to reinvest abroad at higher rates. It is a tangled problem.

Let's go back a bit. Originally gold was the basis of paper currency. But the world gold supply, in the opinion of many economists, isn't adequate. It is one of the world's ironies that gold, on which capitalism operates, comes—at a nice profit—largely from Soviet Russia. The Soviet sells about $200 million a year to the West. South Africa is another big producer.

The mystique of gold is a kind of fairy tale. A man from Mars wouldn't believe it. Gold is dug out of the ground in order that man can store it underground again, at Fort Knox, say. The rate of gold mining is inadequate under present usage to sustain the rate of world economic growth. Other commodities in short supply go up in value, but the price of gold is pegged to the dollar.

The West has got around the inadequacy of gold reserves. Instead of the gold standard there is now the "international gold exchange standard." This means that instead of holding gold as a reserve other countries hold dollars, or perhaps pounds, against their currencies. This has permitted the vast expansion of reserves needed to carry on international trade. The United States is the only Nation on earth committed to exchange its currency for gold at a fixed price—$35 an ounce. The other countries can come to us and get gold for our dollars at any time; but if our Government holds francs, lira or pounds we can't get gold for them. The dollar carries enormous responsibility.

There are embarrassments in this situation. Britain knows about them. After World War I, Britain returned to convertibility (i.e., agreed to exchange pounds for gold) in 1925. World investors built up sterling balances. But this made the pound highly vulnerable. As long as London discount rates—interest payments—were high foreigners kept short-term funds there, but they moved out overnight if rates rose in other monetary centers. Short-term movements also embarrass the United States today. Rumors of sterling weakness constantly circulated. Dollar rumors circulate today.

When Britain's domestic economy declined economists urged the stimulus of lower interest rates, but Montagu Norman, Governor of the Bank of England, wanted high rates to keep short-term foreign funds in London. William McChesney Martin, head of the Federal Reserve Board, has somewhat the same feelings today.

Finally Britain, facing unemployment and raids on sterling devalued the pound, September 21, 1931. It knocked over a whole row of financial dominoes.

America has a vastly stronger gold reserve today, the largest in the world, $16,200 million. We have had an adverse balance of payments but this is not due to profligacy or inflation but to calculated U.S. export of foreign aid and defenses. It could be halted overnight.

Nevertheless, the world can't quite believe this. Foreign central banks hold more than $12 billion of short-term dollar obligations. What if they should all cash in at once? They won't, but this is a matter of confidence, not logic. Again, the world's liquidity requirements have been derived in recent years only partly from current gold production and Soviet sales; two-thirds have come from continuous depletion of U.S. net reserves. How long, it is asked, can this go on?

Leaders of the World Bank and the International Monetary Fund meet in Washington next month. Though press and public don't realize it yet another basic battle has begun over interest rates—Mr. Martin wanting them high (for international considerations); economists wanting them low (to stimulate flagging domestic business). Incidentally, Chairman Martin's term at the Reserve Board expires shortly.

The present system puts an unfair burden on the United States. International exchange should not be tied any longer to one or two national currencies. International liquidity demands a broader base with a new permanent mechanism. The United States isn't going to permit a dollar collapse. But it conceivably might be forced into a slowdown of contributions to world liquidity and to international aid.

MESSAGE FROM THF HOUSE

A message from the House of Representatives, by Mr. Bartlett, one of its reading clerks, announced that the House had passed, without amendment, the bill (S. 2250) to provide for the incorporation of the National Woman's Relief Corps, Auxiliary to the Grand Army of the Republic, organized 1883, 78 years old.

The message also announced that the House had agreed to the following concurrent resolutions of the Senate:

S. Con. Res. 87. Concurrent resolution authorizing the printing of additional copies of the hearings entitled "Military Cold War Education and Speech Review Policies" and the report thereon; and

S. Con. Res. 88. Concurrent resolution authorizing a change in the enrollment of S. 2321, the District of Columbia Tissue Bank Act.

The message further announced that the House had agreed to the amendment of the Senate to the bill (H.R. 7782) to authorize the Secretary of the Interior to convey certain lands in the State of Maryland to the Prince Georges County Hospital, aud for other purposes.

The message also announced that the House had agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 10062) to extend the application of certain laws to American Samoa.

The message further announced that the House had disagreed to the amendment of the Senate to the bill (H.R. 12391) to improve and protect farm income, to reduce costs of farm programs to the Federal Government, to reduce the Federal Government's excessive stocks of agricultural commodities, to maintain reasonable and stable prices of agricultural commodities and products to consumers, to provide adequate supplies of agricultural commodities for domestic and foreign needs, to conserve natural resources, and for other purposes; agreed to the conference asked by the Senate on the disagreeing votes of the two Houses thereon, and that Mr. COOLEY, Mr. POAGE, Mr. GATHINGS, Mr. BREEDING, Mr. HOEVEN, Mr. BELCHER, and Mr. QUIE were appointed managers on the part of the House at the conference.

REVENUE ACT OF 1962

The Senate resumed the consideration of the bill (H.R. 10650) to amend the Internal Revenue Code of 1954 to provide a credit for investment in certain depreciable property, to eliminate certain defects and inequities, and for other purposes.

The PRESIDING OFFICER. The question is on agreeing to committee amendment No. 2, to strike the language beginning on line 1, page 52.

FOREIGN PROVISIONS

Mr. GORE. Mr. President, several sections in the pending bill deal with the taxation of income and profits earned abroad by American taxpayers through technically foreign subsidiary corporations which they control. Several of the provisions in these sections are meritorious. On balance, however, the bill would not go nearly far enough to correct the situation which now exists and restore our tax system to a position of neutrality as between domestic and foreign operations.

We need to improve this bill and make it less favorable to foreign economic operations. We need to do this now, not next year or some year thereafter.

The problem created by the favorable tax treatment of income earned abroad adversely affects the national interest, particularly with respect to the balance-of-payments problem and the movement of U.S. industry and employment abroad.

My colleagues are well aware of the fact that it is difficult to obtain legislative momentum on any given subject. When any particular subject has been under consideration for both sessions of a Congress and has gotten through the House and finally to the floor of the Senate, it is most difficult to repeat the process until several years have passed.

In view of this well-known fact of legislative life, it behooves us to deal thoroughly and properly with the subject at hand right now. We may not have another opportunity for years to come. By that time, unless we take effective action now, more drastic measures may well be required.

Now, what is the problem in the foreign area, involving the taxation of profits earned by American interests abroad? The President has defined the problem and offered a solution.

In the words of the President, enunciated in his message to the Congress on April 20, 1961, the problem is this:

> Changing economic conditions at home and abroad, the desire to achieve greater equity in taxation, and the strains which have developed in our balance-of-payments position in the last few years, compel us to examine critically certain features of our tax system which, in conjunction with the tax system of other countries, consistently favor U.S. private investment abroad compared with investment in our own economy.

And, what was the President's recommended solution?

> I, therefore recommend that legislation be adopted which would, after a two-step transitional period, tax each year American corporations on their current share of the undistributed profits realized in that year by subsidiary corporations organized in economically advanced countries. This current taxation would also apply to individual shareholders of closely held corporations in those countries.

The President also recommended "elimination of the tax haven device anywhere in the world, even in the underdeveloped countries, through the elimination of tax deferral privileges for those forms of activities, such as trading, licensing, insurance, and others, that typically seek out tax haven methods of operation. There is no valid reason to permit their remaining untaxed regardless of the country in which they are located."

Secretary Dillon strongly endorsed the President's recommendations and gave them concrete backing in testimony before the Ways and Means Committee and the Finance Committee. Indeed, Secretary Dillon went so far as to agree, in testifying before the Finance Committee, that anything short of complete removal of the deferral privilege, whereby U.S. taxation of profits earned abroad may be indefinitely postponed, would be but "piddling" with the problem.

Despite this clear recognition of the problem, and these strong recommendations for its correction, the House went only a part of the way in correcting the situation. The Finance Committee, for no reasons which I can determine except the pressure of the business community—which, understandably, never wants to pay more taxes than absolutely necessary—refused to consider the President's principal recommendation and, instead, backed away from even the House provisions and reported to the Senate a weak, watered down, and wavering tax haven approach. The committee then provided broad escape hatches in even this wholly inadequate approach to the problem.

One can see, then, Mr. President, why I find it necessary to disagree with the majority action of the committee on which it is my privilege to serve.

Just what is our problem insofar as operations abroad by American interests are concerned?

Briefly, the problem is this. Due to changing world conditions during the past several years, entirely too much American capital is moving abroad. This capital is moving into the wrong areas and the wrong activities.

This capital movement takes several forms—direct investment, long-term portfolio investment, and short-term or hot money flows. This capital outflow, particularly that represented by direct investment—that is, investment which goes into setting up separate corporations, or branch operations, in foreign countries owned and controlled by American interests, generally large U.S. corporations—is particularly hurtful to the domestic economy since much of it represents the direct shipment of jobs from the United States to the foreign country concerned.

The other forms of capital outflow, long-term portfolio and hot money, are not so directly harmful to the economy, although they are quite troublesome insofar as the balance of payments is concerned.

Not all foreign investment is harmful to the economy, of course. As I shall discuss later, about 10 percent of our foreign investment is related to our own export activities, and is of assistance to the domestic economy. Part of our foreign direct investment is in the form of petroleum and mining operations, and helps us to obtain a steady inflow of needed raw materials and semifinished goods.

It so happens that most of the petroleum and mining operations are conducted in branch form and are, therefore, little affected by proposed changes in U.S. tax law. It also happens that the 10 percent of direct foreign investment associated with the encouragement of our exports would be little affected since, if the corporations involved are keeping their books legitimately, the larger part of the total profit obtained from exports will be earned by the manufacturing process in the United States, and the much smaller portion of the profit earned by the sales organization in Europe or elsewhere, even if taxed currently on its net profit, should not deter the overall export activity involved.

On the other hand, tax changes will not accomplish all that needs to be done in balancing our payments to and from foreigners. Other changes of a regulatory nature may well be necessary for this purpose.

TAXATION AND CAPITAL FLOWS

One of the most startling economic phenomena of the past 5 years is the large-scale movement of American capital abroad. Though some of the economic activity represented by this movement may be desirable and may serve to increase exports, much of it directly and materially weakens the base of our economy. Some of this capital is drawn abroad for legitimate economic reasons. Much of it, far too much, is stimulated to move abroad because of faulty U.S. tax provisions.

Several reasons exist, of course, for this unprecedented movement of capital abroad. International barriers of all sorts are being broken down. Convertibility of currency exists in large measure. Electronic communications insure effective control of economic activities anywhere in the world from one central office. The movement of persons and goods has been speeded up and cheapened to a point where distance makes very little difference. American economic style and business organization have made American know-how welcome in most countries. American free world leadership has lent prestige to all things American.

In view of these facts—facts which we may not want to alter, even if we could—it is most inappropriate to set up additional artificial stimuli to the movement of American capital abroad, particularly into activities and in amounts which are contrary to the national interest. Existing law relating to the taxation of economic activities carried out by American interests in foreign countries constitutes just such an artificial stimulus to the movement of capital abroad into areas and activities which pose dangers to the domestic economy and make more difficult a solution of the balance-of-payments problem.

As our tax laws now stand, they constitute a positive subsidy to the movement of American capital abroad. There are numerous ways in which the taxation of profits from foreign operations can be reduced to the extent that it may be more profitable to expend American capital and American know-how in building up the economy of West Germany rather than the economy of West Virginia, or south Italy rather than South Carolina.

The existence of this unhappy circumstance is given implicit verification by virtue of the fact that this bill, in 11 of its 27 sections, deals with the taxation of foreign operations of U.S. taxpayers, both individual and corporate. Unfortunately, having recognized the existence of certain problems, the bill proceeds toward correction of these problems in a most timid and halfhearted manner.

Our tax laws regarding foreign operations are hopelessly out of date. For the most part they stem from rules laid down when the income tax was developed prior to the First World War. Developments in communications, transportation, and even in international politics and political organization have made some of these laws obsolete.

In theory, the United States taxes its citizens wherever they are and from whatever source their income is derived. Although this would seem to preclude the use of the tax laws as a subsidy to draw economic activity abroad, in practice we have nullified theory to a great extent by, first, allowing American interests to operate abroad in subsidiary form without the imposition of any U.S. taxation whatsoever on the profits from those operations until those profits are remitted—often in a form which can take a capital gains rate or no rate at all—and, second, by providing for a credit for foreign income taxes paid against ultimate U.S. taxes on income earned abroad.

There are several separate and distinct tax advantages to locating a factory in Europe, for example:

First. Deferral: Most foreign enterprises owned by U.S. corporations, except those connected with petroleum and mining operations, are organized as subsidiaries rather than branches. This means that no U.S. taxes are due until such time as dividends are paid to the parent organization in the United States. In many instances, income taxes in foreign countries are considerably lower than in the United States. Furthermore, even when the tax rate is substantially the same, as in the case of Germany, a sales office and a holding company in Switzerland can be used in such a way as to lower the effective German tax.

The value of tax deferral is real and measurable. It amounts to an interest-free loan of tax moneys which should have been, and were not, paid over to the United States. A study made about 2 years ago by the American Management Association showed that, because of this preferential tax on operations abroad, as compared with taxes here at home, reinvestment of foreign earnings could provide, over a 3-year period, "roughly double the rate of profit accumulation for reinvestment that is possible under domestic tax schedules."

The deferral privilege, then, both draws funds overseas and tends to keep them there.

Second. Foreign tax credit: A business enterprise located in a typical city in the United States must pay State taxes, county taxes, city taxes and often other special taxes in addition to its U.S. income tax. All these non-Federal taxes are, of course, business expenses and are properly deductible from gross income in determining income subject to tax by the Federal Government.

But in the case of foreign income and similar taxes, these items of actual business expense are not charged off as expenses. Instead, they are applied as a credit against the U.S. income tax if and when that tax is finally paid. This ability to use foreign income taxes as a credit against U.S. income taxes rather than a deduction from taxable income gives a decided edge to foreign investment.

Third. Gross-up: Due to imperfect language in the statute dealing with the crediting of foreign taxes against U.S. income taxes, there is allowed, in effect, both a deduction and a credit for foreign income and associated taxes paid. This has the effect, even without setting up a tax haven operation, of reducing the effective U.S. tax rate to close to 40 percent in some instances.

Fourth. Tax haven abuses: I do not wish to take the time today to detail all of the various types of tax haven abuses possible under our tax laws. Let me say just now that these abuses are legion and are used, not only to reduce foreign taxes and pull profits of legitimate foreign operations into tax havens almost tax free, but tax havens are also used to pull profits from American domestic operations into tax havens so as to escape U.S. taxes. This latter type of outflow, or lack of proper inflow, of dollars is doubly harmful.

It is also often possible to collect profits for several years in a tax haven dummy corporation, then collapse the corporation and bring home the accumulated profits in the form of capital gains which are subject to a maximum tax rate of 25 percent.

Many of these tax haven abuses are subject to correction administratively—if they can be detected, if the books are available, and if all taxpayers concerned are cooperative. These circumstances seldom prevail. Detection is difficult and requires the time of many more highly trained and skilled revenue agents than we have available, even if all of them were put on such cases. Furthermore, with the books in a foreign country, and often subject to strict so-called antiespionage laws, it is impossible to get at the true facts.

I shall have more to say about tax haven operations and abuses. Suffice it to say right now that similar operations and opportunities for tax avoidance and evasion are not available to domestic operations. The bill before us would probably put a stop to many tax haven abuses.

Fifth. Income earned abroad by individuals: Foreign operations have a further tax advantage over domestic operations in that U.S. citizens are allowed, under our faulty tax laws, to go abroad and work for a number of years and avoid payment of U.S. income taxes. This makes working overseas relatively attractive and enables companies with foreign operations to hire capable U.S. personnel at a lower salary or wage than they would otherwise have to pay.

All of the above give an advantage, insofar as taxation is concerned, to operating abroad as against performing the same operation here at home. This tax advantage cannot help but act as a magnet to draw funds abroad—funds which could and should be allocated to expanding and modernizing our domestic plant and equipment.

I do not think it necessary to penalize oversea operations, although the situation may get so bad that some positive, active steps must be taken to prevent or slow down the flow of capital into certain foreign countries. But it seems to me that we should now, during this session, take the necessary legislative steps to insure that taxation is at least neutral. We should at least tax foreign operations as heavily as operations here at home. This would not put an end to foreign investment—indeed, such would not be desirable. But it would slow down the currently rapid growth of foreign investment and insure the repatriation of sufficient foreign earnings in the years immediately ahead to be of material assistance in the balance of payments as well as to assist in the needed modernization of domestic plant and equipment.

TAX EQUITY

Equity in taxation is a subject to which lipservice is paid from time to time. Everyone claims to be in favor of equity, but many define equity in strange and tortured ways. Generally speaking, if a dollar earned by a particular type of taxpayer in any economic activity, in any geographical area, pays the same tax as another dollar earned under other circumstances by similar types of taxpayers, we can say that tax equity has been achieved.

Of course, from time to time preferences are given to certain types of operations, certain areas, and certain organizations, but when this is done it should be done consciously, and deliberately, in the full knowledge of what is being done, and with the accomplishment of definite objectives in mind. When a subsidy is voted—and a subsidy can be awarded a taxpayer by giving him a tax preference just as surely as it can be awarded by way of a cash payment—it should be voted to accomplish a proper national or social goal, not done accidentally, or as a private giveaway.

For example, there is no question that the average homeowner receives better tax treatment than the average renter of living quarters. But the Congress has deliberately provided this because it is considered socially desirable to foster homeownership.

In certain other instances tax advantages are given inadvertently, or because of reasons which are no longer valid. Certain of our laws dealing with the taxation of the profits and income earned abroad by American taxpayers, both corporate and individual, directly and through technically foreign subsidiaries, fall in each of these two categories.

Business decisions today are often made on the basis of tax consequences. Many decisions as to what operations should be moved abroad are made on the basis of tax consequences. Many foreign operations are set up in order to avoid taxes, in a virtual maze of interlocking and overlapping organizations, confusing to customers and operators alike. This is hardly in keeping with concepts of equity or even good business management.

The best way to achieve tax equity, particularly in this field, is to seek tax neutrality; that is, to seek to have tax laws such that economic decisions are made on the basis of economic criteria, not on tax consequences. Unfortunately, the bill reported by the Finance Committee, although it recognizes the existence of inequity, does little to deal with it effectively. Under terms of this bill, operations carried on abroad will still receive favored tax treatment as compared with the same type of operation carried on here at home.

DOMESTIC ECONOMY HEALTH

Many who are concerned, and who so often express that concern, about the so-called export of jobs because of the liberalization of trade restrictions and the lowering of tariff barriers will rarely stop to examine our faulty tax laws and the part they play in exporting entire factories to Europe.

When we break down artificial trade barriers we promote a two-way trade which ultimately benefits and strengthens the economy of all trading nations. This is not to say, of course, that some individuals or segments of industries will not be hurt temporarily, or even permanently. A glass manufacturer, for example, may curtail his activities and his employees may be thrown out of work. But at the same time, production for export may be increased in other lines such as chemicals, machinery, electronics, and farm products. President Kennedy has recognized the domestic problems associated with increased trade and has proposed ways to deal with those problems.

But what about the factory which is lured abroad by a tax loophole? Who benefits from that? Surely our economy as a whole does not. A few large stockholders may benefit. A few insiders may profit from speculation. But our national interest is injured. Payrolls are lost. People are left unemployed. The productive potential of the country is lessened. The gross national product is lessened, and our standard of living is just that much lower.

Of course, the host country benefits from our shipping industries to it. For this reason Congress may not want to discourage investment of a proper type in certain underdeveloped countries. Unfortunately most of the private investment in such countries is in the extractive industries and this may do the host country but little permanent good. Moreover, the use of tax favors in foreign policy, even in foreign aid, to underdeveloped countries may not be the best or most effective means of achieving our objectives.

I have found no better proof of the benefits to be derived by the host country from the establishment therein of American subsidary corporations than an article published in the Anglo American Trade News in January 1962. This article is so interesting that I should like to read it in its entirety; it is not long. It reads as follows:

American Exports From Britain—A New Survey of 120 U.S. Manufacturing Subsidiaries Operating in the United Kingdom

American manufacturing enterprises based in the United Kingdom are continuing to make solid and constructive contribution to Britain's export effort and payments balance.

This is the story that emerges from export performance data gathered by the American Chamber of Commerce in London from chief management executives of the leading American manufacturing subsidiaries in the United Kingdom. Results of a recent survey which included hard figures from 120 chamber member companies of American parentage show that 26 percent of them exported from 41 to 100 percent of their entire production during the first half of 1961.

Thirty percent of these American owned companies shipped 21 to 40 percent of their output abroad during the first 6 months of last year. The remaining 44 percent of the group sampled by the chamber sold up to 20 percent of their production in oversea markets.

Additionally, 15 firms reported that they estimated their contributions in indirect exports were of much greater importance to the British economy than the direct export figures indicate. These makers of components and subassemblies supply British customers whose products in turn are prime sellers in world markets.

The majority of U.S. subsidiaries in this category estimated that inclusion of their indirect exports in their totals would be sufficient to more than double their direct export performance. Two companies which reported no direct imports noted that their entire production finds its way to export markets in this manner.

Proper evaluation of figures and percentages requires comparison to convey meaning, and it is by using a yardstick of past performance and by measuring against current available data on exports of British industry generally that the scope of American financed contribution becomes significant.

In his 1954–55 study, "American Investment in British Manufacturing Industry" (George Allen & Unwin, 1958), Prof. John H. Dunning, of the University of Southampton, revealed that 152 American manufacturing subsidiaries in the United Kingdom reported the following export performance: 26.2 percent of them exported 41 to 100 percent of their production; 41.3 percent sold 21 to 40 percent of output to foreign markets, and 32.5 percent recorded export sales up to 20 percent.

It can be assumed that many of the companies in the Dunning study are identical with those sampled in the chamber survey, although a number of firms in the current sample have been established during the past 8 years. This is worth noting because recently the United Kingdom Government has tended to relax its entry requirements for foreign direct investment in manufacturing enterprises. Formerly the dollar shortage in the United Kingdom made it mandatory that the prospective investor's product be a vital dollar saver on the domestic market and a prodigious seller overseas.

With easier entrance for the newcomer and with more affluent domestic consumers to be tapped by both the neophyte and the long established companies, it might be expected that the current export graph would drop precipitously below the 1954 mark. This has not been the case.

Measured against contemporary performance of British industry generally, the American manufacturers in the United Kingdom appear to run slightly ahead of the current. The Federation of British Industries export supplement to "Industrial Trends Enquiry No. 12," released for publication on October 13, 1961, shows that 492 United Kingdom manufacturers with annual exports amounting to more than £10,000 line up in this manner: 12 percent deliver more than 50 percent of their output overseas; 28 percent export 25 to 50 percent; 31 percent sell 10 to 25 percent abroad; 17 percent export 5 to 10 percent, and 12 percent record export sales of less than 5 percent.

Comparable figures for the 120 American firms in the United Kingdom are: Exports over 50 percent, 19 percent of the companies; 25 to 50 percent, 29 percent of the companies; 10 to 25 percent, 36 percent of the total, and in the 5 to 10 and less than 5 percent categories, 5 and 10 percent of the companies, respectively.

Again, in the FBI inquiry it can be expected that a majority of the U.S. companies are included, but it should be remembered that the FBI includes among its members this country's largest concerns and its most formidable exporters. On the other hand, with the exception of a small minority of the U.S. financed companies, the American firms supplying information for the chamber study class themselves in the small to medium sized brackets. Notwithstanding this, American industry in Britain has been credited by numerous British authorities with employing nearly 1 in every 20 workers employed in United Kingdom manufacturing industry today.

Enlarging on this, Sir Miles Thomas, chairman of Monsanto Chemicals, Ltd., in a talk he gave at a chamber luncheon meeting in mid 1959, said:

"I wonder if any of you read some relevant and extremely interesting figures in the Times recently? There are roughly 400 U.S. subsidiaries and Anglo-American companies in the United Kingdom and they employ about 375,000 people. Impressive figures, but—and it's a very considerable but—these people only represent about 4 percent of our total labor force. And the total value of the output of those 400 or so companies, at around £1,200 million, is about 5.5 percent of the gross output for all United Kingdom manufacturing industry for 1957.

"A further fact was that, at the present time, U.S. representation in United Kingdom industry is confined almost entirely to industries supplying products which were first developed on a significant scale in the United States, if not actually discovered there.

"Let me take three more points, all from the same source. Between 1950 and 1957 U.S. subsidiaries and Anglo-American firms accounted for something like 7.5 percent of the net capital expenditure of all British manufacturing industry. Secondly, such firms have access to the benefits of more research and development than all United Kingdom industry (on private account) combined. Finally, these firms currently supply between 10 and 12 percent of all United Kingdom manufacturing exports and one-third of the exported goods commercialized within the last two decades."

Further emphasis on the impact of the contribution of direct American investment on the British economy can be drawn from a statement made recently by Carl Gilbert, chairman of the Gillette Co., of Boston, at the convention of the National Foreign Trade Council in New York. He stated that of the 3 million oversea workers employed by U.S. industry only about one in every hundred is a U.S. citizen. Rough calculations in the United Kingdom show that this ratio is, for Britain, entirely unrealistic. The British labor participation, from the managing director's desk to the apprentice's bench, in American manufacturing industry in the United Kingdom comes much nearer complete saturation.

Returning to data compiled from answers to the chamber's questionnaire, two outstanding trends come to light.

(1) Additional manufacturing facilities established by the U.S. parent within the Common Market or in other areas where various conditions make local manufacture unavoidable have cut into exports from a number of the United Kingdom subsidiaries; and

(2) Domestic United Kingdom sales have in numerous cases increased sufficiently to downgrade export percentage figures, although actual exports have remained static, or even improved.

Consolidation of answers to the questionnaire which asked respondents for a simple "percentage figure which your exports represented in relation to your total sales for the first half of 1961 compared with the corresponding period of 1960, together with two or three main areas of their destination, e.g., the Far East, Middle East, Western Hemisphere, and Western Europe," gave the following picture:

A total of 23 concerns directly exported between 50 and 100 percent of their total sales in each of the two periods (January to July 1960, 1961). These companies manufacture specialized lines of capital goods and consumer durables for which there is a relatively limited market in the United Kingdom. They possess either their own world marketing organizations or highly qualified distributors. The majority of them—15—registered increases in their export sales for the 1961 period; the increases varied from 13 to 0.4 percentage points.

The remaining companies in this group indicated decreases in their export business during the first half of 1961. One of the causes mentioned being the type of business involved (often consisting of large contracts) does not lend itself to meaningful comparisons between given periods. In some cases the total volume of exports was up in the 1961 period, although the percentage was less, compared with 1960.

The destinations of the exports of the companies in the 50 to 100 percent category were worldwide, the percentages by markets having varied considerably between the two periods. In the rough order of importance the destinations were Europe, Far East, and Australia, South America, Middle East, and Africa.

The group showing exports ranging between 25 and 50 percent in each of the two periods consisted of 35 companies. Of these, 19 indicated increases of a few points in most instances during 1961. The decreases shown by the balance of the group were also of minor magnitude, while the percentage of total sales was lower in some cases during the 1961 period, the actual amounts were greater. Again the marketing areas were more or less worldwide, that is, Europe, South America, the Far East, Middle East, Africa, and North America.

The largest group in the sample comprised the 43 companies which exported from 10 to 25 percent of their total sales in the 1961 period. Barring a few exceptions these concerns were also in the same category in 1960. The export sales of 22 of the companies increased in the 1961 period; the highest of an individual company having been from zero in 1960 to 17 percent of total sales in 1961. The smallest increase recorded was from 20.2 percent in 1960 to 20.4 percent in 1961.

The firms reporting reduced sales in 1961 numbered 19, the reductions in most cases being small. Reasons given for some of the reductions were the opening of other oversea plants by the parent companies concerned, due to the unavoidable need in many countries to set up local manufacturing operations. Here again several of the companies confided that in actual fact there were appreciable increases in the export sales during the 1961 period, though the percentages were slightly diminshed owing to a proportionately slightly greater increase in the consolidated sales. The percentage of exports to the several areas of destination varied considerably in many cases, but in general the principal areas were Europe, Far East, Middle East, Africa, and the Americas.

There were only seven companies in the group exporting from 5 to 10 percent of their total sales, two of these enterprises having reported decreases in such sales during the 1961 period. One of the companies showing a decrease explained that the relatively low percentage in the 1961 period under review was due to the fact that an associated firm in a Common Market country began to supply that area. The other company stated that while its export business has been growing, the lower percentage export figure in January-July 1961 was chiefly due to unusually high exports in the corresponding period of 1960. Destinations in general were Europe, the Middle East, and Far East.

The group having less than 5 percent of direct export sales consisted of 12 concerns, 4 of which reported decreases in the 1961 period. The differences in all cases were small, and the areas of destination were Middle East, Africa, Europe, and the Far East. A few of these companies have been established in the United Kingdom only a short while, and others reported the fact that sales in the United Kingdom materially affected the export figures.

Finally, an aggregate of 70 companies reported export sales running at 20 percent of total sales during both periods; 53 firms showed export business ranging from 25 to 100 percent in the first half of both 1960 and 1961, and no less than 39 U.S. subsidiaries stated that their export shipments were at the level of 40 percent or more of their output during both periods in question.

Export performance

[All figures in percentages]

120 U.S. MANUFACTURING SUBSIDIARIES IN BRITAIN, 1961

Exports	To 21	21 to 40	41 to 100
Companies	44	30	26

152 U.S. MANUFACTURING SUBSIDIARIES IN BRITAIN, 1954

Exports	To 20	21 to 40	41 to 100
Companies	32.5	41.3	26.2

492 UNITED KINGDOM MANUFACTURERS, 1961

Exports	To 5	5 to 10	10 to 25	25 to 50	50 to 100
Companies	12	17	31	28	12

120 U.S. MANUFACTURING SUBSIDIARIES, 1961

Exports	To 5	5 to 10	10 to 25	25 to 50	50 to 100
Companies	10	5	36	29	19

Mr. President, several points should be emphasized:

First. These companies had a very high export-to-production ratio which was of very material assistance to Great Britain in solving her own balance-of-payments problems.

Second. These companies manufactured and sold in Britain and elsewhere throughout the world, including the United States "almost entirely products which were first developed on a significant scale in the United States, if not actually discovered there." I shall have more to say on this point shortly.

Third. These companies employed about 375,000 people, about 4 percent of the total United Kingdom's labor force, and produced about 5.5 percent of the manufacturing output of the United Kingdom.

Fourth. About 3 million oversea workers are employed by American industry altogether, and only about 1 in 100 is an American. In Britain there are almost no Americans employed by these subsidiaries located there and "British labor participation, from the managing director's desk to the apprentice's bench, in American manufacturing industry in the United Kingdom comes much nearer complete saturation."

Fifth. Manufacturing facilities "established by the U.S. parent within the Common Market or in other areas where various conditions make local manufacture unavoidable have cut into exports from a number of the United Kingdom subsidiaries," and at least one of these British companies reported that the "relatively low percentage" of exports from its plant in that 1961 period under review was due to the fact that an associated firm in a Common Market country began to supply that area.

I think these observations are most appropriate to the discussion at hand. Certainly we can see from the operation of these British corporations controlled by American interests and manufacturing American-type products that the employment and balance-of-payments benefits inure to the United Kingdom, not the United States.

Points 2 and 5 are particularly interesting to me. This is a clear recognition of the competition which is offered to domestic production when factories of the same type, producing the same type goods, are set up in areas where our own factories have been exporting.

I hope that Members of the Senate who have been misled by the testimony, entreaties, and letters of the very small minority of American concerns and interests which have moved their industries abroad, which actually show some benefit to the United States, will read the article which I have now read to the Senate. This article was not written for the purpose of influencing the U.S. Congress, but it is a factual article about how the establishment of American-owned industry in Great Britain has vastly benefited Great Britain, and has correspondingly been harmful to American domestic business engaged in export trade. Not only is this true of Great Britain, but of other major areas of the world.

There are many more instances which show the hurtful effect that flows from the subsidy of the movement of American business, capital, industry, and jobs abroad.

I think these observations are most appropriate to the discussion at hand. Certainly we can see from the operations of these British corporations, controlled by American interests and manufacturing American-type products, that the employment and balance-of-payments benefits inure to the United Kingdom and not to the United States. This results in the employment of citizens of the United Kingdom and reaches, as the article says, the point of saturation.

It is but natural that the establishment of an industry in Great Britain would benefit the economy of Great Britain. There is nothing strange about that, I say to my distinguished friend, the senior Senator from Connecticut, who does me the honor of his attention. The same would be true with respect to the establishment of industry in Connecticut, even though it might be owned by Dutch interests, by British interests, or by German interests.

What I speak of now is the vast amount of American investment in Great Britain, constituting, as I have read, a large part of the manufacturing potential of the whole United Kingdom. Some of the factories in Great Britain have employment almost exclusively of citizens of the host country. This not only curtails the export of goods from U.S. factories to the United Kingdom, but also, as I have read from the article, it curtails American production in that the products of those factories, of American type—many of them originating in America in design, in labels, and in trade names—are then exported to Europe, to the Far East, to the Near East, and to South America, as well as to the United States.

Mr. BUSH. Mr. President, will the Senator yield?

The PRESIDING OFFICER (Mr. PELL in the chair). Does the Senator yield?

Mr. GORE. I yield to the senior Senator from Connecticut.

Mr. BUSH. I have been very much interested in the Senator's comments, and I have tried to follow them as closely as possible. The Senator is dealing with the tax bill. I take it from what the Senator has said so far, as I have heard him, that he believes it is the tax incentive rather than any other incentive—such as the cost of production—which entices American manufacturers to go abroad and to establish branches and subsidiaries to make their products abroad.

I have studied this problem pretty closely, too, especially in connection with the trade bill which will be before the Senate in 2 or 3 weeks, with which the Senator is also familiar, I know. It seems to me that the evidence is pretty strong that the other advantages, such as lower costs of production, including labor cost, have attracted American industries to establish branches and to manufacture goods in Common Market countries, and in the United Kingdom particularly, because this is where most of it has gone, I believe.

The question which I wish to ask the Senator is whether he agrees that these other influences, these other cost advantages, which result in very much reducing the ultimate cost of the products sold within those markets, and even the products brought back into our markets, as the Senator has said, are more influential and have been more influential in enticing American manufacturers to operate in foreign countries than the tax advantage which may have accrued as a result of the differential of taxation on earned income in those foreign countries.

I should like to have the Senator comment on that, if he would be kind enough to do so.

Mr. GORE. I can understand how, in listening to my address today, my colleague, the distinguished and able senior Senator from Connecticut, for whom I have great affection and the highest of respect, and whose presence will be sorely missed in this Chamber when he departs at the end of his term, could arrive at the impression or the conclusion which he has stated, because I have been talking about the tax incentive for the movement of industry abroad.

I readily concede that there are other incentives. Whether the tax incentive is greater or whether the others are greater is a question I think one would have to determine by study of each individual case, though there may be a general situation.

Before speaking to that particular point, let me say that it is not within the power of the U.S. Government to establish a minimum wage in Great Britain, in Italy, in Germany or in Belgium.

Mr. BUSH. That is correct.

Mr. GORE. It is not within the power of the U.S. Government to prevent a province in southern Italy from offering to build a factory and to let an American concern have it rent free.

It is not possible for the U.S. Government to stop some country from lending money interest free to an American concern to buy machinery.

It is not possible for the U.S. Government to prevent other countries from giving such American-owned industries a direct subsidy for the exports they make to the United States.

These things are beyond the jurisdiction of the United States.

Mr. BUSH. Mr. President, will the Senator yield on that point?

Mr. GORE. Let me continue one moment.

What I am dealing with in my address and what is before the Senate is the question of American taxes. I think this is something with which we can properly deal. It is the removal of the tax subsidy for such export of American factories and jobs that I now advocate.

I do not contend that this would solve the problem. Indeed, I do not propose to stop the movement of American industry and capital abroad. I propose to remove the tax subsidy for such a movement.

Now I yield to the Senator.

Mr. BUSH. I say to the Senator that my recollection is—and I think we had this evidence before the Joint Economic Committee within the past 12 months—that the income from American investments abroad was measured last year in terms of about $2.2 billion in this country, as against which we exported for investment some $2 billion. So to that extent, if the figures are correct—and I believe they are—the balance of payments on the total question of investment was a benefit to the extent of $200 million.

Mr. GORE. I believe the Senator has rushed to conclusions that are not justified. A vast amount of the inflow—perhaps half of it—comes from mineral and petroleum operations which are organized in branch form and therefore would be unaffected by the pending measure.

Mr. BUSH. But the funds come back to the country in taxes in the amount of $2,200 million.

Mr. GORE. Insofar as branch operations are concerned, there is no tax favoritism. There is no tax incentive involved either with respect to the export of capital or the retention of earnings abroad.

The figures which the able Senator has cited have been frequently cited.

Mr. BUSH. They include the return of branch office income.

Mr. GORE. Yes. It represents approximately half of the amount.

Mr. BUSH. Yes. I am glad the Senator brought out that point. However, it would not change the fact that both the branch office and the foreign corporation are established for some other reason beside tax incentives. Does the Senator see my point?

Mr. GORE. I do. I concede the validity of it. I have never contended that American business has been moving abroad solely because of the tax incentives which our laws provide. But I suggest that it is a very important part and may often be the determining factor—the incentive added on top of the other inducements—in bringing about a decision for such migration of our industry.

Mr. BUSH. Mr. President, will the Senator yield?

Mr. GORE. I yield.

Mr. BUSH. As the Senator has pointed out, the fact is that approximately $2,200 million comes back from branch office operations, which certainly is a strong indication that there is no great incentive to incorporate abroad in order to isolate such earnings or to defer tax liability on them.

If the Senator and I were going into business together, starting a corporation, and we planned to operate abroad, we would certainly want our earnings to come back to this country because, as stockholders, we could not get them until they were returned to this country. Is that not so?

Mr. GORE. I think the Senator has overlooked a fact of which I know he is aware, and will recall when I bring it to his attention. The mineral and petroleum operations have the advantage of percentage depletion in U.S. tax law. Therefore branch operation happens to be more favorable to them than foreign subsidiary operations. The Senator has made a point that certainly is worthy of consideration—the fact that some income is brought back to the United States from foreign investment.

There have been times when it has been in the interest of the United States to maximize U.S. private investment abroad. I believe that during the post-World War II period in Western Europe it was definitely in our national interest to help rebuild the war-torn economies. There come times, however, both with respect to regions of the world and countries in the world, when it is no longer in the interest of the United States to maximize our private investment in foreign countries. I call particular attention to the present situation in Western Europe, where the rate of economic growth is more than twice the rate of growth in the United States, and where unemployment is no problem. In fact, countries in Western Europe are importing labor from other continents.

Mr. BUSH. That is correct.

Mr. GORE. So, irrespective of the inflow of income from branch establishments, and even though the income from our investment in foreign subsidiaries were equal to the capital outflow, it still would not lead me to conclude that under present circumstances it would be in our national interest to permit a tax subsidy for such investment to stand, particularly in Western Europe.

Mr. BUSH. I should like to ask a further question.

Mr. GORE. May I make one additional point?

Mr. BUSH. Do not let me forget the question.

Mr. GORE. I shall make a note.

Mr. BUSH. I will write it down.

Mr. GORE. I point out that there is one further question to consider with respect to the point of view which the Senator has suggested that has a great deal of validity. The inflow of income on an annual basis is from an accumulation of investment made throughout the history of our country.

Mr. BUSH. Which amounts to approximately $50 billion.

Mr. GORE. Yes. So the annual income from an accumulated investment of 150 years is hardly comparable to the yearly investment or outflow of capital. It must be considered. But the fact that this inflow is from the accumulation of investment during all of our history is being suggested as a measurement against the outflow for 1 year. The outflow for 1 year, therefore, assumes far greater proportions when it is realized. I yield.

Mr. BUSH. I agree with that statement. I think the $2,200 million of income returned from oversea investments relates itself to an investment of approximately $50 billion over a long period. Perhaps it would not be 150 years, but maybe 50 years.

Mr. GORE. Throughout our history, whatever it is.

Mr. BUSH. My question of the Senator, which I have written down, is as follows: I ask the Senator to assume that the figure of $2.2 billion is correct. It is approximately correct.

Mr. GORE. For the sake of our discussion, let us assume it is correct.

Mr. BUSH. Let us assume that it is. Let us assume further that the Senator is correct in his assumption that half of it comes from unincorporated sources in Western Europe, including branch organizations, and so forth.

Mr. GORE. The Senator——

Mr. BUSH. Let me complete my question. I almost forgot it previously.

Mr. GORE. Senators are noted for their assumptions.

Mr. BUSH. At any rate, we agree that those figures can be used for that purpose. I ask the Senator, What percentage would the $1.1 billion, which we are assuming comes from corporate sources in Western Europe, but owned in this country, bear to the total corporate income of corporations owned by the United States in foreign countries? Does the return of $1.1 billion relate to total earnings abroad of $2 billion or $3 billion, or does the Senator have any figures on that?

Mr. GORE. I am advised by my staff that last year there was reinvestment by foreign subsidiaries of about a billion dollars of retained earnings, plus about a billion and a half dollars of new capital outflow, plus the depreciation allowances, which added up, last year, to the investment of capital abroad of approximately $4 billion.

Mr. BUSH. Are the figures which were given to the Senator by his staff related to corporate earnings abroad, or are they the total earnings abroad?

Mr. GORE. That was the total.

Mr. BUSH. The Senator is addressing himself to the corporation's advantage that may be enjoyed. What I am wondering about—and I do not know—and if I did, I would tell the Senator—what I am wondering about is how much more corporate earnings by American-owned corporations were there than the $1,100 million returned last year, if the Senator's figure is correct with respect to the $1,100 million. Is that 50 percent or 25 percent or the corporation's earnings over there of the American-owned corporation? What I am trying to get at is how much of an influence is this supposed tax advantage that the Senator is talking about? How much of an influence is that in corporations keeping their earnings abroad? Is it 50 percent, or is it 25 percent?

I do not see any great advantage to American corporations building up earnings in Europe through efficient operation and through more profitable cost conditions than here, unless these earnings can be repatriated and paid out in dividends to American stockholders.

Mr. GORE. The Senator has asked a very good question, for which an accurate answer is very hard to provide, because of inability of even our Government to obtain complete information. From the manufacturing profits reported by American foreign subsidiaries, approximately 50 percent was returned to the United States. However, this is not a reliable figure. I say that because this is 50 percent of the book profits remaining to the subsidiary manufacturing corporations from operations within particular countries after a great deal of the income from the operations of such corporations have been bled off or funneled into tax haven subsidiaries in tax haven countries. Only 15 percent of the profits of American corporate subsidiaries in tax haven countries was repatriated to the United States.

Unless the U.S. Government has access to the books and to the records and the accounting procedures of the various foreign subsidiaries and the foreign subsidiaries of subsidiaries and the contracts between the two or more foreign subsidiaries operating in different countries, it is impossible to arrive at an accurate answer and to have a recapitulation of the total profits, and what part of those profits are repatriated.

As the Senator knows, some countries, such as Switzerland and Liechtenstein and other countries, have antieconomic espionage laws, and if a U.S. revenue agent were to go there and try to obtain information about an American-owned foreign subsidiary, the agent might find himself thrown into jail very quickly.

Mr. BUSH. I would say to the Senator that I am not defending any tax-haven operations, and I know the Senator is not either.

Mr. GORE. I know that. I was pointing out to the Senator how interlocked and interwoven foreign manufacturing subsidiaries are with foreign tax-haven subsidiaries. Because of that fact I am unable to give accurate information; nor does our Government have an accurate answer to the Senator's question.

Mr. BUSH. The Senator did give me one statement that helps me somewhat. He said he thought about half of the earnings were repatriated.

Mr. GORE. About half of what is left after a substantial portion of the profits have been diverted into tax-haven subsidiaries.

Mr. BUSH. Then that does not help me.

Mr. GORE. I agree it does not. It disturbs me, because these tax-haven abuses are very great, and they have an economic meaning that is harmful to the United States.

Mr. BUSH. May I just make one more observation to the Senator? I do appreciate his patience and his attention to my questions.

Mr. GORE. I appreciate the opportunity, since I have been in the Senate, of visiting with the Senator personally and debating questions with him frequently. We have often been on opposite sides. I was highly pleased and honored that the Senator followed my rather laborious arguments on the question of the expense-account amendment.

Mr. BUSH. I did more than that. I voted with the Senator.

Mr. GORE. I was coming to that. After the Senator had followed my arguments, he voted with me. I am grateful to him. I speak in all sincerity when I say that the departure of the distinguished Senator and his lovely wife will be a great loss to the Senate and to the U.S. Capital.

Mr. BUSH. I certainly appreciate the Senator's very friendly comments, and I reciprocate thoroughly his feeling of friendship.

I have one final question I should like to ask, and then I will let the Senator proceed with his remarks, because I see that he has further text before him.

Mr. GORE. Oh, yes; I have.

Mr. BUSH. Going back to my earlier point, as to the relative attractiveness, that of taking so much of our industry to other countries, including Europe, particularly, my own State of Connecticut has suffered from that considerably. I do not like it, because it has resulted in considerable disemployment in our State. As I have gone into this matter with the manufacturers in my State, I have found that the controlling element for their going over and buying a plant or building a plant and going into the manufacturing business over there has been cost, particularly labor cost, where the cost differential in labor alone is a difference of 60 cents an hour in the Common Market countries as compared with $2.30 an hour, which is the national average, or was last year, in this country for manufacturing operations. That cost figure, plus other cost advantages, including local taxes and power and so forth, has attracted our industries overseas. I have never had one of these manufacturers say to me that it was the tax advantage or the tax deferral advantage that was a part of the reasoning in going over there.

They want to bring their earnings back to their stockholders. I cannot believe that the tax deferral has been as much of an incentive in attracting modern industry over there as these other cost factors have.

I thank the Senator for letting me discuss this matter. I know he does not agree with me fully. I hope he does see that these other cost advantages are very attractive to our people. Therein lies, in my judgment, the problem that we face. I do not like to see a continuing exporting of jobs, as the Senator calls it, quite correctly. I do not like to see it. However, I question whether the pending tax bill, no matter what we do, is going to have as much to do with that as I would like to have it do, because I would like to see this trend change. I thank the Senator very much.

Mr. GORE. I thank the Senator. He has brought up a point that certainly needs discussion. I have never contended and I do not now contend that there are not several other circumstances which operate as an incentive to the establishment of American industry abroad and the investment of American capital abroad and in some instances the actual movement of American factories abroad.

Before going further, I should like to observe that I doubt whether there is any other country which would for very long, against its own national interest, permit its individual or corporations to move whatever capital they desired or whatever factories they desired to whatever country they desired purely for their own benefit.

Mr. BUSH. The Senator is quite correct. Many of the countries he has mentioned this afternoon absolutely forbid such movement or limit it very severely.

Mr. GORE. At a dinner party one evening not long ago, I was quite struck by a conversation I had with my partner, who was the charming wife of a noted industrialist from another country. I inquired of her under what conditions her husband or her husband's company could invest in Brazil. I believe she spoke of some investment they had there. The information she gave me was that that decision could not be made by him or his company alone; that he must apply to his government; and that permission to export capital to Brazil or to any other country would not be given unless the government first determined that such an operation would serve the interests of their country.

Mr. BUSH. That is correct.

Mr. GORE. His own individual welfare would be secondary. I am glad the Senator from Connecticut agrees with me in that regard.

Coming to the broader point which the Senator raised, I should like to read a paragraph from a statement by a representative of the H. J. Heinz Co., which appears on page 2538 of part 6 of the hearings. Before doing so, and because I find it difficult otherwise to discuss in an intelligible way a table on that page, I ask unanimous consent that the table which appears on page 2538 be printed at this point in the Record.

There being no objection, the table was ordered to be printed in the Record, as follows:

	U.S. companies [1]	Foreign companies [1]
	Percent	*Percent*
Sales	100	100
Cost of sales	60	67
Gross profit	40	33
Selling, general and administrative expense	34	22
Operating profit	6	11

[1] These percentages have been rounded to the nearest full numbers and the dollar figures on which they are based are determined by converting foreign currencies at exchange rates at fiscal yearend and are influenced by minor technical accounting consolidation eliminations. However, the percentages are essentially correct for the purpose under discussion.

Mr. GORE. As the Senator from Connecticut will note, the table shows that the cost of sales, which includes labor, of the U.S. companies owned by H. J. Heinz Co., is 60 percent of sales, while the cost of sales of foreign companies owned by H. J. Heinz Co. is 67 percent. When we come to selling, general, and administrative expense, as the Senator will see, the cost in the United States is a much greater percentage of sales.

The operating profit abroad is almost double; and this, I point out, is not due to lower production cost, but to lower sales and administrative cost. Now I shall read the paragraph which follows the table:

> These percentages indicate quite clearly that our foreign business is almost twice as profitable (at the operating profit level) as is our U.S. business. Foreign companies' cost of sales are higher than comparable U.S. company costs (by 7 percentage points), but selling, general, and administrative expenses of foreign companies are substantially below similar U.S. cost items (by 12 percentage points).

As the Senator will note, this belies the general statement, which we hear so often, that foreign labor costs are so much greater. The truth seems to be, certainly in the case of this company, that the productivity of foreign labor is so much less than the productivity in the United States that the per-unit cost of production is greater in the foreign plants. It is the overhead administrative costs which are higher in the United States.

Mr. BUSH. Will the Senator permit me to observe that I think the H. J. Heinz Co. is a very interesting illustration.

Mr. GORE. I am not sure it is generally applicable.

Mr. BUSH. My point is that I am sure it is not general, because manufacturing operations with which I am familiar in my own State of Connecticut have quite the opposite figures to show, so far as the cost of doing business is concerned. I do not know how H. J. Heinz does so poorly overseas on the cost of sales, but obviously they do. I think it is surprising also that other costs are very much lower than they are in Connecticut. That is a very interesting table, but I do not believe it is conclusive.

Mr. GORE. I do not cite it to the Senator as evidence of a general conclusion. As the Senator has said, other situations would produce different figures. However, there are many more which would show a similar pattern. But I cited this example to demonstrate that we cannot race unquestionably to the conclusion that foreign labor costs are always a big incentive for the movement of American industry abroad.

Mr. BUSH. No; but they are an incentive for industries whose labor cost is a high percentage of the total cost. That is not true of the Heinz Co., whose product is automatically placed in cans by machines. In that kind of operation labor is not a high percentage of the total cost. In that kind of operation, where there might be better technical equipment or more advanced machinery for the type of work that needs to be done, there would be a cost of operation preference.

But many American industries which establish plants abroad are protected by the cost differential, because in the manufacturing of their products in this country the labor cost is a high percentage of the total cost. I do not know how we can appraise exactly which companies experience such a high labor cost or what percentage that cost is of the total.

Mr. GORE. I agree.

Mr. BUSH. I think a point to be remembered is that it is not only a tax incentive or a tax deferral incentive which causes the establishment of plants abroad. I do not believe, really, that that is the big thing, or one of the big things, which influences American companies to establish plants abroad. I do not believe that was what influenced H. J. Heinz Co. I think they established their foreign plants in order to expand their markets and increase their business, and they decided they could make money by doing so, as their own figures show they are doing.

Did the Senator gather in talking with the Heinz representatives that the tax incentive was an important factor?

Mr. GORE. The Senator's question raises a point on which I have some feeling. Mr. H. J. Heinz appeared before the House Ways and Means Committee and testified on behalf of 19 selected companies. They were selected, I think, because of the relatively large amounts of their earnings which are returned annually to the United States. His statement was carried widely by the press, and many persons seemed to rush to the conclusion that the experience of these 19 companies was typical of that of all American investments abroad.

After doing a great deal of work on this matter, I found some very large loopholes in his testimony. The Treasury Department found more. The Senate Finance Committe invited Mr. Heinz to testify before it; and I telegraphed to him and requested him to testify. But, for some reason, we never were able to get Mr. Heinz to testify before the Senate Finance Committee and defend the statement he had made.

In fact, his statement did not represent a typical cross section of repatriation of the earnings of American investments abroad.

Mr. BUSH. Did his testimony show that there was a reasonable repatriation of the earnings?

Mr. GORE. For the 19 companies, the showing was rather remarkable. But upon close examination it was found that theirs constituted mature investments which up to that date had not, in the case of the larger companies involved, gone very heavily toward the tax haven operation.

But I am sorry to report to the Senate that the H. J. Heinz Co. is now moving into a tax haven operation.

I should like to read a paragraph from a memorandum from Mr. Heinz. When I was unable to get him to testify, I submitted a memorandum to him, and he supplied an answer—not in person, but in writing. I read now from page 2539, volume 6 of the hearings, the second paragraph following the table:

> Our Swiss subsidiary company was established in fiscal year 1961 and is in charge of a full-time executive domiciled in Switzerland.

I note he refers to only one employee. That is rather typical. But profits from manufacturing and from sales all over Europe or perhaps in other parts of the world may well find their way into the coffers of that subsidiary in Switzerland in future years. Let me say this is rather typical.

I should read the entire paragraph, I suppose, in fairness. It reads as follows:

> Our Swiss subsidiary company was established in fiscal year 1961 and is in charge of a full-time executive domiciled in Switzerland. This company was organized for the purpose of investigating, organizing, and administering foreign business opportunities primarily in the Common Market area. To date this company does not have any earnings, but we hope that over the next 10 years it will become as profitable as have our other subsidiary companies and will be paying taxable dividends and fees to the parent company as do our other longer established subsidiaries.

Mr. BUSH. That does not sound bad, to me.

Mr. GORE. It shows that the company has established a subsidiary in a tax-haven country. What he will do with that tax-haven operation in the next 10 years, I do not know. Perhaps that will be affected by what we do with this tax bill. But I wanted to point out that although this company had been returning to the United States a sizable amount of earnings from matured investments, now it has established a subsidiary in a tax-haven country.

This creates some interest on my part, because we had testimony from a leading U.S. drug concern which showed a rather favorable return to the United States. The going rate of this company was about at the 50-percent mark. But then a witness for another concern testified; and his competitors listened to him. He showed an effective tax rate for his company—or, rather, I had the figures to show it; and when I asked him the questions, he certified that the statistics I had were correct. They showed a tax rate of only about 30 percent for some years.

When the testimony had been completed, one of the gentlemen—whom I should not like to identify—came up and talked to me privately. He said, "We are just catching on, and we are establishing subsidiaries in tax-haven countries."

I say to the Senator from Connecticut that this is happening in thousands of instances.

The Senator from Connecticut has referred to some of his constituents who have moved abroad, and he has referred to the reasons they gave him for doing so. He has not identified them, and I am sure he would not want to do that. I shall now refer to one of my own constituents who talked to me confidentially, and whose identity I would not like to reveal. His company is quite successful. It has a nationwide retail network in the United States, selling well-known American-brand products. He told me that he had made arrangements to manufacture and import from 23 countries products bearing the labels of American brands. We talked about the tax situation; we discussed it fully and frankly. He said, "You can't blame me for taking advantage of it as long as you fellows leave it in the law."

I said, "No, I cannot."

He said, "I am not breaking any law."

I replied, "No; and I am not saying that you are breaking any law."

But I say to the Senator from Connecticut that this tax incentive for the movement of our industry abroad is what I want to try to eliminate.

I should say, in all fairness, that my constituent did not say that the tax situation alone had caused that decision to be made. He also referred to other factors. He referred to labor costs; and he referred to the incentive of having a factory built for him by another country, as a subsidy. But the tax incentive was a part of the reason. As I have said to the Senator from Connecticut, I do not know what part it is, but it seems to be a significant part. I want to remove that part, because we simply cannot remove the others.

Mr. BUSH. I thank the Senator from Tennessee.

Mr. GORE. I wish to read to the Senate a portion of an article entitled "Jurisdiction to Tax and International Income," written by Martin Norr, who is a member of the Massachusetts and New York bars, Research Associate and Editor, World Tax Series, Harvard Law School, International Program in Taxation. I am reading from page 458:

> Winston Churchill pointed out that countries are judged by their national performance. In the tax field our national performance is not everywhere well regarded. The effect of anti-tax-haven legislation on the American image abroad may be salutary. We must recognize that there is an image abroad of the American as a tax avoider. Last summer the writer got out of a car at Sodom on the Dead Sea with two British tax lawyers and a Swedish national. Looking at the panorama of ancient desolation, one Englishman whispered to the other: "Good place for Americans to set up a base company."

In other words, a good place to set up a tax haven.

Not long ago I was invited to make a speech, which invitation I accepted. My host for the evening was an eminent businessman. We were discussing this subject, and I soon found he was not in full agreement with my point of view. So, to illustrate my concern, I said to him, "You know, there is a little place in Switzerland called Zug, about which I never heard until I learned a few days ago that within the last few months 45 American corporation subsidiaries had been established there." He said, "Well, now, Senator, if you are going to refer to that, it is called 'Zoog.' It is where one of my subsidiaries is located."

Mr. BUSH. Mr. President, if the Senator will yield, I do not know what the implication of that is, but presumably the implication is that they are going over there to avoid paying taxes.

Mr. GORE. He frankly admitted it.

Mr. BUSH. I assume that is the reason, because there is nothing else to attract them to those places.

Is it not also true that companies incorporating for business will go from Tennessee or Connecticut to Delaware in order to take advantage of the tax laws incident to incorporating in Delaware, as distinct from Illinois or Ohio or other States? So the establishment of a base of operations for corporate purposes, if it be established in some other place than where the company does business, does not necessarily connote guilt or an offense, but connotes only a desire to take full advantage of what the tax laws are. In other words, they do not go there to do something wrong. They go there to take advantage of what may be there in the way of escaping, if you will, the disadvantages which may exist by locating elsewhere. We see that done in our own country by reputable corporations. They do not incorporate in New Hampshire or Vermont; they go to Delaware. I do not know the attraction of Delaware. Perhaps I did at one time, but I have forgotten. I cite that as an example of the fact that it is not unusual for corporations to incorporate in another State than their own. Therefore, it should not be considered unusual if they are doing business abroad, if they find a place where it would be most advantageous to them to locate.

I want to say in conclusion, lest I leave the Senator in any doubt, I am not seeking in any way, any more than the Senator from Tennessee is, to protect any company or any individual who is doing anything wrong in avoiding the payment of just taxes in the United States. I fully commend the Senator for his zeal in attempting to close any loophole that exists for that purpose.

I do not think that one can jump suddenly to the conclusion that there is something wrong with a company just because it will open up an office in Switzerland, as the Senator pointed out Mr. Heinz did. Mr. Heinz explained that they did it for certain purposes. I do not think it is fair to assume that the reason why he did it was for a tax avoidance purpose.

Mr. GORE. I readily agree that we are not dealing here with a matter of criminality. I have never endeavored to deal with it here in that light.

Mr. BUSH. I do not mean to bring that word into it, but I suppose anyone who avoids the payment of just taxes is a criminal.

Mr. GORE. Generally speaking, evasion is regarded as a crime. Avoidance may be a broader term. So long as the avoidance is within the law, it is not a crime, although I am not sure that all tax avoidance can be entirely excused, and that one can say it is not wrong to avoid taxes. Sometimes there are advantages taken, such as was illustrated in the subject matter we discussed yesterday, in the case of an expense account where a personal expenditure is clothed, deceptively, in a business function.

I cannot say that all tax avoidance, though it may be within the clear confines of the law, is not wrong. I think there is a moral question involved, and there is a question of degree; but at least in the case of taxation of foreign subsidiaries, I have never sought to deal with the problem from the standpoint of tax evasion. I have never sought to deal with taxation of income earned by

American citizens in foreign countries as a matter of right or wrong. I have tried to deal with it as a matter of public policy.

It seems to me that if our national economy is being injured, as the Senator's State has been injured——

Mr. BUSH. The Senator is correct.

Mr. GORE. By the movement of factories to foreign countries, then, to the extent that we can do so, within our jurisdiction, we should eliminate those advantages which our own law provides for such migration of business and jobs and capital.

I do not propose that we stop it. I merely propose that American tax laws be placed in a position of neutrality. A survey has shown that reinvestment of foreign earnings over a 3-year period can provide "roughly double the rate of profit accumulation for reinvestment that is possible under domestic tax schedules."

Mr. BUSH. Because of lower taxes overseas?

Mr. GORE. Yes.

Mr. BUSH. But what good would that be for the American stockholder, to keep the money overseas?

Mr. GORE. His assets would be of much greater value. There are numerous instances in which foreign corporations, after a period of years, with an accumulation of profits, have been collapsed or otherwise made liquid, and the money brought home at capital gains rates.

Mr. BUSH. They sell out overseas?

Mr. GORE. They are collapsed or otherwise become liquid.

Of course, there is another situation which I am glad to say the pending bill would correct. Under the present law foreign real estate is completely exempt from U.S. estate taxes.

Mr. BUSH. Yes. The bill would close that loophole.

Mr. GORE. Fortunately, the bill would close that. I am not one who is willing to say that the bill does not have some good features, for it does. I am pointing out that is one of several ways in which accumulated earnings may inure either to the original investor or to his heirs at a very low tax or, in some instances, at no tax at all.

Mr. BUSH. I should like to ask the Senator a final question. Has the Senator or the committee received testimony which supports his statement that they might collapse an oversea operation, or sell out, so as to bring the profits of years—10 or 20 years, or whatever amount is involved—to the United States in the form of capital gains?

Mr. GORE. Yes. The evidence is that is widespread.

Mr. BUSH. The committee does have that testimony?

Mr. GORE. The committee does have evidence on that.

Mr. BUSH. I thank the Senator.

Mr. GORE. I thank the Senator for his interest and attention.

Mr. President, in conjunction with considerations of competition, it is bad enough when foreign corporations set up by our own people begin to displace our export markets, but it is even worse when they begin to export back into our own country. The cruelest competition which an American producer can be forced to undergo is competition from American-type goods with well known American brand names, produced abroad by American-owned subsidiaries which have achieved rapid growth because of the ability to dodge U.S. taxes and plow back practically all earnings, with these products distributed throughout this country through a well-established chain of wholesale and retail outlets.

It is all very well to want to assist other countries, but the crying need right now is to build up our own economy. We do need to continue to render appropriate assistance to underdeveloped countries, but certainly the wholesale shipment of factories to Europe must be slowed down.

We still have a long way to go to reach full employment and production. We are not going to reach this goal by giving our domestic corporations a tax cut which the Senate voted on Tuesday to do—and the fact that this tax cut is computed on the basis of certain plant and equipment purchases does not at all mean that it will influence in one iota the amount or types of such purchases—if at the same time we continue to encourage them to move overseas.

We need to stop this hole in the bottom of our economic bucket through which our economic potential is pouring to other countries. We must do this before or in conjunction with whatever other steps we may take which we hope will build up our domestic economy and improve our international economic position.

Sales by U.S.-controlled foreign factories in 1960 amounted to about $24 billion, up about 29 percent from 1957.

Our Commerce Department has estimated that expenditures for plant and equipment abroad by U.S.-controlled foreign operations will amount to about $4.5 billion this year, including new capital sent abroad from the United States plus earnings and depreciation allowances plowed back. How many new jobs would such expenditures, added to our normal expenditures for domestic plant and equipment, create here at home? I have no satisfactory yardstick with which to measure this, but we are surely shipping many thousands of jobs overseas every year.

When this subject comes up, many will invariably advance the argument that our foreign operations assist our domestic economy because of the increased sales of exports which our activities overseas generate. As in the case of most arguments, there is some truth in this one. One needs to know just how much truth there is in it. The answer is, it is just about 10-percent true.

There are four general types of oversea investment. Each must be viewed in a different light insofar as its effects on the domestic economy are concerned. These are:

First. Sales promotion: This is the first type of foreign activity to be discussed by most of those who would defend our present lax tax laws regarding foreign operations. Those who rush to the defense of the tax status quo argue, first and foremost, that to tax foreign operations equitably would destroy this type of activity overseas and thus ruin our export business and harm our domestic economy.

A strange and baseless argument.

In the first place, this type of activity accounts for only 10 percent of our foreign direct investment. In the second place, this type of activity exists, or should exist, because of the profits it can promote for the factory in the United States, not for the profits the sales activity itself can earn in a foreign country. The tightening up of taxes on this small sales activity would not disturb or lower the profits of the major activity which is, after all, located in the United States.

The type of tax reform I am talking about would not harm our foreign sales activities.

Second. Raw materials and supplies: This type of activity now accounts for about 42 percent of direct foreign investment. By and large, these operations do not harm the domestic economy. In fact, they are decidedly of assistance. This is where we get 54 percent of our minerals, metals, and semifinished imports. These operations ship very few jobs out of the country. These operations probably do us more good than they do the host countries.

But what is of importance vis-a-vis taxation is that these operations are not particularly encouraged by our faulty tax laws. Being in the extractive field, these enterprises are set up so as to take advantage of our very generous depletion allowances. They are, therefore, usually organized as branch, rather than subsidiary, operations and repatriate earnings annually on which they pay the regular U.S. rates, less the credit for foreign taxes paid. The changes in the taxation of foreign operations which I am now advocating would have little bearing on the taxes of branch operations and, therefore, little effect on this segment of our foreign private economic activity.

Third. Public utilities, transportation, and banking: This type of foreign activity might be curtailed somewhat by tightening up on foreign taxation, although I doubt it. At any rate, this accounts for only 15 percent of our direct foreign investment, and this percentage is declining. These are types of activities, also, it might be noted, which lend themselves readily to nationalization.

Fourth. Manufacturing: This is the activity which hurts. It is also the activity which would be most affected by tightening up our foreign tax laws.

Manufacturing already accounts for 33 percent of our direct foreign investment and is the fastest growing segment. In Western Europe 75 percent of our direct investment has gone into manufacturing—in the United Kingdom, 85 percent. It is this type of foreign investment which hurts our domestic economy and contributes to our balance-of-payments deficits.

Since this type of activity is usually organized as subsidiaries, and since it often is associated with tax havens, there is less current repatriation of earnings. This is where the deferral privilege, the credit, the gross-up and the tax-haven sales hookup really pay off. Changes in these areas of taxation would slow down—although this would not stop the movement of enterprises drawn abroad legitimately—the wholesale movement of manufacturing plants to Europe.

EFFECT ON BALANCE OF PAYMENTS

A great deal has been said about the balance-of-payments problem in the last 2 or 3 years. In fact, it is currently one of the most fashionable topics of conversation. I must say that it is somewhat misunderstood, even by many who are directly concerned with its solution.

As with so many other problems in this country, the balance of payments is not an absolute but a relative problem. There are several ways by which we might solve the problem, or at least greatly lessen it without serious damage to our domestic economy or our ability to compete in the markets of the world. Some solutions, however, are not compatible with broad national policy.

Many countries, on the other hand, have an absolute problem with their balance of payments. Many countries must import large quantities of important items. These may be raw materials and fuels, or they may be manufactured products beyond the capability of the local economy. Furthermore, domestic consumption must often be curtailed in order to get together enough goods for necessary exports. In such cases there is generally a low level of gold, dollar, or sterling reserves to fall back on. The balance of payments, then, becomes a problem which must be resolved year by year on an absolute basis. If the solution is not forthcoming within a year or two, the economy will collapse and a political upheaval will be inevitable

Our problem is not of this sort, as I have said. We could cut off the flow of private funds abroad through different types of controls, direct or indirect. We could reduce military expenditures overseas by bringing troops home, by bringing dependents home, or by reducing oversea purchases for their maintenance. We could reduce our foreign aid. We could refuse to allow tourists to carry dollars out of the country. We could refuse to make pension or social security payments to anyone who moved outside the country. We could reduce imports by instituting licensing controls such as those which are in force in many countries. We could increase exports immediately in several ways—by subsidies, for example.

But there are reasons, perhaps good ones, for not doing these things—at least not to an extreme degree. Steps we take along these lines must be taken with a view to the welfare of our friends and allies and to the overall strength of the West as well as to strengthen our domestic economy.

We have taken some reasonable steps in recent years to take up some of the slack in our balance of payments. We can do more in this regard and still not damage our domestic economy and our Western allies. But certain steps are more productive of good and less productive of harm than others.

The great emphasis now is on increasing exports, and this is all to the good. There are limits to such increases, however, without also increasing imports. It would seem that we will have difficulty in maintaining a favorable balance of trade in excess of $5 billion.

But we must find a way to reduce our balance-of-payments deficit by about $2 billion per year. I doubt that increased exports can carry the burden alone. In my view, we could reduce our deficit materially by tightening up on our taxation of foreign operations.

Although we talk a great deal about the balance of payments, and everyone is concerned, we still do not know enough about the subject. Even our statistics are not much better than informed guesses as to what is actually going on. It appeared last year that we were doing very well—up until the fourth quarter. It is possible that there is something wrong with the fourth quarter figures. It is just as likely that there is something wrong with the figures for the first and second quarters of 1961. We simply do not know.

There are at least two things we do know about our balance-of-payments figures. First, much of the short-term investment flow that we classify as "hot money" seems not to come back. Both the fourth quarter of 1960 and 1961 showed abnormally high flows of such funds. A lot of it never shows up as coming back—at least not in the same form. I am convinced that much of it gets overseas and is converted there into long-term investment of one kind or another.

This is not just a wild guess on my part. Many who are knowledgeable in this field think that a good part of what we classify as short-term investment going abroad is really long-term. It gets abroad and never comes back. In this connection, there was a very good article in Business Week on February 25, 1961, on this very point. According to this article:

> U.S. corporations that found themselves last year with more cash than they cared to invest in the slack domestic market moved funds abroad as a preliminary to long-term investment. Such movements sometimes had a short-term air, because money was put into short-term European securities while waiting for a long-term opportunity.

Second, it is not possible to know very much about any set of figures when such a large "errors and omissions" item is necessary to make debits and credits balance. This balancing "errors and omissions" figure for 1960 was 20 percent. For 1961 it was about as bad.

In my opinion, we do not know as much about our true balance-of-payments position and what really causes it as our tables would lead one to think. I think it likely that our capital outflows of different types have been understated in recent years.

That we do not know very much about what is going on is readily admitted by our Department of Commerce people who are supposed to keep up with international transactions. Here is an excerpt from the June 1962 Survey of Current Business in an article discussing the recent trends in the balance of payments.

> A large part of the improvement in the overall balance cannot be explained from the data so far available. The balance on unrecorded transactions shifted from net payments of $565 million in the last quarter of 1961 to net receipts of about $260 million in the first quarter of this year. A part of the $825 million shift can be attributed to seasonal factors, but even after adjustment for these the shift amounted to about $620 million from net payments of about $400 million to net receipts of about $220 million.
>
> Although this shift reversed an almost equally large shift from the third to the fourth quarter of 1961, the prevailing tendency of unrecorded transactions still seems to indicate an excess of payments. The net-receipts balance for the first quarter of 1962, therefore, seems to reflect some special circumstances, which may have led to unrecorded inflows of foreign funds or repatriations of American capital.

I think at this point I might say that the Congress should be somewhat critical of the Department of Commerce for not keeping up with balance-of-payments statistics and foreign investment properly. Those individuals who are supposed to keep up with investment flows simply did not have the authority to go out and get the information. It was not until April of this year that the Department began to require reports on international movement of funds by U.S. corporations, even though we have had a law authorizing such a requirement on the books since 1945. Only one really good study has been made of investment flows and foreign investments, and that was for the year 1957. Even this was not published until 1960.

Be that as it may, we must try to analyze the situation on the basis of such statistics as we have, uncertain as they are. We do not know how much gold we are losing and how much our liquid liabilities to foreign countries and international institutions are increasing.

We do know something of the part which is being played by private oversea investment. We know something of its effect on our domestic economy as well as on our balance of payments. Many are not yet willing to acknowledge the role which is being played by the rapid buildup of U.S.-owned manufacturing facilities in Europe in the sluggishness of the domestic economy and the deficit in our balance of payments. We must examine this matter closely and take such action as is in the public interest.

One thing which that 1957 study by the Commerce Department did show, however, was the lag in repatriation of earnings from manufacturing activities abroad, that is, from subsidiary operations. About one-half of our receipts from direct investment overseas in 1957 was from petroleum operations. Only one-fifth was from manufacturing. But one-third of our investment is in manufacturing, and the profits are said to be large—at least it is claimed by those who are going there that the profit margin is considerably higher in Europe than in the United States. This shows conclusively, it seems to me, that earnings from manufacturing abroad are not being repatriated as are earnings from some other types of investment. One reason is that our tax laws allow deferral for subsidiaries. In branch form, as is the case with petroleum and mining generally, there is more repatriation. Removal of the deferral privilege should help us to repatriate more funds from manufacturing and thus clear up a part of our payments deficit. The other, and associated, reason for lack of repatriation lies in tax-haven operations.

Last year, Secretary Dillon made a very forceful presentation to the Ways and Means Committee on the need for tightening up on the taxation of foreign activities. Particularly useful were the figures which he used showing the breakdown of investment and dollar flows by geographical areas and types of activities. His figures showed an absolute deficit on European operations. I am sorry to say that his presentation has been attacked on the basis of figures of an altogether different sort furnished by certain other witnesses before the Ways and Means Committee.

THE HEINZ STATISTICS

Mr. President, I have already referred to Mr. Heinz' statistics, but I should like to go into that subject now in more detail.

Despite some pretty good statistics which Secretary Dillon got together and presented, the testimony presented by some witnesses who have come before the Ways and Means Committee and the Finance Committee has sought to show that all types of foreign activities, tax haven ones included, make positive contributions to the balance of payments.

Some of the testimony presented strains credulity. In fact, some of it is so incredulous that certain witnesses refused to come before the Finance Committee in person to defend their statistics and line of reasoning.

One of these bits of questionable testimony was presented to the Ways and Means Committee by Mr. H. J. Heinz II.

There are several things wrong with this testimony. I have tried diligently to get points of interest cleared up, and have been totally unsuccessful in getting Mr. Heinz or anyone else to come before the Finance Committee and defend or even explain this whole procedure.

It would appear that this 19-company group represented by Mr. Heinz had its origin in the International Chamber of Commerce and that companies were selected for the good showing which they could make for the period under review. Taking the most charitable view of the matter, these companies are wholly unrepresentative of those which have been responsible for the vast increase in tax-haven operations which have sprung up in the last 5 years. These companies have, by and large, mature foreign investments.

Mr. Heinz said that he represented 19 companies in compiling and presenting his statistics and that these U.S. corporations represented "somewhat over 5 percent of the total U.S. investment in manufacturing abroad."

These companies are American Machine & Foundry Co., Armco International Co., Cabot Corp., Continental Can Co., Corn Products Co., Eastman Kodak Co., General Electric Co., Goodyear International Corp., H. J. Heinz Co., Merck Sharp & Dohme International, Monsanto Chemical Co., Otis Elevator Co., Pfaudler Permutit Co., Pfizer International, Inc., Ritter Co., Inc., Taylor Instrument Cos., Texas Butadiene & Chemical Corp., The Procter & Gamble Co., and Union Carbide Corp.

Mr. Heinz further states that "the companies" I have just mentioned had asked him to appear "as their spokesman." Mr. Albert E. Sawyer, an accountant, "was retained" to gather the statistical data used.

Did the managers of this group of companies just happen to get together for this purpose? After examining some of the statistics cited, I became most curious to learn just who first retained Mr. Sawyer, who paid him, who contacted the particular companies, and how many other companies' books or statements were examined and discarded because they did not fit a predetermined pattern.

Interestingly enough, these companies seem to have little in common. An odd fact with which one is struck is that, in the case of several of the companies listed, the companies are subsidiaries of a parent U.S. corporation. I wondered whether the inclusion of data for all the foreign subsidiary operations of the parent U.S. corporations would have altered the pattern.

Armco, for example, has a large operation in Canada as well as other foreign operations which do not appear to be a part of Armco International.

I do not know the reason why each of these 19 companies was selected for this list, or why only these were included. A brief examination raises some interesting questions. For example, the General Electric Co. appears to have repatriated $7.9 million from foreign earnings of $8.4 million from its nonconsolidated subsidiaries in 1959. This is a very high percentage of repatriation. Otis Elevator changed its bookkeeping in 1960. As a result its foreign subsidiaries paid three dividends in that one year. Though I do not know whether these untypical facts caused these companies to be included, one can see that if a company is selected which has a large inflow of funds usually, or for one particular year, it would, of course, distort, the statistics for a small sample like this, making the summary or conclusion more unrepresentative and untypical of the general facts.

It was noted by members of the Ways and Means Committee that there had been a sharp increase in the outflow of new money from these U.S. corporations in 1960. Mr. Heinz was asked about this and promised to furnish an answer. So far as I have been able to determine, he never did.

With the knowledge that these figures may present a distorted picture, let us examine them in some detail.

Let us consider, first, dividends repatriated by these subsidiaries. The foreign subsidiaries owned by these 19 companies sent home during the 1957-60 period, according to Mr. Heinz, $141 million more in dividends than the parent companies sent abroad in new money. Multiplying this by 20, since according to Mr. Heinz these companies represent about 5 percent of U.S. manufacturing abroad, we would conclude that all foreign U.S. manufacturing subsidiaries sent home, during this 4-year period, $2.8 billion more in dividends than they took out of the country in new money. This is a rather large figure, particularly when we compare it with our official figures. According to our official statistics all our foreign direct investment, branch and subsidiary of all types combined, sent home only $2.2 billion more than they took out during these same 4 years. Furthermore, as I have pointed out, subsidiaries, at least those in Europe and Canada where our principal manufacturing activities are located, according to our official statistics caused an actual drain on the balance of payments.

Our official statistics appear, as I have said, to understate outflows, but no matter how inaccurate they are, or in which direction, they could not conceivably be this far off. Petroleum alone accounts for half our inflow, yet Mr. Heinz would have us believe that manufacturing subsidiaries contribute billions of dollars on the plus side of the balance of payments through dividends remitted.

To pin this down, let us look at the year 1957. As I have pointed out, we do have good statistics for that year, based on compulsory reporting. According to these figures for 1957, compiled by the Commerce Department, all our foreign direct investment activities sent home $2.249 billion in earnings and profits. About half of this came from petroleum. Only about one-fifth of it, or $429 million, came from manufacturing. Yet Mr. Heinz claims that foreign subsidiaries of his 19 companies sent home in 1957 $64.8 million in dividends. Extrapolating this figure, one would assume that all manufacturing subsidiaries would have remitted dividends in 1957 in the amount of $1.296 billion. This misses the mark by a factor of 3.

Mr. Heinz' other figures appear just about as unreliable. He piles on hundreds of millions of dollars in dividends, fees, and exports which he attributes to the activities of foreign subsidiaries of these U.S. manufacturing corporations.

Let us look at the export figures which Mr. Heinz cited. He claimed that these 19 companies, representing about 5 percent of our foreign manufacturing, had exports generated by their own direct foreign investments in 1960 of $595.1 million. Multiplying this by 20, we would conclude that all foreign direct investment activities of U.S. manufacturing corporations for that year accounted for about $12 billion in exports. But our total nonagricultural exports in 1960 amounted to only about $14 billion.

These export figures seem so outlandish that the Treasury Department asked the Commerce Department to try to arrive at some proper comparable figure. The Commerce Department queried our larger manufacturing companies and got replies from 155 of them, accounting for 80 percent of all manufacturing investments abroad. These companies credited their foreign subsidiaries with generating $2.7 billion in exports in 1960.

To credit almost 90 percent of our nonagricultural exports to the activities of the direct foreign investment activities of U.S. manufacturing corporations, which appears to be the implication of Mr. Heinz' testimony, certainly strains logic. Yet some people seemed impressed.

Yet some persons still seemed impressed. Some of my colleagues in the Senate have spoken to me about some individual company or representative of some individual company who came and showed that his investment abroad helped the United States. Undoubtedly there are individual examples—extremes in both directions. What I am trying to give is a composite, a summary, conclusions, a look at the total picture, and to examine the whole matter, rather than individual examples.

The same types and amounts of exports can be, and are, generated by aggressive selling, by licensing arrangements, or by any other form of exposure of a foreign buying public to American products. For example, Borg-Warner licensed a South African company to produce one of its refrigerators. The licensee purchased from Borg-Warner other types and sizes of refrigerators produced in the United States to round out its line. As a result, Borg-Warner has increased its exports of refrigerators to South Africa from 600 to 3,500 per year.

There is no more logic in crediting large amounts of exports cited by Mr. Heinz to subsidiary activities than there is in crediting to a wholesaler's retail activities all the goods sold through retail stores which he happens to own directly. The wholesaler might well have sold a larger quantity of goods had he closed his own retail chain and wholesaled to 8 or 10 competing retailers.

It so happens that these companies cited by Mr. Heinz also show a large income from royalties and licensing and management fees. In the case of these companies it is claimed that these fees originate in their own subsidiaries. The implication is that without subsidiaries there are no fees of this sort to be collected abroad by U.S. corporations. This is not at all correct.

Many U.S. corporations collect large amounts of fees of this type from foreign operations other than their own subsidiaries. I do not have a breakdown on these statistics, but I would invite attention to an article which appeared in the Wall Street Journal on June 14, 1961, in which certain companies' licensing arrangements are detailed. It was pointed out in this article that a great many of our large companies use licensing arrangements in preference to setting up foreign subsidiaries. Bendix Corp., for example, is said to have over 400 licensing agreements in effect abroad and to have received about $2.9 million in royalties in 1960. According to this article there are now more than 12,000 licensing agreements in effect between American companies and foreign companies. In my opinion, a representative list of U.S. companies would show a large amount of royalties and licensing fees originating in foreign companies neither owned nor controlled by an American corporation. It is wholly unjustifiable to bleed any part of these fees off into tax havens.

Now, I am not accusing Mr. Heinz of coming to the Congress with deliberately distorted statistics. Special pleading is not unusual even if that should have been the case. But several points need to be cleared up and I was keenly disappointed that Mr. Heinz refused to come before the Finance Committee to defend and update his statistics.

I wrote Mr. Heinz to request some of the information I needed to clear up certain points in my own mind.

Mr. President, I ask unanimous consent to have printed in the RECORD at this point my letter to Mr. Heinz and his response.

There being no objection, the correspondence was ordered to be printed in the RECORD, as follows:

APRIL 17, 1962.

DEAR MR. HEINZ: You will recall that last year you presented testimony to the House Ways and Means Committee, on behalf of some 19 companies, on the tax reform proposals of President Kennedy. Your testimony at that time seemed to have a marked effect on the committee and was widely reported in the press. Since that time, as you undoubtedly know, the House has passed the tax reform bill, H.R. 10650, and this measure is now the subject of hearings before the Finance Committee of the Senate.

Since your testimony, presented on behalf of these 19 companies, was one of the most important parts of the testimony before the Ways and Means Committee on those proposals relating to the taxation of operations abroad, I had assumed that you would appear before the Finance Committee to go over the same or similar testimony and bring the statistics you presented up to date to include the year 1961. I was keenly disappointed to learn that you will not appear before the Finance Committee.

In view of the fact that you will not appear before the Finance Committee, I wonder if you would be good enough to supply certain information to me for my study in connection with this bill.

First, I would like to know who organized your group. You testified in the name of the Industry Committee on Foreign Investments. Is this a permanent organization? When was it organized, and who are its officers? Who employed Mr. Sawyer? How many other companies' books were examined in the process of selecting these 19 for which statistics were presented? Where was Mr. Sawyer employed in 1960, and where and by whom is he employed now?

Second, I note in your testimony before the Ways and Means Committee, that you were questioned about the large increase in the outflow of funds for investment abroad in 1960 over 1959. You were to furnish an explanation, but had not done so by the time the hearing went to press. I would like this information, and, further, I would like to have figures for 1961 for these companies comparable to those you presented for past years.

Third, a number of the companies in your group have licensing agreements as well as subsidiaries abroad. Could you furnish some comparison of the exports generated by subsidiaries and by licensees. Specifically, I note that Goodyear has what are called manufacturing arrangements in several foreign countries. Are these licensing agreements, and what exports do they generate, if any? Also Eastman Kodak reported sales to foreign subsidiaries in 1960 of $64 million, and sales to dealers of $49 million. What are the arrangements with these dealers, and how do they operate?

Fourth, in your own company it appears that selling, general and administrative costs are being shifted rather heavily to the parent corporation. For instance, on a gross profit of $72 million by the U.S. corporation selling, general, and administrative expense amounted to $61 million, leaving an operating profit of $11 million. On the other hand, on a gross profit earned by foreign subsidiaries of $60 million, your company showed selling, general and administrative expenses of only $40 million, leaving an operating profit of $20 million. These figures are from form 10–K for your fiscal year ending May 3, 1961. I note that you have a Swiss subsidiary, but your foreign tax was $8.9 million, certainly a substantial figure. It would be helpful to me and to the Finance Committee to have an explanation of the above figures.

Fifth, Otis Elevator changed its fiscal year in 1960 and, as a result, paid three dividends in that year amounting to $3 million from total reported foreign earnings of $4.7 million. I would like to know what the comparable figures were for 1961.

Sixth, I am unable to find any information on the Cabot Corp. except that it owns 41 percent of Texas Butadiene, another of the companies in your list of 19. Is the Cabot Corp. an industrial company? I am unable to find it listed in "Moody's Industrial Manual for 1961."

Seventh, the Texas Butadiene French sales and investment operation raises a number of questions. Is the 25 percent of sales being permanently invested in France completely free of U.S. tax? Is this being written off as a sales commission through its Canadian and other foreign subsidiaries? Also, did the export figures you gave include the full price of these French exports? What part of the price was actually remitted currently?

Eighth, Merck's report for 1960 shows $6.5 million remitted from earnings of $10.5 million. This was a considerable step-up from remittances for other recent years. Is the step-up in remittances continuing through 1961 and into 1962? There appears to be a rather large number of subsidiaries owned by a Panama subsidiary. Is this a new development. a reorganization?

Ninth, General Electric's Jelco subsidiary does a large foreign engine leasing business through a great many foreign subsidiaries. How were these earnings handled in your statistics? Is there any foreign insurance or reinsurance operation in connection with Jelco's or GE Credit Corp.'s operations, foreign or domestic?

Tenth, Pfizer's figures seem not quite to add up. That company's consolidated 10–K for 1960 shows earnings of $38.9 million by the U.S. company and its more than 60 active branches, subsidiaries, and affiliates operating in more than 40 countries, on which U.S. tax of only $6.9 million and foreign taxes of $5.8 million were paid. This seems to be a rather large earnings-to-tax ratio. Research and development expense was shown as $13 million. Was all this charged to the U.S. parent corporation? Royalties in the amount of $4 million were received. How much of this was received and retained abroad in a tax haven? There is a particularly intriguing statement in this company's 10–K to the effect that, "No provision for Federal income dividend tax in respect to the subsidiary companies' earnings retained at December 31, 1960, is included in the consolidated statements, inasmuch as it is considered that such earnings are essential to the continued operation of the subsidiaries' business." It would appear that foreign subsidiary earnings were about $24 million, of which only $4 million was repatriated. Does the above-quoted statement mean that the other

$20 million is being invested in bricks, mortar, and machinery abroad, and will never become subject to U.S. tax?

Eleventh, how were operations involving mining, oil, gas, hydroelectric generation, and so on, handled in your statistics for these supposedly industrial companies? I note specifically that Union Carbide has a power-generating facility in Norway, as well as extensive mining and, perhaps, oil and gas operations; Armco has mining operations and also handles many allied products through its foreign subsidiaries; Monsanto has a large subsidiary, the Lion Oil Co.

Twelfth, four of the companies you stated you represented were either subsidiaries or divisions of larger U.S. corporations. How much of your data came from the parent corporations of these subsidiaries?

As I believe you can see from just the few brief facts and questions outlined above, your testimony before the Ways and Means Committee needs clarification and amplification in many respects. I would hope that you will be able to appear before the Finance Committee before the end of the current hearings, now tentatively scheduled to terminated on May 3, 1962.

I shall look forward to hearing from you at an early date, and would like your permission to make your reply a part of the record of the hearings before the Finance Committee.

APRIL 24, 1962.

DEAR SENATOR GORE: I have your letter of April 17 and am pleased to reply to the questions which are within my capacity.

In your paragraph first, you have asked about the organization of the 19-company committee. I enclose herewith a brief history of this group entitled "Memorandum re 19 Companies," which I think is responsive to your questions. The ad hoc group of 19 companies which submitted its data in a joint presentation through me to the House Ways and Means Committee has performed its function of testifying and has no reason for continued existence as a committee. I have not been delegated to speak for the 19 companies on any matters outside of the statements I have presented to the Congress.

In your paragraph fourth, you raised some questions concerning the Heinz Co. You will find our answer in the memorandum entitled "H. J. Heinz Co. Reply to Senator Gore's Inquiry" attached.

In paragraphs 2d to 12th, excepting paragraph 4th, you inquire as to matters of which I have no personal knowledge.

I have asked Mr. Sawyer, the public accountant who helped present the data received from the 19 companies, for information in respect to your second question. He informs me that the increase in outflow for foreign investment from $30.5 million in 1959 to $61.3 million in 1960 was spread between 9 of the 19 companies. He also informs me that he has no data for 1961 pertaining to capital outflow.

In respect to your paragraph third, Mr. Sawyer advises me that the figures he has contain no breakdown for exports generated by licensing agreements.

In regard to paragraph 12th, Mr. Sawyer advises me that 6 of the 19 companies were international or oversea subsidiaries or divisions. In each case the data used in the 19-company study came from the subsidiary or division.

With respect to some of the general remarks that you have made in reference to the 19-company study, may I refer you to the statement I have filed today with the Committee on Finance, a copy of which I attach hereto.

I am entirely agreeable to your publishing this letter and the two annexed memorandums in the record of the Senate Finance Committee hearings on H.R. 10650.

Sincerely,

H. J. HEINZ II.

Mr. GORE. Mr. President, it seems to me that Mr. Heinz has completely failed to support, defend, justify, or render credible the statistics he presented to the Ways and Means Committee. Therefore, I am left to fall back on the Treasury's statistics which show, among other things, that manufacturing subsidiaries in Europe cause a current net drain on our balance of payments.

DRESSER AND THE EXPORT TRADE CORPORATION

Now I want to talk about a provision in section 12 of the bill which is directly related to the pending amendment.

There is one escape valve in the tax haven provision in the bill which I find most distressing because it puts the official stamp of congressional approval on one of the most indefensible of the tax haven types of operation, that type whereby profits earned in the United States are bled off to a tax haven corporation untaxed by the United States. This will make possible the continuation of a practice which is typified by a corporation I have taken some pains to look into. I should like to detail its operations and show how these operations can continue under the terms of this bill; indeed, to show how the bill was tailored to fit the operations of a particular company.

I refer now to a company with whose representatives I and my staff have had repeated conferences, and with whose officials I have had considerable correspondence, but about whose operations there is still much mystery. I refer to Dresser Industries, Inc.

This company manufactures, sells, leases, and services oilfield equipment. Most of its manufacturing is done in the United States, but it does some manufacturing abroad, mainly through licensees rather than through subsidiaries.

Of course, not all the ramifications of this company's operations are known to me. That more is going on than I am aware of is pretty well borne out by the fact that this company refused to come before the Committee on Finance, even when specifically invited to do so. I should like to read the telegram sent to me by Mr. H. N. Mallon, chairman of the executive committee of Dresser Industries, Inc.:

DALLAS, TEX., *June 29, 1962.*

Senator ALBERT GORE,
U.S. Senate, Committee on Finance, Senate Office Building, Washington, D.C.:

Following telegram sent to Mrs. Elizabeth B. Springer:

"Regret inability to appear before Senate Finance Committee on July 2 or 3 as requested by Senator GORE. I will be pleased to confer with Senator GORE at early date to give him such information with respect to foreign operations of Dresser Industries as he may desire."

H. N. MALLON,
Chairman of Executive Committee,
Dresser Industries, Inc.

I might add that it was not for lack of opportunity that the company did not appear. The corporation vice president who handles legal matters, together with an outside tax specialist, who represents the corporation in setting up many of its tax-dodging maneuvers, were in Washington several times during the course of the hearings before the committee. In fact, they came to my office the last day of the hearings, but after the chairman had adjourned and concluded the public hearings. When asked by one of my assistants why they did not testify before the committee, these gentlemen said that they did not want to get into a situation in public which they might not be able to control.

When asked if that meant that they were not sure "what Senator GORE has on you," they replied in the affirmative.

Let me hasten to say that I am not trying to indict this one corporation. I am not going to single it out just because I think its method of operation is unique. Such is not the case at all. I fear this case is typical of many others. But this company has been active in attempting to persuade certain Senators and members of the executive branch that its operation should be continued untaxed. So we find written into the bill this export trade corporation provision to encourage a harmful type of tax haven operation when the bill, according to its supporters, is designed to cut off tax haven operations. At least two other companies, Westinghouse and Cargill, were as active as this one in trying to maintain this most lucrative loophole in the tax laws. It is with regret and great disappointment that I have noted the Treasury's willingness to go along with this procedure. In fact, the Treasury sponsored, behind the scenes, this amendment which was approved by the Finance Committee.

If in detailing the operations of this corporation I make some errors, I wish it clearly understood that I sought full information; that at my suggestion officials of Dresser Industries, Inc., were invited to testify. I requested them to testify. I wrote letters asking for information. I have given the company's officers opportunities to explain several points which have troubled me. When I became convinced that they would not come before the Committee on Finance and publicly defend their method of operation, I wrote a letter to a vice president in which I asked a number of specific and pertinent questions.

Madam President, I ask unanimous consent to have printed at this point in the RECORD my letter of July 10, 1962, to Mr. J. D. Mayson, vice president and secretary, Dresser Industries, Inc., and the attached questions.

The PRESIDING OFFICER (Mrs. NEUBERGER in the chair). Without objection, it is so ordered.

The letter and questionnaire are as follows:

JULY 10, 1962.

Mr. J. D. MAYSON,
Vice President and Secretary, Law Department, Dresser Industries, Inc., Reupblic National Bank Building, Dallas, Tex.

DEAR MR. MAYSON: Mr. Lynch has told me of your visit to the office last week, and I am sorry I was not in. I am also sorry to learn that you feel I have done an injustice to Dresser Industries by requesting that Mr. Mallon testify before the Finance Committee.

It so happens that I feel Mr. Mallon could have contributed materially toward clearing up several important points which might have been of assistance to the Finance Committee in its consideration of the tax reform bill.

Mr. Lynch has informed me that you have volunteered to answer, on behalf of Dresser Industries, any specific questions which I might have concerning the organization and operation of Dresser's foreign activities. In the hope that you will answer these questions as fully and directly as possible, I am attaching a list of questions which I consider relevant.

I look forward to an early reply.

Sincerely yours,

ALBERT GORE.

QUESTIONS SUBMITTED BY SENATOR ALBERT GORE TO J. D. MAYSON, VICE PRESIDENT, DRESSER INDUSTRIES, INC.

1. What is the organization of Dresser Industries, Inc., for foreign operations?

2. What is the relationship between or among Dresser, A.G. (Vaduz), Dresser, A.G., Zug, and Dresser, A.G. (Zuerich)? List the subsidiaries (if 50 percent or more of stock owned by Dresser and/or any of its subsidiaries) of each, the country of incorporation, and the location of the head office. Which of these, if any, exist primarily for tax or currency reasons?

3. How many employees does Dresser, A.G. (Vaduz) have? In what country, or countries are these employees physically located?

4. Give the information requested in 3, above, for Dresser, A.G., Zug.

5. Give the information requested in 3, above, for Dresser, A.G. (Zuerich).

6. Give the information requested in 3, above, for each subsidiary of the foreign corporations named in 3, 4, and 5 above.

7. What was the net profit, after payment of the appropriate foreign income tax, in each of the past 6 years, for the following foreign corporations:

(a) Dresser, A.G. (Vaduz)?
(b) Dresser, A.G., Zug?
(c) Dresser (France) S.A.?
(d) Dresser (Great Britain), Ltd.?
(e) Dresser Italy, S.p.A.?
(f) Magcobar de Venezuela, C.A.?
(g) Petro-Tech Argentina, S.A.I.C.I.F. y de M.?
(h) Petro-Tech del Peru, S.A.?
(i) Dresser, A.G. (Zuerich)?
(j) Dresser (Germany), GmbH?

8. List the dividend paid by each of the corporations listed in 7, above, for each of the past 6 years, to its parent corporation.

9. Do employees of any of the corporations listed in 7, above, negotiate sales or perform service in any foreign countries? Does any part of the commission, fee, royalty, or other collections by, or as the result of the efforts of, these employees, go directly to any parent foreign corporation? In other words, do the Swiss or Liechtenstein corporations realize income, other than dividend income, as a result of the efforts of employees of their subsidiary corporations?

10. Have any earnings or net profits of any foreign subsidiary (other than dividends), ever been transmitted to the U.S. parent corporation? Have any of these funds been accorded a U.S. tax rate less than the regular corporate rate? Has any U.S. corporation, whether or not a part of Dresser Industries, ever borrowed directly or indirectly from Dresser's Swiss or Liechtenstein subsidiary corporations?

11. Your form 10-K for the year ended October 31, 1961, shows income before taxes of $14,526,276. Net earnings of foreign subsidiaries appear to be $5,812,954. Is this latter figure before or after the payment of the appropriate foreign income taxes?

12. I see no indication in your form 10-K of any reservation for future U.S. income tax on any foreign subsidiary earnings. If your bookkeeping is honest, and not overstating your after-tax earnings and assets, this would indicate that there is no intention of ever repatriating any of last year's almost $6 million of foreign subsidiary earnings other than the $125,000 actually repatriated. Do you intend to repatriate any of these earnings, and if so, in what form?

13. What types of investments were made with the retained earnings of foreign subsidiaries last year? In what countries?

14. In 1959 or 1960 Dresser collapsed its Western Hemisphere corporation, presumably to take advantage, tax free, of the cash which had been collected, and because it could do better in the future, taxwise, by using the Liechtenstein-Swiss tax haven hookup. Do you plan any other such maneuvers. Have you, during the past 6 years, collapsed any other subsidiaries, either domestic or foreign?

15. It would appear that your company paid out in dividends last year about $5.6 million. Since total after tax consolidated earnings were about $10 million, and foreign subsidiary earnings were about $6 million, only $125,000 of which appears to have been repatriated, it would seem that Dresser paid out in dividends considerably more than it had available domestically from current earnings. Furthermore, beginning in 1964, your long-term financing calls for a repayment of $3,450,000, with annual repayments of between $3 and $4 million per year thereafter through 1976. This would indicate the necessity of repatriating considerable sums of money from foreign subsidiary earnings during the period 1964–76. In what form do you plan to repatriate this money, and from which foreign subsidiaries?

16. The statement of earnings in form 10-K for the fiscal year ended October 31, 1961, shows the following:

Revenue from "services and other"	$30, 047, 320
Revenue from "interest"	1, 838, 863
Revenue from "royalties"	1, 961, 260

Of the above amounts, how much represents revenues received by foreign subsidiaries? How much was received directly by the Swiss and Liechtenstein corporations?

17. What income tax—Liechtenstein, Swiss, and/or cantonal—was paid last year by each of your Swiss and Liechtenstein subsidiaries? What effective rate does this represent?

18. Describe the operations of the Panexco Trading Corp. Is it still in existence? Was or is it a successful operation?

19. How many bank accounts do your various foreign subsidiaries have? In what countries are they located? How much was in each account on October 31, 1961? What other liquid assets do your foreign subsidiaries hold? Are any of these assets in the United States?

20. Does Dresser maintain a file of important intracompany memorandums, and if so, would you be willing for a member of my staff to visit your head office and inspect this file?

21. In 1959 did you advance the claim that Dresser A.G. (Vaduz) had "saved" Dresser Industries some $4.5 million in taxes during the period 1953–58 and that Dresser International, Inc., had saved the company $376,000 during the same period?

22. On another occasion, did you claim that Dresser, A.G., was "a tax gimmick and nothing more," and did you plead with the top corporate management to have everyone cooperate in an effort to give the appearance of substance to its operations?

23. Has the legal department ever been accused of attempting to run Dresser's foreign business?

24. In 1959 or 1960, was there a dispute within Dresser's top management as to a proper organization for foreign operations? Was there a feeling on the part of some that too much effort was being directed toward tax savings or avoidance, to the detriment of good management? What was the outcome of this dispute, if there was one?

Mr. GORE. Madam President, I wish to read the reply of Mr. J. D. Mayson, under date of July 17, 1962:

DRESSER INDUSTRIES, INC.,
Dallas, Tex., July 17, 1962.

The Honorable ALBERT GORE,
U.S. Senate,
Washington, D.C.

DEAR SENATOR GORE: Thanks for your letter of July 10, 1962, and the questions concerning Dresser Industries which you attached. Your letter was received yesterday morning, and I have contacted the various people in our organization who will supply the information necessary to answer your questions. As I am sure you realize, some of this information must come from overseas and, therefore, our reply will not be as prompt as if everything was available here in Dallas.

However, I wish to assure you that we will let you hear from us at the earliest possible date.

Please give Mr. Lynch our regards.

Very truly yours,

J. D. MAYSON.

On August 2, 1962, I received a further letter from Mr. J. D. Mayson, which reads, as follows:

DRESSER INDUSTRIES, INC.,
Dallas, Tex., August 2, 1962.

The Honorable ALBERT GORE,
U.S. Senate,
Washington, D.C.

DEAR SENATOR GORE: With further reference to your letter of July 10 and my letter of July 17, 1962, I want to let you know that we have now accumulated in Dallas a substantial amount of the information which you have requested, and are proceeding to correlate and check it. As soon as we have put this information in proper form, you may expect to hear from us.

With best regards, I am,

Very truly yours,

J. D. MAYSON.

When I learned that the bill was being called up, I sent a telegram to the corporation on August 21, requesting as much information as was available. On Monday, August 27, I received the following reply to my telegram:

DRESSER INDUSTRIES, INC.,
Dallas, Tex., August 24, 1962.

Hon. ALBERT GORE,
U.S. Senate,
Washington, D.C.

DEAR SENATOR GORE: With further reference to our letters to you of July 17 and August 2, and with reference to your August 21 telegram which we received Wednesday morning, this will confirm that we are proceeding to correlate and check for accuracy the great amount of data we have assembled in response to the numerous questions set forth in your letter of July 10.

As you know, while our principal office is in Dallas, Tex., Dresser, A.G., together with its subsidiaries, have offices and/or employees in Argentina, Brazil, Colombia, France, Germany, Great Britain, Greece, India, Iran, Italy, Japan, Lebanon, Libya, Liechtenstein, Mexico, Netherlands, Peru, Switzerland, Thailand, Trinidad, and Venezuela, and it has taken us a considerable amount of time and effort to compile the necessary information.

As indicated to you previously, we are desirous of maintaining the spirit of cooperation which has existed between your office and our company. However, in reviewing the questions which you have asked, a full and meaningful response would require the submission on our part of highly confidential business statistics and data. Accordingly, the management of Dresser Industries has decided to request outside counsel to

> analyze and review the questions transmitted with your letter of July 10, together with our final response thereto. As soon as the compilation of the data is completed and the analysis and opinion of counsel received by the management of the company, we shall be in touch with you again.
>
> Very truly yours,
>
> J. D. MAYSON.

Madam President, it is not necessary to know much about this company, to realize that its profit structure is awry. Anyone can look at the form 10–K filed by this corporation with the SEC and see that something is wrong somewhere in the way its profits are shifted from the United States into its tax-haven subsidiaries.

The total assets of this corporation are in excess of $200 million, while the assets of the foreign subsidiaries amount to about $25 million of this amount. But how were earnings split up? Foreign earnings were more than two-thirds of U.S. earnings. But foreign assets are only about one-seventh of U.S. assets. Surely something is out of line somewhere.

Incidentally, Madam President, I am strongly suspicious that section 6 of this bill was dropped as part of an arrangement which will permit Dresser Industries and others to enjoy a tax dodge. As recently as the appearance of the Secretary of the Treasury before the Senate Finance Committee on May 10 of this year, section 6 of the House version was still being advocated strongly by the Treasury Department. This section was endorsed by Assistant Secretary Surrey in a letter to the Senator from Delaware [Mr. WILLIAMS] on May 17.

But what do we find about the arrangement made on this export tax-haven gimmick? We find that the committee report, on page 90, has this language:

> With the limitations it is not expected that the allocation rule in present law (sec. 482) will be needed in many cases involving export trade corporations.

Here, Madam President, we find another instance in which the majority committee report seeks to give tax relief that is not specifically provided by the terms of the bill. I hope some Member who signed the majority report will be willing to explain this.

The existing section 482 is, of course, difficult to apply. The improved section 482, as set out in section 6 of this bill, might have proved embarrassing.

There must be some reason that is not stated in the report, and has not been given to the committee, why section 6 of the House version of the bill, which was so earnestly and so vigorously advocated until so recently by the Treasury Department, is now completely stricken from the bill by means of the committee amendment now pending before the Senate.

Now, Madam President, to return to our case study. Officials of this corporation do not like to have their foreign tax-haven operations classified as a sham, but I am having trouble classifying them in any other way.

Indeed, I have seen what purported to be a copy of a memorandum sent from a vice president of this company to other high corporate officials, in which this vice president warned that the Liechtenstein-Swiss tax-haven operation was "a tax gimmick and nothing more," and he urged everyone to cooperate in an effort to give the appearance of substance to its operations. I have reason to believe this document and several others which I had the privilege of seeing to be genuine. There has been no denial from this corporate official that he did, in fact, make such a statement as the one I have quoted.

Now let us see just how this export trade corporation amendment in this bill was tailored to fit the operations of this particular corporation—Dresser Industries, Inc., of Dallas, Tex. Here is how Dresser Industries operates abroad for tax-haven purposes:

> The U.S. parent corporation, its U.S. subsidiaries, and a few foreign subsidiary corporations manufacture capital goods—relatively large and high-priced items of equipment and supplies used by the buyers in their operations and not for resale to consumers. Their foreign customers, in many countries, are usually corporations, often very large corporations. Ordinarily these foreign customers deal, directly or indirectly, with the producing corporations in the United States (or with the foreign manufacturing subsidiaries), and usually prefer to take title to the goods in the United States or in the foreign country where the items are manufactured.
>
> The parent corporation organized an international subsidiary under the laws of Liechtenstein which, nominally at least, performs the marketing operations throughout the world (except in the United States and Canada) for the parent corporation and its U.S. and foreign manufacturing subsidiaries. The Liechtenstein corporation also performs, nominally, various services with respect to the many foreign licensees of the parent—collecting royalties and fees, transmitting technical information and assistance, etc. But since Vaduz, Liechtenstein is not deemed a "respectable" address, there is another subsidiary of the parent company which is organized under the laws of Switzerland and has an office there. This company does not act as a principal, but is merely the agent of the Liechtenstein corporation, providing, for a small fee, an office and the handling of correspondence, records, advertising materials, etc. Liechtenstein does not have an income tax, so that the profits of the Liechtenstein corporation are free from tax until they are transmitted as dividends to the U.S. parent corporation. Switzerland and its cantons impose income taxes on income earned in Switzerland, but since the services performed by the Swiss subsidiary are only those which a few employees perform in a small office, and since the fee paid by the Liechtenstein corporation for those office services is only slightly more than the cost of the services, the taxes paid to Switzerland and its cantons is negligible.
>
> Although it employs few, if any, salesmen, and the sales of the products of the U.S. parent company or its U.S. subsidiaries are either made directly by the U.S. companies or by independent foreign distributors, the Liechtenstein company receives a commission of 15 percent of the selling price, out of which it pays 5 percent to the independent foreign distributors. For its services (whatever those may be) in dealing with foreign licensees and collecting royalties and fees for the use of the U.S. corporations' patents, formulas, trademarks, and know-how the Liechtenstein corporation receives 80 percent of the royalties and fees.
>
> It is evident that the profits thus allocated to the Liechtenstein corporation are grossly disproportionate to the real value of what little work that corporation does. In fact, among themselves, officers of the parent corporation have admitted that the Liechtenstein corporation is nothing more than a tax device, and that it has no real substance. They have directed subordinates to so handle correspondence, sales documents, etc., as to make it appear that the Liechtenstein corporation is a functioning, commercial organization, even though, in actuality, transactions are handled as if there were no such foreign company.

The amendment of the Senate Finance Committee to section 12 would specifically permit the continuation of the tax dodge which I have described, and the pending amendment, to eliminate tighter language for section 482 of the code, would give this procedure an assist.

There is another Swiss holding company of Dresser which owns, and bleeds off profits from, some operating subsidiaries in high-tax foreign countries.

By such bizarre arrangements, this United States corporation can claim that its tax haven subsidiary is "responsible" for millions of dollars of United States exports; and officials of this company have come to Members of the Senate and made such a claim.

In reality, the tax haven subsidiary is not doing anything more than bleeding off most of the profit from the sale of exports and is thereby actually reducing the inflow of funds which ought to be repatriated annually as a result of these sales.

Most of the funds should remain in the United States instead of being funneled into a foreign tax haven, but the committee amendment now pending would make it possible to continue this kind of tax dodge by this company and a few others.

Interestingly enough, I have not been able to find out how this corporation gets funds back home when it needs cash. Last year, out of $5.8 million of foreign earnings, only $125,000 in dividends came back to the U.S. But the company paid out practically its entire domestic earnings in cash dividends. With a heavy long-term indebtedness which will require repayments of between $3 and $4 million per year between 1964 and 1976, a great deal of money is going to have to be brought home one way or another.

Mr. MORSE. Madam President, will the Senator yield?

Mr. GORE. I yield.

Mr. MORSE. I wish to take only a moment to thank the Senator from Tennesseee for the work he has done in the best interests of the American taxpayers in his opposition to various sections of the bill and in his various proposals to improve the bill, which have been uniformly voted down. I am sure the Senator is not surprised by the defeats he has suffered in connection with the bill.

Mr. GORE. I was surprised at the one yesterday in connection with expense account abuse. I sincerely believed that I could convince the Senate that the present practice was wrong, and that the Senate would not vote for the committee amendment. I still believe that if I could have had the attention of my colleagues for a few moments I might have been able to convince them. But the Senator knows how difficult, complicated, and involved are the subjects in the current bill, and, I am sorry to say, how uninteresting the discussion upon such subjects appears to be. Nevertheless, I did have hopes that I could win that one fight, and that we could defeat that committee amendment.

The President of the United States, in his first state of the Union message, had dramatically called attention to the attack upon the very moral fiber of our country involved in this widespread abuse, the tax avoidance through expense account manipulations, clothing and disguising expenditures for personal pleasure and benefit in business functions and purposes.

I thank the Senator very much for his generous remarks. Perhaps I was naive in hoping we could win that fight, but I did have that hope.

Mr. MORSE. Madam President, will the Senator yield?

Mr. GORE. I yield.

Mr. MORSE. It is very refreshing to me to find that the Senator from Tennessee was surprised. I think, however, it would have been a more apropos phrase or word to say he was hopeful, as I was hopeful, but not surprised. However, in my judgment, the bill has reached such a stage in its development in the Senate that it can best be described as a bonanza bill for tax dodgers who ought to be paying taxes on the basis of their ability to pay, but who are going to use the bill to duck out on their tax responsibilities.

The bill has reached such an unacceptable form that I serve notice tonight that under no conditions will the Senator from Oregon vote for the bill in its present form. I think the bill is a disservice to this administration.

Mr. GORE. I cannot vote for the bill in its present form; and the adoption of the pending committee amendment would make it even worse.

I say advisedly that the pending amendment is a special interest amendment. It would permit the continuation of the kind of tax dodge which for the past 30 minutes I have been describing to the Senate.

I say to my distinguished colleague the senior Senator from Oregon that what I have been saying this afternoon is the result of 3 years of work. The work has not been too inviting or pleasant. It has been drudgery. It has been aimed at the solution of one of the problems which plague our people; the mass movement abroad of industry and jobs, and in many instances whole factories.

I know that the amendment which I have proposed would not completely solve that problem, but it would eliminate the tax subsidy for such movement abroad of industries, jobs, and factories.

Upon the election of President Kennedy, I was invited to confer with him on fiscal, economic, and other matters. I visited in his home in Georgetown. After we became engrossed in a discussion, he very kindly closed the door, and no one else came in while we conferred for perhaps more than an hour on this subject.

The President expressed his very great interest in it. Among his very first recommendations to the Congress was a recommendation that the preferential tax treatment of income earned abroad be eliminated.

Finally, there is before the Senate the pending bill, which would make some improvements. I am glad to acknowledge that. I am constrained to believe—I like to believe—that I am partially responsible for some of the worthwhile provisions in the bill. I would that the bill were better.

The pending amendment is a bad amendment. It should not be adopted. The bill would be better without the amendment.

In this difficult, uninteresting, complicated discussion of the afternoon I have not been able to reach enough of my colleagues to persuade them to vote against the committee amendment. I shall nevertheless proceed in the hope, however faint that hope may be, that a sufficient number of my colleagues will read the RECORD tomorrow and will support amendments to improve the bill.

Returning to the export trade corporation amendment, note how this "escape valve" fits into the picture. It was specifically tailored to fit Dresser Industries, Westinghouse and Cargill.

According to this provision of the bill, "export-trade income" is not to be included in income of foreign subsidiaries on which tax will be paid currently by their U.S. parent corporations.

This "export-trade income" consists of the net income from:

First. Sale of exports to unrelated persons.

Second. Commissions and fees for the use of export property.

Third. Commissions and fees on patents, secret processes, and so forth.

Fourth. Interest received from export trade assets.

The Dresser tax haven subsidiary gets its income in just these ways.

Of course, there are limitations. One can only bleed off 10 percent of gross receipts. Now, what kind of limit is that? There are not too many industrial corporations which make a profit of more than 11 or 12 percent of gross sales.

And there is another, alternate, limitation, that of 1½ times "export promotion expenses." In other words, on this basis there is a guarantee of a tax-free ride on a 50-percent profit, based on the cost of running the oversea operation.

Madam President, this is a specific provision of the export trade corporation amendment which ties in with the pending amendment, and which was offered late in the consideration of the bill and only after Dresser Industries, Cargill, and Westinghouse had been very busy. When this amendment was suggested it had a familiar name among those "in the know," which identified it as the special interest amendment for the particular group and character of taxpayers to which I am referring.

I can hear the proponents of this amendment object, "Even though it looks like we are giving these people a free ride on 10 percent of sales or 50 percent of operating costs," as it will be argued, "very little use will be made of this tax dodge because the amounts on which U.S. tax will be avoided must be invested in export trade assets."

But what are "export trade assets"? They include:

First. Working capital.

Second. Inventory.

Third. Facilities for handling, transportation, packaging and servicing.

Fourth. Evidences of indebtedness for the sale of exports.

I repeat the last: "Evidences of indebtedness for the sale of exports."

There are no real limitations there. It includes everything but manufacturing. It even includes credit expansion.

Would it not be wonderful for that corporation if a domestic corporation could escape taxation on the profit it makes from all sales on credit? Would that not be wonderful? I fear, insofar as my little business is concerned, that constitutes the great bulk of the sales.

As I said, the amendment would specifically put the stamp of congressional approval on one of the worst types of tax havens or tax dodges—the type in which profits are removed directly from under the U.S. tax jurisdiction and into a tax haven country to escape indefinitely, and perhaps forever, any payment of U.S. taxes. That is the worst sort of tax haven abuse, so far as equity and the balance of payments are concerned. Yet that is what will be specifically endorsed by the pending amendment together with other provisions of section 12.

These provisions are contained in the committee amendments recommended to the bill.

The question now specifically before the Senate concerns section 482 of the code which would be amended by section 6 of the bill. The amendment is in the nature of a more specific formula than the one now found in section 482.

The purpose of section 482, which is very general in its wording, is to enable the Internal Revenue Service to make sure that taxpayers do not shift profits or losses, income or expense, among different taxable organizations in such a way as unduly to minimize the taxes paid by various economic units representing one set of economic interest. The wording of the section is very general:

> In any case, two or more organizations, trades or businesses (whether or not incorporated, whether or not organized in the United States, and whether or not affiliated) owned or controlled directly or indirectly by the same interests, the Secretary or his delegate may distribute, apportion or allocate gross income, deductions, credits, or allowances between or among such organizations, trades, or businesses, if he determines that such distribution, apportionment or allocation is necessary in order to prevent evasion of taxes or clearly to reflect the income of any of such organizations, trades or businesses.

Mr. President, when the Secretary of the Treasury came before the Ways and Means Committee in 1961 and before the

Finance Committee earlier this year, he endorsed the need for strengthening section 482. At no time, however, has it been claimed by any spokesman for the administration, to my knowledge, that section 482 was a major tool, or one on which chief reliance could be placed for enforcing the collection of proper taxes. Such is not its purpose. The section is particularly hard to apply when, as is the case so often in dealings between a domestic corporation and one of its foreign subsidiaries, only one set of books is available to the agent, and the U.S. taxpayer is uncooperative. Unfortunately, this is often the case.

When section 482 is to be used to allocate income or expenses among domestic taxpayers, and this is its more common use, the books of all taxpayers concerned are available to the agent and he can often use or threaten to use section 482 to good advantage.

But the Secretary of the Treasury felt that, particularly in the case of taxpayers, one of which was domestic, and many of which are foreign, the present wording of section 482 did not give the agent a sharp enough tool for the operation required.

The report of the Ways and Means Committee had this to say about the problem:

VII. ALLOCATION OF INCOME BETWEEN RELATED FOREIGN AND DOMESTIC ORGANIZATIONS

(Sec. 6 of the bill and sec. 482(b) of the code)

A. Reasons for provision

Under present law, foreign corporations which are controlled by domestic corporations or other persons are not taxed by the United States on their foreign source income. Thus, United States imposes no tax with respect to the profits of such a corporation when they are earned although it does impose a tax on the domestic shareholders of this corporation when they receive dividend distributions from it. This taxation at the time of distribution, rather than at the time the income is earned by the foreign corporation, has become known as "tax deferral." U.S. corporations, it is believed, may sell goods to their controlled foreign subsidiaries at less than a fair price to avoid a U.S. tax on what should be their full profit for such sales. Similarly, in other cases it is believed that foreign-controlled subsidiaries have sold goods to their domestic parent at more than the fair market price. The effect of such transactions is to understate the taxable income of the domestic corporation subject to U.S. tax and to overstate the income of the foreign subsidiary. Thus, to the extent the U.S. tax rate is above that imposed by the foreign country or country involved, tax deferral is achieved with respect to this diverted income during the period of time the income is held abroad. The Secretary of the Treasury, in his testimony last year on this subject, stated:

"This is not simply a question of allocating the profits of foreign operations to tax haven countries. It is a problem that significantly affects U.S. taxation of domestic profits. The technique that is used for diverting profits from one company to another among European affiliates is also used to divert income from U.S. companies to foreign affiliates. Income that would normally be taxable by the United States is thrown into tax haven companies with the object of obtaining tax deferral. This is done, for example, by placing in a Swiss or Panamanian corporation the activities of the export division of a U.S. manufacturing enterprise. A very substantial volume of exports is required merely to offset the loss in foreign exchange which the retention abroad of export profits entails."

Present law in section 482 authorizes the Secretary of the Treasury to allocate income between related organizations where he determines this allocation is necessary "in order to prevent evasion of taxes or clearly to reflect the income of any such organizations." This provision appears to give the Secretary the necessary authority to allocate income between a domestic parent and its foreign subsidiary. However, in practice the difficulties in determining a fair price under this provision severely limit the usefulness of this power especially where there are thousands of different transactions engaged in between a domestic company and its foreign subsidiary.

Because of the difficulty in using the present section 482, your committee has added a subsection to this provision authorizing the Secretary of the Treasury or his delegate to allocate income in the case of sales or purchases between a U.S. corporation and its controlled foreign subsidiary on the basis of the proportion of the assets, compensation of the officers and employees, and advertising, selling, and sales promotion expenses attributable to the United States and attributable to the foreign country or countries involved. This will enable the Secretary to make an allocation of the taxable income of the group involved (to the extent it is attributable to the sales in question) whereas in the past under the existing section 482 he has attempted only to determine the fair market sales price of the goods in question and build up from this to the taxable income—a process much more difficult and requiring more detailed computations than the allocation rule permitted by this bill.

The bill provides, however, that the allocation referred to will not be used where a fair market price for the product can be determined. It also provides that other factors besides those named can be taken into account. In addition, it provides that entirely different allocation rules may be used where this can be worked out to mutual agreement of the Treasury Department and the taxpayer.

Madam President, even as late as his appearance before the Finance Committee on May 10, 1962, the Secretary endorsed the tightening up of the section 482 formula, and on May 17, 1962, Assistant Secretary Surrey wrote to the Senator from Delaware a letter in which he pointed out how effective the new language in section 482 would be in dealing with any difficulties which might arise between U.S. mainland taxpayers and their operations in the Virgin Islands.

Madam President, I ask unanimous consent that the letter which appears on page 4392 of the hearings be printed at this point in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

MAY 17, 1962.

Hon. JOHN J. WILLIAMS,
U.S. Senate,
Washington, D.C.

DEAR SENATOR WILLIAMS: This is in response to your question at the hearings Friday, May 11, 1962, on whether the Virgin Islands could be used as a tax haven. You were concerned in particular about Harvey Alumina Virgin Islands, Inc., a Virgin Islands corporation which is a wholly owned subsidiary of Harvey Alumninum, a domestic corporation. The subsidiary has entered a contract with the Virgin Islands under which the inducements, such as free land and exemption from real estate tax, commonly offered by local governments in the United States, are granted. One of the additional inducements granted by the Virgin Islands is a subsidy based on income tax liability.

In general, the Virgin Islands taxes corporations created in the Virgin Islands at full Internal Revenue Code rates on the income from all sources. Under section 934, added in 1960, however, the Virgin Islands may grant subsidies based on the tax liability of a Virgin Islands corporation 80 percent of whose gross income is from sources within the Virgin Islands and 50 percent of whose gross income is from the active conduct of a trade or business in the Virgin Islands. Although section 934 in itself would not preclude all tax haven operations, Virgin Islands law provides that the subsidy based on income tax liability can be granted only with respect to income from the construction, ownership, or operation of new housing projects, factory buildings, or hotels. In the case of the Harvey Aluminum subsidiary a nontaxable subsidy equal to 75 percent of the income tax liability over a period of 16 years is granted on the condition that the subsidiary construct and operate a plant costing $15 million and produce at 50,000 tons of alumina from bauxite ore.

Such substantial production is not considered a tax-haven operation in the case of foreign countries even though the country in which the production takes place grants special writeoffs, or reduced rates. Such operations in foreign countries would continue to obtain deferral under H.R. 10650. The Virgin Islands incentive program is comparable to those provided by many foreign countries.

A problem will exist, however, in making certain that the prices paid by the domestic parent corporation to the subsidiary for alumina to be further processed in the United States will not shift to the Virgin Islands income which is properly attributable to the United States. This problem, just as in the case of transactions between other related domestic and related foreign corporations, will be dealt with under the amendments to section 482 made by section 6 of the bill. The Virgin Islands government cooperates completely in providing the necessary information.

Sincerely yours,

STANLEY S. SURREY,
Assistant Secretary.

Mr. GORE. Mr. President, but in the meantime, Dresser Industries, whose tax haven tax dodges I have outlined for the Senate, Westinghouse, and Cargill began to push the Treasury to endorse an escape valve which would allow them to continue the type of operations in which they have so profitably indulged overseas. This escape valve is the export trade corporation provision contained in the Finance Committee version of this bill.

When these corporations were trying to drum up support in the Senate for their pet provision, they asked that it be specified in the bill that their operations be exempt from the operation of section 482. They knew that it would be relatively easy for any good agent to show that they did not have the substance to their oversea operations which would warrant their draining off 10 percent of gross sales into Switzerland or some other tax haven country, there to escape U.S. taxation.

The bill does not provide any such blanket exemption from section 482 for these corporations, but the Finance Committee report, on page 90, does say:

> With the limitations it is not expected that the allocation rule in present law (section 482) will be needed in many cases involving export trade corporations.

In the meantime, for reasons best known to others than myself, the Treasury decided to drop this much more definite and much tougher language which the bill had proposed to put into section 482 of the Internal Revenue Code. I can only conclude, in the absence of a good explanation, that this tightening up of section 482 was dropped because of the pressure of those taxpayers who can now escape any effective enforcement under the existing section 482.

Mr. PROXMIRE. Madam President, will the Senator yield for a question on the last point he has raised?

Mr. GORE. I yield.

Mr. PROXMIRE. I should like to have him clarify it for me. On page 90 of the report the Senator quotes the majority report as saying:

> With the limitations it is not expected that the allocation rule in present law (section 482) will be needed in many cases involving export trade corporations.

What does that mean?

Mr. GORE. This sentence refers to the limitations spelled out in the two preceding paragraphs which are subject matters of the amendments recommended by the Finance Committee. If the Senator will read the two preceding paragraphs, Nos. 1 and 2, he will see that it is stated:

> 1. 1½ times "export promotion expenses," (attributable to the otherwise excluded income) or
>
> 2. 10 percent of gross receipts of the export trade corporation from the sale, installation, operation, maintenance or use of the property from which it derives the income which otherwise is excluded. (In the case of commissions or fees, this 10 percent is measured on the same basis on which the commissions or fees are based.)

Having added this to the bill, the committee then says that with these limitations which it recommends it is not expected that the allocation rule in present law, section 482, will be needed in many cases involving export trade corporations.

Perhaps I should read further from the report:

> The export trade income which is to be deferred also is limited to the portion of this income which is invested by the export trade corporation in "export trade assets" (or, more specifically, by the portion of the increase in investments in such assets which is attributable to export trade income which constitutes foreign base company income). Any amount of export trade income where U.S. taxation has been deferred because of such investments, will subsequently be taxed if there is a decrease in export trade assets.
>
> This provision is intended to continue tax deferral in the case of corporations engaged in export trade who are selling abroad products produced, grown, or extracted in the United States.

Does that make it plain for the Senator?

Mr. PROXMIRE. I thank the Senator.

Mr. GORE. I read further:

> This is intended as an encouragement to export trade. Nevertheless, limitations are imposed to provide that the income attributed to the export trade corporation is in line with the income actually generated by such activity. This is the function of limiting the export trade income to 1½ times export promotion expenses or 10 percent of gross receipts from the property, whichever is the lesser. Also, the provision is intentionally limited to the extent to which the export trade income receiving the special treatment is used for the expansion of the export trade business, itself.

Madam President, I have now addressed the Senate for approximately 3 hours on this difficult, technical, and complicated subject, to which I and dedicated members of my staff have devoted 3 years of work and study. It really is a heartbreaking experience to see amendments such as the Committee on Finance has approved, offered at the last minute, to take care of special interests, which create and perpetuate such a loophole for tax dodgers.

It is also a disappointment that the subject is so complicated that this discussion is not of great interest.

I believe I have no real choice but to let the amendment be adopted viva voce, and hope that after my colleagues in the Senate have had an opportunity to read the Record tomorrow, I may then offer an amendment to the original text, which would improve the bill.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment on page 52, beginning in line 1.

Mr. MANSFIELD. Madam President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. KERR. Madam President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

The question is on agreeing to the committee amendment on page 52, line 1.

The amendment, which was agreed to, is on page 52, line 1, to strike out:

Sec. 6. Amendment of Section 482.

(a) In General.—Section 482 (relating to allocation of income and deductions among taxpayers) is amended by adding at the end thereof the following new subsection:

"(b) Sales and Purchases Within a Related Group Which Includes a Foreign Organization.—

"(1) In General.—In applying subsection (a) to sales of tangible property within a group of organizations—

"(A) owned or controlled directly or indirectly by the same interests, and

"(B) at least one of which is a domestic organization and at least one of which is a foreign organization.

the Secretary or his delegate may allocate the taxable income of the group arising from such sales in the manner set forth in paragraph (2). This subsection shall not apply with respect to any sale of tangible property for which the taxpayer can establish an arm's-length price (within the meaning of paragraph (4)).

"(2) Methods of allocation.—

"(A) Consideration of certain factors.—Except as provided in subparagraph (B), the allocation referred to in paragraph (1) shall be made by the Secretary or his delegate by taking into consideration that portion of the following factors which is attributable to the United States and that portion thereof which is not attributable to the United States.

"(i) assets of the group, to the extent used in the production, distribution, and sale of the property,

"(ii) compensation of officers and employees, to the extent attributable to the production, distribution, and sale of the property, and

"(iii) advertising, selling, and sales promotion expenses (including technical and servicing expenses), to the extent attributable to the property.

Such method of allocation may also give consideration to other factors, including the special risks (if any) of the market in which the property is sold.

"(B) Alternative methods.—If the taxpayer establishes to the satisfaction of the Secretary or his delegate that an alternative method of allocation clearly reflects the income of each member of the group with respect to the property referred to in paragraph (1), such alternative method shall be used (in lieu of the method provided in subparagraph (A)).

"(3) Special rules.—In applying the method of allocation referred to in paragraph (2)(A), the following rules shall be applied:

"(A) Adjusted basis of assets.—The values to be assigned to the assets referred to in paragraph (2)(A)(i) is their adjusted basis in the hands of the taxpayer or, if such basis is not available in the case of a foreign organization, then their book values, adjusted to approximate their adjusted basis.

"(B) Includible assets.—The assets referred to in paragraph (2)(A)(i) include real property and tangible personal property (whether owned or leased by a member of the group), but do not include inventory and stock in trade.

"(4) Arm's-length price defined.—For purposes of this subsection, the term 'arm's-length price' means—

"(A) the price at which tangible property similar or comparable to the property referred to in paragraph (1) generally is or can be sold in transactions in the same areas involving unrelated persons and made under similar conditions of sale; and

"(B) if subparagraph (A) does not apply, the price at which tangible property similar or comparable to the property referred to in paragraph (1) is sold in the same or other areas under similar circumstances and in transactions involving unrelated persons, with adjustment for material differences in quantity, marketing conditions (including customs duties and transportation costs), and other relevant factors.

Subparagraph (B) shall apply only if the adjustment referred to therein is properly determinable.

"(5) Sales commissions.—The Secretary or his delegate shall by regulation prescribe rules for the allocation of commissions arising from sales of tangible property within a group of organizations described in paragraph (1). Such rules shall be consistent with the principles specified in the other paragraphs of this subsection.

"(6) Grossly inadequate assets, etc., outside United States.—In allocating taxable income under this subsection, no amount shall be allocated to a foreign organization whose assets, personnel, and office and other facilities which are not attributable to the United States are grossly inadequate for its activities outside the United States.

"(7) Information necessary for consideration of factors.—In the case of any transaction to which paragraph (2)(A) applies, if—

"(A) the information submitted with respect to the group of organizations is insufficient for the proper application of the method of allocation set forth in the first sentence of such paragraph, and

"(B) upon request of the Secretary or his delegate, such group fails to furnish such additional information with respect to such transaction as may be reasonably supplied, the Secretary or his delegate may estimate the taxable income arising from such transaction and may allocate such taxable income among the members of the group or to any single member thereof.

"(8) Treatment of foreign taxes.—

"(A) For purposes of this subsection, taxable income shall be determined without regard to any income, war profits, or excess profits taxes paid to any foreign country or to any possession of the United States.

"(B) Where the application of this subsection results in a decrease in the taxable income of any foreign organization and an increase in the taxable income of any domestic organization, then any of the taxes referred to in subparagraph (A) paid by such foreign organization and attributable to the taxable income so transferred shall be treated for purposes of this chapter—

"(i) as paid by such domestic organization, and

"(ii) as not paid by such foreign organization."

(b) Clerical Amendment.—Section 482 is amended by striking out "In any case of two or more organizations" and inserting in lieu thereof the following:

"(a) General Rule.—In the case of two or more organizations".

(c) Effective Date.—The amendments made by this section shall apply with respect to taxable years beginning after December 31, 1962.

Sec. 7. Distributions of Foreign Personal Holding Company Income.

(a) Definition of Foreign Personal Holding Company.—So much of subsection (a) of section 552 (relating to definition of foreign personal holding company) as precedes paragraph (2) is amended to read as follows:

"(a) General Rule.—For purposes of this subtitle, the term 'foreign personal holding company' for a taxable year beginning after December 31, 1962, means any foreign corporation if—

"(1) Gross income requirement.—At least 20 percent of its gross income (as defined in section 555(a)) for the taxable year is foreign personal holding company income (as defined in section 553). For purposes of this paragraph, there shall be included in the gross income the amount includible therein as a dividend by reason of the application of section 555(c)(2); and".

(b) Amount of Undistributed Income.—Subsection (a) of section 556 (relating to undistributed foreign personal holding company income) is amended to read as follows:

"(a) Definition.—For purposes of this part—

"(1) If the foreign personal holding company income of a foreign personal holding company exceeds 80 percent of its gross income, the 'undistributed foreign personal holding company income' of such company is its taxable income adjusted in the manner provided in subsection (b), minus the dividends paid deduction (as defined in section 561).

"(2) If the foreign personal holding company income of a foreign personal holding company does not exceed 80 percent of its gross income, the 'undistributed foreign personal holding company income' of such company is that amount which bears the same ratio to—

"(A) its taxable income adjusted in the manner provided in subsection (b), minus the dividends paid deduction (as defined in section 561), as

"(B) its foreign personal holding company income bears to its gross income."

(c) Effective Date.—The amendments made by this section shall apply only in respect to taxable years of foreign corporations beginning after December 31, 1962.

Mr. KERR. Madam President, I move that the Senate reconsider the vote by which the amendment was agreed to.

Mr. DIRKSEN. Madam President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment on page 121, line 2.

The amendment, which was agreed to, is on page 121, after line 2, to strike out:

(a) Entire Amount of Foreign Tax Be Taken Into Account.—

(1) Definition of accumulated profits.—So much of paragraph (1) of section 902(c) (relating to applicable rules for computing credit for corporate stockholder in foreign corporation) as precedes the semicolon is amended to read as follows:

"(1) The term 'accumulated profits', when used in this section in reference to a foreign corporation, means the amount of its gains, profits, or income computed without reduction by the amount of the income, war profits, and excess profits taxes imposed on or with respect to such profits or income by any foreign country or any possession of the United States".

(2) Conforming amendments.—

(A) Section 902(a) is amended by striking out "which the amount of such dividends bears to the amount of such accumulated profits" and inserting in lieu thereof "which the amount of such dividends (determined without regard to section 78) bears to the amount of such accumulated profits in excess of such income, war profits, and excess profits taxes (other than those deemed paid)".

(B) Section 902(b) is amended by striking out "which the amount of such dividends bears to the amount of such accumulated profits" and inserting in lieu thereof "which the amount of such dividends bears to the amount of such accumulated profits in excess of such income, war profits, and excess profits taxes".

And, in lieu thereof, to insert:

(a) Foreign Taxes Deemed Paid by Domestic Corporations.—Section 902 (relating to credit for corporate stockholder in foreign corporations) is amended to read as follows:

"Sec. 902. Credit for Corporate Stockholder in Foreign Corporation

"(a) Treatment of Taxes Paid by Foreign Corporation.—For purposes of this subpart, a domestic corporation which owns at least 10 percent of the voting stock of a foreign corporation from which it receives dividends in any taxable year shall—

"(1) to the extent such dividends are paid by such foreign corporation out of accumulated profits (as defined in subsection (c)(1)(A)) of a year for which such foreign corporation is not a less developed country corporation, be deemed to have paid the same proportion of any income, war profits, or excess profits taxes paid or deemed to be paid by such foreign corporation to any foreign country or to any possession of the United States on or with respect to such accumulated profits, which the amount of such dividends (determined without regard to section 78) bears to the amount of such accumulated profits in excess of such income, war profits, and excess profits taxes (other than those deemed paid); and

"(2) to the extent such dividends are paid by such foreign corporation out of accumulated profits (as defined in subsection (c)(1)(B)) of a year for which such foreign corporation is a less developed country corporation, be deemed to have paid the same proportion of any income, war profits, or excess profits taxes paid or deemed to be paid by such foreign corporation to any foreign country or to any possession of the United States on or with respect to such accumulated profits, which the amount of such dividends bears to the amount of such accumulated profits.

"(b) Foreign Subsidiary of Foreign Corporation.—If such foreign corporation owns 50 percent or more of the voting stock of another foreign corporation from which it receives dividends in any taxable year, it shall be deemed to have paid the same proportion of any income, war profits, or excess profits taxes paid by such other foreign corporation to any foreign country or to any possession of the United States, on or with respect to the accumulated profits of the corporation from which such dividends were paid which—

"(1) for purposes of applying subsection (a)(1), the amount of such dividends bears to the amount of the accumulated profits (as defined in subsection (c)(1)(A)) of such other foreign corporation from which such dividends were paid in excess of such income, war profits, and excess profit taxes, or

"(2) for purposes of applying subsection (a)(2), the amount of such dividends bears to the amount of the accumulated profits (as defined in subsection (c)(1)(B)) of such other foreign corporation from which such dividends were paid.

"(c) Applicable Rules.—

"(1) Accumulated profits defined.—For purposes of this section, the term 'accumulated profits' means with respect to any foreign corporation—

"(A) for purposes of subsections (a)(1) and (b)(1), the amount of its gains, profits, or income computed without reduction by the amount of the income, war profits, and excess profits taxes imposed on or with respect to such profits or income by any foreign country or any possession of the United States; and

"(B) for purposes of subsections (a)(2) and (b)(2), the amount of its gains, profits, or income in excess of the income, war profits, and excess profits taxes imposed on or with respect to such profits or income.

The Secretary or his delegate shall have full power to determine from the accumulated profits of what year or years such dividends were paid, treating dividends paid in the first 60 days of any year as having been paid from the accumulated profits of the preceding year or years (unless to his satisfaction shown otherwise), and in other respects treating dividends as having been paid from the most recently accumulated gains, profits, or earnings.

"(2) Accounting periods.—In the case of a foreign corporation, the income, war profits, and excess profits taxes of which are determined on the basis of an accounting period of less than 1 year, the word 'year' as used in this subsection shall be construed to mean such accounting period.

"(d) Less Developed Country Corporation Defined.—For purposes of this section, the term 'less developed country corporation' means—

"(1) a foreign corporation which, for its taxable year, is a less developed country corporation within the meaning of section 955 (c) (1) or (2), and

"(2) a foreign corporation which owns 10 percent or more of the total combined voting power of all classes of stock entitled to vote of a foreign corporation which is a less developed country corporation within the meaning of section 955(c)(1), and—

"(A) 80 percent or more of the gross income of which for its taxable year meets the requirement of section 955(c)(1)(A); and

"(B) 80 percent or more in value of the assets of which on each day of such year consists of property described in section 955(c)(1)(B).

A foreign corporation which is a less developed country corporation for its first taxable year beginning after December 31, 1962, shall, for purposes of this section, be treated as having been a less developed country corporation for each of its taxable years beginning before January 1, 1963.

"(e) Cross References.—

"(1) For inclusion in gross income of an amount equal to taxes deemed paid under subsection (a)(1), see section 78.

"(2) For application of subsections (a) and (b) with respect to taxes deemed paid in a prior taxable year by a United States shareholder with respect to a controlled foreign corporation, see section 960.

"(3) For reduction of credit with respect to dividends paid out of accumulated profits for years for which certain information is not furnished, see section 6038."

Mr. KERR. Madam President, I move that the Senate reconsider the vote by which the amendment was agreed to.

Mr. BUSH. Madam President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. KERR. Madam President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. KERR. Does that dispose of all committee amendments?

The PRESIDING OFFICER. All committee amendments have been disposed of. The bill, as amended, under the original agreement, is treated as original text for the purpose of amendment. Are there further amendments to be proposed?

Mr. KERR. Madam President, is the third reading in order?

Mr. KUCHEL. Madam President, I call up my amendment identified as "8-24-62—H."

The PRESIDING OFFICER. The amendment will be stated.

The Legislative Clerk. On page 391, between lines 21 and 22, it is proposed to insert the following new section:

Sec. 27. Exclusion From Gross Income of Certain Awards Made Pursuant to Evacuation Claims of American-Japanese Individuals.

(a) In General.—No amount received as an award under the Act entitled "An Act to authorize the Attorney General to adjudicate certain claims resulting from evacuation of certain persons of Japanese ancestry under military orders", approved July 2, 1948, as amended by Public Law 116, Eighty-second Congress, and Public Law 673, Eighty-fourth Congress (50 U.S.C. App., secs. 1981–1987), shall be included in gross income for purposes of chapter 1 of the Internal Revenue Code of 1939 or chapter 1 of the Internal Revenue Code of 1954.

(b) Effective Date, etc.—Subsection (a) shall apply with respect to taxable years ending after July 2, 1948. If refund or credit of any overpayment of Federal income tax resulting from the application of subsection (a) (including interest, additions to the tax, additional amounts, and penalties) is prevented on the date of the enactment of this Act, or within one year from such date, by the operation of any law or rule of law, the refund or credit of such overpayment may nevertheless be made or allowed if claim therefor is filed within one year after the date of enactment of this Act. In the case of a claim to which the preceding sentence applies, the amount to be refunded or credited as an overpayment shall not be diminished by any credit or set-off based upon any item other than the amount of the award referred to in subsection (a). No interest shall be allowed or paid on any overpayment resulting from the application of this section.

On page 391, line 22, strike out "27" and insert in lieu thereof "28".

Mr. KUCHEL. Madam President, in the early days of the Second World War, a group of American citizens of Japanese extraction, who lived in my State of California, as well as in the States of Oregon and Washington, were suddenly and summarily removed inland by the American Military Establishment. Behind them they left their homes and their businesses, their real property and their personal property, most of it improved, some of it in fee title, other under leasehold, representing, in every instance, what they had been able to accumulate and save through long years of honest toil.

That act by the United States against some Americans was a cruel thing, and the American people ever since have hung their heads in shame as they recall it.

In the successful prosecution of the war against Imperial Japan, Nazi Germany, and Fascist Italy, no Americans fought more gallantly or more bravely than did the Nisei, who with valor and with courage wore the American military uniform and fought heroically for their beloved country, the United States of America. Many shed blood, many gave their lives for America.

At the war's end, Congress recognized the injustice which had been done, and legislation was passed by which a token payment by way of restitution might be awarded to those injured and aggrieved citizens. The distinguished senior Senator from Kentucky [Mr. Cooper] and the distinguished senior Senator from Washington [Mr. Magnuson] were Members of the Senate at that time and helped Congress pass that remedial legislation.

In the hearings which were held then, the Secretary of the Interior, Mr. Julius Krug, among others, testified that the Government of the United States needed to make some modicum of award to our fellow Americans who, when they were yanked away from their homes and their businesses, suffered a tragic loss and, when later they were permitted to return, found their homes in disarray, found their leaseholds broken, found their businesses completely destroyed.

So, in 1948, Congress passed the Japanese-American Evacuation Claims Act which established a procedure for handling the thousands of claims which had arisen from the forced evacuation of these American citizens. This act was amended 3 years later, in 1951, when Congress authorized the Attorney General to compromise and settle all claims up to three-quarters of the amount of compensable items, or $2,500, whichever was less. Thus as a condition, precedent to an award, an individual had to agree to an automatic 25-percent deduction of his allowable items. Now, on top of this fact that a claimant automatically had to declare a smaller than actual loss, the Internal Revenue Service recently announced that these awards were subject to taxation. If the Internal Revenue Service were correct in its interpretation of the law, then the Government of the United States would be adding insult to the injury already done American citizens of Japanese extraction.

I have written to and spoken with the Commissioner of Internal Revenue, Mr. Mortimer M. Caplin, on this matter. To his eternal credit Mr. Caplin said, "Senator, you may say publicly that I look with great sympathy upon what you are trying to do."

One month ago I introduced an amendment to the bill now before the Senate which would prevent the Internal Revenue Service from taking away, under the guise of taxation, a portion of the modest awards made by the Government under the 1948 act, as amended. Various bills seeking the same result were introduced in the House of Representatives, and one of them, H.R. 12719, as reported by the House Committee on Ways and Means, passed the House today.

Mr. MANSFIELD. Madam President, will the Senator yield?

Mr. KUCHEL. I yield.

Mr. MANSFIELD. It is my understanding that this proposal, which I think is meritorious, has the approval of the Internal Revenue Service; at least, the Internal Revenue Service looks upon it with favor.

Mr. KUCHEL. I am pleased to tell the majority leader that the Commissioner of Internal Revenue says that he is sympathetic to the proposed legislation.

Mr. MANSFIELD. The Treasury Department states that the bill is noncontroversial as well as nonpartisan.

Mr. KUCHEL. I think that is correct. I am pleased at the number of cosponsors who have voluntarily joined with me in offering the amendment.

Madam President, I ask unanimous consent that the names of the distinguished Senator from Kentucky [Mr. Cooper], the Senator from Colorado [Mr. Carroll], and the junior Senator from Idaho [Mr. Jordan] be added as cosponsors of the amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MANSFIELD. As I read the report on the bill which passed the House, H.R. 12179, I note that it states:

> This bill has been reported unanimously by your committee. The Treasury Department has indicated that although as a general rule it would not favor exempting awards from tax, under the special circumstances involved in these cases it does not interpose any objection to the bill.

I hope the committee will see fit to accept the amendment.

Mr. KERR. I refer to the language on page 2, line 11:

> If the refund or credit—

And the language in line 16:

> The refund or credit of such overpayment may nevertheless be made—

And on line 20:

> The amount to be refunded or credited—

In order that there may be no doubt as to there being no refund involved, would the Senator from California be willing to delete the words "the refund or credit of such overpayment may nevertheless be made or allowed"?

Mr. KUCHEL. No. In all frankness, it is my understanding that the Internal Revenue Service has made this announcement, but so far there has been no imposition of the tax which it contends is due.

I think this language has been placed in the bill simply out of an abundance of caution, so that were there to be such a transaction, then the injured or aggrieved American would have a right to reclaim moneys.

Mr. MANSFIELD. Again, I read from the report of the House Committee on Ways and Means under date of August 20, to accompany H.R. 12719, under the heading "General Explanation of Provisions."

> The treatment described above is to apply to taxable years ending after July 2, 1948, the date of enactment of the Japanese-American Evacuation Claims Act. If any refund or credit (including interest, penalties, and so forth) of an overpayment of Federal income tax arising from the tax treatment described above, is prevented at the time of the enactment of this bill, or within the following 12 months, by any law or rule of law (whether or not a compromise or closing agreement), the refund or credit is, nevertheless, to be made if a claim is filed within 1 year after the date of enactment of this bill.
>
> Where amounts are refunded or credited under this bill in cases where the period of limitations has run, these refunds or credits are not to be decreased by credits or setoffs for other items where the taxpayer paid less than the amount properly due. However, this does not prevent resulting adjustments (upward or downward) in other items which may have been increased or decreased as a result of the inclusion of the award in income.

Mr. KERR. Has the Senator from Montana read from the report or from the bill?

Mr. MANSFIELD. I have read from the report.

Mr. KERR. Does the Senator know whether the amendment before us is identical with the bill as passed by the House?

Mr. MANSFIELD. It is my understanding that it is.

Mr. KUCHEL. That is precisely correct.

Mr. KERR. If it is not, will the Senator amend the amendment in order to have it conform to the bill as passed by the House?

Mr. KUCHEL. I assure the Senator from Oklahoma that that is precisely the fact.

Mr. KERR. If the Senator can give that assurance, and if he will verify it by agreeing that if there is any difference, he will amend the amendment in order to have it conform to the bill as passed by the House——

Mr. KUCHEL. I do.

Mr. KERR. Madam President, with that assurance, I accept the amendment.

Mr. PROXMIRE. Madam President, will the Senator from California yield?

Mr. KUCHEL. I yield.

Mr. PROXMIRE. Can the Senator from California state whether the amendment will have any effect on the revenue or the receipts of the Government; and, if so, what the effect would be?

Mr. KUCHEL. There would be an effect on the revenue, because if the Americans to whom these awards were given by act of Congress were to have their awards subjected to tax, as the Internal Revenue Service now intends to do, to that extent some parts of the awards would be taken from these fellow citizens and the Treasury would consequently receive some additional revenue. But I do not believe that the Congress, in passing the 1948 act, contemplated that these awards would be subject to taxation. The Senator from Kentucky [Mr. COOPER], who helped guide the original bill through the Senate, has confirmed this fact in conversations with me on this matter.

However, to answer the Senator's question: If this measure is enacted, it will prevent the Internal Revenue Service from taxing any part of the awards previously made by the Government under the Japanese-American Evacuation Claims Act of 1948, as amended.

Mr. PROXMIRE. Do I correctly understand that there is no estimate of what that would be?

Mr. KUCHEL. That is correct.

Mr. PROXMIRE. The bill has been passed by the House, has it?

Mr. KUCHEL. Yes, it has.

Mr. PROXMIRE. And the bill is now pending in the Senate, is it?

Mr. KUCHEL. I do not know whether it is yet here. My amendment was first introduced on July 31. It was modified on August 24 to conform with the language reported by the House Committee on Ways and Means on August 20. Thus my present amendment and its predecessor have been before the Senate for a month.

Mr. PROXMIRE. I wonder whether the tax bill should be a vehicle for additional bills. I have no objection to this one, but I wonder about adding it to the tax bill.

Mr. KUCHEL. This should be done, because this amendment relates to an urgent situation, and the amendment is in the public interest. Furthermore, the Senate probably is unanimously in favor of this provision; and I believe it to be my duty and also the duty of other Senators to have the bill, as passed, include this amendment.

Mr. PROXMIRE. Certainly it is my general feeling that it is bad policy to add to a tax bill amendments which relate to other matters.

Mr. KUCHEL. Yes; but I say this amendment does not constitute special legislation.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from California.

The amendment was agreed to.

Mr. KUCHEL. Madam President, I move that the vote by which the amendment was agreed to be reconsidered.

Mr. DIRKSEN. Madam President, I move that the motion to reconsider be laid on the table.

The motion to lay on the table was agreed to.

Mr. KUCHEL. Madam President, I wish to say to my able friend, the Senator from Oklahoma [Mr. KERR] that I appreciate the grace with which he has accepted my amendment, and I thank him for it from the bottom of my heart. I am very grateful.

Madam President, I ask consent that the amendment just adopted, a copy of my letter to Commissioner Caplin, various editorials on this matter, and portions of an excellent memorandum on this subject prepared by the Japanese-American Citizens League be included at this point in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

AMENDMENTS TO H.R. 10650 BY MR. KUCHEL (FOR HIMSELF, MR. BENNETT, MR. MAGNUSON, MR. JACKSON, MRS. NEUBERGER, MR. MORSE, MR. MCCARTHY, MR. CARROLL, MR. COOPER, MR. JORDAN OF IDAHO, AND MR. ENGLE) TO THE BILL (H.R. 10650) TO AMEND THE INTERNAL REVENUE CODE OF 1954 TO PROVIDE A CREDIT FOR INVESTMENT IN CERTAIN DEPRECIABLE PROPERTY, TO ELIMINATE CERTAIN DEFECTS AND INEQUITIES, AND FOR OTHER PURPOSES

On page 391, between lines 21 and 22, insert the following new section:

"SEC. 27. EXCLUSION FROM GROSS INCOME OF CERTAIN AWARDS MADE PURSUANT TO EVACUATION CLAIMS OF AMERICAN-JAPANESE INDIVIDUALS.

"(a) IN GENERAL.—No amount received as an award under the Act entitled 'An Act to authorize the Attorney General to adjudicate certain claims resulting from evacuation of certain persons of Japanese ancestry under military orders', approved July 2, 1948, as amended by Public Law 116, Eighty-second Congress, and Public Law 673, Eighty-fourth Congress (50 U.S.C. App., secs. 1981–1987), shall be included in gross income for purposes of chapter 1 of the Internal Revenue Code of 1939 or chapter 1 of the Internal Revenue Code of 1954.

"(b) EFFECTIVE DATE, ETC.—Subsection (a) shall apply with respect to taxable years ending after July 2, 1948. If refund or credit of any overpayment of Federal income tax resulting from the application of subsection (a) (including interest, additions to the tax, additional amounts, and penalties) is prevented on the date of the enactment of this Act, or within one year from such date, by the operation of any law or rule of law, the refund or credit of such overpayment may nevertheless be made or allowed if claim therefor is filed within one year after the date of enactment of this Act. In the case of a claim to which the preceding sentence applies, the amount to be refunded or credited as an overpayment shall not be diminished by any credit or set-off based upon any item other than the amount of the award referred to in subsection (a). No interest shall be allowed or paid on any overpayment resulting from the application of this section."

On page 391, line 22, strike out "27" and insert in lieu thereof "28".

U.S. SENATE,
August 1, 1962.

Hon. MORTIMER M. CAPLIN,
Commissioner, Internal Revenue Service, Department of the Treasury, Washington, D.C.

DEAR COMMISSIONER CAPLIN: I believe all Americans share the feeling that a grievous wrong was done to American citizens of Japanese ancestry when they were forcibly evicted, by military orders, during the Second World War from their homes and places of business on the Pacific coast. An embarrassed nation sought to rectify this constitutional and human wrong when Congress, in 1948, authorized the Attorney General to adjudicate the claims of persons of Japanese ancestry against the United States for losses arising from their forced evacuation.

The Federal Reserve Bank of San Francisco early in 1942 estimated that the real and personal property losses of the 110,000 evacuees would approximate $400 million. When the evacuation claims program was liquidated by the Department of Justice in 1958, $36,874,240.29 had been paid out; 26,552 claims had been considered.

When the Truman administration recommended this legislation in 1947, then Secretary of the Interior Krug succinctly stated the hectic conditions of the evacuation: "Merchants had to dispose of their stocks and business at sacrifice prices. In a setting of confusion and hysteria, many evacuees sold personal possessions for a small fraction of their value. A large number had to accept totally inadequate arrangements for protection and management of property. Valuable leasehold interests had to be abandoned." Vandalism, theft, fires, and property damage were prevalent. Property records were sometimes inadequate, mislaid, or lost.

Three years after the passage of the 1948 act, the Department of Justice in 1951 recommended that Congress authorize the Attorney General to compromise and settle all claims up to three quarters of the amount of the compensable items, or $2,500, whichever was less. Congress agreed to this change and it was approved by the President on August 17, 1951. As a condition precedent to the award, the applicant had to agree to an automatic 25-percent deduction of his allowable items. In addition, there was no appeal procedure.

Thus the claimant was faced with a choice of getting a little bit now and nothing later or, through other procedures including an action in the Court of Claims, waiting several additional years in the hopes of securing a greater amount, but quite possibly securing nothing. The "bird in the hand rather than two in the bush" philosophy is not new to human affairs. Many accepted these awards in full and complete settlement of their claims against the Government. Rising inflation, increasing age, the desire to get reestablished, and the fact that no interest was provided on any award made in the future were certainly material factors in making a determination to accept a smaller and probably inadequate amount.

Regardless of procedure, thousands of these claims have been settled, surveyed by the Internal Revenue Service, and closed. On many of these settlements the statute of limitations has already run.

A few of these claims, however, remain. The Internal Revenue Service apparently has announced that the awards made under the 1948 act, as amended, will now be subject to taxation.

I respectfully disagree with this decision. I do not believe that it can reasonably be construed as the intent of Congress. Such action by the Internal Revenue Service would compound a wrong already long and valiantly borne by American citizens of Japanese ancestry. That the original awards were inadequate, paltry, and late in terms of the damages actually inflicted is clear. At no time in the letters, records, and official hearings pertaining to this vexatious problem have officials of the Federal Government raised the question of subjecting these awards to taxation. The fact that the great majority of the claims are now closed and not subject to taxation would mean that discriminatory treatment is being applied to the remaining few for whom the statute of limitations has not yet run.

I am unable to find any testimony in the action of Congress regarding possible taxation of these awards. The nature of the awards themselves would, it seems to me, negate any such intention by the Congress. I urge you to resolve this matter administratively by overruling the prior position your Service has taken.

May I hear from you.

Very sincerely yours,

THOMAS H. KUCHEL,
U.S. Senator.

[From the San Francisco Chronicle, Aug. 9, 1962]

JUSTICE FOR THE NISEI ON INCOME TAX CLAIMS

In the midst of its larger business of promoting the general welfare, even when that seems to involve killing the President's legislative program, we trust Congress will find time before adjourning to do justice to the unjustly treated nisei of World War II.

Remedial measures to exempt them from income tax compensation claims have been introduced by Senator THOMAS H. KUCHEL and Representative JOHN F. BALDWIN, of California. These bills resulted from the disclosure that the Internal Revenue Service was demanding taxpayments on the claims which Congress had allowed the nisei to make for losses suffered when they were sent to concentration camps during the war.

The mass evacuation from the Pacific coast of U.S. citizens of Japanese ancestry was a shameful episode for which a tax-exempt compensation is little enough reparation.

In an editorial commenting on the death last June of Gen. John L. De Witt, who was commander of the Western Defense Command during the war, we referred to this episode and noted that it was De Witt who ordered the mass evacuation of all Japanese. While it is true that the order went out from General De Witt's headquarters, it has been called to our attention that the historical record does not warrant the implication that he recommended concentrating the nisei behind wire-mesh fences.

"Command Decisions," an official history of the episode published by the Office of the Chief of Military History, Department of the Army, discloses that General De Witt went no further than to recommend, in February 1942 that all Japanese should be evacuated from "category A" areas—Los Angeles County, San Diego, and most of the bay area. Under his plan, the Japanese-American citizens were either to accept internment voluntarily or relocate themselves outside these areas. The difference between this option and the forcible removal of Japanese citizens and aliens alike from the entire coast and their incarceration in camps is a substantial one. The official record shows that it was President Roosevelt and his Washington advisers, not De Witt, who were responsible for issuing the order concentrating the nisei behind wire-mesh fences.

Be that as it may, it is only proper to point out that one of General De Witt's immortal contributions to American culture was delivered later on in testimony before a House Naval Affairs Subcommittee. "A Jap's a Jap," he said, "and it makes no difference if he is an American."

[From the Los Angeles Herald-Examiner, Aug. 7, 1962]

RIGHTING SOME WRONGS

Heeding the outcries not only from our friends in the Philippines who helped us so much when we were sorely pressed in World War II but the indignation by the U.S. public as well, the House has passed a bill to pay $73 million in war damage claims to the Philippines. The bill is now before the Senate and action there should be favorable.

Of course, this should have been done a long time ago, but the matter has dragged along. This was a case in which the people of the Philippines suffered war damages while actively aiding our military causes.

Last May the House defeated a similar measure and the public outcry went up that while this country is willing to give overseas aid to so-called neutrals who actually are on the Communist side, it is unwilling to pay its friends their justly deserved war bills.

Another instance in which a wrong should be righted involves the repayment of $36.9 million to Japanese-American citizens who were deprived of their liberty and property during the relocation of these people on the Pacific coast during the scare that followed the bombing of Pearl Harbor.

Although they were repaid only one-tenth of what they claimed in damages, the Internal Revenue officials have now decided that the small amount repaid is taxable.

California's Senator THOMAS H. KUCHEL has introduced a bill which would make all compensation under the 1957 repayment act nontaxable.

Congress should act swiftly to pass this bill. Perhaps thus we will have two wrongs righted, that to the Philippines and that to loyal Pacific coast Japanese-American citizens.

[From the Los Angeles Times, Aug. 2, 1962]

INSULT ADDED TO INJURY

In the hysteria that followed Pearl Harbor, 80,000 U.S. citizens were deprived of their freedom and property. There was no proof of sabotage or disloyalty, but they were of Japanese ancestry.

An Executive order issued February 19, 1942, by President Roosevelt authorized the exclusion from the Pacific coastal areas of all German and Italian aliens and all Japanese aliens and citizens. A total of 135,000 persons of Japanese origin were thus forced to "relocation centers."

For 20 years non-Japanese Americans have been trying to forget this incident. In 1957 the Congress tried to make amends by passing the National Japanese Evacuation Claims Act.

Unfortunately the $400 million in claims for property lost by the nisei were settled for less than 10 cents on the dollar—$36.9 million. Many nisei, including members of the much-decorated 442d Combat Team must at times have thought that they would have been better off to have stayed in Japan and been rehabilitated as ex-enemies, for Congress was much more generous with Japan.

But none of us can now ignore the plight of these nisei. Internal Revenue Service officials have discovered that Congress left a loophole in the Compensation Act so that the money paid out in claims is taxable.

This, as Senator KUCHEL said, "is adding insult to injury."

Senator KUCHEL this week introduced a bill to right the wrong. His measure would make all compensation under the 1957 act nontaxable. The bill should have high priority in the Congress.

We cannot undo the injury. But we can prevent the added insult.

[From the Los Angeles Examiner, July 24, 1962]

Piling an Injustice Upon Injustice

The income tax bite now being put upon Japanese-American wartime evacuees from the west coast for compensation awards carries injustice to an extreme few can countenance. The Internal Revenue Service probably has no other recourse under existing law. But if the compensation law is that bad, remedial law is needed and should be promptly written.

The IRS ruling is that compensation awarded for property losses incurred in consequence of evacuation is in part taxable income. Comparison is made with lands seized for freeways. Conscience rejects that interpretation, if law doesn't. And if law doesn't, the statutes should be made to reflect conscience.

The evacuees were never compensated adequately for property losses. There was no indemnification at all for the months and years taken out of their lives, the hardships endured and the humiliation suffered.

The merits of evacuation are not being argued. The facts are. And the facts are that thousands of people with full rights of American citizenship were compelled to leave their homes and businesses and accept imprisonment. We called it relocation, but it was plain and simple incarceration.

Few Americans have easy minds about that now. Congress acknowledged injustice in enactment of the Evacuation Claims Act. But indemnification seldom covered actual physical loss. Now, because Congress failed to exempt the compensation awards from income tax, IRS feels under compulsion to take back a good part of what was so niggardly given.

Instead of the original wrong being righted, new wrongs are being pyramided upon it. Congress should start all over again in setting the record straight. The first thing needed is to put an end to the absurdity that Government can admit a wrong, offer indemnification for it, and then take it back in taxes. Bad as the original injustice was, this rivals it.

[Memorandum from the Washington office, Japanese American Citizens League]

Nontaxability of Japanese-American Evacuation Claims Awards

This memorandum is to explain the background and the reasons for the proposed bipartisan amendment, by Senators Thomas H. Kuchel, Clair Engle, Wallace F. Bennett, Warren G. Magnuson, Henry M. Jackson, Wayne Morse, Maurine B. Neuberger, John Sherman Cooper, John A. Carroll, and Len B. Jordan, to clarify the congressional intent that awards paid pursuant to the Japanese-American Evacuation Claims Act are not subject to tax. More specifically, the proposed amendment declares that "gross income does not include any amount received as an award" made under the Japanese-American Evacuation Claims Act of 1948, as amended.

The Japanese-American Citizens League (JACL) believes that the proposed amendment correctly states the congressional intent. JACL understands that this is a noncontroversial, bipartisan bill, to which neither the White House nor the Department of the Treasury, including the Internal Revenue Service, interposes any objection.

Identical legislation (H.R. 12719 (by Congressman Cecil R. King, of California), as amended, H. Rept. 2254, Aug. 20, 1962) was unanimously reported by the House Ways and Means Committee.

In the spring of 1942, the Army evacuated—without trial or hearing, and without individual charges, at a time when the courts were functioning—some 110,000 persons of Japanese ancestry from their homes, businesses, enterprises, employment, and associations on the west coast. Two-thirds of those evacuated were native-born citizens. The remaining third were immigrant alien Japanese who were denied naturalization privileges under Federal law.

These evacuees were permitted to take with them only what they could carry. Under the unique circumstances of evacuation, every evacuee lost something. Most lost almost everything that they had. The Federal Reserve Bank of San Francisco that spring estimated that the evacuees lost some $400 million in that mass movement.

In July 1948 Congress enacted the Japanese-American Evacuation Claims Act (Public Law 80-886, 62 Stat. 1231 [1948]), authorizing the Attorney General to accept and adjudicate certain claims for damage to or loss of real and personal property suffered as a direct consequence of that 1942 evacuation.

Under the original statute, some 25,000 claims were timely filed, totaling some $135 million in amount. That only one-third of the estimated loss was even claimed initially under the 1948 law suggests the very limited scope of the legislation in providing partial compensation for evacuation losses.

In 1949 only 21 claims were adjudicated, one of which was dismissed, and awards authorized in the amount of $6,882, of some $13,544 originally claimed. In 1950, 211 claims were adjudicated, of which 73 were dismissed. Of the original $141,374 claimed by the 137 awardees, $62,595 was authorized in awards.

In August 1951 Congress amended the act (Public Law 82-116, 65 Stat. 192 [1951]), authorizing the Attorney General to compromise and settle timely claims "up to three-quarters the amount of compensable items, or $2,500, whichever was less." What this meant was that the evacuees in order to secure early and expeditious compromise settlements automatically forfeited 25 percent or more of their compensable awards.

By the end of fiscal 1955, 20,211 claims had been compromised and settled for awards totaling $24,259,528. The original amount claimed was $69,185,472. Claims adjudicated numbered 688, for which awards totaling $1,421,396 were authorized, though the original claims amounted to $3,404,503. More than a thousand claims for almost $4 million were dismissed.

In July 1956 Congress further amended the act (Public Law 84-673, 70 Stat. 513 [1956]), to extend the compromise settlement procedure to awards up to $100,000, and for other purposes.

When the Department of Justice terminated its administrative program in November 1958, it was announced that it had settled 26,552 claims and authorized awards totaling $36,874,240. Nine claims were filed in the Court of Claims. All in all, including the amendments, 26,568 claims were filed for an aggregate amount of $147,714,876. With only two claims still pending in the Court of Claims, a total of $37,442,706 has been awarded pursuant to this law, as amended.

In summary about $37½ million have been awarded, out of some $148 million claimed under the law. And, the total originally claimed is about a third of the estimated $400 million loss sustained in the evacuation.

Beginning late in 1959, the Internal Revenue Service began to question the tax liability of these evacuation claims awards. In September 1961, the Service decided that in the absence of any congressional statement to the contrary, certain of these awards were taxable on the theory that they are comparable to involuntary conversions of property or condemnations.

Although neither the House nor the Senate Judiciary Subcommittees on Claims, respectively, published their hearings on this subject, we have carefully reexamined the voluminous testimony before both these subcommittees and have found nothing to suggest that any of the Government departments involved, or private witnesses who testified, thought that the awards paid in accordance with this legislation would be subject to tax. Moreover, a reexamination of the floor debates in both the House and the Senate in the Congressional Record fails to suggest that any Member ever contemplated or intended that part or all of these awards should be considered as taxable. Quite to the contrary, the reports of the Judiciary Committees and the approving comments in both the House and the Senate suggest that these awards were to be considered as "acts of grace."

Furthermore, after the first adjudications were made and when the 1951 and 1956 amendments were being considered, no mention was made anywhere in the record that the awards, or any part thereof, should be subject to tax.

If the Internal Revenue Service felt that these awards might be subject to tax, we submit that it should have come forward at those opportunities to request congressional clarification on this matter, especially since the Attorney General, who was charged with the administration of the statute, was proceeding to adjudicate and to compromise and settle these claims on an entirely different conception of the congressional intent.

The original act, and the subsequent amendments, incidentally, were enacted unanimously, without objection, in both Houses.

As suggested earlier, in his administration of the program, the Attorney General, in the absence of any specific direction on the matter, determined in his precedent-setting adjudications that these awards were "acts of congressional grace" or "acts of bounty," neither of which, we understand, is taxable.

In the light of this interpretation, the Department of Justice adjudicated and compromised and settled all except about 10 of the more than 26,500 claims filed.

If the Attorney General had interpreted the congressional intent as the Internal Revenue now appears to be doing, we suspect that the basis for determining the amount of the awards would have been significantly different from that which was followed. In this connection, it may be of interest that the Los Angeles and San Francisco newspapers quote former U.S. Attorney General William Rogers, under whose administration most of these claims were settled, as saying (Aug. 4, 1962) "It never had occurred to me that these partial awards were ever to be taxed."

Since the Department of Justice determined the amount of awards on the basis that the claims were "acts of grace" and not subject to taxation, we submit that it is most unfair, inequitable, and unjust for the Internal Revenue Service, after all these years, to now attempt to collect taxes on a theory that was not advanced or utilized by the Attorney General in his administration of the congressionally authorized program.

Although we are not attorneys, and certainly do not pose as tax experts, it appears patent to us that the military evacuation of 1942 cannot be compared reasonably to "involuntary conversions or condemnations," as these terms are generally understood.

Aside from the more obvious differences, it should be remembered that the 1942 mass movement was unprecedented in American history, was directed arbitrarily and solely against a single group of citizens and their parents simply on the basis of their ancestry, and that no other group of citizens or their parents in the same areas were similarly treated.

In "involuntary conversions" and condemnation proceedings, we understand that the private property owners have several rights, that among these are the time and opportunity to freely negotiate the settlement value and, if not satisfied with the Government offer, to appeal to the courts for the "just compensation" to which the Federal Constitution entitles them. Clearly, the circumstances of evacuation did not offer these alternatives to the evacuees.

Furthermore, the awards were paid from almost 10 to 15 years after the losses took place and at 1942, not 1958, values. The drastic personal, group, and community changes in the general economy, circumstances, and situations from 1942 to 1958 made the awards only partial at best. And, because of postwar inflation and other widespread developments, over which the evacuees had little or no control, it was impractical for the evacuees to attempt to replace exactly what they lost, especially since none of the awards were based on replacement value as of the time of the Government payments. An example of the great changes that have taken place on the west coast would be in former farmlands which are now suburban areas.

Indeed, the mere arithmetic of less than 10 cents being paid out in awards for every dollar lost in the evacuation (some $37 million paid for the estimated $400 million lost) suggests that the claims program was not intended to be one that would be further reduced by way of taxation.

In any event, the JACL, which has been intimately involved in this program since the 1942 evacuation itself, believes that the Congress that enacted this remedial and corrective act of grace should clarify its intent regarding the tax liability of the awards paid by the Government pursuant to congressional authorization.

LOBBYING EXPENSE DEDUCTIONS

Mr. KEFAUVER. Madam President, the provision in the tax bill which provides for deduction of lobbying expenses has been called a sleeper. This is certainly true because it was not proposed by the President and it was written into the bill by the House Ways and Means Committee even though hearings had not been held on the subject. The Treasury Department opposes it.

But it is more than just a sleeper. It is a sleeping giant. It will put lobbying at State, local, and Federal levels on a completely new basis and mushroom the efforts of special interest groups to obtain favorable legislation.

If this becomes law, it will do away with a principle which has been in our tax laws since 1919. I do not believe the public should pay the cost of anyone's attempting to influence legislation. I therefore hope the Senate will act favorably on the amendment of my colleague from Tennessee Senator Gore, and the Senator from Illinois, Senator Douglas, which seeks to strike this provision from the bill.

Like many other pieces of recent legislation favoring special interest groups, this has not received the public attention which it deserves. To me, it is a shocking and outrageous proposal that the public should pay, by reduced tax revenues, for lobbying activities for legislation to favor special groups. But, strangely enough, this drastic change in present law has received little attention in the press and I do not believe very many of the American people are aware of it. Section 3 of the bill would allow a deduction for expenses, including traveling expenses, incurred in carrying on any trade or businesss "in direct connection with appearances before, submission of statements to, or sending communications to, the committees or individual Members of Congress or any legislative body of a State, a possession of the United States, or a political subdivision of any of the foregoing with respect to legislation or proposed legislation of direct interest to the taxpayer."

This means that a corporation or any other business could take a tax deduction for the expenses of coming to Washington, hiring lobbyists or attorneys to prepare statements, or draft amendments, and even the cost of circularizing individual Senators or Representatives.

It would have the same effect for lobbying activities before State legislatures and city councils.

Madam President, I hesitate to call this a giveaway because that seems to have the result of helping legislation rather than hurting it lately. But this bill unquestionably will result in a reduction of tax revenues to the Federal Government. I do not think anyone can estimate how much this might be because there is no way of telling. By making lobbying less expensive, it will undoubtedly encourage lobbying. In fact, I will show in a moment that that is its apparent purpose. We can undoubtedly then expect increased lobbying activities and expect that money will be spent for lobbying which would otherwise have been spent in other ways. When one considers that this will operate to encourage lobbying before every city council and every State legislature, as well as the Congress, it is impossible to guess what the total effects of this bill will be. But to the extent that tax deductions are taken for these lobbying activities, those taxpayers' liabilities are reduced and other taxpayers have a correspondingly greater burden. Thus, to the extent these deductions are taken, the cost is transferred to the general public.

This is not only unwise, in that it will mushroom lobbying activities for special interests, but I think it is unfair, and this is the reason why such concessions have never been made in previous laws.

I do not mean to say that lobbying is not a legitimate and often worthwhile activity. It assists Congress in having the aid and viewpoint of groups who are affected by legislation, but I cannot believe that there is such a shortage of lobbying activity that we need to encourage it by tax advantages. It is already unfortunate that there is no lobby for consumers and the public at large to represent their interests in legislation, but it will only compound the one-sided picture we often get if we allow tax incentives to encourage more and better lobbying.

Let us consider what the effects of this legislation might be. As Senator Gore and Senator Douglas pointed out in their very fine minority views in the committee report, a State legislature might be considering a measure designed to decrease stream pollution. A manufacturing company which was perhaps dumping waste in the stream and would be affected by such a law could deduct the costs of sending its lawyers and officials to the State capitol, their room and lodging while staying there and legal fees for the preparation of testimony before committees, proposed amendments and promotional literature circulated to legislators. On the contrary, homeowners or members of the general public interested in pure water for drinking or recreational uses would have to finance their support of such a law entirely from their own pockets with no tax deduction.

Another example cited in the minority views would be that a businessman could deduct expenses of lobbying to change a zoning ordinance which affected his property, but the owners of residences who would also be affected would not benefit from reduced taxes for the cost of their preparing exhibits and briefs to oppose a change.

Let us consider some examples closer to home. A.T. & T. could have deducted from its taxable income the costs of its attorneys and public relations men in working for the communications satellite bill. Businessmen who were concerned with sugar quotas could have deducted the costs of lobbying on the Sugar Act. An American company which wanted high protective tariffs to avoid competition from imports could deduct the cost of lobbying against the trade bill. These examples could be multiplied many times. And if this bill is enacted, we can expect that the intensive lobbying efforts to which we are often subjected will be multiplied greatly.

When one considers the sort of legislation on the books in the various States, many other examples occur. For instance, the liquor industry could deduct the cost of lobbying for liberalized liquor laws. In a State which has local option for gambling, operators of gambling establishments and manufacturers of gambling devices could pass on to the Federal Treasury a part of the costs of trying to get legalized gambling throughout the State. Individuals who opposed liberalized liquor or gambling laws could not deduct the costs of opposing such legislation.

Another provision of this section authorizes the deduction of that portion of the dues paid to an organization which is attributable to lobbying expenses. In other words, trade associations which conduct lobbying for special groups would now be able to solicit more and bigger dues on the inducement of the tax deduction. But contributions to the League of Women Voters by civic-minded citizens are still not deductible to any extent because it attempts to influence legislation. Thus, associations who represented special interests in legislative matters would be given an advantage over associations which concern themselves with matters of general public interest of a nonbusiness nature.

In the hearings before the Finance Committee, Mr. Stanley H. Ruttenberg, of the AFL–CIO, made a very persuasive argument against this provision. I would like to quote from his testimony on page 610 of the hearings:

> I might just say on lobby expenses we strongly urge that this provision be removed from the bill. It is a provision which, in

> effect, would permit corporations of America to double their amount of expenditure on lobbying, and thereby increase substantially their lobbying activities.
>
> We think that there is no reason to give them tax exemption for lobbying expenses any more than there is reason to give the individual worker who pays dues to his organization the right to deduct expenses for lobbying activities.
>
> The corporation ought to be on the same basis as the individual. The tax-free institutions, the nonprofitable institutions like the U.S. Chamber of Commerce, National Association of Manufacturers, American Farm Bureau Federation, AFL–CIO, other organizations have tax-exempt status and, therefore, their expenditures can be made on various activities.
>
> Only a minor proportion of the AFL–CIO's expenditures are made on lobbying but that fits within the concept of a tax-free organization.
>
> But as far as an individual union member is concerned, any portion of his dues which are attributed to lobbying is not a deductible item on his income tax return just as expenditures by corporations should not be as they are not now an item for deductible allowances. Under this bill such lobbying expenditures now not deductible by corporations would be permitted to be deductible and we think this provision ought to be removed.

Unions represent and protect the workingman's interests in labor legislation and general legislation. The benefits they secure to him are as meaningful as those which business lobbyists secure for their interests. In fact, their interests may be directly opposed in some legislation. Why should not the workingman be allowed the same tax consideration for petitioning his representatives?

Madam President, under the general corporate tax rate of 52 percent, this deduction will cut in half the effective cost of lobbying. As Mr. Ruttenberg pointed out, this will enable them to double expenditures for lobbying with no effect on their profits.

Anyone who thinks this is not intended to accomplish just this result should study the testimony in support of it before the Finance Committee. At page 1960 of part 5, appears the testimony of Mr. George D. Webster, an attorney in the District of Columbia who appeared on behalf of the District Bar Association. He strongly urged enactment of this provision and the language of his testimony at the bottom of page 1961 is almost exactly the same as the language of the Finance Committee report on this provision at page 22 of the report. He said that it appeared anomalous to the association that legal fees for appearances of lawyers before legislative bodies or contacts with individual legislators are not deductible, while such appearances and contacts with tribunals or administrative officials are deductible. The committee report adopts the same language, leaving out only the words "to the association." Mr. Webster went on to say that his association believed that presentations to the legislative branch should not be discriminated against.

I am a member of the legal profession myself, but I do not believe we should raid the Public Treasury in order to increase the use of Washington lawyers for lobbying purposes. Mr. Webster also justified this provision as eliminating discrimination between lawyers' fees in presentations to the legislatures and lawyers' fees in appearances before courts and agencies. The two things are very different. In every court and in every agency, there is an adversary proceeding with someone representing both points of view. This is not true of lobbying for special interests. More often only one side of the picture is heard and the general public or the consumer, or whoever may be affected by the legislation on the other side, is not heard at all. It is for this reason that the costs should not be passed on to the public by tax reductions.

Madam President, in my opinion, this is one of the worst legislative proposals we have considered in a long time. It would increase the imbalance in what is already a deficit tax bill. But worse than that. It is discriminatory and it would multiply lobbying and the effects of lobbying by special interests. I strongly urge my colleagues in the Senate to join me in voting to remove it from the bill and keep present law.

The PRESIDING OFFICER. The bill is open to further amendment.

Mr. McCARTHY. Madam President, I call up my amendment identified as "8–25–62—B."

The PRESIDING OFFICER. The amendment will be stated.

The Chief Clerk proceeded to read the amendment.

Mr. McCARTHY. Madam President, I ask unanimous consent that the reading of the amendment be dispensed with, and that it be printed at this point in the Record.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment offered by Mr. McCarthy is as follows:

On page 175, beginning with line 9, strike out all through line 18 on page 245, and insert the following:

Sec. 12. Controlled Foreign Corporations.

(a) In General.—Part III of subchapter N of chapter 1 (relating to income from sources without the United States) is amended by adding at the end thereof the following new subpart:

"Subpart F—Controlled Foreign Corporations

"Sec. 951. Amounts included in gross income as the result of improper accumulations.
"Sec. 952. Earnings improperly accumulated.
"Sec. 953. Income from insurance of United States risks included in gross income.
"Sec. 954. Definitions included in gross income.
"Sec. 955. Rules for determining stock ownership.
"Sec. 956. Exclusion from gross income of previously taxed earnings and profits.
"Sec. 957. Special rules for foreign tax credit.
"Sec. 958. Adjustments to basis of stock in controlled foreign corporations and of other property.
"Sec. 959. Miscellaneous provisions.

"Sec. 951. Amounts Included in Gross Income as the Result of Improper Accumulations.

"(a) General Rule.—If a foreign corporation is a controlled corporation for an uninterrupted period of 30 days or more during any taxable year beginning after December 31, 1962, every person who is a United States shareholder (as defined in section 952(a)) of such a corporation and who owns (within the meaning of section 955(a)) stock in such corporation on the last day in such year, on which such corporation is a controlled foreign corporation shall include in his gross income, for his taxable year in which or with which such taxable year of the corporation ends, his pro rata share (determined under section 952(a)(2)) of the corporation's increase in earnings improperly accumulated.

"(b) Limitation on Amount of Pro Rata Share of Earnings Improperly Accumulated Included in Gross Income.—For purposes of subsection (a), the pro rata share of any person who is a United States shareholder in the increase of the earnings of a controlled foreign corporation improperly accumulated shall not exceed an amount (A) which bears the same ratio to his pro rata share of such increase (as determined under section 952(a)(2)) for the taxable year, as (B) the part of such year during which the corporation is a controlled foreign corporation bears to the entire year.

"(c) Coordination With Provisions Relating to Foreign Investment Company and Foreign Insurance of United States Risks.—A United States shareholder who, for his taxable year is—

"(1) a qualified shareholder (within the meaning of section 1247(c)) of a foreign investment company with respect to which an election under section 1247 is in effect, or

"(2) as the result of the application of section 953 required to take an amount into income,

shall not be required to include in gross income, for such taxable year, any amount under subsection (a) with respect to such foreign investment company or with respect to income taken into account by such shareholder as the result of the application of section 953.

"Sec. 952. Earnings Improperly Accumulated.

"(a) General Rules.—For purposes of this subpart—

"(1) Amount of investment.—The amount of earnings of a controlled foreign corporation improperly accumulated at the close of any taxable year in the case of a corporation formed or availed of for the purpose of avoiding United States income tax is the aggregate amount of the investment in extraneous property at the close of the taxable year, to the extent such amount does not exceed the sum of (A) the earnings and profits for the taxable year, and (B) the earnings and profits accumulated for prior taxable years beginning after December 31, 1962.

"(2) Pro rata share of increase for year.—In the case of any person who is a United States shareholder the pro rata share of the increase for any taxable year in the earnings of a controlled foreign corporation improperly accumulated is the amount determined by subtracting—

"(A) his pro rata share of the amount determined under paragraph (1) for the close of the preceding taxable year, reduced by amounts paid during the taxable year or treated as paid during that or prior years as a result of the application of section 951 or 953, from

"(B) his pro rata share of the amount determined under paragraph (1) for the close of the taxable year.

"(3) Amount attributable to property.—The amount taken into account under paragraph (1) or (2) with respect to any property shall be its adjusted basis, reduced by any liability to which the property is subject.

"(b) Definition of Investment in Extraneous Property.—For purposes of this subpart—

"(1) General rule.—The term 'investment in extraneous property' means any money or other property (tangible or intangible) acquired after December 31, 1962, which is beyond the reasonable needs of the business.

"(2) PROPERTY NOT REQUIRING PREPONDERANCE OF EVIDENCE BY TAXPAYER.—Any property other than the following shall be considered property beyond the reasonable needs of the business unless the United States shareholder by the preponderance of the evidence shall prove to the contrary:

"(A) Any money or other property which is located outside the United States and is ordinary and necessary for the active conduct of a trade or business carried on almost wholly without the United States by the controlled foreign corporation.

"(B) Property which would qualify under subparagraph (A) except for the fact that it is located in the United States, but only if such property is—

"(i) obligations of the United States, money, or deposits with persons carrying on the banking business;

"(ii) property purchased in the United States for export to, or for use in, foreign countries;

"(iii) any loan arising in connection with the sale of property if the amount of such loan outstanding at no time during the taxable year exceeds the amount which would be ordinary and necessary to carry on the trade or business of both the lending corporation and the borrowing United States person had the sale been made between unrelated persons;

"(iv) any aircraft, railroad rolling stock, vessel, motor vehicle, or container used in the transportation of persons or property in foreign commerce and used predominantly outside of the United States; or

"(v) the amount of assets of an insurance company equivalent to the unearned premiums or a reasonable allowance for policy and similar reserves, on outstanding business with respect to contracts which are not contracts described in section 953(c).

"(C) Stock and obligations owned by the controlled foreign corporation in another foreign corporation in which it owns at least 10 percent of the voting stock and 10 percent of the value of all classes of stock; but this subparagraph shall apply only if substantially all of the property of such other foreign corporation is ordinary and necessary for the active conduct of a trade or business engaged in by such corporation almost wholly without the United States.

"(D) Any investment which is required because of restrictions imposed by a foreign country, and any investment which, when made, was so required and which would result in substantial losses if withdrawn.

"(3) HOLDING OR INVESTMENT COMPANY.—The fact that any corporation is a mere holding or investment company shall be prima facie evidence that property held by it is 'investment in extraneous property'.

"(4) SITUS OF CERTAIN PROPERTY.—Property which is an obligation of, or pledges and guarantees made with respect to obligations of, United States persons shall be considered as property located in the United States.

"(5) REASONABLE NEEDS OF THE BUSINESS.—For purposes of this part, the term 'reasonable needs of the business' includes the reasonably anticipated needs of the business.

"SEC. 953. AMOUNTS INCLUDED IN GROSS INCOME WHICH IS INCOME FROM INSURANCE OF UNITED STATES RISKS.

"(a) GENERAL RULE.—If a foreign corporation is a controlled corporation on any day of a taxable year beginning after December 31, 1962, every person who is a United States shareholder (as defined in section 954(b)) of such a corporation who owns (within the meaning of section 955(a)) stock in such corporation on the last day, in such year, in which such a corporation is a controlled foreign corporation shall include in his gross income as a dividend, for his taxable year in which or with which such taxable year of the corporation ends his pro rata share (determined under subsection (b); of the corporation's income derived from insurance of United States risks (as determined under subsection (c)).

"(b) PRO RATA SHARE OF INCOME DERIVED FROM INSURANCE OF UNITED STATES RISKS.—

"(1) IN GENERAL.—The pro rata share referred to in subsection (a) in the case of any United States person is the amount—

"(A) which would have been distributed with respect to the stock which such person owns (within the meaning of section 955 (a)) in such corporation if on the last day, of its taxable year, on which the corporation is a controlled foreign corporation it had distributed pro rata to its shareholders an amount (i) which bears the same ratio to its income derived from insurance of United States risks for the taxable year, as (ii) the part of such year during which the corporation is a controlled foreign corporation bears to the entire year, reduced by

"(B) the amount of any distribution received by any other United States person during such year as a dividend with respect to such stock.

"(2) LIMITATION ON AMOUNT OF PRO RATA SHARE OF INCOME DERIVED FROM INSURANCE OF UNITED STATES RISKS INCLUDED IN GROSS INCOME.—For purposes of subsection (a), the pro rata share of any person who is a United States shareholder in a controlled foreign corporation's income derived from insurance of United States risks shall not exceed an amount (A) which bears the same ratio to his pro rata share of such income for the taxable year, as (B) the part of such year during which the corporation is a controlled foreign corporation bears to the entire year.

"(c) INCOME FROM INSURANCE OF UNITED STATES RISKS.—

"(1) GENERAL RULE.—For purposes of this section, the term 'income derived from the insurance of United States risks' means that income which is attributable to the reinsurance or the issuing of any insurance or annuity contract—

"(A) in connection with property or liability arising out of activity in, or in connection with the lives or health of residents of, the United States, or

"(B) in connection with risks not included in subparagraph (A) as the result of any arrangement whereby another corporation receives a substantially equal amount of premiums or other consideration in respect of any reinsurance or the issuing of any insurance or annuity contract in connection with property or liability arising out of activity in, or in connection with the lives or health of residents of, the United States,

and which (subject to the modifications provided by subparagraphs (A), (B), and (C) of paragraph (2)) would be taxed under subchapter L of this chapter if such income were the income of a domestic insurance corporation. This section shall apply only in the case of a controlled foreign corporation which receives during any taxable year premiums or other consideration in respect of any reinsurance or the issuing of any insurance or annuity contract described in this paragraph in excess of 5 percent of the total of premiums and other consideration received by it during such taxable year in respect of all reinsurance and issuing of insurance and annuity contracts.

"(2) SPECIAL RULES.—For purposes of paragraph (1)—

"(A) In the application of part I of subchapter L, life insurance company taxable income is the gain from operations as defined in section 809(b).

"(B) A corporation which would, if it were a domestic corporation, be taxable under part II of subchapter L shall apply paragraph (1) as if it were taxable under part III of subchapter L.

"(C) The following provisions of subchapter L shall not apply;

"(i) Section 809(d)(4) (operation loss deduction).

"(ii) Section 809(d)(5) (certain nonparticipating contracts).

"(iii) Section 809(d)(6) (group life, accident, and health insurance).

"(iv) Section 809(d)(10) (small business deduction).

"(v) Section 817(b) (gain on property held on December 31, 1958, and certain substituted property acquired after 1958).

"(vi) Section 832(b)(5) (certain capital losses).

"(D) The items referred to in—

"(i) Section 809(c)(1) (relating to gross amount of premiums and other consideration),

"(ii) Section 809(c)(2) (relating to net decrease in reserves),

"(iii) Section 809(d)(2) (relating to net increase in reserves), and

"(iv) Section 832(b)(4) (relating to premiums earned on insurance contracts),

shall be taken into account only to the extent they are in respect of any reinsurance or the issuing of any insurance or annuity contract described in paragraph (1).

"(E) All items of income, expenses, losses, and deductions (other than those taken into account under subparagraph (D)) shall be properly allocated or apportioned under regulations prescribed by the Secretary or his delegate.

"(F) The income derived from insurance of United States risks of any controlled foreign corporation for any taxable year shall not exceed the earnings and profits of such corporation for such year.

"SEC. 954. DEFINITIONS.

"(a) CONTROLLED FOREIGN CORPORATION.

"(1) GENERAL RULE.—For purposes of this subpart, the term 'controlled foreign corporation' means any foreign corporation of which more than 50 percent of the total combined voting power of all classes of stock entitled to vote is owned (within the meaning cf section 955(a)), or is considered as owned by applying the rules of ownership of section 955(b), by United States shareholders on any day during the taxable year of such foreign corporation.

"(2) SPECIAL RULE FOR INSURANCE.—For purposes only of taking into account income described in section 953(c) (relating to income derived from insurance of United States risks), the term 'controlled foreign corporation' includes not only a foreign corporation as defined by paragraph (1) but also one of which more than 25 percent of the total combined voting power of all classes of stock is owned (within the meaning of section 955(a)), or is considered as owned by applying the rules of ownership of section 955(b)), by United States shareholders on any day during the taxable year of such corporation, if the gross amount of premiums or other consideration in respect of reinsurance or the issuing of insurance or annuity contracts described in section 953(c), exceeds 75 percent of the gross amount of all premiums or other consideration in respect to all risks.

"(b) UNITED STATES SHAREHOLDERS DEFINED.—For purposes of this subpart, the term 'United States shareholder' means, with respect to any foreign corporation, a United States person (as defined in section 7701(a) (30)) who owns (within the meaning of section 955(a)), or is considered as owning by applying the rules of ownership of section 955(b), 10 percent or more of the total combined voting power of all classes of stock entitled to vote of such foreign corporation.

"SEC. 955. RULES FOR DETERMINING STOCK OWNERSHIP.

"(a) DIRECT AND INDIRECT OWNERSHIP.—

"(1) GENERAL RULE.—For purposes of this subpart, stock owned means—

"(A) stock owned directly, and

"(B) stock owned with the application of paragraph (2).

"(2) Stock ownership through foreign entities.—For purposes of subparagraph (B) of paragraph (1), stock owned, directly or indirectly, by or for a foreign corporation, foreign partnership, or foreign trust or foreign estate (within the meaning of section 7701 (a)(31)) shall be considered as being owned proportionately by its shareholders, partners, or beneficiaries. Stock considered to be owned by a person by reason of the application of the preceding sentence shall, for purposes of applying such sentence, be treated as actually owned by such person.

"(3) Special rule for mutual insurance companies.—For purposes of applying paragraph (1) in the case of a foreign mutual insurance company, the term 'stock' shall include any certificate entitling the holder to voting power in the corporation.

"(b) Constructive Ownership.—For purposes of sections 951, 953, and 954, section 318(a) (relating to constructive ownership of stock) shall apply to the extent that the effect is to treat any United States person as a United States shareholder within the meaning of section 954(b) or to treat a foreign corporation as a controlled foreign corporation under section 954(a), except—

"(1) In applying paragraph (1)(A) of section 318(a), stock owned by a nonresident alien individual (other than a foreign trust of foreign estate) shall not be considered as owned by a citizen or by a resident alien individual.

"(2) In applying the first sentence of subparagraphs (A) and (B), and in applying clause (i) of subparagraph (C), of section 318(a)(2) if a partnership, estate, trust, or corporation owns, directly or indirectly, more than 50 percent of the total combined voting power of all classes of stock entitled to vote of a corporation, it shall be considered as owning all the stock entitled to vote.

"(3) Stock owned by a partnership, estate, trust, or corporation, by reason of the application of the second sentence of subparagraphs (A) and (B), and the application of clause (ii) of subparagraph (C), of section 318(a)(2), shall not be considered as owned by such partnership, estate, trust, or corporation, for the purposes of applying the first sentence of subparagraphs (A) and (B), and in applying clause (i) of subparagraph (C), of section 318(a)(2).

"(4) In applying clause (i) of subparagraph (C) of section 318(a)(2), the 50-percent limitation contained in subparagraph (C) shall not apply.

"(5) The second sentence of subparagraphs (A) and (B), and clause (ii) of subparagraph (C), of section 318(a)(2) shall not be applied so as to consider a United States person as owning stock which is owned by a person who is not a United States person.

"Sec. 956. Exclusion From Gross Income of Previously Taxed Earnings and Profits.

"(a) Exclusion From Gross Income of United States Persons.—For purposes of this chapter, the earnings and profits for a taxable year of a foreign corporation attributable to amounts which are, or have been, included in the gross income of a United States person under section 951 or 953 shall not, when such amounts are distributed to (or would but for this subsection be included in the gross income of) such shareholder (or any other United States person who acquires from any person any portion of the interest of such United States shareholder in such foreign corporation, but only to the extent of such portion, and subject to such proof of the identity of such interest as the Secretary or his delegate may by regulations prescribe) directly, or indirectly through a chain of ownership described under section 955(a), be again included in the gross income of such United States person (or of such other United States person).

"(b) Exclusion From Gross Income of Certain Foreign Subsidiaries.—For purposes of sections 951 and 953, the earnings and profits for a taxable year of a controlled foreign corporation attributable to amounts which are, or have been, included in the gross income of a United States shareholder under section 951 or 953, shall not, when distributed through a chain of ownership described under section 955(a), be also included in the gross income of another controlled foreign corporation in such chain for purposes of the application of section 951 and 953 to such other controlled foreign corporation with respect to such United States shareholder (or to any other United States shareholder who acquires from any person any portion of the interest of such United States shareholder in the controlled foreign corporation, but only to the extent of such portion, and subject to such proof of identity of such interest as the Secretary or his delegate may prescribe by regulations).

"(c) Allocation of Distributions.—For purposes of subsections (a) and (b), section 316(a) shall be applied by applying paragraph (2) thereof, and then paragraph (1) thereof—

"(1) first to earnings and profits attributable to amounts included in gross income under section 951 or 953, and

"(2) then to other earnings and profits.

"(d) Distributions Excluded From Gross Income Not To Be Treated as Dividends.—Except as provided in section 957(a)(3), any distribution excluded from gross income under subsection (a) shall be treated, for purposes of this chapter, as a distribution which is not a dividend.

"Sec. 957. Special Rules for Foreign Tax Credit.

"(a) Taxes Paid by a Foreign Corporation.—

"(1) General rule.—For purposes of subpart A of this part, if there is included, under section 951 or 953, in the gross income of a domestic corporation any amount attributable to earnings and profits—

"(A) of a foreign corporation at least 10 percent of the voting stock of which is directly owned by such domestic corporation, or

"(B) of a foreign corporation at least 50 percent of the voting stock of which is directly owned by a foreign corporation at least 10 percent of the voting stock of which is in turn directly owned by such domestic corporation,

then, under regulations prescribed by the Secretary or his delegate, such domestic corporation shall be deemed to have paid the same proportion of the total income, war profits, and excess profits taxes paid (or deemed paid if paragraph (4) applies) by such foreign corporation to a foreign country or possession of the United States for the taxable year on or with respect to earnings and profits of such foreign corporation which the amount of earnings and profits of such foreign corporation so included in gross income of the domestic corporation bears to the entire amount of the earnings and profits of such foreign corporation for such taxable year.

"(2) Taxes previously deemed paid by domestic corporation.—If a domestic corporation receives a distribution from a foreign corporation, any portion of which is excluded from gross income under section 956, the income, war profits, and excess profits taxes paid or deemed paid by such foreign corporation to any foreign country or to any possession of the United States in connection with the earnings and profits of such foreign corporation from which such distribution is made shall not be taken into account for purposes of section 902, to the extent such taxes were deemed paid by such domestic corporation under paragraph (1) for any prior taxable year.

"(3) Taxes paid by foreign corporation and not previously deemed paid by domestic corporation.—Any portion of a distribution from a foreign corporation received by a domestic corporation which is excluded from gross income under section 956(a) shall be treated by the domestic corporation as a dividend, solely for purposes of taking into account under section 902 any income, war profits, or excess profits taxes paid to any foreign country or to any possession of the United States, on or with respect to the accumulated profits of such foreign corporation from which such distribution is made, which were not deemed paid by the domestic corporation under paragraph (1) for any prior taxable year.

"(b) Special Rules for Foreign Tax Credit in Year of Receipt of Previously Taxed Earnings and Profits.—

"(1) Increase in section 904 limitation.—In the case of any taxpayer who—

"(A) either (i) chose to have the benefits of subpart A of this part for a taxable year in which he was required under section 951 or 953 to include in his gross income an amount in respect of a controlled foreign corporation, or (ii) did not pay or accrue for such taxable year any income, war profits, or excess profits taxes to any foreign country or to any possession of the United States, and

"(B) chooses to have the benefits of subpart A of this part for the taxable year in which he receives a distribution or amount which is excluded from gross income under section 956(a) and which is attributable to earnings and profits of the controlled foreign corporation which was included in his gross income for the taxable year referred to in subparagraph (A), and

"(C) for the taxable year in which such distribution or amount is received, pays, or is deemed to have paid, or accrues income, war profits, or excess profits taxes to a foreign country or to any possessions of the United States with respect to such distribution or amount,

the applicable limitation under section 904 for the taxable year in which such distribution or amount is received shall be increased as provided in paragraph (2), but such increase shall not exceed the amount of such taxes paid, or deemed paid, or accrued with respect to such distribution or amount.

"(2) Amount of increase.—The amount of increase of the applicable limitation under section 904(a) for the taxable year in which the distribution or amount referred to in paragraph (1)(B) is received shall be an amount equal to—

"(A) the amount by which the applicable limitation under section 904(a) for the taxable year referred to in paragraph (1)(A) was increased by reason of the inclusion in gross income under section 951 or 953 of the amount in respect of the controlled foreign corporation, reduced by

"(B) the amount of any income, war profits, and excess profits taxes paid, or deemed paid, or accrued to any foreign country or possession of the United States which were allowable as a credit under section 901 for the taxable year referred to in paragraph (1)(A) and which would not have been allowable but for the inclusion in gross income of the amount described in subparagraph (A).

"(3) Cases in which taxes not to be allowed as a deduction.—In the case of any taxpayer who—

"(A) chose to have the benefits of subpart A of this part for a taxable year in which he was required under section 951 or 953 to include in his gross income an amount in respect of a controlled foreign corporation, and

"(B) does not choose to have the benefits of subpart A of this part for the taxable year in which he receives a distribution or amount which is excluded from gross income under section 956(a) and which is attributable to earnings and profits of the controlled foreign corporation which was included in his gross income for the taxable year referred to in subparagraph (A),

no deduction shall be allowed under section 164 for the taxable year in which such distribution or amount is received for any income, war profits, or excess profits taxes paid or accrued to any foreign country or to any possession of the United States on or with respect to such distribution or amount.

"(4) INSUFFICIENT TAXABLE INCOME.—If an increase in the limitation under this subsection exceeds the tax imposed by this chapter for such year, the amount of such excess shall be deemed an overpayment of tax for such year.

"SEC. 958. ADJUSTMENTS TO BASIS OF STOCK IN CONTROLLED FOREIGN CORPORATION AND OF OTHER PROPERTY.

"(a) INCREASE IN BASIS.—Under regulations prescribed by the Secretary or his delegate, the basis of a United States shareholder's stock in a controlled foreign corporation, and the basis of property of a United States shareholder by reason of which he is considered under section 955(a)(2) as owning stock of a controlled foreign corporation, shall be increased by the amount required to be included in his gross income under section 951 or 953 with respect to such stock or with respect to such property, as the case may be, but only to the extent to which such amount was included in the gross income of such shareholder.

"(1) IN GENERAL.—Under regulations prescribed by the Secretary or his delegate, the adjusted basis of stock or other property with respect to which a United States shareholder receives an amount which is excluded from gross income under section 956(a) shall be reduced by the amount so excluded.

"(2) AMOUNT IN EXCESS OF BASES.—To the extent that an amount excluded from gross income under section 956(a) exceeds the adjusted basis of the stock or other property with respect to which it is received, the amount shall be treated as gain from the sale or exchange of property.

"SEC. 959. MISCELLANEOUS PROVISIONS.

"(a) EARNINGS AND PROFITS.—For purposes of this subpart, the earnings and profits of any foreign corporation, and the deficit in earnings and profits of any foreign corporation, for any taxable year shall be determined according to rules substantially similar to those applicable to domestic corporations, under regulations prescribed by the Secretary or his delegate.

"(b) BLOCKED FOREIGN INCOME.—Under regulations prescribed by the Secretary or his delegate, no part of the earnings and profits of a controlled foreign corporation for any taxable year shall be included in earnings and profits for purposes of this subpart, if it is established to the satisfaction of the Secretary or his delegate that such part could not have been distributed by the controlled foreign corporation to U.S. shareholders who own (within the meaning of section 955(a)) stock of such controlled foreign corporation because of currency or other restrictions or limitations imposed under the laws of any foreign country.

"(c) RECORDS AND ACCOUNTS OF UNITED STATES SHAREHOLDERS.—The Secretary or his delegate may by regulations require each person who is, or has been, a United States shareholder of a controlled foreign corporation to maintain such records and accounts as may be prescribed by such regulations as necessary to carry out the provisions of this subpart."

(b) TECHNICAL AND CLERICAL AMENDMENTS.—

(1) Section 551(b) (relating to foreign personal holding company income included in gross income of United States shareholders) is amended by adding at the end thereof the following new sentence: "The amount included in the gross income of any United States shareholder for any taxable year under the preceding sentence shall be reduced by such shareholder's proportionate share of the undistributed personal holding company income which is included in his gross income under section 951 or 953 (relating to certain amounts included in gross income of United States shareholders) for such taxable year as his pro rata share of the company's earnings improperly accumulated in income derived from insurance of United States risks, as the case may be.

(2) Section 901 (relating to foreign tax credit) is amended by striking out "section 902" and inserting in lieu thereof "sections 902 and 957".

(3) Section 902(e) is amended to read as follows:

"(e) CROSS REFERENCES.—

"(1) For application of subsections (a) and (b) with respect to taxes deemed paid in a prior taxable year by a United States shareholder with respect to a controlled foreign corporation, see section 957.

"(2) For reduction of credit with respect to dividends paid out of accumulated profits for years for which certain information is not furnished, see section 6038."

(4) Section 904(f) is amended to read as follows:

"(f) CROSS REFERENCES.—

"(1) For increase of applicable limitation under subsection (a) for taxes paid with respect to amounts received which were included in the gross income of the taxpayer for a prior taxable year as a United States shareholder with respect to a controlled foreign corporation, see section 957(b).

"(2) For special rule relating to the application of the credit provided by section 901 in the case of affiliated groups which include Western Hemisphere trade corporations for years in which the limitation provided by subsection (a)(2) applies, see section 1503 (d)."

(5) The table of subparts for part III of subchapter N of chapter 1 is amended by adding at the end thereof the following:

"Subpart F. Controlled foreign corporations."

(6) Section 1016(a) (relating to adjustments to basis) is amended—

(A) by striking out the period at the end of paragraph (18) and inserting in lieu thereof a semicolon; and

(B) by adding after paragraph (18) the following new paragraph:

"(1) to the extent provided in section 958 in the case of stock in controlled foreign corporations (or foreign corporations which were controlled foreign corporations) and of property by reason of which a person is considered as owning such stock."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to taxable years of foreign corporations beginning after December 31, 1962, and to taxable years of United States shareholders within which or with which such taxable years of such foreign corporations end.

ORDER FOR ADJOURNMENT UNTIL 10 A.M. TOMORROW

Mr. MANSFIELD. Madam President, I ask unanimous consent that when the Senate concludes its session tonight, it adjourn to meet at 10 o'clock tomorrow morning.

The PRESIDING OFFICER. Without objection, it is so ordered.

INCORPORATION OF SEA CADET CORPS OF AMERICA

The PRESIDING OFFICER laid before the Senate the amendments of the House of Representatives to the bill (S. 1308) to incorporate the Sea Cadet Corps of America, and for other purposes, which were, on page 4, line 23, after "title" insert "and for not more than one year thereafter,"; on page 5, line 8, strike out "three" and insert "ten"; on page 5, line 9, strike out "fifteen" and insert "twenty-five"; on page 7, line 20, strike out all after "(a)" down through and including "standards." in line 23, and insert "The accounts of the corporation shall be audited annually in accordance with generally accepted auditing standards by independent certified public accountants or independent licensed public accountants, certified or licensed by a regulatory authority of a State or other political subdivision of the United States."

And to amend the title so as to read: "An Act to incorporate the Naval Sea Cadet Corps."

Mr. DIRKSEN. Madam President, the only amendments added by the House were amendments to require an audit of this corporation, which is a Federal corporation. I move that the Senate concur in the amendments of the House.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Illinois.

The motion was agreed to.

REVENUE ACT OF 1962

The Senate resumed the consideration of the bill (H.R. 10650) to amend the Internal Revenue Code of 1954 to provide a credit for investment in certain depreciable property, to eliminate certain defects and inequities, and for other purposes.

ORDER OF BUSINESS FOR TOMORROW

Mr. MANSFIELD. Madam President, I ask unanimous consent that tomorrow, following the convening of the Senate at 10 a.m., under the order now entered, there be no morning hour; that the vote on the pending amendment be taken at 11 o'clock tomorrow morning, and that the time be divided equally between the Senator from Minnesota [Mr. McCARTHY] and the Senator from Oklahoma [Mr. KERR].

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

Mr. MANSFIELD subsequently said: Mr. President, previously I made a unanimous-consent request to the effect that tomorrow the Senate would vote on the McCarthy amendment at 11 o'clock. I should like to change that schedule now, due to circumstances the leadership had not foreseen, to 11:30 a.m., with the time to be equally divided between the Senator from Minnesota [Mr. McCARTHY] and the Senator from Oklahoma [Mr. KERR].

The PRESIDING OFFICER (Mr. TALMADGE in the chair). Is there objection to the unanimous-consent request? The Chair hears none, and it is so ordered.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that at the conclusion of the vote on the McCarthy amendment, that the Senate lay aside the pending business temporarily and consider the independent offices appropriation bill, and that 2 hours be allowed for such consideration, and that at the end of not to exceed 2 hours, the Senate return to the consideration of the tax bill.

The **PRESIDING OFFICER.** Is there objection to the unanimous-consent request? The Chair hears none, and it is so ordered.

The unanimous-consent agreement was subsequently reduced to writing, as follows:

Unanimous-Consent Agreement

Ordered, That at 11:30 a.m. tomorrow (Friday, August 31, 1962), the Senate proceed to vote without further debate on the question of agreeing to the amendment proposed by Mr. McCarthy, relating to controlled foreign corporations (printed as "8-25-62-B"), to the pending bill H.R. 10650, the Revenue Act of 1962; that the time between the meeting of the Senate at 10 o'clock a.m. and 11:30 o'clock be equally divided and controlled by Mr. McCarthy and Mr. Kerr; that immediately following the vote on the foregoing amendment the said bill be temporarily laid aside; that the Senate then proceed to consider H.R. 12711, the independent offices appropriation bill, for a period not exceeding 2 hours, after which the consideration of H.R. 10650 shall be resumed. (August 30, 1962.)

Mr. McCARTHY obtained the floor.

Mr. CARLSON. Madam President, will the Senator from Minnesota yield briefly to me?

Mr. McCARTHY. I yield, with the understanding that I do not lose the floor.

The **PRESIDING OFFICER.** Without objection, it is so ordered.

ADMINISTRATIVE DIFFICULTIES INVOLVED IN CURRENT TAXATION OF FOREIGN INCOME

Mr. CARLSON. Madam President, I wish to discuss what I believe to be some of the administrative difficulties involved in the current taxation of foreign income.

We have before us consideration of the proposed Revenue Act of 1962, which is replete with its knotty provisions for taxing shareholders currently on certain types of income which has been earned, but not distributed, by foreign subsidiaries of U.S. taxpayers—if I may be permitted to reduce their essence and intent to simple terms.

Instead of solving the problems presented by oversea operations of this kind, I feel this bill would legislate even more problems into existence. These problems arise partly because these features of the measure appear to be aimed more at regulating the foreign business of U.S. firms than to raising additional revenue, and partly because this proposed legislation has become a patchwork which attempts to correct inequities. But inequities still remain. Indeed, the entire bill is studded with outlandish provisions which will, if enacted into law, create a nightmare of administrative confusion for both taxpayers and the Internal Revenue Service.

I doubt very much that section 12 of the proposed legislation can meet very many of the requirements of a good revenue bill. I am far from convinced, for example, that the tax burden will be a fair and equitable one, particularly when I see such things as the penalty laid upon sales income as differentiated from manufacturing income.

This legislation falls far short of the basic requirement of administrative simplicity which is an important objective in drafting tax legislation. First, let us ask: is the plan easy to administer and the tax easy to collect? Emphatically, no. Not only the taxpayer's determination of the amount to be taxed but also the Internal Revenue Service's collection and auditing activities will be inundated in a sea of paperwork, creating a wasteland of fruitless records and conferences, leading only to arbitrary decisions which will clutter court calendars for years to come. Second, will the tax yield adequate revenue in terms of the cost of collection? The answer must again be no. As we all know, administrative costs run high, and unraveling the tangled knots which these sections are bound to produce will give a vast upward push to our administrative and collection costs.

A good indication of the problems which the tax bill will engender can be found in the provisions of section 12, where an attempt is made to choke off the so-called tax haven loophole and remedy suitcase operation abuses. This section may well have the desired effect, but the burden of complying with the requirements of this proposal is not limited to those companies which abuse loopholes in the present tax legislation. The problems and costs of compliance are thrust indiscriminately upon all, including the Internal Revenue Service which will share the brunt of the administrative burden with the taxpayer.

The differentiation between so-called sales income—or income derived solely from products shipped by an American firm to a foreign subsidiary for resale in another country—and manufacturing income is designed, of course, to thwart loopholes and abuses, but in so doing it traverses a maze which may, in many cases, defy solution.

Theoretically, if less than 30 percent of the gross income of the subsidiary is derived from sales income, no U.S. tax will be imposed. On the surface this may seem like a reasonable, if somewhat arbitrary, yardstick to ease the administrative burden on a U.S.-controlled foreign subsidiary which is not being used to avoid taxes. But every controlled foreign corporation which does any sales business outside its country of incorporation would find it necessary to maintain product-by-product records of purchases from or sales to related corporations, tracing the flow of each product from source to destination. It would be asking a bit too much of the perspicacity of the businessman, in many cases, to expect him to know a year or more in advance what percentage of a foreign subsidiary's earnings might come from sales income.

Consequently, the accumulation of such special-requirement information would be necessary whether or not the sales income is eventually equal to 30 percent or more of the foreign corporation's gross income.

Again, complex and costly recordkeeping would be required, so that information would be available, accumulated on a current basis, even though not used. Few, if any, foreign corporations maintain their records on the basis of U.S. concepts. To compute earnings and profits as required by section 12 of the bill, a complete transformation of accounting records back to the inception of the foreign subsidiary would be necessary.

In many instances, these records will simply not be available. In short, the Internal Revenue Service is being asked to insure compliance with a statute that often will prove impossible to enforce. We must remember that in situations where local foreign groups own a substantial interest in the corporation, considerable opposition may be leveled against the added accounting burdens imposed by U.S. tax laws. At best, the foreign interest would insist that the costs of additional recordkeeping be borne exclusively by the controlling shareholder in the United States. As a result, these expenses would relate to the U.S. income tax return, and, to the extent that they are deductible, would like any other ordinary and necessary business expenses be assumed in part by the U.S. Treasury.

Many U.S. companies for good business reasons have organized 100-percent owned foreign distribution subsidiaries to market their products more effectively abroad. Now these companies will be required to set up special purpose records to segregate their earnings by nature and type of income. Local managements will be watching these records closely to check on whether the foreign income will or will not be taxed to the U.S. shareholders currently. Where sales income approaches the critical point, each additional foreign sale will be weighed against the possibility of the tax on all sales income back in the United States. Although we are engaged in a great competitive struggle for export markets we are now proposing a whole complex of new rules and regulations to hamper this sales effort.

But what about the new provisions for the relief of export trade corporations? Do they avoid the administrative burdens? It is true that the U.S. stockholder would not be taxed currently if the foreign corporation qualifies but let us review briefly what it must establish to qualify:

First. To qualify as an export trade corporation its records must show that at least 90 percent of its income for the prior 3-year period came from sources outside the United States. Its records must also show that at least 75 percent of its income for the same prior 3-year period was from export trade income. But bear in mind that the 75-percent test does not apply if 50 percent or more of the income for the same prior 3-year period is derived from income from agricultural products grown in the United States.

Second. Its records must now reflect the new concept of export trade income. Export trade income results from the sale to an unrelated person; this means the records must separately reflect those sales where there is less than 50 percent common control. Now after it is determined that the sale is made to an unrelated person the records must show that the sale is for use outside the United States. Then, furthermore, the records must show that the export property was manufactured or otherwise originated in the United States.

Third. The records have established that we have an export trade corporation which has export trade income. But the U.S. shareholder may still be taxed on the undistributed income of the export trade corporation if the income arises from the marketing of goods manufactured by the U.S. shareholder. The U.S. shareholder is still taxed on this undistributed export trade income to the extent that it exceeds either of two other factors, which must be established by the records.

The first factor is 1½ times export promotion expenses. The records must show that these export promotion expenses are incurred in connection with export trade income and specifically include salaries, rentals, depreciation, and any other expenses related to the export trade income. But the records must exclude those expenses incurred in the United States, except where at least 90 percent of each category of expense is incurred outside the United States. So much for the first limiting test on the amount of export trade income which is not taxed currently to the U.S. shareholder.

The second factor limiting tax deferral on export trade income is also computed from records the taxpayer would be required to keep. The tax deferred income is limited to 10 percent of the gross receipts of the export trade income for the tax year. But even after all this, the special recordkeeping does not end here, if the U.S. shareholders is not to be taxed on the undistributed income of the export trade corporation.

Fourth. The records must also show that this income which we now have finally determined is actually invested in export trade assets. In other words, this income must be traced in the records into these specific assets: working capital needed to produce the export trade income; inventory of export property; facilities outside the United States for handling the export products, or evidence of debt executed by unrelated persons who buy export property.

Fifth. The recordkeeping problems which we have observed arise where the export trade company handles only goods manufactured by the U.S. shareholder-manufacturer. The complexity of the administrative problems is vastly increased where the trading company also markets goods of unaffiliated manufacturers. But the tremendous recordkeeping difficulties imposed by this situation defy description.

The administrative burdens involved in supporting export trade corporation relief are so great that taxpayers may be impelled to establish a new sales subsidiary in each separate country to which they export. This reorganization of sales activity would also avoid current taxation of the sales income to the U.S. stockholder. But think of the administrative burdens caused by multiplying sales organizations so that each separate country would have its own separate sales company. For example, instead of one sales company for the Common Market, there would be six sales companies for the Common Market; there would be a multiplicity of sales organizations in each primary marketing area in place of a single corporation. And this extra burden would be imposed at a time when we are trying to encourage exports.

It is not my purpose to dwell on the many cumbersome provisions dealing with the current taxation of foreign income. We have noted just a few of the absurdities which are readily apparent in the tax provisions under consideration. They are, however, typical of the administrative problems which these proposals would unleash for both the taxpayer and the Internal Revenue Service.

Adding up the more obvious problems which this proposed legislation would create leads us to the following conclusions: It will unduly burden the taxpayer by requiring him to develop and maintain special records to support his position; it will create a difficult audit problem for the Internal Revenue Service which may lead to a breakdown of audit control; it will be a source of needless controversy between the Service and the taxpayer; it will create a vast stream of litigation which would in turn delay the determination of liability for many years after the close of the tax year in question; and it will disrupt established business relationships in an intensely competitive worldwide business situation.

It is strange, indeed, that at the very time when we are faced with the avowed necessity for greater productivity, we suggest legislation which would siphon off productive manpower into nonproductive and unnecessary activity. So great is the impact of taxes on our economy that countless hours must be spent in determining the effect of taxes on all forms of contemplated business transactions, and in accumulating the information required for the proper administration of tax laws. How much more logical and effective it would be if the talent and effort devoted to tax administration could be directed to increasing the national production of goods and services or even to reducing the cost of production.

We cannot go on forever increasing our administrative burdens if we are to meet the challenge of foreign competition and keep our economy strong. Our foreign competitors are lean and hungry. We should be looking for ways to help business trim the fat from its operations rather than larding it on.

ARMY'S UTILIZATION OF SCIENTISTS AND ENGINEERS CRITICIZED

Mr. PROXMIRE. Mr. President, I have been concerned about the serious shortage of scientific and engineering manpower that we face. In connection with the space authorization earlier this year, I offered an amendment calling for an independent study of the manpower impact of our space effort. Just a few days ago I took part in a discussion with the Senator from Nevada [Mr. CANNON] on this problem, during his fine and thorough speech on the scientific and engineering manpower crisis.

This afternoon I would like to call attention to another aspect of this problem. It concerns the proper utilization of scientific and engineering personnel by our Armed Forces. On the basis of information given to me, it appears that the U.S. Army's critical skills and scientists and engineers programs are by no means affording a satisfactory way of making good use of scientific talent. Young men who are drafted may be assigned to these programs, where ostensibly their scientific skills will be used effectively. Each of these young men has as a minimum some graduate scientific or engineering training. Some have Ph. D.'s; many have master degrees.

Yet there are abundant indications that these able young men frequently waste their time, perform low priority tasks, spend many hours on fatigue-type duties—and when scientific work is involved, it usually is of little importance.

One young man who participated in the S. and E. program, Mr. Sergio J. Zilli, recently prepared for me a study of scientific and engineering manpower utilization in the Army. While this individual was of relatively low rank in the service, and has since completed his military obligation, I believe that his report provides excellent insight into the worth, effectiveness, and weaknesses of the program. I hope that the Army will take note of Mr. Zilli's comments and will take whatever steps are necessary to make the program work better—if it should be continued at all.

I ask unanimous consent that Mr. Zilli's memorandum, an article from the Washington Post on the decline in numbers of engineers, and a letter from Dr. Howard Meyerhoff, written in connection with my and Mr. Zilli's concern about military scientific manpower utilization, be printed at this point in the RECORD.

The PRESIDING OFFICER (Mr. McNAMARA in the chair). Is there objection?

There being no objection, the material was ordered to be printed in the RECORD, as follows:

SCIENTIFIC AND ENGINEERING MANPOWER AND ITS UTILIZATION IN THE ARMY

(Compiled by Sergio J. Zilli, former SP/5, Co. R 3rd Bn. USAECR, Ft. Belvoir, Va.)

This report is being written in an effort to promote more effective utilization of engineers and scientists in support of national health, safety, and welfare.

President Kennedy, in a recent statement to the press declared that "The papers are filled with ads requiring scientists, technicians, and engineers on the west coast and all across the country." Another report on President Kennedy's concern over the national shortage of scientists and engineers underscores the need to attract greater numbers of able young people to engineering careers. This is true regardless of how many engineers the U.S.S.R. is turning out.[1]

Recent statistics show that only 38,000 engineers were graduated from all the institutions throughout the United States during the academic year 1958–1959,[2] while present indications show that "fewer college students are studying engineering now than 3 years ago, despite large increases in overall college enrollment."[3]

In order to fulfill the Nation's technological requirements, we must encourage young Americans to pursue scientific and engineering studies. This is only a long range solution to the dwindling enrollments in science and engineering. In the interim, therefore, it is imperative that the Nation utilize all of its available scientific and engineering manpower to the highest degree.

One of the major threats to utilization and professional development of the Nation's engineering manpower is the military obligation which faces young technologists upon graduation from college. The present draft system is based on equal sacrifice for all, and contains no provisions for the consideration of highly trained personnel performing scientific and engineering work in civilian life. A critical skills program and a 6-month training option is in existence, however these programs are under quota and may be suspended; also, they are given very little publicity and seldom reach the ear of registrants in the fields of science or engineering. Consequently, these men are drafted and must spend 2 years as enlisted men in a status not commensurate to their qualifications.

The Department of Defense, aware of the need to maximize the utilization of scientific and engineering manpower, has taken steps toward that end.

The fact that enlisted scientific and engineering personnel are expected to provide professional services in a nonprofessional status presents grave inconsistencies. Projects utilizing the talents of these personnel in theory, design, and practical application demand continuous conceptual efforts made possible by independence, thought, and action promoted by an academic frame of mind. An environment providing these factors simply cannot exist under the regimented conditions to which an S. & E. is subjected to in the Army. To quote Dr. Sydney B. Ingram, Chairman, Engineering Manpower Commission of Engineers Joint Council, "Its (the Army's) problem is most difficult in the case of technical personnel in uniform in the armed services because a strictly rational utilization program runs counter to some traditional military practices." From a psychological standpoint, it is difficult for the engineer to devote the maximum of his abilities to a project requiring his qualifications under these conditions.

Under the Army's program, the S. & E. is subject to a dual chain of command. His professional activities are directed by civilian personnel connected with various R. & D. programs. His "soldiering" is administered under a direct military chain of command. At this point, the basic conflict which the S. & E. program produces becomes obvious. The engineer or scientist is trained to think creatively. Many projects require originality and imagination in the practical application of physical phenomena. As a soldier, the Army requires a person who can give short, snappy, stereotype answers, basically nothing more than the recitation of military protocol and cliches. A person trained to think creatively cannot conform to a military life which is based on rigid adherence to a repetitive pattern.

It is a fact that scientific and engineering activities can be carried out with more freedom and latitude outside of the military, thus increasing the efficiency of the scientist or engineer. This fact is verified not only by the personnel in the Army's S. & E. program (see app. A) but by outstanding figures in the military. At a luncheon before the Engineers Joint Council at the New York Biltmore, January 19, 1961, U.S. Selective Service Deputy Director Col. Daniel O. Omer explained the place of the engineer in the Nation's defense program. According to Colonel Omer, essential services are performed better by engineers under civilian rather than military status.[4]

In recent years, the Army initiated the scientific and engineering assistant's program, monitored by the Adjutant General's Office, with the intention of preserving, and often enhancing the draftee's technical skill through careful assignment of the soldier to a job in a military research and development activity which matches his qualifications.

There are somewhere in the range of 2,000 drafted men in the Army's scientific and engineering assistant's program with degrees in civil engineering, electrical engineering, architectural engineering, mechanical engineering, mining engineering, industrial engineering, chemical engineering physics, geology, and mathematics who were inducted because of the lack of information about the critical skills program, deferments, and various programs which could utilize these skills as a substitute for military obligation. Many of these men, previous to induction, were affiliated with Federal, State, county, and municipal agencies, private consultants, manufacturers, and universities, and were engaged in work commensurate to their qualifications.

Upon induction, the draftee is stripped of any qualifications he has by a classification and assignment team during basic training. For a period of 8 to 12 weeks he is separated from his profession, during which time his qualifications are being processed by the Department of the Army. If the Army finds this individual qualified to fulfill requirements for a scientific and engineering military occupational specialty (S. & E. M.O.S.) then he is assigned to a "special scientific and engineering unit," in many cases a glorified housekeeping unit.

The qualifications for an S. & E. M.O.S. include, a bachelor's degree in engineering or any of the physical sciences and 6 months' experience in a related field, or a bachelor's degree and 12 unit hours work toward a master's degree. This requirement serves only to control the number of personnel in the program, and eliminates many scientists and engineers who are inducted soon after graduation—a discriminatory measure. It would be well to investigate the number of graduate scientists and engineers in the Army not assigned to the S. & E. program, however, not having access to adequate information, it would be a difficult task to undertake, therefore we shall treat only the S. & E. program for which there is adequate information.

The feeling expressed by an overwhelming number of men in the S. & E. program indicates that the practical application of this program leaves much to be desired, as it does not provide for the best utilization of professional personnel.

Official documented evidence which stresses this point can be found in scientific and professional program survey, phase II, questionnaire conducted by the Adjutant General's Office (O.E.U. report 56–6). A thorough study of this report reveals a great amount of dissatisfaction within the scientific and professional personnel program expressed by enlisted personnel in the program. The scientific and professional personnel program, with a few administrative changes (different MOS numbers, higher personnel qualifications, etc.) was superseded by the present scientific and engineering personnel program.

Figures in the Adjutant General's report indicate that the effective utilized time of the enlisted scientist or engineer spent on work commensurate with his qualifications is 10 percent. There are presently somewhere in the range of 2,000 enlisted scientists and engineers in this program, serving an active tour of 2 years. A simple calculation indicates that the amount of scientific and engineering manpower wasted during this 2-year period is: 2,000 men times 2 years equals 4,000 man-years; assuming a 40-hour week and 48-week year: 48 weeks times 40 hours per week equals 1,920 hours per year; man-years times 1,920 hours per year equals 4,000 times 1,920 or 7,680,000 man-hours; 7,680,000 scientific and engineering man-hours minus the effective 10 percent Army utilization: 7,680,000 man-hours, minus 768,000 man-hours utilized, equals 6,912,000 scientific and engineering man-hours wasted in 2-year tour.

Anyone will agree that this disastrous waste of talent would certainly be an aid to speed up the missile program and work connected with improvement of national health, safety, and welfare.

To reiterate, only 38,000 men were granted bachelor's degrees in all fields of engineering throughout the United States the academic year 1958–59, and indications are that fewer college students are studying engineering now than 3 years ago. This incredibly low figure for a nation so industrious as the United States indicates that we are far behind in our quota of engineers, and certainly cannot tolerate waste created by military obligation under the present law.

At this point, it would be well to outline constructive proposals which may serve as an aid to better utilize the Nation's critical supply of technological manpower. Problems included in this report were discussed with qualified representatives of several scientific and engineering societies and were referred to the President's Science Adviser.

The following alternative programs were suggested which would alleviate many conflicts in the present S. & E. program that lead to misutilization and inefficiency:

1. Special draft category for scientists and engineers, such as Doctors' Draft Act for doctors, dentists, pharmacists, and allied specialists. Engineers and scientists would be drafted and commissioned to fill positions requiring their services. This is the ultimate solution to the problem we are dealing with.
2. Extension of the critical skills program to all drafted scientists and engineers, which would entail 3 months of combat training, then release from active duty to fulfill the obligation in an essential activity.
3. Special billeting and commissions for drafted scientists and engineers, preferably a warrant, which would eliminate numerous fatigue duties and provide for a minimum of interference from military duties—these men could be assigned to a scientific corps.
4. Direct assignment of S. & E.'s to R. & D. activities with single chain of command, offpost quarters allowance, and separate rations.

It is hoped that the facts and proposals contained in this report will receive attention and careful study by representatives of professional scientific and engineering societies, Members of Congress, and the executive department.

ENGINEERING STUDENTS SHOW 3-YEAR DECLINE

(By Carole Bowie)

Fewer college students are studying engineering now than 3 years ago despite large increases in overall college enrollment, Secretary of Health, Education, and Welfare Abraham A. Ribicoff reported yesterday.

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[1] Education, Jan. 29, 1962.

[2] Information Please Almanac, 1961.

[3] Ribicoff, A. A., Secretary, HEW, Washington Post, February 1962.

[4] Engineer, vol. I, No. 4, Winter, 1961.

Ribicoff said freshman engineering enrollments last fall totaled just under 67,600, about the number enrolled in the fall of 1960 and 100 fewer than in 1959. Enrollment in all fields, however, rose 10.4 percent over 1960 and 24.1 percent over 1959.

The Secretary reported also that the proportion of all college students majoring in engineering and the number actually graduating in the field declined for the third year in a row. Undergraduate enrollment in engineering was 231,000 last fall, down about 1 percent from 1960, he said.

NSF STUDY IS CITED

These figures, reported by the U.S. Office of Education, Ribicoff said, are "further evidence that the balance of brainpower may tip—and tip dangerously—against us if the Nation does not awaken to the importance of education to the freedom of the Western World. * * *"

Citing a recent National Science Foundation study that put the United States far behind the Soviet Union in training of technicians and engineers, Ribicoff said "the broad base of our educational system is still far ahead of the U.S.S.R., but we must ask ourselves in all fairness why we have allowed our educational effort in the crucial field of engineering to drift."

He cited a Labor Department study that estimated 72,000 engineering graduates a year would be needed to meet the Nation's projected needs during the next 10 years. According to the Office of Education study, only 44,939 students at all levels received degrees last year.

MORE GRADUATE DEGREES

The study, however, showed marked advances in the number of engineering students receiving graduate degrees—a bright note in the current search for teachers of engineering and technical subjects.

The number of master's degrees conferred last year rose to 8,100—13 percent more than in 1960. The Office reported a 20-percent jump in doctorates awarded, from 786 to 943.

Enrollments in advanced engineering programs rose 23 percent at the doctoral level and 5 percent at the master's degree level. About 32,800 students are now enrolled in master's degree programs and 7,900 are seeking the doctorate.

Scientific Manpower Commission,
Washington, D.C., May 3, 1962.

The Hon. William Proxmire,
U.S. Senate,
Washington, D.C.

Dear Senator Proxmire: Your belief that the manpower situation in the several fields of science and engineering is serious, is well founded and can be readily documented. The Scientific Manpower Commission is composed of representatives of each of the major national scientific societies, and it is our function to keep well informed about supply and demand in each discipline. We also work closely with the Engineering Manpower Commission, hence I am equally well acquainted with problems in that field, more especially as I am also a full-fledged member of two engineering societies that are affiliated with Engineers Joint Council.

It is safe to say that there are shortages in every field of engineering and science, although they are more acute in some disciplines than they are in others. For example, in my own field, there has been a 3-year lull in exploratory work, hence there is a temporary surplus of exploration geologists and geophysicists. Yet, at the same time, it is impossible to find all the hydrologists—or even a fraction of them—that we urgently need; and mining engineers are hard to come by.

I could run through each of the fields and give you a reasonably accurate estimate of the shortages, but I doubt if this is what you want. Suffice it to say, numerically the largest unfilled demands are for electrical and electronics engineers, chemical[1] engineers, civil engineers, physicists, chemists and mathematicians. Even more serious, however, is the dearth of highly trained people in some of the specialties, such as ceramics and metallurgy.

The demand for engineers and scientists is widely known and fairly well publicized. Newspaper and magazine advertisements, although impressive, are not as convincing as the placement service being rendered by the national societies, or by the fact that, in one of the most recent clearance lists issued by the Bureau of Employment Security, U.S. Department of Labor, there were 5,000 unfilled job openings for which engineering and scientific personnel was being sought. Despite this fact, student enrollments in these professional fields are not keeping pace with the demand, nor are they commensurate with the annual increase that has been registered in college enrollments as a whole, except in the fields of mathematics and physics. Engineering enrollments have actually gone down during the past 4 years, and in a recent projection the Bureau of Labor Statistics anticipates an annual shortage of 14,000 engineers during the remainder of the decade.

Under these circumstances, the Scientific Manpower Commission has been deeply concerned with the wastage of engineering and scientific talent that takes place in the armed services. The scientific and engineering assistants program, which started so auspiciously, has deteriorated to the point where delegations from three separate installations have visited my office to complain about inadequate utilization. Written complaints have been received from other installations but are not so thoroughly documented. I have already pointed out to you the unilateral decisions and the questionable use that the Department of the Army, particularly, has made with reference to Reserve officers. All the evidence indicates that the status of engineers and scientists in the armed services has deteriorated to such a degree that congressional action is required if we are to enjoy the full utilization of this limited manpower resource.

In 1959 the Scientific and Engineering Manpower Commissions joined in proposing an amendment to the Universal Training and Military Service Act, and will again urge this amendment in 1963, when this act comes up for consideration and extension. A copy of this amendment is attached. You will note that it does not deprive the Armed Forces of such technically trained men as they need; but, more important, it does not deprive the civilian economy of technically trained men whom the Armed Forces do not need and cannot use in their professional capacities. In our judgment the national welfare calls for this kind of change in the Universal Military Training and Service Act even before 1963.

Sincerely yours,
Howard A. Meyerhoff,
Executive Director.

Proposed Amendment to Universal Military Training and Service Act, as Amended

Section 3 of such act is further amended by inserting after section 6 the following new section:

"Sec. 7 (a) Upon application of the registrant and in lieu of selection for induction into the Armed Forces, local boards may select registrants having critical skills for enlistment in the Standby Reserve of the Army Reserve, Naval Reserve, Marine Corps Reserve, Air Force Reserve, or Coast Guard Reserve and for assignment to essential civilian activities, anything in this title to the contrary notwithstanding. Each registrant so enlisted and assigned shall be employed in essential activities, including self-employment, for a period of 72 consecutive months, unless sooner released by the local board, and shall not be subject to call to active duty while satisfactorily serving in such essential activities, except after a declaration of war or national emergency made by the Congress subsequent to the date of the enactment of this section, in which event a registrant so assigned shall be eligible for continued assignment to essential activities, unless the local board finds otherwise. If such registrant so assigned fails to satisfactorily serve in such essential activities he shall be subject, as a member of the Standby Reserve to call to active duty for a period of two years. A registrant who has satisfactorily served in essential activities for 72 consecutive months, or who has been sooner released from such service by the local board, shall be discharged from the Standby Reserve, and shall not be liable for induction and training under this title, except after a declaration of war or national emergency made by the Congress subsequent to the date of the enactment of this section, in which event he shall be eligible for further assignment to essential activities unless the local board finds otherwise.

"(b) Registrants selected for enlistment under subsection (a) may be enlisted for a period of six years in the Standby Reserve of the Army Reserve, Naval Reserve, Marine Corps Reserve, Air Force Reserve, or Coast Guard Reserve."

TRADE EXTENSION ACT OF 1962—VIEWS OF TREASURY DEPARTMENT

Mr. KERR. Mr. President, the memorandum expressing the views of the Treasury on the Trade Extension Act of 1962, H.R. 11970, was not received by the Committee on Finance in time to be printed in the official hearings. I therefore ask unanimous consent that it may be printed in the Record.

There being no objection, the memorandum was ordered to be printed in the Record, as follows:

The Secretary of the Treasury,
Washington, D.C., August 15, 1962.

Hon. Harry F. Byrd,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

Dear Mr. Chairman: Thank you for your letter of July 2, 1962, requesting a report on H.R. 11970, the Trade Expansion Act of 1962. The Treasury Department strongly favors this proposed legislation and urges its enactment.

I believe it to be vital for the President to have the authority which would be granted by this legislation. It would permit us to adjust our trade policies so as to give maximum support to the political, military, and economic aims of the United States. Expansion of our trade is important to our balance of payments and also in meeting the need for more rapid economic growth.

I enclose a memorandum which more fully sets forth the reasons for our support of H.R. 11970. I urge prompt and favorable consideration of the proposed legislation.

Sincerely yours,
Douglas Dillon.

Memorandum for Senate Finance Committee on Proposed Trade Expansion Act of 1962 (H.R. 11970)—Treasury Department

The Treasury Department recommends approval of H.R. 11970, the Trade Expansion Act of 1962. It would provide authority which would enable the President to adjust our trade policies so that they can give maximum support to the political, military, and economic aims of the United States. It would contribute greatly to the accomplishment of our national financial objectives, especially to the solution of our balance-of-payments problem.

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[1] Should be "mechanical."

Although the United States has a large surplus of exports of goods and services over imports, that surplus is not large enough to meet our other payments. The commercial export surplus of goods and services (excluding exports financed with U.S. aid) was at an annual rate of $4.6 billion in the first quarter of 1962 and was $5.1 billion in 1961 and $4.4 billion in 1960. Commercial surpluses of this magnitude, however, have not been large enough to finance all of the foreign undertakings, public and private, of the United States. The largest items for which provision had to be made in 1961 were: almost $3 billion to support U.S. military forces abroad, $2.5 billion for private long-term foreign investment, and $1.3 billion of economic aid, not provided in the form of U.S. goods and services.

It has proved possible, however, by vigorous attention to the problem, to arrange substantial offsetting transactions. Military cash receipts amounted to $400 million in 1961 and to more than $200 million in the first quarter of 1962. Intensive administration efforts are expected to result in further substantial reductions in net dollar outlay for military expenditures abroad and economic assistance. Almost $700 million was received in the form of special debt prepayments to the United States in 1961 and substantial further prepayments are being received in 1962. The basic deficit of the United States, which includes all international transactions except the unrecorded items and movements of U.S. private short-term capital, was approximately $400 million in 1961 as compared with $1.9 billion in 1960.

Unrecorded transactions, and various types of short-term capital movements, involved additional outflows of $2 billion in 1961. The overall deficit in the U.S. balance of payments was a little less than $2.5 billion, compared with $3.9 billion in 1960. Unrecorded and short-term capital transactions appear to have been more favorable during the first half of 1962. Looking at the data now available, the overall deficit in the first half seems to have been at an annual rate somewhere between $1 billion and $1.5 billion.

As the domestic economy grows, American demand for imports will become greater. Despite our best efforts, outlays abroad for the national defense, aid and investment will continue to be large. If these payments are to be met, the United States must export more. The necessary expansion of exports can occur only if, through negotiations, the doors to major foreign markets—and especially the new and expanding Common Market of Western Europe—are opened wider for U.S. products.

The six countries which formed the European Economic Community have now established their common external tariff, and are expected to bring it into full effect when their transitional period is over, at the latest by the end of 1969. Also, they are rapidly reducing the tariffs which apply to their trade with one another and are committed to eliminate them altogether by the end of 1969. Their common agricultural policy, and the terms of continued association with newly independent countries which were formerly European colonies, are rapidly taking shape. The United Kingdom is expected to join the European Economic Community, and others may well follow. The resulting expanded Common Market will constitute a giant new economic unit within the free world. If U.S. exports are to be expanded to the necessary extent, liberal access to the Common Market is absolutely essential.

Efforts to achieve balance in the international payments of the United States must not be viewed as a battle in which we can win a decisive victory and then relax. This is a campaign which must be waged successfully year after year. To ensure favorable conditions for that continuing campaign, we must show, by determined action now, the direction American trade policy is going to take. Then foreign governments will know that the United States is resolved to obtain liberalized access to foreign markets for its products and is prepared to bargain realistically for such access. Moreover, investors can then begin without delay to base their forward planning on the premise that it will be economically feasible to supply European markets with products from American factories and farms.

Trade negotiating authority like that which has recently expired would be completely inadequate for the solution of the problems we face, for several reasons. First, if our negotiating authority continues to be subject to unduly narrow and unrealistic procedures for item-by-item determination of possible injury, the basic intention to create authority for broad negotiations covering a wide range of commodities would be frustrated. The Common Market countries, which have found across-the-board techniques the only practicable method for their own tariff negotiations, cannot be expected to take much interest in further item-by-item bargaining on narrowly selective lists of commodities. Second, if American products are to be competitive with European products, all of which are to gain the right to move, free of duty, across European borders, substantial tariff action is needed. If reductions cannot exceed the 20-percent authority under which negotiations have taken place in the past, at best only marginal changes in our trading prospects could be achieved. Third, tariff reduction by broad categories offers the best way of assuring reciprocity—of obtaining from the Common Market full value in tariff cuts for U.S. reductions.

If broad and substantial mutual tariff reductions by the Common Market and the United States are effected and if American producers, through appropriate tax and other measures, are put on a comparable footing with their European competitors, the resulting expansion of two-way trade can be expected to increase significantly the commercial trade surplus of the United States—with corresponding benefit to the balance-of-payments position.

Commercial merchandise exports of the United States have been $17.7 billion, and imports have averaged about $14.6 billion, in each of the last 2 years, giving an annual merchandise trade surplus of about $3 billion for these years.

Exports in 1961 to the Common Market were about $3.5 billion and imports $2.2 billion, giving a surplus of $1.3 billion. A major part of the surplus resulted from the movement of agricultural goods, which Europe does not export in significant amounts. Even for nonagricultural goods, however, our exports in 1961 to the Common Market countries were valued at $2.4 billion, and our imports at $2 billion, giving us a surplus of $400 million.

The trade surplus gives the United States a favorable basis for improvement of its balance of payments through reciprocal reduction of tariffs. The scope for improvement is greatest in trade with European countries, which have surpluses, arising from transactions other than trade, which they could use readily to finance larger U.S. merchandise trade surpluses

If tariffs on our exports and imports are reduced to a comparable extent, the natural assumption would be that exports and imports would rise by the same percentage. As a result, the American trade surplus would become larger.

Conditions now evident, and likely to persist for a number of years, make it more likely, however, that American exports to Western Europe would rise by a greater percentage than the exports of Western European countries to the United States. European labor resources and productive capacity are being strained to support present rates of production. The rapid rise of real incomes and the high rate of capital formation prevailing in the European economy may be expected to exert strong pressure toward absorption of increases in output in domestic markets. In addition, European demand may be particularly strong and persistent for products which the United States already has the plant capacity and the labor force to supply in quantity. This is particularly true of (1) machinery associated with the advanced labor-saving methods already well established in the United States, (2) equipment resulting from our intensive research and development programs, and (3) consumer goods which have not been available in Europe, but are coming into use as incomes of ever-larger groups rise toward the American level.

The trade expansion bill is also important in meeting the need for more rapid economic growth. Our principal domestic economic problem is how to stimulate increasing production and jobs. A million and a half new jobs must be created every year during the present decade to provide for the expected increase in our labor force. In addition, more than a million jobs are needed if unemployment is to be reduced from its present unacceptable level of more than 5½ percent, to a more tolerable level of 4 percent. Finally, there must be employment opportunities for the millions of workers whose present jobs will be affected by advancing technology in the years ahead.

The proposed trade program is designed to be a key portion of our whole effort to meet the need, both for more employment, and for better employment of all our resources. With new trade legislation we may look forward to substantial increases in a wide range of American exports. These will be in lines of production in which we have now, or in which we can achieve, our greatest competitive strength. These will be branches of industry and of agriculture in which our advanced technology and high skills find their greatest role.

Increases of imports, as well as of exports, will result from the reciprocal reduction of tariffs. In a resilient, expanding economy, there will be a minimum of damage from those increased imports. The reduction in tariffs and any resulting increase in imports will be gradual over a period of years. Most of the adjustment to import competition will take place, unnoticed, as part of the dynamic readjustment of our economy which goes on constantly. If the American labor and capital which may have been gradually displaced by imports could be identified, they would not be found idle, but rather, busily engaged in new enterprises, using new methods, furnishing new services, or producing new products, many of them for export markets.

The Treasury Department has particular responsibility for several phases of the administration's general program to stimulate faster application of technical achievements, and to strengthen emphasis upon facing the challenges, and winning the rewards, of more rapid economic growth. While helping to achieve the goals we have set for our domestic economy, these measures will strengthen our ability to meet international competition.

One measure, designed by the Treasury Department to encourage business generally, and to assist it in modernization of machinery and equipment, is the investment credit proposal which the Finance Committee has considered. A second measure is the Treasury Department's recent publication of new guidelines for depreciation in all industries. Substantial reductions in the suggested useful lives of equipment were made, effective immediately.

Revision of depreciation schedules and the investment credit can powerfully assist American manufacturers to modernize and to sell at competitive prices at home and abroad. These tax reforms should be especially valuable to U.S. producers who are, for competitive reasons, forced to speed their replacement of existing equipment with more efficient machinery.

A third tax measure is now proposed. It appears as section 317 of the trade expansion bill. Firms found to be eligible for adjustment assistance as a consequence of increased imports could be given tax relief in the form of a 5-year carryback of net operating losses, as contrasted with the usual 3-year carryback. The additional carryback provided by the adjustment assistance provisions of the bill would permit a firm suffering a net operating loss resulting from import competition to receive a refund of taxes paid in previous years. The firm, in accordance with its readjustment plan, would be able to use such tax refunds to finance new investments designed to restore profitable operation.

The impact of imports will be gradual enough to allow almost all of the readjustment to be accomplished through normal retirements of workers, through normal writeoffs and abandonment of obsolete production equipment, and the like, just as is the case in response to domestic competition. The adjustment assistance provisions, plus the escape clause, which will be retained, are intended to take care of the cases of hardship that are likely to arise.

The annual expenditure for adjustment assistance to firms would, of course, be very limited in the period before new tariff reductions have been made. Outlays are not expected to exceed $25 million, however, even in the 5th year, by which time the program will be in full operation. As the program is continued over a period of years, any outlays for loans to firms would be offset to an increasing extent by repayments on prior loans. The additional expenditures arising from benefits to workers under the bill are not expected to exceed $20 million annually after 5 years.

If the United States does not press for wider trading opportunities, what developments should be expected? Perhaps our principal trading partners would not, in general, resort to increased tariffs against us, or any other deliberate action to curtail our trade opportunities. But, if internal tariffs in the Common Market disappear, and if we have not been able to bargain down the outside tariff wall of the Common Market, it may well prove impossible for the United States to avoid serious shrinkage of our trade surpluses from levels which are already proving inadequate.

H.R. 11970 has been carefully developed to meet the need for more far-reaching trade negotiations, consistent with our goals for the economy of the United States. The trade adjustment program for which this legislation would provide appears financially sound, and can be expected to furnish, at reasonable cost, justified assistance to firms and their employees encountering unusual difficulty in adjusting to changes in tariff rates. Trade legislation of this scope is essential for the achievement and maintenance of a reliable balance between the foreign payments and receipts of the United States in the years ahead.

REVENUE ACT OF 1962

The Senate resumed the consideration of the bill (H.R. 10650) to amend the Internal Revenue Code of 1954 to provide a credit for investment in certain depreciable property, to eliminate certain defects and inequities, and for other purposes.

Mr. McCARTHY. Mr. President, the amendment I am offering is a partial substitute for the Finance Committee's provision relating to controlled foreign corporations, taxes to U.S. shareholders of controlled foreign corporations, and their share of the profits of these corporations which are accumulated beyond the reasonable needs of the business. The profits unreasonably accumulated are taxed to the U.S. shareholders only to the extent of earnings and profits accumulated in taxable years beginning after December 31, 1962. The concepts and procedures followed in determining when profits are accumulated beyond the reasonable needs of the business follow, to the extent feasible, the same concepts provided under present law in taxing domestic corporations on earnings unreasonably accumulated, although the tax imposed is different.

In general terms, the amendment provides that property, other than the following, will be considered property beyond the reasonable needs of the business unless by the preponderance of the evidence proved to the contrary:

First. Property located outside the United States which is ordinary and necessary to a business carried on by the controlled corporations almost wholly without the United States.

Second. Certain specified property necessary to the trade or business outside the United States, even though located in this country. Thus, the amendment would permit the funds to be held in Government obligations and bank accounts in the United States for the foreign business. Similarly, property may be held here for the foreign business if it is purchased for export, if it represents a reasonable loan arising from the foreign business, if it represents certain specified types of transportation equipment used partially within but largely without the United States, or if it represents certain assets of insurance companies.

Third. Stocks or bonds owned by controlled foreign corporation in another foreign corporation in which it has at least a 10-percent interest.

Fourth. Any investments which are required because of restrictions imposed by a foreign country. This would include investments even though not immediately associated with a trade or business if they arise from compensation paid to a company for expropriation of its foreign business or a part of such business.

In addition to taxing to the U.S. shareholders accumulations beyond the reasonable needs of the business, this amendment also taxes to these U.S. shareholders in the case of a controlled foreign corporation income such a company earns from insurance of U.S. risks. This provision in my amendment is practically the same as the first feature of the controlled foreign corporation provisions in the bill as reported by the Finance Committee.

As indicated in the committee report, this is designed to tax what is essentially U.S. insurance business which, through one device or another, has been either issued to, or transferred to, foreign corporations in order to avoid the U.S. corporate income tax on underwriting gains.

I repeat and stress, my amendment is essentially the same in this respect as the provision in the bill as reported by the Finance Committee.

The controlled foreign corporation provision in the Finance Committee versions of this bill in the case of controlled foreign corporation taxes to U.S. shareholders:

First. Income from insurance abroad of U.S. risks;

Second. Income from passive investments, such as dividends, interest, royalties, and so forth;

Third. Income from sales subsidiaries of U.S. concerns which are incorporated in countries other than that where the principal operations of the foreign business are carried on;

Fourth. Service income from subsidiaries of the basic foreign corporations; and

Fifth. Earnings from foreign operations which are invested in U.S. property which is unrelated to the basic foreign business.

This amendment taxes income from insurance abroad of U.S. risks in substantially the same manner as the Finance Committee bill. In addition, since investments in U.S. property are likely to be classified as beyond the reasonable needs of the business, this amendment essentially treats earnings reinvested in U.S. property in the same manner as the Finance Committee provision.

The basic difference between my amendment, which is cosponsored by the Senator from New York [Mr. JAVITS] and the Finance Committee provision is that the amendment would substitute a tax on funds accumulated beyond the reasonable needs of the business for a tax on investment income, income from sales subsidiaries, and income from service subsidiaries.

Questions have been raised as to the effect of the Finance Committee provision, and this amendment, on what has sometimes been described as runaway movie productions. These generally are foreign corporations set up for the production of either a single or a series of motion picture productions. Once the motion pictures are produced, they may be sold to another corporation, or they may be held by the corporation in question for the receipt of movie rental income. Under the Finance Committee provision, if after the sale of the movies the funds were invested in stocks or securities, this income would be taxed to the U.S. shareholders. If the productions were not sold but instead were held for the receipt of rental income, once this income reached 30 percent or more of the total income of the corporation, the Finance Committee provision would tax this income to the U.S. shareholders.

This amendment, if the movie productions were sold and the proceeds invested in stocks or securities, would tax this income to the U.S. shareholders as income beyond the reasonable needs of the business, in the same way it would be taxed under the Finance Committee provision. This would also be true if the films were held for the receipt of rental income unless these proceeds were used in the production of further movies or were used to purchase movies so that the business of the corporation was viewed as leasing motion picture films. It is clear, however, that an unreasonable accumulations tax, coupled with section 15 of the bill which taxes the accumulations of a foreign corporation made in the future at ordinary income tax rates when the foreign operation is liquidated or its stock is sold, would tax earnings from motion picture productions as ordinary income either currently as earned or at the time of the liquidation of the foreign enterprise.

Mr. President, the Committee on Finance held extensive hearings on the question of the manner in which income of domestic corporations which control subsidiaries in foreign countries should be treated; as to how the taxes might be properly determined, and as to how they might be imposed. The deliberations received a great deal of attention in the financial press of the country, as well as in the general popular press.

I ask unanimous consent to have printed in the RECORD a series of editorials and articles which appeared in the newspapers of this country over the period of the past month or two, touching upon the question of the taxation of foreign income.

One is from the Washington Post and Times Herald and is entitled "Taxation of Foreign Income."

Another is from the Cincinnati Enquirer and bears the title in the form of a question, "Why Cut Our Own Throats?"

A third is from Business Week of May 5, 1962, and makes reference to the provisions of the bill with the lead statement, "Too Confused for Words."

Another is from the New York Herald Tribune, written by Donald I. Rogers, entitled "Hobbling Business."

Another is from the Wall Street Journal and is entitled "How Not To Succeed in the World."

Another is from the Journal of Commerce, with the general title of "Taxing Foreign Earnings."

One is from the Baltimore Sun and relates to the question of "Oversea Investment."

Another is from the Vineland (N.J.) Times Journal and is entitled "Keeping Up With the Times."

One is from the Daily Commercial News of San Francisco, Calif., and is entitled "We Need a Spur—Not a Brake."

Another is from the Camden Chronicle of Camden, S.C., and is entitled "Could Cost Jobs."

One from the Christian Science Monitor is in the form of an article written by George H. Favre and is entitled "Tax Policy in Perspective."

There is a special report from the U.S. News & World Report entitled "Other Side of Oversea Dollars—the Dollars That Flow Back."

From Time magazine, the section on public policy, is an article dealing with the topic of "Those Foreign Profits."

From the Los Angeles (Calif.) Times is an editorial entitled "What Makes the Tax Bill Bad."

The final article is from the Toronto Financial Post, which opens up with the observation, written by John G. McDonald, "Here's Where United States Aids Rivals in Other Markets."

There being no objection, the articles and editorials were ordered to be printed in the RECORD, as follows:

[From the Washington Post, June 3, 1962]

TAXATION OF FOREIGN INCOME

The legislative debate over the taxation of foreign income points to the conclusion that the benefits that might flow from the legislation proposed by the Treasury would fail to compensate for the damage it might do. The Treasury wants to tax the income of American foreign subsidiaries in industrial countries when it is earned, instead of, as now, when it is received. It also wants to block the use of so-called tax havens abroad. The Treasury argues that the legislation would make the tax law neutral as between domestic and foreign investment, strengthen the balance of payments, and stimulate investment and employment at home.

The House, in voting on the bill, left the present tax deferral largely in being, but went along on the closing of tax havens. In presenting the project to the Senate Finance Committee, the Treasury stresses its preference for ending the deferral, but seems reconciled to getting only the tax haven provisions.

Continued freedom for foreign investment, except for specific tax haven abuses, seems to be the logical conclusion to be drawn from the debate between the Treasury and the taxpaying corporations. This debate has proceeded at a remarkably high intellectual level, in commendable contrast to much of the discussion over the tax bill. The companies no doubt have tended to overstate their case. But their fundamental points they have made to stick.

It has become clear that the improvement in the balance of payments probably would be smaller than had been supposed and in any case short lived. The reason is that while the outflow of capital might diminish, so would exports in the form of sales to subsidiaries. In the longer run, foreign income forgone would outweigh any gains from reduced capital outflow.

The neutrality of the tax impact between domestic and foreign investment at which the Treasury aims would destroy the competitive equality between American subsidiaries and their foreign rivals. If the latter are taxed less heavily, they will outcompete the American firms. The present law, moreover, does not involve a deliberate subsidization of foreign investment. It is the logical application of the principle which rules for domestic taxes that income is not to be taxed before it is received.

The fear that some jobs and some sales will be lost if American firms supply their foreign markets from abroad instead of by exporting is probably realistic. But to try to protect American industry and labor by means of the tax law would constitute a new form of protectionism that ill accords with the liberal principles embodied in the trade legislation sponsored by the administration. In any case, the effort to protect jobs and sales may prove futile if the products meanwhile have ceased to be competitive.

The outlook for investment in the less developed countries will suffer if investment in the industrial countries is penalized, even though those countries are now exempted from the legislation. The investor can hardly fail to notice the handwriting on the wall telling him that some future turn of the tax screw will probably reach him even there.

The issue then boils down to a simple question. Is the balance-of-payments situation so desperate that in order to get some quick relief the United States must sacrifice the unquestioned benefits of foreign investment? The time may come, if we mishandle our affairs, when we can no longer afford to build up our investment position in some of the world's fastest growing economies. But it does not look as if that time had arrived now.

[From the Cincinnati Enquirer, May 6, 1962]

WHY CUT OUR OWN THROATS?

The old fable about the man who killed the goose that laid the golden eggs should be recalled by Members of the U.S. Senate before they proceed with that part of the administration tax bill that would tax American companies on profits of oversea subsidiaries before they are distributed in the form of dividends.

Foreign trade, the outflow of gold, and related subjects are difficult for the man in the street (sometimes even Wall Street) to comprehend.

But to state the question simply, the fable about the goose that laid the golden eggs is very directly applicable to the proposed change in a long-standing tax rule.

U.S. BUSINESS MUST COMPETE ON AN EQUAL FOOTING

About the only way that American capital can compete in many areas of the world, or stimulate economic growth, is to do business on equal footing with foreign-owned companies beyond our borders. This means getting behind tariff barriers, or enjoying comparable tax status. In fact it is the only way in which the American free enterprise system can venture much-needed development in the so-called high risk areas—the emerging and developing countries.

The foreign aid programs of the United States have achieved wonders in various critical zones—prominent examples being Western and Southern Europe and the Far East after World War II. But there isn't enough money in the U.S. Treasury—presently almost $300 billion in debt—to "prime the pump" all over the globe, advance civilization generally, and reduce the tensions that may lead to war or bloody revolutions by the attainment of a markedly better standard of living for the free world.

But here we come to a paradox. An administration that pleads for foreign aid, and proposes costly Alliances for Progress as a means of combating communism, now espouses a tax rule that would be ruinous to the development of foreign industrialization by private American investors.

Part of the contradiction—perhaps a very large part—stems from lack of understanding of the way in which our foreign enterprises are set up and work.

And far too many people—in and out of Government—believe things that simply are not so in this complicated field.

The worst of these misconceptions is that American-developed plants overseas are a drain on our gold reserve, or take jobs and business away from our domestic enterprises.

The fact of the matter, as pointed out earlier this year by the U.S. News & World Report, is that the volume of dollars flowing into the United States from the operations of foreign subsidiaries is more than twice as great as the amount flowing out of the United States to foreign subsidiaries.

Why so? Our privately owned businesses abroad provide markets for American machinery, materials, products, royalties, fees, etc., as well as dividends to American investors.

The statistics on this are somewhat startling. In the last 15 years Eastman Kodak sent abroad about $13 million in foreign investments. Dividends received from their foreign operations have totaled $101 million—and Eastman Kodak has sold $532 million in American-made goods to its foreign subsidiaries.

Another good example is the Procter & Gamble Co., which in the last decade sent abroad for investment $11 million. But this relatively small amount (by Government standards), plus money borrowed and reinvested abroad, set up a market for $243 million in American raw materials, finished products, and equipment from the United States for use in oversea subsidiaries. In addition, $47 million was paid in dividends to Procter & Gamble in this country (and upon which, of course, they paid the regular taxes to the U.S. Government).

Neil McElroy, chairman of the board of Procter & Gamble, who has served as Secretary of Defense and knows both sides of the picture, made an excellent presentation of the case for continuing unfettered foreign investment of American capital in an appearance before the House Ways and Means Committee last year. He made these basic points:

Our country's interests are well served by legitimate business activity abroad.

The type of development that Procter & Gamble has been pursuing for 45 years, and much more actively since World War II, is an effective cold war weapon that deserves encouragement, not discouragement. (Most other nations do encourage such commercial development abroad.)

Such foreign subsidiaries improve our balance of payments and provide domestic employment.

Mr. McElroy also made the very telling point that this is about the only way that American free enterprise can penetrate many foreign markets.

That's what we mean about killing the goose that has been laying the golden eggs.

This is how the administration tax proposal would strike at the heart of our commercial and industrial enterprises abroad: The U.S. oversea subsidiary would pay to the country in which it operates the same taxes paid by its competitors in the same country. In addition, it would be required to pay to the U.S. Government any difference between its foreign tax and the U.S. corporation tax of 52 percent on profits. If, for example, the subsidiary paid a 30-percent tax overseas, then it would pay an additional tax of 22 percent to the U.S. Government. For many, it would mean the loss of ability to compete with others doing business in that country. For others, it would mean a crippling of growth.

To conserve American dollar investment, most such subsidiaries begin in a small way, and grow with the expansion of plants and development of markets made possible by the profits they earn. Their growth potential depends wholly upon their retained profits—unless we continually ship money overseas to support this means of getting our share of the world's trade.

THIS COULD BECOME ANOTHER COMMUNIST VICTORY

It cannot be stressed too strongly that the system followed now and in the past has not constituted a tax loophole, or made possible a tax haven abroad for American business. As dividends accrue to American investors—once profits overseas have built up the business—they are taxable in the United States.

If we scuttle our oversea businesses, by making it impossible for them to grow competitively or venture into the high-risk underdeveloped areas, we will be handing communism a great economic victory—and the American taxpayer a bill he cannot possibly pay.

[From Business Week, May 5, 1962]

TOO CONFUSED FOR WORDS

As any teacher of English composition will tell you, an idea that can't be expressed in clear, precise language is likely to be a poor idea. By this standard, the administration's proposals for taxing the earnings of foreign subsidiaries of U.S. corporations must count as one of the poorest ideas that has come along in some time. The more tax lawyers read the fine print of the bill that has passed the House and is now under consideration by the Senate Finance Committee the more they wonder just what its various clauses do mean.

In fact, the bill is so ambiguous that some businessmen have concluded that bad draftsmanship alone cannot explain the fuzziness of the language. They suspect that the Treasury is deliberately creating obscurities so that it can have a free hand later to interpret the language as it pleases.

Even if the Treasury gets the benefit of the doubt on this point, the fact remains that the bill is full of confusions, complexities, and unresolved questions. One of its clauses apparently would set a boobytrap for U.S. directors of foreign corporations by forcing them to reveal information that foreign law forbids them to disclose. Another might put a heavy penalty on the liquidation of foreign subsidiaries after the bill has passed.

This sort of vagueness is a tipoff to the fact that neither the Treasury nor the Congress has decided just what the new legislation is supposed to do or how it should do it. As the bill stands, it is neither a measure to raise revenue nor an effective device to limit the flow of U.S. capital abroad. It is an arbitrary change in the rules of the game that would produce endless litigation and perpetual confusion.

For this—if for no other reason—the Senate should reject the proposals out of hand. If the law is to be changed, companies with a vital stake in oversea operations at least are entitled to know what the changes are and what purpose they are supposed to serve.

[From the New York Herald Tribune, May 18, 1962]

HOBBLING BUSINESS

(By Donald I. Rogers)

Even as Treasury Secretary Douglas Dillon was addressing top-level European bankers in Rome, urging them to restrain the flood of multimillion-dollar European bond flotations on Wall Street, the Senate Finance Committee was considering the administration's tax bill which would impose indiscriminate penalties on all American companies that compete for foreign markets through subsidiary operations overseas.

On the surface it appears as though the liberal Kennedy administration is pushing for drastic conservative revisions in American foreign economic policy, revisions that would curtail American expenditures abroad and at the same time discourage American risk capital from helping to finance foreign enterprises.

It is part of an administration maneuver, however, to increase the pressure on Britain to join the European Common Market and simultaneously clear the way for eventual entry into the Common Market by the United States. It is a planned evolvement in the international economy to supplant America's gigantic foreign aid program.

While it is possible to understand the motives of the central planners, it is not so easy to fathom what appears to be an absolute disregard for American business during the transitionary period.

The tax bill, for instance, which would drastically change the taxing procedures on foreign income of American business, was presumably initiated to curb tax havens which some tax experts had estimated cost the United States hundreds of millions of dollars annually. The general impression was that the object of the pursuit was the elusive income of U.S. movie stars.

Unfortunately, this scouting of foreign tax havens is part of a trade program fostered by the administration that businessmen generally hold to be sound.

As the tax bill now stands, however, many business leaders feel it would nullify the broad aims of the generally acceptable Kennedy foreign trade programs. It is also a complete reversal of the policy of previous administrations and Congress itself which encouraged American investments abroad, holding them to be of greater value than unrestrained foreign aid.

The business leaders believe that if the bill becomes law, the effect will be to reduce total employment in the United States, curtail the manufacture of goods in the United States for export abroad, sharply decrease what is presently the largest favorable factor in the U.S. balance of payments, and put American business at a grave disadvantage in competition with the aggressive producers of other countries for world markets.

Heretofore the official American policy has been to encourage direct American investments overseas. The apologetic and sympathetic Washington press corps has tried to plant the idea that tax provisions had been devised to encourage investment in the rebuilding of Europe after the war and that consequently these provisions are no longer valid or necessary. The truth is the basic provisions involved have been part of the U.S. income tax law since it was enacted in 1913, nor were they changed in substance during the Marshall plan period.

Tough European competitors, of course, like the idea of imposing additional tax handicaps on American business. Mr. Dillon told the House Ways and Means Committee that the finance ministers of the six Common Market countries were "good enough to give us the general tenor of their thinking."

While European competitors heartily approve steps to decrease the effectiveness of American business, it is notable that no similar measures have been proposed by their governments with respect to their own industries. In fact their tax policies have been in the opposite direction—to encourage expansion of their businesses abroad.

It would appear, then, that our American Government is more concerned with the vigor of foreign businesses than of its own businesses. It is also obvious that additional heavy tax burdens on American oversea business would greatly abet the increasing economic competition of the Communists.

Congress is being asked to approve a policy which is: (1) Detrimental to American business; (2) beneficial to foreign businesses in competition with American business; and (3) greatly beneficial to the state-owned Communist industries which seek to "bury us."

This may be liberal, but it is hardly constructive.

The loss or curtailment of foreign markets inevitably would mean a decline in U.S. exports with loss of production jobs and a rise in unemployment in this country. A schoolchild should know that the way to provide more jobs in American factories is not to pull out of the great world marketplace but to compete more successfully in it.

Can either President Kennedy or Dr. Dillon honestly believe that a cutback in American exports will improve the aggravating gold problem?

[From the Wall Street Journal, Apr. 27, 1962]

HOW NOT TO SUCCEED IN THE WORLD

The administration's foreign tax proposals, according to Treasury Secretary Dillon, "are not directed against foreign investment as such." They are only intended to stop perhaps 10 percent of it—that portion of the capital outflow which "is induced by tax reasons."

One part of the Treasury's concern here seems to be the possibility of actual tax avoidance on income earned abroad. But that is a minor problem which requires no new legislation.

More importantly, the administration is apparently under the impression that present law is "inequitable" because it permits some kind of "privilege" or "preference" for the stockholders of U.S. firms operating abroad. As it is now, for example, the earnings of American-owned foreign corporations are not taxed until they are returned to this country as dividends. In Mr. Dillon's view, this "deferral privilege" is what "induces" excessive direct investment abroad.

Yet this provision was not put into the law to let people duck any taxes or get away with anything else. It was written long ago with the idea in mind that it might foster, without revenue loss, American business activity abroad.

That is exactly why businessmen are disturbed about the effects of terminating this "privilege," as the Treasury is trying to get Congress to do with regard to industrialized nations like those in Western Europe. Here is what Ellsworth C. Alvord, chairman of the Taxation Committee of the U.S. Council of the International Chamber of Commerce, told the Senate Finance Committee just a couple of days ago:

"What * * * deferral has done is to permit U.S. subsidiaries to operate under conditions more nearly equal to their rivals in the West European countries by permitting them to finance a larger part of their investments out of retained earnings.

"If the administration proposals become law," he went on, "the American businessman will find his foreign subsidiary struggling to compete with businessmen from countries which levy no tax at all on foreign income, or grant preferential rate differentials to foreign income * * *. [Those countries] want their businessmen to succeed in the competitive struggle for world markets."

So whatever the administration may argue, the Treasury's foreign tax proposals inevitably constitute an attack on American private foreign investment. And herein lies an even deeper confusion of approach.

The administration is unhappy about this outflow because it thinks it increases our serious international payments deficit; boosting exports, on the band, improves our payments position. Yet, over the years, the net return on foreign investment exceeds outflow. So the Treasury is taking at best a shortsighted view.

Moreover, it is by no means necessarily a case of either investments or exports. In many ways, the two go together. A foreign investment often increases the demand for exports from this country. The investment may necessitate parts or equipment from the United States. More broadly, investment stimulates economic activity and hence demand for all kinds of American goods. Certainly both investments and exports are needed in that competitive struggle which is so rapidly intensifying in the world.

The payments deficit and resultant gold flow is a real and urgent problem, but the heart of it is the Government's own prodigious foreign spending. Instead of making any serious effort to curb that spending, the administration prefers to attack the gnat of tax "inducements" and in the process swat everybody who is trying to do business abroad.

This confused and contradictory course is a curious way to preserve the Nation's economic position in the world, let alone improve it.

[From the Journal of Commerce, May 16, 1962]

TAXING FOREIGN EARNINGS

The more we think about the administration's push to tax undistributed earnings of foreign affiliates the less sense we can see in it. We don't believe that even if the tax is enacted it will cause much difference in American corporation policy respecting foreign investment—which certainly has not been heavily influenced by the ability to defer taxes on earnings on such outlays until they are brought home. But the proposed tax will be some kind of a hindrance for American foreign investment.

The projected tax upon foreign earnings is officially justified on several grounds. It will produce more tax income. Even the Treasury puts this prospective income gain at only $145 million; others have said that it will be only $80 million a year.

It will aid the U.S. balance-of-payments deficit. This assertion is questionable; if policy of corporations is not likely to be changed, the only gain would be the $145 million or $80 million, which is peanuts when the deficit runs into billions.

The other argument is that by removing the tax incentive, such as it is, on corporate subsidiaries in developed countries and leaving it on in underdeveloped nations, more private capital will be channeled to the underdeveloped. This seems to presuppose that by a minor wiggle of the tax finger, investments in Britain or France will automatically shift to Ghana or Guinea. That's nonsense.

A still further and minor argument is that tax havens abroad are meretricious and should be ended.

If they are meretricious, why continue them as respects underdeveloped nations? Sin is supposed to be bad per se, not according to where you do it. Furthermore, there is some distortion of truth in labeling places where you invest as tax havens when in reality you are merely deferring, not avoiding the taxes.

We think the administration has been again inept in really presenting a good case for the tax on foreign earnings. It should have tied in the proposal to a larger picture much more expertly and sensibly than it did.

It might have said, for example, that under his foreign trade program, President Kennedy is going to seek reciprocal tariff concessions, to the end that American exports will enter Europe's common markets on more favorable terms than they do now.

Negotiation of tariff concessions is of course inconsistent with the idea that the U.S. Government will subsidize by tax concessions the establishment of foreign plants which in effect will avoid the foreign tariff levies. When you have a plant in the Common Market producing your goods within their tariff walls you naturally escape payment of import duties.

The only substantial relationship of this foreign overseas direct investment to the balance of payments is that it is one factor influencing a capital outflow, which won't be reversed even if the alleged tax advantage is given up.

We suspect that for reasons of logic the administration will have to stand pat but that it won't in the end consider this tax on foreign earnings something crucial, which it certainly isn't. We do think it could have made a better case for the idea without throwing around so many red herrings.

[From the Baltimore Sun, May 7, 1962]

OVERSEA INVESTMENT

One of the most controversial features of the administration's tax bill is the proposed change in treatment of oversea subsidiaries of American corporations. The provisions may not seem as comprehensible or of as much moment as the restrictions on expense accounts or withholding of taxes on dividends and interest. But the tremendous expansion of business into foreign countries and the proposed revision of the foreign trade program make the question increasingly important.

The administration bill has three main purposes. It would tighten controls on transactions between parent companies and subsidiaries designed primarily to evade taxes in this country—as, for example, where the parent company "exports" potential profit by charging subsidiaries less than reasonable prices. It would tax income earned by foreign subsidiaries not returned to this country and not immediately reinvested in the oversea business. This is the heart of the revision for, under present law, the income is not taxable until it is returned to the parent company in this country. And by curbing these and other artificial incentives to setting up oversea corporations the bill is designed to encourage more direct exports from the United States.

In broad outline and to a degree difficult to define, these are laudable objectives. Most responsible businessmen who have testified on the bill strongly support restrictive measures against the operation of paper oversea subsidiaries whose only real purpose is to evade taxes. But they worry about the bill as written. They are afraid that the effect of it will be substantially to inhibit the establishment and operation of legitimate oversea subsidiaries.

As they point out, these American owned foreign corporations buy rather heavily from the United States and so increase exports and contribute to a favorable balance of payments. They return well over $2 billion a year in dividends and interest to this country, an additional factor in strengthening the balance-of-payments position. Finally, a good many foreign markets for particular goods are difficult to penetrate with expensive American exports, produced at higher cost to which shipping charges and tariffs are added. If American firms are to capture their share of foreign business, they will have to do it both by exports and, in some cases, by putting oversea production plants right in the market concerned.

The administration and business would undoubtedly agree on these broad objectives—the elimination of real abuses and the maintenance of healthy oversea subsidiaries of American corporations. The argument comes on detail. The House Ways and Means Committee made some changes in the original administration draft but the bill was whipped through the House under strong political pressure. Now, in the Senate, committee experts have a last chance to sort out many of the complexities before the measure becomes law.

[From the Vineland (N.J.) Times Journal, May 8, 1962]

BETTER THAN CHARITY

If the foreign tax provisions of House bill 10650 would result in less American investment in industrial growth of the so-called underdeveloped nations, as the Owens-Illinois Glass Co. claims, these provisions ought to be changed.

Owens-Illinois's president Ray Mulford told the Senate Finance Committee chairmaned by Senator HARRY F. BYRD that the provisions "will place American corporations doing business overseas through foreign subsidiaries at a competitive disadvantage with foreign-owned corporations operating in the same markets."

Mulford said that his company agreed on the need to end "tax havens" overseas—investments used by some Americans only as a means of dodging U.S. taxes. But the double-tax provisions of the proposed legislation—passed by the House of Representatives on March 29—could dry up the supply of U.S. risk capital abroad.

One of the provisions would require that an American corporation report to the U.S. Treasury Department on the basis of pretax earnings of a foreign subsidiary, whereas "only that portion of the after-tax earnings paid in dividends is available to the American company." In other words, the corporation first would have to pay taxes on its earnings to the country in which the subsidiary business is located. Then it would have to pay to Uncle Sam taxes on the same gross earnings, instead of on the net earnings after the foreign taxes had been paid.

There are a number of other provisions which are highly complicated. What's important about them is that they ought not discourage U.S. investment abroad. For in the long run of history it's a lot better to invest in another nation and help it to help itself than to pour charity through its lips. A mendicant often feels no love for his benefactor; a real business partnership is a better basis for lasting friendship on the international level.

[From the Daily Commercial News, San Francisco, Calif., May 7, 1962]

We Need a Spur—Not a Brake

To keep its own economic health, the United States must face up to the realities of worldwide competition.

That is the view of the head of an American oil company (Standard Oil Co., New Jersey) which operates on an international scale. To quote him directly, "We must regard economic competition from our friends and allies in the free world with the same viewpoint which we apply to competition amongst ourselves—as a spur, an incentive, a stimulant, leading us to innovation, research, cost reduction, improvement of efficiency in every direction."

Government policy, to say the obvious, will have a great deal to do with the ability of American industry to achieve such objectives and to compete in the world markets. This spokesman is much concerned, and with every reason, over current proposals for changing the method of taxing income from foreign operations. Shareholders of American corporations pay individual income taxes only on dividends received—that is, money in hand. They don't pay income taxes under these proposals on earnings which are plowed back into the expansion of U.S. plant facilities. But U.S. shareholders in foreign operations, with respect to certain types of foreign business earnings, would be required to do just that.

The inevitable result would be discouragement to foreign investment—and a serious handicap to American companies which are trying to compete in the markets of the world. Why the checkrein on U.S. investments abroad?

[From the Camden Chronicle, Camden, S.C., Apr. 30, 1962]

Could Cost Jobs

American business, large and small, is solidly behind the objectives which the administration says will be achieved by its foreign trade policy. But these very objectives are imperiled by the radical changes demanded in the taxation of oversea subsidiaries of American companies.

Those American businessmen who are best informed on such operations, see only disaster ahead—both at home and abroad—in the proposed reversal of tax law that has served the Nation well for 40 years. And they have been flocking to Washington to offer their testimony to the Senate Finance Committee against provisions of House bill 10650 that would tax the income of such companies as earned at the source, and not as heretofore, when such income was remitted to the United States. Furthermore, the proposed rules impose double taxation by considering the foreign tax paid on such income as if it were cash received in the United States.

Administration spokesmen solemnly declare that this legislation will reduce unemployment, promote exports, check the outflow of gold, correct tax abuses—and out of the other side of their mouths calmly admit this new tax burden is designed to discourage U.S. business from investing abroad. Which it certainly will.

Actually, American oversea operations increase jobs at home, and the greater their success, the greater their demand for machinery, components and finished products made in the United States. And since American business goes abroad to compete with foreign firms in their own markets, not to make goods that can be profitably exported from here, the jobs it creates abroad would not otherwise exist in the United States. Thus the charge of "exporting American jobs" is fallacious.

During 1960, foreign subsidiaries of U.S. firms sold $2.7 billion of American-made products abroad and sent goods to the United States that amounted to only one-sixth of that volume. From 1950 through 1960 direct U.S. foreign investment totaled $12 billion—and generated a return of $20.5 billion in earnings to the United States.

In view of the growing competitive struggle of the North Atlantic trading community for the markets of the Western World, a worse time could hardly be chosen for throwing a roadblock in front of the American team—even though, as the Secretary of the Treasury has naively reported, the finance ministers of six Common Market countries are in favor of it.

What more do the Senators need to know?

[From the Christian Science Monitor, May 21, 1962]

Tax Policy in Perspective

(By George H. Favre)

Boston.—From a long-term point of view, justification for the Treasury's bid to tax undistributed earnings of American corporations' oversea subsidiaries has never been easy to find.

Even accepting at face value the argument of Secretary of the Treasury C. Douglas Dillon that oversea investments do not begin to act favorably in the Nation's balance of payments for 14 or 15 years, the move is open to attack as being shortsighted.

Returns from investments made 14 or 15 years ago and now beginning to flower (according to Mr. Dillon's own estimates) could be expected at least to cancel the outflow of future investments.

FIGURES CHALLENGED

But now Mr. Dillon's figures have been challenged by some practical economists with firsthand knowledge of international financing. The challenge will give congressional opponents of the Treasury proposal some factual ammunition in their fight against allowing the provision to be passed as part of the administration tax-reform bill.

A closely reasoned report on the subject, made independently and submitted to Congress by the Standard Oil Co., of New Jersey, has challenged the whole basis of Mr. Dillon's figuring on impact of oversea investments on the U.S. balance of payments.

The oil company's economists, specialists in international finance, dispute Mr. Dillon's use of official figures in describing flow of funds for investment purposes in and out of the United States, Europe, and Canada.

SUBSTITUTION ASSERTED

The economists have no quarrel with Mr. Dillon's figures for investment outflow but assert that he "substituted calculated figures of his own for the inflows." Briefly, Standard Oil people argue that Secretary Dillon permitted true inflow figures from investments made in any single year to be canceled but outflows initiated in later years for unrelated projects.

The effect, says Standard Oil, is to draw an unwarranted and pessimistic picture of the impact of such investment on the country's balance-of-payment account.

The company economists would, instead, add together annual earnings and related exports (goods and services) generated by average investment—which Mr. Dillon figures at 14.7 percent and 10.3 percent, respectively. The 25-percent return that these two figures total, after the year of first investment, should thus offset the initial outflow in the balance-of-payment accounts within a 4- or 5-year period.

After that, the investment would represent a net inflow in the balance-of-payment account, says Standard Oil, which considers its way the "normal method" of evaluating investments.

The Standard Oil findings tend to corroborate case-history testimony compiled by 19 major U.S. corporations, which submitted their export-import figures for a study to show actual impact of their oversea operations. The study, conducted by Prof. Emile Benoit of Columbia University's Graduate School of Business, showed that their operations abroad actually had resulted in a positive inflow in the country's balance-of-payment account.

Opponents also argue that the Treasury's position is inconsistent with past practice, in which the Federal Government actively encouraged businesses to set up shop overseas by not taxing profits earned abroad until they were brought back to this country. The earlier Government position was taken in order to spur the economic development of Europe after the war.

COMPANIES WARY

Now, say these firms, they would be unfairly penalized for having cooperated earlier. Meanwhile the Treasury still proposes to permit unrepatriated earnings from firms investing in economically underdeveloped areas to go untaxed. But with the about-face on tax benefits for firms which invested in Europe and Canada, companies now may be wary of how long the remaining inducement might remain in the tax laws.

Strong as the immediate economic arguments are against the Treasury position, the one least defensible in documented figures may yet be strongest in force of logic. That is the proposition that any effort that would discourage expansion overseas by private investment must in the long run tend to contradict the administration's thesis for its No. 1 legislative fight, the President trade bill.

For President Kennedy's trade program is based on the assumption that the cold war is a long-term struggle, that it will ultimately be fought on the economic front, and that the major card in the West's favor is to develop the strongest possible economic bonds between the Atlantic community nations.

It can be cogently argued that any measures that would restrict freedom of international movement by private industry are basically nationalist in tendency and veer away from the long-term goal of a wider and economically more closely integrated West.

[From U.S. News & World Report, Jan. 15, 1962]

OTHER SIDE OF OVERSEA DOLLARS

New facts are coming to light on how this country is affected by the big and growing operations of U.S. companies abroad.

President Kennedy had been told that firms moving to industrial countries were exporting both capital and jobs, taking out of the country far more dollars than they returned to the United States.

The President proposed that tax laws be changed to discourage American companies from expanding operations in developed nations overseas.

A study by the Government itself, however, plus studies by individual companies, now is putting an entirely new light on that picture.

Facts available to the President told only part of the story. They related solely to dollars of capital invested abroad by American companies and dividends returned by these companies. They took no account of materials and machinery purchased in the United States by these American companies. They also gave no weight to payments of royalties and other fees by U.S. companies abroad.

A special survey by the U.S. Commerce Department permits a more complete story to be told. This study covered operations of 155 U.S. manufacturing companies, located mainly in developed countries. The study, in turn, is backed by examples of actual experience of individual American companies.

The accompanying chart gives you at a glance the main points turned up in the survey.

Note that these 155 companies, on an overall basis, returned to the United States from their manufacturing subsidiaries $1.3 billion more than they withdrew from the United States in 1960.

The operations of these companies thus are shown to have added to the financial strength of the United States. Supplies of dollars in this country were built up, not drained away.

The Commerce Department survey covered a large sample of manufacturing companies. If all American companies abroad were counted—from trading subsidiaries to oil drilling—the favorable effect on the United States shown by the Commerce survey, industry officials say, would be much larger.

For example, these officials estimate that all U.S. companies overseas buy a total of $5 billion worth of American goods each year—as against only $1.8 billion worth shown in the sample survey.

Similarly, total payments to the United States from foreign-earned royalties, license payments, management fees and the like are estimated to be running at the rate of $400 million annually—as against only $148 million shown in the manufacturing survey.

EXPORTS THAT AREN'T

Not all of the sales of American goods to U.S. companies abroad are a net addition to U.S. exports. Without U.S. firms overseas, for example, foreign producers would be doing more business—and, presumably, importing more from other countries, including the United States. Likewise, companies in the United States could earn some income from foreign royalties and license fees without actually having subsidiaries abroad.

By being on the scene overseas, however, U.S. companies are pictured as building up sales that directly boost U.S. exports. Many of these sales, industry surveys show, would not be made if American firms were not able to battle foreign firms on the scene.

The stimulation to U.S. exports attributed to American companies overseas is only part of the story.

These oversea subsidiaries also send back to the country a large chunk of the profits earned abroad, plowing the rest back to build up the business—and the base from which to make even bigger profits in the years ahead. In addition, these subsidiaries send back earnings from royalties, license and management fees, and the like.

Add these all together, and the total inflow of dollars to the United States from foreign operations far exceeds the amount of dollars sent out by these companies to build up foreign facilities and to buy goods made abroad by their subsidiaries.

A LOOK AT THE RECORDS

To show you the big U.S. gain, net, from foreign operations, consider these examples from special studies by individual firms.

In the last 15 years, Eastman Kodak has sent about $13 million out of the United States as foreign investment. However, dividends received from foreign operations have totaled $101 million. Moreover, Eastman Kodak sold U.S.-made goods worth $532 million to its oversea companies. Purchases from its foreign subsidiaries in the same period came to only $29 million.

Or consider International Telephone & Telegraph. In 10 years, I.T. & T. has remitted to the United States, net $215 million. That's the amount of dividends and other receipts after deducting the outflow of capital for new investment. On top of that, I.T. & T. showed net exports to subsidiaries of $175 million. Total gain for the U.S. balance of payments, company officials say, was close to $400 million.

Take the case of Joy Manufacturing Co. In the 10½ years ended last March, Joy has invested $17.7 million abroad. Return flow—from exports to subsidiaries, royalties, engineering fees, interest and dividends—was $168 million.

Against a total outflow of $15 million for foreign investment, American Machine & Foundry has generated an inflow since 1956 of more than $42 million. This includes purchases of materials from the United States, royalties, mangement fees and dividends.

Proctor & Gamble in the 10 years ended in 1960, sent abroad for investment $11 million. In that period the company borrowed abroad and reinvested abroad $67 million. But note this: Proctor & Gamble returned to the United States, in those years, $47 million in dividends, and purchased $243 million worth of raw materials and equipment from the United States for use in oversea plants.

Minnesota Mining & Manufacturing, between 1951 and 1960, made an investment of $12 million in foreign operations. However, in that 10-year period, the company brought into the United States—through exports to subsidiaries, royalties, technical fees, dividends—about $62 million. The company says that its operations have thus made a favorable contribution to the U.S. balance of payments by a ratio of 5 to 1.

Or take the example of Abbott Laboratories. In 5 years, 1956–60, Abbott's exports from the United States exceeded its imports by $50 million. Abbott also received from abroad loan repayments dividends, and miscellaneous income of $9.3 million—making a total inflow into the United States of $59.3 million. The total outflow of dollars from the United States in this period—in foreign investments and loans—was only $2.2 million. Result: A net favorable balance for the United States of more than $57 million.

IF THE UNITED STATES CLAMPS DOWN

Says one business executive: "The Kennedy administration's moves to clamp down on foreign investment will hurt, not help, the balance of payments."

Despite the gains from the operations of U.S. companies overseas, this question is being asked: Why don't U.S. firms stay in this country and simply export goods abroad?

The answer given by industry officials: U.S. firms cannot compete with foreign companies unless they get inside tariff walls and meet local competition.

WHERE SALES WERE GAINED

Here are some examples of companies that have gotten sales through foreign subsidiaries that they otherwise would have lost. The result was to stimulate exports from the United States to those subsidiaries abroad.

American Machine & Foundry's subsidiary in Italy recently was awarded a $9 million contract to build and equip a tobacco-processing plant there. About $5 million was paid to the U.S. parent company for engineering services and equipment; the rest went to the Italian subsidiary for locally supplied items. The company says it would not have gotten the contract, in the face of foreign competition, without its subsidiary in Italy.

Texas Instruments estimates that it would export less than 10 percent of what it now sells abroad if it were not manufacturing abroad.

General Electric's foreign subsidiaries are usually equipped with American machinery. Local managers must provide acceptable excuses for the use of foreign machinery or even of foreign-made components in finished products.

Hewlett-Packard, west coast electronics firm, reports that its foreign sales are double what they would have been if the company had not decided to operate abroad. Every 2 weeks Hewlett-Packard exports a cargo plane load of high-value parts to its European plants.

JOBS IN DANGER?

Businessmen claim that the administration's tax proposals will add to this country's unemployment problems.

The reason given: Tougher tax treatment on the earnings of foreign subsidiaries of U.S. firms will slow down expansion of companies abroad. As a result, there will be reduced exports of raw materials and equipment to oversea plants, hurting export industries.

Company officials also warn that the administration's proposed tax-haven legislation will result in a smaller flow of capital to the underdeveloped areas. This would be the reverse of the administration's aim to get more capital into such areas.

Reason cited by company officials: Capital investment in high-risk areas, such as Asia, Africa, and Latin America, comes, in large part, from earnings of U.S. firms in tax-haven countries, where taxes are relatively low. If you tax earnings in Europe more stiffly, businessmen say, less capital will be available to flow to underdeveloped areas.

All these arguments—backed by additional facts now coming to light—are presenting a new picture of the impact on the U.S. companies operating abroad.

[From Time magazine, May 25, 1962]

THOSE FOREIGN PROFITS

In Washington this week the Senate Finance Committee will begin debating a New Frontier tax proposal with far-reaching consequences in foreign trade. The argument swirls around the manner in which U.S. firms should be taxed on their oversea profits. Of all the Kennedy administration's economic measures, none has evoked such vehement and unanimous opposition from U.S. business.

PAYMENT IN FULL

Already passed by the House, the administration's proposal would radically change the rules under which U.S. business operates abroad. At present, a firm pays U.S. corporate income tax only on whatever part of its foreign earnings it "repatriates" to the United States as dividends. Earnings kept abroad are free of U.S. tax—which encourages U.S. corporations to use a substantial part of their foreign profits to expand their oversea operations.

The administration wants to make most foreign profits taxable when earned, rather than when repatriated. U.S. subsidiaries operating in such economically advanced foreign nations as Britain and the Common Market countries would pay the full 52-percent U.S. corporate tax on all earnings—less whatever they paid in local income tax. Payment of U.S. taxes could still be deferred in underdeveloped nations, where the administration wants to encourage U.S. private investment. The administration bill has three professed purposes: to clamp down on U.S. firms that channel their oversea earnings into foreign tax havens, to slow the alleged "export of jobs" created by U.S. investment abroad, and to narrow the gap in the Nation's balance of payments by restricting the outflow of U.S. investment capital.

SACRIFICING THE MARKET

Few businessmen are prepared to defend publicly the increasingly popular U.S. corporate practice of funneling foreign earnings into semifictional subsidiaries in such low-tax areas as Switzerland, Liberia, Panama, Bermuda, or the Bahamas. In the single year of 1960, the undistributed earnings of U.S. subsidiaries in such tax havens increased by 100 percent to $122 million. But businessmen argue that passing the new tax bill to get at the tax havens would amount to rolling out a cannon to kill a mouse. The Government would gain perhaps $85 million a year in tax revenues, but in doing so, say the businessmen, it would discourage U.S. firms from plowing most of their oversea earnings back into expansion.

Opponents of the administration bill contend that the vast majority of foreign subsidiaries are set up not to dodge taxes but to develop new markets that cannot be served from U.S. plants because of tariffs, transport costs, higher U.S. production costs—or the simple difficulty of selling at long range. With stiffer tax rules, U.S. businessmen would be faced with a hard choice: either they would have to concede many of these markets to hustling and lower-taxed competitors from Europe and Japan, or they would have to export even more dollars than they now do to keep their foreign plants competitive.

MATCHING THE NEWLY MIGHTY

Even the Government recognizes that investment abroad has helped rather than hurt the U.S. balance of payments. Since 1951 U.S. businessmen have sent $13 billion overseas in capital investment and have brought back $20.2 billion in earnings. Investment abroad also stimulates U.S. exports of raw materials, machines, and spare parts to feed the foreign branches. In 1960, the latest recorded year, the United States imported $475 million worth of products from U.S.-owned foreign companies, while exporting $2.7 billion worth of U.S. products to them. These figures weaken U.S. labor's thesis that investment abroad generates unemployment at home.

Criticism of the administration bill has already produced one significant modification of it in the House Ways and Means Committee: the bill now provides that foreign profits of U.S. companies would not be taxed so long as they are reinvested in the same line of business, either in the country where they were earned or in a less developed country. But the critics are still not appeased. The language of the House provision, they contend, is dangerously vague; it does not make clear, for example, whether a drug company could reinvest in a related chemical operation.

Above all, however, businessmen argue that the legislation runs contrary to the administration's expressed ambition to bind the U.S. and European economies closer together. With new markets and newly mighty competitors rising within the Common Market, many businessmen are convinced that the United States must rapidly expand its capital base abroad or face an economic decline similar to Britain's after she was forced to sell off most of her foreign investments in World War II. "The President's tax bill," says International Milling Co. President Atherton Bean, "is nothing other than a new and sophisticated economic isolationism."

[From the Los Angeles (Calif.) Times, May 17, 1962]

What Makes the Tax Bill Bad

While the U.S. Senators study the omnibus tax bill with confusion and misgiving, the report goes around in Washington that the administration already is preparing a bill for a sizable income tax cut across the board. This would be a bill for next year, introduced this summer, possibly for its effect on the November election.

Such a tax cut has much to recommend it, but we shall discuss its possible salutary effects on the economy at another time. Meanwhile, the rumor that such a proposal is being prepared permits the inference that the administration is having second thoughts about the bill now being considered, even fearing that the Senate will cut it to pieces.

The Senate ought to perform some amputations, for there are things in the bill which are pernicious and there is really no public enthusiasm over any of its prescriptions. The most objectionable features of the bill are these:

1. A provision to require the withholding of 20 percent of all dividend and interest payments to cover the income tax which may be due on these payments.

2. A provision to require American shareholders in foreign corporations to pay a tax figured on their proportionate shares of the undistributed profits of the foreign corporations.

The first of these provisions would work a hardship and even bring a loss to many small stockholders who in their old age depend, often to a large degree, on their dividend payments. There are about 18 million shareholders in the United States, more than there are members of all the labor unions.

If the 20 percent withholding tax is too much, the taxpayer can claim a refund, just as he does when he is overtaxed through the regular withholding of part of his wages or salary. But the bookkeeping is complex and puts an additional burden on old persons who would otherwise be exempt from income tax. Among persons in this category are many whose minimum comforts can be sustained only if they regularly receive the full amount of their dividend and interest payments. The year-long deferral of payment of 20 percent is a clear and present threat of hardship from a Government which is everlastingly protesting its concern over their welfare. Moreover, if the shareholders are in the class whose interest payments are compounded several times a year, they will never have the full advantage of the withheld 20 percent, for the compounded interest cannot be figured on the part that is kept back at the Government's pleasure.

The argument for this obnoxious provision is that the rightful tax on dividends often is lost to the Government because people do not report it. It's a lame argument. It implies that a large body of Americans are dishonest, deliberately ignoring the instructions of their income tax returns.

The requirement that American shareholders in foreign corporations pay taxes on earnings in which they do not share was contrived by the administration (as Treasury Secretary Dillon confessed to the Senate Finance Committee), to discourage foreign investment. This must seem astonishing to the uninitiated, who have been told ever since the war that American private investment abroad is the ideal device for fostering a strong, free international economy.

The administration argues that this is a necessary measure for curbing the flight of gold. It also has a disingenuous argument, aimed at laymen, that the measure is intended to catch tax dodgers.

Mr. Dillon let a cat out of the bag when he testified before the House Ways and Means Committee that the Common Market countries advised the U.S. Government to resort to this kind of taxation to discourage American investment among them. They apparently were the first ones to say that this was the way to restore the balance of payments (arrest the flight of gold) that is, by keeping American private money at home.

They could, of course, have helped to prevent the flight of gold from America by paying a little toward the support of the American military establishments in NATO, by sharing foreign aid costs, even by lowering their tariffs to let more American goods in and thus let more money come back to the United States. But the proposal to drive out American investors comes easiest to them. They don't need American investment any more, they like the idea of a balance of payments favoring Europe, and they do not think they will have it so long as dividends go home to American investors—as they will eventually, despite the pretensions of the U.S. tax collectors that if they don't get their money now the investors will discover ways to cheat them.

So when the seventh veil is removed this provision of the tax bill seems to stand as another concession to foreign friends at the expense of Americans. In international affairs our Government often treats us as the world's second-class citizens.

[From the Toronto Financial Post, Mar. 10, 1962]

Here's Where United States Aids Rivals in Other Markets

(By John G. McDonald)

The way things are shaping up, it is clear that 1962 will be an active year for tax legislators.

The British Chancellor of the Exchequer has already given notice that he will introduce a new tax on short-term capital gains derived from dealings in securities and real estate.

In the United States the House Ways and Means Committee issued another announcement last week concerning "tax haven" legislation that will be included in the House bill (not yet released). General approach will be to tax U.S. shareholders currently on their "share" of the earnings of foreign subsidiaries, if at least 20 percent of the income of the subsidiaries is made up of interest, dividends, rents, royalties, income from patents and copyrights, and "export income."

"Export income" is defined as income from the sale of goods by a controlled foreign corporation outside of the country in which it is incorporated, where the goods are not manufactured by the corporation and where more than 20 percent of such corporation's income (other than "passive" income) consists of such "export income."

Needless to say, the Republican members of the committee oppose the bill. Congressman J. W. Byrnes issued a statement saying:

"The bill seeks to build a 'Berlin wall' in the tax laws to keep the American businessman at home. The bill would deny to American business the right enjoyed by its foreign competitors to go into any area of the free world where there might be a market, a source of raw materials, or the workers needed to make the business a success.

> "The policy of the bill is a policy of * * * isolationism as to American-owned business. [It] adopts the outrageous proposition that American business should surrender to foreign competition in the world market."
>
> It is certainly clear, in the field of foreign trade, that a foreign corporation controlled by Canadians—or an oversea trade corporation in Britain—will have a decided advantage over its U.S.-owned competitors after the New Frontier people in Washington achieve their ends.
>
> The new law will also serve to trim American sails in Europe, increase the downward pressure on the U.S. dollar, and indirectly assist Britain's entry in the Common Market.
>
> The point is, of course, that businessmen regard taxes as costs, and try to keep them down. Government taxmen, on the other hand, are indignant over foreign investment of "our" money by the businessmen who went out and earned it in the first place.
>
> Let's hope that Ottawa encourages Canadian business to take full advantage of the mistakes south of the border.

Mr. McCARTHY. Mr. President, I wish to read for the RECORD certain portions from the editorial published by the Toronto Financial Post, written by John G. McDonald.

Mr. McDonald says:

> The way things are shaping up, it is clear that 1962 will be an active year for tax legislators.
>
> The British Chancellor of the Exchequer has already given notice that he will introduce a new tax on short-term capital gains derived from dealings in securities and real estate.
>
> In the United States, the House Ways and Means Committee issued another announcement last week concerning "tax haven" legislation that will be included in the House bill (not yet released). General approach will be to tax U.S. shareholders currently on their "share" of the earnings of foreign subsidiaries, if at least 20 percent of the income of the subsidiaries is made up of interest, dividends, rents, royalties, income from patents and copyrights, and "export income."
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Mr. McDonald also says:

> "The bill seeks to build a Berlin Wall in the tax laws to keep the American businessman at home. The bill would deny to American business the right enjoyed by its foreign competitors to go into any area of the free world where there might be a market, a source of raw materials, or the workers needed to make the business a success.
>
> "The policy of the bill is a policy of * * * isolationism as to American-owned business. (It) adopts the outrageous proposition that American business should surrender to foreign competition in the world market."
>
> It is certainly clear, in the field of foreign trade, that a foreign corporation controlled by Canadians—or an oversea trade corporation in Britain—will have a decided advantage over its U.S.-owned competitors after the New Frontier people—

Of course, this includes us—

> in Washington achieve their ends.
>
> The new law will also serve to trim American sails in Europe, increase the downward pressure on the U.S. dollar and indirectly assist Britain's entry in the Common Market.
>
> The point is, of course, that businessmen regard taxes as costs, and try to keep them down. Government taxmen, on the other hand, are indignant over foreign investment of "our" money by the businessmen who went out and earned it in the first place.

I note that the "our" is in quotes.

The concluding remark by Mr. John G. McDonald, who reports on the taxes in the Toronto Financial Post, is:

> Let's hope that Ottawa encourages Canadian business to take full advantage of the mistakes south of the border.

This I assume to be an objective view. At least, it is a view which could not be considered as prejudiced in favor of the United States. The recommendation is that the Government of Canada takes special note of what the United States is doing to encourage Canadian businessmen to take full advantage of the mistake which, in his judgment at least—a judgment which I share to some extent—we seem to be prepared to make at this time.

Mr. President, between April 24 and about May 11 of this year approximately 75 witnesses testified before the Senate Finance Committee on the foreign income provisions of the Internal Revenue Act for 1962. Of that number more than 70 testified in opposition to the provisions of the bill with regard to the taxation of the foreign income of American corporations. I do not mean to argue that because 70 to 75 witnesses were opposed to the provisions and only 2 or 3 witnesses were in favor of them, that in itself is an argument in opposition to the provisions of the bill as reported by the Senate Finance Committee and as those provisions were originally recommended by the Treasury Deparment itself. However, I believe that most of the witnesses were reliable and responsible people. Most of them are from the American business community. Some of them are economists and business specialists and specialists in international trade.

It is true that there are some corporations, some American businesses, which have used and are continuing to use oversea organizations of various kinds as a device for evading taxes, or at least for the postponement of the payment of taxes. I believe that the provisions in my amendment would come close to collecting the taxes from corporations which are truly tax-haven corporations. Few would continue to evade and escape. I believe that the judgment on this question must be made in the light of the overall effects of the proposals that are here being made, rather than on the basis of whether or not one or two dishonest people or dishonest firms that are seeking to avoid the payment of American taxes are to be caught.

Mr. JAVITS. Mr. President, will the Senator yield?

Mr. McCARTHY. I am glad to yield.

Mr. JAVITS. I should like, first, to express my satisfaction with the Senator's typical courtesy in joining me as a sponsor of his amendment. I have a similar amendment which was proposed to the committee, of which the Senator is a distinguished member. I shall speak in due course in support of the amendment.

I wished to interrupt the Senator at this point because what the Senator is saying is very pertinent. He speaks about the effort which one or two or three firms are making to avoid taxes, and the effort that is made to eliminate such avoidance. We can never completely cure that situation, because there will always be some lawyers, some accountants, and some firms figuring out how to defraud the Government, and we must avoid the effort that is being employed in this manner to throttle the whole American effort overseas.

When it comes my turn to speak, I shall try to demonstrate how unfairly this provision would work for the people in whom the Senator and I are interested; namely, the new firms, the young firms, the adventurous firms that are going into the foreign market.

This also has its effect upon the program of expansion of trade on the part of the United States. It would be most harmful, it seems to me, and we would be cutting off our nose to spite our face in dealing with the company which is trying to use this tax haven, and we would materially thwart the national purpose. It is a very significant point, and I am glad the Senator is making it.

Mr. McCARTHY. I agree with the Senator. It is very much like saying that we ought somehow to outlaw or hamper the operations of all savings and loan associations because we have found that 1 or 2 percent of them have acted illegally or imprudently and have abused the trust which was placed in them. I am sure none of us would go to the point of saying that because of this situation, the whole industry should be destroyed or hampered or hindered.

Mr. JAVITS. Mr. President, will the Senator yield further?

Mr. McCARTHY. I yield.

Mr. JAVITS. It is said—and I believe it to be very important to have this recorded—that no country, neither the United States nor any other country, has tried, except in the case of a foreign personal holding company, to establish this kind of tax consequences, because one happens to own stock in a company operating overseas.

Mr. McCARTHY. The Senator is correct. The Treasury seems to be proceeding as though it were proceeding against a personal holding company. There is a different kind of problem in that instance, in contrast to what we are dealing with here.

Mr. JAVITS. The Senator is exactly correct.

Mr. McCARTHY. To follow the same rules or same standards or the same procedures, or the same methods, could be disastrous.

Mr. JAVITS. It is very interesting that the Senator and I, quite without knowledge of each other's purposes, should have come to the same end point as to how to tighten the control in the matter of unreasonable accumulation of earnings. Does not the Senator feel with me that if we had that, the ideal automatic control, without constricting or destroying what we are really trying to control—because we are not placing almost complete authority in the Collector of Internal Revenue—the courts probably would hold that the burden of showing that the amount retained is actually needed would in this case be on the taxpayer, unlike a domestic situation, in which the burden is on the collector?

If we assume that, are we not giving flexible power to the Treasury to enable it fully to come abreast of any possible or conceivable imposition upon the Government, without at the same time by force of law automatically strangling these activities?

Mr. McCARTHY. The Senator is correct. The precedents in this field place the burden of proof upon the taxpayer. He must justify and defend himself against the charge of unreasonable accumulation. We know that even in dealing with domestic business and industry there is need for some degree of flexibility in the manner in which tax laws are applied. When we move into what is, in a sense, almost a lawless international competition, there is all the more reason why there should be flexibility in the way the law is administered, so that our businessmen competing in this field will not be put in an unfair position.

Mr. JAVITS. Knowing as we do so well how taxes are avoided, no matter how well we write the laws, with the help of high-priced talent employed for that purpose, I believe that our provision, which gives the collector the opportunity by regulation or by administration to keep abreast of the situation all the time, would likely tighten the situation more than a set of strict rules would, because very astute gentlemen, studying them day by day and year by year, would find effective ways in which to avoid them.

Mr. McCARTHY. I think the Senator is quite correct. This was one of the arguments made for the action of the Senate committee in connection with the amendment which was under some discussion this afternoon, with regard to the present section 482, wherein the House attempted to write a rather restrictive formula on the basis of which allocations of income would be made. It was decided that it would be much better to leave some discretion to the Treasury Department. If we were to lay down four or five rigid standards, there would be more cases in which they could not be applied or in which they could be evaded, than there would be cases in which such standards would be helpful.

Mr. JAVITS. I should like to make a further observation, if the Senator will permit me to do so. Does not the Senator feel with me—as I have felt ever since I entered this complex and important field—that what we are dealing with is much more a foreign policy matter than a tax matter, and that we really ought to look at the situation from that standpoint, rather than from the tax point of view?

Mr. McCARTHY. I agree with the Senator. It is particularly important that we move hesitantly in this area at this time, because the whole complex international trade and international competition situation, which reflects politics as much as economics, is in a condition of flux. We anticipate the Common Market. It may be that the best thing that could happen for us in the United States in 4 or 5 years would be to have American investments within the Common Market, because there is some evidence that the first action will be one that will be somewhat restrictive in terms of international trade, after which there may well be a freer flow of trade. We must also consider the matter of the undeveloped countries where we seek to trade. Another factor to be considered is the Alliance for Progress. We must also consider the question of competition with the Soviet bloc itself. The weight of the argument is certainly against our taking this kind of rather drastic action, which does not have the support of reasoned argument or sound historic judgment.

Mr. JAVITS. I thank the Senator. I express my satisfaction at our unity in this very important matter, and my great interest at our having arrived at almost the same conclusion without consultation.

Mr. McCARTHY. Two Senators of good judgment can come to the same conclusion, even though one of them is a member of the Finance Committee, with whom the Finance Committee disagrees, and the other is not on the committee and has not heard the same testimony and evidence. I do not know what significance there is in terms of justifying or sustaining the interesting statement of thinking along the same lines, but I am glad we are in agreement at this point.

Mr. JAVITS. I thank the Senator.

Mr. McCARTHY. Mr. President, since 1913, when the income tax law was first enacted, U.S. subsidiary corporations have been permitted to compete with local host governments. Subsidiary U.S. corporation income taxes were not paid in the United States on those earnings until they were received in the United States as dividends. At that time they were subject to the ordinary tax imposed on dividends in the United States. No government, the United States or any other, so far as I know, ever asserted the right to levy taxes on the undistributed profits of nonresident or foreign subsidiaries except as in the case, to which reference was made earlier, of foreign personal holding companies, which is something quite different from a business or industry engaged in trade or commerce overseas.

But now the Treasury—this action has been sustained in part by the House of Representatives and sustained in part by the Committee on Finance, although neither the House Committee on Ways and Means nor the Committee on Finance has gone as far as the Treasury originally recommended—proposes to impose a tax on the undistributed earnings of subsidiaries and controlled corporations engaged in business overseas. What is proposed, I am sure, because I listened to the debate and the speech made earlier today by the Senator from Tennessee [Mr. Gore], is extremely complicated, as a reading of the report or the record of the hearings in this field will disclose. I believe the witnesses who have appeared have made it quite clear that responsible American businessmen are greatly concerned over the potential effects of the provisions of the proposed legislation on business health. They are concerned about its potential effect upon their ability to compete overseas, along with their concern about the effect of the legislation in terms of implementing, at home, the balance of payments, and particularly the future of our country's businessmen in the intensive competitive field of international trade today.

As a matter of fact, the record of the consideration of this legislation is one not of retreat, but certainly of departure from the original position. So far as there was a beginning in this field, it was the result of the original recommendations from the Treasury. They set forth some definitions. They proposed to eliminate all tax deferrals for what was called tax-haven income, which is defined as passive incomes from sales or service not directly derived from manufacturing. It included purchases from related persons and sales to related persons.

We moved from that to the action taken in the House, where some modifications were made. So far as tax havens were concerned, it was proposed to eliminate deferral for income derived from insurance and U.S. risk income from patent rights, patent incomes, and sales income, unless invested in less developed countries. So there was both a retreat and an escape. Most investments in U.S. property would be taxed.

The Committee on Finance has departed from the original administration position and also from the position taken by the House of Representatives by way of moderating or modifying or making application of attempts to collect taxes on these incomes somewhat less severe—perhaps I should say more workable. It proposes to eliminate the deferral for income derived from insurance, U.S.-risk, foreign-based net income, of whatsoever nature, only when foreign-based company income is less than 30 percent of the total income of a subsidiary.

This will apply unless income is reinvested in less developed country corporations or in the country in which the subsidiary is located. The intent is to make the effect of the legislation somewhat less severe.

So far as export trade corporations are concerned, the tax deferral is to be conducted with specific limitations for private foreign corporations which derive 90 percent of their gross income for the prior 3-year period from sources without the United States, and which derive 75 percent—50 percent in the case of agricultural products—or more of its gross income from export trade.

I think this summary of what has happened to the proposed legislation since the original proposal of the Treasury, as it passed through the House Committee on Ways and Means, through the House, and the Committee on Finance, and came to the Senate floor, indicates first of all, that it was fully conceived, in the first instance, as it is now concieved; but in order for it to be effectively administered under the terms of the legislation as it now stands, the net effect would be that it would not accomplish the purposes which have been set out for it; and, in a sense, all the objectives claimed for it would not be accomplished.

At this point I should like to take up certain statements—I hesitate to call them allegations—with respect to the claim that has been made about the whole question of tax evasion and avoidance on the part of American businesses which have subsidiaries overseas. One of the charges is that tens of thousands of U.S. companies have gone abroad to avoid U.S. taxes, or that American companies have gone abroad in great numbers to avoid U.S. taxes. Perhaps "tens of thousands" is to set the number too high.

The total number of American firms engaged in foreign trade is estimated at about 3,000. Of this number, approximately 900 have foreign subsidiaries. Virtually all of these are legitimate businesses which annually report the financial condition of their businesses to the Commissioner of Internal Revenue.

A second charge that has been made is that American industry, according to statements made to some Members of the Senate, is that American industry is satisfied with the provisions of the bill as reported by the Committee on Finance. This is not true. Some American businesses are reported to prefer to have what is in the bill now to what was in the House bill. Some American businesses have indicated to Senators that they would rather have what is in the bill than to run the risk of rocking the boat or stirring up trouble. Most American businesses engaged in oversea operations would prefer not to have the provisions of the Finance Committee bill as it now stands, but would prefer to use the method which I am proposing in my amendment, to provide for action against the unreasonable accumulation of profits.

Mr. MORTON. Madam President, will the Senator from Minnesota yield?

The PRESIDING OFFICER (Mrs. NEUBERGER in the chair). Does the Senator from Minnesota yield to the Senator from Kentucky?

Mr. McCARTHY. I yield.

Mr. MORTON. Would the amendment apply to the foreign subsidiaries of domestic corporations the same tax measures which apply to domestic corporations? It would do so, would it not?

Mr. McCARTHY. That is correct; it would apply the same rule.

Mr. MORTON. Therefore, would not the amendment cure the abuses of tax havens which have been pointed out to us?

Mr. McCARTHY. In my opinion it would cure all the abuses we can reasonably expect to cure, and it would not do the harm which would be done under the bill as proposed by the Finance Committee amendment.

Mr. MORTON. Is it not true that the treatment of foreign subsidiaries by means of the Finance Committee amendments would not be conducive to the entry of a new company into this field?

Mr. McCARTHY. In my opinion the amendments proposed by the Finance Committee are most acceptable to foreign subsidiaries overseas, and would make it very difficult for a company which needs to expand its operations overseas or is in need of establishing such operations.

Mr. MORTON. Madam President, I support the argument the Senator from Minnesota is developing and I intend to support his amendment.

If I may use an illustration which I used in the committee, in my opinion, the present situation is such that if 10 people wish to start a trucking corporation, with 5 stockholders in Minnesota and 5 stockholders in Kentucky, and if the corporation is successful and makes $100,000, and decides to pay out $25,000 in dividends and to keep the other $75,000, to be spent in expanding the business and in purchasing more trucks and employing more people, one of the States—I shall not say which one—could say, "Oh, no; you must pay the tax on what was not distributed by you."

If that happened in this country, would not it be unconstitutional?

Mr. McCARTHY. I think so. But if a firm were operating in State A and in State B, State A might say, "We are sorry to say it, but since your expansion will be in State B, not in our State, we will have to impose our corporate tax on the part of your income that you will be expending in State B."

Mr. MORTON. I think the Senator's point is a good one and should be seriously considered in connection with the amendment, because this situation goes far beyond the amendment, and goes to the basis of our taxation traditions.

Mr. McCARTHY. It is a departure from a practice and principle that has been in existence and has been accepted and acknowledged ever since the income tax was enacted into law in 1913.

Mr. MORTON. I wish the Senator's amendment well, and I shall support it.

Mr. McCARTHY. I thank the Senator from Kentucky.

Madam President, although public hearings were not held on the amendment which is known as the Kerr amendment to the amendment of the Finance Committee, as a substitute for the amendment acted on by the House, those who testified before the Finance Committee were nearly unanimous in their opposition to the provisions from which the Kerr amendment was developed. Specifically, industry opposed the violation of the 50-year-old principle that income is not taxable until it is received. The Finance Committee's proposals would penalize companies in less developed countries which have low tax rates. Also, it would penalize companies which are being expanded or are paying off their indebtedness—as the Senator from Kentucky has pointed out. It works against companies such as the Ford Motor Co. The witnesses testified that that would be the case in the United Kingdom, which has a corporate tax rate of 53.75 percent, or in Germany, which has a corporate tax rate of 51 percent.

I ask unanimous consent to have printed in the RECORD the testimony of various witnesses before the Finance Committee who testified not in regard to the effect of the amendments as included in the version reported by the Senate Finance Committee, but in regard to the amendments included in the version on which we acted, which version is, I think, in principle essentially the same as the one that was reported. I think the testimony of these witnesses for the most part runs against the amendments as finally adopted by the Senate Finance Committee and reported to the Senate.

There being no objection, the excerpts from the hearing were ordered to be printed in the RECORD, as follows:

Dow Chemical Co., Tyrone Gillespie: "More than 3,000 people and more than $70 million in investment in the United States are directly employed in support of our foreign activities. Should foreign investment become unprofitable due to Government intervention, our judgment is that 60 percent or more of the domestic people and facilities supporting foreign sales might be idled."

Minnesota Mining & Manufacturing Co., Robert H. Tucker: "In 1951, a handful of our people handled our total foreign business. Today, 1 out of every 10 employees in our domestic factories owe their jobs to the fact that we are exporting products to foreign countries. Our experience is that exports are increased by foreign manufacturing operations. Business begets business."

Abbott Laboratories, George R. Cain: "Our foreign investments were not made at the expense of our exports from here, but rather because exports became difficult or impossible, due to trade barriers, tariffs, legislation, or arbitrary decisions protecting or favoring local industry in foreign nations, establishment of local factories and plants by competitors, etc.

"It is significant that Abbott Laboratories International Co.'s employment in Chicago, as a result of its increased capital investments abroad, rose 50 percent in the last 6 years.

"In addition, a large number of scientists, engineers, technicians, researchers, manufacturing and other personnel are now employed by our parent company, as a result of our expansion in foreign markets made possible by our increased investment abroad."

Joy Manufacturing Co., J. D. A. Morrow: "* * * In 1961, nearly one-third of the employment at (Joy Manufacturing Co.'s) Franklin (Pa. plant) was derived from * * * exports. The Treasury asserts that such cases are exceptional and not representative and should be disregarded. Here again the Treasury ignores the facts published by the Department of Commerce, which show that in 1960, out of $18,900 million of exports, $2,695 million went to or through foreign manufacturing subsidiaries of American corporations. These are not the statements of private industry, these are the Federal Government's own official figures."

Goodyear Tire & Rubber Co., Frank T. Quirk: "When domestic rubber companies decide to locate a plant overseas, most of the equipment for the plant is shipped from the United States and is made by American workmen. If further expansion is curtailed by revised tax provisions, not only will the foreign markets be taken over by foreign competitors but the machinery, equipment and supplies for their new plants will come from foreign producers.

"There are numerous examples in our industry where the annual purchases of replacement equipment, machinery, materials, and supplies to keep foreign plants operating represent more than the total U.S. dollar investment of the same company overseas. These purchases, amounting to many millions of dollars each year, provide work for thousands of people and are advantageous in our balance-of-payments position."

Pfizer International, John J. Powers, Jr.: "The key point is that those who say that direct business investment abroad results in the export of American jobs are simply wrong. For this to be true it would have to be demonstrated either (a) that such investments have been made for the purpose of producing goods for import into the United States in lieu of producing such goods in the United States, or (b) that U.S. direct investments abroad have produced goods for sale abroad which could otherwise have been exported from the United States. The facts do not significantly bear out either of these assumptions.

"For example, U.S.-owned manufacturing subsidiaries in Canada and Western Europe had total sales in 1960 of $18.2 billion, of which only $259 million was exported to the United States. It is preposterous to charge that U.S. business has gone abroad for the specific purpose of reselling a grand total of 1.4 percent of production back to the United States, or that $259 million of such imports from foreign subsidiaries could cause any appreciable loss of jobs. Using ratios (jobs to sales) cited by labor officials, $259 million of sales could mean about 30,000 jobs, or less than one-twentieth of 1 percent of the U.S. labor force—assuming that the goods represented by the $259 million would have been made in the United States. But this assumption is not justified, for if U.S.-owned subsidiaries in Western Europe and Canada had not sold these goods to the U.S. market, it is more likely that other foreign companies would have supplied the goods, not U.S. factories. Thus it is hardly justifiable to say that the imports cited were responsible for the loss of any significant number of jobs.

"While U.S.-owned facilities in Canada and Western Europe were selling $259 million of goods to the United States in 1960, these same subsidiaries were importing $1,246 million worth of goods from the United States. Using the same job-sales ratio, these exports from the United States created more than 100,000 jobs."

Harnischfeger Corp., Frederick Salditt: "Prior to our active participation in oversea investment and manufacture, the exports of our U.S. products lagged slightly behind the exports of our entire industry. With the advent of our active oversea manufacturing program, which involved the use of foreign subsidiaries' reinvested profits, etc., our exports of U.S.-produced goods have steadily increased. They have substantially surpassed the average for our industry, which has generally been on a steady to downward trend.

"This means that we have been able to maintain rather steady domestic employment and even increase it in some of our plants during a most difficult and competitive period. As a matter of fact, during the years 1958–59, we probably would not even have been a domestic taxpayer at all had it not been for our foreign operations and exports, and we most certainly would have employed fewer people in the States of Wisconsin and Michigan."

Sprague International Ltd., William M. Adams: "Although the argument has been propounded that the establishment of foreign manufacturing facilities exports U.S. jobs, our experience indicates that this is just not so. I cannot give you an accurate figure of how many of our employees owe their jobs directly to export, but I can tell you that, in many instances, lines would have been temporarily closed or restricted and employees laid off had it not been for the welcome export business that came into the house at that time.

"In other words, foreign plants stimulate exports and exports tend to cancel out the slack periods that occur from time to time domestically."

Pfaudler Permutit, Inc., William G. von Berg: It is a peculiar fact that in spite of our buildup of foreign manufacturing facilities, our export volume from plants in the United States did not suffer, but instead showed a tendency to increase. The reasons are several:

"First of all, we supply frit, a compound used in the glassing operation, to our foreign plants.

"Second, special parts and components are supplied from our U.S. plants to our factories abroad. As the activity of our foreign plants increase, so do our exports of frit, parts, and components.

"Third, as oversea customers became accustomed to our equipment and familiar with its advantages, orders for equipment in sizes which could not be made by our foreign plants were transferred to the larger U.S. plants for manufacture."

Dresser Industries, Inc., H. Neil Mallon: "In addition to the significant contribution which Dresser's export trade has made to our country's balance of payments, during the past 3 years over 5,800,000 man-hours of factory labor have been devoted to the production of export products. There is no way to determine how many additional man-hours of labor are attributable to our export trade as the result of our purchase of materials, components, supplies and services from others. If we assume that our suppliers sales require the same number of man-hours per dollar as did ours, this additional employment due to our exports amounted to 3,405,000 man-hours.

"We hope to continue to do our part in improving the balance of payments and in promoting full employment. We cannot do so unless we will be competitive with foreign manufacturers who already enjoy many advantages not available to us."

As John L. Connolly, general counsel of the Minnesota Mining & Manufacturing Co., pointed out in his testimony: "First of all, a substantial part of the investment is normally spent promptly for capital goods and services in the United States with a consequent return of dollars. Secondly, once the foreign activity is established, it usually generates additional exports in the form of materials, parts, services, and even finished goods. These exports in all likelihood would not occur if the investment had not been made. Thus, the short-run improvement that could be expected in our balance of payments from the proposed legislation is more apparent than real."

Pharmaceutical Manufacturers Association, Kenneth C. Royall: "A survey of 10 of the members of the association, which included several of the larger members, over the years 1956 through 1960 shows that the total inflow from these subsidiaries to the United States was $618,600,000 and the total outflow was only $78,500,000. Total inflow exceeded total outflow by $540,100,000, or by a ratio of 7.9 to 1. Official Government statistics show that over the same period the average annual exports of all medicinal and pharmaceutical products were $273 million and the average annual imports were only $16 million. These amounts of inflow will be no longer available if this legislation is enacted, because there will be no foreign market."

Joy Manufacturing Co., J. D. A. Morrow: "* * * (Joy's figures show) total 11-year parent company investment and advances to foreign subsidiaries of about $7,400,000 and dollar expenses of operating abroad of $11 million, a total dollar outflow of, roughly, $18,400,000. Please note that these outlays brought $170 million of exports in those 11 years, 60 percent of which went to or through our manufacturing subsidiaries abroad. In addition, payments of $7 to $8 million of engineering fees, royalties, dividends, and interest make a total net favorable balance of payments of $159 million, and the U.S. Treasury collected more than $16 million of income tax from these operations. Is that showing unfavorable to the U.S. balance of payments? Gentlemen, hundreds of other American foreign subsidiaries would present similar results if you had their figures."

Corn Products Co., Warren S. Adams: "We are a food company primarily. This means we operate on a low margin of profit. * * * There is in Europe tremendous competition in the food industry. We have to meet this competition and we have to invest money in Europe in the process. For us the Treasury's proposals mean not that we shall no longer invest money in Europe, but that a significant part of the investments we will have to make to protect our present investment there will be more costly than heretofore, and, thus, return less profit for remission to the United States."

Sprague International, Ltd., William M. Adams: "As a business grows, more working capital is needed. At present, this is supplied from foreign sources in local currency that has been earned abroad. Therefore, if this bill passes, the parent company will have to supply this capital from U.S. dollars instead of foreign currency and, furthermore, will have to earn twice as many dollars as would be the case using local funds. How this is going to help the balance of payments is beyond me."

International Flavors & Fragrances, Inc., Eugene P. Grisanti: "If this bill is passed in its present form, it would seem far more likely that such funds, in the majority of cases, would be reinvested, and not necessarily in new business in the less developed countries where so many uncertain risks are faced, but in the expanding businesses where the existing subsidiaries are already situated. Funds which may well have been kept idle until the time was ripe to make a decision whether to repatriate them as dividends, or to invest in plant expansion, will be forced into plant expansion instead before the end of the tax year to escape the tax."

Pfizer International, John J. Powers, Jr.: "Treasury's ultimate position is that while direct investment abroad may, in the long run, have a beneficial effect on the balance of payments, it nevertheless has a short-term deleterious effect. This is simply a recognition of the obvious fact that a dollar invested today will not be returned until some time later. Thus, it follows that if the dollar were not invested, then during the period it would have taken to return it, the balance of payments would be favorably affected. But later, when the return from dividends, interest, exports, royalties, fees, etc., would have exceeded the prior capital outflow, the balance of payments would be permanently hurt, and to a far greater extent than it had been temporarily helped. The farmer who is short of money can cut down on his expenses by not planting seed in the spring. But where will he stand at harvest time?

"Pfizer International has really been in operation only since 1951. In the period 1951 through 1961, Pfizer operations have resulted in a net inflow to the United States of about $250 million. This is despite the fact that it is only in very recent years that we have begun to pay substantial dividends to the parent company. Prior to that time, nearly all profits earned abroad were reinvested. In the face of such a circumstance we nevertheless achieved this highly favorable balance because we exported almost $200 million of U.S.-made goods to Pfizer foreign subsidiaries and because we brought home some $50 million additional in dividends, royalties, fees, etc. Now that our investment has begun to mature and large dividends are being brought home, we are returning dollars at an annual rate of $45 million. The parent company has not made any direct dollar investments abroad in many years and it is the policy of our company that its international organization provide its own financing."

Abbott Laboratories, George R. Cain: "For the 5-year period 1956–60, Abbott's exports from the United States exceeded its imports by $50 million. Abbott also received from abroad loan repayments, dividends, and miscellaneous income in the amount of $9.3 million—making a total inflow into this country of $59.3 million.

"The total outflow of dollars from this country by Abbott, during the same 5-year period, in foreign investments and loans was only $2.2 million. This gives our country a net favorable balance of $57.1 million. * * *

"Proponents of the foreign income provisions apparently would not understand how a company can expand its foreign operations rapidly with so little outflow of U.S. capital. The answer is simple and well known to all who have had international business experience. Foreign plants can be and are financed very heavily through the use of locally borrowed money in addition to earnings retained overseas. Thus, we increase our base upon which greater future earnings are built. These earnings redound to the benefit of the U.S. Treasury as well as our own shareholders. This is accomplished without a heavy immediate or long-term drain on U.S. capital."

The Machinery & Allied Products Institute: "The establishment of a permanent operation overseas serves to facilitate contacts with foreign customers and by giving the company greater local identification helps to penetrate markets which could not otherwise be penetrated. One company, with which we are familiar, prior to 1959 was unable to penetrate the German market to any significant degree. However, as a result of establishing an operation in that country it now finds that its German customers are not only willing to purchase from the German-based company unit, but, because of the greater local identification established by the U.S. company as a result of its German subsidiary, it now exports in substantial volume to the German market products which it is manufacturing in the United States."

Caterpillar Tractor Co., E. W. Kuhlman: "I wish to point out that none of our products are completely manufactured abroad; many of the components such as engines, transmissions, etc., are produced in our U.S. factories and exported to our foreign plants. If we did not manufacture the product abroad, the sale would not be made at all by us but would be made by a foreign competitor who would use no components manufactured in the United States. The significance of this factor is emphasized when it is noted that (1) our exports to Great Britain in 1960 were over four times those of 1950, the year before our subsidiary began operation; (2) our exports to Australia in 1960 were more than double those of 1955 when the subsidiary was formed; (3) our exports to Brazil in 1960 were more than five times those of 1956 when manufacturing began in Brazil."

Clark Equipment Co., Walter E. Schirmer: "Exports from Clark's U.S. plants in 1955 totaled $5,500,000, consisting solely of machines and parts to distributors. By 1961 such sales had increased to $12,500,000 and in addition component sales to manufacturing affiliates rose to $10,500,000, for a total of $23 million total exports from U.S. plants, excluding Canada. While total sales of Clark products overseas in 1955 therefore was only $5,500,000, in 1961 this figure has risen to $88 million including $65 million sales of the Clark manufacturing affiliates. * * *

"Clark's program of investment overseas, far from being detrimental to our U.S. investment program, has produced profits for the parent company both in the sale of components, never sold overseas, prior to this program, plus finished machines and service parts. This has provided increased funds in the parent company available for investment in facilities and working capital. During the years 1955–56 the parent company has invested in U.S. facilities and working capital $40 million, and in that same period has invested in Clark International $1 million. * * *

"Thus, it is obvious that the Clark foreign investment program has not in any way interfered with our domestic program, nor has it to any material extent affected our balance of payments, since the earnings of the parent company on its oversea exports has exceeded by far the original investment in International."

International Economic Policy Association: "A large part of the world is not available as a market for increased U.S. exports for cash. The Iron Curtain countries are a limited potential market for trade expansion for the near-term future; the underdeveloped countries do not have the resources to buy for cash—they are candidates for gifts and grants and so-called long-range, 50-year low- or no-interest loans. Therefore, our chance of selling more for cash is restricted pretty much to industrialized Western European countries and Japan.

"The question is, Can these exports be increased, not on a reciprocal, but a one-way unilateral basis by between $3 and $4 billion? With regard to Common Market countries, this much expansion in exports would require an almost 100-percent increase over 1961 products of $3.6 billion. * * * In total the immediate prospects do not come up to our needs.

"It is not, therefore, enough merely to exhort American industry to export more, because it is not likely that the total solution of the balance-of-payments problem will lie in this field in the foreseeable future, as long as we have to maintain our Military Establishment and the scale of foreign aid expenditures at levels comparable to the present. Therefore, the United States must think in terms of a long-range solution to this problem by expanding U.S. earning power abroad in ways other than exports; namely, the sale of services, and the making of investments on which growing amounts of earnings may accrue and, in the normal course of business activity, be repatriated to the United States. The encouragement of private investments abroad in hard, convertible currency countries must become one of the major objectives of the administration, with as much emphasis as given to the encouragement of exports."

As Mark H. Berens, of Mayer, Friedlich, Spiess, Tierney, Brown & Platt, told the Senate Finance Committee: "I cannot see that it is in our national interest to induce American investment operating in developed areas to be customarily in a minority position. American-controlled foreign investment has meant greater cooperation of foreign enterprise with American policies, as for example the very noticeable pressure in other countries to cooperate with the U.S. embargo of certain trade with the Soviet-Sino bloc."

Ellsworth C. Alvord, speaking for the U.S. Council of the International Chamber of Commerce, noted: "Reinvestment of profits in a developed foreign country would be limited to the same trade or business in which the foreign corporation is already engaged. This is an incredible requirement. It serves no apparent policy or equity purposes, yet it places a tax penalty on dynamic and progressive business practices. It penalizes switching to new products. It could conceivably be interpreted as penalizing the opening of new branches of the corporation's old business. It is unbelievable that Congress would saddle this sort of a restriction on American-owned businesses in the European Common Market at the very time when this area is on the threshold of the greatest growth in economic activity and competition that it has ever experienced."

Harnischfeger Corp., Frederick Salditt: "We, meaning ourselves, and all U.S. industry, must be able to deliver our products to the foreign purchaser competitive as to quality, price, terms and service. Our real foreign competitors (by this I don't mean oversea subsidiaries or licensees of U.S. companies) are a very formidable group and are becoming more so. Generally they have various official means of assistance at their disposal encouraging exports, and in no case that I know of do they actually have roadblocks and hurdles thrown in their path to make exporting more difficult.

"We and other U.S. companies have had to go into oversea manufacturing to remain competitive and to hold markets which we would otherwise lose completely. Our oversea manufacturing and investments have helped maintain and increase our exports from this country. In our business these two things are inseparable. The utilization of tax deferral methods has helped provide the wherewithal to do this and to keep our overall costs, both overseas and indirectly in this country, in line so that we can maintain our position and fend with our competition with some measure of success. Anything which discourages this kind of foreign investment by taking away one of the many tools which industry needs in this fight just as surely makes for less rather than more U.S. exports. We have enough problems just staying competitive, and if we are not competitive you may be sure that we will not export at all in the not too distant future."

International Economic Policy Association: "* * * unequal and inequitable tax treatment of income on U.S. investment in European subsidiaries may diminish the earning power of American companies operating there, to the extent that their foreign-owned competitors, enjoying more favorable tax treatment, may undersell, through competitive price reductions, the products of American-owned companies in Europe. Thus, the income on past investments, which the Treasury, in its assumptions, takes as a fixed item, uninfluenced by the current tax proposals, may in fact diminish, thereby reducing the amount of future earnings that may be repatriated."

Mayer, Friedlich, Spiess, Tierney, Brown & Platt, Mark H. Berens: "* * * no other major commercial nation taxes unremitted divided income to domestic shareholders (other than in personal holding company situations), nor do any have any legislation inhibiting the use of international trading, leasing, servicing, and licensing companies. Many give special tax preferences to foreign business income. Almost all of these nations have much larger per capita external investment and per capita export trade than does the United States. Moreover, their tax systems persisted through balance-of-payments crises far worse than we are now experiencing."

Pharmaceutical Manufacturers Association, Kenneth C. Royall: "* * * we would predict that if these provisions are enacted it will become virtually impossible for members of the Pharmaceutical Manufacturers Association to do business abroad. The Treasury Department has taken the opposite view. It has said that under these provisions American industry can continue to do business abroad because, as it states, the present demand for the products of foreign subsidiaries will continue as a demand for the exports from American industry.

"This assumption, we assert, is in error, certainly with respect to our particular industry. The proposed provisions will to a large extent dry up the foreign operations of the association's members.

"The reasons are simple. Foreign law and foreign competition require our individual members to conduct their foreign activities through foreign subsidiaries. The health codes and economic development programs of many foreign countries require that the final manufacturing and packaging processes occur in the country where the product will be sold.

"Even where there are no legal restrictions, foreign custom and prejudice require these processes to occur in the country where the product will be sold. For example, it is common knowledge that a French doctor will not prescribe for his patients a drug designated as American if a similar French drug is available. Nevertheless, as much of the manufacturing process as is possible or practical now occurs in the United States. But there is a limit to how far we can go. Without a substantial subsidiary in a foreign country and without foreign packaging, the market for our American products would be greatly reduced or—as to some important products—would disappear."

Price Waterhouse & Co., O. Kenneth Pryor: "It is not healthy for the future of our own economy to reason that if a U.S.-owned enterprise has to bear a greater tax burden than its competition, all that happens is that it may have to pay this additional tax from U.S. earnings, or from new capital. In either event, funds otherwise available for investment at home are taken away."

Clark Equipment Co., Walter E. Schirmer: "Following the overall profitability of Clark's program in industrialized countries such as France, West Germany, Great Britain, and Belgium, it was possible to provide, out of these earnings, for a substantial investment in Brazil, a less developed country. This investment now amounts to almost $10 million, no portion of which has come from the parent U.S. company. It is by far our largest single investment, and almost one-half of it was the purchase of machinery, tools and supplies here in the United States. Such an investment in a country such as Brazil requires greater capital, and a much greater risk because of dependence upon untrained labor, insufficient supplies either in quantity or quality of materials, lack of local capital, governmental instability, and other deficiencies. This plant was started early in 1957 and did not make any profits whatsoever until June, 1961. It will be at least several more years before our earlier losses can be wiped out and the entire operation considered satisfactory.

"As an officer and director of our parent company, I can assure you that no such investment of after-tax parent company earnings would ever have been risked in this project.

"If H.R. 10650 becomes law, I am not qualified at this time to say what its exact overall effect will be on our company, but certainly it is going to reduce materially our earnings from our oversea operations. This will, of course, cause a substantial reduction in our overall foreign investment program, with the major reduction taking place in the less-developed countries, where we will undoubtedly curtail any further expansion because of the risks involved."

Owens-Illinois Glass Co., R. H. Mulford: "Instead of stimulating American business to invest more money in the so-called undeveloped countries, it (the bill) would cut down the amount of risk capital available for such ventures. Profits from subsidiaries in developed countries make it possible to take the much greater risks in undeveloped countries. This bill not only discourages further investment in the countries which supply the risk capital, but it also puts an unreasonably short time limit on investment of oversea earnings in undeveloped countries before they are eroded by U.S. taxes."

Minnesota Mining & Manufacturing Co., Robert H. Tucker: "U.S. industry feels it has been a partner with the U.S. Government in raising the technological and living standards of other countries through our private investment programs. It has been U.S. foreign trade policy to increase exports * * * and yet a tax bill has been designed which will tend to reduce the amount of U.S. exports. As a representative of a company engaged in foreign trade for many years, it is my firm belief that many sections of this bill relating to foreign activities will have a practical effect which will run directly counter to what I have understood to be the U.S. Government's foreign trade policy."

The Machinery & Allied Products Institute: "It should be emphasized that earnings brought back to this country will normally not be transferred to underdeveloped areas. We have been informed by some companies that top management is extremely reluctant to approve new investment of capital in countries of South America, Asia, or Africa from earnings generated within the United States because of the relatively high risk accruing to such investments."

For 28 State and regional chambers of commerce, John L. Connolly: "American investments and business operations in the highly developed countries have brought benefits to the underdeveloped countries. Improvements in production and marketing in other highly developed countries, as well as in the United States, have lowered the prices of goods and services, brought new products into being, and increased the availability of new productive facilities and techniques for the underdeveloped countries.

"The profits of American business in the more highly developed countries have provided surplus funds which may be invested in these countries or the underdeveloped countries. The increased prosperity in the highly developed countries to which American business investments have contributed also make it possible for these countries to share with us the foreign aid programs for the benefit of the underdeveloped countries."

International Flavors & Fragrances, Inc., Eugene P. Grisanti: "If it is a worthy objective to foster investment in the less developed countries, must an American company be penalized by an extra tax burden, unless it does so? This is, in essence, what the tax bill does. United States businesses were once encouraged to assist in rebuilding and investing in the devastated economies of Western Europe after World War II. Will the American companies who now respond to the call to invest in the less developed countries, after a decade or more has passed, be penalized for their initiative, as this tax bill seeks to penalize those who have responded to a previous call

Committee of 18 New York tax lawyers: "The bill's provisions in respect of foreign income are so complex, overlapping and replete with unprecedented tests that it is difficult to analyze them. The members of this group submitting this report are experienced in matters of tax law; they have spent over 40 hours in group discussion and countless hours of individual study reviewing the contents of the aforementioned sections.

"Despite this, the practical problems of working with the proposed legislation are so immense that the group has found it difficult to understand the bill and impossible to measure its full impact. So many new concepts are included in the bill that a definitive technical analysis by tax practitioners has been virtually impossible. The complexity of its provisions can only cause uneven and arbitrary enforcement and administration of the bill. Skilled tax practitioners will undoubtedly find technical loopholes.

"On the other hand, many U.S. entrepreneurs will by chance find themselves caught by extremely harsh provisions of the bill which by proper planning could have been avoided. Revenue agents cannot be reasonably expected to understand the provisions or to enforce them uniformly. Thus, the impact of the bill will be haphazard.

"The immense complexity of the proposed legislation can only occasion immense and unprecedented difficulty and cost of administration and compliance. The administration of section 13, as now drafted, would require, to mention a few of the worst, regular determinations: whether a foreign corporation is controlled at any time during the year; whether a taxpayer directly or indirectly owns 10 percent of the voting power or total value of the shares of a controlled foreign corporation; whether patents, copyrights, and exclusive formulas and processes were substantially developed, created or produced in the United States; amounts of royalties to be imputed to exploitations of such U.S. source intangible rights; whether fees are for services or for the exploitation of intangible property rights; where the ultimate destination of goods is; where certain goods are deemed to have been manufactured; whether earnings are reinvested in substantially the same trade or business; and whether investments in property are ordinary and necessary to the active conduct of a trade or business as to be qualified property. Each of these determinations normally will be difficult and costly, and frequently will be virtually impossible.

"In reading it, one is impressed with the highly complicated and uncertain language employed, which will take years to clarify, and has the feeling that it was concocted in great haste and without due consideration of all of the phases of U.S. foreign operations.

"The result can only be long-drawn-out controversy, years of uncertainty as to the tax liabilities of major segments of our business community, and possible eventual dictatorial imposition of tax liabilities with no adequate opportunity for appeal or review.

"Under present law, if the foreign subsidiary were a branch instead of a subsidiary, not only would its income and earnings be taxable to the parent corporation, as this act would have it, but also its losses would be available to the parent corporation to offset other taxable income. But if the proposed act is passed, there is no provision at all for the utilization of a foreign subsidiary's losses by the American parent corporation to offset other taxable income. It is very possible for the parent corporation to be taxed on income or earnings of the subsidiary which were not paid to it in the year of taxation and which will never be paid to it because of subsequent losses by the subsidiary."

Corn Products, Co., Warren S. Adams: "The transparency of the neutrality concept is quite clear. In one breath it is stated that 'neutrality is a fundamental principle of taxation in the United States.' In the very next breath the same spokesman says 'historically we have not adhered to the tax neutrality concept as it relates to domestic and foreign corporate income.' And in still another breath we are told that this fundamental principle, which is honored far more in the breach than in the observance, should be followed as far as investments in developed countries are concerned, but should be disregarded as far as investments in underdeveloped countries are concerned—someone in the executive department making the determination from time to time as to which country falls into which category.

"In addition, there is the problem of the constitutionality of the proposals. To tax one on income that has not been received and, indeed, may never be received, as for instance, if subsequent losses wiped out dividends paying ability, would seem to deny due process."

International Economic Policy Association: "Contrary to the claim of the administration that current taxation of foreign profits of foreign corporations will produce tax neutrality, the proposal will add another inequity in the law by burdening American business overseas with a heavy U.S. tax when their competitors are not so burdened."

Price Waterhouse & Co., O. Kenneth Pryor: "No one can quarrel with espousal of 'equity' or 'equality,' or with the removal of 'special privilege' and 'preferential treatment.' But the facts are that these proposals would create burdensome inequities and inequalities and no case has been made that 'special privileges' or 'preferential treatments' generally exist.

"These earnings could not even be offset by losses of the same foreign corporation in other years; or by current losses of other controlled foreign corporations. Thus, inequitable as it would be, the domestic corporation could owe an income tax in an amount that would be greater than the total income actually realized by it and its foreign affiliates."

Clark Equipment Co., Walter E. Schirmer: "But between whom do they wish to assert this neutrality? If our foreign competitors pay lower taxes, the imposition of higher U.S. taxes on the earnings of our foreign companies will not impose such neutrality between these Clark foreign companies and their local foreign competitors. A controlled foreign corporation of Clark domiciled completely overseas and carrying on no business in the United States receives no services from the United States so any tax charged on its income not transferred to the United States is certainly not tax neutrality.

"Many of the provisions of this legislation have questionable legality, and may be considered by some countries a violation of existing tax treaties."

Adrian A. Kragan, professor of law, Berkeley, Calif.: "In the event that an accretion to wealth in and of itself can be considered as income for U.S. income tax purposes, we would only need to consider whether the proposal to measure an income tax by such accretion accorded the taxpayer due process of law. In essence this is the much considered and discussed question of whether realization is necessary in order to have income within the meaning of that word in the 16th amendment of the U.S. Constitution.

"The focal point for any discussion of the doctrine of realization is the classic *Eisner* v. *Macomber* case. In *Eisner* v. *Macomber* there was, in my opinion, a clear and unequivocal statement that income of a corporation could not be taxed to the shareholder without a receipt of that income by the shareholder, i.e., that realization in some measure is essential to the definition of income for Federal income tax purposes.

"The Supreme Court of the United States has never seen fit to overrule the fundamental doctrine enunciated in the case. In fact, even where the court has distinguished *Eisner* v. *Macomber*, it has actually or impliedly recognized the continuing validity of the definition insofar as realization is concerned.

"The doctrine that the corporate entity is an entity distinct and apart from that of its shareholders is one of long standing in Anglo-American law and in our revenue system. The Supreme Court in *Eisner* v. *Macomber* placed this doctrine on a constitutional footing when it stated that the income of a corporation was not income to a shareholder within the meaning of that term in the 16th amendment.

"The Supreme Court has indicated that this constitutional prohibition does not exist when the corporate entity is not a real entity, when the corporate entity is in effect a mere form without substance.

"We are dealing in the area of taxation with a constitutional definition of income enunciated by the Supreme Court and with the apparently established right of the taxpayer under the due process clause of the Constitution to be free from compulsory taxation on that which is not and cannot be obtained or enjoyed by him. Whether the shareholder has sufficient 'control' to be an 'insider' for the purposes of the Securities and Exchange Act or has sufficient 'control' to be considered as falling within the reach of the Public Utility Holding Company Act is not relevant in the instant situation where established specific constitutional questions must be resolved.

"In the cases decided since *Collector* v. *Hubbard*, which have determined that the corporate entity should be disregarded and corporate income attributed for tax purposes to the shareholders, there was no doubt that actual command of the corporate income existed in the shareholders.

"This actual command of the income is the essence of the Treasury's own regulation on constructive receipt of income (Reg. 1–452.2 (a)). However, the provisions of section 13 of H.R. 10650 would allow the taxation of income to shareholders who had no command of the income and no possibility of acquiring actual control of it. Under the provisions of section 13, a shareholder who owned 10 percent of the voting power of a foreign corporation and who had no relationship with the other shareholders, no representation on its board of directors, and no actual power to determine its policies would be considered to have constructively received income of the corporation which as a matter of actual fact he might never receive or have command over. Further, this attribution might occur even though the corporation could not have distributed the income to its shareholders by reason of the law of the country of its organization.

"The fact that the shareholder happened to be an American and that 51 percent of the total corporate shares were held by Americans is hardly a sufficient basis upon which to conclude that he had actual control over the corporate income. It cannot be logically reasoned that the remaining American shareholders were subject to his domination and control as if they were members of his family for it is manifest that shareholders who possess only a common nationality do not have the same common economic interests as do members of a natural family group. With respect to the 10-percent American shareholder, there is in my view no difference between a situation where 41 percent of a 51-percent American majority is in the hands of unrelated Americans and one where all the shares other than his 10 percent are in the hands of foreign shareholders.

"The attribution of the income of a bona fide operating corporation as provided in section 13 of H.R. 10650 would appear to attribute the income of A to B in violation of constitutional principles."

Mayer, Friedlich, Spiess, Tierney, Brown & Platt, Mark H. Berens: "In most of the developed countries, the effective tax rates (for domestic income) are from about 5 to 25 percentage points below the American corporate rate, which means that if this legislation is adopted, American investors in the long run must either divest themselves of their majority position in foreign corporations operating in developed areas or retain a smaller portion of the market than they would if their tax cost were equal to competitors in the same markets.

"This choice is even more acute to the extent that the legislation inhibits use of international trading, leasing and service companies, or of companies exploiting intangible rights on an international basis. Such so-called tax haven companies must compete with foreign financed enterprises performing the same type of activities at rates seldom exceeding 15 percent. It is these types of international companies that most effectively have developed U.S. exports in competition with foreign made products."

State and regional chambers of commerce, John L. Connolly: "We are opposed to placing all taxpayers operating in these countries in a straitjacket because of tax evasion by some."

Corn Products Co., Warren S. Adams: "The Treasury's tax proposals will bite this company to the tune of $2 million a year. And, yet, I know of nothing reprehensible that we are doing in the foreign field by way of playing games with the U.S. Treasury.

"We think it only fair and honest that it be conceded that sufficient law exists today to meet most of such abuses—as the shell corporation or the intercompany loan that, in fact, is not a loan, or downright dishonesty in the failure to report transactions."

Clark Equipment Co., Walter E. Schirmer: "We certainly agree with the proponents of the bill that tax deferral should not be obtained by so-called 'paper companies' in sham operations. However, the U.S. Treasury now has the necessary preventive controls available to control such situations, if properly exercised."

Mr. McCARTHY. Madam President, it is said that many American industries establish operations abroad in order to avoid taxation. I say these developments occur primarily for other reasons, not for taxation reasons.

One charge which is made is that tens of thousands of U.S. companies have gone abroad to avoid U.S. taxes.

Madam President, an estimated total of 3,000 American firms are engaged in foreign trade. Of these, approximately 900 have foreign subsidiaries. Virtually all of these are legitimate businesses which annually report all financial data to the Commissioner of Internal Revenue. Most abuses are in the area of individuals who have incorporated bank accounts. These can be stopped through the unreasonable accumulations approach, without hitting legitimate oversea operations.

Another charge which is made is that American industry is satisfied with the provisions of the Kerr amendment.

But this is not so. Although public hearings were not permitted on the Finance Committee amendment, American industry—and its representatives, such as the National Association of Manufacturers and the U.S. Chamber of Commerce—testified before the Finance Committee with near unanimity against the provisions parent to the Finance Committee amendment. Specifically, industry is opposed to the violation of the 50-year-old principle that income is not taxed until it is received. The Finance Committee proposals penalize companies in the less developed countries which have relatively low income tax rates. Also, they work against small companies and medium-sized companies which have not yet built or paid for their plant and equipment or repaid their indebtedness. They work in favor of large corporations, such as Ford Motor Co., which already have established large facilities abroad in high income tax countries, such as the United Kingdom, which has a 53.75 percent corporate tax rate, and Germany, which has a 51 percent corporate tax rate.

Another charge is that whole industries like the typewriter industry go abroad to avoid taxes. This results in the export of thousands of U.S. jobs.

However, first, these industries do not produce abroad for tax reasons, but rather for other economic reasons. Second, if American companies did not go abroad to produce, the U.S. market would be taken over by foreign-owned firms—Olivetti, and so forth—and the United States would lose dividends, interest, royalties, and so forth.

Another charge is that section 12 is needed to stop movie producers and movie stars from setting up incorporated "pocketbooks" abroad to avoid U.S. taxes.

But the McCarthy amendment would accomplish this purpose without injuring legitimate U.S. business abroad. Accumulations would not be allowed for the purpose of avoiding U.S. taxes.

Another charge is that the present draft as amended by the Finance Committee makes special concessions for underdeveloped countries and is consistent with Alianza program, and so forth.

However, while it does allow for reinvestment of the earnings of underdeveloped country corporations in underdeveloped countries, the present draft is not consistent with Alianza, and so forth, in the following respects: First, it does not allow for reinvestment in underdeveloped countries of earnings from developed countries; second, the Kerr sliding-scale amendment treats underdeveloped countries—which usually have lower effective tax rates—worse than it treats developed countries, the burden of repatriation or taxation consequently could be much heavier on the low-tax countries.

The Finance Committee export trade corporation amendment is more confining in less developed countries, because of the promotion expense limitation. In developed countries, competition usually necessitates greater promotion expenses and results in less limitation than is imposed in less developed countries, which have greater risk but usually lower promotional expense.

The sixth allegation is that the present section 12 provides protection for qualified investment in countries whose designation may be changed from "underdeveloped" to "developed."

This is true only as to qualified investment already made. Protection is not given to committed investment which would be qualified. Let us assume that a corporation had committed itself to a $5 million investment program to be completed over 5 years. If only $1 million had been invested when the country designation was changed by the President, this would be the only part of the investment protected, even though it might be worthless unless the commitment for the other $4 million were fulfilled.

I cite this as a special example of the kind of confusion which would be injected into American business overseas if this committee amendment were adopted.

The seventh allegation is that section 12 would not make U.S. business noncompetitive. This being an income tax, the fact that it would have to be paid means that we have already successfully competed. That is the allegation.

Obviously, it would not make all American businesses noncompetitive, but it would put all of them at a competitive disadvantage, and in some cases make them noncompetitive. Obviously, we measure the success of a business venture in terms of earnings after taxes, whether we use them for dividends, reinvestment, replenishing inventories, or increasing promotion expenses. If a U.S. subsidiary in Europe must pay 52 percent on all earnings and is competing with a Swiss subsidiary of a German parent which is paying a tax of only 10 to 15 percent, it has less earnings available for replenishing inventories, hiring more salesmen, buying more advertising space, and conducting other activities which would make it a more effective competitor.

If we were to think of a 1-year basis and say this is successful because, despite the tax law, there is a profit, or say that only when there is a profit is a tax to be imposed, we might make a case. The fact is that it has to be based on a projection of operations over a longer period of time. To make this kind of argument is to attempt to distract the attention of the Senate away from the real question which should be its concern.

The eighth allegation is that the use of "tax haven" subsidiaries is unique to American business and should be eliminated as an artificial incentive. I put the words "tax haven" in quotation marks because the term has come to take on a connotation far beyond what in many cases it should carry.

The answer is deserving of the Senate's consideration. According to Treasury Department figures, U.S. corporations have 1,025 subsidiaries in Switzerland. Five European countries, with a smaller total gross national product than the United States, have an estimated 1,474 Swiss subsidiaries.

I cite this to make the point that, far from being unique to American business, they are even more widely used abroad than in the case of our country. Second, instead of being artificial incentives to tax avoidance, foreign based sales companies are essential to maintaining the competitive position of U.S. business in world trade, particularly in the Common Market area. They will become, I think, much more important in that area as the Common Market develops, as they have in the recent past.

The ninth allegation is that there is no reason why U.S. corporations operating abroad should not pay the same taxes and bear the same burden of paying for government as U.S. companies operating here at home.

This would seem to be a compelling argument unless one looked beyond the superficial and immediate period. In the first place, these are not two different classes of companies. Corporations doing overseas business are domestic companies that do a substantial amount of the total domestic business, for the most part, and pay U.S. taxes.

Second, they bear the same burden under present law when the foreign earnings are available to the U.S. parent as domestic earnings do. When these earnings are repatriated they are subject to the same tax as if earned in this country.

Third, even Secretary Dillon, in making the same statement, related the tax burden which should be borne to the receipt of equivalent or equal services from the U.S. Government. U.S. companies do not receive equivalent services from the U.S. Government on unremitted earnings of foreign affiliates as they do with respect to domestic earnings.

The argument could be made that it is imposible to establish a ratio or proportion and say they should pay so much or repatriate so much. The fact is that they do not receive the same service on unremitted earnings.

A further consideration is that it is an altogether different kind of competitive situation. To say that they should pay the same taxes as firms doing business in the United States pay is to be utterly unreasonable and to neglect the basic facts of the situation—first, that they do it on what is repatriated; second, that they do not receive the same services; third, that they are operating in a different kind of competitive situation.

All these factors should be taken into account as we consider the possibility of changing the tax law in this regard.

The tenth allegation is that foreign investment should be discouraged because of its adverse effect on the balance of payments. The adverse effect results from a timelag of 10 to 15 years between the export of capital and the return on the investment. So the argument runs.

If one were to take a section out of time, I suppose there would be strength in the argument. We must base it either on the overall record or on the historical record of investment overseas and the return of capital or investment. On that basis, if we look at the record in recent years—the last 12 years of the postwar period—the record shows that foreign investment does not adversely affect the balance of payments. Except for the year 1957, the inflow to the United States of dividends and interest on U.S. investments abroad has exceeded the outflow from direct investments in every year since 1950. Over the 12-year period mentioned, the net inflow to the United States—the excess over what went out by way of investment—has been $8,552 million.

I ask unanimous consent that a table showing the record in each year from 1950 through 1961 may appear at this point in the RECORD.

The PRESIDING OFFICER (Mrs. NEUBERGER in the chair). Is there objection?

There being no objection, the table was ordered to be printed in the RECORD, as follows:

SCHEDULE A

Dollar inflow and outflow to direct investment—Companies abroad, 1950–61

[In millions of dollars]

Year	Direct investment outflow	Dividends and interest inflow	Net inflow
1950	621	1,294	673
1951	528	1,492	964
1952	850	1,419	569
1953	751	1,442	721
1954	664	1,725	1,061
1955	779	1,912	1,133
1956	1,850	2,120	261
1957	2,482	2,240	−233
1958	1,181	2,140	959
1959	1,372	2,206	834
1960	1,694	2,348	654
1961	1,681	2,637	956
Total	14,432	22,984	8,552

NOTES

1. Data from Department of Commerce. See p. 3.
2. Covers all areas and all activities, branches, and subsidiaries.
3. Unremitted branch earnings are included in both "Outflow" and "Inflow" columns.

Mr. McCARTHY. Certainly, this is the best evidence, in my judgment, to answer the charge that this tax program should be adopted because the record foreign investment should be discouraged because of its adverse effect on balance of payments.

The record, taken as a whole, shows that there has been a net gain over the period of 11 or 12 years of more than $8 billion.

It is argued that if investment abroad were curtailed there would be more to invest within the United States, and that such added investment in the United States would provide more jobs in the United States, whereas the investment abroad is equivalent to the exporting of jobs.

I submit that these allegations are made without any real attention to the economic facts of life in this picture. I assume that there are some limited areas in which there has been some export of jobs. It is impossible to sort out the cases in which that would be true.

Again, one must look at the overall picture on the basis of competent testimony and on the basis of the record, to come to some reasonable conclusion. The conclusion at which I have arrived, after participating in the hearings on this bill and giving the subject most careful study—because certainly I am concerned about possible export of jobs, about unemployment, and about the flight of industry, when those things occur—is that the tax program as recommended would prevent the loss of jobs in America. I am convinced that it would contribute to an increased solving of the problem of unemployment and would not cause the loss of jobs to Americans.

I speak, of course, of the program I am recommending.

In my judgment, direct investment in business operations abroad has created substantial employment in the United States. I should like to cite some of the facts given in the testimony which was presented to our committee.

Abbott Laboratories testified that company employment in Chicago rose by 50 percent in 6 years as a direct result of the increased capital investments abroad. This, they said, would not have happened without their oversea outlets.

Dow Chemical representatives testified that more than 3,000 employees in the United States are directly employed in support of their foreign sales.

Dresser Industries, to which reference was made earlier today, testified that "additional employment due to our exports amounted to 3,405,000 man-hours."

Minnesota Mining & Manufacturing Co., which is a most reputable firm in my State, said:

> Exports are increased by foreign manufacturing operations. Business begets business. In 1951 a handful of our people handled our total foreign business. Today, 1 out of every 10 employees in our domestic factories owe their jobs to our foreign operations.

The statement by the witness from the Minnesota Mining & Manufacturing Co., at least with reference to what it has to say about the balance of payments, is particularly deserving of the attention of Members of the Senate. Certainly to the extent that it gives additional data in regard to the flow of investments, the return of capital, and the return of income to the United States, it has a special bearing upon the debate in the Senate today.

I have no reason to question this testimony, or to believe that this is not a reasonably accurate judgment on their part, or that it is not an honest conclusion and an honest statement of their judgment with regard to the possible effects of the proposed tax change.

Cutting back on growth abroad would result not in greater U.S. production but in curtailed U.S. production as a result of lower levels of exports to support the oversea subsidiary operations. It will not improve the balance of payments. It will not create jobs but may well destroy them.

Madam President, I ask unanimous consent to have printed in the RECORD exhibit A, which makes reference to a statement made by the Assistant Commissioner for Compliance of the Internal Revenue Service, particularly with respect to section 482 of the present law, dealing with the allocation of earnings of controlled corporations; schedule A, to which I referred earlier, regarding dollar inflow and outflow to direct investment; and schedule B, regarding dollar inflow and outflow to direct investment abroad.

There being no objection, the exhibit and schedules were ordered to be printed in the RECORD, as follows:

EXHIBIT A: ASSISTANT IRS COMMISSIONER FOR COMPLIANCE SAYS PRESENT LAW NOT USED TO FULL POTENTIAL

In a speech before the American Management Association on Thursday, April 26, 1962, William H. Loeb, Assistant IRS Commissioner for Compliance, made the following statements:

Present tax law allows IRS to reallocate income among the related corporations where necessary to prevent evasion of taxes. These reallocation decisions are subject to court review, but the courts have ruled IRS can reshuffle income if the intercompany prices are higher or lower than would be charged if the corporations weren't related. This is known as the arm's-length rule.

He added that perhaps IRS hasn't yet "used the full potential" of the law that allows it to reallocate income. "In the future we intend to utilize that potential to the fullest extent possible," he said. He added IRS will be helped in this by a 1960 law requiring more detailed reporting of foreign transactions by U. S. taxpayers.

SCHEDULE A

Dollar inflow and outflow to direct investment—Companies abroad, 1950–61

[In millions]

Year	Direct investment outflow	Dividends and interest inflow	Net inflow
1950	$621	$1,294	$673
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1952	850	1,419	569
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1957	2,482	2,249	−233
1958	1,181	2,140	950
1959	1,372	2,206	834
1960	1,694	2,348	654
1961	1,681	2,637	956
Total	14,432	22,984	8,552

NOTES

1. Data from Department of Commerce. See p. 3.
2. Covers all areas and all activities, branches, and subsidiaries.
3. Unremitted branch earnings are included in both "outflow" and "inflow" columns.

SCHEDULE B

Dollar inflow and outflow to direct investment abroad—Pfaudler Permutit, Inc.

[In thousands]

	10 years (Jan. 1, 1952, to Dec. 31, 1961)	
	Amount invested abroad	Amount of income received in United States (before U.S. income taxes)
Western Europe	$40	$2,385
Far East	154	1,364
Western Hemisphere (outside United States)	1,088	450
Total	1,282	4,199

(During the delivery of Mr. McCARTHY's remarks:)

Mr. KEATING. Madam President, will the distinguished Senator from Minnesota yield?

The PRESIDING OFFICER. Does the Senator from Minnesota yield to the Senator from New York?

Mr. McCARTHY. I yield to the distinguished Senator from New York.

Mr. KEATING. Madam President, I ask unanimous consent that my remarks be printed at the conclusion of the remarks of the Senator from Minnesota.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. KEATING. Madam President, I wish to express my support of the amendment offered by the distinguished Senator from Minnesota. As he knows, it is a matter in which I have had a deep interest. I believe he has fashioned an amendment which should be agreed to.

It strikes me that section 12 of this bill is in direct conflict with the objectives of the pending trade bill and with our overall effort to strengthen and expand the economic ties that bind the free world.

Our investments overseas allow us to get into markets from which we might otherwise be excluded. They help our allies and the free world to grow and prosper. They earn money for American shareholders; in the final analysis, they result in a net inflow of gold back into the United States. Finally, they create work for American workers who make parts for products assembled overseas, and who are engaged in all of the other work connected with the transactions by foreign subsidiaries.

There are, of course, people who take undue advantage of this privilege. They are like tax chiselers anywhere. We must use a fine toothed comb to ferret them out. It would be a great mistake to adopt a broad, comprehensive, new, and unwise tax principle simply to avoid abuses in this area. The amendment of the junior Senator from Minnesota is so carefully worded that he meets that proposition, it seems to me, properly. His amendment would toss out the dirty bath water but save the baby.

Every other nation which does business in world markets and which earns capital overseas permits deferral of oversea income until repatriated. If we restrict our American firms from doing this, we will seriously threaten their ability to compete. It would be a wonderful thing for their competitors—but it would be a very bad turn of events for us and our industries and our workers.

Let me cite a comment by a Canadian newspaper reporter writing in the Toronto Financial Post. He says this bill will put our U.S. firms overseas at a big disadvantage.

He says in part:

> It is certainly clear, in the field of foreign trade, that a foreign corporation controlled by Canadians—or an oversea trade corporation in Britain—will have a decided advantage over its U.S.-owned competitors.
>
> The new law will also serve to trim American sails in Europe, increase the downward pressure on the U.S. dollar and indirectly assist Britain's entry in the Common Market.

Then he says:

> Let's hope that Ottawa encourages Canadian business to take full advantage of the mistakes south of the border.

Another source of expert opinion which I respect in this area is former Assistant Secretary of the Treasury Dan Throop Smith. His testimony before the Finance Committee on this point was most lucid. He said in part:

> American parent companies usually establish foreign subsidiaries to maintain a position in foreign markets or to secure a position in new markets. They do not establish foreign operating subsidiaries as an alternative to expansion at home for production of export commodities. When foreign markets become large enough and foreign conditions for production good enough, production is going to take place abroad. There are plenty of local companies able and anxious to expand to meet domestic requirements in foreign countries, and plenty of large corporations in other major industrial countries able and anxious to set up their own foreign subsidiaries, and active in doing so. If our country is to get its rightful competitive share in the expanding income of the world, our business firms must be free to compete where production is taking place.

And, again he sums the situation up neatly when he says:

> American-owned subsidiaries abroad are in competition with other businesses abroad; they are not primarily in competition with domestic production in the United States.

Madam President, the evidence I have seen and the people I have talked to have convinced me that this amendment is highly desirable. It is a complicated and difficult subject, but the essential question is, are we to compete or retreat. I favor competition. I want our Nation's private industries to continue to show the world that American "know-how" and ingenuity—both at home and abroad—have got what it takes.

For those reasons I am glad to support the amendment offered by the distinguished Senator from Minnesota, and I am grateful to him for allowing me to intrude on his time.

Mr. McCARTHY. I appreciate the support of the Senator from New York.

Mr. JAVITS. Madam President, I ask unanimous consent that my remarks may follow those of the Senator from Minnesota [Mr. McCARTHY] as they relate to the amendment which I jointly sponsor with him.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. JAVITS. I have every hope that tomorrow Senators will read the RECORD of tonight, because we shall then have only a relatively short time for debate. I shall do my utmost to summarize why the approach which is taken by the Senator from Minnesota [Mr. McCARTHY] and myself in respect to making the taxation of the earnings of foreign subsidiaries a matter cognizable under the unreasonable cumulation of surplus provisions of the law, rather than by direct taxation and imputation to the American stockholder, is superior in every way to the scheme which is contained in the bill. It seems to me that our proposal rests upon four arguments.

First. The essential competition with foreign operators in the foreign field.

Second. The fact that the provision in the bill will work adversely with respect to new firms which do not have an established and longstanding pattern of operations abroad.

Third. It makes a distinction, which will turn out to be invidious to our own national interest, between developed nations and less developed nations.

Fourth. Because the so-called escape valve which the Committee on Finance has established in order to make the provision more palatable will not act as such because it is based upon the fundamental proposition of taxing corporate earnings to shareholders before distribution. This is something the United States has never done in terms of operations of this nature, except possibly with respect to personal holding companies, which we are not arguing about here, and something which no other country has done. Yet we must compete in international investment with the nationals of all other countries.

One thing which the Senator from Minnesota did not discuss, but which I should like to refer to, is that much was made in the hearings about the balance of payments. Very elaborate tables were submitted by the Secretary of the Treasury, in which he endeavored to show that there was too long a timelag between oversea private investment and repatriation through earnings of that investment. I challenge that concept and invite Senators to examine in that regard the rather important and, I think, proper analysis which appears on pages 3891 to 3907 of the record of the hearings. The analysis demonstrates, in my view, the fallacy of the Secretary's arguments on that score. I shall obtain, and offer tomorrow in the debate, precise figures which were developed before the Joint Economic Committee, and which indicate how this gap is rapidly being closed and how advantageous we already begin to see will be the income from overseas to private investments by American investors and Americans who operate through subsidiaries overseas. The gap is closing very rapidly. The increase is quite marked. I shall take great pleasure in presenting those figures to the Senate tomorrow.

Now I shall comment upon the points which I have stated. First, as to competition with foreign operators, it has already been made clear that we are engaged in a profound struggle in the world. We are not alone in the world. We are deeply affected by world affairs, and must have important and material world sources to dispose of our exports. Those exports are made up not only of goods and services which we sell abroad; they are also made up of parts and other equipment which we send to American subsidiaries which manufacture overseas in a very important way.

In addition, we do not wish to be disadvantaged in our competition for export markets, which are very often heavily supplied by foreign subsidiaries producing under favorable conditions. Our exports cannot compete unless we encourage the establishment of subsidiaries and investments abroad. The factor of competition is critically important, both to our world position and to the exporting of our surplus. Also, we must remember that we cannot write the tax bill in such a way as to confound and bedevil our international interest in the expansion of trade abroad, which we shall deal with in another bill which will follow rather rapidly on the heels of this one. Yet, it strikes me that that is precisely what we are doing in this situation.

The second provision drafted by the Committee on Finance is adverse to the new premise, that essentially, at least with one of the escape valves, which is generally considered the major one of the escape valves, is a provision under which the overall foreign company tax paid with respect to U.S. operations "is not substantially below what the U.S. tax would be on the income." This completely disregards the competitive factor which I have described. It completely disregards the higher taxes paid by U.S. citizens for reasons quite apart from income which they earn from the foreign operations or which accrue from foreign operations. That also is really an escape valve only for a corporation which has established a longstanding practice in this regard and is only advantageous to it. It does not serve the needs of small and new firms at all, which will be hit by the principle of taxing corporate earnings to shareholders before distribution, which continues unless the corporation comes under the escape valve.

Mr. CURTIS. Madam President, will the Senator from New York yield?

Mr. JAVITS. I yield.

Mr. CURTIS. Is it not true that the so-called escape valve will lessen the dollar impact on certain taxpayers, but will not eliminate the basic objection to the faulty premise upon which the Treasury has based the whole scheme?

Mr. JAVITS. The Senator is exactly correct; not only the false premise, but the unprecedented premise.

Mr. CURTIS. And the unconstitutional premise.

Mr. JAVITS. That will certainly be argued. I have little doubt that it could be considered as taxing income which is imputed and not received, or even accrued.

Mr. CURTIS. One of the most distinguished legal authorities in the country, Prof. Adrian A. Kragen, professor of law at Berkeley, Calif., has written an excellent paper on this subject. I believe his conclusions are sound. When I spoke on this subject last Saturday, I placed Professor Kragen's statement in the Record, and it appears on page 17605 of the Record of August 25, 1962. To say the least, we are inviting controversy and lawsuits by this action, and that will mean tax uncertainty; and uncertainty will destroy plans for going ahead with business. I thank the Senator from New York for yielding.

Mr. JAVITS. I thank the Senator from Nebraska for his very pertinent and wise observations, which are extremely helpful to the total argument.

I should like to deal now with a subject which is perhaps most native to me in terms of my experience in Congress, that is, the basic distinction which is made, or attempted to be made, in the proposed legislation between investments or subsidiaries which operate in developed countries and those which operate in less developed countries.

Let it be clear that the income which we are talking about as it comes from the less developed countries must not only be income which is derived from those countries as a practical matter, but also must be the result of income which comes from a reinvestment in those countries. It must be derived from and reinvested in those countries. I think the distinction here is not only artificial but is also likely to be very damaging, for the reason that the main thrust of our present effort to equalize the situation in terms of exports between ourselves and the European Common Market is today directed toward the investments in these very subsidiaries in the European Common Market countries, which tomorrow will be much more powerful, for I have no doubt that the British and the members of the so-called Outer Seven—the European Trade Association—will become members of it. This proposed tax law loads the situation against the very companies which right now should be encouraged, in order to protect the American position in this way, rather than be discouraged and penalized by it.

Furthermore, we are trying to get the developed countries to share with us the responsibility for foreign aid to the less developed countries; and one of the big ways we can do that is by doing business in the developed countries in a creative way, in the effort to work out those arrangements with businesses in those countries. But this committee amendment would go in exactly the opposite direction, by placing a heavy penalty on that operation. In addition, the committee amendment would prevent the supplying from the developed countries to the less developed countries which these firms will wish to do, because the test would be that the investment must have been attributable to one in a less developed country. Therefore, our whole effort to help in the development of the less developed countries would be thwarted by these tax provisions.

It seems to me this committee amendment is completely inconsistent with the whole basic policy we are adopting with respect to world economic cooperation, with respect to our trade policy, with respect to our investment policy, with respect to the relationships between American businesses and foreign businesses, and with respect to the competition between American businesses and foreign businesses.

As I developed in the course of my colloquy with the Senator from Minnesota, it will not produce more taxes. On the contrary, I am more and more becoming convinced that it will produce less taxes, whereas the flexibility and the power available under our amendment with respect to the unreasonable accumulation of surplus will give the Collector of Internal Revenue an infinitely greater opportunity to keep up with the developments of business and industry in their legal aspects as they relate to the tax law, and to do so in a more effective way than he could under such a fixed provision of the tax law which would enable keen minds—which always are directed to studying the tax laws—to find new means of evasion and circumvention.

So I think the committee amendment is unwise and violates the definite policy of our country; and I think the amendment of the Senator from Minnesota [Mr. McCarthy] and myself is infinitely to be preferred. For all these reasons, and also for the pragmatic reasons of producing more taxes for our country and aiding in the giving of encouragement to the less developed countries, I hope the Senate will see the wisdom of our amendment, and will adopt it.

Tomorrow, I shall further buttress the arguments in favor of this amendment, by producing additional material, as submitted in the Joint Economic Committee and elsewhere.

I thank the Senator from Nebraska for his courtesy; and I yield the floor.

Mr. CURTIS. Mr. President, will the Senator from New York yield?

The PRESIDING OFFICER (Mr. Hickey in the chair). Does the Senator from New York yield to the Senator from Nebraska?

Mr. JAVITS. I yield.

Mr. CURTIS. The Senator from New York pointed out that by means of the establishment of foreign subsidiaries, certain exports are fed from this country—for example, parts, replacements, raw materials, and many other things. Is it not true that, in addition, our exports are enhanced, once such a subsidiary is established in another country, by reason of the operation of the subsidiary there and the establishment of its working force and its sales force there?

Mr. JAVITS. The Senator from Nebraska is correct; and that adds to American investments in business, especially those of this character. It must be remembered that tax havens will be as definitely thwarted if the Internal Revenue Service is able to exercise the powers provided by our amendment as they will be if it is able to take advantage of the purely mechanical features of this committee amendment. In other words the catching of the rascals will not be done more effectively by means of the committee amendment.

Mr. CURTIS. As for the catching of the rascals and the so-called escape procedure benefits, such a concern might be able to evade taxes as easily under the committee amendment as under the present provisions of law, might it not?

Mr. JAVITS. Exactly so, whereas our amendment has the added virtue of making it possible for the Collector of Internal Revenue to reach out and to deal with any new schemes.

Mr. CURTIS. Precisely.

Mr. President, section 12 of the pending measure establishes a new and unprecedented method of taxation, by attributing income to a taxpayer based on the profits realized by a foreign corporation of which it is a stockholder. The administration attempts to justify such a course by reference to the Personal Holding Company Act. This is unwarranted, inasmuch as we are dealing with active business enterprises which are in reality owned by millions of our own citizens. There are serious questions as to the constitutionality of such a procedure; and I discussed this question in my remarks on the Senate floor on August 25.

Mr. President, I ask unanimous consent to have printed in the Record three brief excerpts from the material I used on Saturday, taken from the brief by Adrian A. Kragen, professor of law, Berkeley, Calif.

There being no objection, the excerpts were ordered to be printed in the Record, as follows:

In *Eisner* v. *Macomber* there was, in my opinion, a clear and unequivocal statement that income of a corporation could not be taxed to the shareholder without a receipt of that income by the shareholder, i.e., that realization in some measure is essential to the definition of income for Federal income tax purposes.

The Treasury over a long period has attacked that concept and has consistently urged the overruling of *Eisner* v. *Macomber* Despite such urging the Supreme Court of the United States has never seen fit to overrule the fundamental doctrine enunciated in the case. In fact, even where the Court has distinguished *Eisner* v. *Macomber*, it has actually impliedly recognized the continuing validity of the definition insofar as realization is concerned. Thus, in *Commissioner* v. *Glenshaw Glass Co.* (1955) 384 U.S. 426, the Court in distinguishing *Eisner* v. *Macomber* stated (pp. 430–431):

"The Court was there endeavoring to determine whether the distribution of a corporate stock dividend constituted a realized gain to the shareholder, or changed 'only the form, not the essence,' of his capital investment. Id., at 210. It was held that the taxpayer had 'received nothing out of the company's assets for his separate use and benefit.'

* * * * *

My examination of the decisions of the Supreme Court of the United States has resulted in my opinion that *Eisner* v. *Macomber* is still the controlling authority on the issue of the necessity for realization for the purpose of the determination of income under our income tax laws. Therefore, I must conclude that an attempt to tax a shareholder in general on the undistributed profits of the corporation on the theory of accretion is of very dubious constitutionality under article 1, section 2, clause 3, and article 1, section 9, clause 4.

* * * * *

This memorandum indicates at least in my opinion that there are serious doubts as to the validity under the Constitution of the basic provisions of section 13 of H.R. 10650. The testimony before the House Ways and Means Committee and, I assume, before this committee indicates considerable difference of opinion as to the efficacy of this legislation to meet the problem, if one exists. In other sections of the bill, H.R. 10650 has taken steps to tighten up the tax treatment given to income from foreign sources and to preclude the use of devices to attribute improperly income to foreign sources. The bill also provides for the Treasury request for more extensive reporting requirements with respect to certain foreign corporations. These new weapons in the hands of the Treasury may enable it to meet adequately the problem to which its request is directed without plunging into the doubtful and exceedingly controversial area of the attribution to shareholders of the income of bona fide operating corporations organized under the laws of foreign countries.

Mr. CURTIS. Mr. President, I have also referred to them in the individual views contained in the Report No. 1881 submitted by the Committee on Finance in collaboration with the senior Senator from Kansas, the senior Senator from Utah, the senior Senator from Maryland, and the junior Senator from Kentucky.

I discussed the economic implications involving the taxation of foreign source income in my remarks on the Senate floor on April 17, 19, 25, 27, May 1, 4, 8, and 10. Apparently, many of the objections I raised have had some impact upon the administration, inasmuch as the original proposals recommended by the Secretary of the Treasury in his appearance before the Committee on Finance have been drastically modified. It is of some significance that the version of H.R. 10650 which was passed by the House of Representatives only permitted the deferral of income for a foreign subsidiary if its earnings were reinvested in the same trade or business. This limitation necessarily restricts the opportunities of U.S. firms to take advantage of new technological developments and to integrate both vertically and horizontally so as to maximize their competitive opportunities.

The Secretary of the Treasury, Mr. Dillon, was not too happy with the measure adopted by the other body. In fact, in his appearance before the Committee on Finance on April 2, he urged that the House bill be amended in order to completely eliminate any deferral. He said:

> H.R. 10650, as passed by the House of Representatives, apart from tax havens, deals only peripherally with tax deferral for foreign income, another important tax preference now accorded foreign, as compared with domestic, corporate income. It responds to the President's recommendation in this area only insofar as it specifies that the undistributed foreign income of U.S. subsidiaries operating abroad will be subject to U.S. tax as it is earned unless it is reinvested in substantially the same trade or business already conducted by the firm in question, or in a less developed country.
>
> By not treating the tax deferral issue fully and directly, the bill still retains a substantial tax advantage for investment abroad rather than at home. The privilege of deferring U.S. taxes until income is repatriated as dividends should simply be eleminated for our subsidiaries in advanced industrial countries, as the President has requested. (Revenue Act of 1962, hearings before the Committee on Finance, U.S. Senate, 87th Cong., 2d sess. H.R. 10650, pt. 1, p. 99.)

Mr. President, the many witnesses who appeared before the Committee on Finance clearly showed that deferral was necessary if American firms were to maintain a competitive position in markets abroad. In order to satisfy the administration's demand for a bill that would at least attempt to establish an unconstitutional principle of taxing earnings which have not been constructively received from a foreign subsidiary, new language was adopted in section 12 of the pending bill in the hope that it would satisfy some of the objections so that the President could claim a legislative victory. In essence, section 12 permits complete deferral for those operations that are conducted solely within a single country. Rather than simplifying the already complex language of the bill, a new formula has been added which levies a tax dependent upon the dividends received from foreign subsidiaries and the rate of taxation prevailing in other countries.

In actual practice, Mr. President, this provision will make it extremely difficult for many taxpayers to properly determine their liabilities at the time their returns are filed.

However, the escape valve which was adopted by the Committee on Finance to secure acceptance for section 12 virtually eliminates its effect on those businesses whose activities are conducted entirely within a single country.

On May 11 when Secretary Dillon appeared before the Committee on Finance, I posed the following question:

> How does it benefit anybody to require seven foreign corporations when one would be more efficient? (Revenue Act of 1962, hearings before the Committee on Finance, U.S. Senate, 87th Cong. 2d sess., H.R. 10650, pt. 10, p. 4319.)

Secretary Dillon replied that he had no intention of requiring the establishment of seven corporations. He conceded that one would be more efficient, but that the U.S. parent should then pay a tax merely because it had chosen to operate in a more efficient manner and hence be in a better position to meet competition.

Mr. President, the position of the administration in connection with our foreign economic policy is contradictory, and we are apparently working at cross purposes. On the one hand, the administration suggests an isolationist tax policy which it wishes to combine with an internationalist trade expansion program. The emergence of the European Economic Community is one of the most important developments in our era. Our Government played a significant role in urging its formation, and we are now suggesting that countries in other parts of the world should also disregard national boundaries insofar as trade and economic matters are concerned. From the standpoint of strengthening the economic potential of the free world, the European Economic Community is an important development, and the Congress can welcome the added strength which this new economic bloc of nations provides.

My studies of this legislation have convinced me that the investment of U.S. capital overseas promotes exports and creates additional jobs in the United States. I would have no interest in any proposal that could deprive an American worker of gainful employment or destroy the investments of our citizens in enterprises located within our own borders. However, measures to protect American workers are not the pending business before the Senate. When the Trade Expansion Act is reported, we should assure that the Congress retain adequate powers so that American jobs are not destroyed. If the economic potential of the European Economic Community, which may ultimately include the nations that are now in the European Free Trade Association—namely, Austria, Denmark, Norway, Portugal, Sweden, Switzerland, and the United Kingdom—is fully developed, it would certainly be unfair to require that a U.S. firm must establish a separate operation in every one of these countries so as to avoid the punitive effects of section 12. It is not an accident that many U.S. firms have chosen Switzerland as their base for European operations. It provides banking and commercial facilities that are unrivaled by any other European country. It is centrally located and readily accessible. However, if the base of all European operations had been located within any one of the countries in the European Economic Community, the provisions of this bill would be just as onerous. It should be remembered that two of the largest international firms are the Shell Oil group and the Unilever group, which operate under the British Overseas Trading Corporation Act as well as a similar law enacted in the Netherlands. In each instance, tax deferral on foreign operations is permitted. U.S. subsidiaries could avail themselves of similar privileges in either the United Kingdom or the Netherlands, rather than establishing base companies in Switzerland, if section 12 of the pending measure is not adopted by the Senate. It is ironic that on June 20, the Under Secretary of the Treasury, the Honorable Henry H. Fowler, in an address before a regional conference of the Commerce Department at Atlanta, Ga., said:

> This need to expand our export trade is the basic reason behind President Kennedy's trade program. The fantastic growth of Western Europe in the last decade has created vast new markets for just the kind of goods that our own manufacturers are so skilled and experienced in producing. New cars, new highways, new shopping centers, new suburban developments—all these are characteristic of the rapidly expanding European scene. As the Common Market takes in new members, and as this self-stimulating growth continues, these markets will grow also.
>
> It is essential for the maintenance of U.S. export trade that we have a part in this future. If we fail to maintain our access to European markets at this critical time when new trade patterns are being evolved, when new customers are forming preferences, we may find ourselves at some later date unable to regain that access, no matter what concessions we may be prepared to offer, because the pattern may have been set without us. This goes much deeper, of course, than customer preferences. It encompasses the whole range of business relationships, both here and abroad. Firms will be either geared to deal with the United States, or not. Furthermore, the more we allow this new pattern to be set without us, the more difficulty we will have in dealing with a Europe whose own special interests will have become accustomed to a Europe-oriented market, and which may look upon exports from the United States as a disturbing and threatening influence.

Mr. President, the views stated by Secretary Fowler explain the need for U.S. direct investment, as we cannot develop these markets without intimate contact with our customers. Products must be designed and produced to meet their particular preferences. As Secretary Fowler so clearly stated, if we fail to maintain our access to these markets at this critical time, no matter what we may attempt later will prove of little value. Rather than seeking to attribute the growth in our investments in Western Europe to tax inducements, it should be recognized that many firms have sought to secure a position within the European Economic Community which will ultimately have immeasurable benefit for the American economy. Their activities will provide more jobs that will expand exports, that will promote economic growth, and ultimately will make a substantial contribution to our balance-of-payments position.

Mr. President, the enactment of section 12 cannot produce any significant revenue, but it may force some firms to ultimately readjust their corporate structures, and if need be, establish subsidiaries within each of the principal countries of the Common Market. However, this will weaken their competitive position, since there is no evidence that any other developed country intends to handicap its own producers by the enactment of legislation that cannot promote the true interests of its citizens.

The July 6 issue of Life magazine contains an interesting exchange of correspondence between Mr. David Rockefeller, the chairman of the board of the Chase Manhattan Bank, and President Kennedy. Mr. Rockefeller's letter was written at the express request of the President. In discussing the balance-of-payments problem, Mr. Rockefeller said:

> The hard truth is, Mr. President, that the only way to achieve a solid solution to our balance-of-payments problem, one which is consistent with the key role of the dollar in international monetary affairs, is through time-honored methods—through an expansion of exports, an appropriate level of interest rates, and through maintaining confidence (both here and abroad) in the soundness and integrity of the dollar. Moreover, every aspect of the balance of payments cannot help but be influenced profoundly by the basic health of the American economy.

President Kennedy's reply continued to refer to the need to deter direct investment abroad. In the President's message to the American people on August 13, he again referred to these objectives. He said:

> We need to enlarge our export markets through the trade expansion bill so that we can sell abroad, so that we can get into the great Common Market which is being built up, so that we won't have our money going abroad to invest in plants overseas, but invest here in this country.
>
> By lightening tax burdens, as the Common Market countries have done so successfully, and they have full employment and an economic growth rate twice ours, it will improve the competitive position of American business, encourage investment at home instead of abroad and improve our balance of payments.

Mr. President, certainly all of us wish to encourage investments in this country and to promote economic growth, but I find it difficult to accept the premise that investments abroad in any way impede the normal development and growth of our own economy. In fact, in the statements which I have previously made on the floor, I have clearly shown that such investments are complementary, and not competitive with our own efforts. It is a great disservice to promote the reduction of tariff barriers on one hand and at the same time impose additional penalties on those firms which seek to penetrate new and growing markets for American products. Mr. Fowler in his address in Atlanta, Ga., to which I have already referred also said:

> I might also add, in a similar vein, that U.S. business operating abroad should not neglect to fully explore possibilities for procuring their supplies, equipment, and services from American sources on an economical basis.

All the testimony before the Committee on Finance and previously before the Committee on Ways and Means has shown that the establishment of direct investment by our citizens abroad provides a ready market for supplies, equipment, and services from American sources.

Should the Senate enact the provisions suggested by the administration as embodied in section 12 of this bill, there would be less opportunity for U.S. businessmen to follow Secretary Fowler's advice. It is precisely to encourage the opportunities to use American source materials and talent that U.S. firms have established foreign operations.

In this same address, Secretary Fowler made another significant proposal. He said:

> American firms might also explore and seek out more fully opportunities for borrowing abroad, especially in support of the operations of their own foreign branches and subsidiaries, instead of relying as heavily as they do on the easy alternative of seeking funds from familiar American sources.

Again, Mr. President, this is precisely the course which has been followed by many U.S. firms with foreign operations. For example, the annual report of the General Motors Corp., for the year 1961 shows that a total of $144 million of debt has been contracted by foreign subsidiaries which will be due during the period 1963 through 1977.

A large portion of these funds were secured from foreign sources. Insofar as the capital base is broadened by the use of funds borrowed locally, the ultimate profits to be remitted to U.S. equity shareholders are increased, and of course, the U.S. Treasury receives its share of such profits based on a 52-percent tax less the applicable foreign tax credit.

Regardless of escape valves, section 12 represents a complete departure from the concepts which have governed our income tax laws since 1913. No less an authority than the Assistant Secretary of the Treasury, Mr. Stanley S. Surrey, unequivocally supported the concept of tax deferral in the statement he presented to the Committee on Ways and Means on July 8, 1959, in its consideration of H.R. 5, 86th Congress.

Mr. President, I ask unanimous consent that the justification for both the foreign tax credit and tax deferral in terms of tax equality and the recognition of the claims of foreign countries may be printed at this point in the Record.

There being no objection, the justification was ordered to be printed in the Record, as follows:

The Basic Perspective—Present U.S. Tax Treatment of Foreign Income

A few words regarding the present U.S. tax treatment of foreign income are in order, since it forms the perspective necessary to a consideration of current issues and proposals. This treatment may be summarized as follows:

1. Basic standard of tax equality: The basic standard under our income tax, to be followed as far as possible, is the necessity of maintaining equality among American taxpayers whereby taxpayers with equal amounts of income pay the same tax. To the extent that this standard is seriously breached, so that preferences and favoritism replace equality, the income tax deteriorates as an effective fiscal instrument.

2. Jurisdiction based on residence and nationality: As respects foreign income, observance of this basic standard requires that the foreign income of U.S. taxpayers be taxed as well as their domestic income. Accordingly, our jurisdictional basis for taxation must go beyond geographical jurisdiction and rest also on residence and nationality. In this we are not unique, for other mature income tax systems also stress both source, jurisdiction, and residence.

3. Foreign tax credit accommodation to foreign source jurisdiction: While residence and nationality, including domestic incor-

poration, thus support income taxation, recognition must be paid to the fact that we live in one world and that the foreign income of our citizens and corporations may therefore be subject to taxation at the foreign source. The modus vivendi for that recognition under our system is the foreign tax credit mechanism. Under this credit, a foreign income tax paid is treated as payment to the extent of the U.S. tax on the foreign income, so that only a tax representing the difference between the foreign tax rate and the U.S. tax rate must be paid to our Treasury Department. It is this foreign tax credit which accommodates our need to stress nationality jurisdiction, so as to achieve the objective of equality among our citizens and corporations, with the need of foreign countries to stress source jurisdiction if they are to protect their revenue structures. The accommodation permits the foreign country of source to obtain revenue and also permits the United States to maintain the standard of equality at home since the taxpayer's tax burden is still at our domestic level (unless the foreign rate is higher than our rate). This accommodation is possible because of the revenue yielded by our Treasury Department to the extent of the credit granted. It is this foreign tax credit mechanism therefore which makes international trade and investment possible under our income tax system, and that of other mature income tax systems as well which stress equality of tax burden. While the credit mechanism is complicated, it is thus absolutely vital to our tax system.

4. Tax deferral accommodation to foreign source jurisdiction: A second accommodation to international activity is represented by our grant of deferral of taxation on foreign source income until that income is returned to the United States. The mechanism of deferral is the recognition accorded to foreign incorporation. Under this mechanism, foreign subsidiaries of American corporations are treated as separate entities and thus essentially outside the reach of the U.S. tax system. The income of these foreign subsidiaries is thus free of U.S. tax until paid out as a dividend to the parent, or distributed in liquidation.

The above two accommodations—the foreign tax credit mechanism and the foreign subsidiary tax deferral mechanism—have supporting justifications which are readily understood and which are capable of rational support. (Statement by Stanley S. Surrey, Foreign Investment Incentive Act, hearings before the Committee on Ways and Means, House of Representatives, 86th Cong., 1st sess., H.R. 5, pp. 535–537.)

Mr. CURTIS. Our Government must adopt a consistent policy in keeping with our position of world leadership. We cannot encourage foreign investment at one time and deter it later when it suits the whim of a new administration.

If we are to maintain our position of financial and commercial leadership in the Western World, we must abandon isolationist economic policies. This does not mean that we should not provide adequate protection for those domestic industries which are essential to our economy, but this historically has been accomplished by tariffs rather than by deterring investment. We can achieve a higher rate of economic growth, create more new jobs, and improve our balance of payments position by abandoning any attempt to hamper U.S. firms in their competitive efforts in world markets. After all, the United States has no power to unilaterally alter the climate in other countries, and our competitors abroad will be the true beneficiaries of the enactment of punitive taxes on foreign source income of American citizens.

Taxes are a necessary cost of doing business, and our Congress should not impose a burden on the activities of corporate entities established in other countries which happen to be controlled by U.S. nationals that their competitors do not bear. If we pursue such a course, in due time our balance of payments will deteriorate, and we will lose our position of world leadership. In the individual views which I submitted with a number of my colleagues, we referred to the fact that President Chiari of Panama had advised President Kennedy that the administration's tax proposals represent "undue interference in the internal affairs of Panama." He also stressed that these measures are "almost equivalent to economic aggression."

The New York Journal of Commerce in its issue of June 12 commented on the fact that the Swiss had also become concerned at the repeated characterization of their country as a tax haven by the U.S. Government. In this instance, they instituted retaliatory measures by holding back work permits for American executives. Without a work permit, no visa can be issued, and already some U.S. companies reportedly have had to change their operating plans because they were not able to locate their executives in Switzerland.

Those of us who believe in a free economy, which is responsive to the laws of supply and demand and open competition in free markets, abhor government policies which attempt to dictate the decisions of management by indirect methods such as are found in section 12 of the pending bill.

Our balance-of-payments problem is one for continuing concern, but it cannot be corrected by temporizing with remedial measures that fail to meet the true problem.

Federal expenditures currently represent more than 20 percent of the national income. In addition, taxpayers must support State and local governments. They supply many of the essential services which under our system of decentralized governmental responsibility are extremely important, and they should continue to do so. However, the total cost of government—Federal, State, and local—must be factored into the prices of all the goods and services which we sell. If the Congress would concentrate on reducing the cost of Government, it would make a direct contribution to price reductions that would automatically increase our exports and improve our balance-of-payments position.

It is impossible to accomplish the objectives sought by the administration through punitive taxation on foreign investment. Such action will merely result in the loss of opportunities for our citizens in the new expanding economic markets to which Mr. Fowler referred.

Mr. President, it is my considered judgment that section 12 is unconstitutional in that it ignores corporate entities. Its enactment would provide the basis for new concepts of taxation in domestic matters. In the long run, the enactment of this provision will harm our balance-of-payments position. It will destroy American jobs and reduce our exports.

Mr. President, it should be rejected by the Senate as it is unsound and unworkable.

The amendment offered by the distinguished Senator from Minnesota and the distinguished Senator from New York is much preferable. I shall support it.

It may erroneously be argued by some persons that to support the McCarthy amendment would jeopardize the position of the Senate in the conference because it might be conceded that the version of the Senate Committee on Finance as represented by the Kerr amendment was better than the bill as reported by the House. I wish to point out that if the McCarthy amendment is adopted and the bill goes to conference, it will still be possible for the conferees to accept the McCarthy amendment, or to accept the House version, either one with an amendment, in which case the Kerr amendments would be in order.

I do not believe the argument as to procedure should cause the Senate to refuse to take the best possible course. I believe that would be done by the adoption of the McCarthy amendment.

Mr. President, I make the point of no quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. KERR. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. HARTKE. Mr. President, yesterday action was taken in the Senate on the question of whether or not the U.S. Government should withhold taxes on earnings from dividends and interest. Consistently during the time the bill was before the Finance Committee, I was one of the small group who voted in favor of providing tax equality and equity of treatment for the people who are paying their taxes, and to have the people who earn their living by wages or salaries treated the same as people who earn their living by clipping coupons or who obtain their method of livelihood from dividends or interest. Only four other Senators on the Finance Committee shared this opinion.

I was rather surprised, because, frankly, this was the only part of the tax bill which did not change the tax law. It changed the tax procedure, but it had absolutely nothing whatsoever to do with the tax law. The procedural method really meant that there would be a new method of acquiring for the Treasury some of the taxes which were, either intentionally or unintentionally, not being paid.

I have always felt that there has been a consistent and glaring inequity arising from the treatment of wage earners, or persons who earn their living by obtaining salaries or wages in factories or other kinds of similar work, as compared to those persons who obtain their livelihood by living off what they have, or what they have acquired in the past, or through inheritance, savings, or other means.

Equal treatment under the tax laws should be the aim of every Senator. I hoped, and believed, this would be true. I suppose those who thought otherwise felt that perhaps there might be an additional imposition of burden on some persons, but certainly the burden placed on wage earners has not been as light as it has been on those who clip coupons. The expenses of operating the Government are the responsibility of all. The expenses should be borne by all. They should be shared equally and fairly, according to the laws which we write. The debt which we have incurred, principally because of the war—but, for whatever reason—is a bona fide debt of the United States, representing the difference between what has been paid in taxes in the past and what we have not been able to receive by way of taxes. The difference between the two represents the debt. It is a bona fide debt which is owed by all, and everybody should pay his fair share under the law.

This was what we were attempting to do when we tried to provide for withholding of taxes on dividends and interest in the provision which was presented by the House, and which failed in the Senate Finance Committee, and then failed here on the floor yesterday.

I still think we could take a giant step forward, because most of the opposition which arose to this particular portion of the bill came from the element of the people who had accumulated savings and who had deposited funds into savings and loan institutions or into banks. In other words, basically the opposition was that it was said that a burden would be placed upon those institutions which were providing services for people, by taking their savings as accumulated through the years, namely, the banks which had taken those amounts and were paying interest.

With respect to the people who received income from dividends on stocks or interest on bonds, there was not much talk. That is a different segment of the people. I had occasion to talk with some of the business people who are basically involved in the field of those individuals who own bonds. I asked them how much of an additional burden it would be on them if they were required to withhold the taxes on the dividends they paid or to withhold the interest on the bonds. They explained to me that for all practical purposes the machinery was already set up for the individual corporations, for the purpose of computing all these items, and that there would be no great difficulty in that regard.

I went to the Treasury Department and asked, in view of the action taken on the floor of the Senate yesterday, which confirmed the previous action taken by the Finance Committee, whether the Treasury would be in favor of attempting to hold on to a part of what I though was a worthwhile principle, to take another giant step forward by providing for the withholding of taxes on dividends from stocks and on interest on bonds.

Therefore, when the occasion arises and I have the opportunity to present the amendment to the Senate—hopefully tomorrow—I shall call up the amendment at the desk. The amendment in effect would say to the Senate again, "If you want to balance out this tax bill by including in it an amount of from $350 to $400 million, which would more than offset the loss of revenue which would be occasioned under the bill, this is the way to do it." This would give Senators an opportunity again to vote on this proposal.

This is the first of a series of six amendments which I plan to offer. I have been told that there is not much chance that the Senate will pass such an amendment. Frankly, I shall wait to see, and find out, as a result of action by the Senate.

In line with this proposal, I feel, as I have always felt—I am not a newcomer to this particular principle—that the wage earners should be treated exactly the same as the coupon clippers. The wage earners, in respect to the matter of taxation, ever since the bill was passed in 1942, have had their taxes withheld.

Under the social security laws, we see that the same discrepancy appears in respect to the treatment of people. The social security law, enacted for the benefit of individuals, provided for them a method of taking care of themselves in their older years. However, the law also provided a method whereby the people, in a way, are kept from attempting to provide for themselves. The law forces retirement upon them or else forces a condition upon them.

In the previous Congress I offered an amendment which in some ways would have relaxed that provision. It had a basic purpose. If a person has been a wage earner and if he received social security benefits, under the old law—the law in existence when I came to the Senate—he could not earn more than $1,200 a year, or more than $100 a month, unless he was willing to forfeit some of his social security benefits. However, if an individual received income from interest or from rents, or was clipping coupons from bonds, or receiving dividends on stock, he could earn any amount, an unlimited amount, and still draw his social security payments.

This disparity again demonstrates the fact that there are two sets of rules and two different standards for people, depending upon their status in life.

During the previous Congress I was able to obtain the passage of an amendment which increased the amount a person could earn under the social security law to $1,500, and which provided that 50 percent of the amount between the $1,200 and the $1,500 should not be included in the computation of earnings.

Again, in the Finance Committee I was able this last year to secure an additional increase of the amount to $1,750, with the result that a person can earn up to $1,200 and still receive his social security payments, and, if the person should earn up to $1,750, the difference between the $1,200 and the $1,750, or $550, would be considered income only to the extent of 50 percent.

Frankly, I think the entire amount should be eliminated from consideration. I think the wage earner should be treated in the same fashion as the coupon clipper, as I have said.

This would be a tremendous step forward. I know it will be opposed, because of the effect it would have upon the social security fund.

As I previously indicated, I did not come to this conclusion only lately. In a few minutes I shall indicate that possibly not every Senator who now believes in this system was of such conviction not so long ago.

In respect to elderly people, I propose to offer a different amendment. For the sake of the record, the withholding on dividends from stocks and interest on bonds is an amendment which is now printed and is at the desk. The amendment about which I have just spoken, on the question of the earning limitations under social security, was an amendment to H.R. 12580 which I offered June 29, 1960.

I state this for the sake of making sure that people do not believe these are things I thought up last night or dreamed about in an election year.

S. 3249 is another bill which I introduced in the Senate and which I propose to attempt to have apply to the pending tax bill. This proposal calls for the elimination of the capital gains tax on the sale of a residence by a person who is over the age of 62. We know that as people go through life their status changes. Some individuals have large families, which grow older, and the younger members of the family move away and establish homes of their own, and frequently the older people are left with a much larger residence than the housewife prefers to take care of.

This proposal in substance would eliminate from the present capital gains tax any tax whatsoever on a person over the age of 62 if he should sell his residence—strictly his residence. To enforce that provision there would be a requirement that the person would have to live in his home at least 5 years prior to the time of sale.

The tax on such sales creates quite a hardship even today, for the people who have to pay the capital gains tax, because in many cases the people who are selling the properties have raised large families and are living upon their savings, in the latter part of their lives, or upon social security benefits.

As I shall indicate in a few minutes, some people have only lately come to the conclusion that this happens to be a good proposal.

S. 602 is another bill I introduced, which I propose to call up as an amendment. When the bill was introduced by me in the Senate, I hoped there would be complete hearings. We had some indication on an education bill that there might be hearings in this session. Unfortunately that seems to have passed by. The hearings were not held.

I am not complaining about that, because I know that much important legislation has been considered during the session, and there have been a lot of hearings.

Many people today worry about education expense and activities with respect to sending children to school or to college. We have learned of many cases of individuals who have provided for themselves while going to college.

Contrary to the time when I went to school, the truth is that today many college students are married. In some cases they are attempting to provide for one another, as they provide funds for themselves to go through college. At the same time, we know of many parents who are struggling to send their children through school.

I feel it would be only fair to give an allowance to those people, since we did not pass a scholarship aid bill, of which I fully approve. I feel that we should allow an additional exemption of $600 for any individual who is a full-time student in school. I would propose that that exemption apply to the student himself, or to a spouse, or to a taxpayer who is the father or the parent of a student attending school. I propose that there be allowed an additional exemption of $600 while the student is a full-time student in a college or university.

Another amendment which I intend to call up is an item about which I spoke when I had occasion to be with my delightful, intelligent and wonderful colleague on the other side of the aisle, the chairman of the Republican Central Campaign Committee. I hope that I can obtain from him the same support on the measure on the floor of the Senate. At that time I indicated that I thought the broad base of political expenditure should be borne by more people. We ought to encourage individuals of all sorts, ranks, and income to participate in the elections, not only financially, but also with their votes. But in order to help them participate financially, I have submitted my proposal.

We find many such people feel that they have the burden of caring for their own lives. They do not feel that they can contribute to a political campaign. We have long recognized that contributions to charitable organizations and many items of that sort are legitimate deductions for income tax purposes. I talked with representatives of the Treasury Department about this subject. I have the assurance that the Treasury Department is not opposed to the provision and, frankly, looks upon it sympathetically. They would welcome it as a part of the tax bill.

My amendment would permit any individual who made a political contribution to the party committee of his choice or to an individual candidate of his choice in any general or special election to deduct up to 50 percent of his contribution, with a tax credit up to an amount not exceeding $10. Those filing joint returns would be entitled to a tax credit up to $20.

In other words, an individual who might contribute $15 to a political campaign would be entitled to receive $7.50 as a tax credit. A person who contributed $20 would be entitled to receive a tax credit of $10. If a husband and wife wished to contribute $40, between them they could deduct $20.

The final amendment which I intend to call up is commonly referred to as H.R. 10. I introduced a separate bill under the title of S. 197. Again I wish to indicate that I am not a Johnny-come-lately to that proposed litigation. I supported it in the Senate Finance Committee. At the time I introduced the measure, on January 6, 1961, it was one of the first bills introduced in the Congress. At the same time I introduced the bill, the gentleman from New York, Representative EUGENE KEOGH, introduced a bill on the same subject on the House side. In fact, they were companion bills introduced on the same day.

S. 197 is a bill which would provide pensions for self-employed people. The bill was reported to the Senate. It has been passed by the House. The bill has been passed in modified form by the Senate Finance Committee and is now on the Senate Calendar. I had hoped that the leadership would find it within their means to call up the measure for action before this. It has not been done.

The estimated cost of the proposed program is about $180 million.

I wish the Senate to know that if we should pass the tax bill with all the amendments which I have submitted, the result would be a surplus so far as the Treasury is concerned. So I do not feel that anyone could ever say that I am in favor of budget "busting." I believe in a balanced budget. That is exactly what the bills would do. Some have come forward and talked about budget "busting" on one hand while they made no attempt to provide income on the other hand. I was very interested that one of our late converts was the distinguished minority leader, the Senator from Illinois [Mr. DIRKSEN]. He indicated a few days ago that he had six amendments that he intended to offer. The last program which I talked about was the so-called H.R. 10 or my bill S. 197. I do not know why the Senator suddenly has become so interested in that program. I did not notice that he urged passage of the bill or its being called up for consideration. He was within his right not to do so. He certainly has a right to take up measures if and when he pleases, or, at his pleasure, not to do so at all.

Another one of the items upon which I hope I can have the support of the Senator from Illinois is the matter of political contributions, inasmuch as the designated leader of his campaign committee this year is the distinguished Senator from Arizona [Mr. GOLDWATER], who has indicated publicly that he thought it was a fine plan and he would be interested in joining with us.

The other item to which the minority leader seems to have been lately converted—at least, I share with him the feeling that it is a good bill and I welcome him to join me in support of the measure—is the bill (S. 3249), which would eliminate the capital gains tax on the sale of a residence by the elderly. A big difference is that the Senator suggested a change in his amendment. He would change the age from 62 to 60. I would not be inclined to quibble about that. We might split the difference at 61, if the Senator so desired. If he feels that 60 years is a proper age and has become convinced of the propriety of such action, it would be wonderful. I do not question his sincerity in any regard whatsoever, in view of his late conversion of those programs. I know it is an election year. But I feel that it is sometimes interesting to compare what happens in election years and what happens in other years.

I call attention to the proposal to increase the earnings limitation to $1,800, which is the subject of an amendment which I submitted back on June 29, 1960, which I followed through in the last session in the Finance Committee, and which I indicated has been considered in both the Finance Committee and on the floor of the Senate.

On June 26, 1961, when the same substantive question was before the Senate, I asked for a yea-and-nay vote on the amendment which I had submitted, and it is recorded in the CONGRESSIONAL RECORD, volume 107, part 9, page 11318. I notice that in the yea-and-nay vote No. 83 the distinguished minority leader found himself not in a position to support that principle.

I am looking forward with great interest and hope to an explanation of the change of heart. I hope that the Senator will be able to convince the many Republicans who joined him at that time, and that he will be able to exert his influence to have them join with those of us on the Democratic side who voted to help people who make their earnings from wages or salaries.

I wanted to point that matter out to the Senate so that we may avoid being caught in the hurry and scurry of all the motions that come during debate, and may be able to devote our time to the substantive issues of the amendments, and obtain a result which will be beneficial to the people in our country who need to be considered.

I think it is very important for us to remember that all people, whether they make their living from wages, salaries, or, if they are more fortunate, from stocks and bonds, should be treated alike.

I think it is important for us to be consistent in our concern for those who are drawing social security benefits in the so-called golden years of their lives, and to be concerned about individuals who are attempting to better their education and those who are interested in attempting to make a real contribution to the worthwhile political life and future of America. I am looking forward to what tomorrow may bring. I thank the Senate.

Mr. MILLER. Mr. President, I wish to say a few words in support of the amendment offered by the distinguished Senator from Minnesota [Mr. MCCARTHY], which I intend to support. I make this statement with the realization that there may be a few difficulties which I will have with the amendment, and which I hope may be clarified during the course of discussion with the Senator from Minnesota. Nevertheless, the adoption of the amendment would go a long way toward relieving most of the difficulties I have with the bill with respect to its proposed taxation of foreign income.

The Senate bill contains significant changes in the foreign income provisions of the bill as passed by the House. These changes are helpful in limiting the scope of the bill and in eliminating or ameliorating some of the technical and administrative problems and some of its unduly harsh effects. I recognize that much commendable work has gone into these revisions in a conscientious effort to improve the bill. I therefore regret that I am compelled to express the view that, even as revised, the bill does not effectively distinguish between such tax avoidance devices and legitimate business operations conducted outside the United States and, further, that the foreign income provisions are unworkable, are unduly penal in their impact on the foreign business of U.S. persons, and would have many consequences that are clearly adverse to the interests of the United States.

As in the case of the House bill, merely reading the new draft will suffice to demonstrate its utter complexity. Even the most sophisticated become lost in the forest of its technicalities: its phraseology is vague at critical points; precedents for its constructon and application are lacking because of the novelty of its concepts; and it seeks to resolve vital and and difficult problems by the expedient of delegating authority to issue regulations. Moreover, it still requires that U.S. shareholders obtain from abroad detailed historical and current information which must be prepared according to American accounting and tax concepts unknown to foreign accountants. I seriously question whether a law of such complexity could be applied and administered in an effective and reasonably evenhanded way.

The provisions are still unduly harsh in many respects in imposing burdens of taxation and compliance much more extensive than in the case of domestic operations, particularly as they affect individual shareholders of foreign corporations. Although section 15, dealing with gain on sale of stock or liquidation of controlled foreign corporations, would limit the taxes payable by individual shareholders on the gain, no limitation of any kind has been placed upon current taxation of income to individual shareholders under section 12. Further, no provision has yet been made to permit adjustment of or exemption for legitimate business arrangements established in reliance upon existing law, particularly with respect to present contractual commitments or indebtedness abroad which could not be met if heavy new taxes are to be imposed.

The provisions as amended still have numerous consequences that seem clearly undesirable. They impose upon U.S. persons doing business abroad burdens which their vigorous foreign competitors do not bear. This is especially true because the bill, like the House bill, taxes profits from certain foreign transactions considered to lead to possible reduction in foreign income taxes, though the transactions do not themselves involve U.S. taxes or taxpayers. Under present economic conditions, it seems unwise indeed to shackle American business with a complex scheme of new taxes which cannot be imposed by Congress upon our foreign competitors and which in effect protects not the U.S. tax system but the tax systems of the countries of our competitors.

WORKABILITY OF THE BILL

I do not believe that the provisions of the bill are workable, even though they represent an appreciable improvement over the bill as passed by the House. The basic approach of bill section 12 seems inherently so complex that amendments which leave intact its fundamentals will not suffice.

Foreign business operations are necessarily complicated because of the wide variations in foreign statutes and administrative controls; in foreign methods of business organization, marketing financing, and accounting; and in treaties among foreign countries and with the United States. Consequently, any approach to the problem of imposing taxes currently upon the income of foreign corporations from active foreign businesses necessarily presents many complications. Yet, in lieu of a clear and simple policy that might be superimposed upon this involved business and legal background, the bill adopts a multiplicity of difficult new tax concepts and techniques.

The bill, in effect, disregards the separate entity of foreign corporations for certain purposes. In taxing shareholders of foreign corporations on undistributed income of active businesses, the bill adopts techniques that present a variety of difficult problems for which there is no meaningful precedent. These techniques include—

First. Taxing U.S. shareholders of a foreign corporation as if they had received distributions of certain items of its gross income—reduced by allocable deductions—that are not in excess of earnings, without regard to whether or when the corporation pays dividends.

Second. "Hopscotching," which in the case of a chain of foreign entities involves taxing U.S. shareholders of the parent foreign corporation as if they were owners of shares in each of the corporations further removed in the chain.

Third. Exempting from tax such shareholders—or certain identified successors—with respect to subsequent distributions of earnings previously taxed under the above concepts.

In addition to the difficulties inherent in computing the amount of income or earnings of a corporation that is not itself a U.S. taxpayer, the problems necessarily raised by the techniques used in the bill include, among others: determining stockholders' shares of undistributed income where there are different classes of stocks with different dividend rates and preferences—a problem which, I might add, I find present in the pending amendment—resolving inconsistent determinations made by revenue agents or courts with respect to the same corporation in cases involving different shareholders; allowing for offsetting losses of the same or affiliated foreign corporations; limiting the impact of the tax burden on shareholders who are individuals; and adjusting the treatment of subsequent distributions to account for previously taxed undistributed income. The adjustments for previously taxed undistributed income include a variety of difficulties incident to "hopscotching," changes in stock ownership, and the computation of foreign tax credits. The foreign tax credit problems are further complicated by the payment of foreign taxes withheld at the source when there is an actual distribution of earnings that had previously been taxed to U.S. shareholders.

The bill multiplies the problem of taxing undistributed income by its dependence upon many new and involved classifications of gross income, and separate allocations to each such class of expenses, losses of the same or affiliated foreign corporations, other deductions, and foreign income taxes. With respect to all of these calculations, each U.S. shareholder having a 10-percent stock interest would be entitled to be heard separately.

In addition to the complications necessarily resulting from the involved concepts and techniques of the bill, the difficulties in understanding and applying the bill are increased by the fact that most of the many terms used would be entirely new to the tax law and are to a very large extent vague.

Some idea of the complexity of the provisions of the bill can be obtained by simply noting the number and nature of the entirely new terms that would be added to the Internal Revenue Code by bill section 12 alone, even after the significant improvements of the committee amendments.

In addition, there are numerous definitions and formulas in bill section 12 that are related to the new terms. Many of these involve imprecise words such as "substantial part," "the effect of substantial reduction," "substantially similar to," and "similar property right." It requires no oracle to predict that if enacted a principal effect of the bill would be costly administrative controversy and litigation for years to come.

Indeed, I suggest that if these foreign income provisions of the bill become law, the first qualification for any new applicant for a position as an internal revenue agent with the Treasury Department will be that he be a genius.

Many major questions as to doubtful technical soundness, inequitable application, and administrative unworkability lie below the surface of the bill. As suggested by the foregoing discussion, the bill involves an extraordinary number of difficult problems of interpretation. In addition to the general authority that the Treasury has to issue interpretive regulations, section 12 alone contains 16 express grants of authority to the Secretary or his delegate to develop the substantive rules by regulations. Yet even this extensive delegation of rulemaking power leaves important substantive problems that are not covered by either statutory rules or express delegation of administrative authority.

Such broad delegation by Congress of the power to develop substantive rules of taxation raises serious difficulties quite apart from the general question of legislative policy. Where legislative draftsmen have been unable to produce guiding principles that are clear, technically satisfactory, and administratively workable, it should not be assumed that even the ablest draftsmen of regulations can solve the myriad of problems in presently unexplored areas.

An important question also arises as to when taxpayers will be given some idea of the nature of the law that, beginning in 1963, would govern their operations. In a number of important areas final regulations have not yet been issued with respect to the Internal Revenue Code adopted by Congress nearly 8 years ago. A statute with material gaps in its terms that is to be filled in by administrative action after its effective date may be just as inequitably retroactive as if the introduction and enactment of the bill itself had occurred on the date of such administrative action. And, of course, no matter how relevant to a meaningful discussion of the bill, it is impossible to discuss here the propriety and effect of these presently nonexistent regulations.

Among the broadest delegation provisions of the bill is the provision for the determination of earnings and profits, which controls the amount of income subject to tax, "according to rules substantially similar to those applicable to domestic corporations, under regulations prescribed by the Secretary or his delegate."

This also is one of the difficulties I have with the pending amendment; but, as I have stated, the pending amendment goes a long way toward relieving most of the problems which are inherent in the present section 12.

These rules would have to correlate subpart F with most of the other provisions of the Internal Revenue Code in the context of the special techniques for taxing to various shareholders foreign adjusted gross income whether or not distributed. This correlation involves many difficult problems, including questions of inconsistent positions of shareholders, determining the persons who have the power to make, and the timing and procedures for making, essential tax elections, and further related questions that arise upon transfers of stock to or from either a foreign shareholder or another U.S. shareholder.

The committee amendments leave many important technical problems unsolved, and in a number of instances create new technical difficulties.

As an illustration of the difficulties in resolving the complications of the bill, it may be noted that the following problems relating to bill sections 12 and 15, have either not been dealt with at all in the bill, or have not adequately been resolved:

Determination of shareholders and attribution of ownership.

Determination of subpart F income.

Determination of earnings and profits.

Determination of amount of investment in property.

Necessity of maintaining separate accounts for different shares and shareholders.

Lack of adequate consolidation of income and loss among corporations and years.

Inappropriate treatment of intercompany transactions.

Taxation of deemed distribution as ordinary income but deduction of losses only on disposition and then as capital losses.

Inadequate correlation of section 12 with foreign personal holding company provisions and possibility of double tax.

Discriminatory treatment of noncorporate shareholder.

Disallowance of foreign tax credit to noncorporate shareholder.

Relief from tax of income subject to prior debt or other commitments.

Lack of provisions permitting tax-free readjustment of corporate structures.

Determination of "pro rata share."

Failure to reduce income for distributions to non-United States shareholders.

Double taxation of income under bill sections 12 and 15.

Difficulty of allocating expenses to items of income.

Inappropriate effect of liabilities and methods of financing upon determination of investment in property.

Taxation of income "owned" by other persons.

Use of attribution rules to tax income but not to secure foreign tax credit.

Application of bill to corporations not controlled after December 31, 1962.

Creation of unwarranted presumption re earnings and profits.

Mr. President, the bill would impose taxes on U.S. shareholders whose foreign corporations engage in transactions that reduce foreign taxes, even though those transactions do not evade or avoid U.S. taxes or themselves have any conceivable adverse effect on the revenues of the United States. Indeed, any reduction in foreign taxes increases funds available for distributions subject to U.S. tax and decreases offsetting foreign tax credits on such distributions. Taxing income which has not actually been received and taxing it though it may never actually be received is a severe penalty.

This is another problem which exists in the pending amendment; but, as I have previously stated, it is only one of a few problems compared with the myriad of problems which exists in the present bill.

Congress must provide adequate rules or administrative authority to protect the U.S. revenues from sham devices that reduce taxes on income from U.S. sources. However, the bill would tax a person who owns an interest in a corporation which engages in a transaction designed to minimize taxes payable to a foreign nation in a manner permitted by the laws of that nation and customarily employed by its citizens and corporations. Thus it would "protect" the revenue of foreign nations beyond their own desires. These nations are sovereign and it is fair to assume that they and not we are best equipped to determine in what way and to what extent their revenues should be protected. The United States may cooperate with them in the revision of their laws and administration, or may negotiate with them treaties which would bring their citizens and ours under comparable rules. But I believe that the effect of the bill in penalizing our own citizens and corporations for transactions which reduce foreign taxes in a manner permitted by foreign laws and administration is wrong in principle. Its effect would be to impose substantial disadvantages on the foreign enterprises of U.S. citizens and corporations.

I cite an example: A is a Belgian corporation owned 75 percent by U.S. shareholders and 25 percent by Belgian nationals. B is a Belgian corporation owned 100 percent by Belgian nationals. The two companies are in competition manufacturing agricultural chemicals in Belgium for use in the Middle East. A and B each sells its products to its Swiss subsidiary at cost plus 5 percent. The Swiss subsidiaries resell the chemicals and invest their profits—after relatively low Swiss taxes—in needed expansion of inventories and in providing financing for customers.

Under the bill, the Swiss selling subsidiary of A is a "controlled foreign corporation." Its profits are "foreign base company income" and the U.S. shareholders of A would be taxed on 75 percent of these profits as dividend income. The shareholders of B would not be subject to similar tax.

The net effect would be that the foreign enterprise owned by Americans must operate under a tax system which is much more burdensome than that under which its foreign-owned competitor operates. A substantial part of the earnings of the American-owned business could not be used for the requirements of the business but would have to be distributed for payment of the shareholders' taxes.

I do not believe that the penalty for reducing foreign taxes can be justified on the ground that U.S. business activities will be promoted by discouraging foreign enterprises. Experience of businessmen who are planning foreign operations indicates that they seldom really have a choice between establishing a business outside the United States, on the one hand, and, on the other hand, establishing the same business within the United States, or expanding an existing business so that it can export abroad. Experience indicates that American business generally establishes enterprises abroad only when the practical alternative is to let a foreign market be exploited by foreigners.

The avoidance of U.S. taxes through foreign corporations can and should be dealt with. However, the bill should not impose a U.S. tax based on foreign tax results. I believe therefore that the income of a foreign corporation should not be subjected to the rules of subpart F except to the extent that (a) the corporation is used to reduce taxable income from U.S. sources by transactions involving an affiliated U.S. person which enable that person to understate the gross income it earns or to claim deductions to which it would not otherwise be entitled; or (b) the foreign corporation accumulates funds beyond the reasonable present and anticipated needs of its business in order to avoid the U.S. tax which would be imposed on its shareholders were its profits distributed.

I may point out that this is exactly what the pending amendment of the junior Senator from Minnesota would do. That is why it conforms substantially to my position in regard to this matter.

Surely there can be no need or justification for putting foreign enterprises owned by U.S. shareholders at a competitive disadvantage merely because they are conducted so as to reduce their foreign tax burdens.

INEQUITABLE TREATMENT OF NONCORPORATE SHAREHOLDERS UNDER BILL SECTION 12

Section 12 of the bill taxes income earned by a controlled foreign corporation to an individual or to an estate or trust at individual income tax rates ranging up to 91 percent. No credit for foreign taxes paid by the corporation is available to him.

This treatment would impose severe hardships and would certainly not be equal to the tax treatment afforded U.S. stockholders of domestic corporations. If the business which produced the income were conducted by a foreign branch of a U.S. corporation owned by the individual, the income would be taxed only at the corporate rate, less foreign tax credits, unless it were actually distributed. The income remaining after corporate taxes could be plowed back into the business of a U.S. corporation, and no individual income tax would be payable until his stock would be sold or the company liquidated. Even then the tax would be at capital gains rates.

If undistributed income of a foreign corporation is to be taxed to a U.S. shareholder, I believe that it should not in any event be taxed more severely than undistributed income of a domestic corporation. The amendments to section 15 of the bill, which relates to gain on the sale or exchange of a foreign corporation's stock, proposed by the Treasury recognize the need for more equitable treatment in this respect when an individual disposes of his stock, but no relief whatever for shareholders who are individuals has been provided under bill section 12.

The inequitable position in which an individual shareholder of a controlled foreign corporation is put under the bill is made even more troublesome as a result of the lack of correlation between section 12 and the foreign personal holding company provisions. The bill retains unchanged the proposed amendment of section 551(b) of the code, which amendment is designed to prevent taxation of individual shareholders on the same income under both the foreign personal holding company provisions and section 12. This is especially disturbing in view of the greatly enlarged scope of the foreign personal holding company provisions under the bill. Moreover, in view of the differences in calculations of income taxed under foreign personal holding company provisions and under those of section 12, individual stockholders would be subjected to the administrative burdens of making calculations under both provisions and would be liable for income tax under those provisions that impose the higher tax.

THE CONCEPT OF "U.S. PROPERTY"

The bill includes in section 956 a definition of "U.S. property," the acquisition of which results in the imposition of a tax on shareholders under subpart F. Presumably, section 956 reflects a view that a purchase of "U.S. property" by a controlled foreign corporation should be treated as the equivalent of an actual distribution of earnings or that the purchase evidences an improper accumulation.

These provisions do not appear well directed toward the problems of either "constructive" dividends or improper accumulations. The exceptions to the definition of "U.S. property" should in any event be expanded to include any property reasonably necessary to the trade or business of the corporation acquiring it. For example, it would certainly seem preferable for a foreign corporation making temporary investments of working capital to be permitted to purchase U.S. Treasury bills—as the pending amendment of the distinguished Senator from Minnesota provides—rather than encouraged to purchase foreign short-term obligations. Similarly, if a foreign corporation is employed to accumulate funds unnecessarily and avoid U.S. income tax on U.S. shareholders, the effect of section 956 is to encourage the corporation to purchase foreign investment securities rather than U.S. investment securities. In such cases, section 956 does not strike at the accumulation; it simply encourages the retention of funds offshore with presumably adverse effects on our balance of payments.

CONCLUSION

In conclusion, it is my view that the only important U.S. tax problems arising from the use of American-owned foreign corporations involve (a) allocations of income and deductions in transactions with affiliated persons subject to U.S. taxes, and (b) unwarranted accumulations of earnings to avoid U.S. taxes on distributions to shareholders.

The provisions of the bill are not well designed to identify and deal with these or any other U.S. tax problems. Moreover, the burden that would be imposed by the bill on our foreign business would be substantial. The concepts and techniques of the bill are so highly complex that I doubt that reasonable technical solutions for its defects can be devised. In any event, I am convinced that the bill could not be equitably and uniformly administered, because it would be impossible for most revenue agents and taxpayers to understand and apply its provisions.

I therefore regretfully conclude that the foreign income provisions of the bill, even as revised by the Treasury draft, would have a seriously adverse effect on foreign operations of American business.

I therefore regretfully conclude that the foreign income provisions of the bill, and particularly those contained in section 12, would have a seriously adverse effect on foreign operations of American business.

Mr. President, I have a fairly long discussion of some of the technical problems that exist in various subsections of section 12. In the event that the pending amendment is adopted, of course, these technical problems will disappear. In the event the pending amendment is not adopted, we will have with us all of these technical problems, and at that time I would find it necessary to discuss them. In the interest of brevity, I ask unanimous consent that this discussion be included as a part of my remarks at the conclusion of my statement.

The **PRESIDING OFFICER.** Without objection, it is so ordered.

(See exhibit 1.)

Mr. MILLER. Mr. President, finally, it would be my preference that the taxation of foreign income provisions of the bill be completely deleted and that this entire matter be given special and long-time consideration by the respective taxing committees of the Congress next year; that it be considered as one separate problem, rather than as one of many problems that are contained in the omnibus tax bill. But, failing that, as I have said, the next best thing we can do is to adopt the pending amendment, and at least minimize the number of problems that would be created by the pending bill.

EXHIBIT 1

TECHNICAL DISCUSSION OF SECTION 12 (CONTROLLED FOREIGN CORPORATIONS)

AMOUNTS INCLUDED IN GROSS INCOME OF U.S. SHAREHOLDERS (SEC. 951)

Section 951(a)(1): This section sets forth the amounts to be included in the gross income of persons who are "U.S. shareholders" (i.e. 10-percent shareholders) of a controlled foreign corporation.

The bill does not do anything toward defining what is the pro rata share of a U.S. shareholder who holds noncumulative preferred stock of a controlled foreign corporation or who holds the common stock of a controlled foreign corporation which is subordinate to an issue of cumulative preferred stock upon which no dividend is declared during the year in question or which is in arrears.

If A sells stock of a controlled foreign corporation to B, earnings and profits of the year of sale may be taxed to A under section 1248(b), and taxed again to B as subpart F income for the year.

As in the House bill, it remains doubtful whether the amount includible in gross income of a U.S. corporate shareholder under this section is treated as a dividend for personal holding company purposes.

It may not be entirely clear under this section whether in order to be taxed a person must be a 10-percent shareholder on the last day of the taxable year, or whether it is enough that the person owning stock on the last day shall have been a 10-percent shareholder on any day of the taxable year.

Section 951(a)(2): The pro rata amount taxable to a U.S. shareholder is reduced only by distributions to some other U.S. person during the taxable year as a dividend on the particular stock in question. It would seem that any distributions during the year on a stock should reduce the pro rata shares of tainted items allocable to a U.S. person who holds that stock at the critical date. Furthermore, the result of the provisions in their present form could be to tax two U.S. persons on the same income.

Example: X, a U.S. corporation, owns P, a Panamanian subsidiary which owns S, a

Brazilian corporation. P sells all the stock of S to A, a U.S. citizen, under arrangements by which current income to the date of sale is paid out to P as a dividend. The S dividend will be taxed to X as subpart F income and the earnings of S (already taxed to X) will be taxed again to A if they are subpart F income.

Section 951(a) (3) and (4): Unlike section 951(a)(2), dealing with subpart F income, there is no reduction of either the pro rata share of previously excluded subpart F income withdrawn from investment or the pro rata share of investment in U.S. property by reason of distributions received by other persons during such year as a dividend. Section 951(a)(1) should specifically provide that all income taxable under that section should be reduced by distributions during the year (and, as noted above, by other amounts treated as dividends under section 1248) in lieu of the more limited provision of section 951(a)(2), which is applicable only to subpart F income.

Sections 951(a)(2), 951(a)(3), and 951(a)(4): These provisions of the bill apparently are intended to deal with a case in which a foreign corporation is a "controlled foreign corporation" during part of the year but is not during the remainder of the year. (See comment under section 957(a) below.) In order to limit the amount taxable to U.S. shareholders as subpart F income in such a case, these provisions reduce the amount otherwise taxable as subpart F income to a fraction of the total. This fraction is the same as the fraction of the year during which the foreign corporation was "controlled." This rule would not produce a correct result when control of a foreign corporation shifts between foreigners and U.S. shareholders during the year and the company's subpart F income is not realized proportionately during the two periods.

Example: X corporation is a foreign corporation on a calendar taxable year. On January 1 it is owned entirely by U.S. shareholders. Between January 1 and June 30 X has no subpart F income. On June 30 the U.S. shareholders sell their interests in X to a group of nonresident aliens. Between July 1 and December 31 X has subpart F income. Under section 951(a)(2) half of this subpart F income is taxable to the former U.S. shareholders.

Provision should be made permitting U.S. shareholders who acquire or sell control of a foreign corporation to be treated as though the taxable year of the foreign corporation had commenced or terminated at the date of acquisition or sale.

SUBPART F INCOME DEFINED (SEC. 952)

Section 952(b): The wording is identical with section 952(a)(2) of the House bill. This section excludes from subpart F income the income derived from sources within the United States of a foreign corporation engaged in trade or business in the United States. Where a foreign corporation is not engaged in trade or business within the United States and receives fixed or determinable periodic income from U.S. sources, within the meaning of section 881(a), then it would appear that a tax would still be imposed upon the foreign corporation under section 881(a) and a second tax might be imposed upon its U.S. shareholders under proposed section 951. A possible approach to the problem of imposing a second tax on section 881(a) income might be to provide a deduction from the gross amount of such income equal to twice the amount of U.S. tax paid thereon. This would reduce the amount of such income taxable under subpart F by excluding such part thereof as in effect might be considered to have already borne a U.S. tax at a 50-percent rate.

Section 952(c): This is a new section which is apparently intended to meet the criticism that the House bill contains no provisions with respect to allowance of losses.

Section 952(c) permits the carryforward of post-1962 losses of a controlled foreign corporation against its subsequent earnings. It makes no provision for the carryback of losses. Thus where a controlled foreign corporation is initially successful but ultimately incurs a loss (as in the case of expropriation by foreign governments), the U.S. shareholders would be required to pay a tax at ordinary income rates with respect to the undistributed income of the profitable years without receiving the benefit of any carryback with respect to the subsequent year in which such income was ultimately lost.

Section 952(c) is technically deficient. Under this section, the subpart F income of any controlled corporation may not exceed the earnings and profits of the corporation for the current year reduced by the amount by which (1) the sum of the deficits in earnings and profits for prior years beginning after December 31, 1962, exceeds (2) an amount equal to the "earnings and profits described in section 959(c)(3)" accumulated for taxable years beginning after December 31, 1962 (including the current year). Presumably under this section "earnings and profits described in section 959(c)(3)" means earnings and profits which are not taxed under section 951. When there are earnings and profits in the current year which are not taxed under section 951, this provision does not work as intended.

Example: In 1963 a corporation has a deficit in earnings and profits of $400,000. In 1964 the corporation has earnings and profits of $400,000, consisting of subpart F income of $300,000 and other income of $100,000. Since the deficit in 1963 is just equal to the earnings in 1964, it would be expected that no amount would be taxable in 1964. Under the limitation set forth in section 952(c), the limitation on subpart F income in 1964 would be determined as follows: the earnings and profits for the current year of $400,000 would be reduced by (1) the deficit for 1963 of $400,000 minus (2) the nonsubpart F income in 1964 of $100,000, i.e., $300,000 ($400,000 — $100,000); therefore, subpart F income of $100,000 would be taxed even though the deficit in 1963 was equal to the entire earnings and profits of 1964.

This anomalous result would be corrected if section 952(c)(2) merely provided for the deficits of prior years to be reduced by an amount equal to the earnings and profits described in section 959(c)(3) accumulated for prior taxable years beginning after December 31, 1962. This would eliminate the double counting of earnings and profits of the current year.

It should also be noted that the section does not permit the carryforward of losses incurred prior to 1963.

The reference in subparagraph (2) of this section to accumulated earnings and profits of the type described in section 959(c)(3) should explicity provide that such earnings should be reduced by distributions that are not excluded from gross income under section 959. It may not be clear that the word "accumulated" by itself accomplishes this result.

In the last sentence of the section, it should also be made clear that the deficit will be excluded only if it was previously taken into account in computing subpart F income; one way of accomplishing this would be to add the words "and thereby reduce subpart F income" to the end of the sentence.

Section 952(d): This is another new subsection dealing with losses. It permits losses within a single chain of controlled foreign corporations to be applied against earnings of other foreign corporations within the same chain, "in such manner as the Secretary or his delegate shall prescribe by regulations." Among the problems which the regulations would have to face would be questions of prorating as between shareholders having preferred and common stock or having varying interests during the year or having varying interests in the various corporate links in the chain of corporations; prorating as between foreign corporations which came under U.S. control at different times during the year; and resolving competing interests of shareholders with respect to the carryforward of losses within a single corporate entity (under sec. 952(c)) or attribution of the losses to another corporation in the chain (under sec. 952(d)). It is questionable whether substantive problems of this magnitude should be or can be delegated to the Secretary's discretion without legislative guidelines.

It seems unfair to impose a tax on U.S. shareholders of the parent with respect to undistributed income from a submember of the chain, without giving the taxpayer any indication of the manner in which losses are to be attributed within the chain. The essential drafting difficulty here stems from the statutory device of attributing to the U.S. shareholder directly the undistributed income of a foreign subsidiary in which the U.S. shareholder owns no shares. It would appear preferable to adopt either the system of hypothetical distributions upward in the chain (the link system) which is used in existing section 555(b) with respect to foreign personal holding companies, or to provide a method under which the U.S. taxpayers would be given the election, subject to suitable safeguards, to determine the income of all the foreign corporations in a chain or in an affiliated group on a consolidated basis similar to the one available to domestic corporations. If this hopscotching method is adhered to, it would be desirable to enlarge section 952(d) so as to (i) permit attribution of losses between affiliates as well as between members of a single chain, (ii) make it clear that losses so applied may be carried forward under section 952(c), and (iii) establish standards for the Secretary to follow.

FOREIGN BASE COMPANY INCOME (SEC. 954)

Section 954(b)(1): This new section would exclude from foreign base company income "dividends and interest" received from certain qualified investments in less developed country corporations, providing such dividends and interest do not exceed the increase in such investments for the taxable year. If the purpose is to permit earnings from an investment from one less developed country to be withdrawn for reinvestment in another less developed country, then the subsection should not be limited to dividends and interest but should extend to all subpart F income received from a less developed country, such as royalties, gains from the sale of the stock of a less developed country corporation, foreign base company sales income, or foreign base company service income.

Section 954(b)(3): This paragraph, which is similar to section 952(e)(6) of the House bill, imposes a special rule where the foreign base company income is less than 20 percent, or more than 80 percent of gross income. The interrelation between sections 954(b)(3), 954(b)(1), and 955(a)(1)(A) should be clarified. As presently worded, it is not certain whether interest and dividends from certain less developed country investments which qualify for exclusion under section 954(b)(1), are included in the numerator in applying the percentage tests of section 954(b)(3).

Section 954(b)(4): This new paragraph provides an exception for any item of income of a controlled foreign corporation if the Secretary is satisfied that "the creation or organization [of the corporation] receiving such item under the laws of the foreign country" of incorporation does not have the effect of "substantial reduction" of income, war profits, excess profits or "similar taxes."

Section 954(b)(4) represents an attempt to limit the complex provisions of the proposed statute to cases of tax avoidance. As discussed in part I, it is suggested that this provision should be amended so that the reference to reduction of taxes applies only to U.S. taxes. Whatever the decision on this question of policy may be this section should be technically clarified in a number of respects. The taxpayer should have the right to establish his right to the exception by the preponderance of the evidence instead of leaving the determination entirely to the discretion of the Secretary. In addition, the section should be clarified so as to refer to the transaction giving rise to the income, rather than the "creation or organization" of the corporation.

Section 954(b)(5): There are some of the difficulties which would be involved in determining which deductions would be properly allocable in determining foreign-base-company income. The present bill would give the Secretary authority to promulgate regulations to determine the allocation of deductions to four different types of tainted income. This is another instance in which the statute seeks to sidestep difficult problems by delegating their solution to the Secretary. It would seem preferable to face these problems from the outset, in order to help ascertain whether the statute would be workable in practice. In particular, it should be made clear that any excess of expenses, losses and deductions allocable to one category of subpart F income over the income in that category should be charged against other categories of subpart F income. Merely allowing such excesses to reduce earnings and profits will not suffice, since they may be absorbed by earnings from sources which do not constitute subpart F income.

Section 954(b)(5) should be clarified so as to refer to expenses and losses as well as deductions (as in done in section 953(b)(5) with respect to certain insurance income), and to permit the various elections as to depreciation, etc., of the kind available to domestic corporations (as appears to be intended in section 962(a) with respect to determination of earnings and profits).

Section 954(c)(2): As in the case of section 952(e)(3) of the House bill, this section would include all rents in foreign base company income without regard to whether they constitute more than 50 percent of gross income, subject to the exceptions of sections 954(c)(3) and 954(c)(4)(B) (see below). These exceptions are responsive in part to our original comments (hearings, pp. 3179–3180), but do not deal at all with the problem of rents which have been "locked in" to cover debt or commitments of a foreign corporation. One way to handle the "lock in" problem generally would be to expand new section 962(b) (blocked foreign income) to include restrictions or limitations imposed under loan agreements or other commitments necessary for the business.

Consideration should also be given to the desirability of excluding rent where it constitutes the principal income of the foreign corporation, as is done with respect to personal holding companies under the 50-percent limitation of present section 543(a)(7). If the purpose of removing the 50-percent limitation is to prevent rental income from sheltering other foreign base company income, this could be accomplished simply by excluding rental income from "gross income" for the purposes of the computation in section 954(b)(3).

Section 954(c)(3): This is a new paragraph which excludes dividends, interest, rents and royalties from foreign base company income if they are both (A) "derived in" the active conduct of a business, and (B) not received from a related person. The listed items of income may be received in connection with, or as an ordinary incident to, a manufacturing or other operating business, but it is not clear that the phrase "derived in" would cover these cases. Moreover, the exception from the exclusion under (B) should be limited to the case where the related person is a U.S. person. A transfer of items between related persons in connection with an active foreign business should not be the occasion for imposing a U.S. tax unless it involves the shunting of income from, or increasing the deductions of, a U.S. person.

Section 954(c)(4): This is a new paragraph which excludes dividends, interest, rents, and royalties from foreign base company income if received from a related person under certain described circumstances. In the case of dividends and interest, the payor must be organized under the laws of the same country as the payee and, in addition, the payor must have substantial assets used in its business in such country. In the case of rents, royalties, and "similar amounts" the payor must be paying for the use of property located in the country in which the recipient corporation is organized. It is assumed that the theory behind the exclusion is that under the laws of most foreign countries the payment of the item under the circumstances described will not result in a reduction of foreign taxes. As stated above, it does not seem desirable to use the avoidance of foreign taxes as an occasion for imposing U.S. taxes; it would be preferable to disregard foreign-to-foreign intercompany transactions entirely.

Special provisions should be made for property of the type which is necessarily used within or between two or more countries, such as ships or planes. The reference to a corporation "created or organized" under the laws of a particular country should be expanded to include a corporation treated as a resident under such laws.

Section 954(d)(1): This section defines foreign base sales income in terms similar to section 952(e)(2) of the House bill. It would deprive U.S. controlled foreign corporations of the benefits of using a sales subsidiary or affiliate which is incorporated outside the country from which it buys or to which it sells. This is apparently intended to make it difficult for U.S. controlled business conducted abroad to minimize foreign taxes, even though such benefits are freely available to their foreign competitors.

Section 954(d)(2): This is a new section. It provides that in "situations in which the carrying on of activities * * * through a branch or similar establishment outside the country of incorporation of the controlled foreign corporation has substantially the same effect as if such branch or similar establishment were a wholly owned subsidiary corporation, deriving such income," then, under regulations to be prescribed, the income attributable to the "carrying on of such activities" is to be treated as income derived by a wholly owned subsidiary and shall constitute foreign base company sales income of the controlled foreign corporation.

The entire provision is vague and uncertain in the extreme. Its application and operation are so uncertain that comment upon the provision is most difficult.

Many foreign countries do not tax corporations organized under their laws with respect to income attributable to branches located in other countries. The Treasury may regard operation under laws of this type as a method of avoiding foreign taxes which this provision is intended to penalize. If so, this would represent an extreme instance of the Treasury's concern regarding the payment of foreign taxes which are not required by the countries involved. In such cases it would appear that section 954(d)(2) might well lead those countries not taxing branch income to impose a "soak-up" tax on United States controlled corporations organized under their laws, but not on their foreign competitors.

This provision, if it were to remain in the bill, would create innumerable problems. For example, should the branch be treated as a corporation which has been organized under the laws of the country in which the putative parent is organized, or in which the branch is actually located, or elsewhere? How would it be possible at one and the same time to treat the income of the branch as "income derived by a wholly owned subsidiary" and as constituting foreign base company sales income of the putative parent? What part of the income of the branch is to be so treated?

Section 954(d)(3): This new section contains a definition of "related person," which substantially expands the language of the last sentence in section 952(e)(2) of the House bill. In determining stock ownership, the new section incorporates the rules of direct and indirect ownership of section 958(a) and the attribution rules of section 958(b). In view of the incorporation of the rules of section 958, it is confusing for section 954(d)(3) to refer again to "ownership, directly or indirectly."

Section 954(e): This new section defines "foreign base company services income" as meaning any income derived "in connection with" the performing or furnishing of "technical, managerial, engineering, architectural, scientific, skilled, industrial, commercial or like services" which are performed for a related person "for or in connection with business activities carried on by such related person outside the country under the laws of which the controlled foreign corporation is created or organized." The meaning and scope of this new section is obscure. For example, it is not clear whether the section covers services performed (for a related person) outside the country of incorporation of the corporation rendering the service, or whether it refers to services performed anywhere in connection with business carried on by the related person outside such country of incorporation. It is also not clear what kind of business enterprises would be included under such broad terms as "managerial," "industrial," "commercial," and the "like," or whether income derived "in connection" with such services for a related person would include compensation received from an unrelated third party.

The language of section 954(e) seems broad enough to encompass marketing companies and sales agencies of the kind described in section 954(d)(1). If an item of income should fall under both section 954(e) and 954(d)(1), then under section 954(b)(6) the allocation of the item would be determined by regulations to be prescribed. This adds still another element of uncertainty to the statute, since the exceptions set forth in section 954(d)(1) are not the same as those in section 954(e).

WITHDRAWAL OF PREVIOUSLY EXCLUDED SUBPART F INCOME FROM QUALIFIED INVESTMENT (SEC. 955)

Under the provisions of sections 954(b)(1) and 954(f) a controlled foreign corporation can exclude from subpart F income certain dividends and interest received from less developed countries and reinvested in those countries. When the investment is withdrawn, sections 955 and 951(a)(1)(A)(ii) would tax the previously excluded income to U.S. shareholders as a new category of income, called "previously excluded subpart F income withdrawn from investment in less developed country corporations for such year." The technique of creating a new category of income (rather than treating the withdrawal as subpart F income in the year of withdrawal) results in serious complexities and incongruities.

Section 955(a)(1): It is not clear under this section whether interest and dividends would be considered to have been excluded from foreign base company income under section 954(b)(1) (and therefore potentially taxable under section 955) if they were received in a year in which there was no foreign base company income because all of the foreign base company income (including such dividends and interest) was less than 20 percent of the gross income of the controlled foreign corporation.

The word "foreign" is omitted after the word "controlled" in the second line of this provision in the committee print.

Section 955(a)(2): This section defines a decrease in qualified investments, and limits the amount of such decrease to "the sum of the earnings and profits for the taxable year and the earnings and profits accumulated for prior taxable years beginning after December 31, 1962."

Under the quoted language it is entirely unclear whether a deficit existing at the beginning of the taxable year may be applied to reduce or eliminate earnings and profits of that year. Moreover, even if a deficit may be so applied, there seems to be no reason why its treatment under section 955(a)(2) should differ from its treatment under section 952(c). The latter section expressly provides that subpart F income is to be taxed only to the extent of untaxed earnings and profits less prior deficits. Section 955(a)(2), however, would seem to permit the taxation of section 955 withdrawals if there are any accumulated earnings and profits, whether or not they have been taxed.

Example: In 1963 corporation X (wholly owned by U.S. shareholders) has $300,000 of subpart F income and $300,000 of dividends and interest excluded from subpart F income under section 954(b)(1). In 1964 X has a $300,000 operating loss. In 1965 X has neither current earnings and profits nor a current loss, and withdraws from investment the $300,000 previously excluded from subpart F income. Since X has accumulated earnings and profits of $300,000 ($600,000 from 1963 less the $300,000 loss of 1964), the withdrawal would be taxable under section 955(a)(2). Thus, taxes have been imposed on $600,000 of income, even though X's accumulated earnings and profits through the year of withdrawal were only $300,000.

The incongruity of the rules provided by section 955(a)(2) is illustrated by the different result which would occur were the tax-free distribution made prior to the year of section 955 withdrawal.

Example: Same facts as in the preceding example, except that in 1964 X distributes $300,000 to its U.S. shareholders. The distribution is tax free under section 959, but results in a reduction of earnings and profits. The section 955 withdrawal in 1965 is likewise tax free, because there are no accumulated earnings or profits at the beginning of 1965.

Under section 955(a)(2), the amount of any decrease in qualified investments is to be adjusted by eliminating decreases resulting from net losses on qualified investments which are "disposed of" during the taxable year. It is not clear whether an investment which has become worthless during the taxable year (and which would thereby contribute to the decrease in qualified investments) has been "disposed of" for the purposes of the above adjustment. Section 955(a)(2) should be revised to clarify this point.

Section 955(a)(3): This section purports to define pro rata share of amount withdrawn. The definition says only that a person's pro rata share is his pro rata share. It contributes nothing toward resolving this important question. See our comments under section 951(a)(1) above.

Section 955(c)(1)(B): This section requires that 80 percent or more in value of the assets of a less developed country corporation consist of certain assets. These assets include "property used in such trades or businesses and located in less developed countries." It is not clear that accounts receivable from customers located in countries outside less developed countries are "property" located in less developed countries, even though the receivables grew out of a trade or business conducted in a less developed country.

Section 955(c)(1)(C): There seems to be no reason for requiring that a less developed country corporation be incorporated under the laws of such a country if it meets the other tests of section 955(c)(1).

INVESTMENT OF EARNINGS IN U.S. PROPERTY (SEC. 956)

Section 956(a)(1): In defining the amount of earnings invested in U.S. property, this section limits such amount to the extent it would have "constituted a dividend (determined after the application of section 955(a)) if it had been distributed." I would have thought the reference would be to section 959(a) rather than section 955(a), so that an investment in U.S. property would not be taxed if it could only be made out of earnings available for tax-free distribution under section 959.

The reference to "property held, directly or indirectly" is obscure and should be clarified.

Section 956(a)(2): This section deals with the "pro rata share" of an increase in the earnings of a controlled foreign corporation invested in U.S. property. I have observed earlier, the term "pro rata share" requires clarification. The section would tax an increase in investment in U.S. property even though attributable to earnings and profits accumulated before January 1, 1963. This represents a marked change from the parallel provisions of section 953 of the House bill, which limited the tax to earnings and profits accumulated after December 31, 1962. In this important respect it seems clear that section 956 is not "with technical changes, substantially the same" as the parallel provisions of the House bill.

Section 956(b)(1): This section defines "U.S. property" as tangible property located in the United States, stock of a domestic corporation, or an obligation of a U.S. person, if "acquired after December 31, 1962." If the purpose of section 956 is to impose a tax with respect to U.S. investments which are tantamount to dividends by reason of benefits conferred upon related U.S. persons, then the section should apply only to such investments. On the other hand, if the purpose of section 956 is to strike at investments which evidence unreasonable accumulations, then there would seem to be no reason to limit it to U.S. property or to apply it to investments made in connection with the business of a controlled foreign corporation.

The reference to property "acquired after" December 31, 1962, is not clear. For example, if securities held prior to December 31, 1962, are exchanged in a tax-free reorganization, it is not clear when the securities resulting from the refunding transaction have been "acquired."

It should also be noted that the restriction of the definition to property acquired after December 31, 1962, would bar replacement of existing U.S. investments upon their maturity or sale after December 31, 1962. As a result, the statute would tend to force capital out of the United States as well as to bar its flow into the United States. The advisability of these provisions seems highly doubtful in the light of our balance-of-payments problem.

Section 956(b)(2)(A): This section would exclude from the definition of "U.S. property" any "money, or deposits with persons carrying on the banking business, located in the United States." In view of the phrasing, it would appear that the deposits, as well as the money, must be "located" in the United States. This would raise substantial doubts with respect to the potential taxability of deposits made with a foreign branch of a U.S. bank, even though there would be no question if the deposit had been made at the home office of the U.S. bank. This result was probably unintended. It is suggested, accordingly, that section 956(b)(2)(A) be worded to read as follows:

"(A) money, or deposits with or obligations, pledges, and guarantees of persons carrying on the banking business;"

Section 956(b)(2)(C): This is an exception which is apparently intended to permit sales to U.S. persons on usual credit terms. The wording of the exception is singularly awkward and gives rise to numerous questions of construction. In particular, it is not clear whether the exception would apply in the case of a sale made to an unrelated person.

An exception should be provided for any obligation arising in the ordinary course of business. In the absence of such an exception, obligations arising from the performance of services for a U.S. person or obligations for rentals due under leases to U.S. persons would be treated as if they were investments in U.S. property under section 956(b)(1)(C), even though the services were performed or the rental property was located entirely outside the United States.

Section 956(c): This section states that a controlled foreign corporation shall be considered "as holding an obligation of a United States person if it is a pledgor or guarantor of such obligation." It is assumed that the word "it" refers to the controlled foreign corporation, but this is not clear. If this assumption is correct, the section would prevent a tax haven company, for example, from guaranteeing a loan by a foreign bank to the tax haven company's U.S. parent based on funds of the tax haven corporation accumulated in the foreign bank. If such is the intent, this should be made clear by deleting the word "it" and substituting in its place the words "the controlled foreign corporation." This was the thrust of the original section 953(b)(4).

If the word "it" were to be construed to refer to "United States person," it is believed that it would raise very serious unintended problems. For example, it is a common banking practice abroad for a bank to guarantee obligations of various kinds between its customers. A number of these transactions would be exempted under section 956(b)(2)(C). Many other similar problems arise in connection with sales of property and if the guarantee of a foreign branch of a U.S. bank in such transactions would convert the obligation guaranteed into U.S. property, it would not only put the bank branch at a competitive disadvantage but would raise difficult problems for its customers who were controlled foreign corporations.

CONTROLLED FOREIGN CORPORATIONS (SEC. 957)

Section 957(a): The bill as passed by the House also presented substantial difficulties in determining the facts necessary for identification of a controlled foreign corporation. The incidence of these problems has been substantially reduced under the bill by the proposed limitation on attribution through corporations and by the disregard, for purposes of the definition, of U.S. persons whose owned or attributed stock interests are less than 10 percent. However, serious problems could still arise for a minority shareholder who must determine whether the number of remaining shares held by or attributed to U.S. persons is such as to place the corporation in the category of a "controlled foreign corporation." Even though only 10 percent shareholders (actual or attributed) are counted for this purpose, the counting may be complicated or impossible because of registration of the remaining stock in numbered accounts or "street" names, the use of bearer shares, the difficulties of applying the attribution rules, and the fact that "control" might exist on only 1 day in the year.

Moreover, despite the 10-percent limitation it is still possible for situations to arise in which a corporation will be treated as "controlled" by U.S. persons although it is in fact controlled by foreigners.

Example: A U.S. publicly held corporation owns 40 percent of the stock of foreign corporation X. The remaining 60 percent of X stock is owned by a foreign corporation which is owned by foreigners except that 20 percent of its stock is owned by an American. X is deemed to be a "controlled foreign corporation" under sections 957 and 958, although Americans do not have effective control.

As set forth in the bill, a foreign corporation would seem to be a "controlled foreign corporation" for the entire taxable year if the ownership test is met on any one day. This is inconsistent with sections 951(a)(2), 951(a)(3) and 951(a)(4) where a U.S. shareholder is taxed only with respect to the portion of the year that the foreign corporation is a "controlled foreign corporation". This section should specifically provide that a foreign corporation is a "controlled foreign corporation" only during the period in which the ownership test is met.

Section 957(c): The other basic change in what constitutes a controlled foreign corporation is in the exclusion of certain corporations organized in U.S. possessions. This is a desirable change. The parenthetical reference in sections 957(c)(1) and 957(c)(2) seems unnecessary.

RULES FOR DETERMINING STOCKOWNERSHIP (SEC. 958)

Section 958(a): Under section 958(a), a U.S. person is treated as owner not only of stock he actually owns, but also of stock he indirectly owns through a foreign corporation, foreign partnership, foreign trust, or foreign estate. This section has been made applicable not only for the purpose of taxing U.S. persons (as the corresponding provision in the House bill was) but also for the purpose of determining whether a U.S. person is a "U.S. shareholder" and whether a corporation is a "controlled foreign corporation." No reason has been given or is apparent for making this change.

Section 958(b): This is the same as former section 955(b) of the House bill except for the change embodied in section 958(b)(4). The latter section narrows the attribution of stock ownership through a corporation to a situation where the stockholder owns 10 percent or more of the stock directly or indirectly. Unfortunately, a similar limitation has not been introduced into section 958(a). Since sections 958(a) and 958(b) serve the same statutory purposes (determining who is a "U.S. shareholder" and determining if a foreign corporation is "controlled"), the failure to include the 10-percent limitation in section 958(a) largely negatives the change made in section 958(b). For this reason, section 958(a) should be restricted to its original purpose.

EXCLUSION FROM GROSS INCOME OF PREVIOUSLY TAXED EARNINGS AND PROFITS (SEC. 959)

Section 959: This section is identical to section 956 of the House bill except for the occasional substitution of the word "shareholder" for "person," and the major difficulties continue to be the same.

Whether a distribution of earnings or an investment of earnings in U.S. property results in the realization of taxable income by a person subject to Federal income taxation will depend upon whether such earnings were previously included in the taxable income of a "U.S. shareholder" who owned the shares now owned by the person whose income tax liability is in issue. Shares which are otherwise identical may therefore have different tax attributes depending upon how they were previously owned. If the pupposes of section 959 are to be served, administrative problems of almost insuperable complexity will be encountered, especially in tracing and identifying shares of a public corporation which may be registered in street name and purchased and sold through brokers.

Example: A, a U.S. citizen, acquires one hundredth of 1 percent of the stock of X, a foreign corporation. The value of his investment is about $10,000. X company has acquired over a number of years control of several foreign corporations owning rental property in various foreign countries. X acquired the stocks of its subsidiaries from other foreign corporations, from U.S. corporations, from trustees and executors of estates here and abroad, etc. Subsidiaries of X sell properties (realizing no net gain), and distribute the proceeds to X. Then X distributes a dividend of $1,000 to A.

To the extent that the rental income of the underlying companies was taxed to U.S. persons in previous years through the stock which X has acquired, A should receive his $1,000 tax free under section 959(a) when the rule of section 958(a) is taken into account. However, it may be prohibitively expensive for A to examine the past shareholdings of the companies now underlying X (and the shareholdings of the companies of which they were once subsidiaries).

Moreover, there many be no reason for the management of X to provide A with information or assist him in securing it. X may not be a "controlled foreign corporation". A and other U.S. shareholders taken together may have a very small fractional interest in X. Their problems would not stem from the status of X as a "controlled foreign corporation," but from the fact that they receive cash and the fact that some of the subsidiaries of X were at one time or other controlled foreign corporations whose income was taxed to U.S. citizens and is now being taxed again.

In the case described, a revenue agent faced with the statute, the lack of proof and A's cash receipt would have to include in A's gross income the $1,000 cash distribution by X. Despite the elaborate technical machinery of section 959, the same income could, in practice, be taxed twice.

Section 959(b) excludes previously taxed earnings from gross income "for purposes of the application of section 951(a)" when distributed through a chain of ownership through other controlled foreign corporations. Such distributions should also be excluded from gross income for the purposes of section 551 of the Internal Revenue Code. Absent such an exclusion, distributions of previously taxed income through a chain of foreign corporations may be taxed again as foreign personal holding company income.

SPECIAL RULES FOR FOREIGN TAX CREDIT (SEC. 960)

Section 960: Section 957 of the House bill, providing special rules for the foreign tax credit, has been renumbered as section 960 of the bill. Some of the problems in the section are:

Under section 960, no credit for foreign taxes is available to individual U.S. stockholders in controlled foreign corporations.

Attribution rules are used to compute income elsewhere in subpart F, but are not used to determine eligibility for the foreign tax credit in section 960.

Section 960(a)(3) should be correlated with the gross-up provisions of the bill, for otherwise a domestic parent may be required to include income of a controlled foreign corporation in its gross income twice in order to obtain a foreign tax credit.

It is not clear whether section 960(a)(4) is intended to mean that inclusions in gross income are not ordinarily to be considered as dividends.

Section 960(b) should be extended to apply to successors in interest and provision for prior year limit should be made.

Section 960(b)(2)(A) should be clarified so as to include appropriate amounts grossed-up in determining the amount of increase in the section 904 limitation.

Section 960(b)(2) should be modified to take into account in the year of distribution, in addition to the increase in the section 904 limitation for the year of taxability, the carryovers and carrybacks resulting from such limitation for the year of taxability.

Section 960(b)(2) will require keeping prior years open for long periods of time, for purposes of that section, since the section 904 limitation in the year of distribution will be determined in the light of that limitation in the year of taxability.

Section 960(b)(4): This provision does not yield the correct result in cases such as the following:

Example: Under section 951(a) the 1963 income of A corporation (a foreign corporation) is taxed to X corporation, a U.S. corporation. In 1964 X corporation receives a tax-free distribution from A corporation. In 1964 X corporation also realizes taxable foreign income from source B. X corporation increases its section 904 limitation under section 960(b)(1) and (b)(2). After doing so, X has the following items for 1964:

U.S. income tax liability	$1,000
Foreign tax credit under sec. 901 arising from source B income after applying sec. 904	500
Increase in limitation under sec. 960 (b) arising from tax-free distribution by A corporation	700

The statute is intended to permit X to employ the $700 increase in its credit limitation under section 960(b) so as to eliminate its net liability of $500 for 1964 and also claim a $200 "refund." The statute, however, does not operate because the $700 increase in the section 904 limitation which arises under section 960(b) does not exceed the tax of $1,000 imposed for 1964. The statute should read:

"The tax imposed by this chapter for such year reduced by any credits allowable under any provisions of this chapter other than credits arising out of or allocable to the increase in the limitation arising under section 960(b)."

ADJUSTMENTS TO BASIS (SEC. 961)

This section provides for increases in basis of stock of a controlled foreign corporation by amounts included in gross income under section 951(a). It is submitted that the basis increase provision does not go far enough.

Example: X, a U.S. citizen, owns all the stock of P, a Panama corporation, which owns all the stock of S, a Swiss corporation. S has subpart F income charged to X under section 951. Under section 961(a) the basis of the P stock is increased, but not the basis of the S stock in the hands of P. A sale of S stock by P would thus increase the earnings and profits of P and the increase could form the base for further taxes (for example under sec. 956) imposed upon X, essentially stemming from the same income already taxed.

It is submitted that the basis of the S stock in the hands of P should also be increased under these circumstances.

MISCELLANEOUS PROVISIONS (SEC. 962)

Section 962(a): This section provides that earnings and profits of a foreign corporation are to be computed for purposes of subpart F according to rules "substantially similar" to those applicable to domestic corporations, under regulations to be prescribed by the Secretary or his delegate. This section leaves unanswered specific questions with respect to elections, accounting methods and fiscal periods affecting the computation of earnings and profits.

Section 962(b): This section provides that under regulations to be prescribed "no part of the earnings and profits of a controlled foreign corporation for any taxable year shall be included in earnings and profits for purposes of sections 952, 955 and 956" if it is established that such part could not be distributed because of currency or other restrictions or limitations.

It is presumed that this section is intended to prevent the inclusion of blocked income in the taxable income of a U.S. shareholder of a controlled foreign corporation. It will not always accomplish this purpose.

Example: A controlled foreign corporation has $300,000 of operating income from country A which is not blocked and $300,000 of subpart F income from country B which is blocked. Section 962(b) excludes the blocked income from earnings and profits. Section 951(a) (1) (A) (i) and section 952(c) require the U.S. shareholder to include in his taxable income the amount of subpart F income not in excess of earnings and profits of the taxable year. Subpart F income is $300,000 and earnings and profits are likewise $300,000. The shareholder would be required to include $300,000 in his taxable income.

The result in the foregoing example was presumably not intended and the section should be redrafted. Moreover, it would appear imperative that blocked income be completely excluded from all calculations of gross income, earnings and profits and taxes paid until it is unblocked. Otherwise the 20–80 ratio of section 954(b) (3) and the operation of the foreign tax credit provisions would be materially distorted.

TECHNICAL AND CLERICAL AMENDMENTS

Bill section 13(b): This section is the same as section 13(b) of the House bill. This section was intended to relieve the stockholders of foreign personal holding companies from imposition of a second tax under section 551 with respect to any subpart F income on which they will be taxed under section 951. This section is technically deficient and fails to accomplish its purpose. The failure to correct these deficiencies is particularly troublesome because the scope of the foreign personal holding company provisions has been broadened by bill section 7.

Mr. McCARTHY. Mr. President, will the Senator yield for a question?

Mr. MILLER. I am happy to yield to the Senator from Minnesota.

Mr. McCARTHY. I commend the Senator from Iowa for the remarks he has made, particularly on the technical difficulties that will arise if this section of the bill is adopted. I quite agree with his statement that the entire section should be given prolonged study and that we should not act upon it at this time.

In the past, on technical provisions, even in simple areas like domestic excise taxes, long studies, running a year or two, ordinarily have been made. In this case, the House Ways and Means Committee had the bill for about a year and a half, but in the course of that time it dealt with five or six very complicated areas of taxation.

On the Senate side, we have had the bill only about 2 months in the Finance Committee, because we have had to deal with other pressing and difficult pieces of legislation.

In the committee I voted to refer the whole section to the Joint Committee on Internal Revenue Taxation for a study of 6 months. Another motion was made for a study of 90 days. I thought 6 months was a reasonable time. The motion was defeated.

I think it best now not to act on it. There is no great emergency or press. But since I do not believe that course of action is likely to be followed, I think the amendment I am offering would tighten up some of the very obvious tax-haven or tax-avoidance devices.

Though there may be technical problems even in carrying out the terms of my amendment, at least we have established rules to guide our actions with regard to unreasonable accumulation, and we leave the procedure somewhat flexible, so the Treasury can work out some prudent rules by which it may act. This would be at least a kind of compromise, interim proposal, after which we might decide that we had better call the whole thing off, or have a year's study, at the end of which time we might decide to call it off again.

I thank the Senator for his remarks and support.

Mr. MILLER. I thank the Senator from Minnesota. Let me add to what he has just said that I think he has well pointed out why it has been so difficult for the Congress itself, and particularly for the members of the House Ways and Means Committee and the Senate Finance Committee, to tackle this very complex section of the law and the bill in an adequate manner.

He has pointed out that the House spent about a year on this subject; that in the Senate Finance Committee it required at least 2 months, and even then the efforts of the members were diffused among the very many sections of this very long, complicated tax bill—not concentrated merely on the section we are speaking about now.

Mr. McCARTHY. Mr. President, if the Senator will yield, is the Senator familiar with the section dealing with taxes on insurance companies? He knows from experience in tax law that the problem of trying to tax insurance companies is one of the most complex we face in this country, and this is one area of the legislation with which we had to deal.

Mr. MILLER. I agree with the Senator.

I hope my comments this evening will not be interpreted as being a criticism of the members of the Finance Committee. Having been in the tax business some 20 years, I know there is a limitation on the ability of human beings, no matter how skilled they are, to handle problems of such great complexity as are involved in the bill. But the point I am making is that if we have this problem with respect to the members of the Finance Committee in drawing up the basic law, we should think of the great administrative problems that will descend upon the legislation and regulation officials in the Commissioner's office if the Congress passes the bill with these complex sections in it, including the complex section on insurance companies, as the Senator has mentioned. The Internal Revenue Service would be told: "Now, go to work and write the regulations." It seems to me it would require years to issue various sets of regulations, going through the established testing devices, before good regulations could be formulated.

We can relieve the Treasury Department and its staff of a great amount of unnecessary workload if we delete such a section as this and replace it with the Senator's amendment, which, as he has pointed out, has the background of settled court decisions and regulations in the matter of what is "unreasonable accumulation."

Does not the Senator agree that there will be plenty of material to work on, for the regulation purposes, without this section being added to the burdens, if we delete it from the bill?

Mr. McCARTHY. I certainly do.

Mr. MILLER. I thank the Senator from Minnesota for his remarks.

I yield the floor.

(During the delivery of Mr. McCarthy's remarks:)

Mr. McCARTHY. Madam President, I yield to the Senator from Rhode Island [Mr. Pastore] with the understanding that his remarks will be printed in the Record following the conclusion of my remarks.

Mr. PASTORE. And, Madam President, I ask unanimous consent that the Senator from Minnesota not lose his right to the floor by so doing.

The PRESIDING OFFICER. Without objection, it is so ordered.

THE TEXTILE PROGRAM

Mr. PASTORE. Madam President, this morning's Washington Post and Times Herald contains an editorial which attacks the textile program announced by the President a year ago last May, accuses the industry of blackmail in urging its implementation, and the administration of appeasement in carrying it out.

I ask unanimous consent that the editorial may be printed in the Record at this point.

There being no objection, the editorial was ordered to be printed in the Record, as follows:

Self-Defeating Tactics

In its efforts to secure the passage of the Trade Expansion Act the administration appears to have ignored a lesson which every victim of blackmail has learned through painful experience. Once paid off, blackmailers refuse to stay "bought."

In order to appease the strongly protectionist elements in the cotton textile industry a long-term cotton textile agreement was negotiated at Geneva this year which, when fully implemented, would oblige its signatories to place quotas on cotton exports to the United States when requested to do so. But this concession failed to satisfy the domestic cotton interests, and they are now busily lobbying for an additional 8½-cent "equalization" tariff on cotton-textile imports.

Having been burned by the cotton interests, the administration is taking still another step along the primrose path of appeasement. Myer Feldman, deputy special counsel to the President, informed the National Association of Wool Manufacturers that—

"Limitation of textile imports to prevent market disruption is an essential element of administration policy. We intend to implement this policy with regard to all textiles, and particularly to prevent market disruption such as would result from an increase over current levels of exports. The functions of the Interagency Textile Committee have just been expanded to cover all textiles."

This implied commitment to extend the protectionist quota system to woolens comes at a time, when that industry is experiencing rising sales and high profits.

The willingness of the administration to buy off the protectionist opposition with piecemeal concessions is causing growing suspicion abroad and alienating the supporters of the Trade Expansion Act at home. According to the terms of the original cotton agreement, negotiated at Geneva in 1961, the base period of imports is specified as a guaranteed minimum. But the program appears to be administered in such a way as to establish that base level as a maximum above which "market disruption" is automatically presumed. Cotton imports are now cut off without attempts to determine public damage, and as a result a suit has been filed which challenges the constitutionality of the cotton quota agreements.

The administration has made remarkable progress in breaking down traditional protectionist sentiment and garnering nationwide support for the Trade Act which now has an excellent chance of passing the Senate. When passed, the act will empower the President to enter into negotiations for the lowering of international tariff barriers, but his chances of success will be severely limited if his hands are tied by the concessions which are now being made to the enemies of freer world trade.

Mr. PASTORE. Madam President, the President's textile program of May 1961 follows in essential respects the recommendations of the special subcommittee of the Committee on Commerce on which the Senator from New Hampshire [Mr. COTTON], the Senator from South Carolina [Mr. THURMOND], and I served. Our investigations and extensive hearings began in 1958; were held again in 1961 and 1962. The subcommittee held hearings in Washington, D.C., in the principal textile producing States, and in New York. We listened to representatives of management and labor for the domestic textile and apparel industries, as well as to importers, exporters, and representatives of the various departments of our Government.

The Post has overlooked the fact that both President Kennedy and former Vice President Richard Nixon in 1960 recognized the serious import problem confronting all branches of the textile industry. Each pledged himself to remedy the situation which was eroding one of our basic industries and damaging the national economy.

Following further study in February and March of 1961 by the President's Cabinet Subcommittee, made up of representatives of the Departments of State, Treasury, Commerce, Agriculture, and Labor, the President on May 2, 1961, announced a special program for the textile industry, and said:

> It is our second largest employer. Some 2 million workers are directly affected by conditions in the industry. There are another 2 million persons employed in furnishing requirements of the industry at its present level of production. Two years ago, the Office of Defense Mobilization testified that it was one of the industries essential to our national security. It is of vital importance in peacetime and has a direct effect upon our total economy. All the studies have shown that unemployment in textile mills strikes hardest at those communities suffering most from depressed conditions.

Among the seven points of the President's program, the following are relevant here:

First. Direction to the Department of State to call a conference to seek an international understanding "which will provide a basis for trade that will avoid undue disruption of established industries." This direction applied to all of the textile industry, although to date such understandings cover only cotton goods.

Second. In addition, the President also recognized the inequity of the adverse differential in raw cotton costs between domestic and foreign mills. He directed the Department of Agriculture to make recommendations to eliminate or offset the cost to the U.S. mills of this differential. The Department of Agriculture requested the Tariff Commission to establish such an offset fee on November 13, 1961, and the Tariff Commission is expected to make its recommendations soon.

Third. The President also said that an application by the textile industry for action under the national security provisions of the Trade Act would be carefully considered on its merits. Such an application has been made and is currently pending.

The program for the fiber-textile-apparel industry, affecting 4 million American workers, is basic and far reaching. The President, as well as industry and labor, are to be congratulated and not maligned for facing up to these realities.

Ten months of experience with the short-term Geneva arrangement on cotton textile trade has proven the wisdom of the President's request through the Agriculture Department for a fee to offset the cotton cost differential of over 30 percent in the price of cotton. I should like to state a few examples:

Imports of cotton yarn during the first 6 months of this year totaled 17 million pounds, or over three times higher than 1961 and over twice as high as 1960. Imports of heavy fabrics, such as sheeting, containing a large amount of cotton relative to total cost, have more than doubled since last year. In fact, during the short-term arrangement which expires on September 30, 1962, imports of all cotton manufactures, including apparel, will be at least 25 percent above the disruptive levels which existed during the base period in the arrangement, namely, fiscal year 1961.

Experience has proved the wisdom of the request to the Tariff Commission for an offset fee to help alleviate a situation so destructive of American jobs and American plants. Within the past 2 weeks, three cotton mills have been forced to close down. One is in my own State of Rhode Island, another in Alabama, and only today one in Massachusetts. The hundreds of workers involved in each case are now looking for employment which may well be impossible to find in these areas.

Since 1947, as the imports of textiles have risen from insignificant amounts to over a billion square yards annually, over 400,000 textile jobs have been permanently closed. Over 850 mills have closed. Not all of this is due to imports; some is caused by a loss of exports, and some by rapidly rising productivity in the industry.

But imports have contributed a major share and constitute a heavy burden on the industry. It is essential that the cotton textile arrangement be enforced and carried out so as to prevent the high levels of fiscal year 1961 from rising higher, causing further disruption, hardship and liquidation. To do this, the President's program must be carried out in full, including the offset fee.

The Post objects to the President's carrying out his program for other textiles as well as cotton to prevent market disruption, unemployment, and hardship in those industries. I know about wool textiles. My State, as well as many others, has a heavy stake in this segment of the industry. Our domestic mills are practically the sole consumers for the wool grown by the sheep men in the United States. This industry, since the end of World War II, has been reduced in size by more than one-half. Employment has dropped from 180,000 to 70,000 workers. Mills which provided the sole or principal source of employment in many communities have been wiped out. Three hundred and sixteen mills have permanently closed.

But, what is the picture in relation to imports? It is conservatively estimated that imports this year will be 60 percent higher than last year, and will even exceed the record year 1960 by close to 25 percent.

Within this rising total are heavy and serious concentrations in yarns and in better fabrics. We have just received last month's import figures. They are the highest month on record in the history of wool textile imports into the United States.

Imports of apparel rose particularly sharply and these displaced not only the worker in the textile mill but the worker in the apparel plant. The administration has waited much too long to call an international conference to provide a basis for trade in wool textiles.

When the President announced his textile program, wool textile imports equaled about 19 percent of domestic production, but unless prompt and affirmative action is taken, imports this year will amount to 25 percent of domestic production.

The Post asserts that the industry is experiencing rising sales and high profits. There is no evidence of this.

In fact, only last week another mill in my own State of Rhode Island had to close down, displacing about 450 people.

I ask unanimous consent to have printed in the RECORD at this point a list of textile mill liquidations between January and August of this year, prepared by the Textile Workers Union of America, AFL–CIO.

There being no objection, the list was ordered to be printed in the RECORD.

TEXTILE WORKERS UNION OF AMERICA, RESEARCH DEPARTMENT, NEW YORK, N.Y.

Textile mill liquidations, January–August 1962

	Date	Product	Miscellaneous	Employees	Union
Massachusetts:					
J. P. Stevens & Co., Hampton Mills, Easthampton	Announced March 1962	Dye and finish		315	TWUA
Ames Textile Corp., Sutton's Mills, North Andover	February 1962	Woolens	Consolidating at North Star Mills in Maine.	200	
Connecticut:					
Burlington Industries, Princeton Knitting Mills, Watertown.	do	Knit pile fabrics		500	
Parke-Davis & Co., Bay Division, Bridgeport	do	Surgical dressing	Moving to Greenwood, S.C.	140	
Rhode Island:					
New England Lace Mills, Pawtucket	Equipment, auction in February 1962.	Levers laces			
Burlington Industries, S. Blumenthal & Co., Valley Falls.	February 1962	Worsted and mohair yarns	Purchased by Pontiac Weaving March 1962.	225	
Berkshire Hathaway Co.:					
Bourne Mills Division, Tiverton	April 1962	Cotton linings, sateens	Consolidated at other mills	630	TWUA
Coventary Mill, Anthony	Announced August 1962	Broadwoven cottons	do	390	TWUA
New York:					
Jos. Bancroft & Sons, Albert D. Smith, Textile Division, West New Brighton.	February 1962	Book and shade cloth, industrial fabrics, fabrics.		120	TWUA
Faith Mills, Averill Park	June 1962	Wool knit underwear	Purchased July 1962 by Souhan Textiles.	160	TWUA
Percy Kent Bag Co., Buffalo	do	Fabric bags		50	TWUA
Mohasco Industries, Firth Carpet Co., Auburn	September 1962	Carpets and rugs		[1] 400 [2] 75	
Wilson Athletic Goods Manufacturing Co., Buffalo	August 1962	Golf bags		75	TWUA
New Jersey: Velvet Textile Corp., Lodi	March 1962	Finishing velvets	Consolidated at Glastonbury, Conn., plant.	45	TWUA
Pennsylvania:					
American Beauty Fabrics, Allentown	April 1962	Cotton and Latex goods		35	TWUA
Universal Dye Works, Philadelphia	June 1962	Dye sweaters and hosiery	Forced out by highway construction.	100	
Ferdinand W. Mostertz & Sons, Philadelphia	July 1962	Upholstery fabrics	Consolidated at Greenville, S.C.	125	TWUA
Wisconsin:					
Rock River Woolen Mills, Janesville	February 1962	Woolen fabrics	Consolidated at Brownswood, Tex.	200	TWUA
Chippewa Falls Woolen Co., Chippewa Falls	January 1962	Woolen garments		150	
Alabama: Indian Head Mills, Cordova	Announced August 1962	Coarse cottons		750	TWUA

[1] January 1962. [2] August 1962.

Mr. PASTORE. Curtailment, beginning about 2 months ago, is spreading throughout the industry. J. P. Stevens & Co. has announced curtailment in eight mills in North Carolina and South Carolina.

I have before me a newspaper. It is the Daily Mountain Eagle, which is published in Jasper, Ala., and is dated Friday, August 3, 1962. A big headline states, "Indian Head Mills Co. To Discontinue Operations at Cordova Manufacturing Firm."

The Indian Head mills in Cordova, Ala., have closed permanently. Two woolen mills in Massachusetts have closed. According to the press the Cone Mills in North Carolina have announced curtailment and Burlington industries has reduced production. The press announced that Cannon Mills states that "curtailment is imminent." It is reliably reported to me that many wool textile mills have orders for only a few weeks of production and face curtailment or shutdown before this Congress adjourns.

The President's program is designed to solve a problem important not only to the 4 million workers in fibers, textiles and apparel, but to the other workers who supply the fuel, transportation, chemicals, machinery and other supplies and services needed by this basic industry.

This is not appeasement. This is not blackmail. This is a well thought out response to a basic national problem. This is indicative of the responsible way in which the President will exercise the broad powers requested in the trade expansion bill.

Madam President, I am perfectly willing to take cognizance of the fact that the Washington Post is published in the Capital City where we do not have mills. We do not have manufacturing and other industrial concerns to an great extent. The chances are that the individual who wrote the editorial sits in his ivory tower and does not know the situation in other States of the Union. But if he would take the time to travel and to read some of the editorials that have been published in my State, he would have a better understanding of how serious the situation is.

As I have pointed out in my statement, over 850 mills have closed in the United States of America in the last 10 years. I know the number of people who work in the mills and who have been put out of jobs in my State of Rhode Island. I say that the man in the Capital City who wrote the editorial which accuses the industry of blackmailing the President of the United States in order to pass his trade program does not know what he is talking about.

Mr. MUSKIE. Madam President, will the Senator from Rhode Island yield?

Mr. PASTORE. I yield to the Senator from Maine.

Mr. MUSKIE. I compliment the Senator from Rhode Island for what I consider to be an accurate and realistic statement of a problem which confronts a major industry of this country. I should like to suggest to the Senator from Rhode Island that unless our trade policy makes it possible for us to give recognition to problems of this kind, we will see generated in this country a tide of protectionism which will make newspapers like the Washington Post really blink their eyes.

I should like to ask the Senator from Rhode Island one or two questions. First of all, have we ever had a free trade policy in this country?

Mr. PASTORE. It depends upon what the Senator means. The Reciprocal Trade Act was not really a free trade policy.

Mr. MUSKIE. The point I make is that the second piece of legislation enacted by the First Congress of the United States was a tariff bill. From that time on we have not been without import restrictions of one kind or another. The Reciprocal Trade Agreement which was first enacted in the 1930's was not a free trade policy. Does the Senator agree?

Mr. PASTORE. I agree. I will go a step further. When Canada is in trouble with periodicals published in the United States and sold in Canada, they shut them off. When France has a similar problem, they shut off the imports. When Italy has a problem, they shut off the imports. However, here in America we must die first before we can do anything about it. All we are trying to do is save an industry which in the last 10 years has been suffering, an industry which is second only to steel in terms of our national security.

I am saying the time has come when we must be realistic. I am not one of those who want to blackmail anyone. Whether it was Eisenhower or anyone else, when I was asked to vote for an extension of the Reciprocal Trade Act, I voted for it. I will vote for the trade expansion bill. We are not here to blackmail anyone. We are saying to the people of this country and to the President of the United States and to Congress, "Look at this dying industry. Look at the people who are losing their jobs. Look at the mills that are being closed down." Anyone who says that that is blackmail, does not know the record. They are living in a world of fantasy.

Mr. MUSKIE. Madam President, will the Senator yield?

Mr. PASTORE. I yield.

Mr. MUSKIE. Since the Reciprocal Trade Act was enacted, does the

Senator agree that we have had a trade expansion program, but not a free trade program?

Mr. PASTORE. Yes.

Mr. MUSKIE. It has recognized that trade involves adjustments for industries. Any realistic trade policy must provide for such adjustment to industrial problems, such as the problem faced by the textile industry.

The Trade Act does not advocate free trade. It advocates trade expansion. There must be adjustment provisions in it, to enable industries which are squeezed to live.

Mr. PASTORE. There is nothing unilateral about all this. As a matter of fact, this short-term agreement is the result of a conference that was held in Geneva and Japan. All the countries agreed to it. All that we are asking them to do is to abide by the agreement.

Madam President, I ask unanimous consent to have printed in the RECORD at this point tables and explanatory notes dealing with import of wool manufacturers.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

TABLE I.—*U.S. general imports of wool manufactures by selected broad groups, fiscal year 1961, October 1961–June 1962, with estimates to October 1962*

	12 months, fiscal year 1961	9 months, October–June 1962	Percent of fiscal year 1961	Estimate, 12 months, October–September 1962	Percent of fiscal year 1961
	Million square yards	*Million square yards*		*Million square yards*	
Tops	5.7	8.7	153	11.3	197
Yarns	9.7	11.6	119	15.2	156
Fabrics, total	37.5	43.0	115	56.4	150
Not over $1.25 per pound	6.7	5.1	76	6.8	101
Over $1.25, not over $2	1.6	.9	61	1.3	81
Over $2, not over $4	15.5	14.8	95	19.7	127
Over $4, not over $6	9.6	9.4	98	12.5	130
Over $6 per pound	3.2	3.5	108	4.7	144
Braided and showerproof cloth		8.6		10.6	
Fabrics—Continued					
Pile, tapestry, upholstery, and billiard	.4	.6	133	.8	177
Blankets, robes, and string rugs	.5	.3	61	.5	103
Knit goods	18.4	15.0	81	25.9	141
Woven apparel	9.7	6.3	64	11.2	115
Miscellaneous, including felt	1.8	1.2	67	1.7	95
Grand total	83.4	86.0	103	122.1	146

Source: U.S. Department of Commerce, Bureau of the Census Report IM 166 and 168.

TABLE II.—*U.S. general imports of wool manufactures by selected broad groups, January–June 1962, and 1962 estimate*

	January–June 1962	Estimated full calendar year 1962	Percent of fiscal year 1961	Percent of calendar 1961
	Million square yards	*Million square yards*		
Tops	7.5	12.2	213	189
Yarns	9.4	16.0	165	173
Fabrics, total	32.2	58.6	156	153
Not over $1.25 per pound	2.4	4.9	73	75
Over $1.25, not over $2	.7	1.3	81	105
Over $2, not over $4	11.7	23.5	151	142
Over $4, not over $6	6.5	13.0	135	136
Over $6 per pound	2.6	5.2	163	147
Fabrics—Continued				
Braided and showerproof cloth	7.8	9.8		
Pile, tapestry, upholstery, and billiard	.4	.8	177	126
Blankets, robes, and string rugs	.2	.7	157	179
Knit goods	9.4	30.4	165	154
Woven apparel	3.5	15.1	155	174
Miscellaneous, including felt	.8	2.1	117	93
Grand total	62.9	135.0	162	159

Source: U.S. Department of Commerce, extract of Bureau of the Census Report IQ—245, IM—145, and IM—166.

EXPLANATORY NOTE

The data used in the foregoing tables are from special U.S. Bureau of the Census reports on general imports into the United States of wool manufactures.

These manufactures include tops, yarns, fabrics, apparel, knit goods, felts, blankets, and miscellaneous items, such as laces and veils. Excluded from these tables are data pertaining to imports of noils, wastes, carpets, rugs, rags, and shoddy.

All data are expressed in terms of millions of square yards. Conversions to square yards from unit designations were made by the U.S. Department of Commerce.

Included in the fabrics group are 4.2 million square yards of cloth imported as "braided" fabric and subsequently reclassified by the Bureau of Customs. Also included are 6.4 million square yards of wool cloth imported via the Virgin Islands from January 1962 to August 6, 1962, where it was allegedly "showerproofed" and is now under investigation. As of this date, there has been no ruling to reclassify this cloth.

The estimate of imports for the October 1961 through September 1962 period and the estimate for calendar 1962 are based on October 1961 through June 1962 actual data. These estimates reflect the collective judgment of qualified representatives from the various segments of the industry, requiring a careful analysis and interpretation of all available data and a thorough review of market prospects for the remainder of this year.

These estimates are made on the basis that current trends in the general economy will be maintained.

U.S. imports of wool manufactures by selected broad groups, fiscal year 1961, October 1961–June 1962, with estimates to October 1962

	Fiscal year 1961	October–June 1962	Percent of base	October–September [1]	Percent of base
	Square yards	*Square yards*		*Square yards*	
Tops	5,721,265	9,967,565	174	12,861,000	225
Yarns	9,711,275	11,560,594	119	13,795,000	142
Fabric, total	37,102,896	[2] 39,145,152	106	50,577,000	136
Not over $1.25 per pound	6,685,197	5,077,135	76	6,769,000	101
Over $1.25, not over $2	1,559,441	944,620	61	1,259,000	81
Over $2, not over $4	15,537,408	14,790,398	95	19,716,000	127
Over $4, not over $6	9,628,302	9,409,094	98	12,545,000	130
Over $6 per pound	3,239,517	3,502,676	108	4,670,000	144
Pile, taperstry, upholestery, and billiard	453,031	589,229	130	786,000	173
Blankets, robes, and string rugs	450,342	273,701	61	464,000	103
Knit goods	18,436,065	15,121,477	82	25,630,000	139
Woven apparel	9,717,516	6,253,180	64	10,598,000	109
Miscellaneous, including pelt	1,216,070	1,314,575	108	1,753,000	144
Grand total	82,355,429	[2] 83,636,145	102	115,678,000	140

Source: U.S. Department of Commerce, Bureau of the Census Report IM 166 and 168.

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[1] Estimated.

[2] Includes 4,800,000 square yards of cloth imported as "braided fabric" and subsequently reclassified by Customs. Does not include an estimated 2,500,000 square yards of wool cloth imported via the Virgin Islands where it was shower proofed and now under investigation.

Mr. PASTORE. All we are asking at this time is that the agreement we entered into with our friends be adhered to. There is no attempt at blackmail. When we have a little trouble on lumber with Canada, or any other situation, we ought to sit down with these people, we should make them understand what our troubles are. We are always understanding the troubles of everyone else in every part of the world, but no one seems to understand our troubles.

When I was Governor of the State of Rhode Island, 45 percent of our income came from the textile industry. Today it is 15 percent. More than 15 percent of our production went into export. Today it has dropped to 5 or 3 percent. We may have lost the world market in exports.

We sell cotton to foreign countries at 8½ cents a pound less than American manufacturers can buy it for.

Madam President, there may be a point of no return. I am one of those who want free trade. I want to vote for free trade. On the other hand, we must have some provision in the act that will given the President the authority to save an American industry before it dies. If we die, the whole free world will crumble down with us. All we are trying to do is save this industry that is so essential. Today we are being told by this editorial that the people in the textile industry and the Senators and Representatives who are interested in the textile industry for their communities are trying to blackmail the administration into doing something that is inimical to the public interest. Nothing could be further from the truth than that, and nothing could be more fanciful.

Mr. MUSKIE. Madam President, will the Senator yield?

Mr. PASTORE. I yield.

Mr. MUSKIE. As a matter of fact, as the Senator has pointed out, far from being blackmail, these agreements were entered into with the other countries involved. Presumably they knew that what they agreed to was in their own interest. They entered into them voluntarily, and presumably they knew that these agreements were in their best interest.

Mr. PASTORE. Yes. They are going to kill the goose that lays the golden egg if they are not careful.

Mr. MUSKIE. Again I compliment the Senator.

Mr. THURMOND. Madam President, will the Senator yield?

Mr. PASTORE. I yield.

Mr. THURMOND. I wish to take this opportunity to compliment the distinguished Senator from Rhode Island for giving recognition to the peril in which the textile industry finds itself today. I have had the pleasure of serving on the Textile Subcommittee of the Commerce Committee under the chairmanship of the able Senator from Rhode Island. We have held hearings in different parts of the country, in the North and in the South. We have had an opportunity to investigate this industry and to learn its problems. I can tell the Members of the Senate that the textile industry today is in a terrible condition. The Senator from Rhode Island has not exaggerated it one iota.

We must remember, as the Senator said a few moments ago, that the textile industry ranks second only to steel in the matter of national defense. More mills are closing every day; 858 mills have already closed since the end of World War II. We can readily see the emergency situation which is facing the county as a whole because of the problems besetting our domestic textile industry.

If we find ourselves in a war, how will we supply ourselves with the textiles on which we must depend? In that eventuality we would not be able to depend upon imports from foreign countries. We must protect this industry from the standpoint of our survival. Again I compliment the able Senator from Rhode Island for the service he has just rendered, and for the dissertation he has just given.

Mr. PASTORE. I thank the Senator.

Mr. HICKEY. Madam President, will the Senator yield?

Mr. PASTORE. I yield.

Mr. HICKEY. I should like to say to the Senator from Rhode Island that not only is he doing an outstanding service for the textile industry, but he is also serving the interests of the producers of wool in the West. I wish to compliment him on his activities. As has been brought out by the Senator from South Carolina, heretofore the producer industry has been designated as a necessary industry for national defense. The figures which the Senator from Rhode Island has given with regard to the loss of mills in this country have reacted down to the number of producers in this country and from the number of producers in the country to the general stores, which once dotted the West.

It supplied the nomad outfits that traversed the western plains, and produced the wool that subsequently was sold in the East to the textile manufacturers.

I am sure the Senator from Rhode Island is cognizant of the fact that today one of the sickest industries anywhere is the wool industry. The wool industry in the United States from the producer point of view is today in a worse condition than it has ever been in the history of the Nation.

I should like to propound to the Senator from Rhode Island, in reply to the statement made in the editorial to which he has referred, a question with regard to this activity which is charged as being blackmail.

Is it not a fact that in 1953 the President of the United States, then a Member of the Senate, in testifying before the Committee on Agriculture and Forestry, testified to the fact that, linked with the textile industry, was the plight of the producer, which has grown steadily worse since 1953, until the present day, when it is an industry needing and seeking assistance if it is to survive, as an industry which, in and of itself, has been tied to our national defense through every war? Is it not a fact that this is an exhibition on the part of the President of the United States of the knowledge acquired by him throughout the years and expressed in his administration, or the experience and understanding he had of the problems of the people of all of America, North, South, East, and West, prior to his coming to the presidency?

Mr. PASTORE. I completely agree with the distinguished Senator from Wyoming. Actually, no one understands the textile industry better than the President of the United States. He has been a resident of the State of Massachusetts. All one has to do is to look at the great textile centers like Lawrence, Fall River, Lowell, and Brockton, to know what has happened to the textile industry.

Madam President, I thank all Senators for their patience and indulgence. I yield the floor.

AFRICA REVISITED

Mr. MONRONEY. Mr. President, as we try to understand the problems of newly independent countries in Africa, it is valuable to have a recent, on-the-scene report from a man who can make contrasts between the Africa he knew growing up there as a missionary's son, and the Africa he "rediscovered" on a 5-week trip to Sierra Leone, Nigeria, Ghana, and Guinea.

Clarke M. Thomas of the Daily Oklahoman and Times, Oklahoma City, was able to visit not only with our own Embassy officials, AID technicians, U.S. Information Agency employees and American missionaries now in those countries, but also with Africans who remembered him and his parents, the late Reverend and Mrs. Harlan H. Thomas, when they were missionaries at Jaiama, in the inland Konno district of Sierra Leone.

Among his conclusions in an interesting series for his paper were that West Africa is set firmly on the path of independence, that Nigeria has the best chance to become a viable democratic nation, that the Christian missionary is not "out of date" in the new Africa, and that the U.S. decision to build the Volta Dam seemed to have improved relations between Ghana and the West, and that many Americans who could have made more money at home were in Africa because they wanted to be there.

I ask unanimous consent to insert in the RECORD Mr. Thomas' articles on these matters from the Daily Oklahoman.

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

[From the Daily Oklahoman, Oklahoma City, Okla., Aug. 8, 1962]

OKLAHOMAN SAYS U.S. FOREIGN AID TO GHANA A GAMBLE

(By Clarke Thomas)

A former Oklahoman is right in the middle of one of our most controversial foreign aid programs—that to neutralist Ghana.

He is Charles McCord, who was born in Wynono (Osage County) and attended Pawhuska High School 4 years. With bachelor's and master's degrees in economics from University of Texas, 2½ years in refinery construction work, and 2 years in the Army, McCord has been in our foreign-aid program 3 years, including Haiti and Ghana.

McCord is planning officer in Ghana for U.S. Agency for International Development (AID). His work includes planning for agricultural extension, education, farm mechanics training, soil conservation, rural public works, and public health programs.

But the major project with which he and the AID program have been involved in Ghana in recent months has been the controversial Volta Dam. This is a $196 million project to be built at Akosambo, a site 60 miles from Ghana's capital city of Accra.

Connected with this hydroelectric power project will be a huge aluminum smelter to be built, owned, and operated by a consortium of U.S. companies, including Kaiser Aluminum and Reynolds Metals. The project also will provide a huge inland lake which not only will provide a transportation route to great sections of Ghana's hinterland but will produce 10,000 tons of fresh fish a year for a population suffering from a dire lack of protein.

The big question about the Volta Dam, of course, has been whether the United States should put money into a country under a bush league dictator like Kwame Nkrumah whose neutralism always seems to favor the Communist bloc.

The final decision, of course, was made in Washington by the Kennedy administration after the President had sent Clarence Randall, retired steel executive, to take a final look. The announcement of the grant came in December, or only a few weeks after McCord arrived in Ghana from an AID assignment in Haiti.

Neither McCord nor his superior, Ralph Hansen, felt in a position to make comments for publication. (Hansen, a former North Dakota newspaperman with many years of experience in our foreign aid program, spoke here in Oklahoma City last fall.)

But in talking with Americans, British, and Ghanaians I found a general sense of relief there that the go-ahead decision had come.

"I don't think that there is any question but what a turndown would have hurt us throughout Africa, and not just in Ghana," one American told me. "You see, the Africans felt we already had been committed by the Eisenhower administration."

I was told that before the Kennedy administration made the decision, it checked with its embassies throughout the world, including in countries unfriendly to Nkrumah. The consensus seemed to be that the United States had beter go ahead, or see a showcase project handed over to the Communists.

"I'm sure all the AID programs we've been working on here for years would have been thrown out," an AID official said to me. "Quite likely American and even European business would have been out on its ear as well."

However, one AID official said that some of his Ghanaian friends wish our Government had used the Volta offer as a lever to pry loose from prison the many political opponents Nkrumah has incarcerated.

A factor mentioned by several was that the Volta Dam award helped protect many friends of the West scattered up and down the Ghanaian Government.

I think the single most important new impression I got in Ghana was that we have many friends in the Ghanaian Government—except at the topmost level.

A fine, educated Ghanaian with whom I visited (out in his yard so we wouldn't be overheard) told me he thought the pro-Marxist people in the Government could be counted on the fingers of one's hands. The trouble, he added, is that they are at the top.

But peppered throughout the Government are many able civil servants trained in England (and some in America) whose natural inclinations are democratic and who are pro-West. In fact, I was told, Nkrumah has had to shuffle his administration at times to get rid of pro-West men who wouldn't work closely enough with the Red bloc technicians.

Wise or unwise, the Volta decision seemed to have improved relations between Ghana and the West, I was told. (I constantly complained in talking to Ghanaians that you could not prove this by anything you read in the government-controlled press or heard over the radio.)

But Nkrumah is making one last major bid to create a pan-Africa under his own leadership, and I think this explains why he continues to rail against the West at the same time he works behind the scenes with our officials.

The general feeling I got on the West Coast of Africa was that Nkrumah has missed the boat in any hopes of uniting Africa under his own leadership because there are too many able leaders who have no intentions of losing their sovereignty to Ghana.

But Nkrumah keeps trying for prestige. While I was there, he was negotiating with a team of Philadelphia doctors to found a medical college in Ghana, so his country would become the medical college center for the west coast. Included in the project are Pennsylvania University, Temple University, and three big Philadelphia hospitals.

While this negotiation was going on, McCord and others in AID continued their regular programs. One is to resettle persons from the area to be flooded behind the Volta Dam.

Another is to set up an agricultural extension program, emphasizing rubber, fruits, and grain chops. Establishing three training centers to teach farm mechanics is another.

Engineering for village self-help projects, such as bridges, schoolhouses, and latrines also is part of our AID program.

Overall, McCord plans for the work of about 60 American technicians.

Evereyone concerned admits that our programs in Ghana are a gamble at best.

It is important for you that Ghana does not go over to the other side irrevocably. Remember that, even if you do not like the present leadership."

[From the Daily Oklahoman, Oklahoma City, Okla., Aug. 9, 1962]

AFRICAN MISSIONARIES MUST MINISTER TO SPIRITUAL AND PHYSICAL NEEDS

(By Clarke Thomas)

Is the Christian missionary out of date in an Africa becoming independent and rapidly Africanizing all its institutions?

Is Christianity advancing or merely holding its own against the rival claims of nationalism, the resurgent Muslim faith, secularism, and paganism?

These were questions of particular interest to me in my return visit to West Africa.

Interestingly enough, some of the best answers to the question of just where the Christian missionary fits into the changing African situation came from two Oklahoma women missionaries and their husbands.

One was Dr. Winifred Smith Bradford, who grew up in Enid, a medical doctor who runs a clinic in Manjama, Sierra Leone, and rears a family of four. Her husband, Lester, operates the Manjama experimental farm for the Evangelical United Brethren mission and currently is in charge of white missionary activity for the EUB Church in that West African country.

The other was Mrs. Lilburne Kaiser Theuer, who grew up in Oklahoma City and whose mother, Mrs. Faye Kaiser, lives at 3820 Northwest 25. Mrs. Theuer this summer returns from two 3-year terms in Sierra Leone where her husband, Don, was business manager for the EUB mission, living in the capital city of Freetown.

Thus both former Oklahomans and their husbands are involved in the specialty work which could be the future of missionaries to Africa, now that the reins of authority have been passed by many denominations to the Africans themselves.

Before describing the activities of the Bradfords and the Theuers, I might say that in talking to American and British missionaries and African Christian leaders alike I came back convinced that the time of transition has not been easy.

Independence and Africanization have come so swiftly and brought such abrupt changes that the guidelines for the future still are being sorted out.

A book often quoted is entitled "The Halting Kingdom," describing the fact that the first surge of Christianity seems to have spent itself. The authors, John and Rena Karefa-Smart, are noted Christian leaders with whom I visited while in Sierra Leone. Dr. Karefa-Smart, trained by the EUB mission and sent to this continent where he got his medical degree, now is minister of external affairs in the Sierra Leone Government.

One missionary with whom I talked said, "Things are not going as fast as we'd hoped. The missionaries are not particularly encouraged."

A missionary wife commented: "You feel so isolated here, even though your very reason for being here is to be a part of it. You feel you don't know what they want; they shield themselves from us."

To keep perspective, it is wise to realize that such discouragements parallel those within the new nations themselves.

As with every phase of activity in those new countries, the missions have a serious shortage of trained, qualified Africans. Some, I am convinced, are as capable leaders as one would find anywhere. But the gap between these able people and the rest often is discouragingly wide.

Couple this with the fact that Government, education, and business have drained off many of the capable men trained by the missions, and one can understand the handicaps.

The denomination which the Bradfords and Theuers serve has educated many of the leaders of the year-old nation of Sierra Leone, including its prime minister, its minister of external affairs (Dr. Karefa-Smart), and its minister of health. In a real sense the mission unintentionally trained leadership for a nation, at the expense in the short run of its own leadership.

(This is true throughout Africa. One of our U.S. AID Directors, himself a Negro, commented bluntly, "The only reason these countries out here haven't gone to hell is the long years of missionary effort which trained these leaders." The fact is, the whole roll of doctors, political leaders, and civil servants is practically all missionary-trained.)

The Christian church continues to face problems in dealing with African tribal customs. She always has bumped into them, but in the past she had the leverage of the power and authority of Western white ways behind her.

Now she must stand on her own, and in a time when secularism and particularly the Muslim religion are making their own claims for the lives and souls of men. She must carry the burden of the racial prejudices too often associated with Christian practice, not only in the United States but in the Republic of South Africa.

One old problem the church faces—polygamy. May an African with more than one wife join a Christian church? Is a woman whose husband is polygamous barred form Christian membership?

The Christian Council of Nigeria, a Protestant interdenominational group, is grappling with this problem right now.

In visiting with leaders of that council in Lagos, Nigeria's capital city, I found that the problem had been put squarely to them by a request for admission to the council from the Christ Apostolic Church, Inc.

This was a native Christian sect which had broken away from the white-dominated church many years ago. It had accepted polygamy among members, plus some elements of spirit worship, beach rites, and other vestiges of tribal religion.

One faction in the Christian Council asserts that so long as these people worship Christ and God, they should not be held out; and that the only way to raise their standards is to take them into the council.

Others hold that to do so would be to lower standards and to breach the line upon which the mainline churches in Africa have held out against enormous pressure for decades.

Running through all discussions of Christianity in Africa today is the question of where the missionary from overseas fits in.

In general, my observations were that the shortage of trained people in education is so great that missionaries will continue to be welcome there, particularly teachers at the secondary level.

Also, a reward emphasis in some denominations upon village evangelism seems to require in the initial stages men trained in these techniques.

Traditionally, most denominations have emphasized education and medicine as the "first thrust" in a new era. Now there is developing in some minds a fear that Africa can never be evangelized for Christianity if it must wait for the naturally slow process of planting schools village by village.

But I would judge that the white missionary will be needed for some time to come in specialized fields.

Here I found the examples provided by the Bradfords and the Theuers of particular interest.

Mrs. Bradford operates a small health center, specializing in maternity and child welfare. She delivers an average of nine babies a month.

At the same time she is rearing Dorcas, 8, Julie, 6; Joel, 4; and Ethan, 3. Dorcas has to be away several months a year, living at a school for American children more than a hundred miles from where the Bradfords live.

Incidentally, Mrs. Bradford had prepared for being a medical missionary to China. She went through the Enid schools, York College, Nebr., and the University of Nebraska College of Medicine. After an internship at Omaha, she went to the Yale Institute of Far Eastern Languages to learn Chinese.

The door to China was closed for her when the Communists overran it in 1949. So she went to Sierra Leone instead.

At Yale she had met Lester Bradford of Hebron, Maine. After their marriage they went to a small town deep in the heart of Sierre Leone to carry on a community development program—a new phase of missionary activity.

Six years ago they moved to Manjama where Bradford had established an experimental farm working with chickens, rabbits, fish, pigs, fruits, and fertilizers.

"Why is the church in this business?" I asked him.

Bradford said a crying need is for the local churches to become self-supporting and this could help. The slowness of local congregations to cease leaning heavily on oversea gifts is a major concern to missionaries and African church leaders alike.

Also, the mission still feels it must help villagers improve their physical way of life as well as the spiritual.

Mrs. Bradford's Oklahoma relatives include her parents, W. R. Smith and Mrs. Alice M. Smith, both of Enid; a sister, Mrs. Thelma Robertson of Oklahoma City; and another sister, Mrs. Aileen Hart, and two brothers, Charles and Wilbur, all of Enid.

The other Oklahoma missionary, Mrs. Theuer, and her husband also represent specialization.

As the church was Africanized, it was discovered there was a definite need for a man with advanced business training. Theuer, a financial analyst in the controller's office of the Ford Motor Co. at Detroit, fitted the need. He has handled the books and accounts, purchases, and a thousand and one odd jobs to keep the mission "machinery" functioning smoothly.

That the post has proved necessary is shown by the fact that Theuer, leaving missionary work to return to business life in America, is being replaced by another American missionary.

Mrs. Theuer has led a busy life, quite aside from rearing their daughter, Marlynn, 5. She taught art-related courses in home economics (principles of design, millinery, interior decorating) at the Freetown Training College for Teachers.

She has continued her private interest in painting and the decorative arts and crafts center for Sierra Leone, and is called upon for such tasks as judging horticulture shows. She also has been active in women's work in King Memorial EUB Church (which the Prime Minister also attends).

Mrs. Theuer, whose father was the late Rev. Franklin W. Kaiser, attended Roosevelt Junior High and Central High here in Oklahoma City. She was May Queen, editor of the annual, member of the Black Skirts, and in the National Honor Society at Central.

She and her husband met at North Central College at Naperville, Ill., from which they were both graduated. Theuer went on to get a master's degree in business administration at the University of Chicago.

Whatever other missionaries may feel, Mrs. Theuer is quite happy about the 6 years she has spent on the mission field.

"Certainly these 6 years will be the outstanding period of my life. Sierra Leone was very much a colony when I came, but became Africanized so quickly, first with a Cabinet of all-African Ministers, then an African Prime Minister, then independence. And all so peacefully accomplished.

"Never again will we live through the thrills of a country becoming independent. We've been able to make so many wonderful friends—friends of all nations—with whom we hope to keep in contact. I'm glad we came," Mrs. Theuer said.

[From the Daily Oklahoman, Aug. 10, 1962]

Oklahoma-Based Program Is Worldwide

(By Clarke Thomas)

Merlin Bishop isn't an Oklahoman, but his program, World Neighbors, started here.

So I jumped at the chance to interview him when our paths crossed in Lagos, Nigeria. He is director of oversea operations for the World Neighbors organization which was started here by Rev. John Peters, of Oklahoma City, and which has its headquarters here.

The interview with Bishop and Mrs. Bishop proved particularly interesting because they were nearing the end of a long trip all over Africa seeking places of need where World Neighbors might launch programs.

With us at dinner at the Federal Palace Hotel was J. B. De Valois, who is working on a World Neighbors community development project at Asaba, Nigeria.

All were enthusiastic about the people-to-people approach of World Neighbors and the reception it receives wherever they have been.

Bishop told of eight new projects in Africa—two in Uganda, three in Kenya, one in Ruanda-Urundi, two in Tanganyika, and one in Rhodesia. During recent months, new programs have been launched in the Philippines, in South America, and in India (21 in the state of Kerala alone).

There is no doubt of the importance Bishop places on Africa. "There are so many new African countries, each with a vote in the United Nations, that we should be cultivating them if only for our own good. But because of the sometimes tense black and white relationships in the world, whatever we can accomplish on a person-to-person basis is especially good.

I asked the Bishops to describe the programs they had launched which they found the most interesting. It was no coincidence that most of them were in the trouble spots of Africa.

"After all, World Neighbors get into the worst problem areas. We work with people who are the worst off, or we wouldn't be there in the first place," Bishop explained.

They described a new project in Ruanda-Urundi, a trust area next to the Congo which may explode into trouble when the Belgians free it this summer. Already there has been a raging civil war between Batusi royalists and a tribe they held in subjection, the Bahutus, with tens of thousands of refugees on both sides forced to flee.

World Neighbors picked out a mission agricultural school operated by the Church Missionary Society (a branch of the Anglican Church) as the place for a long-range project to help prevent hunger among the refugees by resettling them and teaching them how to raise better crops. Public health and citizenship training also will be given.

In Kenya the Bishops set up an emergency project to help the Masai tribesmen, who had lost 90 percent of their cattle in flood and drought the past 3 years.

This was an especially hard blow to the Masais, a fierce fighting tribe which always had large herds of cows and whose people eat only milk and cow's blood. Now the Masais must decide whether to try to rebuild their herds or to settle down and farm, something they've scorned in the past and jeered at other tribes for doing

"We spent days trying to get some group interested," Mrs. Bishop said. "The missionary groups said that from past experience the Masais were too hard to work with. But we felt that right now was the strategic because this proud tribe for the first time is asking for help."

Finally, World Neighbors was able to work out a joint project with the Friends (Quakers) African Mission to train Masai workers who will go back and help their fellows. The project will include public health, animal husbandry, and irrigation instruction (including boring wells to provide a pure water supply for the thirsty tribe).

But tribes far up the scale in civilization can have their troubles, too, as the Bishops found in visiting the Chaggas, an energetic, coffee-growing tribe in Tanganyika.

The Chaggas are troubled by family problems arising from urbanization. So the Bishops launched a joint project with the YMCA to train husband and wife teams to carry out a family-centered program, teaching nutrition, homemaking, and helping solve family problems.

In northern Kenya, World Neighbors has gone in for an unusual project—furnishing pumps so farmers along the Tana River can irrigate their fields.

"This unusual 250-mile-long river carries fine water from the melting snows of Mount Kenya," Bishop explained. "But the trouble is that the river level is 12 to 15 feet below the land. Because of steep banks there is no way to get water from the river up on the land. People along the river have had the frustrating experience of plenty of water before their eyes, but no way to get it on their crops."

World Neighbors will rent the pumps to the farmers, allowing them an option to buy them eventually.

In Basutoland, a British protectorate in South Africa, World Neighbors is betting its money on a man.

He is James Jacob Machabone, who heads an agricultural college where he has had remarkable success training leaders in public-health and agricultural extension work. The college under his leadership has trained 700 people already, and has 1,500 on the waiting list to get in.

"We thought that rather than trying to start something new, it was wiser to give help to this remarkable man who has shown his ability. We'll give him some aid on administration and business details so he can go ahead with his ideas," Bishop explained.

The World Neighbors project in Asaba, Nigeria, was explained to me by De Valois, a former missionary to India. He has established a chick-raising project to interest Nigerians in raising more and better grade poultry, both for better nutrition and as a source of income for the producer.

The project is sited at a government rural training center, a remarkable affair in itself. Started by a Canadian in 1949, Asaba has a farm institute to train men to go out as settlers in newly reclaimed agricultural areas; and a teacher training section for agriculture, science, and home economics teachers.

I asked the Bishops if they felt encouraged or discouraged by their trip.

"We're encouraged, really," Bishop said. "We think our program has some real person-to-person answers to the needs we found."

Mrs. Bishop interjected, "The best thing is the fellowship with people who are doing these things. Their devotion is remarkable; it is a thrill just to be with them."

They admitted that the World Neighbors self-help concept often is hard to convey.

"I remember one place where we had given it to them straight—that we would help them with advice and a minimum of money but that they must do the job themselves. Then the first question that came was, 'How much you do us?'" Mrs. Bishop recalled.

While the Bishops were careful to avoid saying so directly, I got the feeling that they felt World Neighbors was needed in many areas, because neither government nor the missions had answered the crying needs. Particularly was this true in emergency situations.

The explanation seems to be that the missions are so short of money themselves that they feel they barely can continue the programs they have without entering into new ones. But the question still could be asked as to what opportunities were being missed.

I asked the Bishops if they didn't feel sometimes that world neighbors was just dabbling on the surface of the problems.

"The governments are just dabbling, too," Bishop retorted, "and spending millions at it."

"We go at it this way: Our whole secret is dedicated people. So our job is to scour the world to get dedicated people to match against specific problems. The thrilling thing about my job is to challenge people to the new approach—the idea of helping people to help themselves.

"We must reach the needs of the whole man. The spiritual is important, but so is the physical and mental, too. Religion is a 7-day-a-week proposition, not a 1-day matter."

[From the Daily Oklahoman, Aug. 11, 1962]

WEST AFRICA FIRMLY SET ON PATH OF INDEPENDENCE

(By Clarke Thomas)

To complete this report on Oklahomans in Africa, it might be appropriate to relate the experiences of one particular Oklahoman—myself.

As I look back on my 5-week trip to Sierra Leone, Nigeria, Ghana, and Guinea, here are some of the events I especially remember.

The visit to Sierra Leone was a particular high point because I had grown up there as the child of missionary parents. It was a "homecoming," in a way, as I made reacquaintance with many Africans as well as missionaries who remembered my parents and me.

Particularly in the inland Konno area where our family had lived, it was heartwarming to see the faces of the older Africans light up as they realized who I was—the son of "Pa Thomas" and "Ma Thomas," as they called my parents. The welcome of dancing, singing and three bursts from a shotgun (a signal honor) for me when I arrived also was unforgettable.

I shall not forget spending Easter Sunday there, and taking Holy Communion at the altar with many who had gained their secular and religious education from my parents. One can see in better perspective on such an occasion the worth of what the missions have accomplished in Africa.

In Freetown, the capital of Sierra Leone, I remember with particular vividness an interview with the Prime Minister, Sir Milton Margai, at his mansion. Tired after a long day in Parliament, Sir Milton became increasingly animated as under my questioning he related how he had led his people to independence from the British a year ago. Here was as pro-Western and moderate a friend as we have in West Africa.

I recall too, the lawn party at his mansion on the eve of the April 27 anniversary of independence, as the Sierra Leone national anthem was played and a 21-gun salute roared out from the hill above to the shouts of celebration in the town below.

But my host and hostess at the party told me it was nothing as compared to a year ago where tears of joy streamed unabashedly down most faces as the long-sought moment of independence actually arrived.

I had unforgettable moments in the other countries I visited, too.

I can remember talking with Marxist-spouting officials in Ghana and getting absolutely nowhere with my argument that if Ghana was neutral, why had I read so little in its press complimentary to the West.

But I recall, too, talking with Ghanaians who took me aside or asked me to step outside so that in guarded tones they could assure me that the West has many friends there.

In West Africa's other Marxist-oriented country, Guinea, a highlight came in the office of our Ambassador to Guinea, William Attwood (a former newsman), as his specialists briefed me on the changing situation there. There was no mistaking their quiet excitement that things had begun turning against the Communists, with our chances picking up.

The next day I stood with a group of Americans on an apartment balcony overlooking the main square of Conakry, Guinea's capital, watching the May Day parade. Except for some Czech and Polish equipment, there was no sign of the Communist hammer and sickle this year. And on this same balcony a few years ago some Americans got an ugly reaction from the crowd when they began taking pictures. Now all was friendliness or unconcern as we snapped dozens of pictures of the parade and the crowd.

I gained a new appreciation for our U.S. Government personnel working in discouraging conditions in these countries, trying to convince them that democracy and private enterprise are best in the long run—and fending off Communist propaganda and machinations at the same time.

Also worthy of praise were many of our American businessmen, who in such countries as Ghana and Guinea are never sure of what the future will bring. One oil company executive told me his firm would pull out at once if it weren't for a realization that a bridgehead for private enterprise should be maintained against the day when disillusionment with the Marxist line might become complete.

It might be only psychological, but I can't forget the lift of spirits I had when I left a dictatorial country such as Ghana for democratic Nigeria. Freedom seems a tangible thing after you've found people unwilling to talk for the record in interviews or after you've scanned the newspapers day after day looking for real news and not the "word" as passed down by the single-party system.

I came back from the trip convinced that Nigeria has the best chance to become a viable, democratic nation. Its people are vigorous, it has a large enough population (35 million), and believes in and practices democracy and private enterprise.

The United States is backing Nigeria's new 6-year program to the tune of $225 million, hoping to make it a showcase for our side.

I was most impressed to interview the commercial attaché in our U.S. Embassy and ask him what he told American businessmen and industrialists who asked about Nigeria. He gave a glowing picture. Then I shut my notebook and asked what he told them in private. His face was a picture of surprise. "Why, exactly the same," he exclaimed.

In fact, Americans there are worried that if U.S. business and industry doesn't respond sufficiently to this open-door attitude in Nigeria that the Nigerians may become disillusioned with our side.

I could not end a series on Africa without recalling the ageless Africa that still very much exists—its markets, its forest beauty, it unchanged villages of palm-thatched mud huts.

I remember particularly visiting a drummer's compound in Ibadan, Nigeria, late one evening. The inhabitants were in bed, but our knocking roused one woman who came to the door. Her face wreathed in light from a light she carried reminded me of a Georges De La Tour painting, or one by Caravaggio.

She woke others and soon they were playing their apala talking drums for me, while a little girl danced in the slow, sinuous Yoruba tribal manner.

In Ghana and Nigeria I spent my Sunday mornings at services in primitive Christian churches (that is, churches which long ago had split away from white-dominated denominations). The fervor of their chants and prayers, the graciousness of their welcome, and the blending of pagan and Muslin customs with the Christian captured my complete interest.

Another day of great interest came when I visited at length with one of Ghana's best sculptors, Vincent Kofi. A great bearded, barrel-chested man, Kofi has made his name in blending the old art of his ancestors with modern techniques. I was awed by tree-trunks he had shaped into great sculptures, including a mammoth figure with arms stretched as on a cross, called "The Ashanti Christ."

The new Africa contrasts with the old wherever you go, and it blends with it increasingly.

I came away convinced that there is no use wasting time in nostalgia for colonial times. For better or worse, these West African nations are firmly set on the new path of independence.

RETIREMENT OF JUSTICE FRANKFURTER

Mr. SMITH of Massachusetts. Mr. President, it was a great disappointment to learn of the retirement of Mr. Justice Frankfurter from the Supreme Court. He is one of the most distinguished citizens my State of Massachusetts has ever produced. He made an invaluable contribution to the work of the Harvard Law School, to the legal profession, to the National Government during the administration of President Roosevelt and most important, to the Supreme Court of the United States.

Mr. Justice Frankfurter held the Court to the highest levels of legal scholarship and procedural propriety. He was a most vigorous voice on the Court and wrote his decisions with a breadth of vision and compassion which will serve as a model for generations to come.

I hope that in retirement, Justice Frankfurter will still continue his wide-ranging career of writing and teaching and thinking. An entire generation of lawyers and laymen has grown up looking to him for leadership. We of Massachusetts are proud of the work he has done and we wish him many years of health and happiness.

NOMINATION OF E. WILLIAM HENRY TO BE A MEMBER OF THE FEDERAL COMMUNICATIONS COMMISSION

Mr. KEFAUVER. Mr. President, I have just learned that President Kennedy will appoint an outstanding young attorney from Memphis, Tenn., to the Federal Communications Commission. E. William Henry is a member of the outstanding Memphis law firm of Chandler, Manire & Chandler. He will bring to the Federal Communications Commission a brilliant ability as a lawyer, in addition to his youthful vigor and courage as a leader in civic undertakings. I congratulate the President on his nomination, and I congratulate Bill Henry on this recognition of his high qualities.

THE TRADE EXPANSION ACT

Mr. MUSKIE. Mr. President, the Senate Committee on Finance is nearing the close of its deliberations on the Trade Expansion Act of 1962. Shortly we will be called upon to cast our votes on this vital legislation.

Three weeks ago, I introduced an amendment to H.R. 11970, which has been referred to the Finance Committee. Subsequently I testified before the committee in support of that amendment. Because I believe this amendment is of general interest and importance to my colleagues, I ask unanimous consent that the text of my testimony be printed in the RECORD at this point.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT BY U.S. SENATOR EDMUND S. MUSKIE, OF MAINE, IN SUPPORT OF HIS AMENDMENT TO H.R. 11970, THE TRADE EXPANSION ACT OF 1962, BEFORE THE SENATE COMMITTEE ON FINANCE, AUGUST 14, 1962

Mr. Chairman, first may I express my appreciation to you and the members of this committee for giving me an opportunity to appear before you at this time. I know your sessions have been long and grueling, and I recognize that you still have the hard job of drafting and reporting this important legislation. I hope my testimony will provide a constructive contribution to your deliberations.

My comments will be brief, and to the point. At the conclusion of my testimony I shall be pleased to answer any questions you may wish to direct to me.

On Thursday, August 2, I introduced an amendment to H.R. 11970, the Trade Expansion Act of 1962, which would give the President specific authority to enter into orderly marketing agreements with foreign countries, where such agreements would serve to protect domestic manufacturers from disastrous increases in imports from foreign industries producing articles under substandard wages and working conditions.

This proposal, in my opinion, is consistent with the objectives of the President's program for expanded trade; it is in line with his "adjustment assistance" program for workers and industries injured as a result of our trade policies; and it would provide meaningful protection for a substantial group of industries confronted with low-wage competition from highly industrialized and efficient operations overseas. At the same time, it would not shut the door to foreign trade, but would assure foreign manufacturers an opportunity to share in the orderly growth in our domestic market. It would provide a tool for the President to use, in those cases where the tool is practicable, in halting market chaos and in giving domestic manufacturers a "breathing space" in which to adjust to changing competitive conditions.

I have been pleased by the bipartisan support this proposal has received, including the cosponsorship of Senators BARTLETT, of Alaska, CHAVEZ, of New Mexico, COTTON and MURPHY, of New Hampshire, DODD, of Connecticut, PASTORE and PELL, of Rhode Island, WILEY, of Wisconsin, LONG of Missouri, and RANDOLPH, of West Virginia. Other distinguished Senators, on both sides of the aisle, have indicated their willingness to vote for the amendment. I hope this committee will adopt the proposal as a part of its recommendation to the Senate.

In speaking to you, today, I want to stress the fact that I believe very firmly in the importance of trade, not only as a factor in the maintenance of the free world economy, but also as a vital ingredient in our own development and growth. I recognize, however, as the President has done, that trade cannot be expanded without some dislocation—some injury, if you will—to certain segments of domestic industry.

My recommendations can be considered in two parts. The first is an examination of the special problems of low-wage competition, and the second is the specific remedy which I propose as an addition to those already specifically provided to the President.

The essence of the free trade argument is that competition is good for everyone. It encourages efficiency, economical allocation of resources, better quality, and lower prices. These are the ingredients of the free enterprise system in our domestic economy. What is often overlooked is the fact that the free enterprise system succeeds only where one has a more or less homogeneous community, where there is mobility of capital and labor, and where certain minimum standards are maintained with respect to wages and working conditions, trade practices, and so forth.

The Fair Labor Standards Act is first and foremost a humanitarian document, designed to insure a decent standard of living for each person willing and able to work. It is also a device for protecting employers who pay their workers decent wages, from unfair competition by those who pay substandard wages and impose poor working conditions on their employees.

In the arena of international trade we cannot impose an international fair labor standards law. But we can recognize that the problem of wage cost differentials does exist.

The European Common Market has recognized this factor, and has taken steps to minimize the problems it creates, as did the earlier Benelux Economic Union, formed by Belgium, Luxembourg, and the Netherlands.

In creating the Benelux Union difficulties were encountered in reconciling the economies of Belgium and the Netherlands. In many instances, wages in the Netherlands were considerably lower than wages in Belgium and, in consequence, money costs of production in the Netherlands tended to be lower than costs in Belgium.

The agreement of July 1953, establishing the Benelux Union, recognized these differences, and measures were adopted to raise the general level of wages in the Netherlands. At the time, this was not too difficult because of the favorable balance-of-payments position of the Netherlands.

Under articles 48–51 of the December 1957, Treaty of Rome, establishing the European Economic Community, it is provided that all restrictions on the movement of labor, capital and enterprises within the Community are to be abolished by the end of the transition period, together with the gradual abolition of tariffs and other restrictions on commerce among the member states. All discrimination based on nationality regarding employment, wages, and other working conditions is to be eliminated.

The Treaty of Rome recognizes that it will not be easy to allow labor, and capital, particularly labor, to move freely among the member states. Accordingly, it provides for a European social fund that is intended to improve the possibilities of employment and to increase the geographic and occupational mobility of labor within the Community.

Thus, there is precedent for recognizing that commerce between countries with widely disparate levels of living presents problems of adjustment that cannot be solved overnight. The idea of adjustment assistance through the social fund is an attempt by the member states to work with, rather than against, the forces of economic adjustment.

This is the underlying argument for the adjustment assistance provisions of H.R. 11970. It is also an argument for additional tools in the control of the pattern of trade to help us work with those forces which will encourage a healthy growth in trade patterns.

I recognize that differences in wage rates, by themselves, do not constitute an adequate yardstick for judging the degree of competitiveness between U.S. producers of a given product and their foreign competitors. To be meaningful, wages must be related to the productivity of labor and to other costs of production, including the cost of raw materials. Highly paid labor that is highly productive is low-cost labor, in terms of the unit of product, as compared with low-paid labor that is relatively unproductive. The test of unfairness of competition is whether the labor involved receives wages and fringe benefits, per unit of output, that are substantially lower than wages and fringe benefits received for comparable labor in this country.

There can be little doubt that a country in which wages are generally low, relative to labor's productivity, is enabled to compete abroad in certain lines of production in which it would not be able to compete in the absence of this advantage. Competition of this kind is particularly troublesome in lines of production in which it is relatively easy to transfer from one product line to another. Soft consumer goods, such as textiles and shoes, are particularly vulnerable. Other industries facing comparable problems include electronics components and the wood-turning industries.

On August 2, this committee heard testimony by Mr. Harold Toor, treasurer of the National Shoe Manufacturers Association, illustrating the problem which arises when an efficient, highly competitive domestic industry is hit by efficient, highly competitive imports from countries where labor output is high and wages are low.

Imports of footwear, leather and nonleather types, have increased 234.5 percent since 1957—from 11 million pairs in 1957 to 36.8 million pairs in 1961. For the first 6 months of 1962 they have more than doubled the rate of the comparable period of 1 year ago. They were 6.1 percent of domestic production in 1961, 10.3 percent of domestic production in the first half of 1962, and 15.4 percent of domestic production in June 1962. While imports have been increasing, our exports have dropped from 4.4 million pairs in 1957 to 3 million pairs in 1961.

The impact of such competition must be measured not only in terms of the volume of imports, but also in the rate of expansion and the ability of the foreign competitor to concentrate on certain lines of production and to shift rapidly from one line to another. The key to the problem is market disruption.

Tariffs do not provide an adequate answer to this problem, since the difference in foreign and domestic costs allows foreign exporters to land their product in the United States at 15 percent to 26 percent less than the price of the domestic product. Some other technique must be found to slow down this disruptive change if we are to protect the jobs of the 350,000 to 400,000 workers in the 1,300 factories in 650 communities in 38 of our States.

Another technique is available, and has been used by this administration in the case of the Geneva textile agreements. This is the technique of orderly marketing agreements. Such agreements offer to domestic manufacturers the assurance that their markets will not be taken away from them suddenly, in a situation where they cannot possibly compete. At the same time, the arrangements for such restrictions on imports as are necessary are carried out in a spirit of cooperation between the exporting country and this Nation. Foreign exporters are told that they will not be shut out of the domestic market, but that they will have an opportunity to share in the American market as it grows. They will be given the chance to compete for a fair share of that market.

Last year, I introduced S. 1735, the Orderly Marketing Act of 1961. This legislation spelled out the procedures and the formula which would be applicable in the establishment of orderly marketing agreements. My amendment, which I advocate today, carries out the intent of S. 1735, within the framework of the general trade bill.

Under the amendment the President is given the specific authority to enter into orderly marketing agreements with other countries, to arrange for such import restrictions as are necessary to protect domestic industries struggling against a sudden flood of low-wage imports. Such authority is not contained in the legislation, as written. I believe it should be included.

The amendment does not tie the President's hands. It does not say that this is the only technique of adjustment assistance or trade protection. It says only that this is one useful device, the merit of which the President has recognized, which should be available to him in his implementation of our trade policy.

I urge the members of this committee to include this proposal in the Trade Expansion Act.

TRANSACTION OF ADDITIONAL ROUTINE BUSINESS

By unanimous consent, the following additional routine business was transacted:

EXECUTIVE COMMUNICATIONS, ETC.

The PRESIDENT pro tempore laid before the Senate the following letters, which were referred as indicated:

REPORT ON EXPORT CONTROL

A letter from the Secretary of Commerce, transmitting, pursuant to law, a report on Export Control, covering the second quarter of the year 1962 (with an accompanying report); to the Committee on Banking and Currency.

REPORT ON REVIEW OF CERTAIN ACTIVITIES OF GOVERNMENT OF THE VIRGIN ISLANDS

A letter from the Comptroller General of the United States, transmitting, pursuant to law, a report on the review of certain activities of the government of the Virgin Islands of the United States, fiscal year 1961 (with an accompanying report); to the Committee on Government Operations.

REPORT OF A COMMITTEE

The following additional report of a committee was submitted:

By Mr. YARBOROUGH, from the Committee on Commerce, with amendments:

H.J. Res. 489. Joint resolution to provide protection for the golden eagle (Rept. No. 1986).

REVENUE ACT OF 1962—AMENDMENTS

Mr. DOUGLAS submitted amendments, intended to be proposed by him, to the bill (H.R. 10650) to amend the Internal Revenue Code of 1954 to provide a credit for investment in certain depreciable property, to eliminate certain defects and inequities, and for other purposes, which were ordered to lie on the table and to be printed.

Mr. CURTIS submitted amendments, intended to be proposed by him, to the amendments designated "8-23-62—K," intended to be proposed by Mr. DIRKSEN to House bill 10650, supra, which were ordered to lie on the table and to be printed.

Mr. JAVITS submitted amendments, intended to be proposed by him, to House bill 10650, supra, which were ordered to lie on the table and to be printed.

Mr. SPARKMAN (for himself, Mr. JAVITS, Mr. BEALL, Mr. LAUSCHE, and Mr. CASE) submitted amendments, intended to be proposed by them, jointly, to House bill 10650, supra, which were ordered to lie on the table and to be printed.

INDEPENDENT OFFICES APPROPRIATION BILL, 1963—AMENDMENTS

Mr. PROXMIRE submitted amendments, intended to be proposed by him, to the bill (H.R. 12711) making appropriations for sundry independent executive bureaus, boards, commissions, corporations, agencies, and offices, for the fiscal year ending June 30, 1963, and for other purposes, which were ordered to lie on the table and to be printed.

PRINTING OF INTERIM REPORT ON BOGGY CREEK, FLA., CENTRAL AND SOUTHERN FLORIDA PROJECT (S. DOC. NO. 125)

Mr. KERR. Mr. President, on behalf of the Senator from New Mexico [Mr. CHAVEZ], I present a letter from the Secretary of the Army, transmitting a report dated May 22, 1962, from the Chief of Engineers, Department of the Army, together with accompanying papers and illustrations, on an interim report on Boggy Creek, Fla., central and southern Florida project, requested by a resolution of the Committee on Public Works, U.S. Senate, adopted on November 15, 1954. I ask unanimous consent that the report be printed as a Senate document, with illustrations, and referred to the Committee on Public Works.

The PRESIDING OFFICER. Without objection, it is so ordered.

PRINTING OF REVIEW OF REPORT ON DORCHESTER BAY AND NEPONSET RIVER, MASS. (S. DOC. NO. 126)

Mr. KERR. Mr. President, on behalf of the Senator from New Mexico [Mr. CHAVEZ], I present a letter from the Secretary of the Army, transmitting a report dated July 17, 1962, from the Chief of Engineers, Department of the Army, together with accompanying papers and illustrations, on a review of the reports on the Dorchester Bay and Neponset River, Mass., requested by a resolution of the Committee on Public Works, U.S. Senate, adopted on October 15, 1957. I ask unanimous consent that the report be printed as a Senate document, with illustrations, and referred to the Committee on Public Works.

The PRESIDING OFFICER. Without objection, it is so ordered.

PRINTING OF REVIEW OF INTERIM REPORT ON GILA RIVER, ARIZONA, CAMELSBACK RESERVOIR (S. DOC. NO. 127)

Mr. KERR. Mr. President, on behalf of the Senator from New Mexico [Mr. CHAVEZ], I present a letter from the Secretary of the Army, transmitting a report dated January 22, 1962, from the Acting Chief of Engineers, Department of the Army, together with accompanying papers and an illustration, on a review of an interim report on the Gila River, Arizona, Camelsback Reservoir, requested by a resolution of the Committee on Public Works, U.S. Senate, adopted June 28, 1938. I ask unanimous consent that the report be printed as a Senate document, with illustrations, and referred to the Committee on Public Works.

The PRESIDING OFFICER. Without objection, it is so ordered.

ADJOURNMENT TO 10 A.M. TOMORROW

Mr. McCARTHY. Mr. President, I move, under the previous order, that the Senate adjourn until 10 o'clock a.m. tomorrow.

The motion was agreed to; and (at 9 o'clock and 18 minutes p.m.), under the previous order, the Senate adjourned until tomorrow, Friday, August 31, 1962, at 10 o'clock a.m.

NOMINATION

Executive nomination received by the Senate, August 30, 1962:

EXPORT-IMPORT BANK

Walter C. Sauer, of the District of Columbia, to be First Vice President of the Export-Import Bank of Washington, vice Tom Killefer.

HOUSE OF REPRESENTATIVES

THURSDAY, AUGUST 30, 1962

The House met at 12 o'clock noon.

The Chaplain, Rev. Bernard Braskamp, D.D., offered the following prayer:

I Thessalonians 5: 21: *Prove all things; hold fast that which is good.*

Almighty God, we rejoice that we have so many testimonies and tokens of Thy divine love and wisdom, but we penitently acknowledge that we often fail to allow them to make any import and impressions on our character and conduct.

Grant that we may be more eager to possess and conserve those great moral and spiritual values which will enable us to achieve greater power and peace of mind and heart.

May the lofty instincts and intuitions with which we have been endowed, constrain and justify us in believing that we have not been created for failure but for victory.

Inspire us to lay hold of the high principles with increasing tenacity and may all with whom we daily come into contact feel a contagion of enthusiasm that will heighten their hopes and expectations and challenge them to choose Thy ways of truth and righteousness.

Hear us in the name of our blessed Lord. Amen.

THE JOURNAL

The Journal of the proceedings of yesterday was read and approved.

HON. HAMPTON P. FULMER

Mr. HAYS. Mr. Speaker, by direction of the Committee on House Administration, I call up the resolution, House Resolution 742, and ask for its immediate consideration.

The Clerk read the resolution, as follows:

> *Resolved,* That the transcript of the proceedings in the Committee on Agriculture of Thursday, March 29, 1962, incident to the presentation of a portrait of the late Honorable Hampton P. Fulmer to the Committee on Agriculture be printed as a House document with suitable binding.

The resolution was agreed to.

A motion to reconsider was laid on the table.

COMPILATION OF SOCIAL SECURITY LAWS

Mr. HAYS. Mr. Speaker, by direction of the Committee on House Administration, I call up the resolution, House Resolution 754, and ask for its immediate consideration.

The Clerk read the resolution, as follows:

> *Resolved,* That the compilation of social security laws, prepared by the Social Security Administration for the use of the Committee on Ways and Means, be printed as a House document; and that three thousand additional copies be printed of which two thousand shall be for the use of the Committee on Ways and Means, three hundred copies shall be for the use of the Senate Committee on Finance, and seven hundred copies shall be for the use of the House document room.

With the following committee amendments:

> Page 1, line 4, strike out "three" and insert "two".
>
> Page 1, line 5, strike out "two" and insert "one".

The committee amendments were agreed to.

The resolution was agreed to.

A motion to reconsider was laid on the table.

PRINTING OF ADDITIONAL COPIES OF HEARINGS

Mr. HAYS. Mr. Speaker, by direction of the Committee on House Administration, I offer a privileged resolution, House Concurrent Resolution 508, and ask for its immediate consideration.

The Clerk read the resolution, as follows:

> *Resolved by the House of Representatives (the Senate concurring),* That there be printed for the use of the Committee on Un-American Activities ten thousand additional copies each of parts 1 and 2 of the hearings entitled "Structure and Organization of the Communist Party of the United States", Eighty-seventh Congress, first session.

The resolution was agreed to.

A motion to reconsider was laid on the table.

PRINTING OF ADDITIONAL COPIES OF HEARINGS

Mr. HAYS. Mr. Speaker, by direction of the Committee on House Administration, I call up the resolution Senate Concurrent Resolution 87, and ask for its immediate consideration.

The Clerk read the resolution, as follows:

> *Resolved by the Senate (the House of Representatives concurring),* That there be printed for the use of the Senate Committee on Armed Services not to exceed six thousand additional copies of all parts of the hearings entitled "Military Cold War Education and Speech Review Policies," held by the Special Preparedness Subcommittee during the current session, and not to exceed six thousand additional copies of the report thereon to be made to the Senate by that committee.

The resolution was agreed to.

A motion to reconsider was laid on the table.

EXPENSES OF SPECIAL COMMITTEE TO INVESTIGATE CAMPAIGN EXPENDITURES, 1962

Mr. FRIEDEL. Mr. Speaker, by direction of the Committee on House Administration, I offer a privileged resolution, House Resolution 756, and ask for its immediate consideration.

The Clerk read the resolution, as follows:

> *Resolved,* That the expenses of conducting the investigation authorized by H. Res. 753, Eighty-seventh Congress, incurred by the Special Committee To Investigate Campaign Expenditures, 1962, acting as a whole or by subcommittee, not to exceed $35,000, including expenditures for employment of experts, special counsel, and clerical, stenographic, and other assistants, shall be paid out of the contingent fund of the House on vouchers authorized by said committee, signed by the chairman of the committee, and approved by the Committee on House Administration.
>
> SEC. 2. The official stenographers to committees may be used at all hearings held in the District of Columbia if not otherwise engaged.

Mr. SCHENCK. Mr. Speaker, will the gentleman yield?

Mr. FRIEDEL. I yield.

Mr. SCHENCK. Mr. Speaker, this resolution provides a fund, as has been stated, for this special committee to investigate campaign expenditures in 1962. This is the usual special committee which has been appointed in election years by the Chair at various times, and this committee performed a useful function. At the same time, Mr. Speaker, as one member of the Committee on House Administration, I would like to call to the attention of the Speaker and of the membership that we have a Special Subcommittee on Elections of the Committee on House Administration, and many of us feel that these functions assigned to this special committee to investigate campaign expenditures could very well be handled by that subcommittee.

I mention this, Mr. Speaker, only for future consideration.

The SPEAKER. The question is on the resolution.

The resolution was agreed to.

A motion to reconsider was laid on the table.

AMENDMENT OF HATCH ACT

Mr. McFALL. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (H.R. 12661) to amend section 9(b) of the act entitled "An act to prevent pernicious political activities"—the Hatch Political Activities Act—to eliminate the requirement that the Civil Service Commission impose no penalty less than 90 days' suspension for any violation of section 9 of the act.

The Clerk read the title of the bill.

Mr. GROSS. Mr. Speaker, reserving the right to object, do I understand that the gentleman is prepared to offer an amendment which will set a minimum of 30 days' suspension for a violation of the Hatch Act?

Mr. McFALL. Will the gentleman yield that I may answer?

Mr. GROSS. I yield.

Mr. McFALL. That is the gentleman's intention. I was privileged to discuss the matter with the gentleman from Iowa, and that was the agreement.

Mr. GROSS. I should like to ask the gentleman if he can assure the House that if this bill goes to conference he will insist upon the retention of the 30-day provision?

Mr. McFALL. I, of course, would not be able to assure the gentleman that I would be on the conference committee; it is very possible there will be other Members on it as well. I am sure, however, that the managers on the part of the House would stand behind the position of the House in their consideration of this matter.

Mr. GROSS. I regard the 90-day suspension without pay as a rather harsh penalty for a minor violation, but I am not inclined to be opposed to legislation which invokes a reasonable penalty for violation of the Hatch Act. Therefore, I support the bill with the 30-day suspension provisions.

The **SPEAKER.** Is there objection to the present consideration of the bill?

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 9(b) of the Act entitled "An Act to prevent pernicious political activities", approved August 2, 1939, as amended (5 U.S.C. 1181(b)), is amended by striking out "*Provided further,* That in no case shall the penalty be less than ninety days' suspension without pay:".

Mr. **McFALL.** Mr. Speaker, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. McFALL: On page 1, line 7, after "than" strike out "ninety" and insert "thirty".

The amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed.

A motion to reconsider was laid on the table.

Mr. **McFALL.** Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (S. 919) to amend section 9(b) of the act entitled "An act to prevent pernicious political activities"—the Hatch Political Activities Act—to eliminate the requirement that the Civil Service Commission impose no penalty less than 90 days' suspension for any violation of section 9 of the act.

The Clerk read the title of the Senate bill.

The **SPEAKER.** Is there objection to the request of the gentleman from California?

There being no objection, the Clerk read the Senate bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 9(b) of the Act entitled "An Act to prevent pernicious political activities", approved August 2, 1939, as amended (5 U.S.C. 1181(b)), is amended by striking out "*Provided further,* That in no case shall the penalty be less than ninety days' suspension without pay:".

Mr. **McFALL.** Mr. Speaker, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. McFALL: Strike out all after the enacting clause and insert the following: "That section 9(b) of the Act entitled 'An Act to prevent pernicious political activities', approved August 2, 1939, as amended (5 U.S.C. 1181(b)), is amended by striking out '*Provided further,* That in no case shall the penalty be less than thirty days' suspension without pay:'."

The amendment was agreed to.

The bill was ordered to be read a third time, was read the third time, and passed.

A similar House bill (H.R. 12661) was laid on the table.

A motion to reconsider was laid on the table.

AWARDS UNDER THE JAPANESE-AMERICAN EVACUATION CLAIMS ACT OF 1948

Mr. MILLS. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (H.R. 12719) to amend the Internal Revenue Code of 1954 to provide that amounts received as certain awards under the Japanese-American Evacuation Claims Act of 1948, as amended, shall not be included in gross income.

The Clerk read the title of the bill.

The **SPEAKER.** Is there objection to the request of the gentleman from Arkansas?

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) the Internal Revenue Code of 1954 is hereby amended by adding the following new section:

"SEC. 120. AWARDS RECEIVED UNDER THE JAPANESE-AMERICAN EVACUATION CLAIMS ACT OF 1948, AS AMENDED.

"Gross income does not include any amount received as an award made pursuant to Public Law 80–886 (62 Stat. 1231 (1948)), as amended by Public Law 82–116 (65 Stat. 192 (1951)), and by Public Law 84–673 (70 Stat. 513 (1956)). No interest shall be allowed or paid on any overpayment resulting from the enactment of this section."

(b) The amendments made by this Act shall be effective with respect to any amounts received as an award on or after July 2, 1948. If refund or credit of any overpayment resulting from the application of subsection (a) of this Act is prevented on the date of the enactment of this Act, or within one year from such date, by the operation of any law or rule of law, such refund or credit of such overpayment may nevertheless be made or allowed if a claim therefor is filed within one year after the date of enactment of this Act.

(c) Section 121 of the Internal Revenue Code of 1954 is hereby amended by adding at the end thereof the following:

"(19) The Japanese American Evacuation Claims Act of 1948, as amended 62 Stat. 1231; 50 U.S.C. 1981)."

With the following committee amendment:

Strike out all after the enacting clause and insert the following: "That no amount received as an award under the Act entitled 'An Act to authorize the Attorney General to adjudicate certain claims resulting from evacuation of certain persons of Japanese ancestry under military orders', approved July 2, 1948, as amended by Public Law 116, Eighty-second Congress, and Public Law 673, Eighty-fourth Congress 50 U.S.C. App., secs. 1981–1987), shall be included in gross income for purposes of chapter 1 of the Internal Revenue Code of 1939 or chapter 1 of the Internal Revenue Code of 1954.

"SEC. 2. The first section of this Act shall apply with respect to taxable years ending after July 2, 1948. If refund or credit of any overpayment of Federal income tax resulting from the application of the first section of this Act (including interest, additions to the tax, additional amounts, and penalties) is prevented on the date of the enactment of this Act, or within one year from such date, by the operation of any law or rule of law, the refund or credit of such overpayment may nevertheless be made or allowed if claim therefor is filed within one year after the date of the enactment of this Act. In the case of a claim to which the preceding sentence applies, the amount to be refunded or credited as an overpayment shall not be diminished by any credit or set-off based upon any item other than the amount of the award referred to in the first section of this Act. No interest shall be allowed or paid on any overpayment resulting from the application of this Act."

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed.

The title was amended to read: "A bill to provide, for purposes of income taxes under the Internal Revenue Codes, that awards received under the Japanese-American Evacuation Claims Act of 1948 shall not be included in gross income."

A motion to reconsider was laid on the table.

Mr. MILLS. Mr. Speaker, I ask unanimous consent that any Members desiring to do so, including myself, may be permitted to extend their remarks at this point in the RECORD on the bill just passed.

The **SPEAKER.** Is there objection to the request of the gentleman from Arkansas?

There was no objection.

Mr. MILLS. Mr. Speaker, the bill, H.R. 12719, which, as amended, was unanimously reported by the Committee on Ways and Means, would provide that awards made under the Japanese-American Evacuation Claims Act of 1948 to persons of Japanese ancestry would not be subject to Federal income tax.

Mr. Speaker, Members of the House will recall that in the early days of World War II a large number of persons of Japanese ancestry were required to leave their homes and businesses on the west coast and move to inland relocation centers. Since this evacuation took place on short notice, these persons were forced to leave their families, homes, and businesses and thereby sustained personal, as well as financial losses. Estimates of these losses ran as high as $400 million. At the end of the war these persons were able to return to their home areas.

In recognition of the losses sustained as the result of the mass evacuation of these persons, in 1948 the Congress enacted the Japanese-American Evacuation Claims Act in order to provide compensation in some measure for the provable losses sustained by these persons. Pursuant to that act, a large number of claims were filed and the recipients of awards paid pursuant to this act generally considered them to be nontaxable either as constituting gifts or as compensatory damages. In 1959, however, the Internal Revenue Service took the position that these awards were taxable to the extent that they exceeded provable adjusted basis of the property with respect to which the award was made on the theory that such awards were analogous to payments received upon the involuntary conversion of property such as in the case of the condemnation of property for public use. Your committee does not believe that this analogy should be applied in this situation because of the nature of the circumstances giving rise to the payment of these damage awards.

Accordingly, this bill would provide that awards paid pursuant to the Japanese-American Evacuation Claims Act will not be subject to Federal income tax whether received in years governed by the Internal Revenue Code of 1954 or those governed by the predecessor Internal Revenue Code of 1939. To implement the relief that your committee considers desirable in this situation, provision is made for the payment of refunds, without interest, where tax has previously been paid on such an award provided claim is made for such a refund within 1 year after the date of the enactment of this bill.

Although the Treasury Department has indicated that it does not generally favor exempting awards from income tax, under the special circumstances involved in the awards made under this Evacuation Claims Act, it does not interpose any objection to this bill.

I strongly urge favorable consideration of this bill.

Mr. KING of California. Mr. Speaker, I am very glad that this meritorious legislation which I introduced has been so speedily considered, both by the Committee on Ways and Means, of which I am a ranking member, and the House of Representatives.

This bill is designed to insure that the basic intention of the Congress as expressed in the Japanese-American Evacuation Claims Act of 1948 will be fully implemented. It is quite clear that in passing the original act the Congress never intended that these awards which would be made under it would be reduced by virtue of the Government taking back part of the award through subjecting it to Federal income taxes. In other words, it was the basic intention of the Congress to provide full restitution for losses sustained by American citizens of Japanese extraction as the result of governmental action taken in 1942 in evacuating them from their homes, businesses, enterprises, and associations on the west coast.

To indicate the extent of the monetary loss suffered as a result of this governmental action, it was estimated by the Federal Reserve Bank of San Francisco in 1942 that the evacuees lost some $400 million. The awards which have been made under the Japanese-American Evacuation Claims Act, as amended, totaled some $37 million of estimated loss. Certainly, these awards should not be reduced through action of the Internal Revenue Service.

I should like to point out in this connection that in the passing of the original act, in the 1951 and the 1956 amendments, there was no mention anywhere that the awards or any part thereof should be subject to tax. Both the basic act and the subsequent amendments were passed unanimously by the Congress, I might add.

Mr. Speaker, this legislation has originated, as it properly should, in the House of Representatives, and, as is proper, it has been reported by the Committee on Ways and Means and it is being passed by the House. I commend my colleagues on the committee and my colleagues in the House for the speedy consideration which has been given to my bill and for the passage of the bill.

Mr. BYRNES of Wisconsin. Mr. Speaker, in the spring of 1942, pursuant to an Executive order, the U.S. Army evacuated approximately 110,000 persons of Japanese ancestry from their homes on the western coast of this country. At the time we were engaged in World War II, and this measure was deemed necessary to national security. However, the evacuation was on short notice, and most of the families had to leave behind all belongings which they were not able to carry with them.

In 1948, under the Japanese-American Evacuation Claims Act, Congress established a procedure for awarding damages in certain of these cases. Some have been settled either through court decision or compromise, and others await decision. The act did not state whether the resulting awards should be taxable.

Your committee recommends that these awards not be treated as taxable income. These Japanese-Americans not only had to dispose of or leave their property on very short notice, but they were deprived of the use of this property for an extended period of time. Most important, inasmuch as these persons did not view the awards as taxable, the taxation of them tended to reduce the size of the award.

The bill, H.R. 12719, exempts from taxation these awards both under the 1399 code and the 1954 code. This treatment is to apply to all taxable years ending after July 2, 1948, the date of enactment of the Japanese-American Evacuation Claims Act. Thus, any claim already taxed would be subject to a refund or a credit if the recipient files for such within 1 year after the enactment of this bill.

Your committee believes that this is the only equitable solution to an inequitable situation which arose under the necessities and immediacies of war. I, therefore, urge immediate passage of this measure.

Mr. BALDWIN. Mr. Speaker, I am one of the House Members who introduced bills to rectify the injustice which would occur if Federal income taxes were levied on claims awarded under the Japanese-American Evacuation Claims Act of 1948. I am very pleased that the House of Representatives is today acting to correct this situation. I hope this legislation will become law before this session of Congress adjourns.

Mr. ULLMAN. Mr. Speaker, this bill represents a bipartisan effort to carry out the intent of Congress in passing the Japanese-American Evacuation Claims Act. That law was passed in 1948 to make partial restitution to our citizens of Japanese ancestry for the staggering losses they sustained as a result of their hasty evacuation from their homes and businesses in 1942 by military order.

The magnificent record of these citizens during the war, especially those who fought so valiantly in the Armed Forces, had demonstrated how unfounded were the fears that led to their evacuation. The enactment of the Evacuation Claims Act was recommended, in the words of Secretary of the Interior Krug, "As a matter of fairness and good conscience, and because these particular American citizens and law-abiding aliens have borne with patience and undefeated loyalty the unique burdens which this Government has thrown upon them."

In the committee reports on this measure, and the discussion on the floor of the House, the whole emphasis was on the discharge of a moral obligation to these loyal people who had suffered so grievously because of their ancestry. Nowhere can you find the slightest suggestion that these payments were to be considered anything but an act of grace. Adjudications of the Attorney General under the act were made on the understanding that the law was intended to be an act of bounty in the same sense that a statute providing benefits for veterans could be so characterized. Recently, the Internal Revenue Service has attempted to collect income taxes in these payments on the theory that they are comparable to involuntary conversions of property or condemnations. To take back in taxation any part of the inadequate payment made to these citizens would be to compound the injustices they have heretofore suffered. H.R. 12719 is designed to prevent this frustration of the purpose for which these payments were made. It explicitly excludes the amount of any award under the Evacuation Claims Act from gross income under the Internal Revenue Code.

Mr. Speaker, the equities of this measure are clear. It was reported unanimously by the Committee on Ways and Means. I earnestly hope it will be passed by unanimous vote of this House.

Mr. LANE. Mr. Speaker, the bill, H.R. 12719, would extend tax relief to persons who received awards under the Japanese-American Evacuation Claims Act of 1948. As is stated in the report of the Committee on Ways and Means, this bill would provide that such awards would not be subject to Federal income tax.

The Japanese-American Evacuation Claims Act became law in 1948. It has been the subject of consideration by the Committee on the Judiciary in 1947 and was reported and passed the House in that year. I was privileged to serve on the subcommittee which recommended this legislation, and I was chairman of the subcommittee which approved the amendments which were added to the act in 1951 and 1956.

I feel that the history of this matter establishes that the overriding purpose of the legislation was to provide compensation to those persons who were required to leave their homes and businesses and therefore suffered damage and losses.

The Japanese Evacuation Claims Act, in my opinion, represents a humanitarian act on the part of the Government to provide for compensation under circumstances where much of the damage which, while very real, is incapable of exact valuation. At best, it can be approximated by providing for compensation for the loss of physical property or business losses and other tangible losses incident to the forced evacuation. It could, therefore, appear to be unfair to make such awards subject to taxation and to assess them by application of the provisions relating to capital gains. As the report of the Committee on Ways and Means clearly states, the persons who finally received the awards in the years following the enactment of the Evacuation Claims Act felt that these awards were gifts.

I agree that these awards should be properly recognized as gifts or acts of grace made by the Government by this wartime evacuation. This also takes into consideration that there was a long delay in according such relief which even then could be considered to be incomplete when all of the factors are considered.

In view of all of these factors, I feel that the relief provided in this bill is clearly merited. I urge its favorable enactment.

Mr. SHELLEY. Mr. Speaker, I rise to urge favorable action on this bill which will amend the Internal Revenue Code to provide that amounts received as certain awards under the Japanese-American Evacuation Claims Act of 1948, as amended, shall not be included within gross income under said code.

The 1948 indemnification act provides for the settlement of claims for property damage where damage arose as the natural and reasonable consequence of the evacuation and exclusion program. The 1948 act strictly limits recovery to property losses. It is my conviction—based on the hearings before the Judiciary Subcommittee which considered the 1948 act and the floor debate relative to this act—that it was the intent of Congress that awards made under the 1948 act not be considered gross income for tax purposes. This intent is implicit in the hearings and the floor debate. This legislation before us today makes manifest that intent.

Eloquent testimony as to the merits and justice of the legislation we are now considering is found in the fact that it was unanimously reported by the Ways and Means Committee and in the fact that the Treasury Department has not interposed any objection to this bill.

It is my fervent hope that this measure will be enacted by the House of Representatives.

DESIGNATION OF CERTAIN CONTRACT CARRIERS AS CARRIERS OF BONDED MERCHANDISE

Mr. MILLS. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (H.R. 5700) to amend the Tariff Act of 1930 to permit contract carriers by motor vehicle to transport bonded merchandise.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 551 of the Tariff Act of 1930, as amended (19 U.S.C., sec. 1551), is amended to read as follows:

"SEC. 551. BONDING OF CARRIERS.

"Under such regulations and subject to such terms and conditions as the Secretary of the Treasury shall prescribe—

"(1) any common carrier of merchandise owning or operating a railroad, steamship, or other transportation line or route for the transportation of merchandise in the United States,

"(2) any contract carrier by motor vehicle, as defined in section 203(a)(15) of the Interstate Commerce Act (49 U.S.C., sec. 303(a)(15)), and

"(3) any freight forwarder, as defined in section 402(a)(5) of the Interstate Commerce Act (49 U.S.C., sec. 1002(a)(5)),

upon application, may, in the discretion of the Secretary, be designated as a carrier of bonded merchandise for the final release of which from customs custody a permit has not been issued."

With the following committee amendment:

Page 2, strike out lines 1 to 6, inclusive, and insert:

"(2) any contract carrier authorized to operate as such by any agency of the United States, and

"(3) any freight forwarder authorized to operate as such by any agency of the United States,".

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed.

The title was amended to read as follows: "A bill to amend the Tariff Act of 1930 to permit the designation of certain contract carriers as carriers of bonded merchandise."

A motion to reconsider was laid on the table.

Mr. MILLS. Mr. Speaker, I ask unanimous consent that the gentleman from Wisconsin and I may be permitted to extend our remarks in the RECORD on the bill just passed.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

Mr. MILLS. Mr. Speaker, the purpose of H.R. 5700, which was introduced by our colleague on the Committee on Ways and Means—the gentleman from Wisconsin, the Honorable JOHN W. BYRNES—and unanimously reported by the committee, is to permit the Secretary of the Treasury to designate any contract carrier, authorized to act as such by any agency of the United States, as a carrier of bonded merchandise for the final release of which from customs custody a permit has not been issued.

The transportation of imported merchandise in bond is a privilege accorded to certain carriers and freight forwarders. The element of risk to the Government revenue is minimized by limiting the privilege to those who are authorized to act in the capacity of handlers of merchandise by a Federal agency and also by regulations of the Secretary of the Treasury.

The Department of Commerce in its report on this bill stated as follows:

Investigation reveals that the common carrier system would not be adversely affected by the inclusion of contract carriers in the categories of persons to which section 551 of the Tariff Act of 1930 is applicable. The common carrier conference of the American Trucking Associations, Inc., stated "the legislation would create no enlargement in contract carrier operations and in reality amounts to nothing more than the removal of an unwarranted handicap in providing services which contract carriers are authorized to conduct."

The committee believes that the Secretary of the Treasury should be authorized to extend the privilege of handling bonded merchandise to any contract carrier licensed to act as such by any agency of the United States, subject to such regulations and terms as the Secretary of the Treasury may prescribe and subject to his discretion.

Favorable reports on this legislation were received by the Departments of State, Treasury, and Commerce and an informative report was received from the U.S. Tariff Commission.

Mr. BYRNES of Wisconsin. Mr. Speaker, the Tariff Act of 1930, as originally enacted, allowed the Secretary of the Treasury to designate as carriers of bonded merchandise certain common carriers. The act was later broadened to permit the Secretary to designate freight forwarders under the jurisdiction of the Interstate Commerce Commission to handle bonded merchandise. H.R. 3508, which has passed both Houses and is now before the President, would extend the Secretary's authority so as to permit him to designate any freight forwarder, authorized to act as such by any agency of Government, to handle this bonded merchandise.

This bill, H.R. 5700, would further amend the Tariff Act of 1930 to authorize the Secretary to extend the privilege of handling bonded merchandise to any contract carrier licensed to act as such by an agency of Government. The Secretary of the Treasury would be authorized to regulate these carriers within his discretion. Favorable reports have been received from the various Government agencies concerned, and your committee was unanimous in reporting the bill. I, therefore, recommend passage of H.R. 5700, as amended by the Committee on Ways and Means.

FREE ENTRY OF TWO SPECTROMETERS FOR THE UNIVERSITY OF ILLINOIS

Mr. MILLS. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (H.R. 12529) to provide for the free entry of one nuclear magnetic resonance spectrometer and one mass spectrometer for the use of the University of Illinois.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Treasury is authorized and directed to admit free of duty one nuclear magnetic resonance spectrometer, and one mass spectrometer, for the use of the University of Illinois.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

Mr. MILLS. Mr. Speaker, I ask unanimous consent that the gentleman from Wisconsin and myself may be permitted to extend our remarks at this point in the RECORD on the bill just passed.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

Mr. MILLS. Mr. Speaker, the purpose of H.R. 12529, which was introduced by our colleague on the Committee on Ways and Means—the gentleman from Illinois, the Honorable THOMAS J. O'BRIEN—and unanimously reported by the committee, is to permit the free importation of one nuclear magnetic resonance spectrometer and one mass spectrometer which are to be used by the University of Illinois.

The University of Illinois has ordered, from abroad, two pieces of scientific equipment which will be used in research and instructional endeavors to be performed in the department of chemistry and chemical engineering in the university.

Your committee is informed that the University of Illinois attempted, without success, to purchase instruments of the desired specifications in the United States. The funds for the purchase of the two pieces of equipment are from unrestricted grants made by the National Science Foundation and the National Institutes of Health. Both these agencies have approved the purchase of this equipment.

Mr. BYRNES of Wisconsin. Mr. Speaker, this bill, H.R. 12529, would permit the free importation of one nuclear magnetic resonance spectrometer and one mass spectrometer which are to be used by the University of Illinois. The university has attempted, without success, to purchase these instruments within the United States. Your committee has been informed that they have not been able to find instruments of the desired specifications within the domestic market.

This bill has the unanimous approval of your committee, and I, therefore, recommend its enactment.

VALIDATION OF COVERAGE OF CERTAIN EMPLOYEES IN ARKANSAS

Mr. MILLS. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill—H.R. 12820—to validate the coverage of certain State and local employees in the State of Arkansas under the agreement entered into by such State pursuant to section 218 of the Social Security Act, which was unanimously reported favorably by the Committee on Ways and Means, without amendment.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the present consideration of the bill?

There was no objection.

The Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for purposes of the agreement under section 218 of the Social Security Act entered into by the State of Arkansas, where employees of an integral unit of a political subdivision of the State of Arkansas have in good faith been included under the State's agreement as a coverage group on the basis that such integral unit of a political subdivision was a political subdivision, then such unit of the political subdivision shall, for purposes of section 218(b)(2) of such Act, be deemed to be a political subdivision, and employees performing services within such unit shall be deemed to be a coverage group, effective with the effective date specified in such agreement or modification of such agreement with respect to such coverage group and ending with the last day of the year in which this Act is enacted.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

Mr. MILLS. Mr. Speaker, I ask unanimous consent that the gentleman from Wisconsin [Mr. BYRNES] and I be permitted to extend our remarks immediately following the bills that were passed by unanimous consent, including this bill.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

Mr. MILLS. Mr. Speaker, the purpose of H.R. 12820 is to validate the coverage under old-age, survivors, and disability insurance of the employees of certain agencies in Arkansas which have been included in good faith but erroneously as separate political subdivisions under the coverage agreement between the State of Arkansas and the Secretary of Health, Education, and Welfare. The problem was that some 62 agencies of political subdivisions had been covered as though they were separate political subdivisions. Actually, they have now been found to be integral parts of these subdivisions. Attempts were made to solve the problem administratively, but these have been unsuccessful. The State of Arkansas would either have to provide additional coverage for past periods, including coverage for persons no longer employed and from whom the employee taxes could not be collected, or wage credits which public employees and their families had counted on would have to be wiped out. It was concluded that since the State of Arkansas intended from the outset to provide social security coverage for these employees, and since wage reports have been filed and taxes have been paid for them, and since the State has acted in good faith, that legislation should be adopted to correct this situation so as to avoid hardships either to the municipal subdivision on the one hand or the employees on the other hand. This bill will validate this situation insofar as the past is concerned, and with reference to the future the State will have to make an appropriate modification in its agreement.

As I have indicated, all of these actions were taken in good faith, the taxes were paid both by the employee and by the State, and there is no question but that credits have been accumulated in good faith. This bill would simply validate what has been done and thereby prevent hardships to the employees and to the State. On a number of occasions in the past where similar situations have been pointed out to the committee, legislative action has been taken.

This bill was reported unanimously by the committee.

Mr. BYRNES of Wisconsin. Mr. Speaker, this bill is intended to validate the coverage of employees of certain agencies in the State of Arkansas under the old-age, survivors, and disability insurance provisions of the Social Security Act. The State of Arkansas and the Secretary of Health, Education, and Welfare erroneously, but in good faith, concluded an agreement under which these agencies were treated as separate political subdivisions. Under this bill these agencies would continue to be treated as separate political subdivisions until the last day of the current year if the bill is enacted.

Your committee has found no reason to question the good faith of the State or of the Secretary in concluding this agreement. Furthermore, it has been clearly demonstrated to your committee that this is the most feasible manner in which to remedy this situation. Any other solution would either mean additional expense to the State or perhaps the loss of wage credits by employees who heretofore have had good reason to rely on the validity of the agreement.

Inasmuch as the bill attempts to correct this situation, and inasmuch as it was unanimously recommended by the committee, I urge its favorable consideration by this body.

NET OPERATING LOSS CARRYOVERS

Mr. MILLS. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (H.R. 12526) to amend section 172 of the Internal Revenue Code of 1954 to provide a 7-year net operating loss carryover for certain regulated transportation corporations, which was unanimously reported favorably by the Committee on Ways and Means, without amendment.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the present consideration of the bill?

There was no objection.

The Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) subsection (b) of section 172 of the Internal Revenue Code of 1954 (relating to net operating loss deduction) is amended to read as follows:

"(b) NET OPERATING LOSS CARRYBACKS AND CARRYOVERS.—

"(1) YEARS TO WHICH LOSS MAY BE CARRIED.—A net operating loss for any taxable year—

"(A) ending after December 31, 1957, shall be a net operating loss carryback to each of the 3 taxable years preceding the taxable year of the loss, and

"(B) ending after December 31, 1955, shall (except as provided in subparagraph (C)) be a net operating loss carryover to each of the 5 taxable years following the taxable year of such loss, or

"(C) ending after December 31, 1955, in the case of a taxpayer which is a regulated transportation corporation (as defined in subsection (j)(1)), shall (except as provided in subsection (j)) be a net operating loss carryover to each of the 7 taxable years following the taxable year of such loss.

"(2) Amount of carrybacks and carryovers.—Except as provided in subsections (i) and (j), the entire amount of the net operating loss for any taxable year (hereinafter in this section referred to as the 'loss year') shall be carried to the earliest of the taxable years to which (by reason of paragraph (1)) such loss may be carried. The portion of such loss which shall be carried to each of the other taxable years shall be the excess, if any, of the amount of such loss over the sum of the taxable income for each of the prior taxable years to which such loss may be carried. For purposes of the preceding sentence, the taxable income for any such prior taxable years shall be computed—

"(A) with the modifications specified in subsection (d) other than paragraphs (1), (4), and (6) thereof; and

"(B) by determining the amount of the net operating loss deduction without regard to the net operating loss for the loss year or for any taxable year thereafter,

and the taxable income so computed shall not be considered to be less than zero."

(b) Section 172 of such Code is amended by redesignating subsection (j) as subsection (k) and by inserting after subsection (i) the following new subsection:

"(j) Carryover of Net Operating Loss for Certain Regulated Transportation Corporations—

"(1) Definition.—For purposes of subsection (b)(1)(C), the term 'regulated transportation corporation' means a corporation—

"(A) 80 percent or more of the gross income of which (computed without regard to dividends and capital gains and losses) for the taxable year is derived from the furnishing or sale of transportation described in subparagraph (A), (C) (i), (E), or (F) of section 1503(c)(1) and taken into account for purposes of section 1503(c)(2),

"(B) which is described in section 1503(c)(3), or

"(C) which is a member of a regulated transportation system.

"(2) Regulated transportation system.—For purposes of this subsection, a corporation shall be treated as a member of a regulated transportation system for a taxable year if—

"(A) it is a member of an affiliated group of corporations making a consolidated return for such taxable year, and

"(B) 80 percent or more of the aggregate gross income of the members of such affiliated group (computed without regard to dividends and capital gains and losses) for such taxable year is derived from sources described in paragraph (1)(A).

For purposes of subparagraph (B), income derived by a corporation described in section 1503(c)(3) from leases described in subparagraph (A) thereof shall be considered as derived from sources described in paragraph (1)(A).

"(3) Limitation.—For purposes of subsection (b)(1)(C)—

"(A) a net operating loss may not be a net operating loss carryover to the 6th taxable year following the loss year unless the taxpayer is a regulated transportation corporation for such 6th taxable year; and

"(B) a net operating loss may not be a net operating loss carryover to the 7th taxable year following the loss year unless the taxpayer is a regulated transportation corporation for the 6th taxable year following the loss year and for such 7th taxable year.

"(4) Taxable year beginning in 1955 and ending in 1956.—In the case of a net operating loss for a taxable year beginning in 1955 and ending in 1956, the amount of such loss which may be carried—

"(A) to the 6th taxable year following the loss year shall be the amount which bears the same ratio to the amount which (but for this paragraph) would be carried to such 6th taxable year as the number of days in the loss year after December 31, 1955, bears to the total number of days in the loss year, and

"(B) to the 7th taxable year following the loss year shall be the amount (if any) by which (i) the amount carried to the 6th taxable year (determined under subparagraph (A)), exceeds (ii) the taxable income (computed as provided in subsection (b)(2)) for such 6th taxable year."

Sec. 2. The amendments made by the first section of this Act shall apply only with respect to net operating losses for taxable years ending after December 31, 1955.

The bill was ordered to be engrossed and read a third time, was read the third time and passed, and a motion to reconsider was laid on the table.

Mr. MILLS. Mr. Speaker, the bill, H.R. 12526, which was unanimously reported by the Committee on Ways and Means without amendments, would amend the Internal Revenue Code of 1954 to provide a 7-year net operating loss carryover for certain regulated transportation corporations. In large measure, this bill is in accord with the recommendation made by the President in his transportation message to the Congress in which he recommended a 7-year, instead of the present 5-year, carryover period for losses sustained by regulated public utilities.

Mr. Speaker, the Members of the House are doubtlessly aware of the dire financial predicament of certain segments of our transportation industry, particularly a number of railroads, as well as airlines. Although present law provides that business taxpayers sustaining a net operating loss may carry such loss over and use it to offset income in the 5-year period succeeding the year of loss, the transportation companies have shown the need for a longer carryforward period primarily because they tend to have relatively lower rates of earnings than is true in the case of other business taxpayers generally. As a result, situations have arisen where their losses have exceeded the income realized in the 5-year carryover period provided under present law and, therefore, these losses have expired without being used. This has proven to be a particularly serious problem in the case of railroads because of the trend toward declining earnings that has existed for some years in that industry.

Accordingly, your committee has approved the bill, H.R. 12526, which would permit losses sustained by regulated transportation corporations in years after 1955 to be carried forward 7 years rather than the 5 years permitted under present law in order to extend the period during which these losses may be available as an offset against income otherwise subject to tax. This bill will not result in the payment of any refunds but will, in effect, be prospective only in its operation.

This bill will give needed assistance to our transportation industry and implement the President's message on transportation.

Mr. BYRNES of Wisconsin. Mr. Speaker, generally, corporations are allowed a net operating loss carryback for 3 years and then, if there remains any unused loss, a carryforward for 5 years. H.R. 12526 provides that regulated transportation corporations, in addition to the 3-year carryback, are to have a 7-year carryforward of net operating losses. This allows them two additional years in which to offset any unused loss against gain, and will apply to any losses occurring in years, or portions of years, since December 31, 1955. This extension is needed in order to enable some of our major transportation corporations, which have sustained large losses, to reorganize and consolidate.

The extension is justified inasmuch as regulated transportation corporations tend to have low annual earnings. This means that a longer period is required to offset unused losses. We have been informed that at least seven railroads have unused net operating loss carryforwards which will lapse at the end of the present year if we do not enact this bill.

It is essential to the continued existence of our transportation system that we correct this situation. At present, because of their low profits, the 3-year carryback and 5-year carryforward does not allow them the same advantages available to the average corporation using this method of spreading a loss incurred in any one taxable year. This additional carryforward will not offer them any advantage over the average corporation, but will at most give them equality of treatment. I urge passage of H.R. 12526 for these reasons.

SUSPENSION OF TAX ON COCONUT OIL AND PALM OIL

Mr. MILLS. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (H.R. 5260) to repeal the 3 cents per pound processing tax on coconut oil, and for other purposes, which was unanimously reported favorably by the Committee on Ways and Means, with amendments.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the present consideration of the bill?

There was no objection.

The Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 4511(a) of the Internal Revenue Code of 1954 (relating to rate of tax on first domestic processing of certain vegetable oils) is amended by striking out "coconut oil,".

Sec. 2. Technical Amendments.

(a) Section 4511(b) of the Internal Revenue Code of 1954 (relating to additional rate on coconut oil) is amended—

(1) by striking out "Additional" in the heading, and

(2) by striking out "(in addition to the tax imposed by the preceding subsection)".

(b) Section 4511(c) of such Code (relating to termination of additional rate) is amended by striking out "ADDITIONAL RATE" in the heading and inserting in lieu thereof "TAX ON COCONUT OIL".

(c) Section 4513(b) of such Code (relating to exemptions from additional tax on coconut oil) is amended—

(1) by striking out "ADDITIONAL" in the heading, and

(2) by striking out "additional" each place it appears in the text.

SEC. 3. EFFECTIVE DATE.

The amendments made by this Act shall take effect on the first day of July 1961.

With the following committee amendments:

Strike out all after the enacting clause and insert in lieu thereof the following: "That subsection (a) of section 4511 of the Internal Revenue Code of 1954 (relating to tax on first domestic processing of coconut and palm oil) is hereby repealed.

"TECHNICAL AMENDMENTS

"SEC. 2. (a) Section 4511(b) of the Internal Revenue Code of 1954 (relating to additional rate on coconut oil) is amended—

"(1) by striking out 'ADDITIONAL' in the heading and

"(2) by striking out '(in addition to the tax imposed by the preceding subsection)'.

"(b) Section 4511(c) of such Code (relating to termination of additional rate) is amended by striking out 'ADDITIONAL RATE' in the heading and inserting in lieu thereof 'TAX ON COCONUT OIL'.

"(c) Section 4513(b) of such Code (relating to exemptions from additional tax on coconut oil) is amended—

"(1) by striking out 'ADDITIONAL' in the heading, and

"(2) by striking out 'additional' each place it appears in the text."

The committee amendments were agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed.

The title was amended to read: "A bill to make permanent the existing suspensions of the tax on the first domestic processing of coconut oil, palm oil, palm kernel oil, and fatty acids, salts, and combinations or mixtures thereof."

A motion to reconsider was laid on the table.

Mr. MILLS. Mr. Speaker, the purpose of H.R. 5260, which was introduced by our colleague, the gentleman from Michigan, the Honorable JOHN D. DINGELL, and unanimously reported by the Committee on Ways and Means, is to repeal the processing tax imposed by section 4511(a) of the Internal Revenue Code of 1954 on the first domestic processing of coconut oil, palm oil, palm-kernel oil, and certain derivatives of such oils.

Section 4511(a) of the Internal Revenue Code of 1954 provides for the imposition of a processing tax on coconut oil, palm oil, and certain other oil and derivatives.

The tax on the first domestic processing of coconut oil has been suspended continuously since October 1, 1957, while that applicable to the first domestic processing of palm oil and palm-kernel oil has been suspended since July 1, 1959.

The Tariff Commission advised your committee that it has not received any complaints regarding the suspension of the processing taxes on the products covered by this bill. Favorable reports were received from the Departments of Agriculture, Commerce, and State.

The Committee on Ways and Means believes that the history of the temporary suspension of these processing taxes demonstrates that their permanent removal will be in the interest of the users of these oils, and there will be no adverse effect on any segment of the U.S. economy.

Mr. BYRNES of Wisconsin. Mr. Speaker, the bill, H.R. 5260, would make permanent the temporary suspension of the processing tax imposed by the Internal Revenue Code on the first domestic processing of coconut oil, palm oil, palm-kernel oil, and certain derivatives. This tax has been continuously suspended since October 1, 1957.

Favorable reports have been received by this committee from the various Government departments concerned. No objection regarding the suspension of the tax has been voiced by any source. In the considered opinion of your committee this permanent removal will be in the best interest of the users of these oils and will have no adverse effect upon any segment of the domestic economy. For these reasons I, therefore, urge immediate passage of the bill.

DEDUCTION FOR PAYMENT OF REDEEMABLE GROUND RENTS

Mr. MILLS. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (H.R. 8754) to amend the Internal Revenue Code to provide a deduction for payment of redeemable ground rents, which was unanimously reported favorably by the Committee on Ways and Means, with an amendment.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the present consideration of the bill?

There was no objection.

The Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 163 (relating to deduction for interest) is amended by redesignating subsection (c) as subsection (d) and by inserting after subsection (b) the following new subsection:

"(c) REDEEMABLE GROUND RENT DEDUCTION.—Annual or periodic payments with respect to a redeemable ground rent (but not payments in redemption of a ground rent) shall be treated, with respect to the payor, as interest to which subsection (a) applies."

SEC. 2. EFFECTIVE DATES.—(a) The amendment made by section (1) of this Act shall be effective with respect to interest paid or accrued after July 21, 1961.

With the following committee amendment:

Strike out all after the enacting clause and insert: "That (a) section 163 of the Internal Revenue Code of 1954 (relating to deduction for interest) is amended by redesignating subsection (c) as subsection (d) and by inserting after subsection (b) the following new subsection:

" '(c) Redeemable Ground Rents.—For purposes of this subtitle, any annual or periodic rental under a redeemable ground rent (excluding amounts in redemption thereof) shall be treated as interest on an indebtedness secured by a mortgage.'

"(b) Part IV of subchapter O of chapter 1 of such Code (relating to special rules for determining gain or loss on disposition of property) is amended by redesignating section 1055 as section 1056 and by inserting after section 1054 the following new section:

" 'SEC. 1055. REDEEMABLE GROUND RENTS.

" '(a) CHARACTER.—FOR PURPOSES OF THIS SUBTITLE.—

" '(1) a redeemable ground rent shall be treated as being in the nature of a mortgage, and

" '(2) real property held subject to liabilities under a redeemable ground rent shall be treated as held subject to liabilities under a mortgage.

" '(b) APPLICATION OF SUBSECTION (a).—

" '(1) IN GENERAL.—Subsection (a) shall take effect as of January 1, 1962, and shall apply with respect to taxable years ending on or after such date.

" '(2) BASIS OF HOLDER.—In determining the basis of real property held subject to liabilities under a redeemable ground rent, subsection (a) shall apply whether such real property was acquired before, on, or after January 1, 1962.

" '(3) BASIS OF RESERVED REDEEMABLE GROUND RENT.—In the case of a redeemable ground rent reserved or created before January 1, 1962, in connection with a transfer of the right to hold real property subject to liabilities under such ground rent, the basis of such ground rent on and after such date in the hands of the person who reserved or created the ground rent shall be the amount taken into account in respect of such ground rent for Federal income tax purposes as consideration for the disposition of such real property. If no such amount was taken into account, such basis shall be determined as if this section had not been enacted.

" '(c) CROSS REFERENCE.—

" 'For treatment of rentals under redeemable ground rents as interest, see section 163(c).'

"(c) Section 163(d) of such Code (as redesignated by subsection (a) of this section) is amended by adding at the end thereof the following new paragraph:

" '(5) For treatment of redeemable ground rents and real property held subject to liabilities under redeemable ground rents, see section 1055.'

"(d) The table of sections for part IV of subchapter O of chapter 1 of such Code is amended by striking out

" 'Sec. 1055. Cross references.'

and inserting in lieu thereof the following:

" 'Sec. 1055. Redeemable ground rents.

" 'Sec. 1056. Cross references.'

"SEC. 2. The amendments made by the first section of this Act shall take effect as of January 1, 1962, and shall apply with respect to taxable years ending on or after such date."

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

Mr. MILLS. Mr. Speaker, the bill, H.R. 8754, which was introduced by our colleague, the gentleman from Maryland, the Honorable SAMUEL N. FRIEDEL, deals with the income tax treatment of redeemable ground rent arrangements, both from the standpoint of the seller of property subject to such an arrangement, and from the standpoint of the homeowner who purchases a house subject to the payment of a ground rent with respect to the underlying land. As amended by your committee, the bill was unanimously reported and the Treasury Department has indicated that it favors the enactment of this bill in its amended form.

Mr. Speaker, for over 30 years the Treasury Department took the position that a ground-rent arrangement was analogous to a mortgage. This meant that the seller of property subject to a ground-rent arrangement would be required to include the capitalized value of the ground rent in the proceeds he realized on the sale of property for the purpose of determining the gain or loss he realized on such sale. Consistent with this position, the Treasury Department also permitted ground rents paid by homeowners to be deducted as mortgage interest.

Certain court decisions, however, in cases involving the tax liability of the sellers of property subject to a ground-rent arrangement, have held that such an arrangement is, in effect, a lease of the property rather than a mortgage with the result that the sellers of such property were not required to include the capitalized value of the ground rent in their sale proceeds for tax purposes. Consistent with these decisions, the Treasury Department felt constrained to reverse its longstanding position regarding the deductibility of payments of ground rents as mortgage interest and to take the position that these payments were rent which would be deductible only by business taxpayers. This reversal of the Treasury's position which would adversely affect a large number of homeowners was made effective January 1, 1962.

The bill, H.R. 8754, as amended by your committee, would restore the law as it existed prior to the court decisions referred to above and would provide that ground-rent arrangements will, for tax purposes, be treated substantially the same as mortgages. As a result, the capitalized value of such arrangements must be included in the proceeds realized by the sellers of property subject to such arrangements and the payment of ground rents by the purchasers of property subject thereto will be deductible as mortgage interest.

I strongly urge approval of this bill by my colleagues.

Mr. **BYRNES** of Wisconsin. Mr. Speaker, the bill, H.R. 8754, will allow the home buyer to treat ground rent paid in the State of Maryland as a mortgage interest payment, and, therefore, will allow him to deduct it for tax purposes. As to the seller of the real property, the property will be treated as if sold subject to a mortgage in a face amount equal to the redemption price of the redeemable ground rent. As a result, the redeemable ground rent will be taken into account in determining his sale price for the property and will be reflected in any gain or loss recognized to him.

In the State of Maryland private homes are often sold subject to ground rents. The ground rent is an obligation by the home buyer to pay a fixed amount per year on the property. Under Maryland law, 5 years after the creation of ground rent, any holder of the property may redeem the ground rent by paying an amount computed by capitalizing the rental payment at 6 percent. From 1921 until recently, the Treasury Department treated ground rents as mortgages in every respect. As described above, the annual rents under Treasury rules and regulations were deductible as interest by the homeowner with the seller of the home including the redemption price of the ground rent in his sale price in the same manner as the face amount of a purchase money mortgage.

As a result of two court decisions, the Treasury Department, as of January 1, 1962, has taken the position that the obligation for Maryland ground rents is not the equivalent of mortgage.

The bill would reinstate the Treasury's original rule. It is only fair to accord Maryland home buyers and sellers the same treatment with respect to the so-called ground rents as home buyers and sellers in other States would receive with respect to mortgages. I, therefore, urge passage of this bill.

Mr. **MILLS**. Mr. Speaker, I ask unanimous consent that the gentleman from Maryland [Mr. FRIEDEL] may extend his remarks at this point in the RECORD.

The **SPEAKER**. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

Mr. **FRIEDEL**. Mr. Speaker, this bill, H.R. 8754, as I originally introduced it, would merely have continued a right which hundreds of thousands of Maryland homeowners have enjoyed for decades.

I realize that the Maryland ground-rent system is a subject which is unfamiliar to most of my colleagues, and this is understandable since only five States have ground-rent arrangements. But is a way of life to most of the citizens of my great State of Maryland.

Briefly stated, it is a system whereby the home buyer defers paying a portion of the purchase price of his property. Instead of paying for the land, he pays interest on it at the rate of 6 percent annually. As a result of this system, Baltimore and Maryland have one of the largest percentages of homeowners in the country.

Because the ground rent is interest, the Treasury Department has always regarded it as such for income tax purposes; and the Maryland homeowners paying it have been permitted to deduct such payments for Federal income tax purposes.

On the other side of the coin we have the homebuilder who usually creates the ground rent, and defers paying taxes on that portion of the purchase price on which the homeowner defers payment, until such time as he actually receives his money.

In recent years the Treasury Department objected to this practice and attempted to collect taxes from the builder on the full amount of the purchase price of the property, including that portion deferred by the homeowner and paid as ground rent. A suit was filed on at least two occasions and the courts in both instances sustained the builders.

Having been thwarted in its attempt to tax the builder at the time of sale, the Treasury Department then attempted to tax the small home owner—in contradiction of its own longstanding policy.

It was because of this action that I introduced H.R. 8754 to protect the small home owners of Baltimore and Maryland. Unfortunately, the Treasury Department was opposed to my bill and succeeded in having it amended to require the builders to pay taxes on the full amount of the purchase price of the property, including the deferred amount, at the time of the sale.

Thus, in effect, the Treasury Department seeks to accomplish by legislation what it was unable to do by the judicial process.

As much as I deplore the injustice done to the builders by this bill, the alternative injustice to the homeowners would be even worse. For this reason I am supporting H.R. 8754 as it was amended by the Ways and Means Committee—but I am doing so in the hope that the Senate will restore the original language to my bill so that we in Congress will not take away from the builders what they have already won in the courts.

With this understanding, I urge my colleagues to support this measure—and I would like to stress again that it only affects the citizens of Maryland.

SUSPENSION OF DUTIES ON CORKBOARD INSULATION

Mr. **MILLS**. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (H.R. 12213) to provide for the temporary suspension of the duty on corkboard insulation, which was unanimously reported favorably by the Committee on Ways and Means, with amendments.

The Clerk read the title of the bill.

The **SPEAKER**. Is there objection to the present consideration of the bill?

There was no objection.

The Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, effective with respect to articles entered, or withdrawn from warehouse, for consumption, during the three-year period beginning on the day after the date of the enactment of this Act, no duty shall be imposed upon articles described in paragraph 1511 of the Tariff Act of 1930 as "cork insulation, wholly or in chief value of cork, cork waste, or granulated or ground cork, in blocks, slabs, boards, or planks".

With the following committee amendments:

Strike out all after the enacting clause and insert in lieu thereof the following: "That, effective with respect to articles entered, or withdrawn from warehouse, for consumption, during the three-year period beginning on the day after the date of the enactment of this Act, no duty shall be imposed upon articles described in paragraph 1511 of the Tariff Act of 1930 as—

"(1) 'cork insulation, wholly or in chief value of cork, cork waste, or granulated or ground cork, in blocks, slabs, boards, or planks';

"(2) 'stoppers, over three-fourths of one inch in diameter, measured at the larger end, wholly or in chief value of natural cork bark';

"(3) 'stoppers, three-fourths of one inch or less in diameter, measured at the larger end, wholly or in chief value of natural cork bark'; or

"(4) 'perforated or hollow corks, commonly or commercially known as shell corks'."

The committee amendments were agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed.

The title was amended to read: "A bill to provide for the temporary suspension of the duties on corkboard insulation and on cork stoppers."

A motion to reconsider was laid on the table.

Mr. MILLS. Mr. Speaker, the purpose of H.R. 12213, which was introduced by our colleague on the Committee on Ways and Means, the gentleman from Pennsylvania, the Honorable HERMAN SCHNEEBELI, and unanimously reported by the committee, is to suspend for the 3-year period, beginning on the day after the date of enactment of this bill, the duties imposed under paragraph 1511 of the Tariff Act of 1930 on cork insulation and cork stoppers.

Your committee has been informed that cork insulation and cork stoppers are no longer produced in the United States. In fact, the former domestic producers of these products support this legislative proposal to temporarily suspend the duties on these products.

Cork insulation is a material particularly suitable for low-temperature applications, such as cold-storage rooms, refrigerator cars and trucks, refrigerated warehouses, ice cream hardening rooms, fur storage vaults, and so forth. After cutting and fitting, cork insulation is also used for pipe coverings in U.S. Navy vessels, for ammunition plugs for guns on naval cruisers, and other slow-fire ammunition used by the Navy.

Cork stoppers are cylinders of cork which are used for closing the apertures of bottles, jars, flasks, and similar containers.

The Committee on Ways and Means received favorable reports on this legislative proposal from the Departments of State, Treasury, Commerce, and Labor, as well as an informative report from the U.S. Tariff Commission.

Mr. BYRNES of Wisconsin. Mr. Speaker, H.R. 12213 will suspend for a 3-year period the duties imposed on cork insulation and cork stoppers under the Tariff Act in 1930. Cork insulation is used in the insulating of cold-storage rooms, refrigerator cars, and the like. Cork stoppers are used for sealing bottles and containers.

The Committee on Ways and Means has been informed that these materials are no longer produced in the United States. Favorable reports have been received from the Government departments concerned, and the former domestic producers of these products support this legislation. Inasmuch as there is no longer any domestic producer of cork insulation or cork stoppers, I urge passage of this bill.

EXTEND APPLICATION OF LAWS TO AMERICAN SAMOA

Mr. ASPINALL. Mr. Speaker, I call up the conference report on the bill (H.R. 10062) to extend the application of certain laws to American Samoa, and ask unanimous consent that the statement of the managers on the part of the House be read in lieu of the report.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Colorado?

There was no objection.

The Clerk read the statement.

The conference report and statement are as follows:

CONFERENCE REPORT (H. REPT. NO. 2264)

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 10062) to extend the application of certain laws to American Samoa, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendments of the Senate and agree to the same with an amendment as follows: In lieu of the matter inserted by section 1 of the Senate amendment insert the following:

"That, upon request of the Secretary of the Interior—

"(a) the head of any Federal department, agency, or corporation may, notwithstanding any other provision of law, extend to American Samoa, without reimbursement, such scientific, technical, and other assistance under any program which it administers as, in the judgment of the Secretary of the Interior, will promote the welfare of American Samoa. The provisions of the preceding sentence shall not apply to financial assistance under any grant-in-aid program. The Secretary of the Interior shall not request assistance pursuant to this subsection which will involve nonreimbursable costs as estimated for him in advance by the heads of the departments, agencies, and corporations concerned in excess of an aggregate of $150,000 in any one fiscal year;

"(b) the Secretary of Agriculture may extend to American Samoa the benefits of the National School Lunch Act (60 Stat. 230), as amended (42 U.S.C. 1751 et seq.); and

"(c) the Secretary of Health, Education, and Welfare may extend to American Samoa the benefits of the Vocational Education Act of 1946 (60 Stat. 775; 20 U.S.C. 151 et seq.), the Library Services Act (70 Stat. 293; 20 U.S.C. 351 et seq.), the Hospital Survey and Construction Act (Act of August 13, 1946; 60 Stat. 1040; 42 U.S.C. 291 et seq.), and section 314 of the Public Health Service Act (58 Stat. 693; 42 U.S.C. 246), all as amended."

And the Senate agree to the same.

WAYNE N. ASPINALL,
LEO W. O'BRIEN,
WALTER ROGERS,
JOHN P. SAYLOR,
JACK WESTLAND,
Managers on the Part of the House.

HENRY M. JACKSON,
ERNEST GRUENING,
OREN E. LONG,
THOMAS H. KUCHEL,
JACK MILLER,
Managers on the Part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 10062) to extend the application of certain laws to American Samoa, submit the following statement in explanation of the effect of the action agreed upon and recommended in the accompanying conference report:

When the House considered H.R. 10062, it concluded that the various Federal departments and agencies should be authorized to render scientific and technical assistance to the government of American Samoa upon request of its Governor and that the benefits of certain laws which are applicable in the United States proper could be extended to American Samoa, also upon the request of its Governor.

The Senate amended the House language to provide (1) that requests for scientific or technical assistance would be made by the Secretary of the Interior rather than the Governor, and (2) that the other specified types of assistance would be available in American Samoa in accordance with the laws governing such types of assistance without specifically requiring a request therefor from the Governor or the Secretary.

The House conferees agreed to the first of these amendments and the Senate agreed to the House position that requests for assistance under the National School Lunch Act, the Vocational Education Act, the Library Services Act, the Hospital Survey and Construction Act, and section 314 of the Public Health Service Act should precede the rendering of such assistance. The conferees' substitute for the first section of the Senate amendment carries out these two points.

The Senate also revised the language of sections 2 and 3 of the House-passed bill which amended the five acts named in the preceding paragraph to make American Samoa eligible for assistance under them. The Senate revision was technical and was accepted by the House conferees.

WAYNE N. ASPINALL,
LEO W. O'BRIEN,
WALTER ROGERS,
JOHN P. SAYLOR,
JACK WESTLAND,
Managers on the part of the House.

The SPEAKER. The question is on the conference report.

The conference report was agreed to.

A motion to reconsider was laid on the table.

CONVEYING CERTAIN LANDS IN MARYLAND TO PRINCE GEORGES COUNTY HOSPITAL

Mr. ASPINALL. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H.R. 7782) to authorize the Secretary of the Interior to convey certain lands in the State of Maryland to the Prince Georges County Hospital, and for other purposes, with a Senate amendment thereto, and concur in the Senate amendment.

The Clerk read the title of the bill.

The Clerk read the Senate amendment, as follows:

Page 1, line 5, strike out "one dollar" and insert "50 per centum of the fair market value as determined by the Secretary".

The SPEAKER. Is there objection to the request of the gentleman from Colorado?

There was no objection.

The Senate amendment was concurred in.

A motion to reconsider was laid on the table.

THE LATE HONORABLE WILLIAM MADISON WHITTINGTON

The SPEAKER. The Chair recognizes the gentleman from Mississippi [Mr. SMITH].

Mr. SMITH of Mississippi. Mr. Speaker, I ask unanimous consent that all Members who desire to do so may extend their remarks at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Mississippi?

There was no objection.

Mr. SMITH of Mississippi. Mr. Speaker, death came on Monday, August 20, to William Madison Whittington, one of the most able and distinguished lawmakers to ever represent the great State of Mississippi in the Halls of Congress. It is with deep sorrow and a distinct feeling of personal loss that I officially report this sad news to the House of Representatives.

Will Whittington represented the Third District of Mississippi from 1925 to 1950, serving in the 69th through the 81st Congresses. He retired voluntarily in 1950 when I had the honor to succeed him.

Mr. Whittington was born May 4, 1878, in Little Springs, in Franklin County, Miss. After attending the public schools of Franklin County, he was graduated from Mississippi College at Clinton in 1898 and from the law school of the University of Mississipi in 1899. He first practiced law at Roxie in Franklin County and then in 1904 moved to Greenwood where he joined the firm of McClurg, Gardner & Whittington. Ten years later he organized his own firm after having gained recognition as one of the outstanding lawyers of the State. Mr. Whittington was a member of the city council of Greenwood from 1907 to 1911. He was State senator from the 27th Mississippi District from 1916 to 1920 and was serving in another 4-year term beginning in 1923 when elected to the Congress.

In the House of Representatives Mr. Whittington was known as a tireless worker who mastered every subject which fell within his legislative responsibility. As a member and later chairman of the old Flood Control Committee, he was a principal author of major flood control legislation throughout his service in the Congress. He later became the first Democratic chairman of the present Public Works Committee after the congressional reorganization act went into effect. In the Mississippi Delta and the entire lower Mississippi Valley, Will Whittington is known as the principal author of the flood control programs that are the very lifeblood of the economy of the region. His unceasing efforts to write the necessary laws and guide the necessary programs into reality, are largely responsible for much of the economic progress of our entire area.

Will Whittington's vision was not limited to programs in his immediate home area. He wrote and guided legislation through the Congress which established the firm Federal responsibility for flood control programs throughout the United States. In the Flood Control Act of 1936, he established the principle of Federal acquisition of sites and rights-of-way. This historic policy was worked out in conjunction with our present Speaker, JOHN W. MCCORMACK, who was interested in the resource development of New England. This policy has made possible the full utilization of flood control reservoirs for the generation of power, and it is one of the most important Federal contributions to vast areas of the United States.

Will Whittington was proud to consider himself a Democrat throughout the years of his service in the Congress and afterward. In 1960 he was one of the Democratic electors from Mississippi. Because of his initiative and energy, he was highly successful in his personal affairs as a farmer, lawyer, and businessman, but he did not allow this success to cause him to overlook the needs and interests of the average man. He was very proud of the fact that he, perhaps more than any other Member of the Congress, brought about the passage of the Full Employment Act when he sponsored the compromise legislation that passed the House of Representatives after a long impasse.

Mr. Whittington was married to the former Miss Anna Ward Aven, a gracious lady beloved by all who knew her. They celebrated their 50th wedding anniversary 2 years ago. Mr. and Mrs. Whittington donated the Aven Fine Arts Building to Mississippi College at Clinton and made many other charitable contributions in the State.

For many years Mr. Whittington was one of the outstanding leaders of the Mississippi Baptist Convention, serving as president of the convention and in many other capacities as a lay leader of his church. His personal standards exemplified the ideals of a Christian gentleman.

Will Whittington was a responsible legislator devoted to the interest of his people and fully cognizant of his responsibilities in providing leadership for the United States as a whole. He set an outstanding example for any successor to follow and I always felt a great personal appreciation for his courtesies to me. He was a statesman in the best Southern and American tradition. His leadership was always a voice of sanity and moderation. He will be sorely missed in the years ahead.

Mr. Whittington is survived by his wife and three children—two sons, W. W. Whittington, Jr. and Aven Whittington, of Greenwood, and a daughter, Mrs. Kenneth Davenport, of Stone Ridge, New York—nine grandchildren; two brothers, Charles S. Whittington and Curtis C. Whittington, both of Greenwood; two sisters, Mrs. Thomas Perkins, of Brookhaven, Miss. and Mrs. H. H. Webb, of Jackson, Miss. I extend to them all my deepest sympathy.

Mr. Speaker, I yield to my colleague from Mississippi [Mr. COLMER].

Mr. COLMER. Mr. Speaker, I join my colleagues in paying tribute to a distinguished American who served with great ability in this body for almost 26 years, Hon. William Madison Whittington, who died on August 20.

When I came to Congress in 1933, Will Whittington had established himself as a highly respected, hardworking Representative. He was already recognized as an authority on flood control, and in the years following he devoted himself untiringly to the task of harnessing the father of waters, the mighty Mississippi, which in 1927 had poured in a muddy, relentless torrent over the rich, alluvial soil of his beloved Mississippi Delta, sweeping all the puny works of man before it. In 1937 he became chairman of the old Flood Control Committee and, in 1949, chairman of the Public Works Committee, after the Committees on Flood Control, Rivers, and Harbors, and Roads had been combined under the Legislative Reorganization Act.

But, while he became an expert in a highly specialized and demanding field, he did not allow his interest in flood control to absorb his attention to the neglect of the broader duties of a Member of Congress. A man with an apparently limitless capacity for hard work, Will Whittington made it a point to study personally each and every bill, no matter how minor, that came before the House. I doubt that any Member of this body ever before made a greater effort than he to study meticulously in advance the many and varied bills reaching the floor for debate. His deep sense of conscientious duty impelled him to be conversant with every single measure before it came up. It was this quality, plus his sound judgment and forceful character, that gained him the respect and confidence of his colleagues.

Mr. Speaker, the diligence and hard work which so characterized this man's stay here in the Congress was likewise characteristic of his private life. Like so many successful Americans, Will Whittington started at the bottom of the ladder. Industry and frugality, coupled with sound judgement, resulted in his becoming a comparatively wealthy man before he came to the Congress. He became one of the outstanding practitioners of the law in the Mississippi Delta. He also was one of the largest and most successful of the plantation owners in this rich delta area. But, in spite of his diligence in the management of his substantial private affairs, he found time for further activities as a civic leader and a churchman. Our former colleague was a devoted member of the Baptist Church. He was one of the church's great leaders in the State organization of the Southern Baptist Church.

Mr. Speaker, I had the privilege of serving with this distinguished Mississippian for more than 15 years. I take pride in the fact that I enjoyed his confidence and his friendship during my service here with him in this body. Mrs. Colmer joins me in extending our most sincere sympathies to his devoted and lovely wife, whose association and friendship we enjoyed over the years, as well as to the other members of his family.

Mr. Speaker, I salute the memory of an outstanding former colleague, the late Will M. Whittington.

Mr. SMITH of Mississippi. Mr. Speaker, I yield to my colleague from Mississippi [Mr. WHITTEN].

Mr. WHITTEN. Mr. Speaker, I join with my colleagues in expressing regrets at the passing of one of Mississippi's outstanding citizens, the Honorable Will M. Whittington. I concur in the statements of my colleagues about my friend.

It was my privilege to serve in the Congress for quite a number of years with Mr. Whittington. He was possessed of outstanding energy and zeal and was untiring in his efforts. He was a real gentleman, possessed of the highest integrity, and a statesman.

All who speak today will probably make reference to his outstanding service to the Nation in the area of flood control and public works. Truly, in the history of the country I doubt that anyone has done more to make the people of the Nation aware of the need to develop our natural resources and to protect our own country. As such things go, there was frequently a difference of opinion as to just how these things could best be done; but Mr. Whittington more than any other convinced the membership of the Congress that argument as to details and as to plans should not prevent the protection and development of our resources.

During many of the years in which he served here the interests of much of the area I represented and the area Mr. Whittington represented were somewhat different. At least there was great difference in the feelings of the people with regard to programs in our areas. It was my pleasure to work with him in resolving many of these problems.

Mr. Speaker, Mr. Whittington's service was by no means limited to the matter of public works. There was hardly any subject matter which came before the Congress in which he did not take an active interest. You may be sure that on any subject in which he did take an active interest he first informed himself fully; and he possessed as broad a knowledge of governmental affairs as any Member with whom I have served.

He was temperate in all his habits except as to work; and here he applied himself far beyond the average Member. On the occasion of his retirement perhaps more Members expressed regrets than on the retirement of any other Member. Without exception they paid tribute to his outstanding service to his State and to his Nation. However, we acknowledged the fact that, as he expressed it, he was entitled to retire in his active years so as to enjoy them at home. He did go back an fitted himself into the life of the community and surrounding area, where he took an active interest in civic affairs.

The beneficial results of his work here will stand for years and years to come. Whatever our problems, however much we may differ in their solution, however much we may owe, money spent in protecting our own country is an investment which is the chief security for the future. Will M. Whittington perhaps contributed more in that respect than any other Member with whom I have served.

It is our privilege to know his very fine wife, who is an outstanding citizen in her own right; and to her and his fine sons and daughter we express our sincere sympathy in their loss.

Mr. ABERNETHY. Mr. Speaker, will the gentleman yield?

Mr. SMITH of Mississippi. I yield to the gentleman.

Mr. ABERNETHY. Mr. Speaker, it was my good fortune to serve in the House of Representatives for about 10 years with our late colleague, Mr. Will M. Whittington. During my 20 years here, I have had the privilege and great honor to serve with many distinguished and able men. It is not with any reflection upon anyone when I say I know of no man who has served in this House during these years who exceeded Mr. Whittington in ability or in dedication to duty and indeed there were few who were his equal. He was dedicated in many respects—to his God, to his family, to his community, and to his country. He was one man who I firmly believe at all times followed the dictates of his conscience on every decision as a citizen, as a churchman, and as a legislator. In all of these fields he achieved great distinction.

He was a very thorough man. He never came to the floor with any bill from his committee that he had not thoroughly studied and completely mastered the subject. It was seldom that his legislation was amended or required amendment.

He was highly respected by all Members of this body as well as those of the other body. Indeed, this good man rendered a service on this earth which will last much longer than any monument of stone which may be erected to his memory.

Mr. WINSTEAD. Mr. Speaker, will the gentleman yield?

Mr. SMITH of Mississippi. I yield to the gentleman from Mississippi.

Mr. WINSTEAD. Mr. Speaker, it is with a feeling of sadness and personal loss that I join my colleagues from Mississippi, as well as other Members of this House, in paying tribute to the memory of former Congressman Will M. Whittington, who passed away at his home in Mississippi several days ago. In his passing Mississippi and the entire Nation has lost an outstanding and dedicated citizen.

Few people have been privileged to serve their fellow men as was Mr. Whittington. A Commercial Appeal editorial of August 8, 1962, very adequately described this great statesman as follows:

> He was a man of many parts—an attorney, educator, churchman, lawmaker, and politician, an expert advocate of flood control and improved farm technology, and a leader of men. The fruits of his work in Congress blossomed in Mississippi through pioneering flood control legislation and Government-supported agricultural experiments, benefits which the South and the Nation have shared.

Many of the present Members of this House served with Mr. Whittington and will recall his untiring efforts as chairman of the Public Works Committee to bring relief to the low-lying areas of the entire country. During the 12 years he served as chairman of the House Public Works Committee, he was the author of practically all flood control legislation which the Congress enacted after flood control became a national policy in 1928.

Needless to say, Mr. Whittington was a patriotic American and a fine legislator. He was deeply devoted to his State and Nation. His efforts in behalf of his fellow man continued after his retirement from the Congress through his contribution to civic and church activities in his immediate community and throughout his beloved Southland. To his devoted wife, his sons, and daughter, I extend my deep and heartfelt sympathy. May each be comforted in the knowledge that he lived a full and worthwhile life and that countless friends share the sorrow of their great loss.

Mr. WALTER. Mr. Speaker, will the gentleman yield?

Mr. SMITH of Mississippi. I yield to the gentleman from Pennsylvania.

Mr. WALTER. I wish to join with those who have expressed so eloquently their views over the death of their neighbor. Coming from an entirely different section of the United States, I think I can objectively point out the fact that Will Whittington during his service made one of the greatest contributions any man has made toward the development of our great Republic and the perfection of those things that have made it possible for us to proceed as we have.

I wish to express the feeling of great loss to the people in the district I have the honor of representing, because there is being completed now a flood control project which was initiated very largely through the efforts of this distinguished American. I am sure every Member of this body joins me in feeling that our grief can be compensated only by the fact that he contributed so much to the development of this Nation.

Mr. SMITH of Mississippi. I thank the gentleman from Pennsylvania.

Mr. ALBERT. Mr. Speaker, will the gentleman yield?

Mr. SMITH of Mississippi. I yield to the gentleman from Oklahoma.

Mr. ALBERT. Mr. Speaker, I join our friends from Mississippi in this expression of sorrow over the death of our late colleague, the Honorable Will Whittington.

Mr. Whittington had many qualities which distinguished him as an outstanding Member of this House and as an outstanding citizen of this country. He was a gentleman of the first water. He presided over the great Committee on Public Works with rare distinction. In all my service here in the House I do not recall anyone who came to the floor with a legislative matter better informed or better prepared to present it than Will Whittington.

Many projects on the great Mississippi River and its tributaries and on rivers throughout the country are magnificent monuments to the service of this great man in this House.

I join with all his loved ones in expressing my own personal sorrow at his passing.

Mr. SMITH of Mississippi. I thank the gentleman.

Mr. JUDD. Mr. Speaker, will the gentleman yield?

Mr. SMITH of Mississippi. I yield to the gentleman from Minnesota.

Mr. JUDD. Mr. Speaker, I want to join other Members in paying tribute to this dear departed colleague and to extend my sympathy to his family.

When I came to the Congress one of the first committees on which I served was the Committee on Government Operations, or as it was called then, the Committee on Expenditures in the Executive Department under the chairmanship of the distinguished Representative from Alabama, Mr. Manasco. The ranking member of that committee was Mr. Whittington. I served with him 4 years. I never worked with any Member who had a greater or more comprehensive command of all the factors involved in a complicated piece of legislation.

At the end of the war our committee had the problem of the disposal of literally tens of billions of dollars worth of surplus property scattered all over the world. The legislation which Mr. Whittington helped work out operated very successfully. At that time also there was presented the so-called full employment bill which would have regimented the whole U.S. economy and, really, its life.

Mr. Whittington did as much as anybody to expose the unsoundness of the wide controls which that original proposal would have established. But having helped to defeat that, he did not adopt a negative attitude toward the problem. He worked constructively to produce an alternative, the present Employment Act. He rejected the idea of trying to guarantee full employment. Nobody can guarantee full employment any more than the Constitution promises more than to promote the general welfare.

Mr. Whittington, by the clarity of his mind and the logic of his arguments, helped demolish the wrong remedy; then led in devising a sound proposal to help our Government look ahead, foresee, and try to even out ups and downs in the economy. That act will stand as a monument to him quite as much as the footprints he has left on every State in the Union through his remarkable vision and skill in promoting sound programs of development of our natural resources, flood control, navigation of our inland waterways.

When I was working to get authorization of a harbor project which would mean more to the long-range development of my city than anything that has happened to it in 50, if not a hundred, years, he was most helpful to me in developing the presentation of the project and getting it enacted into law. Will Whittington made an unforgettable contribution to me as to all of us through his strong character and integrity, the superior quality of his mind, his ability, his industry, his temperateness and unfailing courtesy in handling all matters both official and personal.

Our country has lost a giant in the passing of Will Whittington.

Mr. SMITH of Mississippi. Mr. Speaker, I yield to the gentleman from Arkansas [Mr. GATHINGS].

Mr. GATHINGS. Mr. Speaker, it was with deep regret that I learned of the passing of the Honorable Will Whittington, of Mississippi. I served in this House with him for a number of years. As a new Member of this body, I sought his counsel and he gave it gladly. I am appreciative of his assistance to me. He was a dedicated and consecrated public servant. He worked tirelessly in the interest of flood control and agriculture. He was a learned student of both.

Mr. Whittington represented a district, a portion of which was adjoining the district which I served. His district was on the eastern side of the Mississippi River. We had common problems of agriculture affecting the alluvial delta areas of both States. I enjoyed serving with him and working with him. He was the author of flood control and river and harbor improvements over a span of several Congresses. These projects will serve as memorials to an outstanding man and legislator. His intercession and efforts resulted in Mississippi being allotted rice acreage for the first time. A great man has departed from us.

Mr. SMITH of Mississippi. I yield to the gentleman from New Jersey [Mr. AUCHINCLOSS].

Mr. AUCHINCLOSS. Mr. Speaker, I was very saddened to learn of the death of Will Whittington.

When I first came to Congress he was one of the first men I met. I served with him on the Rivers and Harbors Committee and the Flood Control and Public Works Committee for a number of years.

He was always kind, he was always courteous and most helpful. He was one of the most sincere Americans I have ever met. He has left his imprint on America, the way very few people have, in the service he rendered during his period in office and out of office in the development of our natural resources.

I recall with great feelings one day in my office when he came in to see me quite unexpectedly. He knew I was interested in working up a stream pollution bill. He told me he would like to help because he had some ideas on that subject.

And, lo and behold, he sat down and he gave me the benefit of his knowledge, which was a tremendous help. A bill was worked out. He helped promote it, and contributed greatly to seeing that it went through the Congress.

I will never forget his courtesy and his gentle sense of humor which always helped when the going got rough.

I extend to his family my most sincere sympathy and I feel sure they will find comfort in the knowledge of his great life of service and the contribution which he has made to his country's growth and welfare.

Mr. HORAN. Mr. Speaker, will the gentleman yield?

Mr. SMITH of Mississippi. I yield to the gentleman from Washington.

Mr. HORAN. Mr. Speaker, I, like the gentleman from Minnesota and the gentleman from New Jersey, who have preceded me, got to know Will Whittington when we came to Congress in 1943. Will Whittington was a stalwart and a dignified figure in this House of Representatives when we came here. I confess to the fact that I was a little provincial in my great interest in the development of the Columbia River. But I found in Mr. Whittington a man who had knowledge not only of the Columbia River of a very intimate nature, but also all of the rivers and the projects that came to his Committee on Public Works from all over the Nation.

Mr. Speaker, Mr. Whittington was fair, he was constructive, always trying to build America and to take care of all watersheds and our streams. He has, as the result of his chairmanship, many monuments to his credit in my own district.

Mr. Speaker, I cannot let this time pass by without joining with my colleagues from Mississippi and from all over America in paying my respects to the passing and memory of Will Whittington.

Mr. Speaker, I wish to convey my sympathy to his family.

Mr. McCORMACK. Mr. Speaker, will the gentleman yield?

Mr. SMITH of Mississippi. I yield to the distinguished Speaker.

Mr. McCORMACK. Mr. Speaker, it is with deep regret that I heard the announcement of my dear friend from Mississippi [Mr. SMITH] about the passing on of my very dear friend and former colleague, Will Whittington. When we talk of Will Whittington, we talk about one of the mental giants of this body. Will Whittington was not only a great American but a dedicated legislator. When Will Whittington came on the floor of the House with a report from his committee, he knew every detail of the bill. When Will Whittington took the floor to make a speech or remarks to his colleagues, everyone listened with silence. He was one of the most respected men who has ever sat in this great body.

Mr. Speaker, one would have to serve with Will Whittington to know him, to understand the great man that he was. He was not only a great man, but a good man. When a man is both great and good, he has certainly made the greatest contribution humanly possible in his pathway through life.

Mr. Speaker, I am deeply grieved to hear of his passing, because between us there was a very deep and strong friendship, as well as mutually strong respect. Will Whittington has made his contribution to the progress of our country. Many sections of the country are indebted to Will Whittington for the development of their natural resources, for protection against overflowing rivers, for the security to the people of various sections of the country against the dangers of floods, and on the broad scale, he was one of the greatest legislators with whom I have served.

Mr. Speaker, Mrs. Whittington and her two sons and daughter and other loved ones can well deserve the greatest of consolation in the knowledge that Will Whittington gave to life the best that was within him, in accordance with the gifts he received from God. In Will Whittington's case those gifts were the maximum contributions humanly possible.

Mr. Speaker, I extend to Mrs. Whittington and her sons and daughter and other loved ones my profound sympathy in their great loss and sorrow.

Mr. BUCKLEY. Mr. Speaker, I am privileged to rise today and pay tribute to an old colleague of mine who has recently passed away. Will Whittington and I were Members not only of this body for many years, but of the Public Works Committee. Will Whittington was chairman of the Public Works Committee and served with distinction in that position. He was a man who was a leader not only as chairman of the committee but of all endeavors into which he entered. He was one of the outstanding experts on rivers and harbors and flood control. His contribution to the development of the water resources of our country was an invaluable one and his position in that field for all time is an honored and a respected one.

I was proud to serve with Will Whittington and to have known him. He was a true gentleman, a scholar and an outstanding representative not only of his district but of the Nation as a whole.

I regret exceedingly his passing and I extend my profound sympathy to the members of his family for this untimely loss.

Mr. MILLS. Mr. Speaker, several days ago I was greatly distressed and saddened to read in the paper the notice of the death of one of our former highly esteemed and respected colleagues in the House of Representatives, the Honorable Will M. Whittington, of Mississippi.

It was my good fortune to have the privilege of meeting Will M. Whittington when I first came to the Congress and it was of particular help to me to be the recipient during my early years here of his advice and counsel, which was always sound and characterized by wisdom and exceedingly good judgment. As many of you, who also had the privilege of knowing him, will recall, Will M. Whittington served as a Member of this body for some 26 years, the latter part of which service was as chairman of the Public Works Committee in which capacity he conceived and steered through the Congress a great deal of our basic flood-control legislation. I think it can be said of Will Whittington that he was a man of extremely good judgment, that he was a very diligent and hard worker in mastering the intricacies of legislation within his committee and in the House, and that when he determined upon a course of action which he thought was right he was undeterred by any pressures which might be brought against him regardless of source.

Will Whittington was admired and respected by the Members of this House who served with him. After many years of service it will be recalled he retired to engage full time in farm pursuits in his home district, but he maintained his interest in public affairs until his death.

I know I speak the thoughts of others when I express deep regret and sadness on the passing of our very good and close friend, Will Whittington. Our deepest sympathy and condolences are extended to his dear wife and family.

Mr. WILLIAMS. Mr. Speaker, Hon. W. M. Whittington devoted a long and fruitful life to serving mankind. He was one of Mississippi's most productive and useful citizens.

It was my good fortune to serve 4 years in the House with Mr. Whittington.

His wise counsel, gracious bearing, and strong character was an inspiration to many of the younger Members, including myself.

Mr. Whittington authored constructive legislation of a varied nature, all of which will be a living monument to him throughout the future of the Republic.

To Mrs. Whittington and his children, I offer my deepest sympathy.

LEGISLATIVE APPROPRIATION BILL, 1963—COMMITTEE ON APPROPRIATIONS

Mr. STEED. Mr. Speaker, I ask unanimous consent that the managers on the part of the House have until midnight to file a conference report on the bill (H.R. 11151) making appropriations for the legislative branch for the fiscal year ending June 30, 1963, and for other purposes.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

TISSUE BANKS IN THE DISTRICT OF COLUMBIA

Mr. DOWDY. Mr. Speaker, by direction of the Committee on the District of Columbia, I call up the concurrent resolution (S. Con. Res. 88) authorizing a change in the enrollment of S. 2321, the District of Columbia Tissue Bank Act.

The Clerk read the concurrent resolution, as follows:

Resolved by the Senate (the House of Representatives concurring), That, in the enrollment of the bill (S. 2321) to encourage and aid the development of reconstructive medicine and surgery and the development of medico-surgical research by authorizing the licensing of tissue banks in the District of Columbia, by facilitating antemortem and postmortem donations of human tissue for tissue bank purposes, and for other purposes, the Secretary of the Senate be, and he is hereby, authorized and directed to make the following change, viz: On page 5, line 19 of the engrossed bill, strike out the word "section", where it appears the second time, and insert in lieu thereof "section 7,".

The concurrent resolution was concurred in.

A motion to reconsider was laid on the table.

FALSE STATEMENTS—INSURANCE ACT OF THE DISTRICT OF COLUMBIA

Mr. DOWDY. Mr. Speaker, by direction of the Committee on the District of Columbia, I call up the bill (H.R. 10916) to amend the act known as the Life Insurance Act of the District of Columbia, approved June 19, 1934, and the act known as the Fire and Casualty Act of the District of Columbia, approved October 3, 1940; and, Mr. Speaker, I ask unanimous consent that I may extend my remarks in connection with this bill and the other bills I am going to call up today.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

The Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That sections 26 and 29 of chapter II of the Life Insurance Act approved June 19, 1934, as amended (48 Stat. 1139, 1141; sec. 35-425 and sec. 35-428, D.C. Code, 1951 ed.), are hereby amended by adding after the second sentence of each such section the following: "Any such applicant who willfully files with or otherwise submits to the Superintendent, orally or in writing, any material statement, knowing such statement to be false, shall, in addition to any other penalty prescribed by law, be guilty of perjury and subject to the penalties thereof."

SEC. 2. The second sentence of section 32 of chapter II of the Fire and Casualty Act approved October 9, 1940, as amended (54 Stat. 1078; sec. 35-1336, D.C. Code, 1951 ed.), is amended to read: "The person to whom the license may be issued shall file sworn answers, subject to the penalties of perjury, to such interrogatories as the Superintendent may require."

SEC. 3. Section 35 of chapter II of said Fire and Casualty Act, as amended (54 Stat. 1079; sec. 35-1339, D.C. Code, 1951 ed.), is amended by adding: "Any applicant who, in connection with such application for renewal of an expiring license, willfully files with or otherwise submits to the Superintendent, orally or in writing, any material statement under oath, knowing such statement to be false, shall, in addition to any other penalty prescribed by law, be guilty of perjury and subject to the penalties thereof."

With the following committee amendments:

Page 2, line 1, strike out "shall, in addition to any other" and all that follows down through and including the quotation marks in line 3 and insert in lieu thereof "shall be punished by imprisonment for not more than two years.' "

Page 2, line 7, strike out " 'The person to whom" and all that follows down through and including the quotation marks in line 10 and insert in lieu thereof the following: "The person to whom the license may be issued shall file sworn answers to such interrogatories as the Superintendent may require, and any such person who willfully files with or otherwise submits to the Superintendent, orally or in writing, any answers to such interrogatories, knowing such answers to be false, shall be punished by imprisonment for not more than two years."

Page 2, strike out lines 18 and 19 and insert in lieu thereof "shall be punished by imprisonment for not more than two years.' "

The committee amendments were agreed to.

Mr. DOWDY. Mr. Speaker, the purpose of the bill is to provide punishment in the District of Columbia—imprisonment for not more than 2 years—to those persons who make false statements under oath when applying for licenses, or renewal of licenses, as insurance agents and brokers in the District of Columbia.

Present law requires that a person may not act as an agent to sell insurance in the District of Columbia until he applies for and is issued a license by the Superintendent of Insurance. The application must include, inter alia, his qualifications and experience, whether he has been refused a license, or has had his license suspended or revoked in another jurisdiction, any financial irregularities, police record, and the like; and the license must be sworn to by the applicant.

This legislation is made necessary—the District of Columbia Commissioners urge—by a decision of the U.S. Court of Appeals for the District of Columbia Circuit—*Nelson* v. *United States*, 288 F. 2d 376, 109 U.S. App. D.C. 392, decided January 12, 1961—which held that a person swearing falsely to the Superintendent of Insurance in an application for an agent's license was not subject to the perjury statute of the District of

Columbia. The Life Insurance Act, the court there stated, makes no reference to perjury, fraud, or other misrepresentation in the procurement of a license, and, in fact, nowhere in the act is perjury denounced except when committed by one already employed by a company.

This committee believes that a penalty should be imposed upon persons who make false statements in such situations, and feels that punishment therefor by imprisonment for not more than 2 years is adequate. This committee has therefore amended the Senate bill to provide the punishment indicated, in lieu of the more severe—2 to 10 years—penalty of the perjury statute which the Senate imposed.

The Superintendent of Insurance, in a memorandum to the Commissioners of the District of Columbia, dated January 16, 1961, recommended the enactment of legislation in this area as follows:

> The urgent necessity for such a bill arises from the decision * * * of the U.S. court of appeals in the *Nelson* case. * * * In that case, it was decided that a person swearing falsely to the Superintendent of Insurance in applying for an agent's license is not subject to the penalties of perjury.
>
> The danger to the public in the present situation is obvious from the facts of the case * * *. Nelson obtained from the Department of Insurance a license to act in the District of Columbia as a life insurance agent. In his application he falsely swore that he had never been convicted of any offense against the laws of the District of Columbia, or of any other jurisdiction. Actually, at the time of his application he had recently been paroled from the penitentiary where he had served a sentence upon conviction of a felony involving a money transaction, and he was still reporting to the parole officer.
>
> * * * * *
>
> The business of insurance is a highly technical one, which is not understood by the average policyholder * * * [who] * * * may easily be deceived and defrauded by a dishonest salesman. There is obvious danger to the public * * * in the situation * * * whereby felons may not be convicted of perjury when they are found to have obtained licenses through false representations.

The District of Columbia perjury statute is found at section 858 of the act approved March 3, 1901—31 Stat. 1329; section 22–2501, District of Columbia Code, 1961 edition—and provides, as stated, a penalty, upon conviction, of imprisonment in the penitentiary for not less than 2 nor more than 10 years. The perjury statute has already been made applicable by the Congress to certain violations of the insurance laws of the District of Columbia at section 27 of chapter II of the Life Insurance Act, as amended—72 Stat. 21; section 35–426, District of Columbia Code, 1951 edition, supplement VIII—and at section 9 of chapter II of said act—48 Stat. 1132; section 35–408, District of Columbia Code, 1961 edition. The former provision declares that any person testifying falsely under oath at a Superintendent's hearing to determine whether a license should be suspended or revoked "shall be subject to the penalties of perjury." The latter provision states that any director, officer, agent, or employee of any insurance company who willfully and knowingly makes oath to any false annual statement or other statement required by law "shall be guilty of perjury."

The proposed bill makes no change in these sections. As indicated it adds the penalty of imprisonment for not more than 2 years in the additional cases of false sworn statements in applications for agents' and brokers' licenses and applications for renewal of such licenses.

The Board of Commissioners favor the bill, and its enactment will not result in additional expense for the District of Columbia.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

Mr. DOWDY. Mr. Speaker, I ask unanimous consent for the immediate consideration of a similar Senate bill, S. 2356.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

The Clerk read the Senate bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That sections 26 and 29 of chapter II of the Life Insurance Act approved June 19, 1934, as amended (48 Stat. 1139, 1141; sec. 35–425 and sec. 35–428, D.C. Code, 1951 ed.), are hereby amended by adding after the second sentence of each such section the following: "Any such applicant who willfully files with or otherwise submits to the Superintendent, orally or in writing, any material statement, knowing such statement to be false, shall, in addition to any other penalty prescribed by law, be guilty of perjury and subject to the penalties thereof."

SEC. 2. The second sentence of section 32 of chapter II of the Fire and Casualty Act approved October 9, 1940, as amended (54 Stat. 1078; sec. 35–1336, D.C. Code, 1951 ed.), is amended to read: "The person to whom the license may be issued shall file sworn answers, subject to the penalties of perjury, to such interrogatories as the Superintendent may require."

SEC. 3. Section 35 of chapter II of said Fire and Casualty Act, as amended (54 Stat. 1079; sec. 35–1339, D.C. Code, 1951 ed.), is amended by adding: "Any applicant who, in connection with such application for renewal of an expiring license, willfully files with or otherwise submits to the Superintendent, orally or in writing, any material statement under oath, knowing such statement to be false, shall, in addition to any other penalty prescribed by law, be guilty of perjury and subject to the penalties thereof."

Mr. DOWDY. Mr. Speaker, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. DOWDY: Strike out all after the enacting clause of the bill S. 2356 and insert the provisions of H.R. 10916 as passed, as follows: "That sections 26 and 29 of chapter II of the Life Insurance Act approved June 19, 1934, as amended (48 Stat. 1139, 1141; sec. 35–425 and sec. 35–428, D.C. Code, 1951 ed.) are hereby amended by adding after the second sentence of each such section the following: 'Any such applicant who willfully files with or otherwise submits to the Superintendent, orally or in writing, any material statement, knowing such statement to be false, shall be punished by imprisonment for not more than two years.'

"SEC. 2. The second sentence of section 32 of chapter II of the Fire and Casualty Act approved October 9, 1940, as amended (54 Stat. 1078; sec. 35–1336, D.C. Code, 1951 ed), is amended to read: 'The person to whom the license may be issued shall file sworn answers to such interrogatories as the Superintendent may require, and any such person who willfully files with or otherwise submits to the Superintendent, orally or in writing, any answers to such interrogatories, knowing such answers to be false, shall be punished by imprisonment for not more than two years.'

"SEC. 3. Section 35 of chapter II of said Fire and Casualty Act, as amended (54 Stat. 1079; sec. 35–1339, D.C. Code, 1951 ed.), is amended by adding: 'Any applicant who, in connection with such application for renewal of an expiring license, willfully files with or otherwise submits to the Superintendent, orally or in writing, any material statement under oath, knowing such statement to be false, shall be punished by imprisonment for not more than two years.' "

The amendment was agreed to.

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

A similar House bill (H.R. 10916) was laid on the table.

PERSONAL PROPERTY IN CUSTODY OF METROPOLITAN POLICE

Mr. DOWDY. Mr. Speaker, by direction of the Committee on the District of Columbia, I call up the bill (S. 3317) to amend provisions of law relating to personal property coming into the custody of the property clerk, Metropolitan Police Department, and for other purposes, and ask unanimous consent that the bill be considered in the House as in Committee of the Whole.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

The Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 413 of the Revised Statutes of the United States relating to the District of Columbia, as amended (sec. 4–156, D.C. Code, 1961 edition), is amended by adding thereto the following subsection:

"(e) Whenever the owner of property in the custody of the property clerk has been notified by the property clerk, by registered or certified mail, to take possession of such property within thirty days after the date of mailing of such notification, and such owner fails so to do within such period, such property shall be thereafter treated as other unclaimed, abandoned, or lost property and shall be disposed of as provided in section 417 of this chapter: *Provided,* That if, in the opinion of the property clerk, such property has no salable value, and if within thirty days after the date of mailing such notification such property is not reclaimed by its owner and removed by him from the custody of the property clerk, such property shall be disposed of by destruction or otherwise, as the Commissioners of the District of Columbia by regulation or order shall provide."

SEC. 2. Section 416 of the Revised Statutes of the United States relating to the District of Columbia, as amended (sec. 4–159, D.C. Code, 1961 edition), is amended to read as follows:

"SEC. 416. (a) All property or money taken on suspicion of having been feloniously obtained, or of being the proceeds of crime, and for which there is no other claimant than the person from whom such property was taken, and all lost property coming into possession of any member of the police force, and all property and money taken from pawnbrokers as the proceeds of crime or from persons alleged to be insane, intoxicated, or otherwise incapable of taking care of themselves, shall be transmitted as soon as practicable to the property clerk to be fully registered and advertised for the benefit of all parties interested, and for the information of the public as to the amount and disposition of the property so taken into custody by the police.

"(b) (1) Whenever any money or property of a deceased person of a value of less than $1,000 coming into the custody of the property clerk shall remain in his custody for a period of six months or more without being claimed and repossessed by the next of kin or the legal representative of such deceased person, such money or property shall be disposed of as lost or abandoned property as provided in section 417 of this chapter: *Provided*, That prior to the disposition of such property of a deceased person it shall be the duty of the property clerk to ascertain whether there is pending in the United States District Court for the District of Columbia any petition seeking the appointment of a legal representative of such deceased person, and, if such a petition is pending in such court, the property clerk shall not dispose of such property until final disposition by the court of such petition: *Provided further*, That in any case where the property clerk acquires actual knowledge that a petition for the appointment of a legal representative of such deceased person has been filed or is pending in a court outside of the District of Columbia, the property clerk shall not dispose of such property until final disposition by the court of such petition.

"(b) (2) Whenever any money or property of a deceased person shall be of a value of $1,000 or more and shall have remained in the custody of the property clerk for at least six months, all records pertaining to the same shall be referred by the property clerk to the Corporation Counsel of the District of Columbia for the purpose of instituting appropriate proceedings to effect the appointment of an administrator of the estate of such decedent: *Provided*, That upon expiration of the time for final settlement of such estate under law then in effect, the residue thereof in the absence of any claim by the heirs-at-law or next of kin of the decedent, as provided by law, shall be deposited into the Registry of the Probate Court, and upon the expiration of a period of three years, no demand having been made upon such funds by lawful heirs or other rightful claimants, the amount so deposited in such registry shall be deposited in the Treasury to the credit of the District of Columbia: *Provided further*, That if the administrator does not take possession of such property wihin three months from the date of his appointment, the property clerk may, after giving such administrator thirty days' notice by registered or certified mail, sell such property at public auction, and, after deducting the expenses of such sale, and expense incident to the maintenance of custody of such property, shall pay the remaining proceeds of such sale over to such administrator.

"(c) Whenever the property clerk has custody of any property belonging to any person who has been adjudged of unsound mind and a committee has been appointed for such person but fails to take possession of the property of such person in the custody of the property clerk within six months from the date of such committee's appointment, the property clerk shall give such committee sixty days' notice by registered or certified mail of his intention to sell such property at public auction or otherwise dispose of such property in accordance with law. If, upon the expiration of such sixty days' notice, the committee has not taken custody of such property, (a) the property clerk is authorized to sell such property at public auction, and, after deducting the expenses of the sale, expenses incident to the maintenance and custody of such property, and any amounts due the District of Columbia for care and maintenance of the adjudicated patient, shall pay the remaining proceeds of the sale over to such committee, or (b) if in the opinion of the property clerk any such property has no salable value, he is authorized to dispose of such property by destruction or otherwise as the Commissioners of the District of Columbia shall, by regulation or order, determine.

"(d) (1) The said Commissioners are authorized, in their discretion, to store in any commercial warehouse or garage in the District of Columbia, or in or on any facility under the jurisdiction of the District of Columbia, any property coming into the custody of the property clerk pursuant to this chapter, including vehicles impounded by any officer or member of the Metropolitan Police force.

"(2) The Commissioners are authorized to fix, by regulation, the fees to be charged to reimburse the District of Columbia for the cost of services rendered by the Metropolitan Police force in taking custody of and protecting such property and for the cost of storing such property in any commercial warehouse or garage, and whenever any such property is stored in or on any facility under the jurisdiction of the District of Columbia, the Commissioners shall fix the storage fee in an amount reasonably estimated by them to be the value of the storage service rendered for each day during which such property is so stored, and to collect all such fees due and owing for such property before releasing such property to its owner or his legal representative: *Provided*, That the Commissioners are authorized, in their discretion, to waive the charging and collecting of such fees for property taken into custody as evidence, the proceeds of crime or from persons supposed to be insane: *Provided further*, That the property clerk is authorized to sell at public auction pursuant to subsection (a) of section 417 of this chapter any property stored in a commercial garage or warehouse, when the storage charges for such property exceed 75 per centum of its value as determined by the property clerk, regardless of the amount of time for which such property is required by other sections of this chapter to be held by the property clerk.

"(3) Fees collected by reason of this section shall be deposited in the Treasury to the credit of the District of Columbia."

Sec. 3. Subsections (a), (b), and (c) of section 306 of the Act approved June 29, 1953 (67 Stat. 101, ch. 159), are hereby repealed.

Sec. 4. Section 417 of the Revised Statutes of the United States relating to the District of Columbia, as amended (sec. 4–160, D.C. Code, 1961 edition), is amended to read as follows:

"Sec. 417. (a) All property, except perishable property and animals and property of insane persons, not otherwise disposed of in accordance with section 416 of this chapter, that shall remain in the custody of the property clerks for not less than ninety days, except motor vehicles which shall be held for not less than sixty days, without being claimed and repossessed, shall, after having been three times advertised in a daily newspaper of general circulation published in the District of Columbia, be sold at public auction, and the proceeds of such sale, after deducting the expenses of the sale, and all other expenses incident to such custody, having been retained by the said property clerk for a period of at least ninety days without being claimed and repossessed, shall be deposited in the Treasury to the credit of the District of Columbia: *Provided*, That if in the opinion of the property clerk any such property has no salable value, he is authorized to dispose of such property by destruction or otherwise as the Commissioners of the District of Columbia shall, by order or regulation, determine.

"(b) Whenever the property clerk shall have in his custody any motor vehicle upon which there is a lien or liens of record in the Office of the Recorder of Deeds of the District of Columbia he shall, prior to the sale thereof pursuant to this section, notify by registered or certified mail each lienor and lienee in any such case of such custody and impending sale, and if such lienor or lienee fail to remove such property from the custody of the property clerk within thirty days from the date of the mailng of such notification, such lien or liens shall be considered to have been abandoned, and shall be thenceforth null and void. Upon being notified in writing of such fact by the property clerk, the Recorder of Deeds of the District of Columbia is authorized to indicate on his records that such lien or liens are thenceforth null and void and the property clerk is authorized to sell any such motor vehicle at public auction free and clear of such lien or liens; except that the proceeds of such sale shall be available, first, for the payment of all expenses incident to such sale and custody; second, for the payment of such liens so declared null and void; third, for payment to the owner in accordance with subsection (a) of this section; and the remainder, if any, shall be deposited in the Treasury of the United States to the credit of the District of Columbia.

"(c) All money, except money of insane persons, that shall remain in the custody of the property clerk for six months shall be so advertised, and if not claimed and repossessed within thirty days, it shall likewise be deposited in the Treasury to the credit of the District of Columbia."

Sec. 5. Neither the government of the District of Columbia nor any officer or employee thereof shall be liable for damage to any property resulting from the removal of such property from public space, or the transportation of such property into the custody of the property clerk, Metropolitan Police Department, nor for damage to any such property while such property is in the custody of the property clerk, Metropolitan Police Department. When such custody is maintained pursuant to the requirements of law, except that the government of the District of Columbia or any such officer or employee may be liable for damage to such property as a result of gross negligence in the removal, transportation, or storage of such property: *Provided*, That should a judgment be entered for the District of Columbia against any commercial warehouseman or garagekeeper for damage to such property in his care, recovery on such judgment, less all administrative expenses and court costs to the District of Columbia involved in such litigation, shall be paid by the District of Columbia to the owner of the damaged property as determined by the property clerk. For the purpose of this section the term "gross negligence" means a willful intent to injure property, or a reckless or wanton disregard of the rights of another in his property.

Sec. 6. Nothing in this Act shall be construed so as to affect the authority vested in the Board of Commissioners of the District of Columbia by Reorganization Plan Numbered 5 of 1952 (66 Stat. 824). The performance of any function vested by this Act in the Board of Commissioners or in any office or agency under the jurisdiction and control of said Board of Commissioners may be delegated by said Board of Commissioners in accordance with section 3 of such plan.

With the following committee amendments:

Page 8, line 19, delete "fail" and insert in lieu thereof "fails".

Page 9, line 23, delete "Department. When" and insert in lieu thereof "Department, when".

The committee amendments were agreed to.

The bill was ordered to be read a third time, was read the third time, and passed.

A motion to reconsider was laid on the table.

Mr. DOWDY. Mr. Speaker, the purpose of the bill is to provide more efficient and economic procedures in the District of Columbia for the more expeditious disposition of lost and abandoned property, property of deceased persons for which there is no claimant, and property of insane persons, coming into the custody of the Metropolitan Police Department, and by present law required to be held by the property clerk thereof.

Such property consists of items of every size and description, such as abandoned motor vehicles—700 of which are presently impounded, some of them held for more than 5 years—money, jewelry, household furnishings, and even the entire stock and equipment of a large business establishment.

No opposition to the bill was heard at the hearing on August 10, 1962, at which time testimony on behalf of the Board of Commissioners and of the Chief of the Metropolitan Police Department was presented in favor of the bill. Enactment of the bill will not result in additional costs to the District of Columbia. In fact, provisions are included for reimbursement to the District for the expenses of handling and storing the properties in question.

The need for this legislation results from the acute shortage of District-owned space for the storing of property, particularly motor vehicles, coming into the custody of the property clerk. The main facility for the storage of such property is in the May Building owned by the District and located at 469 C Street NW. The property stored in this warehouse falls into three categories; namely, property of insane persons—that is, persons who have been committed to St. Elizabeths or some other hospital; property in estates of deceased persons—property which has been taken into custody by the police as a result of the death of a person in the District of Columbia without immediate lawful claimants to such property; and property set out in public space by the U.S. marshal in executing writs of restitution.

Motor vehicles coming within such categories are stored in two lots, one in the rear of the new fourth precinct station house, at Fourth and E Streets SW., which has a capacity of 90 vehicles and the other at Sixth and O Streets NW., with a 500-vehicle capacity. Both lots are constantly filled to capacity, and the overflow has to be stored at various police precinct stations. The Commissioners are informed that 650 to 700 vehicles are now in the custody of the property clerk, which means that between 60 and 110 vehicles have to be left at police precinct stations, where they have to be placed on streets, alleys, or other public space for long periods of time. This practice generates numerous and bitter complaints from residents of the area.

The Chief of Police reports that property belonging to estates of deceased persons in the custody of the property clerk occupies approximately 10,000 square feet of storage space in the May warehouse. Under present law, if the property be of less value than $100 it may be disposed of at public auction only after it has been held by the property clerk for 1 year. The majority of such property has no salable value whatsoever. Since present law does not allow the property clerk to dispose of property of deceased persons upon the failure of the legal representatives of the deceased to take possession thereof, and since it does not authorize him to dispose of such property other than by public auction where there are no legal representatives of such deceased persons, the property clerk must maintain custody of much of such property for an indefinite period.

Approximately 13,000 square feet of space in the May warehouse is occupied by property belonging to insane persons, which property cannot be disposed of as lost or abandoned property because there is a known lawful claimant—the insane person himself. Present law makes no provision for the disposition of property in the custody of the property clerk belonging to persons adjudged of unsound mind where a committee has been appointed and fails or refuses to take possession of such property. Consequently, much of such property in the custody of the property clerk has been in his custody for as long as 15 to 20 years, and presumably will remain in his custody until the decease of such adjudicated person or until such time as such adjudicated person shall regain his sanity and reclaim his property.

The reported bill alleviates these situations and provides for the orderly, expeditious disposition of said properties, as is set forth more in detail in the bill and in the committee report—House Report No. 2257—filed herewith.

PROVIDING FOR INCORPORATION OF NATIONAL WOMAN'S RELIEF CORPS, AUXILIARY TO THE GRAND ARMY OF THE REPUBLIC

Mr. DOWDY. Mr. Speaker, by direction of the Committee on the District of Columbia, I call up the bill (S. 2250) to provide for the incorporation of the National Woman's Relief Corps, Auxiliary to the Grand Army of the Republic, organized 1883, 78 years old, and ask for its immediate consideration.

The Clerk read the title of the bill.

The Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the following persons, to wit:

President: Mabel R. Ginder, Toledo, Ohio;

Senior vice president: Jessie Johnston, Cheyenne, Wyoming;

Junior vice president: Irene Randolph, Minneapolis, Minnesota;

Secretary: Bessie K. Coughlin, Providence, Rhode Island;

Treasurer: Ocie M. Tumey, Springfield, Illinois, executive officers;

Legislative committee: Laura I. Smith, chairman, 16 Temple Street, Providence, Rhode Island; Ethel Ferris Hasenbuhler, Washington, District of Columbia; and Marie Morgan, Indianapolis, Indiana;

Past national presidents: Cora M. Davis, Nehalem, Oregon; Catherine McBride Hoster, Indianapolis, Indiana; Annie Poole Atwood, Wollaston, Massachusetts; Beatrice J. Tyson, DeBary, Florida; Lizetta Coady, Detroit, Michigan; Mary J. Love, Louisville, Kentucky; Ida Heacock Baker, Parsons, Kansas; Elizabeth L. Kothe, Parkersburg, Iowa; Grace Houlette Hahn, Miami, Florida; Louise Haider, Santa Barbara, California; Anne Anschutz, Saint Louis, Missouri; Laura I. Smith, Providence, Rhode Island; Alice F. Larson, Minot, North Dakota; Grayce L. Vedetta, Brooklyn, New York; Harriette G McCollough, Des Moines, Iowa; Eula M. Nelson, Springfield, Illinois; Daisy Heinemann, Milwaukee, Wisconsin; Grace L. Johnson, Toledo, Ohio; Ruth E. Johnson, Bellflower, California; Lucille V. Rand, Worcester, Massachusetts; Gertrude M. Edwards, Iroquois, South Dakota; Bessie K. Coughlin, Providence, Rhode Island; Elizabeth Jeans, Saint Louis, Missouri; and Josephine E. Farkhurst, Pulaski, New York, and their successors, are hereby created and declared to be a body corporate of the District of Columbia, where its legal domicile shall be, by the name of the National Woman's Relief Corps, Auxiliary to the Grand Army of the Republic (hereafter referred to as the corporation), and by such name shall be known and have perpetual succession and the powers, limitations and restrictions herein contained. It shall be the duty of the persons named in this section, jointly and severally, to file with the Superintendent of Corporations of the District of Columbia a copy of this Act within fifteen days after the date of its enactment.

SEC. 2. A majority of the persons named in the first section of this Act, acting in person or by written proxy, are authorized to complete the organization of the corporation by the selection of officers, the adoption of a constitution and bylaws not inconsistent with this Act, and the doing of such other acts as may be necessary for such purpose.

SEC. 3. The purposes of the corporation shall be: To perpetuate the memory of the Grand Army of the Republic, as we the National Woman's Relief Corps are the auxiliary and were organized at their request in 1883, and of men who saved the Union in 1861 to 1865; to assist in every practicable way in the preservation and making available for research of documents and records pertaining to the Grand Army of the Republic and its members; to cooperate in doing honor to all those who have patriotically served our country in any war; to teach patriotism and the duties of citizenship, the true history of our country, and the love and honor of our flag; to oppose every tendency or movement that would weaken loyalty to, or make for the destruction or impairment of, our constitutional Union; and to inculcate and broadly sustain the American principles of representative government, of equal rights, and of impartial justice for all.

SEC. 4. The corporation shall have power—

(1) to have succession by its corporate name;

(2) to sue and be sued, complain and defend in any court of competent jurisdiction;

(3) to adopt, use, and alter a corporate seal;

(4) to choose such officers, as the corporation may require;

(5) to adopt, amend, and alter a constitution and bylaws; not inconsistent with the laws of the United States or any State in which the corporation is to operate, for the management of its property and the regulation of its affairs;

(6) to contract and be contracted with;

(7) to take by lease, gift, purchase, grants, devise, or bequest from any public body or agency or any private corporation, association, partnership, firm, or individual and to hold absolutely or in trust for any of the purposes of the corporation any property, real, personal, or mixed, necessary or convenient for attaining the objects and carrying into effect the purposes of the corporation, subject, however, to applicable provisions of law of any State, (A) governing the amount or kind of property which may be held by, or (B) otherwise limiting or controlling the ownership of property by, a corporation operating in such State; and

(8) to transfer, convey, lease, sublease, encumber, and otherwise alienable real, personal, or mixed property.

Sec. 5. Eligibility for membership in the corporation and the rights, privileges, and designation of classes of members shall, except as provided in this Act, be determined as the constitution and bylaws of the corporation may provide. Eligibility for membership in the corporation shall be women, who are the wives, mothers, daughters, and sisters of Union soldiers, sailors, and marines and other loyal women, who have not given aid or comfort to the enemies of the United States of America.

Sec. 6. The supreme governing authority of the corporation shall be the national convention thereof, composed of such officers and elected representatives from the several States as shall be provided by the rules and regulations: *Provided*, That the form of the government of the corporation shall always be representative of the membership at large and shall not permit the concentration of the control thereof in the hands of a limited number of members or in a self-perpetuating group not so representative. The meetings of the national convention may be held in any State or in the District of Columbia.

Sec. 7. (a) During the intervals between the national convention the executive officers shall be the governing board of the corporation and shall be held responsible for the general policies, program, and activities of the corporation.

(b) Upon the enactment of this Act the membership of the initial executive officers of the corporation shall consist of the executive officers of the National Woman's Relief Corps, Auxiliary to the Grand Army of the Republic, the corporation described in section 18 of this Act, or such of them as may then be living and are qualified members of said executive officers, to wit: Mabel R. Ginder, Jessie Johnston, Irene Randolph, Bessie K. Coughlin, Ocie M. Tumey, Mary J. Love, Laura I. Smith, Ethel Ferris Hasenbuhler, and Marie Morgan.

(c) Thereafter, the council of administration of the corporation shall consist of not less than seven members elected in the manner and for the term as may be prescribed in the constitution and bylaws of the corporation.

Sec. 8. The officers of the corporation shall be a national president, senior vice national president, junior vice national president, secretary and treasurer (which latter two offices may be held by one person), and such other officers as may be prescribed in the constitution and bylaws. The officers of the corporation shall be elected in such manner and for such terms and with such duties and titles as may be prescribed in the constitution and by laws of the corporation.

Sec. 9. (a) The principal office of the corporation shall be located in Springfield, Illinois, but the activities of the corporation shall not be confined to that place, but may be conducted throughout the various States, and the District of Columbia, of the United States.

(b) The corporation shall have in the District of Columbia at all times a designated agent authorized to accept service of process, notice, or demand for the corporation, and service of such process, notice or demand required or permitted by law to be served upon the corporation may be served upon such agent. The corporation shall file with the Superintendent of Corporations of the District of Columbia a statement designating the initial and each successor registered agent of the corporation immediately following any such designation. As used in this Act the term "Superintendent of Corporations of the District of Columbia" means the Commissioners of the District of Columbia or any agent designated by them to perform the functions vested by this Act in the Superintendent of Corporations.

Sec. 10. (a) No part of the income or assets of the corporation shall inure to any of its members or officers as such, or be distributable to any of them, during the life of the corporation or upon its dissolution or final liquidation. Nothing in this subjection, however, shall be construed to prevent the payment of reasonable compensation to officers of the corporation or reimbursement for actual necessary expenses in amounts approved by the council of administration of the corporation.

(b) The corporation shall not make loans to the officers. Any member of the council of administration, who votes for or assents to the making of a loan or advance to an officer or member of the corporation, and any officer who participates in the making of such a loan or advance, shall be jointly and severally liable to the corporation for the amount of such loan until the repayment thereof.

Sec. 11. The corporation and its officers and agents as such shall not contribute to or otherwise support or assist any political party or candidate for public office.

Sec. 12. The corporation shall be liable for the acts of its officers and agents when acting within the scope of their authority.

Sec. 13. The corporation shall have no power to issue any shares of stock or to declare or pay any dividends.

Sec. 14. The corporation shall keep correct and complete books and records of account and shall keep minutes of the proceedings of its national convention. All books and records of the corporation may be inspected by any member, or his agent or attorney, for any proper purpose at any reasonable time.

Sec. 15. (a) The accounts of the corporation shall be audited annually in accordance with generally accepted auditing standards by independent certified public accountants or independent licensed public accountants, certified or licensed by a regulatory authority of a State or other political subdivision of the United States. The audit shall be conducted at the place or places where the accounts of the corporation are normally kept. All books, accounts, financial records, reports, files, and all other papers, things, or property belonging to or in use by the corporation and necessary to facilitate the audit shall be made available to the person or persons conducting the audit; and full facilities for verifying transactions with the balances or securities held by depositories, fiscal agents, and custodians shall be afforded to such person or persons.

(b) A report of such independent audit shall be submitted to the Congress not later than six months following the close of the fiscal year for which the audit was made. The report shall set forth the scope of the audit and include such statements as are necessary to present fairly the corporation's assets and liabilities, surplus or deficit with an analysis of the changes therein during the year, sources and application of funds, and the financial results of any trading, manufacturing, publishing, or other commercial-type endeavor carried on by the corporation, together with the independent auditor's opinion of those statements. Such report shall not be printed as a public document.

Sec. 16. Not later than six months following the close of the fiscal year the corporation shall report to the Congress on its activities during the preceding fiscal year. Such report may consist of a report on the proceedings of the national convention covering such fiscal year. Such report shall not be printed as a public document.

Sec. 17. The corporation and its subordinate corps shall have the sole and exclusive right to use the name, the National Woman's Relief Corps, Auxiliary to the Grand Army of the Republic. The corporation shall have the exclusive and sole right to use, or to allow or refuse the use of, such emblems, seals, and badges as have heretofore been used by the Illinois corporation described in section 18 and the right to which may be lawfully transferred to the corporation.

Sec. 18. The corporation may acquire the assets of the National Woman's Relief Corps, Auxiliary to the Grand Army of the Republic, a corporation organized under the laws of the State of Illinois, upon discharging or satisfactorily providing for the payment and discharge of all the liability of such corporation and upon complying with all laws of the State of Illinois applicable thereto.

Sec. 19. Upon any dissolution or final liquidation of the corporation, its assets shall be applied and distributed as follows:

(a) All liabilities and obligations of the corporation shall be paid, satisfied, and discharged, or adequate provision shall be made therefor;

(b) Assets held by the corporation upon condition requiring return, transfer or conveyance, which condition occurs by reason of the dissolution, shall be returned, transferred or conveyed in accordance with such requirements;

(c) Assets received and held by the corporation subject to limitations permitting their use only for charitable, religious, eleemosynary, benevolent, educational, or similar purposes, but not held upon a condition requiring return, transfer or conveyance by reason of the dissolution, shall be transferred or conveyed to one or more domestic or foreign corporations, societies, or organizations engaged in activities of a charitable, religious, eleemosynary, benevolent, educational, or similar purpose pursuant to a plan of distribution adopted as provided in this Act;

(d) Other assets, if any, shall be distributed in accordance with the provisions of the articles of incorporation or the bylaws to the extent that the articles of incorporation or bylaws determine the distributive rights of members, or any class or classes of members, or provide for distribution to others;

(e) Any remaining assets may be distributed to such persons, societies, organizations or domestic or foreign corporations engaged in activities not for profit, as may be specified in a plan of distribution adopted by the council of administration of the corporation in compliance with the constitution and bylaws of the corporation and all Federal, State, and District of Columbia laws applicable thereto.

Sec. 20. The right to alter, amend, or repeal this Act is expressly reserved.

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

Mr. DOWDY. Mr. Speaker, the purpose of this bill is to provide for the incorporation in the District of Columbia of the National Woman's Relief Corps, auxiliary to the Grand Army of the Republic, organized in 1883, and now 78 years old.

The purposes of the corporation are set forth under section 3 of the bill, and read as follows:

> The purposes of the corporation shall be: To perpetuate the memory of the Grand Army of the Republic, as we the National Woman's Relief Corps are their auxiliary and were organized at their request in 1883, and of men who saved the Union in 1861 to 1865; to assist in every practicable way in the preservation and making available for research of documents and records pertaining to the Grand Army of the Republic and its members; to cooperate in doing honor to all those who have patriotically served our country in any war; to teach patriotism and the duties of citizenship, the true history of our country, and the love and honor of our flag; to oppose every tendency or movement that would weaken loyalty to, or make for the destruction or impairment of, our constitutional Union; and to inculcate and broadly sustain the American principles of representative government, of equal rights, and of impartial justice for all.

In addition to the bill providing for the incorporation of this organization in the District of Columbia, specifying the names of its present officers, membership requirements, and duties of the officers, the bill also delineates various corporate powers and procedures.

In this regard, provisions of the measure define, one, typical general corporate powers relating to the choice of officers, right to sue and be sued, to contract, and take real or personal property by lease, gift, purchase, and devise; two, designation of an agent in the District of Columbia to accept service; three, payment of compensation and expenses to officers for services rendered; four, prohibition of loans from the corporation to its officers; five, audit of financial transactions by a certified or licensed public accountant; and, six, distribution of assets upon the dissolution or final liquidation of the corporation.

Subcommittee No. 5 held public hearings on this bill June 13, 1962, at which time a representative of the Commissioners of the District of Columbia, the Superintendent of Corporations of the District of Columbia, and a representative of the National Woman's Relief Corps, auxiliary to the Grand Army of the Republic, appeared and supported enactment of the bill. The Commissioners informed us that they had been advised by the Superintendent of Corporations of the District of Columbia that as of August 16, 1961, the name "National Woman's Relief Corps, Auxiliary to the Grand Army of the Republic," had not been reserved for use by any other corporation pursuant to authority contained in the act approved June 8, 1954 (68 Stat. 183), as amended—section 29-906a, District of Columbia Code, 1951 edition—and that he had found no similar or deceptively similar name of record. No opposition to the bill was registered.

Enactment of this bill will not involve additional expense to the District of Columbia.

DISTRICT OF COLUMBIA ARMORY BOARD

Mr. DOWDY. Mr. Speaker, by direction of the Committee on the District of Columbia, I call up the bill (H.R. 12467) to amend the act of June 4, 1948, as it relates to the appointment of the District of Columbia Armory Board, and ask unanimous consent that it be considered in the House as in Committee of the Whole.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

Mr. DOWDY. Mr. Speaker, the purpose of this legislation is to increase the members of the District of Columbia Armory Board from three members to five members.

Under existing law the President of the Board of Commissioners of the District of Columbia, the commanding general of the District of Columbia Militia, and a third person not employed by the Federal or District Governments, is appointed by the chairmen of the District of Columbia Committees of the U.S. Senate and the U.S. House of Representatives, to serve for a term of 3 years. Two of the present members of the Armory Board are ex officio members and have other duties of a substantial and time-consuming nature.

This legislation would simply increase from one person to three persons, not employed by the Federal or District Governments, to be appointed by the chairmen of the District of Columbia Committees of the Senate and the House of Representatives for a term of 3 years. This legislation has the strong endorsement of the present District of Columbia Armory Board, and at a public hearing held by a subcommittee of the House District Committee on Thursday, July 26, the three members of the Board testified to this fact.

There is no objection to the enactment of this legislation and there is no cost involved to the District of Columbia government since all the members of the Board serve without compensation.

Mr. GROSS. Mr. Speaker, reserving the right to object, I believe this increases the number of members of the District of Columbia Armory Board. Is the District of Columbia Armory Board in charge of the financial affairs of the new stadium in the District?

Mr. DOWDY. I yield to the gentleman from Mississippi [Mr. ABERNETHY] to answer the gentleman.

Mr. ABERNETHY. I could not answer the gentleman as to whether or not they are in charge of the financial affairs, but the Board is charged with the responsibility of the general management of the armory and the stadium. The stadium was added to the authority of the Board at the time the stadium was created. At the present time this board consists of three members who are the chairman of the Board of the District Commissioners, the general of the National Guard, and one local citizen or businessman of the District of Columbia. Members of the Board serve without pay. The first two members mentioned have tremendous responsibilities in connection with their official positions, respectively, as chairman of the Board of District Commissioners and as head of the National Guard. Therefore, the purpose in enlarging the membership of the Board is to have two additional members added who will have more time to devote to the management of the armory as well as to the stadium.

Mr. GROSS. If I understand correctly, this stadium cost about $20 million and like the United Nations it is in financial trouble.

Mr. ABERNETHY. Yes, I have heard such.

Mr. GROSS. And I understand that a move will likely be made, if not in this session of the Congress then in the next session of the Congress, to provide that the Federal taxpayers take over the financing of this super-duper stadium. I wonder if, in the appointment of these two additional members, they would be opposed to the Federal taxpayers of the entire country—including Mississippi and Iowa, for instance—being loaded with the bill for this $20 million financial white elephant.

Mr. ABERNETHY. Of course, I am unable to answer the gentleman's questions. I am not personally familiar with the financial structure. However, as the gentleman has stated, I have heard that the stadium is not doing too well. I will not have any authority over the appointment of these two additional members.

I will say, however, that the present civilian member of the Board is a very fine, very successful business man here in the District of Columbia, Mr. Francis Kane; and it strikes me that if they add two men to the Board of his capability it would be a very fine thing. I think it would be helpful to both the stadium and the Armory.

Mr. GROSS. I hope the gentleman from Mississippi will agree with me that after spending $20 million on this stadium, the District of Columbia and the residents thereof ought to pay this thing off rather than unload it on the taxpayers of the entire country.

Mr. ABERNETHY. The gentleman well knows that I seldom disagree with the gentleman from Iowa.

Mr. GROSS. I hope all members of the Board, as well as the two additional members, will have consideration and sympathy for the welfare of the taxpayers of Mississippi and Iowa as well as the rest of the country before they come to Congress asking to be bailed out of this deal on which they ought not to have spent $20 million.

Mr. ABERNETHY. I think the gentleman's point is well taken, and I want to associate myself with the views the gentleman has expressed.

Mr. GROSS. I thank my friend from Mississippi for his views on this matter. I simply want the citizens of the District of Columbia, when they obligate themselves to spend $20 million for a plush stadium, to meet that obligation.

Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

The bill was ordered to be engrossed and read a third time, was read the third time and passed, and a motion to reconsider was laid on the table.

PREVENT SPREAD OF COMMUNICABLE DISEASES IN THE DISTRICT OF COLUMBIA

Mr. DOWDY. Mr. Speaker, by direction of the Committee on the District of Columbia, I call up the bill (H.R. 12418) to amend the act entitled "An act to authorize the Commissioners of the District of Columbia to make regulations to prevent and control the spread of communicable and preventable diseases," approved August 11, 1939, as amended, and ask unanimous consent that it be considered in the House as in the Committee of the Whole.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

The Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Act entitled "An Act to authorize the Commissioners of the District of Columbia to make regulations to prevent and control the spread of communicable and preventable diseases", approved August 11, 1939 (53 Stat. 1408), as amended (sec. 6–119 et seq., D.C. Code, 1961 ed.), is amended by renumbering section 13 as section 14 and by inserting the following new section immediately following section 12:

"IMMEDIATE TREATMENT OF MINOR WITH VENEREAL DISEASE

"SEC. 13. If a minor appears in any clinic, hospital, or other facility of the Department of Public Health of the government of the District of Columbia, and the Director of Public Health or his authorized agent, after having caused a medical examination to be made of such minor, has probable cause to believe that such minor is affected with a venereal disease or is a carrier of a venereal disease, and if, as a result of such examination, the Director of Public Health or his authorized agent determines that immediate medical treatment of the minor will adequately control the disease of the minor so as to protect his health and the health of others without having said minor detained as provided in this Act, the Director of Public Health or his authorized agent shall present to such minor a paper, upon which such minor shall state either (1) that he consents to such treatment, in which event such treatment shall be given to the minor forthwith, or (2) that he refuses to consent to such treatment, in which event no such treatment shall be given to him pursuant to this section."

SEC. 2. So much of section 3 of the Act entitled "To amend the Act entitled 'An Act to authorize the Commissioners of the District of Columbia to make regulations to prevent and control the spread of communicable and preventable diseases', approved August 11, 1939", approved August 8, 1946 (60 Stat. 919), as reads "renumbered as section 13" is amended to read "renumbered as section 15".

SEC. 3. Nothing in this Act shall be construed so as to affect the authority vested in the Board of Commissioners of the District of Columbia by Reorganization Plan Numbered 5 of 1952 (66 Stat. 824). The performance of any function vested by this Act in the Board of Commissioners, or in any office or agency under the jurisdiction and control of said Board of Commissioners may be delegated by said Board of Commissioners in accordance with section 3 of such plan.

Mr. DOWDY. Mr. Speaker, the purpose of this bill is to authorize the Department of Public Health of the District of Columbia to treat minors for venereal disease upon their own consent, when they present themselves voluntarily to the Department's health centers, rather than having to obtain such permission from their parents or guardians.

At present, minors for whom parental consent for treatment of gonorrhea cannot be obtained are given only oral antibiotics, which are relatively safe to administer but are not the drugs of choice, since effective treatment is assured only by injections, and also because oral medication is impractical in patients who are irresponsible or careless. In the case of syphilis, there is no prophylactic agent other than penicillin, and hence minors who have been exposed to this disease receive no treatment whatever without parental consent. According to testimony presented in a public hearing on August 10, 1962, this legal impediment to the administration of adequate treatment has resulted in the loss of 35 percent of the minors who are found in the Health Department clinics to have contracted or to have been exposed to venereal disease, with no treatment of any kind.

The difficulties involved in obtaining written parental permission for treatment are numerous. The minor who lives with one or both parents is said to pose few problems, provided, that one parent can be readily contacted. Frequently, however, both parents are working. In other instances, a minor may be residing here with a relative other than his parents, or with a friend, and thus the required consent is extremely difficult to obtain. The most common source of difficulty, however, is probably the fact that in most cases, these minors fear the reaction on the part of their parents when the presence of these diseases is revealed to them.

The health of the community is seriously endangered by failure to treat this group of patients promptly. Through fear of their parents' displeasure, these minors frequently seek the advice of friends, older people, and thus often become the victims of quackery. Very often they allow their disease to spread through ignorance or neglect. Because they are in a very active sexual period of their lives, they are often promiscuous and are even a greater menace than the older adult who has some knowledge of venereal disease.

A survey conducted by the District of Columbia Department of Public Health revealed that treatment of minors for venereal disease upon request or presentation, without parental consent, is authorized in California, Florida, Georgia, Hawaii, Massachusetts, Mississippi, Montana, Oregon, Pennsylvania, Rhode Island, South Carolina, Virginia, Wyoming, North Carolina, Idaho, and the territory of Puerto Rico. In their replies to the District of Columbia Health Department's questionnaire, the health departments of many of these States stressed the fact that while they do have this authority, they prefer in such cases to contact the parents and obtain their consent for treatment, and make every effort to do so. This committee is assured that the District of Columbia Health Department will pursue this same course, and will use this authority to treat without parental consent only when necessary.

The Board of Commissioners of the District of Columbia have endorsed this bill, and no one has expressed any opposition to its passage.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

CALL OF THE HOUSE

Mr. ABBITT. Mr. Speaker, I make a point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

Mr. ALBERT. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 210]

Andersen, Minn.
Ashley
Bailey
Baring
Barrett
Bass, N.H.
Belcher
Blitch
Bolling
Boykin
Brewster
Buckley
Celler
Cook
Curtis, Mass.
Davis, Tenn.
Diggs
Donohue
Dooley
Durno
Elliott
Evins
Fallon
Farbstein
Fisher
Fogarty
Friedel
Garland
Garmatz
Gavin
Halleck
Hardy
Harrison, Va.
Harvey, Mich.
Healey
Hébert
Hiestand
Hoffman, Ill.
Hoffman, Mich.
Holifield
Inouye
Johnson, Calif.
Johnson, Md.
Karth
Kearns
Kilburn
Kluczynski
Lankford
McMillan
McSween
McVey
Marshall
Merrow
Miller, Clem
Miller, N.Y.
Moorehead, Ohio
Moulder
Nix
O'Brien, Ill.
O'Konski
Pilcher
Powell
Reece
Reuss
Rousselot
St. Germain
Santangelo
Saund
Scherer
Scranton
Seely-Brown
Shelley
Sheppard
Shipley
Sibal
Spence
Stratton
Taber
Teague, Tex.
Thompson, N.J.
Vanik
Weis
Yates
Zelenko

The SPEAKER. On this rollcall, 350 Members have answered to their names, a quorum.

By unanimous consent, further proceedings under the call were dispensed with.

COMMITTEE ON RULES

Mr. SMITH of Virginia. Mr. Speaker, I ask unanimous consent that the Committee on Rules may have until midnight tonight to file certain privileged reports.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

TO IMPROVE AND PROTECT FARM INCOME AND FOR OTHER PURPOSES

Mr. SMITH of Virginia. Mr. Speaker, by direction of the Committee on Rules, I call up a privileged resolution, House Resolution 772, and ask for its immediate consideration.

The Clerk read the resolution, as follows:

> *Resolved*, That immediately upon the adoption of this resolution the bill (H.R. 12391) to improve and protect farm income, to reduce costs of farm programs to the Federal Government, to reduce the Federal Government's excessive stocks of agricultural commodities, to maintain reasonable and stable prices of agricultural commodities and products to consumers, to provide adequate supplies of agricultural commodities for domestic and foreign needs, to conserve natural resources, and for other purposes, with the Senate amendment thereto, be, and the same hereby is, taken from the Speaker's table, to the end that the Senate amendment be, and the same hereby is, disagreed to and that the conference requested by the Senate on the disagreeing votes of the two Houses be, and the same is hereby, agreed to.

The SPEAKER. The gentleman from Virginia [Mr. SMITH] is recognized for 1 hour.

Mr. SMITH of Virginia. Mr. Speaker, I yield 30 minutes to the gentleman from Ohio [Mr. BROWN] and now yield myself such time as I may consume.

Mr. Speaker, this resolution is the usual resolution to send a bill to conference when objection has been made to a unanimous-consent request to send a bill to conference.

Mr. Speaker, this is the farm bill which the House passed some weeks ago. It was sent to the other body and has come back with certain amendments. I do not know that there is any controversy about sending the bill to conference. I have no further remarks to make, and I now yield to the gentleman from Ohio [Mr. BROWN] if he desires to yield time.

Mr. BROWN. Mr. Speaker, I yield myself 4 minutes.

Mr. Speaker, as the gentleman from Virginia [Mr. SMITH], chairman of the Committee on Rules has explained, House Resolution 772, upon its adoption, will have the effect of sending the so-called farm bill, H.R. 12391, carrying amendments voted by the Senate, into conference for consideration by a House-Senate conference committee. I am sure, as you all know, the other body did adopt some rather far-reaching amendments to the bill as it passed the House, and you will recall at first, of course, that on June 21, 1962, the House of Representatives by a vote of 215 to 205 effectively killed for 1963 the administration's plan for regimenting and controlling the American feed grain farmer—and I emphasize the year 1963 because the proponents of supply management in the Department of Agriculture have not for 1 minute given up their efforts to ultimately impose a feed grain control plan.

The controllers lost a major battle when the House defeated H.R. 11222, but they are still hoping to win the war. Their tactics and strategy should be apparent to everyone who looks at the action of the Senate in amending H.R. 12391.

Their plan is a simple but ruthless one—devastate the income of the corn-livestock farmer to the point where he and his Representatives in Congress will be willing to take the control plan advocated by Mr. Freeman.

The Senate amendment to H.R. 12391 repeals the price-support provisions applying to feed grains in the Agricultural Act of 1958 and replaces them with a new and unique authority.

The 1958 act as you recall provides for corn supports at 90 percent of the previous 3-year market average, but not less than 65 percent of parity. In dollars and cents, this means a floor of about $1.05 per bushel. Other feed grains—oats, rye, barley, and grain sorghum—would be supported in relation to corn.

Under the Senate amendment, beginning in 1964 the Secretary of Agriculture would be authorized to support corn at such a level from 0 to 90 percent of parity, as he determines will not result in increasing Commodity Credit Corporation stocks of corn.

What does this mean? What is a level that will not result in increasing CCC stocks of corn? I understand that the gentleman from Iowa [Mr. HOEVEN] recently asked Secretary Freeman that question, and he replied he did not know.

The junior Senator from Wisconsin at page 17304 of the RECORD of August 22, 1962, stated that he had asked the Department of Agriculture what level this would be and the Department replied it would be 70 cents per bushel, or 43 percent of parity.

The gentleman from Iowa [Mr. HOEVEN] has also inquired about this and found the figure to be 45 percent of parity, or 73 cents per bushel.

Whichever it is, 73 cents or 70 cents, it is an extremely low support for those who for so many years have so forcefully advocated 90 percent of parity and high rigid supports.

Of course, the vague language, "not result in increasing CCC stocks," leaves the Secretary virtually unlimited authority. He could easily set the support at 0. That is no support at all. He could pull the rug completely out or at the very least he could continue to threaten to do so. Does this seem improbable? I think not. Just take a look at the administration farm bill. All through it the theme of "controls or nothing" or put another way, "regimentation or ruin," was dominant.

This is the purpose of their amendment. It is a trap to enforce controls next year. These controls will be offered most assuredly as the Senate amendment further directs the Secretary to make specific recomemndations at the next session. It is an unwarranted and extremely broad authority to put into the hands of the people in the Department of Agriculture who are intent on blackjacking the farmer into a straitjacket.

I would like to ask the chairman of the Committee on Agriculture, the gentleman from North Carolina, whether or not he intends to support with all the vigor at his command the position of the House on this legislation. I understand it was the agreement in the Committee on Agriculture when this bill was originally reported out.

Mr. COOLEY. Certainly there is no such agreement in the Committee on Agriculture as indicated by the gentleman from Ohio.

I stated here on the floor in the debate that we would try to protect the House bill as far as possible; but the gentleman certainly knows that when you go to conference you have to make some concessions. We will make just as few concessions as circumstances force us to make.

Mr. BROWN. It has been my experience that the result of the conference usually depends upon the zealous attitude of the Members representing one side or the other in the argument. I hope the gentleman will stand by the position of the House.

Mr. Speaker, I yield 3 minutes to the gentleman from Indiana [Mr. HARVEY].

The SPEAKER pro tempore (Mr. GEORGE P. MILLER). The gentleman from Indiana is recognized for 3 minutes.

Mr. HARVEY of Indiana. Mr. Speaker, this bill we are sending to conference probably carries with it more importance than almost any other bill we have sent to conference this year. Certainly I hope with all my heart that the House version of this proposal will prevail, as one who is particularly interested in the livestock and feed grain provisions of this bill.

I would say that the Senate version is totally unacceptable to our type of farming. The House version is acceptable. I cannot put it any stronger than that.

We can only hope that the House conferees, because we have after a lot of difficulty in the House arrived at a basis that is fairly congenial to all of us, will stick vigorously to the House version of this bill.

I say that and repeat it because I cannot emphasize too much the importance that it has for the great Midwest type of grain and livestock agriculture.

Mr. BROWN. Mr. Speaker, I yield 3 minutes to the gentleman from Kansas [Mr. AVERY].

Mr. AVERY. Mr. Speaker, there are some clarifications I would like to get on the record so that not only the Members of the House may understand but the farmers of America will also understand the circumstances under which we are going to conference.

The Secretary, of course, had no other choice than to announce that a referendum would be held to determine whether or not marketing quotas would be imposed on wheat producers of 1963. This action is taken on the basis of the 1958 act and is being decided today. In view of the fact no farm bill coming from this Congress in time to develop a new program for 1963, the Secretary had no other alternative.

I would like to address this question to the chairman of the Committee on Agriculture:

As I understand it, the Secretary in announcing the referendum that is occurring today stated the acreage allotments to wheat farmers would be assigned on the basis of a 55-million-acre national allotment, and under that circumstance he would support the 1963 crop at $1.82 a bushel.

Mr. COOLEY. The gentleman is correct.

Mr. AVERY. On that basis, regardless of what might come out of this conference, if anything, as far as the 1963 crop is concerned the price support would not be less, under any circumstances, than $1.82 a bushel?

Mr. COOLEY. That is correct.

Mr. AVERY. There has been a lot of talk around over modification or a refinement of the farm bill that was passed by the House which might result in a provision whereby there could be a voluntary diversion from the already announced allotment, but it would be voluntary. Perhaps it would be along the line of the suggestion made by a member of the committee, the gentleman from Kansas [Mr. Dole]. Under that circumstance, or some other perhaps, the support price could be raised?

Mr. COOLEY. Yes, it can be raised, but not lowered.

Mr. AVERY. It is not likely to be raised unless some type of diversion program would evolve from this conference?

Mr. COOLEY. Yes.

Mr. AVERY. One other point I would like to make, and it will end up with a question.

The wheat producers have been maligned and assailed by almost every other segment of our economy from 1952 on. They have been accused of exploiting the Public Treasury, producing a surplus that is not needed. In the face of the surplus that is in evidence, we would have to agree there has been some overproduction.

The SPEAKER. The time of the gentleman from Kansas has expired.

Mr. BROWN. Mr. Speaker, I yield the gentleman 1 additional minute.

Mr. AVERY. Mr. Speaker, I would like to ask the gentleman from North Carolina a question. Of course he is not responsible, but I wonder if he can tell us what the Ellender amendment in the Senate bill means when it is described as an amendment "to make the fish farmers eligible for Government assistance programs."

Now—any language that I have understood—what would a Government assistance program to a fish farmer be, and what is it doing in an agricultural bill?

Mr. COOLEY. If the gentleman will yield further, that is one reason we wanted to go to conference—to find out what it means.

Mr. AVERY. That is a better reason for going to conference, that some of these suggestions I have heard, and I would support that objective.

Mr. Speaker, in conclusion, one understandable and one acceptable solution to this whole conference would be for the House conferees to agree to drop out the dairy section of our bill, which is not in the Senate bill, and the Senate agree to drop out the certificate wheat plan for 1964, and come back with just the simple extension bill as passed by the House. I am sure it could be agreed upon in a very few minutes and the House could proceed to complete its work for this session.

Mr. BROWN. Mr. Speaker, I yield 3 minutes to the gentleman from Minnesota [Mr. Quie].

Mr. QUIE. Mr. Speaker, I support this rule to send this bill to conference in order that we may work out the differences between the House and the Senate.

Mr. Speaker, we were primarily interested in the feed grains provision when the bill went through the House. This is the big reason why the bill which the administration wanted was defeated. There should not be any difficulty in working out the differences between the feed grains section of the Senate bill and our bill.

However, there is one part in which I am in complete opposition, and that is the change in the 1958 act as it would affect the present law on feed grains.

Mr. Speaker, we had before our committee for a number of weeks representatives of the Committee on Economic Development, known as the "CED," and many other individuals who wanted to express their views. The purpose of these hearings was to study the CED farm report. We do not know anyone who supports the position of the CED, because over a period of 5 years the CED proposes to phase out programs which we have had in operation for years and years, and on which farmers have been dependent. However, if the Senate bill is enacted, it would accomplish in one year—1964—what the CED planned to accomplish over a period of 5 years.

So, as the people around my part of the country are throwing their Sears, Roebuck catalogs at the doors of Sears, Roebuck order stores and picketing the Ford Motor Co., I think they ought to pay attention to the fact that this administration will then do in 1 year more than the CED planned to do in 5 years.

Mr. Speaker, I might also point out that in the Senate-passed bill they have a wheat section which we did not pass—the administration's certificate plan. Under that plan it is expected that the price supports for wheat which would be used for feed would be about $1.40 a bushel. This is because they expected under the feed grains provision price supports would be $1.30 a bushel. I might ask the Members of the House what would be the price of wheat—the basic price of wheat—if corn were dropped to 70 cents a bushel as proposed in 1964? This would mean that the price of wheat would be something like 80 cents a bushel rather than $1.40 a bushel. If this were the case, how could feed grain farmers make any kind of money and stay in business, if that would be the kind of income which they received?

Mr. Speaker, I know the reason for such a provision. It is to force Congress to put through mandatory controls over feed grains at the next session of Congress. I want no part of that program because the farmers in my area have proved that under the voluntary plan under which they have been operating the last 2 years and under which they hope to operate next year, they can actually reduce production more than anticipated under the plan proposed by Secretary Freeman.

Mr. Speaker, as we said the other day, under the voluntary plan anyone who wants to can take part in it, but everyone can raise enough feed for his livestock.

To me this is a basic right in agriculture, to anybody in this country, to have the right to manage their own operations. This is what I want to protect for the farmers of this country.

Mr. BROWN. Mr. Speaker, I yield 3 minutes to the gentleman from Ohio [Mr. Latta].

Mr. LATTA. Mr. Speaker, I take this time to ask the chairman of our committee a question about the position that the House is going to take relative to the two-price system for wheat that is now in the Senate bill. Is it the intent of the chairman of our committee to hold firm to the House position and attempt to delete the two-price system for wheat from the Senate bill?

Mr. COOLEY. Mr. Speaker, as I understand it, that would be applicable in 1963, but actually it is not possible to put the program in in 1963. Any program that is brought forth in this legislation would have to take effect in 1964. Now the gentleman is asking me what position the House will take. All I can say is that generally speaking the House conferees, I am certain, will stand by the House bill and every provision thereof as far as circumstances will justify and permit us to do.

Mr. LATTA. I thank the gentleman for his comment. I am glad to know that he will stand firm for the House position which did not contain this two-price system.

Mr. Speaker, I might point out to those who are interested in the small wheat producer, as I am, that if this two-price system stays in the bill, most of our small farmers are going to get $1.40 a bushel for their wheat. They are not going to be eligible for the certificates which are worth 60 cents a bushel. I think that the press has been exceedingly lax, especially out in Ohio, in not pointing this fact out to their readers. The last time I checked out in Ohio our farmers were getting approximately $2.02 a bushel for their wheat. Mr. Speaker, I would like to refer to the hearings on the House bill, before our committee, page 195, where the very able gentleman from Kansas [Mr. Dole] was interrogating the Secretary. The gentleman from Kansas [Mr. Dole] asked:

> Mr. Dole. You may have given an answer earlier to this. What do you think that the price might be for the wheat program?
>
> Secretary Freeman. I suggested that on the domestic area it would be somewhere between a range of $1.95 and $2.05. I did say, in connection with the export certificate, I do not feel quite prepared with regard to all of the factors which we would need to take into consideration on that, to set a range. I would think somewhere possibly between $1.70 and $1.90. Of course, what might be left by way of feed use—

That is what I am talking about, these people who are not eligible for these certificates—

> that main group, would move at feed price in relation to the support price of corn.
>
> Mr. Dole. That would be around $1.40?
>
> Secretary Freeman. It would depend upon where we set it. If we set the support price on corn at $1.30 it would be $1.40.

I mention to the membership now that that support price on corn is $1.20. So we actually would not be getting $1.40 a bushel price support without the certificate.

Mr. Speaker, I urge the conferees to hold firm in support of the bill that the House passed and to delete any reference whatever to this two-price system.

Mr. BROWN. Mr. Speaker, I yield 2 minutes to the gentleman from Kansas [Mr. DOLE].

Mr. DOLE. Mr. Speaker, I merely want to say it is most unusual that on the very day this bill goes to conference the Nation's wheat farmers are voting on the referendum. They are voting not knowing for certain what program will finally be adopted. In the winter wheat areas farmers are already seeding wheat and hence some type of voluntary plan appears to be necessary. Certainly the farmer who has not known whether to divert 10 or 20 percent of his allotted acres or to prepare more ground for planting, has been in a complete dilemma. He should not now be punished because Congress, largely because of the insistence of the Secretary of Agriculture on a mandatory program and his stubborn refusal to compromise, has not enacted a program. The farmer should not now be penalized when he is blameless.

I suggested on August 13, a 50-50 wheat plan, a voluntary program giving the farmer the option to retire up to 50 percent of his wheat allotment and receive diversion payments based on 50 percent of the farm's production.

Under legislation introduced by me—H.R. 12875—the 55-million-acre national minimum allotment would be in effect as Secretary Freeman has previously announced, and price support would be from 75 to 90 percent of parity. This voluntary approach is necessary because many winter wheat farmers have already begun their planting operations. It would be extremely unfair to change the rules in the middle of the game by forcing wheat farmers to cut their acreage after voting in the referendum on a 55-million-acre national allotment.

Each wheat farmer would be given the opportunity to divert up to 50 percent of his allotment—or in the case of small growers up to 50 perecnt of his highest actual acreage in 1959, 1960, or 1961—in return for diversion payments based on 50 percent of the farm production times the basic county support price.

As in the 1962 program, the diverted acreage would be devoted to conservation practices.

Special provisions applying to the planting of castor beans, guar, safflower, sunflower, sesame, and other annual field crops, except table vegetables and flax, would be continued in the same manner as in 1962.

The Secretary would also be given authority to make advance payments not to exceed 50 percent of the total amount due and would be given authority to make adjustments, issue regulations, and use the funds of the Commodity Credit Corporation for this special 1963 wheat program.

In addition, the provisions in the 1962 program applying to new farms, the release of stored wheat and Durum wheat would be continued by my proposed legislation.

Those sending out information on farm programs and relative income should seriously consider what would happen under the Senate version of the bill insofar as the wheat farmer is concerned.

Under the certificate wheat plan that portion of his crop the farmer could sell for feed becomes important. Since the price he would receive for feed wheat is related to the price of corn it does not take an expert to determine that if the Ellender feed grain amendment is retained in the Senate passed bill wheat farmers would receive about 80 cents a bushel for feed wheat in 1961. This would have a drastic effect on farm income throughout the Midwest, needless to say.

You have heard the gentleman from Ohio [Mr. LATTA] and the gentleman from Kansas [Mr. AVERY] discuss the wheat program. It is high time farmers are given facts; the farmer wants to know where he is going. I trust in conference serious consideration will be given to a voluntary approach for the wheat farmer for 1963.

Mr. BROWN. Mr. Speaker, I yield 3 minutes to the gentleman from Ohio [Mr. MCCULLOCH].

Mr. McCULLOCH. Mr. Speaker, I was very pleased to hear the question addressed by my colleague [Mr. BROWN] to the chairman of the Committee on Agriculture. I would like to recall to the memory of the Members of the House what happened to a bill that came from the Committee on the Judiciary known as the Antitrust Civil Process Act. I supported that bill as it came from the committee. It was amended on the floor by what was determined to be a very important amendment. It went to conference, and the conference report rejected the House amendment. When the conference committee report came back to the House, you will remember that very close vote of 202 to 200 that agreed to the motion to recommit the conference report to the committee of conference. So, Mr. Speaker, it is my hope that the House conferees on this bill fight as only House Members can fight when they know they are right.

Mr. BROWN. Mr. Speaker, I yield the remainder of the time on this side to the gentleman from Iowa [Mr. HOEVEN].

Mr. HOEVEN. Mr. Speaker, in not opposing the rule and in not asking for instructions to be given to the House conferees on this bill, I am assuming that the House conferees will do their level best and their utmost to support the House position on this legislation. Mr. Chairman, am I correct in that assumption?

Mr. COOLEY. The gentleman is one of the conferees. I think he ought to speak for himself. I speak for myself. I have already spoken two or three times about it. The gentleman knows we cannot go into conference with our hands tied. We must go into a free conference. We may have to make some concessions. We may not be able to bring back the House bill 100 percent as we passed it, but we will do our best.

Mr. HOEVEN. I thank the gentleman for his assurance. I think I can speak in behalf of the House conferees on the minority side: We expect to sustain the position of the House as far as possible especially with reference to the wheat and feed grain sections. The feed grain section really is not involved in conference because both the Senate and House versions are much alike. But, the proposed revision of the act of 1958 as it relates to corn and feed grains is dynamite, and will no doubt be one of the most controversial items to confront the conferees. In the House bill we extend the feed grain act for 1 year, as well as the present wheat program for another year. The other body, however, wrote into the wheat section the so-called certificate or two-price system which I cannot accept.

Furthermore, in a very clever move the Senate has sought to amend the Agricultural Act of 1958 whereby the Secretary of Agriculture will be given complete discretion and authority to fix the price support on corn from zero to 90 percent, of parity provided that none such feed grains help build up the Commodity Credit Corporation's stocks on corn.

This provision is dangerous because it will practically mean removing all price supports on corn. The best analysis I can find under the formula proposed in the other body, the price support on corn will be about 45 percent of parity which would mean about 70 cents to 73 cents corn. Everyone knows whenever you have cheap feed grains, you are going to have cheap livestock, so another problem will be created.

Now the thing that disturbs me very much is the statement made by the chairman of the Committee on Agriculture and Forestry in the other body when the Senate bill was under consideration. The Senator from Kentucky [Mr. COOPER] made this statement to Senator ELLENDER as found on page 17204 of the RECORD of August 21, 1962:

> I know the purpose of the chairman, as he made very clear yesterday on the floor, is to secure, if possible, enactment next year of a compulsory feed grain program.

And Senator ELLENDER answered in the affirmative.

The House has spoken very emphatically on the question of a compulsory feed grain program. I want to serve notice right now, that if a conference report comes back with any type of compulsion in it, that I shall oppose it to the best of my ability.

Let me emphasize also that the Senate proposes permanent legislation for corn and feed grains. If the Senate passes a strict feed control bill next year, with the act of 1958 repealed as to support on corn, as they contemplate doing, it will simply be saying to the feed grain farmers—you will have to take the control bill now because we have pulled the rug from under you in repealing the act of 1958. I do not propose to let that happen. I, for one, do not expect to be caught in that kind of a trap.

So I do hope that when we go into conference, the House conferees will stand by the House version as far as possible. We have a gentleman's agreement in our committee that early next year we are going to review the entire act of 1958 and all subsequent major farm legislation, and so I see no reason in the world why we should legislate beyond the year 1963. There will be another Congress here in January. Let us legislate for the year 1963 and not be worrying about legislation for 1964. I do hope we can present a conference report very much in line with the House position on the legislation for next year and that we then carefully review proposed permanent legislation at the next session of the Congress.

Mr. SMITH of Virginia. Mr. Speaker, I move the previous question on the resolution.

The resolution was agreed to.

A motion to reconsider was laid on the table.

The SPEAKER. The Chair appoints the following conferees: Messrs. COOLEY, POAGE, GATHINGS, BREEDING, HOEVEN, BELCHER, and QUIE.

EXPERIMENT STATION RESEARCH FACILITIES

Mr. ABERNETHY. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (H.R. 12712) to assist the States to provide additional facilities for research at the State agricultural experiment stations, and that it may be considered in the House as in the Committee of the Whole.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Mississippi?

There was no objection.

The Clerk read the bill as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That it is hereby declared to be the policy of the Congress to continue its support of agricultural research at the State agricultural experiment stations through Federal-grant funds, on a matching basis, to help finance physical facilities as required for the effective conduct of an adequate research program.

SEC. 2. The purpose of this Act is to assist the State agricultural experiment stations in the construction, acquisition, and remodeling of buildings, laboratories, and other capital facilities (including the acquisition of fixtures and equipment which are to become a part of such buildings) which are necessary to more effectively conduct research in agriculture and sciences related thereto through means of grants from the Federal Government.

SEC. 3. As used in sections 2 to 11, inclusive, of this Act—

(1) the term "State" shall include Puerto Rico;

(2) the term "State agricultural experiment station" means a department established under the direction of a college or university in any State in accordance with the Act entitled "An Act donating public lands to the several States and Territories which may provide colleges for the benefit of agriculture and mechanic arts", approved July 2, 1862 (7 U.S.C. 301); or a department otherwise established pursuant to standards prescribed by the State the purpose of which is to conduct agricultural research; and

(3) the term "Secretary" shall mean the Secretary of Agriculture.

SEC. 4. (a) There are hereby authorized to be appropriated for allocation to the States for the purposes of section 2 such sums as the Congress deems advisable.

(b)(1) One-third of the funds appropriated pursuant to this section for any fiscal year shall be allotted equally among the States.

(2) Two-thirds of the funds appropriated pursuant to this section for any fiscal year shall be allocated among the States as follows: One-half in an amount which bears the same ratio to the total amount to be allotted as the rural population of the State bears to the total rural population of all the States as determined by the last preceding decennial census current at the time each such sum is first appropriated; and one-half in an amount which bears the same ratio to the total amount to be allotted as the farm population of the State bears to the total farm population of all the States as determined by the last preceding decennial census current at the time such sum is first appropriated.

(c) It shall be the duty and responsibility of the Secretary to administer the provisions of section 4 of this Act under such rules and regulations as he may precribe as necessary therefor.

SEC. 5. Any State in order to be eligible for payments from funds allocated pursuant to section 4 shall submit, in such form as the Secretary may require, specific proposals for acquisition or construction of physical facilities defined in section 2 of this Act. No State shall receive any payment for any such proposal unless such proposal is approved by the Secretary.

SEC. 6. (a) No payment shall be made to any State under the provisions of section 4 of this Act in any amount greater than the amount made available by such State from non-Federal funds for purposes for which payments are made under section 4 of this Act.

(b) Any unused portion of the allotment of any State for any fiscal year shall remain available, at the option of such State, for payment to such State for a period of not more than two fiscal years following the fiscal year in which such allotment is first made available.

SEC. 7. With respect to multiple-purpose physical facilities, the segment or portion thereof which is to be utilized for agricultural research shall be the basis for determination of fund support under this Act.

SEC. 8. For each fiscal year that funds are made available for allocation to States under the provisions of section 4 and section 6 of this Act, the Secretary shall ascertain, at the earliest practicable date during such year, the amount of the allocation to which each State is entitled, and shall notify each State in writing promptly thereafter as to the amount of such allocation.

SEC. 9. (a) Any State agricultural experiment station authorized to receive payments under the provisions of section 4 of this Act shall have a chief administrative officer, to be known as a director, and a treasurer or other officer appointed by the governing board of such station. Such treasurer or other officer shall receive and account for all funds paid to such station pursuant to the provisions of this Act, and shall submit a report, approved by the director of such station, to the Secretary on or before the first day of September of each year. Such report shall contain a detailed statement of the amount received under the provisions of this Act during the preceding fiscal year, and of its disbursements on schedules prescribed by the Secretary.

(b) If any portion of the allotted funds received by the authorized receiving officer of any State agricultural experiment station shall by any action or contingency be diminished, lost, or misapplied, it shall be repaid by the State concerned, and until repaid no part of any subsequent appropriation shall be allocated or paid to such State.

SEC. 10. The Secretary shall make an annual report to the Congress during the first regular session of each year with respect to (1) payments made under this Act, (2) the facilities, by States, for which such payments were made, and (3) whether any portion of the appropriation available for allotment to any State has been withheld and, if so, the reasons therefor.

SEC. 11. (a) Any agricultural experiment station established by State law shall be eligible for benefits under this Act.

(b) With respect to any State in which more than one agricultural experiment station has been established, any appropriations allocated for the use of such State pursuant to the provisions of this Act shall be divided between or among such institutions as the legislature of such State shall direct.

SEC. 12. There is hereby authorized to be appropriated such sums as may be necessary for proper administration of this Act.

Mr. ABERNETHY. Mr. Speaker, I move to strike out the last word.

Mr. HOEVEN. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. HOEVEN. How is the time divided?

The SPEAKER. The bill is being considered in the House as in the Committee of the Whole. We are operating under the 5-minute rule.

The gentleman from Mississippi is recognized.

Mr. ABERNETHY. Mr. Speaker, this bill does not create a new program for agriculture. The primary purpose of the bill is to provide a simple and fair means of distributing among the various States funds that are to be appropriated by the Congress for agricultural experiment station facilities and equipment. The law does not now include any particular formula for the distribution of such.

Federal funds for the Extension Service are distributed on a basic formula written into the law. The work of the Extension Service and that of the experiment stations are more or less related. The funds for experimental station facilities and equipment will be on passage of this bill distributed on the basis of a formula similar to the manner in which they are distributed to the Extension Service. Distribution will be on a matching basis. For every dollar that goes to a State for these research facilities the State must put up its dollar; in other words, the matching is on a 50-50 basis.

Mr. ALBERT. Mr. Speaker, will the gentleman yield?

Mr. ABERNETHY. I yield to the gentleman from Oklahoma.

Mr. ALBERT. Mr. Speaker, I desire to congratulate the distinguished gentleman from Mississippi upon sponsoring and bringing this legislation to the floor.

I commend the gentleman for the manner in which he has worked on this for a long time. It is a matter in which I have had a personal interest. It is a matter also in which Dr. Louis J. Hawkins, Director of Experimental Stations at Oklahoma State University, has taken a leading interest. Dr. Hawkins is a former president of the National Association of Directors of Experimental Stations, and in that capacity he took the initative in promoting this type of legislation. I know those who are charged with the responsibility of directing the work of our experimental stations, and those who like Dr. Hawkins have outstanding records of leadership in the field of research, are going to be pleased with the work of the gentleman in this instance.

Mr. ABERNETHY. I thank the gentleman for his remarks.

Incidentally, Mr. Speaker, this is a bipartisan bill. The Department of Agriculture of the present Administration as well as that of the previous Administration endorsed the legislation. Similar bills have been introduced by the gentleman from Oklahoma [Mr. ALBERT], the gentleman from South Dakota [Mr. REIFEL], the gentleman from Indiana [Mr. HARVEY], the gentleman from Oklahoma [Mr. STEED], and possibly others.

The bill was reported to the House by unanimous vote of the Committee on Agriculture, and I commend it to the favorable consideration of the Members.

Mr. HOEVEN. Mr. Speaker, I move to strike the requisite number of words.

Mr. Speaker, I rise in support of H.R. 12712. This bill has been carefully considered by the Research and Extension Subcommittee and by the Full Committee on Agriculture and comes to the House with a unanimous vote of approval.

This bill provides for the future appropriation of Federal funds on a matching basis for the specific purpose of aiding the construction, acquisition, and remodeling of buildings, laboratories and other facilities for agricultural research in the various State experiment stations.

Our committee feels that this legislation is needed to modernize and to help direct our research effort into new and profitable areas.

We in agriculture are of course proud of the research record written by our land grant colleges, State experiment stations and the U.S. Department of Agriculture.

A hundred years ago, a farmer made his way to the barn to milk his cows in predawn darkness. In the kitchen, his wife cooked breakfast on the old wood-burning stove by the flickering light from a homemade candle. The next fall, if the crops were good, she hoped to be able to buy one of those newfangled "coal oil" lamps everybody was talking about.

After breakfast, as the first faint streaks of light began to show in the east, the farmer headed his team of plowhorses down the lane to the fields and the long day of hard labor. Like countless generations of farmers before him, he had no power machines to help him with his work. Muscles of men and animals supplied all the energy used on a farm in those days. Only by working in the fields from early dawn to dark could a farmer produce enough food and fiber to supply the needs of five people.

Today, the average American farmer produces enough for 26 people—and with far less physical labor. In a few decades of amazing progress, this country has increased agricultural productivity to a level unprecedented in the history of mankind. Not only do we have plenty of food and fiber for current needs of our tremendously expanded population, but we have enough surplus in storage to carry us through almost any emergency.

The industry and hard work of the American farmer combined with the fruits of science and education have of course been the major factors in this amazing progress.

These factors combined have helped push farm productivity to remarkable new highs. In the last 40 years, for example, crop production per acre has increased about 60 percent, while output per breeding animal has gained by some 85 percent. Production and consumption of all meats have more than doubled.

This bill before us today is a further recognition of the importance of continuing a sound and balanced research effort. It is a constructive and worthwhile piece of legislation and it should be enacted.

Mr. QUIE. Mr. Speaker, I move to strike the requisite number of words.

Mr. Speaker, I rise in support of this bill, and I want to commend the gentleman from Mississippi for the work he has done on this legislation. When we look at the results of the Federal Government activities in the field of research for agriculture, we note that the Federal Government has done nothing of more lasting benefit to the farmers than through research.

I recently read that if the cost of production on the farms of this country was the same as it was right after World War II, it would have cost us $15 billion more to produce our present abundance than it did. Bear in mind the farmers' net income was $13 billion last year.

This bill will mean more progress. I can assure the membership there is complete bipartisanship support for this legislation.

I know quite a number of other Members want to extend their remarks, so I will ask unanimous consent that all Members may have permission to extend their remarks at this point in the RECORD on the bill now pending.

The SPEAKER. Is there objection to the request of the gentleman from Minnesota?

There was no objection.

Mr. REIFEL. Mr. Speaker, I rise in support of this bill. It is important to the continuing improvement of agriculture in my State, where this industry is our primary source of income. This year we have been hard hit by stem rust on winter wheats. In order that rust resistant varieties may be developed, our greenhouse facilities for cereal crop breeding need to be expanded. The egg-laying industry in South Dakota has grown rapidly in the past few years and our State college facilities for poultry housing need to be brought up to standard. Research in veterinary medicine is confronted with severe limitations because of lack of adequate space. Funds that would be made available through H.R. 12712 would help to improve agricultural research in my State.

Mr. McINTIRE. Mr. Speaker, I rise in support of H.R. 12712, the experiment station research facilities bill. This bill has been carefully studied by the House Committee on Agriculture. I wish now to compliment the work of the Subcommittee on Research and Extension, chairmaned by the gentleman from Mississippi [Mr. ABERNETHY], for its careful study and efforts made to bring before the House a sound legislative proposal.

This authorization will fill a very basic need and permit sound progress in the development of agricultural research facilities to meet the rapid technical changes taking place in production, marketing, and basic research in the broad area of food and fiber resources of our country, as well as the better utilization of these resources.

Mr. Speaker, I urge the approval of this bill.

Mr. PIRNIE. Mr. Speaker, I wish to record my support of H.R. 12712 authorizing Federal matching funds for agricultural experiment station research facilities. Agricultural research has been a significant factor in making American agriculture the most efficient and productive in the world. This legislation will promote continued progress by assuring sound financing of needed physical facilities to house this activity.

Farmers, business, and consumers have benefited greatly from the work conducted at land-grant colleges—such as my own alma mater, Cornell University. The technical knowledge gained has led to improved quality and new uses for American food and fiber. New markets for farmers and businessmen and lower cost for consumers have resulted. It is heartening to note the widespread bipartisan interest and support of this worthy legislation.

Mrs. MAY. Mr. Speaker, H.R. 12712 to assist the States to provide additional facilities for research at the State agricultural experiment stations is a most worthwhile program and I am gratified that the House has passed this legislation.

The bill provides for the future appropriation of Federal funds on a matching basis to aid the construction, acquisition, and remodeling of buildings, laboratories, and other facilities for agricultural research in State experiment stations.

As a member of the Research and Extension Subcommittee I am well aware of the great value that research at State experiment stations has had through the years to the well-being of our citizens. Washington State University which is located in my own congressional district has been among the leading universities in the Nation in agricultural experiment station work. As our population continues to increase, the work at these experiment stations must keep pace with a continuing sound and balanced research effort. This bill is needed to modernize and channel our research efforts toward further progress.

The bill was ordered to be engrossed and read a third time, and was read the third time and passed.

House Resolution 765 was laid on the table.

A motion to reconsider was laid on the table.

GENERAL LEAVE TO EXTEND

Mr. ABERNETHY. Mr. Speaker, I ask unanimous consent that all Members have 5 legislative days in which to extend their remarks on the bill just passed.

The SPEAKER. Is there objection to the request of the gentleman from Mississippi?

There was no objection.

PROGRAM FOR THE BALANCE OF WEEK AND NEXT WEEK

Mr. ARENDS. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

Mr. ARENDS. Mr. Speaker, I take this time in order that the majority leader might advise us as to the program both for tomorrow and the following week.

Mr. ALBERT. Mr. Speaker, will the gentleman yield?

Mr. ARENDS. I yield to the gentleman from Oklahoma.

Mr. ALBERT. Mr. Speaker, this concludes the legislative business for the week. However, the House will be in session tomorrow. It is my purpose to ask at the conclusion of this colloquy unanimous consent that when the House adjourns tomorrow it adjourn to meet on Tuesday next.

Mr. Speaker, Monday is Labor Day, and there is no session scheduled. Tuesday the Consent Calendar and the Private Calendar will be called. There is a primary in Nevada on that date. Wednesday there is no session. Thursday there is no legislative business because of the New York primary.

Mr. Speaker, I would like to advise the House that any bills returned from the other body with Senate amendments thereto may be sent to conference by unanimous consent on any day the House is in session next week. It is not intended, Mr. Speaker, to bring up conference reports next week, however, for final consideration. Of course, this announcement is made subject to the reservation that should any emergency arise, the House would take such action as would be necessary under the circumstances.

There will be no legislative business except the Consent Calendar and Private Calendar and, hence, no rollcalls.

Mr. ARENDS. Will there be a conference report of any kind tomorrow about which the gentleman from Oklahoma presently knows?

Mr. ALBERT. If the gentleman will yield further, I am not aware of any conference report that will be called up tomorrow.

Mr. BALDWIN. Mr. Speaker, will the gentleman yield?

Mr. ARENDS. I yield to the gentleman from California.

Mr. BALDWIN. Mr. Speaker, if I might make a comment to the majority leader, it seems to me that from the standpoint of those of us who are from the west coast, with the problems and costs of transportation back and forth to the west coast being substantial, this kind of schedule where we have a situation as we did last week with no legislative business of note, and next week with no legislative business of note, it is extremely unfair to those who are from the west coast. Those who are from the east coast or from the middle areas can go back and forth and the cost involved is not too much. It is not so much of a handicap to them, but this is being brutally unfair to those of us who are from the western areas and the west coast.

Mr. ALBERT. If the gentleman from Illinois [Mr. Arends] will yield further, may I frankly advise the gentleman from California [Mr. Baldwin], that the reason for the action taken here is that we have a primary on Tuesday and a primary on Thursday of next week. Under a precedent of the House which has been in existence since before I came to Congress we have always put over rollcalls on primary days and on days preceding primaries. We have a primary on the following Tuesday and also on the following Thursday.

Now, Mr. Speaker, I can assure the gentleman that the leadership on both sides of the aisle is undertaking to expedite the business of the House and to accommodate the Members of the House as much as possible under the circumstances. We will not be able to program major business until week after next.

Mr. ARENDS. May I inquire of the gentleman that as far as the gentleman knows the first major piece of legislation we will have will be on September 13?

Mr. ALBERT. If the gentleman will yield further, so far as I know at this time that is true. But I would like to make no statement at this time beyond the program for next week.

Mr. ARENDS. I thank the gentleman.

ADJOURNMENT OVER TO NEXT WEEK

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that when the House adjourns tomorrow it adjourn to meet on Tuesday next.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

DISPENSING WITH CALENDAR WEDNESDAY BUSINESS

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that the business in order under the Calendar Wednesday rule may be dispensed with if the House is in session on Wednesday next.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

H.R. 4999—TRAINING OF PHYSICIANS, DENTISTS, AND PUBLIC HEALTH PERSONNEL

Mr. LANE. Mr. Speaker, I ask unanimous consent to revise and extend my remarks and to include a letter.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. LANE. Mr. Speaker, I rise in support of H.R. 4999, a bill to increase the opportunities for training of physicians, dentists, and professional public health personnel, that was reported with amendments from the Committee on Interstate and Foreign Commerce on March 24, 1962.

I understand that this legislation proposes a 10-year program designed to alleviate critical shortages of professional health personnel which already have begun to affect the level and quality of health care in this Nation. These shortages threaten to become worse during the next decades unless immediate steps are taken to increase the supply of professional health personnel.

As amended by the committee, the bill further provides for a 10-year program of matching grants for the construction of teaching facilities for medical, dental, osteopathic, and professional public health personnel as well as for pharmacists, optometrists, podiatrists, and nurses; a 5-year program of loans for students of medicine, dentistry, and osteopathy; and a 3-year extension of the health research facilities construction program.

I know that there is a great deal of interest in this bill by the various medical, dental, and public health schools throughout the country, and a considerable amount of correspondence in support of this legislation has been received by all of us.

I am aware that this bill is awaiting action by the Rules Committee and I realize full well that this committee has had more than its share of bills requiring its consideration. In my opinion, the Rules Committee is one of the hardest working committees in the Congress and there is no doubt that they are working zealously to reach these pending bills for hearing.

I sincerely hope that the Rules Committee will have an opportunity in the near future to program H.R. 4999 so that the Congress may be able to take action on this most worthwhile piece of legislation.

I wish at this time to include as part of my remarks, a letter received today and signed by the deans and acting deans of several medical, dental, and public health schools in the Greater Boston area, that are of course vitally interested in the passage of this legislation:

BOSTON, MASS.,
August 29, 1962.

Re H.R. 4999.
Hon. THOMAS J. LANE,
U.S. House of Representatives, New House Office Building, Washington, D.C.

DEAR CONGRESSMAN LANE: On behalf of the 29 below-listed Massachusetts institutions which are eligible for research and teaching facilities grants proposed in H.R. 4999, we appeal to you to work for release of this bill by the Rules Committee and for its passage in the House. We are writing also to all other members of the Massachusetts delegation. The institutions concerned are—

Boston University School of Medicine, Harvard Medical School, Harvard School of Dental Medicine, Harvard School of Public Health, Tufts University School of Dental Medicine, Tufts University School of Medicine, Beth Israel Hospital, Boston City Hospital, Boston Dispensary, Boston Floating Hospital, Boston Lying-In Hospital, Boston State Hospital, Boston Veterans' Administration Hospital, Carney Hospital, Children's Hospital Medical Center, Douglas A. Thom Clinic for Children, Faulkner Hospital, Forsyth Dental Infirmary, Free Hospital for Women, James Jackson Putnam Children's Center, Lemuel Shattuck Hospital, Massachusetts Eye and Ear Infirmary, Massachusetts General and McLean Hospitals, Massachusetts Memorial Hospitals, Massachusetts Mental Health Center, New England Center Hospital, Peter Bent Brigham Hospital, Pondville Hospital, and St. Elizabeth's Hospital.

We wish to point out that H.R. 4999, as reported by the House Interstate and Foreign Commerce Committee, would (1) authorize Federal matching grants for construction of teaching facilities to expand enrollment in medical, dental and public health schools and affiliated teaching hospitals, (2) extend the authorization of Federal matching grants for construction of health research facilities beyond the present expiration date of June 30, 1963, (3) authorize, instead of the originally proposed medical student fellowships and teaching grants to medical schools, a medical student Federal loan fund to which medical schools concerned would contribute.

The measure (H.R. 4999), now in the Rules Committee, is endorsed by: the American Medical Association, the American Dental Association, the American Hospital Association, the American Public Health Association, the American Association of Dental Schools, the American Association of Medical Colleges, and the Association of Schools of Public Health.

In addition to the vital assistance which H.R. 4999 would provide for newly established health institutions in Massachusetts in coming years, the existing institutions listed above are prepared to mount construction projects costing many millions of dollars in the immediate future, if H.R. 4999 is enacted. Thus their capacity to serve the Commonwealth and the Nation would be greatly increased.

It is our hope that you and your colleagues from Massachusetts will regard H.R. 4999 as being so vital to the interests of the Commonwealth that it will receive concerted bipartisan support by the entire delegation. We will be deeply grateful for your personal interest and help.

Sincerely,
J. MURRAY GAVEL, D.M.D.,
Acting Dean, Tufts University School of Dental Medicine.
ROY O. GREEP, Ph. D.,
Dean, Harvard School of Dental Medicine.
JOHN C. SNYDER, MD.,
Dean, Harvard School of Public Health.
LEWIS H. ROHRBAUGH, M.D.,
Acting Dean, Boston University School of Medicine; Director, Boston University Medical Center.
GEORGE PACKER BERRY, M.D.,
Dean, Harvard Medical School.
JOSEPH M. HAYMAN, JR., M.D.,
Dean, Tufts University School of Medicine.

FOREIGN AID DONEES TO LET CONTRACTS

Mr. MONAGAN. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Connecticut?

There was no objection.

Mr. MONAGAN. Mr. Speaker, I want to call to the attention of the House a recent policy decision of the Agency for International Development. This decision deserves a more intensive scrutiny than it has received prior to this point. It is one whose development I view with great trepidation and I am sure that other Members will agree with me when they understand the trend that has developed.

On June 15, 1962, a new plan for the administration of capital projects under the jurisdiction of AID was adopted by that Agency. This policy involves a radical change in the relationship between the Agency and various host countries. In addition to this, however, it involves a radical change of approach which varies sharply from previous congressional policy in the letting of capital contracts and the administration of public works contracts.

The salient provision of the new policy is the directive that contractual arrangements in capital projects will be made by a borrower or grantee directly with the firms it selects to do engineering and construction.

In the words of the policy statement—

> AID will administer all capital projects by controlling and monitoring the use of the AID funds rather than by direct involvement in the contracting, engineering, procurement, and construction, regardless of the method of financing.

In other words, the U.S. Agency will surrender all initiating activity, such as making studies and entering into contracts, and will limit itself to a post contract position. While this might very well save a substantial amount of administrative work, there is a virtual guarantee that this decision will also bring with it serious deficiencies, lack of competition, higher costs, lower standards of performance and all the other performance failures which constantly threaten the administration of the foreign aid program.

Surely we have had enough difficulties with this program when all the details of administration have resided in our own governmental agencies, and there is little basis for confidence therefore that these difficulties and the consequent cost to the United States will be lessened by placing appreciably greater control of contracting procedures in beneficiary countries.

It is too early to have received any report on activities under this new directive, but the possibility of loss and damage to the interests of the United States which are opened up by this policy demand that it be promptly reversed so that effective control of the expenditures of the vast sums appropriated under the foreign aid program will be retained by the United States and not farmed out to the beneficiaries of the program.

Otherwise we will have a revival of the old free-lunch counter on a global financial scale.

CONDITIONS IN SUPPLEMENTAL AIRLINE INDUSTRY

Mr. WALTER. Mr. Speaker, I ask unanimous consent to address the House for 1 minute, to revise and extend my remarks, and include extraneous matter.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

Mr. WALTER. Mr. Speaker, I thought when Congress enacted the new legislation to make the supplemental airlines safer and more reliable, that we were going to approach a new era of responsibility in this airline field.

However, I have uncontroverted documented evidence that the Federal Aviation Agency has no intention of cleaning up the dirty mess that has prevailed in the supplemental airline industry, and I have no alternative but to ask President Kennedy to dismiss the Federal Aviation Agency Administrator, whose conduct under the most charitable interpretation, is negligent or cynically expedient or both.

At the same time, I am demanding the immediate dismissal of the Director of Flight Standards Service at the Federal Aviation Agency.

These requests, drastic as they are, are made after hours of deliberation and after thorough examinations of the papers filed by the nonsked airlines, the Civil Aeronautics Board, the Military Air Transport Service of the Department of Defense, the Federal Aviation Agency and other interested parties in the so-called interim operating authority proceedings which will be held before the CAB beginning September 10, 1962.

The CAB forwarded all of these documents to me, and the only relevant papers I have not seen are some 1,600 pages of CAB bureau exhibits which document their conclusions.

I became interested in the supplemental airlines' operations as a result of the Imperial Airline plane crash last

November 8 in Richmond, Va., in which 29 boys, Army recruits from my congressional district were killed.

Investigations of this supplemental air carrier and other nonskeds disclosed shocking conditions in maintenance and operation of aircraft.

These investigations convinced me that it is squarely up to Congress to solve the nonsked problem by strict legislation.

Our distinguished chairman, the gentleman from Arkansas [OREN HARRIS] and his distinguished colleagues on the Interstate and Foreign Commerce Committee worked diligently toward this end. This House of Representatives on June 29 voted 339 to 0 to accept this new legislation aimed at cleaning up the nonsked mess. The Senate that same day approved the legislation by voice vote.

These "Interim Operating Authority Proceedings" that I have reviewed are in my judgment the crucial followup to the legislation that was enacted. If the illegal nonskeds are not eliminated now in these relatively short and simple proceedings, these nonskeds will be back in business and able to take advantage of the long procedural delays they have exploited in the past to circumvent regulation.

One thing is apparent from the affidavits filed by the CAB and MATS—this nonsked problem is even more serious than I had supposed. I am advised that 8 of the 32 nonskeds are already or will shortly be defunct for failure to file an application or for other reasons. Some nonskeds appear to be relatively clean and may be good risks for a probationary interim operation until the CAB can examine them more thoroughly in a full dress section 401(d)(3) proceeding.

However, there are 11 nonskeds with long records of flagrant violations and negligent and unsafe operations who are aggressively seeking continued authority. I have read the CAB and MATS affidavits as well as the supporting documentation and I agree with the CAB Bureau that these 11 carriers must be eliminated in the interest of air safety and legal operations.

The shocking thing which I want to bring to the attention of Congress and the public is that the FAA has sent seven affidavits to the CAB which pronounce seven of the most lawless and irresponsible nonskeds "to be fit, willing, and able to conform to the rules, regulations, and requirements of the Federal Aviation Agency." The following table summarizes this situation:

	MATS action	CAB action
Nonskeds found fit, willing, and able by FAA:		
Airline Transport Carriers, Inc., June 27, 1962 [1]	MATS disqualified	CAB Bureau finds unfit.
Associated Air Transport, Inc., July 27, 1962 [1]	do	Do.
Blatz Airlines, Inc., May 29, 1962 [1]		Do.
Paramount Airlines, Inc., June 7, 1962 [1]		Do.
Quaker City Airways, Inc		Do.
Standard Airways		Do.
United States Overseas, Jan. 11, 1962 [1]	MATS disqualified	Do.

[1] FAA issued operating permits during 1962 despite illegal activities.

Two of these cases will suffice to indicate how off-base Halaby and the FAA are in this matter:

I

On June 12, 1962, I wrote to Halaby to alert him concerning an illegal transaction one of these seven carriers, Associated Air Transport, Inc., was in process of committing. In that letter I stated:

> I do not think the FAA should apparently condone such operations by reinstating the operating permit of such an operator.

Earlier, on June 4, 1962, I also wrote to Chairman Alan Boyd at the Civil Aeronautics Board to advise him of these illegal operations.

The different reactions of Halaby and Boyd are very significant. Halaby replied on July 2, 1962 that—

> We have been working quite closely with the CAB on this matter. We are withholding the operating certificate of Associated Air Transport until the question raised by the CAB has been settled.

Halaby went on to add:

> We will keep you informed as this situation develops because I know your considerable interest in the matter.

In the meantime, the CAB on June 29, 1962, had already taken action and issued a show cause order to revoke Associated's supplemental certificate on the grounds that "Associated is not fit, willing, or able to perform properly the services authorized by its temporary certificate" (CAB Order E-18525, p. 1). Later, on July 19, 1962, the CAB issued a further cease-and-desist order to prevent the Associated certificate from illegally falling into the control of persons who are long associated with illegal nonsked operations—CAB Order E-18612.

Despite this CAB action and the clear and inescapable public proclamation that this company was unfit to operate, Halaby awarded an operating permit to Associated on July 27, 1962, and that company is presently conducting flights on the strength of this FAA permit. To this day I have never received an official explanation of this conduct despite Halaby's undertaking in this letter of July 2 to "keep you informed." Actually, this is worse than these facts indicate.

Associated was declared unfit by MATS back in November of 1961, and I have in my possession an affidavit from an officer of MATS formally submitted to the CAB on August 16, 1962, which recites that Associated is still unfit to carry MATS traffic because, among other things, it is financially unable to conduct safe operations, it has had three pilot factor accidents in 3 years and six violations of safety rules including discrepancies in training and flight checks, its maintenance of aircraft was grossly inadequate and its supply or rotatable spares and assemblies was inadequate.

The thing that is even more shocking about this is that whereas the CAB has carefully and painstakingly documented its orders against this carrier and MATS has supplied a bill of particulars citing specific violations and inadequacies, the FAA affidavit pronouncing this carrier fit and able is a form letter containing no details and no substantive evaluation of the carrier whatsoever.

II

The case of U.S. Overseas Airlines is even more troublesome.

On August 13, 1962, the FAA submitted to the CAB a sworn affidavit signed by George C. Prill, Director of Flight Standards, which states that the FAA, following a precertification inspection on January 11, 1962, and following continuing surveillance to date, finds U.S. Overseas Airlines, Inc., "to be fit, willing, and able to conform to the rules, regulations and requirements of the Federal Aviation Agency."

I also have a copy of an affidavit sworn on August 11, 1962, by a Lt. Col. Claude L. Duke, Jr., of the MATS which states that MATS inspected the U.S. Overseas maintenance headquarters and, note well, MATS conducted its first inspection on January 9-13, 1962, at the identical time FAA conducted its inspection and MATS suspended U.S. Overseas from providing air transportation for a list of reasons and citing conditions that are simply shocking. MATS later reinspected U.S. Overseas on April 24-25, 1962, presumably at a time when FAA was exercising its "continuous surveillance" and, as a result of the second survey denied U.S. Overseas authority to carry Defense Department traffic for an indefinite period. Thereafter, the nonsked has not sought a reinspection despite its present eligibility to do so to clear its name.

The MATS bill of particulars includes among other things the fact that the carrier had submitted contradictory financial statements to MATS and CAB, its housekeeping of maintenance and storage areas was poor, its maintenance capability was inadequate, its storage areas were cluttered with old salvage items, antiques to be restored and odds and ends unrelated to aircraft maintenance. The April survey indicated new training was not being conducted and classrooms were disorderly and used for storage of files. These and other substandard conditions resulted in a 61.8-percent schedule reliability record from October 1961 through February 1962, and only a 20-percent reliability rate thereafter up to date of suspension.

Moreover, FAA's own records of U.S. Overseas' violations showed 33 serious violations during the period January 1960 through July 1961.

Later violations records are not available because, and this is incredible, the FAA public records are not kept up to date but have more than a year's lag.

The recorded violations include exceeding pilot flight time limitations, improper maintenance work on aircraft, deviation from IFR course without getting an air traffic clearance thereby risking midair collision, inadequate pilot rest between flights, failure of pilot to get 6-month flight check, failure to timely install airborne weather radar and operation of aircraft after lapse of equipment check period.

At the same time FAA was pronouncing this nonsked "fit and able," the CAB was also submitting extensive affidavits citing unbelievable extensive law violations which were or should have been well known to Halaby at the time.

My study of this situation indicates that Halaby, by going against the grain and endorsing these bad actors, may well circumvent the best efforts of Congress, the CAB, and MATS to clean up this nonsked mess. These nonskeds will doubtless try to exploit the fact that despite their record FAA gives them a clean bill of health.

The obvious question is why has Halaby taken this position? It is pretty clear he knows these carriers are bad actors. The problem is that due to lax regulation in the past, some of these nonskeds had operating permits issued by FAA and therefore when Halaby was formally asked whether these people were fit he was faced with the dilemma that if he said "No," he couldn't explain why he had not revoked their permits so he had to say "Yes" despite the risk he ran that CAB and MATS would contradict him. I remind you that this is exactly the situation we had at the time of the Imperial accident in that case.

The Associated case is more puzzling. This involved restoring an operating permit that had been canceled at a time when it was of public record that both CAB and MATS found Associated unfit. Perhaps the answer to this is that George Prill before coming to FAA was a former employee of the nonskeds association and apparently continues to be a nonsked apologist at FAA.

This situation raises an important question. How to prevent the FAA whitewash from thwarting a cleanup of these nonskeds and preventing a national disgrace?

The answer, as I see it, is to immediately dismiss Halaby and Prill and have appointed to their positions, persons who are sincerely interested in the public's welfare.

TRADE POLICY AND FOREIGN SPENDING ENDANGER OUR ECONOMY

The SPEAKER. Under previous order of the House, the gentleman from Indiana [Mr. BRAY] is recognized for 30 minutes.

Mr. BRAY. Mr. Speaker, today America is faced with several critical problems which are directly connected with our trade policies. First, there is the general problem of tariffs and the reciprocal trade treaties; there is the gradual loss of our gold reserve and the building up of billions of dollars of American indebtedness owed to countries abroad; there is the movement of American industry to oversea locations which results in the loss of jobs here at home; and there is the European Common Market whose objective is to concentrate trade as nearly as is feasible between its members, which may be to our economic disadvantage.

For many months spokesmen of the administration and commentators and writers friendly to the Kennedy administration's trade expansion bill have attempted to show that these problems will be solved by giving more power to the President to lower our tariffs in trade negotiations with foreign countries.

After strong debate the House on June 28 passed the Trade Expansion Act of 1962, giving President Kennedy practically all the power he had asked for to lower tariffs. At this time the legislation is before the Senate Finance Committee.

Those who favor the Kennedy Trade Expansion Act and those who oppose it agree that American overall balance of payments is critical. The question is what can be done to improve our position.

KENNEDY TRADE BILL SIMILAR TO PRESENT LEGISLATION

The Kennedy trade expansion bill follows the same trade philosophy which has predominated since the first reciprocal trade legislation was approved in 1934. Despite publicity claims that President Kennedy's legislation is a new, dynamic approach to foreign trade, such is not the case. However, it gives the President power to make greater and faster tariff reductions than does the legislation now in effect.

HISTORICAL BACKGROUND OF AMERICAN TARIFF

To better understand our present trade problems we should review briefly our trade history. Tariffs, according to the Constitution, are the responsibility of Congress. Article I, section 8 of the Constitution reads—

> Congress shall have the power to lay and collect duties—

Also—

> to regulate commerce with foreign nations.

Our first Tariff Act was passed by Congress in 1789. Various tariff acts since then have called for either high or low tariffs, depending upon the philosophy of the administration in control.

Generally speaking, high tariff rates on goods imported into this country raise the selling price of those goods and thus give a price advantage to similar goods manufactured in this country. Proponents claim high tariffs protect domestic manufacturers and producers so that they can get established and can pay higher prices for raw materials and higher wages. It is also said that protective tariffs are partially reponsible for our higher standard of living. Low tariff rates permit foreign-made goods to be imported more freely and sold more cheaply.

Prominent among our tariff acts were the Walker Tariff Act of 1846, the McKinley Tariff Act of 1890, the Wilson-Gorman Act of 1894, the Dingley Tariff Act of 1897, the Payne-Aldrich Act of 1909, the Underwood Tariff Act of 1913, and the Hawley-Smoot Tariff Act of 1930. The first reciprocal trade legislation, the Trade Agreements Act, was passed in 1934.

This first Reciprocal Trade Act was a radical departure from preceding tariff legislation, in that Congress delegated to the President the power to make agreements to change tariffs. These agreements do not require the approval of the Congress. They are termed "agreements" rather than treaties, thus eliminating the necessity of Senate approval. These trade agreements were to be of mutual advantage to each country.

In giving the President this power it was assumed that, through the various Government departments, he had at his command all of the information about domestic and foreign interests to coordinate into the most workable trade agreements. Today we have trade agreements with 68 countries, including agreements on many thousands of items.

Apparently the proponents of lower tariffs are unaware of the fact that while the United States has been lowering their tariffs, some other countries, principally the members of the European Common Market, have been raising theirs, especially to nonmembers, until we have practically the lowest tariff in the world.

TRADE POLICIES INJURE OUR COAL, STEEL, AUTO, AND TRANSPORTATION INDUSTRIES

A good example of our present tariff policy can be found in the automobile industry. The American manufacturer who ships a car into France must pay 28-percent tariff while the French manufacturer can ship a car into the United States for an 8-percent tariff. The same general situation concerning automobiles exists in our trade agreements with the other nations of Western Europe. In Italy the situation is even more unfavorable to the United States.

Americans are importing millions of dollars worth of steel, and our Government is even purchasing steel from Germany for our defense projects, while our steel mills operate at 50-percent capacity. For the first time in this century we are importing more steel than we are exporting.

From Venezuela we are importing residual fuel oil, which is displacing the use of domestic coal. Despite desperate pleas from the depression-ridden coal areas the administration raises the quotas of residual fuel oil being brought into America. It is estimated that imported residual fuel oil has put 16,000 coal miners out of jobs with a loss of $91 million in annual wages. In addition it eliminates some 9,000 jobs on the railroads with wages totaling $58 million. U.S. coal, used in place of this imported fuel, would provide $210 million in revenue for coal operators and the railroads would receive $112 million in freight revenues. Is it any wonder that we are losing jobs for our workers and that our gold is so rapidly going abroad?

STONE AND GLASS INDUSTRIES ARE BEING INJURED

For construction of the Lincoln Center in New York City, an urban renewal project in which the Federal Government has authorized $31 million of assistance, the stone is being quarried and fabricated in Italy. It is not fine Italian marble but travertine, a stone inferior to that quarried in America, especially to the limestone of Indiana.

This action loses jobs for American workers and revenues for American railroads. The millions of dollars being spent for this stone are adding to the gold deficit. There is no evidence that the purchase of this stone encourages

Italy to buy American-made goods, for Italy already has a balance of $1½ billion that she can spend in America if she pleases.

Our country as a whole, and my district in particular, is being seriously injured by the importation of glass. Conditions in the glass industry became so serious that I, along with others, testified before the Tariff Commission. We did get some relief for the glass industry over the strong opposition of representatives of our State Department and representatives of Germany and Belgium. However, I am unhappy to find out that the exporters of European glass believe that when and if the new trade bill becomes law, the tariff on glass will be lowered to their further advantage. I hope they are mistaken.

SHOES, LADIES GARMENTS, AND RUBBER CLOTHING INDUSTRIES THREATENED BY CHEAP IMPORTS

The increasing importation of ladies' garments from Japan and Hong Kong, shoes from Japan and Italy, and rubber clothing—such as raincoats—from Japan, is gradually cutting down American production in these fields. Shoe imports increased 150 percent in the last year.

The foreign workman receives a mere fraction of the pay that the American worker gets for the same work. American workmen in these fields need more, not less, protection. We need to keep this business in America.

Several factories in my district reportedly are facing the possibility of closing within 2 or 3 years unless our Government reverses its trade policies. I fear that this new trade bill instead of giving relief will injure American industry.

IMPORTS OF STRUCTURAL TILE, LATEX PRODUCTS, SEWER PIPE, ELECTRIC MOTORS, BATTERIES, ELECTRIC EQUIPMENT, WOOD PRODUCTS AND VENEERS ARE HURTING AMERICAN LABOR

While many segments of our economy are being adversely affected by the administration of our trade policies, southern Indiana is being threatened more than many areas because most of our products are made for American consumption.

The importation of structural tile, latex products, sewer pipe, veneers, brushes, doors, electrical motors, and equipment is increasing and is injuring domestic producers. Conditions are critical in the plywood, veneer, and sewer pipe industries. Unless our Government is alert to these conditions, these industries will be reaching a crisis within the next 3 years.

FARMERS AND MEATPACKERS LOSE

It is ironic that while the United States is spending billions to reduce farm surpluses and support the price of grain, we imported $41 million worth of grain in 1961 and will increase that amount by about 8 percent in 1962. The principal purpose of supporting the price of feed grains is to indirectly support the price of meat. In 1961 we imported $750 million worth of meat and meat products. In the period of January–June 1962, we imported 55 percent more beef and veal than we did in the like period of 1961; all of these purchases abroad defeating the very purpose of our agricultural price-support program.

I pointed out on the floor 3 years ago this month that the importation of foreign meat was closing many American meatpacking establishments, with the resultant loss of jobs.

If the United States today had a surplus of credits abroad, as we had 15 years ago, we might be justified in buying abroad to give these countries dollars with which to buy other products from us. But that does not apply today when we are already $23 billion in the red in our foreign spending.

IN PRACTICE OUR STATE DEPARTMENT IS DETERMINING OUR TRADE AGREEMENTS

Our trade agreements are supposed to be made after consultation with and consideration for the interests of American labor, business, and farming, but in actual practice the decisions have been guided by our State Department and represent its viewpoint of diplomatic expediency. Too often the reciprocity of trade agreements takes on horse-and-rabbit proportions. A butcher who manufactured sausage from a combination of horse and rabbit meat found that rabbit meat was much in demand but expensive and that horse meat was inexpensive but not desired. He advertised that he made the combination equally of rabbit meat and horse meat. Actually his formula of 50–50 was one horse to one rabbit.

In the renewal of the Trade Agreements Act Members of Congress repeatedly have sought to get more favorable treatment for various segments of our economy but to little avail.

The difficulties in getting our State Department to properly represent American interests in trade negotiations are inherent in the principal job of the Department. Our ambassador to another country seeks to foster good relations and make friends. That country wants to sell its products to America and yet protect its own products from competition with our products. American economic interests, which should be pressed by our representatives, many times seem to be entirely forgotten.

It is also of interest that the official who is perhaps the most influential in determining our trade policies today is Under Secretary of State George W. Ball. Before being appointed to this position by President Kennedy, Mr. Ball represented the French Government in the Council National du Patronat Francais, a leading organization of French industrialists, and also was a representative for the European Coal and Steel Community.

STATE DEPARTMENT AID BLOCKS SALE OF AMERICAN WHEAT

The futility of American industry, farmers, and labor in obtaining fair representation in trade considerations by our State Department is becoming more apparent. Our State Department often discourages the export of American goods and encourages the importation of foreign-made products, and has deliberately prevented the sale of our agricultural products abroad.

For example, last year an agent of the Brazilian Government proposed that in return for the purchase of 500,000 tons of sugar from Brazil, they would purchase an equivalent amount of wheat from the United States. The suggestion was in accordance with legislation enacted by our Congress.

Edward Martin, our Assistant Secretary of State for Economic Affairs, stated in effect that we would purchase sugar from Brazil but that there was no need for them to purchase wheat from us. We did buy the sugar, but they did not buy the wheat. Instead they purchased it from Russia, so we have those millions of bushels of wheat still in storage and our money was sent to Brazil.

The entire matter is well documented in remarks by Hon. HAROLD COOLEY, chairman of the House Committee on Agriculture, on the floor of the House, volume 107, part 11, page 14571 of the CONGRESSIONAL RECORD. Mr. Martin had stated that although Congress had passed legislation to encourage such sales, he did not agree and would discourage countries from negotiating such exchanges. Mr. Martin is now Assistant Secretary of State for Inter-American Affairs. Similar transactions took place with India, the Fiji Islands and other countries.

DOMESTIC SUGAR PRODUCTION STYMIED BY STATE DEPARTMENT

The State Department also supports an international sugar quota agreement that prevents our farmers from producing more sugar and from substituting sugar production for grain, which would decrease our grain surplus. I became painfully aware of this situation when we had high hopes for raising a bumper crop of sugarbeets in my district. Extension of sugar quotas killed the opportunity for greatly expanded domestic sugar production.

In 1954 we obtained legislation, despite the opposition of the State Department, for removing our agricultural attachés in foreign countries from State Department control and placing them under the direction of the Department of Agriculture. I participated wholeheartedly in that effort. Since that time our agricultural attachés have done a superior job and our agricultural exports have greatly increased. Today perhaps the brightest light in our export program is the sale of American-grown soybeans. It is unfortunate that we cannot also get our commercial attachés entirely removed from the control of the State Department.

It is true that we are exporting more agricultural products than we are importing, but that in no manner justifies our importing hundreds of millions of dollars worth of those agricultural products that we have in surplus.

STATE DEPARTMENT DOES NOT PROMOTE SALE OF COAL

The theory of reciprocal trade is that each nation shall produce those commodities which it can produce most efficiently and that it will exchange them with other nations as is advantageous to each. However, it just does not work out that way, or perhaps it is more correct to say that those who negotiate our trade agreements have failed to achieve an advantage to the United States.

No country is as well equipped to supply coal as is the United States. We can mine, transport and deliver coal to practically any place in the world cheaper than it can be produced there. This is especially true in England, France, West Germany, and Italy, which countries hold a great part of the obligations which are so embarrassing to us today. Yet, by exorbitant tariffs, quotas, and prohibitions these countries are blocking the shipment of American coal into their countries. If the United States could and would increase the sale of our coal to these countries, it would give thousands of jobs to American workmen, help the railroads, and bring gold back to this country.

OUR GOVERNMENT IGNORES CHANGING TRADE CONDITIONS

Trade conditions have changed since the period immediately after World War II. In those days we assisted war-torn countries to rebuild. We sent our best know-how, even our secret know-how, to these countries. Through our foreign aid programs we spent billions of dollars in restoring their damaged industries. We purchased their products, even those we had in surplus.

Today those countries that we aided are flooding the United States with their products. Conditions have changed, yet our policy of giving trade advantages to other countries has failed to change. The United States still pursues an outdated and outmoded policy, which is adversely affecting her own industry and business.

AMERICANS ARE ENCOURAGED TO IMPORT PRODUCTS WE HAVE IN SURPLUS

For some years well-organized and well-financed groups have persistently, loudly, and effectively argued that we must purchase more and more products from foreign countries, even those which we have in abundance. The reason given is that these countries will then have more dollars with which to buy American-made goods, perhaps a valid reason earlier, but certainly fallacious when other countries have $23 billion balance which we owe them which can be used for purchases in America.

I am a strong proponent of our participating in world trade. It is healthy so long as it can be truly reciprocal.

In negotiating tariff reductions, our State Department apparently assumes that our standing in industry, business, and labor is so indestructibly established that we will continue to flourish regardless of outside competition. In order to assist other countries, we have lowered tariffs, but we have not received similar treatment from them. The well-being of American business, labor, and farmers has been disregarded.

NEW TRADE BILL WILL INJURE UNITED STATES UNLESS THINKING CHANGES

America's economic well-being will greatly depend upon the manner in which trade legislation is administered by President Kennedy and his subordinates. Trade policy is not basically a political matter. Past administrations have taken somewhat similar philosophies in negotiating our trade agreements.

There is no trade act that Congress can pass that will solve our trade problems unless those who negotiate trade agreements keep foremost in their minds the welfare of the United States and her citizens. The administration has the authority to remedy our present adverse situation under existing legislation and will have even more power if and when the Kennedy proposals become law. Whether this legislation will be used to the benefit of American interests remains to be seen.

CRITICAL SITUATION OF GOLD FLOW ABROAD

Generally, the American public is not familiar with the problems that are confronting us today because of our loss of gold. We have been a gold surplus nation with a favorable balance of trade for many, many years. It is only recently that we have found our gold draining away due to a continuing unfavorable balance of payments. This means that we are spending more money in foreign countries each year than they are spending with us.

It is a combination of factors that has changed us from a balance-of-payments surplus nation to a deficit nation. Lower tariffs have increased imports. In our foreign aid program we are spending a billion and a half dollars abroad each year for labor, material, equipment, and services. Increased foreign travel and military commitments have greatly increased the spending of American dollars abroad.

WE COULD NOT MEET DEMAND TO MAKE ALL PAYMENTS IN GOLD

Foreign governments and individuals have built up large dollar balances in banks in this country—to be more exact, $23 billion.

Here is where the gold problem comes in. Every major nation in the world seeks to obtain gold; gold is the only fully acceptable international medium of exchange. Nothing any nation may do to its domestic currency can affect its obligations to pay other nations in gold, or its right to receive payment from other nations in gold.

In all such international transactions gold is a commodity, to be measured by weight and fineness and not by the name given to the coin or monetary unit of any nation.

The United States guarantees to sell gold to foreigners at $35 an ounce in return for obligations which we owe. In other words, today foreigners have the right to buy $23 billion worth of gold from the United States any time they wish in place of the credit that has been extended to us. We do have $4 billion in short-term credits with certain countries which partially could be used to offset this deficit.

When this demand for our gold comes, if it does, we will find ourselves in an embarrassing position. Our gold stock now amounts to about $16 billion—the lowest level since 1939. Of this amount only $4 billion is free to meet foreign claims, for the remainder must be held as support for the dollar. If foreign countries demand gold for our obligations to them, which they have a legal right to do, we lack $19 billion in gold to meet those demands. We must deliver or our international credit standing will be damaged. That shortage is increasing every month under our present trade, foreign aid, and other spending practices.

The Library of Congress has furnished me with information on the present trend of our foreign indebtedness which must be paid on demand. For the first half of 1961 we had a balance-of-payments deficit on our foreign expenditures and receipts of $143 million. The last half of 1961 that deficit was $2,318 million, making the 1961 deficit $2,461 million. For the first half of 1962 the deficit was $525 million, which is more than three times the deficit of the comparable period of 1961.

This $23 billion deficiency is not directly connected with our $308 billion national debt, for no American has the right to demand gold in payment. Our national debt does affect the economic well-being and strength of America. Bad economic conditions and the loss of confidence in the stability of the American dollar could cause a run resulting in a demand for gold by foreign countries. I optimistically believe that other countries will not make such demands, but of course we cannot be sure.

The loss of gold has become so critical that our Government repeatedly has sent delegations to Western Europe to request aid, suggestions, and promises to stop the drain of gold from America. At the time the President's new trade bill was being considered in the House, Walter Heller, Chairman of the Council of Economic Advisers to the President, was in Paris seeking advice and begging countries not to demand gold to satisfy our indebtedness.

In the last 10 days we have heard disquieting reports that $500 million in gold was removed from Fort Knox. Where it was taken and why we do not know.

SOLUTION IS TO SELL MORE ABROAD OR SPEND LESS ABROAD

In order to correct this situation, we must spend less dollars abroad than other countries spend with us. We must cut our foreign spending and increase our exports until a more healthy relationship is realized. To do this will make many at home and abroad unhappy, but we must remember that our job is to protect the interests of our country.

I am reminded of the timely words of Lincoln when questioned concerning trade policies. He said:

> I don't know much about tariff, and I don't know much about steel rails; but one thing I do know, if we buy rails from England, they get the money and we get the rails; but if we buy rails in the United States, we get the money and we get the rails too.

Those who direct our international trade policies need to heed those words. We must begin using the goods that we produce instead of purchasing them from abroad.

AMERICAN INDUSTRY IS MOVING ABROAD

Just yesterday the Commerce Department announced that American business firms plan to spend a record $4.8 billion this year to expand production facilities in foreign countries.

The trade policies of our Government have made it impossible for some industries to compete with the industries of other countries, so they have moved their production facilities abroad. Some of this money returns from profits made abroad, but there is a sizable loss of gold each year because of these investments.

In the last few years American industries have spent over $30 billion building factories abroad. Following is a very brief list of some of the businesses which have opened factories abroad: General Motors, Ford Motor Co., H. J. Heinz Co., Parke, Davis & Co., Johns-Manville Corp., Hamilton Watch Co., Minneapolis-Honeywell Regulator Corp., and hundreds of others. These factories employ cheap foreign labor, cheap power, use foreign transportation and ship many of the products back into the United States which increases the drain of our gold.

EUROPEAN COMMON MARKET AND OUR NEW TRADE BILL

The European Common Market has been cited as a compelling reason for passing the Kennedy Trade Expansion Act. Unquestionably the European Common Market does increase the seriousness of our trade situation, but how the new trade expansion bill would assist us in meeting the stronger competition is difficult to understand. The mere lowering of our tariffs without obtaining reciprocal treatment would merely allow the other countries to ship more of their goods into our country; at the same time it would prevent our selling our goods to them.

The European Common Market is an organized effort by West Germany, France, Belgium, Italy, the Netherlands, Luxembourg, and possibly Norway, Denmark, Ireland, and Britain to benefit themselves by buying and selling primarily to and from each other. This Common Market is intended to restrict world trade instead of expand it. It goes further than to just facilitate trade and is intended to create a stronger military and political unity in Western Europe. We might just as well face the fact that Western Europe is not as friendly to us as it was a few years ago. Politically, our country has been drifting away from Western Europe toward the Afro-Asian nations, as is evidenced by our siding with the Congo against Belgium and with Indonesia against the Netherlands, with Angola against Portugal, as well as scores of similar actions.

WE HAVE A COMMON MARKET OF 50 STATES

The United States, in a sense, has a common market of its own—one which was created in 1787 with the forming of our present Federal Government wherein the Thirteen Colonies included in their Constitution, article I, section 9:

> No State shall, without the consent of Congress, lay any imposts or duties on imports or exports, except what may be absolutely necessary for executing its inspection laws.

Today our 50 States form our common market and they produce a greater amount of trading and greater range of commodity exchange than do all the countries of Western Europe. No other country on earth depends so little on imports for its own well-being. We have surpluses in most resources and can produce surpluses in most manufactured products.

HOW WILL THE EUROPEAN COMMON MARKET AFFECT US?

The European Common Market may give impetus to the already booming economy of Western Europe. Will this injure the United States? Not necessarily. A healthy European economy can also be healthy for us if we return to the sane principles of natural trade instead of using trade as a weapon of international politics.

We must make our product more competitive, buy what we need and sell where we can find a profitable exchange. If the challenge of the European Common Market arouses us to meet the critical problems of the drain of gold, of our increasing foreign spending, of the loss of business, jobs, and markets, then it is a most timely warning to us.

LEGISLATIVE ATTEMPTS TO CHANGE OUR TRADE POLICIES

When I came to Congress in 1951 it had become apparent that the Trade Agreements Act was working to the detriment of several American industries. Many of us attempted to strengthen the peril-point provisions, whereby the Tariff Commission could place adequate safeguards for industry beyond which the President could not go in lowering tariffs. We also attempted to strengthen the escape-clause provisions to lessen the President's authority to overrule the findings of the Tariff Commission when a trade treaty is endangering a certain segment of our economy. We have been generally unsuccessful in these attempts through the years.

Many time I have pointed out our increasing trade problems, and I have met with groups of labor, industry, and farm leaders to discuss them.

The President's trade bill gives him more authority and less restrictions in the negotiation of trade agreements than ever before. The peril-point clause has been so watered down that it will be ineffective.

The administration has admitted that President Kennedy's bill, if enacted into law, will destroy many American businesses and will displace thousands of workers. The only argument concerns how serious the damage will be. Included in President Kennedy's proposal is a provision to give specific assistance to those industries and workers who are displaced as a result of this legislation.

It is shocking to realize that our Government is taking action which admittedly will destroy segments of our American economy, and will eliminate the jobs of our workers in those segments of the economy.

This authority and power given to the President if this legislation is enacted can be used to the benefit of the United States or to the economic undoing of our country. I voted against this legislation as I have as yet seen no reason to believe that it will, if enacted, be administered under any different philosophy than the present law.

THE UNITED STATES MUST CONTINUE TO BUILD ITS GREAT ECONOMY

We must continue to better the quality of our production. We must be competitive in trade. Let us trade when it is to our advantage. We must cease spending abroad unnecessarily just to help other countries to gain an economic advantage.

To be strong militarily we must be strong economically. We must return to a plain commonsense plan in our trade relations. We must demand that reciprocal trade means that we receive benefits as well as give them.

No law that Congress can pass will alone solve our trade problems. We must demand that those who make our trade agreements keep American interests of primary consideration and not of secondary concern.

The House Ways and Means Committee did place in President Kennedy's trade bill a section that can be very beneficial if properly carried out. It calls for the appointment by the President, and confirmation by the Senate, of a trading coordinator, who would oversee the making of our trade agreements. If this person is capable and dedicated to our well-being and if the Government does not tie his hands, he can see that trade treaties are made to benefit our country.

On the other hand, if he should follow the philosophy of the last 20 years and be guided by an exaggerated spirit of altruism toward the world at the expense of American interests, then our economy will continue to suffer.

There are frantic protestations that our outflow of gold and our indebtedness abroad are improving, but such is not the case.

We must consider all our expenditures abroad. The dollar that we spend for foreign aid, the dollar spent in the U.N. action in Katanga, the dollar spent for Polish ham, the dollar spent to maintain our troops in Germany, all add to our depletion of gold or our balance-of-payments deficit.

There is an even more important factor that could help to reverse our catastrophic payments deficit, a factor that appears to have been almost overlooked by officials in Washington. That is our own self-interest in buying our own products. If Indiana limestone had been used for the New York urban renewal project, the Lincoln Center, instead of travertine stone from Italy; if we had purchased glass from Vincennes, Ind., instead of from Germany, raincoats from Washington, Ind., instead of Japan, we would have stopped several millions of dollars from going abroad, and at the same time bettered our domestic economy.

Despite the optimistic statements that our trade conditions and balance of payments are improving, let us take a look at the progress or lack of progress that we are making under our present spending program. But a few short years ago we were the creditor nation of the world. Following the course that we have been following we are now one of the world's deficit nations. Is our condition improving? Under the legislation in force today, or under the new Kennedy Trade Agreements Act of 1962, only the President can improve our present adverse conditions.

NEGRO ELKS REFUSE TO BACK MEDICARE

Mr. CURTIS of Missouri. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD and to include extraneous matter.

The SPEAKER. Is there objection to the request of the gentleman from Missouri?

There was no objection.

Mr. CURTIS of Missouri. Mr. Speaker, I want to call attention of the House to an item which appeared in this morning's Washington Post entitled "Negro Elks Refuse To Back Medicare." I think this is a very significant item for several reasons. One, of course, it becomes quite apparent that the people are beginning to understand the limitations of the present administration proposal as well as some of its gross errors, which instead of helping the problem of health care for the aged would probably damage it. The second point of interest, I believe, is this business of executive officials lobbying throughout the country with various organizations to promote their particular program. Who paid the expenses of Hobart Taylor, legal adviser to Vice President Johnson, and Andrew Hatcher, press aid to the President, to go to Detroit to conduct this kind of lobbying? I suspect that the U.S. taxpayers footed the bill.

NEGRO ELKS REFUSE TO BACK MEDICARE

DETROIT, August 29.—The world's largest Negro fraternal organization today refused to endorse President Kennedy's medicare bill, despite urgings from a three-man task force from Washington.

Hobson R. Reynolds, grand exalted ruler of the 555,000-member Improved Benevolent Protective Order of Elks, in convention here, said the White House team consisted of Hobart Taylor, legal adviser to Vice President Johnson; Ethel Payne, Democratic national committeewoman; and Andrew Hatcher, press aid to the President.

A FIRE ISLAND NATIONAL SEASHORE

The SPEAKER pro tempore (Mr. HAGAN of Georgia). Under previous order of the House, the gentleman from New York [Mr. RYAN] is recognized for 15 minutes.

Mr. RYAN of New York. Mr. Speaker, along the southern shore of Long Island, N.Y., there stretches a long, narrow strip of offshore beaches and dunes called Fire Island which, while conveniently near New York City, has not yet been overrun by our modern mechanized civilization. It is the last piece of our natural heritage near New York; we must preserve it.

Today I have introduced a bill which will do just this. I strongly urge immediate and bipartisan support of this effort to save Fire Island by making it a national seashore.

The threats to Fire Island are twofold. First, there is the threat of erosion by the sea, which has already seriously damaged the island. If the sea is allowed to continue its attack unchecked, there soon will be no Fire Island at all. The loss of this protective outer beach, moreover, would expose the Long Island shoreline to extensive damage from each storm that blows in off the Atlantic.

In July 1958, the Army Corps of Engineers issued a report on "Beach Erosion Control and Hurricane Study" for the entire area between Fire Island Inlet and Montauk Point. This report called for a $40 million joint Federal, State, and local project to protect the area. In 1960 the Congress acted on the Corps of Engineers report by authorizing the project. Nothing has yet been done, however; and last March the island was further damaged.

Sections 4 and 5 of my bill take cognizance of the need to combat this threat of erosion. Section 5 assures that the establishment of the seashore will not confuse or interfere with either the Corps of Engineers project or other valid conservation efforts by New York State. Section 4 gives the Secretary of the Interior the power to apply in the Fire Island National Seashore whatever authority to implement conservation measures he has been granted under other laws. This means he will be able to take certain essential conservation measures on his own should the Corps of Engineers project be further stalled.

The second threat is even more immediately urgent. It is a manmade menace—that of bringing progress to Fire Island. Progress in this context means a four-lane superhighway running the length of the island, connected to the mainland by bridges at either end. It means the roar of speeding cars, the stench of engine fumes, and the ugliness of litter over the dunes. It means an end to Fire Island, an end to our last natural preserve within miles of New York City. With its disappearance there will be no place to which citizens who value the quiet of natural surroundings can retreat. This is not the type of progress America needs.

There are further problems with the road. As proposed by Mr. Moses and the temporary State commission on protection and preservation of the Atlantic shore front, the road is a possible conservation hazard. In case of storm the planned underpasses through the frontal dunes would act as channels for the waters to use in undercutting the dunes. Moreover, it is generally agreed that natural vegetation, not asphalt, is the most practical dune protection available.

Another important point about the road is that it would disrupt the presently existing communities on the island; the residents are aware of this threat and are, consequently, totally opposed. The road is especially unfair in that a good part of its cost would be paid for by tax assessments on the unhappy Fire Island residents.

Mr. Speaker, the need for the seashore is not new; it has long been recognized and supported by responsible conservation interests, including the Department of the Interior. The need to make Fire Island a national seashore is even more urgent now that the double menace of natural erosion and false progress threatens it.

A MAN, HIS WIFE, AND THEIR IDEAL

The SPEAKER pro tempore. Under previous order of the House, the gentleman from California [Mr. GUBSER] is recognized for 30 minutes.

Mr. GUBSER. Mr. Speaker, I ask unanimous consent to revise and extend my remarks and include extraneous matter.

Mr. SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. GUBSER. Mr. Speaker, in a very short time one of the century's most colorful and imaginative ideas will begin to take shape along the cliffs of Monterey Bay in my congressional district. On 40 beautiful acres bordering the Pacific at Lighthouse Point in Santa Cruz, Calif., Mr. and Mrs. Peter J. Pasetta will begin construction of the Court of the Seven Seas and International Village.

In tomorrow's mail, each Member of the House and Senate will receive a detailed brochure describing this unique undertaking. I am sure you will be fascinated with this ideal of Peter and Alice Pasetta just as I have been.

The Court of the Seven Seas and International Village is much more than a commercial venture. In fact, its commercial aspects are overshadowed by the tremendous possibilities for promoting international goodwill and understanding. This is the real purpose and the real motivation behind this ideal of a man and his wife.

I first learned to know Peter J. Pasetta in 1948 as a fellow member of the Santa Clara County Board of Freeholders when, with 13 others, we participated in writing a charter to promote the cause of better government. His work on this board was a reflection of his lifelong attitude of accomplishing good for his community ahead of personal gain.

There are many successful businessmen in this world, and Peter Pasetta is one of them. But few, if any, have ever displayed his talent for conducting his personal business in a manner which was always in the best interest of his community.

Thus, the story behind this ideal for the Court of the Seven Seas and International Village is not surprising. Peter and Alice Pasetta saw an opportunity to accomplish good for the world just as they have accomplished it for their community. Once again they are making plans where business acumen and ability will serve a higher ideal with complete compatibility.

In 1956 when President Eisenhower conceived and announced his people-to-people program, they were deeply impressed with its concept and its possibilities. It seemed to them to offer a new and greater opportunity for service. They resolved at that time to organize a people-to-people program of their own; one which would help Americans to understand the peoples of other lands, and through such greater understanding, would help develop a genuine interest in them and a proper respect for their beliefs, their traditions, and their cultures.

In order to accomplish this they planned to establish a little world community, to be known as the Court of the Seven Seas, and to include an international village consisting of 75 to 100 retail shops, operated by the small businessmen of friendly nations and displaying the finest creations of foreign art and craftsmanship.

Within the village they planned to provide more than 100,000 square feet of display space, to be offered to friendly nations without charge, for cultural exhibits depicting the life and customs, the artistic, industrial, and scientific achievements of our world neighbors. At the same time, they envisaged a community which would include a large hotel and convention auditorium providing exceptional facilities for the entertainment of foreign visitors and for the employment of foreign students studying in schools of the area.

For several years Peter and Alice Pasetta were unable to find a suitable location for their project, but in 1959 acquired 40 seashore acres at Santa Cruz, Calif., which are magnificently situated on the towering cliffs which overlook Monterey Bay.

Then began the search for suitable architecture in which to house their world community. After many months and several disappointments the Pasettas succeeded in enlisting the assistance of the architects of the Frank Lloyd Wright Foundation—who entered into the project with great enthusiasm. Under the direction of William Wesley Peters, chief architect of the foundation, 14 separate buildings have been designed to form a structural group of exceptional charm.

International Village and the Court of the Seven Seas is not the first embellishment of California's great natural beauty to be undertaken by Frank Lloyd Wright architects. The magnificent administration buildings of Marin County, to be dedicated this fall, have already stopped traffic on nearby highways as tourists take the time to set up their cameras and photograph structures which seem to them to rise from a dream world. There is no doubt, in my opinion, that this new Frank Lloyd Wright creation will attract an even greater amount of admiring attention, and the Court of the Seven Seas, at Santa Cruz, Calif., will become one of the architectural showplaces of the Nation.

Culturally, the village will contribute greatly to the visitors' knowledge and understanding of other lands. The very nature of such a world market admirably lends itself to a program of cultural education since foreign imports are more fully appreciated when they are displayed in the atmosphere in which they were created. And such an atmosphere will be re-created appropriate to each country and region represented. But, in addition, a supporting cultural program will be maintained designed to convey the maximum amount of information about other parts of the world to visitors.

Commercially, the facilities of the court will help to fill the present urgent demand for luxury hotel and convention accommodations in northern California's most popular seaside resort. The shops of International Village will help to satisfy the hunger of Americans for things that are different and better, and exotic. The finest of imported consumer goods will be properly displayed, identified as to origin, and guaranteed as to authenticity. So many countries will be represented that a day in International Village will afford the visitor a glimpse into nearly every corner of the globe.

International Village, to be located within the Court of the Seven Seas, will probably be the first commercial community of its kind to be established anywhere in the world. Seventy-five to a hundred separate establishments, transplanted from foreign countries and dealing exclusively in fine imports from a score of friendly nations, will occupy about 5 acres of ground within the court.

In their appearance and in the variety and quality of goods which they offer for sale, these shops will equal the better retail establishments of London, Paris, Calcutta, Rotterdam, and Hong Kong, which have such fascination for American tourists abroad. Shop personnel will be natives of the countries they represent and will wear the costumes which are characteristic of that country.

The shops of the village will be grouped within large circular courts, each devoted to the creations and products of a particular oceanic area of the world.

Shops from Morocco, Algiers, Athens, and Rome, for example, will be found within the Court of the Mediterranean, while those displaying the products of Japan, the Philippines, Australia and New Zealand will occupy the Court of the South Pacific.

In addition to the space provided for the actual display of merchandise, an area of equal size—and in the immediate vicinity of each shop—will be used for decorative and informational purposes; for pictorial representation of foreign lands; for workshops in which native workmen demonstrate their craftsmanship, and for the exhibition of art, architecture and industry.

A third large area of more than 5 acres adjoining International Village and including the Open Plaza will be used from time to time for pageants, festivals and special celebrations of an international character.

The retail stores within International Village will be leased to various kinds of tenants, to foreign commercial or trade associations, foreign exporters, American importers, and to some foreign governments.

Each shopkeeper within the village will display the goods of his own country exclusively—although a single country may be represented by any number of retail stores, each specializing in some particular type of consumer goods. This arrangement will make it easy for the shopper to positively identify the origin of any item he buys, and also will give him some assurance that salespeople have a native knowledge of their own wares.

International Village, Inc., will guarantee that each article sold in the village is, in fact, exactly as it is represented.

Visitors will be able to park their cars within 1 minute's walk of the village. They will find supervised nurseries and playgrounds waiting for the children. An information center will direct them to any point within the village, or provide guides for them, if desired. Several restaurants and snack bars, serving both foreign and American dishes, will be conveniently located for their refreshment.

They may interrupt their shopping at any time to watch native craftsmen at work, to visit the marine museum, to walk through the Japanese garden, or to spend several relaxing hours while they watch the latest foreign films in the little theater.

When the shopping day is over many visitors will wish to call at the forwarding desk where their purchases may be wrapped and mailed to friends, or back to their homes.

Although Americans may be among the best informed peoples in the world, many misconceptions still cloud our understanding of other lands. Holland, for example, is not a country of wooden shoes and windmills; kilts are not commonly worn on the streets of Glasgow; very few Africans have even seen a lion; and most Chinese have never tasted tea.

When the shops of International Village are opened to the public more than 100,000 square feet of display area will be made available, without charge, to foreign governments, trade associations, and cultural groups for their own use. They will be invited to provide displays and exhibits which will convey accurate impressions of the artistic, social, and scientific achievements of their own peoples. Space allotted for this purpose will adjoin the shops of the same country.

Many articles of handicraft offered for sale in the village will actually be made on the grounds. Fifty to a hundred native workmen will, at any one time, be fashioning their creations within the view of visitors.

As the observer moves through the village, from continent to continent, and country to country, he may stop to visit with a member of the Wakamba tribe of Kenya, who, using the simplest of tools, is converting a block of ebony into carvings which depict east African life. In a few moments he may move halfway around the world to watch a jewelery setter from Hong Kong, or another Chinese craftsman whose deft fingers are converting an elephant tusk into an exquisite work of art through the use of homemade tools. In the tower of the Americas, on the same afternoon, the visitor may pause before a huge mural to admire the engineering miracles which are being worked to give the Republic of Brazil a new capital city.

The auditorium stage directly adjoining the Hotel Seven Seas will be made available for speaking appearances by distinguished foreign visitors to the United States. Statesmen, scientists, businessmen, and others who come to our country will be invited to appear at court and express their opinions on subjects in their specialized fields, and of international interest. Translators will be conveniently available. Direct radio broadcasting connections from the stage can considerably enlarge their audiences. Their lectures will be released to the press and may be widely disseminated. To the extent that a need for this opportunity for expression becomes evident, a formalized series of lectures, constituting a little world forum will be programed and established.

MUSIC AND DRAMATIC ARTS

The best of foreign musical and dramatic talent, on tour in the United States, will be presented from the auditorium stage. Each month during the year a new program will be scheduled for one or more performances. Every effort will be made to offer a balanced program of entertainment—from different parts of the world, and consisting of different modes of expression. In particular, groups of entertainers will be sought out who effectively portray the ethnic backgrounds, traditions, and cultures of their native lands. Typical of the many fine organizations which may be presented at court during the first season are: The Bayanihan Dance company of Manila, the Ceylon and Bali Dance groups, Indrhani and Company of India, the Irish Players, and the Tokyo Asahi Philharmonic Orchestra.

THE LITTLE THEATER

On the subfloor level of the Hotel Seven Seas, a 1,200-seat motion picture theater will continuously present, during day and evening hours, the best of motion pictures produced in other lands. The theater program will be changed each week and program changes will be well publicized in the area. It is felt that the Little Theater will give local residents and students an opportunity to enjoy films which are not otherwise available to them. Additionally, the guests of the hotel, and visitors to International Village, may be expected to appreciate the few hours of relaxation from shopping and sightseeing afforded by this unusual entertainment.

Occupying a central position in International Village, a modern library will provide many more books of reference and description about the rest of the world than are normally found in an American library. Separate sections of the book stacks will be devoted to the volumes pertaining to each foreign nation and will be available both in English and the language of origin. Books will be offered on loan to residents of the area and to students, including those of Cabrillo Junior College and the University of California at Santa Cruz. Reading rooms will adjoin the book stacks and will be open to the public. In connection with the library an information center will provide guidance to visitors and will distribute available literature about other countries.

It is proposed to establish on Lighthouse Point, near the village, an aquarium and museum to house living specimens of plants and animals native to the seven seas of the world. Controlled temperatures and salinity will permit the exhibition in separate illuminated glass tanks of such varying forms of aquatic life as the codfish and salmon of the North Atlantic, the Galapagos tortoise and sea iguana from the tropical Pacific, lung fishes from the Nile, Mediterranean sole from Gibraltar, and the savage caribe from the Amazon. Flower-like animal forms such as the beautiful sea anemone will embellish the aquariums. Models of primitive fishing craft, as used in various parts of the world to reap the harvests of the sea, will be a special feature of the museum.

Modern buses provided by International Village will make it possible for pupils of primary and secondary schools to spend a day of sightseeing at the Court of the Seven Seas. Schools located within a wide area of central California will be invited to plan such outings for 1 day of each school year. Each shop in International Village will be encouraged to provide each small visitor with some printed material about the land it represents. Other educational material will be obtainable at the information center of the library, which also will furnish visiting teachers with a list of sources from which suitable materials for school instruction may be obtained.

A small chapel is planned for the Court of the Seven Seas, to be located on the cliff's edge near Lighthouse Point. The jewel-like structure will be so designed that it may be opened so as to convert the entire building into an altar. Thus, it may be used enclosed, for a small wedding party, or extended to form the chancel for Easter sunrise services. The chapel will be interdenominational and available for interfaith services, emphasizing the spirit of the Court of the Seven Seas—the strengthening of bonds of unity between the peoples of the world through communion and understanding.

Visitors to the United States from other parts of the world, who come to California, will find themselves comfortably "at home" at the Court of the Seven Seas and pleasantly surprised to find the many services which have been especially planned for their benefit.

A wide range of living accommodations, from luxury suites in the Hotel Seven Seas to very moderately priced rooms in the adjoining motor hotel will enable the foreign tourist to keep well within his planned expenditure, without sacrificing any of the advantages of living "at court."

The sojourner will have the assistance of interpreters and guides, who are—very likely—students from his own country, and who have already gained considerable knowledge of the United States. Books about this country in his own language may be obtained at International Library, to help him plan the remainder of his American tour. Guide booklets, also in his own language, describing points of interest within easy distance of Santa Cruz, will assist him in touring the area.

He will find it easy and convenient to exchange the currency of his own country for American dollars at the cashier's desk, in Hotel Seven Seas.

The foreign visitor may add an interesting world tour in miniature to his American itinerary by a day spent in International Village, where he may view the fine creations and cultural displays of many other lands. Particularly, he may enjoy visiting the shops which represent his own country and sharing views and information with his fellow countrymen who operate them. He will appreciate the ease with which he may send any article back to his own home from the forwarding desk, which will cheerfully wrap and forward mail and packages to any address in the world without special charge.

The international visitor will frequently be able to enjoy the musical and dramatic performances of his own countrymen on the big auditorium stage; see motion pictures in the Little Theater which have been produced in his own country; and choose foods which he is accustomed to enjoy at home, from the menus of several fine restaurants, which will feature gourmet specialties from overseas each day.

Many visitors to the court will be able to share in religious observances of their own faith in the Chapel of the Seven Seas, where services according to several different religious beliefs will be held regularly.

Already this project has excited the interest of many distinguished individuals.

Mrs. Franklin D. Roosevelt has said:

> It seems to me that an International Village of this kind might really bring some interesting knowledge of other parts of the world to people in our country.

Dr. Grayson Kirk, president of Columbia University, has written to Mr. and Mrs. Pasetta as follows:

> Your conception of International Village is imaginative and intriguing. Such a development as you envision would be a useful tool for the improvement of that international understanding upon which our modern shrinking world so greatly depends.

William Wesley Peters, chief architect of the Frank Lloyd Wright Foundation, has said:

> Seven Seas community is an organic complement of the spectacular magnificence of the Santa Cruz site to provide an objective where the traveler may find a center of concentrated beauty and interest unique in the world.

Such praise will certainly be followed by much more and, as time goes on, there will be more than praise for the beauty and novelty of this ideal. Gradually, the world will come to know of the unselfish motivation behind the Court of the Seven Seas.

The Court of the Seven Seas is not a promotional scheme in any sense of the word. It will be privately financed without requests for Government funds and no shares will be offered to the public and no bond issues floated. This is the ideal of one man and his wife—Mr. and Mrs. Peter J. Pasetta.

There probably has never been a time when businessmen did not come to Washington asking for help from their Government to insure the success of their own commercial enterprises. But how many businessmen do we know who have deliberately invested their own money—for the express purpose of helping their Government? How encouraging—and how refreshing it is to have a businessman ask the State Department, "How can I help make your international educational exchange program more successful?" to ask the Department of Commerce, "How can I better our trade relations with peoples of the free world?" to ask the U.S. Travel Service, "How can I help to house and entertain foreign tourists so that they will like our country and come back to it again and again?"

Peter Pasetta has asked these questions, and carefully planned the operation of the Court of the Seven Seas—with its International Village—in Santa Cruz, Calif., in direct support of at least five Government-sponsored programs.

I should like to sum up the philosophy of this remarkably dedicated man by using his own language. In his foreword to a descriptive booklet, printed for distribution to foreign government officials and trade agencies, he says, in simple language:

> This booklet describes a commercial development, which at the same time, has been directly planned to encourage an increased understanding and appreciation by Americans for the arts, crafts, and cultures of other lands. It is reasonable to believe that such a better understanding of our foreign neighbors may help us to establish better world relationships.
>
> The operation of International Village will not only conform to our national policy in this respect, but it will complement and reinforce several fine programs of the U.S. Government now operating to improve our relations with the peoples of other lands.
>
> Although this unique program is directly in the national interest our Government will not be asked to subsidize it, or to assist it financially in any way. We are proud to be associated with an institution which may rightfully be described as a contribution of private citizens to a better world.
>
> P. J. PASETTA,
> *President, International Village, Inc.*

I am proud to invite my colleagues of the House and Senate to watch the progress of the Court of the Seven Seas. When it is finished I hope you will visit it to share my pride in a man, his wife, and their ideal.

ANSWERS NEEDED

Mr. CONTE. Mr. Speaker, I ask unanimous consent that the gentleman from Michigan [Mr. JOHANSEN] may extend his remarks at this point in the RECORD.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. JOHANSEN. Mr. Speaker, for more than 3 weeks there have been widely published reports of a substantial buildup of Soviet—and possibly Red Chinese—military personnel and equipment in Cuba.

Estimates indicate recent arrival of 5,000 or more personnel.

The matter was the subject of extensive questions and answers at the President's press conference yesterday. Upshot of his replies is as follows:

First. There is an expanded Soviet "advisory and technical mission" in Cuba, which may include "additional military advisory personnel or technicians."

Second. We do not have evidence that there are Russian troops—as it is generally understood—there.

Third. As to reported shipments of antiaircraft missiles to Cuba, "we have no such information as yet"—but "that does not mean that there have not been."

Fourth. The President stated that he "is not for invading Cuba at this time"—to which he added, "I think it would be a mistake to invade Cuba."

Fifth. The President indicated that any action regarding Cuba must be weighed in the light of our global obligations and "the very sensitive" situation all around the world, particularly in Berlin.

It seems to me these disclosures raise extremely crucial questions—questions which should not be answered publicly but to the appropriate leadership and committee members of both parties in the Congress:

First. Is the scanty information as to what is actually happening in Cuba due to any incompetence or dereliction of our intelligence services?

Second. Should the President continue to submit himself to impromptu press conference questioning regarding Cuba which requires him to tell our enemies what we do not intend to do, or which compel him to advertise to our enemies our misgivings about taking any effective action?

Third. Are our global commitments so broad—and the global hazards so precarious—that our initiative in any area or in the face of any specific peril is virtually paralyzed?

Fourth. If, in the phrase being heard in Washington these days, we must hesitate to act in Cuba because Russia as "a rope around our neck in Berlin," how long will it be before we dare not act in self-defense anywhere in the world because Russia has "a dagger at our heart" in Cuba?

Fifth. What assurance do we have that Soviet military forces—of whatever type—in Cuba, ostensibly there for "defensive purposes," will not in fact later become actual captors of the Cuban island, potential guerrilla forces for use against other Latin American countries, or even a potential missile strike force against the United States.

Sixth. If invasion and liberation of Cuba by the United States is ruled out, are we also ruling out vigorous countermeasures in the form of an effective embargo of further shipments of Soviet personnel and military equipment to Cuba?

Seventh. If we are to rely on an internal uprising within Cuba as its only hope of liberation—which would seem progressively unlikely of success if Soviet "occupation forces" continue to build up—have we any plans for assistance for such an uprising if such assistance proves indispensable to its success?

These questions are not raised in captious criticism. The President must have complete, bipartisan support in this crisis. But the President and the administration must provide leadership.

The starting point for such leadership is full and frank information to the appropriate Members of Congress.

HOUSE UN-AMERICAN ACTIVITIES COMMITTEE PROCEDURES RE STUBER CASE

Mr. CONTE. Mr. Speaker, I ask unanimous consent that the gentleman from Missouri [Mr. CURTIS] may extend his remarks at this point in the RECORD and include extraneous matter.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. CURTIS of Missouri. Mr. Speaker, earlier this year I placed in the CONGRESSIONAL RECORD an exchange of correspondence which I had with the Reverend Stanley I. Stuber, executive director of the Missouri Council of Churches—CONGRESSIONAL RECORD, March 8, 1962, pages 3776–3779. I placed this exchange in the RECORD; I assured Dr. Stuber that I would look forward to carrying this matter further and to making public our subsequent correspondence. In connection with this general matter, I have been in contact with groups and individuals other than Dr. Stuber thus causing a delay in moving this specific item forward. Because of this delay, and the importance of the Stuber matter on its own, I felt it might be better to place this further material in the RECORD rather than holding it for later inclusion in the further study I am making of the basic issue which underlies the points of conflict.

The basic issue is the attempt to abolish the House Un-American Activities Committee. Dr. Stuber had contacted me urging that I work for the abolition of the House Un-American Activities Committee on the basis of certain unspecified improper acts on the part of the committee. I responded as I do to all those who contact me with this appeal by declining and explaining why I strongly support the House Un-American Activities Committee. I believe that there is a threat to the United States in the international Communist movement, a threat which is not bound up solely in the military power of the Soviet Union but expresses itself in internal subversion.

I believe it is wise that there be in our Congress a body devoted to keeping the Congress, and the people of the United States, alert to this threat and to compiling information upon which we may frame constructive legislation to meet the threat. Further, and I believe that this is essential, the operation of this body must be such that the safeguards developed in our society to protect the individual citizen against the powers of the majority acting through duly organized governments are employed to protect the personal liberty and reputation of those from whom information is sought. When charges of impropriety and illegality such as those Dr. Stuber made are leveled against this body—the House Un-American Activities Committee—I always ask for a bill of particulars. I have asked for such a bill of particulars from the congressional proponents, few as they are, of the abolition movement; regrettably, the only response from them has been continued general and unsubstantiated charges.

Dr. Stuber has replied, giving his documentation for the charge which he has made relating to himself. Accompanying this letter were a number of clippings to which his letter makes reference. I am not placing these in the RECORD, but I do wish to state that, having read them, these newspaper articles do publish material which came from the public files of the House Un-American Activities Committee and I believe this material has been published in such a fashion that it tends to degrade Dr. Stuber. His letter follows:

Missouri Council of Churches,
Jefferson City, Mo., March 9, 1962.
Congressman Thomas B. Curtis,
House Office Building, Washington, D.C.

Dear Congressman Curtis: Your letter of March 5 is greatly appreciated and it now seems to me that we are coming to a basic point of agreement. We both seem to agree that listings should not be distributed freely by the HUAC to any citizen who wants to use the information in order to discredit publicly one who does not happen to agree with him politically or theologically.

You want me to be specific. Very well, I will give you a case close at home. The pastor of the Bible Baptist Church here apparently has something against the Missouri Council of Churches and against me (although I have never met him personally). He recently (February 1962) asked Congressman Walter for the HUAC listing on myself. It was sent to him. He, in turn, took the material out of context and made every listing appear that I was guilty of belonging to several Communist-front organizations. He sent his version to the editor of our local paper, the Jefferson City Tribune.

What I object to is not only the HUAC readiness to release such personal material; but also to the way it is used by those who seek it.

Moreover, in sending on this material the pastor of the Bible Baptist Church omitted the first paragraph of the document, which is all important. It reads as follows:

"This committee makes no evaluation in this report. The following is only a compilation of recorded public material in our files and should not be construed as representing the results of any investigation or finding by the committee. The fact that the committee has information as set forth below on the subject of this report is not per se an indication that this individual, organization, or publication is subversive unless specifically stated."

By leaving off this pertinent paragraph the net result of the listing is to indicate that the person listed is guilty. He is judged guilty before he has any opportunity to have a fair trial. This is surely not true Americanism. It is more Red than Christian.

I have stated publicly and in print, and also in special communications, that I have never belonged to a Communist or a Communist-front organization. I have had no sympathy whatsoever with such organizations and anybody who claims that I have belonged to such organizations ought to be made to prove it by true evidence that I have attended a meeting, paid dues, or in some other way participated in the organization. Accusation by letterhead will never do, because a name can be added to a letterhead very easily without authorization.

As the enclosed letters from Mr. Richard Arens and Congressman Morgan Moulder indicate, I have never been accused of Communist affiliations by the HUAC, nor has my name ever come before the HUAC for investigation.

I do not mind defending myself against what I have really done, but I am at a loss to know how to defend myself against what, in good conscience, I know I have never done.

You ask me to give a bill of particulars. Very well, here are several other specific cases of using the "listing" to discredit publicly one who does not agree with those who make the accusations:

1. Front page article, Kansas City News-Press, November 20, 1959, "Stuber Denies Pro-Red Links," based on listing in booklet "Recognize Red China," published by the Circuit Riders.

2. TV program, KMBC–TV, Kansas City, 10:15 p.m., November 20, 1959, which was to use same listing and was canceled upon my protest.

3. "Stuber Data to House Probers," Kansas City News-Press, December 11, 1959, which says "information concerning the alleged affiliation of Dr. Stanley I. Stuber with Communist-front organizations has been turned over to the House Committee on Un-American Activities by Representative Morgan M. Moulder for consideration and investigation."

4. M. G. Lowman, editor of listing "Recognize Red China?" communication to the FCC in Washington.

5. Use of "listing" by Greater Kansas City Committee of Christian Churches.

6. The use of the listings by radio station WHB, Kansas City, for several months by Lee Vogle over his "Nite Beat" program.

7. Appearances of Dr. Stuber before FCC in Washington, D.C., in protest against using listings on WHB "Nite Beat" program.

8. Letter of Rev. Alfred Thornton, Bible Baptist Church, Jefferson City, to the editor of the Post Tribune, citing the listings.

9. Letters to the editor of the Jefferson City Post Tribune citing Dr. Edwin T. Dahlberg, pastor of the Delmar Baptist Church, St. Louis, and immediate past president of the National Council of Churches as belonging to Communist-front organizations on basis of the listings.

10. Denial by Dr. Dahlberg (Crusader, November 1961) that he ever belonged to Communist or Communist-front organizations.

11. Letter from Congressman Moulder, January 12, 1962, saying that "the committee (HUAC) has not and is not now making an investigation of you or your activities."

This is a very limited compilation of how the listings have been used in my own immediate area. Much more can be added to this compilation by anybody seeking a national picture of this situation.

I believe there is enough here to convince you that this is a very real and continuing situation. I hope you will do something about it, because I believe you are really concerned over the public use of these so-called listings.

As you indicate, it is now in the public interest to print our correspondence and enclosures in the Congressional Record. This will be perfectly agreeable to me.

Thank you for giving this problem so much of your time and thought. As a result of our exchange of letters I hope this extremely critical situation may be improved.

Sincerely yours,
Stanley I. Stuber,
Executive Director.

I took this matter up with the chairman of the House Un-American Activities Committee, the gentleman from Pennsylvania [Mr. Walter]. I asked him for his comment on the policies of the committee on the release of information from its files. In his reply he referred to a speech which he made in connection with the revision of the rules of the House Un-American Activities Committee—Congressional Record, August 23, 1961. I commend the gentleman from Pennsylvania [Mr. Walter] for his sincere interest in providing fair and adequate rules of procedure for the conduct of committee hearings, especially in an area in which emotion runs so high. I am not including with the chairman's letter in this statement his earlier speech nor shall I include, except by reference, the committee publication which explains the functions of the committee. I am including, however, the copy of the letter of the committee's staff director to Dr. Stuber, to which the gentleman refers, and the heading of the form on which information from the public files of the committee is reproduced for distribution. The chairman's letter follows:

Congress of the United States,
House of Representatives, Committee on Un-American Activities,
Washington, D.C., April 6, 1962.
Hon. Thomas B. Curtis,
House Office Building,
Washington, D.C.

Dear Colleague: In response to your letter of March 27, I shall be glad to do what I can to clarify the policy of this committee regarding the reporting of information from the files.

First, I think it would be helpful to explain the two major categories of files maintained by the committee. One set, referred to as "investigative" files, consists of "lead" material and confidential reports of committee investigators. Information in these files is not used for regular reference purposes, and is available only to the staff. The other set, called "public" files, consists of committee publications and information secured from public sources, such as newspapers, magazines, authenticated letterheads, and other documents available from public sources. Such material could be found by any competent researcher. The committee does not make its "public" files available to the general public, but the Rules of the House of Representatives provide that "such records shall be the property of the House and all Members of the House shall have access to such records." (See rule XI, clause 26 (c).) In accordance with this provision, the committee maintains a reference service for Members of the House, through which information from these "public" files may be furnished upon receipt of a written request, which becomes a part of the records. The courtesy has been extended to include Members of the Senate. To assist the executive branch of the Government in the fulfillment of its responsibility under several laws relating to loyalty and security, the service has also been extended to authorized representatives of executive departments and agencies.

There has been some confusion concerning the use of the word "report" as applied to information furnished by this committee. Printed reports are official documents which have received the approval of members of the committee before release. Typewritten reports prepared in response to individual requests for information fall into an entirely different category. They do not express official opinions of the committee, and must, therefore, be written as nothing more than compilations of information from public sources in our files—without added comment or evaluation. Evaluation and use of the information become the responsibility of the recipient. Information furnished by the committee to a Member of Congress may or may not be passed on to a constituent. Disposition of the report is subject to the discretion of the Member, and the committee has no power to control the action he may take. It follows, therefore, that the committee should not be held responsible for the use or abuse of these reports beyond the point of furnishing them to Members.

I note that your letter of March 5, 1962, to Dr. Stuber, as printed in the Congressional Record of March 8, 1962, states: "Any information of a derogatory nature cannot be made public, in any manner, without a vote of the committee involved after executive session." I find nothing in the rules of the House or in the rules of procedure of this committee which places such a restriction on the type of information involved in this discussion. On the contrary, as I have already indicated, under rule XI it is considered mandatory that we furnish such information to Members of the House upon their request. There are, of course, rules governing the release of official committee reports and testimony given before the committee, but they do not apply to these typewritten reports furnished in response to individual requests for information.

The resolution of the General Council of the American Baptist Convention at Chicago "protests the release by Congressmen for general distribution, of unproved and unevaluated material secured from the House Committee on Un-American Activities." I have already discussed in this letter two of these points—the reason for furnishing this type of information without evaluation, and the responsibility for distribution of our reports of such information. As to the charge that the material is "unproved," I am sure you realize that it would be a virtually impossible task to "prove" the many thousands of references in our files, even if we did not have the problem of limited personnel. Moreover, that is not a function of the committee. If, for instance, an official letterhead of a cited organization has listed an individual as a sponsor, the House has not required that the committee prove, before reporting the reference, that the person actually consented to be a sponsor. It would obviously be absurd to suggest that the committee, before complying with a Member's request for a report on an individual, should undertake to prove all references to be reported (which in many instances would involve several hundred items).

A fact which the General Council of the American Baptist Convention has apparently overlooked is that these reports do furnish documentation. The source of each reference is cited in the report. Furthermore, the references reported are not selected in indiscriminate fashion. Our staff has a set of rules (reflecting committee policy) which it follows in compiling and reporting information from committee files.

It should also be noted at this point that whenever we find that our files reflect a statement by an individual (whether made under oath or not) in which he denies any activity or association reported in material in our files, we incorporate the statement in any report we may furnish on that individual. The committee invites affidavits from individuals who think any reference in our files concerning them is incorrect or needs to be clarified.

In the particular case of Dr. Stuber, upon his request we furnished to him, under date of December 17, 1959, a copy of the information in our public files concerning him. I am enclosing a reproduction of the committee's letter to him. You will note that Dr. Stuber was invited to submit an affidavit if he wished to make any correction or explanation of information reported by us. According to our records, he made no written response to this suggestion. The committee received a letter dated November 6, 1961, on a letterhead of the Missouri Council of Churches, signed Stanley I. Stuber, executive director, which said: "I understand that you have a file (or listing) on me which you send out upon request. Will you please send me a copy of this?" We responded on November 9, 1961, furnishing him with another copy of the information from our public files concerning him and enclosing a reproduction of the letter we had written to him December 17, 1959, in answer to his previous request for this information. To date, we have received no affidavit from him.

This committee heartily concurs with the statement of Mr. J. Edgar Hoover, as quoted in the general council's resolution:

"The danger of indiscriminately alleging that someone is a Communist merely because his views on a particular issue happen to parallel the official party position is obvious."

The committee has never alleged on such a basis that anyone was a Communist, and challenges anyone to produce evidence that it has ever done so. I call your attention to the printed statement at the beginning of every report furnished by our reference section. Except in the case of well-known Communist leaders, the committee does not refer to an individual as an identified Communist unless he has been so identified under oath by someone who was himself a member of the Communist Party, either as a bona fide member or as an undercover agent. Our policy could not be described by any responsible person as "alleging that someone is a Communist merely because his views on a particular issue happen to parallel the official party position."

Finally, I would like to point out that our Rules of Procedure (first codified in 1953) were the first written rules to be adopted by a congressional committee, and they have served as a model for other committees. This committee welcomes constructive criticism, and keeps an open mind as to possible improvement in methods of operation. Early last year, I appointed a subcommittee to consider revision of our Rules of Procedure. A general invitation was extended to Members of the House to offer comments and suggestions, as you may recall; however, only two Members offered suggestions. I am enclosing a copy of the revised rules and a speech which I made concerning them on August 23, 1961.

You may find some helpful information in the enclosed copy of "The House Committee on Un-American Activities: What It Is—What It Does," which answers the questions most often directed to the committee.

With kindest personal regards, I am,

Sincerely yours,

Francis E. Walter, *Chairman.*

Congress of the United States,
House of Representatives, Committee on Un-American Activities,
Washington, D.C., December 17, 1959.

Dr. Stanley Stuber,
Council of Churches of Greater Kansas City,
Kansas City, Mo.

Dear Dr. Stuber: Enclosed is a copy of the report from our files and reference section which contains all references to you. This is information coming to the attention of the committee and compiled by its staff over the years. There is no reference in any hearing, investigation or report to yourself, nor has there been any identification of you as ever having been a member of the Communist Party.

This committee does not make evaluations of reports released, nor have we ever issued a clearance. What the committee has endeavored to do, is to make available its report to the individual if he has cause or reason to believe it is incorrect, with the suggestion that the individual file with us an affidavit of the circumstances surrounding the situation. This affidavit would then, in your own instance, become a part of your file, and would be included with any response made to any request for information concerning you. There have been several instances where individuals' names have been used as signers and sponsors of organizations without their knowledge. This may very well have been the case with you, as you suggested when you were in our office. If so, I think an affidavit filed with us would do much to clear the air.

With very best regards, I am,

Sincerely yours,

Richard Arens,
Staff Director.

INFORMATION FROM THE FILES OF THE COMMITTEE ON UN-AMERICAN ACTIVITIES, U.S. HOUSE OF REPRESENTATIVES

Date: ----------

For: --------------------

Subject: --------------------

This committee makes no evaluation in this report. The following is only a compilation of recorded public material contained in our files and should not be construed as representing the results of any investigation or finding by the committee. The fact that the committee has information as set forth below on the subject of this report is not per se an indication that this individual, organization, or publication is subversive, unless specifically stated.

Symbols in parentheses after the name of any organization or publication mentioned herein indicate that the organization or publication has been cited as being subversive by one or more Federal authorities. The name of each agency is denoted by a capital letter, as follows: A—Attorney General of the United States; C—Committee on Un-American Activities; I—Internal Security Subcommittee of the Senate Judiciary Committee; J—Senate Judiciary Committee; and, S—Subversive Activities Control Board. The numerals after each letter represent the year in which that agency first cited the organization or publication. (For more complete information on citations, see this committee's "Guide To Subversive Organizations and Publications.")

I should like first to comment on the statements contained in the chairman's letter and publicly to thank him for setting forth in detail the committee policies on the reporting of information from its files. As the chairman notes, rule XI, clause 26(c) makes the committee records the property of the House and its Members.

> 26. (c) All committee hearings, records, data, charts, and files shall be kept separate and distinct from the congressional office records of the Member serving as chairman of the committee; and such records shall be the property of the House and all Members of the House shall have access to such records. Each committee is authorized to have printed and bound testimony and other data presented at hearings held by the committee.

However, further in rule XI there are items which I believe are pertinent to the question of the release of information by the committee. Clause 26(m) says:

> If the committee determines that evidence or testimony at an investigative hearing may tend to defame, degrade, or incriminate any person, it shall—(1) receive such evidence or testimony in executive session; (2) afford such person an opportunity voluntarily to appear as a witness; and (3) receive and dispose of requests from such person to subpena additional witnesses.

Clause 26(o) says:

> No evidence or testimony taken in executive session may be released or used in public sessions without the consent of the committee.

The newspaper articles and other material Dr. Stuber enclosed with his letter to me substantiate the fact that matter from the committee's public files did tend to degrade him. The Communist threat, along with similar threats from other extreme parts of the political spectrum, gives a valid purpose to the existence of the Un-American Activities Committee. Because of this same condition, findings in respect to the activities of individual persons which otherwise might be construed as merely eccentric, can be construed through half-truths and innuendoes as being sympathetic to the Communist cause.

If such a construction is placed upon these activities it becomes a matter of personal degradation. I commend the chairman's interest in this, as shown in his continuing interest in the rules of his committee, and I commend the committee's interest as well, exemplified in the proviso which heads every report from the public files which the committee sends. Unfortunately, similar care, it appeares, is not taken by those who receive this information. This information can be and has been used in a degrading way. Certainly this was done in Dr. Stuber's case. I would urge the committee to consider this matter in the light of rule XI, clause 26 (m) and (o).

However, with the chairman's letter in mind, I thought it fair to ask Dr. Stuber why he did not take the opportunities afforded him to comment upon the public file information concerning him and have his comment placed in the committee's public file record. Surely there must have been some reason for his acts, as cited in the committee file, if the facts are true. The opportunities Dr. Stuber was given permitted him to attack the truth of the specific facts therein alleged, or to explain why he felt these acts, if true, were proper and to question the claims of others that the organizations with which he was connected were, indeed, Communist or Communist oriented. The goal of the House Un-American Activities Committee, and all functions of the Congress, should be the search for the truth. In failing to reply to the committee, in choosing instead to make collateral attacks on it, Dr. Stuber chose a path of obstructing the truth in this area. In fairness he should have directed his criticism of the House Un-American Activities Committee to the House Un-American Activities Committee for its reply before he joined in publicly castigating the committee.

I am communicating these ideas both to the gentleman from Pennsylvania [Mr. WALTER] and to Dr. Stuber. I hope that from the interplay of the ideas in this field we shall see progress in strengthening the Congress and its procedures. I also urge others with a similar interest to add their thoughts to this exchange and so help to move this matter forward.

To complete this record I am including the last letter from me to Dr. Stuber and his reply to me:

JULY 31, 1962.

STANLEY I. STUBER, Th. M., D.D.,
Executive Director and Minister, Missouri Council of Churches, Jefferson City, Mo.

DEAR REVEREND STUBER: Thank you for your forbearance in regard to my RECORD insertions. You are correct in your letter of June 11 that I have been very busy on other things, not campaigning, but rather carrying out my duties as a member of the Ways and Means Committee which seemingly has been hit with the bulk of the pressing legislation facing this session of the Congress. I am enclosing a copy of my last newsletter which spells this out in some detail.

I shall place in the RECORD our correspondence along with your enclosures except I shall not place in the RECORD all the various newspaper articles. However, I shall make a statement that you supplied me with newspaper articles which substantiate your allegations that material which came from what Chairman WALTER refers to as "the public files" of the House Un-American Activities Committee was so published and in a fashion that tended to degrade you.

I am also placing Chairman WALTER's letter in reply to mine wherein he explains the rules and procedures followed. He comments upon your apparent failure to avail yourself of the opportunity to either rebut or explain the material contained in the "public" files.

I am enclosing a copy of Chairman WALTER's letter in the event that you would like to make a more detailed reply. After receiving your comments I shall place the entire file in the RECORD as stated.

You have raised a very important issue and I thank you for calling it to my attention. The point centers around what, if anything, should be contained in a "public file."

Yours very truly,
THOMAS B. CURTIS.

SOUTHPORT, MAINE,
August 10, 1962.

Hon. THOMAS B. CURTIS,
U.S. Congressman, Old House Office Building, Washington, D.C.

DEAR CONGRESSMAN CURTIS: Thank you for your letter of July 31, 1962. I greatly appreciate the time and attention which you have given to this important matter.

It is hard to see that much progress has been made, however, if the enclosed letter to you from Chairman WALTER, of the House Committee on Un-American Activities is the final word. I trust that it is not. The public damage is done when outside organizations take the listings of the committee and use them without including the notation to which Mr. WALTER refers.

The reasons why I did not offset my file with an affidavit are (1) because it was then much too late to do me any good, since the material was being freely circulated in printed form, and (2) because I felt my statement would be completely ignored by those who merely wanted to get something on me. Moreover, I knew that I have never belonged to, supported, or attended any Communist or Communist-front organization, and therefore considered it quite unnecessary to defend myself.

Again I thank you for your kind consideration and I hope that our exchange of letters will help the cause of religious freedom and the right of a religious leader to support Christian causes without being called a Red or accused of being subversive.

Sincerely yours,
STANLEY I. STUBER,
Executive Director and Ecumenical Minister, Missouri Council of Churches.

CAPTIVE NATIONS WEEK, 1962, FEATURED A SPECIAL HOUSE COMMITTEE ON CAPTIVE NATIONS

Mr. CONTE. Mr. Speaker, I ask unanimous consent that the gentleman from Illinois [Mr. DERWINSKI] may extend his remarks at this point in the RECORD and include extraneous matter.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. DERWINSKI. Mr. Speaker, reports received from all sections of the country show conclusively that the 1962 Captive Nations Week observance has been the best yet. To many observers it is remarkable how the week's observance since 1959 have developed into a tradition, each observance growing in scope and strength and surpassing all previous ones. This upward trend is in itself a solid measure of the broadened understanding of the American people with regard to the captive nations and their strategic value to U.S. national interests.

SPECIAL HOUSE COMMITTEE ON CAPTIVE NATIONS HIGHLIGHTED

What is also quite significant on our national scene is the importance attached to the necessary creation of a Special House Committee on the Captive Nations. At every rally and festivity in the 1962 Captive Nations Week observance, this important theme of a special committee was highlighted. As I will indicate below, in Chicago, for example, the huge assembly passed a resolution supporting "the establishment of a permanent Captive Nations Committee (House Resolution 211) which would demonstrate to Moscow that the United States will not cease in its efforts until all captive nations are able to enjoy the God-given rights of all peoples to freedom and national sovereignty." In Boston, New York, Buffalo, Cleveland, Detroit, Minneapolis, Denver, Los Angeles, Seattle, Pittsburgh, and many other cities similar resolutions were passed.

REPUBLICANS TO PRESS HARD FOR SPECIAL COMMITTEE

Mr. Speaker, we cannot in any ostrich-like manner hide from this popular demand for a special House Committee on the Captive Nations. For several known and utterly unjustifiable reasons the Rules Committee has been sitting on the over two dozen resolutions since May 1961. The maneuvers that were employed to delay action on the proposal are well known to our citizens. They will not be fooled by any superficial report covering certain slipshod hearings on the captive nations.

In a completely bipartisan effort Republican Members have vigorously campaigned for a Special Committee on the Captive Nations. We still have time in this session to establish this necessary committee. We Republicans will press hard for a decisive vote on this vital proposal in the Rules Committee. We are confident that once the proposal reaches the floor of the House, it will be passed overwhelmingly. We intend to give continued expression to the popular demand and to defeat the few elements that have been impeding this necessary legislation.

Mr. Speaker, in the metropolitan area of Chicago, which I am pleased to represent, continuing attention has been given to Captive Nations Week observances, and this year under the leadership of John Duzansky, a splendid program was staged in commemoration of Captive Nations Week. I therefore append to my remarks and include the following in the RECORD at this point: First, Gov. Otto Kerner's proclamation of Captive Nations Week; second, an official release and Mayor Daley's proclamation; third, the adopted resolution by the citizens of Chicago; and, fourth, partial reports in the July 14–15 issues of the Chicago American and the July 16 Chicago Sun-Times on the observance.

STATE OF ILLINOIS,
EXECUTIVE DEPARTMENT.

PROCLAMATION

Whereas the President of the United States, as authorized by Congress, will designate the third week in July 1962 as Captive Nations Week; and

Whereas during this set-aside period it behooves all of us who are linked by principles of freedom to assure the captive nations that they are not forgotten; and

Whereas these silent allies, in their cruel bondage, are denied both the promised right to self-determination and individual freedoms and it is for us to work ceaselessly by peaceful means for those freedoms throughout the world; and

Whereas the American credo for the independence of captive nations is found in our Declaration of Independence, which reads: "We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable rights, that among these are life, liberty, and the pursuit of happiness; and

Whereas worldwide peace, through freedom and justice, is becoming increasingly important to all citizens of the United States of America:

Now, therefore, I, Otto Kerner, Governor of the State of Illinois, do hereby proclaim the period of July 15–21, 1962, as Captive Nations Week in Illinois and request the appropriate observance of this occasion, and urge our citizens, in the words of our President, "to recommit themselves to the support of the just aspirations of all peoples for national independence and freedom."

In witness whereof, I have hereunto set my hand and caused the great seal of the State of Illinois to be affixed.

Done at the Capitol in the city of Springfield this 5th day of July in the year of our Lord 1962 and of the State of Illinois the 147th.

Otto Kerner,
Governor.

City of Chicago,
Office of the Mayor,
July 11, 1962.

The third annual Captive Nations Day program will be held in the band shell, Grant Park, at 2 p.m. on Sunday afternoon, July 15.

There will be more than 10,000 persons in attendance at the program. The audience will be drawn principally from the members of the so-called national groups of Chicago whose families and relatives are yet enslaved in one of the captive nations.

The principal addresses will be delivered by Lt. Gov. Samuel Shapiro and the Honorable Petras Dauzvardis, Consul General for Lithuania in Chicago.

Preceding the speaking program there will be a procession of several thousand persons wearing the national dress of the countries behind the Iron Curtain as well as a musical presentation by a choir of persons representing the national groups of Chicago.

City of Chicago,
Office of the Mayor.

Proclamation

Whereas, by joint resolution of the Congress of the United States, the third week of July has been designated as "Captive Nations Week"; and

Whereas the city of Chicago is linked to these captive nations through the bonds of family, since numbered among the people of Chicago are hundreds of thousands of our citizens who through nativity or ancestry treasure the heritage which endowed them with the culture and industry which are theirs; and

Whereas these nations have been made captive by the imperialistic, aggressive, and heartless policies of communism; and

Whereas the peoples of these Communist-dominated nations have been deprived of their national independence and their individual liberties; and

Whereas it is appropriate and proper to demonstrate to the peoples of the captive nations the support of the people of the city of Chicago for their just aspirations for freedom and national independence; and

Whereas the people of Chicago, as do all the people of the United States, want for the peoples of the world the same freedom and justice which is theirs:

Now, therefore, I, Richard J. Daley, mayor of the city of Chicago, do hereby designate the week beginning July 15, 1962, as Captive Nations Week.

I urge the people of Chicago to join with the committee appointed by me to arrange for observance of the occasion in appropriate ceremonies and activities, and I urge all of our churches, or educational institutions, and all media of communications to observe the plight of the Communist-dominated nations and to join in support of the just aspirations of the people of the captive nations.

I especially encourage everyone to concretely demonstrate his or her interest in the people imprisoned in the captive nations by their attendance at the program to be held at the band shell in Grant Park on Sunday afternoon, July 15, at 2 o'clock.

Dated this 10th day of July, A.D. 1962.

Richard J. Daley,
Mayor.

Resolution of Captive Nations Committee of Chicago

Whereas the Senate and the House of Representatives have authorized the President of the United States to proclaim a Captive Nations Week each year, and the same has been done for the past 3 years; and

Whereas the Soviet Communist empire has continuously followed a path of persecution, aggression, and enslavement and through these means has succeeded in subjugating many nations, namely, Albania, Armenia, Azerbaijan, Bohemia, Bulgaria, Byelorussia, mainland China, Cossackia, Croatia, Cuba, Czechoslovakia, Estonia, Georgia, Communist-occupied part of Germany, Hungary, Idel-Ural, Communist-occupied part of Korea, Latvia, Lithuania, Outer Mongolia, Poland, Romania, Serbia, Slovakia, Slovenia, Tibet, Turkestan, Ukrainia, Communist-occupied part of Vietnam, thus creating a vast colonial empire threatening the security and national existence of the countries of the free world; and

Whereas communism has invaded the Western Hemisphere by continuously causing disturbances in Latin American countries and successfully taking over the Government of Cuba; and

Whereas the people of the United States share with the enslaved nations their aspirations for the recovery of their freedom and independence: Now, therefore, be it

Resolved by the Captive Nations Committee of Chicago, That a national policy be adopted which would encourage the aspirations and movements for national self-determination of peoples, enslaved by the Communist empire, by an expressed and unequivocal commitment that the United States of America shall support all such aspirations for national freedom; be it further

Resolved, That this committee indicate our support of the establishment of a permanent Captive Nations Committee (H. Res. 211) which would demonstrate to Moscow that the United States will not cease in its efforts until all captive nations are able to enjoy the God-given rights of all peoples to freedom and national sovereignty.

[From the Chicago American, July 14, 1962]

Iron Curtain Nations Theme of Park Rally

(By Stanley Pieza)

Enslaved nations behind the Iron Curtain will be remembered here during the fourth Captive Nations Week beginning tomorrow with prayers in local churches and with a mass rally at 2 p.m. at the Grant Park bandshell.

More than 25,000 are expected at the outdoor rally which will include a parade of nearly 30 nationality groups attired in native costumes.

Main speakers at the event will be Lt. Gov. Samuel Shapiro and Dr. Petras Dauzvardis, Lithuanian consul general in Chicago.

THREE RESOLUTIONS

The event is being held in accordance with resolutions proclaimed by President Kennedy, Governor Kerner, and Mayor Daley.

Mayor Daley said, "We must let the people of the captive nations behind the Iron Curtain know that we Americans have not forgotten them."

Dr. Dauzvardis recalled that the first proclamation of Captive Nations Week by President Eisenhower in 1959 was assailed by Russian Premier Nikita Khrushchev, who accused the United States of "direct interference in Russia's internal affairs by conducting Captive Nations Week."

The Lithuanian consul also recalled that Khrushchev called Captive Nations Week the "notorious week."

PARTICIPATING GROUPS

Participating in the observance here will be representatives of American Friends of the Captive Nations, the Conference of Americans of Central and Eastern European Descent, the Assembly of Captive European Nations, American Lithuanian Council, and other national organizations.

The Grant Park program will begin with the parade, according to Col. Joseph McCarthy, Marine Corps hero and an official of the Chicago Fire Department.

Represented in the parade, will be Poland, Lithuania, Latvia, Estonia, Rumania, Albania, Armenia, China, Croatia, Cuba, Germany, Hungary, Czechoslovakia, North Korea, Serbia, Slovakia, Slovenia, Byelorussia, Georgia, Turkistan, and Ukraine.

A choir of singers from local churches and singing societies will present "The Captive Nations Hymn" written by Hungarian-born Frederick Nagy, with words by the Rev. Norbert J. Trepsa, formerly of Latvia.

[From the Chicago Daily News, July 14, 1962])

Captive Nations Talks Sunday

Lt. Gov. Samuel Shapiro and Petras Dauzvardis, consul general for Lithuania, will speak at the third annual Captive Nations Day program Sunday at 2 p.m. in the Grant Park bandshell.

More than 10,000 persons, principally from the national groups whose families and relatives are in the Iron Curtain countries, are expected to attend the ceremonies.

[From the Chicago American, July 15, 1962]

Free Satellites, Plea of Consul

(By Stanley Pieza)

An Iron Curtain country diplomat urges the United Nations to implement its freedom charter now "to save the Soviet-held nations from extinction."

"Soviet Russia is the biggest colonial empire in the world, forcibly holding in captivity many states and non-Russian peoples," says Dr. Petras Dauzvardis, Lithuanian consul in Chicago, in an address prepared for delivery this afternoon at the captive nations rally at Grant Park's bandshell.

Dr. Dausvardis says the U.N. could apply its recent declaration regarding colonialism to the subjugated nations of Soviet Russia.

QUOTES U.N. DECLARATION

The consul quotes the U.N. declaration as follows:

"All people have an inalienable right to complete freedom, the exercise of their sovereignty and the integrity of their national territory. * * * The subjection of people to alien subjugation, domination, and exploitation constitutes a denial of fundamental human rights, is contrary to the Charter of the United Nations, and is an impediment to the promotion of world peace and cooperation."

"Every word," the consul states, "of this statement applies to the nations subjugated by the Soviet Union; they must be decolonized and liberated."

FUNDAMENTAL RIGHTS SPIKED

The fundamental rights have been forcibly taken away from many of the nations whose people are participating in the Captive Nations Week observance, Dr. Dauzvardis charges, and adds:

"The homelands of these people are enslaved, their fellow nationals dehumanized and converted into the enslavers' robots, and the free people here demand restoration of freedom and sovereign rights to the subjugated nations."

PRAYERS IN CHURCHES

Captive Nations Week started this morning with prayers in local churches for religious freedom in the nations behind the Iron Curtain.

Captive Nations Week is being held in accordance with a joint resolution of Congress proclaimed by President Kennedy. It was also proclaimed by Governor Kerner and Mayor Daley.

Also to speak at the patriotic mass rally at the Grant Park bandshell is Lt. Gov. Samuel Shapiro of Illinois. Col. Joseph McCarthy, marine hero and an official of the Chicago Fire Department, is chairman of the sponsoring committee.

PARADE PLANNED

The program will start with a parade of groups from the captive nations, attired in native costumes.

Represented in the parade will be Poland, Lithuania, Czechoslovakia, Latvia, Estonia, Romania, Albania, Armenia, China, Croatia, Cuba, Germany, Hungary, North Korea, Serbia, Slovakia, Slovenia, Georgia, Turkestan, Ukraine, and Byelorussia.

[From the Chicago Tribune]

Prayers Asked for Captive Nations Today

Observance of Captive Nations Week in Chicago will begin at 2 p.m. today with a program at Grant Park bandshell.

Persons from 23 nations under Communist domination will parade in native costumes. A committee, appointed by Mayor Daley in proclaiming the observance, has asked all churches to offer prayers today for religious freedom and individual liberties for oppressed peoples.

Captive Nations Week was established by a joint resolution of Congress.

[From the Chicago Sun-Times, July 16, 1962]

Shapiro Cites City's Role as Humanity's "Melting Pot"

Chicagoans of nationality groups stemming from the satellite countries observed the third annual Captive Nations Day, Sunday, at the Grand Park bandshell.

Music and a procession of the national groups in their Old World costumes marked the observance, followed by addresses by Illinois Lt. Gov. Samuel H. Shapiro, and Petras Dauzvardis, Chicago Lithuanian consul general.

Shapiro said there are 2 million residents in Chicago with one or both parents of foreign birth.

"This city holds 340,000 who are no more than one generation removed from Poland, 290,000 from Germany, 100,000 from Czechoslovakia, 37,000 from Hungary, 50,000 from Yugoslavia, 65,000 from Lithuania, 16,000 from Rumania," Shapiro said.

"Much of the history of Europe, with its endless migrations, its countless persecutions and conquests, is condensed in this crowd today."

Dauzvardis demanded that the Soviet Union "withdraw from the occupied and dominated countries and restore sovereign rights and self-government to the countries and people they hold subjugated."

At United Nations Plaza in New York City, more than 1,000 persons gathered to hear former Hungarian Prime Minister Ferenc Nagy urge them not to lose faith in the eventual freeing of their homelands.

The flags of nine captive European nations—Albania, Bulgaria, Czechoslovakia, Estonia, Hungary, Lithuania, Poland, Romania, and Latvia—were lowered at the ceremony opening Captive Nations Week.

ALL QUIET ON THE IMMIGRATION FRONT

The **SPEAKER** pro tempore (Mr. Hagen). Under previous order of the House, the gentleman from New York [Mr. Halpern] is recognized for 10 minutes.

Mr. **HALPERN**. Mr. Speaker, I must admit that I am confounded at times by some of the workings of the present administration. Messages, recommendations, and proposals on a multitude of topics have flowed from the White House to the Capitol since President Kennedy took office. Yet on one of the major subjects of domestic and foreign policy—immigration—the administration has been strangely silent.

President Eisenhower sent three special messages to Congress in 1956, 1957, and 1960, proposing basic amendments to improve the operation of our immigration system, especially the highly discriminatory national origins quota formula. Unfortunately, the recommendations of President Eisenhower were paid little heed by the controlling leadership in Congress.

Perhaps this explains why we have not heard from President Kennedy on the subject of immigration. It would not improve his box score to recommend legislation knowing that a Congress heavily dominated by his own party will not act upon his recommendation. This might be wise politics, but how at variance it is with the promise written into the 1960 Democratic Platform, that—

> We are confident that a Democratic President in cooperation with Democratic Congresses will again implant a humanitarian and liberal spirit in our Nation's immigration and citizenship policies.

Mr. Speaker, we are approaching the 10th anniversary of the enactment of the McCarran-Walter Act. The act has been the subject of much heated debate but little meaningful action to correct its inequities since it was adopted. A limited patchwork of minor modifications has been added to it during the last 10 years.

The major fault of the law, however, remains intact. That is the national origins quota principle, which determines the upper limit of quota immigrants admitted each year from each foreign country.

There is a widespread recognition that the national origins quota system does not work in operation and, because of this, that it discriminates on a racial basis against those whom it bars from entering the United States. How can this system be viewed as other than racial discrimination, when there are nearly 900,000 on visa waiting lists throughout the world while the quota of other countries go largely unused?

Both the Republican and Democratic platforms for 1960 had immigration planks in them striking at the national origins quota system and other discriminatory provisions of the law as it now stands.

I would call the attention of President Kennedy, the sponsor of numerous immigration bills as a Congressman and Senator, to the field of U.S. immigration policy—the lost horizon of the New Frontier.

ACTION TAKEN TO IMPLEMENT RECOMMENDATIONS OF SELECT COMMITTEE ON EXPORT CONTROL

Mr. **ALBERT**. Mr. Speaker, I ask unanimous consent that the gentleman from North Carolina [Mr. Kitchin] may extend his remarks at this point in the Record.

The **SPEAKER** pro tempore. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

Mr. **KITCHIN**. Mr. Speaker, as my colleagues in the House are well aware, the Select Committee on Export Control has been in existence for approximately 1 year, having been established with the adoption of H. Res. 403 on September 7, 1961. I have been privileged to serve as chairman of this Select Committee since my resolution was adopted. My distinguished colleagues on this committee, Messrs. Boland, Sisk, Lipscomb, and Latta, have shared with me enthusiastically the responsibility of conducting a detailed study of our export controls, with particular reference to those commodities approved for shipment to Communist countries. Our study, handled through committee hearings and staff inquiries, was approached constructively with the national security and welfare of the United States always uppermost in our minds.

As a result of committee hearings and staff study, voluminous factual data was compiled, from which the Select Committee discovered a number of weaknesses in the administration of our export controls both at home and abroad.

A detailed report, containing an analysis of the many facets of our export control program, along with pertinent constructive recommendations and suggestions, was submitted and committed to the Committee of the Whole House on the State of the Union, and ordered printed on May 31, 1962.

Briefly summarized, the Select Committee unanimously recommended:

First. Amendment of the Export Control Act of 1949 to insure continued tight control over export to Communist countries;

Second. Improvement of enforcement procedures;

Third. That more effective control over exports of technical data be established;

Fourth. That tight controls over exports of prototypes or single units to Communist countries be exercised;

Fifth. That the Treasury Department take more affirmative action to broaden its knowledge of American-controlled subsidiaries operating abroad including the volume of trade with Communist countries;

Sixth. That our Government take a firm position with our allies to extend and make more effective international control of the export of strategic commodities to Communist countries, including Cuba;

Seventh. That the liberalized policy of exports to Poland and the favored-nation treatment of Communist Yugoslavia be reexamined and continuously evaluated to insure that such special treatment could not prove detrimental to the national security and welfare of the United States;

Eighth. That the total embargo on trade with Communist China, North Korea, and North Vietnam remain in effect, and

Ninth. That congressional responsibility be centralized in a committee within the House, or in a separately constituted joint committee, to assure that all relevant information concerning the administration of all facets of the export control program is at all times being promptly reported, evaluated, and appropriate action taken.

In view of the latter recommendation, the select committee has felt that it must continue through the present session of the Congress, since it has a definite responsibility, to follow up action taken by the responsible Government departments and/or officials to implement the recommendations and suggestions submitted by the committee, unless this responsibility for oversight is shifted by resolution of the House prior to the end of the present session.

At this time, it is my purpose to briefly bring all of my colleagues in the House up to date on action taken to implement the recommendations of the select committee.

The Export Control Act of 1949 has been amended effective July 1, 1962, with the expressed intent to insure continued tight control over exports to Communist countries providing for "denial of any request or application for authority to export articles, materials, or supplies, including technical data, from the United States, its territories, and possessions, to any nation or combination of nations threatening the national security of the United States if the President shall determine that such export makes a significant contribution to the military or economic potential of such nation or nations which would prove detrimental to the national security and welfare of the United States." Consideration of "economic potential" had not been previously required by statute, although I am satisfied that at the time this amendment was adopted, attention was being given to this important consideration by the Secretary of Commerce, the Administrator of the act.

The Department of Commerce, by letter dated August 16, 1962, has advised me in detail as to action that has been taken to improve enforcement procedures to implement the export control program. I am very well pleased with the program outlined and have been assured that the select committee will be informed of further action taken.

The Department of Commerce has assured the committee that it has and will continue to exercise more effective control over exports of technical data and prototypes or single units to Communist countries.

The Department of the Treasury has recognized the necessity to broaden the knowledge of that Department of American-controlled subsidiaries operating abroad, including the volume of trade with Communist countries.

The State Department has advised the committee that effort was being made through the coordinating group meeting in Paris in May, June, July, and August 1962 to strengthen multilateral control of exports of strategic materials to the Soviet bloc. The committee expects a report from the State Department in the immediate future as to our Government's success in obtaining more effective international control over exports to bloc countries.

The liberalized policy of favored-nation treatment of Communist Yugoslavia is continuing, and I have received definite advice from the Department of Commerce that up until recently no applications for exports of any commodities to that country had been denied by our Government. Of course, personally, I do not agree that Communist Yugoslavia is independent of the U.S.S.R. or that that country does not espouse or is not actively engaged in the international Communist conspiracy.

As chairman of the select committee I intend to introduce a resolution in the near future to appropriately fix congressional responsibility to assure that all relevant information concerning the administration of all facets of the export control program is at all times being promptly reported, evaluated, and appropriate action taken.

Of particular interest to the select committee were numerous applications pending at the time of its hearings in October 1961, for approval of exports of various type machine tools to the U.S.S.R. and Czechoslovakia with a value of over $40 million. Action on these applications was withheld until recently. I was particularly pleased to be recently personally advised by Secretary of Commerce Luther Hodges that he had denied 112 applications for $43 million of automotive machine tools for the reasons stated in a letter to me from the Department of Commerce dated August 16, 1962:

> After thorough examination at the technical and policy levels, it was decided that exports of this magnitude of advanced machinery could contribute significantly to military support. Our denial cannot be wholly effective in preventing bloc countries from obtaining such equipment, since similar machines are available in Europe. However, it is our estimate that European producers cannot fill such orders in the near future.

I certainly agree with this denial action.

On the other side of the ledger, I am not completely in accord with the action taken by the Department of Commerce in approving numerous applications for export of a variety of commodities and technical data to the bloc countries with the advice—

> These commodities and data we have approved are readily and immediately available to the bloc from non-U.S. sources. In addition, they are not deemed significant to the military or economic potential of the bloc in any way that would prove detrimental to our national security and welfare.

Some of the items approved were listed in a letter to me from Jack N. Behrman, the Assistant Secretary of Commerce, Bureau of International Affairs, dated August 27, 1962. These included "about $3,800,000 of materials for use in tire making, namely, carbon black, certain kinds of synthetic rubber, tire fabric, antioxidants, vulcanizing and compounding agents, accelerators, a fiber testing instrument, and resorcinol flakes. In addition, there was $125,000 of furfural for use in the manufacture of plastic materials, in solvents, and in the synthetic resins industry. We also approved a license to export technical data necessary to make a quotation and to construct a Kraft paper pulp mill, as well as licenses for fluid stream analyzers and related equipment for use in paper and pulp mills, valued at approximately $14,500. Other licenses covered $25,000 of synthetic glycerine for manufacture of ink and paper products and as a plasticizer in the manufacture of starch and glue, and nearly $350,000 of raw cotton linters for the production of film and rayon textiles. Under our special Polish policy, we approved export of technical data to that country to erect two distillation heaters for processing crude oil and residue. Other technical data approved for export to the bloc, as mentioned in my August 16 letter, related to such steel manufacturing processing equipment as: a cold mill installation; a shearing and electrolytic tinning line; a continuous heat treatment furnace for incorporation in a tin strip annealing line; accessory equipment and components for handling hot rolled steel strip; two continuous annealing and galvanizing lines for steel strips; and a continuous billet mill."

The items referred to by Mr. Behrman were not the only items approved for export to bloc countries. I have reviewed daily, since the approval of the amendment of the Export Control Act of 1949, the daily report published by the Department of Commerce of "Export Licenses Approved and Reexportations Authorized," most of which are listed, with the exception of medicinals and pharmaceuticals.

Licensing of exports to Soviet bloc countries since extension of Export Control Act of 1949 (approved July 1, 1962)

Date	Commodity	Destination	Value
July 5	TV receivers and parts (consumer models for exhibit and eventual resale)	U.S.S.R.	$1,947
	Portable electric tools (for use with pulpmill equipment previously shipped)	U.S.S.R.	140
6	Industrial sewing machine parts (replacement parts)	Czechoslovakia	333
	Electron tubes (fresh water converter)	U.S.S.R.	71
	Cigar leaf tobacco, unmanufactured	East Germany	1,810
	Portable electric tool parts	U.S.S.R.	96
	Chemical specialties (for laboratory use)	Hungary	9
	Industrial chemicals, sample	Rumania	6
	Copper alloy pipefittings (for use in papermill machinery)	U.S.S.R.	95
9	Portable electric tool (for use in motorcar repair workshop)	Czechoslovakia	60
10	Papermill machinery parts (for use in newsprint mill)	U.S.S.R.	63,003
11	Chemical specialties (sample)	Czechoslovakia	1
	Papermill machinery (for use in newsprint mill)	U.S.S.R.	195,256
	Technical data (patent)	U.S.S.R.	(1)
	Do	Poland	(1)
	Handtools, petroleum products, electrical machinery parts, rectifiers, grinding wheels (for maintenance and repair of locomotives).	Hungary	1,241
12	Research laboratory equipment (for use in filtering light)	Czechoslovakia	48
	Scientific and professional instrument parts (for consumer photographic use)	Hungary	12
	Synthetic rubber manufactures (for experimental use)	Czechoslovakia	676
	Abrasive products, steel wire, textile manufactures, iron and steel hardware, industrial machine parts, metal-cutting machine tools, ball bearings, iron and steel manufactures, handtools (for maintenance and repair of locomotives). Through Sweden and Denmark.	Hungary	112,801
	Iron and steel hardware parts (for use in papermaking machine)	U.S.S.R.	6
13	Flame safeguards for heating station	Czechoslovakia	222
	Construction machinery parts (for use in processing agricultural chemicals)	Bulgaria	13,728
	Construction machinery parts (for experimental purposes)	Czechoslovakia	1,375
	Industrial instruments and parts (for use in production of agricultural chemicals)	U.S.S.R.	28,146
	Locomotive parts, hand tools, graphite products, electric motor, electrical testing instrument parts, portable electric tools, electrical machinery, cotton manufactures and textile manufactures (for maintenance and repair of locomotives manufactured in Denmark and Sweden for Hungary).	Hungary	38,958
	Pulp machine parts	Rumania	885
16	Paper pulp machine parts	do	857
	Iron and steel hardward, diesel engine parts, electric generators and parts, electric motor parts, roller bearings, hand tools, petroleum products, chemical specialty compounds, industrial heating units, portable electric tool parts, transformers, fuses, electric quantity indicating instruments (for maintenance and repair of locomotives manufactured in Sweden for Hungary).	Hungary	71,968
17	Industrial chemicals (for use as insecticide)	U.S.S.R.	74,000
	Power generating machinery parts (for use in locomotives manufactured in Sweden for Hungary)	Hungary	132,976
July 18	Research laboratory equipment (for use in food testing)	U.S.S.R.	$32,448
	Construction machinery parts (replacement parts for machinery previously shipped)	Czechoslovakia	5,690
	Industrial chemicals (for use in processing foods)	Hungary	2,492
	Photographic equipment (for consumer use)	do	3,081
	Diesel engine parts, railway transportation equipment (for use in maintenance and repair of locomotive manufactured in Sweden for Hungary).	do	59,387
	Electronic equipment (for maintenance and repair of British supplied TV broadcast equipment)	do	4,160
19	Rubber belting (replacement parts for feed plant previously shipped)	Rumania	1,042
	Tobacco, unmanufactured cigar leaf	East Germany	180,000
	Electronic computer (for use in chemical analysis of materials)	Poland	1,545
	Lubrication equipment (for use in maintenance and repair of locomotives manufactured in Sweden for Hungary).	Hungary	1,167
	Automobile passenger car (for use in philanthropic relief work)	do	2,500
20	Technical data (12 applications approved for filing of patent applications)	U.S.S.R., Czechoslovakia, East Germany, Cuba.	(1)
	Electrical quantity recording instrument (for agricultural research use)	Hungary	554
	Glassmaking machines and parts (for use in manufacture of glass tumblers)	Czechoslovakia	230,511
	Construction machinery parts (for use in manufacture of ceramic goods)	do	432
	Textile machine parts (replacement parts for textile machine manufactured in Japan for U.S.S.R.)	U.S.S.R.	867
	Industrial service-industry machine parts (for maintenance and repair of locomotives manufactured in Sweden for Hungary).	Hungary	675
	Metal manufactures (replacement parts for papermaking machine manufactured in the United Kingdom for U.S.S.R.).	U.S.S.R.	618
23	Unmanufactured cigar leaf tobacco	East Germany	300,000
	Industrial chemicals (for testing purposes in the lacquer industry)	Hungary	20
	Photographic filters (for use in commercial photography)	do	46
	Organic chemicals (may be used either in the pharmaceutical or textile industries)	U.S.S.R.	624
	Technical data (4 applications)	Cuba	(1)
	Industrial instruments and parts (for maintenance and repair of locomotives manufactured in Sweden for Hungary).	Hungary	294
	Naval stores (samples for testing)	East Germany	5
	Synthetic resin (sample for testing)	Rumania	41
24	Leaf tobacco, unmanufactured	East Germany	3,315
25	Technical data (for foreign filing of patent applications)	East Germany, U.S.S.R., Hungary, Rumania, Czechoslovakia.	(1)
	Synthetic rubber (for sample)	Czechoslovakia	50
	Vegetable oils and fats (sample)	do	1
	Pearlessence, synthetic (for costume jewelry)	do	34,000
	Industrial motor controls (for use in hearth furnace being manufactured in the United Kingdom for Czechoslovakia.	do	456
26	Acetate filament yarn (sample)	do	36
	Petroleum products (for use in bunkering purposes)	Poland	1,450
	Industrial chemicals (for production of textile intermediate chemicals)	U.S.S.R.	28,800
27	Synthetic resin (for manufacture of rubber articles such as shoe soles and floor tile)	U.S.S.R.	1,925
	Electron tube parts (used in manufacture of radio receiving tubes)	Hungary	655
	Industrial sewing machine parts	Czechoslovakia	2,787
	Cotton twine (used in sausage-making machine)	Rumania	1,945
	Electronic equipment (replacement parts for electronic equipment manufactured in West Germany for Hungary).	Hungary	10
30	Aircraft parts (for maintenance and repair of aircraft for commercial airline; 2 applications)	Poland	21,000
Aug. 3	Synthetic rubber (sample)	Czechoslovakia	50
	Radio beacon transmitters and parts (to be installed as an aid to civil air navigation at airport)	do	23,953
6	Technical data	U.S.S.R.	(1)
	Technical data (2 applications)	Czechoslovakia	(1)
	Technical data	East Germany	(1)
	Petroleum products (sample)	Czechoslovakia	1
	Cellulose acetate molding and extruding powder (used in manufacture of plastic products)	do	68,343
	Cementing preparations	Bulgaria	1
	Synthetic resins (for testing purposes)	Hungary	200
7	Technical data (2 applications)	Cuba	(1)
	Rayon tire fabric (sample)	Czechoslovakia	5
	Soybeans (for human and animal consumption)	do	199,339
	Chemical specialty compound (sample)	do	1
	Reagent chemicals (for laboratory use in study of color changes)	Hungary	2
	Printing apparatus and parts (for use with equipment previously shipped)	do	60
8	Iron rods (to be used for testing alloys)	do	413
	Electron tubes (to be used by consignee for replacement in television set)	U.S.S.R.	11
	Grinding machines (for production of parts for fuel pumps)	Poland	76,492
	Synthetic resin (used for manufacture of nylon fibers)	U.S.S.R.	1,132,500
	Shoe machines and parts (used in the manufacture of shoes)	Rumania	9,647

See footnotes at end of table.

Licensing of exports to Soviet bloc countries since extension of Export Control Act of 1949 (approved July 1, 1962)—Continued

Date	Commodity	Destination	Value
Aug. 8	Scientific and professional instruments (for academic research use)	Hungary	$540
	Unclassified technical data (for foreign filing of patent application)	East Germany	(1)
	Aircraft parts (replacement parts for commercial aircraft now in use by Polish Airlines—from Norway)	Poland	18,000
	Industrial instruments (material to be temporarily shown at BRNO Trade Fair and returned to Austria)	Czechoslovakia	371
9	Industrial instruments (used for research on metals)	Poland	2,336
	Chemical specialty compound (used to manufacture pharmaceutical products)	Czechoslovakia	1,540
	Shoe trimming machines (for use in the shoe industry)	Hungary	1,427
	Grinding machines (for production of parts for fuel pumps)	Poland	35,583
	Chemical specialty compounds (used to spray molds to prevent sticking when molding plastics	Rumania	576
	Raw cotton (original license issued in 3d quarter of 1962 for $53,277)	Czechoslovakia	68,135
10	Industrial instruments and parts (to be installed in an acetylene plant being constructed by an Italian firm in U.S.S.R.).	U.S.S.R	1,664
	Carbon steel tape (used in the production of television tubes)	Poland	369
	Forklift trucks (for use in potato chip processing and packing plant)	U.S.S.R	13,365
	Steam boiler parts (for use in the textile industry)	Rumania	1,896
	Automotive replacement parts (repair parts for commerical truck engines previously shipped)	Bulgaria	2,514
	Industrial sewing machine parts	Czechoslovakia	156
	Physical properties testing and inspecting machines (used for weathering and aging of surface materials)	U.S.S.R	14,440
13	Crude sulfur (for the production of sulfuric acid)	Czechoslovakia	159,500
	Organic chemicals (for use in manufacture of paints, cleaning fluids and sprays—from Holland)	Bulgaria	10,200
14	Carbon black (used for manufacture of paints, inks, and rubber products)	Czechoslovakia	11,411
	Industrial sewing machine parts	do	480
	Automotive replacement parts (repair parts for passenger car—from Switzerland)	Bulgaria	223
15	Technical data necessary for filing a patent application	Cuba	(1)
	Synthetic resin (used in the manufacture of plastic products)	U.S.S.R	2,140
	Cellulose acetate (for use in the manufacture of synthetic silk)	U.S.S.R	250
	Industrial sewing machines	Czechoslovakia	4,800
	Cellulose acetate molding and extrusion composition (for use in the manufacture of steering wheels)	do	20,460
	Butyl alcohol (for use in the manufacture of synthetic resins)	do	11,999
16	Capacitors (for use in transister radios)	do	125
	Power transmission system parts (for use in agricultural machines)	do	114
	Synthetic resin (used as a sample and evaluation for use in manufacture of waterpipe)	Bulgaria	7
	Motion-picture studio equipment and parts (replacements for motion picture equipment previously shipped)	Czechoslovakia	91
	Ball bearings (replacement part for personal automobile)	Bulgaria	9
	Organic acid (for use as a plasticizer in electrical insulation—from the United Kingdom)	Hungary	20
	Industrial chemicals (used for manufacture of paints and lacquers—from Holland)	U.S.S.R	925,932
17	Antioxidant (for manufacture of rubber products)	U.S.S.R	$770,000
	Carbon black (for the manufacture of rubber products)	Czechoslovakia	224,100
	do	U.S.S.R	195,000
	Carbon black (sample)	Hungary	1
	Land leveler (used for agricultural purposes—from Canada)	U.S.S.R	2,900
	Industrial instrument parts (to be used in pulpmill made in Sweden for the U.S.S.R.—from Sweden)	U.S.S.R	3,290
	Industrial instrument and parts (to be used with pulpmill made in Finland for the U.S.S.R.—from Finland)	U.S.S.R	618
	Industrial instruments and parts (to be used with pulpmill made in Sweden for Czechoslovakia—from Sweden)	Czechoslovakia	7,892
20	Cigar leaf tobacco, unmanufactured (from Holland)	do	27,892
	Construction machinery and parts (for use on Tuloma River hydroelectric powerplant in the U.S.S.R. and for ultimate return to Finland).	U.S.S.R	1,500,000
21	Organic rubber compounding agents (for manufacture of variety of rubber products)	U.S.S.R	151,507
	Synthetic rubber (for manufacture of variety of rubber products)	Czechoslovakia	9,698
	Synthetic rubber (for manufacture of passenger tires)	do	190,000
	Synthetic rubber (sample)	Hungary	11
	Synthetic rubber (for manufacture of variety of rubber products)	U.S.S.R	4,079
	Accelerators (for manufacture of variety of rubber products)	Rumania	1,800
	Coal-tar agents (for reclaiming rubber)	Hungary	22
	Inspecting machines and parts (for testing strength of textiles—from Italy)	Rumania	2,750
	Synthetic rubber (for production of a variety of rubber products—from Switzerland)	Czechoslovakia	203,600
	do	Rumania	15,576
	Chemical specialty compounds (sample)—from Holland	East Germany	4
22	Diamonds suitable for jewelry (sample—to be returned to the United States)	U.S.S.R	79
	Organic chemicals (sample for evaluation)	U.S.S.R	87
	Aircraft parts (replacement parts for commercial aircraft now in use by Polish Airlines)	Poland	289
	do	do	140
23	Industrial chemicals (used for the manufacture of lacquers)	Hungary	8,374
	Scientific and professional instruments (for biological and medical research—2 applications)	Czechoslovakia	9,854
	Aircraft parts (for use in commercial aircraft)	Poland	2,621
	Coal-tar products (used for the manufacture of fibers)	U.S.S.R	103,616
	Scientific and professional instruments (for biological and medical research)	Czechoslovakia	5,450
	Indicating recording and/or controlling instruments and parts (for use in air conditioning)	East Germany	11,326
	Industrial sewing machine parts (not to exceed $1,000 per month for 6 months—from West Germany)	Albania, Bulgaria, Czechoslovakia, East Germany, Estonia, Hungary, Latvia, Lithuania, Rumania, and U.S.S.R.	6,000
24	Rayon high tenacity filament tire cord fabric (for use in the manufacture of tires)	U.S.S.R	558,025
	Inorganic acids (for use in manufacturing rubber shoe soles)	U.S.S.R	650,000
	Inorganic acid (sample)	U.S.S.R	1
	Organic surface agents (sample)	Czechoslovakia	1
	Coal-tar products (for use in dyestuffs and medicinals)	U.S.S.R	105,400
	Organic rubber compounding agent (sample)	Czechoslovakia	1
	Coal-tar products (sample)	do	2
	Inorganic acid (sample)	U.S.S.R	1
	Coal-tar products (for use in dyestuffs and medicinals)	U.S.S.R	18,600
	Rubber compounding agents (sample)—from United Kingdom	Czechoslovakia	27
	do	Hungary	29
	Carbon black (sample)—from United Kingdom	do	18
27	Organic chemicals (used as a pipe sealing compound)	do	117
	Industrial sewing machine parts	Czechoslovakia	64
	Crude sulfur (used for manufacture of sulfuric acid)	do	130,500
28	Spark plugs (replacement parts for portable chainsaw previously shipped)	Rumania	45
	Raw cotton linters (for use in manufacture of synthetic textiles)	East Germany	299,826
	Cotton seed linters (for manufacture of rayon)	do	46,295
	Industrial sewing machine parts	Czechoslovakia	443
	Technical data for pulp mill	Rumania	(1)
	Coal-tar products and other cyclic products (for use in the synthetic resin industry)	Hungary	39,683
	Glycerine (used in manufacture of ink and paper products)	do	25,463
	Coal-tar products and other cyclic products (for manufacture of plastics)	do	62,712
	Coal-tar products and other cyclic products (for use as a solvent)	do	22,500
	Pipe valves and parts (for use in humidity control system)	U.S.S.R	1,214

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[1] No value.

Of particular concern to me are the numerous items listed above, with a total value of over $400,000, "for use in locomotives manufactured in Sweden for Hungary" or "for use in maintenance and repair of locomotives manufactured in Denmark and Sweden for Hungary." In my opinion these items could realistically be construed as a "significant contribution to the military or economic potential" of Communist Hungary and, logically, the entire bloc.

The Congress has drawn guidelines for the executive branch by the recent amendments to the Export Control Act and has allowed a degree of flexibility in the administration of our export controls. Congress has not sacrificed its

flexibility in the field of legislative responsibility and must continue to insure that the mandates of Congress are properly implemented in the best interest of the national security and welfare of the United States.

With the demonstrated lack of medical attention by the East German Government to a youthful East German shot recently as he endeavored to escape over the East Berlin wall from Communist enslavement in search of freedom, I have considerable doubt that the medicinals and pharmaceuticals licensed for export to the bloc countries are used to serve the overall humanitarian needs of the enslaved peoples.

I do not profess sufficient overall knowledge of the intricacies of the manipulation of foreign affairs and diplomatic relations with Communist countries to dogmatically declare that the approval of one or all of the items for export to such countries is wrong. I do raise the question, however, that if the licensing of commodities to the bloc since July 1, 1962, portends the pattern of such exports for the future, are we not inching backward instead of firmly forward in this cold war?

DR. ALBERT COATES

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that the gentleman from North Carolina [Mr. KORNEGAY] may extend his remarks at this point in the RECORD.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

Mr. KORNEGAY. Mr. Speaker, last Saturday, August 25, and this coming Saturday, September 1, mark important milestones in the life and career of one of the most distinguished residents of my congressional district. On August 25 Dr. Albert Coates, of the University of North Carolina, attained the age of 66; and on September 1 he will retire as director of the institute of government of the university, a unique organization fathered, nurtured, and brought to full maturity and fame by the guiding hand of Dr. Coates and his gifted and charming wife, Gladys Coates.

To know the history of the institute of government is to realize the truth in the adage that if a man builds a better mousetrap, the world will beat a path to his door. The mousetrap Albert Coates built was none other than a "first" in the annals of history—an institute to study government at its every level—from the jailer to the Governor, from the grassroots to the great in office, from the most microscopic unit of government to the most complex within the boundaries of the State of North Carolina. One of the primary purposes of the institute was to insure the continuity of government, despite the rotation in offices caused by our election system. Countless officials over the State of North Carolina, from Manteo to Murphy, have Albert Coates and the institute of government to thank for initiating them into the mysteries of an office which they were shortly to fill, many times without previous or comparable experience. The institute, in addition to indoctrination, supplied pertinent publications and served as a clearinghouse for any questions or problems arising during their terms of office.

Another important function of the institute, as Albert Coates envisioned it and as he saw the organization grow in stature and in general acceptance—always an uphill struggle for a new idea—was to build a bridge between the people and the government so that the electorate might understand the problems of the officials it had elected.

The genesis of the idea for the institute of government was Dr. Coates' increasing concern, as a professor of law in the University of North Carolina, over the absence of ready materials and information available to acquaint law students with the everyday problems which would confront them in the practice of law. In his attempts to acquire this information to pass on to his students—information not in the textbook—he visited and talked with and observed government officials as they went about their tasks of enactment, administration, and enforcement of the law. In this way he tapped a hitherto unused source of information for classroom instruction, and thereupon started to build his mousetrap.

The idea caught on and the mousetrap began to take shape, and before long Albert Coates was bringing together in 3-day institutes all levels of municipal, county, and State government representatives, for the purpose of "picking their brains" and also of encouraging such a swap-shop of ideas as had never before in the history of government been experienced.

From these small beginnings grew the institute of government, an organization conceived and brought into being in the depression years, for it was on May 6, 1932, that 300 representatives of all groups of city, county, State, and Federal officials converged on Chapel Hill, the home of the University of North Carolina, to found the institute of government. From the beginning, the work of the organization was nonpartisan and nonpolitical. To ask how the institute survived during these early days is to ask how much Albert and Gladys Coates did without, for this man and his wife put everything they had, except for stark survival necessities, into the undertaking. One after another friend of the institute rose up, however, when days were darkest, and finally a $50,000 building was completed to house the institute and to give walls and a roof to an idea—the first governmental laboratory in the country.

But the institute's problems were not solved by having a physical home—the mousetrap needed regular infusions of cash to promote the programs, to build and hold a staff, and to fulfill its purposes. Just when Albert Coates' belt had been tightened to the last possible notch, the University of North Carolina welcomed this one-man idea, this manmade mousetrap put together with shoestrings, paper clips, and dreams, into full fellowship in the university community of endeavors, and the organization became available for annual appropriations from the State general assembly. At last the mousetrap had it made, but Albert Coates and his wife Gladys did not slacken in their efforts or rest on their hard-won laurels. Time would not permit me to tell of the expansion of work of this organization, of its recognition all over the country and in foreign countries as well, of the permeating approval it received at all levels, of the accolades heaped on its work by Governors, Presidents, a great Speaker of this House, and the Director of the great Federal Bureau of Investigation, to mention only a few.

The mousetrap grew in fame, in stature, in dedicated staff, and in far-reaching accomplishments, with Albert Coates' hand always on the mechanism, though ever sharing the honors and satisfactions of a job well done with his staff, until finally, during the week of November 27, 1960, the dedication of the Joseph Palmer Knapp Building, the splendid new and second home of the institute of government, took place. This handsome and superbly appointed building was made possible by the $500,000 gift of the Knapp Foundation and a matching sum appropriated by the North Carolina General Assembly in 1953. Mr. Knapp, for whom the building is named, was an adoptive son of North Carolina, who went hunting in Currituck County and thereafter found in North Carolina his spiritual home and the object of his many benefactions.

The Knapp Building is magnificently situated, on one of the focal points of the university grounds. In addition to its many other arrangements and appointments, the building contains a bedroom wing, also provided with living rooms and baths, and it is here that sheriffs, tax collectors, jailers, county commissioners, highway patrolmen, and other governmental groups are housed when they come to share experience and techniques of office and to receive training on the most effective and efficient way to discharge their duties. These short courses and institutes range from a day or two up to 2 or 3 months.

This handsome million-dollar building is a far cry from the modest mousetrap which Albert Coates started to build, which was first housed only in his head and in his cash pocket. It is a veritable monument to his tenacity, his courage in the face of a thousand discouragements, his carrying of a perfect image to full fruition on an imperfect and rocky path, to the many sponsors who caught a glimpse of his vision and pitched in and helped achieve it, and last, but perhaps, after all, first, to the possession of a dedicated, intelligent, and knowledgeable wife.

When Albert Coates dedicated his million-dollar building, he invited the North Carolina delegation in Congress to share the week of festivity attending this ceremony. Ever the teacher, he launched a program of having the governmental officials of the different congressional districts meet with the Congressman concerned and hear from him how a congressional office is run—another link in the many chains he has forged in bringing people to a mutual understanding of how government operates on all levels—in this instance giving municipal, county, and State officials an opportunity to get a firsthand exposure to the workings and problems of a congressional office.

Yes, Albert Coates is retiring on September 1, but the imprint of his personality and his life work on the institute of government is indelible and abiding. If ever an institution was a lengthened shadow of a man, that institution is the institute of government and that man is Albert Coates, and beside him, as always, stands Gladys Coates.

I wish that every Member of this House might visit the University of North Carolina, the oldest State university in the country to open its doors to students, and drop in at the institute of government and observe the monumental accomplishment of Albert Coates. Although Albert is retiring from his administrative duties, he will continue to teach law in the classroom where he first had the vision of the institute. And I hope if you do visit the University of North Carolina, you will meet Albert Coates, and, of course, his wife Gladys, and observe the manner of man who built a mousetrap such as had never been built before and who had the world beat a path to his door to observe it and to imitate it in other institutions through the country.

JAMAICA: NEW NATION IN CRUCIAL CARIBBEAN

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that the gentleman from Pennsylvania [Mr. Flood] may extend his remarks in the body of the Record at this point and include extraneous matter.

The **SPEAKER** pro tempore. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

Mr. FLOOD. Mr. Speaker, the historic island Jamaica, the former British colony in the West Indies, has now become an independent nation and entered upon an experiment in government which will be watched with great interest.

The tendency of the great nations of the free world in recent years has been to break up into small countries, independent in character and highly nationalistic. In contrast, the trend in the Communist world has been toward aggressive aggrandizement of territory and population under centralist control.

The free world, while sympathetic with the processes of independence, is yet filled with apprehension as to whether many of the small nations being founded through the processes of independence can permanently survive.

The free nations, which had control of vast regions that have been undergoing the processes of liberation, had great assets in the countries being set up. Now, the wealth of Belgium, France, Great Britain, and the Netherlands have been almost completely liquidated so far as their colonial realms are concerned.

In spite of the injustices that may have been involved during the colonial era, much was done by the parent-tree governments to give their colonial areas the benefits of civilization and to encourage their ambitions for betterment.

Had Communist nations been in control of these colonial lands and peoples, they would never have permitted them to become free nations. In fact, every attempt for freedom would have been ruthlessly stamped out with the cruel and sanguinary force for which communistic revolutionary power is unmatched.

If war between the great nations of the free world and the Communist agglomeration were to come today, the large group of newly formed independent nations would undoubtedly strive to be neutral, thus denying the free nations the indispensable supplies and materials the newly formed nations could supply. Time alone will record the outcome.

In this general connection, it should be noted that these newly established nations are too weak to prevent communistic revolutionary infiltration. They are becoming saturated with bolshevistic influences, which may render these governments powerless to act, either for their own protection or for defending the principles of liberty which they have undertaken to adopt.

Because of the situation thus presented, there are many thoughtful lovers of liberty who, with knowledge of the past and vision for the future, seriously doubt whether the establishment of these new nations is timely. They are of the opinion that such establishments should have been deferred until the terrible menace of communistic revolution had passed and a lasting peace attained.

It is, indeed, gratifying to note that the newly created government of Jamaica has given assurances that it will stand on the side of freedom and that to this end it will furnish any needed bases which the United States may desire for the defense of the strategic Caribbean. It is to be hoped that Jamaica's example may be followed by other newly created countries that are dedicated to the concept of free government; but we doubt that this will be true. Soviet power is so ruthless, cruel, and aggressive, that these small, weak countries can be intimidated to the point of extinction.

To face this danger, all nations dedicated to the principles of freedom, either new or old, must unite in a solid phalanx against the perils of communistic revolutionary assault or communism may indeed dominate the world.

A news story from Kingston on Jamaica's position follows:

[From the Evening Star, Washington (D.C.), Aug. 8, 1962]

MILITARY BASE PLEDGED BY JAMAICA

Kingston, Jamaica, August 8.—If the United States ever needs a military base in newly independent Jamaica, it can establish one without commitments, Prime Minister Sir Alexander Bustamante said last night.

Sir Alexander told a news conference the United States has not asked for such a base nor should his statement be construed as an invitation to Washington to set one up on this Caribbean island 90 miles south of Cuba.

Sir Alexander said the United States and Jamaica "are friendly nations and the United States can come in when and if it pleases."

The United States maintained bases in Jamaica during World War II under the destroyers-for-bases deal made by Prime Minister Churchill. The bases were returned after the war.

TWO BULWARKS NOW

Since then, the bulwarks of U.S. defense of the Caribbean approaches to the Panama Canal have been Puerto Rico and the U.S. naval base at Guantanamo Bay, Cuba, 150 miles northeast of Jamaica.

The United States maintains the Guantanamo base under a lease in perpetuity and has rejected Prime Minister Fidel Castro's demands that it surrender the base.

Britain handled Jamaica's foreign affairs before the island became independent Monday. Princess Margaret, representing her sister, Queen Elizabeth II, turned over full governmental powers to the Western Hemisphere's newest nation in a brief ceremony yesterday.

Sir Alexander declined to say whether he discussed an increase in U.S. aid to Jamaica with Vice President Lyndon B. Johnson, who led the U.S. delegation to the Jamaican independence celebrations. Sir Alexander denied, however, that Jamaica's friendly relations with the United States suggested U.S. efforts to draw the island away from the British Commonwealth.

NO CUBAN RELATIONS

He said Jamaica had "no immediate plan" to establish diplomatic relations with Cuba or with Iron Curtain countries.

Mr Johnson appeared weary yesterday from the nearly nonstop, campaign-style schedule he had maintained since Sunday.

He made a helicopter visit yesterday to the mountain camps of the Jamaican Youth Corps, where American Peace Corpsmen also are at work, and exhorted the youths to "work in harmony and mobilize" to take advantage of what the free world has to offer.

PERSONAL ANNOUNCEMENT

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that the gentleman from Massachusetts [Mr. Macdonald] may extend his remarks at this point in the Record.

The **SPEAKER** pro tempore. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

Mr. MACDONALD. Mr. Speaker, I received an official leave of absence from the House on Monday, August 27, and Tuesday, August 28, due to illness in my family. I was, therefore, not recorded on three rollcall votes on Monday. Had I been present I would have voted "yea" on each of the following bills: Rollcall No. 202, Senate Joint Resolution 29, proposing an amendment to the U.S. Constitution outlawing payment of poll or other tax as qualification for voting in Federal elections; rollcall No. 203, House Resolution 769, providing for concurring in Senate amendments to H.R. 11040, to provide for establishment, ownership, operation, and regulation of a communication satellite system; and rollcall No. 204, H.R. 12628, to provide additional funds under section 202(a)(4) of the Housing Act of 1959, to amend title V of the Housing Act of 1949, to provide low and moderate cost housing, both urban and rural, for the elderly. Although I was paired on these bills I did want the Record to show that I fully support the three legislative bills listed above.

THE LATE HONORABLE JOHN WALTER HESELTON

The **SPEAKER** pro tempore. The Chair recognizes the gentleman from Massachusetts [Mr. CONTE].

Mr. CONTE. Mr. Speaker, it is my sad duty to hereby inform the House of Representatives of the death of my beloved and respected predecessor, John Walter Heselton, who represented the First Congressional District of the Commonwealth of Massachusetts in the Congress of the United States from January 3, 1945, to January 3, 1959.

John Heselton was born on March 17, 1900, in Gardiner, Maine. He died on August 19, 1962, in Vero Beach, Fla. His funeral services were held in Vero Beach, Fla.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

Mr. O'NEILL, for 2 hours, on September 6.

Mr. HALPERN (at the request of Mr. CONTE), for 10 minutes, today, and for 10 minutes on Tuesday, September 4.

EXTENSION OF REMARKS

By unanimous consent, permission to extend remarks in the CONGRESSIONAL RECORD, or to revise and extend remarks, was granted to:

Mr. JOELSON.

(The following Members (at the request of Mr. CONTE) and to include extraneous matter:)

Mr. SCHADEBERG.

Mr. VAN ZANDT.

Mr. CRAMER.

(The following Members (at the request of Mr. ALBERT) and to include extraneous matter:)

Mr. FRIEDEL.

Mrs. NORRELL.

Mr. ALBERT.

ENROLLED BILLS AND JOINT RESOLUTION SIGNED

Mr. BURLESON, from the Committee on House Administration, reported that that committee had examined and found truly enrolled bills and a joint resolution of the House of the following titles, which were thereupon signed by the Speaker:

H.R. 7278. An act to amend the act of June 5, 1952, so as to remove certain restrictions on the real property conveyed to the Territory of Hawaii by the United States under authority of such act;

H.R. 10431. An act to revise, codify, and enact title 37 of the United States Code, entitled "Pay and Allowances of the Uniformed Services";

H.R. 11257. An act to amend section 815 (article 15) of title 10, United States Code, relating to nonjudicial punishment, and for other purposes; and

H.J. Res. 864. Joint resolution making continuing appropriations for the fiscal year 1963, and for other purposes;

BILLS PRESENTED TO THE PRESIDENT

Mr. BURLESON, from the Committee on House Administration, reported that that committee did on August 29, 1962, present to the President, for his approval, bills of the House of the following titles:

H.R. 3801. An act to authorize the Secretary of the Army and the Secretary of Agriculture to make joint investigations and surveys of watershed areas for flood prevention or the conservation, development, utilization, and disposal of water, and for flood control and allied purposes, and to prepare joint reports on such investigations and surveys for submission to the Congress, and for other purposes; and

H.R. 7638. An act for the relief of Kim Hyung In Comstock.

ADJOURNMENT

Mr. ALBERT. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 2 o'clock and 32 minutes p.m.) the House adjourned until tomorrow, August 31, 1962, at 12 o'clock noon.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

2471. A letter from the Secretary of Commerce, transmitting the 60th Quarterly Report on Export Control covering the second quarter 1962, pursuant to the Export Control Act of 1949; to the Committee on Banking and Currency.

2472. A letter from the Comptroller General of the United States, transmitting a report on the review of certain activities of the government of the Virgin Islands of the United States for the fiscal year ended June 30, 1961; to the Committee on Government Operations.

2473. A letter from the Assistant Secretary of the Treasury, transmitting the Annual Report of the Federal Bureau of Narcotics, prepared by the Commissioner of Narcotics, for the calendar year ended December 31, 1961, pursuant to section I of the act of June 14, 1930; to the Committee on Ways and Means.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. HAYS: Committee on House Administration. House Resolution 742. Resolution authorizing the printing of the proceedings incident to the presentation of a portrait of the late Honorable Hampton P. Fulmer to the Committee on Agriculture; without amendment (Rept. No. 2303). Ordered to be printed.

Mr. HAYS: Committee on House Administration. House Resolution 754. Resolution providing for printing as a House document the "Compilation of Social Security Laws"; without amendment (Rept. No. 2304). Ordered to be printed.

Mr. HAYS: Committee on House Administration. House Concurrent Resolution 508. Concurrent resolution authorizing the printing of additional copies of parts 1 and 2 of "Structure and Organization of the Communist Party of the United States," 87th Congress, 1st session; without amendment (Rept. No. 2305). Ordered to be printed.

Mr. HAYS: Committee on House Administration. Senate Concurrent Resolution 87. Concurrent resolution authorizing the printing of additional copies of the hearings entitled "Military Cold War Education and Speech Review Policies" and the report thereon; without amendment (Rept. No. 2306). Ordered to be printed.

Mr. FRIEDEL: Committee on House Administration. House Resolution 756. Resolution authorizing expenditures incurred by the Special Committee To Investigate Campaign Expenditures to be paid from the contingent fund of the House; without amendment (Rept. No. 2307). Ordered to be printed.

Mrs. GRANAHAN: Committee on Post Office and Civil Service. H.R. 5698. A bill to extend the apportionment requirement in the Civil Service Act of January 16, 1883, to temporary summer employment, and for other purposes; without amendment (Rept. No. 2308). Referred to the Committee of the Whole House on the State of the Union.

Mr. THORNBERRY: Committee on Rules. House Resolution 776. Resolution for consideration of S. 4, an act to provide for the establishment of the Padre Island National Seashore; without amendment (Rept. No. 2309). Referred to the House Calendar.

Mr. SISK: Committee on Rules. House Resolution 777. Resolution for the consideration of S. 2429, an act to revise the boundaries of the Virgin Islands National Park, St. John, V.I., and for other purposes; without amendment (Rept. No. 2310). Referred to the House Calendar.

Mr. SISK: Committee on Rules. House Resolution 778. Resolution for consideration of H.R. 10129, a bill to amend the act of September 7, 1957, relating to aircraft loan guarantees; without amendment (Rept. No. 2311). Referred to the House Calendar.

Mr. SISK: Committee on Rules. House Resolution 779. Resolution for consideration of H.R. 11732, a bill to amend section 305 of the Communications Act of 1934, as amended; without amendment (Rept. No. 2312). Referred to the House Calendar.

Mr. TRIMBLE: Committee on Rules. House Resolution 780. Resolution for consideration of H.R. 12080, a bill to permit domestic banks to pay interest on time deposits of foreign governments at rates differing from those applicable to domestic depositors; without amendment (Rept. No. 2313). Referred to the House Calendar.

Mr. SISK: Committee on Rules. House Resolution 781. Resolution for consideration of H.R. 12365, a bill to amend title III of the Public Health Service Act to authorize grants for family clinics for domestic agricultural migratory workers, and for other purposes; without amendment (Rept. No. 2314). Referred to the House Calendar.

Mr. DELANEY: Committee on Rules. House Resolution 782. Resolution for consideration of H.R. 12718, a bill to amend the Atomic Energy Community Act of 1955, as amended, to provide for the disposal of federally owned properties at Los Alamos, N. Mex., and for other purposes; without amendment (Rept. No. 2315). Referred to the House Calendar.

PUBLIC BILLS AND RESOLUTIONS

Under clause 4 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. ASHLEY:

H.R. 13023. A bill to amend title II of the Housing Act of 1959 to extend the program of loans for housing for the elderly so as to include housing for handicapped families and persons, and to enable occupancy of such housing by the handicapped at rentals they can afford by authorizing grants to maintain its solvency where rentals are reduced for this purpose; to the Committee on Banking and Currency.

By Mr. BERRY:

H.R. 13024. A bill to authorize the payment of pension to certain veterans of World War I; to the Committee on Veterans Affairs.

By Mr. CAHILL:

H.R. 13025. A bill to provide Government transportation on a space-available basis to certain members of the Glassboro State College International Relations Group; to the Committee on Armed Services.

By Mr. HALPERN:

H.R. 13026. A bill to amend the Agricultural Act of 1949 to provide compensation to producers of milk contaminated by radioactive fallout; to the Committee on Agriculture.

By Mr. HUDDLESTON (by request):

H.R. 13027. A bill to protect the rights of owners whose property is taken by or under the authority of the Government of the United States of America, and for other purposes; to the Committee on Public Works.

By Mr. RYAN of New York:

H.R. 13028. A bill to provide for the establishment of the Fire Island National Seashore, and for other purposes; to the Committee on Interior and Insular Affairs.

By Mr. HALPERN:

H.J. Res. 870. Joint resolution to amend the International Health Research Act of 1960 to establish a National Institute for International Health and Medical Research, and for other purposes; to the Committee on Interstate and Foreign Commerce.

By Mr. KYL:

H.J. Res. 871. Joint resolution requiring a public hearing before any theater in the Nation's Capital which is suitable, and has been used, for the presentation of live drama, ballet, or opera productions may be demolished; to the Committee on the District of Columbia.

By Mr. HALPERN:

H. Con. Res. 516. Concurrent resolution expressing long-range goals of American foreign policy and the determination of the Congress to obtain true victory in the quest for these goals; to the Committee on Foreign Affairs.

By Mr. SMITH of Mississippi:

H. Res. 775. Resolution authorizing salary increases for the file clerk and assistant file clerk (minority); to the Committee on House Administration.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. BAKER:

H.R. 13029. A bill for the relief of Miss Mamie H. Winstead; to the Committee on the Judiciary.

By Mrs. BOLTON:

H.R. 13030. A bill for the relief of Frank Mramor; to the Committee on the Judiciary.

By Mr. FOGARTY:

H.R. 13031. A bill for the relief of Zofia Miecielica; to the Committee on the Judiciary.

By Mr. JOELSON:

H.R. 13032. A bill for the relief of Assunta DiLella Codelia; to the Committee on the Judiciary.

By Mr. KOWALSKI:

H.R. 13033. A bill for the relief of Henry C. Okulicz; to the Committee on the Judiciary.

By Mr. McDONOUGH:

H.R. 13034. A bill for the relief of Jagjit Singh; to the Committee on the Judiciary.

By Mr. PIRNIE:

H.R. 13035. A bill for the relief of Rose Pucci Borghiero; to the Committee on the Judiciary.

EXTENSIONS OF REMARKS

A Salute to Our Working Force

EXTENSION OF REMARKS

OF

HON. HENRY C. SCHADEBERG

OF WISCONSIN

IN THE HOUSE OF REPRESENTATIVES

Thursday, August 30, 1962

Mr. SCHADEBERG. Mr. Speaker, as the struggle between democracy and communism intensifies, the significance of Labor Day, the importance of paying tribute to the workers of America, becomes greater. This is true because our great national strength lies not alone in our massive Military Establishment, but, even more, in the great body of working men and women of America who produce and go on producing all that we need to maintain our military strength.

We read and hear so much about how our military might acts as a deterrent to global war; how it keeps Khrushchev from triggering such a war; and this is true. I am convinced, however, that Khrushchev harbors a wary respect also for the great body of working men and women of America who produce to make our military power a deterrent to all-out war. This in itself is a tribute to America's labor force, and to the freedom in which that great force works. Of course it is not for these things alone that we are grateful to our workers. We appreciate also the unprecedented abundance of all goods they have brought and all services they have rendered our country since its founding 186 years ago.

Labor Day has come to signal the wrap-up of the summer season, and has become traditionally a day of family fun, or part of that last weekend of vacationing or rest before the youngsters return to school and the autumn round of activities sets in. And why not? There's nothing wrong with having fun. It is my hope in these few minutes, however, to focus attention on the significance of Labor Day. Perhaps it would be well to mention at this point a little about the origin of this observance and why we set aside the first Monday in September to honor the working men and women of the United States.

A general holiday honoring the laboring people of America was first suggested in 1882 by Peter J. McGuire, founder of the carpenters union and cofounder of the American Federation of Labor. Mr. McGuire proposed the observance of a day every year which, in his words, "shall be labor's—an occasion devoted to the industrial spirit—the great vital force of every nation."

In fact, it was Mr. McGuire who recommended that it be called Labor Day and that it be established as the first Monday in September. His reason for choosing this date was, again in his own words, so that "it would come at the most pleasant season of the year, nearly midway between the Fourth of July and Thanksgiving."

Over the years the observance of Labor Day gradually spread across the country. First, in the traditionally American way, it was officially recognized through municipal observances. Next, State legislation was enacted recognizing the day. Then, in 1894 Congress passed an act setting aside the first Monday in September as a legal holiday in the District of Columbia and the territories. This official recognition gave the holiday the prestige it needed and deserved, and by 1900 most of the States had followed suit. By 1923, the last of the then 48 State legislatures enacted a Labor Day law.

In saluting our working men and women on their day, I recognize with a feeling of kinship their goals, and I pledge my continuing purpose to cooperate in seeking to attain the objectives which are in the best interest of all our people.

I recognize further not only the right of labor to organize but also the importance of effective, responsible, and representative unions in American economic life free from Government domination. I reaffirm my support of labor's claim to a fair share of the fruits of its production. And I applaud the working people for their indispensable contribution toward keeping our country strong and free and prosperous.

As we observe Labor Day, 1962, in the midst of international tension, I commend our working men and women for their vital role in helping to preserve the freedom we value so highly, and I rest secure in the knowledge that they provide America with the unequaled productive capacity, enabling us to meet any challenge the stress of the times may present.

Mr. and Mrs. American Citizen

EXTENSION OF REMARKS

OF

HON. CHARLES S. JOELSON

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

Thursday, August 30, 1962

Mr. JOELSON. Mr. Speaker, I would like to bring to the attention of the House a heartwarming story about a constituent, Eugene Lenk, who now resides in Passaic, in the Eighth Congressional District of New Jersey. Born in Budapest, Hungary, of noble birth, he held the title of baron which his family had held for almost four centuries. In

1949, after spending 2 years in a Hungarian jail, he and his wife, Gabriella, fled from Hungary with only the clothing they had on their backs. Eventually they came to the United States in 1957.

On August 29, 1962, Baron and Baroness Lenk became U.S. citizens, willingly renouncing their titles for the prouder title of Mr. and Mrs. American Citizen.

Mr. Lenk now is a painting and carpenter contractor under the free enterprise system in our great democracy. I am sure that Mr. and Mrs. Lenk realize that in America titles are unnecessary because every man and woman earns respect and dignity on their own merits.

Historic Celebration at Salisbury, Pa.

EXTENSION OF REMARKS

OF

HON. JAMES E. VAN ZANDT

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, August 30, 1962

Mr. VAN ZANDT. Mr. Speaker, I had the honor and privilege of participating yesterday in a celebration commemorating the 100th anniversary of the incorporation of Salisbury, Pa. Walter D. Weise, president of Salisbury Centennial, Inc., gave 2 years of his time and services to the preparation of the historic program now being presented in this community that was first settled in 1753. The remarks I made at this commemorative ceremony follow:

ADDRESS BY REPRESENTATIVE JAMES E. VAN ZANDT, MEMBER OF CONGRESS, 20TH DISTRICT OF PENNSYLVANIA, AT THE SALISBURY CENTENNIAL CELEBRATION ON AUGUST 29, 1962, SALISBURY, PA.

It is a pleasure to participate in this centennial program, and to extend my sincere greetings on this occasion, which commemorates the 100th anniversary of the incorporation of Salisbury, Pa.

The success of centennial week is due to the hard-working chairmen and members of the various committees.

Yet without the wholehearted cooperation of businessmen and residents of the community the various committees would have toiled in vain. Therefore, I extend my heartiest congratulations to all of you.

I believe this centennial celebration provides us with a twofold opportunity. First, to commemorate the centennial of Salisbury, and second, to rededicate ourselves to the ideals on which our communities, our States, and our Nation have been founded.

As we review the history of Pennsylvania, we are reminded that before the coming of the white man Somerset County was largely a land of forests.

Nevertheless, there were many glades or natural meadows about the headwaters of nearly all the streams in the central part of the county.

These were so numerous and extensive—it has been said that the name "The Glades" was applied to the entire county.

It was certainly a land of promise. It is not difficult to visualize the beauty of this area in its primitive state. Standing on the summit of either the Laurel Hill or the Allegheny Mountain, other mountain ranges stood out in outline for many miles. Intervening were the hills and valleys—forests and glades.

Historians tell us that several years before any settlements were made in Somerset County, bold and daring hunters from Maryland and Virginia followed the old Indian trails North—and invaded the region in pursuit of wild animals for furs and food.

A few adventurous fur traders also wandered from place to place to trade with the Indians.

One of the most noted of these early fur traders was John Fraser, who erected a storehouse on the Allegheny River, 13 miles above the forks of the Ohio River in August 1753.

It is revealed that John Harris erected a storehouse on the Juniata River in 1753.

It is recorded that he buried Tanacharison, chief of the Iroquois, referred to as "the famous half-king."

The fur trader Harris cared for the old chief's family, but afterwards requested pay from the Province of Pennsylvania for his services.

There were also Indian traders who went with General Braddock's army as interpreters and some served the Armed Forces of the time as guides.

It is said that neither the hunters nor the fur traders ever occupied or cultivated the land and the Indians were left in possession of it until the white settlers arrived.

It would appear that Somerset County never was the permanent home of any considerable number of Indians but the large forests afforded an excellent hunting ground.

The swiftly flowing streams of fresh water provided food fishing for the roving bands. The first settlers of what is now Somerset County were not wealthy. These pioneers traveled over rudely constructed roads and Indian trails. They brought very little of the world's goods with them.

Yet they had brave hearts, strong arms, and full determination to find new homes in the wilds beyond the Allegheny Mountains. Most of them, it is thought, arrived in the springtime.

After erecting a temporary shelter, they set to work clearing away the underbrush, girdling the trees, burning over the new ground, and breaking up the soil as best they could with their rude, homemade implements which consisted of wooden plows, harrows, picks, mattocks, and forks.

Fortunately the site of a cabin-to-be-home was near a never-failing spring which furnished a good supply of cold water.

The inhabitants of the western part of early Bedford County, in their petitions to the General Assembly of the Commonwealth of Pennsylvania, set forth the great hardships under which they labored by being so remote from the seats of justice and public office. Bedford was the county seat at the time.

In reply to these petitions, the General Assembly of Pennsylvania passed an act on April 17, 1795. It provided that a new county be organized from that part of Bedford County lying west of the Allegheny Mountain, known as Brothersvalley, Turkeyfoot, Quemahoning, Milford, Elk Lick, and Stonycreek townships.

The new county was called Somerset—after the shire of Somerset in England.

Nine years later the place called Elk Lick, in memory of the famous hunting grounds for elk, became Salisbury.

Thus in 1794, Salisbury was founded.

Elijah Wagner was the first burgess of the new borough.

All too often we take our communities for granted and spend little or no time to express our appreciation. This 100th anniversary of Salisbury gives us an opportunity to stop for a moment to reflect and to appreciate. On such an occasion as this we recall the courage of the pioneer. Many had come to live in a new world and to face the necessity of adjusting to new ways of life.

A Civil War had come to our Nation the year before Salisbury was incorporated, in 1861. When this community was officially born, Abraham Lincoln was President and struggles of the war were flanking a relatively new nation. The pages of history in the year 1862 are crowded with accounts of a "Confederacy" and a "Union."

Within our own commonwealth the War Between the States is immortalized by the Gettysburg battlefield, where the turning point of that war cost the lives of so many Union and Confederate soldiers.

We can, however, be eternally grateful that the outcome of that bewildering and bloody period brought peace. It also restored a common purpose to the annals of America. Once again the fundamental principles of freedom were safe in our land.

It was on July 4, 1861, in a message to Congress that Abraham Lincoln spoke of free institutions in the following terms. He stated—and I quote: "It may be affirmed without extravagance, that the free institutions we enjoy have developed the powers and improved the condition of our whole people beyond any example in the world."

Freedom is the most cherished possession found in our American heritage. But when one thinks of freedom—just what comes to mind? Do we think of unlicensed liberty or do we think of freedom containing the elements of self-control? Freedom for the individual implies—as it did 100 years ago—an obligation to self and an obligation to others.

There can be no such thing as unlicensed liberty. Mere obedience to law is not enough to preserve freedom. It is not enough to preserve Americanism. There must be the "spirit"—as well as the "letter" of the law in its observance.

Nowhere else in these United States do the flames of our glorious national history burn brighter than in Pennsylvania. Pennsylvania was a haven and home for many Europeans who came to this country seeking refuge.

Many communities, which were formed as experiments in living, thrived briefly and passed into history, but others gained in strength and vigor. In Pennsylvania one can follow the paths of the early pioneers. There are numerous sites of historic forts, frontier outposts, and historic structures.

There are monuments to great leaders and important peacetime events.

From one end of the Commonwealth to the other, one can find the birthplaces of men and women who have had and important part in the development of this Nation.

The early history of the formation of our Nation is, or should be common knowledge. We know our illustrious forefathers, dissatisfied with the colonial rule of the tyrant George III, met in General Congress in Carpenters Hall, Philadelphia, 188 years ago. A total of 55 delegates attended that First Continental Congress, representing all the Colonies except Georgia. Georgia did promise, however, to concur with "her sister Colonies" in their effort to maintain their rights.

The First Congress, as did the Second Continental Congress, which met in the statehouse, known as Independence Hall, petitioned the king asking redress of wrongs. The Congress specifically denied any intention of separating from Great Britain and earnestly expressed a desire for the peaceful settlement of all differences.

The king, by proclamation declared the Colonies to be in rebellion and sent troops to force them to submit to taxation without representation and other equally unjust measures.

On June 7, 1776, Richard Henry Lee, of Virginia, moved and I quote: "That these united Colonies are, and of right ought to be, free and independent States."

Lee's motion was seconded by John Adams, of Massachusetts. A committee of five was appointed to draft the Declaration of Independence. Less than 1 month later that historic document was adopted on July 4, 1776.

It was signed by John Hancock, president of the Congress and Charles Thompson, secretary. The remaining members signed on August 2, 1776.

From July 4, 1776, until March 1, 1781, the United States of America was governed by a Continental or General Congress. On this latter date the States adopted a constitution called the "articles of confederation and perpetual union between the States."

On May 14, 1787, a convention of 55 delegates met in Philadelphia "to form a more perfect union." Every Colony was represented except Rhode Island.

The Articles of Confederation had been made by the States only—but the opening words of the new Constitution signed on September 17, 1787, declared the form of our present Government: "We, the people of the United States."

At that time our new Nation was the world's youngest. Today, through the benefits guaranteed by the document our eminent forefathers drafted, we are governed by the oldest written form of government in the world.

About this document that was signed on the soil of our own Commonwealth, the great British statesman Gladstone said:

"The American Constitution is, so far as I can see, the most wonderful work ever struck off at a given time by the brain and purpose of man."

My friends, this is the instrument that was finally adopted by the Constitutional Convention on September 17, 1787, and under which this Nation has been governed since March 4, 1789.

I remind you that next month, on September 17, we will observe Constitution Day. It is appropriate that as we gather to celebrate the 100th anniversary of Salisbury, Pa., we recall the principles involved in the U.S. Constitution.

It is a sacred document that provides the atmosphere of freedom for an occasion such as this. It is our heritage.

Our freedom is not, nor ever has been, a thing to take for granted. It is not a gift from the Government to the people. It is part of our Republic. It represents a faith, a conviction, a belief, a heritage. Our forefathers left us these elements as a treasure.

We have the assurance and the proof that a nation composed of many States, many races, of all colors and creeds, can be governed justly by representation of all those many States, races, colors, and creeds.

It is a heritage of which we should be eternally aware. It is a heritage of which we should be eternally proud. Above all, let us never forget our obligation as American citizens to protect and to defend our precious heritage—the Constitution of the United States.

Dr. Harry Wexler

EXTENSION OF REMARKS

OF

HON. SAMUEL N. FRIEDEL

OF MARYLAND

IN THE HOUSE OF REPRESENTATIVES

Thursday, August 30, 1962

Mr. FRIEDEL. Mr. Speaker, I was shocked to learn of the recent death of the Director of Research of the U.S. Weather Bureau, Dr. Harry Wexler.

As a member of the Interstate and Foreign Commerce Committee I had the pleasure of meeting Dr. Wexler during the International Geophysical Year, when he accompanied us on our trip to the Antarctic as chief scientist. Dr. Wexler had been with the Weather Bureau continuously since 1934 and was considered an expert on atmospheric conditions.

One of his greatest contributions to our country was the part he played in drafting plans for the use of satellites to improve weather forecasting. Dr. Wexler was one of the first scientists to visualize the use of satellites for meteorological observation.

In recognition of his outstanding public service, our Committee on Interstate and Foreign Commerce has adopted a resolution noting his achievements, which I will insert at this point in the RECORD:

RESOLUTION OF THE COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE

It is with great sorrow that the Committee on Interstate and Foreign Commerce of the House of Representatives learns of the untimely death of Harry Wexler.

For many years by reason of the official relationships of the committee and the Weather Bureau, the committee has been well aware of the tremendous contribution which Harry Wexler has made to the world's meteorological research, including his sponsorship of meteorological satellites and his working out of arrangements for international cooperation in their use. Indeed, no American has done more in the successful furthering of international understanding among scientists.

But beyond this, the members of the committee through their participation in the International Geophysical Year and ensuing personal association with him as chief scientist for the Antarctic programs have had continuing occasion to appreciate his warm friendliness, imaginative leadership, stimulating scholarship, catholic knowledge, vibrant spirit, and confident faith.

Accordingly, be it resolved by the Committee on Interstate and Foreign Commerce (in executive session assembled), That its deep sympathy be expressed to his widow, Hannah, to their daughters, Susan and Libby, and to his associates.

Unanimously approved, August 14, 1962.

OREN HARRIS,
Chairman.
W. E. WILLIAMSON,
Clerk.

The New York Times also noted Dr. Wexler's untimely death and I would like to have this article made a part of the RECORD:

[From the New York Times, Aug. 13, 1962]

DR. WEXLER, A METEOROLOGIST, DIES—WEATHER BUREAU'S DIRECTOR OF RESEARCH SINCE 1955

WOODS HOLE, MASS., August 11.—Dr. Harry Wexler, Director of Research of the U.S. Weather Bureau, died of a heart attack Saturday, while on vacation here. He was 51 years old and lived in Falls Church, Va.

Dr. Wexler had been with the Weather Bureau continuously since 1934. He held citations for distinguished service from the Air Force, Navy, Department of Commerce, and National Civil Service League.

From 1955 through 1958, along with his duties at the Bureau, he was chief scientist for the U.S. expedition to the Antarctic for the International Geophysical Year.

Last June, Dr. Wexler and Prof. Viktor A. Bugaev of the Soviet Union were the principal figures in drafting plans for use of satellites to improve weather forecasting. These plans were announced by the United Nations World Meteorological Organization at a conference in Geneva on cooperation between the United States and the Soviet in space research.

Dr. Wexler, one of the first scientists to visualize the use of satellites for meteorological observation, was known as the "father" of the Tiros satellite.

SERVED ON U.S. PANELS

He became chief of the Weather Bureau's Science Service Division in 1946 and Director of Research in 1955. During that time, he also served on special Government panels on the biological effects of atomic radiation, polar research, the meteorological aspects of satellites and on the National Academy of Science's Space Science Board.

After receiving a B.S. degree in mathematics from Harvard University in 1932, Dr. Wexler attended the Massachusetts Institute of Techonology, from which he received a Sc.D. degree in meteorology in 1939, while working for the Weather Bureau.

In 1940 he was Assistant Professor of Meteorology at the University of Chicago. He left this position late in 1941 to engage in defense work for the Weather Bureau in Washington. In 1942, he joined the Army Air Force's weather service as a captain.

FLEW INTO HURRICANE

While with the Army Air Force, he initiated weather research that later was developed into the large Air Force geophysics program. In September 1944, Dr. Wexler, with Col. Floyd Wood as pilot, made the first penetration of an Atlantic hurricane. He rose to the rank of lieutenant colonel.

Dr. Wexler served on the Advisory Committee on Reactor Safeguards for the Atomic Energy Commission, as chairman of the Geophysical Research Panel of the Scientific Advisory Board to the Air Force Chief of Staff and as a member of the Meteorological Operations Subcommittee of the National Advisory Committee for Aeronautics.

He had been vice president of the American Meterological Society, a member of the Royal Meteorological Society and the Washington Academy of Sciences and chairman of the Upper Atmosphere Committee of the American Geophysical Union.

No-Action Policy of the New Frontier in Cuba Threatens Communist Expansion in the Western Hemisphere

EXTENSION OF REMARKS

OF

HON. WILLIAM C. CRAMER

OF FLORIDA

IN THE HOUSE OF REPRESENTATIVES

Thursday, August 30, 1962

Mr. CRAMER. Mr. Speaker, recent confirmation by the State Department and CIA together with Presidential statements proves conclusively what has been known for some time, that Communists are in the process of a gigantic military and technical buildup in Cuba in direct contravention to the Monroe Doctrine reenunciated at Punta del Este by the Organization of American States recently.

For over 2 years as a Representative of one of the districts of Florida, that State being 90 miles from Cuba, I have been insisting upon a positive, firm program to oust the Communists and Castro from Cuba and to prevent its military and technical buildup as a jumping-off point for Communists in this hemisphere.

This recent influx of what the administration chooses to call Communist technicians and the importation of Red surface-to-air missiles, together with the admitted military buildup and substantial takeover by the Chinese and Russian Communists of the functions of government again emphasizes the need for and the long lack of a positive program to get rid of Castro.

Instead of such positive action and over my objections the administration has endorsed the $62 million ransom-for-prisoners demands made by Castro in the name of indemnity for the Bay of Pigs invasion and I offered an amendment to the mutual security bill to outlaw this transaction. It barely failed passage and I might note without a Republican vote against it by 134 to 137 in a division vote. This abortive demand for dollars is in direct contradiction to the no-trade policy carried out under Eisenhower in withdrawing the sugar quota, and the followup of withdrawal of trade under President Kennedy to prevent the flow of dollars to Cuba. Representing the tobacco workers of Tampa and knowing that the lack of imported Havana tobacco has hit the tobacco-making industry hard, this sacrifice now being made by U.S. workers to prevent dollars from flowing to Cuba, it is totally unconscionable that the administration would give backing to this indemnity ransom demand, which includes a preliminary Treasury Department ruling making contributions to the exiled prisoners committee tax deductible and refusal upon interrogation of the President to repudiate this scheme to provide dollars to Communist Castro.

During the campaign, candidate Kennedy reiterated many times his intention, if elected President, to take firm action in Cuba, including specifically the recognition of a free non-Communist government-in-exile. This has not been done to date and the Cuban refugees, who themselves, if properly unified behind an effective leader, could do more than anyone else both externally and internally to overthrow the Castro-Communist regime, for many months have been imploring the administration to take such a move so that all of the Cuban exiles and the present and prospective insurgents within Cuba would know that the United States is in support of a free non-Communist government for Cuba and would have hopes of eventual victory. The floundering around today, including the split among the Cuban refugees as to who the proper leader should be, makes this solution to the Cuban crisis most difficult.

The second step should be a declaration of policy by the United States announced to the Communist world the intention of this country to uphold the Monroe Doctrine reenunciated at Punta del Este and backed by the Organization of American States to prevent the inshipment in the future of any additional heavy war materiel in this hemisphere and specifically to Cuba and likewise to prevent the exportation from Cuba to any other hemisphere of revolutionary war materiel and/or forces. Troops were sent to South Vietnam to prevent Communist overthrow and attack from Laos, risking Russian and Red China oppositon but none developed. That country is five to six thousand miles from our shores and yet there is no willingness to prevent shipment of troops and materiel into a Communist-controlled and dominated island 90 miles from our shores. This makes no sense to me or the American people. The excuse is used that the United States should not ruffle the feathers of Russia because of the Berlin situation. That did not prevent troops from being sent to South Vietnam and should not prevent firm action on Cuba. This is, in my opinion, an excuse for inaction which makes no sense.

The President should likewise enunciate the policy of the United States that Alliance for Progress funds which are already supposed to be conditioned upon land reform and other assurances should also be made available subject to further assurances that aid to, recognition of, and trade with Cuba would be withdrawn so that that country would be isolated and to prevent the exportation of communism from Cuba.

The best information available to me, despite denials thereof by the President and the State Department, is that some 450 Communist troops recently did enter Cuba along with the other military buildup and whether or not they were in uniform seems to be nit picking and approaches an effort to mislead the American people as to what is going on in Cuba. Through failure to back up the invading refugees on the Bay of Pigs with military recommended air coverage the immediate opportunity to get rid of Castro was lost and thus the responsibility of the New Frontier. It is equally its responsibility to provide effective leadership in killing off this cancer before it spreads further or becomes a greater danger and this, in my opinion, is our duty under the Monroe Doctrine principles. A failure to provide an effective program is a sign of weakness, not only throughout the world, but in this hemisphere in particular. It is time that it be recognized that the Communists are establishing a little Russia and Red China in Cuba, 90 miles from our shore, and if this is realized then action necessarily follows. I add to my remarks a very well-reasoned column by Henry J. Taylor, which also reasons that this buildup is obviously interference in our hemisphere contrary to the Monroe Doctrine:

CUBA EMBARRASSES J.F.K.

(By Henry J. Taylor)

The heroes' shells that richocheted across Havana Harbor into the Soviet-infested Rosita de Hornedo Hotel were the shots of liberty. This is the agonized voice of the oppressed about which we preach so much to far-off places and do nothing about in nearby Cuba.

Cuba embarrasses President Kennedy. He systematically attempts to tuck Cuba under the bed. This is human. But no greater disservice could be done to the human spirit there, to the integrity of the United States, our hemisphere and the peace of the world.

On a public relations basis, one of the administration's major objectives is to keep this horror-stricken island out of the headlines. The mold was cast immediately after the Bay of Pigs debacle. For this public relations purpose, Mr. Kennedy advanced his Vienna meeting with Khrushchev and surprised President de Gaulle and Prime Minister Macmillan by going abroad and entering into full pageantry months before he originally intended to, or should have gone.

The diversion process continues. But it still leaves our Cuba business unfinished. How long can the United States pretend nothing is happening in Cuba and turn its gaze the other way?

Mr. Kennedy warned Castro, "The United States will not tolerate a Communist regime 90 miles from our shores." We not only tolerate it; we actually help it. First, we help it by not constantly condemning in any effective way the barbarianism there.

Protocol wristslaps, yes. Wrath, no. If the steel companies could evoke such wrath from Mr. Kennedy, why cannot Cuba?

Next, we help Cuba in the United Nations. Assistant Secretary of State Harlan Cleveland recently testified before a Senate subcommittee that the State Department had diverted other funds to pay delinquencies in the U.N. for several Iron Curtain countries—including Cuba. Moreover, through the abused machinery of the U.N.'s World Health Organization in Geneva, we have paid Russia for trucks and jeeps to send to Castro.

Lastly, we help Cuba mightily by having a policy that is no policy at all. Admittedly, enemy rocket sites are available there from which to reach Miami, Cape Canaveral, and even Washington (only 1,139 miles), New York (1,317), Boston (1,601), Chicago (1,333), Kansas City (1,497), Denver (1,819), Los Angeles-San Diego (2,299), and easily as far as Seattle (2,843) on a pinpoint basis.

Why does the administration consistently pooh-pooh and soften the indications these rocket sites are being built? If you were Khrushchev, wouldn't you build them? Disliking the inevitable does not make it less inevitable.

We have a great U.S. naval base right on the island. Scores of Russian transports, loaded to the gunwales with "technicians" and military equipment, steam past it every week. In effect, Cuba has been invaded. If Mr. Kennedy cannot conveniently see that this is interference in our hemisphere by foreign powers, it is high time the American people forced a better policy than "let the dust settle."

The World Needs the Truth About America

EXTENSION OF REMARKS

OF

HON. CARL ALBERT

OF OKLAHOMA

IN THE HOUSE OF REPRESENTATIVES

Thursday, August 30, 1962

Mr. ALBERT. Mr. Speaker, I have just completed reading a most thought-provoking and inspirational book by Attorney General Robert F. Kennedy, "Just Friends and Brave Enemies," realistically outlining the problems facing this Nation in opposing the insidious and skillful Communist effort to win the battle for the minds of young people in many countries around the world.

The Attorney General has written an interesting and lively report on his energetic trip around the world last February to 14 countries, including Japan, Indonesia, and Germany.

The accounts of the Attorney General's spirited discussions with students, labor leaders, officials, and businessmen are worth reading by anyone who intends to travel overseas. His candid answers to questions about the United States and the American people demonstrate what one person can do to help get the truth abroad.

The Attorney General found an appalling amount of misinformation about the United States, our people and our system of government. He states that the Communists have gained the initiative in the fight for the minds of the men and women who will be the leaders of their countries 5, 10, and 15 years from now. So, it is in the last chapter in which he poses the problem and makes worthwhile suggestions for meeting the Communist challenge, that the book is particularly notable.

The Attorney General's recommendations to get the facts about us and our way of life to the peoples in foreign countries and the need for an imaginative, tough, and self-sacrificing effort on our part, are contained in an article which appears in the most recent issue of the Saturday Evening Post. Under unanimous consent I insert this article in the Record.

The World Needs The Truth About America—Writing From the Experience of His Recent World Tour, the President's Brother Proposes a Plan To Sell U.S. Ideals on an Open Market

(By Robert F. Kennedy)

Last February in Indonesia an aggressive young Communist student insisted that the United States supports colonialism because we do not stand with Indonesia in its dispute with the Netherlands over West New Guinea. I was interested in learning if he and his vocal companions, who were loud in their criticism of colonialism, were sincere or just propagandizing. Did they oppose the Chinese in Tibet, or the Russians in Hungary, I asked them. They responded that these were not examples of colonialism as the people in those countries supported the regime and had asked for the help of the Chinese and Russian armies. What about East Berlin, I asked. If the people supported the regime, how did they explain the wall?

"Let's talk about West New Guinea. We don't want to discuss details. We want to talk about West New Guinea," the young Communists replied.

I received no support from any other member of the audience of 30 or 35 youth leaders. After the meeting four or five students came to see me, however. They said I was absolutely correct about Communist colonialism. I asked why they didn't say so at the meeting. They explained that they could not speak up because it just was not done. No one criticizes communism, they said.

This incident illustrates one side of a paradox—that the Communists have taken the initiative in seeking to win the allegiance of young people in foreign lands, particularly the new countries, and in some areas have absolutely no opposition. The other side is that despite this, but because of other things we have done throughout our history, there is a tremendous reservoir of good will toward the United States. On our trip to Japan, Indonesia, Germany and 11 other countries we encountered some anti-American demonstrations, but these represented a minority point of view. In these countries and all around the world—among students, intellectuals, officials, businessmen, and labor leaders—there is a profound unspoken admiration for America and the American people. We encountered it over and over again in kind words, the enthusiasm of students, the faces of children and the laughter of grownups. But this reservoir is as yet untapped, and this is the meaning of the failure of the Indonesian students who sided with me to participate in the meeting. This is a tragedy of the past, but it is also the challenge of the future.

CRUCIAL QUESTION OF CIVIL RIGHTS

I returned home convinced more than ever that what we do here in the United States will have a major effect on how we meet this challenge and whether we retain our position in the world. We must first keep ourselves prepared militarily, but we must also build our strength in such domestic areas as civil rights, economic productivity, and social security. The struggle we face will take all our effort over the next two or three decades. It will exact a tremendous price. But it is a price we must pay, for if we do not succeed, we lose all.

Particularly in the field of civil rights we must put our own house in order. In every country we visited, at every stop we made, we were asked about the violation of civil rights in the United States. In Japan, in Indonesia, I sensed the hurt and the hostility in many of the questioners. To them I honestly admitted our weaknesses, but I also pointed out the gains we have made and the efforts of the administration and the American people. I told them of the progress we are making in voting, transportation, Federal employment, employment by Government contractors, and also in other fields not directly related to civil rights which nonetheless have a major economic effect on Negroes, such as the minimum wage law, housing, and the extension of social security.

We must realize, however, that as long as major inequities exist anywhere in our country, we will have problems abroad. We have to move ahead here in the United States not only because it is right but also more selfishly because our freedom and our strength overseas depend upon our progress. We cannot successfully portray ourselves as believing in the Constitution and freedom if at home we treat a portion of our population as inferiors.

It may appear incongruous to say that our foreign position will be determined by what we do to find employment for the miners of West Virginia, for the unemployed of the iron range of Minnesota, or for the 26 million young people who will join the labor market in the next 10 years. But it is true. Our democratic, free enterprise system is competing with Marxism in a worldwide arena. America's position throughout the world, as well as the general cause of freedom, will be affected by the way we handle these problems, as well as our treatment of freedom riders or sit-ins or any others who are struggling for equality. If major progress is not made in these purely domestic areas now and in the next decade, our world position will be seriously shaken.

The leaders of the nations of Asia, Africa, South America, and the Middle East during the sixties, seventies, and the eighties will be the intellectuals, the college students, the labor leaders of today. We cannot change their minds and interest them in democratic principles unless we are successfully practicing them at home.

When I visited Bonn, the first question asked by a group of German students was, "Why is the United States so unpopular with intellectuals and university groups, especially in Asia?"

That conclusion is widely accepted here in the United States as well as abroad. Certainly that was my understanding before taking this trip. It is a verdict which I now believe to be completely unwarranted. However, unless we take major steps immediately, 10 years from now it will be true. We must begin now to answer the cries that are raised against us.

An analysis of the worldwide impression that our system is unpopular can reveal the source of our difficulties, our problems, and some possible solutions. First, we must recognize that in many countries, as we saw on our trip, there is a strong and vocal Communist opposition to the United States and to our way of life. This opposition is well organized. Highly disciplined cadres concentrate their activities in universities, labor organizations, and intellectual groups. Most frequently the leaders are energetic, courageous, and articulate. They have a party line they follow rigidly. They know exactly what they think. They know where they are going, and they are willing to use any means to achieve their ends.

Within each of their countries, these groups exploit, frequently with devastating effect, the areas of differences between their country and the United States. In those countries which were formerly colonial possessions, the local inhabitants are apt to have an anti-European bias, and the Communists are frequently successful in their efforts to associate us with that antagonism. Beyond that, they take advantage of their nation's policy differences with the United States.

Communists vocally and actively back Indonesia's claim to West New Guinea. They assert that our failure to support Indonesia's position indicates that we support the Dutch and therefore, favor colonialism.

In Japan the Communists call for us to return Okinawa. Why, they contend, should we be occupying the Ryukyu Islands so long after the war? Again local sentiment is aroused against the United States.

Added to all this is the Communists' dedication. I think back to the young man who stood 10 feet from me at the University of Indonesia in Jakarta and hit me across the face with a piece of hard fruit. He was willing to risk prison to demonstrate his hatred for a representative of the United States.

Against this, as I saw repeatedly, there is no one to question the Communist positions, their facts. There is no pro-democracy organization. There is no disciplined and calculated effort to present another side.

And so it is that a small, able and well-trained unit can take over a meeting or an organization, or even a government.

That was the important lesson of my visit to Waseda University in Tokyo. Approximately 100 students, a small fraction of the 3,000 present, were able to cause near chaos at this meeting. The disrupters, located strategically in twos and threes throughout the jammed auditorium, began to shout and jeer as I started to speak. Bedlam spread. The Communists were yelling, "Kennedy, go home." The anti-Communists were yelling back, and the others were yelling for everyone to keep quiet. Once, when I began to answer the extended argument of a particularly loud-voiced young Communist, every light in the house went out, and the microphone went dead. The power had failed—I could not believe by accident. It was 15 minutes before I was able to resume.

STUDENT HUNGER FOR FACTS ABOUT UNITED STATES

Those devoted young Communists did not want to hear a representative of the United States, and they did all they could to see that no one else could hear. They knew that, if they succeeded, they would seize the newspaper headlines, and the impression would be created once again that university students are antagonistic to the United States. The incident would be further evidence to the rest of the world that intellectuals in Asia are pro-Communist and opposed to America.

Of course, I do not claim that the rest of the students in the hall or outside in the courtyard supported the United States. Nor does the fact that there were no disturbances at Tokyo's Nihon University, or on the campuses at Bandung or Jogjakarta, indicate an acceptance by students at these universities of the American way of life.

But such students are not Communists, they don't accept communism, and they have open minds. That is what is important. They asked many questions about the policies and programs of the United States. Some of the points they raised implied fundamental criticisms of our role in foreign policy and of what we are doing in the United States. By and large they were looking for facts. They were hungry for knowledge, as were the vast majority in every student group to whom I spoke. The student bodies before whom I appeared were as friendly as any other group I had ever addressed, including any in the United States. They are puzzled about many things in the United States, and they want explanations. They hope the answers will give them the truth. But what they have been searching for we have not made available. True, we have given generously of economic aid, but the ideas and philosophies for which they hunger have not been forthcoming. They need—and want—more; it must be made available.

COMMUNIST INDOCTRINATION AT WORK

The amount of misinformation, as well as the lack of information, about the United States and our system of government in these countries is appalling. Many of the students and intellectuals think of the United States as it was 50 or even a 100 years ago. When I met with a group of labor leaders in Tokyo, Mr. Akira Iwai, representing Sohyo, Japan's largest union, asked me in all apparent innocence, "The basic character of your nation is capitalism, isn't that true? With Morgan, Rockefeller, and all of these in control?" Even men such as Mr. Iwai, of great influence among their countrymen, know nothing of our social gains and little of the aims and aspirations of our people and our Government. The Communists' propaganda machine constantly spews out its facts and figures and its version of how to solve the problems of the world. They broadcast the line that the Soviet Union and Communist China hold the correct philosophy and that the United States is always in error. The United States, on the other hand, is to them a system of "capitalistic imperialism," and everyone from Marx to Khrushchev knows just how cruel and aggressive that system is.

Colonialism is an evil and, as I learned from repeated exposure to student groups, colonialism and capitalism, even imperialism, are interchangeable terms in the minds of many. Because the United States has a capitalistic system, the Communists can charge that, given the opportunity, this country will seek to continue a system of exploitation. The Communists, being opposed to capitalism, are therefore automatically opposed to colonialism. These arguments obviously strike a responsive chord.

No one comes forward with an explanation of the modern-day United States; no one counters with the fact that modern-day colonialism is tied to communism, not capitalism. No one is there to talk about Latvia, Lithuania, Hungary, Poland, Tibet, or East Germany, and East Berlin.

No one is prepared to counter the Communists' arguments with facts and figures. Further, if a representative of the United States arrives in a country to explain the American point of view, a small minority causes a riot, disturbs the performance or disrupts the speech. The incident makes headlines across the world and creates exactly the impression the Communists wish to create—that students oppose Americans. On the other hand, a Communist comes to speak. Those who truly believe in the free system realize that opposition viewpoints should be aired. The Communist speaks, the audience listens, and there is no display. Because of the contrast, the student body is thus pictured as disliking the United States and supporting communism.

We are victims of a smart, articulate, well-organized minority which has kept us continuously on the defensive. We have permitted it to happen; we have allowed it to continue. If we do not meet the problem head on, if we are not ourselves imaginative, tough, dedicated, willing and self-sacrificing, the struggle with the enemy will not be won by them, but lost by us.

In Japan today there are more than 700,000 college students; in Indonesia there are 75,000, where before the war there were only a few hundred; the same situation is true in countries all over the world. These are the people who will be making the decisions in the next decade.

There is a great deal we can do to make available to them the facts about us; to impress upon them that our system of government has made progress in the last 50 years; to let them know that our way of life is far different from what Marx described a hundred years ago; that this progress has been made under the banner of freedom. Fortunately we still have time to take the necessary steps to win the fight for the minds of these young people.

TAKING THE PROPAGANDA OFFENSIVE

These are some of the basic things that we can do:

To all these nations I would send groups of men and women to lecture, not just about the United States and our form of government or about democracy generally, but also about history and philosophy and literature and even more practical matters.

I would have people talk about some of the successes that we've had in the United States and the problems we have had to overcome. I would tell them more about what we have been able to accomplish. I would tell, for instance, about our farms and farm production. This area has largely been ignored. It is the backbone of any society. The failures of the Communist system are apparent while the successes that are being enjoyed in the United States and under the free system are extraordinary. In the free world we recognize the dignity and the worth of every individual and the aspirations he has to improve the living conditions of himself, his family, and his community. The individual is not just a cog in the state machine, as he is when he lives under Communist control. History has recorded the deaths and the heartbreaks in the Soviet Union in the 1930's, during the efforts to impose the Communist system. The newspapers have reported that hundreds of thousands of Chinese have been slowly starving under the collectivization program in the past few years. Certainly comparisons can be made of the relative successes of the two systems.

In the United States a single farmer can cultivate more than three times as much acreage as a farmer on a collective or state farm in the Soviet Union. Furthermore, there is a tremendous contrast in the output per acre. The Soviet Union farm averages 21 bushels of corn per acre to our 55 bushels; 11 bushels of wheat per acre to our more than 26. Most importantly, 48 percent of the labor force in the Soviet Union works on the farms, and they are afflicted with many shortages. In the United States 8 percent of our labor force works on our farms and produces tremendous surpluses.

Compare what has happened in Germany since she was partitioned—West Germany living in freedom and recognizing human rights, and East Germany existing under communism with the individual reduced to a tool of the state. East German farms are now 20 percent below prewar production while West Germany is 41 percent above. In virtually every commodity—wheat, rye, barley, oats, potatoes, to mention a few—West Germany outproduces East Germany in units per acre. Those are only examples of what can be done and what has been done by men under a free system. We have not made sufficient effort to tell this story. And this is only part of it. For the history of America—and, in fact, America today—is full of ideas that are far more exciting and revolutionary than the systematic, pushbutton answers of Communist doctrine. I would like to see more Americans making this point. By not doing so, we are leaving most of the world with the illusion that the only modern philosophy belongs to Marx. Mere anticommunism is not a philosophy; it is no substitute for really knowing what this country is about. Its history, its philosophy, its political thought are all available. They just need to be used.

Most importantly, those we send abroad should go to learn, to listen and ultimately to report to the American people on the aims and problems of the people with whom they meet. They should go to as many universities as possible and should confer with labor leaders, farm and cooperative heads and government officials. The people sent should have a thorough knowledge of the history of the United States and the philosophy of our Government and our people.

Many people more than qualify: **Frank Church**, **Eugene McCarthy**, **Hubert Humphrey**, **Paul Douglas** and **John Sherman Cooper** in the Senate, to mention a few; Cabinet members such as Stewart Udall and Orville Freeman; and many Members of the House of Representatives and of our State governments, both Republican and Democrat.

Outside the auspices of the Government I would also like to see private citizens, such as some of our university professors, playwrights and poets, as well as articulate businessmen and labor leaders, travel under the same kind of program. I would like to see men like Walter Lippmann or David Brinkley tour the Far East for a month, giving talks and answering the questions of students and intellectuals. They, like their Government counterparts, in question periods and at appropriate times, should discuss the United States frankly, admitting our shortcomings, stating our efforts to overcome them and pointing out this country's successes and accomplishments. We need people who have done their homework and who are not afraid to speak out.

HARNESSING THE FREE WORLD'S YOUTH

I would have our Government information agencies and services talk to other peoples more about fundamentals in the United States. I would have them explain the social progress being made in this country, what people are doing for one another, what contributions altruistic organizations such as the United Funds, March of Dimes, and the Ford, Carnegie and Rockefeller Foundations are making to the American way of life.

I would encourage other free countries of the world to set up their own "peace corps" with the understanding that our organization would cooperate closely with them. There is much, for instance, that young Japanese could do in Southeast Asia, and I am convinced that they would be willing to do it. Many of the young people that I saw in Germany, France and the Netherlands are as eager as young Americans to help their fellowmen in countries less economically fortunate. In all of the students with whom I talked, I found an idealism and a thirst to make the world a better place in which to live. This is a tremendous potential, and it must be harnessed.

To make this kind of program effective or to give any of our efforts real meaning, I repeat that we must live up to our ideals within the United States. We will have a difficult time in selling students in Jogjakarta or Abidjan or Montevideo on our economic system if they read about coal miners in West Virginia being chronically unemployed. It will be impossible to establish our way of life as the one being the most nearly perfect if the crime rate continues to rise four times as fast as our population increases.

And finally we must, despite the tragic disappointments of history and the agonizing betrayals of the past 30 years, constantly seek peace through controlled disarmament, while living with the bitter irony of the need for present military strength in order to maintain our freedom and that of other countries. This is a matter that is recognized by all. A high official of Indonesia, a country frequently critical of the United States, said that his country would lose its independence if the 7th Fleet, with all that it implies, were ever removed from the Far East.

HONEST TALK ABOUT DISARMAMENT

We have taken major steps to keep ourselves prepared. But all of us look and plan toward the day when the major powers of the world will sign a treaty to insure general and complete disarmament. The United States has established an Arms Control Disarmament Agency dedicated to pursue that goal. All this Agency's efforts and all its energies are trained in the direction of disarmament success.

If nations of the world are to find any solution to the challenge of disarmament, it will have to be based on honest discussions and negotiations on specific points. If disarmament is to be feasible, it must be submitted to the authority of international control under a rule of law agreed upon by the various countries. Disarmament cannot be successful if provisions are not made to prevent any state from gaining a substantial military advantage over other states. To be meaningful or effective, a system for international inspection and control must be devised and adhered to.

President Kennedy has presented to the United Nations a specific, detailed, three-stage program to reduce existing armaments and stockpiles and establish a system of inspection and control. It is the most thorough and far-reaching plan that has been suggested by any country.

Unfortunately, until now the Communist system has shown no inclination to accept adequate and necessary safeguards. And the turmoil of the world, from Berlin to Laos to Vietnam to Cuba, dims the prospects for the future.

However, we feel we must continue to make the effort; that if we do not try, no progress will ever be possible.

In the meantime, we know that nothing can be accomplished if we let down our guard—if we are weak. We learned that in the Second World War, and the lesson has been relearned many times. We must remain strong, because only through strength can there be a chance for peace.

Quite aside from the need for military strength in the absence of controlled disarmament, we must endeavor to lead in scientific exploration. The courageous flight of John Glenn, which took place while we were in Rome, did more to establish our prestige and our position throughout the world than almost any other single incident. It was something that was needed by all of us here in the United States. But even more than that, it was the one single event that gave our friends around the globe heart and courage.

Other countries also must realize their responsibilities. As I told an audience of Germans at Bonn, the countries of Europe through their own efforts and ingenuity but also through generous aid from the American people, have been able to rebuild their devastated lands. These countries which are thriving economically have responsibilities now to the more backward countries of Asia and Africa. Some of them have moral responsibilities to former colonial areas, which in many instances in the past were outrageously exploited. Now that people in the new nations have gained their independence, they are entitled to help from all of us in this period of transition.

The Communists obviously have been working for years at sowing seeds which are now budding in many places. They now have fixed in the minds of the intellectuals in many countries inaccurate and false impressions about democracy.

We have made mistakes; we have faults. We can admit them, tell of our progress and talk of our accomplishments, material and spiritual. We have truth on our side. But this is not enough. We must sell the truth. We must make very clear the basic distinction between communism and the free world: that we are the heirs of the true revolution that will not accept the status quo and recognizes that the state exists for the individual and that the individual is not the servant of the state; that we live by the rule of law, with all its fundamental guarantees, that the truth will be known and that citizens will be protected from injustice and tyranny.

BANKRUPTCY OF THE COMMUNIST SYSTEM

Every American knows in his heart the truth of the democratic way of life. But a nice warm feeling in the heart doesn't take the place of knowing what he's talking about.

The Berlin wall has demonstrated, in the most dramatic fashion possible, the bankruptcy of the Communist system. The workers' paradise has had to wall in its people. Communism is a system that will not, despite the height of the walls, be accepted by human beings. West Berlin students rescuing East Berliners from Communist control have demonstrated that to be true. The Chinese refugees fleeing to Hong Kong have demonstrated it; the Vietnamese paratroopers demonstrate it. The Special Service units of the U.S. Army serving in southeast Asia demonstrate it. Gen. Lucius Clay demonstrated it in Berlin, his son in Vietnam.

The challenge is whether we as a people and a nation can demonstrate it. This struggle will be long, costly and will require dedication and hard, unglamorous work. It has already taken many lives and will take more. It can be won—but it also can b lost. The decision is ours.

A Tribute to Representative Kathryn Granahan

EXTENSION OF REMARKS

OF

HON. CATHERINE D. NORRELL

OF ARKANSAS

IN THE HOUSE OF REPRESENTATIVES

Thursday, August 30, 1962

Mrs. NORRELL. Mr. Speaker, on August 27 our very able and gracious colleague the gentlewoman from Philadelphia, Representative KATHRYN E GRANAHAN, was the recipient of an extremely high honor. At the Golden Jubilee National Convention of Theta Phi Alpha she was initiated an honorary member of this great women's fraternity—the sixth woman to be so honored in its 50-year history.

As chairman of the Postal Operations Subcommittee of the Post Office and Civil Service Committee, the gentlewoman from Pennsylvania [Mrs. GRANAHAN], has been waging a vigorous and unrelenting campaign aimed at ridding the U.S. mails of traffic in obscenity and pornography. Her speech before the convention, which deals with this very important problem and the moral rot it can bring to our society, follows. I commend it to the attention of my colleagues who, I am sure, will agree with me that the gentlewoman from Pennsylvania [Mrs. GRANAHAN] is herself a perfect example of the forces for good which she feels we need more of in this modern age of secularism, materialism, and indifference:

ADDRESS BY REPRESENTATIVE KATHRYN E. GRANAHAN, DEMOCRAT, OF PENNSYLVANIA, AT THE GOLDEN JUBILEE NATIONAL CONVENTION OF THETA PHI ALPHA FRATERNITY, CLEVELAND, OHIO

Madam Pres dent, distinguished guests, and my wonde ul new friends in Theta Phi Alpha, to say hat I am thrilled and overwhelmed at e great honor you have bestowed upon me here today would indeed be the bigge understatement I have made in the entir course of my life.

Mere wo ds simply cannot do justice to the overp ering sense of humility, gratitude, and ride that I feel at becoming an honorary member of this great fraternity. Thank y all so very, very much.

I assu each and every one of you that I will co inually strive to merit the confidence u have placed in me and to live and work ways in the spirit of the high ideals and ditions of Theta Phi Alpha.

Ho often, over the years, as I have come in c act with Theta Phi Alpha and the fine infl nce it exerts, have I marveled at the tre ndous force for good that it has unle ed, not only among Catholic womanh d, but into every aspect of our national li

nd how many times also have I thought w sorely we need today in this era of secu rism, materialism, and indifference more ch forces for good.

I am probably prejudiced, but it is a strong conviction of mine that our greatest potential force for good today here in America rests in American womanhood. And I say "potential" advisedly.

I do not think anyone can dispute the fact that American women have always been the strongest force in setting the moral climate in which our Nation was born and in which it has flourished. To them in the very earliest days of our fledgling democracy and over the span of years since has been the responsibility of preserving and nurturing the high moral standards of ethics and decency upon which this Nation was founded.

But as we look at our country and the world today, can we honestly say that this particular great force for good has realized all its full potentials?

Individually and collectively, do you not think it is time that we all reexamine our lives and our conduct and ask ourselves if we are exerting the full force for good that we are capable of? Should we not reassert and reaffirm our unified intention to do more? Should we not particularly rededicate ourselves to the protection and enlightenment of our greatest national heritage—the children and young people to whom we soon must pass the torch of freedom and godliness in a world troubled with strife and atheism?

I firmly believe, and this is a matter close to my heart, that there is no area where this force for good can achieve as productive and worthwhile results today as in Government and politics. But women in the Congress of the United States and in other governmental units are still too few to exert the influence for morality and godliness in the affairs of the Nation that they should. There are only 17 women among the 437 Members of the House of Representatives. While representation at State and local levels no doubt may be better, it is still too little—though I hope not to late.

The life of St. Catherine of Siena, patroness of Theta Phi Alpha, is the best example we have of what we all can accomplish by exerting a force for good in public life.

Though at an early age she consecrated herself to God, her good works in His behalf were mainly confined to tending the sick, serving the poor, and working for the conversion of sinners.

These were great works, indeed, and enough to give complete fulfillment to any ordinary life. But our Lord had recognized St. Catherine's great potential for good and in a heavenly vision He commanded her to enter the public life of the world.

And enter into public life she did—with such zeal and devotion that she became the greatest single force for good in the entire 14th century. Her accomplishments were enormous and she left an imprint on the world that has been felt even to this day.

How very much I would like to see St. Catherine be able to bring her powerful force for good to work today on the problem of obscenity and pornography, which has concerned me so much as chairman of the Postal Operations Subcommittee of the House of Representatives. She would find an appalling situation existing that, I am sure, would inspire her to devote every force of her will to correcting.

Every day, youngsters between the ages of 8 and 18, in every city and town and hamlet across the 50 States—in Philadelphia and Cleveland, in Pittsburgh and in Boston, in Los Angeles and in Omaha, in every place you can name, are bombarded with the most revolting kind of filth through the mails, in magazines and books, in some movies, and even now in millions of phonograph records. Every known media of visual and oral communication is laced through with vicious appeals, cleverly and shrewdly designed to arouse improper, immoral, and and destructive thoughts and acts in boys and girls and adolescents. The hucksters of immorality use the natural curiosity of a boy or girl about life as their springboard, and coax and direct this natural curiosity into unhealthy and dangerous avenues with pictures and writings and songs and sounds brimming with depravity, sadistic crime, perversion of natural instincts, and distorted versions of sex.

Not so many years ago, if anyone wanted to read a dirty book or look at a dirty picture, he had to find some out-of-the-way, dirty little shop, hidden away and shrinking from public notice as if to acknowledge its shame—or meet some sneaky character in a dirty alley. Our own recent memories cover news accounts of ominous black cars lurking, covert figures outside of schools and schoolyards—peddlers who took children's lunch money and carfare for their filthy wares.

Well, today everything is different. The suddenness of the change, without our awareness, in itself is shocking. The producers and the marketers of filth have emerged brazenly into the light from their slimy haunts, and some even seem to glory in the achievement of notoriety our society has permitted them to attain.

Today if you want dirty stories or dirty pictures or dirty rhymes and songs, you need not search for a slum hole-in-the-wall shop or sneak into a dirty alley. You don't have to wait for the big black car or the slinking figure of a few years back. You can walk into any one of the thousands upon thousands of bookstores, stationery stores, candy stores, drugstores, bus, rail, or air terminals, subway arcades and so on—and you will find row after row and rack after rack of neat, handy little magazines, paperbacks, books, greeting cards—all manner of fiendish contrivance—openly displayed, with content that would turn the stomach of any vice squad detective.

These things represent billions of dollars a year in the pockets of pornography peddlers—but they represent something else—something much more important. They represent the thousands and thousands of children, in our cities and suburbs, in our towns and villages, whose lives may well have been twisted and perverted through their addiction to them.

Psychiatrists and psychologists have told us that, after their first introduction to these lewd, sex-filled books, the youngsters may soon become "addicts." They're "hooked" by their insatiable curiosity.

A joint legislative committee in New York reported in 1958 that over 25 million dirty magazines were sold each month in that State alone, and that at least 70 percent were sold to youngsters. A special U.S. Senate subcommittee reported in 1957 that 75 percent of all American children already had been reached by this kind of obscenity. Both committees agreed, and my subcommittee studies have confirmed the agreement and we are supported by law enforcement officials, medical and phychiatric experts, and other lay and church authority, that these magazines glorify sin, distorted sex ideas and practices, perversion, and crime.

This rotten philosophy is as near to our children—or grandchildren—as the little candy store, down the block—or around the corner—where they buy their cokes, and comic books and bubble gum. No community is immune—and no child is safe.

All that is necessary to start any child on this road to physical, mental, and moral ruin, is an intermediary—another boy—or another girl—who has already been introduced to this filth—and who may introduce our children to it. And remember this—the "nice" kids are just as curious as the others. Some unscrupulous newsstand dealers have even been known to give a couple of magazines to a group of youngsters—knowing that their curiosity will insure him many future sales.

The record of every police department of every big city in this country is written proof of the effect of this salacious material on crime—especially juvenile crimes.

J. Edgar Hoover, Director of the Federal Bureau of Investigation, recently had this to say about the problem:

"I say that we can no longer afford to wait for an answer. What we do know is that in an overwhelmingly large number of cases sex crime is associated with pornography. We know that sex criminals read it, are clearly influenced by it.

"I believe (and I am still quoting) that pornography is a major cause of sex violence. I believe that if we can eliminate the distribution of such items among impressionable school-age children, we shall greatly reduce our frightening sex crime rate."

One police officer who testified before my subcommittee could not recall a single arrest in a juvenile sex case in which quantities of pornography were not found in the offender's possession. Inspector Harry Fox, of the Philadelphia Police Department, told us recently:

"My men search all juveniles taken into custody. I wish I could lay before you the pile of obscene pictures ripped out of magazines and valued as cherished possessions by these boys. We destroy them with a lecture—but many times this is 'closing the door after the horse has been stolen.' The damage has been done."

Two blocks from my office on Capitol Hill there is the old but very beautiful St. Peter's Catholic Church. Being convenient, it is visited often during the day by many of the Catholic people who work on Capitol Hill. We find it especially convenient for attending mass on holy days of obligation.

Several weeks ago this holy sanctuary was the scene of an event that shocked and horrified the entire Nation's Capital. A young woman secretary to a Member of Congress, paying a visit to the church on her lunch hour, was attacked and stabbed nine times by a man who had been lurking in the shadows while she knelt in silent prayer at our Lord's altar.

The man has been apprehended, thanks to an aroused citizenry that demanded and got prompt action from the police.

He admitted, not only the stabbing attack in the church, but confessed to three recent rapes.

But, let me read to you at this point from the front page story that appeared in the Washington Post on August 9, the day after the arrest was made:

This is the lead paragraph:

"A 24-year-old Southwest Washington man was seized early yesterday in connection with the stabbing of a Congressman's aid and in three recent rapes."

This paragraph is in the middle of the story:

"He has a long police record and has been charged several times previously as a sex offender."

Now, here is the last paragraph of this two-column news account which can be found continued over among the advertisements on page 23 of the newspaper:

"In a suitcase under Jones' bed police found a large quantity of what they described as sex magazines, showing pictures of nude women."

Do you suppose I will ever again be able to kneel in the holy quiet of St. Peter's without seeing over and over the agony that was wrought there before the Blessed Sacrament by a mind crazed and tormented by the "merchants of filth"?

I have been mainly concerned here tonight with alerting you to the fact that there does, indeed, exist in our country today a very serious problem of obscenity and pornography. It is with us, it is bigtime business, it cannot be ignored.

I would have liked to have told you more about the work of my subcommittee in this field, particularly about some of the new legislation which we have been responsible for and about further legislation that I feel is desperately needed.

I could have spent the entire evening discussing with you the recent series of incredible Supreme Court decisions which apparently seek to establish a pattern of life here barren of prayer but abundant with obscenity.

But, in the limited time available, I am content simply to alert you to this terrible menace because I sincerely feel that only when the public is fully informed will we be able to stem the ravages that are caused by filth and smut. I have enough faith in the moral and spiritual backbone of this Nation to know that when thinking men and women get to know the whole sordid story of pornography for profit, they will not long stand by and do nothing.

They will demand, and they will get, better laws and more strict enforcement of these laws. They will form their own community groups to clean up this muck on the local level. They will fight to rid their communities of this cancerous growth which, if unchecked, will insidiously destroy the moral tissue of our great Nation. They will not need be reminded of Edmund Burke's admonition:

"All that is necessary for the triumph of evil is that good men do nothing." But the things that proceed out of the mouth come from the heart, and it is they that defile a man. For out of the heart come evil thoughts, murders, adulteries, immorality, thefts, false witness, blasphemies.

This is as true today as it was when it was uttered by our Lord to the scribes and Pharisees many, many years ago.